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## Contents

Economic Overview	2
Data Event Calendar	9
Local Data Watch	11
Key Forecasts	12
Important Notice	14

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## Trans-Tasman rivalry

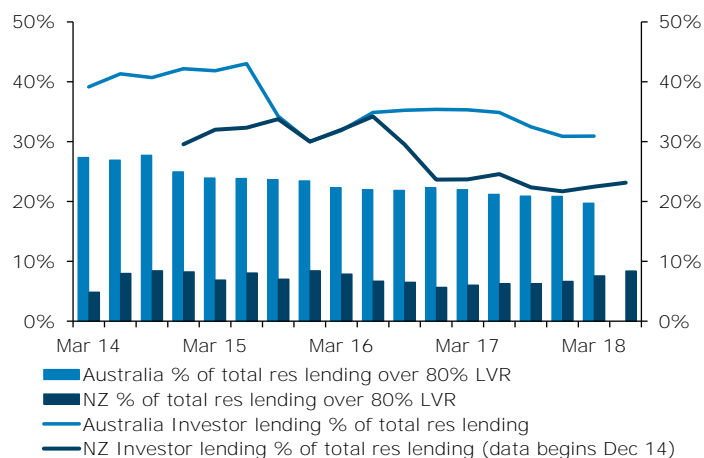
### Economic overview

The Australian and New Zealand economies are facing broadly similar economic headwinds and tailwinds at present. Both have very high house prices and household debt. However, with house prices falling in Australia but steady in New Zealand, this risk remains primarily confined to Financial Stability Reports in New Zealand, whereas it is garnering increasing attention in Australia. On the other hand, businesses over the ditch are feeling more confident, reflecting that per capita growth has lifted well above that in New Zealand of late. Fiscal policy is stimulatory in both countries and exporters are similarly exposed to China. Domestically, the main risk presently in Australia surrounds where and when the housing market will bottom, while in New Zealand, it is that business pessimism could become a self-fulfilling prophecy.

### Chart of the week


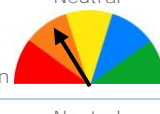

While the New Zealand and Australian housing markets have had similar dynamics in recent years, mortgage lending here has been on more conservative terms.

### Profile of residential lending



Source: APRA, RBNZ, 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).	Neutral  Negative Positive
Unemployment rate	4.4% for 2019 Q1	Unemployment is expected to move broadly sideways. Underlying wage pressures subdued.	Neutral  Negative Positive
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.	Neutral  Down Up
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.	Neutral  Negative Positive



*This week we take a quick look over the neighbour's fence*

### Summary

The Australian and New Zealand economies are facing broadly similar economic headwinds and tailwinds at present. Both have very high house prices and household debt. However, with house prices falling in Australia but steady in New Zealand, this risk remains primarily confined to Financial Stability Reports in New Zealand, whereas it is garnering increasing attention in Australia. On the other hand, businesses over the ditch are feeling more confident, reflecting that per capita growth has lifted well above that in New Zealand of late. Fiscal policy is stimulatory in both countries and exporters are similarly exposed to China. Domestically, the main risk presently in Australia surrounds where and when the housing market will bottom, while in New Zealand, it is that business pessimism could become a self-fulfilling prophecy. This week we have the latest read on business sentiment from the August ANZ Business Outlook Survey. ANZ Consumer Confidence and Building Consents data are also out.

### Forthcoming events

**Building consents – July (Thursday 30 August, 10:45am).** With the construction industry grappling with capacity constraints and financial strains, activity will struggle to push higher.

**ANZ Business Outlook – August (Thursday 30 August, 1:00pm).**

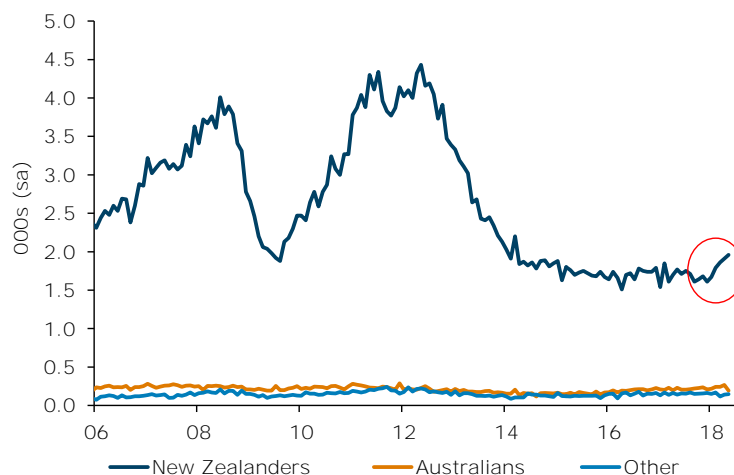
**ANZ Consumer Confidence – August (Friday 31 August, 10:00am).**

### What's the view?

This week we take a quick chart-based look over the neighbour's fence and assess the greenness of the grass in a trans-Tasman comparison. It matters because:

- Australia is an extremely important trading partner (second only to China).
- Our banks are Australian owned.
- The relative performance of the two economies has a very large impact on net migration. Departures of New Zealanders over the ditch have been very low and stable in recent years, but have ticked up this year.

**Figure 1. Permanent/long-term departures to Australia by nationality**



Source: Statistics NZ, ANZ Research

So where are the two countries at in their business cycles? Or – let's not beat around the bush – rugby aside, **who's winning?** In short, it depends on what metric you're looking at, but it is certainly true that the two countries are facing a lot of the same challenges and opportunities.

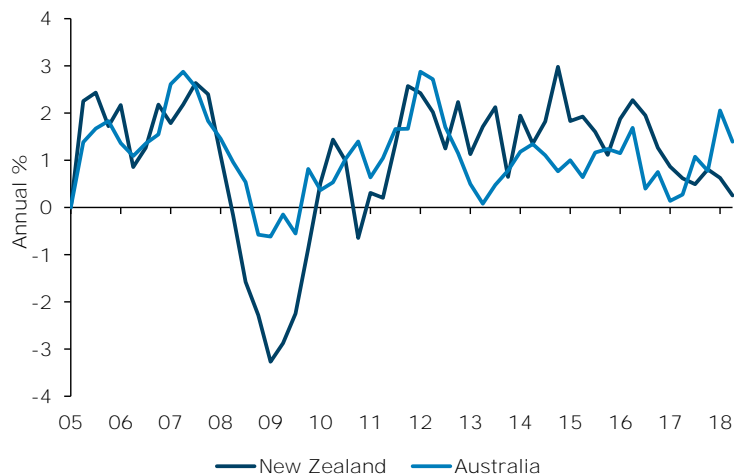


## Economic overview

*Australia has recently taken back the lead*

GDP growth in both countries has been flattered by strong migration in recent years. The New Zealand population has grown by 10% in five years; Australia's, 8%. On a per capita basis, growth was higher in New Zealand over 2013-17 – as one would hope, given our preceding recession was so much deeper – but since late last year, Australia has taken back the lead.

**Figure 2. Per capita real GDP growth**

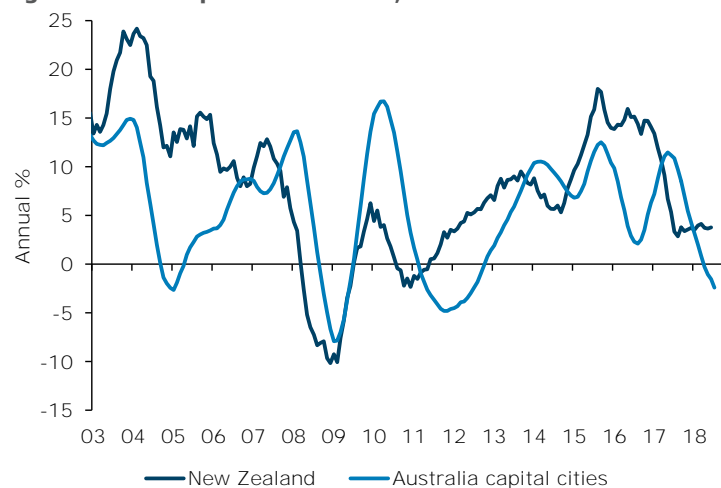


Source: ABS, Statistics NZ, ANZ Research

*The housing cycle has been very important in both countries*

Underlying these dynamics have been similar economic drivers. Certainly not least of these have been housing booms (figure 3), caused primarily by population growth and low interest rates. The Auckland and Sydney markets have moved particularly closely, as discussed in our [Property Focus](#) last week.

**Figure 3: House prices: Australia, New Zealand**



Source: REINZ, RP, ANZ Research

However, the two national housing markets are currently diverging. In New Zealand, the credit impulse (the change in the growth in mortgage lending) is positive and banks are keen to lend, within the constraints of the (now slightly looser) RBNZ LVR restrictions. In Australia, on the other hand, the credit impulse is pointing firmly downward, as credit availability appears to have undergone something of a step-change in response to both policy changes and the Royal Banking Commission enquiry. Every indicator, from the Property Council Survey to the auction clearance rate, concurs that the housing market is likely to continue to weaken.



## Economic overview

*The housing demand-supply balance is subtly different over the two countries*

*High house prices and high household debt is a common theme*

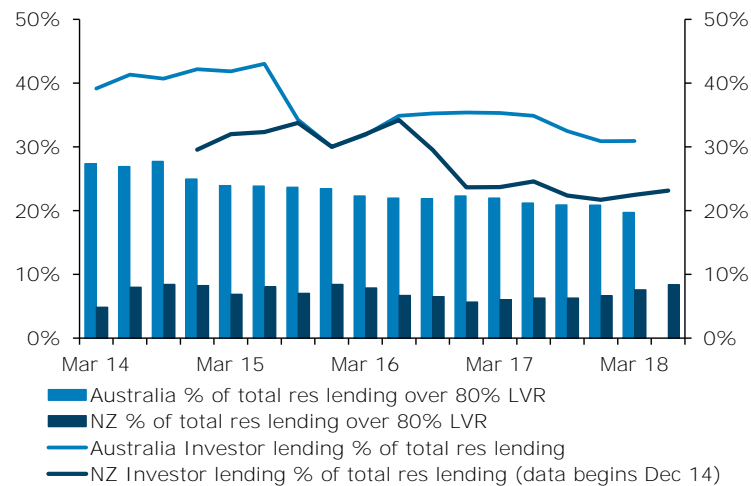
*Aussie household debt is higher, but their consumption has been quite restrained*

Another key difference between the Australian and New Zealand housing markets is the supply response that has been seen over the cycle. In New Zealand, particularly in Auckland, the supply response to high property prices has been very constrained by both planning rules and construction sector capacity. But in Australia, multi-unit dwellings in particular have been built at scale, partly in response to strong demand from foreign buyers, who must build new in order to buy. While responsive housing supply is a very useful thing, it does now arguably represent a pocket of risk on the way down that New Zealand does not have.

As a result of the strong run-up in house prices, housing affordability in both countries is extremely stretched, particularly in Sydney and Auckland. This has contributed to households in both countries sitting on large piles of debt: in New Zealand 166% of household disposable income, and in Australia, 200%. This means households will be less resilient to any kind of negative shock to wealth or incomes.

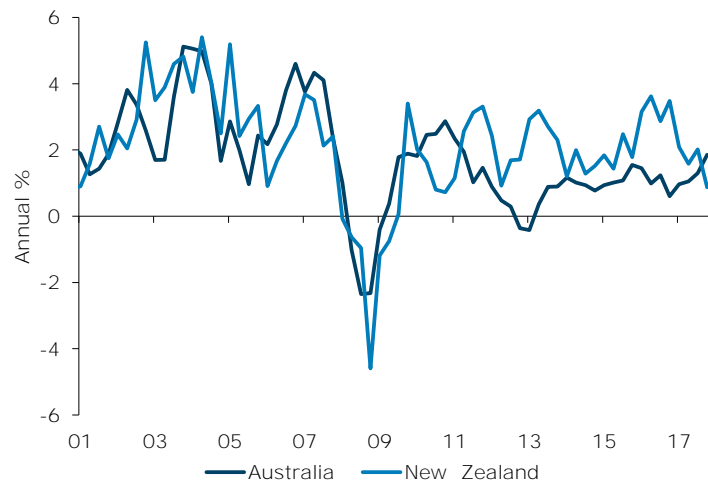
Higher household debt in Australia partly reflects a different risk profile of mortgage lending across the two countries in recent years (figure 4).

**Figure 4. Profile of residential lending**



Consumers in Australia have so far been resilient in the face of the slowing housing market in terms of surveyed confidence, but New Zealanders have been on a much bigger spend-up on a per capita basis for nearly this whole business cycle. This is consistent with consistently lower rates of estimated household saving. However, New Zealand consumers have pulled their heads in over the past year (figure 5).

**Figure 5: Per capita consumption growth**



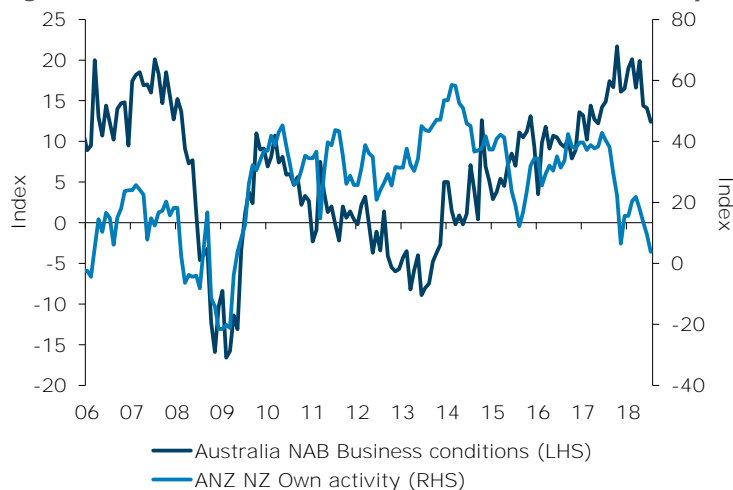


## Economic overview

*Businesses in Australia are more confident...*

Turning to businesses, the recent decline in survey activity indicators in New Zealand has been well documented. In Australia, however, business surveys have been robust, supported by solid profit growth (figure 6).

**Figure 6. NAB business conditions and ANZBO own activity**

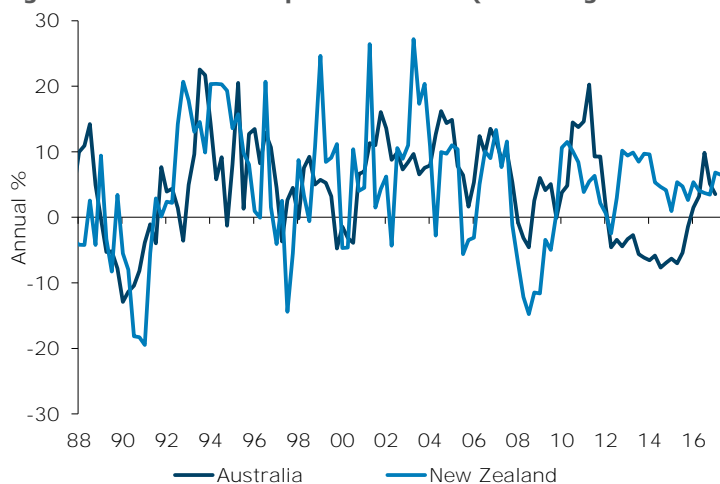


Source: NAB, ANZ Research

*...and investment spending has recovered*

Are firms putting money where their mouth is? Figure 7 shows gross fixed capital formation (which includes government) excluding residential investment. In New Zealand, investment has been boosted by rebuild-related commercial construction, but growth has been modest in recent years. In Australia, investment has been weak since the mining boom, but non-mining investment has started to recover recently.

**Figure 7. Gross fixed capital formation (excluding residential)**



Source: ABS, Statistics NZ, ANZ Research

*The NZ labour market is tighter, but forward indicators are stronger in Australia*

The relative state of the two labour markets has a big say in trans-Tasman migration. The labour market is tight in New Zealand, while in Australia there is still remaining slack: the unemployment rate is 4.5% versus 5.3% in Australia, reflecting the labour market transition that has taken place in Australia following the mining boom. But more recently, forward-looking labour demand indicators in New Zealand have been rolling over. In Australia, they are mixed, but consistent with solid jobs growth.

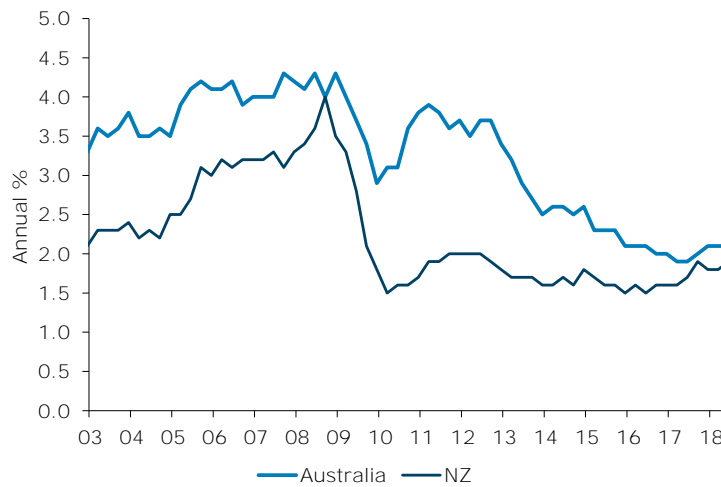
Wage growth in Australia has broadly declined over the cycle as the economy has gradually rebalanced after the mining boom (figure 8). Nominal wage growth here has also been subdued, but CPI inflation even more so, meaning real wage growth has been about par (figure 9), averaging higher than in Australia over recent years.



## Economic overview

*Nominal wage growth has been higher in Australia*

**Figure 8: Nominal wage growth**



Source: ABS, Statistics NZ, ANZ Research

*But real wage growth has been stronger in New Zealand*

**Figure 9: Real wage growth**



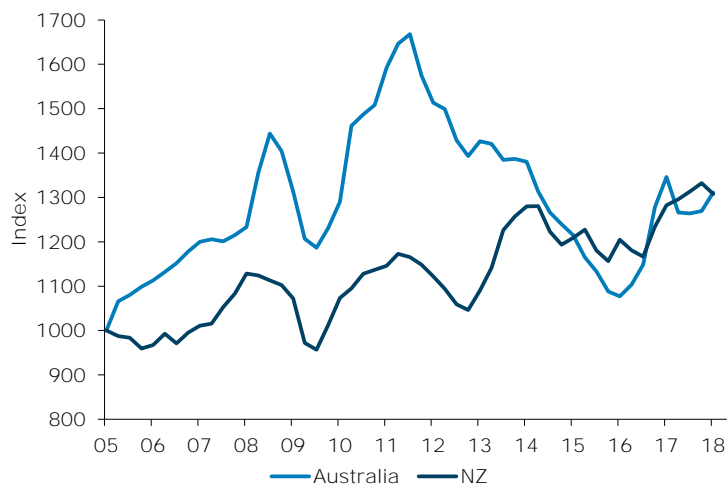
Source: ABS, Statistics NZ, ANZ Research

*Both countries are tied to China but have experienced very different terms of trade dynamics*

Exporter fortunes in both Australia and New Zealand are closely tied to the economic performance of China. However, New Zealand exports primarily depend on China's consumption, while Australian exports are dominated by hard commodities and are **more exposed to China's investment track**. As figure 10 shows, the terms of trade have experienced exactly the growth in the two countries since 2005, but have taken very different paths to get there, with a much bigger boom/bust dynamic in Australia.



**Figure 10: Terms of trade**



Source: ABS, Statistics NZ, ANZ Research

*Fiscal stimulus is positive in both countries*

Finally, the fiscal position: the New Zealand economy is currently being supported by the largest fiscal impulse since 2010, where up until now discretionary government spending had been contractionary on balance. In Australia public sector investment is providing a solid lift to demand, as is public consumption.

*Housing is a risk in both countries but more immediately in Australia*

### Where to from here?

The New Zealand and Australian economies are sitting in similar boats at the moment. House prices are high and consumers are loaded with debt, but in Australia, house prices are forecast to fall this year and next, with associated slowing in consumer spending and housing construction. In New Zealand, we expect the housing market to hold up, but also expect consumption growth to be capped.

The labour market is tighter in New Zealand but the pendulum may be starting to **swing Australia's way**, with implications for trans-Tasman migration. In both countries, wage growth and core inflation look set to lift, but only slowly.

Business conditions in Australia are buoyant, but in New Zealand firms are nervous. We assume that investment in New Zealand will increase, but be limited by constrained confidence. In Australia, strong profitability is predicted to see the strong recovery in non-mining business investment sustained.

*Both countries are exposed to China. The main domestic risk in Australia is housing; in NZ, business confidence*

Both central banks are expected to keep interest rates on hold for a prolonged period, and both the NZD and AUD are forecast to weaken over the coming two years.

In terms of risks, both economies are enjoying strong terms of trade but are exposed to the ups and downs of the Chinese economy. Domestically, the main risk to the Australian outlook is the housing market, which is yet to find a bottom. Activity in Australia is also expected to be dampened by [drought](#), with risks that the impact could be more severe if rainfall remains low. In New Zealand, the clear and present danger seems to be that confidence issues become self-fulfilling, as firms put employment and investment decisions on hold.



## Economic overview

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### The week ahead

It's a light week on the data front, but the releases that are out will provide an important steer on the resilience of activity and the demand pulse. We recently revised our GDP forecasts lower, reflecting a weaker outlook for consumption and investment. Businesses' pessimism appears to be impacting decisions and surveyed investment intentions present downside risk to our current subdued forecast for investment. The **ANZ Business Outlook** for August will be out on Thursday and will provide a further gauge on how businesses are faring and how expectations and intentions are evolving.

Non-residential consents have shown some strength recently, but the outlook now looks less assured and we could see these consents pare back, with **Building Consents** out on Thursday. Once the recent strength in residential consents flows through into activity, residential investment is no longer expected to contribute to growth. As such, we may see a stabilisation in residential consents. With the construction industry grappling with capacity constraints and financial strains, we expect activity will struggle to push higher. Indeed, residential construction intentions suggest a softening is possible in coming months.

**ANZ Consumer Confidence** will be out on Friday, with confidence having slipped to average levels last month. Households are constrained and improvements in the labour market will be difficult to come by from here. In light of this, household consumption growth is likely to remain contained – subsiding as population growth wanes.

### Local data

**International Travel and Migration – July.** Net permanent and long-term net immigration continued to trend lower, with arrivals steady and departures lifting.

**GlobalDairyTrade auction.** Last week's GDT auction concluded with the index down 3.6%, with butter recording the largest fall.

**Retail trade – Q2.** Retail sales volumes were stronger than expected, up 1.1% in Q2, presenting upside risk to our Q1 GDP estimate of +0.6% q/q growth.

**Overseas Merchandise Trade – July.** The annual goods deficit widened to \$4.4bn. Exports came in particularly strong m/m, while imports fell slightly.





## Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
27-Aug	CH	Industrial Profits YoY - Jul	--	20.00%	13:30
	GE	Ifo Business Climate - Aug	101.8	101.7	20:00
	GE	Ifo Expectations - Aug	98.4	98.2	20:00
	GE	Ifo Current Assessment - Aug	105.3	105.3	20:00
	GE	Retail Sales MoM - Jul	-0.2%	0.9%	27 Aug - 4 Sep
	GE	Retail Sales YoY - Jul	1.3%	3.0%	27 Aug - 4 Sep
	GE	Import Price Index MoM - Jul	0.0%	0.5%	27-31 Aug
	GE	Import Price Index YoY - Jul	5.2%	4.8%	27-31 Aug
28-Aug	US	Chicago Fed Nat Activity Index - Jul	0.45	0.43	00:30
	US	Dallas Fed Manf. Activity - Aug	30.0	32.3	02:30
	AU	ANZ-RM Consumer Confidence Index - 26-Aug	--	114.1	11:30
	EC	M3 Money Supply YoY - Jul	4.3%	4.4%	20:00
29-Aug	US	Advance Goods Trade Balance - Jul	-\$69.0B	-\$67.9B	00:30
	US	Wholesale Inventories MoM - Jul P	0.2%	0.1%	00:30
	US	S&P CoreLogic CS 20-City MoM SA - Jun	0.2%	0.2%	01:00
	US	S&P CoreLogic CS 20-City YoY NSA - Jun	6.43%	6.51%	01:00
	US	Richmond Fed Manufact. Index - Aug	17.0	20.0	02:00
	US	Conf. Board Consumer Confidence - Aug	126.5	127.4	02:00
	GE	GfK Consumer Confidence - Sep	10.6	10.6	18:00
	US	MBA Mortgage Applications - 24-Aug	--	4.2%	23:00
30-Aug	US	GDP Annualized QoQ - Q2 S	4.0%	4.1%	00:30
	US	Personal Consumption - Q2 S	3.9%	4.0%	00:30
	US	GDP Price Index - Q2 S	3.0%	3.0%	00:30
	US	Core PCE QoQ - Q2 S	2.0%	2.0%	00:30
	US	Pending Home Sales MoM - Jul	0.4%	0.9%	02:00
	US	Pending Home Sales NSA YoY - Jul	--	-4.0%	02:00
	NZ	Building Permits MoM - Jul	--	-7.6%	10:45
	JN	Retail Sales MoM - Jul	-0.3%	1.5%	11:50
	JN	Retail Trade YoY - Jul	1.2%	1.7%	11:50
	NZ	ANZ Activity Outlook - Aug	--	3.8	13:00
	NZ	ANZ Business Confidence - Aug	--	-44.9	13:00
	AU	Private Capital Expenditure - Q2	0.6%	0.4%	13:30
	AU	Building Approvals MoM - Jul	-2.0%	6.4%	13:30
	AU	Building Approvals YoY - Jul	-3.0%	1.6%	13:30
	GE	Unemployment Change (000's) - Aug	-8k	-6k	19:55
	GE	Unemployment Claims Rate SA - Aug	5.2%	5.2%	19:55
	GE	CPI Brandenburg MoM - Aug	--	0.4%	20:00
	GE	CPI Brandenburg YoY - Aug	--	2.2%	20:00
	GE	CPI Hesse MoM - Aug	--	0.4%	20:00
	GE	CPI Hesse YoY - Aug	--	1.8%	20:00
	GE	CPI Bavaria MoM - Aug	--	0.2%	20:00
	GE	CPI Bavaria YoY - Aug	--	2.2%	20:00
	UK	Net Consumer Credit - Jul	£1.5B	£1.6B	20:30
	UK	Net Lending Sec. on Dwellings - Jul	£3.9B	£3.9B	20:30
	UK	Mortgage Approvals - Jul	65.0k	65.6k	20:30
	UK	Money Supply M4 MoM - Jul	--	-0.3%	20:30
	UK	M4 Money Supply YoY - Jul	--	1.7%	20:30
	UK	M4 Ex IOFCs 3M Annualised - Jul	--	3.6%	20:30

Continued on following page



## Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
	EC	Economic Confidence - Aug	111.9	112.1	21:00
	EC	Business Climate Indicator - Aug	1.26	1.29	21:00
	EC	Industrial Confidence - Aug	5.5	5.8	21:00
	EC	Services Confidence - Aug	15.2	15.3	21:00
	EC	Consumer Confidence - Aug F	-1.9	-1.9	21:00
31-Aug	GE	CPI MoM - Aug P	0.1%	0.3%	00:00
	GE	CPI YoY - Aug P	2.0%	2.0%	00:00
	GE	CPI EU Harmonized MoM - Aug P	0.2%	0.4%	00:00
	GE	CPI EU Harmonized YoY - Aug P	2.1%	2.1%	00:00
	US	PCE Core MoM - Jul	0.2%	0.1%	00:30
	US	PCE Core YoY - Jul	2.0%	1.9%	00:30
	US	Personal Income - Jul	0.4%	0.4%	00:30
	US	Personal Spending - Jul	0.4%	0.4%	00:30
	US	PCE Deflator MoM - Jul	0.1%	0.1%	00:30
	US	PCE Deflator YoY - Jul	2.3%	2.2%	00:30
	US	Initial Jobless Claims - 25-Aug	213k	210k	00:30
	US	Continuing Claims - 18-Aug	1730k	1727k	00:30
	NZ	ANZ Consumer Confidence Index - Aug	--	118.4	10:00
	NZ	ANZ Consumer Confidence MoM - Aug	--	-1.3%	10:00
	UK	GfK Consumer Confidence - Aug	-10	-10	11:01
	JN	Tokyo CPI YoY - Aug	1.0%	0.9%	11:30
	JN	Tokyo CPI Ex-Fresh Food YoY - Aug	0.8%	0.8%	11:30
	JN	Tokyo CPI Ex-Fresh Food, Energy YoY - Aug	0.5%	0.5%	11:30
	JN	Industrial Production MoM - Jul P	0.2%	-1.8%	11:50
	JN	Industrial Production YoY - Jul P	2.6%	-0.9%	11:50
	CH	Non-manufacturing PMI - Aug	--	54.0	13:00
	CH	Manufacturing PMI - Aug	51.0	51.2	13:00
	CH	Composite PMI - Aug	--	53.6	13:00
	AU	Private Sector Credit MoM - Jul	0.3%	0.3%	13:30
	AU	Private Sector Credit YoY - Jul	4.4%	4.5%	13:30
	UK	Nationwide House PX MoM - Aug	0.1%	0.6%	18:00
	UK	Nationwide House Px NSA YoY - Aug	2.7%	2.5%	18:00
	EC	Unemployment Rate - Jul	8.2%	8.3%	21:00
	EC	CPI Core YoY - Aug A	1.1%	1.1%	21:00
	EC	CPI Estimate YoY - Aug	2.1%	--	21:00
1-Sep	US	Chicago Purchasing Manager - Aug	63.0	65.5	01:45
	US	U. of Mich. Sentiment - Aug F	95.5	95.3	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

The economy has lost steam. We don't expect that the economy 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
Thu 30 Aug (10:45am)	Building Consents – July	Strains	With construction grappling with capacity constraints and financial strains, activity will struggle to push higher.
Thu 30 Aug (1:00pm)	ANZ Business Outlook – August	--	--
Fri 31 Aug (10:00am)	ANZ Consumer Confidence – August	--	--
Mon 3 Sep (10:45am)	Terms of Trade – Q2	Stable	Growth in export prices is expected to slightly outpace that of import prices in Q2, with the terms of trade lifting a touch.
Wed 5 Sep (early am)	GlobalDairyTrade auction	Sideways	The average GDT price is expected to remain in recent ranges.
Wed 5 Sep (05:00am)	QV House Prices	Softer	The housing market has softened of late, but we expect to see further price rises, with regional markets remaining tight.
Wed 5 Sep (10:00am)	ANZ Job Ads - August	--	--
Wed 5 Sep (1:00pm)	ANZ Commodity Price Index - August	--	--
Mon 10 Sep (10:45am)	Economic Survey of Manufacturing – Q2	Meaty	<b>Q1's meat</b> -induced strength looks likely to continue with Mycoplasma Bovis 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.
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.
<b>On balance</b>		<b>Data watch</b>	<b>The short-term data pulse may improve, but the medium-term picture is looking less assured.</b>



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

	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18
Retail ECT (% mom)	0.4	1.3	0.3	1.4	-0.3	1.6	-2.2	0.7	0.8	0.7
Retail ECT (% yoy)	1.9	5.0	3.8	4.1	4.0	6.7	1.4	4.2	4.9	4.5
Credit Card Billings (% mom)	1.0	0.9	0.6	-0.6	0.7	1.0	0.6	-1.5	1.9	-1.1
Credit Card Billings (% yoy)	3.0	9.1	6.3	4.6	7.0	7.3	6.9	3.7	5.8	3.2
Car Registrations (% mom)	0.5	0.9	-4.9	3.4	-9.2	-3.5	-0.8	12.9	-6.4	-0.2
Car Registrations (% yoy)	7.3	7.3	4.7	6.2	-4.2	-11.9	-9.0	-0.6	-4.9	-0.7
Building Consents (% mom)	-9.5	9.8	-8.7	0.3	6.3	13.0	-3.8	6.9	-7.6	--
Building Consents (% yoy)	-7.2	13.3	4.6	4.6	-0.6	18.3	15.5	23.3	12.0	--
REINZ House Price Index (% yoy)	3.4	3.6	3.7	3.5	4.0	4.1	3.7	3.6	3.8	4.8
Household Lending Growth (% mom)	0.4	0.5	0.6	0.4	0.5	0.5	0.5	0.4	0.5	--
Household Lending Growth (% yoy)	6.3	6.2	5.9	5.8	5.7	5.7	5.8	5.8	5.8	--
ANZ Roy Morgan Consumer Conf.	126.3	123.7	121.8	126.9	127.7	128.0	120.5	121.0	120.0	118.4
ANZ Business Confidence	-10.6	-39.3	-37.8	..	-19.0	-20.0	-23.4	-27.2	-39.0	-44.9
ANZ Own Activity Outlook	22.0	6.5	15.6	..	20.4	21.8	17.8	13.6	9.4	3.8
Trade Balance (\$m)	-840	-1222	614	-662	188	-151	200	202	-288	-143
Trade Bal (\$m ann)	54759	55999	56476	57252	57451	58071	58675	58979	59698	60662
ANZ World Comm. Price Index (% mom)	-0.3	-0.9	-1.9	0.7	2.8	1.2	1.0	1.5	-0.9	-3.2
ANZ World Comm. Price Index (% yoy)	10.4	6.0	3.2	4.1	5.0	5.8	7.1	5.4	2.3	-0.2
Net Migration (sa)	5650	5660	5670	6240	4890	5360	4910	5080	4840	4720
Net Migration (ann)	70694	70354	70016	70147	68943	67984	67038	66243	64995	63779
ANZ Heavy Traffic Index (% mom)	2.9	1.1	-4.2	4.1	-2.5	-0.3	1.4	3.0	-1.5	-0.4
ANZ Light Traffic Index (% mom)	-0.6	1.5	-1.7	-0.5	-0.2	2.2	-0.5	1.1	0.7	0.4
ANZ Job Ads (% mom)	0.8	-0.2	-0.1	3.0	-1.3	0.7	-1.9	2.4	-1.3	3.1

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)						
	Jun-18	Jul-18	Today	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
NZD/USD	0.677	0.681	0.67	0.65	0.62	0.61	0.61	0.61	0.61	0.62
NZD/AUD	0.914	0.919	0.91	0.90	0.89	0.87	0.87	0.87	0.87	0.88
NZD/EUR	0.579	0.581	0.58	0.57	0.53	0.50	0.49	0.48	0.48	0.48
NZD/JPY	74.96	76.00	74.48	69.6	65.1	62.2	60.4	59.2	58.6	59.5
NZD/GBP	0.512	0.518	0.52	0.48	0.45	0.44	0.43	0.43	0.43	0.43
NZ\$ TWI	70.8	71.3	72.5	68.5	65.0	62.9	62.1	61.7	61.4	62.2
Interest rates	Jun-18	Jul-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	2.00	1.91	1.92	1.95	1.98	2.00	2.00	2.00	2.00	2.00
NZ 10-yr bond	2.85	2.76	2.57	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	2.34	2.35	2.32	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	2.11	1.96	1.95	2.05	2.05	2.05	2.00	2.30	2.50	2.50

	24 Jul	20 Aug	21 Aug	22 Aug	23 Aug	24 Aug
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.92	1.90	1.90	1.91	1.91	1.91
NZGB 05/21	1.93	1.75	1.75	1.76	1.74	1.74
NZGB 04/23	2.16	1.96	1.96	1.97	1.95	1.96
NZGB 04/27	2.64	2.41	2.42	2.42	2.40	2.41
NZGB 04/33	2.98	2.74	2.75	2.75	2.74	2.74
2 year swap	2.14	2.03	2.03	2.03	2.03	2.03
5 year swap	2.56	2.38	2.39	2.37	2.38	2.36
RBNZ TWI	73.36	71.99	71.99	72.59	72.47	72.29
NZD/USD	0.6803	0.6617	0.6667	0.6695	0.6680	0.6670
NZD/AUD	0.9184	0.9061	0.9057	0.9107	0.9152	0.9132
NZD/JPY	75.54	73.20	73.52	73.92	74.01	74.24
NZD/GBP	0.5179	0.5189	0.5196	0.5194	0.5175	0.5206
NZD/EUR	0.5808	0.5799	0.5786	0.5776	0.5765	0.5755
AUD/USD	0.7407	0.7302	0.7362	0.7352	0.7298	0.7329
EUR/USD	1.1713	1.1409	1.1522	1.1592	1.1589	1.1622
USD/JPY	111.04	110.63	110.27	110.40	110.79	111.24
GBP/USD	1.3135	1.2750	1.2833	1.2889	1.2909	1.2846
Oil (US\$/bbl)	68.52	66.43	67.35	67.86	67.83	68.72
Gold (US\$/oz)	1227.06	1187.57	1193.95	1196.89	1190.66	1205.35
NZX 50	8901	9109	9116	9163	9140	9160
Baltic Dry Freight Index	1774	1727	1736	1735	1709	1697
NZX WMP Futures (US\$/t)	2945	2930	2940	2820	2805	2810



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