

# New Zealand Weekly Focus

18 March 2019



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## Mixed terrain

### Economic overview

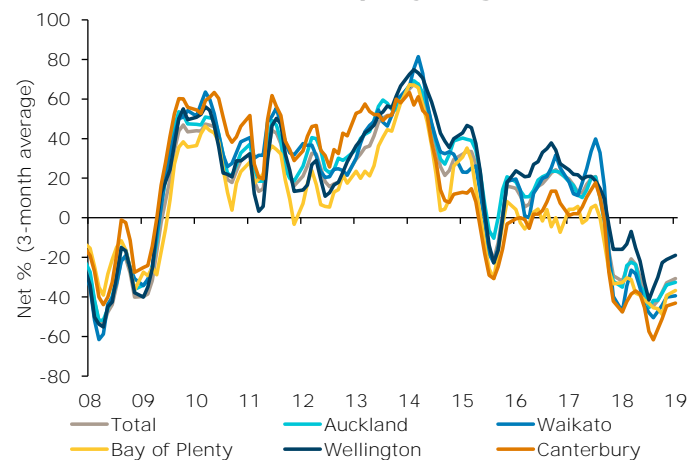
Drivers of economic growth have shifted and this has been reflected in a changing economic landscape regionally. It's currently a mixed picture. Auckland and Canterbury are not the engines of growth they once were. Conditions in Wellington are very favourable. Meanwhile, a number of provincial areas, like Northland, Bay of Plenty, Hawke's Bay, Otago and Southland have been hot spots – boosted by favourable conditions in agricultural segments, strong tourism, buoyant housing markets, and population growth. However, challenges such as low confidence in the dairy industry are weighing in some areas. Despite regional divergences and strong performance in some places, businesses across a range of regions are wary about the outlook – and there is a risk that the landscape could shift from here.

Our deepest condolences to all affected by Friday's tragic events in Christchurch. In terms of macroeconomic impacts, a sharp drop in tourist arrivals is likely near term.

### Chart of the week

Firms have become warier across the board, despite regional divergences.

#### ANZBO business confidence by major region



Source: ANZ Research

### The ANZ heatmap

Variable	View	Comment	Risks around our view
GDP	2.5% y/y for 2020 Q1	Growth is past its peak. We see growth averaging 2.5% over the next couple of years. Global factors are the main risk.	Neutral 
Unemployment rate	4.2% for 2020 Q1	The labour market is "tight", but appears to have stabilised. Wage growth to continue increasing only gradually.	Neutral 
OCR	1.00% in March 2020	We see the next move in the OCR as a cut and have pencilled it in for November 2019, with two to follow.	Neutral 
CPI	1.8% y/y for 2020 Q1	Core inflation is expected to remain broadly stable over the next couple of years, with OCR cuts supporting a gradual rise over the longer term.	Neutral 



# Economic overview

*Wellington and the provinces are the most buoyant regions of NZ.*

*Friday's terrorism will hit Christchurch hard.*

*The headline act this week is GDP – we're expecting a 0.6% q/q lift.*

*GDP has been gradually softening, particularly in per capita terms.*

## Summary

Drivers of economic growth have shifted and this has been reflected in a changing economic landscape regionally. **It's** currently a mixed picture. Auckland and Canterbury are not the engines of growth they once were. Conditions in Wellington are very favourable. Meanwhile, a number of provincial areas, like Northland, Bay of Plenty, **Hawke's Bay**, Otago and Southland have been hot spots – boosted by favourable conditions in agricultural segments, strong tourism, buoyant housing markets, and population growth. However, challenges such as low confidence in the dairy industry are weighing in some areas. Despite regional divergences and strong performance in some places, businesses across a range of regions are wary about the outlook – and there is a risk that the landscape could shift from here. Looking to the week ahead, the key events are Q4 2018 GDP and Balance of Payments releases.

Our deepest condolences go to all affected by **Friday's** tragic events in Christchurch. In terms of macroeconomic impacts, an immediate drop in tourist arrivals can be expected.

## Forthcoming data

**Westpac Consumer Confidence – Q1 (Tuesday 19 March, 9:00am).** Consumer sentiment has been middling in our survey; we expect the same here.

**GlobalDairyTrade auction (Wednesday 20 March, early am).** We expect prices to lift 3%.

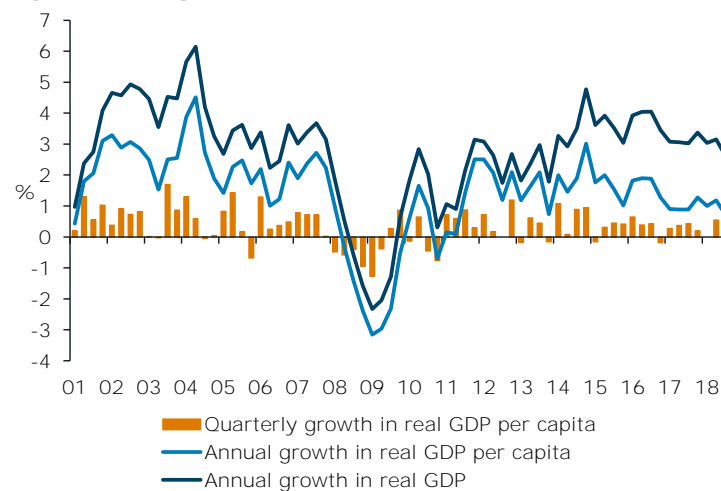
**Balance of Payments – Q4 (Wednesday 20 March, 10:45am).** The annual current account deficit looks set to widen slightly as a percent of GDP.

**Gross Domestic Product – Q4 (Thursday 21 March, 10:45am).** We are currently picking 0.6% q/q with risks looking broadly balanced.

## What's the view?

The economy has been gradually losing steam. Q4 GDP data will be released this week (Thursday); we expect a 0.6% q/q lift. This would see a continued moderation in annual growth from 2.6% to 2.5% y/y – continuing the gradual softening from the 4% y/y growth rates seen in 2016 (figure 1).

**Figure 1. GDP growth**



Source: Statistics NZ

The cycle has been going for a while now – **it's** been 8 years and counting since the 2010 technical recession ("what recession?" It only emerged with GDP revisions, so generated no headlines). Headwinds have been building and the economy has started to struggle under its own capacity-constrained weight. But also, impetus to growth from some recent drivers has waned, and the composition of the economic cycle has shifted:



## Economic overview

*Drivers of growth have changed...*

- **A number of drivers have faded:** The housing market has cooled; population growth is slowing; construction and tourism appear to be plateauing at high levels; and banks are prudent about lending, partly due to second-hand impacts of the Australian Royal Banking Commission, but primarily due to an awareness that the cycle is looking ripe.
- **Some drivers remain in place:** The elevated terms of trade, low interest rates, and continued population growth continue to provide support.
- **A few other drivers have emerged in recent years:** Tightness in the labour market is buoying the household sector, the exchange rate is supportive of net exports, and the fiscal impulse has become modestly expansionary.

*...and so has regional economic performance.*

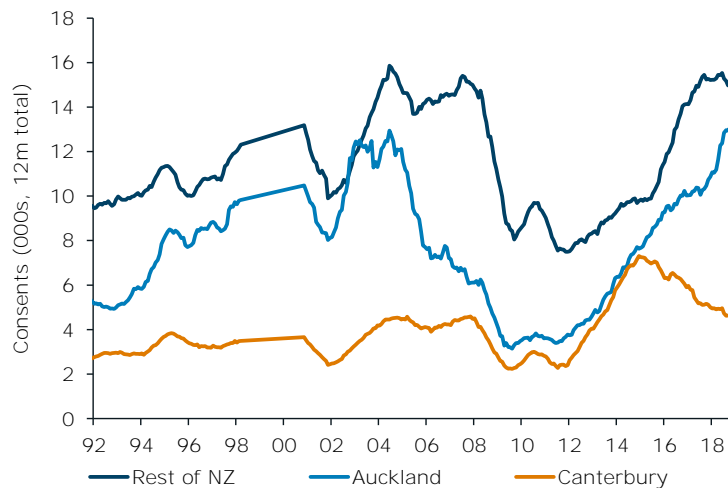
As the cycle has changed, so too has economic performance across the country. Unfortunately, regional economic data can be sparse and volatile, which means it needs to be interpreted with a touch of caution. But anecdotes with firms across the country also provide important colour on the regional landscape.

It is evident from both data and anecdotes that conditions in Canterbury have softened, after strong growth early in the cycle following the Canterbury earthquakes. According to our ANZ Business Outlook (ANZBO), firms in Canterbury are the least optimistic overall, though there has been some improvement recently. Downbeat sentiment in the region likely reflects the late stage of the construction cycle and flow-on impacts to other industries.

Residential rebuild activity following the Canterbury earthquakes is well past its peak (figure 2). And the construction cycle tends to be an important driver of economic conditions generally. It supports activity in other industries and home building tends to go hand-in-hand with other types of spending.

*Conditions in Canterbury have softened.*

**Figure 2. Residential building consents by region**



Source: Statistics NZ

*Our thoughts are with all those impacted by Friday's attack.*

Although growth in Canterbury has come off, the cumulative impact of previous toil has been adding up; the city of Christchurch has been getting back on its feet, seven years after the quakes flattened the CBD. In our travels there, **we've** seen a city centre slowly filling with funky architecture, quirky shops, stylish cafes and bars and delightful new public spaces – if not yet teeming with people. After the toughest decade in its history, it seems monstrously unfair that the city has now been struck by a new tragedy, this one man-made. Our thoughts are particularly with those who have lost loved ones and also those who no longer feel safe, in Christchurch and around New Zealand.

In terms of the macroeconomic impacts of the attack, an immediate dip in tourist arrivals can be expected, particularly from traditionally more risk-averse markets in Asia. Those tourists still coming are more likely to avoid Christchurch for a time. The impact will be



## Economic overview

*A sharp drop in tourist arrivals can be expected immediately, with Christchurch particularly impacted.*

*The Auckland housing market is weak.*

smaller than if tourists themselves had been targeted, as in some terrorist attacks overseas, but the impact on tourist numbers will be noticeable nonetheless, and it will likely take at least a year to dissipate. There will likely therefore also be a broader impact on business confidence in the services sector and particularly in Christchurch, given concerns that the hospitality sector in particular was already oversupplied. In the longer term, we can expect a diversion of resources nationwide towards essentially unproductive insurance-type activity: security guards, bag screening, cyber monitoring and the like – probably not likely to have a meaningful macroeconomic impact, but a regular reminder that we **aren't** as immune from the **world's** woes as we thought.

In Auckland, construction is at a high level, but the housing market has weakened considerably after strong outperformance early this cycle. Prices have fallen more than 2% over the past year and it is taking the longest median time to sell a house since the 2008/09 recession, at nearly 50 days (figure 3). While building in the region continues apace, there have also been some reports of softening in demand, while industry challenges are also very apparent in the region, including profitability strains, capacity constraints, lack of available land, and uncertainty. Indeed, according to the ANZBO, firms are the least optimistic about the construction outlook in Auckland than any other region.

**Figure 3. Auckland median days to sell a house (sa)**



Source: REINZ, ANZ Research

*This is starting to have flow-on effects.*

*Construction elsewhere is at a high level.*

*Population growth has contributed...*

Softening in the Auckland housing market is reported to have had some flow-on effects to household spending, affecting retailers for example, particularly at the top end, or those selling goods related to housing, such as furniture. That said, reports from other industries are quite mixed; services industries, for example, continue to be supported by population growth.

Construction activity outside of Auckland and Canterbury is at a very elevated level, reflecting strong housing market performance and generally favourable economic conditions outside the main centres. High rates of building are particularly evident in Bay of Plenty, with the number of dwelling consents up strongly over the past year. Firms in the region are the most optimistic about the construction outlook, according to the ANZBO. However, there has been a softening in broader sentiment in the region recently, anecdotes suggest.

Some areas, like Tauranga and Northland, have been particularly buoyed by strong population growth. For these markets, ageing of the population appears to be playing a role too. Services industries are generally doing quite well, and aged care is a notable example. This tends to be benefiting regions outside of the main centres that are desirable from a lifestyle perspective.

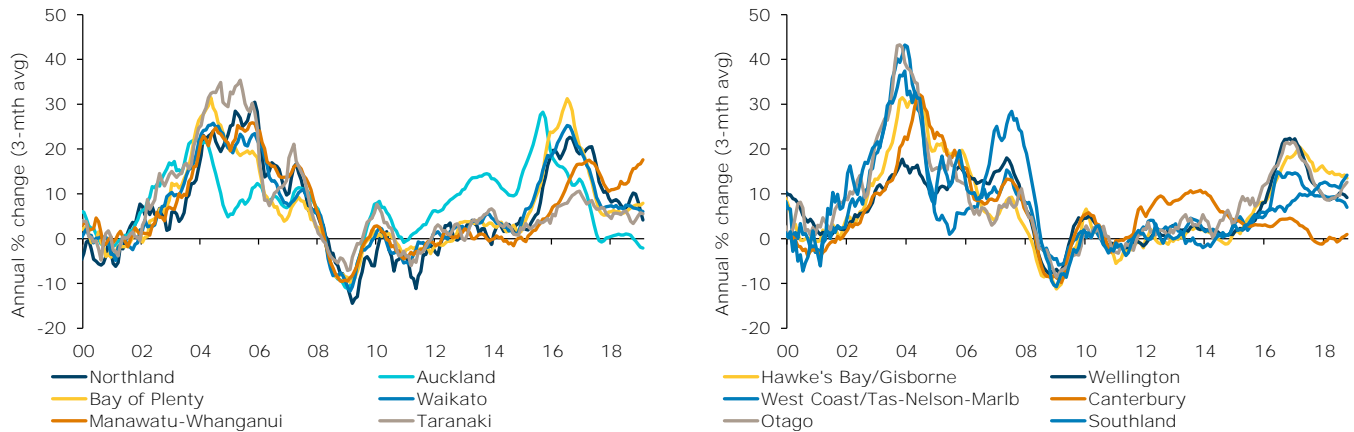


## Economic overview

*...and provincial housing markets have been outperforming.*

More generally, provincial housing markets have been outperforming in recent times (figures 4 & 5). Particular hot spots include **Hawke's Bay**, Manawatu-Whanganui, Otago and Southland. Underlying buoyant housing markets in these regions have been favourable agricultural conditions. Generally speaking, export-facing regions are also experiencing strong economic performance, although conditions are quite varied across agricultural segments.

**Figures 4 & 5. House price inflation by region**



Source: REINZ

Gisborne, **Hawke's Bay** and Bay of Plenty have benefited from good conditions in horticulture, with strong export demand supporting growth across a range of products, such as kiwifruit, apples and hops. Nelson has done well out of this too, although recent dry conditions have been challenging.

*Good conditions for horticulture, tourism and sheep and beef farming are helping...*

Sheep and beef farmers across the country have benefited from strong export demand and high prices, with changes in regulation so far having little impact on the industry – though this will likely shift over time. Regions like Southland and Otago have also benefited from good pastoral conditions and production. Tourism hot spots, like Queenstown, have also been benefiting from solid tourist arrivals, though as noted, we will likely see a dip in arrivals over coming months due to the Christchurch terrorist attack. Forestry has been supporting a range of provincial regions too, although there are some concerns that timber demand from China may be slowing and again recent dry conditions in Nelson are having an impact.

*...but conditions in dairy are more challenging.*

Dairy farmer confidence is very low and challenging conditions in the industry are affecting dairying regions like the Waikato. While prices for dairy products are high and production and weather conditions have been favourable, debt levels are high, costs have increased, and changes in regulation (especially environmental standards) are making themselves felt. Similarly, more challenging conditions for those in the oil and gas industry (with no new issuance of new permits) have seen businesses in Taranaki become somewhat more downbeat.

*Wellington is a bright spot.*

Wellington is a bright spot amongst urban centres, and currently takes the top spot for the most optimistic region in the ANZBO. Fiscal spending is now modestly expansionary and this is providing a boost to the regional economy. At the same time, population growth has reportedly been strong from both students and those coming to the region for jobs (although regional population movements can be difficult to track). The housing market has been boosted as a consequence recently and the construction industry is very busy.

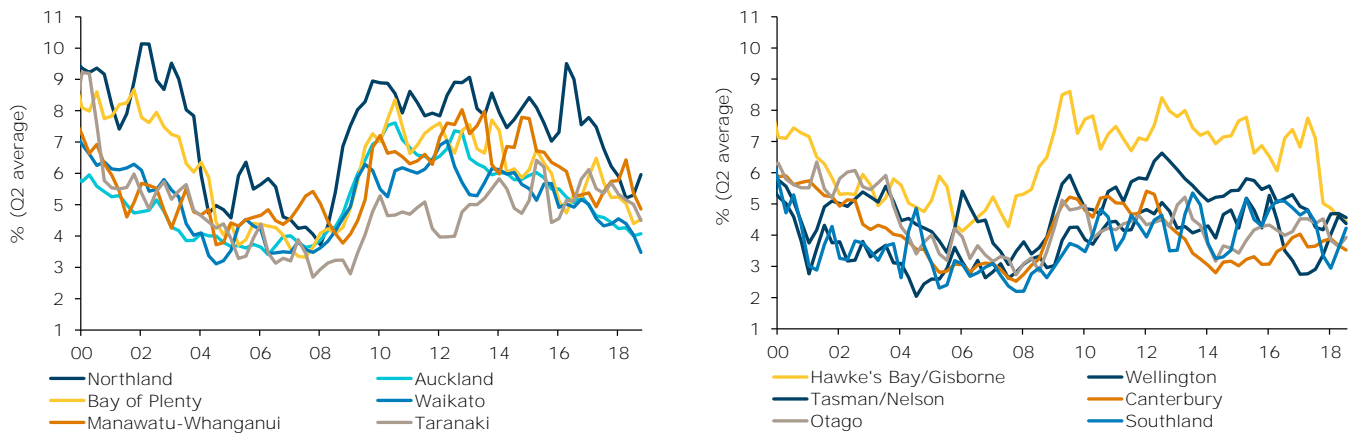
*Labour markets in Northland, Gisborne and Hawke's Bay have improved.*

The labour market is tight generally, and this is supporting consumption. According to our ANZ-Roy Morgan Consumer Confidence Survey, households are optimistic across the country. Labour markets in Northland and Gisborne / **Hawke's Bay** have performed better over the past year, after generally lagging other regions this cycle (figures 6 & 7). This may be providing additional support to housing markets in these areas of late.



## Economic overview

**Figures 6 & 7. Unemployment by region**

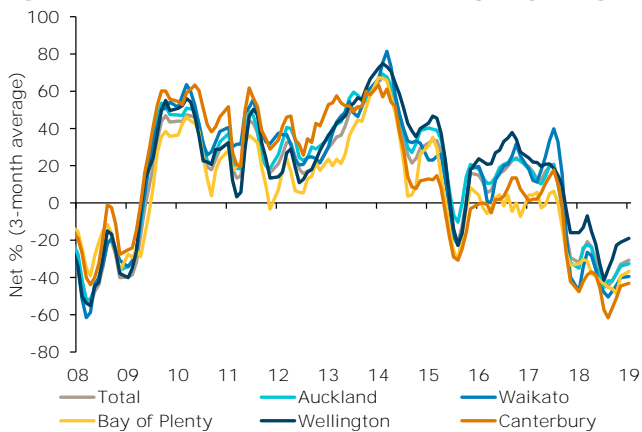


Source: Statistics NZ

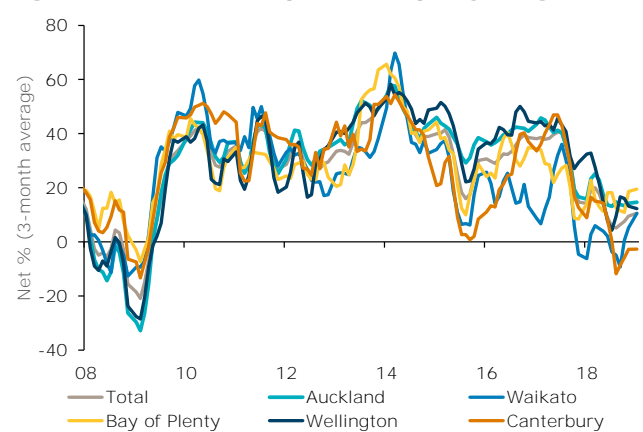
*Although a number of regions are doing well, firms are wary.*

While a number of regional economies have seen strong performance recently, according to the ANZBO, across a range of regions business confidence has become more downbeat (figure 8), the activity outlook has softened (figure 9), and anecdotes suggest increased wariness of late.

**Figures 8. ANZBO business confidence by major region**



**Figure 9. ANZBO activity outlook by major region**



Source: ANZ Research

*Global risks, profitability concerns and credit headwinds are weighing.*

Uncertainty about the global outlook is likely weighing. Global growth has slowed and although our export prices remain high, where the global economy goes, New Zealand usually follows – with particularly notable impacts on export-focused regions. Consistent with this, we have seen a marked softening in export intentions, which tends to lead the real thing. More generally, elevated costs and limited pricing power are leading to profitability strains across the country. And firms perceive credit as a constraint, with availability of credit likely to become an increasing headwind, particularly in light of the RBNZ's proposed changes to bank capital requirements. Provincial housing markets are expected to continue to outperform, though headwinds, like policy changes and investor uncertainty, may see recent strength moderate a touch.

*We expect recent regional trends to continue, but there are risks.*

Overall, for now we expect that the economy will continue to grow around trend, with recent regional trends set to broadly continue. However, we are wary about firms' soft perceptions of the activity outlook, including in regions that have generally been performing well. Should buoyant conditions in these bright spots start to falter, the outlook for growth could soften more than we anticipate. We will be watching this picture closely.



## Economic overview

*GDP to print below RBNZ expectations...*

*...but we expect the RBNZ's tone will change only gradually.*

*The current account looks set to widen.*

### The week ahead

This week all eyes will be on Q4 GDP (out on Thursday). We expect that GDP rose a moderate 0.6% q/q in the quarter, following a soft (0.3% q/q) lift in Q3. A print in line with our expectations would be below the **RBNZ's** forecast at the time of the February MPS (0.8%) but consistent with market expectations (median 0.6%; range: 0.3-1%).

Economic momentum continues to soften. We expect that annual growth continued to moderate from 2.6% to 2.5%, with per capita GDP poised for another weak print. Beyond Q4, we see economic growth travelling around 0.6% q/q over the next year or so – a decent step down from 0.8% on average over the past three years – as headwinds continue to build. In our view, it will be difficult to maintain core inflation close to the **RBNZ's** 2% target midpoint, with capacity pressures expected to wane.

Should GDP print in line with our expectations, the RBNZ will need to acknowledge the softer data flow relative to their forecasts at their OCR review the following week (27 March). However, unless the GDP data is particularly weak, we are not envisaging a significant change in tone from the RBNZ. Until it becomes clear that capacity pressures are waning – and will therefore be insufficient to generate a sustained lift higher in core inflation – we expect the RBNZ will maintain a neutral, wait-and-see approach.

Consistent with this, a GDP print well below the **RBNZ's** Q4 forecast is not essential to our call that the next move in the OCR will be a cut. We expect it will take some time before growth headwinds make themselves felt in a significant way, which is why we have pencilled in the first OCR cut for November.

In the balance of payments release (on Wednesday), the annual current account deficit is expected to have widened 0.3%pts of GDP to 3.9% in Q4, primarily reflecting base effects. In quarterly terms, we expect the seasonally adjusted current account deficit widened \$0.3bn. The goods deficit is expected to have widened, with import values lifting and export values falling. The services surplus is expected to have narrowed slightly, while the income deficit is expected to have widened, with income outflows lifting on the back of growing international equity liabilities.

The next GlobalDairyTrade (GDT) event is also on Wednesday. Prices are forecast to lift by approximately 3%. Futures point to a 5.4% lift in WMP pricing and a similar lift in butter, but the price of other dairy products are expected to be lower. While the volume of product on offer this week is as previously forecast for WMP, Fonterra has advised it will reduce volumes at future auctions due to a rapid slowing in milk supply. Fonterra now expects to collect about the same amount of milk that it did last season (+0.33%), meaning its milk intakes for February to May will need to be 9% lower than last season to meet its target. While milk intakes are expected to be behind last season during the final four months of the season, the current forecast is extremely conservative and is significantly lower than any of the past four seasons.

### Local data

**ANZ Truckometer – February.** The heavy traffic index rose 0.4%, suggesting a decent start to the year for activity, but the light traffic index points to waning momentum.

**ANZ Monthly Inflation Gauge – February.** The ANZ Monthly Inflation Gauge increased 0.1% m/m in February, after a strong rise in January. Annual inflation is steady at 2.2%.

**Food price index – February.** Food prices rose 0.4%, compared with the usual seasonal dip, after **January's** rise was a touch weaker than expected.

**Short-term visitor arrivals – January.** Short-term arrivals of overseas visitors remain at a high level (3.87m annual), but reportedly dipped by 450 people in January.

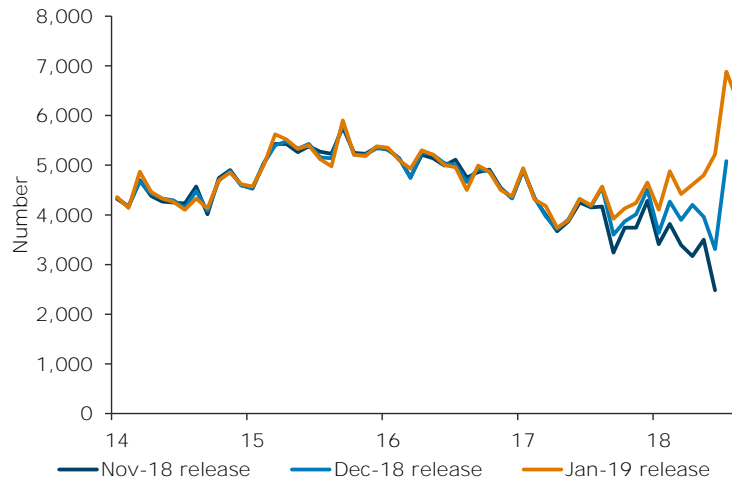
**Permanent and long-term migration – January.** Net migration levelled off over 2018 and was reported as having surged higher over the past few months. However, the data are likely to be revised, making it difficult to judge recent trends. The chart below shows



## Economic overview

how that data has been revised over the past few releases, resulting in the recent story changing each time. Estimates of tourist arrivals will be similarly affected, but it has a smaller impact relative to the size of total visitor arrivals.

**Figure 10. Monthly net migration estimates: November, December, January**



Source: Statistics NZ

**BNZ-BusinessNZ PSI- February.** Dipped from 56.2, but remains expansionary at 53.8.





## Summary

*I want to vote on it!*

**Brexit dominated global headlines last week. PM May's withdrawal agreement was defeated in Parliament despite efforts to iron out the Irish backstop issue.** Following this, MPs agreed to extend the Brexit deadline, which supported sterling somewhat. US-China trade headlines also made waves late in the week as news broke that the Trump-Xi summit would be delayed amidst another round of disappointing US data.

## Key events this week

*Bring on Thursday*

**FOMC rate decision (Thursday 21 March, 7:00am).** The market is increasingly expecting a dovish statement with guidance on the optimal balance sheet level.

**NZ GDP – Q4 (Thursday 21 March, 10:45am).** This release will set up markets for the next RBNZ meeting. We are expecting a 0.6% print (RBNZ: 0.8%).

**Australian employment data – February (Thursday 21 March, 1:30pm).** We expect a weaker employment print, but an unchanged unemployment rate.

## Rates

*Largely unmoved*

Global yields saw small losses this week. The middle to long end of most curves saw small moves, and lost roughly 1-2bps week on week. Locally, the curve was largely unmoved as March 2019 New Zealand Government bonds matured. We expect yields to remain supported as cash proceeds from the maturity look for a new home. The market is currently pricing in 75% chance of a 25bp OCR cut in November.

## FX

*Pushed around by others*

USD weakness set the tone last week. NZD rallied strongly after US non-farm payrolls missed the mark, testing key levels. This has been dented as we enter GDP week.

**NZD/USD:** A run of mixed data out of the US saw the kiwi buoyed early in the week. However, a change in risk sentiment took the wind out of its sails and left the kiwi middling at the week's end. **NZ GDP will provide direction for the NZD this week.**

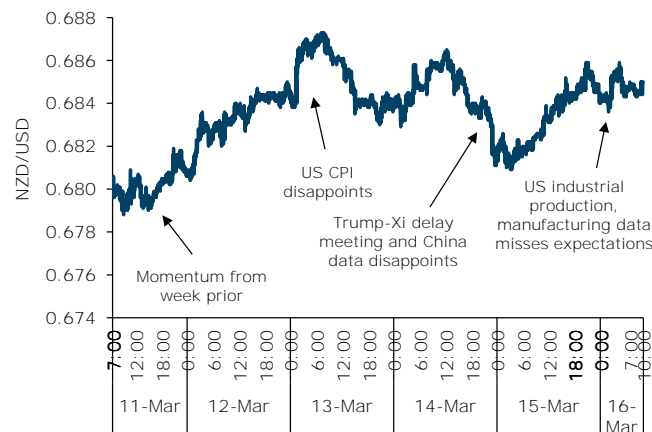
**NZD/AUD:** Kiwi had the AUD on the ropes as Australian business sentiment weakened. Positive China data saw the AUD muscle its way back. Momentum still favours the kiwi.

**NZD/EUR:** This pair struggled to break out of its recent ranges after the dovish ECB statement. NZ Q4 GDP may provide the required impetus.

**NZD/GBP:** **PM May's withdrawal arrangement** was overwhelmingly defeated whilst Parliament agreed to extend the Brexit deadline. Expect more volatility.

**NZD/JPY:** Positive PPIs did little to help the yen as the kiwi retained the edge this week. A change in risk sentiment helped neither.

**Figure 1. The week that was...**



Source: Bloomberg, ANZ Research



## Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time	
18-Mar	JN	Trade Balance - Feb	¥305.1B	-¥1415.6B	12:50	
	JN	Trade Balance Adjusted - Feb	¥86.0B	-¥370.0B	12:50	
	JN	Exports YoY - Feb	-0.6%	-8.4%	12:50	
	JN	Imports YoY - Feb	-6.4%	-0.8%	12:50	
	UK	Rightmove House Prices MoM - Mar	--	0.7%	13:01	
	UK	Rightmove House Prices YoY - Mar	--	0.2%	13:01	
	NZ	Non Resident Bond Holdings - Feb	--	54.1%	15:00	
	EC	Trade Balance SA - Jan	€15.0B	€15.6B	23:00	
	EC	Trade Balance NSA - Jan	--	€17.0B	23:00	
	19-Mar	US	NAHB Housing Market Index - Mar	63	62	03:00
NZ		Westpac Consumer Confidence - Q1	--	109.1	09:00	
AU		ANZ-RM Consumer Confidence Index - 17-Mar	--	109.5	11:30	
AU		House Price Index QoQ - Q4	-2.0%	-1.5%	13:30	
AU		House Price Index YoY - Q4	-5.0%	-1.9%	13:30	
AU		RBA Minutes of March Policy Meeting	--	--	13:30	
UK		Claimant Count Rate - Feb	--	2.8%	22:30	
UK		Jobless Claims Change - Feb	--	14.2k	22:30	
UK		ILO Unemployment Rate 3Mths - Jan	4.0%	4.0%	22:30	
UK		Employment Change 3M/3M - Jan	120k	167k	22:30	
GE		ZEW Survey Current Situation - Mar	13.0	15.0	23:00	
GE		ZEW Survey Expectations - Mar	-11.0	-13.4	23:00	
EC		ZEW Survey Expectations - Mar	--	-16.6	23:00	
20-Mar		US	Factory Orders - Jan	0.3%	0.1%	03:00
	US	Factory Orders Ex Trans - Jan	--	-0.6%	03:00	
	US	Durable Goods Orders - Jan F	0.4%	0.4%	03:00	
	US	Durables Ex Transportation - Jan F	--	-0.1%	03:00	
	NZ	BoP Current Account Balance NZD - Q4	-3.550B	-6.149B	10:45	
	NZ	Current Account GDP Ratio YTD - Q4	-3.9%	-3.6%	10:45	
	AU	Westpac Leading Index MoM - Feb	--	0.0%	12:30	
	AU	Skilled Vacancies MoM - Feb	--	1.3%	13:00	
	GE	PPI MoM - Feb	0.2%	0.4%	20:00	
	GE	PPI YoY - Feb	2.9%	2.6%	20:00	
	UK	CPI MoM - Feb	0.4%	-0.8%	22:30	
	UK	CPI YoY - Feb	1.8%	1.8%	22:30	
	UK	CPI Core YoY - Feb	1.9%	1.9%	22:30	
	UK	RPI MoM - Feb	0.7%	-0.9%	22:30	
	UK	RPI YoY - Feb	2.5%	2.5%	22:30	
	UK	PPI Input NSA MoM - Feb	0.6%	-0.1%	22:30	
	UK	PPI Input NSA YoY - Feb	4.1%	2.9%	22:30	
	UK	PPI Output NSA MoM - Feb	0.1%	0.0%	22:30	
	UK	PPI Output NSA YoY - Feb	2.2%	2.1%	22:30	
	UK	PPI Output Core NSA MoM - Feb	0.2%	0.4%	22:30	
	UK	PPI Output Core NSA YoY - Feb	2.3%	2.4%	22:30	
	21-Mar	UK	CBI Trends Total Orders - Mar	5	6	00:00
		UK	CBI Trends Selling Prices - Mar	--	22	00:00
US		MBA Mortgage Applications - 15-Mar	--	2.3%	00:00	
US		FOMC Rate Decision - Mar	2.50%	2.50%	07:00	
21-Mar	NZ	GDP SA QoQ - Q4	0.6%	0.3%	10:45	

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## Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time	
21-Mar	NZ	GDP YoY - Q4	2.5%	2.6%	10:45	
	AU	RBA FX Transactions Market - Feb	--	A\$337M	13:30	
	AU	Employment Change - Feb	15.0k	39.1k	13:30	
	AU	Unemployment Rate - Feb	5.0%	5.0%	13:30	
	AU	Full Time Employment Change - Feb	--	65.4k	13:30	
	AU	Part Time Employment Change - Feb	--	-26.3k	13:30	
	AU	Participation Rate - Feb	65.7%	65.7%	13:30	
	NZ	Credit Card Spending MoM - Feb	--	1.4%	15:00	
	NZ	Credit Card Spending YoY - Feb	--	6.9%	15:00	
	UK	Public Finances (PSNCR) - Feb	--	-£25.4B	22:30	
	UK	Public Sector Net Borrowing - Feb	-£0.8B	-£15.8B	22:30	
	UK	PSNB ex Banking Groups - Feb	£0.4B	-£14.9B	22:30	
	UK	Retail Sales Ex Auto Fuel MoM - Feb	-0.4%	1.2%	22:30	
	UK	Retail Sales Ex Auto Fuel YoY - Feb	3.5%	4.1%	22:30	
	UK	Retail Sales Inc Auto Fuel MoM - Feb	-0.4%	1.0%	22:30	
	UK	Retail Sales Inc Auto Fuel YoY - Feb	3.3%	4.2%	22:30	
	22-Mar	UK	Bank of England Bank Rate - Mar	0.75%	0.75%	01:00
		UK	BoE Corporate Bond Target - Mar	£10B	£10B	01:00
		UK	BoE Asset Purchase Target - Mar	£435B	£435B	01:00
US		Philadelphia Fed Business Outlook - Mar	5.0	-4.1	01:30	
US		Initial Jobless Claims - 16-Mar	225k	229k	01:30	
US		Continuing Claims - 9-Mar	1768k	1776k	01:30	
US		Leading Index - Feb	0.1%	0.0%	03:00	
EC		Consumer Confidence - Mar A	-7.1	-7.4	04:00	
AU		CBA PMI Mfg - Mar P	--	52.9	11:00	
AU		CBA PMI Services - Mar P	--	48.7	11:00	
AU		CBA PMI Composite - Mar P	--	49.1	11:00	
JN		Natl CPI YoY - Feb	0.3%	0.2%	12:30	
JN		Natl CPI Ex Fresh Food YoY - Feb	0.8%	0.8%	12:30	
JN		Nikkei PMI Mfg - Mar P	--	48.9	13:30	
GE		Markit/BME Manufacturing PMI - Mar P	48.0	47.6	21:30	
GE		Markit Services PMI - Mar P	54.8	55.3	21:30	
GE		Markit/BME Composite PMI - Mar P	52.7	52.8	21:30	
EC		ECB Current Account SA - Jan	--	<b>€16.2B</b>	22:00	
EC		Markit Manufacturing PMI - Mar P	49.5	49.3	22:00	
EC		Markit Services PMI - Mar P	52.7	52.8	22:00	
EC		Markit Composite PMI - Mar P	52.0	51.9	22:00	
23-Mar		US	Markit Manufacturing PMI - Mar P	53.6	53.0	02:45
		US	Markit Services PMI - Mar P	55.8	56.0	02:45
	US	Markit Composite PMI - Mar P	--	55.5	02:45	
	US	Wholesale Inventories MoM - Jan	0.1%	1.1%	03:00	
	US	Existing Home Sales - Feb	5.10M	4.94M	03:00	
	US	Existing Home Sales MoM - Feb	3.2%	-1.2%	03:00	
	US	Monthly Budget Statement - Feb	-\$227.0B	\$8.7B	07:00	

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

Domestic growth momentum has decelerated and global risks are heightened. The outlook for a stabilisation in medium-term inflation around target is looking less assured, and we expect the next move in the OCR to be a cut. The resilience of domestic data, the trend in inflation and global developments will all bear watching closely.

Date	Data/event	Economic signal	Comment
Tue 19 Mar (9:00am)	Westpac Consumer Confidence – Q1	Middling	Consumer sentiment has been middling in our survey; we expect more of the same here.
Mon 18 Mar (10:30am)	BNZ-BusinessNZ PSI - February	Jumpy	We might see some retracement after last <b>month's</b> bounce.
Wed 20 Mar (early am)	GlobalDairyTrade auction	Resilient	Dairy prices have been trending up on softening global supply. Slowing global demand remains a risk.
Wed 20 Mar (10:45am)	Balance of Payments – Q4	Wider	The annual current account deficit looks set to widen slightly as a percent of GDP.
Thu 21 Mar (10:45am)	Gross Domestic Product – Q4	Watch this space	We are currently picking 0.6% q/q with risks looking broadly balanced.
Tue 26 Mar (10:45am)	Overseas Merchandise Trade – February	When?	Stronger exports are in the pipeline, <b>it's</b> just a matter of timing.
Tue 26 Mar (3:00pm)	RBNZ new mortgage lending – February	Whippy	Mirroring the recent volatility in house sales, mortgage lending is likely to remain whippy; a dip may be on the cards.
Wed 27 Mar (2:00pm)	RBNZ Official Cash Rate	Hold	The RBNZ is expected to keep the OCR unchanged at 1.75%
Thu 28 Mar (1:00pm)	ANZ Business Confidence – March	--	--
Fri 29 Mar (10:00am)	ANZ-Roy Morgan Consumer Confidence – March	--	--
Fri 29 Mar (10:45am)	Building consents – February	Watching	Consents lifted strongly in January. Some recoil in the lumpy multi-unit component is likely.
Fri 29 Mar (3:00pm)	RBNZ sectoral lending data – February	Watch	Credit growth has been stable recently, but waning deposit growth is one to watch.
Tue 2 Apr (10:00am)	NZIER Business Opinion Survey – Q1	Activity matters	Activity indicators pointed to relatively modest Q4 GDP growth. Q1 will be watched closely to see if this persisted.
Wed 3 Apr (early am)	GlobalDairyTrade auction	Resilient	Dairy prices have been trending up on softening global supply. Slowing global demand remains a risk.
Wed 3 Apr (1:00pm)	ANZ Commodity Price Index – March	--	--
Tue 9 Apr (10:00am)	ANZ Truckometer – March	--	--
Wed 10 Apr (1:00pm)	ANZ Monthly Inflation Gauge – March	--	--
10-15 Apr	REINZ housing market data – March	Looking	These data have been volatile of late. <b>We'll</b> be looking to see where the trend is settling.
Thu 11 Apr (10:45am)	Food Price Index – March	Small lift	A small m/m lift should translate to a small q/q rise in the CPI's food group.
<b>On balance</b>		<b>Data watch</b>	<b>Domestic and global data has softened and we see a case for OCR cuts in time.</b>



## Key forecasts and rates

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
GDP (% qoq)	0.3	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.5</b>	<b>0.7</b>	<b>0.6</b>	<b>0.7</b>	<b>0.6</b>	<b>0.7</b>
GDP (% yoy)	2.6	<b>2.5</b>	<b>2.5</b>	<b>2.2</b>	<b>2.4</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>	<b>2.6</b>
CPI (% qoq)	0.9	0.1	<b>0.2</b>	<b>0.6</b>	<b>0.4</b>	<b>0.2</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>0.2</b>
CPI (% yoy)	1.9	1.9	<b>1.6</b>	<b>1.8</b>	<b>1.3</b>	<b>1.4</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>
LCI Wages (% qoq)	0.5	0.5	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>	<b>0.4</b>	<b>0.5</b>	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>
LCI Wages (% yoy)	1.9	2.0	<b>2.1</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>
Employment (% qoq)	1.1	0.1	<b>0.5</b>	<b>0.4</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>
Employment (% yoy)	2.8	2.3	<b>2.3</b>	<b>2.0</b>	<b>1.3</b>	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>
Unemployment Rate (% sa)	4.0	4.3	<b>4.3</b>	<b>4.3</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>
Current Account (% GDP)	-3.6	<b>-3.9</b>	<b>-3.6</b>	<b>-3.6</b>	<b>-3.6</b>	<b>-3.6</b>	<b>-3.8</b>	<b>-4.0</b>	<b>-4.1</b>	<b>-4.1</b>
Terms of Trade (% qoq)	-0.1	-3.0	<b>1.5</b>	<b>-0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>
Terms of Trade (% yoy)	-0.3	-4.7	<b>-1.3</b>	<b>-1.8</b>	<b>-1.5</b>	<b>1.9</b>	<b>0.6</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19
Retail ECT (% mom)	0.6	0.9	0.2	1.2	0.9	0.0	-0.5	-2.3	1.8	0.9
Retail ECT (% yoy)	4.2	4.9	3.8	6.3	5.7	6.2	4.6	0.6	3.5	3.4
Credit Card Billings (% mom)	-1.5	2.2	-1.4	2.9	0.8	-0.1	0.4	-0.5	1.4	--
Credit Card Billings (% yoy)	3.7	6.0	3.3	7.8	7.9	6.4	6.1	4.5	6.9	--
Car Registrations (% mom)	14.0	-6.4	0.0	1.8	-4.5	4.8	-8.8	-3.1	4.3	1.3
Car Registrations (% yoy)	-0.6	-4.9	-0.7	-4.7	-10.8	-5.4	-17.9	-15.8	-12.1	-3.9
Building Consents (% mom)	6.9	-7.7	-9.6	7.1	-1.4	1.8	-1.6	5.4	16.5	--
Building Consents (% yoy)	22.9	11.9	-5.8	-2.6	-3.1	8.5	-3.2	12.3	33.0	--
REINZ House Price Index (% yoy)	3.6	3.8	4.8	4.0	4.0	3.8	3.1	3.1	2.9	3.2
Household Lending Growth (% mom)	0.5	0.5	0.5	0.5	0.4	0.4	0.6	0.4	0.4	--
Household Lending Growth (% yoy)	5.8	5.8	6.0	6.0	5.9	5.8	6.0	5.9	5.9	--
ANZ Roy Morgan Consumer Conf.	121.0	120.0	118.4	117.6	117.6	115.4	118.6	121.9	121.7	120.8
ANZ Business Confidence	-27.2	-39.0	-44.9	-50.3	-38.3	-37.1	-37.1	-24.1	..	-30.9
ANZ Own Activity Outlook	13.6	9.4	3.8	3.8	7.8	7.4	7.6	13.6	..	10.5
Trade Balance (\$m)	199	-285	-203	-1567	-1580	-1305	-953	12	-914	--
Trade Bal (\$m ann)	58982	59696	60708	61387	62263	63001	63027	63416	63795	--
ANZ World Comm. Price Index (% mom)	1.5	-0.9	-3.3	-1.1	-2.4	-2.4	-0.5	-0.2	2.0	2.8
ANZ World Comm. Price Index (% yoy)	5.4	2.3	-0.2	-0.5	-3.6	-5.6	-5.1	-3.4	-2.2	-2.2
Net Migration (sa)	4650	4100	4880	4420	4610	4800	5220	6880	6300	--
Net Migration (ann)	50882	50096	50776	51016	51868	52831	53788	56230	58391	--
ANZ Heavy Traffic Index (% mom)	3.5	-0.5	-0.6	0.3	-1.2	4.6	-2.4	-4.3	4.8	0.4
ANZ Light Traffic Index (% mom)	1.0	-0.1	0.5	1.2	-1.1	0.4	0.1	-1.8	2.2	3.2

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)					
	Jan-19	Feb-19	Today	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
NZD/USD	0.692	0.681	0.68	0.64	0.62	0.61	0.61	0.61	0.62	0.63
NZD/AUD	0.951	0.960	0.97	0.94	0.93	0.87	0.87	0.87	0.89	0.87
NZD/EUR	0.604	0.599	0.60	0.58	0.57	0.55	0.53	0.51	0.50	0.50
NZD/JPY	75.31	75.82	76.34	70.4	67.0	62.2	61.0	58.6	58.9	59.4
NZD/GBP	0.528	0.513	0.52	0.52	0.52	0.50	0.49	0.47	0.47	0.47
NZ\$ TWI	72.9	72.5	74.4	69.7	67.9	65.2	64.2	62.9	63.1	63.2
Interest rates	Jan-19	Feb-19	Today	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.50	1.00	1.00	1.00
NZ 90 day bill	1.93	1.89	1.88	1.90	1.90	1.82	1.57	1.15	1.15	1.15
NZ 10-yr bond	2.26	2.16	2.06	2.45	2.30	2.40	2.50	2.60	2.65	2.65
US Fed funds	2.50	2.50	2.50	2.50	2.75	2.75	2.75	2.75	2.75	2.75
US 3-mth	2.74	2.63	2.63	2.75	3.10	3.10	3.10	3.10	3.10	3.10
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75
AU 3-mth	2.07	1.87	1.84	2.05	2.00	2.05	2.00	2.00	2.00	2.25

	15-Feb	11-Mar	12-Mar	13-Mar	14-Mar	15-Mar
Official Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75
90 day bank bill	1.90	1.88	1.87	1.87	1.87	1.88
NZGB 05/21	1.70	1.63	1.64	1.61	1.63	1.63
NZGB 04/23	1.72	1.63	1.64	1.62	1.64	1.64
NZGB 04/27	2.02	1.90	1.90	1.86	1.87	1.88
NZGB 04/33	2.37	2.24	2.25	2.20	2.22	2.24
2 year swap	1.90	1.83	1.85	1.83	1.83	1.84
5 year swap	2.08	1.97	1.98	1.95	1.96	1.96
RBNZ TWI	74.26	74.14	74.35	74.58	74.41	74.42
NZD/USD	0.6868	0.6807	0.6844	0.6836	0.6812	0.6846
NZD/AUD	0.9609	0.9664	0.9683	0.9685	0.9670	0.9660
NZD/JPY	75.87	75.73	76.21	76.13	76.04	76.32
NZD/GBP	0.5324	0.5240	0.5202	0.5198	0.5148	0.5151
NZD/EUR	0.6076	0.6054	0.6074	0.6054	0.6025	0.6044
AUD/USD	0.7141	0.7044	0.7069	0.7059	0.7045	0.7085
EUR/USD	1.1296	1.1243	1.1269	1.1293	1.1306	1.1326
USD/JPY	110.47	111.25	111.34	111.35	111.61	111.48
GBP/USD	1.2889	1.2991	1.3157	1.3152	1.3233	1.3290
Oil (US\$/bbl)	55.59	56.79	56.87	58.26	58.61	58.52
Gold (US\$/oz)	1322.49	1295.96	1296.11	1308.33	1298.30	1302.40
NZX 50	9246	9391	9397	9388	9435	9473
Baltic Dry Freight Index	639	645	647	654	677	730
NZX WMP Futures (US\$/t)	3065	3215	3245	3250	3250	3250



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