

# Economic Weekly

07 May 2018

## Watching for the Orr-factor

With a new Governor and a new Policy Targets Agreement, Thursday's RBNZ Monetary Policy Statement will be the much-anticipated event of the week. We are not expecting any changes to policy settings or changes to the tone of the statement; see Page 2 for a more in-depth RBNZ preview. There is a handful of other NZ data out this week including the RBNZ survey of inflation expectations (see Chart of the Week) on Tuesday and card spending on Wednesday. Offshore, **the Bank of England rate announcement is the key event**. Until recently, markets had expected a May rate hike. However, recent soft economic data have put BoE rate hike expectations on ice for now.

### Key events and views

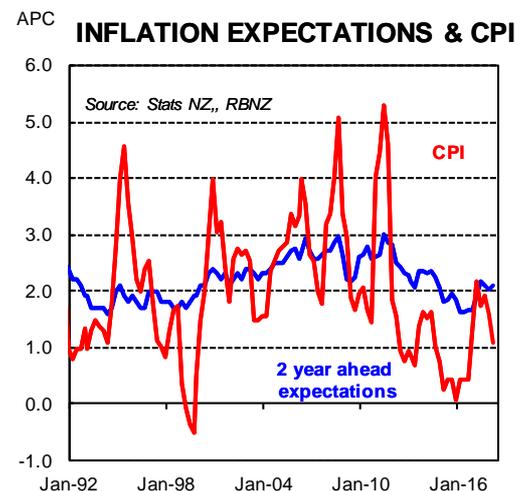
<a href="#">Key Insights</a>	Anticipating Adrian Orr's first OCR announcement this Thursday.
<a href="#">Foreign exchange</a>	USD strength remained the key theme in currency markets last week.
<a href="#">Interest rates</a>	A quiet week in interest rate markets saw yields largely unchanged.
<a href="#">Domestic events</a>	RBNZ Survey of Expectations and the RBNZ Monetary Policy Statement are key this week.
<a href="#">International events</a>	Australian Federal Budget, US CPI and the Bank of England interest rate announcement.
<a href="#">Calendars</a>	NZ and International calendar of upcoming economic events.

### Chart of the Week: RBNZ inflation expectations

**Tomorrow brings with it the next instalment of RBNZ inflation expectations data.** In recent quarters 2-year-ahead inflation expectations have steadied around 2%. We expect more of the same tomorrow, despite the fact that annual headline CPI slipped back to 1.1% in Q1 2018.

Firstly, **inflation expectations are relatively slow moving.** For example, it wasn't until headline inflation had been below 1% for around 6 months before 2-year-ahead inflation expectations dipped enough to cause concern for the RBNZ. Secondly, **business surveys suggest inflation expectations have remained around recent highs,** despite business confidence itself remaining low. **Finally, annual minimum wage increases also appear to be influencing wage expectations,** which in turn, should support inflation expectations.

Well-anchored 2-year-ahead inflation expectations reinforce that there is little pressure for the RBNZ to change monetary policy settings yet. **This is what we expect to see in Thursday's RBNZ Monetary Policy Statement.**



## Key Insights this week: RBNZ rowing with a new Orr

- We don't expect the new PTA or new Governor to materially shift the RBNZ's monetary policy outlook at this week's Official Cash Rate announcement and Monetary Policy Statement.
- Economic data suggest little change to the RBNZ's outlook, though the inflation outlook could be slightly lower.
- Decent employment conditions also suggest no need for the OCR to change for some time yet.

## Markets brace for the first OCR decision under a new regime

On Thursday the highly anticipated the **first monetary policy decision will be announced by the new Governor Adrian Orr, under the new Policy Targets Agreement (PTA)** that includes the employment objective. There are a lot changes that have potential to influence the outcome. It won't be just about the change in the inflation outlook, but also any impact from the change in Governor and change in PTA. **Interest is likely to be focused toward how the RBNZ interprets its new target of contributing "to supporting maximising sustainable employment" as well as how the RBNZ weighs meeting its dual targets.**

## Strong labour market suggests further rate cuts not needed

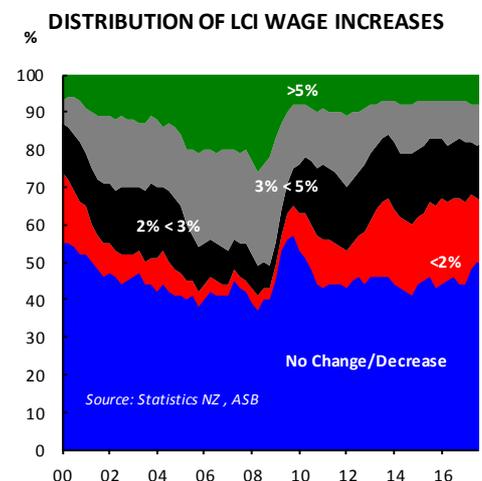
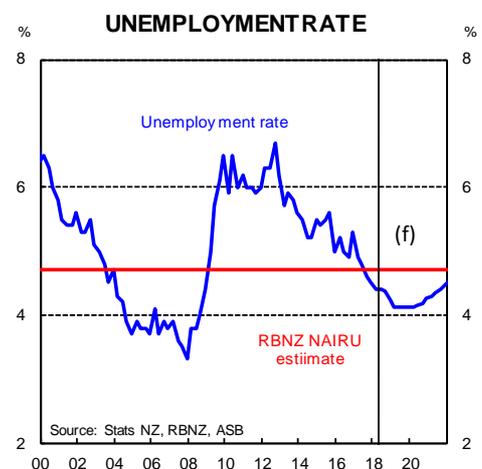
Given the enhanced focus of the labour market in the new RBNZ Policy Targets Agreement (PTA), it was somewhat encouraging to see few signs of quarterly volatility in the Household Labour Force Survey (HLFS). We note that survey volatility from labour market readings could potentially complicate matters for the RBNZ as it deliberates OCR settings, but so far, so good.

Employment lifted in line with expectations over Q1 and **over the past year the number of people employed has lifted at a robust rate of 3.1%**. This growth in labour demand has easily outpaced the also high rate of labour force growth – up 2.5% over the year – supported by strong net migration and high labour force participation. As a result the **unemployment rate has steadily declined (to 4.4%) and is now firmly below the RBNZ's mid-point assessment of NAIRU (4.7%)**. NAIRU is a fancy way of describing the unemployment rate below which wage inflation pressures start to pick up and translate into firming domestically-generated CPI inflation. With the **level of unemployment now at levels consistent with a tight labour market, we forecast wage inflation to accelerate** – with minimum wage increases and recent health care worker settlements further adding to this upward momentum. We expect LCI wage inflation to lift from just under 2% per annum currently, to 2.8% per annum by early 2020.

## But soft wage inflation argues to hold off on the rate hikes

**The key surprise from the Q1 labour market figures was the persistence of low wage inflation**, with the quarterly increase much lower than the market expected. Private sector wage inflation is running at 1.9% per annum – just shy of the RBNZ's February Monetary Policy Statement forecast of 2.0%. Recent wage figures show the July 2017 increases in the minimum wage and the health care worker settlements are having limited flow through to the wider labour market. Almost half of the wages and salaries survey received no annual increase.

One possible explanation for softer-than-expected wage inflation is that **labour force underemployment and underutilisation has been slower to decline than unemployment**. The underutilisation rate has hovered close to 12% for most of the past year, trending



sideways in contrast to clear downward trend in the unemployment rate. Further, underemployment (those who are part time but would like additional hours) is still close to year-ago levels. These figures are slightly surprising, as **alternative measures of labour market tightness show a tightening in labour market conditions and an increase in the proportion of firms reporting difficulties in finding labour**. Overall, our conclusion is that **the labour market is tightening, and we expect that over the coming year this tightness will spill over into stronger wage growth – we are close, but just not quite there yet**.

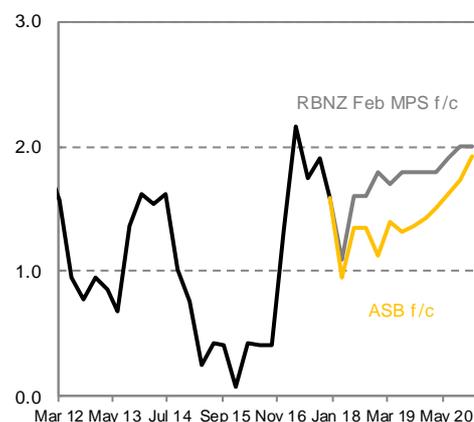
### Labour market considerations will not complicate the OCR assessment

For monetary policy the labour market figures reinforce the current stance of monetary policy. The falling unemployment rate and strong rate of employment growth suggest there is little need for the RBNZ to cut interest rates further. But the lack of wage inflation also reinforces the lack of urgency for rate hikes also.

### On balance, RBNZ inflation outlook may be a touch softer

Looking at other economic developments over the past few weeks, we judge that the RBNZ's economic and inflation forecasts may be a little weaker than the February Monetary Policy Statement (MPS). In particular, the RBNZ will have noted the **tightening in financial conditions** given **lift in wholesale interest rates** which is equivalent to that of a 25 basis point OCR hike. So far this has not flowed through to mortgage rates, but the higher interest rates will affect those businesses which are more exposed to wholesale market moves. In addition, **low levels of business confidence** continue to persist since the change in Government late last year. The RBNZ will be mindful of the near-term downside risks to activity, particularly if business confidence does not improve after the Budget (May 17<sup>th</sup>).

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### Embarking a new Orrsman

Given this is Adrian Orr's first Monetary Policy Statement as Governor, more tea-leaf reading than usual will go into the Statement and forecasts for any **signs that the Governor is steering the RBNZ's assessment in a different direction**. We don't expect any material changes from the new hand on the steering oar. For one, the RBNZ's concluding line of its recent policy assessments remains just as relevant, even with the added employment objective: "Monetary policy will remain accommodative for a considerable period. Numerous uncertainties remain and policy may need to adjust accordingly." Furthermore, we don't see much relevance in debating whether Adrian Orr is a 'hawk' or a 'dove': **we expect that his monetary policy views will be guided by the collective views of the Economics Department and senior leaders**. But we acknowledge that leader-led change is a possibility. Some of Adrian Orr's attributes are his ability to see the big picture rather than get lost in micro details, as well as a healthy degree of pragmatism over monetary policy's role and limitations.

**One thing we can be quite confident in is that Adrian Orr will spend a lot more time engaging with the public, and the RBNZ press conference live streamed on its website at 10am will be a must watch event**. In the first 5 weeks of his term it already feels like he has given more media interviews than the previous permanent Governor gave over his whole 5-year term. More frequent communication might increase the incidence of miscommunication or misinterpretation, merely through more occasions existing. But we expect that a much higher level of transparency will leave financial markets and the broader public more aware of what the RBNZ is thinking and why. In this, Adrian Orr should prove to be the opposite of Alan Greenspan, former US Federal Reserve Chair, who once said *"I guess I should warn you, if I turn out to be particularly clear, you've probably misunderstood what I said"*.

## Foreign Exchange Market

FX Rates	Current*	Week ago	Month ago	Year ago	ST Bias	Support^	Resistance^	MT Bias
NZD/USD	0.7021	0.7081	0.7257	0.6862	FLAT	0.6900	0.7100	UP
NZD/AUD	0.9312	0.9353	0.9449	0.9298	FLAT	0.9250	0.9350	FLAT
NZD/JPY	76.61	77.29	77.90	76.99	FLAT	74.50	77.50	FLAT
NZD/EUR	0.5871	0.5835	0.5929	0.6247	FLAT	0.5800	0.6000	FLAT
NZD/GBP	0.5187	0.5137	0.5184	0.5312	FLAT	0.5100	0.5300	FLAT
TWI	73.6	73.5	74.8	74.8	FLAT	73.50	75.50	FLAT

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

### NZD Recap

**USD strength remained the key theme in currency markets last week.** Ongoing strength saw the NZD/USD fall to a 2018 low, back below US 70 cents. On top of generalised USD strength, the NZ Q1 employment report weighed on the NZD as it highlighted that wage pressures remain subdued. The fall in Global Dairy Trade prices at last week's dairy auction also weighed on the NZD/USD. However, by the end of the week the NZD had pared earlier losses and strengthened by 0.6% against the USD on Thursday night. The NZD/GBP lifted slightly over the week as further weak UK economic data pushed out expectations for a Bank of England (BoE) rate hike from May towards the latter-half of 2018. The NZD/AUD on the other hand traded in a tight range over the week, despite the Reserve Bank of Australia rate announcement on Tuesday. However, with no real surprises in the announcement, the AUD was little impacted by the event.

### Near-term outlook

**There is a risk we see some short-term volatility in the NZD this week.** Most notably in terms of currency risk this week is the RBNZ Monetary Policy Statement on Thursday at 9am (NZT). Although we are not expecting any changes in terms of policy settings or the tone of the statement, there is a small risk the RBNZ pushes out the timing of its forecasted rate hikes. The additional risks in this statement stem from the fact that this is the first MPS with a new Governor (Adrian Orr) and the new Policy Targets Agreement (PTA) which includes an employment objective. Thursday night's BoE rate announcement could see the NZD further gain against the GBP, especially if the BoE appear concerned about recent economic data. US CPI data on Thursday night will be monitored closely, and could cause some volatility in the USD if there is a reasonable deviation from market expectations. However, movements are likely to be muted as this is not the Fed's preferred measure of inflation.

### Medium-term outlook

We have recently updated our medium-term currency forecasts. We believe the recent bout of USD weakness has ended. **We expect the USD to remain supported given the slight moderation in global growth over 2018 and the fact that the US Federal Reserve is now expected to tighten rates at a faster pace than other central banks. The NZD TWI is expected to remain broadly supported** by NZ's solid economic outlook, strong NZ commodity export prices, 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

(end of quarter)

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21
	<< actual		>> forecast >>					
NZD/USD	0.71	0.72	0.72	0.72	0.72	0.72	0.74	0.75
NZD/AUD	0.91	0.94	0.95	0.94	0.92	0.91	0.90	0.94
NZD/JPY	80	77	78	77	76	75	74	81
NZD/EUR	0.59	0.59	0.59	0.59	0.58	0.58	0.57	0.57
NZD/GBP	0.53	0.51	0.52	0.51	0.51	0.50	0.49	0.53
NZD TWI	74.3	74.3	74.5	74.0	73.3	72.7	72.5	74.4

## Interest Rate Market

<u>Wholesale interest rates</u>	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	2.03	2.02	1.97	1.98	FLAT	UP
2-year swap	2.27	2.27	2.25	2.32	FLAT	UP
5-year swap	2.73	2.73	2.69	2.92	FLAT	UP
10-year swap	3.22	3.22	3.14	3.41	FLAT	UP
10-year govt bond yield	2.78	2.83	2.80	3.04	FLAT	UP
Curve Slope (2s10s swaps)	0.95	0.95	0.89	1.09	FLAT	DOWN

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

### Market Recap

The **NZ interest rate market was relatively quiet over the past week**, with most yields remaining unchanged and intra-week moves remaining within a fairly narrow range over the week. The slope of the yield curve also remained unchanged. There was **little reaction to the NZ employment data**, which showed employment demand remaining strong but wage growth softer than expected.

NZ benchmark 10-year Government Bond yields are currently trading around 2.78% and remain well below the peaks seen in late April (of 2.92%). **Over the week NZ longer-term interest rates followed US interest rate moves**, with longer-term rates initially rising over the week but then reversing these moves to finish the week lower.

The **US interest rate reaction to the FOMC announcement on Thursday morning was mixed**, with shorter-term rates falling but longer-term rates rising. Meanwhile, US employment data released over the weekend was mixed with the unemployment rate falling but wage inflation falling short of expectations. **US 10-year yields saw some intra-day volatility on Friday** on the back of comments from incoming FOMC member Williams noting he was comfortably with US inflation overshooting its 2% target.

### Near-term NZD interest rate outlook

The **RBNZ OCR announcement and Monetary Policy Statement is the key focus for local markets this week**. The change in the economic backdrop over recent weeks has been marginal, and if anything points to slightly weaker inflation pressures compared to the February forecasts. The key focus will be on the RBNZ's communication and whether new Governor Adrian Orr brings a new style to the announcement. There is potential for volatility around the press conference at 10am.

In Australia, Tuesday night's Australian Budget is unlikely to move markets. Meanwhile, our colleagues in Australia have pushed out the timing for the first rate hike in Australia from late this year, to early 2019.

### Medium-term outlook

Our core 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 four Fed hikes until the end of 2019 (two more in 2018, two in 2019). This should see local wholesale interest rate yields climb less than USD comparators. **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

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21
(end of quarter)		<< actual	forecast >>					
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	2.25	2.75
NZ 90-day bank bill	1.88	2.0	2.0	2.0	2.0	2.0	2.5	3.0
NZ 2-year swap rate	2.21	2.2	2.2	2.3	2.4	2.5	3.0	3.5
NZ 10-year Bond	2.75	2.7	2.9	3.0	3.2	3.3	3.5	3.5

## Major Domestic Events for the week ahead

Data	Date	Time (NZT)	Previous	Market	ASB
RBNZ Survey of Expectations, 2-year-ahead inflation,	08/05	3:00pm	2.11	-	-
Retail Electronic Card Transactions, Total, April, %mom	09/05	10:45am	+1.0	0.0	-0.2
RBNZ Monetary Policy Statement, May, OCR, %	10/5	9:00am	1.75	1.75	1.75

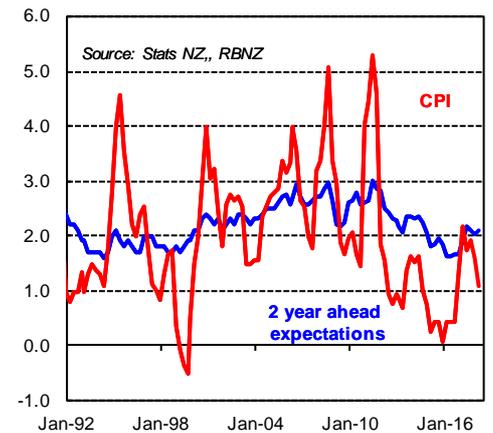
**Two-year-ahead inflation expectations rose to 2.11% in Q1, from 2.03% in Q4 2017.** We expect inflation expectations to remain above 2% in Q3, despite the fall in the annual CPI (to 1.1%) in Q1. Business surveys suggest inflation expectations have remained around recent highs, despite business confidence itself remaining low. Annual minimum wage increases also appear to be influencing wage expectations which, in turn, should support inflation expectations. However, one-year-ahead expectations are likely to remain more subdued as the near-term outlook remains relatively soft. We expect the one-year-ahead measure to remain below 2% (was 1.86% in Q1).

**We expect an April dip in retail electronic card spending.** This is to be expected given the strong March increases for retail (+1% mom) and core ECT spending (+1.6% mom). Consumable, durable and hospitality spending are unlikely to repeat their March increases, although a rebound for apparel spending looks to be on the cards. We still expect the figures to confirm still-strong retail momentum, with annualised growth in core spending at around 7.5% over the last 3 months. **Our expectation is for a moderation in spending growth over 2018.** Consumer confidence declined sharply in April, with a less upbeat household sector and wider economic outlook expected to encourage more spending restraint. Prospective rises in petrol prices and the flat housing market are also expected to provide less impetus to consumer spending volumes in the coming months.

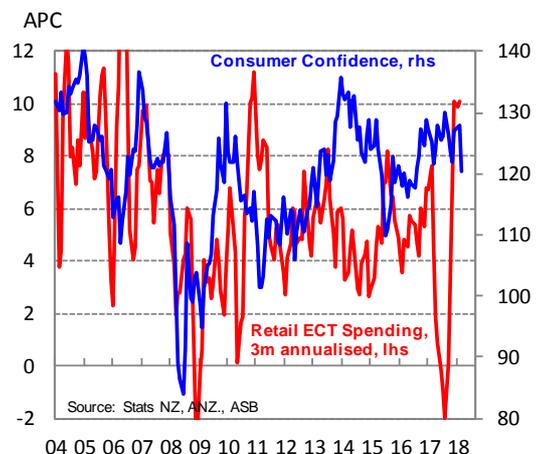
**We expect the RBNZ to keep the OCR on hold in the May 10 Monetary Policy Statement and retain a neutral stance.** Developments since the March OCR Review tilt marginally towards more caution over how long it will take to sustain inflation comfortably around the 2% inflation target mid-point. It is possible that the RBNZ defers slightly the timing of its forecast OCR increases. But recent developments are well within the range of shifts the RBNZ has absorbed without tinkering with its OCR view.

This is the first OCR decision since new Governor Adrian Orr started along with the new Policy Targets Agreement (PTA) that includes the employment objective. Employment conditions are good and don't indicate the RBNZ needs to relax its monetary policy stance. And, **although it is always possible Governor Orr will steer the RBNZ slightly differently to his predecessors, we don't expect him to substantially influence the RBNZ's current take on the appropriate direction for monetary policy.** Events all still point convincingly to the OCR remaining low until at least the second half of 2019.

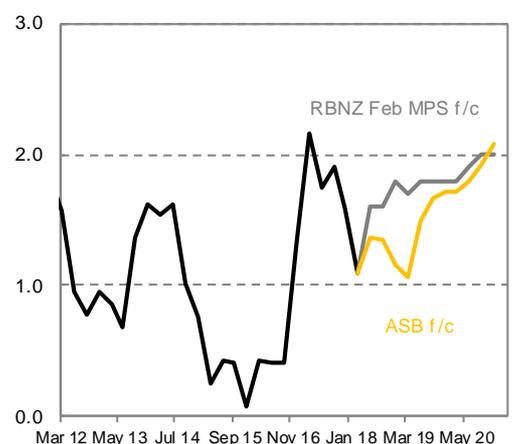
### INFLATION EXPECTATIONS & CPI



### RETAIL CARD SPENDING VS CONFIDENCE



### CONSUMER PRICE INDEX



## Major International Events for the week ahead

Data	Date	Time (NZT)	Market	ASB
Australia Retail Sales, March, %mom	08/05	1:30 pm	0.2	0.3
China Trade Balance, April, US\$bn	08/05	-	27.5	30
Australia Federal Budget Balance, %bn	08/05	9:30 pm	-	-18
Japan Current Account Adjusted, March, ¥trn	10/05	11:50 am	1.6	1.7
China CPI, April, %yoy	10/05	1:30 pm	1.9	2.0
UK Bank of England Interest Rate Announcement, %	10/05	11:00 pm	0.5	0.5
UK Inflation Report	10/05	11:00 pm	-	-
US CPI, April, %yoy	11/05	12:30 am	2.5	2.5
Australia Home Loans, March, %mom	11/05	1:30 pm	-1.8	2.5

We believe widespread discounting is continuing to weigh down on **nominal sales growth in Australia**. We expect the monthly nominal sales to post a 0.3% rise in March after February's solid gain of 0.6%. Q1 retail trade volumes are likely to increase by 1.3%.

**China's April trade data** will provide a clearer picture after the Lunar New Year distortion of previous months. The new exports orders component in the official manufacturing PMI eased in April but continued to remain in expansionary mode. We expect exports to recover 8%pa after a drop in March. We expect import growth to remain solid at 15%pa in April because of solid domestic demand. Overall, we expect the trade balance to return to a sizeable surplus of US\$30bn.

We expect the published **Australian Budget deficit** released on Budget night Tuesday to be \$18bn for 2018/19. The Government will stick with its previous forecast of the budget posting a thin surplus in 2020/21.

We expect a strong bounce-back in **Japan's current account surplus** from the unexpected weakness in February. Japan's already-released customs-cleared trade balance has surged back into surplus from a rare trade deficit in February.

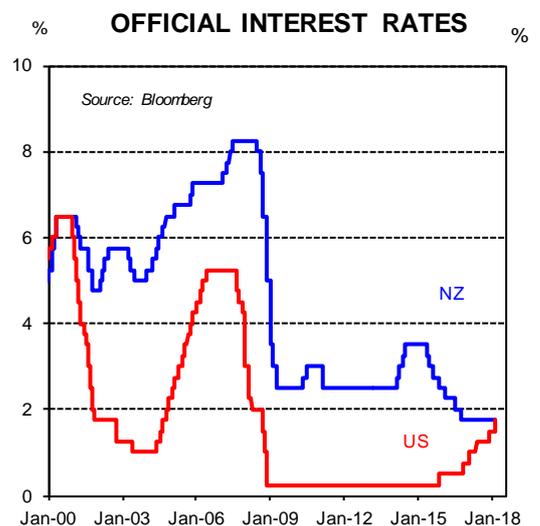
We expect **China's CPI inflation** to ease again to 2.0%pa in April because of softer food inflation. We expect non-food inflation to remain stable at 2.1%pa.

The number of **Australian** housing finance loans has been slowing in recent months. Slowing house prices and sharply lower investor demand are key factors driving this. We expect the volume of **loans to owner-occupiers** to rise by 2.5% in March after February's 0.2% fall and a decline of 1.1% in January.

We anticipate the **Bank of England (BoE) will maintain interest rates** at 0.5% and asset purchases at £435bn. Recent poor UK economic data releases imply the BoE will wait until later in the year before raising interest rates.

We anticipate the BoE will lower its inflation forecasts for 2018 and 2019 following faster-than-expected **UK inflation** declines in Q1. The BoE may lower its 2018 UK GDP growth forecast.

We anticipate base effects and an increase in retail petrol prices will push headline **US CPI** up to 2.5%pa (the highest since February 2017). Petrol prices increased 4.5% in April because of the recent lift in West Texas Intermediate (WTI) oil prices. Core inflation is also picking up because of the gradual acceleration in wage growth.



## Global Data Calendars

### Calendar - Australasia, Japan and China

Date	Time (NZT)	Eco	Event	Period	Unit	Previous	Forecast	
							Market	ASB
Mon 7 May	11:50	JN	BOJ Minutes of Policy Meeting					
	13:30	AU	NAB business confidence	Apr	~	7	~	~
	~	CH	Trade balance	Apr	CNY bn	-29.8	~	~
	11:00	AU	RBA's Boge gives speech in Sydney					
	13:30	AU	Retail sales	Mar	m%ch	0.6	~	0.3
Tue 8 May	21.30	AU	Federal Budget 2018/19					
Wed 9 May	10:45	NZ	Card spending retail	Apr	m%ch	1.0	0.0	-0.2
	17:00	JN	Leading index CI	Mar P	Index	106.0	105.1	~
Thu 10 May	07:14	NZ	REINZ house sales	Apr	y%ch	-9.9	~	~
	09:00	NZ	RBNZ official cash rate	May	%	1.75	1.75	1.75
	11:50	JN	BoP current account balance	Mar	¥bn	2,076.0	2,929.3	~
	13:00	AU	Consumer inflation expectation	May	%	3.6	~	~
	13:30	CH	CPI	Apr	y%ch	2.1	1.9	~
Fri 11 May	10:30	NZ	BusinessNZ manufacturing PMI	Apr	Index	52.2	~	~
	10:45	NZ	Food prices	Apr	y%ch	1.0	~	~
	13:30	AU	Home loans	Mar	m%ch	-0.2	~	2.5
	13:30	AU	Owner-occupier loan value	Mar	m%ch	1.3	~	~

### Calendar - North America & Europe

Date	Time (UKT)	Eco	Event	Period	Unit	Previous	Forecast	
							Market	ASB
Mon 7 May	00:00	US	Fed's Quarles speaks at Atlanta Fed's Financial Conference					
	09:10	EC	Markit Eurozone retail PMI	Apr	Index	50.1	~	~
	13:25	US	Fed's Bostic makes welcome at Financial Markets Conference					
	19:00	US	Fed's Barkin speaks in Moderated Q&A at GMU					
	20:00	US	Consumer credit	Mar	\$bn	10.6	16.0	~
	20:30	US	Fed's Kaplan speaks on Panel at Financial Conference					
	20:30	US	Fed's Evans speaks at Atlanta Fed Financial Markets Conference					
Tue 8 May	08:30	UK	Halifax house prices	Apr	m%ch	1.5	~	~
Wed 9 May	13:30	US	PPI final demand	Apr	m%ch	0.3	0.2	~
	15:00	US	Wholesale inventories	Mar F	m%ch	0.5	~	~
	18:15	US	Fed's Bostic speaks on Economic Outlook and Monetary Policy					
Thu 10 May	09:00	EC	ECB Publishes Economic Bulletin					
	09:30	UK	Trade balance	Mar	£mn	-965	~	~
	09:30	UK	Industrial production	Mar	m%ch	0.1	~	~
	12:00	UK	Bank of England Bank rate	May	%	0.50	0.50	~
	13:30	US	CPI	Apr	m%ch	-0.1	0.3	~
	19:00	US	Monthly Budget Statement	Apr	\$bn	-208.7	~	~
Fri 11 May	13:30	US	Export price index	Apr	m%ch	0.3	~	~
	15:00	US	Uni. of Michigan sentiment	May P	~	98.8	98.0	~

## Key Forecasts

### ASB NZ economic forecasts

	Dec-17 << actual	Mar-18 forecast >>	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21
GDP real - Q%	0.6	0.4	0.7	0.8	0.9			
GDP real - A%	2.9	2.6	2.4	2.6	2.8	3.3	3.3	3.0
GDP real - AA%	2.9	2.8	2.6	2.6	2.6	2.8	3.4	3.2
CPI - Q%	0.1	0.5	0.3	0.5	0.0			
CPI - A%	1.6	1.1	1.4	1.4	1.3	1.3	1.9	2.0
HLFS employment growth - Q%	0.4	0.6	0.5	0.5	0.6			
HLFS employment growth - A%	3.7	3.1	3.7	2.0	2.1	2.1	1.8	1.5
Unemployment rate - %sa	4.5	4.4	4.4	4.4	4.2	4.1	4.1	4.3
Annual current account balance as % of GDP	-2.7	-2.4	-2.4	-2.5	-2.4	-2.4	-2.6	-2.6

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 << actual	Mar-18 forecast >>	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21
(end of quarter)								
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	2.25	2.75
NZ 90-day bank bill	1.88	2.0	2.0	2.0	2.0	2.0	2.5	3.0
NZ 2-year swap rate	2.21	2.2	2.2	2.3	2.4	2.5	3.0	3.5
NZ 10-year Bond	2.75	2.7	2.9	3.0	3.2	3.3	3.5	3.5

### ASB foreign exchange forecasts

	Dec-17 << actual	Mar-18 forecast >>	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21
(end of quarter)								
NZD/USD	0.71	0.72	0.72	0.72	0.72	0.72	0.74	0.75
NZD/AUD	0.91	0.94	0.95	0.94	0.92	0.91	0.90	0.94
NZD/JPY	80	77	78	77	76	75	74	81
NZD/EUR	0.59	0.59	0.59	0.59	0.58	0.58	0.57	0.57
NZD/GBP	0.53	0.51	0.52	0.51	0.51	0.50	0.49	0.53
NZD TWI	74.3	74.3	74.5	74.0	73.3	72.7	72.5	74.4

#### ASB Economics & Research

Chief Economist  
Senior Economist  
Senior Economist  
Senior Rural Economist  
Senior Economist, Wealth  
Economist  
Publication & Data Manager

Nick Tuffley  
Mark Smith  
Jane Turner  
Nathan Penny  
Chris Tennent-Brown  
Kim Mundy  
Judith Pinto

[nick.tuffley@asb.co.nz](mailto:nick.tuffley@asb.co.nz)  
[mark.smith4@asb.co.nz](mailto:mark.smith4@asb.co.nz)  
[jane.turner@asb.co.nz](mailto:jane.turner@asb.co.nz)  
[nathan.penny@asb.co.nz](mailto:nathan.penny@asb.co.nz)  
[chris.tennent-brown@asb.co.nz](mailto:chris.tennent-brown@asb.co.nz)  
[kim.mundy@asb.co.nz](mailto:kim.mundy@asb.co.nz)  
[judith.pinto@asb.co.nz](mailto:judith.pinto@asb.co.nz)

#### Phone

(649) 301 5659  
(649) 301 5657  
(649) 301 5853  
(649) 448 8778  
(649) 301 5915  
(649) 301 5661  
(649) 301 5660

[www.asb.co.nz/economics](http://www.asb.co.nz/economics)

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