

# New Zealand Weekly Data Wrap

12 March 2021



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See [page 4](#).

## Forecast updates

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

- [NZ GDP Preview – It's complicated](#)
- [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](#)

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

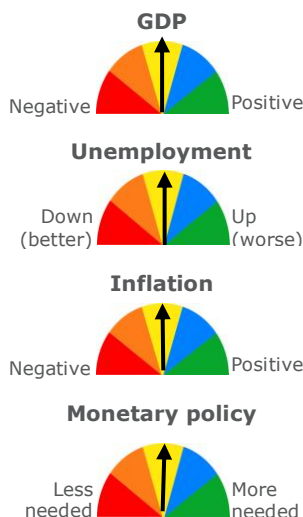
## What's the view?

- 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

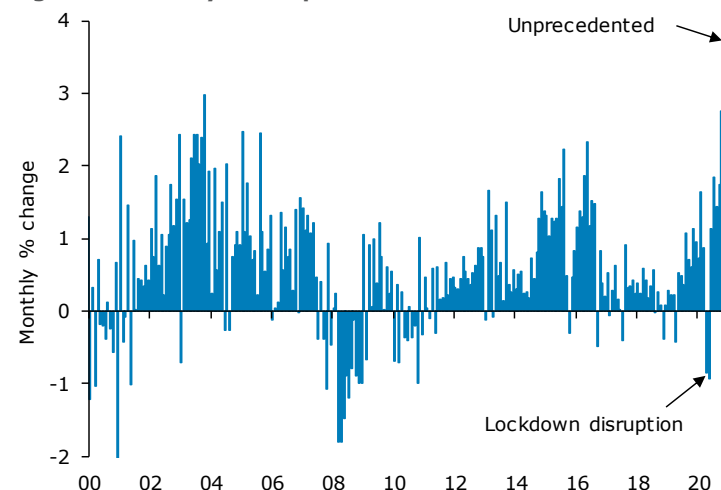


## How has the view changed?

This week REINZ data for February showed that the housing market is **still running hot**. House prices surged ahead 3.7% m/m, with annual house price inflation now sitting at 19.4% y/y (3mma). Notably, average days to sell declined to 26 – a record low for this data, which goes back to 1992. This indicates that housing inventories are extremely stretched by strong demand.

The robust outturn presents upside risks to our house price forecast and the broader economic outlook. We expect that unaffordability, high debt levels, the re-imposition of LVRs, credit constraints, and high levels of residential construction activity will see house price inflation cool down over 2021 – but the timing and extent of this is uncertain. In the meantime, the strong domestic housing market continues to support activity in the wider economy.

Figure 1. Monthly house price inflation



Source: REINZ, ANZ Research

Food prices declined 0.9% m/m in February – a bit softer than usual seasonal patterns would indicate. However, other key data including rents and oil have been fairly positive, so we think that the risks remain balanced around our expectation of a 0.6% q/q increase in the CPI over Q1.

## What happened this week?

**ANZ Truckometer – February.** The light and heavy traffic indexes **remain higher** than a year ago, but the overshoot has shrunk.

**Economic Survey of Manufacturing – Q4.** Volumes rose 0.5% q/q.

**ANZ Business Outlook Flash – March.** The **preliminary ANZBO** read for March showed a fall in confidence and activity, but the details were mixed.

**Electronic Card Transactions – February.** Total spending declined 3.2% m/m (sa), partly due to COVID alert levels being raised.

**House prices – February.** **REINZ data** showed house prices increased 3.7% m/m (ANZ seasonal adjustment).

**Food Prices – February.** Food prices declined 0.9% m/m.

**Rental Price Index – February.** Rental prices rose 0.3% m/m in February.

**Performance of Manufacturing Index – February.** Dipped to 53.4.



## Looking ahead



### Recent Publications

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### Data calendar

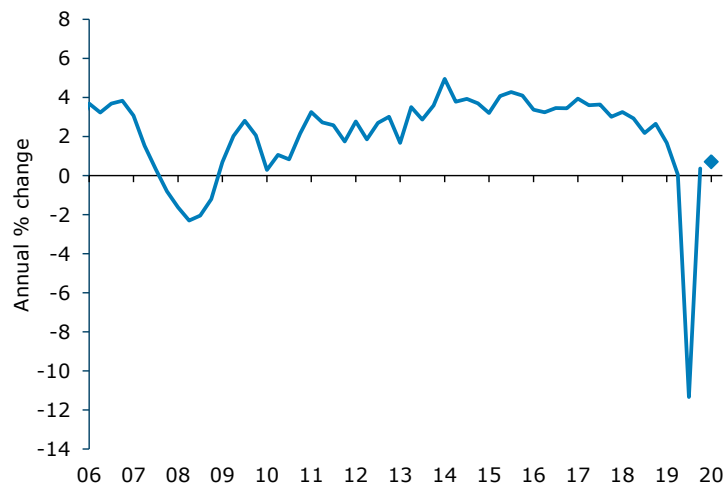
Date	Data/event
Mon 15 Mar (10:30am)	Performance Services Idx – Feb
Mon 15 Mar (10:45am)	Net Migration – Jan
Wed 17 Mar (early am)	GlobalDairyTrade auction
Wed 17 Mar (10:45am)	Balance of Payments – Q4
Thu 18 Mar (10:45am)	GDP – Q4
Wed 24 Mar (10:45am)	Merchandise Trade – Feb
Tue 30 Mar (10:45am)	Building Consents – Feb
Wed 31 Mar (1:00pm)	<a href="#">ANZ Business Outlook – Mar F</a>
Thu 1 Apr (10:00am)	<a href="#">ANZ-RM Consumer Confidence – Mar</a>
Wed 7 Mar (early am)	GlobalDairyTrade auction
Wed 7 Apr (1:00pm)	<a href="#">ANZ Commodity Price Index – Mar</a>
Thu 8 Apr (1:00pm)	<a href="#">ANZ Business Outlook – Apr P</a>
Fri 9 Apr (10:00am)	<a href="#">ANZ Truckometer – Mar</a>
Wed 14 Apr (10:45am)	Net Migration – Feb
Wed 14 Apr (2:00pm)	<b>RBNZ OCR</b>

### What are we watching?

The big news next week will be the release of Q4 GDP data for 2020 Q4. We're expecting that GDP rose by 0.5% q/q, which is equivalent to a 0.7% increase y/y – see our [preview](#). This is a particularly difficult quarter to forecast, and the range of uncertainty is wide – our indicator models produced feasible forecasts ranging from -2% q/q to +2% q/q. In Q2, it was obvious that lockdown meant GDP was heading south, and in Q3 coming out of lockdown was always going to generate a big rebound. But in Q4, the direction of GDP is pretty ambiguous – some industries will have done well, but may nonetheless see a recoil from their heroic increase in Q3. Some industries are gradually recovering, and others are rolling along as if lockdowns and closed borders never happened. And, some industries that are exposed to the lost summer of international tourism are continuing to hurt.

More usefully, the GDP data should tell us whether economic momentum stemming from the hot housing market was enough to offset the impact of a closed border at a time when international tourism would normally be picking up. The peak impact of the closed border will be felt in Q1 2021. If housing momentum was enough to offset the tourism gap in Q4, then the damage from the closed border may be somewhat mitigated. However, if the strength in the housing market was insufficient to make up for a visitor-less summer in Q4 (where the tourism impact would have been *smaller* than it will be in Q1 2021), then the outlook for near-term growth could be pretty subdued.

Figure 2: GDP growth



Source: Stats NZ, ANZ Research

### The week ahead

#### Performance Services Index – February (Monday 15 March, 10:30am).

The PSI has been trending down. It could bounce, but maybe not into expansionary territory.

**Net Migration – January (Monday 15 March, 10:45am).** Expecting net migration to remain very low, contained by closed borders and MIQ capacity.

**Global Dairy Trade (Wednesday 17 March, early).** Expecting prices to stabilise as a massive lift in WMP supply should satisfy buyer demand.

**Current Account Balance – Q4 (Wednesday 17 March, 10.45am).** We expect the annual deficit to remain stable at 0.8% of GDP.

**GDP – Q4 (Thursday 18 March, 10.45am).** We're forecasting that GDP rose 0.5% q/q in the December quarter. See our [preview](#).



## Markets and forecasts

### Markets outlook

US 10-year Treasury bond yields retreated from their highs over the week as the market paused for breath at elevated yields. US bond auctions were well absorbed (as was this week's NZGB tender), and core inflation disappointed, challenging the 'reflation' narrative and validating the pull-back in bond yields. Short-term corrections aside, when we look to the next few months, our sense is that the US market will struggle to absorb what is likely to be a flood of good news as the vaccinations continue at pace and labour markets recover as the economy normalises, boosted by the new fiscal stimulus. Next week's FOMC meeting and the so-called dot plots and summary economic projections take on additional significance and have scope to create significant volatility as the Fed lifts its growth and inflation forecasts, but attempts to downplay the need to tighten. This is similar to how things played out here in New Zealand, and we are wary of the market's willingness to believe forward guidance in the face of rapidly improving data, biasing US and global yields higher and steeper. FX markets are at something of a crossroads here. While the New Zealand story (COVID under control, real estate and commodities booming, a labour market much stronger than feared) is well understood and remains positive, a weak USD can no longer be taken for granted. We expect the NZD to continue to advance over the course of 2021, but more volatility is likely as the global vaccination rebound thematic takes hold.

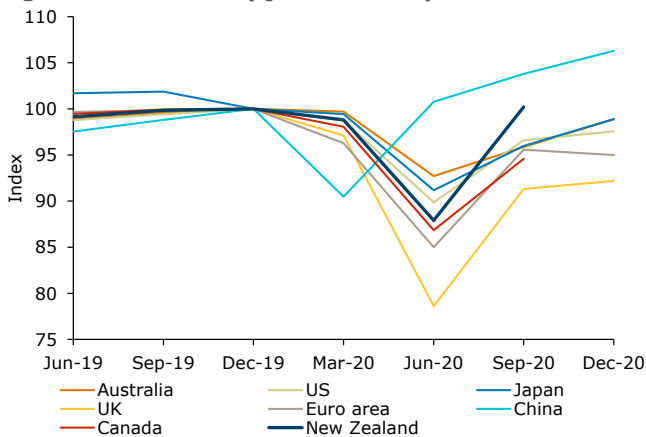
FX rates	Actual				Forecast (end month)				
	Jan-21	Feb-21	Today	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
NZD/USD	0.719	0.723	0.722	0.75	0.75	0.76	0.77	0.77	0.77
NZD/AUD	0.941	0.939	0.928	0.97	0.95	0.95	0.94	0.94	0.94
NZD/EUR	0.593	0.599	0.603	0.61	0.60	0.60	0.60	0.60	0.59
NZD/JPY	75.3	77.1	78.4	78.0	77.3	77.5	78.5	78.5	78.5
NZD/GBP	0.525	0.519	0.516	0.52	0.52	0.52	0.53	0.52	0.51
NZ\$ TWI	74.7	75.9	75.5	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	1.69	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	<b>0.5</b>	<b>-0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.8</b>	<b>1.5</b>	<b>0.8</b>	<b>0.8</b>
GDP (% yoy)	0.4	<b>0.7</b>	<b>1.4</b>	<b>14.6</b>	<b>1.0</b>	<b>1.3</b>	<b>3.3</b>	<b>3.6</b>	<b>4.0</b>
CPI (% qoq)	0.7	0.5	<b>0.6</b>	<b>0.6</b>	<b>0.5</b>	<b>0.0</b>	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>
CPI (% yoy)	1.4	1.4	<b>1.2</b>	<b>2.3</b>	<b>2.2</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>
Employment (% qoq)	-0.8	0.6	<b>-0.1</b>	<b>0.0</b>	<b>0.2</b>	<b>0.4</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>
Employment (% yoy)	0.2	0.7	<b>-0.4</b>	<b>-0.2</b>	<b>0.7</b>	<b>0.5</b>	<b>1.4</b>	<b>2.1</b>	<b>2.6</b>
Unemployment Rate (% sa)	5.3	4.9	<b>5.2</b>	<b>5.5</b>	<b>5.5</b>	<b>5.3</b>	<b>4.9</b>	<b>4.7</b>	<b>4.5</b>

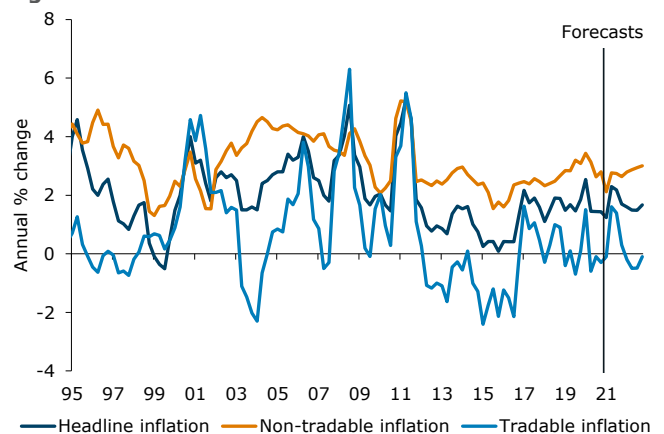
Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year

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

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### Meet the team

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



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[1 February 2021]

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