ANZ Research

New Zealand Weekly Focus

3 April 2020

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Contents

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The battle rages

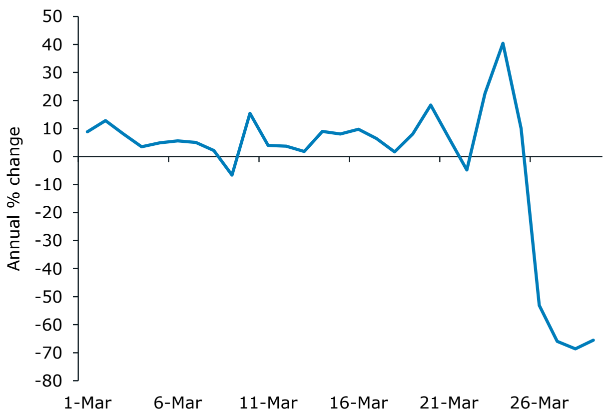
Economic overview

The Government clarified this week that elimination of COVID-19, not just flattening the curve, is the goal of the current lockdown. It’s an ambitious aim and we hope they succeed – everyone playing their part will be key. Eradication means greater disruption in the short term, and we are starting to see early signs of that in the economic data. But if successful, rigorous measures now increase the chances that we can get the economy going sooner, albeit in a more insulated fashion with tight border restrictions. More broadly, the economic landscape is likely to look quite different on the other side of this, and the recovery will be protracted. Some industries will benefit; some will suffer greatly. Government debt will need to be repaid; firms and households will be cautious and may look to deleverage; inflation will likely be low for some time. Expansionary monetary policy may need to be amped up more, and will be needed for a long time, even once the war is over.

Chart of the week

Timely data is starting to come in. Our ANZ Business Outlook Flash is out this week.

ANZ spending data for March – total daily spend



Source: ANZ Research

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, along with more stimulus such as large-scale asset purchases.	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

Battling the outbreak now will reap economic benefits.

The Government clarified this week that elimination of COVID-19, not just flattening the curve, is the goal of the current lockdown. It's an ambitious aim and we hope they succeed – everyone playing their part will be key. Eradication means greater disruption in the short term, and we are starting to see early signs of that in the economic data. But if successful, rigorous measures now increase the chances that we can get the economy going sooner, albeit in a more insulated fashion with tight border restrictions. More broadly, the economic landscape is likely to look quite different on the other side of this, and the recovery will be protracted. Some industries will benefit; some will suffer greatly. Government debt will need to be repaid; firms and households will be cautious and may look to deleverage; inflation will likely be low for some time. Expansionary monetary policy may need to be amped up more, and will be needed for a long time, even once the war is over.

Forthcoming data

ANZ Commodity Price Index – March (Monday 6 April, 1:00pm).

NZIER Quarterly Survey of Business Opinion – Q1 (Tuesday 7 April (10:00am). It might be too early to see the impacts, but this is set to slide dramatically in coming quarters.

ANZ Business Outlook Flash – April (Wednesday 8 April, 1:00pm).

GlobalDairyTrade auction (Wednesday 8 April, early am). The emerging global downturn is expected to weigh on dairy prices.

ANZ Truckometer – March (Thursday 9 April, 10:00am).

What's the view?

Things continue to get worse before they get better.

The devastating human toll of the COVID-19 outbreak continued to increase this week. Right now, we are in the midst of a world war against an invisible enemy. And unfortunately, things will continue to get worse before they get better. Without action, the trajectory of the spread is exponential. But in countries that have taken firm social distancing measures, the curves are starting to flatten, though the results take time to show up in case numbers.

The goal here is elimination, not just flattening the curve.

Here in New Zealand, we continue to see case numbers rise, and daily new cases are still trending up. This is likely to continue for a while yet as those who were infected overseas become symptomatic, and the scope of community transmission becomes evident through broader testing. But the strict lockdown measures implemented here – earlier than in many other countries, thankfully – should soon start to bear fruit, and we hope that by this time next week we'll have some firm evidence of success to buoy spirits in these tough times.

We need to get this right to ensure the economic pain is not for nought.

This week the Government clarified that their goal is elimination of COVID-19, not just flattening the curve. That's important. It suggests to us that they will be cautious about the possibility of lifting the lockdown measures too quickly; they will want to see clear evidence that the outbreak is well contained before cautiously lifting restrictions – very likely on a region-by-region basis. International experience suggests that widespread testing and rigorous contact tracing will be important to enable as much economic activity and human freedoms as possible while preventing a second wave of infections.

Economic overview

We may be in lockdown for longer, but the benefits of eradication are very real.

But we're all in a national Level 4 lockdown for a while yet, that's clear. Exactly how long such measures will be required to combat the spread is unknown, which makes economic forecasting all but impossible. But one thing is clear: whether you are a fan of the lockdown strategy or not, we need to get this right the first time around to ensure that the enormous economic pain that is currently being incurred is not for naught. The stakes are huge and we all need to play our part.

While the outlook is highly uncertain, we should mentally brace ourselves for the fact that we may well be in Alert Level 4 for longer than four weeks. We may see some softening at the edges (eg the definition of essential goods) if the lockdown is extended, but we all need to be prepared for further short-term disruption if we are going to achieve eradication.

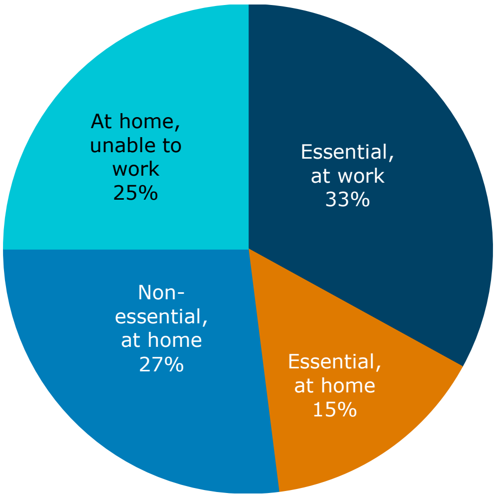
The costs to lockdown are clear to all. But the longer-term economic benefits of getting on top of this sooner rather than later are real. The longer disruption goes on, the more businesses and households are impacted in lasting ways, and the harder it is to recover. It's a lot easier (and cheaper) to build a shorter bridge than a long one, in terms of seeing businesses and individuals through this financially. Allowing more activity before the outbreak is contained might reduce the GDP impact right here and now, but could see us oscillating between alert levels for much longer – creating enormous uncertainty, more persistent impacts on businesses, and more job losses. And of course, more lives would be lost.

Long lasting economic impacts are inevitable.

While a short, sharp lockdown scenario might reduce the long-term pain, long-lasting economic impacts are nonetheless inevitable – and the recovery will be gradual, after an initial bounce in activity once the economy starts moving again. There will certainly be queues outside hairdressers. As discussed in last week's ANZ Weekly Focus, we currently expect GDP will be 5-6% lower this year, with a slow recovery from there. GDP does not return to its previous level until the end of 2022. There is downside risk to this, and it could take longer.

The short-term impact on GDP depends on how long we are in lockdown. We estimate that total GDP is 30-40% lower under Level 4 lockdown conditions, adjusting for losses in productivity. This is based on an in-depth look at the composition of the economy and essential businesses (figure 1).

Figure 1. Composition of the economy under Level 4 lockdown



Source: Statistics NZ, ANZ Research

Economic overview

We estimate 45-50% of the economy is essential, with some work taking place from home…

…25-30% isn't essential but is working from home….

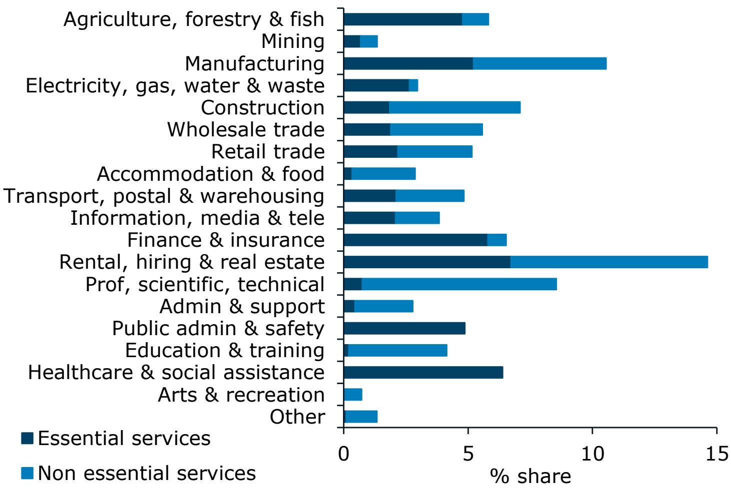
…and around 25% is unable to work.

GDP under lockdown is perhaps 30-40% lower.

The 'true' composition of the economy is uncertain, and we have had to make a number of assumptions. But based on our analysis, we estimate the following:

- 'Essential' businesses account for perhaps 45-50% of GDP – that includes home ownership and rentals, agriculture, food manufacturing, essential goods retailing as currently defined, utilities, Government, health services, financial services, and the like (figure 2).
- We estimate that essential work might account for 950,000 jobs once agriculture is included, or 44% of total jobs. Some of these people will be working from home.
- Another 25-30% of the economy is non-essential but will be operating from home, albeit at reduced capacity. Perhaps 600-650k people.
- That leaves about 25% of activity that simply cannot take place under Alert Level 4, with perhaps 600,000 workers idle. This includes a large portion of industries like tourism, non-essential retail and wholesaling, non-essential construction, hospitality, recreation, and the like.
- In addition, a portion of essential and non-essential work that is taking place at home will be conducted at lower capacity. This represents another output loss, guesstimated to be around 10%.
- In total, that's a drop in activity of around 30-40%. This number then has to be scaled by the proportion of the period in question that the lockdown applies. Our pencilled in estimate of -17% q/q for Q2 GDP is based on four weeks at Alert Level 4 and eight weeks at Alert Level 3.
- Relative to our forecasts for Q2, a rough rule of thumb is that for each extra week in Alert Level 4 this quarter, GDP might be just under 2%pts lower.
- That means we could be looking at a ~25% drop for an eight-week shutdown, and a fall of say 30-35% for a twelve-week shutdown (assuming some easing to the definition of essential services).
- We expect to see a large (but incomplete) rebound in activity in Q3, on the assumption that lockdown conditions can be eased by then, at least in quite a few regions. But again, the timing and magnitude of that is highly uncertain.

Figure 2. Composition of each industry



Source: Statistics NZ

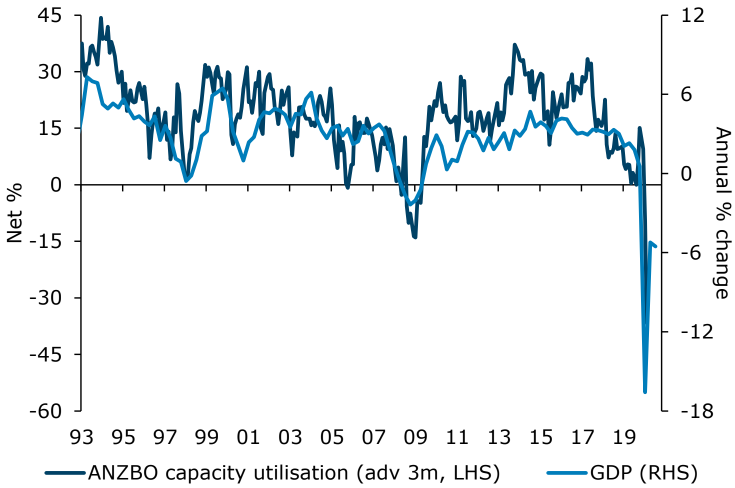
Economic overview

We are starting to see some early signs of the economic slump in the economic data.

The slump is becoming evident in the data.

- Business sentiment has collapsed, along with indicators of activity taking place (figure 3). Responses received after the lockdown came into effect were significantly worse. See our ANZ Business Outlook for March for more details.
- Our Flash estimate for April will be out on Wednesday, and will give a sense of the full brunt of the lockdown impact.
- Unfortunately, QSBO data out next week pre-dates the lockdown (with responses until 20 March), so will be old news.

Figure 3. ANZBO capacity utilisation and GDP (including near-term forecast)



Source: Statistics NZ, ANZ Research

Business sentiment has collapsed.

- The ANZ Truckometer out next week will also a sense on how traffic activity is affected so far.
- Our own internal ANZ data suggests that late March card spending is down 60%-70% compared to a year ago. And spending patterns have changed (figure 4, next page). As you would expect, there's lots of grocery shopping happening, but people aren't going to the movies.

Spending has plunged.

Once this crisis is over, the economic landscape is likely to look quite different, even if we can eradicate the outbreak soon. Some industries will suffer enormously, and will unfortunately shrink. Borders will need to remain effectively closed until a vaccine or reliable treatment is developed and widely distributed globally. Tourism and education exports will cease, bringing in workers will be difficult, and supply chains will be disrupted for a while.

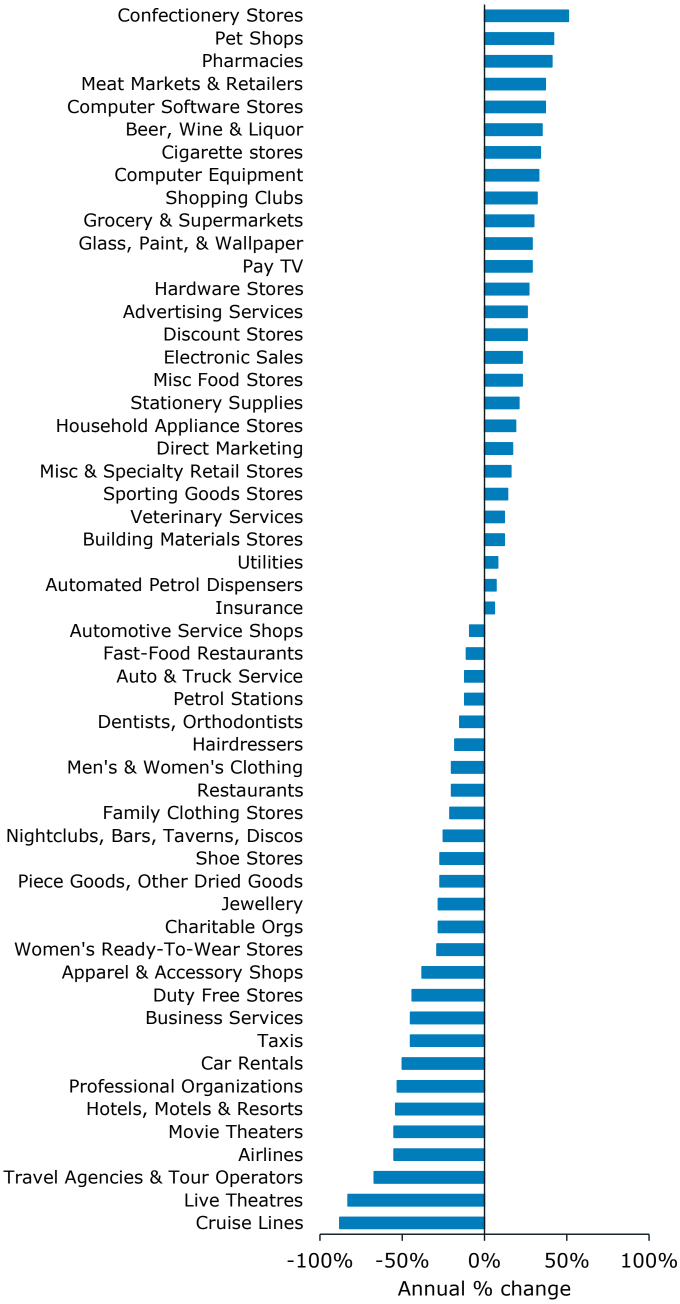
The economic landscape will be different.

Globalisation may reduce, out of necessity for a time, and then perhaps due to preference shifts as countries look to build self-sufficiency. However, it is hard to say how long such a trend might persist for once international trade linkages start to normalise. But it is fair to expect that our economy will become more insulated, at least for a time.

It will be more insulated. Some firms will benefit from that.

Opportunities will also present themselves and other industries will grow. During the lockdown phase, people will focus on purchasing essential goods, and some substitution will occur – for example, those who would normally buy their lunch from cafes will now be shopping at the supermarket. And looking further out, demand may naturally become more oriented towards what is locally sourced, which will be positive for some businesses. Import-competing firms, like manufacturers, might generate more sales locally.

Figure 4. ANZ card spending data by merchant type – March month



Source: ANZ Research

The composition of spending has changed.

Some primary export sectors can still operate…

One particular bright spot is our primary sector exports. Preliminary data for March (to March 25) shows export returns lifted 0.5% y/y to $4.7 billion during this time, whilst imports fell 3.4%. Gains from dairy exports have, to date, offset weaker returns from other sectors such as red meat and forestry. But now that we have moved into lockdown phase, export returns will be curbed to some degree.

…but there are some difficulties.

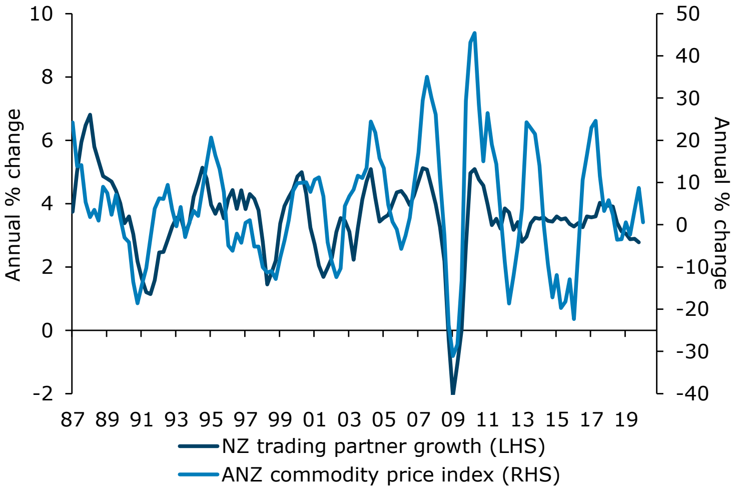
Dairy, meat and horticultural exports are continuing through the lockdown period, but non-food commodities such as wool and forestry are shut down. The horticultural sector is facing some real logistical challenges to pick, pack and export this season's harvest while operating in a restricted manner. It will be extremely challenging for the kiwifruit and apple industries to successfully process their entire harvest this season.

Meat processing is continuing but delays getting stock processed are expected due to reduced numbers of staff operating processing chains. The dairy industry is in a relatively good position as milk volumes are falling seasonally, meaning there is limited pressure on processing facilities. Recent rain in dry areas is also good news. But congestion at our ports, a lack of cool storage facilities, and a lack of access to refrigerated containers are real risks faced locally by our food exporters in addition to international market risks.

Export prices may come under pressure.

Demand from international markets for our food exports has thus far remained relatively resilient and it is true that the world's population will still need to eat. However, people only need to eat basic foods, and when times are tough luxury goods tend to be foregone. In many of the markets where we supply our food, exports fit more into the luxury end of the market than they do the 'daily staple' category. For more on the agricultural outlook, check out our ANZ Agri Focus released earlier this week.

Figure 5. Global growth and New Zealand commodity prices



Source: Bloomberg, ANZ Research

The Global Dairy Trade event scheduled for early morning on Wednesday will provide insight as to how buyers are currently interpreting market conditions. The global supply of dairy commodities is expected to tighten due to the seasonal fall in output in the Southern Hemisphere, while processing challenges are expected to restrict supply in Europe and the US. The question remains as to whether this tightening of supply will be sufficient to offset weaker demand. At this point futures prices indicate weak demand is winning this race with a further 4.5% fall in the GDT Price Index anticipated. The ANZ Commodity Price Index released on Monday will provide some clarity how various export industries are performing under current challenging conditions.

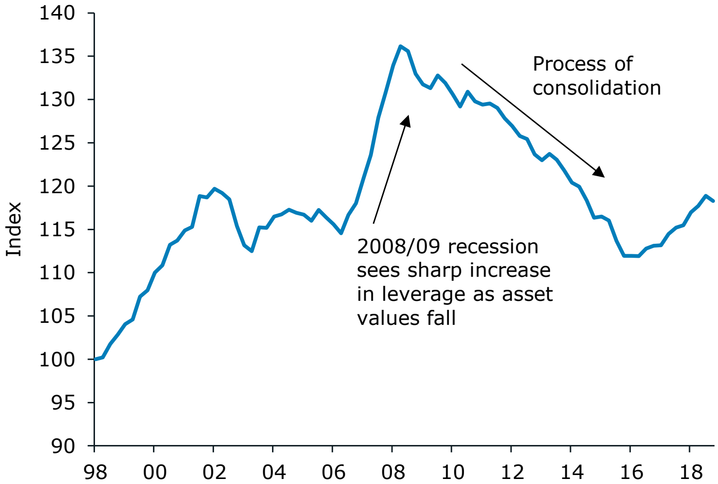
Some households and firms will take on more debt in the short term.

The structure of the economy will also be different in other ways. Households and firms that are using debt to get through this period will need to pay it back. In some cases, taking on more debt will not make sense if business operations are not viable in the longer term. Difficult decisions will need to be made. But for many, a short-term increased in debt will be part of the solution, and banks will naturally play a role in supporting households and businesses in that way.

At the same time as debt is likely to increase in some pockets, asset prices are likely to fall, at least for a time. Financial asset values have already dropped, and the property market will be under significant pressure, with potentially quite large property price falls in the pipeline. This combination is not a pretty picture, and means that many households and businesses will face less income and higher leverage than before. We expect many will be looking to shore up their financial positions as a result. This sort of dynamic happened in the wake of the 2008/09 recession. It will probably be more exaggerated this time (figure 6).

Economic overview

Figure 6. Household leverage (debt/equity)



Source: RBNZ, ANZ Research

But eventually, many will need to consolidate.

Uncertainty will be high; demand will recover gradually.

There will also be widespread uncertainty for some time, and expectations about the outlook – especially expectations about wealth positions – will be changed. We will perhaps see an increase in risk aversion too. The current pandemic is an unfortunate reminder that bad things can happen, and we expect a lot of people will look to have a bigger rainy day fund for the next time something unexpected hits. Overall, we think a degree of behavioural change is likely, with households and firms more cautious towards debt, and an increase in saving. Beyond an initial rebound in activity, this will contribute to a sluggish recovery in demand. "Saving more" sounds good for our economy, while "spending less" sounds bad. But they are of course the same thing.

The economy will continue to need support.

The productive capacity in the economy will be lower for a time, with some activity limited, especially if firms go out of business and workers need to retrain. Additionally, growth in productive capacity will be limited if migration inflows are curbed. There will be downward pressure on inflation on account of widespread weakness in demand, with some exceptions. This is already becoming evident, with anecdotes about rent reductions a notable example. Wage growth will also be under downward pressure, and that will contribute too. However, the economy will no longer be able to supply as much in the way of goods and services as it did for a while, which will put a floor under prices. Inflation will not be impacted as much as the drop in GDP might otherwise suggest.

Demand and inflation will likely improve only gradually, and this will be exacerbated by large debt overhang. It will be a long road ahead, and the economy will continue to need support as the recovery unfolds.

Government debt will need to be repaid eventually.

Government debt will lift sharply to finance the economic support needed now, and to assist the recovery. Fiscal spending is the right response to battle the crisis, but that money also needs to be directed in a considered way to where it is needed and will have the most benefit. The spending isn't free, after all. And even if borrowing costs are low, future Governments – and by extension future taxpayers – will have to pay it back.

Very expansionary monetary policy is required.

The Government and the RBNZ are working in tandem to combat the crisis, and that co-ordination will need to continue for some time. The RBNZ has unleashed a variety of tools to help cushion the financial blow, including the new term-lending facility announced this week, which will provide longer-term loans to banks. This idea is that this will help facilitate loans to businesses for up to three years under the Government's Business Finance Scheme (with the Government taking on 80% of the risk).

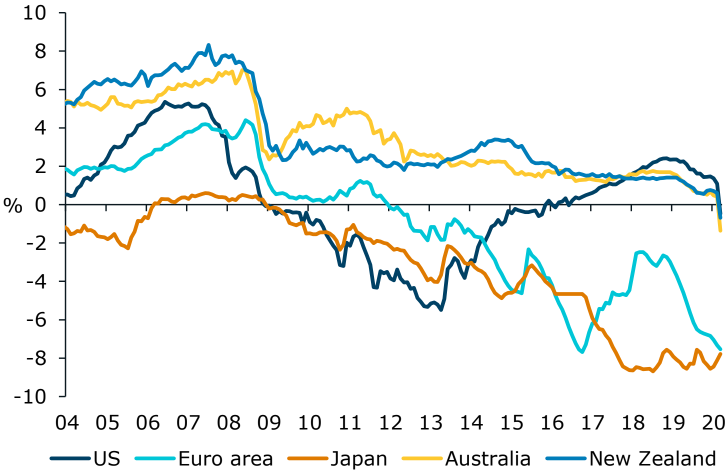
Very expansionary policy will be required from the Reserve Bank for a long time, even once the rebuilding effort begins. As part of its response, the RBNZ is conducting quantitative easing by purchasing assets – specifically, New Zealand Government bonds – pumping more money into circulation and reducing longer-term yields. This provides additional stimulus in an environment where the OCR is already super low (at 0.25% currently).

And indeed, QE may need to be amped up.

The RBNZ will need to keep its food on the accelerator for quite some time, and it is possible that the volume (and scope) of asset purchases will need to be widened to support the economy even further and cap yields, especially in the current environment where Government spending, and thus bond issuance, is increasing. A negative OCR may even be employed in time.

One estimate of the effective stimulus to the economy (called the "shadow short rate") is constructed using yield curve data. It suggests that the current amount of unconventional policy is adding additional stimulus that is equivalent to an OCR of around -0.5% (figure 7). It's possible that the RBNZ needs to push the shadow short rate even lower than that. And international experience suggests that can be achieved with aggressive stimulus.

Figure 7. Shadow short rates



Source: LJK Limited

In our view, the "neutral" interest rate is very low, even negative, at present. That's because there will be a lot of saving going on – either voluntary or involuntary, with really not much in the way of opportunities to spend or to divert those funds to productive uses (like new business opportunities). It's simply really difficult to encourage demand to increase in this sort of environment.

Support will be needed for quite some time.

Beyond the lockdown, with households and firms likely to embark on a period of rebuilding and demand likely to be constrained, monetary policy will need to be very stimulatory for a long time. One day in the future, we will hopefully reach a point where monetary policy can normalise. Perhaps even inflation will increase a lot once the money-pumping bazooka is no longer needed. But for now, central banks globally need to do whatever it takes to fight this battle. That means they will need to stay the course and defend the outlook long after this war is over.

Economic overview

Local data

Building Consents – February. Remained very strong in February, but expect significant downward pressure. And indeed, a portion of this activity may not go ahead at all, with most construction deemed unessential, and the financial calculus of whether to build changed for some.

ANZ Business Outlook – March. Headline business confidence plummeted 45 points to -64 in March, close to a record low. A net 27% of firms expect weaker activity for their own business (down 39), the lowest read ever (the survey began in 1988). Survey responses received in the second half of the month (about a third of all responses) were more negative.

RBNZ sectoral lending – February. Credit growth was in recent ranges, while the slowdown in deposits growth tentatively plateaued. A flight to safety could see this turn a corner next 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.

- NZ Agri Focus – Storm clouds above
- ANZ NZ Business Outlook – Steep slide
- NZ Monday Snap - The policy rollout continues

FX / rates overview

Summary

Yield curves are higher and steeper

New Zealand government bond yields have edged higher over the past week, while the curve has steepened in response to a record bond programme and a planned tap of the 2031 bond via syndication next week. Swap spreads are back in deeply negative territory again too; while that's unsettling, it's something we will likely just have to live with for a little longer. We expect the RBNZ to continue adjusting the pace of QE, but that may not be enough to flatten the curve if it remains directed at short- and mid-curve bonds, given the amount of supply. The NZD has struggled after its break below the 0.60 level and there are downside risks from QE. However, we expect this to be countered to some extent by positive sentiment around exports and food production.

Rates

QE remains directed at the short to mid part of the curve.

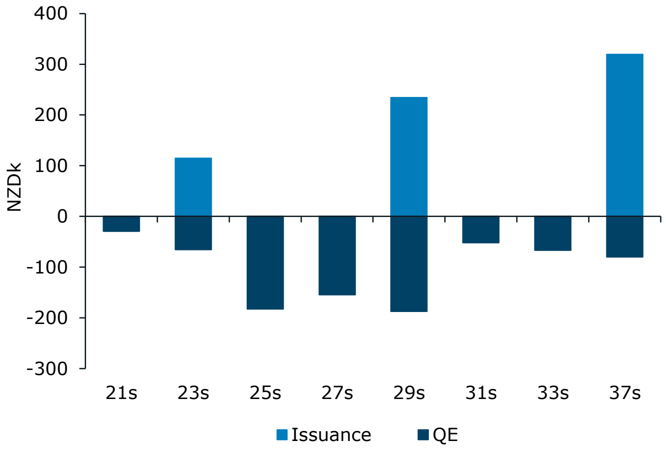
The NZGB yield curve moved lower and flatter in the first few days after QE was announced, but that trend has reversed as the market has contemplated the enormity of the Treasury's funding needs, with $17bn of bonds set to be issued this quarter. We support the RBNZ using more of its firepower at the longer end of the yield curve, and a step-up in the pace of QE. But at this early stage it is understandable that the RBNZ is not eager to own large volumes of longer-dated bonds given (a) the risk that yields eventually rise, and (b) the additional optionality associated with shorter-dated purchases. If you hold to maturity as QE entails, you can only buy a 2037 bond once between now and 2037, whereas if you buy a 2023 bond, you can buy another bond when that one matures, should QE still be warranted in 2023.

Issuance outweighs QE at the longer end

Eventually, we may see QE more directly targeted at the very long end of the curve, especially if the economy enters a more drawn-out recession, but in the first instance, the RBNZ is likely to continue focussing on short- to mid-curve bonds, just as the RBA has. That doesn't mean it won't buy long bonds – it has and it will continue to do so. However, what it buys at the long end won't likely be enough to absorb supply, leaving the market net short out to about the 27s, but net long from 29s and out. That is, overall RBNZ buying and NZDM (ie. The Treasury) selling will result in net buying at the short/middle part of the curve and net selling at the longer end.

In the near term, this should see the curve under pressure to remain very steep, and for swap spreads to remain negative. We do expect the curve to eventually flatten, but that's unlikely to occur against the backdrop of such large-scale issuance and can only occur if QE is aimed specifically at the very long end, which is unlikely to occur just yet.

Figure 1: Delta* of RBNZ QE vs NZGB bond issuance this week



* "Delta" or "Basis Point Value" refers to the value-at-risk of a 1 basis point change in yields per $1m of bonds. So for example, if you invest $1m in a 2023 bond and its yield changes 1 basis point, based on today's yield, your instantaneous gain or loss in dollar terms is $327. That's in addition to any accrued interest, so it only reflects the capital gain or loss. Delta is additive, so across a portfolio of many bonds, if the total delta is, for example, $156k, then a 1 basis point move in the entire yield curve down or up will result in a capital gain or loss of $156k respectively.

Source: RBNZ, NZDM, ANZ

FX / rates overview

Figure 1 shows the net balance in delta terms of this week's NZGB issuance less RBNZ QE. Even with a tweak to QE next week, RBNZ buying is unlikely to be able to absorb next week's syndication, which is likely to be in the order of $2bn to $2.5bn. Indeed, the bond programme calls for $17bn of bonds this quarter, with issuance of around $4bn per month. That leaves $5bn to be done via the two planned syndications (one next week and one later in the quarter).

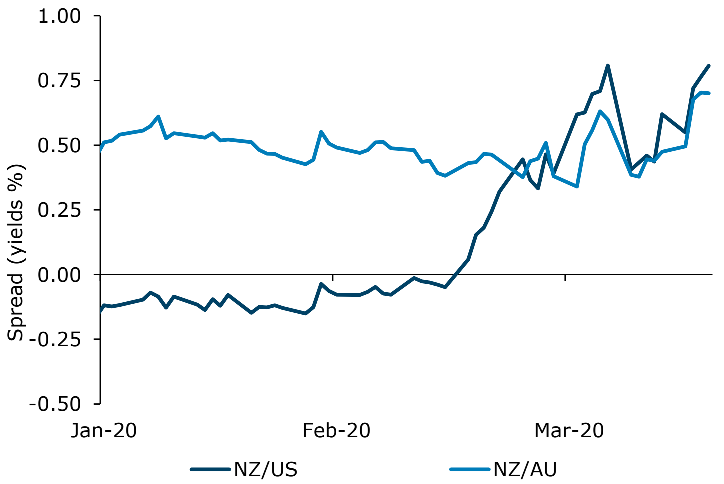
FX

NZD enjoying positive sentiments, but funding flows are likely to be buy flows

The NZD has benefitted from the food exporter thematic, which has been validated by preliminary data showing that exports have held up well thus far this year. Food security remains a key issue for many countries and New Zealand is well-placed to meet that demand in some sectors. Additionally, the likelihood that New Zealand experiences a significant drop in imports of vehicles, electronics and fuel during the lockdown and an increase in the saving rate should help swing the trade balance. That said, as we noted last week, past episodes of slow growth have tended to weigh heavily on the New Zealand economy.

Over the short term, it is also difficult to envisage economic factors being drivers of exchange rates. Every major economy faces recession, and the suddenness and sharpness of the declines in activity are unprecedented. What matters more now are flows and sentiment, with liquidity still very thin. QE risks an outflow of capital, but that's $30bn over the next 12 months, whereas NZDM has flagged $17bn of bond issuance over the next 3 months, with the next large chunk coming via next week's syndication of 2031 bonds. We expect a good portion of the demand for this bond will come from offshore, especially with NZGB yields significantly higher than their offshore counterparts (figure 2). That should keep the NZD elevated over the near term.

Figure 2: NZGB 2031 bond spreads to US and Australian equivalents



Sources: Bloomberg, ANZ

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
3-Apr	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 PMI Composite - Mar	--	27.5	14:45
	CH	Caixin PMI Services - Mar	39.0	26.5	14:45
	GE	Markit Services PMI - Mar F	34.2	34.5	20:55
	GE	Markit/BME Composite PMI - Mar F	36.8	37.2	20:55
	EC	Markit Services PMI - Mar F	28.2	28.4	21:00
	EC	Markit Composite PMI - Mar F	31.4	31.4	21:00
	UK	Markit/CIPS Services PMI - Mar F	34.8	35.7	21:30
	UK	Markit/CIPS Composite PMI - Mar F	36.0	37.1	21:30
	EC	Retail Sales MoM - Feb	0.1%	0.6%	22:00
	EC	Retail Sales YoY - Feb	1.6%	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%	3.0%	01:30
	US	Markit Services PMI - Mar F	38.5	39.1	02:45
	US	Markit Composite PMI - Mar F	--	40.5	02:45
	US	ISM Non-Manufacturing Index - Mar	43.3	57.3	03:00
6-Apr	AU	Melbourne Institute Inflation MoM - Mar	--	-0.1%	13:00
	NZ	ANZ Commodity Price - Mar	--	-2.1%	13:00
	AU	Melbourne Institute Inflation YoY - Mar	--	1.6%	13:00
	AU	ANZ Job Advertisements MoM - Mar	--	0.7%	13:30
	GE	Factory Orders MoM - Feb	-2.0%	5.5%	18:00
	GE	Factory Orders WDA YoY - Feb	1.3%	-1.4%	18:00
	GE	Markit Construction PMI - Mar	--	55.8	19:30
	EC	Sentix Investor Confidence - Apr	--	-17.1	20:30
	UK	Markit/CIPS Construction PMI - Mar	--	52.6	20:30
7-Apr	AU	Ai Group Perf of Services Index - Mar	--	47.0	10:30
	AU	ANZ-RM Consumer Confidence Index - 5-Apr	--	65.3	11:30
	AU	Trade Balance - Feb	A$3750M	A$5210M	13:30
	AU	RBA Cash Rate Target - Apr	0.25%	0.25%	16:30
	GE	Industrial Production SA MoM - Feb	-0.8%	3.0%	18:00
	GE	Industrial Production WDA YoY - Feb	-2.9%	-1.3%	18:00
	AU	Foreign Reserves - Mar	--	A$83.6B	18:30
	CH	Foreign Reserves - Mar	$3097.50B	$3106.72B	UNSPECIFIED
8-Apr	US	JOLTS Job Openings - Feb	--	6963	02:00
	US	Consumer Credit - Feb	$13.50B	$12.02B	07:00
	JN	BoP Current Account Balance - Feb	¥3154.6B	¥612.3B	11:50
	JN	BoP Current Account Adjusted - Feb	¥1860.1B	¥1626.8B	11:50
	JN	Trade Balance BoP Basis - Feb	¥1213.6B	-¥985.1B	11:50
	NZ	ANZ Business Outlook - Apr P	--	-63.5	66667
	AU	Investor Loan Value MoM - Feb	1.3%	3.6%	13:30
	AU	Home Loans Value MoM - Feb	2.0%	4.6%	13:30
	AU	Owner-Occupier Loan Value MoM - Feb	2.5%	5.0%	13:30
	US	MBA Mortgage Applications - 3-Apr	--	15.3%	23:00
9-Apr	US	FOMC Meeting Minutes - Mar	--	--	06:00

Continued on following page

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
9-Apr	NZ	ANZ Truckometer Heavy MoM - Mar	--	-3.0%	10:00
	UK	RICS House Price Balance - Mar	--	29%	11:01
	UK	Monthly GDP (MoM) - Feb	--	0.0%	18:00
	UK	Monthly GDP (3M/3M) - Feb	--	0.0%	18:00
	UK	Industrial Production MoM - Feb	0.3%	-0.1%	18:00
	UK	Industrial Production YoY - Feb	-2.8%	-2.9%	18:00
	UK	Manufacturing Production MoM - Feb	--	0.2%	18:00
	UK	Manufacturing Production YoY - Feb	--	-3.6%	18:00
	UK	Construction Output MoM - Feb	--	-0.8%	18:00
	UK	Construction Output YoY - Feb	--	1.6%	18:00
	UK	Index of Services MoM - Feb	--	0.1%	18:00
	UK	Index of Services 3M/3M - Feb	--	0.0%	18:00
	UK	Visible Trade Balance GBP/Mn - Feb	--	-£3720M	18:00
	UK	Trade Balance Non EU GBP/Mn - Feb	--	£2232M	18:00
	UK	Trade Balance GBP/Mn - Feb	--	£4212M	18:00
	GE	Trade Balance - Feb	--	€13.8B	18:00
	GE	Current Account Balance - Feb	--	€16.6B	18:00
	GE	Exports SA MoM - Feb	--	0.1%	18:00
	GE	Imports SA MoM - Feb	--	0.8%	18:00
10-Apr	US	PPI Final Demand MoM - Mar	-0.30%	-0.60%	00:30
	US	PPI Final Demand YoY - Mar	0.50%	1.30%	00:30
	US	PPI Ex Food and Energy MoM - Mar	0.00%	-0.30%	00:30
	US	PPI Ex Food and Energy YoY - Mar	1.20%	1.40%	00:30
	US	Initial Jobless Claims - 4-Apr	--	6648k	00:30
	US	Continuing Claims - 28-Mar	--	3029k	00:30
	US	Wholesale Inventories MoM - Feb F	--	-0.5%	02:00
	US	Wholesale Trade Sales MoM - Feb	--	1.6%	02:00
	US	U. of Mich. Sentiment - Apr P	81.0	89.1	02:00
	JN	PPI MoM - Mar	-0.70%	-0.40%	11:50
	JN	PPI YoY - Mar	0.00%	0.80%	11:50
	CH	PPI YoY - Mar	-1.10%	-0.40%	13:30
	CH	CPI YoY - Mar	4.90%	5.20%	13:30
	CH	Money Supply M0 YoY - Mar	--	10.90%	10-15 Apr
	CH	Money Supply M1 YoY - Mar	4.00%	4.80%	10-15 Apr
	CH	New Yuan Loans CNY - Mar	1750.0B	905.7B	10-15 Apr
	CH	Money Supply M2 YoY - Mar	8.6%	8.8%	10-15 Apr
11-Apr	US	CPI MoM - Mar	-0.3%	0.1%	00:30
	US	CPI YoY - Mar	1.6%	2.3%	00:30
	US	CPI Ex Food and Energy MoM - Mar	0.1%	0.2%	00:30
	US	CPI Ex Food and Energy YoY - Mar	2.3%	2.4%	00:30
	US	Monthly Budget Statement - Mar	--	-$235.3B	06:00

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
Mon 6 Apr (1:00pm)	ANZ Commodity Price Index – March	--	--
Tue 7 Apr (10:00am)	NZIER Quarterly Survey of Business Opinion – Q1	Early	It might be too early to see the impacts, but this is set to slide dramatically in coming quarters.
Wed 8 Apr (early am)	GlobalDairyTrade auction	Weaker	The emerging global downturn is expected to weigh on dairy prices.
Wed 8 Apr (1:00pm)	ANZ Business Outlook – April P	--	--
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)	-4.1	-0.9	1.0	7.5	-1.2	-8.0	10.4	-2.8	4.7	--
Building Consents (% yoy)	9.5	18.6	12.3	24.2	18.9	9.0	17.9	1.7	5.4	--
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	0.6	--
Household Lending Growth (% yoy)	5.9	5.9	6.0	6.1	6.2	6.3	6.5	6.6	6.7	--
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	-63.5
ANZ Own Activity Outlook	8.0	5.0	-0.5	-1.8	-3.5	12.9	17.2	..	12.0	-26.7
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

	Actual			Forecast (end month)					
FX rates	Feb-20	Mar-20	Today	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
NZD/USD	0.624	0.594	0.592	0.52	0.53	0.55	0.57	0.59	0.60
NZD/AUD	0.958	0.976	0.976	1.00	0.98	0.98	0.95	0.97	0.97
NZD/EUR	0.566	0.543	0.545	0.47	0.49	0.51	0.53	0.54	0.55
NZD/JPY	67.79	64.55	63.84	58.2	59.4	61.6	63.8	66.1	67.2
NZD/GBP	0.484	0.481	0.477	0.50	0.49	0.49	0.48	0.49	0.49
NZ$ TWI	70.01	68.40	68.27	62.7	63.5	65.5	66.7	68.4	69.2
Interest rates	Feb-20	Mar-20	Today	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
NZ OCR	1.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
NZ 90 day bill	1.06	0.49	0.49	0.43	0.43	0.43	0.43	0.43	0.43
NZ 10-yr bond	1.06	1.08	1.36	0.70	0.95	1.25	1.50	1.70	2.00
US Fed funds	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
US 3-mth	1.46	1.43	1.37	0.40	0.40	0.40	0.40	0.65	0.65
AU Cash Rate	0.75	0.25	0.20	0.25	0.25	0.25	0.25	0.25	0.25
AU 3-mth	0.81	0.37	0.30	0.45	0.45	0.45	0.45	0.45	0.45

	3-Mar	30-Mar	31-Mar	1-Apr	2-Apr	3-Apr
Official Cash Rate	1.00	0.25	0.25	0.25	0.25	0.25
90 day bank bill	0.90	0.51	0.49	0.49	0.49	0.49
NZGB 05/21	0.59	0.26	0.25	0.26	0.26	0.26
NZGB 04/23	0.69	0.44	0.48	0.49	0.46	0.46
NZGB 04/27	0.96	0.84	0.88	0.92	0.91	0.90
NZGB 04/33	1.26	1.37	1.42	1.48	1.47	1.47
2 year swap	0.74	0.51	0.53	0.53	0.51	0.51
5 year swap	0.82	0.60	0.63	0.60	0.61	0.62
RBNZ TWI	69.96	69.01	68.81	68.31	68.33	68.33
NZD/USD	0.6270	0.6014	0.5942	0.5908	0.5950	0.5920
NZD/AUD	0.9551	0.9800	0.9754	0.9741	0.9775	0.9762
NZD/JPY	67.72	64.92	64.54	63.55	63.92	63.87
NZD/GBP	0.4905	0.4845	0.4807	0.4773	0.4780	0.4773
NZD/EUR	0.5642	0.5434	0.5426	0.5399	0.5448	0.5452
AUD/USD	0.6565	0.6137	0.6092	0.6065	0.6088	0.6065
EUR/USD	1.1113	1.1068	1.0949	1.0943	1.0920	1.0858
USD/JPY	108.00	107.95	108.62	107.57	107.43	107.88
GBP/USD	1.2784	1.2412	1.2359	1.2379	1.2447	1.2402
Oil (US$/bbl)	47.18	20.09	20.48	20.31	24.87	24.87
Gold (US$/oz)	1599.70	1627.22	1601.01	1592.41	1592.45	1614.10
NZX 50	11346	9661	9797	9926	9871	9871
Baltic Dry Freight Index	549	548	626	624	624	624
NZX WMP Futures (US$/t)	2805	2560	2630	2600	2630	2630

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