

Commodities Weekly

For the week ending Friday 15th December



2017: Sharing the love

Prices have been firm over most of the major commodities

2017 has been a solid all-round year for commodity prices. The ASB New Zealand Commodity Price Index has largely held its ground over the year. Indeed in NZD terms, the Index has ended 0.7% above where it started the year, while in USD terms the Index has ended just 1.3% below the level at the start of the year.

Overall, 2017 commodity prices have fared well compared to their long-run averages. The average level over 2017 has been comfortably above the 10-year average in both USD (+4.0%) and NZD (+9.1%) terms.

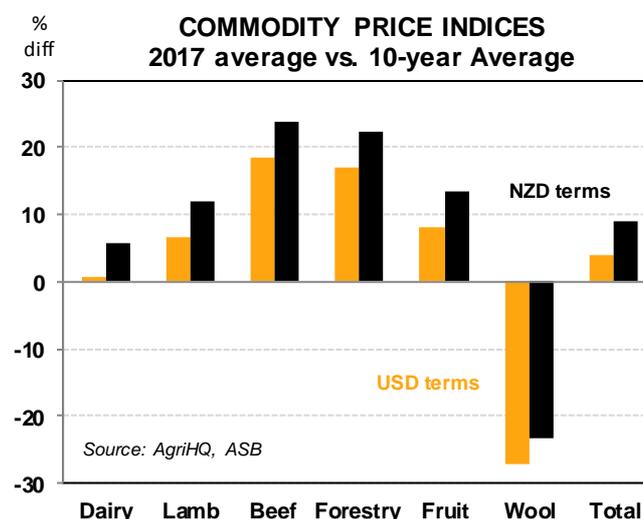
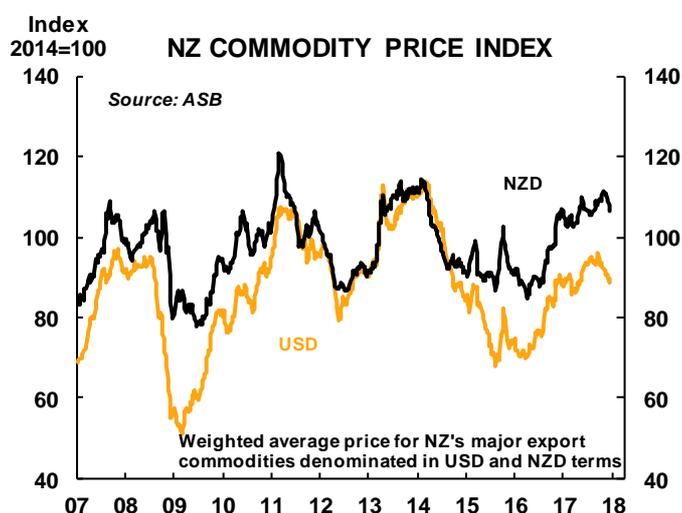
Moreover, the price firmness has been across most of the major commodities. Dairy, lamb, beef, forestry, and fruit prices have all tracked above their 10-year averages over the year. Wool prices have been the main exception.

Beef prices have been the 2017 star, closely followed by forestry prices. Beef prices have tracked over 18% above the 10-year average in USD terms, with forestry prices not far behind at over 17% above.

Meanwhile, **lamb prices have been strong since the autumn**, after a modest start to the year. Indeed, after starting the year effectively level with the same period in 2016, lamb prices are now around 32% higher than in December 2016.

Meanwhile, **dairy prices have ended the year down in USD terms from a year ago.** That said, dairy prices have tracked near their 10-year averages for most of the year.

Lastly, **a relatively weak NZD has provided a boost to all commodity prices.** The NZD has averaged 4.3% lower against the USD than its 10-year average. All up, **the strength across the majority of sectors is what marks 2017 out as special.** Looking to 2018, we expect this broad price strength to continue at least over the early part of the year.



Week ending 15 December

The ASB Commodity Price Index fell in NZD terms in the week ending 15 December. A 2.2% lift in the NZD against the USD was the main driver of the fall.

By component, commodity prices were more mixed.

Forestry prices jumped 2.8% in USD terms, while fruit prices also lifted 2.2%. In contrast, sheep/beef prices were unchanged, while dairy prices dipped 0.2% in USD terms over the week.

Meanwhile, the NZD firmed largely on the back of Adrian Orr's appointment as the new Reserve Bank Governor.

The NZD has maintained this strength so far this week. As at the time of writing, the NZD was trading at US\$0.7000.

ASB New Zealand Commodity Price Indices As at Friday 15th December 2017

	Index*	Week%	Year%**
Total NZD	106.5	-1.4%	0.7%
Total SDR	96.4	0.7%	-5.7%
Total USD	89.4	0.8%	-1.3%
Dairy USD	83.9	-0.2%	-11.1%
Sheep/beef USD	91.8	0.0%	10.3%
Forestry USD	100.8	2.8%	4.8%
Fruit USD	93.5	2.2%	-5.3%
NZD/USD	0.6990	2.2%	-2.0%

* For all indices 2014 average = 100

** Percentage change since same week last year

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