

ANZ Commodity Price Index

3 September 2020



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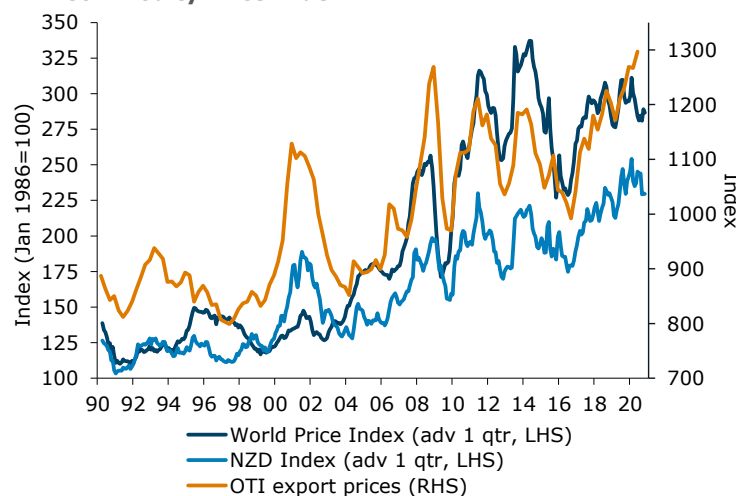
The next issue of the ANZ Commodity Price Index is scheduled for release on 5 October 2020 at 1pm.

Global pressures weighing on prices

The ANZ World Commodity Price Index eased 0.9% in August as lower dairy prices were partially offset by stronger prices for meat and aluminium.

In local currency terms the index fell just 0.2% as the NZD weakened by 1.3% on a Trade Weighted Index (TWI) basis during August. The NZD strengthened against the USD but weakened against other major currencies.

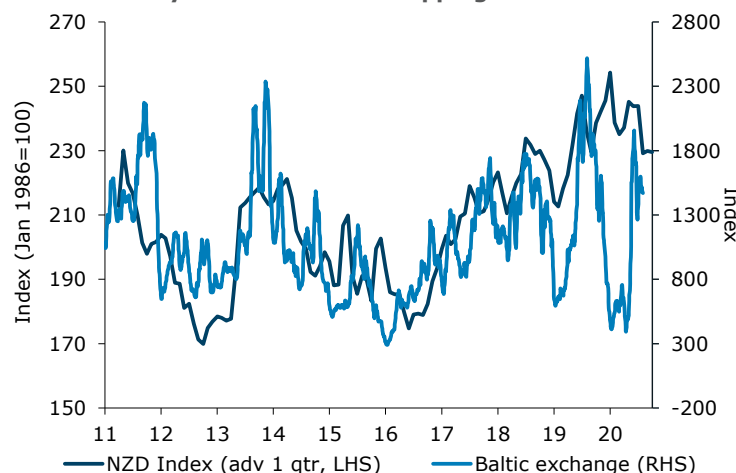
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Global shipping costs continue to be volatile. During August the Baltic Dry Index, a measure of global shipping costs, gained 10%, with the index peaking mid-month before easing. Ships have continued to call regularly at New Zealand ports throughout the COVID-19 crisis, which has provided a reliable means of getting produce to market (not to mention imports in), whereas other shipping routes have not been so reliable.

NZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices retreated by 3.2% in August, wiping out about half the gain from the previous month. The prices of whole milk powder, butter, cheese and casein all weakened during the month, while skim milk powder prices firmed. The skim milk powder market is supported by the strong US internal market for dairy products, which is keeping their export volumes in check. Meanwhile the kind weather conditions during the early spring period has meant a strong start to NZ milk production, although the recent cold snap may cool the pace somewhat.

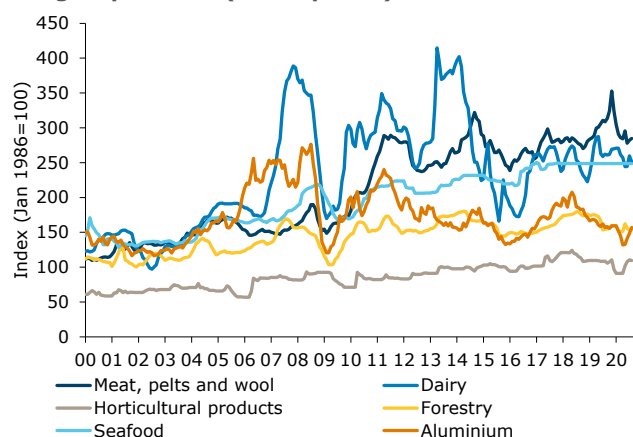
The **meat and fibre** index gained 0.9% in August, offsetting the large loss two months prior. Beef returns gained 0.4% while lamb increased by 1.4%, reversing the downward trend that has been in play virtually all year. However, it will still be some time before the stocks of high-end meat cuts are cleared. Wool prices also lifted a tad but the industry still has a long way to go to recover. At present the cost of shearing sheep still exceeds the returns for coarse wool.

The **horticulture** index softened 0.8% in August but remains 1% higher than it was a year ago. Kiwifruit prices were unchanged in August, while apple prices eased 2.5%. Kiwifruit has done particularly well in recent months, with very good prices attained for Zespri Gold fruit in Japan and China, while prices for green varieties have held up well.

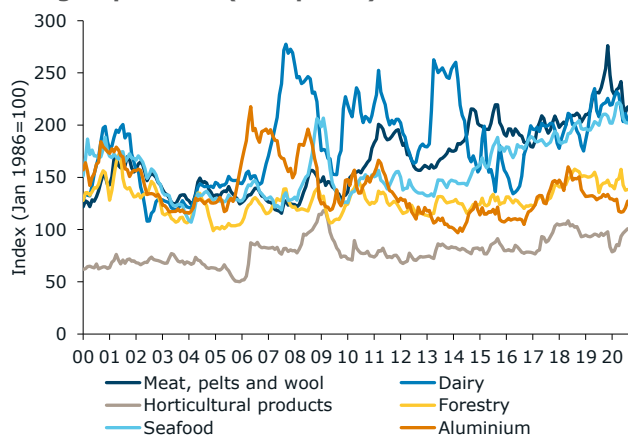
The **forestry** index gained 0.6% in August to end a two-month slide. Returns for export-grade logs lifted 0.9%, with prices now just a tad weaker than they were a year ago. Export demand has picked up a little and strength in the New Zealand domestic market is also helping underpin pricing.

Aluminium was the standout commodity for the month, with prices lifting 5.6%. China, usually a net exporter of aluminium, has been importing more aluminium as global prices have been cheaper than prices in their local market. This also indicates China's manufacturing sector is recovering more quickly than other parts of the world.

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
Aug-16	252.1	..	11.1	182.3	..	-0.5
Aug-17	293.2	..	16.3	211.2	..	15.8
Aug-18	291.9	..	-0.5	230.0	..	8.9
Aug-19	294.6	..	0.9	238.6	..	3.7
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
May-20	284.6	1.3	-8.1	243.8	0.0	-1.3
Jun-20	280.9	-1.3	-5.7	229.2	-6.0	-2.9
Jul-20	289.1	2.9	-1.5	229.9	0.3	0.2
Aug-20	286.6	-0.9	-2.7	229.5	-0.2	-3.8

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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