

New Zealand Weekly Data Wrap

13 September 2024



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Contact us

See [page 5](#).



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: July 2024](#)

Key forecasts and rates

Our forecasts can be found on [page 4](#).

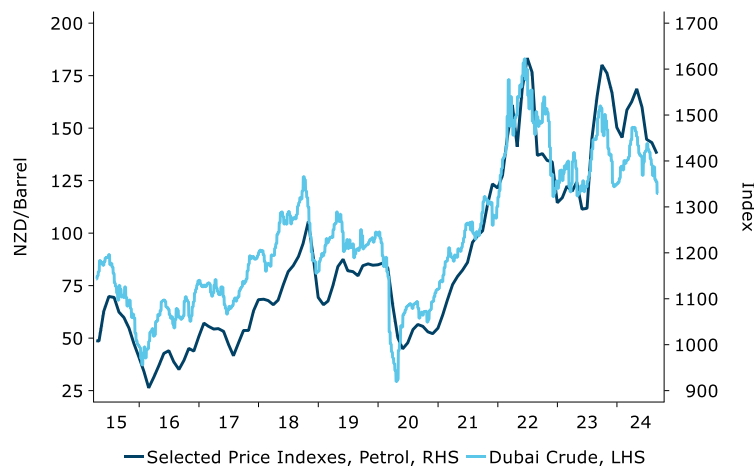
Glossary

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

CPI forecast update

The [August Selected Price Indexes](#) release this week confirmed that risks to our Q3 CPI forecast were skewed to the downside. We have therefore downgraded our Q3 CPI pick from 1.0% q/q (2.6% y/y) to 0.8% q/q (2.3% y/y). However, in terms of what's behind the downgrade, it's important to note that it's all coming from the relatively volatile tradables component, with weaker-than-expected petrol prices behind the bulk of that, driven by a mix of the removal of Auckland's regional fuel tax (which we did expect) and falling global oil prices.

Figure 1. Oil price and petrol selected price index



Source: MBIE, Stats NZ, Macrobond, ANZ Research

Reflecting the recent data, we've downgraded our tradables inflation forecast from +0.3% q/q to -0.3% q/q, but see that carrying very few implications for the RBNZ given that a) their forecast for tradables inflation in Q3 is close to this at -0.2% q/q, and b) this is largely a timing story given oil price changes don't tend to have permanent *direct* impacts on inflation.

In terms of non-tradables inflation (the more domestic and services-leaning side of the CPI basket), our Q3 forecast is unchanged at 1.5% q/q – that's a relatively meaty rise and partly reflects yet another big annual increase in local council rates. Housing outside of council rates (eg rents and property ownership) are expected to make solid contributions to quarterly non-tradables inflation too, adding to broad-based (but easing) domestic-driven inflation pressures across the non-tradables basket.

Flowing through the weaker starting point into our medium-term inflation forecast doesn't materially change things. Weaker tradables inflation in the near term gets "paid back" by slightly higher tradables inflation later on, leaving the overall inflation trajectory little changed. Our forecast remains relatively close to the RBNZ's August MPS forecast. See table on [page 4](#).

In other data this week (hot off the press this morning), we also have two more post-MPS high-frequency data releases: the August PMI and REINZ house sales. The latter revealed [yet another soggy month for the housing market](#), but it's still a bit too early to expect to see the impacts of falling mortgage rates (perhaps next month). Meanwhile, the PMI bounced a little further, albeit to subdued levels overall. Clearly, manufacturing momentum looks like it'll remain soft in Q3 – next week's Q2 GDP data will provide the first evidence on how much signal the recent weakness in high-frequency indicators contained.



Looking ahead



NZ Economic News

ANZ's latest data releases, forecast updates and insights

- NZ REINZ housing data: still subdued
- NZ GDP Preview: how bad was it?
- NZ Property Focus: kicking off into the wind
- NZ forecast update: milk price forecast revised up
- NZ Agri Focus: outlook improving
- NZ Carbon Market: Emissions Trading Scheme settings
- NZ REINZ housing data: southbound for now
- NZ Economic Outlook: tipping point?
- RBNZ MPS Review: the first cut is the deepest
- RBNZ MPS starting-point surprise chart pack
- NZ labour market: no smoking gun
- NZ Property Focus: crossing the Tasman
- NZ Insight: China consumer caution impacting NZ exports
- NZ Insight: Draft Emissions Reduction Plan
- NZ OCR Call Change: 25bp cut in November
- NZ CPI Review: reassuring
- RBNZ MPR Review: watch this space
- NZ Agri Focus: brighter days ahead
- NZ GDP: kicking off 2024 with a tiny bounce
- ANZecdotes – June 2024
- NZ Insight: non-tradable inflation – a waiting game
- NZ Property Focus: soggy – and unaffordable
- NZ Budget 2024: fiscal reshuffle not a game-changer for the economic outlook
- NZ Economic Outlook: the ducks are lining up
- NZ Insight: new Government, new fiscal strategy
- NZ Insight: house prices - impacts from proposed DTI and LVR settings

Click [here](#) for more.

Q2 GDP and Balance of Payments Preview

New Zealand's Q2 Balance of Payments and GDP figures will be released at 10:45am next Wednesday and Thursday respectively. [We've pencilled in](#) a 0.1% q/q (-0.3% y/y) contraction in Q2 (previously -0.3% q/q). While our forecast is well above the RBNZ's August MPS forecast of -0.5% q/q (-0.7% y/y), it's certainly not 'strong' in any sense of the word.

More than usual, these data feel like ancient history given the RBNZ has now kicked off OCR cuts, and the focus has shifted to how responsive the economy will be to lower interest rates. Nonetheless, the Q2 data will be important for gauging how much of an impact past monetary tightening has had on the real economy. After all, it was a meaningful deterioration in high-frequency activity indicators that drove the RBNZ to bring forward OCR cuts by 12 months. Now we'll get to see if the "low-frequency" data followed suit.

We were cautious about taking the full signal from deterioration in high-frequency data at the time because of the inherent volatility and lack of a clear catalyst for such abrupt weakness. While some of these indicators suggest a much weaker Q2 GDP print than our updated forecast of -0.1% q/q, the subsequent partial industry-level data released over the past fortnight hasn't corroborated the same extent of weakness.

That said, while we see the risks as skewed to a stronger GDP print next week than the RBNZ had anticipated back in August, given the significant volatility in the GDP data currently, there's plenty of scope for a surprise on the day. But there are many reasons to be cautious about overinterpreting a forecast miss:

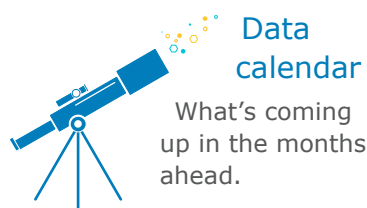
- In the case of an upward surprise, it's important to remember that the RBNZ's potential output assumption (the economy's growth speed limit before generating inflation) is 0.6% q/q. That means growth anywhere below this threshold is likely to be interpreted as consistent with rising spare capacity across the economy and ongoing disinflation.
- In the case of a downward surprise, it will need to pass the volatility 'sniff test' and be weighed against emerging signs that some parts of the economy are already responding to lower interest rates. Broad-based weakness across services industries would be an important signal in this context; that would be more meaningful than an undershoot driven by the more volatile goods components, for example. We view the risk that a downward surprise crosses the materiality threshold as low.

Volatility in the activity data is unlikely to go away any time soon. Just as the deterioration in high-frequency indicators in Q2 looks to have overstated the extent of weakness in the economy, the subsequent rebound following the easing in monetary conditions may also overstate the extent of the economic recovery. We expect the RBNZ will stick to the current course of action for the time being, delivering a steady stream of 25bp cuts at each meeting, allowing time to assess the economy's response. Risks to the pace of the easing cycle certainly remain two-sided. The broad evolution of data over the coming months will be key for assessing the skew of those risks, rather than one print alone.

Turning to the Balance of Payments, we expect the annual current account deficit narrowed from 6.8% of GDP in Q1 to 6.6%. Stats NZ has advised that changes to the measurement of travel services exports over history will result in a narrower-than-otherwise current account deficit. Revisions to services exports across the past three quarters could be worth around 0.3%pts off the annual current account deficit. We can't forecast revisions, but the risks are skewed to a narrower current account deficit on the day.



Financial markets update



Data calendar

What's coming up in the months ahead.

Date	Data/event
Mon 16 Sep (10:30am)	Performance Services Index – Aug
Wed 18 Sep (early am)	Global Dairy Trade auction
Wed 18 Sep (10:45am)	Balance of Payments – Q2
Thu 19 Sep (10:45am)	GDP – Q2
Mon 23 Sep (10:45am)	Merchandise Trade – Aug
Fri 27 Sep (10:00am)	ANZ-RM Consumer Confidence – Sep
Mon 30 Sep (10:45am)	Employment Indicators – Aug
Mon 30 Sep (1:00pm)	ANZ Business Outlook – Sep
Tue 1 Oct (10:00am)	NZIER QSBO – Q3
Tue 1 Oct (10:45am)	Building Permits – Aug
Wed 2 Oct (early am)	Global Dairy Trade auction
Thu 3 Oct (1:00pm)	ANZ Commodity Price Index – Sep
Wed 9 Oct (2:00pm)	RBNZ MPR
Fri 11 Oct (10:45am)	BusinessNZ Manuf PMI – Sep
Fri 11 Oct (10:45am)	Selected Price Indexes – Sep
Fri 11 Oct (10:45am)	Net Migration – Aug
Mon 14 Oct (10:30am)	Performance Services Index – Sep
Mon 14 Oct (10:45am)	Electronic Card Transactions – Sep
Tue 15 Oct (10:00am)	ANZ Truckometer – Sep
Wed 16 Oct (early am)	Global Dairy Trade auction
Wed 16 Oct (10:45am)	CPI – Q3
Tue 22 Oct (10:45am)	Merchandise Trade – Sep
Fri 25 Oct (10:00am)	ANZ-RM Consumer Confidence – Oct
Tue 29 Oct (10:45am)	Employment Indicators – Sep
Thu 31 Oct (1:00pm)	ANZ Business Outlook – Oct
Fri 1 Nov (10:45am)	Building Permits – Sep
Tue 5 Nov (1:00pm)	ANZ Commodity Price Index – Oct

Interest rate markets

Interest rates and bond yields drifted lower again this week, with bellwether short and long-end rates like the NZ 2yr swap rate and the US 10yr Treasury bond yield both making cycle lows. While NZ 10yr bond yields did not make cycle lows, they came close, and 10yr swap rates did, with the wider spread between swaps and bonds demonstrative of the toll heavy government bond issuance is having on NZGB sentiment. While the downward trend has been front and centre, volatility has also declined from elevated levels last month. But the situation looks somewhat fragile, and we are wary of the potential for increased volatility next week in the lead-up to and following the Fed meeting. Markets are [split roughly 70/30](#) in favour of a 25bp (rather than 50bp) Fed cut, and if expectations remain that way into the meeting itself (6am NZT Thursday), volatility seems likely. The Fed will also publish a fresh set of macro and rate projections, adding further dimensions to potential sources of surprises. Next week also sees the release of NZ Q2 GDP (see page 2). That is a source of potential volatility too, with markets wagering on [120bps of OCR cuts by February](#), much more than most economists are expecting.

FX markets

The Kiwi has continued its drift lower and is now around 120bp below its late August peak of 0.63. It hit a low of 0.61 earlier in the week. It has recovered somewhat as the USD has come under pressure, but it's exhibited a pattern of lower lows and lower highs. We continue to worry about New Zealand's twin deficits, which makes us wary of the Kiwi's long-term potential, and while it may be a talking point around balance of payments data next week, the risk is that local data gets overshadowed by USD moves around the Fed decision. We expect the Fed to cut by only 25bps, raising the prospect of a mild USD bounce next week.

Key data summary

Economic Survey of Manufacturing – Q2 (Tuesday 10 September, 10:45am). Manufacturing volumes lifted 0.6% q/q.

Net Migration – July (Wednesday 11 September, 10:45am). The annual net inflow eased to 67.2k, aided a little by downward revisions.

ANZ Truckometer – August (Thursday 12 September, 10:00am). Mixed monthly moves but momentum clearly weak.

Selected Price Indexes – August (Thursday 12 September, 10:45am). A touch stronger than expected.

Electronic Card Transactions – August (Thursday 12 September, 10:45am). Retail spending lifted 0.2% m/m. Not much sign here that tax cuts have shifted the dial.

REINZ House Prices – August (Friday 13 September, 9:00am). Sales fell 3.0% m/m as the House Price Index dipped 0.4% (seasonally adjusted).

Manufacturing PMI – August (Friday 13 September, 10:30am). Lifted 1.4pts to 45.8, still in contractionary territory but trending higher.

The week ahead

Performance of Services Index – August (Monday 16 September, 10:30am). Will be watched closely for any sign of a post-MPS bounce.

GlobalDairyTrade auction (Wednesday 18 September, early am). A modest (~1%) rise wouldn't surprise.

Current Account Balance – Q2 (Wednesday 18 September, 10:45am). We expect the annual account deficit narrowed. See our [Preview](#).

GDP – Q2 (Thursday 19 September, 10:45am). See our [Preview](#).



Key forecasts and rates

	Actual			Forecast (end month)					
FX rates	Jul-24	Aug-24	Today	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
NZD/USD	0.592	0.625	0.619	0.610	0.620	0.620	0.620	0.630	0.630
NZD/AUD	0.911	0.924	0.920	0.910	0.899	0.886	0.886	0.887	0.887
NZD/EUR	0.546	0.566	0.559	0.560	0.564	0.554	0.544	0.543	0.534
NZD/JPY	89.1	91.3	87.6	91.5	91.8	89.3	88.0	88.2	85.7
NZD/GBP	0.461	0.476	0.471	0.477	0.477	0.470	0.459	0.463	0.463
NZ\$ TWI	69.7	71.8	71.1	71.0	71.4	70.6	70.2	70.8	70.4
Interest rates	Jul-24	Aug-24	Today	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
NZ OCR	5.50	5.25	5.25	5.25	4.75	4.50	4.00	3.50	3.50
NZ 90 day bill	5.46	5.23	5.10	4.90	4.70	4.23	3.73	3.65	3.65
NZ 2-yr swap	4.23	3.94	3.71	3.88	3.78	3.70	3.65	3.65	3.65
NZ 10-yr bond	4.34	4.27	4.14	4.25	4.00	4.00	4.00	4.00	4.25

Economic forecasts

	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
GDP (% qoq)	0.2	-0.1							
GDP (% yoy)	0.3	-0.3							
					Forecasts under review				
CPI (% qoq)	0.6	0.4	0.8	0.4	0.5	0.6	0.7	0.4	0.4
CPI (% yoy)	4.0	3.3	2.3	2.2	2.1	2.2	2.1	2.1	2.1
Employment (% qoq)	-0.3	0.4	-0.3	-0.2	-0.1	0.0	0.1	0.2	0.4
Employment (% yoy)	1.3	0.6	0.3	-0.4	-0.2	-0.6	-0.2	0.2	0.7
Unemployment Rate (% sa)	4.4	4.6	4.8	5.0	5.2	5.4	5.5	5.5	5.5

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

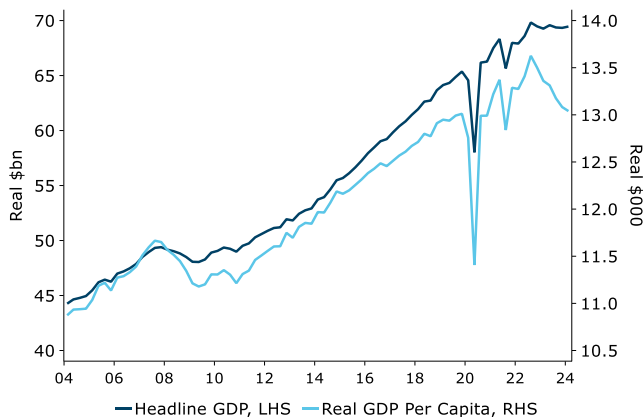


Figure 4. CPI inflation components

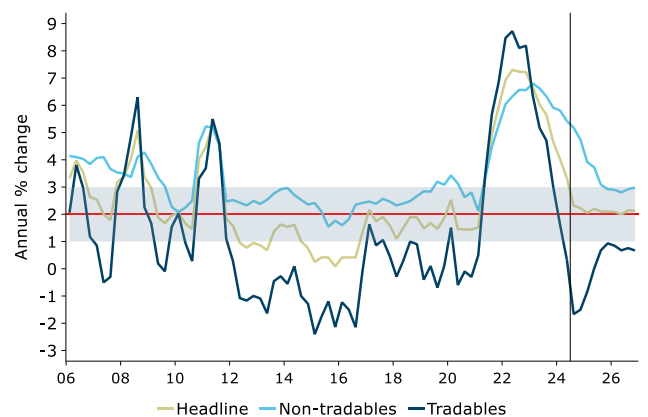


Figure 5. OCR forecast

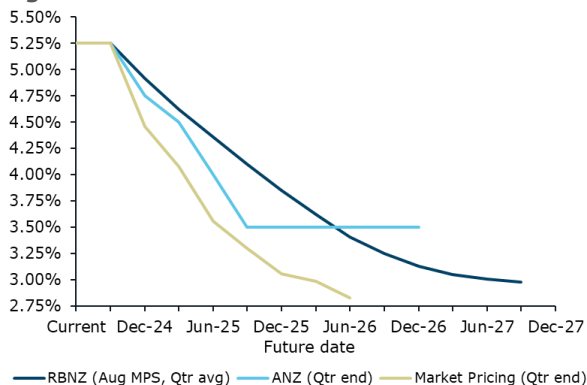
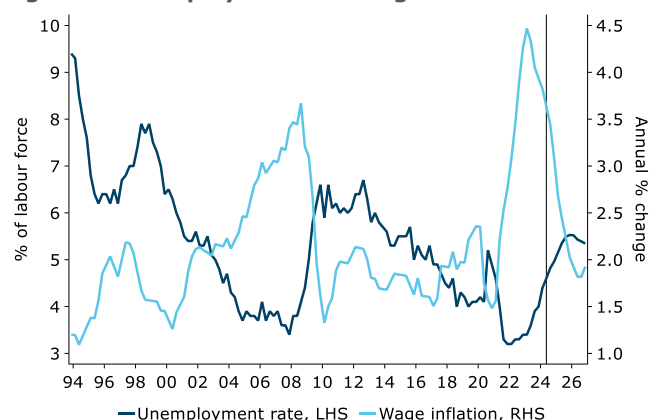


Figure 6. Unemployment and wage inflation



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



Contact us

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