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CONTACT:

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

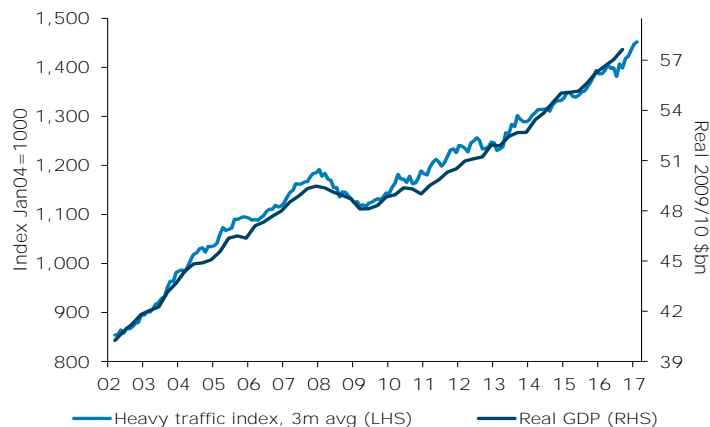
The next issue of the ANZ *Truckometer* is scheduled for release on 12 April 2017 at 10am.

OIL SLICK?

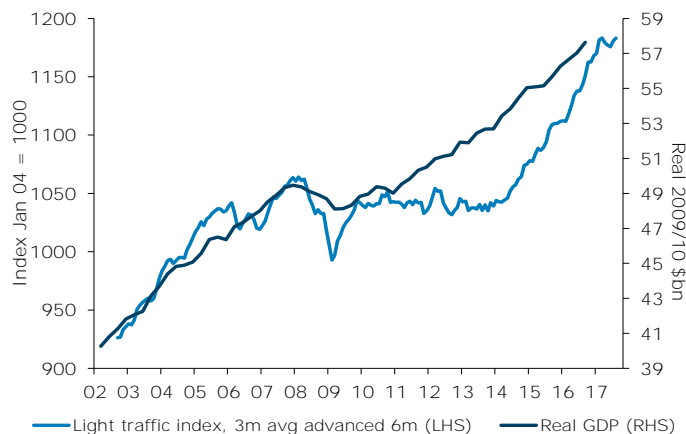
KEY POINTS

- **The ANZ Truckometer indexes lifted in February. The Heavy Traffic Index rose 2.3% m/m, while the Light Traffic Index lifted 0.7% m/m** (the charts below are a 3-month average).¹
- **The Heavy Traffic Index continues to trend upwards** and even accelerate after a lull in mid-2016.
- **The upward trend in the Light Traffic Index has flattened**, suggesting we **may see growth moderate later in the year.**
- **More modest growth in the second half of 2017 would not be surprising or alarming**, given mounting evidence that the economy is attempting to grow faster than it sustainably can, with capacity constraints such as skilled labour more apparent.

GDP AND THE ANZ HEAVY TRAFFIC INDEX 3-MONTH AVERAGE



GDP AND THE ANZ LIGHT TRAFFIC INDEX 3-MONTH AVERAGE



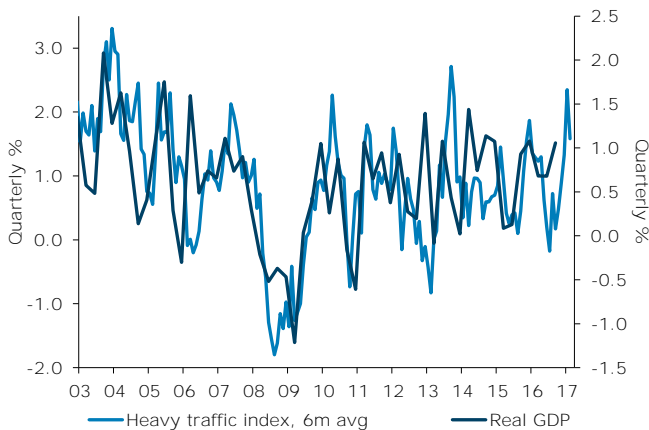
Source: ANZ, NZ Transport Agency, Statistics NZ

¹ The Kaikoura earthquake has seen a change in pattern of container freight at North Island ports, which has increased heavy traffic flows on State Highway 2. These impacts are likely to last for some time, but reflect diverted – rather than new – activity. We therefore make a statistical adjustment for this (2 sites).

ANZ TRUCKOMETER

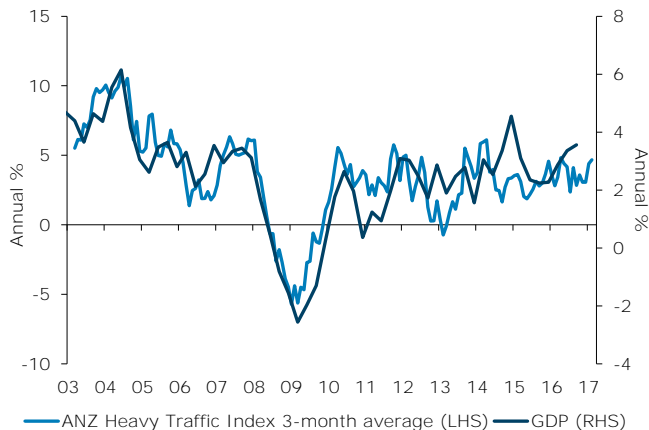
The ANZ Heavy Traffic Index rose 2.3% in January (seasonally adjusted – sa). The index suggests strong growth in the economy over the final three months of last year has continued into 2017 (figures 1 and 2). The bounce means we were right to downplay the small fall in January – monthly data is volatile. The upward trend is solid.

FIGURE 1. ANZ HEAVY TRAFFIC INDEX AND GDP GROWTH



Source: ANZ, NZ Transport Agency, Statistics NZ

FIGURE 2. ANZ HEAVY TRAFFIC INDEX (6-MONTH AVERAGE) AND ANNUAL GDP GROWTH



Source: ANZ, NZ Transport Agency, Statistics NZ

The Light Traffic Index gives a 6-month lead on the direction of the economy and is best interpreted as a measure of momentum. **The previously very strong upward trend in the index has been broken** (see chart page 1).

The index bounced back 0.7% m/m in February (sa), unwinding the 0.3% fall in January bounce. However, Q4 marked the first quarterly fall in the index in more than three years, so despite the increase in February it is fair to say the loss of momentum in the Light Traffic Index has persisted for some months now. This is consistent with our expectation that the economy is set to slow

somewhat as it hits capacity constraints (labour, debt levels, and credit availability).

FIGURE 3. ANZ LIGHT TRAFFIC INDEX (6-MONTH AVERAGE, ADV. 6 MONTHS) AND GDP GROWTH



Source: ANZ, NZ Transport Agency, Statistics NZ

We suspect this is “as good as it gets” for the New Zealand economy in terms of the growth rate. This is not to say that something untoward is around the corner, just that this economy cannot grow 4% a year for any length of time.

It is important to remember that **more modest growth still means better times around the corner.** Moderate growth still raises the bar.

The usual caveats and risks apply. Signs of improving global growth are welcome but do not cancel out the risks. Indeed, to the extent stronger cyclical growth leads to a reduction of extreme monetary stimulus and higher interest rates, it accentuates the structural risks. There is plenty of debt (more than in 2008); demographics are a headwind across Western societies; and political direction is shifting against globalisation. A graceful exit from the highly experimental monetary policy seen around the world post the Global Financial Crisis will not be a case of cruise control. The road ahead for the global economy promises to be windy and bumpy, and New Zealand as a commodity-exporting nation must travel that road.

ANZ TRUCKOMETER

APPENDIX

Technical notes on how the ANZ Truckometer is produced were included in the initial release on 10 April 2012, available on the ANZ website or on request. The indexes' data history (subject to revision) is also available.

After adjusting for altered heavy traffic patterns due to the Kaikoura earthquake, traffic flows lifted on 6 of 11 roads in the Heavy Traffic Index in February, and 9 of 10 roads in the Light Traffic Index (seasonally adjusted).

	Light Traffic Index			Heavy Traffic Index		
	Index Jan 04=1000	Monthly % chg	Monthly % chg, 3m avg	Index Jan 04=1000	Monthly % chg	Monthly % chg, 3m avg
Feb-16	1151	1.5	0.5	1384	1.4	0.0
Mar-16	1167	1.4	0.7	1433	3.5	0.5
Apr-16	1169	0.1	1.0	1398	-2.4	0.8
May-16	1152	-1.4	0.0	1363	-2.5	-0.5
Jun-16	1183	2.7	0.4	1436	5.4	0.1
Jul-16	1176	-0.6	0.2	1345	-6.4	-1.3
Aug-16	1187	1.0	1.0	1441	7.1	1.9
Sep-16	1188	0.1	0.1	1411	-2.1	-0.6
Oct-16	1163	-2.1	-0.3	1403	-0.5	1.4
Nov-16	1181	1.5	-0.2	1455	3.7	0.3
Dec-16	1183	0.2	-0.1	1451	-0.3	0.9
Jan-17	1179	-0.3	0.4	1436	-1.0	0.8
Feb-17	1187	0.7	0.2	1469	2.3	0.3

FIGURE 4. ANZ HEAVY TRAFFIC INDEX: RAW VS. SA

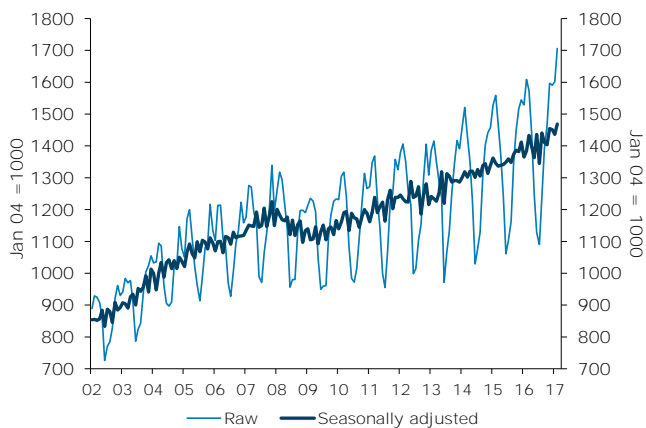
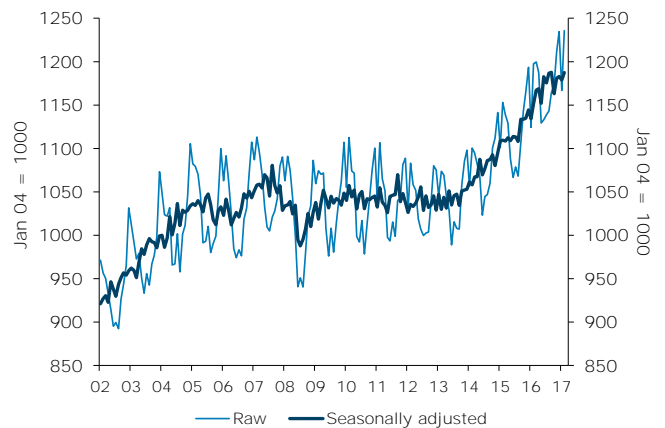


FIGURE 5. ANZ LIGHT TRAFFIC INDEX: RAW VS. SA



Source: ANZ, NZ Transport Agency

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