

ANZ Commodity Price Index

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

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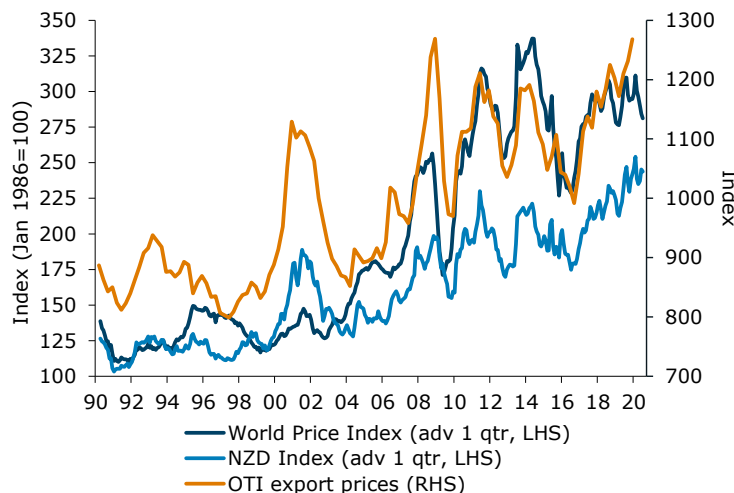
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Slow motion

The ANZ World Commodity Price Index fell a further 1.1% in April. The index has now fallen 9% in the past year.

In local currency terms the index fell 0.6% due to the weaker NZD. The NZD eased 0.4% on a Trade Weighted Index (TWI) basis during April.

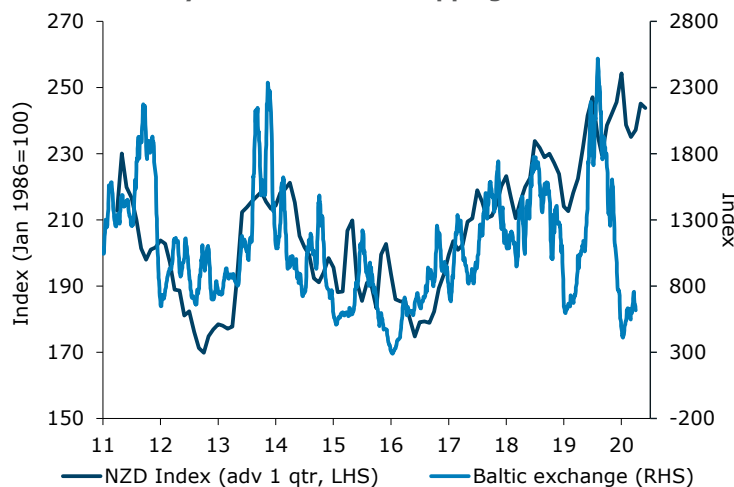
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Shipping costs eased slightly during April, assisted by plummeting oil prices and reduced trade volumes. The Baltic Dry Index, a measure of global shipping costs, fell 1.1% in April. Shipping costs are expected to remain relatively 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 1.6% in April and are now 10% lower than a year ago. Skim milk powder prices continue to take the brunt of the downward pressure with prices back 6.6%, while whole milk powder is down a further 3.3%. The price of New Zealand sourced cheese and butter remains firm but this is not the case in

other parts of the world. Prices of these products have plummeted in the US and Europe along with food service demand, with many restaurants and fast-food outlets closed. Relatively tight New Zealand supply of these products has kept our prices firm, but downward pressure is expected once the new dairy season commences.

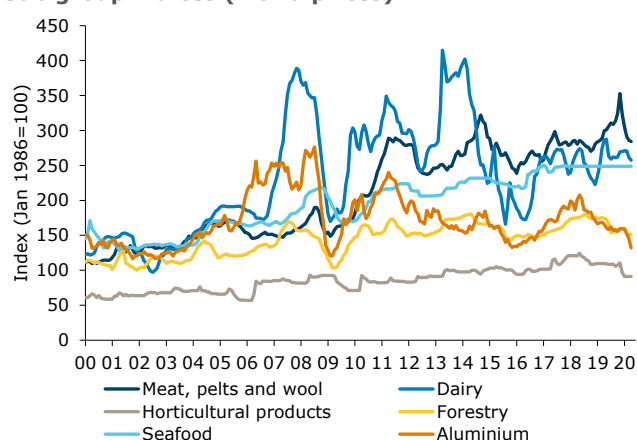
The **meat and fibre** index fell 0.6% in April. Prices are now 19% lower than when the markets for beef and lamb peaked five months ago. Meat prices are expected to remain under pressure as consumer demand eases as global economic conditions worsen. However, processing of meat has slowed in many countries, due to physical distancing measures being put in place and COVID-19 outbreaks among workers. This slowdown in production is expected to result in some temporary shortages of meat. This may see beef prices spike but overall prices are expected to fall.

The **horticulture** index was unchanged again in April as new-season prices are yet to be released. However, preliminary data for kiwifruit exports shows solid prices with returns improving from markets such as Japan. Fruit has matured earlier than normal this season, which means the kiwifruit harvest is running ahead of schedule, despite the challenges of operating pack-houses under physical distancing requirements. Apples also benefited from the hot summer with good colour being achieved, and more fruit has been shipped earlier than normal. European demand for apples remains robust, while demand from Asia is slightly weaker.

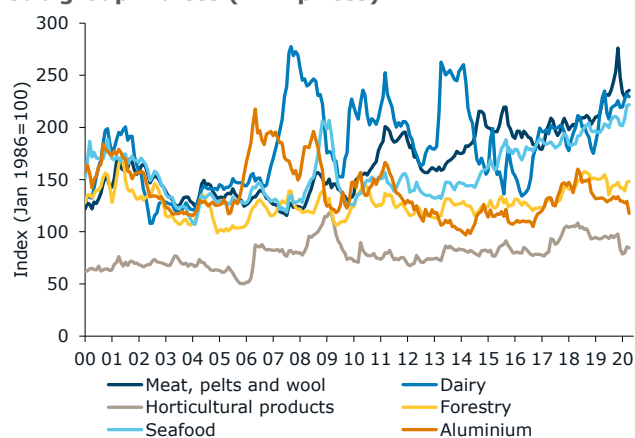
The **forestry** index was virtually unchanged in April, lifting just 0.1%. The market for export logs was on hold through most of April, due to no harvesting or exporting under Level 4 restrictions. Activity has now resumed. The lack of supply of export logs from New Zealand for nearly a month has allowed in-market stocks to be worked through, which will support prices in the short term. However, forestry sector returns remain highly dependent on economic growth in key markets, and they are all under pressure.

Aluminium prices plummeted in April to their lowest level in more than a decade. Aluminium stocks are expected to reach record levels this year as demand has slumped – due primarily to fewer cars being produced. Rio Tinto, who owns the Tiwai Point smelter, is yet to decide on the future of the plant which produces some of the world's purest aluminium.

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
Apr-16	228.8	..	-16.8	174.8	..	-8.5
Apr-17	282.9	..	23.7	210.4	..	20.4
Apr-18	303.1	..	7.1	222.7	..	5.8
Apr-19	288.8	..	-5.0	208.8	..	-6.2
Apr-20	281.1	..	-2.7	243.8	..	16.3
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	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

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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