

Commodities Weekly

For the week ending Friday 16th April

(Re)Open Season

More evidence confirms the hospitality sector overseas is getting back to business

COVID restrictions are easing in parts of the Northern Hemisphere. According to the Oxford Stringency Index, the US economy is now operating under the fewest restrictions since the pandemic began, with further easing signposted in the months ahead. The UK economy is emerging from its winter lockdown, with indoor dining restrictions expected to be lifted in May. The trend isn't universal of course – many parts of continental EU are still under heavy restrictions, but the European Commission expects 70% of adults to be vaccinated by the end of July.

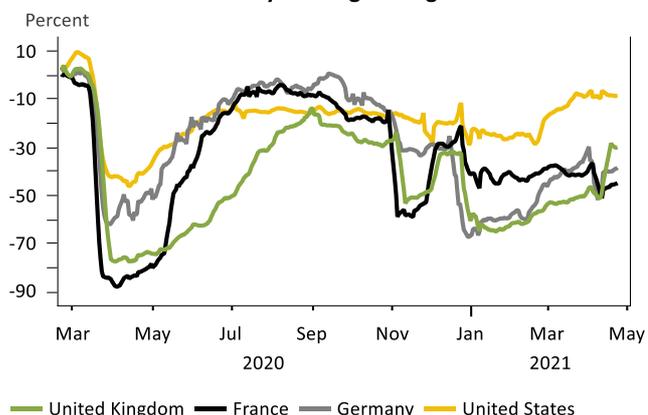
The latest high frequency economic data show economic activity picking up – and the hospitality sector is feeling the love. Google mobility data for the retail and recreation sector show activity in the US is around its highest level since the pandemic began, and there has also been a sizable upswing in the UK (see our chart above).

[The Economist](#) reports that according to OpenTable – a US restaurant booking platform – the number of restaurant diners is 18% below normal levels during April thus far, whereas in February it was 48% lower.

Among major commodities, we expect meat will be the main beneficiary from the trend towards reopening in the Northern Hemisphere. Collectively, the US, UK and EU account for 40-45% of meat exports, and with more consumers packing back into pubs and restaurants, prime cuts can expect a higher mark-up. To that end, we have seen beef and lamb prices edge up over March and April. Lamb – which has less utilisation per head and is less easily redirected between the hospitality sector and supermarkets – has suffered the steepest falls through the pandemic, and consequently, the largest gains (+5% since the beginning of March). **Wine is another obvious winner given its exposure to the restaurant industry – collectively, the US, UK and EU account for 92% of NZ's exports.**

There are plenty of grim COVID headlines around the world, but NZ commodity producers are less exposed to the current hotspots. Case numbers are rising most sharply in India and Brazil, but both maintain hefty trade barriers and neither is a significant export market for NZ. The greater risk for NZ commodity producers is that the broader recovery in consumer spending and global growth stalls, particularly in parts of Europe. **Nevertheless, with global growth forecasts being revised up in most parts of the world, we continue to expect demand and supply factors will remain favorable for commodity producers**

Google Mobility Data - Retail & Recreation
Weekly Moving Average



Source: Macrobond, ASB

ASB Commodities Index

The ASB Commodities Index was little changed last week.

Underlying USD prices movements were muted, with dairy prices holding ground after a strong auction and meat prices continuing to edge upwards. All-up, our index lifted a modest 0.3% in USD terms.

Last week also saw a modest move higher in the kiwi dollar, with the NZD/USD up 0.4%. The upshot saw our index move a tiny bit lower in NZD terms (-0.1%), but still not far from the near-record highs it reached in recent weeks.

ASB New Zealand Commodity Price Indices As at Friday 23rd April 2021

	Index*	Week %	Year %**
Total NZD	113.9	-0.1%	10.2%
Total SDR	112.4	0.3%	25.3%
Total USD	115.8	0.3%	31.8%
Dairy USD	127.9	0.0%	37.2%
Sheep/beef USD	96.3	0.4%	25.3%
Forestry USD	107.4	0.4%	36.7%
Fruit USD	131.4	0.4%	29.5%
NZD/USD	0.7169	0.4%	19.5%

* For all indices 2017 average = 100

** Percentage change since same week last

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