

# Commodities Weekly

For the week ending Friday 25<sup>th</sup> January



## History never repeats

### After a strong 2018, we expect more mixed commodity income growth over 2019

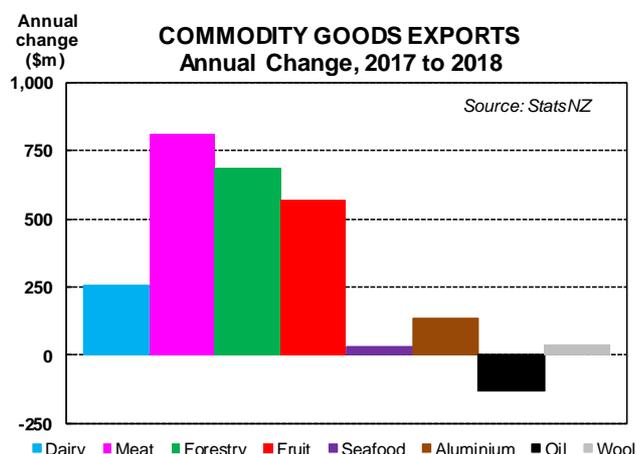
**NZ commodity export incomes posted solid gains over 2018, according to export data released this week.** Over 2018, export receipts for the eight ASB Index commodities lifted \$2.4bn or 7.1% compared to the 2017 year. The growth was also broad-based with only oil receipts declining.

**In dollar terms, meat exports led the way, jumping by \$814m (12.3%) to \$7.4bn over 2018.** Indeed, lamb prices set record highs over 2018, with lamb accounting for over \$500m of the lift in meat export receipts. Forestry exports also jumped a healthy \$684m over the year.

**Hot on meat and forestry's heels were fruit export receipts.**

Fruit export receipts surged by more than a fifth over the year as a record gold kiwifruit crop and excellent overall kiwifruit prices pushed fruit exports to a record high.

**However for 2019, we anticipate a more mixed story for export receipts.** Firstly, the NZD is unlikely to give the same boost to incomes as in 2018 (the NZD fell 3.6% on trade-weighted basis over 2018). Also, we expect that agricultural production and thus exports will lift over 2019, with this extra supply likely to weigh on export prices relative to 2018. Lastly, NZ commodity demand is also likely to slow as the global economy slows, adding further downward pressure on export prices.



### Week ending 25 January

**The ASB Commodity Price Index was mixed in the week ending 25 January.** The Index lifted 0.9% in USD terms, but a 1.4% jump in the NZD/USD more than offset the gain.

**By component, the Index lift in USD terms was broad-based.** Sheep/beef, forestry and fruit prices all posted gains of 1.3% or better, while dairy prices gained 0.4%.

The NZD/USD gained last week as the USD weakened against most major currencies. This week the NZD/USD has extended these gains. As at the time of writing, **the NZD/USD was trading at US\$0.6900.**

### ASB New Zealand Commodity Price Indices As at Friday 25<sup>th</sup> January 2019

	Index*	Week %	Year %**
Total NZD	108.9	-0.5%	2.9%
Total SDR	97.5	0.6%	-0.2%
Total USD	89.4	0.9%	-3.3%
Dairy USD	82.6	0.4%	-4.0%
Sheep/beef USD	89.0	1.3%	-4.6%
Forestry USD	104.4	1.4%	-1.2%
Fruit USD	98.6	1.4%	2.8%
NZD/USD	0.6839	1.4%	-6.0%

\* For all indices 2014 average = 100

\*\* Percentage change since same week last year

**ASB Economics & Research**

Chief Economist  
Senior Rural Economist  
Senior Economist  
Senior Economist  
Senior Economist, Wealth  
Economist  
Data & Publication Manager

Nick Tuffley  
Nathan Penny  
Jane Turner  
Mark Smith  
Chris Tennent-Brown  
Kim Mundy  
Judith Pinto

[nick.tuffley@asb.co.nz](mailto:nick.tuffley@asb.co.nz)  
[nathan.penny@asb.co.nz](mailto:nathan.penny@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)  
[kim.mundy@asb.co.nz](mailto:kim.mundy@asb.co.nz)  
[judith.pinto@asb.co.nz](mailto:judith.pinto@asb.co.nz)

**Phone**

(649) 301 5659  
(649) 448 8778  
(649) 301 5853  
(649) 301 5657  
(649) 301 5915  
(649) 301 5661  
(649) 301 5660

[www.asb.co.nz/economics](http://www.asb.co.nz/economics)

 [@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.