Economic Weekly

05 March 2018

International events in the spotlight

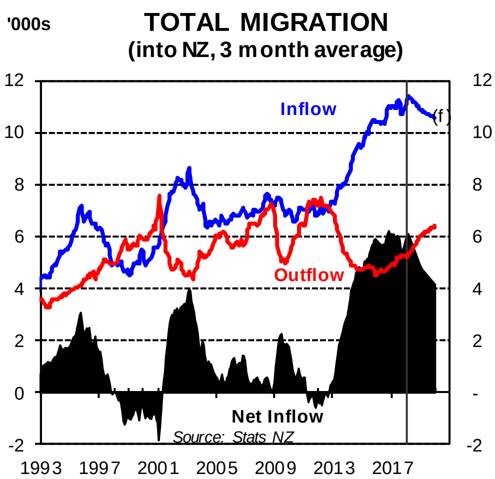
This week, attention will largely be on international data with four central bank announcements (the RBA, BoC, ECB and BoJ) as well as Q4 Australian GDP and US Non-farm Payrolls (Friday night). However, GDP partials (Building work put in place and the Economic Survey of Manufacturing) and a GDT auction will garner some local attention over the week. Finally, this week we take a close look into the NZ labour market in our key insights focus on page 2.

Key events and views

Chart of the Week: Net migration higher for longer?

We have long been watching for a 'turn' in net migration into New Zealand. **Recent record high levels of net migration have supported GDP growth** (in particular through higher levels of consumption) and **boosted the housing market, but have also kept a lid on wage pressures.** A turn in net migration would, therefore, reverse some of these impacts.

Annual net migration had started to slow in H2 2017. The change of Government and ongoing improvement in the Australian economy (and in particular the strengthening labour market), **was expected to see the slowing trend continue.** And indeed, we did have a period of 4 months were annual net migration slowed.

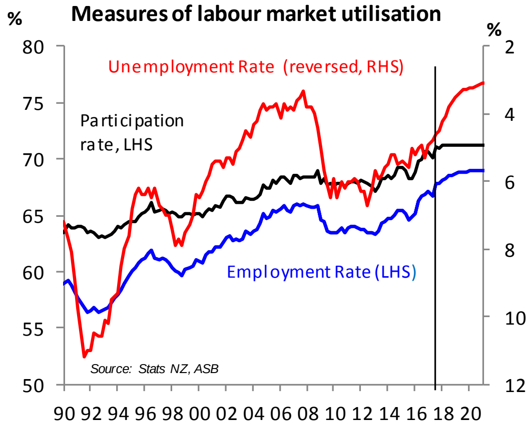


However, recent months have shown signs of strengthening and in January, annual net migration lift higher again. Overall, we do continue to expect net PLT inflows to moderate. However, **recent data highlight that the risks are tilted towards the tailing off in net immigration being later and less pronounced** than what we had previously expected. **And if this was to happen, this would then have consequences for our view on consumer spending, wages and housing.**

Key Insights this week: Labour market capacity

The New Zealand economy is currently in a sweet spot of solid growth and low inflation. **As we have noted, however, capacity constraints could act to slow the pace of domestic expansion.**

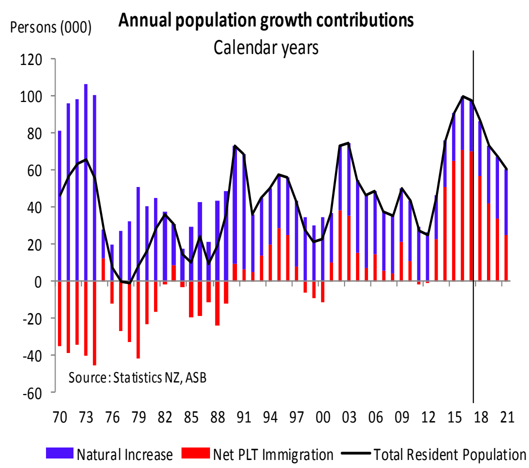
On a variety of measures the labour market is adjudged to be tight. Measures such as the employment rate (the number of employed people relative to working-age population), labour force participation rate (the labour force relative to the working-age population), as well as the unemployment rate (number of unemployed people as a proportion of the labour force) are either at close to cyclical or all time extremes.



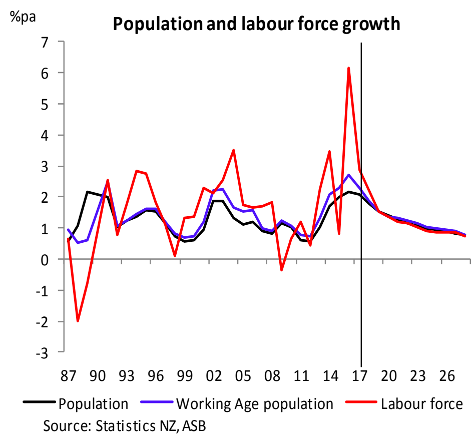
With the labour market looking increasingly stretched and with population growth set to moderate as net immigration slows, our forecasts assume that more of the growth in economic activity will need to be driven by strengthening labour productivity (defined as increasing output per hour worked). Sustaining high rates of productivity looks to be a challenge considering our poor productivity track record. We will cover the productivity issue in a follow-up article in the next few weeks.

Aside from productivity, there are two other elements to labour market capacity. The first is the number of people of working age (typically defined as someone aged over 15 by Statistics NZ as opposed to someone aged 15-64 by the OECD and in most countries). Influences include fertility, mortality of the resident population (which determine the degree of natural change in the resident population) as well as net inflows and outflows from migration between New Zealand and overseas.

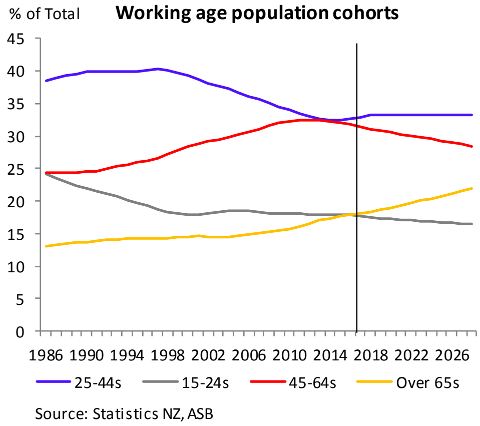
In 2017, our resident population increased by close to 100,000 persons (2.1% of resident population), the second largest increase on record for a calendar year and well above the post 1970 average of slightly more than 40,000 persons per annum. Our population of working age rose by 85,000 persons over 2017. Net PLT immigration accounted for more 70% of resident population growth in 2017, with more than half of the increase in resident population over the last decade coming from net PLT immigration. This compared to the post 1970 average of only around 5% of population growth coming from net PLT immigration, with NZ tending to be a net exporter of people in the 1970's and early 1980's. Compared to the 1970's there has been a noticeable deceleration in natural population increase. At around 30,000 persons per annum, this is about half of the 60,000 person natural increase per year that was typically evident in the 1970s. According to estimates from Statistics New Zealand, total fertility rates (the average number of live births that a woman would have during her life) have been steadily declining since the late 1950's/early 1960s and at 2017 were at 1.8, the lowest on record.



Our forecasts and most demographic projections assume that resident population growth will slow over the next few years. The major swing variable is the moderation in net PLT immigration from historically-high levels. This reflects both a slowing in PLT arrivals from record highs and a strengthening in PLT departures from cyclical lows. Our forecasts also assume that rates of natural population increase will remain moderate. Population projections suggest that growth in the working age and total population is expected to slow from 2%+ annual rates over the last few years to around 1% by 2025.

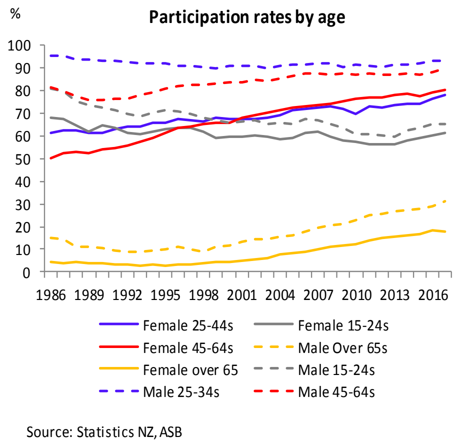


As well as this slowing in population growth will be its ageing. According to recent Demographic projections produced by Statistics NZ, the median age of the population is expected to rise from just over 37 years in 2016 to above 40 by 2033 and above 45 by 2068. Persons aged over 65 are expected to climb from 15% of the resident population at present to over one quarter of total population by 2058. This will largely be at the expense of proportionately fewer working age persons. The dependency ratio – a measure of the share of population not typically of working age (under 15 and 65+) is expected to rise from 53 persons per 100 people aged 15-64 to 77 by 2068.



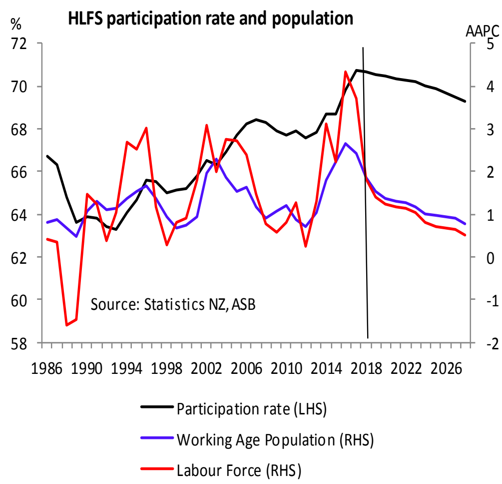
The second element is the degree of attachment of the working age population to the labour force. As was shown at the start of this note, the NZ labour market is tight on a number of metrics. Our forecasts suggest it will tighten further over the next year or two. There is scope to increase the number of hours worked within the labour force - hours worked within the economy would be 3% higher if the average number of hours per employee returned to historical averages. However, this might not be practical or feasible given the shifts in economic and population structure that the economy has gone through.

What has been evident since at least the early 1990s has been the increase in labour force participation by older age cohorts. Influences such as increased life expectancy, improved health, budgetary concerns, institutional changes (the qualification age for NZ Superannuation was progressively raised from 60 to 65 between 1992 and 2001), technological change and the increasing flexibility of the labour force are all likely to be influential. The counter to this has been declining rates of labour force participation by younger age cohorts (15-19) as they pursue more education and training. **We have also seen a steady rise in workforce participation for females aged over 25s**, with the increase in female participation particularly evidence for the over 45s. Female participation rates are generally lower, but they have been closing the gap with male counterparts, particularly for the 45-64 cohorts.



Will an ageing population be offset by rising participation for these cohorts, leaving overall participation close to record highs? The future is inherently uncertain, with increasing globalisation and rapid rates of technological change suggesting that the workplace could be a considerably different place in a decade or so for now. Putting these to one side, our best guess is that participation rates for older age cohorts and older aged females will continue to trend up. However, this is unlikely to offset the impacts of an ageing population structure. All else equal, we are likely to see a modest easing in the overall labour force participation rate over the next decade or so.

Easing labour force participation rates and slowing growth in the working age population are expected to combine and slow labour force growth over the next few years. **Our estimates suggest that annual growth in the labour force could fall below 1% as soon as in five or six years' time.** Lower labour force growth may not necessarily have an impact on per-capita incomes, but it will have implications for assessments of the supply side performance or 'speed limit' of the economy.



Foreign Exchange Market

FX Rates	Current*	Week ago	Month ago	Year ago	ST Bias	Support^	Resistance^	MT Bias
NZD/USD	0.7242	0.7318	0.7370	0.7038	FLAT/DOWN	0.7150	0.735	UP
NZD/AUD	0.9324	0.9309	0.9198	0.9310	FLAT/UP	0.9200	0.9400	DOWN
NZD/JPY	76.49	77.98	80.72	80.32	FLAT/DOWN	75.00	78.00	UP
NZD/EUR	0.5865	0.5944	0.5895	0.6689	FLAT/DOWN	0.5750	0.5950	UP
NZD/GBP	0.5246	0.5228	0.5163	0.5735	FLAT	0.5150	0.5350	UP
TWI	74.6	75.0	75.0	77.2	FLAT/DOWN	74.00	76.00	UP

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

NZD Recap

The NZD starts the week close to 1% lower on a TWI basis, with the NZD down against the yen, euro and USD, but up against the Australian dollar and Sterling. Earlier last week the prospect of higher US interest rate hikes had underpinned a modest strengthening in the USD. Weaker than expected Australian Q4 capex data and reduced risk appetite had also weighed on the AUD and NZD. Plans by the Trump administration to impose tariffs on imported steel and aluminium saw the USD weaken towards the end of the week, with the European Union, Canada, Mexico, China, Japan and Brazil considering retaliatory steps. The yen and euro have strengthened, while diminished risk appetite has placed downward pressure on the NZD and AUD. Brexit-related tensions continue to weigh on Sterling.

Near-term Impact

With the domestic calendar sparse, NZD direction this week will most likely be dictated by offshore events. Our short-term bias is for the NZD TWI to remain little changed**, but the focus will be whether trade tensions escalate further which along with increasing financial market volatility would place the NZD on the back foot.** The Italian election results, the struggle for German Chancellor Merkel to form a coalition and Brexit tensions between the UK and European Union could likely contribute to volatility in euro and sterling. Closer to home, the RBA is widely expected to keep the cash rate at 1.50%, but the focus for currency markets will be the tone of the statement, particularly the commentary on inflation. NZD interest rate differentials with Australian yields have widened of late and a dovish RBA commentary could further weigh on the AUD. Generally robust US data this week is expected to be broadly USD supportive, particularly if February Payrolls and average hourly earnings surprise on the upside, and highlight the potential for more Fed action. Contained inflation is expected to see the ECB remain on the side-lines.

Medium-term outlook

Despite recent strengthening, our medium-term bias remains for a weaker USD, reflecting the stronger environment for global growth and narrowing USD interest rate differentials as other central banks contemplate policy tightening ahead of the Fed. **The NZD TWI is expected to remain broadly supported** by its solid economic outlook, strong NZ commodity export prices, a historically high Terms of Trade and strong demand as global central banks/other real money managers continue to increase NZD exposures.

ASB foreign exchange forecasts	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20
(end of quarter)			<< actual	forecast >>					
NZD/USD	0.73	0.72	0.71	0.72	0.73	0.74	0.75	0.76	0.79
NZD/AUD	0.95	0.92	0.91	0.90	0.90	0.90	0.90	0.90	0.90
NZD/JPY	82	81	80	79	78	78	79	79	79
NZD/EUR	0.64	0.61	0.59	0.60	0.59	0.59	0.59	0.60	0.60
NZD/GBP	0.56	0.54	0.53	0.53	0.53	0.53	0.53	0.53	0.54
NZD TWI	78.4	76.4	74.3	74.6	74.7	75.0	75.1	75.7	76.6

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	1.90	1.91	1.89	2.00	FLAT	UP
2-year swap	2.20	2.17	2.17	2.35	FLAT	UP
5-year swap	2.69	2.70	2.74	3.01	FLAT/DOWN	UP
10-year swap	3.19	3.22	3.28	3.54	FLAT/ DOWN	UP
10-year govt bond yield	2.92	2.93	2.95	3.31	FLAT/ DOWN	UP
Curve Slope (2s10s swaps)	0.99	1.04	1.11	1.20	DOWN	FLAT

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

Market Recap

NZ short-end interest rates remained anchored over the past week, with very little movement in pricing for RBNZ rate hikes (despite a relatively subdued ANZ business confidence survey result). **The yield curve continued to flatten during the week,** as **NZ longer-end rates dropped lower** following moves in US rates.

US interest rates lifted at the start of the week, as new Federal Reserve Chair Jerome Powell struck a positive tone at his first semi-annual testimony to congress. Powell's comments were seen by the market to all-but confirm a March hike in the Fed funds rate. Powell noted that some previous headwinds for the US economy, including fiscal policy and global growth, had now become "tailwinds".

However, the lift in US rates was not sustained and interest rates fell on fears of trade wars as US President Trump stated that the US Government will impose tariffs on steel (25%) and aluminium (10%). Adding further weight to lower interest rates, **Jerome Powell's second testimony of the week was seen as more cautious**, as he called for gradual rate hikes and noted that he did not see any signs of an overheating economy.

Near-term NZD interest rate outlook

A key risk to financial markets for the week is for continued falls in sentiment on trade wars fears, with many countries promising to retaliate if US imposes tariffs on imports. Overall, more protectionist global trade policies would be a mild drag to global economic activity which could see longer-term NZD yields fall further. Meanwhile**, there are a number of key event risks this week that interest rate markets could potentially react to. The ECB meeting on Thursday night is a key event to watch**, the ECB is widely expected to make no monetary policy changes. However, the risk is the ECB tweaks its forward guidance and removes from its statement that asset purchases are intended to run beyond September 2018 if necessary. This would lead to an upward revision to ECB interest rate expectations. Other key events include Australian Q4 GDP, Bank of Canada rate announcement and US Non-farm Payrolls.

Medium-term outlook

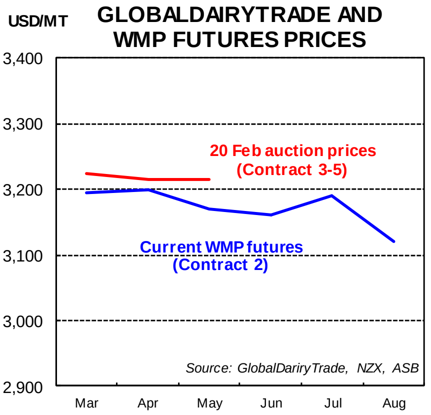
Our core macro view is that the RBNZ will start lifting the OCR in Q3 of 2019. We expect a moderate pace of tightening by historical standards, and a low OCR endpoint of around 3.5% this cycle. We now expect a total of five Fed hikes till end of 2019 (thee in 2018, two in 2019), should see local wholesale interest rate yields lie below US counterparts out to the mid part of the curve, with further narrowing in NZD spreads for longer maturities. **Our expectation of a flatter NZD curve crucially depends on the assumption that local yields remain reasonably well-anchored to global counterparts and that the lift in global yields is modest.**

ASB interest rate forecasts	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20
(end of quarter)			<< actual	forecast >>					
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.25
NZ 90-day bank bill	1.96	1.96	1.88	1.9	1.9	1.9	2.0	2.0	2.5
NZ 2-year swap rate	2.33	2.21	2.21	2.2	2.2	2.3	2.4	2.5	3.0
NZ 10-year Bond	2.97	2.96	2.75	3.0	3.2	3.3	3.3	3.4	3.5

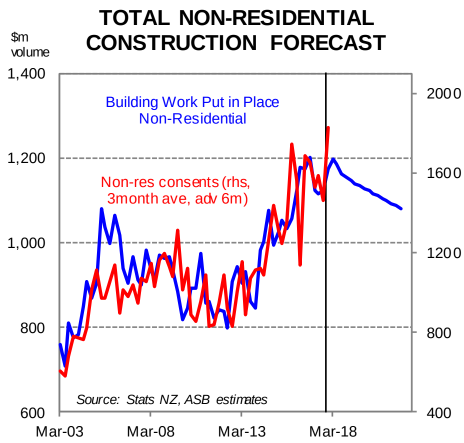
Major Domestic Events for the week ahead

Data	Date	Time (NZT)	Previous	Market	ASB
GlobalDairyTrade Auction, whole milk powder, %	06/03	Overnight	+0.3	-	-2.0
Building Work Put in Place, volumes, Q4, %qoq	07/03	10.45 am	2.7	1.0	3.4
Economic Survey of Manufacturing, sales volumes, Q4	08/03	10.45 am	+0.3	-	-
Electronic Card Transactions, Feb, %mom	09/03	10.45 am	+1.4	0.1	-0.2

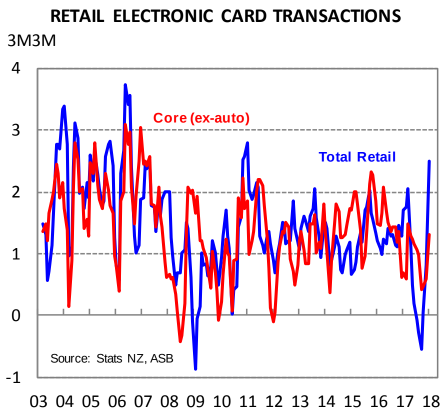
We expect prices to fall by around 2% at the GlobalDairyTrade auction overnight Tuesday. A fortnight ago whole milk powder (WMP) prices were largely unchanged (up 0.3%). At the current juncture, futures pricing suggests WMP prices will fall by around 1%. Recent rainfall has continued to ease concerns over falling production following dry weather earlier in the season. In addition, Fonterra has increased WMP offer volumes for this auction and for the remainder of the season, which should put additional pressure on WMP prices.



Building Work Put in Place is a survey of building-related construction activity and is a key input into GDP. **We forecast the Q4 volume of building activity increased 3.4%.** We expect residential building to increase a robust 2.6%, adding to the previous quarter's 4% lift. This lift follows the recovery in building consents seen over the middle of 2017. Meanwhile, we expect non-residential building to lift strongly, up 4.6% over the quarter. We look for a broad-based lift in activity across the country following strong non-residential consent issuance. However, capacity constraints in the construction sector may limit the extent of growth in this sector.



We use sales and inventory from the Economic Survey of Manufacturing as an indicator for Q4 GDP ex-meat and dairy manufacturing production. Non-primary manufacturing activity has been supported by strong construction activity and growth in other investment demand. **The manufacturing PMI survey points to steady non-primary manufacturing production growth of 1% per quarter** (although, it then points to a sharp slowdown at the start of 2018). Meanwhile, we expect meat and dairy related manufacturing to lift in Q4 as slaughter lifted strongly (although weak dairy production will be a drag).



We expect retail card spending to retrace part of the January surge. Fuel prices actually dipped in February and this should help push down fuel spending (currently 9% 3 month average over 3 month average). Core (ex-fuel and vehicle) spending is expected to be broadly flat with offsetting movements amongst the components. Small monthly falls for hospitality and durable retail, should be offset by firmer apparel and consumable retail. **Despite monthly volatility, we expect the trend in both retail and core spending to remain firmly positive,** reflecting the support provided by the tight labour market, the elevated levels for the Terms of Trade and strong tourism spending.

Major International Events for the week ahead

Data	Date	Time (NZT)	Market	ASB
Australia Company Operating Profits, Q4, %qoq	05/03	1:30 pm	1.5	-1.5
Australia Building Approvals, January, %mom	05/03	1:30 pm	5.0	2.0
Australia Balance of Payments, Q4, $bn	06/03	1:30 pm	-12.2	11.8
Australia Retail Trade, January, %mom	06/03	1:30 pm	0.4	0.4
Reserve Bank of Australia Interest Rate Announcement, %	06/03	4:30 pm	1.5	1.5
Australia GDP, Q4, %qoq	07/03	1:30 pm	0.5	0.5
Bank of Canada Interest Rate Announcement, %	08/03	4.00 am	1.25	1.25
Australia Trade Balance, January, $mn	08/03	1:30 pm	200	600
European Central Bank Interest Rate Announcement, %	09/03	1:45 am	0.0	0.0
Bank of Japan Interest Rate Announcement, %	09/03	-	-0.1	-0.1
US Non-farm Payrolls, increase, ‘000s	10/03	2:30 am	205	200

We are expecting a 1.5% fall in **Australian company profits** over Q4. This would leave the annual rate of growth at 2.6%. Company profits remain solid in absolute terms, boosted by higher commodity prices and low wages growth.

The multi-unit component of the **Australian building approvals** series has been particularly volatile in recent months. We are expecting a small bounce in multi-unit approvals in January after a large fall in the previous month.

Australia’s current account deficit is expected to widen to $11.8bn in the quarter, or around 2.6% of GDP. The widening reflects the trade balance moving from surplus to deficit in the quarter as exports fell and imports rose.

Australian retail trade ended 2017 on a stronger note with volumes up a healthy 0.9%. We are forecasting a modest 0.4% rise in retail trade in January.

The **Reserve Bank of Australia is widely expected to leave the cash rate unchanged** at 1.5% at Tuesday’s meeting. The RBA’s thoughts around the trajectory for wages growth are important to monitor as wages are a key factor for the inflation outlook. The latest wages reading was underwhelming with the slight pick-up in annual wages growth driven by stronger wages in the public sector. Private sector wages growth remains weak.

We are expecting a modest 0.5% result for **Australian Q4 GDP**. The indicators we have so far are mixed. Consumer spending recorded a decent lift and non-mining business investment appears to have turned. But net exports will likely be a drag on growth, and residential construction has also been slipping.

We are forecasting a $600m **Australian trade surplus** in January after a $1,358m deficit last month. A solid lift in commodity prices in the month should boost export values, while imports should cool after a 6% rise last month.

The **Bank of Canada is widely expected to keep its policy rate at 1.25%** and reiterate the “Governing Council will remain cautious in considering future policy adjustments”.

The **Bank of Japan is widely expected to make no monetary policy changes** to its three pillars: (i) The BoJ applies a negative interest rate of -0.1% to the Policy-Rate Balances in current accounts held by financial institutions at the Bank. (ii) The BoJ will purchase bonds so that 10-year Japanese bond yields will remain at around 0%. (iii) The BoJ will continue to target an annual pace of increase in the amount outstanding of its bond holdings of about ¥80 trillion.

The **European Central Bank is widely expected to make no monetary policy** changes. Interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.40% respectively.

Leading employment indicators point to an above-average (200k) increase in **US non-farm payrolls**. Also, business and consumer surveys of future compensation suggest risks to average hourly earnings growth are skewed to the upside.

Global Data Calendars

Calendar - Australasia, Japan and China

Date	Tim (NZ	Eco	Event	Period	Unit	Previous	Forecast Market	ASB
Mon 5 Mar	11:	AU	CBA Australia PMI composite	Feb	Index	54.2	~	~
	13:	AU	Company operating profit	Q4	q%ch	-0.2	1.5	-1.5
	13:	AU	Building approvals	Jan	m%ch	-20.0	5.0	2.0
	14:	CH	Caixin China PMI composite	Feb	Index	53.7	~	~
Tue 6 Mar	11:	AU	ANZ Roy Morgan Consumer Conf.	Mar	Index	117.9	~	~
	13:	AU	BoP current account balance	Q4	$bn	-9.1	-12.2	-11.8
	16:	AU	RBA cash rate target	Mar	%	1.5	1.5	1.5
Wed 7 Mar		NZ	GlobalDairyTrade Auction, WMP, %			0.3	~	-2.0
	05:	NZ	QV house prices	Feb	y%ch	6.4	~	~
	10:	AU	RBA Governor Lowe gives speech in Sydney					
	10:	NZ	Volume of all building	Q4	q%ch	2.7	1.0	3.4
	13:	AU	GDP	Q4	q%ch	0.6	0.5	0.5
Thu 8 Mar	~	CH	Trade balance	Feb	CNY	135.8	~	~
	10:	NZ	Manufacturing activity	Q4	q%ch	0.5	~	~
	13:	AU	Trade balance	Jan	$mn	-1,358.0	200	600
Fri 9 Mar	~	JN	BOJ Monetary Policy Statement					
	10:	NZ	Electronic card transactions	Feb	m%ch	1.4	0.1	-0.2
	14:	CH	CPI	Feb	y%ch	1.5	~	~

Calendar - North America & Europe

Date	Tim (UK	Eco	Event	Period	Unit	Previous	Forecast Market	ASB
Mon 5 Mar	09:00	EC	Markit Eurozone composite PMI	Feb F	Index	57.5	~	~
	10:00	EC	Retail sales	Jan	m%ch	-1.1	~	~
	15:00	US	ISM non-manufacturing composite	Feb	Index	59.9	58.5	~
Tue 6 Mar	12:30	US	Fed's Dudley speaks at US Virgin Islands					
	15:00	US	Factory orders	Jan	%	1.7	-0.3	~
	22:30	US	Fed's Brainard to speak in New York					
Wed 7 Mar	01:30	US	Fed's Kaplan speaks at Energy Conference					
	10:00	EC	GDP	Q4 F	q%ch	0.6	~	~
	13:00	US	Fed's Dudley speaks in Puerto Rico					
	13:00	US	Fed's Bostic speaks on the Economic Outlook					
	13:30	US	Trade balance	Jan	$bn	-53.1	-52.5	~
	15:00	CA	Bank of Canada rate decision	Mar	%	1.25	1.25	1.25
	19:00	US	U.S. Federal Reserve releases Beige Book					
Thu 8 Mar	12:45	EC	ECB main refinancing rate	Mar	%	0.0	~	0
Fri 9 Mar	09:30	UK	Trade balance	Jan	£mn	-4,896	~	~
	09:30	UK	Industrial production	Jan	m%ch	-1.3	~	~
	13:30	US	Change in nonfarm payrolls	Feb	000	200.0	195.0	200
	17:45	US	Fed's Evans speaks on Monetary Policy					

Key Forecasts

ASB NZ economic forecasts	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20
	<< actual	forecast >>							
GDP real - Q%	1.0	0.6	0.8	0.5	0.9	1.0	1.0		
GDP real - A%	2.8	2.7	3.1	2.9	2.8	3.2	3.4	3.8	3.4
GDP real - AA%	3.3	3.0	2.9	2.9	2.9	3.0	3.1	3.3	3.6
CPI - Q%	0.0	0.5	0.1	0.3	0.4	0.5	-0.2		
CPI - A%	1.7	1.9	1.6	0.9	1.3	1.4	1.0	1.5	1.7
HLFS employment growth - Q%	0.0	2.2	0.5	1.1	0.6	0.7	0.6		
HLFS employment growth - A%	3.1	4.2	3.7	3.8	4.5	3.0	3.1	2.5	1.8
Unemployment rate - %sa	4.8	4.6	4.5	4.3	4.2	3.9	3.8	3.7	3.6
Annual current account balance as % of GDP	-2.7	-2.6	-2.7	-2.4	-2.5	-2.7	-2.7	-2.6	-2.4

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	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20
(end of quarter)			<< actual	forecast >>					
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.25
NZ 90-day bank bill	1.96	1.96	1.88	1.9	1.9	1.9	2.0	2.0	2.5
NZ 2-year swap rate	2.33	2.21	2.21	2.2	2.2	2.3	2.4	2.5	3.0
NZ 10-year Bond	2.97	2.96	2.75	3.0	3.2	3.3	3.3	3.4	3.5

ASB foreign exchange forecasts	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20
(end of quarter)			<< actual	forecast >>					
NZD/USD	0.73	0.72	0.71	0.72	0.73	0.74	0.75	0.76	0.79
NZD/AUD	0.95	0.92	0.91	0.90	0.90	0.90	0.90	0.90	0.90
NZD/JPY	82	81	80	79	78	78	79	79	79
NZD/EUR	0.64	0.61	0.59	0.60	0.59	0.59	0.59	0.60	0.60
NZD/GBP	0.56	0.54	0.53	0.53	0.53	0.53	0.53	0.53	0.54
NZD TWI	78.4	76.4	74.3	74.6	74.7	75.0	75.1	75.7	76.6

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