

ASB New Zealand Commodity Price Indices

As at Friday 7th July 2017

| | Index * | 1 Week % | Year % ** |
|----------------|---------|----------|-----------|
| Total NZD | 176.4 | 0.4% | 19.1% |
| Total SDR | 192.7 | 0.0% | 19.0% |
| Total USD | 194.2 | -0.3% | 18.7% |
| Dairy USD | 202.0 | 0.0% | 48.6% |
| Sheep/beef USD | 220.4 | -0.7% | 6.0% |
| Forestry USD | 173.5 | -0.3% | 7.1% |
| NZD/USD | 0.7282 | -0.7% | -0.4% |

* For all indices 1997 average = 100

** Percentage change since same week last year

Commodity prices on the right side of the ledger so far over 2017

Looking over the first half of 2017, NZ commodity prices have fared reasonably well. For example in the year to date, the ASB Commodity Price Index has been on average 3.7% and 9.1% above the 10-year average, in USD and NZD terms, respectively.

The 2017 standout so far is beef. In particular, P2 steer prices have sat at record monthly highs over April, May and June. Moreover, we expect prices may set all-time record highs in the spring. **Forestry prices have been similarly strong.** In fact, current prices are approaching record highs, and have only been higher in April 2014.

Meanwhile, dairy prices have largely tracked sideways so far over 2017. Indeed, most of the recovery in prices occurred over the second half of 2016. As a result, the annual change in the dairy index remains impressive at close to 50%, whereas whole milk powder prices, for example, have been at or around their average levels so far over 2017.

Lamb prices have been 2017's big mover. Lamb prices have surged since February and now sit over \$6.50/kg. The initial price surge was all the more impressive considering prices normally fall at that time of the year. Moreover, as it stands, prices over June and July have only ever been higher in 2011. **Lastly, wool prices have struggled.** Wool prices have averaged over 20% below their 10-year averages so far over 2017. Note, wool is a minor component of the overall commodity price index, with a weighting of 5.5%.

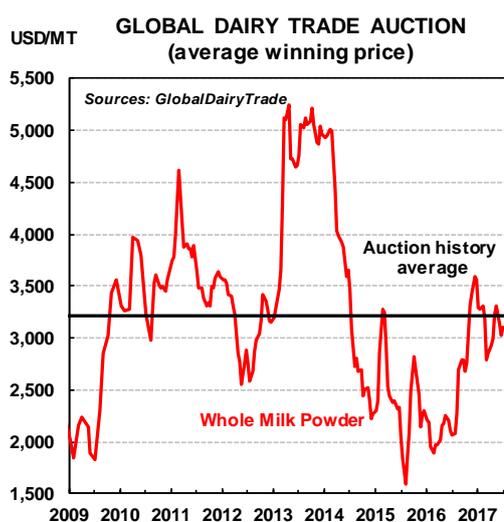
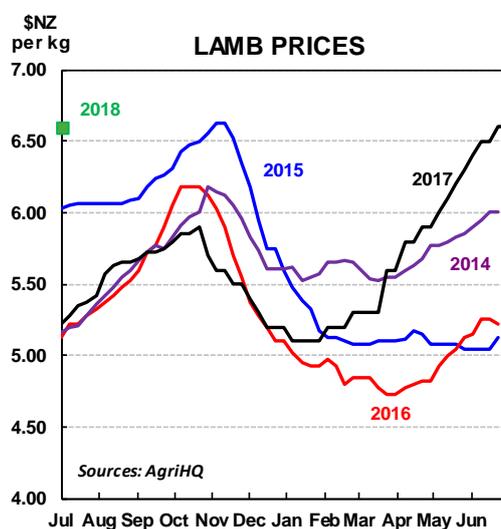
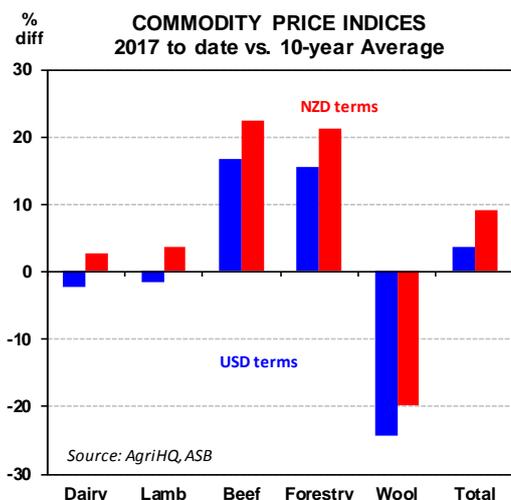
Looking at the currency, **the NZD has been largely supportive of commodity prices.** The NZD has averaged around US\$0.71 so far over 2017, compared to the 10-year average of US\$0.7450.

ASB NZ Commodity Price Index

A weaker NZD offset a slight weakening in NZ commodity prices last week, with the ASB Commodity Price Index rising 0.4% in NZD terms. Meanwhile in USD terms, Sheep/Beef prices slipped 0.7%. Dairy prices, however, were unchanged. Lastly, forestry prices dipped a touch, as log prices edged down 0.7%.

Currency Markets

The NZD moved within a relatively modest range last week, falling against the USD and the EUR, while lifting against the JPY and AUD. As at the time of writing, **the NZD was trading at US\$0.7260.**



ASB Economics & Research

Phone

| | | | |
|------------------------------|---------------------|--|----------------|
| Chief Economist | Nick Tuffley | nick.tuffley@asb.co.nz | (649) 301 5659 |
| Senior Economist | Jane Turner | jane.turner@asb.co.nz | (649) 301 5853 |
| Senior Rural Economist | Nathan Penny | nathan.penny@asb.co.nz | (649) 448 8778 |
| Senior Wealth Economist | Chris Tennent-Brown | chris.tennent-brown@asb.co.nz | (649) 301 5915 |
| Economist | Kim Mundy | kim.mundy@asb.co.nz | (649) 301 5661 |
| Publication and Data Manager | Judith Pinto | judith.pinto@asb.co.nz | (649) 301 5660 |

ASB Economics

ASB North Wharf, 12 Jellicoe Street, Auckland

<https://reports.asb.co.nz/index.html>[@ASBMarkets](https://twitter.com/ASBMarkets)

Important Disclosures

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.