

NEW ZEALAND ECONOMICS MARKET FOCUS

9 January 2017

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HAND-IN-HAND

This is an abridged version of our Market Focus publication. Next week sees the return of our usual weekly publication.

ECONOMIC OVERVIEW

With 2017 now underway, a number of important themes will shape the outlook for interest rates, the NZD and the economy more generally. One domestic theme we have a particularly close eye on is household behaviour. Up until recently restraint was the key word, with a housing boom not being followed hand-in-hand – as it typically would be – by a consumption equivalent. That has helped contain domestic inflation pressures. However, there are signs that this is changing, with some pre-2008 behaviours becoming apparent. We think this will prove transitory, but we are on notice, as is the RBNZ. A return of household behaviours of old would spell earlier OCR hikes and the potential for a wilder swing in the economic cycle. This week, a number of our own proprietary releases will provide a timely update on the state of the economy and momentum heading into the New Year.

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	3.2% y/y for 2017 Q3	The economy is recording decent momentum, and we expect that to generally continue at least over the first part of 2017. Downside risk mainly stems from offshore.	
Unemployment rate	4.6% for 2017 Q3	The unemployment rate should continue to trend lower. Wage inflation is contained, in part due to strong labour supply growth.	
OCR	1.75% by Sep 2017	With strong growth, capacity pressures emerging and inflation past its lows, further OCR cuts would now be hard to justify.	
CPI	1.7% y/y for 2017 Q3	Headline inflation is past its lows, with base effects seeing it return to the target mid-point shortly. Domestic and core inflation should also gradually lift.	

ECONOMIC OVERVIEW

SUMMARY

With 2017 now underway, a number of important themes will shape the outlook for interest rates, the NZD and the economy more generally. One domestic theme we have a particularly close eye on is household behaviour. Up until recently restraint was the key word, with a housing boom not being followed hand-in-hand – as it typically would be – by a consumption equivalent. That has helped contain domestic inflation pressures. However, there are signs that this is changing, with some pre-2008 behaviours becoming apparent. We think this will prove transitory, but we are on notice, as is the RBNZ. A return of household behaviours of old would spell earlier OCR hikes and the potential for a wilder swing in the economic cycle. This week, a number of our own proprietary releases will provide a timely update on the state of the economy and momentum heading into the New Year.

FORTHCOMING EVENTS

REINZ Housing Market Statistics – December (possibly this week). Momentum has cooled over recent months and while we are not expecting weak outcomes, this softer momentum is likely to have persisted.

ANZ Job Advertisements – December (10:00am, Wednesday, 11 January).

ANZ Truckometer – December (10:00am, Thursday, 12 January).

ANZ Commodity Price Index – December (1:00pm, Thursday, 12 January).

Electronic Card Transactions – December (10:45am, Friday, 13 January). After a soft November, we expect a decent bounce in sales growth over the key Christmas period.

ANZ Monthly Inflation Gauge – December (1:00pm, Friday, 13 January).

Food Price Index – December (10:45am, Monday, 16 January). We have pencilled in a modest monthly fall, confirming a decent seasonal drop in food prices over Q4.

WHAT'S THE VIEW?

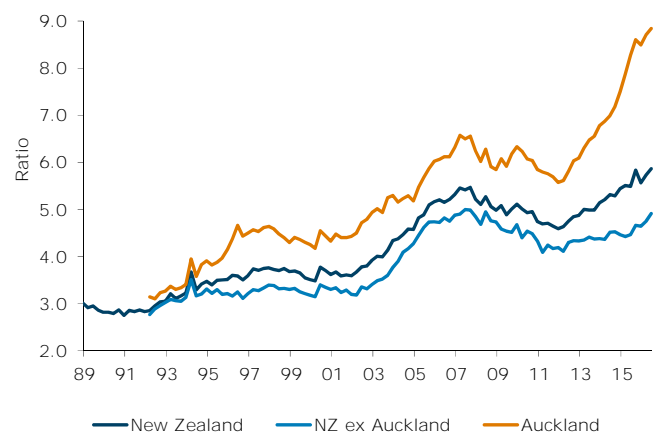
There are a number of different themes of which we are mindful when it comes to assessing the outlook for the economy. These themes not only affect what we see as the economy's most likely path but also the degree of confidence we have around that trajectory. Global developments, inflation stirrings, reflation trends and politics – there looks set to be no shortage of things to focus on as 2017 gets underway.

But from a domestic perspective, one of the key themes we are watching this year is the housing market and household behaviour more generally. Dissect any set of projections for the New Zealand economy, particularly the cycle and path for inflation and interest rates, and at the heart of those projections will be an assumption about housing and consumption, and the interaction between the two.

Historically, a domestic housing boom and the consumption equivalent have gone hand-in-hand. That's typically led to a widening of the current account deficit, a lift in non-tradable inflation and a structural deterioration in the economy as imbalances and excesses build up. These pressures have then forced the RBNZ to react, and the subsequent tightening in policy has left the economy susceptible to a turn for the worse. And when the turn does come, the build-up of imbalances and excesses has meant the boom has typically been replaced by a bust.

Right now, the warning signs are starting to flash. We certainly have the housing boom. It's being manifested in strong house price growth, stretched valuations, rental yields being driven to record low levels, leverage build-up and strong credit growth. The average Auckland house is now more than nine times the average income and has lifted 40% in two years. Rental yields are below 3% in some suburbs.

FIGURE 1: REGIONAL HOUSE PRICES TO INCOME



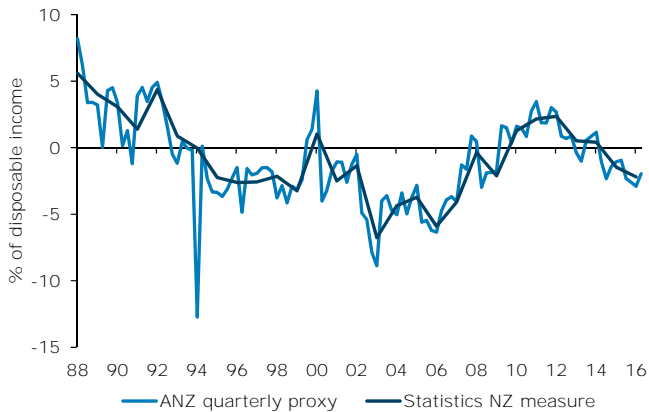
Source: ANZ, Statistics NZ, REINZ

Up until very recently, the consumption side of the ledger had not responded as it usually has in the past (i.e. homeowners spending out of their newfound paper wealth). However, with real household consumption growing at a 5.4% y/y pace in Q3 (the strongest since mid-2005), the household saving rate deteriorating to -2.2% (on par with 2009), and the household debt-to-income ratio rising to all-time highs, there are certainly some signs that

ECONOMIC OVERVIEW

pre-2008 behaviours are starting to broaden beyond just housing.

FIGURE 2: HOUSEHOLD SAVING RATE



Source: ANZ, Statistics NZ

This raises some important questions: Was the restraint generally shown by households post-GFC the new norm or an aberration? Will the household exuberance shown over the past few quarters prove to be transitory or are we “diving back in again”? And what does this all mean for the RBNZ? When might it possibly have to start withdrawing stimulus?

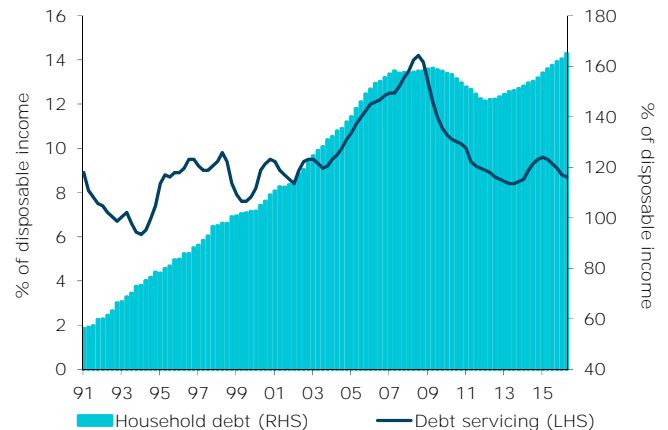
Our core assumption is that post-GFC restrained household behaviour is here to stay, and that recent hints of a return to behaviours of old will not persist. In this vein, we note:

- **There are fundamental reasons why consumption growth should be ticking higher.** With household income growth running over 5% and the labour market continuing to strengthen, it is little wonder that consumption growth is picking up. Let’s not forget that the economy is beyond just a recovery and is into a full-blown expansion. Our job ads series has not fallen since September 2015. Moreover, strong population growth has played an important role. The growth in per capita consumption has been far more modest (although at 3.3% y/y in Q3 it is admittedly lifting too).
- **Part of the deterioration in the household saving rate is just a natural response to a significant farm income shock.** Rural households have attempted to smooth their consumption by borrowing a little more. We estimate that if farm incomes had held up in line with their 2011-2014 average, the household saving rate would currently be +0.7%, all else equal; not great but at least not negative.
- **Restrained per capita consumption growth has limited the spill-over from housing inflation into non-tradable inflation more**

broadly. Talk to any retailer and they’ll still tell you how tough a gig it is. Some would argue that high house prices have led to increased precautionary savings on the part of recent and would-be first home buyers, and also concern among the middle class that they’re going to have to help fund their kids into their first homes. Research by Treasury shows those in their 20s are actually saving like mad, at least relative to how much generations before them did at the same age.

- **Household debt levels may be higher, but debt serviceability has improved, courtesy of much lower interest rates.** Household debt servicing as a share of income rose to over a whopping 14% in 2008; it sits at 8.7% now. Even if we assume interest rates nudge up over the coming years, the debt-servicing burden will not turn onerous for quite a while.

FIGURE 3: HOUSEHOLD DEBT AND SERVICEABILITY



Source: ANZ, RBNZ

- **KiwiSaver is now entrenched in the national psyche.** Close to 2.7 million Kiwis now have a KiwiSaver account, and contributions are growing at a circa \$5bn annual clip. KiwiSaver funds have grown as a result of surging equity and bond prices here and abroad, as well as thanks to contributions. You can see the playing field shifting towards the retirement age being lifted.
- **The regulator (RBNZ) is into its third round of prudential policy tweaks and the latest tightening (40% deposit requirement for investors) is not mucking around.** Momentum in the housing market has cooled, and while there is debate about the likely persistence of the impact of such measures, more will be on offer (debt-to-income limits) if the housing market takes off again.

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- **Banks are now actively leaning against the supply of credit at the top of the business cycle.** There are a number of reasons for this:
 - It makes economic sense to lighten up at the top of the cycle for risk reasons.
 - There is a glaring gap between deposit growth and credit growth. Either offshore funding (borrowing) lifts, which has what has happened historically (that's expensive and will lead to a wider current account deficit and reliance on offshore capital markets, raising the ire of rating agencies), or something needs to be done about that gap. Cue more aggressive competition for deposits and credit rationing (which shifts the pendulum back to saving as opposed to spending). It's significant that the last OCR cut was not passed on and competition for deposits is heating up. It's a sign of an internal constraint (save a dollar to spend / borrow a dollar) in operation.

Of course there are other factors influencing the path for the likes of interest rates: the NZD (expected to hold), structural deflationary forces in the form of technology, excess capacity globally etc.

But we assume that this latest bout of household exuberance will prove temporary and that restraint returns. That is also a key element of why we feel it will not be until mid-2018 that the RBNZ will feel the need to start contemplating OCR hikes.

However, the extent to which housing excesses continue to bubble, risking broader spill-overs into the economy, is of critical importance over the coming years. A continuation of recent trends would certainly lead us to materially alter both the path for domestic monetary policy (tighter, sooner) and contribute to a more 'typical' New Zealand business cycle (a bigger upswing in the near term, but greater odds of a full-blown downturn by 2019). So we'll be paying particularly close attention going forward to credit growth, housing activity, spending figures, and structural measures such as saving rates and leverage levels.

For now, we have admittedly somewhat of a holy-grail type situation pencilled in. That is, excesses do not continue to build; inflation doesn't rear its ugly head; the housing market settles; credit growth slows (with households, regulators and intermediaries contributing); interest rates move up, but in a slow and gradual fashion; and the economic cycle oscillates between growth of 4% (now) and 2%

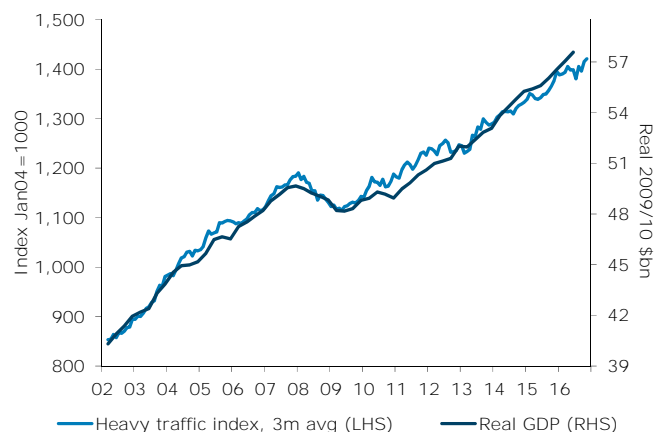
(2018). That's a different – milder – cyclical economic path than New Zealand has historically followed.

Turning to the coming week, the domestic data calendar is filled with a number of our proprietary releases that will provide a timely reminder on many elements of the economy and momentum heading into 2017.

Our Job Ads series will show how the demand for labour ended the year. If prior months are anything to go by, it will remain strong. In November, job advertising rose 2.9% m/m, which was the strongest monthly growth in almost two years. What made this even more impressive was that it was off a strong rate of growth already, with advertising rising in every month since September 2015. While methodological changes in the Household Labour Force survey mean that employment growth of 6.1% y/y overstates things, our Job Ads series suggests that the pace of hiring may not be too far from this rate.

The Truckometer for December will provide a gauge on activity momentum. The Heavy Traffic Index surged 4% m/m in November, which more than reversed the falls in the previous two months, although on a 3-month average basis, the 0.4% growth is pointing to a softer pace of momentum than many other gauges at present so our focus will be on whether that divergence continues.

FIGURE 4: HEAVY TRAFFIC INDEX AND GDP



Source: ANZ, Statistics NZ

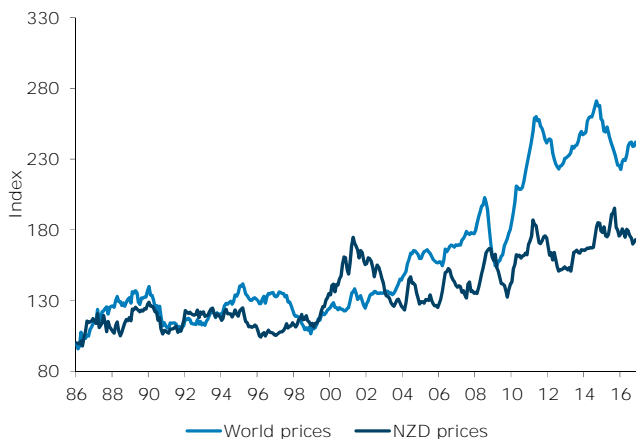
Together with December food price data (due Monday 16 January), our Monthly Inflation Gauge will allow us to firm up our expectations for Q4 CPI (due 26 January). At this stage, our forecast for the CPI figures is +0.2% q/q (1.1% y/y), although we do see some upside risk to this. Whatever the precise number, headline inflation looks set to return to the RBNZ's target band for the first time since Q3 2014. Our Gauge will help also confirm

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or counter the tentative signs that underlying price pressures are lifting further too.

Our December ANZ Commodity Price Index will provide an update on the broader commodity picture. The latest GlobalDairyTrade auctions suggest the ascent in global dairy prices has stabilised, but the main focus in this data will be on how non-dairy prices are tracking. In November, non-dairy export commodity prices posted a 1.1% m/m lift, which saw them sitting 9% above January levels. However, the picture does not look as positive in NZD terms, with prices down 2.3% over the same period, highlighting some pressures on domestic farm-gate prices.

FIGURE 5: NON-DAIRY EXPORT COMMODITY PRICES



Source: ANZ

Also this week, REINZ housing market figures for December are likely to be released. We expect them to be consistent with recent softer momentum. Figures can be a little more volatile this time of year as activity naturally quietens through the holiday period, so that needs to be borne in mind. But earlier data has shown that recent market momentum is a far cry from what was experienced earlier in the year, with natural affordability constraints, bank behaviour and RBNZ policy restrictions all playing a role in restraining activity. Turnover has fallen, the median number of days to sell has lifted, and price growth has moderated. We are not expecting outright weak numbers in the month, but do expect a continuation of this gradual moderation theme to persist.

Finally, Electronic Card Transaction figures for December should show a decent bounce from a softer November. Total retail sales values eased 0.1% m/m, with core sales dropping 0.4% m/m. While this softness was relatively broad-based, we view it as more of a temporary blip than anything more significant, with perhaps the mid-November earthquakes and unseasonably wet weather having

some impact on trading over the month. We have pencilled in a 1.2% m/m lift in December, with a number of positive support factors remaining (population growth, tourist spend, strengthening labour market, decent consumer confidence etc).

LOCAL DATA

ANZ Business Outlook – December. Headline confidence rose 1 point to a net 22%. Firms' own activity expectations lifted 2 points to a net 40%.

Food Price Index – November. Prices dipped 0.1% m/m (+0.6% y/y).

International Travel & Migration – November. A net inflow of 6,220 (sa) migrants was seen, with visitor arrivals up 0.5% m/m (sa).

Overseas Merchandise Trade – November. A monthly deficit of \$705m was seen (a \$389m deficit in seasonally adjusted terms).

RBNZ New Residential Mortgage Lending – November. New lending was \$6.3bn, which is up 5.8% m/m (sa).

GDP – Q3. Headline GDP rose 1.1% q/q (3.5% y/y), led by business services, transport, manufacturing and construction.

Balance of Payments – Q3. A seasonally adjusted current account deficit of \$1.9bn was seen, with the annual deficit unchanged at 2.9% of GDP.

RBNZ Credit Aggregates – November. Total private sector credit was unchanged (+7.1% y/y).

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
9-Jan	AU	Foreign Reserves - Dec	--	A\$69.9B	18:30
	GE	Industrial Production SA MoM - Nov	0.6%	0.3%	20:00
	GE	Industrial Production WDA YoY - Nov	1.9%	1.2%	20:00
	GE	Trade Balance - Nov	€20.3B	€19.4B	20:00
	GE	Current Account Balance - Nov	€22.1B	€18.4B	20:00
	GE	Exports SA MoM - Nov	0.5%	0.5%	20:00
	GE	Imports SA MoM - Nov	1.1%	1.2%	20:00
	UK	Halifax House Prices MoM - Dec	0.3%	0.2%	21:30
	UK	Halifax House Price 3Mths/Year - Dec	5.8%	6.0%	21:30
	EC	Sentix Investor Confidence - Jan	12.8	10.0	22:30
	EC	Unemployment Rate - Nov	9.8%	9.8%	23:00
10-Jan	US	Consumer Credit - Nov	\$18.40B	\$16.02B	09:00
	AU	ANZ-RM Consumer Confidence Index - 8-Jan	--	113.4	11:30
	AU	Retail Sales MoM - Nov	0.4%	0.5%	13:30
	CH	CPI YoY - Dec	2.2%	2.3%	14:30
	CH	PPI YoY - Dec	4.6%	3.3%	14:30
	JN	Consumer Confidence Index - Dec	--	40.9	18:00
	NZ	REINZ House Sales YoY - Dec	--	-5.90%	10-13 Jan
	CH	Money Supply M0 YoY - Dec	7.00%	7.60%	10-15 Jan
	CH	Money Supply M1 YoY - Dec	22.00%	22.70%	10-15 Jan
	CH	Money Supply M2 YoY - Dec	11.40%	11.40%	10-15 Jan
	CH	Aggregate Financing CNY - Dec	1300.0B	1736.6B	10-15 Jan
	CH	New Yuan Loans CNY - Dec	676.0B	794.6B	10-15 Jan
11-Jan	US	NFIB Small Business Optimism - Dec	99.3	98.4	00:00
	US	Wholesale Inventories MoM - Nov F	0.9%	0.9%	04:00
	US	Wholesale Trade Sales MoM - Nov	--	1.4%	04:00
	US	JOLTS Job Openings - Nov	5517	5534	04:00
	NZ	QV House Prices YoY - Dec	--	12.4%	05:30
	NZ	ANZ Job Advertisements MoM - Dec	--	2.9%	10:00
	AU	Job vacancies - Nov	--	4.6%	13:30
	UK	Visible Trade Balance GBP/Mn - Nov	-£11100	-£9711	22:30
	UK	Trade Balance Non EU GBP/Mn - Nov	-£3000	-£1598	22:30
	UK	Trade Balance - Nov	-£3500	-£1971	22:30
	UK	Industrial Production MoM - Nov	0.9%	-1.3%	22:30
	UK	Industrial Production YoY - Nov	0.6%	-1.1%	22:30
	UK	Manufacturing Production MoM - Nov	0.5%	-0.9%	22:30
	UK	Manufacturing Production YoY - Nov	0.4%	-0.4%	22:30
	UK	Construction Output SA MoM - Nov	0.3%	-0.6%	22:30
	UK	Construction Output SA YoY - Nov	2.0%	0.7%	22:30
12-Jan	US	MBA Mortgage Applications - 6-Jan	--	0.1%	01:00
	UK	NIESR GDP Estimate - Dec	0.5%	0.4%	04:00
	NZ	ANZ Truckometer Heavy MoM - Dec	--	4.0%	10:00
	JN	BoP Current Account Balance - Nov	¥1481.8B	¥1719.9B	12:50
	JN	BoP Current Account Adjusted - Nov	¥1880.7B	¥1928.9B	12:50
	JN	Trade Balance BoP Basis - Nov	¥249.4B	¥587.6B	12:50
	NZ	ANZ Commodity Price - Dec	--	2.7%	13:00
	AU	Credit Card Balances - Nov	--	A\$51.4B	13:30
	AU	Credit Card Purchases - Nov	--	A\$25.6B	13:30

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
12-Jan	EC	Industrial Production SA MoM - Nov	0.5%	-0.1%	23:00
	EC	Industrial Production WDA YoY - Nov	1.5%	0.6%	23:00
13-Jan	US	Import Price Index MoM - Dec	0.7%	-0.3%	02:30
	US	Initial Jobless Claims - 7-Jan	255k	235k	02:30
	US	Continuing Claims - 31-Dec	2077k	2112k	02:30
	US	Import Price Index YoY - Dec	1.8%	-0.1%	02:30
	US	Monthly Budget Statement - Dec	-\$25.0B	-\$136.7B	08:00
	NZ	Card Spending Retail MoM - Dec	1.0%	-0.1%	10:45
	NZ	Card Spending Total MoM - Dec	--	-0.3%	10:45
	NZ	ANZ Monthly Inflation Gauge - Dec	--	0.1%	13:00
	GE	Wholesale Price Index MoM - Dec	--	0.1%	20:00
	GE	Wholesale Price Index YoY - Dec	--	0.8%	20:00
	CH	Trade Balance - Dec	\$47.55B	\$44.23B	UNSPECIFIED
	CH	Exports YoY - Dec	-3.8%	-1.6%	UNSPECIFIED
	CH	Imports YoY - Dec	3.0%	4.7%	UNSPECIFIED
14-Jan	US	PPI Final Demand MoM - Dec	0.3%	0.4%	02:30
	US	PPI Final Demand YoY - Dec	1.6%	1.3%	02:30
	US	PPI Ex Food and Energy MoM - Dec	0.1%	0.4%	02:30
	US	PPI Ex Food and Energy YoY - Dec	1.5%	1.6%	02:30
	US	PPI Ex Food, Energy, Trade YoY - Dec	1.8%	1.8%	02:30
	US	PPI Ex Food, Energy, Trade MoM - Dec	0.2%	0.2%	02:30
	US	Retail Sales Advance MoM - Dec	0.7%	0.1%	02:30
	US	Retail Sales Ex Auto MoM - Dec	0.5%	0.2%	02:30
	US	Retail Sales Ex Auto and Gas - Dec	0.4%	0.2%	02:30
	US	Retail Sales Control Group - Dec	0.4%	0.1%	02:30
	US	Business Inventories - Nov	0.5%	-0.2%	04:00
	US	U. of Mich. Sentiment - Jan P	98.5	98.2	04:00

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

Domestic economic momentum is solid, with downside risks mainly stemming from offshore. With inflation showing signs of tentatively lifting, the OCR now looks to be on hold at 1.75% for a considerable period.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
10-13 Jan	REINZ Housing Market Statistics – Dec	Cooler	Momentum has cooled and while we are not expecting outright weak figures, this softer momentum is likely to have persisted.
Wed 11 Jan (10:00am)	ANZ Job Ads – Dec	--	--
Thu 12 Jan (10:00pm)	ANZ Truckometer – Dec	--	--
Thu 12 Jan (1:00pm)	ANZ Commodity Price Index – Dec	--	--
Fri 13 Jan (10:45am)	Electronic Card Transactions – Dec	Rebound	After a soft November, we expect a decent bounce in sales growth over the key Christmas period.
Fri 13 Jan (1:00pm)	ANZ Monthly Inflation Gauge – Dec	--	--
Mon 16 Jan (10:45am)	Food Price Index – Dec	Flattish	We have pencilled in a modest monthly fall, confirming a decent seasonal drop in food prices over Q4.
Tue 17 Jan (10:00am)	NZIER QSBO – Q4	Strong	Strong confidence, decent activity momentum and growing capacity pressures should be the key themes.
Wed 18 Jan (early am)	GlobalDairyTrade Auction	Consolidating	After some strong price gains, prices look set to consolidate/ease as the near-term supply backdrop shifts.
Thu 19 Jan (10:30am)	BNZ-BusinessNZ PMI – Dec	Solid	While the index is off its highs, it is still pointing to a strong pace of growth, which we expect to persist.
Thu 19 Jan (10:45am)	Building Consents Issued – Nov	Flattening	Positive tailwinds remain, but we do believe that capital and capacity constraints will increasingly cap the upside.
Thu 19 Jan (1:00pm)	ANZ-Roy Morgan Consumer Confidence – Jan	--	--
Mon 24 Jan (10:30am)	BNZ-BusinessNZ PSI – Dec	Chugging along	Tighter credit conditions may have an impact, but we expect the services sector to continue to perform well overall.
Thu 26 Jan (10:45am)	CPI – Q4	+0.2% q/q	Headline inflation should return to the RBNZ's target band and we suspect to see more signs of core inflation lifting off lows.
Mon 30 Jan (10:45am)	Overseas Merchandise Trade – Dec	Looking better	With export commodity prices lifting, this should eventually flow through to an improvement in the trade balance.
Mon 30 Jan (3:00pm)	RBNZ New Residential Mortgage Lending – Dec	Softer	Compositional changes (away from investors towards first-home buyers) are notable, but new lending growth is expected to continue slowing.
Tue 31 Jan (10:45am)	International Travel & Migration – Dec	Strong	There are few signs that net migrant inflows are slowing and we doubt they will anytime soon given global themes.
Tue 31 Jan (3:00pm)	RBNZ Credit Aggregates – Dec	Easing	The peak in credit growth has passed as LVR restrictions and altered bank behaviour influence.
Wed 1 Feb (10:45am)	Labour Market Statistics – Q4	Strong	Methodological changes cloud the picture, but the figures should again show strong labour demand and a downward bias in the unemployment rate. The key question is whether stronger wage growth starts to show up.
Thu 2 Feb (10:00am)	ANZ Job Ads – Jan	--	--
Fri 3 Feb (1:00pm)	ANZ Commodity Price Index – Jan	--	--
On balance		Data watch	Momentum is decent at present, albeit with risks. Inflation remains low, but looks to be rising.

KEY FORECASTS AND RATES

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
GDP (% qoq)	1.1	0.7	0.9	0.8	0.8	0.6	0.6	0.5	0.5	0.5
GDP (% yoy)	3.5	3.2	3.4	3.5	3.2	3.1	2.8	2.5	2.2	2.1
CPI (% qoq)	0.3	0.2	0.5	0.4	0.6	0.2	0.9	0.5	0.6	0.1
CPI (% yoy)	0.4	1.1	1.4	1.4	1.7	1.7	2.1	2.2	2.2	2.0
Employment (% qoq)	1.4	0.7	0.6	0.5	0.4	0.4	0.4	0.4	0.3	0.3
Employment (% yoy)	6.1	5.9	5.2	3.3	2.2	1.9	1.7	1.6	1.5	1.4
Unemployment Rate (% sa)	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.4	4.4	4.3
Current Account (% GDP)	-2.9	-2.9	-3.0	-3.1	-3.2	-3.3	-3.3	-3.3	-3.3	-3.3
Terms of Trade (% qoq)	-1.9	0.7	0.8	1.0	0.7	0.6	0.3	0.4	0.1	0.0
Terms of Trade (% yoy)	-2.3	0.4	-2.9	0.6	3.2	3.1	2.6	2.0	1.4	0.8

	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Retail ECT (% mom)	0.1	0.9	-0.2	1.2	0.2	-1.2	2.0	0.5	-0.1	--
Retail ECT (% yoy)	6.2	7.8	3.3	6.8	5.8	3.2	6.1	4.2	5.1	--
Credit Card Billings (% mom)	-0.8	2.1	0.1	-0.8	2.4	-0.9	2.9	3.0	-4.2	--
Credit Card Billings (% yoy)	5.1	9.0	6.1	4.1	5.6	2.2	8.3	10.1	4.1	--
Car Registrations (% mom)	-3.8	6.2	-3.6	-0.9	-0.1	2.8	-3.1	11.7	2.9	--
Car Registrations (% yoy)	-0.2	8.7	4.2	-1.2	-1.9	2.6	-0.8	13.1	18.4	--
Building Consents (% mom)	-9.4	7.9	-0.5	15.6	-4.4	-2.4	-0.2	2.6	--	--
Building Consents (% yoy)	0.4	13.6	10.2	39.2	7.8	11.7	14.4	14.2	--	--
REINZ House Price Index (% yoy)	13.3	14.5	14.7	14.2	16.3	11.7	9.7	14.4	14.9	--
Household Lending Growth (% mom)	0.6	0.8	0.7	0.8	0.8	0.8	0.8	0.6	0.6	--
Household Lending Growth (% yoy)	7.7	7.9	8.1	8.3	8.6	8.7	8.8	8.7	8.6	--
ANZ Roy Morgan Consumer Conf.	118.0	120.0	116.2	118.9	118.2	117.7	121.0	122.9	127.2	124.5
ANZ Business Confidence	3.2	6.2	11.3	20.2	16.0	15.5	27.9	24.5	20.5	21.7
ANZ Own Activity Outlook	29.4	32.1	30.4	35.1	31.4	33.7	42.4	38.4	37.6	39.6
Trade Balance (\$m)	189	350	343	107	-351	-1240	-1390	-815	-705	--
Trade Bal (\$m ann)	52599	52626	52854	52660	52078	51900	51938	51944	51634	--
ANZ World Commodity Price Index (% mom)	-1.3	-0.8	1.0	3.5	2.1	3.2	5.1	0.7	2.7	--
ANZ World Comm. Price Index (% yoy)	-22.4	-16.8	-11.7	-5.6	1.9	11.1	10.6	4.0	13.1	--
Net Migration (sa)	5360	5500	5590	5740	5670	5670	6330	6230	6220	--
Net Migration (ann)	67619	68110	68432	69090	69015	69119	69954	70282	70354	--
ANZ Heavy Traffic Index (% mom)	3.4	-2.4	-2.4	5.1	-6.3	7.0	-2.2	-0.4	4.0	--
ANZ Light Traffic Index (% mom)	0.9	0.3	-1.4	2.7	-0.6	-1.6	0.1	-2.0	1.7	--

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)						
	Nov-16	Dec-16	Today	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
NZD/USD	0.714	0.693	0.697	0.69	0.67	0.65	0.64	0.64	0.65	0.65
NZD/AUD	0.957	0.962	0.953	0.93	0.93	0.93	0.94	0.97	0.98	0.94
NZD/EUR	0.671	0.659	0.662	0.67	0.66	0.64	0.64	0.64	0.62	0.62
NZD/JPY	80.72	81.10	81.59	79.4	77.1	74.8	73.6	73.6	74.8	74.8
NZD/GBP	0.574	0.562	0.568	0.57	0.55	0.54	0.54	0.52	0.52	0.52
NZ\$ TWI	77.1	76.1	77.6	75.6	74.1	72.5	72.1	72.4	72.5	71.8
INTEREST RATES	Oct-16	Nov-16	Today	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
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	2.04	2.00	1.99	2.00	2.00	2.00	2.00	2.20	2.30	2.50
NZ 10-yr bond	3.13	3.33	3.21	3.60	3.70	3.80	3.90	4.00	4.10	4.30
US Fed funds	0.50	0.75	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.75
US 3-mth	0.93	1.00	1.01	1.13	1.20	1.33	1.45	1.60	1.75	2.00
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
AU 3-mth	1.77	1.82	1.78	1.70	1.70	1.70	1.70	1.70	1.70	1.70

	6 Dec	2 Jan	3 Jan	4 Jan	5 Jan	6 Jan
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	2.04	2.00	2.00	2.00	1.99	1.98
NZGB 03/19	2.16	2.26	2.26	2.24	2.19	2.19
NZGB 05/21	2.54	2.67	2.67	2.65	2.58	2.56
NZGB 04/23	2.83	2.95	2.95	2.93	2.86	2.82
NZGB 04/27	3.24	3.33	3.33	3.31	3.24	3.19
2 year swap	2.28	2.50	2.46	2.43	2.40	2.39
5 year swap	2.83	3.05	3.04	3.03	2.97	2.96
RBNZ TWI	78.54	77.77	77.77	77.24	77.88	77.69
NZD/USD	0.7129	0.6927	0.6920	0.6948	0.6968	0.6960
NZD/AUD	0.9581	0.9649	0.9607	0.9568	0.9558	0.9533
NZD/JPY	81.31	81.30	81.84	81.71	81.35	81.45
NZD/GBP	0.5589	0.5629	0.5636	0.5667	0.5669	0.5665
NZD/EUR	0.6619	0.6609	0.6656	0.6660	0.6643	0.6608
AUD/USD	0.7441	0.7179	0.7203	0.7262	0.7290	0.7301
EUR/USD	1.0770	1.0481	1.0397	1.0432	1.0489	1.0532
USD/JPY	114.06	117.36	118.26	117.60	116.75	117.02
GBP/USD	1.2756	1.2307	1.2278	1.2260	1.2292	1.2287
Oil (US\$/bbl)	51.72	53.75	53.75	52.36	53.26	53.77
Gold (US\$/oz)	1172.15	1151.85	1157.31	1161.26	1173.75	1179.05
Electricity (Haywards)	5.38	3.35	3.77	2.84	4.28	3.81
Baltic Dry Freight Index	1186	--	953	969	983	963
NZX WMP Futures (US\$/t)	3525	--	#N/A	3240	3230	3230

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