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GIVE AND TAKE

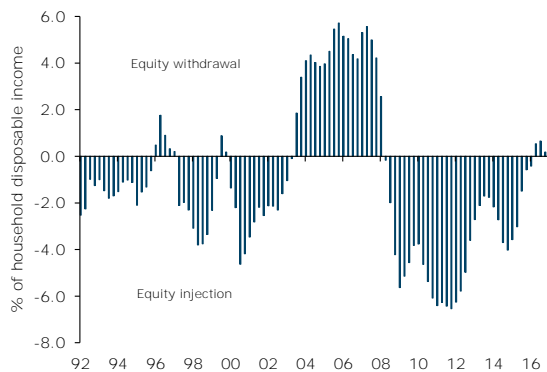
ECONOMIC OVERVIEW

Household incomes are being boosted by wage gains, strong employment, a sharp turnaround in farm incomes, and a boost from the likes of secondary income sources. The way election promises are going, the latter looks set to see an even bigger lift. There are headwinds: discretionary cash-flow growth looks set to slow given a turn in housing equity withdrawal, and that will challenge the growth in spending on big-ticket items; our eyes are on motor vehicle sales. Nevertheless, the decent income growth backdrop should still be supportive for spending overall, and it also means that stabilising the ratio of debt to disposable income need not require credit growth to slow too much further. Q2 partial indicators this week should be consistent with reasonable GDP growth, while the next GDT auction and our commodity price index will provide a steer on farm-gate returns, especially in the context of the recent falls in the NZD.

CHART OF THE WEEK

Housing equity withdrawal has turned into 'injection' again, which could present headwinds to spending on big-ticket items.

Housing equity withdrawal (injection)



Source: ANZ, Statistics NZ, RBNZ

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	3.3% y/y for 2018 Q1	Recent growth has disappointed but forward indicators remain positive despite headwinds from housing, finding staff and capital.	Neutral Negative Positive
Unemployment rate	4.6% for 2018 Q1	Strong job ads growth suggests the unemployment rate should continue to trend lower. Wage growth is benign, but conditions for change are emerging.	Neutral Negative Positive
OCR	1.75% by Mar 2018	While we can't really make the case for a lower OCR, interest rate hikes are hard to justify too, with inflation impacted by secular forces.	Neutral Down Up
CPI	1.2% y/y for 2018 Q1	Oil price weakness will weigh on headline inflation, but domestic and core inflation should lift gradually.	Neutral Negative Positive

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SUMMARY

Household incomes are being boosted by wage gains, strong employment, a sharp turnaround in farm incomes, and a boost from the likes of secondary income sources. The way election promises are going, the latter looks set to see an even bigger lift. There are headwinds: discretionary cash-flow growth looks set to slow given a turn in housing equity withdrawal, and that will challenge the growth in spending on big-ticket items; our eyes are on motor vehicle sales. Nevertheless, the decent income growth backdrop should still be supportive for spending overall, and it also means that stabilising the ratio of debt to disposable income need not require credit growth to slow too much further. Q2 partial indicators this week should be consistent with reasonable GDP growth, while the next GDT auction and our commodity price index will provide a steer on farm-gate returns, especially in the context of the recent falls in the NZD.

FORTHCOMING EVENTS

Building Work Put in Place – Q2 (10:45am, Tuesday, 5 September). Non-residential construction activity should rebound, but residential work is being capped by capacity pressures.

ANZ Commodity Price Index – August (1:00pm, Tuesday, 5 September).

GlobalDairyTrade (early am, Wednesday, 6 September). NZX futures are pointing to a circa 3% lift in wholemilk powder prices.

ANZ Job Advertisements – August (10:00am, Wednesday, 6 September).

Economic Survey of Manufacturing – Q2 (10:45am, Friday, 8 September). Meat and dairy manufacturing sales should rebound, while sales growth in “core” industries is likely to be steady.

Electronic Card Transactions – August (10:45am, Monday, 11 September). Total retail spending has fallen for three consecutive months, largely due to weaker petrol prices. As petrol prices have bounced, so too should card spending.

REINZ Housing Market Statistics – August (perhaps early next week). Market activity has weakened, especially in Auckland. We expect recent themes to persist.

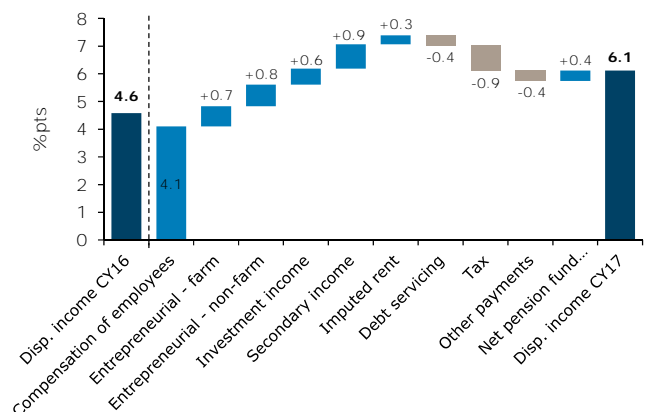
WHAT'S THE VIEW?

As the economy transitions away from some of its previous growth drivers, one of the factors we see supporting the domestic growth picture is household incomes. After growth of 4.6% over 2016, we forecast household disposable incomes will grow 6.1% in 2017 and 5.2% in 2018. That may sound a little surprising at a time when nominal wage

growth remains low. While part of the story is that we do expect wage growth will lift (even if only modestly), there are a number of other drivers beyond wages that are set to boost household incomes (as highlighted in Figure 1).

- **Overall labour income growth is forecast to be broadly steady this year.** We estimate that compensation of employees grew 5.1% over 2016, and we forecast it to grow 5.2% in 2017. With nominal wage growth low, these decent growth rates reflect strong employment growth. And while employment growth is now slowing (which we believe largely reflects difficulty filling vacancies), we do see wage growth lifting off low levels as skill shortages bite, and the likes of the aged-care gender equality settlement take effect.
- **Farm incomes are rebounding strongly.** Despite making up only a small proportion of total household income (only around 2% in 2016), we estimate farm incomes will make a 0.7%pt contribution to disposable income growth in 2017. More than anything, that reflects the meaningful turnaround in dairy sector prospects.
- **Other entrepreneurial income growth should also be solid,** reflecting the still-decent profitability backdrop across the economy.
- **Secondary income growth (welfare payments predominantly) should also make a decent contribution.** Over 2017, we estimate that it will make a 0.9%pt contribution to overall disposable income growth, which is actually less than it contributed over the previous two years (1.3%pts on average). In many ways a smaller contribution is natural, given the strength in the labour market.

Figure 1: Contribution to CY17 household disposable income growth



Source: ANZ, Statistics NZ

And we can see upside risks. Things like the proposed Family Incomes package from the 2017 Budget (which includes personal income tax cuts) is

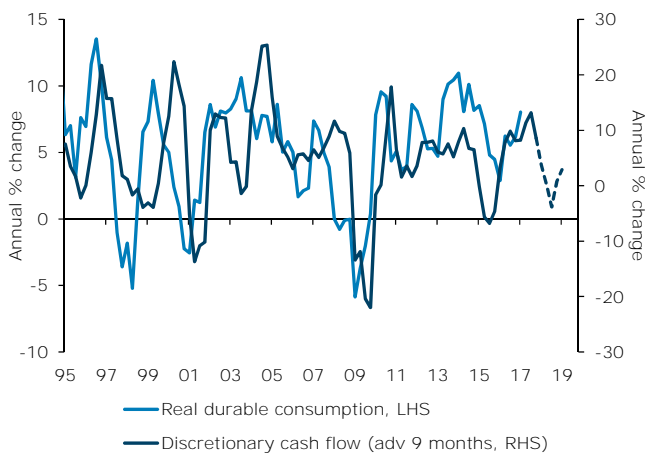
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not included in these estimates. Of course the current government might not be re-elected; MMP always produces a tight race. However, fiscal spending promises from the opposition are coming thick and fast too.

That is not to say there aren't headwinds though. Even though interest rates are set to remain low – we see the effective mortgage rate holding at around 5.2% out until the end of 2018 – households' debt servicing costs are likely to rise simply due to the fact that the stock of household debt continues to grow. We estimate that even under a stable interest rate environment, rising interest payments are set to knock 0.4 and 0.5%pts off 2017 and 2018 disposable income growth respectively.

Households' discretionary cash-flow situation looks likely to tighten too.¹ And this could have a bearing on spending on durables (big-ticket items especially). We estimate that after growing north of 10% over 2016, discretionary cash-flow growth will slow to around flat over 2017. That portends weaker growth in the likes of vehicle sales, which wouldn't be overly surprising considering that in Q2, motor vehicle spending was up 14% y/y in real terms.

Figure 2: Household discretionary cash flow and durables consumption

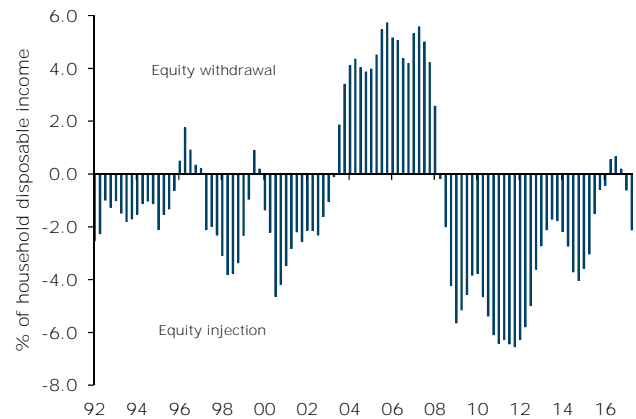


Source: ANZ, Statistics NZ

The big reason for this tightening in discretionary cash-flow relates to a sharp turn in housing equity withdrawal. In fact, it has turned into 'injection' again as mortgage lending growth has slowed after toying with 'withdrawal' (i.e. houses being used as ATMs) over 2016 for the first time since 2007. We suspect this injection will continue, especially in an environment of weaker housing price growth.

¹ Household discretionary cash flow is equal to total household income received less non-cash income, cash payments, necessity spending (food, fuel & energy) and financial obligations (rent and mortgage payments), plus housing equity withdrawal and the change in consumer credit.

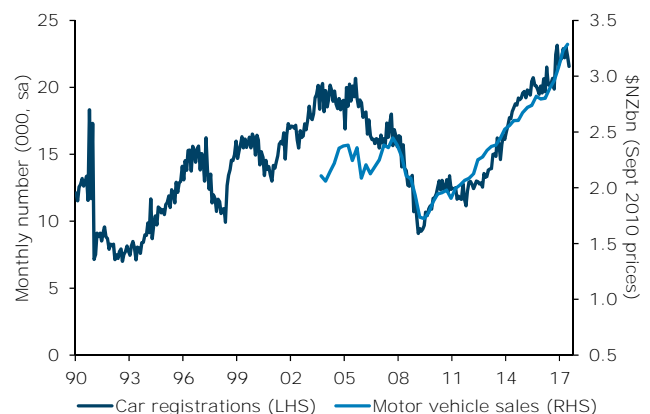
Figure 3: Housing equity withdrawal (injection)



Source: ANZ, Statistics NZ, RBNZ

We believe motor vehicle sales will be a key economic barometer over the coming six months. The sector has been on steroids; sales volumes are up 23% over the past 2½ years, and surging house prices have been a key factor. Some natural levelling out in sales is likely (and indeed is what we expect). However, there is a key risk that with the Auckland property market now in reverse, motor vehicle sales will turn more aggressively too. In an environment where the RBNZ needs above-trend growth to get inflation up, the combination of a weak Auckland property market and a turn in motor vehicle sales (as proxies for the business cycle) will be strong bets against inflation rising. And that will give credence to the OCR potentially having to move down again. That's not our view, but pro-cyclical parts of the economy need to hold up for our view to hold. Watch this space.

Figure 4: Car registrations and vehicle sales



Source: ANZ, Statistics NZ

Nonetheless, even with these issues, and the headwind of a weaker housing market in general, the overall picture is one where we see the decent income backdrop allowing household spending growth to hold up at reasonable levels.

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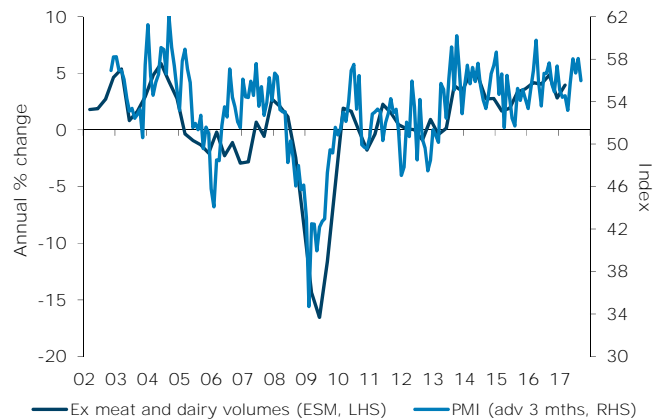
Importantly, stronger income growth also means that pressure to slow credit growth in order to curb debt-to-income levels is less intense. In fact, with the latest household credit growth figures showing the softest monthly growth since September 2014, the likes of the ratio of household debt to income may have now peaked around 167%, after rising from 145% in 2012.

If recent credit trends extend further, the nation will be deleveraging – and that's deflationary when inflation is already low! So our eyes are on credit growth too. The RBNZ has been trying to slow credit growth to dampen financial stability risks, but such things seldom settle where you want them; they can easily overshoot.

Turning to the week ahead, some key partial indicators will help form our view on Q2 activity growth:

- Building work figures are likely to be mixed.** We have some sympathy for the argument that the contraction in the volume of total building work in Q1 (-3.5% q/q) was at least in part a weather-related story. Certainly the 7.2% q/q drop in non-residential building work volumes was a surprise, and we'd expect that to rebound. Residential building work, on the other hand (which fell 0.8% q/q in Q1), is facing a few more headwinds, and we wouldn't be surprised if it dipped a little more in Q2. Overall though, the figures are expected to be consistent with the construction sector making a small positive contribution to GDP growth in the quarter.
- Manufacturing sales volumes should expand.** The figures can certainly get bumped around by volatility in meat and dairy manufacturing sales, and we expect this component to rebound after falling 7.8% q/q in Q1. We estimate that both milk production and livestock slaughtering rose in seasonally adjusted terms over the quarter. Core sales volumes fared much better in Q1 (rising 1.7% q/q) and with the manufacturing PMI continuing to give a decent signal for activity momentum in the sector, we expect a steady rate of growth in Q2.

Figure 5: Manufacturing sales volumes and PMI



Source: ANZ, Statistics NZ, BusinessNZ

In terms of the next GDT auction, NZX futures are pointing to a 3% gain for wholemilk powder (WMP) and a 2.5% lift in GDT-TWI. If anything, recent auctions have undershot expectations, with WMP gaining less than expected and other key product prices slipping a touch. In particular, milkfat prices look to be starting to run into valuation challenges despite a very tight demand-supply balance persisting.

Gains in WMP prices at this time of the year are usually predicated on lifting Chinese demand to take advantage of the free-trade window and/or New Zealand supply conditions. Both still look favourable in supporting prices, but a lack of follow-through from Chinese buyers at September auctions could prove challenging.

Chinese participation at recent auctions has been softer than expected, but with import volumes higher than normal. This reflects higher participation earlier in the year, but also solid sales outside the GDT channel. Market talk is Chinese milk production has remained soft and stock levels near historic norms. This suggests import demand should remain solid and in line with seasonal norms. On the New Zealand supply front expectations are for a 3% to 5% lift in 2016/17, but low carry-over inventory levels provide exporters with flexibility. Elsewhere New Zealand milkfat pricing looks very favourable versus Europe, which should continue to support demand and is encouraging more butter production. SMP prices remained capped with plentiful Europe/US supply.

More broadly, our commodity price index for September will provide a steer on the wider farm-gate price backdrop. It will be especially interesting in the context of the recent weakness in the NZD, which all else equal, will provide a nice boost to local-price returns. That has actually been the message for some time already, with NZD export commodity prices up 18% y/y in July.

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Figure 6: ANZ Commodity Price Index

Source: ANZ

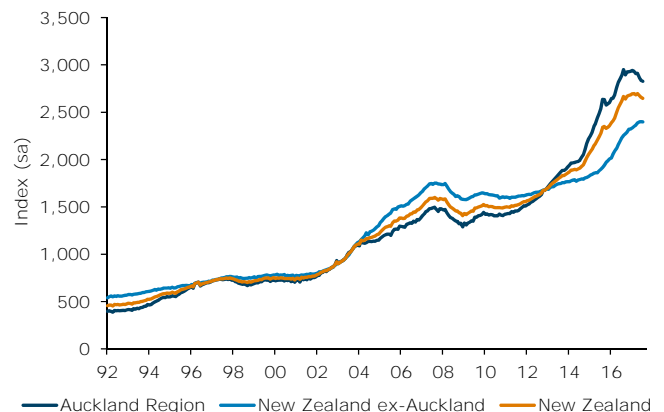
As always, our job ads series for August will provide a timely update on the state of the labour market. In July, job advertising fell 1.0% m/m off record levels. And looking through the monthly noise, it does appear that growth is slowing, with three-month annual growth easing to 12% y/y from June's 20% y/y pace. That raises the question of whether labour demand is coming off the boil or if it is instead that workers are simply becoming too hard to find, and firms are giving up advertising. Our inclination is that with skilled staff the biggest problem holding back firms (according to our Small Business Monitor), it's looking more like the latter. There is not a pool of suitable labour for most firms despite the unemployment rate being 4.8%.

Spending on electronic cards should have rebounded in August, in line with petrol prices.

The total value of retail spending has fallen for three consecutive months (and actually in five of the past six) in large part due to a sharp drop in fuel retailing, which is down 16% since February. However, with retail fuel prices bouncing around 5% in August, the resulting lift should lend support to overall sales values. That is on top of (as we describe above) a still reasonably supportive household income growth backdrop and elevated consumer confidence. Overall, we have pencilled in a 0.6% m/m lift.

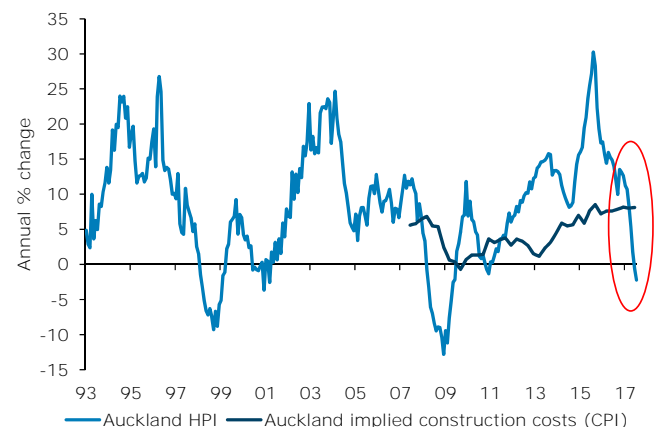
And finally, it is possible that REINZ housing market statistics for August are released early next week. We'd expect recent soft trends to have persisted. In July, seasonally adjusted national sales volumes fell a further 9% m/m, taking them to the lowest levels since November 2011. The REINZ House Price Index also fell for the third consecutive month, to be up just 1.2% y/y, the softest growth since mid-2011. Softer activity is a national story, although Auckland is certainly copping it hardest (but that is not surprising, given affordability pressures), with turnover down 31% y/y (compared with the rest

of the country down 21%), and prices down 2.2% y/y (prices are up 7.5% y/y ex-Auckland). Given the uncertainty surrounding the election, tighter lending conditions (both LVR restrictions and from the banks themselves), a turn in the interest rate cycle, and just a general turn in sentiment, we see this weak backdrop persisting for a while yet.

Figure 7: Regional house prices

Source: ANZ, REINZ

One thing we are watching at present is the easing in house prices relative to construction costs, particularly in Auckland. The former is dropping and the latter is rising; that's a bad combination for developers and signals some potential trouble on the horizon. Of course, this is only a recent phenomenon. Historically it has been the reverse. However, given the tight margins that developers typically run with, there is not a lot of wriggle room. Within the latest CPI figures, implied Auckland construction costs are rising at 8.1% y/y. However, another proxy is the value of consents per square metre, and in Auckland that is currently running around 20%! Not great when house prices are down 4% in six months and anecdotes in some suburbs say 10% falls.

Figure 8: Auckland house prices versus implied construction costs

Source: ANZ, REINZ, Statistics NZ

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LOCAL DATA

Building Consents Issued – July. Dwelling consent issuance fell 0.7% m/m.

ANZ Business Outlook – August. Headline confidence dipped to +18, while firms' own activity expectations eased 2 points to +38.

RBNZ Sectoral Lending – July. Total private sector credit grew 0.6% m/m (6.2% y/y).

Overseas Trade Indexes – Q2. The terms of trade rose 1.5% q/q. Goods export volumes rose 6.8% q/q, while import volumes rose 2.3% q/q.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
4-Sep	AU	Inventories SA QoQ - Q2	0.3%	1.2%	13:30
	AU	Company Operating Profit QoQ - Q2	-4.0%	6.0%	13:30
	AU	ANZ Job Advertisements MoM - Aug	--	1.5%	13:30
	UK	Markit/CIPS Construction PMI - Aug	52.0	51.9	20:30
	EC	Sentix Investor Confidence - Sep	27.0	27.7	20:30
	EC	PPI MoM - Jul	0.1%	-0.1%	21:00
	EC	PPI YoY - Jul	2.1%	2.5%	21:00
5-Sep	NZ	Volume of All Buildings SA QoQ - Q2	1.6%	-3.5%	10:45
	AU	AiG Perf of Services Index - Aug	--	56.4	11:30
	AU	ANZ-RM Consumer Confidence Index - 3-Sep	--	113.5	11:30
	NZ	ANZ Commodity Price - Aug	--	-0.8%	13:00
	AU	BoP Current Account Balance - Q2	-\$7.5B	-\$3.1B	13:30
	CH	Caixin PMI Composite - Aug	--	51.9	13:45
	CH	Caixin PMI Services - Aug	--	51.5	13:45
	AU	RBA Cash Rate Target - Sep	1.50%	1.50%	16:30
	GE	Markit Services PMI - Aug F	53.4	53.4	19:55
	GE	Markit/BME Composite PMI - Aug F	55.7	55.7	19:55
	EC	Markit Services PMI - Aug F	54.9	54.9	20:00
	EC	Markit Composite PMI - Aug F	55.8	55.8	20:00
	UK	Markit/CIPS Services PMI - Aug	53.5	53.8	20:30
	UK	Markit/CIPS Composite PMI - Aug	54.0	54.1	20:30
	UK	Official Reserves Changes - Aug	--	\$1273M	20:30
	EC	Retail Sales MoM - Jul	-0.3%	0.5%	21:00
	EC	Retail Sales YoY - Jul	2.5%	3.1%	21:00
6-Sep	US	Factory Orders - Jul	-3.3%	3.0%	02:00
	US	Durable Goods Orders - Jul F	1.0%	-6.8%	02:00
	US	Durables Ex Transportation - Jul F	--	0.5%	02:00
	US	Cap Goods Orders Nondef Ex Air - Jul F	--	0.4%	02:00
	US	Cap Goods Ship Nondef Ex Air - Jul F	--	1.0%	02:00
	NZ	ANZ Job Advertisements MoM - Aug	--	-1.0%	10:00
	AU	GDP SA QoQ - Q2	0.8%	0.3%	13:30
	AU	GDP YoY - Q2	1.8%	1.7%	13:30
	GE	Factory Orders MoM - Jul	0.2%	1.0%	18:00
	GE	Factory Orders WDA YoY - Jul	5.8%	5.1%	18:00
	GE	Markit Construction PMI - Aug	--	55.8	19:30
	GE	Markit Retail PMI - Aug	--	50.7	20:10
	EC	Markit Retail PMI - Aug	--	51	20:10
	US	MBA Mortgage Applications - 1-Sep	--	-2.3%	23:00
7-Sep	US	Trade Balance - Jul	-\$44.6B	-\$43.6B	00:30
	US	Markit Services PMI - Aug F	56.9	56.9	01:45
	US	Markit Composite PMI - Aug F	--	56.0	01:45
	US	ISM Non-Manf. Composite - Aug	55.5	53.9	02:00
	US	US Federal Reserve releases Beige Book	--	--	06:00
	AU	AiG Perf of Construction Index - Aug	--	60.5	11:30
	AU	Retail Sales MoM - Jul	0.2%	0.3%	13:30
	AU	Trade Balance - Jul	A\$950M	A\$856M	13:30
	GE	Industrial Production SA MoM - Jul	0.6%	-1.1%	18:00
	GE	Industrial Production WDA YoY - Jul	4.6%	2.4%	18:00

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DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
7-Sep	AU	Foreign Reserves - Aug	--	A\$74.7B	18:30
	UK	Halifax House Price 3Mths/Year - Aug	2.1%	2.1%	19:30
	UK	Halifax House Prices MoM - Aug	0.2%	0.4%	19:30
	EC	GDP SA QoQ - Q2 F	0.6%	0.6%	21:00
	EC	GDP SA YoY - Q2 F	2.2%	2.2%	21:00
	EC	ECB Main Refinancing Rate - Sep	0.00%	0.00%	23:45
	EC	ECB Marginal Lending Facility - Sep	0.25%	0.25%	23:45
	EC	ECB Deposit Facility Rate - Sep	-0.40%	-0.40%	23:45
	EC	ECB Asset Purchase Target - Sep	EU60B	EU60B	23:45
8-Sep	US	Initial Jobless Claims - 2-Sep	242k	236k	00:30
	US	Continuing Claims - 26-Aug	1945k	1942k	00:30
	US	Nonfarm Productivity - Q2 F	1.2%	0.9%	00:30
	US	Unit Labor Costs - Q2 F	0.4%	0.6%	00:30
	NZ	Mfg Activity Volume QoQ - Q2	--	-0.3%	10:45
	NZ	Mfg Activity SA QoQ - Q2	--	2.8%	10:45
	JN	BoP Current Account Adjusted - Jul	¥1654.0B	¥1522.5B	11:50
	JN	BoP Current Account Balance - Jul	¥2044.6B	¥934.6B	11:50
	JN	GDP SA QoQ - Q2 F	0.7%	1.0%	11:50
	JN	GDP Annualized SA QoQ - Q2 F	2.9%	4.0%	11:50
	JN	GDP Nominal SA QoQ - Q2 F	0.9%	1.1%	11:50
	JN	GDP Deflator YoY - Q2 F	-0.4%	-0.4%	11:50
	AU	Home Loans MoM - Jul	1.0%	0.5%	13:30
	AU	Investment Lending - Jul	--	1.6%	13:30
	AU	Owner-Occupier Loan Value MoM - Jul	--	0.3%	13:30
	GE	Trade Balance - Jul	€21.0B	€22.3B	18:00
	GE	Current Account Balance - Jul	€20.5B	€23.6B	18:00
	GE	Exports SA MoM - Jul	1.3%	-2.7%	18:00
	GE	Imports SA MoM - Jul	2.8%	-4.4%	18:00
	GE	Labor Costs SA QoQ - Q2	--	0.5%	18:00
	GE	Labor Costs WDA YoY - Q2	--	2.5%	18:00
	UK	Industrial Production MoM - Jul	0.2%	0.5%	20:30
	UK	Industrial Production YoY - Jul	0.3%	0.3%	20:30
	UK	Manufacturing Production MoM - Jul	0.3%	0.0%	20:30
	UK	Manufacturing Production YoY - Jul	1.7%	0.6%	20:30
	UK	Construction Output SA MoM - Jul	-0.3%	-0.1%	20:30
	UK	Construction Output SA YoY - Jul	0.2%	0.9%	20:30
	UK	Visible Trade Balance GBP/Mn - Jul	-£12000	-£12722	20:30
	UK	Trade Balance Non EU GBP/Mn - Jul	--	-£4471	20:30
	UK	Trade Balance - Jul	-£3250	-£4564	20:30
	CH	Imports YoY - Aug	10.0%	11.0%	UNSPECIFIED
	CH	Exports YoY - Aug	5.1%	7.2%	UNSPECIFIED
	CH	Trade Balance - Aug	\$48.60B	\$46.73B	UNSPECIFIED
9-Sep	UK	NIESR GDP Estimate - Aug	--	0.2%	00:00
	US	Wholesale Inventories MoM - Jul F	0.4%	0.4%	02:00
	US	Consumer Credit - Jul	\$15.00B	\$12.40B	07:00
	CH	CPI YoY - Aug	1.6%	1.4%	13:30
	CH	PPI YoY - Aug	5.4%	5.5%	13:30

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

We believe the underlying pace of economic momentum is reasonable, despite housing and credit headwinds. Inflation is subdued, however, which is consistent with the OCR remaining on hold for some time yet.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 5 Sep (10:45am)	Building Work Put in Place – Q2	Flattish	Non-residential construction activity should rebound, but residential work is being capped by capacity pressures.
Tue 5 Sep (1:00pm)	ANZ Commodity Price Index – Aug	--	--
Wed 6 Sep (early am)	GlobalDairyTrade Auction	Stable	How the local production season gets underway will be key, but we are expecting broad stability in prices for now.
Wed 6 Sep (10:00am)	ANZ Job Advertising – Aug	--	--
Fri 8 Sep (10:45am)	Economic Survey of Manufacturing – Q2	Solid	The headline often gets thrown around by timing issues in the primary sector, but the underlying details should be okay.
11-15 Sep	REINZ Housing Market Statistics – Aug	Soft	We suspect the theme of softness in activity and prices is set to persist for a while yet.
Mon 11 Sep (10:45am)	Electronic Card Transactions – Aug	Bounce	Lower petrol prices have weighed heavily on the value of retail spending. That theme has likely played out now.
Mon 11 Sep (1:00pm)	ANZ Monthly Inflation Gauge – Aug	--	--
Tue 12 Sep (10:00am)	ANZ Truckometer – Aug	--	--
Wed 13 Sep (10:45am)	Food Price Index – Aug	Volatile	Commodity prices predict strength but timing effects could create some noise.
Thu 14 Sep (1:00pm)	ANZ-Roy Morgan Consumer Confidence – Sep	--	--
Fri 15 Sep (10:30am)	BNZ-BusinessNZ PMI – Aug	Looking okay	The index has been hovering at a broadly decent level. We don't see that changing much.
Mon 18 Sep (10:30am)	BNZ-BusinessNZ PSI – Aug	Ditto	Like its PMI cousin, the index has been holding broadly stable at a decent level.
Wed 20 Sep (early am)	GlobalDairyTrade Auction	Stable	How the local production season gets underway will be key, but we are expecting broad stability in prices for now.
Wed 20 Sep (10:45am)	Balance of Payments – Q2	Stable	We see the current account deficit holding broadly stable around 3% of GDP.
Thu 21 Sep (10:45am)	GDP – Q2	1.0% q/q	We expect some of the temporary factors that have weighed on growth of late to unwind.
Thu 21 Sep (10:45am)	International Travel & Migration – Aug	Holding up	We can't envisage a meaningful turn in net migrant inflows yet.
Tue 26 Sep (10:45am)	Overseas Merchandise Trade – Aug	Not too bad	Solid export commodity prices will support. However, export volumes may cool a little after recent strong growth.
Tue 26 Sep (1:00pm)	ANZ Business Outlook – Sep	--	--
Tue 26 Sep (3:00pm)	RBNZ New Mortgage Lending – Aug	Soft	With the housing market remaining weak, new lending growth will too.
Thu 28 Sep (9:00am)	RBNZ OCR Review	Firmly on hold	The message from the RBNZ will be unchanged; it is in no hurry to alter current policy settings.
Fri 29 Sep (10:45am)	Building Consents Issued – Aug	Capped	Positive demand forces are clear. However, the topside is being capped by capacity, cost and capital constraints.
Fri 29 Sep (3:00pm)	RBNZ Sectoral Lending – Aug	Cooler	We suspect total private sector credit will continue to run around a 5-6% annual pace.
On balance		Data watch	The data pulse generally remains solid. Domestic inflation is low, but should lift gradually.

KEY FORECASTS AND RATES

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
GDP (% qoq)	0.5	1.0	0.8	0.8	0.7	0.7	0.6	0.6	0.6	0.6
GDP (% yoy)	2.5	2.7	2.7	3.2	3.3	3.0	2.8	2.6	2.5	2.4
CPI (% qoq)	1.0	0.0	0.2	0.2	0.8	0.6	0.7	0.3	0.7	0.6
CPI (% yoy)	2.2	1.7	1.6	1.3	1.2	1.8	2.4	2.5	2.4	2.3
Employment (% qoq)	1.1	-0.1	0.7	0.5	0.5	0.4	0.4	0.3	0.3	0.3
Employment (% yoy)	5.7	3.1	2.4	2.2	1.6	2.1	1.8	1.6	1.4	1.3
Unemployment Rate (% sa)	4.9	4.8	4.8	4.7	4.6	4.5	4.4	4.4	4.3	4.3
Current Account (% GDP)	-3.1	-3.1	-2.9	-2.8	-2.4	-2.3	-2.4	-2.5	-2.4	-2.4
Terms of Trade (% qoq)	3.9	1.6	-0.1	-1.0	-0.9	-0.7	0.1	0.1	0.1	0.1
Terms of Trade (% yoy)	6.4	10.3	11.6	4.3	-0.5	-2.7	-2.5	-1.4	-0.4	0.4

	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Retail ECT (% mom)	0.0	0.1	2.5	-0.5	-0.3	1.0	-0.5	-0.1	-0.5	--
Retail ECT (% yoy)	5.1	5.8	5.6	2.6	5.6	4.5	5.2	4.5	2.0	--
Credit Card Billings (% mom)	-4.1	3.1	0.4	-1.3	1.0	1.1	1.0	0.2	0.9	--
Credit Card Billings (% yoy)	4.1	8.5	7.1	5.3	7.3	6.5	7.6	8.3	7.2	--
Car Registrations (% mom)	3.0	-6.4	1.7	0.5	3.4	-3.0	3.5	-3.0	-3.3	--
Car Registrations (% yoy)	18.4	7.8	12.2	7.3	16.5	3.0	13.7	11.1	6.2	--
Building Consents (% mom)	-8.0	-9.6	5.5	16.8	-2.6	-8.3	6.5	-1.3	-0.7	--
Building Consents (% yoy)	2.5	-10.8	-0.9	9.2	17.0	-3.1	6.0	-9.1	-2.8	--
REINZ House Price Index (% yoy)	14.4	13.8	12.8	11.9	10.0	7.9	5.0	2.8	1.1	--
Household Lending Growth (% mom)	0.6	0.9	0.5	0.5	0.5	0.5	0.4	0.5	0.3	--
Household Lending Growth (% yoy)	8.6	9.0	8.9	8.7	8.7	8.3	7.9	7.6	7.1	--
ANZ Roy Morgan Consumer Conf.	127.2	124.5	128.7	127.4	125.2	121.7	123.9	127.8	125.4	126.2
ANZ Business Confidence	20.5	21.7	..	16.6	11.3	11.0	14.9	24.8	19.4	18.3
ANZ Own Activity Outlook	37.6	39.6	..	37.2	38.8	37.7	38.3	42.8	40.3	38.2
Trade Balance (\$m)	-723	-1	-227	-42	262	547	66	246	85	--
Trade Bal (\$m ann)	51668	51621	51901	52087	52404	52588	53218	53531	53763	--
ANZ World Comm. Price Index (% mom)	3.2	0.7	-0.1	2.0	0.4	-0.2	3.2	2.1	-0.8	--
ANZ World Comm. Price Index (% yoy)	13.6	16.5	19.1	20.9	23.0	23.7	26.3	24.6	21.1	--
Net Migration (sa)	6140	5930	6320	5920	6140	5800	5940	6340	5810	--
Net Migration (ann)	70354	70588	71305	71333	71932	71885	71964	72305	72402	--
ANZ Heavy Traffic Index (% mom)	3.6	-0.3	-0.9	2.1	1.6	-2.2	3.9	-0.4	-5.5	--
ANZ Light Traffic Index (% mom)	1.5	0.3	-0.3	0.8	1.0	-1.4	1.3	1.3	-2.2	--

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)						
	Jul-17	Aug-17	Today	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
NZD/USD	0.749	0.715	0.717	0.72	0.70	0.69	0.68	0.67	0.67	0.66
NZD/AUD	0.939	0.906	0.900	0.97	0.96	0.96	0.94	0.94	0.94	0.94
NZD/EUR	0.638	0.603	0.604	0.63	0.63	0.63	0.65	0.63	0.61	0.57
NZD/JPY	82.78	79.10	78.77	82.8	78.4	75.9	71.4	67.0	67.0	66.0
NZD/GBP	0.570	0.555	0.553	0.55	0.55	0.55	0.55	0.54	0.54	0.51
NZ\$ TWI	77.1	73.7	75.2	76.1	74.7	74.1	73.5	71.8	71.2	69.3
INTEREST RATES	Jul-17	Aug-17	Today	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
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	1.95	1.96	1.95	1.96	1.97	1.98	1.99	2.08	2.34	2.50
NZ 10-yr bond	2.98	2.90	2.85	2.80	2.80	2.85	2.95	3.15	3.30	3.30
US Fed funds	1.25	1.25	1.25	1.25	1.50	1.50	1.75	2.00	2.25	2.25
US 3-mth	1.31	1.32	1.32	1.40	1.65	1.75	2.05	2.20	2.45	2.45
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	1.69	1.72	1.74	1.70	1.70	1.70	1.70	1.80	1.80	1.80

	1 Aug	28 Aug	29 Aug	30 Aug	31 Aug	1 Sep
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.95	1.96	1.95	1.97	1.96	1.96
NZGB 03/19	1.93	1.89	1.87	1.88	1.88	1.86
NZGB 05/21	2.26	2.17	2.15	2.18	2.18	2.16
NZGB 04/23	2.59	2.47	2.44	2.47	2.48	2.45
NZGB 04/27	3.04	2.89	2.85	2.88	2.90	2.87
2 year swap	2.23	2.19	2.17	2.19	2.20	2.18
5 year swap	2.78	2.65	2.61	2.65	2.67	2.64
RBNZ TWI	78.98	76.16	76.09	76.00	75.49	75.33
NZD/USD	0.7479	0.7239	0.7284	0.7245	0.7153	0.7158
NZD/AUD	0.9366	0.9118	0.9139	0.9110	0.9064	0.8982
NZD/JPY	82.60	79.04	79.07	79.59	79.10	78.91
NZD/GBP	0.5660	0.5612	0.5625	0.5605	0.5554	0.5527
NZD/EUR	0.6332	0.6065	0.6053	0.6063	0.6031	0.6035
AUD/USD	0.7985	0.7940	0.7971	0.7953	0.7892	0.7975
EUR/USD	1.1812	1.1937	1.2035	1.1948	1.1861	1.1860
USD/JPY	110.45	109.18	108.55	109.85	110.58	110.25
GBP/USD	1.3212	1.2899	1.2949	1.2927	1.2880	1.2951
Oil (US\$/bbl)	49.16	46.57	46.44	45.96	47.23	47.29
Gold (US\$/oz)	1266.92	1297.80	1320.02	1311.55	1307.04	1325.23
Electricity (Haywards)	12.17	6.81	6.46	7.38	6.76	7.38
Baltic Dry Freight Index	965	1209	1203	1181	1184	1183
NZX WMP Futures (US\$/t)	3225	3225	3225	3225	3225	3240

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