

New Zealand Weekly Focus

7 October 2019



This is not personal advice. It does not consider your objectives or circumstances. Please refer to the Important Notice.

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Why is the economy slowing?

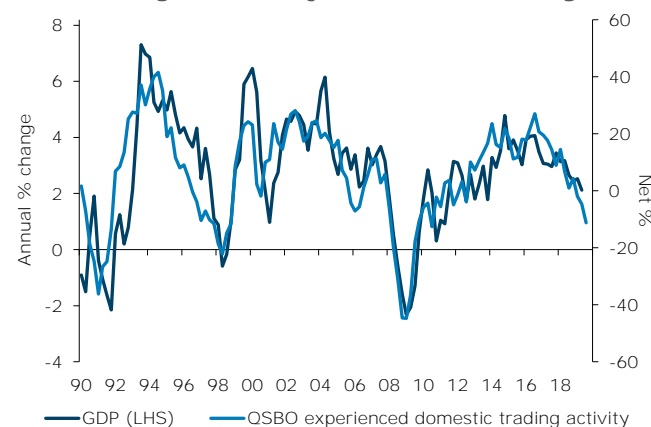
Economic overview

The QSBO survey for Q3 was very weak, adding downside risk to even our subdued growth forecasts. So what is going on? Global growth is clearly cooling, but New Zealand has been largely shielded so far – at least our commodity prices have been. But tourism is feeling it, as is business sentiment, **and that's starting to hurt** investment and employment. And export intentions indicate trouble. Net migration estimates are holding up, but we see some risk it could be revised lower – meaning lower net migration might have been a bigger part of slowing growth than is currently recognised. What about the supply side? Domestically, firms are still concerned about capacity constraints, but there are signs that this is easing, with some indicators suggesting labour is becoming less difficult to find and weaker demand is becoming a greater issue. Amidst all this, the household sector is still holding up. **But if they seriously retrench, it's game over.**

Chart of the week

The latest business surveys paint a weaker picture for economic growth in New Zealand going forward.

Annual GDP growth and QSBO Domestic Trading Activity



Source: NZIER, ANZ Research

The ANZ heatmap

Variable	View	Comment	Risks around our view
GDP	1.9% y/y for 2020 Q1	Growth has slowed. OCR cuts should support a gradual recovery next year.	Neutral
Unemployment rate	4.4% for 2020 Q1	The labour market is "tight", but the weaker economy will push up unemployment. Wage and employment growth to remain modest.	Neutral
OCR	0.50% in March 2020	We expect further cuts in November, February and May next year, bringing the OCR to just 0.25%.	Down
CPI	1.9% y/y for 2020 Q1	There is some near-term upside risk to domestic inflation but spluttering growth will stymie it. OCR cuts should support a gradual rise over time.	Neutral



Economic overview

Growth in New Zealand is slowing. Why?

Summary

The QSBO survey for Q3 was very weak, adding downside risk to even our subdued growth forecasts. So what is going on? Global growth is clearly cooling, but New Zealand has been largely shielded so far – at least our commodity prices have been. But tourism is **feeling it, as is business sentiment, and that's starting to hurt investment and employment**. And export intentions indicate trouble. Net migration estimates are holding up, but we see some risk it could be revised lower – meaning lower net migration might have been a bigger part of slowing growth than is currently recognised. What about the supply side? Domestically, firms are still concerned about capacity constraints, but there are signs that this is easing, with some indicators suggesting labour is becoming less difficult to find and weaker demand is becoming a greater issue. Amidst all this, the **household sector is still holding up. But if they seriously retrench, it's game over.**

Forthcoming data

ANZ Truckometer – September (Wednesday 9 October, 10:00am).

Food Price Index – September (Thursday 10 October, 10:45am). A seasonal decline in food prices from fruit and vegetables is expected.

Rental Price Index – September (Thursday 10 October, 10:45am). Continued increases in rental prices should support a quarterly rise in CPI rents.

ANZ Monthly Inflation Gauge – September (Thursday 10 October, 1:00pm).

BNZ-BusinessNZ Manufacturing PMI – September (Friday 11 October, 10:30am). An easing trend has been at play here. We're looking for a floor.

Performance Services Index – September (Monday 14 October, 10:30am). An easing trend has been evident here too, but recent prints have remained robust.

What's the view?

The NZIER's Quarterly Survey of Business Opinion (QSBO) for Q3 was terribly weak – even weaker than our own monthly ANZ Business Outlook survey. Businesses are down in the dumps and bright spots are becoming fewer and further between.

Profit squeeze – reflecting rising input costs and difficulty passing these on – and an increasingly uncertain demand outlook continue to weigh. Consistent with the weaker read on activity, measures of capacity pressure fell, **which doesn't bode well for the inflation outlook. Pessimism amongst manufacturers led declines, corroborating what we've seen in the recent PMI data.**

But the attention grabber **was businesses' reported activity levels**, as this correlates well with GDP. It came in very weak, and like the many other indicators we monitor, suggests the economy certainly **wasn't firing on all cylinders in Q3. Experienced domestic trading activity fell sharply in the quarter, from a net 4% of firms reporting a decrease in their own activity in Q2 to a net 11% in Q3 (figure 1).** This suggests some downside risk to our expectation that annual GDP growth will pick up slightly in Q3 (from 2.1% in Q2 to 2.2%). In fact, at face value it suggests annual growth close to 1%! Perhaps GDP revisions will make it so (that has to be more likely than a -0.8% quarter at least).

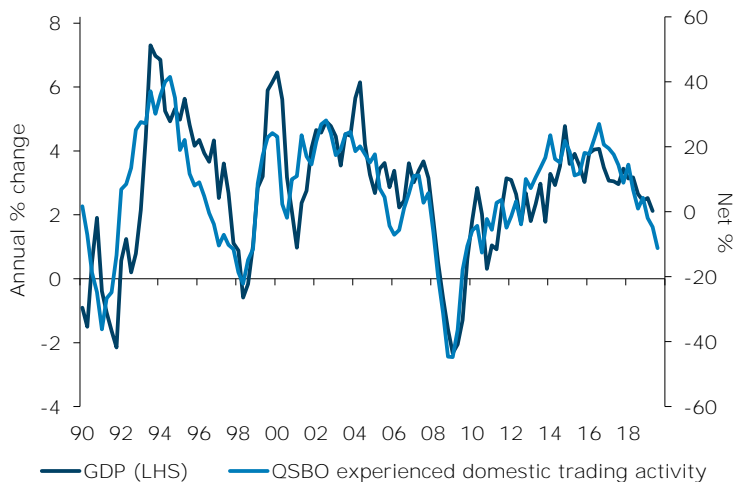
One bright spot in the report was the small bounce in activity, profitability, and employment expectations for the following quarter. In the December quarter, a net 0% of firms are expecting their own activity to expand, a lift from -5% in Q2, which is consistent with a bit of stabilisation towards the end of the year. But while the survey suggests that the outlook for Q4 is a bit brighter, the RBNZ will be wary that the best activity indicators from the QSBO are based on past activity, rather than expectations of the future. After all, **that's what firms know best.**

Business outlook surveys paint a dismal picture.

GDP growth risks dipping below even our subdued forecasts.



Figure 1. Annual GDP growth and QSBO Domestic Trading Activity



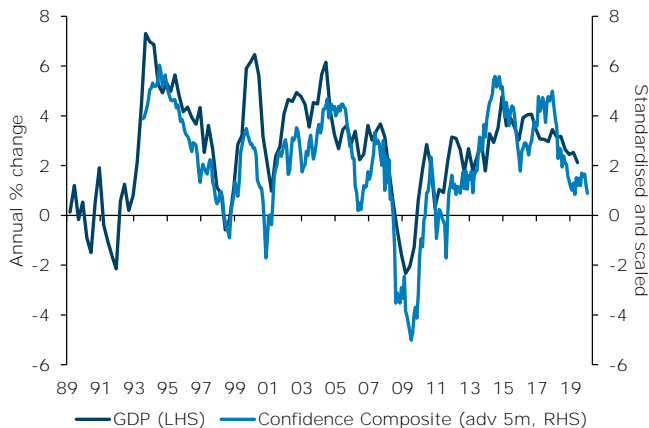
Source: NZIER, ANZ Research

For the RBNZ in particular, the inflation side of the QSBO report will be concerning. Pricing intentions slipped in Q3 from a net 13% to 7%, and experienced price rises also fell, from a net 12% to -1%. Cost pressures also dropped, with experienced costs down to a net 33% of firms reporting an increase (from 43%). Expected costs slipped a touch to a net 35% of firms expecting cost pressures to increase further, down from a net 40%. Together with a weakening across capacity measures, this suggests that while inflation might have held up in Q3, it won't be strong for long.

That the economy is slowing is now patently clear to all. Not just the QSBO but also other survey data like the ANZ Confidence Composite (figure 2), which combines information from the ANZ Business Outlook and the ANZ Consumer Confidence Survey, have been showing it for a while; so too has harder data like the ANZ Truckometer indexes (figure 3). The signals are pretty clear that GDP growth is going to continue to wane until at least the end of the year.

The RBNZ will be particularly concerned by waning capacity and a lack of price pressure.

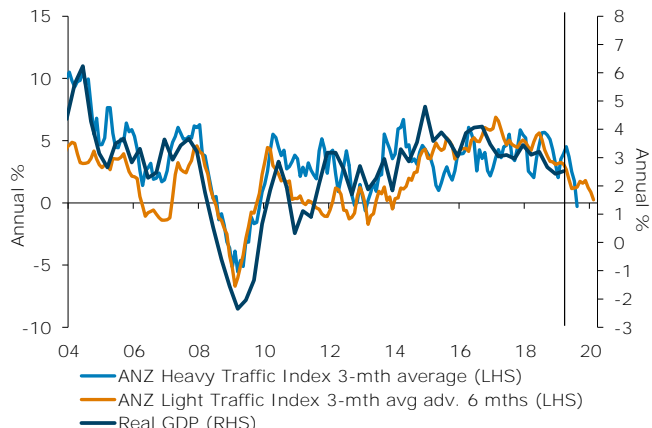
Figure 2. ANZ confidence composite and GDP



Source: NZ Transport Agency, Roy Morgan, Stats NZ, ANZ Research

Growth has clearly slowed, but there is some debate as to why.

Figure 3. ANZ Light and Heavy Traffic Indexes and GDP



But what is less clear is why the economy has slowed to the extent it has. Are we just talking ourselves into a hole and unnecessarily turning our backs on wonderful opportunities due to uncertainty? Or has there been a fundamental deterioration in the economy's income-earning potential?

Let's start with a couple of factors that can have an enormous impact on the New Zealand economy, regardless of the business mood or anything else: net migration, and commodity prices.

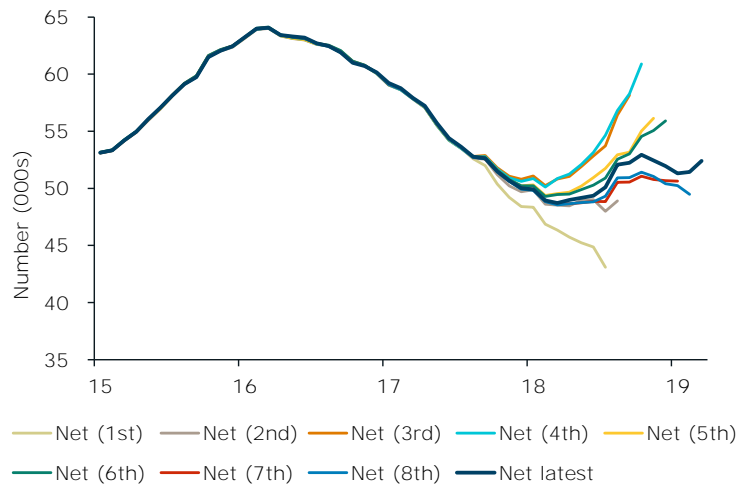


Migration is a significant part of the growth story.

Net migration

Estimating net migration has become fraught since departure cards were dropped a year ago. Figure 4 shows the various monthly estimates since November last year.

Figure 4. Estimates of annual net migration



Source: Stats NZ, ANZ Research

Latest estimates are prone to revision, but holding up.

Revisions have been extremely large, but on the latest estimates, net migration has not declined at all over the past 18 months. However, growth in light traffic does raise some questions (figure 5). If growth in traffic drops away significantly from population growth (approximated by net migration), that's typically a really bad sign for per capita GDP (eg 2008). It's batten down the hatches time. Yet we just aren't hearing that it feels like recession out there. So we do wonder if perhaps there may in time be some downward revisions to the current net migration estimates.

Figure 5. Net migration and the Light Traffic Index



Source: Stats NZ, ANZ Research

Lower migration would have both demand and supply effects.

This would have mixed implications for the inflation outlook – fewer people means less housing pressure, but also fewer workers, meaning more wage pressure than otherwise. However, with employment intentions and job ads sharply lower, we don't expect the net impact would mean a great deal more wage inflation in the economy. The housing market is at an interesting juncture though, and population growth matters hugely here. It's hard enough to weigh up the impact of record-low mortgage rates against LVR restrictions and policy and tax changes for investment property in forecasting the housing market, let alone uncertainty about net migration levels. No wonder there's a range of views out there.

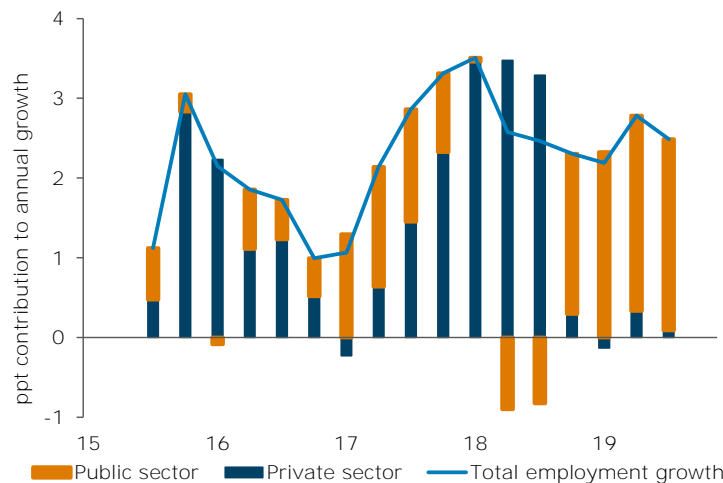


Economic overview

Relative labour market strength plays a role too.

For net migration, trans-Tasman movements can make quite a difference, and relative labour markets matter. Construction employs around 9% of people in both New Zealand and Australia, but dwelling consents are currently dropping like a stone in Australia. Over time, this could see kiwi builders and tradespeople heading home. Employment intentions are very weak in the construction sector in New Zealand, admittedly, but the level of activity is so far holding up much better. More generally, in Australia over the past year the public sector has provided an astonishing 97% of net employment growth (figure 6). Limited private sector employment opportunities across the ditch will support net migration by limiting trans-Tasman departures and encouraging homecomings.

Figure 6. Australian employment growth, public and private sector contributions



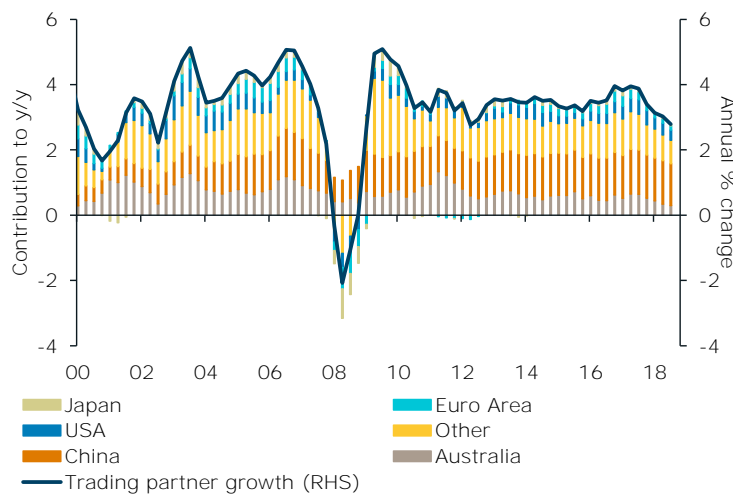
Source: ASB, ANZ Research

Commodity prices

Global growth has slowed...

There is no question that the global environment is not trade-friendly at the moment. The manufacturing sector is under particular pressure. It tends to lead the broader global cycle and markets are on edge waiting to see where the bottom will be. For now, the growth slowdown is relatively mild (figure 7), but the data is yet to turn upwards and geopolitical tensions including trade wars are adding to concerns.

Figure 7. New Zealand trading partner GDP growth



Source: Bloomberg, ANZ Research

...and NZ is highly exposed to China.

For New Zealand, **it's all about** China. This nation now takes 27% of our goods exports (figure 8), up from just 5% ten years ago, and the heavily debt-laden economy is coming under some pressure, not least as a result of the trade dispute with the US. Figure 9 shows that cycles in China's M1 money supply, as a proxy for economic activity, tend to

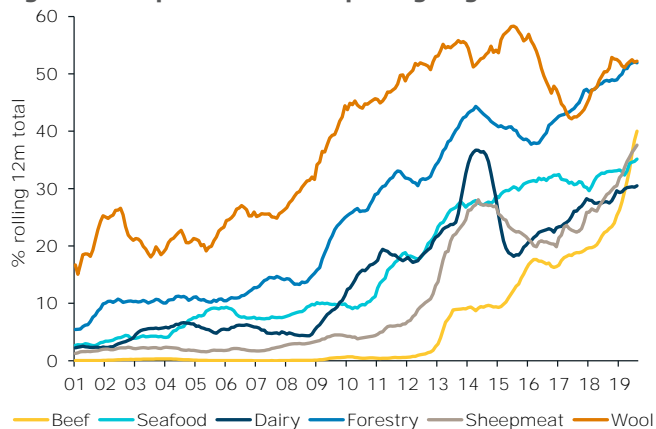


Economic overview

But so far, favourable supply is providing support.

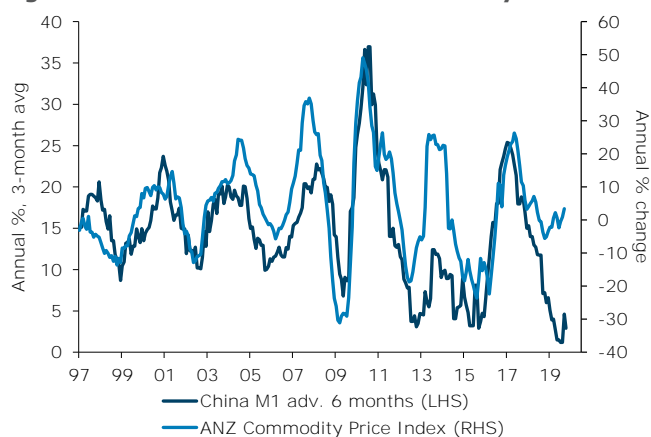
lead New Zealand's commodity prices by six months. Our commodity prices are holding up much better than this indicator would suggest, and we can thank supply-side factors for that. In particular, global dairy supply growth is very contained due to previous poor profitability, and China's domestic meat supply is under enormous pressure as a result of the African Swine Flu epidemic, which on official numbers has wiped out a full third of China's piggery stocks, with pork prices set to double. New Zealand's meat exports to China have gone exponential, though to be fair this is the continuation of a trend rather than a sudden change. There is no sign of a rapid resolution to the epidemic, meaning beef and lamb prices should continue to be supported for quite some time.

Figure 8. Proportion of NZ exports going to China



Source: Bloomberg, Statistics NZ, ANZ Research

Figure 9. China M1 and the ANZ Commodity Price Index



New Zealand has therefore been somewhat shielded from the global slowdown so far, at least via the commodity channel. But tourism is feeling it – while tourist arrivals are up 2.4% versus a year ago, momentum has slowed considerably compared to average growth of over 7% in the preceding five years. And there is no question that demand for New Zealand's other exports is being affected too. Export intentions in the ANZ Business Outlook survey are languishing, sitting near the lows seen during the GFC. And in the OSBO, a net 18% of manufacturers reported that export sales decreased in the third quarter, the weakest print since 2009.

Figure 10. ANZBO export intentions and non-food manufactured exports



Source: Stats NZ, ANZ Research

But tourism has taken a hit...

...and exporters say sales have slumped.

While it's impossible to isolate, global weakness will no doubt have had a chilling impact on firms' willingness to invest and employ. There's a widespread awareness that we are a small, open economy, and where the global economy goes, New Zealand tends to follow.

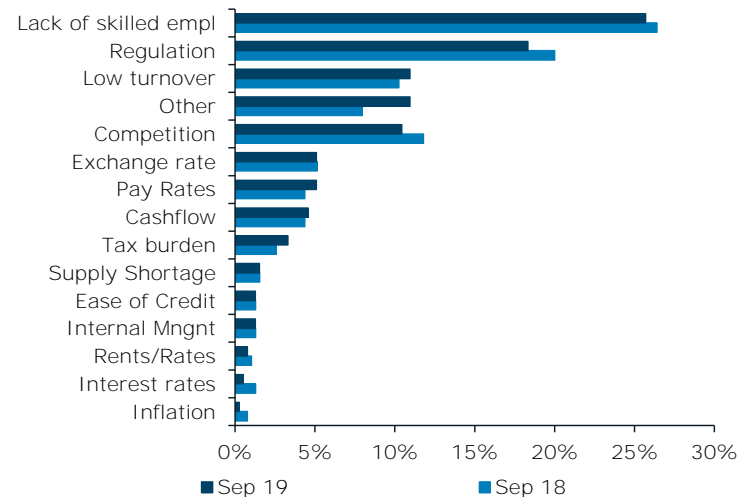


What's troubling firms?

Every three months we ask firms in the ANZ Business Outlook survey what their largest problem is. Despite the fact the slowdown has now become pretty long-running, firms are still reporting that finding skilled labour is their largest problem. Compared to a year ago, firms are a bit more worried about pay rates (likely minimum wage-induced), and a bit less worried about competition or a lack of skilled employment (as employment growth and intentions have eased). Concern about interest rates and inflation has reduced even further as lending rates and inflation expectations have fallen.

Businesses still suggest labour is in short supply.

Figure 11. Largest problems – September 2019 vs. September 2018



Source: ANZ Research

“Regulation” is a bit of a catch-all phrase, but it makes sense that new rules on a number of fronts may have caused a bit of a “wait and see” reaction: changes for landlords, water regulation, minimum wage increases, and employment relations bill reforms, to name a few. Change causes uncertainty – that doesn’t mean it should be avoided at all costs, of course, but it will inevitably cause a degree of short-term disruption. And business surveys are likely to capture the costs while the benefits are more widely dispersed (over workers, the environment, tenants etc). And firms have, understandably, taken the opportunity to cast a protest vote.

Although firms’ reported worries have been remarkably stable over recent years, we suspect that weak profitability is right up there, perhaps buried in the Other category. Firms are having difficulty in passing higher costs through, particularly retailers, who are struggling to adapt to the structural move to online shopping. Retailers’ margins are thin. This could mean that inflation pressure is coming down the pipeline, but it could also mean that employment in the retail sector is about to take a hit. And it’s a big sector, providing 11% of jobs.

What about the supply side of the economy? Is growth slowing simply because we’re maxed out?

Surveys, anecdotes and the unemployment rate confirm that capacity constraints are still binding, but surveys do suggest that they are starting to ease. The latest OSBO suggests that softer demand is becoming a greater factor limiting production, with capacity and labour constraints easing (figure 12).

Employment intentions have also fallen sharply across a range of surveys, which is not consistent with the comforting idea that we have the quality problem of just not being able to keep up with demand. This will worry the RBNZ, as more slack in the economy suggests a weaker outlook for inflationary pressures.

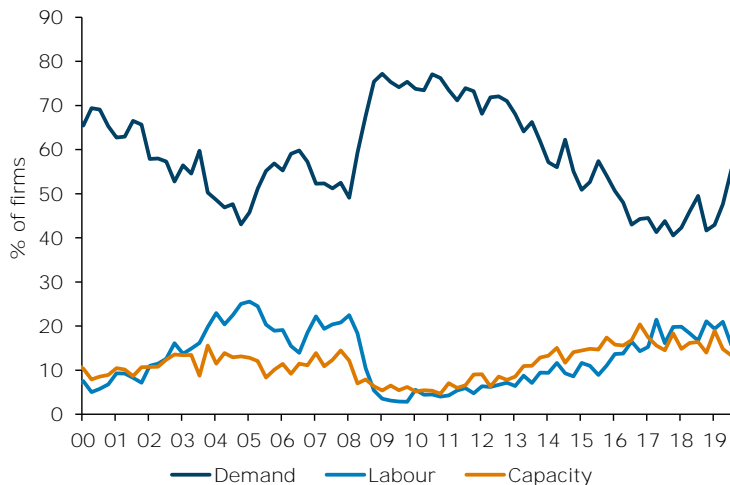
Policy uncertainty is likely playing a role...

...along with weak profitability.



Recently, capacity constraints have started to ease.

Figure 12. Factors limiting production



Source: NZIER, ANZ Research

The business cycle and credit cycle

Households are usually the last to feel the hit...

A key part of the business cycle is the credit cycle. A typical business cycle kicks off with exports and manufacturing bouncing off low levels, but it still feels like a recession on the street, with consumers still cautious. Employment gradually rises, but it takes some time for the households to join the party. Then the housing market and credit growth get involved, and off we go.

...so we will be watching the labour market and consumer closely.

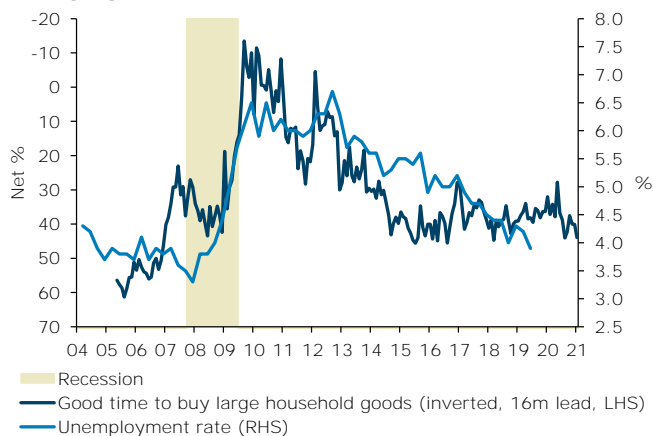
Then on the downside, it follows a similar pattern. Households are typically a bit late to realise that the worm has turned, but when they do seriously retrench, it's typically all over, Rover. After all, consumption is the largest part of GDP. Figure 13 shows long-running data from the US: when consumers decide it's a seriously bad time to buy a major household item, recession typically follows a year later. We have nowhere near as long a data-series in New Zealand, but a similar pattern is evident here too (figure 14). Happily, households are still feeling pretty robust, with the unemployment rate low and interest rates lower by the week. But watch this space.

Figure 13. Good time to buy a major household item vs. unemployment rate, United States



Source: Stats NZ, ANZ Research

Figure 14. Good time to buy a major household item vs. unemployment rate, New Zealand



Just a few quick thoughts on broader credit:

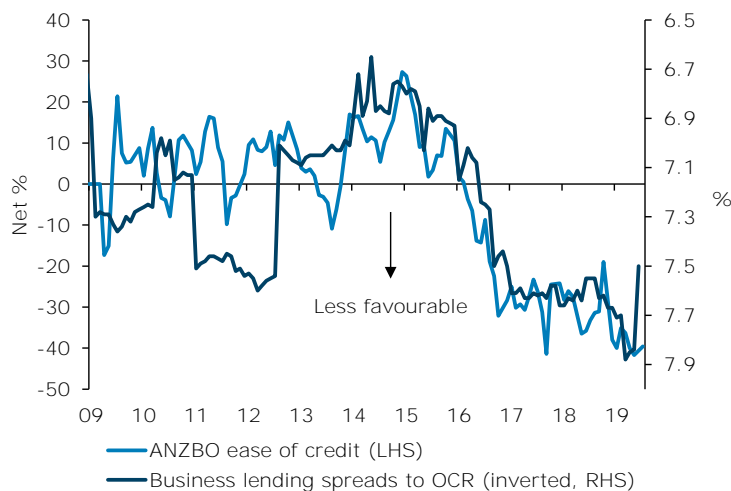
- Credit growth has been much more subdued this cycle than last. That cut short the boom but will also reduce the bust.



Economic overview

- LVR restrictions were effective in cooling the housing market and dampening riskier mortgage lending. But businesses' reported ease of credit also took a bit leg down (figure 15); that might not be coincidence. Small business lending and housing lending can be decidedly intertwined.
- Recently, firms' reported availability of credit has taken another leg down. The Reserve Bank's proposed capital changes plus the construction sector's woes appear to already be having an impact. The interest rate is irrelevant if you can't get a loan.

Figure 15. ANZ Business Outlook: perceived availability of credit



Source: RBNZ, ANZ Research

The week ahead

We get a bunch of activity and price indicators out this week. First up, the ANZ Truckometer for September will provide us a steer on how activity is holding up into the **end of the third quarter. We'll be looking** for a floor on Friday in the BNZ-BusinessNZ Manufacturing PMI for September, amid an easing trend. Finally, the Performance Services Index for September is out next Monday. Activity in the services sector has eased back recently, but still remains robust.

Meanwhile on the price side, we'll get updates on food and rental price inflation for September on Thursday, followed shortly after by the release of our ANZ Monthly Inflation Gauge – the final monthly print to round out the third quarter.

Local data

ANZ Business Outlook – September. Headline business confidence fell 2 points to -54% in September. Firms' views of their own activity fell 1 point to -2%. Investment intentions and profit expectations both fell to dismal levels. Costs, pricing intentions, and inflation expectations were all weaker.

NZIER Quarterly Survey of Business Opinion – Q3. QSBO has deteriorated further in Q3. Experienced domestic trading activity fell sharply in the quarter, from a net 4% of firms reporting a decrease in their own activity in Q2 to a net 11% in Q3. Experienced hiring and investment weakened, profitability worsened, and several measures of capacity eased alongside lower costs and pricing.

GlobalDairyTrade auction. The GDT Price Index lifted 0.2%, in line with market expectations. Volumes are elevated at this time of the season so this was a solid result.

ANZ Commodity Price Index – September. The World Index was unchanged in September, with gains in meat, forestry and aluminium offsetting weaker prices in the other sectors. In local currency terms, the index lifted 1.4% m/m, bolstered by the fall in the NZD



FX / rates overview

Lower rates and a weaker USD.

Still focused on the US.

More cuts get priced in around the world.

Summary

The RBA led proceedings last week, cutting the policy rate to 0.75% while maintaining a strong dovish bias towards future policy settings. Meanwhile, the US economy came back into focus, as concerns for global growth increased amid a softening in the US data pulse. Markets were quick to ratchet up the odds of a 25bp cut at the October FOMC meeting, which saw yields rally and the USD weaken.

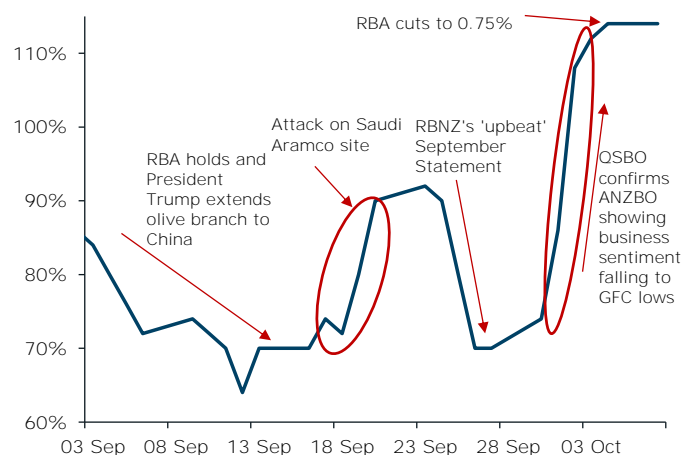
Key events this week

FOMC meeting minutes (Thursday 10 October, 7:00am). September's FOMC minutes may offer some insight into board division following the most recent easing.

Rates

The NZ curve continued push lower last week, rallying 10-12bps across the curve. The RBA decision to cut rates by 25bp (to 0.75%) provided the initial spark, with a collapse in US Treasury yields providing additional support. Markets were quick to price in cuts in the US following a softening in the data pulse, with the odds of a 25bp cut at the October FOMC meeting rising from 39% to 73% over the course of the week. Closer to home, the RBA cut cemented the market's expectations for the RBNZ's November MPS, with a full cut now priced. Markets have also begun flirting with the odds of a 50bp cut, and are currently pricing in a 14% chance of this occurring.

Figure 1. Change in November RBNZ expectations over time



Source: Bloomberg, ANZ Research

FX

JPY and NZD finish first and second.

NZD remained near the top of the leader board last week, as the USD faltered more broadly. CAD was the only G-10 currency to underperform against the USD.

NZD/USD: A sparse local calendar provided the NZD an unimpeded run higher, and a podium finish, as the USD endured a raft of disappointing data prints.

NZD/AUD: AUD was left modestly weaker following the RBA decision to ease policy to 0.75% last week, but firmed alongside the NZD late into the week.

NZD/EUR: EUR also firmed amidst a quiet domestic calendar but markets remain conscious of the soft domestic growth outlook.

NZD/GBP: Brexit anxieties continue to plague the GBP, with the currency buffeted by headlines generated via PM Johnson's efforts to secure a deal.

NZD/JPY: JPY was the best performer last week, rallying strongly against the USD and its peers.



Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
7-Oct	GE	Factory Orders MoM - Aug	-0.3%	-2.7%	19:00
	GE	Factory Orders WDA YoY - Aug	-6.4%	-5.6%	19:00
	EC	Sentix Investor Confidence - Oct	-13	-11.1	21:30
8-Oct	US	Consumer Credit - Aug	\$15.00B	\$23.29B	08:00
	AU	ANZ-RM Consumer Confidence Index - 6-Oct	--	114.7	11:30
	JN	BoP Current Account Balance - Aug	¥2100.0B	¥1999.9B	12:50
	JN	BoP Current Account Adjusted - Aug	¥1682.1B	¥1647.1B	12:50
	JN	Trade Balance BoP Basis - Aug	¥36.4B	-¥74.5B	12:50
	AU	ANZ Job Advertisements MoM - Sep	--	-2.8%	13:30
	AU	NAB Business Conditions - Sep	--	1	13:30
	AU	NAB Business Confidence - Sep	--	1	13:30
	CH	Caixin PMI Composite - Sep	--	51.6	14:45
	CH	Caixin PMI Services - Sep	52.0	52.1	14:45
	AU	Foreign Reserves - Sep	--	A\$72.2B	18:30
	GE	Industrial Production SA MoM - Aug	-0.1%	-0.6%	19:00
	GE	Industrial Production WDA YoY - Aug	-4.2%	-4.2%	19:00
	US	NFIB Small Business Optimism - Sep	102.5	103.1	23:00
	US	Monthly Budget Statement - Sep	\$82.5B	\$119.1B	8-12 Oct
9-Oct	US	PPI Final Demand MoM - Sep	0.1%	0.1%	01:30
	US	PPI Final Demand YoY - Sep	1.8%	1.8%	01:30
	US	PPI Ex Food and Energy MoM - Sep	0.2%	0.3%	01:30
	US	PPI Ex Food and Energy YoY - Sep	2.3%	2.3%	01:30
	NZ	ANZ Truckometer Heavy MoM - Sep	--	-4.2%	10:00
	AU	Westpac Consumer Conf Index - Oct	--	98.2	12:30
	AU	Westpac Consumer Conf SA MoM - Oct	--	-1.7%	12:30
	CH	Aggregate Financing CNY - Sep	1800.0B	1977.1B	9-15 Oct
10-Oct	US	MBA Mortgage Applications - 4-Oct	--	8.1%	00:00
	US	JOLTS Job Openings - Aug	7265	7217	03:00
	US	Wholesale Trade Sales MoM - Aug	--	0.3%	03:00
	US	Wholesale Inventories MoM - Aug F	0.4%	0.4%	03:00
	US	FOMC Meeting Minutes - Sep	--	--	07:00
	NZ	Food Prices MoM - Sep	--	0.7%	10:45
	UK	RICS House Price Balance - Sep	-7%	-4%	12:01
	JN	PPI MoM - Sep	0.0%	-0.3%	12:50
	JN	PPI YoY - Sep	-1.1%	-0.9%	12:50
	NZ	ANZ Monthly Inflation Gauge MoM - Sep	--	0.3%	13:00
	AU	Home Loans MoM - Aug	2.3%	4.2%	13:30
	AU	Investment Lending - Aug	3.0%	4.7%	13:30
	AU	Owner-Occupier Loan Value MoM - Aug	3.0%	5.3%	13:30
	AU	Consumer Inflation Expectation - Oct	--	3.1%	14:00
	GE	Trade Balance - Aug	€18.6B	€21.6B	19:00
	GE	Current Account Balance - Aug	€17.9B	€22.1B	19:00
	GE	Exports SA MoM - Aug	-1.0%	0.8%	19:00
	GE	Imports SA MoM - Aug	0.3%	-1.6%	19:00
	UK	Monthly GDP (MoM) - Aug	0.0%	0.3%	21:30
	UK	Monthly GDP (3M/3M) - Aug	0.1%	0.0%	21:30
UK	Industrial Production MoM - Aug	0.1%	0.1%	21:30	
UK	Industrial Production YoY - Aug	-0.8%	-0.9%	21:30	

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Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
10-Oct	UK	Manufacturing Production MoM - Aug	0.2%	0.3%	21:30
	UK	Manufacturing Production YoY - Aug	-0.4%	-0.6%	21:30
	UK	Construction Output MoM - Aug	-0.4%	0.5%	21:30
	UK	Construction Output YoY - Aug	-0.2%	0.3%	21:30
	UK	Index of Services MoM - Aug	-0.1%	0.3%	21:30
	UK	Index of Services 3M/3M - Aug	0.2%	0.2%	21:30
	UK	Visible Trade Balance GBP/Mn - Aug	-£10000M	-£9144M	21:30
	UK	Trade Balance Non EU GBP/Mn - Aug	-£2800M	-£1932M	21:30
	UK	Trade Balance GBP/Mn - Aug	-£1050M	-£219M	21:30
	NZ	REINZ House Sales YoY - Sep	--	-6.1%	10-15 Oct
11-Oct	US	CPI MoM - Sep	0.1%	0.1%	01:30
	US	CPI YoY - Sep	1.8%	1.7%	01:30
	US	CPI Ex Food and Energy MoM - Sep	0.2%	0.3%	01:30
	US	CPI Ex Food and Energy YoY - Sep	2.4%	2.4%	01:30
	US	Initial Jobless Claims - 5-Oct	218k	219k	01:30
	US	Continuing Claims - 28-Sep	1651k	1651k	01:30
	NZ	BusinessNZ Manufacturing PMI - Sep	--	48.4	10:30
	NZ	Card Spending Total MoM - Sep	--	1.3%	10:45
	NZ	Card Spending Retail MoM - Sep	0.2%	1.1%	10:45
	GE	CPI MoM - Sep F	0.0%	0.0%	19:00
	GE	CPI YoY - Sep F	1.2%	1.2%	19:00
	GE	CPI EU Harmonized MoM - Sep F	-0.1%	-0.1%	19:00
	GE	CPI EU Harmonized YoY - Sep F	0.9%	0.9%	19:00
	CH	Foreign Direct Investment YoY CNY - Sep	--	3.6%	11-18 Oct
12-Oct	US	Import Price Index MoM - Sep	-0.1%	-0.5%	01:30
	US	Import Price Index YoY - Sep	-2.1%	-2.0%	01:30
	US	Export Price Index MoM - Sep	-0.1%	-0.6%	01:30
	US	Export Price Index YoY - Sep	--	-1.4%	01:30
	US	U. of Mich. Sentiment - Oct P	92.0	93.2	03:00

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 a lower OCR will be required 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 9 Oct (10:00am)	ANZ Truckometer – September	--	--
Thu 10 Oct (10:45am)	Food Price Index – September	Small dip	A seasonal decline in food prices from fruit and vegetables is expected.
Thu 10 Oct (10:45am)	Rental Price Index – September	Small rise	Continued increases in rental prices should support a quarterly rise in CPI rents.
Thu 10 Oct (1:00pm)	ANZ Monthly Inflation Gauge – September	--	--
Fri 11 Oct (10:30am)	BNZ-BusinessNZ Manufacturing PMI – September	Watching	An easing trend has been at play here. We're looking for a floor.
Mon 14 Oct (10:30am)	Performance Services Index – September	Watching	An easing trend has been in play here too, but recent prints have remained robust.
Wed 16 Oct (early am)	GlobalDairyTrade auction	Improving	Offer volumes remain high limiting upward price movements but market remains supported by slower global milk supply growth.
Wed 16 Oct (10:45am)	Consumer Price Index – Q3	Dip	We're expecting annual CPI inflation to dip to 1.5%, with non-tradable inflation holding up.
Wed 23 Oct (10:45am)	Overseas Merchandise Trade – September	Steady	Export volumes start to lift as dairy production season is now well underway, but meat and forestry exports remain subdued.
Thu 31 Oct (10:45am)	Building Consents – September	Wary	Consents have held at a high level recently, but we see downside risk looming.
Thu 31 Oct (1:00pm)	ANZ Business Outlook – October	--	--
Fri 1 Nov (10:00am)	ANZ Roy Morgan Consumer Confidence – October	--	--
Tue 5 Nov (1:00pm)	ANZ Commodity Price Index – October	--	--
Wed 6 Nov (10:45am)	Labour Market Statistics – Q3	Wary	The labour market is tight, but leading indicators suggest that weakening is more likely from here.
Tue 12 Nov (10:00am)	ANZ Truckometer – October	--	--
Tue 12 Nov (3:00pm)	RBNZ Inflation Expectations Survey – Q4	Risk	Inflation expectations have been slipping lately – and our ANZBO survey suggests further downside risk.
Wed 13 Nov (10:45am)	Food Price Index – October	Small dip	A seasonal decline in food prices from fruit and vegetables is expected.
Wed 13 Nov (10:45am)	Rental Price Index – October	Small rise	Continued increases in rental prices should support a quarterly rise in CPI rents.
Wed 13 Nov (2:00pm)	RBNZ Monetary Policy Statement – November	Cut	Time to cut. We expect a 25bp cut in November to take the OCR to 0.75%, with more cuts to come in 2020.
Thu 14 Nov (1:00pm)	ANZ Monthly Inflation Gauge – October	--	--
Fri 15 Nov (10:30am)	BNZ-BusinessNZ Manufacturing PMI – October	Watching	An easing trend has been at play here. We're looking for a floor.
Mon 18 Nov (10:30am)	Performance Services Index – September	Watching	An easing trend has been in play here too, but recent prints have remained robust.
On balance	Data watch	Domestic and global data has softened and we expect a lower OCR with inflation pressures fading.	



Key forecasts and rates

	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
GDP (% qoq)	0.5	0.4	0.5	0.5	0.5	0.6	0.5	0.6	0.6
GDP (% yoy)	2.1	2.2	2.0	1.9	1.9	2.1	2.1	2.2	2.3
CPI (% qoq)	0.6	0.7	0.1	0.6	0.4	0.5	0.2	0.6	0.5
CPI (% yoy)	1.7	1.5	1.5	1.9	1.7	1.5	1.6	1.6	1.7
LCI Wages (% qoq)	0.8	0.6	0.6	0.4	0.8	0.6	0.6	0.4	0.8
LCI Wages (% yoy)	2.2	2.3	2.3	2.4	2.3	2.3	2.3	2.4	2.4
Employment (% qoq)	0.8	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Employment (% yoy)	1.7	1.0	1.3	1.7	1.2	1.2	1.3	1.3	1.3
Unemployment Rate (% sa)	3.9	4.1	4.3	4.4	4.4	4.5	4.5	4.5	4.5
Current Account (% GDP)	-3.4	-3.4	-3.4	-3.5	-3.7	-3.8	-3.9	-4.0	-4.0
Terms of Trade (% qoq)	1.6	0.4	-0.1	0.3	0.0	0.0	0.1	0.1	0.1
Terms of Trade (% yoy)	-0.8	-0.3	2.9	2.2	0.6	0.2	0.4	0.1	0.3

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Retail ECT (% mom)	-2.2	2.1	0.6	-0.2	0.3	-0.3	0.0	0.0	1.1	--
Retail ECT (% yoy)	0.6	3.5	3.4	0.7	4.5	3.2	1.1	1.6	2.8	--
Car Registrations (% mom)	-0.5	4.3	1.3	-2.8	1.6	-1.4	-2.6	4.5	1.1	4.8
Car Registrations (% yoy)	-15.8	-12.1	-3.9	-2.9	-0.5	-12.6	-11.0	-5.4	-5.2	4.7
Building Consents (% mom)	4.9	12.9	1.8	-7.1	-7.4	14.7	-4.0	-1.3	0.8	--
Building Consents (% yoy)	12.5	31.8	28.0	2.9	-3.3	8.2	9.9	18.3	12.2	--
REINZ House Price Index (% yoy)	3.1	2.8	3.0	2.4	1.4	1.7	1.7	1.6	2.9	--
Household Lending Growth (% mom)	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	--
Household Lending Growth (% yoy)	5.9	5.9	5.9	5.9	5.9	6.0	5.9	5.9	6.0	--
ANZ Roy Morgan Consumer Conf.	121.9	121.7	120.8	121.8	123.2	119.3	122.6	116.4	118.2	113.9
ANZ Business Confidence	-24.1	..	-30.9	-38.0	-37.5	-32.0	-38.1	-44.3	-52.3	-53.5
ANZ Own Activity Outlook	13.6	..	10.5	6.3	7.1	8.5	8.0	5.0	-0.5	-1.8
Trade Balance (\$m)	9	-935	-94	825	361	175	329	-700	-1565	--
Trade Bal (\$m ann)	-6161	-6433	-6715	-5739	-5578	-5602	-4988	-5485	-5484	--
ANZ World Comm. Price Index (% mom)	-0.2	2.0	2.8	4.1	2.6	0.1	-3.9	-1.4	0.3	0.0
ANZ World Comm. Price Index (% yoy)	-3.4	-2.2	-2.2	0.6	2.2	0.7	-2.4	-0.5	0.9	3.4
Net Migration (sa)	6090	4610	4470	3570	3560	3770	3990	5100	--	--
Net Migration (ann)	51818	52258	53211	52747	52224	51490	51529	52723	--	--
ANZ Heavy Traffic Index (% mom)	-4.2	4.8	0.1	-2.1	3.8	0.6	-4.8	3.9	-4.2	--
ANZ Light Traffic Index (% mom)	-1.8	2.0	-0.8	0.7	0.2	0.7	-2.1	1.4	0.3	--
ANZ Monthly Inflation Gauge (% mom)	-0.1	1.0	0.0	0.0	0.1	0.1	0.3	0.5	0.3	--

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)					
	Aug-19	Sep-19	Today	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
NZD/USD	0.633	0.626	0.63	0.61	0.59	0.61	0.61	0.63	0.63
NZD/AUD	0.940	0.927	0.93	0.94	0.89	0.90	0.88	0.90	0.90
NZD/EUR	0.576	0.574	0.57	0.56	0.56	0.58	0.58	0.58	0.58
NZD/JPY	67.25	67.68	67.34	65.9	62.0	64.1	64.1	66.2	66.2
NZD/GBP	0.521	0.509	0.51	0.50	0.49	0.50	0.50	0.50	0.50
NZ\$ TWI	68.7	68.2	70.6	67.2	64.9	66.8	66.6	67.9	67.9
Interest rates	Aug-19	Sep-19	Today	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
NZ OCR	1.00	1.00	1.00	0.75	0.50	0.25	0.25	0.25	0.25
NZ 90 day bill	1.19	1.15	1.05	0.92	0.67	0.50	0.50	0.50	0.50
NZ 10-yr bond	1.06	1.09	1.00	0.90	1.00	1.25	1.25	1.20	1.45
US Fed funds	2.25	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75
US 3-mth	2.14	2.10	2.03	2.15	1.90	1.90	1.90	1.90	1.90
AU Cash Rate	1.00	1.00	0.75	0.75	0.50	0.25	0.25	0.25	0.25
AU 3-mth	0.97	0.95	0.84	0.95	0.70	0.45	0.45	0.45	0.45

	4-Sep	30-Sep	1-Oct	2-Oct	3-Oct	4-Oct
Official Cash Rate	1.00	1.00	1.00	1.00	1.00	1.00
90 day bank bill	1.17	1.15	1.13	1.09	1.07	1.05
NZGB 05/21	0.77	0.80	0.78	0.72	0.70	0.69
NZGB 04/23	0.74	0.79	0.78	0.73	0.70	0.68
NZGB 04/27	0.93	0.99	1.00	0.95	0.92	0.89
NZGB 04/33	1.20	1.28	1.31	1.26	1.22	1.20
2 year swap	0.90	0.94	0.89	0.86	0.83	0.82
5 year swap	0.91	0.94	0.92	0.89	0.85	0.83
RBNZ TWI	71.08	70.23	70.15	70.11	70.25	70.64
NZD/USD	0.6355	0.6263	0.6222	0.6235	0.6288	0.6320
NZD/AUD	0.9363	0.9277	0.9294	0.9333	0.9358	0.9334
NZD/JPY	67.50	67.60	67.38	67.09	67.32	67.59
NZD/GBP	0.5207	0.5091	0.5058	0.5090	0.5114	0.5118
NZD/EUR	0.5768	0.5734	0.5708	0.5710	0.5739	0.5755
AUD/USD	0.6787	0.6751	0.6695	0.6681	0.6720	0.6771
EUR/USD	1.1017	1.0922	1.0901	1.0921	1.0957	1.0979
USD/JPY	106.22	107.93	108.29	107.59	107.07	106.94
GBP/USD	1.2205	1.2302	1.2301	1.2250	1.2295	1.2331
Oil (US\$/bbl)	56.26	54.07	53.62	52.64	52.45	52.81
Gold (US\$/oz)	1536.59	1487.55	1468.15	1484.70	1502.30	1504.66
NZX 50	11008	10926	10997	10952	10821	10893
Baltic Dry Freight Index	2518	1823	1809	1803	1757	1767
NZX WMP Futures (US\$/t)	3080	3100	3125	3080	3095	3100



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