

ANZ Commodity Price Index

4 June 2020



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The next issue of the ANZ Commodity Price Index is scheduled for release on 6 July 2020 at 1pm.

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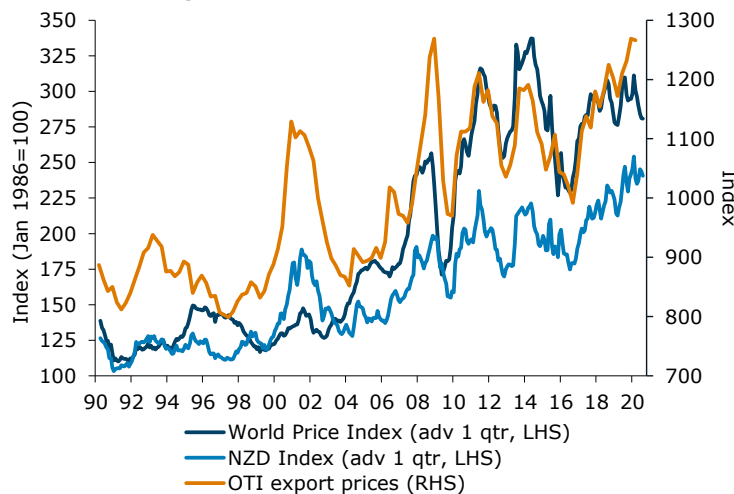
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Foot off the gas pedal

The ANZ World Commodity Price Index fell marginally in May, dropping just 0.1%. Commodity prices have held up extremely well so far given the global market volatility, but prices are expected to ease in the months ahead.

In local currency terms the index fell 1.3% as the NZD firmed against the currencies of most of our trading partners. The NZD gained 0.6% on a Trade Weighted Index (TWI) basis during May.

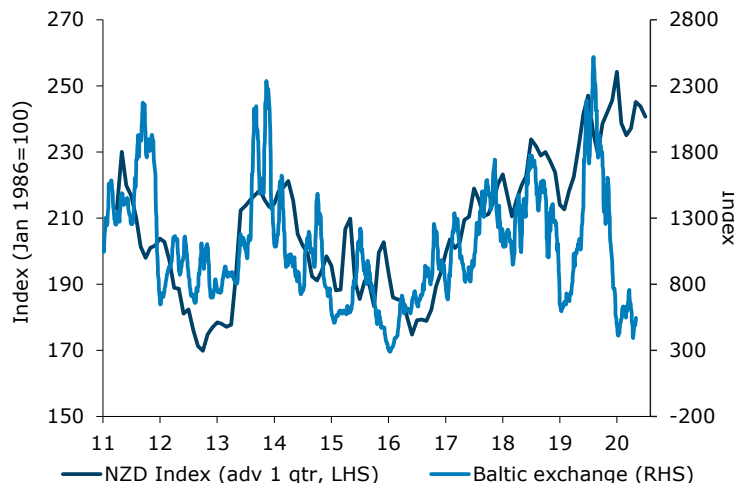
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Shipping costs have fallen further, with a sharp weakening in freight costs seen early in May before prices lifted again towards the end of the month. The Baltic Dry Index, a measure of global shipping costs, fell 16% during the month. Shipping costs are expected to remain low in the coming months due to reduced demand and low fuel prices.

ANZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices fell 5.1% in May and are now 15% lower than a year ago. Prices for all dairy commodities softened, but milk powder prices retained more value than other categories. Butter and cheese prices fell by 8.9% and 9.1% respectively. Further negative pressure on dairy prices is expected but global markets remain highly uncertain, which is why Fonterra has widened its milk price forecast range for the 2020-21 dairy season.

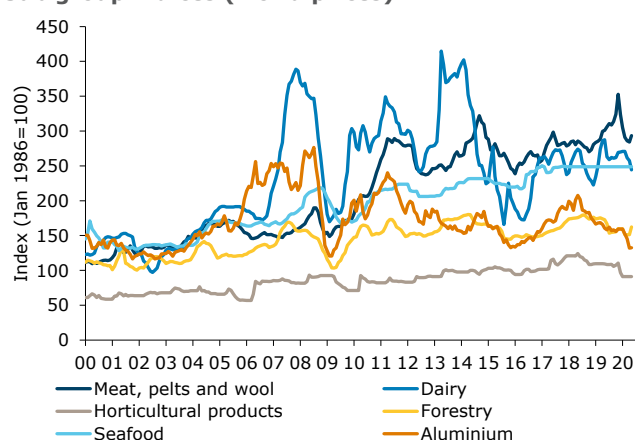
The **meat and fibre** index gained 3.2% in May, reversing the downward trend that had persisted over the past six months. Lamb prices did weaken through the month but this was more than offset by a strong lift in beef prices. Demand for beef has lifted as shortages of meat are occurring in various parts of the globe due to bottlenecks in processing occurring due to plant closures and physical distancing measures put in place to limit the spread of Covid-19. Beef prices are expected to be volatile in the coming months. Demand for more expensive cuts of meat has eased considerably due to less dining out, but lower-grade meats such as manufacturing beef remain sought after.

The **horticulture** index was stable in May. Kiwifruit demand has been very robust, assisted by Zespri's advertising campaigns promoting the health benefits of the fruit. Seasonal shipments are ahead of schedule as fruit reached maturity earlier than normal due to the hot summer. Sungold kiwifruit are doing well in Japan, with demand from this market growing considerably this season. Demand for apples has been mixed, with some Asian markets more challenging than normal. More apples have been sent to Europe as a result.

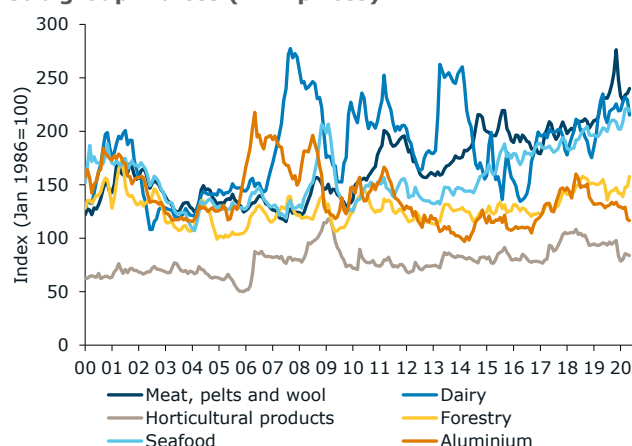
The **forestry** index regained its losses of recent months to lift a healthy 7.4% in May. Log prices are now slightly stronger than they were at the beginning of the year. The sharp turnaround in pricing has been driven by the temporary reduction in supply of logs exported from New Zealand and other main supplying regions. Supply from New Zealand ground to a halt in April as the forestry sector did not operate through the Level 4 lockdown. The drop in supply allowed in-market log stocks to reduce, prompting a lift in prices.

Aluminium prices stabilised in May following the sharp drop in pricing the previous month. Prices are now 17.5% below year-ago levels and in NZD terms are at their lowest level recorded in the past five years. Aluminium demand is expected to remain weak due to the reduction in demand for aircraft and cars.

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
May-16	231.1	..	-11.7	179.1	..	-3.5
May-17	291.9	..	26.3	219.0	..	22.3
May-18	307.7	..	5.4	233.8	..	6.8
May-19	309.8	..	0.7	247.1	..	5.7
Dec-19	300.5	-3.4	8.7	238.7	-6.1	12.2
Jan-20	296.4	-1.4	5.1	235.1	-1.5	7.7
Feb-20	290.1	-2.1	0.1	237.2	0.9	6.6
Mar-20	284.2	-2.0	-5.8	245.2	3.4	5.8
Apr-20	281.1	-1.1	-9.2	243.8	-0.6	0.9
May-20	280.8	-0.1	-9.3	240.7	-1.3	-2.6

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2019 year are: Wool 1.6%; Beef 10.9%; Lamb 11.7%; Venison 0.5%; Skins 0.8%; Dairy 40.2%; Apples 2.6%; Kiwifruit 6.8%; Logs 10.4%; Sawn Timber 3.1%; Wood Pulp 2.2%; Seafood 5.5%; Aluminium 3.6%



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