

## ANZ Commodity Price Index

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The next issue of the ANZ Commodity Price Index is scheduled for release on 3 July 2019 at 1pm.

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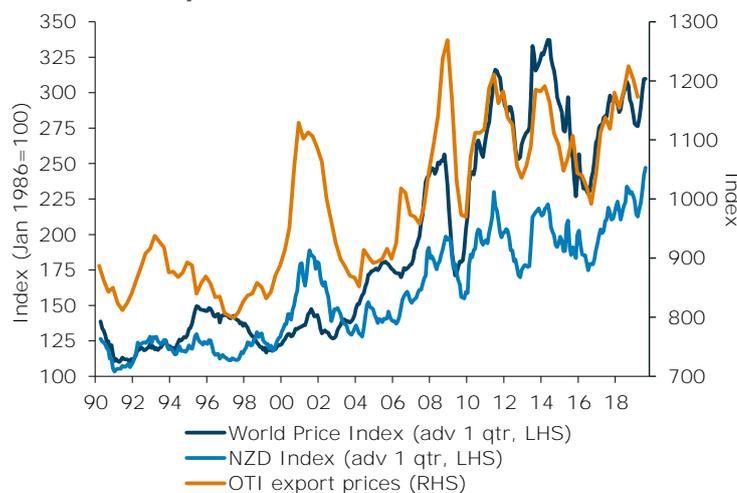
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## Steady as

The ANZ World Commodity Price Index was stable in May, following a revised 2.6% rise in April. The index is now 0.7% stronger than a year ago.

The NZD index lifted 2.3% m/m in May, as commodity returns in local currency terms were bolstered by the softer New Zealand dollar.

### ANZ Commodity Price Index



Source: ANZ, Stats NZ

**Dairy** prices gained a further 0.5% m/m in May, although the upward trajectory of prices present earlier in the year has now come to a standstill. A seasonal lift in supply due to extra milk coming available in the Northern Hemisphere, combined with a late season boost in production in New Zealand, is weighing on prices. Demand from China, the world's largest dairy importer, remains robust. Milk prices in most parts of the globe are low enough to keep milk supply in check which should support commodity prices in the latter half of this year.

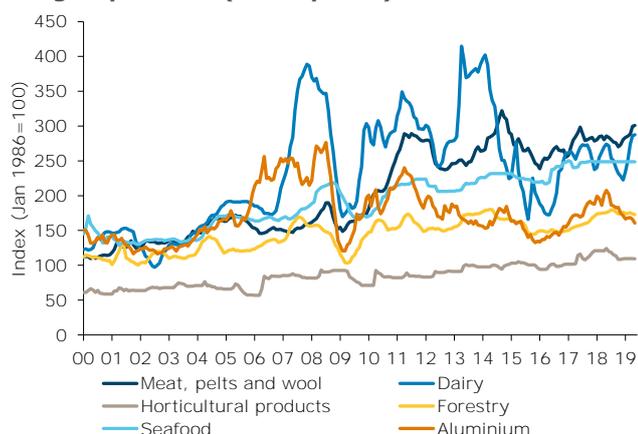
The **meat and fibre** index lifted just 0.4% m/m in May as stronger prices recorded for lamb offset weaker beef prices. Beef prices typically weaken at this time of the year as higher quantities of stock become available and therefore the quantity of meat being offered to the market increases. This year diverting meat towards China rather than just relying on the US market has helped keep price weakness in check.

The **horticulture** index fell 0.3% m/m in May as a lift in new season apple returns was not sufficient to offset weaker prices for kiwifruit. Record levels of kiwifruit have been exported this season to date as a larger portion of the crop is now the gold varieties which mature earlier than the green varieties. The gold harvest is now complete for the season while the green harvest is now in full swing.

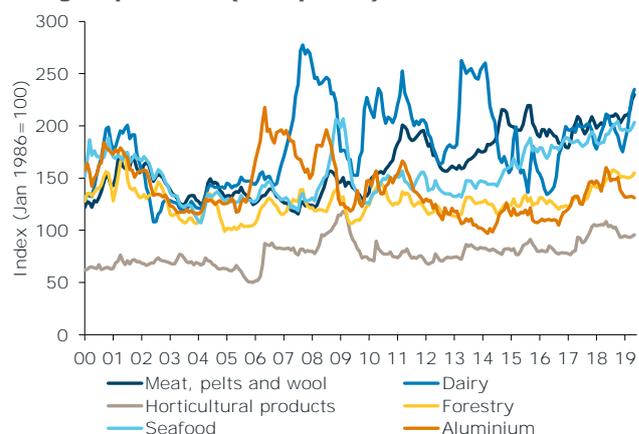
The **forestry** price index fell a further 0.7% m/m in May following a similar decrease in April. Prices for both logs and pulp eased slightly. However, underlying demand from China remains strong with uptake of logs from Chinese wharfs still occurring at elevated rates. New Zealand is exporting more logs than ever before as the quantity of timber available for harvesting now is elevated due to additional land being planted in trees in the early 1990s.

**Aluminium** prices eased 3.3% m/m in May and 23% y/y. Growth in aluminium demand is forecast to slow in 2019 but supply is also under pressure. Recently aluminium pricing has been negatively impacted by the US imposing tariffs on steel and aluminium imports. While this has not directly impacted New Zealand exports it has contributed to the negative market sentiment. Australia does export aluminium to the United States but has thus far avoided tariffs due to an exemption negotiated. However, it now looks like Trump may revoke on the deal earlier made with the previous Australian administration. Elsewhere in the world aluminium production facilities are under environmental pressure. This has resulted in some plants in China being closed. Further scrutiny of aluminium manufacturing processes could be beneficial for New Zealand as aluminium produced here has a very low carbon footprint relative to other production facilities.

**Sub group indices (world prices)**



**Sub group indices (NZD prices)**



Source: ANZ

	<b>World Price Index</b>	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
May-15	<b>261.6</b>	..	-18.0	<b>185.5</b>	..	-8.0
May-16	<b>231.1</b>	..	-11.7	<b>179.1</b>	..	-3.5
May-17	<b>291.9</b>	..	26.3	<b>219.0</b>	..	22.3
May-18	<b>307.7</b>	..	5.4	<b>233.8</b>	..	6.8
Dec-18	<b>276.4</b>	-0.2	-3.4	<b>212.6</b>	-0.7	-2.0
Jan-19	<b>281.9</b>	2.0	-2.2	<b>218.2</b>	2.6	3.6
Feb-19	<b>289.7</b>	2.8	-2.2	<b>222.4</b>	2.0	3.2
Mar-19	<b>301.8</b>	4.1	0.6	<b>231.7</b>	4.1	5.3
Apr-19	<b>309.6</b>	2.6	2.2	<b>241.5</b>	4.3	8.5
May-19	<b>309.8</b>	0.0	0.7	<b>247.1</b>	2.3	5.7

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2018 year are: Wool 1.9%; Beef 9.9%; Lamb 12.1%; Venison 0.6%; Skins 1.2%; Dairy 38.0%; Apples 2.4%; Kiwifruit 7.0%; Logs 11.4%; Sawn Timber 3.5%; Wood Pulp 2.7%; Seafood 5.2%; Aluminium 4.0%



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