



Grocery Supplier Cost Index (GSCI)

Infometrics-Foodstuffs NZ GSCI	Aug-20	Aug-23
GSCI, Jan-18 = 1,000	1,043	1,232
GSCI annual % change	1.6%	6.6%
Number of products increasing in cost	2,488	3,989

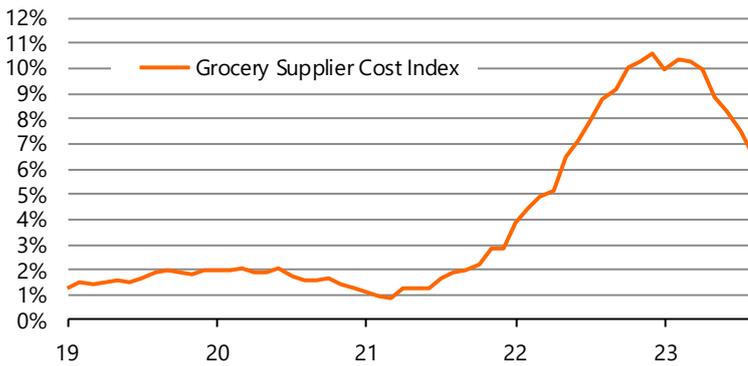
Supplier cost growth decelerates

The **Grocery Supplier Cost Index** rose 6.6%pa in August 2023, a further moderation in the pace of annual increases from suppliers to supermarkets. The monthly increase, despite being the smallest so far in 2023, is still around triple the average seen before cost increases started to accelerate, with recent trend growth of around 4%pa.

Some more normalcy seems to be coming into supplier cost changes, with some more usual seasonal falls occurring, and fewer continued large increases in the produce department. But external factors, including a further burst of higher transport costs, and some reacceleration of domestic input cost growth, reinforces concerns that inflationary pressures may stabilise at a lower, but still high, rate, which will keep pressure on supplier costs generally across the supply chain.

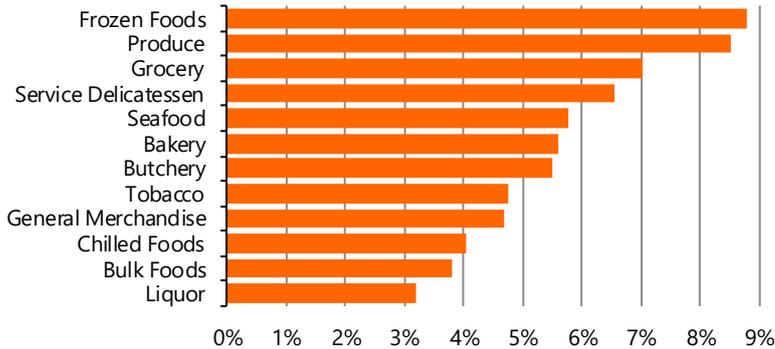
Grocery supplier costs up 6.6%pa in August

Annual % change



Grocery supplier costs increases by type

Annual % change, by department, August 2023

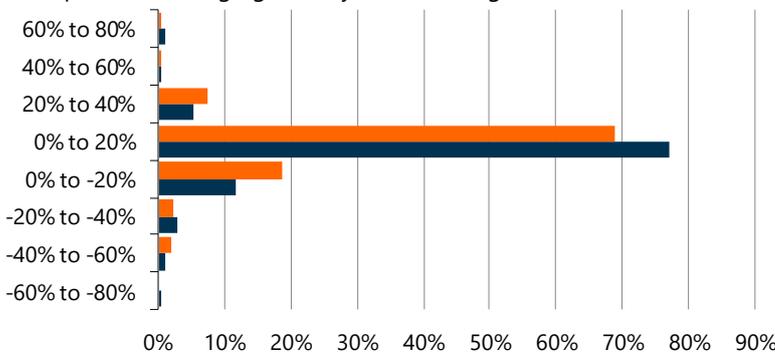


Frozen and grocery costs up

Supplier costs rose again across the board in August from July, although the pace of annual increases moderated further. Frozen foods saw the largest monthly increase in supplier costs, which pushed the department into having the highest annual rise. Flat produce costs in the August month means that produce costs on an annual basis rose 8.5%pa, the slowest annual rise since February 2022, although broccoli, potatoes, and lettuce costs rose further. Groceries were up too, driven by higher pet food and sauce costs.

Distribution of cost changes

% of products changing cost, by size of change



More divergence in cost moves

Just under 4,000 items increased in cost in the August month, still considerably higher than the roughly 2,500 items that rose in cost in August 2020. A larger proportion in August 2023 were for monthly cost increases of above 20% - 8.3% of all cost changes in August 2023 compared to 6.8% in August 2020. But August 2023 also had a larger number of smaller (0-20%) cost decreases, with 19% of monthly cost changes being for this group in August 2023, compared to 12% in August 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 rises above \$2.20/L in August 2023

Diesel, main port price, c/L, weekly



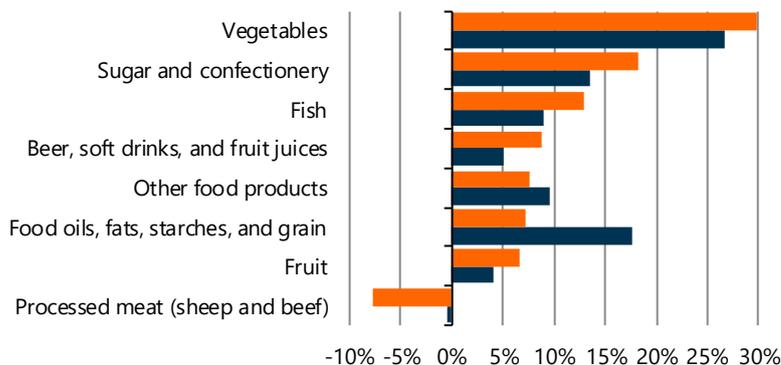
Diesel prices rise to above \$2.20/L

Diesel prices rose further in August, with a 20c/L increase over the month, with prices at \$2.30/L at the end of the month. Diesel input prices rose to the highest level since November 2022, driven by the higher cost of international crude oil. Higher crude prices have been driven by lower supply globally, as Saudi Arabia's supply cuts hit. Lower stocks than expected, due to stronger actual and expected economic activity in the US, has also aided the rise in global prices. Higher transport costs are expected to maintain inflationary pressure on goods and services across the economy.

Some re-acceleration in input cost growth

Annual % change, selected PPI input commodities

■ Jun-23
■ Mar-23

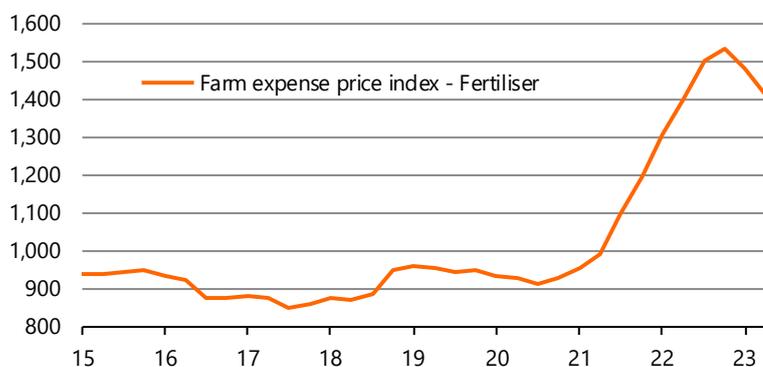


Input costs re-accelerate a bit

After showing a moderation in cost price growth in the March quarter, mid-year data suggests a little bit more cost pressure coming back into the fray. Vegetable input costs increased 30% over the last year, an acceleration from the 27%pa pace seen in March—a trend that continued for sugar and confectionery, fish, and fruit. Food oils and grains, as well as other food products, price growth both decelerated. The further acceleration in underlying input prices highlights concerns of higher prices remaining more sustained.

Fert prices same as '22, up 49% from '19

Index, Dec-13 = 1,000. Source: Stats NZ



Fertiliser prices still very high

Recent Stats NZ data has shown that fertiliser prices for New Zealand's primary sector have declined slightly from the high levels seen at the end of 2022, and in the June 2023 quarter, were essentially unchanged from a year ago. However, fertiliser prices remain 49% higher than in 2019, underscoring the increase in persistent costs in the sector, that has affected decisions around fertiliser use and yields. Due to purchasing timeframes, many are still likely to be affected by higher prices as they work through the system.

Food prices edge down in August month

World Bank commodity price index, 2010 = 100



Global food prices edge down

The World Bank commodity price index shifted lower in August, falling 2.2% from July, and resuming the downward trend seen throughout 2023. Global food prices are now 6.8% below prices at the start of 2023. The fall in August was driven by lower food oils and grains prices generally, with most food oils, as well as wheat, prices down in the month.

But rice prices rose a further 16% from July, and are now sitting around 47% higher than a year ago. Fruit and sugar prices also rose in August.