

ANZ Commodity Price Index

3 November 2022



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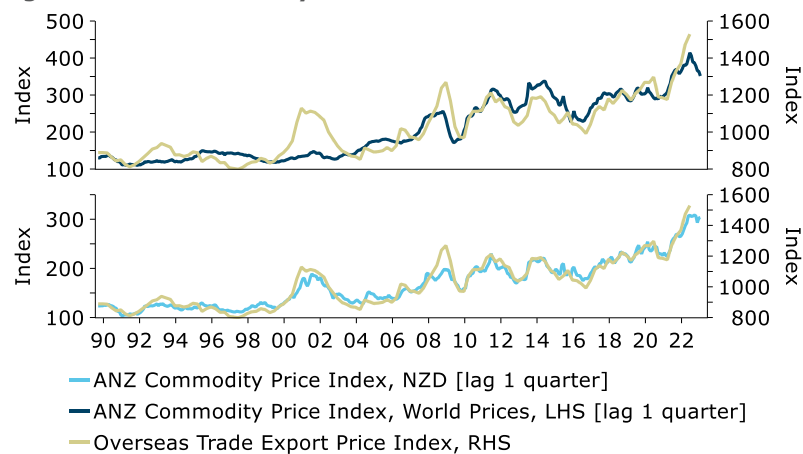
The next issue of the ANZ Commodity Price Index is scheduled for release on 5 December 2022 at 1pm.

Confused by acronyms or jargon? See a glossary [here](#).

Meating demand

The ANZ World Commodity Price Index fell 3.4% in October, as dairy and meat prices eased. In local currency terms the index eked out a 0.3% gain, as the NZD depreciated a further 2.0% against the Trade Weighted Index.

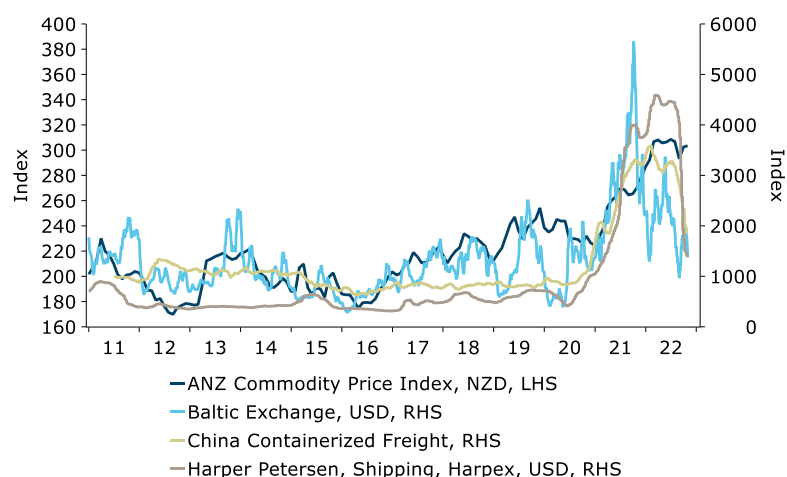
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping prices dropped sharply, particularly for bulk freight, as manufacturing in China slowed and smaller volumes of goods were shipped. Prices for moving containers are also falling on the main global routes, but the cost of moving freight to, and from, New Zealand has not fallen as much due to a reduction in the quantity of ships servicing our ports.

ANZ Commodity Price Index and shipping costs



Source: Baltic Exchange, Harper Petersen & Co., Shanghai Shipping Exchange, Macrobond, ANZ Research

Dairy prices fell 2.8% month-on-month (m/m) in October. Demand has weakened, particularly from China where the economic impact of ongoing lockdowns is impacting consumer demand. Milk supplies both locally and globally are weak, but this has not been sufficient to offset reduced demand.

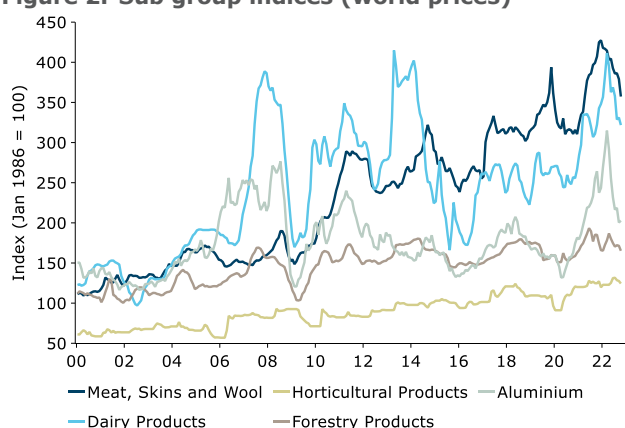
The **meat and fibre** index fell sharply in October, dropping 5.8%. Lamb prices fell the most (-7.1%) while beef (-5.2%) and wool (-2.9%) also dropped. Lamb is being impacted by weaker economic conditions in Europe and China, the main markets for this product. Beef pricing is being pushed down due to plentiful supply in the US as drought conditions result in more cattle being culled than normal.

The **horticulture** index also weakened by 2.5% during October. Apple prices are under pressure due to limited demand and quality issues. Similarly, the kiwifruit picked last season has not stored as well as hoped and this has put downward pressure on returns. Poor weather at harvest and labour issues both contributed to the quality issues that are now emerging.

The **forestry** index also declined in October dropping 3.6%, which was primarily due to lower prices for logs. Reduced shipping costs and the relatively weak NZD have largely offset the fall in international prices, so at the wharfgate level in NZ, prices are stable. The weaker demand for logs reflected the drop in construction and manufacturing activity in China. Local demand for timber is also slowing.

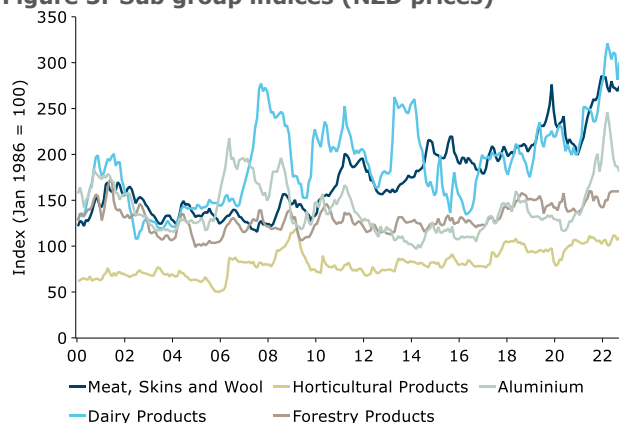
Aluminium was the only sector to record a rise in October with prices lifting 1.2% m/m. Despite the uptick, prices are still 23.3% down y/y. Prices lifted earlier in the month before easing again. Overall this market is still very bearish due to the reduction in manufacturing activity in China.

Figure 2. Sub group indices (world prices)



Source: Macrobond, ANZ Research

Figure 3. Sub group indices (NZD prices)



Source: Macrobond, ANZ Research

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Oct-18	286.0	..	-5.6	223.8	..	1.7
Oct-19	306.7	..	7.2	245.6	..	9.7
Oct-20	299.5	..	-2.3	231.9	..	-5.6
Oct-21	370.7	..	23.8	270.3	..	16.5
May-22	388.9	-4.3	6.2	306.4	0.2	16.5
Jun-22	387.4	-0.4	4.8	308.5	0.7	14.5
Jul-22	378.9	-2.2	4.3	306.8	-0.6	14.2
Aug-22	365.9	-3.4	2.4	293.1	-4.5	10.8
Sep-22	363.7	-0.6	0.2	302.5	3.2	14.0
Oct-22	351.5	-3.4	-5.2	303.5	0.3	12.3

Commodity Price Index weights are based on contributions to merchandise exports for the prior calendar year. Weights for the 2021 year are: Wool 1.2%; Beef 11.1%; Lamb 11.3%; Venison 0.4%; Skins 0.7%; Dairy 40.8%; Apples 2.3%; Kiwifruit 7.7%; Logs 11.0%; Sawn Timber 3.0%; Wood Pulp 2.0%; Seafood 4.6%; Aluminium 3.9%.



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