

This is not personal advice. It does not consider your objectives or circumstances. Please refer to the Important Notice.

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Retail therapy

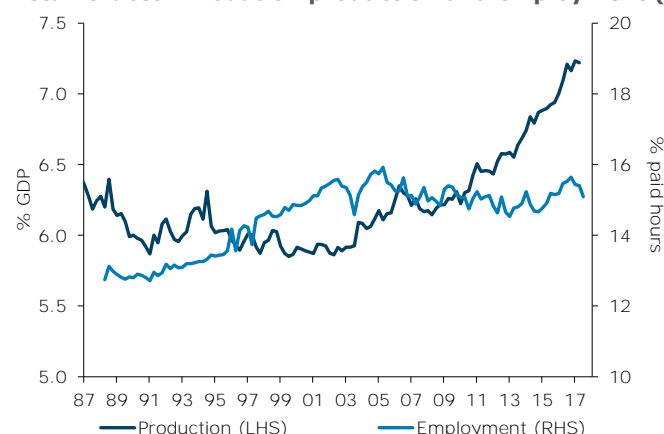
Economic overview

New Zealand businesses are pessimistic, but retailers most of all. Activity expectations have declined. Profitability is squeezed, on the back of cost pressures, particularly rising labour costs. And firms are looking to shrink their workforces and invest in labour-saving technologies. But while retailers are pessimistic, they have actually been a success story in recent times. They have faced important longer-term challenges: the industry has become increasingly global, leading to increased competition, weakening pricing power and more concentration. And yet firms have adapted to these trends, with innovation, solid productivity gains and strong output growth evident. The industry will need to continue to adjust and the outlook is looking a bit more challenging. **But history suggests they're up to it. There's a range of domestic data out this week and we'll be firming up our views on Q2 GDP.**

Chart of the week

Retail production has increased as a share of GDP on the back of productivity gains.

Retail & accommodation production and employment (share of total)



Source: Statistics NZ, ANZ Research

The ANZ heatmap

Variable	View	Comment	Risks around our view
GDP	2.5% y/y for 2019 Q1	The economy has lost steam. We see growth of around 2½% over the next few years (at, or a bit below, trend).	
Unemployment rate	4.4% for 2019 Q1	Unemployment is expected to move broadly sideways. Underlying wage pressures are subdued.	
OCR	1.75% in March 2019	We expect the OCR to remain firmly on hold. In terms of risks, a cut now looks more likely than a hike.	
CPI	2.0% y/y for 2019 Q1	We expect core inflation will lift, but only gradually, and the medium-term outlook is not assured.	



Economic overview

This week we delve into the challenges facing the retail industry

Summary

New Zealand businesses are pessimistic, but retailers most of all. Activity expectations have declined. Profitability is squeezed, on the back of cost pressures, particularly rising labour costs. And firms are looking to shrink their workforces and invest in labour-saving technologies. But while retailers are pessimistic, they have actually been a success story in recent times. They have faced important longer-term challenges: the industry has become increasingly global, leading to increased competition, weakening pricing power and more concentration. And yet firms have adapted to these trends, with innovation, solid productivity gains and strong output growth evident. The industry will need to continue to adjust and the outlook is looking a bit more challenging. But **history suggests they're up to it. There's a range of domestic data out this week and we'll be firming up our views on Q2 GDP.**

Forthcoming events

Economic Survey of Manufacturing – Q2 (Monday 10 September, 10:45am).

It looks set to be a solid print, with M. Bovis-related slaughtering lending support.

REINZ Housing Market Statistics – August (10-14 September). House price inflation was little stronger in July. We will see if it proves to have been a fizzer.

ANZ Truckometer – August (Tuesday 11 September, 10:00am).

Electronic Card Transactions – August (Tuesday 11 September, 10:45am).

July's print contained little evidence of a Families Package boost. Maybe August is the month.

ANZ Monthly Inflation Gauge – August (Tuesday 11 September, 1:00pm).

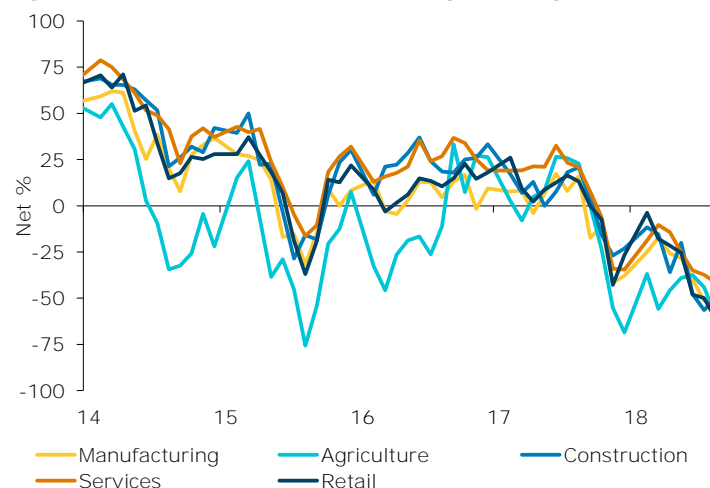
Food Prices – August (Thursday 13 September, 10:45am). Higher winter prices for fruit and vegetables should see food prices lift in August.

What's the view?

The retail industry is the most downbeat

A lot has been said about the current low levels of business confidence in New Zealand. Firms are concerned about changes in the regulatory and industrial relations environments and are facing broader challenges like capacity constraints, credit headwinds, a profitability squeeze and an uncertain economic outlook. But industry-specific challenges are evident too; we have talked about [challenges in construction](#), but another industry facing particular difficulties is retail. Sentiment in retail has declined in tandem with other industries, but retail is the most pessimistic of all at present (figure 1).

Figure 1. ANZ Business Confidence by industry



Source: ANZ Research



Economic overview

Retailers are pessimistic across a range of fronts...

...and expect tougher times ahead.

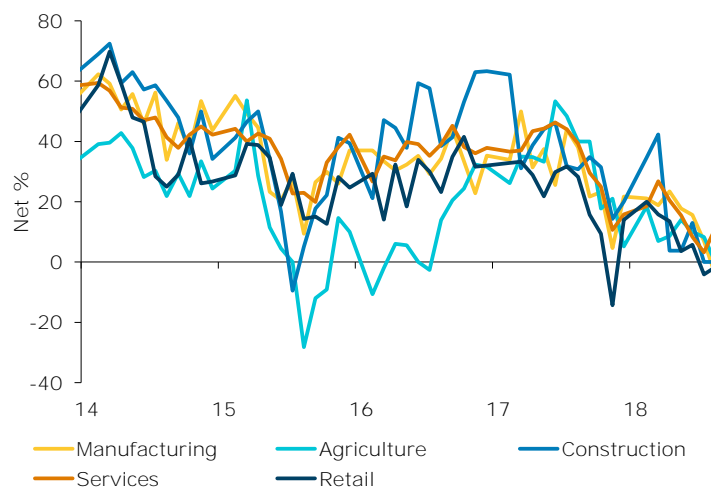
The outlook for spending is looking a little more challenging.

A net 61% of retailers are pessimistic about general business conditions, reflecting the softer economic pulse. Firms in the industry are downbeat about profits, expect their own activity to weaken, and are looking to cut back on hiring. And this pessimism is broad based across regions, and evident for retail businesses of all sizes.

The retail trade survey suggests volume growth was solid in Q2. But surveyed activity expectations have been pared back. In August a net 2% of retailers expected the activity outlook to deteriorate (figure 2). Downbeat activity expectations are mirrored in NZIER's QSBO survey; a net 16% of retailers expected new orders to decline in the three months from June.

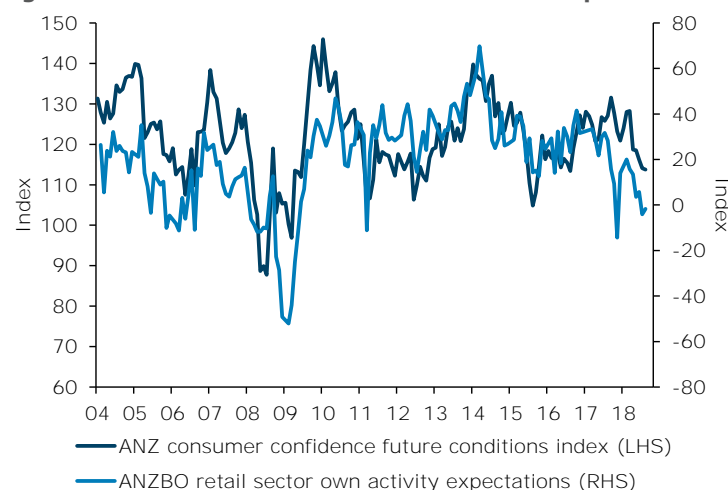
Like other businesses, retailers are being buffeted by current economic conditions, which have entered a softer patch. The softening in activity expectations amongst retailers is consistent with the recent moderation in consumer confidence (figure 3). Households are feeling pretty good, but appear a little warier than they were. At the same time, households are constrained by high levels of debt, and cash flow for discretionary spending is being squeezed. Growth in retail activity has been supported by population growth and tourism. But the outlook on both these fronts is also looking a bit more challenging: visitor arrivals remain elevated but further growth may be difficult to achieve, and the boon from population growth is starting to fade.

Figure 2. Activity expectations by industry



Source: ANZ Research

Figure 3. ANZ consumer confidence and retail expectations



Source: ANZ Research



Economic overview

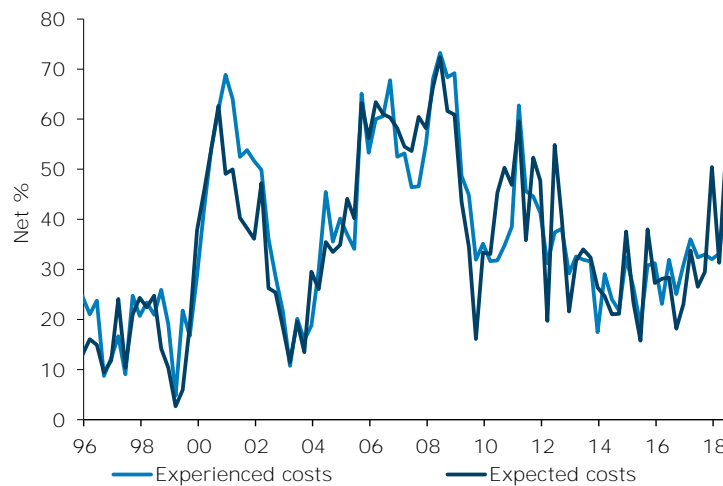
Costs have increased, especially for labour...

...which is resulting in margin squeeze.

Costs for the retail industry have increased recently. In the Q2 QSBO, retailers were the most pessimistic industry, with a particularly sharp increase in experienced costs reported. A net 55% of retail firms experienced an increase in average costs over the previous three months (figure 4) – in particular, labour and property-related costs, along with prices for imported goods. Increases in labour costs are a particular concern; the retail industry is significantly affected by minimum wage levels, and the minimum wage is expected to increase considerably over coming years.

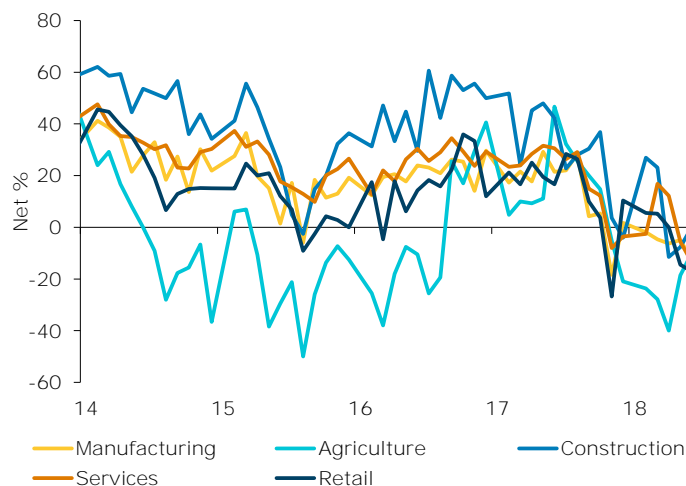
In light of softening activity and margin squeeze, it is no wonder retailers are experiencing financial pressure. In the Q2 QSBO, a net 21% of retail firms experienced deteriorating profits, with a net 11% expecting profits to worsen in Q3. In the ANZBO, a net 27% of retailers expect profits to decrease over the coming year compared with a net 15% outside of retail (figure 5). Similar to experiences in other industries, it is also perceived to be difficult to obtain credit.

Figure 4. QSBO costs – merchants



Source: NZIER, ANZ Research

Figure 5. Profit expectations by industry



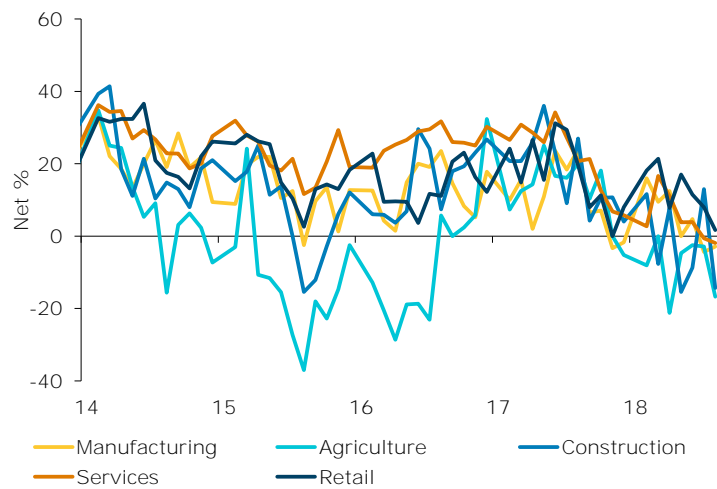
Source: ANZ Research

Retailers are the only industry still looking to expand investment (just).

As in other industries, retailers are looking to reduce the size of their workforce, with a net 2% looking to reduce employment. However, retailers are the only industry still looking to expand investment – just (figure 6). This could reflect a need or desire to expand, or it could be part of the ongoing move towards labour-saving technologies (for example, online selling platforms and self-checkouts in grocery stores), which are helping to keep costs contained in the context of squeezed profits.



Figure 6. Investment intentions

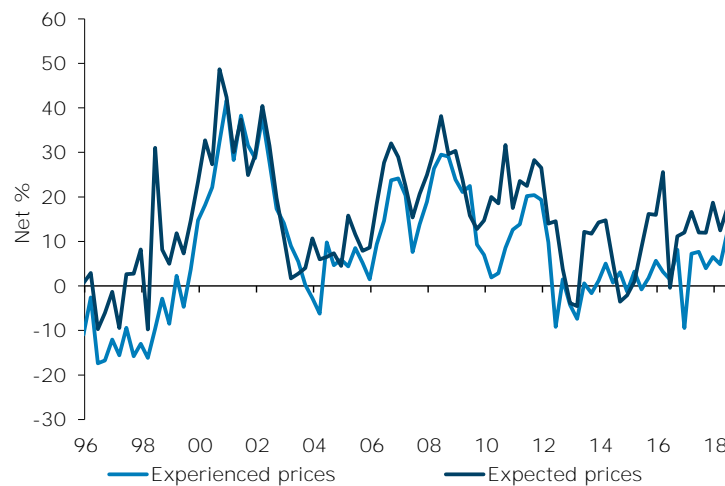


Source: ANZ Research

Retailers are keen to increase their prices, in light of increased financial pressures. In the QSBO, a net 12% of firms increased their average selling prices in the June quarter, likely reflecting pass-through from higher labour costs – but this is still below the historical average. It remains to be seen whether retailers can pass through further price increases from here. We expect they will be able to in part. But given the uncertain outlook, downbeat activity expectations, and what we are hearing from anecdotes, increases are likely to be limited.

We expect price increases will be limited

Figure 7. QSBO costs and prices –merchants (past three months)



Source: NZIER, ANZ Research

While retailers are being affected by the business cycle, some of the important challenges facing the industry appear to be a consequence of longer-term transition. Over time, globalisation and the rise of technology have seen retail become an increasingly global industry. More goods are being imported (competing with domestic manufacturing) and an increased share of spending is bypassing the domestic retail industry altogether via offshore online shopping. On this front, the lack of GST on low-value retail items has made it particularly challenging for domestic retailers to compete. The proposed change on this front would help level the playing field, although households will bear the cost.

Retail is becoming increasingly global...

...making it hard to pass on higher costs.

Globalisation has meant that retailers are increasingly competing in the world market. For domestic retailers selling imported goods, an important determinant of their competitive price point is the world prices of consumer goods, since households can

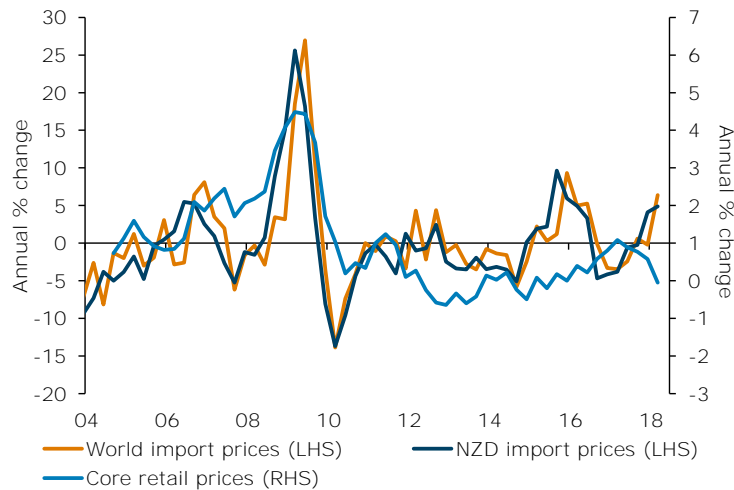


Economic overview

This has reduced exchange rate pass-through.

source some goods directly from offshore. Consumer goods imports have seen only modest inflation in recent years, which has contributed to low inflation here. Over and above this, increased competition in retail has made it more difficult for firms reluctant to pass on costs, resulting in reduced pass-through of imported costs to retail prices (figure 8).¹ Certainly anecdotes from firms suggest increased competition has resulted in a loss of pricing power, although retailers may also be “looking through” volatility in costs, perhaps reflecting well-anchored inflation expectations.

Figure 8. Consumer goods import prices and retail prices



Source: Statistics NZ, RBNZ, ANZ Research

The retail environment is constantly changing.

The retail industry also faces the constant challenge of adapting to the changing preferences of consumers, including tourists. New Zealanders have benefited immensely as their purchasing power has improved, and the variety of goods and online information about goods has increased (eg price comparison and review websites). But trends towards online shopping and globalisation have also changed how retail operates.

Retailers have adapted through tight cost control, agglomeration, and investment in technology.

Increasingly, the firms that can compete appear to be large firms that can keep costs contained, compete online, and manage their (increasingly global) supply chains, sometimes bypassing wholesalers. Some smaller players have exited the industry, in a global trend of increased concentration, with larger firms tending to dominate.² This has been a painful process for affected businesses. Nonetheless, the retail industry has been effective at adapting to these long-term trends, with retailers investing in online platforms and digital marketing to adapt to new ways of shopping and compete in the new world of retail, with less reliance on traditional shop-front retail and some companies operating exclusively online. Investment in automation to keep costs contained has also been important, along with investment in electronic stock management systems that help to manage inventory and free up capital.

Innovation and strong productivity growth are evident

This investment and innovation have seen the industry experience strong productivity growth since the early 1990s, particularly this cycle. From 2008-2017, retail has experienced multi-factor productivity growth of 3.1% per year, while the measured sector overall has seen lacklustre productivity growth of 0.6% per year – making retail one of the strongest performers this cycle.

Output growth has been strong

While retail labour hours have been fairly stable as a share of paid hours, retail production as a share of GDP has grown over the past two decades (figure 9). Retail GDP has grown 5.7% y/y on average since 2014, compared with aggregate GDP growth of 3.4% per year on average.

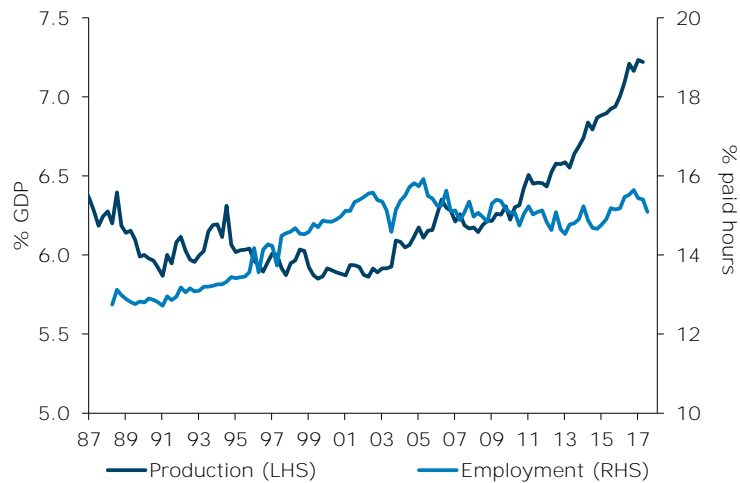
¹ Spencer (2017) & Debelle (2018).

² OECD (2010).



Economic overview

Figure 9. Retail production and employment (share of total)



Source: Statistics NZ, ANZ Research

The retail industry has been proactive in adapting to increased globalisation and the rise of technology, and will need to continue to evolve in light of continuing challenges. Firms in the industry, like other businesses, are being affected by softer economic conditions currently – and the outlook looks more challenging, with slowing population growth presenting an additional challenge for the industry. But retail has seen solid productivity gains and output growth, in spite of recent challenges, demonstrating a strong ability to adapt.

The retail industry will need to continually evolve.

The week ahead

This week brings the final pieces of the puzzle for Q2 GDP. The last major GDP partial will be out on Monday: the Economic Survey of Manufacturing. We expect to see a solid print, driven by food manufacturing, with M. Bovis-related slaughtering lending support. After this release, we will firm up our views on Q2 GDP (to be released on September 20), with a full preview of the data to be released later in the week. Our current estimate for GDP is 0.8% q/q, but a weak outturn for work put in place presents downside risk.

We'll be finalising our GDP expectations this week after the QMS.

Our ANZ Truckometer is out on Tuesday and will provide additional information on the strength of activity into the second half of the year. The pulse of economic momentum is something we are watching very carefully, given that we are leaning towards calling an OCR cut.

We also have the Truckometer, another read on the housing market, and household spending.

The latest REINZ housing market data is expected to be out this week, with recent stability expected to be maintained. House sales have taken a step down of late, but we did see a pick-up in prices in July. We expect that this will prove to be a fizzer, with a number of headwinds at play in the market. Relatedly, ECT data will provide the latest pulse on household spending. Although spending growth has moderated recently, we will be looking to see whether this trend continues. So far, the household sector has been resilient in the face of recent declines in business sentiment, with the Families Package lending support recently, but further moderation in the housing market could see households decide to save a little more.

We also have two reads on consumer prices.

It's fair to say that attention is firmly on economic activity at present, given the potential for it to disappoint RBNZ forecasts, but the pulse in inflation should nonetheless be watched closely too. Inflation is expected to be boosted by temporary factors in the near term. But we expect that underlying inflation will remain muted, with benign inflation giving the RBNZ space for an OCR cut should they deem it necessary. This week we have our ANZ Monthly Inflation Gauge, along with food prices for August.



Economic overview

Local data

Terms of Trade – Q2. The terms of trade increased 0.6% q/q, with the peak looking well behind us.

GlobalDairyTrade auction. Dairy prices fell a further 0.7% – the ninth fall in the past 12 auctions.

ANZ Job Ads – August. Increased 0.6% m/m. But if firms follow through on weaker hiring intentions, strength in the labour market could ebb.

Building work put in place – Q2. Total building work rose 0.8% q/q, less than expected, posing downside risk to our 0.8% q/q pick for Q2 GDP.

ANZ Commodity Price Index – August. World prices fell 1.1% in a third consecutive monthly fall.



Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
10-Sep	NZ	Mfg Activity Volume QoQ - Q2	--	1.4%	10:45
	NZ	Mfg Activity SA QoQ - Q2	--	0.6%	10:45
	JN	BoP Current Account Balance - Jul	¥1900.4B	¥1175.6B	11:50
	JN	BoP Current Account Adjusted - Jul	¥1557.0B	¥1762.4B	11:50
	CH	PPI YoY - Aug	4.0%	4.6%	13:30
	CH	CPI YoY - Aug	2.1%	2.1%	13:30
	UK	Visible Trade Balance GBP/Mn - Jul	-£11740	-£11383	20:30
	UK	Trade Balance Non EU GBP/Mn - Jul	-£3300	-£2940	20:30
	UK	Trade Balance - Jul	-£2100	-£1861	20:30
	UK	Industrial Production MoM - Jul	0.2%	0.4%	20:30
	UK	Industrial Production YoY - Jul	1.1%	1.1%	20:30
	UK	Manufacturing Production MoM - Jul	0.2%	0.4%	20:30
	UK	Manufacturing Production YoY - Jul	1.4%	1.5%	20:30
	EC	Sentix Investor Confidence - Sep	14.3	14.7	20:30
	UK	Index of Services MoM - Jul	0.2%	0.0%	20:30
	UK	Index of Services 3M/3M - Jul	0.5%	0.5%	20:30
	NZ	REINZ House Sales YoY - Aug	--	0.7%	10-14 Sep
	CH	Money Supply M1 YoY - Aug	5.4%	5.1%	10-15 Sep
	CH	Money Supply M2 YoY - Aug	8.6%	8.5%	10-15 Sep
	CH	Money Supply M0 YoY - Aug	3.9%	3.6%	10-15 Sep
	CH	New Yuan Loans CNY - Aug	1370.0B	1450.0B	10-15 Sep
11-Sep	US	Consumer Credit - Jul	\$14.400B	\$10.211B	07:00
	NZ	ANZ Truckometer Heavy MoM - Aug	--	-0.4%	10:00
	NZ	Card Spending Retail MoM - Aug	0.5%	0.7%	10:45
	NZ	Card Spending Total MoM - Aug	--	0.5%	10:45
	AU	ANZ-RM Consumer Confidence Index - 9-Sep	--	117.7	11:30
	NZ	ANZ Monthly Inflation Gauge MoM - Aug	--	0.6%	13:00
	AU	NAB Business Conditions - Aug	--	12	13:30
	AU	NAB Business Confidence - Aug	--	7	13:30
	UK	Claimant Count Rate - Aug	--	2.5%	20:30
	UK	Jobless Claims Change - Aug	--	6.2k	20:30
	UK	Average Weekly Earnings 3M/YoY - Jul	2.5%	2.4%	20:30
	UK	ILO Unemployment Rate 3Mths - Jul	4.0%	4.0%	20:30
	UK	Employment Change 3M/3M - Jul	9k	42k	20:30
	EC	Employment QoQ - Q2	--	0.4%	21:00
	EC	Employment YoY - Q2	--	1.4%	21:00
	GE	ZEW Survey Current Situation - Sep	72.0	72.6	21:00
	GE	ZEW Survey Expectations - Sep	-13.5	-13.7	21:00
	EC	ZEW Survey Expectations - Sep	--	-11.1	21:00
	US	NFIB Small Business Optimism - Aug	108.1	107.9	22:00
12-Sep	US	Wholesale Inventories MoM - Jul F	0.7%	0.7%	02:00
	AU	Westpac Consumer Conf Index - Sep	--	103.6	12:30
	AU	Westpac Consumer Conf SA MoM - Sep	--	-2.3%	12:30
	EC	Industrial Production SA MoM - Jul	-0.5%	-0.7%	21:00
	EC	Industrial Production WDA YoY - Jul	1.0%	2.5%	21:00
	US	MBA Mortgage Applications - 7-Sep	--	-0.1%	23:00
13-Sep	US	PPI Final Demand MoM - Aug	0.2%	0.0%	00:30
	US	PPI Final Demand YoY - Aug	3.2%	3.3%	00:30

Continued on following page



Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
13-Sep	US	PPI Ex Food and Energy MoM - Aug	0.2%	0.1%	00:30
	US	PPI Ex Food, Energy, Trade MoM - Aug	0.2%	0.3%	00:30
	US	PPI Ex Food and Energy YoY - Aug	2.7%	2.7%	00:30
	US	US Federal Reserve releases Beige Book -	--	--	06:00
	NZ	Food Prices MoM - Aug	--	0.7%	10:45
	UK	RICS House Price Balance - Aug	2%	4%	11:01
	JN	PPI YoY - Aug	3.1%	3.1%	11:50
	JN	PPI MoM - Aug	0.1%	0.5%	11:50
	AU	Employment Change - Aug	18.0k	-3.9k	13:30
	AU	Unemployment Rate - Aug	5.3%	5.3%	13:30
	AU	Participation Rate - Aug	65.6%	65.5%	13:30
	GE	CPI MoM - Aug F	0.1%	0.1%	18:00
	GE	CPI YoY - Aug F	2.0%	2.0%	18:00
	GE	CPI EU Harmonized MoM - Aug F	0.0%	0.0%	18:00
	GE	CPI EU Harmonized YoY - Aug F	1.9%	1.9%	18:00
	UK	Bank of England Bank Rate - Sep	0.75%	0.75%	23:00
	UK	BoE Asset Purchase Target - Sep	£435B	£435B	23:00
	UK	BoE Corporate Bond Target - Sep	£10B	£10B	23:00
	EC	ECB Main Refinancing Rate - Sep	0.00%	0.00%	23:45
	EC	ECB Marginal Lending Facility - Sep	0.25%	0.25%	23:45
	EC	ECB Deposit Facility Rate - Sep	-0.40%	-0.40%	23:45
14-Sep	US	CPI MoM - Aug	0.3%	0.2%	00:30
	US	CPI YoY - Aug	2.8%	2.9%	00:30
	US	CPI Ex Food and Energy MoM - Aug	0.2%	0.2%	00:30
	US	CPI Ex Food and Energy YoY - Aug	2.4%	2.4%	00:30
	US	Initial Jobless Claims - 8-Sep	210k	203k	00:30
	US	Continuing Claims - 1-Sep	1710k	1707k	00:30
	US	Monthly Budget Statement - Aug	-\$183.0B	-\$76.9B	06:00
	NZ	BusinessNZ Manufacturing PMI - Aug	--	51.2	10:30
	CH	Retail Sales YoY - Aug	8.8%	8.8%	14:00
	CH	Retail Sales YTD YoY - Aug	9.3%	9.3%	14:00
	CH	Industrial Production YoY - Aug	6.2%	6.0%	14:00
	CH	Industrial Production YTD YoY - Aug	6.6%	6.6%	14:00
	EC	Trade Balance SA - Jul	€16.2B	€16.7B	21:00
	EC	Trade Balance NSA - Jul	--	€22.5B	21:00
	EC	Labour Costs YoY - Q2	--	2.0%	21:00
15-Sep	US	Retail Sales Advance MoM - Aug	0.4%	0.5%	00:30
	US	Retail Sales Ex Auto MoM - Aug	0.5%	0.6%	00:30
	US	Retail Sales Ex Auto and Gas - Aug	0.5%	0.6%	00:30
	US	Retail Sales Control Group - Aug	0.4%	0.5%	00:30
	US	Import Price Index MoM - Aug	-0.3%	0.0%	00:30
	US	Export Price Index MoM - Aug	0.0%	-0.5%	00:30
	US	Industrial Production MoM - Aug	0.3%	0.1%	01:15
	US	Capacity Utilization - Aug	78.3%	78.1%	01:15
	US	Business Inventories - Jul	0.5%	0.1%	02:00
	US	U. of Mich. Sentiment - Sep P	96.8	96.2	02:00

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

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

Note: All surveys are preliminary and subject to change



Local data watch

The economy has lost steam. We don't expect that it will roll over, but it will struggle to grow above trend. Inflation is expected to increase gradually, but the medium-term outlook is not assured. The OCR is expected to be on hold for the foreseeable future. We see the balance of risks tilted towards the next move being a cut.

Date	Data/event	Economic signal	Comment
Mon 10 Sep (10:45am)	Economic Survey of Manufacturing – Q2	Meaty	It looks set to be a solid print, with Mycoplasma Bovis-related slaughtering lending support.
10-14 Sep	REINZ Housing Market Statistics	Fizzer	House price inflation was little stronger in July. We will see if it proves to be a fizzer. We expect so.
Tue 11 Sep (10:00am)	ANZ Truckometer – August	--	--
Tue 11 Sep (10:45am)	Electronic Card Transactions – August	Looking	July cards spending contained little evidence of a Families Package boost. Maybe August is the month.
Tue 11 Sep (1:00pm)	ANZ Monthly Inflation Gauge – August	--	--
Thu 13 Sep (10:45am)	Food Prices – August	Tick up	Higher winter prices for fruit and vegetables should see food prices lift in August.
Fri 14 Sep (10:30am)	BNZ-BusinessNZ PMI – August		
Mon 17 Sep (10:30am)	BNZ-BusinessNZ PSI – August		
Wed 19 Sep (early am)	GlobalDairyTrade auction	Sideways	The average GDT price is expected to remain in recent ranges.
Wed 19 Sep (10:45am)	Balance of Payments – Q2	All about that base	The annual current account looks set to widen, but largely as a result of base effects.
Thu 20 Sep (10:45am)	Gross Domestic Product – Q2	Temporary	We are currently picking a 0.6% q/q (2.4% y/y) lift in GDP, with some temporary factors providing a boost.
Fri 21 Sep (10:45am)	International Travel and Migration – August	Easing	The cycle is expected to continue easing, albeit gradually.
Wed 26 Sep (1:00pm)	ANZ Business Outlook – September	--	--
Wed 26 Sep (3:00pm)	RBNZ New Lending – August	Step down	With house sales having taken a step down, new lending has softened and we may see this continue.
Thu 27 Sep (9:00am)	RBNZ OCR Review	What would it take?	A cautious tone is expected; we'll be looking to understand what it would take for the RBNZ to cut.
Fri 28 Sep (10:00am)	ANZ Consumer Confidence – September	--	--
Fri 28 Sep (10:45am)	Building Consents – August	Getting real	With building consents having been pared back, we may see a bounce – but the trend is turning softer.
Fri 28 Sep (3:00pm)	RBNZ Sectoral Credit -- August	Moderation	After recent stability in credit growth, the moderation in the housing market may start to flow through.
Tue 2 Oct (10:00am)	Quarterly Survey of Business Opinion – Q3	Mirror	We'll be looking to see whether investment and employment intentions mirror the downbeat pulse from the ANZBO.
Wed 3 Oct (10:00am)	ANZ Job Ads – September	--	--
Wed 3 Oct (1:00pm)	ANZ Commodity Price Index – September	--	--
On balance		Data watch	The short-term data pulse may improve, but the medium-term picture is looking less assured.



Key forecasts and rates

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
GDP (% qoq)	0.5	0.8	0.6	0.4	0.7	0.7	0.6	0.6	0.6	0.6
GDP (% yoy)	2.7	2.6	2.6	2.4	2.5	2.4	2.4	2.6	2.5	2.4
CPI (% qoq)	0.5	0.4	0.5	0.3	0.7	0.5	0.5	0.2	0.5	0.4
CPI (% yoy)	1.1	1.5	1.5	1.8	2.0	2.1	2.0	1.9	1.7	1.6
LCI Wages (% qoq)	0.3	0.6	0.6	0.5	0.4	0.7	0.6	0.5	0.5	0.7
LCI Wages (% yoy)	1.9	2.1	1.9	2.0	2.0	2.1	2.1	2.2	2.3	2.4
Employment (% qoq)	0.6	0.5	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.4
Employment (% yoy)	3.1	3.7	1.9	1.9	1.8	1.7	1.7	1.7	1.6	1.5
Unemployment Rate (% sa)	4.4	4.5	4.4	4.4	4.4	4.4	4.3	4.3	4.3	4.3
Current Account (% GDP)	-2.8	-3.1	-3.4	-3.6	-3.4	-3.5	-3.6	-3.7	-3.7	-3.7
Terms of Trade (% qoq)	-1.9	1.2	-1.2	0.3	0.3	0.3	0.1	0.3	0.1	0.3
Terms of Trade (% yoy)	2.0	2.1	-0.4	-1.5	0.6	-0.3	1.0	1.0	0.8	0.8

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18
Retail ECT (% mom)	1.3	0.3	1.4	-0.3	1.6	-2.2	0.7	0.8	0.7	--
Retail ECT (% yoy)	5.0	3.8	4.1	4.0	6.7	1.4	4.2	4.9	4.5	--
Credit Card Billings (% mom)	0.9	0.6	-0.6	0.7	1.0	0.6	-1.5	1.9	-1.1	--
Credit Card Billings (% yoy)	9.1	6.3	4.6	7.0	7.3	6.9	3.7	5.8	3.2	--
Car Registrations (% mom)	0.9	-4.7	3.2	-8.9	-3.7	-1.0	13.2	-6.2	0.1	3.1
Car Registrations (% yoy)	7.3	4.7	6.2	-4.2	-11.9	-9.0	-0.6	-4.9	-0.7	-4.7
Building Consents (% mom)	9.3	-9.1	-0.2	6.4	12.8	-3.8	6.7	-8.2	-10.4	--
Building Consents (% yoy)	13.3	4.5	4.1	-0.8	18.3	15.2	23.1	11.9	-5.8	--
REINZ House Price Index (% yoy)	3.6	3.7	3.5	4.0	4.1	3.7	3.6	3.8	4.8	--
Household Lending Growth (% mom)	0.4	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	--
Household Lending Growth (% yoy)	6.2	5.9	5.8	5.7	5.7	5.8	5.8	5.8	6.0	--
ANZ Roy Morgan Consumer Conf.	123.7	121.8	126.9	127.7	128.0	120.5	121.0	120.0	118.4	117.6
ANZ Business Confidence	-39.3	-37.8	..	-19.0	-20.0	-23.4	-27.2	-39.0	-44.9	-50.3
ANZ Own Activity Outlook	6.5	15.6	..	20.4	21.8	17.8	13.6	9.4	3.8	3.8
Trade Balance (\$m)	-1222	614	-662	188	-151	200	202	-288	-143	--
Trade Bal (\$m ann)	55999	56476	57252	57451	58071	58675	58979	59698	60662	--
ANZ World Comm. Price Index (% mom)	-0.9	-1.9	0.7	2.8	1.2	1.0	1.5	-0.9	-3.3	-1.1
ANZ World Comm. Price Index (% yoy)	6.0	3.2	4.1	5.0	5.8	7.1	5.4	2.3	-0.2	-0.5
Net Migration (sa)	5660	5670	6240	4890	5360	4910	5080	4840	4720	--
Net Migration (ann)	70354	70016	70147	68943	67984	67038	66243	64995	63779	--
ANZ Heavy Traffic Index (% mom)	1.1	-4.2	4.1	-2.5	-0.3	1.4	3.0	-1.5	-0.4	--
ANZ Light Traffic Index (% mom)	1.5	-1.7	-0.5	-0.2	2.2	-0.5	1.1	0.7	0.4	--
ANZ Job Ads (% mom)	-0.2	-0.1	3.0	-1.3	0.7	-1.9	2.4	-1.2	3.2	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)				
	Jul-18	Aug-18	Today	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
NZD/USD	0.681	0.662	0.65	0.65	0.62	0.61	0.61	0.61	0.61	0.62
NZD/AUD	0.919	0.921	0.92	0.90	0.89	0.87	0.87	0.87	0.87	0.89
NZD/EUR	0.581	0.571	0.57	0.57	0.53	0.50	0.49	0.48	0.48	0.48
NZD/JPY	76.00	73.52	72.56	69.6	65.1	62.2	60.4	59.2	58.6	59.5
NZD/GBP	0.518	0.511	0.51	0.51	0.48	0.46	0.45	0.44	0.44	0.43
NZ\$ TWI	71.3	70.0	71.5	68.7	65.4	63.2	62.3	61.8	61.5	62.2
Interest rates	Jul-18	Aug-18	Today	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
NZ 90 day bill	1.91	1.91	1.90	1.95	1.98	2.00	2.00	2.00	2.00	2.00
NZ 10-yr bond	2.76	2.54	2.54	2.60	2.70	2.75	2.80	2.85	2.90	2.95
US Fed funds	2.00	2.00	2.00	2.25	2.50	2.50	2.75	2.75	2.75	2.75
US 3-mth	2.35	2.32	2.33	2.75	2.95	2.95	3.20	3.20	3.20	3.20
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75	2.00	2.00
AU 3-mth	1.96	1.95	1.93	2.05	2.05	2.05	2.00	2.30	2.50	2.50

	7-Aug	3-Sep	4-Sep	5-Sep	6-Sep	7-Sep
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.89	1.92	1.90	1.90	1.90	1.90
NZGB 05/21	1.88	1.67	1.67	1.67	1.65	1.65
NZGB 04/23	2.11	1.89	1.88	1.89	1.87	1.86
NZGB 04/27	2.58	2.35	2.34	2.37	2.36	2.35
NZGB 04/33	2.92	2.69	2.69	2.72	2.71	2.70
2 year swap	2.11	1.97	1.97	1.98	1.97	1.97
5 year swap	2.51	2.30	2.30	2.30	2.29	2.27
RBNZ TWI	72.88	71.81	71.73	71.32	71.87	71.69
NZD/USD	0.6752	0.6614	0.6547	0.6564	0.6591	0.6534
NZD/AUD	0.9080	0.9171	0.9116	0.9145	0.9166	0.9195
NZD/JPY	75.07	73.47	72.95	73.24	73.35	72.53
NZD/GBP	0.5208	0.5132	0.5105	0.5119	0.5096	0.5059
NZD/EUR	0.5823	0.5694	0.5663	0.5661	0.5668	0.5655
AUD/USD	0.7437	0.7212	0.7181	0.7178	0.7191	0.7107
EUR/USD	1.1597	1.1616	1.1561	1.1594	1.1628	1.1553
USD/JPY	111.18	111.08	111.43	111.58	111.29	110.99
GBP/USD	1.2965	1.2888	1.2824	1.2824	1.2933	1.2920
Oil (US\$/bbl)	69.17	69.80	69.87	68.72	67.77	67.75
Gold (US\$/oz)	1215.03	1201.66	1194.54	1194.82	1205.52	1196.93
NZX 50	8876	9257	9292	9228	9102	9095
Baltic Dry Freight Index	1732	1557	1513	1477	1484	1490
NZX WMP Futures (US\$/t)	2970	2840	2820	2790	2790	2770



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