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## Pop(ulation) star economy

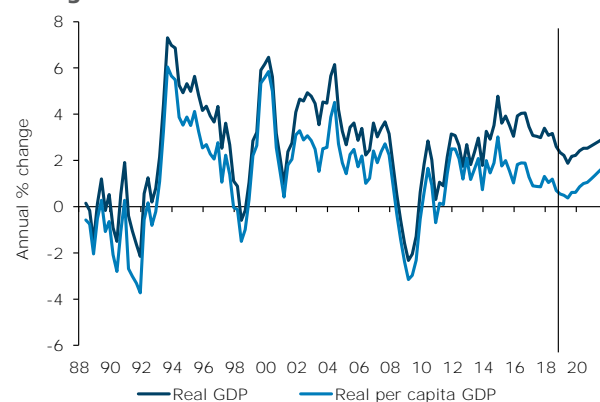
### Economic overview

Q1 GDP is out this week, so what better time to discuss the broader economic outlook? For the record, we expect economic activity expanded 0.4% q/q in Q1, which would see annual growth slow 0.1%pt to 2.2%. But even if Q1 growth surprises on the upside, it won't change the broader theme that economic momentum is waning and that core inflation is still not quite where it needs to be. To rectify this, and given growth headwinds aren't expected to dissipate anytime soon, we think a little extra monetary stimulus is likely to be delivered by year-end. As well as GDP this week also brings Q1 balance of payments data, which we expect to show a stable current account deficit as a share of GDP. Our Monthly Inflation Gauge for May is out today, and there's another dairy auction on Wednesday.

### Chart of the week

Even a small upside surprise on GDP this week won't change the broader theme that economic momentum is waning. But we do think the slowdown is finding a floor.

#### GDP growth – ANZ forecasts



Source: Statistics NZ, ANZ Research

### The ANZ heatmap

Variable	View	Comment	Risks around our view
GDP	2.4% y/y for 2020 Q1	Growth has slowed, and we expect this process has a little further to run before OCR cuts support a gradual acceleration.	
Unemployment rate	4.4% for 2020 Q1	The labour market is "tight", but further improvement appears limited. Wage and employment growth to remain modest.	
OCR	1.00% in March 2020	The RBNZ cut the OCR in May. We expect further cuts in November 2019 and February 2020.	
CPI	2.1% y/y for 2020 Q1	Domestic inflation appears near its peak for now, but OCR cuts should support a gradual rise over the longer term.	



## Economic overview

*Q1 GDP is out this week. We expect growth of 0.4% q/q.*

### Summary

Q1 GDP is out this week, so what better time to discuss the broader economic outlook? For the record, we expect economic activity expanded 0.4% q/q in Q1, which would see annual growth slow 0.1%pt to 2.2%. But even if Q1 growth surprises on the upside, it **won't** change the broader theme that economic momentum is waning and that core inflation is still not quite where it needs to be. To rectify this, and given growth **headwinds aren't expected to dissipate anytime soon, we think** a little extra monetary stimulus is likely to be delivered by year-end. As well as GDP this week also brings Q1 balance of payments data, which we expect to show a stable current account deficit as a share of GDP. **Our Monthly Inflation Gauge for May is out today, and there's another dairy auction on Wednesday.**

### Forthcoming data

**ANZ Monthly inflation Gauge – May (Monday 17 June, 1:00pm).**

**GlobalDairyTrade auction (Wednesday 19 June, early am).** Futures suggest a 3% fall in the GDT Price Index at this week's event.

**Balance of Payments – Q1 (Wednesday 19 June, 10:45am).** We expect the annual current account deficit to remain stable as a share of GDP at 3.7%.

**Gross Domestic Product – Q1 (Thursday 20 June, 10:45am).** We expect the economy expanded 0.4% q/q, which absent revisions would see y/y growth slow 0.1%pt from Q4 to 2.2%.

### What's the view?

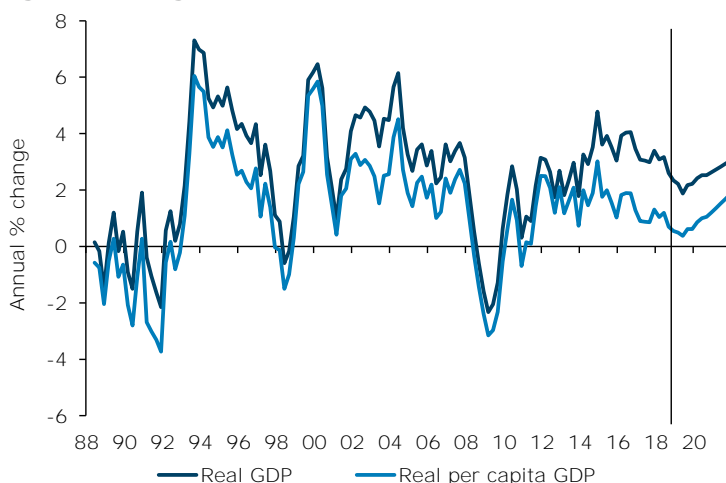
This week we'll **get** our first read on GDP for 2019. We expect the economy expanded 0.4% q/q in Q1, which absent revisions would see annual growth slow from 2.3% in Q4 to 2.2%. See our [Preview](#) for further details.

Stepping back from the quarterly ups and downs of GDP growth, this week we take a look at the various headwinds and tailwinds that are driving broader economic momentum. All up, despite some waning economic drivers (such as housing and population growth), unless something dramatic happens, **there's** certainly enough support out there to prevent growth from falling off a cliff. Indeed, our forecasts are for annual growth to bottom out about now. However, we think the economy will need a little additional monetary stimulus to see a lift in growth sufficient to deliver inflation sustainably at target. And given global economic risks are heightened at present, it would be prudent to put fiscal policy on standby should growth need a helping hand.

*This week we step back from the quarterly ups and downs of GDP growth...*

*...and discuss the broader outlook.*

**Figure 1. GDP growth – ANZ forecasts**



Source: Statistics NZ, ANZ Research



## Economic overview

*We expect growth to pick up slowly from H2.*

*Forget rockstar economy, this has been a pop star performance.*

*But now slowing population growth will likely weigh on GDP growth...*

*...Despite buoyant households.*

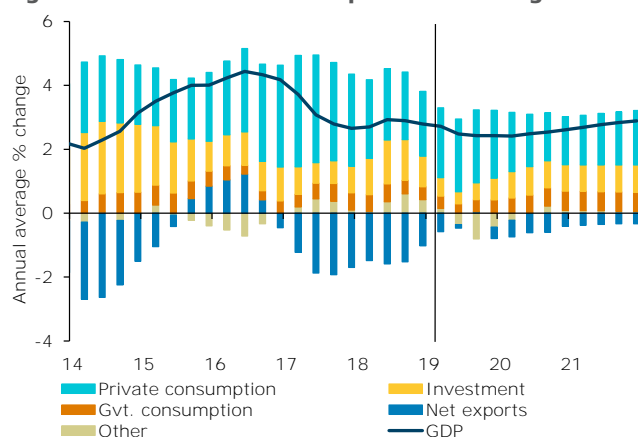
The economy has been losing steam for a while now, with annual growth slowing from around 4% in late 2016 to 2.3% by the end of 2018. We think the slowdown has a little further to run, with annual growth troughing at around 2% in Q2 this year. Thereafter, economic momentum is expected to gradually build, with annual growth lifting to 3% by the end of 2021 (figure 1) as further OCR cuts lend a hand.

Domestic demand has been strong this cycle, which in large part is owing to strong migration-led population growth (accounting for around two thirds of headline GDP growth). Forget the rockstar economy, this cycle is lacking the substance for that characterisation. This is a Pop Star performance if ever we saw one – **that's 'pop'** as in 'population'.

But we suspect net **migration's impetus to growth is shrinking**. While there's plenty of noise to be looking through in the migration data and its revisions, the more stable (older) data points continue to corroborate our view that migration inflows are easing (figure 3).

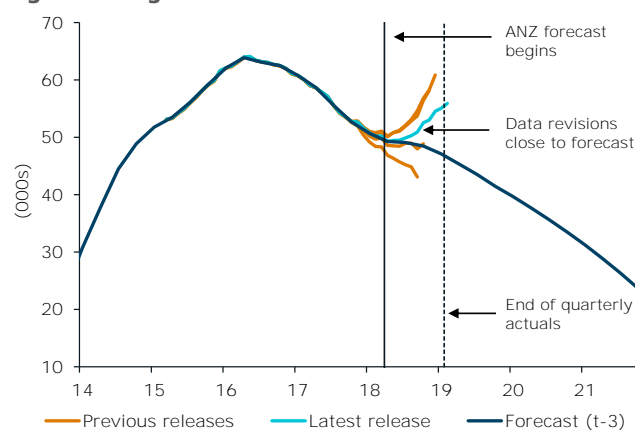
On balance, this means that despite ongoing modest growth in household incomes (on the back of the tight labour market), lower interest rates and relatively buoyant consumer confidence, we suspect **we'll** nonetheless see a slowing in private consumption growth over the year ahead (figure 2), with annual growth in private consumption gradually easing from around 3.5% y/y currently to around 2.5% by mid-2020.

Figure 2. Contributions to expenditure GDP growth



Source: Statistics NZ, ANZ Research

Figure 3. Migration outlook



*The housing market is expected to remain subdued...*

*...with residential investment facing challenges*

Housing market activity is also a key determinant of consumption growth, particularly for durables consumption, and on that front we think the outlook is pretty subdued. While lower interest rates and a little more policy certainty (now that the capital gains tax has been ruled out) are house price positive, **we suspect the net impact will be more of a stabilisation than a re-emergence of strong house price inflation**, given the ongoing policy and affordability headwinds.

On the residential investment side, previous strong population growth means **there's still** plenty of pent-up demand and a lengthy pipeline for residential construction. The problem is that capacity pressures (particularly in terms of labour) and profitability woes are still **constraining the sector's ability to meet this** demand.

While **we're expecting a pretty solid 2.5% q/q lift in residential investment in Q1**, we don't expect such solid quarterly growth rates to persist. While consent issuance has been respectable in recent months, strength has been concentrated in the relatively volatile multi-unit dwellings component (figure 4), suggesting a few lumpy quarters ahead.

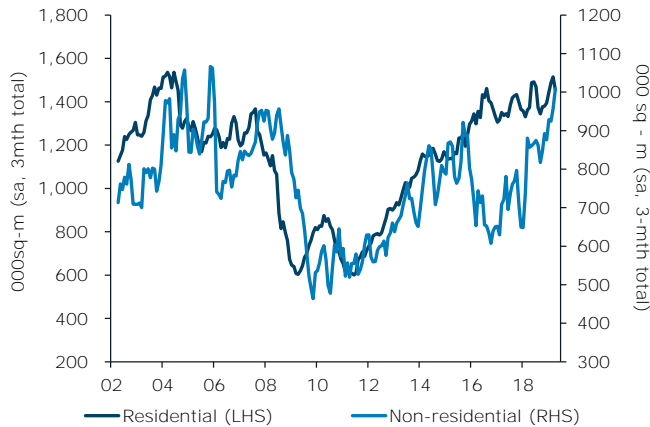
**And now we're beginning to see some significant downside risks to our** (and pretty much consensus) forecast that residential construction activity will remain at a high level – albeit while struggling to accelerate. In particular, our ANZ Business Outlook Survey is



## Economic overview

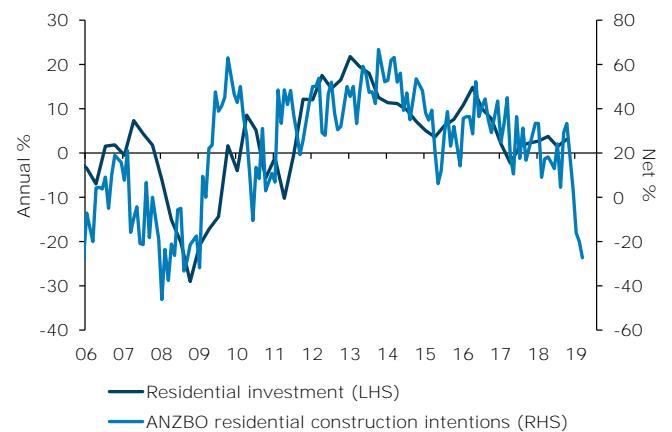
sending a very soft signal (figure 5). However, the sample size is small and it could be more noise than signal, **so we're waiting to see how this one evolves.** However, anecdotes suggest that the slump in Auckland housing turnover is making achieving presales targets for multi-unit dwellings difficult, and discouraging speculative building at the individual dwelling level.

**Figure 4. Building consents**



Source: Statistics NZ, ANZ Research

**Figure 5. Residential construction intentions and real residential investment**



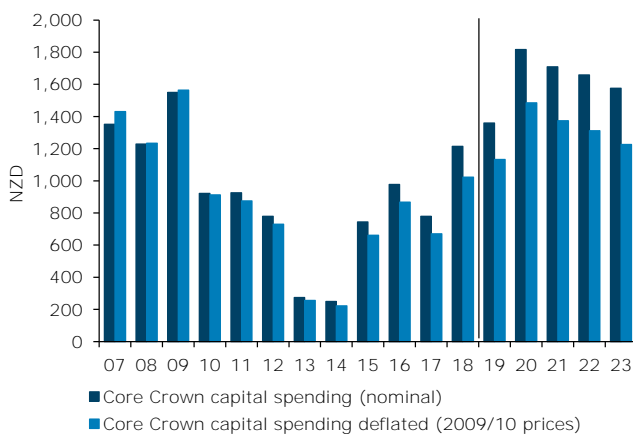
*Productivity growth has been lacking...*

*...and we don't see that changing in a hurry.*

As noted above, to qualify as Rock Star material we think this economic cycle would need a bit more substance to it. Some productivity growth would go a long way here. But alas, both business investment in capital and government spending on infrastructure has been lacking over this business cycle. **And we think that's limiting the economy's ability to grow. While we expect business investment to pick up gradually as labour scarcity persists, there's little** currently to suggest this is going to happen quickly. Rather, despite still-lower interest rates, business sentiment and intentions suggests risks are skewed towards weak investment persisting for a while yet.

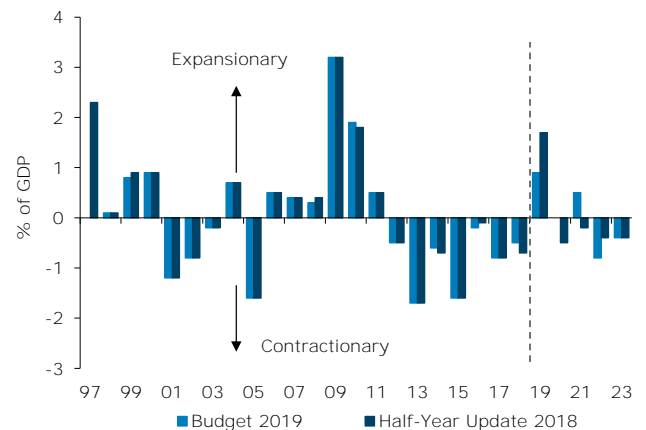
On the fiscal side, Budget 2019 showed there's a little more capital spending on the cards (figure 6), but we don't see this as a real game changer. At the end of the day, **strict adherence to the Government's self-imposed debt target** means the ability for fiscal settings to stimulate economic activity on a persistent basis will remain contained unless the economic outlook takes a sharp turn for the worse, in which case the rules could temporarily change. Yes, there is a bit of a near-term fiscal bump on its way, but given typical delays and capacity constraints, we expect the fiscal impulse is likely to be a little smaller – but last a little longer – than the Treasury is forecasting (figure 7).

**Figure 6. Capital spending per capita**



Source: The Treasury, Statistics NZ, ANZ Research

**Figure 7. Core Crown fiscal impulse**

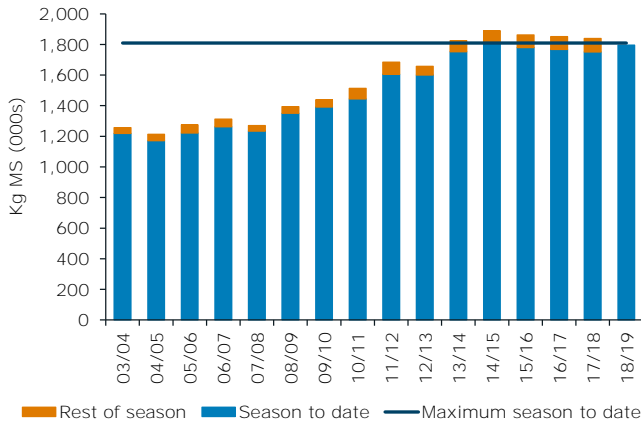




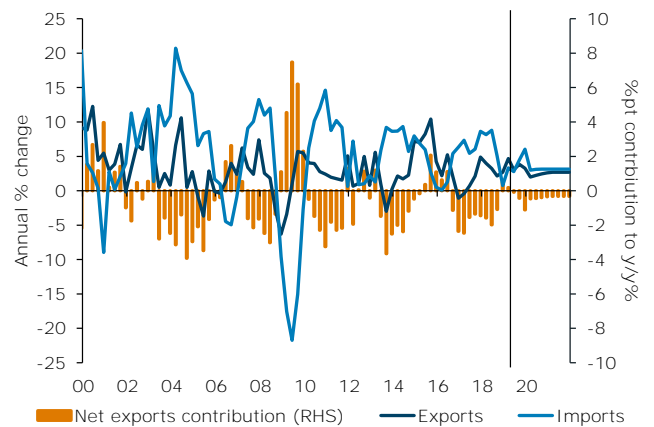
## Economic overview

While export volumes and values have had a decent run (supported by high terms of trade, favourable weather conditions and strong milksolid production this season, figure 8), solid domestic demand has kept imports buoyed and prevented net exports from making a significant positive contribution to GDP growth (Figure 9). We are very good as a nation at spending any extra earnings.

**Figure 8. Milksolids production**



**Figure 9. Net exports**



Source: Statistics NZ, ANZ Research, DCANZ

*Export volumes growth may struggle to push higher...*

*...but the weather will help decide.*

*Global woes and domestic headwinds will likely dampen any bump to the wider economy from solid export earnings.*

*Overall, forward-looking indicators suggest the slowdown is finding a floor.*

From here, an assumed return to more normal weather conditions next season means export volumes growth will struggle to push higher. And while the elevated terms of trade and recent depreciation of the NZD should encourage a little extra production at the margin (alongside ongoing genetic gains), we expect this to keep exports growth stable rather than drive acceleration.

Ultimately, weather conditions over the year ahead will make or break this outlook. If we were to experience a drought, resilience over the year ahead should be a little higher than usual, given many farmers have made hay while the sun shone, but this certainly **doesn't mean they're bullet-proof**. Likewise, favourable weather conditions could extend for another season, presenting some upside to our expectation for export volumes growth.

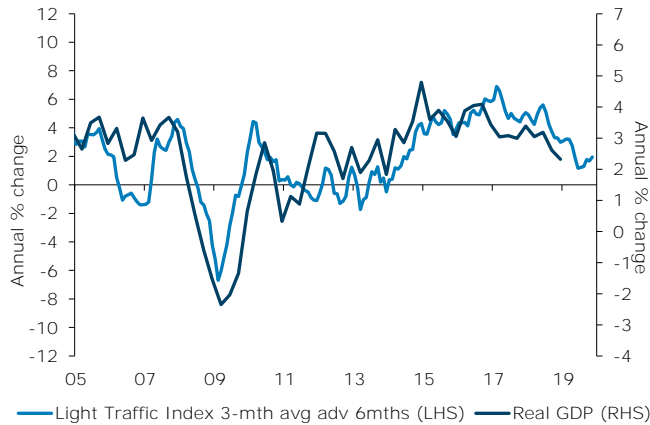
Regardless of the weather, given the global economic backdrop is looking a bit fragile and regulatory concerns continue to weigh, we think exporters are going to remain cautious. And that suggests the usual transmission from solid export earnings (on the back of the lower NZD and elevated world commodity prices) to the rest of the economy is likely to be a little more muted than at previous points of the cycle. For some dairy operators, debt is eye-wateringly high, so deleveraging rather than increased spending is more likely. Further, even if there are some good investments to be made, **it's possible that the RBNZ's proposed bank capital requirements lead to tighter credit conditions** than otherwise (particularly for agriculture and businesses), limiting future export capacity.

**Despite the risks and headwinds facing the economy, we're still expecting to see annual growth accelerate gradually from the second half of this year, just not as fast as the Reserve Bank and Treasury are expecting.**

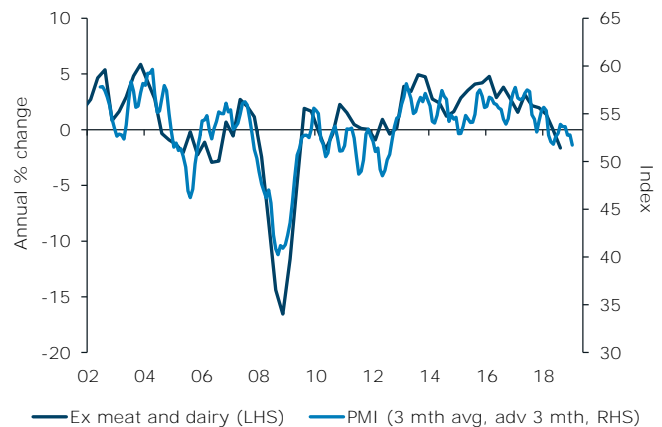
And so far, forward-looking indicators corroborate this view that growth is finding a floor. Our own Light Traffic Index is consistent with this, and is tentatively suggesting a pick-up in growth heading into the second half of the year (figure 10). But the persistence **and magnitude of this is yet to be seen**. Last week's weak PMI print (its lowest read since 2012 and on the cusp of contractionary) suggests downside risks to manufacturing growth remain (figure 11), but **provided the current level is maintained we'd expect any spill-over to the services industries (and the broader economy) to be contained.**



**Figure 10. Light traffic index and GDP**



**Figure 11. PMI and core manufacturing**



Source: NZ Transport Agency, Statistics NZ, ANZ Research, BNZ-BusinessNZ

*But it's too early to gauge the magnitude and persistence of any increase.*

On balance, it's too early for data flow to show where the risks lie between our forecast for a gradual lift in momentum versus the RBNZ's expectation of a relatively heroic lift from the second half of the year (figure 12).

**Figure 12. GDP forecast comparison**



Source: RBNZ, Statistics NZ, ANZ Research

*A positive Q1 GDP surprise is possible...*

*...but won't change the fact that economic headwinds remain and additional stimulus is required.*

All up, we think the economy has a little further to slow and we're expecting to see that in this week's Q1 GDP print. But even if Q1 growth surprises on the upside, that doesn't change the broader theme that economic momentum is waning, and that under an inflation and maximum-employment targeting framework this implies a little extra monetary stimulus is likely to be delivered. We expect the RBNZ will cut the OCR in November and again in February as forward-looking indicators begin to show that their expectation for a strong pick-up in growth is looking unlikely to be met (Figure 12). But as always, indicators for capacity pressures and core inflation will matter too.

Turning to the week ahead, Q1 Balance of Payments and GDP (out Wednesday and Thursday respectively) will get most of the attention. We expect the seasonally adjusted current account deficit to widen by around \$0.5bn from Q4. The goods deficit is expected to remain broadly stable, with both export and import values lifting slightly. The services surplus is expected to narrow around \$0.1bn on a seasonally adjusted basis, driven by higher imports. On the income side, the deficit is expected to widen, owing largely to higher primary income outflows on the back of growing international liabilities. The secondary income deficit is **expected to widen to more "normal" levels** (from broadly zero in Q4 to a deficit of \$0.1bn). This would keep the annual deficit as a share of GDP stable at 3.7%.



## Economic overview

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**Our Monthly Inflation Gauge for May is out at 1pm today and there's also a** GlobalDairyTrade auction scheduled for the wee hours of Wednesday morning. Futures prices retreated further at the end of last week following Fonterra announcing a significant increase in its offer volumes. This is particularly noticeable in the contract for July delivery indicating Fonterra has additional product it wishes to sell within the current financial year. Fonterra has advised a lift in milk intakes occurred late in the season but the sharp lift in volume may also be due to alternative sales channels not performing as expected. Futures reacted to this announcement with the contracts with nearby delivery dates retreating at the end of last week. But once this additional volume clears then prices should start to stabilise as global milk output is not expected to exceed demand growth.

### Local data

**ANZ Truckometer – May.** The ANZ Truckometer indexes both rose again in May. Growth in traffic may be finding a floor, consistent with our expectation that economic growth will bottom out around the middle of the year.

**Economic Survey of Manufacturing – Q1.** Total manufacturing volumes lifted 2.0% q/q, driven by another solid lift in meat and dairy. However, core manufacturing continued to soften.

**Permanent and Long-Term Migration – April.** We're not confident these data are providing a reliable pulse on the migration cycle. We suspect annual migration inflows are gradually easing.

**Short-term Visitor Arrivals – April.** Visitor arrivals from China were down 21% y/y, but increased arrivals from Australia provided an offset.

**Electronic Card Transactions – May.** Retail card spending fell 0.5% m/m, but these data have not been giving a good read on the household sector.

**BusinessNZ-BNZ Manufacturing PMI – May.** The PMI fell to its lowest level since 2012, but remains at an expansionary level for now. However, if this trend continues, there could be some spill-over to the wider economy.

**Food Price Index – May.** Food prices rose 0.7% m/m in May, broadly as expected.

**Rental Price Index – May.** As expected, rents lifted 0.3% m/m in May.

**REINZ housing market data – May.** REINZ house sales fell 2.7% in May (sa, ANZ estimate), taking annual sales growth to -9.5%. Nationwide, house prices rose 0.4% m/m in May, but annual growth slowed 0.4%pts to 1.9%.



## FX / rates overview

### Summary

*Concerns remain.*

Markets remained under a cloud of uncertainty last week. Geopolitical tensions continued to grab headlines, while mass protests in Hong Kong were also of concern. Better-than-expected US data has kept the USD buoyed but ongoing trade tensions and global economic woes kept safe-haven assets well bid.

### Key events this week

*Hoping to find direction.*

**RBA Meeting Minutes (Tuesday 18 June, 1:30pm).** The minutes will help the market gauge the RBA's bias.

**US FOMC Meeting (Thursday 20 June, 6:00am).** Markets are aggressively seeking cuts in the latter part of the year. Will the FOMC satisfy their expectations?

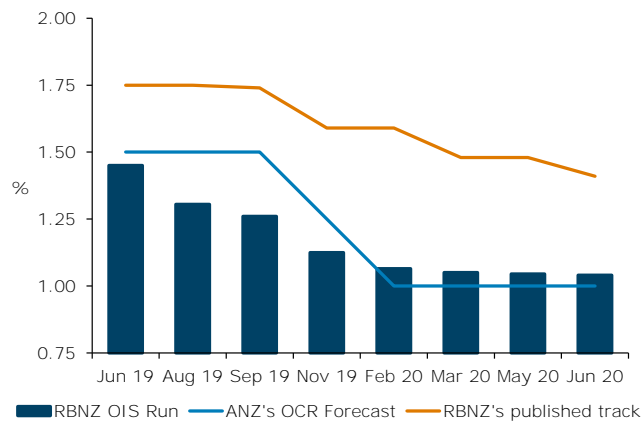
**NZ Q1 GDP (Thursday 20 June, 10:45am).** Markets will be eager to see if NZ's GDP gives the RBNZ a reason to ease policy again. We expect a 0.4% q/q print.

### Rates

*How low can you go?*

Unsurprisingly, yields continued to edge lower over the last week. The long end of the NZ curve continued to outperform, while the short end remained anchored by expectations of future monetary policy easing. While there is next to nothing priced in for the RBNZ's upcoming OCR Review, this week's Q1 GDP release may lead to an adjustment in the expectation for future meetings. Globally, US Treasuries have led interest rates lower.

**Figure 1. What's priced in for the RBNZ?**



Source: Bloomberg, ANZ Research

### FX

*From top to bottom.*

Safe-haven flow and better-than-expected economic data saw the USD flip the script on the week prior, and finish on a high. However, market sentiment remains fragile.

**NZD/USD:** The NZD went from 'top of the pops' to 'cellar dweller' – all in the space of a week. With little data to create much direction domestically, weaker NZ PMIs mixed with a stronger USD data pulse and simmering trade tensions saw the NZD fall.

**NZD/AUD:** The AUD fared similarly to the NZD. While softer AU employment figures gave the NZD an edge, the pair yo-yoed and remained range bound.

**NZD/EUR:** EUR continued to be buffeted by poor economic data. By week's end, the EUR had given back all of the previous week's gain and struggled to find any meaningful direction.

**NZD/GBP:** While the UK leadership contest continues, markets are becoming increasingly impatient with the GBP. With the Brexit deadline just four months away, the UK has an epic task – before Halloween.

**NZD/JPY:** Safe-haven flow kept the JPY buoyed at the back end of the week. The JPY was the only G10 currency to end the week where it started against the USD.





## Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time	
17-Jun	UK	Rightmove House Prices MoM - Jun	--	0.9%	11:01	
	UK	Rightmove House Prices YoY - Jun	--	0.1%	11:01	
	NZ	ANZ Monthly Inflation Gauge MoM - May	--	0.0%	13:00	
	EC	Labour Costs YoY - Q1	--	2.3%	21:00	
18-Jun	US	Empire Manufacturing - Jun	11.0	17.8	00:30	
	US	NAHB Housing Market Index - Jun	67.0	66.0	02:00	
	US	Net Long-term TIC Flows - Apr	--	-\$28.4B	08:00	
	US	Total Net TIC Flows - Apr	--	-\$8.1B	08:00	
	NZ	Westpac Consumer Confidence - Q2	--	103.8	09:00	
	AU	ANZ-RM Consumer Confidence Index - 16-Jun	--	114.6	11:30	
	AU	House Price Index QoQ - Q1	-2.6%	-2.4%	13:30	
	AU	House Price Index YoY - Q1	-6.9%	-5.1%	13:30	
	CH	New Home Prices MoM - May	--	0.62%	13:30	
	AU	RBA Minutes of June Policy Meeting	--	--	13:30	
	EC	Trade Balance SA - Apr	<b>€16.3B</b>	<b>€17.9B</b>	21:00	
	EC	Trade Balance NSA - Apr	--	<b>€22.5B</b>	21:00	
	EC	CPI MoM - May	0.2%	0.7%	21:00	
	EC	CPI YoY - May F	1.2%	--	21:00	
	EC	CPI Core YoY - May F	0.8%	0.8%	21:00	
	GE	ZEW Survey Current Situation - Jun	6.1	8.2	21:00	
	GE	ZEW Survey Expectations - Jun	-5.8	-2.1	21:00	
	EC	ZEW Survey Expectations - Jun	--	-1.6	21:00	
	19-Jun	US	Housing Starts - May	1235k	1235k	00:30
		US	Housing Starts MoM - May	0.0%	5.7%	00:30
US		Building Permits - May	1290k	1290k	00:30	
US		Building Permits MoM - May	0.0%	0.2%	00:30	
NZ		BoP Current Account Balance NZD - Q1	0.160B	-3.256B	10:45	
NZ		Current Account GDP Ratio YTD - Q1	-3.5%	-3.7%	10:45	
JN		Trade Balance - May	-¥1207.0B	¥56.8B	11:50	
JN		Trade Balance Adjusted - May	-¥806.9B	-¥110.9B	11:50	
JN		Exports YoY - May	-8.4%	-2.4%	11:50	
JN		Imports YoY - May	1.0%	6.5%	11:50	
AU		Westpac Leading Index MoM - May	--	-0.09%	12:30	
AU		Skilled Vacancies MoM - May	--	-1.60%	13:00	
NZ		Non Resident Bond Holdings - May	--	53.9%	15:00	
GE		PPI MoM - May	0.2%	0.5%	18:00	
GE		PPI YoY - May	2.2%	2.5%	18:00	
EC		ECB Current Account SA - Apr	--	<b>€24.7B</b>	20:00	
UK		CPI MoM - May	0.3%	0.6%	20:30	
UK		CPI YoY - May	2.0%	2.1%	20:30	
UK		CPI Core YoY - May	1.7%	1.8%	20:30	
UK		RPI MoM - May	0.2%	1.1%	20:30	
UK		RPI YoY - May	2.9%	3.0%	20:30	
UK		RPI Ex Mort Int.Payments (YoY) - May	2.9%	3.0%	20:30	
UK		PPI Input NSA MoM - May	0.2%	1.1%	20:30	
UK		PPI Input NSA YoY - May	0.8%	3.8%	20:30	
UK		PPI Output NSA MoM - May	0.2%	0.3%	20:30	
UK		PPI Output NSA YoY - May	1.8%	2.1%	20:30	

Continued on following page



## Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time	
19-Jun	UK	PPI Output Core NSA MoM - May	0.1%	0.2%	20:30	
	UK	PPI Output Core NSA YoY - May	2.0%	2.2%	20:30	
	UK	House Price Index YoY - Apr	1.1%	1.4%	20:30	
	EC	Construction Output MoM - Apr	--	-0.3%	21:00	
	EC	Construction Output YoY - Apr	--	6.3%	21:00	
	UK	CBI Trends Total Orders - Jun	-12	-10	22:00	
	UK	CBI Trends Selling Prices - Jun	-3	-1	22:00	
	US	MBA Mortgage Applications - 14-Jun	--	26.8%	23:00	
	20-Jun	US	FOMC Rate Decision - Jun	2.50%	2.50%	06:00
NZ		GDP SA QoQ - Q1	0.6%	0.6%	10:45	
NZ		GDP YoY - Q1	2.4%	2.3%	10:45	
EC		ECB Publishes Economic Bulletin	--	--	20:00	
UK		Retail Sales Ex Auto Fuel MoM - May	-0.5%	-0.2%	20:30	
UK		Retail Sales Ex Auto Fuel YoY - May	2.4%	4.9%	20:30	
UK		Retail Sales Inc Auto Fuel MoM - May	-0.5%	0.0%	20:30	
UK		Retail Sales Inc Auto Fuel YoY - May	2.7%	5.2%	20:30	
UK		Bank of England Bank Rate - Jun	0.75%	0.75%	23:00	
UK		BoE Corporate Bond Target - Jun	£10B	£10B	23:00	
UK		BoE Asset Purchase Target - Jun	£435B	£435B	23:00	
JN		BoJ Policy Balance Rate - Jun	--	-0.10%	UNSPECIFIED	
21-Jun		US	Current Account Balance - Q1	-\$125.0B	-\$134.4B	00:30
		US	Initial Jobless Claims - 42156	220k	222k	00:30
	US	Philadelphia Fed Business Outlook - Jun	10.4	16.6	00:30	
	US	Continuing Claims - 39600	1680k	1695k	00:30	
	US	Leading Index - May	0.1%	0.2%	02:00	
	EC	Consumer Confidence - Jun A	-6.5	-6.5	02:00	
	AU	CBA PMI Mfg - Jun P	--	51.0	11:00	
	AU	CBA PMI Services - Jun P	--	51.5	11:00	
	AU	CBA PMI Composite - Jun P	--	51.5	11:00	
	JN	Natl CPI YoY - May	0.7%	0.9%	11:30	
	JN	Natl CPI Ex Fresh Food YoY - May	0.7%	0.9%	11:30	
	JN	Markit PMI Mfg - Jun P	--	49.8	12:30	
	GE	Markit/BME Manufacturing PMI - Jun P	44.6	44.3	19:30	
	GE	Markit Services PMI - Jun P	55.3	55.4	19:30	
	GE	Markit/BME Composite PMI - Jun P	52.5	52.6	19:30	
	EC	Markit Manufacturing PMI - Jun P	48.0	47.7	20:00	
	EC	Markit Services PMI - Jun P	53.0	52.9	20:00	
	EC	Markit Composite PMI - Jun P	52.0	51.8	20:00	
	UK	Public Finances (PSNCR) - May	--	-£7.1B	20:30	
	UK	Public Sector Net Borrowing - May	£3.2B	£5.0B	20:30	
	UK	PSNB ex Banking Groups - May	£4.2B	£5.8B	20:30	
22-Jun	US	Markit Manufacturing PMI - Jun P	50.5	50.5	01:45	
	US	Markit Services PMI - Jun P	51.0	50.9	01:45	
	US	Markit Composite PMI - Jun P	--	50.9	01:45	
	US	Existing Home Sales - May	5.25M	5.19M	02:00	
	US	Existing Home Sales MoM - May	1.2%	-0.4%	02:00	

Key: AU: Australia, EC: Eurozone, GE: Germany, JN: Japan, NZ: New Zealand, UK: United Kingdom, US: United States, CH: China.

Source: Dow Jones, Reuters, Bloomberg, ANZ Bank New Zealand Limited. All \$ values in local currency.

Note: All surveys are preliminary and subject to change



## Local data watch

Domestic growth momentum has decelerated and global risks are heightened. As headwinds persist, we expect further OCR cuts will be required later in the year to support growth, inflation and employment. The resilience of domestic data, the trend in inflation and global developments will all bear watching closely.

Date	Data/event	Economic signal	Comment
Mon 17 June (1:00pm)	ANZ Monthly Inflation Gauge - May	--	--
Wed 19 June (early am)	GlobalDairyTrade auction	Easing	Dairy prices are under pressure due to a lift in offer volumes but should be supported in the longer term.
Wed 19 June (10:45am)	Balance of Payments - Q1	Stable	The annual current account looks set to remain stable as a share of GDP.
Thu 20 June (10:45am)	Gross Domestic Product - Q1	Steady	We're picking modest growth of 0.4% in the quarter, which, absent revisions, would see annual growth tick down to 2.2%.
Tue 25 June (10:45am)	Overseas Merchandise Trade - May	Steady	Exports to stabilise as we move into winter months with the unadjusted surplus maintained.
Wed 26 June (2:00pm)	RBNZ OCR Review	Steady	The RBNZ is back in watch, worry, and wait mode for now. But we expect more OCR cuts will be needed in time.
Thu 27 June (1:00pm)	ANZ Business Outlook - June	--	--
Fri 28 June (10:00am)	ANZ Roy Morgan Consumer Confidence - June	--	--
Tue 2 July (10:45am)	Building Consents - May	Wary	Consents have held at a high level recently, but we see downside risk looming.
Wed 3 July (early am)	GlobalDairyTrade auction	Stable	Dairy prices are expected to stabilise in July.
Wed 3 July (1:00pm)	ANZ Commodity Price Index - June	--	--
Tue 9 July (10:00am)	ANZ Truckometer - June	--	--
Wed 10 July (10:45am)	Food Price Index - June	Small lift	A lift in food prices from fruit, vegetables and meats should support a rise in the food group for the quarter.
Wed 10 July (10:45am)	Rental Price Index - June	Small rise	Continued increases in rental prices should support a solid quarterly rise in CPI rents.
10-15 July	REINZ housing market data - June	Searching	<b>These data have been volatile of late. We'll be looking to see where the trend is settling.</b>
Thu 11 July (10:45am)	Electronic Card Transactions - June	Looking through	Not giving a good read on the household sector. <b>We'll look through the noisy signal; consumption remains robust.</b>
Thu 11 July (1:00pm)	ANZ Monthly Inflation Gauge - June	--	--
Fri 12 July (10:30am)	BusinessNZ-BNZ Manufacturing PMI - June	Risk	The PMI fell to its lowest level since 2012 in May. Any further falls and there could be spillovers to the broader economy.
Mon 15 July (10:30am)	Performance Services Index - June	Watching	Services industries have been leading headline GDP growth, <b>but there's a gradual easing trend at play. Looking for a floor.</b>
Mon 15 July (10:45am)	Permanent and Long-Term Migration - May	Trend	Still not confident in the recent data. Looking at the older data point for confirmation of an easing migration cycle.
Mon 15 July (10:45am)	Short-term Visitor Arrivals - May	High	Arrivals from China have fallen recently, but increased arrivals from elsewhere have filled the gap. Can that persist?
Tue 16 July (10:45am)	Consumers Price Index - Q2	Solid	We expect a solid 0.7% q/q print, supported by higher petrol prices.
Wed 17 July (early am)	GlobalDairyTrade auction	Resilient	Dairy prices remain supported by softer global supply. Slowing global demand remains a risk.
<b>On balance</b>		<b>Data watch</b>	<b>Domestic and global data has softened and we expect more OCR cuts from later this year with inflation pressures fading.</b>



## Key forecasts and rates

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
GDP (% qoq)	0.6	<b>0.4</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>
GDP (% yoy)	2.3	<b>2.2</b>	<b>1.9</b>	<b>2.2</b>	<b>2.2</b>	<b>2.4</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>	<b>2.7</b>
CPI (% qoq)	0.1	0.1	<b>0.7</b>	<b>0.5</b>	<b>0.2</b>	<b>0.7</b>	<b>0.5</b>	<b>0.5</b>	<b>0.2</b>	<b>0.7</b>
CPI (% yoy)	1.9	1.5	<b>1.8</b>	<b>1.4</b>	<b>1.5</b>	<b>2.1</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>
LCI Wages (% qoq)	0.5	0.3	<b>0.6</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>	<b>0.3</b>
LCI Wages (% yoy)	2.0	2.0	<b>2.0</b>	<b>2.1</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>
Employment (% qoq)	0.0	-0.2	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
Employment (% yoy)	2.3	1.5	<b>1.4</b>	<b>0.7</b>	<b>1.1</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
Unemployment Rate (% sa)	4.3	4.2	<b>4.3</b>	<b>4.3</b>	<b>4.4</b>	<b>4.4</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>
Current Account (% GDP)	-3.7	<b>-3.7</b>	<b>-3.6</b>	<b>-3.7</b>	<b>-3.8</b>	<b>-3.8</b>	<b>-3.9</b>	<b>-4.0</b>	<b>-4.0</b>	<b>-4.0</b>
Terms of Trade (% qoq)	-3.2	1.0	<b>1.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>
Terms of Trade (% yoy)	-4.8	-2.0	<b>-1.3</b>	<b>-1.0</b>	<b>2.4</b>	<b>1.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>	<b>0.8</b>

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Retail ECT (% mom)	1.2	0.8	0.0	-0.5	-2.2	2.0	0.7	-0.2	0.6	-0.5
Retail ECT (% yoy)	6.3	5.7	6.2	4.6	0.6	3.5	3.4	0.7	4.5	3.2
Car Registrations (% mom)	2.4	-4.5	4.9	-11.1	-0.6	4.4	1.4	-2.4	2.0	-1.4
Car Registrations (% yoy)	-4.7	-10.8	-5.4	-17.9	-15.8	-12.1	-3.9	-2.9	-0.5	-12.6
Building Consents (% mom)	6.9	-1.2	1.9	-1.7	4.8	13.0	1.5	-7.4	-8.0	--
Building Consents (% yoy)	-2.5	-3.0	8.7	-3.0	12.5	32.0	28.2	3.0	-3.6	--
REINZ House Price Index (% yoy)	4.0	4.0	3.8	3.1	3.1	2.8	3.0	2.4	1.4	1.8
Household Lending Growth (% mom)	0.5	0.4	0.4	0.6	0.4	0.5	0.5	0.5	0.5	--
Household Lending Growth (% yoy)	6.0	5.9	5.8	6.0	5.9	5.9	5.9	5.9	5.9	--
ANZ Roy Morgan Consumer Conf.	117.6	117.6	115.4	118.6	121.9	121.7	120.8	121.8	123.2	119.3
ANZ Business Confidence	-50.3	-38.3	-37.1	-37.1	-24.1	..	-30.9	-38.0	-37.5	-32.0
ANZ Own Activity Outlook	3.8	7.8	7.4	7.6	13.6	..	10.5	6.3	7.1	8.5
Trade Balance (\$m)	-1567	-1580	-1305	-1004	9	-935	-66	824	433	--
Trade Bal (\$m ann)	-4894	-5309	-5774	-5556	-6161	-6433	-6687	-5713	-5479	--
ANZ World Comm. Price Index (% mom)	-1.1	-2.4	-2.4	-0.5	-0.2	2.0	2.8	4.1	2.6	0.0
ANZ World Comm. Price Index (% yoy)	-0.5	-3.5	-5.6	-5.1	-3.4	-2.2	-2.2	0.6	2.2	0.7
Net Migration (sa)	4170	4180	4310	4790	5870	4930	5340	4630	4870	--
Net Migration (ann)	49554	49975	50491	51214	52135	52820	54560	55101	55832	--
ANZ Heavy Traffic Index (% mom)	0.3	-1.2	4.3	-2.2	-4.2	4.8	0.4	-2.0	4.0	0.8
ANZ Light Traffic Index (% mom)	1.2	-1.2	0.3	0.1	-1.7	2.0	-0.8	0.7	0.3	0.9
ANZ Monthly Inflation Gauge (% mom)	0.2	0.3	0.4	0.2	-0.1	1.1	0.0	-0.1	0.0	--

Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year



## Key forecasts and rates

FX rates	Actual			Forecast (end month)						
	Apr-19	May-19	Today	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
NZD/USD	0.668	0.653	0.65	0.65	0.64	0.64	0.63	0.63	0.63	0.63
NZD/AUD	0.947	0.941	0.95	0.93	0.96	0.98	0.94	0.91	0.89	0.86
NZD/EUR	0.595	0.585	0.58	0.59	0.59	0.58	0.55	0.53	0.50	0.50
NZD/JPY	74.37	70.72	70.49	71.5	69.1	69.1	66.2	66.2	66.2	66.2
NZD/GBP	0.512	0.517	0.52	0.52	0.52	0.50	0.48	0.46	0.46	0.46
NZ\$ TWI	71.5	70.2	71.8	70.2	70.0	69.9	67.1	65.8	64.6	64.2
Interest rates	Apr-19	May-19	Today	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
NZ OCR	1.75	1.50	1.50	1.50	1.50	1.25	1.00	1.00	1.00	1.00
NZ 90 day bill	1.81	1.67	1.57	1.70	1.62	1.37	1.20	1.20	1.20	1.20
NZ 10-yr bond	1.90	1.71	1.63	1.80	1.85	1.85	1.80	1.85	1.80	1.80
US Fed funds	2.50	2.50	2.50	2.50	2.50	2.25	2.00	2.00	2.00	2.00
US 3-mth	2.58	2.50	2.40	2.65	2.65	2.40	2.15	2.15	2.15	2.15
AU Cash Rate	1.50	1.50	1.25	1.25	1.00	0.75	0.75	0.75	0.75	0.75
AU 3-mth	1.56	1.42	1.30	1.45	1.20	0.95	0.95	0.95	0.95	0.95

	14-May	10-Jun	11-Jun	12-Jun	13-Jun	14-Jun
Official Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50
90 day bank bill	1.70	1.61	1.61	1.60	1.60	1.57
NZGB 05/21	1.40	1.25	1.25	1.24	1.21	1.17
NZGB 04/23	1.46	1.30	1.30	1.29	1.26	1.22
NZGB 04/27	1.67	1.56	1.56	1.54	1.51	1.48
NZGB 04/33	1.96	1.93	1.92	1.90	1.87	1.83
2 year swap	1.59	1.42	1.42	1.41	1.40	1.37
5 year swap	1.71	1.55	1.55	1.54	1.52	1.48
RBNZ TWI	72.46	73.11	72.60	72.30	72.52	72.07
NZD/USD	0.6581	0.6613	0.6580	0.6577	0.6562	0.6492
NZD/AUD	0.9473	0.9497	0.9463	0.9462	0.9500	0.9447
NZD/JPY	72.17	71.83	71.54	71.26	71.20	70.47
NZD/GBP	0.5081	0.5217	0.5180	0.5163	0.5179	0.5156
NZD/EUR	0.5860	0.5848	0.5815	0.5810	0.5814	0.5791
AUD/USD	0.6946	0.6964	0.6953	0.6950	0.6907	0.6872
EUR/USD	1.1229	1.1308	1.1314	1.1320	1.1287	1.1208
USD/JPY	109.68	108.61	108.74	108.35	108.50	108.56
GBP/USD	1.2952	1.2675	1.2701	1.2738	1.2671	1.2589
Oil (US\$/bbl)	61.78	53.26	53.27	51.14	52.28	52.51
Gold (US\$/oz)	1297.80	1328.27	1322.44	1335.01	1336.41	1341.70
NZX 50	10070	10028	10139	10205	10224	10235
Baltic Dry Freight Index	1043	1125	1105	1080	1062	1085
NZX WMP Futures (US\$/t)	3270	3125	3115	3115	3100	3090



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