

## **Fonterra raises farmgate payout**

Fonterra raised their 2020/21 forecast Farmgate Milk Price range by 40 cents to \$7.30-\$7.90 per kg of Milk Solids as consistent strong demand, particularly from China, has driven up prices. This is the highest forecast payout since 2014.

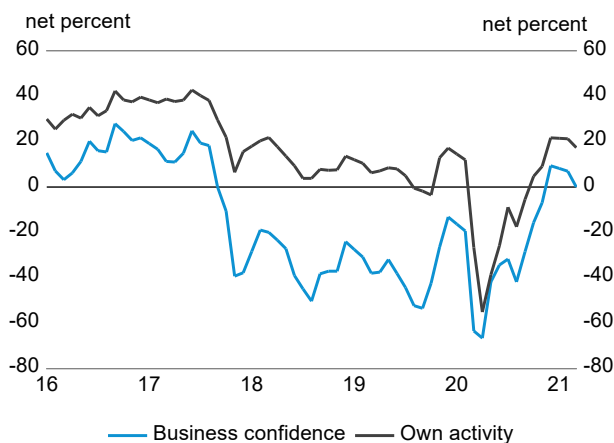
## **NZ Activity Indicator shows modest growth**

The New Zealand Activity Index (NZAC) indicates modest activity growth in February (+0.5% compared to February last year). Several indicators fell below last February's values – including card spending, grid demand, and online job ads. However, traffic flows and manufacturing activity are still growing.

## **Business confidence levels off...**

The preliminary March read of the ANZ Business Outlook Survey reported a fall in headline business confidence by 7 points while the own activity outlook fell by 4 points (Figure 1). Employment intentions and capacity utilisation were stronger, and cost and inflation pressures continued to rise. A net 74% of respondents expect higher costs ahead and a net 49% expect to raise their prices.

**Figure 1: ANZ Business Outlook**



Source: ANZ

## **...and household spending dipped**

Electronic card spending fell by 3.2% between January and February as a return to higher alert levels between 14-22 February restricted activity, with spending lower across all store types.

## **Building activity eases...**

The volume of total building construction activity eased 1.5% in the December quarter, following a

33.5% rebound in the September 2020 quarter, to be down 0.6% from a year ago. The fall in the volume of construction activity was driven by a 4.9% quarterly fall in non-residential construction, while residential construction rose by 0.7%. Growth in residential investment is expected to support total investment growth over the year ahead, with strong housing market activity and consents over the past year setting up a strong pipeline of activity.

## **...while house prices continue to rise**

House prices continued to rise in February, with the REINZ House Price Index up 3.7% from January, resulting in a 21.5% increase in house prices for the year to February 2021. This is the first time annual house price growth has exceeded 20% since 2004.

Monthly sales rebounded in February after recording a 28% fall in January to be up 14.6% on the same time last year, the largest number of sales in a February month in 14 years. Demand remains high, with low interest rates providing support, and the median number of days to sell in February fell to 30, matching the historical low recorded in 2004.

## **Manufacturing continues to recover...**

Manufacturing sales volumes rose further in the December quarter, up 0.5%, following the 17.2% rebound in the September quarter. Sales volumes are slightly above levels seen before COVID-19 hit, up 2.0% on December 2019.

## **...and wholesale sales were also up on last year**

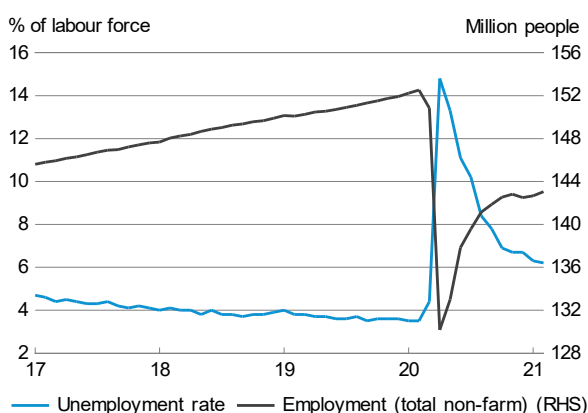
Wholesale trade sales volumes fell 1.7% in the December quarter, following a rise of 17.3% in the September quarter, to remain 2.7% higher than the same time last year. Sales fell most in the grocery, liquor and tobacco products industry, down 3.8% reflecting a change in the timing of Kiwifruit exports.

Overall the partial indicators for the December quarter indicate that much of the strength in the September quarter GDP data has been maintained. We anticipate a further smaller expansion occurred in the December quarter, although a high degree of uncertainty remains.

### US unemployment edges down...

The United States unemployment rate fell by 0.1 percentage points in February to reach 6.1% (Figure 2). The broader rate of unemployment that captures discouraged and underemployed workers (those who have left the labour force or want to work more hours), was unchanged from January at 11.1%. Total employment rose by 379,000 from January, driven by a 355,000 gain in leisure and hospitality. The rise leaves employment down 9.5 million compared to February 2020. Strong employment growth is expected to continue this year, with a \$1.9 trillion COVID-19 relief package having been signed into law this week.

**Figure 2: US employment and unemployment rate**

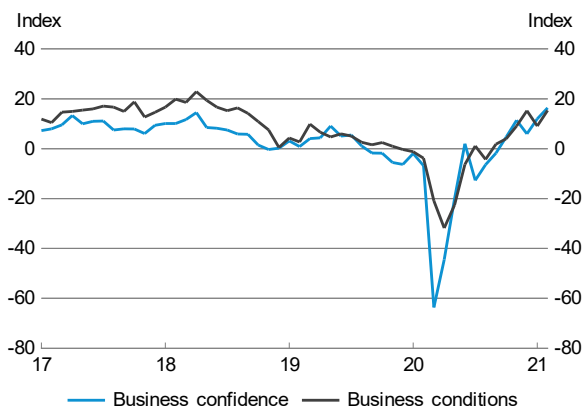


Source: Haver

### ...and Australia business confidence rises

The National Australia Bank (NAB) Monthly Business Survey showed businesses growing more optimistic in February, with the confidence index rising to its highest level since 2010 (Figure 3). Only the retail industry recorded a fall. Business conditions were at their strongest since 2018, with employment and profitability both increasing from January. Capacity utilisation indicators recovered to above pre-pandemic levels for the first time.

**Figure 3: NAB Monthly Business Survey**



Source: Haver

### US Inflation remains subdued...

Annual consumer price inflation in the United States rose to 1.7% in February as prices rose 0.4% in the month. This was mostly driven by higher energy costs, however, and annual core inflation fell slightly to 1.3%. In China, annual inflation remained in negative territory at -0.2%, up slightly from -0.3% in January. Core inflation was somewhat stronger at 0.0% annual growth.

### ...as China reduces growth targets...

The National People's Congress announced a target for China's 2021 annual GDP growth of "above 6%", and a pledge to keep the unemployment rate below 5.5%. Both targets are likely to be met without additional stimulus, with unemployment already below target and GDP growth rates in 2021 being supported by base effects from the COVID-19 slowdown in 2020. A smaller budget deficit target points to a tightening of fiscal spending this year, and bond issuance will also be reduced. This withdrawal of policy support will likely result in a slowdown in economic momentum this year, following the stimulus-driven rebound in 2020.

### ...and the ECB provides additional support

The European Central Bank pledged to provide greater support to the economy over the next quarter by significantly increasing purchases under the Pandemic Emergency Purchase Programme, noting the 'undesirable' recent lift in bond yields. The size of the programme remains unchanged, meaning the extra purchases represent a shift in timing rather than an increase in total stimulus.

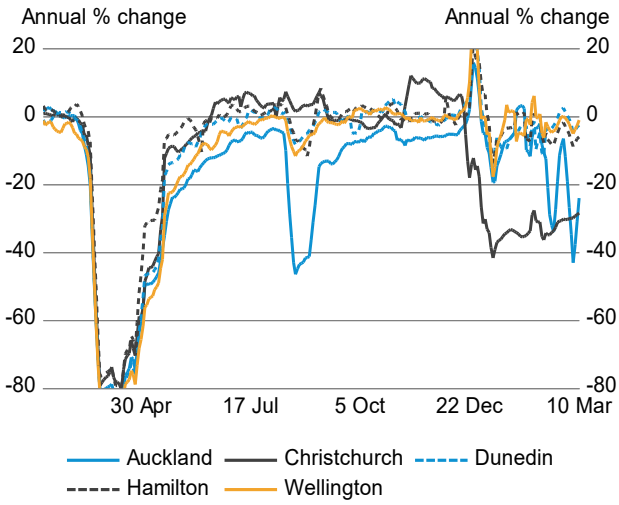
### OECD notes improved outlook

The OECD noted improved global prospects in their Interim Economic Outlook report, supported by the rollout of COVID-19 vaccines and additional fiscal stimulus. Their forecast for 2021 global GDP growth was revised up to be 5.6%, up from 4.2% projected in December. Growth in the United States saw a particularly large upgrade and is now expected to be double the rate projected in December, at 6.5% in 2021. The uneven pace of vaccine rollouts worldwide was noted as a concern, given the key role this will play in the recovery.

Date	Key upcoming NZ data	Previous
17 Mar	Current account balance	-0.8% of GDP
18 Mar	Gross domestic product	+14.0% qpc

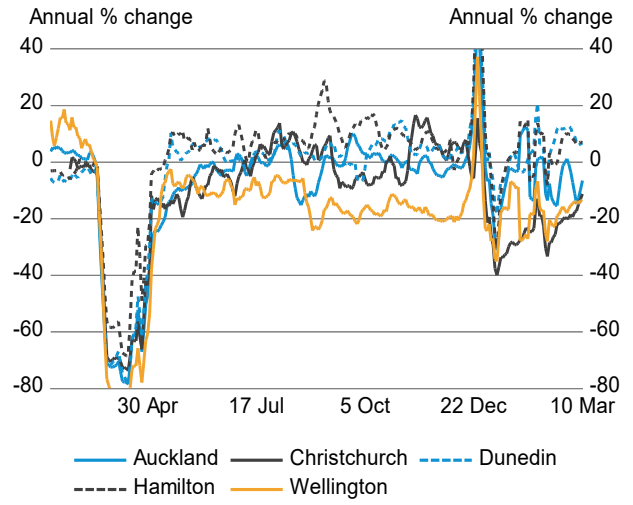
# High-Frequency Indicators (Domestic)

## Traffic Movement



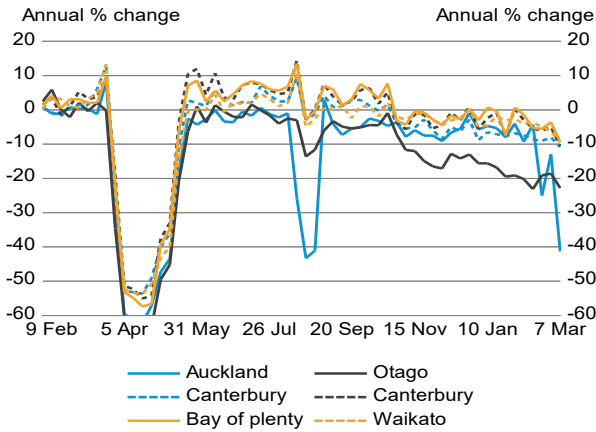
Source: Waka Kotahi NZ Transport Agency

## Freight Movement



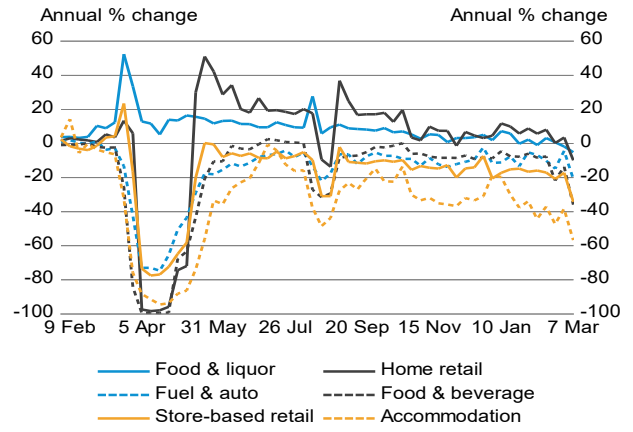
Source: Waka Kotahi NZ Transport Agency

## Spending by Region



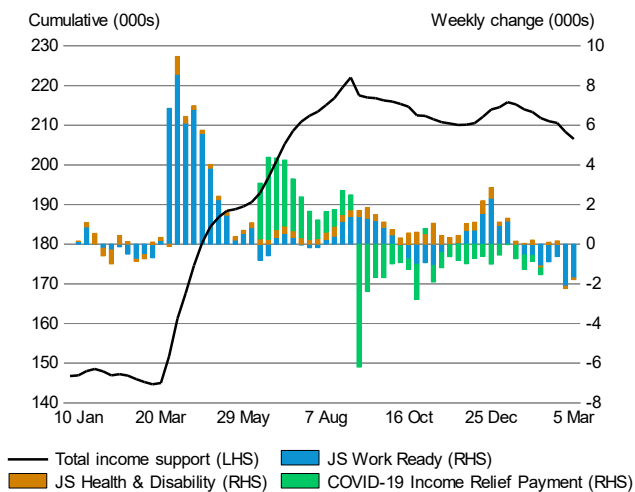
Source: Marketview data via MBIE

## Spending by Industry



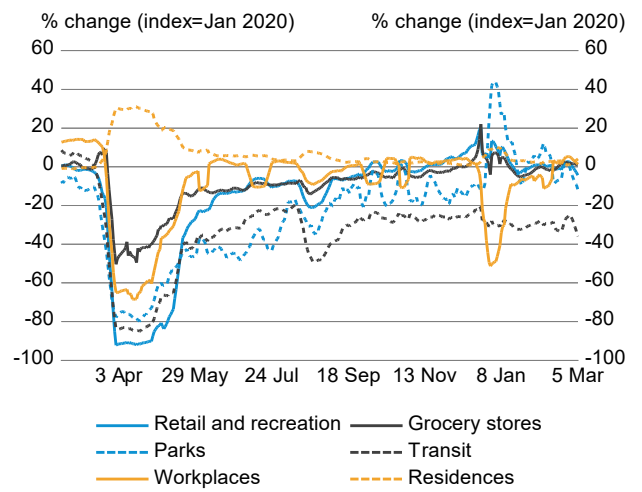
Source: Marketview data via MBIE

## Jobseeker (JS) and Income Support Recipients



Source: MSD

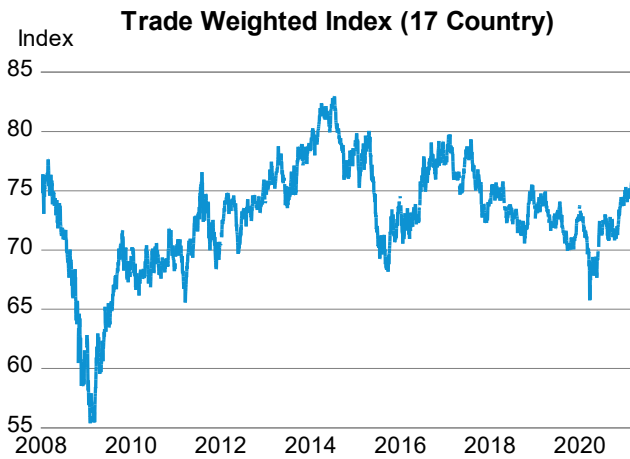
## People Movements at Selected Locations



Source: Google

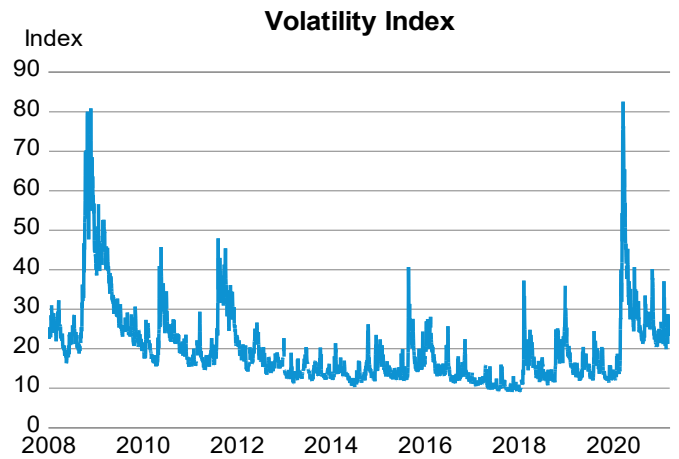
# High-Frequency Indicators (Global)

## Trade Weighted Index



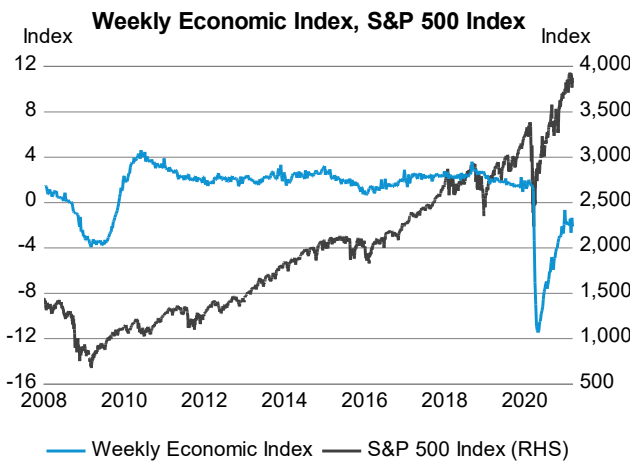
Source: RBNZ

## Volatility Index



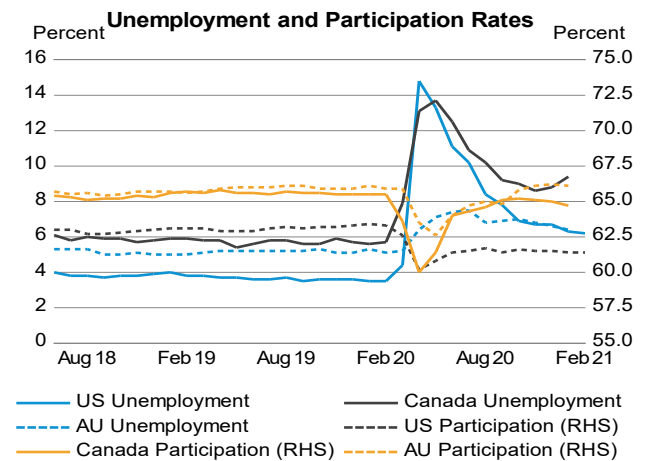
Source: Haver

## US Activity and Equities



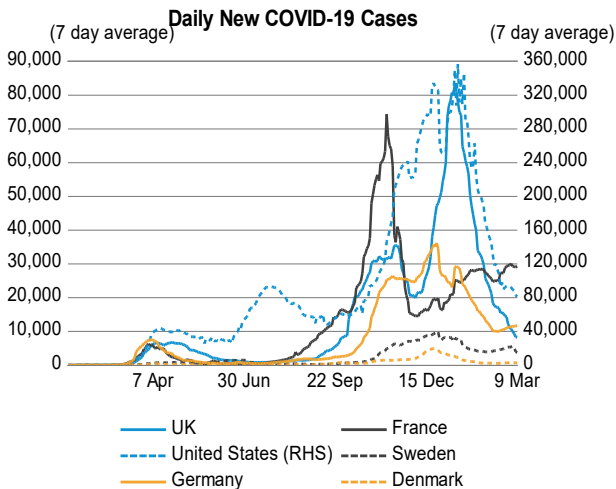
Sources: Federal Reserve Bank of New York, Haver

## Labour Markets



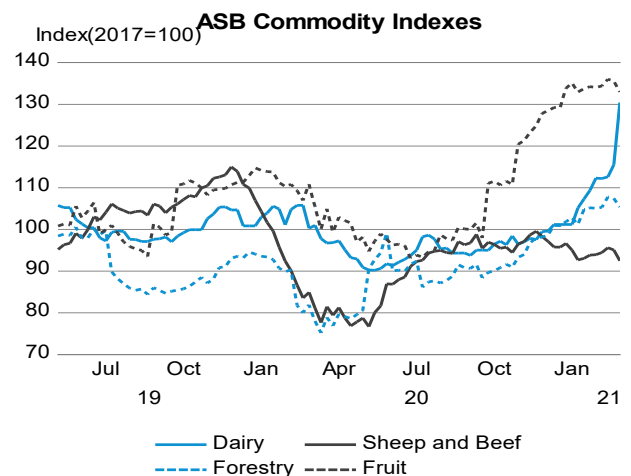
Source: Haver

## COVID-19 Cases



Sources: World Health Organisation/Haver

## World Commodity Prices



Source: ASB

<b>Quarterly Indicators</b>		<b>2019Q3</b>	<b>2019Q4</b>	<b>2020Q1</b>	<b>2020Q2</b>	<b>2020Q3</b>	<b>2020Q4</b>
Real Production GDP (1)	qpc	0.7	0.1	-1.2	-11.0	14.0	...
	aapc	2.8	2.3	1.6	-1.7	-2.2	...
Current account balance (annual)	%GDP	-3.7	-3.3	-2.8	-1.8	-0.8	...
Merchandise terms of trade	apc	0.9	7.1	5.4	6.3	-0.3	-1.7
CPI inflation	qpc	0.7	0.5	0.8	-0.5	0.7	0.5
	apc	1.5	1.9	2.5	1.5	1.4	1.4
Employment (HLFS) (1)	qpc	0.6	0.4	1.0	-0.3	-0.7	0.6
Unemployment rate (1)	%	4.2	4.1	4.2	4.0	5.3	4.9
Participation rate (1)	%	70.7	70.4	70.7	69.9	70.1	70.2
LCI salary & wage rates - total (2)	apc	2.5	2.6	2.5	2.1	1.8	1.6
QES average hourly earnings - total (2)	apc	4.2	3.6	3.6	3.0	3.6	4.2
Core retail sales volume	apc	5.4	3.3	4.0	-11.7	7.7	4.2
Total retail sales volume	apc	4.5	3.3	2.3	-14.2	8.3	4.8
WMM - consumer confidence (3)	Index	103.1	109.9	104.2	97.2	95.1	106.0
QSBO - general business situation (1,4)	net%	-37.1	-30.8	-67.9	-57.6	-37.6	-16.3
QSBO - own activity outlook (1,4)	net%	-0.6	2.9	-12.9	-24.1	0.5	9.4
<b>Monthly Indicators</b>		<b>Sep 20</b>	<b>Oct 20</b>	<b>Nov 20</b>	<b>Dec 20</b>	<b>Jan 21</b>	<b>Feb 21</b>
Merchandise trade balance (12 month)	NZ\$m	1,655	2,223	3,286	2,975	2,745	...
Dwelling consents - residential	apc	7.7	7.2	19.9	26.9	18.0	...
House sales - dwellings	apc	41.9	30.0	34.0	46.3	6.2	14.6
REINZ - house price index	apc	10.8	13.2	16.0	17.8	18.9	21.4
Estimated net migration (12 month total)	people	69,341	60,060	52,019	44,127	...	...
ANZ NZ commodity price index	apc	-6.5	-5.6	-10.9	-5.9	-1.6	0.1
ANZ world commodity price index	apc	-3.1	-2.3	-5.5	-0.4	5.2	11.1
ANZBO - business confidence	net%	-28.5	-15.7	-6.9	9.4	...	7.0
ANZBO - activity outlook	net%	-5.4	4.7	9.1	21.7	...	21.3
ANZ-Roy Morgan - consumer confidence	net%	100.0	108.7	106.9	112.0	113.8	113.1
<b>Weekly Benefit Numbers</b>		<b>29 Jan</b>	<b>5 Feb</b>	<b>12 Feb</b>	<b>19 Feb</b>	<b>26 Feb</b>	<b>5 Mar</b>
<b>Jobseeker Support</b>	number	213,006	211,806	211,026	210,573	208,335	206,541
Work Ready	number	134,841	133,743	132,858	132,234	130,113	128,415
Health Condition and Disability	number	78,165	78,066	78,171	78,339	78,219	78,126
<b>COVID-19 Income Relief Payment</b>	number	342	0	...	...	...	...
Full-time	number	297	0	...	...	...	...
Part-time	number	45	0	...	...	...	...
<b>Daily Indicators</b>		<b>Wed 3/3/21</b>	<b>Thu 4/3/21</b>	<b>Fri 5/3/21</b>	<b>Mon 8/3/21</b>	<b>Tue 9/3/21</b>	<b>Wed 10/3/21</b>
<b>NZ exchange and interest rates (5)</b>							
NZD/USD	\$	0.7298	0.7255	0.7171	0.7184	0.7115	0.7167
NZD/AUD	\$	0.9318	0.9323	0.9306	0.9317	0.9314	0.9303
Trade weighted index (TWI)	index	75.8	75.5	74.9	75.1	74.9	75.2
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.31	0.31	0.32	0.32	0.32	0.33
10 year govt bond rate	%	1.73	1.80	1.89	1.91	1.91	1.82
<b>Share markets (6)</b>							
Dow Jones	index	31,270	30,924	31,496	31,802	31,833	32,297
S&P 500	index	3,820	3,768	3,842	3,821	3,875	3,899
VIX volatility index	index	26.7	28.6	24.7	25.5	24.0	22.6
AU all ords	index	7,068	7,001	6,943	6,972	7,000	6,947
NZX 50	index	12,359	12,225	12,180	12,085	12,145	12,252
<b>US interest rates</b>							
3 month OIS	%	0.07	0.07	0.07	0.07	0.07	...
3 month Libor	%	0.19	0.18	0.19	0.18	0.18	...
10 year govt bond rate	%	1.47	1.54	1.56	1.59	1.55	1.53
<b>Commodity prices (6)</b>							
WTI oil	US\$/barrel	61.28	63.83	66.08	65.03	64.02	...
Gold	US\$/ounce	1,711	1,712.10	1,696.25	1,687.05	1,716.90	...
CRB Futures	index	489	487.34	491.46	492.55	491.38	...

(1) Seasonally adjusted  
(2) Ordinary time, all sectors  
(3) Westpac McDermott Miller

(4) Quarterly Survey of Business Opinion  
(5) Reserve Bank (11am)  
(6) Daily close

*Data in italic font are provisional*  
... Not available

Country	Indicator		Aug 20	Sep 20	2020Q3	Oct 20	Nov 20	Dec 20	2020Q4	Jan 21	Feb 21	Mar 21
<b>United States</b> [9.6% share of total goods exports]	GDP (1)	qpc			7.5				1.0			
	Industrial production (1)	mpc	1.0	-0.1		1.1	0.9	1.3		0.9	...	...
	CPI	apc	1.3	1.4		1.2	1.2	1.4		1.4	1.7	...
	Unemployment rate (1)	%	8.4	7.8		6.9	6.7	6.7		6.3	6.2	...
	Employment change (1)	000s	1583.0	716.0		680.0	264.0	-306.0		166.0	379.0	...
	Retail sales value	apc	3.6	6.1		5.4	3.8	2.5		7.4	...	...
	House prices (2)	apc	5.4	6.7		8.1	9.2	10.1		...	...	...
<b>Japan</b> [6.1%]	PMI manufacturing (1)	index	55.6	55.7		58.8	57.7	60.5		58.7	60.8	...
	Consumer confidence (1)(3)	index	86.3	101.3		101.4	92.9	87.1		88.9	91.3	...
	GDP (1)	qpc			5.3				2.8			
	Industrial production (1)	mpc	1.0	3.9		4.0	-0.5	-1.0		4.2	...	...
	CPI	apc	0.1	0.0		-0.4	-0.9	-1.1		-0.6	...	...
	Unemployment rate (1)	%	3.0	3.0		3.1	3.0	3.0		2.9	...	...
	Retail sales value	apc	-1.9	-8.7		6.4	0.6	-0.2		-2.4	...	...
<b>Euro area</b> [5.5%]	PMI manufacturing (1)	index	47.2	47.7		48.7	49.0	50.0		49.8	51.4	...
	Consumer confidence (1)(4)	index	29.3	32.8		33.3	33.6	31.8		30.0	33.7	...
	GDP (1)	qpc			12.5				-0.7			
	Industrial production (1)	mpc	0.8	-0.1		2.5	2.6	-1.6		...	...	...
	CPI	apc	-0.2	-0.3		-0.3	-0.3	-0.3		0.9	...	...
	Unemployment rate (1)	%	8.7	8.6		8.4	8.1	8.1		8.1	...	...
	Retail sales volume	apc	4.5	2.5		4.4	-1.9	0.9		-6.4	...	...
<b>United Kingdom</b> [2.7%]	PMI manufacturing (1)	index	51.7	53.7		54.8	53.8	55.2		54.8	57.9	...
	Consumer confidence (5)	index	-14.6	-13.6		-15.5	-17.6	-13.8		-15.5	-14.8	...
	GDP (1)	qpc			16.1				1.0			
	Industrial production (1)	mpc	0.5	0.7		0.9	0.3	0.2		...	...	...
	CPI	apc	0.2	0.6		0.7	0.4	...		...	...	...
	Unemployment rate (1)	%	4.5	4.8		4.9	5.0	5.1		...	...	...
	Retail sales volume	apc	2.7	4.5		6.0	2.3	3.1		-5.9	...	...
<b>Australia</b> [15.8%]	House prices (6)	apc	3.7	5.0		5.8	6.5	7.3		6.4	6.9	...
	PMI manufacturing (1)	index	55.2	54.1		53.7	55.6	57.5		54.1	55.1	...
	Consumer confidence (1)(5)	net %	-27.0	-25.0		-31.0	-33.0	-26.0		-28.0	-23.0	...
	GDP (1)	qpc			3.4				3.1			
	CPI	apc			0.7				0.9			
	Unemployment rate (1)	%	6.8	6.9		7.0	6.8	6.6		6.4	...	...
	Retail sales value	apc	5.4	6.6		7.7	12.1	10.3		10.3	...	...
<b>China</b> [24.3%]	House Prices (7)	apc			5.0				...			
	PMI manufacturing (1)	index	49.3	46.7		56.3	52.1	55.3		55.3	58.8	...
	Consumer confidence (8)	index	79.5	93.8		105.0	107.7	112.0		107.0	109.1	111.8
	GDP	apc			4.9				6.5			
	Industrial production	apc	5.6	6.9		6.9	7.0	7.3		...	...	...
<b>South Korea</b> [3.0%]	CPI	apc	2.4	1.7		0.5	-0.5	0.2		-0.3	-0.2	...
	PMI manufacturing (1)	index	51.0	51.5		51.4	52.1	51.9		51.3	50.6	...
	GDP (1)	qpc			2.1				1.2			
<b>South Korea</b> [3.0%]	Industrial production (1)	mpc	0.7	3.1		-0.5	0.5	2.7		-1.6	...	...
	CPI	apc	0.7	1.0		0.1	0.6	0.5		0.6	1.1	...

(1) Seasonally adjusted

(2) Case-Shiller Home Price Index 20 city

(3) The Conference Board Consumer Confidence Index

(4) Cabinet Office Japan

(5) European Commission

(6) Nationwide House Price Index

(7) Australian Bureau of Statistics

(8) Melbourne/Westpac Consumer Sentiment Index