

9 April 2018

### INSIDE

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

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## RESTRAINED OR CONSTRAINED?

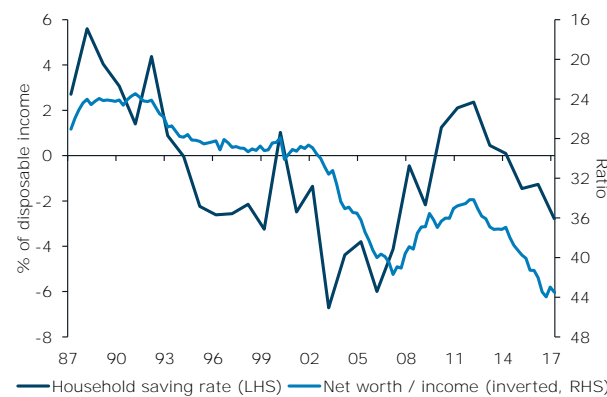
### ECONOMIC OVERVIEW

Consumption has been growing at a robust pace, driven in part by strong population growth. But household spending could conceivably have been stronger; it has not tracked capital gains as strongly as it did last cycle. This begs the question: are households choosing to show restraint, or is their spending constrained? We suspect it's probably a bit of both, but that constraints from both high house prices and high levels of debt are the dominant influence. Either way, the impact is the same – softer demand than would otherwise have been the case, and we think this will continue to be a theme going forward. We expect households will strengthen their savings buffers and that consumption growth will moderate from here. Income growth is expected to remain solid, with conditions in place for a pick-up in real wage growth.

### CHART OF THE WEEK

Over this cycle, net worth has increased relative to incomes (inverted in the chart below), driven by strength in the housing market. But the saving rate has not deteriorated as much as capital gains suggest it could have. We think high house prices and record-high debt levels are an important part of this story.

Household saving and net worth/income



Source: ANZ, RBNZ, Statistics NZ

### THE ANZ HEATMAP

Variable	View	Comment	Risks around our view
GDP	3.2% y/y for 2018 Q4	The economy is not quite firing on all cylinders. However, we see growth holding around 3% (trend) on average.	Neutral Negative Positive
Unemployment rate	4.2% for 2018 Q4	The unemployment rate should fall a touch more. Wage growth is benign, but conditions for change are emerging.	Neutral Negative Positive
OCR	1.75% by Dec 2018	With plenty of question marks over the outlook for inflation, it is still a backdrop where we believe the RBNZ will be cautious in tightening policy.	Neutral Down Up
CPI	1.6% y/y for 2018 Q4	In part due to policy changes and base effects, headline inflation will fall over the next 12 months. But domestic and core inflation should lift gradually.	Neutral Negative Positive

# ECONOMIC OVERVIEW

## SUMMARY

Household consumption has been growing at a robust pace, driven in part by strong population growth. But household spending could conceivably have been stronger; it has not tracked capital gains as strongly as it did last cycle. This begs the question: are households choosing to show restraint, or is their spending constrained? It's probably a bit of both. But we expect constraints from high house prices and high levels of debt are the dominant influence. Either way, the impact is the same – softer demand than would otherwise have been the case, and we expect this to continue to be a theme going forward. We expect households will strengthen their savings buffers and that consumption growth will moderate from here. Income growth is expected to remain solid, with conditions in place for a pick-up in real wage growth. This week we get another read on the supply side of the economy with the QSBO, more data on the state of the housing market, a smattering of activity indicators, and our Monthly Inflation Gauge for March.

## FORTHCOMING EVENTS

**REINZ Housing Market Statistics – March** (10-13 April). We expect activity in the market will remain steady, with annual house price inflation to ease gradually going forward.

**NZIER Quarterly Survey of Business Opinion – Q1** (10:00am, Tuesday, 10 April). Sentiment is likely to remain below pre-election levels, but we wouldn't be surprised to see a modest bounce. We expect a slow-but-steady progress theme.

**ANZ Truckometer – March** (10:00am, Wednesday, 11 April).

**ANZ Monthly Inflation Gauge – March** (1:00pm, Wednesday, 11 April).

**Electronic Card Transactions – March** (10:45am, Thursday 12 April). Our pick is an increase in total retail sales of 0.5% m/m, to be up 4.3% over the year.

**BNZ-BusinessNZ PMI – March** (10:30am, Friday 13 April). With business confidence broadly steady, we expect the PMI will be too.

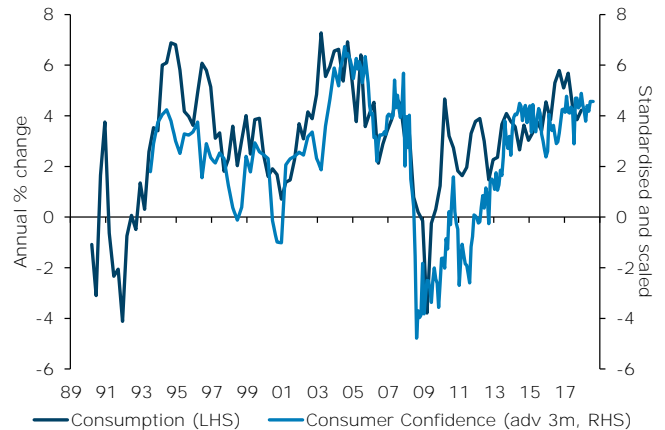
## WHAT'S THE VIEW?

**Households are feeling optimistic.** Last week's ANZ-Roy Morgan Consumer Confidence Index was unchanged in March at a solid 128, with households feeling good about both their current situation and future prospects.

**Buoyant consumer sentiment is supporting household spending.** Real private consumption

growth was 4.2% y/y in December 2017. This is lower than the rates of growth seen in 2016 when the housing market was at its peak, but it is a strong pace and well above the historical average (3.1%).

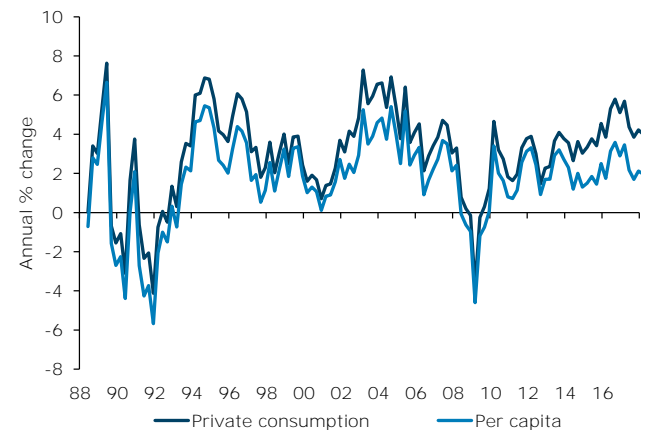
**Figure 1: Consumer confidence and consumption**



Source: ANZ-Roy Morgan, Statistics NZ

**However, like GDP more broadly, consumption growth has been supported by strong population growth.** New Zealand's population is estimated to be growing 2% y/y at present. On a per capita basis, consumption is growing at 2.1% y/y, just above its historical average (1.8%).

**Figure 2: Total and per capita consumption**



Source: ANZ, Statistics NZ

**A number of other factors have also created a buoyant backdrop for consumption:**

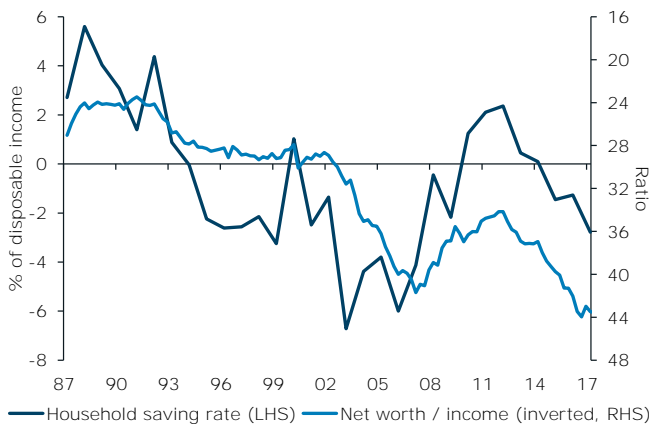
- Income growth has been solid, driven by strong employment growth.
- Wage growth has been subdued but general inflation more so – boosting real wages and purchasing power. In particular, the high exchange rate has made imports cheaper and general price competition in the retail sector has been intense.

# ECONOMIC OVERVIEW

- Strong commodity prices and modest oil prices mean the terms of trade have been high, supporting national incomes (and this theme should persist in the short term at least).
- Interest rates have been low, giving households breathing room in terms of their debt servicing, and improving cash flow.
- The housing market, until around a year ago, was buoyant – boosted by low interest rates, population growth and supply constraints.

**Indeed, in this environment, household spending could conceivably have been even stronger.** Net worth divided by income captures the extent to which wealth increases are contributing to households’ financial positions. This ratio has increased, driven by strength in the housing market, but households have not spent their capital gains to the extent that they have done in previous cycles. Since 2014, consumption growth has been more subdued than could have been the case.

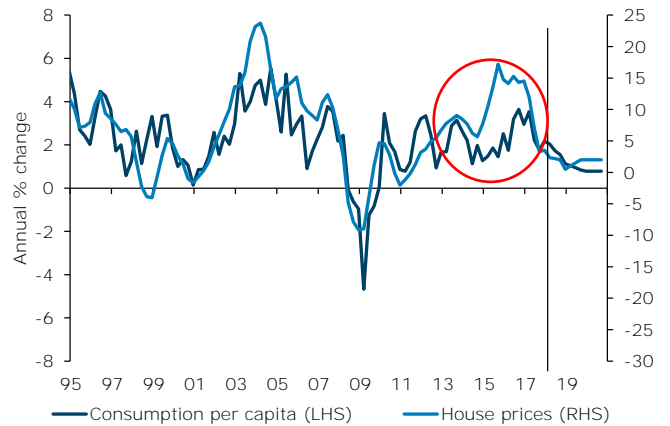
**Figure 3: Household saving & net worth/income**



Source: ANZ, RBNZ, Statistics NZ

**A simple chart of house price inflation versus consumption per capita tells the same story.** Consumption did pick up when the housing market strengthened, but not to the extent it might have. All up, it’s a picture of a more cautious household sector than the housing market cycle would have normally implied.

**Figure 4: House prices and consumption per capita**

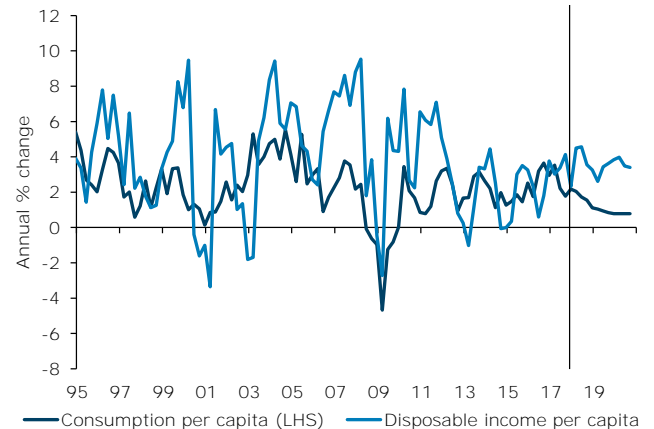


Source: ANZ, REINZ, Statistics NZ

**All this begs the question: have households shown more restraint by choice, perhaps prudence borne of experience, or is their spending constrained?**

**Households have lived within their means to a greater extent this cycle, which could suggest some degree of restraint.** Consumption growth has broadly tracked growth in household incomes. Recently, as the household saving rate has fallen into the red again, buffers have begun to be eroded. But going forward we expect consumption per capita will undershoot growth in disposable income per capita, with the fall in the saving rate to prove temporary.

**Figure 5: Real income and consumption per capita**



Source: ANZ, Statistics NZ

**The fact is: households have good reason to be saving more.** House prices and household debt levels are already very high.

**For those who already own houses, average debt burdens are significant** – household debt is currently 92% of annual GDP and 167% of household disposable incomes. The recent cooling in the housing market will have made that debt feel a lot more “real” for a number of households, and we expect

## ECONOMIC OVERVIEW

consumption will be dampened as a result – for all that debt serviceability remains around historically average levels. For the median-priced house bought with a 20% deposit, mortgage repayments are 33% of average household income. And this would rise quickly if interest rates increased. While we don't think that will happen any time soon, it is likely to be on the cards eventually – and households will be mindful of that.

**And would-be home buyers need to save a lot. Houses are unaffordable for many,** at six times the average national income, and closer to nine times in Auckland. This means that to purchase the median house with an 80% loan-to-value ratio one would need \$110,000 in savings – 120% of the average annual household income. In Auckland, one would be looking at 170% of annual household income – no small sum.

**Credit availability has also been a constraint on some would-be home buyers' ability to take on debt.** Again, this reflects high levels of house prices and existing debt levels, with restrictions on high loan-to-value ratio mortgages playing a role and the Reserve Bank treading carefully when it comes to loosening these restrictions. Indeed, as a consequence of these constraints, new debt associated with housing market turnover has been lower this cycle. More recently, banks have also worked hard to close their funding gap, with reduced credit availability contributing to recent cooling in the housing market. While we think this dampening influence has stabilised, credit availability will remain a constraint for some.

**Figure 6: Housing turnover and mortgage growth**



Source: ANZ, RBNZ, Statistics NZ

**So are households restrained or constrained? It's probably a bit of both. But we expect constraints from high house prices and high levels of debt are the dominant influence.** Either way, the impact is the same – softer demand than

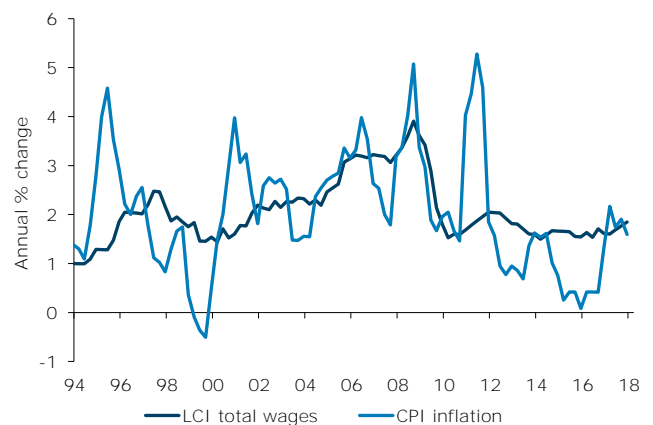
would otherwise have been the case, and we expect this to continue to be a theme going forward. With the labour market strong, households are feeling good about their economic prospects. But constraints are keeping spending more moderate than would otherwise be the case. At this point of the cycle that probably isn't a bad thing.

**Indeed, in light of these constraints and a cooling housing market, we think households will need to improve their savings buffers.** We expect both house price inflation and consumption growth will moderate from here. In fact, we are already hearing from our discussions around the country that retailers and businesses in discretionary services are experiencing softer demand. But while consumption looks set to slow, we think income growth will remain solid – implying the household saving rate will increase.

**Incomes are expected to continue growing around their current, moderate pace – supported by robust, but slowing, GDP growth and a pick-up in real wages.** Conditions are in place for real wage growth to improve. The labour market is tight and expected to tighten further. Firms say it is difficult to find skilled labour and these capacity pressures should eventually lead to higher wage inflation.

**Government policies aim to boost employee bargaining power and wage inflation.** The minimum wage increase that came into effect on 1 April will provide a small boost to nominal wage inflation. But it remains to be seen how persistent that proves, given the subdued inflation environment. Our ANZ Monthly Inflation Gauge for March is out on Wednesday and will give a further indication of the extent of price pressures.

**Figure 7: CPI and wage inflation**



Source: ANZ-Roy Morgan, Statistics NZ

## ECONOMIC OVERVIEW

**Higher wage inflation could prove temporary, given that it has been weaker than expected throughout this economic cycle.** Unless the underlying labour market drivers are supportive of higher wage inflation, any increase could be short lived. This is particularly true given that wage inflation has been stubbornly low in the current subdued inflation environment. It is also possible that increases in the minimum wage could have offsetting negative effects on employment. MBIE expects that the recent increase in the minimum wage will have a “relatively small” impact on employment, with 3,000 fewer jobs than otherwise, which would have offsetting flow-on effects for household incomes. But such effects are uncertain (and contentious in the economics profession).

**Overall, we are optimistic that conditions are in place for a sustained pick-up in wage inflation.**

Our view is that higher wage inflation is imminent, given the tight labour market conditions already in place and the fact that firm profitability appears pretty solid. **But we think the pick-up from here will be gradual,** constrained by low rates of CPI inflation – often the starting point for wage negotiations.

**REINZ Housing Market Statistics and Electronic Card Transactions out this week will give us a steer on household sector activity in March.**

House sales have stabilised and we expect them to remain steady from here, with annual house price inflation to ease gradually going forward. We expect a modest increase in retail card transactions of 0.5% in the month.

**Other data out this week will provide further information about business sentiment and activity.** NZIER’s QSBO survey will give an indication of both business confidence and supply-side constraints in Q1. Our own ANZ Business Outlook survey for March suggested businesses remain

ostensibly pessimistic, but are nonetheless getting on with it. Profit expectations and investment and hiring intentions are pointing in the right direction; inflation expectations and pricing indicators were little changed. We expect this theme of slow and steady progress to be reflected in the QSBO. Our ANZ Truckometer is also out on Wednesday and BNZ-BusinessNZ PMI is out on Friday. With business confidence broadly steady, we expect the PMI will be too.

### LOCAL DATA

**ANZ-Roy Morgan Consumer Confidence –March.**

Consumer confidence remained high in March with consumer confidence unchanged at 128.0.

**ANZ Job Ads – March.** Job ads increased 0.9% and remain at a high level. Growth in job ads has eased, consistent with moderating employment growth and continued gradual declines in the unemployment rate.

**GlobalDairyTrade.** Dairy prices continued to hold at decent levels. Whole milk powder was up 1.6% with seasonally low GDT supply and increased Chinese demand supporting prices.

**ANZ Commodity Price Index – March.** The ANZ Commodity Price Index rose 1.2% m/m in March, on the back of broad-based increases. New highs could be on the horizon for NZ terms of trade in Q1, further supporting **New Zealand’s** purchasing power.

## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
9-Apr	GE	Trade Balance - Feb	€20.1B	€17.3B	18:00
	GE	Current Account Balance - Feb	€22.9B	€22.0B	18:00
	GE	Exports SA MoM - Feb	0.4%	-0.4%	18:00
	GE	Imports SA MoM - Feb	0.5%	-0.4%	18:00
	AU	Foreign Reserves - Mar	--	A\$70.8B	18:30
	UK	Halifax House Prices MoM - Mar	0.1%	0.4%	19:30
	UK	Halifax House Price 3Mths/Year - Mar	2.0%	1.8%	19:30
	EC	Sentix Investor Confidence - Apr	20.8	24.0	20:30
10-Apr	NZ	NZIER QSBO - Q4	--	-12.0	10:00
	AU	ANZ-RM Consumer Confidence Index - 8-Apr	--	115.5	11:30
	AU	NAB Business Conditions - Mar	--	21	13:30
	AU	NAB Business Confidence - Mar	--	9	13:30
	US	NFIB Small Business Optimism - Mar	107.0	107.6	22:00
	NZ	REINZ House Sales YoY - Mar	--	1.2%	10-13 Apr
	CH	Money Supply M2 YoY - Mar	8.9%	8.8%	10-15 Apr
	CH	New Yuan Loans CNY - Mar	1200.0B	839.3B	10-15 Apr
11-Apr	US	PPI Final Demand MoM - Mar	0.1%	0.2%	00:30
	US	PPI Final Demand YoY - Mar	2.9%	2.8%	00:30
	US	PPI Ex Food and Energy MoM - Mar	0.2%	0.2%	00:30
	US	PPI Ex Food and Energy YoY - Mar	2.6%	2.5%	00:30
	US	Wholesale Trade Sales MoM - Feb	--	-1.1%	02:00
	US	Wholesale Inventories MoM - Feb F	0.8%	1.1%	02:00
	NZ	ANZ Truckometer Heavy MoM - Mar	--	-0.3%	10:00
	JN	PPI YoY - Mar	2.0%	2.5%	11:50
	JN	PPI MoM - Mar	-0.1%	0.0%	11:50
	AU	Westpac Consumer Conf Index - Apr	--	103.0	12:30
	AU	Westpac Consumer Conf SA MoM - Apr	--	0.2%	12:30
	NZ	ANZ Monthly Inflation Gauge Heavy MoM - Mar	--		13:00
	CH	PPI YoY - Mar	3.3%	3.7%	13:30
	CH	CPI YoY - Mar	2.6%	2.9%	13:30
	UK	Visible Trade Balance GBP/Mn - Feb	-£11900	-£12325	20:30
	UK	Trade Balance Non EU GBP/Mn - Feb	--	-£3868	20:30
	UK	Trade Balance - Feb	-£2600	-£3074	20:30
	UK	Industrial Production MoM - Feb	0.4%	1.3%	20:30
	UK	Industrial Production YoY - Feb	2.9%	1.6%	20:30
	UK	Manufacturing Production MoM - Feb	0.2%	0.1%	20:30
	UK	Manufacturing Production YoY - Feb	3.3%	2.7%	20:30
	UK	Construction Output SA MoM - Feb	0.7%	-3.4%	20:30
	UK	Construction Output SA YoY - Feb	-2.5%	-3.9%	20:30
	UK	NIESR GDP Estimate - Mar	0.3%	0.3%	23:00
	US	MBA Mortgage Applications - 6-Apr	--	-3.3%	23:00
12-Apr	US	CPI MoM - Mar	0.0%	0.2%	00:30
	US	CPI YoY - Mar	2.4%	2.2%	00:30
	US	CPI Ex Food and Energy MoM - Mar	0.2%	0.2%	00:30
	US	CPI Ex Food and Energy YoY - Mar	2.1%	1.8%	00:30
	US	Monthly Budget Statement - Mar	-\$185.0B	-\$215.2B	06:00
	US	FOMC Meeting Minutes - 21-Mar	--	--	06:00
	NZ	Card Spending Retail MoM - Mar	0.5%	-0.3%	10:45

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## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
12-Apr	NZ	Card Spending Total MoM - Mar	--	0.1%	10:45
	UK	RICS House Price Balance - Mar	2%	0%	11:01
	AU	Consumer Inflation Expectation - Apr	--	3.7%	13:00
	AU	Home Loans MoM - Feb	-0.4%	-1.1%	13:30
	AU	Investment Lending - Feb	--	1.1%	13:30
	AU	Owner-Occupier Loan Value MoM - Feb	--	0.5%	13:30
	AU	Credit Card Purchases - Feb	--	A\$26.5B	13:30
	AU	Credit Card Balances - Feb	--	A\$51.6B	13:30
	EC	Industrial Production SA MoM - Feb	0.1%	-1.0%	21:00
	EC	Industrial Production WDA YoY - Feb	3.5%	2.7%	21:00
13-Apr	US	Initial Jobless Claims - 7-Apr	230k	242k	00:30
	US	Continuing Claims - 31-Mar	1832k	1808k	00:30
	US	Import Price Index MoM - Mar	0.1%	0.4%	00:30
	US	Import Price Index YoY - Mar	3.8%	3.5%	00:30
	US	Export Price Index MoM - Mar	0.1%	0.2%	00:30
	US	Export Price Index YoY - Mar	--	3.3%	00:30
	NZ	BusinessNZ Manufacturing PMI - Mar	--	53.4	10:30
	GE	CPI MoM - Mar F	0.4%	0.4%	18:00
	GE	CPI YoY - Mar F	1.6%	1.6%	18:00
	GE	CPI EU Harmonized MoM - Mar F	0.4%	0.4%	18:00
	GE	CPI EU Harmonized YoY - Mar F	1.5%	1.5%	18:00
	EC	Trade Balance SA - Feb	€20.2B	€19.9B	21:00
	EC	Trade Balance NSA - Feb	--	€3.3B	21:00
	CH	Trade Balance - Mar	\$27.87B	\$33.75B	UNSPECIFIED
	CH	Exports YoY - Mar	11.9%	44.5%	UNSPECIFIED
	CH	Imports YoY - Mar	12.4%	6.3%	UNSPECIFIED
14-Apr	US	JOLTS Job Openings - Feb	--	6312	02:00
	US	U. of Mich. Sentiment - Apr P	100.6	101.4	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

The data flow has turned a little more mixed, reflecting headwinds the economy is currently facing, but is still generally providing a positive signal overall. Inflation pressures are likely to remain contained.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
10 -13 Apr	REINZ Housing Market Statistics – Mar	Steady	The market has should remain stable around current levels. Annual house price growth should remain contained.
Tue 10 Apr (10:00am)	NZIER Quarterly Survey of Business Opinion – Q1	Steady	Sentiment is likely to remain below its pre-election levels, but <b>we wouldn't be surprised to see a modest bounce. We will be watching for any intensification of reported margin pressures.</b>
Wed 11 Apr (10:00am)	ANZ Truckometer – Mar	--	--
Wed 11 Apr (1:00pm)	ANZ Monthly Inflation Gauge – Mar	--	--
Thu 12 Apr (10:45am)	Electronic Card Transactions – Mar	Modest	The underlying pace of spending is expected to remain modest even though supportive forces remain.
Fri 13 Apr (10:30am)	BNZ-BusinessNZ PMI – Mar	Softening?	The index has softened over recent months, giving a slightly weaker signal for near-term economic momentum.
Mon 16 Apr (10:30am)	BNZ-BusinessNZ PSI – Mar	Holding firm	Services sector activity has been holding firm and is expected to remain a supportive force for the cycle for a while.
Mon 16 Apr (10:45am)	Food Price Index – Mar	Flat	From a seasonal perspective, an outturn around flat seems on the cards.
Wed 18 Apr (early am)	GlobalDairyTrade Auction	More pressure	Supply conditions continue to improve, while demand remains steady. Prices could head lower.
Thu 19 Apr (10:45am)	CPI – Q1	1.1% y/y	On the back of tertiary education fee reductions and base effects, headline inflation looks set to fall to near the bottom <b>of the RBNZ's target band.</b>
Tue 24 Apr (10:45am)	Net Migration – March	Peaked	<b>We don't see migration inflows falling quickly, but we believe we are past the peak, with gradual decline from here.</b>
Fri 27 Apr (10:00am)	ANZ-Roy Morgan Consumer Confidence – Apr	--	--
Fri 27 Apr (10:45am)	Overseas Merchandise Trade – Mar	Bounce	Some bounce-back in imports can be expected. Export earnings are expected to remain steady with durable, broad-based strength.
Mon 30 Apr (1:00pm)	ANZ Business Outlook – Apr	--	--
Tue 1 May (10:45am)	Building Consents – March	Plateau	We are in an environment where issuance will struggle to push higher.
Wed 2 May (10:45am)	Labour Market Statistics – Q1	Gradual	Continual tightening in the labour market and a gradual pick up in wage inflation is expected.
Thu 3 May (10:00am)	ANZ Job Ads	--	--
Thu 3 May (1:00pm)	ANZ Commodity Price Index	--	--
<b>On balance</b>		<b>Data watch</b>	<b>The data pulse is a little more mixed, but generally positive. Domestic inflation is low, but should lift gradually.</b>



## KEY FORECASTS AND RATES

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
GDP (% qoq)	0.6	<b>0.6</b>	<b>0.9</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>
GDP (% yoy)	2.9	<b>2.8</b>	<b>2.8</b>	<b>3.1</b>	<b>3.2</b>	<b>3.3</b>	<b>3.1</b>	<b>2.8</b>	<b>2.6</b>	<b>2.5</b>
CPI (% qoq)	0.1	<b>0.5</b>	<b>0.3</b>	<b>0.6</b>	<b>0.2</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.1</b>	<b>0.6</b>
CPI (% yoy)	1.6	<b>1.1</b>	<b>1.4</b>	<b>1.5</b>	<b>1.6</b>	<b>1.7</b>	<b>2.1</b>	<b>2.2</b>	<b>2.0</b>	<b>2.0</b>
Employment (% qoq)	0.5	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
Employment (% yoy)	3.7	<b>3.2</b>	<b>3.6</b>	<b>1.8</b>	<b>1.6</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
Unemployment Rate (% sa)	4.5	<b>4.3</b>	<b>4.3</b>	<b>4.2</b>	<b>4.2</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>4.2</b>	<b>4.1</b>
Current Account (% GDP)	-2.7	<b>-2.3</b>	<b>-2.4</b>	<b>-2.5</b>	<b>-2.5</b>	<b>-2.5</b>	<b>-2.5</b>	<b>-2.5</b>	<b>-2.5</b>	<b>-2.5</b>
Terms of Trade (% qoq)	0.8	<b>-1.4</b>	<b>-0.8</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>
Terms of Trade (% yoy)	7.3	<b>1.8</b>	<b>-0.1</b>	<b>-1.4</b>	<b>-2.1</b>	<b>-0.6</b>	<b>0.3</b>	<b>0.4</b>	<b>0.3</b>	<b>0.5</b>

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Retail ECT (% mom)	0.1	-0.5	-0.1	0.3	0.5	1.3	0.5	1.4	-0.3	--
Retail ECT (% yoy)	4.5	2.0	4.4	2.9	1.3	4.3	3.3	3.4	3.3	--
Credit Card Billings (% mom)	0.3	0.7	-0.6	0.8	1.0	0.9	0.6	-0.6	0.7	--
Credit Card Billings (% yoy)	8.3	7.1	6.5	5.0	3.0	9.1	6.3	4.6	7.0	--
Car Registrations (% mom)	-2.6	-4.7	9.6	-0.7	1.6	1.1	-5.0	2.4	-8.6	-3.7
Car Registrations (% yoy)	11.1	6.2	13.5	15.6	7.3	7.3	4.7	6.2	-4.2	-11.9
Building Consents (% mom)	0.9	2.3	5.7	-1.9	-9.9	9.4	-9.5	0.0	5.7	--
Building Consents (% yoy)	-7.9	-1.9	13.1	7.5	-7.4	13.1	3.7	4.0	-0.6	--
REINZ House Price Index (% yoy)	5.4	3.3	2.9	3.8	3.4	3.6	3.7	3.5	4.0	--
Household Lending Growth (% mom)	0.6	0.3	0.4	0.5	0.5	0.5	0.5	0.4	0.5	--
Household Lending Growth (% yoy)	7.6	7.1	6.7	6.5	6.3	6.2	5.9	5.8	5.7	--
ANZ Roy Morgan Consumer Conf.	127.8	125.4	126.2	129.9	126.3	123.7	121.8	126.9	127.7	128.0
ANZ Business Confidence	24.8	19.4	18.3	0.0	-10.6	-39.3	-37.8	..	-19.0	-20.0
ANZ Own Activity Outlook	42.8	40.3	38.2	29.6	22.0	6.5	15.6	..	20.4	21.8
Trade Balance (\$m)	243	92	-1174	-1165	-840	-1222	614	-655	217	--
Trade Bal (\$m ann)	53530	53742	53982	54085	54759	55999	56475	57253	57440	--
ANZ World Comm. Price Index (% mom)	2.1	-0.8	-0.8	0.8	-0.3	-0.9	-1.9	0.7	2.8	1.2
ANZ World Comm. Price Index (% yoy)	24.6	21.1	16.3	11.5	10.4	6.0	3.2	4.1	5.0	5.8
Net Migration (sa)	6310	5750	5470	5270	5660	5690	5720	6270	4970	--
Net Migration (ann)	72305	72402	72072	70986	70694	70354	70016	70147	68943	--
ANZ Heavy Traffic Index (% mom)	-0.5	-6.0	6.5	-1.5	2.9	1.1	-4.2	4.1	-2.5	--
ANZ Light Traffic Index (% mom)	1.2	-2.2	2.7	-0.1	-0.6	1.5	-1.7	-0.5	-0.2	--

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

## KEY FORECASTS AND RATES

FX RATES	ACTUAL			FORECAST (END MONTH)						
	Feb-18	Mar-18	Today	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
NZD/USD	0.721	0.724	0.73	0.70	0.69	0.67	0.66	0.65	0.65	0.65
NZD/AUD	0.924	0.942	0.95	0.92	0.93	0.93	0.94	0.93	0.93	0.93
NZD/EUR	0.590	0.587	0.59	0.56	0.54	0.52	0.51	0.50	0.50	0.50
NZD/JPY	77.26	76.91	77.85	74.2	71.8	69.0	66.0	64.4	63.1	62.4
NZD/GBP	0.520	0.516	0.52	0.50	0.49	0.47	0.46	0.45	0.45	0.45
NZ\$ TWI	73.2	73.3	75.2	70.8	69.6	67.8	66.5	65.4	65.2	65.1
INTEREST RATES	Feb-18	Mar-18	Today	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.25
NZ 90 day bill	1.92	1.96	1.97	1.96	1.96	1.96	1.96	2.05	2.30	2.47
NZ 10-yr bond	2.94	2.72	2.79	3.05	3.30	3.50	3.50	3.65	3.65	3.65
US Fed funds	1.50	1.75	1.75	2.00	2.00	2.25	2.25	2.50	2.50	2.50
US 3-mth	2.02	2.31	2.34	2.25	2.50	2.70	2.70	2.95	2.95	2.95
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75	2.00	2.00
AU 3-mth	1.79	2.03	2.04	1.90	1.80	1.80	1.80	2.05	2.30	2.30

	6 Mar	2 Apr	3 Apr	4 Apr	5 Apr	6 Apr
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.90	1.96	1.97	1.96	1.96	1.97
NZGB 05/21	2.11	2.02	2.04	2.07	2.08	2.08
NZGB 04/23	2.45	2.29	2.31	2.34	2.36	2.36
NZGB 04/27	3.01	2.72	2.72	2.76	2.79	2.80
NZGB 04/33	3.39	3.11	3.11	3.14	3.18	3.19
2 year swap	2.21	2.21	2.22	2.24	2.25	2.25
5 year swap	2.74	2.62	2.63	2.66	2.69	2.69
RBNZ TWI	74.58	74.31	74.20	74.89	75.31	74.98
NZD/USD	0.7251	0.7234	0.7245	0.7281	0.7286	0.7263
NZD/AUD	0.9336	0.9418	0.9433	0.9488	0.9478	0.9475
NZD/JPY	76.83	76.88	76.95	77.28	77.96	77.65
NZD/GBP	0.5234	0.5145	0.5165	0.5187	0.5180	0.5159
NZD/EUR	0.5873	0.5868	0.5896	0.5927	0.5933	0.5918
AUD/USD	0.7767	0.7681	0.7681	0.7674	0.7687	0.7684
EUR/USD	1.2346	1.2328	1.2288	1.2285	1.2280	1.2281
USD/JPY	105.96	106.29	106.20	106.14	107.00	106.93
GBP/USD	1.3854	1.4059	1.4028	1.4037	1.4064	1.4092
Oil (US\$/bbl)	62.60	63.01	63.51	63.37	63.54	62.06
Gold (US\$/oz)	1325.11	1332.35	1336.53	1342.96	1329.86	1333.03
NZX 50	8328	8319	8330	8398	8364	8393
Baltic Dry Freight Index	1212	1055	1016	977	953	948
NZX WMP Futures (US\$/t)	3140	3160	3155	3220	3225	3230

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