28 January 2019

Statistics NZ Slashes Migration

- **NZ "loses" 45,000 migrants over the last 4 years**
- **As Statistics NZ revises its methodology**
- **Important for (re)assessing NZ macro trends**
- **Q4 working-age population data an early test**
- **A seasonal surplus for December's goods trade?**
- **Credit and consumer confidence also due**

With the Q4 Quarterly Survey of Business Opinion and CPI tucked into our belt, the coming week has to settle for a handful of monthly data reports. But before we run through these, we thought it worth mentioning the recent capitulation in net inward immigration. The one that has come from Statistics NZ changing the way it tries to capture migrant flows (and back-casting a time series on this basis).

It might mean for a ropier estimate of migration over the most recent months. But the new method certainly portrays much-lower net inward migration over recent years, than the old method did. In the year to October 2018, for instance, there is now judged to have been a net inflow of 45,200. The previous methodology estimated 61,800. And as well as the recent peak in net inward flow being lower, it also occurs earlier (in 2016, rather than 2017).

It will be important to think through the implications of this for New Zealand's macro-economy. This is both in terms of understanding recent performance, and for forecasting.

For example, the new (outcomes-based) migration figures should trim population growth estimates over the last few years. Our back of the envelope suggests 0.3% less over each of the last couple of years, and a cumulate reduction of about 45,000 over the last four years. This should boost macro-based measures of productivity, by definition. It also takes a lot of pressure off the supposed housing shortage, in the stroke of a pen.

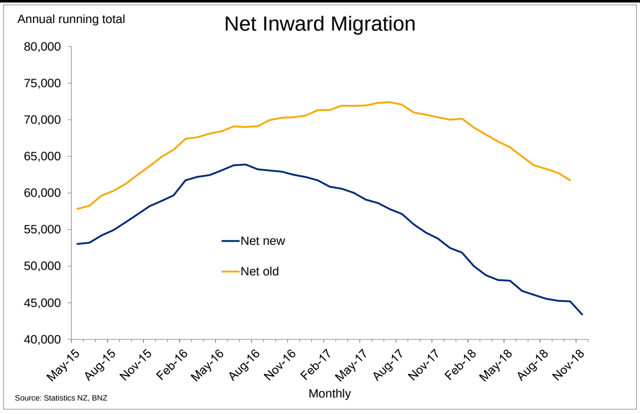
Lesser population growth also seems likely to affect New Zealand's labour market data. The Household Labour Force Survey (HLFS), in particular, tends to scale its proportionate sample results up to population size. So there might be some downward revisions to employment growth estimates over recent years to look out for, but no revisions necessarily to the unemployment rate.

Slower employment growth would make more sense to us, as it has been unusually strong over recent years. In the HLFS, at least (the Quarterly Employment Survey has exhibited relatively steadier jobs expansion). But then this could crimp macro measures of aggregate household income, which could wash into an even weaker picture around the household savings rate, as per the Household Income and Outlay Account.

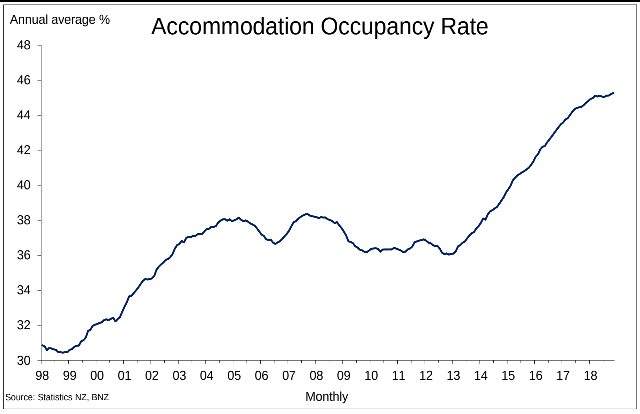
These are just a taste of the many things we'll have to think through and monitor, with respect to the NZ economy, as a consequence of the new way Statistics NZ is measuring migration.

An early test of this will come with the December quarter 2018 working-age population estimate that Statistics NZ is scheduled to publish Wednesday. Will this be rated to the revised-lower migration numbers? Either way, we trust that the officials will be clear on this, with next week's HLFS fast coming into view.

What a Relief



No Vacancy



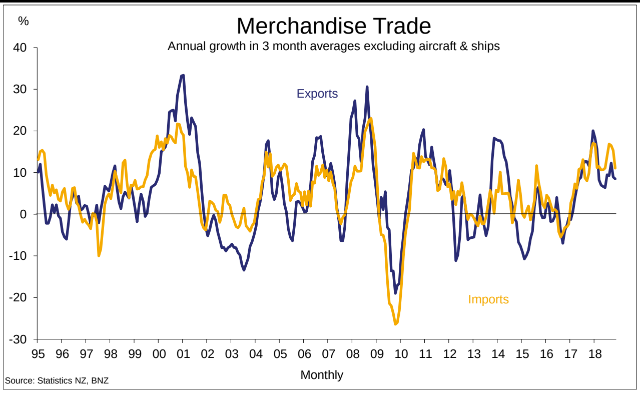
As for the short-term visitor arrivals, these are measured the same way as before. And November's lot retained good momentum. They were up 7.1% on the corresponding month a year prior. This gives some confidence that the big fall we saw in services exports in Q3 GDP was a timing issue rather than the start of the end of New Zealand's strong underlying tourism story.

The idea that New Zealand's tourism industry is still very much on the up was definitely supported by this morning's Accommodation Survey. Covering November, it showed 3.8% annual growth in guest nights. And this was maintaining serious pressure on accommodation services, with the occupancy rate still riding very high from a long-term perspective.

As for tomorrow's merchandise trade figures, we are looking for a December trade surplus of $382m, aided by seasonality. This entails an exports expansion of 3% y/y, and imports growth of 7% y/y. In this we are a bit stronger on the exports side than is the market, with the market's expectation of a monthly surplus of $225m.

Tomorrow afternoon's new residential lending figures appear prone to slow a lot, considering what home sales did in December (partly on trading-day issues?). But as for whether the housing market is actually slowing that much, we really need to see the March quarter data. The stock-of-credit numbers for December are due Thursday, covering households, businesses and agriculture.

Solid



Friday completes the week's local data, with January's ANZ Roy Morgan consumer confidence release. Its summary index strengthened to 121.9 in December, after improving to 118.6 in November, and a proximate low point in October, of 115.4. Can it move more noticeably above its long-term average (119.3) in January, that is the question?

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Global Watch

- **FOMC meeting to affirm recent speaker pause message**
- **More potential market movement from US payrolls, ISM, core PCE data**
- **PMIs to help assess extent of China's slowdown**
- **Another vote on May's Brexit plan Wednesday**
- **AU CPI expected to be at low end of market**
- **EU core inflation expected to remain low at 1%**

Australia

Focus will be on the all-important CPI data (Wednesday) in the week ahead, although NAB Business Survey (Tuesday) will also garner its usual market attention (no clues here). Also out are RBA Credit and Trade Prices, both on Thursday.

NAB's forecast for CPI is for low headline and core inflation outcomes in Q4. We expect Q4 headline inflation to print below-market at +0.3% q/q +1.6% y/y (mkt: +0.4% q/q), although we note some upside risk of an 0.4% q/q print, following NZ's CPI data.

For core inflation, NAB forecasts a trimmed mean print of +0.4% q/q, +1.8% y/y (at mkt) and the weighted median at +0.4% q/q, +1.6% y/y (mkt: +0.5% q/q).

Table 1: Consumer Price Index Forecasts

	Dec-17	Mar-18	Jun-18	Sep-18	Expectations NAB Dec-18
Headline CPI					
CPI - NSA					
%q/q	0.6	0.4	0.4	0.4	0.32
%y/y	1.9	1.9	2.1	1.9	1.58
Core Measures					
Trimmed Mean					
%q/q	0.4	0.6	0.4	0.4	0.40
%y/y	1.8	1.9	1.8	1.8	1.78
Weighted median					
%q/q	0.5	0.5	0.4	0.3	0.40
%y/y	2.0	2.0	1.7	1.7	1.59

Source: National Australia Bank, ABS

Our forecast suggests limited upside risk to market consensus for Headline CPI of +0.4% q/q. Both our top-down and bottom-up models suggest inflation softened in Q4, in large part due to petrol prices (a force set to have an even bigger impact in Q1 2019).

This is despite the impact of unusual one-off factors that weighed on Q3 CPI (ie. childcare subsidy). It's worth noting that Q3 is generally a strong quarter, with a number of fees/costs being set on 1 July.

Our below-market forecast largely reflects the decline in fuel prices, lower fruit prices and the weak price growth in rents and new dwellings. Risks to our forecast are centred on:

- the ever-volatile prices of fruits and vegetables;
- softness in rents and new dwellings (15% of the CPI basket),
- whether pressures to contain energy prices were effective, and;
- the extent of discounting in motor vehicles and household goods.

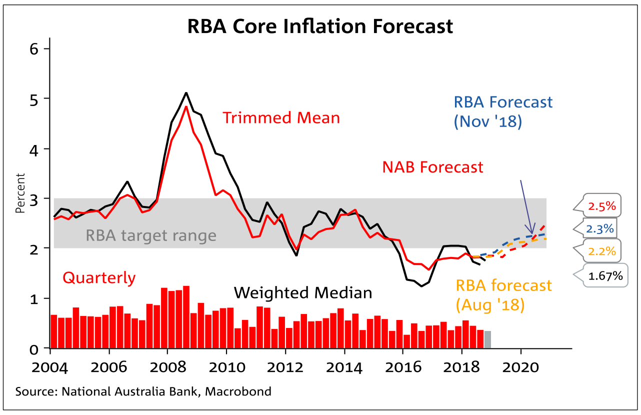
Table 2: Consumer Price Index - Component Expectations

	Dec-17	Sep-18	Expectations NAB Dec-18	Expectations NAB Qtr cont.	Weight in CPI Basket
Food and non-alcoholic beverages	1.0	0.5	0.8	0.12	15.8
Fruit	9.3	2.4	-2.0	-0.02	1.0
Vegetable	1.7	1.6	5.0	0.06	1.2
Alcohol and tobacco	3.2	1.3	3.1	0.23	7.4
Clothing and footwear	-0.3	0.2	-0.3	-0.01	3.3
Housing	0.3	0.4	0.1	0.02	23.2
Rents	0.3	0.2	0.1	0.01	7.1
New dwellings	0.6	0.1	0.2	0.02	8.1
Gas and other household fuels	-1.7	1.1	-1.4	-0.01	0.9
Electricity	0.9	0.4	0.0	0.00	2.5
Furnishings, household equipment and services	-0.8	-1.2	-0.4	-0.04	8.9
Furniture	-1.0	1.9	-1.3	-0.02	1.3
Childcare	1.1	-11.8	1.0	0.01	1.2
Health	-0.5	-0.4	-0.4	-0.02	5.7
Transport	2.4	0.8	-1.1	-0.12	10.5
Automotive fuel	10.4	1.4	-2.9	-0.09	3.2
Motor vehicles	-1.1	-0.1	-1.5	-0.04	2.6
Communication	-1.3	-1.4	-1.0	-0.03	2.6
Recreation and culture	0.6	1.6	1.0	0.13	12.6
Audio, visual and computing equipment	-3.5	-1.8	-3.0	-0.03	1.1
Domestic holiday travel and accom.	6.3	2.4	6.5	0.19	2.9
International holiday travel and accom.	-1.7	4.3	-1.5	-0.05	3.1
Education	0.1	0.1	0.0	0.00	4.3
Insurance and financial services	0.2	0.5	0.6	0.03	5.9
Headline CPI	0.6	0.4	0.32	0.32	--
Trimmed Mean, sa	0.4	0.4	0.40	--	70
Weighted Median, sa	0.5	0.3	0.40	--	--

Source: National Australia Bank, ABS

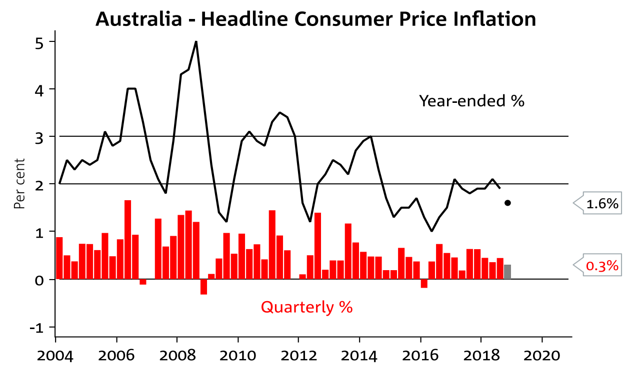
For the RBA, there's little sign of building inflationary pressures. It's more the opposite. Core inflation looks set to remain below the 2-3% target range in Q4 and there are a number of headwinds in the near-term outlook. These include, drags from rents/new dwellings, ongoing retail competition pressures and potential government policies aimed at easing cost-of-living pressures.

Chart 1: Core inflation likely to remain below 2%



Given this, we expect a 0.3 to 0.4% q/q Q4 result will push the Bank to rethink and revise its outlook (updated on 8 February) for a slower return to the target.

Chart 2: NAB expects Headline CPI to be soft



Source: National Australia Bank, ABS

On **credit** NAB is expecting an at-market outcome of 0.3% m/m credit growth in December (4.4% y/y), although there is some downside risk. We expect another month of modest credit growth, with owner-occupier credit again lifting 0.3% m/m and investor lending flat. Business credit is expected to rise 0.5% m/m, but there's downside risk here of a soft month after 5 months of solid growth.

On **trade prices**, we expect import prices rose 1% q/q, and export prices lifted by a slightly stronger 1.5% q/q in Q4. While a lower AUD and oil prices likely put some upward pressure on import prices, export prices were supported by a tick up in the iron ore price.

China

Official Manufacturing and Non-manufacturing PMIs on Thursday is the highlight. Friday sees the Caixin Manufacturing PMI. Markets continue to watch these data closely to gauge the extent of a China slowdown, the consensus looking for the PMIs to hold steady.

US

It's a busy week, although the flow of data will depend on any lingering effects of the government shutdown. Wednesday's FOMC meeting is unlikely to reveal too much new given the recent round of Fed speakers who now claim they have time to sit back and review news and data. Note that, starting this year, there will be a press conference at each meeting. The key data releases will be Friday's January Payrolls (consensus +160k) and the January reading of the Manufacturing ISM. While the latter has slumped to 54.1 from 59, regional indices have been very soft, implying further downside. Core PCE comes with the December personal income and spending release on Thursday. Inflation could sink further below the 2% target as energy prices drop. Earnings season continues: look out for FAANGs/tech giant: Apple, Microsoft, Facebook, Alibaba, Qualcomm, Tesla, Samsung and Sony.

UK

Brexit debate continues, with Parliament set to vote for the second time on Theresa May's key Withdrawal Agreement. The late Tuesday vote (early Wednesday NZT time) will likely be much closer than the last 202-432 record defeat. A win and passage of the deal is not out of the question as some more strident Brexiteer MPs are thought to be shifting to back May's deal for fear of Brexit not happening at all. Ahead of Tuesday's vote several amendments will be heard and some voted on. Should these pass, the chances of a 'no deal' exit will drop markedly and GBP will take another leg higher. On the data front PMI manufacturing on Friday is the main focus.

EU

The data highlight is likely to be the advance January HICP release on Friday, where headline inflation is seen dropping to 1.4% y/y while core prices remain unchanged at 1%. German prices, released Wednesday, will provide a steer. EZ unemployment rate is released Thursday.

Canada

Canada produces November GDP on Thursday, the same day as a speech from Senior Deputy BoC Governor Wilkins.

Japan

Preliminary industrial production figures for December are on Thursday, witg Jobless rate data due on Friday.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ Swap rates were down between 2 to 4bps last week, despite a stronger than expected NZ CPI release. Swap rates have established a new, lower trading range in 2019.

The 0.7% quarterly increase in non-tradables inflation (above the RBNZ's 0.4% MPS forecast) and increase in most measures of core inflation saw a brief upward move in NZ rates midweek and paring of near-term OCR rate cut expectations. The market-implied probability of a rate cut by May was reduced to 10% (vs. 25% pre-data). But the market has retained around a 50% chance of an OCR cut by the end of the year (see chart).

We still think rate cuts are unlikely, barring a material downturn in the global economy. Consequently, our base case is that NZ swap rates will be reasonably range-bound for much of this year, amidst an unchanged OCR and range-bound US Treasury yields (given the Fed is likely to be on hold for some time). Borrowers may want to consider short-term fixed rate hedges, given the 2 year swap, at 1.905%, is trading at the same level as the 90 day bank bill rate (see the Borrowers Outlook we sent last week for more information).

There is little by way of domestic data in the week ahead that's likely to shift OCR expectations and NZ rates. The next major piece of domestic data is the labour market report on Thursday the 7th February.

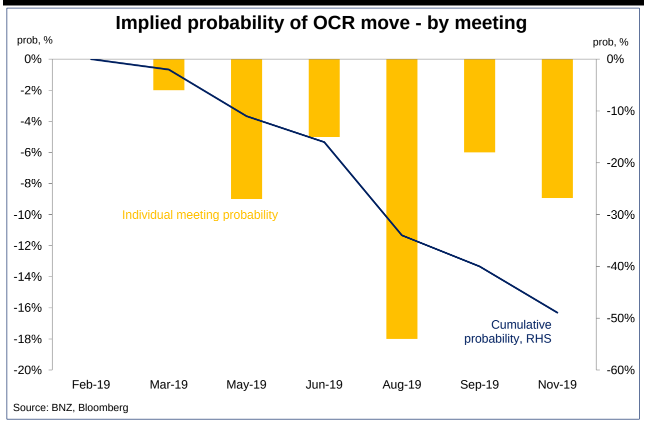
There is plenty to focus on offshore however. The FOMC meeting is on Thursday morning NZT, where the Fed is almost certain to keep rates unchanged. There won't be any economic projections, but the meeting will be accompanied by a press conference with Chair Powell. We expect Powell to reiterate "patience" with interest rates, and we will be watching for any discussion at the press conference on what the conditions might be for a resumption of the tightening cycle. On the data front, non-farm payrolls is on Friday night alongside the ISM manufacturing survey. The much weaker than expected ISM survey earlier this year triggered a sharp decline in US rates, and there will be heightened focus on the survey amidst increased concerns among market participants around the US growth outlook.

In Australia, CPI is released on Wednesday. Our NAB colleagues expect below-consensus outturns for headline inflation (0.3% q/q% vs. 0.4% consensus) and the weighted median core measure of inflation (0.4% q/q% vs. 0.5% consensus). Downside surprises to Australian inflation (especially the core measures) would reinforce market expectations that the balance of risks is tilted towards the next move by the RBA being a rate cut (our NAB colleagues still think the next move will be a hike, but not until the second-half of 2020). The market currently prices around a two-thirds chance of an RBA rate cut by the November 2019 meeting.

In primary issuance, last week saw a poorly received tender of $200m NZGB 2037 bonds, with a bid-to-cover ratio of only 1.18 (one of the weakest auctions over the past five years), and a tender cut-off yield 4bps higher than the weighted average successful yield. The two nominal tenders in the New Year have met with far more modest demand than those at the end of last year. NZDM tenders another $200m 2025s on Thursday. In light of the recent NZGB underperformance against swaps, and the shorter maturity of the bonds being tendered, we think it should go well. In Kauri issuance last week, EDC upsized its Nov-2023 bond by $650m.

Also of note, NZDM released the second edition of its Funding Strategy document today. Of some interest to us was the reference to inflation-indexed bonds (IIBs). NZDM stated that "the appropriate proportion of IIBs within the portfolio is assessed on an ongoing basis. However, a commitment to the product remains constant." We think there is a chance that NZDM could announce a reduction to future net issuance of IIBs at the Budget in May which, if it eventuated, could be a catalyst for NZ breakeven inflation to widen. We continue to think IIBs offer much better value than nominal bonds at present (see here).

The market prices around a 50% chance of a cut by Nov



Current Rates/Spreads and Recent Ranges

	Current	Last 3-weeks range*
NZ 90d bank bills (%)	1.91	1.88 - 1.93
NZ 2yr swap (%)	1.91	1.87 - 1.97
NZ 5yr swap (%)	2.13	2.10 - 2.21
NZ 10yr swap (%)	2.57	2.56 - 2.67
2s10s swap curve (bps)	67	65 - 72
NZ 10yr swap-govt (bps)	27	25 - 30
NZ 10yr govt (%)	2.31	2.26 - 2.43
US 10yr govt (%)	2.76	2.66 - 2.80
NZ-US 10yr (bps)	-45	-46 - -30
NZ-AU 2yr swap (bps)	2	-4 - 6
NZ-AU 10yr govt (bps)	10	-1 - 10

*Indicative range over last 3 weeks

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Foreign Exchange Markets

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The NZD had a good week last week rising by 1-1½% against the other majors we follow – apart from a 1% fall against a recovering GBP, which continues to steam on upwards as Brexit risks fade. We wouldn't read too much into the NZD's outperformance, as it follows the previous week's unexplainable underperformance. However, we can point to a few factors that have supported the NZD.

Our risk appetite index closed last week at its highest level this year (52%) while the NZ commodity price index drifts higher as dairy prices improve. The NZD also got a little lift after NZ CPI inflation measures were slightly higher than expected. Some key core measures showed higher inflationary pressure and the report came as a disappointment to those looking for evidence to support rate cuts this year.

Our short term fair value model estimate has drifted up to 0.6700, while the current spot rate sits near the middle of the 0.67-0.70 range we have been talking about – the approximate level we see the NZD anchored around for much of the year.

We'd be more bullish on the NZD if not for some lingering global risks. Last week the IMF downgraded its global outlook for the second time in three months; China reported that GDP growth had receded to its slowest pace since the GFC; and PMIs for the euro-area are still heading lower so that the ECB now sees downside risks to the growth outlook comes as no surprise. There's enough uncertainty out there on the global growth outlook – which is important for risk currencies like the NZD – to hold back performance of the NZD at this juncture.

In the week ahead US and China meet again for trade talks, this time at a higher level. White House economic adviser Larry Kudlow said the conversations with China's team led by Liu will be a crucial test of whether the two sides can come to an agreement. After the meetings both sides are expected to release statements and these might determine whether the NZD is higher or lower by next weekend, while soundbites released during the meetings could trigger some volatility.

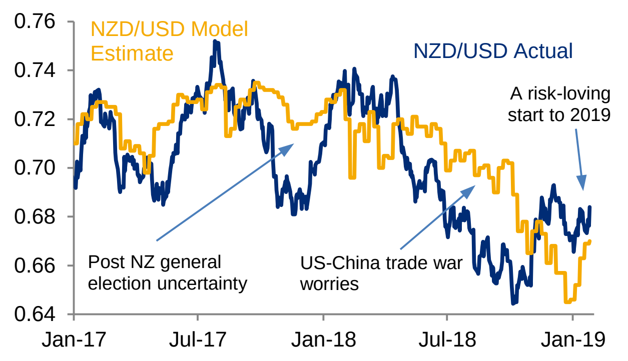
There are only second tier releases in NZ this week. Australian CPI data on Wednesday are expected to show core inflation measures remaining below the bottom end of the target range.

We expect changes to the FOMC policy statement on Thursday morning to reflect the more dovish comments from members since the December statement. The overall message should convey some "patience" on policy after the series of rate hikes last year. The US government shutdown might be over for now but it has affected the US economic calendar. A backlog of data releases is due but their timing remains uncertain.

China PMI data on Thursday will be in focus, with any further slippage likely to be seen as bad for the global economy and negative for risk currencies like the NZD. Euro area CPI data at the end of the week are likely to remain soft.

Brexit will remain the key influence on GBP, with another Parliamentary vote on PM May's EU Withdrawal Agreement due. Recent strength in GBP is consistent with a fading of Brexit risks and we wouldn't fight this trend. Indeed, we expect further GBP strength that sees NZD/GBP head lower.

A Risk-Loving Start to 2019



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6831	0.6710 - 0.6850
NZD/AUD	0.9522	0.9370 - 0.9550
NZD/GBP	0.5184	0.5150 - 0.5380
NZD/EUR	0.5986	0.5860 - 0.6000
NZD/JPY	74.82	72.90 - 75.20

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6700	2%
NZD/AUD	0.9170	4%

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Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.6890 (ahead of 0.6970)
ST Support: 0.6700 (ahead of 0.6650)

The NZD looks to be in a consolidation phase. We'd have to see an upside break of 0.6970 to argue that an upward trend is in play. Initial support area is 0.67.

NZD/AUD

Outlook: Trading range
ST Resistance: 0.9580 (ahead of 0.9640)
ST Support: 0.9370 (ahead of 0.9300)

Ignoring the 3-Jan flash crash, the cross has range traded between 0.9370-0.9580 ovet the last six weeks. A topside break is the bigger threat at this juncture, which could open up a move to 0.98.

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NZ 5-year Swap Rate

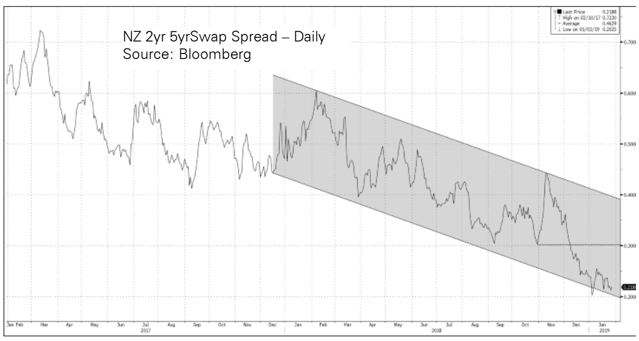
Outlook: Lower
ST Resistance: 2.27
ST Support: 2.00

Some consolidation here, expect any pullback to be limited to 2.27 level.

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

Outlook: Neutral
ST Resistance: +30.5
ST Support: +22

Back in channel but break below +30.5 was a clear move lower. Put flatteners on towards that level.



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Quarterly Forecasts

Forecasts as at 28 January 2018

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
GDP (production s.a.)	0.9	0.7	0.6	1.0	0.3	0.8	0.5	0.7	0.7	0.8
Retail trade (real s.a.)	0.6	1.2	0.1	1.1	0.0	0.7	0.7	0.6	0.6	0.6
Current account (ytd, % GDP)	-2.7	-2.9	-3.0	-3.3	-3.6	-3.7	-3.4	-3.2	-3.1	-3.0
CPI (q/q)	0.5	0.1	0.5	0.4	0.9	0.1	0.3	0.5	0.7	0.1
Employment	2.0	0.5	0.6	0.6	1.1	0.0	0.6	0.5	0.4	0.4
Unemployment rate %	4.7	4.5	4.4	4.4	3.9	4.2	4.0	4.0	4.1	4.0
Avg hourly earnings (ann %)	2.0	3.1	4.0	3.3	3.6	3.7	3.4	4.1	3.6	3.8
Trading partner GDP (ann %)	4.1	3.9	4.0	4.0	3.6	3.7	3.6	3.5	3.6	3.5
CPI (y/y)	1.9	1.6	1.1	1.5	1.9	1.9	1.7	1.8	1.6	1.6
GDP (production s.a., y/y))	3.0	3.4	3.0	3.2	2.6	2.7	2.7	2.4	2.8	2.7

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
2017 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	1.90	2.10	2.60	2.05	2.45	2.95	2.35	3.00	-0.45
Dec	1.75	1.95	2.00	2.55	2.00	2.35	2.85	2.80	2.85	-0.42
Forecasts										
2019 Mar	1.75	1.95	1.95	2.40	2.00	2.25	2.70	2.70	2.75	-0.35
Jun	1.75	1.95	2.00	2.45	2.10	2.25	2.70	3.05	2.75	-0.30
Sep	1.75	2.05	2.05	2.45	2.20	2.25	2.70	3.05	2.75	-0.30
Dec	2.00	2.30	2.10	2.50	2.30	2.30	2.75	3.30	2.75	-0.25
2020 Mar	2.25	2.45	2.20	2.55	2.45	2.30	2.75	3.55	2.75	-0.20
Jun	2.25	2.45	2.20	2.55	2.45	2.30	2.75	3.55	2.75	-0.20
Sep	2.25	2.45	2.20	2.55	2.45	2.35	2.75	3.55	2.75	-0.20
Dec	2.25	2.45	2.20	2.55	2.45	2.35	2.75	3.55	2.75	-0.20
2021 Mar	2.25	2.45	2.20	2.55	2.45	2.35	2.75	3.55	2.75	-0.20

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.68	0.72	1.14	1.32	109
Mar-19	0.68	0.71	1.17	1.35	113
Jun-19	0.67	0.70	1.18	1.40	113
Sep-19	0.69	0.73	1.20	1.43	110
Dec-19	0.70	0.75	1.23	1.45	108
Mar-20	0.70	0.76	1.24	1.46	107
Jun-20	0.71	0.77	1.25	1.47	105
Sep-20	0.72	0.78	1.28	1.48	104
Dec-20	0.73	0.79	1.30	1.50	101
Mar-21	0.72	0.78	1.30	1.50	101
Jun-21	0.72	0.77	1.32	1.52	100

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.68	0.95	0.60	0.52	74.9	74.1
Mar-19	0.68	0.96	0.58	0.50	76.8	74.1
Jun-19	0.67	0.96	0.57	0.48	75.7	72.8
Sep-19	0.69	0.94	0.57	0.48	75.4	72.9
Dec-19	0.70	0.93	0.57	0.48	75.6	73.4
Mar-20	0.70	0.92	0.57	0.48	74.9	72.7
Jun-20	0.71	0.92	0.57	0.48	74.6	73.1
Sep-20	0.72	0.92	0.56	0.49	74.9	73.5
Dec-20	0.73	0.92	0.56	0.49	73.7	73.7
Mar-21	0.72	0.92	0.55	0.48	72.7	73.2
Jun-21	0.72	0.94	0.55	0.47	72.0	73.3
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 28 January 2019	March Years Actuals 2017	2018	Forecasts 2019	2020	2021	December Years Actuals 2016	2017	Forecasts 2018	2019	2020
GDP - annual average % change										
Private Consumption	5.8	4.0	3.0	2.2	1.7	5.4	4.7	3.0	2.4	1.8
Government Consumption	2.1	2.8	1.6	1.3	1.7	2.0	2.9	1.9	1.2	1.7
Total Investment	3.6	4.7	2.5	3.3	3.8	4.3	3.5	3.8	2.9	3.6
Stocks - ppts cont'n to growth	0.1	-0.3	0.2	-0.1	0.0	0.2	-0.2	0.3	-0.2	0.0
GNE	4.7	3.7	3.3	2.3	2.2	4.6	3.9	3.7	2.3	2.2
Exports	1.3	3.0	4.7	4.5	3.8	2.1	1.8	4.0	5.1	3.8
Imports	5.1	7.1	5.5	3.1	2.5	3.4	6.9	6.5	3.5	2.3
Real Expenditure GDP	3.7	2.6	2.9	2.7	2.6	4.2	2.6	2.9	2.7	2.6
GDP (production)	**3.6**	**3.1**	**2.8**	**2.7**	**2.5**	**3.9**	**3.1**	**2.9**	**2.6**	**2.6**
GDP - annual % change (q/q)	*3.1*	*3.0*	*2.7*	*2.8*	*2.4*	*3.4*	*3.4*	*2.7*	*2.7*	*2.5*
Output Gap (ann avg, % dev)	1.0	0.9	0.8	0.7	0.4	1.1	0.9	0.9	0.7	0.5
Household Savings (% disp. income)	-2.8	-1.8	-3.5	-3.3	-2.2					
Nominal Expenditure GDP - $bn	269.9	284.7	297.1	312.0	323.8	265.6	281.9	293.5	308.2	321.3
Prices and Employment - annual % change										
CPI	2.2	1.1	1.7	2.0	2.0	1.3	1.6	1.9	1.6	1.7
Employment	5.7	3.1	2.3	1.6	1.6	5.8	3.7	2.3	1.9	1.6
Unemployment Rate %	4.9	4.4	4.0	4.1	4.0	5.3	4.5	4.2	4.0	4.0
Wages - ahote	1.1	4.0	3.4	3.9	3.4	1.1	3.1	3.7	3.8	3.6
Productivity (ann av %)	-2.0	-0.4	-0.2	0.9	0.9	-0.9	-1.1	-0.3	0.7	1.0
Unit Labour Costs (ann av %)	4.0	3.5	3.0	2.4	2.4	2.8	3.7	3.6	2.3	2.4
External Balance										
Current Account - $bn	-6.9	-8.5	-10.0	-8.9	-10.5	-5.7	-8.2	-10.8	-9.1	-9.9
Current Account - % of GDP	-2.6	-3.0	-3.4	-2.9	-3.2	-2.2	-2.9	-3.7	-3.0	-3.1
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	1.5	1.9	0.8	1.0	1.2					
Net Core Crown Debt (excl NZS Fund Assets)	21.8	20.0	20.7	20.8	20.5					
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	0.68	0.70	0.72	0.70	0.70	0.68	0.70	0.73
USD/JPY	113	106	113	107	101	116	113	112	108	101
EUR/USD	1.07	1.23	1.17	1.24	1.30	1.05	1.18	1.14	1.23	1.30
NZD/AUD	0.92	0.94	0.96	0.92	0.92	0.96	0.91	0.95	0.93	0.92
NZD/GBP	0.57	0.52	0.50	0.48	0.48	0.56	0.52	0.54	0.48	0.49
NZD/EUR	0.66	0.59	0.58	0.57	0.55	0.67	0.59	0.60	0.57	0.56
NZD/YEN	79.1	77.0	76.8	74.9	72.7	81.6	78.7	76.4	75.6	73.7
TWI	76.5	74.8	74.1	72.7	73.2	78.1	73.6	74.6	73.4	73.7
Overnight Cash Rate (end qtr)	1.75	1.75	1.75	2.25	2.25	1.75	1.75	1.75	2.00	2.25
90-day Bank Bill Rate	1.98	1.93	1.95	2.45	2.45	2.02	1.88	1.98	2.28	2.45
5-year Govt Bond	2.70	2.35	1.95	2.20	2.20	2.75	2.30	1.95	2.10	2.20
10-year Govt Bond	3.25	2.95	2.40	2.55	2.55	3.30	2.80	2.40	2.50	2.55
2-year Swap	2.30	2.25	2.00	2.45	2.45	2.40	2.20	2.00	2.30	2.45
5-year Swap	3.00	2.70	2.25	2.50	2.50	3.00	2.65	2.30	2.40	2.50
US 10-year Bonds	2.50	2.85	2.75	2.75	2.75	2.50	2.40	2.85	2.75	2.75
NZ-US 10-year Spread	0.75	0.10	-0.35	-0.20	-0.20	0.80	0.40	-0.45	-0.25	-0.20

(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 28 January			
NZ, Holiday - partial, Auckland Ann (Obs)			
China, Industrial Profits, December y/y			-1.8%
Tuesday 29 January			
NZ, New Residential Lending, Dec y/y			+17.6%
NZ, Merchandise Trade, December	+$382m	+$225m	-$861m
Aus, NAB Business Survey, December			+3
US, International Goods Trade, Dec advance			-$77.2b
US, Shiller Home Price Index, Nov y/y			+5.5%
US, Consumer Confidence, January			128.1
Wednesday 30 January			
Aus, CPI, Q4	+0.3%	+0.4%	+0.4%
Jpn, Retail Sales, Dec y/y		+0.8%	+1.4%
Euro, Economic Confidence, January		106.8	107.3
Germ, CPI, Jan y/y 1st est		+1.6%	+1.7%
US, FOMC Policy Announcement	2.50%	2.50%	2.50%
US, GDP, Q4 1st est		+2.6%	+3.4%
US, Pending Home Sales, December		+0.5%	-0.7%
US, ADP Employment, January		+185k	+271k
Thursday 31 January			
NZ, Credit Aggregates, Dec (household y/y)			+6.0%
Aus, Terms of Trade, Q4			

	Forecast	Median	Last
Thursday 31 January...*continued*			
Aus, Private Sector Credit, December			+0.3%
China, Non-manufacturing PMI, January		53.9	53.8
China, PMI (NBS), January		49.3	49.4
Jpn, BOJ Summary of Latest Meeting, 23 Jan Meeting			
Jpn, Industrial Production, Dec 1st est		-0.5%	-1.0%
Euro, Unemployment Rate, December		7.9%	7.9%
Euro, GDP, Q4 1st estimate		+0.2%	+0.2%
Germ, Retail Sales, December		-0.5%	+1.4%
US, Chicago PMI, January		60.8	63.8
US, Personal Spending, December		+0.3%	+0.4%
US, Employment Cost Index, Q4		+0.8%	+0.8%
Friday 1 February			
NZ, ANZ-RM Consumer Confidence, January			121.9
Aus, CoreLogic HPI, January			-1.3%
Aus, Producer Prices, Q4 y/y			+2.1%
Aus, Manufacturing PMI (AiG), January			49.5
China, PMI (Caixin), January		49.7	49.7
Jpn, Unemployment Rate, December		2.5%	2.5%
Euro, CPI, Jan y/y 1st est		+1.4%	+1.6%
US, ISM Manufacturing, January		54.2	54.1

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	1.86	1.80
2mth	1.87	1.85	1.92	1.84
3mth	1.89	1.89	1.97	1.88
6mth	1.91	1.89	2.00	1.91
GOVERNMENT STOCK				
03/19	1.73	1.73	1.75	1.78
04/20	1.71	1.69	1.72	1.95
05/21	1.70	1.69	1.70	2.15
04/23	1.77	1.79	1.86	2.43
04/25	1.95	1.97	2.04	2.70
04/27	2.12	2.13	2.20	2.90
04/29	2.31	2.32	2.36	
04/33	2.48	2.49	2.53	3.24
04/37	2.66	2.66	2.69	3.39
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	72	72	88	47
Europe 5Y	74	76	87	43

	Today	Week ago	Month Ago	Year Ago
SWAP RATES				
2 years	1.90	1.92	1.97	2.18
3 years	1.95	1.98	2.03	2.38
4 years	2.02	2.05	2.11	2.56
5 years	2.12	2.16	2.21	2.72
10 years	2.56	2.62	2.65	3.25
FOREIGN EXCHANGE				
NZD/USD	0.6831	0.6732	0.6719	0.7323
NZD/AUD	0.9523	0.9402	0.9533	0.9047
NZD/JPY	74.87	73.83	73.71	79.79
NZD/EUR	0.5989	0.5922	0.5859	0.5913
NZD/GBP	0.5185	0.5220	0.5266	0.5203
NZD/CAD	0.9031	0.8949	0.9163	0.9037
TWI	74.1	73.2	73.4	74.8

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