

16 October 2017

### INSIDE

Economic Overview	2
Data Event Calendar	5
Local Data Watch	7
Key Forecasts	8

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## WAITING FOR GODOT?

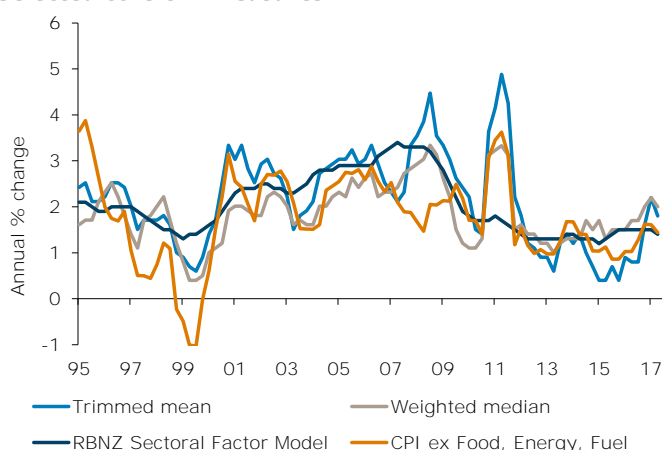
### ECONOMIC OVERVIEW

When an economy is transitioning in terms of its growth drivers and dealing with headwinds from difficulty finding staff and a soft housing market, a period of **policy uncertainty is not great timing. To be fair, a few days here or there won't make much difference**, although policy uncertainty looks set to extend beyond any coalition announcement given the 'change' that society is demanding. With recent soft retail spending figures also pointing to tentative signs of negative spillovers from the housing market, it leaves us a little cautious on the near-term growth picture. Risks are becoming skewed to the downside. In data this week, **we expect Q3 headline CPI inflation to lift a touch, and to be above the RBNZ's projections**. However, with core inflation to remain in a 1½-2% range, we see few implications for the monetary policy outlook. Even with the addition of more supply, NZX futures are pointing to a small lift in GDT prices.

### CHART OF THE WEEK

While we forecast headline inflation to lift to 1.8% y/y in Q3, we expect core measures to remain broadly stable between 1½% and 2%.

#### Selected core CPI measures



Source: Statistics NZ, RBNZ, ANZ Research

### THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	2.8% y/y for 2018 Q2	The economy is not quite firing on all cylinders as it deals with late-cycle headwinds. However, we see growth holding around 2½-3%.	Neutral Negative Positive
Unemployment rate	4.5% for 2018 Q2	The unemployment rate should continue to trend gradually lower. Wage growth is benign, but conditions for change are emerging.	Neutral Negative Positive
OCR	1.75% by Jun 2018	While we can't really make the case for a lower OCR, interest rate hikes would also be hard to justify, with inflation impacted by secular forces.	Neutral Down Up
CPI	1.6% y/y for 2018 Q2	Base effects will see headline inflation ease over the next 12 months, but domestic and core inflation should lift gradually.	Neutral Negative Positive

## ECONOMIC OVERVIEW

### SUMMARY

When an economy is transitioning in terms of its growth drivers and dealing with headwinds from difficulty finding staff and a soft housing market, a period of policy uncertainty is not great timing. To be fair, a few days here or there won't make much difference, although policy uncertainty looks set to extend beyond any coalition announcement given the 'change' that society is demanding. With recent soft retail spending figures also pointing to tentative signs of negative spill-overs from the housing market, it leaves us a little cautious on the near-term growth picture. Risks are becoming skewed to the downside. In data this week, we expect Q3 headline CPI inflation to lift a touch, and to be above the RBNZ's projections. However, with core inflation to remain in a 1½-2% range, we see few implications for the monetary policy outlook. Even with the addition of more supply, NZX futures are pointing to a small lift in GDT prices.

### FORTHCOMING EVENTS

**CPI – Q3** (10:45am, Tuesday, 17 October). We expect headline inflation to lift 0.4% q/q (1.8% y/y). Core inflation measures are likely to remain in a 1½-2% y/y range.

**GlobalDairyTrade Auction** (early am, Wednesday, 18 October). NZX futures are pointing to around a 1% lift in the GDT-TWI.

**International Travel and Migration – September** (10:45am, Friday, 20 October). We expect the data to provide further confirmation that net migrant inflows have peaked. Visitor arrivals growth should also continue to slow.

### WHAT'S THE VIEW?

**As we go to print, the country is still waiting for an announcement on who will form the next Government.**

**This is occurring at a time the economy is transitioning in terms of its growth drivers** (as "peak" construction, migration and tourists get replaced by the terms of trade and fiscal policy) and it faces growth headwinds from difficulties finding staff, a soft housing market and turn in the credit cycle. **A period of policy uncertainty on top of this transition is not great timing.**

**To be fair, a few extra days will not make much of a difference in the big picture.** The complications involved in forming such an agreement need to be appreciated, and we shouldn't underestimate the ability of an economy to navigate periods of uncertainty. It can cause delays and adds additional risks, but more often than not the economy just carries on rolling. The US economy continues to grow

and create jobs despite huge policy uncertainty and low approval ratings. Coalition talks in the Netherlands have only just been completed, and their general election was in March. In Belgium, during 2010/11, it took a mammoth 540 days for a government to be formed. A few weeks here pales in comparison!

**However, it's clear that policy uncertainty is going to extend beyond coalition talks.** Regardless of whether the incumbents or the challengers get in, **policy direction is going to change**; the electorate is demanding it. **It's just a question of speed, magnitude and whether the country can be taken along for the ride.**

**We don't see the point in rehashing what we have said on the election here in recent weeks.** We will put out some more detailed thoughts on the result, the policy concessions required to achieve it, and our thoughts on the stability of any arrangement once more detail is known. We will also outline the implications, if any, for our broader economic forecasts.

**As a side note, we support the proposals put forward by the likes of the NZIER and NZ Initiative recently about the need for some independent costings of political parties' promises.** This would add transparency to the pre-election fiscal debate. At this stage we are reasonably indifferent to whether those costings are done by an independent budget office or led by the Treasury, though we would be biased to the former if we had to get off the fence. As long as there are clear and consistent guidelines on the process, what can be done, and the political neutrality of those involved, then we struggle to see much downside.

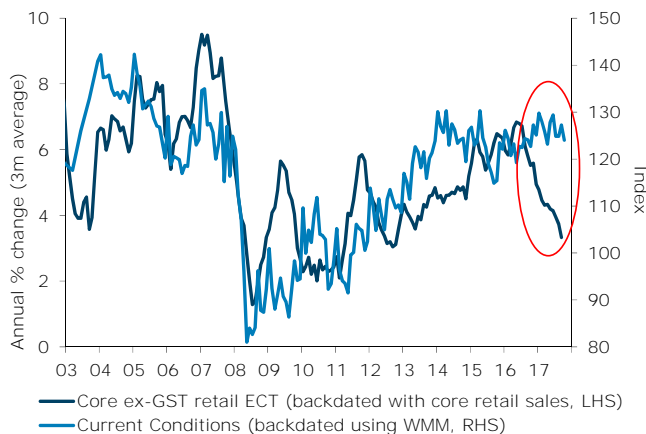
**Shifting tack, and as we wait for political clarity, one thing our attention continues to be drawn towards is a soft housing market and any potential spill-overs.** Housing market activity has clearly weakened. Last week's September REINZ figures showed the lowest volume of house sales since 2011 and close to flat annual house price growth. No doubt election-related uncertainty is weighing, although so are some clear fundamental factors. History has taught us that when the housing market weakens, the broader economic cycle is often not too far behind (it is the largest asset class in the country by some way after all).

**At this stage spill-overs look moderate.** Consumer confidence eased in October, but from a three-year high in September. Consumers remain particularly optimistic regarding their own financial situations – which highlights the support being provided by the likes of the strong labour market. That should not be underestimated as an ongoing positive factor.

## ECONOMIC OVERVIEW

**However, some amber lights are flashing.** Job ads in Auckland have fallen for five consecutive months (seasonally adjusted), and that just happens to be the region where the housing market is underperforming. In addition, it could be a case of consumers feeling one thing, but doing another. In September, retail spending on electronic cards remained soft. In fact, the value of retail spending was down 0.7% q/q – the first drop in quarterly spending since 2009. Now the falls in petrol prices will have contributed (these are nominal values), as will the fact that Q2 spending was boosted by key tourist events. In addition, spending on non-retail items is expanding at a stronger pace, and we certainly don't treat ECT figures as gospel when it comes to assessing wider retail spending trends. But the message right now is clearly that the pace of consumer spending is threatening to remain weak into the latter part of the year.

**Figure 1: Consumer confidence and ECT core retail spending**



Source: Statistics NZ, Roy Morgan, ANZ Research

**Admittedly, our forecasts already incorporate some housing spill-overs.** We forecast sequential GDP growth of *only* 0.6-0.7% q/q over the next three quarters, which is fairly modest when you consider population growth of 0.5-0.6% q/q. However, we'd still judge the risks to be to the downside of this. And when you throw in other factors at present, including political uncertainty, it does leave us with a cautious prognosis on the near-term growth outlook.

**Turning to the week ahead, we expect headline CPI inflation for the September quarter to be 0.4% q/q, which would see annual inflation lift modestly to 1.8% y/y.** Some of the more volatile components (food and petrol prices) are expected to make broadly offsetting contributions.

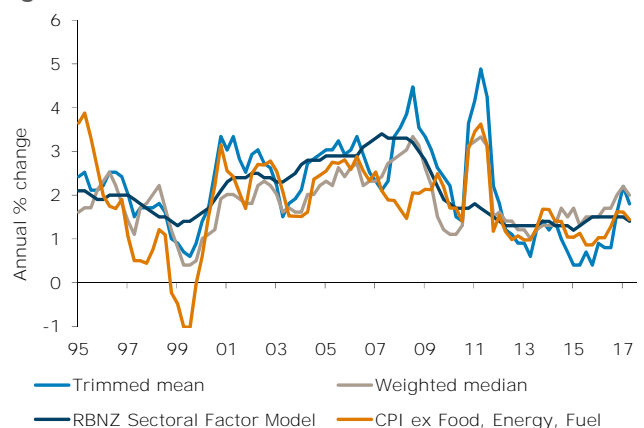
**The details of the report are expected to show a broader array of price increases than seen in Q2.** The housing group will again make a positive contribution, and as our Monthly Inflation Gauge hinted, there are likely to be a few more signs of life in

the broader domestic inflation picture too. In fact, we have pencilled in a 0.7% q/q lift in non-tradable inflation, which would be the largest increase for a September quarter in four years.

**However, at this stage we believe it is more to do with inter-quarter volatility than the start of a new trend.** After a soft non-tradable print in Q2 (0.2% q/q), some degree of rebound is hardly a surprise. Domestic airfares should recover from their 15% q/q plunge in Q2. In addition, there are also some one-offs, such as the increase in the Fire Services Levy, to consider.

**Ultimately, we see core inflation measures holding broadly steady.** In Q2 there was an across-the-board easing in core measures we monitor. Headline ex-food and energy fell to 1.4% y/y and the trimmed mean and weighted median measures eased to 1.8% and 2.0% respectively. After holding at 1.5% for the prior six quarters, the RBNZ's Sectoral Factor Model dipped to 1.4% y/y. We don't expect much in the way of additional weakness, and see the suite of measures holding in a 1½-2% y/y range.

**Figure 2: Selected core inflation measures**



Source: Statistics NZ, RBNZ, ANZ Research

**Therefore, even with an upside surprise in the Q3 figures, we doubt they will dramatically alter the monetary policy picture.** Forward inflation signals remain mixed, especially with some key pro-cyclical parts of the economy now slowing (which brings into question the economy's ability to grow above trend – something the RBNZ needs to achieve to get inflation sustainably up to target). The RBNZ remains cautious and watchful. Its stance has barely changed since the start of the year despite the odd data surprise (in both directions). The hurdle for action remains high, and policy looks set to be on hold for an extended period.

**This week's dairy auction will again test the strength of end-demand, with extra product being added to the GDT platform despite**

## ECONOMIC OVERVIEW

**sluggish early-season milk supply.** NZX dairy futures are pointing to a 2% gain for whole milk powder (WMP), an unchanged result for skim milk powder (SMP) and a fall in milkfat prices. This would see the GDT-TWI up nearly 1%. However, NZX dairy futures have been overly optimistic on their price expectations (especially for WMP) at recent auctions. Chinese demand hasn't turned out to be as strong as anticipated and sluggish early-season local supply, especially in the North Island, has yet to materialise in lower GDT supply.

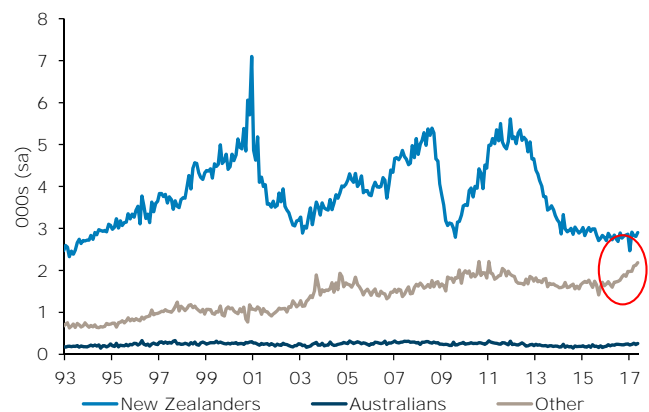
**There has been additional WMP added to GDT for delivery in December and January for the Chinese free-trade window,** at a time when the market has been anticipating a reduction in GDT supply. **So it appears that conviction is high that there should be better Chinese participation at this week's auction.** If that doesn't transpire, the void will need to be filled by Middle Eastern and other Asian buyers, which would deliver a lower price outcome. If prices drop through USD3,000/t then a downgrade to the 2017/18 milk price forecast into the mid-\$6/kg MS range would seem likely.

**Across other products,** milkfat prices have been pressured lower in Europe as milk supply lifts, seasonal demand moderates (i.e. Christmas period) and higher wholesale/retail prices run into consumer resistance. SMP prices continue to suffer from an oversupply of Northern Hemisphere product and the closing of the European intervention scheme. They could well push lower as European milk flow lifts with supportive farm-gate prices.

**Finally this week, we expect data for September to provide more evidence that net migrant inflows have peaked.** In August, a net inflow of 5,490 people (sa) was the smallest since March 2016, and well down from the June all-time high of 6,310. It is still historically strong, of course, as is the net inflow on a three-month annualised basis, at over 70k. However, the number of departures of non-New Zealand and Australian citizens has started to rise, which suggests that we are now seeing the natural cycling effect of immigrants that arrived on work or student visas a few years ago now having (or choosing) to leave. The potential for additional residency restrictions could reinforce that theme.

**However, expecting a peak in net inflows is different to expecting a large fall.** That is not our view. While much is up in the air regarding where migration policy will head, we think the fact that the New Zealand labour market is expected to perform well relative to other economies (especially Australia) means there will still be an attraction to either remain in the country or move here.

**Figure 3: Total PLT departures by citizenship**



Source: Statistics NZ, ANZ Research

**We also expect the rate of growth in visitor arrivals to continue to slow.** Arrivals numbers dipped 0.3% m/m (sa) in August, with annual growth at 5.8% y/y. For the better part of 2016, visitor arrivals were growing at a double-digit annual pace, with reasonably broad-based strength. Recent one-off events (World Masters Games and B&I Lions) have clouded the picture, but it is clear that the previous pace of growth is no longer being seen. We suspect this reflects capacity issues more than anything; we are certainly not negative on the sector overall.

## LOCAL DATA

**Electronic Card Transactions – September.** Total retail spending lifted just 0.1% m/m, while core spending fell 0.2% m/m.

**ANZ Monthly Inflation Gauge – September.** Prices rose 0.4% m/m, lifting the annual movement to 2.8% from 2.6%.

**ANZ Truckometer – September.** The Heavy and Light Traffic indices fell 1.5% m/m and 0.1% m/m respectively.

**REINZ Housing Market Statistics – September.**

**Food Price Index – September.** Prices dipped 0.2% m/m, but remain up 3.0% y/y.

**ANZ-Roy Morgan Consumer Confidence – October.** Headline confidence fell by 4 points to 126.3.

**BNZ-BusinessNZ PMI – September.** The index dipped 0.4 points to 57.5.

**BNZ-BusinessNZ PSI – September.** The index fell 1.2 points to 56.0.

## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
16-Oct	UK	Rightmove House Prices MoM - Oct	--	-1.2%	12:01
	UK	Rightmove House Prices YoY - Oct	--	1.1%	12:01
	CH	CPI YoY - Sep	1.6%	1.8%	14:30
	CH	PPI YoY - Sep	6.4%	6.3%	14:30
	GE	Wholesale Price Index MoM - Sep	--	0.3%	19:00
	GE	Wholesale Price Index YoY - Sep	--	3.2%	19:00
	EC	Trade Balance SA - Aug	€20.2B	€18.6B	22:00
	EC	Trade Balance NSA - Aug	€23.3B	€23.2B	22:00
	CH	Money Supply M2 YoY - Sep	8.9%	8.9%	UNSPECIFIED
	CH	Money Supply M1 YoY - Sep	13.5%	14.0%	UNSPECIFIED
	CH	New Yuan Loans CNY - Sep	1200.0B	1090.0B	UNSPECIFIED
17-Oct	US	Empire Manufacturing - Oct	20.5	24.4	01:30
	NZ	CPI QoQ - Q3	0.4%	0.0%	10:45
	NZ	CPI YoY - Q3	1.8%	1.7%	10:45
	AU	ANZ-RM Consumer Confidence Index - 15-Oct	--	113.8	11:30
	AU	New Motor Vehicle Sales MoM - Sep	--	0.0%	13:30
	AU	New Motor Vehicle Sales YoY - Sep	--	1.7%	13:30
	NZ	Non Resident Bond Holdings - Sep	--	61.2%	15:00
	UK	CPI MoM - Sep	0.3%	0.6%	21:30
	UK	CPI YoY - Sep	3.0%	2.9%	21:30
	UK	CPI Core YoY - Sep	2.7%	2.7%	21:30
	UK	RPI MoM - Sep	0.3%	0.7%	21:30
	UK	RPI YoY - Sep	4.0%	3.9%	21:30
	UK	RPI Ex Mort Int.Payments (YoY) - Sep	4.2%	4.1%	21:30
	UK	PPI Input NSA MoM - Sep	1.2%	1.6%	21:30
	UK	PPI Input NSA YoY - Sep	8.2%	7.6%	21:30
	UK	PPI Output NSA MoM - Sep	0.2%	0.4%	21:30
	UK	PPI Output NSA YoY - Sep	3.3%	3.4%	21:30
	UK	PPI Output Core NSA MoM - Sep	0.1%	0.2%	21:30
	UK	PPI Output Core NSA YoY - Sep	2.6%	2.5%	21:30
	UK	House Price Index YoY - Aug	5.4%	5.1%	21:30
	EC	CPI MoM - Sep	0.4%	0.3%	22:00
	EC	CPI YoY - Sep F	1.5%	1.5%	22:00
	GE	ZEW Survey Current Situation - Oct	88.5	87.9	22:00
	EC	ZEW Survey Expectations - Oct	--	31.7	22:00
	GE	ZEW Survey Expectations - Oct	20.0	17.0	22:00
	EC	CPI Core YoY - Sep F	1.1%	1.1%	22:00
	US	Monthly Budget Statement - Sep	\$6.0B	\$33.4B	17-21 Oct
18-Oct	US	Import Price Index MoM - Sep	0.6%	0.6%	01:30
	US	Import Price Index YoY - Sep	2.6%	2.1%	01:30
	US	Export Price Index MoM - Sep	0.5%	0.6%	01:30
	US	Export Price Index YoY - Sep	--	2.3%	01:30
	US	Industrial Production MoM - Sep	0.2%	-0.9%	02:15
	US	Capacity Utilization - Sep	76.2%	76.1%	02:15
	US	NAHB Housing Market Index - Oct	64.0	64.0	03:00
	US	Total Net TIC Flows - Aug	--	-\$7.3B	09:00
	US	Net Long-term TIC Flows - Aug	--	\$1.3B	09:00
	AU	Westpac Leading Index MoM - Sep	--	-0.08%	12:30

Continued on following page

## DATA EVENT CALENDAR

18-Oct	UK	Claimant Count Rate - Sep	--	2.3%	21:30
	UK	Jobless Claims Change - Sep	--	-2.8k	21:30
	UK	ILO Unemployment Rate 3Mths - Aug	4.3%	4.3%	21:30
	UK	Employment Change 3M/3M - Aug	150k	181k	21:30
	EC	Construction Output MoM - Aug	--	0.2%	22:00
	EC	Construction Output YoY - Aug	--	3.4%	22:00
19-Oct	US	MBA Mortgage Applications - 13-Oct	--	-2.1%	00:00
	US	Housing Starts - Sep	1175k	1180k	01:30
	US	Housing Starts MoM - Sep	-0.4%	-0.8%	01:30
	US	Building Permits - Sep	1240k	1272k	01:30
	US	Building Permits MoM - Sep	-2.5%	3.4%	01:30
	US	US Federal Reserve releases Beige Book -	--	--	07:00
	AU	NAB Business Confidence - Q3	--	7	13:30
	AU	Employment Change - Sep	15.0k	54.2k	13:30
	AU	Unemployment Rate - Sep	5.6%	5.6%	13:30
	AU	Participation Rate - Sep	65.2%	65.3%	13:30
	AU	RBA FX Transactions Market - Sep	--	A\$571M	13:30
	CH	GDP YoY - Q3	6.8%	6.9%	15:00
	CH	GDP SA QoQ - Q3	1.7%	1.7%	15:00
	CH	GDP YTD YoY - Q3	6.8%	6.9%	15:00
	CH	Retail Sales YoY - Sep	10.2%	10.1%	15:00
	CH	Retail Sales YTD YoY - Sep	10.3%	10.4%	15:00
	CH	Fixed Assets Ex Rural YTD YoY - Sep	7.7%	7.8%	15:00
	CH	Industrial Production YoY - Sep	6.4%	6.0%	15:00
	CH	Industrial Production YTD YoY - Sep	6.7%	6.7%	15:00
	UK	Retail Sales Ex Auto Fuel MoM - Sep	-0.2%	1.0%	21:30
	UK	Retail Sales Ex Auto Fuel YoY - Sep	2.2%	2.8%	21:30
	UK	Retail Sales Inc Auto Fuel MoM - Sep	-0.1%	1.0%	21:30
	UK	Retail Sales Inc Auto Fuel YoY - Sep	2.1%	2.4%	21:30
	AU	HIA House Affordability Index - Q3	--	69.4	UNSPECIFIED
20-Oct	US	Initial Jobless Claims - 14-Oct	240k	243k	01:30
	US	Continuing Claims - 7-Oct	1900k	1889k	01:30
	US	Philadelphia Fed Business Outlook - Oct	22.0	23.8	01:30
	US	Leading Index - Sep	0.1%	0.4%	03:00
	NZ	Net Migration SA - Sep	--	5490	10:45
	NZ	Credit Card Spending MoM - Sep	--	-0.7%	15:00
	NZ	Credit Card Spending YoY - Sep	--	6.4%	15:00
	GE	PPI MoM - Sep	0.1%	0.2%	19:00
	GE	PPI YoY - Sep	2.9%	2.6%	19:00
	EC	ECB Current Account SA - Aug	--	€25.1B	21:00
	EC	Current Account NSA - Aug	--	€32.5B	21:00
	UK	Public Finances (PSNCR) - Sep	--	£0.0B	21:30
	UK	Public Sector Net Borrowing - Sep	£5.7B	£5.1B	21:30
	UK	PSNB ex Banking Groups - Sep	£6.5B	£5.7B	21:30
21-Oct	US	Existing Home Sales - Sep	5.30M	5.35M	03:00
	US	Existing Home Sales MoM - Sep	-0.9%	-1.7%	03:00

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 risk profile for the near-term growth picture is looking more skewed to the downside. Housing, capacity and credit headwinds exist. However, we still see growth holding in a 2½-3% range over the next couple of years. Inflation is subdued (and looks set to remain that way for a while), which is consistent with the OCR remaining on hold for some time yet.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 17 Oct (10:45am)	CPI – Q3	0.4% q/q, 1.8% y/y	Petrol prices will drag, and there will be a number of other moving parts. But ultimately, core inflation is expected to remain broadly stable between 1½% and 2% y/y.
Wed 18 Oct (early am)	GlobalDairyTrade Auction	Higher?	The market is getting nervous about local supply, which is off to a slow start, but this could bias prices higher.
Fri 20 Oct (10:45am)	International Travel & Migration – Sep	Peaked?	We can't envisage a sharp fall, but we do believe we are past the peak in net inflows.
Thu 26 Oct (10:45am)	Overseas Merchandise Trade – Sep	Recovery	The surprising weakness in dairy export volumes in August should rebound, helping to boost the trade balance.
Thu 26 Oct (3:00pm)	RBNZ New Mortgage Lending – Sep	Weak	Total housing market turnover was soft in the month. It would be a surprise if new lending wasn't too.
Tue 31 Oct (1:00pm)	ANZ Business Outlook – Oct	--	--
Tue 31 Oct (3:00pm)	RBNZ Sectoral Lending – Sep	Modest	We expect recent trends to have continued. Overall private sector credit growth will be more modest.
Wed 1 Nov (10:45am)	Labour Market Statistics – Q3	Trending lower	Employment should bounce after Q2's surprising contraction. The unemployment rate should continue to trend lower.
Thu 2 Nov (10:00am)	ANZ Job Ads – Oct	--	--
Mon 6 Nov (1:00pm)	RBNZ Survey of Expectations – Q4	Stable to lower	With petrol prices stabilising, inflation expectations may do the same. However, the risk is perhaps for a lower outcome.
Wed 7 Nov (early am)	GlobalDairyTrade Auction	Higher?	The market is getting nervous around local supply, which is off to a slow start, but this could bias prices higher.
Wed 8 Nov (10:00am)	ANZ Truckometer – Oct	--	--
Wed 8 Nov (1:00pm)	ANZ Monthly Inflation Gauge – Oct	--	--
Thu 9 Nov (9:00am)	RBNZ Monetary Policy Statement	On hold again	A neutral/cautious tone will be reinforced. The Bank's growth forecasts may be downgraded a touch, but we doubt that will alter the implied OCR profile much.
Fri 10 Nov (10:45am)	Electronic Card Transactions – Oct	Steady	A steady pace of spending growth is likely, supported by the labour market. Soft housing presents some risk.
Mon 13 Nov (10:45am)	Food Price Index – Oct	Upward march?	Higher export commodity prices suggest an upward skew to the outlook for retail food prices.
Tue 14 Nov (10:45am)	Retail Trade Survey – Q3	Pause	After a run of strong growth, in part due to tourism activity, a softer performance (perhaps even a fall) is possible.
Thu 16 Nov (1:00pm)	ANZ-Roy Morgan Consumer Confidence – Nov	--	--
Fri 17 Nov (10:30am)	BNZ-BusinessNZ PMI – Oct	Steady	Sentiment in the manufacturing sector has held at robust levels. We see that continuing.
Fri 17 Nov (10:45am)	PPI – Q3	Look through	Commodity prices and wholesale electricity prices typically throw things around.
<b>On balance</b>		<b>Data watch</b>	<b>The data pulse has turned a little more mixed. Domestic inflation is low, but should lift gradually.</b>

## KEY FORECASTS AND RATES

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
GDP (% qoq)	0.8	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>
GDP (% yoy)	2.5	<b>2.5</b>	<b>2.9</b>	<b>2.8</b>	<b>2.8</b>	<b>2.9</b>	<b>3.0</b>	<b>3.1</b>	<b>2.9</b>	<b>2.8</b>
CPI (% qoq)	0.0	<b>0.4</b>	<b>0.1</b>	<b>0.7</b>	<b>0.4</b>	<b>0.7</b>	<b>0.3</b>	<b>0.7</b>	<b>0.4</b>	<b>0.6</b>
CPI (% yoy)	1.7	<b>1.8</b>	<b>1.5</b>	<b>1.1</b>	<b>1.6</b>	<b>1.9</b>	<b>2.1</b>	<b>2.2</b>	<b>2.1</b>	<b>2.0</b>
Employment (% qoq)	-0.1	<b>0.7</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
Employment (% yoy)	3.1	<b>2.4</b>	<b>2.2</b>	<b>1.6</b>	<b>2.1</b>	<b>1.8</b>	<b>1.6</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>
Unemployment Rate (% sa)	4.8	<b>4.8</b>	<b>4.7</b>	<b>4.6</b>	<b>4.5</b>	<b>4.4</b>	<b>4.4</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>
Current Account (% GDP)	-3.0	<b>-2.8</b>	<b>-2.8</b>	<b>-2.5</b>	<b>-2.7</b>	<b>-2.8</b>	<b>-2.9</b>	<b>-2.9</b>	<b>-2.8</b>	<b>-2.8</b>
Terms of Trade (% qoq)	1.6	<b>0.0</b>	<b>-1.0</b>	<b>-1.1</b>	<b>-0.6</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
Terms of Trade (% yoy)	10.3	<b>11.7</b>	<b>4.4</b>	<b>-0.6</b>	<b>-2.6</b>	<b>-2.6</b>	<b>-1.5</b>	<b>-0.4</b>	<b>0.4</b>	<b>0.5</b>

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Retail ECT (% mom)	2.5	-0.6	-0.3	1.0	-0.3	-0.1	-0.6	0.1	0.1	--
Retail ECT (% yoy)	5.6	2.6	5.6	4.5	5.2	4.5	2.0	4.4	2.9	--
Credit Card Billings (% mom)	0.4	-1.3	1.0	1.0	0.9	0.2	0.8	-0.7	--	--
Credit Card Billings (% yoy)	7.1	5.4	7.2	6.6	7.6	8.3	7.1	6.4	--	--
Car Registrations (% mom)	1.6	0.4	3.5	-2.8	3.7	-2.7	-4.6	9.2	-1.7	--
Car Registrations (% yoy)	12.2	7.3	16.5	3.0	13.7	11.1	6.2	13.5	15.6	--
Building Consents (% mom)	3.9	16.5	-2.3	-8.1	7.1	-0.7	1.7	10.2	--	--
Building Consents (% yoy)	-1.0	8.9	17.3	-3.3	6.1	-8.9	-2.3	14.4	--	--
REINZ House Price Index (% yoy)	12.9	12.0	10.1	8.0	5.2	2.9	1.1	0.4	2.1	--
Household Lending Growth (% mom)	0.5	0.5	0.5	0.5	0.4	0.5	0.3	0.4	--	--
Household Lending Growth (% yoy)	8.9	8.7	8.7	8.3	7.9	7.6	7.1	6.7	--	--
ANZ Roy Morgan Consumer Conf.	128.7	127.4	125.2	121.7	123.9	127.8	125.4	126.2	129.9	126.3
ANZ Business Confidence	..	16.6	11.3	11.0	14.9	24.8	19.4	18.3	0.0	--
ANZ Own Activity Outlook	..	37.2	38.8	37.7	38.3	42.8	40.3	38.2	29.6	--
Trade Balance (\$m)	-227	-42	262	547	62	245	98	-1235	--	--
Trade Bal (\$m ann)	51901	52087	52404	52588	53218	53530	53743	54044	--	--
ANZ World Comm. Price Index (% mom)	-0.1	2.0	0.4	-0.2	3.2	2.1	-0.8	-0.8	0.8	--
ANZ World Comm. Price Index (% yoy)	19.1	20.9	23.0	23.7	26.3	24.6	21.1	16.3	11.5	--
Net Migration (sa)	6320	5910	6130	5790	5920	6310	5760	5490	--	--
Net Migration (ann)	71305	71333	71932	71885	71964	72305	72402	72072	--	--
ANZ Heavy Traffic Index (% mom)	-0.9	2.0	1.5	-2.2	4.0	-0.5	-6.0	6.5	-1.5	--
ANZ Light Traffic Index (% mom)	-0.3	0.8	1.3	-1.4	1.2	1.2	-2.2	2.7	-0.1	--

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)						
	Aug-17	Sep-17	Today	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
NZD/USD	0.715	0.721	0.717	0.73	0.73	0.73	0.70	0.68	0.67	0.65
NZD/AUD	0.906	0.920	0.910	0.90	0.89	0.88	0.91	0.92	0.93	0.93
NZD/EUR	0.603	0.610	0.607	0.60	0.62	0.63	0.63	0.59	0.56	0.53
NZD/JPY	79.10	81.11	80.24	81.8	80.3	76.7	70.0	68.0	67.0	65.0
NZD/GBP	0.555	0.538	0.540	0.55	0.57	0.57	0.55	0.52	0.51	0.49
NZ\$ TWI	73.7	74.4	75.5	74.3	74.6	74.5	72.6	70.5	69.0	67.0
INTEREST RATES	Aug-17	Sep-17	Today	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.25	2.25
NZ 90 day bill	1.96	1.96	1.93	1.97	1.98	1.99	2.08	2.34	2.50	2.50
NZ 10-yr bond	2.90	2.80	2.94	2.80	2.85	2.95	3.15	3.30	3.30	3.30
US Fed funds	1.25	1.25	1.25	1.50	1.50	1.75	2.00	2.25	2.25	2.25
US 3-mth	1.32	1.40	1.35	1.65	1.75	2.05	2.20	2.45	2.45	2.45
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.75	2.00	2.00	2.00	2.00
AU 3-mth	1.72	1.72	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80

	13 Sep	9 Oct	10 Oct	11 Oct	12 Oct	13 Oct
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.94	1.93	1.93	1.93	1.93	1.93
NZGB 03/19	1.88	1.91	1.91	1.90	1.89	1.88
NZGB 05/21	2.13	2.26	2.27	2.25	2.23	2.22
NZGB 04/23	2.44	2.56	2.58	2.56	2.54	2.52
NZGB 04/27	2.84	2.99	3.01	2.99	2.98	2.96
2 year swap	2.17	2.21	2.22	2.20	2.20	2.20
5 year swap	2.61	2.75	2.76	2.74	2.72	2.72
RBNZ TWI	75.83	75.00	74.93	74.89	74.84	75.18
NZD/USD	0.7291	0.7083	0.7071	0.7068	0.7112	0.7181
NZD/AUD	0.9064	0.9130	0.9085	0.9072	0.9101	0.9097
NZD/JPY	80.17	79.80	79.49	79.32	79.92	80.31
NZD/GBP	0.5496	0.5384	0.5361	0.5356	0.5398	0.5402
NZD/EUR	0.6083	0.6031	0.6001	0.5978	0.6000	0.6072
AUD/USD	0.8044	0.7758	0.7783	0.7790	0.7815	0.7887
EUR/USD	1.1986	1.1745	1.1782	1.1823	1.1854	1.1820
USD/JPY	109.95	112.65	112.41	112.23	112.36	111.82
GBP/USD	1.3047	1.3311	1.3258	1.3281	1.3181	1.3066
Oil (US\$/bbl)	49.30	49.58	50.92	51.30	50.60	51.45
Gold (US\$/oz)	1334.61	1282.96	1290.62	1289.89	1294.78	1303.82
Electricity (Haywards)	5.51	6.20	6.12	5.58	5.41	4.49
Baltic Dry Freight Index	1337	1411	1418	1433	1458	1485
NZX WMP Futures (US\$/t)	3100	3115	3100	3060	3070	3060

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