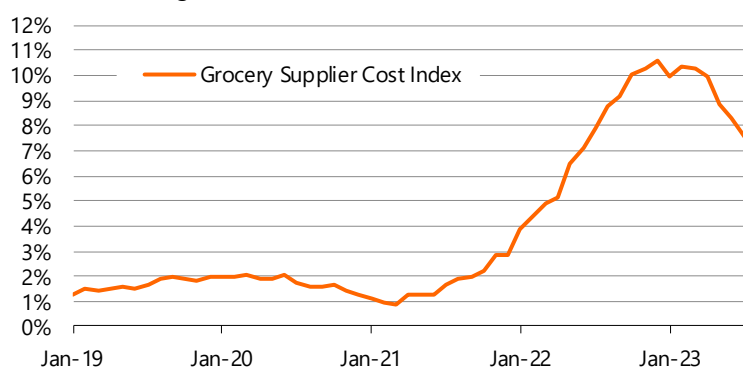


## Grocery Supplier Cost Index (GSCI)

Infometrics-Foodstuffs NZ GSCI	Jul-20	Jul-23
GSCI, Jan-18 = 1,000	1,042	1,229
GSCI annual % change	1.8%	7.5%
Number of products increasing in cost	1,343	6,510

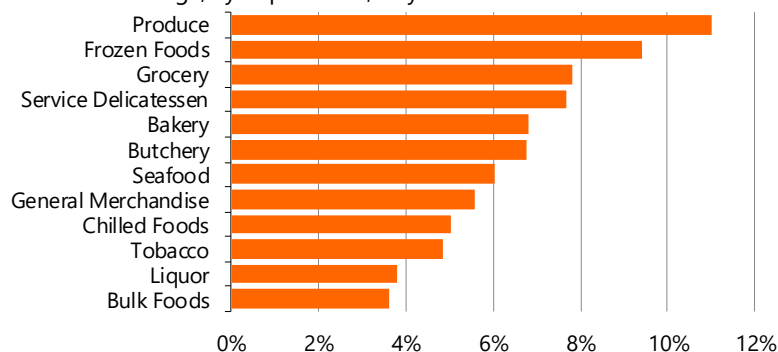
### Grocery supplier costs up 7.5%pa in July

Annual % change



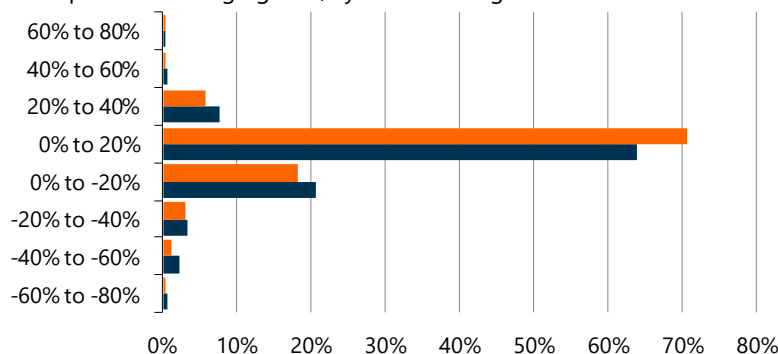
### Grocery supplier costs increases by type

Annual % change, by department, July 2023



### Distribution of cost changes

% of products changing cost, by size of change



## Sustained core of cost pressures

The **Grocery Supplier Cost Index** rose 7.5%pa in July 2023, the fifth month in a row that annual cost increases have moderated. Despite this continued moderation in pace, monthly costs still rose at a pace consistent with an annual trend increase of 5-6%pa, which is around triple the pace of cost increases pre-pandemic.

A higher number of items increasing in cost reinforces the view that underlying pricing pressures persist, but are less intense than in 2022. Some global issues remain, with rice, cocoa, and sugar prices internationally having an effect on New Zealand costs. Higher input costs for suppliers also appear to still be working their way through the system, with higher packaging and energy prices being persistent. Transport and freight costs are also set to push higher.

## Global costs hitting departments

Supplier costs remained higher than a year ago across all departments, although eight out of 13 departments recorded a further moderation in cost increases. Bakery saw the largest month-on-month increase in costs, with cakes and other sweet items driving this rise as sugar costs have increased. Grocery costs rose further too, with chocolate a substantial contributor as higher cocoa input costs hit. Produce costs were driven up by tomatoes, salad greens, and some fruits, although some of these increases were seasonal.

## More items increasing in cost

Over 6,500 items increased in cost in July 2023 from the month before, the eighth largest number of items rising in cost since 2018. July's increases were the largest monthly total since February 2023, and were nearly five times higher than in 2020. Cost changes were more concentrated in the 0-20% increase category in July, with 71% of cost changes being in this group, compared to 64% in July 2020. Out of all cost changes recorded in July 2023, more items rose in cost than in July 2020.

## 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](http://www.infometrics.co.nz/product/grocery-supplier-cost-index).

## Back above \$2/L at the end of July 2023

Diesel, main port price, c/L, weekly

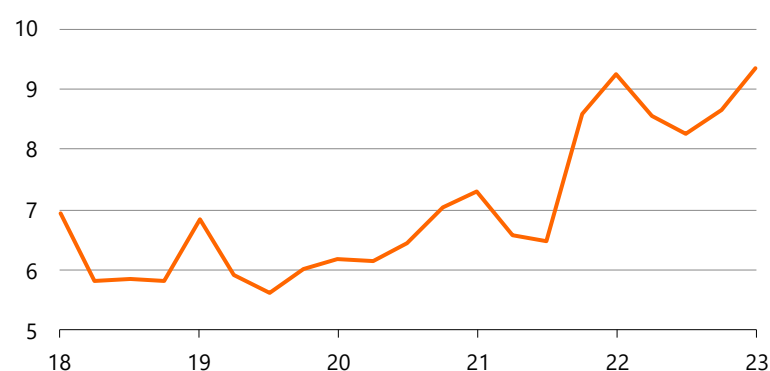


## A slight diesel rise at end of July

The price of diesel rose slightly at the end of July, up to \$2.09/L, which was the highest price since mid-April 2023. The rise hasn't been driven by government changes in taxes, but instead a combination of higher input costs and a rise in the carbon price. The price of diesel had been sitting below \$2/L since the end of April. Alongside the return to full Road User Charges rates, the rise underscores concerns about domestic freight costs. However, it will be some time before we can fully assess the pass-through of higher costs onto transport prices.

## Energy prices up 28% from two years ago

c/kWh, real Dec-22 prices, commercial natural gas prices



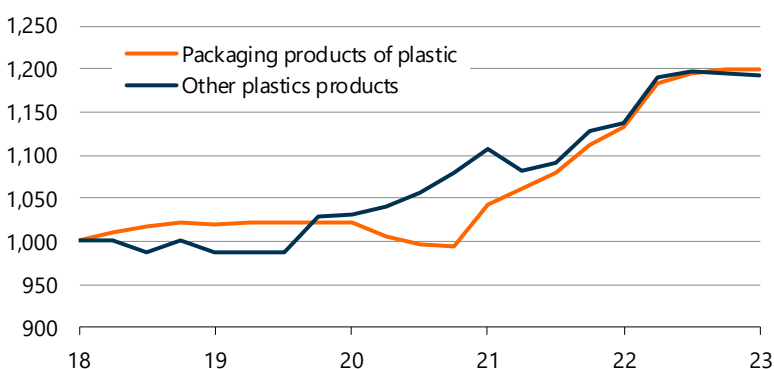
## Energy prices remain elevated

Commercial gas prices remain elevated compared to gas prices two years ago, raising the underlying cost of some production. MBIE monitoring of inflation-adjusted commercial natural gas prices shows a 28% lift in prices between the start of 2021 and the start of 2023.

Commercial gas prices have remained elevated since the end of 2021. These persistently higher energy input costs are still being passed on, now that these energy costs have become established at this higher level.

## Plastics prices up nearly 20% on 2019 levels

Plastics input costs, index, Mar-18 = 1,000



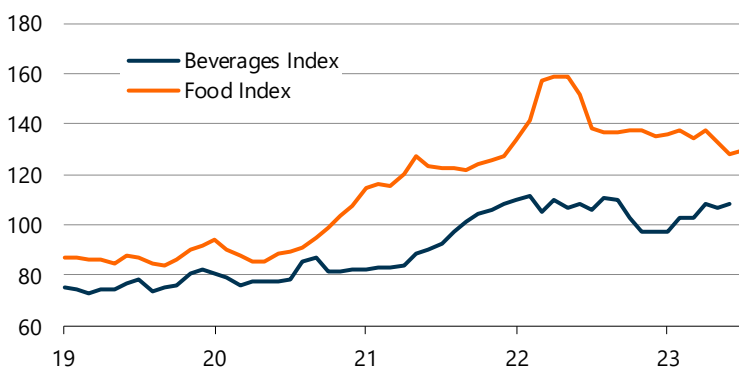
## Plastics keep packaging costs up

Packaging prices remain high, with the higher input cost of plastic over the last couple of years still filtering through into the cost to suppliers. Since 2019, the cost of plastic for packaging has risen 20%.

Although plastics input costs for packaging have broadly plateaued at this higher level since mid-2022, the rollover of price contracts is likely to mean that these higher input costs are still being incorporated into product costs.

## Broadly flat global food prices in July

World Bank commodity price index, 2010 = 100



## World food prices broadly flat

The World Bank commodity price index showed a slight increase of 0.9% for food prices in July 2023 from June, after two months of falls of more than 3%. Global food prices are now 4.7% below where they were at the start of 2023. However, rice prices have risen considerably in recent months, after rain hit crop yields in India, the world's largest exporter. In July, India banned the export of non-basmati white rice, contributing to a 30% lift in rice prices from a year ago. Cocoa, fruit, and sugar prices are also up considerably from a year ago.