

New Zealand Weekly Data Wrap

17 July 2020



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- [ANZ NZ Economic Outlook – Finding our way](#)
- [Current account outlook](#)
- [Farmgate sheep & beef prices](#)
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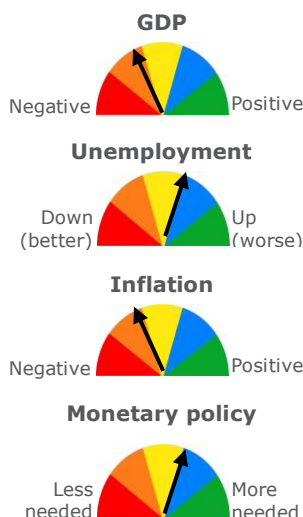
What's the view?

- 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

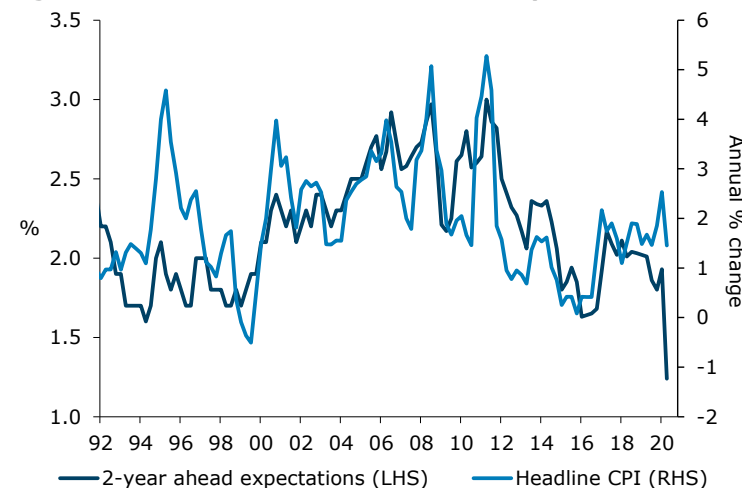
Risks remain skewed to the downside.



How has the view changed?

- The housing market has been supported by a post-lockdown bounce, at a time that would usually be seasonally weak, adding to the potential for noise. Lower mortgage rates, wage subsidies and mortgage deferment schemes have supported prices, potentially delaying any weakening in the market as unemployment rises, and possibly muting the impact to some degree. The outlook is highly uncertain. We will have more to say in our ANZ Property Focus next week.
- **CPI inflation** was weak (-0.5% q/q), as expected. But that data was clouded by noise and measurement issues. The RBNZ will look through some of that, but the underlying pulse is no-doubt weak, with the [exchange rate acting as a potent headwind](#) and inflation expectations low. We continue to expect that CPI will fall below the RBNZ's 1-3% target range later this year, with the RBNZ still putting its foot firmly on the stimulus accelerator.

Figure 1. Headline inflation and inflation expectations



Source: Statistics NZ, RBNZ

What happened this week?

REINZ House Sales – June. Rebounded to pre-COVID levels, but noise is likely at play. Prices rose 1%, reversing declines over April and May.

Net Migration – May. At a net inflow of 590, net migration is travelling at a very low level. Closed borders will do that.

ANZ Monthly Inflation Gauge – June. The [Gauge](#) contracted 0.5% q/q, weaker than non-tradable inflation, which came in at 0.0%.

RBNZ Credit Conditions Survey– Q2. Of the factors affecting credit availability, balance sheet constraints and regulatory changes improved. However, risk perception and tolerance are weighing.

CPI – Q2. We got what we expected: some noise in the details, but a weak underlying inflation pulse that's set to persist for a while yet. However, the Q3 q/q is likely to include some payback.

BNZ-Business NZ Manufacturing PMI - June. The PMI lifted sharply in June, up 16.5pts to 56.3, and suggesting the rebound out of lockdown has been vigorous. But like a number of timely indicators, we think the dust is yet to settle.



Looking ahead



Recent Publications

ANZ produces a range of in-depth insights.

- ANZ NZ Insight: Exchange rate a headwind
- ANZ NZ Insight: Negative OCR – an introduction
- ANZ NZ Insight: Irrigation opportunities
- ANZ NZ Insight: More QE is on the way
- ANZ NZ Insight: Where to now with Quantitative Easing?
- Click [here](#) for more.

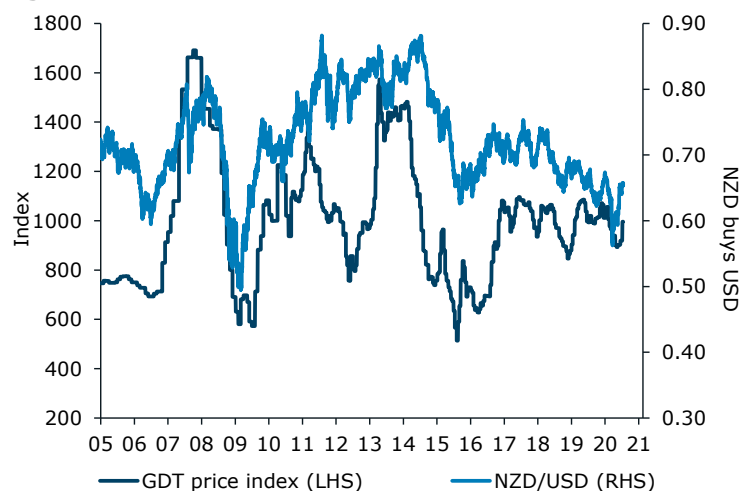
Data calendar

Date	Data/event
Mon 20 Jul (10:30am)	Performance Services Index – Jun
Tues 21 Jul (3:00pm)	Credit Card Spending – Jun
Wed 22 Jul (early am)	GlobalDairyTrade auction
Thu 23 Jul (2:05pm)	NZGB Bond Tender
Fri 24 Jul (10:45am)	Merchandise Trade - Jun
Fri 24 Jul (3:00pm)	RBNZ New Mortgage Lending – Jun
Thu 30 Jul (10:45am)	Building Permits – Jun
Thu 30 Jul (1:00pm)	ANZ Business Outlook – Jul F
Thu 30 Jul (2:05pm)	NZGB Bond Tender
Fri 31 Jul (10:00am)	ANZ Consumer Confidence – Jul
Fri 31 Jul (3:00pm)	RBNZ Sectoral Lending – Jun
Wed 5 Aug (early am)	GlobalDairyTrade auction
Wed 5 Aug (10:45am)	Labour Market – Q2
Wed 5 Aug (1:00pm)	ANZ Commodity Price Index – Jul
Thu 6 Aug (3:00pm)	RBNZ 2Yr Inflation Expectations – Q3
Mon 10 Aug (1:00pm)	ANZ Business Outlook – Aug P
Tues 11 Aug (10:00am)	ANZ Truckometer – Jul
Tue 11 Aug (10:45am)	Electronic Card Transactions - Jul

What are we watching?

Uncertainty about the economic outlook cannot be overstated. Much will hinge on COVID-19 developments globally, including the potential for a vaccine, with some tentative positive news starting to flow on that front. A vaccine, even if one is developed, will take a while to produce at scale, and the recent recovery in the global data is extremely fragile, especially in the US where case numbers continue to grow and lockdowns are resuming. Domestically, keeping the virus out remains crucial, but we will still be affected by the global economic pulse. So far, commodity prices have been resilient with rising dairy prices offsetting some other recent declines. This may not be sustained should the global data pulse deteriorate. The [exchange rate](#) is also a headwind.

Figure 2. GDT chart



Source: GlobalDairyTrade, Bloomberg

The week ahead

Performance Services Index – June (Monday 20 July, 10:30am). The rebound out of lockdown looks set to continue, but the medium-term fundamentals have changed.

RBNZ Credit Card Spending – June (Tuesday 21 July, 3:00pm). Another data point that's likely to rebound further out of lockdown.

GlobalDairyTrade auction (Wednesday 22 July, early am). Dairy prices are expected to ease slightly (-1%) following the sharp lift at the previous event.

Merchandise Trade – June (Friday 24 July, 10:45am). The monthly trade surplus is expected to narrow to \$426 million as export volumes reduce in line with their normal seasonal pattern while imports increase to normal levels.

RBNZ New Mortgage Lending – June (Friday 24 July, 3:00pm). The rebound started in May (with annual growth lifting from -49.6% in April to -33.3%) and looks set to continue in June given this week's lift in the REINZ sales data.



Markets and forecasts

Markets outlook

Global markets have been tossed around as hopes for a COVID-19 vaccine and economic recovery go head-to-head with rising case numbers, mixed global data flow, and heightened geopolitical tensions. Risk sentiment appears to be ending the week on a softer note, but it's only a partial retracement. Here at home, the focus has been on domestic developments. The 2041 NZGB syndication has provided clarity to markets, while the short end has seen some pressure on higher funding spreads. The NZD continues to play follow the leader with global risk sentiment and risk assets. The NZD-TWI has lost some ground this week, but remains elevated. Global events are likely to remain in the driver's seat next week given an absence of meaningful domestic data. Rates will of course be subject to ebbs and flows until the market gets more clarity on the RBNZ's QE programme and thinking on policy options down the track, including the possibility of a negative OCR.



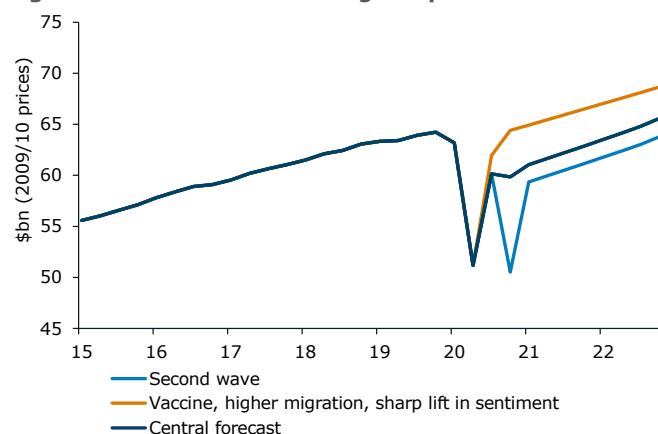
FX rates	Actual			Forecast (end month)					
	May-20	Jun-20	Today	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
NZD/USD	0.621	0.641	0.654	0.65	0.65	0.65	0.65	0.65	0.65
NZD/AUD	0.931	0.935	0.938	0.93	0.93	0.93	0.93	0.93	0.93
NZD/EUR	0.559	0.571	0.574	0.56	0.57	0.57	0.59	0.60	0.60
NZD/JPY	66.91	69.00	70.14	69.6	69.6	69.6	69.6	69.6	69.6
NZD/GBP	0.503	0.522	0.521	0.52	0.53	0.54	0.53	0.52	0.52
NZ\$ TWI	70.12	71.38	72.21	71.3	71.7	71.8	72.2	72.5	72.5
Interest rates/QE	May-20	Jun-20	Today	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
NZ OCR	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
LSAP (\$bn)	33	33	60	90	90	90	90	90	90
NZ 90 day bill	0.26	0.30	0.30	0.31	0.31	0.31	0.31	0.31	0.31
NZ 10-yr bond	0.82	0.93	0.91	0.75	1.00	1.00	1.25	1.25	1.25

Economic forecasts

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
GDP (% qoq)	-1.6	-19.0	17.5	-0.5	2.0	1.0	1.0	1.0	1.0
GDP (% yoy)	-0.2	-19.3	-5.9	-6.8	-3.4	20.4	3.5	5.1	4.1
CPI (% qoq)	0.8	-0.5	0.5	0.1	0.4	0.2	0.1	-0.1	0.4
CPI (% yoy)	2.5	1.5	1.3	0.9	0.5	1.1	0.8	0.6	0.6
Employment (% qoq)	0.7	-6.0	-1.9	1.5	1.0	0.7	0.9	0.9	0.9
Employment (% yoy)	1.6	-5.1	-7.1	-5.8	-5.5	1.3	4.2	3.5	3.4
Unemployment Rate (% sa)	4.2	7.6	10.0	9.7	9.3	9.2	8.9	8.4	8.0

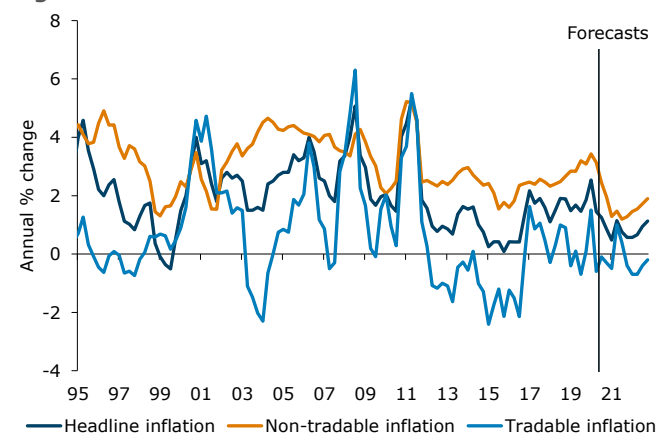
Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year

Figure 3. GDP forecast and high-impact scenarios



Source: Statistics NZ, ANZ Research

Figure 4. Inflation



Source: Statistics NZ, ANZ Research



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