26 February 2018

Time to Improve

- **Weak business sentiment back in focus**
- **But activity expectations need to improve too**
- **Q4 data to show terms of trade broadly peaking**
- **Numerous monthly data also due this week**
- **Retail boom buttresses our Q4 GDP pick at 0.5%**
- **Productivity growth now looks decent, not weak**

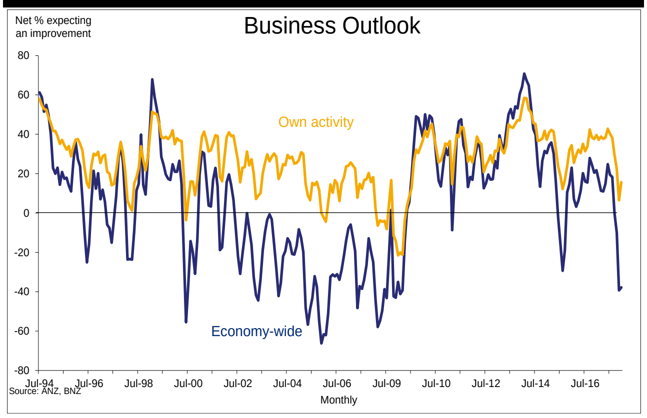
There's a good smattering of kiwi data on offer this week. However, most focus will likely be on Wednesday's ANZ Business Survey. This is especially given the political football it has become. The opposition argues that the recent slump in business confidence shows the economy will suffer the new Labour-led government. The new government says the slump simply means it has a job to do in convincing the business sector that it needn't be so concerned. Time will tell.

However, it's not just business sentiment that could do with a lift. The activity indicators in the ANZ survey – even though they held up a lot better than general confidence did – were still well below par. Granted, this is not inconsistent with our view of near-term slowness in GDP. However, we will need to see these activity pointers improve by mid-year if we are to retain confidence in our view that GDP growth will pick up the pace as 2018 progresses.

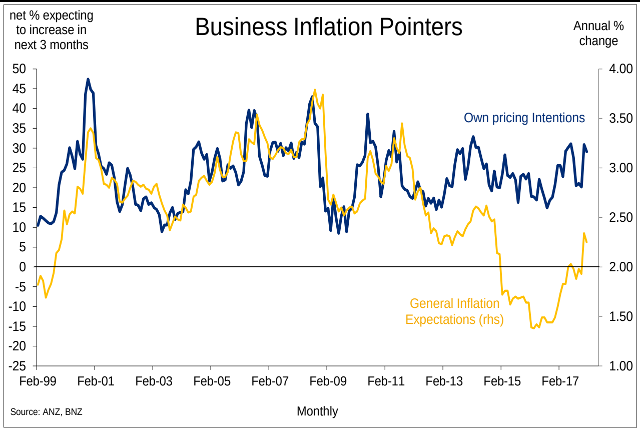
For reference, ANZ business confidence was -38 at its previous reading, in December – versus a long-term average of +11 – while own-activity expectations were +16, compared to a historical norm of +28.

With such a spotlight on business confidence, and focus on activity expectations, be careful not to overlook the

Improvement Desired, In Both



Up and Coming



ANZ survey's various inflation gauges. In spite of everything, they were starting to show some signs of life late last year. This is, by the way, consistent with the way separate inflation expectations surveys have proved robust to the recent dip in annual CPI inflation.

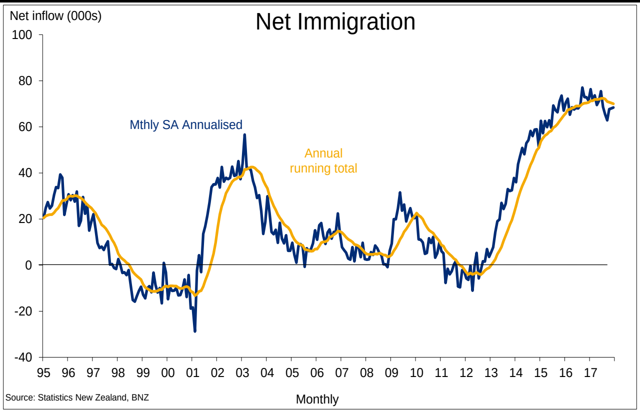
The data week will formally begin, however, with tomorrow's Overseas Merchandise Trade figures for January. We expect strong growth in both exports (+13% y/y) and imports (+12%) which would generate a monthly trade deficit of $214m. We anticipate January's trade values to be supported by strong commodity prices – including for dairy and meat, for exports, and oil on the imports side. Compared to the market, we are a little shy on the exports line, which is principally why the market is relatively more sanguine of January's trade balance, being around flat.

Wednesday delivers (before the in-focus ANZ business survey) January's International Travel and Migration report. While the net monthly migration inflow is off its record high of 6,420, set in September 2016, its most recent result, of December 2017, sustained something of a bounce over recent months. It's still exceedingly high in a historical context. January's figures should be viewed with this in mind. As for January's short-term visitor numbers, we expect these to continue their solid expansion, albeit largely similar to levels of a year ago.

In Thursday's Q4 Overseas Trade Indexes (OTI) we expect the merchandise terms of trade to ease 1.0% from the record high it hit in Q3. This follows from our view that the meat-and-dairy-inspired 4.2% lift in export prices in the quarter will be more than overshadowed by an oil-induced

National Australia Bank

Slow in Falling



5.3% lift in import prices. The market's median expectation is for a 0.5% increase in the Q4 terms of trade.

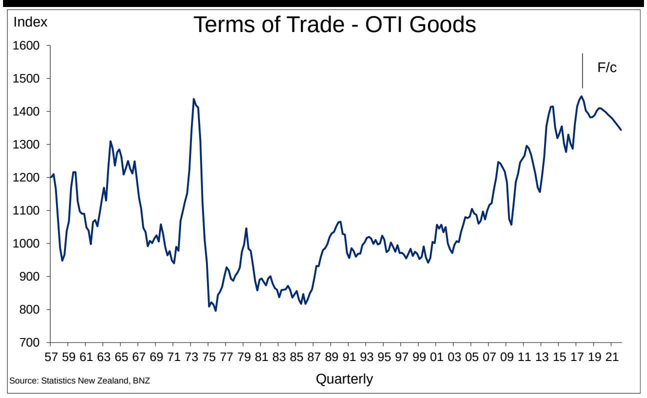
Regards the OTI merchandise trade volumes we expect to see a small dip in exports and a moderate rise in imports. This is to be consistent with our Q4 GDP growth estimate, which is still conservatively pitched, at +0.5%.

Last Friday's whopping retail trade result might seem to query our conservatism. However, we fully expected the 1.7% jump in Q4 retail trade. So, technically speaking, it hasn't altered our GDP calculation, although it does hint at upside risk to the extent it might signal cross-over strength in other areas of the economy. We'll approach the Q4 GDP partials with this in mind.

Getting back to this week's data, Thursday morning will also provide ANZ Job Ads for February. These will reveal whether labour demand in the New Year is still looking as strong as was implied by the 3.1% advance in job advertising in January.

Friday brings the ANZ-RM Consumer Confidence reading for February and Building Consents for January. Confidence will be lined up against January's chipper reading of 126.9 (no lack of confidence, there). As for consents, we will be looking to see if the recent tapering

Peak Performance



in residential building consents is another head fake or not, as actual consents have been extremely volatile over recent months.

But we finish today's missive with a look back, not forward, to the national productivity estimates Statistics NZ published last week. In short, they have been revised substantially higher with respect to the few years to March 2017. New Zealand's productivity growth now looks decent, rather than weak, especially in a global context. This feels more representative to us, compared to the productivity-collapse narrative that has been doing the rounds for a while (sometimes related to the immigration debate).

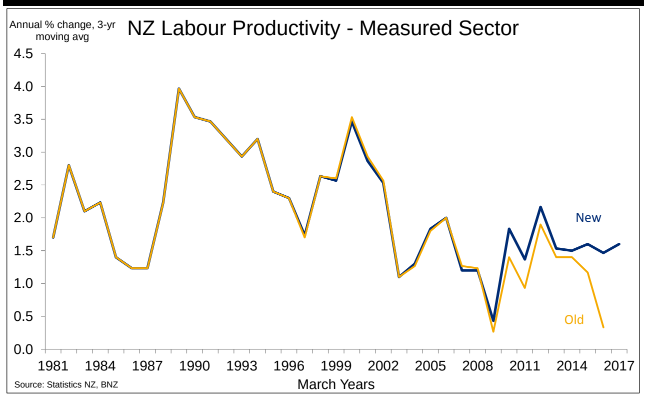
While the new and improved productivity figures might seem academic to many, they are relevant to thinking about the macro-economy. They provide more justification, for example, in forecasting solid GDP growth based on decent productivity growth continuing, rather than the old (weaker) versions needing to improve out of sight.

At one level, of course, it should all net out. Any fortification that GDP growth forecasts get, via invigorated productivity assumptions, should tend to wash out in terms of inflation pressure. More top line growth, but (exactly) afforded by extra supply.

However, there is also the rule of thumb that real interest rates should bear some resemblance to the economy's real-GDP speed limit. Productivity growth is integral to this. On the other side of the coin, improved (labour) productivity, all else equal, should depress unit labour cost measures, taking pressure off inflation via business margins. Can this better explain recent history?

The new and improved productivity estimates are certainly something to acknowledge, and think about. It will be interesting to see what others make of them, including the bloggers…and the politicians. This is not to suggest New Zealand is experiencing strong productivity growth. But it now looks not nearly as poorly as previously indicated.

Not That Bad



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Global Watch

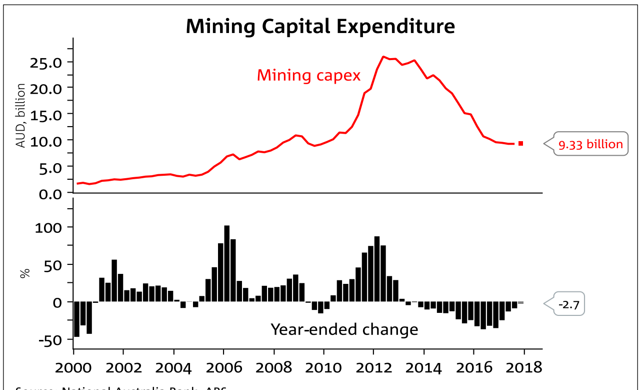
- **New Fed Chair Powell to testify; US PCE deflator due**
- **PMI data a focus in China, Europe, and Japan**
- **EU CPI expected to stay low**
- **AU CapEx expected to rise; so to private sector credit**

Australia

The focus this week will be on the ABS' capital expenditure survey (capex), released on Thursday. These data are key inputs for investment in the national accounts (due 7 March), and more importantly an indicator of future capital expenditure.

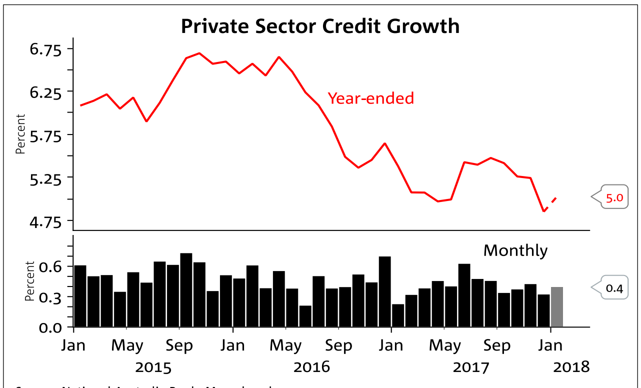
NAB is expecting actual capital expenditure to rise in the December quarter, by 0.9% q/q. There have been a number of positive stories in the investment space of late – on both the mining and non-mining side.

Mining Capex Appears To Be Bottoming



Source: National Australia Bank, ABS

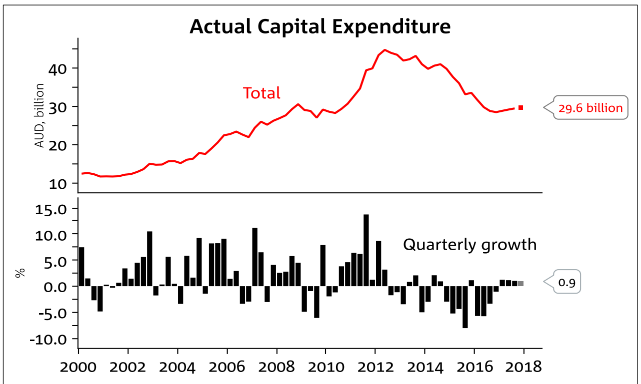
Rebound In Credit Growth, Led By Business



Source: National Australia Bank, Macrobond

Mining capex has been constrained for some time by low commodity prices and an emphasis on cost cutting by miners. However, alongside rising commodity prices,

Capex To Continue Steady Growth

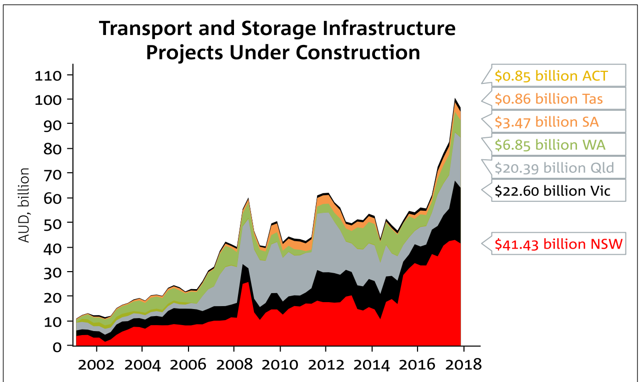


Source: National Australia Bank, ABS

miners are reported to have restarted their investment spending, including some maintenance capital expenditure they had previously been holding off on. As such, we see mining capex ticking up in the quarter, by 0.5% q/q.

On non-mining capex, NAB is expecting growth of 1.1% q/q. Non-mining capex has been growing steadily over the past year, no doubt helped by the large infrastructure pipeline. Evidence from the NAB surveys suggests that infrastructure spending and positive business sentiment is an ongoing boost to investment – NAB's expected CapEx question has been suggesting a pick-up investment.

Infrastructure Pipeline Capex



Source: National Australia Bank, Deloitte.

Turning to the private credit data released on Wednesday, the market and NAB are expecting growth of 0.4% m/m (5% y/y). Key to this expectation is a rebound in business credit growth, which survey indicators and a solid profit season are pointing towards. In household credit, we are expecting a continuation of current trends in housing and personal credit, the former of which reflects the softening in turnover in housing markets. NAB sees investor housing credit as continuing to slow this month, partly offset by a slight increase in owner-occupier credit.

US

Fed Chair Jerome Powell's first this week will be key events for markets globally. Powell's testimony on Tuesday will be carefully scrutinised for any sign of a more hawkish outlook. In particular, markets will be looking for any hint that the Fed is concerned about the US$1 trillion fiscal stimulus boosting inflation, and the possibility of 4 rate hikes this year.

Also this week, the Fed's Bullard is speaking on Monday, durable goods data is published on Tuesday, and the PCE and ISMs are released on the Thursday. Core PCE, the Fed's preferred measure of inflation, will be closely watched by markets to see the effect of stronger growth, higher oil prices and a tighter labour market on inflation. Markets will also be gauging economic strength from this week's ISMs and durable goods data.

China

Manufacturing PMIs on Wednesday (official) and Thursday (Caixin) will be the focus – markets will be watching to see how much tightening financial conditions will bite. The Chinese authorities have been reducing their lending, a policy that – coupled with a higher Chinese yuan – is expected to weigh on manufacturing though stronger global growth provides an offset. While the market expects the PMIs to be lower over February, alongside a global trend, these indicies still remain at relatively high levels.

Eurozone and UK

The first estimate of the EU February CPI will be released on Wednesday. Markets are expecting another 1% y/y print – keeping inflation well below the ECB's target. More soft inflation prints would seem to make it difficult to justify a tightening in ECB policy rates, something which some ECB members (including Weidmann who is speaking this week) have been arguing for.

PMI data will be published on Thursday for Germany, the UK and the EU. The markets are expecting modest declines in the indices, as PMIs globally have been trending lower from their peaks in late 2017.

Politically, it's worth noting next weekend, Italy goes to the polls for the general election, and the results of the vote determining whether the German coalition agreement will go ahead will be announced.

Canada

Canada's Federal budget will be delivered on Tuesday. Otherwise, a quiet week.

Japan

A quiet week – PMIs on Thursday and Tokyo CPI on Friday are worth a look.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

The NZ swap curve flattened last week, with the 2 year rate nudging up but longer-term rates falling modestly. Similar moves were seen in the US, where the 2 year Treasury yield rose 4bps to 2.24%, its highest level since 2008, whereas the 10 year rate was 1bp lower last week.

In the US, the highlight last week was the release of the minutes to the FOMC's January meeting, which noted a number of Fed officials had increased their growth forecasts since December. Since then, US wage and inflation data have surprised on the upside. US yields increased after the minutes but have since unwound those moves, likely due to profit-taking ahead of the psychologically important 3% level in 10 year Treasuries. Similarly, the 10 year NZ swap rose close to 3.30% after the minutes but is back down to 3.24%. We would be looking for opportunities to pay the long end of the NZ swap curve if we get a deeper correction in rates.

Five of the centrist FOMC participants need to raise their 2018 rate forecasts from 3 hikes to 4 hikes to raise the median 'dot' for this year, which might be too much to ask at the upcoming March meeting. The focus in the US this week will be new Chair Powell's testimonies to the House and Senate and any comments he gives about his own view on the rate outlook for this year. If Powell alludes to the potential for 4 hikes this year, US 10 year Treasuries will likely test the 2013 highs of 3.05%.

NZ longer-term rates have been moving in line with the US, but with a very low beta. As the 10 year rate rose to its highs of 2.95%, the spread between NZ and US government bonds narrowed to only 3bps, although it has widened slightly since then. The Australian 10 year bond rate is now below the US. As we discussed last week, we think the risks point to still tighter NZ-US spreads.

Locally, retail sales surprised on the upside (although in line with our forecast) but this didn't affect OCR expectations. The 2 year swap rate remains in a very tight range. Last week we recommended receiving the August meeting OIS rate at 1.775% on the basis that we see downside risks to GDP (released mid-March) and CPI over the next two quarters relative to the RBNZ's forecasts and we think the market will react asymmetrically to weaker data in an environment of low headline inflation. The hurdle for a rate cut in NZ is very high, although that doesn't mean the market might not price in some chance.

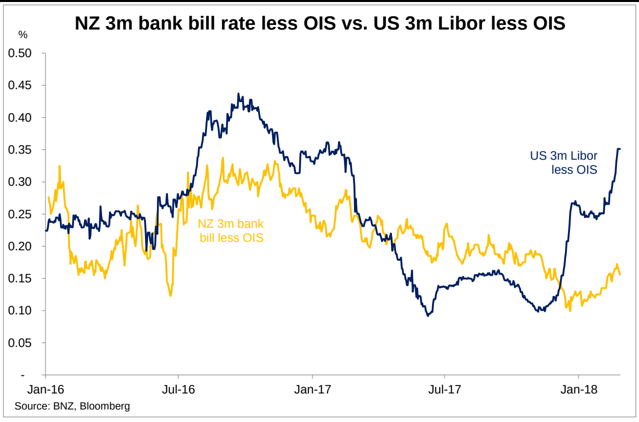
The 3 month bank bill rate edged higher mid last week to 1.93%, although it has since settled back to 1.91% today. The spread between the 3 month bank bill and 3 month OIS is now 16bps, close to its widest level since November, although still reasonably low historically. We are keeping one eye on developments here because the bank bill rate, if it keeps rising, will start putting some pressure on short dated NZ swaps, like the 2 year rate.

The drift higher in the 3 month bank bill rate appears to be driven by the sharp widening in US Libor-OIS (see chart) which in turn has put upward pressure on banks' USD commercial paper issuance levels. The reasons for the move wider in US Libor-OIS aren't fully clear, although market commentators have attributed it in part to the large increase in US Treasury bill issuance recently which has pushed up the rates of all US money market instruments (as well as Libor submissions).

The focus domestically this week is the ANZ Business Survey on Friday where we will be watching both the own activity reading as well as the inflation indicators. The rest of the data released locally this week should have limited impact on the rates market. Across the Tasman, the highlight will be the capex survey, released on Thursday.

Besides Powell's testimony, the market will be closely watching Eurozone core CPI on Wednesday. The low level of core inflation in Europe – currently 1% YoY – is the main factor restraining European bond yields and the ECB from moving faster to withdraw monetary stimulus.

NZ 3m Bank Bill-OIS Spread Has Been Moving Higher



Current Rates/Spreads and Recent Ranges

	Current	Last 3-weeks range*
NZ 90d bank bills (%)	1.91	1.89 - 1.93
NZ 2yr swap (%)	2.18	2.15 - 2.20
NZ 5yr swap (%)	2.70	2.70 - 2.76
NZ 10yr swap (%)	3.23	3.23 - 3.32
2s10s swap curve (bps)	106	106 - 115
NZ 10yr swap-govt (bps)	30	30 - 34
NZ 10yr govt (%)	2.93	2.92 - 3.02
US 10yr govt (%)	2.87	2.65 - 2.95
NZ-US 10yr (bps)	6	2 - 27
NZ-AU 2yr swap (bps)	16	11 - 17
NZ-AU 10yr govt (bps)	13	6 - 15

*Indicative range over last 3 weeks

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Foreign Exchange Markets

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The NZD was weaker last week on all the crosses, with NZD/USD and NZD/GBP down in the order of 1% and down about ½% on other key crosses. Much of the damage was done towards the end of the week, with no obvious triggers.

The selling pressure seen for the USD earlier this year has calmed down and we might well be in the midst of a period of consolidation. The USD TWI bounced off its three-year low reached mid-February, and this has seen the NZD track lower from just over the 0.74 mark to just under 0.73.

Risk appetite has recovered over the last couple of weeks, with our index rising to 67% after falling to as low as 48%. This sees our fair value model estimate drift up to just under 0.72. CFTC data shows close to neutral positioning in the NZD for speculative accounts. So overall, there's no clear guidance as to where the NZD might head over the short term based on our fair value model or positioning.

In the week ahead there are a number of local economic indicators, but none of them significant enough to materially impact the NZD. The ANZ survey on Wednesday is the pick of the bunch and is expected to show a lift in confidence from the previous depressed reading of minus 37%. Nothing should be read into this, with the recent plunge reflecting the formation of the new government late last year.

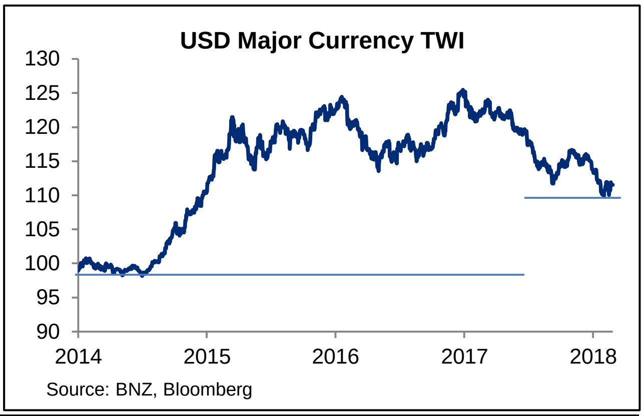
The USD is likely to remain in the driving seat. The key focus will be on new Fed Chair Powell's Congressional testimony Tuesday night NZ time. Last week's Fed minutes showed more confidence about the economic outlook and the need for further gradual rate hikes. The market will be sensitive to comments by Powell on whether the risk has risen for four, rather than three, rate hikes this year. The market currently prices 70bps of Fed hikes this year, or just under three hikes. Thursday night sees the release of the core PCE deflator for January and, if the CPI is any guide, then this should show a 0.3 m/m% increase, a lift in inflation relative to the recent run-rate.

With the focus back on US monetary policy this week, we could see further extension of the USD recovery, which could see further modest downward pressure on the NZD. The charts show some mild technical support around 0.7180, the low in February, while the 200-day moving average is closer to 0.7170.

NZD/AUD has seen some upward drift through February and reached as high as 0.9385 last week, before coming off the boil. There has been no fundamental reason for the move. Our range of short, medium and long term models put fair value squarely in a 0.90-0.94 range and we have been neutral on the cross for some time and remain so, given similar economic and monetary policy outlooks.

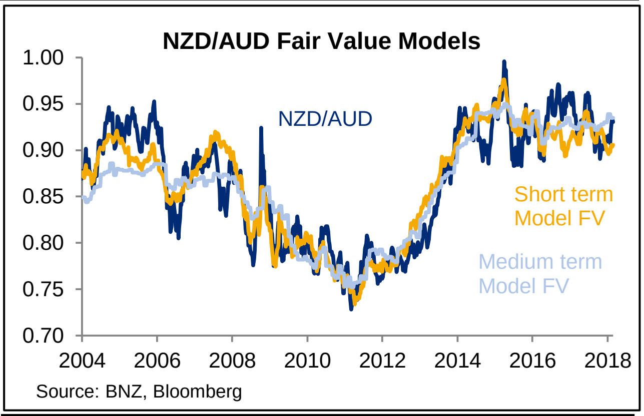
We'd put the recent drift higher in the cross as a reflection of the closing of stale long AUD/NZD positions. There is little on the economic calendar this week in both countries to drive any major changes in the cross, and we see it meandering over coming weeks.

Too Early to Call a Support Base for the USD?



Source: BNZ, Bloomberg

Range-Bound NZD/AUD Consistent with Models



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.7290	0.7180 - 0.7440
NZD/AUD	0.9298	0.9180 - 0.9390
NZD/GBP	0.5215	0.5140 - 0.5290
NZD/EUR	0.5928	0.5850 - 0.5980
NZD/JPY	77.89	77.60 - 80.60

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.7170	2%
NZD/AUD	0.9060	3%

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Technicals

NZD/USD

Outlook: Trading range

ST Resistance: 0.7440 (ahead of 0.7550)

ST Support: 0.7180 (ahead of 0.7050)

The 0.7440 mark is a key level of resistance, a level it has come close to breaching over the past five months. A break up through that opens up the 2017 high of 0.7558. Support kicks in around the February low of 0.7180.

NZD/AUD

Outlook: Trade range

ST Resistance: 0.9420 (ahead of 0.9640)

ST Support: 0.9040 (ahead of 0.8975)

Resistance near 0.9420 remains in play, with support well down at 0.9040, reflecting the upward move over recent weeks.

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NZ 5-year Swap Rate

Outlook: Higher

ST Resistance: 2.93

ST Support: 2.70

Close to support at 2.70. Trendline support comes in at 2.655 so stop through there.

NZ 2-year - 5-year Swap Spread (yield curve)

Outlook: Steeper

ST Resistance: +72

ST Support: +50

Breaking higher expect a move towards +72. Trendline support now comes in at +50.

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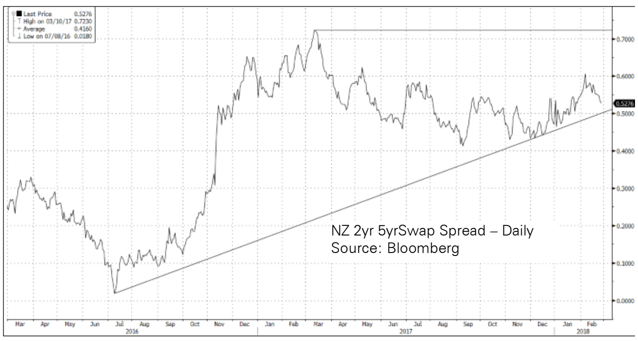

Quarterly Forecasts

Forecasts as at 26 February 2018

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
GDP (production s.a.)	0.7	0.4	0.8	1.0	0.6	0.5	0.5	0.8	1.1	0.9
Retail trade (real s.a.)	1.0	1.4	1.4	1.8	0.3	1.7	1.0	0.7	1.3	1.3
Current account (ytd, % GDP)	-2.7	-2.5	-2.9	-2.7	-2.6	-2.5	-2.4	-2.6	-2.9	-3.1
CPI (q/q)	0.3	0.4	1.0	0.0	0.5	0.1	0.3	0.3	0.7	0.2
Employment	1.1	0.9	1.0	0.0	2.2	0.5	0.6	0.5	0.5	0.5
Unemployment rate %	4.9	5.3	4.9	4.8	4.6	4.5	4.4	4.4	4.3	4.2
Avg hourly earnings (ann %)	1.6	1.1	1.1	1.2	2.0	3.1	3.2	3.0	2.8	2.6
Trading partner GDP (ann %)	3.2	3.5	3.5	3.7	4.0	3.9	4.0	3.8	3.6	3.7
CPI (y/y)	0.4	1.3	2.2	1.7	1.9	1.6	0.9	1.2	1.4	1.5
GDP (production s.a., y/y))	4.1	3.4	3.0	2.8	2.7	2.9	2.6	2.4	2.9	3.3

Interest Rates

Historical data - qtr average Forecast data - end quarter	Cash	Government Stock 90 Day Bank Bills	5 Year	10 Year	Swaps 2 Year	5 Year	10 Year	US Rates Libor 3 month	US 10 yr	Spread NZ-US Ten year
2016 Dec	1.85	2.10	2.45	2.95	2.25	2.65	3.10	0.90	2.10	0.80
2017 Mar	1.75	2.00	2.70	3.25	2.35	3.00	3.50	1.15	2.50	0.80
Jun	1.75	1.95	2.45	2.95	2.25	2.80	3.25	1.25	2.20	0.75
Sep	1.75	1.95	2.45	2.95	2.20	2.70	3.20	1.30	2.20	0.75
Dec	1.75	1.90	2.30	2.80	2.20	2.65	3.10	1.60	2.40	0.40
Forecasts										
2018 Mar	1.75	1.95	2.50	3.00	2.15	2.75	3.30	1.80	2.75	0.25
Jun	1.75	1.95	2.50	3.00	2.15	2.75	3.30	1.95	2.75	0.25
Sep	1.75	1.95	2.60	3.05	2.30	2.85	3.35	2.20	2.75	0.30
Dec	1.75	2.05	2.65	3.10	2.40	2.90	3.40	2.30	2.75	0.35
2019 Mar	2.00	2.30	2.75	3.10	2.60	3.00	3.40	2.45	2.75	0.35
Jun	2.25	2.55	2.80	3.10	2.85	3.00	3.40	2.55	2.75	0.35
Sep	2.50	2.80	3.00	3.20	3.10	3.00	3.40	2.55	2.75	0.45
Dec	2.75	3.05	3.05	3.25	3.20	3.05	3.40	2.55	2.75	0.50
2020 Mar	3.00	3.20	3.15	3.30	3.30	3.05	3.40	2.55	2.75	0.55

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.73	0.78	1.23	1.40	107
Mar-18	0.72	0.79	1.25	1.44	110
Jun-18	0.72	0.78	1.28	1.45	110
Sep-18	0.71	0.77	1.30	1.47	109
Dec-18	0.70	0.75	1.30	1.48	109
Mar-19	0.70	0.75	1.28	1.46	108
Jun-19	0.71	0.76	1.27	1.45	107
Sep-19	0.71	0.76	1.28	1.45	106
Dec-19	0.70	0.75	1.30	1.46	105
Mar-20	0.70	0.75	1.32	1.47	105
Jun-20	0.69	0.74	1.34	1.48	103

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.73	0.93	0.59	0.52	78.1	75.1
Mar-18	0.72	0.92	0.58	0.50	79.6	73.9
Jun-18	0.72	0.92	0.56	0.50	79.2	73.3
Sep-18	0.71	0.92	0.55	0.48	77.4	72.1
Dec-18	0.70	0.93	0.54	0.47	76.3	71.4
Mar-19	0.70	0.93	0.55	0.48	75.6	71.6
Jun-19	0.71	0.93	0.56	0.49	76.0	72.6
Sep-19	0.71	0.94	0.56	0.49	75.3	72.6
Dec-19	0.70	0.93	0.54	0.48	73.5	71.6
Mar-20	0.70	0.93	0.53	0.48	73.5	71.6
Jun-20	0.69	0.93	0.52	0.47	71.1	70.6
TWI Weights	14.0%	20.7%	10.3%	4.8%	6.8%	

Source for all tables: Statistics NZ, Bloomberg, Reuters, RBNZ, BNZ

Annual Forecasts

Forecasts as at 26 Febraury 2018	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019
GDP - annual average % change										
Private Consumption	3.9	5.3	3.6	3.4	2.3	3.8	5.0	4.0	3.3	2.7
Government Consumption	2.5	2.0	4.3	2.4	2.2	2.7	1.8	4.2	2.5	2.5
Total Investment	4.7	5.6	2.9	3.7	3.9	4.3	6.4	2.6	3.8	4.0
Stocks - ppts cont'n to growth	-0.3	-0.1	-0.3	0.4	0.0	-0.3	0.0	-0.2	0.2	0.0
GNE	3.5	4.7	3.2	3.8	2.7	3.2	4.7	3.6	3.6	3.0
Exports	5.6	0.7	4.4	2.4	4.1	6.9	1.6	2.5	2.9	4.0
Imports	2.0	5.1	5.4	4.4	3.6	3.7	3.4	5.8	4.6	3.9
Real Expenditure GDP	4.4	3.5	3.2	3.2	2.8	4.2	4.1	2.8	3.2	3.0
GDP (production)	**3.6**	**3.7**	**2.7**	**3.0**	**2.8**	**3.5**	**4.0**	**2.9**	**2.8**	**3.0**
GDP - annual % change (q/q)	*4.0*	*3.0*	*2.6*	*3.4*	*2.5*	*3.1*	*3.4*	*2.9*	*3.3*	*2.6*
Output Gap (ann avg, % dev)	1.0	1.3	0.8	1.1	1.1	0.8	1.3	1.0	1.0	1.1
Household Savings (% disp. income)	-1.3	-2.8	-1.8	-2.4	-2.1					
Nominal Expenditure GDP - $bn	254.7	270.0	286.0	298.2	311.7	251.0	266.0	282.3	295.0	308.3
Prices and Employment - annual % change										
CPI	0.4	2.2	0.9	1.9	2.0	0.1	1.3	1.6	1.5	2.1
Employment	2.0	5.7	3.3	2.0	1.6	1.4	5.8	3.7	2.1	1.8
Unemployment Rate %	5.2	4.9	4.4	4.4	4.4	5.0	5.3	4.5	4.2	4.4
Wages - ahote	2.5	1.1	3.2	2.8	2.7	2.5	1.1	3.1	2.6	2.8
Productivity (ann av %)	1.5	-1.9	-1.2	0.5	1.0	1.2	-0.8	-1.6	-0.2	1.1
Unit Labour Costs (ann av %)	1.3	3.9	4.3	3.2	2.1	1.5	2.7	4.2	4.0	2.0
External Balance										
Current Account - $bn	-7.3	-7.7	-6.7	-9.4	-9.1	-8.0	-6.6	-7.2	-9.3	-9.3
Current Account - % of GDP	-2.8	-2.9	-2.4	-3.2	-2.9	-3.2	-2.5	-2.5	-3.1	-3.0
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	0.7	1.5	1.0	0.9	1.6					
Net Core Crown Debt (excl NZS Fund Assets)	24.5	22.2	23.3	23.2	22.2					
Bond Programme - $bn	7.0	8.0	8.0	9.0	10.0					
Bond Programme - % of GDP	2.7	3.0	2.8	3.0	3.2					
Financial Variables (1)										
NZD/USD	0.67	0.70	0.72	0.70	0.70	0.68	0.70	0.70	0.70	0.70
USD/JPY	113	113	110	108	105	122	116	113	109	105
EUR/USD	1.11	1.07	1.25	1.28	1.32	1.09	1.05	1.18	1.30	1.30
NZD/AUD	0.90	0.92	0.92	0.93	0.93	0.93	0.96	0.91	0.93	0.93
NZD/GBP	0.47	0.57	0.50	0.48	0.48	0.45	0.56	0.52	0.47	0.48
NZD/EUR	0.61	0.66	0.58	0.55	0.53	0.62	0.67	0.59	0.54	0.54
NZD/YEN	76.2	79.1	79.6	75.6	73.5	82.1	81.6	78.7	76.3	73.5
TWI	72.2	76.5	73.9	71.6	71.6	73.4	78.1	73.6	71.4	71.6
Overnight Cash Rate (end qtr)	2.25	1.75	1.75	2.00	3.00	2.50	1.75	1.75	1.75	2.75
90-day Bank Bill Rate	2.41	1.98	1.95	2.28	3.20	2.78	2.02	1.88	2.03	3.03
5-year Govt Bond	2.40	2.70	2.50	2.75	3.15	2.95	2.75	2.30	2.65	3.05
10-year Govt Bond	2.90	3.25	3.00	3.10	3.30	3.45	3.30	2.80	3.10	3.25
2-year Swap	2.30	2.30	2.15	2.60	3.30	2.80	2.40	2.20	2.40	3.20
5-year Swap	2.60	3.00	2.75	3.00	3.40	3.15	3.00	2.65	2.90	3.30
US 10-year Bonds	1.90	2.50	2.75	2.75	2.75	2.25	2.50	2.40	2.75	2.75
NZ-US 10-year Spread	1.00	0.75	0.25	0.35	0.55	1.20	0.80	0.40	0.35	0.50

(1) *Average for the last month in the quarter*

Source for all tables: Statistics NZ, EcoWin, Bloomberg, Reuters, RBNZ, NZ Treasury, BNZ

Key Upcoming Events

	Forecast	Median	Last
Monday 26 February			
US, New Home Sales, January		648k	625k
Tuesday 27 February			
NZ, Merchandise Trade, January	-$214m	flat	+$640m
Euro, Economic Confidence, February		114.0	114.7
Germ, CPI, Feb y/y 1st est		+1.5%	+1.6%
US, Durables Orders, Jan 1st est		-2.0%	+2.8%
US, Powell Gives Semi-annual Testimony			
US, Consumer Confidence, February		126.4	125.4
US, International Goods Trade, Jan advance		-$72.5b	-$72.3b
Wednesday 28 February			
NZ, External Migration, January s.a.			+5,700
NZ, ANZ Business Survey, February			-37.8
NZ, Credit Aggregates, Jan (household y/y)			+6.0%
Aus, Private Sector Credit, January	+0.4%	+0.4%	+0.3%
China, Non-manufacturing PMI, February		55.0	55.3
China, PMI (NBS), February		51.2	51.3
Jpn, Industrial Production, Jan 1st est		-4.2%	+2.9%
Euro, CPI, Feb y/y 1st est		+1.2%	+1.3%
US, GDP, Q4 2nd est		+2.5%	+2.6%P
US, Chicago PMI, February		64.6	65.7

	Forecast	Median	Last
Thursday 1 March			
NZ, ANZ Job Ads, February			+3.1%
NZ, Terms of Trade, Q4	-1.0%	+0.5%	+0.7%
Aus, Private New Capex, Q4	+0.9%	+1.0%	+1.0%
Aus, Manufacturing PMI (AiG), February			58.7
Aus, CoreLogic HPI, February			-0.5%
China, PMI (Caixin), February		51.3	51.5
Jpn, Unemployment Rate, January		2.8%	2.8%
Jpn, Capital Spending, Q4 y/y		+3.0%	+4.2%
Euro, Unemployment Rate, January		8.6%	8.7%
UK, Markit/CIPS Manuf Survey, February		55.0	55.3
US, Construction Spending, January		+0.3%	+0.7%
US, Personal Spending, January		+0.2%	+0.4%
US, ISM Manufacturing, February		58.7	59.1
Friday 2 March			
NZ, Building Consents, January (res, #)			-9.6%
NZ, ANZ-RM Consumer Confidence,			126.9
Jpn, Household Spending, January y/y (real)		-0.4%	-0.1%
Euro, PPI, January y/y		+1.6%	+2.2%
Germ, Retail Sales, January		+0.7%	-1.9%
US, Mich Cons Confidence, Feb 2nd est		99.5	99.9P

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH & BANK BILLS				
Call	1.75	1.75	1.75	1.75
1mth	1.79	1.79	1.80	1.84
2mth	1.87	1.86	1.84	1.92
3mth	1.92	1.92	1.88	2.00
6mth	1.97	1.97	1.91	2.04
GOVERNMENT STOCK				
03/19	1.77	1.77	1.78	2.15
04/20	1.88	1.86	1.95	2.40
05/21	2.07	2.06	2.15	2.56
04/23	2.42	2.40	2.43	2.81
04/25	2.75	2.73	2.70	3.11
04/27	2.97	2.97	2.90	3.22
04/33	3.32	3.33	3.24	3.59
04/37	3.47	3.48	3.39	3.90
GLOBAL CREDIT INDICES (ITRXX)				
Australia 5Y	62	64	55	85
Nth America 5Y	55	51	47	62
Europe 5Y	56	52	43	74

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	2.18	2.17	2.18	2.33
3 years	2.36	2.37	2.38	2.56
4 years	2.54	2.55	2.56	2.77
5 years	2.70	2.72	2.72	2.94
10 years	3.24	3.27	3.25	3.44
FOREIGN EXCHANGE				
NZD/USD	0.7291	0.7372	0.7323	0.7195
NZD/AUD	0.9307	0.9317	0.9047	0.9372
NZD/JPY	77.96	78.58	79.79	81.10
NZD/EUR	0.5932	0.5941	0.5913	0.6794
NZD/GBP	0.5218	0.5266	0.5203	0.5780
NZD/CAD	0.9218	0.9260	0.9037	0.9481
TWI	75.1	75.7	74.8	78.5

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