

NEW ZEALAND MARKET FOCUS

11 December 2017

INSIDE

Economic Overview 2
 Data Event Calendar 5
 Local Data Watch 8
 Key Forecasts 9

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THE PURSE STRINGS

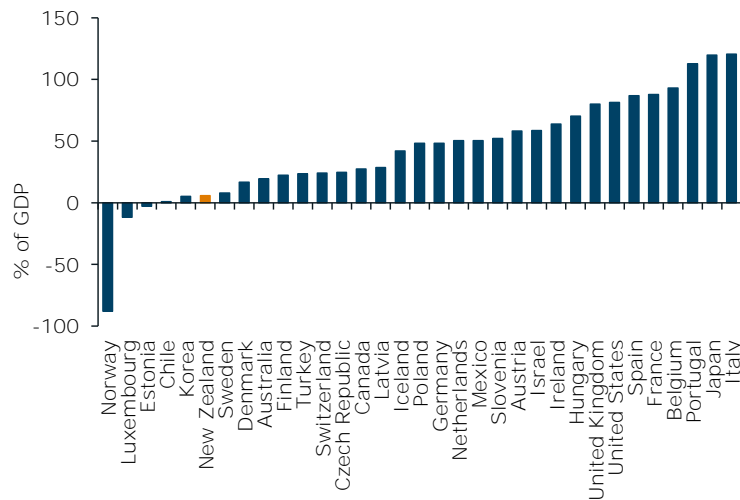
ECONOMIC OVERVIEW

The Half-year Economic and Fiscal Update takes centre stage this week. The numbers will show the Government hitting its fiscal target of reducing net debt to 20% of GDP within five years. However, it'll be based on nominal GDP forecasts that in our view are a little rosy, and is likely to imply very little wriggle room should unexpected costs emerge or growth disappoint. In our view the risks are pretty one-sided. Other data this week will show a housing market still on ice. PMI and PSI take on more importance than usual in the context of the sharp drop in business confidence. And our own proprietary indicators, the Monthly Inflation Gauge and the Truckometer, will give timely reads on the non-tradable inflation and activity pulse respectively.

CHART OF THE WEEK

Whatever the trajectory over the next few years, net government debt is low by global standards (the numbers below net out assets such as the Super Fund).

Net government debt across the OECD



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

The Half-year Economic and Fiscal Update takes centre stage this **week. It's more interesting than usual** given the degree of debate about the impact of the new Government on the fiscal accounts. The numbers will show the Government hitting its fiscal target of reducing net debt to 20% of GDP within five years. However, **it'll be based on nominal GDP** forecasts that in our view are a little rosy, and is likely to imply very little wriggle room should unexpected costs emerge or growth disappoint. In our view the risks are pretty one-sided but it should be borne in mind that whether it's **20% or 25%, New Zealand's** fiscal position is world class. It needs to be, of course, to offset other perceived structural risks in the economy such as very high household debt and persistent (albeit smaller) current account deficits. **But we'll take it.** Other data this week will show a housing market still on ice. PMI and PSI take on more importance than usual in the context of the sharp drop in business confidence. And our own proprietary indicators, the Monthly Inflation Gauge and the Truckometer, will give timely reads on the non-tradable inflation and activity pulse respectively.

FORTHCOMING EVENTS

REINZ Housing Market Statistics – November (sometime this week). We suspect the market (both turnover and prices) has remained broadly stable at a soft level.

ANZ Monthly Inflation Gauge – November (1:00pm, Monday, 11 December).

ANZ Truckometer – November (10:00am, Tuesday, 12 December).

Food Price Index – November (10:45am, Wednesday, 13 December). Seasonally, fruit and vegetable prices typically fall at this time of year as new season produce hits the shelves.

Half-year Economic Update and Budget Policy Statement (1:00pm, Thursday, 14 December). While projected operating surpluses will be smaller and debt levels a little higher, we think the fiscal projections will still paint a reasonably positive picture overall.

BNZ-BusinessNZ PMI – November (10:30am, Friday, 15 December). The gauge has held at a reasonable level, but will be watched for any impact of the recent coalition announcement.

BNZ-BusinessNZ PSI – November (10:30am, Monday, 18 December). As per its PMI cousin above.

WHAT'S THE VIEW?

The Treasury's Half-year Economic and Fiscal Update, together with the Government's Budget Policy Statement, take centre stage this week.

This is not something that has historically generated much in the way of market interest. But given the new Government's **intended shift in priorities**, together with concessions made during the coalition negotiations, there have been plenty of questions and debate with regards to what it could all mean for the fiscal accounts.

We suspect the message this week will be that the outlook for the fiscal accounts is still reasonably positive. In other words, despite the costs of the Government's 100-day plan being directly included, and future operating allowances likely to be boosted to include additional spending promises (as well as new policies associated with coalition concessions), there will be room to accommodate all that as things currently stand. Indeed, the Minister of Finance has already given the game away, stating that *"You will see when the Half Yearly Update is released that we are meeting our Budget Responsibility Rules, in particular the commitment to reduce net core crown debt as a percentage of GDP to 20% within five years of taking office."*

The reason for that is three fold:

1. **The starting point for the fiscal accounts is strong.** In the year to June, an OBEGAL surplus of \$4.1bn was recorded, which marked the third year in a row of the accounts being in the black. Additionally, both in absolute terms and as a share of GDP, net debt has fallen, and is currently sitting at 22% of GDP. Monthly data received since then has not altered this solid picture much.
2. **The Treasury will likely continue to project a reasonably solid economic outlook.** Within the Pre-election Update, the Treasury forecast strong real GDP growth of 3.2% and 3.7% in the years to June 2018 and 2019 respectively. Nominal GDP growth was forecast to average close to 5% per year over the next five years. While it is possible that near-term growth forecasts are downgraded modestly, we think the Treasury will maintain an upbeat medium-term prognosis. That sets the scene for a still-decent profile for revenue growth.
3. **A large chunk of its spending plans are funded by the cancellation of the previous Government's personal tax cuts.** This frees up close to an additional \$2bn per year.

In saying all that, we do expect projected operating surpluses to be smaller and debt levels to be modestly higher than previous forecasts (but within the confines of the new Government's fiscal targets). There is arguably more uncertainty around the numbers than usual, but we

ECONOMIC OVERVIEW

are expecting to see OBEGAL surpluses perhaps around 1½% of GDP by the end of the projection period, as opposed to the 2% surpluses previously forecast. Given both higher operating and capital spending, we wouldn't be surprised to see core Crown residual cash deficits persist over the projection period. On Labour's own numbers, cash deficits were cumulatively \$7bn larger than pre-election figures.

That should correspond to a lift in bond issuance. The Pre-election Update had an annual issuance profile of \$7bn per year (dropping to \$6bn in 2020/21). Given higher cash requirements, we see that annual run-rate being lifted modestly. For 2017/18, perhaps that will be by only \$1bn, with the market also still having to contend with the postponed April 2029 nominal bond syndication in the New Year. But beyond that, we see the annual run-rate perhaps higher by \$2bn per year, with total issuance around \$8bn higher than the previous profile. We don't see too many issues with the market absorbing that.

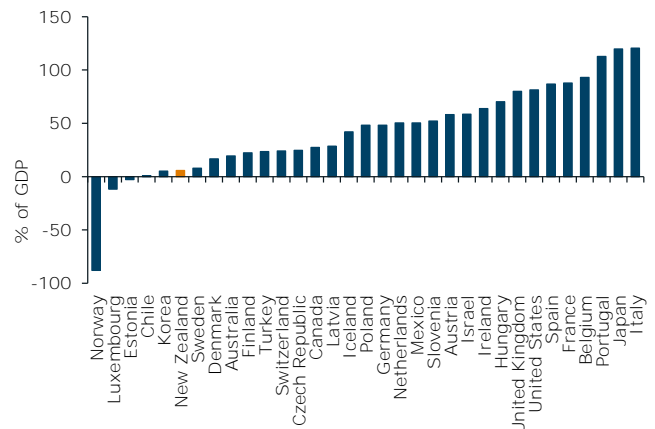
But stepping back, the big issue for us is that we suspect the figures won't show a great deal of wriggle room. At face value the broad spirit of the numbers will look good. New Zealand's fiscal accounts will still be strong relative to many international peers, and that should not be discounted. However, a lot hinges on the economy continuing to perform well. Given our more circumspect views on the growth outlook, risks to costs that are really pointed only one way, and the realities of keeping coalition partners happy, there is not a lot of room to manoeuvre if things don't go entirely to plan (which things seldom do). It sets the scene for some fiscal slippage, forcing the Government to either ease back on its fiscal targets or look at reprioritising some of its spending plans. We suspect it will focus on the latter, which means after what is likely to be a boomer of a 2018 Budget, things could get tighter from Budgets 2019 onwards.

For example, just picking one area where costs seem likely be higher than assumed, **the Briefing for the Incoming Minister for Climate Change warned that the reactive approach to the problem that Governments have taken thus far isn't going to cut it going forward.** Climate change is already affecting the country in terms of more extreme weather events and coastal erosion, and addressing the issue in a proactive fashion is the less painful option, although it is politically difficult as private property rights are involved. The cost of doing our bit to reduce future climate change is difficult to estimate. The Briefing's stated cost range just for meeting New Zealand's first commitment under the Paris Agreement is \$14-36bn between 2021 and

2030. But the ongoing costs of more flooding, droughts and sea-level rise are even harder to estimate. Some of it will inevitably end up on the fiscal books – EQC, which covers storm and flood damage (within limits) is already tapped out.

Although the risks to the fiscal picture look one-sided to us, it is worth bearing in mind that anywhere in a 20-25% range, **the net fiscal debt projections are very low in a global comparison.** (Indeed, if we calculated it the standard way and netted out the assets of the Super Fund, it's under 6% of GDP!) Of course, as a small, open, commodity-exposed nation with persistent current account deficits reflecting an unfortunate mortgage borrowing habit, the fiscal numbers need to look good. But the contrast with, say, the US, is marked. President Trump's tax-cut plans will cause a trillion USD sized hole in the Government's revenue, even allowing for faster economic growth, and Fitch estimates that US federal debt will rise from 77% to 120% of GDP by 2027 "under a realistic scenario of tax cuts and macro conditions." Even with a bit of fiscal slippage we will look pretty good by that comparison with nearly all others.

Figure 1: OECD general government net debt



Source: IMF, ANZ Research

Turning to this week's other events and data, **we expect REINZ housing market figures for November to again show a market that has roughly stabilised at a soft level.** In October, we estimate seasonally adjusted sales volumes lifted a modest 2.0% m/m, which followed a 7.4% m/m fall in September. Turnover remains close to the lowest levels since 2011. Nationwide prices have also been more stable of late, holding flat in October based on our preferred REINZ House Price Index measure, to be up only 1.6% y/y. While we are watching new listings figures closely – if these should start to rise significantly that could shift our views on the outlook for prices – we do expect this broad stability message to persist for a while yet.

ECONOMIC OVERVIEW

Figure 2: Nationwide house sales and prices

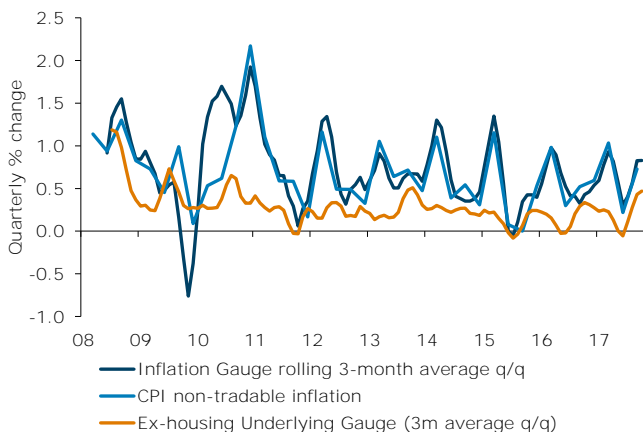


Source: REINZ, ANZ Research

As usual at this time of the month, our Monthly Inflation Gauge and Truckometer will provide timely updates on November inflation and activity trends.

- Monthly Inflation Gauge:** In October, prices rose 0.2% m/m, which is a typical-sized increase for that time of year. Interestingly, while the Underlying Ex-housing Gauge also increased 0.2% m/m, annual growth in this measure was up 1.0% y/y, which although still low, was the largest increase in three years. Indeed there have been more increases at the subcomponent level than evident from a few months ago. That is something we are keeping an eye on, although it's hardly a defining trend or strong undercurrent at this stage.

Figure 3: ANZ Monthly Inflation Gauge and non-tradable inflation



Source: Statistics NZ, ANZ Research

- Truckometer:** After a soft September quarter – which at face value is consistent with the possibility of somewhat soggy Q3 GDP growth – the Heavy Traffic Index rebounded in October, lifting 2.5% m/m. It points to a better start to activity momentum over Q4. The Light Traffic

Index on the other hand fell 0.6% m/m in October, although it is still showing a reasonable solid underlying trend.

Finally, the BusinessNZ activity gauges for November will also be watched for a timely read on economic momentum.

Both the manufacturing and services measures held at decent levels in October (57.2 and 55.6 respectively). In effect, they both showed little sign of firm apprehension regarding political uncertainty or the subsequent coalition announcement, refuting in many ways the signal from our own Business Outlook survey. That said, as the coalition announcement did come late in the month, perhaps the November BusinessNZ figures will provide a better steer on whether there has been any election-related effect or not.

LOCAL DATA

Government Monthly Financial Statements – October. No surprises here.

Building Work Put In Place – Q3. Total building work bounced 2.7% in Q3 following falls in the previous two quarters.

ANZ Commodity Price Index – November. The index dipped 0.3% in October (+10% y/y) with the fall largely attributable to dairy.

GlobalDairyTrade Auction. Whole milk powder prices held the key level of USD2,800/t.

ANZ Job Ads – November. Ads dipped 0.1% in November (+7.7% y/y 3mma).

Economic Survey of Manufacturing – Q3. Both total (+0.3%) and 'core' (ex-meat and dairy) (+0.4%) sales volumes eked out small increases.

Electronic Card Transactions – November. Total retail card spending lifted 1.2% m/m, boosted by petrol prices. Core spending rose 0.8% m/m.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
11-Dec	NZ	ANZ Monthly Inflation Gauge MoM - Nov	--	0.2%	66667
	UK	Rightmove House Prices MoM - Dec	--	-0.8%	13:01
	UK	Rightmove House Prices YoY - Dec	--	1.8%	13:01
	NZ	REINZ House Sales YoY - Nov	--	-15.8%	11-15 Nov
	AU	HIA New Home Sales MoM - Oct	--	-6.1%	11-15 Nov
	CH	Money Supply M2 YoY - Nov	8.9%	8.8%	11-15 Nov
	CH	Money Supply M1 YoY - Nov	12.9%	13.0%	11-15 Nov
	CH	Money Supply M0 YoY - Nov	6.5%	6.3%	11-15 Nov
	CH	New Yuan Loans CNY - Nov	800.0B	663.2B	11-15 Nov
	CH	Aggregate Financing CNY - Nov	1250.0B	1038.7B	11-15 Nov
	CH	Foreign Direct Investment YoY CNY - Nov	--	5.0%	11-18 Nov
12-Dec	US	JOLTS Job Openings - Oct	6100	6093	04:00
	NZ	ANZ Truckometer Heavy MoM - Nov	--	2.9%	10:00
	AU	ANZ-RM Consumer Confidence Index - 10-Dec	--	115.8	11:30
	JN	PPI YoY - Nov	3.3%	3.4%	12:50
	JN	PPI MoM - Nov	0.2%	0.3%	12:50
	AU	NAB Business Conditions - Nov	--	21	13:30
	AU	NAB Business Confidence - Nov	--	8	13:30
	AU	House Price Index QoQ - Q3	0.5%	1.9%	13:30
	AU	House Price Index YoY - Q3	8.8%	10.2%	13:30
	AU	Credit Card Purchases - Oct	--	A\$25.5B	13:30
	AU	Credit Card Balances - Oct	--	A\$51.4B	13:30
	UK	CPI MoM - Nov	0.2%	0.1%	22:30
	UK	CPI YoY - Nov	3.0%	3.0%	22:30
	UK	CPI Core YoY - Nov	2.7%	2.7%	22:30
	UK	Retail Price Index - Nov	276.1	275.3	22:30
	UK	RPI MoM - Nov	0.3%	0.1%	22:30
	UK	RPI YoY - Nov	4.0%	4.0%	22:30
	UK	PPI Input NSA MoM - Nov	1.5%	1.0%	22:30
	UK	PPI Input NSA YoY - Nov	6.7%	4.6%	22:30
	UK	PPI Output NSA MoM - Nov	0.3%	0.2%	22:30
	UK	PPI Output NSA YoY - Nov	3.0%	2.8%	22:30
	UK	PPI Output Core NSA MoM - Nov	0.2%	0.1%	22:30
	UK	PPI Output Core NSA YoY - Nov	2.2%	2.1%	22:30
	UK	House Price Index YoY - Oct	5.2%	5.4%	22:30
	GE	ZEW Survey Current Situation - Dec	88.7	88.8	23:00
	EC	ZEW Survey Expectations - Dec	--	30.9	23:00
	GE	ZEW Survey Expectations - Dec	18.0	18.7	23:00
	US	NFIB Small Business Optimism - Nov	104.0	103.8	00:00
13-Dec	US	PPI Final Demand MoM - Nov	0.3%	0.4%	02:30
	US	PPI Final Demand YoY - Nov	2.9%	2.8%	02:30
	US	PPI Ex Food and Energy MoM - Nov	0.2%	0.4%	02:30
	US	PPI Ex Food and Energy YoY - Nov	2.4%	2.4%	02:30
	US	Monthly Budget Statement - Nov	-\$134.5B	-\$136.7B	08:00
	NZ	Food Prices MoM - Nov	--	-1.1%	10:45
	AU	Westpac Consumer Conf Index - Dec	--	99.7	12:30
	AU	Westpac Consumer Conf SA MoM - Dec	--	-1.7%	12:30
	GE	Wholesale Price Index MoM - Nov	--	0.0%	20:00

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DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
13-Dec	GE	Wholesale Price Index YoY - Nov	--	3.0%	20:00
	GE	CPI MoM - Nov F	0.3%	0.3%	20:00
	GE	CPI YoY - Nov F	1.8%	1.8%	20:00
	GE	CPI EU Harmonized MoM - Nov F	0.3%	0.3%	20:00
	GE	CPI EU Harmonized YoY - Nov F	1.8%	1.8%	20:00
	UK	Claimant Count Rate - Nov	--	2.3%	22:30
	UK	Jobless Claims Change - Nov	--	1.1k	22:30
	UK	Average Weekly Earnings 3M/YoY - Oct	2.5%	2.2%	22:30
	UK	Weekly Earnings ex Bonus 3M/YoY - Oct	2.2%	2.2%	22:30
	UK	ILO Unemployment Rate 3Mths - Oct	4.2%	4.3%	22:30
	UK	Employment Change 3M/3M - Oct	-40k	-14k	22:30
	EC	Industrial Production SA MoM - Oct	0.0%	-0.6%	23:00
	EC	Industrial Production WDA YoY - Oct	3.2%	3.3%	23:00
	EC	Employment QoQ - Q3	--	0.4%	23:00
	EC	Employment YoY - Q3	--	1.6%	23:00
14-Dec	US	MBA Mortgage Applications - 8-Dec	--	4.7%	01:00
	US	CPI MoM - Nov	0.4%	0.1%	02:30
	US	CPI YoY - Nov	2.2%	2.0%	02:30
	US	CPI Ex Food and Energy MoM - Nov	0.2%	0.2%	02:30
	US	CPI Ex Food and Energy YoY - Nov	1.8%	1.8%	02:30
	US	FOMC Rate Decision - Dec	1.50%	1.25%	08:00
	NZ	Half Year Economic & Fiscal Update - 2017	--	--	13:00
	AU	Consumer Inflation Expectation - Dec	--	3.7%	13:00
	UK	RICS House Price Balance - Nov	0%	1%	13:01
	AU	Employment Change - Nov	19.0k	3.7k	13:30
	AU	Unemployment Rate - Nov	5.4%	5.4%	13:30
	AU	Full Time Employment Change - Nov	--	24.3k	13:30
	AU	Part Time Employment Change - Nov	--	-20.7k	13:30
	AU	Participation Rate - Nov	65.1%	65.1%	13:30
	JN	Nikkei PMI Mfg - Dec P	--	53.6	13:30
	CH	Retail Sales YoY - Nov	10.3%	10.0%	15:00
	CH	Retail Sales YTD YoY - Nov	10.3%	10.3%	15:00
	CH	Fixed Assets Ex Rural YTD YoY - Nov	7.2%	7.3%	15:00
	CH	Industrial Production YoY - Nov	6.2%	6.2%	15:00
	CH	Industrial Production YTD YoY - Nov	6.6%	6.7%	15:00
	GE	Markit/BME Manufacturing PMI - Dec P	62.0	62.5	21:30
	GE	Markit Services PMI - Dec P	54.6	54.3	21:30
	GE	Markit/BME Composite PMI - Dec P	57.2	57.3	21:30
	EC	Markit Manufacturing PMI - Dec P	59.7	60.1	22:00
	EC	Markit Services PMI - Dec P	56.0	56.2	22:00
	EC	Markit Composite PMI - Dec P	57.2	57.5	22:00
	UK	Retail Sales Ex Auto Fuel MoM - Nov	0.4%	0.1%	22:30
	UK	Retail Sales Ex Auto Fuel YoY - Nov	0.2%	-0.3%	22:30
	UK	Retail Sales Inc Auto Fuel MoM - Nov	0.4%	0.3%	22:30
	UK	Retail Sales Inc Auto Fuel YoY - Nov	0.3%	-0.3%	22:30
15-Dec	UK	Bank of England Bank Rate - Dec	0.5%	0.5%	01:00
	UK	BoE Asset Purchase Target - Dec	£435B	£435B	01:00
	UK	BoE Corporate Bond Target - Dec	£10B	£10B	01:00

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DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
15-Dec	EC	ECB Main Refinancing Rate - Dec	0.00%	0.00%	01:45
	EC	ECB Marginal Lending Facility - Dec	0.25%	0.25%	01:45
	EC	ECB Deposit Facility Rate - Dec	-0.40%	-0.40%	01:45
	US	Initial Jobless Claims - 9-Dec	239k	236k	02:30
	US	Continuing Claims - 2-Dec	1905k	1908k	02:30
	US	Retail Sales Advance MoM - Nov	0.3%	0.2%	02:30
	US	Retail Sales Ex Auto MoM - Nov	0.7%	0.1%	02:30
	US	Retail Sales Ex Auto and Gas - Nov	0.4%	0.3%	02:30
	US	Retail Sales Control Group - Nov	0.3%	0.3%	02:30
	US	Import Price Index MoM - Nov	0.7%	0.2%	02:30
	US	Import Price Index YoY - Nov	3.3%	2.5%	02:30
	US	Export Price Index MoM - Nov	0.3%	0.0%	02:30
	US	Export Price Index YoY - Nov	--	2.7%	02:30
	US	Markit Manufacturing PMI - Dec P	53.6	53.9	03:45
	US	Markit Services PMI - Dec P	54.2	54.5	03:45
	US	Markit Composite PMI - Dec P	--	54.5	03:45
	US	Business Inventories - Oct	-0.1%	0.0%	04:00
	NZ	BusinessNZ Manufacturing PMI - Nov	--	57.2	10:30
	JN	Tankan Large Mfg Index - Q4	24	22	12:50
	JN	Tankan Large Mfg Outlook - Q4	22	19	12:50
	JN	Tankan Large Non-Mfg Index - Q4	24	23	12:50
	JN	Tankan Large Non-Mfg Outlook - Q4	21	19	12:50
	EC	Trade Balance SA - Oct	€24.3B	€25.0B	23:00
	EC	Trade Balance NSA - Oct	--	€26.4B	23:00
16-Dec	US	Empire Manufacturing - Dec	18.3	19.4	02:30
	US	Industrial Production MoM - Nov	0.3%	0.9%	03:15
	US	Capacity Utilization - Nov	77.2%	77.0%	03:15
	US	Manufacturing (SIC) Production - Nov	0.2%	1.3%	03:15
	US	Total Net TIC Flows - Oct	--	-\$51.3B	10:00
	US	Net Long-term TIC Flows - Oct	--	\$80.9B	10:00

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
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 (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.
Wed 20 Dec (10:45am)	International Travel and Migration – Nov	Past the peak	As departures lift off lows, it is clear that the net inflow of migrants is easing off record highs.
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 (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.
Thu 11 Jan (10:00am)	ANZ Job Ads – Dec	--	--
Fri 12 Jan (10:45am)	Building Consent Issuance – Nov	Steady	We still see annual dwelling consent issuance struggling to push much above 30k.
Mon 15 Jan (1:00pm)	ANZ Monthly Inflation Gauge – Dec	--	--
Mon 15 Jan (10:45am)	Food Price Index – Dec	Upward march?	Higher export commodity prices suggest an upward skew to the outlook for retail food prices.
Tue 16 Jan (10:45am)	Electronic Card Transactions – Dec	Modest	The underlying trend in spending is soft, perhaps indicating broader spill-overs from the housing market.
Wed 17 Jan (10:00am)	ANZ Truckometer – Dec	--	--
Wed 17 Jan (1:00pm)	ANZ Commodity Price Index – Dec	--	--
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)	-0.8	-0.4	1.0	-0.4	0.0	-0.6	0.2	0.2	0.5	--
Retail ECT (% yoy)	2.6	5.6	4.5	5.2	4.5	2.0	4.4	2.9	1.3	--
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)	0.4	3.4	-2.7	3.6	-2.7	-4.5	9.4	-1.2	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)	14.9	-2.8	-2.0	1.5	0.7	2.8	6.2	-2.5	-9.6	--
Building Consents (% yoy)	6.7	11.3	4.0	5.0	-8.0	-1.4	13.9	7.2	-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	-0.9
ANZ World Comm. Price Index (% yoy)	20.9	23.0	23.7	26.3	24.6	21.1	16.3	11.5	10.4	6.0
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	0.684	0.68	0.71	0.72	0.69	0.67	0.66	0.65
NZD/AUD	0.893	0.883	0.911	0.89	0.89	0.88	0.90	0.91	0.92	0.93
NZD/EUR	0.588	0.594	0.581	0.57	0.62	0.65	0.62	0.58	0.56	0.54
NZD/JPY	77.56	79.16	77.68	76.8	83.8	83.5	77.3	69.7	68.6	65.0
NZD/GBP	0.518	0.523	0.511	0.50	0.53	0.53	0.50	0.49	0.48	0.47
NZ\$ TWI	71.4	71.8	72.7	70.5	74.0	75.2	72.4	69.7	68.5	67.2
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	1.89	1.93	1.97	1.98	2.08	2.34	2.50	2.50
NZ 10-yr bond	2.92	2.80	2.82	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	2.50
US 3-mth	1.38	1.57	1.55	1.65	1.75	2.00	2.20	2.45	2.45	2.70
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	1.76	1.70	1.80	2.00	2.25	2.25	2.25	2.25

	8 Nov	4 Dec	5 Dec	6 Dec	7 Dec	8 Dec
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.94	1.90	1.90	1.90	1.90	1.89
NZGB 03/19	1.89	1.80	1.82	1.81	1.81	1.81
NZGB 05/21	2.14	2.05	2.09	2.06	2.07	2.07
NZGB 04/23	2.42	2.34	2.38	2.35	2.35	2.36
NZGB 04/27	2.84	2.75	2.80	2.76	2.77	2.79
2 year swap	2.19	2.15	2.16	2.16	2.16	2.15
5 year swap	2.64	2.59	2.62	2.60	2.60	2.60
RBNZ TWI	73.49	72.57	72.74	72.87	72.89	72.89
NZD/USD	0.6927	0.6860	0.6891	0.6895	0.6836	0.6847
NZD/AUD	0.9023	0.9024	0.9014	0.9089	0.9083	0.9105
NZD/JPY	78.70	77.48	77.50	77.34	77.03	77.68
NZD/GBP	0.5277	0.5109	0.5134	0.5154	0.5104	0.5108
NZD/EUR	0.5970	0.5790	0.5809	0.5829	0.5803	0.5807
AUD/USD	0.7677	0.7602	0.7645	0.7586	0.7526	0.7509
EUR/USD	1.1604	1.1849	1.1863	1.1828	1.1779	1.1773
USD/JPY	113.61	112.94	112.46	112.16	112.69	113.48
GBP/USD	1.3126	1.3428	1.3422	1.3380	1.3393	1.3390
Oil (US\$/bbl)	56.81	57.47	57.62	55.96	56.69	57.36
Gold (US\$/oz)	1281.41	1273.35	1276.06	1268.12	1255.96	1248.49
Electricity (Haywards)	7.19	14.08	15.86	15.61	16.74	17.23
Baltic Dry Freight Index	1486	1662	1666	1670	1679	1702
NZX WMP Futures (US\$/t)	2820	2840	2835	2845	2845	2845

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