



Grocery Supplier Cost Index (GSCI)

<i>Infometrics-Foodstuffs NZ GSCI</i>	Aug-19	Aug-22
GSCI, Jan-18 = 1,000	1,027	1,156
GSCI annual % change	1.9%	8.7%
Number of products increasing in cost	2,745	7,460

Grocery supplier costs rise further

The **Grocery Supplier Cost Index** rose 8.7%pa in August 2022, a further acceleration in cost growth from last month.

Cost increases from suppliers remain broad-based across product categories, with almost three times the number of products increasing in cost than for the same month in 2019.

Sustained higher input costs are driving suppliers to pass on these higher costs. The continued rise in both the number and scale of cost increases from suppliers to supermarkets underscores the continued mounting pressure on grocery prices. Despite some international pricing indicators showing signs of stabilisation or decline, the momentum in cost pressures within New Zealand suggests that supermarket costs and broader inflation measures will remain elevated for now.

Fresh foods drive costs higher

All departments again recorded annual increases in costs in August 2022. Cost growth for produce and chilled goods accelerated from already high annual rates at a faster pace than other areas.

Despite being the second-highest increasing department over the last year, butchery cost increases were most stable (at these higher levels) in August. The continued high level of general merchandise cost increases underscores the broad cost pressures being experienced.

Continued larger cost increases

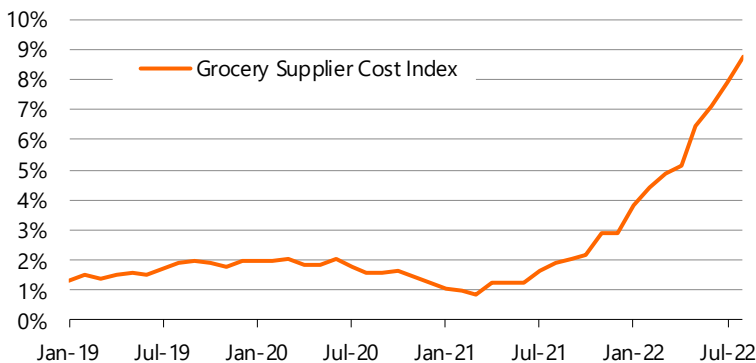
More items than usual continue to be re-costed, with larger increases being seen across a wider group of these re-costed products.

Nearly three times as many products recorded an increase in cost in August 2022 (7,460) than the number that rose in cost in August 2019 (2,745).

In August 2022, 9.4% of re-costed products rose in cost by more than 20%, compared to 6.0% of products in 2019.

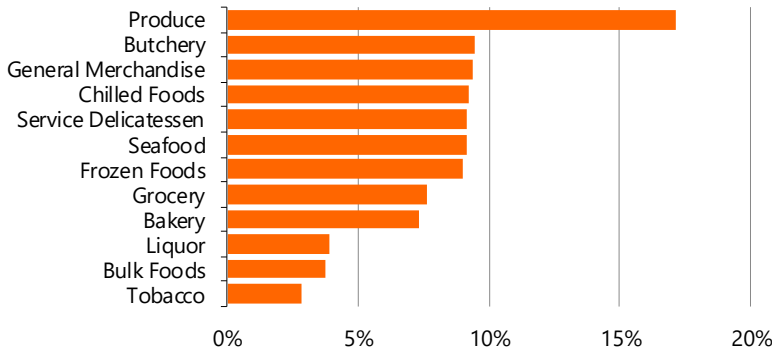
Grocery supplier costs rise 8.7% in August

Annual % change



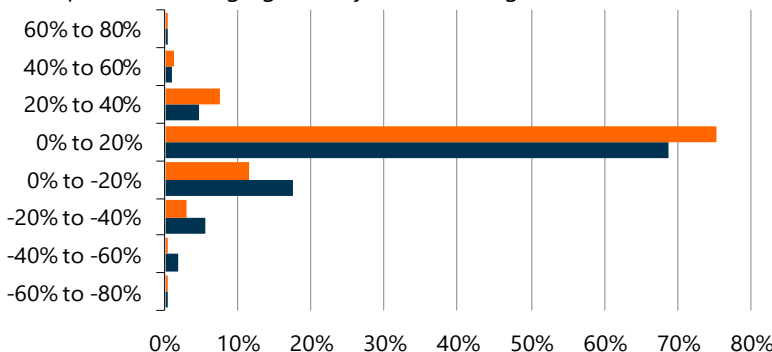
Grocery supplier costs increases by type

Annual % change, by department, August 2022



Distribution of cost changes

% of products changing cost, by size of change



The Grocery Supplier Cost Index

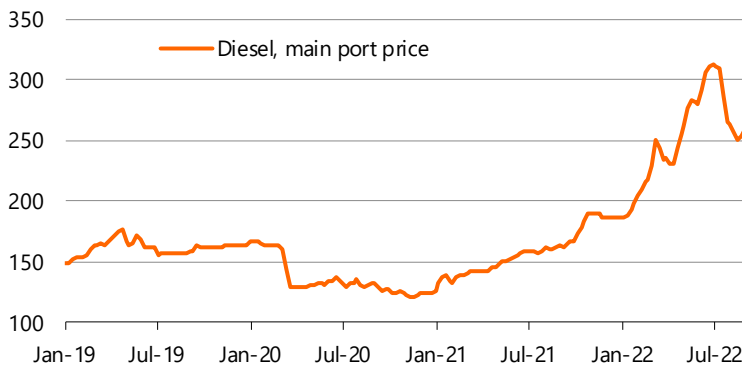
The *Infometrics-Foodstuffs New Zealand Grocery Supplier Cost Index* (GSCI) measures the change in the cost of grocery goods charged by suppliers to the Foodstuffs North and South Island cooperatives. The Index utilises detailed Foodstuffs NZ data, across over 60,000 products, analysed by independent economics consultancy Infometrics to produce the GSCI and publish it on a monthly basis.

For more details see www.infometrics.co.nz/product/grocery-supplier-cost-index.



Diesel prices remain 60%pa higher

c/L, weekly



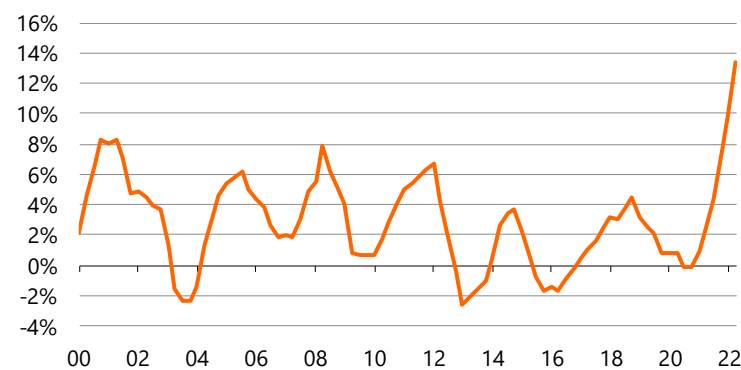
Fuel prices remain high

Fuel prices globally have been trending downwards in recent months, dragging local diesel prices lower. Diesel prices have stabilised at around \$2.50/L recently, which is still 60% above prices a year ago.

However, the previous rapid rise in fuel prices domestically hasn't fully been passed through into other costs yet. We expect that more of this pass-through will occur in coming months to reflect sustained higher fuel prices.

Farm expenses soar 13.4%pa

Farm expense price index, all farms, all inputs



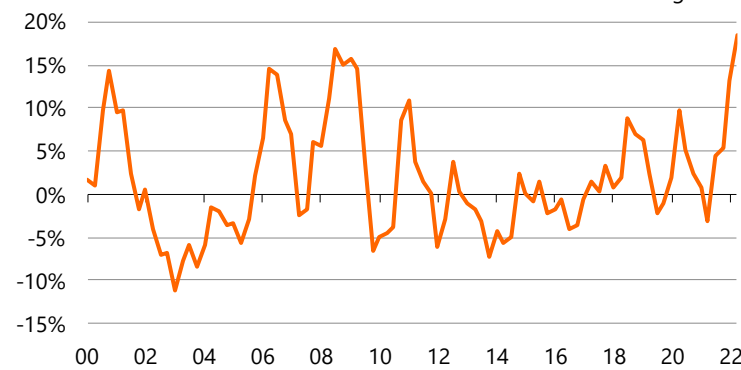
Fastest farm expense increase

Input costs for agriculture and horticulture operators in New Zealand increased at the fastest pace on record (going back to 1993), according to Stats NZ's Farm Expense Price Index.

Input price increases remain broad-based, with fuel and fertiliser prices, alongside higher debt-servicing costs, being key drivers of higher farm expenses. Machinery cost increases have also accelerated recently, further contributing to pressures on primary sector producers.

Import prices increase at nearly 19%pa

Import prices, annual % change



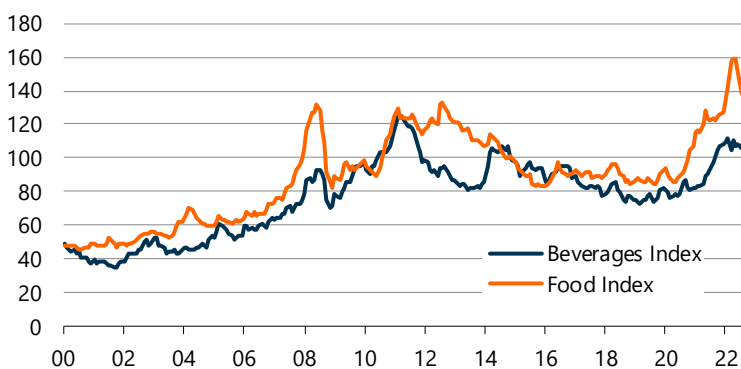
Fastest import price rise since 1985

Import prices into New Zealand for food and beverage products rose around 19%pa in the June 2022 quarter, the fastest increase since mid-1985.

Food and beverage price changes are volatile, as the chart shows, but more subdued changes in import prices between 2014 and 2019 means that the recent surge to a higher level represents a significant change from previous price outcomes. Higher import prices underscore the pressure on global supply chains resourcing New Zealand.

Food and beverage prices still elevated

World Bank commodity price index, 2010 = 100



Global commodities moderating?

Global food and beverage prices are showing signs of moderating. The World Bank commodity price index shows that food prices are down 14 from their recent peak, but they are still 50% higher than 2020 levels.

Beverage commodity prices look to be stabilising at elevated levels. Higher global prices will maintain pressure on New Zealand costs, and it may take longer for the international moderation to filter through to domestic pricing, particularly given continued weakness in the New Zealand dollar.