29 October 2018

When Perception Isn't Reality

- **ANZ business survey might struggle to shock now**
- **Especially as the "hard" NZ data are holding up**
- **For the meantime at least**
- **Lots more NZ data on offer this week**
- **But none of it top-tier**

Wednesday's ANZ business survey is the main piece of local news this week. It's a moot point which way its numbers go. But from where they were in September – with net confidence still heavily negative and its own-activity expectations well below par – there is an argument that this business survey will be hard pressed to "really" shock the market now. The more interesting part of last month's survey seemed the robustness of its inflation gauges, everything considered.

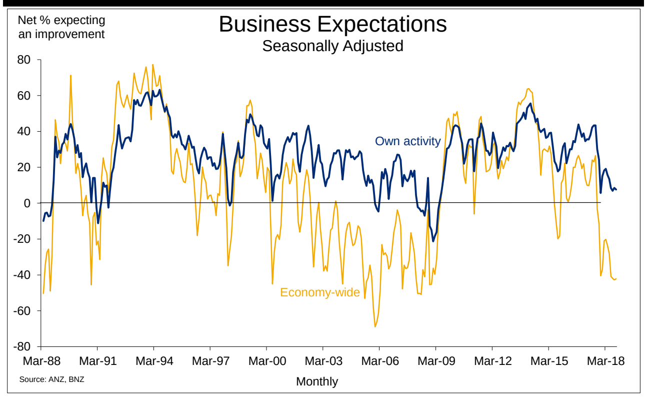
Yes, there was a sense of improvement in last month's sentiment and activity indicators. However, this was only at a headline level. When we seasonally adjusted September's ANZ business survey results we discerned next to no improvement.

But this is splitting hairs, when the bigger point is that the hard data on the NZ economy are defying the worst of the recent business survey insinuations. This doesn't ensure they will continue to do so from this point onwards. But, for the meantime at least, the resilience of the local data needs to be acknowledged.

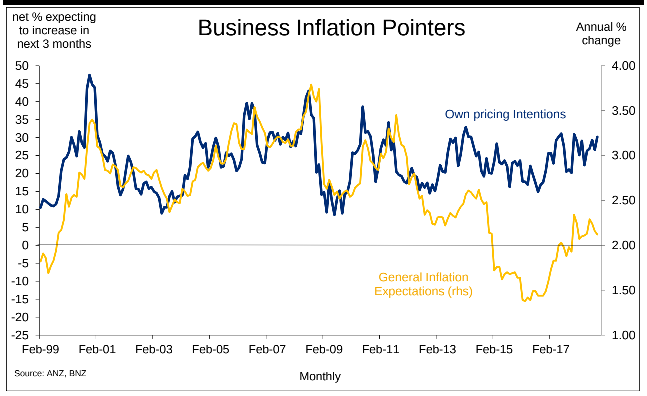
And there is a lot more hard data on the economy in view this week, albeit none of it top-tier.

Wednesday morning's ice-breaker, the September quarter Crown Financial Statements, will show whether the spending delays that flattered the year-to-June 2018

Weak and Below Par



Robust



results have, indeed, caught up to plan in the September quarter. And, importantly, the latest tax numbers will give insight into economic activity more generally. While the government accounts look to be doing it comfortably for now, it's still not clear to us that December's Half-year Economic and Fiscal Update will be able to carry this forward with aplomb.

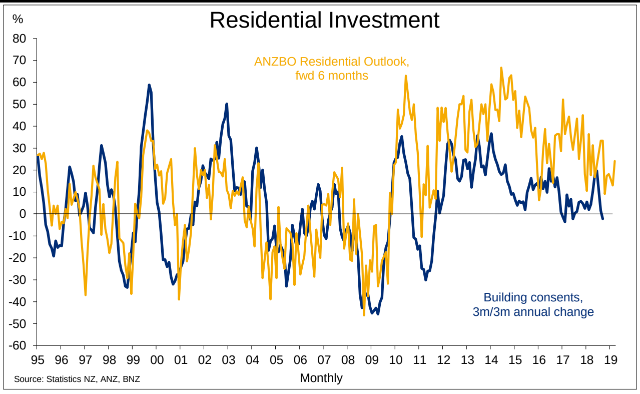
Later Wednesday morning we get September's building consents. Can they follow-up on the half-decent recovery they posted in August? That is the question. We certainly expect construction activity to expand at a solid rate over the near term.

We will also be interested in the morning's September quarter working-age population estimate. This will inform our view on labour supply, which, in turn, is relevant to our calculations for the Q3 unemployment rate. Presently, we expect this to come in at 4.4% (as part of the labour market data due for release 7 November). In terms of the demand side of the labour market, October's ANZ job ads are scheduled for release Thursday.

Also note Wednesday's Property Transfer Statistics for Q3. However, also that these pre-date New Zealand's (effective) ban on foreign buyers of existing local homes, which, for the record, came into force on 22 October. So the Q4 figures would seem the more interesting to witness.

Also mindful of the politics around housing, we should point out the year-to-June 2018 Household Income and Housing-cost statistics, due Wednesday, and the Quotable Value housing summary for October, pegged

Constructive Outlook



for early Thursday morning. The latter will no doubt continue to show mixed fortunes from a regional perspective.

For more of an economy-wide perspective, note September's money and credit aggregates, which are due Wednesday afternoon. We suspect these will largely repeat their recent decent rates of annual growth – namely household credit expanding around 6%, business credit just above 5% and agriculture a smidge below 3%.

This week's final local data item is the ANZ Roy Morgan report on October's consumer confidence. This is due Friday morning. In September it appeared to be stabilising close to an average level, thus doing an awful lot better than its business survey counterpart.

craig_ebert@bnz.co.nz

Global Watch

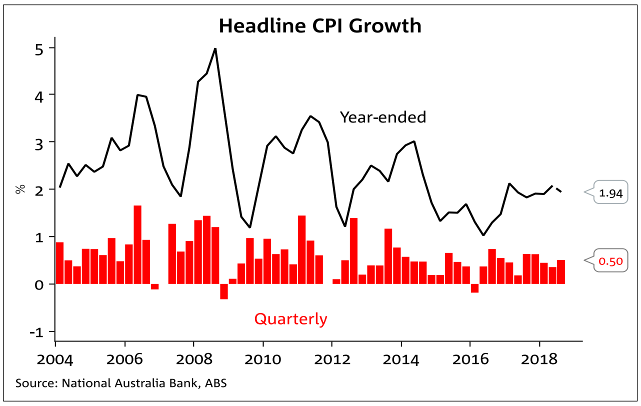
- **US wages expected to accelerate in Friday's payrolls report**
- **Thursday's US ISM report important too**
- **No changes expected from BoE or BoJ meetings**
- **EU CPI and GDP due**
- **AU CPI due Wednesday in a busy data week**
- **PMI's to monitor in China, EU and UK**

Australia

A bust week. The focus will be on the all-important Q3 CPI print on Wednesday, where markets are expecting a softer result of 0.5% q/q – bringing year-ended inflation lower to 1.9% y/y. Other data published this week include: Building Approvals (Tuesday), Credit (Wednesday), Trade (Thursday) and Retail Sales (Friday). Meanwhile, from the RBA, Assistant Governor (Financial System) Michelle Bullock speaks on Tuesday at a financial markets conference in Sydney.

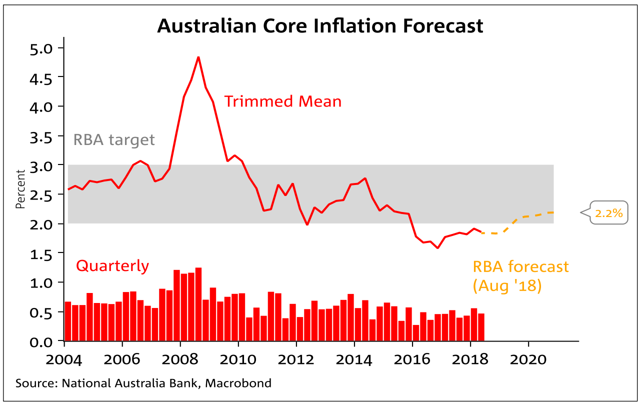
Headline CPI prints tend to be strong in the September quarter, with quarterly growth of 0.7% and 0.6% in 2016 and 2017, respectively. However, this year NAB expects Q3 Headline CPI grew a softer 0.5% q/q (or 1.9% y/y), while core inflation softened to 0.3% q/q / 1.8% y/y.

Chart 1: All eyes on Q3 CPI



Source: National Australia Bank, ABS

Chart 2: Trimmed mean expected to stay below 2%



Source: National Australia Bank, Macrobond

NAB's expectation for a relatively soft Q3 CPI result, reflecting the 'one-off' factors of energy prices and changes to government subsidies and charges for childcare and NSW TAFE fees. The RBA is well aware of these factors and has communicated a number of warnings about a downtick in inflation to around 1.75% y/y, implying CPI growth of 0.4% q/q, or lower, a decline they will 'look through'.

Partially offsetting these 'one off' impacts are the sharp rises in fuel prices and higher fresh food prices as a result of east coast drought conditions that supermarket giant Coles cited in its quarterly results. Risks are slightly tilted to the downside for headline CPI, and slightly to the upside for core CPI.

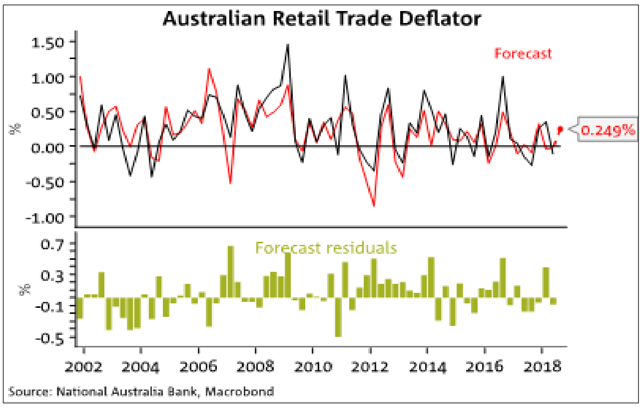
Table 1: CPI component forecasts

	Sep-17	Jun-18	Expectations NAB Sep-18	Expectations NAB Qtr cont.	Weight in CPI Basket
Food and non-alcoholic beverages	-0.9	-0.4	0.7	0.11	16.1
Alcohol and tobacco	2.2	1.6	1.4	0.10	7.1
Clothing and footwear	-0.9	1.3	-0.6	-0.02	3.6
Housing	1.9	0.2	0.4	0.09	22.7
Furnishings, household equipment and services	0.4	0.3	0.3	0.03	9.4
Health	-0.2	1.9	0.0	0.00	5.4
Transport	0.0	1.6	0.6	0.07	10.3
Communication	-1.4	-1.3	-1.0	-0.03	2.7
Recreation and culture	1.3	-0.4	0.9	0.11	12.7
Education	0.0	0.1	-0.5	-0.02	4.3
Insurance and financial services	0.6	0.4	0.6	0.03	5.8
Headline CPI	**0.6**	**0.4**	**0.48**	**0.48**	--
Trimmed Mean, sa	0.4	0.5	0.30	--	70
Weighted Median, sa	0.4	0.5	0.31	--	--

Source: National Australia Bank, ABS

Retail sales is likely to garner the most interest outside of CPI. The August report reflected a retail sector still facing headwinds, likely to have continued into September. However, despite underlying pressures, we suspect a boost from the release of the latest iPhone provided enough of an offset to see sales grow by 0.4% m/m, with some slight upside risk to this figure. After taking into account our estimate that retail prices lifted 0.2% q/q – given higher food and petrol prices, and price indicators from the NAB business survey – we expect retail sales volumes rose 0.6% q/q.

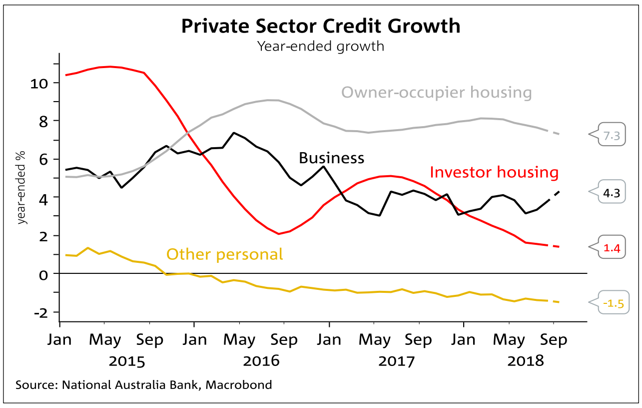
Chart 3: Retail prices are expected to have ticked up



Source: National Australia Bank, Macrobond

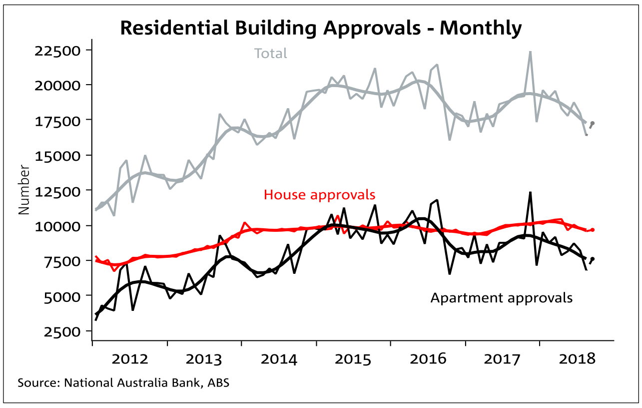
Credit data continues to draw a lot of attention, given concerns that credit conditions may be tightening too quickly. NAB expects September data to contradict these fears. While we believe it is likely that housing credit growth softened further (+0.35% m/m), business credit is expected to provide an offset, growing a solid 0.6% in the month. A slower pace of investor credit growth (0.1% m/m) continues to drive the slowing in housing credit growth, while owner-occupier credit is expected to have grown a reasonable 0.5% m/m. Personal credit continues to decline (-0.1% m/m).

Chart 4: Business credit growth to lift?



Building approvals data has surprised the market on the downside in the past two months as approvals for both apartments and detached housing declined for two months in a row. We expect approvals will continue to trend down in coming months. In September, we expect a partial rebound of 5.5% m/m. NAB forecasts house approvals to tick up 1% m/m and the (ever-volatile) apartment approvals to rise 12% m/m.

Chart 5: Building approvals trending down



Lastly, **trade** data is expected to reveal a small decline in the trade surplus to $1400m. Higher oil prices are expected to boost fuel imports, and LNG exports (to a lesser extent). We also expect iron ore and coal exports to have increased moderately in the month, offsetting a pullback from rural exports.

China

China's official manufacturing PMI will give the latest read on how stronger downward pressures on growth on the one hand, and policy support on the other, are playing out. The impact of the trade war should become more visible going forward once frontloading of shipments dissipates. Domestic demand and production are also weak. Offsetting those pressures -- fiscal and monetary support has been stepped up, with a string of moves including personal tax cuts and financial support for private firms.

US

The focus shifts to payrolls on Friday where consensus looks for +193k jobs, unchanged unemployment rate at 3.7% and for wages to accelerate to 3.2% y/y from 2.8% due to base effects. The ISM Manufacturing on Thursday will also be closely watched given its strength and anecdotes from earnings reports of firms being concerned about higher costs. Politics will loom large with the US mid-terms the following week on 6 November.

UK

The Bank of England on Thursday is likely to be a non-event given ongoing Brexit uncertainty. For now, the MPC is happy with its guidance of one hike per year for the next three years, though there are a few members who are more in the camp of one to two hikes per year. Thursday also sees the Manufacturing PMI where the consensus is for a moderation to 53.0 from 53.8 in September. Markets will also be sensitive to any Brexit headlines.

Japan

The BoJ meets Wednesday and is odds-on to leave policy settings on hold. It's a light data week with Retail Trade on Monday and the monthly labour market report on Tuesday.

Eurozone

CPI on Wednesday will take top billing with markets looking for a bounce back in Core Inflation to 1.0% y/y after it unexpectedly weakened to 0.9% last month. GDP on Tuesday will also be closely watched, with markets expecting 0.3% q/q. Finally, given the softness in the flash PMIs earlier in the week, the final versions will likely garner more attention with Manufacturing on Friday.

Canada

The Employment Report on Friday is the one to watch Focus will be on the Hourly Earnings component which was 2.2% y/y last month and is expected to push a tick higher. Monthly GDP is out on Monday, with 0.1% expected in August following July's 0.2%.

Tapas.Strickland@eu.nabgroup.com / Kaixin.Owyong@nab.com.au

Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

Global rates fell sharply last week on the back of the equity market sell-off, with NZ longer-dated rates following suit. The NZ 10 year swap rate has moved below 2.80%, its lowest level since late-2016.

The US 10 year Treasury yield and S&P500 moved in lock-step last week, with bonds the beneficiaries of safe-haven flows. The fall in US yields was likely exacerbated by short-covering from speculative investors. The market-implied probability of a December rate rise by the Fed has fallen to 68% while market pricing for 2019 has fallen to 43bps (i.e. implying less than two full rate rises next year).

Equity market performance will likely remain the first-order driver of yields this week, although there is plenty of data for the market to digest as well. US non-farm payrolls is released on Friday, with the ISM manufacturing survey released Thursday night and the employment cost index (a wage growth measure) on Wednesday night. While the economic backdrop remains supportive of the Fed's plans for continued gradual rate rises, any further tightening in financial conditions will likely see market expectations of future Fed rate hikes pared back further.

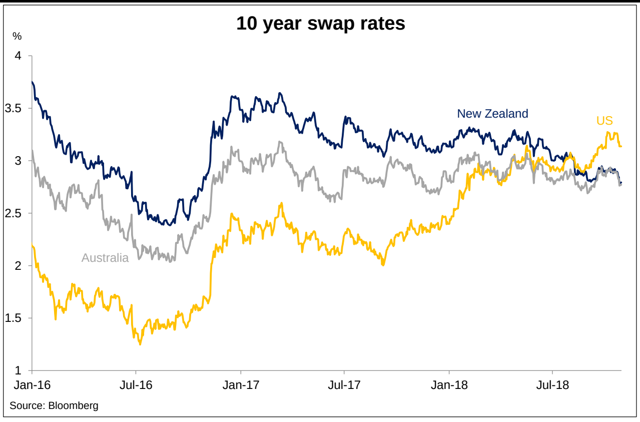
Our working assumption is that the current pull-back in equity markets is not the start of a 'bear market' given that the probability of a US recession over the next year appears very low (and historically, bear markets usually occur shortly before recession). If equity markets can stabilise over the coming weeks, we would expect US Treasury yields to recover some of their recent falls.

There was little NZ data last week, with the local rates market moving lower in sync with the moves offshore. The 10 year swap rate fell 10bps, to below 2.80%, while the 2 year swap rate fell 4bps, to below 2%.

The main local data of interest this week is the ANZ business survey. Given the strength of 'hard' NZ data of late, in contrast to the pessimistic signals provided by the business surveys, we would be surprised if the rates market reacted much in the event the ANZ survey remains at weak (or potentially even weaker) levels. In the unlikely event that business confidence bounces back strongly, we would expect a reasonable market reaction. The RBNZ's reference to downside risks to growth relates mainly to current business confidence readings, so any improvement on this front should see the market pare back RBNZ rate cut expectations. The bigger event on the local data calendar is the labour market report which is released next week, and the November MPS.

Provided offshore rates markets can find some support, we wouldn't expect NZ rates to decline much further from current levels. The first RBNZ rate rise is fully-priced for early-2021, and there is a very gradual pace of rate rises priced thereafter. Unless the market seriously starts contemplating potential RBNZ rate cuts again, which we continue to think are very unlikely, we don't think there is much scope for the market to push back tightening even further. Second, NZ rates have significantly outperformed all developed rates markets over the past two years, and we think NZ rates valuations vs. offshore markets are now starting to look stretched (i.e. the spread between NZ and US 5 year 5 year forward swap rates is barely 10bps). Our expectation remains that NZ rates will head higher next year, although it will likely require a change to the market's perception of the RBNZ outlook to trigger a major move.

NZ 10 year rate at its lowest level since late-2016



Current Rates/Spreads and Recent Ranges

	Current	Last 3-weeks range*
NZ 90d bank bills (%)	1.90	1.88 - 1.90
NZ 2yr swap (%)	1.99	1.99 - 2.06
NZ 5yr swap (%)	2.31	2.31 - 2.43
NZ 10yr swap (%)	2.79	2.79 - 2.95
2s10s swap curve (bps)	80	80 - 92
NZ 10yr swap-govt (bps)	26	23 - 29
NZ 10yr govt (%)	2.52	2.52 - 2.70
US 10yr govt (%)	3.08	3.05 - 3.26
NZ-US 10yr (bps)	-55	-58 - -47
NZ-AU 2yr swap (bps)	-2	-4 - 0
NZ-AU 10yr govt (bps)	-5	-11 - -2

*Indicative range over last 3 weeks

nick.smyth@bnz.co.nz

Foreign Exchange Markets

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The NZD was broadly weaker last week. It was another week of significant global equity market volatility and weakness that saw our risk appetite index fall to 43%, the lowest level in about two years. Against that backdrop, JPY was well supported as was the USD. Bloomberg's DXY index broke up through technical resistance to reach a fresh year-to-date high. NZD/USD ended the week down about 1% while NZD/JPY was down by almost 2%.

The Chinese yuan continued to face pressure and USD/CNY reached its highest level in nearly two years, with the market testing the resolve of the PBoC to defend the currency in light of the economic risks facing China. There was some spillover effect for the NZD on Friday, as the NZD reached a low of 0.6465, before recovering, safely seeing off the early-October low of 0.6425.

The week ahead could well see some volatility in currency markets. Month-end flows will be a factor over the next couple of days and given the significant fall in global equities through October, portfolio flows to bring hedging ratios back in line with target could be significant. And global equity markets remain vulnerable to further turbulence, as the US earnings season continues and investors remain nervous about the outlook.

In addition to those forces, the economic calendar is very heavy. The US employment report at the end of the week is expected to show the strongest annual wage inflation since the GFC. Earlier in the week the US employment cost index and PMI data will be important as well. Market reaction to these will depend on how equity markets fare this week. Despite higher inflation risks, US Treasury rates fell last week as the market thinks about the likely response of the Fed to the big risk-off move. Another 10% correction in US equities would probably be enough for the Fed to take a pause in the hiking cycle.

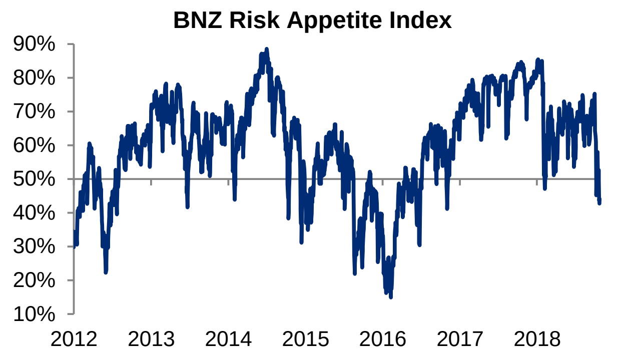
Closer to home, Australian Q3 CPI data due Wednesday are expected to show core inflation at slightly below or at the bottom of the 2-3% target range, providing no smoking gun for an early RBA rate hike. In NZ, the ANZ business outlook survey the same day will be watched to see if business confidence and activity indicators show further signs of stability. We still can't find any evidence of "real" activity indicators corroborating the dire situation of the economy as expressed by the survey.

Elsewhere, Chinese PMI data, euro area CPI data and policy meetings by the Bank of Japan and Bank of England are all happening this week. So plenty of news to generate some potential market volatility.

Weaker risk appetite has been instrumental in pushing our short-term NZD fair value model estimate down to around 0.6660. This has been something we have been anticipating for some time. Thus the gap between spot and fair value is now down to about 2½%, well within normal error bands. Our NZD/AUD model continues to show the spot rate insignificantly different from fair value.

So potentially a big week ahead for currency markets. We continue to run the line that it is too early to declare the downtrend in the NZD over. Further speculative attacks on CNY have the potential to drag both the AUD and NZD lower (alongside other Asian currencies). Over coming weeks the PBoC will likely be reluctant to allow USD/CNY to sustainably move above the psychological 7 level, but the threat of a sustained breach rises through 2019. NZD support lies at 0.6425.

Risk Appetite Down to a Near 2-year Low



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6525	0.6440 - 0.6620
NZD/AUD	0.9199	0.9100 - 0.9300
NZD/GBP	0.5091	0.4880 - 0.5090
NZD/EUR	0.5729	0.5590 - 0.5760
NZD/JPY	73.01	72.30 - 74.50

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6660	-2%
NZD/AUD	0.9030	2%

jason.k.wong@bnz.co.nz

Technicals

NZD/USD

Outlook:	Downside risk
ST Resistance:	0.6600 (ahead of 0.6730)
ST Support:	0.6425 (ahead of 0.6400)

The technical picture continues to show the NZD trading in a narrow downward channel. Trendline resistance is now around 0.6600 while we'd mark the first level of support at 0.6425, the year-to-date low.

NZD/AUD

Outlook:	Trading range
ST Resistance:	0.9300 (ahead of 0.9380)
ST Support:	0.9050 (ahead of 0.8950)

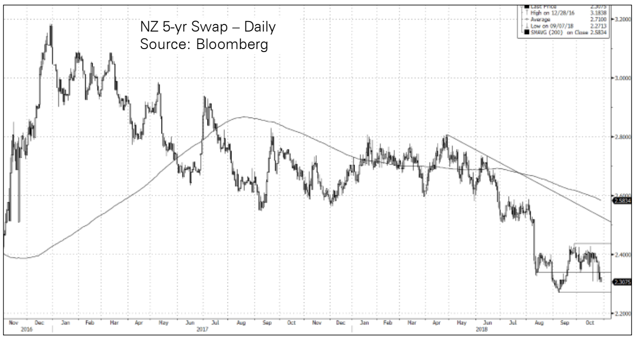
Recent resistance at 0.93 has held and now the spot rate is back down to 0.92, back within the tight trading range it has been in over recent months.

jason.k.wong@bnz.co.nz

NZ 5-year Swap Rate

Outlook:	Neutral
ST Resistance:	2.44
ST Support:	2.2675

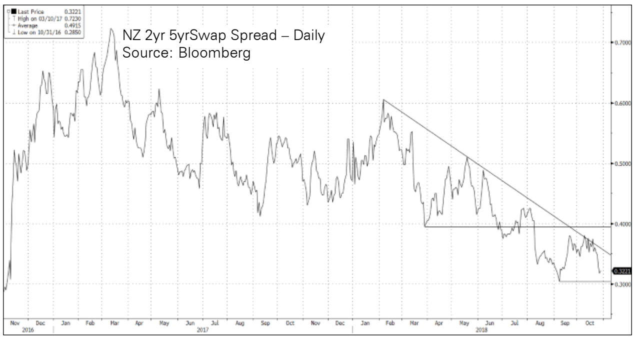
Stopped out of paid position last week await a break to initiate new position.



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

Outlook:	Neutral
ST Resistance:	+39.5
ST Support:	+30.5

Still neutral awaiting a break to signal new position.



pete.mason@bnz.co.nz

Quarterly Forecasts

Forecasts as at 29 October 2018

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
GDP (production s.a.)	0.8	0.6	0.6	0.5	1.0	0.8	0.8	0.4	0.7	0.7
Retail trade (real s.a.)	1.6	0.3	1.3	0.3	1.1	1.1	1.0	0.7	0.6	0.6
Current account (ytd, % GDP)	-2.6	-2.6	-2.9	-3.0	-3.3	-3.6	-3.9	-4.0	-4.2	-4.5
CPI (q/q)	0.0	0.5	0.1	0.5	0.4	0.9	0.4	0.6	0.4	0.7
Employment	-0.1	2.2	0.4	0.6	0.5	0.5	0.5	0.6	0.5	0.4
Unemployment rate %	4.8	4.6	4.5	4.4	4.5	4.4	4.3	4.2	4.2	4.3
Avg hourly earnings (ann %)	1.2	2.0	3.1	4.0	3.3	2.9	3.0	2.8	3.4	3.6
Trading partner GDP (ann %)	3.7	4.0	3.9	4.1	4.1	3.9	3.8	3.8	3.7	3.7
CPI (y/y)	1.7	1.9	1.6	1.1	1.5	1.9	2.2	2.3	2.3	2.1
GDP (production s.a., y/y))	2.8	2.6	2.9	2.6	2.8	3.0	3.1	3.0	2.7	2.6

Interest Rates

Historical data - qtr average		Government Stock			Swaps			US Rates		Spread
Forecast data - end quarter	**Cash**	**90 Day Bank Bills**	**5 Year**	**10 Year**	**2 Year**	**5 Year**	**10 Year**	**Libor 3 month**	**US 10 yr**	**NZ-US Ten year**
2017 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	2.35	2.90	2.25	2.70	3.15	2.35	2.90	-0.06
Sep	1.75	2.00	2.25	2.80	2.20	2.65	3.10	2.35	3.00	-0.45
Forecasts										
Dec	1.75	1.95	2.25	2.85	2.00	2.55	3.15	2.40	3.25	-0.40
2019 Mar	1.75	1.95	2.35	2.90	2.20	2.65	3.20	2.60	3.25	-0.35
Jun	1.75	2.05	2.60	3.15	2.40	2.65	3.20	2.95	3.50	-0.35
Sep	2.00	2.30	2.80	3.30	2.70	2.65	3.20	2.95	3.50	-0.20
Dec	2.25	2.55	3.00	3.45	3.00	2.90	3.45	3.20	3.50	-0.05
2020 Mar	2.50	2.80	3.15	3.55	3.20	2.90	3.45	3.45	3.50	0.05
Jun	2.75	2.95	3.30	3.55	3.20	2.90	3.45	3.45	3.50	0.15
Sep	2.75	2.95	3.35	3.55	3.20	3.10	3.60	3.45	3.50	0.20
Dec	2.75	2.95	3.35	3.65	3.40	3.10	3.60	3.45	3.50	0.25

Exchange Rates (End Period)

	USD Forecasts					NZD Forecasts					
	NZD/USD	**AUD/USD**	**EUR/USD**	**GBP/USD**	**USD/JPY**	**NZD/USD**	**NZD/AUD**	**NZD/EUR**	**NZD/GBP**	**NZD/JPY**	**TWI-17**
Current	0.65	0.71	1.14	1.28	112	0.65	0.92	0.57	0.51	73.0	71.9
Dec-18	0.65	0.71	1.18	1.26	112	0.65	0.91	0.55	0.51	72.5	70.8
Mar-19	0.65	0.72	1.20	1.28	110	0.65	0.90	0.54	0.51	71.5	71.4
Jun-19	0.66	0.73	1.22	1.30	110	0.66	0.90	0.54	0.51	72.6	72.6
Sep-19	0.68	0.75	1.25	1.34	108	0.68	0.91	0.54	0.51	73.4	74.2
Dec-19	0.69	0.75	1.30	1.40	106	0.69	0.92	0.53	0.49	73.1	74.5
Mar-20	0.70	0.76	1.32	1.43	104	0.70	0.92	0.53	0.49	72.8	74.9
Jun-20	0.70	0.77	1.34	1.46	102	0.70	0.91	0.52	0.48	71.4	74.0
Sep-20	0.70	0.76	1.36	1.49	100	0.70	0.92	0.52	0.47	70.0	73.5
Dec-20	0.69	0.75	1.38	1.52	99	0.69	0.92	0.50	0.45	68.3	72.1
Mar-21	0.70	0.75	1.38	1.52	98	0.70	0.93	0.51	0.46	68.6	73.1
						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 29 October 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	5.1	3.8	3.2	2.3	1.6	4.8	4.4	3.0	2.7	1.7
Government Consumption	1.9	4.8	3.9	1.7	1.7	1.6	4.5	4.2	2.1	1.7
Total Investment	5.6	3.8	2.4	3.5	3.8	6.4	3.4	2.9	3.3	3.6
Stocks - ppts cont'n to growth	-0.1	-0.1	0.1	0.0	0.0	0.0	-0.1	0.3	-0.2	0.0
GNE	4.6	3.9	3.8	2.5	2.2	4.6	4.1	4.0	2.7	2.2
Exports	1.3	3.0	4.7	3.9	3.8	2.1	1.8	4.2	4.4	3.9
Imports	5.1	7.2	6.8	3.2	2.5	3.4	7.0	7.4	3.9	2.3
Real Expenditure GDP	3.5	2.8	3.1	2.7	2.5	4.1	2.7	3.0	2.8	2.6
GDP (production)	**3.7**	**2.7**	**3.0**	**2.7**	**2.5**	**4.0**	**2.8**	**2.9**	**2.8**	**2.6**
GDP - annual % change (q/q)	*3.0*	*2.6*	*3.0*	*2.7*	*2.4*	*3.4*	*2.9*	*3.1*	*2.6*	*2.5*
Output Gap (ann avg, % dev)	1.1	0.7	0.7	0.5	0.2	1.2	0.8	0.7	0.5	0.2
Household Savings (% disp. income)	-2.8	-1.8	-3.8	-3.7	-2.5					
Nominal Expenditure GDP - $bn	270.6	285.9	298.6	313.6	325.4	266.5	283.0	294.8	309.8	322.9
Prices and Employment - annual % change										
CPI	2.2	1.1	2.3	1.8	1.9	1.3	1.6	2.2	2.0	1.7
Employment	5.7	3.1	2.1	1.6	1.6	5.8	3.7	2.1	1.9	1.6
Unemployment Rate %	4.9	4.4	4.2	4.3	4.2	5.3	4.5	4.3	4.2	4.2
Wages - ahote	1.1	4.0	2.8	3.9	3.4	1.1	3.1	3.0	3.8	3.6
Productivity (ann av %)	-1.9	-0.8	0.0	0.8	1.0	-0.8	-1.4	-0.3	0.6	1.0
Unit Labour Costs (ann av %)	3.9	3.9	3.5	2.8	2.4	2.7	4.0	4.0	2.9	2.4
External Balance										
Current Account - $bn	-6.9	-8.5	-12.1	-12.8	-14.0	-5.7	-8.2	-11.6	-13.5	-13.3
Current Account - % of GDP	-2.6	-3.0	-4.0	-4.1	-4.3	-2.1	-2.9	-3.9	-4.4	-4.1
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	1.5	1.9	1.1	1.2	1.3					
Net Core Crown Debt (excl NZS Fund Assets)	21.7	19.9	19.6	19.0	17.8					
Bond Programme - $bn	8.0	8.0	8.0	9.0	9.0					
Bond Programme - % of GDP	3.0	2.8	2.7	2.9	2.8					
Financial Variables [(1)]										
NZD/USD	0.70	0.73	0.65	0.70	0.70	0.70	0.70	0.65	0.69	0.69
USD/JPY	113	106	110	104	98	116	113	112	106	99
EUR/USD	1.07	1.23	1.20	1.32	1.38	1.05	1.18	1.18	1.30	1.38
NZD/AUD	0.92	0.94	0.90	0.92	0.93	0.96	0.91	0.91	0.92	0.92
NZD/GBP	0.57	0.52	0.51	0.49	0.46	0.56	0.52	0.51	0.49	0.45
NZD/EUR	0.66	0.59	0.54	0.53	0.51	0.67	0.59	0.55	0.53	0.50
NZD/YEN	79.1	77.0	71.5	72.8	68.6	81.6	78.7	72.5	73.1	68.3
TWI	76.5	74.8	71.4	74.9	73.1	78.1	73.6	70.8	74.5	72.1
Overnight Cash Rate (end qtr)	1.75	1.75	1.75	2.50	2.75	1.75	1.75	1.75	2.25	2.75
90-day Bank Bill Rate	1.98	1.93	1.95	2.78	2.87	2.02	1.88	1.95	2.53	2.95
5-year Govt Bond	2.70	2.35	2.35	3.15	3.30	2.75	2.30	2.25	3.00	3.35
10-year Govt Bond	3.25	2.95	2.90	3.55	3.75	3.30	2.80	2.85	3.45	3.75
2-year Swap	2.30	2.25	2.20	3.20	3.25	2.40	2.20	2.00	3.00	3.40
5-year Swap	3.00	2.70	2.65	3.45	3.60	3.00	2.65	2.55	3.30	3.65
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	-0.35	0.05	0.25	0.80	0.40	-0.40	-0.05	0.25

[(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 29 October			
US, Personal Spending, September		+0.4%	+0.3%
Tuesday 30 October			
Aus, Building Approvals, September	+5.5%	+3.8%	-9.4%
Jpn, Unemployment Rate, September		2.4%	2.4%
Euro, Economic Confidence, September		110.0	110.9
Euro, GDP, Q3 1st estimate		+0.3%	+0.4%
Germ, CPI, Oct y/y 1st est		+2.4%	+2.3%
US, Consumer Confidence, October		136.0	138.4
US, Shiller Home Price Index, August y/y			+6.0%
Wednesday 31 October			
NZ, Credit Aggregates, Sep (household y/y)			+6.1%
NZ, ANZ Business Survey, October			-38.3
NZ, Building Consents, Sept (res, #)			+7.8%
Aus, CPI, Q3	+0.5%	+0.5%	+0.4%
Aus, CPI Weighted Median, Q3		+0.4%	+0.5%
Aus, CPI Trimmed Mean, Q3	+0.3%	+0.4%	+0.5%
Aus, Private Sector Credit, September	+0.4%	+0.4%	+0.5%
China, Non-manufacturing PMI, September		54.9	54.9
China, PMI (NBS), August		50.6	50.8
Jpn, Industrial Production, Sept 1st est		-0.3%	+0.2%
Jpn, BOJ Policy Announcement, Policy Rate		-0.1%	-0.1%
Euro, CPI, Oct y/y 1st est		+2.2%	+2.1%
Euro, Unemployment Rate, September		8.1%	8.1%
Germ, Retail Sales, September		+0.5%	-0.1%
US, Chicago PMI, October		60.0	60.4
US, Employment Cost Index, Q3		+0.7%	+0.6%
US, ADP Employment, October		+187k	+230k
Thursday 1 November			
NZ, ANZ Job Ads, October			-0.3%
NZ, QVNZ House Prices, October y/y			+4.6%
Aus, Terms of Trade, Q3			
Aus, CoreLogic HPI, October			-0.6%
Aus, International Trade, September	+$1.40b	+$1.70b	+$1.60b
China, PMI (Caixin), September		50.0	50.0
UK, BOE Policy Announcement	0.75%	0.75%	0.75%
UK, BOE Inflation Report			
UK, Markit/CIPS Manuf Survey, October		53.0	53.8
US, Construction Spending, September		flat	+0.1%
US, ISM Manufacturing, October		59.0	59.8
Friday 2 November			
NZ, ANZ-RM Consumer Confidence, October			117.6
Aus, Retail Trade, September	+0.4%	+0.3%	+0.3%
US, Factory Orders, September		+0.5%	+2.3%
US, Non-Farm Payrolls, October		+193k	+134k
US, International Trade, September		-$53.6b	-$53.2b

Historical Data

	Today	Week ago	Month Ago	Year Ago
CASH & BANK BILLS				
Call	1.75	1.75	1.75	1.75
1mth	1.83	1.82	1.82	1.79
2mth	1.86	1.86	1.87	1.86
3mth	1.89	1.90	1.91	1.95
6mth	1.93	1.94	1.95	1.98
GOVERNMENT STOCK				
03/19	1.74	1.74	1.74	1.87
04/20	1.72	1.76	1.73	2.02
05/21	1.76	1.82	1.77	2.17
04/23	1.93	2.02	1.98	2.48
04/25	2.18	2.28	2.23	2.77
04/27	2.38	2.49	2.44	2.98
04/29	2.54	2.66	2.61	
04/33	2.72	2.84	2.78	3.33
04/37	2.86	2.97	2.90	3.52
GLOBAL CREDIT INDICES (ITRXX)				
Australia 5Y	83	79	75	
Nth America 5Y	70	68	58	53
Europe 5Y	77	74	67	51

	Today	Week ago	Month Ago	Year Ago
SWAP RATES				
2 years	1.99	2.03	2.03	2.16
3 years	2.08	2.14	2.14	2.33
4 years	2.19	2.26	2.26	2.50
5 years	2.31	2.39	2.39	2.66
10 years	2.79	2.90	2.90	3.20
FOREIGN EXCHANGE				
NZD/USD	0.6522	0.6558	0.6616	0.6876
NZD/AUD	0.9203	0.9259	0.9163	0.8944
NZD/JPY	72.97	74.20	75.37	77.83
NZD/EUR	0.5728	0.5732	0.5716	0.5902
NZD/GBP	0.5089	0.5053	0.5076	0.5207
NZD/CAD	0.8544	0.8614	0.8478	0.8824
TWI	71.8	72.3	72.0	73.0

Contact Details

Stephen Toplis
Head of Research
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Jason Wong
Senior Markets Strategist
+64 4 924 7652

Nick Smyth
Interest Rates Strategist
+64 4 924 7653

Main Offices

Wellington
Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

National Australia Bank

Peter Jolly
Global Head of Research
+61 2 9237 1406

Alan Oster
Group Chief Economist
+61 3 8634 2927

Ray Attrill
Head of FX Strategy
+61 2 9237 1848

Skye Masters
Head of Fixed Income Research
+61 2 9295 1196

Wellington

Foreign Exchange	+800 642 222
Fixed Income/Derivatives	+800 283 269

Sydney

Foreign Exchange	+61 2 9295 1100
Fixed Income/Derivatives	+61 2 9295 1166

London

Foreign Exchange	+44 20 7796 3091
Fixed Income/Derivatives	+44 20 7796 4761

New York

Foreign Exchange	+1 212 916 9631
Fixed Income/Derivatives	+1 212 916 9677

Hong Kong

Foreign Exchange	+85 2 2526 5891
Fixed Income/Derivatives	+85 2 2526 5891