

ANZ COMMODITY PRICE INDEX

Data for June 2018,
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WINTER WOOLLIES

The ANZ World Commodity Price Index slipped 1.0% m/m in June, following five consecutive monthly increases – some payback was due. Of the 17 commodities in the index, five rose, three were unchanged and nine declined. Prices fell across all broad categories, with the exception of seafood, which was flat. Wool prices continue to recover, up 18% YTD.

The NZD had a topsy-turvy month but ended up appreciating against all major trading partners except the USD. This saw the **NZD index dip 1.1% m/m to be up 7.4% y/y.**

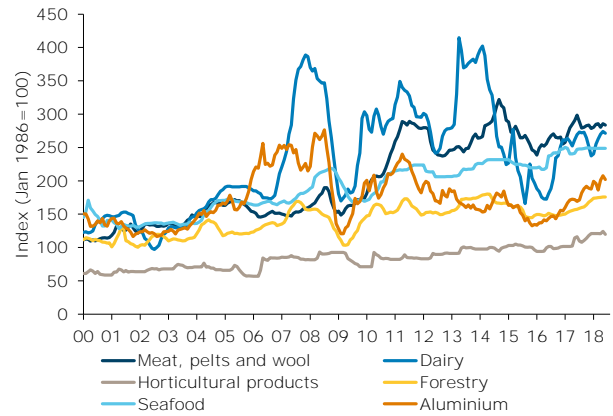
- Dairy prices slipped 1.0% m/m partially retracing last month's 1.5% rise to be up 0.8% y/y.** Skim milk powder was the only dairy component to post an increase, up 2.4% m/m. Whole milk powder was down 1.1% m/m, in part reflecting higher end-of-season inventories. That said, demand for New Zealand product appears to have had a small boost from US trade tensions. Overall, dairy prices continue to hold at high levels, supported by solid global demand, particularly from China, and some recent slowing in global production growth.
- The meat & fibre complex (-0.8% m/m) was mixed.** Beef prices fell 2.8% m/m to be down 12.8% y/y with both global and New Zealand supply remaining solid. Culling due to Mycoplasma Bovis is providing a further boost to supply. Lamb prices rose 1.1% m/m reflecting ongoing solid demand out of China and Europe. Wool prices continued to recover from low levels, up 0.6% m/m and 19.5% y/y (+18% year to date).
- Horticultural product prices (-3.5% m/m) were also mixed.** Kiwifruit prices fell 7.0% m/m, as substantially larger supply of new-season green and gold product hit European shelves. In annual terms, prices were up 1.0%. A 4.2% m/m rise (+5.9% y/y) in apple prices provided a partial offset.
- Forestry price rises halted in June, posting a small fall month on month following an impressive string of consecutive monthly gains dating back to October 2016.** Demand for logs and lumber remains strong both domestically and in international markets (particularly China) and that continues to be reflected in their price. However, upward momentum has flattened out recently. Wood pulp prices eased a further 0.3% m/m, but remain up 28.7% y/y owing to solid global demand and Chinese supply restrictions.
- Aluminium prices fell 2.7% m/m, partially retracting some of the previous two month's increases (on trade and geopolitical tensions). That said, prices are up 19.3% y/y** and are likely to bounce around at a high level on the back of US sanctions on Russia, ongoing trade tensions and China's clampdown on excess production and environmental restrictions.
- While the shine has come off New Zealand's goods terms of trade recently (down 1.9% in Q1 from their all-time high), they remain elevated by historical standards.** Rising import prices (reflecting higher oil prices and broadening global inflation pressures) are expected to limit any significant upside to the terms of trade from here, but recent export price performance should keep it travelling at a high level. On a three-month average basis, the ANZ World Commodity Price Index was up 3.5% q/q in June, with the NZD Index up 6.5%. This bodes well for national incomes. While there may have been a few small positives for New Zealand so far on the back of protectionist trade rhetoric and policy, a more pronounced slowdown in global trade (and therefore growth) risks shifting this dynamic the other way.

ANZ COMMODITY PRICE INDEX

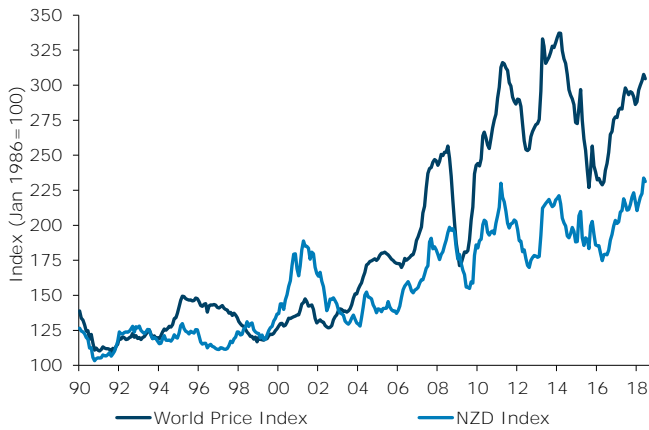
	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Jun-14	315.6	..	0.0	199.4	..	-7.5
Jun-15	253.4	..	-19.7	191.0	..	-4.2
Jun-16	239.2	..	-5.6	179.3	..	-6.1
Jun-17	298.0	..	24.6	215.4	..	20.1
Jan-18	288.2	0.7	4.1	210.5	-3.0	4.5
Feb-18	296.4	2.8	5.0	215.5	2.4	6.4
Mar-18	300.0	1.2	5.8	220.0	2.1	5.1
Apr-18	303.1	1.0	7.1	222.6	1.2	5.8
May-18	307.7	1.5	5.4	233.8	5.0	6.8
Jun-18	304.6	-1.0	2.2	231.3	-1.1	7.4

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)

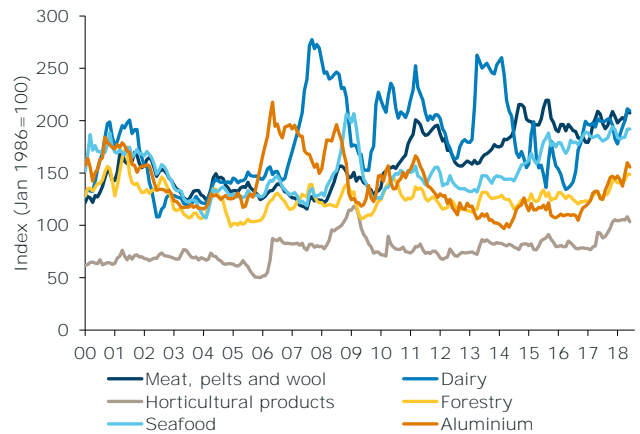


ANZ Commodity Price Index



Source: ANZ

Sub group indices (NZD prices)



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