

# Commodities Weekly

For the week ending Friday 2<sup>nd</sup> March



## Trump fires trade salvo

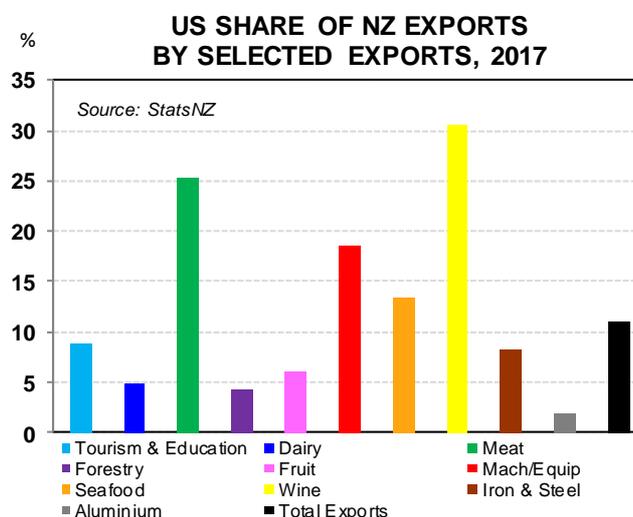
### Announces tariffs on foreign-made steel and aluminium

US President, Donald Trump, fired a trade salvo late last week, announcing that he planned to impose tariffs on steel and aluminium. The tariffs would be set at 25% for foreign-made steel and 10% for aluminium.

If the US does go ahead and impose the tariffs, **retaliatory measures by other steel and aluminium exporters are likely**. And any tit for tat measures may prompt the fear of an all-out trade war between the likes of the US, the EU and China, in particular. So what's at stake for NZ?

**NZ is a small exporter of steel and aluminium, so its trade exposure is small.** The two products rank around 20<sup>th</sup> and 14<sup>th</sup>, respectively, in terms of NZ's leading (goods and services) exports. Moreover, NZ exports small amounts to the US, with the US accounting for around 8% and 2% of our NZ's steel and aluminium exports, respectively.

However, **NZ is much more exposed to global trade generally.** And in the event of an all-out trade war, everyone loses, including NZ. At this stage, there is still a good chance that President Trump backs down on his threats and so an all-out trade war can still be avoided. Nonetheless, there is reason for concern for NZ exporters generally.



### Week ending 2 March

The ASB Commodity Price Index fell 0.5% in USD terms in the week ending 2 March. However, a 0.8% fall in the NZD/USD meant the Index posted a small 0.2% gain in NZD terms.

**Price weakness was also across all components.** Both forestry and fruit prices fell 0.8% in USD terms, while dairy and sheep/beef prices slipped 0.2% and 0.3%, respectively.

Last week, NZD weakened against the USD as the prospect of higher interest rates in the US took the USD higher. This week, however, the NZD has firmed from this level; **as at the time of writing, the NZD was trading at US\$0.7290.**

### ASB New Zealand Commodity Price Indices As at Friday 2<sup>nd</sup> March 2018

	Index*	Week %	Year %**
Total NZD	109.1	0.2%	4.9%
Total SDR	99.5	-0.5%	-1.7%
Total USD	94.8	-0.5%	5.4%
Dairy USD	90.8	-0.2%	-0.1%
Sheep/beef USD	95.6	-0.3%	15.2%
Forestry USD	106.4	-0.8%	5.7%
Fruit USD	95.4	-0.8%	-1.9%
NZD/USD	0.7236	-0.8%	0.4%

\* For all indices 2014 average = 100

\*\* Percentage change since same week last year

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