ANZ Research

New Zealand Weekly Focus

4 November 2019

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NZ Economics Team

Sharon Zollner
Chief Economist
Telephone: +64 9 357 4094
Sharon.Zollner@anz.com

Michael Callaghan
Economist
Telephone: +64 4 382 1975
Michael.Callaghan@anz.com

Natalie Denne
Desktop Publisher
Telephone: +64 4 802 2217
Natalie.Denne@anz.com

Susan Kilsby
Agriculture Economist
Telephone: +64 4 382 1992
Susan.Kilsby@anz.com

Sandeep Parekh
FX/Rates Strategist
Telephone: +64 9 357 4065
Sandeep.Parekh@anz.com

Kyle Uerata
Economic Statistician
Telephone: +64 4 802 2357
Kyle.Uerata@anz.com

Miles Workman
Senior Economist
Telephone: +64 4 382 1951
Miles.Workman@anz.com

Contact
research@anz.com

Follow us on Twitter
@sharon_zollner
@ANZ_Research (global)

Is less growth always a bad thing?

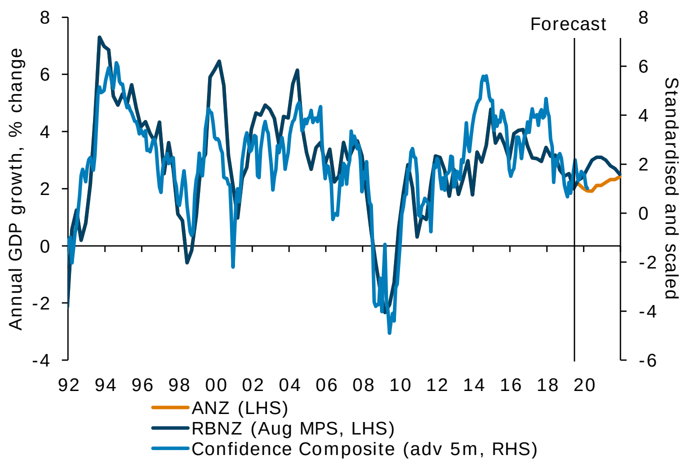
Economic overview

Leading indicators suggest that near-term growth will be weak, adding downside risk to even our subdued GDP growth forecasts. We're expecting just 0.1% employment growth in the Q3 data out on Wednesday, though the labour market clearly remains 'tight'. But, taking a step back, there's increasing debate: is endless economic growth really what we should be aiming for? GDP growth is a limited measure of human wellbeing and a spectacularly bad one of the earth's wellbeing. That isn't what it was designed for, of course. But the trade-offs between growth and the environment, and living standards today and tomorrow are not going away. Quality over quantity of growth will be the key. Governments have a key role in driving innovation and shaping future directions that can reduce the trade-offs.

Chart of the week

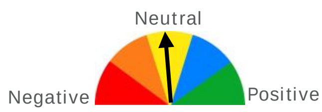
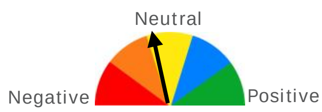
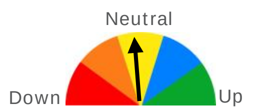
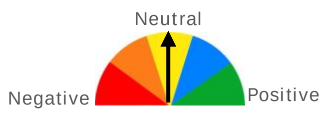
Leading indicators paint a weaker picture for economic growth in New Zealand going forward. But is slower economic growth everywhere and always a bad thing, looking with a wider lens?

Annual GDP growth and ANZ Confidence Composite



Source: Statistics NZ, Roy Morgan, RBNZ, 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.	
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.	
OCR	0.50% in March 2020	We expect further cuts in November, February and May next year, bringing the OCR to just 0.25%.	
CPI	2.0% y/y for 2020 Q1	Below-trend growth will stymie domestic inflation. OCR cuts should support a gradual rise over time.	

Economic overview

The GDP growth outlook is bleak…

…but does GDP growth even matter?

Summary

Leading indicators suggest that near-term growth will be weak, adding downside risk to even our subdued GDP growth forecasts. We're expecting just 0.1% employment growth in the Q3 data out on Wednesday, though the labour market clearly remains 'tight'. But, taking a step back, there's increasing debate: is endless economic growth really what we should be aiming for? GDP growth is a limited measure of human wellbeing and a spectacularly bad one of the earth's wellbeing. That isn't what it was designed for, of course. But the trade-offs between growth and the environment, and living standards today and tomorrow are not going away. Quality over quantity of growth will be the key. Governments have a key role in driving innovation and shaping future directions that can reduce the trade-offs.

Forthcoming data

ANZ Commodity Price Index – October (Tuesday 5 November, 1:00pm).

GlobalDairyTrade auction (Wednesday 6 November, early am). Prices are expected to lift by approximately 1.5% as global demand keeps ahead of global supply growth.

Labour Market Statistics – Q3 (Wednesday 6 November, 10:45am). We expect the unemployment rate to rise to 4.2% in Q3, from 3.9%. Annual wage inflation is expected to come in unchanged at 2.2%.

What's the view?

We continue to expect a 25bp rate cut at the November MPS.

Leading indicators suggest that near-term growth will continue to soften, which – together with a soft inflation outlook and weakening global growth – is a key reason we continue to expect the RBNZ to cut 25bp to 0.75% at the November MPS next week, and to leave the door open to an OCR even lower than that in 2020.

But developments haven't been one-way since the August MPS. On the positive side, previous OCR cuts have helped the NZD fall, house prices have been a bit stronger, and there's a higher starting point for CPI inflation (although that has been driven by transitory, regulated price increases).

Overall though, the Monetary Policy Committee is likely to keep the focus on the softer-than-expected economic growth outlook and what that implies for inflation – particularly when inflation expectations are already looking precariously low. An OCR of 0.75% or lower is universally expected over the next year, and the Committee has already shown a preference for delivering the stimulus up front, rather than holding off and risking falling behind economic developments. After all, the RBNZ's next scheduled OCR decision isn't until February 2020.

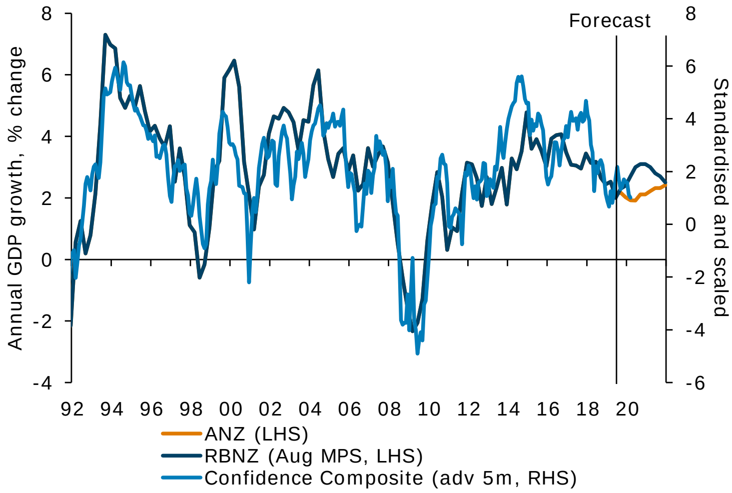
Leading indicators paint a softer picture for growth.

The latest survey indicators suggest that the RBNZ will continue to be disappointed by lacklustre growth for a while at least. In the October ANZ Business Outlook Survey, firms' expectations for their own activity over the year ahead ticked down again, the fifth fall in a row and the lowest read since April 2009. However, it appears that the activity indicators are generally finding a floor, in that we saw a mix of rises and falls across the other activity questions (capacity utilisation and employment intentions down, but investment intentions up).

In the same month, the ANZ-Roy Morgan Consumer Confidence Index rose 4 points to 118, reversing last month's fall and close to its historical average. Consumers remain warier about the future than about how things currently stand with, the Current Conditions Index at 128 (up 2) and the Future Conditions Index at 112 (up 6).

Taken together, our confidence composite gauge, which combines business and consumer surveys, was little changed and remains within recent low ranges (figure 1). Firms are doing it a bit tough at the moment as the economy battles headwinds, but the fundamentals for the New Zealand economy remain decent. The issue is, the RBNZ needs the economy to do a bit better than par to be confident of achieving their medium-term inflation objective.

Figure 1. Annual GDP growth and ANZ Confidence Composite



Source: Statistics NZ, Roy Morgan, RBNZ, ANZ Research

But does GDP growth even matter?

Looking around, both politicians and central banks are focused on economic growth and keeping the economy humming. At the recent OCR Review, the RBNZ noted that there remains scope for more fiscal and monetary stimulus, if necessary, to support the economy and maintain the inflation and employment objectives. In the US, Federal Reserve officials have stated consistently that their recent rate cuts have been aimed at sustaining the economic expansion.

But more people are asking, are we focusing on the wrong thing by looking at GDP growth?

Should endless growth be the goal? Some think no.

The New Zealand economic community has been actively debating the merits of economic growth, and climate activist Greta Thunberg recently criticised "fairy tales of eternal economic growth". The debate is not new. As American economist Kenneth Boulding stated decades ago, "Anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist." We would prefer to think of ourselves as primarily the latter, but let's explore the question.

"Doughnut" economics has gotten some attention lately. The Doughnut of social and planetary boundaries is a framework that aims to ensure that no one falls short on life's essentials (from food and housing to healthcare and political voice), while ensuring that collectively we do not overshoot our pressure on Earth's life-supporting systems – such as a stable climate, fertile soils, and a protective ozone layer. According to author Raworth, moving into "the Doughnut's safe and just space" – between the social and planetary boundaries – is the challenge of our century. That said, even Raworth admits that while it sets a vision for an equitable and sustainable future, it is silent on the possible pathways for getting there.

GDP growth means jobs, rising incomes, and improved wellbeing…

Most economists consider economic growth essential to lifting living standards and wellbeing and for enabling people to earn and provide for themselves and their families. "GDP growth" by itself certainly isn't a perfect measure of wellbeing in an economy. It is a very narrow metric by which to judge an economy's success or failure, particularly over the short run. There are several reasons but here are a couple of kickers:

…but isn't a perfect measure.

- It's very incomplete, but trying to measure every human activity that has an economic value would quickly lead into absurdity;
- It is a flow measure, measuring economic activity and not taking into account the depletion of resources or negative externalities such as pollution.

Nonetheless, GDP growth on a per capita basis is highly correlated with the things we all do care about, like housing standards, meaningful employment opportunities and health, and it would be nonsense to pretend the trade-offs aren't real. For example, the IMF have shown that per capita GDP does capture well the main component of 'wellbeing'.

But that's not to say it's not worth trying to measure wellbeing more holistically. The New Zealand Treasury's Living Standards Framework and Dashboard attempts to do just that. And the Government used this framework to inform its decisions at the 2019 "Wellbeing" Budget, so whether you're a fan or not, it's no longer just a theoretical construct.

But is growth 'bad' or 'good' in a big-picture sense? The answer is, of course, it's both, and it depends on where it is coming from. Let's break it down, looking at the difference sources of growth as seen from the labour supply side:

GDP growth can come from labour input…

1. **Population growth:** This has been a very strong driver of New Zealand's growth in recent years (figure 2, orange bars). More people means more consumption, more investment, and more activity in the economy. Growth, ta da! But Malthus and Thanos both had some valid points. Population growth puts pressure on the world's environment and resources, all else equal.
2. **Labour utilisation:** How many people are participating in the paid workforce and how many hours are they working? In New Zealand, increased participation in recent years has been driven by more female and older workers choosing to join, or stay in, the workforce (figure 2, blue bars). But of course, here we run smack into the problem of the incompleteness of GDP and other traditional macroeconomic statistics. Work isn't without value just because no one is paying you for it. Ask any primary caregiver.

…or from productivity gains.

3. **Labour productivity:** Labour productivity is a measure of how efficiently labour inputs are used within the economy to produce goods and services (figure 2, light blue bars). A higher productivity rate means a nation can produce more with the same labour. Giving workers better tools or education helps here. And of course, though we are focusing on labour here, productivity growth that means you can produce more output from less of other types of inputs is also a winner.

A decent chunk of the growth in the New Zealand economy in recent years has been from population growth (figure 3). Per capita growth has been particularly weak, consistent with subdued productivity growth. This hasn't been a great mix for lifting living standards.

Figure 2. NZ economic growth composition

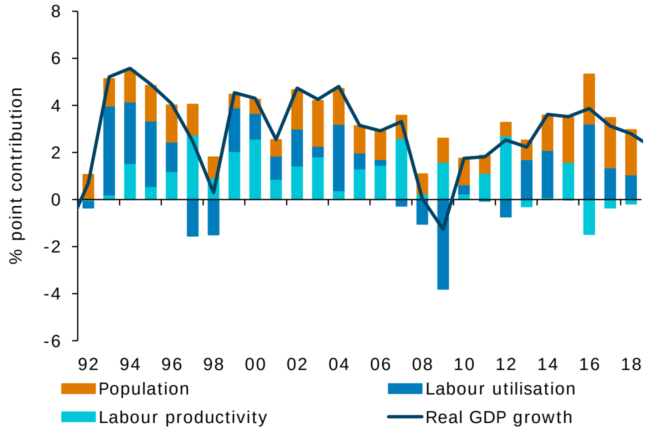
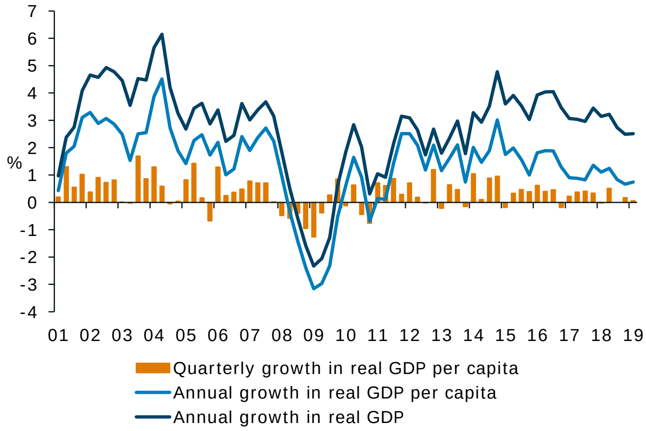


Figure 3. NZ headline and per capita growth



Source: Statistics NZ, ANZ Research

Economic overview

Population has driven GDP growth in recent decades.

…but lower fertility will slow GDP growth.

Taking a step back and looking at it from a global perspective, slowing population growth means that we're not going to see the solid rates of economic growth in the decades ahead that we have seen in the last half century. Back in the 1960s, the global population was growing around 2% every year, but this has steadily declined to 1% growth today (figure 4). The United Nations estimates that human population may peak at the end of this century, at a level of nearly 11 billion. That's still a lot more people than the 7.7 billion we are at today, but it's a massive change in the trajectory of population growth. For all that it will lower headline GDP growth, people generally consider that a win.

Figure 4. Global population

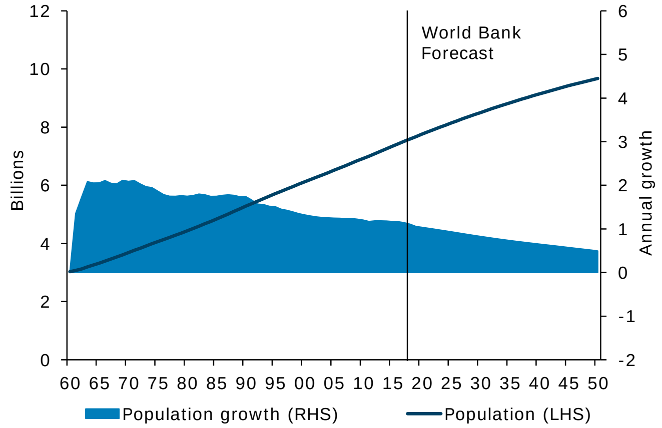
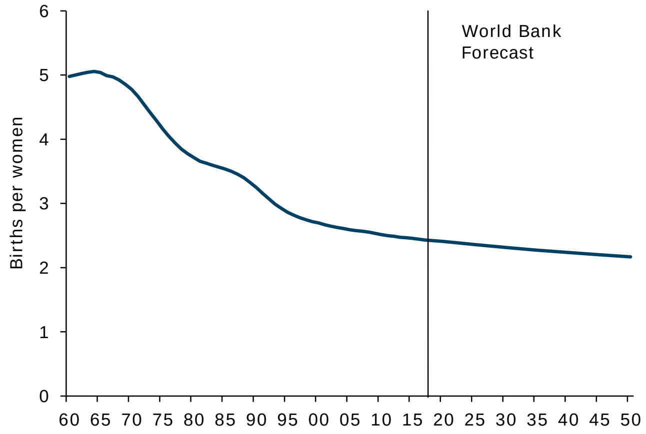


Figure 5. Global fertility rates



Source: World Bank, ANZ Research

Innovation has kept up with population, keeping food prices down…

…but partly by front-loading resource use.

There are also exciting developments in energy.

Policy matters as it can shape the direction of growth.

In NZ, emissions dipped a bit in the GFC…

…but the costs to jobs and wellbeing were substantial.

But can the world sustain population growth indefinitely? Thomas Malthus thought not, back around the start of the 1800s. Malthus was an English political economist who had a bleak outlook for a world in which population growth continued unabated. A Malthusian catastrophe is a prediction that population growth will outpace agricultural production. Widespread poverty and degradation would inevitably result unless checked by disease, famine, war, or other disaster. Ouch.

So far, we've managed to avoid the day of reckoning due to technological progress in agriculture. That has kept food prices down. But not all technology is created equal: whether it's a long-term fix depends on whether it is truly allowing us to do more with less (eg disease-resistant crops), or whether it is merely allowing us to use up the world's limited resources more quickly.

Other innovations have allowed resources to keep up with the ever-growing global economy, not just in food production. Who knew ten years ago that the US would become the world's largest oil producer? New shale technology has thrown 'peak oil' concerns out the window – for a while at least – for better or worse. But meanwhile the cost of renewable energy is coming down, on par with the fossil energy price range. In the US, carbon emissions have fallen over 13% since 2005, in part driven by a shift in energy production from coal to natural gas. Cars, too, are becoming more efficient and less reliant on non-renewable energy.

That doesn't make growth 'free'. The fact remains, more economic growth means the world's finite resources are likely to be used up more quickly. That tension isn't going away. But government policies that steer the direction that economic growth takes can make a meaningful difference.

With global warming, carbon emissions are a hot topic at present. Slower economic growth would reduce carbon emissions, but the extent to which depends on the mix of growth. In New Zealand, gross emissions have been largely flat since 2005 even as the economy has expanded and new businesses have been created (figure 6). During the Global Financial Crisis, net emissions did decline as New Zealand fell into a recession and unemployment rose sharply as emissions from energy and transport fell slightly (dark blue, figure 7). At the same time, we saw a temporary boost to our carbon offset from land use and forestry (orange, figure 7).

Figure 6. Net and gross emissions

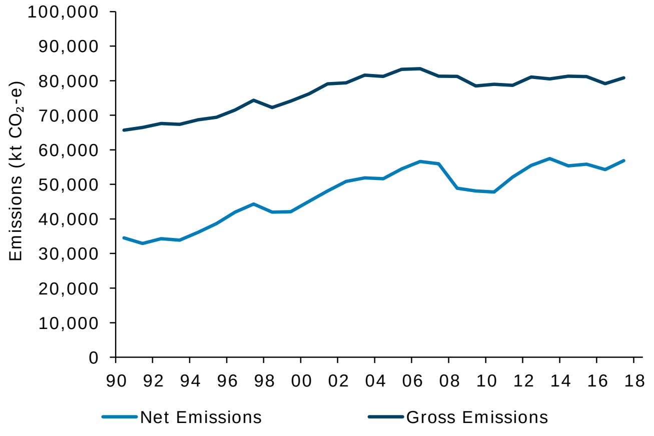
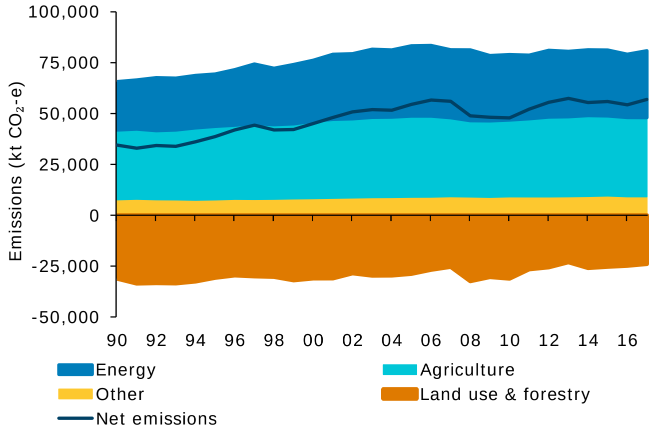


Figure 7. Net emissions by source



Source: Ministry for the Environment, ANZ Research

Per capita GDP matters more for living standards.

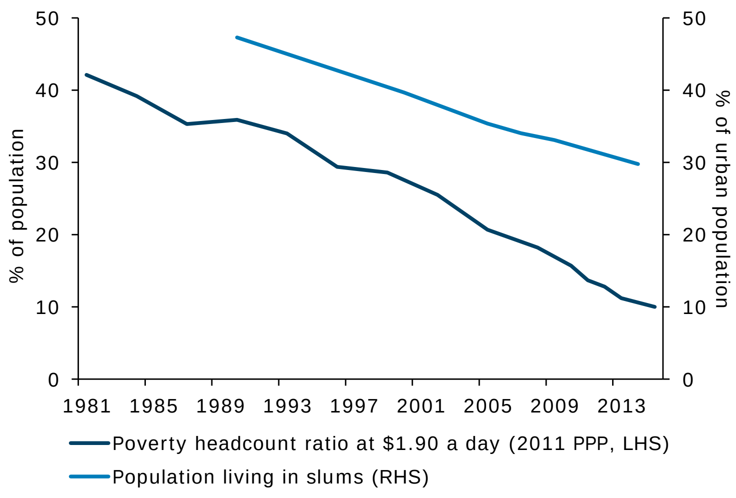
So slower growth can reduce resource depletion and pollution. But if economic growth isn't keeping up with population growth, then standards of living will decline. For New Zealand, some may think that standards of living are high enough already, and we shouldn't be greedy. But that's not a universal view and it's certainly not true everywhere around the globe. Some in developing countries think it's only fair that they get their chance to pollute their way to riches just as today's well-off countries did.

The good news is that living standards around the globe have improved enormously in recent decades. For example, the world attained the first Millennium Development Goal target – to cut the 1990 poverty rate in half by 2015 – five years ahead of schedule, in 2010. Now, less than 10 percent of the world lives in extreme poverty, surviving on $1.90 a day or less (figure 8). That's down from nearly 36 percent in 1990.

And global GDP growth has helped lift millions out of poverty.

But to make further progress in improving wellbeing and living standards, the creation of new businesses, new job opportunities, and higher earnings – economic growth – has to be a part of the mix. When families move out of poverty, children's health and wellbeing improve. Since 1990, the number of children dying – mostly from preventable causes such as poverty, hunger, and disease – has more than halved, dropping from more than 35,000 a day to under 15,000.

Figure 8. Global poverty measures



Source: World Bank, ANZ Research

But there's a flipside to that success story. Millions – billions – have joined the consumer economy in recent decades. They want more stuff. Stuff we have already and don't intend to give up, thank you very much. More clothes, fancier food, cars, nicer houses, holidays, and air-conditioning. Energy-intensive real stuff. Not just app downloads.

And humans as a species have been shown in both formal experiments and over history to care an inordinate amount about today and tomorrow and to be remarkably fatalistic about what might come after that. And in democracies, politicians who get elected channel the preferences of the voting public. Persuading people to consume less for the good of the planet and future generations will be challenging.

But that doesn't mean that there is nothing that can be done. The trade-offs can be ameliorated by an intense focus on the type of growth that can improve living standards while going easy on finite resources. Governments need to throw everything at technology and innovation and subsidise the type of innovation that delivers long-run environmental benefits, as opposed to short-term profit – the private sector already has the latter sorted. They need to have robust policies that correct for the market's inability to price the 'negative externalities' (such as pollution) of economic activity. There are plenty of examples of this approach working well today. We just need a lot more of it.

A focus on innovation and productivity would be better for everybody, and the planet.

And we have run out of room to even touch on inequality and the impact that can have on 'wellbeing' – the same GDP per capita can represent two very different societies. We'll have to leave that one to the politicians.

Innovation and productivity – providing more with less – enhances the ability to continue creating new jobs, raising living standards, and reducing global poverty, while also reducing the use of resources and the impact on the environment. The quality of growth, not the amount, will be the key. It is one thing to wish for productivity growth and quite another to get it, of course. But we've got to get smarter at this.

The week ahead

This week we'll get an update on key commodity markets, with the ANZ Commodity Price Index for October due on Tuesday, and the GlobalDairyTrade auction early Wednesday morning. We expect dairy prices in the fortnightly auction to lift further as global demand remains robust despite global economic woes. Global supply growth has lifted a little but thus far this is still being outpaced by solid demand for milk powder.

But the big event of the week is the release of Labour Market Statistics for Q3 on Wednesday. We expect the unemployment rate lifted 0.3%pts to 4.2% in Q3 – a bounce-back from Q2's strong 3.9% read and reflecting below-trend economic growth. Annual wage inflation is expected to come in unchanged at 2.2%. Labour market data generally lags economic activity, so Q3's figures are unlikely to be a game changer for the upcoming MPS decision.

Local data

Building Consents – September. Residential dwelling consents rose a robust 7.2% m/m in September (sa), led by volatile multi-unit dwellings. The monthly rise in September saw quarterly consent growth increase slightly in Q3, up 1.5% q/q, following a flat Q2.

ANZ Business Outlook – October. The October ANZ Business Outlook Survey was a mixed bag. Headline business confidence jumped but firms' expectations for their own activity over the year ahead – a better economic indicator – fell 2 points to -4, the fifth fall in a row and the lowest read since April 2009. Employment, investment, exports, capacity utilisation, and inflation expectations were little changed at pretty poor levels.

Economic overview

ANZ Roy Morgan Consumer Confidence – October. Consumer confidence rose 4 points to 118, reversing last month's falls and close to its historical average. Consumers remain warier about the future than about how things currently stand with the Current Conditions Index at 128 (up 2) and the Future Conditions Index at 112 (up 6).

What you may have missed

Please contact us if you would like to be added to the distribution list for any of these publications. Otherwise click on the links below to view reports.

- Q3 Labour Market Preview: Back up
- ANZ Business Outlook – October
- ANZ Roy Morgan Consumer Confidence – October

FX / rates overview

Fed delivers a cut but suggests that's it for now.

Summary

As widely expected, the Federal Reserve cut its policy rate by 25bp last week. That said, Fed Chair Powell did suggest that the hurdle for further cuts is now much higher. Ongoing trade optimism kept market in risk-on mode. Meanwhile, markets pared back their expectations for a 25bp cut at the RBNZ's November meeting.

Key events this week

Focus on local data.

RBA cash rate decision (Tuesday 5 November, 4:30pm). No cut is expected but markets will be looking forward to the RBA's forward guidance.

NZ Q3 employment data (Wednesday 6 November, 10:45am). Markets are expecting unemployment to rise to 4.1%; we're expecting a lift to 4.2%.

Rates

Short end sell-off.

Short end yields struggled as markets pulled back their expectations for a 25bp cut at the RBNZ's November MPS, following a local bank's change of call. Markets are currently pricing in a 52% chance of a 25bp cut at the November MPS (down from 74% a week ago). As widely expected, the Federal Reserve delivered a 25bp cut at its October meeting whilst signalling that further cuts will be harder to come by. Optimism around US-China trade saw sentiment aid the sell-off in the yield curve.

FX

NZD secures third place as the USD weakens broadly.

USD was broadly weaker against its G-10 peers last week. The NZD secured another podium finish whilst the CAD languished in last place.

NZD/USD: NZD soared as markets pulled back their rate cut expectations for the RBNZ's November MPS. This rally was further supported by buoyant risk sentiment and a broad weakening in the USD. NZ Q3 labour data will be in focus this week.

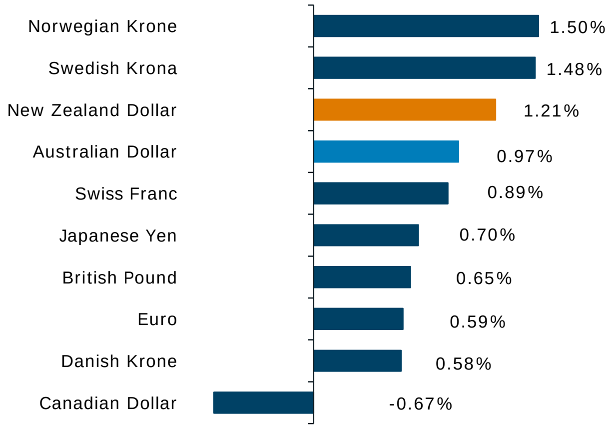
NZD/AUD: AUD struggled to keep up with the NZD but similarly enjoyed some buoyancy as a result of the market's optimism. The RBA's November meeting will be the focus for this week.

NZD/EUR: The beleaguered common-currency remained stuck as euro area data continued to paint a bleak outlook for euro area growth. EU PMIs will provide a brief distraction for markets this week.

NZD/GBP: GBP held its ground as UK Parliament decided it will go to the polls on 12 Dec. Brexit will therefore have to take a backseat whilst the election takes place.

NZD/JPY: The JPY struggled in the face of the market's shift in risk appetite. That said, it benefitted from the weaker USD like its peers.

Figure 1. Last week's best performers (USD base)



Source: Bloomberg, ANZ Research

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
4-Nov	AU	Melbourne Institute Inflation MoM - Oct	--	0.1%	13:00
	AU	Melbourne Institute Inflation YoY - Oct	--	1.5%	13:00
	AU	ANZ Job Advertisements MoM - Oct	--	0.3%	13:30
	AU	Retail Sales MoM - Sep	0.4%	0.4%	13:30
	AU	Retail Sales Ex Inflation QoQ - Q3	0.3%	0.2%	13:30
	GE	Markit/BME Manufacturing PMI - Oct F	41.9	41.9	21:55
	EC	Markit Manufacturing PMI - Oct F	45.7	45.7	22:00
	EC	Sentix Investor Confidence - Nov	-13.8	-16.8	22:30
	UK	Markit/CIPS Construction PMI - Oct	44.1	43.3	22:30
5-Nov	US	Durable Goods Orders - Sep F	-1.1%	-1.1%	04:00
	US	Durables Ex Transportation - Sep F	-0.3%	-0.3%	04:00
	US	Factory Orders - Sep	-0.4%	-0.1%	04:00
	US	Factory Orders Ex Trans - Sep	--	0.0%	04:00
	US	Cap Goods Orders Nondef Ex Air - Sep F	--	-0.5%	04:00
	US	Cap Goods Ship Nondef Ex Air - Sep F	--	-0.7%	04:00
	AU	AiG Perf of Services Index - Oct	--	51.5	10:30
	AU	CBA PMI Services - Oct F	--	50.8	11:00
	AU	CBA PMI Composite - Oct F	--	50.7	11:00
	AU	ANZ-RM Consumer Confidence Index - 3-Nov	--	110.4	11:30
	NZ	ANZ Commodity Price - Oct	--	0.0%	13:00
	CH	Caixin PMI Composite - Oct	--	51.9	14:45
	CH	Caixin PMI Services - Oct	51.3	51.3	14:45
	AU	RBA Cash Rate Target - Nov	0.75%	0.75%	16:30
	UK	Markit/CIPS Services PMI - Oct	49.7	49.5	22:30
	UK	Markit/CIPS Composite PMI - Oct	49.4	49.3	22:30
	EC	PPI MoM - Sep	0.1%	-0.5%	23:00
	EC	PPI YoY - Sep	-1.2%	-0.8%	23:00
6-Nov	US	Trade Balance - Sep	-$52.5B	-$54.9B	02:30
	US	Markit Services PMI - Oct F	51.0	51.0	03:45
	US	Markit Composite PMI - Oct F	--	51.2	03:45
	US	JOLTS Job Openings - Sep	7088	7051	04:00
	US	ISM Non-Manufacturing Index - Oct	53.4	52.6	04:00
	NZ	QV House Prices YoY - Oct	--	2.4%	05:00
	NZ	Employment Change QoQ - Q3	0.2%	0.7%	10:45
	NZ	Employment Change YoY - Q3	0.9%	1.4%	10:45
	NZ	Unemployment Rate - Q3	4.1%	3.9%	10:45
	NZ	Participation Rate - Q3	70.3%	70.2%	10:45
	NZ	Pvt Wages Inc Overtime QoQ - Q3	0.6%	0.8%	10:45
	NZ	Pvt Wages Ex Overtime QoQ - Q3	0.6%	0.8%	10:45
	NZ	Average Hourly Earnings QoQ - Q3	1.0%	1.1%	10:45
	JN	Jibun Bank PMI Composite - Oct F	--	49.8	13:30
	JN	Jibun Bank PMI Services - Oct F	--	50.3	13:30
	GE	Factory Orders MoM - Sep	0.1%	-0.6%	20:00
	GE	Factory Orders WDA YoY - Sep	-6.3%	-6.7%	20:00
	GE	Markit Services PMI - Oct F	51.2	51.2	21:55
	GE	Markit/BME Composite PMI - Oct F	48.6	48.6	21:55
	EC	Markit Services PMI - Oct F	51.8	51.8	22:00
	EC	Markit Composite PMI - Oct F	50.2	50.2	22:00

Continued on following page

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
6-Nov	EC	Retail Sales MoM - Sep	0.1%	0.3%	23:00
	EC	Retail Sales YoY - Sep	2.4%	2.1%	23:00
7-Nov	US	MBA Mortgage Applications - 1-Nov	--	0.6%	01:00
	US	Nonfarm Productivity - Q3 P	0.9%	2.3%	02:30
	US	Unit Labor Costs - Q3 P	2.2%	2.6%	02:30
	AU	Ai Group Perf of Construction Index - Oct	--	42.6	10:30
	AU	Trade Balance - Sep	A$5050M	A$5926M	13:30
	AU	Foreign Reserves - Oct	--	A$69.0B	18:30
	GE	Industrial Production SA MoM - Sep	-0.3%	0.3%	20:00
	GE	Industrial Production WDA YoY - Sep	-4.3%	-4.0%	20:00
	GE	Markit Construction PMI - Oct	--	50.1	21:30
	EC	ECB Publishes Economic Bulletin	--	--	22:00
	EC	EU Commission Economic Forecasts	--	--	23:00
	CH	Foreign Reserves - Oct	$3099.00B	$3092.43B	UNSPECIFIED
8-Nov	UK	Bank of England Bank Rate - Nov	0.75%	0.75%	01:00
	UK	Bank of England Inflation Report	--	--	01:00
	UK	BoE Corporate Bond Target - Nov	£10B	£10B	01:00
	UK	BoE Asset Purchase Target - Nov	£435B	£435B	01:00
	US	Initial Jobless Claims - 2-Nov	215k	218k	02:30
	US	Continuing Claims - 26-Oct	1670k	1690k	02:30
	US	Consumer Credit - Sep	$15.05B	$17.90B	09:00
	AU	RBA Statement on Monetary Policy	--	--	13:30
	AU	Home Loans MoM - Sep	1.0%	0.7%	13:30
	AU	Investment Lending - Sep	1.5%	5.7%	13:30
	AU	Owner-Occupier Loan Value MoM - Sep	1.5%	1.9%	13:30
	GE	Trade Balance - Sep	€18.8B	€16.4B	20:00
	GE	Current Account Balance - Sep	€19.1B	€16.9B	20:00
	GE	Exports SA MoM - Sep	0.3%	-1.5%	20:00
	GE	Imports SA MoM - Sep	0.0%	0.6%	20:00
	CH	BoP Current Account Balance - Q3 P	--	$46.2B	UNSPECIFIED
	CH	Exports YoY - Oct	-4.5%	-3.2%	UNSPECIFIED
	CH	Imports YoY - Oct	-8.0%	-8.5%	UNSPECIFIED
	CH	Trade Balance - Oct	$40.20B	$39.65B	UNSPECIFIED
9-Nov	US	Wholesale Inventories MoM - Sep F	-0.3%	-0.3%	04:00
	US	Wholesale Trade Sales MoM - Sep	0.2%	0.0%	04:00
	US	U. of Mich. Sentiment - Nov P	95.5	95.5	04:00
	US	U. of Mich. Current Conditions - Nov P	--	113.2	04:00
	US	U. of Mich. Expectations - Nov P	--	84.2	04:00
	US	U. of Mich. 1 Yr Inflation - Nov P	--	2.5%	04:00
	US	U. of Mich. 5-10 Yr Inflation - Nov P	--	2.3%	04:00
	CH	CPI YoY - Oct	3.3%	3.0%	14:30
	CH	PPI YoY - Oct	-1.5%	-1.2%	14:30

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
Tue 5 Nov (1:00pm)	ANZ Commodity Price Index – October	--	--
Wed 6 Nov (early am)	GlobalDairyTrade auction	Improving	Prices are expected to lift as the demand remains strong enough to absorb the peak supply of product.
Wed 6 Nov (10:45am)	Labour Market Statistics – Q3	Wary	We expect the unemployment rate to rise to 4.2%, and for annual wage inflation to come in unchanged at 2.2%.
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.
Wed 20 Nov (early am)	GlobalDairyTrade auction	Improving	Prices are expected to slowly lift as the season progresses.
Tue 26 Nov (10:45am)	Retail Sales – Q3	Bright spot	A robust household sector is one of the bright spots in this increasingly uncertain environment. Don't fail us now.
Wed 27 Nov (9:00am)	Financial Stability Report – November	Mixed message	The FSR will likely conclude the financial system remains resilient, but also contain a plug for the value of bank capital requirements. A small loosening in the LVR restrictions is likely.
Wed 27 Nov (10:45am)	Overseas Merchandise Trade – October	Steady	Export volumes start to lift as dairy production season peaks and meat returns lift, while forestry exports remain subdued.
Thu 28 Nov (1:00pm)	ANZ Business November – October	--	--
Fri 29 Nov (10:00am)	ANZ Roy Morgan Consumer Confidence – November	--	--
Thu 29 Nov (10:45am)	Building Consents – October	Wary	Consents have held at a high level recently, but we see downside risk looming.
Mon 2 Dec (10:45am)	Terms of Trade Index – Q3	Increasing	Terms of trade are expected to benefit from strong commodity prices relative to the price of imported goods.
Wed 4 Dec (early am)	GlobalDairyTrade auction	Improving	Prices are expected to slowly lift as the season progresses and offer volumes ease back.
Wed 4 Dec (1:00pm)	ANZ Commodity Price Index – November	--	--
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	**0.2**	**0.6**	**0.3**	**0.5**	**0.2**	**0.6**	**0.4**
CPI (% yoy)	1.7	1.5	**1.6**	**2.0**	**1.8**	**1.7**	**1.7**	**1.7**	**1.7**
LCI Wages (% qoq)	0.8	**0.5**	**0.6**	**0.4**	**0.8**	**0.6**	**0.6**	**0.4**	**0.8**
LCI Wages (% yoy)	2.2	**2.2**	**2.3**	**2.3**	**2.3**	**2.3**	**2.3**	**2.3**	**2.4**
Employment (% qoq)	0.7	**0.1**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Employment (% yoy)	1.4	**0.7**	**1.0**	**1.4**	**1.0**	**1.2**	**1.3**	**1.3**	**1.3**
Unemployment Rate (% sa)	3.9	**4.2**	**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**

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19
Retail ECT (% mom)	2.1	0.7	-0.2	0.3	-0.3	0.0	0.0	1.2	0.4	--
Retail ECT (% yoy)	3.5	3.4	0.7	4.5	3.2	1.1	1.6	2.8	0.3	--
Car Registrations (% mom)	4.3	1.3	-2.8	1.6	-1.4	-2.6	4.5	1.1	4.8	--
Car Registrations (% yoy)	-12.1	-3.9	-2.9	-0.5	-12.6	-11.0	-5.4	-5.2	4.7	--
Building Consents (% mom)	13.1	1.8	-7.0	-7.3	14.7	-3.9	-1.1	0.9	7.2	--
Building Consents (% yoy)	31.9	28.0	2.8	-3.2	8.1	9.9	18.6	12.5	23.7	--
REINZ House Price Index (% yoy)	2.8	2.9	2.4	1.4	1.7	1.7	1.5	2.9	3.5	--
Household Lending Growth (% mom)	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5	--
Household Lending Growth (% yoy)	5.9	5.9	5.9	5.9	6.0	5.9	5.9	6.0	6.2	--
ANZ Roy Morgan Consumer Conf.	121.7	120.8	121.8	123.2	119.3	122.6	116.4	118.2	113.9	118.4
ANZ Business Confidence	..	-30.9	-38.0	-37.5	-32.0	-38.1	-44.3	-52.3	-53.5	-42.4
ANZ Own Activity Outlook	..	10.5	6.3	7.1	8.5	8.0	5.0	-0.5	-1.8	-3.5
Trade Balance ($m)	-935	-94	825	361	175	330	-706	-1628	-1242	--
Trade Bal ($m ann)	-6433	-6715	-5739	-5578	-5602	-4987	-5490	-5551	-5213	--
ANZ World Comm. Price Index (% mom)	2.0	2.8	4.1	2.6	0.1	-3.9	-1.4	0.3	0.0	--
ANZ World Comm. Price Index (% yoy)	-2.2	-2.2	0.6	2.2	0.7	-2.4	-0.5	0.9	3.4	--
Net Migration (sa)	4900	4650	3630	3700	3820	3740	4620	3550	--	--
Net Migration (ann)	54320	55499	55242	55064	54538	54274	54954	53809	--	--
ANZ Heavy Traffic Index (% mom)	4.9	0.1	-2.2	3.8	0.6	-4.7	3.8	-4.2	2.4	--
ANZ Light Traffic Index (% mom)	2.0	-0.8	0.7	0.2	0.7	-2.1	1.4	0.3	-0.3	--
ANZ Monthly Inflation Gauge (% mom)	1.0	0.0	0.0	0.1	0.1	0.3	0.5	0.3	0.3	--

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

Key forecasts and rates

	Actual			Forecast (end month)					
FX rates	Sep-19	Oct-19	Today	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
NZD/USD	0.626	0.641	0.644	0.62	0.59	0.61	0.61	0.63	0.63
NZD/AUD	0.928	0.930	0.931	0.93	0.91	0.92	0.90	0.91	0.90
NZD/EUR	0.575	0.575	0.576	0.56	0.56	0.58	0.58	0.58	0.57
NZD/JPY	67.69	69.28	69.69	67.0	62.0	64.1	64.1	66.2	66.2
NZD/GBP	0.510	0.496	0.498	0.48	0.45	0.46	0.45	0.46	0.47
NZ$ TWI	68.2	68.9	71.04	67.3	64.8	66.9	66.4	67.8	67.3
Interest rates	Sep-19	Oct-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	1.15	1.10	1.12	0.89	0.64	0.48	0.48	0.48	0.48
NZ 10-yr bond	1.09	1.31	1.27	1.35	1.35	1.35	1.45	1.55	1.55
US Fed funds	2.00	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
US 3-mth	2.09	1.91	1.89	2.15	1.90	1.90	1.90	1.90	1.90
AU Cash Rate	1.00	0.75	0.75	0.75	0.50	0.25	0.25	0.25	0.25
AU 3-mth	0.95	0.93	0.93	0.95	0.70	0.45	0.45	0.45	0.45

	1-Oct	28-Oct	29-Oct	30-Oct	31-Oct	1-Nov
Official Cash Rate	1.00	1.00	1.00	1.00	1.00	1.00
90 day bank bill	1.13	1.06	1.06	1.08	1.10	1.12
NZGB 05/21	0.78	0.79	0.85	0.84	0.86	0.84
NZGB 04/23	0.78	0.80	0.88	0.88	0.90	0.87
NZGB 04/27	1.00	1.06	1.16	1.15	1.17	1.14
NZGB 04/33	1.31	1.42	1.54	1.51	1.52	1.48
2 year swap	0.89	0.94	0.98	0.99	1.03	1.02
5 year swap	0.92	1.01	1.08	1.08	1.10	1.09
RBNZ TWI	70.15	70.76	70.53	70.49	70.83	70.86
NZD/USD	0.6222	0.6356	0.6344	0.6359	0.6403	0.6427
NZD/AUD	0.9294	0.9307	0.9265	0.9253	0.9286	0.9306
NZD/JPY	67.38	69.10	69.11	69.21	69.34	69.53
NZD/GBP	0.5058	0.4953	0.4930	0.4932	0.4947	0.4967
NZD/EUR	0.5708	0.5729	0.5721	0.5718	0.5740	0.5756
AUD/USD	0.6695	0.6829	0.6848	0.6873	0.6895	0.6904
EUR/USD	1.0901	1.1095	1.1090	1.1122	1.1155	1.1166
USD/JPY	108.29	108.72	108.94	108.84	108.28	108.19
GBP/USD	1.2301	1.2831	1.2866	1.2895	1.2944	1.2946
Oil (US$/bbl)	53.62	55.81	55.54	55.06	54.18	56.20
Gold (US$/oz)	1468.15	1504.60	1487.00	1493.20	1505.21	1514.34
NZX 50	10997	10789	10794	10790	10788	10762
Baltic Dry Freight Index	1809	1803	1802	1782	1731	1697
NZX WMP Futures (US$/t)	3125	3130	3125	3125	3125	3125

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Ph 64-9-357 4094, e-mail nzeconomics@anz.com, http://www.anz.co.nz