


New Zealand Weekly Data Wrap

30 August 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: July 2024](#)

Key forecasts and rates

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

Glossary

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

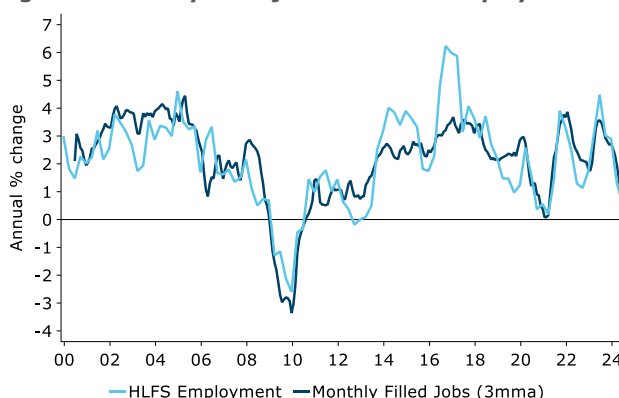
Sweet(er) and sour

RBNZ watchers have been maintaining a laser focus on the high-frequency data since the RBNZ cut the OCR earlier this month. That's because a hefty chunk of their dovishness was underpinned by a material downgrade to their economic outlook, which in turn was based on the signal in these data.

Last week we observed that a number of these high-frequency indicators have bounced back a bit from their coordinated pre-MPS deterioration, albeit to still-subdued levels. This week, we have a few more data points to add to the mix: monthly filled jobs and our own consumer and business confidence surveys. And even better, we can cut our own data into pre- and post-MPS samples to see if the August decision significantly changed the economic mood.

Monthly filled jobs fell 0.1% m/m in July, remaining on an unambiguously weak trajectory and indicating that excess economic capacity continues to build. These data are in line with our (-0.3% q/q) and the RBNZ's (-0.4% q/q) Q3 employment forecasts, but it's important to note that conceptual differences between filled jobs and the labour force survey mean the quarterly changes don't always go in the same direction (as was the case in Q2). In broad terms, however, they do move together (figure 1), and this week's release suggests demand for labour remained southbound in July.

Figure 1. Monthly filled jobs and HLFS employment



Source: Stats NZ, Macrobond, ANZ Research

In contrast to filled jobs momentum, [ANZ-Roy Morgan Consumer Confidence](#) lifted in August, up another 4 points to a still-subdued 92.2. Cutting the data into pre- and post-MPS samples didn't reveal a significant difference in headline confidence, but it was notable that confidence was higher in the second half of the month for those paying off mortgages, but lower for renters.

There's a bit more for dairy farmers to be happy about too. While it's still very early in the season, returns for new season product have been stronger than anticipated, providing the confidence required to revise our milk price forecast higher. We've lifted [our farmgate milk price forecast](#) for the current (2024/25) season by 50c to \$9.00/kg milksolid.

Saving the biggest bounce for last, our [August Business Outlook](#) saw headline confidence spike to its highest level in a decade, with many of the forward-looking activity indicators following suit. However, *experienced* activity remains subpar, suggesting it's still tough out there. Interestingly, the roughly one third of responses that came in after the August MPS didn't change the results a great deal. But that's not to say that interest rates have nothing to do with it: wholesale interest rates dropped steadily over July and into August as economic data deteriorated and expectations for rate cuts were brought forward. Mortgage rates (discussed next) have been following suit.



Looking ahead



NZ Economic News

ANZ's latest data releases, forecast updates and insights

- [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](#)
- [NZ Insight: labour market capacity indicators](#)
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Mortgage rates are falling

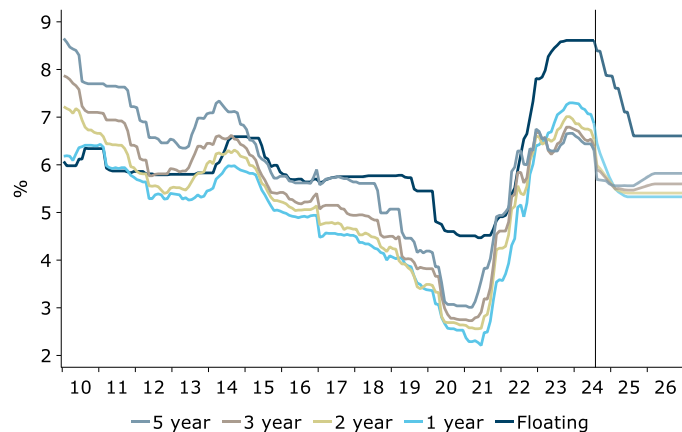
This week we published our [August Property Focus](#), updating our mortgage rate projections following the earlier-than-expected kick-off to OCR cuts and discussing what this could mean for the housing outlook.

As a reminder, we refer to them as mortgage rate 'projections' rather than 'forecasts', as they are by necessity based on fixed assumptions about things that in reality are likely to keep changing in unforecastable ways. That makes them trickier to forecast than wholesale rates (noting that ANZ Research independence means we don't have any input into the setting of retail mortgage rates). Still, we can make educated assumptions about where they are headed based on our wholesale interest rate forecast, observed margins, and the behaviour of other inputs like deposit rates.

Deposits are an important source of funding for banks, and because term deposit rates tend to be stickier and hold up for longer than wholesale rates, that has a bearing on how quickly mortgage rates might fall. We note, for example, that while 2-year swap rates are around 200bp off their late 2023 highs, the median term deposit rate for the same term across the five main banks is only around 105bp lower, which is a similar-sized fall to what has been seen in 2-year special mortgage rates.

Bearing all that in mind, our forecast for the OCR and wholesale rates point to all fixed mortgage rates dipping below 6% by the end of the year, with bigger falls in 1- and 2-year rates, which we project to settle below 5½%. Most of this is driven by lower wholesale rates, which are expected to fall gradually as OCR cuts are delivered. The 1-2 year point is also the part of the curve where competition tends to be the most vigorous, and where margins have historically been tighter.

Figure 2. Mortgage rate projections

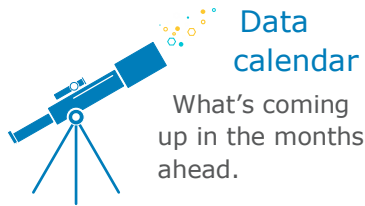


Source: RBNZ, Bloomberg, Macrobond, ANZ Research

With mortgage rates on the downslopes, the next obvious question is what that means for the housing market outlook. Mortgage rates are an important driver of the housing market, but they certainly aren't the *only* driver. The last time mortgage rates were at the level we're projecting them to reach was in 2015, and back then the housing market was going gangbusters. But while a gangbusters scenario isn't impossible, it's far from our central expectation. Net migration dynamics, supply and demand imbalance, credit conditions (including macroprudential policy settings), and the outlook for economic and labour market momentum were all very different back then. Putting it all together, our house price forecast is unchanged: we've banked the weaker July data, but expect a marginally sharper turn around towards the end of the year, leaving our 2024 house price forecast at -1% y/y followed by a 4.5% rise over 2025.



Financial markets update



Date	Data/event
Tue 3 Sep (10:45am)	Terms of Trade – Q2
Wed 4 Sep (early am)	Global Dairy Trade auction
Wed 4 Sep (1:00pm)	ANZ Commodity Price Index – Aug
Fri 6 Sep (10:45am)	Volume of All Buildings – Q2
Tue 10 Sep (10:45am)	Economic Survey of Manufacturing – Q2
Wed 11 Sep (10:45am)	Net Migration – Jul
Thu 12 Sep (10:00am)	ANZ Truckometer - Aug
Thu 12 Sep (10:45am)	Selected Price Indexes – Aug
Thu 12 Sep (10:45am)	Electronic Card Transactions – Aug
Fri 13 Sep (10:45am)	BusinessNZ Manuf PMI – Aug
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

Interest rate markets

Another whippy week in global and local interest rate markets. We say whippy rather than volatile given the lack of direction and fairly tight trading ranges in key markets like the US Treasury bond market amid data surprises and geopolitical risks. However, we may see a pickup in volatility in coming weeks, with US core PCE deflator data due tonight and non-farm payrolls next Friday. These are two of the three final major data points due before the 18 September Fed meeting (the other being CPI the week prior) and will be crucial in determining whether 50bp Fed cuts are really on the table. With **33bp of cuts priced in for September and 101bp in total** priced in over the next 3 Fed meetings, shifting expectations have scope to cause volatility. Similarly whippy price action has been observed at the short end locally. The overall swap market backdrop isn't that different to a week ago, but there has been a distinct change in the vibe over the past 24 hours in the wake of robust ANZ Business Outlook data, which has left some in markets asking whether the RBNZ also really needs to consider 50bp cuts. Like the US, local markets are **pricing in almost certain odds of at least one 50bp cut by year-end**, with 74bp of cuts priced in over the October and November meetings. If any of that were to unwind, local short-end swap rates would rise.

FX markets

USD weakness helped propel the Kiwi higher this week, as did robust ANZ Business Outlook data, as noted above. These moves took the Kiwi to within touching distance of 0.63, its highest level since January. Given the last time the Kiwi was this high was in the aftermath of the Fed's now infamous pivot last December (infamous because it proved to be highly premature), it's logical that markets are looking for the same degree of USD weakness now that the Fed has all but confirmed that it will be cutting next month and is no longer seeking further labour market weakness. Given that upcoming Fed cuts are fully priced in (and some), it seems a stretch to think that significant USD weakness lies ahead, beyond the confirmation effect that may follow the first Fed cut. We are also mindful that any flare-ups in geopolitical tensions are likely to be more supportive of the USD than NZD.

Key data summary

Monthly Employment Indicators – July. Down 0.1% m/m, in line with our expectation.

ANZ Business Outlook – August. A **big bounce** in the happy direction.

ANZ-Roy Morgan Consumer Confidence – August. **Small bounce**, but still downbeat overall.

Building Permits – July. Bounced 26.2% m/m from a downwardly revised 17% contraction in June. Volatile, but broadly consistent with our expectation that the downturn in residential investment will find a floor in 2025.

The week ahead

Overseas Trade Indices – Q2 (Tuesday 3 September, 10:45am).

Stronger dairy returns combined with slightly softer import prices are expected to push up the terms of trade by 2.2%.

Global Dairy Trade auction (Wednesday 4 September, early am). Dairy prices are likely to consolidate recent price rises, although futures prices indicate there still could be a little upside (+1%) in prices at the next auction.

ANZ Commodity Price Index – August (Wednesday 4 September, 1:00pm).

Building Work Put in Place – Q2 (Friday 6 September, 10:45am).

We've pencilled in a 0.6% q/q contraction in volumes, with firmer non-residential activity partially offsetting ongoing weakness in residential.



Key forecasts and rates

	Actual			Forecast (end month)					
	Jun-24	Jul-24	Today	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
FX rates									
NZD/USD	0.609	0.592	0.626	0.610	0.620	0.620	0.620	0.630	0.630
NZD/AUD	0.913	0.911	0.921	0.910	0.899	0.886	0.886	0.887	0.887
NZD/EUR	0.569	0.546	0.565	0.560	0.564	0.554	0.544	0.543	0.534
NZD/JPY	98.0	89.1	90.7	91.5	91.8	89.3	88.0	88.2	85.7
NZD/GBP	0.482	0.461	0.476	0.477	0.477	0.470	0.459	0.463	0.463
NZ\$ TWI	71.9	69.7	71.8	71.0	71.4	70.6	70.2	70.8	70.4
Interest rates									
NZ OCR	5.50	5.50	5.25	5.25	4.75	4.50	4.00	3.50	3.50
NZ 90 day bill	5.63	5.46	5.23	4.89	4.69	4.20	3.70	3.62	3.62
NZ 2-yr swap	4.96	4.23	3.95	3.86	3.77	3.67	3.62	3.62	3.62
NZ 10-yr bond	4.67	4.34	4.31	4.25	4.00	4.00	4.00	4.00	4.50

Economic forecasts

	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
GDP (% qoq)	0.2	-0.3	0.0	0.1	0.2	0.3	0.4	0.5	0.6
GDP (% yoy)	0.3	-0.5	-0.2	0.0	0.0	0.6	1.0	1.4	1.8
CPI (% qoq)	0.6	0.4	1.0	0.3	0.4	0.7	0.7	0.2	0.3
CPI (% yoy)	4.0	3.3	2.6	2.4	2.1	2.4	2.1	1.9	1.9
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

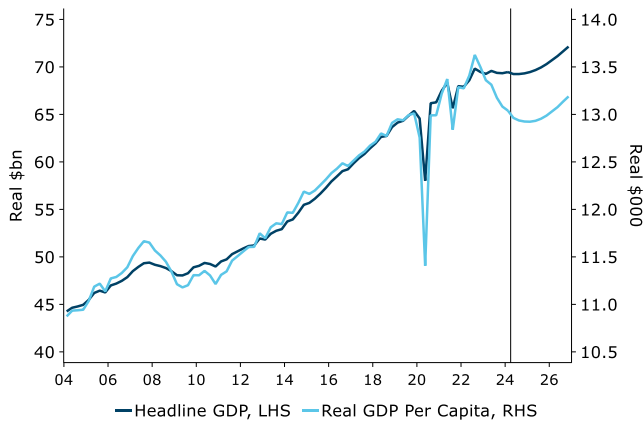


Figure 4. CPI inflation components

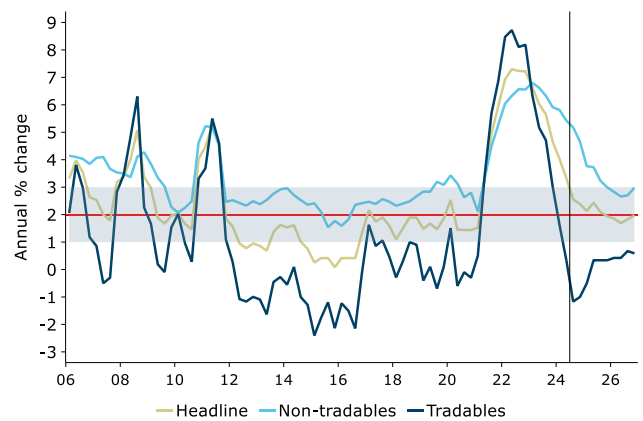


Figure 5. OCR forecast

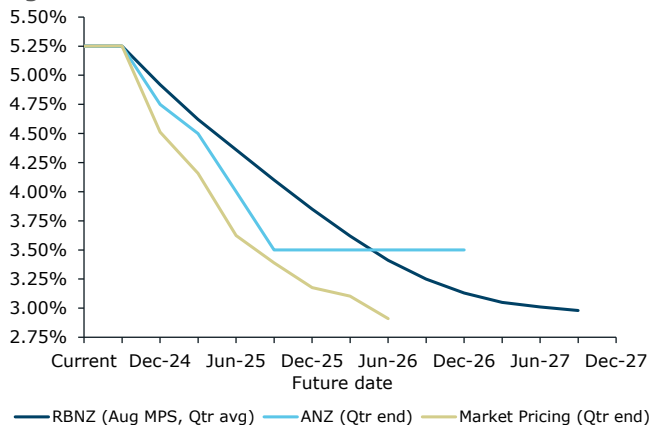
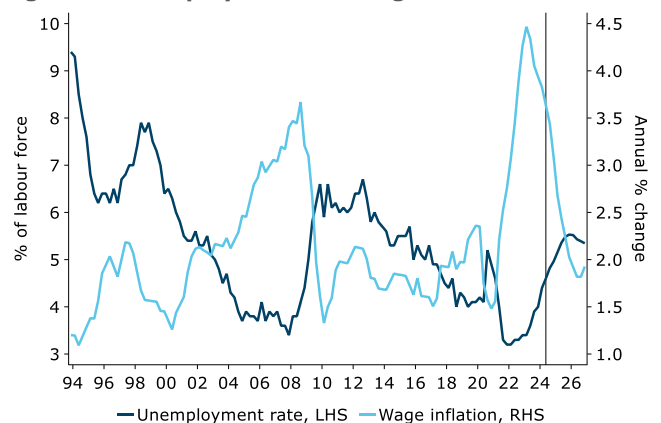


Figure 6. Unemployment and wage inflation



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



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