ANZ RESEARCH

NEW ZEALAND MARKET FOCUS

24 October 2017

INSIDE

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THE 10-YEAR CURSE?

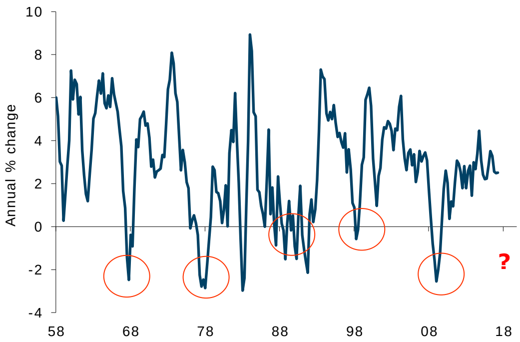
ECONOMIC OVERVIEW

The economy has a number of factors going for it late in the current business cycle (compared with previous ones) that dilute the potential for a domestically induced correction and provide some resilience to global risks. However, the situation is complicated on two levels. First, the economy is currently transitioning in terms of its growth drivers – and transitions can be wobbly, and second, a new political broom spells a change in economic direction – and change can be unsettling. The last thing the economy needs right now is a repeat of the 2000 winter of discontent. While we still await policy details, we see a little more downside risk to the near-term growth picture (although the impact of the recent loosening in financial conditions should not be discounted). Further out, at first blush, some policies seem quite growth-enhancing and inflationary (additional fiscal spend, minimum wage increases, migration restrictions etc). However, it is far from clear cut. There remain a number of questions and moving parts. Indeed, what the 'social justice' version of capitalism means for longer-term growth prospects remains an important talking point, and not only in NZ.

CHART OF THE WEEK

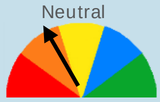
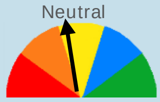
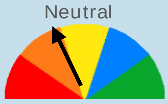
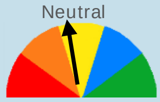
Is the uncanny historical pattern of roughly 10 year gaps between local economic corrections going to be repeated?

New Zealand historical real GDP growth



Source: Statistics NZ, RBNZ, ANZ Research

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	2.8% y/y for 2018 Q2	The economy is not quite firing on all cylinders as it deals with late-cycle headwinds. However, we see growth holding around 2½-3%.	Neutral Negative  Positive
Unemployment rate	4.5% for 2018 Q2	The unemployment rate should continue to trend gradually lower. Wage growth is benign, but conditions for change are emerging.	Neutral Negative  Positive
OCR	1.75% by Jun 2018	While we can't really make the case for a lower OCR, interest rate hikes would also be hard to justify, with inflation impacted by secular forces.	Neutral Down  Up
CPI	1.7% y/y for 2018 Q2	Base effects will see headline inflation ease over the next 12 months, but domestic and core inflation should lift gradually.	Neutral Negative  Positive

ECONOMIC OVERVIEW

SUMMARY

The New Zealand economy has a number of factors going for it late in the current business cycle (compared with previous ones) that dilute the potential for a domestically induced correction and provide some resilience to global risks. However, the situation is complicated on two levels. First, the economy is currently transitioning in terms of its growth drivers – and transitions can be wobbly, and second, a new political broom spells a change in economic direction – and change can be unsettling. The last thing the economy needs right now is a repeat of the 2000 winter of discontent. While we still await policy details, we see a little more downside risk to the near-term growth picture (although the impact of the recent loosening in financial conditions should not be discounted). Further out, at first blush, some policies seem quite growth-enhancing and inflationary (additional fiscal spend, minimum wage increases, migration restrictions etc). However, it is far from clear cut. There remain a number of questions and moving parts. Indeed, what the 'social justice' version of capitalism means for longer-term growth prospects remains an important talking point, and not only in New Zealand. In data this week, we expect a $900m monthly trade deficit in September, while new mortgage lending should continue to fall.

FORTHCOMING EVENTS

Overseas Merchandise Trade – September (10:45am, Thursday, 26 October). We have pencilled in a monthly deficit of $900m. After falling close to 40% m/m (sa) in August, dairy export volumes should post at least a partial recovery.

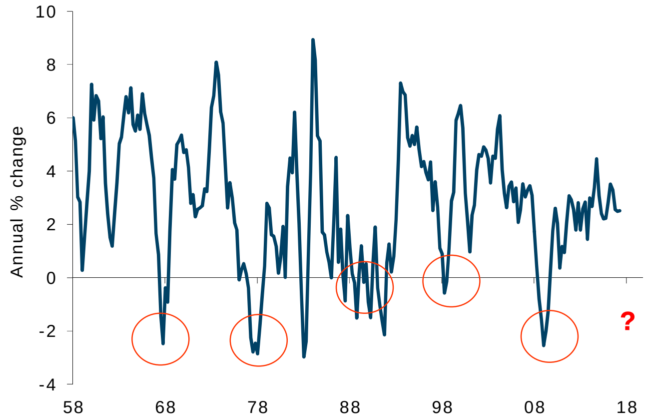
RBNZ New Residential Mortgage Lending – September (3:00pm, Thursday, 26 October). Considering weak housing turnover in the month, no doubt weighed down by election uncertainty, new mortgage lending should fall further.

WHAT'S THE VIEW?

Is an economic apocalypse pending? There has certainly been a bit of chatter locally to that effect over the past few days.

Statistically, the New Zealand economy does appear 'due'. Eyeballing figure 1, an uncanny 10-year pattern in large local economic corrections is noticeable. With it coming up 10 years since 2008, history would suggest something untoward could be just around the corner.

Figure 1: New Zealand historical real GDP growth



Source: Statistics, RBNZ, ANZ Research

Global events have had a huge say in this 10-year pattern. The oil shock of 1978/79, global share market crash of 1987, Asian financial crisis of the late 90s and the GFC in 2008, have all precipitated and accentuated local corrections.

However, on many levels the global economy looks good right now. Growth is picking up, and it is broad-based. Business and consumer confidence are generally elevated and unemployment rates are falling. Equity markets, commodity prices and measures of financial market volatility are not giving disconcerting signals. Neither is the yield curve.

But there is still plenty for the economic doomsayers to work with too. Global debt is now over 220% of GDP; it was 180% prior to the GFC. Demographics are a headwind as the population gets older. Productivity growth is weak. Low interest rates have forced people up the risk curve and interest rates are set to move up at a time when there is excessive leverage. Low financial market volatility could be a sign of complacency. There is also no shortage of potential geopolitical flashpoints.

So it is fair to say that we're on notice. However, it's a 'watchful' stance, as opposed to the 'Chicken Little' variety. The risk profile shifts as the business cycle matures; the simple fact is we are well advanced into the business cycle.

Locally we also have some points of vulnerability. Low global and local interest rates have inflated asset prices. Auckland house prices are stratospheric, rental yields in many regions are below the cost of capital, households have been taking on more debt, dairy sector debt is still high, construction sector inflation typically morphs into broader inflation, productivity growth is weak and tradable sector performance is sub-par.

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Yet as we've noted on numerous occasions, there are many factors this cycle that dilute the potential for the New Zealand economy to experience a domestically induced correction (which happened prior to both the GFC and Asian crisis) and arguably provide it with more resilience to global shocks:

- Typically we build too many houses at the top of the cycle; acute labour shortages mean we can't build enough. So the housing market is less risky from a supply-demand balance perspective.
- The provision of credit is being funnelled mostly through regulated financial intermediaries; we don't have the finance companies at the high end of the risk spectrum.
- The current account deficit is in check. Net external debt has fallen from 84% of GDP to 54%; it's still not a flash statistic but it's not flashing red like it was in 2008.
- Housing-related excesses have been curbed by the combination of LVR restrictions, a turn in the interest rate cycle and tougher credit conditions. An engineered slowdown is unfolding in an orderly way across the housing market; that's a good thing.
- Inflation is still low outside of housing; the RBNZ won't be lifting interest rates for a while.
- The government books are in great shape.
- NZ's productivity performance has been less than stellar but may be understated; natural disasters have had a huge impact and the services sector, which is difficult to measure, is two-thirds of GDP – we still measure productivity like we're a production-based economy, which we aren't.

The above combination does not mean we are bullet proof. We still have well-documented problems or risks. There are still both economic issues (New Zealand has a lot of debt) and social issues (housing affordability and supply, income equality, and water to name a few) to contend with.

But our economic assessment is that we don't have the combination of risk factors flashing red that would turn us more negative on economic prospects. Some are red, but not enough to warrant general alarm. And importantly, many are still green.

That said, the situation is complicated on two levels.

First, some key economic drivers over the past couple of years have peaked and new economic drivers have yet to take hold. As we've noted before, the peaks are in (or close to it) for net migration (even before potential policy changes), construction and housing. The new economic drivers are set to be income growth (wages), commodity prices (terms of trade) and fiscal policy. **Transitions can be wobbly.**

Second, a new political broom signals a change in economic direction. It's occurred in many jurisdictions, to be fair, so New Zealand is not alone.

We have said this before, but change is not something that should be feared. It can certainly cause unease and trepidation but it can also be refreshing. Whether or not it has broader implications for the economy will depend crucially on how 'change' is marketed and sold. If you get general buy-in from society and businesses, then change can quite quickly bear fruit. **Fail to communicate change well and it can have implications for confidence and growth.** Business activity stops.

The last thing the economy needs, given the transition it is undergoing, is a repeat of the 2000 winter of discontent when confidence plunged (though to be fair, the RBNZ's 200 basis points of interest rate hikes in six months also played a part!).

At this stage, exact policy details and the concessions that were required to reach the coalition agreement are unclear. But with Labour and NZ First entering into a formal coalition, as opposed to a 'softer' agreement based on just confidence and supply, it is safe to say the two parties must have found a reasonable amount of commonality in their policy agendas. That will no doubt include issues such as migration, foreign investment, housing supply, monetary policy and regional development. We also suspect Labour's social spending initiatives in the areas of education and health will remain largely intact. But it will be a case of waiting for the detail, which we expect to become more apparent over coming days.

When it comes to thinking about the broader economic implications, we are approaching this from three different angles.

1. **<u>Confidence and various leading gauges are going to take on particular importance over the coming months.</u>**

Change can be unnerving and businesses may fret about potential changes to migration, foreign investment and industrial relations settings especially. **So upcoming business confidence numbers will be key to watch.**

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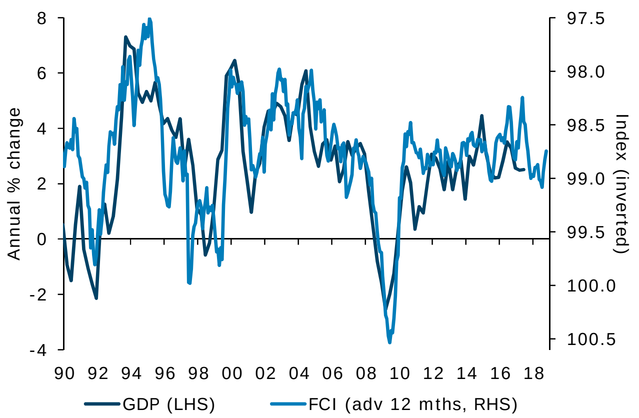
However, rather than headline sentiment (which has arguably shown somewhat of a political bias over time), **the key will be the sub-components; how firms are actually feeling about their own activity prospects and their hiring and investment intentions.** If these factors start to deteriorate, then that would highlight risks that activity growth does the same.

The housing market is also likely to be a flash point. Some policies regarding the ring fencing of investor tax losses, the banning of non-resident purchases and the extension of the bright-line test, together with possible migration restrictions, have the potential to keep housing market sentiment weaker than would otherwise be the case. At this stage we believe these measures will have only a modestly negative impact on prices, and more than anything will just keep market activity subdued. However, that does accentuate the **risks of housing market weakness broadening to other parts of the economy – which has been the historical tendency.**

Ahead of the election, we had already trimmed our sequential GDP forecasts to 0.6-0.7% q/q over the second half of 2017 and into early 2018 as the economy grappled with late-cycle challenges and housing headwinds. **It is fair to say we now see a little more downside risks to those numbers.** In saying that, it should be noted that financial conditions have in the past few days experienced a meaningful loosening, which should prove quite growth supportive.

Figure 2: Financial conditions and GDP



Source: Statistics, ANZ Research

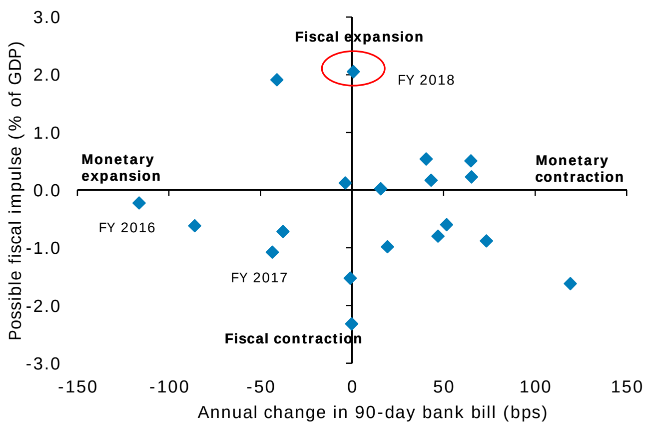
2. The impact on the business cycle and monetary policy.

Fiscal policy is set to turn more expansionary than would have been the case otherwise. Labour and NZ First's policies will need to be officially costed. But under Labour's 'Fiscal Plan', the potential fiscal impulse over 2018/19 looked large – perhaps up towards 2% of GDP if you use the change in the core Crown residual cash balance as a rough proxy. Additional spending for health and education initiatives, together with more capital spending (including its Kiwibuild program) grab the lion's share of this additional spend.

This is funded partially through the scrapping of National's 2018 personal tax cuts and other revenue-raising initiatives, but also through higher levels of debt than were projected in the PREFU. Labour's forecasts had this $7bn higher than PREFU figures, although we certainly see upside risk to that in order to incorporate concessions to NZ First and the fact that we believe the Treasury growth assumptions underpinning the PREFU figures are too optimistic.

We doubt this will materially influence long-term interest rates, but it could materially alter the RBNZ's thinking on the OCR and bring hikes forward. This is particularly the case given the lower NZD (if sustained) will provide an inflationary boost, and a potential different policy mix may boost wages, and hence also inflation. Our eyes are firmly on industrial relations policy, although at the very least there should be some impact from likely minimum wage hikes. At first blush, some policies seem quite inflationary.

Figure 3: Possible fiscal – monetary mix



Source: Labour Party, RBNZ, ANZ Research

However, there are many unknowns right now so it's far from clear cut. Expansionary fiscal policy but targeted housing initiatives could dampen inflation overall; the multiplier is larger for the latter. Fiscal policy might not boost the economy (more) at all if confidence wanes or the realities of capacity constraints bite. The economy just doesn't have the capacity to conjure up more houses. Curbs to migration could be either deflationary or inflationary. Recent net migrant figures show that inflows have already peaked, so additional restrictions have the

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potential to accentuate that. For us, migration policy changes need to be as much about the 'mix' as the 'number'. And another uncertainty: to what degree can the business sector (SMEs) pass on minimum wage increases in a world of many secular deflationary challenges? Margins may just suffer.

3. **The outlook for broader policy settings, microeconomic policy and trend growth.**

What the 'social justice' version of capitalism means for longer-term growth remains the million dollar question. It is certainly not just a question being faced by New Zealand. On the face of it, more intervention and rebalancing would flag less growth but higher inflation; intervention (like insurance) carries a cost. But that's too simplistic.

GDP is a partial measure at best; we need more rounded statistics to measure progress. It's nigh on impossible to get timely social statistics to complement the economic ones, so attention is invariably drawn to the latter.

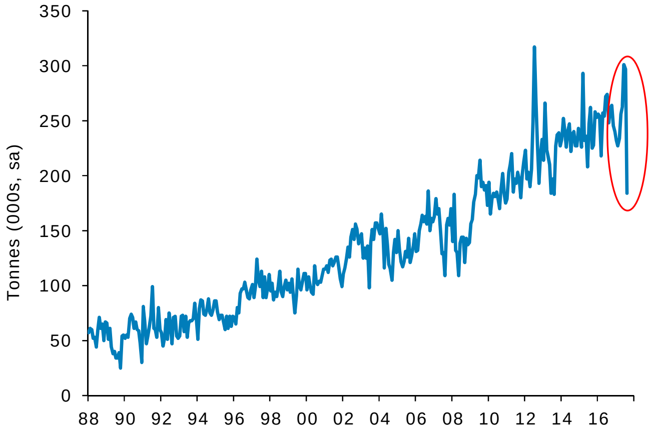
Without social stability, however, you don't have economic stability and the certainty businesses need to invest and take a punt. Businesses appear to be broadly on board in accepting that New Zealand has some social deficiencies that need to be addressed – housing being front and centre. But any change will need a lot more buy-in. Equally, environmental benchmarks will be needed; you can't pillage an economy short-term and ignore the long-term environmental impact. However, the same argument applies with regards to inter-generational fairness and in particular what maintaining the current retirement age will mean for the young generation of taxpayers who wear the cost. You can't have double standards.

For now we are flying blind until we get clarity on the details. We know the broad spirit of the policy platform, but there's a wide divide over what that could mean at the individual policy level once the trade-offs of tough policy decisions become reality. Policy making is not easy; every decision involves a trade-off and often the realities are hard.

Two things give us comfort. We have seen other economies go through a fair degree of political change of late, and they are still performing reasonably well. Additionally, and probably more importantly, after New Zealand businesses spat the dummy in 2000, the broad policy platform turned out to be okay too, and was eventually accepted. Through that period we saw the creation of KiwiSaver, the NZ Super Fund, strong progress on free trade, increased investment on necessary infrastructure and the fiscal accounts maintained a strong footing. All that deserves a hat-tip.

Turning to the week ahead, the data calendar is relatively light. After the surprising weakness in August, September overseas trade figures are expected to look a little better. We have still pencilled in a monthly deficit of $900m, although that is slightly smaller than the average September deficit experienced over the past three years (of over $1bn). The main reason for the smaller deficit is that we don't believe the 38% m/m seasonally adjusted plunge in dairy export volumes in August will be sustained. While milk production has been off to a slow start this season given wet weather in the North Island, and carry-over inventory from last season is reportedly quite low, we still believe the August export weakness reflects timing issues more than anything and we should get a degree of rebound.

Figure 4: Milk powder, butter and cheese export volumes



Source: Statistics NZ, ANZ Research

Import values should remain strong. That said, one of the things we will be watching closely is whether things like passenger car and consumer goods imports start to slow. Vehicle sales – and spending on big-ticket items more generally – are an area where we do expect to see some spill-over from the weaker housing market. Interestingly, our own seasonally adjusted estimate shows that passenger car imports fell to the lowest level in just over 12 months in August.

New residential mortgage lending for September will no doubt remain soft. Earlier REINZ housing market figures showed the volume of sales plunging 9.8% m/m in September, with the value of turnover falling by a similar amount. Clearly election-related uncertainty is weighing on the market, although we firmly believe that other fundamental drivers are dampening activity too (more restrictive lending conditions, mortgage rates off their lows, and affordability constraints). After rising an estimated 6.0% m/m in August in seasonally adjusted terms, we suspect new lending will at least fully unwind that bounce in September.

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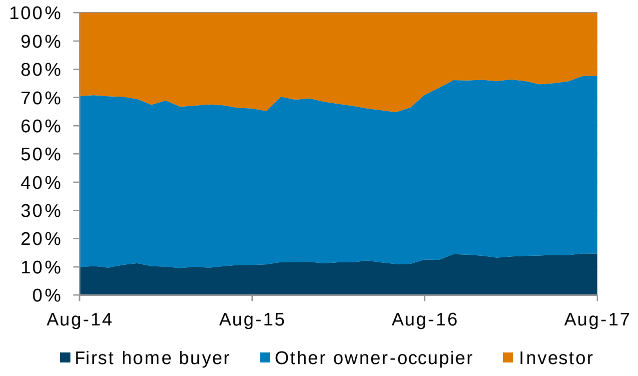
Figure 5: New mortgage lending and housing turnover

Source: RBNZ, REINZ, ANZ Research

Compositionally, we are not expecting much in the way of changes. The share of new lending to investors is well down from its 35% high in mid-2016, which is unsurprising given the additional LVR restrictions now in place. However, it has been broadly stable at around 22% for the past couple of months, and it looks likely to remain around that level in September.

Figure 6: Proportion of new mortgage lending by borrower type



Source: RBNZ, ANZ Research

LOCAL DATA

CPI – Q3. The headline CPI rose 0.5% q/q (1.9% y/y). Tradable prices rose 0.2% q/q (1.0% y/y) and non-tradable prices rose 0.7% q/q (2.6% y/y).

GlobalDairyTrade Auction. The GDT-TWI fell 1.0%, with whole milk powder prices dipping 0.5%.

International Travel and Migration – September. In seasonally adjusted terms, a net inflow of 5,190 migrants was recorded, with short-term visitors rising 0.3% m/m.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
24-Oct	JN	Nikkei PMI Mfg - Oct P	--	52.9	13:30
	GE	Markit/BME Manufacturing PMI - Oct P	60.0	60.6	20:30
	GE	Markit Services PMI - Oct P	55.5	55.6	20:30
	GE	Markit/BME Composite PMI - Oct P	57.5	57.7	20:30
	EC	Markit Manufacturing PMI - Oct P	57.8	58.1	21:00
	EC	Markit Services PMI - Oct P	55.6	55.8	21:00
	EC	Markit Composite PMI - Oct P	56.5	56.7	21:00
25-Oct	US	Markit Manufacturing PMI - Oct P	53.5	53.1	02:45
	US	Markit Services PMI - Oct P	55.2	55.3	02:45
	US	Markit Composite PMI - Oct P	--	54.8	02:45
	US	Richmond Fed Manufact. Index - Oct	17	19	03:00
	AU	Skilled Vacancies MoM - Sep	--	0.3%	13:00
	AU	CPI QoQ - Q3	0.8%	0.2%	13:30
	AU	CPI YoY - Q3	2.0%	1.9%	13:30
	AU	CPI Trimmed Mean QoQ - Q3	0.5%	0.5%	13:30
	AU	CPI Trimmed Mean YoY - Q3	2.0%	1.8%	13:30
	AU	CPI Weighted Median QoQ - Q3	0.5%	0.5%	13:30
	AU	CPI Weighted Median YoY - Q3	2.0%	1.8%	13:30
	GE	IFO Business Climate - Oct	115.1	115.2	21:00
	GE	IFO Expectations - Oct	107.3	107.4	21:00
	GE	IFO Current Assessment - Oct	123.5	123.6	21:00
	UK	UK Finance Loans for Housing - Sep	41800	41807	21:30
	UK	GDP QoQ - Q3 A	0.3%	0.3%	21:30
	UK	GDP YoY - Q3 A	1.5%	1.5%	21:30
	UK	Index of Services MoM - Aug	0.3%	-0.2%	21:30
	UK	Index of Services 3M/3M - Aug	0.4%	0.5%	21:30
26-Oct	US	MBA Mortgage Applications - 20-Oct	--	3.6%	00:00
	US	Durable Goods Orders - Sep P	1.0%	2.0%	01:30
	US	Durables Ex Transportation - Sep P	0.5%	0.5%	01:30
	US	Cap Goods Orders Nondef Ex Air - Sep P	0.3%	1.1%	01:30
	US	Cap Goods Ship Nondef Ex Air - Sep P	-0.1%	1.1%	01:30
	US	FHFA House Price Index MoM - Aug	0.4%	0.2%	02:00
	US	New Home Sales - Sep	555k	560k	03:00
	US	New Home Sales MoM - Sep	-0.90%	-3.40%	03:00
	NZ	Trade Balance NZD - Sep	-900M	-1235M	10:45
	NZ	Exports NZD - Sep	3.90B	3.69B	10:45
	NZ	Imports NZD - Sep	4.88B	4.92B	10:45
	NZ	Trade Balance 12 Mth YTD NZD - Sep	-2706M	-3200M	10:45
	JN	PPI Services YoY - Sep	0.8%	0.8%	12:50
	AU	Import Price Index QoQ - Q3	-1.5%	-0.1%	13:30
	AU	Export Price Index QoQ - Q3	-4.0%	-5.7%	13:30
	GE	GfK Consumer Confidence - Nov	10.8	10.8	19:00
	EC	M3 Money Supply YoY - Sep	5.0%	5.0%	21:00
	UK	CBI Retailing Reported Sales - Oct	14	42	23:00
	UK	CBI Total Dist. Reported Sales - Oct	--	44	23:00
27-Oct	EC	ECB Main Refinancing Rate - Oct	0.00%	0.00%	00:45
	EC	ECB Marginal Lending Facility - Oct	0.25%	0.25%	00:45
	EC	ECB Deposit Facility Rate - Oct	-0.40%	-0.40%	00:45

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DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
27-Oct	US	Wholesale Inventories MoM - Sep P	0.4%	0.9%	01:30
	US	Initial Jobless Claims - 21-Oct	235k	222k	01:30
	US	Continuing Claims - 14-Oct	1895k	1888k	01:30
	US	Advance Goods Trade Balance - Sep	-$64.0B	-$63.3B	01:30
	US	Pending Home Sales MoM - Sep	0.4%	-2.6%	03:00
	US	Pending Home Sales NSA YoY - Sep	--	-3.1%	03:00
	US	Kansas City Fed Manf. Activity - Oct	17	17	04:00
	JN	Natl CPI YoY - Sep	0.7%	0.7%	12:30
	JN	Natl CPI Ex Fresh Food YoY - Sep	0.7%	0.7%	12:30
	JN	Tokyo CPI YoY - Oct	0.1%	0.5%	12:30
	JN	Tokyo CPI Ex-Fresh Food YoY - Oct	0.5%	0.5%	12:30
	AU	PPI QoQ - Q3	--	0.5%	13:30
	AU	PPI YoY - Q3	--	1.7%	13:30
	CH	Industrial Profits YoY - Sep	--	24.0%	14:30
	GE	Import Price Index MoM - Sep	0.5%	0.0%	19:00
	GE	Import Price Index YoY - Sep	2.6%	2.1%	19:00
	GE	Retail Sales MoM - Sep	0.5%	-0.2%	27/10 - 4/11
	GE	Retail Sales YoY - Sep	3.2%	2.8%	27/10 - 4/11
28-Oct	US	GDP Annualized QoQ - Q3 A	2.5%	3.1%	01:30
	US	Personal Consumption - Q3 A	2.2%	3.3%	01:30
	US	GDP Price Index - Q3 A	1.7%	1.0%	01:30
	US	Core PCE QoQ - Q3 A	1.3%	0.9%	01:30
	US	U. of Mich. Sentiment - Oct F	100.7	101.1	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 risk profile for the near-term growth picture is looking more skewed to the downside. Housing, capacity and credit headwinds exist. However, we still see growth holding in a 2½-3% range over the next couple of years. Inflation is subdued (and looks set to remain that way for a while), which is consistent with the OCR remaining on hold for some time yet.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Thu 26 Oct (10:45am)	Overseas Merchandise Trade – Sep	Recovery	The surprising weakness in dairy export volumes in August should rebound, helping to boost the trade balance.
Thu 26 Oct (3:00pm)	RBNZ New Mortgage Lending – Sep	Weak	Total housing market turnover was soft in the month. It would be a surprise if new lending wasn't too.
Tue 31 Oct (1:00pm)	ANZ Business Outlook – Oct	--	--
Tue 31 Oct (3:00pm)	RBNZ Sectoral Lending – Sep	Modest	We expect recent trends to have continued. Overall private sector credit growth will be more modest.
Wed 1 Nov (10:45am)	Labour Market Statistics – Q3	Trending lower	Employment should bounce after Q2's surprising contraction. The unemployment rate should continue to trend lower.
Thu 2 Nov (10:00am)	ANZ Job Ads – Oct	--	--
Mon 6 Nov (1:00pm)	RBNZ Survey of Expectations – Q4	Stable to lower	With petrol prices stabilising, inflation expectations may do the same. However, the risk is perhaps for a lower outcome.
Wed 7 Nov (early am)	GlobalDairyTrade Auction	Higher?	The market is getting nervous around local supply, which is off to a slow start, but this could bias prices higher.
Wed 8 Nov (10:00am)	ANZ Truckometer – Oct	--	--
Wed 8 Nov (1:00pm)	ANZ Monthly Inflation Gauge – Oct	--	--
Thu 9 Nov (9:00am)	RBNZ Monetary Policy Statement	On hold again	A neutral/cautious tone will be reinforced. The Bank's growth forecasts may be downgraded a touch, but we doubt that will alter the implied OCR profile much.
Fri 10 Nov (10:45am)	Electronic Card Transactions – Oct	Steady	A steady pace of spending growth is likely, supported by the labour market. Soft housing presents some risk.
Mon 13 Nov (10:45am)	Food Price Index – Oct	Upward march?	Higher export commodity prices suggest an upward skew to the outlook for retail food prices.
Tue 14 Nov (10:45am)	Retail Trade Survey – Q3	Pause	After a run of strong growth, in part due to tourism activity, a softer performance (perhaps even a fall) is possible.
Thu 16 Nov (1:00pm)	ANZ-Roy Morgan Consumer Confidence – Nov	--	--
Fri 17 Nov (10:30am)	BNZ-BusinessNZ PMI – Oct	Steady?	Political change can be unsettling. Important to watch to see if there will be any growth impact.
Fri 17 Nov (10:45am)	PPI – Q3	Look through	Commodity prices and wholesale electricity prices typically throw things around.
Mon 20 Nov (10:30am)	BNZ-BusinessNZ PSI – Oct	Steady?	Political change can be unsettling. Important to watch to see if there will be any growth impact.
Wed 22 Nov (early am)	GlobalDairyTrade Auction	Higher?	The market is getting nervous around local supply, which is off to a slow start, but this could bias prices higher.
Wed 22 Nov (10:45am)	International Travel & Migration – Oct	Passed the peak	Even before potential policy changes, it appears net inflows have started to cool.
Fri 24 Nov (10:45am)	Overseas Merchandise Trade – Oct	Mixed	Strong commodity prices should continue to support, but thrown around by numerous other forces.
On balance		**Data watch**	**The data pulse has turned a little more mixed. Domestic inflation is low, but should lift gradually.**

KEY FORECASTS AND RATES

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
GDP (% qoq)	0.8	**0.7**	**0.7**	**0.6**	**0.8**	**0.8**	**0.8**	**0.7**	**0.7**	**0.7**
GDP (% yoy)	2.5	**2.5**	**2.9**	**2.8**	**2.8**	**2.9**	**3.0**	**3.1**	**2.9**	**2.8**
CPI (% qoq)	0.0	0.5	**0.1**	**0.7**	**0.4**	**0.7**	**0.3**	**0.7**	**0.4**	**0.6**
CPI (% yoy)	1.7	1.9	**1.6**	**1.2**	**1.7**	**1.9**	**2.1**	**2.2**	**2.1**	**2.0**
Employment (% qoq)	-0.1	**0.7**	**0.5**	**0.5**	**0.4**	**0.4**	**0.3**	**0.3**	**0.3**	**0.3**
Employment (% yoy)	3.1	**2.4**	**2.2**	**1.6**	**2.1**	**1.8**	**1.6**	**1.4**	**1.3**	**1.2**
Unemployment Rate (% sa)	4.8	**4.8**	**4.7**	**4.6**	**4.5**	**4.4**	**4.4**	**4.3**	**4.3**	**4.3**
Current Account (% GDP)	-3.0	**-2.8**	**-2.8**	**-2.5**	**-2.7**	**-2.8**	**-2.9**	**-2.9**	**-2.8**	**-2.8**
Terms of Trade (% qoq)	1.6	**0.0**	**-1.0**	**-1.1**	**-0.6**	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**
Terms of Trade (% yoy)	10.3	**11.7**	**4.4**	**-0.6**	**-2.6**	**-2.6**	**-1.5**	**-0.4**	**0.4**	**0.5**

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Retail ECT (% mom)	2.5	-0.6	-0.3	1.0	-0.3	-0.1	-0.6	0.1	0.1	--
Retail ECT (% yoy)	5.6	2.6	5.6	4.5	5.2	4.5	2.0	4.4	2.9	--
Credit Card Billings (% mom)	0.4	-1.3	1.0	1.0	0.9	0.2	0.7	-0.7	0.7	--
Credit Card Billings (% yoy)	7.1	5.4	7.2	6.6	7.6	8.3	7.0	6.4	4.9	--
Car Registrations (% mom)	1.6	0.4	3.5	-2.8	3.7	-2.7	-4.6	9.2	-1.7	--
Car Registrations (% yoy)	12.2	7.3	16.5	3.0	13.7	11.1	6.2	13.5	15.6	--
Building Consents (% mom)	3.9	16.5	-2.3	-8.1	7.1	-0.7	1.7	10.2	--	--
Building Consents (% yoy)	-1.0	8.9	17.3	-3.3	6.1	-8.9	-2.3	14.4	--	--
REINZ House Price Index (% yoy)	12.9	12.0	10.1	8.0	5.2	2.9	1.1	0.4	2.1	--
Household Lending Growth (% mom)	0.5	0.5	0.5	0.5	0.4	0.5	0.3	0.4	--	--
Household Lending Growth (% yoy)	8.9	8.7	8.7	8.3	7.9	7.6	7.1	6.7	--	--
ANZ Roy Morgan Consumer Conf.	128.7	127.4	125.2	121.7	123.9	127.8	125.4	126.2	129.9	126.3
ANZ Business Confidence	..	16.6	11.3	11.0	14.9	24.8	19.4	18.3	0.0	--
ANZ Own Activity Outlook	..	37.2	38.8	37.7	38.3	42.8	40.3	38.2	29.6	--
Trade Balance ($m)	-227	-42	262	547	62	245	98	-1235	--	--
Trade Bal ($m ann)	51901	52087	52404	52588	53218	53530	53743	54044	--	--
ANZ World Comm. Price Index (% mom)	-0.1	2.0	0.4	-0.2	3.2	2.1	-0.8	-0.8	0.8	--
ANZ World Comm. Price Index (% yoy)	19.1	20.9	23.0	23.7	26.3	24.6	21.1	16.3	11.5	--
Net Migration (sa)	6320	5920	6150	5810	5930	6300	5710	5420	5190	--
Net Migration (ann)	71305	71333	71932	71885	71964	72305	72402	72072	70986	--
ANZ Heavy Traffic Index (% mom)	-0.9	2.0	1.5	-2.2	4.0	-0.5	-6.0	6.5	-1.5	--
ANZ Light Traffic Index (% mom)	-0.3	0.8	1.3	-1.4	1.2	1.2	-2.2	2.7	-0.1	--

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

KEY FORECASTS AND RATES

	ACTUAL			FORECAST (END MONTH)						
FX RATES	Aug-17	Sep-17	Today	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
NZD/USD	0.715	0.721	0.698	0.73	0.73	0.73	0.70	0.68	0.67	0.65
NZD/AUD	0.906	0.920	0.893	0.90	0.89	0.88	0.91	0.92	0.93	0.93
NZD/EUR	0.603	0.610	0.594	0.60	0.62	0.63	0.63	0.59	0.56	0.53
NZD/JPY	79.10	81.11	79.16	81.8	80.3	76.7	70.0	68.0	67.0	65.0
NZD/GBP	0.555	0.538	0.529	0.55	0.57	0.57	0.55	0.52	0.51	0.49
NZ$ TWI	73.7	74.4	73.9	74.3	74.6	74.5	72.6	70.5	69.0	67.0
INTEREST RATES	Aug-17	Sep-17	Today	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.25	2.25
NZ 90 day bill	1.96	1.96	1.94	1.97	1.98	1.99	2.08	2.34	2.50	2.50
NZ 10-yr bond	2.90	2.80	2.98	2.80	2.85	2.95	3.15	3.30	3.30	3.30
US Fed funds	1.25	1.25	1.25	1.50	1.50	1.75	2.00	2.25	2.25	2.25
US 3-mth	1.32	1.40	1.36	1.65	1.75	2.05	2.20	2.45	2.45	2.45
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.75	2.00	2.00	2.00	2.00
AU 3-mth	1.72	1.72	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80

	20 Sep	16 Oct	17 Oct	18 Oct	19 Oct	20 Oct
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.93	1.93	1.93	1.93	1.93	1.94
NZGB 03/19	1.97	1.88	1.90	1.89	1.91	1.89
NZGB 05/21	2.30	2.20	2.22	2.20	2.22	2.19
NZGB 04/23	2.62	2.49	2.51	2.47	2.50	2.48
NZGB 04/27	3.04	2.92	2.94	2.90	2.93	2.95
2 year swap	2.25	2.19	2.20	2.20	2.21	2.18
5 year swap	2.79	2.70	2.70	2.69	2.71	2.68
RBNZ TWI	76.51	75.55	75.76	75.64	75.57	73.88
NZD/USD	0.7368	0.7188	0.7175	0.7133	0.7032	0.6963
NZD/AUD	0.9152	0.9134	0.9146	0.9112	0.8937	0.8908
NZD/JPY	81.98	80.35	80.49	80.44	79.12	79.04
NZD/GBP	0.5444	0.5404	0.5432	0.5411	0.5342	0.5278
NZD/EUR	0.6137	0.6091	0.6101	0.6070	0.5947	0.5909
AUD/USD	0.8050	0.7869	0.7845	0.7828	0.7868	0.7817
EUR/USD	1.2006	1.1802	1.1760	1.1752	1.1824	1.1784
USD/JPY	111.26	111.78	112.18	112.76	112.52	113.52
GBP/USD	1.3534	1.3301	1.3209	1.3183	1.3163	1.3190
Oil (US$/bbl)	50.41	51.87	51.88	52.04	51.29	51.47
Gold (US$/oz)	1315.27	1305.33	1288.95	1279.55	1285.99	1280.47
Electricity (Haywards)	5.44	5.47	6.03	6.10	6.86	5.63
Baltic Dry Freight Index	1449	1523	1552	1566	1582	1578
NZX WMP Futures (US$/t)	3105	3060	3060	3070	3060	3040

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