ANZ RESEARCH

NEW ZEALAND MARKET FOCUS

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INSIDE

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EXTENDED CREDIT

ECONOMIC OVERVIEW

We keep getting asked why the RBNZ is so dovish. Capacity pressures are growing, headline inflation is close to hitting 2%, global growth is looking stronger and the NZD is down. It's easy to point to the risk of inflaming the NZD on a shift in stance, the risks of moving pre-emptively or global uncertainty. However, one thing that we don't believe is fully appreciated is the tightening in credit conditions already being seen across the economy. It is not just that retail mortgage interest rates are going up; it is the price and quantity of credit to the business and agricultural sectors too. It is broad-based and is likely to continue. While it doesn't change our core expectation of solid momentum, it adds another layer of uncertainty. The economy needs the credit channel to be tightening at this juncture (it will help elongate the cycle), but such a tightening is fraught with tensions and challenges.

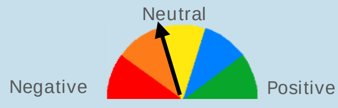
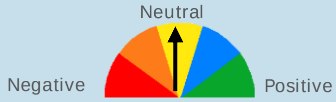
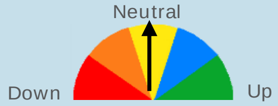
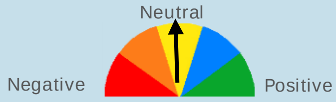
INTEREST RATE STRATEGY

Short-end rates have edged lower over the past week, but remain tightly ensconced in familiar trading ranges. The downside is limited by a lack of interest to chase the market amidst prospective improving economic signals, while the upside is capped by the allure of carry, tightening financial conditions and the RBNZ's neutral tone. We expect the market will remain range-bound with better economic signals complemented by no inflation smoking gun. US 10-year bond yields bounced off a key technical level on Friday and have since edged higher. With the pulse of US data steadily improving amid talk of continued hikes and balance sheet reduction, conditions are ripe for US bond yields to rise, positioning notwithstanding. With the short end anchored by the OCR and the long end inextricably linked to US rates, we expect the curve to steepen and the NZ/US spread to gradually narrow.

CURRENCY STRATEGY

Attitudes toward the Kiwi are changing and we expect 'sell the rally' sentiment to dominate 'buy the dip'. Although the USD has appreciated strongly over the past year and sits at the top end of 5-year trading ranges, the data and policy pulse suggest more upside beckons. Market expectations remain light vis-à-vis what we expect; the Fed can tick the box on both aspects of its mandate, and flight to safety considerations are back to the fore. Domestic credentials remain strong and need to be acknowledged, but the rate of change in NZ is flat/fading, whereas it's picking up in the US. We continue to favour the NZD/AUD gravitating higher.

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	3.2% y/y for 2017 Q4	Soft Q4 GDP figures are not a true reflection of the state of the economy. While momentum is forecast to ease, it should remain decent overall.	
Unemployment rate	4.7% for 2017 Q4	We are looking through the Q4 lift in the unemployment rate. Job ads firmly signal it lower. Finding staff is a huge challenge for firms.	
OCR	1.75% by Dec 2017	With strong growth, capacity pressures emerging and inflation past its lows, further OCR cuts would now be hard to justify. Next move is up.	
CPI	2.1% y/y for 2017 Q4	Headline inflation is past its lows, with base effects seeing it return to the target mid-point shortly. Domestic and core inflation should also gradually lift.	

ECONOMIC OVERVIEW

SUMMARY

We keep getting asked why the RBNZ is so dovish. Capacity pressures are growing, headline inflation is close to hitting 2%, global growth is looking stronger and the NZD is down. It's easy to point to the risk of inflaming the NZD on a shift in stance, the risks of moving pre-emptively (two failed attempts already) or global uncertainty. However, one thing that we don't believe is fully appreciated is the tightening in credit conditions already being seen across the economy. It is not just that retail mortgage interest rates are going up; it is the price and quantity of credit to the business and agricultural sectors too. It is broad-based and is likely to continue. While it doesn't change our core expectation of solid momentum, it adds another layer of uncertainty. The economy needs the credit channel to be tightening at this juncture (it will help elongate the cycle), but such a tightening is fraught with tensions and challenges. In data this week, annual house price growth should continue to slow, while our Monthly Inflation Gauge and food price data will allow us to firm up our Q1 CPI pick.

FORTHCOMING EVENTS

REINZ Housing Market Statistics – March (sometime this week). We expected to see further stabilisation in the volume of turnover. However, annual house price growth should continue to cool.

Electronic Card Transactions – March (10:45am, Tuesday, 11 April). While households are showing restraint overall, there are still enough positive forces to boost overall spending levels. We have pencilled in a 0.7% m/m lift.

ANZ Monthly Inflation Gauge – March (1:00pm, Tuesday, 11 April).

ANZ Truckometer – March (10:00am, Wednesday, 12 April).

BNZ-BusinessNZ PMI – March (10:30am, Thursday, 13 April). More mixed construction sector activity poses some challenges, but we expect activity to hold up overall.

Food Price Index – March (10:45am, Thursday, 13 April). After January's large spike, prices were surprisingly flat in February. We have pencilled in some unwind in March.

WHAT'S THE VIEW?

Our Chief Economist was in Singapore and Hong Kong last week and a common question asked was: why is the RBNZ so dovish? Inflation is set to hit 2% shortly (if it didn't already in Q1), the NZD is lower, dairy prices have moved up and down but generally recovered, and inflation expectations are up.

When answering this question, you can point to the obvious:

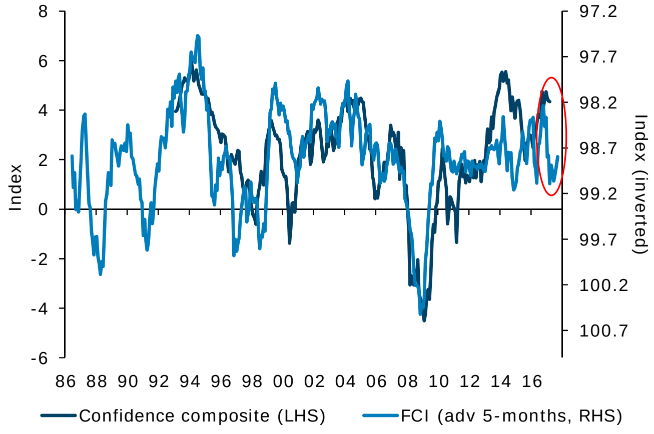
- **Global uncertainty is high.** The RBNZ has been extremely cautious on the global backdrop for some time – arguably more cautious than other central banks of late. We don't blame it. Non-trivial downside risks remain, despite the encouraging improvement in data-flow around the globe. Indeed, with the pressure it brings for higher rates, this improvement could crystallise some risks.
- **Higher headline inflation is being buoyed by uplifts in oil and food prices**; core measures sit around 1½%. Service sector inflation and cost pressures from the labour market remain low.
- **The slightest whiff of tightening bias risks turbo-charging the NZD**. We've obviously seen that in the past, and it is especially pertinent when many of New Zealand's other credentials remain strong relative to most comers.
- **We've had two false starts since the financial crisis, and the RBNZ acknowledged in February the risks of moving pre-emptively**.

Of course, it's easy to debate these points and discuss points of difference over various forecast assumptions, or the importance of the notable slowing in the housing market.

However, there is another reason the RBNZ should be cautious and it's not being discussed enough in our view. That is the tightening we are seeing in credit and financial conditions.

With core inflation still below 2%, the RBNZ needs activity growth to be running above trend to keep nudging it up. That has been the case recently. But recent movements in financial conditions highlight risks to that.

FIGURE 1: FINANCIAL CONDITIONS VS CONFIDENCE COMPOSITE

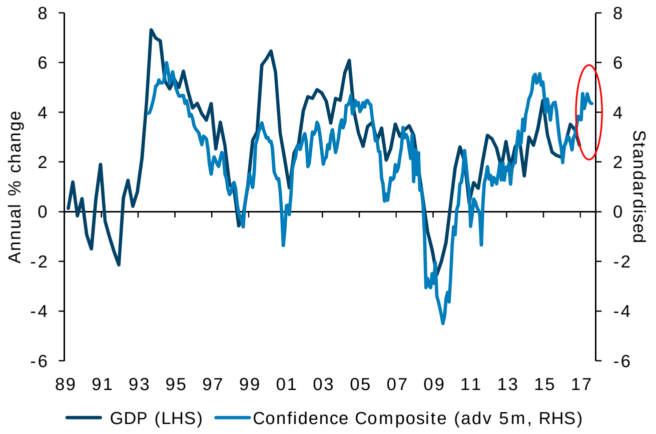


Source: ANZ, Roy Morgan, Bloomberg

ECONOMIC OVERVIEW

Our financial conditions index is not 'tight', but it has certainly tightened, and at face value is pointing to more modest growth outcomes later this year. You can see this when not only looking at the relationship with financial conditions and GDP growth, but also against our confidence composite indicator – which in itself is a good indicator of activity momentum.

FIGURE 2: GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan, Statistics NZ

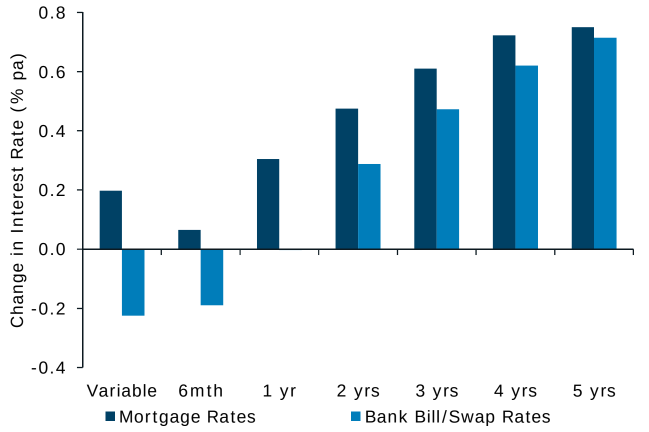
What has driven this tightening in financial conditions?

- **The growth in asset values has slowed; in fact some have fallen.** Despite bouncing a little of late, the local equity market is still off its mid-2016 highs. In the housing market, prices were averaging quarterly growth of close to 6% over mid-2016. Quarterly growth is now effectively flat.
- **Interest rates have risen.** 2-year and 5-year swap rates are up around 30bps and 80bps respectively since September 2016.
- **Credit growth has cooled**. In February, private sector credit grew a modest 0.3% m/m. On a quarterly basis, it is up only 1.0%. That is around half the quarterly average pace of growth seen between April and November last year.

Now to be fair, we need to be careful not to be overly focused on month-to-month movements in financial conditions. They can get thrown around by various short-term factors affecting the likes of the NZD, commodity prices and asset values etc. These may prove temporary and hence have limited 'real' activity implications. It is instead the underlying trends that are more important and whether changes to financial conditions prove long-lasting. The tightening in financial conditions over recent months is looking of that ilk.

We suspect the tightening in credit and financial conditions is having a more profound impact than is generally realised. Across the mortgage and deposit space, it is arguably now reasonably well understood that retail interest rates are moving up in excess of the lift in wholesale rates. In large part this reflects the challenge banks are having in closing the large gap between lending and deposit growth. **But that is effectively just a household story.**

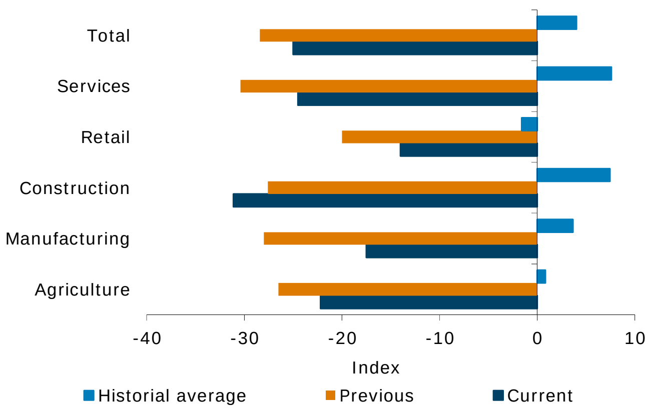
FIGURE 3: CHANGES IN NEW ZEALAND INTEREST RATES SINCE SEPTEMBER 30



Source: ANZ, Bloomberg, interest.co.nz

What is far less commented on is the impact across the business, commercial and agricultural sectors. You don't necessarily see this in carded interest rates *per se*. These don't show shifts in risks grades or banks' appetites to lend to various sectors more generally. But re-pricing is underway and it will continue as credit is rationed. It is no surprise at all to us that within our Business Outlook survey, every single sector is reporting credit being far more difficult to obtain. Across the whole economy a net 25% report it to be more difficult, which is near its historical lows (we started surveying this question in 2009). It is well below average in every sector.

FIGURE 4: ANZ BUSINESS OUTLOOK EASE OF GETTING CREDIT



Source: ANZ

ECONOMIC OVERVIEW

This tightening is in fact just what the economy needs at this juncture if a rerun of history is to be averted. Unfettered credit-driven booms tend to end up in asset valuation excesses, misallocated risk, large current account deficits and debt-driven largesse, all followed by a policy-induced bust. New Zealand experienced that play-book just prior to the 1998 Asian Crisis and the 2008 GFC – and 2016 was starting to look like Groundhog Day.

But this tightening is not without its challenges. Less credit curbs housing supply and investment amidst both housing and capacity shortages. Slow credit growth below income growth too much and you move into a deflationary environment. New Zealand has a glut of investment needs, amidst a savings shortfall. The economy needs to save more; but that means spending less, which detracts from growth.

We're still optimistic regarding the years ahead, but these tensions simply reinforce an additional layer of uncertainty and challenges that comes with elongating an economic expansion. We see risks around the string of data over the next few months as skewed to being strong – and perhaps stronger than was experienced in late 2016, when Q4 GDP growth disappointed. We still believe that the next move in the OCR will be upwards as increasing capacity pressures see core inflation gradually continue to lift. However, the outlook for growth over the latter part of the year contains a few more uncertainties and there are a few more downside risks starting to emerge.

The New Zealand economy is trying something new; it's called restraint late in the cycle in order to extend the cycle. It's voluntary in part (contained consumption), coerced in some areas (regulated), and simply necessary in others.

Turning to the week ahead, REINZ housing market figures for March are expected to show a continuation of cooler price growth. In the February data, there were hints that, at least from an activity perspective, the market was beginning to stabilise after some large falls. Seasonally adjusted sales lifted 1.1% m/m, while the median number of days to sell actually dipped slightly (to 33.4 days). However, what was clear (and something we certainly expect to continue), is that house price growth momentum is cooling. Although annual nationwide price growth (based on the REINZ Stratified House Price Index) still sat at a reasonable 10.6% y/y in February, prices were actually up only 1.9% on a three month annualised basis, with falls currently being seen in Auckland and Canterbury. While fundamental support factors for prices remain (a demand-supply imbalance), we do believe that rising mortgage rates and a turn in the credit cycle will act as a decent cap on price gains.

FIGURE 5: HOUSE SALES AND PRICES

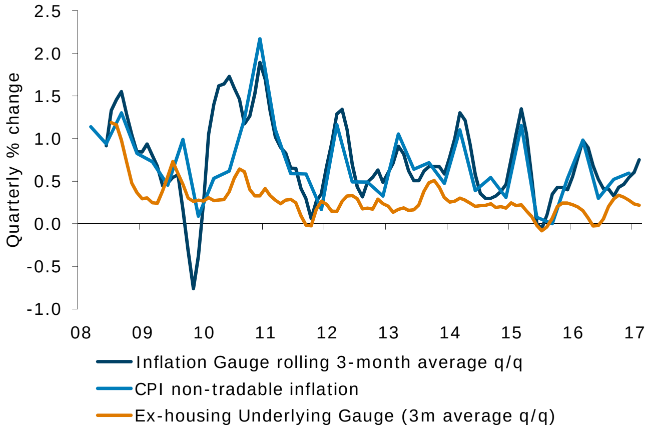
Source: ANZ, REINZ

Electronic Card Transactions figures for March should show a rebound after falling in February. We have pencilled in a 0.7% m/m lift. Whether or not more modest house price growth starts to impact on consumer confidence and spending trends more generally remains to be seen. But with strong house price growth providing less of a boost to spending than was the case in the past, one would have to think that the drag from softer house price growth is going to be modest too. Beyond this wealth effect, positive forces remain, including strong population growth, solid international visitor spending and a strong labour market backdrop that should support spending levels overall.

Our Monthly Inflation Gauge and food price data for March will allow us to firm up our views on Q1 CPI. At this stage our expectation for the CPI figures is a 0.7% q/q lift in the headline, which would lift annual inflation to 1.9%. That does assume that after rising strongly in January and flat-lining in February, food prices fall back in March. If that doesn't occur, then there would be clear upside to our CPI expectations, and headline inflation back at the target mid-point (if not above) would be likely. Of course, the RBNZ is likely to be far more concerned with the breadth of price pressures (rather than one or two factors driving it) and that is where our Monthly Inflation Gauge comes in. In February, the Gauge rose 0.2% m/m, with increases – once again – led largely by the housing and household utilities group.

ECONOMIC OVERVIEW

FIGURE 6: MONTHLY INFLATION GAUGE AND NON-TRADABLE CPI



Source: ANZ, Statistics NZ

Our Truckometer for March will provide a further update on current and perhaps future momentum. In February, the Heavy Traffic Index rose 2.3% m/m, maintaining a reasonably decent underlying trend. It is consistent with strong activity growth over the early part of 2017. The Light Traffic Index also rose, but by a more modest 0.7% m/m, and the underlying trend has eased off. The latter can be thought of as a signal of future momentum, so in that regard it is consistent with the economy recording softer rates of growth over 2H 2017.

Finally, we will watching the BNZ-BusinessNZ PMI for any signs that the near-term challenges facing the construction sector are weighing on manufacturing production. With the index bouncing solidly to 55.2 in February, it doesn't appear so at this stage.

LOCAL DATA

NZIER Quarterly Survey of Business Opinion – Q1. Headline business confidence fell 10 points to a net 16% (sa), past and expected domestic trading activity were unchanged (at 21% and 25% respectively) and capacity utilisation rose to an all-time high of 93.6%.

Private Sector Credit – March. Total credit rose 0.3% m/m (sa), while household credit rose 0.5% m/m.

GlobalDairyTrade Auction. The GDT-TWI rose 1.6%, with whole milk powder prices up 2.4%.

ANZ Job Advertising – March. Total advertising lifted 1.6% m/m (sa), with annual growth 18% higher than a year ago (3-month average).

ANZ Commodity Price Index – March. The world price index rose 0.4% m/m, although NZD prices surged 3.4% m/m.

Government Financial Statements – February. An OBEGAL surplus of $1.4bn was recorded, over $0.9bn ahead of HYEFU forecasts.

INTEREST RATE STRATEGY

SUMMARY

Short-end rates have edged lower over the past week, but remain tightly ensconced in familiar trading ranges. The downside is limited by a lack of interest to chase the market amidst prospective improving economic signals, while the upside is capped by the allure of carry, tightening financial conditions and the RBNZ's neutral tone. We expect the market will remain range-bound with better economic signals complemented by no inflation smoking gun. US 10-year bond yields bounced off a key technical level on Friday and have since edged higher. With the pulse of US data steadily improving amid talk of continued hikes and balance sheet reduction, conditions are ripe for US bond yields to rise, positioning notwithstanding. With the short end anchored by the OCR and the long end inextricably linked to US rates, we expect the curve to steepen and the NZ/US spread to gradually narrow.

THEMES

- Short-end rates remain steady and can't stray too far from the OCR. Although carry on received trades is attractive and the policy backdrop is supportive, flows have been light.
- Prospective tweaks to the monetary policy decision-making process and the RBNZ's mandate are just that – tweaks.
- The US data pulse remains positive and the 'body of evidence' supporting further tightening and/or balance sheet reduction continues to accumulate. That leaves US rates biased higher, particularly given that key levels held on Friday.
- OCR stability + Fed tightening + higher global yields = a steeper NZ yield curve + enhanced returns + NZ/US spread compression.

MONETARY POLICY AND SHORT END

Short-end interest rates remain tightly contained in familiar trading ranges, and we expect them to remain that way for some time. The main considerations remain the same – namely the dovish policy backdrop + tightening financial conditions + attractive carry versus investor fatigue and fairly lean prospects for capital gain. New news is that the government has launched a formal review of how monetary policy decisions are made (single decision-maker versus committee) and that the Labour party (in opposition) is considering widening the Reserve Bank's mandate to include full employment.

Change looks inevitable and guidance will no doubt come from looking abroad. When we look offshore to markets like the Fed and the RBA (who both have a dual mandate and take a committee approach), what you tend to see is more gradualist policy and more communication via speeches from the various committee members. Historically, policy in these countries has tended to be less active (and arguably less proactive).

GLOBAL MARKETS AND LONG END

Long-end interest rates remain biased higher in line with US rates. That has been the case for a while now, and the 'body of evidence' supporting higher US bond yields has been accumulating for some time (especially with core inflation rising and unemployment falling). The key event of last week was the 10-year Treasury bond yield's failure to break below and sustain the 2.3% level. Short positioning has been problematic for a few weeks now, as have flight-to-safety considerations, which came to a head after the US missile strike on Syria. However, short positions continue to be unwound (the market is basically square now) and the tone of Fedspeak remains upbeat, underscoring the outlook for higher yields.

With the short end anchored to a stable OCR and ongoing Fed hikes driving US bond yields higher, we expect the local yield curve to steepen, and geographic spreads to narrow. While it is difficult to be bullish any bond market, we expect New Zealand yields to rise by far less than other markets. With the curve here still relatively steep, and spreads biased to narrow, we expect ongoing outperformance and continued strong offshore participation.

STRATEGY

Investors: No change – we **prefer to remain short duration, and positioned for a steeper curve.** We see scope for the NZ/US spread to continue to narrow, and for Linkers to outperform going into the CPI data.

Borrowers: No change. **BKBM is at a record low, but that won't last, and our forecasts have swap rates going higher than where forward rates sit**, adding to our sense to add to hedges on dips.

KEY VIEWS

SECTOR	DIRECTION	COMMENT
Short end	Neutral/Bullish	Yields can fall given the policy outlook, spreads to AU and R+C. But nobody is keen to chase it late cycle!
Long end	Neutral/Higher	Failure of US yields to break through and sustain levels below 2.3% and the ongoing reduction in US short positioning suggests short squeeze is over. US real yields are too low & need to rise. Fedspeak is hawkish.
Yield Curve	Steeper	Strategically favour a steepener, based largely on divergent views. US curve ought to be steeper too.
Geographic spreads	Neutral/ narrower	Spreads mid-range. Should narrow further over the year as USTs grind higher (especially given neutral RBNZ tone). Generally well correlated with the outlook for policy rate spreads (narrower!).
Swap spreads	Neutral	NZGS demand fair. Some risk of corporate paying, but global uncertainties likely to keep payers at bay.
NZD/TWI	Off highs	RBNZ February inflation projections now outdated given food prices and lower – but not low – TWI.

CURRENCY STRATEGY

SUMMARY

Attitudes toward the Kiwi are changing and we expect 'sell the rally' sentiment to dominate 'buy the dip'. Although the USD has appreciated strongly over the past year and sits at the top end of 5-year trading ranges, the data and policy pulse suggest more upside beckons. Market expectations remain light vis-à-vis what we expect; the Fed can tick the box on both aspects of its mandate, and flight to safety considerations are back to the fore. Domestic credentials remain strong and need to be acknowledged, but the rate of change in NZ is flat/fading, whereas it's picking up in the US. We continue to favour the NZD/AUD gravitating higher.

TABLE 1: KEY VIEWS			
CROSS	GUIDE	MONTH	YEAR
NZD/USD	↔	Range trading until Q1 CPI on April 20th	Firmer USD bias over the year
NZD/AUD	↔/↑	Has based	Push higher
NZD/EUR	↔	EU inflation low. Politics the wildcard	Huge growth/politics divide
NZD/GBP	↔	Consumer slowing as BoE feared	Brexit execution woes weighing
NZD/JPY	↔/↑	JPY struggling to maintain strength	Japan a defensive play; US strong too

THEMES AND RISKS

- It's less about where we're at (NZ is in a good space) than where we're going (US catching up).
- The US data pulse is upbeat and the market's policy expectations remain light and are prone to re-pricing. But there are offsets.
- NZD/AUD has stumbled again. With the NZ growth cycle more advanced, a rally beckons.

ASSESSMENT

We are becoming progressively more bullish on the USD. With only 50bps of Fed hikes priced in by next March and the unwinding of QE on the table, market expectations appear light against a backdrop of improving data. The NZ-US 10 year yield differential stands at around 75bps, compared to a 10 year average of 185bps. Commodity currencies remain vulnerable to a turn in risk sentiment amidst protectionist policy unease.

This bullishness is tempered somewhat by the following factors:

- Our assessment that the USD is already well north of fair value.
- A poor (protectionist) policy platform within the US must ultimately be USD negative.
- While the improvement in the tenor of global data needs to be acknowledged, it remains questionable whether the world economy is truly breaking out of muddle-through growth mode. This mode has helped keep peripherals such as the NZD strong by default.
- Improving the global economy's savings imbalance and the maths of "fair and balanced trade" require a weaker USD, not a stronger one.
- While yield differentials have closed, the differential (pickup) compared to base rates on offer in core markets remains wide.
- The tenor of local economic data is expected to take on a more consistent and solid look over the quarter. Whereas the run of data over late 2016 and early 2017 was patchy and inconsistent (and contributed to a weaker NZD theme) we expect more broad-based consistency over the months ahead. CPI figures are expected to be solid; the unemployment rate is set to move back lower; the Budget will be market friendly; and Q1 GDP figures released in mid-June will show a decent bounce-back.
- The NZ curve remains vulnerable to a re-pricing of expectations towards the RBNZ given the above-mentioned factors.

The combination sees us lean toward a downwards bias for the NZD/USD, though we are more neutral towards NZD/EUR and NZD/JPY.

We continue to favour the NZD/AUD regaining lost ground. The New Zealand business and inflation cycle is more advanced than in Australia and the tilt of data surprises is expected to turn from a reason to sell the cross to grounds for buying it.

TABLE 2: NZD VS AUD: MONTHLY GAUGES		
GAUGE	GUIDE	COMMENT
Fair value	↔/↑	Fair value is 0.93; we're below that.
Yield	↔/↑	Rate differential more in NZ's favour.
Commodities	↔/↑	Iron ore tanking again; dairy steady.
Data	↔/↑	NZ data outlook to improve this qtr.
Techs	↔	Strong bounce off 0.90 encouraging.
Sentiment	↔/↑	Looks to be turning in NZD's favour.
Other	↔/↑	Credit channel tightening faster in AU.
On balance	↔/↑	**Primed for an extension of the rally.**

TABLE 3: NZD VS USD: MONTHLY GAUGES		
GAUGE	GUIDE	COMMENT
Fair value	↔/↑	Below fair-value estimate of ~0.75.
Yield	↔/↓	US yields will rise more rapidly.
Commodities	↔	NZ commodities holding up.
Risk aversion	↔/↓	Risk-on/risk-off volatility apparent.
Data	↔/↑	NZ data outlook to improve this qtr.
Techs	↔/↓	In a mildly downward-sloping channel.
Sentiment	↔/↑	Need to acknowledge NZ positives.
Other	↔/↓	Flight to safety a risk for NZD/USD.
On balance	↔/↓	**Gradually declining profile.**

DATA EVENT CALENDAR

DATE	COUNTRY	DATA / EVENT	MKT.	LAST	NZ TIME
10-Apr	AU	Home Loans MoM - Feb	0.0%	0.5%	13:30
	AU	Investment Lending - Feb	--	4.2%	13:30
	AU	Owner-Occupier Loan Value MoM - Feb	--	-0.2%	13:30
	EC	Sentix Investor Confidence - Apr	21.0	20.7	20:30
	NZ	REINZ House Sales YoY - Mar	--	-14.2%	10-13 Apr
	CH	Money Supply M2 YoY - Mar	11.1%	11.1%	10-15 Apr
	CH	Money Supply M1 YoY - Mar	19.3%	21.4%	10-15 Apr
	CH	Money Supply M0 YoY - Mar	4.0%	3.3%	10-15 Apr
	CH	New Yuan Loans CNY - Mar	1200.0B	1170.0B	10-15 Apr
	CH	Aggregate Financing CNY - Mar	1500.0B	1147.9B	10-15 Apr
	CH	Foreign Direct Investment YoY CNY - Mar	2.0%	9.2%	10-18 Apr
11-Apr	NZ	Card Spending Retail MoM - Mar	0.5%	-0.6%	10:45
	NZ	Card Spending Total MoM - Mar	--	-1.0%	10:45
	AU	ANZ-RM Consumer Confidence Index - 9-Apr	--	111.1	11:30
	NZ	ANZ Monthly Inflation Gauge MoM - Mar	--	0.2%	13:00
	AU	NAB Business Conditions - Mar	--	9	13:30
	AU	NAB Business Confidence - Mar	--	7	13:30
	UK	CPI MoM - Mar	0.3%	0.7%	20:30
	UK	CPI YoY - Mar	2.3%	2.3%	20:30
	UK	CPI Core YoY - Mar	1.9%	2.0%	20:30
	UK	RPI MoM - Mar	0.4%	1.1%	20:30
	UK	RPI YoY - Mar	3.2%	3.2%	20:30
	UK	RPI Ex Mort Int.Payments (YoY) - Mar	3.5%	3.5%	20:30
	UK	PPI Input NSA MoM - Mar	-0.1%	-0.4%	20:30
	UK	PPI Input NSA YoY - Mar	17.0%	19.1%	20:30
	UK	PPI Output NSA MoM - Mar	0.1%	0.2%	20:30
	UK	PPI Output NSA YoY - Mar	3.4%	3.7%	20:30
	UK	PPI Output Core NSA MoM - Mar	0.2%	0.0%	20:30
	UK	PPI Output Core NSA YoY - Mar	2.5%	2.4%	20:30
	UK	House Price Index YoY - Feb	6.1%	6.2%	20:30
	EC	Industrial Production SA MoM - Feb	0.1%	0.9%	21:00
	EC	Industrial Production WDA YoY - Feb	1.9%	0.6%	21:00
	GE	ZEW Survey Current Situation - Apr	77.5	77.3	21:00
	EC	ZEW Survey Expectations - Apr	--	25.6	21:00
	GE	ZEW Survey Expectations - Apr	14.5	12.8	21:00
	US	NFIB Small Business Optimism - Mar	104.9	105.3	22:00
12-Apr	US	JOLTS Job Openings - Feb	--	5626	02:00
	NZ	ANZ Truckometer Heavy MoM - Mar	--	2.3%	10:00
	AU	Westpac Consumer Conf Index - Apr	--	99.7	12:30
	AU	Westpac Consumer Conf SA MoM - Apr	--	0.1%	12:30
	AU	Credit Card Balances - Feb	--	A$51.5B	13:30
	AU	Credit Card Purchases - Feb	--	A$24.6B	13:30
	CH	CPI YoY - Mar	1.0%	0.8%	13:30
	CH	PPI YoY - Mar	7.5%	7.8%	13:30
	GE	Wholesale Price Index MoM - Mar	--	0.5%	18:00
	GE	Wholesale Price Index YoY - Mar	--	5.0%	18:00
	UK	Claimant Count Rate - Mar	--	2.1%	20:30
	UK	Jobless Claims Change - Mar	--	-11.3k	20:30

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA / EVENT	MKT.	LAST	NZ TIME
12-Apr	UK	Average Weekly Earnings 3M/YoY - Feb	2.2%	2.2%	20:30
	UK	Weekly Earnings ex Bonus 3M/YoY - Feb	2.1%	2.3%	20:30
	UK	ILO Unemployment Rate 3Mths - Feb	4.7%	4.7%	20:30
	UK	Employment Change 3M/3M - Feb	70k	92k	20:30
	US	MBA Mortgage Applications - 7-Apr	--	-1.6%	23:00
13-Apr	US	Import Price Index MoM - Mar	-0.2%	0.2%	00:30
	US	Import Price Index YoY - Mar	4.0%	4.6%	00:30
	US	Export Price Index MoM - Mar	--	0.3%	00:30
	US	Export Price Index YoY - Mar	--	3.1%	00:30
	US	Monthly Budget Statement - Mar	-$167.0B	-$108.0B	06:00
	NZ	BusinessNZ Manufacturing PMI - Mar	--	55.2	10:30
	NZ	Food Prices MoM - Mar	--	0.20%	10:45
	UK	RICS House Price Balance - Mar	22%	24%	11:01
	AU	Consumer Inflation Expectation - Apr	--	4.0%	13:00
	AU	RBA Financial Stability Review -	--	--	13:30
	AU	Employment Change - Mar	20.0k	-6.4k	13:30
	AU	Unemployment Rate - Mar	5.9%	5.9%	13:30
	AU	Full Time Employment Change - Mar	--	27.1k	13:30
	AU	Part Time Employment Change - Mar	--	-33.5k	13:30
	AU	Participation Rate - Mar	64.6%	64.6%	13:30
	GE	CPI MoM - Mar F	0.2%	0.2%	18:00
	GE	CPI YoY - Mar F	1.6%	1.6%	18:00
	GE	CPI EU Harmonized MoM - Mar F	0.1%	0.1%	18:00
	GE	CPI EU Harmonized YoY - Mar F	1.5%	1.5%	18:00
	AU	HIA House Affordability Index - Q1	--	77.7	UNSPECIFIED
	CH	Imports YoY - Mar	15.5%	38.1%	UNSPECIFIED
	CH	Exports YoY - Mar	3.4%	-1.3%	UNSPECIFIED
	CH	Trade Balance - Mar	$12.50B	-$9.15B	UNSPECIFIED
14-Apr	US	PPI Final Demand MoM - Mar	0.0%	0.3%	00:30
	US	PPI Final Demand YoY - Mar	2.4%	2.2%	00:30
	US	PPI Ex Food and Energy MoM - Mar	0.2%	0.3%	00:30
	US	PPI Ex Food and Energy YoY - Mar	1.8%	1.5%	00:30
	US	Initial Jobless Claims - 8-Apr	245k	234k	00:30
	US	Continuing Claims - 1-Apr	2024k	2028k	00:30
	US	U. of Mich. Sentiment - Apr P	96.5	96.9	02:00
15-Apr	US	CPI MoM - Mar	0.0%	0.1%	00:30
	US	CPI YoY - Mar	2.6%	2.7%	00:30
	US	CPI Ex Food and Energy MoM - Mar	0.2%	0.2%	00:30
	US	CPI Ex Food and Energy YoY - Mar	2.3%	2.2%	00:30
	US	Retail Sales Advance MoM - Mar	-0.1%	0.1%	00:30
	US	Retail Sales Ex Auto MoM - Mar	0.1%	0.2%	00:30
	US	Retail Sales Ex Auto and Gas - Mar	0.3%	0.2%	00:30
	US	Retail Sales Control Group - Mar	0.3%	0.1%	00:30
	US	Business Inventories - Feb	0.3%	0.3%	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

Looking through the weak Q4 GDP figures, we still believe domestic economic momentum is solid. However, there are some hints of softening. Inflation has lifted off lows, which is consistent with the next move in the OCR being upwards, but probably not until 2018.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
10-14 Apr	REINZ Housing Market Statistics – Mar	Stable at a softer level	Turnover levels are expected to stabilise, although annual house price growth will continue to cool.
Tue 11 Apr (10:45am)	Electronic Card Transactions – Mar	Reasonable	While households are showing restraint overall, there are still enough positive forces to boost overall spending levels.
Tue 11 Apr (1:00pm)	ANZ Monthly Inflation Gauge – Mar	--	--
Wed 12 Apr (10:00am)	ANZ Truckometer – Mar	--	--
Thu 13 Apr (10:30am)	BNZ-BusinessNZ PMI – Mar	Better	More mixed construction sector activity poses some challenges, but we expect activity to hold up overall.
Thu 13 Apr (10:45am)	Food Price Index – Mar	Down?	After January's spike, prices were surprisingly flat in February. We have pencilled in some unwind in March.
Wed 19 Apr (early am)	GlobalDairyTrade Auction	Stability?	Improved global supply has shifted sentiment. The key to whether we see ongoing price weakness is Chinese demand.
Wed 19 Apr (10:30am)	BNZ-Business NZ PSI – Mar	Strong	Services sector activity is holding up, and despite the weaker housing market, is outperforming.
Thu 20 Apr (10:45am)	CPI – Q1	Back at the midpoint?	There is a non-trivial chance that headline inflation will be back at 2% on the back of food and petrol price increases.
Fri 21 Apr (1:00pm)	ANZ-Roy Morgan Consumer Confidence – Apr	--	--
Wed 26 Apr (10:45am)	International Travel & Migration – Mar	At highs	It is getting harder for net inflows to continue to setting net monthly records. Yet we can't see softer numbers on the horizon either.
Fri 28 Apr (10:45am)	Building Consent Issuance – Mar	Capped	Capacity and capital constraints are near-term challenges that are likely to cap the upside for issuance.
Fri 28 Apr (10:45am)	Overseas Merchandise Trade – Mar	Improving	Stronger export commodity prices and improved agricultural production should start to correspond to an improved trade balance.
Fri 28 Apr (1:00pm)	ANZ Business Outlook – Apr	--	--
Wed 3 May (early am)	GlobalDairyTrade Auction	Stability?	Improved global supply has shifted sentiment. The key to whether we see ongoing price weakness is Chinese demand.
Wed 3 May (10:45am)	Labour Market Statistics – Q1	Still strong	Labour demand is clearly strong. The big question is whether supply can keep pace. We believe that is becoming more of a struggle, and see the unemployment rate trending lower.
Thu 4 May (10:00am)	ANZ Job Ads – Apr	--	--
Thu 4 May (1:00pm)	ANZ Commodity Price Index – Apr	--	--
On balance		**Data watch**	**Momentum is looking a little patchier, but should remain reasonable. Inflation is showing tentative signs of lifting.**

KEY FORECASTS AND RATES

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
GDP (% qoq)	0.4	**1.1**	**0.8**	**0.7**	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**	**0.6**
GDP (% yoy)	2.7	**3.1**	**3.1**	**3.0**	**3.2**	**2.7**	**2.4**	**2.2**	**2.1**	**2.1**
CPI (% qoq)	0.4	**0.7**	**0.4**	**0.7**	**0.2**	**0.7**	**0.5**	**0.6**	**0.2**	**0.6**
CPI (% yoy)	1.3	**1.9**	**1.9**	**2.2**	**2.1**	**2.0**	**2.2**	**2.2**	**2.2**	**2.1**
Employment (% qoq)	0.8	**0.7**	**0.6**	**0.4**	**0.4**	**0.4**	**0.4**	**0.3**	**0.3**	**0.3**
Employment (% yoy)	5.8	**5.2**	**3.4**	**2.5**	**2.1**	**1.8**	**1.6**	**1.5**	**1.4**	**1.3**
Unemployment Rate (% sa)	5.2	**5.0**	**4.8**	**4.7**	**4.7**	**4.6**	**4.5**	**4.5**	**4.4**	**4.3**
Current Account (% GDP)	-2.7	**-2.6**	**-2.5**	**-2.5**	**-2.7**	**-3.1**	**-3.2**	**-3.3**	**-3.4**	**-3.4**
Terms of Trade (% qoq)	5.7	**0.2**	**-1.8**	**-1.1**	**-0.2**	**0.4**	**0.3**	**0.1**	**0.1**	**0.0**
Terms of Trade (% yoy)	6.7	**2.6**	**2.9**	**2.9**	**-2.8**	**-2.6**	**-0.6**	**0.6**	**0.9**	**0.5**

	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Retail ECT (% mom)	1.3	0.2	-1.2	2.0	0.5	0.0	0.1	2.7	-0.6	--
Retail ECT (% yoy)	6.8	5.8	3.2	6.1	4.2	5.1	5.8	5.6	2.6	--
Credit Card Billings (% mom)	-1.0	2.6	-1.0	2.9	2.9	-4.1	3.0	0.4	-1.4	--
Credit Card Billings (% yoy)	4.2	5.7	2.3	8.3	10.1	4.2	8.5	7.1	5.3	--
Car Registrations (% mom)	-0.7	0.0	2.6	-4.0	12.8	3.1	-6.2	1.6	0.5	3.5
Car Registrations (% yoy)	-1.2	-1.9	2.6	-0.8	13.1	18.4	7.8	12.2	7.3	16.5
Building Consents (% mom)	16.1	-5.2	-2.5	1.1	0.2	-8.6	-7.5	2.1	14.0	--
Building Consents (% yoy)	39.1	7.9	11.8	17.2	14.0	2.2	-10.5	-1.2	8.5	--
REINZ House Price Index (% yoy)	14.2	16.3	11.7	9.7	14.4	14.9	13.5	11.7	10.5	--
Household Lending Growth (% mom)	0.8	0.8	0.8	0.8	0.6	0.6	0.7	0.5	0.5	--
Household Lending Growth (% yoy)	8.3	8.5	8.7	8.7	8.7	8.6	8.8	8.7	8.5	--
ANZ Roy Morgan Consumer Conf.	118.9	118.2	117.7	121.0	122.9	127.2	124.5	128.7	127.4	125.2
ANZ Business Confidence	20.2	16.0	15.5	27.9	24.5	20.5	21.7	..	16.6	11.3
ANZ Own Activity Outlook	35.1	31.4	33.7	42.4	38.4	37.6	39.6	..	37.2	38.8
Trade Balance ($m)	107	-351	-1240	-1388	-798	-723	-6	-257	-18	--
Trade Bal ($m ann)	52660	52078	51900	51938	51943	51668	51622	51902	52056	--
ANZ World Commodity Price Index (% mom)	3.5	2.1	3.2	5.1	0.7	3.2	0.7	-0.1	2.0	0.4
ANZ World Comm. Price Index (% yoy)	-5.6	1.9	11.1	10.6	4.0	13.6	16.5	19.1	20.9	23.0
Net Migration (sa)	5770	5710	5710	6370	6230	6200	6010	6420	6000	--
Net Migration (ann)	69090	69015	69119	69954	70282	70354	70588	71305	71333	--
ANZ Heavy Traffic Index (% mom)	5.4	-6.4	7.1	-2.1	-0.5	3.7	-0.3	-1.0	2.3	--
ANZ Light Traffic Index (% mom)	2.7	-0.6	1.0	0.1	-2.1	-1.6	0.2	-0.3	0.7	--

Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year

KEY FORECASTS AND RATES

	ACTUAL			FORECAST (END MONTH)						
FX RATES	Feb-17	Mar-17	Today	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
NZD/USD	0.719	0.701	0.694	0.70	0.69	0.68	0.68	0.68	0.67	0.67
NZD/AUD	0.938	0.918	0.925	0.92	0.93	0.94	0.94	0.93	0.91	0.89
NZD/EUR	0.679	0.658	0.656	0.65	0.66	0.67	0.68	0.65	0.63	0.63
NZD/JPY	80.79	78.04	77.20	80.5	79.4	78.2	78.2	78.2	77.1	77.1
NZD/GBP	0.578	0.558	0.561	0.58	0.58	0.58	0.55	0.54	0.54	0.52
NZ$ TWI	77.2	75.1	76.0	75.3	75.3	75.3	75.5	74.2	72.7	72.2
INTEREST RATES	Feb-17	Mar-17	Today	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
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	2.00	2.00	1.97	2.00	2.00	2.00	2.10	2.30	2.50	2.50
NZ 10-yr bond	3.23	3.19	3.12	3.50	3.70	3.80	3.90	4.00	4.00	4.10
US Fed funds	0.75	1.00	1.00	1.00	1.25	1.50	1.50	1.75	2.00	2.25
US 3-mth	1.06	1.15	1.16	1.20	1.45	1.70	1.70	1.95	2.20	2.45
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
AU 3-mth	1.78	1.80	1.79	1.70	1.70	1.70	1.70	1.70	1.70	1.70

	7 Mar	3 Apr	4 Apr	5 Apr	6 Apr	7 Apr
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.99	2.00	2.00	1.99	2.00	1.98
NZGB 03/19	2.18	2.13	2.10	2.10	2.10	2.07
NZGB 05/21	2.59	2.45	2.41	2.43	2.41	2.39
NZGB 04/23	2.87	2.76	2.72	2.73	2.72	2.70
NZGB 04/27	3.31	3.16	3.08	3.09	3.09	3.06
2 year swap	2.34	2.31	2.27	2.29	2.27	2.26
5 year swap	3.02	2.91	2.85	2.85	2.83	2.80
RBNZ TWI	76.64	76.27	76.22	76.04	76.03	76.10
NZD/USD	0.6991	0.6997	0.6978	0.6973	0.6973	0.6941
NZD/AUD	0.9203	0.9200	0.9238	0.9207	0.9228	0.9258
NZD/JPY	79.63	77.97	77.08	77.30	77.35	77.09
NZD/GBP	0.5730	0.5596	0.5606	0.5587	0.5598	0.5605
NZD/EUR	0.6610	0.6567	0.6557	0.6535	0.6539	0.6544
AUD/USD	0.7597	0.7605	0.7553	0.7573	0.7556	0.7500
EUR/USD	1.0576	1.0655	1.0642	1.0670	1.0664	1.0591
USD/JPY	113.90	111.44	110.47	110.86	110.92	111.09
GBP/USD	1.2202	1.2503	1.2446	1.2479	1.2456	1.2371
Oil (US$/bbl)	53.14	50.24	51.03	51.15	51.70	52.24
Gold (US$/oz)	1225.03	1245.71	1257.90	1252.95	1251.39	1254.53
Electricity (Haywards)	4.92	5.06	5.19	4.62	3.70	4.07
Baltic Dry Freight Index	1033	1282	1255	1223	1215	1223
NZX WMP Futures (US$/t)	2910	2850	2850	2930	2995	2995

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