

NEW ZEALAND MARKET FOCUS

18 September 2017

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**DON'T WORRY, BE HAPPY**

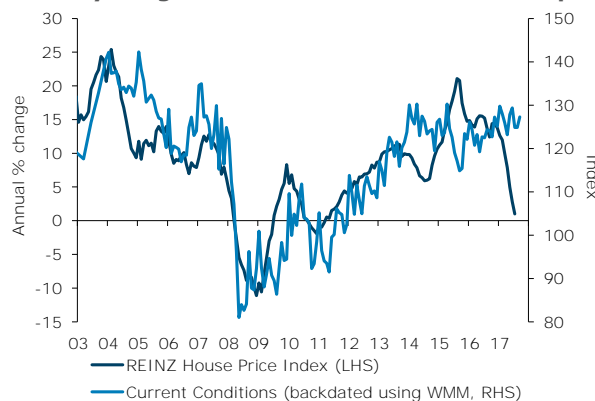
**ECONOMIC OVERVIEW**

There remains limited evidence as yet that a softening housing market is spilling over into other parts of the economy. Consumers remain upbeat, suggesting positive labour market vibes are dominating. That said, this week's Q2 GDP data will likely show that while the economy performed better than over the prior six months, it is still ho-hum and barely at trend. Late-cycle challenges are presenting headwinds, leaving growth around a 2½-3% pace going forward; the RBNZ needs growth above that to lift core inflation, and that's hard when financial stability risks are forcing a slowdown in the most pro-cyclical part of the economy. Outside of the GDP figures, the election is also an obvious focus, and the last thing the economy needs is an uncertain outcome or policy uncertainty. However, change can also be good if initiatives are backed by evidence. This week's balance of payments data should show a small narrowing in the current account deficit. Global dairy prices are likely to fall a little, while we expect net migration figures to remain broadly stable at an elevated level.

**CHART OF THE WEEK**

Despite the weaker housing market, consumers remain upbeat.

**ANZ-Roy Morgan current conditions and house prices**



Source: ANZ, REINZ

**THE ANZ HEATMAP**

Variable	View	Comment	Risk profile (change to view)
GDP	3.1% y/y for 2018 Q1	Recent growth has disappointed but forward indicators remain positive despite headwinds from housing, finding staff and capital.	Neutral Negative Positive
Unemployment rate	4.6% for 2018 Q1	Strong job ads growth suggests the unemployment rate should continue to trend lower. Wage growth is benign, but conditions for change are emerging.	Neutral Negative Positive
OCR	1.75% by Mar 2018	While we can't really make the case for a lower OCR, interest rate hikes would be hard to justify too, with inflation impacted by secular forces.	Neutral Down Up
CPI	1.2% y/y for 2018 Q1	Oil price weakness will weigh on headline inflation, but domestic and core inflation should lift gradually.	Neutral Negative Positive

# ECONOMIC OVERVIEW

## SUMMARY

There remains limited evidence as yet that a softening housing market is spilling over into other parts of the economy. Consumers remain upbeat, suggesting positive labour market vibes are dominating. That said, this week's Q2 GDP data will likely show that while the economy performed better than over the prior six months, it is still ho-hum and barely at trend. Late-cycle challenges are presenting headwinds, leaving growth around a 2½-3% pace going forward; the RBNZ needs growth above that to lift core inflation, and that's hard when financial stability risks are forcing a slowdown in the most pro-cyclical part of the economy. Outside of the GDP figures, the election is also an obvious focus, and the last thing the economy needs is an uncertain outcome or policy uncertainty. However, change can also be good if initiatives are backed by evidence. This week's balance of payments data should show a small narrowing in the current account deficit. Global dairy prices are likely to fall a little, while we expect net migration figures to remain broadly stable at an elevated level.

## FORTHCOMING EVENTS

**GlobalDairyTrade Auction** (early am, Wednesday, 20 September). NZX dairy futures are pointing to a 1% decline in both whole milk powder (WMP) prices and GDT-TWI.

**Balance of Payments – Q2** (10:45am, Wednesday, 20 September). We expect the seasonally adjusted deficit to narrow from \$2.8bn to \$1.8bn, and the annual deficit to print at 3.0% of GDP.

**GDP – Q2** (10:45am, Thursday, 21 September). Growth is expected to rebound to 0.7% q/q (2.5% y/y), after some temporary factors weighed on activity over the prior six months.

**International Travel & Migration – August** (10:45am, Thursday, 21 September). We think we are close to peak migration and peak tourists, although that is very different to saying they are set to fall sharply – we don't expect that.

**General Election** (Saturday, 23 September).

## WHAT'S THE VIEW?

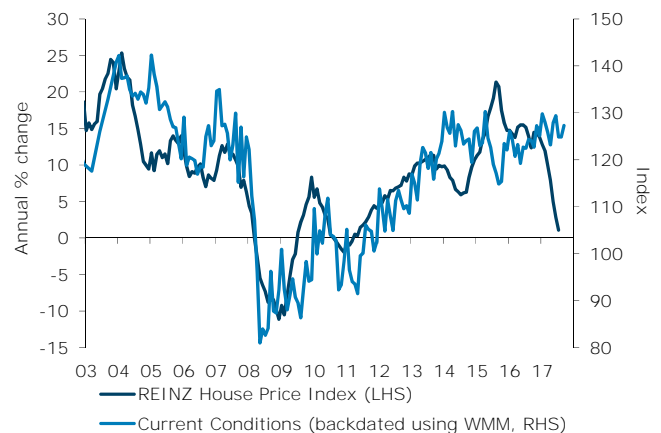
**Putting local politics aside, we continue to watch closely for the possibility of spill-overs from a softer housing market to the broader economy.** That has been the historical tendency, and prices are now falling (modestly) in Auckland. Where the housing market has led, confidence and spending growth has often followed. And while we do expect some spill-over (into the likes of vehicle sales and the developer market in Auckland), anything beyond that

would likely shift our views on the risk profile around the domestic economic outlook.

### Negative spill-overs remain limited so far.

- **Consumer confidence is not only elevated; it is still rising.** The Roy Morgan measure lifted to a three-year high in September. After a recent low in April, the seasonally adjusted index has jumped 15 points, which has effectively happened over the same period that clearer evidence of the softening housing market has emerged. Confidence is rising despite national and Auckland house price expectations falling to their lowest levels since January 2012 and November 2011 respectively.

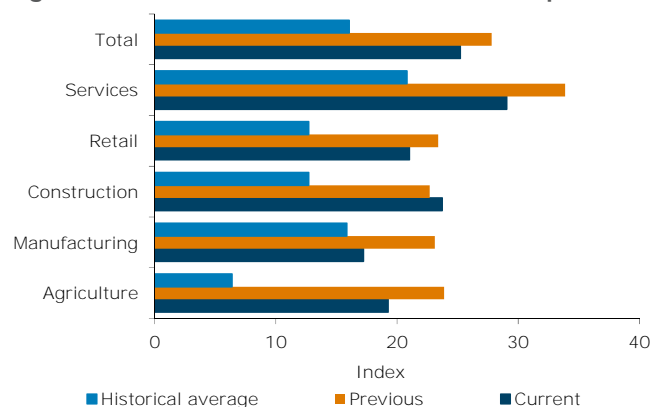
**Figure 1: Current Conditions Index and REINZ House Price Index**



Source: ANZ, REINZ

- **Construction sector firms are still upbeat.** Our construction sector confidence composite gauge from the Business Outlook has eased over the past couple of months. But at +24 in August, it is certainly not giving an alarming signal. It remains well above historical averages.

**Figure 2: ANZ Business Outlook sectoral composites**



Source: ANZ

## ECONOMIC OVERVIEW

- New car registrations – a proxy for spending on big-ticket items – have bounced.** After falling in June and July, we estimate that seasonally adjusted private vehicle registrations lifted 9.0% m/m in August. They are volatile of course, so we need to be a little cautious. But on a three-month average basis, registrations are still up 10% y/y, which is effectively the same pace of growth seen for the better part of a year now.

**Admittedly, it is not one-way traffic. The latest ECT figures were soft.** In August, total retail spending fell for a fourth consecutive month, and unlike in the prior three, lower petrol prices can't be blamed, given they bounced around 5% in the month. ECT figures are not the be-all-and-end-all for gauging retail spending trends, and spending on services (i.e. beyond the retail sector) is actually growing at a decent pace at present. So it is not all poor news. Nevertheless, this retail weakness is something to watch.

**It could also just be a question of timing – that the impact of housing softness is yet to flow through.** We're very much mindful of that possibility. **However, let's not forget that households reacted less to housing strength via the wealth effect than they have done historically, so it's easy to see the reverse applying.** After all, a fall in Auckland house prices of 5% is only a drop in the bucket given they have risen over 90% since 2011.

**Figure 3: Private consumption and house prices**



Source: ANZ, Statistics NZ, REINZ

**With confidence remaining strong (at least for now), we see little reason to alter our base case that the economy can successfully navigate housing market challenges.** Support from the strong labour market, improved rural incomes, and perhaps even the promise of more fiscal spending over the next couple of years, are providing offsets. Within the confidence figures, consumers are the most upbeat they have been on their own personal financial situation since December 2007!

**Even given all that, it is still fair to say that the economy isn't firing on all cylinders.** This week's June quarter GDP figures are expected to show the economy growing at 0.7% q/q. That is certainly a step-up from the lacklustre showing over late-2016, early-2017, when growth averaged an annualised 1.8% pace. And if anything, we see the risks to our expectation as skewed modestly to the upside. However, considering that activity over that period was weighed down by temporary weather and earthquake-related disruptions, quarterly growth of 0.7% q/q (or even a little stronger) is hardly inspiring. It would keep annual growth at just 2.5% and growth in per capita terms only a little above zero.

**It highlights a few things in our mind:**

- There are material growth headwinds.** Finding skilled labour and the turn in the credit cycle are challenges to navigate. Financial conditions have tightened; interest rates are off their lows, the NZD is high, house price growth has moderated and credit growth has slowed.
- Achieving above-trend growth over the rest of the year is far from guaranteed.** While a 0.7-0.8% q/q outcome would put growth around 'trend' in an annualised sense, with forward indicators pointing to a further turn south in some of the pro-cyclical parts of the economy (housing and construction), and election uncertainty raising the prospects of a growth air-pocket over coming months, we are mindful of growth tailing off a little into year-end.
- It reinforces the challenge facing the RBNZ in terms of getting inflation up.** The RBNZ needs growth well above trend (3% plus) in order to generate stronger domestic inflation pressures. That's a big ask now that housing (one clear area of earlier inflationary pressure) is cooling. Financial stability aims (necessitating cooling the pro-cyclical part of the economy) are clashing with the inflation objective. We're not concerned. Inflation of 1.5% is pretty much the same as 2%; it's low.
- But it also raises more questions about where the economy's trend growth rate is.** With the economy hitting capacity pressure and the unemployment rate continuing to fall (albeit gradually), is trend growth actually closer to 2½% right now? That's not inconceivable given today's current lacklustre pace of productivity growth.

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**So while we remain generally constructive on the economy's growth prospects, a base case of only around 2½-3% seems reasonable right now.** Mind you, the rest of the OECD is struggling to see much above 2%, although the GDP per capita figures are much less flattering for New Zealand.

**The election also takes centre stage this week and the last thing the economy needs is an uncertain outcome or policy uncertainty.** Uncertainty restrains investment and hiring; the time value option for businesses is to wait until uncertainty clears. This happened in 2000.

**Change can be good too though,** so long as initiatives are backed by evidence to make sure the pros outweigh the cons. And the US economy is still trucking along nicely despite political change, though the USD is bearing more of the brunt. The US Fed has lifted rates yet the USD has struggled to rise; that's a sign investors are worrying about what policy direction might mean for the medium-term. The nuts and bolts of the New Zealand economy in terms of the core framework are reasonably centralist and tend to ride through election cycles. So we're not expecting massive policy shifts here, though if we do see a change of Government we will be eying industrial relations policy. It's looking like a nail-bitter election.

**Suffice to say, monetary policy is by-and-large yesterday's story – it's on holiday; fiscal policy is where our attention will be focused over the coming years in terms of the fiscal stance and policy platform.**

**In other data this week, Q2 Balance of Payments figures should show the current account deficit remaining contained.** In fact, we expect the deficit to narrow in seasonally adjusted terms by around \$1bn to \$1.8bn. That should be enough to see the annual deficit reduce to 3.0% of GDP (from 3.1%).

**That narrowing in the quarter is almost entirely due to the goods and services balance.** On the back of a decent bounce in goods export volumes and a boost to services exports from stronger international tourist activity, we see the goods and services balance shifting from a small deficit in Q1 to a surplus of around \$1bn in Q2. It offsets an expected slightly larger income deficit, on the back of slightly better profitability of foreign companies operating in New Zealand.

**Some further weakness in dairy prices is expected at this week's auction.** NZX dairy futures are pointing to a 1% decline in both whole milk powder (WMP) prices and GDT-TWI. A 3-5% increase in New Zealand supply is expected this

season and while it's currently very wet underfoot in the major dairying regions, early season milk flow appears solid. This has seen a slight increase (2.8% vs previous guidance) in offer volumes of WMP at this week's auction.

**Follow-through from Chinese buyers for the free-trade window, while solid enough, so far hasn't been as positive as the futures market had been anticipated.** Chinese milk production has reportedly remained soft and stock levels are near historic norms. This suggests import demand should remain solid and in line with seasonal norms. However, it is possible that purchasing activity on the GDT platform has been more sluggish due to stronger sales activity outside this channel and the impending regulatory changes for infant formula at the start of 2018 may be reducing activity. Whatever the reason, more enthusiasm at this week's and the following two auctions will be required, or prices could fall below US\$3,000/t. If this does occur, we expect demand support could occur from the likes of Algeria, which seems to have occurred every time there has been a dip in prices over the past 18 months or so.

**Elsewhere, milkfat prices are expected to remain supported in the short term with lower volumes of both AMF and butter on offer.**

European butter prices look like they will be softer post festive season demand subsiding (around November). This will place downward pressure on New Zealand pricing in the New Year period. Skim milk powder is expected to soften with New Zealand prices higher than Europe and the US presently. The protection of the European Commission Intervention ends in September, meaning all product will need to be sold into the commercial supply chain.

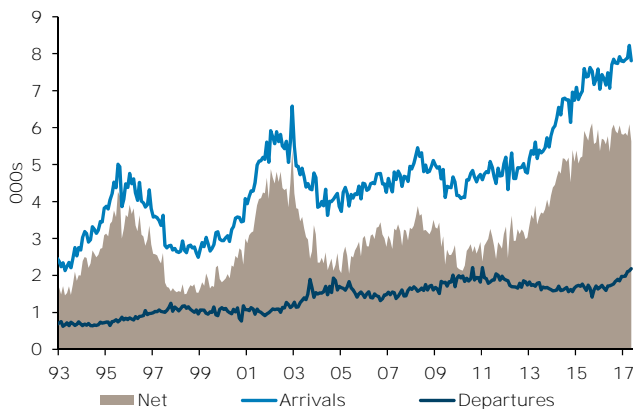
**Finally, we suspect international travel and migration figures for August will show we are close to a 'peak' in net migrant inflows.** Now we appreciate that others have made that type of statement before and been proven wrong. But when we eye the recent increase in the departure of non-New Zealand and Australian citizens, and the fact that the net departure of New Zealanders to Australia has started to stabilise (effectively around zero), there is a case beginning to build. We suspect that the lift in departures of 'non-ANZACs' could very well reflect the natural cycling effect of those who arrived in New Zealand on say a work or student visa a few years ago and are now leaving as those visas expire. The recent (and proposed) tightening up of residency conditions further reinforces that point.

**But calling a 'peak' in net inflows is very different to saying that they are about to fall sharply. We don't expect that.** One of firms'

## ECONOMIC OVERVIEW

biggest problems at present is that they are struggling to find staff, so the demand for migrants on work visas will remain strong. And even though the Australian labour market has been on a better footing of late, it is not yet outperforming New Zealand to a degree that will start to draw larger numbers of New Zealanders across the Tasman again. In July the net migrant inflow in the month was 5.8k, and our inclination is that we will see it hold broadly around that number over the months ahead.

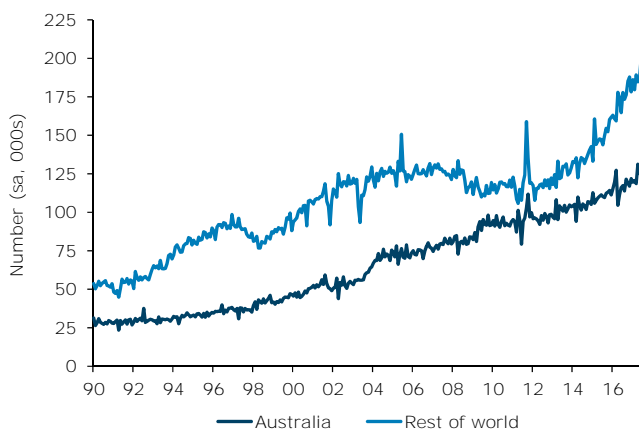
**Figure 4: Movement of non-NZ and Australian citizens**



Source: ANZ, Statistics NZ

**Associated visitor arrivals data is also expected to show that tourist numbers are close to peaking (at least for now).** While recent major sporting events have thrown the numbers around over the past couple of months, the rate of underlying growth had starting slowing ahead of this, and we suspect that reflects capacity issues more than anything. We are not necessarily negative on the tourism sector's prospects overall, as a further fall in the NZD would no doubt boost average spend per visitor and keep total spending elevated, but we do see a decent chance that its contribution to growth is turning less positive.

**Figure 5: International visitor arrivals**



Source: ANZ, Statistics NZ

### LOCAL DATA

**ANZ Monthly Inflation Gauge – August.** Prices lifted 0.2% m/m, and are up 2.6% y/y.

**ANZ Truckometer – August.** The Heavy Traffic and Light Traffic indices lifted 6.2% m/m and 2.6% m/m respectively.

**Food Price Index – August.** Prices rose 0.6% m/m, to be up 2.3% y/y.

**ANZ-Roy Morgan Consumer Confidence – September.** The index lifted from 126.2 to 129.9 – the highest since July 2014.

**REINZ Housing Market Statistics – August.** In seasonally adjusted terms, house sales volumes lifted 4.7% m/m, while the REINZ House Price Index ticked up 0.2% m/m (0.4% y/y).

**BNZ-BusinessNZ PMI – August.** The index rose 2.4 points to 57.9.

**BNZ-BusinessNZ PSI – August.** The index rose 1.3 points to 57.3.

## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
18-Sep	AU	New Motor Vehicle Sales MoM - Aug	--	-2.0%	13:30
	AU	New Motor Vehicle Sales YoY - Aug	--	1.8%	13:30
	EC	CPI MoM - Aug	0.3%	-0.5%	21:00
	EC	CPI YoY - Aug F	1.5%	1.3%	21:00
	EC	CPI Core YoY - Aug F	1.2%	1.2%	21:00
19-Sep	US	NAHB Housing Market Index - Sep	67.0	68.0	02:00
	US	Total Net TIC Flows - Jul	--	\$7.7B	08:00
	US	Net Long-term TIC Flows - Jul	--	\$34.4B	08:00
	NZ	Westpac Consumer Confidence - Q3	--	113.4	10:00
	AU	ANZ-RM Consumer Confidence Index - 17-Sep	--	109.8	11:30
	AU	House Price Index QoQ - Q2	1.3%	2.2%	13:30
	AU	House Price Index YoY - Q2	9.2%	10.2%	13:30
	AU	RBA Sept. Rate Meeting Minutes	--	--	13:30
	EC	ECB Current Account SA - Jul	--	€21.2B	20:00
	EC	Current Account NSA - Jul	--	€28.1B	20:00
	EC	Construction Output MoM - Jul	--	-0.5%	21:00
	EC	Construction Output YoY - Jul	--	3.4%	21:00
	GE	ZEW Survey Current Situation - Sep	86.0	86.7	21:00
	EC	ZEW Survey Expectations - Sep	--	29.3	21:00
	GE	ZEW Survey Expectations - Sep	12.0	10.0	21:00
20-Sep	US	Housing Starts - Aug	1174k	1155k	00:30
	US	Housing Starts MoM - Aug	1.7%	-4.8%	00:30
	US	Building Permits - Aug	1220k	1230k	00:30
	US	Building Permits MoM - Aug	-0.8%	-3.5%	00:30
	US	Current Account Balance - Q2	-\$115.0B	-\$116.8B	00:30
	US	Import Price Index MoM - Aug	0.4%	0.1%	00:30
	US	Import Price Index YoY - Aug	2.2%	1.5%	00:30
	US	Export Price Index MoM - Aug	0.2%	0.4%	00:30
	US	Export Price Index YoY - Aug	--	0.8%	00:30
	NZ	BoP Current Account Balance NZD - Q2	-0.900B	0.244B	10:45
	NZ	Current Account GDP Ratio YTD - Q2	-3.1%	-3.1%	10:45
	JN	Trade Balance - Aug	¥108.7B	¥421.7B	11:50
	JN	Trade Balance Adjusted - Aug	¥404.7B	¥337.4B	11:50
	JN	Exports YoY - Aug	14.3%	13.4%	11:50
	JN	Imports YoY - Aug	11.6%	16.3%	11:50
	AU	Westpac Leading Index MoM - Aug	--	0.12%	12:30
	AU	Skilled Vacancies MoM - Aug	--	0.8%	13:00
	GE	PPI MoM - Aug	0.1%	0.2%	18:00
	GE	PPI YoY - Aug	2.5%	2.3%	18:00
	UK	Retail Sales Ex Auto Fuel MoM - Aug	0.0%	0.5%	20:30
	UK	Retail Sales Ex Auto Fuel YoY - Aug	1.4%	1.5%	20:30
	UK	Retail Sales Inc Auto Fuel MoM - Aug	0.2%	0.3%	20:30
	UK	Retail Sales Inc Auto Fuel YoY - Aug	1.1%	1.3%	20:30
	US	MBA Mortgage Applications - 15-Sep	--	9.9%	23:00
21-Sep	US	Existing Home Sales - Aug	5.46M	5.44M	02:00
	US	Existing Home Sales MoM - Aug	0.4%	-1.3%	02:00
	US	FOMC Rate Decision - Sep	1.25%	1.25%	06:00
	NZ	GDP SA QoQ - Q2	0.8%	0.5%	10:45

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## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
21-Sep	NZ	GDP YoY - Q2	2.5%	2.5%	10:45
	NZ	Net Migration SA - Aug	--	5800	10:45
	AU	RBA FX Transactions Government - Aug	--	-\$1025M	13:30
	AU	RBA FX Transactions Market - Aug	--	A\$984M	13:30
	AU	RBA FX Transactions Other - Aug	--	A\$53M	13:30
	NZ	Credit Card Spending MoM - Aug	--	0.9%	15:00
	NZ	Credit Card Spending YoY - Aug	--	7.2%	15:00
	UK	UK Finance Loans for Housing - Aug	41700	41587	20:30
	UK	Public Finances (PSNCR) - Aug	--	-£3.9B	20:30
	UK	Public Sector Net Borrowing - Aug	£6.4B	-£0.8B	20:30
	UK	PSNB ex Banking Groups - Aug	£7.1B	-£0.2B	20:30
	JN	BoJ Policy Balance Rate - Sep	-0.10%	-0.10%	UNSPECIFIED
	JN	BoJ Monetary Policy Statement -	--	--	UNSPECIFIED
22-Sep	US	Initial Jobless Claims - 16-Sep	300k	284k	00:30
	US	Continuing Claims - 9-Sep	1975k	1944k	00:30
	US	Philadelphia Fed Business Outlook - Sep	17.0	18.9	00:30
	US	FHFA House Price Index MoM - Jul	0.4%	0.1%	01:00
	EC	Consumer Confidence - Sep A	-1.5	-1.5	02:00
	US	Leading Index - Aug	0.2%	0.3%	02:00
	GE	Markit/BME Manufacturing PMI - Sep P	59.0	59.3	19:30
	GE	Markit Services PMI - Sep P	53.7	53.5	19:30
	GE	Markit/BME Composite PMI - Sep P	55.7	55.8	19:30
	EC	Markit Manufacturing PMI - Sep P	57.2	57.4	20:00
	EC	Markit Services PMI - Sep P	54.8	54.7	20:00
	EC	Markit Composite PMI - Sep P	55.5	55.7	20:00
	UK	CBI Trends Total Orders - Sep	13	13	22:00
	UK	CBI Trends Selling Prices - Sep	--	19	22:00
23-Sep	US	Markit Manufacturing PMI - Sep P	53.0	52.8	01:45
	US	Markit Services PMI - Sep P	55.8	56.0	01:45
	US	Markit Composite PMI - Sep P	--	55.3	01:45
	NZ	NZ General Election	--	--	--
24-Sep	NZ	NZ Daylight Savings begins	--	--	02:00

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

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

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Wed 20 Sep (early am)	GlobalDairyTrade Auction	Stable to lower	How the local production season gets underway will be key, but we are expecting broad stability in prices for now.
Wed 20 Sep (10:45am)	Balance of Payments – Q2	Stable	We see the current account deficit narrowing a touch in both seasonally adjusted and annual terms (to 3.0% of GDP).
Thu 21 Sep (10:45am)	GDP – Q2	0.7% q/q, with upside risk	Despite a rebound from the prior six months, 0.7% would still be a little disappointing, as the economy grapples with late-cycle headwinds.
Thu 21 Sep (10:45am)	International Travel & Migration – Aug	Holding up	We can't envisage a meaningful turn in net migrant inflows yet. But they are likely close to a peak.
Sat 23 Sep	NZ General Election	--	--
Tue 26 Sep (10:45am)	Overseas Merchandise Trade – Aug	Not too bad	Solid export commodity prices will support. However, export volumes may cool a little after recent strong growth.
Tue 26 Sep (1:00pm)	ANZ Business Outlook – Sep	--	--
Tue 26 Sep (3:00pm)	RBNZ New Mortgage Lending – Aug	Soft	With the housing market remaining weak, new lending growth will too.
Thu 28 Sep (9:00am)	RBNZ OCR Review	Firmly on hold	The message from the RBNZ will be unchanged; it is in no hurry to alter current policy settings.
Fri 29 Sep (10:45am)	Building Consents Issued – Aug	Capped	Positive demand forces are clear. However, the topside is being capped by capacity, cost and capital constraints.
Fri 29 Sep (3:00pm)	RBNZ Sectoral Lending – Aug	Cooler	We suspect total private sector credit will continue to run around a 5-6% annual pace.
Tue 3 Oct (10:00am)	NZIER QSBO – Q3	A few jitters?	Election uncertainty could potentially weigh on sentiment, but activity gauges should still be reasonable.
Wed 4 Oct (early am)	GlobalDairyTrade Auction	Stable	How the local production season gets underway will be key, but we are expecting broad stability in prices for now.
Wed 4 Oct (10:00am)	ANZ Job Ads – Sep	--	--
Wed 4 Oct (1:00pm)	ANZ Commodity Prices – Sep	--	--
10-14 Oct	REINZ Housing Market Statistics – Sep	Soft	The market was cooling anyway, but uncertainty around the election is no doubt going to keep things quiet.
Wed 11 Oct (10:00am)	ANZ Truckometer – Sep	--	--
Thu 12 Oct (10:45am)	Food Price Index – Sep	Bouncing around	Higher export commodity prices suggest an upward skew to the outlook for retail food prices.
Thu 12 Oct (1:00pm)	ANZ-Roy Morgan Consumer Confidence – Oct	--	--
Fri 13 Oct (10:30am)	BNZ-BusinessNZ PMI – Sep	Stable	Manufacturing sentiment is bouncing around at a respectable level.
<b>On balance</b>		<b>Data watch</b>	<b>The data pulse generally remains solid, although admittedly a little more mixed. Domestic inflation is low, but should lift gradually.</b>



## KEY FORECASTS AND RATES

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
GDP (% qoq)	0.5	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>
GDP (% yoy)	2.5	<b>2.5</b>	<b>2.5</b>	<b>2.9</b>	<b>3.1</b>	<b>3.0</b>	<b>2.8</b>	<b>2.6</b>	<b>2.5</b>	<b>2.4</b>
CPI (% qoq)	1.0	0.0	<b>0.2</b>	<b>0.2</b>	<b>0.8</b>	<b>0.6</b>	<b>0.7</b>	<b>0.3</b>	<b>0.7</b>	<b>0.6</b>
CPI (% yoy)	2.2	1.7	<b>1.6</b>	<b>1.3</b>	<b>1.2</b>	<b>1.8</b>	<b>2.4</b>	<b>2.5</b>	<b>2.4</b>	<b>2.3</b>
Employment (% qoq)	1.1	-0.1	<b>0.7</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
Employment (% yoy)	5.7	3.1	<b>2.4</b>	<b>2.2</b>	<b>1.6</b>	<b>2.1</b>	<b>1.8</b>	<b>1.6</b>	<b>1.4</b>	<b>1.3</b>
Unemployment Rate (% sa)	4.9	4.8	<b>4.8</b>	<b>4.7</b>	<b>4.6</b>	<b>4.5</b>	<b>4.4</b>	<b>4.4</b>	<b>4.3</b>	<b>4.3</b>
Current Account (% GDP)	-3.2	<b>-3.0</b>	<b>-2.8</b>	<b>-2.8</b>	<b>-2.5</b>	<b>-2.7</b>	<b>-2.9</b>	<b>-3.1</b>	<b>-3.1</b>	<b>-3.1</b>
Terms of Trade (% qoq)	3.9	1.6	<b>-0.1</b>	<b>-0.9</b>	<b>-1.1</b>	<b>-0.7</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
Terms of Trade (% yoy)	6.4	10.3	<b>11.6</b>	<b>4.5</b>	<b>-0.5</b>	<b>-2.7</b>	<b>-2.5</b>	<b>-1.5</b>	<b>-0.4</b>	<b>0.4</b>

	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Retail ECT (% mom)	0.0	2.5	-0.6	-0.3	1.0	-0.4	-0.1	-0.6	-0.2	--
Retail ECT (% yoy)	5.8	5.6	2.6	5.6	4.5	5.2	4.5	2.0	4.4	--
Credit Card Billings (% mom)	3.1	0.4	-1.3	1.0	1.1	1.0	0.2	0.9	--	--
Credit Card Billings (% yoy)	8.5	7.1	5.3	7.3	6.5	7.6	8.3	7.2	--	--
Car Registrations (% mom)	-6.4	1.7	0.5	3.5	-3.0	3.8	-2.8	-4.5	9.0	--
Car Registrations (% yoy)	7.8	12.2	7.3	16.5	3.0	13.7	11.1	6.2	13.5	--
Building Consents (% mom)	-9.6	5.5	16.8	-2.6	-8.3	6.5	-1.3	-0.7	--	--
Building Consents (% yoy)	-10.8	-0.9	9.2	17.0	-3.1	6.0	-9.1	-2.8	--	--
REINZ House Price Index (% yoy)	13.8	12.6	12.0	9.9	7.9	5.0	2.8	1.0	0.4	--
Household Lending Growth (% mom)	0.9	0.5	0.5	0.5	0.5	0.4	0.5	0.3	--	--
Household Lending Growth (% yoy)	9.0	8.9	8.7	8.7	8.3	7.9	7.6	7.1	--	--
ANZ Roy Morgan Consumer Conf.	124.5	128.7	127.4	125.2	121.7	123.9	127.8	125.4	126.2	129.9
ANZ Business Confidence	21.7	..	16.6	11.3	11.0	14.9	24.8	19.4	18.3	--
ANZ Own Activity Outlook	39.6	..	37.2	38.8	37.7	38.3	42.8	40.3	38.2	--
Trade Balance (\$m)	-1	-227	-42	262	547	66	246	85	--	--
Trade Bal (\$m ann)	51621	51901	52087	52404	52588	53218	53531	53763	--	--
ANZ World Comm. Price Index (% mom)	0.7	-0.1	2.0	0.4	-0.2	3.2	2.1	-0.8	-0.8	--
ANZ World Comm. Price Index (% yoy)	16.5	19.1	20.9	23.0	23.7	26.3	24.6	21.1	16.3	--
Net Migration (sa)	5930	6320	5920	6140	5800	5940	6340	5810	--	--
Net Migration (ann)	70588	71305	71333	71932	71885	71964	72305	72402	--	--
ANZ Heavy Traffic Index (% mom)	-0.3	-0.9	2.1	1.6	-2.2	3.9	-0.4	-5.5	6.2	--
ANZ Light Traffic Index (% mom)	0.3	-0.3	0.8	1.0	-1.4	1.3	1.3	-2.2	2.6	--

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)						
	Jul-17	Aug-17	Today	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
NZD/USD	0.751	0.718	0.728	0.72	0.70	0.69	0.68	0.67	0.67	0.66
NZD/AUD	0.939	0.903	0.910	0.97	0.96	0.96	0.94	0.94	0.94	0.94
NZD/EUR	0.634	0.603	0.610	0.61	0.58	0.58	0.59	0.60	0.58	0.55
NZD/JPY	82.83	78.94	80.94	82.8	78.4	75.9	71.4	67.0	67.0	66.0
NZD/GBP	0.568	0.555	0.537	0.55	0.53	0.53	0.53	0.53	0.52	0.50
NZ\$ TWI	77.0	73.6	76.2	75.6	72.9	72.5	71.5	70.7	70.1	68.4
INTEREST RATES	Jul-17	Aug-17	Today	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.25
NZ 90 day bill	1.95	1.96	1.94	1.96	1.97	1.98	1.99	2.08	2.34	2.50
NZ 10-yr bond	2.98	2.90	2.94	2.80	2.80	2.85	2.95	3.15	3.30	3.30
US Fed funds	1.25	1.25	1.25	1.25	1.50	1.50	1.75	2.00	2.25	2.25
US 3-mth	1.31	1.32	1.32	1.40	1.65	1.75	2.05	2.20	2.45	2.45
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
AU 3-mth	1.69	1.72	1.72	1.70	1.70	1.70	1.70	1.80	1.80	1.80

	15 Aug	11 Sep	12 Sep	13 Sep	14 Sep	15 Sep
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.96	1.94	1.94	1.94	1.94	1.94
NZGB 03/19	1.90	1.87	1.86	1.88	1.89	1.91
NZGB 05/21	2.18	2.11	2.11	2.13	2.17	2.19
NZGB 04/23	2.48	2.40	2.41	2.44	2.49	2.52
NZGB 04/27	2.89	2.79	2.80	2.84	2.91	2.94
2 year swap	2.18	2.16	2.15	2.17	2.19	2.21
5 year swap	2.65	2.58	2.58	2.61	2.65	2.68
RBNZ TWI	77.23	75.24	75.57	75.83	75.87	75.45
NZD/USD	0.7282	0.7285	0.7305	0.7291	0.7231	0.7299
NZD/AUD	0.9289	0.9044	0.9101	0.9064	0.9035	0.9115
NZD/JPY	80.38	79.06	80.21	80.17	79.85	80.88
NZD/GBP	0.5655	0.5513	0.5502	0.5496	0.5475	0.5368
NZD/EUR	0.6197	0.6065	0.6119	0.6083	0.6076	0.6106
AUD/USD	0.7839	0.8055	0.8027	0.8044	0.8004	0.8002
EUR/USD	1.1750	1.2011	1.1937	1.1986	1.1901	1.1945
USD/JPY	110.39	108.53	109.81	109.95	110.42	110.83
GBP/USD	1.2877	1.3214	1.3277	1.3264	1.3207	1.3594
Oil (US\$/bbl)	47.55	48.07	48.23	49.30	49.89	49.89
Gold (US\$/oz)	1274.68	1336.98	1323.81	1334.61	1325.34	1320.19
Electricity (Haywards)	8.09	11.27	7.59	5.51	4.47	3.60
Baltic Dry Freight Index	1169	1355	1344	1337	1361	1385
NZX WMP Futures (US\$/t)	3195	3125	3120	3100	3090	3085

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