

5 March 2018

INSIDE

Economic Overview	2
Data Event Calendar	7
Local Data Watch	9
Key Forecasts	10

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PUSHING THROUGH

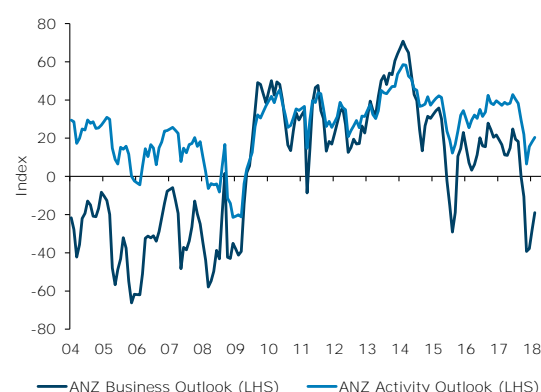
ECONOMIC OVERVIEW

Business confidence fell sharply late last year following the election, raising the question of whether employment and investment decisions might be deferred or cancelled as a result. Putting this together with a weaker housing market and **signs of a 'peak' in some previous growth drivers, we built a short-term wobble** into our economic forecasts – but not as much as the headline confidence numbers would suggest. We take a look at the data-flow since then and conclude that while firms remain cautious, perhaps the wobble is not going to be a large one, with the tone of the recent data remaining positive overall. Nevertheless, our bigger picture views on the economy have not changed; the economy is still struggling with late-cycle issues and achieving above-trend growth over the next few years will be a challenge. In data this week, the final key partial indicators we look at for Q4 GDP are out, which should allow us to finalise our forecast. In addition, we suspect the next GlobalDairyTrade auction will show prices again easing modestly.

CHART OF THE WEEK

Business sentiment has bounced off its lows, but remains below the levels seen prior to the election.

ANZ Business Outlook: headline confidence and own activity expectations



Source: ANZ Research

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	3.1% y/y for 2018 Q3	The economy is not quite firing on all cylinders. However, we see growth holding around 3% (trend) on average.	Neutral Negative Positive
Unemployment rate	4.2% for 2018 Q3	The unemployment rate should fall a touch more. Wage growth is benign, but conditions for change are emerging.	Neutral Negative Positive
OCR	1.75% by Sep 2018	With plenty of question marks over the outlook for inflation, it is still a backdrop where we believe the RBNZ will be cautious in tightening policy.	Neutral Down Up
CPI	1.5% y/y for 2018 Q3	In part due to policy changes and base effects, headline inflation will fall over the next 12 months. But domestic and core inflation should lift gradually.	Neutral Negative Positive

ECONOMIC OVERVIEW

SUMMARY

Business confidence fell sharply late last year following the election, raising the question of whether employment and investment decisions might be deferred or cancelled as a result. Putting this together with a weaker housing market and signs of a 'peak' in some previous growth drivers, we built a short-term wobble into our economic forecasts – but not as much as the headline confidence numbers would suggest. We take a look at the data-flow since then and conclude that while firms remain cautious, perhaps the wobble is not going to be a large one, with the tone of the recent data remaining positive overall. Nevertheless, our bigger picture views on the economy have not changed; the economy is still struggling with late-cycle issues and achieving above-trend growth over the next few years will be a challenge. In data this week, the final key partial indicators we look at for Q4 GDP are out, which should allow us to finalise our forecast. In addition, we suspect the next GlobalDairyTrade auction will show prices again easing modestly.

FORTHCOMING EVENTS

ANZ Commodity Price Index – February (1:00pm, Monday, 5 March).

GlobalDairyTrade Auction (early am, Wednesday, 7 March). With concerns over local supply easing and global supply performing well, prices could possibly ease a little further.

Building Work Put in Place – Q4 (10:45am, Wednesday, 7 March). Residential building work is likely to be higher in the quarter, but consent issuance (as well as capacity and cost pressures) suggests a softer trend over the first half of 2018.

ANZ Truckometer – February (10:00am, Thursday, 8 March).

Economic Survey of Manufacturing – Q4 (10:45am, Thursday, 8 March). The vagaries of milk production and livestock slaughtering will no doubt throw the numbers around.

Electronic Card Transactions – February (10:45am, Friday, 9 March). We see households looking to rebuild precautionary saving, resulting in a modest underlying pace of spending growth.

WHAT'S THE VIEW?

In October last year, sentiment measures within the ANZ Business Outlook dropped sharply. Firms' views regarding the outlook for both the broader economy and their own business took a hit. The latter fell to its lowest levels since 2009. Firms' views towards future hiring and investment also fell sharply.

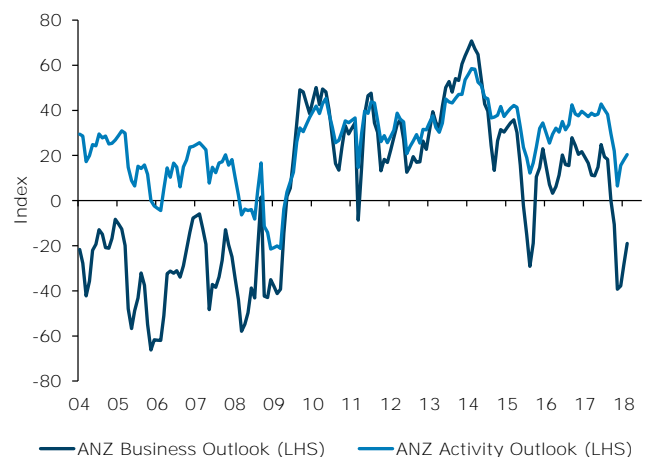
In all, the survey, on the face of it, provided quite a negative signal for the near-term GDP growth picture.

We were mindful, but did feel the survey likely contained a 'protest' element to the election result. As such, we were cautious about taking a literal interpretation of the results, and discounted, to a degree, the direct implications for GDP growth.

In saying that, we still turned a little more circumspect towards the near-term growth picture. This hit to sentiment occurred at the same time as the housing market had cooled significantly, the credit cycle was acting as more of a headwind, and it was clear that a number of key growth sectors (construction especially) were grappling with severe capacity strains. In addition, there was considerable uncertainty about government policy, and we were picking up real concern on the street about some aspects of the new Government's policies, particularly regarding changes to industrial relations, migration and foreign investment restrictions, and the cancellation of some key infrastructure projects. It was the combination of all these forces that we expected to weigh on the near-term growth picture.

So how is that view tracking? How deep might the pothole be? A few months on we have seen business sentiment bounced back, though far from completely. What about the rest of the dataflow? We take a run-through the recent data.

Figure 1: ANZ Business Outlook: headline confidence and own activity expectations



Source: ANZ Research

Housing market: National sales volumes have recovered off lows and house prices are therefore growing again. They have risen for six consecutive months, after falling in the prior three. While we don't believe activity will surge away again, this lift in activity will provide a direct boost to activity in some sectors, such as real estate and financial services, after earlier acting as a meaningful drag.

ECONOMIC OVERVIEW

Figure 2: House sales and prices

Source: REINZ, ANZ Research

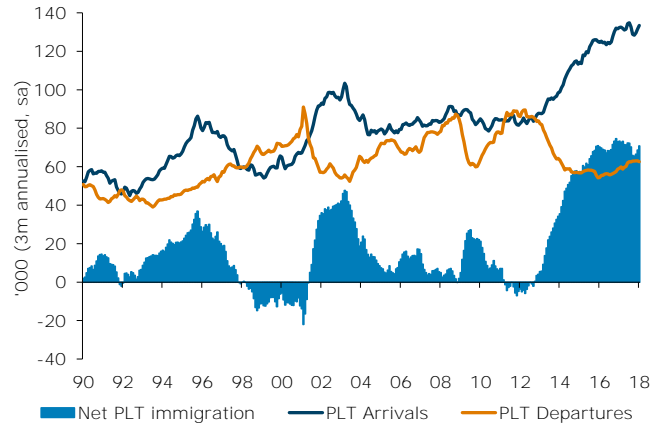
Consumer confidence: In contrast to the business sector equivalent, consumer sentiment – based on our ANZ-Roy Morgan Consumer Confidence gauge – has remained at an elevated level. It is only a few points below the recent highs achieved in September. Consumers have brushed off the earlier housing market softness and political uncertainty and remain optimistic. That should help to support spending levels. In addition, consumers' house price expectations have bounced back everywhere (except Auckland, notably), which could also be a positive tailwind for some elements of durables spending.

Retail spending: No doubt related to the point above, recent retail spending trends have been respectable. In the final three months of 2017, total retail sales volumes rose a solid 1.7% q/q, with relatively broad-based strength. To be fair, it did follow a soft Q3, so there is some inter-quarterly volatility to bear in mind, but with January ECT figures showing a 1.4% m/m jump in nominal spending, 2018 has clearly started on a reasonable footing too.

Job ads: Job ads did fall 1.2% m/m in February, but this was after a solid 2.9% m/m jump the previous month. Looking through the volatility, the downward trend that was developing over the second half of 2017 is perhaps no longer as apparent, which is perhaps a clearer signal on firms' hiring intentions. That said, a downward trend in the important construction, manufacturing, transport and utilities sector has continued.

Migration: In January, a seasonally adjusted net inflow of 6,210 migrants was seen, which was the largest in seven months. It follows a period where net inflows appeared to be on a moderating trend. That moderation now appears to have been more of a dip, with long-term arrivals accelerating again. Departures have also flattened off recently, at what are historically very low levels. Quite simply, more 'bums on seats'

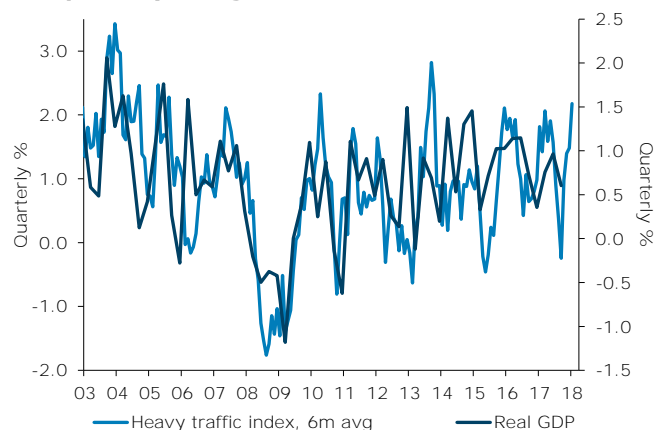
will provide an impetus to demand pressures in the economy.

Figure 3: Net international migration

Source: Statistics NZ, ANZ Research

Tax revenue: A clear 'proof is in the pudding' indicator of the recent flow of economic data, tax revenue continues to run ahead of Treasury Half-year Update forecasts. In December, core Crown tax revenue was \$0.6bn (1.7%) ahead of forecast, led largely by source deductions and GST, reflecting the solid labour market and consumer spending trends experienced of late.

Truckometer: After providing a solid signal for the December quarter, the Heavy Traffic Index (the 'where the rubber hits the road' indicator) surged 4.1% in January, reinforcing a positive underlying trend.

Figure 4: ANZ Heavy Traffic Index 6-month average and quarterly GDP growth

Source: ANZ, NZ Transport Agency, Statistics NZ

So putting it all together, the broad signal is certainly not one of the cycle turning sharply south. As such, any near-term growth wobble perhaps will not be a large one. That is encouraging, and speaks to the economy's resilience and flexibility, and a 'just get on with it' attitude. **In fact, while we await the last pieces of the puzzle this week, we**

ECONOMIC OVERVIEW

have recently upgraded our preliminary pick for Q4 GDP to 0.7% q/q, effectively at trend. The risks are balanced around this view.

That said, it is not all roses out there. While sentiment has bounced, businesses are still cautious, which will no doubt still have some impact on investment decisions, all else equal. The economy is facing clear capacity constraints, particularly in the construction sector, where there have obviously been some high-profile troubles of late. Margin pressure more generally is becoming a wider theme, and it was certainly a major element of the latest NZIER Quarterly Survey of Business Opinion. Despite an all-time high in the terms of trade, the trade balance deteriorated sharply in January, reflecting the unwinding of some temporary (weather-related) factors that had provided a boost to export values late last year. We suspect that unwind has further to run, which will mechanically impact GDP figures.

And despite a synchronised global upswing, global financial markets have had a few wobbles lately and we can't rule out the possibility of something more dramatic evolving. Indeed, we are keeping a very close eye on the recent trade spats involving the US. If it starts involving soft commodities, perhaps New Zealand could stand to benefit near-term, with tit-for-tat tariff action hurting the competition. However, it is hard to see an escalation of protectionist actions being positive in the long run for a trade-dependent nation like New Zealand.

This positive – but arguably more mixed – picture is also reflected in our own internal anecdotes that we collect from front-line staff. Within the February series, the broad message is that the economy continues to tick along, albeit with quite varied stories across different parts of the country.

There was a general sense that firms were getting on with things, though there was real concern about the impact of the planned increases in the minimum wage and tightening of immigration criteria.

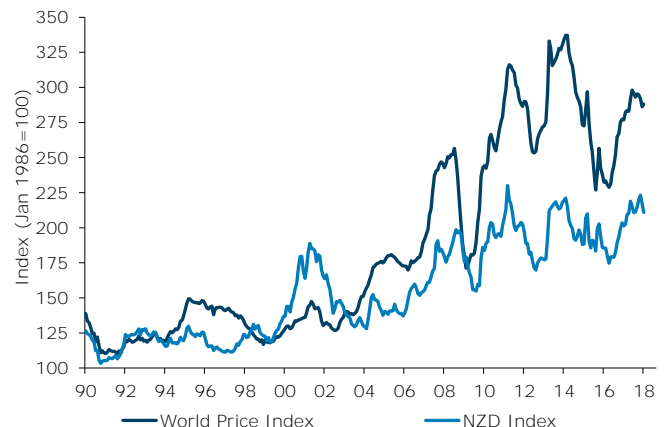
- A few firms are seeing signs of activity slowing, but they were in the minority.
- Construction, forestry and tourism are booming (at least in a levels sense).
- The labour market remains tight, and finding skilled staff remains a constraint on business expansion.
- Margins are increasingly squeezed, particularly in the retail sector.
- The housing market is going at a range of speeds around the country, from still booming (Hawke's Bay) to backwards (peripheral Auckland).

- The commercial property market remains strong, though no longer universally so. The rural land market is very mixed.
- Agricultural growing conditions have been highly variable around the country but commodity prices are generally very good.
- Investment, particularly in labour-saving technology, may be starting to pick up.

Ultimately, our bigger picture views on the economy haven't changed. We are late in the cycle and growth is off its 2015/16 highs. Firms are facing greater margin pressure. The low-hanging fruit growth-wise has already been picked and we need productivity growth to lift to maintain decent rates of activity growth from here. At a time when house price growth is unlikely to race away again (or fall sharply, for that matter) we see households rebuilding precautionary saving, which will weigh on spending growth, all else equal. Ultimately, we see the economy growing around trend for the next year or so, which is about par for this stage of the cycle. That still leaves the important question of what is going to drive a sustained lift in non-tradable inflation from here.

Turning to this week's domestic data calendar, our ANZ Commodity Price Index for February (later today) will provide a steer on the prospects for local farm-gate returns. In January, overall world prices rose 0.7% m/m, which was the first lift following consecutive falls over the prior three months. It was broad-based, with milkfat products the only laggard. However, with the NZD TWI up 1.8% m/m over the same period, commodity prices fell 2.9% m/m in NZD terms. A similar-sized fall was experienced in December, although the overall level is still decent. But that's ultimately the crux; it is the combination of commodity and NZD moves that are relevant when assess future farm-gate returns, and recently it has been pointing to a few more wobbles.

Figure 5: ANZ Commodity Price Index

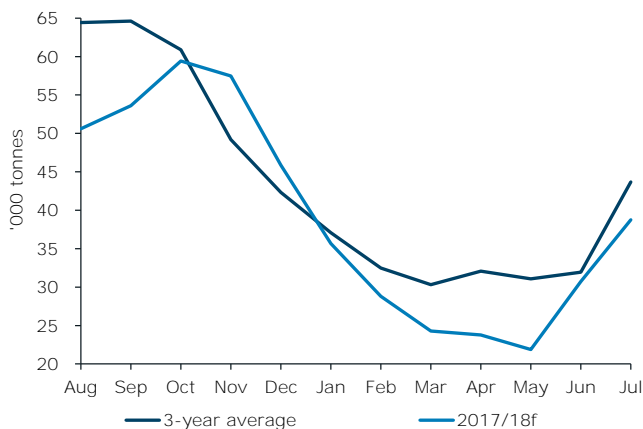


Source: ANZ Research

ECONOMIC OVERVIEW

Related to this, the next GlobalDairyTrade auction looks set to be a little weaker. Dairy markets are looking at supply prospects closely. New Zealand's have firmed thanks to recent rain events, but Europe's could well be dampened by current cooler weather that struck at the same time last year. NZX futures are anticipating a 2-3% decline in auction prices this week. GDT supply has been boosted with Fonterra adding more product back for the March-to-May period as milk flow prospects lift for the remainder of 2017/18. Fonterra has boosted whole milk powder supply by 4% and skim milk powder by 6% over this period. However, total milk powder volumes to be sold through this period are still 25% below the three-year average. In addition, with China looking fairly well stocked in the short-term after recent strong imports of all dairy products and price-sensitive buyers becoming more cautious with prices at the top of recent ranges, it all points to some softening in prices.

Figure 6: GDT milk powder supply



Source: ANZ, AgriHQ

A couple of the final partial indicators for the upcoming Q4 GDP figures are out, allowing us to finalise our expectation.

- Building Work Put in Place:** The struggles with capacity and cost pressures in the construction space are now well known and we certainly believe they will be persistent issue for the sector over at least the next 12 months. However, it is possible that residential building work volumes managed to eke out a small lift over the final three months of the year. Given earlier gains in dwelling consent issuance (particularly on a floor-area basis), we expect a circa 1.0% q/q lift in residential building work. It is also possible that non-residential work increases too, especially as the level of activity is still below where it was 12 months ago. However, given the lumpiness of projects, it is harder to have conviction in this.

Figure 7: Total building put in place volumes

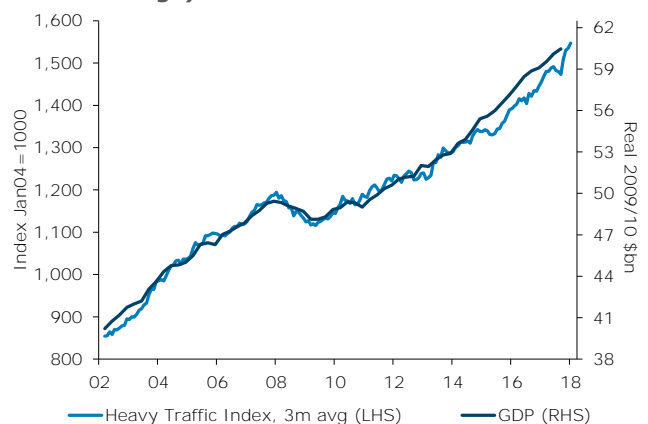


Source: Statistics NZ, ANZ Research

- Economic Survey of Manufacturing:** A number of things can throw total manufacturing volumes around from quarter to quarter, especially on the primary-production side, and that is likely to have again been the case in the December quarter. Dry weather to end the year, and ultimately fears over an impending drought, are likely to have boosted some elements of primary manufacturing as stock was sent to slaughter earlier than normal. That said, weaker milk production over the quarter will have provided some offset. At the ex-primary level, sales volumes rose a modest 0.4% q/q in Q3, and we have pencilled in a similar expectation for Q4, although we wouldn't rule out something softer, especially with the PMI (and the difference between new orders and inventories especially) starting to show a softer trend.

As always, our Truckometer for February will be watched as a gauge on underlying economic momentum.

Figure 8: GDP and the ANZ Heavy Traffic Index (3-month average)



Source: ANZ, NZ Transport Agency, Statistics NZ

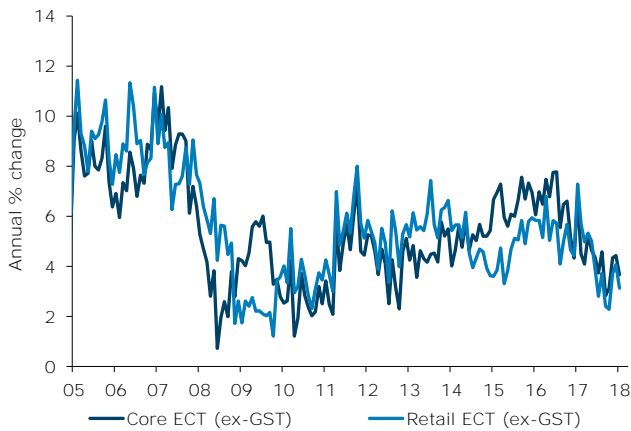
As mentioned above, the Heavy Traffic Index rose 4.1% m/m in January, which certainly suggests a solid

ECONOMIC OVERVIEW

start to the year for activity. In saying that, it follows a 4.4% m/m fall in December, so it is really more about recovering from that dip. Looking through the volatility, annual (3-month average) growth, at 6.3%, is certainly respectable.

Finally, Electronic Card Transactions figures for February are expected to show a modest underlying pace of spending growth. Total spending growth was solid in January, with total retail ECT spending rising 1.4% m/m. Strength was relatively broad-based. That suggests that the consumer, despite cooler housing market activity, is not yet down and out, with the strong labour market, low interest rates, population growth and ongoing competitive price pressures continuing to support spending. Certainly, consumer confidence levels remain relatively positive. That said, anecdotes from the sector have been a little more mixed of late, and we still hold the view overall that despite supportive forces for consumer spending remaining, a softer housing market will see households look to rebuild precautionary saving.

Figure 9: ECT retail spending



Source: Statistics NZ, ANZ Research

LOCAL DATA

Overseas Merchandise Trade – January. A monthly deficit of \$566 million was seen, pushing the annual deficit to \$3.2bn.

RBNZ New Mortgage Lending – January. We estimate that new lending rose 9.0% m/m (sa).

International Travel and Migration – January. In seasonally adjusted terms, a net inflow of 6,210 migrants was recorded.

ANZ Business Outlook – February. Headline confidence rose from a net -38% to **-19%**. Firms' own activity expectations lifted from +16 to +20.

RBNZ Sectoral Lending – January. Total private sector credit rose 0.5% m/m (5.0% y/y) in seasonally adjusted terms.

ANZ Job Ads – February. Total advertising fell 1.2% m/m. Annual growth eased to 5.8%.

Overseas Trade Indexes – Q4. The terms of trade rose 0.8% q/q to a new all-time high.

ANZ-Roy Morgan Consumer Confidence. Consumer confidence rose 1 point to 127.7.

Building Consent Issuance – January. Seasonally adjusted dwelling consent issuance rose 0.2% m/m after falling 9.5% m/m in December.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
5-Mar	AU	Melbourne Institute Inflation MoM - Feb	--	0.3%	13:00
	AU	Melbourne Institute Inflation YoY - Feb	--	2.0%	13:00
	NZ	ANZ Commodity Price - Feb	--	0.7%	13:00
	AU	Inventories SA QoQ - Q4	0.5%	0.2%	13:30
	AU	Company Operating Profit QoQ - Q4	1.5%	-0.2%	13:30
	AU	Building Approvals MoM - Jan	5.0%	-20.0%	13:30
	AU	Building Approvals YoY - Jan	-0.6%	-5.5%	13:30
	AU	ANZ Job Advertisements MoM - Feb	--	6.2%	13:30
	CH	Caixin PMI Composite - Feb	--	53.7	14:45
	CH	Caixin PMI Services - Feb	54.3	54.7	14:45
	GE	Markit Services PMI - Feb F	55.3	55.3	21:55
	GE	Markit/BME Composite PMI - Feb F	57.4	57.4	21:55
	EC	Markit Services PMI - Feb F	56.7	56.7	22:00
	EC	Markit Composite PMI - Feb F	57.5	57.5	22:00
	UK	Official Reserves Changes - Feb	--	\$1709M	22:30
	UK	Markit/CIPS Services PMI - Feb	53.3	53.0	22:30
	UK	Markit/CIPS Composite PMI - Feb	53.6	53.5	22:30
	EC	Sentix Investor Confidence - Mar	30.9	31.9	22:30
	EC	Retail Sales MoM - Jan	-0.1%	-1.1%	23:00
	EC	Retail Sales YoY - Jan	2.0%	1.9%	23:00
6-Mar	US	Markit Services PMI - Feb F	55.9	55.9	03:45
	US	Markit Composite PMI - Feb F	--	55.9	03:45
	US	ISM Non-Manf. Composite - Feb	59	59.9	04:00
	AU	ANZ-RM Consumer Confidence Index - 4-Mar	--	117.9	11:30
	AU	BoP Current Account Balance - Q4	-\$12.2B	-\$9.1B	13:30
	AU	Retail Sales MoM - Jan	0.4%	-0.5%	13:30
	AU	RBA Cash Rate Target - Mar	1.50%	1.50%	16:30
	GE	Markit Construction PMI - Feb	--	59.8	21:30
	GE	Markit Retail PMI - Feb	--	53.0	22:10
	EC	Markit Retail PMI - Feb	--	50.8	22:10
7-Mar	US	Factory Orders - Jan	-1.3%	1.7%	04:00
	US	Factory Orders Ex Trans - Jan	--	0.7%	04:00
	US	Durable Goods Orders - Jan F	-3.5%	-3.7%	04:00
	US	Durables Ex Transportation - Jan F	--	-0.3%	04:00
	US	Cap Goods Orders Nondef Ex Air - Jan F	--	-0.2%	04:00
	US	Cap Goods Ship Nondef Ex Air - Jan F	--	0.1%	04:00
	NZ	QV House Prices YoY - Feb	--	6.4%	05:00
	AU	AiG Perf of Construction Index - Feb	--	54.3	10:30
	NZ	Volume of All Buildings SA QoQ - Q4	1.0%	2.7%	10:45
	AU	GDP SA QoQ - Q4	0.5%	0.6%	13:30
	AU	GDP YoY - Q4	2.5%	2.8%	13:30
	AU	Foreign Reserves - Feb	--	A\$65.3B	18:30
	UK	Halifax House Prices MoM - Feb	0.4%	-0.6%	21:30
	UK	Halifax House Price 3Mths/Year - Feb	1.6%	2.2%	21:30
	EC	GDP SA QoQ - Q4 F	0.6%	0.6%	23:00
	EC	GDP SA YoY - Q4 F	2.7%	2.7%	23:00
	CH	Foreign Reserves - Feb	\$3150.00B	\$3161.46B	UNSPECIFIED
8-Mar	US	MBA Mortgage Applications - 2-Mar	--	2.7%	01:00

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
8-Mar	US	ADP Employment Change - Feb	200k	234k	02:15
	US	Nonfarm Productivity - Q4 F	-0.1%	-0.1%	02:30
	US	Unit Labor Costs - Q4 F	2.1%	2.0%	02:30
	US	Trade Balance - Jan	-\$55.0B	-\$53.1B	02:30
	US	Federal Reserve releases Beige Book	--	--	08:00
	US	Consumer Credit - Jan	\$18.400B	\$18.447B	09:00
	NZ	ANZ Truckometer Heavy MoM - Feb	--	4.1%	10:00
	NZ	Mfg Activity Volume QoQ - Q4	--	0.3%	10:45
	NZ	Mfg Activity SA QoQ - Q4	--	0.5%	10:45
	UK	RICS House Price Balance - Feb	7%	8%	13:01
	AU	Trade Balance - Jan	A\$200M	-\$1358M	13:30
	GE	Factory Orders MoM - Jan	-1.6%	3.8%	20:00
	GE	Factory Orders WDA YoY - Jan	11.4%	7.2%	20:00
	CH	Trade Balance - Feb	-\$8.45B	\$20.35B	UNSPECIFIED
	CH	Imports YoY - Feb	6.5%	36.8%	UNSPECIFIED
	CH	Exports YoY - Feb	10.0%	11.1%	UNSPECIFIED
9-Mar	EC	ECB Main Refinancing Rate - Mar	0.00%	0.00%	01:45
	EC	ECB Marginal Lending Facility - Mar	0.25%	0.25%	01:45
	EC	ECB Deposit Facility Rate - Mar	-0.40%	-0.40%	01:45
	US	Initial Jobless Claims - 3-Mar	220k	210k	02:30
	US	Continuing Claims - 24-Feb	1919k	1931k	02:30
	NZ	Card Spending Retail MoM - Feb	0.1%	1.4%	10:45
	NZ	Card Spending Total MoM - Feb	--	0.6%	10:45
	CH	PPI YoY - Feb	3.8%	4.3%	14:30
	CH	CPI YoY - Feb	2.4%	1.5%	14:30
	GE	Trade Balance - Jan	€18.1B	€18.1B	20:00
	GE	Current Account Balance - Jan	€17.2B	€27.8B	20:00
	GE	Exports SA MoM - Jan	0.3%	0.0%	20:00
	GE	Imports SA MoM - Jan	-0.2%	1.1%	20:00
	GE	Industrial Production SA MoM - Jan	0.6%	-0.6%	20:00
	GE	Industrial Production WDA YoY - Jan	6.0%	6.5%	20:00
	UK	Visible Trade Balance GBP/Mn - Jan	-£12000	-£13576	22:30
	UK	Trade Balance Non EU GBP/Mn - Jan	-£4450	-£5178	22:30
	UK	Trade Balance - Jan	-£3150	-£4896	22:30
	UK	Industrial Production MoM - Jan	1.5%	-1.3%	22:30
	UK	Industrial Production YoY - Jan	1.8%	0.0%	22:30
	UK	Manufacturing Production MoM - Jan	0.2%	0.3%	22:30
	UK	Manufacturing Production YoY - Jan	2.8%	1.4%	22:30
	JN	BOJ 10-Yr Yield Target - Mar	--	0.0%	UNSPECIFIED
	JN	BOJ Policy Balance Rate - Mar	--	-0.1%	UNSPECIFIED
10-Mar	UK	NIESR GDP Estimate - Feb	0.4%	0.5%	01:00
	US	Change in Nonfarm Payrolls - Feb	205k	200k	02:30
	US	Unemployment Rate - Feb	4.0%	4.1%	02:30
	US	Average Hourly Earnings MoM - Feb	0.2%	0.3%	02:30
	US	Average Hourly Earnings YoY - Feb	2.8%	2.9%	02:30
	US	Wholesale Inventories MoM - Jan F	0.7%	0.7%	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

We expect the near-term data flow to be a little more mixed, reflecting headwinds the economy is currently facing, but to remain positive overall. Inflation pressures are likely to remain contained.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Mon 5 Mar (1:00pm)	ANZ Commodity Price Index – Feb	--	--
Wed 7 Mar (early am)	GlobalDairyTrade Auction	A breather	With concerns over local supply easing and global supply performing well, prices could possibly ease a little further.
Wed 7 Mar (10:45am)	Building Work Put in Place – Q4	Lift	Residential building work is likely to be higher, but consent issuance suggests a softer trend over H1 2018.
Thu 8 Mar (10:00am)	ANZ Truckometer – Feb	--	--
Thu 8 Mar (10:45am)	Economic Survey of Manufacturing – Q4	Mixed	The vagaries of milk production and livestock slaughtering will no doubt throw the numbers around.
Fri 9 Mar (10:45am)	Electronic Card Transactions – Feb	Modest	We see households looking to rebuild precautionary saving, resulting in a modest underlying pace of spending growth.
Mon 12 Mar (1:00pm)	ANZ Monthly Inflation Gauge – Feb	--	--
12-16 Mar	REINZ Housing Market Statistics – Feb	Up, but stable	The market has staged somewhat of a comeback, but we don't see it turning into a full-blown resurgence.
Tue 13 Mar (10:45am)	Food Price Index – Feb	Down	Food prices typically ease in February.
Wed 14 Mar (10:45am)	Balance of Payments – Q4	Steady	The annual current account deficit is likely to be steady around 2½% of GDP.
Thu 15 Mar (10:45am)	GDP – Q4	Mixed	Our expectation is for somewhat modest growth of 0.5% q/q, although the risks are arguably upwardly skewed.
Fri 16 Mar (10:30am)	BNZ-BusinessNZ PMI - Feb	Decent	The index has bounced around a bit of late but we suspect it will hold at a steady level this month.
Mon 19 Mar (10:30am)	BNZ-BusinessNZ PSI – Feb	Robust	Services sector activity has continue to hold up despite a softer housing market. That should continue.
Wed 21 Mar (10:45am)	International Travel and Migration – February	Peaked	We don't see net inflows falling quickly, but we do believe that a peak has been seen.
Thu 22 Mar (9:00am)	RBNZ OCR Review	On hold	In what will be Grant Spencer's last outing as Governor, we are expecting an unchanged message.
Mon 26 Mar (10:45am)	Overseas Merchandise Trade – Feb	Unwind	Export values were impacted by the unwinding of some temporary boosts in January. That theme has further to run.
Mon 26 Mar (3:00pm)	RBNZ New Mortgage Lending – Feb	Up	Housing market turnover is up, which should mean the same for new lending.
Wed 28 Mar (1:00pm)	ANZ Business Outlook – Mar	--	--
Thu 29 Mar (10:45am)	Building Consent Issuance – Feb	Capped	We struggle to see issuance pushing much above current levels as the sector grapples with cost and capacity pressure.
Fri 30 Mar (3:00pm)	RBNZ Sectoral Lending – Feb	Modest	Overall private sector credit growth has cooled, but we see it stabilising around current levels.
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

	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
GDP (% qoq)	0.6	0.7	0.6	0.9	0.9	0.8	0.7	0.7	0.7	0.6
GDP (% yoy)	2.7	3.1	2.9	2.8	3.1	3.2	3.3	3.1	2.8	2.6
CPI (% qoq)	0.5	0.1	0.5	0.3	0.6	0.2	0.6	0.6	0.7	0.1
CPI (% yoy)	1.9	1.6	1.1	1.4	1.5	1.6	1.7	2.1	2.2	2.0
Employment (% qoq)	2.2	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Employment (% yoy)	4.2	3.7	3.2	3.6	1.8	1.6	1.4	1.3	1.2	1.2
Unemployment Rate (% sa)	4.6	4.5	4.3	4.3	4.2	4.2	4.1	4.1	4.1	4.2
Current Account (% GDP)	-2.5	-2.5	-2.1	-2.2	-2.3	-2.5	-2.5	-2.4	-2.4	-2.3
Terms of Trade (% qoq)	1.3	0.8	-1.4	-0.8	0.1	0.1	0.0	0.1	0.2	0.1
Terms of Trade (% yoy)	12.6	7.3	1.8	-0.1	-1.4	-2.1	-0.6	0.3	0.4	0.3

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
Retail ECT (% mom)	-0.4	0.1	-0.6	-0.1	0.3	0.5	1.3	0.6	1.4	--
Retail ECT (% yoy)	5.2	4.5	2.0	4.4	2.9	1.3	4.3	3.3	3.4	--
Credit Card Billings (% mom)	1.0	0.3	0.8	-0.6	0.8	1.0	0.9	0.6	-0.6	--
Credit Card Billings (% yoy)	7.6	8.3	7.1	6.5	5.0	3.0	9.1	6.2	4.6	--
Car Registrations (% mom)	3.8	-2.6	-4.8	9.6	-1.5	2.2	1.2	-4.4	2.5	--
Car Registrations (% yoy)	13.7	11.1	6.2	13.5	15.6	7.3	7.3	4.7	6.2	--
Building Consents (% mom)	1.6	0.7	2.2	5.6	-2.1	-9.9	9.4	-9.5	0.2	--
Building Consents (% yoy)	5.1	-7.9	-1.9	13.1	7.4	-7.4	13.1	3.7	4.1	--
REINZ House Price Index (% yoy)	6.7	5.4	3.3	2.8	3.8	3.4	3.5	3.7	3.4	--
Household Lending Growth (% mom)	0.4	0.6	0.3	0.4	0.5	0.5	0.5	0.5	0.4	--
Household Lending Growth (% yoy)	7.9	7.6	7.1	6.7	6.5	6.3	6.2	5.9	5.8	--
ANZ Roy Morgan Consumer Conf.	123.9	127.8	125.4	126.2	129.9	126.3	123.7	121.8	126.9	127.7
ANZ Business Confidence	14.9	24.8	19.4	18.3	0.0	-10.6	-39.3	-37.8	..	-19.0
ANZ Own Activity Outlook	38.3	42.8	40.3	38.2	29.6	22.0	6.5	15.6	..	20.4
Trade Balance (\$m)	62	243	92	-1174	-1165	-840	-1232	596	-566	--
Trade Bal (\$m ann)	53218	53530	53742	53982	54085	54759	55999	56476	57189	--
ANZ World Comm. Price Index (% mom)	3.2	2.1	-0.8	-0.8	0.8	-0.3	-0.9	-1.9	0.7	--
ANZ World Comm. Price Index (% yoy)	26.3	24.6	21.1	16.3	11.5	10.4	6.0	3.2	4.1	--
Net Migration (sa)	5950	6370	5740	5460	5260	5660	5710	5780	6210	--
Net Migration (ann)	71964	72305	72402	72072	70986	70694	70354	70016	70147	--
ANZ Heavy Traffic Index (% mom)	4.0	-0.5	-6.0	6.5	-1.5	2.9	1.1	-4.2	4.1	--
ANZ Light Traffic Index (% mom)	1.2	1.2	-2.2	2.7	-0.1	-0.6	1.5	-1.7	-0.5	--

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)						
	Jan-18	Feb-18	Today	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
NZD/USD	0.740	0.721	0.724	0.71	0.70	0.69	0.67	0.66	0.65	0.65
NZD/AUD	0.914	0.924	0.932	0.92	0.92	0.93	0.93	0.94	0.93	0.93
NZD/EUR	0.595	0.590	0.587	0.57	0.56	0.54	0.52	0.51	0.50	0.50
NZD/JPY	80.53	77.26	76.47	76.7	74.2	71.8	69.0	66.0	64.4	63.1
NZD/GBP	0.523	0.520	0.524	0.53	0.52	0.50	0.49	0.48	0.47	0.47
NZ\$ TWI	74.2	73.2	74.6	72.1	71.0	69.8	67.9	66.7	65.6	65.4
INTEREST RATES	Jan-18	Feb-18	Today	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00
NZ 90 day bill	1.89	1.92	1.91	1.89	1.92	1.95	1.97	2.00	2.08	2.34
NZ 10-yr bond	2.90	2.94	2.92	3.00	3.15	3.30	3.45	3.45	3.75	3.80
US Fed funds	1.50	1.50	1.50	1.50	1.75	2.00	2.25	2.25	2.50	2.50
US 3-mth	1.78	2.01	2.03	1.88	2.05	2.20	2.45	2.45	2.70	2.70
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75	1.75
AU 3-mth	1.78	1.79	1.81	1.80	1.80	1.80	1.80	1.80	2.00	2.00

	2 Feb	26 Feb	27 Feb	28 Feb	1 Mar	2 Mar
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.89	1.91	1.92	1.92	1.92	1.91
NZGB 05/21	2.12	2.05	2.05	2.07	2.08	2.07
NZGB 04/23	2.43	2.39	2.39	2.42	2.42	2.39
NZGB 04/27	2.95	2.92	2.91	2.94	2.94	2.92
NZGB 04/33	3.31	3.27	3.27	3.30	3.31	3.29
2 year swap	2.17	2.17	2.18	2.20	2.20	2.20
5 year swap	2.74	2.70	2.71	2.72	2.71	2.69
RBNZ TWI	75.32	74.95	74.91	74.57	74.42	75.03
NZD/USD	0.7300	0.7337	0.7283	0.7214	0.7214	0.7236
NZD/AUD	0.9213	0.9320	0.9285	0.9242	0.9335	0.9326
NZD/JPY	80.42	78.21	77.94	77.26	77.03	76.53
NZD/GBP	0.5171	0.5219	0.5214	0.5199	0.5250	0.5247
NZD/EUR	0.5859	0.5943	0.5907	0.5903	0.5919	0.5877
AUD/USD	0.7931	0.7873	0.7843	0.7805	0.7728	0.7760
EUR/USD	1.2463	1.2346	1.2328	1.2221	1.2188	1.2317
USD/JPY	110.17	106.59	107.02	107.10	106.77	105.75
GBP/USD	1.4118	1.4058	1.3966	1.3876	1.3742	1.3802
Oil (US\$/bbl)	65.45	63.91	63.01	61.64	60.99	61.25
Gold (US\$/oz)	1333.39	1339.40	1332.65	1319.89	1311.24	1322.75
NZX 50	8415	8341	8360	8374	8343	8288
Baltic Dry Freight Index	1095	1191	1188	1192	1196	1207
NZX WMP Futures (US\$/t)	3235	3240	3220	3195	3195	3155

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