

### ASB New Zealand Commodity Price Indices As at Friday 25<sup>th</sup> November 2016

	Index *	1 Week %	Year % **
Total NZD	168.9	-0.5%	7.7%
Total SDR	183.3	-0.1%	18.1%
Total USD	179.9	-0.1%	16.1%
Dairy USD	195.3	0.6%	37.7%
Sheep/beef USD	192.9	-1.5%	2.4%
Forestry USD	158.6	0.2%	11.9%
NZD/USD	0.7043	0.4%	7.8%

\* For all indices 1997 average = 100

\*\* Percentage change since same week last year

#### Lamb prices have held up better than expected

There is some light at the end of the tunnel for lamb prices (although, as always, we remain wary of false dawns). Nonetheless demand for lamb in most markets is relatively positive at present; the UK being the exception.

It seems that with local production low, buyers are becoming nervous and are looking to secure supply. In addition, it is a similar story over the ditch, with Australian production also slow for the time of year. The combined supply shortfall should help support higher asking prices in the short term.

China is the shining light for both lamb and mutton markets. Demand there is underpinned by the now not too far away Chinese New Year celebrations, but some reports are indicating that demand may extend beyond this period. For example, lamb flaps prices have lifted around 10% in the past month. We suggest that local Chinese supply may have tightened enough to trigger a long-awaited increase in import demand.

Meanwhile, the UK remains the exception to the positive sentiment. Market activity is low and uncertainty is still a dominant theme.

#### ASB NZ Commodity Price Index

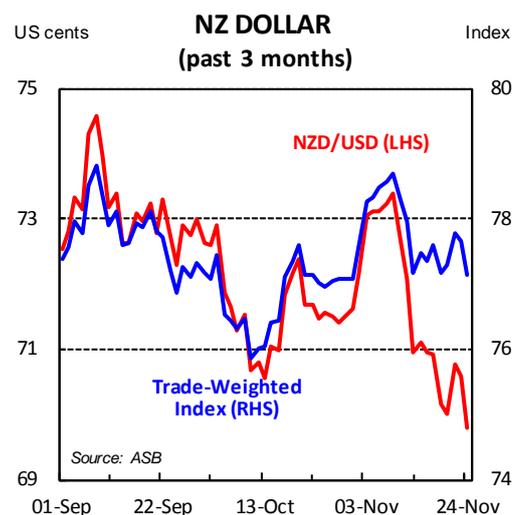
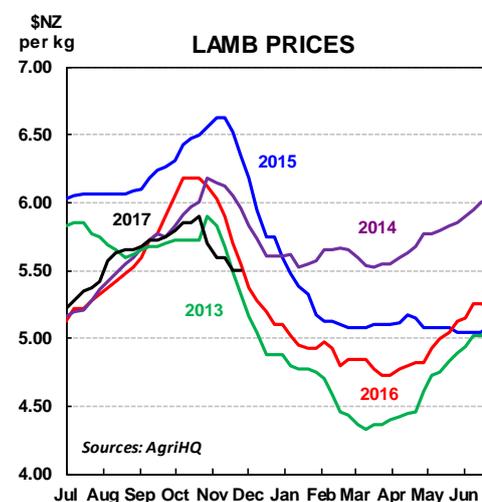
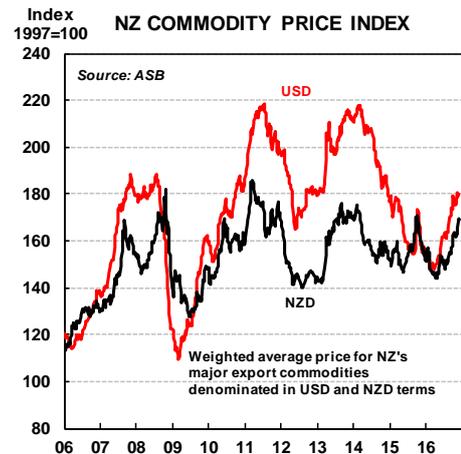
The ASB Commodity Price Index was largely flat last week in USD terms. However a firmer NZD meant that the Index slipped by 0.5% in NZD terms overall.

The **Sheep/Beef Index drove most of the fall**, with wool prices diving 14.3% last week. Lamb prices edged down 0.4% but were offset by an equal increase in beef prices.

Within the dairy index, only butter registered an increase, rising 2.4% last week. All other components were unchanged. The forestry index inched up 0.2% on the back of a 0.4% rise in log prices, while pulp prices were unchanged.

#### Currency Markets

The NZD made some gains against key global currencies last week, as the US Thanksgiving holiday managed to rein in USD strength. This week, the NZD has firmed and at the time of writing the NZD was trading at \$0.7097 against the USD.



## ASB Economics &amp; Research

Chief Economist  
Senior Economist  
Senior Rural Economist  
Economist  
Economist  
Publication and Data Manager

Nick Tuffley  
Jane Turner  
Nathan Penny  
Kim Mundy  
Daniel Snowden  
Judith Pinto

[nick.tuffley@asb.co.nz](mailto:nick.tuffley@asb.co.nz)  
[jane.turner@asb.co.nz](mailto:jane.turner@asb.co.nz)  
[nathan.penny@asb.co.nz](mailto:nathan.penny@asb.co.nz)  
[kim.mundy@asb.co.nz](mailto:kim.mundy@asb.co.nz)  
[daniel.snowden@asb.co.nz](mailto:daniel.snowden@asb.co.nz)  
[judith.pinto@asb.co.nz](mailto:judith.pinto@asb.co.nz)

## Phone

(649) 301 5659  
(649) 301 5853  
(649) 448 8778  
(649) 301 5661  
(649) 301 5657  
(649) 301 5660

## Fax

(649) 302 0992



ASB Economics

ASB North Wharf, 12 Jellicoe Street, Auckland

<https://reports.asb.co.nz/index.html>

[@ASBMarkets](#)

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