



Grocery Supplier Cost Index (GSCI)

<i>Infometrics-Foodstuffs NZ GSCI</i>	Feb-21	Feb-24
GSCI, Jan-18 = 1,000	1,045	1,248
GSCI annual % change	1.0%	3.7%
Number of products increasing in cost	1,504	4,847

Supplier cost rises average 3.7%pa

The **Grocery Supplier Cost Index** was up 3.7%pa in February 2024, which is now the slowest annual rise since the end of 2021. The February 2024 month still had a considerable boost in supplier cost increases from January, with the largest monthly gain since July 2023. However, this monthly gain is still lower than in February 2023, when it was so significant that the annual rate reaccelerated back to 10.4% year-on-year.

The number of items increasing in cost remains substantially elevated compared to pre-2022 levels, with gains across most departments, and no falls in costs. External data confirms less intense input cost pressures for suppliers than in recent years, which is encouraging. But the February result also reconfirms that the 'new normal' for supplier cost rises may be higher than before.

Frozen foods and grocery up

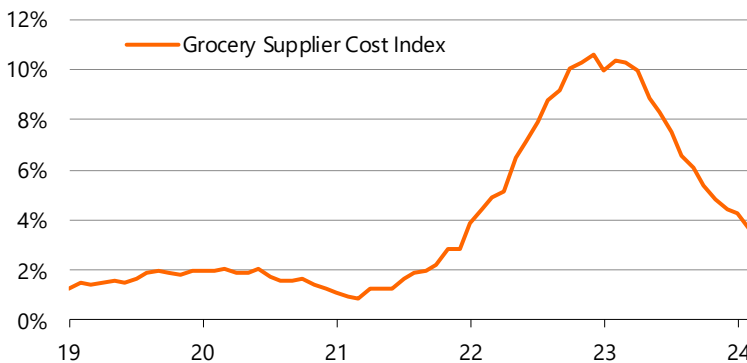
Almost all departments recorded a monthly rise in supplier costs in February 2024. Frozen foods increased further, driven by frozen vegetables and frozen fries. Grocery items also saw a larger increase in supplier costs, driven by higher coffee, energy and powdered beverages, and chocolate supplier costs. Produce saw the smallest annual increase of all departments, largely due to the 21%pa increase recorded last February resulting from severe weather.

Sustained trend of increases

Over 4,800 items increased in cost in February 2024, more than triple the number increasing in cost in February 2021, and the 18th highest monthly total since the start of 2018. There is a sustained trend of more individual cost increases continuing to occur. Cost increases in February 2024 skewed slightly higher than at the same time in 2021, with 6.3% of cost changes being increases of more than 20%, compared to 5.8% of changes being of the same magnitude in 2021.

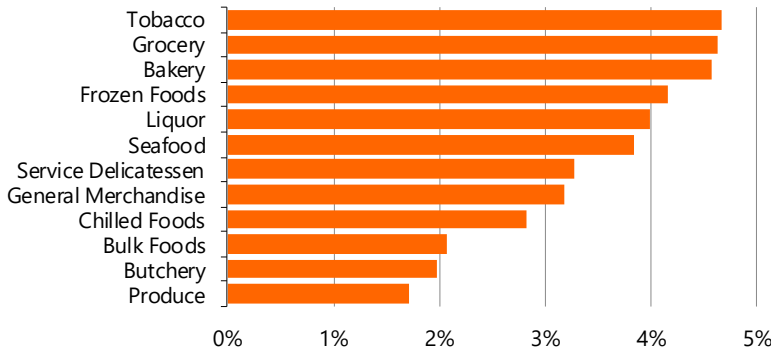
Feb supplier cost rises slow back to 3.7%pa

Annual % change



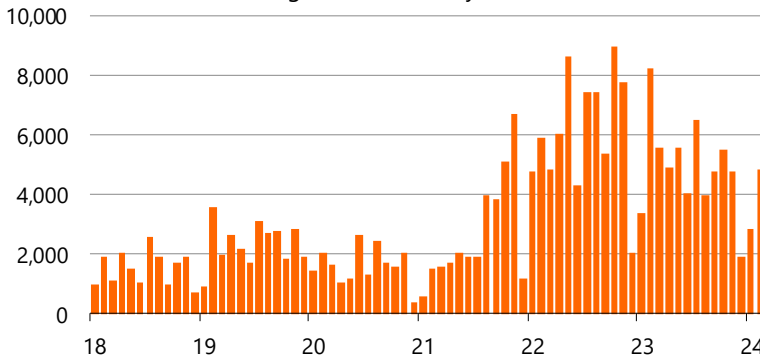
Grocery supplier costs increases by type

Annual % change, by department, February 2024



A lot more items increasing in cost

Number of items increasing in cost, monthly



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 prices push a bit higher in Feb

Diesel, main port price, c/L, weekly



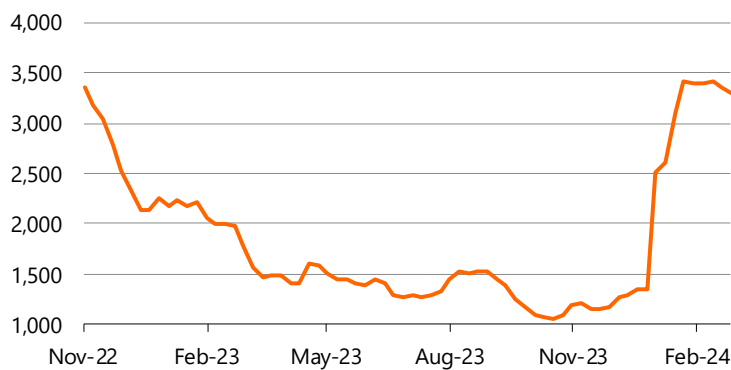
Diesel up 10c/L in Feb from Jan

Diesel prices rose by around 10c/L throughout the month of February, from around \$2.17/L at the end of January to around \$2.27/L at the end of February. Diesel prices are now around 4% higher than in both February 2022 (before the Russian invasion of Ukraine) and 2023. Most of this increase is due to a return to more usual importer margins. International oil prices have edged up slightly in recent weeks, although concerns around a sustained global economic slow-down have restrained larger increases.

Shipping costs up 2.5x, but have plateaued

Freightos Baltic Index, weekly

Global Container Freight Index



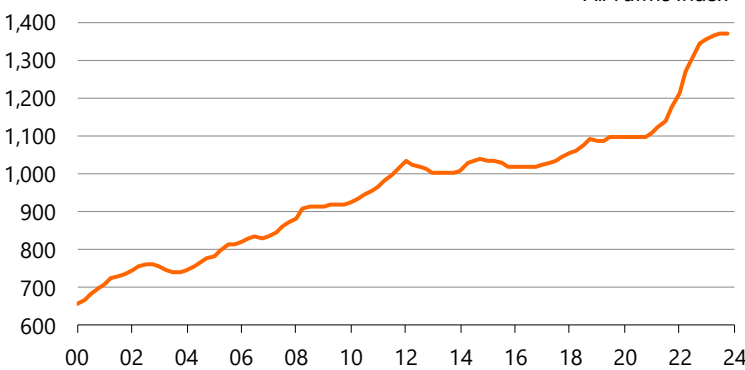
Shipping costs level out at 2.5x

The spike in shipping costs has seen container freight movement prices rise 2.5x above what was charged at the end of 2023, as a result of the sustained attacks on shipping in the Red Sea by Iranian-backed Houthi militia, and retaliatory strikes by the US and UK. Shipping prices at the end of February had been broadly flat across the month, having spiked over January 2024 according to the *Freightos* Global Container Freight Index. Infometrics analysis suggests that local NZ costs haven't spiked as much, but this trend could foreshadow a more delayed impact for New Zealand costs.

Farm expense costs flatten out

Farm expense price index, all farms, all inputs

All Farms Index



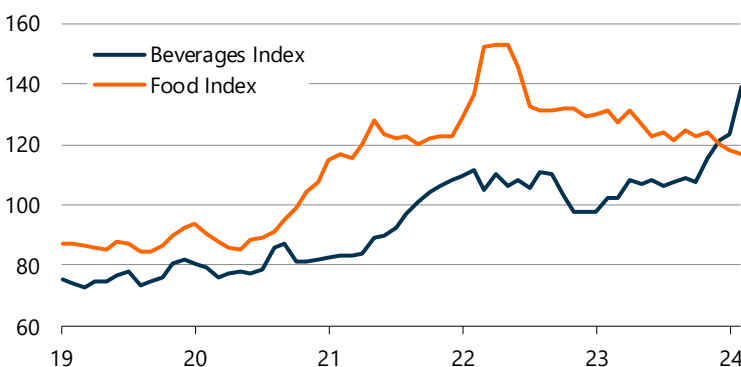
High on-farm costs flatten off

The latest farm expenses price index for the December 2023 quarter reinforced earlier trends that suggested that overall farm costs are plateauing at current high levels. On-farm costs were unchanged in December from September, which saw annual growth in the farm expenses price index come in at just 1.9%pa—the slowest since the start of 2021.

Lower fertiliser, fuel, and livestock prices have helped to mostly offset higher interest rate and insurance costs.

Drink prices spike higher, food heads lower

World Bank commodity price index, 2010 = 100



Drink prices up, food down

The World Bank commodity price beverage index spiked nearly 13% in the month of February from a month ago, driven by a substantial 26% monthly increase in cocoa prices due to dry weather in West Africa, alongside gains in coffee and tea prices.

The food price index fell 1.2%, with oils and grains down around 4% as most individual commodities saw monthly falls across the board. However, other food costs rose 4.4%—driven by higher fruit, meat, and sugar prices.