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NZ ECONOMICS TEAM

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

Philip Borkin
Senior Economist
 Telephone: +64 9 357 4065
 Email: Philip.Borkin@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

Please note that due to the Auckland Anniversary public holiday the next edition will be Tuesday 30 January.

PROOF IS IN THE PUDDING

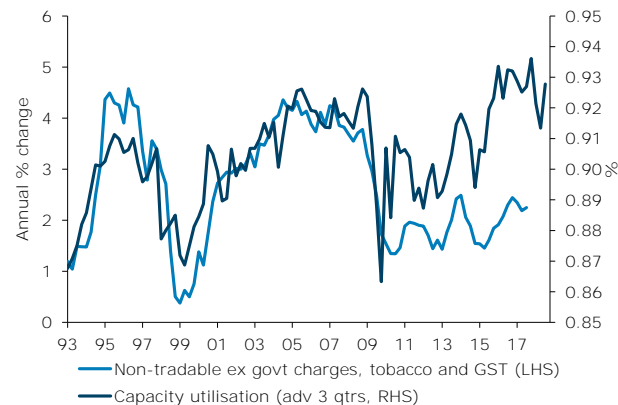
ECONOMIC OVERVIEW

There are three potential inferences for the inflation outlook and hence monetary policy from the recent upward GDP revisions: 1) the economy was running hotter, and higher inflation is coming (if not stronger growth); 2) domestic inflation **hasn't eventuated** so it must be that the potential growth rate of the economy **was higher too**; or 3) **it doesn't matter much in any case as the relationship** between the output gap and inflation has weakened. We suspect there are elements of truth in all three, but it all leaves the outlook for inflation rather murky. Our own forecasts do incorporate a modest lift in domestic inflation pressures in time. Ultimately, this highly uncertain inflation outlook is likely to **keep the RBNZ watchful. For now, we expect this week's Q4 CPI figures to show annual inflation holding steady, with signs of a lift in price pressures beyond housing still only tentative at best.**

CHART OF THE WEEK

Despite ongoing signs of the economy grappling with capacity pressures, the key question when thinking about the implications of this for the inflation outlook is: does it even matter?

Non-tradable inflation and capacity utilisation



Source: Statistics NZ, NZIER, 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	1.7% y/y for 2018 Q3	In part due to policy changes and base effects, headline inflation will ease over the next 12 months. But domestic and core inflation should lift gradually.	Neutral Negative Positive

ECONOMIC OVERVIEW

SUMMARY

There are three potential inferences for the inflation outlook and hence monetary policy from the recent upward GDP revisions: 1) the economy was running hotter, and higher inflation is coming (if not stronger growth); 2) **domestic inflation hasn't eventuated so it must be that the potential growth rate of the economy was higher too; or 3) it doesn't matter much in any case as the relationship between the output gap and inflation has weakened.** We suspect there are elements of truth in all three, but it all leaves the outlook for inflation rather murky. Our own forecasts do incorporate a modest lift in domestic inflation pressures in time. Ultimately, this highly uncertain inflation outlook is likely to keep the RBNZ watchful. For now, we expect **this week's Q4 CPI figures to show annual inflation holding steady, with signs of a lift in price pressures beyond housing still only tentative at best.**

FORTHCOMING EVENTS

BNZ-BusinessNZ PSI – December (10:30am, Tuesday, 23 January). Its manufacturing cousin dropped sharply in the month. Will the PSI follow suit?

CPI – Q4 (10:45am, Thursday, 25 January). We expect a 0.4% q/q lift in the headline CPI, which would see annual inflation remain stable at 1.9%.

RBNZ New Mortgage Lending – December (3:00pm, Monday, 29 January). With housing market turnover stabilising at a lower level, new mortgage lending should do the same.

Overseas Merchandise Trade – December (10:45am, Tuesday, 30 January). Imports have been exceptionally strong of late. We believe some of that strength will unwind, supporting the trade balance.

WHAT'S THE VIEW?

What is the economy's rate of trend or potential growth? It is a question that no doubt many will be asking after recent GDP revisions showed the economy growing at a far stronger pace over 2015 and 2016 than previously thought. **One's** view on this has important implications for how to think about the risks to the inflation outlook from here and hence the outlook for monetary policy.

There are three broad inferences that one could draw regarding what the GDP revisions mean for the inflation outlook.

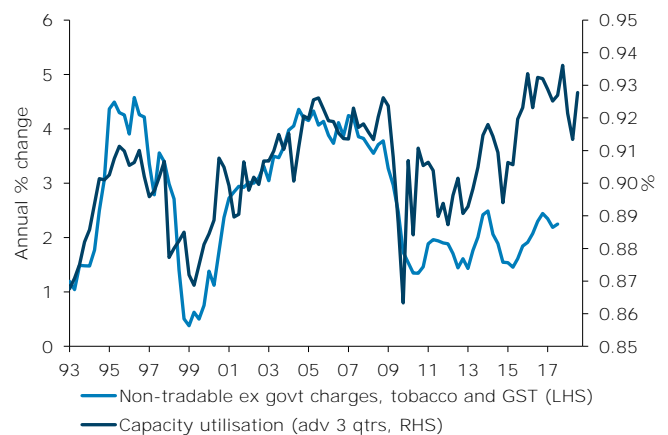
- 1. The economy has been running far hotter, and therefore has less spare capacity, than first thought.** There is now 'less room to grow' and price pressures will build.
- 2. The economy's 'speed limit' was actually**

higher than first thought over this period too, meaning the revisions imply little for views on the output gap (and by association, the inflation outlook).

- 3. It actually doesn't matter all that much,** as the relationship between domestic capacity pressures and inflation has weakened considerably due to structural disinflationary forces.

In reality, there may be elements of truth in all three of these interpretations. Anecdotes of capacity pressure have not been in short supply, supporting hypothesis #1. Broad inflation pressures have not materialised, consistent with explanation #2. And one only has to look at the chart below to cast a vote for #3.

Figure 1: Non-tradable inflation and capacity utilisation



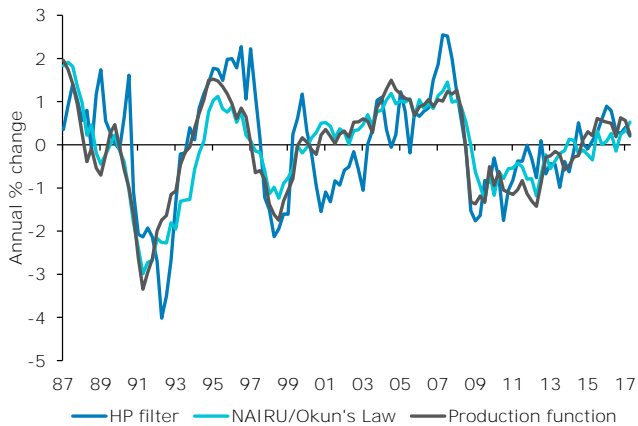
Source: NZIER, Statistics NZ, ANZ Research

The challenge with forming views on potential growth (and hence the output gap), is that it is unobservable. Any estimates have a wide band of uncertainty around them. This emphasises the need to focus on a broad variety of methods and sources when assessing how much slack the economy really has.

Accordingly, we look a suite of output gap estimates. These range from a purely statistical approach (like a simple HP filter of GDP) to more model-based approaches (such as a NAIRU/Okun's Law measure, or what is effectively a production function measure). Interestingly, they all imply a relatively similar estimate for the output gap at present. They are all positive, as they have by-and-large been for around the past two years, and currently range from 0.2% to 0.5% of GDP. That is higher than the RBNZ's estimate, which at the time of the November MPS (i.e. prior to the GDP revisions) had the output gap at just 0.1% of GDP in Q2 2017.

ECONOMIC OVERVIEW

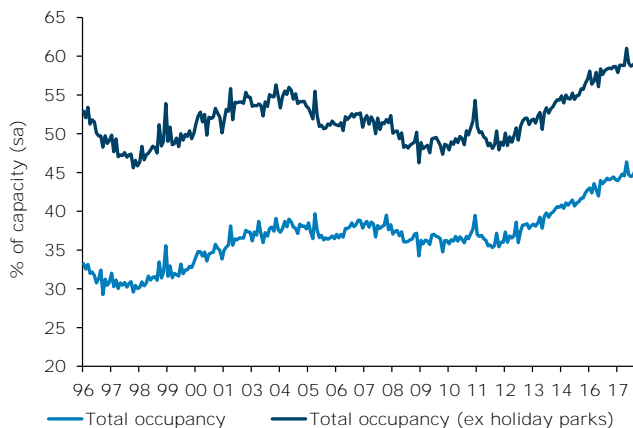
Figure 2: Various output gap estimates



Source: ANZ Research

These positive output gap estimates corroborate other observations regarding the state of the economic cycle. At 92.8%, the QSBO's measure of capacity utilisation is back near its cycle highs and well above historical averages. The number of firms reporting capacity as a limiting factor (18%) is also well above average. Finding skilled staff is reportedly the most difficult it's been since 2005. Accommodation occupancy is effectively at all-time highs. Commercial property vacancy rates in Auckland and Wellington are historically low. It is a similar story wherever we look.

Figure 3: Accommodation occupancy rates



Source: NZIER, ANZ Research

So we are left with little doubt that the economy is grappling with capacity pressures at present, and the GDP revisions do 'square the circle' somewhat in that light. This would argue against simply putting the entirety of the GDP revisions into one's estimate of potential output, i.e. effectively disregarding them. For what it's worth, whereas we previously saw potential growth around 2¾%, we now place it around 3%. That is, we are not disregarding the revisions, but are downplaying them somewhat.

These capacity pressures are arguably one of the main reasons why annual GDP growth slowed from over 4% in the middle of 2016 to closer to 2½% now. We expect these constraints to continue to be a limiting force on growth going forward, as is typical as a business cycle matures.

Given the latest QSBO also showed the highest net number of firms expecting cost increases (+38%) since 2011 and firms' pricing intentions also rising again (to +31% – a 3½ year high), one must give some credence to the possibility that the first interpretation above is correct; that with the economy now having far less room to grow but doing its best to nonetheless, increased price pressures are just around the corner.

The issue is that it is not as if these capacity pressures have only just surfaced; they have been with us for some time. Yet as figure 1 showed, the lift in domestic inflation pressures that historical relationships would suggest should have already been upon us has been absent. Outside of housing, domestic inflation pressures have remained remarkably subdued.

This brings into the spotlight the third interpretation above; that it doesn't matter much, for the inflation outlook at least, where you believe the output gap to be. For structural reasons (low and stable inflation expectations, a far more integrated global economy, the digital revolution etc), inflation is far less responsive to the degree of economic slack than it used to be. This is something that RBNZ Acting Governor Spencer highlighted nicely in a speech late last year, and is an argument for which we certainly have plenty of sympathy.¹

If one buys into that, then the question becomes: is it simply a timing issue, a one-off (albeit prolonged) adjustment to producer and retailer margins, with old relationships set to re-exert themselves eventually? If one takes a truly long-term view of "eventually", then the odds seem pretty reasonable that the relationship between output and inflation will continue to evolve along with the structure of the domestic and global economy. But timing is everything. We are forecasting a modest lift in domestic inflation pressures from here in large part due to cost-push pressures from the labour market. However, it would take a brave person to say with confidence that a big upswing in domestic inflation is just around the corner, given that it is unlikely that structural deflationary forces are about to disappear.

¹ See "Low inflation and its implications for monetary policy" <https://www.rbnz.govt.nz/research-and-publications/speeches/2017/speech-2017-12-05>

ECONOMIC OVERVIEW

We suspect that this clouded inflation outlook will leave the RBNZ relatively watchful. We certainly don't expect the Bank to be as proactive as it has been historically (over 2010 or 2014 for example) in responding to traditional signals of looming medium-term inflation pressures (such as a positive output gap or the other observations of capacity pressures highlighted above). Rather, it will remain far more reactive to current inflation outcomes, wanting to see the 'whites of the eyes' of inflation after being wrong-footed twice since the Global Financial Crisis. And so, given our belief that the risk of a break-out in inflation remains low, this will leave the Reserve Bank cautious with regard to withdrawing monetary policy stimulus.

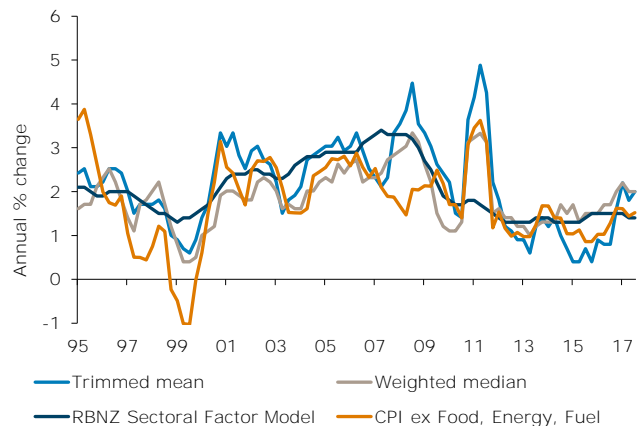
Turning to the week ahead, which will be holiday-shortened for some, given a Wellington public holiday, the CPI figures will be the major domestic focus. We expect headline inflation to hold steady at 1.9% y/y.

The figures incorporate an updated CPI basket and weights as part of the 2017 CPI review. These changes haven't altered our forecast for the quarter at all. However, they do shift the risk profile modestly lower. That is due largely to a higher weight on food, where monthly data is pointing to a 1.6% q/q fall, and a lower weight on petrol, where we estimate prices rose 6.2% q/q. Overall, food prices are expected to have recorded a 0.3%pt drag on headline inflation, while petrol will make a +0.2%pt contribution. Domestic and international airfares – two other volatile components – are estimated to make a combined +0.2%pt contribution, reflecting largely seasonal forces.

The quarter should also see the housing group make another positive contribution. That has become a familiar theme. However, outside of this, signs of a broader lift in domestic inflation pressures will remain tentative at best. We have pencilled in a 0.6% q/q lift in non-tradable inflation (above the RBNZ's expectation, admittedly), which would hold annual inflation in this measure at 2.6%. But as implied by our Monthly Inflation Gauge, it is still really just housing and a few bits and bobs driving this. Whether we are on the cusp of a broader lift in inflation will remain an unanswered question.

We suspect core inflation measures will be broadly steady. In Q3, the suite of core measures we monitor generally rebounded after falling in Q2. However, they ultimately remained in a 1½-2% range, which we suspect will be the case in Q4 as well. We see the RBNZ's Sectoral Factor Model holding around 1.4-1.5%.

Figure 4: Various core inflation measures

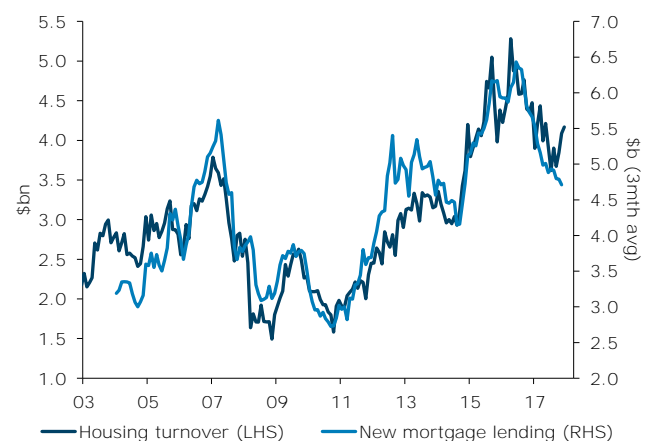


Source: Statistics NZ, RBNZ, ANZ Research

Recent housing market figures have shown the market rebounding modestly over the final months of 2017. RBNZ new mortgage lending for December is likely to be consistent with that. In November, we estimate that seasonally adjusted new mortgage lending rose 1.7% m/m following a 3.7% m/m lift in October. With total market turnover up over 15% since its mid-year low in December, it is likely that new mortgage lending will lift further.

One interesting question as we look into 2018 is how much of an impact the recent loosening of the RBNZ LVR restrictions will have. Investor lending has certainly been weak of late, falling to less than 22% of total new lending in November. But with the investor deposit requirement falling from 40% to 35% from January, it will be interesting to see whether this spurs a lift in lending and buyer activity, or whether caution prevails, given some of the proposed policy changes by the new Government around property investment.

Figure 5: New mortgage lending and housing market turnover



Source: REINZ, RBNZ, ANZ Research

ECONOMIC OVERVIEW

And finally, we expect Overseas Merchandise Trade figures for December released next Tuesday to show a \$150m deficit. Import values have been exceptionally strong of late, which in part reflects the fact that there have been consecutive months where there were large one-off imports of over ~\$250m in each month. However, it is a far broader story than that, with plenty of underlying strength. Strong capital goods imports perhaps signals businesses attempting to circumvent skill labour shortages, while solid intermediate goods imports signal an ongoing decent underlying pace of manufacturing and construction activity. Consumption imports spiked in November too, with the increased popularity of Black Friday sales likely to have shifted some spending into November from December. There is a risk that this overall import strength continues, but it seems more likely there will be a pullback in December, as was hinted at in the ECT figures.

On the export side, compositional movements are likely to be mixed. The stumble in dairy prices late last year could weigh a touch on overall values. However, this is likely to be offset by strong Chinese forward sales as buyers take advantage of the free-trade window. Milk volumes were fairly steady over Q4 (+0.4% y/y), but tapered off markedly over the course of December as conditions dried out. The **lower supply in December won't** really have an impact until January-March. Elsewhere, forestry export volumes are likely to remain high, and meat reasonably steady, but horticulture volumes softer due to the smaller 2017 crops for kiwifruit and pipfruit. Some other exports also saw weather disruptions, meaning an early end to the selling season.

LOCAL DATA

ANZ Monthly Inflation Gauge – December. Prices rose 0.4% m/m, with annual inflation stable at 2.8%.

NZIER Quarterly Survey of Business Opinion – Q4. Headline confidence fell from +5 to -11 (sa). **Firms' domestic trading conditions eased to a net 10%** from 13%.

Electronic Card Transactions – December. Total retail spending rose 0.5% m/m, while core spending fell 0.2% m/m.

GlobalDairyTrade Auction. The GDT-TWI rose 4.9%, with whole milk powder prices up 5.1%.

ANZ Truckometer – December. The Heavy and Light Traffic indexes fell 4.2% m/m and 1.7% m/m respectively.

ANZ Commodity Price Index – December. World prices fell 2.2% m/m, with NZD prices falling 3.0% m/m.

REINZ Housing Market Statistics – December. In seasonally adjusted terms, sales volumes fell 3.1% m/m, while the House Price Index lifted 0.7% m/m.

BNZ-BusinessNZ PMI – December. The headline index plunged 6.5 points to 51.2.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
23-Jan	US	Chicago Fed Nat Activity Index - Dec	--	0.15	02:30
	NZ	Performance Services Index - Dec	--	56.4	10:30
	AU	ANZ-RM Consumer Confidence Index - 21-Jan	--	123.5	11:30
	UK	Public Finances (PSNCR) - Dec	--	£12.9B	22:30
	UK	Central Government NCR - Dec	--	£12.3B	22:30
	UK	Public Sector Net Borrowing - Dec	--	£8.1B	22:30
	UK	PSNB ex Banking Groups - Dec	£5.0B	£8.7B	22:30
	GE	ZEW Survey Current Situation - Jan	--	89.3	23:00
	GE	ZEW Survey Expectations - Jan	--	17.4	23:00
	EC	ZEW Survey Expectations - Jan	--	29.0	23:00
	JN	BoJ 10-Yr Yield Target - Jan	--	0.00%	UNSPECIFIED
	JN	BoJ Policy Balance Rate - Jan	--	-0.10%	UNSPECIFIED
24-Jan	UK	CBI Trends Total Orders - Jan	--	17	00:00
	UK	CBI Trends Selling Prices - Jan	--	23	00:00
	UK	CBI Business Optimism - Jan	--	-11	00:00
	US	Richmond Fed Manufact. Index - Jan	18.0	20.0	04:00
	EC	Consumer Confidence - Jan A	--	0.5	04:00
	AU	Westpac Leading Index MoM - Dec	--	0.1%	12:30
	JN	Trade Balance - Dec	¥540.0B	¥112.2B	12:50
	JN	Trade Balance Adjusted - Dec	¥276.7B	¥364.1B	12:50
	AU	Skilled Vacancies MoM - Dec	--	0.3%	13:00
	JN	Nikkei PMI Mfg - Jan P	--	54.0	13:30
	NZ	Credit Card Spending MoM - Dec	--	0.8%	15:00
	NZ	Credit Card Spending YoY - Dec	--	9.1%	15:00
	GE	Markit/BME Manufacturing PMI - Jan P	--	63.3	21:30
	GE	Markit Services PMI - Jan P	--	55.8	21:30
	GE	Markit/BME Composite PMI - Jan P	--	58.9	21:30
	EC	Markit Manufacturing PMI - Jan P	--	60.6	22:00
	EC	Markit Services PMI - Jan P	--	56.6	22:00
	EC	Markit Composite PMI - Jan P	--	58.1	22:00
	UK	Claimant Count Rate - Dec	--	2.3%	22:30
	UK	Jobless Claims Change - Dec	--	5.9k	22:30
	UK	Average Weekly Earnings 3M/YoY - Nov	2.5%	2.5%	22:30
	UK	Weekly Earnings ex Bonus 3M/YoY - Nov	2.3%	2.3%	22:30
	UK	ILO Unemployment Rate 3Mths - Nov	4.3%	4.3%	22:30
	UK	Employment Change 3M/3M - Nov	-13k	-56k	22:30
	GE	Import Price Index MoM - Dec	--	0.8%	24-29 Jan
	GE	Import Price Index YoY - Dec	--	2.7%	24-29 Jan
25-Jan	US	MBA Mortgage Applications - 19-Jan	--	4.1%	01:00
	US	FHFA House Price Index MoM - Nov	0.4%	0.5%	03:00
	US	Markit Composite PMI - Jan P	--	54.1	03:45
	US	Markit Services PMI - Jan P	54.5	53.7	03:45
	US	Markit Manufacturing PMI - Jan P	55.0	55.1	03:45
	US	Existing Home Sales MoM - Dec	-2.4%	5.6%	04:00
	US	Existing Home Sales - Dec	5.67M	5.81M	04:00
	NZ	CPI QoQ - Q4	0.4%	0.5%	10:45
	NZ	CPI YoY - Q4	1.9%	1.9%	10:45
	GE	GfK Consumer Confidence - Feb	--	10.8	20:00

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
25-Jan	GE	IFO Business Climate - Jan	--	117.2	22:00
	GE	IFO Expectations - Jan	--	109.5	22:00
	GE	IFO Current Assessment - Jan	--	125.4	22:00
	UK	UK Finance Loans for Housing - Dec	--	39507	22:30
26-Jan	UK	CBI Retailing Reported Sales - Jan	--	20	00:00
	UK	CBI Total Dist. Reported Sales - Jan	--	24	00:00
	EC	ECB Main Refinancing Rate - Jan	--	0.00%	01:45
	EC	ECB Marginal Lending Facility	--	0.25%	01:45
	EC	ECB Deposit Facility Rate - Jan	--	-0.40%	01:45
	US	Advance Goods Trade Balance - Dec	-\$68.5B	-\$70.0B	02:30
	US	Wholesale Inventories MoM - Dec P	--	0.8%	02:30
	US	Initial Jobless Claims - 20-Jan	--	220k	02:30
	US	Continuing Claims - 13-Jan	--	1952k	02:30
	US	New Home Sales - Dec	675k	733k	04:00
	US	New Home Sales MoM - Dec	-7.9%	17.5%	04:00
	US	Leading Index - Dec	0.5%	0.4%	04:00
	US	Kansas City Fed Manf. Activity - Jan	--	14.0	05:00
	JN	Natl CPI YoY - Dec	1.1%	0.6%	12:30
	JN	Natl CPI Ex Fresh Food YoY - Dec	0.9%	0.9%	12:30
	JN	Natl CPI Ex Fresh Food, Energy YoY - Dec	0.4%	0.3%	12:30
	JN	Tokyo CPI YoY - Jan	1.2%	1.0%	12:30
	JN	Tokyo CPI Ex-Fresh Food YoY - Jan	0.8%	0.8%	12:30
	JN	Tokyo CPI Ex-Fresh Food, Energy YoY - Jan	0.4%	0.4%	12:30
	JN	PPI Services YoY - Dec	0.8%	0.8%	12:50
	CH	Industrial Profits YoY - Dec	--	14.9%	14:30
	EC	M3 Money Supply YoY - Dec	--	4.9%	22:00
	UK	Index of Services MoM - Nov	0.2%	0.2%	22:30
	UK	Index of Services 3M/3M - Nov	0.4%	0.3%	22:30
	UK	GDP QoQ - Q4 A	0.4%	0.4%	22:30
	UK	GDP YoY - Q4 A	1.4%	1.7%	22:30
27-Jan	US	Personal Consumption - Q4	--	2.2%	02:30
	US	GDP Annualized QoQ - Q4 A	3.0%	3.2%	02:30
	US	Durable Goods Orders - Dec P	0.9%	1.3%	02:30
	US	GDP Price Index - Q4 A	2.4%	2.1%	02:30
	US	Durables Ex Transportation - Dec P	0.6%	-0.1%	02:30
	US	Core PCE QoQ - Q4 A	--	1.3%	02:30
	US	Cap Goods Orders Nondef Ex Air - Dec P	--	-0.2%	02:30
	US	Cap Goods Ship Nondef Ex Air - Dec P	--	-0.1%	02:30

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. While medium-term inflation risks look to be shifting, we doubt that will be enough to alter the outlook for the OCR much; it looks set to be on hold for some time yet.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 23 Jan (10:30am)	BNZ-BusinessNZ PSI – Dec	Drop	Its manufacturing cousin dropped sharply in the month. Will the Services Index follow suit?
Thu 25 Jan (10:45am)	CPI – Q4	Steady	We expect a 0.4% q/q lift in the headline CPI, which would see annual inflation remain stable at 1.9%.
Mon 29 Jan (3:00pm)	RBNZ New Mortgage Lending – Dec	Stabilising	With housing market turnover stabilising at a lower level, new mortgage lending should do the same.
Tue 30 Jan (10:45am)	Overseas Merchandise Trade – Dec	Import strength	Import growth has been strong of late, but we suspect we'll see more modest growth over the coming months.
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 capped around 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 (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.
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	0.4	0.5	0.2	0.6	0.3	0.7	0.6	0.8	0.1
CPI (% yoy)	1.9	1.9	1.4	1.6	1.7	1.5	1.7	2.1	2.3	2.1
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	-2.5	-2.8	-2.9	-2.9	-2.9	-2.9	-2.8
Terms of Trade (% qoq)	0.8	-1.6	-1.5	-0.8	0.0	0.1	0.1	0.1	0.1	0.0
Terms of Trade (% yoy)	12.4	4.5	-1.0	-3.1	-3.9	-2.2	-0.5	0.4	0.5	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	0.3	0.7	-0.6	0.8	1.0	0.8	--
Credit Card Billings (% yoy)	7.2	6.6	7.5	8.4	7.0	6.5	5.0	3.0	9.1	--
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)	10.6	9.1	6.7	5.3	3.2	2.7	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	-843	-1193	--
Trade Bal (\$m ann)	52404	52588	53218	53530	53742	53982	54084	54759	55987	--
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	0.728	0.71	0.72	0.69	0.67	0.66	0.65	0.65
NZD/AUD	0.903	0.909	0.910	0.89	0.88	0.90	0.91	0.92	0.93	0.93
NZD/EUR	0.578	0.591	0.593	0.62	0.65	0.62	0.58	0.56	0.54	0.52
NZD/JPY	76.79	79.99	80.52	83.8	83.5	77.3	69.7	68.6	65.0	65.0
NZD/GBP	0.508	0.525	0.524	0.53	0.53	0.50	0.49	0.48	0.47	0.47
NZ\$ TWI	71.0	73.0	75.0	74.0	75.2	72.4	69.7	68.5	67.2	66.4
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	2.00	2.25	2.25	2.25
NZ 90 day bill	1.91	1.88	1.88	1.95	1.97	2.07	2.34	2.50	2.50	2.59
NZ 10-yr bond	2.72	2.72	2.97	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	1.74	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	1.80	1.80	2.00	2.30	2.40	2.40	2.40	2.40

	19 Dec	15 Jan	16 Jan	17 Jan	18 Jan	19 Jan
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.86	1.88	1.88	1.89	1.88	1.88
NZGB 03/19	1.78	1.78	1.79	1.80	1.80	1.82
NZGB 05/21	2.07	2.17	2.16	2.20	2.22	2.24
NZGB 04/23	2.30	2.43	2.42	2.47	2.48	2.51
NZGB 04/27	2.74	2.88	2.86	2.92	2.95	2.98
2 year swap	2.20	2.22	2.22	2.24	2.26	2.24
5 year swap	2.67	2.73	2.72	2.74	2.77	2.78
RBNZ TWI	74.07	75.10	75.22	75.03	74.97	74.97
NZD/USD	0.6972	0.7300	0.7268	0.7273	0.7301	0.7277
NZD/AUD	0.9099	0.9165	0.9129	0.9125	0.9128	0.9102
NZD/JPY	78.70	80.69	80.28	80.92	81.11	80.59
NZD/GBP	0.5208	0.5293	0.5270	0.5257	0.5255	0.5252
NZD/EUR	0.5888	0.5953	0.5928	0.5967	0.5965	0.5953
AUD/USD	0.7663	0.7965	0.7961	0.7970	0.8001	0.7995
EUR/USD	1.1840	1.2264	1.2260	1.2186	1.2238	1.2222
USD/JPY	112.89	110.54	110.45	111.29	111.11	110.77
GBP/USD	1.3385	1.3792	1.3792	1.3831	1.3894	1.3858
Oil (US\$/bbl)	57.46	64.30	63.73	63.97	63.95	63.37
Gold (US\$/oz)	1261.70	1339.99	1338.41	1326.84	1327.03	1331.84
Electricity (Haywards)	12.63	13.13	15.28	14.13	17.31	15.77
Baltic Dry Freight Index	1547	1264	1221	1164	1139	1125
NZX WMP Futures (US\$/t)	2850	2885	2885	3120	3140	3140

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