7 September 2017

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Economic Outlook

Our growth estimate for Q2 GDP (due 21 September) remains at 0.9% (2.6% y/y) – in line with RBNZ/Treasury expectations. This is now sensitive only to tomorrow's manufacturing sales (and inventory) data, which we expect will infer an output increase of 1.5-2.0%. While this might sound a lot, it's supported by a clear bounce-back in primary output and exports in Q2, after patchy quarters prior. This very much includes forestry, which is booming in not just volume, but in robust prices too. Another supporting factor for tomorrow's manufacturing data is the strong expansiveness of the NZ PMI over the June quarter. Yet there is also a potential drag, from the fact national building activity is easing, as Canterbury's massive reconstruction cycle continues to abate. Meantime, we are doing our best to keep abreast of the gyrating political polls ahead of the 23 September election, and the implications it could have for our forecasts.

Interest Rate Outlook and Strategy

A host of factors have recently taken key global benchmark yields to new 2017 lows from geopolitical tensions to low inflation and the strength of the Euro. The US 10-year Treasury yield is now not far above the 2.0% key area of support. Ultimately, we think yields in the US and Europe will turn higher, albeit not sharply. This view reflects our thinking that: (1) the market is under-pricing hikes from the US Fed; (2) The Fed is getting set to reduce the size of its balance sheet; and (3) even with a stronger Euro, the market isn't priced for ECB QE tapering. We see the latter as a key risk for global bonds in 2018. We look for tighter NZ-US spreads, as we see market pricing for the RBNZ as fairer than equivalent pricing for the Fed.

Currency Outlook

After a rough ride through August for the NZD, the near term picture we see is one of consolidation. Momentum indicators are looking more balanced and net long speculative positioning is less extreme. The positive NZ commodity price dynamic we saw through last year and the first half of 2017 appears to have run its course. On a year-ahead view, NZ commodity prices are expected to be modestly weaker. Meanwhile the potential for weaker risk appetite continues to overhang the NZD. So, while the NZD might well track sideways over the next month or two, downside risks seem to prevail as we look further ahead. On election risks, there is always the chance of some politically-related knee-jerk NZD reaction, but on fundamentals we don't see any obvious implications for the NZD under most government configuration scenarios. Our end-September and end-December targets for NZD/USD are 0.72 and 0.70 respectively.

Thoughts on Q2 GDP

- We estimate Q2 GDP expanded 0.9% (2.6% y/y)
- Providing tomorrow's manufacturing data upbeat
- Booming forestry certainly helps
- But Canterbury's now a drag on building activity
- Local government expansion to slow in Q2 GDP
- As regional authority operating deficits persist

Dependent only on tomorrow's manufacturing figures, our growth estimate for June quarter GDP remains at 0.9% (2.6% y/y). That is, based on the production-based measure. In terms of expenditure GDP we figure on a quarterly gain of 1.2% (2.4% y/y).

This is after seeing this morning's news that the value of wholesale trade expanded a seasonally adjusted 1.7% last quarter. This was very close to, but not quite, what we anticipated (there are no market polls), inferring a decent further expansion in real terms.

Strictly speaking, this leaves our spreadsheets straddling 0.8/0.9% with respect to Q2 GDP growth. We'll stick with 0.9% for now – where we've been for a while, and where RBNZ and Treasury expectations sit based on their latest forecast documents, as it happens. But we could easily finalise down at 0.8% (or below) if tomorrow's manufacturing figures even slightly disappoint our robust expectations of them. Our base case is that the June quarter manufacturing sales (and inventory) data infer an increase in the industry's output of between 1.5 and 2.0%.

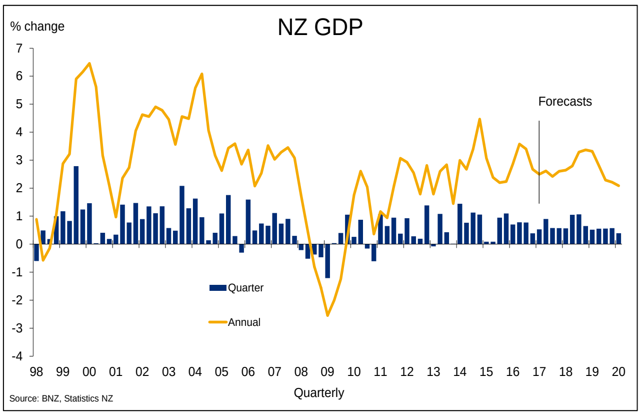
Then again, there is still a decent chance manufacturing is even bigger than we think, which could yet get our final pick on Q2 GDP growth up to 1.0%, even more. As a broadly positive backdrop to this, we point out that the Performance on Manufacturing Index was strongly expansive throughout the June quarter. Its production component averaged 58.0.

Also, there was a hefty rebound in meat and dairy production in Q2 – based on the high-frequency series we monitor but also with reference to the Overseas Trade Indexes (OTI) with respect to export volumes. This should mean a boon to the food processing component of manufacturing. Indeed, there would appear to be a big recovery in primary production and exports more generally in Q2, after a patchy run over prior quarters.

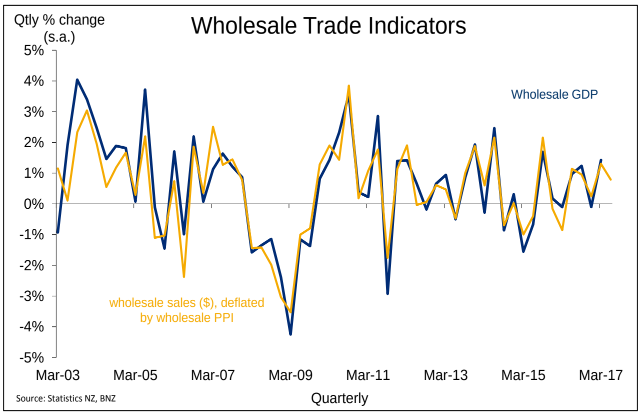
This includes forestry. Results from this industry – as per data from the Ministry for Primary Industries website – were very strong for the June quarter. Annual growth in harvesting – "round-wood removals", in the lingo – perked up to 11.5%, having slowed to 1.6% in Q1. We inferred from this a quarterly move of about 11%, seasonally adjusted. This goes straight into the forestry and logging component of GDP. While this category does not have a big weight, the size of the increase was enough to add 0.1 to our Q2 GDP growth expectation.

The forestry harvesting boom tends to also suggest a lot more downstream processing of manufactured wood products. This is something else we will look for in tomorrow's Q2 manufacturing sales figures, but is already well corroborated by the recovery we saw in forestry export volumes in the June quarter Overseas Trade Indexes. The OTI data also highlighted, of course, robustness in the price of forestry exports (as did the Q2 producer price information). The industry is right in the thick of the commodity and terms of trade boom, in other words.

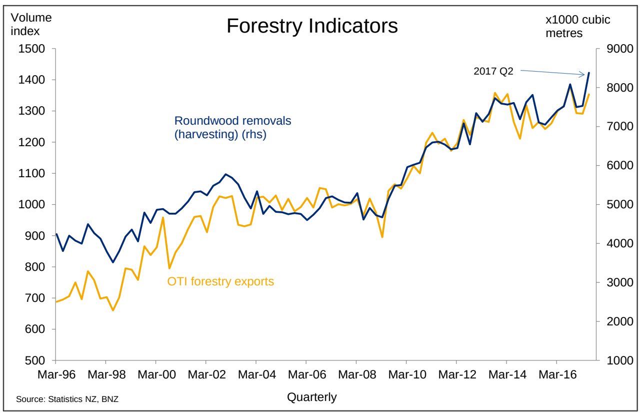
Firming Growth



Robust



Booming



This is a general reminder to not limit attention to the quarterly GDP production series at the 21 September release, when trying to judge how the economy is going. Expenditure-based nominal GDP growth will also be worth paying regard to, especially in terms of its annual growth rate, which we believe will hit 8%. Dollar income matters as much as real production for a lot of people.

And even in inflation-adjusted terms, also note the real gross national disposable income measure that Statistics NZ publishes. This reflects not only the inherent purchasing power coming via the near record high terms of trade, but also the cross-border flow of factor income – principally accrued profits and interest income.

Of course, in regular GDP series, a big boost is already set from the Q2 retail trade report we've witnessed. It was huge, lifting 2.0% (5.5% y/y). However, to some extent at least, this was juiced by some once-off sports events, which will also flatter exports of services in the GDP accounts.

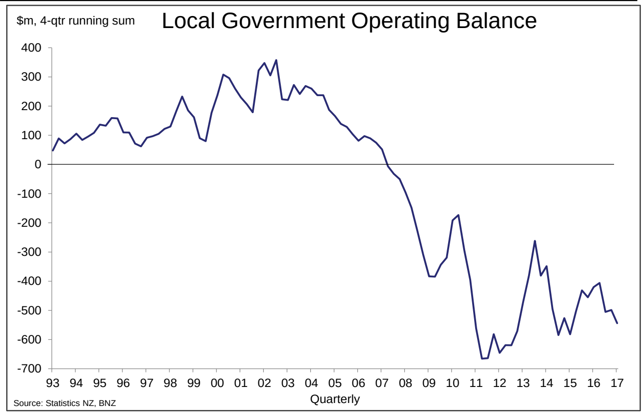
In terms of construction activity though, things look to be struggling now, after a cracking run. Tuesday's Building Work Put in Place report showed a 0.5% dip in real terms. This followed a 3.3% fall in Q1 and dunked annual growth to -1.1%, from +4.4%. So, technically speaking, the building industry is in recession.

But it's important to appreciate the role of Canterbury in this, as its home and commercial building activity abate from the reconstruction heights they hit, post quakes. This regional aspect is also obvious from the likes of building consents and concrete production.

Outside of Canterbury, building activity in Q2 was more accurately described as slowing rather than going backwards. And this could well reflect the capacity constraints the industry is running into, as opposed to any obvious moderation in demand. Anyone needing reassurance that call for more construction work is still hale and hearty need only look at last Friday's ANZ business survey, which, indeed, strengthened a lot in this respect.

However, the fact is that June quarter Building Work Put in Place confounded our expectation of a partial bounce-back from its fall in Q1. And so it weighs on our Q2 GDP growth expectation.

No Surplus Here Yet



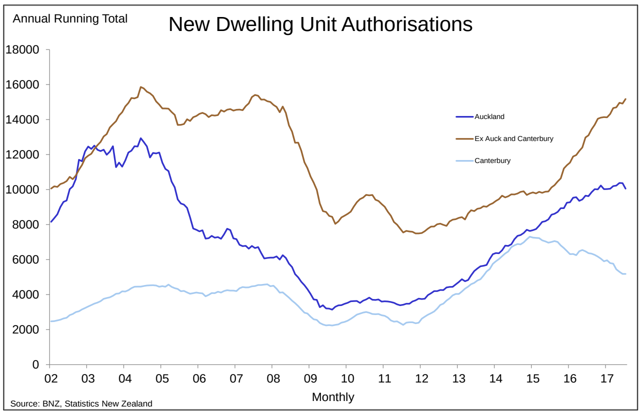
In the course of assessing Q2 GDP growth, we have also taken the chance to dig a little deeper into local (regional) government. At a headline level, the local government wage bill tends to give a good lead to how this category will do in the GDP production accounts. And growth in that wage bill slowed to just 0.2% in Q2, after posting 3.1% in Q1 – in figures published by Statistics NZ yesterday.

Of course, New Zealand's sub-national layers of government are proportionately tiny when compared to what a lot of other nations have. Regional taxes here are sparse. New Zealand is still small enough to have most of the fiscal flows coordinating through central government.

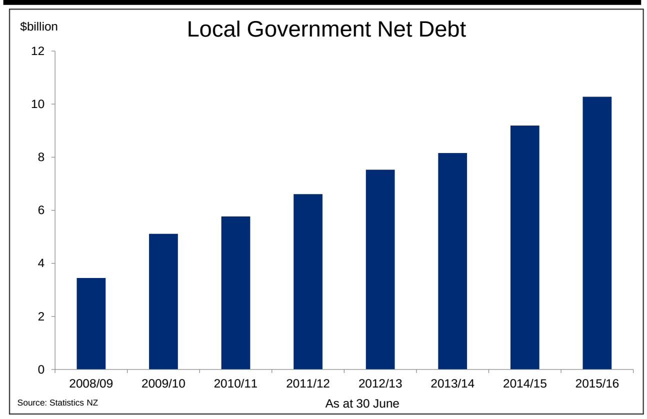
Nonetheless, it's worth noting that the regional government sector, as a whole, is still running operating deficits, having fallen into these during the last recession. And this is despite tax revenue (more than half of which is rates), as a proportion of nominal GDP, being higher than it was pre-recession. It's just that local government spending has increased proportionately more. With persistent operating deficits it's probably no surprise to see the net debt position of local government has continued to rise, according to the Government Finance Statistics (as at June 2016).

craig_ebert@bnz.co.nz

Regional Variation



Investment to Show For It?



Australia's Q2 GDP Report

- Australia's GDP picks up to 0.8% Q2
- Business investment encouraging
- Best wage income growth slow

The Australian economy picked up pace in Q2, with real GDP expanding by 0.8% qoq. While partly a retracement from poor (weather-affected) growth of 0.3% qoq in the first quarter, there were also some positive signals on government investment, business investment and consumer spending, while stronger LNG exports and a bounceback in iron ore exports helped to offset the impact of Cyclone Debbie on coal exports.

The year-ended pace of growth continued to be weighed down by the contraction in growth in Q3 last year, and Q1's weak outcome, unchanged at 1.8% yoy%. Looking forward, year-ended growth is expected to pick up to above 3% in the second half, as LNG exports add further to growth, before easing back a little through 2018.

Outlook and Implications: there are certainly some positive signs in the data, including for business investment and government investment. This fits with the RBA's upbeat view on the economic outlook, is consistent with the next move in rates being up rather than down, and raises the risk that the RBA may hike sooner than we currently expect in 2019. We do retain a degree of caution however - particularly when the outlook for key pillars of growth such as wages and consumer spending are clouded amidst structural changes in the labour market and high household debt levels, the exchange rate has risen, and there is a risk that the dwelling construction cycle may be peaking earlier than expected. In this environment, the inflation targeting central bank will need to be more confident that wages and underlying inflation will pick up in a sustainable fashion. Any emerging risks in the housing market are likely to be addressed through other (non-interest rate) channels, at least for now.

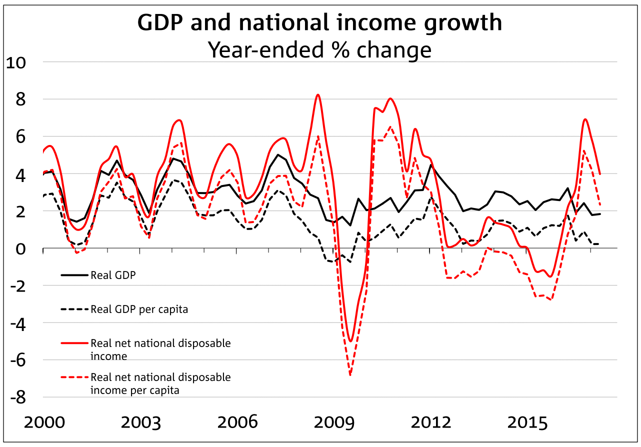
Positive aspects of today's report on the expenditure side included:

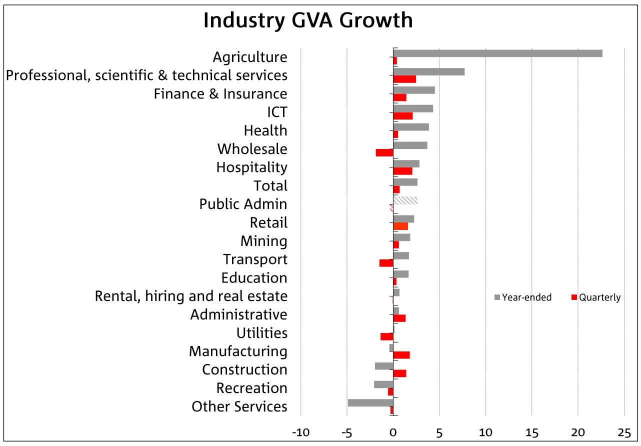
- Underlying business investment increasing for three consecutive quarters, a trend which is likely to continue with the ABS and NAB's capex expectations for 2017-18 suggesting positive growth for non-mining investment, and profitability strong (despite the decline this quarter owing to the lower terms of trade).
- Government investment rising a further 4.5% in underlying terms in Q2, taking it up over 8% over the past year, with particular strength evident at the state & local government level, as well as public corporations.
- Household spending stronger in Q2 at 0.7% q/q, although was a bit softer than expectations following the retail partials. The household savings rate fell

Key aggregates	qoq % ch		yoy % ch
	Mar-17	Jun-17	Jun-17
GDP (A)	0.3	0.8	1.8
GDP (E)	0.1	0.7	1.6
GDP (I)	0.3	1.0	1.4
GDP (P)	0.7	0.8	2.5
– Non-Farm GDP	0.5	0.8	1.4
– Farm GDP	-4.6	0.5	25.6
Nominal GDP	2.3	-0.1	6.3
Real gross domestic income	1.5	-0.5	4.7
Real net national disposable income per capita	0.7	-1.4	2.3
Terms of trade	5.7	-6.0	14.9

GDP Expenditure Components	qoq % ch		yoy % ch	Contribution to qoq % ch
	Mar-17	Jun-17	Jun-17	Jun-17
Household Consumption	0.5	0.7	2.6	0.4
Dwelling Investment	-3.7	0.2	-2.5	0.0
Underlying Business Investment	2.2	1.1	1.5	0.1
Machinery & equipment	**-1.0**	**3.2**	**2.2**	**0.1**
Non-dwelling construction	**4.7**	**-0.9**	**-2.3**	**-0.1**
New building	**4.5**	**0.3**	**-0.1**	**0.0**
New engineering	**4.8**	**-1.9**	**-4.1**	**-0.1**
Underlying Public Final Demand	0.5	1.8	3.7	0.4
Domestic Demand	**0.6**	**1.0**	**2.4**	**1.0**
Stocks (a)	0.4	-0.6	-0.3	-0.6
GNE	**1.0**	**0.4**	**2.1**	**0.4**
Net exports (a)	**-0.9**	**0.3**	**-0.4**	**0.3**
Exports	-2.2	2.7	4.3	0.6
Imports	2.2	1.2	6.5	0.2
GDP	**0.3**	**0.8**	**1.8**	**0.8**

(a) Contribution to GDP growth





further to 4.6%, a 9-year low. However momentum in household spending dropped off in the month of June, while NAB's partial indicators for July are also weak. While recent strength in employment should be supportive, as well as the rise in the minimum wage from 1 July, rising energy costs for households, high debt levels as well as the removal of penalty rates will weigh.

- Net exports adding 0.3ppts to growth thanks to a surge in LNG exports and a rebound in iron ore exports, which offset the disruption to coal exports from Cyclone Debbie. Import growth slowed slightly to 1.2% q/q, with much of the growth coming from capital goods.
- Inventories weighed on growth this quarter, largely driven by wholesale grain stocks according to the ABS. Dwelling investment was also disappointing, posting only marginal growth of 0.2% in Q2, after falling 3.7% in Q1, with construction of new dwellings particularly weak while alterations & additions added in the quarter. While weather-related disruptions played a role in Q1, the lack of bounceback in Q2 raises the risk (not our core view as yet) that the dwelling construction cycle may have peaked earlier than expected.

Measures of wages and inflation were weak. Average compensation of employees (a broad measure of wages) declined 0.1% in the quarter, and is just 0.1% higher over the year. This is weaker than growth in the wage price index of 1.9% yoy, suggesting compositional shifts towards lower paying jobs continues. Offsetting this, the number of employees picked up. Meanwhile the household consumption chain price index, which is conceptually similar to the CPI, was subdued at 0.6% qoq in the quarter and 1.5% over the year trending at 0.5% a quarter and gradually rising. Productivity growth meanwhile was weak, adding to unit labour costs in the quarter; although non-farm real unit labour costs remain down 3.7% over the year – little inflation pressure here!

Measures of income growth meanwhile were generally weaker in the quarter owing to a 6% decline in the terms of trade. Although the terms of trade is still 14.6% higher over the year and should rise again next quarter which has meant real gross domestic income remains 4.7% higher over the year. Corporate gross operating surplus was down 2.6% in the quarter, although remains 16.8% higher over the year. Compensation of employees meanwhile was supported by strong employment growth, but held back by a decline in average wages in the quarter. The wages share of income rose a little to 51.9% after hitting an 8-year low of 51.4% last quarter.

Highlights

On the expenditure side, consumption and underlying public final demand made the biggest contributions to growth, followed closely by net exports (bolstered by a recovery in coal exports and a pick-up in LNG). Meanwhile, dwelling and underlying business investment made little-to-no contribution, while inventories subtracted.

By industry, growth continued in yearly terms across services sectors in particular such as professional services, IT, health and financial and insurance services, and is particularly strong in agriculture. Growth is contracting in construction (mining-related), manufacturing (despite a 1.8% rise this quarter) and arts & recreation services. Growth is now expanding in 15 out of 19 industry sectors, appearing reasonably broad-based.

By state, state final demand expanded more than 1% in the quarter in SA, Victoria, Tasmania, Queensland and NSW, while WA, the NT and the ACT contracted. Of the mainland states, Victoria is currently growing fastest in year-ended terms (4.7% y/y), followed by SA, while SFD growth remains negative in WA.

riki.polygenis@nab.com.au

Key income and productivity measures

Income measures	qoq % ch		yoy % ch
	Mar-17	Jun-17	Jun-17
Real GDI	1.5	-0.5	4.7
Real net disposable income per capita	0.7	-1.4	2.3
Compensation of employees	0.9	0.7	2.1
Average compensation of employees	0.6	-0.1	0.1
Corporate GOS	6.2	-2.6	16.8
Non-financial corporations	7.3	-4.0	19.5
Financial corpoarations	2.4	2.2	8.7
General government GOS	1.2	1.2	4.9
Productivity & unit labour cost			
GDP per hour worked	0.1	-0.3	-0.5
Non-farm productivity	0.4	-0.2	0.5
Non-farm nominal unit labour cost	-0.2	0.3	0.5
Non-farm real unit labour cost	-2.0	1.4	-3.7

State final demand

State/ Territory	qoq % ch		yoy % ch
	Mar-17	Jun-17	Jun-17
NT	1.5	-1.1	9.6
VIC	1.7	1.3	4.7
SA	1.3	1.7	4.0
TAS	1.5	1.2	3.1
QLD	0.2	1.1	2.8
NSW	0.2	1.2	2.4
ACT	0.6	-0.2	1.3
WA	-0.1	-0.3	-4.3

Carbon and Commodities

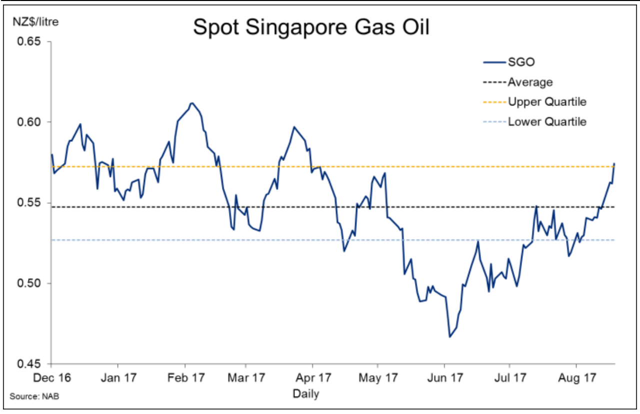
- Commodity prices are mostly firmer over the last two weeks.
- Hurricane activity in US is widening spreads of WTI against other grades of crude and refined product.
- OPEC production remains steady near agreed levels, however production has resumed at Libya's El Sharara field.
- Most metal prices are at multi-year highs, driven by Chinese demand, and supply shortages in many products.

The recent hurricane activity in the Southern US states has resulted in a widening in refinery margins, and the WTI spread to Brent. There was an estimated 5 million barrel disruption from refinery shut downs caused by Harvey, and demand from motorists hoarding gasoline ahead of both hurricanes has caused a backlog of crude, and shortages of refined product. In addition the spread against other grades of crude has reached thresholds incentivizing demand from Asian refineries keen to soak up cheap US crude oil.

Price levels themselves are firmer over the last few weeks, as OPEC producers continue their high compliance with the Algiers production agreement. US inventories have continued to drop (now at 458 million barrels), and the rig count has peaked for now around 760-770. Production is expected to resume from Libya's El Sharara field (250k barrels per day) after being closed for several months due to disruptive violence from rebel troops, and US threats to ban oil exports to North Korea could slightly increase the supply dynamics over the coming months.

Commodity	US$	Change (daily US$)	Change (Fortnight)	Change (Month)	Change (Year)
Brent Crude	54.20	0.83	3.20%	2.85%	9.12%
WTI Crude	49.19	0.03	1.70%	-0.75%	3.93%
Copper	6,886	13.02	4.98%	8.40%	41.37%
Zinc	3,094	-46.64	-0.75%	10.41%	36.52%
Aluminium	2,088	8.28	1.22%	10.35%	28.40%
Tin	20,895	40.08	2.20%	1.46%	16.93%
Nickel	12,112	82.56	6.47%	18.63%	13.19%

Rapid lift



NZ Diesel prices have firmed rapidly over the last fortnight, driven by the trifecta of weaker NZ currency, higher crude prices, and higher spreads for refined product. Current levels at 57 cents/litre near the 75% price percentile, and therefore at levels unattractive for consumers to hedge anything more than bare minimums.

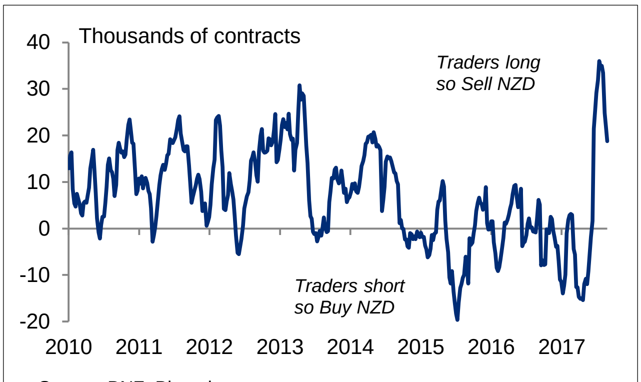
Metal prices are all at multi year highs, as Chinese demand for all products is sending many products into likely deficit for the remainder of the year. In addition tougher environmental legislation from the Philippines is creating supply shortages for Nickel and other base metals. Korean Peninsula tensions may also be encouraging stockpiling of industrial metals in anticipation of possible increased demand should the situation escalate into a full blown war.

nigel_a_collins@bnz.co.nz

NZD short term picture looking more balanced

- After a rough ride through August the near term picture we see is one of NZD consolidation. Momentum indicators are looking more balanced and net long speculative positioning is less extreme.
- The positive NZ commodity price dynamic we saw through last year and the first half of 2017 appears to have run its course. On a year-ahead view, NZ commodity prices are expected to be modestly weaker. Meanwhile the potential for weaker risk appetite continues to overhang the NZD.
- Thus, while the NZD might well track sideways over the next month or two, downside risks seem to prevail as we look further ahead. On election risks, there is always the chance of some politically-related knee-jerk NZD reaction, but on fundamentals we don't see any obvious implications for the NZD under most government configuration scenarios.

Net Speculative Positions Less Extreme



Source: BNZ, Bloomberg

A month ago we outlined the case for a weaker NZD over the short-term – the "over-bought" momentum, the extreme net long speculative positioning, looming election risk, the stale strong terms of trade story, the skewed downside potential for risk appetite, the lack of support from NZ monetary policy and the USD which looked oversold.

The NZD ended August as the worst performing major currency by far, with falls of around 4-5% on a number of crosses. This took its year-to-date performance to second-worst position behind the under-performing USD.

The big question is has the NZD fallen far enough for now?

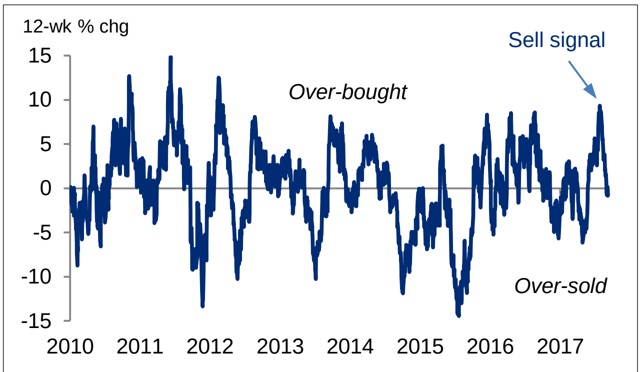
Short-term momentum indicators now look more balanced compared to 4-6 weeks ago. And CFTC data suggest that speculators have unwound some positions from an extremely long level. This has exaggerated recent NZD weakness and reduced a potential source of downside risk going forward. The speculative positioning indicator is still above average, but its best use as a contrarian indicator is near extreme levels. There's a heavy bias towards short USD positioning on a number of major crosses, and that doesn't look like changing anytime soon.

Against that backdrop speculators might well remain comfortable with net long NZD over coming months.

Risk appetite remains well above average. On our index, there have been a few sharp (temporary) pullbacks to 65% over the course of the year but the average over the past six months has been 77%, where it currently sits. A potential (sustained) fall in risk appetite remains a key source of possible downside risk to the NZD.

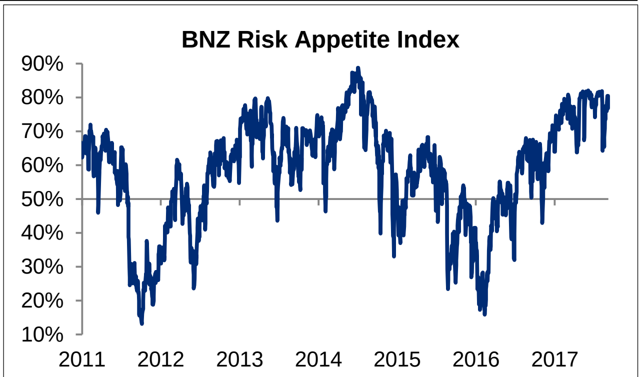
Commodity price trends haven't been particularly favourable for the NZD over the past couple of months. The CBA index of NZ export commodity prices (measured in SDR terms to eliminate any positive bias from a weak USD) peaked in late June, flattened out through July and has moderated a little since. If we were to project this index out over the next 6-12 months, we'd be picking a further modest reduction. The general picture is one of world prices for NZ's soft commodities having had a pretty good run through 2016 and much of 2017, supported by rising global growth momentum. In level terms the outlook for commodity prices might well be sound, but this dynamic is no longer a source of upward pressure for the NZD. Commodity price dynamics are more likely to be a downward force for the NZD over the next 12 months.

NZD Momentum Indicator Looking More Balanced



Source: BNZ, Bloomberg

Risk Appetite Remains Well Above Average



Source: BNZ, Bloomberg

By contrast, Australian commodity prices have outperformed over recent months. The CBA index of Australian export commodity prices (in SDR terms) has increased by 21% since mid-June, driven by a surge in industrial metal prices, coal and iron ore. In our note on the NZD/AUD last fortnight, we illustrated how the relative strength of Australian versus NZ commodity prices went a long way in explaining the sharp fall in the NZD/AUD cross rate from 0.95 to 0.90 over the past couple of months. Those with an inclination to hold a commodity currency have chosen the AUD (or CAD) over the NZD and rightly so.

Some softer domestic indicators haven't provided support to the NZD. Early in August, the market seemed spooked by weak employment data, and a weaker than expected fiscal outlook in the government's pre-election fiscal update got the market's attention. But we still see the economy tracking well, evidenced by above-average levels of business and consumer confidence and Q2 GDP data due 21 September are expected to show a decent rebound in growth.

The election hangs over the NZD through to 23 September and in the weeks beyond if coalition negotiations drag on. Under NZ's mixed member proportional system, a change of government is near-certain, the only question being whether it is National-led or Labour-led. Of the minor parties, NZ First is in the best position to hold the balance of power followed closely by the Greens, depending on the polling gap between National and Labour.

There is always the chance of some politically-related knee-jerk NZD reaction, but on fundamentals we don't see any obvious implications for the NZD under either government configuration. Fiscal policy is expected to be easier in the years ahead, with the fiscal impulse more likely to be greater under a Labour-led than National-led government. But the currency implications are not obvious as there are many moving parts. We'd recommend taking advantage of any politically-induced knee-jerk NZD reaction, on the view that it wouldn't likely be sustained for long.

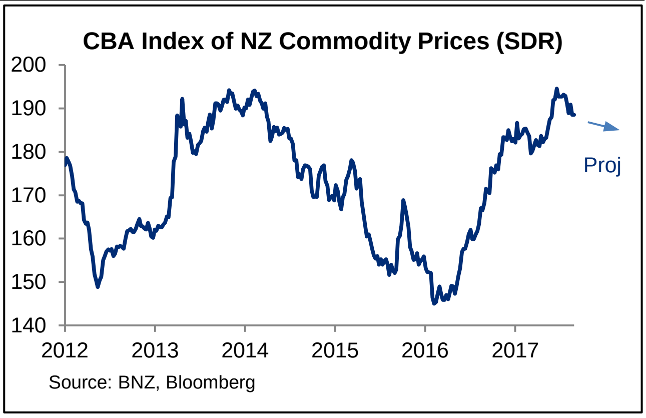
Our short term model estimate, based on risk appetite, commodity prices and NZ-US rate spreads shows a current fair value estimate just above USD 0.75. For much of this year, the model estimate has been above the spot rate. If we adjust the model for the average bias this year, then current fair value drops to around 0.7250.

So where does this leave us? After the significant fall in the NZD through August, we'd expect to see some consolidation over the weeks ahead. The current spot rate around 0.72 is in line with our short term model estimate after adjusting for the model's bias this year. While that sounds like a bit of a fudge, another way to view it is that, if anything, the NZD "deserves" to trade a little stronger rather than weaker than spot, based on current levels of risk appetite, commodity prices and rates.

Our end-September and end-December targets are 0.72 and 0.70 respectively, with a move into the high 0.60s early next year. So the message is a period of consolidation ahead with downside risk emerging later in the year. The most obvious sources of downside risk we see would be weaker risk appetite and more conviction on the Fed hiking rates again in the foreseeable future.

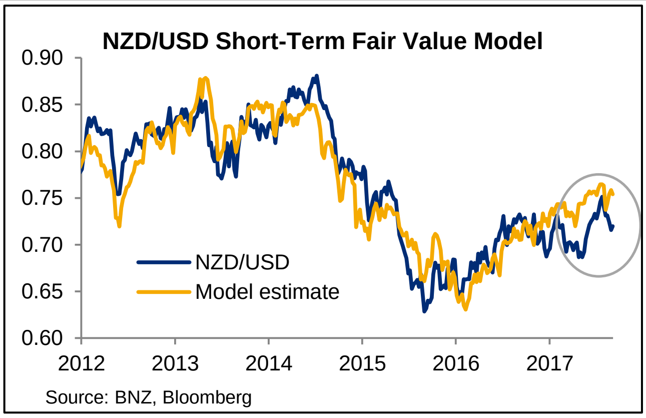
jason.k.wong@bnz.co.nz

NZ Commodity Prices Might Have Peaked



Source: BNZ, Bloomberg

NZD Trading Below our Short Term Model Estimate



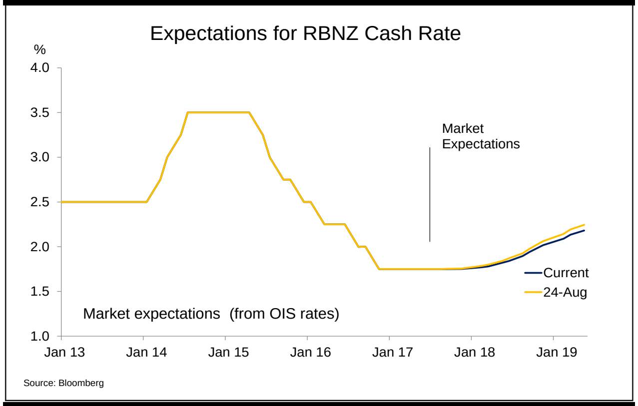
Source: BNZ, Bloomberg

The BNZ OIS-ter: Bank of Canada hikes again

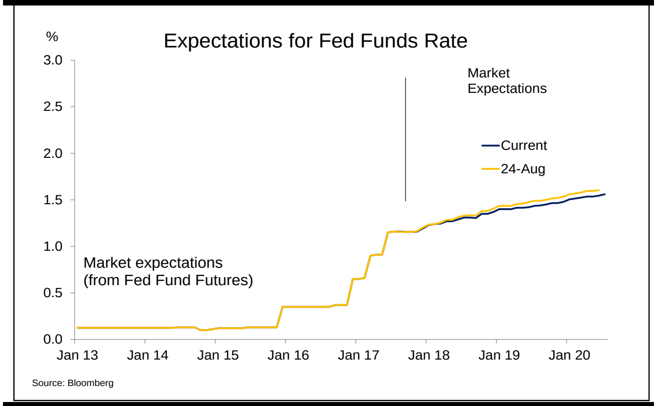
- The Bank of Canada hiked rates for the second time in two months taking its policy rate to 1.0%. The OIS market shows a slightly less than even chance of another hike next month but a good chance (over 80%) of another hike by December. Other central banks remain inactive. The pricing of Fed hikes continues to reduce as the market loses faith that another rate hike will be forthcoming. Fed Fund futures show just 7bps of hikes priced in year-end and barely a full hike by the end of 2018.
- Rate hikes remain off the agenda elsewhere. In NZ the first full rate hike isn't priced in until November 2018, about the same timing now as in Australia.
- The ECB meeting tonight will be closely watched, with the Governing Council expected to discuss options for winding down its asset purchase programme. Don't expect too much detail at this stage, with the ECB likely to be cautious with its communications to avoid a "taper tantrum" and a further surge in the euro. Rate hike expectations in the UK and euro-area remain fairly subdued over the next 12 months.

jason.k.wong@bnz.co.nz

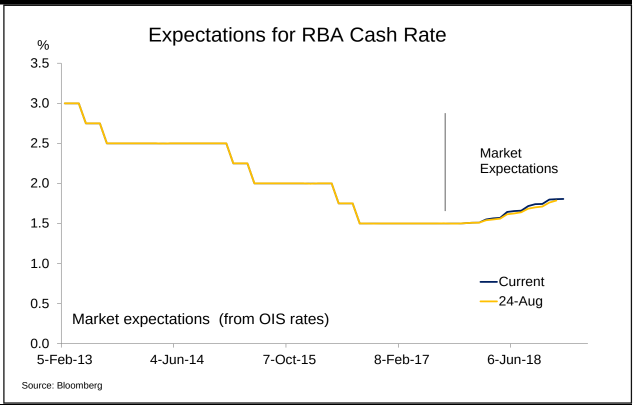
New Zealand



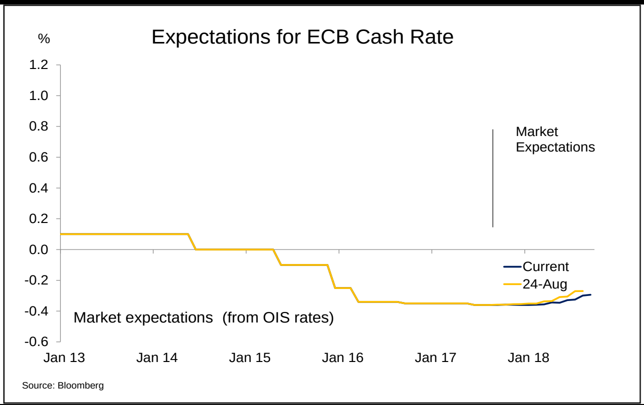
United States



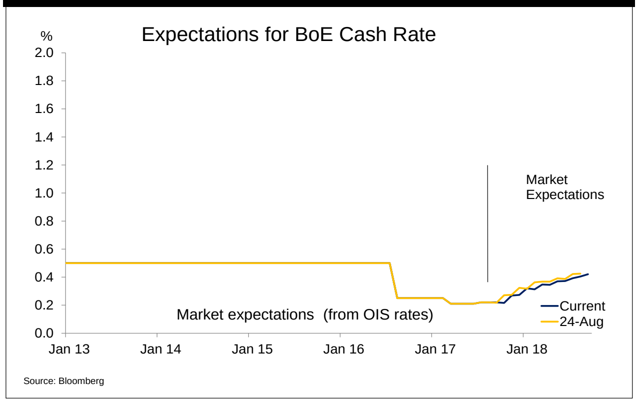
Australia



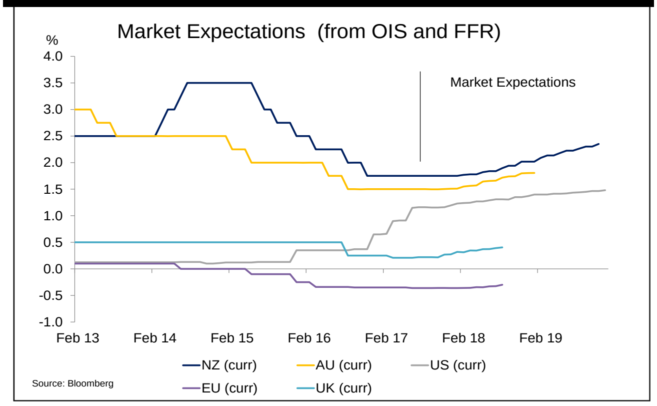
ECB



United Kingdom



Cross Country



Rates Strategy: What more could possibly go right for bonds?

- A range of forces take key global yield benchmarks to new 2017 lows
- AUD, Cad and NZD markets are underperforming
- Market pricing for the RBNZ is fairer than equivalent pricing for the Fed, in our view
- We look for tighter NZ-US spreads.

Global backdrop: a dangerous time to be short duration

Global bonds have surged over the last few weeks, driven by a range of forces, including:

- geopolitical tensions on North Korea;
- reduced scope for US fiscal easing and the looming debt ceiling;
- low inflation and wage pressure supporting more dovish Fed expectations;
- a stronger EUR raising questions on the ECB's inflation forecasts and pace for tapering;
- severe damage from Hurricane Harvey in the US.

Given the long and growing list of bond positive global developments, we remain neutral at this point. The 2.0% level in US 10yrs is a key area of yield support – a break was unthinkable to most market participants just a few months ago.

Ultimately, we think yields in the US and Europe will turn higher again, even if the extent of such a move is likely to be limited and subject to setback. We see the following three factors as crucial to this call:

1) US Fed Funds pricing is too pessimistic – the next hike is not fully priced until December 2018 and a negative real funds rate is priced 5yrs ahead.

2) The Fed still signalling intent to reduce the size of its balance sheet – our previous research shows this could add upwards of 60bp to the 10y term premium over three years.

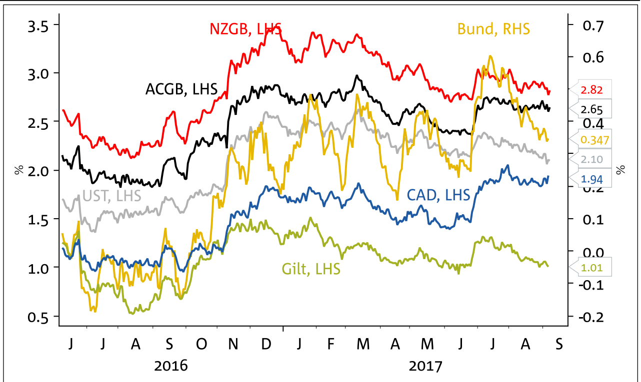
3) Even with the elevated EUR, the market isn't priced for ECB QE tapering, which we see as a key risk for global bonds in 2018.

Market pricing for RBNZ fairer than for the Fed

Chart 1 shows the AUD, NZD and CAD bond markets have all lagged the recent rally in US Treasuries and Bunds. This reflects concerns about low inflation outcomes undermining the Fed and ECB's "normalisation" process. Meanwhile, the BoC hiked this week for the second time this cycle and the market remains convinced the RBA and RBNZ are hiking before the end of 2018. The market sees a 25bp RBNZ OCR hike by the Nov-18 meeting, ahead of the next Fed hike.

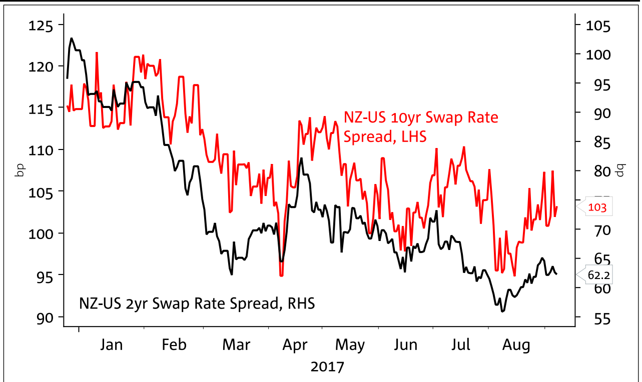
We don't take exception to this market view for the RBNZ at this point, but see Fed pricing as too pessimistic. Chart 2 shows the recent move wider in NZ-US rate spreads has been as pronounced at the front end of the swap curve,

Chart 1: Global 10y yields



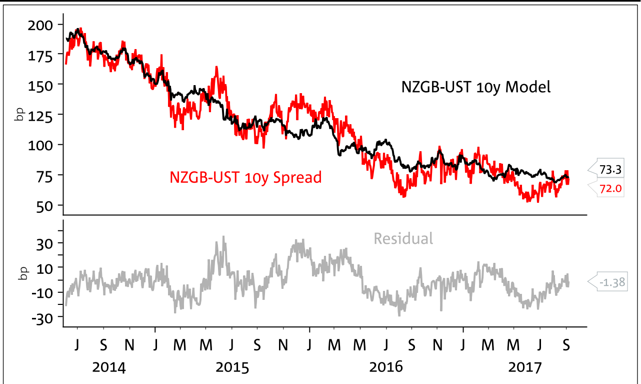
Source: National Australia Bank, Macrobond

Chart 2: NZ-US 2y and 10y spread



Source: National Australia Bank, Macrobond

Chart 3: A simple model for NZGB-UST 10y spread*



Source: National Australia Bank, Macrobond as the long end. From a medium term perspective, we see NZ-US rates tightening further across the curve, although in the short term, such tightening is more likely to be realised in a global sell-off, as US rates have outperformed in rallies of late.

In terms of the relative value between the NZGB-UST 10y spread and short end pricing, we consider a simple model of the NZGB-UST 10y spread as a function of the level of the NZD and the NZ-US 2y forward 3m swap rate spread (a proxy for terminal rate pricing). Chart 3 shows the 10y bond spread is close to fair on this basis. The 10y bond spread was trading tight compared to the model in Q2. A move closer to fair value is consistent with the cheapening of NZGBs against swap in recent months, which in turn reflects uncertainty over the election and timing of the new Apr-29 issue.

alex.stanley@nab.com.au

NZ Economic Review

Building Consents (Jul) – 30 August
Residential building consents eased 0.7% in July, endorsing a flattening trend at a higher level. Canterbury consents are falling, as the surge in rebuilding post-earthquakes abates, weighing on the total. Auckland is flattening, while other areas combined are still tracking higher. Meanwhile, there are emerging signs of a trend pickup in non-residential building following a soft patch late last year and early this year.

ANZ Business Survey (Aug) – 31 August
Business confidence and activity indicators rose in August, after seasonal adjustment. No election jitters here. Activity levels are consistent with annual GDP growth in excess of 4%. Despite this inflation indicators eased, with inflation expectations dropping to 1.88% from 1.98% and pricing intentions easing to levels consistent with 2.0% CPI inflation.

Credit Aggregates (Jul) – 31 July
Credit growth dynamics are mixed. Housing credit has slowed further to an annual rate of 7.1% in July, from 7.7% in June, while consumer credit accelerated further to 6.9%. Business credit slowed to 5.7% (from 6.2%), as agriculture picked up to 2.9% from 2.6%.

QVNZ Housing Report (Aug) – 1 September
It was no surprise to see this measure of annual house price inflation ease further. And being a three-month moving average it will in all likelihood slow further from its 4.8% pace in August, given month to month signals.

Overseas Trade Indexes (Q2) – 1 September
The 1.5% rise in Q2 merchandise terms of trade saw it only a fraction under its all-time high set in 1973 (the increase would have made a record high if it wasn't for historical revisions). Regardless, it represents a significant boost to nominal incomes and purchasing power. Meanwhile, trade volume growth was also very strong in Q2 with exports up a whopping 6.8% and imports up 2.3%. These bode well for Q2 GDP.

Building Work Put in Place (Q2) – 5 September
Nationwide real building activity eased 0.5% in Q2, somewhat disappointing following Q1's 3.3% fall. Canterbury's post-quakes construction boom continues to abate, weighing on national activity. Outside of Canterbury, building activity was mostly slowing in growth rather than going backwards. And this could well reflect the running into capacity constraints rather than any obvious slowing in demand. At least, that remains the stark message from business surveys.

ANZ Commodity Export Prices (Aug) – 5 September
Commodity prices eased 0.8% in August in world price terms, but edged up 0.2% in NZ dollar terms. Minimal changes as prices remain at buoyant levels. All major categories show prices higher than a year earlier and above their respective 5-year averages.

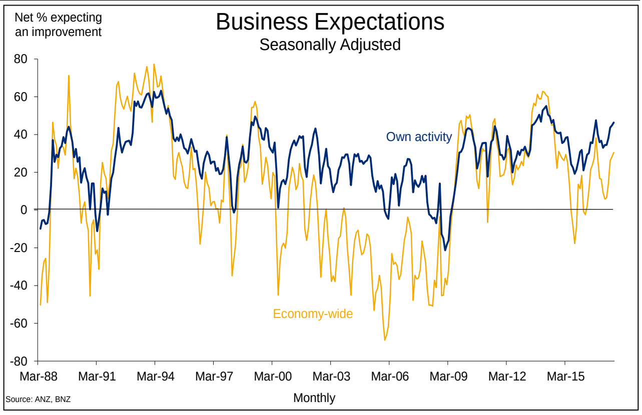
GDT Dairy Auction – 6 September
The GDT Price Index rose 0.3%, with strength continuing in milk fat prices as milk powder prices eased slightly. On balance, nothing to alter our 2017/18 farmgate milk price forecast of $6.75.

ANZ Job Ads (Jul) – 6 September
Job ads rose 1.0% in August, following July's 0.9% dip. It was a reasonable bounce in front of the imminent General Election. That said, through the monthly wiggles, there is an emerging sign of some flattening in job ads at a high level.

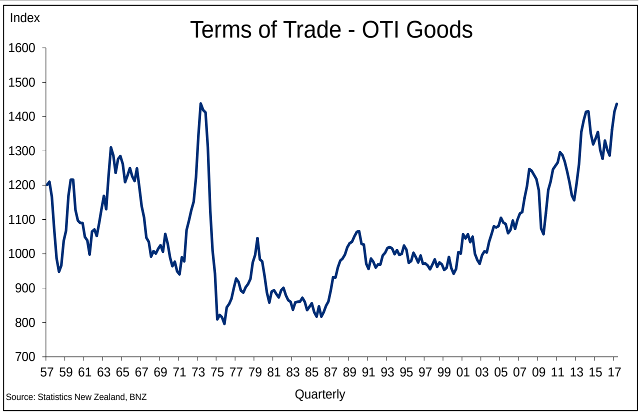
Wholesale Trade (Q2) – 7 September
Wholesale sales rose 1.7% in Q2, about as much as we figured, implying a decent further expansion in real terms, the latter a positive to Q2 GDP.

doug_steel@bnz.co.nz

No Election Jitters Here



Nigh On A Record



NZ Upcoming Data/Events

Manufacturing Sales (Q2) – 8 September
We expect the combination of sales and stocks to imply a decent production expansion. This is the last 'partial' indicator for Q2 GDP. Even a slight deviation from our robust expectations could have consequences for our final overall pick for GDP.

Electronic Card Transactions (Aug) – 11 September
We have pencilled in a 0.8% gain for total transactions in August. But we are wary of many moving parts like a near 5% lift in petrol prices and some bounce from terrible weather in July. On the negative side, there is a potential drag following the Lions' rugby tour and perhaps ahead of the Election. Even the fundamentals are a bit mixed with a strong labour market but a cooling housing market. We suspect even a 0.8% gain in August wouldn't be enough to generate positive real retail sales growth in Q3, given the expected drag from cash spending post the World Masters Games, and Lions' tour, in Q2.

Food Price Index (Aug) – 13 September
We have essentially flat (-0.1%) food prices plugged into the spreadsheets for August. This effectively continues a price unwind on a seasonally adjusted basis, following a spike higher early in the year on inclement weather. Any deviation could have implications for our Q3 CPI pick that currently sits at +0.3% q/q and +1.7% y/y.

BNZ PMI (Aug) – 15 September
July's Performance of Manufacturing Index, at 55.4, was marginally lower than June's 56.0 but still firmly above its long term average of 53.3. Anything similar in August would maintain positive momentum.

ANZ-RM Consumer Confidence (Sep) – 15 September
Consumers were brimming with confidence in August (index up to 126.2), especially so once adjusting for the chills of winter. Will the looming election materially alter confidence in September? Keep an eye on inflation expectations that have been easing over recent months.

BNZ PSI (Aug) – 18 September
July's Performance of Services Index at 56.0 couldn't match June's 58.3 strength. August's reading will help us gauge how much of the dip was due to the weather and unwind from the Lions' tour against say the influence of a cooling housing market or the pending election.

GDT Dairy Auction – 20 September
With the latest auction just yesterday, it's too early to form a clear view for this event yet.

Balance of Payments (Q2) – 20 September
We expect a year to June current account deficit equivalent to 2.9% of GDP, a touch smaller than the 3.1% proportion reported for the year to March. Strong services exports (World Masters Games and Lions tour), higher terms of trade and net merchandise volume growth will contribute to a smaller deficit in Q2.

GDP (Q2) – 21 September
Ahead of tomorrow's manufacturing data, our estimate for Q2 GDP growth, is straddling +0.8% and +0.9%. For more details on the details of our thoughts and risks, see the front article in today's Strategist.

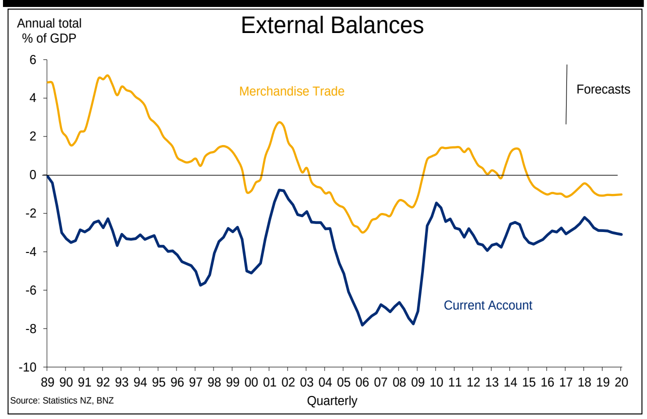
Int'l Travel and Migration (Aug) – 21 September
August's net migrant inflow will help us judge if July's dip to 5,810 was just a head fake downwards, like we have seen so many times before, or the start of a bona fide pullback. Meanwhile, expect annual growth in short-term visitor numbers to settle around the mid-single digits.

General Election – 23 September
The polls say this will be a very close run thing, with many quite possible outcomes. We'll take the results as they come and report back on any material implications for our economic views.

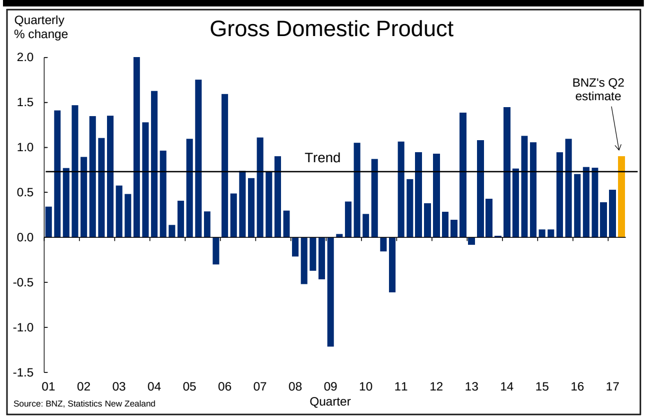
Daylight Saving Starts – 24 September
NZ clocks move forward one hour to UTC +1300.

doug_steel@bnz.co.nz

Benign



Leaps and Bounds



Quarterly Forecasts

As at 7 September 2017

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
GDP (production s.a.)	0.7	0.8	0.8	0.4	0.5	0.9	0.6	0.6	0.6	1.0
Retail trade (real s.a.)	0.8	2.0	0.8	0.9	1.6	2.0	-0.4	0.8	0.7	1.6
Current account (ytd, % GDP)	-3.1	-2.9	-3.0	-2.8	-3.1	-2.9	-2.8	-2.5	-2.2	-2.4
CPI (q/q)	0.2	0.4	0.3	0.4	1.0	0.0	0.3	0.3	0.7	0.4
Employment	1.2	2.4	1.4	0.7	1.1	-0.1	0.8	0.7	0.7	0.6
Unemployment rate %	5.2	5.1	4.9	5.2	4.9	4.8	4.7	4.7	4.7	4.7
Avg hourly earnings (ann %)	2.5	2.1	1.6	1.1	1.1	1.2	2.0	2.7	2.8	2.6
Trading partner GDP (ann %)	3.1	3.4	3.2	3.5	3.4	3.5	3.6	3.3	3.5	3.5
CPI (y/y)	0.4	0.4	0.4	1.3	2.2	1.7	1.7	1.6	1.4	1.8
GDP (production s.a., y/y))	2.9	3.6	3.4	2.7	2.5	2.6	2.4	2.6	2.6	2.8

Interest Rates

Historical data - qtr average
Forecast data - end quarter

		Government Stock			Swaps			US Rates		Spread
	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
2016 Jun	2.25	2.35	2.20	2.60	2.25	2.45	2.90	0.65	1.75	0.85
Sep	2.10	2.30	1.95	2.25	2.05	2.15	2.50	0.80	1.55	0.70
Dec	1.85	2.10	2.45	2.95	2.25	2.65	3.10	0.90	2.10	0.80
2017 Mar	1.75	2.00	2.70	3.25	2.35	3.00	3.50	1.15	2.50	0.80
Jun	1.75	1.95	2.45	2.95	2.25	2.80	3.25	1.25	2.20	0.60
Forecasts										
Sep	1.75	1.95	2.50	2.95	2.20	2.75	3.25	1.30	2.25	0.70
Dec	1.75	1.95	2.65	3.10	2.20	2.90	3.40	1.45	2.75	0.35
2018 Mar	1.75	1.95	2.90	3.35	2.30	3.15	3.65	1.55	3.00	0.35
Jun	1.75	2.05	2.95	3.40	2.40	3.20	3.70	1.70	3.00	0.40
Sep	2.00	2.30	3.05	3.50	2.60	3.30	3.80	1.95	3.00	0.50
Dec	2.25	2.55	3.15	3.60	2.85	3.40	3.90	2.20	3.00	0.60
2019 Mar	2.50	2.80	3.25	3.70	3.10	3.50	4.00	2.30	3.00	0.70
Jun	2.75	3.05	3.30	3.75	3.20	3.50	4.00	2.30	3.00	0.75
Sep	3.00	3.20	3.35	3.80	3.30	3.50	4.00	2.30	3.00	0.80

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.72	0.80	1.19	1.30	109
Sep-17	0.72	0.78	1.19	1.28	112
Dec-17	0.70	0.75	1.17	1.27	116
Mar-18	0.69	0.74	1.18	1.29	118
Jun-18	0.69	0.73	1.20	1.29	118
Sep-18	0.70	0.73	1.22	1.28	120
Dec-18	0.70	0.73	1.20	1.26	120
Mar-19	0.71	0.74	1.20	1.25	120
Jun-19	0.72	0.75	1.18	1.24	118
Sep-19	0.73	0.76	1.18	1.25	116
Dec-19	0.73	0.76	1.17	1.24	117

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.72	0.90	0.61	0.55	78.7	75.4
Sep-17	0.72	0.92	0.61	0.56	80.6	76.7
Dec-17	0.70	0.93	0.60	0.55	81.2	75.8
Mar-18	0.69	0.93	0.59	0.54	81.4	74.9
Jun-18	0.69	0.95	0.58	0.54	81.4	74.9
Sep-18	0.70	0.95	0.57	0.54	83.4	75.4
Dec-18	0.70	0.96	0.58	0.56	84.0	76.0
Mar-19	0.71	0.96	0.59	0.57	85.2	76.7
Jun-19	0.72	0.96	0.61	0.58	85.0	77.6
Sep-19	0.73	0.95	0.61	0.58	84.1	77.6
Dec-19	0.73	0.95	0.62	0.59	84.8	77.6
TWI Weights	14.0%	20.7%	11.3%	4.6%	6.4%	

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

Annual Forecasts

As at 7 September 2017

	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019
GDP **-** annual average % change										
Private Consumption	2.8	4.6	3.3	3.5	2.2	2.9	4.1	3.8	3.3	2.6
Government Consumption	2.7	2.6	2.4	1.6	1.3	2.6	2.4	2.9	1.7	1.2
Total Investment	2.5	5.6	3.2	4.0	2.8	2.1	5.5	3.6	3.8	3.3
Stocks - ppts cont'n to growth	-0.2	-0.2	0.2	0.0	0.0	-0.3	0.0	0.2	-0.1	0.0
GNE	2.5	4.2	3.0	3.3	2.2	2.3	4.0	3.6	3.0	2.6
Exports	5.5	1.0	4.3	3.5	4.0	6.8	1.9	1.9	4.4	4.0
Imports	2.1	5.1	5.1	3.8	3.4	3.7	3.4	5.7	3.9	3.6
Real Expenditure GDP	3.4	3.1	2.5	3.2	2.3	3.2	3.6	2.3	3.1	2.6
GDP (production)	**2.4**	**3.0**	**2.6**	**3.2**	**2.3**	**2.5**	**3.1**	**2.5**	**3.0**	**2.6**
GDP - annual % change (q/q)	*2.9*	*2.5*	*2.6*	*3.3*	*2.1*	*2.2*	*2.7*	*2.6*	*3.4*	*2.2*
Output Gap (ann avg, % dev)	0.9	1.0	0.9	1.3	1.1	0.8	1.0	1.0	1.2	1.2
Household Savings (gross, % disp. income)	1.2	0.3	0.0	0.1	0.8					
Nominal Expenditure GDP - $bn	250.6	264.7	284.1	296.1	308.2	247.5	260.8	279.7	293.0	305.1
Prices and Employment **-** annual % change										
CPI	0.4	2.2	1.4	1.9	1.8	0.1	1.3	1.6	1.9	1.8
Employment	2.0	5.7	2.0	2.4	1.7	1.4	5.8	2.5	2.5	2.0
Unemployment Rate %	5.2	4.9	4.7	4.7	4.8	4.9	5.2	4.7	4.7	4.8
Wages - ahote	2.5	1.1	2.8	2.8	2.7	2.5	1.1	2.7	2.6	2.8
Productivity (ann av %)	0.3	-2.6	-0.3	0.6	0.3	0.1	-1.6	-1.1	0.4	0.4
Unit Labour Costs (ann av %)	2.4	4.6	3.0	2.5	2.7	2.6	3.6	3.6	2.7	2.6
External Balance										
Current Account - $bn	-7.8	-8.1	-6.3	-8.6	-9.6	-8.3	-7.2	-7.1	-8.5	-9.3
Current Account - % of GDP	-3.1	-3.1	-2.2	-2.9	-3.1	-3.4	-2.8	-2.5	-2.9	-3.1
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	0.7	1.4	1.0	1.2	1.9					
Net Core Crown Debt (excl NZS Fund Assets)	24.5	22.5	22.0	21.5	20.0					
Bond Programme - $bn	7.0	8.0	7.0	7.0	7.0					
Bond Programme - % of GDP	2.8	3.0	2.5	2.4	2.3					
Financial Variables (1)										
NZD/USD	0.67	0.70	0.69	0.71	0.73	0.68	0.70	0.70	0.70	0.73
USD/JPY	113	113	118	120	116	122	116	116	120	117
EUR/USD	1.11	1.07	1.18	1.20	1.19	1.09	1.05	1.17	1.20	1.17
NZD/AUD	0.90	0.92	0.93	0.96	0.96	0.93	0.96	0.93	0.96	0.95
NZD/GBP	0.47	0.57	0.54	0.57	0.58	0.45	0.56	0.55	0.56	0.59
NZD/EUR	0.61	0.66	0.59	0.59	0.61	0.62	0.67	0.60	0.58	0.62
NZD/YEN	76.2	79.1	81.4	85.2	84.7	82.1	81.6	81.2	84.0	84.8
TWI	72.2	76.5	74.9	76.7	77.9	73.4	78.1	75.8	76.0	77.6
Overnight Cash Rate (end qtr)	2.25	1.75	1.75	2.50	3.00	2.50	1.75	1.75	2.25	3.00
90-day Bank Bill Rate	2.41	1.98	1.95	2.78	3.12	2.78	2.02	1.95	2.53	3.20
5-year Govt Bond	2.40	2.70	2.90	3.25	3.45	2.95	2.75	2.65	3.15	3.40
10-year Govt Bond	2.90	3.25	3.35	3.70	3.90	3.45	3.30	3.10	3.60	3.85
2-year Swap	2.30	2.30	2.30	3.10	3.20	2.80	2.40	2.20	2.85	3.30
5-year Swap	2.60	3.00	3.15	3.50	3.70	3.15	3.00	2.90	3.40	3.65
US 10-year Bonds	1.90	2.50	3.00	3.00	3.00	2.25	2.50	2.75	3.00	3.00
NZ-US 10-year Spread	1.00	0.75	0.35	0.70	0.90	1.20	0.80	0.35	0.60	0.85

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

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

Calendar

	Forecast	Median	Last
Friday 8 September			
NZ, Manufacturing Sales, Q2 vol s.a.			-0.3%
Aus, Lowe Speaks, Bank of China			
Aus, Housing Finance, July	+1.8%	+1.0%	+0.5%
China, Trade Balance, August		+CNY336b	+CNY321b
Jpn, GDP, Q2 2nd est		+0.7%	+1.0%P
UK, Industrial Production, July		+0.2%	+0.5%
Saturday 9 September			
China, CPI/PPI, July y/y		+1.7%/+5.7%	+1.4%/+5.5%
Monday 11 September			
NZ, Electronic Card Transactions, August	+0.8%		-0.7%
Jpn, Machinery Orders, July			-1.9%
Tuesday 12 September			
Aus, NAB Business Survey, August			+12
UK, CPI, August y/y			+2.6%
Wednesday 13 September			
NZ, Food Price Index, August	-0.1%		-0.2%
Aus, Consumer Sentiment - Westpac, September			95.5
Jpn, BSI Business Survey, Q3			-2.0
Euro, Industrial Production, July			-0.6%
UK, Unemployment Rate (ILO), July			4.4%
Thursday 14 September			
NZ, ANZ-RM Consumer Confidence, September			126.2
Aus, Employment, August			+28k
China, Industrial Production, August y/y		+6.6%	+6.4%
China, Retail Sales, August y/y		+10.5%	+10.4%
UK, Retail Sales vol., August			+0.3%
UK, BOE Policy Announcement	0.25%	0.25%	0.25%
US, CPI ex food/energy, August y/y		+1.6%	+1.7%
Friday 15 September			
NZ, BNZ PMI (Manufacturing), August			55.4
US, Retail Sales, August		+0.2%	+0.6%
US, Mich Cons Confidence, September 1st est		95.0	96.8
US, Industrial Production, August		+0.1%	+0.2%
US, Empire Manufacturing, September		+18.0	+25.2
Monday 18 September			
NZ, BNZ PSI (Services), August			56.0
China, Property Prices, August			
Euro, CPI, August y/y 2nd est			+1.5%P
Tuesday 19 September			
NZ, WMM Consumer Confidence, Q3			113.4
Aus, RBA Minutes, 5 September Meeting			
Germ, ZEW Sentiment, September			+10.0
US, Housing Starts, August		1,148k	1,155k
Wednesday 20 September			
NZ, Dairy Auction, GDT Price Index			-0.3%
NZ, Balance of Payments, Q2	-2.9%		-3.1%
Jpn, Merchandise Trade Balance, August			+¥419b
US, Existing Home Sales, August		5.49m	5.44m

	Forecast	Median	Last
Thursday 21 September			
NZ, External Migration, August s.a.			+5,810
NZ, GDP, Q2	+0.9%		+0.5%
Aus, Lowe Speaks			
Jpn, BOJ Policy Announcement, Policy Rate		-0.1%	-0.1%
Euro, Consumer Confidence, Sept 1st est			-1.5
Euro, ECB Economic Bulletin			
US, FOMC Policy Announcement	1.25%	1.25%	1.25%
US, Philly Fed Index, September		+18.0	+18.9
US, Leading Indicator, August		+0.1%	+0.3%
Friday 22 September			
Euro, PMI Manufacturing/Services September 1st est			57.4/54.7
UK, CBI Industrial Trends, September			+13
US, Markit PMI/PSI September 1st est			52.8/56.0
Saturday 23 September			
NZ, General Election			
Sunday 24 September			
NZ, Daylight Saving Begins, +1hr to +13:00GMT			
Monday 25 September			
China, Leading Index (Conference Bd), August			
Germ, IFO Index, September			115.9
Tuesday 26 September			
NZ, ANZ Business Survey, September			+18.3
NZ, Merchandise Trade, August			+$85m
NZ, Residential Lending, August y/y			-23.8%
Jpn, BOJ Minutes, 19/20 July Meeting			
US, Consumer Confidence, September			122.9
US, Shiller Home Price Index, July y/y			+5.8%
US, New Home Sales, August			571k
Wednesday 27 September			
China, Industrial Profits, August y/y			+16.5%
UK, CBI Distribution Reported Sales, September			+2
US, Durables Orders, August 1st est			-6.8%
Thursday 28 September			
NZ, RBNZ OCR Review	1.75%	1.75%	1.75%
Euro, Economic Confidence, September			111.9
US, GDP, Q2 3rd est			+3.0%P
US, International Goods Trade, August			-$65.1b
Friday 29 September			
NZ, Credit Aggregates, August (housing y/y)			+7.1%
NZ, Building Consents, August (res, #)			-0.7%
Aus, Private Sector Credit, August			+0.5%
China, PMI (Caixin), September			51.6
Jpn, CPI, August y/y			+0.4%
Jpn, BOJ Summary of Latest Meeting, 20/21 Sept Meeting			
Jpn, Household Spending, August y/y (real)			-0.2%
US, Chicago PMI, September			58.9
US, Personal Spending, August			+0.3%

Contact Details

BNZ Research

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 Market Strategist
+(64 4) 924 7652

Main Offices

Wellington
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Phone: +(64 4) 473 3791
FI: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Phone: +(64 9) 976 5762
Toll Free: 0800 081 167

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Phone: +(64 3) 353 2219
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
Global Co-Head of FX Strategy
+(61 2) 9237 1848

Skye Masters
Head of Interest Rate Strategy
+(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