

New Zealand Weekly Data Wrap

11 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

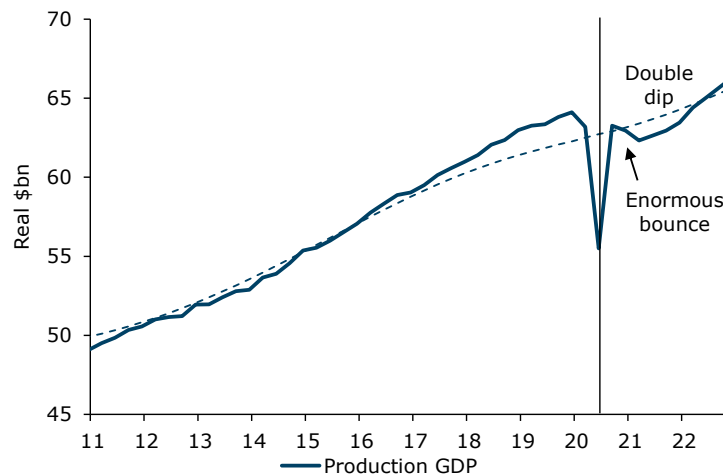
Risks remain skewed to the downside.



How has the view changed?

It now looks like GDP has seen even more volatility than previously expected, though overall the level of activity has been a touch stronger than previously assumed. We expect that **GDP bounced** 14% q/q in Q3 – a more vigorous recoil than previously forecast. However, the data does appear to be affected by significant volatility, with a retracement in GDP now expected though the end of the year. That means we are now forecasting a technical double-dip recession. It's best to think about that as a matter of timing rather than substance, though, with the story very little changed overall, especially over the medium term. For policy settings, a slightly better Q3 bounce is really neither here nor there, though relative to earlier in the year, the outlook has undoubtedly improved. That will be reflected in a better set of economic forecasts at the [Half-Year Economic and Fiscal Update](#) next week, along with a small downgrade to the bond programme. Eventually, this is expected to see the RBNZ adjust the LSAP, given there will be fewer bonds to buy, potentially with an extension of the purchase timeframe at the February MPS.

Figure 1. Real GDP level



Source: Statistics NZ, ANZ Research

What happened this week?

Work Put in Place – Q3. Up 34.6% q/q – a strong bounce out of lockdown. Construction is one industry that looks set to outperform for a while yet.

Economic Survey of Manufacturing – Q3. Volumes up 17.3% q/q – another solid rebound from lockdown.

ANZ Truckometer – November. The lack of tourists is becoming evident in car traffic, while the [Heavy Traffic Index](#) is suggesting a stonking Q3 GDP outturn, but possibly negative growth in Q4.

Electronic Card Transactions – November. Stable m/m with the level supported by Black Friday sales.

REINZ housing data – November. Unprecedented 3% m/m back-to-back increases with the market running at an unsustainable pace.

Food Prices – November. Fell 0.9% m/m, a little more than expected.

Rental Price Index – November. Up 0.2% m/m, as expected.



Looking ahead



Recent Publications

ANZ produces a range of in-depth insights.

- ANZ NZ Agri Focus: Freight challenges abound
- 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 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.](#)

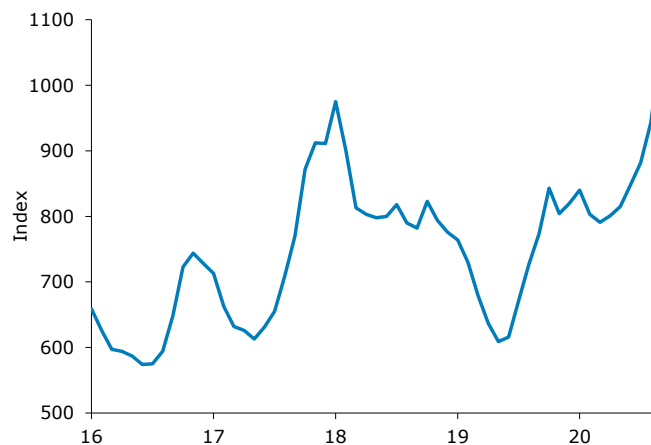
Data calendar

Date	Data/event
Mon 14 Dec (10:30am)	Performance Services Idx – Nov
Mon 14 Dec (10:45am)	Net Migration – Oct
Wed 16 Dec (early am)	GlobalDairyTrade auction
Wed 16 Dec (10:45am)	Balance of Payments – Q3
Wed 16 Dec (1:00pm)	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
Fri 18 Dec (1:00pm)	Wed 23 Dec (3:00pm)
Wed 23 Dec (3:00pm)	RBNZ New Mortgage Lending – Nov
Wed 23 Dec (3:00pm)	RBNZ Sectoral Lending – Nov
Wed 13 Jan (10:00am)	ANZ Truckometer- Dec
Wed 13 Jan (1:00pm)	ANZ Commodity Price Index– Dec
Fri 15 Jan (10:45am)	Building Permits – Nov

What are we watching?

Although the economy has bounced back, many businesses are no doubt facing challenges. One of the key concerns at the moment is freight availability and cost. Globally, there is a significant shortage of shipping containers as inventories are restocked in parts of the world and trade volumes play catch-up from disruption, exacerbated by delays and backlogs at ports. Shipping throughput is currently at record levels. For importers, this is making it difficult to get stock and meet demand, in the midst of the Christmas shopping rush, no less. For exporters, it is difficult to get product to our key markets, particularly with a shortage of refrigerated containers to export our key produce (see our [ANZ Agri Focus](#)). Difficulty getting product to customers, here and abroad, is restricting sales volumes and adding directly to costs. Extra congestion charges for containers going to some Chinese ports are adding at least USD1000 to the cost per container. Overall, the cost of shipping a container has doubled in the past year. For firms, other costs are worrisome too, including wage costs, especially in sectors where skill shortages are acute, like horticulture. These challenges have the potential to weigh on business sentiment, with flow-on effects.

Figure 2. Container freight rate index – China to Australia/NZ service



Source: RWI, Macrobond, ANZ Research

The week ahead

Performance Services Index – November (Monday 14 December, 10:30am). Should be settling down from lockdown noise.

Net Migration – October (Monday 14 December, 10:45am). Net inflows to remain contained by closed borders.

Global Dairy Trade (Wednesday 16 December, early). GDT Price Index expected to lift another 1% next week.

Current Account Balance – Q3 (Wednesday 16 December, 10.45am). The annual deficit looks set to narrow to a multi-decade low, assisted by supply difficulties hampering imports.

Half-Year Economic and Fiscal Update (Wednesday 16 December, 1:00pm). A small upgrade to the outlook is on the cards. See our [preview](#).

GDP – Q3 (Thursday 17 December, 10.45am). The sharper the rebound the lower the hurdle for a Q4 dip. See our [preview](#).

ANZ Roy Morgan Consumer Confidence – December (Friday 18 December, 10:00am).

Overseas Merchandise Trade – November (Friday 18 December, 10:45am). A modest trade surplus of \$254m is anticipated, as exports lift.

ANZ Business Outlook – December (Friday 18 December, 1:00pm).



Markets and forecasts

Markets outlook

Conditions remain challenging across global bond markets as investors shrug off the delivery of ECB stimulus and prospect of more easing from the Fed, instead focusing on how the world will look once vaccines are developed and deployed. Hopes the US can arrive at a fiscal deal have underscored risk appetite in equity markets and undermined the appeal of bonds. Our forecasts for long-term interest rates do assume some kind of correction occurs before the up-trend resumes, but as we noted last week, as time goes on, the odds rise that any correction will be shallower or more short-lived. Yield curves are set to gradually steepen over 2021 as markets look to a more normal world and policy-makers keep policy easy. While that may read like it's "curtains" for the bond market as we know it, the degree of indebtedness and atypical nature of the COVID slowdown does speak to a more gradual rise in interest rates to a lower equilibrium level. In FX markets, the NZD had a wobble this week, but recovered well in typical fashion. While it is a widely held view, and thus a "crowded trade", we continue to look for USD weakness as the virus spreads. The Fed remains a laggard, maintaining ultra-easy policy to counter a lack of fiscal flexibility, even if a near-term deal can be hammered out. The backdrop for the NZD remains positive given the absence of the virus in the community and "normal" feel about life. The strength of the NZD cannot continue unabated without delivering lower inflation, but a weaker USD dilutes the TWI impact.

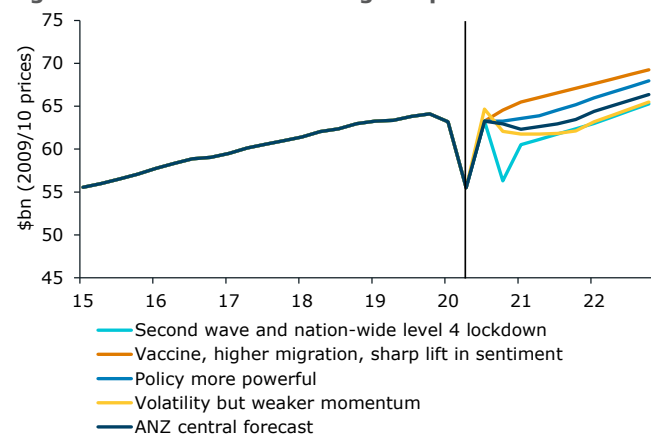
FX rates	Actual			Forecast (end month)					
	Oct-20	Nov-20	Today	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
NZD/USD	0.662	0.705	0.710	0.71	0.72	0.73	0.74	0.74	0.74
NZD/AUD	0.941	0.954	0.942	0.95	0.94	0.94	0.93	0.93	0.93
NZD/EUR	0.568	0.588	0.585	0.58	0.58	0.58	0.58	0.58	0.57
NZD/JPY	69.2	73.3	74.0	73.8	74.2	74.5	75.5	75.5	75.5
NZD/GBP	0.511	0.529	0.534	0.52	0.52	0.53	0.53	0.52	0.52
NZ\$ TWI	71.7	74.4	74.5	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	0.26	0.20	-0.02	-0.25	-0.25	-0.25	-0.25
NZ 10-yr bond	0.53	0.85	0.89	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	14.0	-0.5	-1.0	0.5	0.5	0.8	1.5	1.0
GDP (% yoy)	-12.4	-0.8	-1.8	-1.4	12.9	-0.5	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

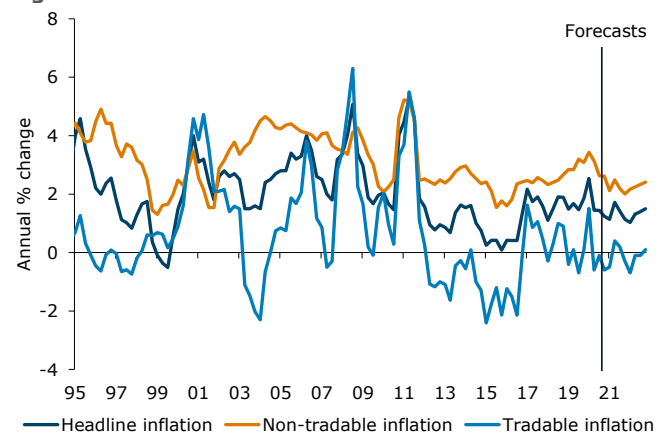
Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year

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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