

New Zealand Weekly Focus

11 March 2019



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Outlier

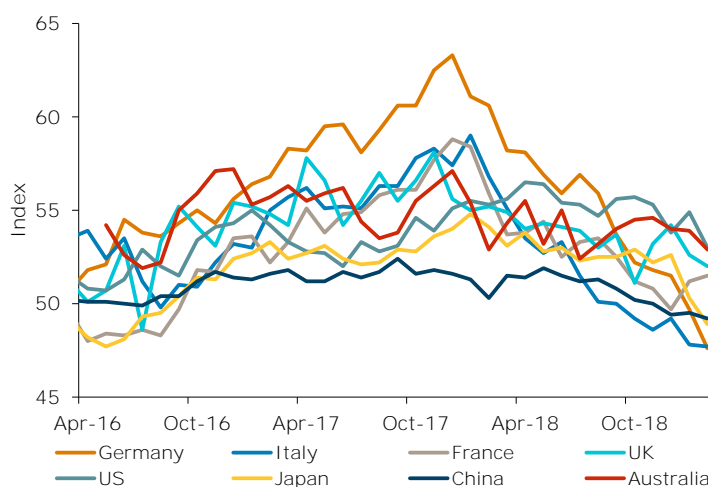
Economic overview

Globally, manufacturing output is slowing, but New Zealand manufacturing is a clear outlier. This reflects the fact that volumes have been supported by meat and dairy production, which in the short run tends to be driven more by the weather than demand. Global demand fluctuations do turn up in meat and dairy export values, via commodity prices. But so far these have held up remarkably well to the slowing in global growth. Outside of meat and dairy, manufacturing growth has softened. Fluctuations in export demand tend to flow through to volumes, while domestic consumption of manufactures tends to be heavily influenced by construction. While it is possible that New Zealand manufacturing may continue to outperform international peers, downside risks are accumulating and acceleration in growth from here seems unlikely.

Chart of the week

Global PMIs are down in sync; this could flow on to other countries and sectors.

Selected global PMIs



Source: Bloomberg

The ANZ heatmap

Variable	View	Comment	Risks around our view
GDP	2.5% y/y for 2020 Q1	Growth is past its peak. We see growth averaging 2.5% over the next couple of years. Global factors are the main risk.	Neutral Negative Positive
Unemployment rate	4.2% for 2020 Q1	The labour market is "tight", but appears to have stabilised. Wage growth to continue increasing only gradually.	Neutral Negative Positive
OCR	1.00% in March 2020	We see the next move in the OCR as a cut and have pencilled it in for November 2019, with two to follow.	Neutral Down Up
CPI	1.8% y/y for 2020 Q1	Core inflation is expected to remain broadly stable over the next couple of years, with OCR cuts supporting a gradual rise over the longer term.	Neutral Negative Positive



Economic overview

New Zealand manufacturing has been an outlier on the right side.

Summary

Globally, manufacturing output is slowing, but New Zealand manufacturing is a clear outlier. This reflects the fact that volumes have been supported by meat and dairy production, which in the short run tends to be driven more by the weather than demand. Global demand fluctuations do turn up in meat and dairy export values, via commodity prices. But so far these have held up remarkably well to the slowing in global growth. Outside of meat and dairy, manufacturing growth has softened. Fluctuations in export demand tend to flow through to volumes, while domestic consumption of manufactures tends to be heavily influenced by construction. While it is possible that New Zealand manufacturing may continue to outperform international peers, downside risks are accumulating and acceleration in growth from here seems unlikely. **There's a peppering** of data out this week, though the focus will be further ahead on expectations for Q4 GDP (out March 21).

There's a peppering of data out this week.

Forthcoming data

ANZ Truckometer – February (Tuesday 12 March, 10:00am).

ANZ Monthly Inflation Gauge – February (Tuesday 12 March, 1:00pm).

Food price index – February (Wednesday 13 March, 10:45am). Food prices usually dip in February, but given January's rise was a touch weaker than expected we have a little less conviction in this.

International travel – January (Friday 15 March, 10:45am). Visitor arrivals are expected to remain at a high level.

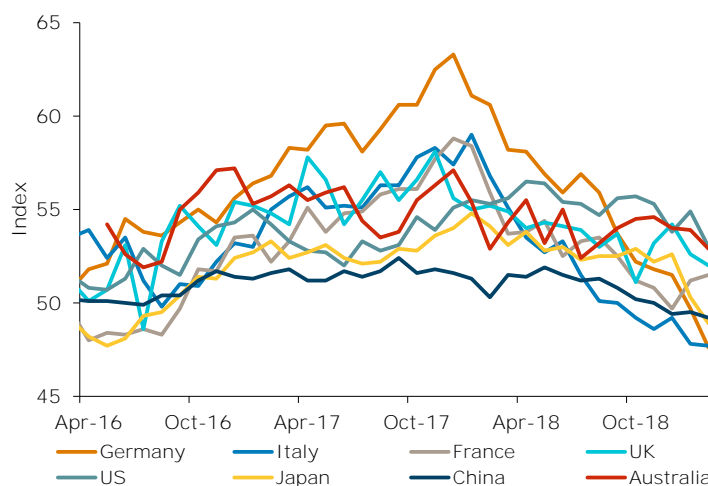
International migration – January (Friday, 15 March, 10:45am). The first two releases under the new methodology have shown these data are subject to substantial revisions. Given the noise, we're unlikely to take much signal from this one.

What's the view?

Globally, manufacturing appears to be slowing. A wide range of indicators across multiple countries provide evidence. In particular, Purchasing Manager Indexes (PMIs) have garnered a lot of attention of late due to their synchronised slowdown (figure 1). Adding to the concern is the potential for slowing in manufacturing to become a broader-based slowdown. History tells us that slowing in manufacturing tends to have lagged flow-on effects to other industries, such as services.

Global PMIs have weakened...

Figure 1. Selected global PMIs



Source: Bloomberg

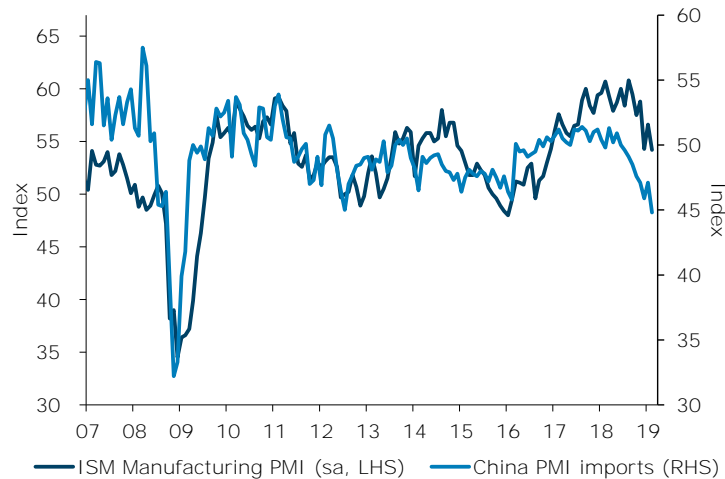
...in sync.



Economic overview

The interlinkages between different countries are clear. See, for example, new export orders out of China's PMI survey, and the key US ISM manufacturing survey (figure 2). As a result of trade and supply-chain links, there is the potential for the recent manufacturing slowing to become more pronounced and widespread.

Figure 2: China PMI new export orders and US ISM

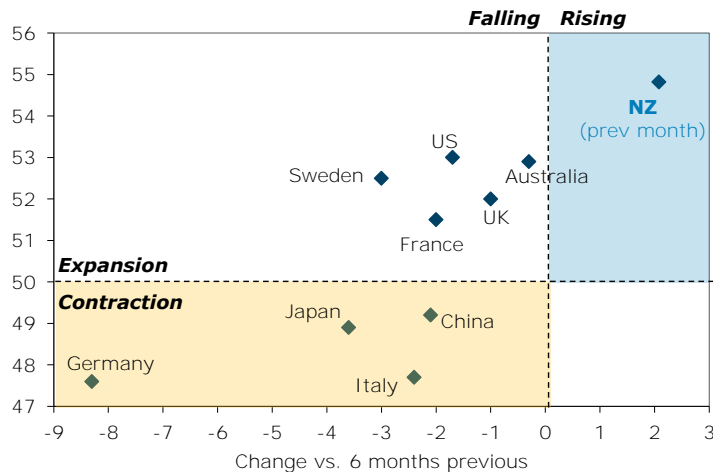


Source: Institute for Supply Management, Bloomberg, ANZ Research

NZ manufacturing is outperforming.

Another way of looking at the PMI indexes is to look at both their level and change. That is, looking at which are going up (or down) versus, say, six months ago, and looking at which are above (or below) the key level of 50, signifying expansion. Figure 3 illustrates what an outlier the New Zealand PMI is at present – it is sitting well above the expansionary level and has risen over the past six months.

Figure 3: PMI levels and changes



Source: Bloomberg, Business-NZ/BNZ

So what's going on?

First, it is worth noting that New Zealand manufacturing is not going gangbusters. In fact, manufacturing volumes contracted through the middle of 2018, according to the Quarterly Survey of Manufacturing – but the outlook has improved a little and further growth is expected from here.

The positive outlook is predominantly driven by solid manufacturing volumes in the primary sector. Broadly speaking, the New Zealand manufacturing sector can be roughly divided into two sectors: meat and dairy (a bit over a quarter), and the rest.

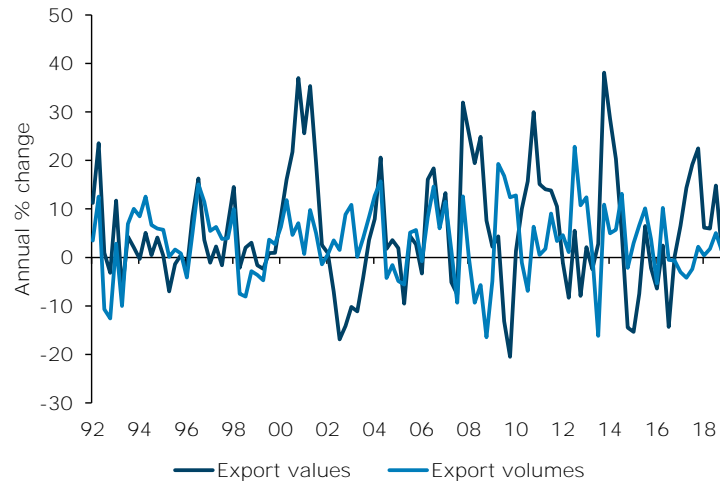
For meat and dairy manufacturing, cycles in demand come through prices rather than volumes.



Economic overview

Much of the variation in New Zealand manufacturing volumes comes from meat and dairy manufacturing, which can be volatile. In the short term, meat and dairy volumes tends to be primarily affected by production, which is driven largely by the weather. That means that in any given year the weather most certainly has a bigger say in volumes than demand and pricing does. Our meat and dairy products will be sold to someone; the question is just at what price. Annual volume growth is hit hardest during droughts, whereas values are heavily affected by commodity prices and indeed are generally more volatile (figure 4).

Figure 4: Pastoral and dairy manufacturing exports: volumes vs. values



Source: Statistics NZ

Excluding meat and dairy, growth in 'core' manufacturing has been on a downward trend. For core manufacturing, demand and price signals do have a strong effect on volumes, whether those manufacturers are exported or domestic consumed. Turning first to exports, in broad terms, exporters do tend to anticipate cycles in global demand and their implications for manufacturing. Export intentions out of our ANZ Business Outlook survey tend to lead volumes of non-food exports by around nine months (figure 5). For non-food manufacturing, we're a small player in the global market, so swings in demand can have a strong effect.

For core manufactures, volumes are driven by global demand...

Figure 5: ANZBO export intentions and non-food export volumes



Source: ANZ, Statistics NZ

Non-food manufactured goods that are not exported tend to be most closely related to construction activity in New Zealand. Figure 6 shows that the non-food manufacturing component of GDP and the construction GDP component tend to be correlated. This

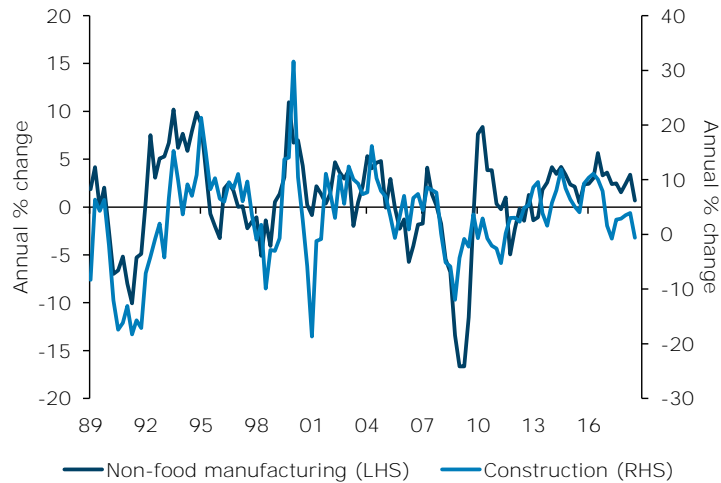


Economic overview

...and domestic activity, especially construction.

reflects the direct impact on manufactured inputs that are used in construction activity, along with spending on furnishings and other manufactures that complement building activity. But this correlation is also likely to reflect the fact that the construction cycle has implications for other sectors and the economy, impacting on domestic consumption of manufactures more broadly.

Figure 6: Production GDP: Core manufacturing and construction



Source: Statistics NZ

Downside risks are accumulating.

So where to from here for New Zealand manufacturing? The sector has had a good run, and may well continue to be an outperformer by international standards, **but it's fair to say that downside risks to the outlook are accumulating.**

Next season we could see recoil for meat and dairy.

For the primary sector, there's still a lengthy pipeline of meat processing yet to occur, given livestock has been retained longer this season on the back of solid pastoral conditions and ample supplementary feed. This will help support meat and dairy manufactures. However, looking towards next season, a return of weather to more normal conditions would likely see meat and dairy volumes recoil a touch from this year.

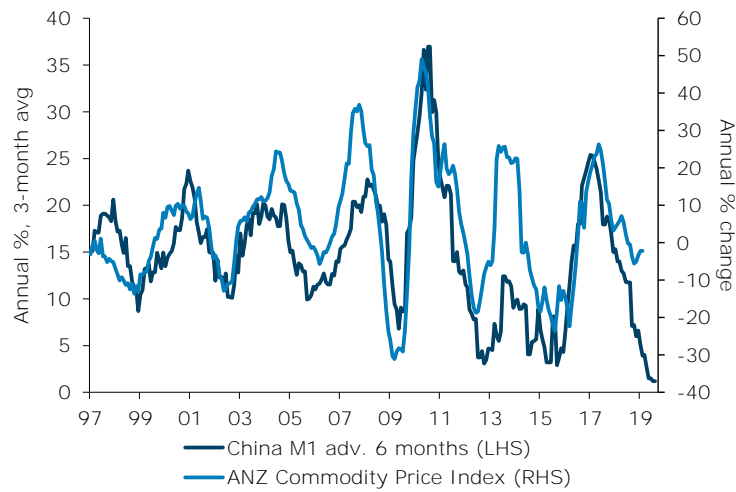
The outlook for global demand is looking softer.

In terms of exports, the outlook is clearly looking softer. Growth forecasts have been successively revised down across our trading partners, and this may continue to have flow-on effects that may inevitably affect demand for our exports. In particular, the Chinese economy is slowing. While it is yet to impact our commodity prices and exports, the risk is clear given China is a significant importer of our food manufactures. While the Chinese authorities have taken measures to support the economy, which may cushion the impact, measures like M1 money supply suggest **New Zealand's** export demand and commodity prices are likely to be affected to some degree (figure 7). Also significant from the perspective of **New Zealand's trade**, Australia has seen GDP growth slow, with notable weakness in housing-related sectors. The United States also import a lot of our non-food manufactures, and the economy has slowed there too.



And domestically the outlook is less assured too.

Figure 7: China M1 money supply and world prices for New Zealand's commodities

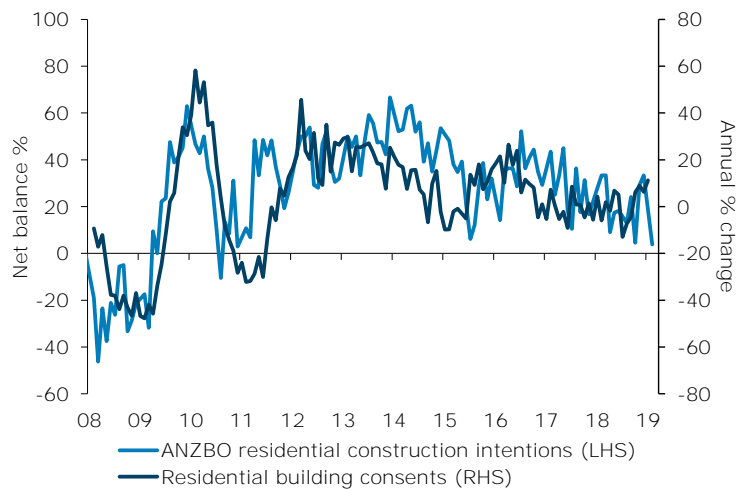


Source: Bloomberg, ANZ Research

In terms of the domestic outlook, construction activity is high and recent consents data suggest we may see a further lift in the short term. This high level of activity will continue to support manufactures, though growth is looking harder to achieve and challenges are looming. The construction industry is dealing with profitability concerns, credit constraints, capacity issues and delays, which are affecting the industry's ability to deliver. Indeed, construction intentions out of the ANZ Business Outlook survey suggest the recent bounce in consents may not be sustained, though the volatility makes it hard to be sure. Adding to that, the economy more generally is facing headwinds and we expect that it will be difficult to grow above trend. The economy is still expected to expand at a healthy clip, but acceleration in demand from here looks unlikely.

An acceleration from here looks unlikely.

Figure 8: ANZBO residential construction intentions and building consents

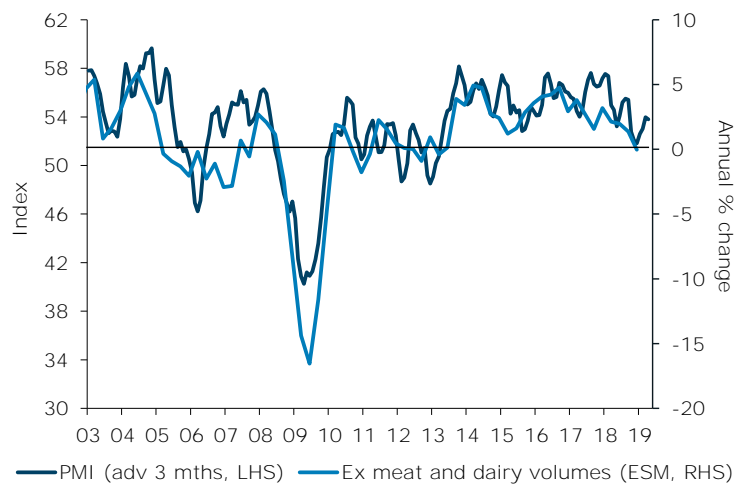


Source: Statistics NZ, ANZ Research

New Zealand manufacturing may well remain an outperformer by international standards. But nonetheless, downside risks have increased in the context of an existing downward trend in both core manufacturing and the PMI. This suggests acceleration in growth from here is looking fairly unlikely.



Figure 9. Manufacturing excluding meat and dairy and PMI



Source: Stats NZ, BNZ-BusinessNZ

The week ahead

There's a peppering of smaller data releases out this week, with the focus further ahead, as updated expectations for the Q4 GDP release (March 21) hit the wires.

Electronic card transactions are out today. These have been a poor indicator for retail trade, but we'll continue to watch to see if the relationship improves. Our ANZ Truckometer and ANZ Monthly Inflation Gauge are out on Tuesday. Wednesday brings the February food price index, which will provide a steer on how CPI's food group is shaping up for Q1. Food prices rose a little less than expected in January, so we have less conviction than otherwise that the usual seasonal dip in February will eventuate – for what it's worth we've pencilled in a 0.4% m/m dip.

International travel and migration statistics are out on Friday. In [last week's edition](#), we discussed some of the characteristics of the migration data under the new methodology. In particular, we outlined how these data are subject to substantial revision, which has made it difficult to gauge the pulse of the migration pulse in anything remotely resembling real time – a rather unfortunate loss, given migration-led population growth is a significant feature of the economic cycle.

Local data

ANZ Commodity Price Index – February. The ANZ World Commodity Price Index pushed up 2.8% m/m in February, continuing the upward shift that commenced in January.

Global Dairy Trade auction. Dairy prices rose 3.3% at the latest GDT event, with whole milk powder up 6.0%.

Wholesale Trade Survey – Q4. Wholesale trade came in on the softer side of our expectations.

Economic Survey of Manufacturing – Q4. Total manufacturing volumes rose 2.0% q/q driven by a 4.0% rise in meat and dairy. However, the underlying picture was a little softer, with 'core' manufacturing falling 0.4%.

Building Work Put in Place – Q4. The volume of building work put in place rose more than expected (up 2.7% q/q), supported by a solid 5.0% lift in non-residential work.

Electronic card transactions – February. Retail spending rose a solid 0.9% m/m, but it has been a very poor steer for retail trade of late.



A chorus of doves.

Summary

New Zealand sat on the side-lines this week. All eyes were locked on Australia as the RBA led the Q4 GDP data release. The AUD remains under pressure with a symphony of commentators calling cuts to the cash rate this year. Elsewhere, the dovish undercurrent continued to strengthen as the ECB announced new stimulus for the euro zone. The ECB also indicated it will keep its policy rate steady for the foreseeable future, which gave global yields a reason to rally into the weekend.

Key events this week

US Retail Sales (Tuesday 12 March, 1:30am) Will be a focus. December's number saw one of the largest falls in history.

Australian NAB Business Confidence (Tuesday 12 March, 1:30pm) After a poor GDP number, the market will be keen to see if confidence continues to fall.

UK Brexit Vote (Tuesday 12 March) With just 18 days left before the UK is to leave the EU, this vote will be a big focus. **If deal isn't reached, delay seems likely.**

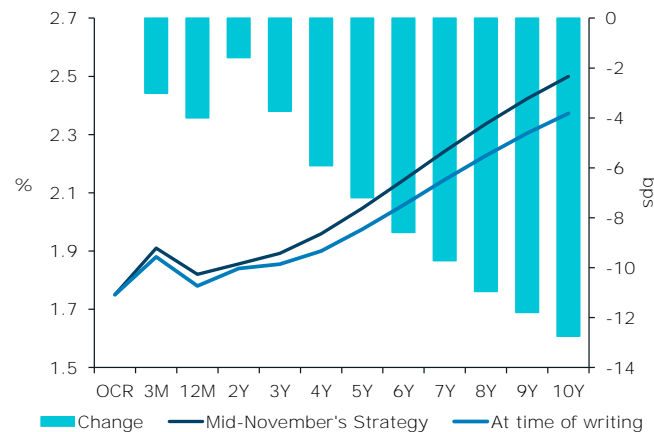
Mixing it up.

Rates

Global yields generally rallied week-on-week and the NZ curve was no exception. The local rates curve continued to eke out gains as the week progressed. The curve rallied 5-7bp around the middle of the curve versus a week ago, whilst the back end of the curve saw a 12bp rally on the back of the changing global sentiment. This week is a big one for the rates market as a number of bond maturities occur. There is roughly \$5bn of the March 2019 NZGB in the hands of the market due to mature alongside \$1.2bn of the LGFA's identically dated bonds.

Do unto others...

Figure 1. Rally in local yields



Source: Bloomberg, ANZ Research

FX

Kiwi stayed in the shadows as the market's focus remained offshore. Down week-on-week, the kiwi was victim to USD strength, while moving in sympathy with AUD.

NZD/USD: Broad USD strength kept the pressure on the kiwi. There was little the kiwi could do to resist, since all was quiet on the local data front.

NZD/AUD: The AUD remained under pressure as data continued to weaken.

NZD/EUR: Euro traded well until the ECB announced new stimulus measures at its latest meeting. This saw the euro capitulate to near 20-month lows.

NZD/GBP: Some speedbumps on the Brexit front saw the sterling lose ground last week. That said, it still remains one of the **week's** best performers.

NZD/JPY: Yen was the only currency to end the week on a high (ever-so-marginal) as a positive surprise in GDP gave it a late boost.

Out of sight, out of mind?



Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
11-Mar	GE	Industrial Production SA MoM - Jan	0.5%	-0.4%	20:00
	GE	Industrial Production WDA YoY - Jan	-3.3%	-3.9%	20:00
	GE	Trade Balance - Jan	€15.2B	€14.3B	20:00
	GE	Current Account Balance - Jan	€18.0B	€21.0B	20:00
	GE	Exports SA MoM - Jan	-0.5%	1.5%	20:00
	GE	Imports SA MoM - Jan	-0.1%	0.7%	20:00
	GE	Labor Costs SA QoQ - Q4	--	1.0%	20:00
	GE	Labor Costs WDA YoY - Q4	--	2.7%	20:00
	NZ	REINZ House Sales YoY - Feb	--	-2.5%	11-15 Mar
12-Mar	US	Retail Sales Advance MoM - Jan	0.0%	-1.2%	01:30
	US	Retail Sales Ex Auto MoM - Jan	0.3%	-1.8%	01:30
	US	Retail Sales Ex Auto and Gas - Jan	0.6%	-1.4%	01:30
	US	Retail Sales Control Group - Jan	0.6%	-1.7%	01:30
	US	Business Inventories - Dec	0.6%	-0.1%	03:00
	NZ	ANZ Truckometer Heavy MoM - Feb	--	3.5%	10:00
	AU	ANZ-RM Consumer Confidence Index - 10-Mar	--	114.8	11:30
	NZ	ANZ Monthly Inflation Gauge MoM - Feb	--	1.1%	13:00
	AU	NAB Business Conditions - Feb	--	7	13:30
	AU	NAB Business Confidence - Feb	--	4	13:30
	AU	Home Loans MoM - Jan	-2.0%	-8.2%	13:30
	AU	Owner-Occupier Loan Value MoM - Jan	0.0%	-6.4%	13:30
	AU	Investment Lending - Jan	-1.5%	-4.6%	13:30
	UK	Visible Trade Balance GBP/Mn - Jan	-£12200M	-£12102M	22:30
	UK	Trade Balance Non EU GBP/Mn - Jan	-£3800M	-£3642M	22:30
	UK	Monthly GDP 3M/3M Change - Jan	0.2%	-0.4%	22:30
	UK	Trade Balance - Jan	-£3500M	-£3229M	22:30
	UK	Industrial Production MoM - Jan	0.2%	-0.5%	22:30
	UK	Industrial Production YoY - Jan	-1.3%	-0.9%	22:30
	UK	Manufacturing Production MoM - Jan	0.2%	-0.7%	22:30
	UK	Manufacturing Production YoY - Jan	-1.9%	-2.1%	22:30
	UK	Construction Output SA MoM - Jan	0.8%	-2.8%	22:30
	UK	Construction Output SA YoY - Jan	-0.2%	-2.4%	22:30
	UK	GDP (MoM) - Jan	0.2%	-0.4%	22:30
	UK	Index of Services MoM - Jan	0.2%	-0.2%	22:30
	UK	Index of Services 3M/3M - Jan	0.5%	0.4%	22:30
	US	NFIB Small Business Optimism - Feb	102.0	101.2	23:00
13-Mar	US	CPI MoM - Feb	0.2%	0.0%	01:30
	US	CPI YoY - Feb	1.6%	1.6%	01:30
	US	CPI Ex Food and Energy MoM - Feb	0.2%	0.2%	01:30
	US	CPI Ex Food and Energy YoY - Feb	2.2%	2.2%	01:30
	NZ	Food Prices MoM - Feb	--	1.0%	10:45
	AU	Westpac Consumer Conf Index - Mar	--	103.8	12:30
	AU	Westpac Consumer Conf SA MoM - Mar	--	4.3%	12:30
	JN	PPI YoY - Feb	0.7%	0.6%	12:50
	JN	PPI MoM - Feb	0.1%	-0.6%	12:50
	EC	Industrial Production SA MoM - Jan	1.0%	-0.9%	23:00
13-Mar	EC	Industrial Production WDA YoY - Jan	-2.1%	-4.2%	23:00
14-Mar	US	MBA Mortgage Applications - 8-Mar	--	-2.5%	00:00

Continued on following page



Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
14-Mar	US	PPI Final Demand MoM - Feb	0.2%	-0.1%	01:30
	US	PPI Final Demand YoY - Feb	1.9%	2.0%	01:30
	US	PPI Ex Food and Energy MoM - Feb	0.2%	0.3%	01:30
	US	PPI Ex Food and Energy YoY - Feb	2.6%	2.6%	01:30
	US	Durable Goods Orders - Jan P	-0.5%	--	01:30
	US	Durables Ex Transportation - Jan P	0.1%	--	01:30
	US	Cap Goods Orders Nondef Ex Air - Jan P	0.2%	--	01:30
	US	Cap Goods Ship Nondef Ex Air - Jan P	-0.1%	--	01:30
	US	Construction Spending MoM - Jan	0.4%	-0.6%	03:00
	AU	Consumer Inflation Expectation - Mar	--	3.7%	13:00
	UK	RICS House Price Balance - Feb	-24.0%	-22.0%	13:01
	CH	Fixed Assets Ex Rural YTD YoY - Feb	6.0%	5.9%	15:00
	CH	Industrial Production YTD YoY - Feb	5.5%	6.2%	15:00
	CH	Retail Sales YTD YoY - Feb	8.1%	9.0%	15:00
	GE	CPI MoM - Feb F	0.5%	0.5%	20:00
	GE	CPI YoY - Feb F	1.6%	1.6%	20:00
	GE	CPI EU Harmonized MoM - Feb F	0.5%	0.5%	20:00
GE	CPI EU Harmonized YoY - Feb F	1.7%	1.7%	20:00	
15-Mar	US	Import Price Index MoM - Feb	0.3%	-0.5%	01:30
	US	Import Price Index YoY - Feb	-1.6%	-1.7%	01:30
	US	Export Price Index MoM - Feb	0.1%	-0.6%	01:30
	US	Export Price Index YoY - Feb	--	-0.2%	01:30
	US	Initial Jobless Claims - 9-Mar	225k	223k	01:30
	US	Continuing Claims - 2-Mar	--	1755k	01:30
	US	New Home Sales - Jan	622k	621k	03:00
	US	New Home Sales MoM - Jan	0.2%	3.7%	03:00
	NZ	BusinessNZ Manufacturing PMI - Feb	--	53.1	10:30
	NZ	Net Migration SA - Jan	--	5080	10:45
	CH	New Home Prices MoM - Feb	--	0.61%	14:30
	EC	CPI MoM - Feb	0.3%	-1.0%	23:00
	EC	CPI YoY - Feb F	1.5%	1.4%	23:00
	EC	CPI Core YoY - Feb F	1.0%	1.0%	23:00
	JN	BoJ Policy Balance Rate - Mar	--	-0.10%	UNSPECIFIED
	JN	BoJ 10-Yr Yield Target - Mar	--	0.00%	UNSPECIFIED
	16-Mar	US	Empire Manufacturing - Mar	10.0	8.8
US		Industrial Production MoM - Feb	0.4%	-0.6%	02:15
US		Capacity Utilization - Feb	78.5%	78.2%	02:15
US		JOLTS Job Openings - Jan	7225	7335	03:00
US		U. of Mich. Sentiment - Mar P	95.5	93.8	03:00
US		Net Long-term TIC Flows - Jan	--	-\$48.3B	09:00

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. The outlook for a stabilisation in medium-term inflation around target is looking less assured, and we expect the next move in the OCR to be a cut. The resilience of domestic data, the trend in inflation and global developments will all bear watching closely.

Date	Data/event	Economic signal	Comment
10-15 Mar	REINZ housing market data – February	Settle	These data have been volatile of late. Perhaps the dust will begin to settle in February.
Tue 12 Mar (10:00am)	ANZ Truckometer - February	--	--
Tue 12 Mar (1:00pm)	ANZ Monthly Inflation Gauge - February	--	--
Wed 13 Mar (10:45am)	Food Price Index – February	Dip	Food prices usually dip in February, but January's rise was weaker than we expected. There could be some payback.
Fri 15 Mar (10:30am)	BNZ-BusinessNZ PMI - February	Sideways	We expect the PMI to stay range bound.
Fri 15 Mar (10:45am)	International travel and migration – January	More noise?	It's hard to know what to expect from the migration stats after recent data changes. Proceed with caution.
Mon 18 Mar (10:30am)	BNZ-BusinessNZ PSI - February	Jumpy	We might see some retracement after last month's bounce.
Tue 19 Mar (9:00am)	Westpac Consumer Confidence – Q1	Middling	Consumer sentiment has been middling in our survey; we expect more of the same here.
Wed 20 Mar (early am)	GlobalDairyTrade auction	Resilient	Dairy prices have been trending up on softening global supply. Slowing global demand remains a risk.
Wed 20 Mar (10:45am)	Balance of Payments – Q4	Wider	The annual current account deficit looks set to widen slightly as a percent of GDP.
Thu 21 Mar (10:45am)	Gross Domestic Product – Q4	Watch this space	We are currently picking 0.6% q/q with risks looking broadly balanced. But we'll release our preview this week.
Tue 26 Mar (10:45am)	Overseas Merchandise Trade – February	When?	Stronger exports are in the pipeline, it's just a matter of timing.
Wed 27 Mar (2:00pm)	RBNZ Official Cash Rate	Hold	The RBNZ is expected to keep the OCR unchanged at 1.75%
Thu 28 Mar (1:00pm)	ANZ Business Confidence – March	--	--
Fri 29 Mar (10:00am)	ANZ-Roy Morgan Consumer Confidence – March	--	--
Fri 29 Mar (10:45am)	Building consents – February	Watching	Consents lifted strongly in January. Some recoil in the lumpy multi-unit component is likely.
Tue 2 Apr (10:00am)	NZIER Business Opinion Survey – Q1	Activity matters	Activity indicators pointed to relatively modest Q4 GDP growth. Q1 will be watched closely to see if this persisted.
Wed 3 Apr (early am)	GlobalDairyTrade auction	Resilient	Dairy prices have been trending up on softening global supply. Slowing global demand remains a risk.
Wed 3 Apr (1:00pm)	ANZ Commodity Price Index – March	--	--
Wed 9 Apr (10:00am)	ANZ Truckometer – March	--	--
Wed 10 Apr (1:00pm)	ANZ Monthly Inflation Gauge -- March	--	--
10-15 Apr	REINZ housing market data – March	Looking	These data have been volatile of late. We'll be looking to see were the trend is settling.
Thu 11 Apr (10:45am)	Food Price Index – March	Small lift	A small m/m lift should translate to a small q/q rise in the CPI's food group.
On balance		Data watch	Domestic and global data has softened and we see a case for OCR cuts in time.



Key forecasts and rates

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
GDP (% qoq)	0.3	0.6	0.6	0.7	0.5	0.7	0.6	0.7	0.6	0.7
GDP (% yoy)	2.6	2.5	2.5	2.2	2.4	2.5	2.5	2.5	2.6	2.6
CPI (% qoq)	0.9	0.1	0.2	0.6	0.4	0.2	0.6	0.5	0.5	0.2
CPI (% yoy)	1.9	1.9	1.6	1.8	1.3	1.4	1.8	1.8	1.8	1.8
LCI Wages (% qoq)	0.5	0.5	0.4	0.5	0.6	0.4	0.5	0.7	0.6	0.5
LCI Wages (% yoy)	1.9	2.0	2.1	2.0	2.0	2.0	2.0	2.2	2.2	2.2
Employment (% qoq)	1.1	0.1	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Employment (% yoy)	2.8	2.3	2.3	2.0	1.3	1.7	1.5	1.4	1.4	1.3
Unemployment Rate (% sa)	4.0	4.3	4.3	4.3	4.2	4.2	4.2	4.2	4.2	4.2
Current Account (% GDP)	-3.6	-3.9	-3.6	-3.6	-3.6	-3.6	-3.8	-4.0	-4.1	-4.1
Terms of Trade (% qoq)	-0.1	-3.0	1.5	-0.1	0.2	0.2	0.2	0.1	0.2	0.2
Terms of Trade (% yoy)	-0.3	-4.7	-1.3	-1.8	-1.5	1.9	0.6	0.8	0.8	0.8

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19
Retail ECT (% mom)	0.6	0.9	0.3	1.2	0.9	0.0	-0.5	-2.3	1.8	0.9
Retail ECT (% yoy)	4.2	4.9	3.8	6.3	5.7	6.2	4.6	0.6	3.5	3.4
Credit Card Billings (% mom)	-1.5	2.2	-1.4	2.9	0.8	-0.1	0.4	-0.5	1.4	--
Credit Card Billings (% yoy)	3.7	6.0	3.3	7.8	7.9	6.4	6.1	4.5	6.9	--
Car Registrations (% mom)	14.0	-6.4	0.0	1.8	-4.5	4.8	-8.8	-3.1	4.3	1.3
Car Registrations (% yoy)	-0.6	-4.9	-0.7	-4.7	-10.8	-5.4	-17.9	-15.8	-12.1	-3.9
Building Consents (% mom)	6.9	-7.7	-9.6	7.1	-1.4	1.8	-1.6	5.4	16.5	--
Building Consents (% yoy)	22.9	11.9	-5.8	-2.6	-3.1	8.5	-3.2	12.3	33.0	--
REINZ House Price Index (% yoy)	3.6	3.8	4.8	4.0	4.0	3.8	3.1	3.2	3.1	--
Household Lending Growth (% mom)	0.5	0.5	0.5	0.5	0.4	0.4	0.6	0.4	0.4	--
Household Lending Growth (% yoy)	5.8	5.8	6.0	6.0	5.9	5.8	6.0	5.9	5.9	--
ANZ Roy Morgan Consumer Conf.	121.0	120.0	118.4	117.6	117.6	115.4	118.6	121.9	121.7	120.8
ANZ Business Confidence	-27.2	-39.0	-44.9	-50.3	-38.3	-37.1	-37.1	-24.1	..	-30.9
ANZ Own Activity Outlook	13.6	9.4	3.8	3.8	7.8	7.4	7.6	13.6	..	10.5
Trade Balance (\$m)	199	-285	-203	-1567	-1580	-1305	-953	12	-914	--
Trade Bal (\$m ann)	58982	59696	60708	61387	62263	63001	63027	63416	63795	--
ANZ World Comm. Price Index (% mom)	1.5	-0.9	-3.3	-1.1	-2.4	-2.4	-0.5	-0.2	2.1	2.8
ANZ World Comm. Price Index (% yoy)	5.4	2.3	-0.2	-0.5	-3.6	-5.6	-5.1	-3.4	-2.1	-2.2
Net Migration (sa)	4510	3640	4270	3900	4200	3960	3310	5080	--	--
Net Migration (ann)	49675	48478	48408	48384	48906	49074	47998	48278	--	--
ANZ Heavy Traffic Index (% mom)	3.3	-0.6	-0.4	0.3	-1.1	4.5	-2.2	-4.4	3.5	--
ANZ Light Traffic Index (% mom)	0.9	-0.1	0.5	1.3	-1.1	0.3	0.1	-1.6	2.2	--

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)					
	Jan-19	Feb-19	Today	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
NZD/USD	0.692	0.681	0.68	0.64	0.62	0.61	0.61	0.61	0.62	0.63
NZD/AUD	0.951	0.960	0.97	0.94	0.93	0.87	0.87	0.87	0.89	0.87
NZD/EUR	0.604	0.599	0.61	0.58	0.57	0.55	0.53	0.51	0.50	0.50
NZD/JPY	75.31	75.82	75.56	70.4	67.0	62.2	61.0	58.6	58.9	59.4
NZD/GBP	0.528	0.513	0.52	0.52	0.52	0.50	0.49	0.47	0.47	0.47
NZ\$ TWI	72.9	72.5	74.2	69.7	67.9	65.2	64.2	62.9	63.1	63.2
Interest rates	Jan-19	Feb-19	Today	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.50	1.00	1.00	1.00
NZ 90 day bill	1.93	1.89	1.88	1.90	1.90	1.82	1.57	1.15	1.15	1.15
NZ 10-yr bond	2.26	2.16	2.08	2.45	2.30	2.40	2.50	2.60	2.65	2.65
US Fed funds	2.50	2.50	2.50	2.50	2.75	2.75	2.75	2.75	2.75	2.75
US 3-mth	2.74	2.63	2.60	2.75	3.10	3.10	3.10	3.10	3.10	3.10
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75
AU 3-mth	2.07	1.87	1.86	2.05	2.00	2.05	2.00	2.00	2.00	2.25

	8-Feb	4-Mar	5-Mar	6-Mar	7-Mar	8-Mar
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.91	1.90	1.91	1.91	1.90	1.88
NZGB 05/21	1.60	1.68	1.67	1.65	1.63	1.62
NZGB 04/23	1.61	1.69	1.68	1.66	1.64	1.62
NZGB 04/27	1.92	2.00	1.98	1.96	1.93	1.89
NZGB 04/33	2.27	2.37	2.34	2.32	2.28	2.23
2 year swap	1.80	1.86	1.86	1.83	1.84	1.83
5 year swap	1.95	2.06	2.04	2.01	1.99	1.97
RBNZ TWI	73.23	73.95	74.06	73.83	73.81	73.73
NZD/USD	0.6740	0.6805	0.6795	0.6776	0.6785	0.6804
NZD/AUD	0.9514	0.9607	0.9600	0.9639	0.9627	0.9655
NZD/JPY	73.99	76.13	76.08	75.80	75.77	75.64
NZD/GBP	0.5210	0.5149	0.5164	0.5155	0.5156	0.5227
NZD/EUR	0.5954	0.6002	0.6001	0.5994	0.5996	0.6055
AUD/USD	0.7088	0.7084	0.7079	0.7029	0.7048	0.7045
EUR/USD	1.1323	1.1338	1.1324	1.1303	1.1316	1.1235
USD/JPY	109.73	111.86	111.95	111.88	111.66	111.17
GBP/USD	1.2944	1.3218	1.3159	1.3144	1.3160	1.3015
Oil (US\$/bbl)	52.72	56.59	56.56	56.22	56.66	56.07
Gold (US\$/oz)	1314.97	1287.14	1284.64	1285.41	1286.37	1298.30
NZX 50	9177	9413	9400	9415	9437	9440
Baltic Dry Freight Index	601	669	663	664	657	649
NZX WMP Futures (US\$/t)	3050	3190	3180	3180	3200	3200



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