

## ANZ COMMODITY PRICE INDEX

Data for May 2018,  
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## WITH CHEESE ON TOP

**The ANZ World Commodity Price Index lifted 1.5% m/m in May, the fifth consecutive rise in 2018.** Of the 17 commodities, ten rose, three were unchanged and four declined – the largest contributions came from cheese, skim milk powder and lamb, together making a 1.1%pt contribution to the monthly change. Prices rose across all broad categories except seafood, which was unchanged. Aluminium prices lifted by most (up 3.2%), finding further support from global trade tensions; horticultural prices (up 2.8%) were a close second.

The NZD depreciated against major trading partners except the GBP. **This helped boost NZD returns 5.0% m/m, lifting annual growth to 6.8%.**

- **Dairy prices made another respectable monthly gain in May (+1.5% m/m, +4.7% y/y).** Prices have been supported by slowing global production growth across major export regions and ongoing strength in global demand. In Europe, production was dampened by cooler weather in February and March, which kept cows indoors longer and reduced pasture development. US milk supply has fallen slightly below trend growth while Southern Hemisphere supply has been growing steadily and demand has kept pace. This has occurred at the same time as tightening margins (albeit off recent highs), courtesy of reductions in farm-gate prices and higher feed costs.
- **The meat & fibre complex (+1.9% m/m) was mixed.** Lamb prices rose 2.9% m/m with solid demand out of China and Europe. Wool prices have continued to lift from low levels, up 5.4% m/m and 18% y/y. Beef prices lifted 1.1%, a partial rebound from last month's 4.2% dip owing to increased manufacturing beef supplies from New Zealand, Australia and the US. New Zealand beef production is higher than anticipated due to the forced cull of dairy cows with Mycoplasma Bovis and higher retention of bull beef calves in the spring of 2016. Skins prices were down 3.0% m/m and 11.6% y/y.
- **New-season horticultural product prices rose (+2.8% m/m) as produce continues to hit the shelf across major markets.** Apple prices lifted 8.2% m/m to be broadly unchanged from a year ago, while kiwifruit prices were up 0.6% m/m to be up 11.5% on last year.
- **Forestry prices continued to grind higher (+0.3% m/m). Impressively, forestry prices have managed to lift in each consecutive month from October 2016.** Domestic and export log and lumber prices remain well above last year, with solid demand both domestically and from China. However, upward momentum has flattened out recently. Wood pulp prices eased 0.8% m/m, but prices should remain supported by solid global demand combined with supply restrictions in China.
- **Aluminium prices rose a further 3.2% m/m after jumping 8.1% m/m in April on trade and geopolitical tensions.** Prices continued to hold at elevated levels in May following April's surge on the back of US sanctions on Russia. Canada is also caught up in trade negotiations. Add to that China's ongoing clampdown on excess production and environmental restrictions, as well as disruptions to supply from one of the world's largest alumina suppliers in Brazil, and the rollercoaster appears set to continue for some time yet.

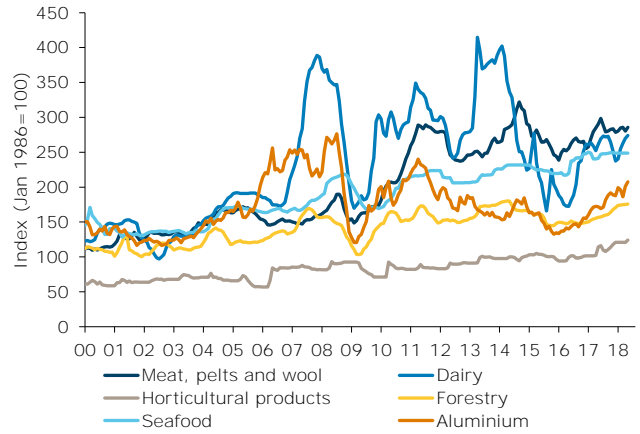
**New Zealand's merchandise terms of trade came off their all-time high in Q1**, but remained at an elevated level, which will continue to support national incomes. Our ANZ Commodity Price Index is consistent with ongoing strength in export prices, which are expected to broadly keep pace with import prices and continue to support an elevated terms of trade from here.

# ANZ COMMODITY PRICE INDEX

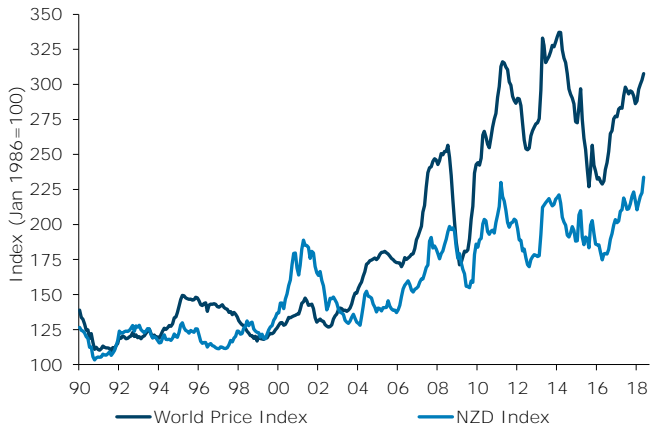
	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
<b>May-14</b>	<b>318.8</b>	..	-2.7	<b>201.7</b>	..	-5.6
<b>May-15</b>	<b>261.6</b>	..	-18.0	<b>185.5</b>	..	-8.0
<b>May-16</b>	<b>231.1</b>	..	-11.7	<b>179.1</b>	..	-3.5
<b>May-17</b>	<b>291.9</b>	..	26.3	<b>219.0</b>	..	22.3
<b>Dec-17</b>	<b>286.2</b>	-1.9	3.2	<b>217.1</b>	-2.8	6.7
<b>Jan-18</b>	<b>288.2</b>	0.7	4.1	<b>210.5</b>	-3.0	4.5
<b>Feb-18</b>	<b>296.4</b>	2.8	5.0	<b>215.5</b>	2.4	6.4
<b>Mar-18</b>	<b>300.0</b>	1.2	5.8	<b>220.0</b>	2.1	5.1
<b>Apr-18</b>	<b>303.1</b>	1.0	7.1	<b>222.6</b>	1.2	5.8
<b>May-18</b>	<b>307.7</b>	1.5	5.4	<b>233.8</b>	5.0	6.8

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%

## Sub group indices (world prices)

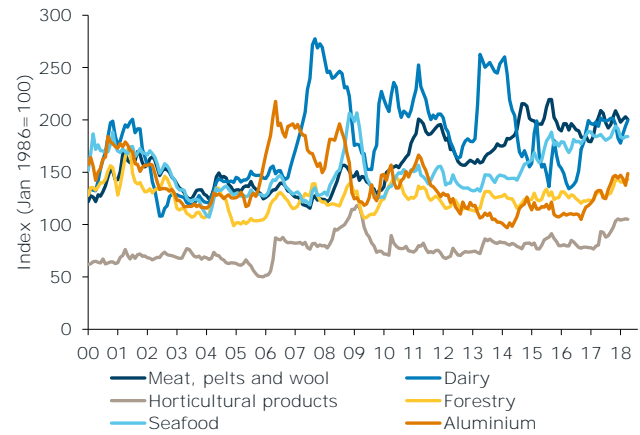


## ANZ Commodity Price Index



Source: ANZ

## Sub group indices (NZD prices)



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