

New Zealand Weekly Data Wrap

4 October 2024



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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: August 2024](#)

Key forecasts and rates

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

Glossary

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

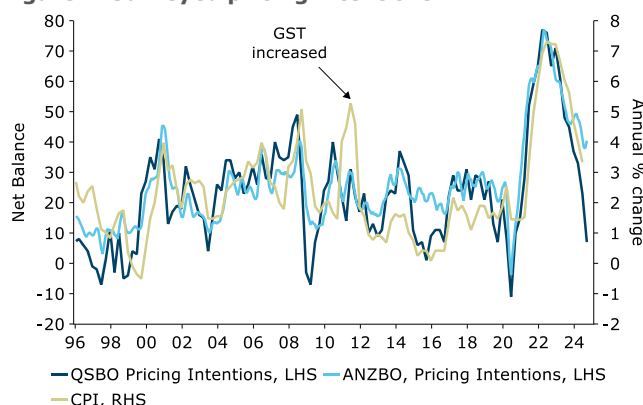
Getting down to business

Business survey data came at us thick and fast this week, with our September [Business Outlook](#) out Monday and the [NZIER's Q3 QSBO](#) out Tuesday. Both showed that firms are responding favourably to interest rate falls, albeit with the respondents in the ANZBO clearly feeling a little more upbeat than those in the QSBO. Headline confidence in the QSBO shot up 35 points to a still-pessimistic -5% while the ANZBO measure added a further 10 points to August's 23-point rise, coming in at a very optimistic +61%.

Broadly, however, the two surveys shared a similar theme: activity and employment in the here and now is still very weak (and in the case of the QSBO, deteriorated further in Q3), but expectations about the future are starting to look up. The QSBO's forward-looking questions ask about the next three months, while our Business Outlook asks firms about their expectations one year from now. The stronger vibe across some of the ANZBO questions can therefore be interpreted as being a different point on the same curve – a curve that is consistent with our expectation that 2025 will deliver economic recovery following the withdrawal of monetary restriction, provided inflation stays in the bottle.

On the inflation front, both surveys suggest the disinflation trajectory remains intact. And if the RBNZ is looking for an excuse to cut 50bp next week, they could find justification in some (though not all) of the QSBO indicators. In particular, indicators for labour market slack and pricing intentions were both very dovish, suggesting that rebounding confidence and activity expectations are not derailing disinflation progress. QSBO's labour as a limiting factor fell to its lowest level in more than a decade, and so too did the difficulty finding skilled and unskilled labour. And with pipeline weakness yet to come through the labour market, it would appear that sticky domestic inflation risks are now very well mitigated. Meanwhile, expected and intended pricing measures dropped like a stone, and are consistent with CPI inflation coming back into the target band from Q3 (which is what everyone is forecasting).

Figure 1. Surveyed pricing intentions



Source: NZIER, Stats NZ, Macrobond, ANZ Research

But it's not one-way traffic. ANZBO pricing intentions remain elevated, and actually lifted in the month of September. And cost pressures in both surveys, while easing, remain stubbornly high too. If firms regain confidence to pass high costs through to prices too early (ie as demand starts picking up), underlying inflation pressures may not stabilise where the RBNZ requires over the longer run. All in all, the data since the August MPS would make it easy for the RBNZ to justify either a 25bp or a 50bp cut next week – our coin toss has landed on the latter, as we discuss on the next page.



Looking ahead



NZ Economic News

ANZ's latest data releases, forecast updates and insights

- NZ Insight: playing by the rules?
- RBNZ MPR Preview: taking what's on the plate
- NZ Property Focus: regional revelations
- NZ GDP: better than feared
- 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 CPI Review: reassuring
- ANZecdotes – June 2024
- NZ Insight: non-tradable inflation – a waiting game
- NZ Budget 2024: fiscal reshuffle not a game-changer for the economic outlook
- NZ Insight: new Government, new fiscal strategy

Click [here](#) for more.

RBNZ expected to cut 50bp next week

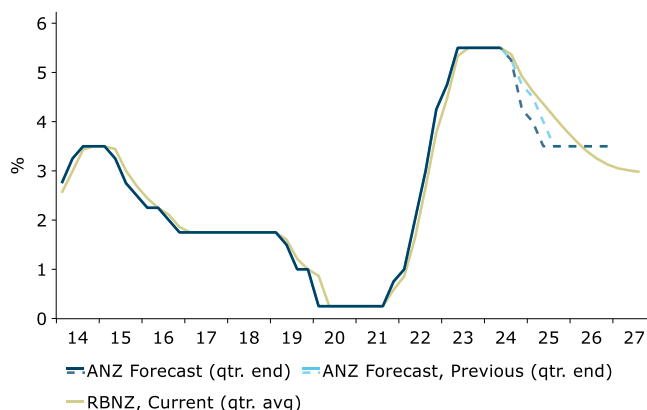
Next Wednesday at 2pm the RBNZ's October Monetary Policy Review will be revealed. We don't see it as the slam dunk that some do, but now that most economists are calling it and the market is pretty much fully pricing it, one has to conclude that on balance the likeliest scenario is that the RBNZ will just take what's on the table and **cut the OCR 50bp to 4.75%** next week. While we have crossed the threshold to call a 50bp cut, we see the economic arguments for a 25bp versus 50bp cut as balanced.

The traditional method of predicting RBNZ's policy decisions – seeing what they said last time and looking at whether the data justifies a deviation from that plan – argues for a 25bp cut. That's what the RBNZ laid out in August, and the recent data hasn't provided much in the way of downside surprises. Data since the August MPS has confirmed that the economy is very soft, but **Q2 GDP** was actually not quite as weak as the RBNZ had forecast. The monthly activity indicators have also broadly rebounded since then (albeit with unders and overs). At the same time, data (particularly the NZIER's QSBO) has confirmed that disinflation is on track and domestic inflation looks set to continue to retreat, given the spare capacity emerging in the labour market. That isn't likely to see the RBNZ's reduce their inflation forecasts, but it is likely to increase their confidence in their forecast for inflation to continue to fall steadily.

And at the end of the day, that increased confidence (along with the weight of 'public opinion' as captured by economists' forecasts and market pricing) seems likelier than not to see the RBNZ deliver a 50bp cut. The RBNZ has clearly pivoted to focus on downside growth risks. And while it's true that those downside growth risks have actually eased rather than strengthened since August, the RBNZ is still likely to see them as firmly outweighing upside inflation risks.

There are also some **indicators suggesting the RBNZ was 'behind the curve' in August**, and thus that getting the OCR closer to neutral quickly is low risk. The default expectation for November also now logically has to move to another 50bp cut, so we're pencilling that into our forecasts too. But that's a very lightly held view; the data will decide, and the RBNZ is likely to reiterate that.

Figure 2. OCR forecast

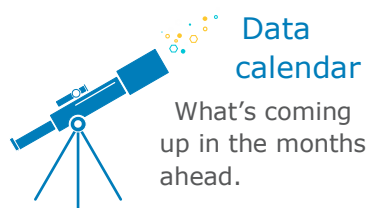


Source: RBNZ, Macrobond, ANZ Research

We haven't changed our view of where the OCR ends up – we continue to forecast a terminal OCR of 3.5%. Faster easing in the near term is about getting back to a neutral policy stance more quickly. Two 50bp cuts would see the OCR end the year at 4.25%. The RBNZ's estimate of the long-run neutral OCR ranges from 1.8% to 4.2%. We thus expect the RBNZ to shift back to a more gradual pace of easing from next year, giving itself more time to gauge the economy's responsiveness to lower interest rates.



Financial markets update



Data calendar

What's coming up in the months ahead.

Date	Data/event
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
Wed 6 Nov (early am)	Global Dairy Trade auction
Wed 6 Nov (09:00am)	RBNZ Financial Stability Report
Mon 11 Nov (3:00pm)	RBNZ 2Yr Inflation Expectations – Q4
Tue 12 Nov (10:00am)	ANZ Truckometer – Oct
Tue 12 Nov (10:45am)	Electronic Card Transactions – Oct
Wed 13 Nov (10:45am)	Net Migration – Sep
Thu 14 Nov (10:45am)	Selected Price Indexes – Oct
Fri 15 Nov (10:45am)	BusinessNZ Manuf PMI – Oct
Mon 18 Nov (10:30am)	Performance Services Index – Oct
Mon 25 Nov (10:45am)	Retail Sales – Q3
Wed 27 Nov (2:00pm)	RBNZ MPS
Thu 28 Nov (1:00pm)	ANZ Business Outlook – Nov

Interest rate markets

Short end interest rates fell to new cycle lows this week as markets moved to price in greater odds of outsized cuts next week and in November, with the bellwether 2yr swap rate falling to a new low of 3.51%. It has since retraced a touch higher as global rates have edged higher, but not by much. Although markets are pricing in high (~92%) odds of a 50bp cut next week, if a 50bp cut is delivered, short end rates may well move further to the downside. While we would regard that as overshoot vs our assumed terminal OCR of 3.50% (and our revised forecasts incorporating our new OCR call have 2yr swap rates eventually correcting higher), overshoots have lasted many months in the past, and momentum has potential to carry the day for a while longer yet. By contrast, long end interest rates have moved up, taking their lead from US 10yr bond yields, which are now up 25bp from mid-September lows amid a string of data suggesting the US is experiencing a “soft landing” style slowdown rather than a sharp one.

FX markets

The Kiwi made a new high for 2024 on Tuesday but has drifted off since then as short end rates have moved lower, geopolitical tensions in the Middle East have stoked safe-haven demand for the US dollar, and US data has generally beat expectations. US payroll data due out tonight will shape the outlook for FX over the coming week, and unless the RBNZ surprises us by only cutting by 25bp, next week's decision is likely to play second fiddle to global themes.

Key data summary

ANZ Business Outlook – September. [Business confidence](#) rose 10 points to +61 in September, while expected own activity lifted 8 points to +45.

NZIER Quarterly Survey of Business Opinion – Q3. [Confidence lifted](#), activity indicators were mixed, and spare capacity continued to open up.

Building Permits – August. Down 5.3% m/m following July's 26.4% spike.

Global Dairy Trade auction. The GDT price index lifted 1.2%. Whole milk powder (WMP) prices were strong (up 3%), while milkfat prices softened, with anhydrous milkfat (AMF) down 0.1% and butter prices back 1.4%.

ANZ Commodity Price Index – September. ANZ [World Commodity Price Index](#) lifts 1.8% as demand for gold kiwifruit and dairy products strengthens.

Monthly Employment Indicators – August. Filled jobs lifted 0.2% m/m, a little stronger than our expectation. But negative revisions leave us about square for how Q3 is shaping up overall.

The week ahead

RBNZ OCR Review – October (Wednesday 9 October, 2:00pm). The path of least resistance is for the RBNZ to deliver a 50bp cut next week. See our [Preview](#).

Manufacturing PMI – September (Friday 11 October, 10:30am). Has lifted for the past two months, though from a very weak level. Will the recovery kick on or fizzle out?

Selected Price Indexes – September (Friday 11 October, 10:45am). Flat food prices, another 0.3% m/m rise in rents, lower petrol prices (-3.5% m/m) and weaker accommodation prices are expected to see our estimated weighted SPI index fall 0.5% m/m. We'll publish our Q3 CPI Preview after these data are released.

Net Migration – August (Friday 11 October, 10:45am). Net migration inflows continue to cool. In July, monthly departures looked to be past the peak. We'll be watching to see if that's the start of a trend.



Key forecasts and rates

FX rates	Actual				Forecast (end month)				
	Aug-24	Sep-24	Today	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
NZD/USD	0.625	0.635	0.621	0.620	0.620	0.620	0.630	0.630	0.630
NZD/AUD	0.924	0.918	0.908	0.899	0.886	0.886	0.887	0.887	0.887
NZD/EUR	0.566	0.567	0.563	0.564	0.554	0.544	0.543	0.534	0.534
NZD/JPY	91.3	90.5	91.2	91.8	89.3	88.0	88.2	85.7	85.7
NZD/GBP	0.476	0.474	0.473	0.477	0.470	0.459	0.463	0.463	0.463
NZ\$ TWI	71.8	71.9	71.0	70.5	69.8	69.4	70.0	69.7	69.7
Interest rates	Actual				Forecast (end month)				
	Aug-24	Sep-24	Today	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
NZ OCR	5.25	5.25	5.25	4.25	4.00	3.50	3.50	3.50	3.50
NZ 90 day bill	5.23	4.87	4.80	4.15	3.72	3.65	3.65	3.65	3.65
NZ 2-yr swap	3.94	3.58	3.59	3.50	3.54	3.61	3.65	3.65	3.65
NZ 10-yr bond	4.27	4.24	4.30	4.00	4.00	4.00	4.00	4.25	4.25

Economic forecasts

	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
GDP (% qoq)	-0.2	0.0	0.1	0.2	0.3	0.4	0.5	0.6	0.6
GDP (% yoy)	-0.5	-0.1	0.0	0.1	0.6	1.0	1.4	1.8	2.1
CPI (% qoq)	0.4	0.8	0.4	0.5	0.5	0.7	0.4	0.5	0.5
CPI (% yoy)	3.3	2.3	2.2	2.1	2.2	2.1	2.1	2.1	2.0
Employment (% qoq)	0.4	-0.3	-0.2	-0.1	0.0	0.1	0.2	0.4	0.5
Employment (% yoy)	0.6	0.3	-0.4	-0.2	-0.6	-0.2	0.2	0.7	1.2
Unemployment Rate (% sa)	4.6	4.8	5.0	5.2	5.4	5.5	5.5	5.5	5.4

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

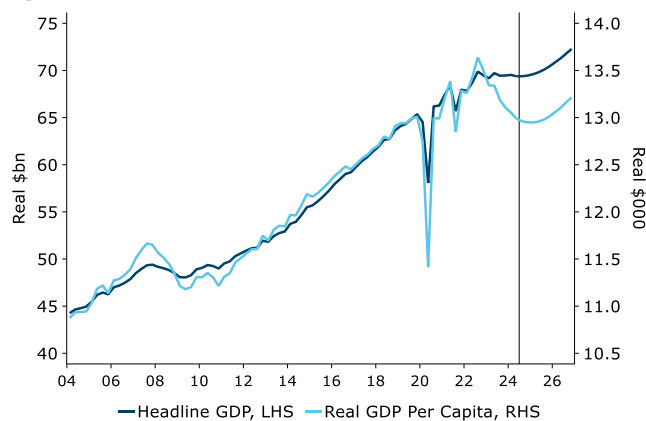


Figure 4. CPI inflation components

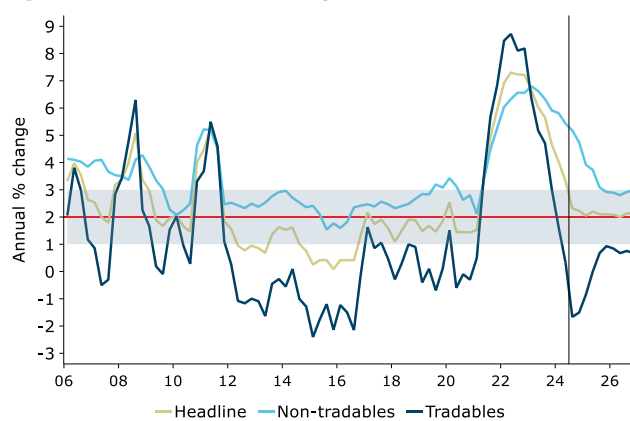


Figure 5. OCR forecast

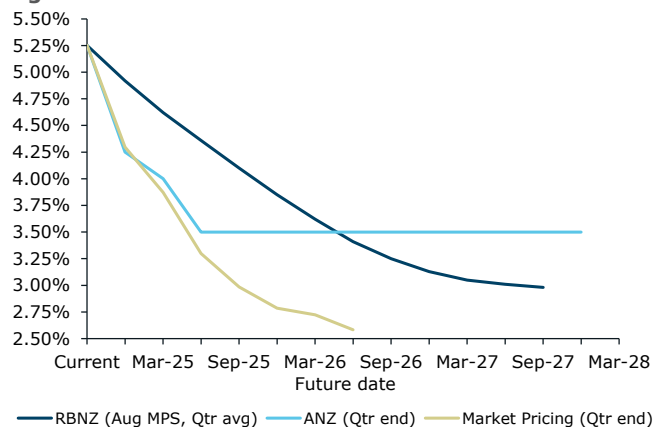
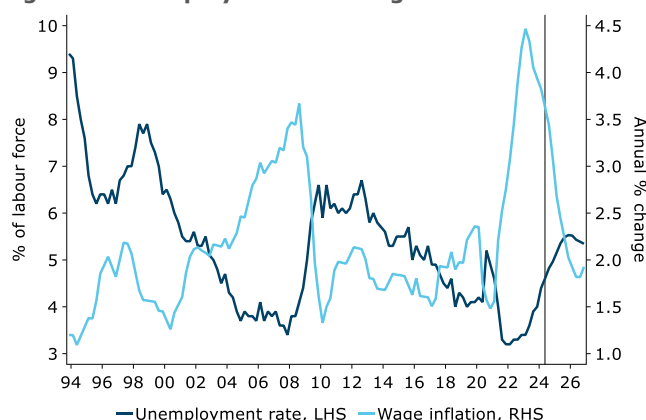


Figure 6. Unemployment and wage inflation



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



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