

Commodities Weekly

For the week ending Friday 23rd July



Battling through the logistics chaos

Data thus far shows primary export volumes looking resilient

A key feature of New Zealand’s post pandemic economic performance has been the swift recovery in international trade after its pandemic crash.

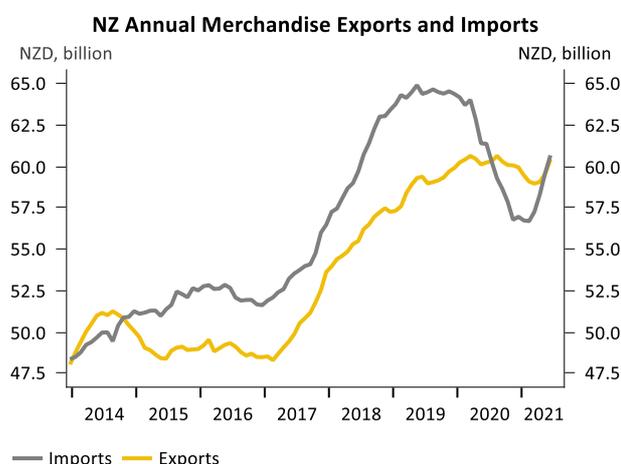
Global goods trade wrongfooted expectations of a deep fall in COVID’s aftermath and is recovering at pace over 2021. Here in New Zealand, annual export values are now not too far off its previous record at around \$60.4bn (imports still have a way to go despite a speedy recovery thus far).

Over recent months we’ve seen lots of reports about global shipping disruption constraining trade.

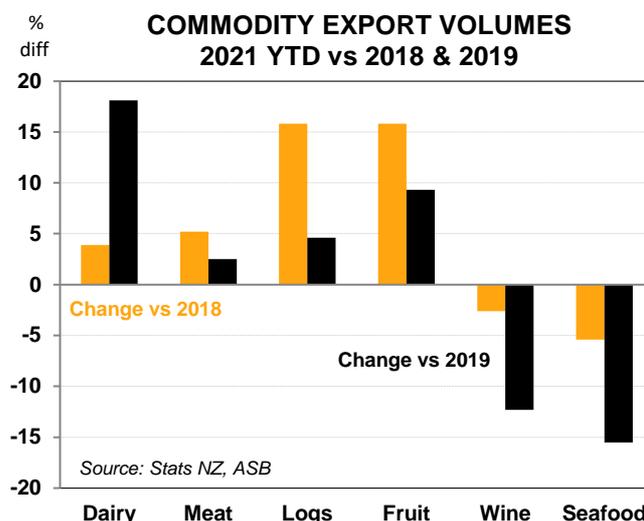
Global freight throughput indices continue to hover close to record highs, but shipping capacity remains tight amid widespread COVID-driven disruption. The upshot has seen freight costs spiralling, container shortages abounding and shipping delays aplenty across the world, according to media reports.

Despite all those headlines, export volumes appear to be proving resilient thus far – those recent gains in export values have been both price AND volume driven. Exported volumes for many of NZ’s major exported commodities are running ahead of their pre-COVID levels. Year-to-date dairy export volumes are up 4% on the same period in 2019, meat export volumes are up 2%, log export volumes are up 5% and fruit export volumes are up 9%. That’s not to say exporters aren’t feeling the pinch from shipping disruption – just that it hasn’t proved enough of a constraint to keep export volumes from staging a solid recovery.

However, there are a few sectors where volumes are getting hit hard. In particular, wine and seafood producers appear to be suffering more so than some of our larger exports. Wine export volumes are down 12% year-to-date on 2019, and seafood volumes are down 15%.



Source: Macrobond, ASB



Source: Stats NZ, ASB

We expect export values to continue to march higher – provided NZ exporters can continue to escape the chaos.

With commodity prices at historic highs (as we’ve noted over plenty of recent publications), the stage is set for export receipts to surpass all-time highs over the coming months. Still, we remain cautious on the outlook – with few indications of when global shipping will return to normality, there’s always the possibility we could see a sharp turn lower reflected in the data.

What’s more, we suspect the disruption will continue to be felt unevenly. While [Fonterra](#) has touted the fact its global partnerships are helping it escape some of the chaos, we suspect smaller exporters will remain more exposed to the current difficulties in global shipping logistics.

ASB Commodities Index

There was a little bit more downward movement in the ASB Commodities Index last week, but it remains not far off record highs. Unsurprisingly, dairy prices were the big mover after dropping away by more than anticipated at last week’s GlobalDairyTrade auction (-1.6%). The continued recovery in meat prices wasn’t enough to offset the impact, lifting by 0.7%. All-up, USD prices were 0.7% lower over the week.

In a recurring theme we have seen over recent weeks, a softer NZD is helping further support the index, even as underlying commodity prices continue to trade at multi-year highs. With NZD/USD down 0.5%, our NZD index notched up a 0.2% decline.

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

	Index*	Week %	Year %**
Total NZD	116.7	-0.2%	14.9%
Total SDR	112.6	-0.7%	18.7%
Total USD	115.3	-0.7%	20.7%
Dairy USD	119.0	-1.6%	20.7%
Sheep/beef USD	117.3	0.7%	24.4%
Forestry USD	109.4	-0.5%	25.1%
Fruit USD	100.6	-0.5%	8.3%
NZD/USD	0.6974	-0.5%	5.0%

* For all indices 2017 average = 100

** Percentage change since same week last

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