

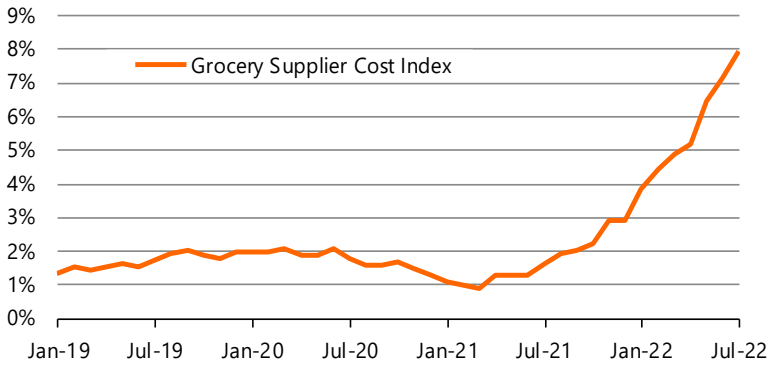


## Grocery Supplier Cost Index (GSCI)

<i>Infometrics-Foodstuffs NZ GSCI</i>	Jul-19	Jul-22
GSCI, Jan-18 = 1,000	1,024	1,143
GSCI annual % change	1.7%	7.9%
Number of products increasing in cost	3,127	7,059

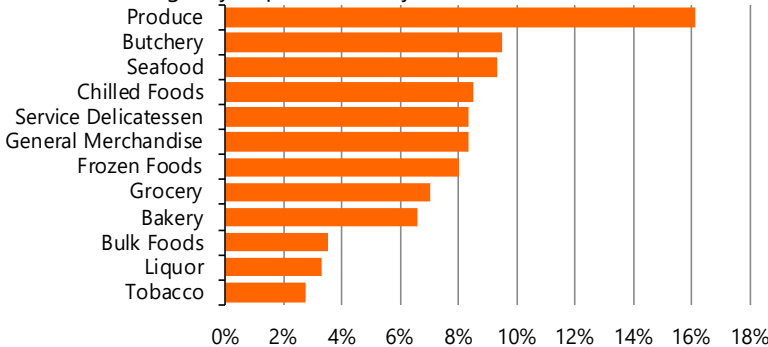
## Grocery supplier costs rise 7.9%pa in July

Annual % change



## Grocery supplier costs increases by type

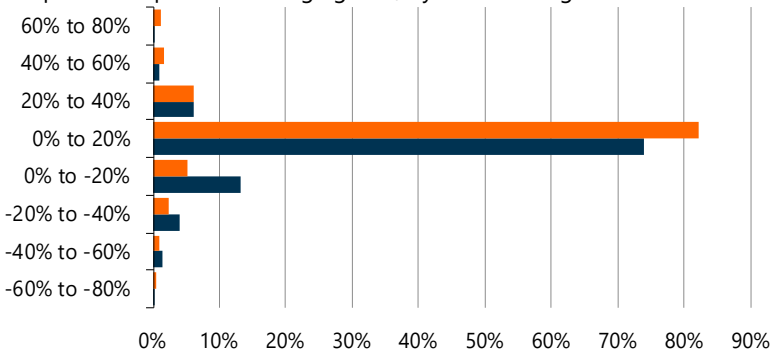
Annual % change, by department, July 2022



## More products with larger rises

Jul-22 (orange), Jul-19 (dark blue)

Proportion of products changing cost, by size of change



## Grocery supplier cost growth accelerates to 7.9%pa

The **Grocery Supplier Cost Index** rose 7.9%pa in July 2022, accelerating from June's 7.1% growth.

The increase extends the run of sustained acceleration in cost increases from suppliers to supermarkets, as rising production challenges and higher inputs costs force suppliers to raise prices.

After a period of more usual, and restrained, cost increases over 2019-20, cost increases from suppliers since April 2021 have continually accelerated, acting as a significant driver of increases in grocery prices to consumers.

The number of items where the cost of goods supplied have risen has more than doubled, as cost increases spread to more products, with higher increases occurring more often.

## Fruit, vege, and meats rise most

All departments recorded annual increases in costs in July 2022.

Produce was the largest driver of higher costs, with a 16%pa increase in costs charged by grocery suppliers for fruits and vegetables.

Meats costs have also been a major contributor to higher supplier costs, with butchery (9.5%pa), seafood (9.3%), and chilled foods (8.5%) costs all rising considerably.

## More products with larger rises

A larger number of items are being re-costed, with larger increases being experienced.

In July 2022, just over 82% of products that changed costs saw an increase of up to 20%, considerably above the 74% in that same group in July 2019 (pre-pandemic).

Cost rises of 20-80% occurred for 8.8% of products changing cost in July, compared to 7.2% of products in July 2019.

## The Grocery Supplier Cost Index

The *Infometrics-Foodstuffs New Zealand Grocery Supplier Cost Index* (GSCI) 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](http://www.infometrics.co.nz/product/grocery-supplier-cost-index).



## Diesel prices forcing transport costs higher



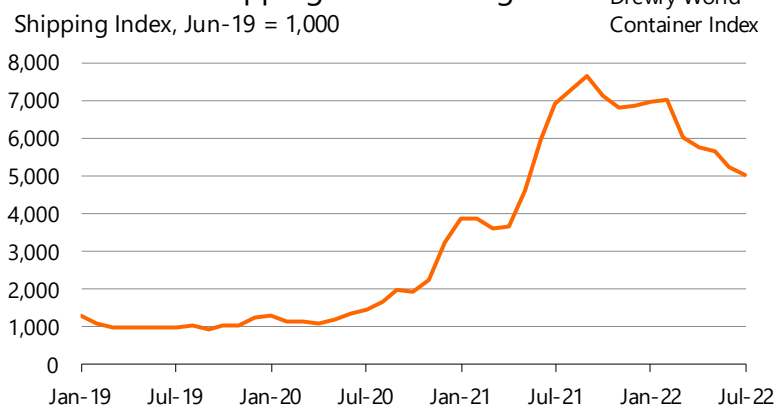
## Fuel prices remain high

Diesel prices have moderated slightly over the last few weeks, but remain 83% higher than a year ago, at just under \$2.90/L.

With diesel prices at historically high levels, transport companies are having to pass on the cost of more expensive fuel to customers.

Prices to move goods around New Zealand have been rising as a result.

## International shipping costs still high



## Shipping falters, but remains high

Global shipping prices remain substantially higher than pre-pandemic levels, with container rates still more than four times levels seen in 2019.

Current spot rates for containers have been easing in recent months, but previous increases continue to elevate prices for suppliers as new contract rates are locked in.

Still-fractured supply chains mean that unreliable transport links are keeping prices elevated too.

## Fertiliser prices still up 75%pa

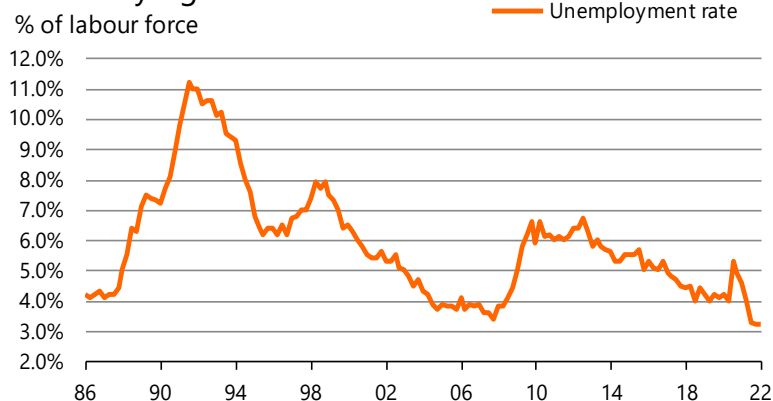


## Fertiliser prices still up 75%pa

World Bank data shows that, despite recent declines, urea costs were still 75% higher than a year ago in June, and are 240% higher than pre-pandemic levels.

New Zealand producers are also feeling the cost pressures of higher farm input prices. Stats NZ figures for March showed overall farm input costs rose 10% over the last year, compared to an average increase of 2%pa since 2014.

## Extremely tight labour market



## An extremely tight labour market

At 3.3% in the June 2022 quarter, the unemployment rate remains close to the previous quarter's record low of 3.2%, and finding workers remains extremely difficult for businesses.

Worker absenteeism due to sickness and COVID-19 isolation requirements has also limited activity in the June 2022 quarter.

As businesses compete for talent, wage inflation has accelerated to 6.4%pa, and this increased cost is feeding through into higher prices.