

# Commodities Weekly

For the week ending Friday 24<sup>th</sup> November



## Forestry prices set fresh record highs

### Weaker NZD helps forestry to record high

The weaker NZD has lifted forestry prices to a fresh record high. Last week, forestry prices rose 0.8% in NZD terms as measured by the AgriHQ Forestry Index. On top of earlier increases, forestry prices have lifted 2.1% since mid-August.

However, the weaker NZD accounts for the entire rise. In USD terms, prices have fallen 4%. And, heading into 2018 we expect prices to continue to drift lower in USD terms.

Indeed, we expect Chinese growth and in turn demand for logs to soften. For example, after growing at 6.8% this year, we expect the Chinese economy to slow to 6.3% by 2018. In addition, shipping rates continue to rise, with October Baltic Dry Index prices some 78% higher than a year ago.

On the positive side, local demand is likely to remain firm. The construction backlog is long and likely to continue to drive activity and demand for logs and timber for years to come.

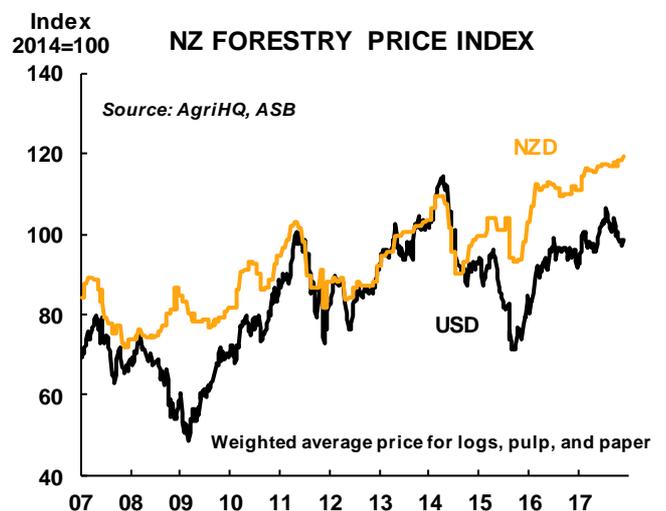
All up, we expect forestry prices to ease over 2018. That said, prices are likely to remain high by historical standards, with strong local construction demand still underpinning prices.

### Week ending 24 November

The ASB Commodity Price Index was mostly unchanged in USD terms for the week ending 24 November. However, a stronger NZD sent the Index down 1.0% in NZD terms.

Meanwhile by component, commodity prices were mixed over the week. Dairy prices dipped 2.3% in USD terms in line with the fall at last week's dairy auction. However, prices for the other components climbed between 0.9% and 1.7%.

Last week, the NZD recovered some lost ground. The NZD has continued to trade near these levels so far this week – as at the time of writing, the NZD was trading at US\$0.6890.



### ASB New Zealand Commodity Price Indices As at Friday 24<sup>th</sup> November 2017

	Index*	Week%	Year%**
Total NZD	109.6	-1.0%	4.0%
Total SDR	97.0	-0.8%	-2.9%
Total USD	90.6	-0.1%	2.0%
Dairy USD	86.2	-2.3%	-6.5%
Sheep/beef USD	94.3	1.4%	13.3%
Forestry USD	98.6	1.7%	4.2%
Fruit USD	92.1	0.9%	-6.5%
NZD/USD	0.6881	0.9%	-1.9%

\* For all indices 2014 average = 100

\*\* Percentage change since same week last year

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