


New Zealand Weekly Data Wrap

14 June 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: May 2024](#)

Key forecasts and rates

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

Glossary

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

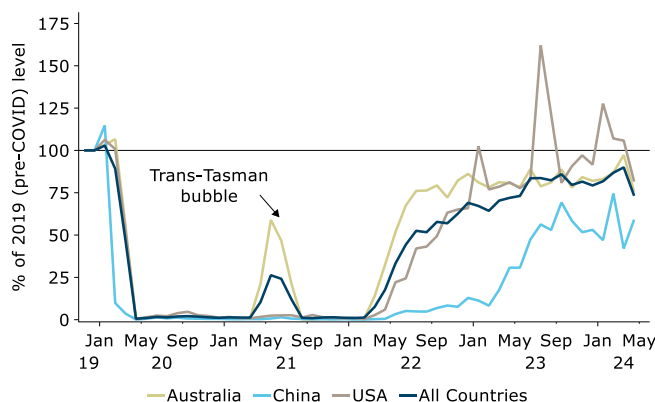
CPI partials on the weaker side; tourism recovery stalling

May's [Selected Price Indexes](#) (SPI) were weaker than our expectations. However, weakness reflected volatile components and there remains a risk of a reversal next month. Accordingly, our Q2 CPI forecast remains unchanged at 0.6% q/q (3.5% y/y) for now, though the risk profile is now skewed to the downside. While we see a risk that headline inflation prints below the RBNZ's Q2 forecast of 3.6% y/y, we don't think an undershoot stemming from volatile components will materially change the RBNZ's assessment of the inflation outlook. The trajectory for non-tradable and services inflation is likely to matter more to the RBNZ.

In other data this week, net migration figures confirmed the cycle has turned, with the annual net inflow coming in around 98.5k in April, down from almost 140k in October 2023. After March's data surprised to the downside (initially showing a monthly net inflow of just under 5k, but later revised up to 5.6k), April's monthly run rate of 7.4k was closer to the gradual moderation we have been assuming.

Perhaps the more consequential signal in this week's travel data comes from short-term arrivals. Figure 1 shows the number of short-term visitor arrivals (holiday makers, students, business travel etc) as a share of pre-pandemic (2019) levels. While timing differences in school/public holidays can cause volatility, the April signal was weak, suggesting that the "shoulder season" for the likes of international tourism and travel-related services exports more broadly is shaping up to be a soft one. That may not come as a huge surprise to some given the state of consumer demand across our key trading partners, but nonetheless the April data does point to some tentative downside risk to our assumption that services exports will continue to recover gradually.

Figure 1: Short term visitor arrivals



Source: Stats NZ, ABS, Macrobond, ANZ Research

The impact of MIA visitors will be reflected in next week's balance of payments data, where the annual services deficit is expected to be little changed as the overall current account deficit narrows just 0.2%pts of GDP to 6.7%. That's still far too wide to call sustainable. Should the services deficit narrow at a slower pace than expected going forward, the overall current account deficit will be at risk of remaining wider for longer. Of course, kiwis may also curb their overseas travel more than we are anticipating, given general cautiousness about discretionary spending. But it highlights that there's certainly more to achieving a sustainable growth path than simply taming CPI inflation. With a current account deficit this wide, NZ remains vulnerable to negative global shocks and a sovereign ratings downgrade.



Looking ahead



NZ Economic News

ANZ's latest data releases, forecast updates and insights

- NZ OCR Call Change - First cut in February rather than May
- ANZecdotes – June 2024
- NZ Insight: non-tradable inflation – a waiting game
- NZ Property Focus: soggy – and unaffordable
- RBNZ MPS Review: get back in your box
- NZ Economic Outlook: the ducks are lining up
- NZ REINZ housing data: still on the chilly side
- NZ labour market: softening
- NZ Property Focus: looking for a signal from Auckland
- NZ Agri Focus: high and dry
- NZ CPI Review: strong underbelly
- RBNZ MPR Review: keep calm and carry on
- NZ Property Focus: buy vs rent
- NZ Insight: new Government, new fiscal strategy
- NZ GDP: ending 2023 with a fizzle
- NZ Forecast Update: milk price revised up
- NZ Property Focus: cruel summer
- NZ Economic Outlook: calibrating the landing
- NZ Agri Focus: harvest time
- NZ Half-Year Update 2023 Preview: new team, new game plan
- NZ Insight: house prices - impacts from proposed DTI and LVR settings
- NZ Insight: labour market capacity indicators
- NZ Insight: what an oil price shock could mean for inflation
- NZ Insight: macro impacts in New Zealand from an increase in global term rates

Click [here](#) for more.

Q1 GDP in focus

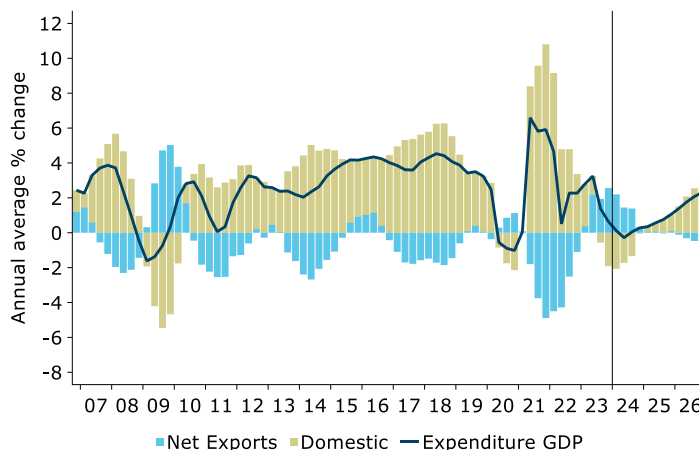
Domestic focus next week will be on the Q1 GDP figures, released at 10:45am Thursday. **Our forecast** is for a 0.2% q/q expansion in production GDP – the same as the RBNZ's May MPS forecast (but we were there first). Median analyst expectations appear to be a little weaker than our pick, but we're comfortable that risks are balanced around our forecast. That's not to say we'd be surprised to be surprised on the day – there is still plenty of scope for post-COVID quirkiness in the seasonal adjustment.

Partial indicators certainly suggest it'll be another weak quarter for goods-producing industries, with both construction and non-food manufacturing contracting. We've pencilled in a 1.2% q/q contraction for goods-producing industries overall. Growth across services industries (around 70% of GDP) will be key for gauging broader economic momentum. Here, we expect to see quarterly growth come in at a soft 0.4% q/q (and not far from rounding to 0.3%). Primary industries are expected to be little changed in the quarter, but this volatile component (with a small weight in total GDP) always carries plenty of scope to surprise. Changes in inventories, the unallocated portion, and key balancing items all appear poised for a rebound in Q1. But it's a dangerous game making strong forecast assumptions for these components given historical revisions often completely change the story.

For the RBNZ, it'll be the underlying details that inform their view of what it all means for economic momentum and CPI inflation pressures. Private consumption and investment will be key for gauging if monetary tightening is getting more or less traction than the RBNZ's expectation. However, as we've noted many times before, the supply side of the economy and indicators of capacity stretch will be just as important for calibrating the inflation outlook. It's never as simple as stronger/weaker GDP versus expectations means more/less CPI inflation pressures than thought. But for what it's worth, the RBNZ's current Q1 potential GDP growth assumption is 0.7% q/q, meaning any growth rate below that will likely be considered disinflationary.

Regardless of how the Q1 GDP data land, the broad economic outlook remains downbeat as domestic demand momentum continues to soften on the back of past monetary tightening and upcoming fiscal consolidation. Other drivers of activity such as global growth, net migration and the housing market appear to be moving in the same southerly direction. 2024 will be another tough one for households, but the silver lining is that this is expected to tame CPI inflation. We think the RBNZ will be in a position to ease monetary conditions a little earlier than signalled in the May MPS.

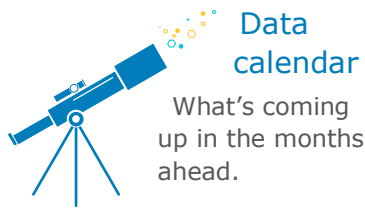
Figure 2. ANZ GDP forecast



Source: Stats NZ, Macrobond, ANZ Research



Financial markets update



Date	Data/event
Mon 17 Jun (9:00am)	REINZ House Prices – May
Mon 17 Jun (10:30am)	Performance Services Index – May
Wed 19 Jun (early am)	GlobalDairyTrade auction
Wed 19 Jun (10:45am)	Current Account – Q1
Thu 20 Jun (10:45am)	GDP – Q1
Mon 24 Jun (10:45am)	Merchandise Trade – May
Thu 27 Jun (10:00am)	ANZ-RM Consumer Confidence – Jun
Thu 27 Jun (1:00pm)	ANZ Business Outlook – Jun
Mon 1 Jul (10:45am)	Employment Indicators – May
Tue 2 Jul (10:00am)	NZIER QSBO – Q2
Tue 2 Jul (10:45am)	Building Permits – May
Wed 3 Jul (early am)	GlobalDairyTrade auction
Wed 3 Jul (1:00pm)	ANZ Commodity Price Index – Jun
Wed 10 Jul (10:45am)	Net Migration – May
Wed 10 Jul (2:00pm)	RBNZ MPR
Thu 11 Jul (10:00am)	ANZ Truckometer – Jun
Thu 11 Jul (10:45am)	Selected Price Indexes – Jun
Fri 12 Jul (10:45am)	BusinessNZ Manuf PMI – Jun
Fri 12 Jul (10:45am)	Electronic Card Transactions – Jun
Mon 15 Jul (10:30am)	Performance Services Index – Jun
Wed 17 Jul (early am)	GlobalDairyTrade auction
Wed 17 Jul (10:45am)	CPI – Q2
Mon 22 Jul (10:45am)	Merchandise Trade – Jun
Fri 26 Jul (10:00am)	ANZ-RM Consumer Confidence – Jul
Mon 29 Jul (10:45am)	Employment Indicators – Jun
Wed 31 Jul (10:45am)	Building Permits – Jun
Wed 31 Jul (1:00pm)	ANZ Business Outlook – Jul

Interest rate markets

It's been a wild week in global interest rate markets, with yields rising sharply in the wake of US non-farm payroll data out last Friday, only for those moves to be unwound (plus some!) following soft US CPI data. Next cab off the proverbial rank was the Fed meeting, which wasn't as dovish as markets had hoped, with larger-than-expected increases in the so-called 'dot plot' projections. All of this added to volatility but was ultimately overshadowed by softer US PPI data. With local rates markets all still trading on global rather than domestic themes these moves were all felt locally. While the Fed certainly doesn't have any mechanical impact on RBNZ policy, lower US inflation is a noteworthy development from a tradable inflation perspective.

Although local markets are pricing in much more easing than we expect ([with 25bp cuts now basically fully priced in](#) for November, February, and May), we don't expect that to change given the gloomy domestic activity backdrop. Meanwhile, while happenings in European bond markets aren't usually noteworthy, and local markets tend to ignore them, this week's 20bp blowout in French-German 10yr bond spreads (which takes those spreads above peaks seen in the early days of COVID) is noteworthy and could morph into something more significant. New Zealand has low levels of government debt compared to peers (23.3% of GDP according to the IMF), and that should hold us in good stead, but if US and UK bond yields start rising on fiscal concerns (their debt to GDP ratios are at 97.6% and 92.9% respectively), local yields are likely to rise in sympathy, even if spreads to those markets contract.

FX markets

It's also been a wild week in FX markets. NZD/USD started out going lower as the USD firmed, but the emergence of European political concerns in the wake of the announcement of a snap election in France (which comes just after the UK called an election) is weighing on EUR, blunting the positive impact that lower US bond yields would ordinarily have on NZD/USD. Higher yields make owning Kiwi more attractive, so we are mindful of how political risks either side of the English Channel may impact the Kiwi.

Key data summary

ANZ Truckometer – May. The [Light Traffic Index](#) (LTI) fell 0.4% m/m, while the Heavy Traffic Index (HTI) fell 2.3% m/m.

Net Migration – April. The cycle has well and truly turned.

Electronic Card Transactions – May. Retail spending fell 1.1% m/m.

Selected Price Indexes – May. [Weaker than expectation](#), confirming downside risks are building to our Q2 CPI forecast of 0.6% q/q (3.5% y/y).

The week ahead

REINZ House Prices – May (17 June, 9:00am). Inventories lifted further, suggesting price pressures will remain modest.

Performance of Services Index – May (Monday 17 June, 10:30am).

The PSI has been in contractionary territory for the past two months. Anecdote suggests momentum hasn't recovered recently, but these data can bounce a bit from month to month.

GlobalDairyTrade auction (Wednesday 19 June, early am). Current dairy market prices indicate we are likely to see a small (-2%) correction in the GDT Index following the past five events where prices have firmed.

Current Account Balance – Q1 (Wednesday 19 June, 10:45am). The annual deficit is expected to narrow to 6.7% of GDP. See our [Preview](#).

GDP – Q1 (Thursday 20 June, 10:45am). We expect quarterly growth to come in at 0.2% (0.3% y/y). See our [Preview](#).



Key forecasts and rates

	Actual			Forecast (end month)					
	Apr-24	May-24	Today	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
FX rates									
NZD/USD	0.595	0.614	0.615	0.600	0.610	0.620	0.620	0.620	0.630
NZD/AUD	0.911	0.923	0.929	0.909	0.910	0.899	0.886	0.886	0.887
NZD/EUR	0.554	0.566	0.573	0.556	0.560	0.564	0.554	0.544	0.543
NZD/JPY	93.3	96.6	96.7	91.2	91.5	91.8	89.3	88.0	88.2
NZD/GBP	0.474	0.482	0.482	0.476	0.477	0.477	0.470	0.459	0.463
NZ\$ TWI	70.5	72.3	72.7	70.6	71.2	71.5	70.8	70.3	70.9
Interest rates									
NZ OCR	5.50	5.50	5.50	5.50	5.50	5.50	5.25	4.75	4.25
NZ 90 day bill	5.63	5.63	5.61	5.57	5.52	5.40	4.93	4.43	3.93
NZ 2-yr swap	5.11	5.10	4.95	4.95	4.59	4.23	3.90	3.71	3.63
NZ 10-yr bond	4.90	4.81	4.61	4.65	4.50	4.25	4.25	4.25	4.25

Economic forecasts

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
GDP (% qoq)	-0.1	0.2	0.2	0.3	0.3	0.3	0.4	0.6	0.6
GDP (% yoy)	-0.3	0.3	0.0	0.6	1.0	1.1	1.3	1.6	1.9
CPI (% qoq)	0.5	0.6	0.6	1.1	0.3	0.4	0.4	0.9	0.3
CPI (% yoy)	4.7	4.0	3.5	2.8	2.6	2.4	2.2	2.0	2.0
Employment (% qoq)	0.4	-0.2	-0.1	-0.3	-0.1	0.0	0.1	0.2	0.3
Employment (% yoy)	2.7	1.3	0.1	-0.2	-0.7	-0.5	-0.3	0.2	0.6
Unemployment Rate (% sa)	4.0	4.3	4.6	4.9	5.1	5.2	5.4	5.4	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

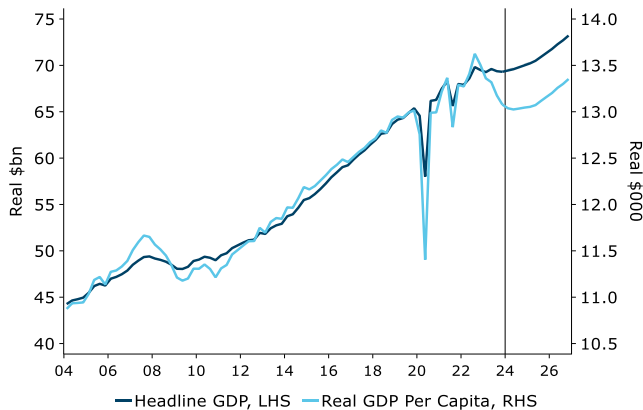


Figure 4. CPI inflation components

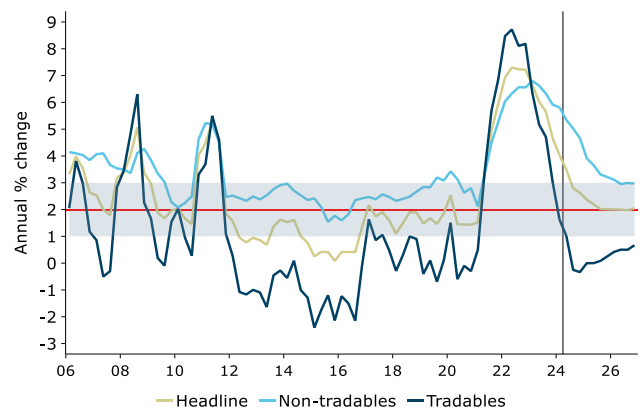


Figure 5. OCR forecast

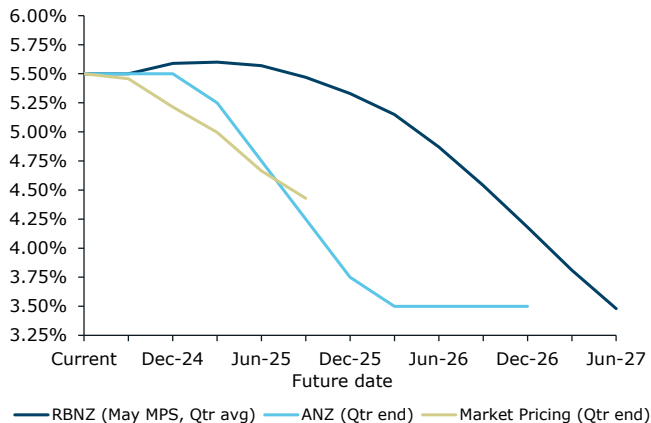
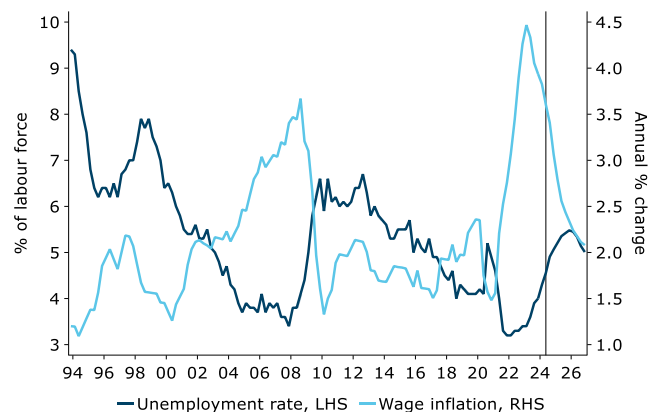


Figure 6. Unemployment and wage inflation



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



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