

ANZ Commodity Price Index

5 August 2024



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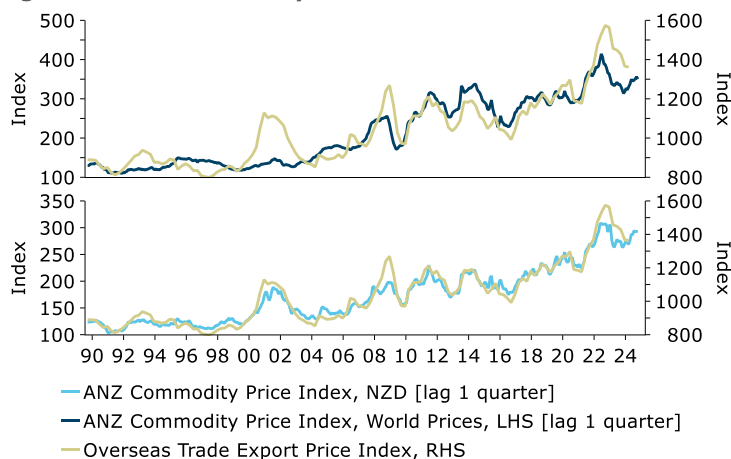
The next issue of the ANZ Commodity Price Index is scheduled for release on 4 September 2024 at 1pm.

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

Softer dairy prices drag down index

The ANZ World Commodity Price Index fell 1.7% m/m in July as prices for dairy, apples and aluminium retreated. In New Zealand dollar terms, the index lifted 0.2% m/m as the NZD Trade Weighted Index fell 1.9% in July.

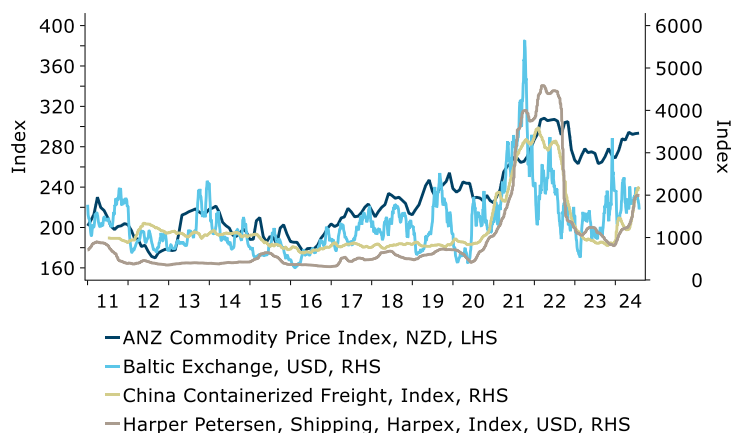
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping prices generally firmed through July. Escalating tensions in the Middle East continue to make it very difficult to move product through the Suez Canal, meaning ships are tending to take longer, more time consuming routes to get to market. This means the supply of ships and containers is tighter than usual, which is supporting shipping prices despite global manufacturing and trade being relatively weak at present. Seasonal demand for shipping tends to peak in the third quarter each year so this extra demand is expected to underpin prices for the next few months.

ANZ Commodity Price Index and shipping costs



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

Dairy prices fell 5.7% month-on-month (m/m) in July. Butter prices retreated by 7.5% following strong gains in the previous two months. Whole milk powder prices also fell by 7.5% and skim milk powder dropped 6.1%. At this time of the year there is a lot of new-season product to sell and prices for milk powders tend to weaken in response to the higher offer volumes. Global dairy demand is limited currently as China is buying less product than normal as its domestic market is oversupplied with local product. However, milk production in the major dairy-producing nations is relatively soft, which is helping to offset the weaker demand.

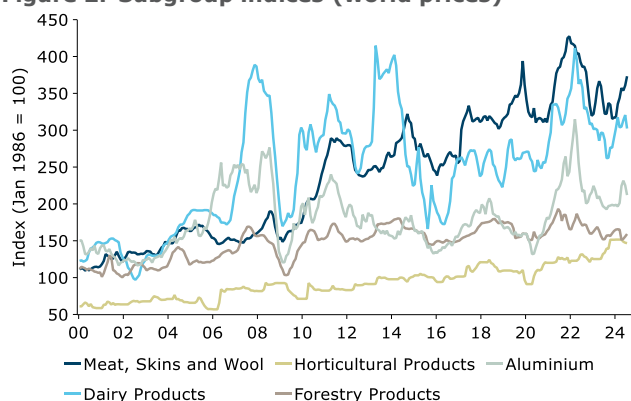
The **meat and fibre** index gained 3.5% m/m in July with the index up 15.8% y/y. Beef and lamb prices both improved during the month, but wool prices weakened slightly. Meat prices have been buoyed by strong demand from the US market and improved demand for lamb from the UK. This has helped offset ongoing weak demand from China for lamb and mutton. The number of stock units being processed at this time of the season tends to be relatively low, which is also helping to support prices.

The **horticulture** index fell 0.4% m/m in July. Apple prices eased, as is typical at this time of the season. Kiwifruit pricing remains stable, an excellent result given the big increase in the volume of fruit harvested this season. Operating costs of orchards remain high due to the heavy reliance on labour inputs. This is making it challenging for those orchardists growing varieties of fruit that are currently not commanding premium prices.

The **forestry** index lifted 2.2% m/m in July following a similar price increase the previous month. However, international markets remain very challenging and it is unlikely that prices will be able to move much higher in coming months. China is starting to work its way through the stocks of logs at its ports, but underlying demand remains soft. More shipments of logs are being directed to India, but this is still a very small market, and one that is more costly to service than China.

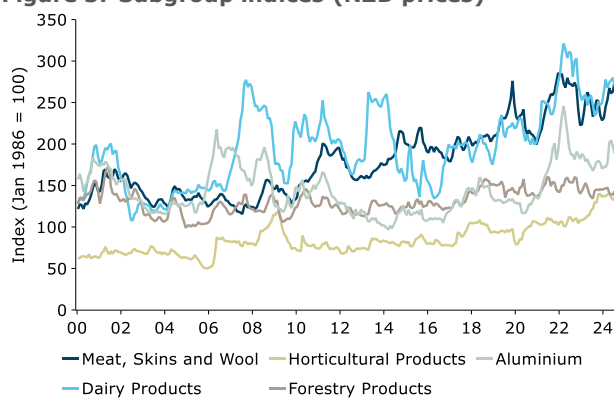
Aluminium prices fell 5.8% m/m in July. Global oversupply of aluminium has put downward pressure on prices in all major markets. Slower economic growth in both China and the EU has reduced demand for aluminium as consumers delay upgrading to greener technologies such as electric vehicles.

Figure 2. Subgroup indices (world prices)



Source: Macrobond, ANZ Research

Figure 3. Subgroup indices (NZD prices)



Source: Macrobond, ANZ Research

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Jul-20	297.3	..	-1.5	229.9	..	0.2
Jul-21	363.3	..	22.2	268.8	..	16.9
Jul-22	378.9	..	4.3	305.3	..	13.6
Jul-23	323.3	..	-14.7	263.3	..	-13.8
Feb-24	349.7	3.6	3.6	287.9	4.1	6.3
Mar-24	345.3	-1.3	0.9	286.7	-0.4	3.1
Apr-24	347.1	0.5	3.2	294.4	2.7	7.4
May-24	350.9	1.1	4.0	292.3	-0.7	6.3
Jun-24	356.3	1.5	7.4	293.0	0.3	7.2
Jul-24	350.3	-1.7	8.4	293.5	0.2	11.5

Commodity Price Index weights are based on contributions to merchandise exports for the prior calendar year. Weights for the 2023 year are: Wool 1.1%; Beef 11.9%; Lamb 10.0%; Venison 0.5%; Skins 0.7%; Dairy 44.4%; Apples 2.3%; Kiwifruit 6.5%; Logs 8.8%; Sawn Timber 2.7%; Wood Pulp 1.7%; Seafood 5.2%; Aluminium 4.1%.



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