NEW ZEALAND MARKET FOCUS

7 May 2018

INSIDE

Economic Overview	2
Data Event Calendar	7
Local Data Watch	9
Key Forecasts	10

NZ ECONOMICS TEAM

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

Phil Borkin
Senior Macro Strategist
Telephone: +64 9 357 4065
Email: Philip.Borkin@anz.com

Natalie Denne
Desktop Publisher
Telephone: +64 4 802 2217
Email: Natalie.Denne@anz.com

Liz Kendall
Senior Economist
Telephone: +64 4 382 1995
Email: Elizabeth.Kendall@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

Miles Workman
Economist
Telephone: +64 4 382 1951
Email: Miles.Workman@anz.com

THE INS AND OUTS OF MIGRATION

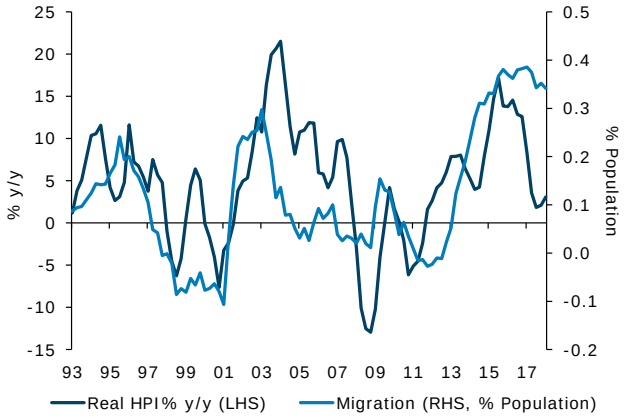
ECONOMIC OVERVIEW

Migration inflows have been very strong in recent years and this has been a key driver of the economic cycle. In a broad sense, the impacts of strong population growth have been predictable: it has boosted demand and put pressure on housing and infrastructure. But the effects have been subtly different to previous cycles, in that we have seen less resulting inflation pressure. As well as the general backdrop of subdued inflation, we put this down to two specific factors. First, the demographic mix of net migration has led to a solid boost to labour supply, and the pool of potential workers has effectively been larger. And second, headwinds for the housing market have of late outweighed the migration impact. Going forward, the outlook is uncertain. The migration policy outlook is unclear, and even if one could predict migration, the different dynamics this cycle mean the impact is subject to uncertainty.

CHART OF THE WEEK

Since late 2016, real house price inflation has been weaker than immigration would suggest.

Figure 1: Real house price inflation and immigration (% of existing population)



Source: Statistics New Zealand, ANZ Research

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	4.0% for 2018 Q4	The unemployment rate should fall further gradually. Conditions are in place for wage inflation to increase.	Neutral / Negative / Positive
OCR	1.75% by Dec 2018	With plenty of question marks over the outlook for inflation, we believe the RBNZ will be cautious in tightening policy.	Neutral / Down / Up
CPI	1.7% y/y for 2018 Q4	With capacity constrained and wages expected to rise, we expect domestic and core inflation will lift – albeit gradually.	Neutral / Negative / Positive

ECONOMIC OVERVIEW

SUMMARY

Migration inflows have been very strong in recent years and this has been a key driver of the economic cycle. In a broad sense, the impacts of strong population growth have been predictable: it has boosted demand and put pressure on housing and infrastructure. But the effects have been subtly different to previous cycles, in that we have seen less resulting inflation pressure. As well as the general backdrop of subdued inflation, we put this down to two specific factors. First, the demographic mix of net migration has led to a solid boost to labour supply, and the pool of potential workers has effectively been larger. And second, headwinds for the housing market have of late outweighed the migration impact. Going forward, the outlook is uncertain. The migration policy outlook is unclear, and even if one could predict migration, the different dynamics this cycle mean the impact is subject to uncertainty.

FORTHCOMING EVENTS

ANZ Truckometer – April (1:00pm, Tuesday 8 May).

ANZ Monthly Inflation Gauge – April (1:00pm, Tuesday 8 May).

RBNZ 2-year-ahead inflation expectations – Q2 (3:00pm, Tuesday 8 May). With inflation low but expected to increase, we expect inflation expectations will remain close to 2%.

Electronic Card Transactions – April (10:45am, Wednesday 9 May). Moderate retail spending growth is expected; increases in the minimum wage may provide a temporary boost.

RBNZ Monetary Policy Statement (9:00am, Thursday 10 May). With inflation to increase only gradually, the RBNZ is on hold for some time yet.

Minister of Finance Pre-Budget Speech (12 noon, Thursday 10 May). With the Government emphasising its fiscal targets, we are not expecting much in the way of sweeteners.

REINZ Housing Market Statistics – April (10 -14 May). The market should remain stable around current levels, with annual house price growth contained.

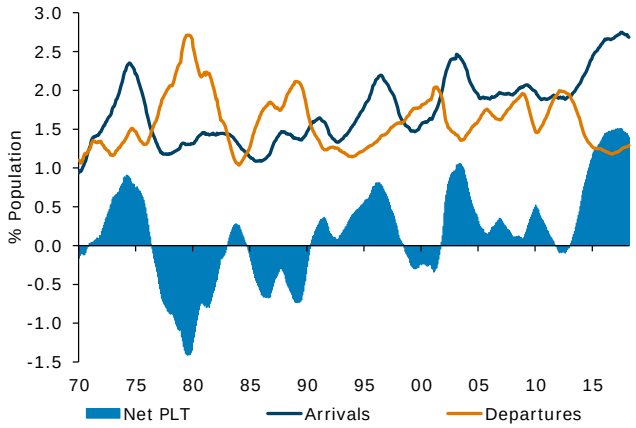
BNZ-BusinessNZ PMI – April (1:00pm, Friday 11 May). A stabilisation might be on the cards after a softer start to the year, although confidence in the manufacturing sector has fallen into the start of 2018.

Food Prices – April (10:45am, Friday 11 May). Sometimes food prices go up in April; sometimes they go down. We're picking broadly flat.

WHAT'S THE VIEW?

A key feature of this economic cycle has been strong population growth, driven by migration inflows to New Zealand. New Zealand's population has grown 14% over the past 10 years – some 570,000 extra people. Despite expectations that it would ease, immigration remains near all-time highs – with an inflow of 68,000 people (1.5% of the population) over the year to March, driven by both high arrivals and low departures.

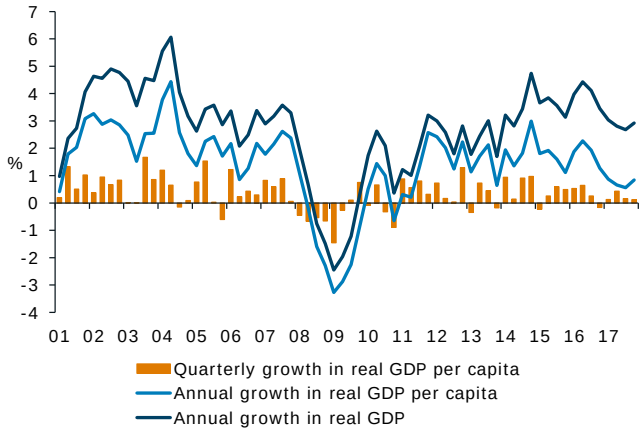
Figure 1: Annual permanent and long-term migration



Source: Statistics New Zealand, ANZ Research

The broad impacts of this population growth have been predictable: it has boosted demand and measured GDP. Immigration has risen rapidly since 2013, and since then, GDP has grown at a strong rate of 3.2% y/y on average – above its historical average rate of 2.6%. But in per capita terms it has grown at less than half that speed, at 1.5% y/y on average. Similarly, total consumption has grown at 4% y/y on average, but 2.3% y/y on a per capita basis. Population growth has also boosted tax receipts by lifting nominal GDP, but has put pressure on infrastructure, as discussed in our recent Market Focus.

Figure 2: Total and per capita real GDP growth



Source: Statistics New Zealand, ANZ Research

ECONOMIC OVERVIEW

So far, so typical. But in some ways the effects have been different this cycle. In particular, **we have not seen evidence of the inflation pressure that such strong net migration has been associated with in the past.** While the general subdued background for both inflation and inflation expectations has no doubt been key, there are a couple of specific factors at play: the impact on labour supply, and in recent years, policy-driven headwinds for the housing market.

Labour supply

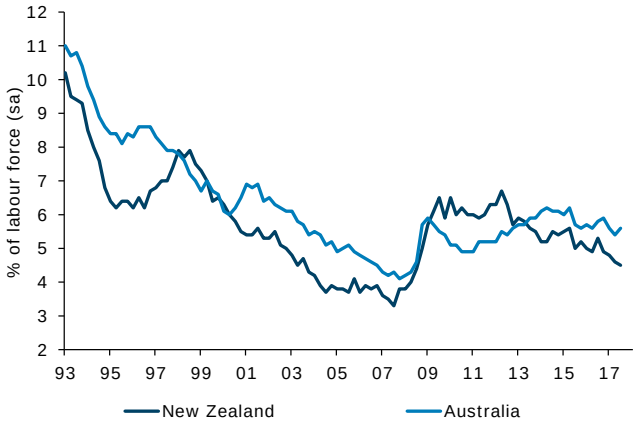
Immigration has boosted labour supply to a greater extent than the headline numbers suggest. While the working-age population has grown 2.3% y/y on average since 2014, growth in the labour force has averaged 3.3% y/y – almost matching the 3.6% y/y growth in employment over the same time. This reflects increasing labour force participation rates.

Historically, New Zealand has tended to see a net outflow of people aged 17-29 years. But since 2012, there have been positive inflows – a net 18,000 young people in the year to March. RBNZ work suggests that migrants in this age cohort tend to have a smaller impact on inflation than older (wealthier, house-buying) migrants aged 30-49.[1] In addition to this, rules were relaxed in 2016 to allow migrants on student visas to work more hours, which will have also provided a greater boost to labour supply.

Industries that have become particularly reliant on migrant workers as the local labour market has tightened include construction, healthcare, tourism and agriculture.

A key driver of this migration cycle has been relative weakness in the Australian labour market, compared to New Zealand. When the New Zealand unemployment rate is lower than in Australia, trans-Tasman net migration flows make up a greater proportion of total net migration. And this means a quicker boost to labour supply than otherwise: kiwis not leaving for Australia are already embedded in the local labour market, while Australians come from much the same culture and language and are often arriving for a specific job. This means there is less of a timing mismatch between contributions to aggregate demand and supply. This leads to the finding that **when the New Zealand labour market is outperforming its Aussie counterpart, a given net migration flow tends to be less inflationary**.[2]

Figure 3 Unemployment rates in Australia and New Zealand

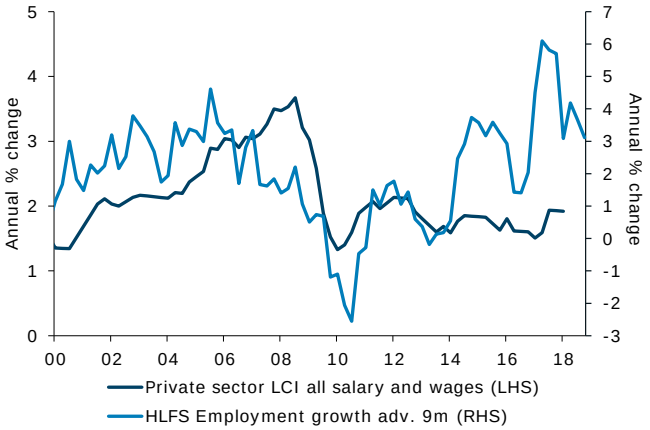


Source: Statistics New Zealand, Australian Bureau of Statistics, ANZ Research

But the accessibility of overseas labour means the available pool of workers is effectively larger. Overseas applicants for jobs are not counted in New Zealand's labour force, but they are part of the pool of workers employees are competing with, even if they do not eventually move to New Zealand. If firms believe they will be able to hire from offshore pretty easily – either because of Government policy or the relative performance of foreign labour markets – then they will be less inclined to offer higher wages to lure local applicants. Effectively, the pool of potential workers has been even larger than labour force data suggest. **And this has likely dampened wage growth.**

So while employment growth has certainly been strong in recent years, labour supply, measured and effective, has broadly kept pace. This is likely a factor contributing to unusually subdued wage inflation (figure 4), which has in turn contributed to weakness in CPI inflation.

Figure 4: Wage inflation and employment growth



Source: Statistics New Zealand, ANZ Research

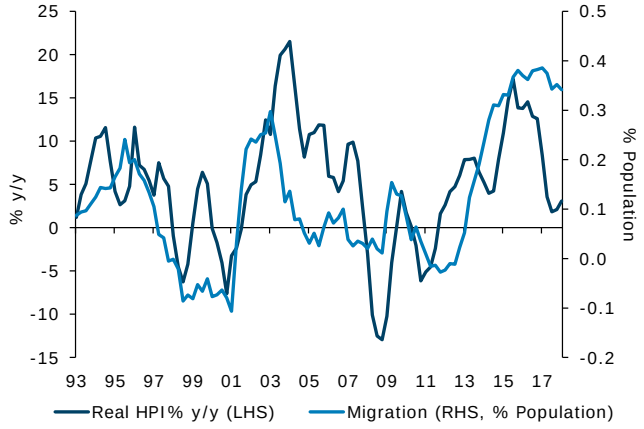
[1] Vehbi, T (2016), 'The macroeconomic impact of the age composition of migration', Reserve Bank of New Zealand Analytical Note, April 2016.
[2] Armstrong, J & C McDonald (2016), Why the drivers of migration matter for the labour market', Reserve Bank of New Zealand Analytical Note, April 2016.

ECONOMIC OVERVIEW

House price inflation

Historically, strong immigration has tended to put upward pressure on house prices. Obviously more people means greater demand for housing. If supply responded perfectly and immediately, there would be no pressure on house prices in response. But **housing supply is constrained** by land availability, regulation and construction sector capacity. It is also possible that an element of the correlation is due to the fact that favourable economic conditions drive both strong immigration to New Zealand and house price inflation; the observed relationship isn't necessarily entirely causal.

Figure 5: Real house price inflation and net immigration (% of existing population)



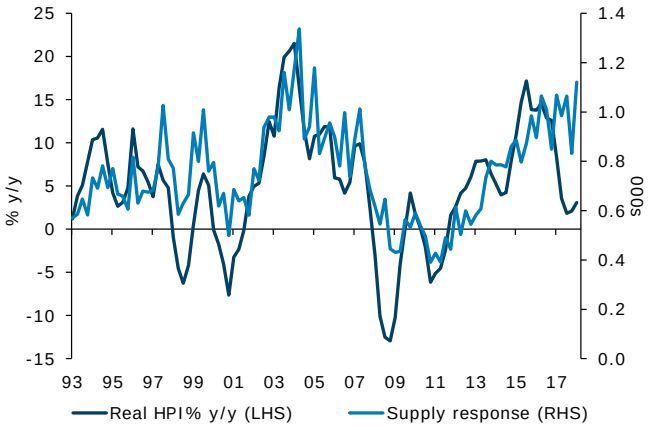
Source: REINZ, Statistics New Zealand, ANZ Research

Debate rages regarding the responsiveness of New Zealand housing supply, and why it has struggled to keep pace with population growth. It comes down to planning restrictions, land availability, land banking incentives and restrictions, the scale and structure of the building industry, funding availability, labour availability and mobility, and local or central government-influenced costs and bottlenecks, such as around infrastructure provision. It is not our intention here to debate how influential each factor has been and apportion 'blame'. Suffice to say it is a complex issue, and trade-offs exist in balancing the need for rapid growth in housing supply with the need to create liveable, sustainable cities.

And it's not as if the home-building sector has been sitting on its hands. Figure 6 shows real house prices and the short-term "supply response" – the number of new housing consents, adjusted for people per dwelling. People-per-dwelling varies over time, altering pressure on the existing housing stock, but tends to be quite slow moving. Consent issuance, by contrast, tends to respond quickly.

The resulting net supply response has a very strong correlation with real house price inflation, showing that house prices are doing their job – encouraging more supply, albeit not fast enough to quite keep up with population growth.

Figure 6: Real house price inflation and supply response



Source: REINZ, Statistics New Zealand, ANZ Research

Indeed, consent issuance for new dwellings is close to historic highs, with 31,600 new consents issued over the year to March. In addition to strong population growth, new building is being supported by low interest rates. Nonetheless, a number of regions are facing housing shortages as a result of strong population growth. MBIE estimates that there is a nationwide shortage of 71,000 homes, with a shortfall of 45,000 in Auckland.

So housing supply, while growing in response to price signals, hasn't been keeping pace. But putting the vexed question of housing supply responsiveness to the side, **the fact remains that migration has been very high relative to the size of the existing New Zealand population, putting the pressure on.** While of course there are other important influences on house prices, particularly interest rates, figure 5 above shows a broadly positive correlation between net immigration and real house price inflation.

However, a gap has opened up since late 2016 – the housing market has slowed even though net migration has held up and interest rates have remained highly stimulatory. A number of factors are at play here.

- **RBNZ loan-to-value ratio restrictions** have taken the heat out of the market, although that is not a new thing.
- The "funding gap" that opened up for banks, combined with new regulations regarding foreign funding, meant **reduced credit availability** has likely been a dampening influence over the past year or so.

ECONOMIC OVERVIEW

- **Affordability constraints** are biting, particularly in Auckland. House price levels matter.
- **Proposed government policies** are intended to reduce the attractiveness of housing as an investment, including banning non-residents from buying existing property, extension of the bright-line capital gains test, and possible other tax changes.

These headwinds explain the correlation breakdown. It is not necessary to conclude that the impact of migration on the housing market has reduced – just that it is has been outweighed. It is fair to say that house price inflation would have been lower in recent years if migration inflows had not been as strong.

Where to from here?

Summing it up, then, when it comes to explaining why strong migration has not been more inflationary this cycle, beyond the global structural depressants for general inflation we have discussed elsewhere, we see two main explanations: fairly prompt growth in measured labour supply due to the mix of migrants and the unmeasured pool of potential offshore workers, and more recently, deliberately imposed headwinds for the housing market.

Migration inflows have been stronger than expected in the past few months. But we are not expecting house price inflation to take off again. Namely, we expect that the factors weighing on house price inflation will persist – the Government seems set on its tax changes, and the Reserve Bank will ease LVR restrictions only very cautiously. However, the outlook for migration is a key risk to that forecast, in both directions.

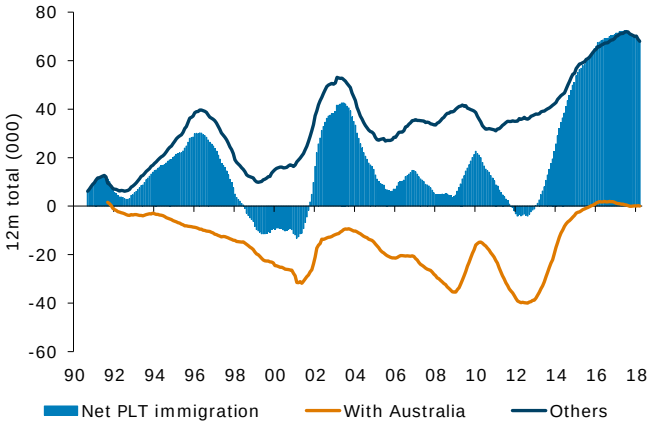
The outlook for migration is important for both the Reserve Bank and Treasury. Although migration is difficult to forecast, assumptions about future migration flows are important in determining the outlook for GDP, inflation, tax receipts, infrastructure and housing demand. For the Reserve Bank, this is important for assessing the degree of medium-term inflationary pressure. For Treasury, it is an input into determining the outlook for the Government's books.

Looking ahead, our assumption is that net migration inflows will moderate from 68,000 per year currently to 40,000 per year in 2020 – still well above its historic average of 12,000 per year. This is expected to contribute to moderating GDP growth, labour force growth, and house price inflation. **But the outlook is particularly uncertain at present for a few reasons.**

First up, the policy outlook is unclear. Before the election, the Labour Party indicated that it intended to reduce migration inflows by 20,000-30,000 per year, from close to 70,000 per year currently. However, the Government has not yet indicated any plans to implement a stricter immigration target. **This perhaps reflects the fact that immigration remains important to meet labour shortages across a range of industries.** And if migration were to be reduced significantly, many businesses would find the operating environment more difficult. The risk of changes to migration policy may have been a factor contributing to the decline in business sentiment since the election.

But some population flows are not controlled by Government policy in any case. This cycle, a significant amount of the migration impulse has been from trans-Tasman flows, and New Zealanders and Australians can migrate across the Tasman freely. While this is only part of the story, **trans-Tasman migration remains historically high** – it has typically been negative but is now around zero.

Figure 7: Permanent and long-term trans-Tasman migration (annual)



Source: Statistics New Zealand, ANZ Research

So the outlook for migration provides risks on both sides at the moment. Stronger population growth would boost GDP and inflation and pose upside risk to house prices. But even if we could predict the migration numbers accurately, the impact on the labour market would depend on the mix of skills it brought versus needs, while the impact on the housing market would depend on credit constraints, the outlook for housing supply, and government policy, not to mention interest rates.

We will be watching the Budget Economic and Fiscal Update on the 17 May closely for any changes in immigration policy. **But there are clearly many moving parts.**

ECONOMIC OVERVIEW

THE WEEK AHEAD

It's a busy week on the data front. Our **ANZ Truckometer** and **ANZ Monthly Inflation Gauge** are out for April. Other April data includes **Electronic Card Transactions, BNZ-BusinessNZ PMI, Food Prices** and perhaps **REINZ Housing Market Statistics. RBNZ 2-year-ahead inflation expectations** will also be out for Q2. Our Local Data Watch table has details on our expectations for these releases.

However, the data may take something of a back seat this week, with two key events on the domestic calendar: the **RBNZ Monetary Policy Statement** and the **Minister of Finance's Pre-Budget Speech**. That said, the speech is likely to be uneventful. In last week's speech **the Government emphasised its fiscal targets, so we are not expecting much in the way of sweeteners.** Still, we may learn some more policy details.

The OCR will remain on hold at 1.75% at the RBNZ's Monetary Policy Statement. This will be the first Monetary Policy Statement under both Adrian Orr and the new dual-style Policy Targets Agreement. However, we expect the broad story to remain the same: the economy and the labour market are performing well, but broad price and wage inflation remain elusive. Developments since February have on balance been positive for medium-term inflation. But given the balance of risks, we expect the RBNZ will retain a cautious approach, with the policy outlook broadly unchanged. A clear message that acknowledges recent developments, but is consistent with a gradually evolving policy outlook, will be their aim.

LOCAL DATA

ANZ Business Outlook – April. Headline business confidence dipped to a net -23% (from -20%).

Building Consents – March. Consents were up 14.7% m/m in March and are at a high level, testing capacity constraints.

GlobalDairyTrade auction. The GDT Price Index was down 1.1%, with volumes up from the last auction.

Labour Market – Q1 2018. The unemployment rate ticked lower to 4.4% on the back of robust employment growth. But wage growth remains anaemic (+0.3% q/q, 1.9% y/y).

ANZ Job Ads – April. Job ads fell 2.1% m/m after recent strength, likely driven by softer labour demand.

ANZ Commodity Price Index – April. Commodity prices increased 1% m/m, the fourth consecutive lift.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
7-May	AU	NAB Business Conditions - Apr	--	14	13:30
	AU	NAB Business Confidence - Apr	--	7	13:30
	AU	ANZ Job Advertisements MoM - Apr	--	0.0%	13:30
	GE	Factory Orders MoM - Mar	0.5%	0.3%	18:00
	GE	Factory Orders WDA YoY - Mar	5.0%	3.5%	18:00
	AU	Foreign Reserves - Apr	--	A$76.6B	18:30
	GE	Markit Construction PMI - Apr	--	47.0	19:30
	GE	Markit Retail PMI - Apr	--	51.5	20:10
	EC	Markit Retail PMI - Apr	--	50.1	20:10
	EC	Sentix Investor Confidence - May	21.0	19.6	20:30
	CH	Foreign Reserves - Apr	$3131.0B	$3142.8B	UNSPECIFIED
8-May	US	Consumer Credit - Mar	$16.00B	$10.60B	07:00
	NZ	ANZ Truckometer Heavy MoM - Apr	--	-0.3%	10:00
	AU	ANZ-RM Consumer Confidence Index - 6-May	--	119.2	11:30
	NZ	ANZ Monthly Inflation Gauge MoM - Apr	--	-0.2%	13:00
	AU	Retail Sales Ex Inflation QoQ - Q1	0.6%	0.9%	13:30
	AU	Retail Sales MoM - Mar	0.2%	0.6%	13:30
	NZ	2Yr Inflation Expectation - Q2	--	2.11%	15:00
	GE	Trade Balance - Mar	€22.5B	€18.5B	18:00
	GE	Current Account Balance - Mar	€27.0B	€20.7B	18:00
	GE	Exports SA MoM - Mar	1.8%	-3.1%	18:00
	GE	Imports SA MoM - Mar	1.0%	-1.3%	18:00
	GE	Industrial Production SA MoM - Mar	0.8%	-1.6%	18:00
	GE	Industrial Production WDA YoY - Mar	3.0%	2.6%	18:00
	UK	Halifax House Prices MoM - Apr	-0.2%	1.5%	19:30
	UK	Halifax House Price 3Mths/Year - Apr	3.2%	2.7%	19:30
	US	NFIB Small Business Optimism - Apr	104.7	104.7	22:00
	CH	Trade Balance - Apr	$27.50B	-$4.98B	UNSPECIFIED
	CH	Imports YoY - Apr	16.0%	14.4%	UNSPECIFIED
	CH	Exports YoY - Apr	7.0%	-2.7%	UNSPECIFIED
9-May	US	JOLTS Job Openings - Mar	6075	6052	02:00
	NZ	Card Spending Retail MoM - Apr	0.0%	1.0%	10:45
	NZ	Card Spending Total MoM - Apr	--	0.7%	10:45
	US	MBA Mortgage Applications - 4-May	--	-2.5%	23:00
10-May	US	PPI Final Demand MoM - Apr	0.2%	0.3%	00:30
	US	PPI Final Demand YoY - Apr	2.8%	3.0%	00:30
	US	PPI Ex Food and Energy MoM - Apr	0.2%	0.3%	00:30
	US	PPI Ex Food and Energy YoY - Apr	2.4%	2.7%	00:30
	US	Wholesale Trade Sales MoM - Mar	--	1.0%	02:00
	US	Wholesale Inventories MoM - Mar F	0.6%	0.5%	02:00
	NZ	RBNZ Official Cash Rate - May	1.75%	1.75%	09:00
	UK	RICS House Price Balance - Apr	-1%	0%	11:01
	JN	BoP Current Account Balance - Mar	¥2929.3B	¥2076.0B	11:50
	JN	BoP Current Account Adjusted - Mar	¥1627.3B	¥1024.1B	11:50
	JN	Trade Balance BoP Basis - Mar	¥1017.1B	¥188.7B	11:50
	AU	Consumer Inflation Expectation - May	--	3.6%	13:00
	CH	PPI YoY - Apr	3.4%	3.1%	13:30
	CH	CPI YoY - Apr	1.9%	2.1%	13:30

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
10-May	UK	Visible Trade Balance GBP/Mn - Mar	-£11300	-£10203	20:30
	UK	Trade Balance Non EU GBP/Mn - Mar	--	-£2237	20:30
	UK	Trade Balance - Mar	-£2000	-£965	20:30
	UK	Industrial Production MoM - Mar	0.2%	0.1%	20:30
	UK	Industrial Production YoY - Mar	3.1%	2.2%	20:30
	UK	Manufacturing Production MoM - Mar	-0.2%	-0.2%	20:30
	UK	Manufacturing Production YoY - Mar	2.9%	2.5%	20:30
	UK	Construction Output SA MoM - Mar	-2.2%	-1.6%	20:30
	UK	Construction Output SA YoY - Mar	-5.7%	-3.0%	20:30
	UK	Bank of England Bank Rate - May	0.50%	0.50%	23:00
	UK	BoE Asset Purchase Target - May	£435B	£435B	23:00
	UK	BoE Corporate Bond Target - May	£10B	£10B	23:00
	UK	NIESR GDP Estimate - Apr	--	0.2%	23:00
	NZ	REINZ House Sales YoY - Apr	--	-9.9%	10-14 May
	CH	Money Supply M2 YoY - Apr	8.5%	8.2%	10-15 May
	CH	Aggregate Financing CNY - Apr	1325.0B	1332.3B	10-15 May
	CH	New Yuan Loans CNY - Apr	1100.0B	1120.0B	10-15 May
	CH	Money Supply M0 YoY - Apr	--	6.0%	10-15 May
	CH	Money Supply M1 YoY - Apr	7.2%	7.1%	10-15 May
11-May	US	CPI MoM - Apr	0.3%	-0.1%	00:30
	US	CPI YoY - Apr	2.5%	2.4%	00:30
	US	CPI Ex Food and Energy MoM - Apr	0.2%	0.2%	00:30
	US	CPI Ex Food and Energy YoY - Apr	2.2%	2.1%	00:30
	US	Initial Jobless Claims - 5-May	218k	211k	00:30
	US	Continuing Claims - 28-Apr	1800k	1756k	00:30
	US	Monthly Budget Statement - Apr	$215.0B	-$208.7B	06:00
	NZ	BusinessNZ Manufacturing PMI - Apr	--	52.2	10:30
	NZ	Food Prices MoM - Apr	--	1.0%	10:45
	AU	Home Loans MoM - Mar	-2.0%	-0.2%	13:30
	AU	Investment Lending - Mar	--	0.5%	13:30
	AU	Owner-Occupier Loan Value MoM - Mar	--	1.3%	13:30
12-May	US	Import Price Index MoM - Apr	0.5%	0.0%	00:30
	US	Import Price Index YoY - Apr	3.9%	3.6%	00:30
	US	Export Price Index MoM - Apr	0.4%	0.3%	00:30
	US	Export Price Index YoY - Apr	--	3.4%	00:30
	US	U. of Mich. Sentiment - May P	98.3	98.8	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
Tue 8 May (10:00am)	ANZ Truckometer – April	--	--
Tue 8 May (1:00pm)	ANZ Monthly Inflation Gauge – April	--	--
Tue 8 May (3:00pm)	RBNZ 2-year-ahead inflation expectations – Q2	Anchored	With inflation low but expected to increase, we expect inflation expectations will remain close to 2%.
Wed 9 May (10:45am)	Electronic Card Transactions – April	Boost	Moderate retail spending growth is expected; increases in the minimum wage may provide a temporary boost.
Thu 10 May (9:00am)	RBNZ Monetary Policy Statement	On hold	With inflation pressures increasing only gradually, we expect the RBNZ will be on hold for some time yet.
Thu 10 May (12 noon)	Pre-Budget Speech by the Minister of Finance	No lolly scramble	With the Government emphasising its fiscal targets, we are not expecting much in the way of sweeteners.
10 -14 May	REINZ Housing Market Statistics – April	Steady	The market should remain stable around current levels. Annual house price growth should remain contained.
Fri 11 May (10:30am)	BNZ-BusinessNZ PMI – April	Getting on	A stabilisation might be on the cards after a softer start to the year, although confidence in the manufacturing sector has fallen into the start of 2018.
Fri 11 May (10:45am)	Food Prices – April	Flat	Sometimes food prices go up in April; sometimes they go down. We're picking broadly flat.
Mon 14 May (10:30am)	BNZ-BusinessNZ PSI – April	Pare back	After a strong bounce in March, a slight moderation wouldn't be surprising. Overall, remaining solid.
Wed 16 May (early am)	GlobalDairyTrade auction	Steady	We expect prices to hold up at a reasonable level.
Thu 17 May (2:00 pm)	Budget Economic & Fiscal Update 2018	No lolly scramble	With the Government emphasising its fiscal targets, we are not expecting much in the way of sweeteners.
Mon 21 May (10:45am)	Net migration – April	Peaked	We don't see migration inflows falling quickly, but we believe we are past the peak, with gradual decline from here.
Mon 21 May (10:45am)	Retail Trade – Q1	Reasonable	It looks like it was another reasonable quarter for retail spending. We expect moderation over the medium term.
Thu 24 May (10:45am)	Overseas Merchandise Trade – April	Steady	Export earnings are expected to remain steady with durable, broad-based strength.
Thu 30 May (9:00am)	Building Consents – March	Plateau	We are in an environment where issuance will struggle to push higher.
Thu 30 May (10:45am)	RBNZ Financial Stability Report	Not yet	With the housing market stable, we think the RBNZ will be looking to ease LVR restrictions – but not quite yet.
Fri 31 May (1:00 pm)	ANZ Business Outlook– May	--	--
Mon 1 Jun (10:00 am)	ANZ Consumer Confidence – May	--	--
Mon 1 Jun (10:45 am)	Terms of Trade – Q1	High	The terms of trade remains at lofty heights.
Wed 5 Jun (early am)	GlobalDairyTrade auction	Steady	We expect prices to hold up at a reasonable level.
Thu 6 Jun (10:00 am)	ANZ Job Ads - May	--	--
Thu 6 Jun (10:45 am)	Building Work Put in Place – Q1	A little	Building activity is at a high level, but we expect it softened a little in the first quarter of the year.
Thu 6 Jun (1:00 pm)	ANZ Commodity Prices - May	--	--
On balance		**Data watch**	**The data pulse is mixed, but generally positive. Domestic inflation is low, but should lift gradually.**

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	**0.6**	**0.9**	**0.9**	**0.8**	**0.7**	**0.7**	**0.7**	**0.6**	**0.6**
GDP (% yoy)	2.9	**2.8**	**2.8**	**3.1**	**3.2**	**3.3**	**3.1**	**2.8**	**2.6**	**2.5**
CPI (% qoq)	0.1	0.5	**0.3**	**0.6**	**0.2**	**0.7**	**0.5**	**0.6**	**0.3**	**0.7**
CPI (% yoy)	1.6	1.1	**1.4**	**1.6**	**1.7**	**1.9**	**2.1**	**2.1**	**2.1**	**2.1**
Employment (% qoq)	0.4	0.6	**0.6**	**0.5**	**0.5**	**0.4**	**0.4**	**0.4**	**0.3**	**0.3**
Employment (% yoy)	3.7	3.1	**3.8**	**2.1**	**2.2**	**2.1**	**1.9**	**1.7**	**1.5**	**1.4**
Unemployment Rate (% sa)	4.5	4.4	**4.1**	**4.0**	**3.9**	**4.0**	**3.9**	**3.9**	**3.8**	**4.0**
Current Account (% GDP)	-2.7	**-2.3**	**-2.4**	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-2.5**
Terms of Trade (% qoq)	0.8	**-1.4**	**-0.8**	**0.1**	**0.1**	**0.0**	**0.1**	**0.2**	**0.1**	**0.1**
Terms of Trade (% yoy)	7.3	**1.8**	**-0.1**	**-1.4**	**-2.1**	**-0.6**	**0.3**	**0.4**	**0.3**	**0.5**

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Retail ECT (% mom)	-0.5	0.0	0.3	0.5	1.2	0.5	1.6	-0.2	1.0	--
Retail ECT (% yoy)	2.0	4.4	2.9	1.3	4.3	3.3	3.4	3.3	6.0	--
Credit Card Billings (% mom)	0.7	-0.6	0.8	1.0	0.9	0.6	-0.6	0.7	1.0	--
Credit Card Billings (% yoy)	7.1	6.5	5.0	3.0	9.1	6.3	4.6	7.0	7.2	--
Car Registrations (% mom)	-4.8	9.5	-1.1	1.7	0.8	-4.7	3.3	-9.4	-3.6	-0.6
Car Registrations (% yoy)	6.2	13.5	15.6	7.3	7.3	4.7	6.2	-4.2	-11.9	-9.0
Building Consents (% mom)	3.8	5.8	-1.8	-9.4	9.6	-9.1	0.2	6.5	14.7	--
Building Consents (% yoy)	-1.9	12.9	7.6	-7.2	13.1	4.3	4.2	-0.6	18.1	--
REINZ House Price Index (% yoy)	3.3	2.8	3.8	3.4	3.6	3.7	3.5	4.0	4.2	--
Household Lending Growth (% mom)	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	--
Household Lending Growth (% yoy)	7.1	6.7	6.5	6.3	6.2	5.9	5.8	5.7	5.7	--
ANZ Roy Morgan Consumer Conf.	125.4	126.2	129.9	126.3	123.7	121.8	126.9	127.7	128.0	120.5
ANZ Business Confidence	19.4	18.3	0.0	-10.6	-39.3	-37.8	..	-19.0	-20.0	-23.4
ANZ Own Activity Outlook	40.3	38.2	29.6	22.0	6.5	15.6	..	20.4	21.8	17.8
Trade Balance ($m)	92	-1174	-1165	-840	-1222	614	-664	172	-86	--
Trade Bal ($m ann)	53742	53982	54085	54759	55999	56476	57251	57456	58068	--
ANZ World Comm. Price Index (% mom)	-0.8	-0.8	0.8	-0.3	-0.9	-1.9	0.7	2.8	1.2	1.0
ANZ World Comm. Price Index (% yoy)	21.1	16.3	11.5	10.4	6.0	3.2	4.1	5.0	5.8	7.1
Net Migration (sa)	5750	5480	5280	5660	5680	5710	6240	4930	5480	--
Net Migration (ann)	72402	72072	70986	70694	70354	70016	70147	68943	67984	--
ANZ Heavy Traffic Index (% mom)	-6.0	6.5	-1.5	2.9	1.1	-4.2	4.1	-2.5	-0.3	--
ANZ Light Traffic Index (% mom)	-2.2	2.7	-0.1	-0.6	1.5	-1.7	-0.5	-0.2	2.2	--

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

KEY FORECASTS AND RATES

	ACTUAL			FORECAST (END MONTH)						
FX RATES	Mar-18	Apr-18	Today	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
NZD/USD	0.724	0.705	0.70	0.70	0.69	0.67	0.66	0.65	0.65	0.65
NZD/AUD	0.942	0.934	0.93	0.92	0.93	0.93	0.94	0.93	0.93	0.93
NZD/EUR	0.587	0.583	0.59	0.56	0.54	0.52	0.51	0.50	0.50	0.50
NZD/JPY	76.91	77.05	76.62	74.2	71.8	69.0	66.0	64.4	63.1	62.4
NZD/GBP	0.516	0.514	0.52	0.50	0.49	0.47	0.46	0.45	0.45	0.45
NZ$ TWI	73.3	72.5	73.5	70.8	69.6	67.8	66.5	65.4	65.2	65.1
INTEREST RATES	Mar-18	Apr-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	1.96	2.02	2.04	2.01	2.01	2.00	1.99	2.07	2.32	2.48
NZ 10-yr bond	2.72	2.84	2.78	3.05	3.30	3.40	3.35	3.60	3.65	3.65
US Fed funds	1.75	1.75	1.75	2.00	2.00	2.25	2.25	2.50	2.50	2.50
US 3-mth	2.31	2.36	2.37	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	2.03	2.04	2.02	1.90	1.80	1.80	1.80	2.05	2.30	2.30

	4 Apr	30 Apr	1 May	2 May	3 May	4 May
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.96	2.02	2.02	2.03	2.03	2.03
NZGB 05/21	2.07	2.06	2.06	2.07	2.07	2.06
NZGB 04/23	2.34	2.37	2.35	2.36	2.36	2.34
NZGB 04/27	2.76	2.84	2.80	2.82	2.81	2.78
NZGB 04/33	3.14	3.22	3.17	3.19	3.18	3.15
2 year swap	2.24	2.27	2.28	2.28	2.27	2.28
5 year swap	2.66	2.73	2.72	2.74	2.72	2.74
RBNZ TWI	74.89	73.72	73.39	73.40	73.40	73.64
NZD/USD	0.7281	0.7051	0.7011	0.7018	0.7036	0.7020
NZD/AUD	0.9488	0.9341	0.9337	0.9350	0.9339	0.9311
NZD/JPY	77.28	77.05	76.88	77.08	76.98	76.60
NZD/GBP	0.5187	0.5136	0.5120	0.5140	0.5178	0.5186
NZD/EUR	0.5927	0.5829	0.5828	0.5847	0.5872	0.5867
AUD/USD	0.7674	0.7549	0.7509	0.7506	0.7533	0.7539
EUR/USD	1.2285	1.2096	1.2031	1.2003	1.1982	1.1960
USD/JPY	106.14	109.27	109.65	109.84	109.41	109.12
GBP/USD	1.4037	1.3728	1.3695	1.3653	1.3588	1.3531
Oil (US$/bbl)	63.37	68.57	67.25	67.93	68.43	69.72
Gold (US$/oz)	1342.96	1316.64	1308.53	1310.04	1311.73	1314.50
NZX 50	8398	8444	8436	8494	8547	8549
Baltic Dry Freight Index	977	1341	1327	1346	1376	1384
NZX WMP Futures (US$/t)	3220	3350	3400	3255	3235	3235

IMPORTANT NOTICE

This document is intended for ANZ's institutional, professional or wholesale clients, and not for individuals or retail persons. It should not be forwarded, copied or distributed. The information in this document is general in nature, and does not constitute personal financial product advice or take into account your objectives, financial situation or needs.

This document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared and distributed in your country/region by either: Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**); or its relevant subsidiary or branch (each, an **Affiliate**), as appropriate or as set out below.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is solely for informational purposes and nothing contained within is intended to be a recommendation, invitation, solicitation or offer by ANZ to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ would be subject to additional licensing or registration requirements. Further, the products and services mentioned in this document may not be available in all countries.

ANZ in no way provides any financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document, ANZ does not make any representation as to the accuracy of the views expressed in this document. Further, ANZ does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Past performance is not necessarily an indicator of future performance. The products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (**Liability**) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document to the extent permissible under relevant law. Please note, the contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ and its Affiliates may have an interest in the subject matter of this document. They may receive fees from customers for dealing in the products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in the products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products. This document is published in accordance with ANZ's policies on conflicts of interest and ANZ maintains appropriate information barriers to control the flow of information between businesses within it and its Affiliates.

Your ANZ point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Country/region specific information: Unless stated otherwise, this document is distributed by Australia and New Zealand Banking Group Limited (**ANZ**).

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please click here or request from your ANZ point of contact. If trading strategies or recommendations are included in this document, they are solely for the information of 'wholesale clients' (as defined in section 761G of the Corporations Act 2001 Cth).

Brazil, Brunei, India, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

Cambodia. This document is distributed in Cambodia by ANZ Royal Bank (Cambodia) Limited (**ANZ Royal Bank**). The recipient acknowledges that although ANZ Royal Bank is a subsidiary of ANZ, it is a separate entity to ANZ and the obligations of ANZ Royal Bank do not constitute deposits or other liabilities of ANZ and ANZ is not required to meet the obligations of ANZ Royal Bank.

European Economic Area (EEA): ***United Kingdom.*** ANZ is authorised in the United Kingdom by the Prudential Regulation Authority (**PRA**) and is subject to regulation by the Financial Conduct Authority (**FCA**) and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited ANZ solely for the information of persons who would come within the FCA definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (**PRA**) and the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This publication is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

Myanmar. This publication is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This publication is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).

IMPORTANT NOTICE

New Zealand. This document is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised adviser service under the Financial Advisers Act 2008 (**FAA**).

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (**QCB**), the Qatar Financial Centre (**QFC**) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (**Qatar**); or
- authorised or licensed for distribution in Qatar,

and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC. The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. This document is distributed in Singapore by the Singapore branch of ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act Cap. 289 of Singapore). ANZ is licensed in Singapore under the Banking Act Cap. 19 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act Cap. 100 of Singapore.

United Arab Emirates (UAE). This document is distributed in the UAE or the Dubai International Financial Centre (**DIFC**) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (DIFCML) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**) ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules. In addition, ANZ has a representative office (**ANZ Representative Office**) in Abu Dhabi regulated by the Central Bank of the UAE. The ANZ Representative Office is not permitted by the Central Bank of the UAE to provide any banking services to clients in the UAE.

United States. Except where this is a FX- related document, this document is distributed in the United States by ANZ Securities, Inc. (**ANZ SI**) which is a member of the Financial Regulatory Authority (**FINRA**) (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use this website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use this website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts: Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is an FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

Vietnam. This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.

This document has been prepared by ANZ Bank New Zealand Limited, Level 26, 23-29 Albert Street, Auckland 1010, New Zealand, Ph 64-9-357 4094, e-mail nzeconomics@anz.com, http://www.anz.co.nz