

Commodities Weekly

For the week ending Friday 21st August

Looking forward to AL-2!

The ASB Commodity Price Index was down in 0.1% NZD terms last week, and down 0.5% in USD and SDR terms. The NZD declined 0.4% over the week.

A bright light was the 1.2% lift in the USD Forestry Index, but that didn't offset a 1.3% decline in the Dairy Index. Meanwhile, the NZD-denominated components for sheep and beef were mixed. Lamb prices were flat, wool prices were down 0.8%, while beef prices were up 0.4% within the index.

Local lamb prices have lifted off their lows, but typically are tracking higher by this time of the year. Lamb prices are over 10% lower than a year ago, and wool prices are down by even more, circa 20%. **Meanwhile local beef prices** have fared slightly better, relatively speaking, but the price index is still down around 7% on a year ago. As we've mentioned in earlier reports, our concern for meat demand (and prices) stems from the changing (and unpredictable) eating habits of people because of COVID-19 restrictions. Auckland's latest outbreak appears to be contained. But a few weeks of Alert Level 3 and the associated business closures is a reminder that COVID-19 is having, and will continue to have, a significant impact on consumers. The same story is playing out in key markets for New Zealand meat exports. Moving to Alert Level 2 in Auckland next week will allow restaurants to open, and social restrictions to ease somewhat. The associated demand will be welcomed by meat processors and retailers.

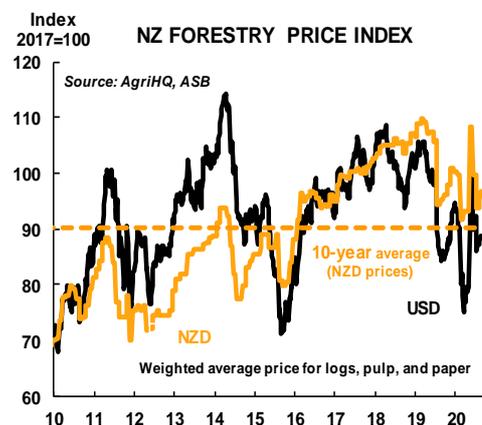
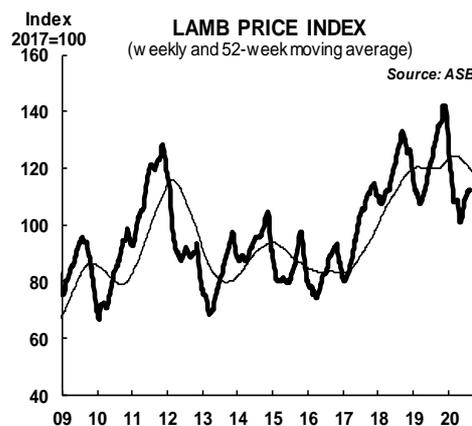
Meanwhile, it's been good to see forestry prices tick up within the overall ASB index over recent weeks. There's a mixture of influences on the price outlook. Domestic construction remains a positive influence, and so do the encouraging signs of recovering global economic growth after the March-April shutdowns around the world. But there are still so many uncertainties about the export outlook given the risks to global growth. However, the lift in prices over recent months is an encouraging sign, and the slightly weaker NZD is a help too.

ASB New Zealand Commodity Price Indices As at Friday 21st August 2020

	Index*	Week%	Year%**
Total NZD	102.0	-0.1%	-4.5%
Total SDR	93.1	-0.5%	-5.0%
Total USD	94.5	-0.5%	-2.6%
Dairy USD	94.3	-1.3%	-2.9%
Sheep/beef USD	94.2	-0.2%	-9.8%
Forestry USD	88.8	1.2%	3.6%
Fruit USD	102.1	-0.4%	7.5%
NZD/USD	0.6534	-0.4%	2.0%

* For all indices 2017 average = 100

** Percentage change since same week last year



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