

NEW ZEALAND MARKET FOCUS

30 January 2018

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SUSPENDED ANIMATION

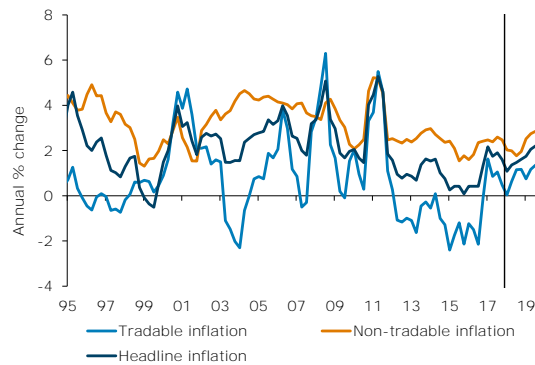
ECONOMIC OVERVIEW

While it was not the only factor that contributed, the soft Q4 CPI figures were the catalyst to see us push out the timing of when we see the first RBNZ OCR hike to August next year. Indeed, the first hike is now such an intangible notion we toyed with the idea of flat-lining our profile altogether. It is clear that the relationship between economic slack and the inflation process has weakened in recent years, which emphasises the need for the economy to run hotter to get inflation up sustainably. At a time when we have a somewhat circumspect view on the near-term growth picture, and see growth returning only to trend (or thereabouts) after that, there are questions over how inflation is going to lift in a sustainable fashion. While we do still believe that wage growth will pick up off cycle lows, it is not clear that this is going to be enough to offset ongoing global deflationary forces. In data this week, our jobs ads and consumer confidence series will give the first steer on early 2018 activity, while net migration figures are likely to be consistent with a peak in net inflows.

CHART OF THE WEEK

We expect headline inflation to now drop to 1.1% y/y in Q1, and remain below 2% out until the middle of 2019.

ANZ inflation forecast



Source: Statistics NZ, ANZ Research

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	2.9% y/y for 2018 Q3	The economy is not quite firing on all cylinders and we have become more circumspect near term. However, we see growth holding around 2½-3% on average.	Neutral Negative Positive
Unemployment rate	4.5% for 2018 Q3	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 Sep 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	1.5% y/y for 2018 Q3	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

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SUMMARY

While it was not the only factor that contributed, the soft Q4 CPI figures were the catalyst to see us push out the timing of when we see the first RBNZ OCR hike to August next year. Indeed, the first hike is now such an intangible notion we toyed with the idea of flat-lining our profile altogether. It is clear that the relationship between economic slack and the inflation process has weakened in recent years, which emphasises the need for the economy to run hotter to get inflation up sustainably. At a time when we have a somewhat circumspect view on the near-term growth picture, and see growth returning only to trend (or thereabouts) after that, there are questions over how inflation is going to lift in a sustainable fashion. While we do still believe that wage growth will pick up off cycle lows, it is not clear that this is going to be enough to offset ongoing global deflationary forces. In data this week, our jobs ads and consumer confidence series will give the first steer on early 2018 activity, while net migration figures are likely to be consistent with a peak in net inflows.

FORTHCOMING EVENTS

RBNZ Sectoral Lending – December (3:00pm, Wednesday, 31 January). A more modest rate of overall credit growth should continue, with the ratio of private sector credit to GDP perhaps easing a touch further.

ANZ Job Ads – January (10:00am, Thursday, 1 February).

ANZ-Roy Morgan Consumer Confidence – January (10:00am, Friday, 2 February).

Building Consent Issuance – December (10:45am, Friday, 2 February). There has been plenty of volatility of late, but we still see annual issuance struggling to push much above 30k.

International Travel and Migration – December (10:45am, Friday, 2 February). **We don't see net inflows falling quickly, but we do believe that the peak has been seen.**

WHAT'S THE VIEW?

The soft Q4 CPI figures have seen us push out the timing for when we see the first RBNZ OCR hike. Whereas we had previously pencilled in the RBNZ to begin tightening late this year (albeit in 6B pencil, given our somewhat circumspect views over the near-term growth picture), we now see the first hike in mid-2019. A lot can – and no doubt will – happen between now and then, and there is still plenty of conjecture over the exact timing and catalysts for a move.

To be fair, most of the surprise in the CPI figures was on the tradable side, which is often discounted in terms of its monetary policy implications. Tradable prices fell 0.3% q/q despite a spike in petrol prices, with plenty of evidence of ongoing retail sector competitive pressures. Apparel, furniture, appliances and audio equipment all saw decent price falls. While some of these movements reflect typical quarterly seasonality, the falls were still greater than we had expected. On top of this, new car prices plunged 6.2% q/q, the largest quarterly fall on record. It is certainly true that the RBNZ has little control over the forces that dictate tradable price movements, and they tend to wash through fairly quickly, so there is a strong argument to look through them in normal circumstances.

However, we believe they still provide some information on the state of the domestic economy. While the fall in new car prices (which knocked 0.1%pts off headline inflation) could possibly have been impacted by a change in sampling methodology by Statistics NZ (although to what extent is unclear), the data is not inconsistent with anecdote. History has taught us that spending on big-ticket items comes under pressure when house price growth slows, and we have been hearing anecdotes of car dealerships having being left with excess inventory late last year as demand slowed. Therefore, the price fall may reflect dealerships being forced to liquidate stock. Together with other mixed anecdotes over the key Christmas shopping period, we hardly view it as a positive signal for overall consumption growth.

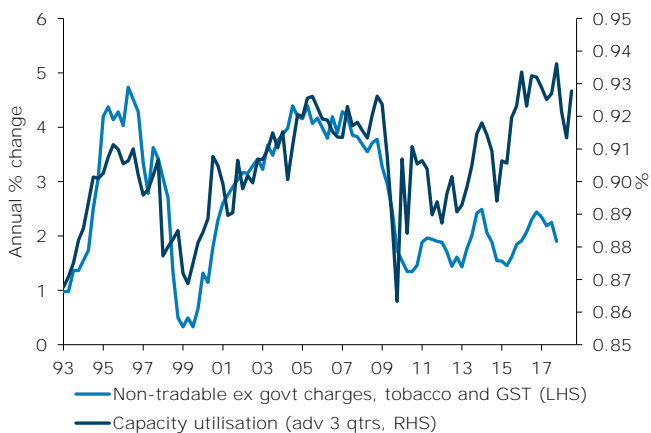
And price movements, whether tradable or non-tradable, are of course relevant for what they mean for the formation of inflation expectations too. Our analysis has shown, for example, that petrol prices can have a bigger impact on inflation expectations than their weight in the CPI would warrant, for all that they have very little to do with the state of the economy directly. In addition, the RBNZ now believes that households and firms have become more backward-looking in their price-setting behaviour, and so if this is the case, particularly as we now forecast headline inflation to head back towards 1% in Q1 (discussed more below), it will be concerned that inflation expectations could take a dive again after encouragingly stabilising around 2% over recent quarters.

But perhaps the most important take-away from the figures is the dearth of evidence of a broadening in inflation pressure beyond housing. Yes, that has been the signal from our Monthly Inflation Gauge for some time, but in Q4 you could argue that this signal was even weaker than

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implied by our Gauge. Non-tradable inflation ex housing rose just 0.3% q/q, while non-tradable inflation ex government charges and tobacco rose 0.4% q/q. Annual growth in both dropped to 1.9% y/y, from 2.2%, which is not only well below **historical averages, but well below where you'd expect it to be for an economy dealing with capacity constraints like it clearly is.** Relatedly, the RBNZ's Sectoral Factor Model was again steady at 1.4% despite these capacity pressures.

Figure 1: Capacity utilisation and non-tradable inflation



Source: Statistics NZ, NZIER, ANZ Research

It brings us back to the points we made in last week's Market Focus. Either the economy has more slack than commonly believed (because of a stronger rate of potential growth or under-utilised resources in the labour market), or the relationship between economic slack and the inflation-generating process has weakened considerably. With each passing quarter, the latter seems a more compelling argument.

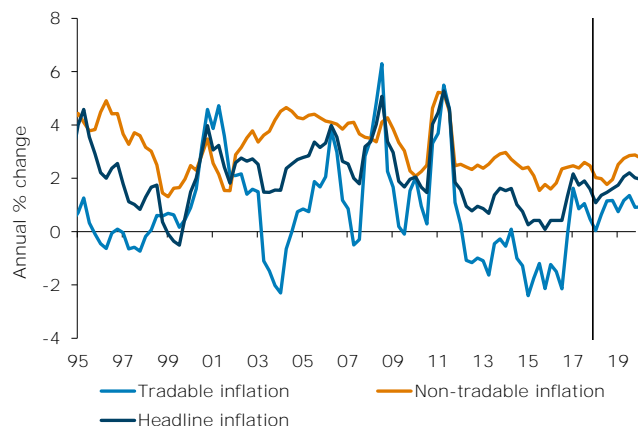
It effectively means that in order to get domestic inflation pressures up, the RBNZ needs to allow the economy to run hotter than would be the case otherwise. That strategy comes with obvious risks – not least the fact that household balance sheets are already reasonably strained, with household debt hovering around record highs as a proportion of income. But it also once again raises questions over the application of inflation targeting as we know it, given the whole regime is based on an assumption that strong activity will lead to strong inflation (and vice versa). While one can certainly make the case that historical relationships will reassert themselves in time, it is impossible to be confident about that. Now is not the time to be a rigid inflation targeter, on either side of the target band. Flexibility is paramount.

Flexibility is particularly pertinent at present given our somewhat circumspect views on the

near-term growth outlook. While we wouldn't class ourselves as negative on growth, we see growth only around trend at best over the next couple of years, and do see a decent chance of a near-term growth wobble as the challenges of navigating late-cycle pressures, a shift in political policy direction, a cooler housing market and a transition in economic growth drivers are all navigated simultaneously. **If trend growth is the best we can expect, then where is the broader-based lift in inflation going to come from?**

So where does that leave our views on the inflation outlook now? Well, as mentioned above, we now see headline inflation dropping to 1.1% in Q1. Base effects, the lower starting point and the **impact of the new Government's** tertiary education subsidies (which we estimate will knock 0.2%pts off headline inflation in Q1) will all see headline inflation shift lower. But in conjunction with the recent strength in the NZD, our forecasts now have headline inflation holding below 2% out until the middle of 2019.

Figure 2: ANZ inflation forecasts



Source: Statistics NZ, ANZ Research

Our central scenario is still that domestic inflation pressures will rise and broaden in time. That is predicated on the belief that some cost-push pressures will emerge from the labour market, and the new Government's tweaks in industrial relations policies last week are consistent with that message – at least in spirit. However, it is highly unclear whether that is going to be enough to offset ongoing deflationary forces. It is fair to say that our conviction in a broadening in inflation pressures occurring even gradually over the next couple of years is reducing.

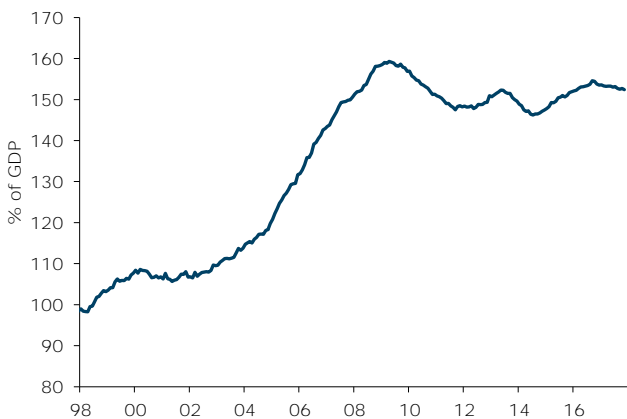
So why then do we still have hikes within our projections? It is a question we have toyed with ourselves. We could certainly articulate a case for having a flat-lined OCR profile altogether, until the balance of risks around the outlook becomes clearer.

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However, we have retained a view of hikes in time to be consistent with the spirit of an economy grappling with capacity pressures. We also believe that with other central banks (including the RBA) set to embark on the process of policy normalisation, the NZD should face depreciation pressures in time. But in any case, looking that far out, it is pointless to focus too much on the semantics. **The overall message we wish to convey is that we see it as more likely that the next move is a hike rather than a cut, but that the RBNZ remains on hold for the foreseeable future.**

Turning to this week’s domestic data calendar, RBNZ sector lending figures for December should show a continuation of a more modest pace of lending growth. In November, total private sector credit growth was soft, growing just 0.2% m/m (sa). In fact, that was the softest monthly growth in 12 months, which saw the 3-month annualised rate fall below 5%. The rate of growth perhaps won’t stay that soft in December, but as a share of GDP, total private sector credit has now fallen slightly, and that stable-to-lower ratio is a theme we see persisting for some time yet. For all it will dampen growth, it’s not a bad thing in a longer-term structural sense.

Figure 3: Private sector credit to GDP



Source: RBNZ, ANZ Research

Two of our proprietary indicators (job ads and consumer confidence), will provide the first readings on early 2018 economic activity.

- **Job ads:** In December, total job ads fell 0.3% m/m, which was the second consecutive small fall. The level of advertising is high, but it has flattened, with growth easing across most regions and sectors. It certainly points to a cooling in employment growth, which is not hard to envisage when the Household Labour Force Survey is reporting that employment grew 4.1% y/y in Q3.

Figure 4: Employment and job ads growth



Source: Statistics NZ, Seek, Trade Me, ANZ Research

- **Consumer confidence:** In December, headline confidence fell for a third consecutive month. In saying that, it still remains at a respectable level overall, and above its historical average. That is despite cooler housing market conditions (although activity has admittedly bounced over the final few months of 2017) and the change in government. If there is any cautiousness creeping in, it is in households’ perceptions of the future, where the net number of consumers expecting to be better off financially fell to its lowest level since August 2016.

Building consent issuance has been volatile of late, but we retain a view that meaningful upside from here is unlikely. The number of dwelling consents rose 10.8% m/m (sa) in November, effectively reversing October’s 10.4% m/m fall. Both moves were led by the volatile multi-dwelling component, which we estimate rose 38% m/m. Issuance for ‘houses’ has actually fallen for four consecutive months.

Figure 5: National dwelling consent issuance



Source: Statistics NZ, ANZ Research

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Although Statistics NZ trend measures continue to grow, our interpretation is that issuance is effectively just bouncing around at an elevated level.

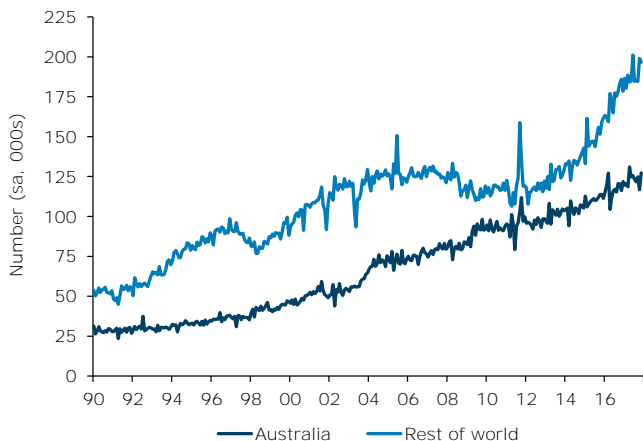
In seasonally adjusted terms, the level of consents is still below the August result. On a 3m/3m basis, it is down 0.9%. And we still believe we are in an environment where issuance will struggle to push much higher. While there is plenty of demand and an upcoming more 'active' push from policymakers, supply is being challenged by capacity, capital and cost constraints.

We expect international travel and migration figures for December to show a continuation of the cooling in net migrant inflows.

It has become clear over recent months that net migrant inflows have likely peaked. In seasonally adjusted terms, a net inflow of 5,610 migrants was recorded in November, similar to the previous month. The 12-month running total remains strong, at just over 70,000, but the 3-month annualised net inflow has fallen from a peak of over 74k last November to 66k. This easing in net inflows has been driven by both a lift in departures and fewer arrivals. And with the Australian labour market improving and the natural cycling effect of previous strong arrivals growth now resulting in a lift in departures of non-New Zealand and Australian citizens, these recent trends should continue.

We also expect the underlying trend in visitor arrivals growth to remain modest as well. We are still upbeat on the tourism sector's prospects overall. However, we do not believe that the rate of annual growth in visitor arrivals, which at times was in the double digits over 2016 and 2017, can be maintained. New route development and airline capacity is one of the major factors driving visitor arrivals growth, and it is apparent that the pace of those announcements has cooled off over the past year or so.

Figure 6: International visitor arrivals



Source: Statistics NZ, ANZ Research

LOCAL DATA

BNZ-BusinessNZ PSI – December. The index dipped 0.5 points to 56.0.

CPI – Q4. The headline CPI rose a modest 0.1% q/q (1.6% y/y). Tradable prices fell 0.3% q/q (0.5% y/y) while non non-tradable prices rose 0.5% q/q (2.5% y/y).

RBNZ New Mortgage Lending – December. We estimate new lending was effectively unchanged in seasonally adjusted terms. Investor lending made up 20.9% of the total.

Overseas Merchandise Trade – December. A unadjusted surplus of \$640m was seen, while in seasonally adjusted terms, the surplus was \$230m.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
30-Jan	AU	ANZ-RM Consumer Confidence Index - 28-Jan	--	119.4	11:30
	AU	NAB Business Conditions - Dec	--	12	13:30
	AU	NAB Business Confidence - Dec	--	6	13:30
	UK	Net Lending Sec. on Dwellings - Dec	£3.3B	£3.5B	22:30
	UK	Mortgage Approvals - Dec	63.5k	65.1k	22:30
	UK	Money Supply M4 MoM - Dec	--	0.1%	22:30
	UK	M4 Money Supply YoY - Dec	--	3.7%	22:30
	EC	Economic Confidence - Jan	116.2	116.0	23:00
	EC	Business Climate Indicator - Jan	1.68	1.66	23:00
	EC	Industrial Confidence - Jan	8.9	9.1	23:00
	EC	Services Confidence - Jan	18.5	18.4	23:00
	EC	GDP SA QoQ - Q4 A	0.6%	0.6%	23:00
	EC	GDP SA YoY - Q4 A	2.7%	2.6%	23:00
	EC	Consumer Confidence - Jan F	1.3	1.3	23:00
31-Jan	GE	CPI MoM - Jan P	-0.6%	0.6%	02:00
	GE	CPI YoY - Jan P	1.7%	1.7%	02:00
	GE	CPI EU Harmonized MoM - Jan P	-0.7%	0.8%	02:00
	GE	CPI EU Harmonized YoY - Jan P	1.6%	1.6%	02:00
	US	S&P CoreLogic CS 20-City MoM SA - Nov	0.6%	0.7%	03:00
	US	S&P CoreLogic CS 20-City YoY NSA - Nov	6.35%	6.38%	03:00
	US	Conf. Board Consumer Confidence - Jan	123.0	122.1	04:00
	UK	GfK Consumer Confidence - Jan	-13	-13	13:01
	AU	CPI QoQ - Q4	0.7%	0.6%	13:30
	AU	CPI YoY - Q4	2.0%	1.8%	13:30
	AU	CPI Trimmed Mean QoQ - Q4	0.5%	0.4%	13:30
	AU	CPI Trimmed Mean YoY - Q4	1.9%	1.8%	13:30
	AU	Private Sector Credit YoY - Dec	5.2%	5.4%	13:30
	AU	Private Sector Credit MoM - Dec	0.5%	0.5%	13:30
	CH	Non-manufacturing PMI - Jan	55.0	55.0	14:00
	CH	Manufacturing PMI - Jan	51.5	51.6	14:00
	GE	Retail Sales MoM - Dec	-0.40%	1.80%	20:00
	GE	Retail Sales YoY - Dec	2.80%	4.40%	20:00
	GE	Unemployment Change (000's) - Jan	-17k	-29k	21:55
	GE	Unemployment Claims Rate SA - Jan	5.40%	5.50%	21:55
	EC	Unemployment Rate - Dec	8.7%	8.7%	23:00
	EC	CPI Core YoY - Jan A	1.0%	0.9%	23:00
	EC	CPI Estimate YoY - Jan	1.3%	1.4%	23:00
1-Feb	US	MBA Mortgage Applications - 26-Jan	--	4.5%	01:00
	US	ADP Employment Change - Jan	185k	250k	02:15
	US	Employment Cost Index - Q4	0.6%	0.7%	02:30
	US	Chicago Purchasing Manager - Jan	64.0	67.8	03:45
	US	Pending Home Sales MoM - Dec	0.5%	0.2%	04:00
	US	Pending Home Sales NSA YoY - Dec	--	0.6%	04:00
	US	FOMC Rate Decision - Jan	1.50%	1.50%	08:00
	NZ	ANZ Job Advertisements MoM - Jan	--	-0.3%	10:00
	AU	Ai Group Perf of Mfg Index - Jan	--	56.2	11:30
	AU	Import Price Index QoQ - Q4	1.5%	-1.6%	13:30
	AU	Export Price Index QoQ - Q4	2.0%	-3.0%	13:30

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DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
1-Feb	AU	Building Approvals MoM - Dec	-7.6%	11.7%	13:30
	AU	Building Approvals YoY - Dec	11.5%	17.1%	13:30
	CH	Caixin PMI Mfg - Jan	51.5	51.5	14:45
	AU	Commodity Index AUD - Jan	--	129.4	18:30
	AU	Commodity Index SDR YoY - Jan	--	-5.9%	18:30
	UK	Nationwide House PX MoM - Jan	0.1%	0.6%	20:00
	UK	Nationwide House Px NSA YoY - Jan	2.5%	2.6%	20:00
	GE	Markit/BME Manufacturing PMI - Jan F	61.2	61.2	21:55
	EC	Markit Manufacturing PMI - Jan F	59.6	59.6	22:00
	UK	Markit PMI Manufacturing SA - Jan	56.5	56.3	22:30
2-Feb	US	Nonfarm Productivity - Q4 P	1.0%	3.0%	02:30
	US	Unit Labor Costs - Q4 P	0.9%	-0.2%	02:30
	US	Initial Jobless Claims - 27-Jan	235k	233k	02:30
	US	Continuing Claims - 20-Jan	1925k	1937k	02:30
	US	Markit Manufacturing PMI - Jan F	55.5	55.5	03:45
	US	Construction Spending MoM - Dec	0.4%	0.8%	04:00
	US	ISM Manufacturing - Jan	58.6	59.3	04:00
	US	ISM Employment - Jan	--	58.1	04:00
	US	ISM Prices Paid - Jan	--	69.0	04:00
	US	ISM New Orders - Jan	--	67.4	04:00
	NZ	ANZ Consumer Confidence Index - Jan	--	121.8	10:00
	NZ	Building Permits MoM - Dec	--	10.8%	10:45
	NZ	Net Migration SA - Dec	--	5610	10:45
	AU	PPI QoQ - Q4	--	0.2%	13:30
	AU	PPI YoY - Q4	--	1.6%	13:30
	UK	Markit/CIPS Construction PMI - Jan	52.0	52.2	22:30
	EC	PPI MoM - Dec	0.2%	0.6%	23:00
	EC	PPI YoY - Dec	2.3%	2.8%	23:00
3-Feb	US	Change in Nonfarm Payrolls - Jan	180k	148k	02:30
	US	Unemployment Rate - Jan	4.1%	4.1%	02:30
	US	Average Hourly Earnings MoM - Jan	0.3%	0.3%	02:30
	US	Average Hourly Earnings YoY - Jan	2.6%	2.5%	02:30
	US	Factory Orders - Dec	1.2%	1.3%	04:00
	US	U. of Mich. Sentiment - Jan F	95.0	94.4	04:00
	US	Durable Goods Orders - Dec F	--	2.9%	04:00
	US	Durables Ex Transportation - Dec F	--	0.6%	04:00

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

We expect the near-term data flow to be a little more mixed, reflecting headwinds the economy is currently facing. That said, we still see growth holding in a 2½-3% range over the next couple of years. Inflation pressures remain contained, and while we see them rising gradually in time, the OCR looks set to be on hold for some time yet.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Wed 31 Jan (3:00pm)	RBNZ Sectoral Lending – Dec	Modest	A more modest rate of overall credit growth should continue, with the ratio of private sector credit to GDP easing further.
Thu 1 Feb (10:00am)	ANZ Job Ads – Jan	--	--
Fri 2 Feb (10:00am)	ANZ-Roy Morgan Consumer Confidence – Jan	--	--
Fri 2 Feb (10:45am)	Building Consent Issuance – Dec	Capped	There has been plenty of volatility of late, but we still see annual issuance struggling to push much above 30k.
Fri 2 Feb (10:45am)	International Travel and Migration – Dec	Peaked	We don't see net inflows falling quickly , but we do believe that a peak has been seen.
Mon 5 Feb (1:00pm)	ANZ Commodity Price Index – Jan	--	--
Wed 7 Feb (early am)	GlobalDairyTrade Auction	Supported	Although the prospects for local supply have improved, lower GDT volumes should help provide some support to prices.
Wed 7 Feb (10:45am)	Labour Market Statistics – Q4	Unwind	After the almost implausible strength in the Q3 figures, we expect some unwind in Q4.
Thu 8 Feb (9:00am)	RBNZ Monetary Policy Statement	On hold	Recent GDP revisions will be pondered, but we suspect a neutral policy stance will be maintained overall.
Fri 9 Feb (10:00am)	ANZ Truckometer – Jan	--	--
12-16 Feb	REINZ Housing Market Statistics – Jan	Stable	The market has rebounded modestly over recent months. We expect more stable results going forward, but with annual price growth to tick up a touch.
Mon 12 Feb (10:45am)	Electronic Card Transactions – Jan	Modest	The underlying trend should remain modest overall, with households looking to rebuild saving levels.
Mon 12 Feb (1:00pm)	ANZ Monthly Inflation Gauge – Jan	--	--
Wed 14 Feb (10:45am)	Food Price Index – Jan	Up	Prices have typically risen solidly in January months.
Wed 14 Feb (3:00pm)	RBNZ Survey of Expectations – Q1	Stable	The 2-year-ahead measure of inflation expectations should be steady around 2%.
Fri 16 Feb (10:30am)	BNZ-BusinessNZ PMI – Jan	More cautious	After plunging last month, we suspect the gauge will hold at this lower level for a little while.
Wed 21 Feb (early am)	GlobalDairyTrade Auction	Supported	Although the prospects for local supply have improved, lower GDT volumes should help provide some support to prices.
Fri 23 Feb (10:45am)	Retail Trade Survey – Q4	Bounce	After a soft Q3, we expect a better performance from sales volumes over the quarter.
Tue 27 Feb (10:45am)	Overseas Merchandise Trade – Jan	Import strength	Import growth has been strong of late, but we suspect we'll see more modest growth over the coming months.
Tue 27 Feb (3:00pm)	RBNZ New Mortgage Lending – Jan	Stabilising	With housing market turnover lifting off lows, new mortgage lending should do the same.
Wed 28 Feb (10:45am)	International Travel and Migration – Jan	Peaked	We don't see net inflows falling quickly , but we do believe that a peak has been seen.
Wed 28 Feb (1:00pm)	ANZ Business Outlook – Feb	--	--
Wed 28 Feb (3:00pm)	RBNZ Sectoral Lending – Jan	Modest	We see overall private sector credit growing in a fashion that keeps the ratio of credit to GDP roughly stable.
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

	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
GDP (% qoq)	0.6	0.5	0.6	0.9	0.9	0.8	0.7	0.7	0.7	0.6
GDP (% yoy)	2.7	2.9	2.7	2.6	2.9	3.2	3.3	3.1	2.8	2.6
CPI (% qoq)	0.5	0.1	0.5	0.3	0.6	0.2	0.6	0.6	0.7	0.1
CPI (% yoy)	1.9	1.6	1.1	1.4	1.5	1.6	1.7	2.1	2.2	2.0
Employment (% qoq)	2.2	-0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Employment (% yoy)	4.1	2.8	2.1	2.6	0.8	1.6	1.4	1.3	1.2	1.2
Unemployment Rate (% sa)	4.6	4.7	4.6	4.5	4.5	4.4	4.4	4.4	4.4	4.4
Current Account (% GDP)	-2.5	-2.6	-2.3	-2.6	-2.9	-3.0	-3.0	-3.0	-2.9	-2.9
Terms of Trade (% qoq)	0.8	-1.6	-1.6	-0.7	0.1	0.1	0.1	0.1	0.1	0.0
Terms of Trade (% yoy)	12.4	4.5	-1.1	-3.1	-3.8	-2.2	-0.4	0.4	0.4	0.4

	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Retail ECT (% mom)	-0.4	0.9	-0.4	0.0	-0.6	0.0	0.4	0.5	1.3	0.5
Retail ECT (% yoy)	5.6	4.5	5.2	4.5	2.0	4.4	2.9	1.3	4.3	3.3
Credit Card Billings (% mom)	1.0	1.1	1.0	0.4	0.7	-0.6	0.8	1.1	0.9	0.6
Credit Card Billings (% yoy)	7.2	6.6	7.5	8.4	7.0	6.5	5.0	3.0	9.1	6.3
Car Registrations (% mom)	3.5	-2.7	3.8	-2.6	-4.6	9.4	-1.3	2.2	1.5	-4.8
Car Registrations (% yoy)	16.5	3.0	13.7	11.1	6.2	13.5	15.6	7.3	7.3	4.7
Building Consents (% mom)	-2.5	-1.9	1.5	0.7	3.2	6.2	-2.2	-10.4	10.7	--
Building Consents (% yoy)	11.3	3.9	4.8	-7.9	-1.6	13.8	7.3	-7.3	13.6	--
REINZ House Price Index (% yoy)	10.7	9.1	6.7	5.4	3.3	2.8	3.7	3.4	3.5	3.8
Household Lending Growth (% mom)	0.5	0.5	0.4	0.5	0.3	0.4	0.5	0.4	0.4	--
Household Lending Growth (% yoy)	8.7	8.3	7.9	7.6	7.1	6.7	6.5	6.3	6.1	--
ANZ Roy Morgan Consumer Conf.	125.2	121.7	123.9	127.8	125.4	126.2	129.9	126.3	123.7	121.8
ANZ Business Confidence	11.3	11.0	14.9	24.8	19.4	18.3	0.0	-10.1	-39.3	-37.8
ANZ Own Activity Outlook	38.8	37.7	38.3	42.8	40.3	38.2	29.6	22.2	6.5	15.6
Trade Balance (\$m)	262	547	62	243	92	-1174	-1165	-841	-1233	640
Trade Bal (\$m ann)	52404	52588	53218	53530	53742	53982	54085	54759	56003	56497
ANZ World Comm. Price Index (% mom)	0.4	-0.2	3.2	2.1	-0.8	-0.8	0.8	-0.3	-0.9	-2.2
ANZ World Comm. Price Index (% yoy)	23.0	23.7	26.3	24.6	21.1	16.3	11.5	10.4	6.0	3.0
Net Migration (sa)	6180	5840	5960	6320	5740	5450	5240	5610	5610	--
Net Migration (ann)	71932	71885	71964	72305	72402	72072	70986	70694	70354	--
ANZ Heavy Traffic Index (% mom)	1.5	-2.2	4.0	-0.5	-6.0	6.5	-1.5	2.9	1.1	-4.2
ANZ Light Traffic Index (% mom)	1.3	-1.4	1.2	1.2	-2.2	2.7	-0.1	-0.6	1.5	-1.7

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)						
	Nov-17	Dec-17	Today	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
NZD/USD	0.683	0.710	0.732	0.71	0.72	0.69	0.67	0.66	0.65	0.65
NZD/AUD	0.903	0.909	0.905	0.89	0.88	0.90	0.91	0.92	0.93	0.93
NZD/EUR	0.578	0.591	0.592	0.57	0.58	0.54	0.52	0.51	0.50	0.50
NZD/JPY	76.79	79.99	79.80	83.8	83.5	77.3	69.7	68.6	65.0	65.0
NZD/GBP	0.508	0.525	0.520	0.53	0.53	0.50	0.49	0.48	0.47	0.47
NZ\$ TWI	71.0	73.0	74.8	72.4	72.7	69.9	67.6	66.7	65.7	65.7
INTEREST RATES	Nov-17	Dec-17	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	1.91	1.88	1.88	1.92	1.95	1.97	1.99	2.00	2.08	2.34
NZ 10-yr bond	2.72	2.72	2.92	2.85	3.05	3.25	3.40	3.45	3.50	3.50
US Fed funds	1.25	1.50	1.50	1.50	1.75	2.00	2.25	2.25	2.50	2.50
US 3-mth	1.49	1.69	1.77	1.75	2.05	2.20	2.45	2.45	2.45	2.45
AU Cash Rate	1.50	1.50	1.50	1.50	1.75	2.00	2.00	2.00	2.00	2.00
AU 3-mth	1.74	1.80	1.78	1.80	2.00	2.30	2.40	2.40	2.40	2.40

	26 Dec	22 Jan	23 Jan	24 Jan	25 Jan	26 Jan
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.87	1.88	1.88	1.88	1.88	1.88
NZGB 03/19	1.79	1.81	1.81	1.81	1.79	1.79
NZGB 05/21	2.05	2.23	2.23	2.21	2.16	2.15
NZGB 04/23	2.29	2.50	2.50	2.47	2.44	2.43
NZGB 04/27	2.75	2.97	2.97	2.93	2.91	2.90
2 year swap	2.14	2.24	2.24	2.25	2.18	2.17
5 year swap	2.69	2.78	2.78	2.76	2.71	2.70
RBNZ TWI	73.94	74.95	75.41	75.60	75.17	74.79
NZD/USD	0.7016	0.7309	0.7322	0.7403	0.7359	0.7350
NZD/AUD	0.9091	0.9116	0.9189	0.9169	0.9110	0.9075
NZD/JPY	79.49	80.90	81.01	81.07	80.25	79.80
NZD/GBP	0.5250	0.5256	0.5248	0.5251	0.5159	0.5198
NZD/EUR	0.5915	0.5960	0.5979	0.6000	0.5927	0.5921
AUD/USD	0.7717	0.8017	0.7968	0.8073	0.8077	0.8110
EUR/USD	1.1860	1.2262	1.2247	1.2337	1.2413	1.2427
USD/JPY	113.31	110.69	110.64	109.52	109.06	108.58
GBP/USD	1.3363	1.3905	1.3952	1.4097	1.4264	1.4160
Oil (US\$/bbl)	59.97	63.49	64.47	65.61	65.51	66.14
Gold (US\$/oz)	1278.36	1333.75	1336.37	1349.80	1359.57	1349.12
Electricity (Haywards)	7.76	13.02	14.66	14.78	15.62	16.53
Baltic Dry Freight Index	1366	1129	1157	1200	1217	1219
NZX WMP Futures (US\$/t)	2940	3150	3150	3155	3200	3200

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