

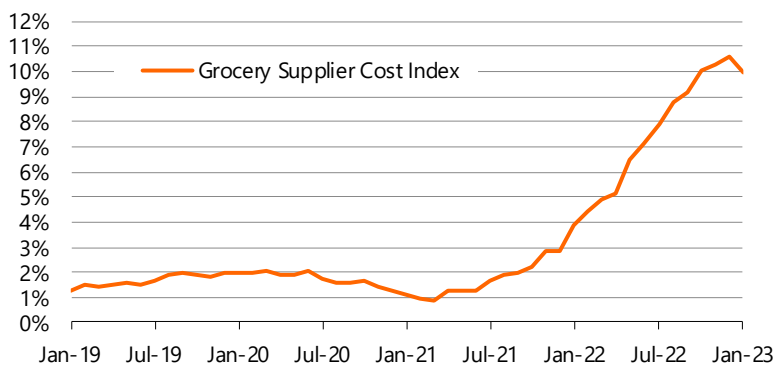


Grocery Supplier Cost Index (GSCI)

<i>Infometrics-Foodstuffs NZ GSCI</i>	Jan-20	Jan-23
GSCI, Jan-18 = 1,000	1,033	1,192
GSCI annual % change	2.0%	10.0%
Number of products increasing in cost	1,442	3,396

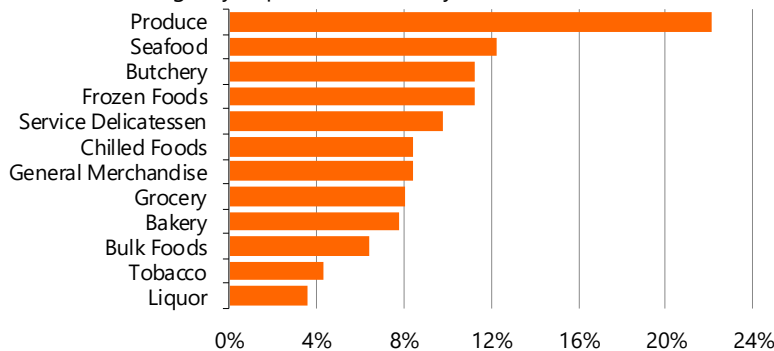
Grocery supplier costs up 10.0%pa in Jan

Annual % change



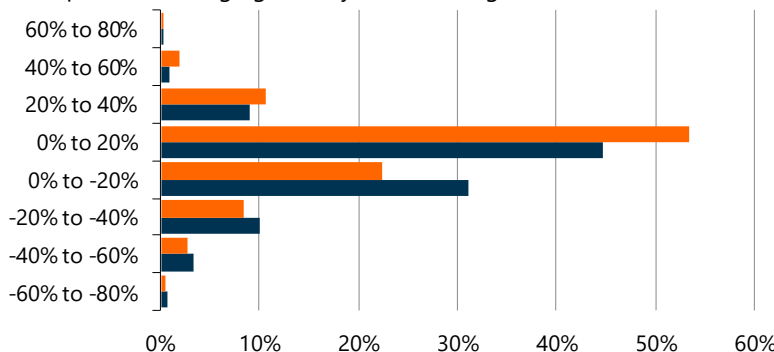
Grocery supplier costs increases by type

Annual % change, by department, January 2023



Distribution of cost changes

% of products changing cost, by size of change



Holding pattern for supplier costs

The **Grocery Supplier Cost Index** rose 10.0%pa in January 2023, with a softer month-to-month increase seeing the annual rate of growth ease a touch from December 2022. However, with the usual moratorium being in place until the end of January, it's unclear if supplier cost pressures are stabilising.

Broader economic developments highlight the persistence of inflation, with input cost increases still putting further pressure on suppliers. Although shipping costs and fuel prices have moderated, providing some relief, international food prices haven't started to drop and have instead plateaued. Recent bad weather across the country is expected to reduce production and yields of some food items which, combined with sustained inflationary pressures, will keep supplier costs high.

Sustained higher produce costs

Supplier costs remain higher than a year ago across all departments. Produce costs have risen considerably in the last year, up by 22%pa in January 2023.

Most departments recorded steady prices or low monthly increases, which is in line with expectations given that most of January came under the moratorium period when costs are usually kept unchanged. Chilled foods costs rose over 8%pa in January 2023, driven by higher dairy prices.

Continued larger cost increases

Due to the usual summer cost-change moratorium, the number of items increasing in cost in January 2023 remained lower than normal.

The number of items increasing in cost in January 2023 was only one third of the average number seen in the second half of 2022, but January 2023's figure remains higher than usual.

Where costs did change, they were again skewed towards increases, and increases of larger sizes.

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 holding around 13%pa higher

Diesel, main port price, c/L, weekly



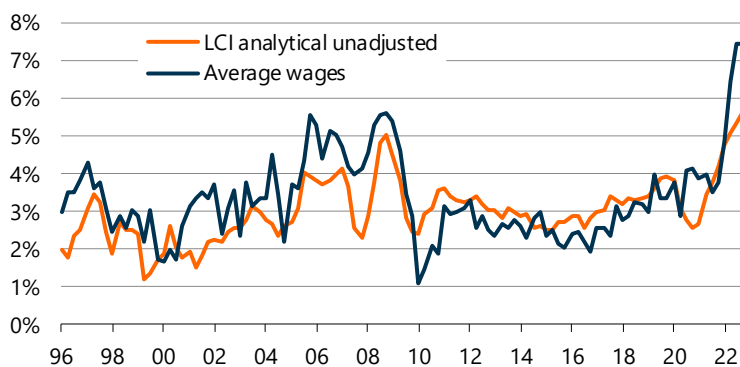
Diesel prices up 13%pa

Diesel prices held at around \$2.27/L in January, with less moderation in prices seen recently than in most of the second half of 2022. Diesel prices are now 13% above the same time last year.

The government's subsidy of Road User Charges (RUCs) has been important to prevent even more transport-related cost pressures flowing into grocery supplier costs. The recent announcement of an extension to the RUC subsidy will continue to reduce otherwise higher cost pressures.

Large pay increases in 2022

Labour costs and average wages, annual % change



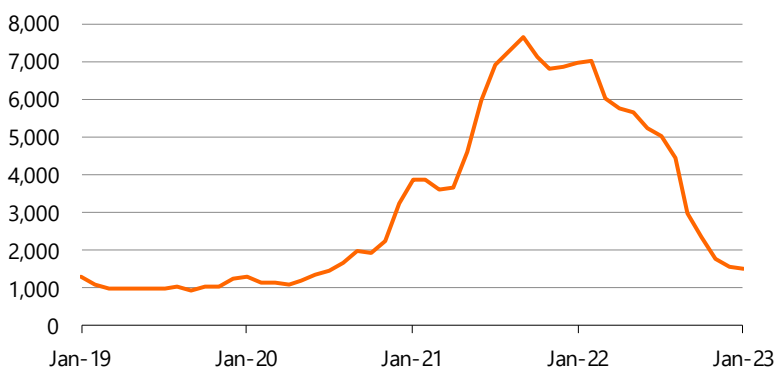
Large pay increases in 2022

Average hourly earnings rose by 7.2%pa in December 2022, as the tight labour market saw pay increases remain at near-record highs. Labour cost pressures are intense, with the Labour Cost Index rising at a record-setting 4.1%pa, as broad-based wage pressures hit businesses.

During 2022, 36% of all roles in the economy saw a pay increase of 5% or more, but 34% saw no change in pay rate at all.

Shipping costs closer to normal

Shipping Index, Jun-19 = 1,000

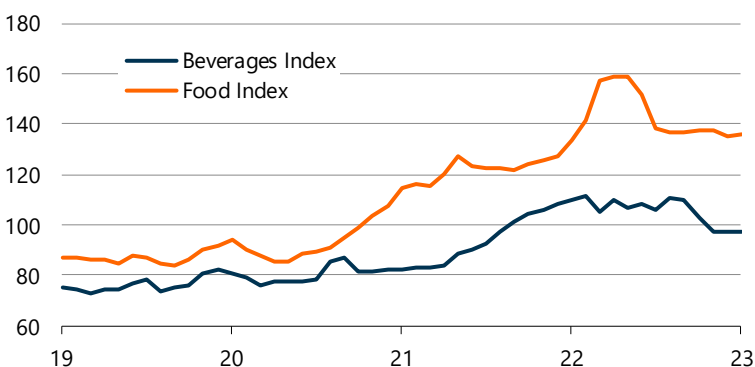


Shipping costs closer to normal

Shipping prices moderated further at the start of 2023, with the Drewry World Container Index now down 78%pa over the last year. However, shipping prices are still sitting 45% above the average seen in 2019. Importantly, the recent falls in shipping prices aren't likely to be immediately passed on and reflected in supplier costs because existing contracts will take some time to roll over. However, the moderation in shipping prices further reinforces a view that internationally driven pressures are continuing to abate.

No material change in global food prices

World Bank commodity price index, 2010 = 100



No material change in food prices

Global food prices rose marginally in January 2023, but remain broadly static in recent months. The World Bank commodity price index showed that food prices rose 0.4% in January from the month before, keeping international food prices 2% above the same time last year.

Grain prices drove the slight increase in food prices, rising 1.8% in January 2023, as staples like rice remain under upwards price pressure. Beverage prices rose slightly, up 0.1% in January, but they are still down 11% from the same time last year.