

ANZ Commodity Price Index

5 February 2020



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The next issue of the ANZ Commodity Price Index is scheduled for release on 4 March 2020 at 1pm.

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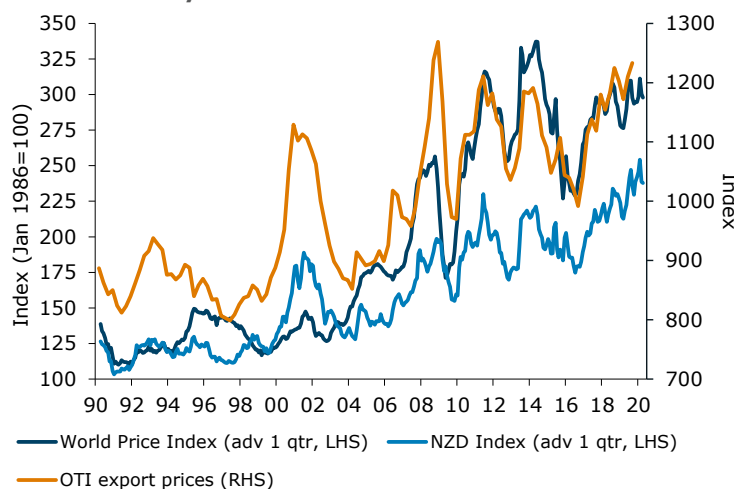
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Easing into 2020

The ANZ World Commodity Price Index fell 0.9% in January as weaker meat prices pulled the overall index down. The impact on export prices of the recent coronavirus outbreak in China was not captured in the January pricing. We expect downwards pressure on commodity prices in February.

In local currency terms the index fell 0.4% in January.

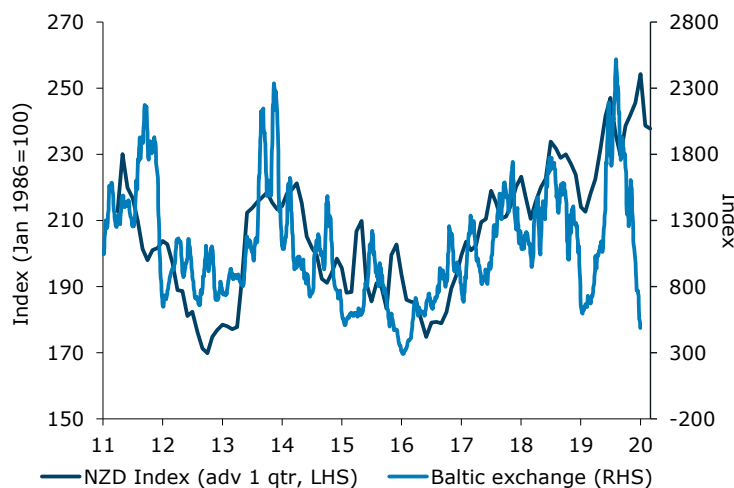
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Shipping costs have plummeted this year. The Baltic Dry Index, a measure of global demand for shipping, fell 55% in January, accentuating the fall which commenced in late 2019. The fall in shipping costs is associated with a slowing in global trade. This reduction in demand for shipping has more than offset the new low-sulphur fuel regulations that came into play at the beginning of this year.

ANZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices increased by 0.4% in January. The strong start to the season was due to international prices recovering as global supply remained restrained during this time. Drought is starting to impact the northern parts of New Zealand which will curb milk output in the later part of the season. Elsewhere in the world milk supply is also subdued; however this supportive factor is expected to be more than overshadowed by a short-term reduction in demand as China – the world's largest dairy importer – manages its way through the challenges of the novel coronavirus outbreak.

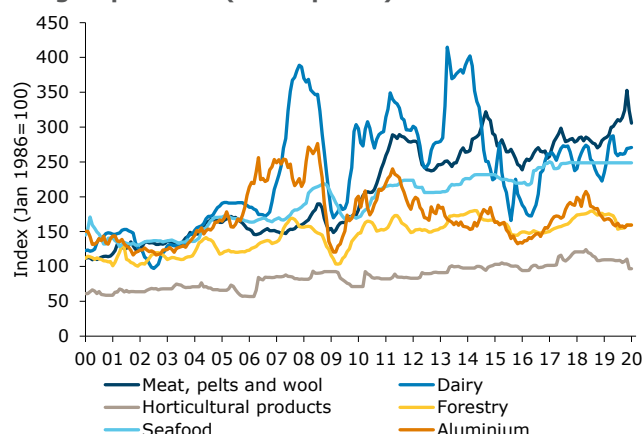
The **meat and fibre** index fell 5.6% in January following a similar sized fall the previous month. Beef prices were hardest hit falling 8.5% as an increase in supply from New Zealand coincided by a reduction in demand from China. Ahead of Christmas, demand from China for imported beef and lamb started to dry up as more competition from other imported meats started to reduce the prices importers were prepared to pay. Some lamb and beef is now being diverted to other markets but for products like mutton it is difficult to find alternative markets to supply.

The **horticulture** index was unchanged in January. Very little horticultural products are being exported at present. Apples exports will recommence next month and the first kiwifruit shipments are scheduled for April. The grape harvest is expected to get underway in March. Growing conditions have generally been favourable for all the main crops, although this could change before harvest.

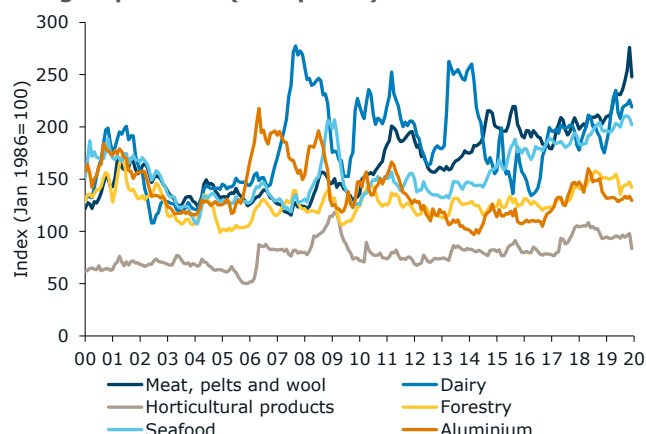
The **forestry** index lifted 0.2% m/m in January. Prices regained approximately half of the value lost in the middle of 2019 however prices are now set to tumble again due to the current changes of getting product into China. The quantity of logs being harvested in New Zealand is also expected to slow as exporters try to cut back supply to match market conditions.

Aluminium prices in January were virtually unchanged. Prices are now 4.3% lower than they were a year ago. The future of the Tiwai Point aluminium smelter owned by Rio Tinto remains uncertain.

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
Jan-16	232.4	..	-14.7	185.4	..	-1.6
Jan-17	276.9	..	19.1	200.9	..	8.4
Jan-18	288.2	..	4.1	210.5	..	4.8
Jan-19	281.9	..	-2.2	218.2	..	3.6
Aug-19	294.6	0.3	0.9	238.6	3.9	3.7
Sep-19	294.7	0.0	3.4	241.9	1.4	6.5
Oct-19	298.3	1.2	7.2	245.6	1.5	9.7
Nov-19	311.2	4.3	12.4	254.3	3.5	18.8
Dec-19	300.5	-3.4	8.7	238.7	-6.1	12.2
Jan-20	297.9	-0.9	5.7	237.8	-0.4	9.0

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2018 year are: Wool 1.9%; Beef 9.9%; Lamb 12.1%; Venison 0.6%; Skins 1.2%; Dairy 38.0%; Apples 2.4%; Kiwifruit 7.0%; Logs 11.4%; Sawn Timber 3.5%; Wood Pulp 2.7%; Seafood 5.2%; Aluminium 4.0%



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