

9 July 2018

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### NZ ECONOMICS TEAM

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

**Phil Borkin**  
**Senior Macro Strategist**  
 Telephone: +64 9 357 4065  
 Email: Philip.Borkin@anz.com

**Natalie Denne**  
**Desktop Publisher**  
 Telephone: +64 4 802 2217  
 Email: Natalie.Denne@anz.com

**Liz Kendall**  
**Senior Economist**  
 Telephone: +64 4 382 1995  
 Email: Elizabeth.Kendall@anz.com

**Kyle Uerata**  
**Economist**  
 Telephone: +64 4 802 2357  
 E-mail: Kyle.Uerata@anz.com

**Miles Workman**  
**Economist**  
 Telephone: +64 4 382 1951  
 Email: Miles.Workman@anz.com

## HAPPINESS IS...

### ECONOMIC OVERVIEW

For some time now the New Zealand Treasury has emphasised the importance of intergenerational wellbeing as part of its stewardship responsibilities. This week **we take a look at the Treasury's next phase in its approach to measuring wellbeing** (through the Living Standards Dashboard) and discuss how a broader consideration of wellbeing might, in practice, impact on policy advice provided by the Treasury and other government agencies. While some may see it as a way for the Government to divert focus away from what is happening with the business cycle, or as a way for the Government to get around fiscal responsibility requirements, we'd disagree. The macroeconomic performance of the economy and fiscal prudence is always going to matter for wellbeing, but these provide limited insight in terms of what's happening under the hood. On the data front this week, the June Food Price Index and ANZ Monthly Inflation Gauge will provide a steer on Q2 CPI. June Electronic Cards Transactions will be closely watched after running into a soft patch recently.

### CHART OF THE WEEK

Monitoring wellbeing is about much more than growing the economy. For example, it includes ensuring people have access to a safe working environment.

#### Workplace incident notifications



Source: Worksafe, 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	1.7% 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

# ECONOMIC OVERVIEW

## SUMMARY

For some time now the New Zealand Treasury has emphasised the importance of intergenerational wellbeing as part of its stewardship responsibilities. **This week we take a look at the Treasury's next phase** in its approach to measuring wellbeing (through the Living Standards Dashboard) and discuss how a broader consideration of wellbeing might, in practice, impact on policy advice provided by the Treasury and other government agencies. While some may see it as a way for the Government to divert focus away from what is happening with the business cycle, or as a way for the Government to get around fiscal responsibility requirements, **we'd disagree.** The macroeconomic performance of the economy and fiscal prudence is always going to matter for wellbeing, but these **provide limited insight in terms of what's happening under the hood.** On the data front this week, the June Food Price Index and ANZ Monthly Inflation Gauge will provide a steer on Q2 CPI. June Electronic Cards Transactions will be closely watched after running into a soft patch recently.

## FORTHCOMING EVENTS

**ANZ Truckometer – June (10:00am, Tuesday 10 July).**

**Electronic Card Transactions – June (10:45am, Tuesday 10 July).** Card spending has been tracking pretty softly though Q2 so far, Tuesday's release will likely seal the quarter on a soft note.

**ANZ Monthly Inflation Gauge – June (1:00pm, Tuesday 10 July).**

**Food Price Index – June (10:45am Thursday 12 July).** Food price inflation has been tracking sideways, with some evidence that higher minimum wages are impacting restaurant meals.

**BNZ-BusinessNZ PMI – May (10:30am, Friday 13 July).** Last month's retracement brought the index back within recent ranges, where it's expected to remain.

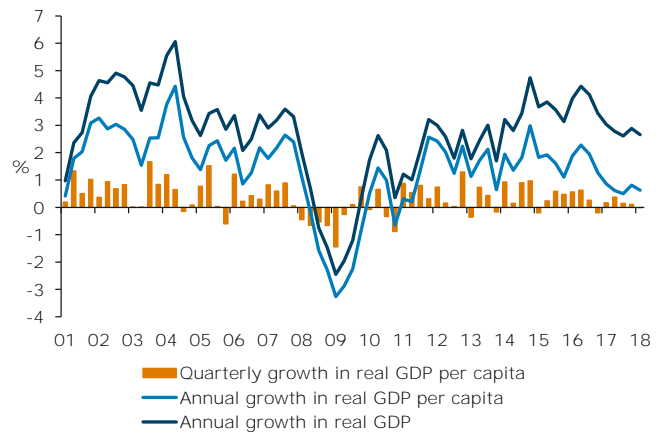
## WHAT'S THE VIEW?

**When it comes to assessing the state of the economy, macroeconomic indicators like GDP and GDP per capita provide a good steer.** But these measures offer only limited coverage for assessing the standard of living or wellbeing of those participating within the economic system more broadly.

**Although GDP growth and an improving standard of living generally go hand in hand,** GDP as a measure quickly falls short when it comes to assessing

some of the more nuanced aspects of wellbeing. Higher GDP per capita is generally a good thing, and **New Zealand's has been rising over time (although at quite a sluggish pace of late highlighting the large impetus to growth from migration-led population growth),** but it is hardly a positive story if, say, a large share of the population are not benefiting from that growth, or, for example, the process of production has negative environmental implications that everybody has to wear (possibly for generations to come).

**Figure 1: GDP and GDP per capita**



Source: Statistics NZ, ANZ Research

In response to this issue, and for some time now, the Treasury has emphasised the importance of intergenerational wellbeing as part of its stewardship responsibilities. **This week we look at the Treasury's next phase in its approach to measuring wellbeing** (through the Living Standards Dashboard) and discuss how a broader consideration of wellbeing might, in practice, impact on policy advice provided by the Treasury and other government agencies.

The New Zealand Treasury has recently released a detailed independent report [Monitoring Intergenerational Wellbeing](#), proposing a suite of indicators that will feed into a Living Standards Dashboard. In a nutshell, the dashboard will capture and bring together the multiple aspects of wellbeing that subside within the Treasury's Living Standards Framework. It will then be used to inform the Treasury's planning and policy advice to the Government, and also be available to other government agencies. The Treasury is currently [seeking submissions](#) on the report, as it gears up to provide the Government with advice for Budget 2019 – a Budget the Minister of Finance has stated will be structured around intergenerational wellbeing; aka the "Wellbeing Budget".

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**What is the Living Standards Framework?** Broadly speaking, the Living Standards Framework is a tool developed by the Treasury (based on OECD analysis) to consider the impacts and outcomes of policy from a wide range of perspectives, including *economic*, *social*, *environmental*, and *cultural*. The framework is based on the idea that the “production” of wellbeing requires four types of capital: *physical* (or *produced*) *capital*, *natural capital*, *human capital* and *social capital* (Figure 2), with the general thesis being that sustainable intergenerational wellbeing relies on these capital stocks being maintained.

**Figure 2: The Four Capitals**



Source: The Treasury

**But it's not about throwing the baby out with the bath water.** GDP (or household net adjusted disposable income per capita, as being proposed for the dashboard) will still be an important input into measuring wellbeing. It is just that it will be considered alongside other metrics such as the distribution of income and water and air quality, providing a much fuller picture. **So that when it comes to formulating policy advice, the multiple facets of wellbeing can be assessed** alongside the more obvious fiscal costs. And in the process, hopefully create better, more sustainable outcomes and avoid negative externalities. **It's better** to build a fence at the top of a cliff than have to provide an ambulance at the bottom.

Now a cynic may argue that all this is just a nifty way for the Government to avert focus from what's going on with the business cycle or as a framework to allow it to deviate from fiscal prudence. **We don't believe that is the case.**

At the end of the day, **the Government's budget constraint is not going to vanish because of the Living Standards Framework.** The Public Finance Act will continue to require Government to pursue policy objectives in accordance with the *principles of responsible fiscal management*, including reducing total debt to prudent levels so as to provide a buffer against future shocks. The Government's interpretation of prudent fiscal management is set out in its [Fiscal Strategy Report](#).

**Fiscal prudence in and of itself is a key aspect of intergenerational wellbeing.** It's inevitable that an economic shock will happen at some point and the wellbeing of many New Zealanders relies on the Government being ready for that. This includes having **the Government's books in order, so it can borrow money during an economic downturn to pay for key government services such as health and unemployment benefits.**

**Let's also not overlook the negative impacts on wellbeing that higher funding costs would bring should government debt get out of hand** and investors (or credit rating agencies) started to lose confidence, which, all else equal, could mean higher taxes (at some point) or fewer government services.

**Yes, it is quite possible that we see changes to the Government's spending plans because of this framework.** However, it is likely to be at the margin (given the budget constraints the Government will still have to work within). [We have argued previously](#) that given New Zealand's infrastructure deficit (the result of years of underinvesting in combination with strong population growth), the case could easily be made to lift infrastructure spending. This includes spending on things like roads and transport, provided it would increase the productive capacity of the economy and not detract resource from other investment and drive up prices. Under the Living Standards Framework, this is merely investing in *produced capital*.

It should also be noted that **the Treasury's focus on intergenerational wellbeing and the Living Standards Framework has been around for a while.** A lot of the Treasury's policy advice already considers the implications for intergenerational wellbeing. The Living Standards Dashboard just makes this, as well as the concept to be adopted by other Government agencies, easier and more explicit.

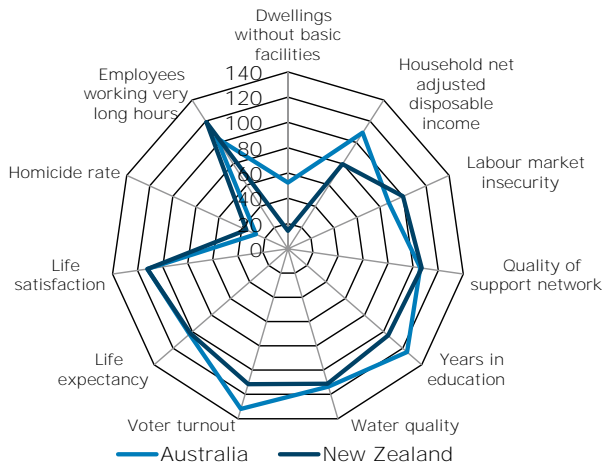
Ultimately, the major impact of the Living Standards Framework (and dashboard) will be on the advice that Treasury provide around prioritising Government spending decisions, subject to the wider macroeconomic and fiscal strategy advice, including the overall budget constraint, implications for monetary policy and balance sheet sustainability.

**Turning to the Living Standards Dashboard itself, the indicators proposed** cover a number of aspects of wellbeing, including: life satisfaction; material standard of living; housing; jobs and earnings; health; knowledge and skills; leisure and recreation; *ūkaipōtanga/cultural identity*; *safety*; *environmental quality*; civic engagement; social connections; and self and aspirations. To be fair, many of these concepts are already covered in the [OECD's Better Life Index](#), (BLI) where New Zealand is a pretty high performer by

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some metrics (Figure 3, note: a higher reading may not indicate a better outcome).

**Figure 3: Selected BLI indicators (% of OECD average)**



Source: OECD, ANZ Research

**But just because New Zealand is already performing highly according to some wellbeing indicators, it doesn't mean things can't improve.**

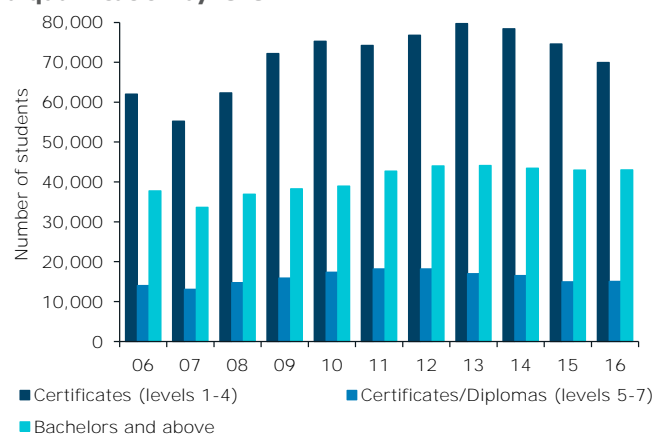
For example, New Zealand's household net adjusted disposable income per capita sits below both Australia's and the OECD average. This is actually pretty useful information for considering the long run outlook for migration flows. The trans-Tasman differential suggests Australia will continue to maintain an income-pull factor for net migration flows for some time. Of course, cross-country comparisons do have their limitations, particularly when it comes to measuring country specific attributes such as culture or natural resources. Therefore, a complete measure of wellbeing really does require a country-specific approach, and who better than the country's citizens to decide what indicators to use.

When looking for a few examples for the type of indicators that may feature in the dashboard, we found sourcing up to date, New Zealand specific, high frequency data a bit of a challenge. We welcome the growing emphasis on the multiple dimensions of wellbeing as it will lead to better data coverage and open the door to a wider range of research, providing a much more enriched view of what's going on in the economy and country more broadly. In fact, work is already underway at Statistics New Zealand to improve wellbeing data coverage (see [Indicators Aotearoa New Zealand – Measuring our well-being](#)). Statistics New Zealand is also seeking submissions on this work programme.

With the above data-availability caveat in mind, **we've selected a few indicators that are relevant to the four capital stocks and may, in some form or another, feature as part of the dashboard.**

One potential indicator for the human capital stock is educational attainment. Figure 4 shows the number of domestic student qualifications awarded by level and that the number of completed qualifications at bachelor level or above has been trending sideways. Within this, the number of bachelor-level degrees has actually declined by more than 1,000 between 2013 and 2017. By way of example, **it's easy to see how the recent fees-free tertiary education policy might boost this indicator over time by encouraging higher university attendance.** However, when viewed through the lens of the Living Standards Framework, policy makers may not conclude that this is the best outcome, given the **Government's budget constraint** and competing policies. That is, fees-free tertiary represents a large and ongoing expense, which students (who tend to be pretty wealthy on an average lifetime basis) are more than capable of paying for through an interest-free student loan. Not to mention the benefits are uncertain. Perhaps spending those funds on health, social welfare, early childhood education or infrastructure would result in better outcomes for intergenerational wellbeing. While **it's** difficult to say, the point is the Living Standards Framework (and dashboard) puts policies under additional scrutiny that may impact how policy makers (and the voting public for that matter) think about such things.

**Figure 4: Number of domestic students who completed a qualification by level**



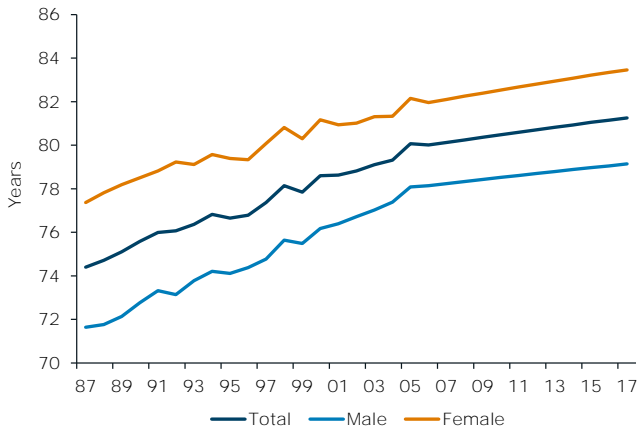
Source: Education Counts, ANZ Research

Other potential indicators for the human capital stock may relate to the physical and mental health of the population. Physical health could be measured by things like the proportion of the population who require certain medical treatments, perhaps relating to unheated, damp homes. Or, it could be as simple as life expectancy rates. Figure 5 shows life expectancy at birth has been trending higher, meaning New Zealanders are expected to live for longer beyond the current retirement age of 65. This data alongside age

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cohort data provides policy makers with an indication of the upcoming long term expense typically associated with an aging population, such as health care and superannuation.

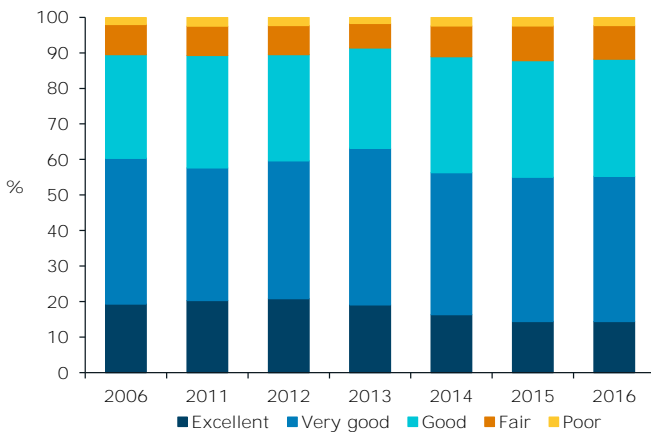
**Figure 5: Life expectancy at birth**



Source: Haver Analytics, Census Bureau International Demographic Database, ANZ Research

However, living for longer doesn't necessarily mean we feel healthier. In fact, the trend seems to have been moving the other way (Figure 6), with less of the population describing their health status as "excellent". This highlights the importance of considering multiple indicators for measuring wellbeing. Different indicators may point in completely different directions, prompting new questions and guiding research, ultimately driving a better understanding of what's going on under the hood and leading to more robust policy advice.

**Figure 6: Self-rated health status**

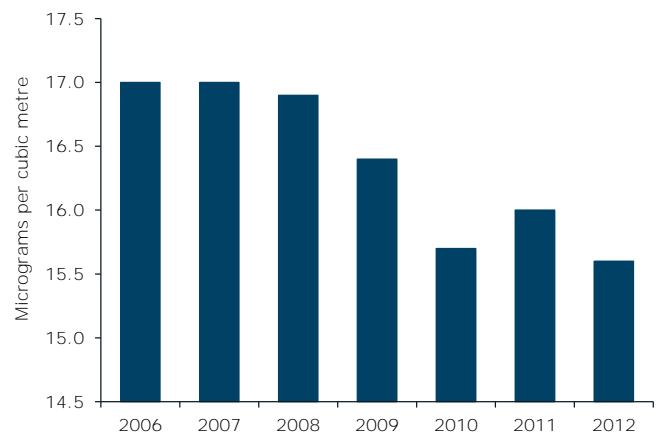


Source: Ministry of Health, ANZ Research

Indicators relating to the health of the nation's natural capital stock include things like water and air quality. Maintaining the natural capital stock is important for intergenerational wellbeing in many ways, from ensuring that our love for the outdoors as kiwis can be shared for generations to come, to protecting one of the key assets supporting income flows for those working in the tourism sector. Figure 7 shows annual

average PM<sub>10</sub> concentrations – an indicator of air borne particles that contribute to air pollution. Such indicators are useful for considering some of the negative externalities of economic activity. Data for this particular indicator **doesn't exactly provide an up to date state of affairs**, but the reduction since 2007 does appear to be heading in the right direction. Should this begin to head north in a significant way, or even if current levels are deemed unsustainable, then having regard to this alongside a slightly costlier, but cleaner proposal for a new transportation network, for example, may see the costlier option over the line.

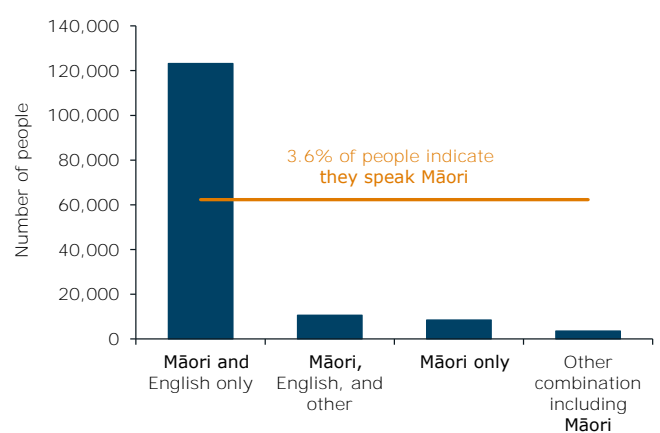
**Figure 7: Environmental – PM<sub>10</sub> annual average concentrations**



Source: Ministry for Environment, Statistics NZ, ANZ Research

Social capital is one of the less tangible forms of capital and includes things like rule of law and culture, which in the case of the latter is something quite unique in New Zealand. Figure 8 provides a snapshot of the number of Māori language speakers in New Zealand as reported in the 2013 Census.

**Figure 8: Māori language speakers**



Source: Statistics NZ, ANZ Research

Looking at Census data back to 2001 shows that the proportion of te reo Māori speakers within the Māori ethnic group has fallen from 25.2% in 2001 to 21.3%

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in 2013. Higher frequency data and closer monitoring of these statistics (along with other data on multiple language speakers, which is a handy thing to have in a small open economy) could support the case for additional funding in early or primary education, if this was deemed desirable.

The above examples are limited in their coverage, but they do provide some insight into the multiple facets of wellbeing and how policy makers may consider these alongside some of the more traditional indicators such as GDP.

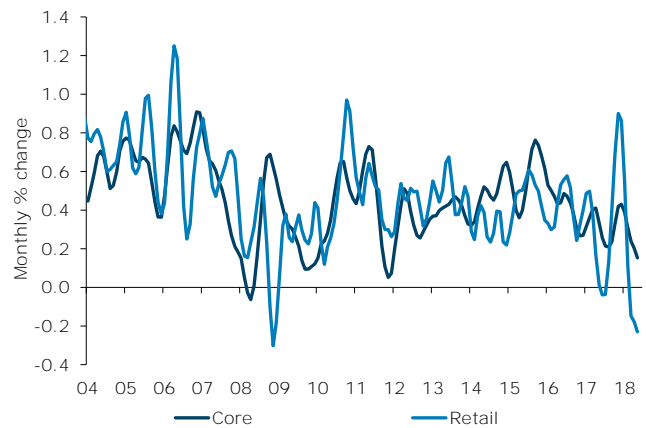
When it comes to wellbeing, a single-minded focus on GDP growth is useful for tracking the state of the economy but insufficient for assessing the impact of different policies on intergenerational wellbeing, particularly in a world of changing climate, finite resources and an ageing population. While there is a degree of subjectivity about the proposed indicators in that what matters to some may not matter to others, no indicator is perfect (including GDP). So a suite of indicators is a good option for thinking about the trade-offs and outcomes holistically.

In terms of the upcoming Wellbeing Budget, **we're not expecting to see a huge shift in broader fiscal settings.** More likely, however, we'll see more robust discussion and justification around the decisions taken from within the existing budget constraint, but which ultimately see net core Crown debt return to prudent levels (20% of GDP within five years of taking office in this Government's case). Of course, there will be a degree of subjectivity to this – **that's politics** – but our understanding of the issues that matter to us is only going to improve as the framework continues to evolve, data coverage widens and research continues.

### THE WEEK AHEAD

Turning to the week ahead, data flow has been tuning a bit patchier of late, with **Electronic Cards Transactions tracking pretty softly through Q2 so far.** Seasonally adjusted core retail card spending rose just 0.4% m/m in May after falling 2.1% m/m in April (Figure 9). The way things have been tracking, we **wouldn't be surprised to see Tuesday's release** for June seal the quarter on a softer note. But there is light at the end of the tunnel. With the **Families Package kicking off in July, we'll be watching closely** to see how that translates to higher consumer spending in next month's release.

**Figure 9: Electronic card transactions retail – trend**



Source: Statistics NZ, ANZ Research

The **Food Price Index** for June and the June **ANZ Monthly Inflation Gauge** will shine some light on how CPI inflation has been tracking in Q2 (Q2 CPI will be released 17 July). Food price inflation has been traveling broadly sideways in recent months, with some evidence at the margin that the higher minimum wage rate is impacting the price of restaurant meals. Our **Inflation Gauge has been sending a pretty soft signal for non-tradables inflation** so far in Q2, with a 0.1% m/m rise in May following three consecutive monthly declines. In fact, outside of housing, tax/government policy and oil-related price rises (the kind the RBNZ generally looks through unless it's sustained and leads to an increase in inflation expectations) there has been very little evidence of a broadening in underlying inflationary pressures. And with Q1 GDP growth coming in on the softer side and the data flow turning patchier more broadly, the risk that the economy continues to lose momentum seems to be increasing, which could see soft inflationary pressures continue for some time.

### LOCAL DATA

#### Quarterly Survey of Business opinion – Q2.

Business sentiment deteriorated in the June quarter to its lowest level since 2011, mirroring the recent trend in our ANZ Business Outlook Survey.

**GlobalDairyTrade auction.** The GDT Price Index fell 5.0% led by a 7.3% drop in the average price for whole milk powder.

**ANZ Job Ads – June.** Job ads fell 1.6% (sa) in June and were down 1.2% over the quarter (3mma).

**ANZ Commodity price Index – June.** The world commodity price index dipped 1.0% in June following five consecutive rises – some payback was due.

## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
9-Jul	GE	Trade Balance - May	€20.2B	€20.1B	18:00
	GE	Current Account Balance - May	€19.8B	€22.7B	18:00
	GE	Exports SA MoM - May	0.7%	-0.3%	18:00
	GE	Imports SA MoM - May	-0.5%	2.6%	18:00
	EC	Sentix Investor Confidence - Jul	9.0	9.3	20:30
	CH	Foreign Reserves - Jun	\$3101.8B	\$3110.6B	UNSPECIFIED
10-Jul	US	Consumer Credit - May	\$12.00B	\$9.26B	07:00
	NZ	ANZ Truckometer Heavy MoM - Jun	--	3.0%	10:00
	NZ	Card Spending Retail MoM - Jun	0.5%	0.4%	10:45
	NZ	Card Spending Total MoM - Jun	--	0.5%	10:45
	AU	ANZ-RM Consumer Confidence Index - 8-Jul	--	120.4	11:30
	NZ	ANZ Monthly Inflation Gauge MoM - Jun	--	0.1%	13:00
	AU	NAB Business Conditions - Jun	--	15	13:30
	AU	NAB Business Confidence - Jun	--	6	13:30
	CH	PPI YoY - Jun	4.5%	4.1%	13:30
	CH	CPI YoY - Jun	1.9%	1.8%	13:30
	JN	Machine Tool Orders YoY - Jun P	--	14.9%	18:00
	UK	Visible Trade Balance GBP/Mn - May	-£12000	-£14035	20:30
	UK	Trade Balance Non EU GBP/Mn - May	-£3975	-£5372	20:30
	UK	Trade Balance - May	-£3378	-£5280	20:30
	UK	Industrial Production MoM - May	0.5%	-0.8%	20:30
	UK	Industrial Production YoY - May	1.9%	1.8%	20:30
	UK	Manufacturing Production MoM - May	0.8%	-1.4%	20:30
	UK	Manufacturing Production YoY - May	1.9%	1.4%	20:30
	UK	Construction Output SA MoM - May	0.5%	0.5%	20:30
	UK	Construction Output SA YoY - May	-0.5%	-3.3%	20:30
	UK	Index of Services MoM - May	0.2%	0.3%	20:30
	UK	Index of Services 3M/3M - May	0.4%	0.2%	20:30
	GE	ZEW Survey Current Situation - Jul	78.2	80.6	21:00
	GE	ZEW Survey Expectations - Jul	-18.5	-16.1	21:00
	EC	ZEW Survey Expectations - Jul	--	-12.6	21:00
	US	NFIB Small Business Optimism - Jun	105.8	107.8	22:00
	UK	NIESR GDP Estimate - Jun	--	0.2%	23:00
	NZ	REINZ House Sales YoY - Jun	--	1.3%	10-14 Jun
	CH	Aggregate Financing CNY - Jun	1400.0B	760.8B	10-15 Jun
	CH	New Yuan Loans CNY - Jun	1520.0B	1150.0B	10-15 Jun
	CH	Money Supply M1 YoY - Jun	5.8%	6.0%	10-15 Jun
	CH	Money Supply M2 YoY - Jun	8.4%	8.3%	10-15 Jun
	CH	Money Supply M0 YoY - Jun	3.5%	3.6%	10-15 Jun
11-Jul	US	JOLTS Job Openings - May	6660	6698	02:00
	JN	PPI MoM - Jun	0.2%	0.6%	11:50
	JN	PPI YoY - Jun	2.8%	2.7%	11:50
	AU	Westpac Consumer Conf Index - Jul	--	102.1	12:30
	AU	Westpac Consumer Conf SA MoM - Jul	--	0.3%	12:30
	AU	Home Loans MoM - May	-2.0%	-1.4%	13:30
	AU	Investment Lending - May	--	-0.9%	13:30
	AU	Owner-Occupier Loan Value MoM - May	--	0.2%	13:30
	US	MBA Mortgage Applications - 6-Jul	--	-0.5%	23:00

Continued on following page

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DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
12-Jul	US	PPI Final Demand MoM - Jun	0.2%	0.5%	00:30
	US	PPI Final Demand YoY - Jun	3.1%	3.1%	00:30
	US	PPI Ex Food and Energy MoM - Jun	0.2%	0.3%	00:30
	US	PPI Ex Food and Energy YoY - Jun	2.6%	2.4%	00:30
	US	Wholesale Trade Sales MoM - May	--	0.8%	02:00
	US	Wholesale Inventories MoM - May F	0.4%	0.5%	02:00
	NZ	Food Prices MoM - Jun	--	0.0%	10:45
	UK	RICS House Price Balance - Jun	-2%	-3%	11:01
	AU	Consumer Inflation Expectation - Jul	--	4.2%	13:00
	GE	CPI MoM - Jun F	0.1%	0.1%	18:00
	GE	CPI YoY - Jun F	2.1%	2.1%	18:00
	GE	CPI EU Harmonized MoM - Jun F	0.1%	0.1%	18:00
	GE	CPI EU Harmonized YoY - Jun F	2.1%	2.1%	18:00
	EC	Industrial Production SA MoM - May	1.2%	-0.9%	21:00
	EC	Industrial Production WDA YoY - May	2.3%	1.7%	21:00
13-Jul	US	Initial Jobless Claims - 7-Jul	225k	231k	00:30
	US	Continuing Claims - 30-Jun	--	1739k	00:30
	US	CPI MoM - Jun	0.2%	0.2%	00:30
	US	CPI YoY - Jun	2.9%	2.8%	00:30
	US	CPI Ex Food and Energy MoM - Jun	0.2%	0.2%	00:30
	US	CPI Ex Food and Energy YoY - Jun	2.3%	2.2%	00:30
	US	Monthly Budget Statement - Jun	-\$80.0B	-\$146.8B	06:00
	NZ	BusinessNZ Manufacturing PMI - Jun	--	54.5	10:30
	GE	Wholesale Price Index MoM - Jun	--	0.8%	18:00
	GE	Wholesale Price Index YoY - Jun	--	2.9%	18:00
	CH	Trade Balance - Jun	\$27.22B	\$24.92B	UNSPECIFIED
	CH	Exports YoY - Jun	10.4%	12.6%	UNSPECIFIED
	CH	Imports YoY - Jun	22.2%	26.0%	UNSPECIFIED
14-Jul	US	Import Price Index MoM - Jun	0.1%	0.6%	00:30
	US	Import Price Index YoY - Jun	4.7%	4.3%	00:30
	US	Export Price Index MoM - Jun	0.2%	0.6%	00:30
	US	Export Price Index YoY - Jun	--	4.9%	00:30
	US	U. of Mich. Sentiment - Jul P	98.0	98.2	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 been lacklustre recently. We believe the cycle has legs yet, but the economy will struggle to grow above trend. Inflation is subdued 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 10 Jul (10:00am)	ANZ Truckometer – June	--	--
Tue 10 Jul (10:45am)	Electronic Card Transactions - June	Questions	With a couple more months of data, we will let the dust settle and assess the underlying strength of card spending.
Tue 10 Jul (1:00pm)	ANZ Monthly Inflation Gauge – June	--	--
10 – 14 Jul	REINZ Housing Market Statistics – June	Holding pattern	With a number of opposing forces operating on the market, we expect continued stability, for now at least.
Thu 12 Jul (10:45am)	Food Prices – June	Sideways	Seasonal price movements are expected to do their thing, but annual FPI inflation should remain soft.
Fri 13 Jul (10:30am)	BNZ-BusinessNZ PMI – June	Back to earth	We expect a continued steady manufacturing outlook (consistent with expansion), after a recent strong run.
Mon 16 Jul (10:30am)	BNZ-BusinessNZ PSI – June	Healthy	The service sector is expected to continue to outperform.
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 – July	--	--
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 (10:45am)	Labour market statistics	Hold strong	The labour market is tight and expected to remain that way. We expect the unemployment rate to remain around current levels. However, downside risks are heightened with the economy losing a bit of momentum recently.
Fri 3 Aug (10:00am)	ANZ Job Ads	--	--
<b>On balance</b>		<b>Data watch</b>	<b>The data pulse has been lacklustre, but still positive. Domestic inflation is low and should lift gradually.</b>

## 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	<b>0.5</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>
GDP (% yoy)	2.7	<b>2.3</b>	<b>2.5</b>	<b>2.6</b>	<b>2.7</b>	<b>2.9</b>	<b>2.8</b>	<b>2.7</b>	<b>2.6</b>	<b>2.5</b>
CPI (% qoq)	0.5	<b>0.3</b>	<b>0.5</b>	<b>0.3</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>0.3</b>	<b>0.7</b>	<b>0.5</b>
CPI (% yoy)	1.1	<b>1.4</b>	<b>1.4</b>	<b>1.6</b>	<b>1.7</b>	<b>1.9</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
Employment (% qoq)	0.6	<b>0.5</b>	<b>0.5</b>	<b>0.5</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>
Employment (% yoy)	3.1	<b>3.7</b>	<b>2.0</b>	<b>2.1</b>	<b>2.0</b>	<b>2.0</b>	<b>1.9</b>	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>
Unemployment Rate (% sa)	4.4	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.4</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.4</b>	<b>4.3</b>
Current Account (% GDP)	-2.8	<b>-3.1</b>	<b>-3.2</b>	<b>-3.2</b>	<b>-2.9</b>	<b>-2.8</b>	<b>-2.8</b>	<b>-2.9</b>	<b>-3.0</b>	<b>-3.0</b>
Terms of Trade (% qoq)	-1.9	<b>1.6</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
Terms of Trade (% yoy)	2.0	<b>2.5</b>	<b>1.4</b>	<b>0.3</b>	<b>2.4</b>	<b>1.0</b>	<b>0.8</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Retail ECT (% mom)	0.5	0.5	1.2	0.4	1.4	-0.5	1.5	-2.2	0.4	--
Retail ECT (% yoy)	3.5	1.9	5.0	3.8	4.1	4.0	6.7	1.4	4.2	--
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	--
ANZ Light Traffic Index (% mom)	-0.1	-0.6	1.5	-1.7	-0.5	-0.2	2.2	-0.5	1.1	--

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)						
	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	0.92	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	75.48	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	73.1	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	1.97	2.02	2.02	2.02	2.02	2.11	2.35	2.52
NZ 10-yr bond	2.73	2.85	2.81	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	2.33	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	2.06	2.05	2.05	2.05	2.00	2.30	2.50	2.50

	6 Jun	2 Jul	3 Jul	4 Jul	5 Jul	6 Jul
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	2.00	1.99	1.98	1.98	1.97	1.98
NZGB 05/21	2.03	1.91	1.90	1.90	1.90	1.91
NZGB 04/23	2.32	2.14	2.12	2.12	2.12	2.14
NZGB 04/27	2.80	2.62	2.59	2.59	2.59	2.62
NZGB 04/33	3.16	3.00	2.95	2.95	2.95	2.98
2 year swap	2.23	2.14	2.15	2.15	2.16	2.19
5 year swap	2.69	2.51	2.53	2.53	2.53	2.57
RBNZ TWI	73.74	72.65	72.21	72.47	72.52	72.81
NZD/USD	0.7038	0.6734	0.6733	0.6765	0.6780	0.6828
NZD/AUD	0.9198	0.9146	0.9110	0.9158	0.9174	0.9207
NZD/JPY	77.54	74.59	74.64	74.75	75.03	75.43
NZD/GBP	0.5246	0.5116	0.5106	0.5121	0.5119	0.5145
NZD/EUR	0.5981	0.5784	0.5781	0.5811	0.5802	0.5820
AUD/USD	0.7652	0.7363	0.7390	0.7387	0.7390	0.7430
EUR/USD	1.1768	1.1642	1.1647	1.1641	1.1686	1.1746
USD/JPY	110.17	110.77	110.86	110.50	110.66	110.47
GBP/USD	1.3417	1.3164	1.3186	1.3211	1.3244	1.3283
Oil (US\$/bbl)	64.73	73.94	74.14	74.14	72.94	73.80
Gold (US\$/oz)	1294.89	1249.15	1246.63	1257.13	1252.02	1255.48
NZX 50	8813	8942	9054	9026	9063	9084
Baltic Dry Freight Index	1340	1422	1476	1567	1612	1622
NZX WMP Futures (US\$/t)	3195	3120	3120	2900	2900	2885

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