

11 June 2018

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HIGHER LEARNING

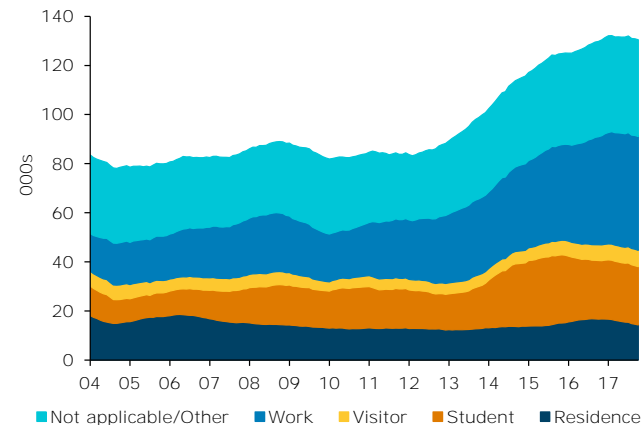
ECONOMIC OVERVIEW

Education exports are a big earner for New Zealand and the Government's proposed tweaks to post-study work rights have got the media and industry talking. This week we discuss how we see these changes playing out in terms of their impact on the New Zealand economy. Overall we think the macroeconomic impacts will be modest; New Zealand remains an attractive place to study and we **do not expect student arrivals will be significantly affected. Nonetheless, it's hard to know how much the industry may be impacted from heightened policy uncertainty or how the proposed changes might impact business sentiment, given the current relatively pessimistic landscape.** The week ahead brings a plethora of data, some of which will shine light on the degree of inflation pressure and the resilience of business activity.

CHART OF THE WEEK

Students comprise 18% of new migrant arrivals. Over the past decade, student visas have almost doubled – increasing from around 13,000 per year in 2008 to almost 24,000 currently.

Annual migration arrivals by visa type



Source: ANZ Research, Statistics NZ

THE ANZ HEATMAP

Variable	View	Comment	Risks around our view
GDP	3.2% y/y for 2018 Q4	The economy is not quite firing on all cylinders. However, we see growth holding around 2½-3% (trend) on average.	Neutral Negative Positive
Unemployment rate	4.0% for 2018 Q4	The unemployment rate should fall further gradually. Conditions are in place for wage inflation to increase.	Neutral Negative Positive
OCR	1.75% by Dec 2018	With plenty of question marks over the outlook for inflation, we believe the RBNZ will be cautious in tightening policy.	Neutral Down Up
CPI	1.7% y/y for 2018 Q4	With capacity constraints and wages expected to rise, we expect domestic and core inflation will lift – albeit gradually.	Neutral Negative Positive

ECONOMIC OVERVIEW

SUMMARY

Education exports are a big earner for New Zealand and the Government's proposed tweaks to post-study work rights have got the media and industry talking. This week we discuss how we see these changes playing out in terms of their impact on the New Zealand economy. Overall we think the macroeconomic impacts will be modest; New Zealand remains an attractive place to study and we do not expect student arrivals will be significantly affected. Nonetheless, it's hard to know how much the industry may be impacted from heightened policy uncertainty or how the proposed changes might impact business sentiment, given the current relatively pessimistic landscape. The week ahead brings a plethora of data, some of which will shine light on the degree of inflation pressure and the resilience of business activity

FORTHCOMING EVENTS

REINZ Housing Market Statistics – May (11-14 June). With the opposing forces operating on the market broadly offsetting, we expect continued stability in prices and house price inflation, for now at least.

ANZ Truckometer – May (10:00am, Tuesday 12 June).

Electronic Cards Transactions – May (10:45am, Tuesday 12 June). With questions over last month's weak print, we'll get a sense of the signal in the data, with some bounce expected.

ANZ Monthly Inflation Gauge – May (1:00pm, Tuesday 12 June).

Food Price Index – May (10:45am, Wednesday 13 June). Food prices in May tend to be on the stronger side. We're expecting a solid increase, after a weak print in April.

BNZ-BusinessNZ PMI – May (10:30am, Friday 15 June). Last month's stellar result may be tested, but robust levels should nonetheless be maintained.

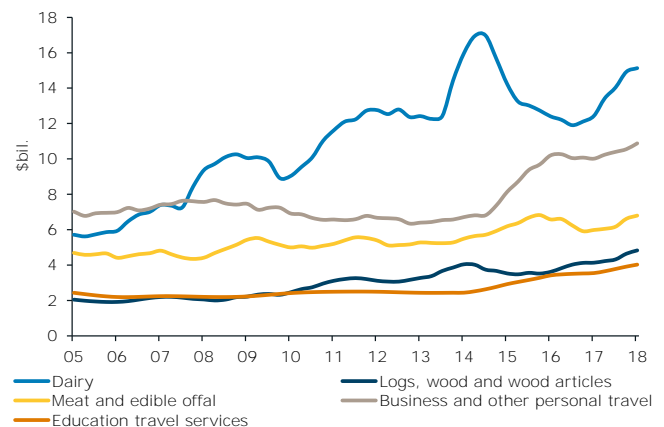
WHAT'S THE VIEW?

Last week the Government announced proposed changes to post-study work rights for international students. The proposed changes are getting a lot of attention, partly because strong migration inflows have been a key feature of this economic cycle and also because education exports are big business for New Zealand. Net migrant inflows have been a key ingredient to our 'more-derrieres-on-seats' GDP growth over recent years. And increased student arrivals have contributed to that. Over the past decade, student visas have almost doubled –

increasing from around 13,000 per year in 2008 to almost 24,000 at last count. And at over \$4bn, education travel accounted for 5% of New Zealand's total export earnings in the year to March 2018 – on one scale it's our fifth largest export, after dairy, business and personal travel, meat and forestry.

This week we ask how the proposed policy changes to post-study work rights could impact the New Zealand economy.

Figure 1: Top 5 NZ exports by type



Source: ANZ Research, Statistics NZ

Under current settings, international students can apply for a one-year work visa (where they are not bonded to a particular employer), followed by a two-year employer-sponsored work visa in their area of study. To be eligible, students need to have completed 30 weeks of study at or above degree (or graduate diploma) level in New Zealand, subject to some conditions. The requirement is 60 weeks if their qualification is below degree level.

The changes proposed by the Government include:

- Removal of employer-sponsored post-study work visas at all levels (where workers are required to work in their field of study and are bonded to a particular employer) to reduce the risk of exploitation;
- Retention of the one-year post-study work visa for all qualifications (where workers can work for any employer) – with the additional requirement that students below degree level must study for two years or more to be eligible;
- Allowing students who study at or above degree level to work an additional two years for any employer; and
- Requiring post-graduate students to study in an area in the [long-term skills shortage list](#) in order for their partner to obtain a work visa (as is already the case at degree level).

ECONOMIC OVERVIEW

These changes amount to a collection of policy tweaks, rather than a significant overhaul.

Compared to the Government's rhetoric on immigration in the lead-up to the 2017 election, changes to migration policy settings have been somewhat insipid to date. We suspect this is due to strong opposition on the part of both the education industry (particularly those that offer qualifications below the degree level) and businesses that rely on migrant workers as a source of labour. Immigration has been important to help address labour shortages this cycle, particularly for businesses in the construction, agriculture, IT, retail and hospitality industries.

Proposed changes to post-study work rights are expected to have the largest impact on international students who study below degree level.

As at 2016, there were around 40,000 international fee-paying full-time equivalent students at this level. This is a useful proxy for the potential pool of post-study work visa applications for 2018. Not all of these students will go on to apply for a post-study work visa, and not all of those applications will be impacted by the policy change. Assuming for the sake of argument that 50% of international students apply for the post-study work visa and 50% of those are impacted, **this would imply that the work rights of around 10,000 students could be impacted per year.** This is within Labour's estimate of 9,000 – 12,000. **But importantly, that doesn't mean there will be 10,000 fewer student arrivals.**

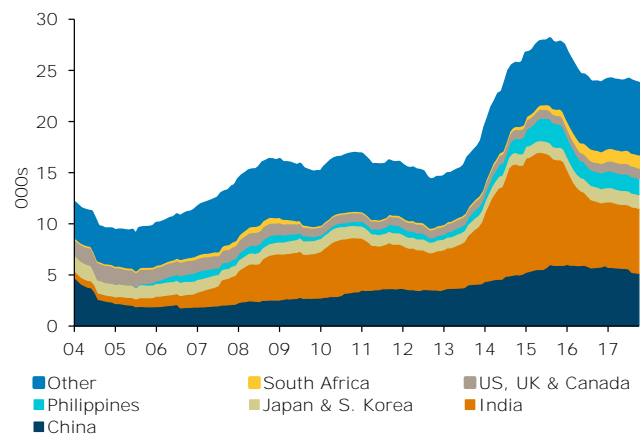
New Zealand will remain a relatively attractive destination to study, even if proposed policy changes go live. International students can still work 20 hours per week while studying, which is on par with Australia. And when it comes to post-study work rights, New Zealand would remain relatively generous under the proposals: international students can work up to three years here, compared to Australia's maximum of two years for students at or above degree level. If, on the other hand, the Government were to restrict in-study work rights for students in "low value courses", as per Labour's stated immigration policy, we expect New Zealand's relative attractiveness would erode pretty quickly.

New Zealand's education industry has already endured a bit of reputational damage and policy uncertainty, which may still be having some lingering effects on the industry. Figure 2 shows the surge and subsequent fall in annual student arrivals from India over 2013 – 2016, as a result of significant loosening, and then tightening, in English language requirements and a crack-down on fraudulent agents.

The number of tertiary-level, fee-paying international students from India rose almost 150% from over 11,000 in 2013 to more than 28,000 in 2015, with a lot of the increase concentrated in private training establishments. A couple of years later, policy changes were reversed, due to questionable practices such as **students being sold a "pathway to residency"**. This was not without cost; New Zealand suffered some reputational damage in India.

Since then, Indian student arrivals have been pretty stable. At the same time, the Canterbury earthquakes probably had a dampening effect on enrolments of international students. **Nonetheless, total student arrivals have been stable at high levels.** However, these (and any potential future) policy changes could affect student perceptions of New Zealand. A more uncertain policy environment could, at the margin, discourage students from coming here, for fear their anticipated work visas may not materialise.

Figure 2: Annual student visa arrivals by country

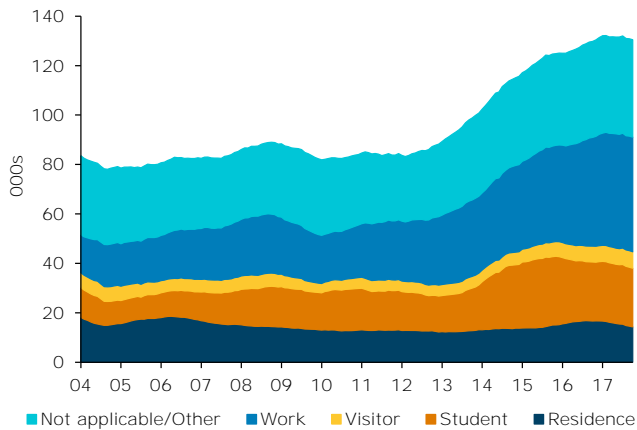


Source: ANZ Research, Statistics NZ

When assessing the likely impact, it must be remembered that students and education providers can always change their behaviour to fit with the new policy settings. Profitability of education providers would be impacted if student arrivals dropped significantly, since international students tend to be a key source of revenue. It would therefore be in providers' interests to adapt, and we expect they will.

Given this context, the impact of these policy changes on student arrivals, and migrant inflows more broadly, would probably be quite small. Of the approximately 10,000 students per year that could potentially be impacted, there is a decent chance that only a small proportion is likely in practice to be dissuaded from studying in New Zealand.

ECONOMIC OVERVIEW

Figure 3: Annual migration arrivals by visa type

Source: ANZ Research, Statistics NZ

In the context of total migrant arrivals of over 130,000 in the year to April 2018, this impact is modest. **But given that the migration cycle is already easing, these changes could see the pace of decline quicken slightly.**

With net immigration easing, the impetus to growth is shrinking. But the impact on GDP from these policy changes in particular is likely to be negligible. Assuming that a third of impacted students decided not to study here, we estimate nominal GDP could be up to \$100m lower per annum as a result of these policy changes, due to both reduced export earnings and lower domestic demand for goods and services.¹ Given nominal GDP is \$280bn per year, this is a very small impact. Demand for housing would also be lower at the margin, but again, the impact on house prices and residential investment is likely to be small, especially given the existing supply shortfall and associated pent-up demand.

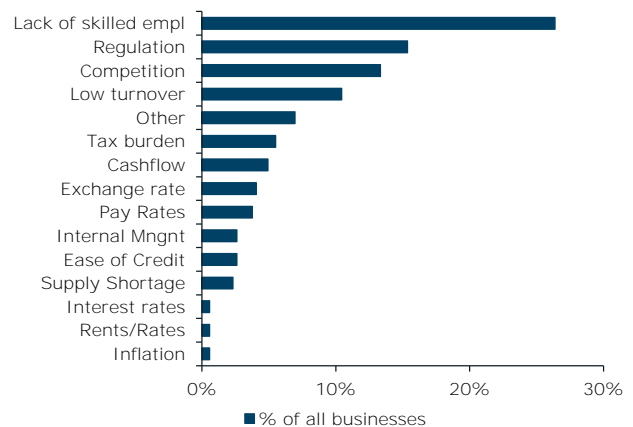
Reduced ability of international students to work, alongside any fall in student arrivals, would have some impact on labour supply. All else equal, this could increase costs for firms relying on student labour, particularly if they compete more aggressively by offering higher wages. But in the context of an already rising minimum wage and firms' margins already being squeezed, **it's difficult to imagine firms increasing wages significantly above the new minimum wage.** For this reason (and given we don't think the drop in numbers will be significant), **we think the impact on wage growth would be small.** Given students aren't typically big spenders, the mix of fewer lower-skilled workers and possibly more labour-saving investment to replace them could in theory mean higher labour productivity in the

¹ Assuming annual GDP per student of \$30k based on average course fees, part time employment/living costs and a small multiplier.

aggregate, but we're talking margin-of-error stuff compared to the impact of the changes in the minimum wage.

That said, one area that will be interesting to watch is how business confidence responds. Our ANZ Business Outlook Survey shows that headline business confidence has been in negative territory since October 2017, for what we suspect is a range of reasons – not just policy changes and uncertainty but also labour shortages and reduced credit availability, to name just two.

When it comes to the impact of these proposed tweaks, it's possible that businesses will view them as relatively mild compared to what the Government campaigned on, which could be good for business confidence. **That said, difficulty finding labour and regulation rank as the top two concerns facing businesses** and anecdotally these concerns don't appear to be diminishing. In addition, these policy proposals don't necessarily represent the end of the changes. Changes to in-study work rights could be next.

Figure 4: Biggest problem faced by firms

Source: ANZ Research, Statistics NZ

Overall, we think the macroeconomic impacts of these policy changes fall into the margin-of-error category – but as with all policy tweaks, there will be winners and losers. Those working in the education industry or relying heavily on student labour will feel the pinch. On the other hand, those competing with student labour for employment may find getting a job just a little bit easier. Compared to the reduction in net migration of 20–30,000 people that the Labour Party campaigned on (or the circa 60,000 reduction NZ First was suggesting), these policy changes are small by any yardstick.

THE WEEK AHEAD

This week is busy on the data front, and we will firm up our views on Q1 GDP growth. Today's **Economic**

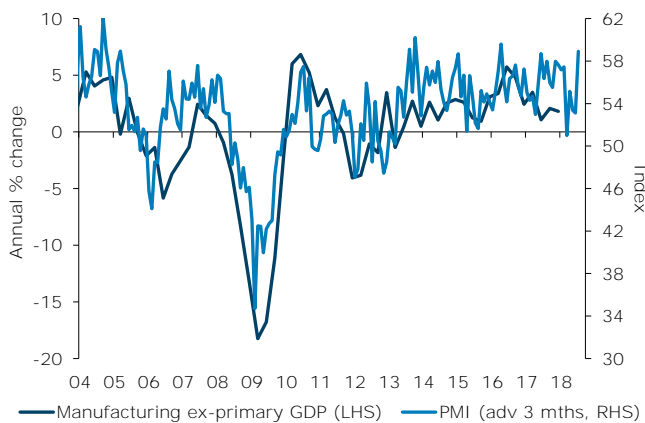
ECONOMIC OVERVIEW

Survey of Manufacturing provided another piece of the picture that is forming of economic activity in the first quarter of the year. Underlying manufacturing activity increased a moderate 0.6% q/q. We will release a full preview of the Q1 GDP data later this week.

Reasonable growth in underlying manufacturing activity is consistent with recent PMI data. The latest read on the **BNZ-BusinessNZ PMI** will be out on Friday. We expect that **April's stellar result** may be tested, but that robust levels will nonetheless be maintained.

Although it moderated a touch in the first part of the year, the PMI has been quite resilient over 2018. This is despite some easing in other measures of business activity, such as more subdued business confidence in surveys. According to our ANZ Business Outlook, the activity outlook amongst manufacturing firms is more upbeat than other industries, although it has moderated.

Figure 5: PMI and manufacturing activity



Source: Statistics NZ, BNZ-Business, ANZ Research

Other industries are feeling more pessimistic, with construction and retail particularly downbeat. Subdued business sentiment has lingered well past the election, and not just the headline measure, which tends to be pushed **around by politics, but also firms' assessments** of their own prospects. Firms are grappling with a number of challenges, including margin pressures, stretched capacity, and credit constraints.

Businesses appear to be following through on their pessimism, with last week's ANZ job ads data pointing to softness in labour demand. While the labour market is tight, this may weigh on employment outcomes and income growth through the first half of 2018. **The ANZ Truckometer will be out on Tuesday, providing another perspective on the resilience of business activity.**

Electronic cards transactions data will be out on Tuesday. **Card spending data for May will indicate**

the degree of signal we should take from last month's weak print. In April, core retail card spending fell 2.3%. Although the data can be volatile, this was an outlier and some bounce-back can be expected. **Leaving aside last month's assumed aberration,** a moderation in card spending growth has been evident over the past few months. Tourism and population growth have been contributing to spending growth, with per capita consumption growth more modest. Household sentiment is currently around average, with households constrained by high debt levels and housing affordability concerns, but buoyed by decent real income growth and a strong labour market.

REINZ housing data is expected this week, with further stability expected in both activity and house price inflation. There are a number of opposing forces operating on the housing market, leading to a delicate balance that could tip should credit conditions, investor sentiment or policy settings change meaningfully. That said, the housing market remains supported by pent-up demand and population growth, while affordability concerns and the threat of further policy tightening limit the upside.

On the inflation front, the **Food Price Index** will be out for May on Wednesday. Food prices tend to be on the stronger side in May, so we are expecting a solid increase, after a weak print in April. **Our ANZ Monthly Inflation Gauge for May (Tuesday) will provide another check on the domestic inflation pulse.** The last few reads have been weak, with prices falling for three consecutive months. In annual terms, the Gauge has moderated through the start of 2018. The Ex-housing Gauge is running at just 0.8% y/y – with price pressures elusive outside of housing, and the housing market is cooling. **We will be watching to see whether the loss of momentum in inflation continues in coming months.**

Figure 6: ANZ Monthly Inflation Gauge



Source: ANZ Research

ECONOMIC OVERVIEW

LOCAL DATA

GlobalDairyTrade auction. GDT-TWI fell 1.3% and whole milk powder prices dipped 1.1%. Prices have held in their broad ranges since mid-February.

ANZ Job Ads – May. Job ads increased 2.2% m/m in May, but are up only 0.1% over the past three months, pointing to soft employment growth.

Building Work Put in Place – Q1. Building activity fell 0.9% q/q, to be flat at a high level overall.

ANZ Commodity Prices - May. The ANZ World Commodity Price Index lifted 1.5% m/m in May – the fifth consecutive rise.

Economic Survey of Manufacturing – Q1. Underlying activity increased a moderate 0.6% q/q.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
11-Jun	UK	Visible Trade Balance GBP/Mn - Apr	-£11400	-£12287	20:30
	UK	Trade Balance Non EU GBP/Mn - Apr	-£3200	-£3639	20:30
	UK	Trade Balance - Apr	-£2500	-£3091	20:30
	UK	Industrial Production MoM - Apr	0.1%	0.1%	20:30
	UK	Industrial Production YoY - Apr	2.7%	2.9%	20:30
	UK	Manufacturing Production MoM - Apr	0.3%	-0.1%	20:30
	UK	Manufacturing Production YoY - Apr	3.1%	2.9%	20:30
	UK	NIESR GDP Estimate - May	0.3%	0.1%	23:00
	CH	Money Supply M2 YoY - May	8.5%	8.3%	11-15 Jun
	CH	New Yuan Loans CNY - May	1200.0B	1180.0B	11-15 Jun
	CH	Money Supply M1 YoY - May	7.3%	7.2%	11-15 Jun
	CH	Money Supply M0 YoY - May	4.4%	4.5%	11-15 Jun
12-Jun	NZ	ANZ Truckometer Heavy MoM - May	--	1.4%	10:00
	NZ	Card Spending Retail MoM - May	1.2%	-2.2%	10:45
	NZ	Card Spending Total MoM - May	--	-0.9%	10:45
	NZ	ANZ Monthly Inflation Gauge MoM - May	--	-0.3%	13:00
	AU	NAB Business Conditions - May	--	21	13:30
	AU	NAB Business Confidence - May	--	10	13:30
	AU	Home Loans MoM - Apr	-1.8%	-2.2%	13:30
	AU	Investment Lending - Apr	--	-9.0%	13:30
	AU	Owner-Occupier Loan Value MoM - Apr	--	-1.9%	13:30
	UK	Claimant Count Rate - May	--	2.5%	20:30
	UK	Jobless Claims Change - May	--	31.2k	20:30
	UK	Average Weekly Earnings 3M/YoY - Apr	2.5%	2.6%	20:30
	UK	Weekly Earnings ex Bonus 3M/YoY - Apr	2.9%	2.9%	20:30
	UK	ILO Unemployment Rate 3Mths - Apr	4.2%	4.2%	20:30
	UK	Employment Change 3M/3M - Apr	120k	197k	20:30
	GE	ZEW Survey Current Situation - Jun	85.0	87.4	21:00
	GE	ZEW Survey Expectations - Jun	-14.0	-8.2	21:00
	EC	ZEW Survey Expectations - Jun	--	2.4	21:00
	US	NFIB Small Business Optimism - May	105.0	104.8	22:00
	NZ	REINZ House Sales YoY - May	--	6.6%	12-15 Jun
13-Jun	US	CPI MoM - May	0.2%	0.2%	00:30
	US	CPI YoY - May	2.7%	2.5%	00:30
	US	CPI Ex Food and Energy MoM - May	0.2%	0.1%	00:30
	US	CPI Ex Food and Energy YoY - May	2.2%	2.1%	00:30
	US	Monthly Budget Statement - May	-\$127.0B	\$214.3B	06:00
	NZ	Food Prices MoM - May	--	0.1%	10:45
	AU	ANZ-RM Consumer Confidence Index - 10-Jun	--	116.5	11:30
	AU	Westpac Consumer Conf Index - Jun	--	101.8	12:30
	AU	Westpac Consumer Conf SA MoM - Jun	--	-0.60%	12:30
	UK	CPI MoM - May	0.4%	0.4%	20:30
	UK	CPI YoY - May	2.4%	2.4%	20:30
	UK	CPI Core YoY - May	2.1%	2.1%	20:30
	UK	Retail Price Index - May	280.9	279.7	20:30
	UK	RPI MoM - May	0.4%	0.5%	20:30
	UK	RPI YoY - May	3.4%	3.4%	20:30
	UK	RPI Ex Mort Int.Payments (YoY) - May	3.4%	3.4%	20:30

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DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
13-Jun	UK	PPI Input NSA MoM - May	2.0%	0.4%	20:30
	UK	PPI Input NSA YoY - May	7.6%	5.3%	20:30
	UK	PPI Output NSA MoM - May	0.3%	0.3%	20:30
	UK	PPI Output NSA YoY - May	2.9%	2.7%	20:30
	UK	PPI Output Core NSA MoM - May	0.2%	0.1%	20:30
	UK	PPI Output Core NSA YoY - May	2.5%	2.4%	20:30
	UK	House Price Index YoY - Apr	--	4.2%	20:30
	EC	Industrial Production SA MoM - Apr	-0.7%	0.5%	21:00
	EC	Industrial Production WDA YoY - Apr	2.7%	3.0%	21:00
	EC	Employment QoQ - Q1	--	0.3%	21:00
	EC	Employment YoY - Q1	--	1.6%	21:00
	US	MBA Mortgage Applications - 8-Jun	--	4.1%	23:00
14-Jun	US	PPI Final Demand MoM - May	0.3%	0.1%	00:30
	US	PPI Final Demand YoY - May	2.8%	2.6%	00:30
	US	PPI Ex Food and Energy MoM - May	0.2%	0.2%	00:30
	US	PPI Ex Food and Energy YoY - May	2.3%	2.3%	00:30
	US	FOMC Rate Decision - Jun	2.00%	1.75%	06:00
	UK	RICS House Price Balance - May	-5%	-8%	11:01
	AU	Employment Change - May	19.0k	22.6k	13:30
	AU	Unemployment Rate - May	5.6%	5.6%	13:30
	AU	Full Time Employment Change - May	--	32.7k	13:30
	AU	Part Time Employment Change - May	--	-10.0k	13:30
	AU	Participation Rate - May	65.6%	65.6%	13:30
	CH	Retail Sales YoY - May	9.6%	9.4%	14:00
	CH	Retail Sales YTD YoY - May	9.7%	9.7%	14:00
	CH	Industrial Production YoY - May	7.0%	7.0%	14:00
	CH	Industrial Production YTD YoY - May	6.8%	6.9%	14:00
	CH	Fixed Assets Ex Rural YTD YoY - May	7.0%	7.0%	14:00
	GE	CPI MoM - May F	0.5%	0.5%	18:00
	GE	CPI YoY - May F	2.2%	2.2%	18:00
	GE	CPI EU Harmonized MoM - May F	0.6%	0.6%	18:00
	GE	CPI EU Harmonized YoY - May F	2.2%	2.2%	18:00
	UK	Retail Sales Ex Auto Fuel MoM - May	0.3%	1.3%	20:30
	UK	Retail Sales Ex Auto Fuel YoY - May	2.5%	1.5%	20:30
	UK	Retail Sales Inc Auto Fuel MoM - May	0.5%	1.6%	20:30
	UK	Retail Sales Inc Auto Fuel YoY - May	2.4%	1.4%	20:30
	EC	ECB Main Refinancing Rate - Jun	0.0%	0.0%	23:45
	EC	ECB Marginal Lending Facility - Jun	0.3%	0.3%	23:45
	EC	ECB Deposit Facility Rate - Jun	-0.4%	-0.4%	23:45
15-Jun	US	Retail Sales Advance MoM - May	0.4%	0.2%	00:30
	US	Retail Sales Ex Auto MoM - May	0.5%	0.3%	00:30
	US	Retail Sales Ex Auto and Gas - May	0.4%	0.3%	00:30
	US	Retail Sales Control Group - May	0.4%	0.5%	00:30
	US	Import Price Index MoM - May	0.5%	0.3%	00:30
	US	Import Price Index YoY - May	3.9%	3.3%	00:30
	US	Export Price Index MoM - May	0.3%	0.6%	00:30
	US	Export Price Index YoY - May	--	3.8%	00:30
	US	Initial Jobless Claims - 9-Jun	222k	222k	00:30

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DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
15-Jun	US	Continuing Claims - 2-Jun	1734k	1741k	00:30
	US	Business Inventories - Apr	0.30%	0.00%	02:00
	NZ	BusinessNZ Manufacturing PMI - May	--	58.9	10:30
	CH	New Home Prices MoM - May	--	0.57%	13:30
	NZ	Non Resident Bond Holdings - May	--	59.8%	15:00
	EC	Trade Balance SA - Apr	€20.0B	€21.2B	21:00
	EC	Trade Balance NSA - Apr	--	€26.9B	21:00
	EC	CPI Core YoY - May F	1.1%	1.1%	21:00
	EC	CPI YoY - May F	1.9%	1.2%	21:00
	EC	CPI MoM - May	0.5%	0.3%	21:00
	EC	Labour Costs YoY - Q1	--	1.5%	21:00
	JN	BOJ Policy Balance Rate - Jun	--	-0.10%	UNSPECIFIED
	JN	BOJ 10-Yr Yield Target - Jun	--	0.00%	UNSPECIFIED
16-Jun	US	Empire Manufacturing - Jun	18.5	20.1	00:30
	US	Industrial Production MoM - May	0.2%	0.7%	01:15
	US	Manufacturing (SIC) Production - May	0.1%	0.5%	01:15
	US	Capacity Utilization - May	78.1%	78.0%	01:15
	US	U. of Mich. Sentiment - Jun P	98.5	98.0	02:00
	US	Total Net TIC Flows - Apr	--	-\$38.5B	08:00
	US	Net Long-term TIC Flows - Apr	--	\$61.8B	08:00

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

The data flow has been lacklustre recently. We expect the cycle has legs yet, but **it's** not all smooth sailing. The economy is grappling with late-cycle headwinds and some of the recent drivers of growth are expected to have peaked. Inflation is subdued and expected to increase gradually. Interest rate rises are expected eventually.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
11-14 June	REINZ Housing Market Statistics – May	Holding pattern	With a number of opposing forces operating on the market, we expect continued stability, for now at least.
Tue 12 June (10:00am)	ANZ Truckometer – May	--	--
Tue 12 June (10:45am)	Electronic Card Transactions - May	Questions	With questions over last month's weak print, we'll get a sense of the signal in the data, with some bounce back expected.
Tue 12 June (1:00pm)	ANZ Monthly Inflation Gauge – May	--	--
Wed 13 June (10:45am)	Food Prices - May	Stronger side	Food prices in May are generally on the stronger side. We're expecting a solid increase, after a weak print in April.
Fri 15 June (10:30am)	BNZ-BusinessNZ PMI - May	Tested	Last month's stellar result may be tested, but robust levels to nonetheless be maintained.
Mon 18 June (10:30am)	BNZ-BusinessNZ PSI - May	Robust	Robust services sector activity likely to be maintained, after a strong run.
Wed 20 June (early am)	GlobalDairyTrade auction	Steady	We expect prices to hold up at a reasonable level.
Wed 20 June (10:45am)	Balance of Payments – Q1	Solid	The annual current account deficit is likely to remain supported by (earlier) solid export earnings.
Thu 21 June (10:45am)	GDP – Q1	Stable	Our expectation is for similar growth momentum from late-2017 to persist into early-2018, with another 0.6% q/q print.
Fri 22 June (10:45am)	International Travel and Migration - May	Easing	Net migration inflows are expected to continue gradually easing.
Wed 27 June (10:45am)	Overseas Merchandise Trade – May	Steady	Export earnings are expected to remain solid, underpinned by broad-based strength in commodity price. Higher oil prices and solid domestic demand should support imports and keep the trade balance in check.
Wed 27 June (1:00pm)	ANZ Business Outlook – June	--	--
Thu 28 June (1:00pm)	RBNZ OCR decision	Feeling the pulse	No change in message, with rates on hold for some time yet. We will be looking for the RBNZ's take on economic momentum in light of the more mixed data pulse.
Fri 29 June (10:00am)	ANZ Consumer Confidence – June	--	--
Fri 29 June (10:45am)	Building Consents - May	Bobbing	Dwelling consents expected to keep bobbing around at high levels; increases on the non-residential side may continue.
Wed 4 July (10:00am)	ANZ Job Ads – June	--	--
Wed 4 July (1:00pm)	ANZ Commodity Price Index – June	--	--
Tue 10 July (10:00am)	ANZ Truckometer – June	--	--
Tue 10 July (10:45am)	Electronic Card Transactions - June	Questions	With a couple more months of data, we will let the dust settle and assess the underlying strength of card spending.
10 – 14 July	REINZ Housing Market Statistics – June	Holding pattern	With a number of opposing forces operating on the market, we expect continued stability, for now at least.
On balance		Data watch	The data pulse has been lacklustre, but still positive. Domestic inflation is low and should lift gradually.

KEY FORECASTS AND RATES

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
GDP (% qoq)	0.6	0.6	0.9	0.9	0.8	0.7	0.7	0.7	0.6	0.6
GDP (% yoy)	2.9	2.8	2.8	3.1	3.2	3.3	3.1	2.8	2.6	2.5
CPI (% qoq)	0.1	0.5	0.3	0.6	0.2	0.7	0.5	0.6	0.3	0.7
CPI (% yoy)	1.6	1.1	1.4	1.6	1.7	1.9	2.1	2.1	2.1	2.1
Employment (% qoq)	0.4	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.3	0.3
Employment (% yoy)	3.7	3.1	3.8	2.1	2.2	2.1	1.9	1.7	1.5	1.4
Unemployment Rate (% sa)	4.5	4.4	4.1	4.0	3.9	4.0	3.9	3.9	3.8	4.0
Current Account (% GDP)	-2.7	-2.3	-2.4	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Terms of Trade (% qoq)	1.5	-1.9	-0.8	0.1	0.1	0.0	0.1	0.2	0.1	0.1
Terms of Trade (% yoy)	7.9	2.0	-0.1	-1.4	-2.1	-0.6	0.3	0.4	0.3	0.5

	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18
Retail ECT (% mom)	0.0	0.4	0.5	1.2	0.5	1.4	-0.6	1.5	-2.2	--
Retail ECT (% yoy)	4.4	2.9	1.3	4.3	3.3	3.4	3.3	6.0	0.8	--
Credit Card Billings (% mom)	-0.6	0.8	1.0	0.9	0.6	-0.5	0.7	1.1	0.6	--
Credit Card Billings (% yoy)	6.5	5.0	3.0	9.1	6.3	4.6	7.1	7.4	7.0	--
Car Registrations (% mom)	9.5	-0.3	0.7	0.8	-4.8	3.5	-9.4	-3.7	-0.4	12.4
Car Registrations (% yoy)	13.5	15.6	7.3	7.3	4.7	6.2	-4.2	-11.9	-9.0	-0.6
Building Consents (% mom)	6.2	-1.6	-9.4	9.7	-9.1	0.3	6.3	13.0	-3.7	--
Building Consents (% yoy)	12.9	7.8	-7.2	13.1	4.4	4.4	-0.7	18.3	15.3	--
REINZ House Price Index (% yoy)	2.8	3.8	3.4	3.6	3.7	3.5	4.0	4.1	3.8	--
Household Lending Growth (% mom)	0.4	0.5	0.5	0.5	0.5	0.4	0.5	0.5	0.5	--
Household Lending Growth (% yoy)	6.7	6.5	6.3	6.2	5.9	5.8	5.7	5.7	5.8	--
ANZ Roy Morgan Consumer Conf.	126.2	129.9	126.3	123.7	121.8	126.9	127.7	128.0	120.5	121.0
ANZ Business Confidence	18.3	0.0	-10.6	-39.3	-37.8	..	-19.0	-20.0	-23.4	-27.2
ANZ Own Activity Outlook	38.2	29.6	22.0	6.5	15.6	..	20.4	21.8	17.8	13.6
Trade Balance (\$m)	-1174	-1165	-840	-1222	614	-662	184	-156	263	--
Trade Bal (\$m ann)	53982	54085	54759	55999	56476	57252	57452	58074	58703	--
ANZ World Comm. Price Index (% mom)	-0.8	0.8	-0.3	-0.9	-1.9	0.7	2.8	1.2	1.0	1.5
ANZ World Comm. Price Index (% yoy)	16.3	11.5	10.4	6.0	3.2	4.1	5.0	5.8	7.1	5.4
Net Migration (sa)	5470	5270	5650	5680	5700	6210	4920	5380	4930	--
Net Migration (ann)	72072	70986	70694	70354	70016	70147	68943	67984	67038	--
ANZ Heavy Traffic Index (% mom)	6.5	-1.5	2.9	1.1	-4.2	4.1	-2.5	-0.3	1.4	--
ANZ Light Traffic Index (% mom)	2.7	-0.1	-0.6	1.5	-1.7	-0.5	-0.2	2.2	-0.5	--

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

KEY FORECASTS AND RATES

FX RATES	ACTUAL			FORECAST (END MONTH)						
	Apr-18	May-18	Today	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
NZD/USD	0.705	0.702	0.70	0.70	0.69	0.67	0.66	0.65	0.65	0.65
NZD/AUD	0.934	0.925	0.93	0.92	0.93	0.93	0.94	0.93	0.93	0.93
NZD/EUR	0.583	0.601	0.60	0.56	0.54	0.52	0.51	0.50	0.50	0.50
NZD/JPY	77.05	76.44	76.93	74.2	71.8	69.0	66.0	64.4	63.1	62.4
NZD/GBP	0.514	0.526	0.52	0.50	0.49	0.47	0.46	0.45	0.45	0.45
NZ\$ TWI	72.5	72.9	73.9	70.8	69.6	67.8	66.5	65.4	65.2	65.1
INTEREST RATES	Apr-18	May-18	Today	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.25
NZ 90 day bill	2.02	2.02	2.00	2.01	2.01	2.00	1.99	2.07	2.32	2.48
NZ 10-yr bond	2.84	2.73	2.98	3.05	3.30	3.40	3.35	3.60	3.65	3.65
US Fed funds	1.75	1.75	1.75	2.00	2.00	2.25	2.25	2.50	2.50	2.50
US 3-mth	2.36	2.30	2.33	2.25	2.50	2.70	2.70	2.95	2.95	2.95
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75	2.00	2.00
AU 3-mth	2.04	1.98	2.06	1.90	1.80	1.80	1.80	2.05	2.30	2.30

	8 May	4 Jun	5 Jun	6 Jun	7 Jun	8 Jun
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	2.05	2.01	2.00	2.00	2.00	2.01
NZGB 05/21	2.04	2.01	2.02	2.03	2.06	2.04
NZGB 04/23	2.32	2.29	2.31	2.32	2.36	2.34
NZGB 04/27	2.76	2.75	2.79	2.80	2.85	2.82
NZGB 04/33	3.13	3.10	3.15	3.16	3.21	3.17
2 year swap	2.28	2.23	2.22	2.23	2.24	2.23
5 year swap	2.73	2.66	2.67	2.69	2.73	2.71
RBNZ TWI	73.60	73.77	73.85	73.74	73.72	73.67
NZD/USD	0.6980	0.7040	0.7022	0.7038	0.7046	0.7034
NZD/AUD	0.9358	0.9199	0.9216	0.9198	0.9207	0.9254
NZD/JPY	76.05	77.09	77.10	77.54	77.49	77.06
NZD/GBP	0.5164	0.5259	0.5256	0.5246	0.5239	0.5244
NZD/EUR	0.5876	0.6006	0.6013	0.5981	0.5958	0.5973
AUD/USD	0.7458	0.7653	0.7619	0.7652	0.7653	0.7601
EUR/USD	1.1879	1.1722	1.1678	1.1768	1.1825	1.1769
USD/JPY	108.96	109.51	109.81	110.17	109.98	109.55
GBP/USD	1.3516	1.3386	1.3359	1.3417	1.3449	1.3405
Oil (US\$/bbl)	69.06	64.75	65.52	64.73	65.95	65.74
Gold (US\$/oz)	1309.96	1295.15	1290.70	1294.89	1298.32	1298.17
NZX 50	8595	8636	8757	8813	8900	8938
Baltic Dry Freight Index	1432	1193	1249	1340	1395	1391
NZX WMP Futures (US\$/t)	3230	3205	3195	3195	3175	3170

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