

New Zealand Weekly Data Wrap

9 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](#).

RBNZ expected to hold next week

Locally, this week was all about the [Q2 labour market data](#). The unemployment rate rose 0.2%pt to 4.6%, in line with the RBNZ's May MPS forecast and a touch below our expectation. However, the details of the release were stronger than expected, with robust employment growth and a lift in the participation rate. Measures of wage growth were either in line with the RBNZ or a touch stronger. Despite the stronger details, the labour market remains on a loosening trajectory, with rising spare capacity supporting disinflation. Our updated outlook (page 2) marries this slightly more robust starting point to a slightly weaker outlook for both labour demand and supply.

Overall, there was no smoking gun in the Q2 labour market data for the [RBNZ to cut the OCR](#) when it meets next week. The data since May, and particularly since the July Monetary Policy Review, points to a clearly slowing economy, and solid disinflation progress. That justifies cutting the OCR far earlier than August 2025, as was signalled in the previous Monetary Policy Statement. But while we certainly wouldn't rule out a cut next week, it is difficult to justify such a radical change in the RBNZ's thinking based on the evolution of data in recent months.

Of the major releases since the May MPS, GDP, labour market and inflation data [have not materially surprised the RBNZ's forecasts](#). Soft data and forward indicators certainly suggest that the slowdown in the economy may be gathering pace, but even the downgrade to the outlook after taking signal from these data is unlikely to be sufficient for the RBNZ to bring OCR cuts forward 12 months from what it had projected in May. For the RBNZ to ease next week, we'd be looking at one of the most dramatic revisions to RBNZ OCR forecasts in history, when so far, the dovish data surprises have been second tier, albeit broad based.

There has also been a sharp easing in monetary conditions in the past month, which, all else equal, reduces the need for the RBNZ to move rapidly. In fact, this gives the RBNZ the perfect testing ground to gauge how responsive the economy will be to rate cuts when they do occur. Consumer and business confidence lifted in July, highlighting the risk that the economy bounces back more quickly and very early gauges of housing market activity hint at the potential for a rebound too. There is of course a potential price to pay for waiting for more certainty, but if things really do turn to custard as much as some of the recent 'soft' data have been signalling, the RBNZ has the option of easing more aggressively further down the line.

While we do expect the RBNZ to meaningfully revise down their OCR track at this meeting, we think it will land on signalling a solid chance of a cut this year, but stopping well short of a promise. Such a track would leave the market to watch the data and adjust accordingly. Seems to us that holding the OCR and publishing such an OCR track would be a sensible middle ground that balances the potential regrets on each side. Holding a little too long can be rapidly fixed – indeed the market will do (is doing) the easing work for the RBNZ. And the next OCR Review is just six weeks later. On the other hand, betting the house on the down-the-gurgler scenario could put the Committee in a very awkward spot should data subsequently start to surprise on the upside. That's a possibility the market has completely discounted but one that the RBNZ is unlikely to write off.



Looking ahead



NZ Economic News

ANZ's latest data releases, forecast updates and insights

- 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
- NZ REINZ housing data: a very chilly June
- RBNZ MPR Review: watch this space
- NZ Property Focus: on ice
- 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
- RBNZ MPS Review: get back in your box
- NZ Economic Outlook: the ducks are lining up
- NZ Property Focus: looking for a signal from Auckland
- NZ Agri Focus: high and dry
- NZ Property Focus: buy vs rent
- NZ Insight: new Government, new fiscal strategy
- NZ Forecast Update: milk price revised up
- 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

Click [here](#) for more.

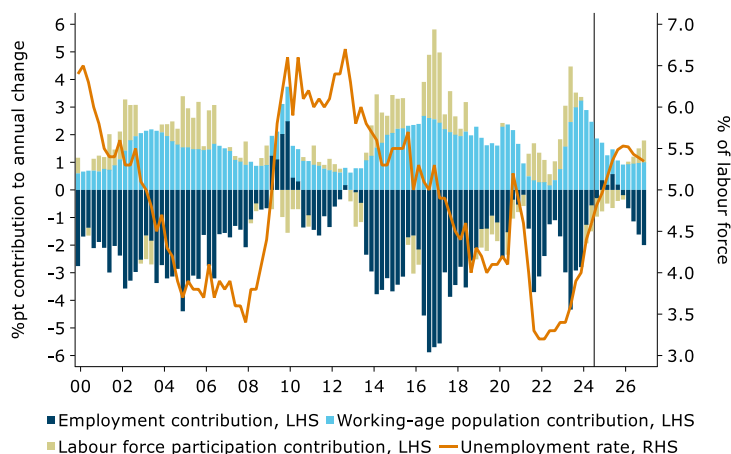
Labour market forecast update

With the Q2 data in the bag, we have updated our outlook for the labour market. Compared to our previously published forecast, changes to our unemployment rate forecast are relatively minor, but under the hood we have downgraded our expectation for both labour demand and labour supply just a little, painting the broader outlook in a marginally darker shade of pessimism than previously (but with a very similar unemployment rate forecast).

On the supply side, softer domestic economic momentum (as confirmed by recent GDP data and suggested by forward-looking indicators) appears to be eroding opportunities in the labour market, and as a result the net migration cycle appears to be turning faster than previously assumed. Slightly slower growth in the working-age population would, all else equal, result in a tighter-than-otherwise labour market (and a lower unemployment rate), but it's important to remember why population-driven growth in labour supply is slowing: demand for labour is too, and that's led us to downgrade our outlook for employment growth a touch. Participation is the other element of labour supply, and is also linked to demand. We continue to expect that increasing competition in the labour market will see the number of available-but-not-actively-looking potential jobseekers (aka discouraged workers) rise, pushing the participation rate lower as employment growth softens.

Figure 2 shows how this is all expected to net out. We expect the unemployment rate to rise to 4.8% in Q3, a touch lower than our prior forecast of 4.9% owing to weaker growth in the labour force. Beyond that, we continue to expect the unemployment rate to peak at 5.5% by the second half of 2025, and turn only gradually from early 2026, lagging the recovery in economic activity that is expected to follow the withdrawal of monetary restraint. Compared to the RBNZ's May MPS forecast, we expect the unemployment rate to peak slightly higher, but all eyes are on the August MPS next week to see how the RBNZ's outlook has changed since May – the Q2 labour market data shouldn't move the dial for them, but weakness in the forward indicators sure could.

Figure 2. Contributions to the change in the unemployment rate

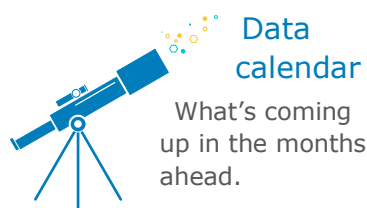


Source: Stats NZ, Macrobond, ANZ Research

On the wages front, we continue to expect annual wage growth in the private sector to slow as the labour market loosens. We expect annual growth in the Labour Cost Index (productivity adjusted, all salary and wage rates) to slow from 3.6% y/y in Q2 2024 to just below 2% come Q1 2026. That's a touch below the historical average pace of around 2.2% and consistent with non-tradables inflation slowing adequately to keep headline CPI inflation around the centre of the 1-3% target band over the medium term. See page 4 for our updated forecasts (figure 6 and in table).



Financial markets update



Data calendar

What's coming up in the months ahead.

Date	Data/event
Tue 13 Aug (10:00am)	ANZ Truckometer - Jul
Tue 13 Aug (10:45am)	Net Migration – Jun
Wed 14 Aug (2:00pm)	RBNZ MPS
Thu 15 Aug (10:45am)	Selected Price Indexes – Jul
Thu 15 Aug (10:45am)	Electronic Card Transactions – Jul
Fri 16 Aug (10:45am)	BusinessNZ Manuf PMI – Jul
Mon 19 Aug (10:30am)	Performance Services Index – Jul
Tue 20 Aug (10:45am)	Merchandise Trade – Jul
Wed 21 Aug (early am)	Global Dairy Trade auction
Fri 23 Aug (10:45am)	Retail Sales – Q2
Wed 28 Aug (10:45am)	Employment Indicators – Jul
Thu 29 Aug (1:00pm)	ANZ Business Outlook – Aug
Fri 30 Aug (10:00am)	ANZ-RM Consumer Confidence – Aug
Fri 30 Aug (10:45am)	Building Permits – Jul
Tue 3 Sep (10:45am)	Terms of Trade – Q3
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 (early am)	Balance of Payments – Q2

Interest rate markets

It has been a volatile week in global and local swap and bond markets. As has often been the case, the volatility (which took the form of lower rates followed by a partial rebound) was led by the US, where bond yields collapsed in the wake of soft US labour market data last Friday. Adverse positioning played a role too, as did calls by several economists for an OCR cut next week. As we go to print, markets look more composed, but we don't think the RBNZ will have sufficient confidence in the inflation outlook to cut yet and so are wary of the potential for NZ interest rates to correct higher. We're also a little wary of how low long-end rates are given lacklustre demand for 10yr and 30yr US Treasury bonds at this week's auctions.

FX markets

FX markets have been volatile too, and like rates markets, are also regaining some composure as markets refocus on the big picture rather than just US jobs data and the Bank of Japan's policy hike (which led to a rapid unwinding of USD/JPY carry trades). We see scope for the NZD to bounce if the RBNZ pauses next week, but it's difficult to tell a particularly differentiated NZD story amid punchy global themes, as we discuss in our latest [NZD Outlook](#).

Key data summary

ANZ Commodity Price Index – July. The ANZ [World Commodity Price Index](#) fell 1.7% m/m in July as prices for dairy, apples and aluminium retreated.

Global Dairy Trade auction. The GDT Index lifted 0.5%, but results varied considerably with gains in whole milk powder, cheese and anhydrous milkfat, while butter and skim milk powder prices retreated.

Labour Market Statistics – Q2. See our [Review](#).

RBNZ Inflation Expectations – Q3. All measures 2+ years fell to around 2%. The RBNZ will welcome that, but this isn't the only measure in town.

The week ahead

ANZ Truckometer – July (Tuesday 13 August, 10:00am). We have gone back to a monthly publishing schedule by popular demand.

Net Migration – June (Tuesday 13 August, 10:45am). Watching closely to see if May's weak net monthly inflow was the beginning of a sharper turn.

RBNZ Monetary Policy Statement – August (Wednesday 14 August, 2:00pm). See our [Preview](#).

Selected Price Indexes – July (Thursday 15 August, 10:45am). We've pencilled in a 0.3% m/m lift for both food and rents. MBIE data suggests petrol prices rose 2.5% m/m. Domestic and international airfares and domestic and overseas accommodation prices are expected to lift modestly m/m, but these components often surprise on the day. All up, these data will give us our first steer on how the Q3 CPI is shaping up, but typical m/m volatility means we should always treat the first month of the quarter with a little caution. A big surprise could mean scope for payback next month.

Electronic Card Transactions – July (Thursday 15 August, 10:45am). ANZ card spend data suggests a modest monthly gain.

Manufacturing PMI – July (Friday 16 August, 10:30am). After a weak print in June, the July read will be important for gauging persistence.

REINZ House Prices – July (12-16 August, 9:00am). Momentum is likely to continue south in the near term. However, recent falls in mortgage rates increase the risk of a swift recovery.



Key forecasts and rates

	Actual			Forecast (end month)					
FX rates	Jun-24	Jul-24	Today	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
NZD/USD	0.609	0.592	0.601	0.610	0.620	0.620	0.620	0.630	0.630
NZD/AUD	0.913	0.911	0.912	0.910	0.899	0.886	0.886	0.887	0.887
NZD/EUR	0.569	0.546	0.550	0.560	0.564	0.554	0.544	0.543	0.534
NZD/JPY	98.0	89.1	88.5	91.5	91.8	89.3	88.0	88.2	85.7
NZD/GBP	0.482	0.461	0.471	0.477	0.477	0.470	0.459	0.463	0.463
NZ\$ TWI	71.9	69.7	70.2	71.2	71.5	70.8	70.3	70.9	70.5
Interest rates	Jun-24	Jul-24	Today	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
NZ OCR	5.50	5.50	5.50	5.50	5.25	5.00	4.50	4.00	3.50
NZ 90 day bill	5.63	5.46	5.44	5.38	5.18	4.68	4.18	3.68	3.60
NZ 2-yr swap	4.96	4.23	4.00	4.16	3.94	3.77	3.65	3.60	3.60
NZ 10-yr bond	4.67	4.34	4.27	4.50	4.25	4.25	4.25	4.25	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	-0.1	0.2	0.2	0.3	0.4	0.5	0.6	0.6
GDP (% yoy)	0.3	-0.3	0.2	0.5	0.6	1.1	1.4	1.8	2.1
CPI (% qoq)	0.6	0.4	1.0	0.3	0.4	0.6	0.8	0.2	0.4
CPI (% yoy)	4.0	3.3	2.6	2.4	2.1	2.4	2.1	2.0	2.0
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

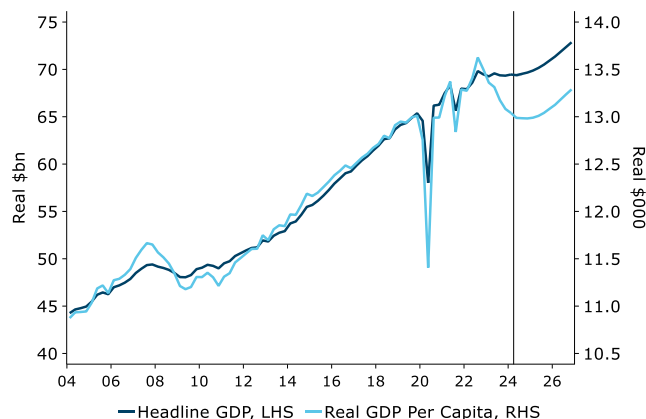


Figure 4. CPI inflation components

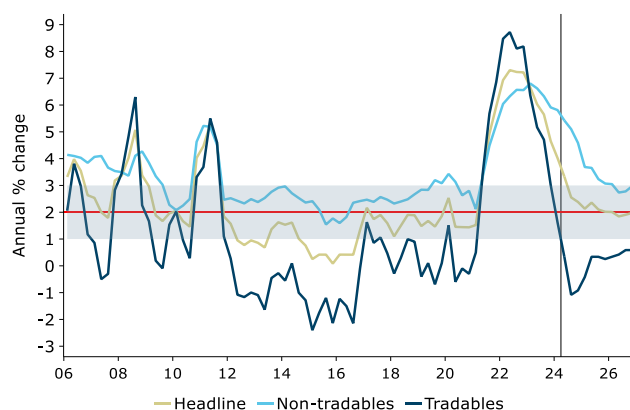


Figure 5. OCR forecast

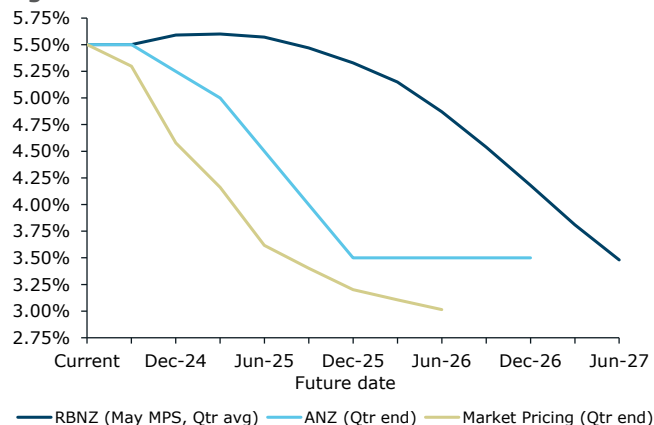
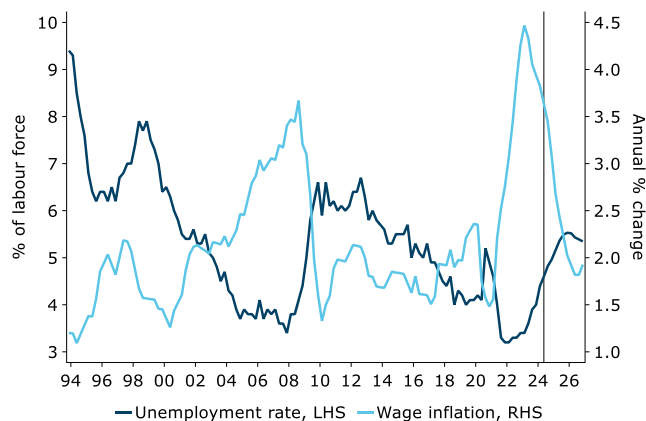


Figure 6. Unemployment and wage inflation



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



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Sharon Zollner
Chief Economist

Follow Sharon on X
@sharon_zollner

Telephone: +64 9 357 4094
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
@ANZ_Research (global)



David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com



Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com



Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, economic developments, labour market dynamics, inflation, fiscal and monetary policy.

Telephone: +64 21 661 792
Email: miles.workman@anz.com



Henry Russell
Economist

Macroeconomic forecasting, economic developments, GDP and activity dynamics and monetary policy.

Telephone: +64 21 629 553
Email: henry.russell@anz.com



Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808
Email: natalie.denne@anz.com



Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com

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