



Grocery Supplier Cost Index (GSCI)

<i>Infometrics-Foodstuffs NZ GSCI</i>	Sep-20	Sep-23
GSCI, Jan-18 = 1,000	1,044	1,234
GSCI annual % change	1.6%	6.1%
Number of products increasing in cost	1,749	4,774

Further slowing in supermarket supplier cost growth

The **Grocery Supplier Cost Index** rose by 6.1%pa in September 2023, a further slowing in supermarket supplier cost increases. Costs have continued to increase, but at a less intense pace than during 2022 and early 2023, with September's monthly increase closer to the monthly increases seen in 2019. However, underlying cost pressures are still running at nearly 4%pa.

Lower monthly costs for some produce likely reflects both the usual seasonality and the effects of Cyclone Gabrielle ebbing away, alongside lower general cost pressures than a year ago. More items are still rising in cost, but with smaller magnitudes. Concerns remain for sustained input cost pressures, given higher diesel costs and a lower exchange rate, which will push up import costs.

Seafood up, produce costs down

All but one department (produce) saw higher supplier costs in September compared to August, and seafood costs were among the fastest increases in September. Grocery items had a mixed bag, with higher sugar, tinned tuna, and chip costs, but lower cooking oil costs. Produce costs fell in September from August, with the annual increase in produce costs now having slowed to 6.3%. Lower salad items costs (eg lettuce, cucumber, tomatoes) led this trend, although fruit costs rose.

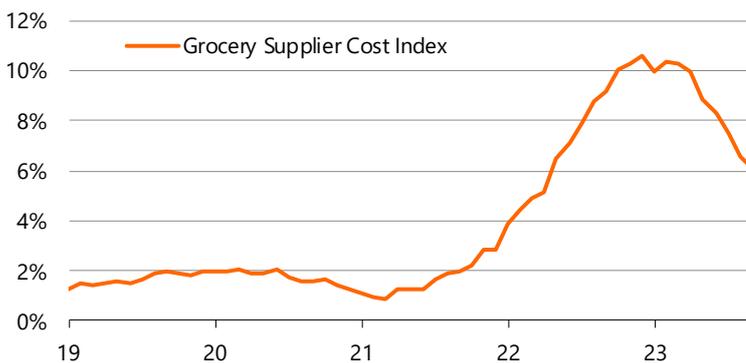
More items costing more still

Nearly 4,800 items increased in cost in the September month, still more than double the 1,749 items that rose in cost in September 2020.

A larger proportion of items increased by 0-20% in September 2023 – around 65% compared to around 57% in September 2020. However, the proportion of items increasing by a large degree (20-80% in a month) was similar between 2023 (8.0%) and 2020 (8.8%).

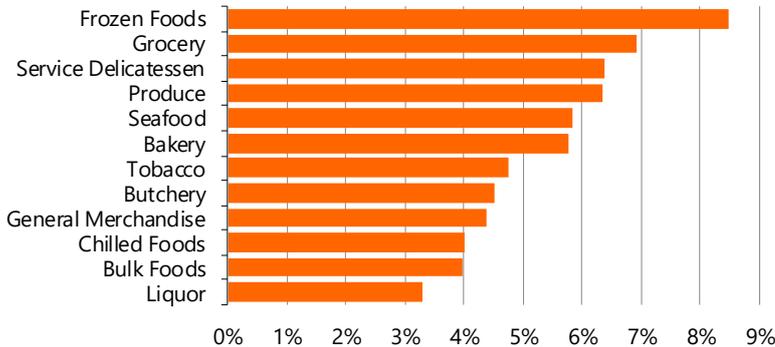
Sep supplier cost increases slow to 6.1%pa

Annual % change



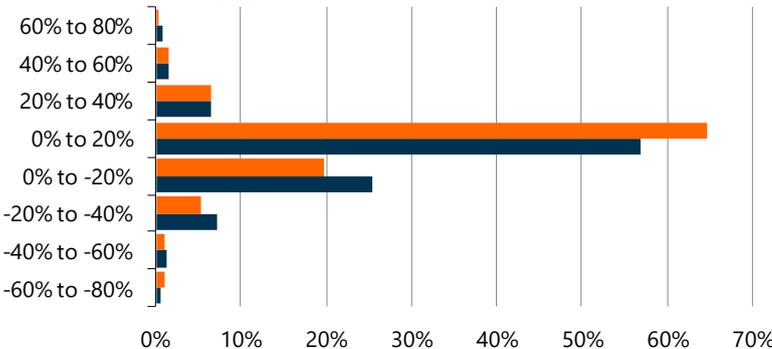
Grocery supplier costs increases by type

Annual % change, by department, September 2023



Distribution of cost changes

% of products changing cost, by size of change



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 at just below \$2.50/L in Sep 2023

Diesel, main port price, c/L, weekly



Diesel prices rise sharply higher

Diesel prices rose a further 20c/L in September, with the national diesel main port price reaching \$2.50/L at the end of the month. Diesel prices are now only 5% lower than a year ago, and up 49% from two years ago. Higher global oil prices have partly driven this diesel cost increase, with stronger demand and lower-than-expected supply putting a squeeze on prices. Diesel costs have also risen faster than regular petrol costs, indicating more pronounced cost pressures for transporting goods.

Import prices remain at high levels

Import prices, index, June 2002 = 1,000



Import prices remain at high levels

Import prices for food and beverages rose 1.3% in the June 2023 quarter, keeping import prices at near-record levels. On an annual basis, prices are 7.4% higher than a year ago, with less intense upward pressure on prices in the second quarter of this year. The moderation in import cost increases highlights softer international pricing pressure and lower global commodity prices at that point in time, but the lower exchange rate (discussed below) raises future cost concerns. Overall import costs for all goods fell for the first time (on an annual basis) since mid-2021.

Exchange rate holding lower

Daily exchange rate, USD/NZD

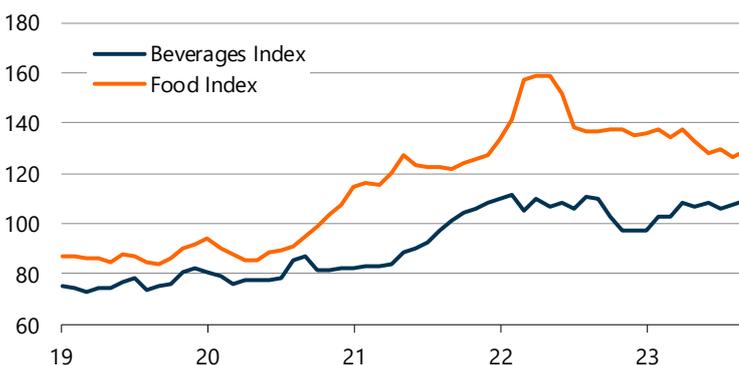


Lower exchange rate

The NZ dollar has slid lower in the last two months, and averaged US59.3c in September, down nearly 1c from August, and down nearly 5c from the January 2023 average. The lower exchange rate has been providing support for New Zealand exports, but it has raised the price of importing goods to New Zealand by around 7% since the start of the year. The lower exchange rate threatens to prolong inflationary pressures, as imported goods (including food) face further price increases.

Food prices creep higher in Sep month

World Bank commodity price index, 2010 = 100



Global food prices creep higher

The World Bank commodity price index lifted slightly in September, up 2.0% from August. The index remains similar to recent months, as prices have stabilised around a higher level than pre-pandemic. All broad food groups saw a monthly price increase, with oils up 0.2%, grains up 2.0%, and other food up 4.1%. Fruits, meats, and sugar price increases contributed to the increase in the "other foods" group. Rice prices remain higher, and the rising risk of El Nino weather conditions threatens to push global food prices higher.