

NEW ZEALAND MARKET FOCUS

4 December 2017

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DON'T PANIC

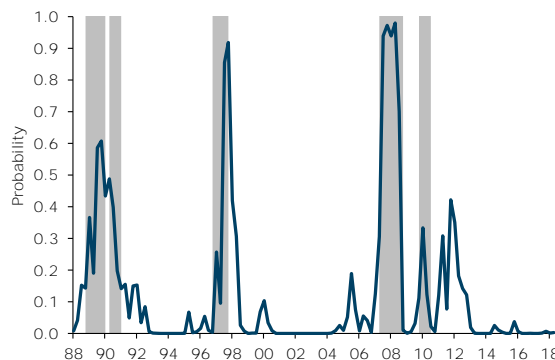
ECONOMIC OVERVIEW

We were already somewhat circumspect regarding the near-term growth picture, but our latest Business Outlook survey has put us on notice. The economy is clearly delicately placed, and near-term risks are downwardly skewed. However, we also need to be careful to avoid 'Chicken Little' prognoses. There are still reasons for optimism and we are maintaining a core view that any near-term **growth wobble won't turn into something longer-lasting**. In data this week, construction work and manufacturing production figures for Q3 will help us finalise a view on Q3 GDP growth (which at this stage we still see growing a modest 0.3% q/q). Global dairy prices are expected to remain under modest downward pressure, while our Commodity Price Index will provide an update on the broader picture. Job ads figures will provide a steer on labour demand, while ECT data will provide a timely read on consumer spending trends ahead of the key Christmas shopping period.

CHART OF THE WEEK

Business confidence on par with levels from 2009 is hardly a positive signal, but right now our models are still pointing to extremely low odds of any dip in economic momentum turning into something worse.

Recession probability model



Source: Statistics NZ, ANZ Research

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	2.3% y/y for 2018 Q2	The economy is not quite firing on all cylinders and we have become more circumspect near-term. However, we see growth holding around 2½-3% on average.	Neutral Negative Positive
Unemployment rate	4.5% for 2018 Q2	The unemployment rate should continue to trend gradually lower. Wage growth is benign, but conditions for change are emerging.	Neutral Negative Positive
OCR	1.75% by Jun 2018	While we can't really make the case for a lower OCR, interest rate hikes would also be hard to justify, with inflation impacted by secular forces.	Neutral Down Up
CPI	1.8% y/y for 2018 Q2	Base effects will see headline inflation ease over the next 12 months, but domestic and core inflation should lift gradually.	Neutral Negative Positive

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SUMMARY

We were already somewhat circumspect regarding the near-term growth picture, but our latest Business Outlook survey has put us on notice. The economy is clearly delicately placed, and near-term risks are downwardly skewed. However, we also need to be careful to avoid 'Chicken Little' prognoses. There are still reasons for optimism and we are maintaining a core view that any near-term growth wobble won't turn into something longer-lasting. In data this week, construction work and manufacturing production figures for Q3 will help us finalise a view on Q3 GDP growth (which at this stage we still see growing a modest 0.3% q/q). Global dairy prices are expected to remain under modest downward pressure, while our Commodity Price Index will provide an update on the broader picture. Job ads figures will provide a steer on labour demand, while ECT data will provide a timely read on consumer spending trends ahead of the key Christmas shopping period.

FORTHCOMING EVENTS

Government Monthly Financial Statements – October (10:00am, Tuesday, 5 December). The figures should continue to track close to Treasury forecasts.

Building Work Put In Place – Q3 (10:45am, Tuesday, 5 December). After falling for two consecutive quarters, we see total building work volumes lifting by around 3% q/q.

ANZ Commodity Price Index – November (1:00pm, Tuesday, 5 December).

RBNZ Governor Spencer speech (1:15pm, Tuesday, 5 December). The speech is entitled "Low inflation and its implications for monetary policy".

Global Dairy Trade Auction (early am, Wednesday, 6 December). NZX futures are pointing to around a 3% lift in WMP prices (and 1.5% gain in the TWI). We are a little more circumspect.

ANZ Job Ads – November (10:00am, Wednesday, 6 December).

Economic Survey of Manufacturing – Q3 (10:45am, Friday, 8 December). It looks set to be a mixed picture, with weaker primary food sales volumes at least partially offset by a small lift in 'core' sales.

Electronic Card Transactions – November (10:45am, Monday, 11 December). A modest underlying pace of consumer spending should have continued, with housing market headwinds evident.

WHAT'S THE VIEW?

Is it time to push the economic panic button?

One can't deny the weak signal from our latest Business Outlook survey. Headline business confidence and firms' own activity expectations both plunged to their lowest levels since 2009, and the other activity components dropped sharply too. The drop in own activity is particularly alarming, given its historical alignment with overall economic growth.

Certainly, the survey has done nothing to reduce our cautiousness regarding the near-term growth picture. We turned more circumspect on the economy's near-term growth outlook a few months ago as it became clear that at a time when the economy was grappling with headwinds from a soft housing market and credit cycle, while simultaneously transitioning in terms of its growth drivers, there was a higher chance of a growth wobble. Weaker sentiment obviously reinforces that risk.

But whether any growth wobble turns into something nastier will likely hinge on whether this drop in sentiment just proves to be a short-term, protest-vote type of response to the new Government, or whether businesses put their employment and investment decisions on hold for an extended period. Sentiment can be vulnerable through periods of transition (as proven, it seems). The risk is that it can then create negative feedback effects on activity and become self-fulfilling. We are on notice.

Our forecasts already incorporate a soft near-term picture. We await final indicators, but at this stage we remain comfortable with our modest 0.3% q/q pick for Q3 GDP (that said, Statistics NZ is performing its annual benchmarking exercise in conjunction with this release, which creates the potential for some reasonably large historical revisions, complicating the picture). We then see somewhat lacklustre quarterly growth of 0.5% and 0.6% in Q4 and Q1 respectively. If our Business Outlook survey is taken at face value, these quarters are arguably where there is potential for more disappointment.

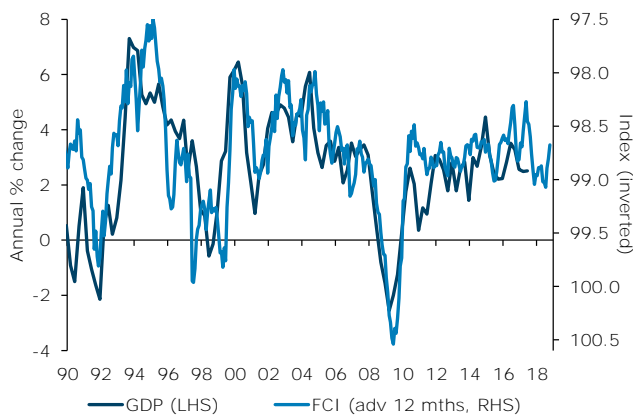
But we also need to be careful to avoid 'Chicken Little' prognoses. We certainly don't want to discount the signal that our Business Outlook has delivered, and the December survey in a few weeks' time takes on added importance. But there are still reasons for optimism:

- **Financial conditions continue to ease.** The lower NZD, together with a record high in the terms of trade, are powerful stimulatory forces. Global liquidity conditions remain favourable and

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local mortgage rates have started to tick lower again (albeit only modestly). Moreover, the headwinds from housing and credit have become slightly less intense as prices have stabilised over recent months and bank funding pressures have waned. Our Financial Conditions Index is giving a signal of accelerating growth from around the second half of 2018.

Figure 1: Financial conditions versus GDP growth



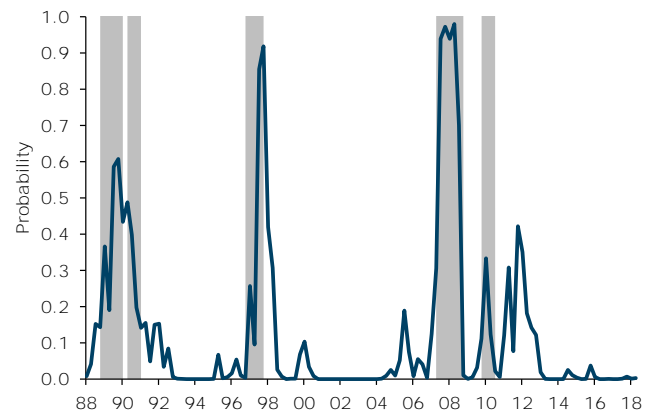
Source: Statistics NZ, Bloomberg, ANZ Research

- **Consumers are still reasonably upbeat.** In particular, consumers remain positive regarding their own financial situations, despite the asset side of their balance sheets (housing) performing less well. They are not sending signals that they are about to retrench aggressively.
- **Likely related to this, household incomes are growing at a reasonable pace at present.** Total gross earnings from the QES grew 1.5% q/q in Q3, to be up 5.3% y/y.
- **There are other positives in the medium-term picture too.** We have highlighted these over recent weeks so won't go into details again, but they include the fact that the economy is in better structural shape than it typically is at this point in the cycle, the global economy is performing well, and alternative growth drivers (fiscal policy especially) are on the horizon.

In fact, our models still point to extremely low odds of the dreaded 'R' occurring within the next 12 months.¹ It may seem alarming to even be bringing that up as a scenario, but with sentiment on par with 2009 levels, it is not completely out of the question. But there is a counter to the 2009 example. 'Own activity' from our survey gyrated around current levels at times over 2005-06, and the economy

continued to grow at 3½-4% for the next two years until side-swiped by the Global Financial Crisis. Our probit model still points to recession odds sitting around zero. To be fair, a recession is defined quite narrowly as two quarters of negative growth, and so **this result doesn't say anything explicitly about the odds of the economy slowing (but not contracting) over the coming year.** We also assume some inputs in the model remain unchanged from current levels (house prices, NZX and CDS spreads) and so there is a degree of uncertainty around that. But in the first instance, our model is still sending a pretty strong message to be cautious about going off the deep end right now. Typically, New Zealand business cycles carry on until a significant global shock spoils the party.

Figure 2: Recession probability model



Source: Statistics NZ, ANZ Research

Turning to this week's domestic data calendar, a couple more key quarterly partial activity indicators are due, which will help form our views on Q3 GDP growth. At this stage, we remain comfortable with our expectation of somewhat sluggish GDP growth of 0.3% q/q.

- **Building work put in place:** The volume of total building work has fallen for two consecutive quarters, dropping 0.5% q/q in Q2 after a 3.3% q/q fall in Q1. This is a clear sign that despite a large pipeline of work, the sector is grappling with capacity, capital and cost constraints. In saying that, we do expect building volumes to lift in Q3, perhaps by around 3% q/q. However, it would still effectively be a story of activity plateauing at an elevated level, which is our general prognosis for this sector for at least the next 12 months.

¹ Our probit recession model includes variables such as house prices, equities, yield curve, global CDS spreads, the terms of trade, NZD, and household debt serviceability and income growth.

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Figure 3: Total building work put in place

Source: Statistics NZ, ANZ Research

- Economic Survey of Manufacturing:** In Q2, it was a case of a strong lift in meat and dairy manufacturing sales volumes being partially offset by a drop in 'core' volumes. We expect a reversal of that story in Q3. We estimate that there were reasonably large falls in milksolids production and livestock slaughtering over the September quarter, which should weigh on primary food manufacturing. While there is a little more uncertainty over 'core' volumes, the new orders less inventories gauge from the PMI is still providing a decent signal, suggesting a rebound, albeit only modest in performance.

With regards to the next GlobalDairyTrade auction, the NZX futures market is pointing to higher prices this week. NZX futures suggest a 3% gain for WMP, but downward pressure on milkfat prices continue, seeing the broader TWI index up only around 1.5%.

However, we are more circumspect. The WMP futures market has proven to be too optimistic in recent months, and we suspect this theme could continue in the short term. Milk supply is expanding somewhat aggressively in all parts of the globe, and this is currently placing downward pressure on all product prices. With buyers reasonably well covered into early 2018, more near-term pressure is likely on prices as buyers take a wait and see approach.

To be fair, some support for WMP prices could be seen given that prices are sitting around the key US\$2,800/t mark. In addition, GDT supply is past its seasonal peak and there is increasing concern around dry conditions in some New Zealand regions. However, on the local milk supply front, while pasture production is starting to struggle, it won't be immediately felt as farms tend to have surplus pasture at this time of year. Additionally, milk supply also struggled significantly this time last year, meaning it would be difficult to underperform again.

Better near-term milk supply compared with last year is reflected in GDT-WMP supply remaining 40% above levels from last December. The other challenge is reports of growing Chinese inventories that are much higher than this time last year, with year-to-date imports up 18% y/y to 418,000t. In recent times any gap from softer Chinese demand has been filled by other markets, but interest from the likes of the Middle East remains soft too.

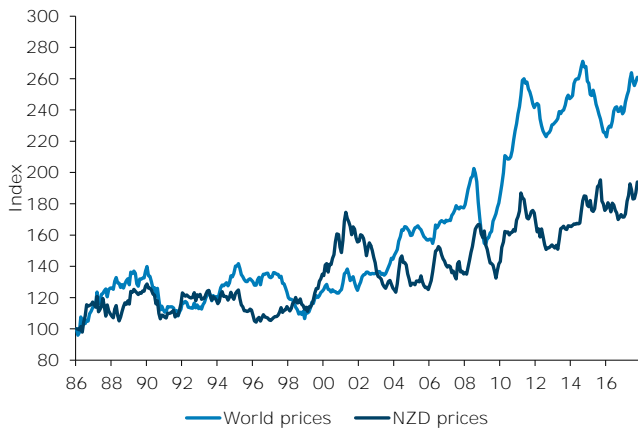
Elsewhere, SMP continues to be weighed down by high European stocks (380,000t) and expectations its intervention programme will change to a tendering programme in 2018. The latter will mean there isn't a solid price floor. Milkfat prices remain under pressure, with lifting European milk supply providing buyers more choice at the same time seasonal (ie Christmas) demand is moderating. Butter prices are expected to pull back toward US\$4,500/t during the first half of next year.

All up, the softness in international prices is placing downward pressure on farm-gate returns. Our milk price forecast remains \$6.25-\$6.50/kg MS range. But year-to-date we have it tracking towards the bottom end of this range, with nearly 60% of product sold. If WMP can hold around the US\$2,800/t level, the bottom end of this range will be achievable; if not, more downside will open up. Combined with the reduction in Fonterra's dividend guidance last week, this is starting to dampen the outlook for incomes later in 2018, which is seeing the farm cheque book more closely watched.

An update on the broader commodity price picture will be provided by our November ANZ Commodity Price Index. In October, world prices fell 0.3% m/m. However, that move was largely attributable to the dairy group. Non-dairy prices actually rose 1.1% m/m in the month, to the highest level since June. It was an even more positive picture in NZD terms, with non-dairy prices surging 3.7% m/m to the highest level since October 2015, which clearly paints a positive picture for farm-gate returns. With the NZD broadly stable in the month of November, further gains in NZD prices will need to come from the 'world' price channel.

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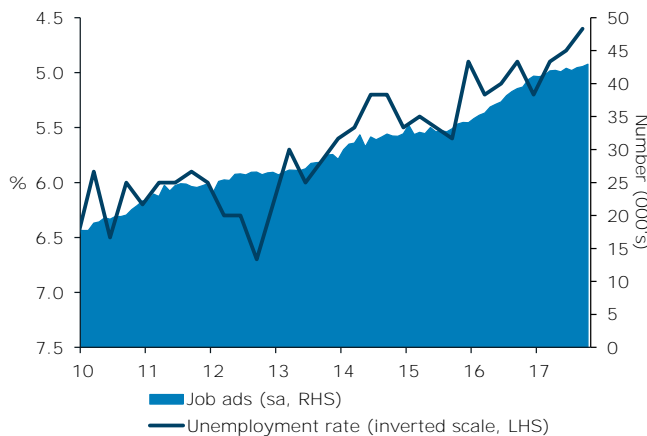
Figure 4: Non-dairy export commodity prices



Source: ANZ Research

November job ads will provide an update on the pace of labour demand. We are a little sceptical about the magnitude of employment growth (2.2% q/q) indicated by the Q3 Household Labour Force Survey and are therefore placing more weight on the likes of job ads and firms' employment intentions as a gauge going forward. In October, total job ads lifted 0.9% m/m (sa), which, while reasonable, is still pointing to a levelling off.

Figure 5: ANZ job ads and the unemployment rate

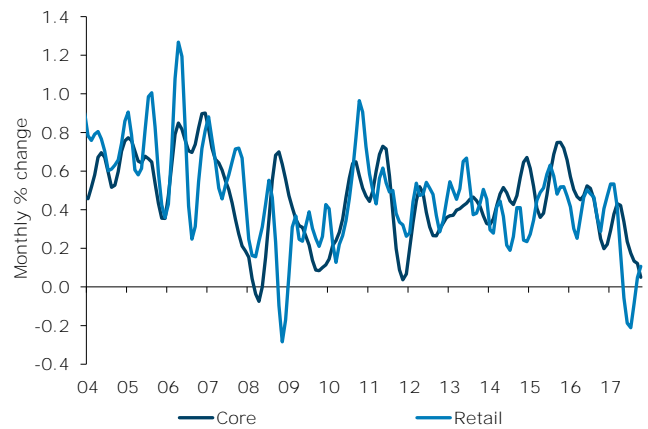


Source: ANZ Research

Finally, Electronic Card Transaction figures for November should show a continuation of the recent modest pace of retail spending growth.

In October, total retail spending rose a modest 0.2% m/m, with core spending lifting 0.4% m/m. While for the former that was the second consecutive monthly increase, it followed four prior falls. In fact, in trend terms, total retail spending is running at the sombre monthly pace of just 0.1% m/m (core is flat m/m), with annual trend growth for total and core retail spending currently at the weakest rates since 2009 and 2010 respectively. We certainly believe that the soft housing market is a key factor weighing on spending trends, and we see that persisting.

Figure 6: Electronic Card Transactions – monthly trend



Source: Statistics NZ, ANZ Research

LOCAL DATA

Building Consent Issuance – October. Total dwelling consents fell 9.6% m/m.

ANZ Business Outlook – November. Headline confidence fell 29 points to a net -39%. Firms' own activity expectations fell 15 points to +7%. Both are the lowest since 2009.

RBNZ Sectoral Lending – October. Total private sector credit rose 0.6% m/m (sa).

Overseas Trade Indexes – Q3. The terms of trade rose 0.7% q/q to a new all-time high. Export volumes rose 0.3% q/q, while import volumes fell 0.7% q/q.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
4-Dec	AU	ANZ Job Advertisements MoM - Nov	--	1.4%	13:30
	AU	Inventories SA QoQ - Q3	0.0%	-0.4%	13:30
	AU	Company Operating Profit QoQ - Q3	0.1%	-4.5%	13:30
	JN	Consumer Confidence Index - Nov	44.9	44.5	18:00
	UK	Markit/CIPS Construction PMI - Nov	51.0	50.8	22:30
	EC	Sentix Investor Confidence - Dec	33.4	34	22:30
	EC	PPI MoM - Oct	0.3%	0.6%	23:00
	EC	PPI YoY - Oct	2.6%	2.9%	23:00
	AU	HIA New Home Sales MoM - Oct	--	-6.1%	4-8 Dec
5-Dec	US	Factory Orders - Oct	-0.4%	1.4%	04:00
	US	Durable Goods Orders - Oct F	-1.0%	-1.2%	04:00
	US	Durables Ex Transportation - Oct F	--	0.4%	04:00
	US	Cap Goods Orders Nondef Ex Air - Oct F	--	-0.5%	04:00
	US	Cap Goods Ship Nondef Ex Air - Oct F	--	0.4%	04:00
	NZ	Volume of All Buildings SA QoQ - Q3	2.0%	-0.5%	10:45
	AU	CBA PMI Services - Nov	--	53.0	11:00
	AU	CBA PMI Composite - Nov	--	53.1	11:00
	AU	Ai Group Perf of Services Index - Nov	--	51.4	11:30
	AU	ANZ-RM Consumer Confidence Index - 3-Dec	--	115.0	11:30
	NZ	ANZ Commodity Price - Nov	--	-0.3%	13:00
	AU	BoP Current Account Balance - Q3	-\$8.7B	-\$9.6B	13:30
	AU	Retail Sales MoM - Oct	0.3%	0.0%	13:30
	CH	Caixin PMI Composite - Nov	--	51.0	14:45
	CH	Caixin PMI Services - Nov	--	51.2	14:45
	AU	RBA Cash Rate Target - Dec	1.50%	1.50%	16:30
	GE	Markit Services PMI - Nov F	54.9	54.9	21:55
	GE	Markit/BME Composite PMI - Nov F	57.6	57.6	21:55
	EC	Markit Services PMI - Nov F	56.2	56.2	22:00
	EC	Markit Composite PMI - Nov F	57.5	57.5	22:00
	UK	Markit/CIPS Services PMI - Nov	55.0	55.6	22:30
	UK	Markit/CIPS Composite PMI - Nov	55.8	55.8	22:30
	UK	Official Reserves Changes - Nov	--	\$30M	22:30
	EC	Retail Sales MoM - Oct	-0.7%	0.7%	23:00
	EC	Retail Sales YoY - Oct	1.6%	3.7%	23:00
6-Dec	US	Trade Balance - Oct	-\$47.4B	-\$43.5B	02:30
	US	Markit Services PMI - Nov F	55.3	54.7	03:45
	US	Markit Composite PMI - Nov F	--	54.6	03:45
	US	ISM Non-Manf. Composite - Nov	59.0	60.1	04:00
	NZ	ANZ Job Advertisements MoM - Nov	--	0.9%	10:00
	AU	GDP SA QoQ - Q3	0.7%	0.8%	13:30
	AU	GDP YoY - Q3	3.0%	1.8%	13:30
	GE	Factory Orders MoM - Oct	-0.2%	1.0%	20:00
	GE	Factory Orders WDA YoY - Oct	7.0%	9.5%	20:00
	GE	Markit Construction PMI - Nov	--	53.3	21:30
	GE	Markit Retail PMI - Nov	--	51.2	22:10
	EC	Markit Retail PMI - Nov	--	51.1	22:10
7-Dec	US	MBA Mortgage Applications - 1-Dec	--	-3.1%	01:00
	US	ADP Employment Change - Nov	190k	235k	02:15

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
7-Dec	US	Nonfarm Productivity - Q3 F	3.3%	3.0%	02:30
	US	Unit Labor Costs - Q3 F	0.3%	0.5%	02:30
	NZ	QV House Prices YoY - Nov	--	3.9%	05:00
	AU	Ai Group Perf of Construction Index - Nov	--	53.2	11:30
	AU	Trade Balance - Oct	A\$1400M	A\$1745M	13:30
	AU	Foreign Reserves - Nov	--	A\$78.1B	18:30
	GE	Industrial Production SA MoM - Oct	1.0%	-1.6%	20:00
	GE	Industrial Production WDA YoY - Oct	4.3%	3.6%	20:00
	UK	Halifax House Prices MoM - Nov	0.2%	0.3%	21:30
	UK	Halifax House Price 3Mths/Year - Nov	3.9%	4.5%	21:30
	EC	GDP SA QoQ - Q3 F	0.6%	0.6%	23:00
	EC	GDP SA YoY - Q3 F	2.5%	2.5%	23:00
8-Dec	US	Initial Jobless Claims - 2-Dec	240k	238k	02:30
	US	Continuing Claims - 25-Nov	1900k	1957k	02:30
	US	Consumer Credit - Oct	\$16.750B	\$20.830B	09:00
	NZ	Mfg Activity Volume QoQ - Q3	--	1.0%	10:45
	NZ	Mfg Activity SA QoQ - Q3	--	3.9%	10:45
	JN	BoP Current Account Balance - Oct	¥1730.7B	¥2271.2B	12:50
	JN	Trade Balance BoP Basis - Oct	¥418.1B	¥852.2B	12:50
	JN	GDP SA QoQ - Q3 F	0.4%	0.3%	12:50
	JN	GDP Annualized SA QoQ - Q3 F	1.5%	1.4%	12:50
	JN	GDP Nominal SA QoQ - Q3 F	0.7%	0.6%	12:50
	AU	Home Loans MoM - Oct	-2.0%	-2.3%	13:30
	AU	Investment Lending - Oct	--	-6.2%	13:30
	AU	Owner-Occupier Loan Value MoM - Oct	--	-2.1%	13:30
	GE	Trade Balance - Oct	€21.9B	€24.1B	20:00
	GE	Current Account Balance - Oct	€20.0B	€25.4B	20:00
	GE	Exports SA MoM - Oct	1.0%	-0.4%	20:00
	GE	Imports SA MoM - Oct	1.0%	-1.0%	20:00
	UK	Industrial Production MoM - Oct	0.0%	0.7%	22:30
	UK	Industrial Production YoY - Oct	3.5%	2.5%	22:30
	UK	Manufacturing Production MoM - Oct	0.0%	0.7%	22:30
	UK	Visible Trade Balance GBP/Mn - Oct	-£11500	-£11253	22:30
	UK	Trade Balance Non EU GBP/Mn - Oct	-£3300	-£2982	22:30
	UK	Trade Balance - Oct	-£3000	-£2754	22:30
	CH	Trade Balance - Nov	\$34.70B	\$38.19B	UNSPECIFIED
	CH	Exports YoY - Nov	5.1%	6.9%	UNSPECIFIED
	CH	Imports YoY - Nov	12.0%	17.2%	UNSPECIFIED
9-Dec	UK	NIESR GDP Estimate - Nov	0.4%	0.5%	02:00
	US	Change in Nonfarm Payrolls - Nov	199k	261k	02:30
	US	Unemployment Rate - Nov	4.1%	4.1%	02:30
	US	Average Hourly Earnings MoM - Nov	0.3%	0.0%	02:30
	US	Average Hourly Earnings YoY - Nov	2.7%	2.4%	02:30
	US	Wholesale Inventories MoM - Oct F	0.1%	-0.4%	04:00
	US	U. of Mich. Sentiment - Dec P	99.0	98.5	04:00
	CH	CPI YoY - Nov	1.8%	1.9%	14:30
	CH	PPI YoY - Nov	5.8%	6.9%	14:30

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

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

Note: All surveys are preliminary and subject to change



LOCAL DATA WATCH

The risk profile for the near-term growth picture is looking more skewed to the downside. Housing, capacity and credit headwinds exist. However, we still see growth holding in a 2½-3% range over the next couple of years. While medium-term inflation risks look to be shifting, we doubt that will be enough to alter the outlook for the OCR much; it looks set to be on hold for some time yet.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 5 Dec (10:45am)	Building Work Put in Place – Q3	Bounce	We see a bounce in activity, but still feel the topside is capped by capacity pressures.
Tue 5 Dec (1:00pm)	ANZ Commodity Price Index – Nov	--	--
Wed 6 Dec (early am)	GlobalDairyTrade Auction	Cautious	NZX futures prices are pointing to a gain, but we are more cautious given recent growth in global milk supply.
Wed 6 Dec (10:00am)	ANZ Job Ads – Nov	--	--
Fri 8 Dec (10:45am)	Economic Survey of Manufacturing – Q3	Mixed	Primary-related manufacturing is likely to have been weak. The question is whether core industries will have been able to offset this.
11-15 Dec	REINZ Housing Market Statistics – Nov	Subdued	Anecdotes point to an increase in new listings, which should keep price growth subdued.
Mon 11 Dec (10:45am)	Electronic Card Transactions – Nov	Modest	The underlying trend in spending has been soft, perhaps indicating broader spill-overs from the housing market.
Mon 11 Dec (1:00pm)	ANZ Monthly Inflation Gauge – Nov	--	--
Tue 12 Dec (10:00am)	ANZ Truckometer – Nov	--	--
Wed 13 Dec (10:45am)	Food Price Index – Nov	Down	Fruit and vegetable prices typically fall as new season produce hits the shelves.
Thu 14 Dec (1:00pm)	Treasury Half-Year Economic and Fiscal Update	Solid	The fiscal picture, while showing modestly higher levels of debt, will still look solid. The question though is whether the underlying economic assumptions are still going to be too optimistic.
Fri 15 Dec (10:30am)	BNZ-BusinessNZ PMI – Nov	Shaky?	This month will be the first to fully incorporate the announcement of the new coalition government.
Mon 18 Dec (10:30am)	BNZ-BusinessNZ PSI – Nov	Shaky?	This month will be the first to fully incorporate the announcement of the new coalition government.
Mon 18 Dec (1:00pm)	ANZ-Roy Morgan Consumer Confidence – Dec	--	--
Tue 19 Dec (1:00pm)	ANZ Business Outlook – Dec	--	--
Wed 20 Dec (10:45am)	Overseas Merchandise Trade – Nov	Steady	Elevated export prices continue to underpin the trade balance.
Wed 20 Dec (10:45am)	Balance of Payments – Q3	Stable	The current account deficit is likely to continue holding around its current 3% of GDP level.
Thu 21 Dec (10:45am)	GDP – Q3	Soggy	Even ahead of political uncertainty, we believe the economy is vulnerable to a growth air-pocket. We have pencilled in quarterly growth of just 0.3% q/q.
Thu 21 Dec (10:45am)	International Travel and Migration – Nov	Passed the peak	As departures lift off lows, it is clear that the net inflow of migrants is easing off record highs.
Thu 21 Dec (3:00pm)	RBNZ New Mortgage Lending – Nov	Soft	The housing market hasn't had its usual spring/summer bounce. Activity is soft, and so too is new lending.
Thu 21 Dec (3:00pm)	RBNZ Sectoral Lending – Nov	Steady	Overall credit growth has slowed, and we see that slower pace of growth persisting.
On balance		Data watch	The data pulse has turned a little more mixed. Domestic inflation is low, but should lift gradually.

KEY FORECASTS AND RATES

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
GDP (% qoq)	0.8	0.3	0.5	0.6	0.9	0.9	0.8	0.7	0.7	0.7
GDP (% yoy)	2.5	2.0	2.1	2.2	2.3	2.9	3.2	3.3	3.1	2.8
CPI (% qoq)	0.0	0.5	0.3	0.6	0.3	0.7	0.3	0.7	0.6	0.8
CPI (% yoy)	1.7	1.9	1.8	1.5	1.8	2.0	1.9	2.0	2.3	2.4
Employment (% qoq)	-0.1	2.2	-0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.3
Employment (% yoy)	3.1	4.1	2.8	2.1	2.6	0.8	1.6	1.4	1.3	1.2
Unemployment Rate (% sa)	4.8	4.6	4.7	4.6	4.5	4.5	4.4	4.4	4.4	4.4
Current Account (% GDP)	-2.9	-2.7	-2.7	-2.4	-2.6	-2.7	-2.8	-2.8	-2.7	-2.7
Terms of Trade (% qoq)	1.4	0.7	-1.5	-1.6	-0.7	0.2	0.1	0.1	0.2	0.0
Terms of Trade (% yoy)	10.1	12.3	4.6	-1.0	-3.1	-3.6	-2.0	-0.4	0.6	0.4

	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
Retail ECT (% mom)	-0.6	-0.3	1.0	-0.4	-0.1	-0.5	-0.1	0.3	0.2	--
Retail ECT (% yoy)	2.6	5.6	4.5	5.2	4.5	2.0	4.4	2.9	1.2	--
Credit Card Billings (% mom)	-1.3	1.0	1.0	0.9	0.2	0.8	-0.7	0.7	0.8	--
Credit Card Billings (% yoy)	5.4	7.2	6.6	7.6	8.3	7.1	6.5	4.9	2.9	--
Car Registrations (% mom)	0.5	3.4	-2.7	3.7	-2.7	-4.6	9.3	-1.4	2.5	--
Car Registrations (% yoy)	7.3	16.5	3.0	13.7	11.1	6.2	13.5	15.6	7.3	--
Building Consents (% mom)	14.4	-1.7	-1.9	1.8	0.9	3.2	5.9	-2.3	-9.6	--
Building Consents (% yoy)	6.8	11.3	4.0	5.3	-8.0	-1.4	13.9	7.5	-7.3	--
REINZ House Price Index (% yoy)	12.0	9.9	8.0	5.1	3.0	1.1	0.5	2.3	1.6	--
Household Lending Growth (% mom)	0.5	0.5	0.5	0.4	0.5	0.3	0.4	0.5	0.5	--
Household Lending Growth (% yoy)	8.7	8.7	8.3	7.9	7.6	7.1	6.7	6.5	6.3	--
ANZ Roy Morgan Consumer Conf.	127.4	125.2	121.7	123.9	127.8	125.4	126.2	129.9	126.3	123.7
ANZ Business Confidence	16.6	11.3	11.0	14.9	24.8	19.4	18.3	0.0	-10.1	-39.3
ANZ Own Activity Outlook	37.2	38.8	37.7	38.3	42.8	40.3	38.2	29.6	22.2	6.5
Trade Balance (\$m)	-42	262	547	62	243	92	-1172	-1156	-871	--
Trade Bal (\$m ann)	52087	52404	52588	53218	53530	53742	53982	54057	54767	--
ANZ World Comm. Price Index (% mom)	2.0	0.4	-0.2	3.2	2.1	-0.8	-0.8	0.8	-0.3	--
ANZ World Comm. Price Index (% yoy)	20.9	23.0	23.7	26.3	24.6	21.1	16.3	11.5	10.4	--
Net Migration (sa)	5940	6170	5830	5950	6310	5730	5440	5220	5580	--
Net Migration (ann)	71333	71932	71885	71964	72305	72402	72072	70986	70694	--
ANZ Heavy Traffic Index (% mom)	2.0	1.5	-2.2	4.0	-0.5	-6.0	6.5	-1.5	2.9	--
ANZ Light Traffic Index (% mom)	0.8	1.3	-1.4	1.2	1.2	-2.2	2.7	-0.1	-0.6	--

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)						
	Oct-17	Nov-17	Today	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
NZD/USD	0.684	0.687	0.687	0.68	0.71	0.72	0.69	0.67	0.66	0.65
NZD/AUD	0.893	0.883	0.904	0.89	0.89	0.88	0.90	0.91	0.92	0.93
NZD/EUR	0.588	0.594	0.578	0.57	0.62	0.65	0.62	0.58	0.56	0.52
NZD/JPY	77.56	79.16	77.37	76.2	83.8	83.5	77.3	69.7	68.6	65.0
NZD/GBP	0.518	0.523	0.510	0.50	0.53	0.53	0.50	0.49	0.48	0.47
NZ\$ TWI	71.4	71.8	72.6	70.4	74.0	75.2	72.4	69.7	68.5	66.4
INTEREST RATES	Oct-17	Nov-17	Today	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.25	2.25
NZ 90 day bill	1.94	1.95	1.90	1.93	1.95	1.97	2.07	2.34	2.50	2.50
NZ 10-yr bond	2.92	2.80	2.74	2.80	2.85	2.95	3.15	3.30	3.30	3.30
US Fed funds	1.25	1.25	1.25	1.50	1.50	1.75	2.00	2.25	2.25	2.25
US 3-mth	1.38	1.57	1.49	1.65	1.75	2.05	2.20	2.45	2.45	2.45
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.75	2.00	2.00	2.00	2.00
AU 3-mth	1.69	1.72	1.75	1.70	1.80	2.00	2.30	2.40	2.40	2.40

	1 Nov	27 Nov	28 Nov	29 Nov	30 Nov	1 Dec
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.94	1.91	1.92	1.92	1.91	1.91
NZGB 03/19	1.87	1.83	1.82	1.81	1.80	1.79
NZGB 05/21	2.15	2.10	2.08	2.06	2.04	2.03
NZGB 04/23	2.45	2.39	2.37	2.34	2.32	2.31
NZGB 04/27	2.93	2.80	2.78	2.73	2.72	2.72
2 year swap	2.17	2.17	2.15	2.14	2.15	2.14
5 year swap	2.64	2.63	2.62	2.60	2.58	2.58
RBNZ TWI	73.26	72.58	73.07	72.79	72.38	72.32
NZD/USD	0.6911	0.6901	0.6929	0.6914	0.6833	0.6891
NZD/AUD	0.8997	0.9030	0.9118	0.9122	0.9030	0.9050
NZD/JPY	78.79	76.76	77.15	77.12	76.79	77.27
NZD/GBP	0.5193	0.5169	0.5212	0.5157	0.5080	0.5114
NZD/EUR	0.5937	0.5781	0.5830	0.5836	0.5776	0.5792
AUD/USD	0.7682	0.7643	0.7600	0.7580	0.7567	0.7613
EUR/USD	1.1642	1.1939	1.1885	1.1847	1.1831	1.1896
USD/JPY	114.00	111.23	111.33	111.53	112.38	112.17
GBP/USD	1.3308	1.3350	1.3295	1.3407	1.3453	1.3477
Oil (US\$/bbl)	54.30	58.11	57.99	57.30	57.40	58.36
Gold (US\$/oz)	1278.92	1294.22	1293.28	1294.80	1281.48	1280.62
Electricity (Haywards)	7.40	13.06	14.68	15.55	15.96	15.34
Baltic Dry Freight Index	1496	1477	1506	1536	1578	1626
NZX WMP Futures (US\$/t)	2940	2820	2820	2820	2830	2840

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