

ANZ Commodity Price Index

4 August 2021



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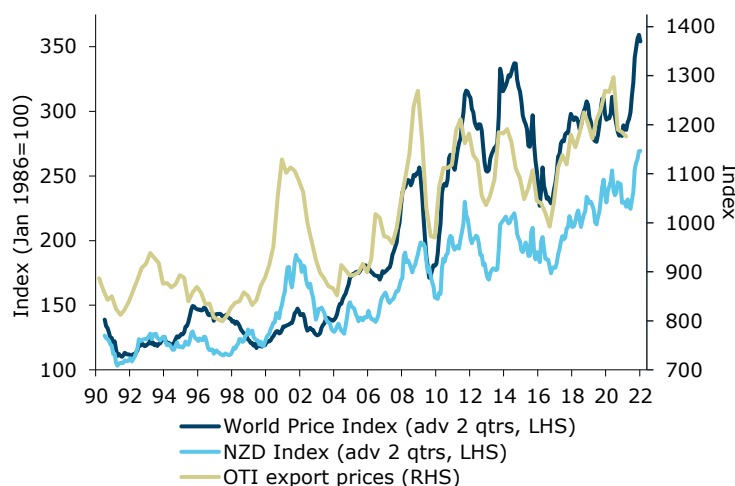
The next issue of the ANZ Commodity Price Index is scheduled for release on 6 September 2021 at 1pm.

Peaked

The ANZ World Commodity Price Index has come off its record level, having eased 1.4% in July. Dairy continued to lose ground and we also recorded lower prices for logs this month.

In local currency terms the index barely changed, lifting just 0.1% m/m, as lower commodity prices were offset by a softening in the NZD Trade Weighted Index.

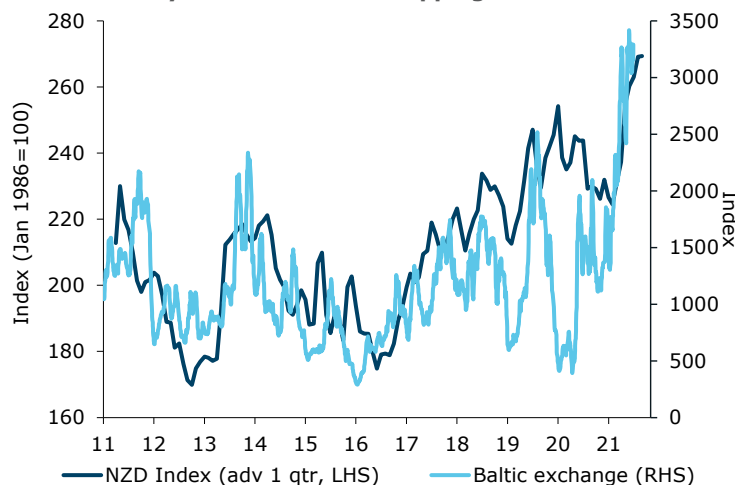
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Global shipping costs are still rising. In July the Baltic Dry Index eased in the first half of the month before regaining lost ground. The quantity of goods shipped globally tends to lift at this time of year as wholesalers start to stock up ahead of busy holiday periods in the final quarter of the year. Therefore, demand for containers and container ships is unlikely to ease anytime soon. Costs for shipping are continuing to rise, as port congestion charges are incorporated into standard shipping fees.

NZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices eased 3.4% in July after easing 1.5% in June. Lower prices were recorded for all of the main export categories except casein. Skim milk powder (SMP) prices eased the most, which reflects the seasonal lift in supply from Northern Hemisphere dairy exporters. Relatively tight global supply should limit further downwards movement in dairy prices.

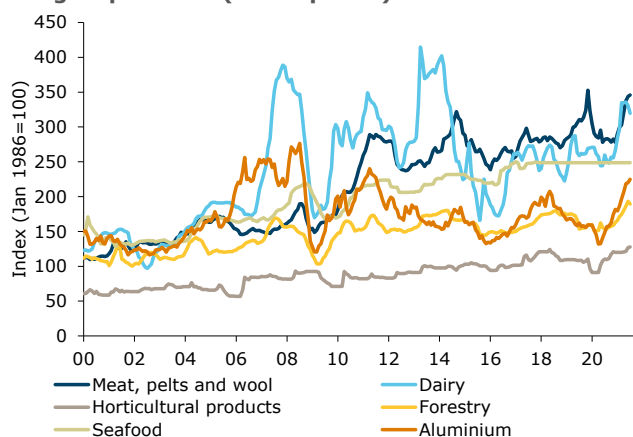
The **meat and fibre** index lifted 0.6% in July. The lift in international prices for lamb more than offset lower beef prices. The drop in the beef prices is due to more supply in the US market as slaughter rates lift in response to drought conditions. Overall, prices for beef are still very high and are expected to be supported by tightening global supply in the coming months. Wool prices continue to lift. Prices are now 55% higher than a year ago, but unfortunately still need to lift further for coarse wool returns to cover the cost of shearing.

The **horticulture** index lifted 0.6% m/m in July. Kiwifruit is reported to be selling well in-market and is benefitting from using charter ships to get fruit to market. Meanwhile, most of our other horticultural industries are fully reliant on container ships to deliver their product.

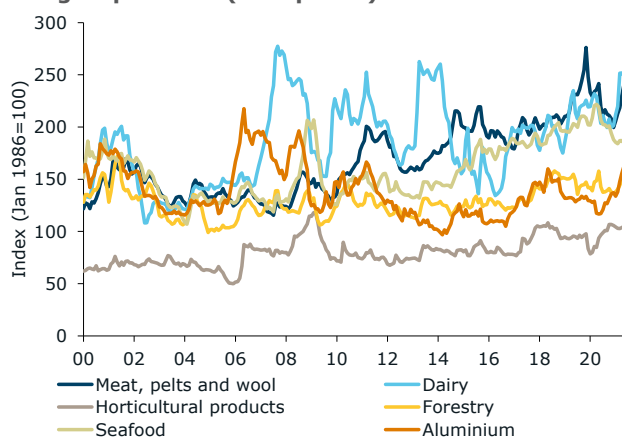
The **forestry** index eased 2% in July. Logs have been trading at lofty heights this year, and even after the recent drop log prices are still 38% above year-ago levels. The recent easing in prices is due to lower building activity in China, which occurs every year during the hot summer months.

Aluminium pricing lifted a further 2.2% in July to continue the upward trend that has been present since October. Supply remains constrained whilst end user demand is strong. The Chinese government sold off some of its aluminium reserves this month, in a move designed to contain prices, but this has little impact on the global market.

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
Jul-17	295.7	..	21.1	210.6	..	17.7
Jul-18	295.1	..	-0.2	228.9	..	8.7
Jul-19	293.6	..	-0.5	229.5	..	0.3
Jul-20	289.1	..	-1.5	229.9	..	0.2
Feb-21	322.1	3.3	11.0	237.3	2.6	0.1
Mar-21	341.6	6.1	20.2	254.9	7.4	4.0
Apr-21	349.1	2.2	24.2	260.2	2.1	6.8
May-21	356.3	2.1	25.2	263.1	1.1	7.9
Jun-21	359.1	0.8	27.8	269.2	2.3	17.4
Jul-21	354.1	-1.4	22.5	269.4	0.1	17.1

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2020 year are: Wool 1.2%; Beef 11.3%; Lamb 11.9%; Venison 0.5%; Skins 0.6%; Dairy 41.4%; Apples 2.8%; Kiwifruit 8.1%; Logs 9.4%; Sawn Timber 3.0%; Wood Pulp 1.9%; Seafood 4.9%; Aluminium 3.1%.



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