ANZ Research

New Zealand Weekly Focus

4 May 2020

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Labouring the point

Economic overview

The labour market is rapidly deteriorating. But the full brunt of the economic impact is yet to be seen. Some businesses have had to reduce headcount already, but more job losses are unfortunately coming even as the economy reopens. Firms have been able to use wage subsidies, cash reserves and loans to delay lay-offs, but for some this will not be sustainable. Even if trade can resume in some areas, activity restrictions will be with us for a while and a significant hole in demand has opened up. The policy outlook will be critical. The Government will now lend directly to SMEs and has expanded the Business Finance Guarantee Scheme. We expect yet more fiscal stimulus in the Budget, with keeping workers in jobs high on the priority list. But the Government cannot prop up the labour market forever and a sharp rise in unemployment is inevitable. The RBNZ will also continue to do what it can to cushion the blow and support the recovery out of this crisis, meaning enormous stimulus for a long time. We expect QE to be roughly doubled, but are sceptical that negative rates will be on the cards any time soon.

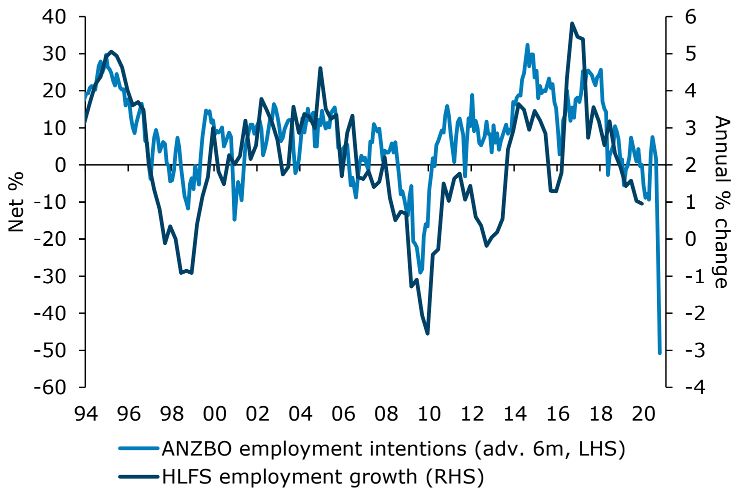
FX/rates overview

This week we compare the RBNZ's LSAP programme to the QE programmes run by the US Federal Reserve and the Reserve Bank of Australia. We find that while the volume of QE here is less in percentage of GDP terms that that in Australia and the US, it is much more focussed on the long end of the curve. It is also much more heavily skewed towards government bonds, adding weight to the view that the RBNZ's scheme is partly aimed at supporting fiscal policy. With no apparent appetite to substantially taper the pace of purchases and the overall volume expected to be increased at the MPS, we expect QE to continue flattening the NZGB curve, with the term structure of interest rates to continue falling gradually.

Chart of the week

Much of the impact on the labour market is still to come.

ANZBO employment intentions and employment growth



Source: Statistics NZ, ANZ Research

Economic overview

Summary

The labour market is deteriorating.

More policy stimulus is on the way.

The labour market is rapidly deteriorating. But the full brunt of the economic impact is yet to be seen. Some businesses have had to reduce headcount already, but more job losses are unfortunately coming even as the economy reopens. Firms have been able to use wage subsidies, cash reserves and loans to delay lay-offs, but for some this will not be sustainable. Even if trade can resume in some areas, activity restrictions will be with us for a while and a significant hole in demand has opened up. The policy outlook will be critical. The Government will now lend directly to SMEs and has expanded the Business Finance Guarantee Scheme. We expect yet more fiscal stimulus in the Budget, with keeping workers in jobs high on the priority list. But the Government cannot prop up the labour market forever and a sharp rise in unemployment is inevitable. The RBNZ will also continue to do what it can to cushion the blow and support the recovery out of this crisis, meaning enormous stimulus for a long time. We expect QE to be roughly doubled, but are sceptical that negative rates will be on the cards any time soon.

Forthcoming data

Building Consents – March (Tuesday 5 May, 10:45am). Lockdown saw activity grind to a halt. Expect first signs of this, with the lockdown coming into effect late in the month.

ANZ Commodity Price Index – April (Tuesday 5 May, 1:00pm).

GlobalDairyTrade auction (Wednesday 6 May, early am). Dairy commodity prices are anticipated to continue to trend down with futures pointing to a 5% fall in the GDT Price Index.

Labour Market Statistics – Q1 (Wednesday 6 May, 10:45am). We expect to see unemployment at 4.6%, flattered by measurement issues that will bias the result down.

Pre-Budget Speech to Chamber of Commerce (Thursday 7 May, 12:00pm). We will be looking out for possible pre-Budget announcements.

RBNZ Inflation Expectations Survey – Q2 (Thursday 7 May, 3:00pm). Likely to move lower, especially with oil prices having plunged and demand curtailed.

Treasury's Interim Financial Statements of the Government of New Zealand for the nine months ended 31 March 2020 (Friday 8 May, 10:00am). The beginning of the significant deterioration that is underway will be seen.

What's the view?

We are making progress in opening the economy.

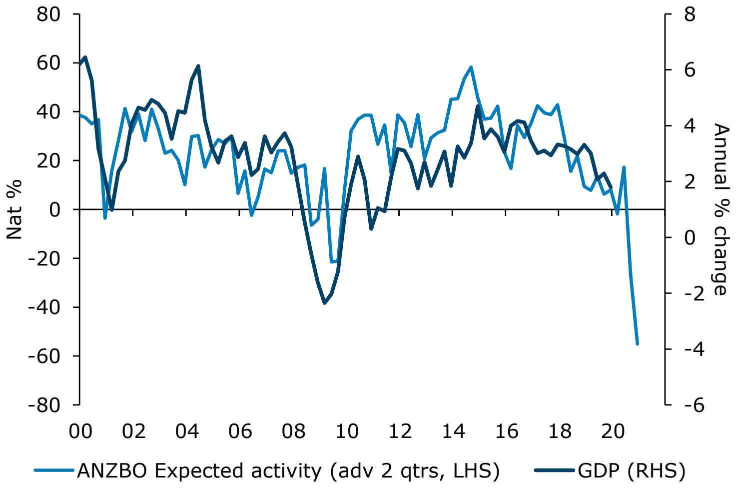
We have passed the first milestone in opening the economy: we are now in Alert Level 3. Houses can be built again, takeaway coffee can be bought (much to the relief of this Weekly Focus author), and non-essential, no-contact retail is available, amongst other things. But people should still be staying home if possible, schools are ghost towns, a range of goods and services cannot be offered (notably haircuts), and unfortunately it is still a difficult time for many.

But the impact on GDP is big – and will have lasting effects.

We are making progress, bringing us closer to returning to life and economic activity a bit closer to normal. We will be watching daily new cases (in particular, their sources) very closely and we will all find out on 11 May whether we will need to be in Level 3 for more than two weeks or if we can safely continue the gradual process of opening. We have seen surveyed expected business activity fall dramatically (figure 1), but recent progress will hopefully enable us to soon move to Alert Level 2 and beyond. We expect that a bounce in activity will be possible as we enter the second half of the year.

Unfortunately, that bounce will be incomplete. We expect to see activity restrictions (particularly border restrictions) for at least the rest of the year, with the economy also experiencing some long-lasting damage from events. Demand is expected to be weak for a long time; firms are reporting an understandable extreme reluctance to invest and employ, international tourists will leave a big hole, and consumers state that they intend to tighten their grip on the purse strings (figure 2). And of course, on the supply side of things, many firms are now operating under new health and safety guidelines that take a heavy toll on productivity and profitability.

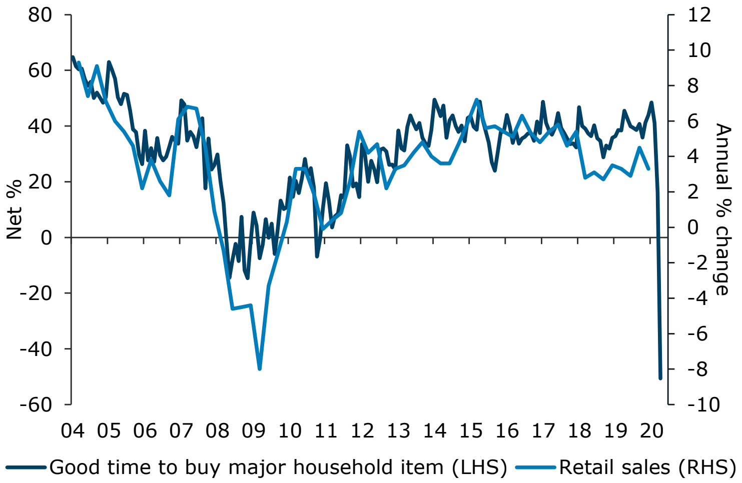
Figure 1: ANZ reported own-activity expectations and GDP



Source: Statistics NZ, ANZ Research

Figure 2: ANZ Consumer Confidence perceptions about buying major items and retail sales

Households and firms are cautious; demand will be weak.



Source: Statistics NZ, ANZ Research, Roy Morgan

Unemployment is expected to rise rapidly

Unemployment will rise rapidly.

The economic slump that is underway will see unemployment rise rapidly, even if we can continue to make progress in eliminating COVID-19 and restart the economy as we expect. The impact on GDP and business revenue of the current crisis has been swift, and many people have unfortunately lost their jobs already. But even though the impact on activity is likely past its peak, the full blow to the labour market is yet to come.

The effects started to be felt in Q1.

We will receive labour market data for Q1 this week, which will give us a sense for how the economy was tracking leading into the crisis. During Q1 the crisis was building overseas and the uncertain and difficult economic outlook was becoming more apparent – even if the magnitude of the crisis was yet to be revealed. China was in full lockdown and other countries were affected as the quarter progressed. Supply chains, global demand and international travel all started to be significantly impacted. Over that time, the first stages of the crisis were starting to be seen domestically, too. Industries like forestry, education, tourism, and related industries felt the blow early. And businesses were starting to feel a bit more cautious in their hiring, according to business surveys.

Economic overview

Next week's data will understate the deterioration.

Although we know that the labour market was deteriorating over that quarter, the data out next week will understate the extent of it. Statistics NZ has indicated that response rates for the Household Labour Force Survey dropped significantly once the lockdown took effect. Responses that were not received have had to be imputed using survey results that were. This means that deterioration in the labour market will be understated, since it will be biased by the more positive responses received earlier in the quarter.

We are picking 4.6%, but it could be lower.

If the survey response rate had not been impacted, we think that the unemployment rate would have landed somewhere in the 5-6% range. But taking into account these measurement issues, we are picking an increase in the unemployment rate from 4% to 4.6% with a quarterly fall in employment of 0.5%. If the data surprise on the upside (ie. a lower-than-expected unemployment rate), we won't be pinning it on labour market resilience. Rather, it'll be because of measurement difficulties under lockdown and the fact that the data are backward-looking. There is a decent chance that unemployment comes in lower than we expect, but we will be taking no comfort from that if it happens. Forward indicators show the outlook is bleak.

And a peak of 11% in Q3.

Once we went into lockdown, the economic impact of the crisis intensified quickly. The increase in unemployment that we expect occurred in Q1 will be dwarfed by increases as we head into the middle of the year. Our forecast is for unemployment to increase from 4% at the end of last year to 8% in Q2 and peak at 11% in Q3. We see employment 9% lower by Q3, with roughly 235k fewer people employed than at the end of last year. Of those who are no longer employed, we expect about 55k will be discouraged from participating in the workforce, in some cases to study. The number of people who are unemployed is expected to lift by 180k – from 110k in Q4 2019 to 290k in Q3 2020.

The brunt of the impact is yet to come

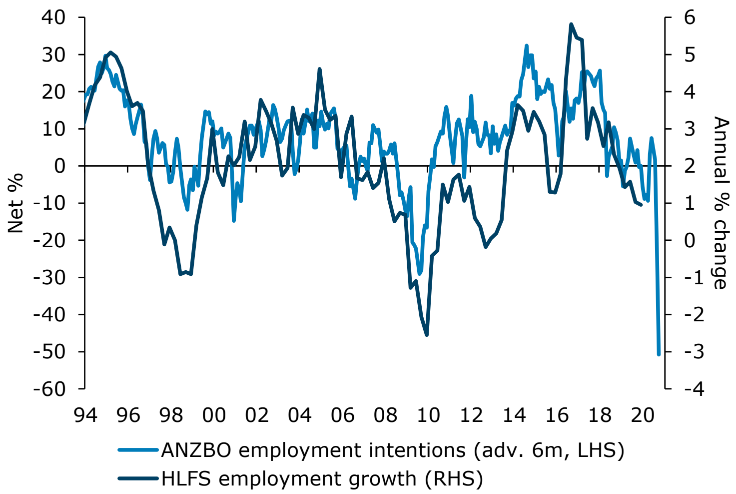
The brunt is yet to come.

So far, there have been more than 35k applications for the jobseeker benefit since 20 March. But this is expected to rise much further, with the brunt of the labour market impact expected to come later this quarter and next.

Businesses expect to shed workers.

Over this quarter, unemployment is expected to surge as businesses that are struggling – and have just been scraping by over recent weeks – are faced with the difficult decision of whether to shed staff. Our ANZ Business Outlook Survey out last week showed that a net 31% of firms had reduced headcount over the past year and a net 51% expected they would over the coming year (figure 3), with this number reflecting 56% of firms planning to cut staff, offset by just 5% of firms planning to increase headcount. We will get more colour on firms' hiring intentions in our preliminary ANZ Business Outlook results for May out on 11 May.

Figure 3: ANZBO employment intentions and employment growth



Source: Statistics NZ, ANZ Research

Economic overview

The cost to the Government is already enormous.

Even though benefit recipient numbers have a lot further to go, the cost of supporting workers is already proving enormous. The Government is currently bearing the significant expense of supporting employment through the wage subsidy scheme. As of Friday, $10bn has been paid out to businesses to support 1.7 million individuals (about 60% of the workforce) through wage subsidies. And the fiscal cost is only set to increase. As benefit numbers and hardship applications rise, this will put added pressure on operating expenses, while lower tax-take (from both individuals and businesses) will reduce revenue.

The end of the wage subsidy scheme is a key date for many.

Because it is so expensive, the wage subsidy is necessarily temporary. It is expected to end in mid-June, after 12 weeks. This will be a key date for many businesses. The scheme requires that businesses retain workers for the full 12-week period in order to receive the subsidy; but once that period ends, difficult decisions will need to be made.

Of course, labour costs are only one aspect of firms' costs and for some businesses the scheme has not been enough to allow them to retain staff; hence job losses have been seen already. We suspect many of these job losses have been concentrated in industries where activity is not expected to resume for a long time, like tourism, and in industries where relatively casual work is more common, like retail and forestry.

For some firms the scheme has not been enough.

For some firms, the choice to shut up shop has already been made. For others, cash buffers have been eroded and cost-saving measures have been needed. In some cases, rent payments have not been possible and/or rent reductions have been negotiated (or demanded). And in many cases, reliance on credit has had to increase so that costs could be covered.

The Government has now announced it will lend directly to SMEs via the IRD, with loans interest free if repaid within a year. We expect enthusiastic take-up of this scheme, since there is no cost to it and a great number of firms can easily pass the hurdle of showing a significant impact from COVID-19 on their business. The funds will help firms meet their non-labour fixed costs during a period of low revenue.

Government will now lend to SMEs directly.

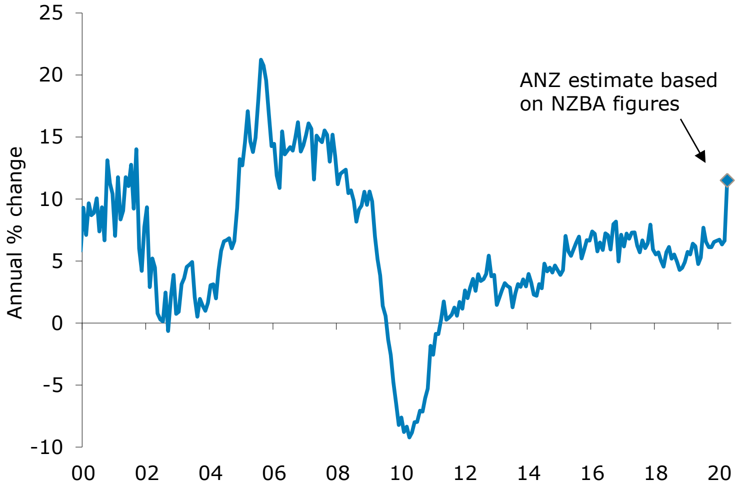
The Government will need to ensure its lending is prudent and will be asking the IRD to make a judgement on whether firms are able to meet their repayment obligations. That's pretty difficult in these circumstances, and it will be very challenging for the Government to accurately estimate the final cost of the scheme. Based on our economic forecasts and the seeming intention for the hurdle to be set relatively low, we expect losses will be sizeable (despite the required viable business declaration). It will also never be known how much of the uptake will represent lending that otherwise would have happened anyway through the usual private sector channels, albeit not at a zero interest rate. But the hope is that the employment and economic benefits in terms of seeing more viable firms successfully navigate these very rough times will outweigh the costs to current and future taxpayers. The Government has also loosened the criteria of the Business Finance Guarantee Scheme to encourage greater take-up.

Additional debt that's taken on to get through this period via any channel will still need to be paid back, so businesses do need to be viable in the long term for more credit to be a good option – for borrower or lender. Risk assessments will determine the availability of funds from both Government and banks, and will need to take into account the evolving economic landscape. Banks will naturally play a role in helping households and businesses through, but they will need to be mindful of their balance sheets too, in order to protect depositors and shareholders and to ensure they can provide credit broadly and sustainably.

Banks are playing a key role, but acting mindfully.

There has been a $6bn increase in new bank lending to businesses since 26 March, according to the New Zealand Bankers Association. Compared to a stock outstanding of $123bn in March, this amounts to an increase in business lending of 5%, bringing growth to 12% y/y. This may increase further as invoices continue to roll in and more firms start to feel the pinch, though the interest-free government loans will now meet some of the demand. Regardless, we wouldn't expect any surge in bank credit to last long, with credit largely a stop-gap, and firms looking to consolidate their financial positions once activity can resume.

Figure 4: Business credit growth



Source: RBNZ, NZBA, ANZ Research

Lending has increased substantially to help struggling firms.

As the economy reopens, particularly once we reach Alert Level 2, many businesses will be able to restart activity and generate cash flow – albeit in the face of activity constraints and weaker demand. Many more workers will be able to get back to work. For many businesses, the wage subsidy has been a helpful bridge to get through this difficult period so that they can come out the other side ready to trade with staff still in place.

Once we reach Alert Level 2, some workers can get back to work.

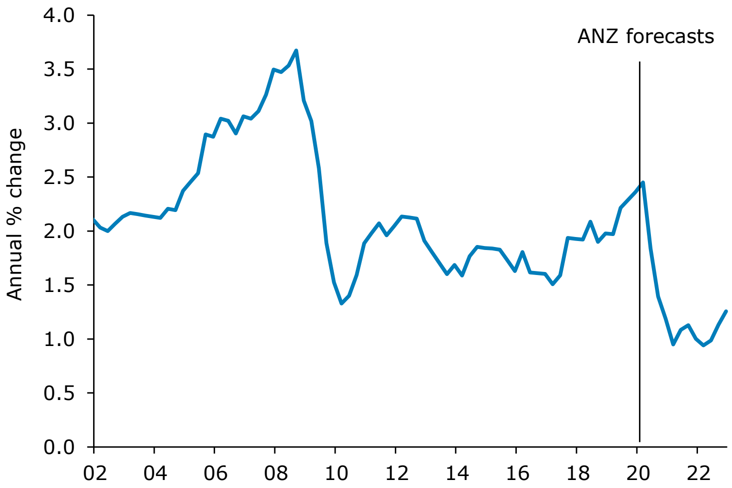
But for some firms, the wage subsidy is a stop-gap that is just allowing them to delay inevitable job losses. Some firms will shut up shop. Others will be able to trade on the other side of this, but with smaller workforces – in some cases significantly so. Consistent with this, we expect that unemployment will remain elevated, even as the economy gets underway again. Some of the economic damage will be long-lasting, and it will take a while for that impact to be fully realised.

But in some cases, job losses are still to come regardless.

Deterioration in the labour market will contribute to persistently weak demand. It will also lead to weaker wages. Slack is opening up in the labour market abruptly, and firms' ability to pay workers is being severely impaired. Broader price pressures have also been rapidly eroded. All of this will swamp the recent increase in the minimum wage and recent Government policies to keep people employed. We see wage inflation slowing from its current moderate pace to hover near 1% y/y (figure 5).

And wage growth will be weak.

Figure 5: Wage inflation forecast

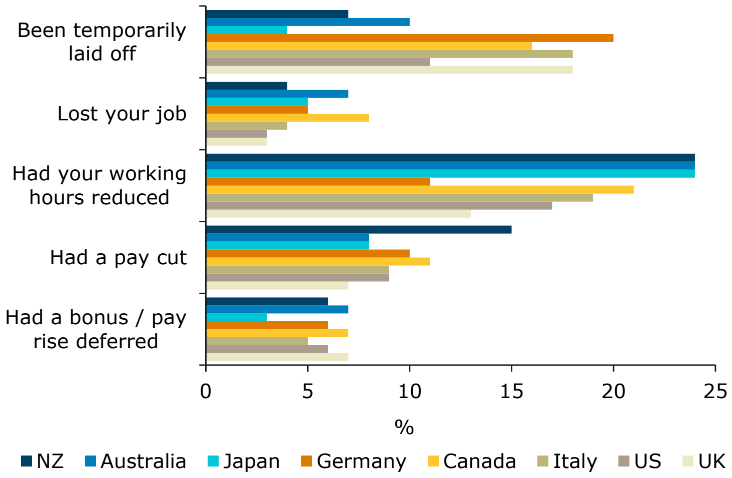


Source: Statistics NZ, ANZ Research

Indeed, in an international survey, New Zealand respondents were more likely to report pay cuts than many other countries. Whether these pay cuts are temporary or permanent may not even be known to the workers and firms involved. But on the plus side, relatively few report having been temporarily or permanently laid off as yet.

Survey data backs up this idea.

Figure 6: % of respondents who report this has happened to them during the outbreak



Source: globalwebindex (survey 22-27 April), ANZ Research

The labour market data might be volatile

We may well see some volatility in the labour market outturns ahead, making the path of the labour market even more difficult to predict:

Expect volatility…

- The disruption associated with lockdown and volatility in GDP is leading to abrupt changes in the economic landscape.
- The end of the wage subsidy scheme may see a surge in layoffs; and
- We are in an inherently uncertain time and this can lead to abrupt changes in behaviour as firms adapt their plans to a fluid situation, including hiring and firing.

Not to mention the raft of measurement issues that will also add noise:

…with measurement issues adding to the noise.

- Response rates have been affected by the lockdown, which means that responses have had to be imputed. This will bias results more positively in the Q1 release, with uncertain impacts from there.
- Hours worked, productivity and earnings will have been volatile on account of lockdown disruption for those who remain employed.
- Wage cuts and productivity adjustments will be difficult to quantify in the labour cost index.
- It will be difficult to allocate people into labour market categories. For example, it will be hard to assess whether a person is technically "able" to work in lockdown, especially if this is changing in different alert levels. This affects whether someone is considered employed, unemployed or out of the labour force.
- It will be difficult to recruit new people to the Household Labour Force Survey, with initial interviews usually done in person.

The outlook is uncertain and will depend on a range of factors.

And the outlook will depend on some important unknowns

The outlook is highly uncertain, and the further out we look, the more difficult all these things are to predict. The outlook will depend on a number of crucial factors.

- The course of the outbreak and when further opening up of the economy is possible;
- The economic impact – and how persistent it is;
- How businesses fare and the prevalence of heightened caution;
- Pass-through to hiring decisions;
- The extent that individuals become discouraged from participating in the labour market or look to change occupations (figure 7); and
- Government policy.

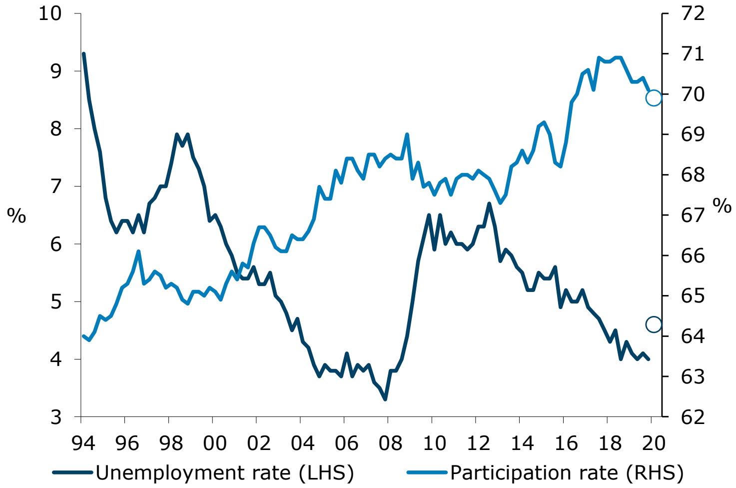
We expect to see GDP 20-25% lower in H1.

We've talked a lot about how the economic impact of the current crisis is highly uncertain. Based on what we know so far, we see GDP 20-25% lower over the first half of the year, with a fall of 8-10% over the year as a whole. But if we do not succeed in eliminating COVID-19, then the outlook would be worse, and so too would the labour market impact.

Labour market impacts are crucial for demand.

The labour market impact will be crucial in determining the persistence of the current shock and ease of recovery. That's one of the reasons why the Government's support so far to help businesses keep people in work has been important. Without it, more jobs would have been lost and more of the economy's productive capacity would have been reduced. The impact on the labour market also has longer-term demand implications. If we see a worse economic hit, and a more significant impact on people's livelihoods, then low demand and the deleveraging effect may become more entrenched.

Figure 7: Unemployment and participation rates



Source: Statistics NZ, ANZ Research

Export revenue will also be affected.

As it is, we expect that demand will recover only slowly, with households and firms looking to shore up their financial positions and uncertainty rife for a while. Industries like tourism will be affected for a long time and export industries will be impacted by weak global demand. Although we expect export demand will remain supported to some degree by global food supply chain issues, the global slump will inevitably weigh on export prices and national income. This will also slow the recovery, particularly since it is looking like a longer road out for other countries. Export prices have already started to fall, but there is more to come. This week, we have the next GDT auction, with dairy prices expected to continue to trend down. Futures point to a 5% fall in the GDT Price Index.

The labour market impact blow won't just be determined by GDP, where we see downside risk.

There are risks to the labour market on both sides

The impact on GDP is obviously very uncertain. But even for a given GDP effect, the impact on the labour market can vary. How much unemployment increases will depend on the duration of the shock, how businesses fare, optimism (or not) about the outlook, behavioural change, and the extent of government support.

Economic overview

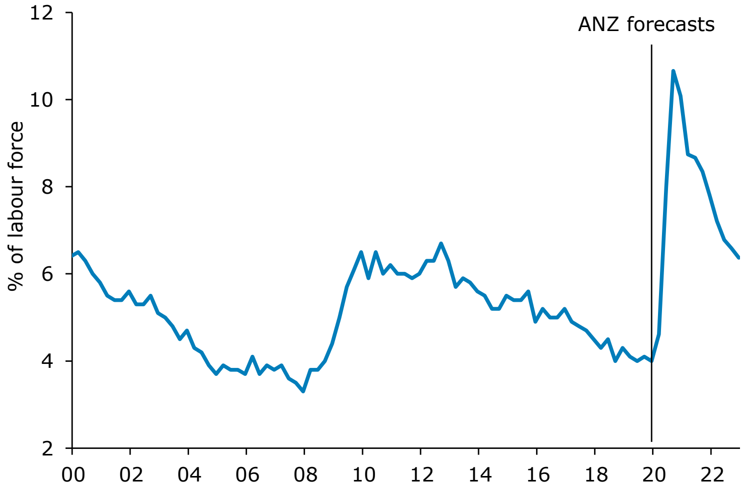
Government policy could provide more support than we expect.

We are assuming that a 20-25% fall in GDP corresponds to a 6-7%pt increase in the unemployment rate in the short term (figure 8). The support provided by the wage subsidy scheme could see the unemployment rate increase by less than that if more job losses are completely avoided, but it really depends on how the economy is tracking and also what happens in the policy space once the wage subsidy ends. The new business loan scheme provides further balance sheet support for SMEs. Government support coupled with a swift exit from lockdown could make a peak unemployment rate in the 8-10% range more achievable. However, we are balancing that against the risk that the lockdown may have had a more potent impact on GDP than we have estimated, and that demand could be more severely curtailed. For now, we remain comfortable with our forecast for a peak in the unemployment rate of 11%.

We see a slow recovery.

Regardless of where the peak settles, we would not expect the unemployment rate to remain double digit for a long time, given that GDP is expected to recover. We expect to see GDP return to roughly 9% below pre-crisis levels by the end of the year before recovering gradually thereafter. However, we think it will take time for businesses to have the confidence to resume hiring again. We see the unemployment rate dipping to 8½% next year, with gradual improvement thereafter. Once the recovery in the labour market becomes entrenched, we expect to see a gradual improvement in wage inflation from very low levels, but that is not expected for quite some time.

Figure 8: Unemployment forecast



Source: Statistics NZ, ANZ Research

The path for Government policy once the wage subsidy ends will be important

The outlook for the labour market will influence policy planning.

Supporting the labour market and keeping people in jobs will be a high priority for the Government as they put together their fiscal strategy and the Budget (out 14 May). We will have our Budget Preview out in coming days, ahead of the Minister of Finance's pre-Budget speech to the Chamber of Commerce on Thursday and the Treasury's Interim Financial Statements on Friday. The Minister of Finance's speech will be a key opportunity for policy announcements ahead of the Budget.

But hard decisions will need to be made.

We expect yet more stimulus is on its way to help cushion the economic blow and facilitate the eventual recovery, but difficult decisions will still need to be made when weighing up possible options. Government borrowing is cheap, aided by low global interest rates and the RBNZ's buying of Government bonds, but it is not free. And eventually it will need to be paid back. The Government Financial Statements for the nine months ending 31 March will show an initial deterioration in the Government's books, with around $4 billion of the wage subsidy paid out by this point. But further deterioration will be incorporated in the Budget, with a further $6bn going out over April, other increased spending, tax relief, and revenues drying up due to the lockdown.

Economic overview

Policies like the wage subsidies are simply too expensive to maintain on an ongoing basis. We don't expect that the scheme will be extended in its current broad form, but continued targeted wage assistance may be required for some industries. And the new direct lending scheme for SMEs is significant. But further job losses cannot be avoided indefinitely. We have talked before about how other policy options could be on the way, with a menu opening up once the economy reopens, such as transfer payments and tax relief, along with infrastructure spending to support the recovery. But these will need to be well timed and well targeted to get the most bang for buck. In part, they will also need to be temporary in order to support the inevitable fiscal consolidation once the crisis is behind us. But even then, policy changes will be needed to bring the books back into the black, meaning a reining in of spending and/or higher taxes eventually. Mañana.

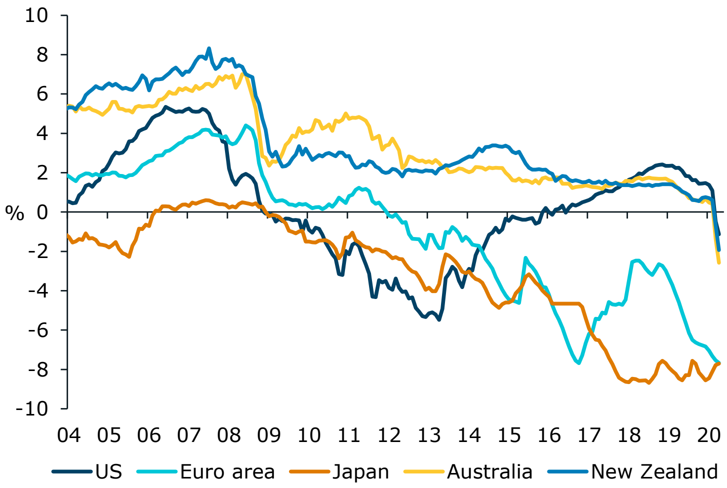
Monetary policy support will be crucial too

Monetary policy will also provide support.

Support from the RBNZ will remain crucial for both cushioning the blow of the current crisis and assisting the recovery. Encouragingly, the latest update of Shadow Short Rate (SSR) estimates – one measure of the effective stance of monetary policy – suggest that the SSR dipped even lower over April to sit at -1.9% at the end of the month, with bond yields having drifted lower (figure 9). During the month, the RBNZ expanded its asset purchase programme by $3bn (to $33bn) to include bonds from LGFA. And late in the month, speculation that negative policy rates might be on the cards increased.

Stimulus has increased further over the month.

Figure 9. Shadow short rates



Source: LJK Limited

We expect more QE is on the way.

More monetary stimulus is needed, reflecting the magnitude of the economic slump. We expect that the RBNZ's quantitative easing programme will need to roughly double to $60bn at the May MPS to keep financial conditions easy, provide relief for households and businesses, shore up expectations and assist in the recovery. We will have our MPS Preview out this week with more details.

And that will be needed long into the recovery.

As the recovery unfolds, it will be important for the RBNZ to continue providing support to help guide the labour market back to full employment and wage inflation higher. Extraordinary stimulus is expected to be maintained well into the recovery. There is a risk that inflation and wage expectations drift stubbornly lower, and the RBNZ will want to keep these supported. They will also need to be careful that they don't pull back too soon and jeopardise a potentially fragile recovery. We have RBNZ inflation expectations data out this week, with downward pressure expected, especially in light of the precipitous decline in oil prices.

Less-conventional policy options are being discussed.

With less conventional options getting increasing attention

The current crisis has drawn attention to the powers of central banks and the tools at their disposal, as policy rates have reached super-low levels. Debate has expanded about the scope for the RBNZ to use more controversial measures to help battle the effects of the crisis. Some of these are more likely than others. The RBNZ dropping the OCR to just above zero is possible, and could be employed in the short term.

We are sceptical about negative rates being seen any time soon.

There has been speculation that negative policy rates may be on the cards, and it is indeed possible. But in our view, such a move would be a long way off. And if it occurred, it would be most effective when financial risks have dissipated and the recovery is underway, when firms are looking to borrow for expansion. Negative rates would probably also become more likely if seen in the likes of Australia and the US. Although we are sceptical that negative rates will happen this year, market speculation has seen yield curves lower and flatter. We think that the RBNZ will be happy to see this extra stimulus as markets have priced in the possibility, even if they have no intention of actually pulling the trigger on such a policy any time soon. For now, QE is the response of choice for the RBNZ (and other comparable central banks), and we think that is the right one. Check out of FX/Rates section (page 13) for more on how QE currently differs across countries.

Monetisation is possible, but direct lending to corporates seems like a bad idea.

In terms of other possibilities, directly purchasing government bonds in the primary market has been suggested and also seems plausible to us, although direct monetisation of fiscal deficits carries some risks if central bank independence is seen as jeopardised or there is a perception in markets that the central bank is allowing Government to spend unsustainably. An exit strategy and clear governance arrangements would be important, and those would take time to set up.

At the more unlikely end of the spectrum is direct lending by the RBNZ to corporates, which we see as risky and perverse for incentives, giving the RBNZ power to allocate economic risk and potentially allowing businesses to operate beyond their creditworthiness. Although the Government is now lending directly to SMEs, we see this as a stop-gap to get through this immediate revenue crisis. Stimulus is needed for a long time, but ongoing direct financing of corporates on a more permanent basis, by either the Government or RBNZ, would be undesirable and likely politically unpalatable in our view.

The Government handing out borrowed cash willy-nilly has been suggested, but that's not well-targeted fiscal policy, and other choices would get better bang for buck. Cash handouts fresh from the RBNZ's money printer would be a big step further into the twilight zone. They would be effective at generating inflation, but might over-achieve, risking an eventual overshoot in the opposite direction. The scars of the 1970s high inflation have faded, but have not been forgotten completely. The key thing would be ensuring that the RBNZ clearly held the reins, not Government, or central bank independence would be at risk. With the RBNZ and Government working together to combat this crisis, those lines could blur rather quickly, eroding our institutional frameworks and credibility. So again, this is unlikely, but with conventional monetary policy firmly in the rear-view mirror globally, it's a case of "never say never".

The RBNZ is open-minded and may be reluctant to rule anything out.

The RBNZ has expressed that it has an open mind about possible policy options, and the current crisis has certainly spurred creative thinking globally – so we wouldn't rule anything out when it comes to the path ahead. For now, though, ramping up quantitative easing seems like the most logical next step. This could be augmented with guidance about the desired path of yields and a statement of willingness to do open-ended purchases, both of which could enhance effectiveness.

Local data

Overseas Merchandise Trade – March. The unadjusted trade balance saw a widening surplus to $672 million. Exports lifted as expected, but there was also resurgence in imports which rebounded to $5.14bn. The annual deficit widened slightly to $3.46bn.

ANZ Business Outlook – April. Headline business confidence fell a further 3 points to -67%, versus the preliminary read of -73%. A net 55% of firms expect weaker activity, awfully weak, but higher than the preliminary data (-61%).

Economic overview

ANZ Roy Morgan Consumer Confidence – April. Consumer confidence fell 21 points to 84.8, with a sharp fall in the net proportion of households who think it’s a good time to buy a major household item.

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 Q1 labour market preview – Labour pains
- ANZ NZ Roy Morgan Consumer Confidence – Behind the ‘08 ball
- ANZ NZ Business Outlook – Past the extreme lows

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.	

QE in New Zealand is different.

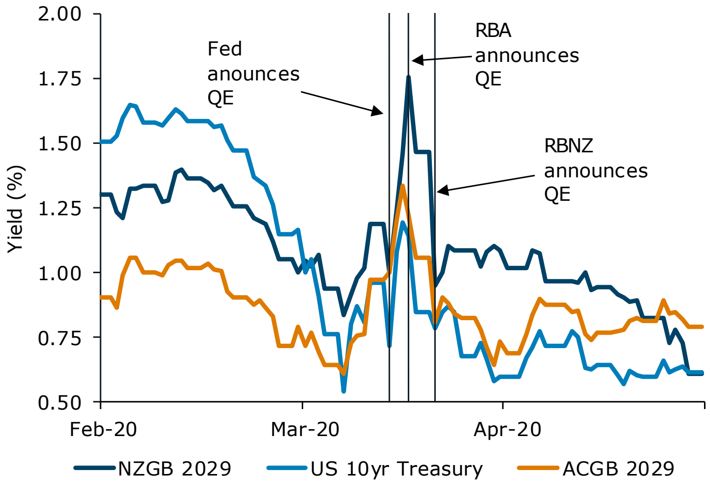
Summary

This week we compare the RBNZ's LSAP programme to the QE programmes run by the US Federal Reserve and the Reserve Bank of Australia. We find that while the volume of QE here is less in percentage of GDP terms that that in Australia and the US, it is much more focussed on the long end of the curve. It is also much more heavily skewed towards government bonds, adding weight to the view that the RBNZ's scheme is partly aimed at supporting fiscal policy. With no apparent appetite to substantially taper the pace of purchases and the overall volume expected to be increased at the MPS, we expect QE to continue flattening the NZGB curve, with the term structure of interest rates to continue falling gradually.

Until this year, quantitative easing (QE) had not been seen in modern New Zealand, but it is now well underway and having a significant impact on the government bond (NZGB) curve – widely seen as a proxy for risk-free interest rates. By driving the term structure of these rates down, QE can be effective in driving down the cost of capital for all borrowers across the credit spectrum, and in reducing term premiums. And it has been successful, with NZ 10-year government bond yields closing on Friday at a similar level to US 10-year bonds, and below yields in Australia (figure 1).

NZ, the US and Australia have all been successful in containing yields.

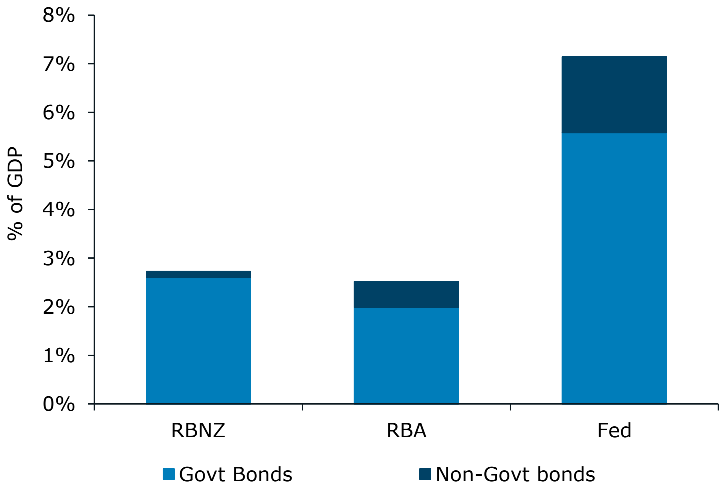
Figure 1: NZ, US and Australian 10yr bond yields



Source: Bloomberg

But NZ has done it with less buying.

Figure 2: Estimated RBNZ, RBA and Fed bond purchases as a percent of GDP



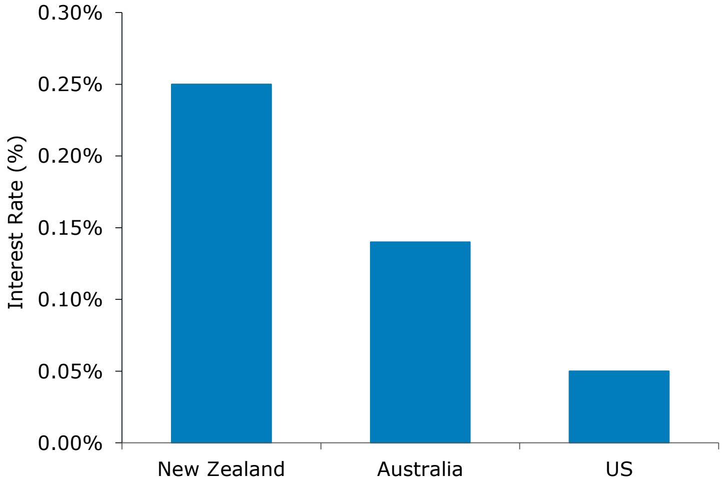
Sources: RBNZ, RBA, Federal Reserve, ANZ

At first glance, the fact that 10-year yields are lower in New Zealand than they are in Australia and on a par with US rates is perhaps surprising, given that the RBNZ's QE programme is around the same size in percent of GDP terms as Australia's and much smaller than in the US (figure 2).

New Zealand also has the highest effective overnight cash rate traded in interbank markets (figure 3). Even though all three countries have the same policy rate (0.25%), the level at which interbank trades differs for various reasons. In any case, New Zealand has the highest effective cash rate but the equal-lowest 10-year bond yield. These observations challenge the popularly held perception in currency markets that the RBNZ has been more dovish than the RBA. Other than NZ's flatter bond curve, monetary conditions appear to be a little easier in Australia than here; this is corroborated by shadow short rate estimates (see page 10).

NZ has the highest effective cash rate.

Figure 3: Effective Overnight Cash Rates traded in interbank markets



Source: Bloomberg

The composition of the various QE programmes differs too. While the Fed is buying all the way down the credit spectrum and the RBA is buying semi-government bonds, the RBNZ's QE purchases are aimed primarily at government bonds, with LGFA bonds, the only non-government bonds in the programme, accounting for less than 10% of purchases flagged.

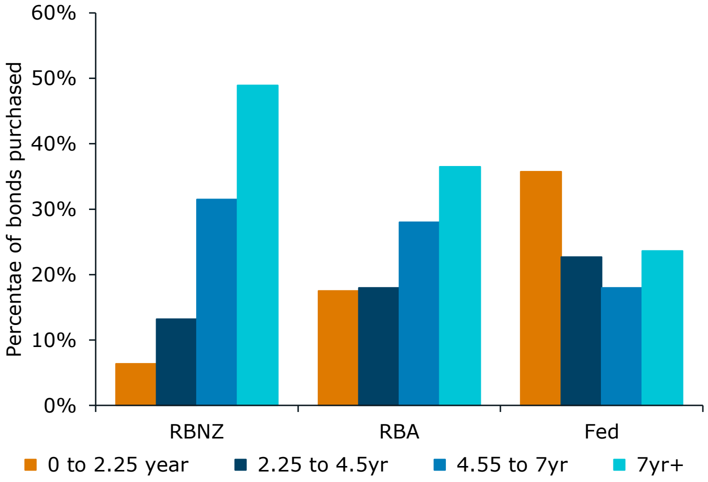
RBNZ QE remains focussed on longer bonds.

QE is primarily intended to support the economy by flattening the term structure of the NZGB curve and lowering the opportunity cost of capital. However, it is clear from RBNZ rhetoric that it was also launched to support the fiscal expansion. That's a key reason why we expect QE to be doubled to $60bn next week, if not more. QE is clearly working and this has supressed borrowing costs for the Government, with flow-on effects. However, bond markets have been volatile, so we may also see some communication about the desired level and shape of the yield curve at the May MPS.

What has been absent has been any suggestion by the RBNZ that it will directly support credit markets (outside the special case of LGFA). As such, we expect QE to remain focussed primarily on NZGBs, putting them back at the centre of interest rate markets for the time being. We may well see the RBNZ in credit markets in future, but we think it's less likely given how low liquidity is in the credit market and also how much more headroom there is in NZGBs before getting near the 50% of bonds on issue the RBNZ has loosely discussed.

The main unique feature of the RBNZ's QE programme is where on the yield curve bond purchases have been directed. In our view that has been the primary driver of the better performance of NZ bonds, with a far larger proportion of RBNZ purchases aimed at the longer end of the curve (figure 4), making the programme more effective in our view. Although the RBA has progressively bought along the curve, they have not in fact yet purchased a bond longer than 10 years (this is not evident in the chart, which is based on Fed data classifications). The RBNZ's 10yr+ buying, in comparison, has been around a third of all purchases.

Figure 4: Term structure of RBNZ, RBA and Fed Government bond purchases



Sources: RBNZ, RBA, Federal Reserve, ANZ

QE continues to outpace issuance and remains a key pillar of our forecasts.

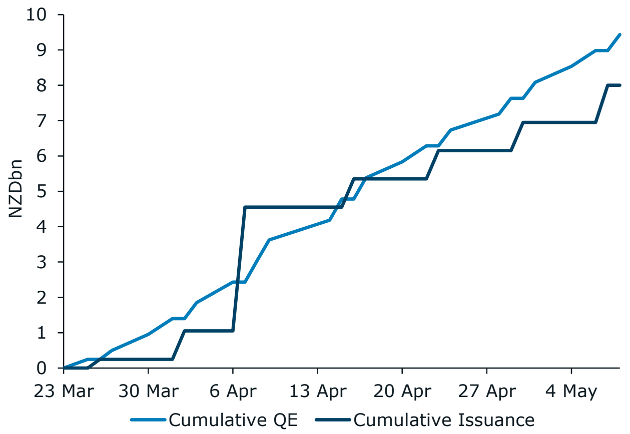
A flatter NZGB curve remains at the core of our forecasts, and we have seen nothing yet in terms of how the RBNZ has gone about conducting QE to shift us from that view. Indeed, the two hallmarks of QE in New Zealand have been that it has kept pace with issuance (figure 5) and that it remains focussed at the long end, with net volume and net bond-duration consistently removed from the market each week.

The RBNZ publishes its intentions each Friday so we only know its intentions a week in advance. But it has had opportunities to pare back the pace of purchases over the past few weeks, and has not done so. We suspect that's because offer cover (the ratio of offers to sell, relative to the maximum amount of bonds the RBNZ has been trying to buy) has been high at times, but it also likely reflects larger weekly volumes in tenders this month ($1.05bn per week, up from $800m in April).

Issuance tends to be shorter duration than QE too.

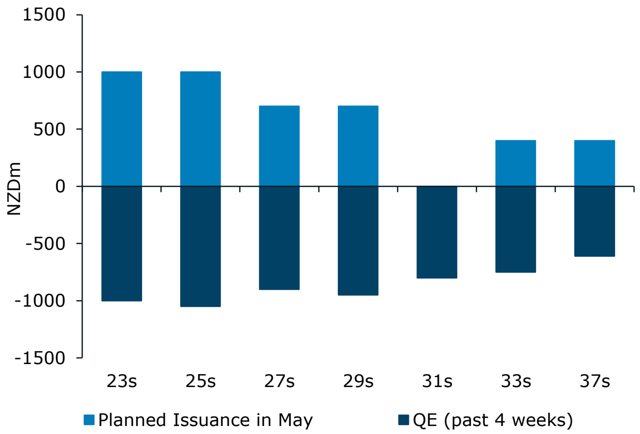
We also believe NZDM's preference for issuing shorter bonds (figure 6) speaks to a flatter NZGB curve. Indeed, if the QE we see this month resembles what we have seen over the past four weeks – and we think it will – we will see about $1bn of bonds leave the market and net purchasing occurring across all bonds other than the 2023s.

Figure 5: NZDM issuance vs RBNZ QE (NZGBs only) to the end of this week



Source: NZDM, RBNZ

Figure 6: NZDM issuance in May versus QE over the last 4 weeks (including this week)



Source: NZDM, RBNZ

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
4-May	AU	Melbourne Institute Inflation MoM - Apr	--	0.2%	13:00
	AU	Melbourne Institute Inflation YoY - Apr	--	1.5%	13:00
	AU	ANZ Job Advertisements MoM - Apr	--	-10.3%	13:30
	AU	Building Approvals MoM - Mar	-15.0%	19.9%	13:30
	AU	Private Sector Houses MoM - Mar	--	-0.8%	13:30
	GE	Markit/BME Manufacturing PMI - Apr F	34.4	34.4	19:55
	EC	Markit Manufacturing PMI - Apr F	33.6	33.6	20:00
	EC	Sentix Investor Confidence - May	-28.0	-42.9	20:30
5-May	US	Factory Orders - Mar	-9.4%	0.0%	02:00
	US	Factory Orders Ex Trans - Mar	--	-0.9%	02:00
	US	Durable Goods Orders - Mar F	-14.4%	-14.4%	02:00
	US	Durables Ex Transportation - Mar F	-0.2%	-0.2%	02:00
	US	Cap Goods Orders Nondef Ex Air - Mar F	0.1%	0.1%	02:00
	US	Cap Goods Ship Nondef Ex Air - Mar F	--	-0.2%	02:00
	AU	AiG Perf of Construction Index - Apr	--	37.9	10:30
	NZ	Building Permits MoM - Mar	--	4.7%	10:45
	AU	CBA PMI Services - Apr F	--	19.6	11:00
	AU	CBA PMI Composite - Apr F	--	22.4	11:00
	AU	ANZ-RM Consumer Confidence Index - 3-May	--	85.0	11:30
	NZ	ANZ Commodity Price - Apr	--	-2.1%	13:00
	AU	RBA Cash Rate Target - May	0.25%	0.25%	16:30
	UK	Official Reserves Changes - Apr	--	$2160M	18:00
	UK	New Car Registrations YoY - Apr	--	-44.4%	20:00
	UK	Markit/CIPS Services PMI - Apr F	12.3	12.3	20:30
	UK	Markit/CIPS Composite PMI - Apr F	12.9	12.9	20:30
	EC	PPI MoM - Mar	-1.4%	-0.6%	21:00
	EC	PPI YoY - Mar	-2.7%	-1.3%	21:00
6-May	US	Trade Balance - Mar	-$44.2B	-$39.9B	00:30
	US	Markit Services PMI - Apr F	27.0	27.0	01:45
	US	Markit Composite PMI - Apr F	--	27.4	01:45
	US	ISM Non-Manufacturing Index - Apr	37.8	52.5	02:00
	NZ	QV House Prices YoY - Apr	--	6.1%	05:00
	NZ	Unemployment Rate - Q1	4.4%	4.0%	10:45
	NZ	Employment Change QoQ - Q1	-0.2%	0.0%	10:45
	NZ	Employment Change YoY - Q1	0.7%	1.0%	10:45
	NZ	Participation Rate - Q1	70.0%	70.1%	10:45
	NZ	Pvt Wages Ex Overtime QoQ - Q1	0.5%	0.6%	10:45
	NZ	Pvt Wages Inc Overtime QoQ - Q1	0.5%	0.6%	10:45
	NZ	Average Hourly Earnings QoQ - Q1	0.7%	0.1%	10:45
	AU	Retail Sales Ex Inflation QoQ - Q1	1.8%	0.5%	13:30
	AU	Retail Sales MoM - Mar	8.2%	0.5%	13:30
	GE	Factory Orders MoM - Mar	-10.0%	-1.4%	18:00
	GE	Factory Orders WDA YoY - Mar	-10.2%	1.5%	18:00
	GE	Markit Services PMI - Apr F	15.9	15.9	19:55
	GE	Markit/BME Composite PMI - Apr F	17.1	17.1	19:55
	EC	Markit Services PMI - Apr F	11.7	11.7	20:00
	EC	Markit Composite PMI - Apr F	13.5	13.5	20:00
	UK	Markit/CIPS Construction PMI - Apr	21.3	39.3	20:30

Continued on following page

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
6-May	EC	Retail Sales MoM - Mar	-10.9%	0.9%	21:00
	EC	Retail Sales YoY - Mar	-6.4%	3.0%	21:00
	US	MBA Mortgage Applications - 1-May	--	-3.3%	23:00
7-May	US	ADP Employment Change - Apr	-20500k	-27k	00:15
	AU	AiG Perf of Services Index - Apr	--	38.7	10:30
	UK	GfK Consumer Confidence - Apr F	-37.0	-34.0	11:01
	AU	Trade Balance - Mar	A$6400M	A$4361M	13:30
	AU	Exports MoM - Mar	--	-4.7%	13:30
	AU	Imports MoM - Mar	--	-4.3%	13:30
	CH	Caixin China PMI Composite - Apr	--	46.7	13:45
	CH	Caixin China PMI Services - Apr	50.5	43.0	13:45
	NZ	2Yr Inflation Expectation - Q2	--	1.93%	15:00
	UK	Bank of England Bank Rate - May	0.10%	0.10%	18:00
	UK	BoE Corporate Bond Target - May	20B	--	18:00
	UK	BoE Asset Purchase Target - May	625B	--	18:00
	GE	Industrial Production SA MoM - Mar	-7.5%	0.3%	18:00
	GE	Industrial Production WDA YoY - Mar	-8.9%	-1.2%	18:00
	AU	Foreign Reserves - Apr	--	A$90.6B	18:30
	GE	Markit Construction PMI - Apr	--	42.0	19:30
	CH	Exports YoY - Apr	-9.5%	-6.6%	UNSPECIFIED
	CH	Imports YoY - Apr	-10.0%	-1.0%	UNSPECIFIED
	CH	Trade Balance - Apr	$15.80B	$19.93B	UNSPECIFIED
	CH	Foreign Reserves - Apr	$3060.00B	$3060.63B	UNSPECIFIED
8-May	US	Nonfarm Productivity - Q1 P	-5.5%	1.2%	00:30
	US	Unit Labor Costs - Q1 P	3.8%	0.9%	00:30
	US	Initial Jobless Claims - 2-May	3000k	3839k	00:30
	US	Continuing Claims - 25-Apr	19600k	17992k	00:30
	US	Consumer Credit - Mar	$15.00B	$22.33B	07:00
	JN	Jibun Bank PMI Services - Apr F	--	22.8	12:30
	JN	Jibun Bank PMI Composite - Apr F	--	27.8	12:30
	AU	RBA Statement on Monetary Policy -	--	--	13:30
	GE	Trade Balance - Mar	€18.5B	€20.6B	18:00
	GE	Current Account Balance - Mar	€20.7B	€23.7B	18:00
	GE	Exports SA MoM - Mar	-5.0%	1.2%	18:00
	GE	Imports SA MoM - Mar	-4.0%	-1.5%	18:00
	CH	BoP Current Account Balance - Q1 P	--	$40.5B	UNSPECIFIED
9-May	US	Change in Nonfarm Payrolls - Apr	-21300k	-701k	00:30
	US	Unemployment Rate - Apr	16.0%	4.4%	00:30
	US	Average Hourly Earnings MoM - Apr	0.3%	0.4%	00:30
	US	Average Hourly Earnings YoY - Apr	3.3%	3.1%	00:30
	US	Average Weekly Hours All Employees - Apr	33.5	34.2	00:30
	US	Labor Force Participation Rate - Apr	61.6%	62.7%	00:30
	US	Wholesale Inventories MoM - Mar F	-1.0%	-1.0%	02:00
	US	Wholesale Trade Sales MoM - Mar	--	-0.8%	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
Tue 5 May (10:45am)	Building Consents – March	Just the beginning	Lockdown saw activity grind to a halt. Expect first signs of this, with the lockdown coming into effect late in the month.
Tue 5 May (1:00pm)	ANZ Commodity Price Index – March	--	--
Wed 6 May (early am)	GlobalDairyTrade auction	Weaker	Global dairy prices are expected to follow the lead of US and European dairy prices and continue to trend down, although limited supply will keep the price movement in check, until milk flows lift again next season.
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.
Mon 11 May (1:00pm)	ANZ Business Outlook – May Preliminary	--	--
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 (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. We see QE roughly doubling to $60bn.
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.
Wed 20 May (early am)	GlobalDairyTrade auction	Weaker	Prices are expected to fall further as the NZ dairy production season draws to a close. Returns are expected to continue to ease further into Q3 as the new production season commences.
Wed 20 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 20 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 20 May (1:00pm)	ANZ Monthly Inflation Gauge – April	--	--
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 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, yet.
Thu 28 May (1:00pm)	ANZ Business Outlook – May	--	--
Fri 29 May (10:00am)	ANZ Roy Morgan Consumer Confidence – May	--	--
Tue 2 Jun (10:45am)	Terms of Trade – Q1	Up a little	The terms of trade are expected to improve slightly in Q1, as export returns held relatively well, while import prices eased.
Tue 2 Jun (10:45am)	Building Consents – April	Drop	Building consents look set to drop considerably in the short term due to lockdown. Weak demand will weigh medium term.
Thu 4 Jun (1:00pm)	ANZ Commodity Price Index – May	--	--
Mon 8 Jun (10:45am)	Work Put In Place – Q1	Tools down	Solid activity early in the quarter will be offset by the halt in activity as lockdown began.
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	0.8	**-0.4**	**0.1**	**-0.1**	**0.5**	**0.2**	**0.3**	**-0.2**
CPI (% yoy)	1.9	2.5	**1.6**	**1.0**	**0.4**	**0.1**	**0.7**	**0.9**	**0.8**
Employment (% qoq)	0.0	**-0.5**	**-6.0**	**-2.5**	**2.5**	**2.0**	**0.7**	**0.9**	**1.0**
Employment (% yoy)	1.0	**0.4**	**-6.2**	**-8.8**	**-6.5**	**-4.2**	**2.6**	**6.2**	**4.7**
Unemployment Rate (% sa)	4.0	**4.6**	**8.0**	**10.7**	**10.1**	**8.7**	**8.7**	**8.3**	**7.8**

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
Retail ECT (% mom)	-0.1	1.2	0.4	-0.5	2.6	-0.5	-0.2	0.5	-3.9	--
Retail ECT (% yoy)	2.0	3.1	0.6	1.6	5.1	3.9	4.2	8.6	-1.8	--
Car Registrations (% mom)	5.5	-0.5	5.5	-5.7	-1.6	2.0	-4.9	6.7	-31.6	--
Car Registrations (% yoy)	-5.4	-5.2	4.7	-6.6	3.0	5.6	-3.5	-0.3	-31.1	--
Building Consents (% mom)	-0.9	1.0	7.5	-1.2	-8.0	10.4	-2.8	4.7	--	--
Building Consents (% yoy)	18.6	12.3	24.2	18.9	9.0	17.9	1.7	5.4	--	--
REINZ House Price Index (% yoy)	1.6	2.7	3.2	3.8	5.5	6.5	6.9	8.6	9.3	--
Household Lending Growth (% mom)	0.5	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.2	--
Household Lending Growth (% yoy)	5.9	6.0	6.1	6.2	6.3	6.5	6.6	6.7	6.4	--
ANZ Roy Morgan Consumer Conf.	116.4	118.2	113.9	118.4	120.7	123.3	122.7	122.1	106.3	84.8
ANZ Business Confidence	-44.3	-52.3	-53.5	-42.4	-26.4	-13.2	..	-19.4	-63.5	-66.6
ANZ Own Activity Outlook	5.0	-0.5	-1.8	-3.5	12.9	17.2	..	12.0	-26.7	-55.1
Trade Balance ($m)	-732	-1642	-1310	-1038	-786	380	-396	531	672	--
Trade Bal ($m ann)	-5516	-5591	-5321	-5055	-4837	-4467	-3927	-3302	-3456	--
ANZ World Comm. Price Index (% mom)	-1.4	0.3	0.0	1.2	4.3	-3.4	-0.9	-2.1	-2.1	--
ANZ World Comm. Price Index (% yoy)	-0.5	0.9	3.4	7.2	12.4	8.7	5.6	0.6	-5.5	--
Net Migration (sa)	5030	5310	5150	5620	4920	6090	6860	8250	--	--
Net Migration (ann)	51765	52799	53424	55025	55543	57259	61053	65211	--	--
ANZ Heavy Traffic Index (% mom)	2.3	-3.5	3.4	2.7	-1.5	-2.6	4.7	-3.2	-8.0	--
ANZ Light Traffic Index (% mom)	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	0.3	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	Mar-20	Apr-20	Today	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
NZD/USD	0.594	0.613	0.602	0.57	0.53	0.55	0.57	0.59	0.60
NZD/AUD	0.976	0.936	0.944	0.95	0.98	0.98	0.95	0.97	0.97
NZD/EUR	0.543	0.563	0.550	0.55	0.53	0.56	0.58	0.59	0.58
NZD/JPY	64.55	65.30	64.29	63.8	59.4	61.6	63.8	66.1	67.2
NZD/GBP	0.481	0.489	0.484	0.47	0.45	0.47	0.48	0.48	0.48
NZ$ TWI	68.40	69.24	68.38	67.1	64.6	66.7	68.2	69.9	70.2
Interest rates/QE	Mar-20	Apr-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	33	60	60	60	60	60	60
NZ 90 day bill	0.49	0.27	0.26	0.32	0.32	0.32	0.32	0.32	0.32
NZ 10-yr bond	1.08	0.88	0.71	0.75	1.00	1.25	1.50	1.50	1.50
US Fed funds	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
US 3-mth	1.45	0.69	0.54	0.40	0.40	0.40	0.40	0.40	0.40
AU Cash Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
AU 3-mth	0.37	0.10	0.10	0.20	0.20	0.20	0.25	0.28	0.28

	1-Apr	27-Apr	28-Apr	29-Apr	30-Apr	1-May
Official Cash Rate	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill	0.49	0.31	0.26	0.26	0.27	0.26
NZGB 05/21	0.26	0.23	0.15	0.15	0.14	0.14
NZGB 04/23	0.49	0.21	0.10	0.17	0.15	0.09
NZGB 04/27	0.92	0.63	0.51	0.55	0.50	0.41
NZGB 04/33	1.48	1.07	0.97	1.04	0.96	0.82
2 year swap	0.53	0.29	0.18	0.22	0.19	0.19
5 year swap	0.60	0.46	0.37	0.40	0.36	0.33
RBNZ TWI	68.31	68.35	68.22	69.03	69.20	68.95
NZD/USD	0.5908	0.6067	0.6058	0.6077	0.6126	0.6063
NZD/AUD	0.9741	0.9389	0.9322	0.9331	0.9358	0.9446
NZD/JPY	63.55	64.97	64.64	64.71	65.29	64.80
NZD/GBP	0.4773	0.4875	0.4850	0.4900	0.4895	0.4852
NZD/EUR	0.5399	0.5590	0.5567	0.5600	0.5633	0.5521
AUD/USD	0.6065	0.6461	0.6499	0.6512	0.6546	0.6418
EUR/USD	1.0943	1.0852	1.0882	1.0851	1.0876	1.0981
USD/JPY	107.57	107.10	106.69	106.49	106.59	106.91
GBP/USD	1.2379	1.2445	1.2493	1.2401	1.2515	1.2506
Oil (US$/bbl)	20.31	12.78	12.34	15.06	18.84	19.78
Gold (US$/oz)	1592.41	1717.29	1709.69	1703.76	1715.71	1700.42
NZX 50	9926	10419	10760	10666	10532	10449
Baltic Dry Freight Index	624	661	655	643	635	617
NZX WMP Futures (US$/t)	2600	2520	2525	2550	2520	2560

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