

NEW ZEALAND ECONOMICS ANZ COMMODITY PRICE INDEX

Data for August 2016,
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A TURNING WORM

The ANZ Commodity Price Index lifted 3.2% m/m in August. This was the fourth consecutive monthly rise, with prices increasing 10% over this period (11.1% y/y). The monthly gain was led by dairy (+8.3% m/m), followed by seafood (+1.7% m/m), meat (+1.1% m/m) and aluminium (+0.7% m/m). This was offset by a 3.0% m/m decline for horticulture and a 0.8% m/m fall for forestry products.

The NZD commodity price index rose 1.9% m/m in August taking the four-month gain to 4%. **So while a higher NZD continues to weigh heavily on exporter returns there has nonetheless been some trickle-through to the farm-gate.** That said, the NZD commodity price index is still below the same time last year (-0.5%) despite international prices being 11% higher.

In terms of sector specifics:

- **The dairy recovery accelerated with an 8.3% m/m lift in August,** building on growth in the previous two months **to hit a 10-month high.** Wholemilk powder led the group with a solid 11% m/m rise, followed by cheese (+9.7% m/m), casein (+4.8% m/m), butter (+4.5% m/m) and skim milk powder (+1.9% m/m). Slowing milk supply growth across key exporting regions, tight end of season New Zealand inventories and increased demand from China have been the main drivers.
- **Seafood (+1.7%) and meat prices (+1.1%) continue to rise, along with aluminium (+0.7%).** In seafood, an increase in salmon prices was enough to offset a small decline in orange roughy. Lamb prices improved 2.1% on the back of historically low New Zealand supply. Wool (1.8%) and beef (0.4%) rose, while skins fell slightly.
- **Horticulture and forestry prices fell in August.** General European market conditions for fruit remain challenging outside set marketing programs. There has also been more competition from Chile, which is improving its quality standards. Pushing forestry prices lower were log prices (-0.5%) and wood pulp (-2.7%).

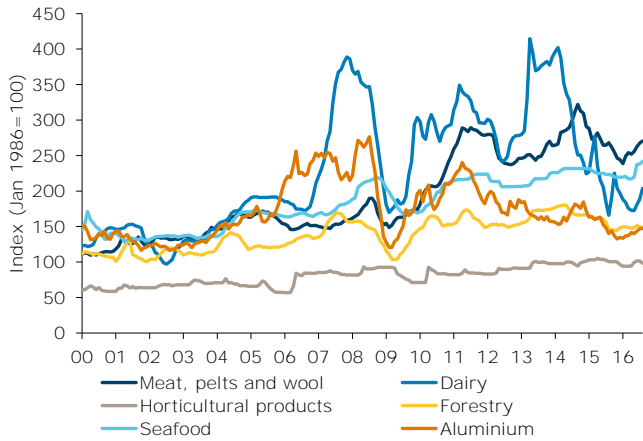
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Source: ANZ

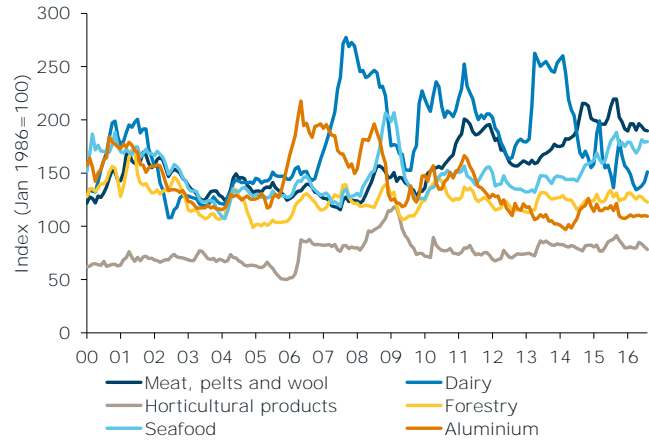
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SUB GROUP INDICES (WORLD PRICES)



Source: ANZ

SUB GROUP INDICES (NZD PRICES)



Source: ANZ

	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Aug-12	254.5	..	-15.7	169.9	..	-14.2
Aug-13	320.1	..	25.7	218.5	..	28.6
Aug-14	296.8	..	-7.3	191.1	..	-12.5
Aug-15	226.9	..	-23.6	183.3	..	-4.1
Mar-16	230.5	-1.3	-22.4	179.8	-3.0	-14.3
Apr-16	228.8	-0.8	-16.8	174.8	-2.8	-8.5
May-16	231.1	1.0	-11.7	179.1	2.5	-3.5
Jun-16	239.2	3.5	-5.6	179.3	0.1	-6.1
Jul-16	244.2	2.1	1.9	178.9	-0.3	-5.8
Aug-16	252.1	3.2	11.1	182.3	1.9	-0.5

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2016 year are: Wool 3.2%; Beef 12.4%; Lamb 11.6%; Venison 0.7%; Skins 1.9%; Dairy 39.3%; Apples 2.3%; Kiwifruit 5.4%; Logs 7.5%; Sawn Timber 3.7%; Wood Pulp 2.6%; Seafood 5.5%; Aluminium 3.9%

***** Please note horticulture prices from April 2016 have been revised due to an error. This has caused a small revision to the overall indexes *****

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