

Before & After

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February 2020



› The Helicopter View

Assessing the NZ economic pulse is now a case of “before and after” the coronavirus struck

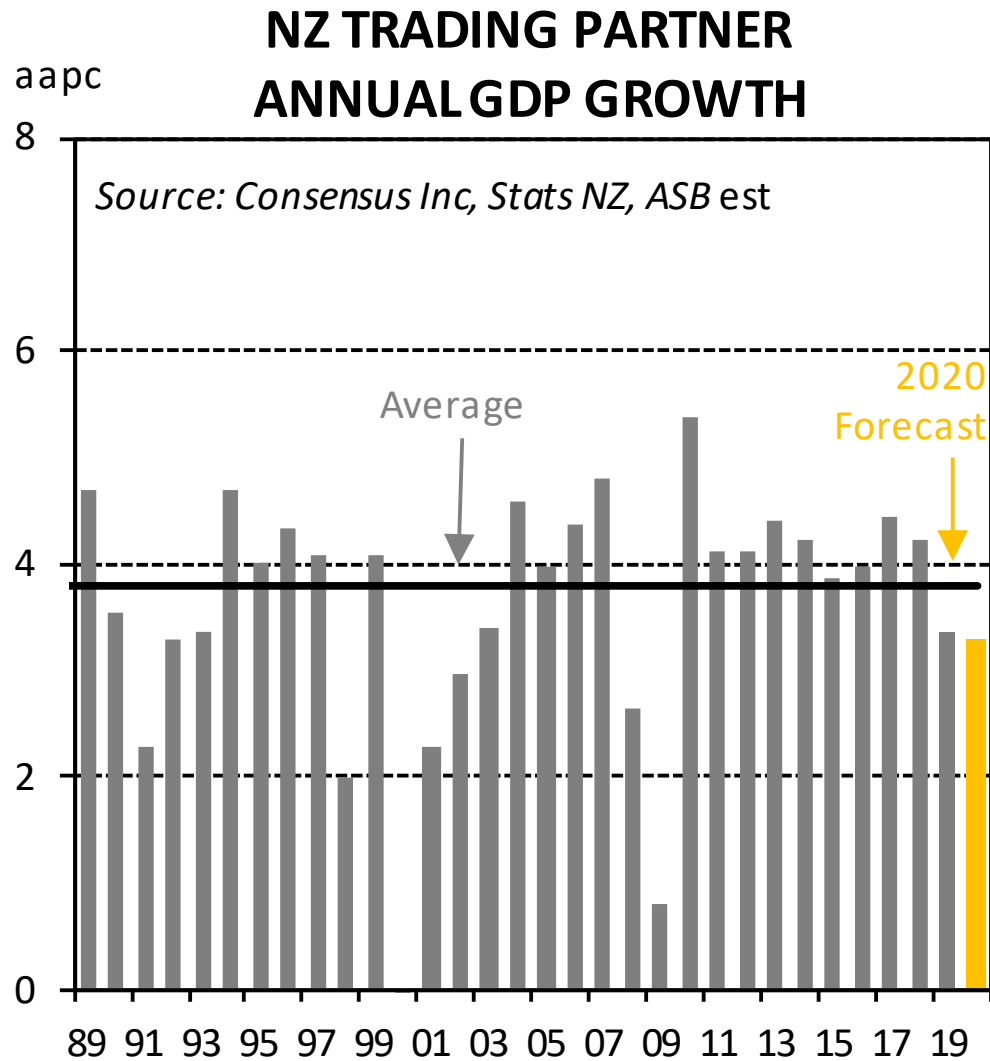
BEFORE

- › Clear signs of a end 2019 turning point
- › Global growth improving. Trade deal signed, Brexit done
- › Interest rate boost to housing, retail → businesses less grumpy
- › Export returns near all-time highs
- › RBNZ’s job was done, time to rest easy

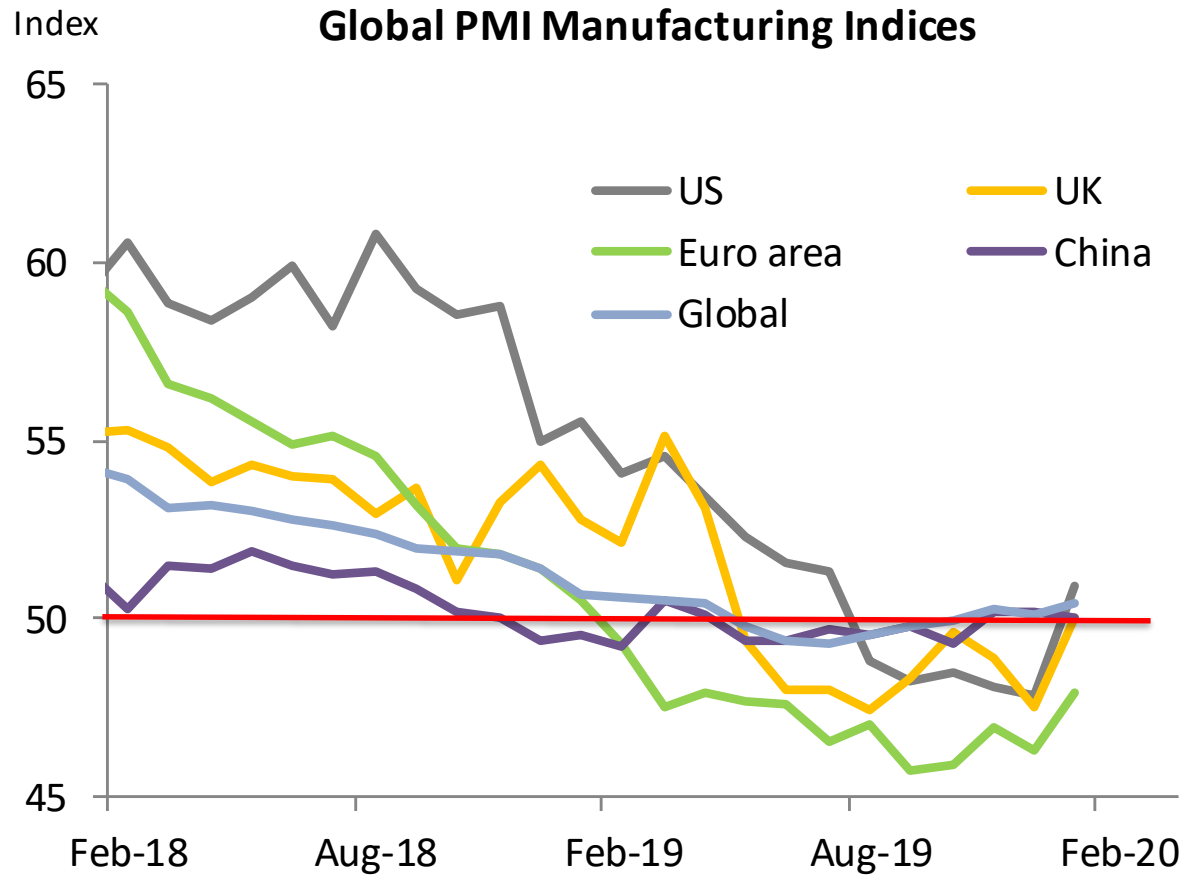
AFTER

- › Big hit to Q1 GDP growth, as certain export sectors heavily disrupted
- › Confidence, employment impacts key to watch
- › Recovery over H2 2020 but too early to be definitive
- › RBNZ back on alert

> Global growth sub-trend...

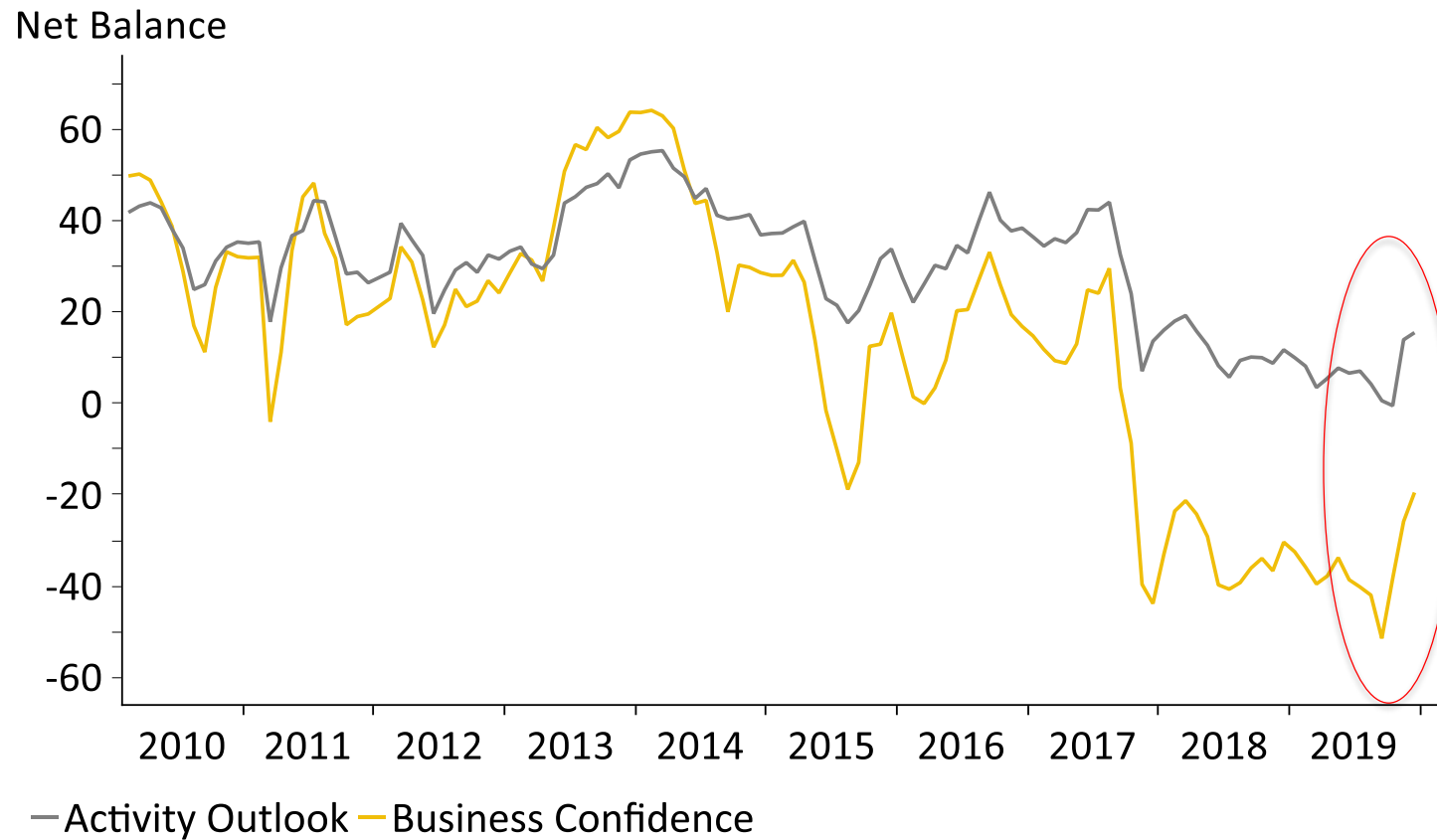


> ...but fog is lifting



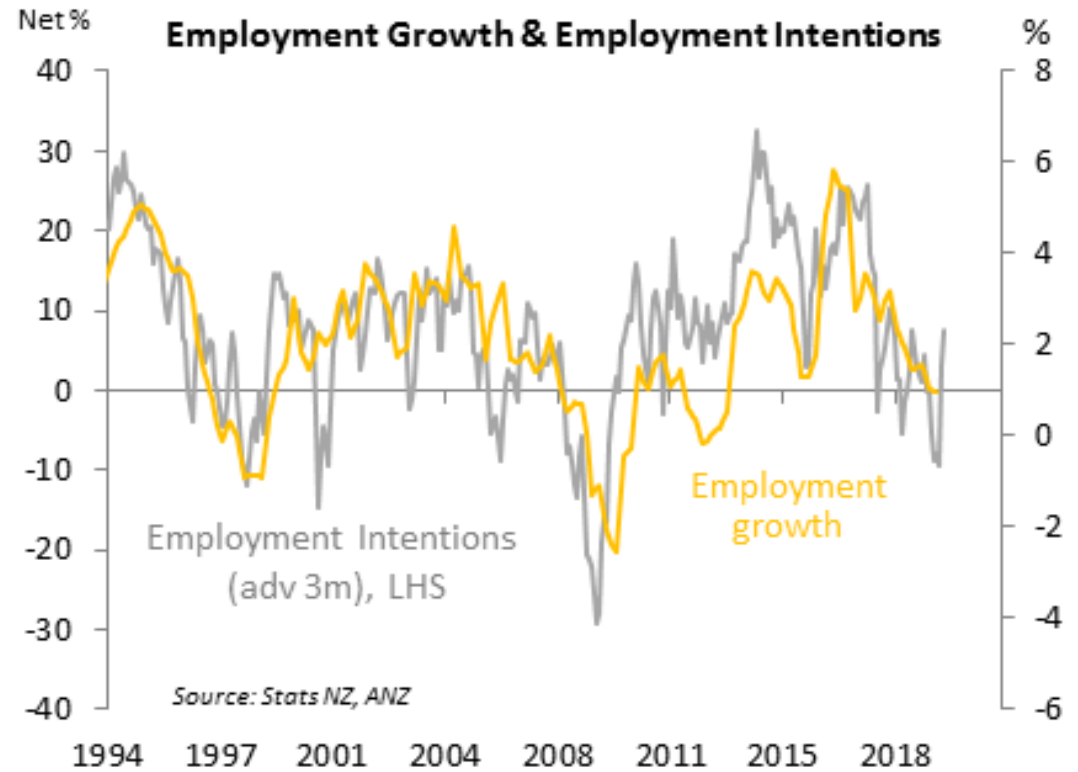
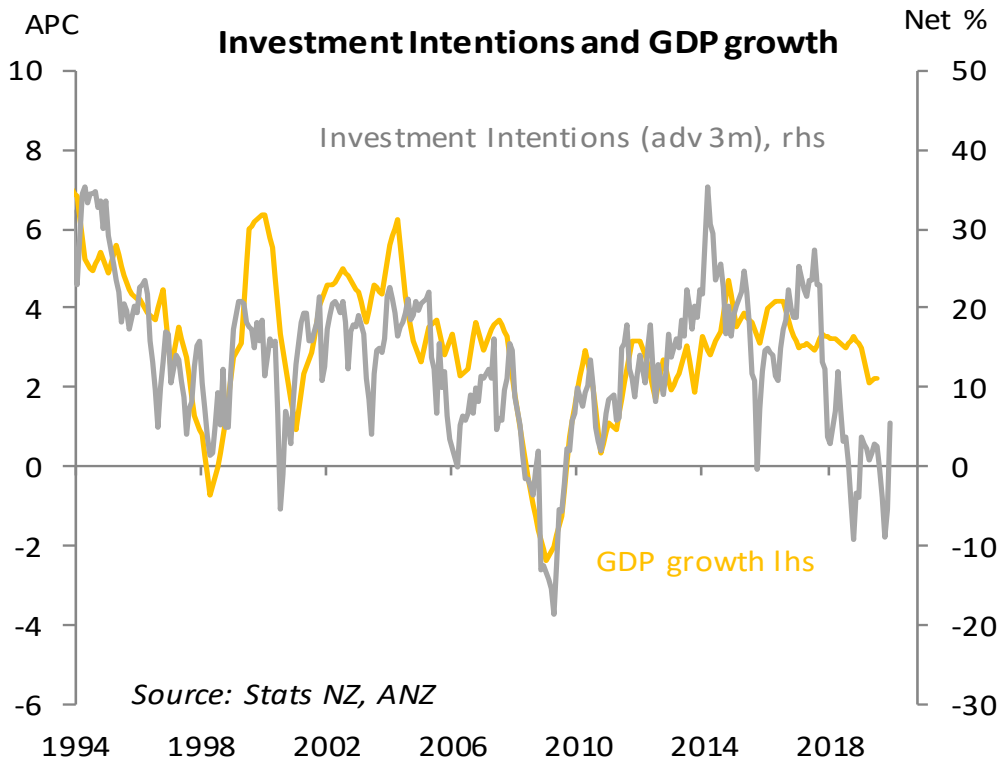
› Relief for corporate NZ

ANZ Business Outlook Survey
(seasonally-adjusted)



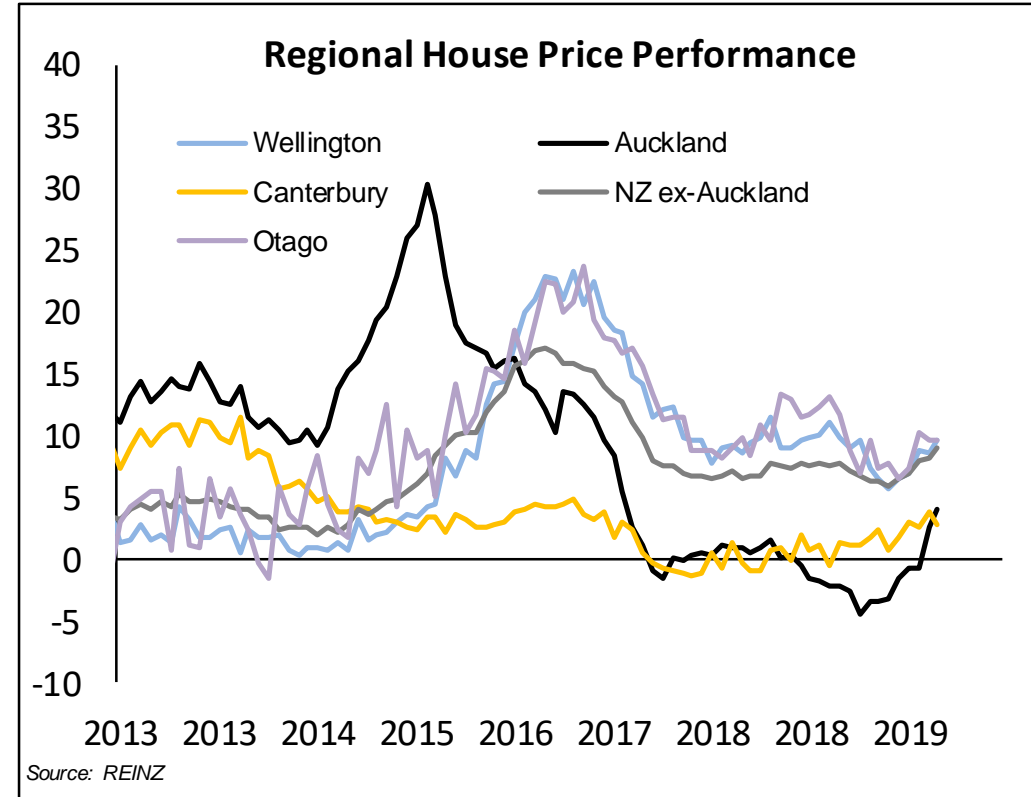
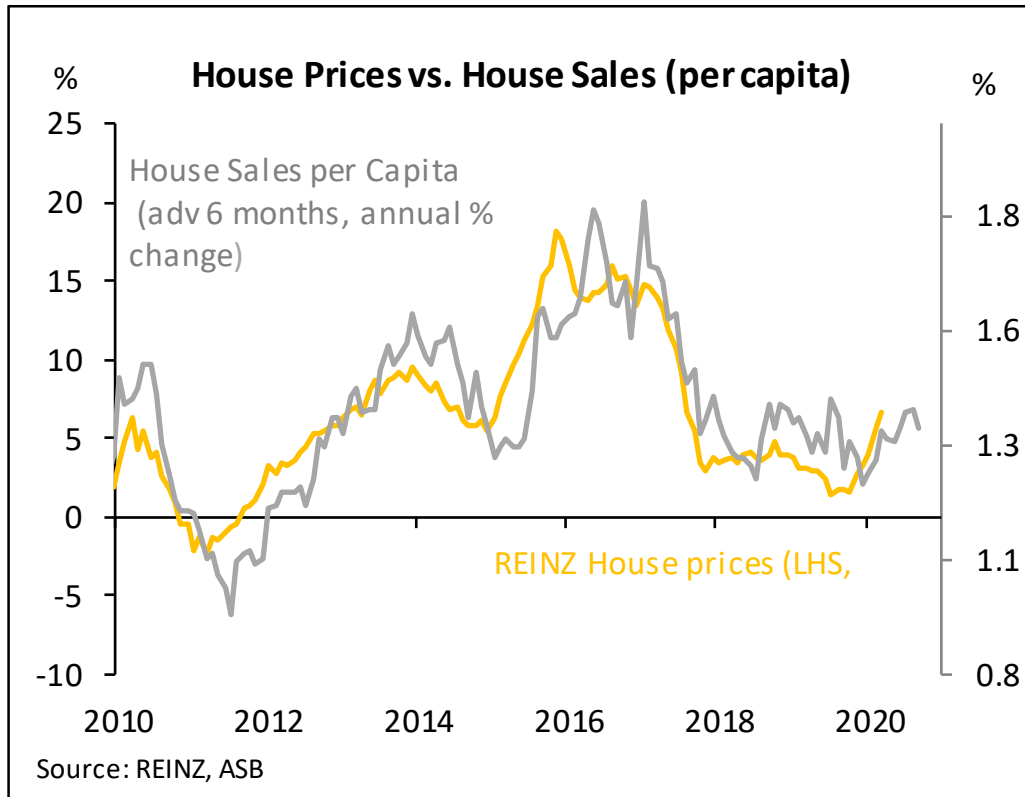
Source: Macrobond, ASB

› And confidence matters!

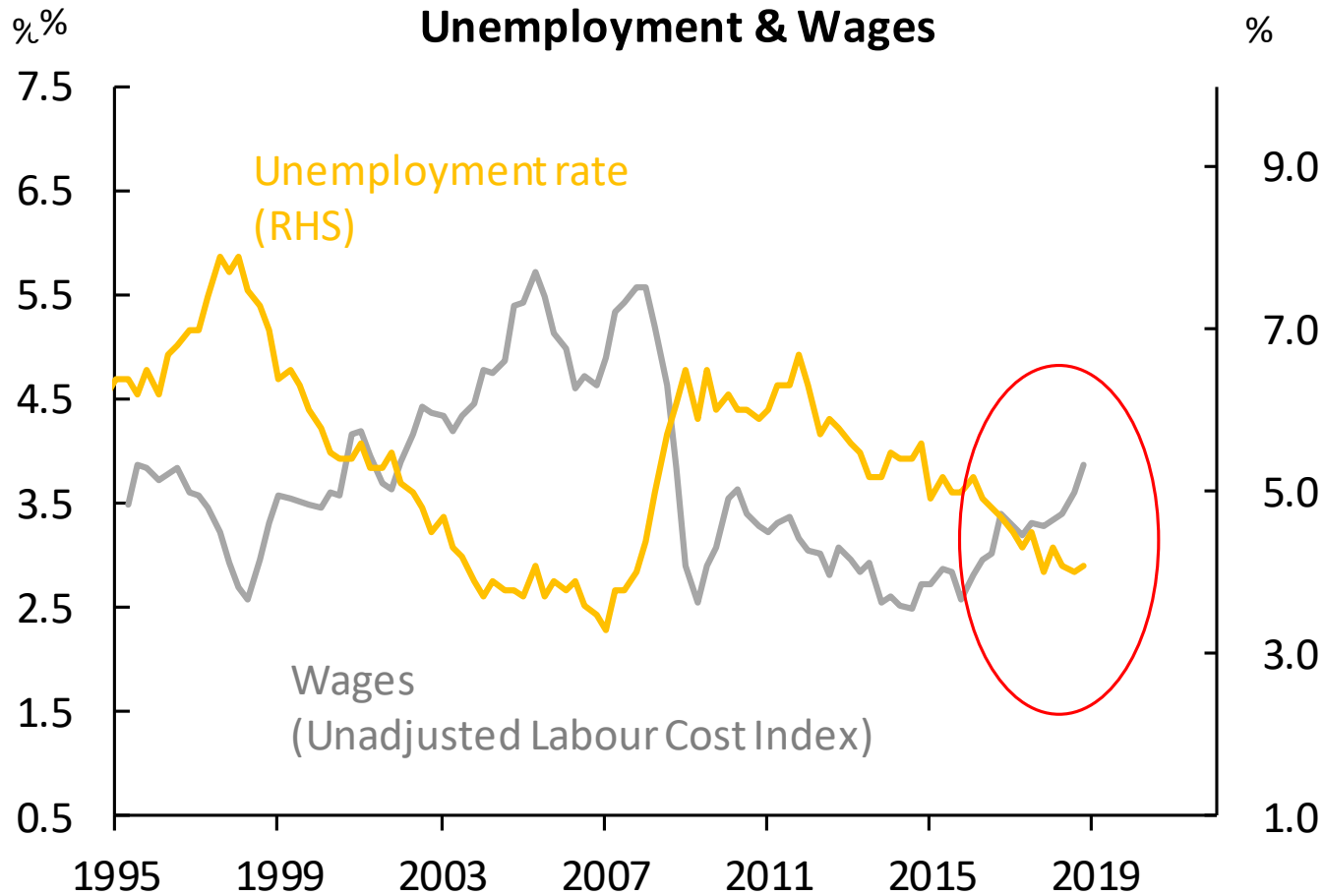


› A turning housing market also helps

- › As low mortgage rates resuscitate the Auckland market

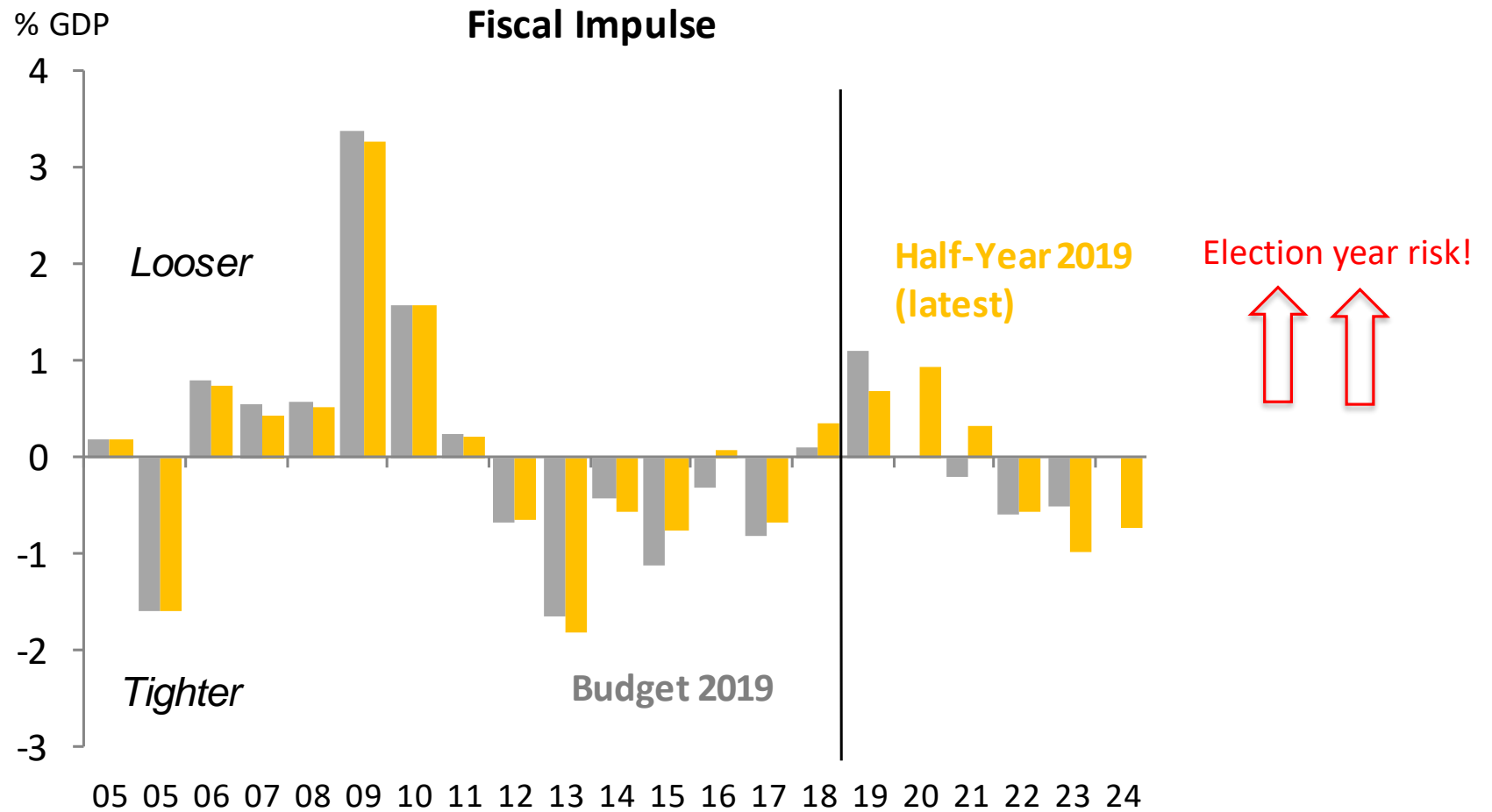


› Labour market firing

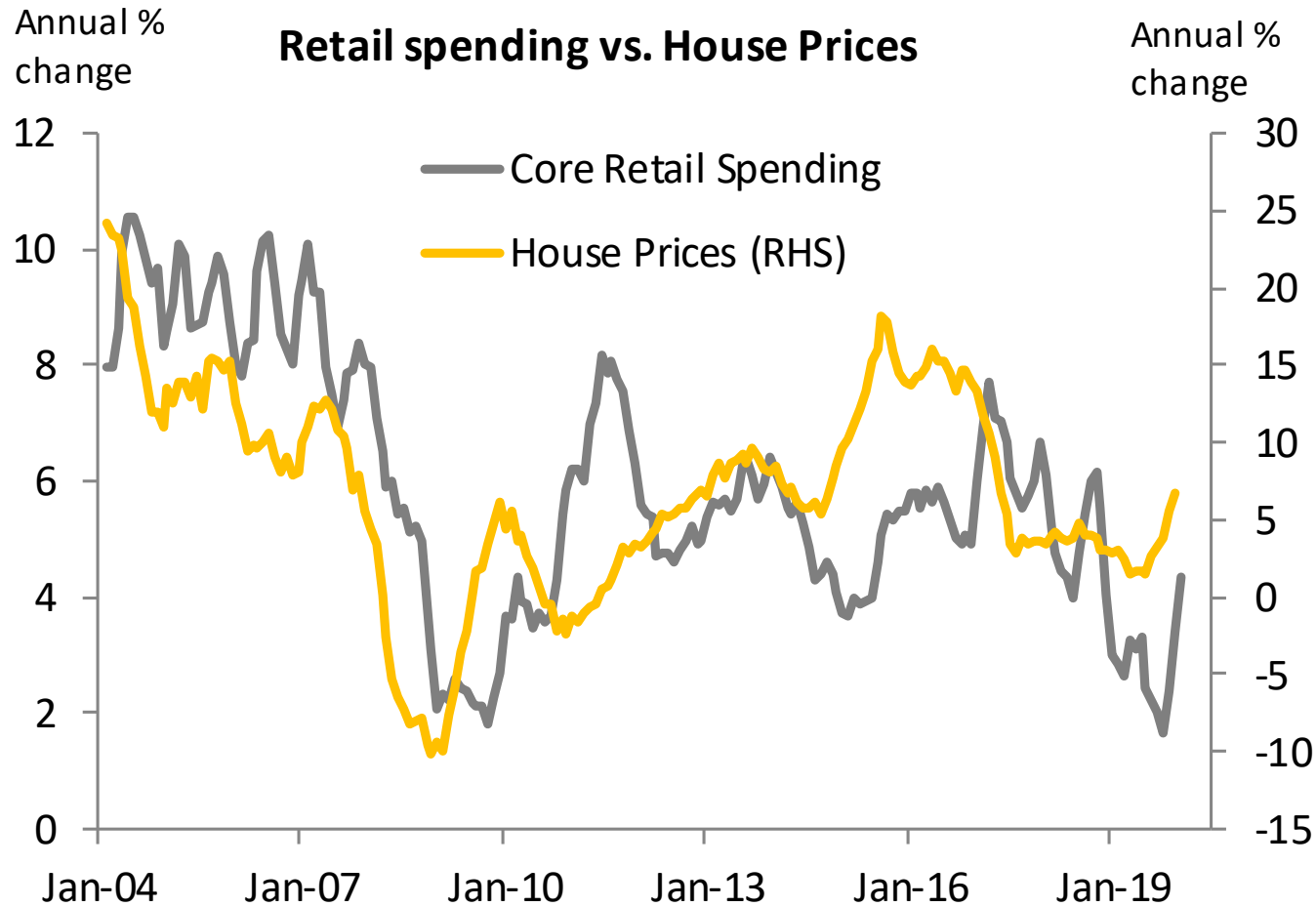


Source: Stats NZ, ASB

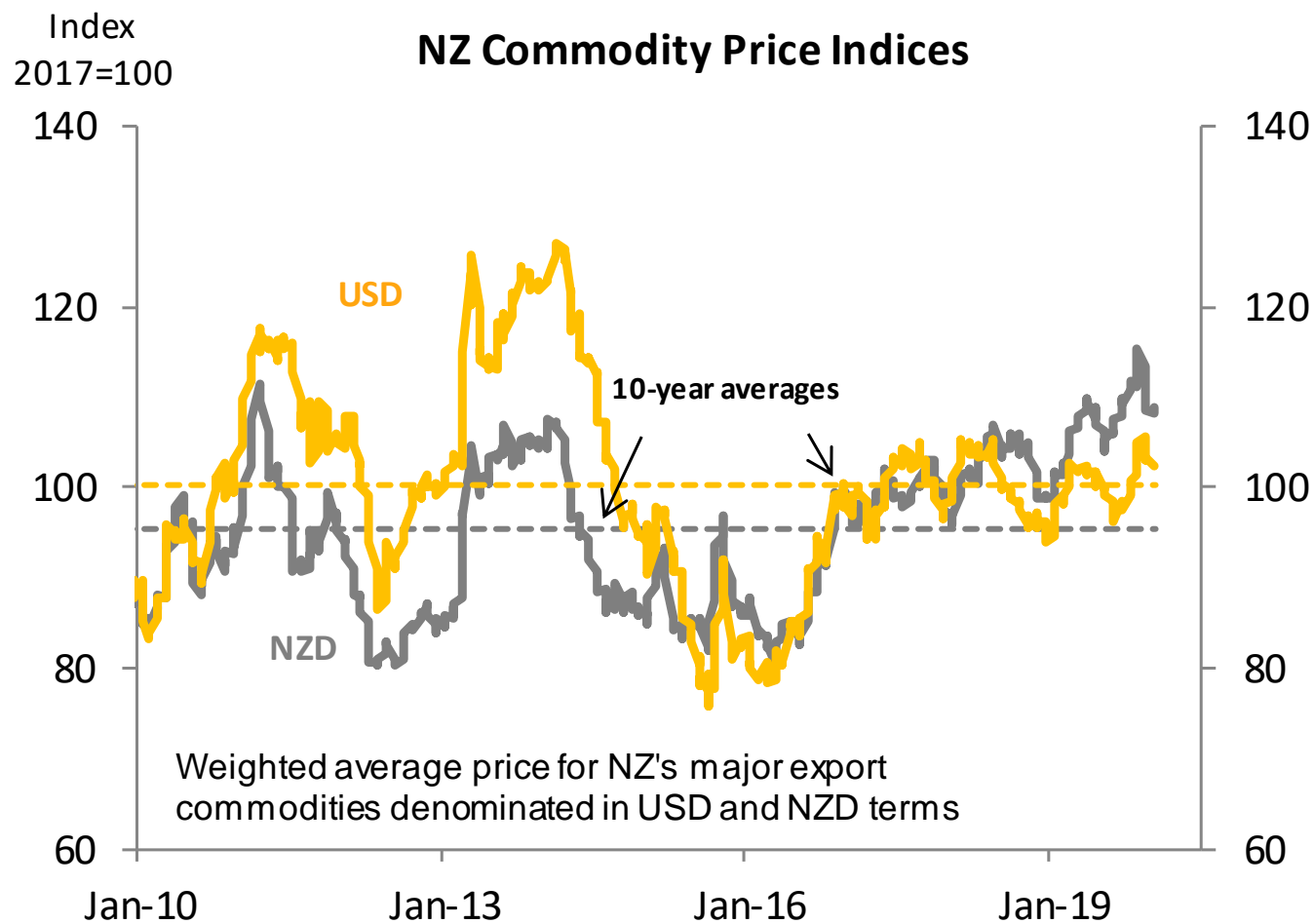
> Fiscal comes to the party



› Adds to more positive retail landscape



› Healthy export returns





› Economy in a
good position
to weather
“shocks”

Speaking of....

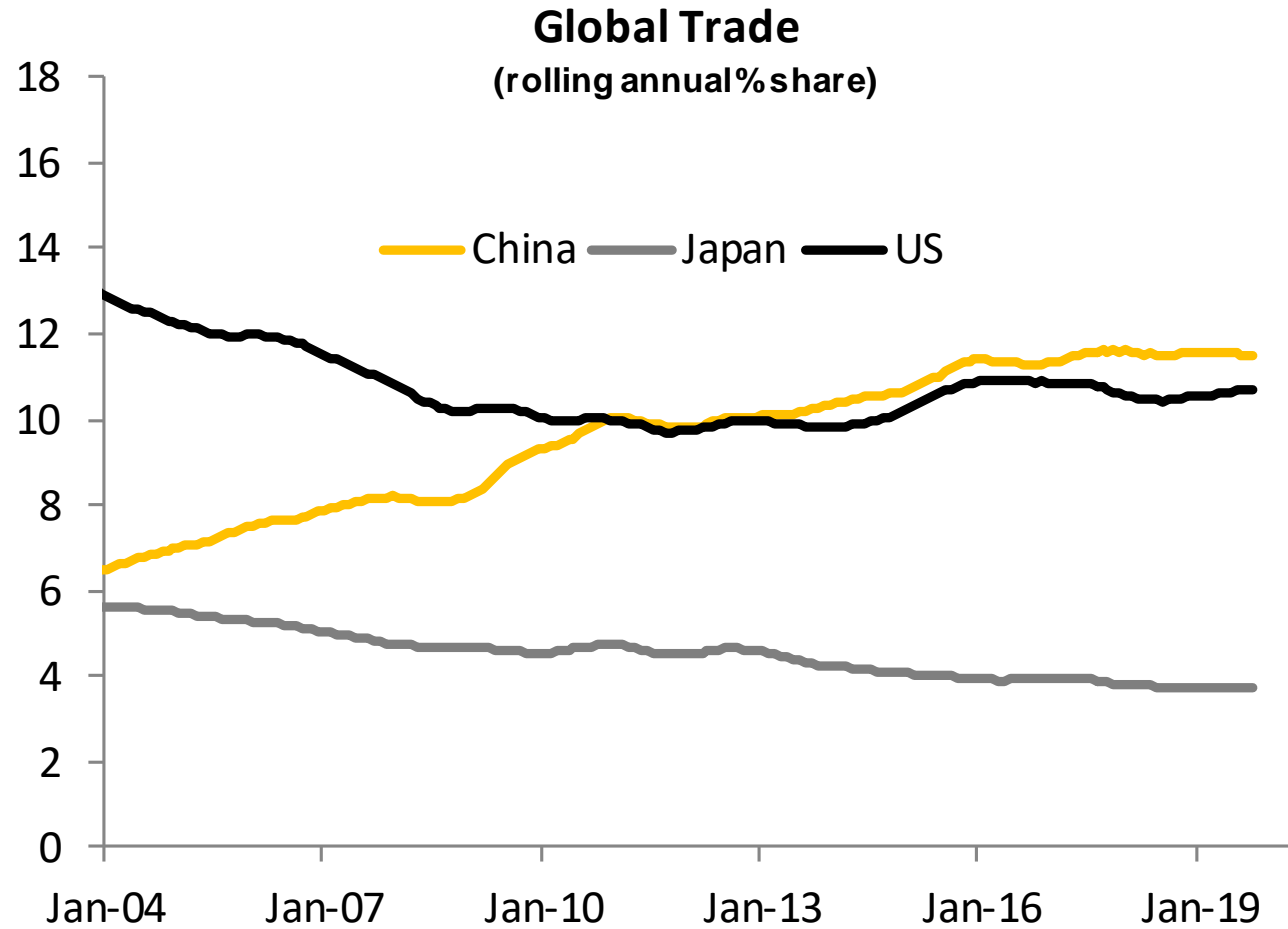
ASB
ONE STEP>AHEAD

› Coronavirus Impacts

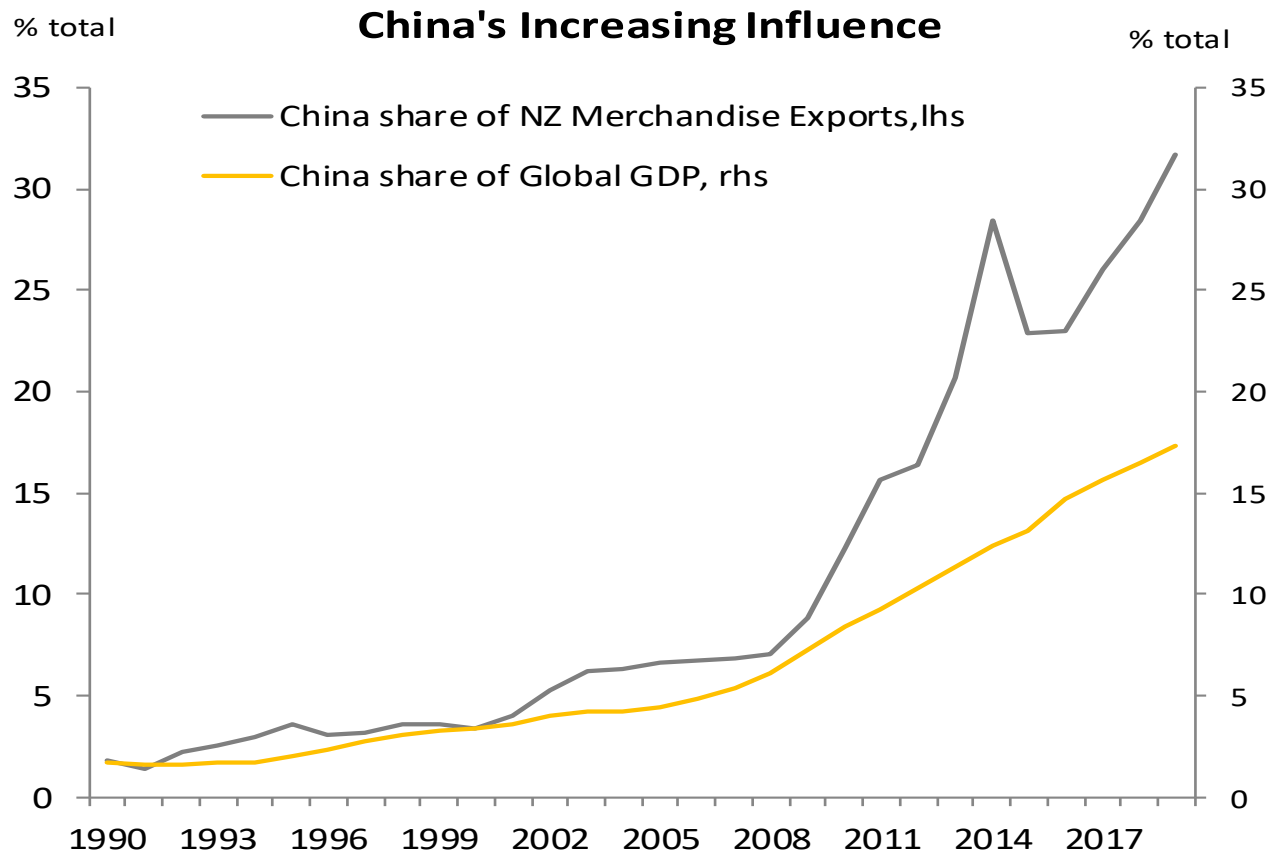
› A short, sharp shock



› China is kind of a big deal



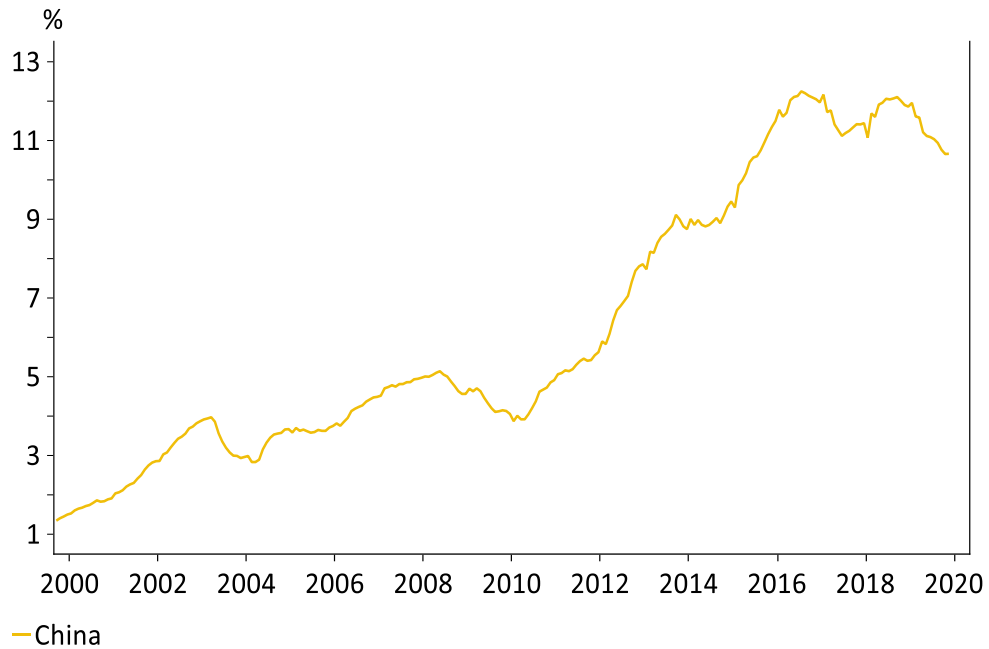
NZ now facing flipside of strong integration



Source: World Bank, Statistics NZ, ASB

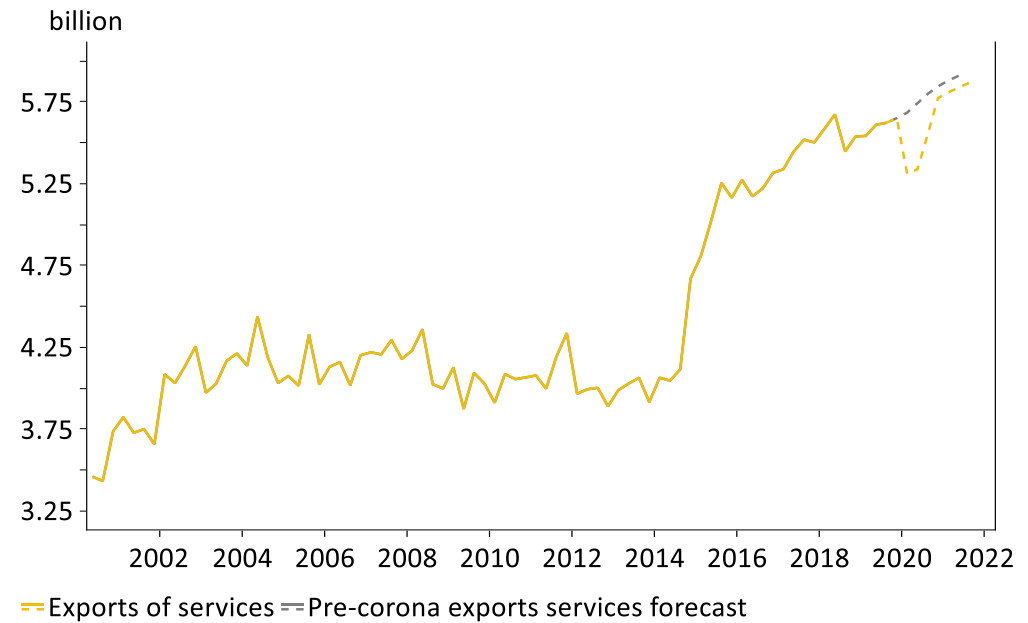
› Tourism bears the brunt

China Share of Visitor Arrivals



Source: Macrobond, ASB

NZ Exports of Services



Source: Macrobond, ASB

› Other impacts mixed

Export Sector Exposure by Key Risks							
Export Sector	Share Risk	Health Risk	Place of Consumption Risk	Border/Port risk	Value Chain/Activity Risk	Timing	Overall Risk
<i>Dairy</i>	8.0	Low	Low	Low	High	Low	Low
<i>Forestry</i>	36.0	Low	Low	High	High	High	High
<i>Tourism</i>	-8.0	High	High	High	Low	High	High
<i>Beef</i>	17.3	Medium	Medium	Low	Low	High	Medium
<i>Education</i>	5.7	High	High	High	Low	High	High
<i>Lamb</i>	9.5	Medium	Medium	Low	Low	Medium	Medium
<i>Fruit</i>	-1.8	Medium	Low	Low	Low	Low	Low
<i>Seafood</i>	14.9	High	High	High	Low	High	High
<i>Infant Formula</i>	17.5	Low	Low	Low	Medium	Low	Low
<i>Mutton</i>	49.3	Medium	Medium	Low	Low	High	High

Notes:

Share Risk: China sector share minus China total export share; the higher China's share of the sector, the higher the risk.

Health Risk: higher risk for fresh or live products; higher risk for services generally where people are gathering in large groups.

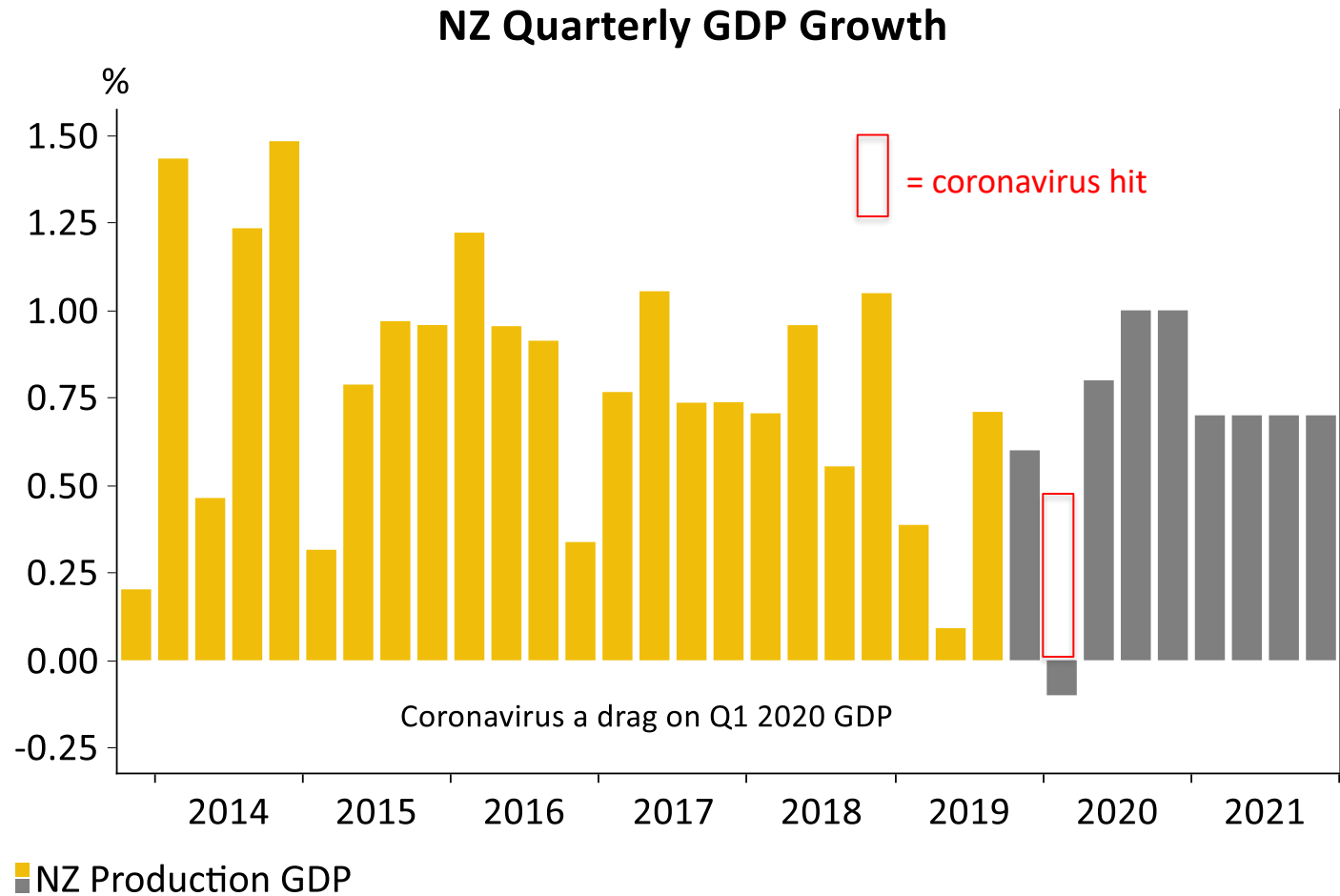
Place of Consumption Risk: higher risk for consumption in public places; lower risk for consumption in the home.

Border/Port Risk: Higher border risk for the movement of people across borders at airports etc.; as ports prioritise goods movements, higher risk for low-priority goods.

Value Chain/Activity Risk: higher risk for exposure to supply chains, and higher risk for goods that rely on economic activity.

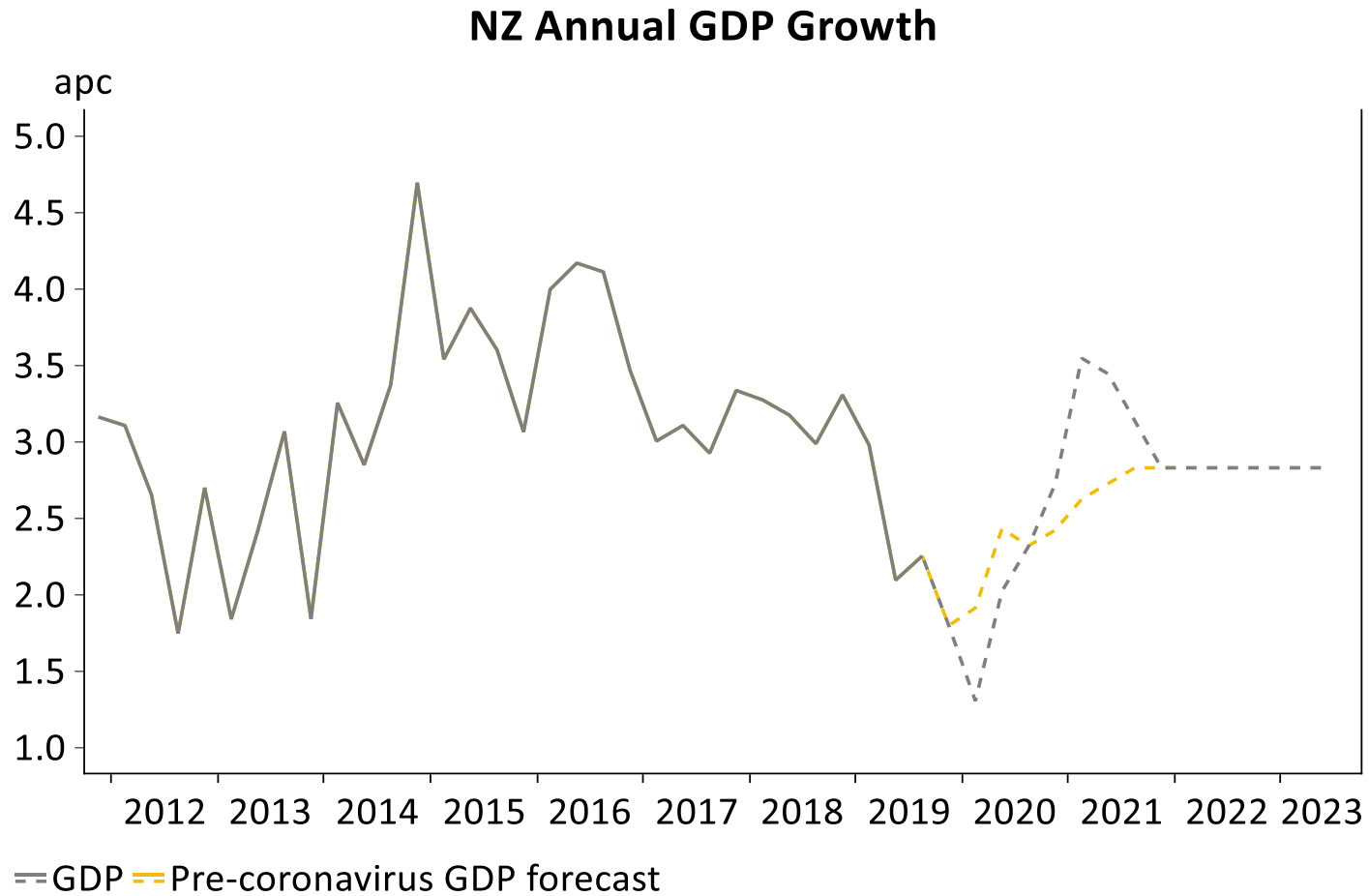
Timing Risk: risk as it relates to the seasonality of each export sector.

> A short, sharp hit



Source: Macrobond, ASB

> With a rapid recovery

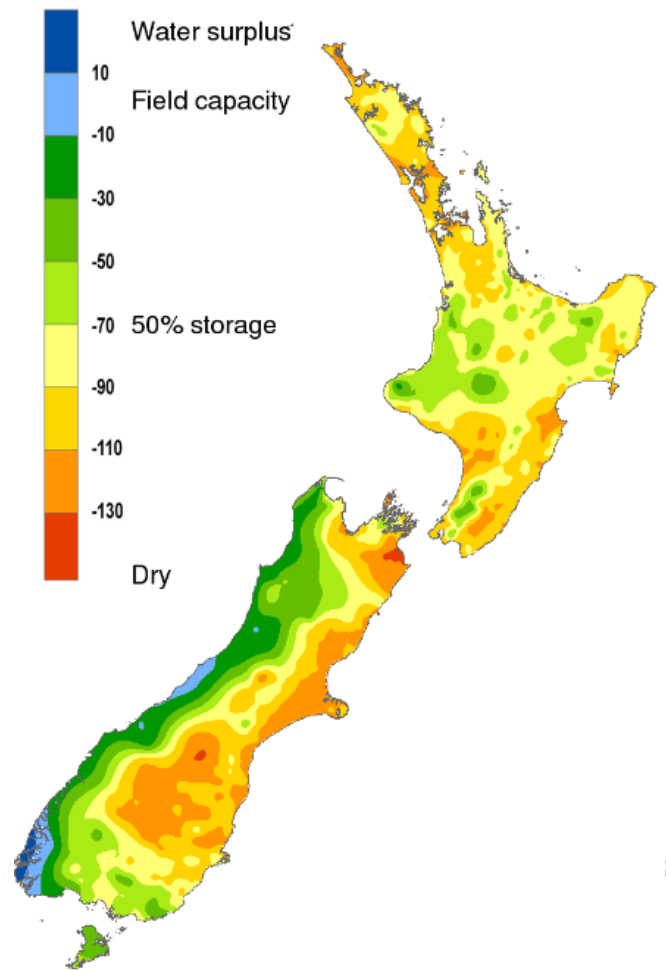


Source: Macrobond, ASB

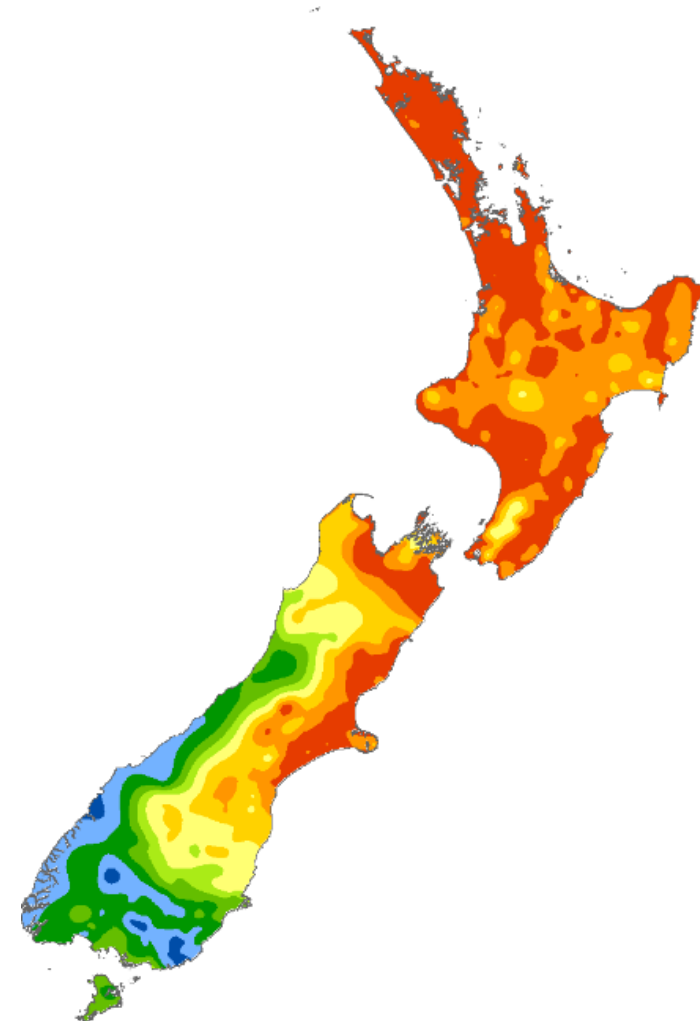
> There's another watchout...

> Drought!

Soil moisture deficit (mm) at 9a



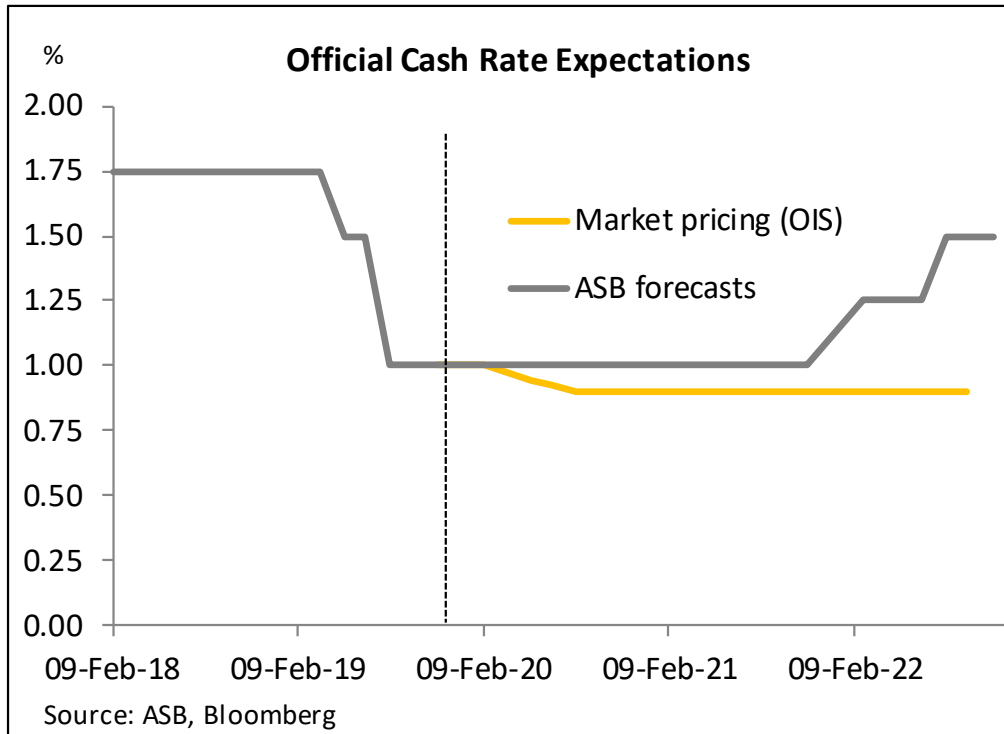
Historical average deficit at 9am on 11 Feb



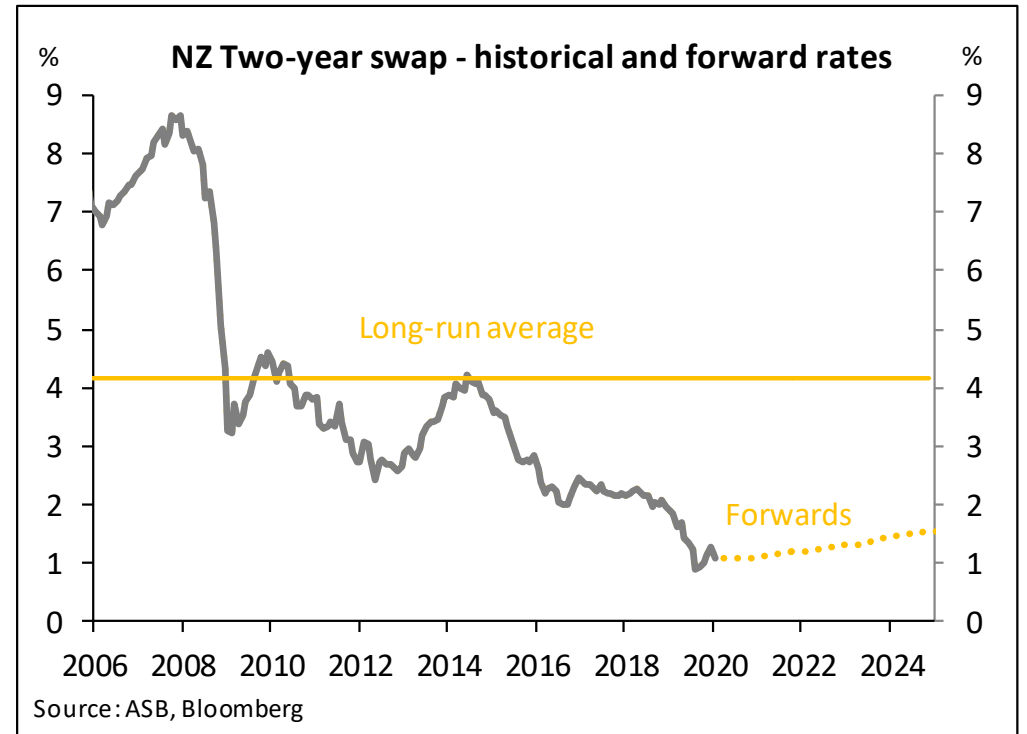
Deficit at 9am on 11/02/2020

› Low Rates – Now and Forever

› Short-term pricing



› Long-term pricing



› Summary

- › Economy looks to be rounding a turning point (or at least it was)
- › Too early to be definitive about coronavirus impacts
- › Important point is that we're well placed to absorb "shocks"
- › GDP growth forecast of 2.1%y/y for 2020
- › RBNZ to keep OCR unchanged until 2022 at least, absent big coronavirus, drought impacts
- › Medium-term risks to NZD and NZ borrowing rates are to the upside, with big coronavirus caveats!



> Thank you

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