

# New Zealand Weekly Focus

10 February 2020



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Please refer to the  
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## Uncertain

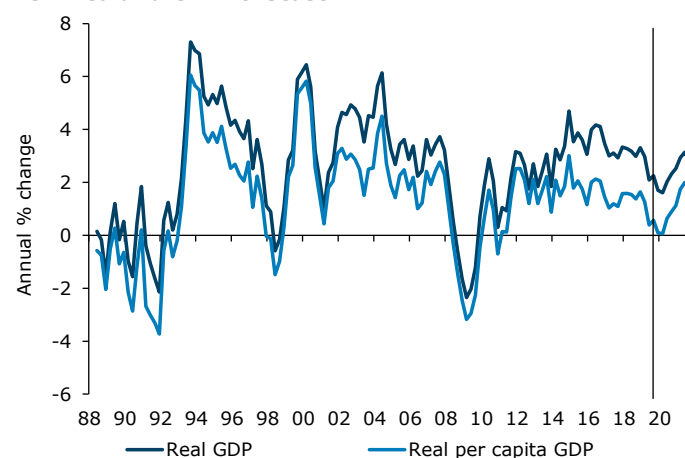
### Economic overview

It's MPS week. We'll be watching for a steer on how the RBNZ is thinking about the known and unknown economic impacts of China's novel coronavirus outbreak. RBNZ comments will no doubt highlight the enormous uncertainty of a fast-moving situation. The devastating human toll of the virus is centred on the city of Wuhan, but it is disruption at China's ports that is taking a large economic toll on the New Zealand economy at present. This will hopefully be resolved very quickly, but it is just round one, with exports of tourism and education services already affected, and the extent of damage to China's economy unclear. This week we use the information available to assess the possible implications for the near-term economic outlook. Uncertainty is extreme, but it hopefully provides a framework to think about the economic implications of developments as they unfold.

### Chart of the week

We've trimmed our first-half growth forecasts by 0.5%pts. But uncertainty is extremely high. Our forecasts will remain under review as the situation evolves.

### New Zealand GDP forecast



Source: Statistics NZ, ANZ Research

### The ANZ heatmap

Variable	View	Comment	Risks around our view
GDP	2.9% y/y for 2021 Q1	The outlook for GDP was looking more positive. We expect a dent to growth in the near term, with downside risks.	Neutral Negative Positive
Unemployment rate	3.9% for 2021 Q1	The labour market is "tight". Although the unemployment rate may be thrown around in coming quarters, trend deterioration is looking less likely.	Neutral Down (better) Up (worse)
OCR	1% in March 2021	We expect the RBNZ to be on hold for the foreseeable future, but downside risks remain. Market pricing for a small chance of cuts is appropriate.	Neutral Down Up
CPI	1.9% y/y for 2021 Q1	Inflation is around where it needs to be. The domestic picture is positive, but again risks are important.	Neutral Negative Positive



## Economic overview

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*It's MPS week and there's a lot for the RBNZ to ponder.*

### Summary

It's MPS week. We'll be watching for a steer on how the RBNZ is thinking about the known and unknown economic impacts of China's novel coronavirus outbreak. RBNZ comments will no doubt highlight the enormous uncertainty of a fast-moving situation. The devastating human toll of the virus is centred on the city of Wuhan, but it is disruption at China's ports that is taking a large economic toll on the New Zealand economy at present. This will hopefully be resolved very quickly, but it is just round one, with exports of tourism and education services already affected, and the extent of damage to China's economy unclear. This week we use the information available to assess the possible implications for the near-term economic outlook. Uncertainty is extreme, but it hopefully provides a framework to think about the economic implications of developments as they unfold.

### Forthcoming data

**ANZ Truckometer – January (Tuesday 10 February, 10:00am).**

**RBNZ Monetary Policy Statement – February (Wednesday 12 February, 2:00pm).** We expect the RBNZ to keep the OCR on hold at 1% as it balances the improvement in the data pulse since the November MPS against the near-term impacts of novel coronavirus containment measures. The latter suggests the tone will be cautious.

**Food Price Index – January (Friday 14 February, 10:45am).** Food prices are expected to lift around 2% m/m, unwinding their seasonal weakness from prior months.

**Rental Price Index – January (Friday 14 February, 10:45am).** Rents are expected to lift 0.3% m/m.

**REINZ housing market data – January (Monday 17 February, 9:00am).** The housing market has tightened in recent months, suggesting prices are poised to lift in the near term.

### What's the view?

It's MPS week and there is a lot for the RBNZ to ponder. The starting position for the outlook is undoubtedly stronger than expected at the November MPS. But the globe is grappling with a new coronavirus, and the implications for human wellbeing (particularly in the city of Wuhan) are devastating. Our thoughts are with the families affected. The global economic fallout will be significant in the near term, but how long the impact will last, and how rapid the eventual rebound will be, is impossible to estimate at this point. New Zealand will certainly experience a very near-term drag on growth as exports of both goods and services are being significantly disrupted, but beyond that it's a guessing game as to whether growth will bounce back sharply later in the year or if the impact will persist for longer. This is a highly fluid situation and estimated impacts are extremely uncertain.

### A stronger starting point

The February Monetary Policy Statement forecasts will be from a strong starting point that will provide the RBNZ scope to sit tight for now and see how things evolve. Since the November MPS, forward indicators for economic momentum have shown tentative signs of turning a corner (figure 1), the housing market has tightened, and the Government has committed to greater capital spending that will support activity over the medium term.

*Excluding coronavirus impacts, the starting point for the outlook has improved...*

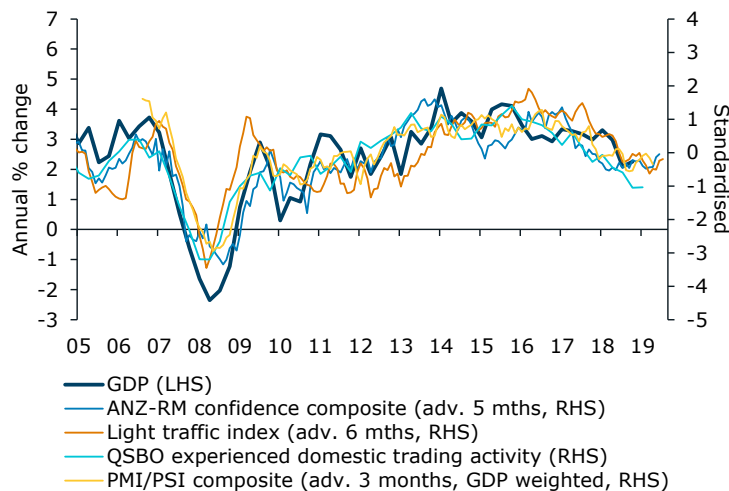
*...with forward-indicators suggesting momentum is turning...*



## Economic overview

*...or at a minimum, finding a floor.*

**Figure 1. GDP forward-indicator suite**

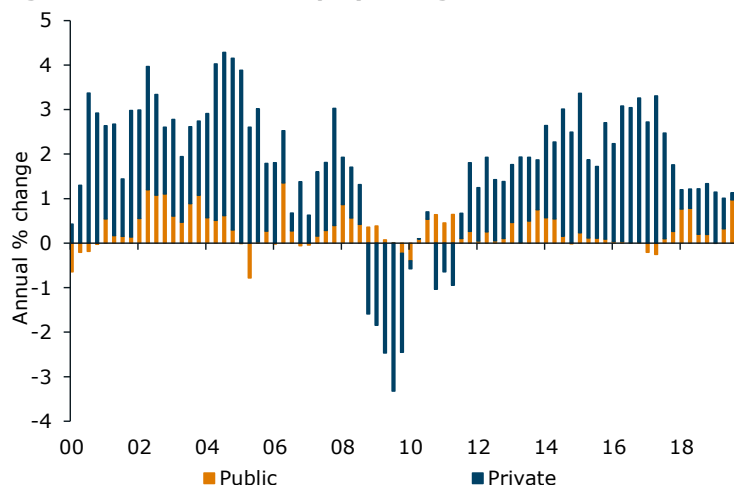


Source: Statistics NZ, BNZ-BusinessNZ, NZIER, RBNZ, ANZ Research

At face value, domestic conditions appear supportive for a gradual lift in growth and inflation near target over the medium term. The sharply lifting housing market is a big part of it but it's more than that. Inflation is already in a comfortable spot, with core inflation having risen gradually, and last week's Q4 labour market statistics suggest the labour market is close to, if not above, full employment – although a very large proportion of employment growth in the second half of last year did come from the public sector (figure 2).

*That bodes well for inflation remaining close to target...*

**Figure 2. New Zealand employment growth**



Source: Statistics NZ, ANZ Research

Nonetheless, the signal from last week's labour market data was strong, on balance. The unemployment rate fell to 4.0% (from a downwardly revised 4.1% in Q3), the underutilisation rate (a broader measure of labour market tightness) fell to a new 11-year low of 10.0%, and wage growth picked up a touch. From an inflation-targeting perspective, the latter somewhat mitigates weak employment growth in Q4. Slowing employment growth could be deemed a natural response to a tightening labour market – or validation of weak employment intentions in the ANZ Business Outlook survey, depending on whether your glass is half-full or half-empty.

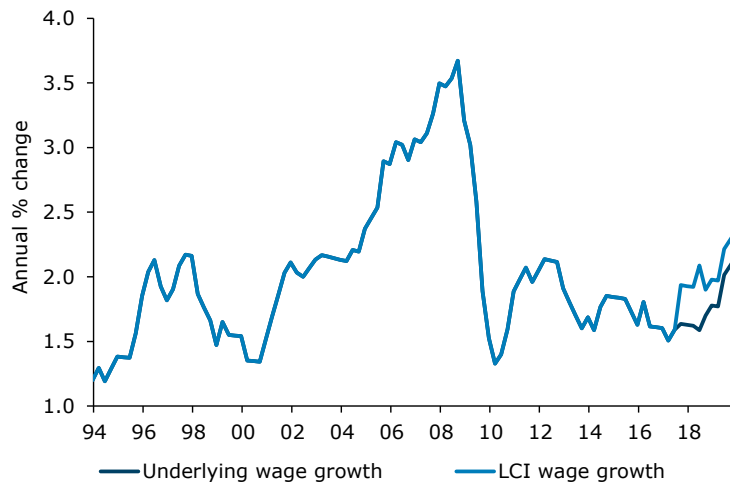
*...and the economy near full employment.*

Tightness in the labour market isn't translating into strong wage growth by any means, but like core inflation, wage inflation has been gradually lifting. While some of this is owing to regulated wage rises (such as the minimum wage), underlying wage pressures have also been building (figure 3).



## Economic overview

**Figure 3. Headline and underlying wage inflation**



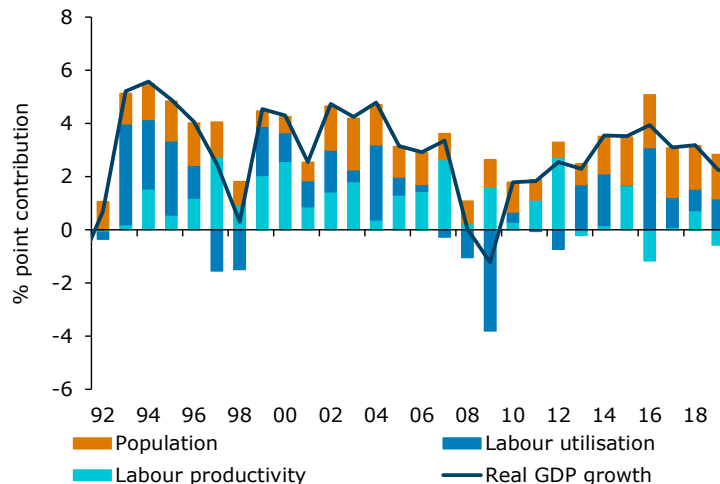
Source: Stats NZ, ANZ Research

*But we think wage inflation is unlikely to shoot for the moon.*

We see limited upside to wage growth going forward. Labour shortages should remain favourable for continued modest wage pressure, but labour productivity is lacking (figure 4). And that's what really matters for sustained wage growth. And with investment nothing to write home about (despite low interest rates and difficulty finding labour), this is unlikely to change any time soon. Indeed, difficulty passing on rising costs and squeezed margins means there is little in the kitty to pay higher wages, and that's a story that's been reflected in the business survey data for some time. So despite the labour market remaining tight, we think wage growth will remain modest at around current levels. And at face value, that suggests the RBNZ needn't be too concerned about inflation pressures getting out of hand any time soon.

*Labour productivity is a key element of sustainable wage growth...*

**Figure 4. Real GDP growth composition**



Source: Stats NZ, ANZ Research

*...and we haven't exactly been overachieving on that front.*

Overall, the data flow since the November MPS has surprised largely on the upside. But with coronavirus developments moving so fast, these data are feeling less relevant by the day. Risks associated with this tragic shock to China's people and economy will weigh heavily on the RBNZ's thinking and have some prominence in their discussion, if not in the central forecasts.

### Coronavirus containment measures will dent activity in the near term

It is far too early to accurately assess the impacts of the new coronavirus outbreak and the associated disruption, but the direction is clear, with a near-term negative economic hit expected to China, the global economy, and New Zealand. Should the outbreak be



## Economic overview

*Coronavirus impacts could prove more important than the starting point...*

*...but uncertainty is extreme.*

*We expect the RBNZ to acknowledge the risks, and maintain a slight easing bias.*

*There will be some near-term disruption to exports...*

*...and dry conditions aren't helping the situation.*

contained quickly – as we hope – then this would likely result in a short, sharp dent in New Zealand GDP growth. But there are risks that we could see a larger and/or more sustained impact. The fact is, this is a very fluid situation and it is simply far too early to know. Uncertainty is extreme.

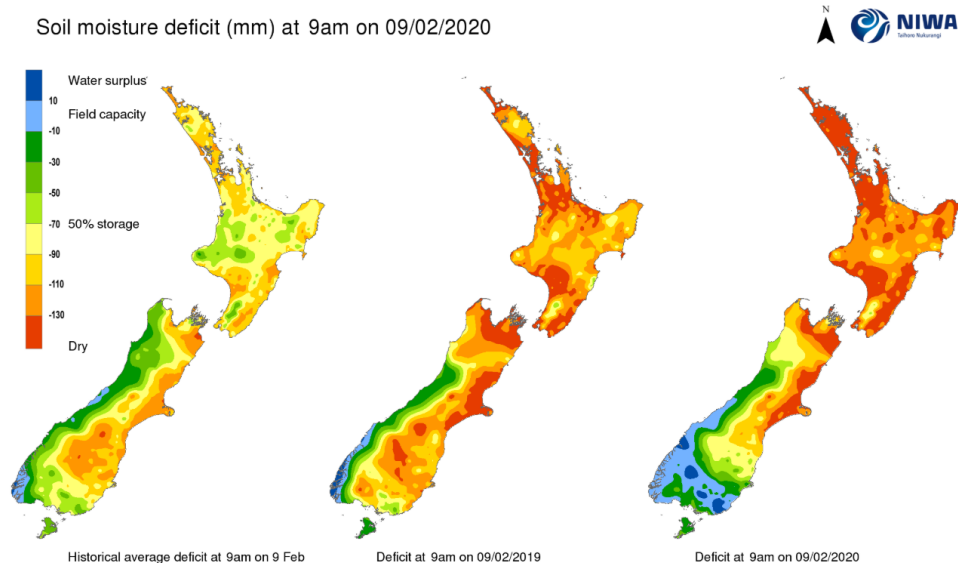
For the RBNZ, we expect emerging global developments associated with the virus will sit predominantly in the “risk” basket for now, and that they will put a strong emphasis on the enormous uncertainty at present. Only modest impacts are likely to feature in the central projections; a near-term dent in GDP (largely via goods and services exports), perhaps a short-lived fall in export prices near term, along with lower global wholesale interest rates.

We expect the OCR track will be broadly unchanged, despite a stronger domestic backdrop. Should the economic impact prove temporary, then the RBNZ would be expected to look through it – though they would remain vigilant to flow-on effects. But if the impact is large and/or persistent, more stimulus may be required from central banks and governments globally – including in New Zealand. We expect that the RBNZ will signal that the OCR could go lower if required, and offer reassuring words about the economy’s ability to weather such a shock.

As we talked about in our last [ANZ Weekly Focus](#), the channels through which the outbreak could affect New Zealand are numerous and complex. Our service exports are already feeling the impact, with reduced demand and travel disruption weighing on both tourism and education exports, reflecting travel being significantly curbed from China and a reluctance to travel more globally.

On the goods side, industries like meat and forestry are experiencing immense pressure, and uncertainty will be weighing on many others. China’s ports and places of business have experienced significant disruption due to the extension of the Chinese Lunar New Year holiday in order to minimise the movement of people. This stoppage should be resolved very quickly; China’s authorities have confirmed that food imports are a priority. But for now, crayfish are being released back into the sea; forestry has slowed down markedly as logs cannot be unloaded at Chinese ports; and meat processors are having to delay accepting animals just as much of the country becomes increasingly dry (figure 5). Fortunately, a lot of supplementary feed is currently available after a good spring, and farmers have been working hard to improve their financial resilience. The apple harvest is also just getting underway. All up, a lot of fingers are crossed.

**Figure 5. Soil moisture deficit: historical average for this date, last year, this year**



Source: NIWA



## Economic overview

*China's factories and ports are expected to reopen from today...*

*...but it's early days in terms of gauging the possible impacts.*

*We think growth in NZ could be 0.3%-0.7%pts lower than otherwise over H1 2020...*

*...but our forecasts will remain under review as the situation evolves.*

*A temporary shock lends itself to a sharp recovery...*

For our food exporters, the outbreak could not have come at a worse time, with demand usually strong at this time of year due to the Chinese Lunar New Year holiday period. Where necessary and possible, exports will be sent to other markets, but it will be at a different price point. Some industries, like forestry, will be able to rebound sharply once logistics and demand recover, but there is enormous uncertainty about when BAU will return, and people are currently out of work. On the other hand, for perishable goods like meat, supply is far less easily turned on and off, meaning prices will potentially take a bigger hit if chains remain disrupted for long.

At this stage, it is expected that ports and factories will resume operations today, when the extended Chinese New Year holiday ends. This is a key day and there is some uncertainty about the capacity at which activities will resume. This will be a nervous day for our primary goods exporters.

Beyond the immediate port disruption is the question of China's consumer demand. When will people feel comfortable eating out again? Will they continue to hunker down financially long after they stop doing so physically, worried about their job security or other economic fears? Should demand for New Zealand's relatively luxurious foodstuffs take a prolonged hit, then this will further weigh on commodity prices (though also on the NZD, a key safety valve in the face of global shocks such as this). Dairy prices were down 4.7% at last week's GDT auction, a smaller drop than some had feared. We'll have to wait and see what happens with them and with other prices. Global supply constraints for dairy and meat proteins remain a supportive factor, but they can't provide a force-field against the impacts of weaker demand. But for now, the dairy market seems to be assuming disruptions will be short-lived.

It's way too soon to know what this all means for the New Zealand economy. There's a lot we don't know about what's happening right now, let alone what will happen in the future. Based on recent developments and assuming disruption is not prolonged, we've estimated that GDP in the first half of 2020 could be 0.3-0.7%pts lower than otherwise.

For now, we have trimmed our first-half growth forecasts by 0.5%pts:

- -0.2%pts reflects weaker services exports, on the back of weaker tourism and education exports (with some offset from other markets, including domestic holiday makers), including some flow-on to industries such as hospitality.
- -0.2%pts reflects weaker volumes of goods production and exports (across both primary and non-primary industries).
- -0.1%pts reflects disruption across a range of related industries (eg distribution, wholesaling).

To be specific, we are pencilling in that quarterly growth in production GDP will be 0.4%pts lower than otherwise in Q1 (0.3% q/q rather than 0.7%) and 0.1%pts lower in Q2 (0.5% q/q instead of 0.6%). We are assuming that the majority of this hit is temporary, resulting in a vigorous bounce-back later in the year and our medium-term forecasts remain unchanged, with the economy growing a little above trend. Our forecasts will remain continuously under review as the situation evolves and new information comes to light. If the virus is contained quickly, as we hope, the dent in activity could be smaller and/or the rebound more vigorous. However, the risk of a more significant or prolonged impact cannot be ruled out.

This near-term dent in growth is expected to see the labour market ease a little from its favourable starting point. But given our assumption about the medium-term growth trajectory, it is not at all clear that the RBNZ will feel it necessary to respond, given the favourable starting point for both inflation and the labour market, and assuming the outbreak is contained quickly. Current monetary conditions are accommodative, and could remain so a little longer than otherwise.



## Economic overview

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*...but there's a risk the slowdown is more prolonged.*

*If that risk materialises, the RBNZ and Government are likely to respond.*

*But for now, the RBNZ can afford to be patient and see how things evolve.*

It is worth remembering that Chinese manufacturing is an important input in global supply chains, providing intermediate inputs across a range of industries (eg fertiliser and steel), so the indirect impacts of disruption could be greater than assumed. Imports of both consumer and intermediate goods are also being disrupted, and this will have flow-on effects (some of them positive for GDP, ironically, to the extent import volumes are weaker than otherwise). However, a bigger hit to domestic activity could also come via a more synchronised impact that transmits through both income and confidence channels than we are assuming. In short, we lose our collective mojo. But again, the medium-term channels are complex, with NZD and price effects, alongside possible effects on migration patterns and longer-term production decisions all very important – and all but impossible to predict.

What is clear is that if the impact becomes more marked and prolonged, and threatens to become self-perpetuating, then a response from the RBNZ and the Government would be likely. We'd also expect the NZD to fulfil an important role as a significant shock absorber. A lower exchange rate would offset the pain of falling export prices far more effectively than still-lower interest rates would, particularly from an OCR starting point of 1.0%. And the Government, in particular, is in a good position to provide more stimulus, having plenty of fiscal headroom. But with infrastructure spending difficult to implement in a hurry, any fiscal package will need to be carefully thought out. As we have [discussed previously](#), a fiscal stimulus package will need to have regard for the three T's: temporary, targeted, and timely. Ticking all three boxes would likely require both more spending and lower revenues. The RBNZ has less conventional monetary ammunition, but can deploy interest rate cuts rapidly if required, and has scope to get creative in the unconventional policy space.

For the February MPS next week, the RBNZ will be considering the possible impacts of the novel coronavirus and the enormous uncertainty around it. They will also want to acknowledge the strong starting point for the labour market and inflation, which puts them comfortably close to their targets. They will want to make it clear that they stand ready to provide more stimulus if required, but they will not want to spur any fears about possible medium-term impacts that may well never happen. The RBA struck a very sanguine tone last week, underpinned by a positive view on the domestic Australian outlook, and the RBNZ may adopt a similar approach, particularly as the data momentum has been stronger here. That said, the RBNZ typically takes a very forward-looking risk management approach. Striking the right tone will be a balancing act. But it's also true that with the pace events are moving, both the forecasts and the commentary will have a shorter shelf-life than usual.

Overall, we expect the RBNZ will signal that they are staying on the side-lines for now, keeping the OCR on hold at 1%, but that they are watching developments closely and will respond as required if need be.

Taking a longer-term view and assuming the virus is contained rapidly, the medium-term outlook for New Zealand is favourable. Interest rates are extremely low, the terms of trade are good, the Government is willing to spend, and a strong labour market is contributing to a robust household sector.

### The week ahead

It's going to be another important week for coronavirus headlines. The efficacy of containment measures, limiting the human cost, is first and foremost on our radar. We'll also be trying to gauge the extent to which China's ports and factories reopen. On the local front this week we'll get a couple of partial Q1 CPI indicators (January rent and food prices), which are both expected to lift in the month. REINZ housing market data are next Monday. We expect annual house price inflation took another step higher in January, reflecting recent tightening in the market. On the activity side, our Truckometer indexes are out on Tuesday. These data will cover the month of January – too soon to gauge the impacts from the drop in visitor arrivals from China and fewer logging trucks on the road.



## Economic overview

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### Local data

**Building Consents – December.** Residential consents rose 9.9% in December, after weakness (-8.4%) in November. On the whole, there was strong growth through 2019. Building activity has pushed higher, but the industry is running up against constraints.

**Global Dairy Trade auction.** Dairy prices fell 4.7% at auction last week, closely aligned with futures market expectations. Buyers from China remained active, providing a degree of relief that this very important market isn't closed for business.

**ANZ Commodity Price Index – January.** The ANZ World Commodity Price Index fell 0.9% in January as weaker meat prices pulled the overall index down. The impact on export prices of the recent coronavirus outbreak in China was not captured in the January pricing. We expect downwards pressure on commodity prices in February.

**Labour Market Statistics – Q4.** The unemployment rate ticked down to 4.0% in Q4 from a downwardly revised 4.1% in Q3, suggesting the labour market has been resilient to the growth slowdown in mid-2019. But these data are backwards looking, and the outlook is uncertain at present.

**RBNZ Inflation Expectations Survey – Q1.** Inflation expectations continued to push higher, with the 2-year mean lifting from 1.80% to 1.93%. This is consistent with the recent, but gradual, acceleration in core inflation.

### What you may have missed

Please [contact us](#) if you would like to be added to the distribution list for any of these publications. Otherwise click on the links below to view reports.

- [NZ RBNZ MPS Preview - Watch, wait – and worry](#)
- [NZ Agri Focus - Sun sets on golden run](#)
- [ANZ NZ Commodity Price Index - Easing into 2020](#)
- [NZ Labour Market - A strong finish for 2019](#)





## Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
10-Feb	JN	BoP Current Account Balance - Dec	¥464.7B	¥1436.8B	12:50
	JN	BoP Current Account Adjusted - Dec	¥1677.2B	¥1794.9B	12:50
	JN	Trade Balance BoP Basis - Dec	¥28.0B	-¥2.5B	12:50
	CH	PPI YoY - Jan	0.0%	-0.5%	14:30
	CH	CPI YoY - Jan	4.9%	4.5%	14:30
	EC	Sentix Investor Confidence - Feb	5.9	7.6	22:30
	CH	Money Supply M0 YoY - Jan	--	5.4%	10-15 Feb
	CH	Money Supply M1 YoY - Jan	4.8%	4.4%	10-15 Feb
	CH	Money Supply M2 YoY - Jan	8.6%	8.7%	10-15 Feb
	CH	New Yuan Loans CNY - Jan	3100.0B	1140.0B	10-15 Feb
11-Feb	NZ	ANZ Truckometer Heavy MoM - Jan	--	-2.5%	10:00
	AU	ANZ-RM Consumer Confidence Index - 9-Feb	--	108.5	11:30
	AU	Investor Loan Value MoM - Dec	1.6%	2.2%	13:30
	AU	Home Loans Value MoM - Dec	1.6%	1.8%	13:30
	AU	Owner-Occupier Loan Value MoM - Dec	1.6%	1.6%	13:30
	AU	NAB Business Conditions - Jan	--	3	13:30
	AU	NAB Business Confidence - Jan	--	-2	13:30
	UK	Monthly GDP (MoM) - Dec	0.2%	-0.3%	22:30
	UK	GDP QoQ - Q4 P	0.0%	0.4%	22:30
	UK	GDP YoY - Q4 P	0.8%	1.1%	22:30
	UK	Exports QoQ - Q4 P	1.7%	7.9%	22:30
	UK	Imports QoQ - Q4 P	0.0%	-0.3%	22:30
	UK	Index of Services MoM - Dec	0.2%	-0.3%	22:30
	UK	Index of Services 3M/3M - Dec	0.0%	0.1%	22:30
	UK	Industrial Production MoM - Dec	0.3%	-1.2%	22:30
	UK	Industrial Production YoY - Dec	-0.8%	-1.6%	22:30
	UK	Manufacturing Production MoM - Dec	0.4%	-1.7%	22:30
	UK	Manufacturing Production YoY - Dec	-1.0%	-2.0%	22:30
	UK	Visible Trade Balance GBP/Mn - Dec	-£10000M	-£5256M	22:30
	UK	Trade Balance Non EU GBP/Mn - Dec	-£2000M	£1734M	22:30
	UK	Trade Balance GBP/Mn - Dec	-£350M	£4031M	22:30
	UK	Construction Output MoM - Dec	-0.5%	1.9%	22:30
	UK	Construction Output YoY - Dec	3.6%	2.0%	22:30
12-Feb	US	NFIB Small Business Optimism - Jan	103.3	102.7	00:00
	US	JOLTS Job Openings - Dec	6850	6800	04:00
	NZ	Card Spending Retail MoM - Jan	0.5%	-0.8%	10:45
	NZ	Card Spending Total MoM - Jan	--	-0.6%	10:45
	NZ	RBNZ Official Cash Rate - Feb	1.00%	1.00%	14:00
	EC	Industrial Production SA MoM - Dec	-1.7%	0.2%	23:00
EC	Industrial Production WDA YoY - Dec	-1.9%	-1.5%	23:00	
13-Feb	US	MBA Mortgage Applications - 7-Feb	--	5.0%	01:00
	US	Monthly Budget Statement - Jan	-\$10.0B	-\$13.3B	08:00
	JN	PPI MoM - Jan	0.0%	0.1%	12:50
	JN	PPI YoY - Jan	1.5%	0.9%	12:50
	AU	Consumer Inflation Expectation - Feb	--	4.7%	13:00
	UK	RICS House Price Balance - Jan	3%	-2%	13:01
	GE	CPI MoM - Jan F	-0.6%	-0.6%	20:00
	GE	CPI YoY - Jan F	1.7%	1.7%	20:00

Continued on following page



## Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
13-Feb	GE	CPI EU Harmonized MoM - Jan F	-0.8%	-0.8%	20:00
	GE	CPI EU Harmonized YoY - Jan F	1.6%	1.6%	20:00
14-Feb	US	CPI MoM - Jan	0.2%	0.2%	02:30
	US	CPI YoY - Jan	2.4%	2.3%	02:30
	US	CPI Ex Food and Energy MoM - Jan	0.2%	0.1%	02:30
	US	CPI Ex Food and Energy YoY - Jan	2.2%	2.3%	02:30
	US	Initial Jobless Claims - 8-Feb	211k	202k	02:30
	US	Continuing Claims - 1-Feb	1743k	1751k	02:30
	NZ	BusinessNZ Manufacturing PMI - Jan	--	49.3	10:30
	GE	Wholesale Price Index YoY - Jan	--	-1.3%	20:00
	GE	Wholesale Price Index MoM - Jan	--	0.0%	20:00
	GE	GDP SA QoQ - Q4 P	0.1%	0.1%	20:00
GE	GDP NSA YoY - Q4 P	0.2%	1.0%	20:00	
GE	GDP WDA YoY - Q4 P	0.4%	0.5%	20:00	
EC	Trade Balance SA - Dec	€19.0B	€19.2B	23:00	
EC	Trade Balance NSA - Dec	--	€20.7B	23:00	
EC	Employment QoQ - Q4 P	--	0.1%	23:00	
EC	Employment YoY - Q4 P	--	0.9%	23:00	
EC	GDP SA QoQ - Q4 P	0.1%	0.1%	23:00	
EC	GDP SA YoY - Q4 P	1.0%	1.0%	23:00	
15-Feb	US	Import Price Index MoM - Jan	-0.2%	0.3%	02:30
	US	Import Price Index YoY - Jan	0.2%	0.5%	02:30
	US	Export Price Index MoM - Jan	-0.1%	-0.2%	02:30
	US	Export Price Index YoY - Jan	--	--	-0.7%
	US	Retail Sales Advance MoM - Jan	0.3%	0.3%	02:30
	US	Retail Sales Ex Auto MoM - Jan	0.3%	0.7%	02:30
	US	Retail Sales Ex Auto and Gas - Jan	0.3%	0.5%	02:30
	US	Retail Sales Control Group - Jan	0.3%	0.5%	02:30
	US	Industrial Production MoM - Jan	-0.2%	-0.3%	03:15
	US	Capacity Utilization - Jan	76.8%	77.0%	03:15
	US	Manufacturing (SIC) Production - Jan	-0.1%	0.2%	03:15
	US	Business Inventories - Dec	0.1%	-0.2%	04:00
	US	U. of Mich. Sentiment - Feb P	99.3	99.8	04:00
	US	U. of Mich. Current Conditions - Feb P	115.0	114.4	04:00
	US	U. of Mich. Expectations - Feb P	90.0	90.5	04:00
US	U. of Mich. 1 Yr Inflation - Feb P	2.4%	2.5%	04:00	
US	U. of Mich. 5-10 Yr Inflation - Feb P	--	2.5%	04:00	

Key: AU: Australia, EC: Eurozone, GE: Germany, JN: Japan, NZ: New Zealand, UK: United Kingdom, US: United States, CH: China.

Source: Dow Jones, Reuters, Bloomberg, ANZ Bank New Zealand Limited. All \$ values in local currency.

Note: All surveys are preliminary and subject to change



## Local data watch

Domestic data has turned upward and growth looks like it will improve gradually from here. Although capacity pressures have eased a little, the medium term outlook is now looking more assured. We see the OCR on hold for the foreseeable future. Global risks are salient and could change this entirely.

Date	Data/event	Economic signal	Comment
Tue 11 Feb (10:00am)	ANZ Truckometer – January	--	--
Wed 12 Feb (2:00pm)	RBNZ Monetary Policy Statement – February	Hold the door	The RBNZ can afford to be patient. Inflation appears close to target and the data pulse has improved. We expect the OCR to remain unchanged at 1%.
Fri 14 Feb (10:45am)	Food Price Index – January	Rebound	A seasonal rebound in food prices is expected.
Fri 14 Feb (10:45am)	Rental Price Index – January	Small rise	Continued increases in rental prices should support a quarterly rise in CPI rents.
Mon 17 Feb (9:00am)	REINZ Housing Data – January	Rebound	The housing market rebounded over the second half of 2019, and more strength seems likely, given market tightness.
Mon 17 Feb (10:45am)	Net Migration – December	Down	The vibe is certainly that migration has been heading downwards, but data can – and does – throw up wildcards.
Mon 17 Feb (1:00pm)	ANZ Monthly Inflation Gauge – January	--	--
Wed 19 Feb (early am)	GlobalDairyTrade auction	Easing	Dairy prices are expected to continue to ease due to market uncertainty relating to the coronavirus outbreak.
Mon 24 Feb (10:45am)	Retail Sales – Q4	Bright spot	A robust household sector is one of the economy’s bright spots. Don’t fail us now.
Thu 27 Feb (10:45am)	Overseas Merchandise Trade – January	Easing	Dairy export volumes are expected to ease and a relatively slow start to the meat-processing season will keep export volumes in check.
Thu 27 Feb (1:00pm)	ANZ Business Outlook – February	--	--
Fri 28 Feb (10:00am)	ANZ Roy Morgan Consumer Confidence – February	--	--
Mon 2 Mar (10:45am)	Terms of Trade – Q4		The terms of trade may recoil slightly on a q/q basis, but are expected to remain at a high level.
Wed 4 Mar (early am)	GlobalDairyTrade auction	Easing	Reduced demand from China will weigh, potentially partially offset by reduced supply on the back of dry conditions.
Wed 4 Mar (10:45am)	Building Consents – January	Hi there	Consents have been holding at a high level. While downside risks remain, recent resurgence in the housing market is expected to provide continued support.
Wed 4 Mar (1:00pm)	ANZ Commodity Price Index – February	--	--
Fri 6 Mar (10:45am)	Work Put In Place – Q4	Build me up	Another nudge up is expected, with building consents having pushed higher.
Tue 10 Mar (10:00am)	ANZ Truckometer – February	--	--
Tue 10 Mar (10:45am)	Economic Survey of Manufacturing – Q4	Line ball	The PMI suggests manufacturing activity lifted in Q4, but with the December month coming in below 50 it’s a line-ball call.
Fri 13 Mar (10:45am)	Food Price Index – February	Dip	Food prices are expected to slip slightly. Supply disruption into China presents some downside.
Fri 13 Feb (10:45am)	Rental Price Index – February	Small rise	Continued increases in rental prices should support a quarterly rise in CPI rents.
Mon 16 Feb (10:45am)	Net Migration – January	Easing	These data are noisy, but we’ll be looking for confirmation that the cycle has been easing, albeit with a 3 quarter lag.
Mon 16 Mar (1:00pm)	ANZ Monthly Inflation Gauge – February	--	--
<b>On balance</b>		<b>Data watch</b>	<b>The vibe has improved and we now see the OCR flat for the foreseeable future. Global risks are salient.</b>



## Key forecasts and rates

	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
GDP (% qoq)	0.7	<b>0.5</b>	<b>0.3</b>	<b>0.5</b>	<b>1.0</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>
GDP (% yoy)	2.3	<b>1.7</b>	<b>1.6</b>	<b>2.0</b>	<b>2.3</b>	<b>2.5</b>	<b>2.9</b>	<b>3.1</b>	<b>2.8</b>
CPI (% qoq)	0.7	0.5	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.2</b>	<b>0.6</b>	<b>0.5</b>	<b>0.6</b>
CPI (% yoy)	1.5	1.9	<b>2.2</b>	<b>2.1</b>	<b>2.0</b>	<b>1.7</b>	<b>1.9</b>	<b>2.0</b>	<b>2.0</b>
LCI Wages (% qoq)	0.6	0.6	<b>0.4</b>	<b>0.8</b>	<b>0.5</b>	<b>0.6</b>	<b>0.4</b>	<b>0.9</b>	<b>0.5</b>
LCI Wages (% yoy)	2.3	2.4	<b>2.5</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>
Employment (% qoq)	0.2	0.0	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
Employment (% yoy)	1.0	1.0	<b>1.3</b>	<b>1.0</b>	<b>1.1</b>	<b>1.6</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>
Unemployment Rate (% sa)	4.1	4.0	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>4.0</b>	<b>3.9</b>	<b>3.9</b>	<b>3.8</b>
Current Account (% GDP)	-3.3	<b>-3.3</b>	<b>-3.3</b>	<b>-3.5</b>	<b>-3.5</b>	<b>-3.5</b>	<b>-3.6</b>	<b>-3.6</b>	<b>-3.6</b>
Terms of Trade (% qoq)	1.9	<b>-0.1</b>	<b>1.7</b>	<b>-0.5</b>	<b>0.3</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
Terms of Trade (% yoy)	1.0	<b>4.2</b>	<b>4.9</b>	<b>2.9</b>	<b>1.3</b>	<b>1.4</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.3</b>

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
Retail ECT (% mom)	1.0	-0.6	0.3	0.0	1.2	0.3	-0.5	2.9	-0.8	--
Retail ECT (% yoy)	5.0	3.4	1.5	2.0	3.1	0.6	1.6	5.1	3.9	--
Car Registrations (% mom)	1.9	-2.1	-2.7	5.2	0.0	6.5	-6.6	-1.4	2.2	-4.7
Car Registrations (% yoy)	-0.5	-12.6	-11.0	-5.4	-5.2	4.7	-6.6	3.0	5.6	-3.5
Building Consents (% mom)	-8.5	16.1	-4.2	-1.2	0.7	7.0	-1.2	-8.4	9.9	--
Building Consents (% yoy)	-3.2	8.2	9.5	18.7	12.4	23.5	18.5	8.0	15.8	--
REINZ House Price Index (% yoy)	1.4	1.7	1.8	1.6	2.7	3.2	3.8	5.6	6.6	--
Household Lending Growth (% mom)	0.5	0.5	0.5	0.5	0.6	0.5	0.5	0.6	0.6	--
Household Lending Growth (% yoy)	5.9	6.0	5.9	5.9	6.0	6.1	6.2	6.3	6.5	--
ANZ Roy Morgan Consumer Conf.	123.2	119.3	122.6	116.4	118.2	113.9	118.4	120.7	123.3	122.7
ANZ Business Confidence	-37.5	-32.0	-38.1	-44.3	-52.3	-53.5	-42.4	-26.4	-13.2	--
ANZ Own Activity Outlook	7.1	8.5	8.0	5.0	-0.5	-1.8	-3.5	12.9	17.2	--
Trade Balance (\$m)	361	175	330	-732	-1642	-1310	-1043	-791	547	--
Trade Bal (\$m ann)	-5578	-5602	-4987	-5516	-5591	-5321	-5060	-4847	-4309	--
ANZ World Comm. Price Index (% mom)	2.6	0.1	-3.9	-1.4	0.3	0.0	1.2	4.3	-2.8	-0.9
ANZ World Comm. Price Index (% yoy)	2.2	0.7	-2.4	-0.5	0.9	3.4	7.2	12.4	9.4	5.7
Net Migration (sa)	3250	3750	3330	3740	3520	2810	3400	2610	--	--
Net Migration (ann)	46396	46144	45657	45361	44688	43217	42980	41478	--	--
ANZ Heavy Traffic Index (% mom)	2.6	0.8	-2.4	2.3	-3.5	3.3	2.8	-1.6	-2.5	--
ANZ Light Traffic Index (% mom)	0.2	0.8	-2.0	1.4	0.3	-0.3	0.2	1.2	-2.0	--
ANZ Monthly Inflation Gauge (% mom)	-0.1	0.2	0.5	0.5	0.3	0.3	0.3	0.1	0.4	--

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



## Key forecasts and rates

FX rates	Actual			Forecast (end month)					
	Dec-19	Jan-20	Today	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
NZD/USD	0.674	0.646	0.641	0.67	0.66	0.66	0.65	0.65	0.65
NZD/AUD	0.961	0.966	0.960	0.97	0.97	0.97	0.97	0.97	0.97
NZD/EUR	0.600	0.583	0.585	0.62	0.60	0.60	0.58	0.58	0.57
NZD/JPY	73.10	70.04	70.27	74.4	73.9	73.9	72.8	72.8	72.8
NZD/GBP	0.511	0.489	0.497	0.51	0.50	0.49	0.48	0.47	0.47
NZ\$ TWI	73.70	71.63	71.47	74.6	73.4	73.3	72.0	71.8	71.6
Interest rates	Dec-19	Jan-20	Today	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
NZ OCR	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
NZ 90 day bill	1.29	1.26	1.25	1.28	1.28	1.28	1.28	1.28	1.28
NZ 10-yr bond	1.65	1.30	1.34	1.55	1.67	1.65	1.30	1.30	1.25
US Fed funds	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
US 3-mth	1.91	1.75	1.73	1.90	1.90	1.90	1.90	1.90	1.90
AU Cash Rate	0.75	0.75	0.75	0.75	0.50	0.25	0.25	0.25	0.25
AU 3-mth	0.92	0.88	0.92	0.70	0.45	0.45	0.45	0.45	0.45

	7-Jan	3-Feb	4-Feb	5-Feb	6-Feb	7-Feb
Official Cash Rate	1.00	1.00	1.00	1.00	1.00	1.00
90 day bank bill	1.27	1.27	1.25	1.26	1.26	1.25
NZGB 05/21	1.06	0.98	0.95	1.00	1.00	1.03
NZGB 04/23	1.08	0.94	0.93	1.03	1.03	1.05
NZGB 04/27	1.39	1.15	1.13	1.24	1.24	1.25
NZGB 04/33	1.75	1.44	1.42	1.54	1.54	1.55
2 year swap	1.19	1.08	1.09	1.14	1.17	1.13
5 year swap	1.33	1.11	1.14	1.20	1.25	1.19
RBNZ TWI	73.18	71.58	71.81	72.02	72.02	71.71
NZD/USD	0.6644	0.6463	0.6459	0.6492	0.6465	0.6400
NZD/AUD	0.9658	0.9658	0.9627	0.9593	0.9588	0.9592
NZD/JPY	72.03	70.08	70.39	71.19	70.98	70.24
NZD/GBP	0.5049	0.4949	0.4966	0.4974	0.4987	0.4967
NZD/EUR	0.5945	0.5841	0.5842	0.5891	0.5877	0.5848
AUD/USD	0.6879	0.6692	0.6709	0.6767	0.6743	0.6673
EUR/USD	1.1176	1.1065	1.1056	1.1019	1.1001	1.0946
USD/JPY	108.41	108.42	108.99	109.67	109.80	109.75
GBP/USD	1.3161	1.3059	1.3007	1.3051	1.2963	1.2892
Oil (US\$/bbl)	62.70	50.11	49.61	50.75	50.95	50.32
Gold (US\$/oz)	1565.74	1580.94	1570.81	1552.04	1566.90	1570.44
NZX 50	11630	11550	11511	11604	11604	11761
Baltic Dry Freight Index	791	466	453	430	431	415
NZX WMP Futures (US\$/t)	3080	2965	2995	2970	2970	3000



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