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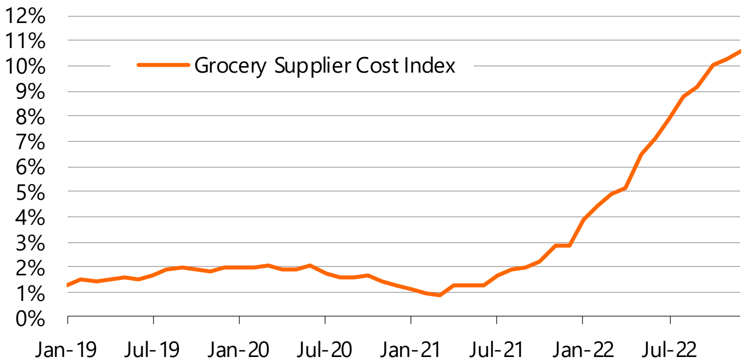
Grocery Supplier Cost Index Update

16 January 2023 Data for December 2022

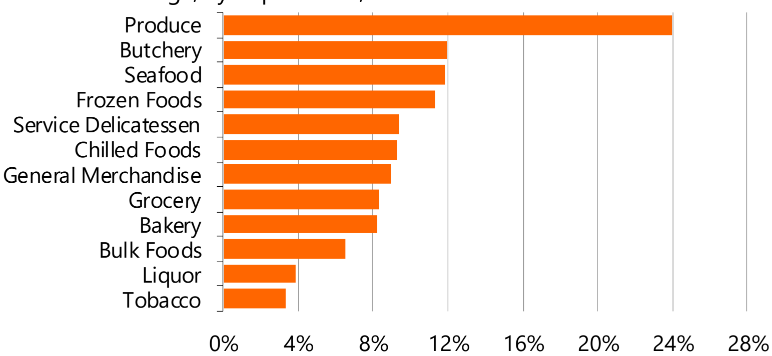
Grocery Supplier Cost Index (GSCI)

Infometrics-Foodstuffs NZ GSCI	**Dec-19**	**Dec-22**
GSCI, Jan-18 = 1,000	1,031	1,188
GSCI annual % change	2.0%	10.6%
Number of products increasing in cost	1,926	2,052

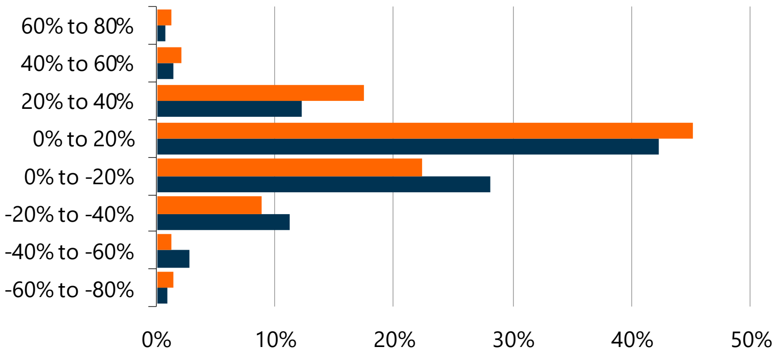
Grocery supplier costs up 10.6%pa in Dec
Annual % change



Grocery supplier costs increases by type
Annual % change, by department, December 2022



Distribution of cost changes
% of products changing cost, by size of change



Continued supplier cost rises

The **Grocery Supplier Cost Index** rose 10.6%pa in December 2022, but the monthly increase was the lowest in a year. Despite this monthly pace of change being low, the usual summer cost change moratorium until the end of January means it's not clear yet if we're on the cusp of seeing less intense cost pressures in 2023.

Supplier cost increases continue to be elevated compared to a year ago, with produce supplier cost increases accelerating to 24%pa in December. Local cost pressures and supply challenges, including labour market pressure, interest rates, stubbornly high inflation, and weather, look set to maintain supplier cost pressure into 2023. However, there is better news on the international front, with shipping costs easing back substantially, global food prices starting to ease, and fuel prices also being tempered.

Produce supplier costs up 24%pa

Supplier costs remain higher than a year ago across all departments. Produce supplier cost increases accelerated to 24%pa, as various weather-related and other factors contributed to lower supply and higher costs across a number of items.

Butchery, seafood, and frozen foods supplier costs remain more than 10% higher than a year ago, with broad-based supplier cost increases also observed in chilled foods and grocery goods over the last year.

Continued larger cost increases

Due to the usual summer cost change moratorium, the number of items increasing in cost in December 2022 was similar to December 2019. Produce cost increases made up the vast majority of cost changes in December 2022, as is normal for this time of the year.

Supplier cost increases remain skewed to higher increases, with 21% of cost changes being for cost increases of above 20%, compared to 15% in December 2019.

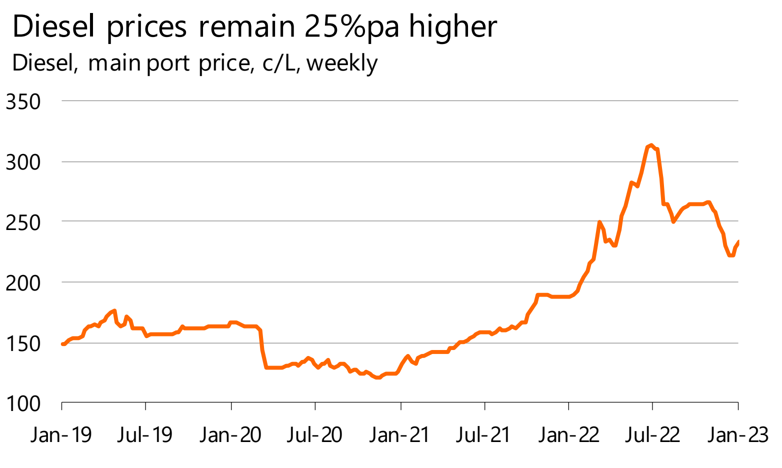
The Grocery Supplier Cost Index

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 remain 25%pa higher

Diesel prices fell back to a recent low of $2.21/L in the two weeks before Christmas, before pushing slightly higher at the end of the month to sit around 25%pa higher than a year ago.

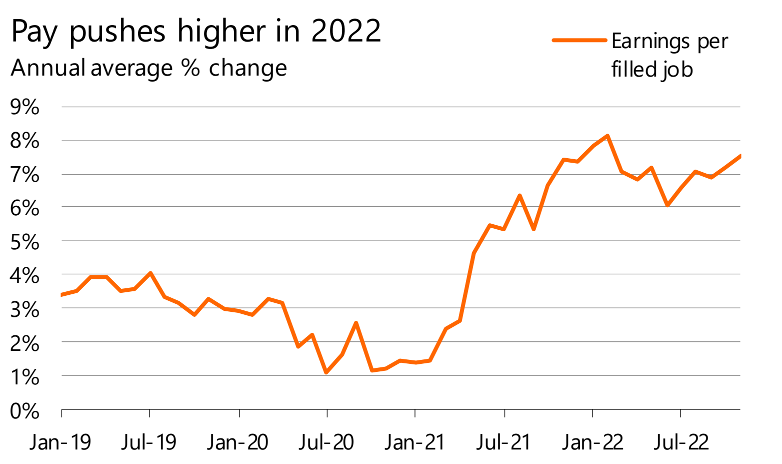
Nevertheless, fuel prices appear to be stabilising at these current lower levels, and could head further downwards in coming months. The mounting risk of global recession and lower economic activity have reduced forward demand for oil, dragging fuel prices down. Lower fuel prices will reduce pressure on suppliers' own input costs.



Pay pushes higher in 2022

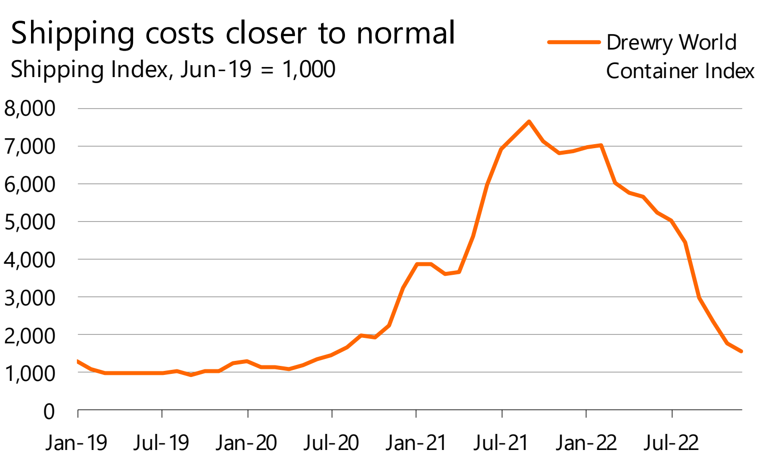
The tight labour market has seen wage pressures continue, especially across the primary sector where employment is lower than a year ago but demand for more workers remains strong. Average earnings per filled job across the economy rose 7.6%pa over the 12 months to November 2022, according to Infometrics analysis of monthly employment indicator data.

Higher wage costs being passed on by suppliers risks fuelling inflationary pressures in 2023.



Shipping costs closer to normal

Shipping prices have continued to moderate across the 2022, with the Drewry World Container Index down 77%pa over the last year. Shipping prices are now sitting 24% above levels seen at the end of 2019 (pre-pandemic), and are up 50% from average levels in 2019. Although still elevated, these shipping costs pale in comparison to the 368%pa peak increase recorded in this index in mid-2021. Lower shipping prices will further ease cost pressures on imported goods or for suppliers who use imported inputs.



Still elevated global food prices

International food prices were still 26%pa higher in December 2022 compared to a year ago, according to the World Bank commodity price index. However, food prices did ease 1.5% month-on-month, providing slight relief for imported food costs. Food prices remain higher than at any time before February 2022, and further significant falls will be needed before price pressures have fully dissipated.

Oils and grains prices have eased over the last year, but rice and fruit prices remain elevated.