ANZ RESEARCH

NEW ZEALAND MARKET FOCUS

20 March 2017

INSIDE

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STICKING TO THE SCRIPT

ECONOMIC OVERVIEW

We have bumped up our Q1 GDP forecasts on a belief that some of the softness in Q4 will reverse. Annual growth looks set to waddle around 3% over the coming year. But with the economy increasingly butting up against capacity and credit constraints, we expect dataflow to remain more mixed versus mid-2016, when 3½-4% growth was being recorded. We also see inflation close to 2% for Q1, boosted by food and the drag from lower petrol prices falling out. The RBNZ should be quite chuffed. The NZD is down, inflation is moving in the right direction, housing activity is slowing, inflation expectations are up, and banks are effectively doing its work for it by lifting retail interest rates. That's as close to nirvana as it gets for a central bank, considering the challenges of prior years! When things are going well you stick to your already printed script so expect another neutral assessment this week.

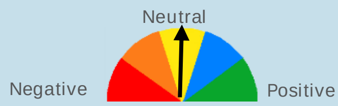
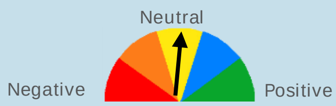
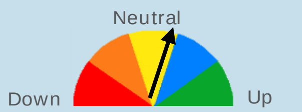
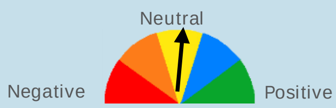
INTEREST RATE STRATEGY

Short-end interest rates have the best shot at moving lower in weeks as markets digest the implications of last week's soft NZ GDP data, the Fed's "dovish" hike and the G20 communiqué. These developments all feed neatly into the RBNZ's view of heightened uncertainty, and we expect this week's OCR Review to be very neutral, underscoring that it is in no hurry to shift policy settings. By contrast, the market remains steadfastly determined to price in early hikes. Long-end rates have moved lower in the wake of the Fed's hike, which saw US Treasury bond yields gap lower on disappointment with the lack of upward revision to the 'dot plots'. US real yields remain far too low and while the market can't get too far ahead of itself given how gradually policy is adjusting, we do expect yields to grind higher in coming months now that expectations have been reset.

CURRENCY STRATEGY

The Fed may be hiking but the market is taking a cautious view of the likely extent of it, and together with the wider economic policy direction, this is undermining the USD. Policy uncertainty won't be cleared up any time soon, which when overlaid with New Zealand's local credentials (though growth questions exist and the RBNZ will jawbone it lower with a neutral tone) leaves the NZD/USD in a holding pattern. Globally, attention will progressively shift to the wider consequences of protectionism but this is down the track when details emerge. We continue to favour a higher NZD/AUD on inflation cycles, which are more favoured towards the RBNZ hiking first, though the RBNZ will hose that down this week.

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	3.2% y/y for 2017 Q4	Soft Q4 GDP figures are not a true reflection of the state of the economy. While momentum is forecast to ease, it should remain decent overall.	
Unemployment rate	4.7% for 2017 Q4	We are looking through the Q4 lift in the unemployment rate. Job ads firmly signal it lower. Finding staff is a huge challenge for firms.	
OCR	1.75% by Sep 2017	With strong growth, capacity pressures emerging and inflation past its lows, further OCR cuts would now be hard to justify. Next move is up.	
CPI	2.1% y/y for 2017 Q4	Headline inflation is past its lows, with base effects seeing it return to the target mid-point shortly. Domestic and core inflation should also gradually lift.	

ECONOMIC OVERVIEW

SUMMARY

We have bumped up our GDP forecasts for Q1 on a belief that some of the softness in Q4 will reverse. Annual growth looks set to waddle around 3% over the coming year. But with the economy increasingly butting up against capacity and credit constraints, we expect dataflow and anecdotes to remain more mixed and patchy versus what we saw in mid-2016, when 3½-4% growth was being recorded. We also see inflation close to 2% for Q1, boosted by food and the drag from lower petrol prices falling out. The RBNZ should be quite chuffed. The NZD is down, inflation is moving in the right direction, housing activity is slowing, inflation expectations are up, and banks are effectively doing its work for it by lifting retail interest rates. That's as close to nirvana as it gets for a central bank, considering the challenges of prior years! When things are going well you stick to your already printed script so expect another neutral assessment this week. On the data front, net migration figures will no doubt remain strong, while dairy prices are expected to show some stability.

FORTHCOMING EVENTS

International Travel and Migration – February (10:45am, Tuesday, 21 March). Net migrant inflows are holding near all-time highs and we doubt that picture is going to change much any time soon. Visitor arrivals should still grow, off already record levels.

GlobalDairyTrade Auction (early am, Wednesday, 22 March). After the previous poor auction, we expect to see more stability in prices this week.

RBNZ OCR Review (9:00am, Thursday, 23 March). We expect no change in the OCR and a reiteration of a "very neutral" stance.

Overseas Trade Balance – February (10:45am, Friday, 24 March). We have pencilled in a modest monthly surplus of $100m.

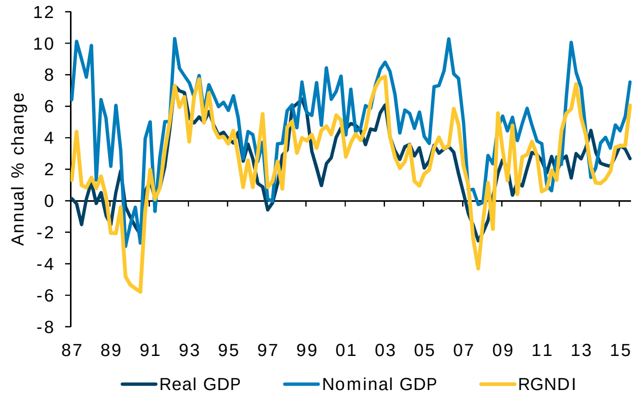
RBNZ New Residential Mortgage Lending – February (3:00pm, Friday, 24 March). Ongoing bank funding pressures and RBNZ prudential restrictions will see the pace of new lending continue to slow.

WHAT'S THE VIEW?

While disappointing, we don't feel the sombre Q4 GDP figures (0.4% q/q) are a true reflection of the state of the New Zealand economy right now. It is of course never pleasant to see things like real activity contracting in per capita terms or annual growth falling back below 3% at a time when core inflation is not yet back to target. The figures certainly don't paint labour productivity in a great light, with GDP per hours worked actually contracting for five consecutive quarters now. **But the underlying story is better than this, and some context around the weaker figures is needed.**

- **Poor spring weather conditions certainly had a dampening influence** (excuse the pun). Both agricultural production and food manufacturing contracted in the quarter – the latter quite sharply. We have already seen milk production recover some ground in the March quarter to date.
- **The Kaikoura earthquakes appear to have impacted too.** The surprising contraction in both transport and public administration & defence activity is consistent with possible disruption to transport links and government activity in the central part of the country. Again, this impact should be temporary.
- **Income metrics were strong in the quarter.** Nominal GDP grew 2.1% q/q, lifting annual growth to 7.5%. Real gross national disposable income surged 2.8% q/q (and 2.3% in per capita terms), which is the strongest quarterly growth since Q1 2010. The latest lift in the terms of trade is a real income boost supporting purchasing power.

FIGURE 1: GDP AND REAL GROSS NATIONAL DISPOSABLE INCOME



Source: ANZ, Statistics NZ

So while we do not want to discount the weakness entirely (there were also downward revisions), there are some mitigating factors. We are expecting a decent bounce in Q1 activity. In fact, we have bumped up our GDP forecasts by +0.2%pts to 1.1% q/q as some of the weaker elements retrace.

Putting it another way, the sombre figures have not changed our generally positive views on the economic backdrop overall. Confidence remains elevated, population growth is strong and financial conditions, while tighter than they have been, remain

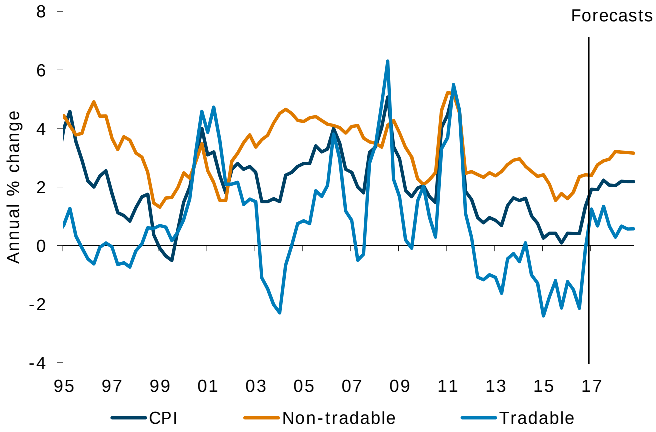
ECONOMIC OVERVIEW

at a reasonably supportive level overall. Employment growth is strong. It certainly does not feel like a setting where a sharply weaker trend is about to emerge.

That said, annual growth looks set to waddle around 3% over the coming year. With the economy increasingly butting up against capacity and credit constraints, we expect dataflow and anecdotes to continue to be more mixed and patchy than was seen in mid-2016 when 3½-4% growth was being recorded. That is only natural at the 'mature' stage of the economic cycle we find ourselves in now. We have already seen more cyclical elements of the economy (house sales and building consent issuance especially) weaken on these very forces.

With regards to other elements of our forecasts, we have also changed our inflation numbers. We mentioned a couple of weeks ago that we saw upside risk to our Q1 CPI forecasts on the back of the recent spike in January food prices. The fact that this spike did not unwind in February means that it is now difficult to just class this as a 'risk'. As such, we have lifted our Q1 CPI numbers to 0.7% q/q (1.9% y/y). There is potential for further change, depending on how our Monthly Inflation Gauge and food prices print for March. Further out, we have also made modest changes that mean we now see headline inflation back at 2% in Q3 this year.

FIGURE 2: ANZ CPI FORECASTS



Source: ANZ, Statistics NZ

So what does that mean for the RBNZ? Well it is somewhat of a conflicted picture. On the one hand headline inflation looks set to be back at the target mid-point far sooner than the RBNZ February forecast of mid-2019 – though core inflation will not be, and it's the latter that really matters. Activity growth is also meaningfully softer. Throw in a lower NZD but also lower dairy and oil prices, and developments have been mixed and convoluted to say the least. That is before you even consider the global backdrop, where the RBNZ remains cautious, as Governor Wheeler reminded us only a few weeks ago. In fact, we suspect Wheeler will feel quite vindicated regarding the comments he made on protectionism and the risks this poses to global growth when you see the rhetoric within the latest G20 communique from the weekend.

It seems to us that this mix is likely to only reinforce the RBNZ's view that uncertainty reigns supreme, which will leave it comfortable sitting on its hands. We wouldn't be surprised if the RBNZ was explicit in noting that it will look through the food price-related spike in headline inflation.

Uncertainty aside, the RBNZ should be quite chuffed. The NZD is down, inflation is moving in the right direction, housing activity is slowing, inflation expectations are up, and banks are effectively doing the RBNZ's work for it by lifting retail interest rates. That's as close to nirvana as it gets for a central bank considering the challenges of prior years! **When things are going well you stick to your already printed script.**

So brace for another ultra-neutral message in this week's OCR Review, one that is not too dissimilar to what was said in February. The market may not necessarily agree, but we don't think that really worries the RBNZ right now.

In terms of other data this week, net migration figures for February will no doubt remain strong. A seasonally adjusted net inflow of close to 6.5k was recorded in January, which was an all-time high. Whether another monthly record is seen in February is not really here nor there. We just can't see net inflows falling much, at least for some time, especially with New Zealand's labour market continuing to perform strongly relative to Australia's. Perhaps the biggest risk to net migrant inflows over the coming months, with an election just around the corner, is whether there is a political response. Certainly the latest weak per capita GDP figures could add fuel to the debate about the merits of strong net migration gains right now.

Visitor arrivals figures should remain strong too. Annual visitor arrivals growth is currently running around 11%, which is all the more remarkable considering the outright number of visitor arrivals is already at an all-time high. And the recent NZD weakness will serve to boost overall spending further as visitors will have a little more effective home currency in their pockets too. With the likes of the World Masters Games and the British and Irish Lions rugby tour just around the corner, we'd expect arrivals numbers to remain strong over the coming months, although there is the risk of a little bit of

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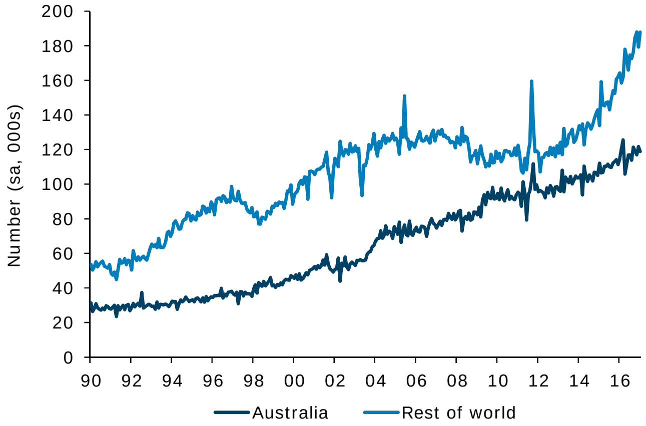
displacement as visitors adjust the timing of their visits to either coincide with or avoid these events.

FIGURE 3: INTERNATIONAL VISITOR ARRIVALS



Source: ANZ, Statistics NZ

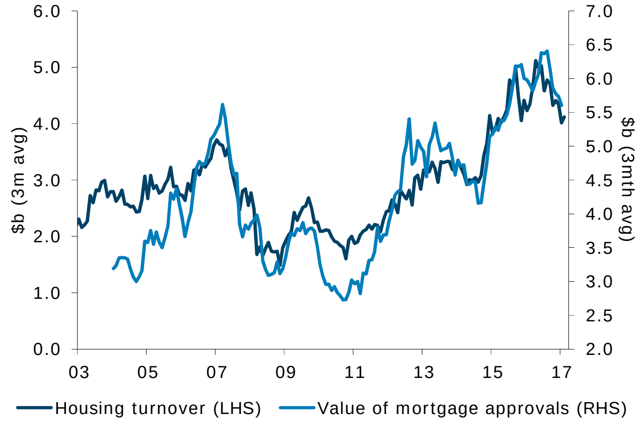
Turning to the GlobalDairyTrade auction this week, NZX dairy futures are pointing to some further downward pressure on milk powder prices. However, we think further downside is limited. Milk supply conditions have certainly improved in New Zealand and a good autumn beckons, especially in many North Island regions. This means the extra product added at the last two auctions could well continue to pressure prices. However, demand signals from Asia (China & South East Asia) remain encouraging and last week there were reports of some large bilateral deals struck by Fonterra outside the GDT sales channel. This, plus low inventory levels, reduces pressure to add additional product to the GDT platform over the autumn period.

Additionally, lower prices are likely to trigger some latent demand from other markets and could well provide offsetting support. New Zealand milk powder prices also fell a long way at the last auction, significantly improving their competitive position (price spread) versus European and US-sourced product. The current unknown is to what extent the European Commission will be willing to increase its already record-high skim milk powder intervention stocks. Decisions here could provide crucial in coming months in stabilising/supporting milk powder markets.

We expect overseas trade figures for February to show a small surplus of $100m. Surpluses have become a common occurrence in February months, at least in the last ten years, and we don't believe this year will be any different. But in terms of the details there are numerous moving parts to consider. For one, stronger export commodity prices should continue to flow through. However, that does need to be balanced with volumes that remain a little sluggish, with flows perhaps complicated by the timing of the Chinese New Year. The late horticulture/fruit season will continue to delay the usual pick-up and we aren't expecting dairy export volumes to start to lift until March. Conversely, a large shipment of crude oil in January means we see less chance of an upside surprise in import values in the month.

Finally, RBNZ new mortgage lending figures for February are expected to continue to show a cooler trend. We estimate that new lending fell 10% m/m in seasonally adjusted terms in January, to its lowest level since mid-2015. Lending has cooled across the board, but has been most pronounced for investors, whose share of new lending has gone from close to 38% in June last year to less than 27% now. Given January's sharp fall (which was consistent with the weakness seen in housing market activity in the month), we wouldn't rule out a modest lift in the February figures (in fact, REINZ data did show a stabilisation in activity levels in the month), but we do believe a cooler trend in lending growth is set to persist over the months ahead as bank funding conditions remain strained.

FIGURE 4: HOUSING TURNOVER AND NEW MORTGAGE LENDING



Source: ANZ, RBNZ, REINZ

LOCAL DATA

Balance of Payments – Q4. The current account deficit narrowed to 2.7% of GDP.

GDP – Q4. The economy expanded 0.4% q/q, which together with downward revisions saw annual growth ease to 2.7% y/y.

BNZ-BusinessNZ PMI – February. The headline index rebounded 3pts to 55.2.

ANZ-Roy Morgan Consumer Confidence – March. Headline confidence eased from 127.4 to 125.2.

BNZ-BusinessNZ PSI – February. The headline index eased a touch from 59.5 to 58.8.

INTEREST RATE STRATEGY

SUMMARY

Short-end interest rates have the best shot at moving lower in weeks as markets digest the implications of last week's soft NZ GDP data, the Fed's "dovish" hike and the G20 communiqué. These developments all feed neatly into the RBNZ's view of heightened uncertainty, and we expect this week's OCR Review to be very neutral, underscoring that it is in no hurry to shift policy settings. By contrast, the market remains steadfastly determined to price in early hikes. Long-end rates have moved lower in the wake of the Fed's hike, which saw US Treasury bond yields gap lower on disappointment with the lack of upward revision to the 'dot plots'. US real yields remain far too low and while the market can't get too far ahead of itself given how gradually policy is adjusting, we do expect yields to grind higher in coming months now that expectations have been reset. That said, there is scope for the short squeeze to continue for the next few days as the market digests the (negative) trade implications of the G20 communiqué.

THEMES

- We expect the RBNZ to maintain a very neutral tone at this week's OCR Review, reinforcing our view that significant global uncertainties and independent changes to retail interest rates buy it time amidst a rising inflation profile.
- Conditions have not been "ripe" for a short-end rally for some weeks now, but we believe they are better now, even with spreads as tight as they are to other markets (especially Australia).
- Global developments over the past week have given long-end interest rates cause for pause. While there is scope for the long end to squeeze lower near term, real yields remain too low and we ultimately expect them to grind higher.

MONETARY POLICY AND SHORT END

Short-end rates now have greater potential to move lower, having been held up for weeks by a lack of fresh receiving interest and nervousness about the potential for inflation to make an earlier return to the 2% mid-point of the RBNZ's target band. The catalysts are both local and global. Q4 GDP data painted a picture of a slightly "less strong" economy, playing into the RBNZ's very cautious view of the world, which will manifest itself in a very neutral OCR Review this week.

On the global front, the Fed's "dovish hike" has led to a correction lower in US short-end rates, which should, all else equal, make it easier for local rates to grind lower. We are also mindful of the tone of the G20 communiqué, with overtones that "the gloves are off" insofar as global trade is concerned. While a marginal change in stance, it's not a development that we would welcome here, given New Zealand's dependence on trade, and the implications such policies are likely to have for the USD (lower). **Taken together, they leave us more – not less – cautious with regards to the RBNZ's next steps**, particularly with retail interest rates (which are what really matter for the economy) already on the rise, tightening financial conditions.

GLOBAL MARKETS AND LONG END

US long-end rates have rallied sharply over the past week, disappointed by the Fed's unchanged dot plots and seemingly relaxed tone. That's intuitive, but now that market pricing has been reset (back to around 1½ rather than two hikes by December), we see limited scope for significant *sustainable* downside in US bond yields. We say 'sustainable' because we are mindful of the negative implications of the G20 communiqué, particularly with market positioning still very short by historic standards. These factors suggest we are likely to see yields edge a touch lower initially, but we'd view such a move as a rally to sell into.

The elephant in the room for US bonds is real yields (and the Fed policy outlook). While ~2.5% yields look high against a 1% Fed Funds rate, that picture will look quite different after 3-4 more hikes, especially with core inflation (by some measures) now comfortably holding above 2%. Against this backdrop, we see limited scope for downside and expect yields to grind gradually higher over coming months.

STRATEGY

Investors: We prefer to remain short duration, and positioned for a steeper curve. We see scope for the NZ/US spread to continue to narrow, and for Linkers to outperform ahead of CPI data next month.

Borrowers: No change. **BKBM is at a record low, but term interest rates are biased higher.** We believe it makes sense to add to hedges on dips. Rates remain low in the context of the past quarter century of controlled inflation.

KEY VIEWS

SECTOR	DIRECTION	COMMENT
Short end	Bullish	Now looks primed for a move lower, spurred on by decent R+C and a very neutral OCR Review on Thurs.
Long end	Neutral/Higher	Scope for a deeper correction near term, but US real yields are too low and we prefer to sell rallies.
Yield Curve	Steeper	Strategically favour a steepener, based largely on divergent views. US curve ought to be steeper too.
Geographic spreads	Neutral/ narrower	Spreads at tight end of range. Should narrow further over the year as USTs grind higher (especially given neutral RBNZ tone). Generally well correlated with the outlook for policy rate spreads (narrower!).
Swap spreads	Neutral	NZGS demand fair. Some risk of corporate paying, but global uncertainties likely to keep payers at bay.
NZD/TWI	Off highs	RBNZ February inflation projections now outdated given lower TWI and food prices. TWI is still high though.

CURRENCY STRATEGY

SUMMARY

The Fed may be hiking but the market is taking a cautious view of the likely extent of it, and together with the wider economic policy direction, this is undermining the USD. Policy uncertainty won't be cleared up any time soon, which when overlaid with New Zealand's local credentials (though growth questions exist and the RBNZ will jawbone it lower with a neutral tone) leaves the NZD/USD in a holding pattern. Globally, attention will progressively shift to the wider consequences of protectionism but this is down the track when details emerge. We continue to favour a higher NZD/AUD on inflation cycles, which are more favoured towards the RBNZ hiking first, though the RBNZ will hose that down this week.

TABLE 1: KEY VIEWS			
CROSS	**GUIDE**	**MONTH**	**YEAR**
NZD/USD	↔	Correction lower now looks complete	Firmer USD bias ultimately wins
NZD/AUD	↔/↑	Consolidation mode	Push higher
NZD/EUR	↔/↑	Politics not euro-supportive	Huge growth/politics divide
NZD/GBP	↔/↑	Consumer slowing as BoE feared	Brexit execution woes weighing
NZD/JPY	↔	JPY the new safe-haven	Japan a defensive play; US strong too

THEMES AND RISKS

- The Fed hiked, but the market gravitates to two more hikes as opposed to three.
- 'Free' trade being replaced by 'fair' trade as the G20 drops reference to "avoiding all forms of protectionism".
- Inflation expectations soften in the US. Have lower oil prices already had an impact?
- New Zealand's growth credentials are being questioned. We're buyers of the solid story remaining intact.

ASSESSMENT

With the Fed tempering rate hike expectations, USD optimism has faded. Financial markets are now erring towards an additional "one-and-a-half" Fed hikes by year end. Three weeks ago the debate centred on whether it would be two or three more.

On monetary policy considerations alone, a firmer USD bias should reassert. Even a modest and gradualist Fed will still deliver a widening interest rate differential with Europe and a closing differential with the dollar bloc, including Australia and NZ.

But the USD faces broader challenges for now. It's already strong and overvalued on many metrics, especially on a TWI basis as opposed to the DXY. The policy and economic mix is increasingly being questioned, including the threat to productivity from increased protectionism, deficit spending, and potential for foreign policy errors. While the G20 reiterated its long-held stance against competitive devaluations and disorderly FX markets, such action is inevitable as the easiest lever to pull and lift the contribution of trade (and jobs) to your local economy. This is at the same time Europe is looking better in a growth sense and the Dutch election result has doused some political fragmentation fears.

While New Zealand's growth credentials are being questioned, the market is looking at the broader picture (there were timing influences at play for Q4 GDP softness), positive forward indicators and wariness towards the RBNZ coming into play on inflation nuances. The RBNZ won't validate that sort of thinking this week but the market will remain biased that way.

The combination is leaving the NZD/USD in consolidation mode.

Global attention will increasingly shift over the year towards the wider consequences of protectionist shifts. The G20's removal of "avoiding all forms of protectionism" heralds a new world order. Trade-dependent nations will come under the spotlight and attention will quickly swivel towards China and Australia. **That's looking like a H2 2017 story once (if) details are forthcoming.**

We continue to favour the NZD over the AUD. New Zealand's business and inflation cycle is further advanced, which is at odds with central bank rhetoric (RBNZ more dovish than the RBA).

TABLE 2: NZD VS AUD: MONTHLY GAUGES		
GAUGE	**GUIDE**	**COMMENT**
Fair value	↔/↑	Fair value is 0.93; we're below that.
Yield	↔/↓	NZ/AU spreads now pretty tight.
Commodities	↔/↓	Hards outperforming softs of late.
Data	↔/↓	AU data surprises have been positive.
Techs	↔	In consolidation mode just below 0.92.
Sentiment	↔/↓	Has swung into AUD's favour.
Other	↔/↑	Questions over NZ's growth credentials but they are still better the Australia's.
On balance	↔	**More neutral now.**

TABLE 3: NZD VS USD: MONTHLY GAUGES		
GAUGE	**GUIDE**	**COMMENT**
Fair value	↔/↑	Below fair-value estimate of ~0.75.
Yield	↔	Term yields will rise in both markets.
Commodities	↔/↓	Softer dairy prices need acknowledging.
Risk aversion	↔/↓	Has potential to add to volatility.
Data	↔/↓	Data turning more mixed in NZ.
Techs	↔/↑	Bounce off ~0.69 lows encouraging.
Sentiment	↔	FOMC did not back up market's bias.
Other	↔/↑	Speculators now short again.
On balance	↔	**Consolidating.**

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
20-Mar	UK	Rightmove House Prices MoM - Mar	--	2.0%	13:01
	UK	Rightmove House Prices YoY - Mar	--	2.3%	13:01
	GE	PPI MoM - Feb	0.4%	0.7%	20:00
	GE	PPI YoY - Feb	3.2%	2.4%	20:00
	EC	Labour Costs YoY – Q4	--	1.5%	23:00
21-Mar	US	Chicago Fed Nat Activity Index - Feb	0.03	-0.05	01:30
	NZ	Net Migration SA - Feb	--	6460	10:45
	AU	ANZ-RM Consumer Confidence Index - 19-Mar	--	113.1	11:30
	AU	House Price Index QoQ - Q4	2.5%	1.5%	13:30
	AU	House Price Index YoY - Q4	6.3%	3.5%	13:30
	AU	RBA March Rate Meeting Minutes	--	--	13:30
	NZ	Credit Card Spending MoM - Feb	--	0.2%	15:00
	NZ	Credit Card Spending YoY - Feb	--	7.1%	15:00
	UK	CPIH YoY - Feb	2.2%	1.9%	22:30
	UK	CPI MoM - Feb	0.5%	-0.5%	22:30
	UK	CPI YoY - Feb	2.1%	1.8%	22:30
	UK	CPI Core YoY - Feb	1.7%	1.6%	22:30
	UK	Retail Price Index - Feb	267.5	265.5	22:30
	UK	RPI MoM - Feb	0.8%	-0.6%	22:30
	UK	RPI YoY - Feb	2.9%	2.6%	22:30
	UK	RPI Ex Mort Int.Payments (YoY) - Feb	3.1%	2.9%	22:30
	UK	PPI Input NSA MoM - Feb	0.1%	1.7%	22:30
	UK	PPI Input NSA YoY - Feb	20.1%	20.5%	22:30
	UK	PPI Output NSA MoM - Feb	0.3%	0.6%	22:30
	UK	PPI Output NSA YoY - Feb	3.7%	3.5%	22:30
	UK	PPI Output Core NSA MoM - Feb	0.2%	0.5%	22:30
	UK	PPI Output Core NSA YoY - Feb	2.5%	2.4%	22:30
	UK	House Price Index YoY - Jan	6.3%	7.2%	22:30
	UK	Public Finances (PSNCR) - Feb	--	-£26.5B	22:30
	UK	Central Government NCR - Feb	--	-£27.8B	22:30
	UK	Public Sector Net Borrowing - Feb	£2.8B	-£9.8B	22:30
	UK	PSNB ex Banking Groups - Feb	£3.1B	-£9.4B	22:30
22-Mar	UK	CBI Trends Total Orders - Mar	5	8	00:00
	UK	CBI Trends Selling Prices - Mar	32	32	00:00
	US	Current Account Balance - Q4	-$128.1B	-$113.0B	01:30
	AU	Westpac Leading Index MoM - Feb	--	0.03%	12:30
	AU	Skilled Vacancies MoM - Feb	--	1.0%	13:00
	EC	Current Account NSA - Jan	--	€47.0B	22:00
	EC	ECB Current Account SA - Jan	--	€31.0B	22:00
23-Mar	US	MBA Mortgage Applications - 17-Mar	--	3.1%	00:00
	US	FHFA House Price Index MoM - Jan	0.4%	0.4%	02:00
	US	Existing Home Sales - Feb	5.56M	5.69M	03:00
	US	Existing Home Sales MoM - Feb	-2.4%	3.3%	03:00
	NZ	RBNZ Official Cash Rate - Mar	1.75%	1.75%	09:00
	GE	GfK Consumer Confidence - Apr	10	10	20:00
	UK	Retail Sales Ex Auto Fuel MoM - Feb	0.3%	-0.2%	22:30
	UK	Retail Sales Ex Auto Fuel YoY - Feb	3.2%	2.6%	22:30
	UK	Retail Sales Inc Auto Fuel MoM - Feb	0.4%	-0.3%	22:30

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
23-Mar	UK	Retail Sales Inc Auto Fuel YoY - Feb	2.6%	1.5%	22:30
24-Mar	UK	CBI Retailing Reported Sales - Mar	4	9	00:00
	UK	CBI Total Dist. Reported Sales - Mar	--	25	00:00
	US	Initial Jobless Claims - 18-Mar	240k	241k	01:30
	US	Continuing Claims - 11-Mar	--	2030k	01:30
	US	New Home Sales - Feb	565k	555k	03:00
	US	New Home Sales MoM - Feb	1.80%	3.70%	03:00
	US	Kansas City Fed Manf. Activity - Mar	14	14	04:00
	EC	Consumer Confidence - Mar A	-5.8	-6.2	04:00
	NZ	Trade Balance NZD - Feb	160M	-285M	10:45
	NZ	Exports NZD - Feb	4.20B	3.91B	10:45
	NZ	Imports NZD - Feb	3.99B	4.19B	10:45
	NZ	Trade Balance 12 Mth YTD NZD - Feb	-3655M	-3468M	10:45
	GE	Markit/BME Manufacturing PMI - Mar P	56.5	56.8	21:30
	GE	Markit Services PMI - Mar P	54.5	54.4	21:30
	GE	Markit/BME Composite PMI - Mar P	56.0	56.1	21:30
	EC	Markit Manufacturing PMI - Mar P	55.3	55.4	22:00
	EC	Markit Services PMI - Mar P	55.3	55.5	22:00
	EC	Markit Composite PMI - Mar P	55.8	56	22:00
	UK	BBA Loans for House Purchase - Feb	44900	44657	22:30
	GE	Import Price Index MoM - Feb	0.4%	0.9%	24-29 Mar
	GE	Import Price Index YoY - Feb	7.2%	6.0%	24-29 Mar
25-Mar	US	Durable Goods Orders - Feb P	1.2%	2.0%	01:30
	US	Durables Ex Transportation - Feb P	0.6%	0.0%	01:30
	US	Cap Goods Orders Nondef Ex Air - Feb P	0.6%	-0.1%	01:30
	US	Cap Goods Ship Nondef Ex Air - Feb P	0.1%	-0.4%	01:30
	US	Markit Manufacturing PMI - Mar P	54.7	54.2	02:45

Key: AU: Australia, EC: Eurozone, GE: Germany, JN: Japan, NZ: New Zealand, UK: United Kingdom, US: United States, CH: China
Source: Dow Jones, Reuters, Bloomberg, ANZ Bank New Zealand Limited. All $ values in local currency.
Note: All surveys are preliminary and subject to change

LOCAL DATA WATCH

Looking through the weak Q4 GDP figures, we still believe domestic economic momentum is solid. However, there are some hints of softening. Inflation has lifted off lows, which is consistent with the next move in the OCR being upwards, but probably not until 2018.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 21 Mar (10:45am)	International Travel & Migration – Feb	Holding up	Net migrant inflows are holding near all-time highs and we doubt that picture is going to change much any time soon. Visitor arrivals should still grow, off already record levels.
Wed 22 Mar (early am)	GlobalDairyTrade Auction	Stability?	Improved global supply has shifted sentiment. The key to whether we see ongoing price weakness is Chinese demand.
Thu 23 Mar (9:00am)	RBNZ OCR Review	On hold	The RBNZ made it pretty clear in February that it doesn't intend to move the OCR any time soon. That message will be reiterated.
Fri 24 Mar (10:45am)	Overseas Merchandise Trade – Feb	Improving	Stronger export commodity prices should begin to correspond with an improving underlying trend.
Fri 24 Mar (3:00pm)	RBNZ New Residential Mortgage Lending – Feb	Still slowing	Ongoing bank funding pressures and RBNZ prudential restrictions will see the pace of new lending continue to slow.
Fri 31 Mar (10:45am)	Building Consent Issuance – Feb	More headwinds	While the demand backdrop for housing remains strong, supply is facing increased headwinds from both capacity and capital.
Fri 31 Mar (1:00pm)	ANZ Business Outlook – Mar	--	--
Fri 31 Mar (3:00pm)	RBNZ Credit Aggregates – Feb	Off highs	Overall household credit growth has passed its peak. We expect it to continue moderating over the course of 2017.
Tue 4 Apr (10:00am)	NZIER QSBO – Q1	Still decent	Confidence may ease off highs, but will still be decent. We'd expect to see more signs of capacity and price tensions.
Wed 5 Apr (early am)	GlobalDairyTrade Auction	Stability?	Improved global supply has shifted sentiment. The key to whether we see ongoing price weakness is Chinese demand.
Wed 5 Apr (10:00am)	ANZ Job Ads – Mar	--	--
Wed 5 Apr (1:00pm)	ANZ Commodity Price Index – Mar	--	--
Thu 6 Apr (10:00am)	Government Financial Statements – Feb	Running ahead	While the fiscal costs of the Kaikoura earthquakes are yet to be incorporated, tax revenue continues to run ahead of projections.
10-14 Apr	REINZ Housing Market Statistics – Mar	Stable at a softer level	Turnover levels are expected to stabilise, although annual house price growth will continue to cool.
Tue 11 Apr (10:45am)	Electronic Card Transactions – Mar	Reasonable	While households are showing restraint overall, there are still enough positive forces to boost overall spending levels.
Tue 11 Apr (1:00pm)	ANZ Monthly Inflation Gauge – Mar	--	--
Wed 12 Apr (10:00am)	ANZ Truckometer – Mar	--	--
Thu 13 Apr (10:30am)	BNZ-BusinessNZ PMI – Mar	Better	More mixed construction sector activity poses some challenges, but we expect activity to hold up overall.
Thu 13 Apr (10:45am)	Food Price Index – Mar	Down?	After January's spike, prices were surprisingly flat in February. We have pencilled in some unwind in March.
On balance		**Data watch**	**Momentum is looking a little patchier, but should remain reasonable. Inflation is showing tentative signs of lifting.**

KEY FORECASTS AND RATES

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
GDP (% qoq)	0.4	**1.1**	**0.8**	**0.7**	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**	**0.6**
GDP (% yoy)	2.7	**3.1**	**3.1**	**3.0**	**3.2**	**2.7**	**2.4**	**2.2**	**2.1**	**2.1**
CPI (% qoq)	0.4	**0.7**	**0.4**	**0.7**	**0.2**	**0.7**	**0.5**	**0.6**	**0.2**	**0.6**
CPI (% yoy)	1.3	**1.9**	**1.9**	**2.2**	**2.1**	**2.0**	**2.2**	**2.2**	**2.2**	**2.1**
Employment (% qoq)	0.8	**0.7**	**0.6**	**0.4**	**0.4**	**0.4**	**0.4**	**0.3**	**0.3**	**0.3**
Employment (% yoy)	5.8	**5.2**	**3.4**	**2.5**	**2.1**	**1.8**	**1.6**	**1.5**	**1.4**	**1.3**
Unemployment Rate (% sa)	5.2	**5.0**	**4.8**	**4.7**	**4.7**	**4.6**	**4.5**	**4.5**	**4.4**	**4.3**
Current Account (% GDP)	-2.7	**-2.6**	**-2.5**	**-2.5**	**-2.7**	**-3.1**	**-3.2**	**-3.3**	**-3.4**	**-3.4**
Terms of Trade (% qoq)	5.7	**0.2**	**-1.8**	**-1.1**	**-0.2**	**0.4**	**0.3**	**0.1**	**0.1**	**0.0**
Terms of Trade (% yoy)	6.7	**2.6**	**2.9**	**2.9**	**-2.8**	**-2.6**	**-0.6**	**0.6**	**0.9**	**0.5**

	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Retail ECT (% mom)	1.3	0.2	-1.2	2.0	0.5	0.0	0.1	2.7	-0.6	--
Retail ECT (% yoy)	6.8	5.8	3.2	6.1	4.2	5.1	5.8	5.6	2.6	--
Credit Card Billings (% mom)	-0.9	2.5	-0.9	2.9	3.0	-4.2	3.2	0.2	--	--
Credit Card Billings (% yoy)	4.1	5.7	2.3	8.3	10.1	4.2	8.6	7.1	--	--
Car Registrations (% mom)	-0.7	0.1	2.6	-4.0	12.2	3.6	-6.1	1.4	0.2	--
Car Registrations (% yoy)	-1.2	-1.9	2.6	-0.8	13.1	18.4	7.8	12.2	7.3	--
Building Consents (% mom)	16.5	-4.4	-3.2	1.1	0.0	-8.9	-7.9	0.8	--	--
Building Consents (% yoy)	39.4	8.0	11.8	17.1	14.0	2.4	-10.6	-1.7	--	--
REINZ House Price Index (% yoy)	14.2	16.3	11.7	9.7	14.4	14.9	13.5	11.7	10.5	--
Household Lending Growth (% mom)	0.8	0.8	0.8	0.8	0.6	0.6	0.7	0.5	--	--
Household Lending Growth (% yoy)	8.3	8.6	8.7	8.8	8.7	8.6	8.7	8.7	--	--
ANZ Roy Morgan Consumer Conf.	118.9	118.2	117.7	121.0	122.9	127.2	124.5	128.7	127.4	125.2
ANZ Business Confidence	20.2	16.0	15.5	27.9	24.5	20.5	21.7	..	16.6	--
ANZ Own Activity Outlook	35.1	31.4	33.7	42.4	38.4	37.6	39.6	..	37.2	--
Trade Balance ($m)	107	-351	-1240	-1388	-798	-725	-36	-285	--	--
Trade Bal ($m ann)	52660	52078	51900	51938	51943	51667	51620	51931	--	--
ANZ World Commodity Price Index (% mom)	3.5	2.1	3.2	5.1	0.7	3.2	0.7	-0.1	2.0	--
ANZ World Comm. Price Index (% yoy)	-5.6	1.9	11.1	10.6	4.0	13.6	16.5	19.1	20.9	--
Net Migration (sa)	5770	5700	5690	6340	6220	6210	6050	6460	--	--
Net Migration (ann)	69090	69015	69119	69954	70282	70354	70588	71305	--	--
ANZ Heavy Traffic Index (% mom)	5.4	-6.4	7.1	-2.1	-0.5	3.7	-0.3	-1.0	2.3	--
ANZ Light Traffic Index (% mom)	2.7	-0.6	1.0	0.1	-2.1	-1.6	0.2	-0.3	0.7	--

Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year

KEY FORECASTS AND RATES

	ACTUAL			FORECAST (END MONTH)						
FX RATES	Jan-17	Feb-17	Today	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
NZD/USD	0.728	0.719	0.702	0.72	0.70	0.69	0.68	0.68	0.68	0.67
NZD/AUD	0.964	0.938	0.911	0.92	0.92	0.93	0.94	0.94	0.93	0.91
NZD/EUR	0.680	0.679	0.654	0.70	0.69	0.68	0.68	0.68	0.65	0.64
NZD/JPY	82.80	80.79	79.13	82.8	80.5	79.4	78.2	78.2	78.2	77.1
NZD/GBP	0.585	0.578	0.567	0.59	0.58	0.58	0.58	0.55	0.54	0.54
NZ$ TWI	78.3	77.2	76.4	78.0	76.5	76.1	75.7	75.5	74.2	72.9
INTEREST RATES	Jan-17	Feb-17	Today	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
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	1.99	2.00	1.95	2.00	2.00	2.00	2.00	2.10	2.30	2.50
NZ 10-yr bond	3.37	3.23	3.25	3.60	3.70	3.80	3.90	4.00	4.10	4.30
US Fed funds	0.75	0.75	1.00	0.75	1.00	1.00	1.25	1.25	1.50	1.75
US 3-mth	1.03	1.05	1.15	1.13	1.20	1.33	1.45	1.60	1.75	2.00
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	1.77	1.78	1.80	1.70	1.70	1.70	1.70	1.70	1.70	1.70

	17 Feb	13 Mar	14 Mar	15 Mar	16 Mar	17 Mar
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	2.03	1.96	1.97	1.96	1.97	1.96
NZGB 03/19	2.20	2.18	2.16	2.16	2.10	2.12
NZGB 05/21	2.63	2.62	2.60	2.60	2.53	2.55
NZGB 04/23	2.90	2.92	2.91	2.91	2.83	2.85
NZGB 04/27	3.33	3.37	3.36	3.36	3.26	3.28
2 year swap	2.37	2.34	2.33	2.34	2.29	2.30
5 year swap	3.04	3.06	3.05	3.05	2.96	2.99
RBNZ TWI	78.57	76.04	75.96	76.13	76.63	76.14
NZD/USD	0.7182	0.6939	0.6912	0.6942	0.6989	0.7017
NZD/AUD	0.9371	0.9158	0.9144	0.9153	0.9103	0.9108
NZD/JPY	81.04	79.48	79.54	79.59	79.32	79.08
NZD/GBP	0.5786	0.5683	0.5697	0.5693	0.5703	0.5661
NZD/EUR	0.6765	0.6501	0.6497	0.6534	0.6517	0.6535
AUD/USD	0.7664	0.7577	0.7559	0.7584	0.7678	0.7704
EUR/USD	1.0616	1.0673	1.0639	1.0624	1.0724	1.0738
USD/JPY	112.84	114.54	115.07	114.65	113.49	112.70
GBP/USD	1.2412	1.2210	1.2132	1.2193	1.2255	1.2396
Oil (US$/bbl)	53.41	48.05	47.95	47.24	48.34	48.30
Gold (US$/oz)	1238.21	1207.02	1203.75	1201.80	1225.10	1227.21
Electricity (Haywards)	5.58	5.37	4.48	4.46	5.08	4.30
Baltic Dry Freight Index	741	1099	1112	1147	1172	1196
NZX WMP Futures (US$/t)	3250	2630	2630	2675	2675	2650

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