

# New Zealand Weekly Focus

19 August 2019



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Please refer to the  
Important Notice.

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## Not aging well

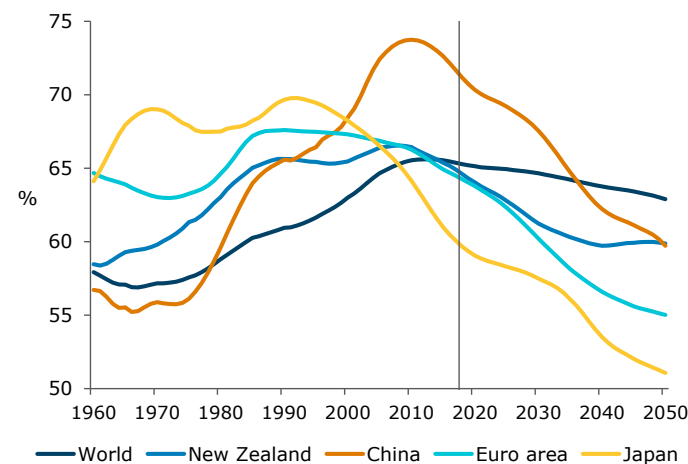
### Economic overview

Aging demographics are going to pose significant challenges in the decades ahead, for New Zealand and the global economy. Favourable demographics have been a tailwind for the global economy since the 1970s, as baby boomers have transitioned through the workforce. But now, the tide has turned. In some economies, the change is going to be significant – in China in particular. Looking ahead, an aging population globally implies lower GDP growth rates, lower interest rates, and greater debt burdens. In this new world, central banks need to prepare for what happens when policy rates hit zero (if they haven't already), and governments need to prepare for the fiscal burden of greater health and superannuation costs.

### Chart of the week

Favourable demographics have turned globally. China is about to start looking like Japan and Europe, and New Zealand's demographics are starting to drag too.

#### Percentage of population aged 15-64 years old



Source: World Bank, ANZ Research

### The ANZ heatmap

Variable	View	Comment	Risks around our view
GDP	2.2% y/y for 2020 Q1	Growth has slowed, but we expect it is finding a floor. OCR cuts should support a gradual acceleration, but risks are skewed to the downside.	Neutral Negative Positive
Unemployment rate	4.2% for 2020 Q1	The labour market is "tight", but the weaker economy will push up unemployment. Wage and employment growth to remain modest.	Neutral Negative Positive
OCR	0.75% in March 2020	The RBNZ cut the OCR to 1% in August. We expect a further cut in November 2019.	Neutral Down Up
CPI	1.8% 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.	Neutral Negative Positive



# Economic overview

*Population aging means lower growth, lower interest rates, and greater debt burdens ahead.*

## Summary

Aging demographics are going to pose significant challenges in the decades ahead, for New Zealand and the global economy. Favourable demographics have been a tailwind for the global economy since the 1970s, as baby boomers transitioned through the workforce. But now, the tide has turned. In some economies, the change is going to be significant – in China in particular, the implications of their decades-long one-child policy are starting to bite. Looking ahead, an aging population globally implies lower GDP growth rates, lower interest rates, and greater debt burdens. In this new world, central banks need to prepare for what happens when policy rates hit zero (if they haven't already), and governments need to prepare for the fiscal burden of greater health and superannuation costs.

## Forthcoming data

**GlobalDairyTrade auction (Wednesday 21 August, early am).** Further downward price pressure expected at this event, although the longer term outlook is stronger.

**Retail Sales – Q2 (Friday 23 August, 10:45am).** Annual growth in retail sales volumes has been trending sideways. We've pencilled in a relatively soft 0.1% q/q lift.

## What's the view?

A key factor underpinning growth in the global economy since the 1970s has been an increasing share of the population in the 15-64 year old bucket (figure 1). This increasing share of "prime-age" workers has added to labour supply (boosting growth rates) and meant more working people to support the young, the elderly, and broad government accounts.

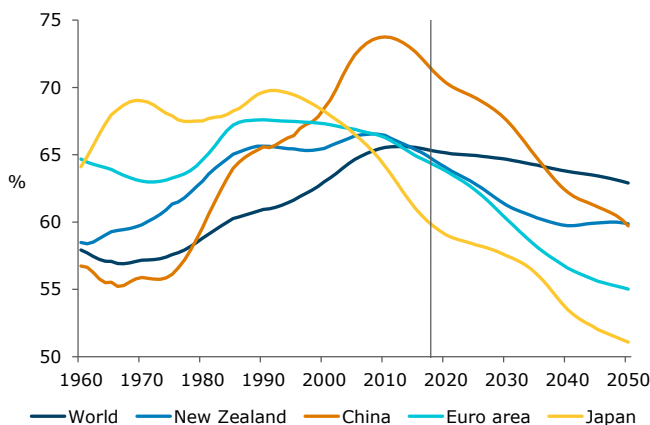
*Favourable demographics have been a global tailwind for some time...*

However, since around the time of the global financial crisis, the share of the total population aged 15-64 years old has fallen in many economies. This trend decline is destined to continue, due to a combination of retiring baby boomers and lower birth rates in many economies – particularly in China as the effects of the decades-old one-child policy begin to be felt.

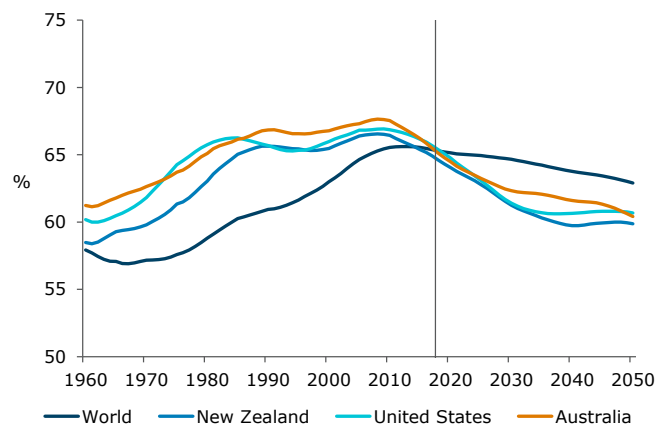
*...but the tide is turning.*

If we want to peer into the future to see what an aging population looks like for an economy, we can look at Japan. As shown in the yellow line in figure 1, the share of working age population has been trending lower since the mid-1990s, from near 70% to close to 60% currently. This structural shift in age composition occurred well ahead of other economies, and is set to continue.

**Figure 1. Percentage of population aged 15-64 years old**



**Figure 2. Percentage of population aged 15-64 years old**



Source: World Bank, ANZ Research

*Japan was first...*

And what has been the effect of an aging population on the Japanese economy? It has contributed to deflation, falling land prices, more government debt, lower growth, negative



## Economic overview

*...and the rest of the world is following.*

*And New Zealand isn't immune.*

*An aging population has serious economic implications.*

*Lower labour supply means lower trend growth.*

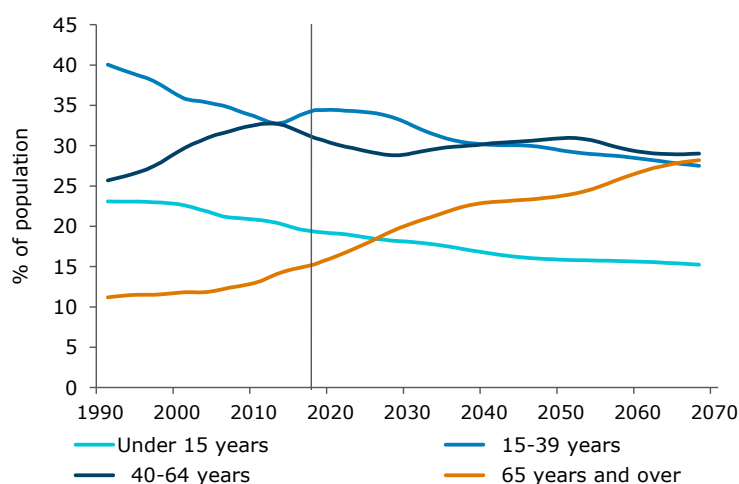
interest rates, and unconventional monetary policy.

One concerning observation is that China over the next few decades is set to follow a similar trend lower in working age population as Japan has done. This has already been a significant factor contributing to the slowing growth rates for the Chinese economy.

New Zealand's demographics are similar to Australia and the US (figure 2). In the past decade, New Zealand has already started to see the share of the population aged 15-65 years old fall. Barring dramatic changes to immigration policy this trend will continue into the future, at a similar pace to the US and Australia.

Breaking down the age groups for New Zealand, the proportion of the population aged 65 years and over is set to increase from around 13% currently to over 25% by 2060. With lower fertility rates (and a smaller proportion of women of childbearing age), the share of youth in New Zealand (those aged less than 15 years) is set to decline from around 20% currently towards about 15% in the decades ahead.

**Figure 3. New Zealand age cohort demographics**



Source: Statistics NZ, ANZ Research

There are a few key implications of an aging population for the economy:

- **Lower trend growth:** Slower labour supply means productivity growth is the only game in town.
- **Lower interest rates:** Lower 10-year bond yields and neutral interest rates, as savings rise and trend growth slows.
- **Higher debt burdens:** The fiscal implications of greater pension and healthcare costs, and increasing dependency on a relatively smaller workforce to support youth and the elderly.

Slowing fertility rates and an aging population means less labour supply growth (or in the extreme case of China, an actual shrinking labour supply), as older people leave the workforce and aren't replaced at the same rate by younger entrants. An aging population also creates a drag on the aggregate labour force participation rate in the economy, as older workers tend to participate less.<sup>1</sup> But in recent decades, particularly in New Zealand, rising participation among women and older workers has offset this compositional drag.

Less labour supply growth means slower economic growth if productivity does not pick up. For example, economies with high fertility levels have had rapid population growth and have grown much faster than in economies where fertility has transitioned below replacement levels – but not necessarily in per capita terms, which is the type of growth

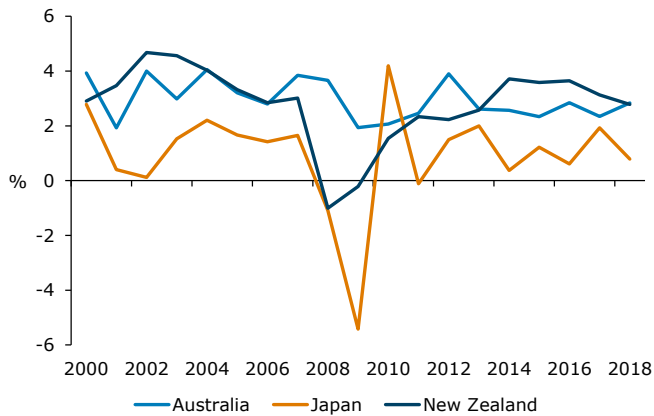
<sup>1</sup> See Callaghan, Culling, and Robinson (2018), 'Ageing is a drag: Projecting labour force participation in New Zealand', RBNZ Analytical Note, AN2018/10.



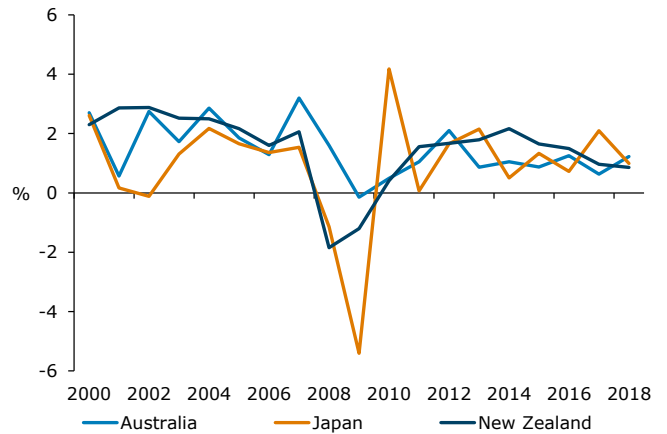
## Economic overview

that actually tends to improve standards of living. Figures 4 and 5 below show that Japan might have lagged New Zealand and Australia in terms of GDP growth over the last decade, but Japan is comparable in per capita terms.

**Figure 4. Annual GDP growth**



**Figure 5. Annual GDP growth per capita**



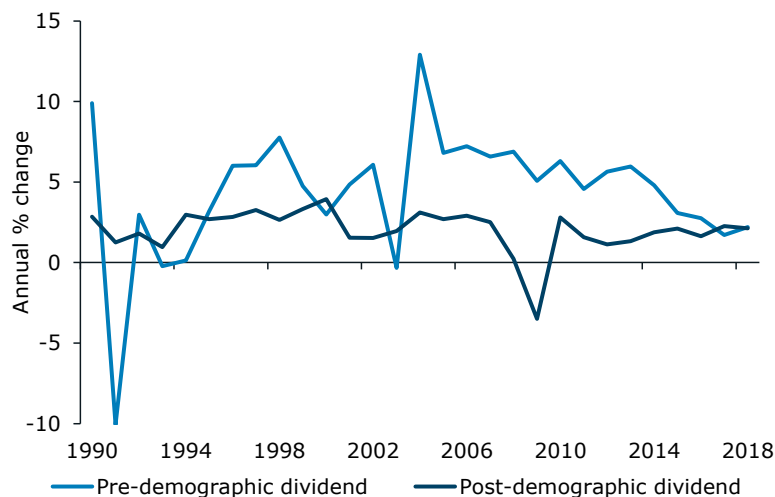
Source: World Bank

*So productivity growth is (as always) the key.*

Going forward, the bulk of growth will have to come from productivity gains, rather than population growth in many advanced economies, and in China. Productivity growth is (as always) the only way to sustainably improve standards of living.

Figure 6 shows that economies with favourable demographics tend to grow faster. In the figure, 'pre-demographic dividend' economies are mostly low-income countries, lagging in key human development indicators and with current fertility levels above four births per woman. They face very rapid population growth. 'Post-demographic dividend' economies are mostly high-income countries where fertility has transitioned below replacement levels.

**Figure 6. GDP growth rates**



Source: World Bank

Global demographic trends will likely put downward pressure on interest rates in the longer term. The economic literature suggests that an increase in life expectancy encourages people to save more, pushing real interest rates lower.<sup>2</sup> The proportion of those aged 65 years and older is correlated with lower 10-year government bond yields

<sup>2</sup> See Carvalho, Ferrero, and Nechio (2017), 'Demographic Transition and Low US Interest Rates', FRBSF Economic Letter, Federal Reserve Bank of San Francisco.



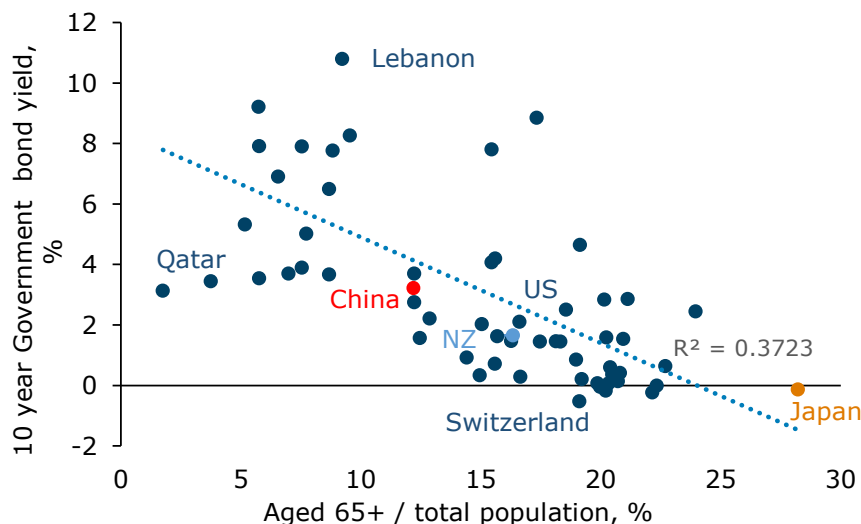
## Economic overview

*An aging population puts downward pressure on interest rates.*

(figure 7), consistent with this theory.

With the share of those aged 65 and older expected to hit about 23% in New Zealand by 2050, this relationship would imply NZ 10-year government bond rates close to zero by then.

**Figure 7. Aging and government bond yields**



Source: Bloomberg, ANZ Research

Looking beyond 10-year yields, lower interest rates have important implications for central banks, with neutral interest rates also trending lower globally in recent decades (figure 8). Lower neutral interest rates mean a higher probability of hitting the zero lower bound, which limits the ability of central banks to respond to future recessionary shocks.

Three key global developments have caused neutral interest rates to come down in a number of developed economies over the past two decades:<sup>3</sup>

1. Changes in demographics,
2. A slowdown in productivity growth, and
3. Heightened demand for safe assets

In terms of demographic changes, there are two key ways in which demographics can affect neutral interest rates. Firstly, when people expect to live longer, they tend to save more for retirement, and this increased saving puts downward pressure on interest rates. Secondly, an aging population and slowing population growth limit the supply of available workers in an economy. Fewer people joining the labour force means fewer people working, producing, and consuming things, which leads to slower growth and less investment, which in turn drives neutral interest rates down. In other words, if potential output growth declines, the neutral interest rate declines with it.

Estimates of neutral interest rates are very uncertain, but the RBNZ's estimate of the **real** interest rate has trended lower since the 1990s, consistent with the trend lower in neutral rates globally (figure 8). Based on RBNZ data, the current real interest rate estimate for New Zealand is 1.2%, compared to 0.5% in the US, and -0.4% in the euro area.<sup>4</sup>

*Lower neutral interest rates impact central bank policy.*

*Global neutral interest rates have trended lower globally.*

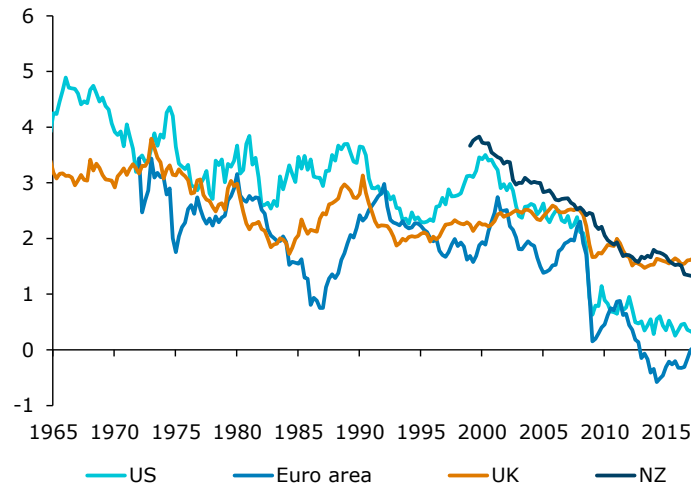
<sup>3</sup> See Williams (2018), 'The Future Fortunes of R-star: Are They Really Rising?', Speech, Federal Reserve Bank of San Francisco, and Hong and Shell (2019), 'Factors Behind the Decline in the US Natural Rate of Interest', Federal Reserve Bank of St. Louis.

<sup>4</sup> The New Zealand real neutral rate is the RBNZ's neutral interest rate estimate, minus 10-year inflation expectations. Other estimates are from Holston-Laubach-Williams (2017).



## Economic overview

**Figure 8. Real neutral interest rate estimates**



Source: Federal Reserve Bank of New York, RBNZ, ANZ Research

*Government spending and debt will also be affected.*

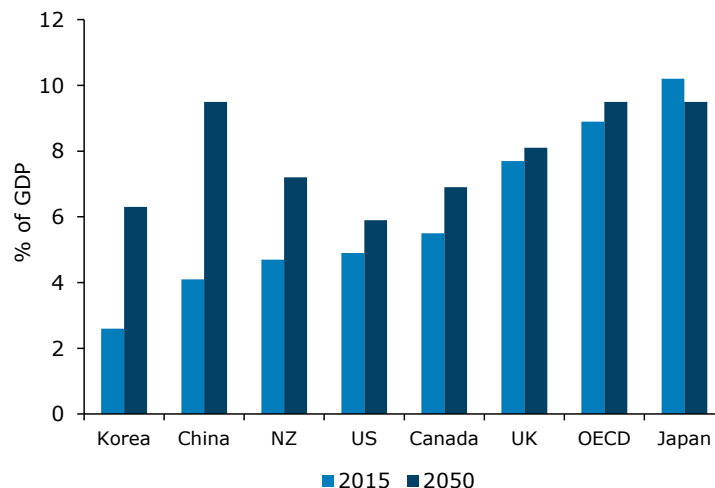
Changes in demographics also have significant implications for government spending and debt levels. Superannuation costs are already a substantial part of public expenditure in many economies, and its share of expenditure is set to rise in the decades ahead, based on current legislation (figure 9).

Economies with more rapidly aging populations and generous pension benefits are set to see costs blow out the most. The share of public expenditure on pensions is set to more than double in China by 2050. In New Zealand, public expenditure on superannuation is set to increase from 4.7% of nominal GDP in 2015 to 7.2% in 2050.

*Pension expenditure is set to rise.*

To mitigate these rising costs, benefits will have to be reduced and/or retirement ages will have to be raised. Alternatively, to fund increasing pension costs, taxes or debt (ie future taxation) will have to rise and/or government spending on other things (like health and education) will have to fall.

**Figure 9. Projections of public expenditure on pensions**



Source: OECD, ANZ Research

*Superannuation and health will cost NZ.*

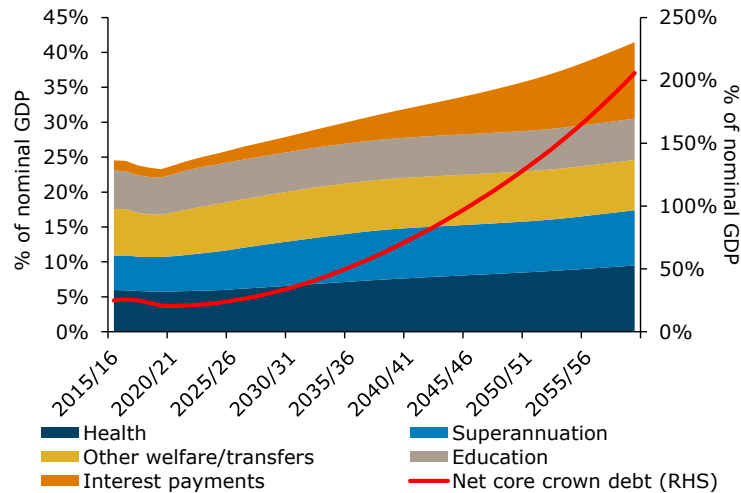
For New Zealand, both superannuation and health costs will rise as the population ages (figure 10). Long-term projections are very uncertain, but demographic projections are much more reliable than most, and the picture doesn't look great, particularly if the retirement age is held at 65 years and superannuation continues to not be means-tested. That said, the New Zealand Treasury's projections below assume a long-run nominal and real interest rate of 5.3% and 3.3% respectively (feeding directly into the interest payment component of the chart), and if this proves to be a heroic call, the "blow out"



## Economic overview

properties in the chart below could be significantly reduced. Regardless, health and superannuation expenses will continue to rise as the population ages.

**Figure 10. New Zealand fiscal expenses and net core crown debt**



Source: NZ Treasury, ANZ Research

*Fewer workers will need to provide for more dependents.*

Less-favourable demographics will also mean a greater burden of responsibility on workers to provide for others. Dependency ratios (the number of people aged 0-14 and 65+ years old, divided by the number aged 15-64 years old) will rise in the decades ahead. There are currently around 4 people of working age per person aged 65 or older, and by 2030 this is projected to fall to just 3 people, meaning more financial stress on working people. The rising dependency ratio will affect not just governments, but also household saving and consumption decisions.

With the aging population (both in New Zealand and globally) there's an important lesson for monetary and fiscal policy: be prepared.

For the RBNZ, that means preparing for structurally lower interest rates. More time close to (and possibly below) the zero lower bound is likely and a clear plan for unconventional monetary policy strategy is needed. We've outlined some areas where work needs to start to [prepare for unconventional monetary policy](#).

*The RBNZ and government need to be prepared.*

For government, preparing for an aging population means reviewing transfer payments like superannuation and pre-empting health costs. Because if changes aren't made, the burden will eventually fall on younger generations via higher taxes, and/or lower transfers and benefits (ie less government spending) in the future. The longer the status quo is maintained the harsher the eventual adjustment will need to be. In short, the slower we go, the bigger the mess.

Looking at the week ahead, retail sales volumes for Q2 on Friday marks the first partial indicator for Q2 GDP. We're expecting a relatively soft read of just 0.1% q/q. The GlobalDairyTrade auction on Wednesday morning will provide an update on dairy prices. Futures prices indicate downward momentum in the market at present as buyers are aware offer volumes will hit their seasonal peak over the next few months. The longer term outlook looks firmer as global milk supply growth slows.

### Local data

**REINZ housing market data – July.** Nationwide, house prices were flat m/m in July (1.7% y/y 3mma). The theme of regional divergence continues, with Auckland house prices flat m/m, to be down 3.3% y/y. The ex-Auckland index rose 0.2% m/m, but annual growth softened further to 6.3% y/y. House sales did see a boost in the month, rising 4.8% m/m (sa, ANZ estimate).



## Economic overview

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**Food Price Index – July.** Food prices rose a solid 1.1% in July, led by strong gains in meat prices.

**Rental Price Index – July.** Rental prices ticked up 0.3% m/m in July, a touch stronger than we were expecting, to be up 3.3% y/y. The stock measure of rental inflation is a direct input into Statistics NZ's quarterly CPI.

**ANZ Monthly Inflation Gauge – July.** The Gauge rose 0.5% m/m in July, supported by price increases for property rates, vehicle licencing fees, domestic airfares, and housing-related components.

**BusinessNZ-BNZ Manufacturing PMI – July.** The PMI drifted further south, officially into contractionary territory, and suggesting slowing manufacturing activity is yet to find a floor. Of particular concern, the employment component plunged to a post-2009 low, suggesting the sector is shedding headcount and implying spillovers to the household sector are indeed materialising.

**Performance Services Index – July.** The PSI lifted in July – a tentative sign that slowing momentum in services industries has found a floor. However, it's still early days, and other forward-looking indicators (such as the PMI) aren't as rosy.





## Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
19-Aug	JN	Trade Balance - Jul	-¥210.0B	¥589.6B	11:50
	JN	Trade Balance Adjusted - Jul	-¥241.3B	-¥14.4B	11:50
	JN	Exports YoY - Jul	-2.3%	-6.6%	11:50
	JN	Imports YoY - Jul	-2.1%	-5.2%	11:50
	EC	ECB Current Account SA - Jun	--	€29.7B	20:00
	EC	CPI MoM - Jul	-0.4%	0.2%	21:00
	EC	CPI YoY - Jul F	1.1%	1.3%	21:00
20-Aug	EC	CPI Core YoY - Jul F	0.9%	0.9%	21:00
	AU	ANZ-RM Consumer Confidence Index - 18-Aug	--	115.5	11:30
	AU	RBA Minutes of August Policy Meeting	--	--	13:30
	GE	PPI MoM - Jul	0.1%	-0.4%	18:00
	GE	PPI YoY - Jul	1.1%	1.2%	18:00
	EC	Construction Output MoM - Jun	--	-0.3%	21:00
	EC	Construction Output YoY - Jun	--	2.0%	21:00
21-Aug	UK	CBI Trends Total Orders - Aug	-25	-34	22:00
	UK	CBI Trends Selling Prices - Aug	--	12	22:00
	AU	Westpac Leading Index MoM - Jul	--	-0.1%	12:30
	AU	Skilled Vacancies MoM - Jul	--	-0.6%	13:00
	NZ	Credit Card Spending YoY - Jul	--	6.6%	15:00
	NZ	Credit Card Spending MoM - Jul	--	1.5%	15:00
	UK	Public Finances (PSNCR) - Jul	--	£15.2B	20:30
22-Aug	UK	Public Sector Net Borrowing - Jul	-£3.7B	£6.5B	20:30
	UK	PSNB ex Banking Groups - Jul	-£3.0B	£7.2B	20:30
	US	MBA Mortgage Applications - 16-Aug	--	21.7%	23:00
	US	Existing Home Sales - Jul	5.38M	5.27M	02:00
	US	Existing Home Sales MoM - Jul	2.2%	-1.7%	02:00
	US	FOMC Meeting Minutes - 31-Jul	--	--	06:00
	AU	CBA PMI Mfg - Aug P	--	51.6	11:00
AU	CBA PMI Services - Aug P	--	52.3	11:00	
AU	CBA PMI Composite - Aug P	--	52.1	11:00	
JN	Jibun Bank PMI Mfg - Aug P	--	49.4	12:30	
JN	Jibun Bank PMI Composite - Aug P	--	51.2	12:30	
JN	Jibun Bank PMI Services - Aug P	--	51.8	12:30	
GE	Markit/BME Manufacturing PMI - Aug P	43.0	43.2	19:30	
GE	Markit Services PMI - Aug P	54.0	54.5	19:30	
GE	Markit/BME Composite PMI - Aug P	50.9	50.9	19:30	
EC	Markit Manufacturing PMI - Aug P	46.5	46.5	20:00	
EC	Markit Services PMI - Aug P	52.8	53.2	20:00	
EC	Markit Composite PMI - Aug P	51.2	51.5	20:00	
UK	CBI Retailing Reported Sales - Aug	--	-16	22:00	
UK	CBI Total Dist. Reported Sales - Aug	--	-11	22:00	
23-Aug	US	Initial Jobless Claims - 17-Aug	--	220k	00:30
	US	Continuing Claims - 10-Aug	--	1726k	00:30
	US	Markit Manufacturing PMI - Aug P	50.5	50.4	01:45
	US	Markit Services PMI - Aug P	52.8	53.0	01:45
	US	Markit Composite PMI - Aug P	--	52.6	01:45
	US	Leading Index - Jul	0.2%	-0.3%	02:00
	EC	Consumer Confidence - Aug A	-6.8	-6.6	02:00

Continued on following page



## Data calendar

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Date	Country	Data/event	Mkt.	Last	NZ time
23-Aug	US	Kansas City Fed Manf. Activity - Aug	--	-1	03:00
	NZ	Retail Sales Ex Inflation QoQ - Q2	0.2%	0.7%	10:45
	JN	Natl CPI YoY - Jul	0.6%	0.7%	11:30
	JN	Natl CPI Ex Fresh Food YoY - Jul	0.6%	0.6%	11:30
24-Aug	US	New Home Sales - Jul	645k	646k	02:00
	US	New Home Sales MoM - Jul	-0.2%	7.0%	02:00
	GE	Import Price Index MoM - Jul	-0.3%	-1.4%	24 - 31 Aug
	GE	Import Price Index YoY - Jul	-2.2%	-2.0%	24 - 31 Aug

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 a lower OCR will be required this 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
Wed 21 Aug (early am)	GlobalDairyTrade auction	Softer	Small downward price movement expected at this week's dairy event.
Fri 23 Aug (10:45am)	Retail Sales – Q2	Sideways	Annual growth in retail sales volumes has been trending sideways. Upside is limited.
Mon 26 Aug (10:45am)	Overseas Merchandise Trade – July	Steady	Export volumes expected to slow as log prices ease and volumes of meat and dairy processed at seasonal low.
Thu 29 Aug (1:00pm)	<a href="#">ANZ Business Outlook – Aug</a>	--	--
Fri 30 Aug (10:00am)	<a href="#">ANZ Roy Morgan Consumer Confidence – Aug</a>	--	--
Fri 30 Aug (10:45am)	Building Consents – July	Wary	Consents have held at a high level recently, but we see downside risk looming.
Mon 2 Sep (10:45am)	Terms of Trade – Q2	Sideways	Both export and import prices are poised to lift around 2% largely owing to a lower NZD.
Wed 4 Sep (early am)	GlobalDairyTrade auction	Steady	Seasonal increase in offer volumes will test buyers but tightening global milk supply should underpin demand.
Wed 4 Sep (1:00pm)	<a href="#">ANZ Commodity Price Index – Aug</a>	--	--
Thu 5 Sep (10:45am)	Volume of Work Put in Place – Q2	Small rise	Increases in consent issuance points to a small rise in the quarter.
Mon 9 Sep (10:45am)	Economic Survey of Manufacturing – Q2	Watching	An easing trend has been at play here too. We're looking for a floor.
Tue 10 Sep (10:00am)	<a href="#">ANZ Truckometer - August</a>	--	--
Thu 12 Sep (10:45am)	Food Price Index – August	Small lift	A small lift in food prices from fruit and vegetables is expected.
Thu 12 Sep (10:45am)	Rental Price Index – August	Small rise	Continued increases in rental prices should support a quarterly rise in CPI rents.
Thu 12 Sep (1:00pm)	<a href="#">ANZ Monthly Inflation Gauge - August</a>	--	--
Fri 13 Sep (10:30am)	BNZ-BusinessNZ Manufacturing PMI – August	Watching	An easing trend has been at play here. We're looking for a floor.
Mon 16 Sep (10:30am)	Performance Services Index – August	Watching	Looking to see if July's rebound was more noise than signal.
Wed 18 Sep (early am)	GlobalDairyTrade auction	Stable	Seasonal increase in offer volumes will test buyers but tightening global milk supply should underpin demand.
Thu 19 Sep (10:45am)	Current Account – Q2	Widen	The annual current account is expected to widen slightly as a share of GDP.
Thu 19 Sep (10:45am)	Gross Domestic Product – Q2	Trough	We think Q1 growth was held up by a few temporary factors, and have pencilled in a soft 0.4% q/q lift for Q2.
<b>On balance</b>		<b>Data watch</b>	<b>Domestic and global data has softened and we expect a lower OCR this year with inflation pressures fading.</b>



## Key forecasts and rates

	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>0.7</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>
GDP (% yoy)	2.5	<b>2.0</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>	<b>2.7</b>
CPI (% qoq)	0.1	0.6	<b>0.4</b>	<b>0.1</b>	<b>0.7</b>	<b>0.3</b>	<b>0.6</b>	<b>0.2</b>	<b>0.6</b>
CPI (% yoy)	1.5	1.7	<b>1.2</b>	<b>1.2</b>	<b>1.8</b>	<b>1.5</b>	<b>1.6</b>	<b>1.7</b>	<b>1.7</b>
LCI Wages (% qoq)	0.3	0.8	<b>0.6</b>	<b>0.5</b>	<b>0.4</b>	<b>0.8</b>	<b>0.6</b>	<b>0.6</b>	<b>0.4</b>
LCI Wages (% yoy)	2.0	2.2	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.2</b>	<b>2.3</b>	<b>2.3</b>
Employment (% qoq)	-0.2	0.8	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
Employment (% yoy)	1.5	1.7	<b>1.0</b>	<b>1.4</b>	<b>1.8</b>	<b>1.3</b>	<b>1.4</b>	<b>1.4</b>	<b>1.5</b>
Unemployment Rate (% sa)	4.2	3.9	<b>4.1</b>	<b>4.2</b>	<b>4.2</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.2</b>
Current Account (% GDP)	-3.6	<b>-3.6</b>	<b>-3.7</b>	<b>-3.8</b>	<b>-3.9</b>	<b>-4.0</b>	<b>-4.0</b>	<b>-4.0</b>	<b>-4.0</b>
Terms of Trade (% qoq)	1.0	<b>-0.1</b>	<b>0.4</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
Terms of Trade (% yoy)	-2.0	<b>-2.6</b>	<b>-2.0</b>	<b>1.1</b>	<b>0.6</b>	<b>0.9</b>	<b>0.6</b>	<b>0.8</b>	<b>0.4</b>

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
Retail ECT (% mom)	0.0	-0.5	-2.2	2.1	0.6	-0.1	0.5	-0.5	0.0	-0.1
Retail ECT (% yoy)	6.2	4.6	0.6	3.5	3.4	0.7	4.5	3.2	1.1	1.6
Car Registrations (% mom)	5.0	-11.0	-0.6	4.3	1.3	-2.7	1.6	-1.6	-2.8	3.7
Car Registrations (% yoy)	-5.4	-17.9	-15.8	-12.1	-3.9	-2.9	-0.5	-12.6	-11.0	-5.4
Building Consents (% mom)	2.0	-1.6	5.2	13.1	1.8	-7.2	-7.7	13.5	-3.9	--
Building Consents (% yoy)	8.7	-2.8	12.7	32.2	28.2	3.1	-3.2	7.1	9.4	--
REINZ House Price Index (% yoy)	3.8	3.1	3.1	2.8	3.0	2.4	1.4	1.7	1.7	1.5
Household Lending Growth (% mom)	0.4	0.6	0.4	0.4	0.5	0.5	0.5	0.5	0.5	--
Household Lending Growth (% yoy)	5.8	6.0	5.9	5.9	5.9	5.9	5.9	6.0	5.9	--
ANZ Roy Morgan Consumer Conf.	115.4	118.6	121.9	121.7	120.8	121.8	123.2	119.3	122.6	116.4
ANZ Business Confidence	-37.1	-37.1	-24.1	..	-30.9	-38.0	-37.5	-32.0	-38.1	-44.3
ANZ Own Activity Outlook	7.4	7.6	13.6	..	10.5	6.3	7.1	8.5	8.0	5.0
Trade Balance (\$m)	-1305	-1004	9	-935	-94	825	375	175	365	--
Trade Bal (\$m ann)	-5774	-5556	-6161	-6433	-6715	-5739	-5564	-5588	-4937	--
ANZ World Comm. Price Index (% mom)	-2.4	-0.5	-0.2	2.0	2.8	4.1	2.6	0.1	-3.9	-1.4
ANZ World Comm. Price Index (% yoy)	-5.6	-5.1	-3.4	-2.2	-2.2	0.6	2.2	0.7	-2.4	-0.5
Net Migration (sa)	3980	4550	5780	4520	4300	3690	3290	4130	3100	--
Net Migration (ann)	48863	49525	50631	50869	51521	51156	50523	50256	49427	--
ANZ Heavy Traffic Index (% mom)	4.4	-2.3	-4.2	4.9	0.3	-2.0	4.1	0.7	-4.3	4.1
ANZ Light Traffic Index (% mom)	0.4	0.1	-1.8	2.0	-0.8	0.7	0.3	0.8	-2.1	1.5
ANZ Monthly Inflation Gauge (% mom)	0.3	0.2	-0.1	1.0	0.0	0.0	0.1	0.1	0.3	0.5

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)					
	Jun-19	Jul-19	Today	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
NZD/USD	0.672	0.656	0.64	0.63	0.61	0.61	0.63	0.65	0.65
NZD/AUD	0.957	0.958	0.95	0.94	0.94	0.92	0.93	0.94	0.93
NZD/EUR	0.591	0.592	0.58	0.58	0.56	0.56	0.57	0.57	0.56
NZD/JPY	72.45	71.35	68.37	68.0	65.9	64.1	66.2	68.3	68.3
NZD/GBP	0.529	0.539	0.53	0.52	0.50	0.51	0.52	0.51	0.49
NZ\$ TWI	71.6	71.0	71.7	68.8	67.2	66.8	68.2	69.2	68.3
Interest rates	Jun-19	Jul-19	Today	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
NZ OCR	1.50	1.50	1.00	1.00	0.75	0.75	0.75	0.75	0.75
NZ 90 day bill	1.64	1.50	1.21	1.10	0.93	0.93	0.93	0.93	0.93
NZ 10-yr bond	1.57	1.44	1.01	1.50	1.45	1.35	1.35	1.35	1.35
US Fed funds	2.50	2.25	2.25	2.25	2.00	2.00	2.00	2.00	2.00
US 3-mth	2.32	2.25	2.14	2.40	2.15	2.15	2.15	2.15	2.15
AU Cash Rate	1.25	1.00	1.00	1.00	0.75	0.75	0.75	0.75	0.75
AU 3-mth	1.20	1.01	0.97	0.95	0.95	0.95	0.95	0.95	0.95

	16-Jul	12-Aug	13-Aug	14-Aug	15-Aug	16-Aug
Official Cash Rate	1.50	1.00	1.00	1.00	1.00	1.00
90 day bank bill	1.55	1.22	1.21	1.20	1.21	1.21
NZGB 05/21	1.15	0.78	0.78	0.80	0.75	0.74
NZGB 04/23	1.18	0.77	0.77	0.78	0.74	0.71
NZGB 04/27	1.44	0.96	0.94	0.98	0.90	0.86
NZGB 04/33	1.80	1.26	1.25	1.28	1.19	1.15
2 year swap	1.34	0.98	0.97	0.98	0.94	0.93
5 year swap	1.44	1.00	0.98	1.00	0.94	0.93
RBNZ TWI	73.62	72.03	71.91	71.82	71.78	71.78
NZD/USD	0.6718	0.6451	0.6457	0.6434	0.6435	0.6435
NZD/AUD	0.9562	0.9555	0.9532	0.9521	0.9505	0.9495
NZD/JPY	72.53	67.82	67.94	68.29	68.06	68.27
NZD/GBP	0.5409	0.5337	0.5343	0.5319	0.5321	0.5323
NZD/EUR	0.5986	0.5762	0.5757	0.5755	0.5769	0.5796
AUD/USD	0.7026	0.6752	0.6773	0.6757	0.6770	0.6777
EUR/USD	1.1223	1.1197	1.1216	1.1180	1.1154	1.1103
USD/JPY	107.97	105.13	105.22	106.14	105.76	106.09
GBP/USD	1.2419	1.2087	1.2086	1.2095	1.2094	1.2090
Oil (US\$/bbl)	57.62	54.93	57.10	55.23	54.47	54.85
Gold (US\$/oz)	1413.88	1504.40	1527.54	1510.29	1520.57	1525.81
NZX 50	10651	10873	10855	10850	10704	10675
Baltic Dry Freight Index	2011	1774	1864	1950	1950	1950
NZX WMP Futures (US\$/t)	2950	3005	3015	2995	3005	3005



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