

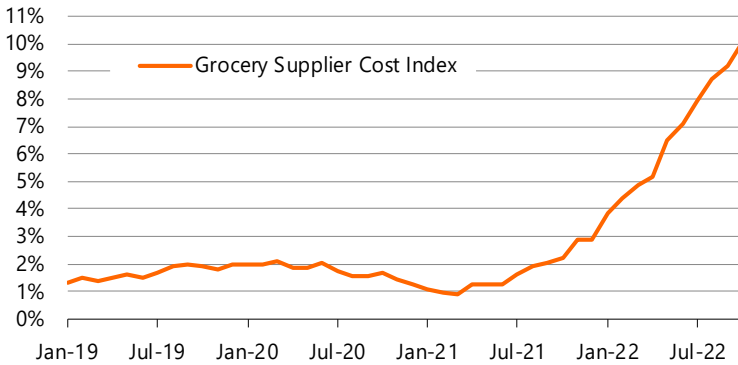


Grocery Supplier Cost Index (GSCI)

<i>Infometrics-Foodstuffs NZ GSCI</i>	Oct-19	Oct-22
GSCI, Jan-18 = 1,000	1,028	1,175
GSCI annual % change	1.9%	10.0%
Number of products increasing in cost	1,834	9,027

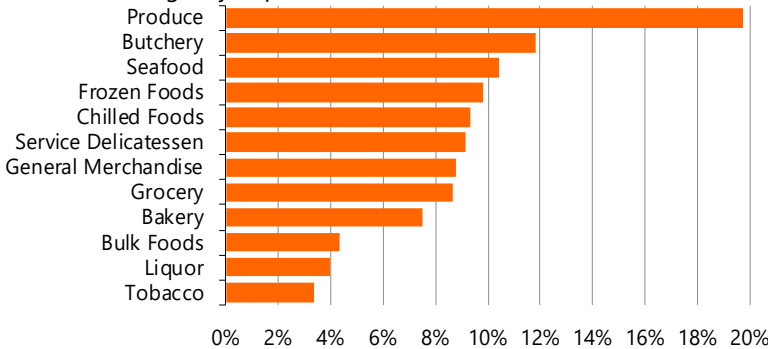
Double-digit rise for grocery supplier costs

Annual % change



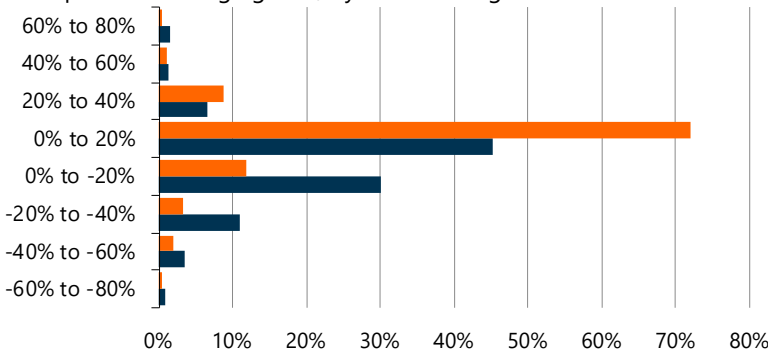
Grocery supplier costs increases by type

Annual % change, by department, October 2022



Distribution of cost changes

% of products changing cost, by size of change



Surge in supplier cost increases

The **Grocery Supplier Cost Index** rose 10.0%pa in October 2022, with the largest number of items increasing in cost since our data begins in 2018.

The continued rapid rise in supplier costs to supermarkets reinforces the inflationary pressures observed across the economy, and the Index shows no abatement or change in direction yet.

Along with large annual increases in the more volatile fresh produce and proteins departments, the continued high supplier cost increases for general grocery and non-food goods emphasises the broad-based nature of cost pressures.

Other indicators, including fuel prices, international food prices, and employment and wage statistics, all point to cost pressures being sustained.

Further department increases

Supplier costs to supermarkets rose across all departments again. Produce, butchery, and seafood supplier costs were up more than 10% in the last year, with frozen foods close behind at 9.8%pa.

Butchery, seafood, and grocery items were the largest contributors to higher supplier costs in October, with the rise in grocery department costs indicating the continued broadening of inflation across a wider variety of less volatile items.

Large number of cost increases

October saw the largest number of items re-costed at a higher cost since our series begins in 2018. Just over 9,000 items were re-costed higher in October 2022, nearly five times higher than in the same month in 2019 (pre-pandemic).

Nearly 83% of supplier cost changes in October 2022 were for increases in cost, compared to 54% in October 2019. Just over 10% of cost increases were of more than 20%, higher than seen in 2019.

The Grocery Supplier Cost Index

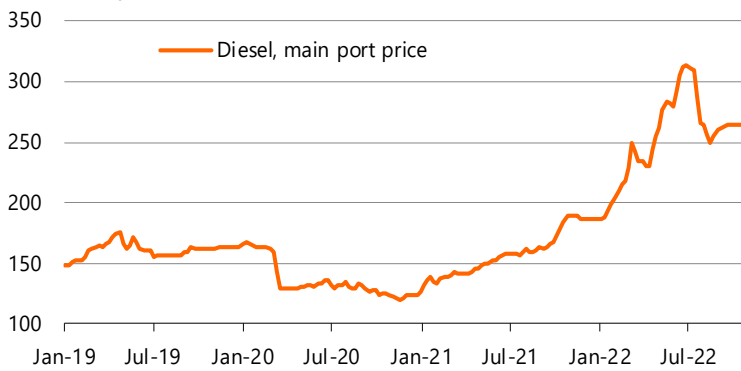
The *Infometrics-Foodstuffs New Zealand Grocery Supplier Cost Index* (GSCI) measures the change in the cost of grocery goods charged by suppliers to the Foodstuffs North and South Island cooperatives. The Index utilises detailed Foodstuffs NZ data, across over 60,000 products, analysed by independent 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 sitting 41%pa higher in Oct

c/L, weekly



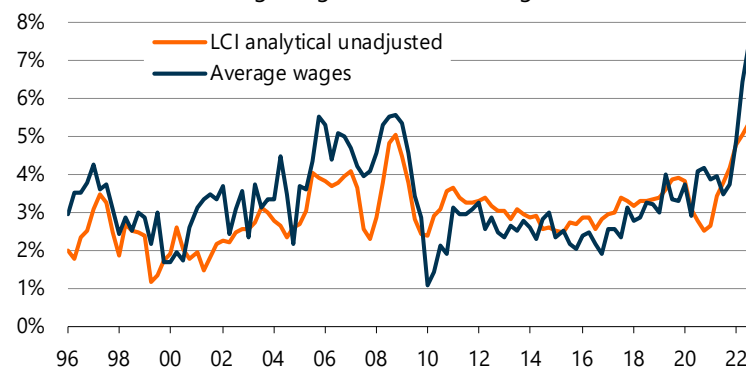
Diesel more expensive than petrol

Diesel prices plateaued in October at above \$2.63/L, up 41% from a year ago. The shift lower in diesel prices in July and August appears to have run its course for now.

Over the long-term, diesel prices in New Zealand have been around 60c/L lower than 91 petrol prices, but in recent weeks, diesel prices have edged 8c/L **above** 91 petrol prices. Petrol prices are now 4% lower than a year ago. The recent trend of higher diesel price will stoke transportation cost pressures.

Wages rise at record rate

Labour costs and average wages, annual % change

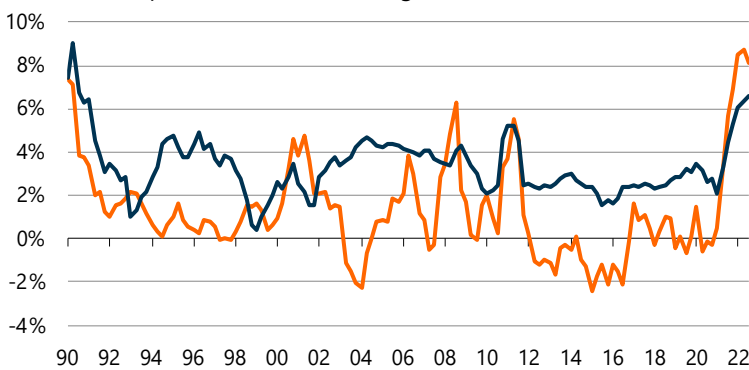


Wages rise at record rate

The unemployment rate remains near record lows, with the employment rate reaching an all-time high in the September quarter. The tight labour market and resulting difficulty finding and retaining workers has seen growth in average hourly earnings accelerate from 6.4% to 7.4%pa between June and September, the largest annual increase since the current series started in 1989. Growth in the unadjusted labour cost index (which incorporates pay rises due to promotions etc) rose to a new record high of 5.3%pa.

Intense domestic price pressures

Inflation components, annual % change

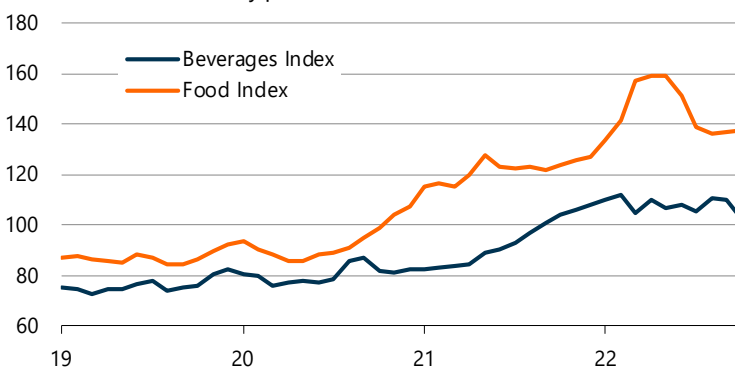


Intense domestic price pressures

Inflationary pressures in the September quarter were more intense than feared, even as fuel prices moderated. Domestic-based inflation (non-tradables) accelerated to 6.6%pa, the fastest rate since 1990, as price increases remain persistent and pervasive. Businesses are still facing higher input costs and are passing on these cost increases. Global-based inflation (tradables) is expected to pull back as fuel prices stabilise, although the lower New Zealand dollar will cause imported inflation to remain higher than otherwise.

Global food prices remain high

World Bank commodity price index, 2010 = 100



Global food prices remain high

Despite falls in global food and beverage prices in recent months, the latest World Bank commodity price index points to a stabilisation of prices at a higher level.

Both indices were essentially unchanged in September, but they remain up substantially from pre-pandemic levels. Food oils prices have moderated further, but grain and other food prices remain elevated. Food prices are now only 2% above levels seen at the start of 2022, but are still up 43% from the same time in 2020.