

NEW ZEALAND MARKET FOCUS

16 July 2018

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BEYOND THE HEADLINES

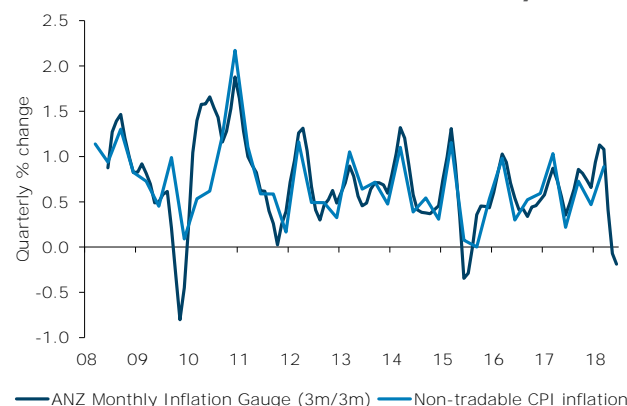
ECONOMIC OVERVIEW

This week we explore what business surveys can tell us about the economy, looking deeper than the confidence measures that grab the headlines. Headline business confidence measures are by nature subjective and can be affected by the political cycle in addition to purely “economic” factors. But whatever the drivers of the responses, they are accurate barometers of how businesses are feeling, and the recent fall in business confidence appears to be flowing through into decisions around investing and hiring. Business surveys provide a broad and rich set of data, which gives useful colour on developments and helps gauge the pulse of the economy. The data has its limitations (as all data does) and should be interpreted within the wider context of the economic information available. But to ignore business surveys is to overlook important information about what businesses are experiencing, how that is affecting their decisions, and the implications for the wider economy.

CHART OF THE WEEK

The big event this week is CPI. We expect non-tradables inflation was weak in Q2, consistent with our ANZ Monthly Inflation Gauge.

Non-tradables inflation and the ANZ Monthly Inflation Gauge



Source: Statistics NZ, ANZ Research

THE ANZ HEATMAP

Variable	View	Comment	Risks around our view
GDP	2.7% y/y for 2019 Q1	The economy is losing momentum. We see growth holding around 2½-3% (trend) on average.	Neutral Negative Positive
Unemployment rate	4.4% for 2019 Q1	The unemployment rate should remain near current levels. Conditions are in place for wage inflation to increase.	Neutral Negative Positive
OCR	1.75% in March 2019	With plenty of question marks over the outlook for inflation, the RBNZ will be cautious in tightening policy.	Neutral Down Up
CPI	1.6% y/y for 2019 Q1	With cost pressures set to rise, we expect domestic and core inflation will lift – but only gradually.	Neutral Negative Positive

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SUMMARY

This week we explore what business surveys can tell us about the economy, looking deeper than the confidence measures that grab the headlines. Headline business confidence measures are by nature subjective and can be affected by the political cycle in addition to purely “economic” factors. But whatever the drivers of the responses, they are accurate barometers of how businesses are feeling, and the recent fall in business confidence appears to be flowing through into decisions around investing and hiring. Business surveys provide a broad and rich set of data, which gives useful colour on developments and helps gauge the pulse of the economy. The data has its limitations (as all data does) and should be interpreted within the wider context of the economic information available. But to ignore business surveys is to overlook important information about what businesses are experiencing, how that is affecting their decisions, and the implications for the wider economy.

FORTHCOMING EVENTS

REINZ housing market data (9:00am, Tuesday 17 July). Recent stability in sales will be tested, with price pressures expected to continue moderating.

Consumer price index – Q2 (10:45am, Tuesday 17 July). We expect a soft 0.1% q/q (1.2% y/y) lift in headline inflation, in part due to the soft signal provided by our ANZ Monthly Inflation Gauge.

GlobalDairyTrade auction (early am, Wednesday 18 July). Futures point to a partial rebound of ~2%.

International Travel and migration – June (10:45am, Friday 20 July). We’re expecting a further gradual easing in the annual net inflow.

WHAT’S THE VIEW?

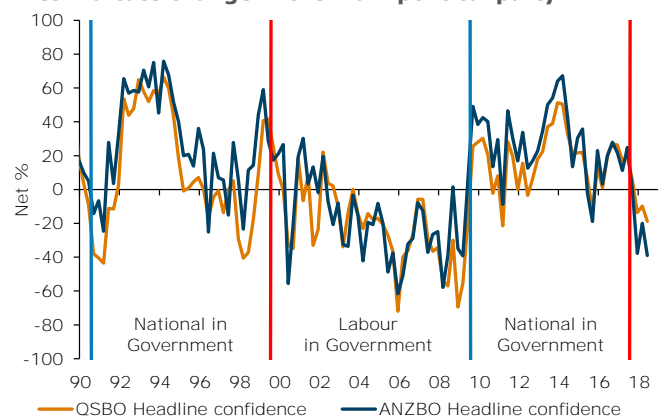
Business surveys have come under a fair bit of scrutiny recently. They’ve been criticised for being politically biased; accused of getting ‘gamed’ by respondents with a particular vested interest; or dismissed due to a claimed poor correlation with the economic cycle. Conversely, others have argued that they provide a true perception of how businesses are feeling and hence contain relevant information on the state of the economic cycle and growth momentum. In fact if you read some commentaries, these surveys are *all* we should be looking at.

So who should we believe? We at ANZ produce a long-running monthly business survey, the ANZ Business Outlook (ANZBO). Despite our obvious vested interest, we felt it was worthwhile adding our views and some more data into the debate, looking in particular at how much weight should be placed on business surveys.

The first thing to note is that these surveys typically have two elements. The first is where businesses are asked about their perceptions of the broader business environment – the net answers to which are typically referred to as “business confidence”. In the ANZBO, firms are asked “Do you believe that General Business Conditions in 12 months’ time will have improved/remained the same/deteriorated?” The second element is where firms are asked more specific questions about their own firm, whether that be their expectations of future activity or profits, or their intentions to hire and invest.

Headline business confidence has fallen significantly over recent months. In our June ANZBO, a net 39% of firms were negative towards the economic outlook, which – aside from immediately after the election – is the lowest since 2009. In the equivalent NZIER Quarterly Survey of Business Opinion (QSBO) for the June quarter, a net 20% of businesses were pessimistic, which is the lowest since 2011. Less closely followed surveys also show a similar drop in business confidence.

Figure 1. Business confidence measures – coloured lines indicate change in the main political party



Source: ANZ Research, NZIER

It is fair to say that how firms respond to this question is open to plenty of interpretation. How a firm feels about the broader business environment is always going to be subjective and sensitive to a myriad of influences. These may be industry specific (such as a drought for the agricultural sector), or broader factors such as monetary policy or political settings.

It is undeniably true that business confidence can be affected by the political cycle. This is clear from figure 1 and is confirmed by econometric testing; business confidence is lower when Labour is power.¹ It is entirely possible that the political preferences of respondents are playing as much of a role in driving

¹ In an ordinary least squares regression, political party has a statistically significant impact on headline business confidence.

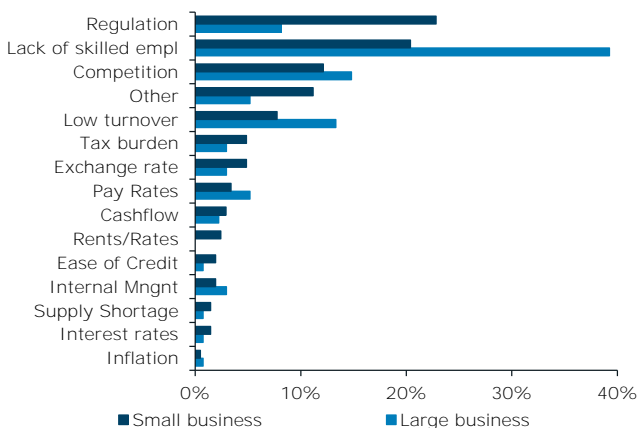
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this result as concrete changes in the policy environment.

But right now, the fall in confidence does not appear to be just about which party is in power.

There are some policy factors that firms do seem to be worried about. In the ANZBO, we ask firms each three months to identify their single biggest concern, and regulation is number one for 17% of businesses. And we know from the ANZBO and discussions that this is particularly an issue for small businesses (figure 2) and the agricultural sector. Looking across the policy spectrum at present, there are areas of reform (workplace relations, foreign investment, migration, the environment etc) where actual or proposed changes will affect business operations – and change brings uncertainty.

Figure 2. Biggest problem facing small and large businesses



Source: ANZ Research

But we'd argue the fall in confidence is not just about regulation or the policy backdrop. In fact, regulation is no more of an issue right now than it has been over history. **Other factors are no doubt weighing on business sentiment too.** Economic momentum has slowed and it is fair to say that the outlook for demand is less assured. Both in our ANZBO or other surveys, businesses report that credit conditions are tight, it is difficult to find skilled labour, cost pressures are increasing and margins are squeezed. Escalation in international protectionist trade measures is another concern that is likely at play for exporting firms.

So businesses are feeling pessimistic. The question is: does that matter?

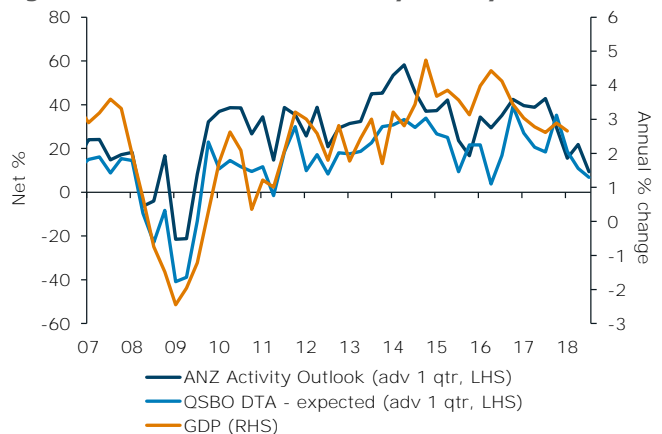
The conventional thinking is that when confidence is low, businesses tend to hold off investing and hiring, and near-term growth in the economy suffers as a result. The converse should also hold – that is, when confidence in business conditions is high, businesses take advantage of it by investing for future growth, which provides a larger and/or more productive platform from which to

sell goods and services. Headline business confidence does have a positive and significant relationship with GDP growth – in line with the conventional wisdom – but only once we adjust for the political cycle (and the Global Financial Crisis). See page 6 for modelled indicators and supplementary figures.

Ultimately, the degree to which downbeat business confidence matters for economic outcomes depends crucially on whether that pessimism flows through into actual business decisions. If business decisions are affected, then the recent fall in business confidence could matter a lot.

This is where the second key element of business surveys comes in; how firms are feeling about their own prospects and their desire to put cash to work (i.e. to hire and invest). Importantly, indicators on this score within both the ANZBO and QSBO have a proven track record. Whether it is firms' perceptions of their own activity, their expectations for profitability over the coming year, their intentions to raise or lower prices, or their intentions regarding staffing and investment levels, all have statistically significant explanatory power in fitting movements in GDP growth, inflation, employment and investment – meaning they are good barometers of what's actually happening in the economy.

Figure 3. GDP and business survey activity indicators



Source: ANZ Research, NZIER, Statistics NZ

Firms' expectations of their own activity have a strong, statistically significant relationship with GDP growth. This relationship is unaffected by the political cycle.²

And expectations of firms' own activity have soured over recent months. Both ANZBO and QSBO measures of firms' own activity prospects have fallen to historically low levels. They have fared better than overall business sentiment, an important fact that

² In an ordinary least squares regression, political party does not improve the relationship between GDP and expectations of activity in a statistically significant way (controlling for the GFC).

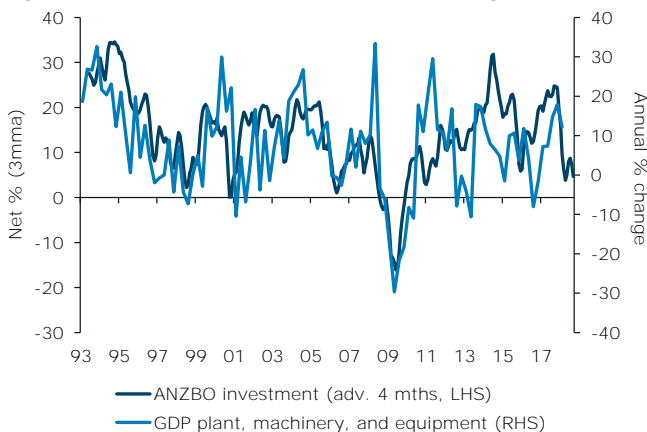
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provides some consolation. But they are consistent with GDP growth slowing towards 2½%, if not below, which is well down from a recent peak of 4½%.

In addition to pointing to the potential for below-trend GDP growth, indicators within the surveys are also suggesting more modest growth in employment and investment.

Employment intentions in the ANZBO have stalled to a net 1% of firms expecting to increase hiring. Hiring intentions in the OSBO are more positive, but have also moderated recently. The picture on investment is clearer. Investment intentions in the ANZBO have both fallen, and tend to map plant and machinery investment in the national accounts (figure 4). Based on these relationships, it appears that the challenges that businesses are facing – which are impacting business confidence – are also flowing through into firms' decisions, and this is likely weighing on activity.

Figure 4. Investment –ANZBO and GDP expenditure



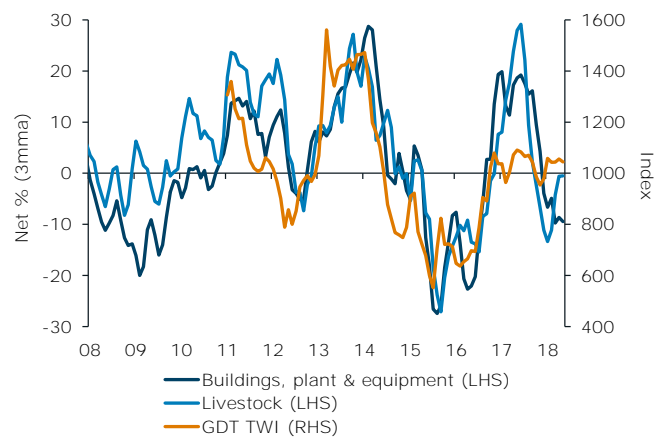
Source: ANZ Research, Statistics NZ

Turning to more industry-specific observations, the construction sector is a key area where businesses are cautious. Early in the cycle construction industry activity was a key driver of growth, and survey indicators pointed to elevated activity expectations, profit expectations, employment and investment intentions and price increases compared to other sectors. But although levels of activity in the sector are still high, the construction industry is now downbeat, reflecting a number of challenges. A net 48% of construction firms are pessimistic about the future. From discussions, we know that cost increases are leading to profitability strains; quality concerns and delays are a concern; and stretched capacity is causing problems.

In the agriculture space, investment intentions tend to move in sync with dairy prices (figure 5), with firms unsurprisingly looking to expand productive capacity when pricing conditions are good. Interestingly, over 2017 investment intentions in agriculture were much higher than dairy prices would

have suggested likely. Based on business discussions, we suspect this is for two reasons: investment to meet tougher environmental standards, and a degree of catch-up after tight spending control during the dairy downturn in 2015. More recently, agriculture sector investment intentions have moderated. We expect uncertainties about the global outlook, regulation and M. Bovis may be playing a role.

Figure 5. GDT dairy prices and agricultural investment intentions



Source: ANZ Research, GlobalDairyTrade

One of the broad challenges currently being faced by businesses across a number of sectors is squeezed profits.

Profit expectations have fallen significantly, particularly for businesses in the retail industry (who are the most downbeat in the ANZBO). From discussions with businesses, we know that heightened competition is an issue in this industry, and that this is impacting pricing power and making it hard to absorb cost increases.

Figure 6. Profit expectations and corporate tax take



Source: ANZ Research, The Treasury

More downbeat expectations of profits are not simply a matter of perception. Profit expectations as reported by businesses map well with corporate tax take data (figure 6). This means that what businesses are reporting is indeed grounded firmly in reality. This has broader implications, particularly for government

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revenue. Also, with costs having increased, we expect that margin pressure will provide the catalyst needed to see inflation increase. Expected and experienced pricing measures have risen, providing some assurance that inflation will rise from here.

In summary, business surveys provide a broad and rich set of data, giving useful colour on developments and gauging the pulse of the economy. They are not the be all and end all. They are susceptible to biases and have limitations – but all data does. Importantly, they provide a wealth of information about how businesses are feeling, the factors impacting their perceptions and decisions, how that varies by region and industry, and to what extent business perceptions are flowing through into intentions and expectations. It is important to interpret data in business surveys within the wider context of the economic information available, including the full set of information contained in the surveys, other economic data, and discussions with businesses. But to ignore business surveys is to overlook important information about what businesses are experiencing, how that is affecting their decisions, and implications for the wider economy.

THE WEEK AHEAD

The big event this week is Q2 CPI (Tuesday), where we expect a 0.1% q/q rise (1.2% y/y) in headline inflation. Based primarily on our Monthly Inflation Gauge, we have pencilled in a soft quarter for non-tradables inflation (0.0% q/q), although considering the Gauge contracted 0.2% over the quarter, we see some downside risk to this (figure 7). On the tradables side, we expect a 0.3% q/q rise, but past NZD depreciation and higher-than-anticipated fuel cost pass-through suggests a bit of upside risk. ANZ's pick is well below market (0.5% q/q).

Figure 7. Non-tradables inflation and the ANZ Monthly Inflation Gauge



Source: Statistics NZ, ANZ Research

We retain the view that domestic inflation will rise and broaden in time, particularly since firm

margins are currently being squeezed. But the risk that inflation remains sluggish for longer is increasing, particularly given that activity growth seems to have lost a bit of momentum recently. And while the labour market is close to full employment, recent labour market indicators suggest further tightening may be limited. Just how much wage growth accelerates beyond the impact of higher minimum wages and government wage negotiations is a key uncertainty. On the other hand, a lift in inflation expectations, perhaps related to minimum wage increases and higher tradables inflation, could lead to more sustained inflationary pressures than currently expected.

We expect the RBNZ will stay cautious, given the inflation pulse remains subdued, the growth outlook has softened, and downside risks have increased. In fact, if downside risks were to materialise, an OCR cut could eventuate quite rapidly, although we are not there yet. **The RBNZ is likely to maintain a neutral stance until there's more certainty that inflation is increasing in a broad based, sustainable way.**

June's migration data is expected to show a further gradual easing in the annual net inflow, with departures continuing to pick up and arrivals slowing. June's release will mark almost a year since the cycle peaked at an annual net inflow of 74,000 in July 2017. As at May 2018, this was down 8.5% to 66,200. A seasonally adjusted net inflow below 6,300 (June 2017's print) for June 2018 would see the annual cycle continue to ease. We view this as fairly likely given the average net inflow over the past year has been a little over 5,500.

REINZ housing market data is out this week. Recent stability in sales will continue to be tested, with prices expected to continue moderating. The latest **GlobalDairyTrade auction** is also this week. Prices fell more than expected at the previous auction, with the GDT index down 5%. Futures are pointing to a partial rebound of around 2%. How long New Zealand soft commodity prices can swim against the global tide is a key question for the economic outlook.

LOCAL DATA

ANZ Truckometer – June. Heavy Traffic Index fell 1.5% m/m; Light Traffic Index lifted 0.7% m/m.

Electronic card transactions – June. It was a weak Q2 (-0.2% q/q) for retail card spending.

ANZ Monthly Inflation Gauge – June. Prices lifted 0.3% m/m following a string of weak outturns.

BNZ-BusinessNZ PMI – June. Dipped to 52.8.

BNZ-BusinessNZ PSI – June. Fell to 52.8 – the lowest level since 2012.

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FITTED MODELS AND EXTRA FIGURES

Figure A1-A5 show modelled indicators of GDP, investment, employment and inflation. See below for more details.

Figure A6-A13 show supplementary information from the ANZBO and QSBO surveys, some of which is discussed in the main text.

Figure A1. Headline confidence measures and GDP – adjusted for political bias and the GFC using dummies

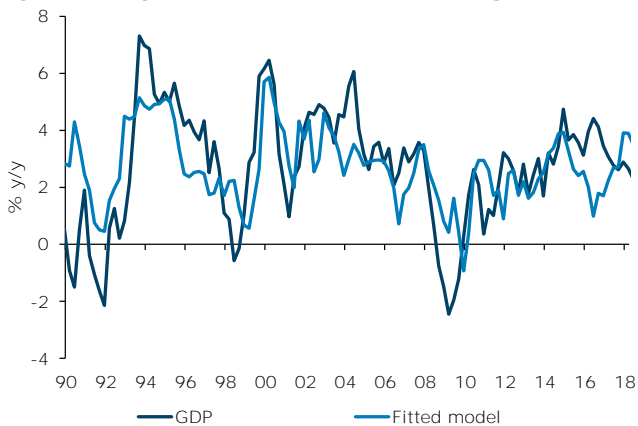


Figure A2. Activity indicators and GDP

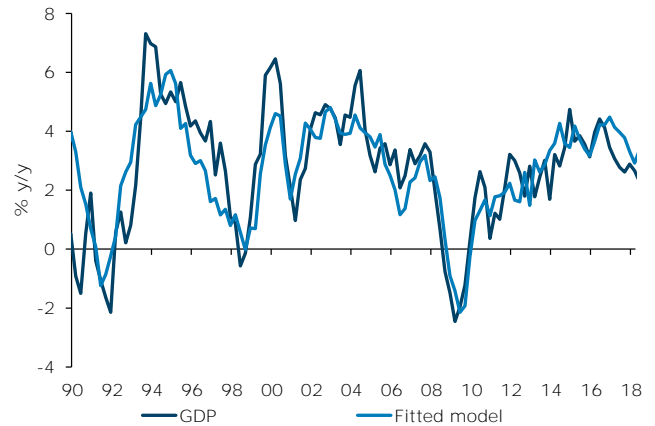


Figure A3. Investment intentions and investment expenditure on GDP

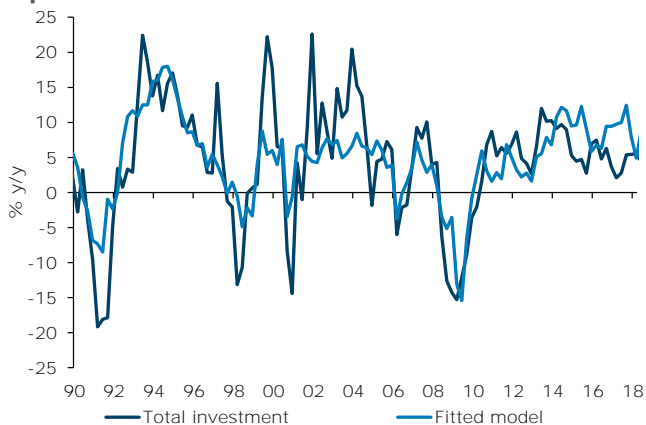
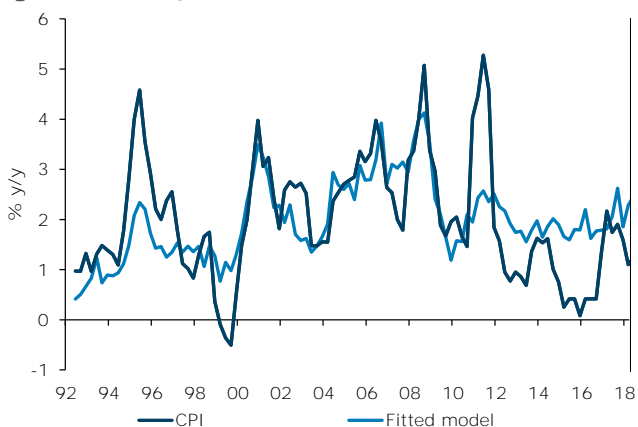


Figure A4. Employment intentions (from surveys and ANZ Job Ads) and employment



Figure A5. Price/cost measures and CPI



These indicators are based on fitted values from ordinary least squares regressions that include ANZ and QSBO data. In some cases, lags are applied to the survey data because they are leading indicators. In all cases, the variables that are used in our modelling are statistically significant. The model using headline confidence measures is adjusted for political bias and the GFC using dummies. The employment model includes ANZ Job Ads.

These models are consistent with our forecasts for below-trend GDP growth, modest employment and investment growth and a pick-up in inflation as a result of cost pressure.

Source: ANZ, NZIER, Statistics NZ

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Figure A6. Business confidence by region

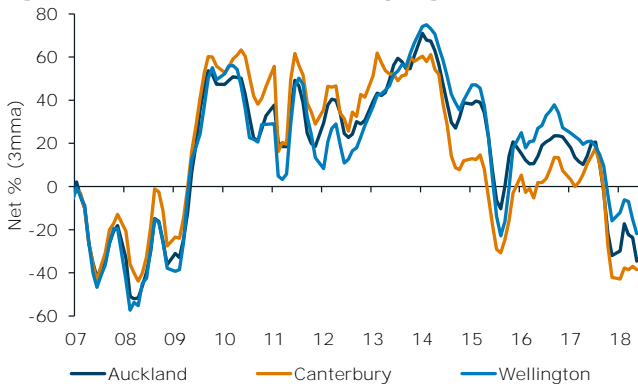


Figure A7. Top 4 problems for businesses over time

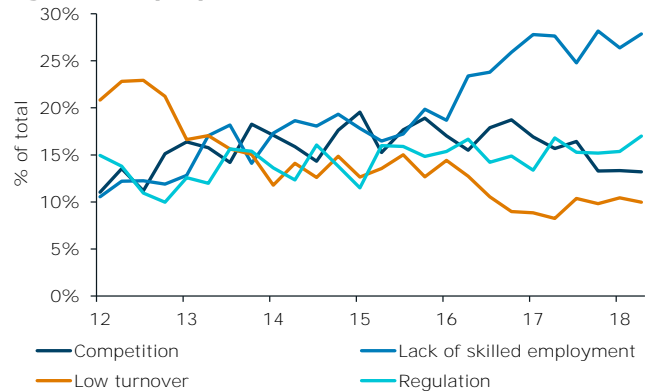


Figure A8. Ease of credit by industry

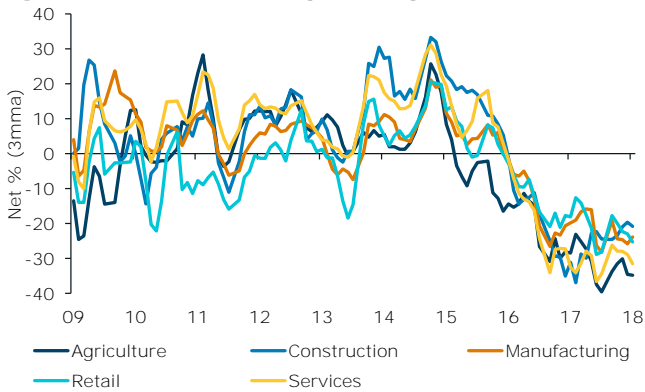


Figure A9. Profits by industry

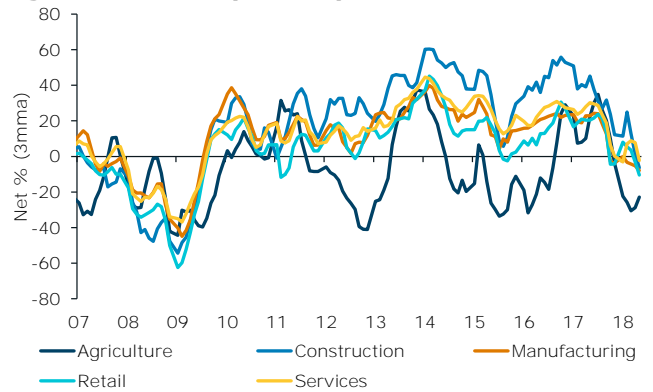


Figure A10. ANZBO, QSBO and CPI

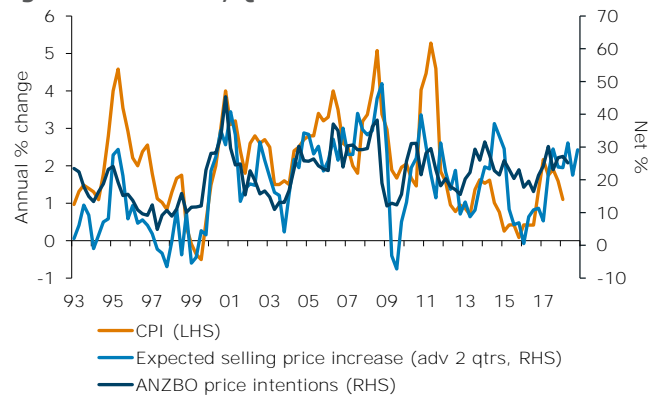


Figure A11. Exports and trade volumes



Figure A12. Hiring intentions and employment

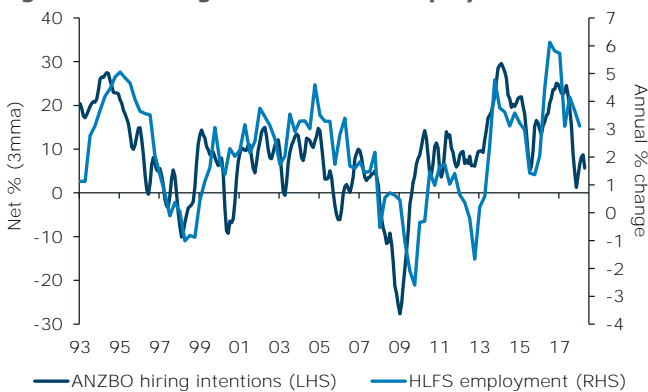
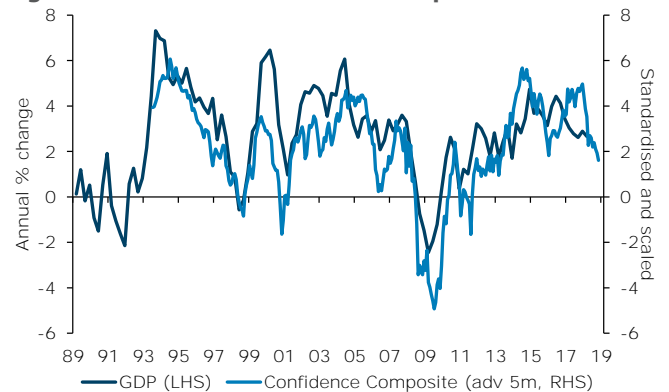


Figure A13. GDP vs Confidence Composite



Source: ANZ, NZIER, Statistics NZ

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME	
16-Jul	CH	GDP SA QoQ - Q2	1.6%	1.4%	14:00	
	CH	GDP YoY - Q2	6.7%	6.8%	14:00	
	CH	GDP YTD YoY - Q2	6.7%	6.8%	14:00	
	CH	Retail Sales YoY - Jun	8.8%	8.5%	14:00	
	CH	Retail Sales YTD YoY - Jun	9.4%	9.5%	14:00	
	CH	Industrial Production YoY - Jun	6.5%	6.8%	14:00	
	CH	Industrial Production YTD YoY - Jun	6.8%	6.9%	14:00	
	CH	Fixed Assets Ex Rural YTD YoY - Jun	6.0%	6.1%	14:00	
	EC	Trade Balance SA - May	€18.6B	€18.1B	21:00	
EC	Trade Balance NSA - May	€17.6B	€16.7B	21:00		
17-Jul	US	Empire Manufacturing - Jul	21.0	25.0	00:30	
	US	Retail Sales Advance MoM - Jun	0.5%	0.8%	00:30	
	US	Retail Sales Ex Auto MoM - Jun	0.3%	0.9%	00:30	
	US	Retail Sales Ex Auto and Gas - Jun	0.4%	0.8%	00:30	
	US	Retail Sales Control Group - Jun	0.4%	0.5%	00:30	
	US	Business Inventories - May	0.4%	0.3%	02:00	
	NZ	REINZ House Sales YoY - Jun	--	1.3%	09:00	
	NZ	CPI QoQ - Q2	0.5%	0.5%	10:45	
	NZ	CPI YoY - Q2	1.6%	1.1%	10:45	
	AU	ANZ-RM Consumer Confidence Index - 15-Jul	--	120.1	11:30	
	AU	RBA July Meeting Minutes	--	--	13:30	
	NZ	Non Resident Bond Holdings - Jun	--	58.9%	15:00	
	UK	Claimant Count Rate - Jun	--	2.5%	20:30	
	UK	Jobless Claims Change - Jun	--	-7.7k	20:30	
	UK	Average Weekly Earnings 3M/YoY - May	2.5%	2.5%	20:30	
	UK	Weekly Earnings ex Bonus 3M/YoY - May	2.7%	2.8%	20:30	
	UK	ILO Unemployment Rate 3Mths - May	4.2%	4.2%	20:30	
	UK	Employment Change 3M/3M - May	115k	146k	20:30	
	18-Jul	US	Industrial Production MoM - Jun	0.5%	-0.1%	01:15
		US	Manufacturing (SIC) Production - Jun	0.6%	-0.7%	01:15
		US	Capacity Utilization - Jun	78.2%	77.9%	01:15
US		NAHB Housing Market Index - Jul	69.0	68.0	02:00	
US		Total Net TIC Flows - May	--	\$138.7B	08:00	
US		Net Long-term TIC Flows - May	--	\$93.9B	08:00	
AU		Westpac Leading Index MoM - Jun	--	-0.22%	12:30	
UK		CPI MoM - Jun	0.2%	0.4%	20:30	
UK		CPI YoY - Jun	2.6%	2.4%	20:30	
UK		CPI Core YoY - Jun	2.1%	2.1%	20:30	
UK		Retail Price Index - Jun	281.9	280.7	20:30	
UK		RPI MoM - Jun	0.4%	0.4%	20:30	
UK		RPI YoY - Jun	3.5%	3.3%	20:30	
UK		RPI Ex Mort Int.Payments (YoY) - Jun	3.6%	3.4%	20:30	
UK		PPI Input NSA MoM - Jun	0.4%	2.8%	20:30	
UK		PPI Input NSA YoY - Jun	10.1%	9.2%	20:30	
UK		PPI Output NSA MoM - Jun	0.3%	0.4%	20:30	
UK		PPI Output NSA YoY - Jun	3.2%	2.9%	20:30	
UK		PPI Output Core NSA MoM - Jun	0.2%	0.2%	20:30	
UK		PPI Output Core NSA YoY - Jun	2.1%	2.1%	20:30	

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DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
18-Jul	UK	House Price Index YoY - May	3.7%	3.9%	20:30
	EC	Construction Output MoM - May	--	1.8%	21:00
	EC	Construction Output YoY - May	--	1.8%	21:00
	EC	CPI MoM - Jun	0.1%	0.5%	21:00
	EC	CPI YoY - Jun F	2.0%	1.9%	21:00
	EC	CPI Core YoY - Jun F	1.0%	1.0%	21:00
	US	MBA Mortgage Applications - 13-Jul	--	2.5%	23:00
19-Jul	US	Housing Starts - Jun	1320k	1350k	00:30
	US	Housing Starts MoM - Jun	-2.2%	5.0%	00:30
	US	Building Permits - Jun	1330k	1301k	00:30
	US	Building Permits MoM - Jun	2.2%	-4.6%	00:30
	US	Federal Reserve releases Beige Book	--	--	06:00
	AU	NAB Business Confidence - Q2	--	7.0	13:30
	AU	Employment Change - Jun	16.5k	12.0k	13:30
	AU	Unemployment Rate - Jun	5.4%	5.4%	13:30
	AU	Full Time Employment Change - Jun	--	-20.6k	13:30
	AU	Part Time Employment Change - Jun	--	32.6k	13:30
	AU	Participation Rate - Jun	65.5%	65.5%	13:30
	AU	RBA FX Transactions Market - Jun	--	A\$556M	13:30
	UK	Retail Sales Ex Auto Fuel MoM - Jun	0.2%	1.3%	20:30
	UK	Retail Sales Ex Auto Fuel YoY - Jun	3.7%	4.4%	20:30
	UK	Retail Sales Inc Auto Fuel MoM - Jun	0.1%	1.3%	20:30
	UK	Retail Sales Inc Auto Fuel YoY - Jun	3.5%	3.9%	20:30
20-Jul	US	Initial Jobless Claims - 14-Jul	221k	214k	00:30
	US	Continuing Claims - 7-Jul	1725k	1739k	00:30
	US	Philadelphia Fed Business Outlook - Jul	21.5	19.9	00:30
	US	Leading Index - Jun	0.5%	0.2%	02:00
	NZ	Net Migration SA - Jun	--	5090	10:45
	JN	Natl CPI YoY - Jun	0.8%	0.7%	11:30
	JN	Natl CPI Ex Fresh Food YoY - Jun	0.8%	0.7%	11:30
	JN	Natl CPI Ex Fresh Food, Energy YoY - Jun	0.4%	0.3%	11:30
	NZ	Credit Card Spending MoM - Jun	--	-1.6%	15:00
	NZ	Credit Card Spending YoY - Jun	--	3.7%	15:00
	GE	PPI MoM - Jun	0.3%	0.5%	18:00
	GE	PPI YoY - Jun	3.0%	2.7%	18:00
	EC	ECB Current Account SA - May	--	£28.4B	20:00
	EC	Current Account NSA - May	--	£26.2B	20:00
	UK	Public Finances (PSNCR) - Jun	--	£4.5B	20:30
	UK	Public Sector Net Borrowing - Jun	£3.6B	£3.4B	20:30
	UK	PSNB ex Banking Groups - Jun	£5.0B	£5.0B	20:30

Key: AU: Australia, EC: Eurozone, GE: Germany, JN: Japan, NZ: New Zealand, UK: United Kingdom, US: United States, CH: China.

Source: Dow Jones, Reuters, Bloomberg, ANZ Bank New Zealand Limited. All \$ values in local currency.

Note: All surveys are preliminary and subject to change

LOCAL DATA WATCH

The data flow has been lacklustre recently and downside risks have increased. We believe the cycle has legs yet, but the economy will struggle to grow above trend. Inflation is low and expected to increase gradually as cost pressures rise. OCR hikes are expected eventually, but we think **the RBNZ's cautious tone will continue for some time yet.**

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 17 Jul (9:00am)	REINZ Housing market data	Tested	Recent stability in sales will be tested, with price pressures expected to continue moderating.
Tue 17 Jul (10:45am)	Consumer Price Index – Q2	Anaemic	Non-tradables inflation appears to be running soft, but higher oil prices and a lower NZD will support tradables. A small quarterly rise for headline inflation is on the cards, but core inflation to remain in a low gear.
Wed 18 Jul (early am)	GlobalDairyTrade auction	Sideways	The average GDT price is expected to continue to range around recent levels.
Fri 20 Jul (10:45am)	Net migration – June	Grinding lower	Annual net inflows are expected to continue their gradual trend lower.
Wed 25 Jul (10:45am)	Overseas Merchandise Trade – June	Steady	Export earnings are expected to remain solid, underpinned by broad-based strength in commodity price. Higher oil prices and solid domestic demand should support imports and keep the trade balance in check.
Fri 27 Jul (10:00am)	ANZ Consumer Confidence – Jul	--	--
Tue 31 Jul (10:45am)	Building Consents – June	Bobbing	Dwelling consents are expected to keep bobbing around at high levels; increases on the non-residential side may continue.
Tue 31 Jul (1:00pm)	ANZ Business Outlook – July	--	--
Tue 31 Jul (3:00pm)	RBNZ Sector Lending	Moderating	Credit growth is expected to continue gradually moderating.
Wed 1 Aug (early am)	GlobalDairyTrade auction	Sideways	The average GDT price is expected to continue to range around recent levels.
Wed 1 Aug (10:45am)	Labour market statistics – Q2	Hold strong	The labour market is close to full employment and expected to remain that way. We expect the unemployment rate to remain around current levels on the back of modest employment growth. However, downside risks are heightened with the economy losing a bit of momentum recently.
Fri 3 Aug (10:00am)	ANZ Job Ads - July	--	--
Mon 6 Aug (1:00pm)	ANZ Commodity Prices - July	--	--
Wed 8 Aug (10:00am)	ANZ Truckometer - July	--	--
Wed 8 Aug (1:00pm)	ANZ Monthly Inflation Gauge - July	--	--
Wed 8 Aug (3:00pm)	RBNZ Inflation Expectations – Q3	Anchored	We expect inflation expectations will remain anchored, particularly at longer horizons. Increases in tradable prices might provide a boost, particularly at short-term horizons. But with inflation low, any increase would not be a concern, at least not at this stage.
On balance		Data watch	The data pulse has been lacklustre and downside risks have increased. Domestic inflation is low and should lift gradually.

KEY FORECASTS AND RATES

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
GDP (% qoq)	0.5	0.5	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.6
GDP (% yoy)	2.7	2.3	2.5	2.6	2.7	2.9	2.8	2.7	2.6	2.5
CPI (% qoq)	0.5	0.1	0.6	0.4	0.5	0.5	0.6	0.3	0.5	0.5
CPI (% yoy)	1.1	1.2	1.3	1.6	1.6	1.9	2.0	2.0	2.0	2.0
Employment (% qoq)	0.6	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.3	0.3
Employment (% yoy)	3.1	3.7	2.0	2.1	2.0	2.0	1.9	1.7	1.5	1.4
Unemployment Rate (% sa)	4.4	4.3	4.3	4.3	4.4	4.2	4.2	4.2	4.4	4.3
Current Account (% GDP)	-2.8	-3.1	-3.2	-3.2	-2.9	-2.8	-2.8	-2.9	-3.0	-3.0
Terms of Trade (% qoq)	-1.9	1.6	0.2	0.3	0.2	0.2	0.1	0.1	0.1	0.2
Terms of Trade (% yoy)	2.0	2.5	1.4	0.3	2.4	1.0	0.8	0.5	0.5	0.5

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Retail ECT (% mom)	0.4	0.4	1.3	0.4	1.4	-0.4	1.5	-2.2	0.6	0.8
Retail ECT (% yoy)	3.5	1.9	5.0	3.8	4.1	4.0	6.7	1.4	4.2	4.9
Credit Card Billings (% mom)	0.8	1.0	0.9	0.6	-0.6	0.7	1.0	0.6	-1.6	--
Credit Card Billings (% yoy)	5.0	3.0	9.1	6.3	4.6	7.0	7.3	6.9	3.7	--
Car Registrations (% mom)	-0.3	0.6	0.8	-4.8	3.5	-9.3	-3.5	-0.2	12.4	-6.8
Car Registrations (% yoy)	15.6	7.3	7.3	4.7	6.2	-4.2	-11.9	-9.0	-0.6	-4.9
Building Consents (% mom)	-1.2	-9.4	9.8	-8.8	0.3	6.4	13.0	-3.6	7.1	--
Building Consents (% yoy)	7.8	-7.2	13.3	4.6	4.6	-0.6	18.3	15.6	23.5	--
REINZ House Price Index (% yoy)	3.8	3.4	3.6	3.7	3.5	4.0	4.1	3.7	3.7	--
Household Lending Growth (% mom)	0.5	0.5	0.4	0.6	0.4	0.5	0.5	0.5	0.4	--
Household Lending Growth (% yoy)	6.5	6.3	6.2	5.9	5.8	5.7	5.7	5.8	5.8	--
ANZ Roy Morgan Consumer Conf.	129.9	126.3	123.7	121.8	126.9	127.7	128.0	120.5	121.0	120.0
ANZ Business Confidence	0.0	-10.6	-39.3	-37.8	..	-19.0	-20.0	-23.4	-27.2	-39.0
ANZ Own Activity Outlook	29.6	22.0	6.5	15.6	..	20.4	21.8	17.8	13.6	9.4
Trade Balance (\$m)	-1165	-840	-1222	614	-662	188	-159	193	294	--
Trade Bal (\$m ann)	54085	54759	55999	56476	57252	57451	58072	58677	58954	--
ANZ World Comm. Price Index (% mom)	0.8	-0.3	-0.9	-1.9	0.7	2.8	1.2	1.0	1.5	-1.0
ANZ World Comm. Price Index (% yoy)	11.5	10.4	6.0	3.2	4.1	5.0	5.8	7.1	5.4	2.2
Net Migration (sa)	5270	5650	5670	5690	6210	4910	5380	4930	5090	--
Net Migration (ann)	70986	70694	70354	70016	70147	68943	67984	67038	66243	--
ANZ Heavy Traffic Index (% mom)	-1.5	2.9	1.1	-4.2	4.1	-2.5	-0.3	1.4	3.0	-1.5
ANZ Light Traffic Index (% mom)	-0.1	-0.6	1.5	-1.7	-0.5	-0.2	2.2	-0.5	1.1	0.7

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)						
	May-18	Jun-18	Today	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
NZD/USD	0.702	0.677	0.68	0.69	0.67	0.66	0.65	0.65	0.65	0.65
NZD/AUD	0.925	0.914	0.91	0.93	0.93	0.94	0.93	0.93	0.93	0.92
NZD/EUR	0.601	0.579	0.58	0.61	0.57	0.54	0.52	0.51	0.51	0.50
NZD/JPY	76.44	74.96	76.01	71.8	69.0	66.0	64.4	63.1	62.4	62.4
NZD/GBP	0.526	0.512	0.51	0.51	0.49	0.47	0.46	0.46	0.45	0.45
NZ\$ TWI	72.9	70.8	72.7	71.9	69.6	67.9	66.2	65.7	65.4	65.2
INTEREST RATES	May-18	Jun-18	Today	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.25
NZ 90 day bill	2.02	2.00	1.93	2.02	2.02	2.02	2.02	2.11	2.35	2.52
NZ 10-yr bond	2.73	2.85	2.83	3.00	3.10	3.15	3.30	3.40	3.40	3.40
US Fed funds	1.75	2.00	2.00	2.25	2.50	2.50	2.75	2.75	2.75	2.75
US 3-mth	2.32	2.34	2.34	2.75	2.95	2.95	3.20	3.20	3.20	3.20
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.75	2.00	2.00	2.00
AU 3-mth	1.98	2.11	2.02	2.05	2.05	2.05	2.00	2.30	2.50	2.50

	13 Jun	9 Jul	10 Jul	11 Jul	12 Jul	13 Jul
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	2.00	1.97	1.97	1.96	1.95	1.94
NZGB 05/21	2.05	1.92	1.96	1.95	1.95	1.94
NZGB 04/23	2.34	2.14	2.18	2.17	2.17	2.17
NZGB 04/27	2.82	2.63	2.66	2.66	2.66	2.65
NZGB 04/33	3.18	2.99	3.03	3.02	3.03	3.02
2 year swap	2.25	2.19	2.20	2.18	2.17	2.15
5 year swap	2.71	2.57	2.58	2.57	2.56	2.54
RBNZ TWI	73.73	73.01	73.10	73.02	72.67	72.76
NZD/USD	0.7029	0.6849	0.6808	0.6793	0.6758	0.6753
NZD/AUD	0.9271	0.9159	0.9160	0.9188	0.9162	0.9110
NZD/JPY	77.71	75.64	75.78	75.58	76.10	75.91
NZD/GBP	0.5274	0.5136	0.5145	0.5128	0.5119	0.5113
NZD/EUR	0.5977	0.5817	0.5817	0.5800	0.5795	0.5789
AUD/USD	0.7583	0.7478	0.7432	0.7394	0.7376	0.7424
EUR/USD	1.1762	1.1774	1.1704	1.1712	1.1661	1.1685
USD/JPY	110.55	110.44	111.32	111.26	112.61	112.38
GBP/USD	1.3330	1.3335	1.3232	1.3246	1.3202	1.3222
Oil (US\$/bbl)	66.64	73.85	74.11	70.38	70.33	71.01
Gold (US\$/oz)	1295.02	1265.18	1250.11	1250.61	1243.11	1244.32
NZX 50	8977	9062	9023	9001	8985	9024
Baltic Dry Freight Index	1404	1609	1555	1586	1632	1666
NZX WMP Futures (US\$/t)	3175	2875	2885	2885	2880	2880

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