

# Commodities Weekly

For the week ending Friday 18<sup>th</sup> June



## NZ commodity prices hit record high

The ASB Commodities Index reaches a new milestone in NZD terms

**NZD commodity prices hit their highest level on record last week**, with the ASB Commodities Index breezing past its previous peak two years ago. Week-to-week moves among the key commodities we measure were relatively limited, but a 2.8% fall in the NZD/USD helped drive our NZD index to a 2% gain.

**The weaker NZD generated gains in local currency terms for most NZ major export commodities.** Previous spikes in our index have often been driven by price surges for one or two goods (as in the dairy price boom of 2013-14), but gains this time around are being broadly shared. Whether this translates in gains for NZ commodity producers will, of course, depend on the volume being exported and contractual arrangements (including the degree of FX hedging).

**The rebound in global commodity prices since the start of the year has been impressive.** While COVID's initial impact initially hit commodity markets very unevenly, rising global demand and ongoing supply bottlenecks are lifting prices for most goods by double digits. Dairy, meat, forestry and seafood prices are all up 10-30% since the beginning of the year in NZD terms. Only fruit prices are lower, reflecting their surge during the pandemic. **All-up, NZD prices for virtually every major commodity we monitor are running ahead of 10-year averages.**

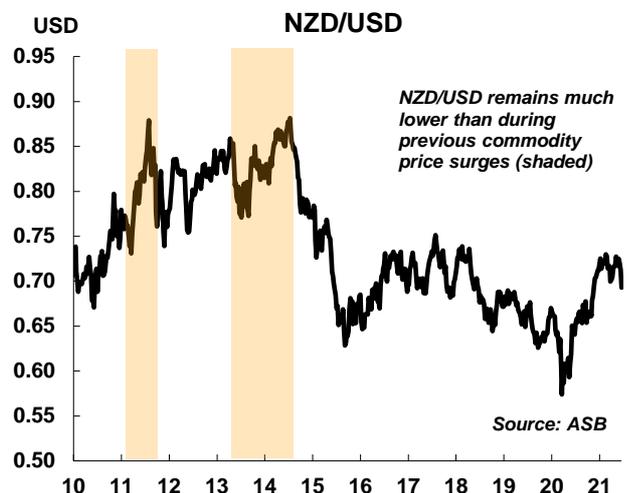
**The lower NZD is turning 'strong' global prices into 'eye-watering' NZD-denominated prices.** This isn't the highest that global USD dairy and meat prices (two biggest components of our index) have been – both are a good 10-20% shy of their previous peaks. What's different this time around is the much, much more favourable position of the NZD. Despite lifting off its mid-COVID lows, NZD/USD has still spent most of 2021 in a circa 70-74 US cents range, instead of trading north of 80 US cents as in previous booms.

ASB New Zealand Commodity Price Indices  
As at Friday 18<sup>th</sup> June 2021

	Index*	Week %	Year %**
Total NZD	117.7	2.0%	17.1%
Total SDR	113.2	0.8%	22.6%
Total USD	115.7	-0.9%	26.2%
Dairy USD	126.2	-0.1%	36.9%
Sheep/beef USD	105.8	-0.8%	20.2%
Forestry USD	109.4	-1.2%	21.2%
Fruit USD	100.7	-2.8%	4.4%
NZD/USD	0.6929	-2.8%	7.8%

\* For all indices 2017 average = 100

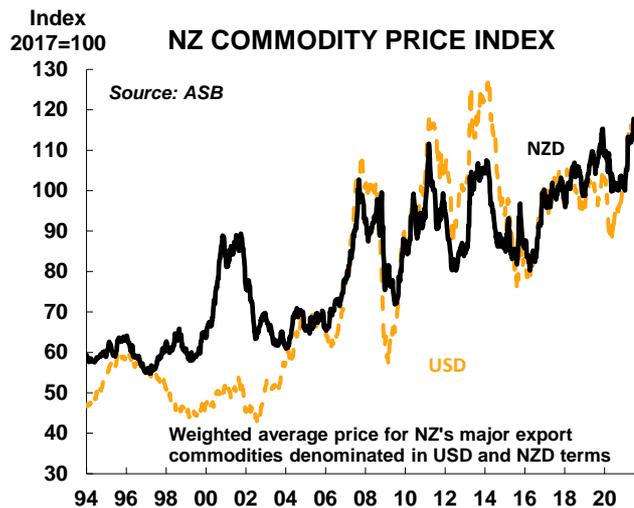
\*\* Percentage change since same week last



**The durability of gains is also proving impressive.** While there has been the odd week where a temporary price squeeze has driven our index close to its current level, our index has been consistently elevated for quite a while now. **In fact, 2021 readings for March, April, May and June were the four highest monthly averages on record for the ASB Commodities Index in NZD terms.**

**NZ producers are taking advantage of the boom, to lift output.** Most obviously, we've seen dairy production post some double digit year-on-year lifts as farmers have responded to price signals from buyers. Similarly, [volumes for most commodity exports have also strengthened](#), despite the ongoing problems posed by global shipping disruptions. **One of the virtues of being a price taker in global commodity markets is that higher local production will boost revenue without collapsing prices. However, producers in other jurisdictions will be doing what they can to follow suit.**

**We see further upside for many global commodities in the months ahead.** With global demand firming and logistics bottlenecks likely to continue constraining supply, commodity prices could ratchet higher-still over the remainder of 2021. A rising NZD will crimp some, but not all of those returns and we see the NZD/USD edging up to 0.74 toward the end of the year. Increased global supply will eventually weigh on global commodity prices, but the timing for a return to normality remains highly uncertain.



**ASB Economics & Research**

Chief Economist  
Senior Economist  
Senior Economist  
Senior Economist, Wealth  
Senior Economist  
Economist  
Data & Publication Manager  
[www.asb.co.nz/economics](http://www.asb.co.nz/economics)

Nick Tuffley  
Jane Turner  
Mark Smith  
Chris Tennent-Brown  
Mike Jones  
Nat Keall  
Judith Pinto

[nick.tuffley@asb.co.nz](mailto:nick.tuffley@asb.co.nz)  
[jane.turner@asb.co.nz](mailto:jane.turner@asb.co.nz)  
[mark.smith4@asb.co.nz](mailto:mark.smith4@asb.co.nz)  
[chris.tennent-brown@asb.co.nz](mailto:chris.tennent-brown@asb.co.nz)  
[mike.jones@asb.co.nz](mailto:mike.jones@asb.co.nz)  
[nathaniel.keall@asb.co.nz](mailto:nathaniel.keall@asb.co.nz)  
[judith.pinto@asb.co.nz](mailto:judith.pinto@asb.co.nz)

**Phone**

(649) 301 5659  
(649) 301 5853  
(649) 301 5657  
(649) 301 5915  
(649) 301 5661  
(649) 301 5720  
(649) 301 5660

[@ASBMarkets](https://twitter.com/ASBMarkets)

**Disclaimer**

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.