

New Zealand Data Wrap

12 June 2020



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See [page 4](#).

Forecast updates

Recent ANZ NZ Forecast Updates can be found [here](#).

- [ANZ Forecast Update and Q1 GDP Preview](#)
- [ANZ NZ Dairy Update - Defying gravity](#)
- [ANZ NZ Weekly Focus - 14 April](#)

Our other recent publications are on [page 2](#).

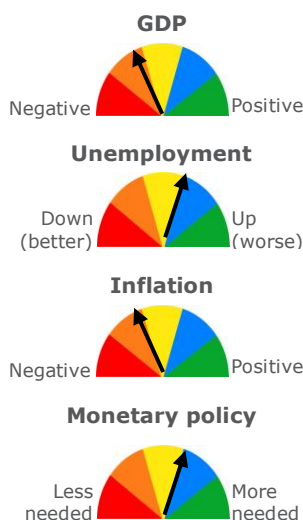
What's the view?

- Currently in the midst of a huge economic blow.
- GDP 7-9% lower this year.
- Unemployment peak: 10%.
- Inflation set to fall.
- QE to rise to \$90bn in August.

Our forecasts are on [page 3](#).

Balance of risks

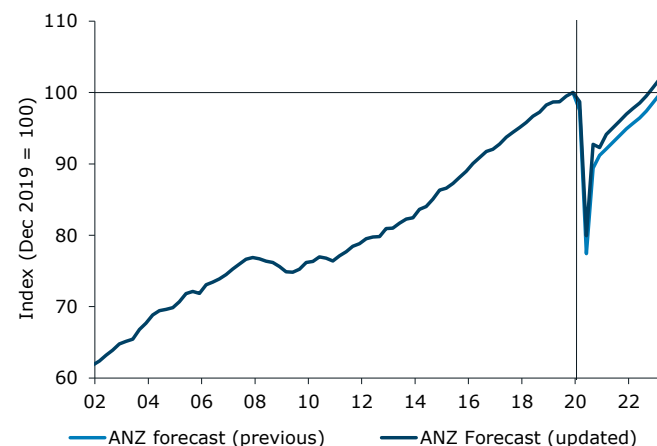
We have revised up our central view, but still see risks as skewed to the downside.



How has the view changed?

- The move to Alert Level 1 has occurred a bit earlier than previously expected and the tone of the data has also been a little more positive. We have [upgraded our forecasts](#), but only slightly.
- The outlook is still very dire. A second wave of bad economic news is expected in time, at which point the reality of the long, painful recovery ahead will settle in. We see GDP 7-9% lower this year (previously 8-10%).
- With unemployment rising rapidly and inflation well away from target, the RBNZ has its work cut out and will need to stay the course with monetary policy. We continue to expect QE to be expanded to \$90bn in August.
- Global yield curves have resumed flattening in the wake of the US Fed's dovish FOMC statement. But the Fed's tone has weighed on risk appetite and the NZD. See [markets outlook](#) for more details.

Figure 1. ANZ GDP forecasts



Source: Statistics NZ, ANZ Research

What happened this week?

ANZ Truckometer – May. The Light Traffic Index [recovered](#) to be 37% lower than last May. The Heavy Traffic index is 7.8% lower than May 2019.

ANZ Business Outlook Flash – June. Confidence [lifted](#) 9 points to -33%. A net 29% of firms are expecting lower activity for their firm in the year ahead.

Economic Survey of Manufacturing – Q1. Volumes fell -1.7% q/q, understating the full weakness we think occurred as we entered lockdown.

Electronic Card Transactions – May. Retail spending was up 79%, putting it 5% below March levels. This was boosted by pent-up demand after spending couldn't happen in lockdown. The true level of demand will be weaker.

NZGB Bond Tender. Good demand was evident with yields well off lows, with the bond market supported by the Fed's dovish tone and faltering equities.

Performance of Manufacturing Index – May. As expected, the PMI rebounded in May alongside easing lockdown restrictions. But it remains in contractionary territory and is likely to stay there for some time.

RBNZ LSAP schedule. The LSAP schedule calls for total bond purchases of \$1,075m next week, the same as this week. The focus of this week's buying has shifted away from the long end and towards the "belly" of the yield curve.



Looking ahead



Recent Publications

ANZ produces a range of in-depth insights.

- ANZ Agri Focus – Difficult road ahead
- ANZ NZ Insight: Where to now with Quantitative Easing?
- ANZ NZ Insight: The recession is just beginning

[Click here](#) for more.

Data calendar

Date	Data/event
Mon 15 Jun (09:00am)	REINZ House Prices – May
Mon 15 Jun (10:45am)	Food Price Index – May
Mon 15 Jun (10:45am)	Rental Price Index – May
Mon 15 Jun (10:45am)	Net Migration – Apr
Tue 16 Jun (09:00am)	Westpac Consumer Confidence – Q2
Tue 16 Jun (1:00pm)	ANZ Monthly Inflation Gauge – May
Wed 17 Jun (early am)	GlobalDairyTrade auction
Wed 17 Jun (10:45am)	Current Account Balance – Q1
Thu 18 Jun (10:45am)	GDP – Q1
Thu 18 Jun (2:05pm)	NZGB Bond Tender
Mon 22 Jun (3:00pm)	Credit Card Spending – May
Wed 24 Jun (2:00pm)	RBNZ OCR
Thu 25 Jun (10:45am)	Merchandise Trade – May
Thu 25 Jun (2:05pm)	NZGB Bond Tender
Thu 25 Jun (3:00pm)	RBNZ New Mortgage Lending – April
Fri 26 Jun (10:00am)	ANZ Roy Morgan Consumer Confidence – Jun
Mon 30 Jun (1:00pm)	ANZ Business Outlook – Jun F
Mon 30 Jun (3:00pm)	RBNZ Sectoral Lending – April

What are we watching?

The news flow has been a bit more positive of late, but there is a lot of noise and measurement error to wade through, and the data is being flattered by a temporary post-lockdown buying flurry. Q1 GDP data out next week is expected to understate the extent of contraction that took place when lockdown started, so should be discounted. In our view, weak profit expectations and downbeat employment intentions from firms in our ANZ Business Outlook are more representative of underlying conditions at present, and these remain near GFC lows. The demand pulse may be difficult to ascertain in other high-frequency data until Q3. In the meantime, the recent bounce in activity will continue to buoy the data flow, but we will be interpreting that with caution. The extent of economic weakness will become more evident in time.

Figure 2. ANZBO profit expectations and hiring intentions (including June flash)



Source: ANZ Research

The week ahead

REINZ housing market data – May (Monday 15 June, 9:00am). Post-lockdown bounce continues, but weak fundamentals to dominate in time.

Performance Services Index – May (Monday 15 June, 10:30am). The PSI should follow a similar pattern to the PMI; ie a partial rebound is on the cards.

Food Price Index – May (Monday 15 June, 10:45am). Measurement difficulties are still being worked through. The dust will take a while to settle.

Net migration – April (Monday 15 June, 10:45am). The typical volatility in these data should be no match for border closures. Expect a very weak print.

GlobalDairyTrade auction (Wednesday 17 June, early am). A slight firming in prices is anticipated as seasonally low offer volumes provide some support for now.

Current Account Balance – Q1 (Wednesday 17 June, 10.45am). We expect to see a narrowing in the annual deficit to 2.6% of GDP.

GDP – Q1 (Wednesday 17 June, 10.45am). Measurement issues are rife. We see a 1.3% q/q contraction, understating true weakness. See our [preview](#).

NZGB bond tender (Thursday 18 June, 2:05pm). The schedule calls for \$500m of 4/25s, \$350m of 4/27s and \$200m or 4/33s. However, the tender will be cancelled if the new NZGB 5/24 bond is launched next week, which the Treasury has stated it intends to do, subject to market conditions.

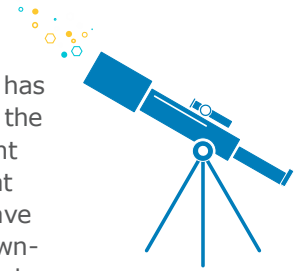
RBNZ LSAP schedule (Friday 19 June, 2:00pm).



Markets and forecasts

Markets outlook

Global bond markets have struggled over the past 2-3 weeks as the rebound and recovery thematic has taken hold, driving equities and risk currencies higher. But market sentiment has changed markedly over the past 48 hours in the wake of the Fed's sobering assessment of the outlook for the US economy, and fears of a resurgence in COVID-19. The Fed's commitment to maintain QE at least at its current pace, re-affirmation of forward guidance, and hint that more easing could be coming has helped turn bond markets around. Global yield curves have resumed flattening, and we expect that trend to continue as the realities of a long and drawn-out recovery bite. Risk appetite has faltered and that's weighed on the NZD, taking it off highs. Locally, the Treasury has said that it plans to launch a new NZGB May 2024 bond next week, subject to market conditions, which is the highlight for the interest rate market.



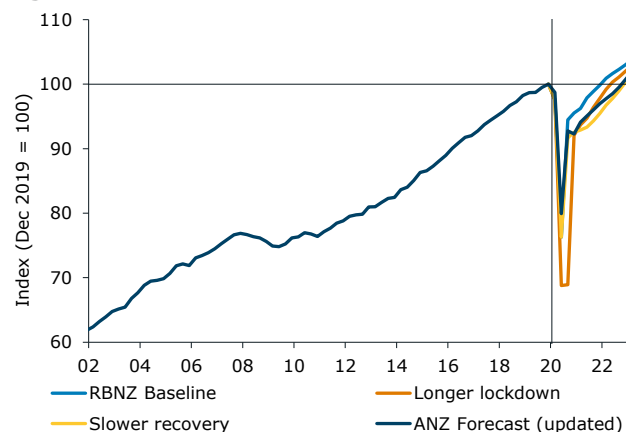
FX rates	Actual			Forecast (end month)					
	Apr-20	May-20	Today	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
NZD/USD	0.613	0.622	0.642	0.60	0.57	0.55	0.55	0.55	0.56
NZD/AUD	0.936	0.934	0.940	0.94	0.92	0.92	0.92	0.90	0.90
NZ\$ TWI	69.24	70.12	71.45	70.1	67.9	66.1	66.2	65.5	65.9
Interest rates/QE	Apr-20	May-20	Today	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
NZ OCR	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
LSAP (\$bn)	30	33	60	60	90	90	90	90	90
NZ 90 day bill	0.27	0.26	0.27	0.26	0.26	0.26	0.26	0.26	0.26
NZ 10-yr bond	0.88	0.82	0.80	0.75	0.75	1.00	1.25	1.25	1.25

Economic forecasts

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
GDP (% qoq)	0.5	-1.3	-19.0	16.0	-0.5	2.0	1.0	1.0	1.0
GDP (% yoy)	1.8	0.0	-19.0	-6.8	-7.7	-4.6	18.9	3.5	5.1
CPI (% qoq)	0.5	0.8	-0.4	0.1	-0.1	0.5	0.2	0.3	-0.2
CPI (% yoy)	1.9	2.5	1.6	1.0	0.4	0.1	0.7	0.9	0.8
Employment (% qoq)	0.0	0.7	-6.0	-1.9	1.5	1.0	0.7	0.9	0.9
Employment (% yoy)	1.0	1.6	-5.1	-7.1	-5.8	-5.5	1.3	4.2	3.5
Unemployment Rate (% sa)	4.0	4.2	7.6	10.0	9.7	9.3	9.2	8.9	8.4

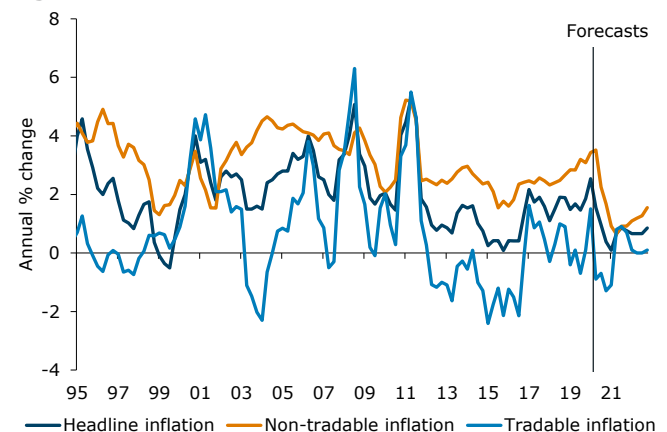
Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year

Figure 3. ANZ forecasts and RBNZ scenarios



Source: Statistics NZ, RBNZ, ANZ Research

Figure 4. Inflation



Source: Statistics NZ, ANZ Research



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