

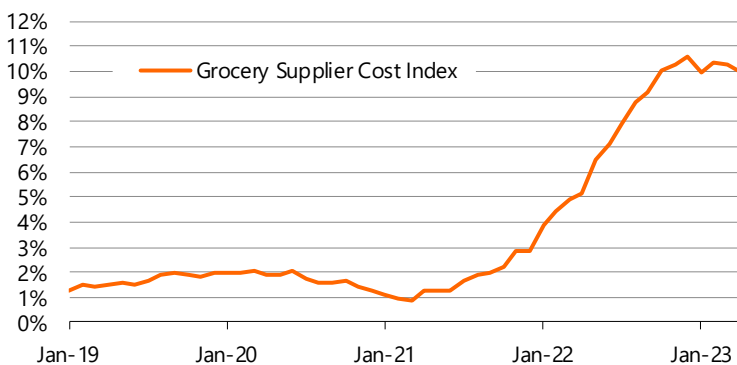


Grocery Supplier Cost Index (GSCI)

<i>Infometrics-Foodstuffs NZ GSCI</i>	Apr-20	Apr-23
GSCI, Jan-18 = 1,000	1,037	1,214
GSCI annual % change	1.9%	10.0%
Number of products increasing in cost	1,034	4,940

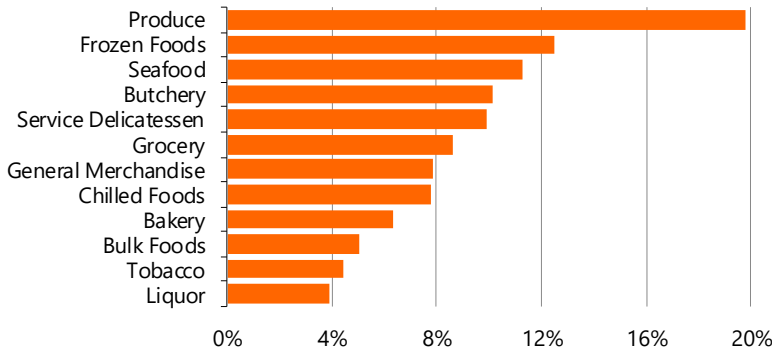
Grocery supplier costs up 10.0%pa in Apr

Annual % change



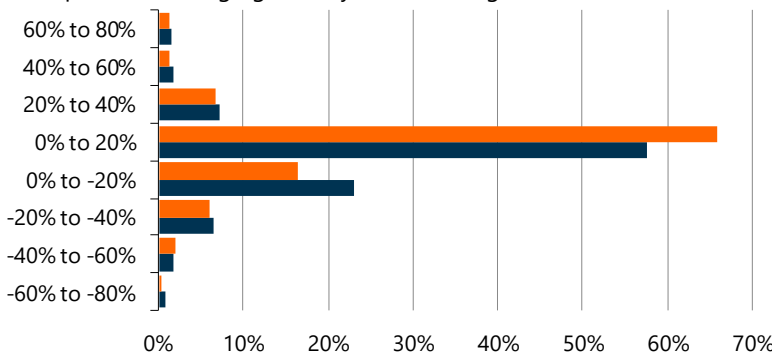
Grocery supplier costs increases by type

Annual % change, by department, April 2023



Distribution of cost changes

% of products changing cost, by size of change



Sustained supplier cost rises

The **Grocery Supplier Cost Index** rose 10.0%pa in April 2023, with supplier cost increases being maintained at a double-digit growth rate.

There are some further increases to produce prices that appear to relate to Cyclone Gabrielle, but some fruit and vegetable prices have also moderated slightly. Increases in some grocery items highlight that there are still higher cost increases still occurring, such as for cooking oils and sauces.

Suppliers are still facing high input cost pressures, although there are some signs emerging of less intense cost increases filtering through the system. Global conditions are supporting a transition to less acceleration in food cost increases. However, domestic-based inflation remains high and creates uncertainty over future cost pressures.

Costs remain up across the board

All departments saw continued increases in costs in April 2023, although more recent increases have shown some signs of a more stable, rather than accelerating, pace of cost increases. General merchandise, grocery items, and produce saw the largest increases in the April month, with annual growth in produce costs still near 20%pa. The increase for grocery goods was driven by continued higher egg prices, as well as cooking oils and sauces. Battery costs also rose.

Elevated levels of cost increases

The number of items increasing in cost in April 2023 continued to be elevated, with nearly 5,000 items seeing an increase in cost. Over 2018-19, an average of less than 2,000 items a month experienced an increase in cost.

In April 2023, 75% of all items which changed cost saw an increase in cost, compared to 68% of items in April 2020 (during the Level 4 lockdown). The proportion of items increasing in cost is also elevated compared to April 2019.

The Grocery Supplier Cost Index

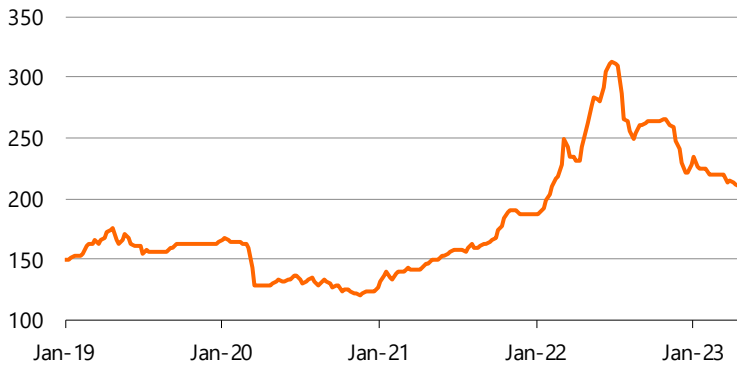
The *Infometrics-Foodstuffs New Zealand Grocery Supplier Cost Index* (GSCI), commissioned by Foodstuffs New Zealand, measures the change in the cost of grocery goods charged by suppliers to the Foodstuffs North and South Island cooperatives. The Index utilises detailed Foodstuffs NZ data, across over 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 down 19%pa, but up 42% from 2021

Diesel, main port price, c/L, weekly



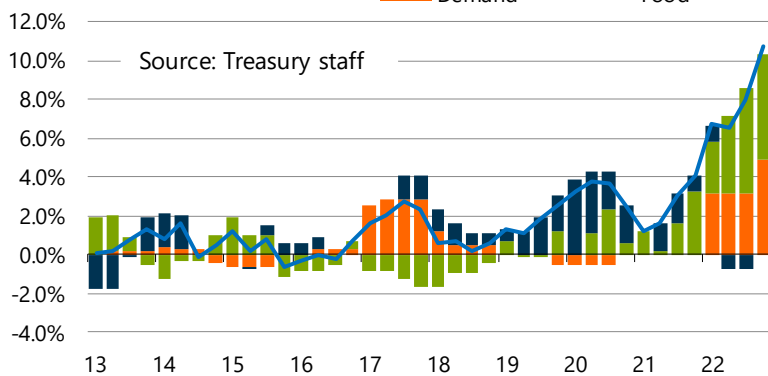
Diesel prices head below \$2.10/L

Fuel prices moderated further over April, with diesel prices retreating to 2.07/L by the end of the month. Petrol/diesel margins have normalised further, with a 51c/L gap at the end of the month. However, domestic transport prices continue to filter through as an area of concern and heightened cost for businesses, with maintenance a rising area of price pain. The government's confirmation of an end (again) to transport subsidies at the end of June 2023 means that Road User Charges (RUCs) will rise again, reversing out some of the relief from lower diesel prices later in 2023.

Drivers of food inflation

Food group, annual % change

Ambiguous Supply
Demand Food



Dual drivers of food prices

Recent analysis by Treasury staff has attempted to shine light on the driver of inflation in New Zealand. Headline results show that general inflation has been driven by supply and demand pressures in equal measure (for identified drivers).

Food inflation in New Zealand has been similarly driven by both supply and demand pressures, although demand pressures are more recent additions.

Fertiliser prices lowest in 2+ years

\$/mt. Source: World Bank



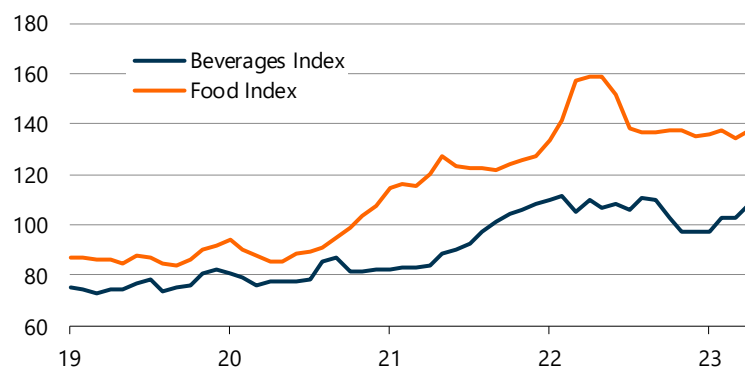
Fertiliser prices lowest in 2+ years

Some input costs continue to show a substantial moderation after a similarly substantial cost hike a year ago. World Bank commodity price data shows that global urea prices have fallen to their lowest point in just over 2 years, reflecting a 64% pa fall at the end of April 2023. Global urea prices are now sitting 11% below the same time in 2021.

Domestically, fertiliser prices have also been revised lower considerably, welcome news to the primary sector.

Stubbornly high global food prices

World Bank commodity price index, 2010 = 100



Stubbornly high global food prices

Global food prices remain at stubbornly high levels in April 2023. The World Bank commodity price index showed a 1.9% increase in April reversing out the small moderation in March. Global food prices have now been around current levels for 10 months, with no evidence of less pressure.

Food oil and grain prices have both seen improvements in price over the last 12 months, but other food items are showing further increases. Fresh produce (especially fruits) and sugar have contributed to this increase in other food prices.