

New Zealand Weekly Data Wrap

9 April 2021



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See [page 4](#).

Forecast updates

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

- [ANZ NZ Data Wrap: House price outlook slightly weaker](#)
- [Farmgate milk price forecast revised up](#)
- [ANZ NZ Quarterly Economic Outlook – The journey back](#)
- [RBNZ MPS Preview - Stay the course](#)

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

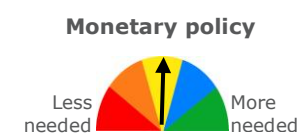
What's the view?

- GDP moves broadly sideways over 2021
- Unemployment peak: 5½%
- Inflation picks up
- OCR on hold

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

Balance of risks

Risks now more balanced



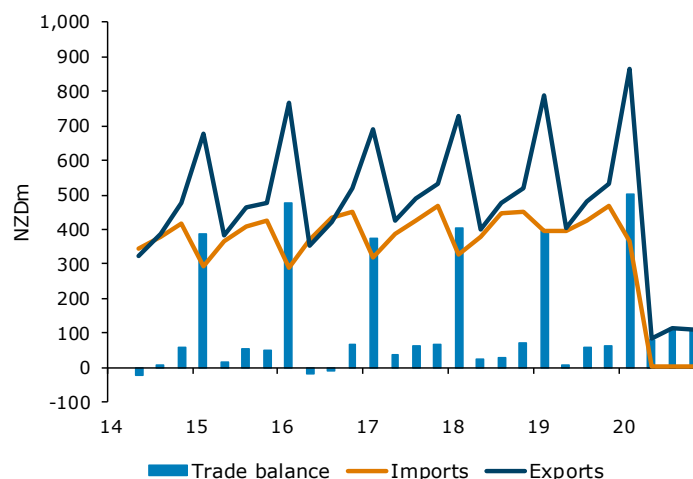
How has the view changed?

On Tuesday the Government announced the opening of a travel bubble between New Zealand and Australia from 19 April. This is fantastic news for families and friends who have been kept apart for a year, Kiwis desperate to get out and about, and tourism firms who have battled through a summer without international tourists.

In our [Insight published this morning](#), we explored the implications of the travel bubble for economic growth in New Zealand. The bubble is great news, and a welcome step towards normalising the economy. But at the same time, the implications for GDP, particularly in the near term, are nuanced, since New Zealanders heading to Australia will be a drag on the GDP calculation.

Pre-COVID, New Zealand reliably ran a surplus of tourism services with Australia, but mostly in summer. During winter, the income from visiting Australians was typically almost entirely offset by Kiwis travelling to Australia to escape the cold (figure 1). But this time is different – Australians literally have nowhere else to go if they want an overseas trip. But on the other hand, family reunions (not the big spenders) are likely to dominate early flows in both directions. Given the size of Australia's population relative to NZ's, we're likely to see positive net flows, and so we're expecting a positive GDP impact, just perhaps not as large as it has been historically. Given the uncertainty around willingness to travel at this point, it's impossible to be precise about how large the impact may be. But in any case, it's great news.

Figure 1. Value of personal travel between Australia and New Zealand



Source: Stats NZ, ANZ Research

What happened this week?

GlobalDairyTrade auction. The GDT index lifted 0.3%. Whole milk powder held steady at USD4085/tonne.

Commodity Price Index – March. The ANZ [World Commodity Price Index](#) lifted 6.1% m/m in March to reach a record high.

ANZ Business Outlook Flash – April. The preliminary read showed a 4-point fall in [business confidence](#) and unchanged own activity expectations. Pricing expectations hit a new high, in data that goes back to 1992.

ANZ Truckometer – March. [Heavy traffic](#) lifted 2.8% m/m, light traffic 1.7%.



Looking ahead



Recent Publications

ANZ produces a range of in-depth insights.

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- ANZ NZ Insight: The road to full employment
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- ANZ NZ Agri Focus: Reaping the rewards
- ANZ NZ Property Focus: On the horizon – Key themes for 2021

Click [here](#) for more.

Data calendar

Date	Data/event
Tue 13 Apr (10:00am)	NZIER QSBO – Q1
Tue 13 Apr (10:45am)	Electronic Card Transactions – Mar
Wed 14 Apr (10:45am)	Net Migration – Feb
Wed 14 Apr (2:00pm)	RBNZ OCR
Thu 15 Apr (9:00am)	REINZ House Prices – Mar
Thu 15 Apr (10:45am)	Food Price Index – Mar
Thu 15 Apr (10:45am)	Rental Price Index – Mar
Fri 16 Apr (10:30am)	BusinessNZ Manuf PMI – Mar
Mon 19 Apr (10:30am)	Performance Services Index Mar
Wed 21 Apr (early am)	GlobalDairyTrade auction
Wed 21 Apr (10:45am)	CPI – Q1
Thu 29 Apr (10:45am)	Merchandise Trade – Mar
Thu 29 Apr (1:00pm)	ANZ Business Outlook – Apr F
Fri 30 Apr (10:00am)	ANZ-RM Consumer Confidence – Apr
Wed 5 May (early am)	GlobalDairyTrade auction

What are we watching?

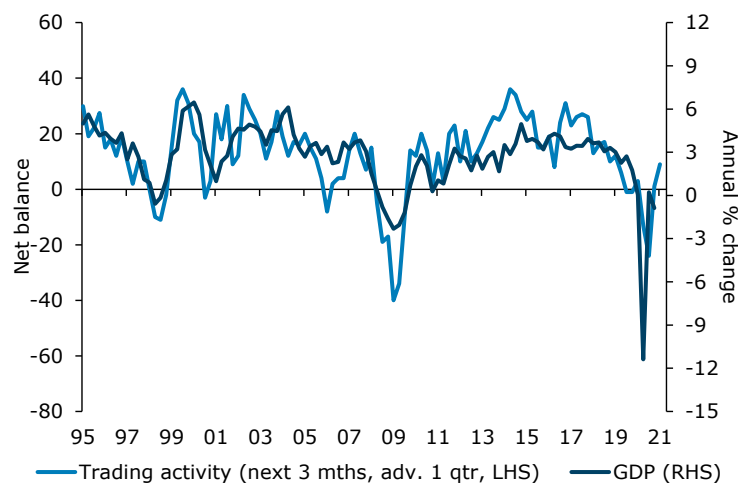
Wednesday next week will be the RBNZ’s first opportunity to comment on the state of the world since the February MPS. As we outlined in our [MPR Preview](#) yesterday we’re expecting that the Monetary Policy Committee will reiterate their “wait and see” approach.

It’s true that the data have been disappointing lately, particularly Q4 GDP, which fell 1.0% q/q versus the RBNZ’s forecast of 0.0%. But the GDP data is still very volatile, and the RBNZ was already anticipating harder yards ahead this year in their February Statement, as unsustainable drivers fade.

There are both upside and downside risks to the economic outlook, and recent policy announcements around housing tax policy and the trans-Tasman bubble have only increased the number of moving parts. But with the economy in a much better place than anyone dared hope a year ago, the RBNZ has the breathing room to see where things land, and react accordingly.

The Quarterly Survey of Business Opinion (QSBO), released next Tuesday, will provide some indication of the outlook for Q2, especially the forward-looking measures (figure 2). The QSBO should also give a good picture of the state of the construction sector – we noted this was a concern [last week](#).

Figure 2. GDP growth and Domestic trading activity



Source: NZIER, Stats NZ, ANZ Research

The week ahead

NZIER Quarterly Survey of Business Opinion – Q1 (Tuesday 13 April, 10:00am). Should confirm the results of the ANZBO over Q1 – activity measures slowing down, while pricing pressures continue to build.

Electronic Card Transactions – March (Tuesday 13 April, 10:45am). May continue to be under pressure.

Net Migration – February (Wednesday 14 April, 10:45am). Still soft – not expecting any increase until the travel bubble enters the data.

RBNZ OCR Review – April (Wednesday 14 April, 2:00pm). The RBNZ is likely to reiterate its “wait and see” approach – see our [preview](#).

REINZ House Prices – March (Thursday 15 April, 9:00am). We’re expecting another solid print, as this data is before the policy announcements.

Food Prices – March (Thursday 15 April, 10:45am). March food prices usually increase after seasonal weakness in February.

Rental Price Index – March (Thursday 15 April, 10:45am). May see a bounce after an unseasonably weak February.



Markets and forecasts

Markets outlook

Global bond yields have not risen as we expected they would in the wake of a wave of solid US data (which was both stronger than expectations and strong in level terms). As we write, the bellwether US 10-year Treasury yield is sitting just above the key 1.60% level that “defined” the period of higher yields that has characterised the past month. While it is difficult to argue with market pricing given the depth of the US bond market, positioning has likely played a role (the bond bear trade is very consensus) and moves seen this week do seem to be at odds with US data, which has helped drive equities higher and benefited cyclical assets. Reassurances from the Fed that it’ll remain on the side-lines until there is clear evidence of sustained above-target inflation and full employment (the “outcomes not outlook” mantra) will cap how far short-end US bond yields can go, but it likely adds upside risks to the long end if the inflation outlook is more assured. All this has seen New Zealand yield curves flatten, but our reservations around what’s driving the move (positioning rather than economics) does make us wary of a potential unwind at some point. We do expect NZGBs to outperform global equivalents as the market contemplates reduced issuance (owing to better fiscal outturns) and demand or duration as the May 2021 bond matures, but that’s a relative rather than outright expectation. With the short end anchored by an on-hold OCR, we still expect steeper curves. In FX markets, the US exceptionalism thematic is shifting from benefiting the USD to benefiting cyclical assets (including the NZD), with further support coming from commodity prices and the trans-Tasman bubble.

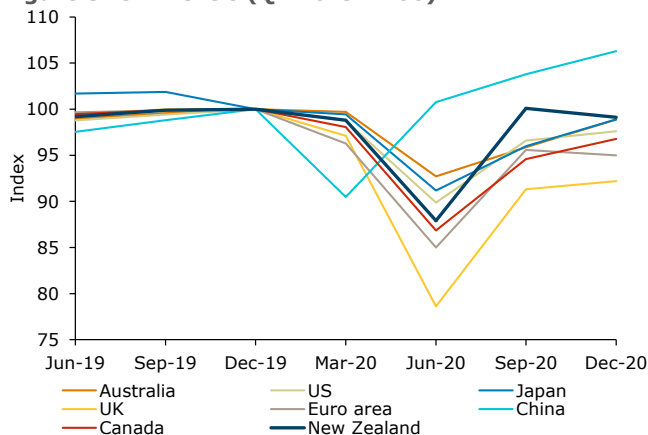
FX rates	Actual			Forecast (end month)					
	Feb-21	Mar-21	Today	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
NZD/USD	0.723	0.700	0.706	0.75	0.76	0.77	0.77	0.77	0.77
NZD/AUD	0.939	0.919	0.922	0.95	0.95	0.94	0.94	0.94	0.94
NZD/EUR	0.599	0.596	0.592	0.60	0.60	0.60	0.60	0.59	0.59
NZD/JPY	77.1	77.4	77.2	77.3	77.5	78.5	78.5	78.5	78.5
NZD/GBP	0.519	0.508	0.514	0.52	0.52	0.53	0.52	0.51	0.51
NZ\$ TWI	75.9	74.0	74.4	76.5	76.8	77.0	77.0	76.5	76.5
Interest rates/QE	Feb-21	Mar-21	Today	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-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	0.31	0.35	0.32	0.32	0.33	0.34	0.34	0.34	0.34
NZ 10-yr bond	1.90	1.81	1.71	2.00	2.10	2.20	2.30	2.30	2.50

Economic forecasts

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
GDP (% qoq)	-1.0	0.0	0.5	0.5	0.8	1.5	0.8	0.8	0.8
GDP (% yoy)	-0.9	0.3	13.3	0.0	1.8	3.3	3.6	4.0	4.0
CPI (% qoq)	0.5	0.6	0.6	0.5	0.0	0.4	0.5	0.6	0.2
CPI (% yoy)	1.4	1.2	2.3	2.2	1.7	1.6	1.5	1.5	1.7
Employment (% qoq)	0.6	-0.1	0.0	0.2	0.4	0.8	0.7	0.7	0.7
Employment (% yoy)	0.7	-0.4	-0.2	0.7	0.5	1.4	2.1	2.6	2.9
Unemployment Rate (% sa)	4.9	5.2	5.5	5.5	5.3	4.9	4.7	4.5	4.2

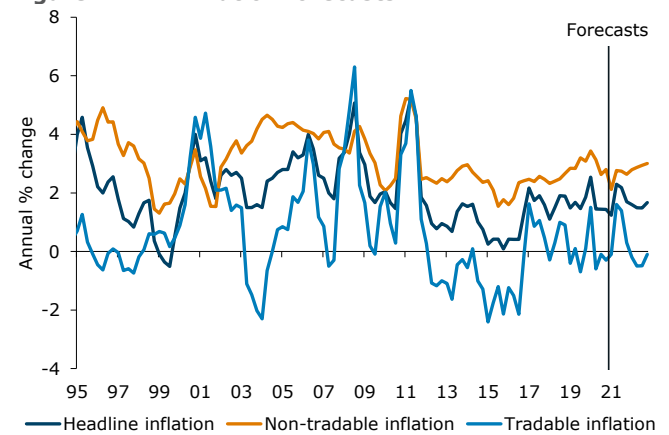
Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year

Figure 3. GDP levels (Q4 2019= 100)



Source: Macrobond, Statistics NZ, ANZ Research

Figure 4. ANZ inflation forecasts



Source: Statistics NZ, ANZ Research



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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 (maternity leave)
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



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