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NZ Economics Team

Sharon Zollner
Chief Economist
 Telephone: +64 9 357 4094
Sharon.Zollner@anz.com

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

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

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

Kyle Uerata
Economist
 Telephone: +64 4 802 2357
Kyle.Uerata@anz.com

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

Contact
research@anz.com

Follow us on Twitter
[@ANZ_Research](https://twitter.com/ANZ_Research)

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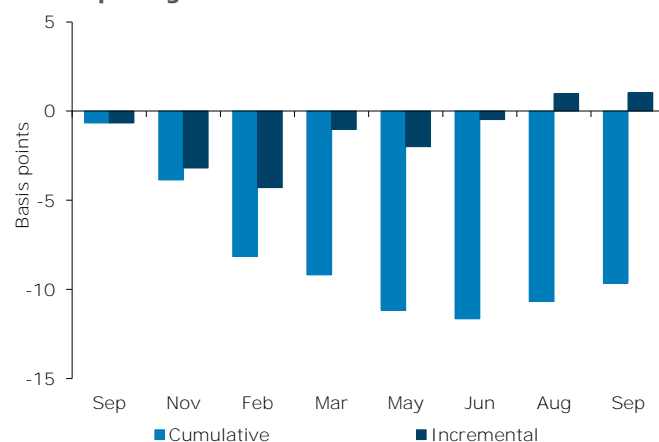
Economic overview

The recent data flow has been weak and the market has moved to price in around 50% chance of an OCR cut by mid next year. Our view is certainly that a cut is more likely than a hike, but is it time to definitively call cuts? We are leaning that way, but are not over the line yet. Our ANZ Business Outlook Survey has been very downbeat, but it is also possible that the survey could be overstating current weakness. We always look at a range of data to assess the state of the economy and so far the picture is looking softer, but very mixed. We suspect that the RBNZ may well be willing to front-foot a response to a slowing before seeing it manifest in official GDP data, but it would nonetheless need to be convinced that the slowdown is real and relatively broad-based, and that extra monetary policy support is therefore warranted. As such, there is a range of developments we – and the RBNZ – will be watching closely over the next couple of months.

Chart of the week

Markets are currently pricing in around 50% chance of an OCR cut by mid next year.

Market pricing for Official Cash Rate



Source: Bloomberg, ANZ Research

The ANZ heatmap

Variable	View	Comment	Risks around our view
GDP	2.5% y/y for 2019 Q1	The economy has lost steam. We see growth of around 2½% over the next few years (at, or a bit below, trend).	Neutral
Unemployment rate	4.4% for 2019 Q1	Unemployment is expected to move broadly sideways. Underlying wage pressures subdued.	Neutral
OCR	1.75% in March 2019	We expect the OCR to remain firmly on hold. In terms of risks, a cut now looks more likely than a hike.	Neutral
CPI	2.0% y/y for 2019 Q1	We expect core inflation will lift, but only gradually, and the medium-term outlook is not assured.	Neutral



We are leaning towards calling a cut, but we're not there yet

Summary

The recent data flow has been weak and the market has moved to price in around 50% chance of an OCR cut by mid next year. Our view is certainly that a cut is more likely than a hike, but is it time to definitively call cuts? We are leaning that way, but are not over the line yet. Our ANZ Business Outlook Survey has been very downbeat, but it is also possible that the survey could be overstating current weakness. We always look at a range of data to assess the state of the economy and so far the picture is looking softer, but very mixed. We suspect that the RBNZ may well be willing to front-foot a response to a slowing before seeing it manifest in official GDP data, but it would nonetheless need to be convinced that the slowdown is real and relatively broad-based, and that extra monetary policy support is therefore warranted. As such, there is a range of developments we – and the RBNZ – will be watching closely over the next couple of months. As regards the starting point, **we've upgraded our pick for Q2 GDP to 0.8% q/q, but we'll finalise the number once all the indicators are in.** Beyond Q2, the outlook is looking softer, but depends crucially on whether firms follow through with their stated intentions to cut back on investment and employment.

Forthcoming events

Terms of Trade – Q2 (Monday 3 September, 10:45am). Growth in export prices is expected to slightly outpace that in import prices in Q2, with the terms of trade lifting.

GlobalDairyTrade auction (Wednesday 5 September, early am). After falling 12% since May, the average GDT price may stabilise.

ANZ Job Ads – August (Wednesday 5 September, 10:00am).

Building work put in place – Q2 (Wednesday 5 September, 10:45am). Expect a solid increase in activity after last quarter's fall on the back of strong consents.

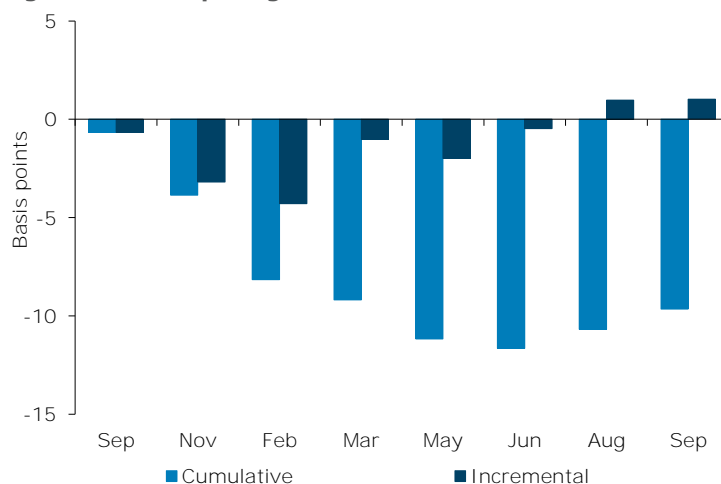
ANZ Commodity Price Index – August (Wednesday 5 September, 1:00pm).

What's the view?

Markets are now pricing in around a 50% chance of an OCR cut by the middle of next year (figure 1) on the back of recent weaker domestic data **and the RBNZ's dovishness.** **It's been a fairly rapid swing: just a month ago the market was pricing no change between now and the next year.**

Markets are pricing in a small amount of OCR cuts

Figure 1. Market pricing for Official Cash Rate



Source: Bloomberg, ANZ Research

Really what we've seen has just been a continuation of an already existing softening trend in the dataflow. But the reaction has been very strong because the RBNZ indicated at the August MPS that it is willing to cut the OCR if the activity outlook softens, that it sees weak business sentiment as a key risk, and that its projections rely on an expectation that growth will accelerate into the second half of this year.



Economic overview

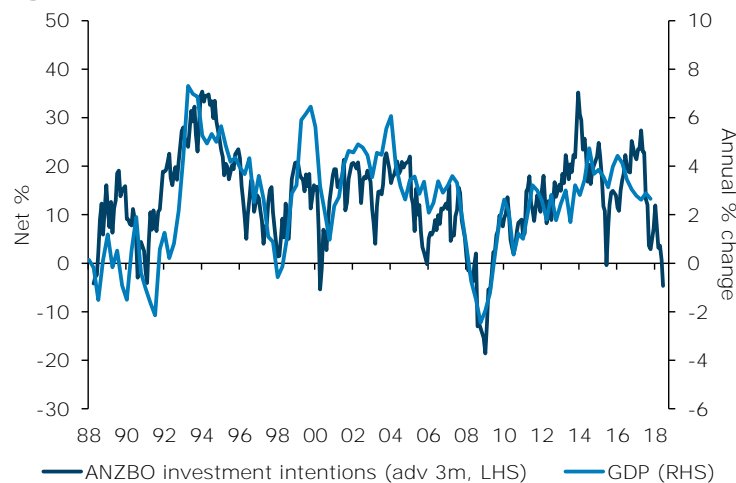
Recent data points to softer activity

Recent data, particularly the ANZ Business Outlook (ANZBO) activity metrics, pose **undeniable downside risk to the RBNZ's GDP forecasts for the second half of the year** (Q3 0.8% q/q; Q4 0.7% q/q).

Business sentiment in the ANZBO has been downbeat for a while now, and activity expectations have been pared back. But last week we saw investment and employment intentions dip into negative territory (figure 2 & 3). These intentions have historically been a fairly reliable guide to actual developments, though the picture can be murkier following changes of Government.

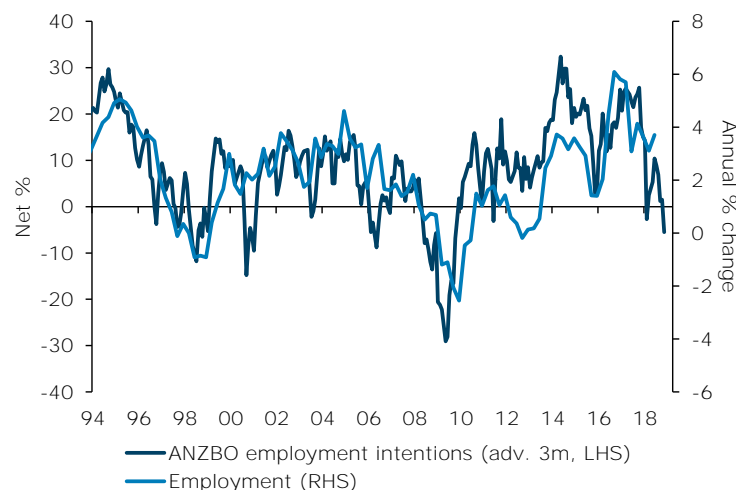
These data will be concerning for the RBNZ because if businesses defer employment and investment, weaker activity expectations could become self-fulfilling. Weaker employment would transmit the softening to consumers, and so the spiral could be in train. Despite solid fundamentals such as low interest rates, fiscal stimulus, a weaker currency and strong export prices, this could see growth deteriorate if left to its own devices. **It's extremely unlikely businesses could talk themselves into a recession** as long as the fundamentals remain good, but a decent dent in growth is certainly a possibility. **That's a problem when the RBNZ estimates** that it requires growth to not only hold in but actually accelerate to get inflation back to target in an acceptable time frame.

Figure 2. ANZBO investment intentions and GDP



Source: Statistics NZ, ANZ Research

Figure 3. ANZBO employment intentions and employment



Source: Statistics NZ, ANZ Research

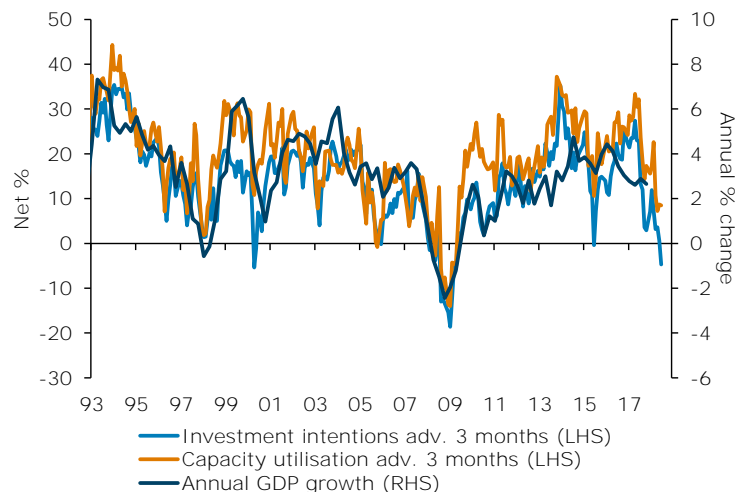


Economic overview

We look at a range of data to understand the state of the economy

The ANZBO is an important source of information about how businesses are faring, but it is just one of many sources that we look at to understand the state of the economy. It is entirely possible that the weakness in the survey is overstating the likely softening in growth ahead. An economy is a complicated thing, and no indicator will always call it right.

Figure 4. ANZBO investment intentions, capacity utilisation and GDP growth



Source: Statistics NZ, ANZ Research

The fall in business confidence and the associated activity indicators has certainly caused a fair degree of disagreement about whether the implied business nervousness is warranted. So are the cheerleaders or the naysayers right? Is the economy in trouble or is it in a wonderful spot?

The answer really depends on who you ask and what data you are looking at, and **that's because different parts of the economy, both by sector and by region, are** experiencing very diverse conditions at the moment. Auckland and Canterbury appear to be experiencing more challenging conditions, but Wellington and regional markets are generally still very upbeat. And while business surveys suggest all industries are worried, some, such as construction and retail, are experiencing significant sector-specific challenges, whereas the primary sector is still enjoying historically high prices in many areas.

When the sea is choppy, as it is now, considering a wide range of data is crucial. So what is the broader dataflow saying?

- Other data relating in business conditions also point to a slight softening, on balance: the QSBO (though the most recent read is June), the PMI (trending down), the PSI (mixed); the Truckometer (holding up).
- Q2 GDP is looking strong, but we expect that temporary factors are providing a **boost (see 'The week ahead' for more details)**.
- ANZ Consumer Confidence indicates that households are feeling pretty good. They are a bit warier than they were and spending growth has been easing, but they are not down in the dumps by any means.
- Building consents plunged in July. While these can be volatile, it suggests that reports that the building pipeline is softening are perhaps coming to fruition.
- The housing market has been soft, but still with extreme regional differences. We saw a tick up in house prices in July, but overall things are looking pretty stable with prices growth gradually moderating. We expect this will continue.
- Population growth has been slowing. Net migration is at a high level but has been easing, as we expected, and will provide a waning impetus to growth.



Economic overview

- The ANZ Commodity Price Index and recent GDT data show the shine has been coming off our export commodity prices. The peak in our terms of trade is likely to be behind us.
- ANZ Job Ads data still points to modest employment growth and a stable labour market. This signal is important in context of employment intentions that have gone into the red.
- The exchange rate has fallen, which will boost activity and inflation at the margin. **We see net exports providing less of a drag on growth, but don't see it stepping up to the plate to drive GDP growth above trend.**
- Our discussions with firms paint a picture of an economy that is experiencing some growing pains and looks late-cycle. However, pockets of strength are also evident, particularly in the primary sector.

It's a mixed picture, but on the whole a bit more downbeat

The full range of data paints a mixed picture. On the whole, we would say that developments since the 9 August MPS have been negative for the activity outlook – and we expect that this will be a key theme in the policy assessment accompanying the OCR Review in September. However, the next full set of RBNZ published projections is not until the next Monetary Policy Statement on 8 November. At this stage an unchanged, flat or a downward-sloping OCR projected track all remain well within the scope of possibility. As indeed does a November rate cut, should things take a definitive turn south. With a couple of months of data to come, we – and the RBNZ – have the luxury of waiting to see how things unfold.

Figure 5. ANZ and RBNZ OCR expectations



Source: Statistics NZ, ANZ Research

We will be watching the full range of data flow over coming months:

- The September OCR review, along with any speeches and comments from the RBNZ about how it is weighing up the data. Given the lags in the data a September cut is very unlikely.
- The **NZIER's QSBO**. This larger quarterly business survey will provide a degree of verification on how accurately the ANZBO **has captured businesses' expectations** and intentions – though not necessarily whether these are going to hold true in this particular instance.
- How the ANZBO unfolds. We will have two more reads before the November MPS; employment and investment intentions persisting in negative territory would not be a good signal.



Economic overview

- Building consents. Monthly moves can be volatile, so we will be looking at the next couple of prints to see whether the recent downtrend is sustained.
- Other business activity indicators, like PMI/PSI data and the Truckometer, and the pulse of anecdotes from businesses around the country.
- We (and the RBNZ) will likely look through strength in Q2 GDP due to expected temporary factors.
- The state of the household sector. Card spending data, ANZ Consumer Confidence, ANZ Job Ads and housing market data will all help give us a sense of whether households are being affected by softer conditions.
- The external environment. It appears global growth has peaked and we will be watching to see the effects on our commodity prices and exchange rate.
- Inflation. While the key risks appear to be around the activity outlook, underlying inflation remains low. We will be watching the ANZ Monthly Inflation Gauge, Q3 CPI (October), and the latest read on core inflation.

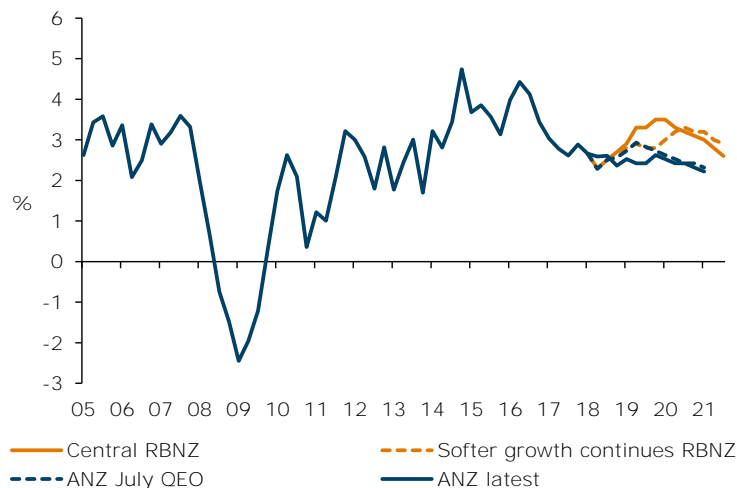
RBNZ projections are one thing, action is another. In our view the weaker data currently warrants publishing a flat OCR track in November, with a nod to the possibility the next move is a cut. But things will continue to move between now and then. If a broad swathe of the indicators above confirm that the outlook for activity is looking soft, then an OCR cut in November could well be on the table. **But we'd need concrete evidence of a slowdown (and/or the Reserve Bank's thinking) before we could call that.**

The RBNZ would be willing to front-foot a slowing, but would need to be convinced it was on the way

A key uncertainty is whether the RBNZ be willing to backstop a potential softening in growth without actually seeing it in the GDP data: Q2 GDP looks set to be solid, albeit boosted by a number of temporary factors, and Q3 GDP will only be available just before Christmas. While it is impossible to know, it seems likely that the RBNZ would in fact be comfortable front-footing a slowdown for two reasons.

First, it is forward looking, and puts faith in its near-term forecasting models. Second, the starting point matters. The RBNZ has been clear about a perceived need to see growth accelerate in order to deliver inflation at target in an acceptable time frame. And in commentary it has been open about concerns that this may not eventuate. In the August MPS, the downside activity scenario showed annual GDP growth just 0.7%pts lower at the end of 2019 with the result that the OCR was a full 100 basis points lower (figure 6).

Figure 6. ANZ and RBNZ activity forecasts with scenario



Source: Statistics NZ, ANZ Research



Economic overview

The final pieces of Q2 GDP are falling into place

But all that said, the RBNZ would need to be well convinced that a slowdown in growth was coming – a wide range of indicators would need to be telling the same story. Ongoing mixed data would warrant a flat track. But if things are looking consistently soft, then the three-month wait between the November and February MPS may be enough to deter the RBNZ from maintaining its “**watch, worry and wait**” strategy.

The week ahead

This week brings the next key input for Q2 GDP: building work put in place. We expect to see **a solid increase in activity after last quarter’s** 0.9% fall, reflecting strong consent issuance earlier this year. We have pencilled in an increase of 3% q/q, driven by residential work, which is expected to have increased 4% q/q.

Construction activity comprises 6% of GDP, so building work put in place will add important colour for firming up our Q2 GDP pick. Based on information to date, we have now pencilled in 0.8% q/q growth in Q2 – 0.2%pts stronger than previously expected. This upward revision reflects our expectation for a strong work put in place print and the strength that was seen in the retail trade survey. Nonetheless, there are still a number of elements to come that will help us firm up our pick. GDP is released on September 20 and we will send out a full preview a week before.

Broadly speaking, GDP in Q2 is expected to paint a picture of temporary strength. Activity is expected to have been boosted by a weather-related recovery in milk production, solid livestock slaughtering (related to M. Bovis), and strong population growth. However, the outlook over the second half of the year is looking more muted, with businesses downbeat and consents starting to moderate, and we are likely to see softer GDP prints for Q3 and Q4. Our current expectation is that GDP will grow 0.6% and 0.4% q/q in the September and December quarters respectively, but there is downside risk to this if businesses start to cut back on investment and employment.

The Overseas Trade Indices release for Q2 out this morning is expected to show a lift of around 1% q/q in the goods terms of trade, which would put it just a smidgen below the record high recorded in 2017Q4. Dairy prices are expected to have increased 6%, reflecting strength in prices on the GDT platform early in the year, and meat prices are expected to have lifted 2%. Higher import prices are expected to provide a partial offset, given rising global inflation and higher oil prices. But import prices can be unpredictable, which means that a 2% q/q increase in the terms of trade is within the realms of possibility, which would set a new record.

The next GlobalDairyTrade auction is also this week. With dairy prices having fallen 12% since May, it is possible that we see the average GDT price stabilise.

We also have two proprietary indicators out this week: ANZ Job Ads and ANZ Commodity Price Index for August. Job ads will be particularly closely watched to see if it corroborates falling employment intentions in our Business Outlook survey.

Local data

Building consents – July. Dwelling consents fell 10.4% in July. Activity is high, but the fall is consistent with reports that the pipeline has softened.

ANZ Business Outlook – August. Business confidence slipped; investment and employment intentions suggest the threat to activity is real.

ANZ Consumer Confidence – August. Consumer confidence at 118 is about average; households are a bit more wary about the outlook.



Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
3-Sep	AU	Ai Group Perf of Mfg Index - Aug	--	52.0	10:30
	NZ	Terms of Trade Index QoQ - Q2	1.0%	-1.9%	10:45
	AU	CoreLogic House Px MoM - Aug	--	-0.6%	12:00
	JN	Nikkei Japan PMI Mfg - Aug F	--	52.5	12:30
	AU	Melbourne Institute Inflation MoM - Aug	--	0.1%	13:00
	AU	Melbourne Institute Inflation YoY - Aug	--	2.0%	13:00
	AU	Inventories SA QoQ - Q2	0.2%	0.7%	13:30
	AU	Company Operating Profit QoQ - Q2	1.3%	5.9%	13:30
	AU	ANZ Job Advertisements MoM - Aug	--	1.5%	13:30
	AU	Retail Sales MoM - Jul	0.3%	0.4%	13:30
	CH	Caixin PMI Mfg - Aug	50.7	50.8	13:45
	GE	Markit/BME Manufacturing PMI - Aug F	56.1	56.1	19:55
	EC	Markit Manufacturing PMI - Aug F	54.6	54.6	20:00
	UK	Markit PMI Manufacturing SA - Aug	53.9	54	20:30
	4-Sep	AU	ANZ-RM Consumer Confidence Index - 2-Sep	--	116.5
AU		BoP Current Account Balance - Q2	-\$11.0B	-\$10.5B	13:30
AU		Net Exports of GDP - Q2	0.1	0.3	13:30
AU		RBA Cash Rate Target - Sep	1.50%	1.50%	16:30
UK		Markit/CIPS Construction PMI - Aug	54.9	55.8	20:30
EC		PPI MoM - Jul	0.3%	0.4%	21:00
EC		PPI YoY - Jul	3.9%	3.6%	21:00
5-Sep	US	Markit Manufacturing PMI - Aug F	54.5	54.5	01:45
	US	Construction Spending MoM - Jul	0.4%	-1.1%	02:00
	US	ISM Manufacturing - Aug	57.6	58.1	02:00
	NZ	QV House Prices YoY - Aug	--	5.1%	05:00
	NZ	ANZ Job Advertisements MoM - Aug	--	3.1%	10:00
	AU	Ai Group Perf of Services Index - Aug	--	53.6	10:30
	NZ	Volume of All Buildings SA QoQ - Q2	2.9%	-0.9%	10:45
	AU	CBA PMI Services - Aug	--	52.3	11:00
	AU	CBA PMI Composite - Aug	--	52.3	11:00
	JN	Nikkei PMI Services - Aug	--	51.3	12:30
	JN	Nikkei PMI Composite - Aug	--	51.8	12:30
	NZ	ANZ Commodity Price - Aug	--	-3.2%	13:00
	AU	GDP SA QoQ - Q2	0.7%	1.0%	13:30
	AU	GDP YoY - Q2	2.8%	3.1%	13:30
	CH	Caixin PMI Composite - Aug	--	52.3	13:45
	CH	Caixin PMI Services - Aug	52.6	52.8	13:45
	GE	Markit Services PMI - Aug F	55.2	55.2	19:55
	GE	Markit/BME Composite PMI - Aug F	55.7	55.7	19:55
	EC	Markit Services PMI - Aug F	54.4	54.4	20:00
	EC	Markit Composite PMI - Aug F	54.4	54.4	20:00
	UK	Markit/CIPS Services PMI - Aug	53.9	53.5	20:30
	UK	Markit/CIPS Composite PMI - Aug	54.1	53.6	20:30
	EC	Retail Sales MoM - Jul	-0.1%	0.3%	21:00
EC	Retail Sales YoY - Jul	1.3%	1.2%	21:00	
US	MBA Mortgage Applications - 31-Aug	--	-1.7%	23:00	
6-Sep	US	Trade Balance - Jul	-\$50.0B	-\$46.3B	00:30
	AU	Trade Balance - Jul	A\$1450M	A\$1873M	13:30

Continued on following page



Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
6-Sep	GE	Factory Orders MoM - Jul	1.8%	-4.0%	18:00
	GE	Factory Orders WDA YoY - Jul	1.9%	-0.8%	18:00
	GE	Markit Construction PMI - Aug	--	50.0	19:30
7-Sep	US	ADP Employment Change - Aug	190k	219k	00:15
	US	Nonfarm Productivity - Q2 F	2.9%	2.9%	00:30
	US	Unit Labor Costs - Q2 F	-0.9%	-0.9%	00:30
	US	Initial Jobless Claims - 1-Sep	213k	213k	00:30
	US	Continuing Claims - 25-Aug	1718k	1708k	00:30
	US	Markit US Services PMI - Aug F	55.2	55.2	01:45
	US	Markit US Composite PMI - Aug F	--	55.0	01:45
	US	ISM Non-Manufacturing Index - Aug	56.6	55.7	02:00
	US	Factory Orders - Jul	-0.6%	0.7%	02:00
	US	Factory Orders Ex Trans - Jul	--	0.4%	02:00
	US	Durable Goods Orders - Jul F	--	-1.7%	02:00
	US	Durables Ex Transportation - Jul F	--	0.2%	02:00
	US	Cap Goods Orders Nondef Ex Air - Jul F	--	1.4%	02:00
	US	Cap Goods Ship Nondef Ex Air - Jul F	--	0.9%	02:00
	AU	Ai Group Perf of Construction Index - Aug	--	52.0	10:30
	AU	Home Loans MoM - Jul	-0.1%	-1.1%	13:30
	AU	Investment Lending - Jul	--	-2.7%	13:30
	AU	Owner-Occupier Loan Value MoM - Jul	--	-1.0%	13:30
	GE	Trade Balance - Jul	€19.5B	€21.8B	18:00
	GE	Current Account Balance - Jul	€20.0B	€26.2B	18:00
GE	Exports SA MoM - Jul	0.3%	0.1%	18:00	
GE	Imports SA MoM - Jul	0.1%	1.3%	18:00	
GE	Industrial Production SA MoM - Jul	0.2%	-0.9%	18:00	
GE	Industrial Production WDA YoY - Jul	2.6%	2.5%	18:00	
GE	Labor Costs SA QoQ - Q2	--	1.0%	18:00	
GE	Labor Costs WDA YoY - Q2	--	2.3%	18:00	
AU	Foreign Reserves - Aug	--	A\$69.1B	18:30	
UK	Halifax House Prices MoM - Aug	--	1.4%	19:30	
UK	Halifax House Price 3Mths/Year - Aug	3.5%	3.3%	19:30	
EC	GDP SA QoQ - Q2 F	0.4%	0.4%	21:00	
EC	GDP SA YoY - Q2 F	2.2%	2.2%	21:00	
CH	Foreign Reserves - Aug	\$3115.00B	\$3117.95B	UNSPECIFIED	
8-Sep	US	Change in Nonfarm Payrolls - Aug	193k	157k	00:30
	US	Unemployment Rate - Aug	3.8%	3.9%	00:30
	US	Average Hourly Earnings MoM - Aug	0.2%	0.3%	00:30
	US	Average Hourly Earnings YoY - Aug	2.7%	2.7%	00:30
	US	Average Weekly Hours All Employees - Aug	34.5	34.5	00:30
	CH	Trade Balance - Aug	\$31.00B	\$28.05B	UNSPECIFIED
	CH	Exports YoY - Aug	9.3%	12.2%	UNSPECIFIED
	CH	Imports YoY - Aug	18.7%	27.3%	UNSPECIFIED

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 economy has lost steam. We don't expect that it will roll over, but it will struggle to grow above trend. Inflation is expected to increase gradually, but the medium-term outlook is not assured. The OCR is expected to be on hold for the foreseeable future. We see the balance of risks tilted towards the next move being a cut.

Date	Data/event	Economic signal	Comment
Mon 3 Sep (10:45am)	Terms of Trade – Q2	Stable	Growth in export prices is expected to slightly outpace that of import prices in Q2, with the terms of trade lifting a touch.
Wed 5 Sep (early am)	GlobalDairyTrade auction	Sideways	The average GDT price is expected to remain in recent ranges.
Wed 5 Sep (10:00am)	ANZ Job Ads - August	--	--
Wed 5 Sep (10:45am)	Building work put in place – Q2	Solid	Expect to see a solid increase in activity after last quarter's fall on the back of strong consents.
Wed 5 Sep (1:00pm)	ANZ Commodity Price Index - August	--	--
Mon 10 Sep (10:45am)	Economic Survey of Manufacturing – Q2	Meaty	Q1's meat -induced strength looks likely to continue with Mycoplasma Bovis lending support.
10-14 Sep	REINZ Housing Market Statistics	Fizzer	House price inflation was little stronger in July. We will see if it proves to be a fizzer.
Tue 11 Sep (10:00am)	ANZ Truckometer – August	--	--
Tue 11 Sep (10:45am)	Electronic Card Transactions - August	Looking	July cards spending contained little evidence of a Families Package boost. Maybe August is the month.
Tue 11 Sep (1:00pm)	ANZ Monthly Inflation Gauge – August	--	--
Thu 13 Sep (10:45am)	Food Prices – August	Tick up	Higher winter prices for fruit and vegetables should see food prices lift in August.
Fri 14 Sep (10:30am)	BNZ-BusinessNZ PMI – August		
Mon 17 Sep (10:30am)	BNZ-BusinessNZ PSI – August		
Wed 19 Sep (early am)	GlobalDairyTrade auction	Sideways	The average GDT price is expected to remain in recent ranges.
Wed 19 Sep (10:45am)	Balance of Payments – Q2	All about that base	The annual current account looks set to widen, but largely as a result of base effects.
Thu 20 Sep (10:45am)	Gross Domestic Product – Q2	Temporary	We are currently picking a 0.8% q/q (2.6% y/y) lift in GDP, with some temporary factors providing a boost.
Fri 21 Sep (10:45am)	International Travel and Migration – August	Easing	The cycle is expected to continue easing, albeit gradually.
Wed 26 Sep (1:00pm)	ANZ Business Outlook – September	--	--
Wed 26 Sep (3:00pm)	RBNZ New Lending – August	Step down	With house sales having taken a step down, new lending has softened and we may see this continue.
Thu 27 Sep (9:00am)	RBNZ OCR Review	What would it take?	A cautious tone is expected; we'll be looking to understand what it would take for the RBNZ to cut.
Fri 28 Sep (10:00am)	ANZ Consumer Confidence– September	--	--
Fri 28 Sep (10:45am)	Building Consents – August	Getting real	With building consents having been pared back, we may see a bounce – but the trend is turning softer.
Fri 28 Sep (3:00pm)	RBNZ Sectoral Credit -- August	Moderation	After recent stability in credit growth, the moderation in the housing market may start to flow through.
On balance		Data watch	The short-term data pulse may improve, but the medium-term picture is looking less assured.



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	0.8	0.6	0.4	0.7	0.7	0.6	0.6	0.6	0.6
GDP (% yoy)	2.7	2.6	2.6	2.4	2.5	2.4	2.4	2.6	2.5	2.4
CPI (% qoq)	0.5	0.4	0.5	0.3	0.7	0.5	0.5	0.2	0.5	0.4
CPI (% yoy)	1.1	1.5	1.5	1.8	2.0	2.1	2.0	1.9	1.7	1.6
LCI Wages (% qoq)	0.3	0.6	0.6	0.5	0.4	0.7	0.6	0.5	0.5	0.7
LCI Wages (% yoy)	1.9	2.1	1.9	2.0	2.0	2.1	2.1	2.2	2.3	2.4
Employment (% qoq)	0.6	0.5	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.4
Employment (% yoy)	3.1	3.7	1.9	1.9	1.8	1.7	1.7	1.7	1.6	1.5
Unemployment Rate (% sa)	4.4	4.5	4.4	4.4	4.4	4.4	4.3	4.3	4.3	4.3
Current Account (% GDP)	-2.8	-3.1	-3.4	-3.6	-3.4	-3.5	-3.6	-3.7	-3.7	-3.7
Terms of Trade (% qoq)	-1.9	1.2	-1.2	0.3	0.3	0.3	0.1	0.3	0.1	0.3
Terms of Trade (% yoy)	2.0	2.1	-0.4	-1.5	0.6	-0.3	1.0	1.0	0.8	0.8

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18
Retail ECT (% mom)	1.3	0.3	1.4	-0.3	1.6	-2.2	0.7	0.8	0.7	--
Retail ECT (% yoy)	5.0	3.8	4.1	4.0	6.7	1.4	4.2	4.9	4.5	--
Credit Card Billings (% mom)	0.9	0.6	-0.6	0.7	1.0	0.6	-1.5	1.9	-1.1	--
Credit Card Billings (% yoy)	9.1	6.3	4.6	7.0	7.3	6.9	3.7	5.8	3.2	--
Car Registrations (% mom)	0.9	-4.9	3.4	-9.2	-3.5	-0.8	12.9	-6.4	-0.2	--
Car Registrations (% yoy)	7.3	4.7	6.2	-4.2	-11.9	-9.0	-0.6	-4.9	-0.7	--
Building Consents (% mom)	9.3	-9.1	-0.2	6.4	12.8	-3.8	6.7	-8.2	-10.4	--
Building Consents (% yoy)	13.3	4.5	4.1	-0.8	18.3	15.2	23.1	11.9	-5.8	--
REINZ House Price Index (% yoy)	3.6	3.7	3.5	4.0	4.1	3.7	3.6	3.8	4.8	--
Household Lending Growth (% mom)	0.4	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	--
Household Lending Growth (% yoy)	6.2	5.9	5.8	5.7	5.7	5.8	5.8	5.8	6.0	--
ANZ Roy Morgan Consumer Conf.	123.7	121.8	126.9	127.7	128.0	120.5	121.0	120.0	118.4	117.6
ANZ Business Confidence	-39.3	-37.8	..	-19.0	-20.0	-23.4	-27.2	-39.0	-44.9	-50.3
ANZ Own Activity Outlook	6.5	15.6	..	20.4	21.8	17.8	13.6	9.4	3.8	3.8
Trade Balance (\$m)	-1222	614	-662	188	-151	200	202	-288	-143	--
Trade Bal (\$m ann)	55999	56476	57252	57451	58071	58675	58979	59698	60662	--
ANZ World Comm. Price Index (% mom)	-0.9	-1.9	0.7	2.8	1.2	1.0	1.5	-0.9	-3.2	--
ANZ World Comm. Price Index (% yoy)	6.0	3.2	4.1	5.0	5.8	7.1	5.4	2.3	-0.2	--
Net Migration (sa)	5660	5670	6240	4890	5360	4910	5080	4840	4720	--
Net Migration (ann)	70354	70016	70147	68943	67984	67038	66243	64995	63779	--
ANZ Heavy Traffic Index (% mom)	1.1	-4.2	4.1	-2.5	-0.3	1.4	3.0	-1.5	-0.4	--
ANZ Light Traffic Index (% mom)	1.5	-1.7	-0.5	-0.2	2.2	-0.5	1.1	0.7	0.4	--
ANZ Job Ads (% mom)	-0.2	-0.1	3.0	-1.3	0.7	-1.9	2.4	-1.2	3.2	--

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)						
	Jun-18	Jul-18	Today	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
NZD/USD	0.677	0.681	0.66	0.65	0.62	0.61	0.61	0.61	0.61	0.62
NZD/AUD	0.914	0.919	0.92	0.90	0.89	0.87	0.87	0.87	0.87	0.88
NZD/EUR	0.579	0.581	0.57	0.57	0.53	0.50	0.49	0.48	0.48	0.48
NZD/JPY	74.96	76.00	73.48	69.6	65.1	62.2	60.4	59.2	58.6	59.5
NZD/GBP	0.512	0.518	0.51	0.48	0.45	0.44	0.43	0.43	0.43	0.43
NZ\$ TWI	70.8	71.3	72.0	68.5	65.0	62.9	62.1	61.7	61.4	62.2
Interest rates	Jun-18	Jul-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	1.75	1.75
NZ 90 day bill	2.00	1.91	1.91	1.95	1.98	2.00	2.00	2.00	2.00	2.00
NZ 10-yr bond	2.85	2.76	2.52	2.60	2.70	2.75	2.80	2.85	2.90	2.95
US Fed funds	2.00	2.00	2.00	2.25	2.50	2.50	2.75	2.75	2.75	2.75
US 3-mth	2.34	2.35	2.32	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	1.50	1.75	2.00	2.00
AU 3-mth	2.11	1.96	1.95	2.05	2.05	2.05	2.00	2.30	2.50	2.50

	31-Jul	27-Aug	28-Aug	29-Aug	30-Aug	31-Aug
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.91	1.92	1.91	1.91	1.91	1.91
NZGB 05/21	1.91	1.74	1.75	1.75	1.69	1.68
NZGB 04/23	2.14	1.96	1.97	1.98	1.92	1.91
NZGB 04/27	2.60	2.41	2.44	2.44	2.38	2.37
NZGB 04/33	2.93	2.75	2.78	2.78	2.72	2.71
2 year swap	2.14	2.04	2.04	2.04	1.99	1.98
5 year swap	2.56	2.37	2.38	2.38	2.32	2.32
RBNZ TWI	73.51	72.39	72.39	72.53	72.16	72.08
NZD/USD	0.6813	0.6673	0.6708	0.6703	0.6660	0.6622
NZD/AUD	0.9184	0.9128	0.9129	0.9179	0.9125	0.9206
NZD/JPY	76.00	74.15	74.51	74.54	74.30	73.54
NZD/GBP	0.5176	0.5195	0.5201	0.5201	0.5116	0.5109
NZD/EUR	0.5807	0.5747	0.5734	0.5747	0.5693	0.5706
AUD/USD	0.7417	0.7311	0.7348	0.7302	0.7298	0.7189
EUR/USD	1.1732	1.1610	1.1698	1.1663	1.1698	1.1602
USD/JPY	111.55	111.13	111.07	111.20	111.57	111.03
GBP/USD	1.3162	1.2845	1.2896	1.2888	1.3016	1.2960
Oil (US\$/bbl)	68.76	68.87	68.53	69.51	70.25	69.80
Gold (US\$/oz)	1218.63	1203.60	1212.65	1203.04	1204.21	1203.62
NZX 50	8922	9206	9214	9363	9340	9313
Baltic Dry Freight Index	1747	1697	1684	1661	1614	1579
NZX WMP Futures (US\$/t)	2960	2830	2825	2825	2825	2845



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