

## ANZ Commodity Price Index

5 September 2023



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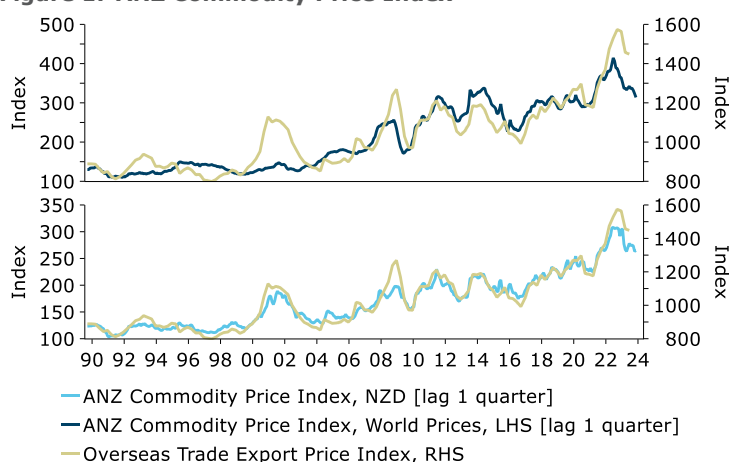
The next issue of the ANZ Commodity Price Index is scheduled for release on 5 October 2023 at 1pm.

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

## Dairy doldrums drag down index

The ANZ World Commodity Price Index fell for the third consecutive month, dropping 2.9% m/m in August. Dairy and lamb prices fell whilst slightly stronger prices were recorded for other food commodities. In local currency terms, the index fell rose 0.6% m/m as the NZD depreciated 2.2% against the Trade Weighted Index.

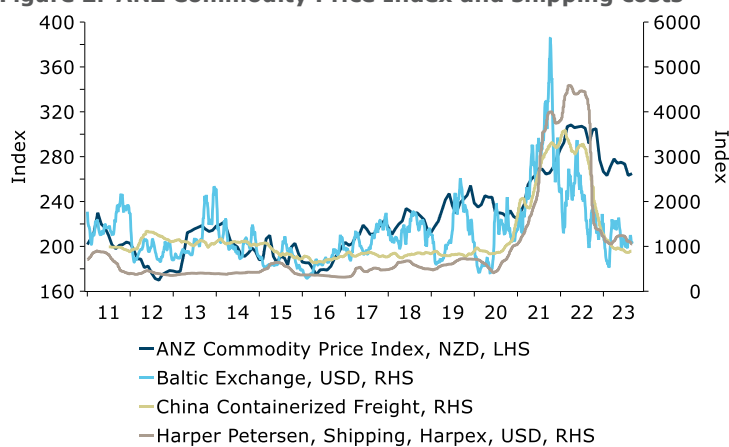
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

**Global shipping prices** continue to ease. During August the Baltic Dry Index fell 3.6% and the Harper Peterson Global Index fell 5%. Shipping prices are closely linked to the volume of goods being shipped which is driven by economic activity. If economic activity remains weak then we may see more older ships scrapped as tightening environmental regulations prohibit their use.

Figure 2. ANZ Commodity Price Index and shipping costs



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

**Dairy** prices fell 8.7% month-on-month (m/m) in August. Whole milk powder prices fell the most dropping 11% while skim milk powder prices retreated 7%. Global demand for dairy products is weak, led by softer demand from China. At the same time the supply of dairy products from New Zealand is lifting as cows come back into milk following calving. The extra seasonal supply is putting downward pressure on prices despite expectations that less milk will be produced this season than the previous one.

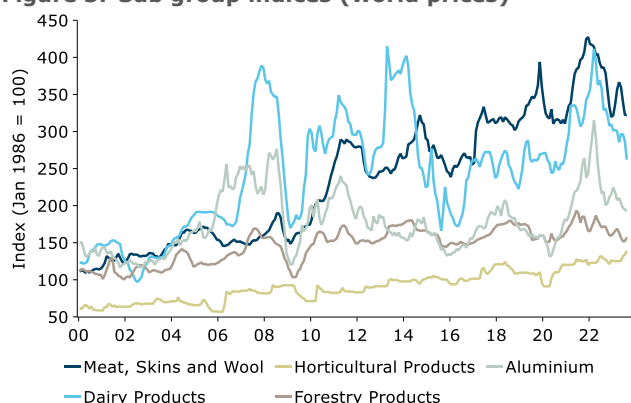
The **meat and fibre** index was stable in August as stronger beef prices offset lower returns for lamb and wool. Lamb prices fell 2.4% m/m, having fallen continuously since May. Wool prices dropped 5.6% m/m and are now at their lowest level in 10 months. Beef pricing has been supported by steady demand from the US market. US domestic beef prices have lifted, and this is helping support the price of imported beef despite relatively strong volumes being supplied to the US from New Zealand, Australia, Uruguay and Argentina.

The **horticulture** index lifted 4.1% in August following a 1.6% lift in July driven by stronger returns for kiwifruit. Solid demand for kiwifruit in our major markets combined with the smaller export crop and improved quality has resulted in higher prices being attained in market. This has allowed Zespri to lift its forecast grower returns.

The **forestry** index lifted 3.3% m/m in August, but log prices are still priced at relatively low levels. A reduction in the volume of logs harvested in New Zealand is helping support prices as both international and local demand for logs remains subdued. Demand from China for logs is expected to gradually improve as existing stocks on wharves start to be worked through. The slow-down in residential construction in New Zealand has resulted in lower demand for logs from our local mills as well.

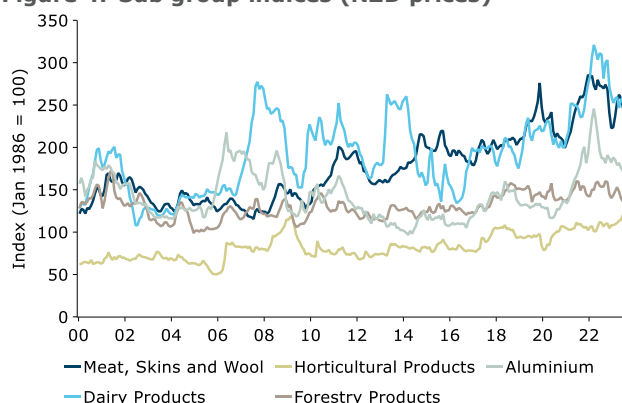
**Aluminium** prices dropped 1.1% in August with prices 12% lower y/y. While aluminium pricing has been negatively affected by slower global economic growth, demand for aluminium is expected to lift as clean energy sources become more favoured. Demand for aluminium for the use in electric vehicles and solar panels is expected to lift in the future which should be supportive of pricing.

**Figure 3. Sub group indices (world prices)**



Source: Macrobond, ANZ Research

**Figure 4. Sub group indices (NZD prices)**



Source: Macrobond, ANZ Research

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Aug-19	<b>302.9</b>	..	0.9	<b>238.6</b>	..	3.7
Aug-20	<b>294.2</b>	..	-2.8	<b>229.2</b>	..	-3.9
Aug-21	<b>357.5</b>	..	21.5	<b>264.5</b>	..	15.4
Aug-22	<b>366.0</b>	..	2.4	<b>291.7</b>	..	10.3
Mar-23	<b>342.2</b>	1.3	-17.4	<b>278.1</b>	2.7	-9.8
Apr-23	<b>336.4</b>	-1.7	-17.3	<b>274.2</b>	-1.4	-10.4
May-23	<b>337.6</b>	0.4	-13.2	<b>275.0</b>	0.3	-10.3
Jun-23	<b>331.9</b>	-1.7	-14.3	<b>273.4</b>	-0.6	-11.0
Jul-23	<b>323.3</b>	-2.6	-14.7	<b>263.3</b>	-3.7	-13.8
Aug-23	<b>313.8</b>	-2.9	-14.2	<b>264.9</b>	0.6	-9.2

Commodity Price Index weights are based on contributions to merchandise exports for the prior calendar year. Weights for the 2022 year are: Wool 1.1%; Beef 12.0%; Lamb 10.7%; Venison 0.4%; Skins 0.8%; Dairy 43.8%; Apples 2.2%; Kiwifruit 6.5%; Logs 8.8%; Sawn Timber 2.8%; Wood Pulp 2.3%; Seafood 4.5%; Aluminium 4.1%.



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Last updated: 18 April 2023

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