

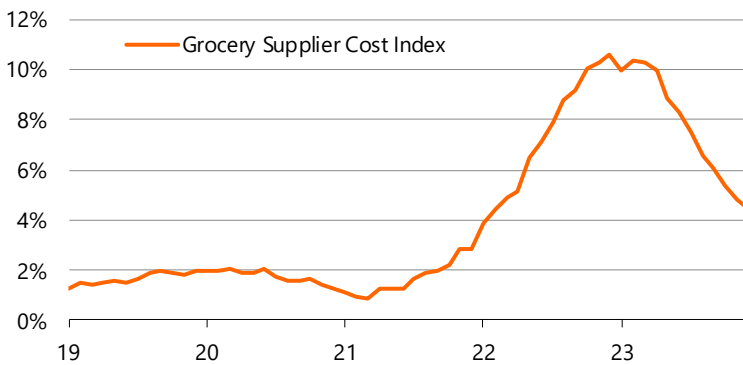


Grocery Supplier Cost Index (GSCI)

<i>Infometrics-Foodstuffs NZ GSCI</i>	Dec-20	Dec-23
GSCI, Jan-18 = 1,000	1,044	1,241
GSCI annual % change	1.3%	4.5%
Number of products increasing in cost	370	1,912

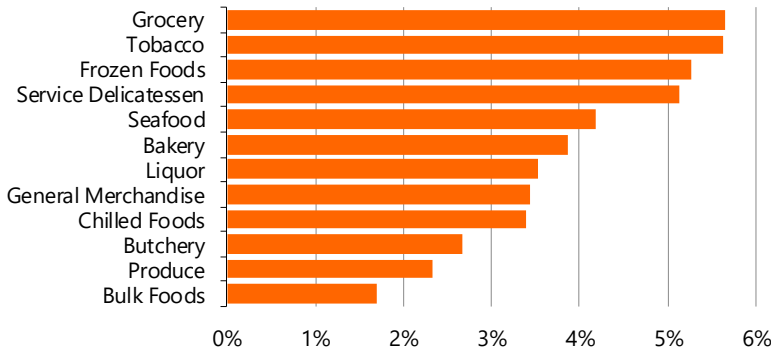
Dec supplier cost increases slow to 4.5%pa

Annual % change



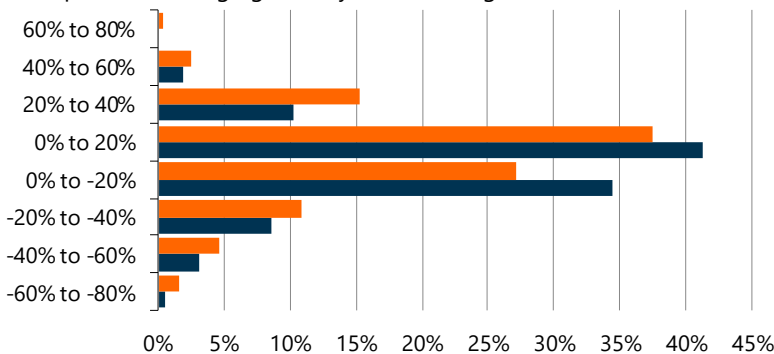
Grocery supplier costs increases by type

Annual % change, by department, December 2023



Distribution of cost changes

% of products changing cost, by size of change



Summer effects further dampen supplier cost increases in Dec

The **Grocery Supplier Cost Index** was up 4.5%pa in December 2023, but was unchanged month-on-month from November 2023 as a result of the usual summer cost change moratorium on most items. December usually sees an unchanged index, with this outcome occurring in 2018, 2020, and 2021.

Despite the unchanged index, more items rose in cost than usual for a December month, and these increases were of a larger magnitude compared to in 2019 and 2020.

Although a number of input price indicators support the likely continued moderation in supplier cost increases in 2024, the recent spike in shipping costs risks re-inflaming supply chain concerns globally.

Seasonal factors influence costs

Two-thirds of departments recorded no change in the December 2023 month (compared to November), but prior increases meant all departments still recorded higher supplier costs than a year ago. Seasonal and perishable items continued to see some changes in cost, including some seafood and meats which saw marginal increases. Produce costs also increased, driven by higher fruit costs such as plums and strawberries. However, a number of summer vegetables also saw falls in cost, like for avocados and tomatoes.

Usual smaller number of changes

Just over 1,900 items increased in cost this December—far less than the 5,200+ monthly increases seen on average in the rest of 2023 as a result of the moratorium, but still considerably higher than the 370 items that rose in cost in December 2020. The more limited number of cost increases skewed higher this year too, with 18% of changes being a rise of more than 20%—compared to 12% increasing by this magnitude in December 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 list cost of grocery goods charged by suppliers to the Foodstuffs North Island and Foodstuffs South Island co-operatives. 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 falls to around \$2.18 in mid-Dec 23

Diesel, main port price, c/L, weekly

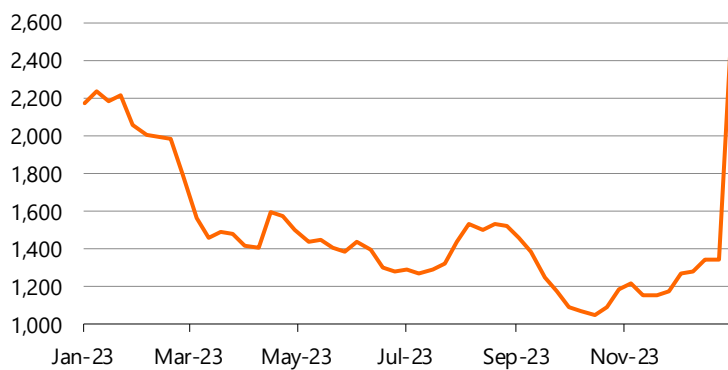


Diesel falls below \$2.20/L in Dec

Diesel prices edged lower still in December, with the domestic main port price in New Zealand falling to \$2.18/L for the week ending 15 December (the latest data available). The continued fall was driven by lower international crude oil prices as oil stocks remain more robust. However, geopolitical concerns in the Middle East have driven up international prices more recently. Domestic diesel prices in New Zealand are now around 2% lower than in December 2022, but 16% higher than December 2021 (before the Russian invasion of Ukraine, which sent fuel prices higher).

Shipping costs nearly double

Freightos Baltic Index, weekly — Global Container Freight Index

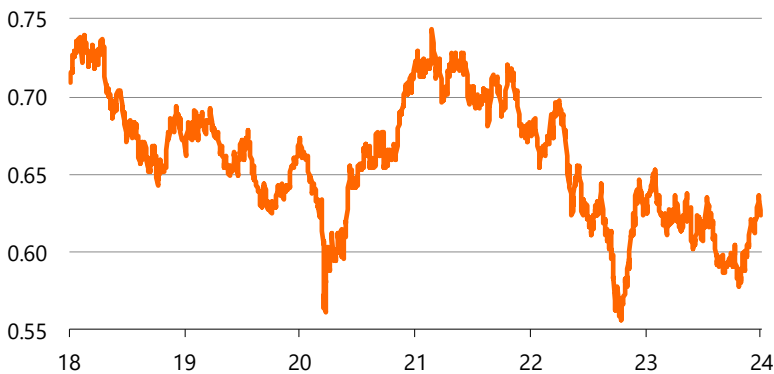


Shipping costs nearly double

Attacks on shipping in the Red Sea by Iranian-backed Houthi militia has seen major re-routing of commercial freight vessels, increasing freight costs. Shipping freight costs edged slightly higher over December, before nearly doubling in the first week of January 2024 as the attacks stepped up despite a naval protection force. The *Freightos* Global Container Freight Index increased 88% in the week of January 5, to the highest point since early December 2022. These re-routings will mean returns trips take longer, and relocating empty containers will hamper shipping timeframes.

NZD recovers further ground in December

Daily exchange rate, USD/NZD

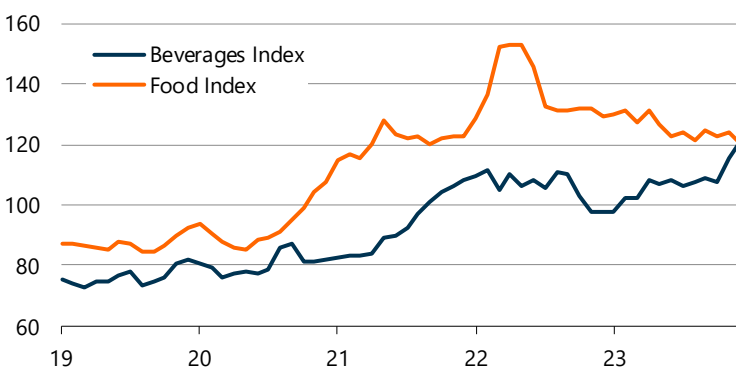


Further exchange rate recovery

The NZ dollar averaged US62.2c in December, up nearly another 2.5c from November's average. The exchange rate has not only remained higher throughout December, but continues to show upwards momentum—at least in the short term—as expectations rise in the US for interest rate falls in 2024, while domestically the Reserve Bank and financial markets are at odds over similar moves here. The continued stronger exchange rate dampens the price of imports into New Zealand, and is expected to limit the extent of imported inflation.

Food prices drop lower, drinks rise

World Bank commodity price index, 2010 = 100



World food prices edge lower

The World Bank commodity price food index fell 3.0% in December from a month ago, the lowest this index has been since April 2021. Food oils (down 4.0%) and other foods (down 5.9%) contributed to the overall fall in food prices, with some fruits and meats prices easing. Grain prices rose 2.2%, due to higher rice and wheat prices.

Drinks prices rose a further 5.3%, due to higher cocoa and coffee prices. The Beverage index has increased nearly 13% in the last two months.