

Commodities Weekly

For the week ending Friday 13th March



Dollar relief

The NZ dollar is playing a buffering role for NZ exports amidst COVID-19 outbreak

The NZ dollar (NZD) has fallen substantially again this week. After a circa 5% fall against the USD last week, this week the NZD has fallen by around 10% at one stage, breaching US\$0.55 on 19 March.

The impact of this fall has been to soften the large falls in NZ commodity prices in USD terms. Indeed, the while the ASB NZ Commodity Price Index has fallen to its lowest level since October 2016 in USD terms, the fall in NZD terms since the 2019 peak was a more modest 6.8%.

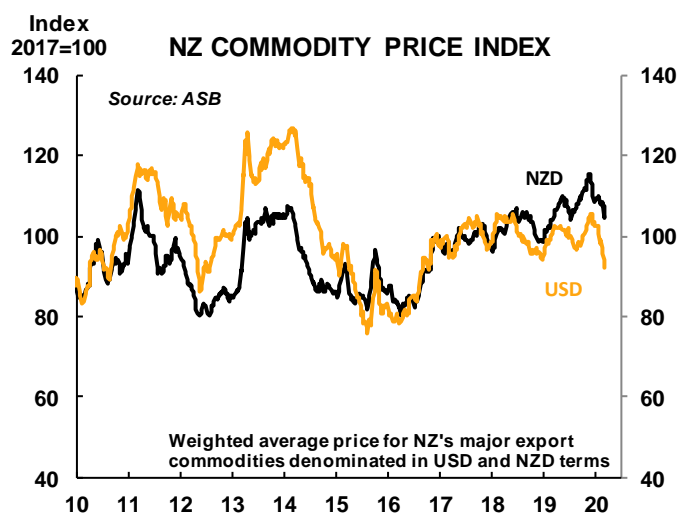
From here, it's likely that volatility in the NZD and NZ commodity prices continues in the short-term. Both the NZD and commodity prices may have further to fall.

A lower NZD will help the NZ commodity export sector to rebound faster than most. Recall that we also anticipate many of NZ's food exports will hold up relatively well as households prioritise food consumption in their household budgets. During times like this, it is comforting to be a food exporter.

Week ending 13 March

The ASB Commodity Price Index dipped 2.0% in USD terms last week. However, a 4.7% drop in the NZD/USD meant the Index lifted in NZD terms (up 2.9%).

Sheep/beef, forestry and meat prices all posted greater than 4% declines in USD terms. Meanwhile, dairy prices held up last week, although that was prior to this week's dairy auction where prices fell 3.9% overall.



ASB New Zealand Commodity Price Indices As at Friday 13th March 2020

	Index*	Week %	Year %**
Total NZD	107.4	2.9%	3.1%
Total SDR	93.2	-0.5%	-7.4%
Total USD	92.2	-2.0%	-8.8%
Dairy USD	101.0	0.7%	0.4%
Sheep/beef USD	81.1	-4.4%	-14.4%
Forestry USD	78.0	-4.7%	-26.1%
Fruit USD	104.2	-4.7%	-2.4%
NZD/USD	0.6055	-4.7%	-11.5%

* For all indices 2017 average = 100

** Percentage change since same week last year

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