

ANZ Commodity Price Index

3 August 2022



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Contact

Susan Kilsby for more details.

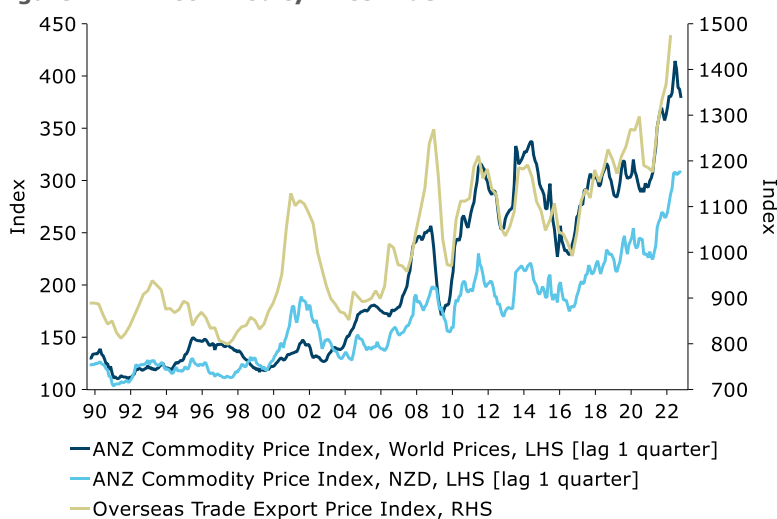
The next issue of the ANZ Commodity Price Index is scheduled for release on 5 September at 1pm.

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

Weak NZD partially offsets lower prices

The ANZ World Commodity Price Index fell 2.2% in July, with prices easing across the majority of export sectors. The relatively soft NZD continues to support returns, with the index falling just 0.5% in local currency terms.

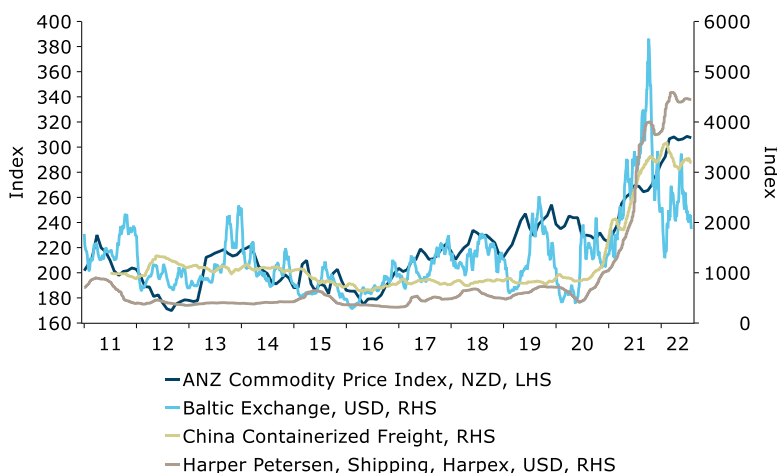
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping prices remain elevated, but the volatile Baltic Dry Index did fall a further 16% in July. Prices for moving goods in containers have been relatively stable in the past month. Exporters and importers are still facing delays getting goods in and out of New Zealand as shipping space remains tight and schedules are still regularly disrupted.

ANZ Commodity Price Index and shipping costs



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

Dairy prices fell 2.9% month-on-month (m/m) in July and this trend is expected to continue through August. Global demand for dairy products remains steady, but the ability to continue to pay exceptionally high prices is diminishing as economic conditions tighten across many global markets. NZ exporters are also in a relatively weak selling position at this time of the season as production starts to increase.

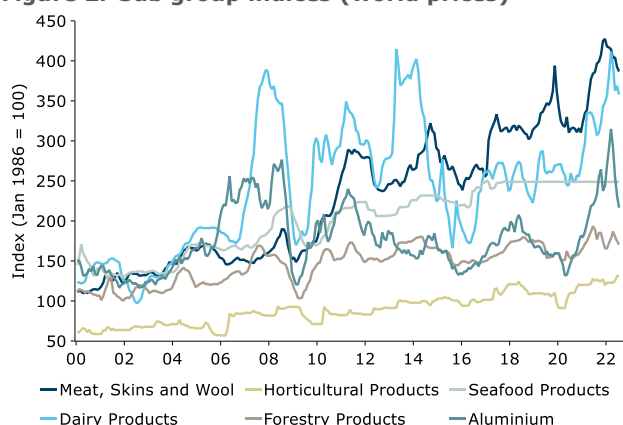
The **meat and fibre** index fell 1.5% in July. Beef prices fell 4.5% m/m as the US domestic supply of beef increased as drought conditions encouraged increased culling of breeding cows. Lamb prices have firmed a little as supply remains curtailed from both New Zealand and Australia. Meat processors in NZ are facing labour shortages, which has reduced throughput and resulted in a backlog of lambs to process.

The **horticulture** index was the one bright spot, with prices gaining 0.4% in July in world price terms. Apple prices lifted but kiwifruit prices eased a little. The volume of apples and kiwifruit available for export this season has been constrained by labour shortages.

The **forestry** index fell 2.5% in July, with prices having now eased for three consecutive months. Prices for export logs are now 15% lower than a year ago. Demand from China has softened as the lockdowns resulted in less construction activity than normal. Construction activity normally slows during the summer months in China, and this year is no exception as the hot days take their toll on physical activity.

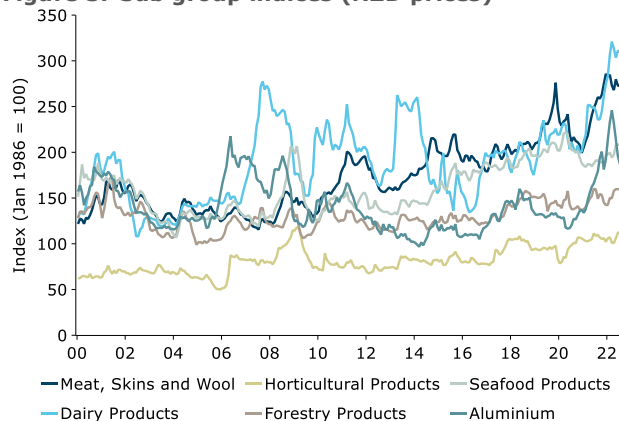
Aluminium prices dropped 6.6% m/m in July, with prices continuing to trend down since peaking in March. Demand for aluminium is expected to weaken but so too is supply, as high energy costs cut into manufacturers' profit margins. These two market forces will help offset each other, but it is not yet clear if the decrease in supply will be sufficient to stop aluminium prices falling further.

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
Jul-18	303.4	..	-0.2	228.9	..	8.7
Jul-19	301.9	..	-0.5	229.5	..	0.3
Jul-20	297.3	..	-1.5	229.9	..	0.2
Jul-21	363.3	..	22.2	268.8	..	16.9
Feb-22	398.7	3.9	20.4	306.7	4.9	29.2
Mar-22	414.4	3.9	18.0	308.1	0.5	20.9
Apr-22	406.4	-1.9	13.2	305.7	-0.8	17.5
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	379.0	-2.2	4.3	306.9	-0.5	14.2

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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Sharon Zollner
Chief Economist

Follow Sharon on Twitter
[@sharon_zollner](#)

Telephone: +64 9 357 4094
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
[@ANZ_Research](#) (global)



David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com



Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com



Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, fiscal policy, economic risk assessment and credit developments.

Telephone: +64 21 661 792
Email: miles.workman@anz.com



Finn Robinson
Economist

Macroeconomic forecasting, economic developments, labour market dynamics, inflation and monetary policy.

Telephone: +64 21 629 553
Email: finn.robinson@anz.com



Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com



Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808
Email: natalie.denne@anz.com

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