

8 May 2017

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EASIER SAID THAN DONE

ECONOMIC OVERVIEW

The RBNZ faces a difficult balancing act this week. Recent economic developments (the growth pulse, higher inflation and inflation expectations, a tighter labour market, and lower NZD) make its explicit neutral stance now hard to justify. However, a still-shaky global scene (with commodities being belted of late), benign wage growth and an only gradual (and not broad-based) lift in core inflation will **leave it cautious. We've been here before and seen broader inflation fail to materialise.** A neutral, balanced tone will be maintained, but in order to maintain some wiggle room, the Bank will need to provide a hat-tip to recent events. The challenge will be doing that without the market running with it as a change in stance – easier said than done.

INTEREST RATE STRATEGY

Short-end rates remain steadfastly range-bound, with the bellwether 2-year swap rate holding just above the 2.30% level. Better-than-expected labour market figures did little to move the market, thanks to benign wage growth and global commodity wobbles. This week we expect the *MPS* to retain a neutral and balanced tone. That said, the RBNZ will need to provide a hat-tip to the shifting risk profile and so it will be a delicate balancing act to avoid the market jumping on it as a shift in stance. US bond yields ended the week back above the key 2.30% level, but they have yet to break convincingly higher, and a clean break is needed for the bear market in bonds to be declared back in season. The Fed has signalled that it will look through the recent run of soft data, and the latest non-farm payrolls figures suggest 'so far so good'.

CURRENCY STRATEGY

While numerous cyclical drivers (yield, recovering EU growth, broader commodity sentiment) and structural medium-term drivers point lower for the NZD, we believe the move down is largely complete for now. Consolidation beckons, and we remain constructive on the near-term outlook. Valuations are not extreme, the domestic growth pulse is still solid, and while G3 rates need to lift, the same is increasingly **being said about New Zealand's OCR** – not that the RBNZ will validate that thinking **this week. But it's going to be an increasing battle for the market not to skew more** that way given local data nuances.

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	3.2% y/y for 2017 Q4	Soft Q4 GDP figures are not a true reflection of the state of the economy. While momentum is forecast to ease, it should remain decent overall.	
Unemployment rate	4.7% for 2017 Q4	Strong job ads growth suggest the unemployment rate should continue to trend lower. Wage growth is benign, but conditions for change are emerging.	
OCR	1.75% by Dec 2017	With strong growth, capacity pressures emerging and inflation past its lows, further OCR cuts would now be hard to justify. Next move is up.	
CPI	2.0% y/y for 2017 Q4	Headline inflation is now back at the target mid-point. Domestic and core inflation are also gradually lifting.	

ECONOMIC OVERVIEW

SUMMARY

The RBNZ faces a difficult balancing act this week. Recent economic developments (the growth pulse, higher inflation and inflation expectations, a tighter labour market, and lower NZD) make its explicit neutral stance now hard to justify. However, a still-shaky global scene (with commodities being belted of late), benign wage growth and an only gradual (and not broad-based) lift in core inflation will leave it cautious. We've been here before and seen broader inflation fail to materialise. A neutral, balanced tone will be maintained, but in order to maintain some wiggle room, the Bank will need to provide a hat-tip to recent events. The challenge will be doing that without the market running with it as a change in stance – easier said than done. It is also a busy week for data, with our Monthly Inflation Gauge and Truckometer giving an early steer on Q2 price pressures and activity. Consumer spending figures will be respectable, but restrained, while Auckland housing market activity looks set to continue underperforming.

FORTHCOMING EVENTS

ANZ Monthly Inflation Gauge – April (1:00pm, Tuesday, 9 May).

RBNZ Sector Lending and Registered Banks Assets & Liabilities – March (3:00pm, Tuesday, 9 May). Overall credit growth should continue to cool, but a gap between lending and deposits will remain.

REINZ Housing Market Statistics – April (9.30am, Wednesday, 10 May). The latest Barfoot & Thompson numbers point to a fall in sales turnover, at least in Auckland. The rest of the country is unlikely to be as soft.

ANZ Truckometer – April (10:00am, Wednesday, 10 May).

Government Monthly Financial Statements – March (10:00, Wednesday, 10 May). A stronger-than-expected economy will continue to see tax revenue run well ahead of forecasts.

Electronic Card Transactions – April (10:45am, Wednesday, 10 May). After a strong January, retail spending fell in both February and March. While the poor weather could impact, we expect a bounce in April, and have pencilled in a 0.8% m/m gain.

RBNZ Monetary Policy Statement (9:00am, Thursday, 11 May). The OCR will be left unchanged at 1.75%, with the tone of the statement remaining balanced, cautious and watchful. However, projected interest rate hikes will be brought forward.

Food Price Index – April (10:45am, Thursday, 11 May). Although the spike in Q1 food prices will unwind,

the poor weather conditions over the month could delay this (or even see prices rise further).

BNZ-BusinessNZ Manufacturing PMI – April (10:30am, Friday, 12 May). Despite construction sector capacity and credit challenges, manufacturing continues to perform strongly.

BNZ-BusinessNZ Services PSI – April (10:30am, Monday, 15 May). The services sector is outperforming. That should continue.

Retail Trade Survey – Q1 (10:45am, Monday, 15 May). Although the nominal value of spending should be decent, higher retail prices will likely result in a far more modest, but still respectable, pace of real spending. We expect a 0.7% q/q lift in volumes.

WHAT'S THE VIEW?

The domestic data pulse generally remains solid, and we expect it to stay that way over coming months. Milk production has bounced, the underlying trends in our Truckometer indices have ticked up, jobs ads growth has accelerated again, our confidence composite gauge remains strong, and the likes of the BusinessNZ PMI and PSI are both up from Q4 levels. In fact, after a disappointing end to 2016, with activity weighed down by some temporary factors (weather and Kaikoura earthquake disruption) that saw Q4 GDP grow a lacklustre 0.4% q/q and contract in per capita terms, we believe the recent data flow has been consistent with a mild reacceleration in growth momentum over 1H 2017.

The positive signal is not across the board. Hours worked fell 0.6% q/q in Q1 (although we optimistically see that as more of a signal of better productivity than anything else), and the sharp drop in consent issuance late last year suggests a weaker start to 2017 for dwelling construction. Retail spending has been a little patchy over Q1, which is certainly consistent with our own anecdotes, and the latest Barfoot & Thompson house sales figures for Auckland suggest that the air continues to be let out of that market. The risks to our current 1.1% q/q pick for Q1 GDP do look skewed to the downside (but only modestly so).

We continue to take a glass half full stance. The economy is simply at a more mature point in its cycle, where constraints (capacity, valuations and credit) act as restraining factors. It is quite natural for things to look more mixed and patchy within the context of a still-positive trend.

This decent growth picture, together with headline inflation back at target, inflation expectations lifting, a lower NZD and ongoing evidence that the labour market is tightening, does make the RBNZ's explicit neutral stance

ECONOMIC OVERVIEW

(where cuts are judged to be equally as likely as hikes) hard to justify. The market doesn't believe it, and our own view is that the next move in the cash rate will be up, in 2018.

But we're not convinced the RBNZ is ready to embrace a full-blown tightening stance yet.

- **We've been here before with two failed tightening cycles.** Twice bitten, thrice shy.
- **The global backdrop is looking a little shaky again, with commodity prices in the spotlight.** For the majority of last week, commodity prices were on the skids, in part due to some softer Chinese activity figures but also perhaps positioning and flows. They generally bounced on Friday night, but are still not giving a strong signal for reflationary-type views. The uncertainty feeds right into the RBNZ's lingering cautiousness about the global scene.
- **Core inflation is up, but it is not across the board, and wage growth is still benign.** The RBNZ's Sectoral Factor Model measure of core inflation remains glued at 1.5%, highlighting the idiosyncratic nature of the latest spike in inflation. And even with anecdotes to the contrary and skill shortages evident, wage growth is not yet budging. The RBNZ has attempted two tightening cycles already since the financial crisis, and is going to want to see *actual* evidence of a shift on the wage front before attempting another one.
- **Financial conditions and the turn in the credit cycle buy the RBNZ time.** In fact, higher interest rates and credit rationing point to additional growth headwinds later in 2017 and into 2018. And let's not discount the fact that the RBNZ *needs* growth to be running above trend to allow core inflation to continue to lift.

So while we can expect some tweaks in the message, we don't believe it will be too different in spirit. Implied OCR hikes will be brought forward (from late 2019) and the endpoint raised, with the inflationary maths of a lower NZD needing to be reflected on the rates front. That in itself is likely to get the market a little excited. More broadly though, the message will still be that policy is on hold for a while yet, with a cautious and balanced tone.

We suspect the RBNZ will retain its view that policy will remain accommodative "for a considerable period" but that's a term open to plenty of interpretation when you eye levels versus the change. Technically you could lift rates three times in the next year and the level of the OCR would still be "accommodative"! So it's a phrase you can drive a bus through. And what exactly "considerable period"

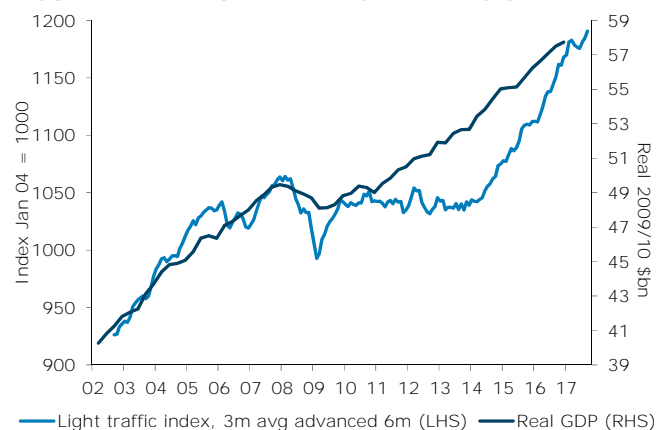
means no one knows either. We can't see the RBNZ matching market expectations and bringing forward rate-hike projections from late 2019 to early 2018. Rather, we see late 2018 / early 2019 as its likely central scenario. That is far enough into the future for the phrase "considerable period" to be retained in our eyes. It doesn't need to be dropped just yet, but it is on borrowed time.

Nonetheless, the RBNZ needs to give itself some wiggle room. Risks to the policy outlook certainly exist, but they are looking far from balanced. Therefore some acknowledgment of that may be necessary within the assessment, and the challenge for the RBNZ will be achieving that without the market jumping on it as a shift in stance.

Beyond the RBNZ, it is a relatively busy week across the domestic data calendar. Two of our key proprietary indicators for April (Monthly Inflation Gauge and Truckometer) will provide a steer on how activity and inflation is shaping early in Q2.

- **Monthly Inflation Gauge:** The key message from our Gauge over recent months has been that outside of housing, the domestic inflation backdrop remains benign. That was true of the Q1 CPI figures too. Our underlying ex-housing gauge has flat-lined in four of the past five months, and that is an important message for the RBNZ, as it will want to see evidence of price pressures broadening before it acts firmly.
- **Truckometer:** In March, the Heavy and Light Traffic Indices rose 1.7% m/m and 1.0% m/m respectively, with underlying trends looking reasonably positive. In the case of the latter, the underlying trend is now looking a little stronger than it did a few months ago, although it is still consistent with perhaps a more modest pace of growth over the second half of this year. The April figures will show if that remains the case.

FIGURE 1: ANZ LIGHT TRAFFIC INDEX VS GDP



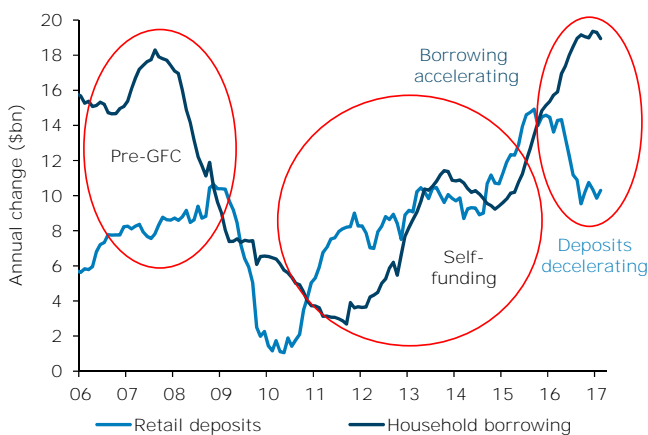
Source: ANZ, Statistics NZ, NZ Transport Agency

ECONOMIC OVERVIEW

New RBNZ figures on registered banks' assets and liabilities for March should show that a gap between credit and deposit growth persists.

In February, household credit growth continued to cool, growing at 0.5% m/m in seasonally adjusted terms, which is on par with January and so the softest growth since mid-2015. We estimate that household deposits grew by a similar amount. However, in an absolute sense, that growth represents a \$1.2bn lift in lending and only a \$850mn lift in deposits. And while the banking sector involves more than just households, of course, this gap in household lending and deposits goes to the heart of the bank funding challenges and therefore the turn in the credit cycle we are seeing at the moment. **That gap flags more pressure for deposit rates to rise, and the same goes for borrowing rates.**

FIGURE 2: BANK HOUSEHOLD FUNDING AND CLAIMS GROWTH



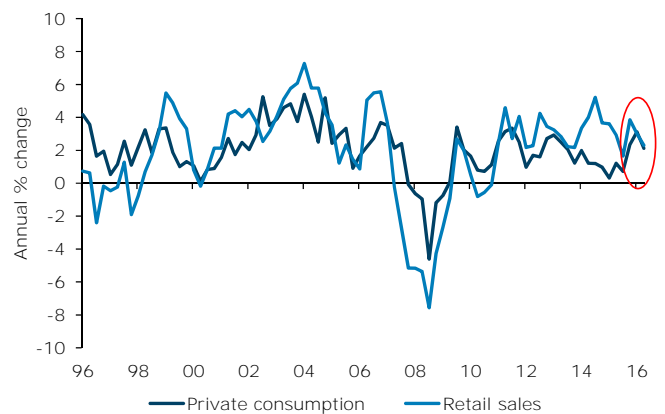
Source: ANZ, RBNZ

Two separate updates on consumer spending are expected to show a respectable, but ultimately restrained, pace of sales growth.

- Electronic Card Transactions for April:** After surging 2.7% m/m in January, retail spending eased back in both February and March, falling 0.6% and 0.3% m/m respectively. And the January spike followed a couple of months of flat growth, so it has been an odd period for spending growth. Looking through this volatility, the Statistics NZ trend measure points to a monthly pace of spending of 0.5% m/m, which is broadly where we see things continuing. In April though, while the poor weather is something to be mindful of as it could have affected spending, we have pencilled in a 0.8% m/m gain.
- Retail Trade Survey for Q1:** Over the March quarter as a whole, spending on electronic cards rose a solid 2.2%, so it points to a decent pace of nominal spending. However, factoring in an expected easing of motor vehicle sales after some

strong growth (ECT figures are likely to under-report this area of spending) and also a reasonable increase in retail prices, with the latest CPI figures pointing in the vicinity of 0.8% q/q (which would be the largest quarterly increase since Q3 2010), we have pencilled in total sales volume growth of 0.7% q/q. That is a similar pace as was recorded in both Q3 and Q4 last year, and is relatively modest in per capita terms.

FIGURE 3: PER CAPITA CONSUMPTION AND RETAIL SALES GROWTH



Source: ANZ, Statistics NZ

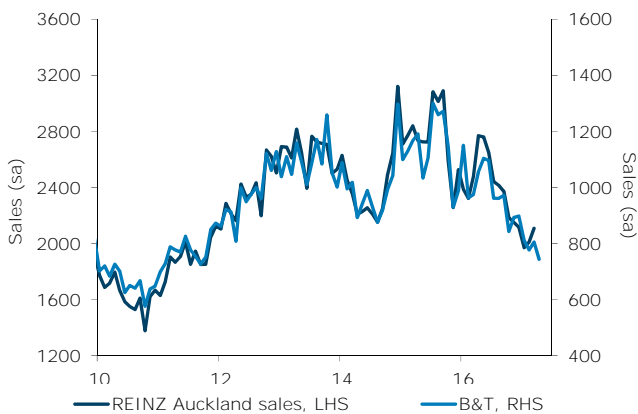
The Government's monthly financial statements will probably get a little more attention than normal given that it will be the final update ahead of the May 25 Budget. They should show a decent fiscal picture.

In the February update, tax revenue was running close to \$0.5bn ahead of Half-year Update forecasts. And together with lower-than-expected expenses, an OBEGAL surplus of \$1.4bn was close to \$1bn ahead of expectations. The Treasury does believe that that gap will close as Kaikoura earthquake expenses are accounted for, but the Minister of Finance has now hinted that fiscal cost bills have been revised lower. So the numbers overall should set the scene for further upgrades to the fiscal projections within the Budget.

REINZ housing market statistics for April should be released later in the week, and they could perhaps show a further softening in activity, at least in Auckland. Last week's Barfoot & Thompson numbers showed Auckland seasonally adjusted sales falling a further 7.6% m/m, to the lowest level since late 2011. And with available listings some 50% higher than a year ago, the market supply-demand dynamics are certainly not providing a bullish picture for price growth momentum. In fact, we are likely to see a continuation of recent trends – Auckland prices actually fell a touch over the March quarter. To be fair, we are not expecting market nuances elsewhere to be quite as weak.

ECONOMIC OVERVIEW

FIGURE 4: AUCKLAND HOUSE SALES



Source: ANZ, REINZ, Barfoot & Thompson

Finally, BusinessNZ manufacturing and services activity indices for April will provide another early steer on Q2 activity. We expect the signal to be a reasonable one. That should be especially the case for the services sector, which continues to outperform, benefiting from ongoing strong population growth. The manufacturing sector is arguably facing a few more headwinds, in part due to the headwinds now facing the construction sector, with headline confidence for manufacturers turning negative in our latest Business Outlook survey.

LOCAL DATA

RBNZ New Mortgage Lending – March. We estimate new mortgage lending rose 5.0% m/m in seasonally adjusted terms to \$5.3bn.

GlobalDairyTrade Auction. The GDT-TWI rose 3.6%, with whole milk powder prices up 5.2%.

Labour Market Statistics – Q1. Despite a further lift in the participation rate to 70.6%, strong employment growth (1.2% q/q) led to a 0.3%pt fall in the unemployment rate to 4.9%.

ANZ Job Ads – April. Total job ads rose a strong 2.8% m/m.

ANZ Commodity Price Index – April. The world price index dipped 0.2% m/m, while prices rose 0.5% m/m in NZD terms.

RBNZ Survey of Expectations – Q2. Two-year ahead inflation expectations rose to 2.17%, the highest since Q3 2014.

INTEREST RATE STRATEGY

SUMMARY

Short-end rates remain steadfastly range-bound, with the bellwether 2-year swap rate holding just above the 2.30% level. Better-than-expected labour market figures did little to move the market, thanks to benign wage growth and global commodity wobbles. This week we expect the *MPS* to retain a neutral and balanced tone. That said, the RBNZ will need to provide a hat-tip to the shifting risk profile and so it will be a delicate balancing act to avoid the market jumping on it as a shift in stance. US bond yields ended the week back above the key 2.30% level, but they have yet to break convincingly higher, and a clean break is needed for the bear market in bonds to be declared back in season. The Fed has signalled that it will look through the recent run of soft data, and the latest non-farm payrolls figures suggest 'so far so good'.

THEMES

- Last week's New Zealand labour market data came hot on the heels of better-than-expected CPI data, but has done little to change market pricing. The "culprit" is soft wages data, a crucial missing element in the overall picture (here and abroad).
- The TWI is lower, but we must ask why. A portfolio shock move down in the TWI would justify a re-think of the policy outlook, but a real shift on the back of softer commodity prices and weaker Chinese data just means the exchange rate is doing what it ought to: absorbing shocks.
- Geopolitics continues to overhang markets. This is unlikely to change any time soon. All else equal it will suppress yields.

MONETARY POLICY AND SHORT END

It's a case of 'nothing to see here' at the short end, to use a characterisation that one could have used on the past 12 or so Mondays since the bellwether 2yr swap broke below 2.4%. Since then it has been stuck in a 2.26% to 2.38% range.

Looking ahead, we don't really see that changing – even after this week's *MPS*. The Reserve Bank's February projections are without doubt now dated, and we expect projected OCR hikes to be brought forward, and the RBNZ to perhaps provide a hat-tip to the shifting balance of risks. However, any signalled hikes are still likely to be well shy of market expectations. With retail interest rates still under upward pressure,

wages soft (for now), and inflation outside of housing, food and fuel well contained, the RBNZ has plenty of time on its hands, and it is simply too soon for the market to start flexing its muscles in anticipation of hikes. In short, there's enough rate hike 'risk' built into market pricing as it is.

The NZD TWI remains important to watch. It bounced on Friday night, but is well down on April levels. Ordinarily that'd be something the short end might react to, but on this occasion it seems like a fair reaction to recent falls in global (especially hard) commodity prices and China credit concerns. The currency is doing what it should – absorbing shocks – and that's not something the OCR needs to counter. Moreover, given New Zealand's sound credentials and commodity basket holding up better than others, we expect it to remain fairly well bid at current levels, and think it is too soon to call for sustained NZD weakness.

GLOBAL MARKETS AND LONG END

US bond yields remain in the driving seat in terms of setting the tone elsewhere globally, and here. Having broken below the key 2.28/2.30% technical level, breaking the up-trend, they have now broken higher again, albeit unconvincingly. **Our forecasts have US yields rising gradually** as the Fed normalises, but in the near term, we remain cautious. We are looking for **a more convincing break above 2.30% before we would be comfortable that we are back in a bond bear market.**

On that score, we remain somewhat wary of the language tweak in last week's FOMC statement. Preparedness to look through transitory data softness suggests rate hikes remain on track (so was perhaps less dovish than some expected), but it also opens the door to pause if we don't see the data recover. The latest decent US labour market figures suggest 'so far so good'.

STRATEGY

Investors: Markets are oscillating around key levels, and we thus favour **being nimble**, mindful that economics is playing second fiddle to geopolitics. We do see scope for further downside at the short end but have a split tactical/strategic long-end view.

Borrowers: No change. **BKBM is at a record low, but our forecasts have swap rates going higher.** But caution is required given the global scene.

KEY VIEWS

SECTOR	DIRECTION	COMMENT
Short end	Neutral	Will continue to range-trade, but RBNZ language around risk profile key this week. NZ/AU spread elevated.
Long end	Neutral	UST 10y continues to flirt with 2.3% level. Amid a string of negative data surprises & escalating geopolitical risks, that now looks like the level we need to break back above for yields to rise sustainably. Cautious.
Yield Curve	Neutral	Strategically favour a steepener, based largely on divergent views. But tactically, flatter looks more likely.
Geographic spreads	Neutral/narrower	NZ/US spread has performed well. Should narrow further over the year as USTs grind higher (especially given the RBNZ's neutral stance). Would be bearish were we not so comfortable that RBNZ is on hold.
Swap spreads	Neutral	NZGS demand fair. Risk of corporate paying fading, and global uncertainties likely to keep payers at bay.
NZD/TWI	Teetering	Has weakened of late and is sitting at key technical levels. Needs to be lower for longer to matter for OCR.

CURRENCY STRATEGY

SUMMARY

While numerous cyclical drivers (yield, recovering EU growth, broader commodity sentiment) and structural medium-term drivers point lower for the NZD, we believe the move down is largely complete for now. Consolidation beckons, and we remain constructive on the near-term outlook. Valuations are not extreme, the domestic growth pulse is still solid, and while G3 rates need to lift, the same is increasingly being said about New Zealand's OCR – not that the RBNZ will validate that thinking this week. But it's going to be an increasing battle for the market not to skew more that way given local data nuances.

TABLE 1: KEY VIEWS

CROSS	GUIDE	MONTH	YEAR
NZD/USD	↔/↓	To consolidate	Fed hiking = USD up
NZD/AUD	↔/↑	NZ simply looks better	Holding up
NZD/EUR	↔	Political air cleared	EU data better; needs structural reform to kick-on
NZD/GBP	↔	UK election to bolster confidence	Brexit challenges non-trivial
NZD/JPY	↔	Safe-haven flows to benefit JPY	Japan a defensive play; US strong too

THEMES AND RISKS

- Commodities under the pump with attention turning to China's moderating growth trajectory and supply concerns.
- European PMIs flagging solid growth and French election uncertainty subsides = cleared air.
- US unemployment down further. Wages not reflecting that yet but ammunition for hawks.
- Market volatility remains low.
- NZD/AUD lifting off lows.

ASSESSMENT

The medium-term picture is looking increasingly NZD negative.

- The domestic business cycle is mature.
- China is tightening policy via higher rates and macro-prudential policy, as stability risks come more to the fore. That's negative for the global commodity cycle, which is also being pressured by inventory concerns.
- While China is slowing, growth across the developed world remains solid, and it's notable that European indicators have bucked the tendency to weaken into election uncertainty. Low global interest rates are looking increasingly on borrowed time, absent higher rates setting off debt-infused EM (China) challenges. That's a risk,

but the negative China play-book has been played many times post the GFC and China's economic story has rolled on.

- Sentiment is showing signs of swinging away from populist-style politicians, providing support to core developed markets.
- Nevertheless, protectionist spats will continue, maintaining attention on the commodity bloc.
- US unemployment has fallen to 4.4%, adding fuel to the debate over the pace of Fed tightening.

While the bigger picture is lower for NZD, we are more constructive on the near-term picture and expect a period of consolidation over the weeks ahead.

- The local business cycle may be mature but it still has legs. Unemployment has fallen below 5%. G3 rates need to lift but the same applies in NZ. The RBNZ may talk in cautious tones this week, but market sentiment is going to push one way; given local data nuances, that is upwards.
- We are in a period where the local economic data pulse will print solid to strong. Moreover, it will be a rosy-looking Budget.
- Valuation estimates say the NZD is undervalued, with the USD overvalued.
- Each time the NZD has moved sharply lower, it's subsequently recovered lost ground.
- Commodity volatility looks position-driven. That's an environment where surges can follow dumps.

TABLE 2: NZD VS AUD: MONTHLY GAUGES

GAUGE	GUIDE	COMMENT
Fair value	↔	Fair value is 0.93. In line.
Yield	↔/↑	NZ inflation cycle says wider differential.
Commodities	↔/↑	Dairy up. Iron ore down.
Data	↔/↑	NZ data pulse consistent with 1% Q1 GDP.
Techs	↔	Has broken higher. 0.9250 support.
Sentiment	↔	NZD has struggled to kick on.
Other	↑	Two Budgets to be poles apart.
On balance	↔/↑	Has based and now squeezing up.

TABLE 3: NZD VS USD: MONTHLY GAUGES

GAUGE	GUIDE	COMMENT
Fair value	↔/↑	Below fair-value estimate of ~0.75.
Yield	↔/↓	Fed needs to be hiking; end of story.
Commodities	↔/↓	Ugly price action.
Risk aversion	↔/↓	Tied in with the commodity bloc.
Data	↔/↑	NZ data pulse doing the opposite of US.
Techs	↔	0.6850 support. 0.6950 resistance.
Sentiment	↔/↑	Need to acknowledge NZ positives.
Other	↔	Others are catching up, but only slowly.
On balance	↔	Move lower looks complete for now.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
8-May	AU	Building Approvals MoM - Mar	-4.0%	8.3%	13:30
	AU	Building Approvals YoY - Mar	-10.0%	-4.9%	13:30
	AU	ANZ Job Advertisements MoM - Apr	--	0.3%	13:30
	AU	NAB Business Conditions - Apr	--	14	13:30
	AU	NAB Business Confidence - Apr	--	6	13:30
	JN	Consumer Confidence Index - Apr	--	43.9	17:00
	GE	Factory Orders MoM - Mar	0.7%	3.4%	18:00
	GE	Factory Orders WDA YoY - Mar	2.1%	4.6%	18:00
	UK	Halifax House Prices MoM - Apr	0.1%	0.0%	19:30
	UK	Halifax House Price 3Mths/Year - Apr	3.6%	3.8%	19:30
	EC	Sentix Investor Confidence - May	25.2	23.9	20:30
	CH	Imports YoY - Apr	18.0%	20.3%	UNSPECIFIED
	CH	Exports YoY - Apr	11.3%	16.4%	UNSPECIFIED
	CH	Trade Balance - Apr	\$35.20B	\$23.92B	UNSPECIFIED
	CH	BoP Current Account Balance - Q1 P	--	\$11.8B	UNSPECIFIED
9-May	AU	ANZ-RM Consumer Confidence Index - 7-May	--	111.3	11:30
	NZ	ANZ Monthly Inflation Gauge MoM - Apr	--	0.2%	13:00
	AU	Retail Sales MoM - Mar	0.3%	-0.1%	13:30
	AU	Retail Sales Ex Inflation QoQ - Q1	0.5%	0.9%	13:30
	GE	Industrial Production SA MoM - Mar	-0.7%	2.2%	18:00
	GE	Industrial Production WDA YoY - Mar	2.6%	2.5%	18:00
	GE	Trade Balance - Mar	€21.5B	€20.0B	18:00
	GE	Current Account Balance - Mar	€26.5B	€20.4B	18:00
	GE	Exports SA MoM - Mar	0.2%	0.9%	18:00
	GE	Imports SA MoM - Mar	1.6%	-1.6%	18:00
	US	NFIB Small Business Optimism - Apr	104.0	104.7	22:00
10-May	US	JOLTS Job Openings - Mar	--	5743	02:00
	US	Wholesale Inventories MoM - Mar F	-0.1%	-0.1%	02:00
	NZ	ANZ Truckometer Heavy MoM - Apr	--	1.7%	10:00
	NZ	Card Spending Retail MoM - Apr	0.6%	-0.3%	10:45
	NZ	Card Spending Total MoM - Apr	--	0.5%	10:45
	CH	CPI YoY - Apr	1.1%	0.9%	13:30
	CH	PPI YoY - Apr	6.7%	7.6%	13:30
	US	MBA Mortgage Applications - 5-May	--	-0.1%	23:00
	CH	Money Supply M2 YoY - Apr	10.8%	10.6%	10-15 May
	CH	Money Supply M1 YoY - Apr	17.4%	18.8%	10-15 May
	CH	Money Supply M0 YoY - Apr	6.6%	6.1%	10-15 May
	CH	New Yuan Loans CNY - Apr	800.0B	1020.0B	10-15 May
	CH	Aggregate Financing CNY - Apr	1127.5B	2118.9B	10-15 May
	NZ	REINZ House Sales YoY - Apr	--	-10.7%	10-15 May
11-May	US	Import Price Index MoM - Apr	0.2%	-0.2%	00:30
	US	Import Price Index YoY - Apr	3.6%	4.2%	00:30
	US	Export Price Index MoM - Apr	0.2%	0.2%	00:30
	US	Export Price Index YoY - Apr	--	3.6%	00:30
	US	Monthly Budget Statement - Apr	\$177.0B	-\$176.2B	06:00
	NZ	RBNZ Official Cash Rate - May	1.75%	1.75%	09:00
	NZ	Food Prices MoM - Apr	--	-0.3%	10:45
	UK	RICS House Price Balance - Apr	20%	22%	11:01

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
11-May	JN	BoP Current Account Adjusted - Mar	¥1731.9B	¥2210.9B	11:50
	JN	BoP Current Account Balance - Mar	¥2593.0B	¥2813.6B	11:50
	JN	Trade Balance BoP Basis - Mar	¥798.8B	¥1076.8B	11:50
	GE	Wholesale Price Index MoM - Apr	--	0.0%	18:00
	GE	Wholesale Price Index YoY - Apr	--	4.7%	18:00
	UK	Industrial Production MoM - Mar	-0.4%	-0.7%	20:30
	UK	Industrial Production YoY - Mar	1.9%	2.8%	20:30
	UK	Manufacturing Production MoM - Mar	-0.2%	-0.1%	20:30
	UK	Manufacturing Production YoY - Mar	3.0%	3.3%	20:30
	UK	Construction Output SA MoM - Mar	0.3%	-1.7%	20:30
	UK	Construction Output SA YoY - Mar	2.9%	0.5%	20:30
	UK	Visible Trade Balance GBP/Mn - Mar	-£11600	-£12461	20:30
	UK	Trade Balance Non EU GBP/Mn - Mar	-£3300	-£3748	20:30
	UK	Trade Balance - Mar	-£3000	-£3663	20:30
	UK	Bank of England Bank Rate - May	0.25%	0.25%	23:00
	UK	BoE Asset Purchase Target - May	£435B	£435B	23:00
	UK	BoE Corporate Bond Target - May	£10B	£10B	23:00
12-May	UK	NIESR GDP Estimate - Apr	0.4%	0.5%	00:00
	US	PPI Final Demand MoM - Apr	0.2%	-0.1%	00:30
	US	PPI Final Demand YoY - Apr	2.2%	2.3%	00:30
	US	PPI Ex Food and Energy MoM - Apr	0.2%	0.0%	00:30
	US	PPI Ex Food and Energy YoY - Apr	1.6%	1.6%	00:30
	US	Initial Jobless Claims - 6-May	245k	238k	00:30
	US	Continuing Claims - 29-Apr	1975k	1964k	00:30
	NZ	BusinessNZ Manufacturing PMI - Apr	--	57.8	10:30
	AU	Credit Card Purchases - Mar	--	A\$24.4B	13:30
	AU	Credit Card Balances - Mar	--	A\$52.6B	13:30
	NZ	Non Resident Bond Holdings - Apr	--	61.5%	15:00
	GE	GDP SA QoQ - Q1 P	0.6%	0.4%	18:00
	GE	GDP WDA YoY - Q1 P	1.7%	1.7%	18:00
	GE	GDP NSA YoY - Q1 P	2.8%	1.2%	18:00
	GE	CPI MoM - Apr F	0.0%	0.0%	18:00
	GE	CPI YoY - Apr F	2.0%	2.0%	18:00
	GE	CPI EU Harmonized MoM - Apr F	0.0%	0.0%	18:00
	GE	CPI EU Harmonized YoY - Apr F	2.0%	2.0%	18:00
	EC	Industrial Production SA MoM - Mar	0.3%	-0.3%	21:00
	EC	Industrial Production WDA YoY - Mar	2.3%	1.2%	21:00
13-May	US	CPI MoM - Apr	0.2%	-0.3%	00:30
	US	CPI YoY - Apr	2.3%	2.4%	00:30
	US	CPI Ex Food and Energy MoM - Apr	0.2%	-0.1%	00:30
	US	CPI Ex Food and Energy YoY - Apr	2.0%	2.0%	00:30
	US	Retail Sales Advance MoM - Apr	0.6%	-0.2%	00:30
	US	Retail Sales Ex Auto MoM - Apr	0.5%	0.0%	00:30
	US	Retail Sales Ex Auto and Gas - Apr	0.4%	0.1%	00:30
	US	Retail Sales Control Group - Apr	0.4%	0.6%	00:30
	US	U. of Mich. Sentiment - May P	97.0	97.0	02:00
	US	Business Inventories - Mar	0.1%	0.3%	02:00

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

Looking through the weak Q4 GDP figures, we still believe domestic economic momentum is solid after a patchy start to the year. Inflation has lifted off lows, which is consistent with the next move in the OCR being upwards, but probably not until 2018.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 9 May (1:00pm)	ANZ Monthly Inflation Gauge – Apr	--	--
Tue 9 May (3:00pm)	RBNZ Bank Assets & Liabilities	Cooling	Overall credit growth should continue to cool. The question is whether deposit growth has been able to lift further.
Wed 10 May (9:30am)	REINZ Housing Market Statistics – Apr	Stable at a lower level	The latest B&T numbers point to a fall in sales turnover, at least in Auckland. The rest of the country is unlikely to be as soft.
Wed 10 May (10:00am)	ANZ Truckometer – Apr	--	--
Wed 10 May (10:00am)	Government Monthly Financial Statements – Mar	Running ahead	A stronger-than-expected economy will continue to see tax revenue run well ahead of forecasts
Wed 10 May (10:45am)	Electronic Card Transactions – Apr	Steady	Spending growth has been on the soft side lately, but we are expecting a steady underlying trend overall.
Thu 11 May (9:00am)	RBNZ Monetary Policy Statement	Holding the line	Even with headline inflation back at target, the RBNZ will retain a balanced, cautious and watchful stance.
Thu 11 May (10:45am)	Food Price Index – Apr	Easing?	After a large increase over the March quarter, we suspect prices will start to unwind. That said, poor autumn weather could delay this move.
Fri 12 May (10:30am)	BNZ-BusinessNZ PMI – Apr	Solid	Despite construction sector capacity and credit challenges, manufacturing continues to perform strongly.
Mon 15 May (10:30am)	BNZ-BusinessNZ PSI – Apr	Elevated	The services sector is outperforming.
Mon 15 May (10:45am)	Retail Trade Survey – Q1	Modest	We are expecting a modest but respectable lift in total sales volumes.
Wed 17 May (early am)	GlobalDairyTrade auction	Stable	Global dairy prices have outperformed other commodities of late despite a strong supply backdrop. Chinese demand is lending support.
Wed 17 May (10:45am)	PPI – Q1	Up	The impact of earlier commodity price moves should continue to flow through.
Thu 18 May (1:00pm)	ANZ-Roy Morgan Consumer Confidence – May	--	--
Fri 19 May (10:45am)	International Travel & Migration – Apr	At highs	New monthly records may not be set, but we can't see softer numbers on the horizon either.
Wed 24 May (10:45am)	Overseas Merchandise Trade – Apr	Improving	The recent lift in NZD commodity prices should increasingly flow through and lend support to export values.
Thu 25 May (2:00pm)	Budget Economic and Fiscal Update	Robust	The fiscal numbers should look solid, and we are expecting the details to contain a few election year sweeteners, especially on the social policy front.
Tue 30 May (10:45am)	Building Consents Issued – Apr	Opposing forces	Demand support is clear, but the upside is being capped by capacity and credit constraints
Wed 31 May (9:00am)	RBNZ Financial Stability Report	Concerns remain	The RBNZ will have not felt that it has won the housing battle yet. Financial stability concerns will remain.
Wed 31 May (1:00pm)	ANZ Business Outlook – May	--	--
Thu 1 Jun (10:45am)	Overseas Trade Indexes – Q1	Up	Strong export commodity prices should more than offset a lift in oil prices, boosting the terms of trade.
On balance		Data watch	Momentum has been a little patchier, but appears to be becoming more broad-based. Domestic inflation is gradually lifting.

KEY FORECASTS AND RATES

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
GDP (% qoq)	0.4	1.1	0.8	0.7	0.6	0.6	0.5	0.5	0.5	0.6
GDP (% yoy)	2.7	3.1	3.1	3.0	3.2	2.7	2.4	2.2	2.1	2.1
CPI (% qoq)	0.4	1.0	0.3	0.6	0.1	0.7	0.5	0.6	0.2	0.7
CPI (% yoy)	1.3	2.2	2.0	2.2	2.0	1.7	2.0	2.1	2.2	2.2
Employment (% qoq)	0.7	1.2	0.6	0.4	0.4	0.4	0.4	0.3	0.3	0.3
Employment (% yoy)	5.8	5.7	3.9	2.9	2.5	1.8	1.6	1.5	1.4	1.3
Unemployment Rate (% sa)	5.2	4.9	4.8	4.7	4.7	4.6	4.5	4.4	4.4	4.3
Current Account (% GDP)	-2.7	-2.6	-2.5	-2.5	-2.7	-3.1	-3.2	-3.3	-3.4	-3.4
Terms of Trade (% qoq)	5.7	0.2	-1.8	-1.1	-0.2	0.4	0.3	0.1	0.1	0.0
Terms of Trade (% yoy)	6.7	2.6	2.9	2.9	-2.8	-2.6	-0.6	0.6	0.9	0.5

	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Retail ECT (% mom)	0.2	-1.2	1.9	0.5	0.0	0.1	2.7	-0.6	-0.3	--
Retail ECT (% yoy)	5.8	3.2	6.1	4.2	5.1	5.8	5.6	2.6	5.6	--
Credit Card Billings (% mom)	2.6	-1.0	2.9	2.9	-4.1	3.0	0.3	-1.4	0.8	--
Credit Card Billings (% yoy)	5.7	2.3	8.3	10.1	4.2	8.5	7.1	5.3	7.1	--
Car Registrations (% mom)	-0.1	2.5	-3.9	13.0	3.1	-6.4	1.6	0.4	3.4	-2.9
Car Registrations (% yoy)	-1.9	2.6	-0.8	13.1	18.4	7.8	12.2	7.3	16.5	3.0
Building Consents (% mom)	-5.4	-2.4	1.1	0.3	-8.4	-8.5	4.1	17.1	-1.8	--
Building Consents (% yoy)	7.9	11.8	17.1	13.9	2.3	-10.7	-1.0	9.0	17.3	--
REINZ House Price Index (% yoy)	16.3	11.7	9.7	14.4	14.9	13.5	11.7	10.5	11.1	--
Household Lending Growth (% mom)	0.8	0.8	0.8	0.6	0.6	0.7	0.5	0.5	--	--
Household Lending Growth (% yoy)	8.5	8.7	8.7	8.7	8.6	8.8	8.7	8.5	--	--
ANZ Roy Morgan Consumer Conf.	118.2	117.7	121.0	122.9	127.2	124.5	128.7	127.4	125.2	121.7
ANZ Business Confidence	16.0	15.5	27.9	24.5	20.5	21.7	..	16.6	11.3	11.0
ANZ Own Activity Outlook	31.4	33.7	42.4	38.4	37.6	39.6	..	37.2	38.8	37.7
Trade Balance (\$m)	-351	-1240	-1388	-798	-723	-1	-250	-50	332	--
Trade Bal (\$m ann)	52078	51900	51938	51943	51668	51621	51901	52087	52391	--
ANZ World Commodity Price Index (% mom)	2.1	3.2	5.1	0.7	3.2	0.7	-0.1	2.0	0.4	-0.2
ANZ World Comm. Price Index (% yoy)	1.9	11.1	10.6	4.0	13.6	16.5	19.1	20.9	23.0	23.7
Net Migration (sa)	5700	5690	6340	6210	6170	5980	6380	5980	6100	--
Net Migration (ann)	69015	69119	69954	70282	70354	70588	71305	71333	71932	--
ANZ Heavy Traffic Index (% mom)	-6.3	7.2	-2.1	-0.5	3.7	-0.2	-0.9	1.7	1.7	--
ANZ Light Traffic Index (% mom)	-0.6	0.9	0.1	-2.0	1.5	0.2	-0.3	0.9	1.0	--

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)						
	Mar-17	Apr-17	Today	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
NZD/USD	0.701	0.687	0.690	0.70	0.69	0.68	0.68	0.68	0.67	0.67
NZD/AUD	0.918	0.917	0.931	0.92	0.93	0.94	0.94	0.93	0.91	0.89
NZD/EUR	0.658	0.630	0.629	0.64	0.65	0.67	0.65	0.64	0.62	0.61
NZD/JPY	78.04	76.55	77.74	80.5	79.4	78.2	78.2	78.2	77.1	77.1
NZD/GBP	0.558	0.530	0.532	0.56	0.57	0.58	0.54	0.53	0.52	0.52
NZ\$ TWI	75.1	73.3	75.4	75.0	75.0	75.3	74.4	73.7	72.2	71.7
INTEREST RATES	Mar-17	Apr-17	Today	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
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	2.00	1.98	1.98	2.00	2.00	2.00	2.10	2.30	2.50	2.50
NZ 10-yr bond	3.19	3.04	3.05	3.50	3.70	3.80	3.90	4.00	4.00	4.10
US Fed funds	1.00	1.00	1.00	1.00	1.25	1.50	1.50	1.75	2.00	2.25
US 3-mth	1.15	1.17	1.18	1.20	1.45	1.70	1.70	1.95	2.20	2.45
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
AU 3-mth	1.80	1.75	1.74	1.70	1.70	1.70	1.70	1.70	1.70	1.70

	5 Apr	1 May	2 May	3 May	4 May	5 May
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.99	1.99	1.98	1.98	1.98	1.98
NZGB 03/19	2.10	2.06	2.05	2.04	2.06	2.08
NZGB 05/21	2.43	2.41	2.40	2.37	2.41	2.43
NZGB 04/23	2.73	2.69	2.68	2.64	2.68	2.70
NZGB 04/27	3.09	3.02	3.01	2.97	3.02	3.03
2 year swap	2.29	2.30	2.31	2.31	2.31	2.32
5 year swap	2.85	2.89	2.90	2.88	2.91	2.92
RBNZ TWI	76.04	74.70	75.30	75.54	75.17	74.95
NZD/USD	0.6973	0.6882	0.6914	0.6915	0.6869	0.6918
NZD/AUD	0.9207	0.9159	0.9192	0.9254	0.9272	0.9331
NZD/JPY	77.30	76.87	77.59	77.57	77.60	77.99
NZD/GBP	0.5587	0.5324	0.5349	0.5350	0.5330	0.5330
NZD/EUR	0.6535	0.6314	0.6333	0.6337	0.6284	0.6292
AUD/USD	0.7573	0.7515	0.7521	0.7472	0.7408	0.7424
EUR/USD	1.0670	1.0899	1.0917	1.0910	1.0931	1.0998
USD/JPY	110.86	111.70	112.24	112.20	112.98	112.71
GBP/USD	1.2479	1.2929	1.2925	1.2925	1.2887	1.2982
Oil (US\$/bbl)	51.15	48.84	47.66	47.82	45.52	46.22
Gold (US\$/oz)	1252.95	1263.03	1255.86	1253.93	1233.59	1228.01
Electricity (Haywards)	4.51	4.94	6.33	5.77	5.97	6.01
Baltic Dry Freight Index	1223	1109	1073	1034	1004	994
NZX WMP Futures (US\$/t)	2930	3230	3300	3390	3380	3360

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