

NEW ZEALAND MARKET FOCUS

27 November 2017

INSIDE

Economic Overview 2
 Data Event Calendar 6
 Local Data Watch 8
 Key Forecasts 9

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A SHIFT TO THRIFT

ECONOMIC OVERVIEW

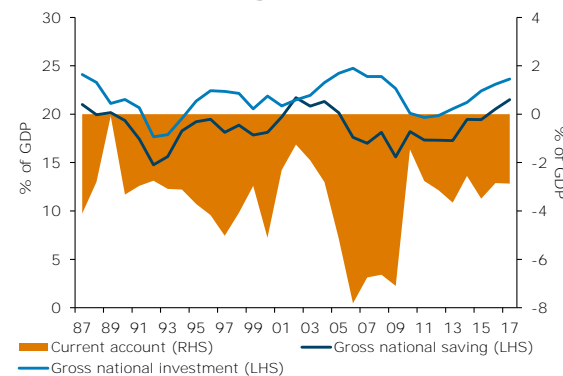
A stronger national saving performance has helped keep the current account deficit in check. With more restrictions and scrutiny regarding offshore borrowing, the ability to ramp it up as in the past to fund a domestic saving shortfall is limited. That implies a stronger saving performance needs to continue, as the **alternative is a weaker investment backdrop, which wouldn't be welcome.**

However, not all sectors have been pulling their saving weight. Households continue to be the laggard. But with the housing market soft, and expected to remain so, we do think that will change – even if only modestly – resulting in a **slower pace of consumption growth going forward. In data this week, the RBNZ's Financial Stability Report will be perused for any signs of a plan regarding the easing of the LVR restrictions. Our November Business Outlook will be watched for any reaction to the new coalition announcement, while OTI figures are expected to show the terms of trade hitting all-time highs.**

CHART OF THE WEEK

In the 12 months to March, national net saving rose to 8.8% of disposable income, which is the highest since 2004. Its performance has helped keep the current account deficit in check.

Gross national saving and investment



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

ECONOMIC OVERVIEW

SUMMARY

A stronger national saving performance has helped keep the current account deficit in check. With more restrictions and scrutiny regarding offshore borrowing, the ability to ramp it up as in the past to fund a domestic saving shortfall is limited. That implies a stronger saving performance needs to continue, as the alternative is a weaker investment backdrop, **which wouldn't be welcome. However, not all sectors** have been pulling their saving weight. Households continue to be the laggard. But with the housing market soft, and expected to remain so, we do think that will change – even if only modestly – resulting in a slower pace of consumption growth going forward. **In data this week, the RBNZ's Financial Stability Report** will be perused for any signs of a plan regarding the easing of the LVR restrictions. Our November Business Outlook will be watched for any reaction to the new coalition announcement, while OTI figures are expected to show the terms of trade hitting all-time highs.

FORTHCOMING EVENTS

RBNZ Financial Stability Report (9:00am, Wednesday, 29 November). The financial system will be judged to be sound, but with risks remaining. Any commentary on potential LVR removal will be jumped on.

Building Consent Issuance – October (10:45am, Thursday, 30 November). We still see annual dwelling consent issuance struggling to push much above 30k.

ANZ Business Outlook – November (1:00pm, Thursday, 30 November).

RBNZ Sectoral Lending – October (3:00pm, Thursday, 30 November). Private sector credit growth has slowed. We expect this slow pace to have been maintained.

Overseas Trade Indexes – Q3 (10:45am, Friday, 1 December). We see the terms of trade rising by 1.0%, which would result in a new all-time high.

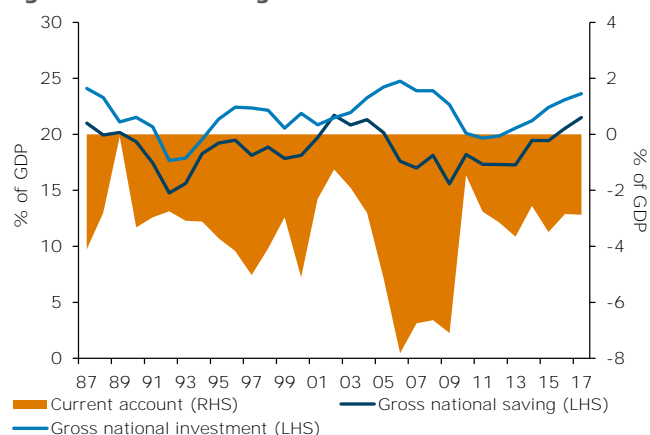
WHAT'S THE VIEW?

It is data that arguably doesn't get the attention it should, perhaps because they're dated, but the annual National Accounts figures for the year to March 2017 contained some interesting observations. These data are critical in order to help form a view on the structural health of the economy. They also allow us to update some of our sectoral models. We touch on a few thoughts below:

- **Stronger national saving is helping to keep the current account in check.** In the 12 months to March, national net saving rose to 8.8% of

disposable income, which is the highest level since 2004. While one could argue that national investment has not been growing as strongly as is commonly believed (as a share of GDP, it is only now back to the levels from 2008), it has still grown at an annual average pace of over 8% for the past five years. The fact that national saving has effectively been keeping pace has ensured the current account deficit has not ballooned out like **we've often seen in previous cycles** (although low global interest rates keeping debt servicing costs in check have helped too).

Figure 1: Gross saving and investment



Source: Statistics NZ, ANZ Research

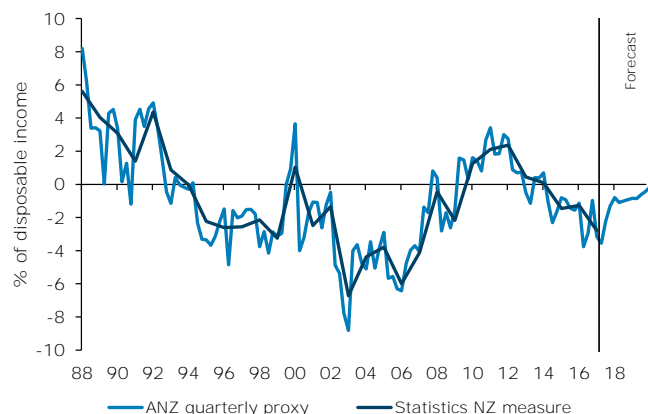
- **This stronger national saving performance is something we see persisting.** The economy's previous modus operandi of meeting a domestic saving shortfall by ramping up overseas borrowing is now facing more challenges, either through increased regulatory scrutiny of the banking sector or from warnings by credit rating agencies. In spirit, these nuances are effectively a current account constraint. It basically means that in order for our national investment needs to be met, the onus falls more squarely on national saving.
- **Some sectors are pulling their weight.** Business sector saving has continued to lift, rising to 7.0% of national disposable income, which is the highest result since 2003. In fact, it is the second-highest result on record (we have data going back to 1987). Government sector saving also lifted, rising to 3.6% of disposable income.
- **But other sectors are not doing their bit; household saving (or dissaving, more accurately) has deteriorated further.** In the year to March, households dissaved to the tune of \$4.1bn, with the household saving rate falling to -2.8% from -1.3%. That is the lowest rate since 2007. Perhaps there is a kind of Ricardian

ECONOMIC OVERVIEW

Equivalence story going on, implying that consumers are dissaving because they see the Government is doing the job for them. However, **we suspect it isn't that sophisticated, being rather typical late-cycle behaviour.** It is certainly consistent with the releveraging behaviour we have seen: the household debt-to-income ratio is currently at an all-time high of 168%.

- **We don't believe this deterioration in the household saving rate will continue.** With the housing market now cooling, and this cooling expected to persist, the asset side of household balance sheets is looking less rosy. We believe that this will lead to an increase in precautionary saving – that has been the historical tendency. It means that even with a reasonable outlook for household disposable income growth, real consumption growth is forecast to slow from **today's** solid rate of around 4%. In fact, we assume the household saving rate only gets back to around zero, and if we see any risk to that, it is that we are underestimating the degree of saving rebuild. In short, household borrowing equates to bringing forward consumption from the future, and a slowing housing market typically tends to delineate the arrival of that future pretty clearly.

Figure 2: Household saving rate



Source: Statistics NZ, ANZ Research

- **But there will likely be some offset from other sectors.** While the new Government has a goal of maintaining surpluses and paying down debt, we do see a decent chance of some modest fiscal slippage, given the spending numbers being proposed and the likelihood that Treasury's optimistic economic growth numbers are not achieved. We also feel that the outlook for cash-flow generation for businesses is likely to get a little harder too. Our estimate of corporate profit margins has eased by around a percentage point over the past 18 months, which is a typical late-

cycle phenomenon. It could also be argued that with a little more cost-push inflation pressure set to emerge out of the labour market, this also has the potential to further erode margins.

Figure 3: ANZ estimate of corporate profit margins



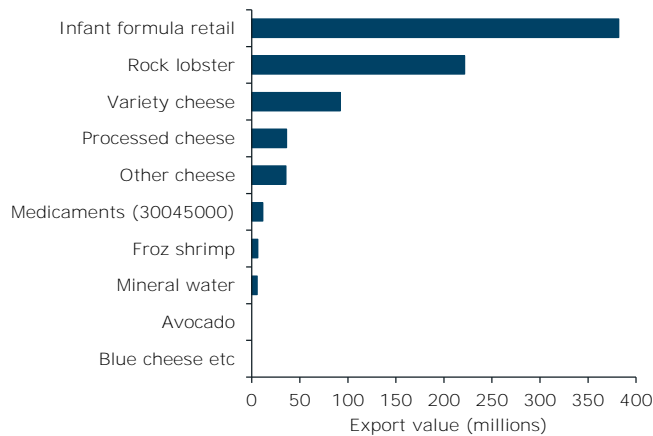
Source: Statistics NZ, ANZ Research

All up, the annual National Accounts data confirmed what we already knew: while households haven't gone on a bender, the very strong housing market has nonetheless encouraged significant levels of borrowing. With the housing market now soft, that indebtedness will weigh on consumption for quite some time to come. Fortunately, the corporate and government sectors are relatively lightly leveraged, and the most-watched metric of structural sustainability versus blow-outs, the current account, remains modest by historical standards.

Before discussing this week's domestic data calendar, we thought it was worth mentioning China's announcement late last week that it is cutting import tariffs on 187 household consumables. The average effective tariff across these products is being slashed from 17.7% to 7.7% on 1 December 2017. At first blush the biggest winners would appear to be infant formula, rock lobster and various cheese products. Across these product areas alone New Zealand currently exports around \$700 million of product each year. However, upon closer inspection under our existing free-trade agreement New Zealand actually already pays virtually no tariffs on many of the products. **In fact if anything the tariff reductions bring the competition closer to New Zealand products in these categories.**

ECONOMIC OVERVIEW

Figure 4: Major existing product exports to China affected by tariff change.



Source: Statistics NZ, ANZ Research

This is another signal that our first-mover advantage and existing free-trade advantages with China are being incrementally eroded. **Nevertheless such developments should still be viewed in a positive light. The Chinese middle class continues to grow in influence, and they want choice, with quality foreign products on the menu. Equally, their government is willing to encourage the middle class to get out shopping and are signalling they are open for business.**

In a world of rising protectionism it's important our largest trading partner – China – is providing such signals and our Chinese team expect more to come. From a New Zealand perspective it's important we remain nimble and in front of a fast chasing pack. The export sector and broader New Zealand economy have benefited hugely from a first mover advantage/mentality and we can't afford to be left behind. Brexit is causing Europe and the UK to look toward Asia. NAFTA renegotiations are causing Canada, Mexico and other South American countries to look toward each other and Asia too! The competition is coming and New Zealand will need to push hard on securing an upgraded Chinese free trade agreement, renegotiating new access in Europe/UK and looking for new bilateral opportunities (India/Russia etc).

Turning to the week ahead, the RBNZ's Financial Stability Report will most likely again describe the financial system as sound, but not without its risks. In May, the RBNZ singled out three specific main risks (which were actually unchanged from the November report). They were housing market vulnerabilities, bank funding pressures, and dairy sector indebtedness. Importantly, though, the RBNZ felt that those risks "have reduced in the past six months", though they "remain elevated". Given the housing market has cooled further since then, and

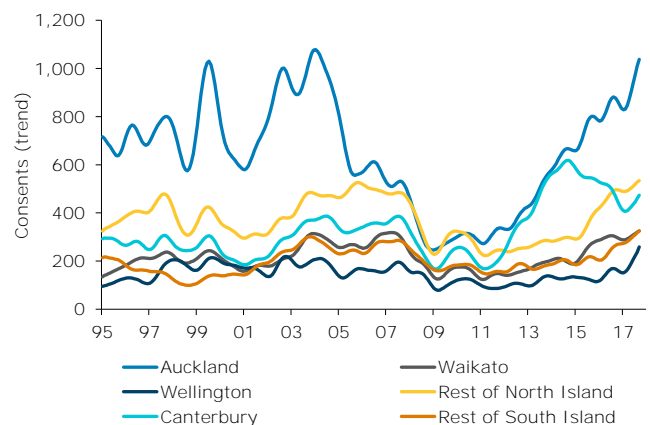
credit growth has slowed too (lessening funding pressures), we wouldn't be surprised if the RBNZ feel that risks have reduced further since its May Report.

Related to the reduced risks in the housing market, one thing we will be particularly interested in is any discussion on the future of the current LVR restrictions. The RBNZ has always said that the restrictions were not meant to be permanent. They have certainly resulted in reduced participation of investors in the market and led to a reduction in higher-risk lending. While we do not believe it is likely the RBNZ will be ready to remove or even lessen the restrictions as soon as next week, it is possible that it lays out a (conditional) plan or timeline for when they could be reduced in the future. Indeed, we believe that there is a strong possibility that that occurs as soon as May, with perhaps the RBNZ drawing confidence from the fact that some of the policies proposed by the new Government could act as a (replacement) suppressing force on market activity.

Building consent figures for October are likely to continue to hover around current levels. In September, seasonally adjusted dwelling consents fell 2.3% m/m after rising 5.9% m/m in August, which was the highest level since 2004. And despite the fall, the nationwide trend is now growing at a 0.8% m/m pace, with Auckland running at 2.8% m/m. The trend in Wellington now sits at a phenomenal 9.8% m/m! However, we'd treat these trend figures with an element of caution, given their susceptibility to an end-point bias.

We still believe we are in an environment where annual issuance will struggle to push much above 30k (it is currently 30.8k). Yes, demand-side forces remain strongly positive and there is set to be a more 'active' push from policymakers. However, that is being challenged by capacity, capital and cost constraints.

Figure 5: Monthly trend in dwelling consents



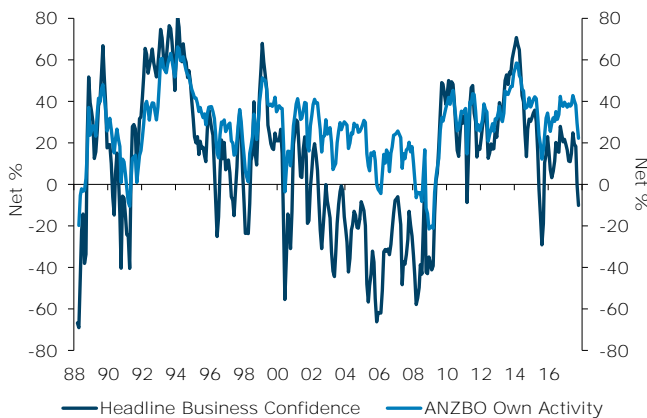
Source: Statistics NZ, ANZ Research

ECONOMIC OVERVIEW

Our Business Outlook survey for November will provide a gauge on firms' initial reaction to the new Government.

The majority of responses to the October survey were received prior to the coalition being announced, but the November survey will fully incorporate that. In October, we did see sentiment fall sharply, with headline confidence turning negative for the first time since September 2015, as heightened political uncertainty clearly led to some trepidation and unease. Whether more clarity now on the political direction has removed that unease remains to be seen.

Figure 6: Headline confidence and firms' own activity expectations

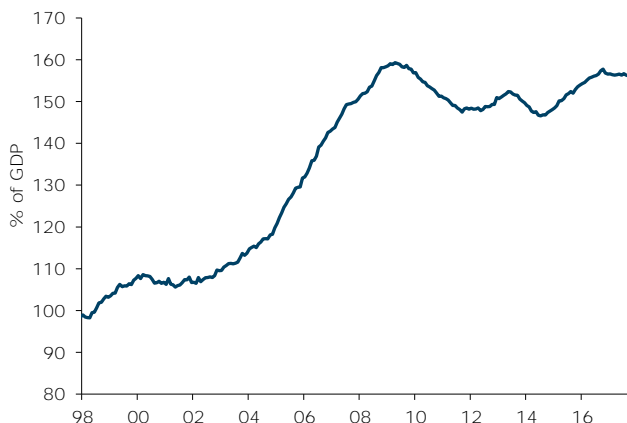


Source: ANZ Research

We expect a more modest pace of private sector credit to have been maintained in October.

Total private sector credit grew at a modest 0.3% m/m (seasonally adjusted) pace in September. That was only a touch above August's 0.2% m/m rate, and on a three-month annualised basis, it is running at just 4.9% – broadly around the run-rate of the prior nine months. That run-rate is actually now slightly slower than nominal GDP growth.

Figure 7: Private sector credit to GDP

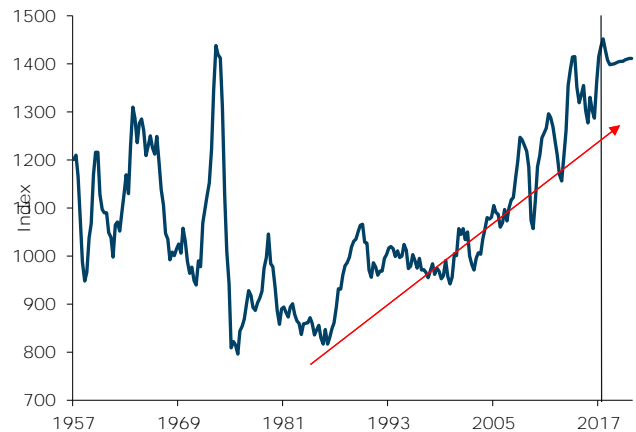


Source: RBNZ, ANZ Research

Finally, we expect Overseas Trade Indexes figures for Q3 to show the terms of trade hitting an all-time high.

That was within a whisker of occurring in the June quarter, so it won't take much in the way of an increase to achieve that in Q3. We are looking for a 1.0% q/q lift, driven by flat NZD export prices and a small fall in import prices. We don't admittedly see this new record being maintained for long, with our forecasts currently assuming the terms of trade eases a little over the next few quarters on the back of recent global dairy price weakness and the lift in global oil prices. However, we do still assume it remains at a historically elevated level overall, which should not be discounted – it's a key positive factor supporting broader economic prospects.

Figure 8: Terms of trade (OTI)



Source: Statistics NZ, ANZ Research

LOCAL DATA

GlobalDairyTrade Auction. The GDT-TWI fell 3.4%, with WMP prices down 2.7%.

International Travel and Migration – October. In seasonally adjusted terms, a net inflow of 5,580 migrants was seen, while visitor arrivals rose 1.9% m/m.

Retail Trade Survey – Q3. Total sales volumes rose 0.2% q/q, with core volumes up 0.5% q/q.

Overseas Merchandise Trade – October. An unadjusted deficit of \$871m was recorded.

RBNZ New Mortgage Lending – October. New lending bounced 3.6% m/m in seasonally adjusted terms, but was still down 14% y/y.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
27-Nov	JN	PPI Services YoY - Oct	0.9%	0.9%	12:50
	CH	Industrial Profits YoY - Oct	--	27.7%	14:30
	GE	Retail Sales MoM - Oct	0.3%	0.5%	27 Nov - 4 Dec
	GE	Retail Sales YoY - Oct	2.8%	4.1%	27 Nov - 4 Dec
	GE	Import Price Index MoM - Oct	0.4%	0.9%	27-29 Nov
	GE	Import Price Index YoY - Oct	2.5%	3.0%	27-29 Nov
28-Nov	US	New Home Sales - Oct	625k	667k	04:00
	US	New Home Sales MoM - Oct	-6.3%	18.9%	04:00
	US	Dallas Fed Manf. Activity - Nov	24.0	27.6	04:30
	AU	ANZ-RM Consumer Confidence Index - 26-Nov	--	116.4	11:30
	EC	M3 Money Supply YoY - Oct	5.1%	5.1%	22:00
	UK	Nationwide House Px NSA YoY - Nov	2.6%	2.5%	28 Nov - 4 Dec
	UK	Nationwide House PX MoM - Nov	0.2%	0.2%	28 Nov - 4 Dec
29-Nov	GE	GfK Consumer Confidence - Dec	10.7	10.7	01:00
	US	Advance Goods Trade Balance - Oct	-\$65.0B	-\$64.1B	02:30
	US	Wholesale Inventories MoM - Oct P	0.4%	0.3%	02:30
	US	Retail Inventories MoM - Oct	--	-1.0%	02:30
	US	FHFA House Price Index MoM - Sep	0.5%	0.7%	03:00
	US	House Price Purchase Index QoQ - Q3	--	1.6%	03:00
	US	S&P CoreLogic CS 20-City MoM SA - Sep	0.30%	0.45%	03:00
	US	S&P CoreLogic CS 20-City YoY NSA - Sep	6.00%	5.92%	03:00
	US	Conf. Board Consumer Confidence - Nov	124.0	125.9	04:00
	US	Richmond Fed Manufact. Index - Nov	14	12	04:00
	NZ	RBNZ Financial Stability Report	--	--	09:00
	JN	Retail Sales MoM - Oct	0.2%	0.8%	12:50
	JN	Retail Trade YoY - Oct	0.0%	2.3%	12:50
	UK	Net Consumer Credit - Oct	£1.5B	£1.6B	22:30
	UK	Net Lending Sec. on Dwellings - Oct	£3.7B	£3.8B	22:30
	UK	Mortgage Approvals - Oct	65.0k	66.2k	22:30
	UK	Money Supply M4 MoM - Oct	--	-0.2%	22:30
	UK	M4 Money Supply YoY - Oct	--	4.8%	22:30
	EC	Economic Confidence - Nov	114.6	114.0	23:00
	EC	Business Climate Indicator - Nov	1.51	1.44	23:00
	EC	Industrial Confidence - Nov	8.6	7.9	23:00
	EC	Services Confidence - Nov	16.7	16.2	23:00
	EC	Consumer Confidence - Nov F	0.1	0.1	23:00
30-Nov	US	MBA Mortgage Applications - 24-Nov	--	0.1%	01:00
	GE	CPI MoM - Nov P	0.3%	0.0%	02:00
	GE	CPI YoY - Nov P	1.7%	1.6%	02:00
	GE	CPI EU Harmonized MoM - Nov P	0.2%	-0.1%	02:00
	GE	CPI EU Harmonized YoY - Nov P	1.7%	1.5%	02:00
	US	GDP Annualized QoQ - Q3 S	3.2%	3.0%	02:30
	US	Personal Consumption - Q3 S	2.6%	2.4%	02:30
	US	GDP Price Index - Q3 S	2.2%	2.2%	02:30
	US	Core PCE QoQ - Q3 S	--	1.3%	02:30
	US	Pending Home Sales MoM - Oct	1.1%	0.0%	04:00
	US	Pending Home Sales NSA YoY - Oct	3.0%	-5.4%	04:00
	US	US Federal Reserve releases Beige Book -	--	--	08:00

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
30-Nov	NZ	Building Permits MoM - Oct	--	-2.3%	10:45
	JN	Industrial Production MoM - Oct P	1.8%	-1.0%	12:50
	JN	Industrial Production YoY - Oct P	7.2%	2.6%	12:50
	NZ	ANZ Activity Outlook - Nov	--	22.2	13:00
	NZ	ANZ Business Confidence - Nov	--	-10.1	13:00
	AU	HIA New Home Sales MoM - Oct	--	-6.1%	13:00
	UK	GfK Consumer Confidence - Nov	-11	-10	13:01
	AU	Private Sector Credit MoM - Oct	0.4%	0.3%	13:30
	AU	Private Sector Credit YoY - Oct	5.3%	5.4%	13:30
	AU	Private Capital Expenditure - Q3	1.0%	0.8%	13:30
	AU	Building Approvals MoM - Oct	-1.0%	1.5%	13:30
	AU	Building Approvals YoY - Oct	14.1%	0.2%	13:30
	CH	Manufacturing PMI - Nov	51.5	51.6	14:00
	CH	Non-manufacturing PMI - Nov	--	54.3	14:00
	GE	Unemployment Change (000's) - Nov	-10k	-11k	21:55
	GE	Unemployment Claims Rate SA - Nov	5.6%	5.6%	21:55
	EC	Unemployment Rate - Oct	8.9%	8.9%	23:00
	EC	CPI Estimate YoY - Nov	1.6%	1.4%	23:00
	EC	CPI Core YoY - Nov A	1.0%	0.9%	23:00
1-Dec	US	Initial Jobless Claims - 25-Nov	240k	239k	02:30
	US	Continuing Claims - 18-Nov	--	1904k	02:30
	US	Personal Income - Oct	0.3%	0.4%	02:30
	US	Personal Spending - Oct	0.3%	1.0%	02:30
	US	PCE Deflator MoM - Oct	0.1%	0.4%	02:30
	US	PCE Deflator YoY - Oct	1.5%	1.6%	02:30
	US	PCE Core MoM - Oct	0.2%	0.1%	02:30
	US	PCE Core YoY - Oct	1.4%	1.3%	02:30
	US	Chicago Purchasing Manager - Nov	62.5	66.2	03:45
	NZ	QV House Prices YoY - Nov	--	3.9%	05:00
	NZ	Terms of Trade Index QoQ - Q3	1.3%	1.5%	10:45
	AU	CBA Australia PMI Mfg - Nov	--	55.5	11:00
	AU	AiG Perf of Mfg Index - Nov	--	51.1	11:30
	AU	CoreLogic House Px MoM - Nov	--	0.0%	12:00
	JN	Natl CPI YoY - Oct	0.2%	0.7%	12:30
	JN	Natl CPI Ex Fresh Food YoY - Oct	0.8%	0.7%	12:30
	JN	Tokyo CPI YoY - Nov	-0.1%	-0.2%	12:30
	JN	Tokyo CPI Ex-Fresh Food YoY - Nov	0.6%	0.6%	12:30
	JN	Nikkei PMI Mfg - Nov F	--	53.8	13:30
	CH	Caixin PMI Mfg - Nov	51	51	14:45
	AU	Commodity Index AUD - Nov	--	120.9	18:30
	AU	Commodity Index SDR YoY - Nov	--	9.1%	18:30
	GE	Markit/BME Manufacturing PMI - Nov F	62.5	62.5	21:55
	EC	Markit Manufacturing PMI - Nov F	60.0	60.0	22:00
	UK	Markit PMI Manufacturing SA - Nov	56.5	56.3	22:30
2-Dec	US	Markit Manufacturing PMI - Nov F	--	53.8	03:45
	US	ISM Manufacturing - Nov	58.3	58.7	04:00
	US	Construction Spending MoM - Oct	0.5%	0.3%	04:00

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

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

Note: All surveys are preliminary and subject to change

LOCAL DATA WATCH

The 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
Wed 29 Nov (9:00am)	RBNZ Financial Stability Report	Sound, with risks	The financial system will be judged to be sound, but still with risks. Any commentary on potential LVR removal will be jumped on.
Thu 30 Nov (10:45am)	Building Consent Issuance – Oct	Steady	We still see annual dwelling consent issuance struggling to push much above 30k.
Thu 30 Nov (1:00pm)	ANZ Business Outlook – Nov	--	--
Thu 30 Nov (3:00pm)	RBNZ Sectoral Lending – Oct	Steady	Private sector credit growth has slowed. We expect this slow pace to have been maintained.
Fri 1 Dec (10:45am)	Overseas Trade Indexes – Q3	Flat	We see the terms of trade holding broadly steady near historic highs.
Tue 5 Dec (10:45am)	Building Work Put in Place – Q3	Mixed	There is the potential for a bounce, but we believe the upside is capped by capacity pressures.
Tue 5 Dec (1:00pm)	ANZ Commodity Price Index – Nov	--	--
Wed 6 Dec (early am)	GlobalDairyTrade Auction	Cautious	The market is nervous around local supply. However, Chinese demand hasn't been as strong as anticipated.
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 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)	ANZ-Roy Morgan Consumer Confidence – Dec	--	--
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.
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.
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)	1.6	1.0	-1.7	-1.4	-0.7	0.1	0.1	0.1	0.1	0.1
Terms of Trade (% yoy)	10.3	12.8	4.8	-0.5	-2.7	-3.7	-2.0	-0.4	0.4	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	--	--
Building Consents (% yoy)	6.8	11.3	4.0	5.3	-8.0	-1.4	13.9	7.5	--	--
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	--	--
Household Lending Growth (% yoy)	8.7	8.7	8.3	7.9	7.6	7.1	6.7	6.5	--	--
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	--
ANZ Own Activity Outlook	37.2	38.8	37.7	38.3	42.8	40.3	38.2	29.6	22.2	--
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)						
	Sep-17	Oct-17	Today	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
NZD/USD	0.721	0.684	0.688	0.73	0.73	0.73	0.70	0.68	0.67	0.65
NZD/AUD	0.920	0.893	0.903	0.89	0.89	0.88	0.91	0.92	0.93	0.93
NZD/EUR	0.610	0.588	0.577	0.63	0.63	0.66	0.63	0.59	0.57	0.52
NZD/JPY	81.11	77.56	76.73	86.1	87.6	81.8	75.6	71.4	67.0	65.0
NZD/GBP	0.538	0.518	0.516	0.55	0.54	0.54	0.52	0.52	0.52	0.48
NZ\$ TWI	74.4	71.4	72.7	75.6	75.9	75.7	73.2	71.0	69.4	66.5
INTEREST RATES	Sep-17	Oct-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	1.96	1.94	1.91	1.96	1.97	1.98	2.08	2.34	2.50	2.50
NZ 10-yr bond	2.97	2.92	2.78	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	1.33	1.38	1.47	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	1.71	1.69	1.73	1.70	1.80	2.00	2.30	2.40	2.40	2.40

	24 Oct	20 Nov	21 Nov	22 Nov	23 Nov	24 Nov
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.94	1.92	1.92	1.92	1.91	1.91
NZGB 03/19	1.87	1.83	1.84	1.83	1.81	1.82
NZGB 05/21	2.18	2.12	2.12	2.10	2.08	2.08
NZGB 04/23	2.48	2.40	2.40	2.38	2.37	2.37
NZGB 04/27	2.98	2.80	2.82	2.79	2.78	2.78
2 year swap	2.17	2.16	2.16	2.16	2.15	2.16
5 year swap	2.67	2.63	2.63	2.61	2.60	2.61
RBNZ TWI	73.90	72.33	72.46	72.66	72.66	72.68
NZD/USD	0.6923	0.6830	0.6823	0.6822	0.6897	0.6876
NZD/AUD	0.8897	0.9037	0.9005	0.9024	0.9037	0.9032
NZD/JPY	78.75	76.56	76.77	76.45	76.74	76.70
NZD/GBP	0.5253	0.5153	0.5163	0.5148	0.5184	0.5159
NZD/EUR	0.5888	0.5794	0.5813	0.5806	0.5823	0.5767
AUD/USD	0.7782	0.7558	0.7577	0.7561	0.7633	0.7617
EUR/USD	1.1759	1.1788	1.1737	1.1750	1.1847	1.1933
USD/JPY	113.74	112.09	112.51	112.06	111.26	111.53
GBP/USD	1.3179	1.3253	1.3220	1.3252	1.3306	1.3337
Oil (US\$/bbl)	52.47	56.09	56.83	58.02	58.02	58.95
Gold (US\$/oz)	1278.50	1291.59	1280.30	1284.03	1292.01	1288.37
Electricity (Haywards)	5.60	8.99	9.15	10.56	12.30	14.45
Baltic Dry Freight Index	1588	1385	1396	1413	1445	1458
NZX WMP Futures (US\$/t)	2990	2820	2820	2750	2800	2800

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