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ON EXCELLENT TERMS

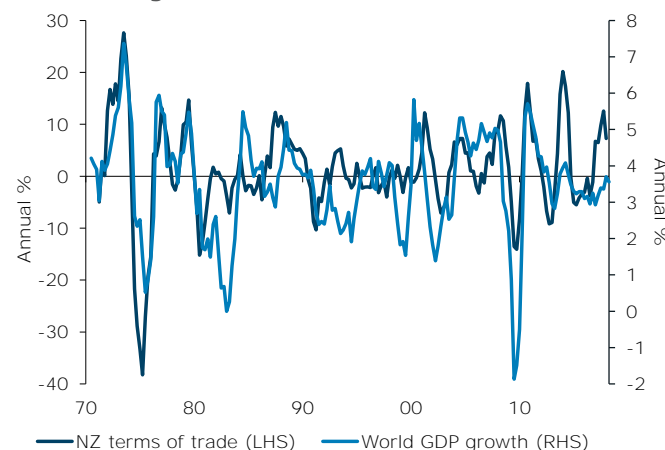
ECONOMIC OVERVIEW

New Zealand's economic expansion is getting a little long in the tooth; fiscal policy and the terms of trade are the two main factors that look set to keep growth ticking along. This week, we take a look at the make-up and the robustness of the current record high in the terms of trade. In short: it's encouragingly diversified by good, but less so by market. Looked at individually, the global supply-demand balance for our main commodities looks price supportive, even though it appears global growth is past its peak. But if a more marked slowdown were to emerge, history suggests our commodity prices are likely to go down together. The week ahead brings reads on both business and consumer confidence, as well as consents, the terms of trade, and the RBNZ's latest take on financial stability risks.

CHART OF THE WEEK

New Zealand's terms of trade is highly correlated with the global economic cycle.

Global GDP growth and NZ terms of trade



Source: IMF, 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.	
Unemployment rate	4.0% for 2018 Q4	The unemployment rate should fall further gradually. Conditions are in place for wage inflation to increase.	
OCR	1.75% by Dec 2018	With plenty of question marks over the outlook for inflation, we believe the RBNZ will be cautious in tightening policy.	
CPI	1.7% y/y for 2018 Q4	With capacity constrained and wages expected to rise, we expect domestic and core inflation will lift – albeit gradually.	

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SUMMARY

New Zealand's economic expansion is getting a little long in the tooth. The economy has hit capacity and debt constraints, and some growth drivers have petered out. Fiscal policy and the terms of trade are the two main factors that look set to keep growth ticking along. This week, we take a look at the make-up and the robustness of the current record high in the terms of trade. In short: it's encouragingly diversified by good, but less so by market. Looked at individually, the global supply-demand balance for our main commodities looks price supportive, even though it appears global growth is past its peak. But if a more marked slowdown were to emerge, history suggests our commodity prices are likely to go down together. The week ahead brings reads on both business and consumer confidence, as well as consents, the terms of trade, and the RBNZ's latest take on financial stability risks.

FORTHCOMING EVENTS

RBNZ FSR (9:00am, Wednesday 30 May). We expect a broadly unchanged assessment. The financial system is sound; house prices and household debt are vulnerabilities.

Building Consents – April (10:45am, Wednesday 30 May). Consents are expected to continue to bob around recent high levels, but struggle to lift much further owing to cost, capital and capacity constraints.

ANZ Business Outlook – May (1:00pm, Thursday 31 May).

ANZ-Roy Morgan Consumer Confidence - May (10:00am, Friday 1 June).

Overseas Trade Indexes – Q1 (10:45am, Friday, 1 June). Reflecting the lagged impact of softer dairy prices in late 2017, and a small lift in import prices, the terms of trade are expected to take a temporary hiatus from their all-time high, to be down 3.9% q/q in Q1.

WHAT'S THE VIEW?

Fair to say, New Zealand's current economic expansion is getting a little long in the tooth.

Some classic late-cycle headwinds are making themselves felt, in particular capacity constraints, which have broadened beyond the construction sector into labour shortages more generally, and high levels of household debt. However, another typical late-headwind, inflation-induced tighter monetary policy, is not a feature of the cycle, and this changes the game. In particular, **there is no reason the economy can't continue to truck on, helped by the tailwinds of fiscal stimulus and the record-high terms of trade** (figure 1).

Fiscal policy is a lever the Government can pull, but the terms of trade (export prices divided by import prices) is heavily influenced by factors outside New Zealand's control. This week, therefore, **we take a look at the robustness of the current terms of trade upswing: what's driving it, and what are the main risks and opportunities?**

Figure 1: Terms of trade

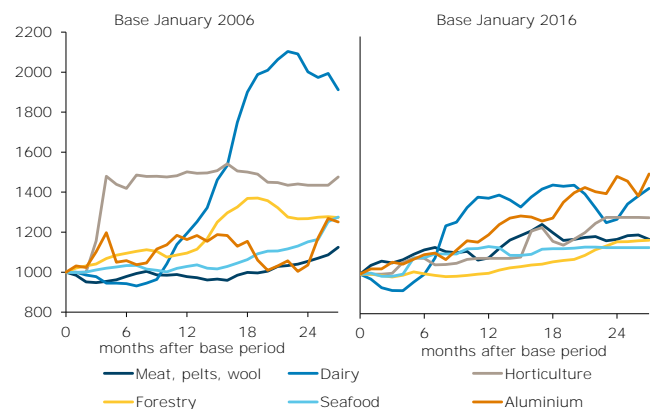


Source: Statistics NZ, ANZ Research

Part 1: The current upswing

Unlike booms of years past, the current terms of trade upswing is broad-based across commodities. Figure 2 shows that the recent upturn has been a joint effort. This is quite a contrast to the pre-GFC peak, which was primarily a dairy story (prices have admittedly lifted less this cycle, but off much higher levels). Going back further, commodity booms have often been one-hit wonders, such as the sharp increase in wool associated with the Korean War.

Figure 2: ANZ Commodity Price Index sub-group indices: world prices



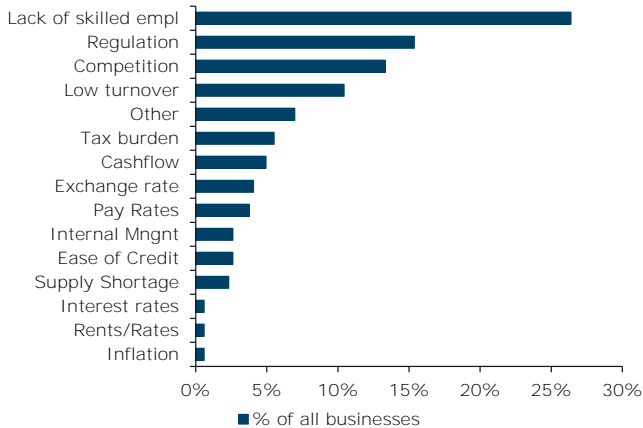
Source: ANZ Research

In and of itself, this suggests a more robust terms of trade increase than otherwise. And it certainly spreads the joy around the economy more

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evenly than a single-commodity boom would. ‘Dutch disease’ was an issue over 2006-7, when strong dairy prices pushed up the exchange rate and made life very tough for exporters of products that were not enjoying high prices. This time round, most everyone is getting good prices, and the level of the NZD barely registers on firms’ worry-lists.

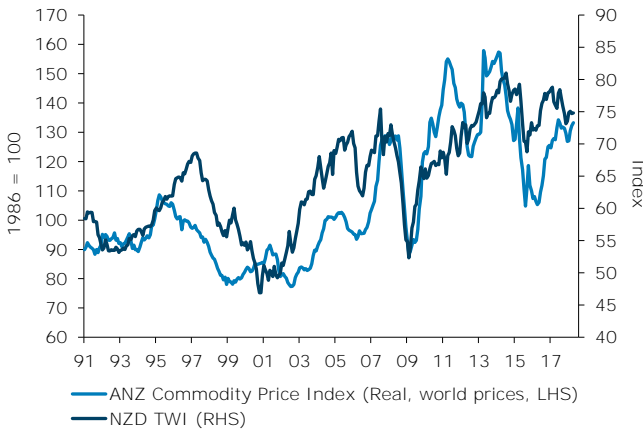
Figure 3: Small business microscope: main concerns



Source: ANZ Research

Meanwhile the (relatively) high exchange rate has been spreading the joy across consumers, too: every imported good has been made cheaper than it would have been had the exchange rate been lower.

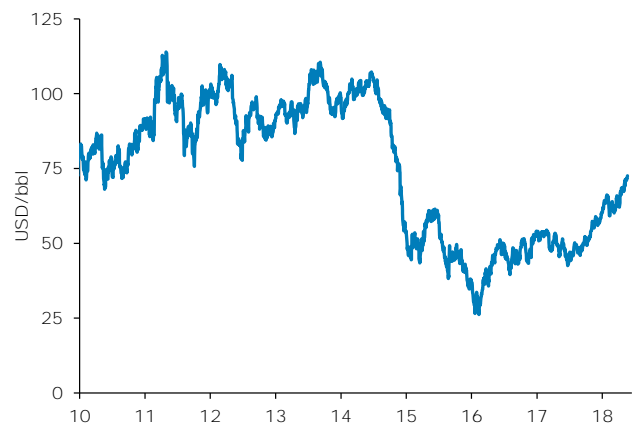
Figure 4: ANZ Commodity Price Index and the NZD



Source: Bloomberg, ANZ Research

Also helping out the terms of trade, the price of imports has been relatively low. In particular, the WTI oil price over 2015-17 averaged USD50/bbl, compared with USD95/bbl over 2011-2014. For context, a 50% drop in the oil price pushes up New Zealand’s terms of trade by around 4.0%, all else equal. But other import prices have been low too: low inflation has been a global phenomenon this cycle, and technology improvements have seen the price of capital goods imports trend down for some time.

Figure 5: WTI oil price 2010-2018

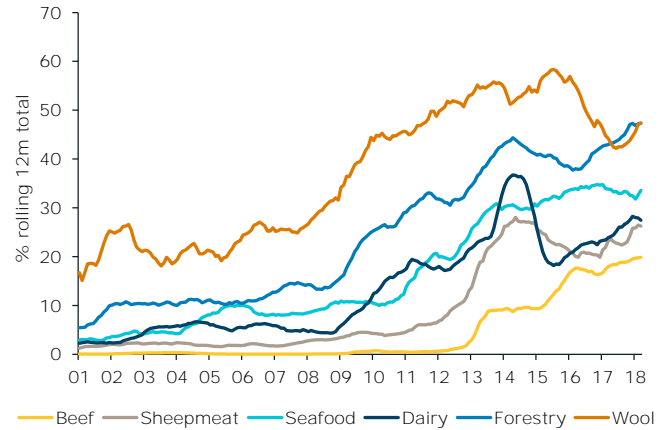


Source: Bloomberg

The current terms of trade boom is therefore diversified by commodity, and has been due to favourable price movements across both the import and the export side.

What about by country? This is where the story gets a little less encouraging, from a diversity point of view. **The share of New Zealand’s major commodity exports going to China has been increasing fairly steadily over recent years,** as figure 6 shows.

Figure 6: Share by value of key exports going to China



Source: Statistics NZ

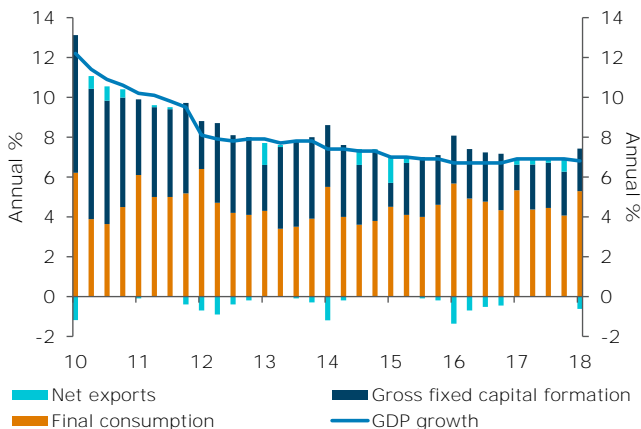
The flip side of opportunity is vulnerability. Putting more of our eggs in China’s shopping basket has served New Zealand exporters well. But **it does up the ante in terms of our exposure to economic and political developments in China.** China and Australia are battling it out for the coveted title of New Zealand’s major trading partner. But it doesn’t really matter who has their toe out in front, as China is by far Australia’s largest trading partner, so what happens there will affect New Zealand via both the front door and the side door.

So what is going on in China? There have been books written on the topic, but in short, leaders are

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attempting to transition the economy from investment-led growth towards consumption (figure 7), and as part of this, weaning the economy off its debt addiction. This is not an easy tightrope to walk, but so far so good: growth has decelerated but remained respectable while debt accumulation has slowed. In short, the medium-term outlook is good, though there may be some ructions along the way.

Figure 7: Composition of China's real GDP growth



Source: Haver, ANZ Research

Part 2: The outlook for the terms of trade

Dairy: We see global milk supply growing at or slightly below trend, which should support pricing. But as always, weather – particularly in Europe and New Zealand – will have a big say. Given expected solid demand from a range of key markets we see whole milk powder holding in a broad USD2,800 to USD3,300/t range, with New Zealand skim milk powder continuing to attract a premium versus other suppliers, and milkfat prices following a similar pattern to 2017/18. **China's dairy self-sufficiency** remains low and domestic costs high.

Beef: Cattle markets have got the jitters recently due to higher Australasian/US supplies and US-China trade tensions. US demand continues to be supportive, and Chinese demand remains strong despite South American competition, with export volumes up 22% y/y. Outside of China the trading environment is difficult, with the abundance of Australian and US product the key issue. Australia is particularly competitive in South Korea and Europe.

Lamb: Prices are some of the strongest ever seen, and further upside into spring is expected. The seasonal lull for supply is approaching and along with low inventories, a lower NZD, and intra-market competition, prospects are strong.

New Zealand's market mix has started to change.

The Greater China and European markets have grown this season at the expense of the UK, North America, and particularly the Middle East.

Venison: Venison markets remain solid. Supply contracts are indicating further pricing upside into the chilled European season. Local production has picked up, despite farmers continuing to rebuild herds. Lower weaner numbers and low frozen inventories are expected to support pricing near term. There remains some nervousness around high European prices, which have reduced frozen sales.

Wool: Crossbred wool prices have lifted off the floor. A lower NZD/USD has helped, but a lift in demand has been influential too. Indeed, exports are up 17% y/y season to date. A lift in the price of UK wool has assisted. **Lamb's wool prices** are strong, driven by tight supply and growing demand for next-to-skin clothing.

Kiwifruit: Both Green and Gold prices are excellent, reflecting good dry matter and size profiles early in the export season, a solid demand pipeline with European volumes down and seemingly insatiable appetite for the sweeter Gold variety, particularly from Asia.

Apples: Average fruit size has been very large this season. European demand has been supported by a smaller domestic crop. Various global inter-market access restrictions have lifted Asian demand for New Zealand pipfruit. **China's domestic crop looks to have** been affected by frosts, which could reduce yields by 30%. This will have global impacts with China accounting for around 50% of supply.

Logs/timber: Pruned logs continue to find decent support both domestically and in export markets. **China's log offtake at port has rebounded and** inventories have shrunk in recent months, putting fears of a post-holiday slowdown to rest. An imposed reduction in native timber logging seems to be providing a structural boost to import demand.

Oil: Oil has been trading around 3½ year highs. Sanctions on Iran and Venezuela will crimp their output and OPEC and Russia have agreed to constrain supply until the end of 2018, though speculation is **rising that the latter may change, for fear that "too-high" oil prices will further stimulate US shale production.**

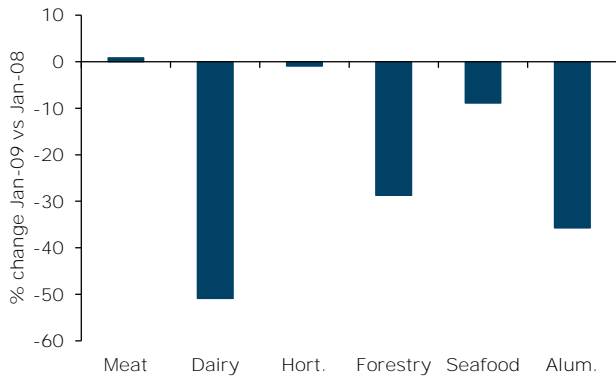
Overall, we expect the oil market to remain tight, given strong demand. This sets the scene for further price spikes should disruptions occur. Our 12-month target for Brent crude is USD80/bbl.

The big picture: In short, each commodity has different factors that are impacting on it, both on the demand and supply side. Generalisations can therefore be misleading. That said, there is no question that when global growth contracts sharply,

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New Zealand's commodity prices tend to go down together (figure 8).

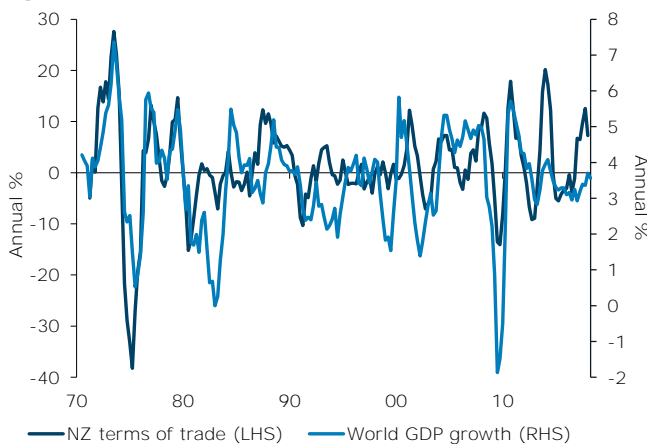
Figure 8: New Zealand's main commodity sectors during the GFC



Source: ANZ

Moreover, **New Zealand's terms of trade are correlated with global GDP growth (figure 9).**

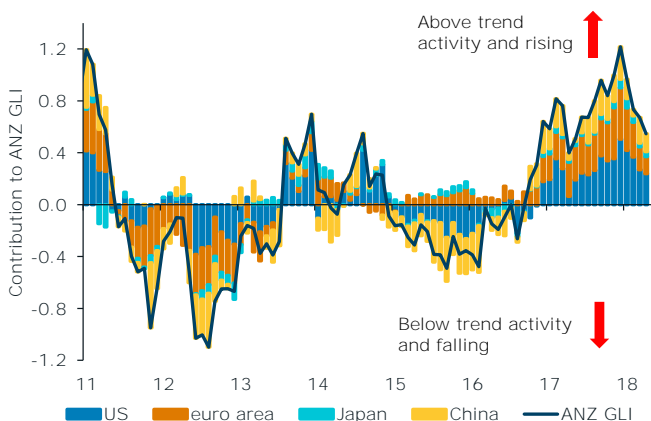
Figure 9: Global GDP and NZ terms of trade



Source: IMF, Statistics NZ

And it does appear that **global growth is past its peak**, as shown by ANZ's Global Lead Indicator (figure 10).

Figure 10: ANZ Global Lead Indicator



Source: Bloomberg, Markit, ANZ Research

In addition to the gradual real economy slowdown, there are certainly risks that could catalyse something of a shakeout in global financial markets, including geopolitical risks, liquidity risks, Chinese deleveraging, and very high debt across consumers, businesses, governments, and investors that up the ante considerably.

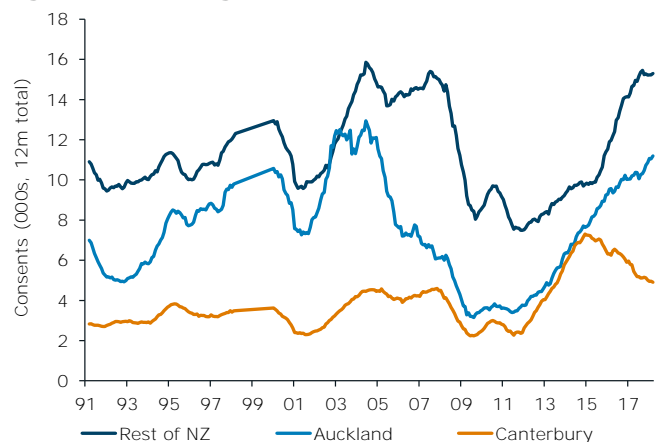
In all, long may the terms of trade boom continue. On current demand and supply dynamics, it appears it will. However, downside risks to global growth present downside risks to commodity prices and may spoil the party. **We'd best make hay while the sun shines.**

THE WEEK AHEAD

This week brings a decent mix of data across sectors, with building consents, our own business and consumer confidence surveys, and the terms of trade. The Reserve Bank Financial Stability Report is also out on Wednesday.

Building consents data for the month of April are out on Wednesday, providing our first insight into how momentum in residential construction activity is tracking into Q2. Dwelling consent issuance has been volatile of late, jumping 14.7% in March m/m on the back of a 44.2% m/m lift in multi-dwelling consents. Overall, consent issuance continued to bob around at a high level over Q1 (figure 11), but struggled to lift further as cost, capital and capacity constraints continue to bite. All the while, underlying demand remains buoyed by strong migration-led population growth and low interest rates. We expect this dynamic to continue.

Figure 11: Building consents issuance



Source: Statistics NZ, ANZ Research

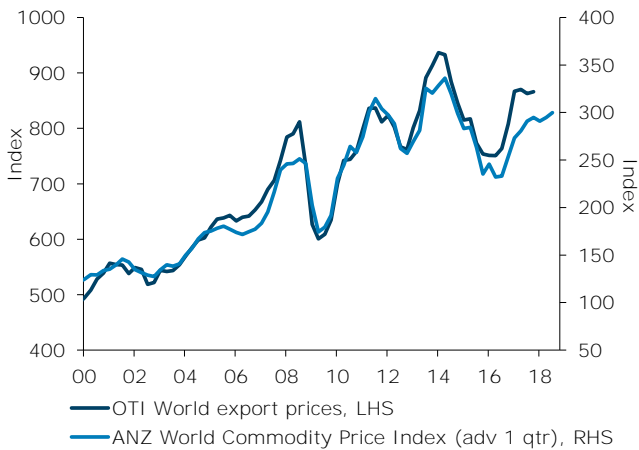
Overseas Trade Indices for Q1 are out Friday. **We're expecting a temporary hiatus (3.9% q/q dip) from recent record-highs** as the late-2017 soft patch in dairy prices seen on the GDT platform flows through to exports, and as import prices continue to push



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higher. That said, export prices are poised to lift from Q2, reflected by the broad-based lift in our own Commodity Price Index seen over 2018 (figure 12). However, ongoing strength in oil prices should support a decent lift in import prices, partially offsetting the boost to the terms of trade.

Figure 12: Export price indices



Source: Statistics NZ, ANZ Research

In Wednesday's Financial Stability Report we expect a generally unchanged assessment. The financial system is broadly sound, but high house prices and household debt remain vulnerabilities. Developments in dairy have been positive on balance, with cash flow prospects on the up, but with challenges ahead (including high debt levels and regulatory compliance costs). Global developments since November, including the ongoing trade wars saga, global equity market wobbles in February, and the flattening US yield curve, may get a mention. However, global growth momentum appears broadly intact and conducive for the New Zealand outlook.

Another read on business confidence is due on Thursday. In April, confidence eased a touch, but particular weakness was evident in the construction sector, which has been battling capacity, funding and cost constraints at a time when the Government really needs them to deliver on the housing front. This month's data should give an impression of whether last month's weakness was primarily noise or signal.

LOCAL DATA

Overseas Merchandise Trade - April. The April trade surplus of \$263m was stronger than expected with broad-based strength across most sectors. However, the annual deficit widened \$0.3bn to \$3.8bn as the boomer April 2017 month dropped out.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
28-May	JN	PPI Services YoY - Apr	0.5%	0.5%	11:50
	UK	Nationwide House PX MoM - May	0.2%	0.2%	28/5-4/6
	UK	Nationwide House Px NSA YoY - May	3.0%	2.6%	28/5-4/6
29-May	AU	ANZ-RM Consumer Confidence Index - 27-May	--	121.6	11:30
	EC	M3 Money Supply YoY - Apr	3.9%	3.7%	20:00
30-May	US	S&P CoreLogic CS 20-City MoM SA - Mar	0.70%	0.83%	01:00
	US	S&P CoreLogic CS 20-City YoY NSA - Mar	6.4%	6.8%	01:00
	US	Conf. Board Consumer Confidence - May	128.0	128.7	02:00
	US	Dallas Fed Manf. Activity - May	23.0	21.8	02:30
	NZ	RBNZ Financial Stability Report - May	--	14.7%	09:00
	NZ	Building Permits MoM - Apr	--	14.7%	10:45
	JN	Retail Sales MoM - Apr P	0.7%	-0.6%	11:50
	JN	Retail Trade YoY - Apr	0.9%	1.0%	11:50
	AU	Building Approvals MoM - Apr	-3.0%	2.6%	13:30
	AU	Building Approvals YoY - Apr	4.1%	14.5%	13:30
	GE	Retail Sales MoM - Apr	0.5%	-0.3%	18:00
	GE	Retail Sales YoY - Apr	1.7%	1.3%	18:00
	GE	Import Price Index MoM - Apr	0.7%	0.0%	18:00
	GE	Import Price Index YoY - Apr	0.70%	-0.10%	18:00
	GE	Unemployment Change (000's) - May	-10k	-7k	19:55
	GE	Unemployment Claims Rate SA - May	5.3%	5.3%	19:55
	EC	Economic Confidence - May	112.0	112.7	21:00
	EC	Business Climate Indicator - May	1.30	1.35	21:00
	EC	Industrial Confidence - May	6.8	7.1	21:00
	EC	Services Confidence - May	14.3	14.9	21:00
	EC	Consumer Confidence - May F	0.2	0.2	21:00
	US	MBA Mortgage Applications - 25-May	--	-2.6%	23:00
31-May	GE	CPI MoM - May P	0.3%	0.0%	00:00
	GE	CPI YoY - May P	2.0%	1.6%	00:00
	GE	CPI EU Harmonized MoM - May P	0.3%	-0.1%	00:00
	GE	CPI EU Harmonized YoY - May P	1.8%	1.4%	00:00
	US	ADP Employment Change - May	190k	204k	00:15
	US	Wholesale Inventories MoM - Apr P	0.5%	0.3%	00:30
	US	GDP Annualized QoQ - Q1 S	2.3%	2.3%	00:30
	US	Personal Consumption - Q1 S	1.2%	1.1%	00:30
	US	GDP Price Index - Q1 S	2.0%	2.0%	00:30
	US	Core PCE QoQ - Q1 S	2.5%	2.5%	00:30
	US	Advance Goods Trade Balance - Apr	-\$71.0B	-\$68.3B	00:30
	US	Federal Reserve releases Beige Book	--	--	06:00
	UK	GfK Consumer Confidence - May	-8	-9	11:01
	JN	Industrial Production MoM - Apr P	1.4%	1.4%	11:50
	JN	Industrial Production YoY - Apr P	3.6%	2.4%	11:50
	NZ	ANZ Activity Outlook - May	--	17.8	13:00
	NZ	ANZ Business Confidence - May	--	-23.4	13:00
	CH	Non-manufacturing PMI - May	54.8	54.8	13:00
	CH	Manufacturing PMI - May	51.4	51.4	13:00
	CH	Composite PMI - May	--	54.1	13:00
	AU	Private Capital Expenditure - Q1	1.0%	-0.2%	13:30

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
31-May	AU	Private Sector Credit MoM - Apr	0.4%	0.5%	13:30
	AU	Private Sector Credit YoY - Apr	5.0%	5.1%	13:30
	UK	Net Consumer Credit - Apr	£1.3B	£0.3B	20:30
	UK	Net Lending Sec. on Dwellings - Apr	£3.9B	£4.0B	20:30
	UK	Mortgage Approvals - Apr	63.4k	62.9k	20:30
	UK	Money Supply M4 MoM - Apr	--	-1.4%	20:30
	UK	M4 Money Supply YoY - Apr	--	2.2%	20:30
	UK	M4 Ex IOFCs 3M Annualised - Apr	--	1.2%	20:30
	EC	Unemployment Rate - Apr	8.4%	8.5%	21:00
	EC	CPI Core YoY - May A	1.0%	0.7%	21:00
	EC	CPI Estimate YoY - May	1.6%	1.2%	21:00
	US	Challenger Job Cuts YoY - May	--	-1.4%	23:30
1-Jun	US	PCE Core YoY - Apr	1.8%	1.9%	00:30
	US	Personal Income - Apr	0.3%	0.3%	00:30
	US	Personal Spending - Apr	0.4%	0.4%	00:30
	US	PCE Deflator MoM - Apr	0.2%	0.0%	00:30
	US	PCE Deflator YoY - Apr	2.0%	2.0%	00:30
	US	PCE Core MoM - Apr	0.1%	0.2%	00:30
	US	Initial Jobless Claims - 26-May	230k	234k	00:30
	US	Continuing Claims - 19-May	1733k	1741k	00:30
	US	Chicago Purchasing Manager - May	58.0	57.6	01:45
	US	Pending Home Sales MoM - Apr	0.5%	0.4%	02:00
	US	Pending Home Sales NSA YoY - Apr	--	-4.4%	02:00
	NZ	ANZ Consumer Confidence Index - May	--	120.5	10:00
	NZ	ANZ Consumer Confidence MoM - May	--	-5.9%	10:00
	AU	AiG Perf of Mfg Index - May	--	58.3	10:30
	NZ	Terms of Trade Index QoQ - Q1	-2.0%	0.8%	10:45
	AU	CBA PMI Mfg - May	--	55.5	11:00
	AU	CoreLogic House Px MoM - May	--	-0.3%	12:00
	JN	Nikkei PMI Mfg - May F	--	52.5	12:30
	CH	Caixin PMI Mfg - May	51.2	51.1	13:45
	AU	Commodity Index SDR YoY - May	--	-1.4%	18:30
	AU	Commodity Index AUD - May	--	109.0	18:30
	GE	Markit/BME Manufacturing PMI - May F	56.8	56.8	19:55
	EC	Markit Manufacturing PMI - May F	55.5	55.5	20:00
	UK	Markit PMI Manufacturing SA - May	53.5	53.9	20:30
2-Jun	US	Change in Nonfarm Payrolls - May	190k	164k	00:30
	US	Unemployment Rate - May	3.9%	3.9%	00:30
	US	Average Hourly Earnings MoM - May	0.2%	0.1%	00:30
	US	Average Hourly Earnings YoY - May	2.6%	2.6%	00:30
	US	Average Weekly Hours All Employees - May	34.5	34.5	00:30
	US	Labor Force Participation Rate - May	--	62.8%	00:30
	US	Markit Manufacturing PMI - May F	56.7	56.6	01:45
	US	Construction Spending MoM - Apr	0.8%	-1.7%	02:00
	US	ISM Manufacturing - May	58.1	57.3	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
Wed 30 May (09:00am)	RBNZ Financial Stability Report	Not yet	With the housing market stable, we think the RBNZ will be looking to ease LVR restrictions – but not quite yet.
Wed 30 May (10:45am)	Building Consents – March	Plateau	We are in an environment where issuance will struggle to push higher.
Thu 31 May (1:00 pm)	ANZ Business Outlook– May	--	--
Fri 1 Jun (10:00 am)	ANZ Consumer Confidence – May	--	--
Fri 1 Jun (10:45 am)	Terms of Trade – Q1	High	The terms of trade remains at lofty heights.
Wed 6 Jun (early am)	GlobalDairyTrade auction	Steady	We expect prices to hold up at a reasonable level.
Wed 6 Jun (10:00 am)	ANZ Job Ads - May	--	--
Wed 6 Jun (10:45 am)	Building Work Put in Place – Q1	A little	Building activity is at a high level, but we expect it softened a little in the first quarter of the year.
Wed 6 Jun (1:00 pm)	ANZ Commodity Prices - May	--	--
11-14 June	REINZ Housing Market Statistics – May	Holding pattern	With a number of opposing forces operating on the market, we expect continued stability, for now at least.
Mon 11 June (10:45am)	Economic Survey of Manufacturing – Q1	Solid	Underlying activity expected to remain solid, in line with recent indicators, though these figures can be thrown around.
Tue 12 June (10:00am)	ANZ Truckometer	--	--
Tue 12 June (10:45am)	Electronic Card Transactions - May	Questions	With questions over last month's weak print, we'll get a sense of the signal in the data, with some bounce back expected.
Tue 12 June (1:00pm)	ANZ Monthly Inflation Gauge	--	--
Wed 13 June (10:45am)	Food Prices - May	Stronger side	Food prices in May are generally on the stronger side. We're expecting a solid increase, after a weak print in April.
Fri 15 June (10:30am)	BNZ-BusinessNZ PMI - May	Tested	Last month's stellar result may be tested, but robust levels to nonetheless be maintained.
Mon 18 June (10:30am)	BNZ-BusinessNZ PSI - May	Robust	Robust services sector activity likely to be maintained, after a strong run.
Wed 20 Jun (early am)	GlobalDairyTrade auction	Steady	We expect prices to hold up at a reasonable level.
Wed 20 Jun (10:45am)	Balance of Payments – Q1	Solid	The annual current account deficit is likely to narrow reflecting solid export earnings.
Thu 21 Jun (10:45am)	GDP – Q1	Stable	Our expectation is for similar growth momentum from late-2017 to persist into early-2018, with another 0.6% q/q print.
On balance		Data watch	The data pulse is 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	0.7	0.5	0.6	0.3	0.7
CPI (% yoy)	1.6	1.1	1.4	1.6	1.7	1.9	2.1	2.1	2.1	2.1
Employment (% qoq)	0.4	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.3	0.3
Employment (% yoy)	3.7	3.1	3.8	2.1	2.2	2.1	1.9	1.7	1.5	1.4
Unemployment Rate (% sa)	4.5	4.4	4.1	4.0	3.9	4.0	3.9	3.9	3.8	4.0
Current Account (% GDP)	-2.7	-2.3	-2.4	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Terms of Trade (% qoq)	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

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Retail ECT (% mom)	-0.5	0.0	0.4	0.5	1.2	0.5	1.4	-0.6	1.5	-2.2
Retail ECT (% yoy)	2.0	4.4	2.9	1.3	4.3	3.3	3.4	3.3	6.0	0.8
Credit Card Billings (% mom)	0.7	-0.6	0.8	1.0	0.9	0.6	-0.5	0.7	1.1	0.6
Credit Card Billings (% yoy)	7.1	6.5	5.0	3.0	9.1	6.3	4.6	7.1	7.4	7.0
Car Registrations (% mom)	-4.8	9.5	-1.1	1.7	0.8	-4.7	3.3	-9.4	-3.6	-0.6
Car Registrations (% yoy)	6.2	13.5	15.6	7.3	7.3	4.7	6.2	-4.2	-11.9	-9.0
Building Consents (% mom)	3.8	5.8	-1.8	-9.4	9.6	-9.1	0.2	6.5	14.7	--
Building Consents (% yoy)	-1.9	12.9	7.6	-7.2	13.1	4.3	4.2	-0.6	18.1	--
REINZ House Price Index (% yoy)	3.3	2.8	3.8	3.4	3.6	3.7	3.5	4.0	4.1	3.8
Household Lending Growth (% mom)	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	--
Household Lending Growth (% yoy)	7.1	6.7	6.5	6.3	6.2	5.9	5.8	5.7	5.7	--
ANZ Roy Morgan Consumer Conf.	125.4	126.2	129.9	126.3	123.7	121.8	126.9	127.7	128.0	120.5
ANZ Business Confidence	19.4	18.3	0.0	-10.6	-39.3	-37.8	..	-19.0	-20.0	-23.4
ANZ Own Activity Outlook	40.3	38.2	29.6	22.0	6.5	15.6	..	20.4	21.8	17.8
Trade Balance (\$m)	92	-1174	-1165	-840	-1222	614	-662	184	-156	263
Trade Bal (\$m ann)	53742	53982	54085	54759	55999	56476	57252	57452	58074	58703
ANZ World Comm. Price Index (% mom)	-0.8	-0.8	0.8	-0.3	-0.9	-1.9	0.7	2.8	1.2	1.0
ANZ World Comm. Price Index (% yoy)	21.1	16.3	11.5	10.4	6.0	3.2	4.1	5.0	5.8	7.1
Net Migration (sa)	5740	5470	5270	5650	5680	5700	6210	4920	5380	4930
Net Migration (ann)	72402	72072	70986	70694	70354	70016	70147	68943	67984	67038
ANZ Heavy Traffic Index (% mom)	-6.0	6.5	-1.5	2.9	1.1	-4.2	4.1	-2.5	-0.3	1.4
ANZ Light Traffic Index (% mom)	-2.2	2.7	-0.1	-0.6	1.5	-1.7	-0.5	-0.2	2.2	-0.5

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

KEY FORECASTS AND RATES

FX RATES	ACTUAL			FORECAST (END MONTH)						
	Mar-18	Apr-18	Today	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
NZD/USD	0.724	0.705	0.69	0.70	0.69	0.67	0.66	0.65	0.65	0.65
NZD/AUD	0.942	0.934	0.92	0.92	0.93	0.93	0.94	0.93	0.93	0.93
NZD/EUR	0.587	0.583	0.59	0.56	0.54	0.52	0.51	0.50	0.50	0.50
NZD/JPY	76.91	77.05	75.92	74.2	71.8	69.0	66.0	64.4	63.1	62.4
NZD/GBP	0.516	0.514	0.52	0.50	0.49	0.47	0.46	0.45	0.45	0.45
NZ\$ TWI	73.3	72.5	72.9	70.8	69.6	67.8	66.5	65.4	65.2	65.1
INTEREST RATES	Mar-18	Apr-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	1.96	2.02	2.00	2.01	2.01	2.00	1.99	2.07	2.32	2.48
NZ 10-yr bond	2.72	2.84	2.73	3.05	3.30	3.40	3.35	3.60	3.65	3.65
US Fed funds	1.75	1.75	1.75	2.00	2.00	2.25	2.25	2.50	2.50	2.50
US 3-mth	2.31	2.36	2.32	2.25	2.50	2.70	2.70	2.95	2.95	2.95
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75	2.00	2.00
AU 3-mth	2.03	2.04	1.94	1.90	1.80	1.80	1.80	2.05	2.30	2.30

	25 Apr	21 May	22 May	23 May	24 May	25 May
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	2.04	1.98	1.99	2.00	1.98	1.99
NZGB 05/21	2.11	2.02	2.01	2.00	2.00	2.01
NZGB 04/23	2.42	2.34	2.33	2.32	2.30	2.30
NZGB 04/27	2.89	2.83	2.82	2.80	2.77	2.75
NZGB 04/33	3.27	3.22	3.21	3.18	3.13	3.11
2 year swap	2.30	2.21	2.21	2.20	2.20	2.20
5 year swap	2.78	2.71	2.71	2.67	2.67	2.66
RBNZ TWI	73.99	72.70	73.05	72.72	72.82	72.92
NZD/USD	0.7088	0.6902	0.6948	0.6904	0.6920	0.6917
NZD/AUD	0.9355	0.9167	0.9151	0.9157	0.9152	0.9162
NZD/JPY	77.30	76.85	77.12	75.77	75.90	75.68
NZD/GBP	0.5082	0.5150	0.5164	0.5172	0.5162	0.5200
NZD/EUR	0.5809	0.5873	0.5884	0.5894	0.5904	0.5937
AUD/USD	0.7577	0.7528	0.7593	0.7540	0.7561	0.7548
EUR/USD	1.2202	1.1751	1.1810	1.1714	1.1720	1.1651
USD/JPY	109.06	111.35	110.99	109.74	109.68	109.41
GBP/USD	1.3948	1.3402	1.3455	1.3349	1.3406	1.3309
Oil (US\$/bbl)	68.05	72.24	72.13	71.84	70.71	67.88
Gold (US\$/oz)	1324.73	1284.44	1293.88	1297.13	1296.04	1302.25
NZX 50	8289	8616	8613	8553	8591	8638
Baltic Dry Freight Index	1376	1239	1199	1162	1109	1077
NZX WMP Futures (US\$/t)	3325	3180	3205	3210	3215	3250

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