

New Zealand Weekly Data Wrap

4 December 2020



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Contact us

See [page 4](#).

Forecast updates

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

- [NZ Insight: Some cheer heading into Christmas – further OCR cuts becoming less likely](#)
- [ANZ NZ Insight: Weighing it up – possible OCR paths](#)
- [MPS Review and OCR call](#)
- [ANZ NZ Quarterly Economic Outlook – A delicate balance](#)

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

What's the view?

- GDP returns to pre-COVID level mid-2022
- Unemployment peak: 7½%
- Inflation decelerates 2021
- Risks to the downside
- We see a negative OCR next year on balance

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

Balance of risks

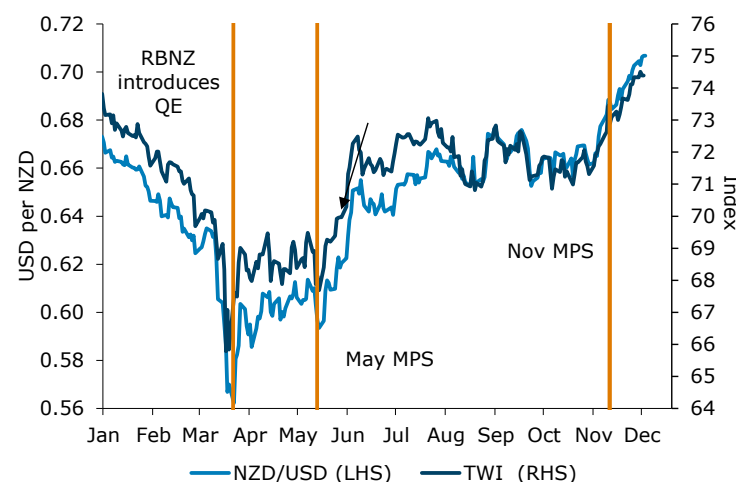
Risks remain skewed to the downside.



How has the view changed?

We have upgraded our NZD/USD forecast and now expect the Kiwi to drift higher towards 0.74 over 2021. That's largely a story of USD weakness, fuelled by improving global growth and easy monetary conditions in an environment where central banks will not want to be too hasty with policy normalisation. We see the NZD and AUD both higher, with the AUD getting a bit more oomph given the already high level of the NZD, seeing the NZD/AUD drift lower. In trade-weighted terms, the NZD is expected to move about 1% higher by end 2021 (see Market Forecasts table). The NZD will remain a headwind to inflation and a headache to exporting and import-competing firms that the RBNZ may need to work against if the economic recovery does not maintain sufficient momentum. It's difficult to swim against the global FX tide, but stemming further gains may be necessary, and monetary policy can help with that. The RBNZ estimates that the NZD would be **another 7% higher** were it not for stimulus seen to date.

Figure 1. NZD/USD and NZD trade-weighted index over 2020



Source: Bloomberg, ANZ Research

What happened this week?

ANZ Business Outlook – November. Headline [business confidence](#) at -6.9% (up 9 points from early-November), while own activity was +9.1% (up 4 points).

RBNZ sectoral lending data – October. Housing remains at the forefront of credit growth, with agri and business lending lacklustre.

GlobalDairyTrade auction. Up 4.3%, with all commodities lifting.

Overseas Trade Indices – Q3. Down 4.7% q/q, but still buoyant all things considered. Export prices have since recovered somewhat, but freight disruption could put increased pressure on import prices in the near term.

Building consents – October. Up 9% m/m. Construction is very busy, supported by the buoyant housing market.

ANZ Commodity Price Index – November. [World prices up 0.9%](#), NZD-TWI prices down 2.3%.



Looking ahead



Recent Publications

ANZ produces a range of in-depth insights.

- ANZ NZ Property Focus: Bag of tricks
- ANZ NZ Insight: RCEP – what’s in it for New Zealand?
- ANZ NZ Insight: Vaccines, volatility and eventualities
- ANZ NZ Property Focus: Riding high
- ANZ NZ Insight: FLP to enter the toolkit
- ANZ NZ Agri Focus: Pick me please
- ANZ NZ Insight: Households understandably wary
- ANZ NZ Property Focus: Lend me a hand
- ANZ NZ Insight: Negative OCR and Funding for Lending Programme FAQ

Click [here](#) for more.

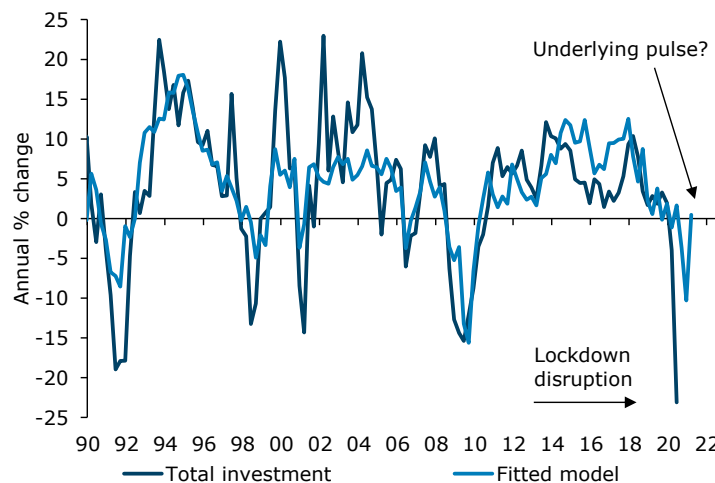
Data calendar

Date	Data/event
Fri 4 Dec (10:45am)	Building Work Put in Place – Q3
Wed 9 Dec (10:45am)	Economic Survey of Manuf – Q3
Thu 10 Dec (10:00am)	ANZ Truckometer–Nov
Thu 10 Dec (10:45am)	Electronic Card Transactions – Nov
Fri 11 Dec (10:30am)	BusinessNZ Manuf PMI – Nov
Fri 11 Dec (10:45am)	Food Price Index – Nov
Fri 11 Dec (10:45am)	Rental Price Index – Nov
Mon 14 Dec (10:30am)	Performance Services Idx – Nov
Mon 14 Dec (10:45am)	Net Migration – Oct
Wed 16 Dec (10:45am)	Balance of Payments – Q3
Wed 16 Dec (tbc)	Half Year Economic and Fiscal Update
Thu 17 Dec (10:45am)	GDP – Q3
Fri 18 Dec (10:00am)	ANZ-RM Consumer Confidence – Dec
Fri 18 Dec (10:45am)	Merchandise Trade –Nov

What are we watching?

Business sentiment has bounced back vigorously, which is great news for the resilience of the economy as we head into more challenging summer months ahead when the absence of highly seasonal international visitor flows will become more evident. But investment intentions are still restrained in an environment where fiscal support is waning; the private sector will need to step in to fill the gap if the recovery is to be self-sustaining. Encouragingly, businesses are now feeling much better than they were about investing, but with only a net 1% willing to pull the trigger according to our [ANZ Business Outlook](#), many firms are still in wait-and-see mode. That makes sense, given that enormous uncertainty remains. Unfortunately, that uncertainty isn’t going away any time soon. There are [reasons to be positive](#) about the outlook, certainly; it’s much better than feared. But as temporary boosts from fiscal support and pent-up demand subside, we continue to expect the recovery to stagnate as we move into 2021.

Figure 2. Total investment and model based on investment intentions



Source: Stats NZ, NZIER, ANZ Research

The week ahead

Work Put in Place – Q3 (Friday 4 December, 10:45am). Should bounce back strongly given activity was able to continue under renewed alert level restrictions. And construction looks set to be an out-performer for a while yet. We’ve pencilled in a 30% q/q rise, but it could be larger.

Economic Survey of Manufacturing – Q3 (Wednesday 9 December, 10:45am). These data mark the last of “the partials” ahead of Q3 GDP. Upside risks to our Q3 GDP pick of 10% q/q have been building, suggesting renewed lockdown measures (particularly in Auckland) have not hampered the Q3 bounce out of lockdown 1 as much as initially thought.

ANZ Truckometer – November (Thursday 10 December, 10:00am).

Electronic Card Transactions – November (Thursday 10 December, 10:45am). Should remain solid, supported by Black Friday and Cyber Monday sales.

Food Prices – November (Friday 11 December, 10:45am). We’ve pencilled in a modest seasonal decline of around 0.5% m/m.

Rental Price Index – November (Friday 11 December, 10:45am). Another read of 0.2% m/m would mark six months in a row at this pace.



Markets and forecasts

Markets outlook

Global interest rates continued to rise this week, with the yield on the bellwether US 10-year Treasury bond approaching, but not quite reaching, the 1% level again. While yields have retraced a touch off their highs, bond investors remain wary as inflation-indexed bond implied inflation expectations rise, commodity prices rebound and equity markets continue to rally. That risks local interest rates ending the year above our forecasts, which assume a correction lower. The risk now is that the correction will be shallower, but we still expect one on the basis that (a) we still expect the RBNZ to take the OCR to just above zero, even if a move to negative is much more conditional, and (b) the Fed is likely to extend the duration of its asset purchases. We are also mindful that NZGB issuance will pause for three (if not four) weeks over the summer, shifting the demand/supply balance further in favour of lower yields. Steeper yield curves are inevitable as we head into 2021, but there is a limit to how rapidly that can happen, given the prospect of the OCR going lower and remaining low for at least 2-3 years. We have upgraded our NZD forecasts, and as discussed on page 1, this is mostly a USD story. But local factors are also supportive, with New Zealand still clearly in a better place than most to bridge the gap to a vaccine. Fiscal flexibility is also greater here and that reduces the odds of the OCR having to go into negative territory. This in turn has been and will continue to be reflected in a higher than-otherwise NZD.

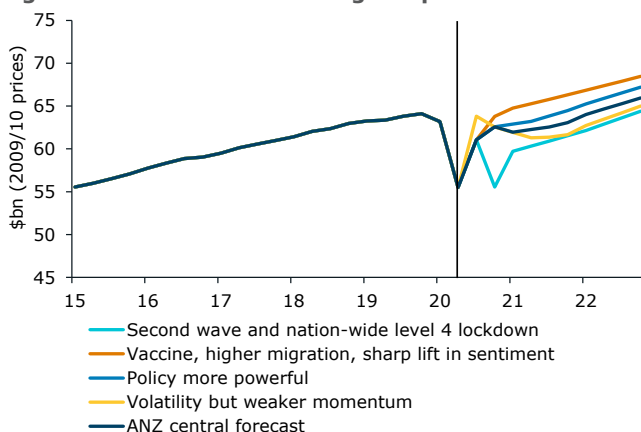
FX rates	Actual			Forecast (end month)					
	Oct-20	Nov-20	Today	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
NZD/USD	0.662	0.705	0.707	0.71	0.72	0.73	0.74	0.74	0.74
NZD/AUD	0.941	0.954	0.951	0.95	0.94	0.94	0.93	0.93	0.93
NZD/EUR	0.568	0.588	0.582	0.58	0.58	0.58	0.58	0.58	0.57
NZD/JPY	69.2	73.3	73.5	73.8	74.2	74.5	75.5	75.5	75.5
NZD/GBP	0.511	0.529	0.526	0.52	0.52	0.53	0.53	0.52	0.52
NZ\$ TWI	71.7	74.4	74.3	74.3	74.2	74.8	75.0	75.0	74.6
Interest rates/QE	Oct-20	Nov-20	Today	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
NZ OCR	0.25	0.25	0.25	0.25	0.10	-0.25	-0.25	-0.25	-0.25
LSAP (\$bn)	100	100	100	100	100	100	100	100	100
NZ 90 day bill	0.28	0.25	0.25	0.20	-0.02	-0.25	-0.25	-0.25	-0.25
NZ 10-yr bond	0.53	0.85	0.90	0.60	0.70	0.80	0.90	1.00	1.00

Economic forecasts

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
GDP (% qoq)	-12.2	10.0	2.5	-1.0	0.5	0.5	0.8	1.5	1.0
GDP (% yoy)	-12.4	-4.3	-2.4	-2.0	12.2	2.5	0.8	3.3	3.9
CPI (% qoq)	-0.5	0.7	0.3	0.6	0.1	0.4	0.0	0.6	0.4
CPI (% yoy)	1.5	1.4	1.2	1.1	1.7	1.4	1.1	1.0	1.3
Employment (% qoq)	-0.3	-0.8	-0.5	-0.2	-0.5	0.0	0.2	0.8	1.0
Employment (% yoy)	1.5	0.2	-0.6	-1.8	-2.0	-1.2	-0.5	0.5	2.0
Unemployment Rate (% sa)	4.0	5.3	6.1	6.4	6.8	7.2	7.5	7.1	6.6

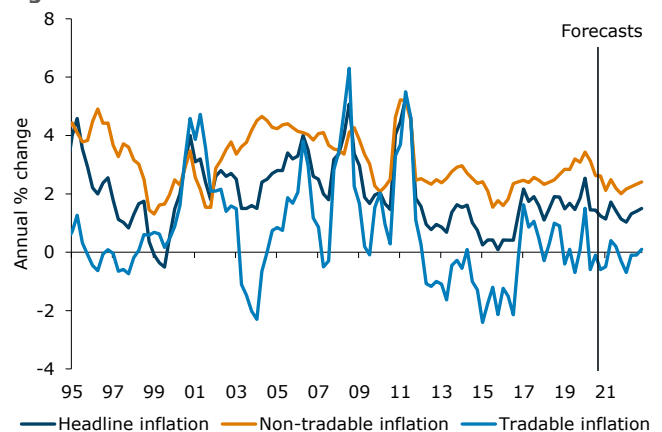
Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year

Figure 3. GDP forecast and high-impact scenarios



Source: Statistics NZ, ANZ Research

Figure 4. ANZ inflation forecasts



Source: Statistics NZ, ANZ Research



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



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