Economic Weekly

03 September 2018

Mixed signals from the business community

Negative business sentiment was in the spotlight this past week, with the latest ANZ Business Outlook survey remaining pessimistic, while Prime Minster Ardern attempted to connect with the business community by launching a Business Advisory Committee. The widespread negativity of the business confidence survey remains surprising to us, given the relativity supportive economic fundamentals and a strong NZ equity market. We dig a bit deeper into the ANZ Business Outlook survey on Page 2. In the week ahead, we should get strong construction sector data for Q2. Meanwhile offshore, emerging market concerns may dominate financial market sentiment.

Key events and views

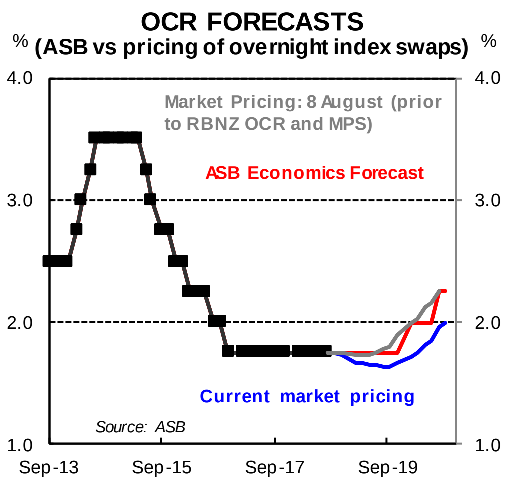
Key Insights	Soft business confidence is a worry, but don't consign the economy to the scrap heap.
Foreign exchange	Weak business confidence weighs on the NZD/USD.
Interest rates	NZD rates modestly lower. Neutral bias for rates this week.
Domestic events	Global Dairy Trade auction, Q2 Building and Manufacturing activity.
International events	RBA announcement and Australian Q2 GDP, US Non-farm Payrolls.
Calendars	NZ and international calendar of upcoming economic events.

Chart of the Week: Weak sentiment triggers lower interest rates

The ANZ monthly business confidence survey dominated economist attention last week. **Sentiment continues to sink** (despite relatively supportive economic fundamentals) and it is **increasingly likely that business decisions to reduce employment and investment will slow economic growth from Q3.**

As such, the **NZ interest rate market has moved to price in a strong possibility of a rate cut over next year (48% chance of a cut by August 2019).** The key catalyst for this move in market pricing over the past month was the RBNZ's Monetary Policy Statement and communication by the Governor re-iterating the RBNZ's concerns for the growth outlook and its readiness to act.

Interest rates are already very low - although the possibility that the neutral interest rate may be even lower than previously thought suggests there is a case to cut the OCR, only if to ensure enough stimulus is being provided. Importantly, **the RBNZ is likely to wait to see some tangible evidence of growth slowing before it springs into action.** A rate cut would most likely occur next year (if at all).



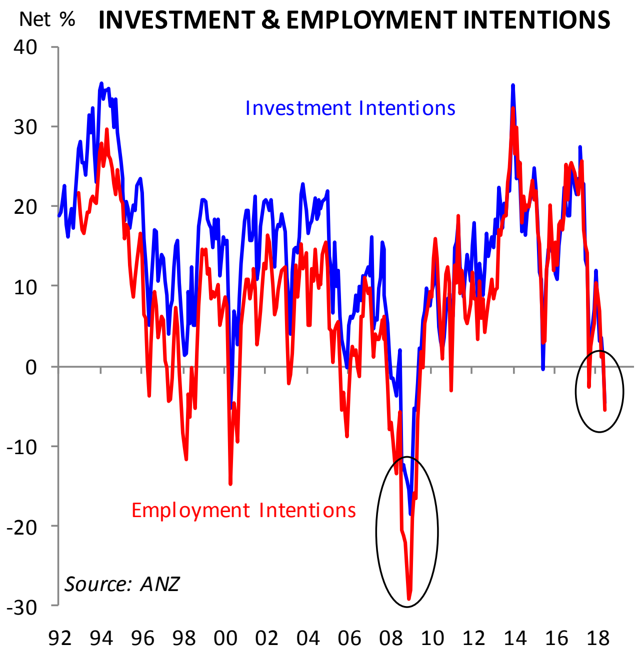
Key Insights this week: Don't consign the economy to the scrap heap

Key points

- Business confidence is soft and consumers are becoming more pessimistic over the NZ short-term outlook.
- There is a clear distinction between expectations/intentions and actual outcomes, but downside risks to the short-term economic outlook have grown.
- Rather than get caught up in the headlines, business will be best served if they put their best foot forward and focus on the main factors that influence their performance.

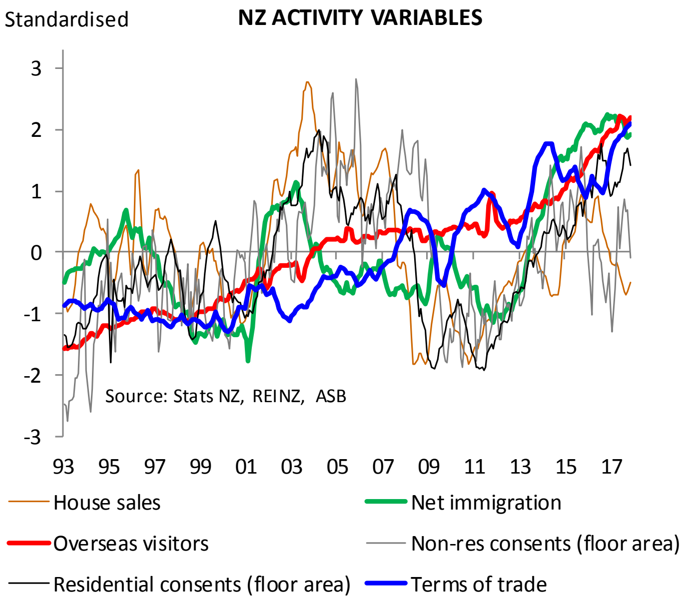
We won't sugar-coat the weak results from recent business confidence surveys:

- Headline business confidence from the August ANZ business outlook dropped to its lowest level since 2008, with a more than half of respondents expecting the economy to weaken over the next 12 months.
- Investment and employment intentions are now both in negative territory with firms now planning to cut back on investment and hiring over the next 12 months.
- The weakness of the survey was broad-based across most sectors of the economy. Challenges in the construction sector have filtered through into manufacturing sector sentiment. Despite a lower NZD and the highest Terms of Trade in generations, export intentions have slipped. Retailers don't seem to think that the Government's new families' package will do much for their fortunes.
- Rising costs are eroding margins, with respondents feeling they have limited scope to raise consumer prices.



Admittedly these results don't make for great reading given that the last time activity gauges from business confidence were this weak was around the time of the Global Financial Crisis (GFC).

Undoubtedly, the change in government and new policy direction of the new government would have provided fresh challenges and added to uncertainties facing businesses. A more challenging backdrop for industrial relations, a rising cost environment (increases in the minimum wage, Fair Pay Agreements and higher fuel taxes) would likely causethe odd grumble or two within the business community. Changes to environmental and energy policies, while well meaning, have copped some flak. Additional government spending on infrastructure may also add to cost pressures and profitability challenges for building firms already grappling with capacity constraints.



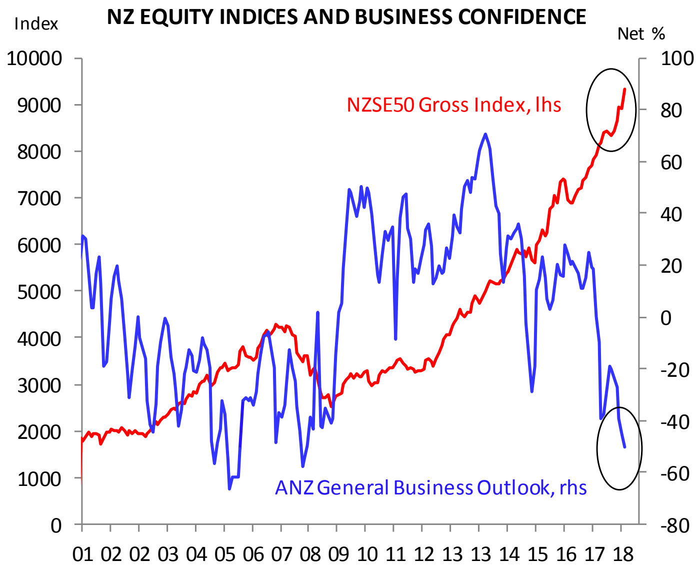
Before consigning the economy to the scrap-heap **we need to make clear there is a distinction between expectations/intentions and actual outcomes.** The true test will be whether weak sentiment will actually result in slowing investment/employment and weaker GDP growth.

The economy mostly consists of firms and households and there is only so much the Government can do. Yes there are challenges facing the NZ economy. We are in the mature phase of the expansion, with the last major downturn close to a decade ago. The NZ economic expansion typically tends to run out of puff at about this time as old cyclical drivers wear out and new drivers become more difficult to find. The NZ economy, after all, is cyclical. The housing market looks past its peak, with net immigration receding from historical peaks. There are also question marks over the ability of the construction sector to meet the demands posed by a long pipeline, which is impacting on sentiment for other connected sectors (notably manufacturing). **However, there are some structural supports that will have a more enduring impact on the growth outlook. These remain strong.**

It will take time for the new Government to get up to speed. Mistakes will undoubtedly be made as the new Government learns the ropes. There will be a transition period that could dent short-term growth. Trial and error is a fact of life. However, we have been encouraged by the willingness of the Government to constructively engage with the business sector in various working groups and advisory panels to work on some of the issues bugging businesses.

We have maintained a constructive view of the economic outlook. Weak headline business confidence tends to hog the headlines, but there is still plenty to be encouraged about:

- Businesses may say one thing, but the true test will be what they do. Capital goods imports have remained firm thus far.
- The equity market tells you a very different story from sentiment surveys. Q2 earnings reports for the top listed companies on the NZX have largely been strong, which has lifted company share prices and sent the local sharemarket to a fresh high in the last week of August.
- Business credit growth (5.2% yoy) is above its early 2018 trough. Hardly a sign that firms are retreating into their shells.
- The global economic backdrop remains robust. Downward risks have admittedly grown but an imminent collapse does not look likely. Encouragingly for NZ, growth rates remain favourable for our major trading partners and tourism numbers remain strong.
- Our Terms of Trade are just 1.4% shy of the record high from 2017, and are tracking around 36% above their historical average. While Fonterra has revised down its 2018/19 milk price forecast to $6.75 per kgMS (we see some downside risk to this), the payout should still be decent enough. The outlook for commodity exporters generally remains favourable.
- Monetary conditions have adjusted. Wholesale interest rates have eased and the NZD is lower. Fiscal policy settings will also help support demand.



Source: Bloomberg, ANZ, ASB

In short, let's not deny there are plenty of challenges out there (there always are). Downside risks to the outlook have clearly grown. But, this is not the time for hand wringing. **Rather than get caught up in the headlines, business will be best served if they put their best foot forward and focus on the main factors that influence their performance.** NZ businesses have successfully tackled significant challenges over the past few decades. Now is the time to put this resilience and can-do attitude to work and focus on making the best progress possible.

Foreign Exchange Market

FX Rates	Current*	Week ago	Month ago	Year ago	ST Bias	Support^	Resistance^	MT Bias
NZD/USD	0.6618	0.6689	0.6731	0.7163	FLAT/DOWN	0.6500	0.6750	UP
NZD/AUD	0.9205	0.9132	0.9130	0.9026	FLAT	0.9050	0.9300	FLAT
NZD/JPY	73.50	74.29	75.17	78.81	FLAT	72.4	74.6	FLAT/UP
NZD/EUR	0.5707	0.5756	0.5806	0.6023	FLAT	0.5620	0.5790	FLAT
NZD/GBP	0.5128	0.5205	0.5170	0.5545	FLAT	0.5030	0.5260	DOWN
TWI	72.1	72.2	72.7	75.06	FLAT/DOWN	71.5	73.5	FLAT

*^ Weekly support and resistance levels * Current as at 9.30am Monday; week ago as at Monday 5pm*

NZD Recap

A bout of improved risk sentiment supported the NZD during the first half of last week, with the NZD/USD hitting a one-month high of near 0.6730 on Wednesday. The positive tone in markets reflected growing optimism that the North American Free Trade Agreement (NAFTA) would be resurrected. However, the strength in the NZD (and weakness in the USD) proved relatively short-lived. The latest NZ business confidence survey released on Thursday showed that headline business confidence had slipped slightly further, and this fall took the NZD with it. On top of this, the resurfacing of China-US trade concerns, combined with heightened emerging market concerns boosted the USD. By Friday evening, US-Canada trade talks had stalled (weighing on the Canadian dollar as well as wider commodity currencies) and the NZD/USD has fallen to its week low of just above 0.6600. **Emerging market concerns also remained to the fore last week, with the Argentine peso tumbling around 19% over the week.** Much of the slide followed Argentina's Prime Minister asking for a $50bn loan from the IMF to be fast tracked. Contagion fears caused many emerging market currencies to remain on the back-foot last week including currencies in Turkey, India, Indonesia and Brazil.

Near-term outlook

We expect currencies to remain particularly sensitive to trade headlines this week. Canada and the US are expected to resume trade talks on Wednesday (after failing to reach a trade deal on Friday ahead of relations souring further over the weekend). Further, Trump is expected to introduce a further US$200bn of tariffs on Chinese exports later in the week. These events are likely to spark volatility in currencies. **There are also a number of data releases and events which could impact on currencies.** In New Zealand, Tuesday night's GDT auction will be watched closely following Fonterra revising down its 2018/19 season-end milk price to $6.75/kg (from $7/kg) last week. Also the release of two key NZ GDP indicators will also be closely scrutinised. In Australia, the RBA is due to meet tomorrow ahead of Q2 GDP on Wednesday. A result below the 0.7% qoq consensus should support the NZD/AUD. However, markets will largely be looking towards Friday's US Non-farm Payrolls report.

Medium-term outlook

We now have a stronger USD outlook given the solid US growth outlook, high US Terms of Trade, and the weaker Chinese and emerging market outlook. **We expect the NZD to oscillate in a 65 to 71 US cent range over the forecast period.** Nevertheless, the **NZD TWI should remain broadly supported by a solid growth outlook, our historically-high Terms of Trade and upwardly drifting NZ interest rates. The NZD is expected to remain in a 90-91 Australian cent zone through to the end of next year. We expect the NZD to ease slightly over the projection period relative to EUR.** The European Central Bank is expected to hike rates in September 2019 although slow growth in the Eurozone will limit the extent of ECB tightening. We also expect that Brexit risks will keep the **GBP low against the NZD**. Low inflation is expected to keep the BOJ on hold, **with the NZD/JPY modestly strengthening over the forecast period**.

ASB foreign exchange forecasts	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21	Mar-21
(end of quarter)			<< actual	forecast >>					
NZD/USD	0.71	0.72	0.67	0.66	0.65	0.66	0.68	0.70	0.66
NZD/AUD	0.91	0.94	0.92	0.90	0.90	0.90	0.91	0.90	0.90
NZD/JPY	80	77	74	73	73	74	73	75	74
NZD/EUR	0.59	0.59	0.58	0.58	0.58	0.58	0.55	0.55	0.54
NZD/GBP	0.53	0.51	0.52	0.52	0.52	0.53	0.53	0.54	0.51
NZD TWI	74.3	74.3	72.5	71.8	71.4	71.9	72.3	72.8	70.2

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Interest Rate Market

Wholesale interest rates	Current	Week ago	Month ago	Year ago	ST Bias	MT Bias
Cash rate	1.75	1.75	1.75	1.75	FLAT	UP
90-day bank bill	1.91	1.92	1.90	1.96	FLAT	UP
2-year swap	1.98	2.04	2.12	2.18	FLAT	UP
5-year swap	2.32	2.37	2.55	2.64	FLAT	UP
10-year swap	2.82	2.87	3.05	3.13	FLAT	UP
10-year govt bond yield	2.53	2.58	2.80	2.87	FLAT	UP
Curve Slope (2s10s swaps)	0.84	0.83	0.93	0.95	FLAT	FLAT

** Current as at 9.30am today; week ago as at Monday 5pm*

Market Recap

NZD interest rates moved lower over the week. Still-soft domestic confidence was the local trigger, with NZD swap yields down 4-5bps across the curve following the release of the ANZ survey last Thursday. **The bellwether 2-year swap touched fresh 2-year lows (1.97%), with around 50% odds of a RBNZ OCR cut in the next 12 months.** Pressures in short-term funding markets saw a major Australian bank hike its variable mortgage rate, which in turn has pushed AUD rates lower**. USD yields are little changed relative to a week ago.** Stronger than expected Q2 GDP (+4.2% qoq annualised) and rising core inflation (2% yoy on the PCE measure) were largely offset by a flaring up of stresses in emerging markets and rising trade tensions. The Argentinian central bank lifted its policy rate from 45% to 60%, with still-present trade tensions between China and the US and the failure of the US and Canada to reach a trade deal impacting on sentiment. Moves in Treasury yields have been modest, with the 10 year tenor in a narrow 2.81%-2.88% weekly range. Concerns over fiscal solvency in Italy, Brexit concerns and emerging market tension have seen UK, Argentinian, Italian, Greek and Turkish yields move higher over the week.

Near-term NZD interest rate outlook

We have a broadly neutral bias for NZD yields. We expect Q2 activity data prints for New Zealand (construction and manufacturing activity) and Q2 GDP for Australia (+0.7% qoq exp) to be reasonable, although the focus of markets is Q3 and beyond. The RBA is expected to hold the cash rate at 1.50% tomorrow and depict a neutral assessment, but comment on the tightening in financial conditions could trigger a modest rally in AUD rates. Little impact is expected from the Bank of Canada decision. Solid US data (payrolls, manufacturing ISM highlight this week) should cement September Fed hike expectations, and continued trade and emerging market tensions keep our bias tilted towards a flatter curve. Media reports suggest that President Trump will announce tariffs on USD200bn of imports from China this week, but global yields could edge higher if a trade agreement can be reached between Mexico, Canada and the US. NZ yields are expected to remain in the safe-haven camp, and below US counterparts.

Medium-term outlook

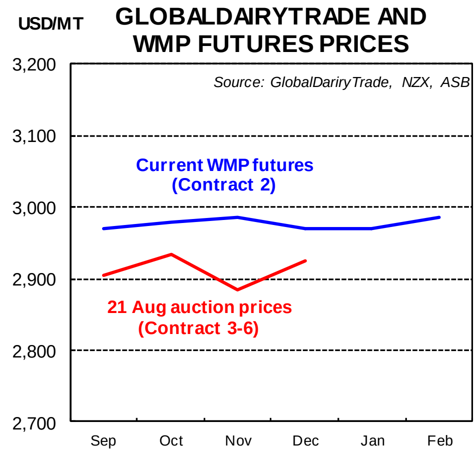
The cautious RBNZ assessment and our low CPI inflation outlook have seen us push out the start of the next expected RBNZ tightening cycle to February 2020 (previously November 2019). We remain constructive on the economic outlook and do not expect OCR cuts. However, the risk is that if inflationary pressure fails to materialise, eventual OCR increases may occur later than early 2020. **We have also revised down our assumed end-point for the extent of RBNZ tightening, with the OCR expected to peak at just 2.75% this cycle** (from August 2021 onwards). **Longer-term NZD rates should also drift higher with global counterparts.** We expect a further 100bps of Fed hikes through to mid-2019, which should see US 10-year Treasury yields move above 3% before year end. NZD swap yields are expected to slowly move above US counterparts, but modest RBNZ tightening and a contained NZ inflation backdrop should cap NZ yields at low levels.

ASB interest rate forecasts	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21	Mar-22
(end of quarter)			<< actual	forecast >>					
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.50	2.75
NZ 90-day bank bill	1.88	2.0	2.0	1.9	1.9	2.0	2.3	2.7	3.0
NZ 2-year swap rate	2.21	2.2	2.1	2.1	2.1	2.2	2.5	3.0	3.2
NZ 10-year Bond	2.75	2.7	2.9	2.8	3.0	3.1	3.3	3.5	3.6

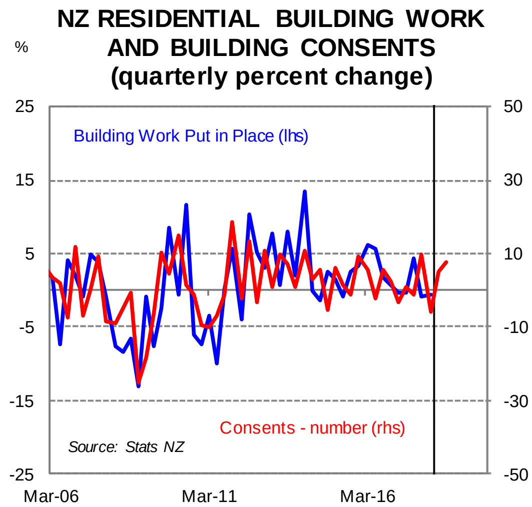
Major Domestic Events for the week ahead

Data	Date	Time (NZT)	Previous	Market	ASB
GlobalDairyTrade auction, whole milk powder, % change	04/09	overnight	-2.1	-	No change
Building Work Put in Place, volumes, Q2, % qoq	05/09	10:45 am	-0.9	2.9	2.9
Economic Survey of Manuf, sales volumes, Q2 %qoq	10/09	10:45 am	1.4	-	-

We expect prices to be unchanged at the GlobalDairyTrade auction overnight Tuesday. A fortnight ago whole milk powder (WMP) prices fell 2.1%. At the current juncture, futures pricing suggest WMP prices will lift by around 2%. However, we are more bearish than the futures market for a couple of reasons. Firstly, the futures market has overstated auction results ahead of the event in recent times. Secondly, NZ production is peaking over the coming months and this is coinciding with a peak in auction volume offerings. On this basis, we anticipate that prices will remain subdued over in the short term.



Building Work Put in Place is a survey of building-related construction activity and is a key input into GDP. **We forecast the volume of building activity lifted a robust 2.9% over Q2.** We expect both residential and non-residential building volumes to lift strongly over the quarter (3% and 2.8% respectively) on account of the strong lift in building consents issued since the start of 2018.



We use sales and inventory from the Economic Survey of Manufacturing as an indicator for Q2 GDP ex-meat and dairy manufacturing production. The BusinessNZ Manufacturing PMI survey averaged 55 over the June quarter (over 50 indicates expansion) and points to modest growth in the manufacturing sector. We expect manufacturing activity will be supported by a bounce-back in residential building activity and export demand over Q2.

Major International Events for the week ahead*

Data	Date	Time (NZT)	Market	ASB
Australia Company Profits, Q2, %qoq	03/09	1.30 pm	1.3	2.0
Australia Retail Trade, July, %mom	03/09	1.30 pm	0.3	0.3
Australia Current Account Deficit, Q2, $bn	04/09	1.30 pm	11	11.5
RBA Interest Rate Announcement, %	04/09	4.30 pm	1.50	1.50
US ISM Manufacturing, Aug, points	04/09	2.00 am	57.6	57.8
Australia GDP, Q2, %qoq	05/09	1.30 pm	0.7	0.7
UK Composite PMI, Aug, points	05/09	8.30 pm	53.9	54.0
Eurozone GDP, Q2, %qoq	07/09	9.00 pm	0.4	0.4
US Non-farm Payrolls, Aug, 000s	07/09	2.30 am	193	180

**Originally published by CBA Global Markets Research on Friday 31st August 2018 at 12.57pm.*

Australian corporate profits should post a modest lift over Q2. The global economy is supporting the exports sector while low growth in unit labour costs is constraining growth in expenses.

Australian retail trade picked up over Q2 after a weak Q1. We expect the recent trend to continue over July in line with a more buoyant household sector as evidenced by the consumer sentiment surveys. However, weak inflation in the retail sector will continue to weigh on nominal sales growth. We have pencilled in a lift of 0.3% over July.

Australian dwelling prices continue to deflate, driven by Sydney and Melbourne. The CoreLogic daily data point to a fall of 0.4% in August.

We expect to see **Australia's current account** lift a touch as a share of GDP in Q2. The Terms of Trade are forecast to post a small fall of 1½% over the quarter. Per our calculations, net exports will contribute 0.1ppt to Q2 GDP growth, having made a strong contribution in Q1.

The **Reserve Bank of Australia is set to leave the cash rate unchanged in June**. There has been no move in the policy rate since August 2016. Comments from the Governor on the Q2 wages data, published in August, will be of most interest to financial market participants. The RBA is expected to continue to sound upbeat on the outlook for the Australian economy. But it's clear that the policy rate is going to stay on hold for a while longer given there is not sufficient evidence yet that wages growth and core inflation are on a sustained upward trend.

Australia's GDP should expand by decent a ¾% in Q2 after a solid 1.0% increase in Q1. Household consumption, dwelling investment and government spending should make positive contributions. The annual pace of growth is expected to dip to 2¾% as a strong 1.0% lift in GDP over Q2 2017 is dropping out of the annual calculation.

Most of the regional manufacturing surveys in the **US** eased in August. We expect the **national ISM** to ease slightly to 57.8pts in August.

We anticipate the **August UK Composite PMI** will print at levels around 54pts. Services PMI growth will make up for any deterioration / slowdown in the Construction PMI. The Manufacturing PMI will continue to print well, reflecting the pick-up in Eurozone demand.

The near-record-low jobless claims suggest **US payrolls** expanded by 180,000. The unemployment rate will remain at 3.9% or ease further to 3.8%. The low unemployment rate and low inflation expectations suggest wage growth accelerated slightly to 2.8%/yr.

We anticipate the final **Q2 Eurozone GDP** print will remain at 0.4% QoQ and 2.2% YoY. The higher than expected German Q2 GDP revision implies there is little chance of a downward revision for Q2 Eurozone GDP growth.

ASB

Global Data Calendars

Calendar - Australasia, Japan and China

Date	Time (NZT)	Eco	Event	Period	Unit	Previous	Forecast Mkt	Forecast ASB
Mon 3 Sep	12:30	JN	Nikkei Japan PMI manuf	Aug F	Index	52.5	~	~
	13:00	AU	Melbourne institute inflation	Aug	m%ch	0.1	~	~
	13:30	AU	Retail sales	Jul	m%ch	0.4	~	0.3
	13:45	CH	Caixin China PMI manuf	Aug	Index	50.8	50.7	~
Tue 4 Sep	11:30	AU	ANZ Roy Morgan Weekly	Sep	Index	116.5	~	~
	13:30	AU	BoP current account balance	Sep	$bn	-10.5	~	11.5
	16:30	AU	RBA cash rate target	Sep	%	1.50	1.50	1.50
Wed 5 Sep	05:00	NZ	QV house prices	Aug	y%ch	5.1	~	~
	10:45	NZ	Volume of all buildings	Q2	q%ch	-0.9	2.9	2.9
	13:30	AU	GDP	Q2	q%ch	1.0	~	~
	13:45	CH	Caixin China PMI composite	Aug	Index	52.3	~	~
Thu 6 Sep	13:30	AU	Trade balance	Jul	$mn	1,873	~	~
	13:30	JN	BOJ Kataoka speaks in Yokohama					
Fri 7 Sep	10:30	AU	Ai-Group PCI	Aug	Index	52.0	~	~
	11:30	JN	Household spending	Jul	y%ch	-1.2	-1.1	~
	13:30	AU	Owner-occupier loan value	Jul	m%ch	-1.0	~	~

*P = Preliminary

Calendar - North America & Europe

Date	Time (UKT)	Eco	Event	Period	Unit	Previous	Forecast Mkt	Forecast ASB
Mon 3 Sep	09:00	EC	Markit Eurozone manufacturing	Aug F	Index	54.6	~	~
	09:30	UK	Markit UK PMI manufacturing	Aug	Index	54.0	~	~
Tue 4 Sep	09:30	UK	Markit/CIPS UK construction	Aug	Index	55.8	~	~
	10:00	EC	PPI	Jul	m%ch	0.4	~	~
	14:45	US	Markit US manufacturing PMI	Aug F	Index	54.5	~	~
	15:00	US	ISM manufacturing	Aug	Index	58.1	57.4	57.8
	15:30	US	Fed's Evans discusses policy normalization					
Wed 5 Sep	09:00	EC	Markit Eurozone composite PMI	Aug F	Index	54.4	~	~
	10:00	EC	Retail sales	Jul	m%ch	0.3	~	~
	13:30	US	Trade balance	Jul	$bn	-46.3	-47.0	~
	15:00	CA	Bank of Canada rate decision	Sep	%	1.5	1.5	1.5
	21:00	US	Fed's Kashkari speaks at Townhall in Bozeman, Montana					
Thu 6 Sep	13:15	US	ADP employment change	Aug	000	219.0	191.0	~
	15:00	US	Fed's Williams speaks at University of Buffalo					
	15:00	US	Factory orders	Jul	%	0.7	-0.5	~
Fri 7 Sep	08:30	UK	Halifax house prices	Aug	m%ch	1.4	~	~
	10:00	EC	GDP	Q2 F	q%ch	0.4	~	~
	13:30	US	Fed's Rosengren makes opening remarks at Boston Fed Conference					
	13:30	US	Change in Non-farm Payrolls	Aug	000	157.0	192.0	180

Key Forecasts

ASB NZ economic forecasts	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21	Mar-22
		<< actual	forecast >>						
GDP real - Q%	0.6	0.5	0.9	0.7	0.8				
GDP real - A%	2.9	2.7	2.7	2.9	3.1	3.3	3.0	2.9	2.8
GDP real - AA%	2.8	2.7	2.7	2.8	2.8	3.0	3.0	3.0	2.8
CPI - Q%	0.1	0.5	0.4	0.7	0.4				
CPI - A%	1.6	1.1	1.5	1.7	2.0	2.0	1.5	1.7	2.0
HLFS employment growth - Q%	0.4	0.6	0.5	0.5	0.5				
HLFS employment growth - A%	3.7	3.1	3.7	2.0	2.0	1.9	1.7	1.4	1.2
Unemployment rate - %sa	4.5	4.4	4.5	4.4	4.3	4.3	4.2	4.1	4.0
Annual current account balance as % of	-2.7	-2.8	-3.1	-3.3	-3.3	-2.8	-2.6	-2.9	-2.9

Q% = percentage change on previous quarter

A% = percentage change since same quarter the previous year

AA% = percentage change for year ending quarter since the previous year

ASB interest rate forecasts	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21	Mar-22
(end of quarter)			<< actual	forecast >>					
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.50	2.75
NZ 90-day bank bill	1.88	2.0	2.0	1.9	1.9	2.0	2.3	2.7	3.0
NZ 2-year swap rate	2.21	2.2	2.1	2.1	2.1	2.2	2.5	3.0	3.2
NZ 10-year Bond	2.75	2.7	2.9	2.8	3.0	3.1	3.3	3.5	3.6

ASB foreign exchange forecasts	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21	Mar-21
(end of quarter)			<< actual	forecast >>					
NZD/USD	0.71	0.72	0.67	0.66	0.65	0.66	0.68	0.70	0.66
NZD/AUD	0.91	0.94	0.92	0.90	0.90	0.90	0.91	0.90	0.90
NZD/JPY	80	77	74	73	73	74	73	75	74
NZD/EUR	0.59	0.59	0.58	0.58	0.58	0.58	0.55	0.55	0.54
NZD/GBP	0.53	0.51	0.52	0.52	0.52	0.53	0.53	0.54	0.51
NZD TWI	74.3	74.3	72.5	71.8	71.4	71.9	72.3	72.8	70.2

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