

30 October 2017

INSIDE

Economic Overview 2  
 Data Event Calendar 6  
 Local Data Watch 9  
 Key Forecasts 10

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**A CHANGE IN TACK**

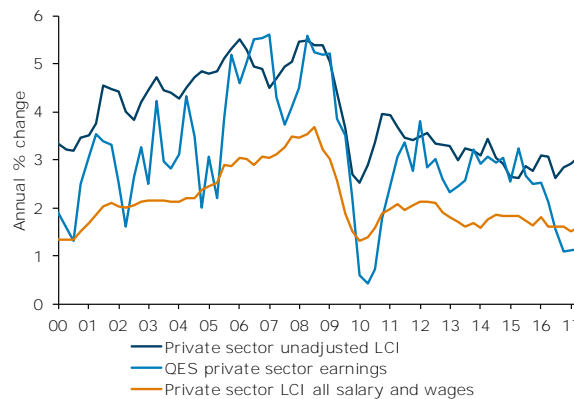
**ECONOMIC OVERVIEW**

Details of the new Government’s policy direction and priorities are emerging. Lifting ‘well-being’ is clearly a focus, and the Government will be more ‘active’ in a number of areas to achieve that. Measurement of progress will be key if money is not to be simply poured down the sink. Ultimately, we are reasonably agnostic on what it could all mean, as the policy prescription still looks reasonably centralist in aggregate, though we are watching industrial relations policy closely. The challenge will be getting buy-in from businesses (a sustained hit to business sentiment would have negative growth implications) as well as hitting fiscal targets; the Treasury’s growth numbers are too high and there appears to be little in the kitty for initiatives beyond education and health. Some fiscal slippage looks likely and we don’t have major concerns over that, as long as it’s minor and not a trend. At this stage we are not inclined to alter our economic assessment. Concern over changes in the way the RBNZ will be operating look overblown too. We still see growth holding around 2½-3% on average.

**CHART OF THE WEEK**

This week’s labour market statistics should show a lift in wage growth, in large part due to the Government’s settlement with care and support workers.

**Key wage measures**



Source: Statistics NZ, 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	1.7% 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

Details of the new Government's policy direction and priorities are emerging. Lifting 'well-being' is clearly a focus, and the Government will be more 'active' in a number of areas to achieve that. Measurement of progress will be key if money is not to be simply poured down the sink. Ultimately, we are reasonably agnostic on what it could all mean, as the policy prescription still looks reasonably centralist in aggregate, though we are watching industrial relations policy closely. The challenge will be getting buy-in from businesses (a sustained hit to business sentiment would have negative growth implications) as well as hitting fiscal targets; the Treasury's growth numbers are too high and there appears to be little in the kitty for initiatives beyond education and health. Some fiscal slippage looks likely and we don't have major concerns over that, as long as it's minor and not a trend. At this stage we are not inclined to alter our economic assessment. Concern over changes in the way the RBNZ will be operating look overblown too. We still see growth holding around 2½-3% on average. This week's labour market figures will incorporate the direct impact on wages from the settlement with care and support workers, while our Business Outlook will provide another update on how political uncertainty is affecting sentiment.

## FORTHCOMING EVENTS

### Building Consent Issuance – September

(10:45am, Tuesday, 31 October). After the surprising 10% m/m jump last month, some unwind is likely.

**ANZ Business Outlook – October** (1:00pm, Tuesday, 31 October).

**Labour Market Statistics – Q3** (10:45am, Wednesday, 1 November). Employment growth should rebound after Q2's surprising fall, while we forecast the unemployment rate to hold steady at 4.8%. The Government's settlement with care and support workers will boost wage growth figures.

**ANZ Job Ads – October** (10:00am, Thursday, 2 November).

## WHAT'S THE VIEW?

**With the coalition agreements now released, we are starting to get a clearer picture of the policy direction and priorities of the new Government.**

Yes, concessions were made, particularly in the likes of regional development and the environment. However, there certainly wasn't anything in the agreements that we'd class as significantly surprising or unsettling from an economic point of view. Some of the more 'extreme' policies of the smaller parties have not made

the cut. It shows MMP working as it was designed to do, and that should be reassuring for many.

**So the broad spirit of the policy platform appears likely to more or less resemble the initiatives that Labour campaigned on during the election.**

Below is certainly not an exhaustive list, but here are some of the things we know:

- **Lifting 'well-being' is front and centre as social deficits are targeted, notably child poverty.** You need GDP growth to achieve that, but other indicators of a social nature to measure progress too. There is a massive measurement hole with regard to the latter, but progress needs to be measured if you are to avoid the old trap of just throwing money at a problem.
- **The Government is going to be more "active" in numerous areas.** What 'active' actually means is open to conjecture of course. There is nothing wrong with being active provided you a) have a comparative advantage in that area; or b) there is a market failure.
- **A sizeable spending-based families package is set to replace the former Government's tax package.** It is possible we get a 'mini-Budget' over the next month or so and the 2018 Budget is shaping up as a boomer, with a sizeable shift to an expansionary fiscal stance over 2018 and 2019. That will help growth but could fuel inflation.
- **Spending on health and education will increase significantly,** eating up the lion's share of new initiative spending in the upcoming Budgets. There is little left in the kitty for anything else. That's not politically realistic, so expect some fiscal slippage. We'll be putting something out on the numbers this week.
- **A more direct approach to boosting housing supply will be taken.** The 'Kiwibuild' programme will initially put \$2bn worth of public capital to work, with the ultimate aim of building 10k 'affordable' houses per year, although it appears likely to ramp up slowly. With the construction sector bursting at the seams capacity-wise, it's not obvious where the resources to build more houses will come from.
- **A regional development fund will be created.** That will be set at \$1bn per annum and will be used for investments in regional rail and forestry, among other "large scale capital projects". Whether this is actually new money or primarily a repackaging of already-planned spending under a "regional initiative" umbrella is unclear.

## ECONOMIC OVERVIEW

- **Housing speculation will be targeted.** Restrictions on foreign buyers look set to be put in place before year's end, with trade agreements that conflict with this to be "looked at". The bright-line test will be extended to five years and negative gearing put under the spotlight.
- **We're set for a host of inquiries, summits, investigations and reviews** on issues ranging from welfare (and Working For Families specifically) to biosecurity, port location, government procurement, tax, retail power pricing and election and parliamentary processes. Officials will be busy.
- **Migration policies will be tightened.** Restrictions look likely to take the form of stricter requirements for those seeking work or student visas, although the exact details are not yet clear. A special 'Kiwibuild' visa will also be created to help with construction sector resources. The intention is to lower annual net migration by 20-30k per year.
- **Industrial relations policy will change.** The reintroduction of workers' rights to initiate collective bargaining and greater union access to workplaces (among other things) are being proposed. Labour is also proposing the introduction of what it calls 'Fair Pay Agreements', which seem likely to set industry wage benchmarks. Details are still being worked through on the latter, and importantly, Labour wants to involve businesses in the negotiations, so it is a policy that appears more of a slow-burn than something that will happen quickly.
- **There will be successive hikes in the minimum wage.** The current minimum wage of \$15.75/hr will be lifted to \$16.50/hr on 1 April next year and be progressively increased to \$20/hr by April 2021. There is a possibility that SMEs will be provided with tax offsets to lessen the cost. Expect a bow-wave ratcheting effect on those paid above the minimum wage.
- **R&D policy will likely shift from a grants-based model to a tax write-off regime.**
- **The Auckland Council will be given the ability to charge a regional fuel tax,** likely set at 10c per litre. The timing of its introduction appears to be sometime within "four to five months." It will be used to help fund projects such as light rail.
- **The RBNZ Act will be reformed.** The RBNZ will have a dual mandate (employment and price stability) and a committee-based decision-making structure will be formalised. That's not out of line

with overseas experience and so the concern (being expressed via the NZD) looks overblown.

- **Labour has vowed to stick to fiscally prudent budget rules.** This includes delivering underlying operating surpluses over the economic cycle as well as reducing net debt to 20% of GDP within five years.
- **The superannuation age will remain at 65.**
- **In the environmental arena there are a number of new initiatives.** As well as Auckland public transport spending, there is a \$100m "green investment fund", and as per Labour's policy, an independent Climate Commission and a Carbon Act will be introduced, with the aim of becoming a carbon-neutral country by 2050. On the other hand, the water tax is history, farmers have secured NZ First's 95% exemption from the Emission Trading Scheme versus Labour's preferred 90%, and the agreed funding for irrigation scheme investments is to be left in place (but no more).

**We're somewhat agnostic over what it all means.** MMP has delivered a reasonably centralist prescription. Our main focal point will be on how industrial relations policy unfolds, which we view as the elephant in the room.

**How the policy prescription is sold and marketed is going to take on critical importance over coming months.** The economic wheels of the country need to keep turning and changes in economic direction mean increased uncertainty. Businesses can often decide to wrap themselves in cotton wool in such circumstances. The Government is going to need buy-in if economic momentum is to be maintained.

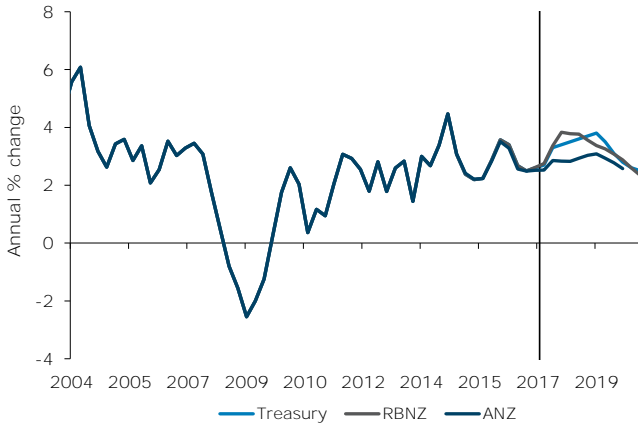
**Containing spending pressures and achieving fiscal targets is going to be challenging too.**

- **Treasury's growth numbers are too optimistic.** Real GDP of 3.7% in the coming fiscal year looks way too high. That means that by the end of FY2021, core Crown revenue could potentially be over \$3bn lower than PREFU projections, all else equal.
- There is little money left for new initiatives in the 2019 and 2020 Budget outside of health and education, and the coalition agreement flagged more funding for the likes of conservation (and possibly regional development). Other core government services (i.e. police) will want funding increases. It's not clear whether the planned education uplift included anything for teachers' pay (we suspect it didn't). So there will be some fiscal slippage unless taxes are lifted or other

## ECONOMIC OVERVIEW

spending cut. The good news is that the accounts are in the black so some slippage is absorbable.

**Figure 1: ANZ, RBNZ and NZ Treasury real GDP forecasts**



Source: Statistics NZ, RBNZ, Treasury, ANZ Research

**Overall, we don't see anything in the policy prescription that makes us inclined to change our economic assessment.** We need more clarity and detail on numerous levels. Yes, we can see risks; in the near term they look skewed to the downside, while they are perhaps more upwardly skewed a year out, but it is not a clear enough picture for us to alter them yet. We remain happy with our core view that as the economy transitions in terms of its growth drivers (as the likes of migration, construction and housing all peak), that the benefits from solid household incomes, fiscal spending and commodity price returns (helped now by a lower NZD) will step up eventually to fill the void. Ultimately, and importantly, **we don't see the shift in policy direction as dramatically derailing the economic picture.** There could be some wobbles (which would have been the case irrespective of the election), but we are still comfortable with our view that growth will average 2½-3% over the next couple of years.

**The risks to the inflation outlook are arguably more one way though.** There will obviously be direct CPI implications from the regional fuel tax (but only 0.1%pts on a \$2/litre petrol price). However, it is the fiscal impulse that risks exacerbating capacity pressures, and the shift we are seeing on the wage front (minimum wages and workplace relations), that could really shift the inflation dial.

**That leaves us comfortable for now that the RBNZ will be hiking gradually from late next year.** The situation is certainly not a simple one, as housing, growth and inflation developments may not necessarily all be providing a clear signal. Changes to the RBNZ's mandate add an additional complication – although we expect the changes to be of the 'vanilla' variety. But a move higher in wages, with which the

policy platform is consistent, has been a missing ingredient is generating broader inflationary pressures. The RBNZ may need to respond to that.

**Turning to this week's domestic data calendar, Q3 labour market figures headline the week. We expect them to be consistent with overall labour market strength.** While labour demand metrics have become a little more mixed of late (job ads growth has slowed and we will get a further update on whether that has continued in the October data to be released this week), we see employment growing 0.8% q/q, rebounding from the surprising fall in Q2. And with the labour force expected to expand at a similar pace (with the participation rate assumed to bounce to 70.2%), we expect the unemployment rate to hold steady at 4.8%.

**However, much of the focus could actually be on the accompanying wage growth figures.** That is because at face value they will look strong. We expect the private sector Labour Cost Index – our preferred measure of wage inflation – to lift 0.8% q/q and 2.0% y/y, which would be the strongest annual growth since 2012.

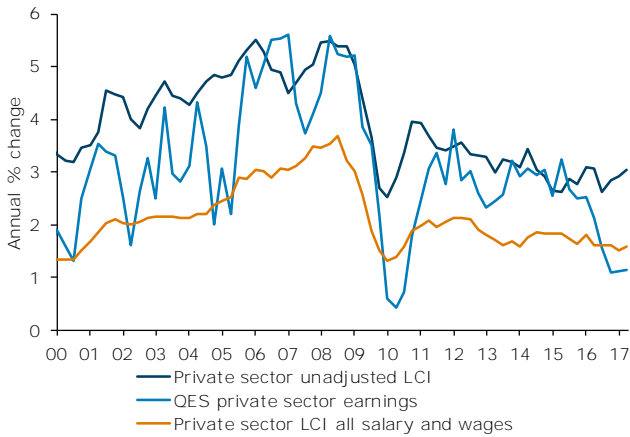
**However, there will be a large one-off element to this.** The Government's settlement with care and support workers looks set to contribute around 0.4%pts to the quarterly lift.

**The more important question surrounds the subsequent spill-overs to related sectors.** We are building in quarterly rises in private sector wages of around 0.5% over coming quarters, whereas 0.4% has been more typical. That's not all the impact of the settlement, as wages have other tailwinds. The unemployment rate is below our estimate (~5%) of the of non-accelerating inflation rate of unemployment (NAIRU). Firms continue to report that they are both very busy and struggling to find staff. Headline inflation, often a starting point for wage negotiations, is still modest but is well up from its lows. The announced lifts in the minimum wage will also feed through in time, but that's a story for another day.

**Ultimately, we are still of the view that the labour market is going to be a key driving factor influencing the path for inflation as 2018 unfolds.**

# ECONOMIC OVERVIEW

**Figure 2: Various wage growth measures**

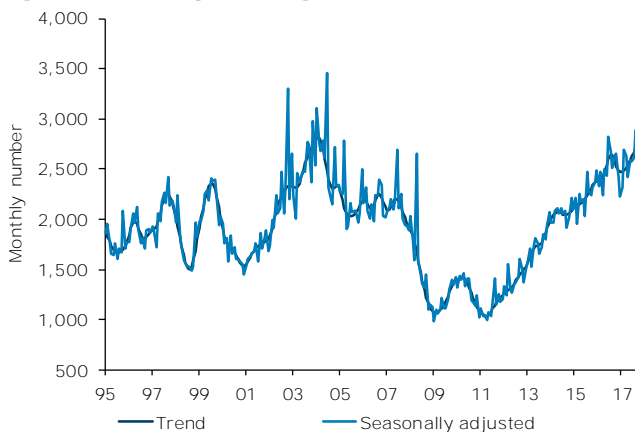


Source: Statistics NZ, ANZ Research

**Some unwind in September building consent issuance is likely.** The number of dwelling consents issued in August surged a surprising 10% m/m, to the highest level since 2004. Strength was particularly noticeable in Auckland, where our own seasonally adjusted estimate put the lift in the month at 85%! While certainly encouraging, the inherent volatility in the data and the composition of the lift makes us quite cautious about extrapolating this as a trend. Some reversal of this lift would not be surprising.

**When we step back, we still believe we are in an environment where annual issuance will struggle to push much above 30k.** Yes, demand-side forces remain strongly positive. However, that is being challenged by capacity, capital and cost constraints.

**Figure 3: Monthly dwelling consent issuance**

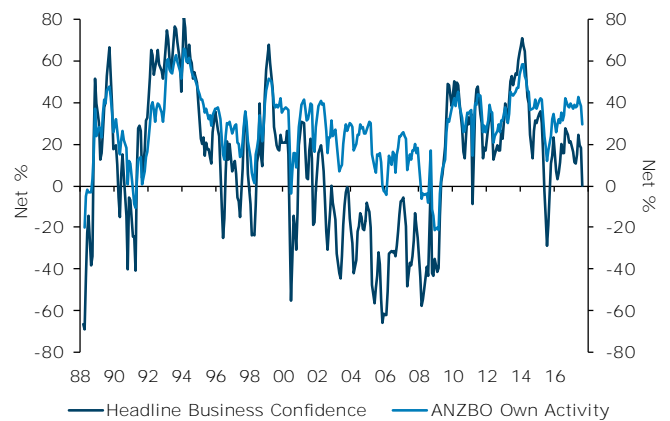


Source: Statistics NZ, ANZ Research

**Our October Business Outlook survey will provide another update on whether heightened political uncertainty is affecting business sentiment.** It will be too early to gauge any possible impact from the recent announcement of the Labour-NZ First coalition, with the majority of responses received prior to that. However, as last month's

results showed (where headline confidence fell to a net 0% – the lowest since September 2015) the uncertainty around the decision itself still has the potential to have led to a little unease. It goes without saying in many respects but at a time of policy and political change, whether or not there are any near-term negative growth implications will hinge on sentiment and whether it affects businesses' decisions to hire and invest. This survey is going to be key to watch over coming months.

**Figure 4: Headline confidence and own activity expectations**



Source: ANZ Research

## LOCAL DATA

**Overseas Merchandise Trade – September.** A monthly trade deficit of \$1.1bn was seen, with the seasonally adjusted deficit widening to \$247m.

**RBNZ New Residential Mortgage Lending – September.** We estimate that new mortgage lending fell 9.6% m/m (sa).



## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
30-Oct	GE	Retail Sales MoM - Sep	0.5%	-0.2%	20:00
	GE	Retail Sales YoY - Sep	3.0%	2.8%	20:00
	UK	Net Consumer Credit - Sep	£1.5B	£1.6B	22:30
	UK	Net Lending Sec. on Dwellings - Sep	£4.0B	£4.0B	22:30
	UK	Mortgage Approvals - Sep	66.0k	66.6k	22:30
	UK	Money Supply M4 MoM - Sep	--	0.9%	22:30
	UK	M4 Money Supply YoY - Sep	--	4.4%	22:30
	UK	M4 Ex IOFCs 3M Annualised - Sep	--	4.8%	22:30
	EC	Economic Confidence - Oct	113.3	113	23:00
	EC	Business Climate Indicator - Oct	1.40	1.34	23:00
	EC	Industrial Confidence - Oct	7.1	6.6	23:00
	EC	Services Confidence - Oct	15.0	15.3	23:00
	EC	Consumer Confidence - Oct F	-1	-1	23:00
31-Oct	US	Personal Income - Sep	0.4%	0.2%	01:30
	US	Personal Spending - Sep	0.9%	0.1%	01:30
	US	PCE Deflator MoM - Sep	0.4%	0.2%	01:30
	US	PCE Deflator YoY - Sep	1.6%	1.4%	01:30
	US	PCE Core MoM - Sep	0.1%	0.1%	01:30
	US	PCE Core YoY - Sep	1.3%	1.3%	01:30
	GE	CPI MoM - Oct P	0.1%	0.1%	02:00
	GE	CPI YoY - Oct P	1.7%	1.8%	02:00
	GE	CPI EU Harmonized MoM - Oct P	0.1%	0.0%	02:00
	GE	CPI EU Harmonized YoY - Oct P	1.7%	1.8%	02:00
	US	Dallas Fed Manf. Activity - Oct	21.0	21.3	03:30
	NZ	Building Permits MoM - Sep	--	10.2%	10:45
	AU	ANZ-RM Consumer Confidence Index - 29-Oct	--	113.3	11:30
	JN	Industrial Production MoM - Sep P	-1.6%	2.0%	12:50
	JN	Industrial Production YoY - Sep P	2.0%	5.3%	12:50
	NZ	ANZ Activity Outlook - Oct	--	29.6	13:00
	NZ	ANZ Business Confidence - Oct	--	0	13:00
	AU	HIA New Home Sales MoM - Sep	--	9.1%	13:00
	UK	GfK Consumer Confidence - Oct	-10	-9	13:01
	AU	Private Sector Credit MoM - Sep	0.5%	0.5%	13:30
	AU	Private Sector Credit YoY - Sep	5.6%	5.5%	13:30
	CH	Manufacturing PMI - Oct	52.1	52.4	14:00
	CH	Non-manufacturing PMI - Oct	--	55.4	14:00
	EC	Unemployment Rate - Sep	9.0%	9.1%	23:00
	EC	GDP SA QoQ - Q3 A	0.5%	0.6%	23:00
	EC	GDP SA YoY - Q3 A	2.3%	2.3%	23:00
	EC	CPI Estimate YoY - Oct	1.5%	1.5%	23:00
	EC	CPI Core YoY - Oct A	1.1%	1.1%	23:00
	JN	BoJ Policy Balance Rate - Oct	-0.1%	-0.1%	UNSPECIFIED
1-Nov	US	Employment Cost Index - Q3	0.7%	0.5%	01:30
	US	S&P CoreLogic CS 20-City MoM SA - Aug	0.40%	0.35%	02:00
	US	S&P CoreLogic CS 20-City YoY NSA - Aug	5.90%	5.81%	02:00
	US	Chicago Purchasing Manager - Oct	60.0	65.2	02:45
	US	Conf. Board Consumer Confidence - Oct	121.0	119.8	03:00
	NZ	Unemployment Rate - Q3	4.7%	4.8%	10:45

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## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
1-Nov	NZ	Employment Change QoQ - Q3	0.8%	-0.2%	10:45
	NZ	Employment Change YoY - Q3	2.5%	3.1%	10:45
	NZ	Participation Rate - Q3	70.2%	70.0%	10:45
	NZ	Pvt Wages Inc Overtime QoQ - Q3	0.6%	0.4%	10:45
	NZ	Pvt Wages Ex Overtime QoQ - Q3	0.7%	0.4%	10:45
	NZ	Average Hourly Earnings QoQ - Q3	1.1%	0.8%	10:45
	AU	CBA PMI Mfg - Oct	--	53.8	11:00
	AU	AiG Perf of Mfg Index - Oct	--	54.2	11:30
	AU	CoreLogic House Px MoM - Oct	--	0.3%	12:00
	JN	Nikkei PMI Mfg - Oct F	--	52.5	13:30
	CH	Caixin PMI Mfg - Oct	51.0	51.0	14:45
	AU	Commodity Index AUD - Oct	--	120.8	18:30
	AU	Commodity Index SDR YoY - Oct	--	18.3%	18:30
	UK	Nationwide House PX MoM - Oct	0.2%	0.2%	20:00
	UK	Nationwide House Px NSA YoY - Oct	2.2%	2.0%	20:00
	UK	Markit PMI Manufacturing SA - Oct	55.9	55.9	22:30
2-Nov	US	MBA Mortgage Applications - 27-Oct	--	-4.6%	00:00
	US	ADP Employment Change - Oct	200k	135k	01:15
	US	Markit Manufacturing PMI - Oct F	54.5	54.5	02:45
	US	ISM Manufacturing - Oct	59.4	60.8	03:00
	US	Construction Spending MoM - Sep	-0.2%	0.5%	03:00
	NZ	QV House Prices YoY - Oct	--	4.3%	05:00
	US	FOMC Rate Decision - 37196	1.25%	1.25%	07:00
	NZ	ANZ Job Advertisements MoM - Oct	--	0.4%	10:00
	AU	Trade Balance - Sep	A\$1200m	A\$989m	13:30
	AU	Building Approvals MoM - Sep	-1.0%	0.4%	13:30
	AU	Building Approvals YoY - Sep	-2.4%	-15.5%	13:30
	GE	Unemployment Change (000's) - Oct	-10k	-22k	21:55
	GE	Unemployment Claims Rate SA - Oct	5.6%	5.6%	21:55
	GE	Markit/BME Manufacturing PMI - Oct F	60.5	60.5	21:55
	EC	Markit Manufacturing PMI - Oct F	58.6	58.6	22:00
	UK	Markit/CIPS Construction PMI - Oct	48.5	48.1	22:30
3-Nov	UK	Bank of England Bank Rate - Nov	0.50%	0.25%	01:00
	UK	BoE Asset Purchase Target - Nov	£435B	£435B	01:00
	UK	BoE Corporate Bond Target - Nov	£10B	£10B	01:00
	US	Initial Jobless Claims - 28-Oct	235k	233k	01:30
	US	Continuing Claims - 21-Oct	1897k	1893k	01:30
	US	Nonfarm Productivity - Q3 P	2.5%	1.5%	01:30
	US	Unit Labor Costs - Q3 P	0.4%	0.2%	01:30
	AU	CBA Australia PMI Services - Oct	--	53.2	11:00
	AU	CBA Australia PMI Composite - Oct	--	53.1	11:00
	AU	AiG Perf of Services Index - Oct	--	52.1	11:30
	AU	Retail Sales MoM - Sep	0.4%	-0.6%	13:30
	AU	Retail Sales Ex Inflation QoQ - Q3	0.0%	1.5%	13:30
	CH	Caixin PMI Composite - Oct	--	51.4	14:45
	CH	Caixin PMI Services - Oct	--	50.6	14:45
	UK	Markit/CIPS Services PMI - Oct	53.3	53.6	22:30
	UK	Markit/CIPS Composite PMI - Oct	53.8	54.1	22:30

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## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
4-Nov	US	Change in Nonfarm Payrolls - Oct	310k	-33k	01:30
	US	Unemployment Rate - Oct	4.2%	4.2%	01:30
	US	Average Hourly Earnings MoM - Oct	0.2%	0.5%	01:30
	US	Average Hourly Earnings YoY - Oct	2.7%	2.9%	01:30
	US	Trade Balance - Sep	-\$43.3B	-\$42.4B	01:30
	US	ISM Non-Manf. Composite - Oct	58.5	59.8	03:00
	US	Factory Orders - Sep	1.2%	1.2%	03:00
	US	Factory Orders Ex Trans - Sep	--	0.4%	03:00
	US	Durable Goods Orders - Sep F	--	2.2%	03:00
	US	Durables Ex Transportation - Sep F	--	0.7%	03:00
	US	Cap Goods Orders Nondef Ex Air - Sep F	--	1.3%	03:00
	US	Cap Goods Ship Nondef Ex Air - Sep F	--	0.7%	03:00
	US	Markit Services PMI - Oct F	55.9	55.9	03:45
	US	Markit Composite PMI - Oct F	--	55.7	03:45

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 31 Oct (10:45am)	Building Consents Issued – Sep	Unwind	After a surprisingly sharp jump last month, a degree of unwind is likely.
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	<b>Employment should bounce after Q2's surprising contraction.</b> The unemployment rate should continue to trend lower.
Thu 2 Nov (10:00am)	ANZ Job Ads – Oct	--	--
Mon 6 Nov (3:00pm)	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	<b>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.</b>
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.
13-17 Nov	REINZ Housing Market Statistics – Oct	Soft	We suspect softer housing market sentiment and activity could persist.
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?	Political change can be unsettling. Important to watch to see if there will be any growth impact.
Fri 17 Nov (10:45am)	PPI – Q3	Look through	Commodity prices and wholesale electricity prices typically throw things around.
Mon 20 Nov (10:30am)	BNZ-BusinessNZ PSI – Oct	Steady?	Political change can be unsettling. Important to watch to see if there will be any growth impact.
Wed 22 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 22 Nov (10:45am)	International Travel & Migration – Oct	Passed the peak	Even before potential policy changes, it appears net inflows have started to cool.
Fri 24 Nov (10:45am)	Overseas Merchandise Trade – Oct	Mixed	Strong commodity prices should continue to support, but thrown around by numerous other forces.
Thu 30 Nov (10:45am)	Building Consent Issuance – Oct	Steady	We still see annual dwelling consent issuance struggling to push much above 30k.
<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	0.5	<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	1.9	<b>1.6</b>	<b>1.2</b>	<b>1.7</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>0.8</b>	<b>0.4</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>2.5</b>	<b>2.2</b>	<b>1.6</b>	<b>2.1</b>	<b>1.7</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>4.9</b>	<b>4.7</b>	<b>4.6</b>	<b>4.6</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</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	0.7	-0.7	0.7	--
Credit Card Billings (% yoy)	7.1	5.4	7.2	6.6	7.6	8.3	7.0	6.4	4.9	--
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	243	91	-1179	-1143	--
Trade Bal (\$m ann)	51901	52087	52404	52588	53218	53530	53742	53982	54049	--
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	5920	6150	5810	5930	6300	5710	5420	5190	--
Net Migration (ann)	71305	71333	71932	71885	71964	72305	72402	72072	70986	--
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	0.686	0.73	0.73	0.73	0.70	0.68	0.67	0.65
NZD/AUD	0.906	0.920	0.894	0.90	0.89	0.88	0.91	0.92	0.93	0.93
NZD/EUR	0.603	0.610	0.592	0.60	0.62	0.63	0.63	0.59	0.56	0.53
NZD/JPY	79.10	81.11	78.01	81.8	80.3	76.7	70.0	68.0	67.0	65.0
NZD/GBP	0.555	0.538	0.523	0.55	0.57	0.57	0.55	0.52	0.51	0.49
NZ\$ TWI	73.7	74.4	73.1	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	1.94	1.97	1.98	1.99	2.08	2.34	2.50	2.50
NZ 10-yr bond	2.90	2.80	3.00	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	1.38	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	1.69	1.70	1.70	1.70	1.80	1.80	1.80	1.80

	27 Sep	23 Oct	24 Oct	25 Oct	26 Oct	27 Oct
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.96	1.94	1.94	1.94	1.95	1.95
NZGB 03/19	1.92	1.89	1.87	1.87	1.88	1.88
NZGB 05/21	2.25	2.19	2.18	2.19	2.20	2.21
NZGB 04/23	2.55	2.48	2.48	2.50	2.50	2.52
NZGB 04/27	2.96	2.95	2.98	3.01	3.02	3.03
2 year swap	2.20	2.17	2.17	2.17	2.17	2.17
5 year swap	2.71	2.68	2.67	2.67	2.68	2.69
RBNZ TWI	75.86	73.88	73.90	73.17	72.95	72.78
NZD/USD	0.7210	0.6967	0.6923	0.6881	0.6874	0.6878
NZD/AUD	0.9175	0.8918	0.8897	0.8924	0.8910	0.8957
NZD/JPY	81.41	79.35	78.75	78.55	78.11	78.19
NZD/GBP	0.5370	0.5290	0.5253	0.5196	0.5200	0.5243
NZD/EUR	0.6139	0.5932	0.5888	0.5843	0.5819	0.5927
AUD/USD	0.7859	0.7812	0.7782	0.7711	0.7714	0.7677
EUR/USD	1.1746	1.1745	1.1759	1.1777	1.1813	1.1608
USD/JPY	112.90	113.89	113.74	114.15	113.63	113.67
GBP/USD	1.3427	1.3169	1.3179	1.3243	1.3220	1.3128
Oil (US\$/bbl)	52.14	51.90	52.47	52.18	52.64	53.90
Gold (US\$/oz)	1290.11	1275.74	1278.50	1273.29	1278.31	1273.35
Electricity (Haywards)	2.99	5.24	5.60	6.15	6.44	6.48
Baltic Dry Freight Index	1429	1586	1588	1573	1555	1546
NZX WMP Futures (US\$/t)	3180	3040	2990	2975	2940	2945

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