

ANZ Commodity Price Index

New Zealand

1 February 2010

A small lift to start the year

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The next issue of the *ANZ Commodity Price Index* is scheduled for release on: 1 March 2010 at 3pm.

Commodity prices lift a little in January. The ANZ Commodity Price Index recorded a small increase in the first month of the new year. The index lifted 0.4 percent in January, which represents the eleventh consecutive monthly rise in the index. The level of the index is over a third higher than compared to the same month a year earlier.

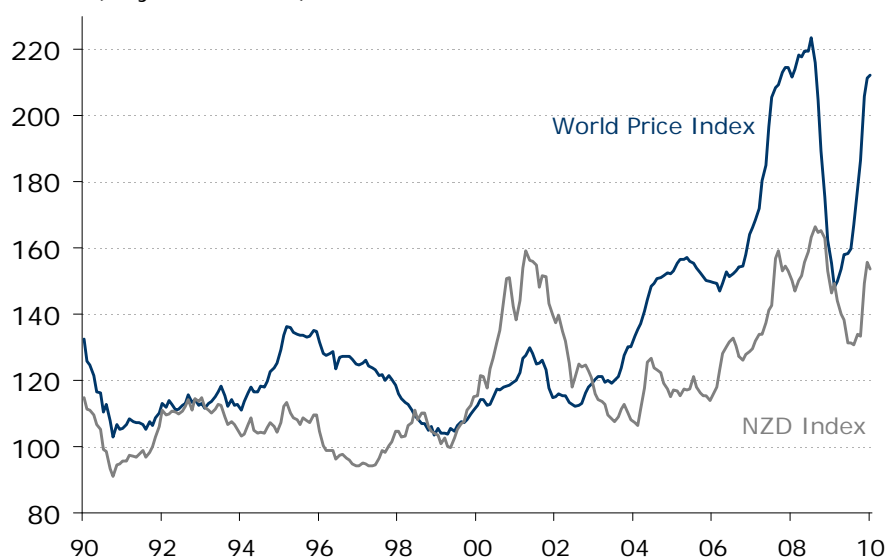
In world price terms, seven commodities recorded a strengthening in prices, while two recorded price declines. The price of skins lifted 12 percent in the month, with the level of prices up by a third from a year ago. Log prices recorded the second largest monthly increase, rising 9.4 percent. Beef prices firmed 5.8 percent, aluminium prices rose 1.9 percent and lamb prices lifted 1.8 percent. Seafood prices rose 0.9 percent and sawn timber prices lifted 0.5 percent.

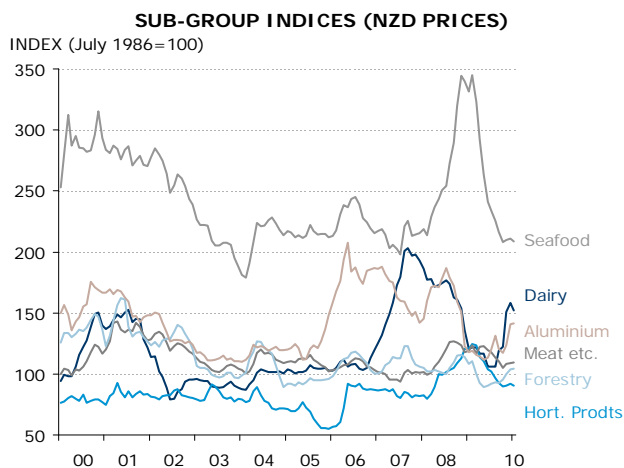
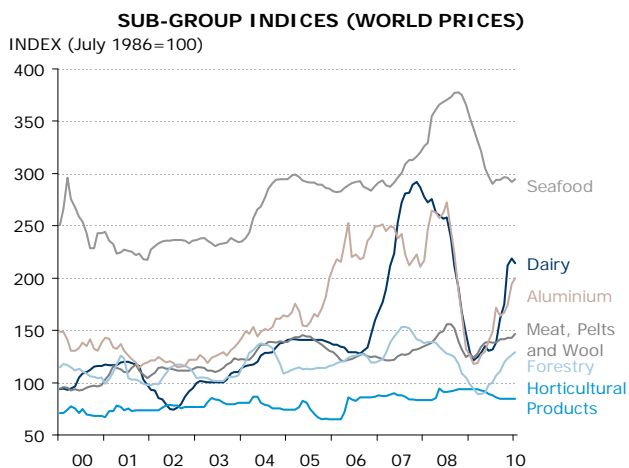
Of the two commodity prices to record a decrease, dairy prices recorded the larger drop – the first price reduction we've measured in seven months, easing 2.0 percent from the preceding month. Wool was the other commodity to record an easing in price, drifting lower by 0.6 percent in January.

NZ dollar index eases. The value of the New Zealand dollar strengthened relative to all our major partners in January. This strengthening resulted in a drop in the commodity price index (-1.2 percent), when valued in NZ dollars. On an annual basis the NZ dollar commodity price index has only risen 5.0 percent.

ANZ COMMODITY PRICE INDEX

INDEX (July 1986=100)





	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Jan-05	153.1	0.7	14.9	117.1	1.8	9.0
Jan-06	149.6	-0.2	-2.3	115.6	1.4	-1.3
Jan-07	166.2	1.3	11.1	129.7	0.8	12.2
Jan-08	211.7	-1.4	27.4	150.3	-1.8	15.9
Jan-09	155.5	-4.3	-26.5	146.4	-4.3	-2.6
Jul-09	159.9	1.0	-28.5	131.4	0.1	-19.5
Aug-09	166.9	4.4	-22.7	130.8	-0.5	-21.4
Sep-09	178.2	6.8	-13.0	133.9	2.4	-18.7
Oct-09	186.5	4.7	-1.5	133.5	-0.3	-19.2
Nov-09	206.0	10.5	17.4	149.2	11.8	-8.4
Dec-09	211.3	2.6	30.0	155.6	4.3	1.7
Jan-10	212.2	0.4	36.5	153.7	-1.2	5.0

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2009 year are: Wool 0.035; Beef 0.091; Lamb 0.131; Venison 0.015; Skins 0.025; Dairy 0.408; Apples 0.016; Kiwifruit 0.047; Logs 0.034; Sawn Timber 0.042; Wood Pulp 0.028; Seafood 0.059; Aluminium 0.069

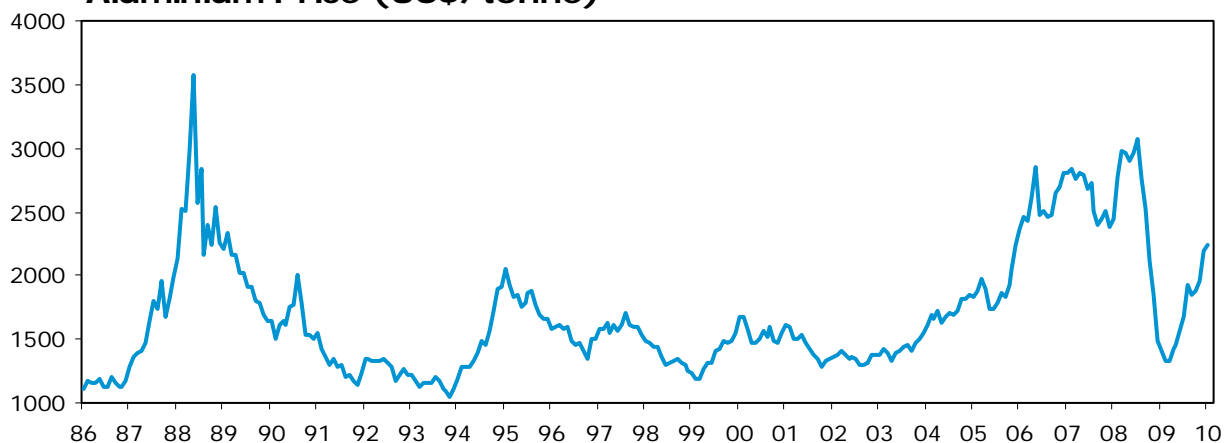
Featured Commodity: ALUMINIUM

New Zealand began exporting aluminium in the early 1970s. As a base metal, aluminium prices tend to follow the trend set by other hard commodities, being more aligned to world-wide industrial production and global sentiment. Not surprisingly, aluminium prices have slumped recently, in response to uncertainty and weaker demand in the current gloomy economic environment.

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 (which accounts for about a third of the cost of producing aluminium) holds the key to the electrometallurgical process of manufacturing aluminium – hence the location of the smelter in Southland. In short, alumina is heated to 950° and an electric current is passed through it – breaking up the alumina molecules into aluminium and oxygen. 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.

Aluminium Price (US\$/tonne)



Source: ANZ, Datastream

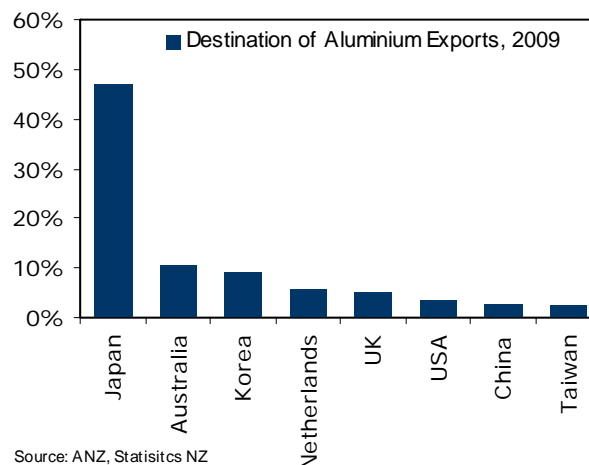
The aluminium price we include in our commodity price index is taken from the London Metals Exchange, where aluminium is the largest contract traded on the exchange. In mid-2008, aluminium prices hit a 20-year high, but then slumped 43 percent in response to the weaker global economy. Prices have clawed back over half of the slump between the high and low points recorded over recent years.

The latest rise in global aluminium prices is connected to the rebound in the economic environment, which will flow into increased demand from the auto and construction sectors. This is especially true for China, where demand is expected to grow the strongest.

In the year to June 2009, New Zealand's exports of aluminium totalled \$1.1 billion, which was 2.4 percent of New Zealand's total export merchandise trade. However, the raw alumina we use to make aluminium is imported from Australia. Once this imported raw material is deducted, the net value is reduced to 1.8 percent of overall exports.

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

Japan is the largest market for our aluminium exports, taking nearly half of the total. Our next largest markets are Australia (10 percent) and Korea (9 percent). The USA's share of our aluminium exports has dropped from second ranking to sixth.



Source: ANZ, Statistics NZ

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The Bank (in respect of itself and its principal officers) makes the following investment broker disclosure to you pursuant to section 41G of the Securities Markets Act 1988.

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- Financial Markets Operations Association; and
- Institute of Finance Professionals.

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- Adjudicated bankrupt;
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- Subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
- Expelled from or has been prohibited from being a member of a professional body; or
- Placed in statutory management or receivership.

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- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
- Other forms of security, such as participatory securities.

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- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

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