

New Zealand Weekly Data Wrap

5 March 2021



This is not personal advice. It does not consider your objectives or circumstances. Please refer to the Important Notice.



Contact us

See [page 4](#).

Forecast updates

Recent ANZ NZ Forecast Updates can be found [here](#).

- [Farmgate milk price forecast revised up](#)
- [ANZ NZ Quarterly Economic Outlook – The journey back](#)
- [RBNZ MPS Preview - Stay the course](#)
- [Labour Market Review and OCR Call Change](#)
- [Labour Market Preview and Forecast Update](#)
- [CPI Preview and Forecast Update](#)

Our other recent publications are on [page 2](#).

What's the view?

- GDP moves broadly sideways over 2021
- Unemployment peak: 5½%
- Inflation picks up
- OCR on hold
- LSAP extended to Dec-22

Our forecasts are on [page 3](#).

Balance of risks

Risks now more balanced

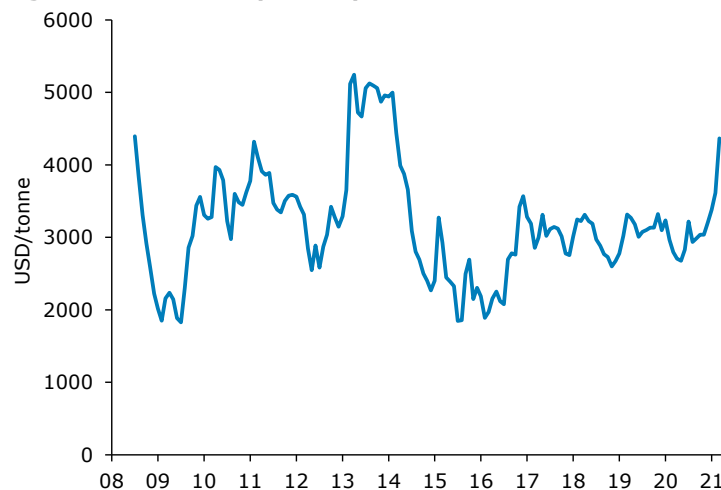


How has the view changed?

The new COVID-19 outbreak was on everyone's minds this week, with Auckland back into Level 3 and the rest of the country in Level 2. While as of yesterday there had been no new community cases in four days, the recent lockdowns remind us that New Zealand's stellar economic recovery is extremely fragile until herd immunity is achieved and the risk of returning to lockdown fades.

While lockdown dampened the mood domestically, our global commodity prices defied gravity. The [ANZ World Commodity Price Index](#) rose 3.3% m/m in February – and even more gains were seen this week. In the GlobalDairyTrade auction, whole milk powder prices rose a whopping 21% (figure 1), supporting a 15% rise in the overall GDT price index. Consequently, we [revised up](#) our farmgate milk price forecast for the 2020-21 season to \$7.70/kg MS.

Figure 1. Whole milk powder prices



Source: Bloomberg, ANZ Research

Data this week showed building work put in place fell 1.5% in Q4, led by non-residential construction. Residential construction lifted 0.7%, but this was significantly weaker than our expectation, suggesting capacity is a bigger constraint than we had assumed. The pipeline of future construction continues to grow, with dwelling consents up 5.8% y/y in January. But as the data suggest, it's not necessarily an easy path ahead: supply disruption is causing delays and cost increases, while skill shortages are an ongoing issue.

What happened this week?

Overseas Trade Indices – Q4 (Tuesday 2 March, 10:45am). The terms of trade rose 1.3% q/q on lower prices for imported petroleum products.

GlobalDairyTrade auction (Wednesday 3 March, early am). The GDT index rose 15% in the latest auction, led by a 21% surge in WMP prices.

Building consents – January (Wednesday 3 March, 10:45am). Housing momentum persisted, with consents rising 2.1% m/m in January.

ANZ Commodity Price Index – February (Wednesday 3 March, 1:00pm). The ANZ World [Commodity Price Index](#) rose 3.3% m/m in February.

Work Put in Place – Q4 (Friday 5 March, 10:45am). Down 1.5% q/q.



Looking ahead



Recent Publications

ANZ produces a range of in-depth insights.

- [NZ Insight: Climate change and the path ahead](#)
- [ANZ NZ Property Focus: Off the beaten track](#)
- [ANZ NZ Insight: The path to normal](#)
- [ANZ NZ Agri Focus: Reaping the rewards](#)
- [ANZ NZ Property Focus: On the horizon – Key themes for 2021](#)
- [NZ Forecast Update: Farmgate returns to soften further](#)
- [ANZ NZ Property Focus: Housing affordability – unlocking the solution](#)
- [ANZ NZ Insight: The intergenerational divide](#)

[Click here for more.](#)

Data calendar

Date	Data/event
Tue 9 Mar (10:00am)	ANZ Truckometer – Feb
Tue 9 Mar (10:45am)	Economic Survey of Manuf – Q4
Tue 9 Mar (1:00pm)	ANZ Business Outlook – Mar P
Wed 10 Mar (10:45am)	Electronic Card Transactions – Feb
Thu 11 Mar (10:45am)	Food Price Index – Feb
Thu 11 Mar (10:45am)	Rental Price Index – Feb
Fri 12 Mar (10:30am)	BusinessNZ Manuf PMI – Feb
Mon 15 Mar (10:30am)	Performance Services Idx – Feb
Mon 15 Mar (10:45am)	Net Migration – Jan
Wed 17 Mar (early am)	GlobalDairyTrade auction
Wed 17 Mar (10:45am)	Balance of Payments – Q4
Thu 18 Mar (10:45am)	GDP – Q4
Wed 24 Mar (10:45am)	Merchandise Trade – Feb
Wed 31 Mar (1:00pm)	ANZ Business Outlook – Mar F

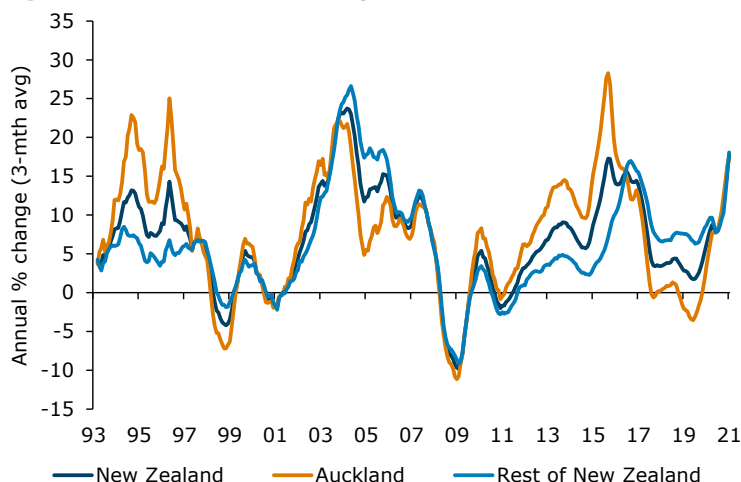
What are we watching?

In recent weeks concerns about a resurgence in inflation have preoccupied markets, both in New Zealand and overseas. These concerns contributed to a sharp sell-off in global bond markets in February, which helped 10-year NZGB yields break 2.0% briefly late in the month.

Next week we will get some more concrete signals about how inflationary pressures are developing in New Zealand. First up is the preliminary ANZ Business Outlook for March, followed by food and rental price inflation for February. We should also receive REINZ house price data for February. Recent strength in the housing market (figure 2), along with shortages across a whole raft of building materials as global supply disruptions bite, have driven construction costs higher. Further strength in the housing market will exacerbate these cost pressures, driving CPI inflation higher.

That said, our view at this point is that while these inflationary pressures will take some time to resolve, ultimately they are likely to be temporary. With supply chains expected to adjust and the housing market set to cool over 2022, the medium-term outlook for inflation is still tilted to weakness.

Figure 2: New Zealand house price inflation



Source: REINZ, ANZ Research

Finally, on the activity side we've got the Economic Survey of Manufacturing. This will be the final piece of the puzzle for Q4 GDP, so keep an eye out for our Preview shortly after. The ANZ Truckometer and electronic card transactions data will also provide an early signal on how the economy performed in Q1.

The week ahead

ANZ Truckometer (Tuesday 9 March, 10:00am).

Economic Survey of Manufacturing – Q4 (Tuesday 9 March, 10:45am).

We're expecting a pretty flat q/q print, but these data are seldom stable.

ANZ Business Outlook Flash – March (Tuesday 9 March, 1:00pm).

Electronic Card Transactions – February (Wednesday 10 March, 10:45am). We expect a small decline m/m.

Food Prices – February (Thursday 11 March, 10:45am). Usually pretty stable in February.

Rental Price Index – February (Thursday 11 March, 10:45am). Another 0.3% m/m lift would be normal for this time of year.



Markets and forecasts

Markets outlook

The US 10-year yield pushed higher still late this week following restrained messaging from Fed chair Powell. The NZGB 10-year bond yield followed suit, lifting almost 20bps from its mid-week trough to a little under 1.9%. NZ Government financial statements to January continue to point to a downgrade to bond issuance guidance at the May Budget. Tax revenue was \$1.8bn ahead of forecast and core Crown expenses \$0.5bn lower, chiefly reflecting a better-performing economy. Recent communications from the Minister of Finance suggest fiscal consolidation remains a key focus, implying announcements in the lead-up to Budget (and on Budget day) are likely to be allocated from existing allowances rather than “additional” spending that NZDM will need to fund. This, combined with a solid upgrade to The Treasury’s economic outlook, suggests the bond programme could comfortably shed around \$5bn per fiscal year from 2021-22. And to the extent that NZDM is “overfunded” in the current fiscal year, the 2021-22 programme could perhaps go a little lower still. Stepping back, we continue to expect the trend toward higher and steeper curves to continue, albeit at a reduced pace. The recent tightening in monetary conditions may be consistent with some impressive data flow of late, but the RBNZ will still want highly accommodative settings for a long period. The short end still looks vulnerable to a pullback, given the path to normalisation will be lengthy. But with dairy prices pulling a 15% lift out of the hat this week, it’s hard to argue NZD strength isn’t justified.

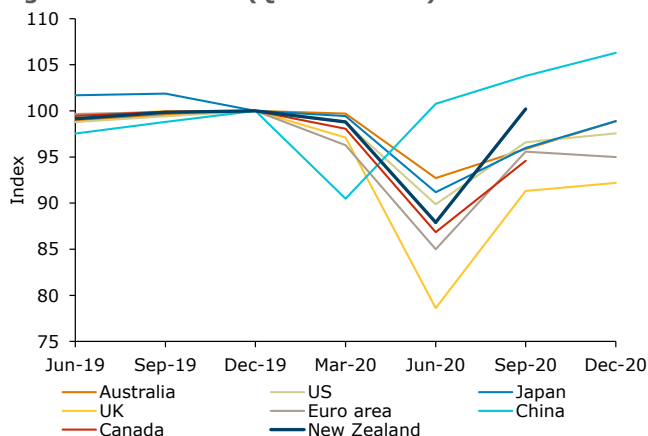
FX rates	Actual				Forecast (end month)				
	Jan-21	Feb-21	Today	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
NZD/USD	0.719	0.723	0.719	0.75	0.75	0.76	0.77	0.77	0.77
NZD/AUD	0.941	0.939	0.931	0.97	0.95	0.95	0.94	0.94	0.94
NZD/EUR	0.593	0.599	0.600	0.61	0.60	0.60	0.60	0.60	0.59
NZD/JPY	75.3	77.1	77.6	78.0	77.3	77.5	78.5	78.5	78.5
NZD/GBP	0.525	0.519	0.517	0.52	0.52	0.52	0.53	0.52	0.51
NZ\$ TWI	74.7	75.9	75.1	78.0	77.1	77.5	77.7	77.6	77.1
Interest rates/QE	Jan-21	Feb-21	Today	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
NZ OCR	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
LSAP (\$bn)	100	100	100	100	100	100	100	100	100
NZ 90 day bill	0.29	0.31	0.32	0.30	0.32	0.33	0.34	0.34	0.34
NZ 10-yr bond	1.12	1.90	1.89	1.80	2.00	2.10	2.20	2.30	2.30

Economic forecasts

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
GDP (% qoq)	14.0	-0.5	-0.5	0.5	0.5	0.8	1.5	0.8	0.8
GDP (% yoy)	0.4	-0.3	0.4	13.4	0.0	1.3	3.3	3.6	4.0
CPI (% qoq)	0.7	0.5	0.6	0.6	0.5	0.0	0.4	0.5	0.6
CPI (% yoy)	1.4	1.4	1.2	2.3	2.2	1.7	1.6	1.5	1.5
Employment (% qoq)	-0.8	0.6	-0.1	0.0	0.2	0.4	0.8	0.7	0.7
Employment (% yoy)	0.2	0.7	-0.4	-0.2	0.7	0.5	1.4	2.1	2.6
Unemployment Rate (% sa)	5.3	4.9	5.2	5.5	5.5	5.3	4.9	4.7	4.5

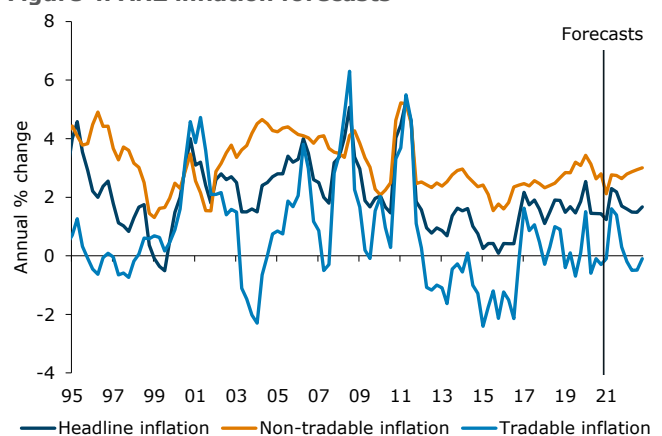
Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year

Figure 3. GDP levels (Q4 2019= 100)



Source: Macrobond, Statistics NZ, ANZ Research

Figure 4. ANZ inflation forecasts



Source: Statistics NZ, ANZ Research



Contact us

Meet the team

We welcome your questions and feedback. Click [here](#) for more information about our team.



Sharon Zollner
Chief Economist

Follow Sharon on Twitter
[@sharon_zollner](#)

Telephone: +64 27 664 3554
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
[@ANZ_Research](#) (global)



David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com



Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com



Liz Kendall
Senior Economist

Research co-ordinator, publication strategy, property market analysis, monetary and prudential policy.

Telephone: +64 27 240 9969
Email: elizabeth.kendall@anz.com



Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, fiscal policy, economic risk assessment and credit developments.

Telephone: +64 21 661 792
Email: miles.workman@anz.com



Finn Robinson
Economist

Macroeconomic forecasting, economic developments, labour market dynamics, inflation and monetary policy.

Telephone: +64 21 629 553
Email: finn.robinson@anz.com



Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com



Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808
Email: natalie.denne@anz.com



Important notice

[1 February 2021]

This document is intended for ANZ's Institutional, Markets and Private Banking clients. It should not be forwarded, copied or distributed. The information in this document is general in nature, and does not constitute personal financial product advice or take into account your objectives, financial situation or needs.

This document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared and distributed in your country/region by either: Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**); or its relevant subsidiary or branch (each, an **Affiliate**), as appropriate or as set out below.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is solely for informational purposes and nothing contained within is intended to be an invitation, solicitation or offer by ANZ to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ would be subject to additional licensing or registration requirements. Further, the products and services mentioned in this document may not be available in all countries.

ANZ in no way provides any financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document and the information contained within is believed to be accurate, ANZ does not represent or warrant the accuracy or completeness of the information. Further, ANZ does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Past performance is not necessarily an indicator of future performance. The products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (Liability) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document to the extent permissible under relevant law. Please note, the contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ and its Affiliates may have an interest in the subject matter of this document. They may receive fees from customers for dealing in the products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in the products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products. This document is published in accordance with ANZ's policies on conflicts of interest and ANZ maintains appropriate information barriers to control the flow of information between businesses within it and its Affiliates.

Your ANZ point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Country/region specific information: Unless stated otherwise, this document is distributed by Australia and New Zealand Banking Group Limited (**ANZ**).

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please or request from your ANZ point of contact.

Brazil, Brunei, India, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

Cambodia. The information contained in this document is confidential and is provided solely for your use upon your request. This does not constitute or form part of an offer or solicitation of any offer to engage services, nor should it or any part of it form the basis of, or be relied in any connection with, any contract or commitment whatsoever. ANZ does not have a licence to undertake banking operations or securities business or similar business, in Cambodia. By requesting financial services from ANZ, you agree, represent and warrant that you are engaging our services wholly outside of Cambodia and subject to the laws of the contract governing the terms of our engagement.

European Economic Area (EEA): United Kingdom. ANZ is authorised in the United Kingdom by the Prudential Regulation Authority (**PRA**) and is subject to regulation by the Financial Conduct Authority (**FCA**) and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited ANZ solely for the information of persons who would come within the FCA definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (**PRA**) and the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This publication is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.



Important notice

Myanmar. This publication is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This publication is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).

New Zealand. This document is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised adviser service under the Financial Advisers Act 2008 (FAA).

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (ANZ China). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (QCB), the Qatar Financial Centre (QFC) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (Qatar); or
- authorised or licensed for distribution in Qatar,

and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC. The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. This document is distributed in Singapore by the Singapore branch of ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act Cap. 289 of Singapore). ANZ is licensed in Singapore under the Banking Act Cap. 19 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act Cap. 100 of Singapore.

United Arab Emirates (UAE). This document is distributed in the UAE or the Dubai International Financial Centre (DIFC) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (DIFCML) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (DFSA) ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (DFSA). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules.

United States. Except where this is a FX-related document, this document is distributed in the United States by ANZ Securities, Inc. (ANZ SI) which is a member of the Financial Regulatory Authority (FINRA) (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use this website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use this website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts: Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is an FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

Vietnam. This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.

This document has been prepared by ANZ Bank New Zealand Limited, Level 26, 23-29 Albert Street, Auckland 1010, New Zealand, Ph 64-9-357 4094, e-mail nzeconomics@anz.com, <http://www.anz.co.nz>