

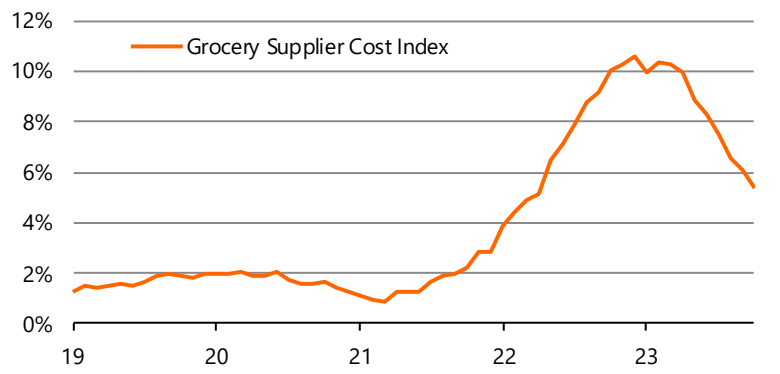


Grocery Supplier Cost Index (GSCI)

<i>Infometrics-Foodstuffs NZ GSCI</i>	Oct-20	Oct-23
GSCI, Jan-18 = 1,000	1,045	1,238
GSCI annual % change	1.7%	5.4%
Number of products increasing in cost	1,593	5,544

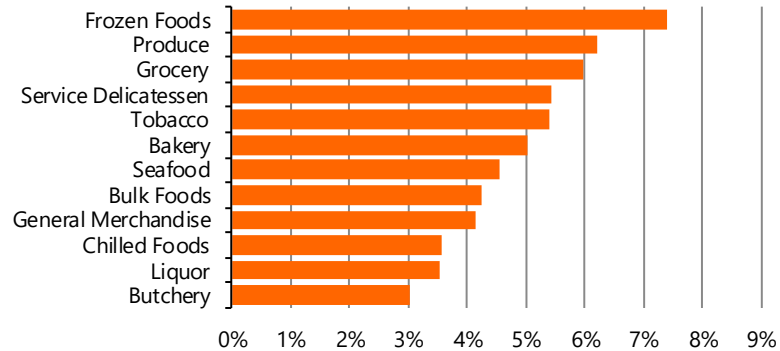
Oct supplier cost increases slow to 5.4%pa

Annual % change



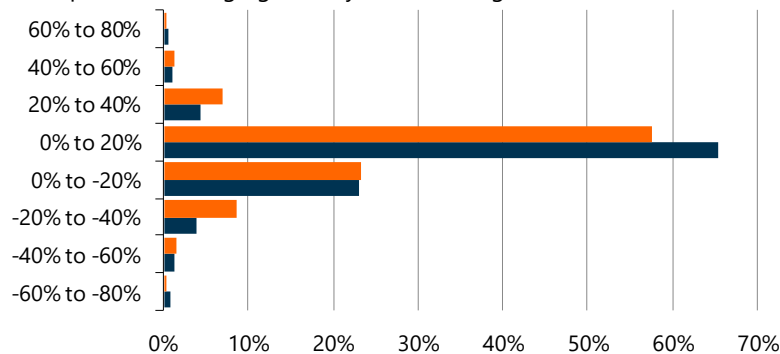
Grocery supplier costs increases by type

Annual % change, by department, October 2023



Distribution of cost changes

% of products changing cost, by size of change



Supplier cost increases moderate again in October

The **Grocery Supplier Cost Index** rose by 5.4%pa in October 2023, a continued moderation in cost increases that has occurred over 2023. October's annual increase is the slowest rise in 19 months (since April 2022) but remains higher than before inflationary pressures started pushing up costs and prices across the board. The monthly increase was still in the top third of monthly results.

Broader economic trends support a continued moderation in cost increases over time, although there are still persistent pockets of concern that will cause inflationary pressures to remain for some time. The high number of items increasing in cost underscores that although annual increases have moderated and are expected to continue doing so, there's still a lot of built-up momentum for some products.

Grocery costs up, produce down

Produce costs fell again in October from the month before, reducing their annual increase to 6.2% - the lowest annual rise since the end of 2021. Lower costs for salad vegetables (tomatoes, lettuce, cucumbers) drove this result.

However, all other departments saw still-higher costs, with larger increases for grocery items like potato chips, cooking oils, noodles, and laundry products. Overall grocery department costs are still up 6.0%pa.

Still more product costs increasing

Over 5,500 items increased in cost in the October month, more than triple the roughly 1,600 products that rose in cost in October 2020. An average of over 5,000 items a month have increased in cost in 2023, compared with fewer than 2,000 a month on average over 2018-19. A larger proportion of items rose in cost by more than 20%, at 8.5%, compared to 5.9% of items in 2020. However, a larger proportion of items fell by more than 20%, at nearly 11%, compared to 6% of items changing cost in October 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.



Diesel shifts to \$2.39/L in Oct 2023

Diesel, main port price, c/L, weekly

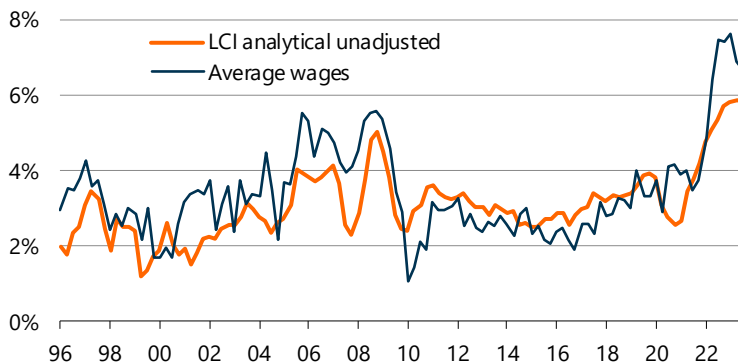


Diesel prices shift slightly lower

Diesel prices reversed out some gains recorded over recent months, with prices falling around 10c/L between September and October to end the month at around \$2.39/L. Lower international prices supported the slight moderation, with crude prices down around 5% over October. Rising international oil stocks (reversing out prior rundowns) and weaker demand pressures (exemplified in weaker Chinese export data) has helped to ease pricing pressures. At the same time, concerns about war in the Middle East could still raise prices if the conflict spreads.

Rapid wage growth starts to turn

Labour costs and average wages, annual % change

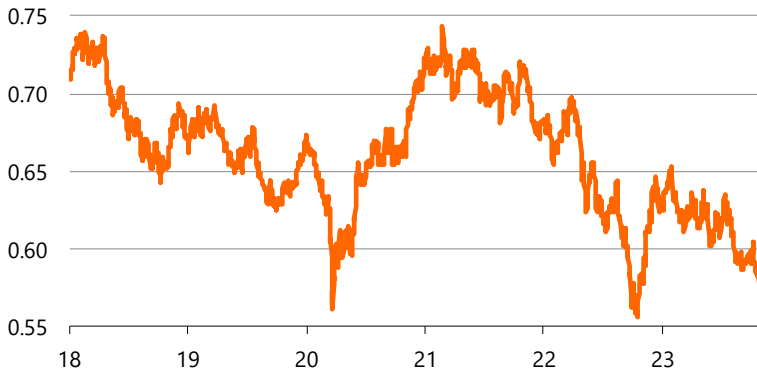


Labour market softening

The unemployment rate has increased to 3.9% - still lower than many points in economic history, but the highest reading since June 2021. The softening in the labour market is starting to see wage pressures turn too, with the unadjusted LCI increase (a labour costs measure that adjusts for industry composition) moderating ever so slightly to 5.8%pa, and average wages growth slowing back to 6.7%pa from 7%+pa rates over the second half of 2022 and into 2023. Less intense wage inflation is likely to help contain sustained inflationary pressures over time.

NZD still below 60c USD in Oct

Daily exchange rate, USD/NZD



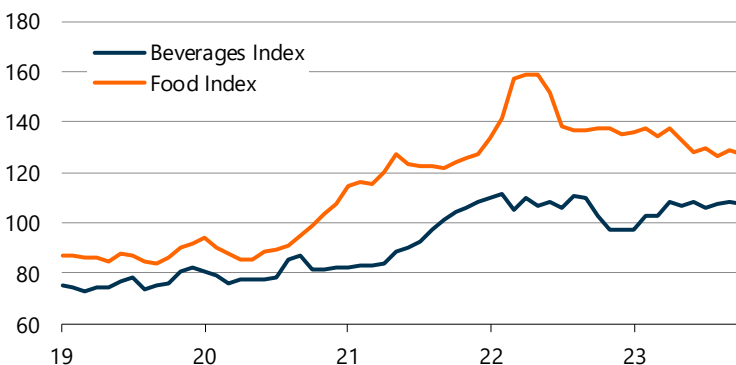
Exchange rate remains lower

The NZ dollar averaged US59.1c in October, in line with the 59.3c in September—leaving the currency down 7.7% from the start of 2023. However, the broader Trade Weighted Index (TWI) is only down around 2.2% from the start of 2023, with the risk tone and economic pressures adding to the strength of the USD.

The continued lower USD/NZD currency rate raises the price of imports into New Zealand, which could add pressure onto already stretched costs.

Food prices bouncing around lower levels

World Bank commodity price index, 2010 = 100



Global food prices decline in Oct

The World Bank commodity price index fell 1.7% in October from a month before, reversing out the gain in September. Global food prices have moved around slightly in both directions in recent months, but remain lower than prices seen in 2022. Food oil prices were down 4.9% from the month before, and grains were down 1.8%. But other food prices were 1.7% higher, driven by higher fruit prices. Rice prices remain around 30-50% higher than a year ago, underscoring pressure on staple food prices still.