

19 March 2018

INSIDE

Economic Overview	2
Data Event Calendar	6
Local Data Watch	8
Key Forecasts	9

NZ ECONOMICS TEAM

Sharon Zollner
Chief Economist
 Telephone: +64 9 357 4094
 E-mail: Sharon.Zollner@anz.com

Phil Borkin
Senior Macro Strategist
 Telephone: +64 9 357 4065
 Email: Philip.Borkin@anz.com

Natalie Denne
Desktop Publisher
 Telephone: +64 4 802 2217
 Email: Natalie.Denne@anz.com

Liz Kendall
Senior Economist
 Telephone: +64 4 382 1995
 Email: Elizabeth.Kendall@anz.com

Kyle Uerata
Economist
 Telephone: +64 4 802 2357
 E-mail: Kyle.Uerata@anz.com

Con Williams
Rural Economist
 Telephone: +64 4 802 2361
 E-mail: Con.Williams@anz.com

Miles Workman
Economist
 Telephone: +64 4 382 1951
 Email: Miles.Workman@anz.com

MIND THE GAP

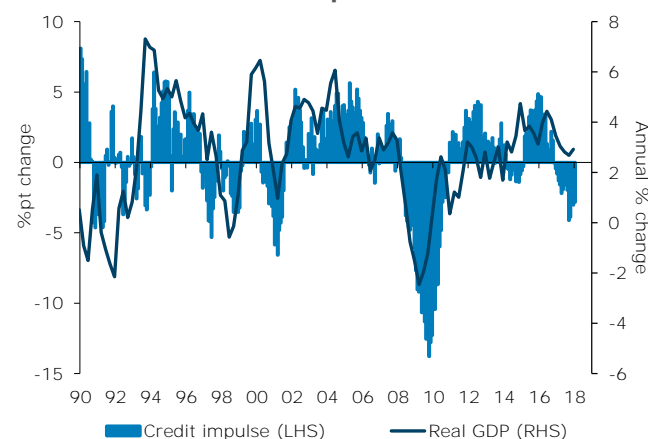
ECONOMIC OVERVIEW

The pace of economic activity struck a more moderate (but still respectable) tone in 2017, with the economy navigating some late-cycle headwinds. But we believe that recent credit developments are an important – and under-appreciated – part of the story too. The slowing in bank deposit growth over 2016 that forced banks to put the brakes on new lending meant that credit conditions exerted a moderate, negative impulse on the economy over the past year or so: the housing market has softened and businesses have found it more difficult to access credit. However, we enter 2018 with that adjustment having broadly played out. Lending and deposit growth are not far apart now, suggesting credit developments will have a broadly neutral impact on activity going forward. This leaves the economy able to continue to record an around-trend pace of growth.

CHART OF THE WEEK

While the economy is still growing at a respectable rate, it has slowed from the pace of growth seen over 2015/16. At least in part, we believe this reflects headwinds from the credit cycle.

Real GDP and the credit impulse



Source: RBNZ, Statistics NZ, ANZ Research

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to 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 pace of economic activity struck a more moderate (but still respectable) tone in 2017, with the economy navigating some late-cycle headwinds. But we believe that recent credit developments are an important – and under-appreciated – part of the story too. The slowing in bank deposit growth over 2016 that forced banks to put the brakes on new lending in order to meet their ‘funding gap’ meant that credit conditions exerted a moderate, negative impulse on the economy over the past year or so: the housing market has softened and businesses have found it more difficult to access credit. However, we enter 2018 with that adjustment having broadly played out. Lending and deposit growth are not far apart now, suggesting credit developments will have a broadly neutral impact on activity going forward. This leaves the economy able to continue to record an around-trend pace of growth.

FORTHCOMING EVENTS

GlobalDairyTrade Auction (early am, Wednesday, 21 March). Downward pressure on dairy prices is expected as supply conditions improve.

International Travel and Migration – February (10:45am, Wednesday, 21 March). Net migrant inflows staged a comeback last month. However, our overall view remains unchanged: net inflows will ease modestly over the coming year or so.

RBNZ OCR Review (9:00am, Thursday, 22 March). We expect little change in the RBNZ’s cautiously upbeat message, with policy set to remain on hold for some time yet.

Overseas Merchandise Trade – February (10:45am, Monday, 26 March). A more subdued export backdrop is expected to persist. There is potential for January’s disappointing export volumes to unwind, while imports remain strong.

WHAT’S THE VIEW?

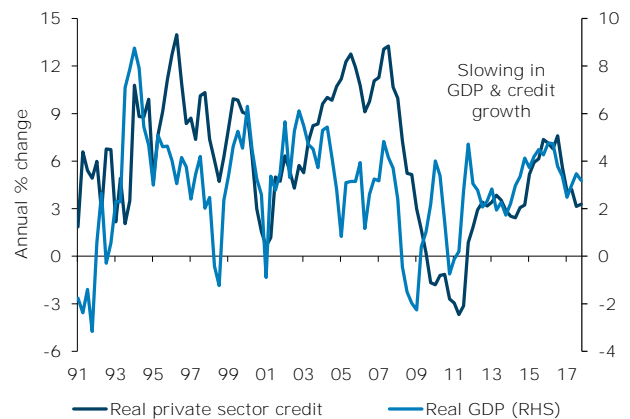
The pace of economic activity struck a more moderate tone in 2017. GDP increased 0.6% q/q in the December quarter, to be up 2.9% y/y. That is certainly still respectable (and broadly around trend in our view), but it is a step down from the stronger pace of growth seen over 2015 and 2016, when the economy grew at a 4.2% y/y pace on average.

It is clear that the economy is navigating some typical late-cycle headwinds, including capacity constraints, housing excesses and firm margin pressure. And it is tiring under the weight of high debt levels (in not only the household sector but also pockets of agriculture), which we expect to constrain consumption and overall activity growth in the future.

But a key feature of the recent GDP growth slowdown is the coincident slowing in credit growth.

Total private sector credit growth has cooled from around 8% y/y in mid-2016 to around 5% now. We believe that credit developments are an important – and under-appreciated – part of the current economic story.

Figure 1: Real private sector credit and GDP growth



Source: RBNZ, Statistics NZ, ANZ Research

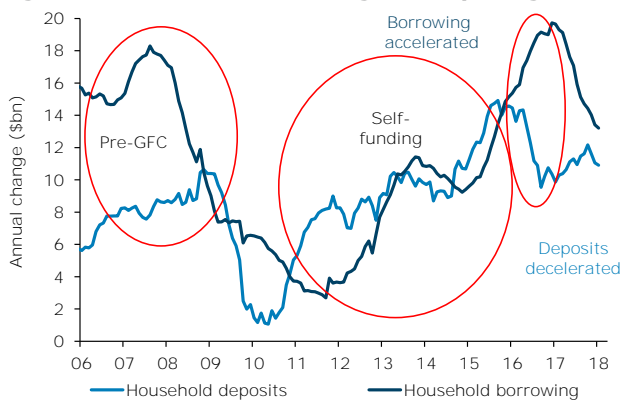
Regular readers will be familiar with the bank ‘funding gap’ theme we have highlighted numerous times in our research over the past year or so – that is, the large gap that developed between bank lending and deposit growth from around the start of 2016. This was caused, in large part, by a sharp slowing in deposit growth as the household saving rate fell.

Initially that ‘gap’ was addressed by a lift in banks’ external borrowing in global funding markets, and there were few problems with that.

But on the back of increased regulator and credit rating agency scrutiny since the global financial crisis, and also, importantly, the prudence learned on the part of banks themselves, external borrowing started to hit its limits. That forced banks into making a decision on how to close the gap within the confines of the domestic market: either compete more aggressively for domestic deposits, or slow the rate of credit growth. In effect, banks decided to do both. Term deposit rates rose (and with them lending rates), and credit was rationed.

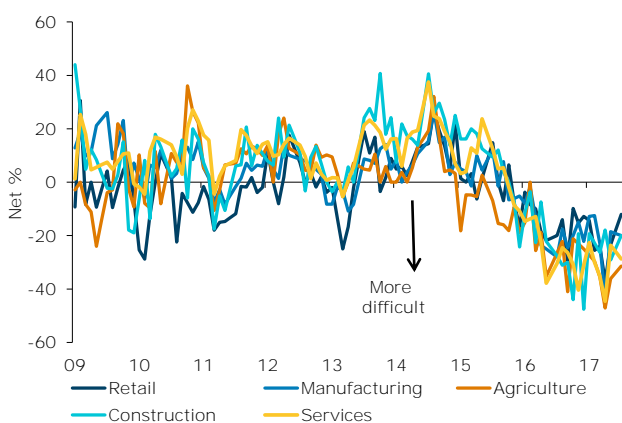
There is little doubt in our minds that this dynamic has acted as a meaningful drag on growth. In the big picture, it was not a bad thing, as continuing down the borrow-and-spend path (which the economy has done many times in the past before) typically increases imbalances and vulnerabilities, and ends with some form of correction.

ECONOMIC OVERVIEW

Figure 2: Household borrowing and deposit growth

Source: RBNZ, ANZ Research

Undoubtedly, higher mortgage rates and more restrictive lending conditions (together with LVR restrictions and affordability constraints) contributed to the cooling seen in the housing market last year. Businesses also reported that it became more difficult to access credit over 2017. Anecdotes suggest this is particularly true in the construction industry (although survey data does not suggest this is an outlier). **We don't know the counterfactual of course, but non-residential investment grew 4.2% y/y on average over 2017 – a touch below its historical average rate – and well below the rates of more than 10% growth that have often occurred in New Zealand five years or more into a business cycle.**

Figure 3: ANZBO ease of finding credit

Source: ANZ Research

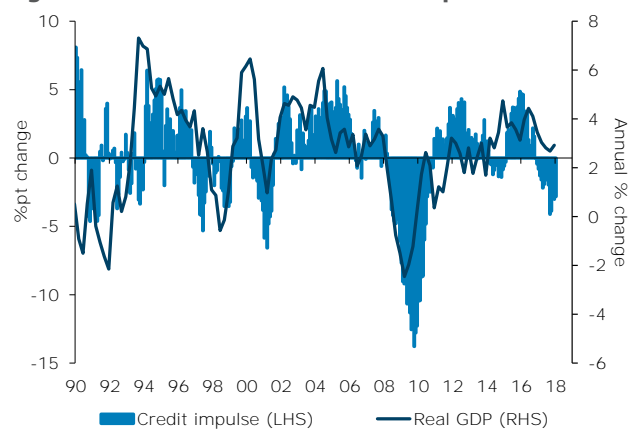
Ultimately, credit conditions exerted a moderate, negative impulse on the economy over 2017.

While helpful from a medium-term economic health point of view, these credit constraints dampened GDP growth, helping to keep a lid on the housing market and household and business spending. Given the household saving rate has deteriorated from 2% in 2012 to an estimated -3% at the end of last year, a bit of enforced prudence when it comes to household borrowing at least is probably not a bad thing.

But that story is looking mature right here and now.

The gap between lending and deposit growth has effectively closed. And as a result, we are, unsurprisingly, now seeing some of the pressures evident over the past 12 months start to moderate. Mortgage rates have eased a touch as the need to compete aggressively for deposits has waned. And while firms are still reporting it is more difficult to access credit than, say, two years ago, the net number improved a little in the February ANZ Business Outlook. Anecdotally, it appears the credit wheels are turning a little faster, and so it is little wonder then that housing market activity has also bounced modestly from its lows last year.

Going forward, we expect credit developments to have a broadly neutral impact on the economy, as opposed to the headwind experienced over the past year. With credit growth likely to stabilise around 5% y/y, which is more or less the rate of nominal GDP growth, the 'credit impulse' – measured as the change in the ratio of credit to GDP – looks set to go from its most negative level since the financial crisis at present to something around zero.

Figure 4: Real GDP and the credit impulse

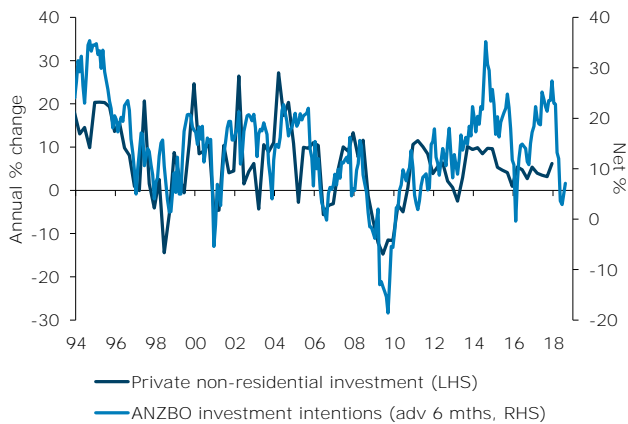
Source: RBNZ, Statistics NZ, ANZ Research

Consistent with this, we expect investment to be stable going forward. Despite the plunge in firms' intentions, we assume business investment will be resilient to post-election volatility and grow in line with the overall economy – at about trend. We are certainly picking up anecdotally that firms are actively investigating labour-saving investment as the tight labour market starts to crimp growth.

Likewise, we expect the housing market to stay in check. House price inflation is running at 3.7% y/y (3-month average.) and we expect broadly stable prices from here, with credit headwinds (although not as intense), affordability constraints and new Government policies keeping pressures contained, despite still-low interest rates.

ECONOMIC OVERVIEW

Figure 5: Business investment and intentions



Source: Statistics NZ, ANZ Research

Speaking of interest rates, **the RBNZ's OCR Review will be the main focus for markets this week; we are not expecting any change in message.**

Developments since the February *MPS* have been, on balance, more positive. Business confidence has bounced off lows, housing market activity is stable, and notwithstanding the modest disappointment in Q4 GDP growth, activity indicators point to the economy continuing to show reasonable momentum and growth around trend. **But this won't change the RBNZ's assessment much, as a broad spirit of cautious optimism regarding growth – and outright cautiousness with regard to the inflation outlook – have underpinned the RBNZ's assessments for some time.** And we expect that to continue for a while yet. The RBNZ is not expecting to tighten monetary policy until the second half of 2019 and **it's a view we share.**

The next GlobalDairyTrade auction is on Wednesday morning. **Downward pressure on dairy prices is expected as supply conditions improve.** NZX futures are pointing to 4-5% fall for whole milk powder, but a largely unchanged result for milkfat (GDT-TWI -4%).

By all accounts it's been a difficult production year for NZ supply, at a higher cost (i.e. a greater need for supplementary feed). However, autumn production conditions look favourable, which will extend days in milk for most farmers, boosting end-of-season production. Improved country-wide pasture conditions have also eliminated market worries of a widespread early finish to milking this season triggered by the dramatic drop-off in milk flow through the early summer period. That said, GDT supply remains tight into year-end with the WMP offering back -28% y/y and SMP -15% y/y. There have only been minimal changes in GDT supply for this auction versus last, with tight inventories providing Fonterra with flexibility.

European milk supply developments are being watched closely heading into the seasonal peak.

There have been widespread downgrades in farm-gate prices recently, signalling oversupply. Recent cooler weather and the higher euro have tempered European prospects. Last year, cooler weather in Germany and France played a critical role in the mid-year rally, but this year, farm-gate margins are more favourable and momentum heading into the seasonal peak is stronger. The weather will play a critical role in determining just how much milk is produced over the next few months, and this will set the tone for the opening milk price in 2018/19 (end of May) and cash-flow into early 2019.

The demand side looks fairly steady. Chinese demand has eased back post the free-trade window, but the void has been filled by more price-sensitive buyers who still appear short of product. Broadly, WMP continues to trade a USD2,800-to-USD3,300/t range and we are cycling back toward the middle of this at present. One interesting emerging story is that the Algerian Government is scaling back spending on food programs in response to a tighter fiscal budget due to lower oil revenue. This is important as Algerian demand has underwritten WMP at USD2,800/t since early 2016, buying significant quantities every time prices have hit this level, causing a bounce. Milk powder has been exempt, but most other dairy products are facing spending cuts to both save money and support local milk production/businesses. At first blush this could be negative, reducing dairy consumption and imports and price support for WMP, but equally it could increase milk powder demand if domestic production cannot respond to fill the supply gap left by lower imports of cheese etc. The outcome will be important if USD2,800/t for WMP is to be tested in coming months.

Fonterra's half-year results are also out on Wednesday morning. **We have the milk price tracking at \$6.35/kg MS with around 84% of the season's product sold. Adding on additional premiums for product sold outside the GDT platform means Fonterra's current guidance of \$6.40/kg MS is likely to remain unchanged.**

The main pressure could be on dividend earnings where current guidance is \$0.35-\$0.45/share. Three factors are set to weigh here: Beingmate write-downs/losses, Danone arbitration costs (already factored in), and reduced stream returns (a higher milk price increases the cost of goods for several business units, such as Ingredients). These factors are offsetting improved Australian operations, continued earnings growth in both the Greater China and wider Asian foodservice business, efficiency/cost gains, and new partnerships adding to revenue/earnings.

ECONOMIC OVERVIEW

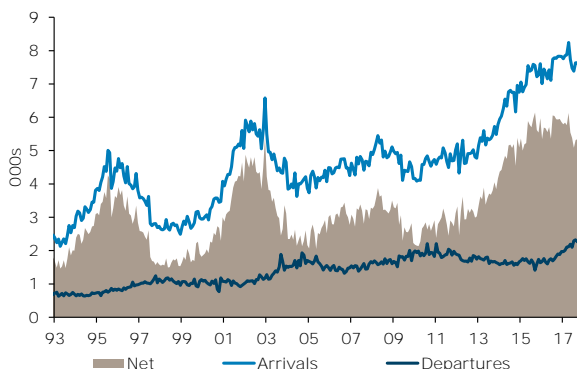
Traditionally, one-off costs such as Danone and Beingmate have been absorbed on the balance sheet and through lower retained earnings, so we suspect this might be the case again. However, this would test the company's self-imposed leverage target of 40-45% and reduced retained earnings would limit reinvestment opportunities.

Next week's overseas trade figures are expected to show a monthly balance of -\$181m (-\$2.84 annual). A more subdued export backdrop is expected to persist in February (+\$4.3bn forecast). However, there is potential for disappointing January export volumes to unwind, especially for oil/aluminium. Dairy prices have also improved since the start of 2018.

There is little to suggest a moderation in imports (+\$4.4bn forecast). Capital goods imports should be supported by firms investing to overcome skilled labour shortages and improve productivity. Consumption good imports remain steady at high levels with consumer confidence holding up and a tight labour market persisting. Intermediate goods imports should be supported by a steady pipeline of work for the small manufacturing and construction sectors.

Net migrant inflows surprised in January, lifting back to a historically strong level. The question ahead of this week's February figures will be whether that has continued. Traditionally, a strong Australian labour market (around 400k new jobs created in the year to January 2018) and the real wage differential with New Zealand would entice a pick-up in NZ citizen departures across the Tasman. But there was no evidence of that in the January figures, which perhaps speaks to the strength of the labour market at home. We will be on the look-out for any change in these dynamics over the coming months. We will also be interested in the trend in non-New Zealand and non-Australian citizen arrivals, which, after showing signs of cooling over recent months, surged back to life in January.

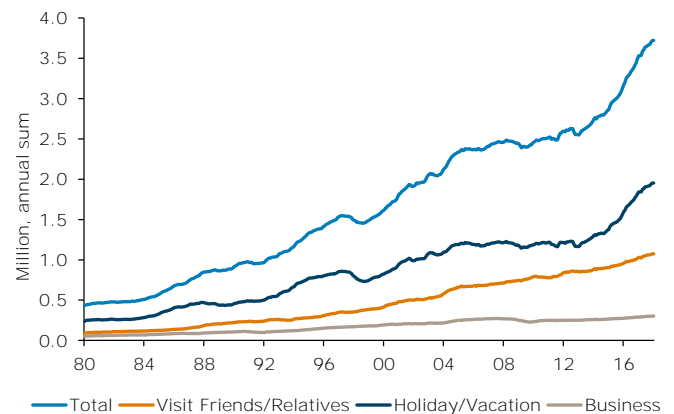
Figure 6: Net migrant flows of non-NZ and non-Australian citizens



Source: Statistics NZ, ANZ Research

The underlying trend in short-term visitor arrivals growth has slowed recently, with the number of holiday-makers plateauing in the year to January. We suspect this trend will continue into February. At face value, this slowing suggests that one of the key drivers of the phenomenal strength in tourism over the past couple of years is beginning to wane. That said, we don't see it going backwards by any means.

Figure 7: International visitor arrivals



Source: Statistics NZ, ANZ Research

LOCAL DATA

ANZ Monthly Inflation Gauge – February. On the back of lower tertiary education fees, prices in the Gauge fell 0.3% m/m.

Food Price Index – February. Prices fell 0.6% m/m, to be flat (0.1%) on a year ago.

REINZ Housing Markets Statistics – February. We estimate seasonally adjusted sales volumes fell 1.0% m/m, while the House Price Index increased 0.6% m/m (4.0% y/y).

Balance of Payments – Q4. The seasonally adjusted current account deficit widened to \$2.0bn, with the annual deficit growing to 2.7% of GDP.

GDP – Q4. The economy expanded 0.6% q/q, with annual growth broadly steady at 2.9% y/y.

BNZ-BusinessNZ PMI – February. The headline index fell 1 point to 53.4.

BNZ-BusinessNZ PSI – February. Fell modestly from 55.7 (revised) to 55.0.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
19-Mar	EC	Trade Balance SA - Jan	€22.3B	€23.8B	23:00
	EC	Trade Balance NSA - Jan	--	€25.4B	23:00
	EC	Construction Output MoM - Jan	--	0.1%	23:00
	EC	Construction Output YoY - Jan	--	0.5%	23:00
20-Mar	NZ	Westpac Consumer Confidence - Q1	--	107.4	10:00
	AU	ANZ-RM Consumer Confidence Index - 18-Mar	--	116.0	11:30
	AU	House Price Index QoQ - Q4	0.0%	-0.2%	13:30
	AU	House Price Index YoY - Q4	3.9%	8.3%	13:30
	AU	RBA March Meeting Minutes	--	--	13:30
	GE	PPI YoY - Feb	2.0%	2.1%	20:00
	GE	PPI MoM - Feb	0.1%	0.5%	20:00
	UK	CPI MoM - Feb	0.5%	-0.5%	22:30
	UK	CPI YoY - Feb	2.8%	3.0%	22:30
	UK	CPI Core YoY - Feb	2.5%	2.7%	22:30
	UK	RPI MoM - Feb	0.8%	-0.8%	22:30
	UK	RPI YoY - Feb	3.7%	4.0%	22:30
	UK	RPI Ex Mort Int.Payments (YoY) - Feb	3.6%	4.0%	22:30
	UK	PPI Input NSA MoM - Feb	-0.9%	0.7%	22:30
	UK	PPI Input NSA YoY - Feb	3.8%	4.7%	22:30
	UK	PPI Output NSA MoM - Feb	0.1%	0.1%	22:30
	UK	PPI Output NSA YoY - Feb	2.7%	2.8%	22:30
	UK	PPI Output Core NSA MoM - Feb	0.2%	0.3%	22:30
	UK	PPI Output Core NSA YoY - Feb	2.4%	2.2%	22:30
	UK	House Price Index YoY - Jan	5.0%	5.2%	22:30
	GE	ZEW Survey Current Situation - Mar	90.0	92.3	23:00
	GE	ZEW Survey Expectations - Mar	13.0	17.8	23:00
	EC	ZEW Survey Expectations - Mar	--	29.3	23:00
21-Mar	EC	Consumer Confidence - Mar A	0.0	0.1	04:00
	NZ	Net Migration SA - Feb	--	6210	10:45
	AU	Westpac Leading Index MoM - Feb	--	-0.24%	12:30
	AU	Skilled Vacancies MoM - Feb	--	1.2%	13:00
	NZ	Credit Card Spending MoM - Feb	--	-0.6%	15:00
	NZ	Credit Card Spending YoY - Feb	--	4.6%	15:00
	UK	Claimant Count Rate - Feb	--	2.3%	22:30
	UK	Jobless Claims Change - Feb	--	-7.2k	22:30
	UK	Average Weekly Earnings 3M/YoY - Jan	2.6%	2.5%	22:30
	UK	ILO Unemployment Rate 3Mths - Jan	4.4%	4.4%	22:30
	UK	Employment Change 3M/3M - Jan	84k	88k	22:30
	UK	Public Finances (PSNCR) - Feb	--	-£26.4B	22:30
	UK	Public Sector Net Borrowing - Feb	-£0.3B	-£11.6B	22:30
	UK	PSNB ex Banking Groups - Feb	£1.3B	-£10.0B	22:30
22-Mar	US	MBA Mortgage Applications - 16-Mar	--	0.90%	00:00
	US	Current Account Balance - Q4	-\$125.0B	-\$100.6B	01:30
	US	Existing Home Sales - Feb	5.40m	5.38m	03:00
	US	Existing Home Sales MoM - Feb	0.40%	-3.20%	03:00
	US	FOMC Rate Decision - Mar	1.75%	1.50%	07:00
	NZ	RBNZ Official Cash Rate - Mar	1.75%	1.75%	09:00
	AU	Employment Change - Feb	20.0k	16.0k	13:30

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
22-Mar	AU	Unemployment Rate - Feb	5.5%	5.5%	13:30
	AU	Full Time Employment Change - Feb	--	-49.8k	13:30
	AU	Part Time Employment Change - Feb	--	65.9k	13:30
	AU	Participation Rate - Feb	65.6%	65.6%	13:30
	JN	Nikkei PMI Mfg - Mar P	--	54.1	13:30
	GE	Markit/BME Manufacturing PMI - Mar P	59.8	60.6	21:30
	GE	Markit Services PMI - Mar P	55.0	55.3	21:30
	GE	Markit/BME Composite PMI - Mar P	57.0	57.6	21:30
	EC	Markit Manufacturing PMI - Mar P	58.1	58.6	22:00
	EC	ECB Current Account SA - Jan	--	29.9B	22:00
	EC	Current Account NSA - Jan	--	45.8B	22:00
	GE	IFO Business Climate - Mar	114.6	115.4	22:00
	GE	IFO Expectations - Mar	104.4	105.4	22:00
	GE	IFO Current Assessment - Mar	125.6	126.3	22:00
	EC	ECB Publishes Economic Bulletin	--	--	22:00
	EC	Markit Services PMI - Mar P	56.0	56.2	22:00
	EC	Markit Composite PMI - Mar P	56.8	57.1	22:00
	UK	Retail Sales Ex Auto Fuel MoM - Feb	0.4%	0.1%	22:30
	UK	Retail Sales Ex Auto Fuel YoY - Feb	1.2%	1.5%	22:30
	UK	Retail Sales Inc Auto Fuel MoM - Feb	0.4%	0.1%	22:30
	UK	Retail Sales Inc Auto Fuel YoY - Feb	1.4%	1.6%	22:30
23-Mar	UK	Bank of England Bank Rate - Mar	0.50%	0.50%	01:00
	UK	BoE Asset Purchase Target - Mar	£435B	£435B	01:00
	UK	BoE Corporate Bond Target - Mar	£10B	£10B	01:00
	US	Initial Jobless Claims - 17-Mar	225k	226k	01:30
	US	Continuing Claims - 10-Mar	1873k	1879k	01:30
	US	FHFA House Price Index MoM - Jan	0.4%	0.3%	02:00
	US	Markit Manufacturing PMI - Mar P	55.6	55.3	02:45
	US	Leading Index - Feb	0.5%	1.0%	03:00
	US	Markit Services PMI - Mar P	56.0	55.9	03:45
	US	Markit Composite PMI - Mar P	--	55.8	03:45
	US	Kansas City Fed Manf. Activity - Mar	18.0	17.0	04:00
	JN	Natl CPI YoY - Feb	1.5%	1.4%	12:30
	JN	Natl CPI Ex Fresh Food YoY - Feb	1.0%	0.9%	12:30
24-Mar	US	Durable Goods Orders - Feb P	1.7%	-3.6%	01:30
	US	Durables Ex Transportation - Feb P	0.5%	-0.3%	01:30
	US	Cap Goods Orders Nondef Ex Air - Feb P	0.7%	-0.3%	01:30
	US	Cap Goods Ship Nondef Ex Air - Feb P	0.4%	-0.1%	01:30
	US	New Home Sales - Feb	624k	593k	03:00
	US	New Home Sales MoM - Feb	5.2%	-7.8%	03:00

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 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 21 Mar (early am)	GlobalDairyTrade Auction	More pressure	Supply conditions continue to improve, while demand remains steady. Prices could head lower.
Wed 21 Mar (10:45am)	International Travel and Migration – February	Peaked	We don't see net inflows falling quickly , but we do believe we're past the peak . We will be on the lookout for any payback from the stronger-than-expected print in January.
Thu 22 Mar (9:00am)	RBNZ OCR Review	On hold	In what will be Grant Spencer's last outing as Governor, we are expecting an unchanged message.
Mon 26 Mar (10:45am)	Overseas Merchandise Trade – Feb	Unwind	Export values were impacted by the unwinding of some temporary boosts in January. That theme has further to run.
Mon 26 Mar (3:00pm)	RBNZ New Mortgage Lending – Feb	Up	Housing market turnover is up, which should mean the same for new lending.
Wed 28 Mar (1:00pm)	ANZ Business Outlook – Mar	--	--
Thu 29 Mar (10:45am)	Building Consent Issuance – Feb	Capped	We struggle to see issuance pushing much above current levels as the sector grapples with cost and capacity pressure.
Fri 30 Mar (3:00pm)	RBNZ Sectoral Lending – Feb	Modest	Overall private sector credit growth has cooled, but we see it stabilising around current levels.
Tue 3 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 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 bounced from its 2017 lows, but we suspect it will stabilise around current levels. Annual house price growth should remain contained.
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.
On balance		Data watch	The data pulse is a little more mixed, but still 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

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
Retail ECT (% mom)	-0.4	0.1	-0.5	-0.1	0.3	0.5	1.3	0.5	1.4	-0.3
Retail ECT (% yoy)	5.2	4.5	2.0	4.4	2.9	1.3	4.3	3.3	3.4	3.3
Credit Card Billings (% mom)	1.0	0.3	0.8	-0.6	0.8	1.0	0.9	0.6	-0.6	--
Credit Card Billings (% yoy)	7.6	8.3	7.1	6.5	5.0	3.0	9.1	6.2	4.6	--
Car Registrations (% mom)	3.9	-2.6	-4.7	9.5	-0.8	1.6	1.3	-4.7	2.3	-8.9
Car Registrations (% yoy)	13.7	11.1	6.2	13.5	15.6	7.3	7.3	4.7	6.2	-4.2
Building Consents (% mom)	1.6	0.7	2.2	5.6	-2.1	-9.9	9.4	-9.5	0.2	--
Building Consents (% yoy)	5.1	-7.9	-1.9	13.1	7.4	-7.4	13.1	3.7	4.1	--
REINZ House Price Index (% yoy)	6.7	5.4	3.3	2.9	3.8	3.4	3.6	3.7	3.5	4.0
Household Lending Growth (% mom)	0.4	0.6	0.3	0.4	0.5	0.5	0.5	0.5	0.4	--
Household Lending Growth (% yoy)	7.9	7.6	7.1	6.7	6.5	6.3	6.2	5.9	5.8	--
ANZ Roy Morgan Consumer Conf.	123.9	127.8	125.4	126.2	129.9	126.3	123.7	121.8	126.9	127.7
ANZ Business Confidence	14.9	24.8	19.4	18.3	0.0	-10.6	-39.3	-37.8	..	-19.0
ANZ Own Activity Outlook	38.3	42.8	40.3	38.2	29.6	22.0	6.5	15.6	..	20.4
Trade Balance (\$m)	62	243	92	-1174	-1165	-840	-1232	596	-566	--
Trade Bal (\$m ann)	53218	53530	53742	53982	54085	54759	55999	56476	57189	--
ANZ World Comm. Price Index (% mom)	3.2	2.1	-0.8	-0.8	0.8	-0.3	-0.9	-1.9	0.7	2.8
ANZ World Comm. Price Index (% yoy)	26.3	24.6	21.1	16.3	11.5	10.4	6.0	3.2	4.1	5.0
Net Migration (sa)	5950	6370	5740	5460	5260	5660	5710	5780	6210	--
Net Migration (ann)	71964	72305	72402	72072	70986	70694	70354	70016	70147	--
ANZ Heavy Traffic Index (% mom)	4.0	-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	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)						
	Jan-18	Feb-18	Today	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
NZD/USD	0.740	0.721	0.723	0.71	0.70	0.69	0.67	0.66	0.65	0.65
NZD/AUD	0.914	0.924	0.937	0.92	0.92	0.93	0.93	0.94	0.93	0.93
NZD/EUR	0.595	0.590	0.589	0.57	0.56	0.54	0.52	0.51	0.50	0.50
NZD/JPY	80.53	77.26	76.58	76.7	74.2	71.8	69.0	66.0	64.4	63.1
NZD/GBP	0.523	0.520	0.518	0.51	0.50	0.49	0.47	0.46	0.45	0.45
NZ\$ TWI	74.2	73.2	74.6	72.0	70.8	69.6	67.8	66.5	65.4	65.2
INTEREST RATES	Jan-18	Feb-18	Today	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00
NZ 90 day bill	1.89	1.92	1.93	1.90	1.91	1.94	1.95	1.95	2.04	2.29
NZ 10-yr bond	2.90	2.94	2.86	3.05	3.20	3.35	3.40	3.35	3.60	3.65
US Fed funds	1.50	1.50	1.50	1.75	2.00	2.00	2.25	2.25	2.50	2.50
US 3-mth	1.78	2.01	2.20	2.10	2.25	2.50	2.70	2.70	2.95	2.95
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75	1.75
AU 3-mth	1.78	1.79	1.97	1.90	1.90	1.80	1.80	1.80	2.10	2.10

	16 Feb	12 Mar	13 Mar	14 Mar	15 Mar	16 Mar
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.91	1.90	1.90	1.89	1.91	1.93
NZGB 05/21	2.07	2.13	2.13	2.11	2.09	2.05
NZGB 04/23	2.41	2.46	2.45	2.43	2.39	2.34
NZGB 04/27	2.98	2.99	2.97	2.93	2.88	2.84
NZGB 04/33	3.35	3.35	3.32	3.27	3.23	3.19
2 year swap	2.17	2.21	2.21	2.25	2.27	2.26
5 year swap	2.73	2.76	2.76	2.73	2.73	2.71
RBNZ TWI	75.61	75.05	75.00	75.30	75.06	74.76
NZD/USD	0.7386	0.7310	0.7326	0.7332	0.7309	0.7218
NZD/AUD	0.9349	0.9294	0.9301	0.9287	0.9307	0.9357
NZD/JPY	78.46	77.90	78.53	78.08	77.41	76.53
NZD/GBP	0.5266	0.5273	0.5273	0.5251	0.5245	0.5176
NZD/EUR	0.5955	0.5937	0.5942	0.5925	0.5912	0.5873
AUD/USD	0.7905	0.7865	0.7876	0.7894	0.7853	0.7713
EUR/USD	1.2406	1.2312	1.2330	1.2374	1.2362	1.2290
USD/JPY	106.21	106.56	107.20	106.50	105.91	106.01
GBP/USD	1.4026	1.3862	1.3894	1.3964	1.3935	1.3942
Oil (US\$/bbl)	61.68	61.36	60.71	60.96	61.19	62.34
Gold (US\$/oz)	1346.96	1317.03	1318.84	1325.74	1322.84	1314.24
NZX 50	8125	8464	8473	8433	8467	8477
Baltic Dry Freight Index	1084	1201	1192	1179	1169	1150
NZX WMP Futures (US\$/t)	3265	3150	3150	3145	3140	3140

IMPORTANT NOTICE

This document is intended for ANZ's institutional, professional or wholesale clients, and not for individuals or retail persons. It should not be forwarded, copied or distributed. The information in this document is general in nature, and does not constitute personal financial product advice or take into account your objectives, financial situation or needs.

This document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared and distributed in your country/region by either: Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**); or its relevant subsidiary or branch (each, an **Affiliate**), as appropriate or as set out below.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is for informational purposes and nothing contained within is intended to be a recommendation, invitation, solicitation or offer by ANZ to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ would be subject to additional licensing or registration requirements. Further, the products and services mentioned in this document may not be available in all countries.

ANZ in no way provides any financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document, ANZ does not make any representation as to the accuracy of the views expressed in this document. Further, ANZ does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Past performance is not necessarily an indicator of future performance. The products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (**Liability**) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document to the extent permissible under relevant law. Please note, the contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ and its Affiliates may have an interest in the subject matter of this document. They may receive fees from customers for dealing in the products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in the products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products. **This document is published in accordance with ANZ's policies on conflicts of interest and ANZ maintains appropriate information barriers to control the flow of information between businesses within it and its Affiliates.**

Your ANZ point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Country/region specific information: Unless stated otherwise, this document is distributed by Australia and New Zealand Banking Group Limited (**ANZ**).

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please [click here](#) or request from your ANZ point of contact. If trading strategies or recommendations are included in this document, they are solely for the information of 'wholesale clients' (as defined in section 761G of the Corporations Act 2001 Cth).

Brazil, Brunei, India, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

Cambodia. This document is distributed in Cambodia by ANZ Royal Bank (Cambodia) Limited (**ANZ Royal Bank**). The recipient acknowledges that although ANZ Royal Bank is a subsidiary of ANZ, it is a separate entity to ANZ and the obligations of ANZ Royal Bank do not constitute deposits or other liabilities of ANZ and ANZ is not required to meet the obligations of ANZ Royal Bank.

European Economic Area (EEA): United Kingdom. ANZ is authorised in the United Kingdom by the Prudential Regulation Authority (**PRA**) and is subject to regulation by the Financial Conduct Authority (**FCA**) and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited ANZ solely for the information of persons who would come within the FCA definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (**PRA**) and the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This publication is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

Myanmar. This publication is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This publication is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).



IMPORTANT NOTICE

New Zealand. This document is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised adviser service under the Financial Advisers Act 2008 (**FAA**).

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (**QCB**), the Qatar Financial Centre (**QFC**) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (**Qatar**); or
- authorised or licensed for distribution in Qatar,

and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC. The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. This document is distributed in Singapore by the Singapore branch of ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act Cap. 289 of Singapore). ANZ is licensed in Singapore under the Banking Act Cap. 19 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act Cap. 100 of Singapore.

United Arab Emirates (UAE). This document is distributed in the UAE or the Dubai International Financial Centre (**DIFC**) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (DIFCML) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules. In addition, ANZ has a representative office (**ANZ Representative Office**) in Abu Dhabi regulated by the Central Bank of the UAE. The ANZ Representative Office is not permitted by the Central Bank of the UAE to provide any banking services to clients in the UAE.

United States. Except where this is a FX- related document, this document is distributed in the United States by ANZ Securities, Inc. (**ANZ SI**) which is a member of the Financial Regulatory Authority (**FINRA**) (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use this website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use this website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts: Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is an FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

Vietnam. This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.

This document has been prepared by ANZ Bank New Zealand Limited, Level 26, 23-29 Albert Street, Auckland 1010, New Zealand, Ph 64-9-357 4094, e-mail nzeconomics@anz.com, <http://www.anz.co.nz>

