



Photo credit: iStock

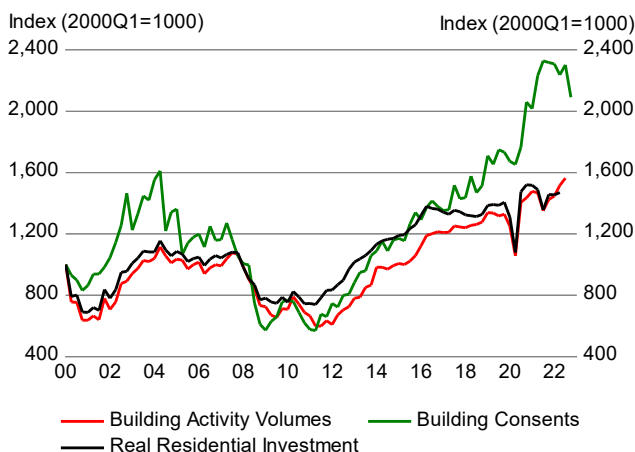
- **Partial indicators point to solid GDP growth in the September quarter**
- **Business sentiment and construction demand eases while consumer spending softens**
- **China’s reopening process has started but the short-term outlook remains volatile**

Partial indicators point to solid GDP growth in the September quarter, although more recent domestic data show signs of easing activity. Following robust building activity in the September quarter, consumer spending weakened, and businesses became more downbeat, although momentum is expected to persist in the December quarter. Globally, recent developments in China point to a volatile short-term outlook as easing COVID-19 restrictions lead to higher infections and worker absenteeism, with China’s health system vulnerable from low vaccination rates and limited capacity.

**Partial indicators point to solid GDP growth...**

There were solid gains across wholesale trade, manufacturing, construction, and business services. Based on these partial indicators, we expect September quarter growth of +1.0%, driven by a pickup in transport services reflecting stronger demand from tourists, construction, and in manufacturing as COVID-19 related constraints continue to unwind. We will provide a full GDP preview early next week.

**Figure 1: Residential building**



Source: Stats NZ

In the construction industry, building volumes rose 3.8% in September quarter following a 4.8% lift in the June quarter according to Stats NZ’s Building Work Put in Place survey. Residential and non-residential building volumes are up 3.1% and 4.9%, respectively. The build-up in consents over the past two years should continue supporting building activity into next year (Figure 1).

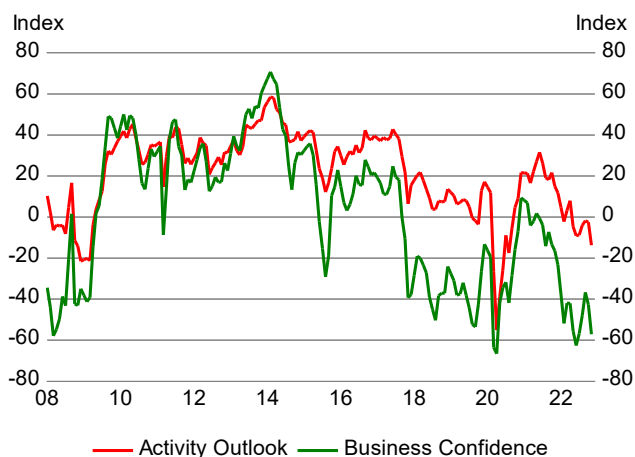
**...as construction demand starts to ease...**

However, construction demand shows signs of easing. Stat’s NZ October building consents data fell sharply, down 11% in the month, the largest fall since February 2021. Consents issued for stand-alone houses fell 9.3%, the largest monthly decline since the COVID lockdown in March 2020, while multi-unit dwellings fell 12% but remain high annually. If demand continues easing, building activity will slow next year as the current pipeline is cleared.

**...businesses become more pessimistic...**

ANZ’s Business Outlook shows business confidence and own activity easing (Figure 2), while inflationary pressure indicators provide mixed signals. Business confidence fell by 14 points to -57, near record lows again. Activity indicators fell sector-wide, with residential construction intentions effectively bottoming out. Inflation expectations held up, however pricing intentions and cost expectations continued easing. The employment intentions indicator continued easing and went negative for the first time since 2020, suggesting labour demand may be easing.

**Figure 2: ANZ Business Outlook Survey**



Source: ANZ Bank

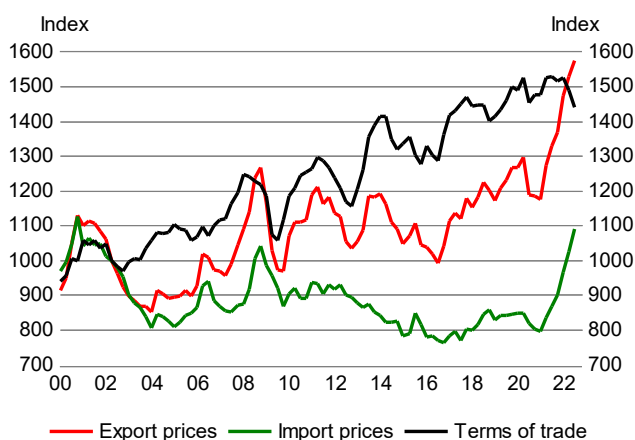
**...and consumer spending softens**

Consumer spending likely fell in real terms in November as Stats NZ's electronic card spending data showed a nominal lift of 0.3%. Spending on consumables drove the increase, up \$16 million (0.6%), while spending on durables was down \$18 million (1.1%), as the high cost of living leads consumers to spend more on essentials. This outturn suggests higher inflation and interest rates may be taking their toll.

**The terms of trade fell**

The September quarter goods terms of trade fell 3.4% in the quarter as import prices surged, up 6.3% in the quarter to their highest level since the December 2000 quarter (Figure 3). Petrol import prices increased 21.3% in the quarter, with the rise exacerbated by a weaker New Zealand dollar, but import price increases were broad-based, with all 16 price categories lifting. These rises highlight the ongoing challenges firms face, as margins compress. We expect import price pass through to keep CPI inflation elevated into 2023.

**Figure 3: Goods trade price indices**



Source: Stats NZ

Export prices rose 3.1% in the quarter, buoyed by the weaker exchange rate. However, more timely data show export prices are easing. ANZ's NZD commodity price index fell sharply in November, down 9.1%, as the NZD

reversed earlier falls, while global prices also fell a sharp 3.9%. Dairy prices were a key driver of the decline. The 6 December *GlobalDairyTrade* auction saw a modest 0.6% lift in prices, as USD strength diminished and production data pointed to tight global supply, although the index remains 31% below its March peak.

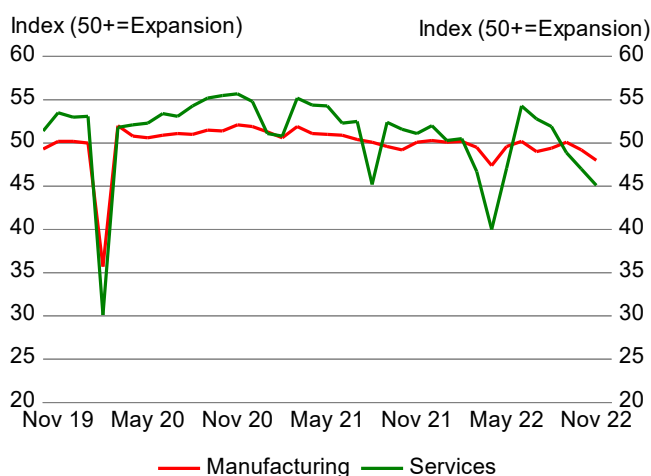
Fonterra's updated earnings guidance showed an 84% jump in after tax normalised profit in the September quarter compared to the same period in 2021, although the company narrowed its forecast Farmgate Milk Price range for the 2023 season, to \$8.50-\$9.50, from \$8.50-\$10.0, reflecting a softer outlook.

**China's COVID-19 restrictions ease**

An acceleration in reported new COVID-19 cases last month appears to be easing in China with 28,062 new cases reported on 5 December, down from 30,014 the previous day. This could be attributed to less stringent quarantine and testing requirements. China's efforts to implement a re-opening strategy could see a surge in cases that could overwhelm its healthcare system, especially before Chinese New Year next month when a large portion of the 1.4 billion population travel home. China's international borders remain closed to most foreigners.

However, existing restrictions will dampen consumption into next year. Sluggish global demand and an unwinding of inventory build-up weigh heavily on China's manufacturing sector and on exports. China's PMI reflected this in November dropping 1.2 points to 48.0, with new export orders down 0.9 points to 46.7. This was mirrored in a larger than expected drop in actual exports during November, which contracted 8.7% from a year earlier. China's services PMI dropped a similar amount by 1.9 points to 45.1, and 15 out of a total 21 service sectors saw below 50 readings. Sectors affected were those involved in high-contact services such as transport, air travel, and catering.

**Figure 4: China Purchasing Managers' Index**

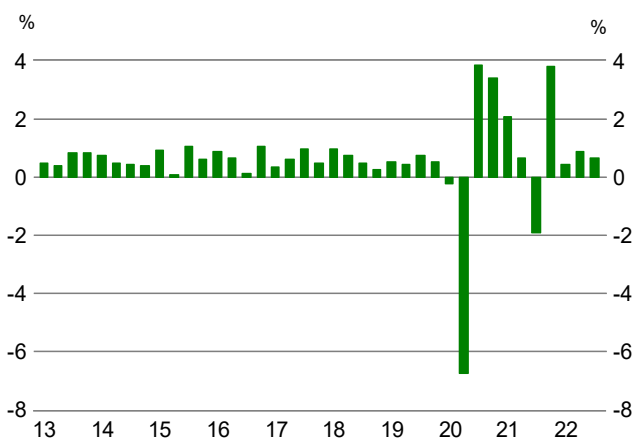


Source: Haver

### US interest rates start to hit consumers

The US economy grew 0.7% in the September quarter following two quarters of contraction. Consumer spending continues to trend down, still up 0.4% compared with the June quarter, but down from the 2.9% in the June 2021 quarter. Exports grew at 3.6%, and government spending increased for the first time since March 2021, by 0.8%. Residential investment fell 7.5% and combined with slowing consumer spending, shows interest rate hikes are starting to impact the economy. The Institute for Supply Management (ISM) manufacturing index fell 2.4% in the November month to 49.0, down 23.1% from a 38-year peak reached in March 2021. However, the services ISM unexpectedly rebounded in November, with employment potentially helping to cushion the impact from a recession.

Figure 5: US GDP quarterly growth



Source: Haver

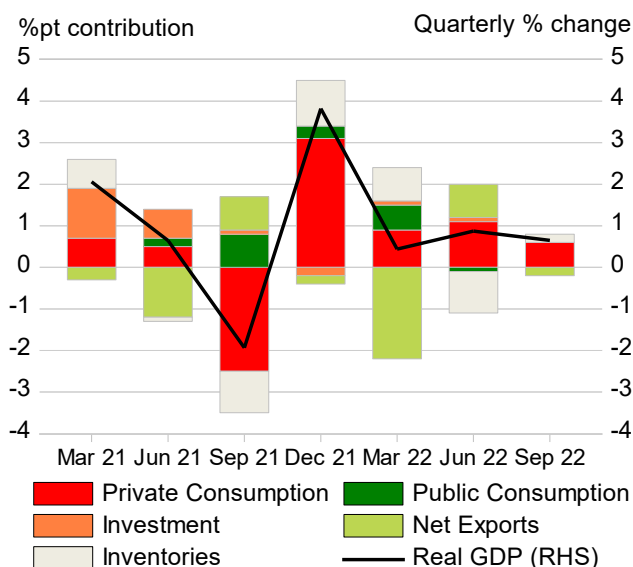
The labour market in general was stronger than expected, with non-farm payrolls up 263,000 in the November month, and the unemployment rate stabilised at 3.7%. Annual wage growth strengthened to 5.1%. In a speech delivered on 30 November, US Federal Reserve (Fed) Chair Jerome Powell said while inflation was easing, there needed to be more evidence from data before the Fed would consider a halt to its interest rate hikes.

### Australia's inflation slows but RBA stay firm

The Reserve Bank of Australia (RBA) raised its cash rate by 25 basis points to 3.1% stating that a CPI inflation rate of 6.9% in the year to the October month remained too high, despite a fall from the year to September of 7.3%. The RBA forecast inflation to peak at about 8% in the December quarter and taper off next year as global supply chains improve and recent declines in commodity prices flow through.

GDP for the September quarter rose 0.6%, driven by growth in consumer spending (up 1.1% in the quarter) as the household saving rate fell back down to its pre-COVID-19 average (Figure 6).

Figure 6: Australian GDP quarterly contributions



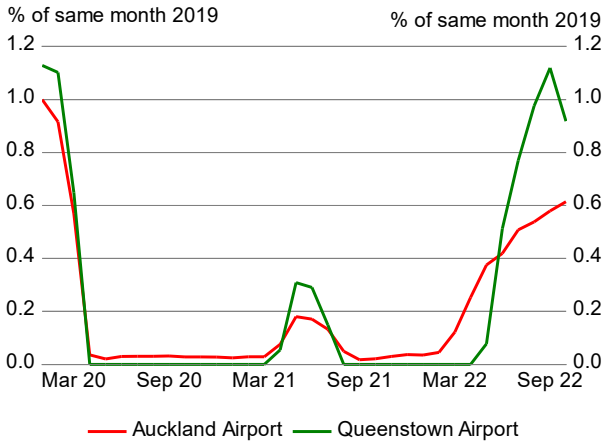
Source: Haver

### Coming Up:

Date	Release
12 Dec	International Travel and Migration (Oct)
14 Dec	Balance of Payments (Q3)
15 Dec	GDP (Q3)
25 Dec	Imports (from North Pole)

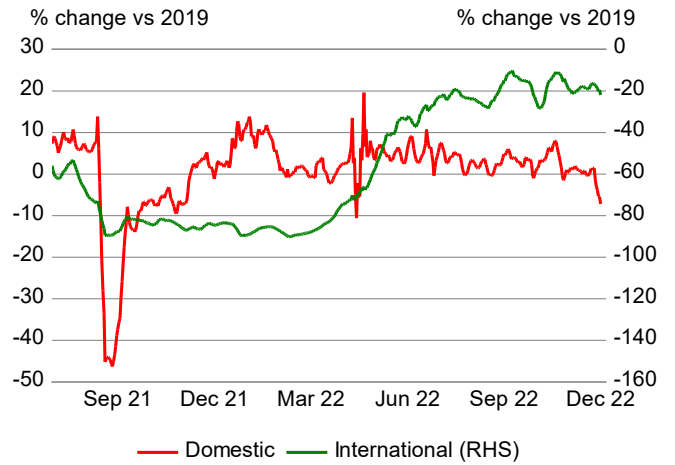
# High-Frequency Indicators

## Monthly International Arrivals



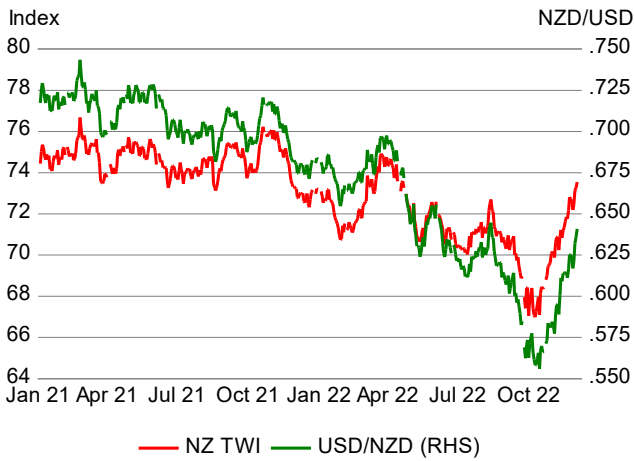
Source: Haver

## Card Spending



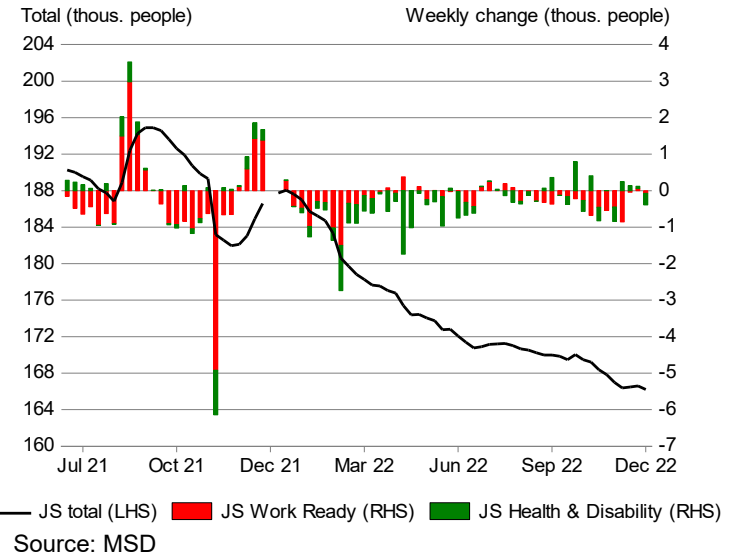
Source: Marketview data via MBIE

## Exchange Rates



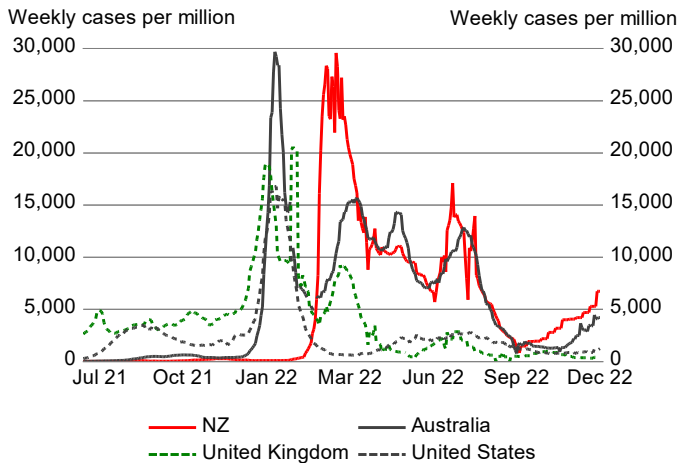
Source: RBNZ

## Jobseeker (JS) and Income Support Receipts



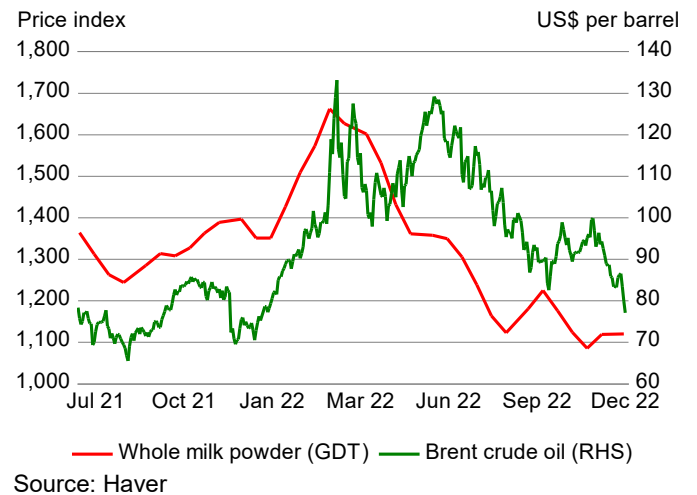
Source: MSD

## COVID-19 Cases Per Million People



Source: John Hopkins University/Haver

## World Commodity Prices



Source: Haver

## Tables

<b>Quarterly Indicators</b>		<b>2021Q2</b>	<b>2021Q3</b>	<b>2021Q4</b>	<b>2022Q1</b>	<b>2022Q2</b>	<b>2022Q3</b>
Real Production GDP (1)	qpc	2.3	-3.9	3.0	-0.2	1.7	...
	aapc	5.1	4.8	5.5	4.9	1.0	...
Current account balance (annual)	%GDP	-3.4	-4.8	-6.0	-6.8	-7.7	...
Merchandise terms of trade	apc	-0.1	5.2	2.8	3.3	-2.2	-5.9
CPI inflation	qpc	1.3	2.2	1.4	1.8	1.7	2.2
	apc	3.3	4.9	5.9	6.9	7.3	7.2
Employment (HLFS) (1)	qpc	1.1	1.5	-0.0	0.0	-0.0	1.3
Unemployment rate (1)	%	3.9	3.3	3.2	3.2	3.3	3.3
Participation rate (1)	%	70.6	71.1	71.0	70.9	70.9	71.7
LCI salary & wage rates - total (2)	apc	2.1	2.4	2.6	3.0	3.4	3.7
QES average hourly earnings - total (2)	apc	4.0	3.5	3.8	4.8	6.4	7.4
Core retail sales volume	apc	30.0	-3.2	5.1	3.2	-1.8	5.0
Total retail sales volume	apc	33.1	-5.1	4.4	2.3	-3.7	4.9
WMM - consumer confidence (3)	Index	107.1	102.7	99.1	92.1	78.7	87.6
QSBO - general business situation (1,4)	net%	9.0	-11.4	-36.5	-33.8	-61.9	-42.4
QSBO - own activity outlook (1,4)	net%	29.1	10.0	6.9	5.2	-12.0	-14.0

<b>Monthly Indicators</b>		<b>Jun 22</b>	<b>Jul 22</b>	<b>Aug 22</b>	<b>Sep 22</b>	<b>Oct 22</b>	<b>Nov 22</b>
Merchandise trade balance (12 month)	NZ\$m	-10,974.4	-12002.5	-12503.0	-12033.3	-12879.8	...
Dwelling consents - residential	apc	-6.5	-2.9	0.9	1.7	-11.9	...
House sales - dwellings	apc	-35.6	-34.7	-15.6	-7.8	-34.7	...
REINZ - house price index	apc	0.7	-2.8	-5.8	-8.0	-10.9	...
Estimated net migration (12 month total)	people	-15,378.0	-13377.0	-10814.0	-8446.0	...	...
ANZ NZ commodity price index	apc	13.9	13.6	10.3	14.4	12.8	-0.5
ANZ world commodity price index	apc	4.8	4.3	2.4	0.2	-5.3	-11.5
ANZBO - business confidence	net%	-62.6	-56.7	-47.8	-36.7	-42.7	-57.1
ANZBO - activity outlook	net%	-9.1	-8.7	-4.0	-1.8	-2.5	-13.7
ANZ-Roy Morgan - consumer confidence	net%	80.5	81.9	85.4	85.4	85.4	80.7
NZAC	apc	0.8	0.8	6.8	5.2	...	...

<b>Daily Indicators</b>		<b>Thu</b>	<b>Fri</b>	<b>Mon</b>	<b>Tue</b>	<b>Wed</b>	<b>Thu</b>
		<b>1/12/22</b>	<b>2/12/22</b>	<b>5/12/22</b>	<b>6/12/22</b>	<b>7/12/22</b>	<b>8/12/22</b>
<b>NZ exchange and interest rates (5)</b>							
NZD/USD	\$	0.6321	0.6359	0.6408	0.6335	0.6316	0.6341
NZD/AUD	\$	0.9286	0.9356	0.9402	0.9439	0.9435	0.9450
Trade weighted index (TWI)	index	73.14	73.25	73.54	72.81	72.92	73.02
Official cash rate (OCR)	%	4.25	4.25	4.25	4.25	4.25	4.25
90 day bank bill rate	%	4.41	4.43	4.45	4.45	4.47	4.47
10 year govt bond rate	%	4.00	4.03	3.99	3.97	4.01	4.03
<b>Share markets (6)</b>							
Dow Jones	index	34,395	34430	33947	33596	33598	33781
S&P 500	index	4,077	4072	3999	3941	3934	3964
VIX volatility index	index	19.8	19.1	20.8	22.1	22.7	22.3
AU all ords	index	7,554	7503	7528	7488	7423	7369
NZX 50	index	11,655	11642	11678	11632	11611	11617
<b>US interest rates</b>							
3 month OIS	%	3.83	3.83	3.83	3.83	3.83	...
3 month Libor	%	4.76	4.73	4.72	4.73	4.72	...
10 year govt bond rate	%	3.53	3.51	3.60	3.51	3.42	3.48
<b>Commodity prices (6)</b>							
WTI oil	US\$/barrel	81.22	79.86	76.83	74.21	72.01	71.46
Gold	US\$/ounce	1,803.15	1784.75	1776.80	1773.80	1782.20	...
CRB Futures	index	566.01	562.21	561.09	561.08	561.88	...

(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		Apr 22	May 22	Jun 22	2022Q2	Jul 22	Aug 22	Sep 22	2022Q3	Oct 22	Nov 22
<b>United States</b>	GDP (1)	qpc				-0.1				0.7		
	Industrial production (1)	mpc	0.7	-0.1	-0.1		0.7	-0.1	0.1		-0.1	...
	CPI	apc	8.3	8.6	9.1		8.5	8.3	8.2		7.7	...
	Unemployment rate (1)	%	3.6	3.6	3.6		3.5	3.7	3.5		3.7	3.7
	Employment change (1)	000s	368.0	386.0	293.0		537.0	292.0	269.0		284.0	263.0
	Retail sales value	apc	7.8	8.7	8.8		10.0	9.7	8.6		8.3	...
	House prices (2)	apc	21.3	20.5	18.6		16.0	13.1	10.4		...	...
	PMI manufacturing (1)	index	55.4	56.1	53.0		52.8	52.8	50.9		50.2	49.0
Consumer confidence (1)(3)	index	108.6	103.2	98.4		95.3	103.6	107.8		102.2	100.2	
<b>Japan</b>	GDP (1)	qpc				1.1				-0.2		
	Industrial production (1)	mpc	-1.5	-7.5	9.2		0.8	3.4	-1.7		-2.6	...
	CPI	apc	2.5	2.5	2.3		2.6	3.0	2.9		3.8	...
	Unemployment rate (1)	%	2.5	2.6	2.6		2.6	2.5	2.6		2.6	...
	Retail sales value	apc	3.1	3.7	1.5		2.4	4.1	4.8		4.3	...
	PMI manufacturing (1)	index	53.5	53.3	52.7		52.1	51.5	50.8		50.7	49.0
	Consumer confidence (1)(4)	index	32.0	33.1	32.3		30.1	32.0	31.2		30.8	29.6
<b>Euro area</b>	GDP (1)	qpc				0.8				0.3		
	Industrial production (1)	mpc	-0.3	1.6	1.0		-2.3	2.0	0.9		...	...
	CPI	apc	7.4	8.1	8.6		8.9	9.1	9.9		10.6	...
	Unemployment rate (1)	%	6.7	6.7	6.7		6.6	6.7	6.6		6.5	...
	Retail sales volume	apc	5.1	1.1	-2.9		-0.8	-1.4	0.0		-2.7	...
	PMI manufacturing (1)	index	55.5	54.6	52.1		49.8	49.6	48.4		46.4	47.1
	Consumer confidence (5)	index	-22.1	-21.2	-23.7		-27.0	-24.9	-28.7		-27.5	-23.9
<b>United Kingdom</b>	GDP (1)	qpc				0.2				-0.2		
	Industrial production (1)	mpc	-0.2	0.4	-0.3		-0.7	-1.4	0.3		...	...
	CPI	apc	7.8	7.9	8.2		8.8	8.6	8.8		9.6	...
	Unemployment rate (1)	%	3.8	3.8	3.8		3.6	3.5	3.6		...	...
	Retail sales volume	apc	-6.1	-5.0	-6.0		-3.3	-5.3	-6.8		-6.1	...
	House prices (6)	apc	12.1	11.2	10.7		11.0	10.0	9.5		7.2	4.4
	PMI manufacturing (1)	index	55.8	54.6	52.8		52.1	47.3	48.4		46.2	46.5
	Consumer confidence (1)(5)	net %	-38.0	-40.0	-41.0		-41.0	-44.0	-49.0		-47.0	-44.0
<b>Australia</b>	GDP (1)	qpc				0.9				0.6		
	CPI	apc				6.1				7.3		
	Unemployment rate (1)	%	3.9	3.9	3.5		3.4	3.5	3.5		3.4	...
	Retail sales value	apc	11.1	10.2	12.2		15.8	19.4	18.6		12.0	...
	House Prices (7)	apc				...					...	...
	PMI manufacturing (1)	index	58.5	52.4	54.0		52.5	49.3	50.2		49.6	44.7
Consumer confidence (8)	index	95.8	90.4	86.4		83.8	81.2	84.4		83.7	78.0	
<b>China</b>	GDP	apc				0.4				3.9		
	Industrial production	apc	-2.9	0.7	3.9		3.8	4.2	6.3		5.0	...
	CPI	apc	2.1	2.1	2.5		2.7	2.5	2.8		2.1	...
PMI manufacturing (1)	index	47.4	49.6	50.2		49.0	49.4	50.1		49.2	48.0	
<b>South Korea</b>	GDP (1)	qpc				0.7				0.3		
	Industrial production (1)	mpc	-3.2	0.3	1.8		-1.3	-1.4	-1.9		-3.5	...
	CPI	apc	4.8	5.4	6.0		6.3	5.7	5.6		5.7	5.0

(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