

ANZ Commodity Price Index

5 November 2018



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The next issue of the ANZ Commodity Price Index is scheduled for release on 5 December 2018 at 1pm.

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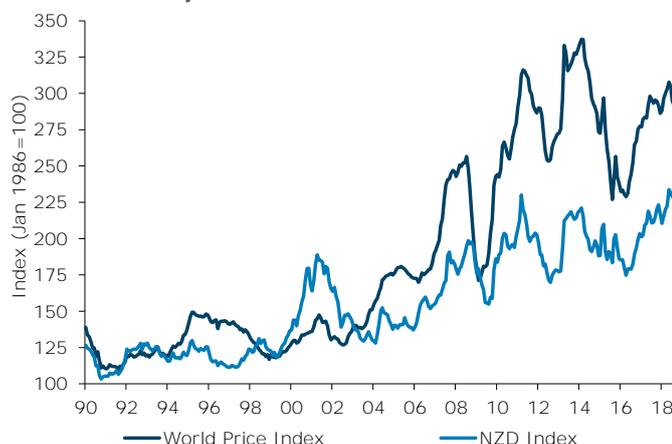
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Five down

The ANZ World Commodity Price Index fell for a fifth consecutive month, down 2.4% m/m in October. The drop was identical to the monthly fall recorded in September¹. Annual growth (-5.6% y/y) is the weakest since mid-2016. The index was driven down by weaker prices for most commodities.

Weaker world prices were partially offset by the softer NZD, which was down 0.2% m/m on a trade-weighted basis. The NZD index fell 1.6% m/m. Annual growth in the NZD index still remains positive for now, slipping from just under 6% in September to 1.6% y/y.

ANZ Commodity Price Index



Source: ANZ

Dairy prices fell 3.1% m/m (-12.3% y/y) and are now at the lowest level since September 2016. Lower prices were recorded for milk powders, cheese and milkfat products. Casein was the only dairy category to lift in price, due to tighter supply of this product relative to other dairy commodities. WMP prices softened 3.3% during the month as seasonal supply put downward pressure on prices. SMP prices continue to bounce around at low levels but gave up the gains recorded in September. High global stocks of SMP will keep the price of **this commodity contained until these clear, which isn't expected to occur until** the latter part of 2019. Butter prices softened by 4.4% m/m and are now down 28.6% y/y.

The **meat and fibre** index fell 2.0% m/m (-4.3% y/y) in October. Lamb prices moved higher during the month but this wasn't sufficient to offset a further fall in beef prices. Beef prices fell 4.2% m/m (-14.5% y/y) as demand from the US for NZ beef remains weak – a trend that will only be accentuated by the seasonal lift in supply which is now occurring. Lamb prices continue to benefit from limited supply, which is helping to keep in-market prices high. At the farmgate level, lamb prices are being held up by low supply as the new season lambs are just beginning to come on stream. The wool industry remains in the doldrums, with prices down a further 5.6% m/m. However, wool prices are currently marginally higher than a year ago (+0.6% y/y).

¹ The overall and dairy indices for September have been revised lower due to a correction in the data.

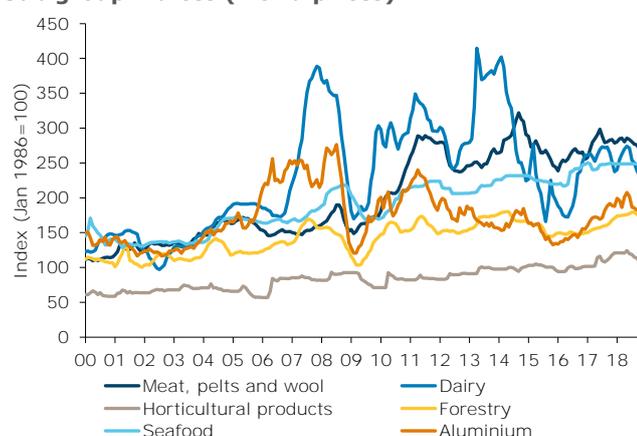
The [horticulture](#) index fell 4.3% m/m with annual growth dropping to 4.5% y/y. Apple prices were down 15.2% m/m as late season product ages, impacting on quality. Kiwifruit remains buoyant, up 0.8% m/m.

[Forestry prices](#) fell 1.5% m/m, but prices are still higher than a year ago (+6.1% y/y). Log prices dropped 2.4% m/m. Logs are now starting to clear from wharves in China as the cooler weather allows for more building activity.

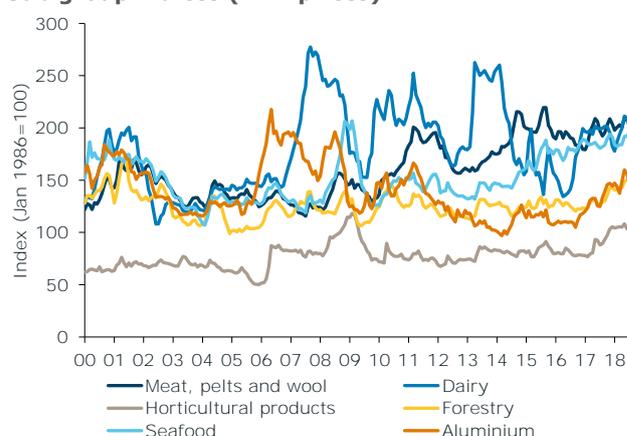
[Aluminium prices](#) lifted 0.3% m/m. Prices are down 4.4% y/y with tit-for-tat trade retaliation between China and the US continuing to disrupt the flow of scrap aluminium from the US to China and product back to the US.

The softening in the NZD during October wasn't sufficient to offset weak global sentiment prevailing in commodity markets. Trade disruption has dented confidence in NZ's main export markets, with the impact on China of particular concern, given our exposure to this market. The CPTPP that takes effect in 2019 will be welcomed by exporters, with a particular benefit being levelling the playing field with Australia for beef exports to Japan.

Sub group indices (world prices)



Sub group indices (NZD prices)



Source: ANZ

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Oct-14	290.3	..	-11.5	198.5	..	-7.0
Oct-15	256.6	..	-11.6	202.7	..	2.1
Oct-16	266.9	..	4.0	193.3	..	-4.6
Oct-17	294.6	..	10.4	220.1	..	13.8
May-18	307.7	1.5	5.4	233.8	5.0	6.8
Jun-18	305.0	-0.9	2.3	231.5	-1.0	7.5
Jul-18	295.1	-3.3	-0.2	228.9	-1.1	8.6
Aug-18	291.9	-1.1	-0.5	229.9	0.4	8.9
Sep-18	284.9	-2.4	-3.6	227.3	-1.1	5.9
Oct-18	278.2	-2.4	-5.6	223.7	-1.6	1.6

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2017 year are: Wool 1.9%; Beef 11.2%; Lamb 9.9%; Venison 0.6%; Skins 1.4%; Dairy 41.0%; Apples 2.4%; Kiwifruit 5.7%; Logs 10.6%; Sawn Timber 3.5%; Wood Pulp 2.6%; Seafood 5.5%; Aluminium 3.8%



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