


New Zealand Weekly Data Wrap

31 May 2024



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 **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: April 2024](#)

Key forecasts and rates

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

Glossary

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

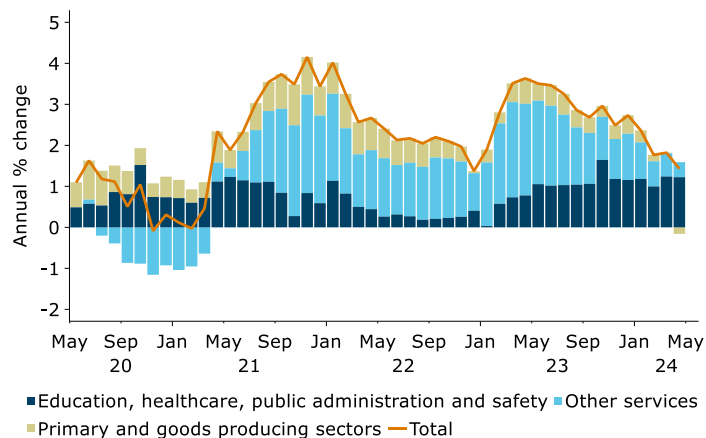
Bad news is good news?

Turning first to this week's data, our [ANZ Business Outlook survey](#) for May made for grim reading. Business confidence fell and activity indicators highlighted weak domestic demand. More positively, inflation indicators showed progress. Pricing intentions fell 5pts to 42, the lowest level since December 2020, while 1yr ahead inflation expectations eased from 3.8% to 3.6%. Cost expectations also fell to the lowest level since February 2021, but are still very high. Overall, the survey offers the RBNZ some reassurance that the transmission of weak activity to inflation is gathering pace.

Softening labour market conditions were particularly evident in this month's survey. Employment intentions fell from 5pts to -6.9 – the lowest since January 2023 – signalling that firms intend to reduce headcounts. The ongoing rebalancing in the labour market is reducing wage pressures. Businesses' expectations for wage increases over the next 12 months continued to decline, down to 2.8%. Historically, nominal wage increases in the realm of 3% have been consistent with inflation at target, reinforcing our expectation that sticky services inflation pressures are unwinding.

Also out this week, Stats NZ's monthly employment indicator (MEI) showed filled jobs rose just 0.1% m/m (1.4% y/y) in April, consistent with weakening labour demand. Looking at the details, growth continues to be supported by less-cyclical industries, including education, healthcare and public administration and safety. The strength of employment in these industries likely reflects stimulatory fiscal settings over the past few years, with this week's [Budget](#) (see page 2) marking the beginning of the end on that score. Outside of these sectors, labour demand looks particularly weak. While downside risks to activity and the labour market outlook are building, the RBNZ still has a big domestic inflation problem, which is keeping their hands tied for now. However, assuming spare capacity continues to emerge, we're optimistic the RBNZ will be able to cut the OCR earlier than they expect. But for now, many firms are struggling to see the light at the end of the tunnel.

Figure 1: Monthly filled jobs



Source: Stats NZ, Macrobond, ANZ Research

In other news this week, the RBNZ confirmed it will implement debt-to-income restrictions (DTIs) from 1 July 2024. Our expectation is that the combination of the DTIs and the accompanying easing of loan-to-value restrictions will be a net positive for housing demand in the near term. But given the many drivers affecting the housing market, the impact of these changes may be lost in the wash.



Looking ahead



NZ Economic News

ANZ's latest data releases, forecast updates and insights

- 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: recession?
- NZ Insight: labour market capacity indicators
- NZ Insight: Coalition policy announcements
- 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.

Budget 2024 delivers on election promises

Budget 2024 delivered on the Government’s campaign promise to provide tax relief and pay for it with lower spending.

From a discretionary fiscal policy perspective, the overall stance of fiscal policy over the next few years looks broadly similar to that presented at the Half-Year Update. While the operating reshuffle between tax and spending is more contractionary over the next few years, higher capital spending provides an offset. Together, we’d say the overall impact of fiscal policy settings on CPI inflation and short-end interest rates is similar to that presented in the Half-Year Update.

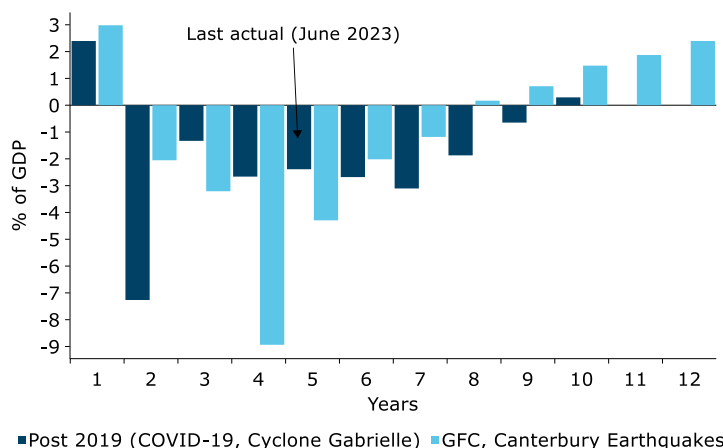
However, averages over the next four years or so are probably not the best way for the RBNZ to think about this. After all, the RBNZ has a big near-term inflation problem, not a 2028 inflation problem (we hope), and thus would probably rather see the demand-stimulating side of the fiscal reshuffle (tax cuts) delayed until CPI inflation risks are better mitigated. Taking this timing into consideration, we’d characterise the fiscal policy reshuffle as being marginally inflationary in the near term, but disinflationary over the medium term. Whether the RBNZ sees it that way we will have to wait and see.

For context, the scale of the net impacts of the tax and spending reshuffle on headline economic activity and CPI inflation is well down the list when it comes to the key macroeconomic drivers shaping the business cycle currently – we’d put the housing market, terms of trade, and net migration higher up the significance list. But that doesn’t change the fact that the single biggest thing the Government can do to help tame inflation is to get the books back in the black as soon as possible.

And on that front, the Government has tweaked its fiscal strategy. It has explicitly expressed a target date for the return to surplus (2027/28), subject to economic conditions, and has noted that upside revenue surprises will contribute to reducing the deficit. We missed that second point in our Review yesterday amid the information bombardment, but think it’s an important development as it balances the risk profile around government debt going forward, and suggests this government is serious about getting the books into shape.

Reflecting the Treasury’s weaker economic outlook (as opposed to discretionary fiscal policy decisions), the forecast return to OBEGAL surplus has been pushed out yet another year to 2027/28. That’s eight years in deficit following the pandemic, which is two more than followed the Global Financial Crisis, suggesting consolidation is certainly overdue.

Figure 2. OBEGAL deficits: GFC vs pandemic

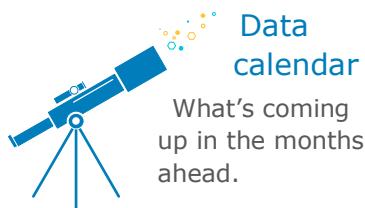


■ Post 2019 (COVID-19, Cyclone Gabrielle) ■ GFC, Canterbury Earthquakes

Source: NZ Treasury, Macrobond, ANZ Research



Financial markets update



Date	Data/event
Wed 5 Jun (early am)	GlobalDairyTrade auction
Wed 5 Jun (10:45am)	Terms of Trade – Q1
Thu 6 Jun (10:45am)	Volume of All Buildings – Q1
Thu 6 Jun (1:00pm)	ANZ Commodity Price Index – May
Fri 7 Jun (10:45am)	Economic Survey of Manufacturing – Q1
Tue 11 Jun (10:00am)	ANZ Truckometer – Apr
Wed 12 Jun (10:45am)	Net Migration – Apr
Thu 13 Jun (10:45am)	Electronic Card Transactions – May
Fri 14 Jun (10:30am)	BusinessNZ Manuf PMI – May
Fri 14 Jun (10:45am)	Selected Price Indexes – 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 (10:45am)	Selected Price Indexes – Jun
Fri 12 Jul (10:45am)	BusinessNZ Manuf PMI – Jun
Fri 12 Jul (10:45am)	Electronic Card Transactions – Jun

Interest rate markets

Both short and long-end interest rates continued moving higher this week, driven by both the ongoing re-pricing of expectations for RBNZ policy, and higher global bond yields (which have been rising as markets question how much easing the Fed will deliver this year). **As of this morning**, markets were pricing in 19bp of cuts by November, 35bp by February and 68bp by February. While that's clearly more aggressive than our forecasts (the first cut to come in May, with the risks tilted towards earlier), markets here and globally have been in a mood to gun for earlier and deeper cuts, and we don't expect that to change. Accordingly, we suspect short-end rates have backed up enough for now in reaction to last week's MPS. Going forward, our forecasts have short-end rates declining, but only gradually. For the long end, the focus remains global, with US core PCE data due tonight, non-farm payrolls next Friday, and the Fed's next meeting the following week, on 13 June. Those events risk a pickup in volatility, and possibly the level of interest rates too, but even if the Fed were to signal only one cut is likely, with the US market now pricing in only 34bp of cuts this year, so there isn't much scope for further upside given the markets' hankering to price in a little more easing than what's signalled. Locally, while the lift in issuance seen at the Budget was a little more than we expected, the profile of issuance declines from this year's peak, and markets seem to be taking a glass-half-full view that the worst is behind us, and that the bond market climbed its proverbial Everest this year!

FX markets

Currency markets continue to dance to a global beat, with the USD ebbing and flowing with US bond yields. Amid low volatility, carry trades are popular again, but with the Fed funds rate one of the highest policy rates in developed markets, and on a par with NZ's OCR, that isn't helping the Kiwi in the way it used to. NZD/AUD has declined in recent days in a move that looks to be well supported by stronger data in Australia.

Key data summary

Monthly Employment Indicators – April. Filled jobs rose 0.1% m/m in April, consistent with weakening labour demand.

ANZ Business Outlook – May. **Business confidence** fell 4 points to +11. Expected own activity fell 2 points to +13. Pricing intentions fell 5 points to 42.

Building Permits – April (Thursday 30 May, 10:45am). Fell 1.9% m/m.

NZ Budget 2024. Budget 2024 delivered on election promises as the weaker economic outlook delays the forecast return to surplus. See our [Review](#).

The week ahead

GlobalDairyTrade auction (Wednesday 5 June, early am). Dairy prices are forecast to ease slightly (-0.5%) as heavier volumes of whole milk powder in the near-term contracts test buyer demand.

Overseas Trade Indices – Q1 (Wednesday 5 June, 10:45am).

Stronger export prices combined with softer import prices are expected to result in a +0.8% lift in the Q1 terms of trade.

Building Work Put in Place – Q1 (Thursday 6 June, 10:45am). We've pencilled in a 0.5% q/q contraction in volumes, with both residential and non-residential expected to be lower.

ANZ Commodity Price Index – May (Thursday 6 June, 1:00pm).

Economic Survey of Manufacturing – Q1 (Friday 7 June, 10:45am). While typical volatility in this measure suggests we can't rule out the possibility of a small quarterly expansion, the PMI suggests manufacturing will contract a little further in Q1.



Key forecasts and rates

FX rates	Actual			Forecast (end month)					
	Mar-24	Apr-24	Today	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
NZD/USD	0.598	0.595	0.612	0.600	0.610	0.620	0.620	0.620	0.630
NZD/AUD	0.918	0.911	0.922	0.909	0.910	0.899	0.886	0.886	0.887
NZD/EUR	0.554	0.554	0.564	0.556	0.560	0.564	0.554	0.544	0.543
NZD/JPY	90.5	93.3	95.9	91.2	91.5	91.8	89.3	88.0	88.2
NZD/GBP	0.474	0.474	0.480	0.476	0.477	0.477	0.470	0.459	0.463
NZ\$ TWI	70.4	70.5	72.0	70.6	71.2	71.5	70.8	70.3	70.9
Interest rates	Mar-24	Apr-24	Today	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-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	5.64	5.63	5.63	5.59	5.54	5.49	5.44	5.25	5.00
NZ 2-yr swap	4.80	5.11	5.09	4.95	4.80	4.74	4.60	4.44	4.32
NZ 10-yr bond	4.54	4.90	4.83	4.65	4.50	4.50	4.50	4.50	4.50

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

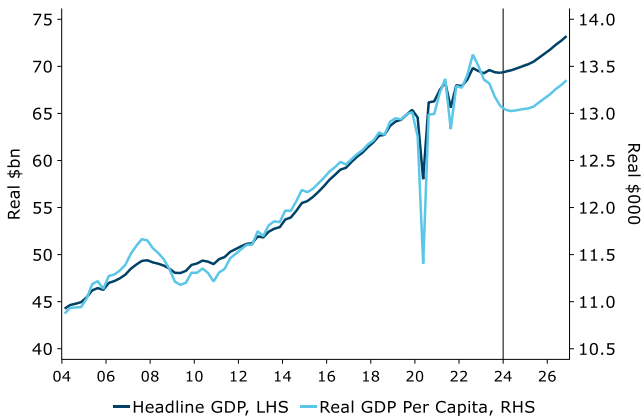


Figure 4. CPI inflation components

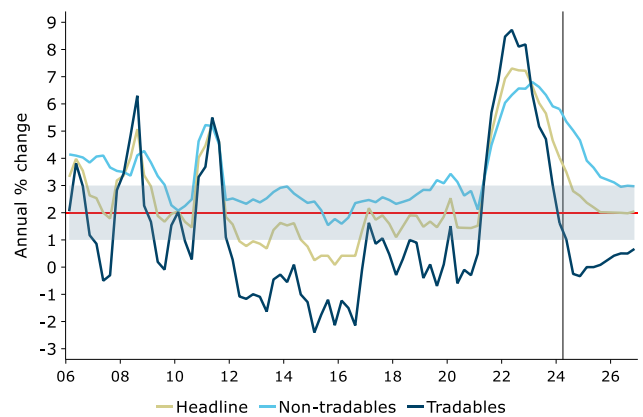


Figure 5. OCR forecast

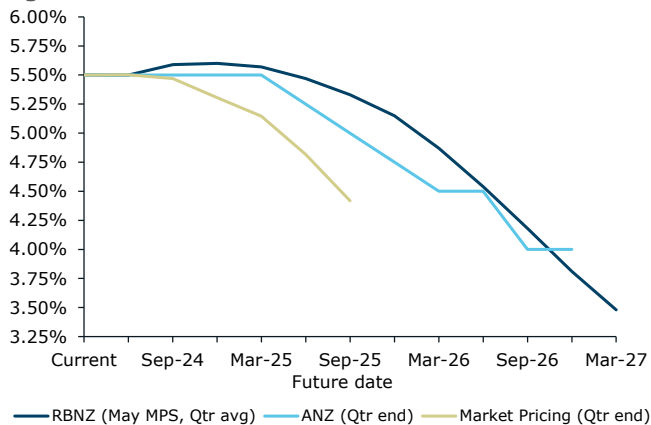
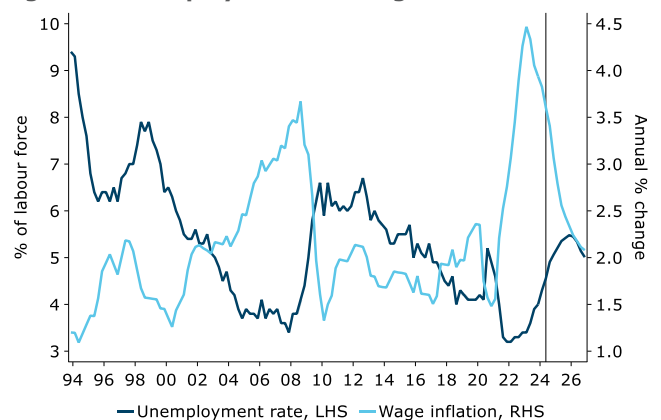


Figure 6. Unemployment and wage inflation



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



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