

Commodities Weekly

For the week ending Friday 31st May



Mexican standoff

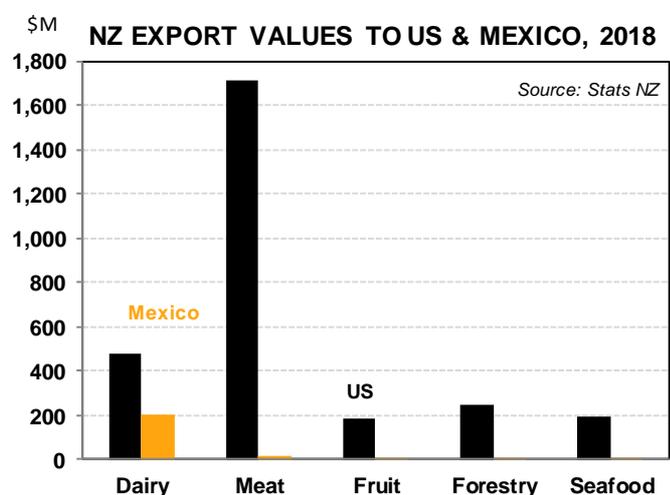
Trump announces 5% tariff on Mexican imports, with more scheduled

US President Donald Trump has said that his administration will impose tariffs on Mexico, beginning Monday 10 June. The tariff will initially be set at a rate of 5%. Moreover, President Trump has stated that the tariffs will rise steadily to 25% until Mexico is able to prevent unlawful immigration into the US.

At this stage, **Mexico's response has been diplomatic, but it can and is likely to respond.** Indeed, Mexico has reacted in kind before in response to US steel and aluminium tariffs. For example, it could impose nearly \$20 billion in levies from the get go, raising them each month in tandem with US levels.

The economic implications of the move are across several industries, with the automobile industry particularly integrated across the US and Mexico. Mexico is also the largest agricultural supplier to the US, while Mexico is a key dairy market for the US.

For NZ commodity exporters, **the implications are limited at this stage.** Mexico is a small export market. And while the US is a more important market, particularly for meat, NZ access is unchanged. Meanwhile, there may be some marginal gains for NZ dairy exporters, if Mexico raises dairy tariffs on US exports.



Week ending 31 May

The ASB Commodity Price Index rose 0.3% in NZD terms last week, boosted by a weaker NZD/USD. In USD terms, the Index was unchanged.

By component the Index was mixed in USD terms. Sheep/beef prices gained 0.4%, while fruit and forestry prices fell 0.3%. Dairy prices were unchanged over the week.

The NZD/USD dipped against the USD last week. This week, the NZD/USD has strengthened as the US Federal Reserve has become more open to the idea of cutting interest rates. At the time of writing, **the NZD/USD was trading at around 0.6620.**

ASB New Zealand Commodity Price Indices As at Friday 31st May 2019

	Index*	Week %	Year %**
Total NZD	109.1	0.3%	3.3%
Total SDR	101.8	0.2%	0.2%
Total USD	101.1	0.0%	-2.4%
Dairy USD	105.2	0.0%	1.9%
Sheep/beef USD	96.7	0.4%	-6.8%
Forestry USD	98.6	-0.3%	-3.5%
Fruit USD	96.1	-0.3%	-5.9%
NZD/USD	0.6536	-0.3%	-5.5%

* For all indices 2014 average = 100

** Percentage change since same week last year

ASB Economics & Research

Chief Economist
Senior Rural Economist
Senior Economist
Senior Economist
Senior Economist, Wealth
Economist
Data & Publication Manager

Nick Tuffley
Nathan Penny
Jane Turner
Mark Smith
Chris Tennent-Brown
Kim Mundy
Judith Pinto

nick.tuffley@asb.co.nz
nathan.penny@asb.co.nz
jane.turner@asb.co.nz
mark.smith4@asb.co.nz
chris.tennent-brown@asb.co.nz
kim.mundy@asb.co.nz
judith.pinto@asb.co.nz

Phone

(649) 301 5659
(649) 448 8778
(649) 301 5853
(649) 301 5657
(649) 301 5915
(649) 301 5661
(649) 301 5660

www.asb.co.nz/economics

 [@ASBMarkets](https://twitter.com/ASBMarkets)

Disclaimer

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.