

New Zealand Weekly Data Wrap

6 September 2024



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ANZ Proprietary data

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- [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](#).

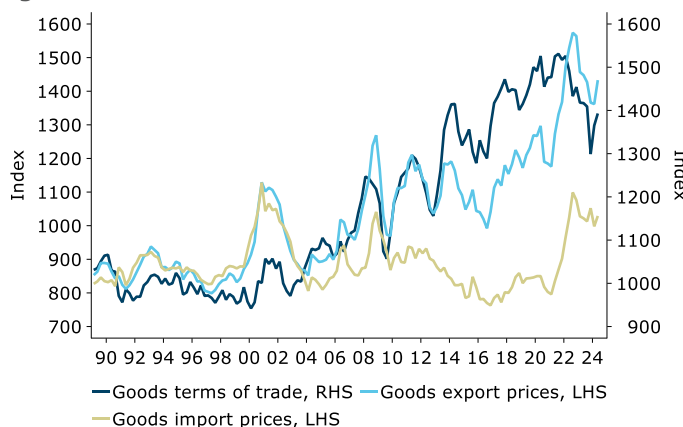
A swathe of trade data

This week delivered a swathe of trade data with the Q2 Overseas Trade Indices, our August Commodity Price Index, and a GDT dairy auction.

The merchandise terms of trade lifted 2.0% q/q in Q2, broadly in line with our expectation, though still around 9% below the 2021 peak. Export prices lifted 5.2% q/q, stronger than we had pencilled in, led by gains in dairy and meat, while forestry returns continue to be hampered by the slowdown in China's property sector. In large part, stronger export prices reflect tight global supply rather than robust global demand. Meanwhile, import prices were also firmer than expected, up 3.1% q/q. That in part reflected higher fuel prices, though import prices excluding fuels rose 2.9% q/q. While that may be of some concern to the RBNZ given the implications for tradable inflation, it followed a fall of a similar magnitude in Q1. Looking at the broader trend over recent quarters, import prices have been largely flat.

On the volumes front, exports fell 4.3% q/q, which appears timing related following Q1's 5.3% q/q lift, particularly given relatively favourable weather conditions for our key exports. However, forestry volumes remain an exception, falling nearly 11% q/q, as the sector is heavily concentrated in China's market. Meanwhile, import volumes lifted 3.2% q/q in Q2, stronger than we had expected, though that partly reflected a significant increase in the volatile transport equipment component, rather than signalling robust domestic demand.

Figure 1. Merchandise terms of trade



Source: Stats NZ, Macrobond, ANZ Research

Our [Commodity Price Index](#) provides a glimpse into where export prices are trending over Q3. The NZD price index lifted 1.5% m/m in August, reflecting a 2.1% m/m rise in the World Price Index and a 0.7% m/m fall in the NZD Trade Weighted Index. Dairy and meat prices led the charge, up 2.7% m/m and 3.2% m/m respectively in world price terms. In both cases, continued tight global supply continues to bolster prices, but there are some pockets of strong demand out there too. Most notably, US demand for beef remains solid, which, combined with lifting returns for lamb cuts sold into the UK and US, has seen the meat and fibre index lift 18.9% from a year ago.

Meanwhile, this week's Global Dairy Trade auction saw the GDT Index fall 0.4%, maintaining the bulk of the 5.5% rise seen a fortnight ago. At this early stage, we'd tee these data up as consistent with [our updated farmgate milk price forecast](#) of \$9.00/kg milksolid for the current (2024/25) season. But as always, the state of global demand (and supply) carries plenty of potential to surprise, particularly as the global easing cycle progresses (more on page 2).



Looking ahead



NZ Economic News

ANZ's latest data releases, forecast updates and insights

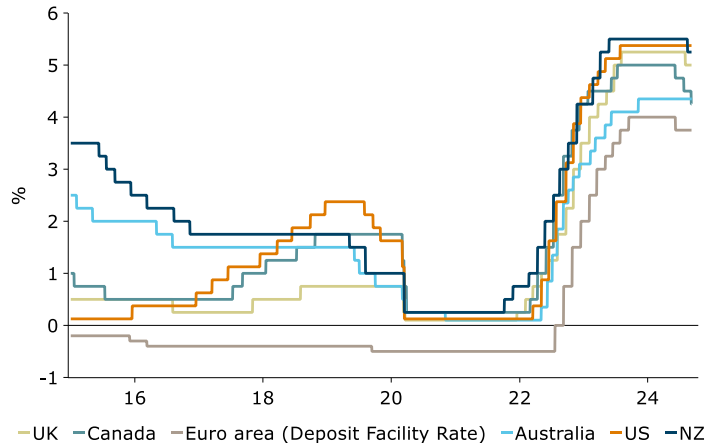
- NZ Property Focus: kicking off into the wind
- NZ forecast update: milk price forecast revised up
- NZ Agri Focus: outlook improving
- NZ Carbon Market: Emissions Trading Scheme settings
- NZ REINZ housing data: southbound for now
- NZ Economic Outlook: tipping point?
- RBNZ MPS Review: the first cut 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
- NZ Insight: what an oil price shock could mean for inflation

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The global easing cycle

Most global central banks are now in easing mode, with seven of the eleven G10 central banks (yes, there are eleven of them!) having now cut this year. That list includes New Zealand, Canada, and Europe, but of note, it does not include Australia nor the US (figure 2), nor for that matter, Japan and Norway. Notably, all cuts delivered so far have been 25-pointers, but markets are gunning for bigger cuts in time in many markets, including in New Zealand, where 79bp of cuts are **priced in over the next two meetings**.

Figure 2. Global policy rates



Source: BoE, RBA, Fed, RBNZ, ECB, BoC, Macrobond, ANZ Research

Having stood pat at their 31 July meeting, the Fed has made it clear that it will almost certainly cut at its 18 September meeting, with Fed chair Powell saying in his headline speech at the Jackson Hole symposium that “the time for policy adjustment has arrived”, adding “the direction of travel is clear and the timing and size of policy adjustment will depend upon incoming data, the evolving outlook and the balance of risks”. We think that will translate to gradual 25bp cuts this month, and in November and December, with 200bp of cuts likely in total, taking the Fed Funds rate to 3.5% by September 2025.

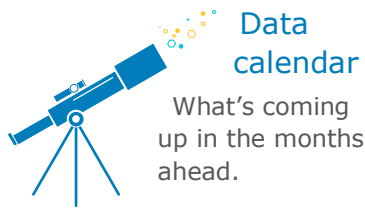
The most recent G10 central bank to cut was the Bank of Canada, who cut for the third time this week, adding to cuts delivered in June and July. Closer to home, we expect the Reserve Bank of Australia to deliver its first cut in February.

The one standout central bank going the other way is the Bank of Japan. They delivered a hike in July, taking their policy rate from 0.1% to 0.25%. Looking ahead, we expect them to deliver three 25bp hikes, with the first likely in October, followed by two more, in Q2 and Q4 next year.

One of the interesting aspects of the current easing cycle is how globally synchronised it is likely to be, especially over coming quarters. A similar degree of synchronicity was observed on the way up in the wake of Covid stimulus, and also on the way down at the height of the 2008/09 Global Financial Crisis, when most major central banks slashed rates. However, while a “we’re all in this together” vibe feels like it’s going to be the dominant one until at least the first half of 2025, unless another global shock comes along, the degree of synchronicity is likely to eventually fade. It will likely be at this point that the domestic vibe will trump the global vibe, as central banks set policy depending on how their respective economies respond to the stimulus that’s coming (bearing in mind that central banks engineered this slowdown – it wasn’t an accident). Our sense is that this is also likely to be when currency markets start to emphasise relative economic points of differentiation. That’s been lacking since early 2023. Since then, the NZD/USD has traded a remarkably narrow 0.58/0.65 range.



Financial markets update



Date	Data/event
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
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

Interest rate markets

Global and local bond yields and also swap rates have moved progressively lower this week, led by the US, where markets have responded to weaker labour market data (specifically the JOLTS survey and ADP data). While Fed chair Powell all but promised a cut later this month with his “the time for policy adjustment has arrived” speech last month (see page 2), he also said that he wouldn’t welcome further labour market weakness, and that the pace of cuts would depend on data. Against that backdrop, it’s logical that US markets have dismissed the possibility of a pause and are instead weighing up either 25 or 50bp cuts. However, with a 35bp cut already priced in, and a further 74bp priced in over the November and December Fed meetings, markets have given soft data the benefit of the doubt, and seem fully priced ahead of the key non-farm payrolls data due tonight (at 12.30am Saturday NZ time). While that data isn’t likely to sway the Fed from cutting, given other data, it may create volatility, which would be felt here too, with no major local data due until GDP on 19 September.

FX markets

Like their interest rate counterparts, FX markets are also trading on global themes. While the Kiwi has weakened this week, it remains above 0.62 and isn’t far off its January highs. But strength seen has largely been a USD story and as we note on page 2, local nuances are likely to rise to the fore in time, but we expect FX markets to remain highly sensitive to market expectations for Fed policy over the near term.

Key data summary

Overseas Trade Indices – Q2. The merchandise terms of trade rose 2.0% q/q, as export prices bounced 5.2% q/q and import prices rose 3.1% q/q.

Global Dairy Trade auction. The GDT Price Index fell 0.4% after a solid rise at the previous event.

ANZ Commodity Price Index – August. The [ANZ World Commodity Price Index](#) increased 2.1% m/m in August.

Building Work Put in Place – Q2. Fell 0.2% q/q, a little stronger than expected, but not a game changer for our GDP forecast of -0.3% q/q.

The week ahead

Economic Survey of Manufacturing – Q2 (Tuesday 10 September, 10:45am). The PMI’s slide over Q2 suggests another quarterly contraction for manufacturing volumes is on the cards.

Net Migration – July (Wednesday 11 September, 10:45am). We expect the annual net inflow to continue to fall.

ANZ Truckometer – August (Thursday 12 September, 10:00am).

Selected Price Indexes – August (Thursday 12 September, 10:45am). A small rise in food prices (+0.4% m/m) alongside a 0.3% m/m lift in rents is expected to be offset by weaker petrol prices (-1% m/m), and some payback from last month’s rise in airfares and domestic accommodation. Our weighted estimate of an aggregated SPI index is expected to fall 0.1% m/m. Combined with last month’s read, this would present downside risk to our Q3 CPI forecast of 1.0% q/q (RBNZ: 0.8% q/q), but largely via the more volatile tradables component.

Electronic Card Transactions – August (Thursday 12 September, 10:45am). Our card spending data suggests a broadly flat m/m read.

Manufacturing PMI – August (Friday 13 September, 10:30am). Will be watched closely for any sign of a post-MPS bounce.



Key forecasts and rates

FX rates	Actual			Forecast (end month)					
	Jul-24	Aug-24	Today	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
NZD/USD	0.592	0.625	0.622	0.610	0.620	0.620	0.620	0.630	0.630
NZD/AUD	0.911	0.924	0.923	0.910	0.899	0.886	0.886	0.887	0.887
NZD/EUR	0.546	0.566	0.560	0.560	0.564	0.554	0.544	0.543	0.534
NZD/JPY	89.1	91.3	89.3	91.5	91.8	89.3	88.0	88.2	85.7
NZD/GBP	0.461	0.476	0.472	0.477	0.477	0.470	0.459	0.463	0.463
NZ\$ TWI	69.7	71.8	71.4	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	5.13	4.89	4.69	4.20	3.70	3.62	3.62
NZ 2-yr swap	4.23	3.94	3.78	3.86	3.77	3.67	3.62	3.62	3.62
NZ 10-yr bond	4.34	4.27	4.18	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

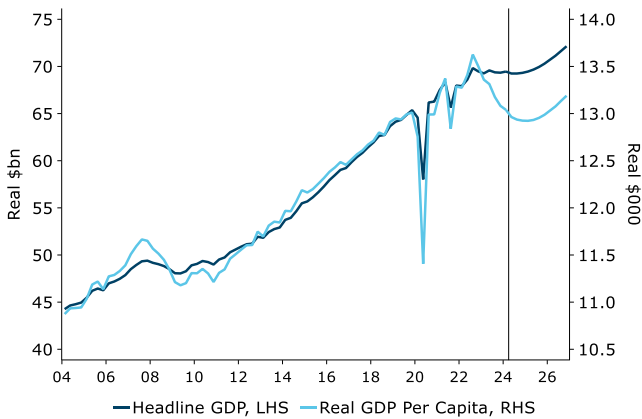


Figure 4. CPI inflation components

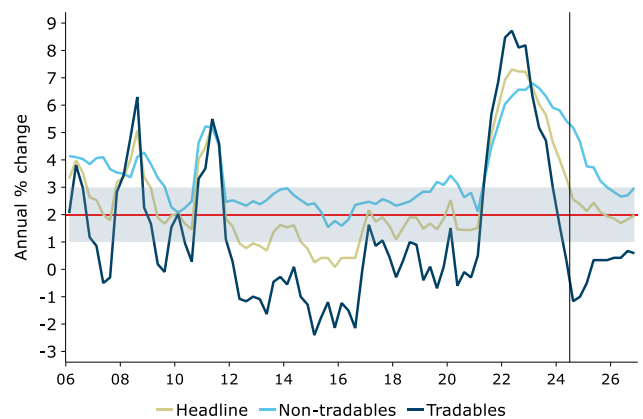


Figure 5. OCR forecast

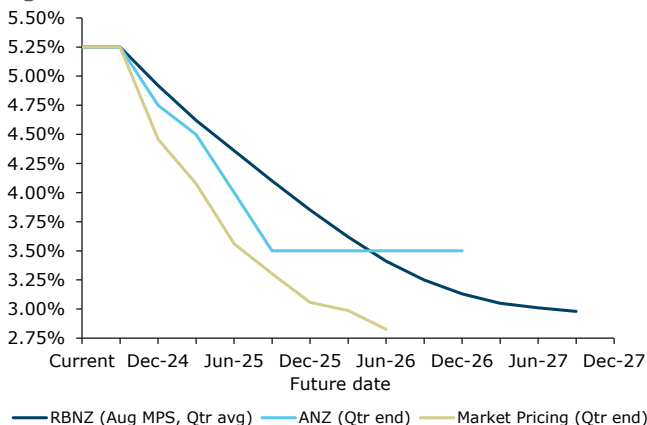
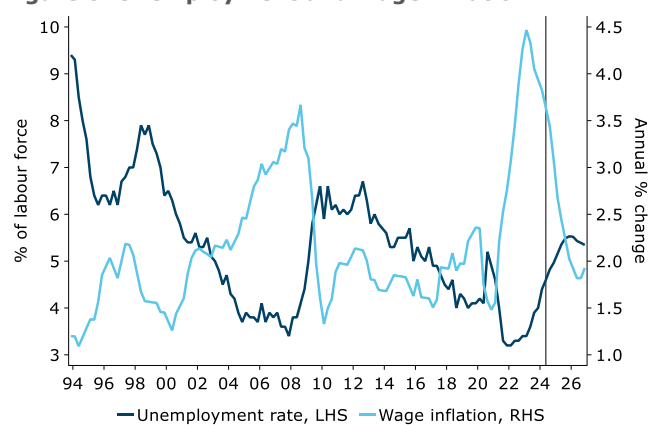


Figure 6. Unemployment and wage inflation



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



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