



Grocery Supplier Cost Index (GSCI)

<i>Infometrics-Foodstuffs NZ GSCI</i>	May-21	May-24
GSCI, Jan-18 = 1,000	1,052	1,254
GSCI annual % change	1.3%	2.9%
Number of products increasing in cost	1,862	2,878

Supplier costs up 2.9%pa in May

The **Grocery Supplier Cost Index** rose 2.9% in May 2024 from a year earlier. The annual increase in the Index continues to moderate, but the pace of that moderation has slowed in recent months. Having eased from an annual peak of 10.6% in December 2022 to 4.5% in December 2023, the annual rise has slowed only slightly in recent months, from 3.2%pa in March to 2.9%pa in May.

This trend reinforces our recent views that cost pressures are currently on track to level out at a slightly higher rate than before 2022. The stabilisation in on-farm costs and lower fuel prices in recent months are encouraging, and these factors will support the current moderation in cost increases. But stubborn cost pressures in the domestic economy are still resulting in more increases in product costs than a few years ago.

Produce, grocery costs moderate

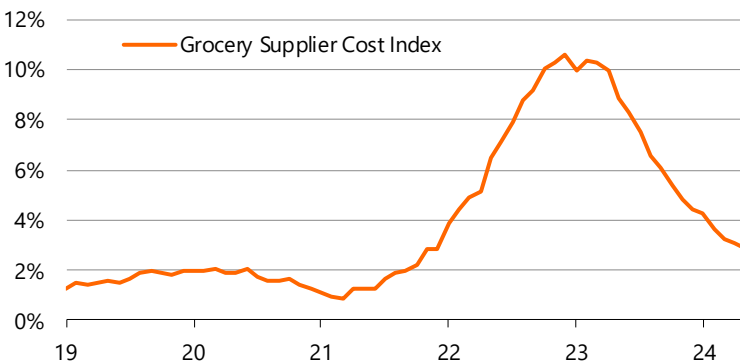
Costs in May 2024 remained higher for all departments compared to May 2023, but as the headline Index shows, these cost increases slowed further. Produce costs are up just 1.0%pa, with lower costs for spring onions, some fruits, and some green vegetables. General grocery costs are up 3.4%pa, their slowest annual increase since March 2022. Chilled and frozen goods have seen a continued moderation in annual cost increases, and butchery cost growth remains at 2.0%pa.

Nearly 2,900 items rose in cost

Just under 2,900 items increased in cost in May 2024 from the previous month, up around 50% from the number of items that rose in cost in the same month of 2021. Just under 11% of May's cost increases were rises of more than 20%, compared to just under 7% of increases being of the same magnitude back in May 2021. But there were also more smaller declines too, with nearly 20% of cost changes being monthly declines of between 0% and 20%.

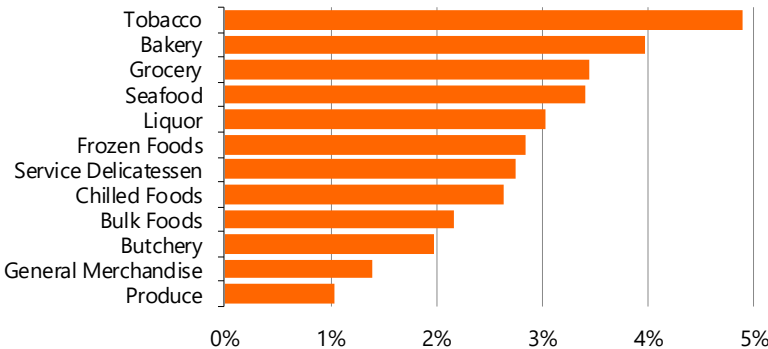
May supplier costs up 2.9%pa

Annual % change



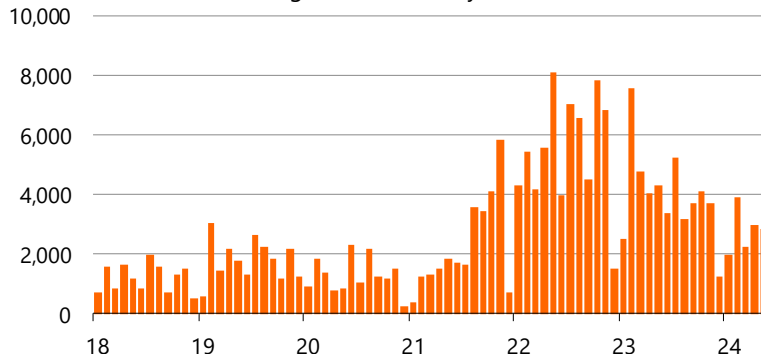
Grocery supplier costs increases by type

Annual % change, by department, May 2024



Nearly 2,900 items increased in cost in May

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 down in May

Diesel, main port price, c/L, weekly

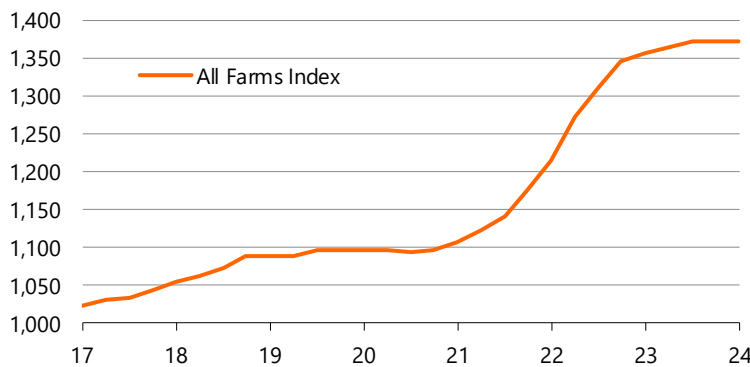


Diesel prices push down in May

Diesel prices fell around 12c/L during May, from around \$2.28/L at the end of April to \$2.16/L. Most of this decline was driven by lower international oil prices, as average Dubai crude oil prices fell 7.4% in May from the month before. Continuing weak demand in the global economy, and a view that interest rate cuts will take longer to occur, has coupled with expectations of higher supply to bring oil prices lower. A quarter of the diesel price drop was also due to lower emissions trading scheme costs, with the carbon price dropping below \$50/T in recent weeks.

On-farm costs unchanged for six months

Farm expense price index, all inputs, Dec-13 = 1,000



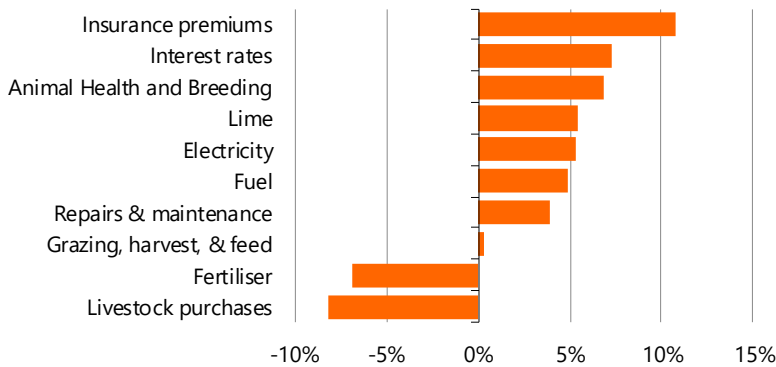
On-farm costs level out

On-farm costs have remained at the same average level for the past six months, recent data from Stats NZ shows. The farm expenses price index showed an unchanged outcome in the March 2024 quarter compared to both the September and December 2023 quarters. This levelling out has seen the annual on-farm cost gain slow to just 1.2%pa, the smallest rise since the start of 2021. However, rapid increases in recent years mean that on-farm costs at the start of 2024 were still 24% higher on average than at the start of 2021.

Variety of on-farm cost changes

Annual % change, selected farm expenses

Mar-24

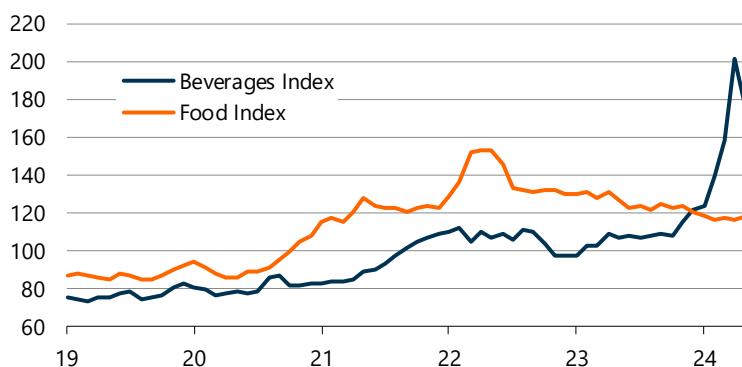


Mixed outcomes for specific costs

Although average on-farm costs have levelled out and are now showing a much smaller annual increase, digging into the details shows a more mixed outcome depending on the specific cost. Lower returns for sheep and beef at present have seen livestock costs fall, down 8.2%pa, and improved supply of fertiliser has led to a 6.9%pa drop in costs for this item. But other costs remain considerably higher, including an 11%pa gain in insurance costs and a 7.2%pa rise in interest costs. Other costs, for fuel, electricity, and maintenance work, are also higher than a year ago.

Drink prices ease, food remains flat

World Bank commodity price index, 2010 = 100



Global food prices flat recently

The World Bank beverage price index pulled back by 14% in May, compared to April, as cocoa and coffee prices eased somewhat, but prices remain at high levels. Recently monthly movements for global food prices have been within a narrow band around current levels, but food prices are down 6.9% compared to last May. Oil and grains prices remain lower than a year ago, down by 8.8% and 13% respectively. Other food prices are up by 1.0%pa, with some meats and fruits prices holding at higher levels.