

9 April 2018

INSIDE

Economic Overview	2
Data Event Calendar	6
Local Data Watch	8
Key Forecasts	9

NZ ECONOMICS TEAM

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

Phil Borkin
Senior Macro Strategist
 Telephone: +64 9 357 4065
 Email: Philip.Borkin@anz.com

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

Liz Kendall
Senior Economist
 Telephone: +64 4 382 1995
 Email: Elizabeth.Kendall@anz.com

Kyle Uerata
Economist
 Telephone: +64 4 802 2357
 E-mail: Kyle.Uerata@anz.com

Con Williams
Rural Economist
 Telephone: +64 4 802 2361
 E-mail: Con.Williams@anz.com

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

RESTRAINED OR CONSTRAINED?

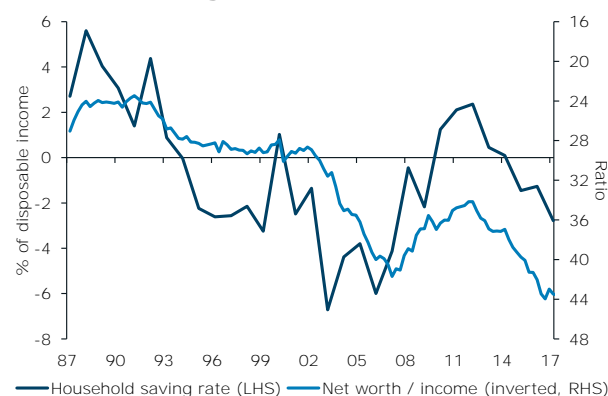
ECONOMIC OVERVIEW

Consumption has been growing at a robust pace, driven in part by strong population growth. But household spending could conceivably have been stronger; it has not tracked capital gains as strongly as it did last cycle. This begs the question: are households choosing to show restraint, or is their spending constrained? We suspect it's probably a bit of both, but that constraints from both high house prices and high levels of debt are the dominant influence. Either way, the impact is the same – softer demand than would otherwise have been the case, and we think this will continue to be a theme going forward. We expect households will strengthen their savings buffers and that consumption growth will moderate from here. Income growth is expected to remain solid, with conditions in place for a pick-up in real wage growth.

CHART OF THE WEEK

Over this cycle, net worth has increased relative to incomes (inverted in the chart below), driven by strength in the housing market. But the saving rate has not deteriorated as much as capital gains suggest it could have. We think high house prices and record-high debt levels are an important part of this story.

Household saving and net worth/income



Source: ANZ, RBNZ, 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 3% (trend) on average.	Neutral Negative Positive
Unemployment rate	4.2% for 2018 Q4	The unemployment rate should fall a touch more. Wage growth is benign, but conditions for change are emerging.	Neutral Negative Positive
OCR	1.75% by Dec 2018	With plenty of question marks over the outlook for inflation, it is still a backdrop where we believe the RBNZ will be cautious in tightening policy.	Neutral Down Up
CPI	1.6% y/y for 2018 Q4	In part due to policy changes and base effects, headline inflation will fall over the next 12 months. But domestic and core inflation should lift gradually.	Neutral Negative Positive

ECONOMIC OVERVIEW

SUMMARY

Household consumption has been growing at a robust pace, driven in part by strong population growth. But household spending could conceivably have been stronger; it has not tracked capital gains as strongly as it did last cycle. This begs the question: are households choosing to show restraint, or is their spending constrained? It's probably a bit of both. But we expect constraints from high house prices and high levels of debt are the dominant influence. Either way, the impact is the same – softer demand than would otherwise have been the case, and we expect this to continue to be a theme going forward. We expect households will strengthen their savings buffers and that consumption growth will moderate from here. Income growth is expected to remain solid, with conditions in place for a pick-up in real wage growth. This week we get another read on the supply side of the economy with the QSBO, more data on the state of the housing market, a smattering of activity indicators, and our Monthly Inflation Gauge for March.

FORTHCOMING EVENTS

REINZ Housing Market Statistics – March (10-13 April). We expect activity in the market will remain steady, with annual house price inflation to ease gradually going forward.

NZIER Quarterly Survey of Business Opinion – Q1 (10:00am, Tuesday, 10 April). Sentiment is likely to remain below pre-election levels, but we wouldn't be surprised to see a modest bounce. We expect a slow-but-steady progress theme.

ANZ Truckometer – March (10:00am, Wednesday, 11 April).

ANZ Monthly Inflation Gauge – March (1:00pm, Wednesday, 11 April).

Electronic Card Transactions – March (10:45am, Thursday 12 April). Our pick is an increase in total retail sales of 0.5% m/m, to be up 4.3% over the year.

BNZ-BusinessNZ PMI – March (10:30am, Friday 13 April). With business confidence broadly steady, we expect the PMI will be too.

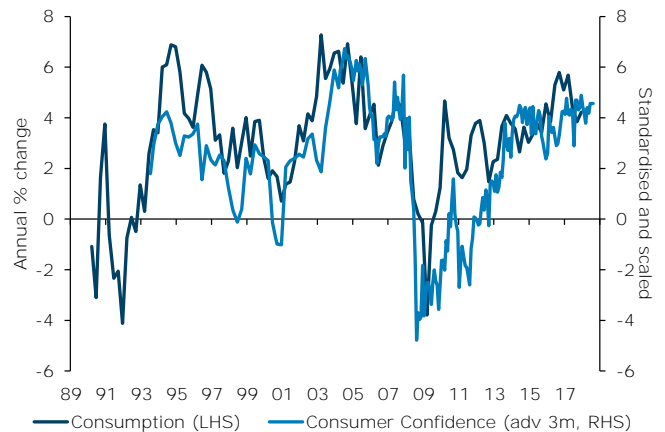
WHAT'S THE VIEW?

Households are feeling optimistic. Last week's ANZ-Roy Morgan Consumer Confidence Index was unchanged in March at a solid 128, with households feeling good about both their current situation and future prospects.

Buoyant consumer sentiment is supporting household spending. Real private consumption

growth was 4.2% y/y in December 2017. This is lower than the rates of growth seen in 2016 when the housing market was at its peak, but it is a strong pace and well above the historical average (3.1%).

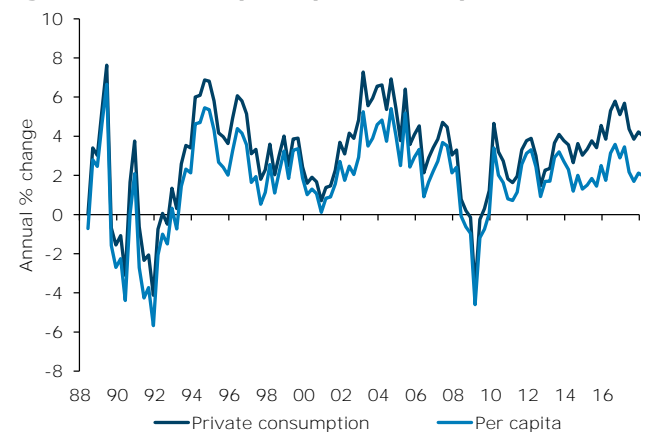
Figure 1: Consumer confidence and consumption



Source: ANZ-Roy Morgan, Statistics NZ

However, like GDP more broadly, consumption growth has been supported by strong population growth. New Zealand's population is estimated to be growing 2% y/y at present. On a per capita basis, consumption is growing at 2.1% y/y, just above its historical average (1.8%).

Figure 2: Total and per capita consumption



Source: ANZ, Statistics NZ

A number of other factors have also created a buoyant backdrop for consumption:

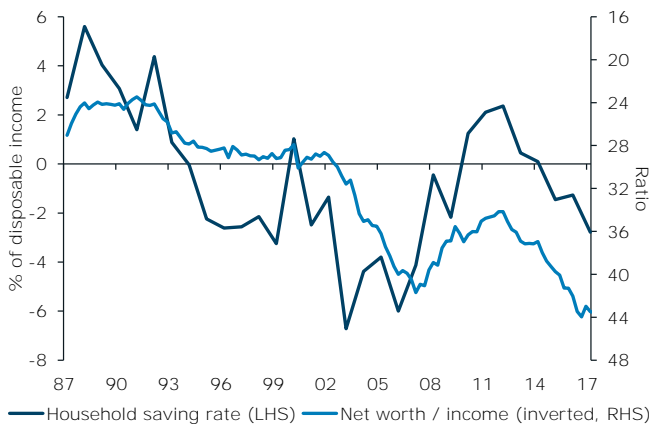
- Income growth has been solid, driven by strong employment growth.
- Wage growth has been subdued but general inflation more so – boosting real wages and purchasing power. In particular, the high exchange rate has made imports cheaper and general price competition in the retail sector has been intense.

ECONOMIC OVERVIEW

- Strong commodity prices and modest oil prices mean the terms of trade have been high, supporting national incomes (and this theme should persist in the short term at least).
- Interest rates have been low, giving households breathing room in terms of their debt servicing, and improving cash flow.
- The housing market, until around a year ago, was buoyant – boosted by low interest rates, population growth and supply constraints.

Indeed, in this environment, household spending could conceivably have been even stronger. Net worth divided by income captures the extent to which wealth increases are contributing to households' financial positions. This ratio has increased, driven by strength in the housing market, but households have not spent their capital gains to the extent that they have done in previous cycles. Since 2014, consumption growth has been more subdued than could have been the case.

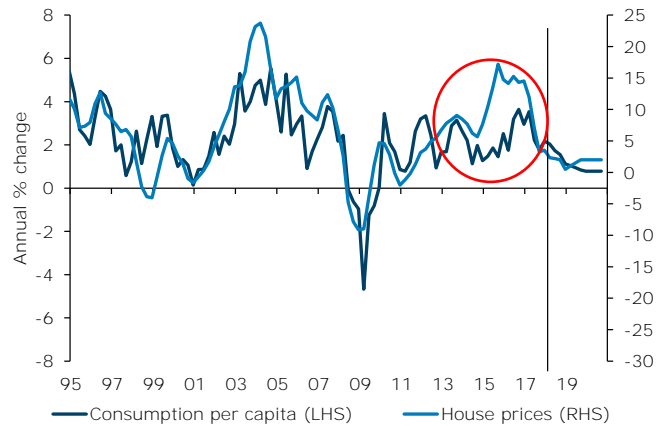
Figure 3: Household saving & net worth/income



Source: ANZ, RBNZ, Statistics NZ

A simple chart of house price inflation versus consumption per capita tells the same story. Consumption did pick up when the housing market strengthened, but not to the extent it might have. All up, it's a picture of a more cautious household sector than the housing market cycle would have normally implied.

Figure 4: House prices and consumption per capita

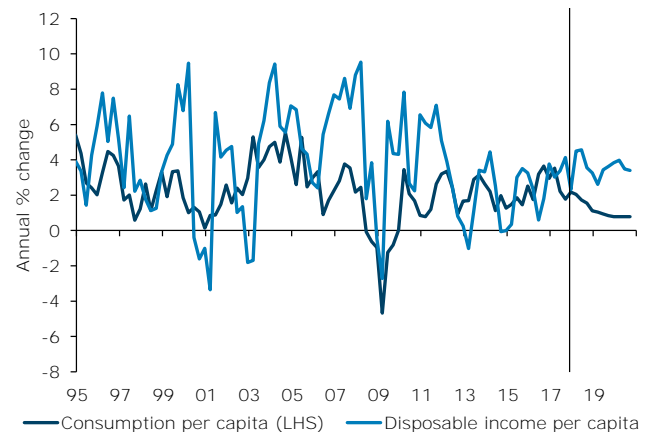


Source: ANZ, REINZ, Statistics NZ

All this begs the question: have households shown more restraint by choice, perhaps prudence borne of experience, or is their spending constrained?

Households have lived within their means to a greater extent this cycle, which could suggest some degree of restraint. Consumption growth has broadly tracked growth in household incomes. Recently, as the household saving rate has fallen into the red again, buffers have begun to be eroded. But going forward we expect consumption per capita will undershoot growth in disposable income per capita, with the fall in the saving rate to prove temporary.

Figure 5: Real income and consumption per capita



Source: ANZ, Statistics NZ

The fact is: households have good reason to be saving more. House prices and household debt levels are already very high.

For those who already own houses, average debt burdens are significant – household debt is currently 92% of annual GDP and 167% of household disposable incomes. The recent cooling in the housing market will have made that debt feel a lot more "real" for a number of households, and we expect

ECONOMIC OVERVIEW

consumption will be dampened as a result – for all that debt serviceability remains around historically average levels. For the median-priced house bought with a 20% deposit, mortgage repayments are 33% of average household income. And this would rise quickly if interest rates increased. While we don't think that will happen any time soon, it is likely to be on the cards eventually – and households will be mindful of that.

And would-be home buyers need to save a lot. Houses are unaffordable for many, at six times the average national income, and closer to nine times in Auckland. This means that to purchase the median house with an 80% loan-to-value ratio one would need \$110,000 in savings – 120% of the average annual household income. In Auckland, one would be looking at 170% of annual household income – no small sum.

Credit availability has also been a constraint on some would-be home buyers' ability to take on debt. Again, this reflects high levels of house prices and existing debt levels, with restrictions on high loan-to-value ratio mortgages playing a role and the Reserve Bank treading carefully when it comes to loosening these restrictions. Indeed, as a consequence of these constraints, new debt associated with housing market turnover has been lower this cycle. More recently, banks have also worked hard to close their funding gap, with reduced credit availability contributing to recent cooling in the housing market. While we think this dampening influence has stabilised, credit availability will remain a constraint for some.

Figure 6: Housing turnover and mortgage growth



Source: ANZ, RBNZ, Statistics NZ

So are households restrained or constrained? It's probably a bit of both. But we expect constraints from high house prices and high levels of debt are the dominant influence. Either way, the impact is the same – softer demand than

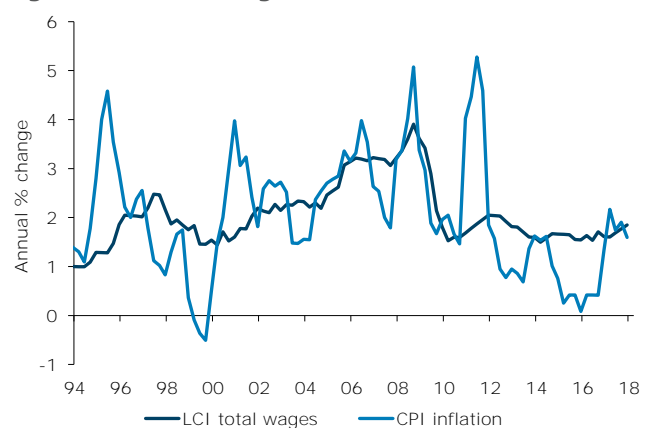
would otherwise have been the case, and we expect this to continue to be a theme going forward. With the labour market strong, households are feeling good about their economic prospects. But constraints are keeping spending more moderate than would otherwise be the case. At this point of the cycle that probably isn't a bad thing.

Indeed, in light of these constraints and a cooling housing market, we think households will need to improve their savings buffers. We expect both house price inflation and consumption growth will moderate from here. In fact, we are already hearing from our discussions around the country that retailers and businesses in discretionary services are experiencing softer demand. But while consumption looks set to slow, we think income growth will remain solid – implying the household saving rate will increase.

Incomes are expected to continue growing around their current, moderate pace – supported by robust, but slowing, GDP growth and a pick-up in real wages. Conditions are in place for real wage growth to improve. The labour market is tight and expected to tighten further. Firms say it is difficult to find skilled labour and these capacity pressures should eventually lead to higher wage inflation.

Government policies aim to boost employee bargaining power and wage inflation. The minimum wage increase that came into effect on 1 April will provide a small boost to nominal wage inflation. But it remains to be seen how persistent that proves, given the subdued inflation environment. Our ANZ Monthly Inflation Gauge for March is out on Wednesday and will give a further indication of the extent of price pressures.

Figure 7: CPI and wage inflation



Source: ANZ-Roy Morgan, Statistics NZ

ECONOMIC OVERVIEW

Higher wage inflation could prove temporary, given that it has been weaker than expected throughout this economic cycle. Unless the underlying labour market drivers are supportive of higher wage inflation, any increase could be short lived. This is particularly true given that wage inflation has been stubbornly low in the current subdued inflation environment. It is also possible that increases in the minimum wage could have offsetting negative effects on employment. MBIE expects that the recent increase in the minimum wage will have a “relatively small” impact on employment, with 3,000 fewer jobs than otherwise, which would have offsetting flow-on effects for household incomes. But such effects are uncertain (and contentious in the economics profession).

Overall, we are optimistic that conditions are in place for a sustained pick-up in wage inflation. Our view is that higher wage inflation is imminent, given the tight labour market conditions already in place and the fact that firm profitability appears pretty solid. **But we think the pick-up from here will be gradual,** constrained by low rates of CPI inflation – often the starting point for wage negotiations.

REINZ Housing Market Statistics and Electronic Card Transactions out this week will give us a steer on household sector activity in March.

House sales have stabilised and we expect them to remain steady from here, with annual house price inflation to ease gradually going forward. We expect a modest increase in retail card transactions of 0.5% in the month.

Other data out this week will provide further information about business sentiment and activity. NZIER’s QSBO survey will give an indication of both business confidence and supply-side constraints in Q1. Our own ANZ Business Outlook survey for March suggested businesses remain ostensibly pessimistic, but are nonetheless getting on with it. Profit expectations and investment and hiring intentions are pointing in the right direction; inflation expectations and pricing indicators were little changed. We expect this theme of slow and steady progress to be reflected in the QSBO. Our ANZ Truckometer is also out on Wednesday and BNZ-BusinessNZ PMI is out on Friday. With business confidence broadly steady, we expect the PMI will be too.

LOCAL DATA

ANZ-Roy Morgan Consumer Confidence –March. Consumer confidence remained high in March with consumer confidence unchanged at 128.0.

ANZ Job Ads – March. Job ads increased 0.9% and remain at a high level. Growth in job ads has eased, consistent with moderating employment growth and continued gradual declines in the unemployment rate.

GlobalDairyTrade. Dairy prices continued to hold at decent levels. Whole milk powder was up 1.6% with seasonally low GDT supply and increased Chinese demand supporting prices.

ANZ Commodity Price Index – March. The ANZ Commodity Price Index rose 1.2% m/m in March, on the back of broad-based increases. New highs could be on the horizon for NZ terms of trade in Q1, further supporting New Zealand’s purchasing power.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
9-Apr	GE	Trade Balance - Feb	€20.1B	€17.3B	18:00
	GE	Current Account Balance - Feb	€22.9B	€22.0B	18:00
	GE	Exports SA MoM - Feb	0.4%	-0.4%	18:00
	GE	Imports SA MoM - Feb	0.5%	-0.4%	18:00
	AU	Foreign Reserves - Mar	--	A\$70.8B	18:30
	UK	Halifax House Prices MoM - Mar	0.1%	0.4%	19:30
	UK	Halifax House Price 3Mths/Year - Mar	2.0%	1.8%	19:30
	EC	Sentix Investor Confidence - Apr	20.8	24.0	20:30
10-Apr	NZ	NZIER QSBO - Q4	--	-12.0	10:00
	AU	ANZ-RM Consumer Confidence Index - 8-Apr	--	115.5	11:30
	AU	NAB Business Conditions - Mar	--	21	13:30
	AU	NAB Business Confidence - Mar	--	9	13:30
	US	NFIB Small Business Optimism - Mar	107.0	107.6	22:00
	NZ	REINZ House Sales YoY - Mar	--	1.2%	10-13 Apr
	CH	Money Supply M2 YoY - Mar	8.9%	8.8%	10-15 Apr
	CH	New Yuan Loans CNY - Mar	1200.0B	839.3B	10-15 Apr
11-Apr	US	PPI Final Demand MoM - Mar	0.1%	0.2%	00:30
	US	PPI Final Demand YoY - Mar	2.9%	2.8%	00:30
	US	PPI Ex Food and Energy MoM - Mar	0.2%	0.2%	00:30
	US	PPI Ex Food and Energy YoY - Mar	2.6%	2.5%	00:30
	US	Wholesale Trade Sales MoM - Feb	--	-1.1%	02:00
	US	Wholesale Inventories MoM - Feb F	0.8%	1.1%	02:00
	NZ	ANZ Truckometer Heavy MoM - Mar	--	-0.3%	10:00
	JN	PPI YoY - Mar	2.0%	2.5%	11:50
	JN	PPI MoM - Mar	-0.1%	0.0%	11:50
	AU	Westpac Consumer Conf Index - Apr	--	103.0	12:30
	AU	Westpac Consumer Conf SA MoM - Apr	--	0.2%	12:30
	NZ	ANZ Monthly Inflation Gauge Heavy MoM - Mar	--		13:00
	CH	PPI YoY - Mar	3.3%	3.7%	13:30
	CH	CPI YoY - Mar	2.6%	2.9%	13:30
	UK	Visible Trade Balance GBP/Mn - Feb	-£11900	-£12325	20:30
	UK	Trade Balance Non EU GBP/Mn - Feb	--	-£3868	20:30
	UK	Trade Balance - Feb	-£2600	-£3074	20:30
	UK	Industrial Production MoM - Feb	0.4%	1.3%	20:30
	UK	Industrial Production YoY - Feb	2.9%	1.6%	20:30
	UK	Manufacturing Production MoM - Feb	0.2%	0.1%	20:30
	UK	Manufacturing Production YoY - Feb	3.3%	2.7%	20:30
	UK	Construction Output SA MoM - Feb	0.7%	-3.4%	20:30
	UK	Construction Output SA YoY - Feb	-2.5%	-3.9%	20:30
	UK	NIESR GDP Estimate - Mar	0.3%	0.3%	23:00
	US	MBA Mortgage Applications - 6-Apr	--	-3.3%	23:00
12-Apr	US	CPI MoM - Mar	0.0%	0.2%	00:30
	US	CPI YoY - Mar	2.4%	2.2%	00:30
	US	CPI Ex Food and Energy MoM - Mar	0.2%	0.2%	00:30
	US	CPI Ex Food and Energy YoY - Mar	2.1%	1.8%	00:30
	US	Monthly Budget Statement - Mar	-\$185.0B	-\$215.2B	06:00
	US	FOMC Meeting Minutes - 21-Mar	--	--	06:00
	NZ	Card Spending Retail MoM - Mar	0.5%	-0.3%	10:45

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
12-Apr	NZ	Card Spending Total MoM - Mar	--	0.1%	10:45
	UK	RICS House Price Balance - Mar	2%	0%	11:01
	AU	Consumer Inflation Expectation - Apr	--	3.7%	13:00
	AU	Home Loans MoM - Feb	-0.4%	-1.1%	13:30
	AU	Investment Lending - Feb	--	1.1%	13:30
	AU	Owner-Occupier Loan Value MoM - Feb	--	0.5%	13:30
	AU	Credit Card Purchases - Feb	--	A\$26.5B	13:30
	AU	Credit Card Balances - Feb	--	A\$51.6B	13:30
	EC	Industrial Production SA MoM - Feb	0.1%	-1.0%	21:00
	EC	Industrial Production WDA YoY - Feb	3.5%	2.7%	21:00
13-Apr	US	Initial Jobless Claims - 7-Apr	230k	242k	00:30
	US	Continuing Claims - 31-Mar	1832k	1808k	00:30
	US	Import Price Index MoM - Mar	0.1%	0.4%	00:30
	US	Import Price Index YoY - Mar	3.8%	3.5%	00:30
	US	Export Price Index MoM - Mar	0.1%	0.2%	00:30
	US	Export Price Index YoY - Mar	--	3.3%	00:30
	NZ	BusinessNZ Manufacturing PMI - Mar	--	53.4	10:30
	GE	CPI MoM - Mar F	0.4%	0.4%	18:00
	GE	CPI YoY - Mar F	1.6%	1.6%	18:00
	GE	CPI EU Harmonized MoM - Mar F	0.4%	0.4%	18:00
	GE	CPI EU Harmonized YoY - Mar F	1.5%	1.5%	18:00
	EC	Trade Balance SA - Feb	€20.2B	€19.9B	21:00
	EC	Trade Balance NSA - Feb	--	€3.3B	21:00
	CH	Trade Balance - Mar	\$27.87B	\$33.75B	UNSPECIFIED
	CH	Exports YoY - Mar	11.9%	44.5%	UNSPECIFIED
	CH	Imports YoY - Mar	12.4%	6.3%	UNSPECIFIED
14-Apr	US	JOLTS Job Openings - Feb	--	6312	02:00
	US	U. of Mich. Sentiment - Apr P	100.6	101.4	02:00

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 turned a little more mixed, reflecting headwinds the economy is currently facing, but is still generally providing a positive signal overall. Inflation pressures are likely to remain contained.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
10 -13 Apr	REINZ Housing Market Statistics – Mar	Steady	The market has should remain stable around current levels. Annual house price growth should remain contained.
Tue 10 Apr (10:00am)	NZIER Quarterly Survey of Business Opinion – Q1	Steady	Sentiment is likely to remain below its pre-election levels, but we wouldn't be surprised to see a modest bounce. We will be watching for any intensification of reported margin pressures.
Wed 11 Apr (10:00am)	ANZ Truckometer – Mar	--	--
Wed 11 Apr (1:00pm)	ANZ Monthly Inflation Gauge – Mar	--	--
Thu 12 Apr (10:45am)	Electronic Card Transactions – Mar	Modest	The underlying pace of spending is expected to remain modest even though supportive forces remain.
Fri 13 Apr (10:30am)	BNZ-BusinessNZ PMI – Mar	Softening?	The index has softened over recent months, giving a slightly weaker signal for near-term economic momentum.
Mon 16 Apr (10:30am)	BNZ-BusinessNZ PSI – Mar	Holding firm	Services sector activity has been holding firm and is expected to remain a supportive force for the cycle for a while.
Mon 16 Apr (10:45am)	Food Price Index – Mar	Flat	From a seasonal perspective, an outturn around flat seems on the cards.
Wed 18 Apr (early am)	GlobalDairyTrade Auction	More pressure	Supply conditions continue to improve, while demand remains steady. Prices could head lower.
Thu 19 Apr (10:45am)	CPI – Q1	1.1% y/y	On the back of tertiary education fee reductions and base effects, headline inflation looks set to fall to near the bottom of the RBNZ's target band.
Tue 24 Apr (10:45am)	Net Migration – March	Peaked	We don't see migration inflows falling quickly, but we believe we are past the peak, with gradual decline from here.
Fri 27 Apr (10:00am)	ANZ-Roy Morgan Consumer Confidence – Apr	--	--
Fri 27 Apr (10:45am)	Overseas Merchandise Trade – Mar	Bounce	Some bounce-back in imports can be expected. Export earnings are expected to remain steady with durable, broad-based strength.
Mon 30 Apr (1:00pm)	ANZ Business Outlook – Apr	--	--
Tue 1 May (10:45am)	Building Consents – March	Plateau	We are in an environment where issuance will struggle to push higher.
Wed 2 May (10:45am)	Labour Market Statistics – Q1	Gradual	Continual tightening in the labour market and a gradual pick up in wage inflation is expected.
Thu 3 May (10:00am)	ANZ Job Ads	--	--
Thu 3 May (1:00pm)	ANZ Commodity Price Index	--	--
On balance		Data watch	The data pulse is a little more mixed, but generally positive. Domestic inflation is low, but 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	0.6	0.6	0.7	0.1	0.6
CPI (% yoy)	1.6	1.1	1.4	1.5	1.6	1.7	2.1	2.2	2.0	2.0
Employment (% qoq)	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Employment (% yoy)	3.7	3.2	3.6	1.8	1.6	1.4	1.3	1.2	1.2	1.2
Unemployment Rate (% sa)	4.5	4.3	4.3	4.2	4.2	4.1	4.1	4.1	4.2	4.1
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)	0.8	-1.4	-0.8	0.1	0.1	0.0	0.1	0.2	0.1	0.1
Terms of Trade (% yoy)	7.3	1.8	-0.1	-1.4	-2.1	-0.6	0.3	0.4	0.3	0.5

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Retail ECT (% mom)	0.1	-0.5	-0.1	0.3	0.5	1.3	0.5	1.4	-0.3	--
Retail ECT (% yoy)	4.5	2.0	4.4	2.9	1.3	4.3	3.3	3.4	3.3	--
Credit Card Billings (% mom)	0.3	0.7	-0.6	0.8	1.0	0.9	0.6	-0.6	0.7	--
Credit Card Billings (% yoy)	8.3	7.1	6.5	5.0	3.0	9.1	6.3	4.6	7.0	--
Car Registrations (% mom)	-2.6	-4.7	9.6	-0.7	1.6	1.1	-5.0	2.4	-8.6	-3.7
Car Registrations (% yoy)	11.1	6.2	13.5	15.6	7.3	7.3	4.7	6.2	-4.2	-11.9
Building Consents (% mom)	0.9	2.3	5.7	-1.9	-9.9	9.4	-9.5	0.0	5.7	--
Building Consents (% yoy)	-7.9	-1.9	13.1	7.5	-7.4	13.1	3.7	4.0	-0.6	--
REINZ House Price Index (% yoy)	5.4	3.3	2.9	3.8	3.4	3.6	3.7	3.5	4.0	--
Household Lending Growth (% mom)	0.6	0.3	0.4	0.5	0.5	0.5	0.5	0.4	0.5	--
Household Lending Growth (% yoy)	7.6	7.1	6.7	6.5	6.3	6.2	5.9	5.8	5.7	--
ANZ Roy Morgan Consumer Conf.	127.8	125.4	126.2	129.9	126.3	123.7	121.8	126.9	127.7	128.0
ANZ Business Confidence	24.8	19.4	18.3	0.0	-10.6	-39.3	-37.8	..	-19.0	-20.0
ANZ Own Activity Outlook	42.8	40.3	38.2	29.6	22.0	6.5	15.6	..	20.4	21.8
Trade Balance (\$m)	243	92	-1174	-1165	-840	-1222	614	-655	217	--
Trade Bal (\$m ann)	53530	53742	53982	54085	54759	55999	56475	57253	57440	--
ANZ World Comm. Price Index (% mom)	2.1	-0.8	-0.8	0.8	-0.3	-0.9	-1.9	0.7	2.8	1.2
ANZ World Comm. Price Index (% yoy)	24.6	21.1	16.3	11.5	10.4	6.0	3.2	4.1	5.0	5.8
Net Migration (sa)	6310	5750	5470	5270	5660	5690	5720	6270	4970	--
Net Migration (ann)	72305	72402	72072	70986	70694	70354	70016	70147	68943	--
ANZ Heavy Traffic Index (% mom)	-0.5	-6.0	6.5	-1.5	2.9	1.1	-4.2	4.1	-2.5	--
ANZ Light Traffic Index (% mom)	1.2	-2.2	2.7	-0.1	-0.6	1.5	-1.7	-0.5	-0.2	--

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)						
	Feb-18	Mar-18	Today	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
NZD/USD	0.721	0.724	0.73	0.70	0.69	0.67	0.66	0.65	0.65	0.65
NZD/AUD	0.924	0.942	0.95	0.92	0.93	0.93	0.94	0.93	0.93	0.93
NZD/EUR	0.590	0.587	0.59	0.56	0.54	0.52	0.51	0.50	0.50	0.50
NZD/JPY	77.26	76.91	77.85	74.2	71.8	69.0	66.0	64.4	63.1	62.4
NZD/GBP	0.520	0.516	0.52	0.50	0.49	0.47	0.46	0.45	0.45	0.45
NZ\$ TWI	73.2	73.3	75.2	70.8	69.6	67.8	66.5	65.4	65.2	65.1
INTEREST RATES	Feb-18	Mar-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	1.92	1.96	1.97	1.96	1.96	1.96	1.96	2.05	2.30	2.47
NZ 10-yr bond	2.94	2.72	2.79	3.05	3.30	3.50	3.50	3.65	3.65	3.65
US Fed funds	1.50	1.75	1.75	2.00	2.00	2.25	2.25	2.50	2.50	2.50
US 3-mth	2.02	2.31	2.34	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	1.79	2.03	2.04	1.90	1.80	1.80	1.80	2.05	2.30	2.30

	6 Mar	2 Apr	3 Apr	4 Apr	5 Apr	6 Apr
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.90	1.96	1.97	1.96	1.96	1.97
NZGB 05/21	2.11	2.02	2.04	2.07	2.08	2.08
NZGB 04/23	2.45	2.29	2.31	2.34	2.36	2.36
NZGB 04/27	3.01	2.72	2.72	2.76	2.79	2.80
NZGB 04/33	3.39	3.11	3.11	3.14	3.18	3.19
2 year swap	2.21	2.21	2.22	2.24	2.25	2.25
5 year swap	2.74	2.62	2.63	2.66	2.69	2.69
RBNZ TWI	74.58	74.31	74.20	74.89	75.31	74.98
NZD/USD	0.7251	0.7234	0.7245	0.7281	0.7286	0.7263
NZD/AUD	0.9336	0.9418	0.9433	0.9488	0.9478	0.9475
NZD/JPY	76.83	76.88	76.95	77.28	77.96	77.65
NZD/GBP	0.5234	0.5145	0.5165	0.5187	0.5180	0.5159
NZD/EUR	0.5873	0.5868	0.5896	0.5927	0.5933	0.5918
AUD/USD	0.7767	0.7681	0.7681	0.7674	0.7687	0.7684
EUR/USD	1.2346	1.2328	1.2288	1.2285	1.2280	1.2281
USD/JPY	105.96	106.29	106.20	106.14	107.00	106.93
GBP/USD	1.3854	1.4059	1.4028	1.4037	1.4064	1.4092
Oil (US\$/bbl)	62.60	63.01	63.51	63.37	63.54	62.06
Gold (US\$/oz)	1325.11	1332.35	1336.53	1342.96	1329.86	1333.03
NZX 50	8328	8319	8330	8398	8364	8393
Baltic Dry Freight Index	1212	1055	1016	977	953	948
NZX WMP Futures (US\$/t)	3140	3160	3155	3220	3225	3230

IMPORTANT NOTICE

This document is intended for ANZ's institutional, professional or wholesale clients, and not for individuals or retail persons. It should not be forwarded, copied or distributed. The information in this document is general in nature, and does not constitute personal financial product advice or take into account your objectives, financial situation or needs.

This document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared and distributed in your country/region by either: Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**); or its relevant subsidiary or branch (each, an **Affiliate**), as appropriate or as set out below.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is for informational purposes and nothing contained within is intended to be a recommendation, invitation, solicitation or offer by ANZ to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ would be subject to additional licensing or registration requirements. Further, the products and services mentioned in this document may not be available in all countries.

ANZ in no way provides any financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document, ANZ does not make any representation as to the accuracy of the views expressed in this document. Further, ANZ does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Past performance is not necessarily an indicator of future performance. The products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (**Liability**) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document to the extent permissible under relevant law. Please note, the contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ and its Affiliates may have an interest in the subject matter of this document. They may receive fees from customers for dealing in the products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in the products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products. **This document is published in accordance with ANZ's policies on conflicts of interest and ANZ maintains appropriate information barriers to control the flow of information between businesses within it and its Affiliates.**

Your ANZ point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Country/region specific information: Unless stated otherwise, this document is distributed by Australia and New Zealand Banking Group Limited (**ANZ**).

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please [click here](#) or request from your ANZ point of contact. If trading strategies or recommendations are included in this document, they are solely for the information of 'wholesale clients' (as defined in section 761G of the Corporations Act 2001 Cth).

Brazil, Brunei, India, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

Cambodia. This document is distributed in Cambodia by ANZ Royal Bank (Cambodia) Limited (**ANZ Royal Bank**). The recipient acknowledges that although ANZ Royal Bank is a subsidiary of ANZ, it is a separate entity to ANZ and the obligations of ANZ Royal Bank do not constitute deposits or other liabilities of ANZ and ANZ is not required to meet the obligations of ANZ Royal Bank.

European Economic Area (EEA): United Kingdom. ANZ is authorised in the United Kingdom by the Prudential Regulation Authority (**PRA**) and is subject to regulation by the Financial Conduct Authority (**FCA**) and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited ANZ solely for the information of persons who would come within the FCA definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (**PRA**) and the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This publication is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

Myanmar. This publication is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This publication is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).



IMPORTANT NOTICE

New Zealand. This document is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised adviser service under the Financial Advisers Act 2008 (**FAA**).

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (**QCB**), the Qatar Financial Centre (**QFC**) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (**Qatar**); or
- authorised or licensed for distribution in Qatar,

and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC. The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. This document is distributed in Singapore by the Singapore branch of ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act Cap. 289 of Singapore). ANZ is licensed in Singapore under the Banking Act Cap. 19 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act Cap. 100 of Singapore.

United Arab Emirates (UAE). This document is distributed in the UAE or the Dubai International Financial Centre (**DIFC**) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (DIFCML) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules. In addition, ANZ has a representative office (**ANZ Representative Office**) in Abu Dhabi regulated by the Central Bank of the UAE. The ANZ Representative Office is not permitted by the Central Bank of the UAE to provide any banking services to clients in the UAE.

United States. Except where this is a FX-related document, this document is distributed in the United States by ANZ Securities, Inc. (**ANZ SI**) which is a member of the Financial Regulatory Authority (**FINRA**) (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use this website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use this website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts: Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is an FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

Vietnam. This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.

This document has been prepared by ANZ Bank New Zealand Limited, Level 26, 23-29 Albert Street, Auckland 1010, New Zealand, Ph 64-9-357 4094, e-mail nzeconomics@anz.com, <http://www.anz.co.nz>

