



## Grocery Supplier Cost Index (GSCI)

<i>Infometrics-Foodstuffs NZ GSCI</i>	Aug-21	Aug-24
GSCI, Jan-18 = 1,000	1,063	1,260
GSCI annual % change	1.9%	2.3%
Number of products increasing in cost	3,563	2,439

## Supplier costs up 2.3%pa in Aug

The **Grocery Supplier Cost Index** rose 2.3% in August 2024 from a year earlier. The annual increase in the GSCI continues to decline, but has been much slower in recent months as the Index appears to be approaching what may be a “new normal”.

The fall in the average number of items increasing in cost is also encouraging, with the larger number of cost increases in recent years moderating from nearly 5,600pm to under 3,000pm.

Lower diesel prices are a positive for producers, suppliers, and contributing businesses given the importance of transport costs for the cost of some goods. However, still-high wage growth and elevated electricity prices highlight continued risks of cost pressures reaccelerating.

## Produce reaccelerates slightly

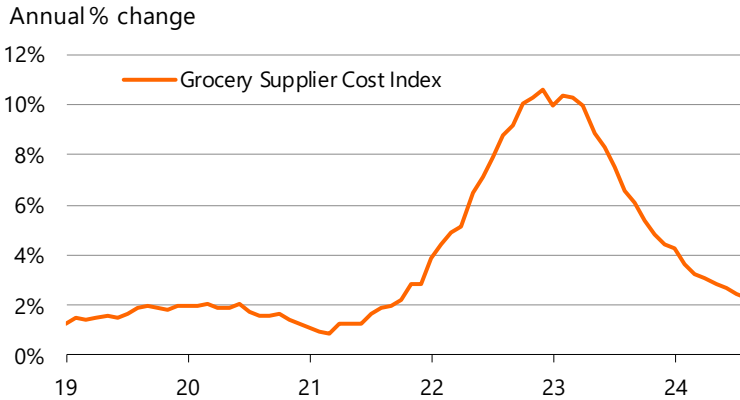
Costs in August 2024 remained higher for all departments compared to August 2023. Produce costs were 1.3%pa higher, a slight reacceleration from last month, as apples, cauliflower, and out-of-season fruits rose in cost—offsetting declines in spring onion and potato costs. Average grocery item cost increases have moderated to 2.7%pa, the lowest since the start of 2022, with cooking oils, chocolate, and noodles all experiencing higher costs, but pet food, some baking items, and paper towels showing a decline in cost.

## Average number of increases ease

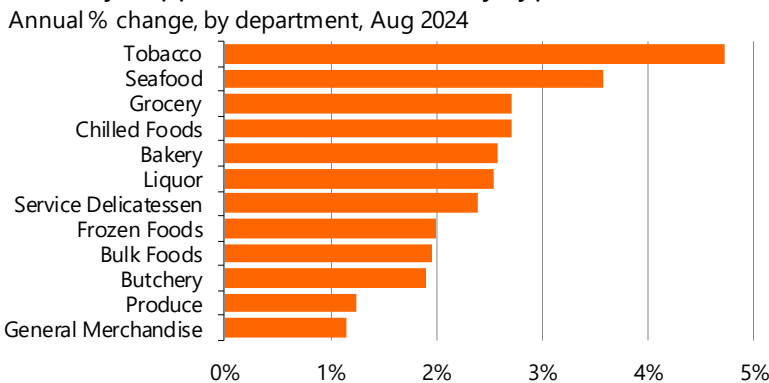
Just over 2,400 items increased in cost in August 2024 from the previous month, below the number of items that rose in cost in August 2021, when the number of items increasing in cost first jumped up as inflationary pressures rose.

Average monthly cost increases have moderated to around 2,900pm, having fallen below 3,000pm in the last two months, providing further evidence of more contained cost pressures.

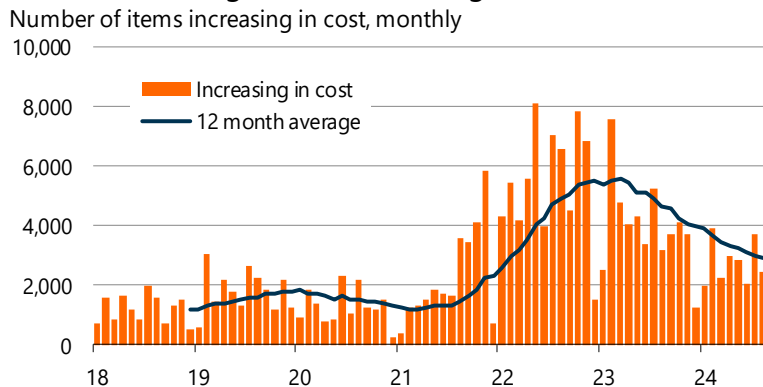
## Supplier costs up 2.3%pa in August



## Grocery supplier costs increases by type



## Decline in average items increasing in cost



## 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](http://www.infometrics.co.nz/product/grocery-supplier-cost-index).



## Diesel price edges below \$2/L

Diesel, main port price, c/L, weekly

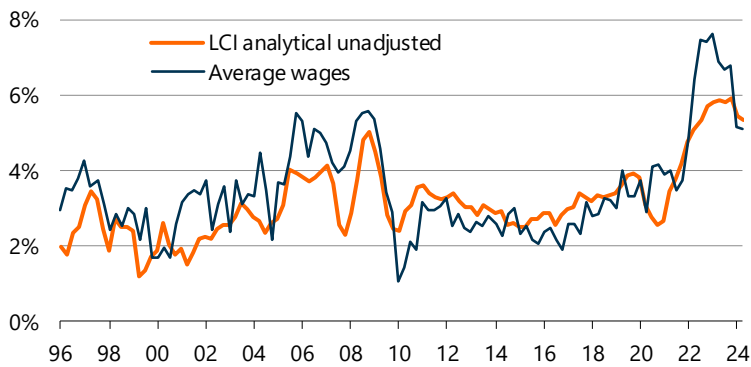


## Diesel prices edge lower

Diesel prices in August averaged around \$2.02/L, and ended the month at \$1.97/L. This milestone marked the first time diesel prices had fallen below \$2/L since July 2023. Diesel prices are now 14% lower than a year ago, and 24% lower than in 2022. Most of this decline in the diesel price is due to lower crude oil prices, with the Dubai crude reference price declining below US\$80/bl in August. Lower crude oil prices recently have been driven by global economic concerns, particularly around the continued weakness in the Chinese economy, and risk of recession in the US.

## Wage growth still elevated, but is slowing

Labour costs and average wages, annual % change

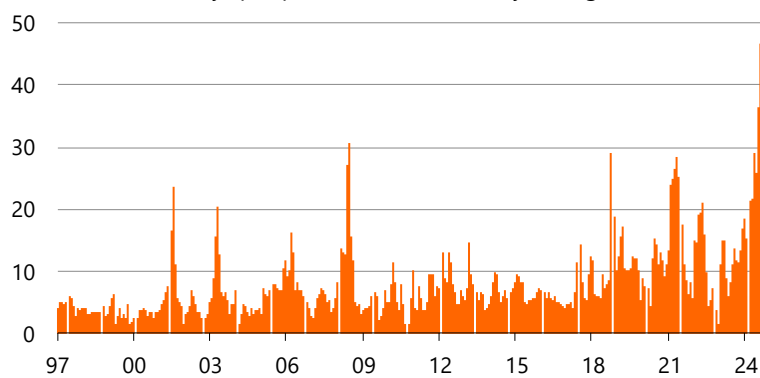


## Elevated wage growth slowing

Rising slack in the labour market is slowly easing labour cost pressures, but comes as the unemployment rate is rising, creating a scenario where there are fewer jobs and more people competing for these roles, limiting upwards pressure on pay. The average wage continues to see strong, albeit slower, growth, up 5.1%pa in the June 2024 quarter—marking two years of annual growth in wages above 5%. The unadjusted analytical labour cost index shows a 5.4%pa rise, again showing signs of slow moderation. Average wages have increased 20% in three years, ahead of inflation.

## Electricity costs up 240%pa in August

Wholesale electricity spot prices, c/kWh, monthly average

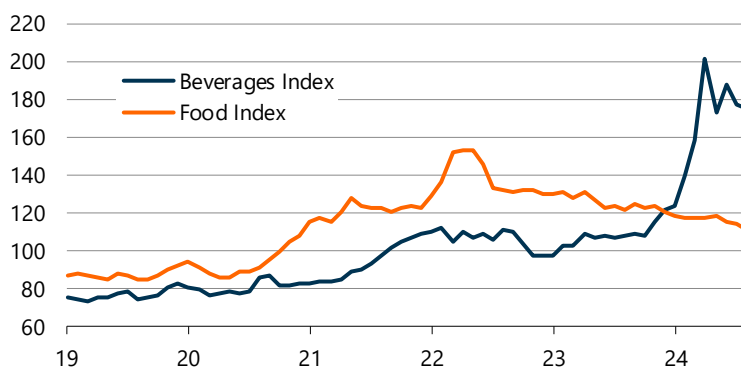


## Further spike in electricity prices

Electricity prices in August averaged 46c/kWh at Haywards, a 28% increase on an already record July average price, taking electricity spot prices to 243% above prices seen at the same time last year. Continued lower gas output and lower hydro lakes kept prices at extreme highs, although rain at the end of August/start of September, plus changes from the electricity regulator have eased pricing pressures. Electricity and gas make up around 1.4-10% of food production costs, and 5.1% of supermarket costs, highlighting the risk from ongoing higher power costs.

## Global food prices ease further

World Bank commodity price index, 2010 = 100



## Further global food price easing

The World Bank food price index continues to moderate, albeit slowly, with the global food index in August sitting 8.6% lower than August 2023. The beverages index eased marginally, but is still 63% higher than a year ago due to higher cocoa and coffee prices. Global food oils and grains prices remain lower, down 12% and 15%pa respectively—soybeans cost less, but palm, palm kernel, and sunflower oil prices are higher. Other food prices remain 1.2% higher than last year, with beef and citrus prices up compared to 2023.