

New Zealand Weekly Data Wrap

11 September 2020



This is not personal advice. It does not consider your objectives or circumstances. Please refer to the Important Notice.



Contact us

See [page 4](#).

Forecast updates

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

- [GDP 2020Q2 Preview](#)
- [GDP and labour market: Renewed restrictions will hamper recovery](#)
- [Current account outlook](#)
- [Farmgate sheep & beef prices](#)

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

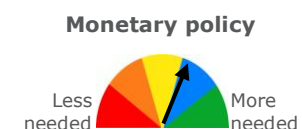
What's the view?

- GDP to remain below pre-COVID level until 2022.
- Unemployment peak: 10%.
- Inflation set to fall.
- Risks are to the downside.
- We see a negative OCR in April next year.

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

Balance of risks

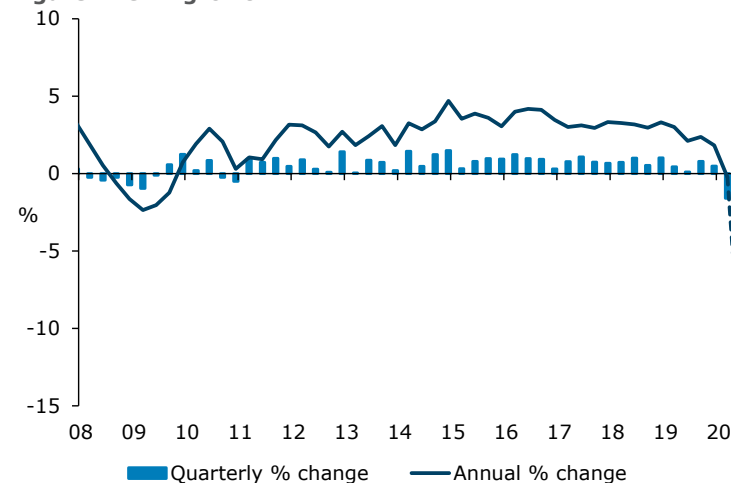
Risks remain skewed to the downside.



How has the view changed?

- We have updated [our expectations](#) for Q2 GDP out next week and now expect a fall of -12% q/q, rather than -17.5%. That's a big change, but it largely reflects a paucity of reliable data, rather than a change in our fundamental view. With the data noisy, policymakers are expected to largely look through it.
- Our medium-term view remains broadly unchanged, with the lesser forecast fall in Q2 meaning the rebound in Q3 will be smaller too. For Q3, we are now pencilling in a bounce of 8.5%, rather than 16%. This includes an expectation that renewed restrictions will weigh on activity.
- Further out, we continue to believe that the economy will undergo a serious test as we enter the summer months, with the [impacts of a closed border](#) becoming more evident and the economy coming off fiscal life support.
- The housing market remains resilient – and [that's a good thing](#). House price falls often happen in downturns and their implications can be severe. However, we still expect to see a wobble into next year.

Figure 1. GDP growth



Source: Statistics NZ, ANZ Research

What happened this week?

ANZ Truckometer – August. The [Light Traffic Index](#) fell 13.1%, while the Heavy Traffic fell 6.5% as renewed restrictions weighed.

Economic Survey of Manufacturing – Q2. Volumes fell 12.2% q/q.

ANZ Business Outlook Flash – September. [Improved](#). Firms appear to be largely looking through the re-emergence of COVID-19 in the community.

Electronic Card Transactions – August. Down 7% m/m reflecting renewed restrictions.

Food Prices – August. Up 0.7% m/m, a touch stronger than we expected.

Rental Price Index – August. Remained resilient, up 0.2% m/m.

REINZ House Sales – August. The housing market remained resilient, with prices up and tightness continuing. But challenges remain.

Week-ahead LSAP schedule. The RBNZ left the pace of QE bond purchases next week unchanged.



Looking ahead



Recent Publications

ANZ produces a range of in-depth insights.

- ANZ NZ Insight: Freshwater regulatory change
- ANZ NZ Property Focus: Locked out
- NZ OCR call change: RBNZ to cut OCR 50bp to -0.25% in April
- ANZ NZ Agri Focus: All that glitters is gold
- ANZ NZ Insight: A straight-line recovery looks unlikely
- ANZ NZ Insight: Exchange rate a headwind
- ANZ NZ Insight: Negative OCR – an introduction

Click [here](#) for more.

Data calendar

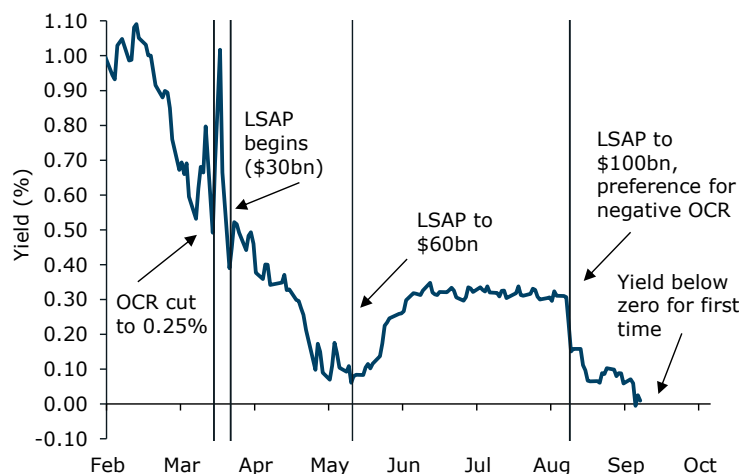
Date	Data/event
Mon 14 Sep (10:30am)	Performance Services Index Aug
Mon 14 Sep (10:45am)	Net Migration - Jul
Wed 16 Sep (10:45am)	Balance of Payments - Q2
Wed 16 Sep (1:00pm)	PREFU 2020
Thu 17 Sep (10:45am)	GDP - Q2
Thu 17 Sep (2:05pm)	NZGB Bond Tender
Mon 21 Sep (3:00pm)	RBNZ Credit Card Spending - Aug
Wed 23 Sep (2:00pm)	RBNZ OCR
Thu 24 Sep (10:45am)	Merchandise Trade -Aug
Thu 24 Sep (2:05pm)	NZGB Bond Tender
Thu 24 Sep (3:00pm)	RBNZ New Mortgage Lending - Aug
Wed 30 Sep (1:00pm)	ANZ Business Outlook - Sep F
Mon 31 Aug (3:00pm)	RBNZ Sectoral Lending - Aug
Fri 2 Oct (10:00am)	ANZ-RM Consumer Confidence - Sep
Mon 5 Oct (1:00pm)	ANZ Commodity Price Index - Sep
Tue 6 Oct (10:00am)	NZIER QSBO - Q3

What are we watching?

This week we will get a peek at the Government's books ahead of the election with the [Pre-election Economic and Fiscal Update](#) (PREFU). Changes to the fiscal outlook are expected to be more about allocation and timing than altering the overall fiscal stance. Separate from this, policy commitments continue to roll in as we head towards the election. Fiscal policy will eventually need to pivot to initiatives that support activity and job creation, so these announcements have added meaning in the current environment.

A key thing we will be watching from the PREFU will be any updated guidance for bond issuance. We think the outlook will be broadly unchanged, with NZ Debt Management happy to maintain a healthy cash buffer. For markets, we could see some volatility around data and the PREFU next week, but in a trend sense, expectations of a negative OCR are solidifying and ultimately setting the tone. This saw yields on New Zealand Government Bonds (NZGBs) trade below zero for the first time this week, even if it was short lived. But it is the first salvo in a broader theme that we think will become more entrenched across the entire yield curve as April draws near, at which point we think the RBNZ will cut the OCR by 50bps to -0.25% and introduce a Funding for Lending Programme (see [Markets Outlook](#)). A possible tactical move towards more aggressive longer-end LSAP purchases in September, and an extension of the programme to \$120bn in November, would help spur the market along.

Figure 2. Yield on 2023 NZGB bond



Source: Bloomberg, ANZ Research

The week ahead

Performance Services Index – August (Monday 14 September, 10:30am). Renewed restrictions are likely to weigh on the August read.

Net Migration – July (Monday 14 September, 10:45am). Closed borders are keeping net inflows contained.

Global Dairy Trade (Wednesday 16 September, early). Milk powders are expected to show little change, but milkfat products could lift slightly.

Current Account Balance – Q2 (Wednesday 16 September, 10.45am). Poised to narrow as goods imports fall by a lot more than exports – a typical recessionary move.

Pre-election Economic and Fiscal Update (Wednesday 16 September, 1:00pm). Changes to the forecasts are likely to be immaterial compared to the degree of forecast uncertainty that surrounds them. See our [preview](#).

GDP – Q2 (Thursday 17 September, 10.45am). Q2 will mark the largest q/q contraction we're likely to ever see (touch wood). See our [preview](#).



Markets and forecasts

Markets outlook

Volatility returned to global markets this week, with equities being no exception. Central bank liquidity is abundant, so there is some buyer confidence to buy on dips, but it's too soon to say that the volatility is over. Domestically, the focus remains squarely on the expectation that a negative OCR and Funding for Lending Programme are coming. Almost 50bps of cuts are now priced in by the middle of next year, and bond yields have moved lower. LSAP purchases were met by a reluctance to sell, with the associated rally seeing NZGB 23 yields dip temporarily below zero, before retreating in the lead up to the NZGB tender. Short-term rates continue to ebb and flow around this broad downward trend, and this is expected to continue, with events next week likely to contribute. But long-end yields have not narrowed anywhere near as much as we think they eventually will, and there is a case to be made for a tactical increase in purchases at the long end of the curve when the RBNZ meets in September. Despite all the talk about rate cuts, kiwi remains elevated. This contributes to our view that a negative OCR will be a dampening force on kiwi, not a catalyst for sudden adjustment.



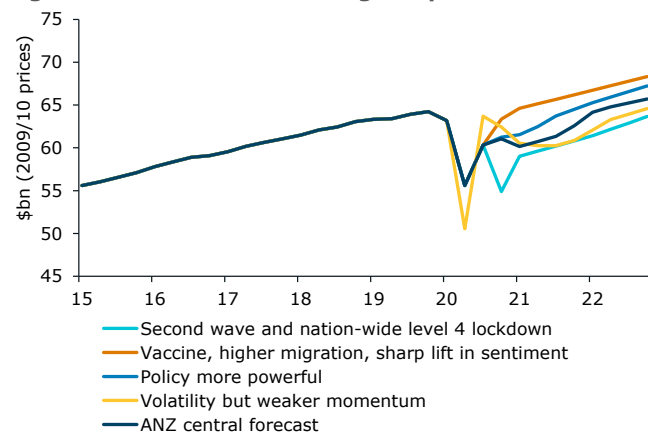
FX rates	Actual					Forecast (end month)			
	Jul-20	Aug-20	Today	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
NZD/USD	0.663	0.673	0.666	0.65	0.65	0.65	0.65	0.65	0.65
NZD/AUD	0.928	0.915	0.916	0.93	0.89	0.87	0.87	0.87	0.87
NZD/EUR	0.563	0.565	0.563	0.55	0.54	0.54	0.55	0.55	0.57
NZD/JPY	70.1	71.3	70.7	69.6	69.6	69.6	69.6	69.6	69.6
NZD/GBP	0.507	0.505	0.520	0.50	0.50	0.49	0.49	0.48	0.47
NZ\$ TWI	72.5	72.4	72.0	71.3	70.3	70.0	70.3	70.3	70.7
Interest rates/QE	Jul-20	Aug-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)	60	100	100	100	120	120	120	120	120
NZ 90 day bill	0.30	0.29	0.30	0.26	0.25	-0.08	-0.25	-0.25	-0.25
NZ 10-yr bond	0.74	0.63	0.60	0.40	0.30	0.30	0.30	0.40	0.40

Economic forecasts

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
GDP (% qoq)	-1.6	-12.0	8.5	1.2	-1.5	1.0	1.0	2.0	2.5
GDP (% yoy)	-0.2	-12.3	-5.6	-4.9	-4.8	9.2	1.7	2.5	6.7
CPI (% qoq)	0.8	-0.5	0.8	0.0	0.6	0.1	0.3	0.0	0.5
CPI (% yoy)	2.5	1.5	1.5	1.1	0.9	1.4	0.9	0.9	0.8
Employment (% qoq)	1.0	-0.4	-1.2	-1.5	-0.5	-0.5	0.9	1.2	1.4
Employment (% yoy)	2.2	1.2	-0.5	-2.1	-3.6	-3.7	-1.6	1.1	3.0
Unemployment Rate (% sa)	4.2	4.0	6.5	8.0	8.8	9.8	9.3	8.5	7.4

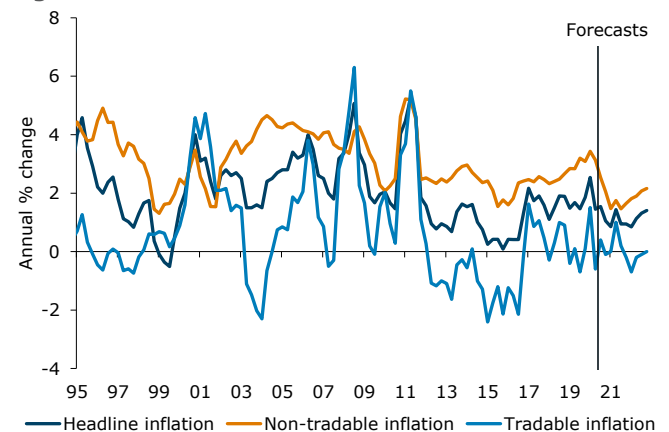
Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year

Figure 3. GDP forecast and high-impact scenarios



Source: Statistics NZ, ANZ Research

Figure 4. Inflation



Source: Statistics NZ, ANZ Research



Contact us

Meet the team

We welcome your questions and feedback. Click [here](#) for more information about our team.



Sharon Zollner
Chief Economist

Follow Sharon on Twitter
[@sharon_zollner](#)

Telephone: +64 27 664 3554
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
[@ANZ_Research](#) (global)



David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com



Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com



Liz Kendall
Senior Economist

Research co-ordinator, publication strategy, property market analysis, monetary and prudential policy.

Telephone: +64 27 240 9969
Email: elizabeth.kendall@anz.com



Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, fiscal policy, economic risk assessment and credit developments.

Telephone: +64 21 661 792
Email: miles.workman@anz.com



Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com



Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808
Email: natalie.denne@anz.com



Important notice

This document is intended for ANZ's Institutional, Markets and Private Banking clients. It should not be forwarded, copied or distributed. The information in this document is general in nature, and does not constitute personal financial product advice or take into account your objectives, financial situation or needs.

This document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared and distributed in your country/region by either: Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**); or its relevant subsidiary or branch (each, an **Affiliate**), as appropriate or as set out below.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is solely for informational purposes and nothing contained within is intended to be an invitation, solicitation or offer by ANZ to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ would be subject to additional licensing or registration requirements. Further, the products and services mentioned in this document may not be available in all countries.

ANZ in no way provides any financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document and the information contained within is believed to be accurate, ANZ does not represent or warrant the accuracy or completeness of the information. Further, ANZ does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Past performance is not necessarily an indicator of future performance. The products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (Liability) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document to the extent permissible under relevant law. Please note, the contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ and its Affiliates may have an interest in the subject matter of this document. They may receive fees from customers for dealing in the products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in the products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products. This document is published in accordance with ANZ's policies on conflicts of interest and ANZ maintains appropriate information barriers to control the flow of information between businesses within it and its Affiliates.

Your ANZ point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Country/region specific information: Unless stated otherwise, this document is distributed by Australia and New Zealand Banking Group Limited (**ANZ**).

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please or request from your ANZ point of contact.

Brazil, Brunei, India, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

European Economic Area (EEA): United Kingdom. ANZ is authorised in the United Kingdom by the Prudential Regulation Authority (**PRA**) and is subject to regulation by the Financial Conduct Authority (**FCA**) and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited ANZ solely for the information of persons who would come within the FCA definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (**PRA**) and the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This publication is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

Myanmar. This publication is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This publication is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).

New Zealand. This document is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised adviser service under the Financial Advisers Act 2008 (**FAA**).



Important notice

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (**QCB**), the Qatar Financial Centre (**QFC**) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (**Qatar**); or
- authorised or licensed for distribution in Qatar,

and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC. The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. This document is distributed in Singapore by the Singapore branch of ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act Cap. 289 of Singapore). ANZ is licensed in Singapore under the Banking Act Cap. 19 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act Cap. 100 of Singapore.

United Arab Emirates (UAE). This document is distributed in the UAE or the Dubai International Financial Centre (**DIFC**) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (DIFCML) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules.

United States. Except where this is a FX-related document, this document is distributed in the United States by ANZ Securities, Inc. (**ANZ SI**) which is a member of the Financial Regulatory Authority (**FINRA**) (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use this website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use this website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts: Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is an FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

Vietnam. This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.

This document has been prepared by ANZ Bank New Zealand Limited, Level 26, 23-29 Albert Street, Auckland 1010, New Zealand, Ph 64-9-357 4094, e-mail nzeconomics@anz.com, <http://www.anz.co.nz>