

# New Zealand Weekly Data Wrap

12 January 2024



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See [page 5](#).

## Forecast updates

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

- **NZ Forecast Update: milk prices trend higher**
- **NZ Economic Outlook: ups and downs**
- **NZ Property Focus: going up**
- **NZ Forecast Update: milk price revised down further**
- **NZ Forecast Update: the much-needed adjustment**

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

## What's the view?

- GDP shows demand momentum is weak, particularly in per capita terms.
- Labour market now cooling.
- Inflation way above target and looking sticky.
- OCR on hold at 5.50% until February 2025, then lower.

Our forecasts are on [page 4](#).

Confused by acronyms or jargon? See a glossary [here](#).

## Key risks to our view



Global growth and financial market risks persist, with China in focus.



Soaring net migration could see rents and house prices start to rise more quickly.



Booming migration plus fiscal stimulus could see demand hold up for longer.



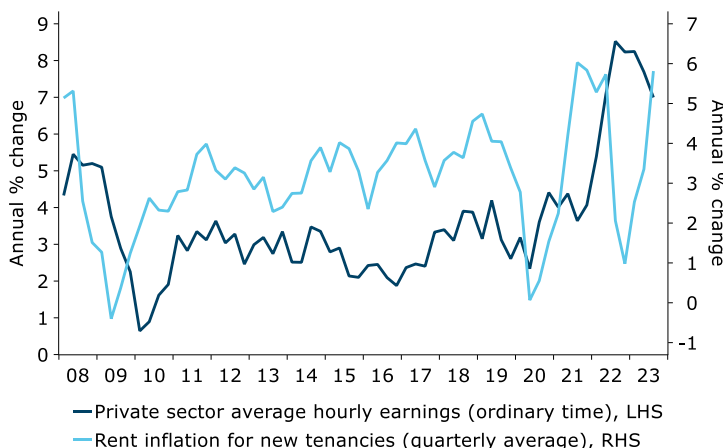
NZ's large external imbalances could see the market impose a more abrupt adjustment path.

## RBNZ's New Year's resolution: get inflation back in the band

2024 will bring winners and losers as the big forces buffeting the economy (monetary, fiscal, global and demographic) play out. Strong population growth is masking significant weakness in per capita spending as people watch their pennies. The unemployment rate will continue to rise, and the agricultural sector is doing it tough in the face of weak demand from China. And most importantly, the RBNZ won't be able to let the economy off its short leash until inflation is looking more convincingly beaten than it is now. While it may so far be a fairly soft landing in headline GDP terms, the per capita story is bruising. But a landing of some kind was inevitable.

The impacts of net migration are a key uncertainty as we look to the year ahead. Net arrivals have increased our population by close to 130,000 people over the last year. On the one hand, the surge in labour supply has eased extreme labour shortages and wage pressure. But all these people need somewhere to live, and the RBNZ noted in November that it thought the demand-side impacts of surging migration still had quite a way to play out, with the impact on rents a particular focus. Because rents change infrequently, the impact has been slow to enter the CPI, but it will be very slow to exit as well, potentially contributing to non-tradable inflation holding up over 2024.

**Figure 1. Migration supports rents, but subdues wage growth**



Source: Stats NZ, Macrobond, ANZ Research

House prices warrant a mention. We are forecasting house prices to broadly keep pace with wage inflation over 2024, going sideways in real terms. There are risks on both sides of this expectation. Upside risks include housing supply not keeping up with population growth (a given, it's just a question of degree); rent inflation; tax and tenancy rule changes for property investors; and the possibility of fixed mortgage rate falls as financial markets price in OCR cuts. Downside risks include rising unemployment. A key downside risk is rising unemployment.

On balance, we see potential upside in the market capped by the fact that the last time house prices were at this level and rising, borrowing capacity was far higher because mortgage rates were markedly lower than current levels, and we don't see that maths changing quickly. Overall, the economy is doing some harder yards as New Zealand returns to living within its means. And although the worst may be past, a prolonged period of subpar growth is the recipe for bringing inflation sustainably lower.



## Looking ahead



### NZ Insights and Analysis

ANZ produces a range of in-depth insights.

- NZ Agri Focus: long, hot summer ahead
- NZ Insight: navigating the watch-worry-wait summer
- NZ Insight: labour market capacity indicators
- NZ Property Focus: a spring chill
- NZ Insight: Coalition policy announcements
- NZ Insight: what an oil price shock could mean for inflation
- NZ Property Focus: new faces, not many new places
- NZ Insight: macro impacts in New Zealand from an increase in global term rates
- NZ Insight: finding external balance



### NZ Economic News

View latest data and policy releases

- NZ GDP: weaker across the board
- NZ REINZ housing data: going nowhere quickly
- RBNZ MPS Review: when hawks fly
- NZ CPI and OCR call change: progress buys time
- NZ labour market: the ship has turned
- NZ Half-Year Update 2023 Preview: new team, new game plan

Click [here](#) for more.



### ANZ Proprietary data

Check out our latest releases below.

- ANZ Business Outlook
- ANZ-Roy Morgan Consumer Confidence
- ANZ Truckometer
- ANZ Commodity Price Index
- ANZ NZ Merchant and Card Spending: December 2023

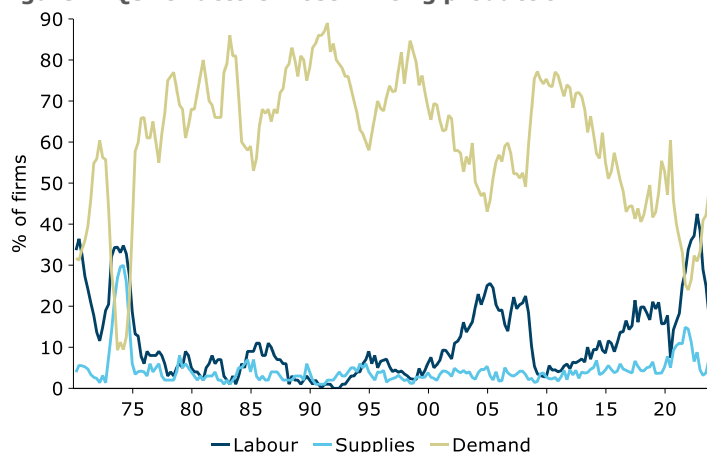
### QSBO preview: Cooling fast enough?

Next week brings the Quarterly Survey of Business Opinion (QSBO), which the RBNZ uses to gauge how much inflationary pressure there is in the economy. Last quarter's reading was consistent with the expected lags in monetary policy transmission, showing soft activity and a slowing labour market, but still-elevated inflation. In order for interest rate cuts to be delivered more of the same is required, especially evidence that the slowing economy is cooling core inflation.

On the activity front, last quarter saw a net 16.3% of firms reporting weaker domestic trading activity. We're expecting something similar in Q4, which would be consistent with GDP going sideways. Q2 saw capacity utilisation plunge dramatically, and Q3 maintained this new, lower level. Some of this will be the result of the lift in labour supply resolving acute shortages, rather than collapsing demand. As firms hire staff and fill shortages they open up new capacity that can only be utilised with a lag.

The border reopening has seen the proportion of firms reporting labour as the main constraint on their activity drop back sharply to more normal levels. It was still high in Q3 though, and while we would categorise the labour market [as no longer inflationary](#), the RBNZ needs to see a greater degree of slack emerge to generate the necessary downward pressure on inflation. While the supply-side recovery has been significant, the steady normalisation of demand as the main limiting factor for firms is evidence of monetary policy working. Demand being the main constraint isn't a sign of recession – it's how capitalism is supposed to work, with firms ready to sell to the customer walking in the door. The RBNZ will want to see this factor higher.

Figure 2. QSBO factors most limiting production



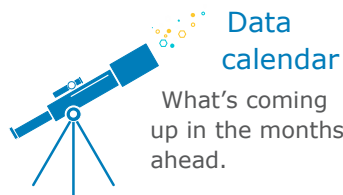
Source: NZIER, Macrobond, ANZ Research

While the labour market has moved a long way back into balance in the QSBO, there's still a long way to go on costs and prices, both of which are still miles above what's consistent with 2% inflation. Given the recent cooling in [GDP](#) and [employment](#), we suspect businesses won't be able to push through large price rises for much longer and are expecting a further fall in these measures next week. That said, it could be a story for further down the track given pricing intentions in the [ANZ Business Outlook Survey](#) went sideways throughout Q4.

All up, we are expecting more of the same from next week's QSBO; cooling activity, easing labour shortages and declining inflationary pressures. The big story will likely be whether these indicators are falling quickly enough for the RBNZ to be comfortable endorsing OCR cuts this year. Progress thus far has been slower than they might've liked, but inch by inch the RBNZ is winning the war on inflation.



## Financial markets update



Date	Data/event
Tue 16 Jan (10:00am)	<b>NZIER QSBO – Q4</b>
Wed 17 Jan (early am)	GlobalDairyTrade auction
Wed 17 Jan (10:45am)	Electronic Card Transactions - Dec
Thu 18 Jan (09:00am)	REINZ Housing Data - December
Thu 18 Jan (10:00am)	<b>ANZ Truckometer – Dec</b>
Thu 18 Jan (10:45am)	Selected Price Indexes - Dec
Fri 19 Jan (10:30am)	BusinessNZ Manuf PMI – Dec
Fri 19 Jan (10:45am)	Net Migration - Nov
Tues 23 Jan (10:30am)	Performance Services Index – Dec
Wed 24 Jan (10:45am)	<b>CPI – Q4</b>
Mon 29 Jan (10:45am)	Employment Indicators – Dec
Mon 29 Jan (10:45am)	Merchandise Trade – Dec
Wed 31 Jan (1:00pm)	<b>ANZ Business Outlook – Jan</b>
Fri 2 Feb (10:00am)	<b>ANZ-RM Consumer Confidence – Jan</b>
Fri 2 Feb (10:45am)	Building Permits – Dec
Wed 7 Feb (early am)	GlobalDairyTrade auction
Wed 7 Feb (10:45am)	<b>Labour Market – Q4</b>
Fri 9 Feb (10:00am)	<b>ANZ Truckometer – Jan</b>
Tue 13 Feb (3:00pm)	RBNZ 2Yr Inflation Expectations
Wed 14 Feb (10:45am)	Electronic Card Transactions – Dec
Wed 14 Feb (10:45am)	Selected Price Indexes – Dec
Thu 15 Feb (10:45am)	Net Migration – Nov
Fri 16 Feb (10:30am)	BusinessNZ Manuf PMI – Jan
Mon 19 Jan (10:30am)	Performance Services Index – Jan
Wed 21 Feb (early am)	GlobalDairyTrade auction
Thu 22 Feb (10:45am)	Merchandise Trade – Jan
Fri 23 Feb (10:45am)	Retail Sales – Q4

### Interest rate markets

This week rate markets have been swinging back and forth, but not going anywhere quickly. Volatility was the key theme. While bonds initially sold off (yields moving higher) on US CPI that was a little stronger than expected, they quickly shrugged it off and unwound the move and then some.

### FX markets

Kiwi has traded in a tight range this week between 0.620 and 0.627 with similarly subdued action in the crosses. Little domestic data meant the waxing and waning of global sentiment and market flows were steering the tiller nowhere in particular. Kiwi initially lost 40 pips or so as markets took risk off the table from elevated US CPI, but going into the New Zealand session this morning, about half of that had unwound to leave us a round-trip on the week at around 0.623.

### Key data summary

**Monthly Employment Indicators – November.** Monthly filled jobs rose 0.1% m/m, despite the unwind of the one-off boost from temporary workers involved in October's General Election. The outturn was stronger than we had anticipated and suggests some hiring momentum remains, though labour demand is cooling.

**ANZ Commodity Price Index – December.** The [World Index](#) rose 2.4% m/m, supported by the continued recovery in dairy prices.

**Building Permits – November.** Fell 10.6% m/m. The downtrend in new dwelling consents remained firmly intact, despite strong population growth.

### The week ahead

**NZIER Quarterly Survey of Business Opinion – Q4 (Tuesday 16 January, 10:00am).** Looking for more of the same. Cooling activity, labour market and inflationary pressures. Anything else would be a worry for RBNZ.

**GlobalDairyTrade auction (Wednesday 17 January, early am).** Dairy prices have consolidated but with offer volumes easing seasonally a 2% lift in the GDT Price Index is expected at the next auction.

**Electronic Card Transactions – December (Wednesday 17 January, 10:45am).** ANZ card spend data suggests consumer spending was more restrained for this year's Christmas season.

**REINZ House Prices – December (Thursday 18 January, 9:00am).** We're expecting a subdued 0.3% m/m sa, continuing the spring lull.

**ANZ Truckometer – December (Thursday 18 January, 10:00am).**

**Selected Price Indexes – December (Thursday 18 January, 10:45am).** We've pencilled in a -0.1% m/m fall in food prices and a 0.4% m/m increase in rents. Lower fuel prices and airfares have shifted the risks around our Q4 CPI forecast of 0.6% q/q materially to the downside, and we're watching airfares closely given scope for further corrections. Our Q4 CPI preview will follow the release.

**Manufacturing PMI – December (Friday 19 January, 10:30am).** Jumped 3.8 pts to a still contractionary read of 47.6. That momentum may prove short-lived.

**Net Migration – November (Friday 19 January, 10:45am).** One of the key risks of 2024 will be how persistent elevated net migration inflows will prove. With the economy and labour market conditions deteriorating, it's hard to see strength continuing.



## Key forecasts and rates

FX rates	Actual			Forecast (end month)					
	Nov-23	Dec-23	Today	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
NZD/USD	0.615	0.632	0.623	0.620	0.620	0.630	0.630	0.640	0.640
NZD/AUD	0.931	0.927	0.931	0.912	0.899	0.900	0.900	0.901	0.901
NZD/EUR	0.563	0.572	0.568	0.559	0.549	0.553	0.548	0.552	0.552
NZD/JPY	90.7	89.1	90.5	86.8	85.6	86.3	85.7	85.8	84.5
NZD/GBP	0.486	0.496	0.488	0.477	0.470	0.474	0.470	0.474	0.474
NZ\$ TWI	71.4	72.5	72.2	70.9	70.2	70.8	70.4	71.1	70.8
Interest rates	Nov-23	Dec-23	Today	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
NZ OCR	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.25	5.00
NZ 90 day bill	5.62	5.64	5.64	5.57	5.38	5.10	4.88	4.55	4.55
NZ 2-yr swap	5.16	4.64	4.78	5.00	4.80	4.63	4.57	4.45	4.45
NZ 10-yr bond	4.88	4.32	4.57	4.60	4.60	4.50	4.50	4.50	4.50

### Economic forecasts

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
GDP (% qoq)	-0.3	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>
GDP (% yoy)	-0.6	<b>0.0</b>	<b>0.4</b>	<b>0.1</b>	<b>0.7</b>	<b>1.1</b>	<b>1.3</b>	<b>1.6</b>	<b>1.8</b>
CPI (% qoq)	1.8	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.9</b>	<b>0.4</b>	<b>0.4</b>	<b>0.6</b>	<b>1.0</b>
CPI (% yoy)	5.6	<b>4.8</b>	<b>4.1</b>	<b>3.7</b>	<b>2.8</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>2.3</b>
Employment (% qoq)	-0.2	<b>-0.2</b>	<b>-0.3</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>
Employment (% yoy)	2.4	<b>1.6</b>	<b>0.3</b>	<b>-0.8</b>	<b>-0.5</b>	<b>-0.2</b>	<b>0.3</b>	<b>0.6</b>	<b>0.8</b>
Unemployment Rate (% sa)	3.9	<b>4.3</b>	<b>4.7</b>	<b>4.9</b>	<b>5.0</b>	<b>5.1</b>	<b>5.2</b>	<b>5.3</b>	<b>5.2</b>

Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year. [Click here](#) for full ANZ forecasts

Figure 3. GDP level

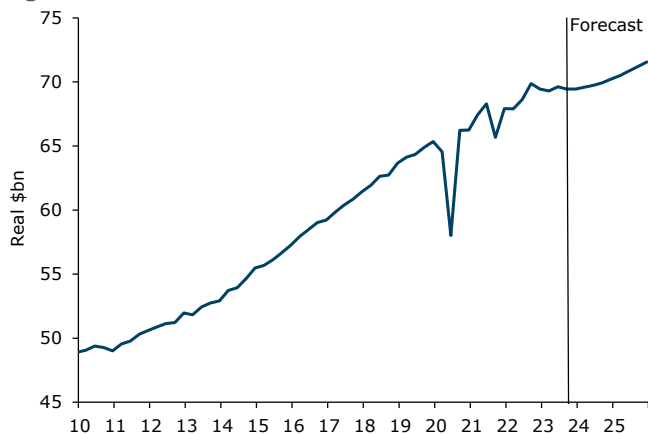
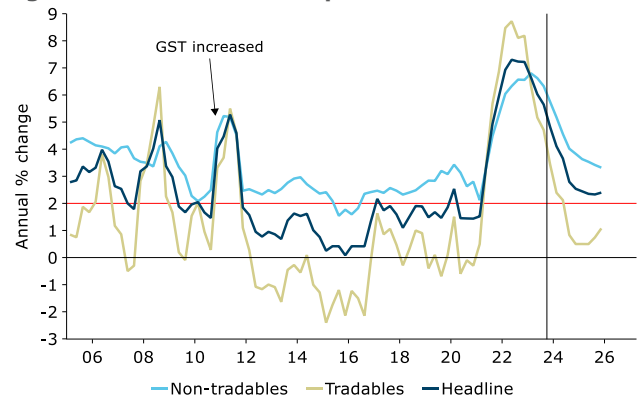
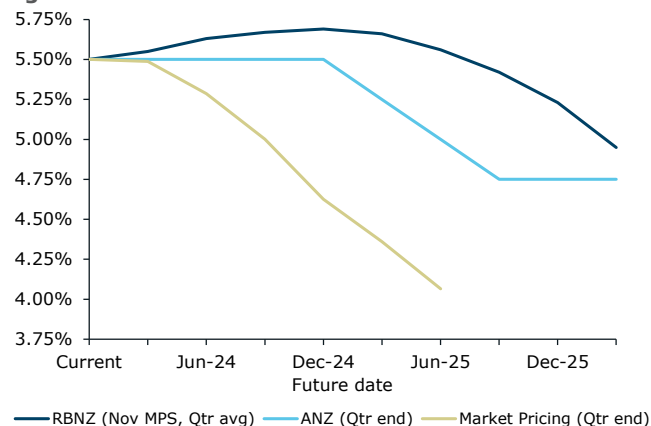


Figure 4. CPI inflation components



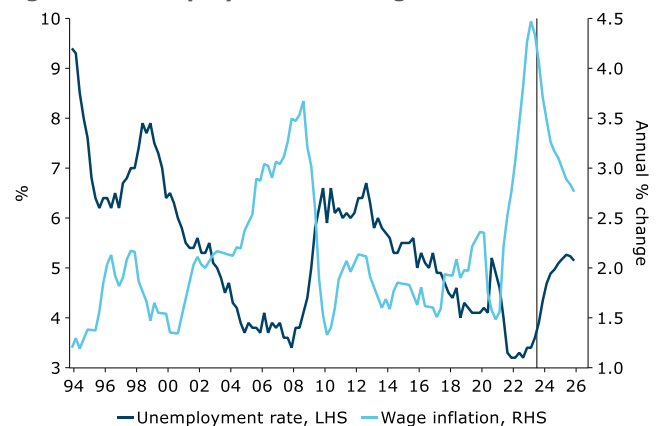
Source: Stats NZ, Macrobond, ANZ Research

Figure 5. OCR forecast



Source: Stats NZ, Bloomberg, RBNZ, Macrobond, ANZ Research

Figure 6. Unemployment and wage inflation





## Contact us

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### Meet the team

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



**Sharon Zollner**  
Chief Economist

Follow Sharon on X  
@sharon\_zollner

Telephone: +64 9 357 4094  
Email: [sharon.zollner@anz.com](mailto:sharon.zollner@anz.com)

General enquiries:  
[research@anz.com](mailto: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](mailto: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](mailto:susan.kilsby@anz.com)



**Miles Workman**  
Senior Economist

Macroeconomic forecast co-ordinator, economic developments, GDP and activity dynamics, fiscal and monetary policy.

Telephone: +64 21 661 792  
Email: [miles.workman@anz.com](mailto:miles.workman@anz.com)



**Henry Russell**  
Economist

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

Telephone: +64 21 629 553  
Email: [henry.russell@anz.com](mailto:henry.russell@anz.com)



**Andre Castaing**  
Economist

Macroeconomic forecasting, economic developments, housing and monetary policy.

Telephone: +64 21 199 8718  
Email: [andre.castaing@anz.com](mailto:andre.castaing@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](mailto: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](mailto:natalie.denne@anz.com)



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