

3 April 2018

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FEELING TRENDY

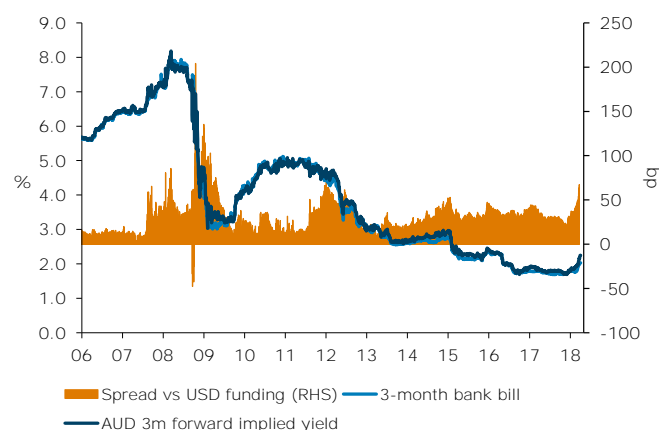
ECONOMIC OVERVIEW

The economy is currently growing about trend pace, after cooling from the strong rates of growth seen over 2015 and 2016. There are some challenges to navigate **but we don't see the economy rolling over, even though that has been the historical tendency at this point in the cycle.** Overall, the story is a positive one. Our forecasts depict an economy growing broadly around trend for the next couple of years, with the unemployment rate set to remain low. We see wage growth gradually lifting off lows, with a modest broadening in domestic inflation pressures in time. That lift should eventually see the RBNZ join other central banks in removing monetary policy stimulus. However, we feel strongly that it will be late to that party, with the first hike not until the second half of 2019. The main risks lie offshore.

CHART OF THE WEEK

Financial conditions are currently supportive, but we are watching funding costs closely. The cost of domestic and foreign funds swapped back into AUD has risen sharply. This represents a tightening in financial conditions in Australia and New Zealand that central banks will have noticed.

Short-term funding costs



Source: Statistics NZ, 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 3% (trend) on average.	Neutral Negative Positive
Unemployment rate	4.2% for 2018 Q4	The unemployment rate should fall a touch more. Wage growth is benign, but conditions for change are emerging.	Neutral Negative Positive
OCR	1.75% by Dec 2018	With plenty of question marks over the outlook for inflation, it is still a backdrop where we believe the RBNZ will be cautious in tightening policy.	Neutral Down Up
CPI	1.6% y/y for 2018 Q4	In part due to policy changes and base effects, headline inflation will fall over the next 12 months. But domestic and core inflation should lift gradually.	Neutral Negative Positive

ECONOMIC OVERVIEW

SUMMARY

The economy is currently growing about trend pace, after cooling from the strong rates seen over 2015 and 2016. There are some challenges to navigate but we **don't see the economy rolling over, even though that** has been the historical tendency at this point in the cycle. Overall, the story is a positive one. Our forecasts depict an economy growing broadly around trend for the next couple of years, with the unemployment rate set to remain low. We see wage growth gradually lifting off lows, with a modest broadening in domestic inflation pressures in time. That lift should eventually see the RBNZ join other central banks in removing monetary policy stimulus. However, we feel strongly that it will be late to that party, with the first hike not until the second half of 2019. The main risks lie offshore.

FORTHCOMING EVENTS

GlobalDairyTrade (early am, Wednesday, 4 April). Supply conditions continue to improve, while demand remains steady. Prices could head lower.

ANZ-Roy Morgan Consumer Confidence –March (10:00am, Wednesday, 4 April).

ANZ Job Ads – March (10:00am, Thursday, 5 April).

ANZ Commodity Price Index – March (1:00pm, Thursday, 5 April).

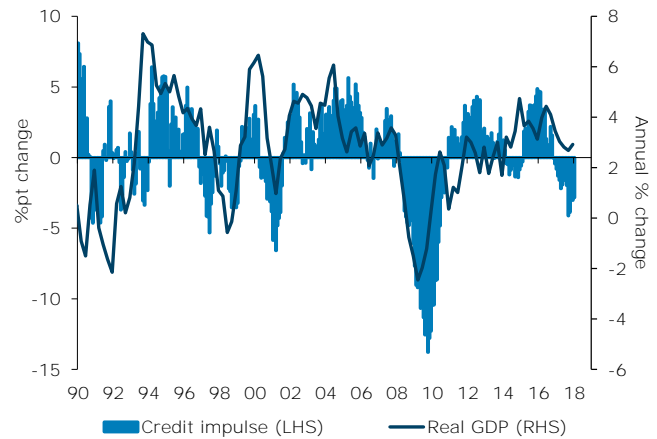
WHAT'S THE VIEW?

The economy is currently growing about trend pace. In the December quarter, the economy expanded 0.6% q/q, with annual growth steady at 2.9% y/y. In fact, annual growth has effectively hovered around this rate for the better part of 12 months now. It is certainly still a respectable rate of growth, but it is well down from the 4½% annual pace of growth pace experienced in mid-2016.

The economy is looking cooler compared to 2015/16, with the slowdown driven by a number of factors:

- **Typical late-cycle forces:** Across many sectors, capacity pressures are intense and margins are tightening, putting a hand-brake on expansion. Construction is the most obvious but constraints are also being hit in the likes of tourism; indeed anything requiring a significant labour input.
- **Credit cycle headwinds:** During 2017 banks rationed credit and competed aggressively for deposits. We estimate the credit impulse – the change in the ratio of credit growth to GDP – was the most negative since the global financial crisis. It matters.

Figure 1: Credit impulse and GDP growth



Source: Statistics NZ, RBNZ, ANZ Research

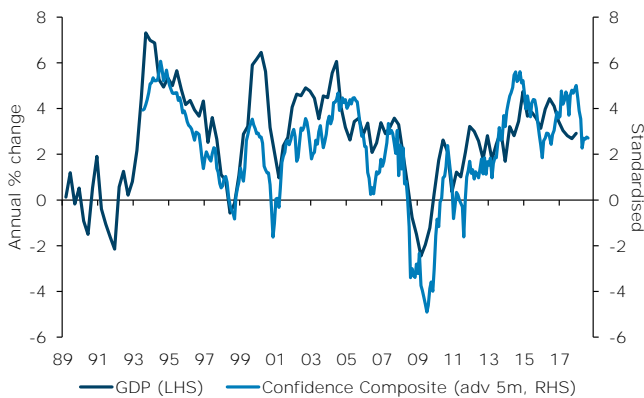
- **Softer housing market activity:** National annual house price growth has cooled from over 15% in 2016 to around 3½% currently. Credit dynamics, affordability constraints and political uncertainty are all at play.

We struggle to see GDP growth accelerating back to an above-trend pace from here as the Reserve Bank is forecasting. Not only would that be unusual for the New Zealand economy at this point in the cycle, but there are a host of factors that we see limiting the upside.

- **Housing market activity is expected to remain contained.** Yes, it is up from its recent lows, but given affordability constraints and tax changes we **don't see** the market accelerating significantly again.
- **Households are likely to rebuild precautionary saving.** If easy capital gains aren't doing the work to repair stretched balance sheets it will have to be done the hard way.
- **Some of the 'easier' growth levers have already been pulled.** Population growth is expected to slow and construction has peaked.
- **Capacity challenges are not going away** and will limit expansion.

But while there are challenges, that doesn't mean economic conditions will get overtly difficult. In our view the cycle is not about to roll over in a meaningful way just yet. Consistent with this view, our ANZ confidence composite continues to point to growth of 2-3% continuing through the first half of 2018 – close to trend. In some ways, this is quite remarkable, given that we are late in the economic cycle and the historical tendency has been for the economy to lose steam at this point.

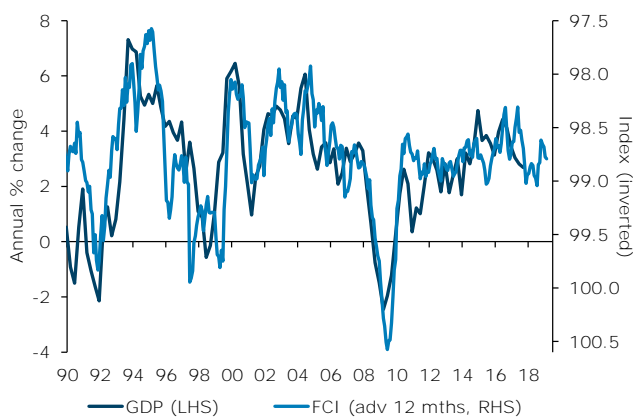
ECONOMIC OVERVIEW

Figure 2: ANZ Confidence Composite versus GDP

Source: Statistics NZ, ANZ Research

While there are certainly risks that we will turn to shortly, our core view is that around-trend growth will be maintained for a number of reasons:

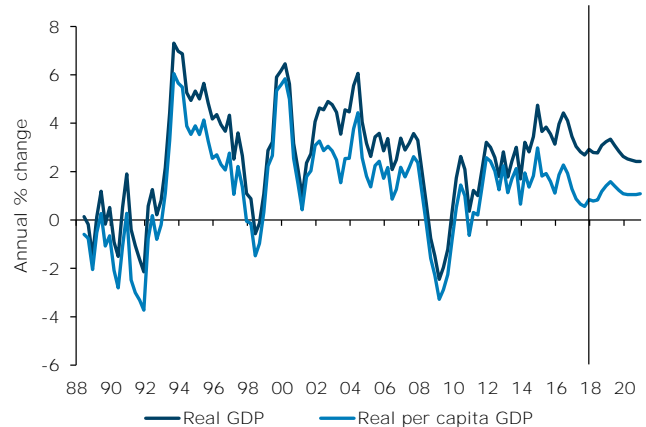
- There isn't the same degree of imbalances that is typically seen at this point in the cycle. The current account deficit is less than 3% of GDP.
- The RBNZ is happy to keep interest rates low for the time being. Typically this far into the economic cycle inflation has become a problem and interest rates are high.
- Broader financial conditions, including the terms of trade, are still supportive (see chart below). That said, as discussed on page 1, we are watching funding costs closely.
- Fiscal policy is turning more expansionary.
- With the funding gap closed, the worst of the credit headwinds appear to be behind us.
- The global economy is expected to perform well.

Figure 3: Financial Conditions Index and GDP

Source: Statistics NZ, ANZ Research

Ultimately, we remain relatively constructive on the domestic picture. There will no doubt be some quarterly volatility as there always is for a small,

open economy like New Zealand. But we still forecast the economy to maintain a GDP growth rate of around 3% over the next couple of years, which, given the cycle is getting a little long in the tooth, is hardly a negative story.

Figure 4: GDP growth forecast

Source: Statistics NZ, ANZ Research

So what would shift us more positive on growth? After all, while our forecasts could certainly not be classed as negative, we are not as upbeat as

the likes of the Treasury or RBNZ, who both see growth accelerating above trend over the next couple of years.

Well, first, given low general inflation there is certainly a possibility we are under-estimating the economy's supply-side potential. It may be the economy has more room to grow – and we would welcome this. The economy's supply-side potential could be higher if we are wrong about capacity constraints, if business investment increases, or if productivity growth improves.

But there are other possibilities that we wouldn't necessarily welcome with open arms.

We could see a resurgence in housing market activity or over-exuberant consumer spending (households *should* save more, but *will* they?). While this would support growth, it would no doubt be accompanied by stronger credit growth, exacerbating household balance sheet strain. We fear such a development would result in an economic hangover, say in 2020.

Turning to the inflation picture, we expect domestic inflation pressures to rise in time. That is based largely on the view that wage growth will lift modestly from here. Anecdotally we are hearing more

messages of firms having to pay up to attract staff, and we see the unemployment rate eventually falling to 4.1% by early 2019, intensifying skill shortages.

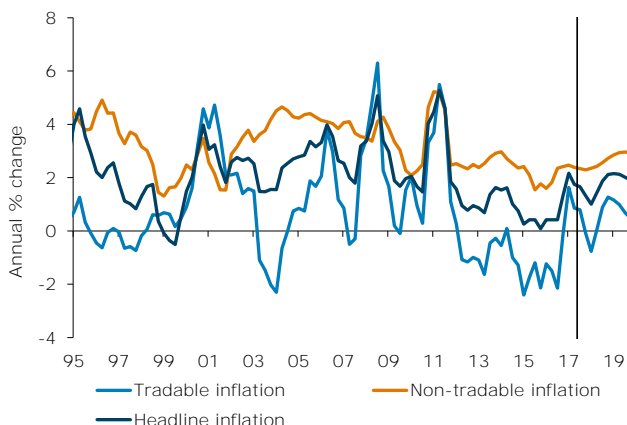
ECONOMIC OVERVIEW

The new Government has also been unapologetic about its attempts to raise wage expectations, through the likes of minimum wage hikes and workplace relations reforms. We forecast the private sector LCI to reach 2.2% by 2019.

But even if wage growth increases as we expect, it is uncertain whether it will feed into consumer prices. As in many other countries, consumer inflation has been surprisingly subdued throughout the economic cycle. Various theories from technological advance (particularly the threat of automation), to industry concentration, to the ongoing impact of globalisation have been suggested for the breakdown of traditional inflation dynamics, but it is fair to say that no one has all the answers. And as long as this uncertainty persists, inflation forecasts will be subject to a greater-than-normal degree of uncertainty.

We are picking annual headline inflation to average 1.4% and 2.0% over 2018 and 2019 respectively. In fact, courtesy of base effects and tertiary education subsidies, headline inflation is forecast to drop to 1.1% in Q1 and not return to the 2% target mid-point until the second half of 2019. In our assessment, risks to the near-term forecast are skewed to the downside.

Figure 5: CPI inflation



Source: ANZ, Statistics NZ

Such a gradual pick-up in inflation will hardly put the wind up the Reserve Bank. At its latest OCR Review, the RBNZ stated that inflation is “forecast to trend upwards” over the medium term (looking through an expected near-term weakening). Although we see a little more inflation pressure over the next couple of years than was evident in the RBNZ’s latest published forecasts, we are not forecasting an increase in the Official Cash Rate until the second half of 2019, and even then we expect it will be in a cautious fashion.

Our global growth forecasts continue to depict a steady and – on balance – positive picture. But risks are skewed to the downside. Expansionary US fiscal policy should support global trade, but markets will remain attentive to further tensions as the China-US trade saga continues to unfold. In other big themes we are watching, the ECB’s very stimulatory policy settings are facing greater scrutiny, and the outlook for global inflation remains very murky. **Wobbles in equity markets also demand attention.** The central view is that key fundamentals underpinning growth are set to continue. However, cool heads and sensible policy are required to maintain this somewhat fragile equilibrium.

Turning to the financial markets outlook, while **funding market pressures both here and abroad are creating some angst**, we don’t believe local pressures will escalate. But we are watching closely. **We see scope for local short-end rates to fall modestly in the near term, but ultimately remain anchored by RBNZ policy inaction.** Local long-end rates should gradually rise in line with global moves, seeing the curve steepen. However, we see further scope for further local outperformance, with NZ-US 10-year spreads to push more clearly negative. **We expect downward pressure on the NZD over the course of 2018**, especially against G4 currencies. NZD/AUD has threatened to break higher, but we see it remaining range-bound.

ANZ- Roy Morgan Consumer Confidence and ANZ Job Ads out this week will gauge household sentiment and the labour market outlook. In February, consumer confidence was steady at robust levels, while annual growth in job ads eased, consistent with a maturing labour market.

Wednesday brings another GlobalDairyTrade auction. Dairy prices have held up better than expected, largely due to solid demand and lower GDT supply. NZX futures are pointing toward a 2-3% decline this week. **Whole milk powder prices are set to be more sternly tested** with higher European milk flows adding competition, mainly in the Middle East and North Africa. In addition, extra supply being added back onto GDT (4000mt over the next 4 events).

In skim milk powder markets most buyers remain hesitant to cover too far forward, given high stock levels. In the short term SMP prices are expected to drift lower as European production lifts and more intervention product is released. New Zealand SMP is expected to manage to maintain its premium, but global base prices are expected to fall.

ECONOMIC OVERVIEW

Prices for milk fats remain historically very strong, though they have eased over the past month. Solid demand means some New Zealand processors are managing to sell butter well above prices achieved at GDT, and close to those in Europe. There may be a little downside on the horizon, as Easter demand is now over and milk flow is increasing seasonally in Europe.

The ANZ commodity price index is out on Thursday and will give a broader read on New Zealand's commodity direction.

LOCAL DATA

RBNZ New Mortgage Lending – February. With housing market turnover up, new mortgage lending is running at a faster pace 6.6% y/y, compared with 4.6% in January.

ANZ Business Outlook – March. Business sentiment is treading water. Firms are generally pessimistic but getting on with it. Our confidence composite points to continued growth of 2-3% – about trend.

Building Consent Issuance –February. Consent issuance increased 5.7% m/m, driven by volatile multi-dwelling consents. Consents are chopping around a high level.

RBNZ Sectoral Lending – February. Business lending bounced back after contracting slightly in January. Household and Agricultural lending was broadly stable.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
3-Apr	AU	CoreLogic House Px MoM - Mar	--	-0.3%	12:00
	AU	ANZ Job Advertisements MoM - Mar	--	-0.3%	13:30
	AU	RBA Cash Rate Target - Apr	1.5%	1.5%	16:30
	GE	Retail Sales MoM - Feb	0.7%	-1.0%	18:00
	GE	Retail Sales YoY - Feb	2.4%	2.3%	18:00
	AU	Commodity Index SDR YoY - Mar	--	-1.0%	18:30
	AU	Commodity Index AUD - Mar	--	139.8	18:30
	GE	Markit/BME Manufacturing PMI - Mar F	58.4	58.4	19:55
	EC	Markit Manufacturing PMI - Mar F	56.6	56.6	20:00
	UK	Markit PMI Manufacturing SA - Mar	54.7	55.2	20:30
4-Apr	NZ	ANZ Consumer Confidence Index - Mar	--	127.7	10:00
	NZ	ANZ Consumer Confidence MoM - Mar	--	0.6%	10:00
	AU	ANZ-RM Consumer Confidence Index - 1-Apr	--	117.4	11:30
	JN	Nikkei PMI Services - Mar	--	51.7	12:30
	JN	Nikkei PMI Composite - Mar	--	52.2	12:30
	AU	Building Approvals MoM - Feb	-5.0%	17.1%	13:30
	AU	Building Approvals YoY - Feb	0.3%	12.0%	13:30
	AU	Retail Sales MoM - Feb	0.3%	0.1%	13:30
	CH	Caixin PMI Composite - Mar	--	53.3	13:45
	CH	Caixin PMI Services - Mar	54.5	54.2	13:45
	UK	Markit/CIPS Construction PMI - Mar	51.0	51.4	20:30
	EC	Unemployment Rate - Feb	8.5%	8.6%	21:00
	EC	CPI Core YoY - Mar A	1.1%	1.0%	21:00
	EC	CPI Estimate YoY - Mar	1.4%	1.2%	21:00
	US	MBA Mortgage Applications - 30-Mar	--	4.8%	23:00
5-Apr	US	ADP Employment Change - Mar	210k	235k	00:15
	US	Markit Services PMI - Mar F	54.2	54.1	01:45
	US	Markit Composite PMI - Mar F	--	54.3	01:45
	US	ISM Non-Manf. Composite - Mar	59.0	59.5	02:00
	US	Factory Orders - Feb	1.7%	-1.4%	02:00
	US	Factory Orders Ex Trans - Feb	--	0.4%	02:00
	US	Durable Goods Orders - Feb F	--	3.1%	02:00
	US	Durables Ex Transportation - Feb F	--	1.2%	02:00
	US	Cap Goods Orders Nondef Ex Air - Feb F	--	1.8%	02:00
	US	Cap Goods Ship Nondef Ex Air - Feb F	--	1.4%	02:00
	NZ	QV House Prices YoY - Mar	--	6.5%	05:00
	NZ	ANZ Job Advertisements MoM - Mar	--	-1.2%	10:00
	AU	AiG Perf of Services Index - Mar	--	54.0	10:30
	AU	CBA Australia PMI Services - Mar	--	54.2	11:00
	AU	CBA Australia PMI Composite - Mar	--	54.3	11:00
	NZ	ANZ Commodity Price - Mar	--	2.80%	13:00
	AU	Trade Balance - Feb	A\$725M	A\$1055M	13:30
	GE	Factory Orders MoM - Feb	1.5%	-3.9%	18:00
	GE	Factory Orders WDA YoY - Feb	6.3%	8.2%	18:00
	GE	Markit Services PMI - Mar F	54.2	54.2	19:55
	GE	Markit/BME Composite PMI - Mar F	55.4	55.4	19:55
	EC	Markit Services PMI - Mar F	55.0	55.0	20:00
	EC	Markit Composite PMI - Mar F	55.3	55.3	20:00

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
5-Apr	UK	Official Reserves Changes - Mar	--	\$651M	20:30
	UK	Markit/CIPS Services PMI - Mar	54.0	54.5	20:30
	UK	Markit/CIPS Composite PMI - Mar	53.9	54.5	20:30
	EC	PPI MoM - Feb	0.0%	0.4%	21:00
	EC	PPI YoY - Feb	1.5%	1.5%	21:00
	EC	Retail Sales MoM - Feb	0.6%	-0.1%	21:00
	EC	Retail Sales YoY - Feb	2.3%	2.3%	21:00
6-Apr	US	Initial Jobless Claims - 31-Mar	225k	215k	00:30
	US	Continuing Claims - 24-Mar	1843k	1871k	00:30
	US	Trade Balance - Feb	-\$56.8B	-\$56.6B	00:30
	GE	Industrial Production SA MoM - Feb	0.2%	-0.1%	18:00
	GE	Industrial Production WDA YoY - Feb	4.3%	5.5%	18:00
	GE	Markit Construction PMI - Mar	--	52.7	19:30
	GE	Markit Retail PMI - Mar	--	53.8	20:10
	EC	Markit Retail PMI - Mar	--	52.3	20:10
	UK	Unit Labor Costs YoY - 4Q	--	1.3%	20:30
7-Apr	US	Change in Nonfarm Payrolls - Mar	185k	313k	00:30
	US	Unemployment Rate - Mar	4.0%	4.1%	00:30
	US	Average Hourly Earnings MoM - Mar	0.3%	0.1%	00:30
	US	Average Hourly Earnings YoY - Mar	2.7%	2.6%	00:30
	US	Average Weekly Hours All Employees - Mar	34.5	34.5	00:30
	US	Consumer Credit - Feb	\$15.00B	\$13.91B	07:00
	CH	Foreign Reserves - Mar	\$3155.00B	\$3134.48B	UNSPECIFIED

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
Wed 4 Apr (early am)	GlobalDairyTrade Auction	More pressure	Supply conditions continue to improve, while demand remains steady. Prices could head lower.
Wed 4 Apr (10:00am)	ANZ-Roy Morgan Consumer Confidence – Mar	--	--
Thu 5 Apr (10:00am)	ANZ Job Ads – Mar	--	--
Thu 5 Apr (1:00pm)	ANZ Commodity Price Index – Mar	--	--
9 -13 Apr	REINZ Housing Market Statistics – Mar	Steady	The market has should remain stable around current levels. Annual house price growth should remain contained.
Tue 10 Apr (10:00am)	NZIER Quarterly Survey of Business Opinion – Q1	Steady	Sentiment is likely to remain below its pre-election levels, but we wouldn't be surprised to see a modest bounce. We will be watching for any intensification of reported margin pressures.
Wed 11 Apr (10:00am)	ANZ Truckometer – Mar	--	--
Wed 11 Apr (1:00pm)	ANZ Monthly Inflation Gauge – Mar	--	--
Thu 12 Apr (10:45am)	Electronic Card Transactions – Mar	Modest	The underlying pace of spending is expected to remain modest even though supportive forces remain.
Fri 13 Apr (10:30am)	BNZ-BusinessNZ PMI – Mar	Softening?	The index has softened over recent months, giving a slightly weaker signal for near-term economic momentum.
Mon 16 Apr (10:30am)	BNZ-BusinessNZ PSI – Mar	Holding firm	Services sector activity has been holding firm and is expected to remain a supportive force for the cycle for a while.
Mon 16 Apr (10:45am)	Food Price Index – Mar	Flat	From a seasonal perspective, an outturn around flat seems on the cards.
Wed 18 Apr (early am)	GlobalDairyTrade Auction	More pressure	Supply conditions continue to improve, while demand remains steady. Prices could head lower.
Thu 19 Apr (10:45am)	CPI – Q1	1.1% y/y	On the back of tertiary education fee reductions and base effects, headline inflation looks set to fall to near the bottom of the RBNZ's target band.
Tue 24 Apr (10:45)	Net Migration – March	Peaked	We don't see migration inflows falling quickly, but we believe we are past the peak, with gradual decline from here.
Fri 27 Apr (10:00)	ANZ-Roy Morgan Consumer Confidence – Apr	--	--
Fri 27 Apr (10:45)	Overseas Merchandise Trade – Mar	Bounce	Some bounce back in imports can be expected. Export earnings are expected to remain steady with durable, broad-based strength.
Mon 30 Apr (1:00pm)	ANZ Business Outlook – Apr	--	--
On balance		Data watch	The data pulse is a little more 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	0.6	0.6	0.7	0.1	0.6
CPI (% yoy)	1.6	1.1	1.4	1.5	1.6	1.7	2.1	2.2	2.0	2.0
Employment (% qoq)	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Employment (% yoy)	3.7	3.2	3.6	1.8	1.6	1.4	1.3	1.2	1.2	1.2
Unemployment Rate (% sa)	4.5	4.3	4.3	4.2	4.2	4.1	4.1	4.1	4.2	4.1
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

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Retail ECT (% mom)	0.1	-0.5	-0.1	0.3	0.5	1.3	0.5	1.4	-0.3	--
Retail ECT (% yoy)	4.5	2.0	4.4	2.9	1.3	4.3	3.3	3.4	3.3	--
Credit Card Billings (% mom)	0.3	0.7	-0.6	0.8	1.0	0.9	0.6	-0.6	0.7	--
Credit Card Billings (% yoy)	8.3	7.1	6.5	5.0	3.0	9.1	6.3	4.6	7.0	--
Car Registrations (% mom)	-2.6	-4.7	9.5	-0.8	1.6	1.3	-4.7	2.3	-8.9	--
Car Registrations (% yoy)	11.1	6.2	13.5	15.6	7.3	7.3	4.7	6.2	-4.2	--
Building Consents (% mom)	0.9	2.3	5.7	-1.9	-9.9	9.4	-9.5	0.0	5.7	--
Building Consents (% yoy)	-7.9	-1.9	13.1	7.5	-7.4	13.1	3.7	4.0	-0.6	--
REINZ House Price Index (% yoy)	5.4	3.3	2.9	3.8	3.4	3.6	3.7	3.5	4.0	--
Household Lending Growth (% mom)	0.6	0.3	0.4	0.5	0.5	0.5	0.5	0.4	0.5	--
Household Lending Growth (% yoy)	7.6	7.1	6.7	6.5	6.3	6.2	5.9	5.8	5.7	--
ANZ Roy Morgan Consumer Conf.	127.8	125.4	126.2	129.9	126.3	123.7	121.8	126.9	127.7	--
ANZ Business Confidence	24.8	19.4	18.3	0.0	-10.6	-39.3	-37.8	..	-19.0	-20.0
ANZ Own Activity Outlook	42.8	40.3	38.2	29.6	22.0	6.5	15.6	..	20.4	21.8
Trade Balance (\$m)	243	92	-1174	-1165	-840	-1222	614	-655	217	--
Trade Bal (\$m ann)	53530	53742	53982	54085	54759	55999	56475	57253	57440	--
ANZ World Comm. Price Index (% mom)	2.1	-0.8	-0.8	0.8	-0.3	-0.9	-1.9	0.7	2.8	--
ANZ World Comm. Price Index (% yoy)	24.6	21.1	16.3	11.5	10.4	6.0	3.2	4.1	5.0	--
Net Migration (sa)	6310	5750	5470	5270	5660	5690	5720	6270	4970	--
Net Migration (ann)	72305	72402	72072	70986	70694	70354	70016	70147	68943	--
ANZ Heavy Traffic Index (% mom)	-0.5	-6.0	6.5	-1.5	2.9	1.1	-4.2	4.1	-2.5	--
ANZ Light Traffic Index (% mom)	1.2	-2.2	2.7	-0.1	-0.6	1.5	-1.7	-0.5	-0.2	--

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)						
	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	0.72	0.70	0.69	0.67	0.66	0.65	0.65	0.65
NZD/AUD	0.924	0.942	0.94	0.92	0.93	0.93	0.94	0.93	0.93	0.93
NZD/EUR	0.590	0.587	0.59	0.56	0.54	0.52	0.51	0.50	0.50	0.50
NZD/JPY	77.26	76.91	76.32	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	74.3	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	1.96	1.98	2.08	2.34	2.50	2.50	2.59	2.75
NZ 10-yr bond	2.94	2.72	2.71	3.05	3.30	3.50	3.50	3.50	3.50	3.50
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	2.31	2.40	2.40	2.50	2.50	2.70	2.70	2.75
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75	1.75	2.00
AU 3-mth	1.79	2.03	2.03	1.90	1.80	1.80	1.80	2.05	2.30	2.30

	28 Feb	26 Mar	27 Mar	28 Mar	29 Mar	30 Mar
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.92	1.97	1.96	1.96	1.96	1.96
NZGB 05/21	2.07	2.04	2.05	2.01	2.02	2.02
NZGB 04/23	2.42	2.32	2.33	2.28	2.29	2.29
NZGB 04/27	2.94	2.78	2.79	2.72	2.72	2.72
NZGB 04/33	3.30	3.14	3.16	3.12	3.11	3.11
2 year swap	2.20	2.24	2.24	2.22	2.22	2.21
5 year swap	2.72	2.67	2.68	2.61	2.62	2.62
RBNZ TWI	74.57	74.70	74.85	74.70	74.31	74.31
NZD/USD	0.7214	0.7289	0.7275	0.7254	0.7198	0.7237
NZD/AUD	0.9242	0.9420	0.9427	0.9456	0.9382	0.9426
NZD/JPY	77.26	76.63	76.87	76.80	76.69	76.91
NZD/GBP	0.5199	0.5124	0.5155	0.5129	0.5119	0.5164
NZD/EUR	0.5903	0.5877	0.5864	0.5854	0.5841	0.5876
AUD/USD	0.7805	0.7738	0.7718	0.7671	0.7672	0.7679
EUR/USD	1.2221	1.2403	1.2407	1.2391	1.2323	1.2324
USD/JPY	107.10	105.14	105.66	105.90	106.56	106.28
GBP/USD	1.3876	1.4223	1.4112	1.4143	1.4061	1.4015
Oil (US\$/bbl)	61.64	65.55	65.25	64.38	64.94	64.94
Gold (US\$/oz)	1319.89	1347.80	1348.58	1337.21	1325.15	1325.48
NZX 50	8374	8432	8508	8388	8319	8319
Baltic Dry Freight Index	1192	1126	1117	1080	1055	1055
NZX WMP Futures (US\$/t)	3195	3190	3175	3170	3160	3160

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