5 March 2018

GDP Partials Dominate the Week Ahead

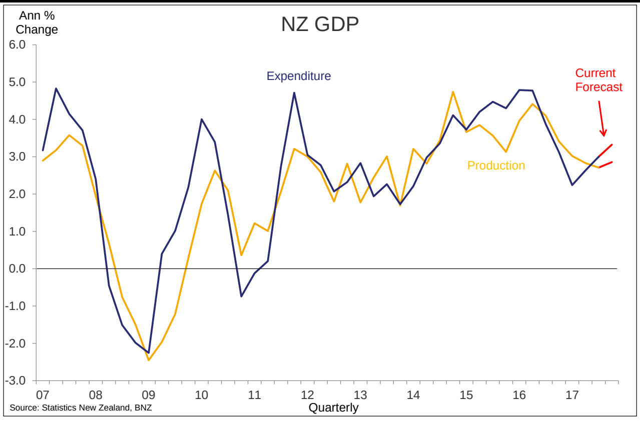
- **Manufacturing, wholesale trade and construction partials all due**
- **Good chance they portend Q4 GDP in excess of 0.5%**
- **Housing market stabilises**
- **Dairy price drop anticipated**
- **Government accounts go from strength to strength**

The week ahead will allow us to settle on our pick for Q4, 2017 GDP. At the moment we've got 0.5% penciled in for the quarter but the risks are very much skewed to the upside. The Reserve Bank plumped for 0.7% in its February MPS and this is, increasingly, looking like a good bet. But we'll wait for this week's partials before formalising our suspicions.

In that regard, Wednesday provides us further insight into 12% of GDP with the announcement of outturns for both the wholesale trade and building sectors. We have assumed that wholesale trade GDP rose 0.6% for Q4 so will be looking for supportive evidence of this in the Wholesale Trade release.

We are also projecting that the construction sector grew 1.0% in the quarter. Building Work Put in Place data will hopefully confirm this. Our instinct is that construction should be growing at a much faster pace than this but we are wary of the impact of slowing activity in Christchurch, political uncertainty, capacity constraints, and an unusually strong Q3 outturn on overall activity. There is no doubt, in our minds, that the trend for the sector is firmly positive but the potential for a measured surprise (in either direction) is high.

GDP Growth Remains Robust



We get the last piece of the GDP puzzle on Thursday with the release of the Q4 Economic Survey of Manufacturing. Manufacturing accounts for 12.5% of GDP. We are forecasting manufacturing GDP to have grown 0.7% for the quarter. We'll have to manipulate the headline manufacturing number to come up with a GDP equivalent, in particular taking into consideration the indicators of agriculture processing we get from other sources. Indeed, in part it's solid meat processing figures that will support the overall strength in the sector. Other important drivers will be the growth in supply of goods to the retail and construction sectors.

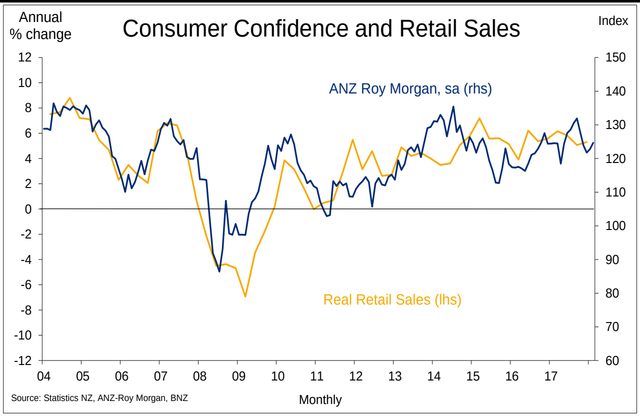
If we look at GDP from an expenditure (rather than production) angle, the above translates into strong domestic demand substantively offsetting a weak net export position. Exports are actually buoyant but import growth is superseding this thanks to the high import intensity of domestic demand.

The actual GDP release is not due until March 15. Unless this week's figures have folk pushing their estimates outside a 0.5 to 0.9% range it is doubtful that they will have any impact on markets. We'll deliver our full GDP preview next Monday.

Wednesday's GDP outturn for Australia will be an interesting point of comparison. Our Australian colleagues are picking a 0.7% increase for the quarter delivering a 2.7% annual result. Barring historical revisions, a 0.3% quarterly outturn would deliver the same annual outturn for New Zealand. Our expectation is, thus, that New Zealand will be in front on the GDP scorecard when the final results are cast. That said, we see the NZ outturn as delivering growth that is at or below New Zealand's potential growth rate (currently around 3.0%), whereas the Australian outcome is above NAB's estimate for potential there (namely 2.5%). This, in part, explains our view that the RBA ends up tightening monetary policy before the RBNZ.

A strong factor in the New Zealand economy has been the pace of consumer spending. This has been buoyed by a combination of strong employment growth, increasing real wages, asset price inflation (especially housing) and generally strong consumer confidence. With regard to confidence it has been notable that consumer confidence has remained robust right through the election ructions that have so bothered corporates.

Consumers Happy And Spending

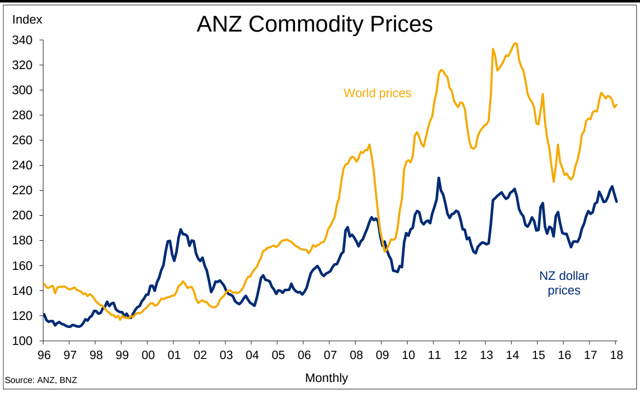


Indicative of this, Friday's ANZ Roy Morgan consumer confidence reading for February edged higher to 127.7 from 126.9 in January. At this level it remains consistent with annual real retail sales growth of 4.0%. On Friday we get Electronic Card Transactions data for February. We are looking for just a 0.1% increase for the month but are quick to point out that, given the strength in recent past data, this is sufficient to produce a 1.0% real increase in retail sales for the March quarter.

The impact of wealth gains from housing on retail spending will have moderated in line with the reduction in housing turnover and inflation. But, more recently, there have been definite signs of resurgence in turnover, and stabilization in house price inflation. We should get an update on this with QVNZ data on Wednesday and this morning Barfoots' data provided further evidence that turnover, at least, is on the up. Prices, on average, remain subdued but the average is being undermined by a compositional shift in sales towards lower-priced houses.

On an already crowded Wednesday you can add the Crown Financial Statements for the year ended January and the latest dairy price auction. The Crown's surplus is surprising to the upside as revenues reflect the strength in the domestic economy. In particular, it would appear wage growth is exceeding the pace of official figures. We expect to see more of the same with the Government's windfall gain headed towards $1.0b. This will be a huge relief for a Government which will struggle to keep its expenditure within the bands it has set itself.

Commodities Still Lofty



We are a tad nervous about Wednesday's GDT auction. The price is likely to be down. It's just a question of how much? In the first instance, all the upward drivers behind the recent past price appreciation appear to have run their course. Additionally, there is now an expectation of increased supply. This expectation was heightened when Fonterra announced it would be offering more volume than previously stated at its auctions over the coming year. An adverse reaction by the futures market to this announcement may be a harbinger of a price fall this week.

For a broader look at New Zealand's commodity mix we get ANZ's Commodity Price Index today. We're bargaining on the world price version of this index rising around 3.0% for the month. The NZD version will also be up but by a mitigated amount thanks to appreciation of the NZD across the period.

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Global Watch

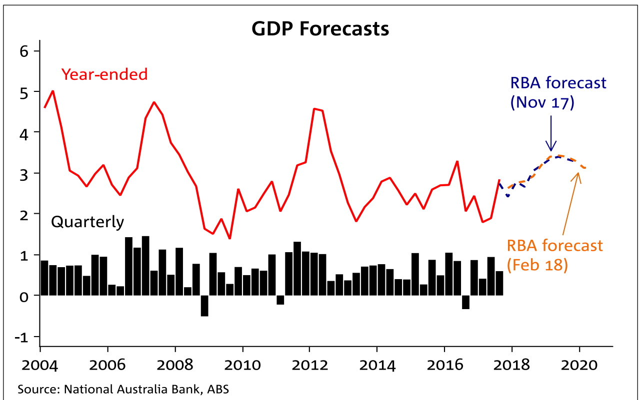
- **RBA, ECB, BoC, nor BoJ are expected to change policy at this week's meeting**
- **But commentary will be closely followed**
- **So too a host of Fed speakers**
- **And China's National People's Congress**
- **Focus on US, Canada jobs reports Friday**
- **Solid Q4 GDP expected in Australia**

Australia

A key focus point for data this week will be Q4 GDP, on Wednesday, and the GDP partials released before it. NAB expects a solid print of 0.7% q/q GDP growth, bringing annual growth to 2.7%.

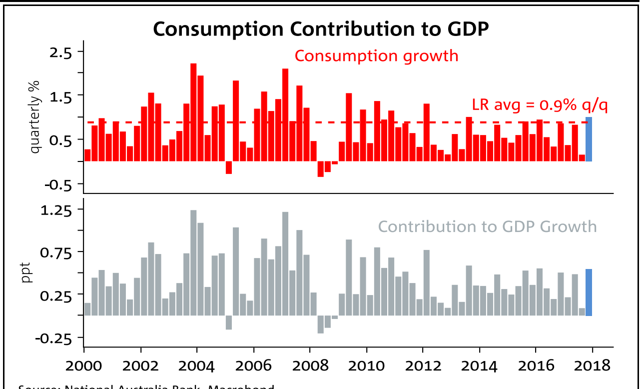
On the central bank, the RBA board meeting this Tuesday and Wednesday's speech by Governor Lowe on investment are highlights. The post-meeting statement will be examined carefully for the RBA's reaction to recent underwhelming wages data – likely to confirm that these data are showing the slow "gradual" improvement they expected.

RBA Sees GDP Growth At 3¼% By End-2018



Source: National Australia Bank, ABS

Consumption to boost Q4 GDP by 0.5 ppt

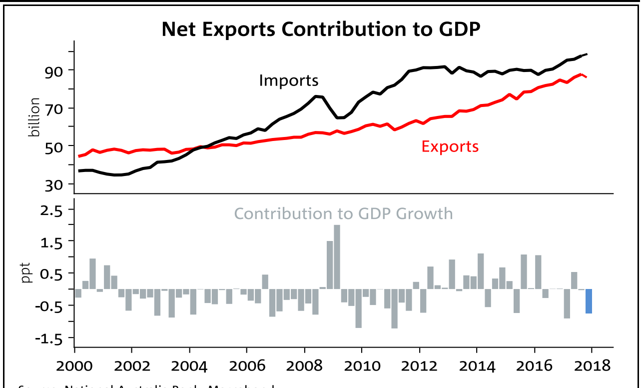


Source: National Australia Bank, Macrobond

In contrast, the RBA narrative around GDP has been much more optimistic, and increasingly confident. The RBA expects GDP to accelerate to 3¼% y/y by the end of 2018, from a current growth rate of 2¾% y/y. The growing confidence reflects signs that the drag on growth from the end of the mining investment boom has all but disappeared, with the mining states clearly on the road to recovery.

For Q4 GDP, NAB's forecast of 0.7% q/q growth relies on a pick-up in consumption growth (1.0% q/q) and solid underlying investment growth (1.4% q/q), to offset the detraction from net exports (-0.8% q/q). Consumption strength this quarter (after a weak Q3) is particularly important, with the RBA sensitive to a degree of consumer fragility. Stronger consumption growth will play to the theme that consumer spending has some resilience.

Net Exports To Detract From Growth

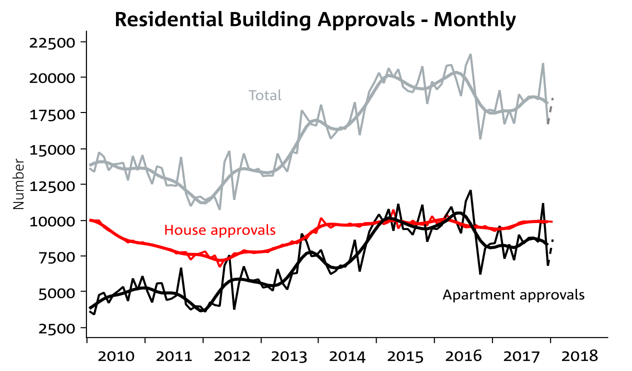


Source: National Australia Bank, Macrobond

Q4 ABS Corporate Profits (today) and the Balance of Payments (Tuesday) are due ahead of GDP. Following a strong reporting season, NAB sees corporate profits coming in at 2% q/q. In contrast, net exports is expected to be a sizeable drag on GDP – NAB expects a 0.8 ppt growth drag, coming with a current account deficit of $12.6 billion. Exports were weighed down in the December quarter by declines in rural exports, and disappointing outcomes for iron ore and metals volumes. Imports, in contrast, were strong (particularly consumption and intermediate goods), consistent with more upbeat domestic demand and higher consumer spending volumes.

Rounding out the big week, there other data releases for January. NAB's Online retail sale index (Monday) comes as a lead on Retail Sales on Tuesday, with Building Approvals (Monday) and Trade Balance (Thursday) also under focus. NAB is expecting the official data to show a rebound in Retail Sales, after a generally weak December, a partial bounce in Building Approvals and a return to a modest Trade surplus.

Building approvals to rebound



Source: National Australia Bank, ABS

US

There's a host of Fed speeches this week (Dudley, Brainard, Kaplan, Bostic and Evans), as well as the key jobs report on Friday, focus especially on earnings. Markets will use this report to re-calibrate the risk of four rate hikes this year. Markets continue to price in around 80 basis points by the end of the year.

Key items to watch in Friday's jobs data are unemployment, employment growth and, in particular, earnings. Markets are watching carefully to gauge if wages are on the up, and with them, inflation pressures.

China

The National People's Congress begins this week, running to Tuesday 20 March. On Monday, Premier Li Keqiang will be releasing China's economic growth outlook for 2018 – a key piece of economic data globally. It's likely that the narrative will be very similar to last year: reiteration of a 6.3% growth target, a continuation of the shift in China's economic drivers – from its traditional manufacturing powerhouse towards consumption-led growth.

UK

Only minor data due. Industrial production on Friday probably the focus.

Eurozone

The ECB will meet this week, on Thursday. While there's not expected to be a change in policy, market watchers will be looking out for any clarity around whether QE is to end in September or potentially left open-ended. NAB looks for a further shift in communication pointing in the direction that QE is likely to end in September.

Canada

The BoC meets on Wednesday, and the market expects no change to their policy rate. Jobs data on Friday will be watched, to test whether the trend improvement in Canada's labour market has continued, particularly after the negative jobs growth number last month.

Japan

The BoJ also meets this week, on Friday. However, it's likely to be uneventful with no change in policy expected, and no new economic forecasts are due.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

The NZ swaps curve flattened again last week, with longer-term rates falling but the 2 year swap rate rising to 2.20%, its highest level since immediately after the NZ CPI release in late January (although it remains confined to a very narrow 2.15% - 2.20% range).

The 10 year US Treasury yield is at similar levels to this time last week, 2.87%. Treasury yields initially increased after Fed Chair Powell raised speculation the Fed could raise its 2018 rate projections at the upcoming March meeting during his testimony to Congress. But Trump's announcement that he was planning import tariffs on steel and aluminium later in the week saw US equity markets fall sharply and bond yields decline in sympathy. At this stage, a global 'trade war' remains a tail risk, but given the repercussions for global growth, the market will be very sensitive to an escalation in rhetoric and any tit-for-tat measures that might follow. The bond market impact from a potential trade war is ambiguous, as it would likely be inflationary (at least in the first instance) but negative for growth and risk assets. US breakeven inflation has risen to near its highest levels in 3½ years, at 2.14%.

We view the recent pull-back in Treasury yields from the highs as mainly driven by short-covering by investors ahead of 3% rather than being fundamentally driven. Notwithstanding recent stock market volatility and the risk that trade tensions might escalate further, we continue to see upside to UST yields from here. In terms of NZ long-dated swap rates, we would consider using any further pull-back as an opportunity to add hedges. Last week we recommended implementing a 2s10s swap curve steepener (see *Trade Idea: 2s10s NZ Steepener* for more detail).

In light of the growing risk that Fed officials might lift their 'dots' in March, the non-farm payrolls report at the end of this week takes on added significance (both in terms of employment and wages). Wage growth surprised on the upside last month, with the YoY rate of average hourly earnings rising to 2.9%, its highest level since 2009. A second consecutive upside surprise to wages would add further credence to the narrative that the US labour market is starting to generate inflationary pressure and would likely intensify market speculation around the Fed's dots.

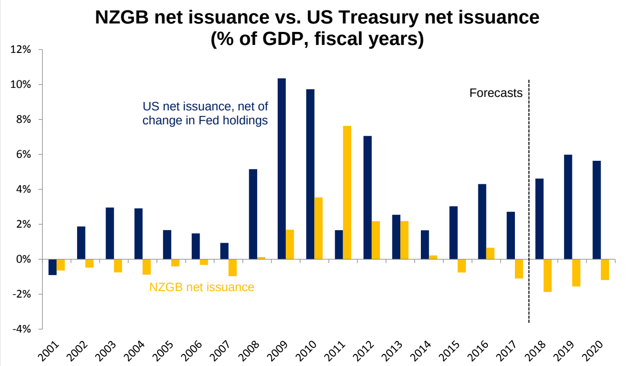
NZ bond yields widened against the US and Australia last week. The spread between the 2027 NZGB and equivalent maturity UST reached a low of only 2bps, but it has since widened to 7bps. The spread between 2027 NZGB and ACGBs has increased to 20bps, its widest level since mid-December. Although NZGB spreads to the US remain at very tight levels historically, this can be explained partly by the convergence between the OCR and the Fed Funds rate and the relative supply dynamics between NZ and the US. The chart shows that UST net issuance is expected to pick-up significantly over the coming few years whereas NZGB net issuance is forecast to be negative (which explains why NZ swap spreads are relatively wide vs. the US). Foreign selling of NZGBs remains a risk that could cause wider NZ-US spreads.

While the medium-term backdrop in NZ is one of constrained net supply of government bonds, in the more immediate term the focus is on the potential timing of the 2029 bond syndication. Longer-dated NZGB I-spreads have been widening in recent weeks, which may imply the market is starting to build-in a concession ahead of the syndication (the exact timing of which is uncertain).

NZ data releases are mainly second-tier this week and unlikely to cause much reaction in the rates market. GDP next week is the next potential domestic market mover.

In Australia, GDP is released, and the median estimate is for a 0.5% increase on the quarter and 2.5% YoY. The ECB meets on Friday morning amid speculation the central bank will revise its forward guidance on QE (i.e. it may remove its pledge to increase QE if conditions worsen, paving the way to end the programme in September). Such a change seems well anticipated by the market and the focus will probably be on what Draghi has to say about the prospect of interest rate rises.

NZGB and UST net issuance dynamics are very different



Source: RBNZ, NZDMO, SIFMA, FRBNY. Fiscal years shown (end-June for NZ, end-Sept for US). Forecasts based on Dec-17 HYEFU for NZ, FRBNY Primary Dealer Survey for US budget deficit adjusted for change in Fed hoildings of USTs and assuming US nominal GDP growth of 4.5%.

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

A risk-off mood returned last week, driving commodity currencies like the NZD lower. The initial trigger was a more hawkish interpretation of new Fed Chair Powell's comments in front of Congress. He was upbeat about the economy, with the risk of more tightening than previously projected. Later in the week President Trump indicated he would move to impose a 25% tariff on imported steel and a 10% tariff on imported aluminium, triggering a rebuke from world leaders and US domestic buyers of steel.

The NZD fell by less than 1% against the USD and EUR last week but was down closer to 2% against JPY. As the new week begins, the market will be focusing on the tariffs issue to see what develops next. Official US policy won't be released until later this week or next week and then we will have to await the response of the EU, Canada, and other regions affected. A nasty global trade war, while not our central forecast, would be negative for the NZD to the extent that we'd see a negative impact on global growth, commodity prices and risk appetite. However, we stick with our view espoused earlier this year that while trade tensions will get some headlines, the economic and market threat is more optical than real.

Price action over the past six weeks or so shows some pretty well-defined technical ranges, with key support at USD 0.7175 and resistance at USD 0.7440. The near-term threat appears to be a break of support if the negative headlines continue on global trade policy, while the top of the range is more of a later threat should the USD downward trend, evident over the past 12 months, resume. Our short-term FV estimate sits around USD 0.71, with last week's fall in risk appetite nudging fair value lower.

In addition to watching trade war developments this week, the economic calendar is full. NZ releases are second-tier in nature, with some dated data due that will firm up estimates for next week's Q4 GDP release. In tomorrow night's GDT dairy auction we expect some modest pressure to the downside for pricing.

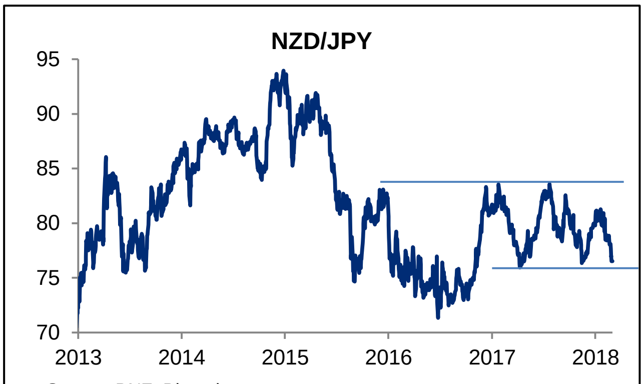
Policy meetings will be held for the RBA, BoC, ECB and BoJ. None are expected to change policy settings. Of the policy meetings, the ECB's holds the most intrigue. Policymakers are likely to discuss a small tweak in their communications but no major policy shift is expected. The pledge to possibly increase asset purchases if conditions deteriorate might well be removed. Reuters reports that concern about recent market turbulence, the strong euro and a dip in both headline and underlying inflation, suggest officials prefer waiting, perhaps as late as July, before starting to signal the end of asset purchases.

For the first time, on Friday BoJ Governor Kuroda spoke of an exit strategy for the central bank. He said that the central bank would start thinking about how to exit its unprecedented monetary stimulus around the fiscal year beginning April 2019, the same time it expects to reach its 2% inflation target. This backdrop has the potential to encourage yen strength over the coming year. Critical near-term support sits around 76 for NZD/JPY but it isn't hard to see a significant break to the downside sometime this year based on fundamental forces.

At the end of the week, the US employment report is released, where another strong payrolls figure is expected alongside a drop in the unemployment rate to 4.0%. The focus will be on average hourly earnings, where a slight dip in inflation is expected. The USD will be sensitive to any miss around these expectations. Ahead of that release, a number of Fed speakers will be on the circuit. With the market already pricing in three Fed rate hikes this year, there will be focus on comments that might lead to a move towards four hikes instead.

Elsewhere on the calendar, Australian GDP and retail sales data will be of some passing interest.

Support Threatened



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.7247	0.7190 - 0.7440
NZD/AUD	0.9324	0.9230 - 0.9390
NZD/GBP	0.5246	0.5190 - 0.5290
NZD/EUR	0.5866	0.5860 - 0.5980
NZD/JPY	76.43	76.20 - 79.30

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.7090	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: 0.7175 (ahead of 0.7050)

There are some well-defined support and resistance levels at 0.7175 and a 7440, given trading behaviour over the past six weeks. A break up through 0.7440 would open up the 2017 high of 0.7558. Support of 0.7175 almost happens to coincide with the 200-day moving average.

NZD/AUD

Outlook: Trading 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 since early February.

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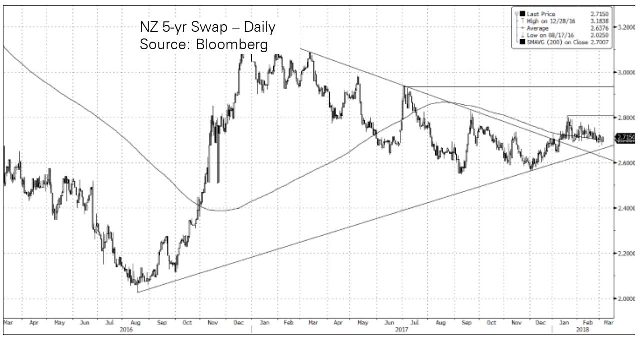
NZ 5-year Swap Rate

Outlook: Higher

ST Resistance: 2.93

ST Support: 2.66

Still failing to break out. I expect trendline support at 2.66 will hold and we move higher to 2.80 en route 2.93.



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

Outlook: Steeper

ST Resistance: +72

ST Support: +50

We have moved back down to support at 2.50. Although we expect this to hold, place a tight stop on a close through +50.

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Quarterly Forecasts

Forecasts as at 5 March 2018

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts (shaded)

	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	-2.6	-2.4	-2.5	-2.9	-3.2
CPI (q/q)	0.3	0.4	1.0	0.0	0.5	0.1	0.3	0.4	0.7	0.1
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	1.3	1.5	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	3.00	0.00
Jun	1.75	1.95	2.55	3.05	2.15	2.80	3.35	1.95	3.00	0.05
Sep	1.75	1.95	2.65	3.15	2.30	2.90	3.45	2.20	3.00	0.15
Dec	1.75	2.05	2.80	3.30	2.40	3.05	3.60	2.30	3.00	0.30
2019 Mar	2.00	2.30	2.90	3.35	2.60	3.15	3.65	2.45	3.00	0.35
Jun	2.25	2.55	3.00	3.35	2.85	3.15	3.65	2.55	3.00	0.35
Sep	2.50	2.80	3.20	3.50	3.10	3.15	3.65	2.55	3.00	0.50
Dec	2.75	3.05	3.25	3.50	3.20	3.25	3.65	2.55	3.00	0.50
2020 Mar	3.00	3.20	3.30	3.55	3.30	3.25	3.65	2.55	3.00	0.55

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.72	0.78	1.23	1.38	106
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	0.72	0.93	0.59	0.52	76.5	74.7
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	72.5
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	71.5
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 5 March 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	3.9	4.8	3.9	4.3	6.4	3.2	5.3	4.0
Stocks - ppts cont'n to growth	-0.3	-0.1	-0.3	0.4	0.0	-0.3	0.0	-0.1	0.2	0.0
GNE	3.5	4.7	3.5	4.0	2.7	3.2	4.7	3.7	4.0	3.0
Exports	5.6	0.7	5.1	2.7	4.2	6.9	1.6	3.0	3.3	4.1
Imports	2.0	5.1	7.1	5.7	3.6	3.7	3.4	6.8	6.7	3.9
Real Expenditure GDP	4.4	3.5	3.1	3.1	2.8	4.2	4.1	2.8	3.1	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	-6.9	-9.9	-10.4	-8.0	-6.6	-7.4	-9.5	-10.5
Current Account - % of GDP	-2.8	-2.9	-2.4	-3.3	-3.3	-3.2	-2.5	-2.6	-3.2	-3.4
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	71.5	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	2.90	3.30	2.95	2.75	2.30	2.80	3.25
10-year Govt Bond	2.90	3.25	3.00	3.35	3.55	3.45	3.30	2.80	3.30	3.50
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	3.15	3.55	3.15	3.00	2.65	3.05	3.50
US 10-year Bonds	1.90	2.50	3.00	3.00	3.00	2.25	2.50	2.40	3.00	3.00
NZ-US 10-year Spread	1.00	0.75	0.00	0.35	0.55	1.20	0.80	0.40	0.30	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 5 March			
NZ, ANZ Comdty Prices (world), February			+0.7%
Aus, Company Profits, Q4	+2.0%	+1.5%	-0.2%
Aus, Building Approvals, January	+11.0%	+5.0%	-20.0%
Aus, ANZ Job Ads, February			+6.2%
China, Services PMI (Caixin), February		54.3	54.7
Euro, Retail Sales, January		-0.1%	-1.1%
UK, Markit/CIPS Services, February		53.3	53.0
US, ISM Non-Manuf, February		59.0	59.9
Tuesday 6 March			
Aus, BOP Goods & Services, Q4 pre	-0.8ppts	-0.5ppts	+0.0ppts
Aus, Retail Trade, January	+0.4%	+0.4%	-0.5%
Aus, RBA Policy Announcement	1.50%	1.50%	1.50%
UK, BOE's Haldane Speaks			
US, Factory Orders, January		-1.3%	+1.7%
Wednesday 7 March			
NZ, Build Work Put In Place, Q4 vol s.a.	+1.0%		+2.7%
NZ, Wholesale Trade, Q4 ($) s.a.	+2.0%		+1.1%
NZ, Crown Financial Statements, 7m-ended-Jan 2018			
NZ, Dairy Auction, GDT Price Index			-0.5%
NZ, QVNZ House Prices, February y/y			+6.4%
Aus, Lowe Speaks, Topic: Investment			

	Forecast	Median	Last
Wednesday 7 March...*continued*			
Aus, GDP, Q4	+0.7%	+0.5%	+0.6%
Euro, GDP, Q4 3rd estimate		+0.6%	+0.6%P
US, ADP Employment, February		+200k	+234k
US, International Trade, January		-$55.0b	-$53.1b
US, Beige Book			
Can, BOC Policy Announcement			1.25%
Thursday 8 March			
NZ, Manufacturing Sales, Q4 vol s.a.			+0.3%
Aus, International Trade, January	+$0.2b	+$0.2b	-$1.4b
China, Trade Balance, February		-CNY70.4b	+CNY136b
Jpn, GDP, Q4 2nd est		+0.2%	+0.1%P
Euro, ECB Policy Announcement, Refi	0.00%	0.00%	0.00%
Germ, Factory Orders, January		-1.6%	+3.8%
Friday 9 March			
NZ, Electronic Card Transactions, February	+0.1%	+0.1%	+0.6%
China, CPI, February y/y		+2.4%	+1.5%
Jpn, Household Spending, January y/y (real)		-0.8%	-0.1%
Jpn, BOJ Policy Announcement, Policy Rate		-0.1%	-0.1%
Germ, Industrial Production, January		+0.6%	-0.6%
UK, Industrial Production, January		+1.5%	-1.3%
US, Non-Farm Payrolls, February		+205k	+200k

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	1.85
2mth	1.85	1.85	1.85	1.92
3mth	1.90	1.92	1.89	1.99
6mth	1.96	1.96	1.92	2.04
GOVERNMENT STOCK				
03/19	1.77	1.77	1.78	2.18
04/20	1.89	1.87	1.94	2.42
05/21	2.07	2.05	2.13	2.59
04/23	2.39	2.39	2.45	2.87
04/25	2.71	2.71	2.76	3.17
04/27	2.92	2.92	2.98	3.30
04/33	3.28	3.27	3.34	3.69
04/37	3.43	3.42	3.50	3.95
GLOBAL CREDIT INDICES (ITRXX)				
Australia 5Y	60	59	59	83
Nth America 5Y	56	53	56	61
Europe 5Y	55	53	47	71

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	2.20	2.17	2.18	2.35
3 years	2.38	2.36	2.40	2.61
4 years	2.55	2.54	2.59	2.83
5 years	2.71	2.70	2.76	3.02
10 years	3.21	3.22	3.32	3.55
FOREIGN EXCHANGE				
NZD/USD	0.7247	0.7303	0.7265	0.6994
NZD/AUD	0.9327	0.9297	0.9222	0.9227
NZD/JPY	76.47	78.09	79.24	79.66
NZD/EUR	0.5868	0.5929	0.5875	0.6610
NZD/GBP	0.5248	0.5229	0.5204	0.5716
NZD/CAD	0.9345	0.9261	0.9109	0.9380
TWI	74.7	75.3	74.9	77.0

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