

Commodities Weekly

For the week ending Friday 8th November



Rewriting the record books

Commodity prices in sweetspot; likely to set fresh record highs over rest of 2019

The ASB Commodity Price Index hit a record high in NZD terms last week. The 2.5% increase over the week takes the Index past the previous high set back in March 2011. The Index is also up 11.3% over the past year.

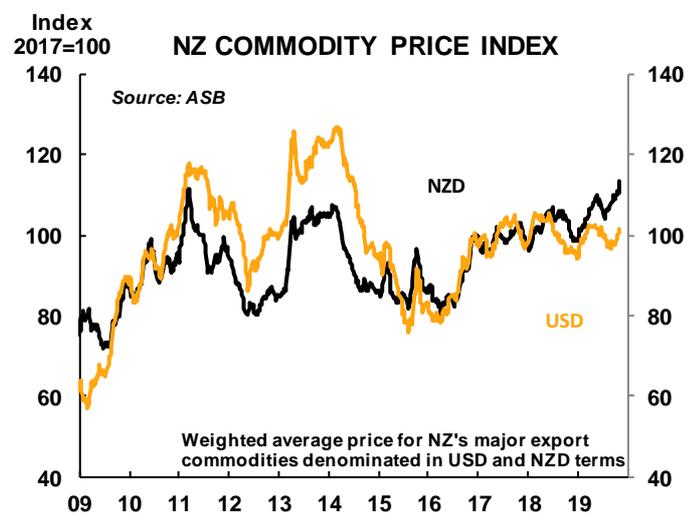
Lamb, beef and seafood prices have been leading the way.

Lamb prices have set fresh record highs in eight of the last nine weeks. Moreover, lamb prices cracked \$9.00/kg for the first time ever last week. Meanwhile, beef prices are not far behind, with AgriHQ's beef index setting fresh records each week since 11 October. Seafood prices have also been regularly setting fresh record highs since March.

In addition, the NZ dollar has been giving all commodity prices a boost over recent months. From its 2019 high back in February, the NZD/USD had dipped over 9% at one stage. While it has recovered somewhat since those lows, the NZD/USD remains 8.2% below the February high, and thus is still boosting commodity prices in NZD terms.

Meanwhile, dairy prices are at healthy levels and fruit prices are also very high. Indeed, dairy prices have lifted by around 6% since late September and sit nearly 16% higher than a year ago. Fruit prices are also just 1% shy of the record high in NZD terms.

Looking ahead, we expect NZ commodity prices to continue to push higher over the remainder of 2019 and early 2020. In particular, dairy prices are set to lift over November and December as NZ production growth slows and global demand remains firm. In meat markets, we anticipate that prices will remain very high for an extended period as the impact of African swine fever is likely to persist over 2020 and potentially into 2021. Similarly, we also anticipate that fruit and seafood prices are likely to remain near record highs. The laggard is forestry prices which are down nearly 12% since a year ago. But forestry aside, we expect NZ commodity prices to remain in a sweetspot.



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

	Index*	Week %	Year %**
Total NZD	113.3	2.5%	11.3%
Total SDR	102.7	1.4%	6.8%
Total USD	101.6	0.9%	5.8%
Dairy USD	102.6	2.7%	15.8%
Sheep/beef USD	110.5	0.5%	7.4%
Forestry USD	87.1	-1.5%	-11.8%
Fruit USD	99.9	-1.5%	-3.6%
NZD/USD	0.6329	-1.5%	-5.0%

* For all indices 2017 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

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