

23 July 2018



Trading Places

- **June's trade data to assist Q2 GDP picture**
- **But a net drag on the annual current account**
- **Consumer confidence aided by 1 July handouts?**
- **June's residential lending data due Wednesday**
- **RBNZ forecasts infer sub-neutral rates for years**

With a relatively quiet data week in prospect, there will be more time to delve into the leading event – Wednesday's merchandise trade report for June. We expect this will affirm the idea of a sizable bounce-back in net export volumes in the June quarter (good for GDP), but also a slight drag on the annual current account.

On the trade volume side, we've seen enough in the merchandise trade figures to May to infer a bounce-back in exports in Q2. The June, and June-quarter, data presented by Statistics NZ on Wednesday will help us gauge the extent of it.

We certainly expect meat and dairy export volumes to post strong expansions in the June quarter, after their respective, largely weather-related, stutters in the March quarter. These are planks to the 0.8% increase we estimate for Q2 GDP.

On the imports side, we anticipate June's merchandise figures to uphold the idea of ongoing robust expansion in real terms. Just bear in mind the potential for the value of June's imports to benefit from a rebound in oil, after their unusually weak tonnages in May. Excluding oil, we reckon goods imports in June will be up about 9% on a year ago. Or 11% higher when including oil.

This, along with 8% annual growth in merchandise exports, would generate a monthly trade surplus of \$129m (compared to market expectations of a \$200m surplus). Of course, the trade balance is seasonally flattered this time of year. So it's better to compare to the \$243m surplus of June 2017, to get a sense of slight slippage in the annual trade balance, further into deficit.

How can this be, when commodity export prices remain broadly strong, and export volumes appear to be recovering from a wobbly Q1? Well, concurrently, import volumes are still increasing. And commodity import prices, notably for oil, have become a weight on the terms of trade and thus the external accounts. Still, with the current account deficit simply eyeing 2.9% of GDP, for the year to June 2018, it's nothing concerning at this stage.

Encouraging re Q2

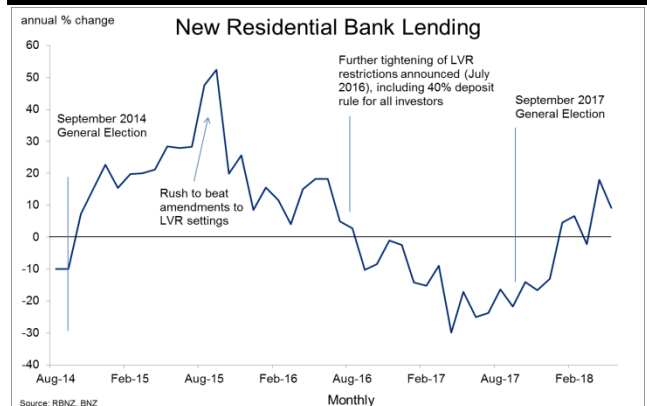


Wednesday afternoon sees the June data on new residential bank lending. Will an underlying pick-up continue to show, from the 9% annual growth it posted in May? It's hard to know, with the housing data not obviously strong, or weak, in June.

For more direct insight into how New Zealand households are feeling, there is July's ANZ-RM consumer confidence survey to note. This is due Friday morning. This measure of sentiment has wobbled down to about average over the last nine months or so, having been quite strong around the time of last year's election. Will we see a bounce this month, as the various government handouts to (selected) households, which began 1 July, begin to work some magic?

That's about it for the regular market data. For the dedicated eco data geeks out there, note that Wednesday

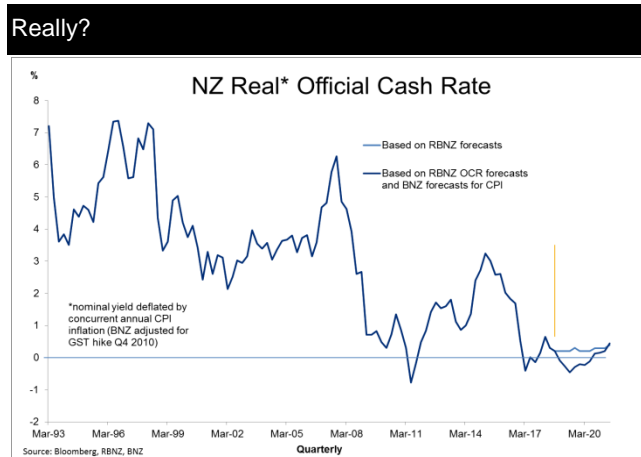
Mildly Positive



also sees the release of the Q2 working-age population estimate. This could have a rounding effect on our 4.4% estimate of the unemployment rate for Q2, as per the Household Labour Force Survey (due 1 August).

Also this week, there will be Q2 updates for the household living-costs price indexes Thursday, along with the new property transfer statistics, Friday.

Finally, however, we hyperlink to the thought piece we put out last Thursday, entitled "[Can We Really Be Headed to Negative Rates?](#)" It makes the point that recent RBNZ forecasts infer a near-zero cash rate, in real terms, right out to the year 2021. This is (persistently) below the Bank's own judgment of what the neutral real cash rate is, i.e. something more in the vicinity of 1.50% (or 3.50% nominal). These things are even harder to reconcile when realizing the RBNZ is forecasting a positive output gap.



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Global Watch

- **Trump/Juncker to discuss proposed tariffs**
- **WTO to discuss US-China trade issues**
- **Strong US GDP expected, out Friday**
- **PMIs due in US, EU and Japan; IFO in Germany**
- **ECB meeting expected to be non-event**
- **BoE's Broadbent to speak Monday**
- **AU CPI to be closely watched Wednesday**

Australia

The all-important Q2 CPI is the focus for Australian market watchers this week. NAB expects the June quarter to reveal headline CPI growth of 0.5% q/q and 2.3% y/y (mkt: 0.5% q/q, 2.2% y/y) and trimmed mean inflation of 0.5% q/q and 1.9% y/y (at consensus). The other measure of core inflation, the weighted median, is expected to be 0.4% q/q and 1.8% y/y (at consensus).

Chart 1: Core inflation expected to lift only gradually

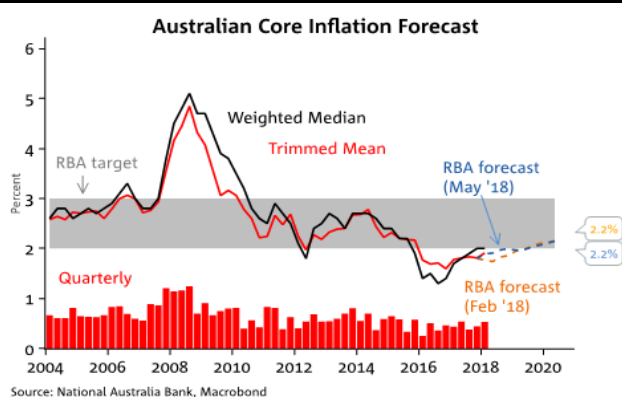


Table 1: Headline inflation to lift, core to remain steady

Table 1: Consumer Price Index Forecasts					Expectations NAB Jun-18
	Jun-17	Sep-17	Dec-17	Mar-18	
Headline CPI					
CPI - NSA					
%q/q	0.2	0.6	0.6	0.4	0.5
%y/y	1.9	1.8	1.9	1.9	2.3
Core Measures					
Trimmed Mean					
%q/q	0.5	0.4	0.4	0.5	0.5
%y/y	1.8	1.8	1.8	1.9	1.9
Weighted median					
%q/q	0.6	0.4	0.5	0.5	0.4
%y/y	1.8	1.9	2.0	2.0	1.8

Source: National Australia Bank, ABS

Elsewhere, NAB's Q2 Commercial Property Survey and Q2 SME Business Survey are published on Wednesday and Thursday, respectively. Also on Thursday, International Trade Prices – an input into net exports estimates for Q2 GDP, is released.

Both our top-down and bottom-up approaches support our call of 0.5% q/q growth for both headline CPI and trimmed mean inflation in the June quarter – generally a softer quarter for headline CPI due to the absence of utility price hikes and education fees.

Key to our expectations for Q2 CPI is the oil price. Retail fuel prices have risen considerably over the June quarter and our models point to a +7% q/q increase in automotive fuel CPI. The solid increase in fuel prices is expected to contribute a notable 0.2ppt to headline CPI growth of 0.5% over the quarter.

Higher oil prices also feed into our expectations for core CPI –through its indirect impact on other core inflation components. Our top-down modelling of core CPI suggests a 0.55% q/q print for trimmed mean inflation as higher fuel prices and a slight lift in rents are partly offset by the lagged headline CPI. Taken in combination with our bottom-up modelling, we are happy with a 0.5% q/q call, with slight upside risk.

Regardless, we don't see Q2 inflation as significantly changing the RBA's outlook for inflation. Rises of 0.4/0.5% q/q in the core measures of CPI are in line with the RBA's current forecast track. While a small upside surprise would be welcome, any downside surprise would likely just keep the RBA on hold – which seems to be the Bank's current plan as they wait for a meaningful decline in unemployment, and a lift in wages.

Global

The EU's Juncker meets President Trump (25-26 July) to ward off a mooted 20% tariff on EU car exports to the US. The World Trade Organisation also meets to discuss US-China trade issues (26-27 July).

Eurozone

A big week with Flash PMIs on Tuesday, Trump/Juncker tariff meeting on Wednesday and the ECB on Thursday. The Trump/Juncker meeting is the most market sensitive with the EU seeking to avoid a mooted 20% tariff on its car exports to the US. Pre-meeting posturing has been strong with Trump warning of "great retribution" if a deal cannot be made. The PMIs and German IFO will be watched to see whether trade tensions are impacting on manufacturing and whether services activity continues to bounce. The ECB meeting while expected to be a non-event may contain some clarity over the ECB's reinvestment policy and on differing interpretations of what holding rates "through the summer of 2019" means for the timing of the first rate hike. Europe also starts its summer holiday season where liquidity/volumes can become thin.

China

No data releases this week, but markets will continue watching the Yuan fix to see if Chinese authorities will further weaken their currency.

US

Focus shifts back to the data this week with Q2 GDP on Friday likely to be very strong; the Atlanta Fed's GDP Now pegs Q2 GDP at 4.5% annualised up from the 2% annualised pace in Q1. Other data includes the Markit PMIs on Tuesday and Durable Goods Orders on Thursday. There are no Fed speakers given the Fed goes into lockdown ahead of the FOMC meeting next week. Trade is also likely to be a major focus given the Trump/Juncker meeting on Wednesday.

Japan

Nikkei Manufacturing PMI on Tuesday has been trending lower over 2018, but remains at high levels – much like other global PMIs.

UK

The Parliamentary Summer Recess starts after Tuesday, providing six weeks of much needed relief to PM May (note Parliament resumes on 4 September; Brexit negotiations will also continue in the background). Datavise, it is a sparse calendar with only the CBI Business Survey on Tuesday. Focus instead will be on Monday's speech by the BoE's Broadbent and whether he gives the nod to an August rate hike. Markets are still pricing an 82% chance of a hike, though there still remains some uncertainty given the weaker than expected June CPI and Retail Sales results.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ rates are broadly unchanged from this time last week. NZ Q2 CPI was slightly below market expectations, but market fears of a very weak headline number proved unfounded. The big surprise was the increase in the RBNZ's Sectoral Factor Model (SFM) of core inflation, one of its preferred measures of underlying inflation. After revisions, the SFM shows core inflation rising from 1.4% in Q3 last year to 1.7% now.

After the CPI data, the market all but eliminated the small chance of RBNZ easing previously priced into the short-end of the OIS curve. OCR expectations further out haven't changed much however, and the market fully-prices the first RBNZ rate rise for November next year with the next subsequent hike priced in a year later (see chart).

We don't think the SFM upside surprise was a game-changer for the RBNZ or the NZ rates market; the central case is still that the RBNZ is on hold for quite some time. But in our view it has changed the balance of risks around that central case (more in favour of hikes rather than cuts) and we think there is scope for short-dated swap rates to go somewhat higher from here. We also suspect the market was positioned long NZ rates ahead of the CPI release (given the risk of a low headline reading), and unwinds of those positions could further lift short-dated swap rates.

Offshore, yields have remained confined to exceptionally tight trading ranges. The 10 year US Treasury yield has traded a 9bp range over the past month. Measures of implied interest rate volatility remain at very low levels. The low volatility in US rates has been mirrored in New Zealand long-term rates – the 10 year swap has traded a 10bp range over the past month.

President Trump's comments last week, where he said he was "not happy" with Fed rate rises, led to a steepening in the US curve on Friday. Tellingly though, market expectations for the Fed barely changed, implying the market doesn't think the President's comments will affect the Fed's interest rate decisions.

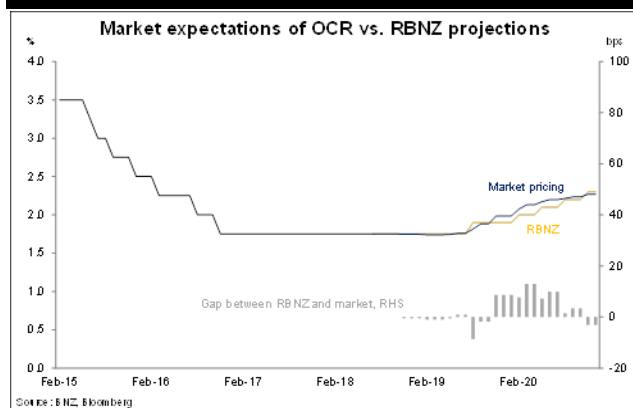
Before Trump's Twitter intervention, Fed Chair Powell delivered his semi-annual testimony to the Senate and House where he reiterated that a gradual tightening path remained appropriate "for now." The growing consensus is that the Fed will tighten twice more this year (barring a shock) with interest rate decisions likely to be more data-dependent in 2019. Consistent with this, the Fed has said it will hold press conferences at every meeting next year, giving them more flexibility to move rates outside of the quarterly cycle. Powell did make a few slightly dovish remarks, saying the Fed was still "slightly more worried about lower inflation" and "we're close to full

employment, maybe not quite there" – a surprising remark in light of the US unemployment rate sitting at 4%.

There's no major NZ data in the week ahead so the focus will be offshore. On Wednesday, Australian CPI is released with NAB in line with the market looking for a 0.5% increase in both headline and core measures of inflation in Q2. Q2 US GDP is the data highlight in the US, released on Friday.

The ECB meets on Thursday night, although no major policy announcements are expected. The more interesting central bank meeting will be the BoJ next week amidst reports that the central bank is considering tweaks to its Yield Curve Control policy to allow for a more natural rise in longer-term rates. According to the reports, any potential changes would be considered in order to make its policy more sustainable (as opposed to a tightening of policy). Japanese investors are major owners of global fixed income and any changes to the BoJ's policy which might encourage these investors to switch back to JGBs would almost certainly cause yields offshore, including NZ, to rise.

The market has eliminated the small chance of rate cuts



Current Rates/Spreads and Recent Ranges			
	Current	Last 3-weeks range*	
NZ 90d bank bills (%)	1.92	1.92	- 1.99
NZ 2yr swap (%)	2.16	2.13	- 2.20
NZ 5yr swap (%)	2.56	2.52	- 2.59
NZ 10yr swap (%)	3.03	2.98	- 3.08
2s10s swap curve (bps)	87	85	- 91
NZ 10yr swap-govt (bps)	21	18	- 23
NZ 10yr govt (%)	2.82	2.76	- 2.88
US 10yr govt (%)	2.89	2.81	- 2.90
NZ-US 10yr (bps)	-7	-9	- 2
NZ-AU 2yr swap (bps)	3	3	- 11
NZ-AU 10yr govt (bps)	20	17	- 24

*Indicative range over last 3 weeks

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Foreign Exchange Markets

Reuters pg BNZFWDS Bloomberg pg BNZ9

The DXY made new highs for the year last week, before ending the week slightly lower after President Trump said he was "not happy" about the Fed raising rates and subsequently accused the EU and China of manipulating their currencies. Trump's preference for a weaker USD was already widely suspected, but last week marked the first time he has taken aim at his own central bank for raising interest rates, which he said put the US at a competitive disadvantage.

We don't think Trump can do much in practical terms to weaken the USD, although his comments affect market sentiment and have probably helped establish a near-term top in the USD. CFTC data, reflecting market positioning as of last Tuesday, showed speculative investors held their largest net long USD position in aggregate since early 2017 (see chart). So Trump's comments likely led to some position liquidation.

In terms of the Fed, the market understands the Fed is an independent central bank, and is highly unlikely to be swayed from hiking by political pressure. Fed Chair Powell said last week that a gradual tightening path was still the best way forward, at least "for now". Barring a shock, the Fed is likely to hike twice more this year, bringing the Fed funds rate to 2.5%. But the growing consensus is that Fed policy next year will be more data-dependent and a pause in the interest rate cycle is likely if economic activity slows or inflation doesn't pick up further. When the market senses the US interest rate cycle might be nearing an end, the USD will likely start a down-trend, but that still seems some way off.

The CNY fell over a percent last week, with USD/CNY breaching previous resistance at 6.70 to close the week around 6.77. China announced further policy easing measures last week, aimed at encouraging more lending by major institutions (to offset the slowdown in lending from the shadow banking sector). The divergence between US and Chinese monetary policy has contributed to a rising USD/CNY, although some participants worry that China's decision to ease policy reveals the economy is slowing more quickly than official statistics suggest.

The weakness in the CNY last week pushed the NZD down to a low of 0.6714 on Thursday morning, but Trump's intervention subsequently saw it end the week above 0.68. The key event last week for the NZD was the surprise increase in the RBNZ's sectoral factor model (SFM) of core inflation. After revisions, the SFM now shows an increase from 1.4% in Q3 last year to 1.7% currently – still below target but now heading in the right direction. The NZD was the second best performing currency last week and rose on all of the crosses, with the exception of NZD/JPY.

Technically, the NZD continues to consolidate above support between 0.6690 and 0.6710. With NZ core inflation leading the market to eliminate the small chance of RBNZ rate cuts, NZD positioning still short, and Trump having likely established a short-term top in the USD, the NZD can probably make further gains in the near-term. Movements in the CNY will also be important to the NZD.

There is little domestic data in the week ahead, so the NZD will be driven by offshore developments. US GDP is released on Friday, with consensus for a 4.3% annualized increase in Q2. The European flash PMIs are released on Tuesday ahead of the ECB meeting on Thursday (no major policy announcements expected). Headlines on Brexit will undoubtedly continue this week, with both the UK and EU stepping up warnings in the event no deal can be reached between the two sides. While we ultimately expect common sense to prevail, it's hard to see a compromise being reached any time soon and the political backdrop will remain a headwind for the GBP for some time. Closer to home, Australian CPI is released on Wednesday.



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6799	0.6710 - 0.6860
NZD/AUD	0.9162	0.9100 - 0.9210
NZD/GBP	0.5178	0.5100 - 0.5210
NZD/EUR	0.5797	0.5750 - 0.5840
NZD/JPY	75.73	74.10 - 76.90

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.7070	-4%
NZD/AUD	0.9140	0%

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Technicals

NZD/USD

Outlook: Trading range
 ST Resistance: 0.6860 (ahead of 0.7050)
 ST Support: 0.6690 (ahead of 0.6575)

A fresh 2-year low was reached two weeks ago of 0.6688, and we see the NZD as consolidating above this support level. Initial resistance comes in at last week's highs of 0.6860.



NZD/AUD

Outlook:
 ST Resistance: 0.9215 (ahead of 0.9400)
 ST Support: 0.9030 (ahead of 0.8975)

Tightly range-bound. The year-to-date lows of 0.9030 should provide near-term support. Near-term resistance is at 0.9215, and above that 0.9400.

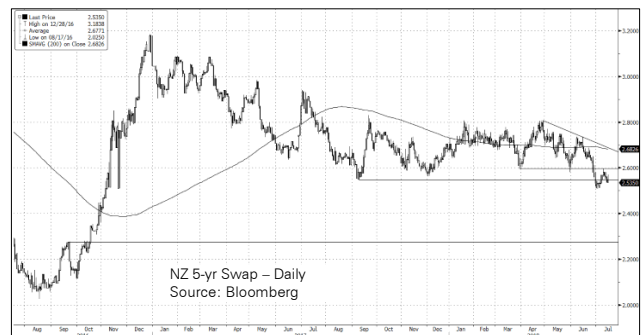
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NZ 5-year Swap Rate

Outlook: Lower
 ST Resistance: 2.60
 ST Support: 2.275

2.51 is proving a difficult level to get through. Stay invested stop through 2.60

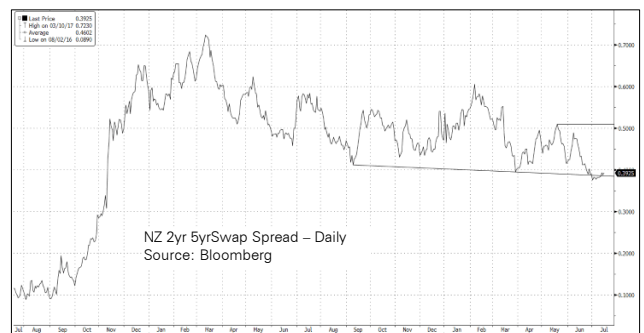


NZ 2-year - 5-year Swap Spread (yield curve)

Outlook: Neutral
 ST Resistance: +51
 ST Support: +38.5

Still not breaking lower so stay neutral until close below +38

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Quarterly Forecasts

Forecasts as at 23 July 2018

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
GDP (production s.a.)	0.8	0.9	0.6	0.6	0.5	0.8	1.0	0.9	0.5	0.7
Retail trade (real s.a.)	1.5	1.8	0.3	1.4	0.1	0.2	1.2	1.2	0.7	0.6
Current account (ytd, % GDP)	-2.6	-2.6	-2.5	-2.7	-2.8	-2.9	-3.2	-3.1	-2.7	-2.7
CPI (q/q)	1.0	0.0	0.5	0.1	0.5	0.4	0.6	0.4	0.7	0.6
Employment	1.1	-0.1	2.2	0.4	0.6	0.5	0.5	0.6	0.6	0.5
Unemployment rate %	4.9	4.8	4.6	4.5	4.4	4.4	4.4	4.3	4.2	4.3
Avg hourly earnings (ann %)	1.1	1.2	2.0	3.1	4.0	4.1	4.0	4.1	3.9	3.8
Trading partner GDP (ann %)	3.5	3.7	4.0	3.9	4.0	3.9	3.7	3.8	3.7	3.7
CPI (y/y)	2.2	1.7	1.9	1.6	1.1	1.7	1.9	2.2	2.4	2.3
GDP (production s.a., y/y)	3.0	2.8	2.6	2.9	2.7	2.6	3.0	3.3	3.3	3.2

Interest Rates

Historical data - qtr average

Forecast data - end quarter

	Cash	Government Stock			Swaps			US Rates		Spread
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	Libor	US 10 yr	NZ-US
		Bank Bills						3 month		Ten year
2017 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	2.35	2.90	2.20	2.65	3.15	1.60	2.40	0.40
2018 Mar	1.75	1.90	2.40	2.95	2.20	2.70	3.20	2.20	2.85	0.10
Jun	1.75	2.00	2.30	2.85	2.25	2.65	3.15	2.35	2.90	-0.06
Forecasts										
Sep	1.75	2.00	2.45	2.95	2.25	2.75	3.25	2.30	3.10	-0.15
Dec	1.75	2.00	2.60	3.10	2.40	2.90	3.40	2.55	3.25	-0.15
2019 Mar	1.75	2.10	2.70	3.20	2.55	3.00	3.50	2.75	3.25	-0.05
Jun	2.00	2.35	3.00	3.45	2.85	3.00	3.50	3.10	3.50	-0.05
Sep	2.25	2.60	3.20	3.60	3.10	3.00	3.50	3.35	3.50	0.10
Dec	2.50	2.85	3.35	3.70	3.35	3.30	3.75	3.35	3.50	0.20
2020 Mar	2.75	3.10	3.45	3.80	3.50	3.30	3.75	3.10	3.50	0.30
Jun	3.00	3.25	3.60	3.80	3.50	3.30	3.75	3.10	3.50	0.40
Sep	3.00	3.25	3.60	3.80	3.50	3.50	3.90	3.10	3.50	0.40

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.68	0.74	1.17	1.31	111
Sep-18	0.69	0.73	1.15	1.32	109
Dec-18	0.70	0.75	1.18	1.38	110
Mar-19	0.70	0.75	1.22	1.45	108
Jun-19	0.71	0.75	1.22	1.47	106
Sep-19	0.71	0.75	1.25	1.53	104
Dec-19	0.70	0.75	1.30	1.55	102
Mar-20	0.70	0.75	1.32	1.55	100
Jun-20	0.69	0.74	1.34	1.57	99
Sep-20	0.69	0.74	1.36	1.60	98
Dec-20	0.68	0.73	1.38	1.60	98

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.68	0.92	0.58	0.52	75.8	73.4
Sep-18	0.69	0.94	0.60	0.52	74.7	73.4
Dec-18	0.70	0.93	0.59	0.51	77.0	73.8
Mar-19	0.70	0.93	0.57	0.48	75.6	72.6
Jun-19	0.71	0.94	0.58	0.48	75.3	73.2
Sep-19	0.71	0.94	0.57	0.46	73.8	72.8
Dec-19	0.70	0.93	0.54	0.45	71.4	71.5
Mar-20	0.70	0.93	0.53	0.45	70.0	71.3
Jun-20	0.69	0.93	0.52	0.44	68.3	70.3
Sep-20	0.69	0.93	0.51	0.43	67.6	70.1
Dec-20	0.68	0.93	0.49	0.43	66.6	69.3

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 23 July 2018	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2017	2018	2019	2020	2021	2016	2017	2018	2019	2020
GDP - annual average % change										
Private Consumption	5.5	3.8	2.9	2.4	1.7	5.1	4.4	2.8	2.6	1.8
Government Consumption	1.9	4.9	2.1	1.8	1.7	1.6	4.6	2.7	1.8	1.7
Total Investment	5.6	3.9	4.7	3.7	3.8	6.4	3.5	4.8	4.1	3.6
Stocks - ppts cont'n to growth	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.3	-0.1	0.0
GNE	4.8	4.0	3.4	2.6	2.2	4.7	4.2	3.7	2.7	2.2
Exports	0.7	3.9	4.9	4.2	4.0	1.6	2.3	4.3	4.9	4.0
Imports	5.1	7.0	5.2	3.5	2.2	3.4	6.7	6.3	3.7	2.4
Real Expenditure GDP	3.6	3.1	3.2	2.7	2.7	4.1	3.0	3.0	3.0	2.7
GDP (production)	3.7	2.7	3.1	2.8	2.7	4.0	2.8	2.9	2.9	2.7
<i>GDP - annual % change (q/q)</i>	3.0	2.7	3.3	2.6	2.8	3.4	2.9	3.3	2.6	2.8
Output Gap (ann avg, % dev)	1.4	0.9	1.0	0.8	0.5	1.4	1.0	1.0	0.9	0.6
Household Savings (% disp. income)	-2.8	-1.8	-2.9	-2.8	-2.0					
Nominal Expenditure GDP - \$bn	270.3	286.4	300.1	316.5	329.0	266.1	283.4	295.7	312.7	326.2
Prices and Employment - annual % change										
CPI	2.2	1.1	2.4	2.2	2.1	1.3	1.6	2.2	2.3	2.2
Employment	5.7	3.1	2.2	1.6	1.6	5.8	3.7	2.2	1.9	1.6
Unemployment Rate %	4.9	4.4	4.2	4.4	4.3	5.3	4.5	4.3	4.3	4.3
Wages - ahote	1.1	4.0	3.9	3.4	2.8	1.1	3.1	4.1	3.5	3.0
Productivity (ann av %)	-1.9	-0.8	0.6	0.8	1.2	-0.8	-1.3	0.2	0.9	1.1
Unit Labour Costs (ann av %)	3.8	3.9	3.6	2.7	2.2	2.7	4.0	4.0	2.8	2.3
External Balance										
Current Account - \$bn	-7.2	-7.9	-8.1	-8.0	-9.7	-6.0	-7.7	-9.2	-8.3	-9.1
Current Account - % of GDP	-2.6	-2.8	-2.7	-2.5	-3.0	-2.2	-2.7	-3.1	-2.7	-2.8
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	1.5	1.2	1.0	1.5	1.5					
Net Core Crown Debt (excl NZS Fund Assets)	21.7	20.8	20.6	19.7	18.3					
Bond Programme - \$bn	8.0	8.0	8.0	9.0	9.0					
Bond Programme - % of GDP	3.0	2.8	2.7	2.8	2.7					
Financial Variables ⁽¹⁾										
NZD/USD	0.70	0.73	0.70	0.70	0.68	0.70	0.70	0.70	0.70	0.68
USD/JPY	113	106	108	100	98	116	113	110	102	98
EUR/USD	1.07	1.23	1.22	1.32	1.38	1.05	1.18	1.18	1.30	1.38
NZD/AUD	0.92	0.94	0.93	0.93	0.93	0.96	0.91	0.93	0.93	0.93
NZD/GBP	0.57	0.52	0.48	0.45	0.43	0.56	0.52	0.51	0.45	0.43
NZD/EUR	0.66	0.59	0.57	0.53	0.50	0.67	0.59	0.59	0.54	0.49
NZD/YEN	79.1	77.0	75.6	70.0	66.6	81.6	78.7	77.0	71.4	66.6
TWI	76.5	74.8	72.6	71.3	69.9	78.1	73.6	73.8	71.5	69.3
Overnight Cash Rate (end qtr)	1.75	1.75	1.75	2.75	2.75	1.75	1.75	1.75	2.50	3.00
90-day Bank Bill Rate	1.98	1.93	2.08	3.08	2.92	2.02	1.88	2.00	2.83	3.17
5-year Govt Bond	2.70	2.35	2.70	3.45	3.55	2.75	2.30	2.60	3.35	3.60
10-year Govt Bond	3.25	2.95	3.20	3.80	3.95	3.30	2.80	3.10	3.70	3.95
2-year Swap	2.30	2.25	2.55	3.50	3.40	2.40	2.20	2.40	3.35	3.50
5-year Swap	3.00	2.70	3.00	3.75	3.85	3.00	2.65	2.90	3.65	3.90
US 10-year Bonds	2.50	2.85	3.25	3.50	3.50	2.50	2.40	3.25	3.50	3.50
NZ-US 10-year Spread	0.75	0.10	-0.05	0.30	0.45	0.80	0.40	-0.15	0.20	0.45

⁽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		Forecast	Median	Last
Monday 23 July				Thursday 26 July			
Euro, Consumer Confidence, June 1st est	-0.7	-0.5		Aus, Terms of Trade, Q2			
UK, BOE's Broadbent Speaks, To SPE				Euro, ECB Policy Announcement, Refi	0.00%	0.00%	0.00%
US, Existing Home Sales, June		5.45m	5.43m	US, Durables Orders, June 1st est		+3.0%	-0.4%
Tuesday 24 July				US, Jobless Claims, week ended 21/07	215k	207k	
Euro, PMI Services, July 1st est		55.1	55.2	US, Wholesale Inventories, June 1st est	+0.5%	+0.6%	
Euro, PMI Manufacturing, July 1st est		54.7	54.9	US, Intl Goods Trade, June advance		-\$66.6b	-\$64.8b
UK, CBI Industrial Trends, July		+8	+13	Friday 27 July			
US, Markit PMI, July 1st est		55.1	55.4	NZ, ANZ-RM Consumer Confidence, July	120.0		
US, Markit PSI, July 1st est		56.5	56.5	Aus, Producer Prices, Q2 y/y			+1.7%
Wednesday 25 July				China, Industrial Profits, June y/y			+21.1%
NZ, Merchandise Trade, June	+\$129m	+\$200m	+\$294m	US, GDP, Q2 1st est		+4.3%	+2.0%
NZ, Residential Lending, June y/y			+9.2%	US, Mich Cons Confidence, Jul 2nd est	97.1	97.1P	
Aus, CPI Trimmed Mean, Q2	+0.5%	+0.5%	+0.5%	Monday 30 July			
Aus, CPI Weighted Median, Q2	+0.4%	+0.5%	+0.5%	Jpn, Retail Sales, June y/y			+0.6%
Aus, CPI, Q2	+0.5%	+0.5%	+0.4%	Euro, Economic Confidence, July			112.3
Euro, EC's Juncker meeting with Trump, Trade talks				Germ, CPI, July y/y 1st est			+2.1%
Euro, M3, June y/y		+4.0%	+4.0%	US, Pending Home Sales, June			-0.5%
Germ, IFO Index, July		101.5	101.8				
UK, CBI Retailing Reported Sales, July		+15	+32				
US, New Home Sales, June		669k	689k				

Historical Data

	Today	Week ago	Month Ago	Year Ago		Today	Week ago	Month Ago	Year Ago
CASH & BANK BILLS					SWAP RATES				
Call	1.75	1.75	1.75	1.75	2 years	2.16	2.14	2.25	2.22
1mth	1.82	1.86	1.91	1.82	3 years	2.30	2.27	2.38	2.42
2mth	1.86	1.89	1.97	1.87	4 years	2.43	2.40	2.52	2.60
3mth	1.93	1.94	2.03	1.93	5 years	2.56	2.53	2.65	2.76
6mth	1.97	2.01	2.10	1.98	10 years	3.03	3.02	3.11	3.27
GOVERNMENT STOCK					FOREIGN EXCHANGE				
03/19	1.78	1.78	1.78	1.94	NZD/USD	0.6816	0.6777	0.6903	0.7439
04/20	1.83	1.81	1.90	2.12	NZD/AUD	0.9172	0.9134	0.9302	0.9387
05/21	1.93	1.92	2.03	2.26	NZD/JPY	75.89	76.10	75.77	82.64
04/23	2.14	2.15	2.26	2.57	NZD/EUR	0.5809	0.5787	0.5893	0.6389
04/25	2.44	2.44	2.54	2.79	NZD/GBP	0.5188	0.5121	0.5193	0.5709
04/27	2.61	2.63	2.72	2.92	NZD/CAD	0.8945	0.8902	0.9180	0.9306
04/29	2.79	2.83	2.92						
04/33	2.95	3.00	3.10	3.27	TWI	73.4	72.9	73.6	78.7
04/37	3.09	3.15	3.25	3.48					
GLOBAL CREDIT INDICES (ITRXX)									
Australia 5Y	81	81	74	78					
Nth America 5Y	62	61	67	56					
Europe 5Y	66	64	73	53					

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