

New Zealand Weekly Data Wrap

25 October 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: September 2024](#)

Key forecasts and rates

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

Glossary

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

In deficit

New Zealand's annual trade deficit narrowed just \$300m to \$9.1bn in September, still far too wide to be called sustainable. Progress on narrowing the deficit has slowed over recent months as export performance has disappointed, while import demand cools only gradually.

Imports were bolstered by additional spending on aircraft in September as New Zealand takes delivery of its new Hercules for the Defence Force. But even when this spending is stripped out, we are still spending considerably more on imports than we are earning from exports. The latest trade data does show a slowdown on imports of cars and furniture, both of which are generally discretionary items. This indicates consumers are tightening their belts.

Export returns will lift as the dairy season progresses and more product becomes available for sale. Early-season milk production has been strong as we near the seasonal peak in production. This means more product to sell over the next few months, which will help the trade balance.

September was a big month for kiwifruit sales. With a much larger harvest this season the exporting season is still in full swing with large volumes were still being shipped in September. The kiwifruit industry now generates export returns of \$3.3b, making it the 4th largest export earner behind dairy, beef, and lamb, having overtaken log exports. Unfortunately log and lamb returns are highly correlated with demand from China. Recent stimulus measures may bolster demand in that market, but we don't anticipate any major improvement in returns for these two sectors in the near future.

To balance the books New Zealand needs to be producing a larger proportion of higher-value goods, as the option to simply increase volumes is limited for many industries. More intensive land uses, such as horticulture, will potentially generate higher returns, but only if there is the marketing to support the products being produced. To do this well, you tend to need a reasonable level of scale. Our kiwifruit industry has scale but most of our other horticulture enterprises lack scale or have fragmented marketing efforts.

Global central bank backdrop and RBNZ speeches

Turning to offshore, this week saw the Bank of Canada join the list of central banks that have delivered outsized cuts, with their 50bp cut rounding out 125bp of cuts since June. Eight of the 11 G10 central banks (the USD and the 10 most-traded currencies against it) have now cut, delivering 20 cuts between them. Canada's cut shored up local market confidence that another outsized RBNZ cut is coming next month, but comments by Governor Orr about having scope to be "more incremental" on the way down have seen the market shift a little closer toward expecting a 50bp cut (rather than 75bps).

RBNZ Assistant Governor Silk spoke this week too, on the principles of liquidity management, with a focus on the amount of settlement cash in the banking system. Silk made no comment on monetary policy but announced that the RBNZ would soon move to a hybrid approach to providing liquidity. Details of what that would entail are still being developed, but a hybrid approach would contain supply-driven elements (the current approach – where the amount of liquidity is determined by the RBNZ and supplied by them) and demand-driven elements, where collateralised lending is provided, as needed, to banks. The new hybrid approach will be introduced when the amount of settlement cash moves from its current "abundant" level to an "ample" level. Silk also laid out the RBNZ's five principles to addressing market dysfunction, with an emphasis on encouraging markets to self-correct where possible, mitigating moral hazard and minimising the risk the RBNZ takes.



Looking ahead



NZ Economic News

ANZ's latest data releases, forecast updates and insights

- NZ CPI Review: back in the band; now keep it there
- NZ REINZ housing data: finding a floor
- NZ Insight: fiscal musings
- NZ Agri Focus: seasonal change
- NZ Insight: playing by the rules?
- RBNZ MPR Preview: taking what's on the plate
- NZ Property Focus: regional revelations
- NZ GDP: better than feared
- NZ REINZ housing data: still subdued
- 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 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
- ANZecdotes – June 2024
- NZ Insight: non-tradable inflation – a waiting game
- NZ Budget 2024: fiscal reshuffle not a game-changer for the economic outlook
- NZ Insight: new Government, new fiscal strategy

Click [here](#) for more.

Dry winter pushes up electricity emissions

NZ's greenhouse gas emissions lifted 1.1% q/q in Q2 on a seasonally adjusted basis. Emissions from the electricity sector shot up in Q2 as the sector had to burn more coal to produce electricity with hydro production constrained due to low lake levels. Coal is used as a backup power source when renewable energy output is low, or demand for electricity is particularly high. Emissions from construction were also higher in Q2, relative to Q1.

Absolute emissions lifted 2.3% compared to Q2 2023, with lower emissions from the agriculture and manufacturing sectors not sufficient to offset the large increase in electricity emissions. At the household level, absolute emissions fell 2.7% y/y as increased use of electric vehicles lower transport emissions and offset the additional emissions associated with heating homes.

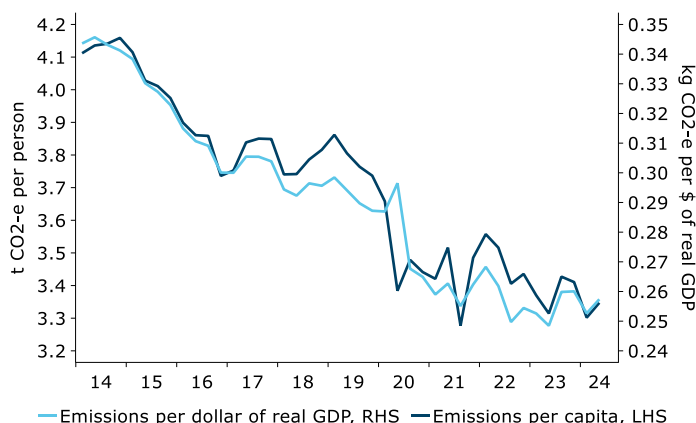
Figure 2. Emission % change q/q by sector Q2 2024 (seasonally adjusted)



Source: Stats NZ, Macrobond, ANZ Research

Emissions have generally been trending down relative to economic activity, but in Q2 emissions intensity lifted 1.9% as GDP fell more than emissions did. Emissions per capita also lifted marginally.

Figure 3. Emissions intensity (seasonally adjusted)



— Emissions per dollar of real GDP, RHS — Emissions per capita, LHS

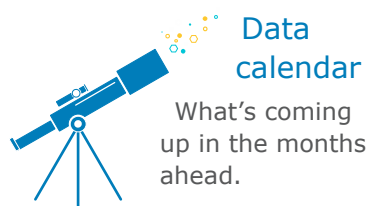
Source: Stats NZ, Macrobond, ANZ Research

Agriculture has made the largest improvement in reducing absolute emissions in the past year, but it still accounts for over 48% of New Zealand's total emissions. Household transportation emissions have fallen as the proportion of electric vehicles being used has increased. The manufacturing sector has also reduced its emissions in the past year, but as noted, absolute emissions from electricity production have shot up. Previously, emissions from electricity production had been falling, but the dry winter pushed up the cost of electricity both in price and the potential cost to the environment.

Overall demand for electricity is expected to continue to rise as electrification of transport, industry and buildings occurs. The aluminium smelter at Tiwai Point alone uses about 13% of New Zealand's total electricity production. The Climate Change Commission is relatively confident that the electricity sector will meet its targeted emissions reductions. To achieve this more investment is needed in electricity storage facilities such as batteries to manage the fluctuations in renewable electricity production.



Financial markets update



What's coming up in the months ahead.

Date	Data/event
Tue 29 Oct (10:45am)	Employment Indicators – Sep
Thu 31 Oct (1:00pm)	ANZ Business Outlook – Oct
Fri 1 Nov (10:45am)	Building Permits – Sep
Tue 5 Nov (1:00pm)	ANZ Commodity Price Index – Oct
Wed 6 Nov (early am)	Global Dairy Trade auction
Wed 6 Nov (09:00am)	RBNZ Financial Stability Report
Mon 11 Nov (3:00pm)	RBNZ 2Yr Inflation Expectations – Q4
Tue 12 Nov (10:00am)	ANZ Truckometer – Oct
Tue 12 Nov (10:45am)	Electronic Card Transactions – Oct
Wed 13 Nov (10:45am)	Net Migration – Sep
Thu 14 Nov (10:45am)	Selected Price Indexes – Oct
Fri 15 Nov (10:30am)	BusinessNZ Manuf PMI – Oct
Mon 18 Nov (10:30am)	Performance Services Index – Oct
Wed 20 Nov (early am)	Global Dairy Trade auction
Mon 25 Nov (10:45am)	Retail Sales – Q3
Wed 27 Nov (2:00pm)	RBNZ MPS
Thu 28 Nov (1:00pm)	ANZ Business Outlook – Nov
Fri 29 Nov (10:00am)	ANZ-RM Consumer Confidence – Nov
Mon 2 Dec (10:45am)	Building Permits – Oct
Tue 3 Dec (10:45am)	Terms of Trade – Q3
Wed 4 Dec (early am)	Global Dairy Trade auction
Wed 4 Dec (1:00pm)	ANZ Commodity Price Index – Nov
Thu 5 Dec (10:45am)	Volume of All Buildings – Q3
Wed 11 Dec (10:00am)	ANZ Truckometer – Nov
Wed 11 Dec (10:45am)	Economic Survey of Manufacturing – Q3
Thu 12 Dec (10:45am)	Electronic Card Transactions – Nov
Fri 13 Dec (10:30am)	BusinessNZ Manuf PMI – Nov

Interest rate markets

It has been an uneventful week in global interest rate markets and that saw familiar themes like a more measured and gradual Fed easing cycle percolate, driving developed bond yields higher. That broad vibe was felt locally too, with yields slightly higher across the yield curve. RBNZ Governor Orr's speech was read by some in the market as more measured too – in particular his comment about having scope to be "more incremental" on the way down, which traders read as more consistent with a 50bp rather than 75bp cut next month. We remain comfortable with our call for another 50bp cut, but market expectations and indeed what the MPC choose to do will ultimately come down to how the data pans out, and whether the RBNZ feels that they have some catching up to do. Q3 labour market data will be key in that regard, but that isn't due until 6 November, and with a public holiday on Monday, next week could be another quiet week. Next week is a busier week in the US, but their labour market report – which will be the last key data point ahead of the next Fed meeting – isn't due till the end of the week, rounding out our sense that next week could be another quiet one. This week also saw NZDM issue an additional \$5bn of NZGB May 2030 bonds via tap syndication. Bonds were somewhat heavy into the deal, but it attracted a record orderbook, and has seen the market regain composure, with NZGB spreads to comparable maturity swap rates narrowing over the week.

FX markets

The Kiwi is at the tail end of a 4-week losing streak that has seen it slip from its 27 September high of 0.6342 to a low of 0.5991 earlier in the week. That wasn't as low as where it was in early August, but it represented a complete unwind of gains seen since the Fed's outsized 50bp cut last month that saw the USD spiral lower (before rebounding). As we discuss in our latest [NZD Update](#), that was a dramatic turnaround from what we saw in August and September, but it has mostly been as a result of USD strength rather than anything NZD-specific. As we also discuss in the *Update*, we see the risks around our forecasts for mild appreciation towards fair value by year-end as balanced, with downside risks emanating from US soft-landing vibes and lower NZ interest rates, but upside risks coming from the fact that a lot of negativities are already priced into the term structure of NZ interest rates.

Key data summary

Overseas Merchandise Trade – September. The trade deficit narrowed to \$2.108b in September from a revised -\$2.306b in August. Exports rose to \$5.01b and imports fell to \$7.12b.

ANZ-Roy Morgan Consumer Confidence – October. Fell 4 points in October to 91.2, following three months of improvement.

The week ahead

Monthly Employment Indicators – September (Tuesday 29 October, 10:45am). Weekly data suggest filled jobs were broadly flat in September.

ANZ Business Outlook – October (Thursday 31 October, 1:00pm).

Building Permits – September (Friday 1 November, 10:45am). Another fall wouldn't surprise. Monthly volatility aside, building consents appear to be finding a floor.



Key forecasts and rates

	Actual				Forecast (end month)				
	Aug-24	Sep-24	Today	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
FX rates									
NZD/USD	0.625	0.635	0.601	0.620	0.620	0.620	0.630	0.630	0.630
NZD/AUD	0.924	0.918	0.906	0.899	0.886	0.886	0.887	0.887	0.887
NZD/EUR	0.566	0.567	0.553	0.564	0.554	0.544	0.543	0.534	0.534
NZD/JPY	91.3	90.5	91.2	91.8	89.3	88.0	88.2	85.7	85.7
NZD/GBP	0.476	0.474	0.464	0.477	0.470	0.459	0.463	0.463	0.463
NZ\$ TWI	71.8	71.9	70.0	70.5	69.8	69.4	70.0	69.7	69.7
Interest rates									
NZ OCR	5.25	5.25	4.75	4.25	4.00	3.50	3.50	3.50	3.50
NZ 90 day bill	5.23	4.87	4.55	4.15	3.72	3.65	3.65	3.65	3.65
NZ 2-yr swap	3.94	3.58	3.64	3.50	3.54	3.61	3.65	3.65	3.65
NZ 10-yr bond	4.27	4.24	4.49	4.00	4.00	4.00	4.00	4.25	4.25

Economic forecasts

	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
GDP (% qoq)	-0.2	0.0	0.1	0.2	0.3	0.4	0.5	0.6	0.6
GDP (% yoy)	-0.5	-0.1	0.0	0.1	0.6	1.0	1.4	1.8	2.1
CPI (% qoq)	0.4	0.6	0.4	0.5	0.6	0.7	0.4	0.4	0.5
CPI (% yoy)	3.3	2.2	2.1	2.0	2.2	2.3	2.3	2.1	2.0
Employment (% qoq)	0.4	-0.3	-0.2	-0.1	0.0	0.1	0.2	0.4	0.5
Employment (% yoy)	0.6	0.3	-0.4	-0.2	-0.6	-0.2	0.2	0.7	1.2
Unemployment Rate (% sa)	4.6	4.8	5.0	5.2	5.4	5.5	5.5	5.5	5.4

Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year. [Click here](#) for full ANZ forecasts

Figure 2. GDP level

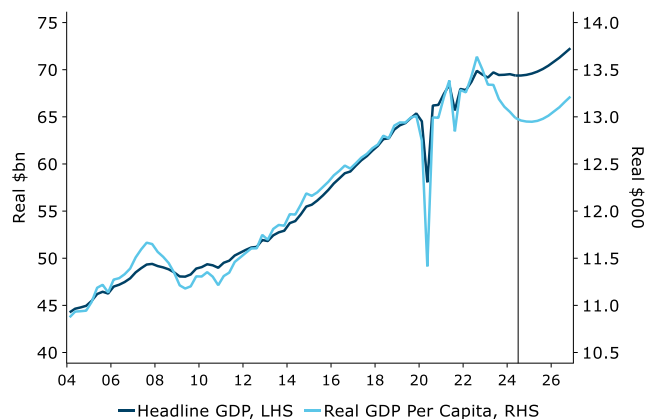


Figure 3. CPI inflation components

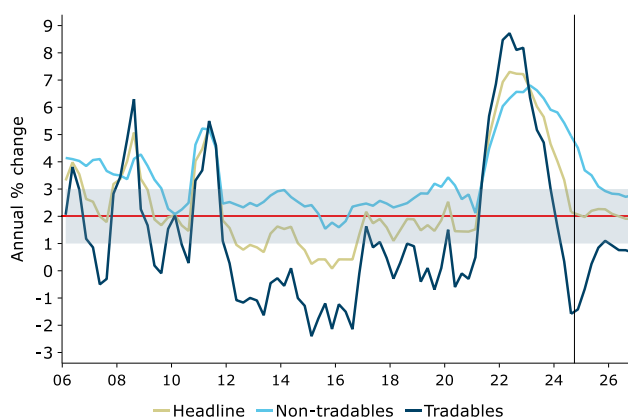


Figure 4. OCR forecast

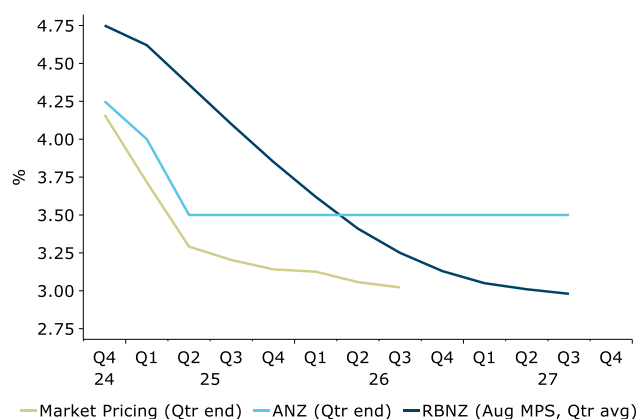
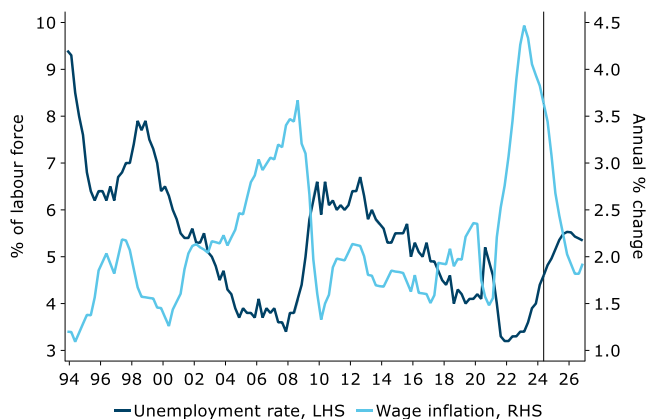


Figure 5. Unemployment and wage inflation



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



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