

# Commodities Weekly

For the week ending Friday 13<sup>th</sup> September



## Forestry price falls contained for now

After the recent slide, forestry prices have stabilised near the 10-year average

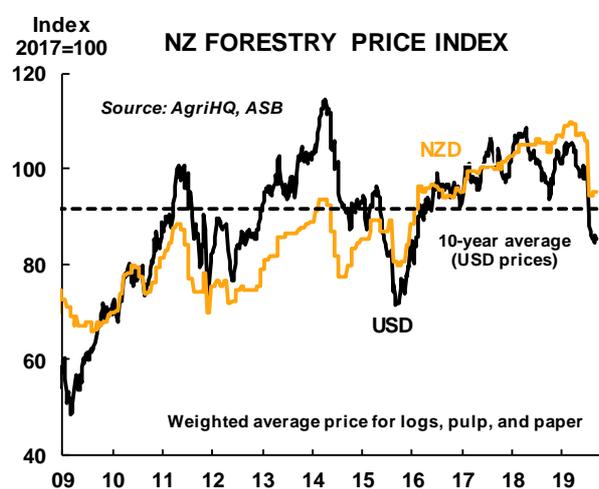
After taking a tumble in recent months, forestry prices have stabilised at least for now. The AgriHQ Forestry Index (weighted average log, pulp and paper prices) has largely held its ground since the circa 10% fall in both NZD and USD terms back in July.

Helping contain the price fall has been a swift decline in local harvest. And while this does nothing for the work prospects of logging crews, we expect that if the harvest reduction proves permanent, prices are likely to continue to trend sideways over the remainder 2019.

The weaker NZD is also helping log returns in NZD dollars.

The NZD/USD average so far over September is 4.6% below the average over July. That said, the NZD/CNY is up 1.4% over the same period; it's this currency pair that actually matters most for NZ forestry exports as Chinese buyers account for comfortably the largest share of NZ exports.

While we anticipate that prices are likely to hold at around current levels, the risks are clearly skewed to the downside. In particular, the economic growth outlook for China has softened this year, along with the global growth outlook more generally. As such, demand for NZ logs is likely to remain soft, largely ruling out any potential price lift.



### Week ending 13 September

A softer NZ dollar helped the ASB Commodity Price Index rise modestly higher in NZD terms (up 0.5%) last week. However, the Index did fall 0.3% in USD terms.

The Index fall in USD terms was largely broad-based, with forestry and fruit prices posting the largest falls (down 0.8%). Dairy prices were the exception, and were largely unchanged over the week.

Meanwhile, the NZD fell against all major currencies last week. This week, the NZD/USD has continued to soften. As at the time of writing, the NZD was trading close to US\$0.6290.

### ASB New Zealand Commodity Price Indices As at Friday 13<sup>th</sup> September 2019

	Index*	Week%	Year%**
Total NZD	107.8	0.5%	1.8%
Total SDR	98.5	-0.5%	1.1%
Total USD	97.5	-0.3%	-0.7%
Dairy USD	97.7	0.1%	6.7%
Sheep/beef USD	105.6	-0.5%	-2.6%
Forestry USD	85.3	-0.8%	-12.0%
Fruit USD	95.2	-0.8%	-5.0%
NZD/USD	0.6377	-0.8%	-2.4%

\* For all indices 2017 average = 100

\*\* Percentage change since same week last year

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