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## HANGING IN

### ECONOMIC OVERVIEW

The New Zealand dollar has surprised many with its resilience over recent months. Its strength has been in the face of the disappearance of interest rate differentials versus the US, higher volatility on global markets, and the recent threats of global trade wars. Elevated commodity prices, a still decent domestic growth signal, and relatively robust structural metrics (by New Zealand's standards at least and with the exception of household debt) perhaps explain this resilience. However, the USD is also out of favour currently due to concerns over its 'twin deficits' – large and increasing deficits on both the fiscal and trade fronts – and it has been this theme that has arguably been the biggest driver. But we are not convinced this will persist, particularly as global liquidity continues to tighten, which should eventually put the NZD back on the defensive.

### CHART OF THE WEEK

Despite the considerable closure of NZ-US interest rate differentials, the NZD/USD has been remarkably resilient of late.

#### NZ-US 10-year yield differential and NZD/USD



Source: Bloomberg, ANZ Research

### THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	3.1% y/y for 2018 Q3	The economy is not quite firing on all cylinders. However, we see growth holding around 3% (trend) on average.	Neutral Negative Positive
Unemployment rate	4.2% for 2018 Q3	The unemployment rate should fall a touch more. Wage growth is benign, but conditions for change are emerging.	Neutral Negative Positive
OCR	1.75% by Sep 2018	With plenty of question marks over the outlook for inflation, it is still a backdrop where we believe the RBNZ will be cautious in tightening policy.	Neutral Down Up
CPI	1.5% y/y for 2018 Q3	In part due to policy changes and base effects, headline inflation will fall over the next 12 months. But domestic and core inflation should lift gradually.	Neutral Negative Positive

## SUMMARY

The New Zealand dollar has surprised many with its resilience over recent months. Its strength has been in the face of the disappearance of interest rate differentials versus the US, higher volatility on global markets, and the recent threats of global trade wars. Elevated commodity prices, a still decent domestic growth signal, and relatively robust structural metrics (by New Zealand's standards at least and with the exception of household debt) perhaps explain this resilience. However, the USD is also out of favour currently due to concerns over its 'twin deficits' – large and increasing deficits on both the fiscal and trade fronts – and it has been this theme that has arguably been the biggest driver. But we are not convinced this will persist, particularly as global liquidity continues to tighten, which should eventually put the NZD back on the defensive.

## FORTHCOMING EVENTS

### ANZ Monthly Inflation Gauge – February

(1:00pm, Monday, 12 March).

**Food Price Index – February** (10:45am, Tuesday, 13 March). Food prices typically ease in February months and we expect that to be the case this year, especially after the solid rise seen in January.

### REINZ Housing Markets Statistics – February

(9:00am, Wednesday, 14 March). The market has staged somewhat of a comeback, but we don't see it turning into a full-blown resurgence and expect to see activity levels begin to stabilise at this better level.

**Balance of Payments – Q4** (10:45am, Wednesday, 14 March). We expect the current account deficit to widen modestly in seasonally adjusted terms, but for the annual deficit to be steady at 2.6% of GDP.

**GDP – Q4** (10:45am, Thursday, 15 March). We expect respectable growth of 0.7% q/q, which would lift annual growth to 3.1% (i.e. around trend).

**BNZ-BusinessNZ PMI – February** (10:30am, Friday, 16 March). The index has bounced around a bit of late but we suspect it will hold at a steady level this month.

**BNZ-BusinessNZ PSI – February** (10:30am, Monday, 19 March). The services sector activity has continued to hold up despite a softer housing market. That should continue.

## WHAT'S THE VIEW?

**The New Zealand dollar has surprised many with its resilience over recent months.** It is currently sitting around 73 cents against the USD. This is not an extreme level – in fact it is only about 3% above where our new BEER (Behavioural

Equilibrium Exchange Rate) model values it in a structural sense. However, some factors might, on the face of it, have been expected to lead to weakening pressure – namely, the disappearance of interest rate differentials versus the US, higher volatility on global markets and the recent threats of global trade wars, which for a small, open economy dependent on global trade flows, could hardly be viewed favourably.

### The gap between New Zealand and US interest rates has closed dramatically.

The OCR has remained flat at 1.75% since the end of 2016; in contrast, the upper bound of the range for the US fed funds rate has increased in steady steps since late 2015 from 0.25% to 1.50%, a gap to New Zealand of only 25bps. Based on market pricing, this gap should turn negative at some stage this year, which is historically quite unusual. This disappearing interest rate differential is not only at the short end, although it does in large part reflect expectations of future monetary policy moves; 10-year yields in New Zealand and the US are now all but identical and are also threatening to turn negative, something not seen since 1994.

Figure 1: NZ and US 10-year bond yield



Source: Bloomberg, ANZ Research

**In theory, global capital will flow to where it can make the best risk-adjusted return.** Higher interest rates will therefore pull money into a country, pushing up its currency, all else equal. So has this theory held over history?

**Figure 2 and 3 show that it used to hold, in a broad sense, sometimes with lags.** And the peak of the 90-day rate differential in mid-2014 matched up with the peak in the NZD. **But it is clear that the steady decline in yield differentials (both 90-day and 10-year) as the US Federal Reserve has tightened in recent years has not dragged the NZD down with it.** Indeed, last time the 90-day rate differential was at these levels NZD/USD was about 45 cents.

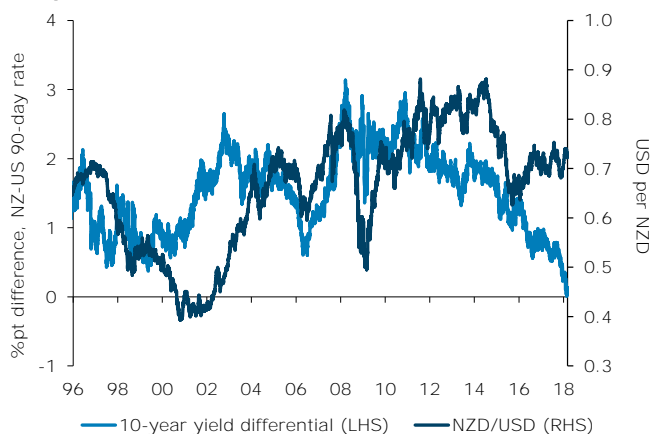
## ECONOMIC OVERVIEW

Figure 2: NZ-US 90-day rate differential and NZD/USD



Source: Bloomberg, ANZ Research

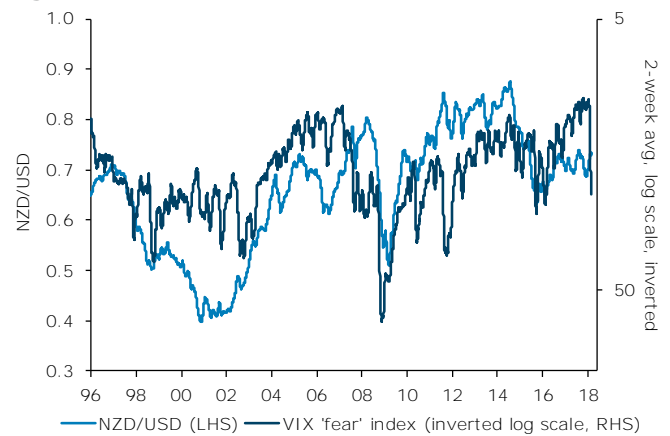
Figure 3: NZ-US 10-year yield differential and NZD/USD



Source: Bloomberg, ANZ Research

**A second factor the NZD is studiously ignoring is that volatility in global markets has picked up.** Sometimes when financial market strife is evident, such as during the Global Financial Crisis, the NZD drops sharply. At other times, such as late 2011 (Europe troubles), the NZD all but ignores it. The VIX index of volatility in US equities (in particular, the S&P 500 index) jumped last month (the axis is inverted). But the NZD remained somewhat unperturbed.

Figure 4: NZD vs VIX



Source: Bloomberg, ANZ Research

**Why might this be? For the NZD to trade as a proxy for global risk aversion the country has to be put in the 'risky' basket.** Some 'risky' aspects of the New Zealand economy as an investment destination are more or less permanent: we are a small nation at the end of the world that trades heavily in basic commodities and has relatively small, illiquid markets. But other aspects of how risky we are perceived to be do vary over time, and many of these are looking pretty good at the moment. **The current account deficit is small and stable, net external debt as a share of GDP has been falling, and government debt is low in a global comparison.**

**There is one red flag next to our name, however: Auckland house prices and the growth in household debt that has accompanied it.** At 167% of disposable income, household debt is high by any standards. And while for now it is flying under the radar, it may become a focus of investors at some point should global risk aversion rise. For now, this remains a threat for the future rather than a currency driver.

**What else might be holding NZD/USD up? Well it is hard to go past the fact that the USD is out of favour.** Unlike New Zealand, the US is facing 'twin deficits' – a fiscal deficit that may approach as much as 5% of GDP over coming years by some estimates, and a trade deficit that is expected to worsen as an already stretched economy struggles to absorb a fiscal boost. To be fair, the implications from this for currency markets are ambiguous, but it has certainly caught the attention of markets right now and despite expectations for the Federal Reserve to continue to tighten policy, has left the USD unloved.

**The other highly significant factor is that our terms of trade are at record highs.** Although the cycles can be large, there is a long-term upward trend in place for New Zealand's terms of trade.

## ECONOMIC OVERVIEW

Producing food and importing manufactured goods has been a pretty good economic bet over recent decades, and we expect this to remain the case as global food production is challenged by a changing climate and increasing water scarcity.

**Most of the time, the NZD is all about our commodity prices.** For a small, export-dependent nation, a freely floating currency has an important role to play in buffering the impact of changes in commodity prices (and changes in economic and financial conditions in general). When commodity prices are high, a strong NZD shares the joy with consumers of imported goods. When commodity prices tank, a lower NZD disseminates the pain around the economy, rather than leaving exporters carrying the can. Figure 5 below shows that the NZD is, appropriately, highly correlated with the world price of our biggest commodity export sector, dairy. The NZD did smooth through the noise over late 2011 to late 2013, but the broad cycles are very similar.

**Figure 5: Wholemilk powder GDT price, NZD/USD**



Source: GlobalDairyTrade, Bloomberg, ANZ Research

**At present then, it appears that our commodity prices and US factors have the upper hand in determining NZD/USD.** Interest rate differentials and perceptions of New Zealand as 'risky' are not particularly telling. **But is that a theme that will persist? We're not convinced.**

**The main cited drivers of currencies are naturally correlated with each other, which makes it difficult to disentangle their effects.**

For New Zealand, high commodity prices tend to happen when global growth is good and hence financial volatility is low. These factors boost GDP growth, resulting in tighter monetary policy. So cited exchange rate drivers are often all essentially different aspects of the same thing – namely, the global growth cycle. But there can be important timing differences, so it would be very helpful to know which one to focus on. Unfortunately, **the NZD**

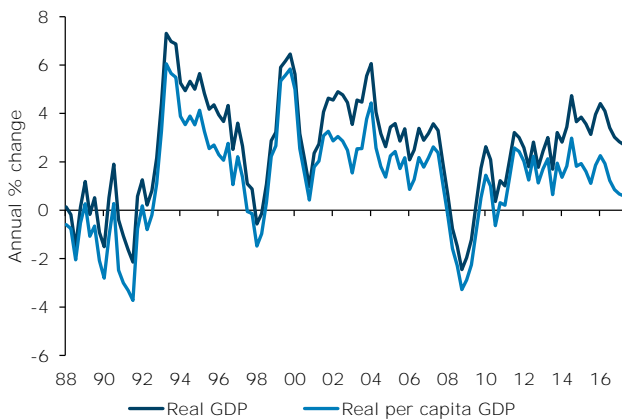
**tends to jump from one horse to another with little or no warning, which is why forecasting exchange rates is so difficult,** even if you could make accurate forecasts of the individual drivers.

For now, commodity prices are suggesting the NZD will remain supportive, while interest rate differentials and a jump in global financial market volatility are pointing down. **The NZD seems to be following the supportive factors at the moment, but that could change quickly,** particularly if the dark horse of global risk aversion enters the field, and we are certainly mindful of that possibility in a world where central banks are withdrawing liquidity and the global growth picture is arguably 'as good as it gets', leaving markets prone to a few disappointments. **Overall, we are still of the view that as 2018 develops, the NZD will be put on the defensive.**

**Turning to the week's domestic data calendar, Q4 GDP figures should allow us to close the economic history book on 2017.** We expect activity growth of 0.7% q/q, which is on par with the pace of growth recorded in Q3 (although that was certainly overshadowed by accompanying revisions that showed a far stronger pace of growth over the prior two years). A result in line with our expectation would see annual growth tick up to 3.1% y/y, which is pretty much where we see trend growth at present. It would also see per capita growth remain at a somewhat modest 0.2% q/q (1.0% y/y). **Growth is expected to be led by goods-producing and services sector activity, with primary production acting as a mild drag.**

**Overall, the figures should paint a reasonably respectable picture, although still within the context of the economy cooling from the pace of growth seen over 2015/16.** As we mentioned in last week's *Market Focus*, the flow of data seen over recent months, while certainly not unanimously positive – business confidence remains soft indicating an element of firm caution – has not been too bad, and points to an economy that is currently navigating some late-cycle headwinds and a spike in political uncertainty relatively well. It is not firing on all cylinders (which would be unusual at this stage of the cycle anyway), but equally, it is not showing signs of rolling over.

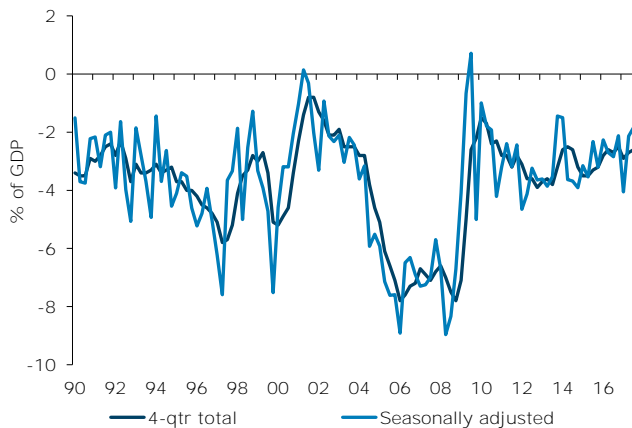
## ECONOMIC OVERVIEW

**Figure 7: Real GDP and per capita real GDP growth**

Source: Statistics NZ, ANZ Research

**With regards to Q4 Balance of Payments figures, we expect the seasonally adjusted current account deficit to widen modestly.** We have pencilled in a \$1.7bn seasonally adjusted deficit, which is around \$0.4bn larger than in Q3. While in absolute terms, that should see the annual deficit grow a touch, it is not expected to be enough to see the deficit widen as a share of GDP, which we see holding steady at 2.6% (and well below its historical average).

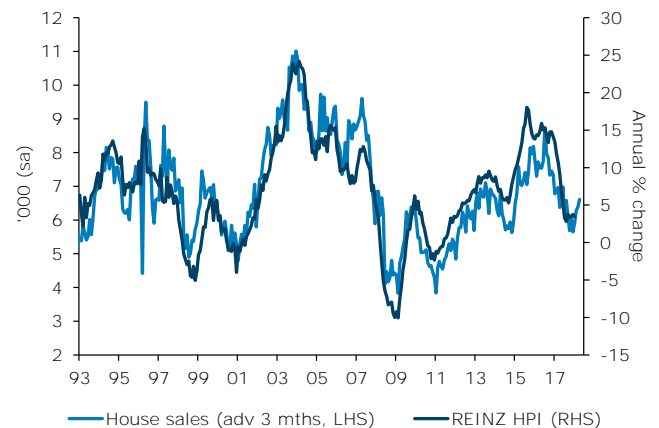
**The widening in the current account deficit in the quarter is largely on an expectation that the goods balance will fall back into deficit in the quarter.** That is after it recorded a surplus (albeit small) in Q3 for the first time since Q2 2014. Despite the terms of trade reaching a new all-time high in Q4, strong import volume growth should weigh on the goods balance. Elsewhere, we are expecting both the services balance (at a surplus of \$1.2bn) and the income deficit (at \$2.4bn) to be broadly steady in the quarter.

**Figure 8: Current account balance**

Source: Statistics NZ, ANZ Research

**We expect February REINZ housing market statistics to show market activity beginning to stabilise after staging a decent recovery over**

**recent months.** In January, national sales volumes rose 3.5% m/m to their highest monthly level since March 2017. Volumes are up an impressive 17% from their September 2017 lows, although they are still some 12% below the monthly average experienced over 2016. National house prices have also risen for six consecutive months, after falling over the prior three. And while this bounce likely reflects the return of slightly more competitive banking pressures and the clearing of some post-election uncertainty, we are not expecting it to turn into a full-blown resurgence. Some regions will no doubt continue to perform strongly, but with affordability pressures still biting in the likes of Auckland and some of the measures the new Government proposing likely to keep investor sentiment contained, the upside should be capped.

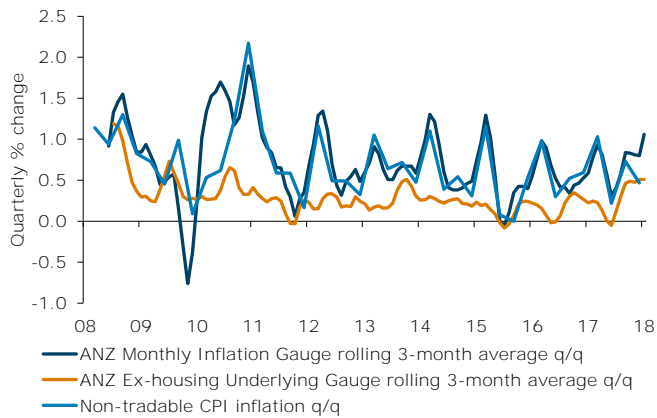
**Figure 9: National house sales and prices**

Source: REINZ, ANZ Research

**As always, our Monthly Inflation Gauge for February will be watched for any evidence of a broadening in domestic inflation pressures.** In January, prices in the Gauge did post a solid 0.8% m/m lift, which was the biggest monthly increase in three years. However, once the impact of indirect taxes on tobacco was removed, the price pulse remained benign, at 0.2% m/m. In fact, if the housing group is removed too (where much of the inflationary pulse has been seen over recent years), then prices were up only 0.1% m/m (1.3% y/y). One thing to note ahead of the February release is the likely impact of the new Government's subsidies on tertiary education.

## ECONOMIC OVERVIEW

Figure 10: Quarterly inflation measures



Source: Statistics NZ, ANZ Research

## LOCAL DATA

**ANZ Commodity Price Index – February.** World prices rose 2.8% m/m, while NZD prices lifted 2.4%.

**GlobalDairyTrade Auction.**

**Building Work Put in Place – Q4.** Total building work volumes rose 1.4% q/q, led by a 4.1% q/q lift in non-residential building work.

**ANZ Truckometer – February.** The Heavy Traffic Index fell 2.5% m/m, while the Light Traffic Index fell 0.2% m/m.

**Economic Survey of Manufacturing – Q4.** Total manufacturing sales volumes lifted 1.0% q/q.

**Electronic Card Transactions – February.** Retail spending on electronic cards fell 0.3% m/m.

## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
12-Mar	NZ	ANZ Monthly Inflation Gauge - Feb	--	0.8%	13:00
	AU	Credit Card Purchases - Jan	--	A\$27.9B	13:30
	AU	Credit Card Balances - Jan	--	A\$52.9B	13:30
13-Mar	US	Monthly Budget Statement - Feb	-\$216.0B	-\$192.0B	07:00
	NZ	Food Prices MoM - Feb	--	1.2%	10:45
	AU	ANZ-RM Consumer Confidence Index - 11-Mar	--	119.0	11:30
	JN	PPI YoY - Feb	2.5%	2.7%	12:50
	JN	PPI MoM - Feb	0.2%	0.3%	12:50
	AU	Home Loans MoM - Jan	-0.2%	-2.3%	13:30
	AU	Investment Lending - Jan	--	-2.6%	13:30
	AU	Owner-Occupier Loan Value MoM - Jan	--	-1.0%	13:30
	AU	NAB Business Conditions - Feb	--	19	13:30
	AU	NAB Business Confidence - Feb	--	12	13:30
	JN	Tertiary Industry Index MoM - Jan	-0.3%	-0.2%	17:30
	US	NFIB Small Business Optimism - Feb	107.1	106.9	23:00
14-Mar	US	CPI MoM - Feb	0.2%	0.5%	01:30
	US	CPI YoY - Feb	2.2%	2.1%	01:30
	US	CPI Ex Food and Energy MoM - Feb	0.2%	0.3%	01:30
	US	CPI Ex Food and Energy YoY - Feb	1.8%	1.8%	01:30
	NZ	REINZ House Sales YoY - Feb	--	2.7%	09:00
	NZ	BoP Current Account Balance NZD - Q4	-2.450B	-4.679B	10:45
	NZ	Current Account GDP Ratio YTD - Q4	-2.6%	-2.6%	10:45
	AU	Westpac Consumer Conf Index - Mar	--	102.7	12:30
	AU	Westpac Consumer Conf SA MoM - Mar	--	-2.3%	12:30
	CH	Retail Sales YTD YoY - Feb	10.0%	10.2%	15:00
	CH	Industrial Production YTD YoY - Feb	6.2%	6.6%	15:00
	CH	Fixed Assets Ex Rural YTD YoY - Feb	7.0%	7.2%	15:00
	GE	CPI MoM - Feb F	0.5%	0.5%	20:00
	GE	CPI YoY - Feb F	1.4%	1.4%	20:00
	GE	CPI EU Harmonized MoM - Feb F	0.5%	0.5%	20:00
	GE	CPI EU Harmonized YoY - Feb F	1.2%	1.2%	20:00
	EC	Industrial Production SA MoM - Jan	-0.4%	0.4%	23:00
	EC	Industrial Production WDA YoY - Jan	4.7%	5.2%	23:00
	EC	Employment QoQ - Q4	--	0.4%	23:00
	EC	Employment YoY - Q4	--	1.7%	23:00
15-Mar	US	MBA Mortgage Applications - 9-Mar	--	0.3%	00:00
	US	Retail Sales Advance MoM - Feb	0.3%	-0.3%	01:30
	US	Retail Sales Ex Auto MoM - Feb	0.4%	0.0%	01:30
	US	Retail Sales Ex Auto and Gas - Feb	0.3%	-0.2%	01:30
	US	Retail Sales Control Group - Feb	0.4%	0.0%	01:30
	US	PPI Final Demand MoM - Feb	0.1%	0.4%	01:30
	US	PPI Final Demand YoY - Feb	2.8%	2.7%	01:30
	US	PPI Ex Food and Energy MoM - Feb	0.2%	0.4%	01:30
	US	PPI Ex Food and Energy YoY - Feb	2.6%	2.2%	01:30
	US	Business Inventories - Jan	0.6%	0.4%	03:00
	NZ	GDP SA QoQ - Q4	0.8%	0.6%	10:45
	NZ	GDP YoY - Q4	3.1%	2.7%	10:45
	AU	Consumer Inflation Expectation - Mar	--	3.6%	13:00

Continued on following page

## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
16-Mar	US	Empire Manufacturing - Mar	15.0	13.1	01:30
	US	Import Price Index MoM - Feb	0.2%	1.0%	01:30
	US	Import Price Index YoY - Feb	3.5%	3.6%	01:30
	US	Export Price Index MoM - Feb	0.3%	0.8%	01:30
	US	Export Price Index YoY - Feb	--	3.4%	01:30
	US	Initial Jobless Claims - 10-Mar	225k	231k	01:30
	US	Continuing Claims - 3-Mar	1910k	1870k	01:30
	US	Philadelphia Fed Business Outlook - Mar	23.0	25.8	01:30
	US	NAHB Housing Market Index - Mar	72	72	03:00
	US	Total Net TIC Flows - Jan	--	-\$119.3B	09:00
	US	Net Long-term TIC Flows - Jan	--	\$27.3B	09:00
	NZ	BusinessNZ Manufacturing PMI - Feb	--	55.6	10:30
	NZ	Non Resident Bond Holdings - Feb	--	60.0%	15:00
	GE	Wholesale Price Index MoM - Feb	--	0.9%	20:00
	GE	Wholesale Price Index YoY - Feb	--	2.0%	20:00
	EC	CPI MoM - Feb	0.2%	-0.9%	23:00
	EC	CPI YoY - Feb F	1.2%	1.3%	23:00
	EC	CPI Core YoY - Feb F	1.0%	1.0%	23:00
	EC	Labour Costs YoY - Q4	--	1.6%	23:00
17-Mar	US	Housing Starts - Feb	1288k	1326k	01:30
	US	Housing Starts MoM - Feb	-2.9%	9.7%	01:30
	US	Building Permits - Feb	1320k	1377k	01:30
	US	Building Permits MoM - Feb	-4.1%	5.9%	01:30
	US	Industrial Production MoM - Feb	0.3%	-0.1%	02:15
	US	Manufacturing (SIC) Production - Feb	0.5%	0.0%	02:15
	US	Capacity Utilization - Feb	77.7%	77.5%	02:15
	US	JOLTS Job Openings - Jan	5900	5811	03:00
	US	U. of Mich. Sentiment - Mar P	99.0	99.7	03:00

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

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

Note: All surveys are preliminary and subject to change



## LOCAL DATA WATCH

The data flow has turned a little more mixed, reflecting headwinds the economy is currently facing, but is still generally providing a positive signal overall. Inflation pressures are likely to remain contained.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Mon 12 Mar (1:00pm)	ANZ Monthly Inflation Gauge – Feb	--	--
Tue 13 Mar (10:45am)	Food Price Index – Feb	Down	Food prices typically ease in February.
Wed 14 Mar (9:00am)	REINZ Housing Market Statistics – Feb	Up, but stable	The market has staged somewhat of a comeback, but we <b>don't see it turning</b> into a full-blown resurgence.
Wed 14 Mar (10:45am)	Balance of Payments – Q4	Steady	The annual current account deficit is likely to be steady around 2½% of GDP.
Thu 15 Mar (10:45am)	GDP – Q4	Mixed	Our expectation is for somewhat modest growth of 0.5% q/q, although the risks are arguably upwardly skewed.
Fri 16 Mar (10:30am)	BNZ-BusinessNZ PMI - Feb	Decent	The index has bounced around a bit of late but we suspect it will hold at a steady level this month.
Mon 19 Mar (10:30am)	BNZ-BusinessNZ PSI – Feb	Robust	Services sector activity has continue to hold up despite a softer housing market. That should continue.
Wed 21 Mar (early am)	GlobalDairyTrade Auction	More pressure	Local supply conditions have improved, and together with a decent global supply backdrop, could potentially weigh on prices.
Wed 21 Mar (10:45am)	International Travel and Migration – February	Peaked	<b>We don't see net inflows falling quickly, but we do</b> believe that a peak has been seen.
Thu 22 Mar (9:00am)	RBNZ OCR Review	On hold	<b>In what will be Grant Spencer's last outing as Governor, we</b> are expecting an unchanged message.
Mon 26 Mar (10:45am)	Overseas Merchandise Trade – Feb	Unwind	Export values were impacted by the unwinding of some temporary boosts in January. That theme has further to run.
Mon 26 Mar (3:00pm)	RBNZ New Mortgage Lending – Feb	Up	Housing market turnover is up, which should mean the same for new lending.
Wed 28 Mar (1:00pm)	ANZ Business Outlook – Mar	--	--
Thu 29 Mar (10:45am)	Building Consent Issuance – Feb	Capped	We struggle to see issuance pushing much above current levels as the sector grapples with cost and capacity pressure.
Fri 30 Mar (3:00pm)	RBNZ Sectoral Lending – Feb	Modest	Overall private sector credit growth has cooled, but we see it stabilising around current levels.
Tue 3 Apr (10:00am)	NZIER Quarterly Survey of Business Opinion – Q1	Steady	Sentiment is likely to remain below its pre-election levels, but we <b>wouldn't be surprised to see a modest bounce. We will be</b> watching for any intensification of reported margin pressures.
Wed 4 Apr (10:00am)	ANZ-Roy Morgan Consumer Confidence – Mar	--	--
Thu 5 Apr (10:00am)	ANZ Job Ads – Mar	--	--
Thu 5 Apr (1:00pm)	ANZ Commodity Price Index – Mar	--	--
<b>On balance</b>		<b>Data watch</b>	<b>The data pulse is a little more mixed, but still generally positive. Domestic inflation is low, but should lift gradually.</b>

## KEY FORECASTS AND RATES

	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
GDP (% qoq)	0.6	<b>0.7</b>	<b>0.6</b>	<b>0.9</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>
GDP (% yoy)	2.7	<b>3.1</b>	<b>2.9</b>	<b>2.8</b>	<b>3.1</b>	<b>3.2</b>	<b>3.3</b>	<b>3.1</b>	<b>2.8</b>	<b>2.6</b>
CPI (% qoq)	0.5	0.1	<b>0.5</b>	<b>0.3</b>	<b>0.6</b>	<b>0.2</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.1</b>
CPI (% yoy)	1.9	1.6	<b>1.1</b>	<b>1.4</b>	<b>1.5</b>	<b>1.6</b>	<b>1.7</b>	<b>2.1</b>	<b>2.2</b>	<b>2.0</b>
Employment (% qoq)	2.2	0.5	<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>	<b>0.3</b>
Employment (% yoy)	4.2	3.7	<b>3.2</b>	<b>3.6</b>	<b>1.8</b>	<b>1.6</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>
Unemployment Rate (% sa)	4.6	4.5	<b>4.3</b>	<b>4.3</b>	<b>4.2</b>	<b>4.2</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>4.2</b>
Current Account (% GDP)	-2.5	<b>-2.6</b>	<b>-2.1</b>	<b>-2.2</b>	<b>-2.3</b>	<b>-2.5</b>	<b>-2.5</b>	<b>-2.4</b>	<b>-2.4</b>	<b>-2.3</b>
Terms of Trade (% qoq)	1.3	0.8	<b>-1.4</b>	<b>-0.8</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>
Terms of Trade (% yoy)	12.6	7.3	<b>1.8</b>	<b>-0.1</b>	<b>-1.4</b>	<b>-2.1</b>	<b>-0.6</b>	<b>0.3</b>	<b>0.4</b>	<b>0.3</b>

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
Retail ECT (% mom)	-0.4	0.1	-0.5	-0.1	0.3	0.5	1.3	0.5	1.4	-0.3
Retail ECT (% yoy)	5.2	4.5	2.0	4.4	2.9	1.3	4.3	3.3	3.4	3.3
Credit Card Billings (% mom)	1.0	0.3	0.8	-0.6	0.8	1.0	0.9	0.6	-0.6	--
Credit Card Billings (% yoy)	7.6	8.3	7.1	6.5	5.0	3.0	9.1	6.2	4.6	--
Car Registrations (% mom)	3.9	-2.6	-4.7	9.5	-0.8	1.6	1.3	-4.7	2.3	-8.9
Car Registrations (% yoy)	13.7	11.1	6.2	13.5	15.6	7.3	7.3	4.7	6.2	-4.2
Building Consents (% mom)	1.6	0.7	2.2	5.6	-2.1	-9.9	9.4	-9.5	0.2	--
Building Consents (% yoy)	5.1	-7.9	-1.9	13.1	7.4	-7.4	13.1	3.7	4.1	--
REINZ House Price Index (% yoy)	6.7	5.4	3.3	2.8	3.8	3.4	3.5	3.7	3.4	--
Household Lending Growth (% mom)	0.4	0.6	0.3	0.4	0.5	0.5	0.5	0.5	0.4	--
Household Lending Growth (% yoy)	7.9	7.6	7.1	6.7	6.5	6.3	6.2	5.9	5.8	--
ANZ Roy Morgan Consumer Conf.	123.9	127.8	125.4	126.2	129.9	126.3	123.7	121.8	126.9	127.7
ANZ Business Confidence	14.9	24.8	19.4	18.3	0.0	-10.6	-39.3	-37.8	..	-19.0
ANZ Own Activity Outlook	38.3	42.8	40.3	38.2	29.6	22.0	6.5	15.6	..	20.4
Trade Balance (\$m)	62	243	92	-1174	-1165	-840	-1232	596	-566	--
Trade Bal (\$m ann)	53218	53530	53742	53982	54085	54759	55999	56476	57189	--
ANZ World Comm. Price Index (% mom)	3.2	2.1	-0.8	-0.8	0.8	-0.3	-0.9	-1.9	0.7	2.8
ANZ World Comm. Price Index (% yoy)	26.3	24.6	21.1	16.3	11.5	10.4	6.0	3.2	4.1	5.0
Net Migration (sa)	5950	6370	5740	5460	5260	5660	5710	5780	6210	--
Net Migration (ann)	71964	72305	72402	72072	70986	70694	70354	70016	70147	--
ANZ Heavy Traffic Index (% mom)	4.0	-0.5	-6.0	6.5	-1.5	2.9	1.1	-4.2	4.1	-2.5
ANZ Light Traffic Index (% mom)	1.2	1.2	-2.2	2.7	-0.1	-0.6	1.5	-1.7	-0.5	-0.2

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)						
	Jan-18	Feb-18	Today	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
NZD/USD	0.740	0.721	0.730	0.71	0.70	0.69	0.67	0.66	0.65	0.65
NZD/AUD	0.914	0.924	0.929	0.92	0.92	0.93	0.93	0.94	0.93	0.93
NZD/EUR	0.595	0.590	0.593	0.57	0.56	0.54	0.52	0.51	0.50	0.50
NZD/JPY	80.53	77.26	77.89	76.7	74.2	71.8	69.0	66.0	64.4	63.1
NZD/GBP	0.523	0.520	0.527	0.53	0.52	0.50	0.49	0.48	0.47	0.47
NZ\$ TWI	74.2	73.2	75.1	72.1	71.0	69.8	67.9	66.7	65.6	65.4
INTEREST RATES	Jan-18	Feb-18	Today	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00
NZ 90 day bill	1.89	1.92	1.90	1.89	1.92	1.95	1.97	2.00	2.08	2.34
NZ 10-yr bond	2.90	2.94	2.96	3.00	3.15	3.30	3.45	3.45	3.75	3.80
US Fed funds	1.50	1.50	1.50	1.50	1.75	2.00	2.25	2.25	2.50	2.50
US 3-mth	1.78	2.01	2.09	1.88	2.05	2.20	2.45	2.45	2.70	2.70
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75	1.75
AU 3-mth	1.78	1.79	1.91	1.80	1.80	1.80	1.80	1.80	2.00	2.00

	9 Feb	5 Mar	6 Mar	7 Mar	8 Mar	9 Mar
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.91	1.90	1.90	1.90	1.90	1.90
NZGB 05/21	2.05	2.08	2.11	2.10	2.09	2.09
NZGB 04/23	2.39	2.41	2.45	2.44	2.43	2.41
NZGB 04/27	2.95	2.95	3.01	3.00	2.99	2.94
NZGB 04/33	3.32	3.32	3.39	3.38	3.37	3.31
2 year swap	2.15	2.20	2.21	2.21	2.21	2.21
5 year swap	2.73	2.70	2.74	2.73	2.73	2.73
RBNZ TWI	74.58	74.55	74.58	74.98	74.83	74.80
NZD/USD	0.7255	0.7229	0.7251	0.7287	0.7265	0.7280
NZD/AUD	0.9286	0.9325	0.9336	0.9322	0.9312	0.9284
NZD/JPY	78.92	76.34	76.83	76.92	77.07	77.75
NZD/GBP	0.5246	0.5230	0.5234	0.5251	0.5237	0.5262
NZD/EUR	0.5921	0.5870	0.5873	0.5860	0.5869	0.5922
AUD/USD	0.7813	0.7752	0.7767	0.7817	0.7802	0.7844
EUR/USD	1.2252	1.2314	1.2346	1.2435	1.2379	1.2307
USD/JPY	108.80	105.61	105.96	105.55	106.07	106.82
GBP/USD	1.3827	1.3822	1.3854	1.3876	1.3873	1.3850
Oil (US\$/bbl)	59.20	62.57	62.60	61.15	60.12	62.04
Gold (US\$/oz)	1316.65	1326.30	1325.11	1333.10	1325.66	1323.93
NZX 50	8092	8280	8328	8284	8359	8390
Baltic Dry Freight Index	1125	1210	1212	1191	1197	1201
NZX WMP Futures (US\$/t)	3260	3150	3140	3145	3170	3170

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