

Commodities Weekly

For the week ending Friday 4th June



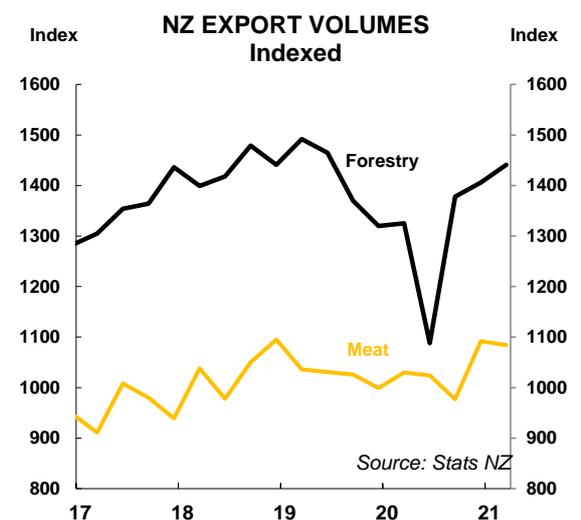
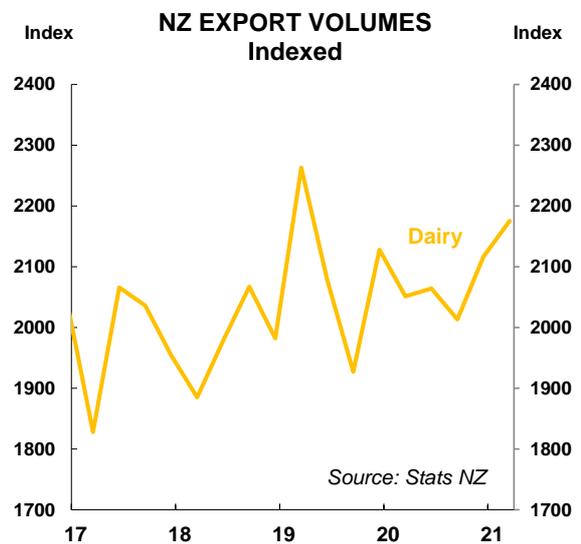
Primary sector export resilience on show

Last week marked the release of our first full year of quarterly trade data from Stats NZ since COVID began roiling the global trading system last year. Unsurprisingly, the cratering in tourism amid New Zealand’s closed border saw total exports plunge 16.5% (circa \$14.3 billion) in the twelve months to March 2021. Still, on the goods side of the fence (i.e. excluding services exports), the release provided once again confirmed the remarkable resilience of the export sector over the past twelve months.

While a lot of ink has been spilled about the sharp recovery in commodity prices of late, the resilience in export volumes has been a big a driver of the export sector’s strength. After a relatively modest COVID dip, the strength in global dairy demand has seen dairy export volumes lift above pre-pandemic levels as of the March quarter, achieving their second-highest ever level. Meat export volumes are also back up at pre-pandemic levels – particularly impressive considering that immediately before COVID hit, the global protein shortage had pushed up demand for NZ beef and lamb.

Forestry export volumes are also an interesting case in point. After a sharp plunge in the June 2020 quarter thanks to lockdown restrictions on the sector, export volumes are continuing to recover sharply. What’s more, in a revenue sense, the historic highs in current log prices will have more than offset the impact of lower volumes over 2020.

All-up it’s a remarkable run of data given the doom-and-gloom predictions the pandemic would lead to a near collapse in international trade. The key question is how long the strength can last in light of ongoing global logistics disruption. With freight demand indicators as high as ever, and shipping capacity still stretched, the export sector continues to face some material headwinds.



ASB Commodities Index sits at an eighteen-month high

As we noted in our [Economic Weekly](#), the ASB Commodities Index hit an eighteen-month high in NZD terms last week. A weaker NZD/USD helped push our NZD index to that milestone. Once again, meat proved the big mover among key commodities last week, lifting 1.5% in underlying USD terms. Dairy prices were mixed, with a sharp lift in casein prices fighting lower butter and fat prices to a virtual draw.

All-up, gains in commodity prices continue to prove impressively durable and broad based. While there has been the odd week in the past where prices have matched these highs, this is the first time in the history of our index that prices have been able to hold at these highs for such a sustained period. **In fact, our NZD index reached its three highest ever monthly averages during March, April and May.**

ASB New Zealand Commodity Price Indices As at Friday 4th June 2021

	Index*	Week%	Year%**
Total NZD	114.1	0.8%	13.2%
Total SDR	111.9	0.1%	19.8%
Total USD	116.4	0.1%	25.2%
Dairy USD	126.4	-0.1%	37.8%
Sheep/beef USD	106.1	1.5%	22.0%
Forestry USD	111.8	-0.7%	12.8%
Fruit USD	104.6	-0.7%	7.2%
NZD/USD	0.7198	-0.7%	10.7%

* For all indices 2017 average = 100

** Percentage change since same week last

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