ANZ RESEARCH

NEW ZEALAND MARKET FOCUS

30 April 2018

INSIDE

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MIXED SIGNALS

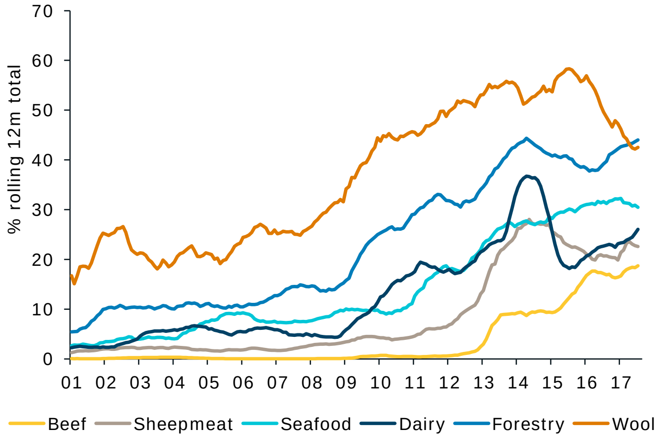
ECONOMIC OVERVIEW

As a small, open economy, New Zealand is significantly affected by the global economic cycle. Currently, economic indicators point to ongoing, above-trend growth in the global economy. But global markets are sending some mixed signals: equities are volatile, but other markets less so. The global economy is navigating some challenges, which could have flow-on impacts to New Zealand. In some ways, New Zealand is more robust than it once was to adverse global events. But in other ways, vulnerability has increased. We remain optimistic about the global outlook and by extension the environment for New Zealand's commodity prices, goods and services exports and funding markets. But we will be watchful for any change in conditions. One thing seems clear: it's going to be a bumpier ride than it has been.

CHART OF THE WEEK

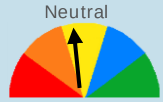
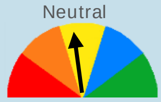
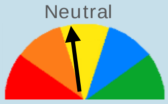
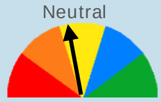
New Zealand's current terms of trade boom is diversified by product, but less so by country. We have become increasingly reliant on China as an export destination.

Figure 1: Proportion of export earnings from China



Source: Statistics New Zealand, ANZ Research

THE ANZ HEATMAP

Variable	View	Comment	Risks around our view
GDP	3.2% y/y for 2018 Q4	The economy is not quite firing on all cylinders. However, we see growth holding around 2-3% (trend) on average.	Neutral  Negative Positive
Unemployment rate	4.2% for 2018 Q4	The unemployment rate should fall further gradually. Conditions are in place for wage inflation to continue increasing slowly.	Neutral  Negative Positive
OCR	1.75% by Dec 2018	With plenty of question marks over the outlook for inflation, we believe the RBNZ will be cautious in tightening policy.	Neutral  Down Up
CPI	1.7% y/y for 2018 Q4	With capacity constrained and wages expected to rise, we expect domestic and core inflation will lift – albeit gradually.	Neutral  Negative Positive

ECONOMIC OVERVIEW

SUMMARY

As a small, open economy, New Zealand is significantly affected by the global economic cycle. Currently, economic indicators point to ongoing, above-trend growth in the global economy. But global markets are sending some mixed signals: equities are volatile, but other markets less so. The global economy is navigating some challenges, which could have flow-on impacts to New Zealand. In some ways, New Zealand is more robust than it once was to adverse global events. But in other ways, vulnerability has increased. We remain optimistic about the global outlook and by extension the environment for New Zealand's commodity prices, goods and services exports and funding markets. But we will be watchful for any change in conditions. One thing seems clear: it's going to be a bumpier ride than it has been.

FORTHCOMING EVENTS

ANZ Business Outlook – April (1:00pm, Monday 30 April).

Building Consents – March (10:45am, Tuesday 1 May). Consents are likely to continue to chop around an elevated level, with the construction industry constrained.

GlobalDairyTrade auction (early am, Wednesday 2 May). Sluggish supply and broad-based demand are expected to see prices push higher.

Labour Market – Q1 2018 (10:45am, Wednesday 2 May). The theme of a strong labour market but low wage inflation is expected to continue. Unemployment is expected to tick up slightly to 4.6% (from 4.5%) but is gradually trending lower. Annual wage inflation is expected to increase to 2.0% (from 1.9%), following recent gradual increases.

ANZ Job Ads – April (10:00am, Thursday 3 May).

ANZ Commodity Price Index – April (1:00pm, Thursday 3 May).

WHAT'S THE VIEW?

As a small, open economy, New Zealand is significantly affected by global events and economic developments. Prices of our key commodities are determined in world markets; we are reliant on trade; our freely floating currency is heavily traded relative to our size and goes through large cycles that exporters and importers need to manage; migration is currently very high relative to our population and is prone to large swings; and we rely on global funding markets and capital inflows from the rest of the world. New Zealand is thus well placed to benefit from global trade and openness, including through greater productivity, greater opportunities, consumer choice, and integration with the global supply network. But it also means our economy can be buffeted by less favourable global developments.

Currently, most economic indicators and forecasts point to ongoing, above-trend growth in the global economy – a backdrop that is favourable for New Zealand's commodity prices, broader export demand and funding markets. It is also generally a positive environment for the NZD. Despite some recent pull-back in PMIs, the global data pulse remains positive. World growth reached 3.8% in 2017, and ANZ's global team forecasts it to remain near there through 2018 and 2019.

In particular:

- **US fiscal stimulus** is expected to contribute to both demand and inflation.
- **Financial conditions** have tightened modestly, but are still very accommodative and supportive of the growth cycle.
- **China's growth** is expected to slow, but to still-robust levels: 6.5% y/y in 2018 and 6.3% in 2019.
- Outside of China, **growth in Asia** has become more domestically driven, while exports continue to hold up.
- **Growth in Australia** remains supported by expansionary monetary policy, business investment and public spending.

But global markets are sending some mixed signals at the moment. Global equity markets have wobbled recently. The S&P 500 has fallen 6% from the highs seen in January. And market measures of volatility have increased back to 'normal' levels, following the unusual period of prolonged calm in 2017.

Despite the fall in equities, moves in other markets have been far more benign. Commodity prices remain supported, while currency movements have been mixed. High-yield corporate bond spreads remain historically compressed relative to lower-risk corporate or government bonds – suggesting investors are demanding relatively little compensation for bearing risk. The proportion of leveraged corporate bonds that are "covenant lite" is also high, indicating investors are relaxed about reduced protection.

Mixed signals are not that surprising at this juncture, given enormous uncertainty. After an extremely long period of exceptionally low interest rates and quantitative easing, the Federal Reserve is now steadily raising the fed funds rate and reducing the size of its balance sheet. Higher interest rates and diminishing global liquidity have important implications for global markets, but there is considerable uncertainty and disagreement about how far interest

ECONOMIC OVERVIEW

rates will rise, and what the effects of this will be. In that context, some wobbles and contradictory signals are not surprising.

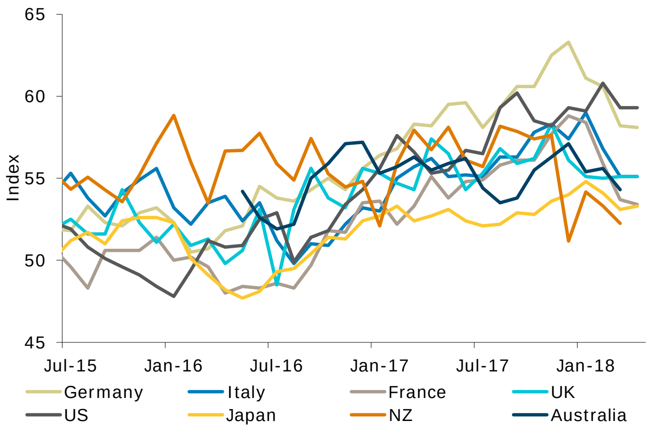
Mixed market signals highlight that the global economy is navigating some challenges, which could have flow-on impacts to New Zealand. With US-Sino trade tensions at the fore and central bank policy on the move, it will take cool heads and sensible policy to maintain the current equilibrium. This week we put on our "black hats" and consider five possible global risks to New Zealand. These potential events are not our forecast, but rather highlight some of the challenges about which markets are a little nervous.

A risk of weaker global growth

Since the start of 2018, **global surprise indices have turned negative** as economic data has surprised on the downside. **Global PMIs** – typically quite reliable lead indicators of activity – **have been pared back** in concert. And as has been the case for a while now, **the US yield curve is threatening to invert** – something that historically has been a reliable indicator of future US recessions. These recent events have led some to opine that global growth is about to roll over. Weaker growth would impact New Zealand via several channels: commodity prices, asset valuations, likely a weaker currency, and weaker earnings putting lofty equity valuations into the spotlight.

However, context is important. Economic data is easing off very strong levels, and hence is surprising relative to elevated expectations. Activity indicators generally remain solid, despite some softening – global PMIs remain expansionary, pointing to above-trend growth. And the distortions in the US bond market caused by quantitative easing have led many to conclude that the slope of the yield curve is no longer a reliable indicator of future growth expectations. In short, current levels of key indicators remain robust, but we're on a watching brief.

Figure 1: Global PMIs

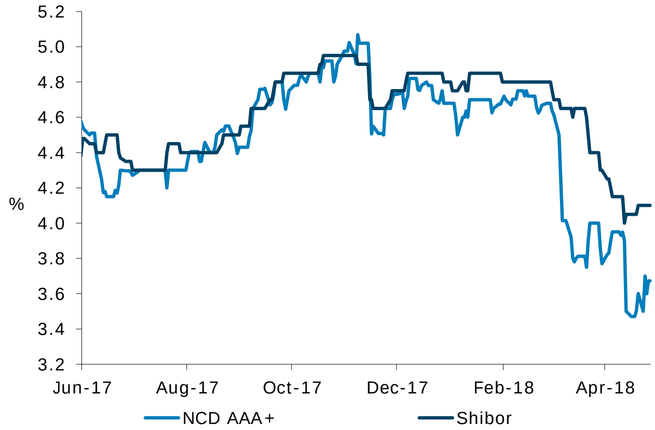


Source: Bloomberg, Markit, Business-NZ, ANZ Research

The risk of a slowdown in China

Chinese policymakers have sent a strong signal that the economy is on a path of deleveraging. And with some success: since 2018, China's credit impulse (growth in the debt/GDP ratio) has eased significantly. But policymakers face a delicate balance of wanting to rein in credit growth without sharply increasing funding costs or slowing the economy abruptly. Recently, interest rates have fallen in China, leading to speculation that the PBoC is about to reverse course and embark on monetary easing, perhaps due to a slowing in economic activity or in light of recent trade tensions. We don't think that is the case, with it rather reflecting a desire for credit reallocation towards the private sector. But the debate underscores an important truth: deleveraging comes at a cost of short-term growth, and that may make the effort difficult to sustain, particularly if growth slows more than anticipated.

Figure 2: Chinese market interest rates



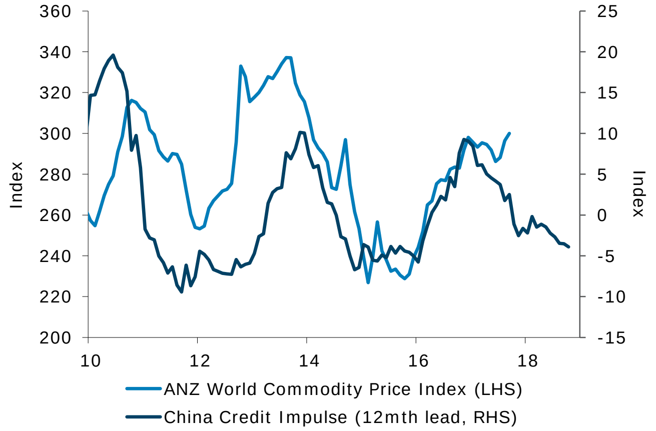
Source: Bloomberg, ANZ Research

As the deleveraging effort continues, history suggests some downward pressure on our commodity prices may result – unsurprisingly, since China is our largest trading partner. In recent months, China's demand for New Zealand's commodities has seemed insatiable, and official growth numbers are holding up well. Other factors such as China's domestic supply and food safety and environmental regulations can also have a big impact on demand but are not obviously connected to the economic or credit cycle.

But the fact remains, China's policymakers are walking a tightrope attempting to wean the economy off its debt addiction while keeping things on an even keel. So far so good, it must be said, but there's a long way to go. And as the figure below illustrates, the implied demand headwinds from deleveraging efforts thus far are considerable and are perhaps yet to be fully felt.

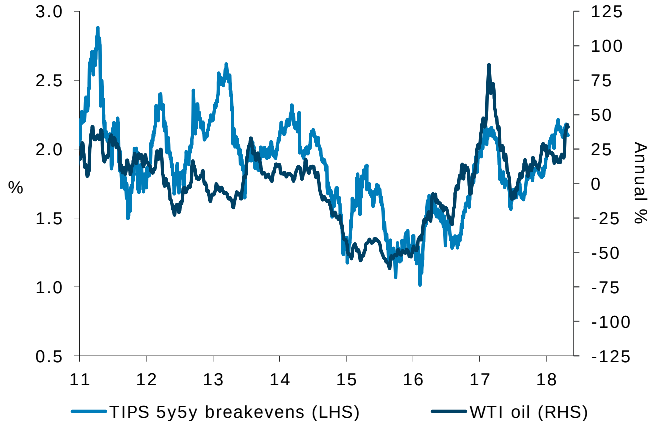
ECONOMIC OVERVIEW

Figure 3: China's credit impulse and ANZ world commodity price index



Source: Bloomberg, ANZ Research

Figure 4: US market-implied inflation expectations and oil prices



Source: Bloomberg, ANZ Research

The risk that trade tensions escalate

Trade tensions between the US and China have been a theme of 2018 to date. So far, much of the tension has been centred on rhetoric, with measures proposed by the US yet to be fully implemented. Despite these tensions, the fundamental trade outlook remains positive, with forward-looking indicators monitored by ANZ's global team remaining elevated. If the US were to broaden its restrictive trade measures, we expect China would retaliate, which would be negative for financial conditions and global growth.

In general, tariffs are bad for commodity prices because they reduce final demand. However, the impact depends on how widespread measures are and New Zealand's own response. In the short term, New Zealand could be relatively well placed in such a scenario. New Zealand has a trade surplus with China, and is well positioned to meet demand for agricultural commodities in place of the US. However, the more trade tensions rise, the greater the risk of collateral damage and being caught up in untargeted tariffs.

The risk of a faster US inflation comeback

The US tightening cycle is well underway, with Federal Reserve officials expecting that monetary policy will need to become outright contractionary for inflation to remain contained. Currently, **the US unemployment rate is below estimate of the natural rate, putting upward pressure on wages and prices. At the same time, oil prices have risen** – while this is the type of inflation central banks tend to look through, it could grease the wheel of inflation expectations.

Indeed, in line with the increase in oil prices, market-implied inflation expectations for the US 5-years ahead have now risen above the Federal Reserve's 2% y/y inflation target.

Opinions on the US inflation outlook are divided, but if the consensus were to swing definitively towards a higher inflation track the Federal Reserve could find itself in catch-up mode. This would put downward pressure on the NZD, with interest rate differentials attracting more capital into the US at the expense of other countries, assuming the inflation outlook here remains benign and the RBNZ remains on the sidelines. But so far, despite the collapse in NZ-US interest rate spreads, the NZD has remained elevated, following the lead of commodity prices.

While exporters would consider a lower NZD a boon, other impacts would be less helpful. Higher interest rates will be to some extent passed into New Zealand rates at the long end. This would hit local household and corporate balance sheets and hence consumption and investment. Valuations of global equities and other assets will be challenged, affecting New Zealand assets both via direct correlations and via the rates channel.

The risk financial conditions tighten abruptly

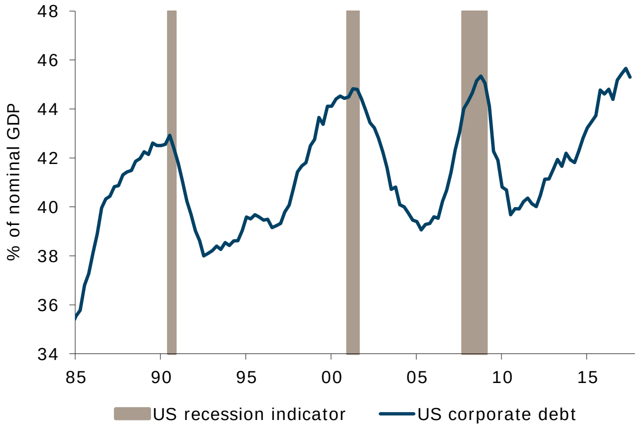
Interest rates in the US remain low, but monetary conditions have still tightened. There is a risk that market conditions could tighten further in an abrupt fashion as a result of reduced global liquidity and/or a demand/supply imbalance in the US Treasury market. If this were to occur, it could cause market stress, particularly if the remaining large bastions of highly expansionary monetary policy, namely the ECB and Bank of Japan, were to start to sound a more hawkish tone – not that there seems any imminent risk of that.

Risks surrounding higher interest rates are especially pertinent in light of high debt levels. Debt levels – government, corporate and household – have increased markedly since the GFC. Figure 5 shows US corporate debt levels, for example. Record-high household debt across Australasia is another example.

ECONOMIC OVERVIEW

With high levels of debt comes increased sensitivity to changes in interest rates and contagion risk.

Figure 5: US corporate debt (% of nominal GDP)



Source: Bloomberg, ANZ Research

In that context, it's no surprise that central banks are treading cautiously. Short-term funding markets have tightened as global liquidity has been withdrawn. This has had some impact on the Australian and New Zealand markets, with a widening in 3-month bank bills relative to OIS. This represents a tightening in monetary conditions that the RBNZ will be watching closely. It appears to have stabilised, but if conditions were to tighten markedly, they may need to be offset with a lower OCR.

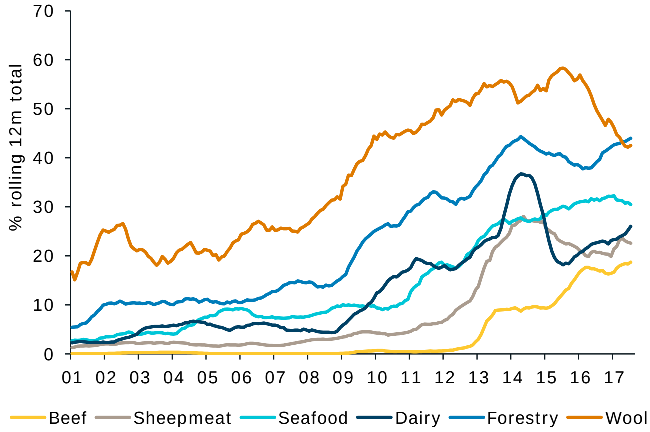
The five risks we have highlighted are by no means an exhaustive list. Global "shocks" tend to be (by definition) unexpected. We haven't even discussed geopolitical risks, and there is no shortage of them. **What's important is how well NZ is placed should an unexpected negative event arise.** Some key shock absorbers are the freely floating currency and independent, flexible monetary policy.

In some ways, New Zealand is less vulnerable than it once was to global events. Relative to 2008, the current account deficit has narrowed considerably and our external debt has fallen relative to the size of the economy – and is effectively fully-hedged. Our financial system is now less reliant on short-term global funding, which means we are less vulnerable to funding market dislocations. Our domestic financial system is now less risky too, with stricter regulation, macro-prudential policy having taken the heat out of the housing market, and limited non-bank lending.

But in other ways, vulnerability has increased. We are increasingly reliant on China. While New Zealand's trade base is diversified by product (it's not all about dairy), it is less diversified by country. China has now well surpassed Australia for two-way trade activity. Service exports to China have grown 13% per annum since 2008, driven by tourism and education.

And foreign direct investment from China has increased 25% per annum since 2008, making it the third-largest source of capital for New Zealand. Strong demand for our exports has underpinned record-high terms of trade, supporting national incomes. But this increasing reliance on China also makes us more susceptible should economic conditions worsen there.

Figure 6: Proportion of export earnings from China



Source: Statistics New Zealand, ANZ Research

Household vulnerability has also increased. House prices and household debt levels relative to incomes are even higher than they were in 2008 and many households do not have significant saving buffers, meaning the household sector could come under strain should economic conditions deteriorate. **And in the event of a domestic downturn, interest rates don't have much room to move.** When the GFC hit, the OCR was cut 600bp. The OCR is now only 175bp above zero. The long-term implications of the market distortions caused by "unconventional" monetary policy are yet to be discovered. It would be preferable to not have to join the experimental club.

We remain optimistic about the global outlook and by extension the environment for New Zealand's commodity prices, exports and funding markets. But we will be watching economic and financial market signals closely. And with market volatility now back to normal, one thing seems clear: it's going to be a bumpier ride than it has been.

THE WEEK AHEAD

This week we have a number of our own data releases out, including the **ANZ Business Outlook Survey**, **ANZ Job Ads**, and **ANZ Commodity Price Index.**

In addition, **building consents data for March** will be out on Tuesday, providing a steer on activity in the construction industry in Q1 2018. In February, dwelling consents increased 5.7% m/m, driven by multi-dwelling consents. But from a floor area perspective (more relevant for gauging residential investment)

ECONOMIC OVERVIEW

issuance fell 5.7% m/m. Consents data in the year to date is consistent with a contraction in residential investment in H1 2018 – in line with our forecasts. We expect residential consents will continue to chop around at an elevated level, but struggle to go higher, with the construction industry grappling with cost, capital and capacity constraints.

A range of factors look set to see dairy prices squeeze higher at the GlobalDairyTrade auction this week.

- **Sluggish European production.** Cooler weather in February and March kept cows indoors longer and reduced pasture development. At the same time, tighter margins courtesy of reductions in farm-gate prices and higher feed costs (albeit off recent highs) reduced milk production growth below 3% during the first quarter. More recent weekly reports have suggested flat to lower milk production in some of the larger export regions.
- **Broad-based demand is supportive**. Chinese participation on GDT has increased back above the 50% level, which usually leads to higher prices. This is due to tight local supply from heat stress impacting on cow performance, smaller farms continuing to exit due to low profitability, stricter enforcement of new environmental regulations and solid demand growth. Middle East buying looks like it could be getting a boost from improved oil prices and Algerian powder demand remains high. South-East Asian buyers have reportedly run down stocks.
- **All of this is occurring at a time of low seasonal supply from New Zealand.** Processors are reportedly sold out for the 2017/18 season. For whole milk powder, NZX futures are suggesting a break of the USD3,300/t level (toward USD3,400/t). If sustained, it would be the first time since late-2016 (and before that, 2013/14). A further lift in skim milk powder prices is anticipated too, largely due to buyers needing to source New Zealand originated product for labelling claims. The butter complex is tightening too with sluggish European milk supply, lower seasonal stocks and robust internal demand in Asian markets.

Overall, NZX futures are pointing to a further 2-3% lift in this week's GDT prices. Meanwhile, the NZD/USD has dropped nearly 3 cents in the last two weeks. If sustained, this would add $0.35/kg MS to the 2018/19 milk price. On that sort of form there could well be a further lift in the milk price for 2017/18 (currently $6.55/kg MS), while opening prospects for 2018/19 look very rosy at present.

Labour market data for Q1 2018 will be out on Wednesday. In light of recent strength, we expect that employment growth is due for a weaker quarter. We are picking a 0.3% q/q increase, which would see annual growth pull back to 3.0% y/y (from 3.7%). We expect that the participation rate will be flat in the quarter at its current high level. But we expect the labour force will increase 0.5% q/q, as a result of continued strong growth in the working-age population, which has increased 2.3% over the past year. Over the medium term, we expect employment growth will remain robust but slow gradually, with capacity constraints limiting future increases. We expect strong growth in labour supply will continue to be a feature of the labour market. Migration inflows are showing only tentative signs of slowing and remain very high.

We are expecting a modest tick up in the unemployment rate to 4.6% in Q1 2018, but this is in the context of trending gradually lower. The unemployment rate was 4.5% in Q4 – consistent with a 'tight' labour market and below our estimate of the NAIRU. **With GDP growth expected to grow only around trend, the unemployment rate is expected to decline only gradually over the medium term.**

Wage inflation is expected to remain subdued, but we are anticipating further increases in time. With the labour market tight and capacity pressures expected to continue to build, conditions are in place for wage inflation to increase further – the question is when. We have pencilled in a 0.4% q/q increase in Q1, with annual inflation ticking up to 2.0%. From here, increases in wage inflation will be gradual, increasing little by little to 2.5% in late 2019.

The RBNZ will now be more focused on labour market data, given it is moving to a dual-style mandate. But we don't think next week's figures will change its thinking. The story remains the same: the economy and the labour market are both performing well, but price and wage inflation are elusive. And although the economy is arguably near "maximum sustainable" employment, inflation remains well below the midpoint of the RBNZ's target band. The RBNZ will remain cautious until it sees a broadening in inflationary pressures, with the OCR on hold for some time yet.

LOCAL DATA

Net Migration – March. Seasonally adjusted net migration inflows picked up to 5,480. The pick-up was driven by a rebound in arrivals. Short-term visitor arrivals slipped 2.1% (+10% y/y).

ANZ-Roy Morgan Consumer Confidence – April. Consumer confidence dipped 7.5 points to 120.5 in April, to sit slightly above its historical average.

Overseas Merchandise Trade – March. The monthly trade deficit of -$86m was the largest since 2018, driven by a rebound in imports (annual -$3.4bn).

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
30-Apr	NZ	ANZ Activity Outlook - Apr	--	21.8	13:00
	NZ	ANZ Business Confidence - Apr	--	-20.0	13:00
	AU	Melbourne Institute Inflation MoM - Apr	--	0.1%	13:00
	AU	Melbourne Institute Inflation YoY - Apr	--	2.1%	13:00
	CH	Non-manufacturing PMI - Apr	54.5	54.6	13:00
	CH	Manufacturing PMI - Apr	51.3	51.5	13:00
	CH	Composite PMI - Apr	--	54.0	13:00
	AU	Private Sector Credit MoM - Mar	0.4%	0.4%	13:30
	AU	Private Sector Credit YoY - Mar	4.9%	4.9%	13:30
	GE	Retail Sales MoM - Mar	0.8%	-0.5%	18:00
	GE	Retail Sales YoY - Mar	1.2%	1.3%	18:00
	EC	M3 Money Supply YoY - Mar	4.1%	4.2%	20:00
1-May	GE	CPI MoM - Apr P	-0.1%	0.4%	00:00
	GE	CPI YoY - Apr P	1.5%	1.6%	00:00
	GE	CPI EU Harmonized MoM - Apr P	0.0%	0.4%	00:00
	GE	CPI EU Harmonized YoY - Apr P	1.5%	1.5%	00:00
	US	Personal Income - Mar	0.4%	0.4%	00:30
	US	Personal Spending - Mar	0.4%	0.2%	00:30
	US	PCE Deflator MoM - Mar	0.0%	0.2%	00:30
	US	PCE Deflator YoY - Mar	2.0%	1.8%	00:30
	US	PCE Core MoM - Mar	0.2%	0.2%	00:30
	US	PCE Core YoY - Mar	1.9%	1.6%	00:30
	US	Chicago Purchasing Manager - Apr	58.0	57.4	01:45
	US	Pending Home Sales MoM - Mar	0.5%	3.1%	02:00
	US	Pending Home Sales NSA YoY - Mar	--	-4.4%	02:00
	US	Dallas Fed Manf. Activity - Apr	25.0	21.4	02:30
	AU	AiG Perf of Mfg Index - Apr	--	63.1	10:30
	NZ	Building Permits MoM - Mar	--	5.7%	10:45
	AU	CBA PMI Mfg - Apr	--	54.3	11:00
	AU	ANZ-RM Consumer Confidence Index - 29-Apr	--	118.4	11:30
	AU	CoreLogic House Px MoM - Apr	--	-0.2%	12:00
	JN	Nikkei PMI Mfg - Apr F	--	53.3	12:30
	AU	RBA Cash Rate Target - May	1.50%	1.50%	16:30
	AU	Commodity Index SDR YoY - Apr	--	-2.1%	18:30
	AU	Commodity Index AUD - Apr	--	113.2	18:30
	UK	Net Consumer Credit - Mar	£1.4B	£1.6B	20:30
	UK	Net Lending Sec. on Dwellings - Mar	£3.6B	£3.7B	20:30
	UK	Mortgage Approvals - Mar	63.0k	63.9k	20:30
	UK	Money Supply M4 MoM - Mar	--	-0.3%	20:30
	UK	M4 Money Supply YoY - Mar	--	4.1%	20:30
	UK	M4 Ex IOFCs 3M Annualised - Mar	--	3.3%	20:30
	UK	Markit PMI Manufacturing SA - Apr	54.8	55.1	20:30
2-May	US	Markit Manufacturing PMI - Apr F	56.5	56.5	01:45
	US	Construction Spending MoM - Mar	0.5%	0.1%	02:00
	US	ISM Manufacturing - Apr	58.5	59.3	02:00
	US	ISM Prices Paid - Apr	76.8	78.1	02:00
	NZ	QV House Prices YoY - Apr	--	7.3%	05:00
	NZ	Unemployment Rate - Q1	4.5%	4.5%	10:45

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
2-May	NZ	Employment Change QoQ - Q1	0.6%	0.5%	10:45
	NZ	Employment Change YoY - Q1	3.3%	3.7%	10:45
	NZ	Participation Rate - Q1	71.0%	71.0%	10:45
	NZ	Pvt Wages Inc Overtime QoQ - Q1	0.5%	0.4%	10:45
	NZ	Pvt Wages Ex Overtime QoQ - Q1	0.4%	0.4%	10:45
	NZ	Average Hourly Earnings QoQ - Q1	0.5%	0.8%	10:45
	JN	Nikkei PMI Services - Apr	--	50.9	12:30
	JN	Nikkei PMI Composite - Apr	--	51.3	12:30
	CH	Caixin PMI Mfg - Apr	50.9	51.0	13:45
	GE	Markit/BME Manufacturing PMI - Apr F	58.1	58.1	19:55
	EC	Markit Manufacturing PMI - Apr F	56.0	56.0	20:00
	UK	Markit/CIPS Construction PMI - Apr	50.5	47.0	20:30
	EC	Unemployment Rate - Mar	8.5%	8.5%	21:00
	EC	GDP SA QoQ - Q1 A	0.4%	0.6%	21:00
	EC	GDP SA YoY - Q1 A	2.5%	2.7%	21:00
	US	MBA Mortgage Applications - 27-May	--	-0.2%	23:00
3-May	US	ADP Employment Change - Apr	198k	241k	00:15
	US	FOMC Rate Decision - May	1.75%	1.75%	06:00
	NZ	ANZ Job Advertisements MoM - Apr	--	0.9%	10:00
	AU	AiG Perf of Services Index - Apr	--	56.9	10:30
	AU	CBA PMI Services - Apr	--	55.6	11:00
	AU	CBA PMI Composite - Apr	--	55.4	11:00
	NZ	ANZ Commodity Price - Apr	--	1.2%	13:00
	AU	Trade Balance - Mar	A$950M	A$825M	13:30
	AU	Building Approvals MoM - Mar	1.0%	-6.2%	13:30
	AU	Building Approvals YoY - Mar	10.8%	-3.1%	13:30
	UK	Official Reserves Changes - Apr	--	$1493M	20:30
	UK	Markit/CIPS Services PMI - Apr	53.5	51.7	20:30
	UK	Markit/CIPS Composite PMI - Apr	53.7	52.5	20:30
	EC	PPI MoM - Mar	0.1%	0.1%	21:00
	EC	PPI YoY - Mar	2.1%	1.6%	21:00
	EC	CPI Core YoY - Apr A	0.9%	1.0%	21:00
	EC	CPI Estimate YoY - Apr	1.3%	--	21:00
4-May	US	Nonfarm Productivity - Q1 P	1.0%	0.0%	00:30
	US	Unit Labor Costs - Q1 P	3.0%	2.5%	00:30
	US	Initial Jobless Claims - 28-Apr	224k	209k	00:30
	US	Continuing Claims - 21-Apr	1838k	1837k	00:30
	US	Trade Balance - Mar	-$50.0B	-$57.6B	00:30
	US	Markit Services PMI - Apr F	54.5	54.4	01:45
	US	Markit Composite PMI - Apr F	--	54.8	01:45
	US	ISM Non-Manf. Composite - Apr	58.1	58.8	02:00
	US	Durable Goods Orders - Mar F	--	2.6%	02:00
	US	Durables Ex Transportation - Mar F	--	0.0%	02:00
	US	Cap Goods Orders Nondef Ex Air - Mar F	--	-0.1%	02:00
	US	Cap Goods Ship Nondef Ex Air - Mar F	--	-0.7%	02:00
	US	Factory Orders - Mar	1.4%	1.2%	02:00
	AU	RBA Statement on Monetary Policy	--	--	13:30
	CH	Caixin PMI Composite - Apr	--	51.8	13:45

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
4-May	CH	Caixin PMI Services - Apr	52.3	52.3	13:45
	GE	Markit Services PMI - Apr F	54.1	54.1	19:55
	GE	Markit/BME Composite PMI - Apr F	55.3	55.3	19:55
	EC	Markit Services PMI - Apr F	55.0	55.0	20:00
	EC	Markit Composite PMI - Apr F	55.2	55.2	20:00
	EC	Retail Sales MoM - Mar	0.5%	0.1%	21:00
	EC	Retail Sales YoY - Mar	1.9%	1.8%	21:00
	CH	BoP Current Account Balance - Q1 P	--	$62.3B	UNSPECIFIED
5-May	US	Change in Nonfarm Payrolls - Apr	195k	103k	00:30
	US	Change in Manufact. Payrolls - Apr	20k	22k	00:30
	US	Unemployment Rate - Apr	4.0%	4.1%	00:30
	US	Average Hourly Earnings MoM - Apr	0.2%	0.3%	00:30
	US	Average Hourly Earnings YoY - Apr	2.7%	2.7%	00:30

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 data flow has turned a little more mixed, reflecting headwinds the economy is currently facing, but is still generally providing a positive signal overall. Inflation pressures are likely to remain contained.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Mon 30 Apr (1:00pm)	ANZ Business Outlook – April	--	--
Tue 1 May (10:45am)	Building Consents – March	Plateau	We are in an environment where issuance will struggle to push higher.
Wed 2 May (early am)	GlobalDairyTrade auction	Squeeze	A range of influences have come together to provide a broad-based squeeze higher in dairy prices.
Wed 2 May (10:45am)	Labour Market Statistics – Q1	Gradual	Continual tightening in the labour market and a gradual pick-up in wage inflation is expected.
Thu 3 May (10:00am)	ANZ Job Ads – April	--	--
Thu 3 May (1:00pm)	ANZ Commodity Price Index – April	--	--
Tue 8 May (10:00am)	ANZ Truckometer – April	--	--
Tue 8 May (1:00pm)	ANZ Monthly Inflation Gauge – April	--	--
Tue 8 May (3:00pm)	RBNZ 2-year ahead inflation expectations – Q2	Anchored	With inflation low but expected to increase, we expect inflation expectations will remain close to 2%.
Wed 9 May (10:45am)	Electronic Card Transactions – April	Boost	Moderate retail spending growth is expected; increases in the minimum wage may provide a temporary boost.
Thu 10 May (9:00am)	RBNZ Monetary Policy Statement	On hold	With inflation pressures increasing only gradually, we expect the RBNZ will be on hold for some time yet.
10 -14 May	REINZ Housing Market Statistics – April	Steady	The market should remain stable around current levels. Annual house price growth should remain contained.
Fri 11 May (10:30am)	BNZ-BusinessNZ PMI – April	Getting on	A stabilisation might be on the cards after a softer start to the year, although confidence in the manufacturing sector has fallen into the start of 2018.
Fri 11 May (10:45am)	Food Prices – April	Flat	Sometimes food prices go up in April; sometimes they go down. We're picking broadly flat.
Mon 14 May (10:30am)	BNZ-BusinessNZ PSI – April	Pare back	After a strong bounce in March, a slight moderation wouldn't be surprising. Overall, remaining solid.
Wed 16 May (early am)	GlobalDairyTrade auction	Squeeze	A range of influences have come together to provide a broad-based squeeze higher in dairy prices.
Thu 17 May (10:45am)	Budget Economic & Fiscal Update 2018	Balancing act	With an infrastructure deficit on one hand and a tough debt target on the other, trade-offs will be weighed.
Mon 21 May (10:45am)	Net migration – April	Peaked	We don't see migration inflows falling quickly, but we believe we are past the peak, with gradual decline from here.
Mon 21 May (10:45am)	Retail Trade – Q1	Reasonable	It looks like it was another reasonable quarter for retail spending. We expect moderation over the medium term.
Thu 24 May (10:45am)	Overseas Merchandise Trade – April	Steady	Export earnings are expected to remain steady with durable, broad-based strength.
Thu 30 May (9:00am)	Building Consents – March	Plateau	We are in an environment where issuance will struggle to push higher.
Thu 30 May (10:45am)	RBNZ Financial Stability Report	Not yet	With the housing market stable, we think the RBNZ will be looking to ease LVR restrictions – but not quite yet.
On balance		**Data watch**	**The data pulse is mixed, but generally positive. Domestic inflation is low, but should lift gradually.**

KEY FORECASTS AND RATES

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
GDP (% qoq)	0.6	**0.6**	**0.9**	**0.9**	**0.8**	**0.7**	**0.7**	**0.7**	**0.6**	**0.6**
GDP (% yoy)	2.9	**2.8**	**2.8**	**3.1**	**3.2**	**3.3**	**3.1**	**2.8**	**2.6**	**2.5**
CPI (% qoq)	0.1	0.5	**0.3**	**0.6**	**0.2**	**0.7**	**0.5**	**0.6**	**0.3**	**0.7**
CPI (% yoy)	1.6	1.1	**1.4**	**1.6**	**1.7**	**1.9**	**2.1**	**2.1**	**2.1**	**2.1**
Employment (% qoq)	0.5	**0.3**	**0.6**	**0.5**	**0.5**	**0.4**	**0.4**	**0.4**	**0.3**	**0.3**
Employment (% yoy)	3.7	**3.0**	**3.6**	**1.9**	**1.9**	**2.1**	**1.9**	**1.7**	**1.5**	**1.4**
Unemployment Rate (% sa)	4.5	**4.6**	**4.3**	**4.3**	**4.2**	**4.3**	**4.1**	**4.2**	**4.1**	**4.3**
Current Account (% GDP)	-2.7	**-2.3**	**-2.4**	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-2.5**
Terms of Trade (% qoq)	0.8	**-1.4**	**-0.8**	**0.1**	**0.1**	**0.0**	**0.1**	**0.2**	**0.1**	**0.1**
Terms of Trade (% yoy)	7.3	**1.8**	**-0.1**	**-1.4**	**-2.1**	**-0.6**	**0.3**	**0.4**	**0.3**	**0.5**

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Retail ECT (% mom)	-0.5	0.0	0.3	0.5	1.2	0.5	1.6	-0.2	1.0	--
Retail ECT (% yoy)	2.0	4.4	2.9	1.3	4.3	3.3	3.4	3.3	6.0	--
Credit Card Billings (% mom)	0.7	-0.6	0.8	1.0	0.9	0.6	-0.6	0.7	1.0	--
Credit Card Billings (% yoy)	7.1	6.5	5.0	3.0	9.1	6.3	4.6	7.0	7.2	--
Car Registrations (% mom)	-4.7	9.6	-0.7	1.6	1.1	-5.0	2.4	-8.6	-3.7	--
Car Registrations (% yoy)	6.2	13.5	15.6	7.3	7.3	4.7	6.2	-4.2	-11.9	--
Building Consents (% mom)	2.3	5.7	-1.9	-9.9	9.4	-9.5	0.0	5.7	--	--
Building Consents (% yoy)	-1.9	13.1	7.5	-7.4	13.1	3.7	4.0	-0.6	--	--
REINZ House Price Index (% yoy)	3.3	2.8	3.8	3.4	3.6	3.7	3.5	4.0	4.2	--
Household Lending Growth (% mom)	0.3	0.4	0.5	0.5	0.5	0.5	0.4	0.5	--	--
Household Lending Growth (% yoy)	7.1	6.7	6.5	6.3	6.2	5.9	5.8	5.7	--	--
ANZ Roy Morgan Consumer Conf.	125.4	126.2	129.9	126.3	123.7	121.8	126.9	127.7	128.0	120.5
ANZ Business Confidence	19.4	18.3	0.0	-10.6	-39.3	-37.8	..	-19.0	-20.0	--
ANZ Own Activity Outlook	40.3	38.2	29.6	22.0	6.5	15.6	..	20.4	21.8	--
Trade Balance ($m)	92	-1174	-1165	-840	-1222	614	-664	172	-86	--
Trade Bal ($m ann)	53742	53982	54085	54759	55999	56476	57251	57456	58068	--
ANZ World Comm. Price Index (% mom)	-0.8	-0.8	0.8	-0.3	-0.9	-1.9	0.7	2.8	1.2	--
ANZ World Comm. Price Index (% yoy)	21.1	16.3	11.5	10.4	6.0	3.2	4.1	5.0	5.8	--
Net Migration (sa)	5750	5480	5280	5660	5680	5710	6240	4930	5480	--
Net Migration (ann)	72402	72072	70986	70694	70354	70016	70147	68943	67984	--
ANZ Heavy Traffic Index (% mom)	-6.0	6.5	-1.5	2.9	1.1	-4.2	4.1	-2.5	-0.3	--
ANZ Light Traffic Index (% mom)	-2.2	2.7	-0.1	-0.6	1.5	-1.7	-0.5	-0.2	2.2	--

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-18	Mar-18	Today	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
NZD/USD	0.721	0.724	0.71	0.70	0.69	0.67	0.66	0.65	0.65	0.65
NZD/AUD	0.924	0.942	0.93	0.92	0.93	0.93	0.94	0.93	0.93	0.93
NZD/EUR	0.590	0.587	0.58	0.56	0.54	0.52	0.51	0.50	0.50	0.50
NZD/JPY	77.26	76.91	77.22	74.2	71.8	69.0	66.0	64.4	63.1	62.4
NZD/GBP	0.520	0.516	0.51	0.50	0.49	0.47	0.46	0.45	0.45	0.45
NZ$ TWI	73.2	73.3	73.7	70.8	69.6	67.8	66.5	65.4	65.2	65.1
INTEREST RATES	Feb-18	Mar-18	Today	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.25
NZ 90 day bill	1.92	1.96	2.02	1.96	1.96	1.96	1.96	2.05	2.30	2.47
NZ 10-yr bond	2.94	2.72	2.86	3.05	3.30	3.50	3.50	3.65	3.65	3.65
US Fed funds	1.50	1.75	1.75	2.00	2.00	2.25	2.25	2.50	2.50	2.50
US 3-mth	2.02	2.31	2.36	2.25	2.50	2.70	2.70	2.95	2.95	2.95
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	1.79	2.03	2.05	1.90	1.80	1.80	1.80	2.05	2.30	2.30

	27 Mar	23 Apr	24 Apr	25 Apr	26 Apr	27 Apr
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.96	2.05	2.04	2.04	2.03	2.02
NZGB 05/21	2.05	2.14	2.11	2.11	2.12	2.09
NZGB 04/23	2.33	2.43	2.42	2.42	2.44	2.41
NZGB 04/27	2.79	2.91	2.89	2.89	2.92	2.89
NZGB 04/33	3.16	3.30	3.27	3.27	3.31	3.27
2 year swap	2.24	2.31	2.29	2.30	2.30	2.29
5 year swap	2.68	2.79	2.76	2.78	2.80	2.77
RBNZ TWI	74.85	74.47	73.99	73.99	73.57	73.63
NZD/USD	0.7275	0.7177	0.7122	0.7088	0.7079	0.7085
NZD/AUD	0.9427	0.9389	0.9366	0.9355	0.9336	0.9345
NZD/JPY	76.87	77.66	77.52	77.30	77.31	77.25
NZD/GBP	0.5155	0.5143	0.5109	0.5082	0.5069	0.5141
NZD/EUR	0.5864	0.5868	0.5832	0.5809	0.5810	0.5840
AUD/USD	0.7718	0.7644	0.7604	0.7577	0.7581	0.7581
EUR/USD	1.2407	1.2229	1.2211	1.2202	1.2183	1.2130
USD/JPY	105.66	108.22	108.85	109.06	109.21	109.05
GBP/USD	1.4112	1.3955	1.3941	1.3948	1.3964	1.3781
Oil (US$/bbl)	65.25	68.64	67.70	68.05	68.19	68.10
Gold (US$/oz)	1348.58	1328.50	1326.10	1324.73	1324.80	1324.00
NZX 50	8508	8304	8289	8289	8282	8370
Baltic Dry Freight Index	1117	1306	1330	1376	1375	1361
NZX WMP Futures (US$/t)	3175	3310	3325	3325	3330	3350

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