

Commodities Weekly

For the week ending Friday 6th April



Forestry: let the good times roll

Forestry prices have set fresh record highs over March

Forestry prices are sitting at record highs in NZD terms.

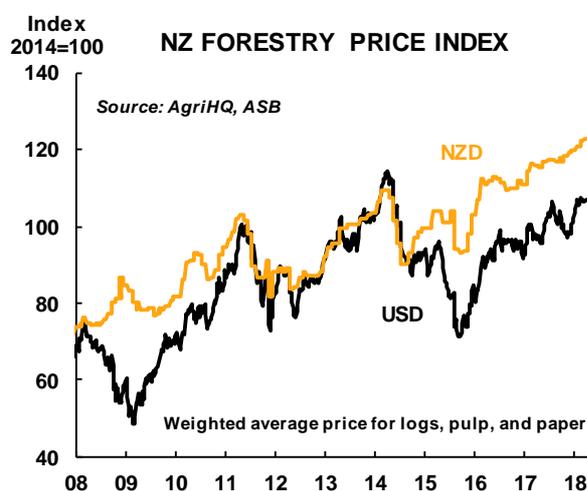
Indeed, forestry prices as measured by the AgriHQ Index set a fresh record high in mid-March. Plus, this high is on top of earlier highs, set in both January and February.

We've long had a view that forestry prices would moderate, but now **we expect prices to remain near record highs at least over the first half of 2018.**

In the first instance, **we expect firm global growth to support demand for wood and in turn export prices.** In particular, we expect the improvement in the 2018 growth outlooks of most key export markets (read the US, China, Japan and Korea) to translate into healthy export demand.

Meanwhile, **we expect local demand to remain high.** That said, capacity constraints in the building sector, including availability of workers, mean that activity is unlikely to lift further from current high levels.

Although, it's not all one-way traffic for forestry prices. For example, the NZ dollar has strengthened this year, while shipping costs also appear to be lifting. Also, the US-China trade tensions pose a broad risk to the global economic outlook. All things considered, **we expect the good times to roll on over the first half of 2018.**



Week ending 6 April

NZ commodity prices posted modest gains in the week ending 6 April, with the ASB Commodity Price Index rising 0.4% in USD terms. However, a rising NZD/USD offset the gain in NZD terms.

Dairy prices paced the gain in USD terms. Butter prices lifted 3.6%, while whole milk powder prices rose 1.7%. The other major components also posted modest gains in USD terms.

Last week, the NZD ended the week marginally higher. This week, the NZD has picked up further; **as at the time of writing, the NZD was trading at US\$0.7300.**

ASB New Zealand Commodity Price Indices As at Friday 6th April 2018

| | Index* | Week % | Year %** |
|----------------|--------|--------|----------|
| Total NZD | 109.3 | 0.0% | 5.5% |
| Total SDR | 100.1 | 0.5% | 2.5% |
| Total USD | 95.4 | 0.4% | 9.4% |
| Dairy USD | 90.4 | 0.6% | 6.8% |
| Sheep/beef USD | 95.6 | 0.2% | 12.7% |
| Forestry USD | 107.1 | 0.4% | 9.6% |
| Fruit USD | 110.0 | 0.4% | 13.4% |
| NZD/USD | 0.7265 | 0.4% | 3.7% |

* 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

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