ANZ Research

New Zealand Weekly Focus

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Contents

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Level up

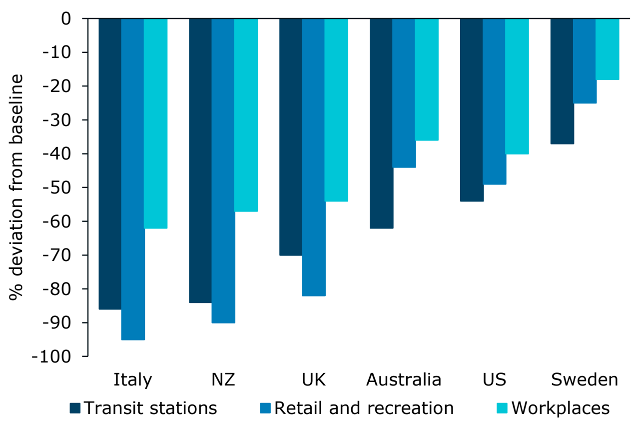
Economic overview

Today we will find out if we can move to Alert Level 3 – and when. Our four-week lockdown has reaped clear benefits in terms of containing the spread of COVID-19. And it appears that New Zealand is ready to move forward cautiously and ease activity restrictions. However, the stakes are high. Moving to Alert Level 3 will have near-term benefits for economic activity and sentiment, but the economic damage will be far worse – and longer lasting – if we have to return to Alert Level 4. The details of Level 3 are consistent with our economic forecasts, which have GDP 8-10% lower this year, and QE roughly doubling. Our forecasts are also premised on more fiscal support measures coming – both now and during the recovery phase. We may see more announcements from the Government this week ahead of the Budget on May 14. CPI data out today will get less attention than usual, with the current deflationary impulse yet to emerge in the data.

Chart of the week

Restrictions may be set to ease, but social distancing will be with us for a while yet.

Google mobility data



Source: Google, ANZ Research

The ANZ heatmap

Variable	View	Comment	Risks around our view
GDP	-5.5% 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.	
Unemployment rate	8.7% for 2021 Q1	The labour market is set to deteriorate rapidly, with the unemployment rate set to rise significantly.	
Monetary policy	OCR at 0.25% in June 2020	A 0.25% OCR is here for at least 12 months. We expect QE to be roughly doubled to $60bn to keep bond curves low and flat.	
CPI	0.9% 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.	

Economic overview

Summary

Restrictions are likely to be eased, but the stakes are high.

Today we will find out if we can move to Alert Level 3 – and when. Our four-week lockdown has reaped clear benefits in terms of containing the spread of COVID-19. And it appears that New Zealand is ready to move forward cautiously and ease activity restrictions. However, the stakes are high. Moving to Alert Level 3 will have near-term benefits for economic activity and sentiment, but the economic damage will be far worse – and longer lasting – if we have to return to Alert Level 4. The details of Level 3 are consistent with our economic forecasts, which have GDP 8-10% lower this year, and QE roughly doubling. Our forecasts are also premised on more fiscal support measures coming – both now and during the recovery phase. We may see more announcements from the Government this week ahead of the Budget on May 14. CPI data out today will get less attention than usual, with the current deflationary impulse yet to emerge in the data.

Forthcoming data

Consumer Price Index – Q1 (Monday 20 April, 10:45am). Headline CPI is expected to have lifted 0.5% q/q, with annual inflation accelerating to 2.2% from 1.9% in Q4. Non-tradable inflation is expected to print at 1.0% q/q (3.0% y/y), with tradable inflation at -0.3% q/q (1.1% y/y).

GlobalDairyTrade Auction (early am, Wednesday 22 April). Futures suggest that we will see prices ease about 3% at this week's event which would wipe out the gains from the previous auction and then some.

What's the view?

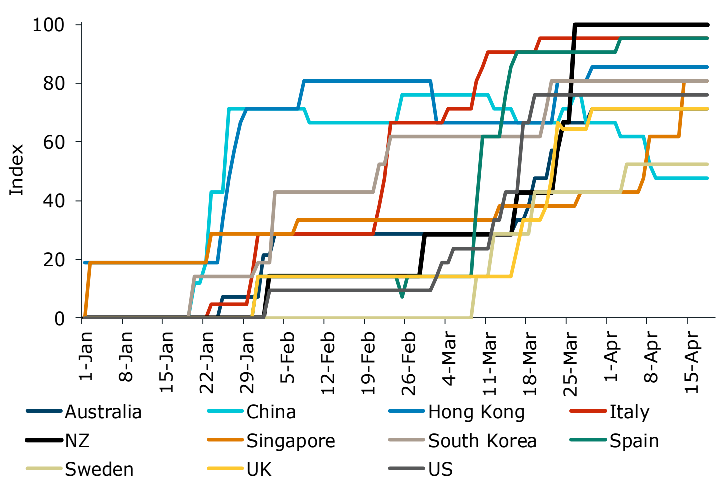
Today we will find out whether we can move to alert level 3 – and when.

Today we will learn if New Zealand can transition to Alert Level 3 – and when. Cabinet is meeting to discuss changing the alert levels, with an announcement expected today at 4pm. It is widely expected that we will be able to move to Alert Level 3 quite soon, given the very encouraging progress that has been made in containing the spread of the COVID-19 outbreak. However, a key question will be for how long we need to stay in that level. Moving up further levels will rely on continued progress in reducing cases. Two or four weeks would seem to be likely opening bids.

Relative to other countries, New Zealand has taken a 'go-hard-go-early' approach to lockdown (figure 1 – recalling that New Zealand was hit late), and that has reaped benefits in terms of containing the virus. The steady progress that has been made since the lockdown was implemented provides a degree of assurance that gradually permitting more activity will be possible at acceptable levels of risk.

NZ has taken a cautious approach – with both costs and benefits.

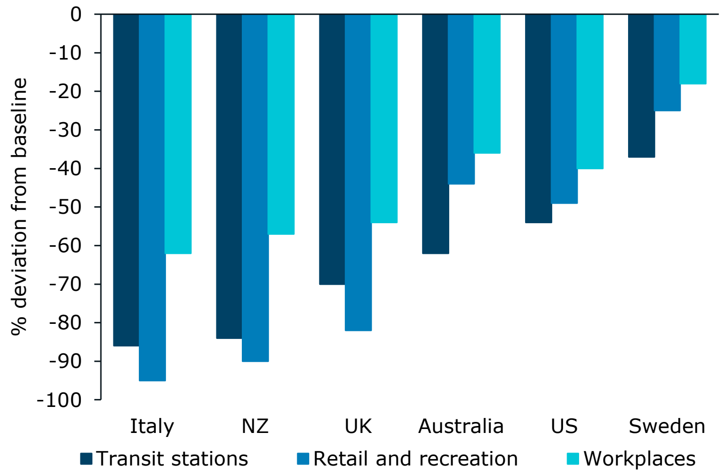
Figure 1: Oxford Government response stringency index



Source: Oxford University, ANZ Research

Mobility data based on cellphones from both Apple and Google shows that New Zealand's level 4 lockdown has indeed been at the stricter end of the global scale – people have changed their behaviour significantly. There are of course natural limits on how long people will tolerate such restrictions on their personal freedoms. Data from Denmark suggests enthusiasm is flagging. There's no sign of that in the New Zealand mobility data yet, but it's one more consideration for the Government when deciding the path forward.

Figure 2. Google mobility data



Source: Google

There is still much we don't know.

Of course, there is still much we don't know about the virus. (Relatively) random testing introduced by the Ministry of Health last week is an important step for understanding the community spread, and will hopefully give us more confidence we can move forward. While it's a case of "so far so good", with all returning negative results, we cannot rule out the possibility that future tests will show asymptomatic cases in the community, with 6% of confirmed or probable cases either community transmission or still under investigation. Fear or evidence of community transmission would suggest a more cautious approach to easing restrictions is required, so these data are very important.

We need lots more testing on an ongoing basis.

Unfortunately, when looking for very low numbers of infections, a lot of data is required. If, for example, 0.05% of the New Zealand population were in fact infected, there would be about a 60% chance of 1000 random tests all being negative regardless. It's a good start, but 10,000+ negative random tests would be a lot more reassuring (with less than a 1% chance of all tests being negative under an assumed 0.05% 'true' infection rate).

Oscillating between alert levels would be very painful.

The economy is suffering immensely under Level 4 lockdown, and moving to Alert Level 3 will have obvious benefits for near-term economic activity and sentiment, with the Government estimating that another half a million people can return to work. But that doesn't mean the decisions to ease restrictions to Alert Level 3 and beyond is an easy one. The stakes are high. If we ease too much or too soon and the outbreak reignites at a significant scale, seeing us return to Level 4 for a significant period, the economic pain at the end of the day will be far worse – and longer lasting. The toll on confidence would be enormous. Firm failures and job losses would be much more extreme from a more vulnerable starting point.

Eradication would be a great outcome…

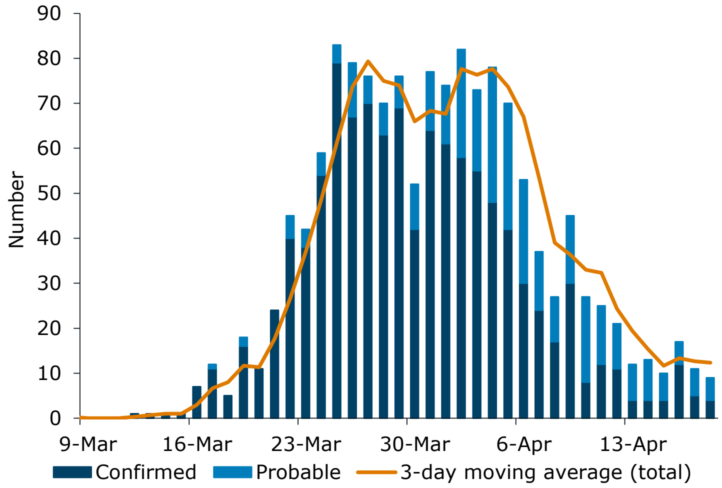
And even the risk that a return to full lockdown *might* happen would dampen investment and employment hugely. The best economic and health outcome would be to eradicate the virus and keep it out, thereby all but eliminating the risk of returning to tight lockdowns and providing a much more certain environment for businesses and households alike going forward. Unfortunately, yo-yoing back and forth between alert levels appears to be a possible, even likely, very bad scenario for economies with larger populations, much higher infection rates, and land borders. We are in a fortunate position and we must not squander it.

Economic overview

… but not at any cost.

But of course we can't stay in Level 4 lockdown indefinitely in pursuit of the optimal solution for a single problem, albeit a very big one, at any cost. Life is full of trade-offs – even if you don't want to think about it in terms that pit economics against health, the fact is, economic depressions are dreadful for health outcomes too. The feasibility of eradication (particularly in a politically and economically acceptable timeframe, as regards the length of lockdowns) is a matter of vigorous debate. If we don't keep making steady progress on getting cases down, the debate will get louder and louder. The decline in the number of daily cases has slowed, unsurprisingly, as at low numbers diagnosis of just one case late (or indeed, not at all – asymptomatic cases have been shown to be common overseas) presents a significant hurdle to getting the numbers closer to zero.

Figure 3. New Zealand daily Covid-19 cases, confirmed and probable



Source: Ministry of Health

Getting to a point where we can be sure of not going back into full lockdown is the goal.

If eradication isn't feasible, the second-best solution for both health and the economy is keeping the outbreak at such a low level that there is widespread confidence that massively beefed-up testing, contact tracing and isolation tactics will successfully keep it at bay indefinitely, though that would still have to involve bans on large gatherings.

Of course, this all assumes New Zealand's borders remain closed. In an optimistic scenario, perhaps a shared bubble with travel to and from Australia would be possible, given their success in reducing case numbers too. Eventually, the hope is that a vaccine then solves the problem and allows us to re-open to the world. Should a vaccine prove impossible, and New Zealand alone remains virus-free, it would certainly give new meaning to the expression "fortress New Zealand".

Level 3 is still very restrictive.

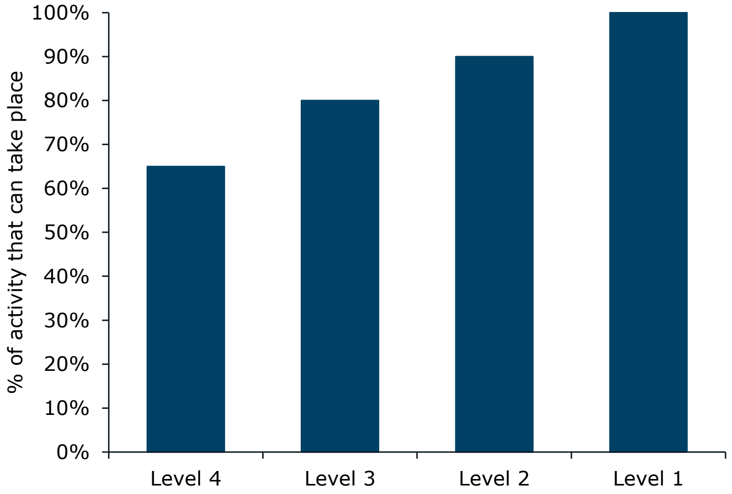
In our view, we are reaching a point where New Zealand is ready to move to Alert Level 3 – and we expect to be there in the next week or so. This is because the activities that will be able to take place under Alert Level 3 – like construction, takeaway food, online retail, and some manufacturing and services – are relatively low risk if undertaken with appropriate safeguards. However, steps from there will (and should be) cautious, given the risks. At this stage, we expect that we will be in the Alert Level 3 "waiting room" for about four weeks. But it will all depend on the data, as it should.

Under level 3 the emphasis is still very much on staying home as much as possible, keeping your bubbles intact, and restricting contact and travel. According to MBIE's new guidelines on workplace operations under different alert levels:

> *At Alert Level 3, everyone must still work from home unless that is not possible. Workplaces can be reopened if the work cannot be done from home and the workplace can operate consistently with public health guidance. However, there cannot be contact with the public. For example, retail needs to be by contactless purchase and delivery, including drive-through and click and collect. Retail storefronts cannot open to customers (except supermarkets, dairies and petrol stations).*

Some businesses that were previously producing zero output will be able to get back to work and start on their own individual road to recovery – but business will look very different for a time. The economy we are going back to will not be the same, and many will still struggle. Activity that *can* happen and activity that *will* happen are not the same thing. We are now in a recession and people will pull back on their spending accordingly. Firms that can now resume activity will not be returning to the same baseline.

Figure 4. Ballpark estimates of the % of economic activity permitted in Alert Levels 1-4



Source: ANZ Research

We are now in recession – it won't be back to BAU.

The details provided about the conditions associated with Alert Level 3 were in line with our expectations and consistent with our forecasts, which were updated just last week.

The lockdown level details are consistent with our forecasts.

- We estimate that output is 15-25% lower in Alert Level 3 and 30-40% lower in Alert Level 4, after adjusting for (significant) losses to productivity (figure 4). Clearly, the uncertainty about the magnitude of the short-term impact is wide, but it is no-doubt large.
- We expect that GDP will contract around 22-23% over H1, consistent with 4 weeks in Level 3. A 2-6 week range suggests something in the ballpark of 20-25%.
- In many ways, it is the long-term impact of the crisis that is more important because that determines the lasting impacts on jobs, business prospects, incomes and wealth positions. These will take a long time to improve after the initial bounce in activity.

The GDP swings are enormous and recovery will be slow.

- It will be a slow recovery ahead, with GDP expected to be 8-10% lower over 2020, and GDP not returning to pre-crisis levels until mid-2023. Of course uncertainty around those estimates are large too. But the point is that the scars of this crisis will be with us for a long time.
- This outlook is premised on more fiscal and monetary stimulus being in the pipeline. Even with this support, unemployment is expected to increase to 11% in short order.

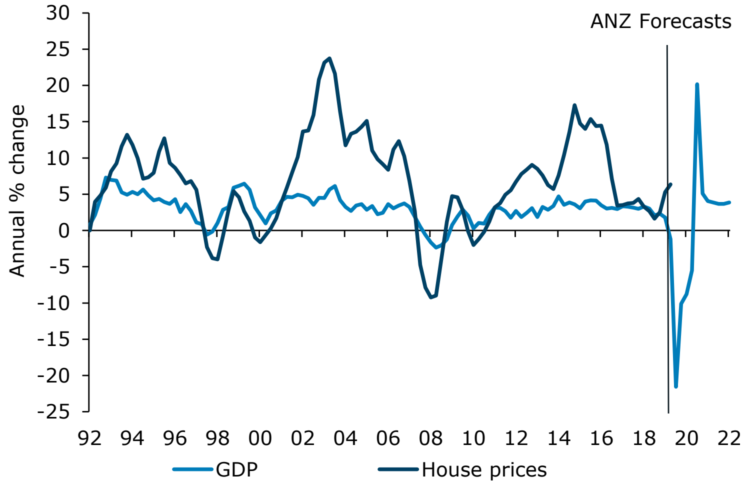
More fiscal support will be needed.

- The outlook for the property market is grim even with monetary and fiscal support, as discussed in our ANZ Property Focus. We expect that house prices will fall 10-15%, with downside risk. As figure 5 (over) implies, the uncertainty is unusually high at present, given the extreme swings in GDP growth we're looking at.

The outlook for the property market is grim.

This week we will be releasing our ANZ Quarterly Economic Outlook, which will discuss our forecasts in much more depth, including the recovery and reshaping that may be necessary on the other side of this.

Figure 5. GDP and house prices



Source: REINZ, Statistics NZ, ANZ Research

We see a more protracted recovery than Treasury.

Last week the Treasury released a range of economic scenarios that include different Alert Levels, fiscal responses and global developments. At first glance, these look more pessimistic than our own forecasts, but the key difference is that we assume more fiscal stimulus is coming – as has been clearly signalled. Those scenarios that exclude more support illustrate how important this is. Overall, our forecasts are around the middle of the pack, once this is taken into account. We see a smaller near-term contraction, but a more painful recovery. We see demand remaining weak for a long time, with the private sector deleveraging and Government debt high. A key difference from Treasury is that we also see potential output being lower, and believe will take a long time to rebuild that. Investment will be weaker, migration will be lower, and some workers will be discouraged from participating in the workforce.

We expect more fiscal initiatives are in the pipeline, with some perhaps to be unveiled as soon as this week as we get closer to the May 14 Budget. So far the Government has pledged over $20 billion support to households and businesses.

The Government has announced more SME support.

The Government announced additional support measures for SMEs last week, including:

- $3.1 billion tax loss carry-back scheme (estimated cost over the next two years)
- $60 million estimated annual savings to business each year from changes to the tax loss continuity rules
- $25 million in the next 12 months for further business consultancy support
- Greater flexibility for affected businesses affected to meet their tax obligations
- Measures to support commercial tenants and landlords.

But there will be more to come.

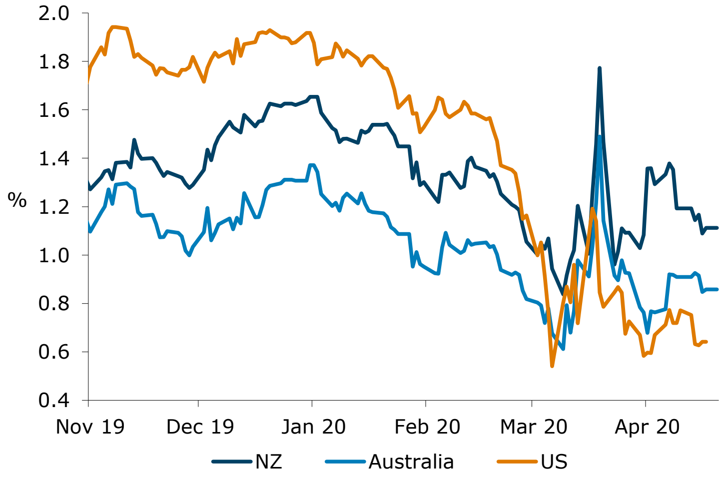
But there is still plenty more to do. As we discussed last week we're still in the very early stages of what's going to be a long road to recovery. During the crisis, measures aimed at damage control – supporting incomes and cash flow – are the focus, but eventually this will pivot to rebuilding. Government debt will be enormous for a long time.

More monetary easing is also on the way.

More monetary stimulus is also required – and is looking more urgent. Last week we outlined our thinking that the RBNZ will need to roughly double their quantitative easing (QE) efforts (to $60bn) to keep financial conditions easy and bond yields low. RBNZ officials reaffirmed last week that their QE efforts are making a difference. Nonetheless, bond yields have stopped falling in recent weeks (figure 6). Underlying pressures in bond markets primarily reflect the economic outlook and size of fiscal spend and issuance coming. But it is also partly a global phenomenon that central banks have fought against, with some concerns about worsening prospects for corporate incomes and viability.

Economic overview

Figure 6. NZ, Australian and US 10-year bond yields



Source: Bloomberg

The focus is on predicting the volume of purchases required.

The focus for forecasters and market participants is on predicting the volume of bond purchases that will be required, and the impact this might have on yield curves. At this stage, we expect that the RBNZ will continue to use volume announcements (currently the programme is $33bn in size) as it adapts its policy stance. However, another option would be to adapt their QE programme to a type of "yield curve control" (or YCC) as used in Australia. This involves specifying a yield target and purchasing as many bonds as is required to achieve that.

Negative policy rates are not off the table, but are not imminent.

Negative policy rates have also been employed in some countries, particularly Europe. At this stage, we don't expect the RBNZ to take the OCR into negative territory, at least not any time soon. Even if the financial system were technically ready for that, it poses risks to credit availability that we think would be untenable at the moment, given stresses that could emerge. Last week the Governor commented that negative rates are not off the table beyond the next 12 months. But for now, QE is the weapon of choice.

We expect a fall in dairy prices.

Markets will continue to watch the news flow about the outbreak, the scope and trajectory of lockdown measures and fiscal responses. Data has taken a backseat, but has nonetheless been ugly. It's quiet on the domestic data front this week. We have Q1 CPI and the GDT auction on Wednesday morning. Futures are pointing to a 3% fall in dairy auction prices. However, these markets didn't do too well at foreshadowing the last auction's results, where prices firmed, counter to the consensus view. It seems unlikely the market will get it as wrong again this week as growing milk surpluses in Northern Hemisphere production regions are now weighing on market sentiment.

Local data

REINZ housing market data – March. House prices eked out a 0.3% m/m gain. Sales dipped 18%, with the lockdown coming into effect near the end of the month. In coming months we expect to see a significant dip in sales activity and prices, but volatility is also likely to be high, with few sales transactions happening. At this stage, we expect house prices will fall 10-15%, with downside risk.

Food Price Index – March. Food prices lifted 0.7% m/m – within its typical range for a March month.

Rental Price Index – March. Rental inflation showed persistence in March, rising 0.3% m/m. Rent freezes are expected to slow this down in the coming months.

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ANZ Monthly Inflation Gauge – March. The Gauge lifted just 0.1% m/m in March, keeping annual inflation in the Gauge stable at 3.2% y/y. With parts of the economy shut down, measuring prices is becoming increasingly difficult. This could introduce some volatility over the months ahead, but once the dust has settled the inflation pulse is expected to be very weak.

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 CPI Preview – Downhill from here
- ANZ NZ Monthly Inflation Gauge – Rough seas ahead
- ANZ Property Focus – Collateral damage

FX / rates overview

Summary

Liquidity fuelled bounce in equities and bond yields still low.

Global markets are in the midst of a bounce in risk appetite as the period of forced selling at any price moves into a period of improved liquidity. This is in the wake of central bank responses, on US moves towards reopening, and on hopes that a vaccine can be found soon. However, we are cautious about the sustainability of such a large liquidity-fuelled bounce ahead of a synchronised growth slowdown that will far eclipse the GFC (not to mention the very real possibility of future waves of infection). The massive ramp-up of QE here and abroad has helped equities, kept interest rates low and flattened yield curves. But while we see more QE and flatter curves here, the US is unlikely to be able to continue at its current pace, and liquidity conditions may well change there. In FX, we expect the NZD to continue to range trade around current stronger levels.

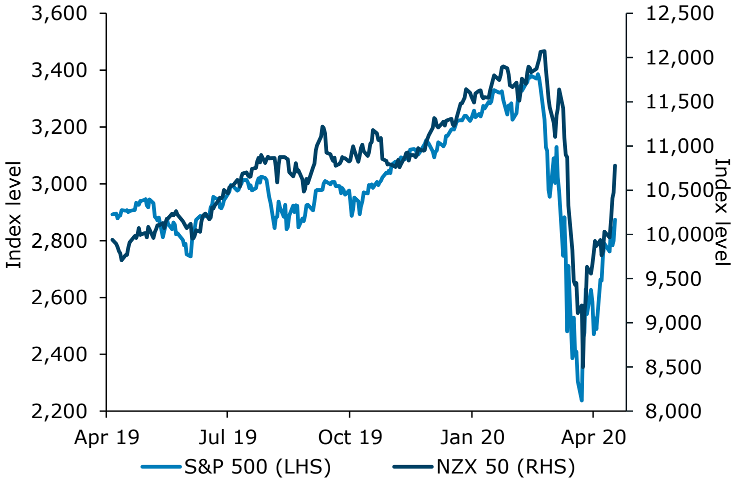
Fed steps up to the plate …

Equity markets bounced strongly last week, with key indices like the Dow Jones and S&P 500 in the US, and the NZX50 here, all having recovered more than half of their post-COVID-19 declines by the end of last week. Some recovery was always on the cards as forced selling subsided and markets responded to central bank initiatives, particularly in the US, where the Fed is buying bonds across the credit spectrum. Similarly, talk of vaccines being available sooner is encouraging, if it's credible.

… but ANZ and the IMF expect a dramatic slowdown in growth.

However, we remain cautious about how sustainable those moves are, given the growth challenges that lie ahead. Our forecasts for growth in New Zealand and the IMF's global growth forecasts point to a growth hit that will eclipse what was seen post-GFC – very much at odds with equity market price action. We don't normally comment on equity markets, but given the degree of optimism evident in prices, any re-correction lower poses risks to other markets and to the wider economy as wealth perceptions are re-calibrated.

Figure 1: S&P 500 and NZX 50



Source: Bloomberg

Contributing to the improvement in risk appetite, US bond yields remain subdued under the weight of unprecedented Fed bond buying. Although the Fed has pared back the pace of purchases slightly (more on that later), the 4-week change in the size of the Fed's SOMA (ie QE) account to the end of last week was a staggering USD 1.34trn, or around 6% of GDP. At a high level, that makes QE1, QE2 and QE3 look like child's play, with the biggest 4-week increase seen prior to 2020 a mere USD 213bn.

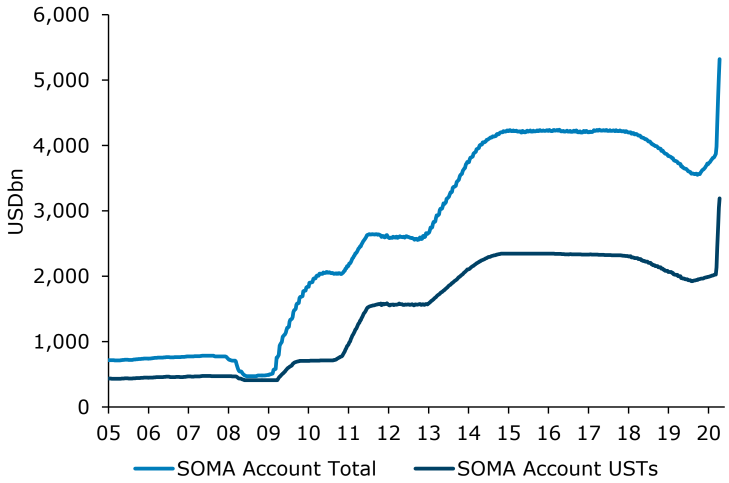
The Fed has expanded its balance sheet by a record amount over the past four weeks …

Such an outsized liquidity boost does go some way to validate, or at least explain, moves seen in equities – the money has to go somewhere! But while a recovery in asset values and risk appetite is desirable, it's important not to confuse a liquidity-driven rebound with a broad-based earnings-driven lift in values. And although the Fed's QE programme is unlimited in theory, in practical terms there is a limit to how much and how quickly it can grow its balance sheet. That being the case, the Fed is unlikely to continue buying at this pace for many more months.

…but that can't continue forever.

That begs the question – what happens when they do slow down to any material degree? Last week's slowing from USD291bn to USD259bn was pretty tame, but if things slow down significantly, will we see another taper tantrum? It's a possibility.

Figure 2: Federal Reserve SOMA (QE) Account Holdings

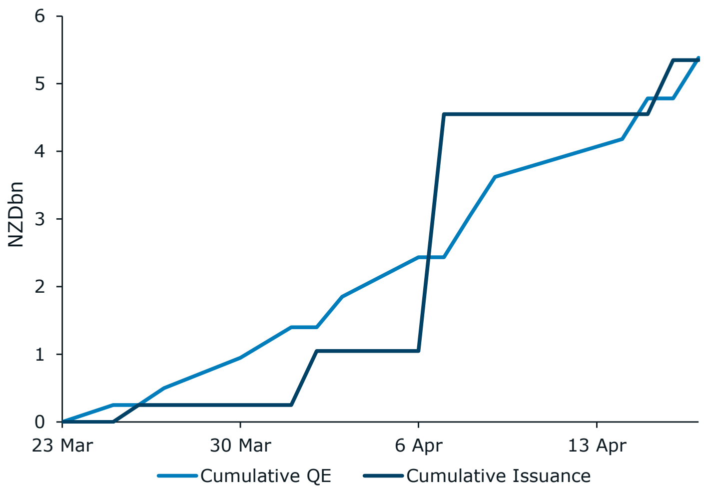


Source: Bloomberg

Dovish comments from the RBNZ.

In New Zealand, while QE has had a significant impact on the shape of the yield curve, purchases so far have amounted to just under 2% of GDP. The RBNZ has hinted (with very dovish comments at last week's Epidemic Response Select Committee hearing) that it has more work to do. Indeed, of the $30bn of NZGBs the RBNZ has pledged to buy (along with $3bn of LGFA paper) over the next 12 months, it has purchased around $5.38bn of that. Unlike in the US, where QE has dwarfed issuance, QE here has largely matched issuance since it began (figure 3). Part of that reflects NZDM's one-off $3.5bn syndicated sale of 2031 bonds the week before Easter, but it also reflects the RBNZ's more measured move into QE, which has never occurred in New Zealand.

Figure 3: NZDM bond issuance vs RBNZ QE (NZGBs only)



Source: Bloomberg

QE is working in New Zealand…

That said, we do think the RBNZ has been effective in containing yields, with the curve now significantly flatter than it was before QE was announced and outright yields on longer bonds lower. But whereas the 10-year swap yield ended last week within a few points of all-time lows, NZGBs have lagged the move and long-end swap spreads remain negative. In the very short term that likely reflects the slower pace of QE (the weekly pace of buying eased to $1.35bn this week from $1.8bn during the weeks before and after Easter). However, over the next few months, even if the pace of purchases slows to as low as low as $1.05-$1.2bn (which we expect, now that the syndication is done and issuance reverts to weekly tenders), QE will still outweigh issuance and should slowly drag the NZGB yield curve lower and flatter over time.

And more QE is coming.

Furthermore, as we detailed last week, we expect the size of the LSAP (QE) to be doubled to $60bn at the MPS next month, ahead of the Budget the following day. Comments made by RBNZ Governor Orr and Assistant Governor Hawkesby at last week's Select Committee hearing support this, with Orr noting that "we are at the end of the beginning around what may need to be done" and that "we're halfway to two-thirds of the way through" the easing seen in a typical downturn.

Some "rules of thumb" to consider

Also of note, Hawkesby noted that "as a very rough rule of thumb, international research suggests is that asset purchases in the order of 1.5% of GDP equate to around 25bps of easing", adding that the Bank's "30 billion programme equates to around 150bps of easing that we've delivered through our LSAP". If anything, we suspect that's a low-side estimate, given the large immediate jump in bond issuance this time around as fiscal policy has leapt to the rescue. This quarter's $17bn in bond issuance almost exceeds the record $19bn issued in the full 2010/11 fiscal year, and that included the impact of the Christchurch earthquake.

In last week's *Weekly* we estimated that $10bn of QE (which is around 3% of GDP) might equate to around 25bp of OCR cuts. This estimate, only half the rule of thumb quoted by Hawkesby, is based on analysis of changes in Shadow Short Rates (SSRs), which remain only mildly negative and well above levels seen across the major economies during the post-GFC period. There's as much art as science in making these estimates, but the point is, we think it is fairly safe to say that significantly more easing is coming, and that should keep yield curves low and flat. In 2008/9, the RBNZ cut the OCR by 575bps, whereas this time around we have seen a 75bp cut and $30bn of QE. Even if QE is worth more in OCR-equivalent basis point terms, the effective easing is well shy of what we saw in 2008/9, and this crisis is bigger.

NZ to exit Level 4 lockdown …

In currency markets, with no direct intervention by the RBNZ (well, not yet anyway!), the conversation is around how things look after lockdown ends and how exports hold up. In general terms, this is a positive story. Although New Zealand's lockdown was among the most stringent, production of many primary products has continued, and moreover, prices have held up well. That has been, and will likely continue to be, a boon for New Zealand and the NZD. As we exit Level 4, more sectors will return to work, likely including forestry and other key exports, and demand from China is likely to recover as it re-opens (though their economy is now under significant pressure from the slowdown in its trading partners). New Zealand is also well placed to step in as the US closes meat production facilities. The data points to New Zealand being on top of COVID-19, whereas the US is not.

… which is a positive for the economy.

New Zealand has a good shot at being past the worst of the disruption, and the gradual easing of restrictions will lift activity. This is also happening in the US, but the strong risk there is that they loosen up too early and experience second and third waves. If cases continue to decline during Level 3 then things are really looking up enormously, even though we're now in a deep recession and the scars will be deep.

But there are many offsets and we are more neutral the Kiwi around 0.60.

At a high level we remain somewhat neutral the NZD. Sectors like tourism will take years to recover and house prices are at risk of a significant fall. But we entered this crisis with very low government debt, enabling fiscal policy to do more. On the other hand private sector debt is high and outsourcing of services and rented premises mask the true extent of leverage across the business sector. Against a backdrop of a synchronised global slowdown and significant uncertainty over how long the practical limitations on activity will last –– we see NZD/USD as being range-bound around 0.60 for now.

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
20-Apr	NZ	CPI QoQ - Q1	0.4%	0.5%	10:45
	NZ	CPI YoY - Q1	2.1%	1.9%	10:45
	UK	Rightmove House Prices MoM - Apr	--	1.0%	11:01
	UK	Rightmove House Prices YoY - Apr	--	3.5%	11:01
	JN	Trade Balance - Mar	¥459.9B	¥1108.8B	11:50
	JN	Trade Balance Adjusted - Mar	-¥115.0B	¥498.3B	11:50
	JN	Exports YoY - Mar	-9.4%	-1.0%	11:50
	JN	Imports YoY - Mar	-8.7%	-13.9%	11:50
	GE	PPI MoM - Mar	-0.7%	-0.4%	18:00
	GE	PPI YoY - Mar	-0.8%	-0.1%	18:00
	EC	ECB Current Account SA - Feb	--	€34.7B	20:00
	EC	Trade Balance SA - Feb	€20.0B	€17.3B	21:00
	EC	Trade Balance NSA - Feb	--	1.3B	21:00
21-Apr	US	Chicago Fed Nat Activity Index - Mar	-3.00	0.16	00:30
	AU	ANZ-RM Consumer Confidence Index - 19-Apr	--	78.2	11:30
	AU	RBA Minutes of April Policy Meeting -	--	--	13:30
	NZ	Non Resident Bond Holdings - Mar	--	52.1%	15:00
	AU	RBA Governor Lowe gives speech in Sydney	--	--	17:00
	UK	Claimant Count Rate - Mar	--	3.5%	18:00
	UK	Jobless Claims Change - Mar	--	17.3k	18:00
	UK	Average Weekly Earnings 3M/YoY - Feb	3.0%	3.1%	18:00
	UK	ILO Unemployment Rate 3Mths - Feb	3.9%	3.9%	18:00
	UK	Employment Change 3M/3M - Feb	100k	184k	18:00
	GE	ZEW Survey Expectations - Apr	-42.0	-49.5	21:00
	GE	ZEW Survey Current Situation - Apr	-75.0	-43.1	21:00
	EC	ZEW Survey Expectations - Apr	--	-49.5	21:00
22-Apr	US	Existing Home Sales - Mar	5.30M	5.77M	02:00
	US	Existing Home Sales MoM - Mar	-8.2%	6.5%	02:00
	AU	Westpac Leading Index MoM - Mar	--	-0.43%	12:30
	AU	Skilled Vacancies MoM - Mar	--	-0.2%	13:00
	UK	CPI MoM - Mar	0.0%	0.4%	18:00
	UK	CPI YoY - Mar	1.5%	1.7%	18:00
	UK	CPI Core YoY - Mar	1.6%	1.7%	18:00
	UK	RPI MoM - Mar	-0.2%	0.5%	18:00
	UK	RPI YoY - Mar	2.2%	2.5%	18:00
	UK	RPI Ex Mort Int.Payments (YoY) - Mar	2.4%	2.5%	18:00
	UK	PPI Input NSA MoM - Mar	-3.5%	-1.2%	18:00
	UK	PPI Input NSA YoY - Mar	-3.2%	-0.5%	18:00
	UK	PPI Output NSA MoM - Mar	-0.3%	-0.3%	18:00
	UK	PPI Output NSA YoY - Mar	0.1%	0.4%	18:00
	UK	PPI Output Core NSA MoM - Mar	0.0%	-0.1%	18:00
	UK	PPI Output Core NSA YoY - Mar	0.5%	0.4%	18:00
	UK	House Price Index YoY - Feb	1.6%	1.3%	20:30
	US	MBA Mortgage Applications - 17-Apr	--	7.3%	23:00
23-Apr	US	FHFA House Price Index MoM - Feb	0.3%	0.3%	01:00
	EC	Consumer Confidence - Apr A	-20.0	-11.6	02:00
	AU	CBA PMI Mfg - Apr P	--	49.7	11:00
	AU	CBA PMI Services - Apr P	--	38.5	11:00

Continued on following page

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
	AU	CBA PMI Composite - Apr P	--	39.4	11:00
	JN	Jibun Bank PMI Mfg - Apr P	--	44.8	12:30
	JN	Jibun Bank PMI Services - Apr P	--	33.8	12:30
	JN	Jibun Bank PMI Composite - Apr P	--	36.2	12:30
	NZ	Credit Card Spending YoY - Mar	--	2.5%	15:00
	NZ	Credit Card Spending MoM - Mar	--	-0.6%	15:00
	GE	GfK Consumer Confidence - May	-1.7	2.7	18:00
	UK	Public Finances (PSNCR) - Mar	--	£1.4B	18:00
	UK	Public Sector Net Borrowing - Mar	£2.0B	-£0.4B	18:00
	UK	PSNB ex Banking Groups - Mar	£2.7B	£0.3B	18:00
	GE	Markit/BME Manufacturing PMI - Apr P	39.0	45.4	19:30
	GE	Markit Services PMI - Apr P	28.1	31.7	19:30
	GE	Markit/BME Composite PMI - Apr P	28.8	35.0	19:30
	EC	Markit Manufacturing PMI - Apr P	38.0	44.5	20:00
	EC	Markit Services PMI - Apr P	23.0	26.4	20:00
	EC	Markit Composite PMI - Apr P	25.5	29.7	20:00
	UK	Markit PMI Manufacturing SA - Apr P	42.0	47.8	20:30
	UK	Markit/CIPS Services PMI - Apr P	28.5	34.5	20:30
	UK	Markit/CIPS Composite PMI - Apr P	31.0	36.0	20:30
	UK	CBI Trends Total Orders - Apr	-50	-29	22:00
	UK	CBI Business Optimism - Apr	-53	23	22:00
24-Apr	US	Initial Jobless Claims - 18-Apr	4500k	5245k	00:30
	US	Continuing Claims - 11-Apr	17271k	11976k	00:30
	US	Markit Manufacturing PMI - Apr P	38.0	48.5	01:45
	US	Markit Services PMI - Apr P	31.3	39.8	01:45
	US	Markit Composite PMI - Apr P	--	40.9	01:45
	US	New Home Sales - Mar	644k	765k	02:00
	US	New Home Sales MoM - Mar	-15.8%	-4.4%	02:00
	US	Kansas City Fed Manf. Activity - Apr	-34	-17	03:00
	UK	GfK Consumer Confidence - Apr P	-40	-34	11:01
	JN	Natl CPI YoY - Mar	0.4%	0.4%	11:30
	JN	Natl CPI Ex Fresh Food YoY - Mar	0.4%	0.6%	11:30
	JN	Natl CPI Ex Fresh Food, Energy YoY - Mar	0.6%	0.6%	11:30
	JN	PPI Services YoY - Mar	1.8%	2.1%	11:50
	UK	Retail Sales Ex Auto Fuel YoY - Mar	-4.7%	0.5%	18:00
	UK	Retail Sales Ex Auto Fuel MoM - Mar	-4.0%	-0.5%	18:00
	UK	Retail Sales Inc Auto Fuel MoM - Mar	-5.0%	-0.3%	18:00
	UK	Retail Sales Inc Auto Fuel YoY - Mar	-5.0%	0.0%	18:00
	GE	IFO Business Climate - Apr	79.9	86.1	20:00
	GE	IFO Expectations - Apr	75.0	79.7	20:00
	GE	IFO Current Assessment - Apr	81.0	93.0	20:00
	GE	Import Price Index MoM - Mar	--	-0.9%	24 Apr-1 May
	GE	Import Price Index YoY - Mar	-3.5%	-2.0%	24 Apr-1 May
25-Apr	US	Durable Goods Orders - Mar P	-12.0%	1.2%	00:30
	US	Durables Ex Transportation - Mar P	-6.0%	-0.6%	00:30
	US	U. of Mich. Sentiment - Apr F	68.0	71.0	02:00

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 20 Apr (10:45am)	Consumer Price Index – Q1	Above 2%	We've pencilled in 0.5% q/q (2.2% y/y) for headline inflation. But pipeline inflation pressures are looking very weak.
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	Holding up	Goods exports have proven resilient. Imports have tailed off owing to supply disruptions and a weak domestic demand pulse. We see this theme continuing.
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.
Mon 11 May (10:45am)	Electronic Card Transactions – April	Noisy	Retail spend was down 3.9% in March, with strong growth in consumables offset by weak hospitality, apparel and services.
Tue 12 May (10:00am)	ANZ Truckometer – April	--	--
Wed 13 May (10:45am)	Food Price Index – April	Uncertain	Higher demand for groceries and necessities; zero supply of restaurant meals. It's all pretty uncertain.
Wed 13 May (10:45am)	Rental Price Index – April	Wither	Fewer students and rent freezes. Is this historically significant driver of domestic inflation about to wither? Probably.
Wed 13 May (2:00pm)	RBNZ Monetary Policy Statement – May	Hold	With the OCR on hold "for at least the next 12 months" it's all about QE and the RBNZ's assessment of how the situation is likely to evolve.
Thu 14 May (1:00pm)	ANZ Monthly Inflation Gauge – April	--	--
Thu 14 May	NZ Budget	Massive	A spike in debt, huge deficits, and a new fiscal strategy. The Government is taking on COVID-19 head on. It's still early days, but hopefully the Budget will mark the end of the beginning and the beginning of the recovery.
Fri 22 May (10:45am)	Retail Sales – Q1	On a cliff edge	Q1 sales volumes will likely show a few cracks around the edges, but nothing compared to what's coming in Q2.
Tue 26 May (10:45am)	Overseas Merchandise Trade – April	Holding up	Goods exports have been holding up well. Imports have tailed off owing to supply disruptions and a weak domestic demand pulse. We see this theme continuing.
Wed 27 May (09:00am)	RBNZ Financial Stability Report – May	Changed	The global economy is materially weaker, and that could expose existing financial market vulnerabilities. Weakness in the property market and associated risks may also be a theme. At least the NZD is down and dairy prices haven't fallen too much.
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	**-2.5**	**-20.6**	**15.5**	**2.0**	**1.0**	**1.0**	**1.0**	**1.0**
GDP (% yoy)	1.8	**-1.2**	**-21.6**	**-10.1**	**-8.8**	**-5.5**	**20.2**	**5.1**	**4.1**
CPI (% qoq)	0.5	**0.5**	**0.1**	**0.3**	**0.0**	**0.5**	**0.1**	**0.2**	**0.0**
CPI (% yoy)	1.9	**2.2**	**1.8**	**1.4**	**1.0**	**0.9**	**0.9**	**0.8**	**0.8**
Employment (% qoq)	0.0	**-1.0**	**-8.0**	**0.0**	**3.0**	**2.0**	**0.7**	**0.9**	**1.0**
Employment (% yoy)	1.0	**-0.1**	**-8.7**	**-8.9**	**-6.2**	**-3.3**	**5.8**	**6.7**	**4.7**
Unemployment Rate (% sa)	4.0	**5.4**	**10.7**	**11.1**	**10.1**	**8.7**	**8.6**	**8.3**	**7.8**

	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	-0.1	1.2	0.4	-0.5	2.6	-0.5	-0.2	0.5	-3.9
Retail ECT (% yoy)	1.5	2.0	3.1	0.6	1.6	5.1	3.9	4.2	8.6	-1.8
Car Registrations (% mom)	-2.3	5.5	-0.5	5.5	-5.7	-1.6	2.0	-4.9	6.7	-31.6
Car Registrations (% yoy)	-11.0	-5.4	-5.2	4.7	-6.6	3.0	5.6	-3.5	-0.3	-31.1
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	6.9	8.6	9.3
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	-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	-5.5
Net Migration (sa)	4210	5030	5310	5150	5620	4920	6090	6860	8250	--
Net Migration (ann)	50684	51765	52799	53424	55025	55543	57259	61053	65211	--
ANZ Heavy Traffic Index (% mom)	-2.2	2.3	-3.5	3.4	2.7	-1.5	-2.6	4.7	-3.2	-8.0
ANZ Light Traffic Index (% mom)	-2.0	1.4	0.3	-0.3	0.2	0.9	-2.2	2.9	-0.8	-29.3
ANZ Monthly Inflation Gauge (% mom)	0.5	0.5	0.3	0.3	0.3	0.1	0.4	0.6	0.2	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	0.604	0.52	0.53	0.55	0.57	0.59	0.60
NZD/AUD	0.958	0.976	0.949	1.00	0.98	0.98	0.95	0.97	0.97
NZD/EUR	0.566	0.543	0.555	0.47	0.49	0.51	0.53	0.54	0.55
NZD/JPY	67.79	64.55	64.92	58.2	59.4	61.6	63.8	66.1	67.2
NZD/GBP	0.484	0.481	0.483	0.50	0.49	0.49	0.48	0.49	0.49
NZ$ TWI	70.01	68.40	68.74	62.7	63.5	65.5	66.7	68.4	69.2
Interest rates/QE	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
LSAP ($bn)	--	30	33	60	60	60	60	60	60
NZ 90 day bill	1.06	0.49	0.39	0.43	0.43	0.43	0.43	0.43	0.43
NZ 10-yr bond	1.06	1.08	1.11	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	1.11	0.40	0.40	0.40	0.40	0.65	0.65
AU Cash Rate	0.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
AU 3-mth	0.81	0.37	0.13	0.45	0.45	0.45	0.45	0.45	0.45

	17-Mar	13-Apr	14-Apr	15-Apr	16-Apr	17-Apr
Official Cash Rate	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill	0.66	0.45	0.44	0.44	0.42	0.39
NZGB 05/21	0.46	0.27	0.27	0.27	0.23	0.23
NZGB 04/23	0.70	0.34	0.35	0.37	0.33	0.33
NZGB 04/27	1.07	0.78	0.76	0.79	0.73	0.75
NZGB 04/33	1.65	1.24	1.16	1.20	1.13	1.16
2 year swap	0.70	0.46	0.45	0.41	0.39	0.35
5 year swap	0.86	0.61	0.59	0.57	0.53	0.51
RBNZ TWI	69.14	68.81	69.47	68.87	67.98	68.44
NZD/USD	0.5951	0.6063	0.6085	0.6001	0.5985	0.6035
NZD/AUD	0.9918	0.9569	0.9522	0.9495	0.9491	0.9479
NZD/JPY	63.69	65.49	65.37	64.42	64.43	64.87
NZD/GBP	0.4918	0.4858	0.4850	0.4798	0.4790	0.4825
NZD/EUR	0.5397	0.5555	0.5560	0.5502	0.5501	0.5546
AUD/USD	0.6001	0.6336	0.6390	0.6320	0.6306	0.6366
EUR/USD	1.1028	1.0914	1.0944	1.0908	1.0880	1.0875
USD/JPY	107.02	108.02	107.43	107.36	107.66	107.54
GBP/USD	1.2100	1.2481	1.2548	1.2506	1.2493	1.2499
Oil (US$/bbl)	26.95	22.41	20.11	19.87	19.87	18.27
Gold (US$/oz)	1466.92	1689.18	1721.24	1721.66	1731.88	1682.82
NZX 50	9429	9964	10162	10410	10473	10779
Baltic Dry Freight Index	612	635	679	706	726	751
NZX WMP Futures (US$/t)	2790	2725	2725	2705	2715	2710

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