

New Zealand Business Forecast Report Q3 2014

<https://marketpublishers.com/r/N085F50A727EN.html>

Date: June 2014

Pages: 47

Price: US\$ 1,195.00 (Single User License)

ID: N085F50A727EN

Abstracts

Includes 3 FREE quarterly updates

Core Views

New Zealand's economic performance remains on a stable trend, with indicators showing that the manufacturing and services sectors remain firmly in expansion. We maintain that the pace of expansion will remain broadly the same as 2013, with just a slight acceleration to 2.7% in 2014, from 2.5% previously. While we had originally held the view that the Reserve Bank of New Zealand (RBNZ) will hold its official policy rate at 2.75%, intensifying price pressures and strong economic indicators have led us to revise up our rate forecast to expect another 25 basis points. This would bring our forecast for the official cash rate to hit 3.00% by end-2014. Accordingly, we maintain that the next rate hike will be largely pre-emptive in nature, in response to cool domestic price pressures that have been on the rise.

Volatile weather and a trend of increasing compliance/regulations will continue to pose risks to New Zealand exports, given the changing composition of its trade with the external world. While dairy exports have surged of late, we believe this is unsustainable, driven mainly by Chinese importers fearing a possible lack of supply as new regulations are set to be implemented in March. Taking a longer term view of things, we believe that the trade balance will record a surplus and continue to head in the right direction as the interest rate hike by the RBNZ to help rein in import consumption, and reduce external liabilities in the banking sector as housing-related lending cools the banking sectors. This will help narrow the current account deficit over the coming years and will allow the country to gradually pay back its huge external liabilities and reduce its vulnerability to external shocks.

While the government looks on track to record a budget surplus in fiscal year 2014/15,

we maintain that debt reduction will remain sometime away as much of the surplus growth is dependent on highly optimistic forecasts in income and employment increases.

We maintain that the National party will be re-elected to office, even though there may be changes to the constitution of the ruling coalition. Issues such as economic planning, housing affordability, drought assistance for farmers and controversial decisions on the country's pull-out from the second commitment period of the Kyoto Protocol remain contentious topics that could affect the ruling party's popularity as it approaches parliamentary elections in 2014. That said, we do not see any immediate threat to its ability to formulate policy. We maintain our Short-Term Political Risk Rating at 84.0 (out of 100).

Major Forecast Changes

We have raised our interest rate forecasts for 2014, as the RBNZ has shown signs of adopting a more hawkish stance for the near term. As such, we see another 25 basis points worth of rate hikes, which will take the official cash rate to 3.00% by end-2014. Beyond this, we expect the central bank to maintain its macro-prudential rules, as there remain concerns about financial system stability given the high levels of household debt.

Contents

CHAPTER 1: POLITICAL OUTLOOK

SWOT Analysis

BMI Political Risk Ratings

Domestic Politics

New Coalition Partners May Weaken National's Policy-Making Abilities

Recent opinion polls held in New Zealand suggest that the economy remains the primary concern for voters, which bodes well for the ruling National party given their positive track record in managing the economy. That said, we note that the government's ability to form policy could weaken as we see a growing possibility that the National party will need the support of other minority parties.

Table: POLITICAL OVERVIEW

Long-Term Political Outlook

Stability To Prevail, But Not Without Challenges

New Zealand is likely to remain one of the most stable states in the world over the coming decade. The government's main challenges are to rein in the budget deficit, improve the business environment to attract greater foreign investment and raise opportunities for the indigenous Maori population. In the realm of foreign policy, New Zealand is likely to continue relying on Australia as its guardian. A key wild card is whether New Zealand deepens political ties with its neighbour, possibly in the form of a confederation.

CHAPTER 2: ECONOMIC OUTLOOK

SWOT Analysis

BMI Economic Risk Ratings

Economic Activity

Moderate Growth Ahead

In 2014, we forecast the New Zealand economy to expand by 2.7%, only a slight acceleration from the 2.5% that was registered in

2013. WHILE LARGE CONSTRUCTION PROJECTS SUCH AS THE CANTERBURY REBUILD WILL KEEP ACTIVITY LEVELS ELEVATED, INTEREST RATE HIKES FROM THE

central bank are likely to weigh on debt-driven consumption. Together with softening milk prices and export volumes, we believe income, job opportunities and overall growth will be capped.

Table: Economic Activity

Fiscal Policy

Weaker Revenue Growth To Slow Fiscal Consolidation

Although the New Zealand government will continue to pursue fiscal consolidation, we believe that further fiscal surplus widening will be constrained by a slower pace of revenue growth. Dependence on financial and non-financial instruments performance, together with overly optimistic growth and employment forecasts, suggests the fiscal surplus will widen at a slower pace.

Table: Fiscal Policy

Monetary Policy

RBNZ To Keep A Tight Rein On House Prices

Declining affordability ratios and hawkish policy measures from the Reserve Bank of New Zealand will likely cap growth in house prices, supply-side constraints notwithstanding. We believe that stability concerns with regards to the property and banking sectors will persuade the central bank to maintain its conservative stance.

Table: Monetary Policy

Balance Of Payments

NZD: Bearish Case Still Dominates Despite Rate Hikes

With interest rate hikes largely priced in, our more dovish-than-consensus outlook for rates and the New Zealand dollar trading at extreme valuations, we believe that at current levels, a bearish outlook is still warranted. We further highlight that sentiment surrounding the NZD is still very bullish, but note that weaker US growth could lead to further monetary easing, which could outweigh any kiwi weakness from the fundamental factors.

Table: Current Account

CHAPTER 3: 10-YEAR FORECAST

The New Zealand Economy To 2023

Deleveraging Will Weigh On Growth

The main factors that contributed to New Zealand's solid real GDP growth outturn over the past decade will not be in play to the same degree over the next 10 years. Population growth will slow, terms of trade support will

be hard to come by, and we expect New Zealand households will eventually experience protracted deleveraging cycle. These factors should see real GDP growth average 2.4 % over the

2015-2023 PERIOD, BELOW THE 3.6% GROWTH RATE SEEN OVER THE 1999-2007 BOOM YEARS.

Table: Long-Term Macroeconomic Forecasts

CHAPTER 4: BUSINESS ENVIRONMENT

SWOT Analysis

BMI Business Environment Risk Ratings

Business Environment Outlook

Institutions

Table: BMI Business & Operation Risk Ratings

Infrastructure

Table: BMI Legal Framework Rating

Table: Labour Force Quality

Market Orientation

Table: Trade And Investment Ratings

Table: ASIA - ANNUAL FDI INFLOWS

Operational Risk

Table: TOP EXPORT DESTINATIONS

CHAPTER 5: KEY SECTORS

Agribusiness

Table: Butter Production & Consumption

Table: Milk Production & Consumption

Table: Milk Production & Consumption, 2013-2018

Table: Cheese Production & Consumption

Table: Whole Milk Powder Production & Consumption, 2013-2018

Table: Milk Production & Consumption

Tourism

Table: New Zealand Whole Milk Powder Production & Consumption, 2008-2013

Table: Cheese Production & Consumption (New Zealand 2008-2013)

Table: Butter Production & Consumption

Table: New Zealand Inbound Tourism, 2011-2018

Other Key Sectors

Table: Pharma Sector Key Indicators

Table: Telecoms Sector Key Indicators

Table: New Zealand Infrastructure Sector Key Indicators

CHAPTER 6: BMI GLOBAL ASSUMPTIONS

Global Outlook

Emerging Market Deceleration

Table: Global Assumptions

Table: Developed States, Real GDP Growth, %

Table: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH FORECASTS, %

Table: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH FORECASTS, %

Table: Emerging Markets, Real GDP Growth, %

I would like to order

Product name: New Zealand Business Forecast Report Q3 2014

Product link: <https://marketpublishers.com/r/N085F50A727EN.html>

Price: US\$ 1,195.00 (Single User License / Electronic Delivery)

If you want to order Corporate License or Hard Copy, please, contact our Customer Service:

info@marketpublishers.com

Payment

To pay by Credit Card (Visa, MasterCard, American Express, PayPal), please, click button on product page <https://marketpublishers.com/r/N085F50A727EN.html>