ANZ Research

New Zealand Weekly Focus

27 March 2020

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What a year this week has been

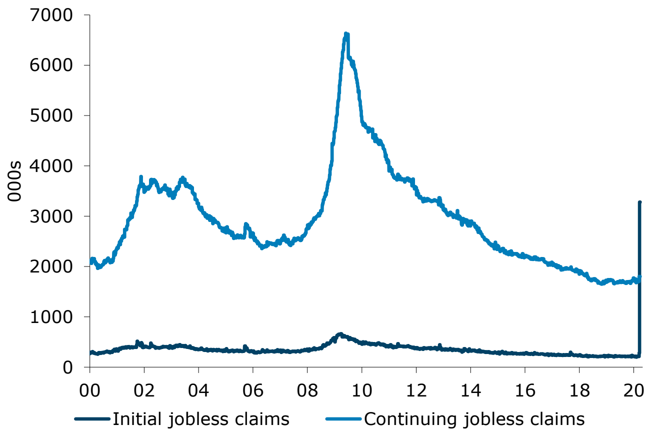
Economic overview

New Zealand is in Alert Level 4 lockdown for at least four weeks. This will save lives and benefit the economy in the longer term. We expect to see a very sharp drop in GDP in Q2, but overall a less painful economic hit than would be seen if we acted later. The path from here is enormously uncertain and there are risks of a greater economic impact if the outbreak is not contained. The RBNZ began its QE bond-buying programme on Wednesday, helping soothe markets, ease financial pressure, and provide more scope to up the fiscal response. Mortgage holiday and business finance support schemes were announced by the Government this week, and there will be more initiatives to come. But even with these responses, economic damage is inevitable. At some point down the track, focus will pivot from damage control to rebuilding – and much will need to be done. But for now, stay at home, stay safe. And for those out there working hard to provide essential services – thank you.

Chart of the week

The global slowdown is unprecedented. Job losses have been immediate.

US weekly jobless claims



Source: Bloomberg

The ANZ heatmap

Variable	View	Comment	Risks around our view
GDP	-4.4% y/y for 2021 Q1	Highly uncertain, but we know the coming domestic recession will be deep. We expect a bounce, even if some activity is never regained.	 Neutral Negative Positive
Unemployment rate	8% for 2021 Q1	The labour market is set to deteriorate rapidly, with the unemployment rate set to rise significantly.	 Neutral Down (better) Up (worse)
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.	 Neutral Down Up
CPI	1.2% y/y for 2021 Q1	Inflation is currently around where it needs to be, but is set to slip and remain weak as the slowdown takes hold.	 Neutral Negative Positive

Economic overview

Note: while developments are evolving so rapidly we will issue our ***Weekly Focus*** on Fridays, and follow up with a shorter, less structured update on Mondays. We will revert to our usual schedule once the pace of events cools.

Summary

New Zealand is in Alert Level 4 lockdown for at least four weeks. This will save lives and benefit the economy in the longer term. We expect to see a very sharp drop in GDP in Q2, but overall a less painful economic hit than would be seen if we acted later. The path from here is enormously uncertain and there are risks of a greater economic impact if the outbreak is not contained. The RBNZ began its QE bond-buying programme on Wednesday, helping soothe markets, ease financial pressure, and provide more scope to up the fiscal response. Mortgage holiday and business finance support schemes were announced by the Government this week, and there will be more initiatives to come. But even with these responses, economic damage is inevitable. At some point down the track, focus will pivot from damage control to rebuilding – and much will need to be done. But for now, stay at home, stay safe. And for those out there working hard to provide essential services – thank you.

A sharp contraction will save lives and reduce the chance of a worse one.

Forthcoming data

Building Consents – February (Tuesday 31 March, 10:45am). Momentum in construction may still be evident, but lockdown measures will stop that in its tracks.

ANZ Business Outlook – March (Tuesday 31 March, 1:00pm).

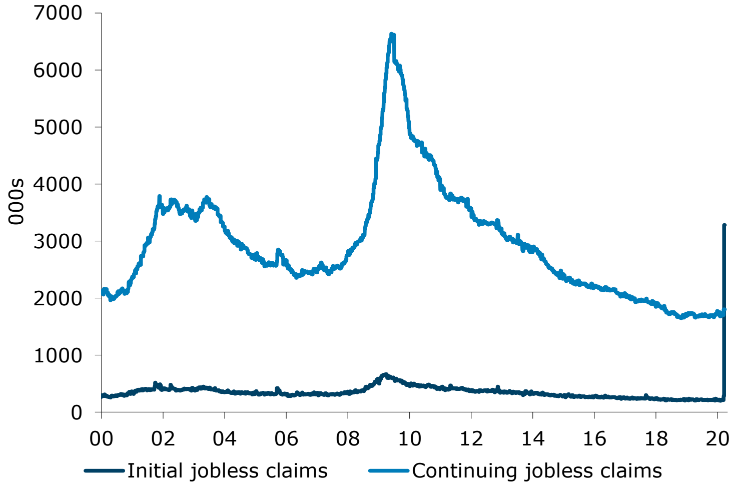
RBNZ sectoral lending – February (Tuesday 31 March, 3:00pm). A flight to safety may give household deposits a bump, but that's not a great way to close the funding gap.

What's the view?

Another unprecedented week.

It has been another unprecedented week for the world, socially and economically. COVID-19 continues to wreak devastation, with the death toll now tragically surpassing 21,000. Central banks and Governments continue to take drastic measures to contain the virus, save lives, and cushion the economic fallout as much as possible.

Figure 1. US weekly jobless claims



Source: Bloomberg

New Zealand is now in lockdown.

Here in New Zealand, community transmission of the disease is now evident, and we entered Alert Level 4 at midnight on Wednesday. The country has entered a minimum four-week lockdown, with only essential business allowed and everyone asked to stay at home to save lives. This is, without doubt, the right thing to do. A large portion of the global population is now in or entering lockdown, including the UK, significant parts of the euro area, parts of the US, India, South Africa, Australia, and many others. Economic activity has ground to a halt and job losses have been immediate (figure 1).

Central bank responses have been remarkable.

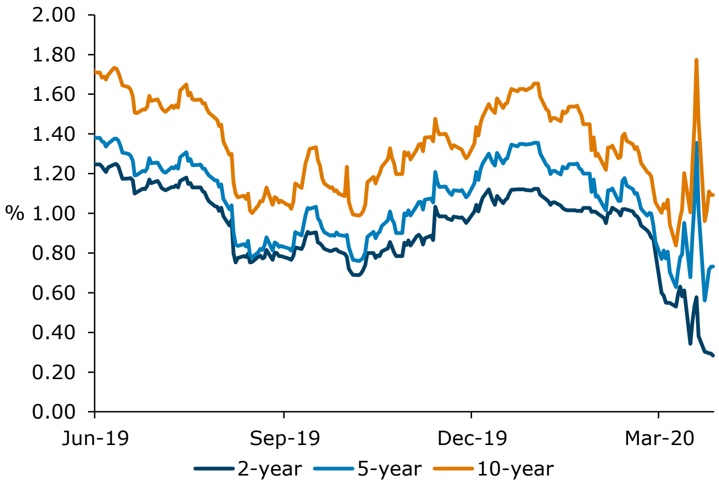
Central bank responses have been remarkable in their scale. The Fed will purchase *unlimited* quantities of Treasury bonds and mortgage-backed securities. It will also conduct direct purchases of corporate bonds and issue loans to companies, though Congress clearance is required for the latter. The Fed will also lend against student loans, credit card loans, and government-backed loans to small businesses.

The RBNZ has started its QE programme.

Other central banks around the world are also conducting QE at enormous scale to try to ease pressures and cushion the blow. The RBNZ announced its first-ever QE programme technically called the Large Scale Asset Purchase programme (or LSAP) - on Monday and started buying bonds from Wednesday, after previously cutting the OCR and issuing forward guidance. The RBNZ has also relaxed the core funding ratio from 75% to 50%. This gives banks flexibility in their funding composition, with the RBNZ providing a 'lender of last resort' backstop, so that credit can keep flowing effectively. The RBNZ will continue to provide liquidity, intervene in markets and free up bank capital as necessary to ensure that the financial system functions smoothly.

RBNZ actions have reassured markets, reduced yields, particularly at the short end (figure 2), and eased financial pressure on businesses, banks and the Government, with positive flow-on effects. But given pressures, a faster pace or broadening of QE is possible at some stage to see credit spreads remain contained (see FX / rates overview on page 6 for more details). RBNZ buying of Government bonds makes it easier for more to be issued without upsetting market dynamics, since there is another major buyer in the market. This will help facilitate a greater fiscal spend to help the cause.

Figure 2. New Zealand government bond yields



Source: Bloomberg

Governments are spending up large, as they need to.

Governments around the world are providing an enormous amount of stimulus to help households and businesses get through. The New Zealand Government's $12bn fiscal package announced appeared massive at the time, amounting to 4% of GDP. But a week is a long time at the moment, and the programme is estimated to have increased in cost to around $16bn (a bit over 5% of GDP) after the Government lifted the $150k cap on the wage subsidy and provided additional funding to support services. Nonetheless, this still pales in comparison to the spend-ups in some other countries, with 10% of GDP now becoming the new norm.

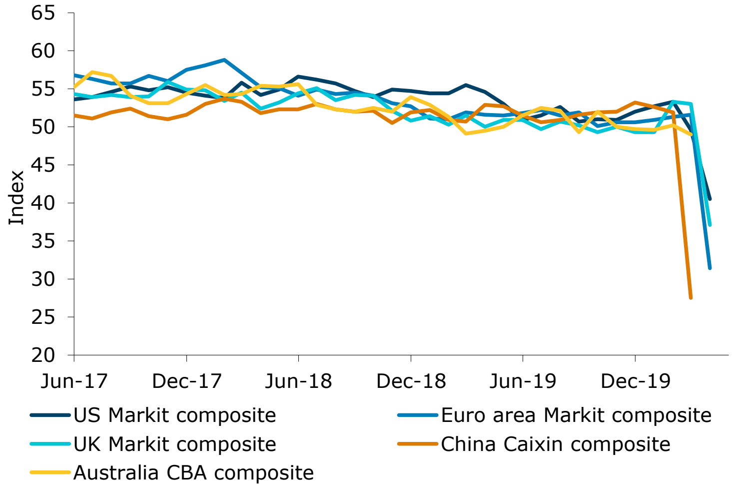
The Government has also announced financial support measures, including carrying 80% of the risk for its mortgage holiday and business finance support schemes. This isn't a form of increased spending, as such, but sees the Government take financial risk onto its balance sheet. More initiatives are expected from the Government in coming weeks, including further support for large, more complex businesses. But ultimately, there is only so much that policymakers can do to stem the economic contraction underway, given that most activity has – necessarily and abruptly – stopped.

The contraction will be deep globally.

The global contraction is becoming evident in the early economic indicators, with the early PMI data for March pointing to an enormous contraction in activity (figure 3). Given that the outbreak has spread further since these data were collected and greater lockdown measures have been imposed, it's reasonable to expect they will go further south. Even now, the contraction is looking larger than the global financial crisis.

We haven't seen anything like this in modern times.

Figure 3. Selected global PMIs



Source: Bloomberg, Markit, Caixin, CBA

We haven't seen anything like this in modern times.

The unprecedented nature of this shock makes forecasting all but impossible. Putting together forecasts is a humbling exercise, given the uncertainties. Likewise, Statistics NZ is going to face challenges when it comes to measuring the impacts.

Last week we were forecasting the economy would contract 3-4% on average over the year. Given uncertainty, we were thinking about possible scenarios with a contraction of 1-9%, with impacts at the larger end of that range should significant community transmission of COVID-19 be seen in New Zealand (and credit markets hit severe difficulties).

We expect GDP will fall 5-6% this year, with a 17% drop pencilled in for Q2.

We now have some degree of community transmission, and our updated forecasts reflect the fact that New Zealand will be in lockdown for at least four weeks. We now expect GDP to fall 5-6% over 2020, but the drop is now heavily front-loaded into Q2. And activity at the end of the year under these forecasts is running about 8% below the previous trend seen at the end of last year.

As a working assumption, our forecasts include an Alert Level 4 lockdown for four weeks, followed by activity consistent with Alert Level 3 (be that formal or informal) for the remainder of the quarter. Four weeks has been stated to be the minimum Level 4 lockdown; the risk is that longer will prove necessary, hitting Q2 growth harder, but this is a medical question, so we assume four weeks for now.

Adjusting for essential business activity (which in some cases, such as groceries, will see increased demand), we estimate GDP will contract 17% in Q2. We then expect to see a sizeable – but far from complete – rebound in Q3 once activity can get underway again. This assumes the disease is successfully suppressed (ideally eradicated) and we are able to exit Alert Level 3, but that our borders remain effectively shut.

The drop could be larger.

The drop in activity will of course be larger the higher the average lockdown level we find ourselves in over the period ahead. For example, should the Level 4 lockdown last the entire quarter, we estimate the contraction in GDP could be closer to 30% in Q2 – perhaps more – with a slower, more protracted recovery to a lower level of output.

Future lockdown levels are unknowable. It depends heavily on how well the population adheres to the current lockdown – tighter lockdowns are likely to be more successful and therefore shorter. But assuming eradication isn't possible we may cycle between the different alert levels as transmission waxes and wanes. Uncertainty will remain high until a vaccine is available, and this uncertainty will unfortunately suppress investment and broader activity even during the times when the virus is in abeyance.

There will be collateral damage. The recovery will be slow.

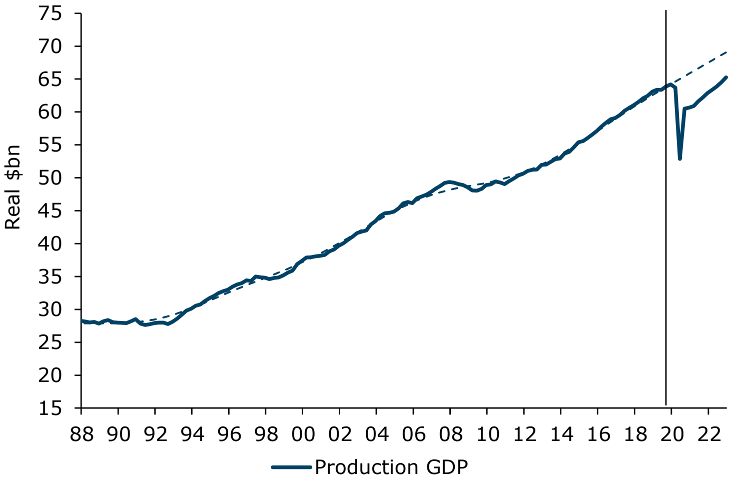
Although the magnitude is highly uncertain, there will be collateral damage and the recovery will be slow. The Government is doing what it can, but some businesses will close and many jobs will be lost (with unemployment of 8-9% expected and risks it could be higher). Uncertainty will persist; wealth and income losses will hurt; firms will have exited. And until the situation is clearer, firms will be very reluctant to incur the fixed costs of restarting operations, if there is a chance they might be forced to close their doors again with little notice.

Globally we will be dealing with the impacts of COVID-19 for quite some time, with global demand, and tourism especially, likely to take a long time to return to anything remotely resembling normal. Private and public sector debt overhang will also be higher, even if interest rates remain super low, as has been signalled.

These economic scars will take time to heal over many years. We see a slow, protracted recovery as the economy rebuilds gradually. But even then, some activity that otherwise might have happened will never be regained. The economy's productive potential will be lower. Relative to the economy's previous trend, our forecasts have GDP 8% lower at the end of the year and 6% lower at the end of 2022 (figure 4).

Eradicating the disease is the best way to reduce permanent economic damage.

Figure 4. GDP level



Source: Statistics NZ, ANZ Research

Getting on top of the disease quickly is the best way to ensure that we save lives – and reduce long-term economic pain. The longer the pain goes on, the more of the economy's productive capacity is permanently affected.

Policy will play a role on the other side.

Once we get to the other side, Government has a role to play in the recovery too. We expect fiscal policy to pivot from damage control (putting a floor under the contraction) to facilitating the eventual recovery once we get past the current crisis. Policy details and fiscal and economic projections will be released at Budget 2020 (in May), with initiatives to support the expansion expected as part of that.

Economic overview

Things have been going bad to worse.

Hopefully the lockdown is a circuit breaker.

The stakes are high. Let's do this.

For now, we will continue to watch the news flow.

Recently, the sequence of events has gone a little something like this:

- COVID-19 developments go from bad to worse;
- forecasts that once looked dire, now look optimistic – numbers are slashed;
- the need for policy action appears increasingly urgent;
- fiscal and/or monetary policy takes a few days to respond (which feels like an eternity, and leaves us concerned that policy measures will fall short);
- policy measures are announced, in line with or even surpassing our expectations;
- Rinse and repeat.

That cycle has to stop eventually. News is likely to get worse before it gets better, including here in New Zealand. But at some point, the news will improve. The question is when. For New Zealand, we hope that the current lockdown will be that circuit breaker that stems the outbreak and puts a floor under the contraction. Globally, the challenges are greater, and this cycle may continue for longer. But examples from countries like Singapore, South Korea and China illustrate that it is possible to flatten the curve very significantly. What's not clear is what happens next.

The economic stakes are high for New Zealand right now. The entire economy should be highly incentivised to make the lockdown a success. And not just to save live. Successful containment means less time in lock down, less foregone earnings, and ultimately a shallower recession. Let's do this.

The week ahead

COVID-19 headlines will once again dominate the newsfeed. Policy makers, here and abroad still have their work cut out. Building consents for February are out on Tuesday. These data might show some early signs of COVID-19 related uncertainty, but it's probably too early to see that and month-on-month volatility might crowd that out anyway. There had been solid momentum in construction activity recently. But that will be stopped in its tracks for a time, hopefully short, due to the lockdown. Our March Business Outlook is also out Tuesday at 1pm.

Local data

Overseas Merchandise Trade – February. The unadjusted trade balance saw a surplus of $594 million. Exports remained strong, but imports fell away to $4.33bn as ships returned from China with fewer provisions than normal.

ANZ Roy Morgan Consumer Confidence - March. Fell 16 points in March to 106. Given the country only went into level 2 alert at the end of the interviewing period, this is just the start, presumably.

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.

- ANZ NZ Roy Morgan Consumer Confidence – Down pre-lockdown
- ANZ Monday Snap - Kia kaha
- RBNZ Announces Quantitative Easing

FX / rates overview

Summary

QE is here and it has helped calm nervous markets

QE is here in the form of the RBNZ's $30bn Large Scale Asset Purchase programme ('LSAP'). We fully expected this and think it will be successful in driving the NZGB curve lower and flatter, and restoring smooth market functioning. The RBNZ has the flexibility to execute the $30bn of purchases as it sees fit over the next 12 months, with purchases already underway at a front-loaded pace of $750m per week. The NZGB curve has gone lower and flatter, but we expect it to go further. The New Zealand bond curve still sits well above Australia's despite similar policy settings; there is risk that a step-up in the pace of buying will be needed here to close the gap. The USD is buckling under the pressure of rising layoffs and the rapid spread of COVID-19. This has coincided with a re-assessment of the NZD's prospects as a large food exporter.

Rates: To infinity and beyond

QE has seen the term structure snap lower, but we think there's more to come.

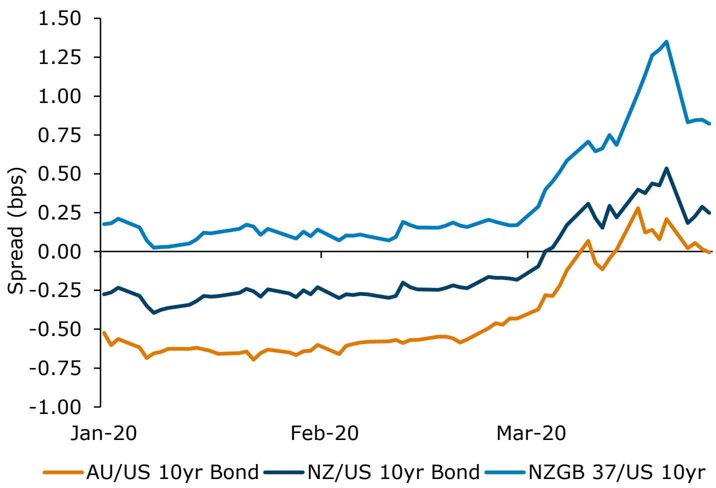
The arrival of QE has had a significant impact on the local bond market. Yields on the longest NZGBs are down around 100bps compared to levels at the peak of market stresses (on March 19, the day the NZGB 2037 bond was last tendered). Welcome as this change is, the term structure of the NZGB curve still sits well above comparable US and Australian bond yields. In and of itself that's not necessarily a problem, but it gives a baseline for where yields might gravitate to if the RBNZ were to step up the pace of purchases. Globally, other central banks have stepped up the pace and breadth of their programmes this week, with the US Federal Reserve now engaged in what the market has dubbed "QE infinity". Yet here, long-end NZGB yields remain at similar levels to those prevailing in Q4 despite the massive easing seen, while credit spreads remain stressed. A faster pace of QE here or moving to a broader programme is a possibility.

Credit markets remain stressed.

If we don't see QE widened to high-grade credit, it makes sense for it to be ramped up in the NZGB space.

With no corporate bond issuance since the RBNZ cut the OCR it is difficult to gauge exactly how much appetite for corporate issuance markets have – and thus where margins would be. Where bonds are marked for revaluation purposes gives a guide, but liquidity remains thin and the risk is that funding pressures start to intensify as government bond issuance around the world potentially crowds out the market. Synchronised QE has helped alleviate pressures in most developed government bond markets, but we are concerned about the possibility that credit spreads widen further here. If the RBNZ is able to flatten the NZGB curve and get term premia down, that should help reduce stress in credit markets. But we wouldn't rule out the RBNZ needing to widen the breadth of QE to include high-grade credits in time.

Figure 1. Australian and New Zealand bond spreads to the US 10yr Bond



Source: Bloomberg, ANZ Research

FX / rates overview

FX

The USD is on a slippery slope while NZ's exports are holding up …

FX markets are experiencing a sharp shift in sentiment away from the USD as the focus shifts to joblessness and the prospect that the US becomes the new outbreak epicentre. This has coincided with a re-assessment of the prospects for the NZD amid a slew of positive anecdotes about the primary sector (excluding logs and seafood) and preliminary trade data pointing to exports holding up. Food security is at front and centre at the moment and New Zealand is doubtless well-placed to meet that demand in some sectors. As a near-term driver that's certainly helping sentiment.

… but NZ has never done well during past global growth slowdowns.

However, longer term, we remain attuned to the implications of our growth forecasts. Tourism will be slow to bounce back and there is a risk that QE sees capital flow out of New Zealand, all of which are negatives for the NZD. Local portfolio-rebalancing flows will also likely weigh on the NZD given the outperformance of New Zealand equities year-to-date. Collectively, this points to near-term NZD strength, but with that strength fading over time.

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
27-Mar	JN	Tokyo CPI YoY - Mar	0.3%	0.4%	12:30
	JN	Tokyo CPI Ex-Fresh Food YoY - Mar	0.4%	0.5%	12:30
	CH	BoP Current Account Balance - Q4 F	--	$40.1B	UNSPECIFIED
28-Mar	US	Personal Income - Feb	0.4%	0.6%	01:30
	US	Personal Spending - Feb	0.2%	0.2%	01:30
	US	PCE Deflator MoM - Feb	0.1%	0.1%	01:30
	US	PCE Deflator YoY - Feb	1.7%	1.7%	01:30
	US	PCE Core Deflator MoM - Feb	0.2%	0.1%	01:30
	US	PCE Core Deflator YoY - Feb	1.7%	1.6%	01:30
	US	U. of Mich. Sentiment - Mar F	90.0	95.9	03:00
	US	U. of Mich. Current Conditions - Mar F	106.0	112.5	03:00
	US	U. of Mich. Expectations - Mar F	77.0	85.3	03:00
	US	U. of Mich. 1 Yr Inflation - Mar F	--	2.3%	03:00
	US	U. of Mich. 5-10 Yr Inflation - Mar F	--	2.3%	03:00
	UK	Nationwide House PX MoM - Mar	0.0%	0.3%	28 Mar - 4 Apr
	UK	Nationwide House Px NSA YoY - Mar	2.1%	2.3%	28 Mar - 4 Apr
30-Mar	UK	Net Consumer Credit - Feb	£1.1B	£1.2B	21:30
	UK	Consumer Credit YoY - Feb	--	6.1%	21:30
	UK	Net Lending Sec. on Dwellings - Feb	£4.0B	£4.0B	21:30
	UK	Mortgage Approvals - Feb	68.2k	70.9k	21:30
	UK	Money Supply M4 MoM - Feb	--	0.6%	21:30
	UK	M4 Money Supply YoY - Feb	--	4.7%	21:30
	UK	M4 Ex IOFCs 3M Annualised - Feb	--	5.6%	21:30
	EC	Economic Confidence - Mar	93.1	103.5	22:00
	EC	Industrial Confidence - Mar	-11.4	-6.1	22:00
	EC	Services Confidence - Mar	-3.8	11.2	22:00
	EC	Consumer Confidence - Mar F	--	-11.6	22:00
	GE	Import Price Index MoM - Feb	-0.3%	-0.4%	30 Mar -1 Apr
	GE	Import Price Index YoY - Feb	-1.3%	-0.9%	30 Mar -1 Apr
	GE	Retail Sales MoM - Feb	0.2%	0.9%	30 Mar -3 Apr
	GE	Retail Sales NSA YoY - Feb	1.5%	1.8%	30 Mar -3 Apr
31-Mar	GE	CPI EU Harmonized MoM - Mar P	0.1%	0.6%	01:00
	GE	CPI EU Harmonized YoY - Mar P	1.4%	1.7%	01:00
	GE	CPI MoM - Mar P	0.1%	0.4%	01:00
	GE	CPI YoY - Mar P	1.4%	1.7%	01:00
	US	Pending Home Sales MoM - Feb	-2.5%	5.2%	03:00
	US	Pending Home Sales NSA YoY - Feb	--	6.7%	03:00
	US	Dallas Fed Manf. Activity - Mar	-7	1.2	03:30
	NZ	Building Permits MoM - Feb	--	-2.0%	10:45
	AU	ANZ-RM Consumer Confidence Index - 29-Mar	--	72.2	11:30
	UK	GfK Consumer Confidence - Mar	-13	-7	12:01
	JN	Retail Sales MoM - Feb	-1.2%	1.5%	12:50
	JN	Retail Sales YoY - Feb	-1.3%	-0.4%	12:50
	JN	Industrial Production MoM - Feb P	-0.2%	1.0%	12:50
	JN	Industrial Production YoY - Feb P	-4.8%	-2.3%	12:50
	NZ	ANZ Business Confidence - Mar	--	-19.4	13:00
	NZ	ANZ Activity Outlook - Mar	--	12.0	13:00
	AU	Private Sector Credit MoM - Feb	0.3%	0.3%	13:30

Continued on following page

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
31-Mar	AU	Private Sector Credit YoY - Feb	2.6%	2.5%	13:30
	CH	Composite PMI - Mar	--	28.9	14:00
	CH	Manufacturing PMI - Mar	44.8	35.7	14:00
	CH	Non-manufacturing PMI - Mar	42.0	29.6	14:00
	UK	GDP QoQ - Q4 F	0.0%	0.0%	19:00
	UK	GDP YoY - Q4 F	1.1%	1.1%	19:00
	UK	Private Consumption QoQ - Q4 F	0.1%	0.1%	19:00
	UK	Government Spending QoQ - Q4 F	2.1%	2.1%	19:00
	UK	Gross Fixed Capital Formation QoQ - Q4 F	-1.6%	-1.6%	19:00
	UK	Exports QoQ - Q4 F	4.2%	4.1%	19:00
	UK	Imports QoQ - Q4 F	-0.8%	-0.8%	19:00
	UK	Total Business Investment QoQ - Q4 F	--	-1.0%	19:00
	UK	Total Business Investment YoY - Q4 F	--	0.9%	19:00
	UK	Current Account Balance - Q4	-£6.0B	-£15.9B	19:00
	GE	Unemployment Change (000's) - Mar	20.0k	-10.0k	20:55
	GE	Unemployment Claims Rate SA - Mar	5.0%	5.0%	20:55
	EC	CPI MoM - Mar P		0.5%	0.2%
	EC	CPI Core YoY - Mar P	1.2%	1.2%	22:00
	EC	CPI Estimate YoY - Mar	0.8%	1.2%	22:00
1-Apr	US	S&P CoreLogic CS 20-City MoM SA - Jan	0.40%	0.43%	02:00
	US	S&P CoreLogic CS 20-City YoY NSA - Jan	--	2.85%	02:00
	US	MNI Chicago PMI - Mar	44.0	49.0	02:45
	US	Conf. Board Consumer Confidence - Mar	119.0	130.7	03:00
	US	Conf. Board Expectations - Mar	--	107.8	03:00
	US	Conf. Board Present Situation - Mar	--	165.1	03:00
	NZ	QV House Prices YoY - Mar	--	5.3%	05:00
	AU	Ai Group Perf of Mfg Index - Mar	--	44.3	10:30
	AU	CBA PMI Mfg - Mar F	--	50.1	11:00
	AU	CoreLogic House Px MoM - Mar	--	1.2%	12:00
	JN	Tankan Large Mfg Index - Q1	-11	0	12:50
	JN	Tankan Large Non-Mfg Index - Q1	3	20	12:50
	JN	Tankan Large Mfg Outlook - Q1	-15	0	12:50
	JN	Tankan Large Non-Mfg Outlook - Q1	-1	18	12:50
	JN	Tankan Large All Industry Capex - Q1	2.1%	6.8%	12:50
	AU	Building Approvals MoM - Feb	10.0%	-15.3%	13:30
	AU	Private Sector Houses MoM - Feb	--	0.3%	13:30
	AU	RBA Minutes of March 18 Policy Meeting	--	--	13:30
	JN	Jibun Bank PMI Mfg - Mar F	--	44.8	13:30
	CH	Caixin China PMI Mfg - Mar	46.0	40.3	14:45
	GE	Markit/BME Manufacturing PMI - Mar F	45.5	45.7	20:55
	EC	Markit Manufacturing PMI - Mar F	44.6	44.8	21:00
	UK	Markit PMI Manufacturing SA - Mar F	47.5	48	21:30
	EC	Unemployment Rate - Feb	7.4%	7.4%	22:00
2-Apr	US	MBA Mortgage Applications - 27-Mar	--	-29.4%	00:00
	US	ADP Employment Change - Mar	-100k	183k	01:15
	US	Markit Manufacturing PMI - Mar F	--	49.2	02:45
	US	Construction Spending MoM - Feb	0.5%	1.8%	03:00
	US	ISM Manufacturing - Mar	46.0	50.1	03:00
	US	ISM New Orders - Mar	--	49.8	03:00

Continued on following page

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
2-Apr	US	ISM Prices Paid - Mar	--	45.9	03:00
	US	ISM Employment - Mar	--	46.9	03:00
	AU	Job vacancies - Feb	--	1.6%	13:30
	EC	PPI MoM - Feb	--	0.4%	22:00
	EC	PPI YoY - Feb	--	-0.5%	22:00
3-Apr	US	Challenger Job Cuts YoY - Mar	--	-26.3%	00:30
	US	Trade Balance - Feb	-$43.3B	-$45.3B	01:30
	US	Initial Jobless Claims - 28-Mar	--	3283k	01:30
	US	Continuing Claims - 21-Mar	--	1803k	01:30
	US	Factory Orders - Feb	--	-0.5%	03:00
	US	Factory Orders Ex Trans - Feb	--	-0.1%	03:00
	US	Durable Goods Orders - Feb F	--	1.2%	03:00
	US	Durables Ex Transportation - Feb F	--	-0.6%	03:00
	US	Cap Goods Orders Nondef Ex Air - Feb F	--	-0.8%	03:00
	US	Cap Goods Ship Nondef Ex Air - Feb F	--	-0.7%	03:00
	AU	Ai Group Perf of Construction Index - Mar	--	42.7	10:30
	AU	CBA PMI Services - Mar F	--	39.8	11:00
	AU	CBA PMI Composite - Mar F	--	40.7	11:00
	AU	Retail Sales MoM - Feb	0.4%	-0.3%	13:30
	JN	Jibun Bank PMI Services - Mar F	--	32.7	13:30
	JN	Jibun Bank PMI Composite - Mar F	--	35.8	13:30
	CH	Caixin China PMI Composite - Mar	--	27.5	14:45
	CH	Caixin China PMI Services - Mar	39.5	26.5	14:45
	GE	Markit Services PMI - Mar F	34.3	34.5	20:55
	GE	Markit/BME Composite PMI - Mar F	37.0	37.2	20:55
	EC	Markit Services PMI - Mar F	28.2	28.4	21:00
	EC	Markit Composite PMI - Mar F	31.2	31.4	21:00
	UK	Markit/CIPS Services PMI - Mar F	35.3	35.7	21:30
	UK	Markit/CIPS Composite PMI - Mar F	36.9	37.1	21:30
	EC	Retail Sales MoM - Feb	0.2%	0.6%	22:00
	EC	Retail Sales YoY - Feb	1.5%	1.7%	22:00
4-Apr	US	Change in Nonfarm Payrolls - Mar	-100k	273k	01:30
	US	Unemployment Rate - Mar	3.8%	3.5%	01:30
	US	Average Hourly Earnings MoM - Mar	0.2%	0.3%	01:30
	US	Average Hourly Earnings YoY - Mar	--	3.0%	01:30
	US	Average Weekly Hours All Employees - Mar	34.2	34.4	01:30
	US	Markit Services PMI - Mar F	--	39.1	02:45
	US	Markit Composite PMI - Mar F	--	40.5	02:45
	US	ISM Non-Manufacturing Index - Mar	48.1	57.3	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
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.
Tue 14 Apr (10:45am)	Electronic Card Transactions – March	Noisy	Expect some noise here, with evidence of panic buying, but perhaps some caution in other areas too.
14-17 Apr	REINZ housing data – March	More muted?	The housing market has been holding up into the new year. We expect a slowing is imminent.
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 outweigh tightening supply due to drought.
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	--	--
Wed 6 May (early am)	GlobalDairyTrade auction	Weaker	Global economic weakness and the seasonal lift in Northern Hemisphere production will put downward pressure on prices.
Wed 6 May (10:45am)	Labour Market Statistics – Q1	Already	Expect deterioration in the labour market, with job losses already being seen.
Thu 7 May (3:00pm)	RBNZ Inflation Expectations Survey – Q2	Lower	Likely to move lower, especially with oil prices having fallen and demand dropping.
11-15 May	REINZ housing data – April	Stopped	The housing market will have ground to a halt in April. Expect some volatility, with a trend deterioration forming overall.
Tue 12 May (10:00am)	ANZ Truckometer – April	--	--
On balance		**Data watch**	**Risks are clearly tilted to the downside, with global developments evolving rapidly.**

Key forecasts and rates

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
GDP (% qoq)	0.5	**-0.8**	**-17.0**	**14.5**	**0.2**	**0.4**	**1.2**	**1.0**	**1.0**
GDP (% yoy)	1.8	**0.5**	**-16.6**	**-5.2**	**-5.5**	**-4.4**	**16.6**	**2.8**	**3.6**
Employment (% qoq)	0.0	**-0.5**	**-6.0**	**3.5**	**0.0**	**0.5**	**0.7**	**0.9**	**1.0**
Employment (% yoy)	1.0	**0.4**	**-6.2**	**-3.2**	**-3.2**	**-2.2**	**4.7**	**2.1**	**3.1**
Unemployment Rate (% sa)	4.0	**4.9**	**8.6**	**8.0**	**8.0**	**8.0**	**8.0**	**7.6**	**7.1**

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Retail ECT (% mom)	0.3	0.0	1.2	0.4	-0.5	2.7	-0.6	-0.2	0.6	--
Retail ECT (% yoy)	1.5	2.0	3.1	0.6	1.6	5.1	3.9	4.2	8.6	--
Car Registrations (% mom)	-2.8	5.1	-0.1	6.7	-6.8	-1.3	2.3	-4.5	4.6	--
Car Registrations (% yoy)	-11.0	-5.4	-5.2	4.7	-6.6	3.0	5.6	-3.5	-0.3	--
Building Consents (% mom)	-4.2	-1.2	0.8	6.9	-1.3	-8.5	9.8	-2.0	--	--
Building Consents (% yoy)	9.5	18.7	12.5	23.6	18.6	8.0	15.8	1.6	--	--
REINZ House Price Index (% yoy)	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	0.6	0.5	0.5	0.6	0.6	0.6	--	--
Household Lending Growth (% yoy)	5.9	5.9	6.0	6.1	6.2	6.3	6.5	6.6	--	--
ANZ Roy Morgan Consumer Conf.	122.6	116.4	118.2	113.9	118.4	120.7	123.3	122.7	122.1	106.3
ANZ Business Confidence	-38.1	-44.3	-52.3	-53.5	-42.4	-26.4	-13.2	..	-19.4	--
ANZ Own Activity Outlook	8.0	5.0	-0.5	-1.8	-3.5	12.9	17.2	..	12.0	--
Trade Balance ($m)	330	-732	-1642	-1310	-1038	-786	380	-414	594	--
Trade Bal ($m ann)	-4987	-5516	-5591	-5321	-5055	-4837	-4467	-3946	-3258	--
ANZ World Comm. Price Index (% mom)	-3.9	-1.4	0.3	0.0	1.2	4.3	-3.4	-0.9	-2.1	--
ANZ World Comm. Price Index (% yoy)	-2.4	-0.5	0.9	3.4	7.2	12.4	8.7	5.6	0.6	--
Net Migration (sa)	3930	4760	4930	4760	5350	4270	5400	6490	--	--
Net Migration (ann)	49359	50166	50785	51012	52447	52342	53078	56501	--	--
ANZ Heavy Traffic Index (% mom)	-2.3	2.3	-3.5	3.3	2.8	-1.4	-2.7	5.0	-3.0	--
ANZ Light Traffic Index (% mom)	-2.0	1.4	0.3	-0.3	0.2	1.3	-2.2	1.9	-0.7	--
ANZ Monthly Inflation Gauge (% mom)	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

	27-Feb	23-Mar	24-Mar	25-Mar	26-Mar	27-Mar
Official Cash Rate	1.00	0.25	0.25	0.25	0.25	0.25
90 day bank bill	1.08	0.58	0.53	0.51	0.49	0.49
NZGB 05/21	0.87	0.30	0.30	0.30	0.29	0.28
NZGB 04/23	0.85	0.39	0.45	0.52	0.52	0.51
NZGB 04/27	1.05	0.74	0.81	0.90	0.91	0.91
NZGB 04/33	1.30	1.33	1.38	1.45	1.41	1.43
2 year swap	0.96	0.55	0.60	0.60	0.55	0.55
5 year swap	1.00	0.66	0.70	0.73	0.69	0.68
RBNZ TWI	70.69	65.84	67.47	67.61	67.49	67.49
NZD/USD	0.6319	0.5623	0.5807	0.5824	0.5862	0.5940
NZD/AUD	0.9612	0.9812	0.9779	0.9716	0.9812	0.9838
NZD/JPY	69.54	62.21	64.16	64.78	64.47	65.01
NZD/GBP	0.4909	0.4858	0.4926	0.4897	0.4909	0.4890
NZD/EUR	0.5776	0.5258	0.5337	0.5390	0.5352	0.5389
AUD/USD	0.6574	0.5732	0.5939	0.5993	0.5974	0.6038
EUR/USD	1.0940	1.0692	1.0882	1.0807	1.0954	1.1025
USD/JPY	110.06	110.65	110.48	111.22	109.98	109.42
GBP/USD	1.2870	1.1571	1.1786	1.1891	1.1943	1.2153
Oil (US$/bbl)	47.09	23.36	24.01	24.49	22.60	23.25
Gold (US$/oz)	1648.13	1492.77	1593.55	1617.85	1614.69	1631.56
NZX 50	11437	8499	9109	9264	9632	9987
Baltic Dry Freight Index	529	617	603	582	569	569
NZX WMP Futures (US$/t)	2825	2450	2490	2590	2575	2575

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