

Ding dong merrily on high, the cow bells are ringing

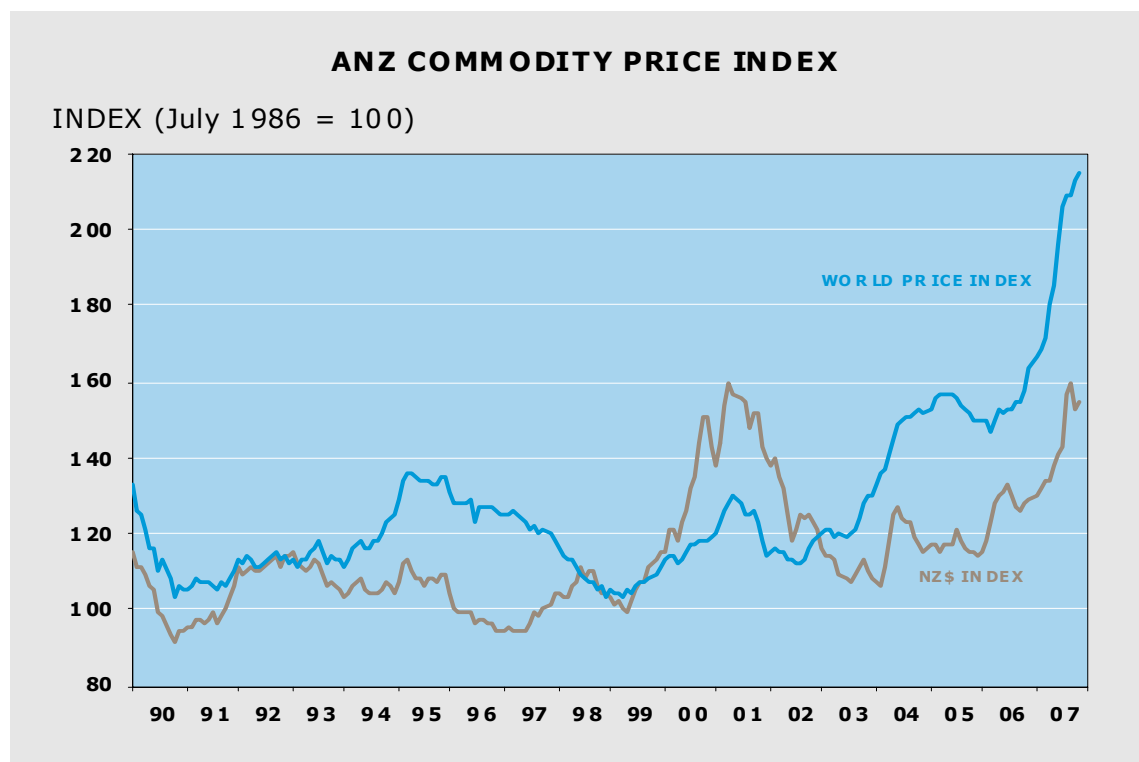
The average price of New Zealand's key exports nudged up further in November. The **ANZ World Commodity price Index** increased 0.8 percent in the month, hitting a new record high for the series. The index is 36 percent higher than it was at the same time last year.

The prices of five commodities registered a rise in the latest month, while four recorded declines. The price of wool recorded the largest rise in the month, lifting 4.8 percent from October. Wool prices have risen for each of the past four months and are now 10 percent above the level from a year ago. Aluminium (*featured commodity, on page 3*) recorded the next strongest rise in the month, lifting 2.6 percent from a month ago. Seafood, dairy and skins all recorded rises between 0.8 and 0.9 percent.

Dairy prices recorded their 15th consecutive monthly increase in November. Prices have doubled from where they were a year ago, and they now sit more than 2½ times above the historical average of the series.

On the negative side of the ledger, sawn timber posted the largest fall in prices, down 6.7 percent. Kiwifruit eased 1.2 percent as the export season draws to a close and beef and logs both recorded a modest 0.2 percent dip in prices.

The **ANZ NZ Dollar Commodity Price Index** posted a 0.9 percent rise in November. Export prices have risen 21 percent, on average, compared to a year ago.



Commodity Price Index Weights are based on contributions to merchandise exports. Weights for the 2007 year are: Wool 0.048; Beef 0.103; Lamb 0.137; Venison 0.015; Skins 0.027; Dairy 0.333; Apples 0.018; Kiwifruit 0.044; Logs 0.032; Sawn Timber 0.056; Wood Pulp 0.034; Seafood 0.068; Aluminium 0.085.

	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Nov-02	117.9	1.5	0.3	123.0	-1.4	-14.2
Nov-03	130.2	2.0	10.4	110.2	-2.4	-10.4
Nov-04	152.6	0.5	17.2	117.5	-1.3	6.6
Nov-05	150.1	-0.9	-1.6	115.3	0.0	-1.9
Nov-06	158.0	2.1	5.3	127.8	1.3	10.8
May-07	185.1	2.6	21.1	137.5	2.7	5.5
Jun-07	196.7	6.3	29.8	141.2	2.7	7.4
Jul-07	205.7	4.6	35.1	142.7	1.1	7.5
Aug-07	208.6	1.4	36.3	156.9	10.0	20.3
Sep-07	209.4	0.4	35.7	159.3	1.5	25.1
Oct-07	213.1	1.8	37.8	153.2	-3.8	21.5
Nov-07	214.9	0.8	36.0	154.6	0.9	21.0

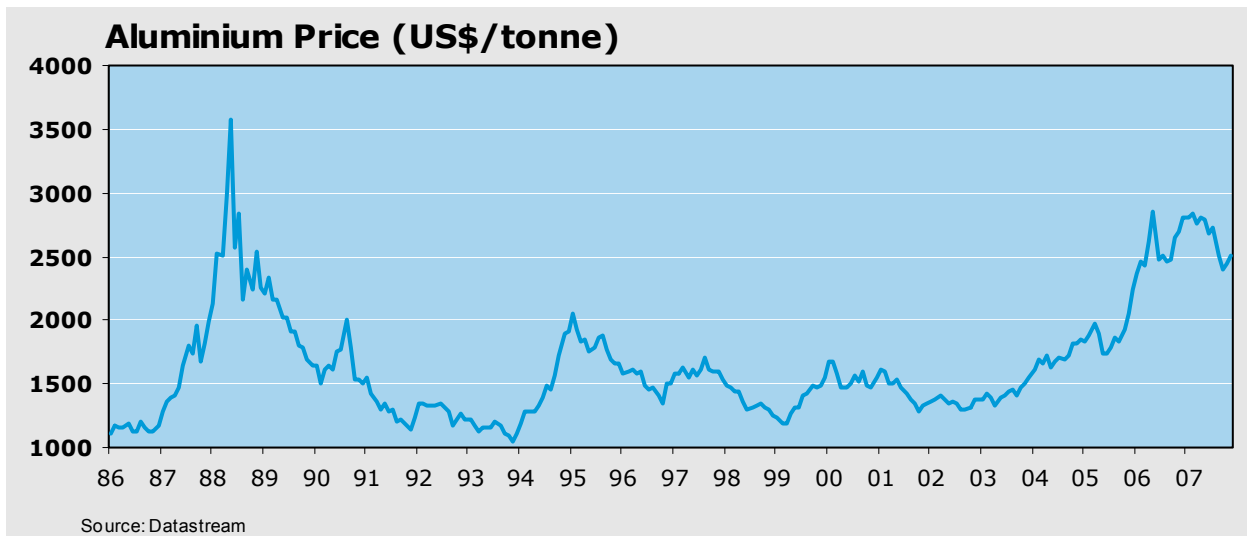
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Forthcoming ANZ Commodity Price Index to be published: 9 January 2008.

FEATURED COMMODITY: ALUMINIUM

Historically speaking, aluminium is a relatively young metal and has only been produced commercially for just over 100 years. In comparison copper, lead and tin have been used for thousands of years. Yet today, more aluminium is produced world-wide than all other non-ferrous metals combined. The light, durable and strong quality of aluminium makes it one of the most extensively used metals in the world, particularly in the transport industry, packaging and construction sectors.

Aluminium has been a relatively recent addition to NZ's export basket, when smelting first began at Tiwai Point in 1971. Electricity holds the key to the electrometallurgical process of manufacturing aluminium – hence the location of the smelter in Southland. Tiwai Point was selected primarily for its proximity to the Manapouri Power Station, but also for the deep water harbour at Bluff and the proximity of Invercargill's labour force.



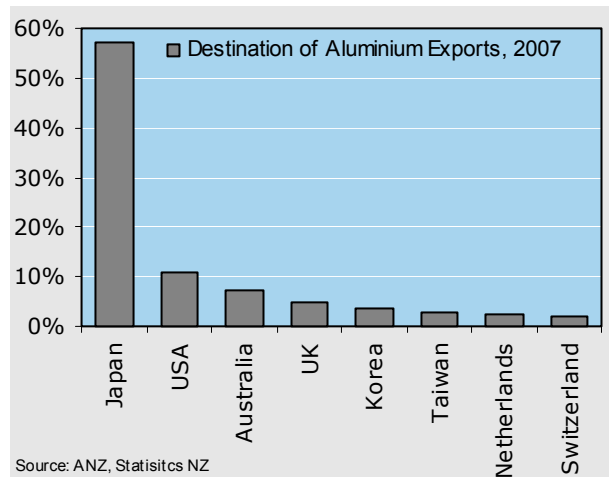
The aluminium price we include in the ANZ commodity price index is taken from the London Metals Exchange, where aluminium has recently become the largest contract traded on the exchange. Recently, aluminium prices have retraced from an 18-year high. The rise in aluminium prices last year was primarily due to a 34 percent increase in China's consumption of aluminium over 2006. The market has since cooled, in response to an imposition of a 15 percent export tax by Chinese authorities, weaker prospects for the global economy, a new smelter being established in Dubai and expanded production in Jamaica and Brazil.

Prices are forecast to remain above historical averages for the next few years, as demand remains robust. Consequently, Aluminium is expected to be the best performing base metal over the next two years. Although rising interest rates, the possible slowing of developed economies, huge capacity expansions and softer alumina costs will combine to partially dampen prices.

In the year to June 2007, NZ's exports of aluminium totalled \$1.6 billion, which was 4½ percent of New Zealand's total export merchandise trade. However, the raw alumina we use to make aluminium in NZ is imported from Australia. Once this imported raw material is deducted, the net value is reduced to 3½ percent of overall exports.

On the world stage, production of aluminium in New Zealand is less than 1.2 percent of total world-wide output.

Japan is the largest destination for our aluminium exports, taking 57 percent of the total. Our next largest markets are the USA (11 percent), Australia (7 percent) and United Kingdom (5 percent).



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