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THE VIEW FROM HERE

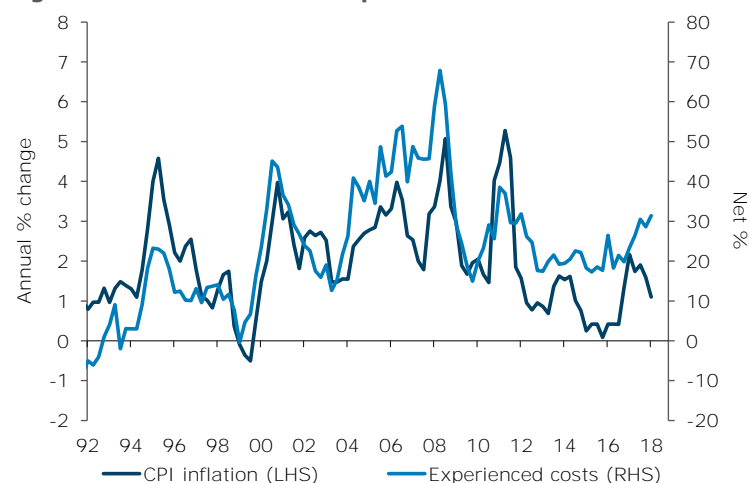
ECONOMIC OVERVIEW

Our latest set of economic forecasts depicts a New Zealand economy at an interesting juncture. The global outlook remains positive, but downside risks have increased. Domestically, the economy is going through a softer patch and we expect it will struggle to grow above trend from here. That said, cost pressures are increasing and we expect that margin pressure will provide the catalyst needed for firms to pass through price increases, though likely in a gradual fashion. Based on the balance of risks and all else equal, we expect inflation will increase gradually and that the OCR will eventually rise. That said, downside risks have increased that could delay monetary policy tightening. And if conditions deteriorated significantly, we expect a cut could eventuate quite rapidly.

CHART OF THE WEEK

Cost pressures are increasing. A key question is: how will firms respond?

Figure 1: CPI inflation and experienced costs



Source: RBNZ, Bloomberg, 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
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
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
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

ECONOMIC OVERVIEW

SUMMARY

Our latest set of economic forecasts depicts a New Zealand economy at an interesting juncture. The global outlook remains positive, but downside risks have increased. Domestically, the economy is going through a softer patch and we expect it will struggle to grow above trend from here. That said, cost pressures are increasing and we expect that margin pressure will provide the catalyst needed for firms to pass through price increases, though likely in a gradual fashion. Based on the balance of risks and all else equal, we expect inflation will increase gradually and that the OCR will eventually rise. That said, downside risks have increased that could delay monetary policy tightening. And if conditions deteriorated significantly, we expect a cut could eventuate quite rapidly.

FORTHCOMING EVENTS

Quarterly Survey of Business Opinion – Q2 (10:00am, Tuesday 3 July). We will be looking to see whether business sentiment remained downbeat in NZIER's Q1 survey, consistent with the ANZ Business Outlook.

GlobalDairyTrade auction (early am, Wednesday 4 July). Prices remain elevated, although we may see a small dip this week.

ANZ Job Ads – June (10:00am, Wednesday 4 July).

ANZ Commodity Price Index – June (1:00pm, Wednesday 4 July).

WHAT'S THE VIEW?

This week we summarise our views on the economic outlook (see our [ANZ Quarterly Economic Outlook](#) for more details).

The global economic environment remains positive for New Zealand on balance, and we expect solid global growth to continue. Chinese demand for New Zealand exports continues to hold up, but growth is expected to slow as authorities continue to address debt risks. The Australian housing market is navigating some headwinds and this will likely dampen domestic demand. However, tax cuts, a strengthening labour market, and a lengthy pipeline of infrastructure projects are expected to keep the economy ticking along. The US economic expansion is mature; labour market conditions are tight and the Fed's confidence that inflation is around the corner is pushing monetary policy closer towards neutral territory. The ECB remains cautious, but with the outlook for inflation gradually improving it has signalled the unwinding of QE and an eventual lift in interest rates.

However, global downside risks have increased.

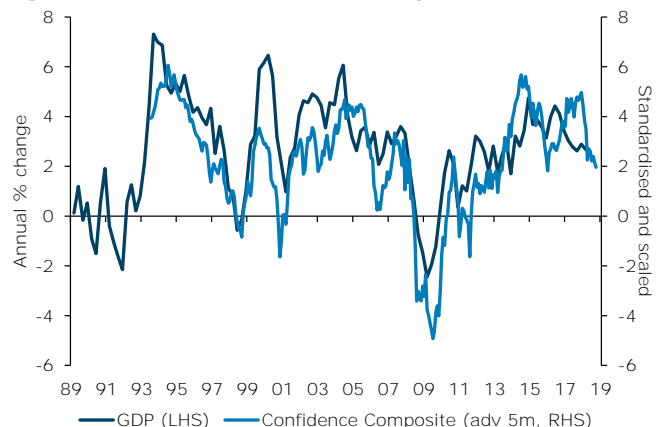
A further escalation in trade tensions, geopolitical risks, or headwinds associated with higher US interest rates and tighter global liquidity could all see growth turn lower, which would have implications for our export prices.

In the primary sector, farm-gate prices are close to near record levels for many products, reflecting the combination of slightly higher export prices and a lower NZD through autumn/early winter. Underlying market dynamics remain positive too, but much depends on China. New Zealand export prices appear to have benefited from recent trade tensions, but any further escalation poses some risks. We see a milk price of \$6.75/kg MS in 2018/19 and cashflow slightly higher than this. This makes for a favourable earnings backdrop despite operating costs lifting. **At this week's GlobalDairyTrade auction** (in the early hours of Wednesday) a small slip in prices (1-2%) seems likely. Elsewhere, volumes and returns are set to remain favourable for the major horticulture crops and forestry. Aggregate meat and fibre returns are positive too, but supply is more constrained.

The New Zealand economy has been losing steam for a while, after a strong run this cycle.

And the data flow has been a little disappointing of late, with the economy showing more signs of strain. Downbeat business sentiment has persisted longer than expected, and well beyond the election. Businesses are grappling with a number of challenges, and this is being reflected in weaker expected own-firm activity, along with reduced investment and employment intentions. **This week brings the NZIER Quarterly Survey of Business Opinion for Q2,** which will provide a further gauge on business sentiment and expectations.

Figure 1: GDP and confidence composite



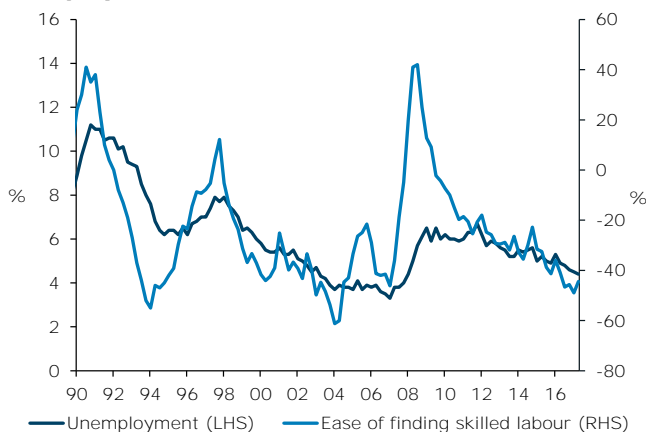
Source: ANZ, Statistics NZ, Roy Morgan

ECONOMIC OVERVIEW

Policy uncertainty has been weighing on business sentiment, along with a broader set of headwinds with which the economy is grappling. Businesses are facing credit and capacity constraints, along with cost pressures, which are squeezing expected profitability.

Finding skilled labour is a challenge for businesses and is consistent with an economy around full employment. Firms want staff that meet their requirements, and that is difficult to find – but it always is, according to the QSBO. People are still looking for jobs, labour supply has been growing strongly, and people are willing to work more hours. The current difficulty finding skilled labour is consistent with the unemployment rate at its current level (which we think is close to full employment). Along with the QSBO, our **ANZ Job Ads**, which is also out this week, will provide more insight into whether firms are hiring, given the headwinds they are facing.

Figure 2: QSBO Ease of finding skilled labour and unemployment rate



Source: ANZ Research, QSBO, Statistics NZ

Household sentiment and spending growth have also been waning. The housing market has stabilised, but households are feeling more cautious, with consumer confidence around average, and future expectations a bit weaker of late. We expect household spending growth to continue to moderate.

All up, the broader economic outlook has become less assured. And while the economy appears flexible and resilient given the lack of external imbalances that would typically have built up by now, it is fair to say domestic downside risks have increased.

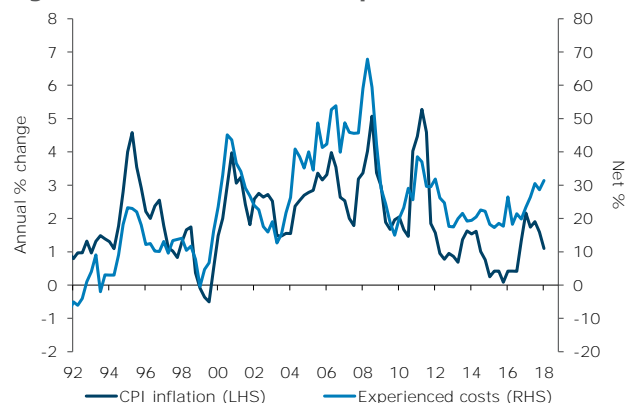
But while economic momentum has cooled and we are arguably experiencing a softer patch, we expect that the cycle has legs yet. Our expectation is that quarterly GDP growth will pick up later this year. We are forecasting that annual GDP growth will average 2.5% in 2018, 2.8% in 2019 and

2.5% in 2020. Underpinning this outlook for continued expansion are a number of tailwinds: financial conditions remain accommodative, and we expect the RBNZ will provide further monetary policy accommodation should the economy need it; our export prices remain high; the exchange rate has depreciated 8% from its 2018 highs; fiscal spending will provide a boost in coming years; conditions appear supportive of a pick-up in real income growth, with the labour market tight and policy changes such as the minimum wage hikes supportive; and the usual suspects that would typically be catalysts for a slowdown at this stage of the cycle have been absent (external imbalances and higher interest rates).

Although these factors will support ongoing growth, we still think it will be difficult for the economy to grow above trend from here. This is because: population growth is expected to subside; construction and tourism have likely topped out given capacity constraints; the housing market is looking stable and unlikely to accelerate; household spending is expected to remain contained; credit availability is expected to remain a constraint for some firms and households; businesses are facing capacity and cost pressures; and potential GDP growth is expected to moderate as population growth slows and productivity growth is slow to respond.

Resource pressures are not expected to intensify, but cost pressures do look set to increase, especially wage costs, while imported inflation will provide a boost. But while costs are set to increase, there are significant question marks around the extent to which firms will be able to pass these on into final prices. In the current environment, firms are cautious about increasing prices, with future demand growth now less assured and many businesses reporting that they face strong competitive pressures that limit their ability to push through higher prices.

Figure 3: CPI inflation and experienced costs



Source: RBNZ, Bloomberg, ANZ Research

ECONOMIC OVERVIEW

Eventually we think that margin pressures will provide the impetus needed for prices to increase, even if it is tentative at first. Our base case is that margin squeeze will see higher costs passed through to prices, but in a slow and cautious fashion. Accordingly, we expect that the increase in inflation will be gradual.

All up, we are forecasting that inflation will increase little by little. But the outlook for underlying inflation pressures is uncertain and there are risks on both sides of the ledger. A negative shock (to the terms of trade, for example) or a more disappointing domestic picture could put an OCR cut on the table – and this could happen rather quickly should conditions warrant it. On the other hand, cost pressures are increasing, and a more buoyant economy could see inflation surprise on the upside (eg should migration not fall as assumed).

The RBNZ has clearly stated that the next move in interest rates could be either up or down. Our current expectation is that interest rates will eventually increase in November 2019, but downside risks have increased that could see our pick pushed out even later. And the longer it takes for domestic pressures to warrant a hike, the greater the odds that some kind of negative surprise comes along that could mean the next move is a cut.

While the RBNZ is expected to remain cautious, rising global yields should lead to higher domestic interest rates and a less favourable backdrop for borrowers. **However, it isn't expected to be a smooth ride.**

There are a number of factors impacting global interest rate markets at present, leading to increased volatility and uncertainty. Driving higher rates are reduced QE, continued Fed rate hikes, and an easing in global geopolitical tensions. On the other side, trade wars and an uncoupling of the synchronised growth narrative are tempering moves. The USD rates curve is continuing to flatten, driven by a fast-moving Fed and lack of a significant break higher in inflation keeping the long end in check.

The New Zealand rates market remains vulnerable to any re-escalation in global funding market strains. Uncertainty is high, as pressures certainly exist in Australia. New Zealand long-end rates have outperformed as the RBNZ's divergent policy outlook has materialised, and there is perhaps room for this outperformance to continue, especially against US Treasuries. But local bond and swap yields are still expected to be pressured higher as global interest rates rise and the liquidity cycle

tightens. We expect the local curve to steepen as a result. And despite strong retail demand, it will only be so long before wider global spreads begin to impact domestic credit markets. Ultimately, we see domestic borrowing conditions becoming incrementally less favourable.

With regards to foreign exchange markets, **the NZD is currently on the back foot, and further weakness is expected** as the implications of a turn in the global liquidity cycle continue to play out. Around current levels, the NZD is close to where some of our models suggest is 'fair'. In fact, models based on commodity prices alone suggest the NZD is now looking a little undervalued. However, we maintain a negative bias overall and believe that while our forecasts show a more modest pace of decline from here (at least against the USD), the NZD should continue to trade defensively. We expect that the majority of this adjustment will occur against the likes of the EUR and JPY, with more modest downside against the USD. The NZD/AUD remains in a broad range-trading environment, which we expect will persist.

LOCAL DATA

Overseas Merchandise Trade – May. The trade balance remained healthy at a \$294m surplus and the annual deficit narrowed back to \$3.6bn. Exports continue to benefit from strong Chinese demand, while imports were on the softer side, largely due to a fall in the volatile petroleum categories.

ANZ Business Outlook – June. A net 39% of firms are pessimistic, and activity indicators are consistent with the economy losing steam.

RBNZ OCR decision. A slightly more dovish statement at the margin, with the RBNZ reaffirming its neutral stance and willingness to act.

ANZ Consumer Confidence – June. Consumer confidence slipped 1 point to 120 in June, in line with its historical average. Current conditions remain upbeat, but households are wary about the outlook.

Building Consents – May. Total dwelling consent issuance rose 7.1% m/m in May – a solid print. Activity is at high levels, and with the construction industry facing cost pressures and bumping into capacity constraints, we think it will be a struggle for **May's strength to continue.**

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
2-Jul	JN	Tankan Large Mfg Index - Q2	22	24	11:50
	JN	Tankan Large Mfg Outlook - Q2	20	20	11:50
	JN	Tankan Large Non-Mfg Index - Q2	23	23	11:50
	JN	Tankan Large Non-Mfg Outlook - Q2	22	20	11:50
	JN	Tankan Large All Industry Capex - Q2	9.3%	2.3%	11:50
	JN	Tankan Small Mfg Index - Q2	14	15	11:50
	JN	Tankan Small Mfg Outlook - Q2	11	12	11:50
	JN	Tankan Small Non-Mfg Index - Q2	9	10	11:50
	JN	Tankan Small Non-Mfg Outlook - Q2	7	5	11:50
	AU	CoreLogic House Px MoM - Jun	--	-0.2%	12:00
	JN	Nikkei PMI Mfg - Jun F	--	53.1	12:30
	AU	Melbourne Institute Inflation MoM - Jun	--	0.0%	13:00
	AU	Melbourne Institute Inflation YoY - Jun	--	2.1%	13:00
	AU	ANZ Job Advertisements MoM - Jun	--	1.5%	13:30
	CH	Caixin PMI Mfg - Jun	51.1	51.1	13:45
	GE	Markit/BME Manufacturing PMI - Jun F	55.9	55.9	19:55
	EC	Markit Manufacturing PMI - Jun F	55.0	55.0	20:00
	UK	Markit PMI Manufacturing SA - Jun	54.0	54.4	20:30
	EC	PPI MoM - May	0.5%	0.0%	21:00
	EC	PPI YoY - May	2.7%	2.0%	21:00
	EC	Unemployment Rate - May	8.5%	8.5%	21:00
3-Jul	US	Markit Manufacturing PMI - Jun F	54.7	54.6	01:45
	US	Construction Spending MoM - May	0.5%	1.8%	02:00
	US	ISM Manufacturing - Jun	58.5	58.7	02:00
	NZ	NZIER QSBO - Q2	--	-11	10:00
	AU	ANZ-RM Consumer Confidence Index - 1-Jul	--	121.4	11:30
	AU	Building Approvals MoM - May	0.0%	-5.0%	13:30
	AU	Building Approvals YoY - May	9.9%	1.9%	13:30
	AU	RBA Cash Rate Target - Jul	1.50%	1.50%	16:30
	UK	Markit/CIPS UK Construction PMI - Jun	52.5	52.5	20:30
	EC	Retail Sales MoM - May	0.1%	0.1%	21:00
	EC	Retail Sales YoY - May	1.6%	1.7%	21:00
4-Jul	US	Factory Orders - May	0.0%	-0.8%	02:00
	US	Factory Orders Ex Trans - May	--	0.4%	02:00
	US	Durable Goods Orders - May F	-0.5%	-0.6%	02:00
	US	Durables Ex Transportation - May F	--	-0.3%	02:00
	US	Cap Goods Orders Nondef Ex Air - May F	--	-0.2%	02:00
	US	Cap Goods Ship Nondef Ex Air - May F	--	-0.1%	02:00
	NZ	QV House Prices YoY - Jun	--	6.9%	05:00
	NZ	ANZ Job Advertisements MoM - Jun	--	2.2%	10:00
	AU	AiG Perf of Services Index - Jun	--	59.0	10:30
	AU	CBA PMI Services - Jun	--	55.9	11:00
	AU	CBA PMI Composite - Jun	--	55.6	11:00
	JN	Nikkei PMI Services - Jun	--	51.0	12:30
	JN	Nikkei PMI Composite - Jun	--	51.7	12:30
	NZ	ANZ Commodity Price - Jun	--	1.5%	13:00
	AU	Trade Balance - May	A\$1200M	A\$977M	13:30
	AU	Retail Sales MoM - May	0.3%	0.4%	13:30

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DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
4-Jul	CH	Caixin PMI Composite - Jun	--	52.3	13:45
	CH	Caixin PMI Services - Jun	52.7	52.9	13:45
	GE	Markit Services PMI - Jun F	53.9	53.9	19:55
	GE	Markit/BME Composite PMI - Jun F	54.2	54.2	19:55
	EC	Markit Services PMI - Jun F	55.0	55.0	20:00
	EC	Markit Composite PMI - Jun F	54.8	54.8	20:00
	UK	Official Reserves Changes - Jun	--	\$448M	20:30
	UK	Markit/CIPS Services PMI - Jun	54.0	54.0	20:30
	UK	Markit/CIPS Composite PMI - Jun	54.5	54.5	20:30
	US	MBA Mortgage Applications - 29-Jun	--	-4.9%	23:00
5-Jul	GE	Factory Orders MoM - May	1.1%	-2.5%	18:00
	GE	Factory Orders WDA YoY - May	1.7%	-0.1%	18:00
	GE	Markit Construction PMI - Jun	--	53.9	19:30
	GE	Markit Retail PMI - Jun	--	55.5	20:10
	EC	Markit Retail PMI - Jun	--	51.7	20:10
	US	Challenger Job Cuts YoY - Jun	--	-4.80%	23:30
6-Jul	US	ADP Employment Change - Jun	190k	178k	00:15
	US	Initial Jobless Claims - 30-Jun	225k	227k	00:30
	US	Continuing Claims - 23-Jun	1718k	1705k	00:30
	US	Markit Services PMI - Jun F	56.5	56.5	01:45
	US	Markit Composite PMI - Jun F	--	56.0	01:45
	US	ISM Non-Manf. Composite - Jun	58.2	58.6	02:00
	US	FOMC Meeting Minutes - 13-Jun	--	--	06:00
	AU	Ai Group Perf of Construction Index - Jun	--	54.0	10:30
	GE	Industrial Production SA MoM - May	0.3%	-1.0%	18:00
	GE	Industrial Production WDA YoY - May	1.5%	2.0%	18:00
	AU	Foreign Reserves - Jun	--	A\$82.5B	18:30
	UK	Halifax House Prices MoM - Jun	0.2%	1.5%	19:30
	UK	Halifax House Price 3Mths/Year - Jun	1.6%	1.9%	19:30
	UK	Unit Labor Costs YoY - Q1	--	2.1%	20:30
7-Jul	US	Trade Balance - May	-\$43.6B	-\$46.2B	00:30
	US	Change in Nonfarm Payrolls - Jun	195k	223k	00:30
	US	Unemployment Rate - Jun	3.8%	3.8%	00:30
	US	Average Hourly Earnings MoM - Jun	0.3%	0.3%	00:30
	US	Average Hourly Earnings YoY - Jun	2.8%	2.7%	00:30

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

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

Note: All surveys are preliminary and subject to change

LOCAL DATA WATCH

The data flow has been lacklustre recently. We expect 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. Interest rate rises are expected eventually, **but we expect the RBNZ's cautious tone will continue for some time yet.**

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 3 July (10:00am)	NZIER QSBO – Q2	Downbeat	We will be looking to see whether downbeat business sentiment continued in NZIER's Q1 survey, consistent with the ANZ Business Outlook.
Wed 4 July (early am)	GlobalDairyTrade auction	Elevated	We expect prices to remain elevated, although we may see a small dip this week.
Wed 4 July (10:00am)	ANZ Job Ads – June	--	--
Wed 4 July (1:00pm)	ANZ Commodity Price Index – June	--	--
Tue 10 July (10:00am)	ANZ Truckometer – June	--	--
Tue 10 July (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 July (1:00pm)	ANZ Monthly Inflation Gauge – June	--	--
10 – 14 July	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 July (10:45am)	Food Prices – June	Sideways	Seasonal price movements are expected to do their thing, but annual FPI inflation should remain soft.
Fri 13 July (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 July (10:30am)	BNZ-BusinessNZ PSI – June	Healthy	The service sector is expected to continue to outperform.
Tue 17 July (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 4 July (early am)	GlobalDairyTrade auction	Elevated	We expect prices to remain elevated.
Fri 20 July (10:45am)	Net migration – June	Grinding lower	Annual net inflows are expected to continue their gradual trend lower.
Wed 25 July (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 July (10:00am)	ANZ Consumer Confidence – July	--	--
Tue 31 July (10:45am)	Building Consents – June	Bobbing	Dwelling consents expected to keep bobbing around at high levels; increases on the non-residential side may continue.
Tue 31 July (1:00pm)	ANZ Business Outlook – July	--	--
On balance		Data watch	The data pulse has been lacklustre, but still positive. Domestic inflation is low and should lift gradually.

KEY FORECASTS AND RATES

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

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Retail ECT (% mom)	0.5	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	0.7	0.8	-4.8	3.5	-9.4	-3.7	-0.4	12.4	--
Car Registrations (% yoy)	15.6	7.3	7.3	4.7	6.2	-4.2	-11.9	-9.0	-0.6	--
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	--
ANZ World Comm. Price Index (% yoy)	11.5	10.4	6.0	3.2	4.1	5.0	5.8	7.1	5.4	--
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)						
	Apr-18	May-18	Today	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
NZD/USD	0.705	0.702	0.68	0.69	0.67	0.66	0.65	0.65	0.65	0.65
NZD/AUD	0.934	0.925	0.92	0.93	0.93	0.94	0.93	0.93	0.93	0.92
NZD/EUR	0.583	0.601	0.58	0.61	0.57	0.54	0.52	0.51	0.51	0.50
NZD/JPY	77.05	76.44	75.05	71.8	69.0	66.0	64.4	63.1	62.4	62.4
NZD/GBP	0.514	0.526	0.51	0.51	0.49	0.47	0.46	0.46	0.45	0.45
NZ\$ TWI	72.5	72.9	72.6	71.9	69.6	67.9	66.2	65.7	65.4	65.2
INTEREST RATES	Apr-18	May-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	2.02	1.99	2.02	2.02	2.02	2.02	2.11	2.35	2.52
NZ 10-yr bond	2.84	2.73	2.85	3.00	3.10	3.15	3.30	3.40	3.40	3.40
US Fed funds	1.75	1.75	2.00	2.25	2.50	2.50	2.75	2.75	2.75	2.75
US 3-mth	2.36	2.30	2.34	2.75	2.95	2.95	3.20	3.20	3.20	3.20
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.75	2.00	2.00	2.00
AU 3-mth	2.04	1.98	2.11	2.05	2.05	2.05	2.00	2.30	2.50	2.50

	29 May	25 Jun	26 Jun	27 Jun	28 Jun	29 Jun
Official Cash Rate	1.75	1.75	1.75	1.75	2.50	2.50
90 day bank bill	2.01	2.03	2.03	2.02	2.81	2.81
NZGB 05/21	2.02	2.03	2.01	1.98	2.87	2.81
NZGB 04/23	2.30	2.26	2.24	2.21	3.35	3.26
NZGB 04/27	2.74	2.72	2.70	2.69	4.11	4.01
NZGB 04/33	3.09	3.10	3.07	3.07	4.34	4.24
2 year swap	2.19	2.25	2.24	2.18	3.10	3.05
5 year swap	2.62	2.65	2.63	2.58	3.73	3.66
RBNZ TWI	73.04	73.54	73.46	73.02	69.70	69.30
NZD/USD	0.6914	0.6897	0.6869	0.6819	0.7806	0.7766
NZD/AUD	0.9201	0.9293	0.9279	0.7974	0.7967	0.7941
NZD/JPY	75.28	75.56	75.35	74.91	59.70	59.46
NZD/GBP	0.5219	0.5203	0.5188	0.5201	0.5072	0.5024
NZD/EUR	0.5986	0.5919	0.5886	0.5921	0.5782	0.5753
AUD/USD	0.7515	0.7422	0.7403	1.0205	0.9797	0.9779
EUR/USD	1.1551	1.1652	1.1670	1.1634	1.3501	1.3501
USD/JPY	108.87	109.55	109.69	109.86	76.48	76.61
GBP/USD	1.325	1.326	1.324	1.321	1.539	1.545
Oil (US\$/bbl)	66.73	68.08	70.53	72.76	80.51	79.85
Gold (US\$/oz)	1303.8	1267.3	1257.7	1808.0	1747.0	1656.0
NZX 50	8635.86	6.55	9.74	8.31	6.50	9.75
Baltic Dry Freight Index	1057	1764	1795	1811	1884	1920
NZX WMP Futures (US\$/t)	3215.0	147.5	147.5	149.0	150.5	150.5

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