

Commodities Weekly

For the week ending Friday 8th March

Re-based on a true story

- We have re-based the ASB NZ Commodities Index to reflect changes to the composition of our exports.
- Oil has been removed from the index, whilst the weightings for fruit and forestry have grown considerably.
- We believe our new index provides Kiwis with their most accurate measure of NZ commodity prices.

No country for old bitumen

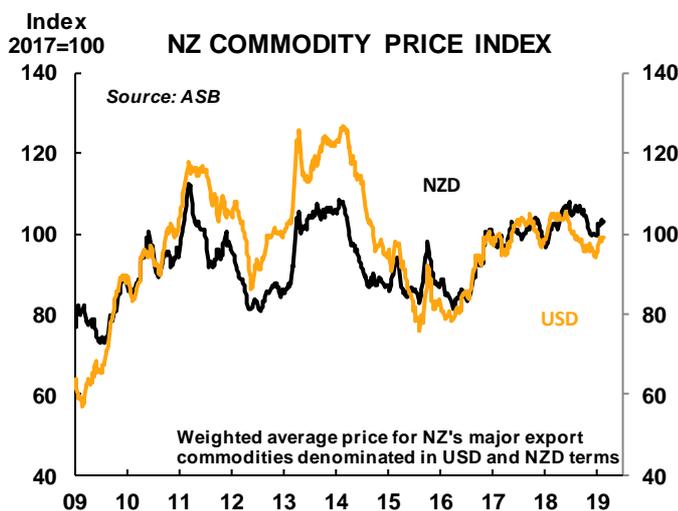
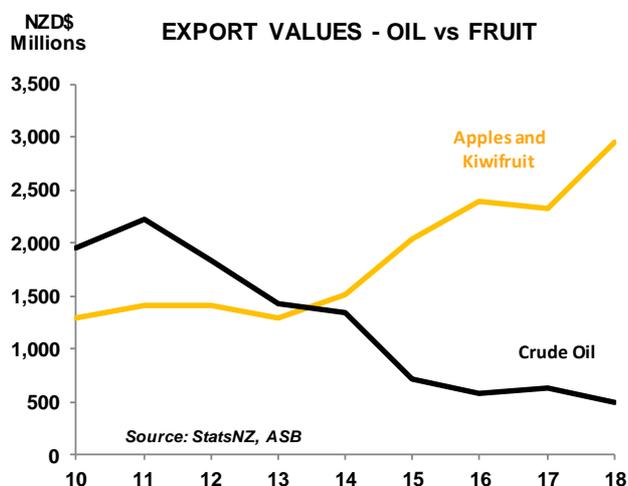
We have removed crude oil prices from the index, given the importance of oil as an export has shrunk. At the beginning of the decade, oil exports were consistently above NZD\$1 billion, peaking at more than \$2.2 billion in 2011. Since then however, crude oil exports have plummeted, and the five-year average export value is the lowest of any commodity in our index.

Oil's decline is unlikely to be reversed in coming years. The government is no longer issuing permits for new offshore exploration, with additional restrictions on onshore exploration also enacted. Searches for new oil fields and bituminous mineral deposits have a high failure rate. **Given these facts, we have decided to remove oil entirely from the index.**

A fruitful 18 months

When we added fruit to the index 18 months ago, we expected that the sector's importance would continue to grow. This has proven correct, and fruit's weighting has risen from 6.04% to 7.57% (5.35% kiwifruit and 2.22% apples). The sector's strength is particularly impressive given the discovery of PSA bacteria in the kiwifruit sector back in 2010 had the potential to generate long-term damage in the industry.

Forestry is the other growing beast, rising from 16.7% of the index to 18.4%. Higher prices and elevated harvest levels have been a strong combination from the sector.



The removal of oil from the index means most other components have also seen their weights rise slightly (including dairy, lamb, beef and seafood). The exceptions are aluminium and wool, which eased marginally.

Sweet seventeen

We have also shifted the base year of our index, moving from 2014 to 2017. The move to 2017 ensures we have a more recent base year, and the average prices during that year match the five-year average.

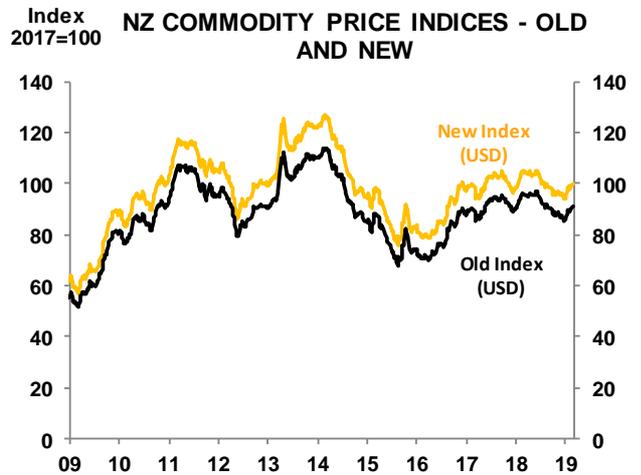
We continue to believe that the ASB NZ Commodity Index is gold standard NZ commodity index. As we highlighted in the last rebasing, our index provides a useful additional piece of data in weeks without a dairy auction. Our periodic rebasing exercises ensure that the composition of the index remains relevant and accurately reflects the mix of NZ commodity exports.

Week ending 8 March

Our commodity price index rose 0.3% in NZD terms over the week ending 8th March. The NZD/USD ended the week roughly unchanged from where it began, so the index was also up 0.3% in USD terms.

USD dairy prices rose a solid 1.3% during the week. The dairy auction result on Wednesday morning was particularly strong amid strong global demand and lower stocks offshore. USD Sheep/beef prices fell 0.7% whilst fruit and forestry prices were stable.

The NZD/USD began and closed the week at approx. 0.680. The Kiwi drifted downwards against the greenback over the course of the week, but spiked at the end of the week following soft US employment data, ending more or less unchanged. As at time of writing, the NZD was trading slightly higher at 0.6825 US cents.



ASB New Zealand Commodity Price Indices
As at Friday 8th March 2019

	Index*	Week %	Year %**
Total NZD	104.6	0.3%	2.0%
Total SDR	100.1	0.9%	0.3%
Total USD	100.1	0.3%	-4.1%
Dairy USD	100.2	1.3%	0.1%
Sheep/beef USD	94.1	-0.7%	-11.3%
Forestry USD	105.0	0.0%	-1.6%
Fruit USD	102.6	0.0%	-10.8%
NZD/USD	0.6804	0.0%	-6.0%

* For all indices 2014 average = 100

** Percentage change since same week last year

Appendix: Updated Index Weights

Index	Weights	Change	Components	
Lamb	0.1100	0.0061	Lamb	0.1063
Beef	0.1014	0.0085	Sheep skins	0.0037
			Beef	0.0979
			Hides	0.0035
Wool	0.0235	-0.0038	Wool	0.0235
Dairy	0.4350	0.0021	Butter	0.0539
			AMF	0.0426
			SMP	0.0511
			WMP	0.1956
			Cheddar	0.0593
			Casein	0.0324
Forestry	0.1845	0.0168	Log	0.1582
			Pulp	0.0263
Fruit	0.0757	0.0154	Apples	0.0222
			Kiwifruit	0.0535
Aluminium	0.0294	-0.0056	Aluminium	0.0294
Oil	0.0000	-0.0413	Crude oil	0.0000
Seafood	0.0406	0.0018	Fish	0.0283
			Mussels	0.0123
TOTAL	1.0000			1.0000

ASB Economics & Research

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

Nick Tuffley
Nathan Penny
Jane Turner
Mark Smith
Chris Tennent-Brown
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
judith.pinto@asb.co.nz

Phone

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

www.asb.co.nz/economics

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