

5 February 2018

INSIDE

Economic Overview	2
Data Event Calendar	7
Local Data Watch	9
Key Forecasts	10

NZ ECONOMICS TEAM

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

Philip Borkin
Senior Economist
 Telephone: +64 9 357 4065
 Email: Philip.Borkin@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

GOLDEN GLOBE?

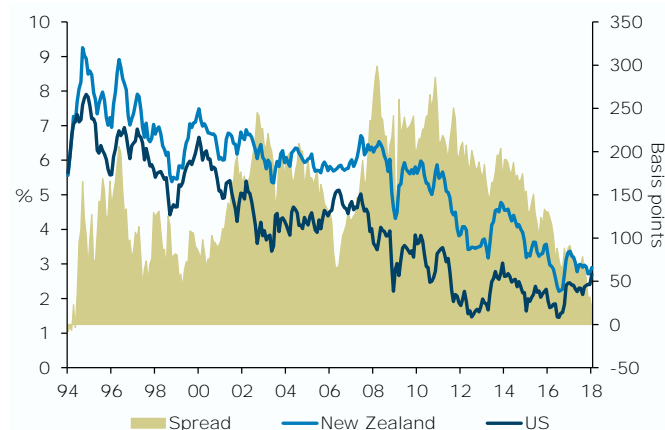
ECONOMIC OVERVIEW

The global economy is in a strong and synchronised upswing. It is a positive backdrop that we by and large expect to continue, although it is probably 'as good as it gets'. But this strong global picture is one of the main reasons we retain a constructive view on New Zealand's medium-term growth outlook. The impact of the strong global picture can already be seen in the likes of the record terms of trade and December's all-time high in export earnings. The NZD has also clearly benefited. But we would question how much further the latter theme can run, especially with interest rate differentials to the US narrowing sharply. The shine came off the NZD Friday night and we would not be surprised to see this continue. The RBNZ should remain cautious and watchful in this week's Monetary Policy Statement, and we expect Q4 labour market figures to show a reversal from Q3's phenomenal strength.

CHART OF THE WEEK

The NZD has performed strongly despite New Zealand and US interest rate differentials narrowing sharply.

NZ-US 10-year bond yield differential



Source: Bloomberg, ANZ Research

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	2.9% y/y for 2018 Q3	The economy is not quite firing on all cylinders and we have become more circumspect near term. However, we see growth holding around 2½-3% on average.	Neutral Negative Positive
Unemployment rate	4.5% for 2018 Q3	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 Sep 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	1.5% y/y for 2018 Q3	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

The global economy is in a strong and synchronised upswing. It is a positive backdrop that we by and large expect to continue, although it is probably 'as good as it gets'. But this strong global picture is one of the main reasons we retain a constructive view on New Zealand's medium-term growth outlook. The impact of the strong global picture can already be seen in the likes of the record terms of trade and December's all-time high in export earnings. The NZD has also clearly benefited. But we would question how much further the latter theme can run, especially with interest rate differentials to the US narrowing sharply. The shine came off the NZD Friday night and we would not be surprised to see this continue. Domestic events this week are not expected to provide a justification for recent surprising strength. The RBNZ should remain cautious and watchful in this week's Monetary Policy Statement, and we expect Q4 labour market figures to show a reversal from Q3's phenomenal strength.

FORTHCOMING EVENTS

ANZ Commodity Price Index – January (1:00pm, Monday, 5 February).

Labour Market Statistics – Q4 (10:45am, Wednesday, 7 February). After Q3's phenomenal strength in both labour demand and supply, we are expecting some reversal. We see the unemployment rate at 4.7%.

Global Dairy Trade Auction (early am, Wednesday, 7 February). A further increase in prices is expected as drought concerns linger in New Zealand and a lower USD supports emerging market purchasing power.

RBNZ Monetary Policy Statement (9:00am, Thursday, 8 February). Developments since the Bank's November decision have been mixed to say the least, but we suspect the broad spirit of its assessment will be largely unchanged.

ANZ Truckometer – January (10:00am, Friday, 9 February).

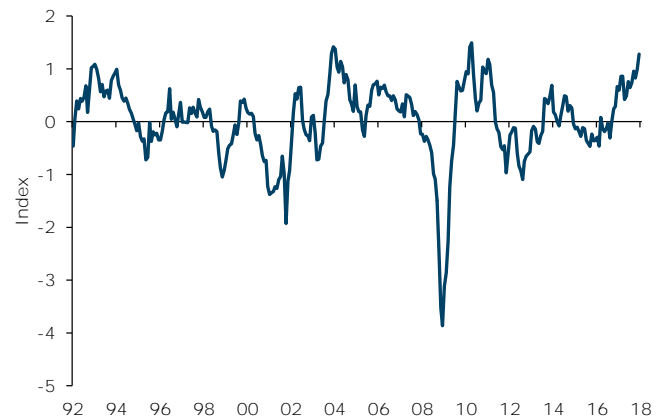
Electronic Card Transactions – January (10:45am, Monday, 12 February). We expect a modest underlying pace of retail spending growth to remain.

WHAT'S THE VIEW?

One of the clear themes that developed over the course of 2017 was a synchronised acceleration in global growth momentum. It is probably safe to say that the second half of 2017 represented the strongest and most broad-based period of expansion

the global economy has experienced since the financial crisis. It is neatly summarised by the ANZ Global Lead Index (GLI), which in December hit its strongest level since early 2010.

Figure 1: ANZ Global Lead Index



Source: ANZ Research

2018 appears to have started in a similar vein.

The US ISM manufacturing index for January, at 59.1, while a touch below December's level, is still around a 14-year high. It is a similar story in Europe, where the euro area PMI at 59.6 is also at a historically strong level. An improved growth performance is also being seen in the likes of Japan, China, Canada and Australia. It really is a broad-based story, which has helped boost global equity markets and has seen bond yields push to multi-year highs.

This positive backdrop is something we expect to persist, but within the context of it probably already being 'as good as it gets'. That shouldn't be interpreted as overtly negative; it is just that upward surprises are going to be far more difficult from here. Some of the reasons why growth accelerated was that a number of risks did not eventuate – political risks in Europe, a disintegration in trade relationships, and China deleveraging unleashing trouble. All this has allowed animal spirits to be unleashed. But will we be as lucky in 2018? Trade tensions appear to be bubbling away again and the Chinese property market is set to slow on the back of monetary policy tightening.

There is also the question of whether the reflationary signs that the market has started to buy into will themselves present a few more headwinds for growth. US 10-year yields have risen to 2.84%, the highest level since early 2014, which largely reflects shifting market perceptions regarding the global inflation – and hence monetary policy – outlook. Asset markets have coped fairly well with this shift so far, but global equities have wobbled in recent days, with a lift in volatility. One

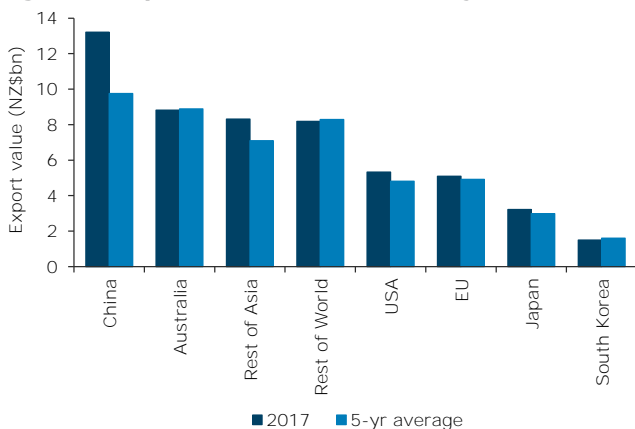
ECONOMIC OVERVIEW

wonders whether markets will start to question the lofty valuations in equities and broader asset markets that have until now been underpinned by low bond yields – and the assumption that low yields will stick around long term. The other question is, if markets do wobble, will it derail the Fed’s hiking plans? We suspect this is going to be one of the key themes to watch as 2018 progresses.

But global growth clearly has plenty of momentum and this is one of the main reasons why we retain a relatively constructive view on the domestic growth picture overall. Yes, we are a little circumspect near term and see the chance of a growth wobble. But not something long-lasting. It would be highly unusual for the New Zealand economy to embark on a completely different growth trajectory to the global economy.

Indeed, this global growth support is already evident in the local data. New Zealand’s terms of trade is at all-time highs, which represents a massive purchasing power gain. And in December the trade balance easily surpassed expectations as monthly export values rose to their highest level ever NZD5.3bn sa). While in part that will have reflected timing factors (dairy exports were boosted by Chinese demand for the free-trade window and meat exports lifted as stock was sent to slaughter early on drought fears), there was broad-based support beyond this. Strong Chinese demand was evident across almost all export categories, and exports to other Asian markets were 17% above the 5-year average, accounting for 23% of export earnings growth in 2017.

Figure 2: Exports to New Zealand’s major markets

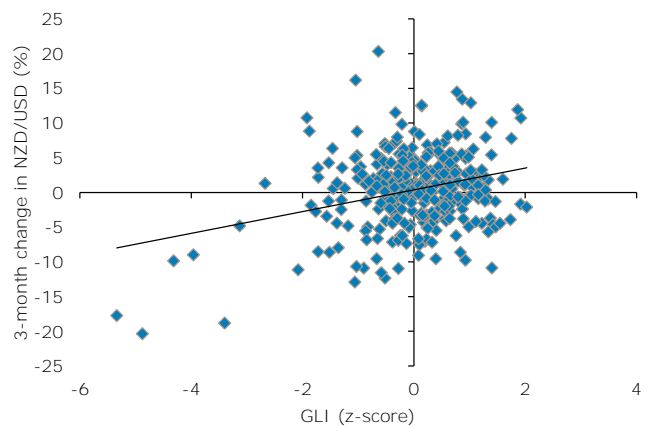


Source: Statistics NZ, ANZ Research

The global picture is also clearly providing support to the New Zealand dollar, which has had a strong run in the past couple of months. Although it has lost a cent in the last couple of days, against the USD it is still around 5 cents higher than its December trough, and it is up about 4% off its lows

on a TWI basis too. It is technically true that the NZD has historically been positively correlated with global growth, as shown in Figure 3 below. However, the chart also shows that the correlation asserts itself when global growth takes a big negative hit and the NZD dives. When the Global Lead index is within a couple of standard deviations of average, the correlation all but disappears.

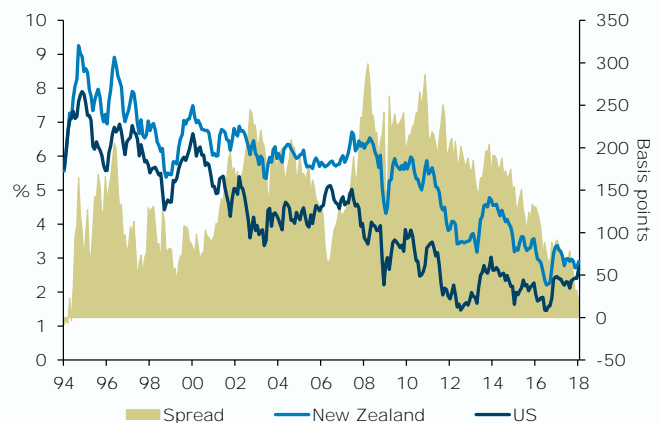
Figure 3: Relationship between the ANZ Global Lead Index and changes in NZD



Source: Bloomberg, ANZ Research

All up, the NZD has seen a rather sudden run-up and looks vulnerable. The correction seen on Friday night may have further to run. In particular, the strong run-up in both the AUD and NZD has occurred despite a significant narrowing in yield differentials. In fact, the spread between the New Zealand and US 10-year bond yield, at just 12bps, is the narrowest it has been since 1994. The 2-year swap differential has actually turned negative, with US 2-year bonds yielding 22bp more than their NZ equivalent. FX markets have pretty much ignored this dynamic, instead showing a far higher correlation to the likes of commodities and broader USD trends.

Figure 4: NZ-US 10-year bond yield differential



Source: Bloomberg, ANZ Research

We’re not convinced that can persist, and feel



ECONOMIC OVERVIEW

the NZD is looking stretched. **The NZD can change horses with little warning between commodity prices, interest rate (or growth) differentials, and global risk aversion**, and we do wonder if that might be one of those times when the drivers change.

What's more, we don't believe upcoming domestic events are going to be a catalyst to justify the recent NZD strength either.

In particular, we are not expecting the broad spirit of the RBNZ's Monetary Policy Statement to shift much. The RBNZ has maintained a watchful stance for a number of months now. And while it sounded a slightly more upbeat tone in November, a broad spirit of cautiousness has underpinned its assessment for some time. We don't see that changing this week.

But that is certainly not because little has happened in the three months since its November decision; quite the contrary. GDP growth has been revised meaningfully higher, the NZD has bounced, business confidence has tumbled, capacity pressures have arguably become more evident, the new Government has laid out more of its spending and policy plans, Q4 inflation undershot expectations and the global economy has remained firm.

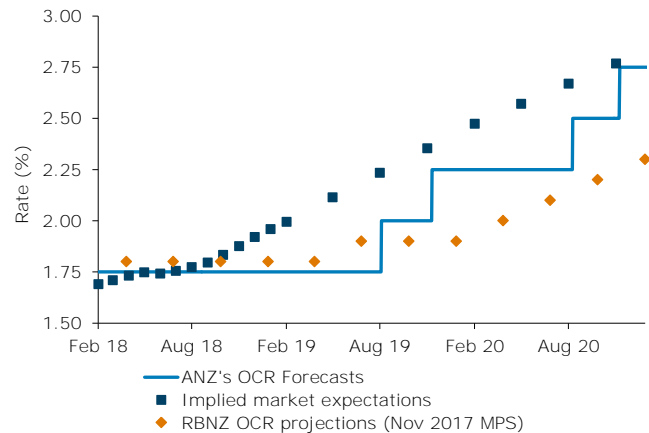
It's more that developments have been sufficiently mixed that we doubt the RBNZ will feel comfortable going out on a limb and taking a strong view – or at least a view that significantly departs from its previous thinking. There are too many moving parts for that. For us, all recent developments have done is reiterate that “numerous uncertainties remain”.

And when uncertainty is high, you fall back on what you know and can observe. The lack of broad-based inflation pressure, despite an economy that has been performing reasonably well, will be right at the top of the list. It will leave the RBNZ believing that there is no need to rush and that “Monetary policy will remain accommodative for a considerable period.”

The RBNZ's inflation projections will be downgraded again and it is possible that it lowers its near-term GDP forecasts a touch as well, given recent signals from business surveys. One could therefore make an argument that developments on balance justify the RBNZ tweaking its interest rate projection lower too (and that is the direction we do see the risks pointed), but chances are it is left largely unchanged. With the first hike

forecast (and priced) so far into the future, there is no urgency to take a stand.

Figure 5: RBNZ and ANZ OCR forecasts



Source: ANZ, RBNZ, Bloomberg

On the data front, we expect December quarter labour market figures to show a partial reversal from the September quarter's phenomenal strength. After growing 2.2% q/q in Q3, we have pencilled in a 0.5% q/q fall in employment, although picking quarterly outturns has certainly proven to be somewhat of a mug's game of late. But if historical correlations stand, then a reversal in employment should also correspond with a contraction in the labour force (largely through a fall in the participation rate). For what it's worth, we seen the participation rate falling from Q3's all-time high of 71.1% to 70.5%.

Because of this correlation we expect the unemployment rate to provide the 'cleaner' message. We see it holding broadly steady in the quarter. While technically our forecast is for it to tick up 0.1%pts to 4.7%, that is still lower than in Q2 and sits within the context of a gradual downward trend. This steady-to-lower unemployment rate theme should be the main focus when interpreting the figures. It is consistent with a labour market that is relatively strong and is still continuing to tighten gradually.

But once again the question will be whether this tight labour market is filtering into higher wage inflation. We still believe that that will occur in time. The unemployment rate is below our current estimate of the NAIRU (~5.1%). In addition, the shift in policy direction (minimum wage hikes and industrial relations reform) is also consistent with a higher wage growth theme, at least in spirit.

But evidence of this in the Q4 figures is unlikely to be clear cut. We expect the private sector Labour Cost Index – our preferred measure of wage inflation – to rise 0.5% q/q (2.0% y/y) in Q4. That is up off its

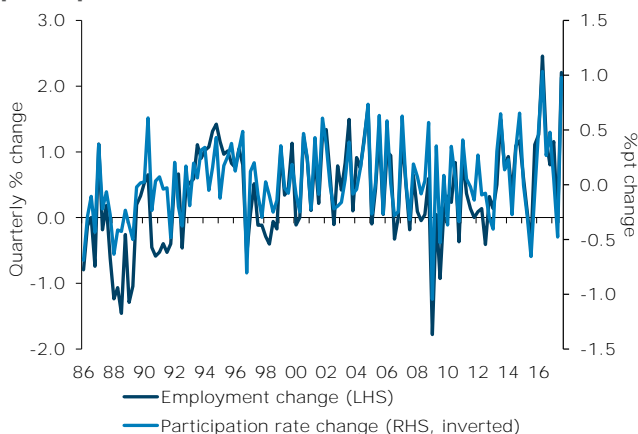
ECONOMIC OVERVIEW

lows, but still only modest relative to history and also the supposed tightness in the labour market. And if there is any risk to our pick, we'd argue it is skewed modestly lower. Like with inflation more generally, structural factors are continuing to suppress the relationship between wage growth and traditional drivers such as the degree of slack evident.

So we suspect the overall message from the figures will be consistent with recent outturns.

The labour market is strong overall, and is continuing to gradually tighten – although perhaps at a slower pace now – but the missing ingredient remains a sustained pick-up in wage inflation. It is the latter that is likely to be key if we are to see a broadening in domestic inflation pressures in the economy versus just the pockets of housing-related price pressure we are seeing right now.

Figure 6: Employment growth and change in participation rate



Source: Statistics NZ, ANZ Research

A further lift in dairy prices is expected at this week's GlobalDairyTrade auction as concerns about dry conditions linger in New Zealand, a lower USD supports purchasing power in emerging markets, and demand from more price-sensitive markets offsets the post New Year lull from China. NZX futures are anticipating a 7% lift for WMP and 5% increase in GDT-TWI. Over the next quarter WMP offer volumes will be 30% below last year, which is expected to cause a further squeeze higher in prices.

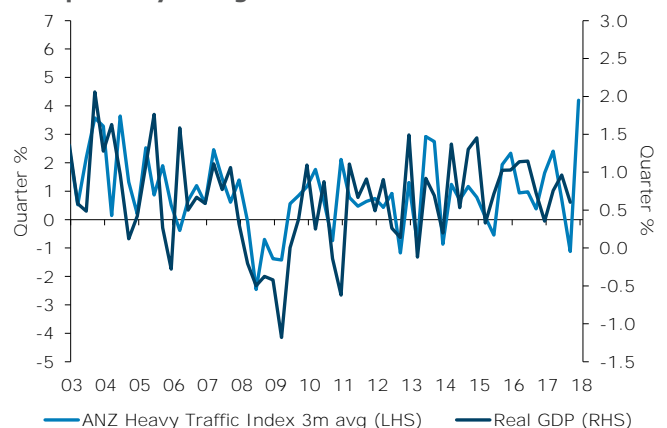
December's spectacular export statistics were underpinned by the largest-ever monthly shipment of WMP (202,000mt), of which more than half was destined for China. This race for the free-trade window has no doubt left the cupboard fairly empty, and could also keep Chinese demand more subdued as they work through stocks. We also saw strong canned infant formula import volumes in December before brand restrictions kicked in on 1 January.

On the other hand, as has often happened since early 2016 **buyers from more price-sensitive markets have filled the gap on price dips toward USD2,800/t**. This is likely to continue to be the case as a lower USD versus emerging markets is supporting purchasing power.

Our ANZ Commodity Price Index for January will provide an update on the broader export commodity price picture. It is fair to say that prices ran out of puff in late 2017. In December, world prices fell 2.2% m/m – the third consecutive fall. While dairy led the decline (-5.6% m/m) broader-based weakness has started to creep in too, with non-dairy components slipping 0.4% m/m in the month. The double-whammy for NZD returns was a 0.6% m/m increase in the NZD TWI. This saw NZD commodity prices slide 3.0% m/m, which was the largest fall in local prices since the current upward cycle in commodity prices began in early 2016. With the currency having risen further since then, we'll certainly need to see a rebound in commodity prices to avoid further hits to farm-gate returns.

The Truckometer will provide a steer on early 2018 activity, after hinting at a better end to 2017. Although the Heavy and Light Traffic Indexes both fell in December, by 4.2% m/m and 1.7% m/m respectively, they still provided a positive signal for GDP growth in Q4, due to earlier strength (although the Light Traffic Index is giving a mildly softer signal for growth in mid-2018).

Figure 7: ANZ Heavy Traffic Index 3-month average and quarterly GDP growth



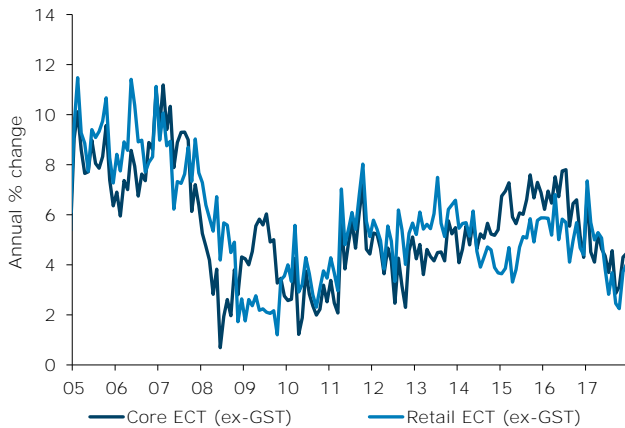
Source: NZ Transport Agency, Statistics NZ, ANZ Research

Finally, Electronic Card Transactions figures for January are expected to show a modest underlying trend. In December, outside of a boost from higher petrol prices (which helped lift total retail ECT spending by 0.5% m/m), retail spending was sluggish. Core retail spending dipped 0.2% m/m, as spending was possibly brought forward into November on the back of the increased popularity of

ECONOMIC OVERVIEW

Black Friday sales. But outside of timing dynamics, we do believe that a more cautious backdrop for retail spending will prevail over the coming year as the reality of a softer housing market (the recent bounce in activity notwithstanding) will see households look to rebuild precautionary saving.

Figure 8: ECT retail spending



Source: Statistics NZ, ANZ Research

LOCAL DATA

RBNZ Sectoral Lending – December. Total private sector credit rose just 0.2% m/m (sa), with annual falling to 4.9%.

ANZ Job Ads – January. Total advertising rose 3.1% m/m (5.9% y/y).

ANZ-Roy Morgan Consumer Confidence – January. Headline confidence rose from 121.8 to 126.9.

Building Consent Issuance – December. Total dwelling consent issuance fell 9.6% m/m (sa) after rising by 9.6% m/m in November.

International Travel and Migration – December. A net inflow of 5,700 migrants was experienced, with visitor arrivals falling 2.8% m/m.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
5-Feb	AU	Melbourne Institute Inflation MoM - Jan	--	0.1%	13:00
	AU	Melbourne Institute Inflation YoY - Jan	--	2.3%	13:00
	NZ	ANZ Commodity Price - Jan	--	-2.2%	13:00
	JN	Nikkei PMI Services - Jan	--	51.1	13:30
	JN	Nikkei PMI Composite - Jan	--	52.2	13:30
	AU	ANZ Job Advertisements MoM - Jan	--	-2.3%	13:30
	CH	Caixin PMI Composite - Jan	--	53.0	14:45
	CH	Caixin PMI Services - Jan	53.5	53.9	14:45
	GE	Markit Services PMI - Jan F	57.0	57.0	21:55
	GE	Markit/BME Composite PMI - Jan F	58.8	58.8	21:55
	EC	Markit Services PMI - Jan F	57.6	57.6	22:00
	EC	Markit Composite PMI - Jan F	58.6	58.6	22:00
	UK	Official Reserves Changes - Jan	--	-\$44M	22:30
	UK	Markit/CIPS Services PMI - Jan	54.1	54.2	22:30
	UK	Markit/CIPS Composite PMI - Jan	54.6	54.9	22:30
	EC	Sentix Investor Confidence - Feb	33.2	32.9	22:30
	EC	Retail Sales MoM - Dec	-1.0%	1.5%	23:00
	EC	Retail Sales YoY - Dec	1.9%	2.8%	23:00
6-Feb	US	Markit Services PMI - Jan F	53.3	53.3	03:45
	US	Markit Composite PMI - Jan F	--	53.8	03:45
	US	ISM Non-Manf. Composite - Jan	56.7	56.0	04:00
	AU	ANZ-RM Consumer Confidence Index - 4-Feb	--	120.9	11:30
	AU	Trade Balance - Dec	A\$200M	-\$628M	13:30
	AU	Retail Sales MoM - Dec	-0.2%	1.2%	13:30
	AU	Retail Sales Ex Inflation QoQ - Q4	1.0%	0.1%	13:30
	AU	RBA Cash Rate Target - Feb	1.50%	1.50%	16:30
	GE	Factory Orders MoM - Dec	0.8%	-0.4%	20:00
	GE	Factory Orders WDA YoY - Dec	3.1%	8.7%	20:00
	GE	Markit Construction PMI - Jan	--	53.7	21:30
	GE	Markit Retail PMI - Jan	--	55.1	22:10
	EC	Markit Retail PMI - Jan	--	53.0	22:10
7-Feb	US	Trade Balance - Dec	-\$52.0B	-\$50.5B	02:30
	US	JOLTS Job Openings - Dec	--	5879	04:00
	NZ	Unemployment Rate - Q4	4.7%	4.6%	10:45
	NZ	Employment Change QoQ - Q4	0.4%	2.2%	10:45
	NZ	Employment Change YoY - Q4	3.6%	4.2%	10:45
	NZ	Participation Rate - Q4	71.0%	71.1%	10:45
	NZ	Pvt Wages Inc Overtime QoQ - Q4	0.5%	0.7%	10:45
	NZ	Pvt Wages Ex Overtime QoQ - Q4	0.5%	0.7%	10:45
	NZ	Average Hourly Earnings QoQ - Q4	0.5%	1.2%	10:45
	AU	AiG Perf of Construction Index - Jan	--	52.8	11:30
	AU	Foreign Reserves - Jan	--	A\$85.4B	18:30
	GE	Industrial Production SA MoM - Dec	-0.6%	3.4%	20:00
	GE	Industrial Production WDA YoY - Dec	6.8%	5.6%	20:00
	UK	Halifax House Prices MoM - Jan	0.2%	-0.6%	21:30
	UK	Halifax House Price 3Mths/Year - Jan	2.4%	2.7%	21:30
	CH	Foreign Reserves - Jan	\$3170.0B	\$3139.9B	UNSPECIFIED
8-Feb	US	MBA Mortgage Applications - 2-Feb	--	-2.6%	01:00

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
8-Feb	NZ	RBNZ Official Cash Rate - Feb	1.75%	1.75%	09:00
	US	Consumer Credit - Dec	\$19.975B	\$27.951B	09:00
	JN	BoP Current Account Balance - Dec	¥1059.0B	¥1347.3B	12:50
	JN	BoP Current Account Adjusted - Dec	¥1660.0B	¥1700.5B	12:50
	JN	Trade Balance BoP Basis - Dec	¥514.3B	¥181.0B	12:50
	UK	RICS House Price Balance - Jan	5%	8%	13:01
	AU	NAB Business Confidence - Q4	--	7	13:30
	GE	Trade Balance - Dec	€21.0B	€23.7B	20:00
	GE	Current Account Balance - Dec	€28.0B	€25.4B	20:00
	GE	Exports SA MoM - Dec	-1.0%	4.1%	20:00
	GE	Imports SA MoM - Dec	-0.7%	2.2%	20:00
	CH	Trade Balance - Jan	\$54.70B	\$54.69B	UNSPECIFIED
	CH	Imports YoY - Jan	11.2%	4.5%	UNSPECIFIED
	CH	Exports YoY - Jan	11.3%	10.9%	UNSPECIFIED
	CH	BoP Current Account Balance - Q4 P	--	\$40.5B	UNSPECIFIED
9-Feb	UK	Bank of England Bank Rate - Feb	0.50%	0.50%	01:00
	UK	BoE Asset Purchase Target - Feb	435B	435B	01:00
	UK	BoE Corporate Bond Target - Feb	£10B	£10B	01:00
	UK	Bank of England Inflation Report	--	--	01:00
	US	Initial Jobless Claims - 3-Feb	233k	230k	02:30
	US	Continuing Claims - 27-Jan	1940k	1953k	02:30
	NZ	QV House Prices YoY - Jan	--	6.6%	05:00
	NZ	ANZ Truckometer Heavy MoM - Jan	--	-4.2%	10:00
	AU	Home Loans MoM - Dec	-1.0%	2.1%	13:30
	AU	Investment Lending - Dec	--	1.5%	13:30
	AU	Owner-Occupier Loan Value MoM - Dec	--	2.7%	13:30
	AU	RBA Quarterly Statement on Monetary Policy	--	--	13:30
	CH	PPI YoY - Jan	4.2%	4.9%	14:30
	CH	CPI YoY - Jan	1.5%	1.8%	14:30
	UK	Industrial Production MoM - Dec	-0.9%	0.4%	22:30
	UK	Industrial Production YoY - Dec	0.4%	2.5%	22:30
	UK	Manufacturing Production MoM - Dec	0.3%	0.4%	22:30
	UK	Manufacturing Production YoY - Dec	1.2%	3.5%	22:30
	UK	Construction Output SA MoM - Dec	-0.1%	0.4%	22:30
	UK	Construction Output SA YoY - Dec	-1.9%	0.4%	22:30
	UK	Visible Trade Balance GBP/Mn - Dec	-£11550	-£12231	22:30
	UK	Trade Balance Non EU GBP/Mn - Dec	-£4050	-£4675	22:30
	UK	Trade Balance - Dec	-£2400	-£2804	22:30
10-Feb	UK	NIESR GDP Estimate - Jan	0.5%	0.6%	01:00
	US	Wholesale Inventories MoM - Dec F	0.2%	0.2%	04:00

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

We expect the near-term data flow to be a little more mixed, reflecting headwinds the economy is currently facing. That said, we still see growth holding in a 2½-3% range over the next couple of years. Inflation pressures remain contained, and while we see them rising gradually in time, the OCR looks set to be on hold for some time yet.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Mon 5 Feb (1:00pm)	ANZ Commodity Price Index – Jan	--	--
Wed 7 Feb (early am)	GlobalDairyTrade Auction	Supported	Although the prospects for local supply have improved, lower GDT volumes should provide some support to prices.
Wed 7 Feb (10:45am)	Labour Market Statistics – Q4	Unwind	After the almost implausible strength in the Q3 figures, we expect some unwind in Q4.
Thu 8 Feb (9:00am)	RBNZ Monetary Policy Statement	On hold	Recent GDP revisions will be pondered, but we suspect a neutral policy stance will be maintained overall.
Fri 9 Feb (10:00am)	ANZ Truckometer – Jan	--	--
12-16 Feb	REINZ Housing Market Statistics – Jan	Stable	The market has rebounded modestly over recent months. We expect more stable results going forward, but with annual price growth to tick up a touch.
Mon 12 Feb (10:45am)	Electronic Card Transactions – Jan	Modest	The underlying trend should remain modest overall, with households looking to rebuild saving levels.
Mon 12 Feb (1:00pm)	ANZ Monthly Inflation Gauge – Jan	--	--
Wed 14 Feb (10:45am)	Food Price Index – Jan	Up	Prices have typically risen solidly in January months.
Wed 14 Feb (3:00pm)	RBNZ Survey of Expectations – Q1	Stable	The 2-year-ahead measure of inflation expectations should be steady around 2%.
Fri 16 Feb (10:30am)	BNZ-BusinessNZ PMI – Jan	More cautious	After plunging last month, we suspect the gauge will hold at this lower level for a little while.
Wed 21 Feb (early am)	GlobalDairyTrade Auction	Supported	Although the prospects for local supply have improved, lower GDT volumes should help provide some support to prices.
Fri 23 Feb (10:45am)	Retail Trade Survey – Q4	Bounce	After a soft Q3, we expect a better performance from sales volumes over the quarter.
Tue 27 Feb (10:45am)	Overseas Merchandise Trade – Jan	Import strength	Import growth has been strong of late, but we suspect we'll see more modest growth over the coming months.
Tue 27 Feb (3:00pm)	RBNZ New Mortgage Lending – Jan	Stabilising	With housing market turnover lifting off lows, new mortgage lending should do the same.
Wed 28 Feb (10:45am)	International Travel and Migration – Jan	Peaked	We don't see net inflows falling quickly, but we do believe that a peak has been seen.
Wed 28 Feb (1:00pm)	ANZ Business Outlook – Feb	--	--
Wed 28 Feb (3:00pm)	RBNZ Sectoral Lending – Jan	Modest	We see overall private sector credit growing in a fashion that keeps the ratio of credit to GDP roughly stable.
Thu 1 Mar (10:00am)	ANZ Job Ads – Feb	--	--
Thu 1 Mar (10:45am)	Overseas Trade Indexes – Q4	Off highs	After hitting an all-time high in Q3, we see the terms of trade falling modestly in the quarter.
Fri 2 Mar (10:00am)	ANZ-Roy Morgan Consumer Confidence – Feb	--	--
Fri 2 Mar (10:45am)	Building Consent Issuance – Jan	Capped	Due to costs, capital and capacity constraints, we continue to believe issuance will struggle to push much above current levels.
On balance		Data watch	The data pulse has turned a little more mixed. Domestic inflation is low, but should lift gradually.

KEY FORECASTS AND RATES

	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
GDP (% qoq)	0.6	0.5	0.6	0.9	0.9	0.8	0.7	0.7	0.7	0.6
GDP (% yoy)	2.7	2.9	2.7	2.6	2.9	3.2	3.3	3.1	2.8	2.6
CPI (% qoq)	0.5	0.1	0.5	0.3	0.6	0.2	0.6	0.6	0.7	0.1
CPI (% yoy)	1.9	1.6	1.1	1.4	1.5	1.6	1.7	2.1	2.2	2.0
Employment (% qoq)	2.2	-0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Employment (% yoy)	4.1	2.8	2.1	2.6	0.8	1.6	1.4	1.3	1.2	1.2
Unemployment Rate (% sa)	4.6	4.7	4.6	4.5	4.5	4.4	4.4	4.4	4.4	4.4
Current Account (% GDP)	-2.5	-2.6	-2.3	-2.6	-2.9	-3.0	-3.0	-3.0	-2.9	-2.9
Terms of Trade (% qoq)	0.8	-1.6	-1.6	-0.7	0.1	0.1	0.1	0.1	0.1	0.0
Terms of Trade (% yoy)	12.4	4.5	-1.1	-3.1	-3.8	-2.2	-0.4	0.4	0.4	0.4

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
Retail ECT (% mom)	0.9	-0.4	0.0	-0.6	0.0	0.4	0.5	1.3	0.5	--
Retail ECT (% yoy)	4.5	5.2	4.5	2.0	4.4	2.9	1.3	4.3	3.3	--
Credit Card Billings (% mom)	1.1	1.0	0.4	0.7	-0.6	0.8	1.1	0.9	0.6	--
Credit Card Billings (% yoy)	6.6	7.5	8.4	7.0	6.5	5.0	3.0	9.1	6.3	--
Car Registrations (% mom)	-2.7	3.8	-2.6	-4.6	9.4	-1.3	2.2	1.5	-4.8	--
Car Registrations (% yoy)	3.0	13.7	11.1	6.2	13.5	15.6	7.3	7.3	4.7	--
Building Consents (% mom)	-2.1	1.3	0.4	2.8	6.4	-2.1	-9.6	9.6	-9.6	--
Building Consents (% yoy)	3.8	4.7	-7.8	-1.9	13.6	7.3	-7.2	13.3	3.8	--
REINZ House Price Index (% yoy)	9.1	6.7	5.4	3.3	2.8	3.7	3.4	3.5	3.8	--
Household Lending Growth (% mom)	0.5	0.4	0.6	0.3	0.4	0.5	0.4	0.5	0.5	--
Household Lending Growth (% yoy)	8.3	7.9	7.6	7.1	6.7	6.5	6.3	6.1	5.9	--
ANZ Roy Morgan Consumer Conf.	121.7	123.9	127.8	125.4	126.2	129.9	126.3	123.7	121.8	126.9
ANZ Business Confidence	11.0	14.9	24.8	19.4	18.3	0.0	-10.1	-39.3	-37.8	--
ANZ Own Activity Outlook	37.7	38.3	42.8	40.3	38.2	29.6	22.2	6.5	15.6	--
Trade Balance (\$m)	547	62	243	92	-1174	-1165	-841	-1233	640	--
Trade Bal (\$m ann)	52588	53218	53530	53742	53982	54085	54759	56003	56497	--
ANZ World Comm. Price Index (% mom)	-0.2	3.2	2.1	-0.8	-0.8	0.8	-0.3	-0.9	-2.2	--
ANZ World Comm. Price Index (% yoy)	23.7	26.3	24.6	21.1	16.3	11.5	10.4	6.0	3.0	--
Net Migration (sa)	5790	5940	6300	5720	5450	5250	5640	5660	5700	--
Net Migration (ann)	71885	71964	72305	72402	72072	70986	70694	70354	70016	--
ANZ Heavy Traffic Index (% mom)	-2.2	4.0	-0.5	-6.0	6.5	-1.5	2.9	1.1	-4.2	--
ANZ Light Traffic Index (% mom)	-1.4	1.2	1.2	-2.2	2.7	-0.1	-0.6	1.5	-1.7	--

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)						
	Dec-17	Jan-18	Today	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
NZD/USD	0.710	0.740	0.729	0.71	0.72	0.69	0.67	0.66	0.65	0.65
NZD/AUD	0.909	0.914	0.921	0.89	0.88	0.90	0.91	0.92	0.93	0.93
NZD/EUR	0.591	0.595	0.586	0.57	0.58	0.54	0.52	0.51	0.50	0.50
NZD/JPY	79.99	80.53	80.40	83.8	83.5	77.3	69.7	68.6	65.0	65.0
NZD/GBP	0.525	0.523	0.517	0.53	0.53	0.50	0.49	0.48	0.47	0.47
NZ\$ TWI	73.0	74.2	74.8	72.4	72.7	69.9	67.6	66.7	65.7	65.7
INTEREST RATES	Dec-17	Jan-18	Today	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00
NZ 90 day bill	1.88	1.89	1.89	1.90	1.93	1.95	1.98	2.00	2.08	2.34
NZ 10-yr bond	2.72	2.90	2.98	2.85	3.05	3.25	3.40	3.45	3.50	3.50
US Fed funds	1.50	1.50	1.50	1.50	1.75	2.00	2.25	2.25	2.50	2.50
US 3-mth	1.69	1.77	1.79	1.75	2.05	2.20	2.45	2.45	2.45	2.45
AU Cash Rate	1.50	1.50	1.50	1.50	1.75	2.00	2.00	2.00	2.00	2.00
AU 3-mth	1.80	1.78	1.78	1.80	2.00	2.30	2.40	2.40	2.40	2.40

	2 Jan	29 Jan	30 Jan	31 Jan	1 Feb	2 Feb
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.88	1.88	1.88	1.89	1.89	1.89
NZGB 03/19	1.79	1.79	1.78	1.78	1.78	1.78
NZGB 05/21	2.03	2.15	2.15	2.12	2.12	2.12
NZGB 04/23	2.25	2.43	2.43	2.40	2.41	2.43
NZGB 04/27	2.72	2.90	2.92	2.90	2.92	2.95
2 year swap	2.22	2.18	2.18	2.18	2.17	2.17
5 year swap	2.68	2.72	2.73	2.72	2.73	2.74
RBNZ TWI	74.32	74.78	74.71	75.02	75.10	75.32
NZD/USD	0.7121	0.7330	0.7332	0.7400	0.7341	0.7300
NZD/AUD	0.9085	0.9053	0.9058	0.9138	0.9179	0.9213
NZD/JPY	79.85	79.70	79.62	80.53	80.51	80.42
NZD/GBP	0.5252	0.5202	0.5206	0.5230	0.5158	0.5171
NZD/EUR	0.5900	0.5909	0.5907	0.5947	0.5906	0.5859
AUD/USD	0.7838	0.8097	0.8095	0.8098	0.7998	0.7931
EUR/USD	1.2069	1.2404	1.2413	1.2444	1.2430	1.2463
USD/JPY	112.14	108.73	108.59	108.82	109.67	110.17
GBP/USD	1.3557	1.4090	1.4085	1.4149	1.4231	1.4118
Oil (US\$/bbl)	60.37	65.56	64.50	64.73	65.80	65.45
Gold (US\$/oz)	1311.96	1347.22	1344.20	1343.13	1339.35	1333.39
Electricity (Haywards)	8.96	13.72	18.35	16.80	9.58	6.62
Baltic Dry Freight Index	1230	1214	1191	1152	1114	1095
NZX WMP Futures (US\$/t)	2905	3200	3205	3225	3230	3235

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 9160 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>

