ANZ Research

New Zealand Weekly Focus

16 March 2020

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Doing what has to be done

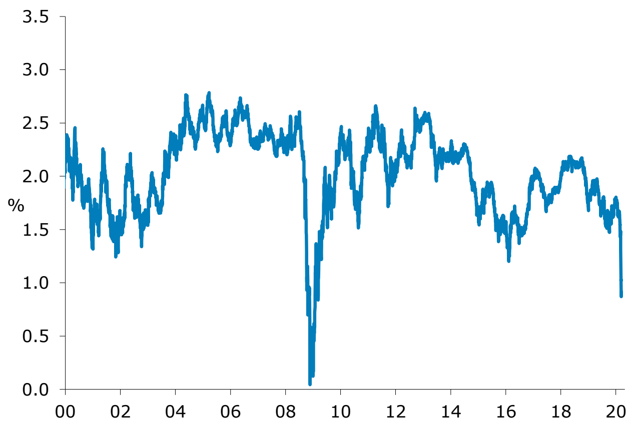
Economic overview

In an encouragingly bold move, the RBNZ stepped up to the plate and delivered an emergency 75bp OCR cut this morning, committing to keep the OCR at 0.25% for at least the next 12 months. Next, we expect unconventional policy will be deployed as soon as is practicable, with large-scale asset purchases on the cards. To support credit creation, the RBNZ has also delayed increases in capital requirements. A significant fiscal package is expected tomorrow. We are looking at a rapid and widespread global demand shutdown that is putting financial markets under extreme pressure. Bold New Zealand border controls and other looming containment measures will frontload a massive economic blow in order to lessen the odds of a much worse one. It's absolutely the right thing to do and the pain was inevitable, but businesses will be hit hard, and we have a widespread drought to boot. A domestic recession is guaranteed, and it won't be shallow.

Chart of the week

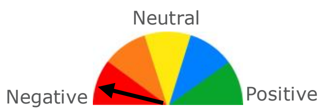
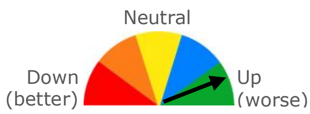
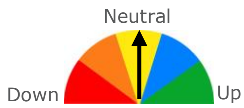
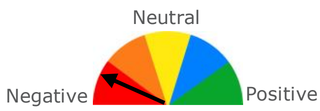
Markets see increasing deflation risks globally. Plunging oil prices have not helped. A prompt response from the RBNZ was well justified.

US 10-year TIPS breakeven inflation expectations



Source: Bloomberg

The ANZ heatmap

Variable	View	Comment	Risks around our view
GDP	1.6% y/y for 2021 Q1	The coming domestic recession could be deep. We have not yet incorporated the new travel restrictions into our forecasts.	
Unemployment rate	5.2% for 2021 Q1	The labour market is set to deteriorate rapidly, before improving as the recovery gathers pace in 2021.	
OCR / effective shadow rate	OCR at 0.25% in June 2020	A 0.25% OCR is here for at least 12 months, but more stimulus is on the way with large-scale asset purchases the next move.	
CPI	1.2% y/y for 2021 Q1	Inflation is currently around where it needs to be, but is set to slip as the slowdown takes hold.	

Economic overview

Summary

In an encouragingly bold move, the RBNZ stepped up to the plate and delivered an emergency 75bp OCR cut this morning, committing to keep the OCR at 0.25% for at least the next 12 months. Next, we expect unconventional policy will be deployed as soon as is practicable, with large scale asset purchases on the cards. To support credit creation, the RBNZ has also delayed increases in capital requirements. A significant fiscal package is expected tomorrow. We are looking at a rapid and widespread global demand shutdown that is putting financial markets under extreme pressure. Bold New Zealand border controls and other looming containment measures will frontload a massive economic blow in order to lessen the odds of a much worse one. It's absolutely the right thing to do and the pain was inevitable, but businesses will be hit hard, and we have a widespread drought to boot. A domestic recession is guaranteed, and it won't be shallow.

We now expect a recession that could be deep.

Forthcoming data

Details on the Government's Business Continuity Package (early this week). These will be welcomed by those businesses and households initially hit, but the impacts are poised to grow rapidly as broader economic momentum is lost. The case for a much broader, faster macro policy response is now strong.

We will be waiting for news that an economy-wide fiscal package is in train, as it should be.

GlobalDairyTrade auction (Wednesday 18 March, early am). Concerns about slow global growth are expected to weigh on dairy prices with a 5% fall in the GDT Price Index anticipated.

Balance of Payments – Q4 (Wednesday 18 March, 10:45am). The annual current account is expected to narrow by 0.2%pts of GDP to 3.1%.

GDP – Q4 (Thursday 19 March, 10:45am). The economy is expected to have expanded 0.4% q/q, with annual growth slowing 0.7%pts to 1.6%.

What's the view?

Policy has stepped up to the plate – with more required

In an encouragingly bold move, the RBNZ stepped up to the plate this morning with urgent policy action. They:

- cut the OCR 75bps to 0.25%;
- gave explicit forward guidance, committing to keep the OCR there for at least 12 months;
- indicated that large-scale asset purchases are the next move if more stimulus is required;
- delayed the imposition of tougher bank capital requirements by a year; and
- said they stand ready to provide liquidity as necessary.

The RBNZ stepped up to the plate this morning.

We think more stimulus will indeed be required, with a move to unconventional policy on the cards as soon as practicable. The clarification of the next steps should calm the very unsettled bond market, driving the curve lower and flatter.

We see the current level of the OCR as the effective lower bound, with further rate cuts from here likely counterproductive. The Reserve Bank doesn't necessarily agree, but has admitted that the financial system is not in fact operationally ready for interest rates lower than 0.25%. In any case, the upshot is that quantitative easing is the next step, not negative interest rates. And that's a good thing, in our view. In the current environment, the risks of financial market disruption and a credit squeeze are very real; these risks would be exacerbated by zero or negative interest rates.

Economic overview

Quantitative easing is next.

Tomorrow we will hear from the Government, with a very significant fiscal package on the cards. So far, the Government has pursued a targeted response aimed at helping workers and businesses most immediately and directly impacted by the initial fallout. However, reflecting the rapidly broadening nature of the slowdown and the containment measures now taken, a macro (economy-wide) policy response is needed – anything less would be disappointing. Fiscal policy has a role to play in ensuring the recovery is swift and the recession as shallow as possible. As discussed last week, New Zealand has plenty of scope to use its rainy day fund, and there are lots of options available.

We are awaiting an economy-wide fiscal package – anything less would be disappointing.

It's not looking good for the economy, frankly, and things could get a lot worse. The two risks we are particularly worried about are a community outbreak on our own shores or a dramatic escalation in global financial market stresses, both of which could have devastating economic consequences, necessitating much larger fiscal and monetary responses. Front-footing these risks is the best approach policymakers can take. The risk of overstimulating the economy would seem pretty close to zero at this point.

COVID-19 continues its march across the globe

Things could get a lot worse.

The COVID-19 outbreak continues to spread aggressively. Around the world, an enormous number of people are being affected by sickness, bereavement, disruption, travel cancellations, lost revenue, cash-flow strain, and stress. This is a human event – now officially a pandemic – and the focus of governments around the world, rightly, is on preserving human life. Synchronised efforts to contain the spread globally are unprecedented and put us in uncharted territory economically.

We are in uncharted territory.

On our own shores, strict border controls and looming containment measures are absolutely the right thing to do, but will have massive implications for near-term GDP. Much of the hit to tourism and hospitality was inevitable in any case, but has now been frontloaded in the hope of avoiding an exponentially worse human and economic toll down the track. It made an urgent monetary and fiscal response even more pressing.

The NZ Government is wisely front-loading the hit in an attempt to avoid a much worse one.

Containment in China has been going well and activity there continues to increase, but the process has to be extremely gradual and cautious as there is still a risk of a second wave of infections. Our China Research team estimates most economic activity will be more or less back to normal by mid-April, which would be a remarkable achievement, but consumers, firms and Government will be on high alert for a long time yet – it's going to be far from business as usual for a while. China has raised us one on our border measures, with all arrivals from abroad facing mandatory quarantine in government facilities. But now the country faces very weak external demand, so is far from out of the woods even with the virus tamed on their own shores.

And now the focus has turned to the economic powerhouses of the US and Europe, where the virus is running rampant at an alarming speed and discretionary consumption of goods and services is being more or less shut down, region by region. Our closest neighbour, Australia, is also being significantly affected. With major economies in various degrees of lockdown, supply chains are being crimped, spending is being significantly curbed, travel is reducing rapidly, and sentiment is sliding precipitously.

A significant, demand-driven global slowdown

The virus is running rampant in Europe and the US, with Australia now affected.

What could initially be characterised as a "supply shock" to our trade logistics is now a significant and globally synchronised demand downturn. This isn't going to be a short-lived event. Even once the spread of the outbreak slows globally, the scars will take time to heal. Business and consumer sentiment is fragile, household incomes are under threat, and uncertainty is ubiquitous. We will of course see a recovery once conditions normalise (with an associated bounce in markets). But, with caution increasingly entrenched, and jobs and livelihoods affected, the impacts of this shock will linger long after the number of COVID-19 cases begins to decline.

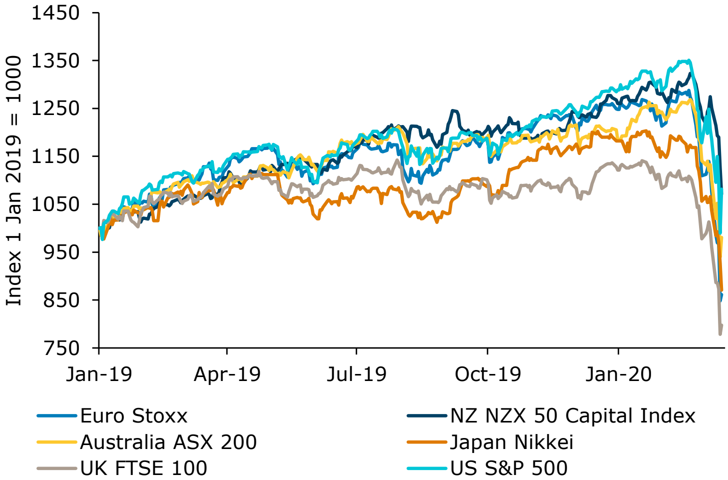
Economic overview

A global slow-down is in train.

It is also clear that the economic impacts could worsen significantly from here. We are seeing stresses start to emerge in financial markets: volatility is extreme, global liquidity is thin, asset prices have fallen dramatically, and credit spreads have widened, against a backdrop of high – and now vulnerable – US corporate debt. Equities bounced ferociously on Friday after unprecedented falls the day before, with volatility likely to remain extreme for the foreseeable future.

Stresses are starting to emerge in global markets.

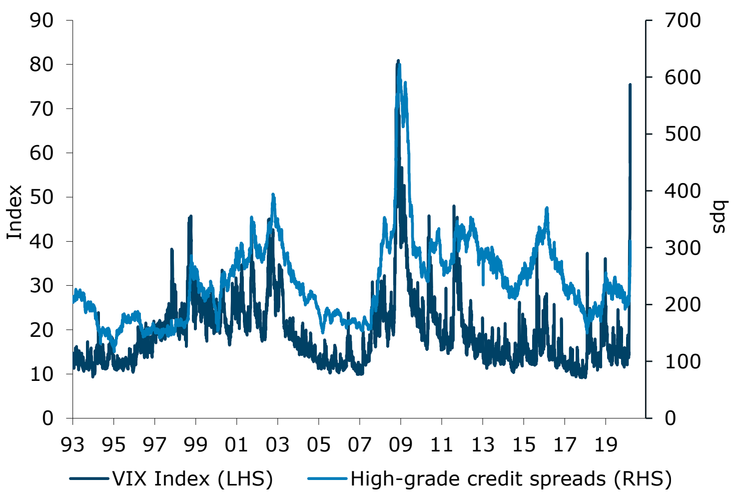
Figure 1: Global equity markets



Source: Bloomberg

Central banks, regulators and governments around the world are watching developments closely and taking swift action – slashing interest rates, relaunching quantitative easing, announcing large-scale fiscal stimulus, introducing liquidity measures, and taking measures to free up banking system capital. More co-ordinated measures are likely this week, with both RBNZ and Fed emergency action this morning. Despite policymakers' best efforts, there are clear risks that current strains could add a layer of painful financial scars, resulting in a deeper downturn.

Figure 2: VIX index and high-grade credit spreads



Source: Bloomberg

Long-term bond yields have fallen but have been volatile

Bond markets have rallied dramatically this morning, in response to co-ordinated central bank easing. Some volatility was seen last week due to concerns about significant bond issuance required to fund fiscal spend-ups. Large-scale bond purchases by central banks can offset this; aggressive quantitative easing (QE) is back in the United States, and is likely just around the corner here.

Economic overview

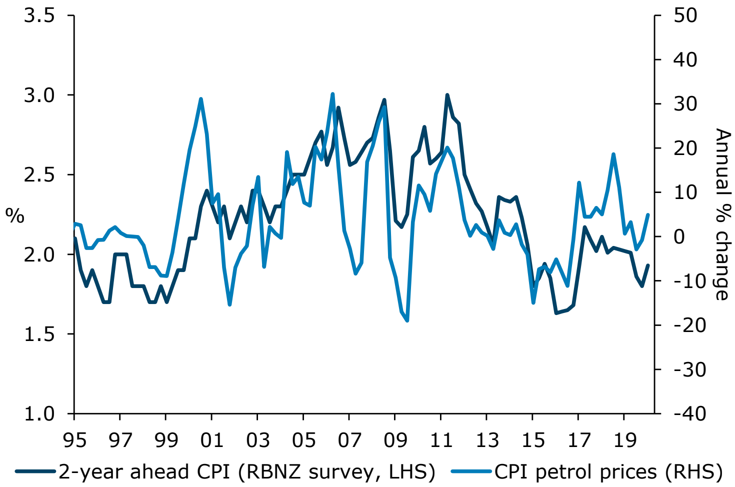
Markets are pricing in deflation risks.

The global slowdown will weigh on inflation, reflecting the generalised demand downturn expected. Oil prices have also plunged on the recent breakdown in OPEC+ talks, adding significantly to global deflation risks that markets are now pricing in.

It's not good news for global central banks.

Here in New Zealand, petrol prices, while volatile, do have an impact on the RBNZ's preferred measure of inflation expectations (figure 3). And inflation expectations in our ANZ Business Outlook survey dropped a sharp 27bp in just a fortnight. The deflationary oil shock on top of a negative demand shock is bad news for global central banks that have little conventional room to move interest rates lower. Expect the kitchen sink to be thrown at this unprecedented shock, with unconventional policy measures likely to increase and become very widespread. In the long run, all this money printing could well result in some pretty spectacular inflation, but that is firmly in the "worry about that later" camp, with global deflationary pressures enormous at present.

Figure 3: Petrol prices and RBNZ 2-year ahead inflation expectations



Source: Bloomberg

Big hit to exports, with primary industries already under pressure

New Zealand's exports are being affected dramatically.

The COVID-19 outbreak and associated impacts are having a dramatic impact on New Zealand's export industries. Tourism has just come to a screeching halt, with strict travel restrictions set to all but eliminate arrivals for the foreseeable future. It's huge – we estimate that this will shave another 0.5% off of GDP, all at once. It's important to note that a massive hit to tourism this year was inevitable in any case, with it becoming increasingly clear that globe-trotting just isn't something people are going to be doing for a while. But it's now been frontloaded for the good of the broader economy and New Zealand populace. Other areas are also already feeling the blow, like those with stranded or spoiled product (meat and other perishables) or reduced demand (forestry). And some export industries face significant uncertainty, such as horticulture, with fruit harvesting underway.

But drought is a more pertinent concern for some...

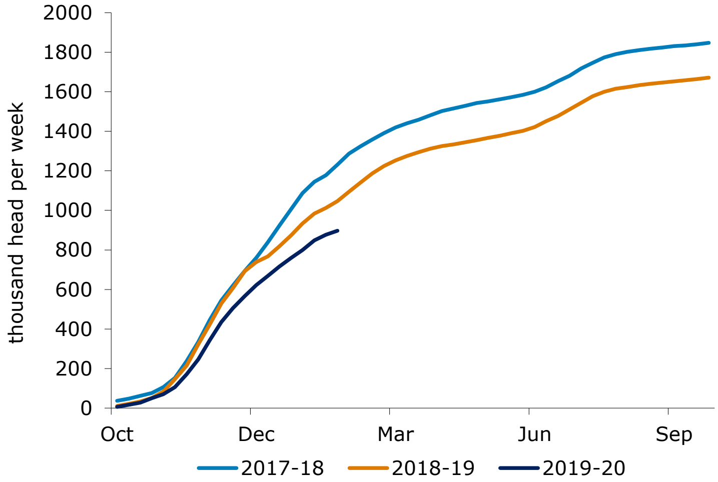
Demand for dairy products is holding up pretty well (with food imports into China prioritised), but dry pastoral conditions are an immediate and significant concern. All of the North Island is now in drought along with the top of the South Island, North Canterbury and the Chatham Islands. Managing the physical, financial and mental challenges that drought brings is now the main concern for many of our farmers. The direct GDP impact (via lower milk volumes and lower lamb weights) isn't expected to be large, but the impact on agricultural sentiment, cash flow and spending is significant, and will flow through the economy.

The overall impact on milk production for the full season is expected to be reasonably minimal at the national level but much more significant at the individual farm level. The areas where drought has been officially declared account for approximately 75% of New Zealand's total milk production. Dairy farms normally progressively dry cows off from now through to the end of the season, but we are now seeing entire herds being dried off due to a lack of feed. Our milk production forecast for the season to May 2020 remains down -0.5% compared with the previous season. However, some dairy farms will be facing production decreases of as much as 25% as well as incurring significantly higher operating expenses.

… compounded by difficulty processing meat.

For sheep and beef the challenge of drought is being compounded by delays in meat processing due to difficulties in shipping meat to China and a lack of available cool storage. Meat processors have prioritised lambs over ewes, which means some farmers haven't been able to cull stock as quickly as normal, putting more pressure on feed levels. There have been 150,000 fewer ewes processed in the North Island this season to date compared to the same period last season (figure 4).

Figure 4: North Island mutton processing - season to date



Source: NZ Meat Board, AgriHQ

Feed shortages are adding to cash flow pressure.

Holding onto cull stock during periods of feed shortages is very challenging, and adds to cash flow pressure. Now that the drought has become widespread across the North Island there is limited opportunity to sell stock to other regions. The weights of lambs being processed fell behind last season from approximately mid-January. It will take longer for lambs to reach desirable weights on farm, which in itself adds further demand for feed.

Broader effects are becoming evident and are expected to worsen

Exports (including tourism and education) are the area where COVID-19 impacts are most obvious at present, and those are the industries that are eligible for the targeted government support measures that have already been announced. But broader impacts are now being seen, and will only increase. We have talked in our previous ANZ Weekly Focus editions (here and here) about the ways that domestic demand could be affected, and those risks are unfortunately coming to fruition.

Export impacts are having flow-on effects, with significant job losses already seen in forestry and tourism, and there is clearly a lot more to come. Flow-on effects to production and other industries' employment and spending will weigh on the outlook. Hospitality and retail are exposed to tourism too, and anecdotally are already suffering.

Domestic economic impacts of COVID-19 are broadening.

The export hit is having flow-on effects.

An inability to source imports is starting to become an issue, but the full brunt of disruption is yet to emerge. New Zealand is highly reliant on imports for production: we need specialised parts (for commercial and heavy construction, for example) and for a range of intermediate inputs used in industries from manufacturing to construction. We also import a lot of consumption goods, along with plant and machinery (for investment). Disruption will directly impact production, but it will also have large and broad demand impacts on employment and spending. There is significant uncertainty about how serious and long-lived the disruptions will prove to be.

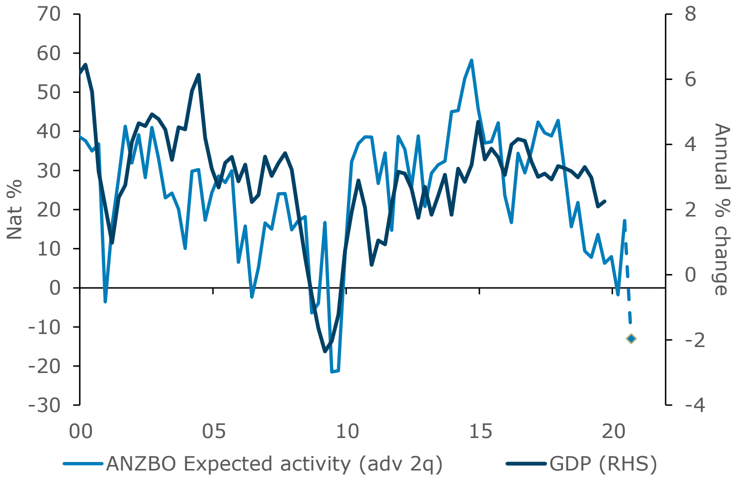
Economic overview

Sourcing imports is a problem.

It's hardly surprising that business sentiment has eroded, according to our ANZ Business Outlook preliminary estimate for March (figure 5). It's early days, but it already points to a significant downturn in GDP. This is an environment where businesses are going to be wary about expanding their workforce or investing. For some industries, the blow will be softened by measures such as wage subsidies, but nonetheless, cash-flow pressures are expected to worsen, and to be acute in some pockets. Firms will look to cut costs of all kinds, slowing the money-go-round.

Business sentiment has eroded.

Figure 5: GDP and ANZBO activity expectations



Source: ANZ Research, Statistics NZ

Although households are typically slower to recognise economic threats, they are no doubt becoming warier, reading the news:

- a growing number of people are in self-isolation;
- some social distancing and working from home is already taking place;
- financial asset values have fallen;
- job security has taken a hit; and
- uncertainty is rife.

Households are becoming warier.

Thankfully, we have not had a community outbreak in New Zealand, and the new border measures are a meaningful step towards reducing that risk. Nonetheless, we expect consumers will be less optimistic, and less willing to spend. This will flow through into GDP, with second-round impacts on many industries. This will likely weigh on the housing market too, with some modest price declines expected in some areas as we head into the middle of the year.

We expect a recession, and it won't be a shallow, 'technical' one

Our updated forecasts (finalised Friday, included in our forecast tables on page 15) are already out of date. We now expect a recession (defined as two quarters of negative growth), but it looks like it will be significantly deeper than the 0.5% contraction we pencilled in for the first half of the year – double the size is now looking possible based on the immediate hit to travel and tourism.

This will all weigh on spending.

Travel imports will be lower as fewer New Zealanders head offshore on holiday, but offsetting that, consumption will also be lower, with a general reluctance to go out and spend as the seriousness of the situation becomes clear. We expect only a muted recovery in 2021, but it could take longer than that to come about.

We see a contraction in the first half of the year, and it could be deep.

The labour market is expected to deteriorate on the back of weaker growth this year. The starting point for the labour market is strong, consistent with full employment, so there may be some absorption of displaced workers into other areas in the near term.

Economic overview

The labour market will deteriorate.

But as broader economic momentum slows, employment growth will follow suit and capacity in the labour market will open up.

Supply disruption is part of the mix, which will likely lead to pockets of price pressure in the near term. But over the medium term the slowdown in activity is expected to weigh on inflation significantly.

The week ahead

In normal times, this week's Q4 GDP release would be front and centre – it won't be. GDP will come and go with little fanfare given how much the global economy has changed since then. Balance of payments will get even less attention.

There will, however, be much interest in the details of the Government's Business Continuity Package, to be announced tomorrow. The Government has said the Package will include:

- a targeted wage subsidy scheme for workers in the most adversely affected sectors,
- training and redeployment options for affected employees, and
- working with banks on the potential for future working capital support for companies that face temporary credit constraints.

With an economy-wide slowdown underway, we hope that the scale of the package has been broadened substantially compared to the initial plans. We'll find out tomorrow.

We will also get a steer on how prices are behaving with our February Monthly Inflation Gauge out at 1pm today and another GDT auction in the wee hours of Wednesday morning. Regarding the latter we anticipate prices will slide a further 5% as weakening global demand more than offsets the tightening of supply due to drought.

Local data

ANZ Truckometer – February. The Light Traffic Index fell 0.7% m/m in February, while the Heavy Traffic fell 3.0% m/m, after a sharp lift the previous month. There are pockets of weakness in truck movements in logging-intensive regions but no change in economy-wide trends evident.

Economic Survey of Manufacturing – Q4 (Tuesday 10 March, 10:45am). Manufacturing volumes lifted 2.7% q/q (sa) led by a rebound in the volatile meat and dairy component.

Flash ANZ NZ Business Outlook – March (Tuesday, 10 March, 1pm). The preliminary March read on all key activity indicators fell from February levels. Pricing indicators also dropped. Firms' activity intentions are the lowest since 2009. Export intentions, at -21.5%, are at a record low.

Speech by RBNZ Governor Adrian Orr. The RBNZ released its high-level principles on how it would assess and use unconventional monetary policy tools if ever needed, with an accompanying speech by the Governor. Further analytical notes are expected to follow in time.

REINZ housing market data – February. House prices rose a strong 2% m/m in February, to be up 8.6% y/y. With a significant global demand slowdown in train, it's hard to see strength in the housing market persisting for long.

Food Price Index – February. Food prices were unchanged in February.

Rental Price Index – February. Rents lifted 0.3% m/m and remain a key driver of inflation.

Performance of Manufacturing Index – February. The PMI bounced meaningfully higher in February (from a contractionary level), but these data are volatile. It's difficult to see strength persisting given headwinds.

Economic overview

Performance Services Index – February. Still strong, but gravity will come calling.

Net migration – January. All over the place. For now, pointing up, but expect revisions to continue.

ANZ Monthly Inflation Gauge – February. Up just 0.1% m/m in February, stable at 3.2% y/y. The monthly decline in accommodation services was the largest on record for a February month.

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.

- RBNZ delivers emergency 75bps OCR Cut
- NZ GDP Preview - Recession now looking highly probable
- Preliminary ANZ Business Outlook – Export woes
- ANZ NZ Truckometer - Still BAU around most of the country

FX / rates overview

Summary

Co-ordinated global easing to drive yield curves lower and flatter, NZD biased lower,

Co-ordinated aggressive central bank easing announced this morning has stemmed the rise in bond yields and steepening of bond curves, and likely marks the beginning of a new phase for financial markets. We expect the NZ government bond (NZGB) curve to go lower and flatter over coming weeks as markets contemplate QE (which looks increasingly likely and could occur at any time). Currency markets are likely to be more stable: COVID-19 is a global event and not every currency can depreciate at the same time. However, tourism and trade are major features of the New Zealand economy, and the majority of NZGBs are held by non-residents. That suggests the NZD will be under downward pressure.

Today's announcements from the RBNZ and Fed were significant. In our view, they set the stage for turn in sentiment in bond markets, which have been under pressure over recent days. This was readily apparent in the US Treasury bond market, where yields had dropped to a low of around 0.3% last Monday, only to start moving progressively higher.

Sharp rebound in yields off lows had to be stopped

Figure 1: US 10year bond yields 2-14 March

Source: Bloomberg

Although US yields are much lower than levels prevailing before the COVID-19 crisis began, rising yields tightening financial conditions are an unwelcome development. It was therefore crucial that the Fed acted quickly, trumping its earlier 50bp rate cut and last week's significant injection of liquidity. Today's Fed cut (which effectively takes the Fed Funds rate to zero) and announcement of $700bn of QE has seen bond futures rally sharply. But we expect to see yields fall further in coming weeks as QE gets underway and the Fed takes further steps to shore up confidence. US 10-year Treasury yields have gone steeply higher since last Monday, but this should stop that in its tracks. This ought to see curves flatten as the term structure goes lower, aided by coordinated actions elsewhere that will surely follow.

Latest round of QE to run at a similar pace to QE3

The Fed has cancelled its upcoming FOMC meeting this week, having taken this action. In terms of the Fed's stance, today's move takes us back towards where we were during QE3 in 2012/13. Back then, the Fed Funds lower bound rate was 0% as it is now, and QE3 was progressing at a rate of $85bn per month. Fed chair Powell has said $700bn will be the minimum amount, with $40bn of Treasury bonds to be purchased today and $80bn of MBS to be purchased over the next month. The pace of purchases will be "adjusted as appropriate to support the smooth functioning of the Treasury market". Of note, Powell has said that he does not see negative rates as appropriate, which we take to mean that any further easing will involve increasing the size of its QE programme.

The NZGB market also struggled, experiencing a meltdown into Friday's close, as bond yields went sharply higher. The OCR cut was obviously needed to soften the blow of the domestic slowdown (amplified by new travel restrictions). But Friday's price action also necessitated the announcement that NZGB QE would be its next step if it needs to do more.

FX / rates overview

As we said in our earlier note in response to the RBNZ's emergency cut this morning, we believe markets will focus on the following key points. First, the OCR is at its effective lower bound now, and it will not go lower. Second, the OCR will not go up for at least 12 months. Third, anything can happen at any time, with the 25 March meeting scrapped. Fourth, we have crystal clarity that the next step is QE, and it will involve buying NZGBs. Last, we have a 12-month delay to the new capital requirements.

The entire term structure of interest rates has snapped lower this morning, and we expect the threat of QE to drive the NZGB curve lower and flatter, and to see swap spreads widen (in this case, going from negative back to positive as bond yields fall faster than, and through, corresponding swap yields).

QE inevitable in New Zealand too

We see QE as inevitable in the near future and it will work hand-in-hand with fiscal policy, effectively negating the unhelpful impact further bond issuance would otherwise have had on the bond curve. We expect that QE will be targeted at the very long end of the government bond curve in a bid to lower term rates and restore market functioning. This is monetary policy co-ordinating with fiscal policy. In short, it would have been pointless to cut the OCR to its effective lower bound while ignoring the rise in bond yields, with the latter risking adverse effects in other segments of the bond market (high-grade credit and the like).

The NZD had already moved lower by the time the RBNZ cut this morning (the 8am announcement was flagged at 7am), rebounding slightly after the Fed's cut. The RBNZ's move places it squarely on the front foot, and currency markets have rewarded central banks who have been proactive. We are also mindful that some consistency is required – not all currencies can weaken at the same time and this is a global epidemic/economic slowdown.

NZD biased lower as QE carried out and as a natural response to trade/tourism shock

However, trade and tourism are major segments of the economy, and with the majority of NZGBs held offshore (52.9% of all lines, but much higher proportions of the longer lines), we would expect QE to result in some NZD selling as offshore sellers surrender bonds to the RBNZ. We also note the RBNZ opined that "the New Zealand dollar exchange rate has also depreciated against our trading partners acting as a partial buffer for export earnings". That's code for "don't expect us to stand in the way of NZD weakness". RBNZ Governor Orr has also said that FX intervention (which would only be selling) is on the table, should it be necessary. We don't see it as an immediate threat, but it is a tool in their tool kit, and the market ought not to forget that.

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
16-Mar	CH	Retail Sales YTD YoY - Feb	-4.0%	8.0%	15:00
	CH	Industrial Production YTD YoY - Feb	-3.0%	5.7%	15:00
17-Mar	US	Empire Manufacturing - Mar	4.9	12.9	01:30
	US	Net Long-term TIC Flows - Jan	--	$85.6B	09:00
	US	Total Net TIC Flows - Jan	--	$78.2B	09:00
	NZ	Westpac Consumer Confidence - Q1	--	109.9	09:00
	AU	ANZ-RM Consumer Confidence Index - 15-Mar	--	100.4	11:30
	AU	House Price Index QoQ - Q4	4.5%	2.4%	13:30
	AU	House Price Index YoY - Q4	3.0%	-3.7%	13:30
	AU	RBA Minutes of March Policy Meeting	--	--	13:30
	NZ	Non Resident Bond Holdings - Feb	--	52.9%	15:00
	JN	Industrial Production MoM - Jan F	--	0.8%	17:30
	JN	Industrial Production YoY - Jan F	--	-2.5%	17:30
	UK	Claimant Count Rate - Feb	--	3.4%	22:30
	UK	Jobless Claims Change - Feb	--	5.5k	22:30
	UK	Average Weekly Earnings 3M/YoY - Jan	3.0%	2.9%	22:30
	UK	Weekly Earnings ex Bonus 3M/YoY - Jan	3.2%	3.2%	22:30
	UK	ILO Unemployment Rate 3Mths - Jan	3.8%	3.8%	22:30
	UK	Employment Change 3M/3M - Jan	140k	180k	22:30
	EC	Labour Costs YoY - Q4	--	2.6%	23:00
	GE	ZEW Survey Expectations - Mar	-27.2	8.7	23:00
	GE	ZEW Survey Current Situation - Mar	-30.0	-15.7	23:00
	EC	ZEW Survey Expectations - Mar	--	10.4	23:00
18-Mar	US	Retail Sales Advance MoM - Feb	0.2%	0.3%	01:30
	US	Retail Sales Ex Auto MoM - Feb	0.1%	0.3%	01:30
	US	Retail Sales Ex Auto and Gas - Feb	0.3%	0.4%	01:30
	US	Retail Sales Control Group - Feb	0.4%	0.0%	01:30
	US	Industrial Production MoM - Feb	0.4%	-0.3%	02:15
	US	Capacity Utilization - Feb	77.1%	76.8%	02:15
	US	Business Inventories - Jan	-0.1%	0.1%	03:00
	US	JOLTS Job Openings - Jan	6401	6423	03:00
	US	NAHB Housing Market Index - Mar	74.0	74.0	03:00
	NZ	BoP Current Account Balance NZD - Q4	-2.833B	-6.351B	10:45
	NZ	Current Account GDP Ratio YTD - Q4	-3.1%	-3.3%	10:45
	AU	Westpac Leading Index MoM - Feb	--	0.05%	12:30
	JN	Trade Balance - Feb	¥916.7B	-¥1313.2B	12:50
	JN	Trade Balance Adjusted - Feb	¥543.5B	-¥224.1B	12:50
	JN	Exports YoY - Feb	-4.2%	-2.6%	12:50
	JN	Imports YoY - Feb	-14.1%	-3.6%	12:50
	EC	Trade Balance SA - Jan	€19.2B	€22.2B	23:00
	EC	Trade Balance NSA - Jan	--	€23.1B	23:00
	EC	CPI MoM - Feb F	0.2%	0.2%	23:00
	EC	CPI YoY - Feb F	1.2%	1.2%	23:00
	EC	CPI Core YoY - Feb F	1.2%	1.2%	23:00
	US	MBA Mortgage Applications - 13-Mar	--	55.4%	00:00
	US	Building Permits - Feb	1500k	1550k	01:30
	US	Building Permits MoM - Feb	-3.2%	9.2%	01:30
	US	Housing Starts - Feb	1502k	1567k	01:30

Continued on following page

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
19-Mar	US	Housing Starts MoM - Feb	-4.2%	-3.6%	01:30
	NZ	GDP SA QoQ - Q4	0.5%	0.7%	10:45
	NZ	GDP YoY - Q4	1.7%	2.3%	10:45
	JN	Natl CPI YoY - Feb	0.5%	0.7%	12:30
	JN	Natl CPI Ex Fresh Food YoY - Feb	0.6%	0.8%	12:30
	AU	Employment Change - Feb	8.5k	13.5k	13:30
	AU	Unemployment Rate - Feb	5.3%	5.3%	13:30
	AU	Participation Rate - Feb	66.1%	66.1%	13:30
	EC	Construction Output MoM - Jan	--	-3.1%	23:00
	EC	Construction Output YoY - Jan	--	-3.7%	23:00
	JN	BoJ Policy Balance Rate - Mar	-0.10%	-0.10%	UNSPECIFIED
20-Mar	US	Current Account Balance - Q4		-$109.0B	-$124.1B
	US	Philadelphia Fed Business Outlook - Mar	10.0	36.7	01:30
	US	Initial Jobless Claims - 14-Mar	219k	211k	01:30
	US	Continuing Claims - 7-Mar	1735k	1722k	01:30
	US	Leading Index - Feb	0.1%	0.8%	03:00
	NZ	Credit Card Spending YoY - Feb	--	3.7%	15:00
	NZ	Credit Card Spending MoM - Feb	--	1.3%	15:00
	GE	PPI MoM - Feb	-0.2%	0.8%	20:00
	GE	PPI YoY - Feb	0.2%	0.2%	20:00
	EC	ECB Current Account SA - Jan	--	€32.6B	22:00
	UK	Public Finances (PSNCR) - Feb	--	-£18.8B	22:30
	UK	Public Sector Net Borrowing - Feb	£0.7B	-£10.5B	22:30
	UK	PSNB ex Banking Groups - Feb	£0.8B	-£9.8B	22:30
21-Mar	US	Existing Home Sales - Feb	5.50M	5.46M	03:00
	US	Existing Home Sales MoM - Feb	0.7%	-1.3%	03:00

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

Date	Data/event	Economic signal	Comment
Wed 18 Mar (early am)	GlobalDairyTrade auction	Weaker	The emerging global downturn is expected to weigh on dairy prices.
Wed 18 Mar (10:45am)	Balance of Payments – Q4	Stable	We expect the annual current account deficit to narrow to 3.1% of GDP.
Thu 19 Mar (10:45am)	GDP – Q4	The last hurrah?	GDP growth of 0.4% q/q (1.6% y/y) is expected. But it's not going to matter much at the end of the day.
Wed 25 Mar (10:45am)	Overseas Merchandise Trade – February	Disruption	We'll be watching these data closely for a signal on how COVID-19 disruption has weighed on both sides of the trade balance.
Fri 27 Mar (10:00am)	ANZ Roy Morgan Consumer Confidence – March	--	--
Tue 31 Mar (3:00pm)	RBNZ sectoral lending – February	Watching	Emerging risks are likely boosting deposits. Not a great way to close the funding gap.
Tue 31 Mar (10:45am)	Building Consents – February	High	Recent resurgence in the housing market is expected to provide continued support – for now.
Tue 31 Mar (1:00pm)	ANZ Business Outlook – March	--	--
Mon 6 Apr (1:00pm)	ANZ Commodity Price Index – March	--	--
Tue 7 Apr (10:00am)	NZIER Quarterly Survey of Business Opinion – Q1	Hit	With COVID-19 uncertainty weighing and a near-tern hit to activity in the pipeline, expect sentiment to slide.
Wed 8 Apr (early am)	GlobalDairyTrade auction	Weaker	The emerging global downturn is expected to weigh on dairy prices.
Thu 9 Apr (10:00am)	ANZ Truckometer – March	--	--
Tue 14 Apr (10:45am)	Net Migration – February	Easing	These data are noisy, but we'll be looking for confirmation that the cycle has been easing, albeit with a 3 quarter lag.
14-17 Apr	REINZ housing data – March	More muted?	The housing market has been holding up into the new year. We expect a slowing at some point soon.
Wed 15 Apr (10:45am)	Food Price Index – March	Dip	Food prices are expected to slip slightly. Supply disruption into China presents some downside.
Wed 15 Apr (10:45am)	Rental Price Index – March	Small rise	Continued increases in rental prices should support a quarterly rise in CPI rents.
Thu 16 Apr (1:00pm)	ANZ Monthly Inflation Gauge – March	--	--
Mon 20 Apr (10:45am)	Consumer Price Index – Q1	Above 2%	We've pencilled in 0.4% q/q (2.1% y/y) for headline inflation, but the price impacts of COVID-19 disruption are uncertain. Risks to the medium-term outlook are to the downside.
Wed 22 Apr (early am)	GlobalDairyTrade auction	Weaker	The emerging global downturn is expected to weigh on dairy prices.
Wed 29 Apr (10:45am)	Overseas Merchandise Trade – March	Disruption	We'll be watching these data closely for a signal on how COVID-19 disruption has weighed on both sides of the trade balance.
Thu 31 Apr (1:00pm)	ANZ Business Outlook – April	--	--
Fri 1 May (10:00am)	ANZ Roy Morgan Consumer Confidence – April	--	--
Tue 5 May (10:45am)	Building Consents – March	For now	Recent resurgence in the housing market is expected to provide continued support – for now.
Tue 5 May (1:00pm)	ANZ Commodity Price Index – March	--	--
On balance		**Data watch**	**Risks are clearly tilted to the downside, with global developments evolving rapidly.**

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	**0.4**	**-0.2**	**-0.3**	**0.5**	**0.5**	**0.9**	**1.0**	**1.0**
GDP (% yoy)	2.3	**1.6**	**1.0**	**0.6**	**0.4**	**0.5**	**1.6**	**2.9**	**3.4**
CPI (% qoq)	0.7	0.5	**0.3**	**0.1**	**0.4**	**0.1**	**0.5**	**0.3**	**0.5**
CPI (% yoy)	1.5	1.9	**2.0**	**1.6**	**1.3**	**1.0**	**1.2**	**1.5**	**1.5**
LCI Wages (% qoq)	0.6	0.6	**0.4**	**0.8**	**0.5**	**0.5**	**0.3**	**0.8**	**0.4**
LCI Wages (% yoy)	2.3	2.4	**2.5**	**2.5**	**2.4**	**2.3**	**2.2**	**2.1**	**2.1**
Employment (% qoq)	0.2	0.0	**0.3**	**0.0**	**-0.1**	**-0.2**	**0.3**	**0.5**	**0.6**
Employment (% yoy)	1.0	1.0	**1.3**	**0.6**	**0.2**	**0.0**	**0.0**	**0.5**	**1.2**
Unemployment Rate (% sa)	4.1	**4.0**	**4.2**	**4.5**	**4.8**	**5.1**	**5.2**	**5.4**	**5.3**
Current Account (% GDP)	-3.3	**-3.1**	**-3.2**	**-3.6**	**-3.8**	**-4.1**	**-4.2**	**-4.0**	**-3.9**
Terms of Trade (% qoq)	1.9	2.6	**1.1**	**-4.6**	**0.5**	**1.2**	**0.2**	**0.3**	**0.3**
Terms of Trade (% yoy)	1.0	6.9	**7.0**	**0.6**	**-0.6**	**-1.9**	**-2.8**	**2.2**	**2.1**

	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
Retail ECT (% mom)	-0.6	0.3	0.0	1.2	0.4	-0.5	2.7	-0.6	-0.2	0.6
Retail ECT (% yoy)	3.4	1.5	2.0	3.1	0.6	1.6	5.1	3.9	4.2	8.6
Car Registrations (% mom)	-2.1	-2.8	5.1	-0.1	6.7	-6.8	-1.3	2.3	-4.5	4.6
Car Registrations (% yoy)	-12.6	-11.0	-5.4	-5.2	4.7	-6.6	3.0	5.6	-3.5	-0.3
Building Consents (% mom)	16.2	-4.2	-1.2	0.8	6.9	-1.3	-8.5	9.8	-2.0	--
Building Consents (% yoy)	8.3	9.5	18.7	12.5	23.6	18.6	8.0	15.8	1.6	--
REINZ House Price Index (% yoy)	1.7	1.8	1.6	2.7	3.2	3.8	5.5	6.5	7.0	8.6
Household Lending Growth (% mom)	0.5	0.5	0.5	0.6	0.5	0.5	0.6	0.6	0.6	--
Household Lending Growth (% yoy)	6.0	5.9	5.9	6.0	6.1	6.2	6.3	6.5	6.6	--
ANZ Roy Morgan Consumer Conf.	119.3	122.6	116.4	118.2	113.9	118.4	120.7	123.3	122.7	122.1
ANZ Business Confidence	-32.0	-38.1	-44.3	-52.3	-53.5	-42.4	-26.4	-13.2	..	-19.4
ANZ Own Activity Outlook	8.5	8.0	5.0	-0.5	-1.8	-3.5	12.9	17.2	..	12.0
Trade Balance ($m)	175	330	-732	-1642	-1310	-1038	-785	384	-340	--
Trade Bal ($m ann)	-5602	-4987	-5516	-5591	-5321	-5055	-4836	-4460	-3866	--
ANZ World Comm. Price Index (% mom)	0.0	-3.9	-1.4	0.3	0.0	1.2	4.3	-3.4	-0.9	-2.1
ANZ World Comm. Price Index (% yoy)	0.7	-2.4	-0.5	0.9	3.4	7.2	12.4	8.7	5.6	0.6
Net Migration (sa)	3860	3370	4080	4270	3850	3770	2490	3930	6490	--
Net Migration (ann)	47661	47273	47285	47344	46790	46751	44966	43765	56501	--
ANZ Heavy Traffic Index (% mom)	0.9	-2.3	2.3	-3.5	3.3	2.8	-1.4	-2.7	5.0	-3.0
ANZ Light Traffic Index (% mom)	0.8	-2.0	1.4	0.3	-0.3	0.2	1.3	-2.2	1.9	-0.7
ANZ Monthly Inflation Gauge (% mom)	0.2	0.5	0.5	0.3	0.3	0.3	0.1	0.4	0.6	0.1

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

Key forecasts and rates

	13-Feb	9-Mar	10-Mar	11-Mar	12-Mar	13-Mar
Official Cash Rate	1.00	1.00	1.00	1.00	1.00	1.00
90 day bank bill	1.22	0.87	0.87	0.91	0.90	0.90
NZGB 05/21	1.02	0.53	0.59	0.63	0.58	0.61
NZGB 04/23	1.09	0.53	0.62	0.68	0.67	0.80
NZGB 04/27	1.31	0.76	0.85	0.90	0.93	1.10
NZGB 04/33	1.62	1.05	1.14	1.21	1.26	1.47
2 year swap	1.17	0.74	0.76	0.77	0.73	0.84
5 year swap	1.26	0.75	0.80	0.82	0.81	0.95
RBNZ TWI	71.69	70.17	70.12	69.80	69.89	69.23
NZD/USD	0.6453	0.6338	0.6313	0.6326	0.6232	0.6134
NZD/AUD	0.9594	0.9594	0.9633	0.9690	0.9728	0.9912
NZD/JPY	70.79	64.88	66.26	66.42	64.72	66.33
NZD/GBP	0.4969	0.4842	0.4838	0.4893	0.4887	0.5007
NZD/EUR	0.5935	0.5548	0.5561	0.5584	0.5547	0.5471
AUD/USD	0.6727	0.6607	0.6554	0.6527	0.6406	0.6203
EUR/USD	1.0874	1.1424	1.1353	1.1327	1.1234	1.1107
USD/JPY	109.70	102.35	104.94	104.99	103.85	107.62
GBP/USD	1.2988	1.3089	1.3049	1.2927	1.2751	1.2278
Oil (US$/bbl)	51.42	31.13	34.36	32.98	31.50	31.73
Gold (US$/oz)	1574.49	1678.25	1662.16	1665.13	1636.27	1529.83
NZX 50	11881	11092	10897	10874	10333	9827
Baltic Dry Freight Index	421	616	627	631	633	631
NZX WMP Futures (US$/t)	2970	2850	2845	2845	2840	2810

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