ASB

Economic Weekly

28 May 2018

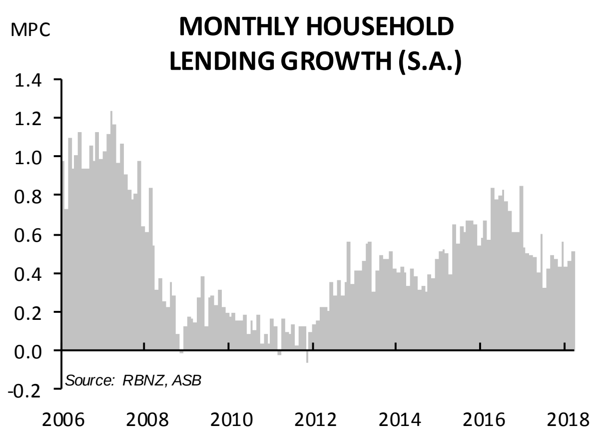
Watching the financial risks

The most anticipated domestic event this week will be the RBNZ's Financial Stability Report. We don't think there will be any changes to the Loan-To-Value (LVR) lending restrictions at this point though loosening the owner-occupier speed limit is a possibility (see Chart of the Week). The business confidence read on Thursday will also be important to see if the business community is moving beyond the change of government. And **Friday night brings the monthly US Payrolls** health check of the US economy.

Key events and views

Key Insights	Looking into the proposed free-trade deal between NZ and the European Union.
Foreign exchange	Italian politics unnerve market participants, USD likely to continue upward trend this week.
Interest rates	NZ and global yields lower on increased global risk aversion/lower oil prices.
Domestic events	RBNZ's FSR key, also business confidence and building consents.
International events	Friday's US Non-farm Payrolls, US Private Consumption deflator.
Calendars	NZ and International calendar of upcoming economic events.

Chart of the Week: Household debt and LVRs



This week's Financial Stability Report (FSR) will be the first under Adrian Orr's leadership and, as with the recent Monetary Policy Statement, the presentation of information may change in line with Adrian's drive to get the RBNZ's messages to a broader audience. However, **we don't think the RBNZ will loosen the LVR lending restrictions** at this FSR release. The housing market has re-gathered from its election-related lull (with provincial NZ experiencing some strong price growth) and, consequently, household lending growth is showing signs of rebounding. The Government is in the midst of designing the 5-year bright-line tax and the end of negative gearing. The RBNZ can afford to wait and see how the concrete details of these changes impact housing behaviour, and then gauge the extent to which the LVR limits can comfortably be relaxed. If there is any relaxation of the LVR lending restrictions at this FSR we see raising the owner-occupier 'speed limit' from 15% of all such loans as the most likely change.

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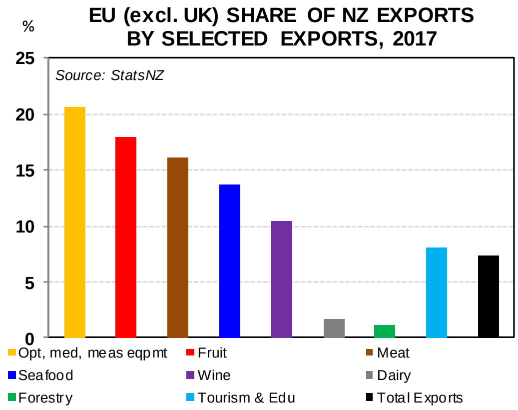
Key Insights this week: EU-NZ Free Trade Deal

Key points:

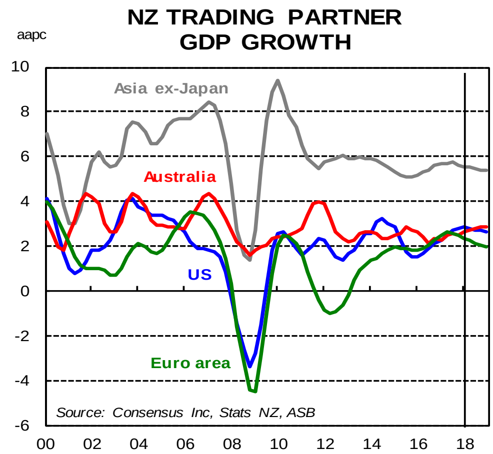
- A free trade agreement between NZ and the EU moves a step closer.
- From a NZ perspective, **the announcement provides a welcome counter to rising global protectionist rhetoric**. **However, we remain realistic on the benefits accruing to NZ Inc. from this announcement**.
- With this in mind, our trade focus should lie closer to home and aim to improve access to areas with larger growth potential and greater strategic importance.

EU negotiating mandate approved

A free trade agreement (FTA) between NZ and the European Union (EU) is a step closer. Last Wednesday, the EU's Foreign Affairs Council approved its negotiating mandate, paving the way for formal negotiations with NZ to begin later this year. From there, a Free Trade Agreement (FTA) between NZ and the EU is likely within two to three years. This trade agreement will not include the United Kingdom (UK) which is in the process of leaving the EU. It may, however, encourage the development of a similar deal between the UK and NZ.



The EU was NZ's third largest trading partner in 2017, with a total of close to $22bn in two-way trade of goods and services. If we exclude NZ trade flows with the UK, this shrinks to just over $16bn in two-way trade, slightly below that of NZ's two way trade with the US. NZ exported around $5.6bn of goods and services to the EU (ex UK) over 2017, which is equivalent to approximately 7% of our total goods and services exports. NZ's largest exports by value to the EU included meat ($1.1bn), fruit ($555m), and, tourism and education ($1.3bn). NZ imported just over $10bn of goods and services from the EU (ex UK), around 14% of our total imports. Imports to NZ were dominated by manufactured goods, including motor vehicles, aircraft and retail medicines. According to figures by the European Commission, NZ was the EU's 50th-largest trading partner for goods in 2017.

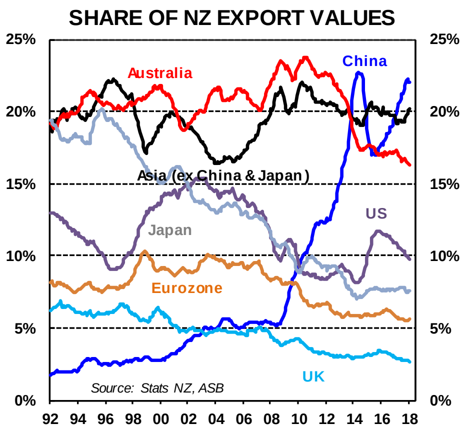


The chart highlights that the export share of the EU varies considerably by type of export. A significant chunk of optical medical and measuring equipment, fruit, meat, wine and seafood exports go to the UK. The EU is also an important tourism market. Conversely, NZ's dairy and forestry export shares to the EU are low.

NZ already has a close and wide ranging relationship with the EU. The EU is our most significant science and innovation relationship and more than half of NZ's researchers have an active collaboration with a European partner. The EU is one of NZ's most important and active partners in the Pacific being a member of the Pacific Island Forum's 'Post-Forum Dialogue' and a large provider of development assistance to the region. According to EU estimates, EU foreign direct investment in NZ amounted to €10.9bn, and the stock of NZ's investment in the EU was €5.6bn in 2016.

As it stands, **trade access into the EU market is hampered by a complex system of tariffs and quotas. There are also a number of non-trade barriers,** including environmental requirements and specific restrictions (including Geographical Indications (see here)) on some NZ exports of wine, cold meats and cheese. Trade access for EU exports to NZ is currently restricted through a number of mechanisms including Geographical Indications of NZ wine. The EU trade deal is also unlikely to significantly relax restrictions on labour mobility between both parties.

The potential gains for NZ from an EU FTA could be significant. The EU in its current guise is the second largest economy in the world accounting for roughly 20% of global GDP and more than 500m consumers. The NZ Ministry of Foreign Affairs and Trade note that a FTA could lower costs to NZ consumers and businesses via lowering the costs of imports. It could also help create "level playing field" for NZ and EU businesses. The EU estimates an FTA could result in a GDP boost for NZ of between $1.2bn and $2bn, and a 10 to 20% increase in exports. Sectors likely to benefit most from a FTA with the EU include agriculture, motor equipment, machinery, processed foods and services. It may also trigger an increase in investment flows with the EU. Estimates from the European Commission (see here) suggest that a FTA between the EU, NZ and Australia are estimated to increase EU exports to NZ and Australia countries by about a third in the long term. However, not all of the evidence is as supportive. A 2016 research paper by Lincoln University (see here) finds that as the NZ and EU are both net exporters of many agricultural products, the impacts are likely to be modest for most agricultural sectors.



Importantly from a NZ perspective, **the announcement provides a modest counter to the rise in global protectionist rhetoric in recent years**. The increase in trade triggered by the relaxation of trade barriers may also provide a small boost to NZ's commodity export prices and already very high terms of trade. **NZ is a small and open economy with a poor saving record that is highly dependent on trade and overseas investment for our economic development.** Being able to send exports to a larger number of markets without being hampered by trade restriction can provide some insulation from adverse sector or country specific shocks.

We remain realistic on the benefits accruing to NZ Inc. from this announcement.

- **Potential gains could be significant but a trade deal is at least two to three years away. Moreover,** the devil will always remain in the detail and it is unclear to which extent the agreement will address non-tariff barriers. Growth in the European economy has been robust, although recent indicators suggest momentum is slowing. A downturn in Europe could see protectionist tendencies rise.
- **The European economies are in the mature stages of development.** Growth prospects for European export markets are somewhat limited beyond the short-term boost triggered by lower trade barriers.
- **We are only catching up with our competitors.** Up till last week's agreement, NZ was one of only six World Trade Organisation members without a trade agreement with the EU either concluded or currently under negotiation.
- While technology has effectively shrunk the effective distance for some goods and services, **our large physical distance from European markets means that not all sectors (e.g. forestry) will significantly benefit.**

Protectionist sentiment is stirring. Trade tensions remain elevated between the US and China. A trade war between the US and China could have significant implications for the NZ economy, NZD and interest rates (see our note on trade tensions here)**.**

The benefits, while significant are unlikely to be of a similar magnitude to those obtained by other FTA's. Currently NZ has nine Free Trade Agreements in force (further details here), has concluded a further four agreements, and is negotiating a further seven FTA's. Since the free trade agreement came into force in October 2008, China has quadrupled its share of NZ merchandise exports and is now our 2nd largest tourism market. This is contrast to the declining (though still significance) of Europe as a trading partner**.**

Increasing connectivity and trade access with the rapidly growing Asian region and other areas with significant growth potential should remain the major focus of NZ's trade policy. These areas are also likely to be of more strategic importance, particularly as our mix of exports is more complementary with many of these Asia region countries. In addition as many of these countries struggle to feed their fast-growing populations over coming years, they may be open to more comprehensive free trade deals in comparison to the EU.

Foreign Exchange Market

FX Rates	Current*	Week ago	Month ago	Year ago	ST Bias	Support^	Resistance^	MT Bias
NZD/USD	0.6923	0.6896	0.7065	0.7016	FLAT	0.6780	0.7020	UP
NZD/AUD	0.9157	0.9170	0.9353	0.9438	FLAT	0.9050	0.9350	UP
NZD/JPY	75.95	76.70	77.13	78.24	FLAT	74.50	76.80	FLAT
NZD/EUR	0.5925	0.5868	0.5833	0.6264	FLAT	0.5850	0.6030	DOWN
NZD/GBP	0.5200	0.5133	0.5071	0.5446	FLAT	0.5120	0.5280	FLAT
TWI	72.9	72.5	73.4	75.90	FLAT	72.00	74.00	UP

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

NZD Recap

The NZD outperformed the EUR and GBP last week and remained fairly steady against the USD, AUD and JPY. The **euro was weighed by market participants' concerns about Italy's prospective new Government and its potential economic and fiscal policies.** On Wednesday morning Fonterra announced and upward revision its milk price forecasts, but this did not have a lasting impact on the NZD. On **Thursday morning focus shifted to the US FOMC meeting minutes**; market participants focused on the medium-term outlook for rates and in particular **the FOMC's willingness to accept a modest overshoot of inflation above its 2% target**. This tempered rate expectations (beyond a hike expected in June) and briefly weighed on the USD.

Near-term outlook

Over the past week, the USD trended higher, in part reflecting a weaker euro. We expect **USD to continue to trade firmly this week for three reasons**. Firstly, there is **potential for trade developments to deteriorate** again with Trump's steel and aluminum import tariff exemptions due to expire at the end of the week. Second, an **increase in financial market stress in emerging markets** (the USD generally performs well in periods of heightened financial market concerns). Third, we see **upside risk this weekend's US wage growth figures**, which will boost US interest rate expectations and the USD.

It will be a quiet start to the week, with public holidays in both the US and UK on Monday. The RBNZ Financial Stability Report will be in the spotlight Wednesday morning; although not typically a market moving event the new Governor brings an element of uncertainty. **NZ economic data are likely to be subdued this week**, with business confidence likely to remain weak on Thursday and we expect a 4% fall in the Terms of Trade on Friday.

Medium-term outlook

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	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21
(end of quarter)		<< 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

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	2.00	1.98	2.02	1.97	FLAT	UP
2-year swap	2.20	2.22	2.29	2.22	FLAT/UP	UP
5-year swap	2.66	2.71	2.77	2.72	FLAT/UP	UP
10-year swap	3.13	3.23	3.25	3.20	FLAT/UP	UP
10-year govt bond yield	2.71	2.83	2.88	2.80	FLAT/UP	UP
Curve Slope (2s10s swaps)	0.93	1.01	0.97	0.99	FLAT/UP	DOWN

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

Market Recap

Local and global swap yields start the week lower across the curve, with larger falls for longer tenors. US 10-year Treasury yields have fallen close to 20bps and are currently 2.93%. Triggers included the dovish Fed message, still-elevated risk aversion – currency crises in Turkey , Italian and Spanish political concerns and simmering trade tensions with China – combined with sharp falls to oil prices as Saudi Arabia signalled OPEC oil production increases from the 2nd half of 2018. Geopolitical tensions remain despite the possibility that the June 12 summit between North Korean and US leaders may still go ahead. The May Fed Minutes were generally interpreted to be dovish, with the emphasis of the symmetrical nature of the Fed's 2% inflation target and possibility that rates may already be close to neutral levels helped to trigger modest falls in US rates. The ECB Minutes also cautioned that the uncertainty around the outlook had increased, with the moderation in growth proving to be broad-based and across sectors. Italian 10-year bond yields rose over the week on concerns of the new populist government, with the proposed no-confidence vote in the minority Spanish Government pushing up Spanish bond yields. Bank Bill to OIS spreads remained narrower since the start of the month for US, Australian and NZD rates, with the NZD 90-day bank bill rates hovering around 2%.

Near-term NZD interest rate outlook

Given the sensitivity of offshore and local geopolitical developments and their generally unpredictable nature there is considerable uncertainty over the near-term direction for local yields. If the week-to- week volatility continues, local and global yields will move up and the curve would steepen, although a further deterioration in sentiment could see the reverse occur. We do not expect the RBNZ to alter its key policy messages at this week's Financial Stability Report, with any relaxation in the housing loan to value restrictions (LVR) some way off. A June Fed hike is about 80% priced in, and the market will be looking for clues from this week's Payrolls and inflation data. On Thursday, the Bank of Canada is expected to leave its cash rate unchanged at 1.50%, but we expect a rate rise later in the year based on inflation and growth trends. While there are a number of speeches by ECB officials this week, markets are not expecting any changes to the ECB's bond buying program till later this year.

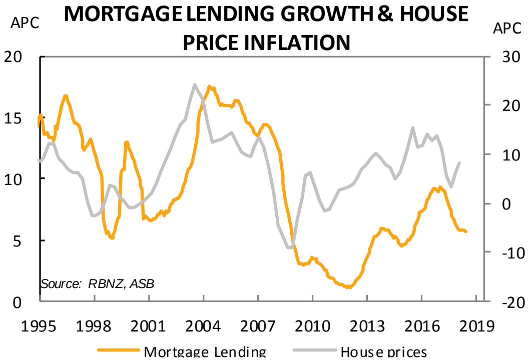
Medium-term outlook

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 further 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.**

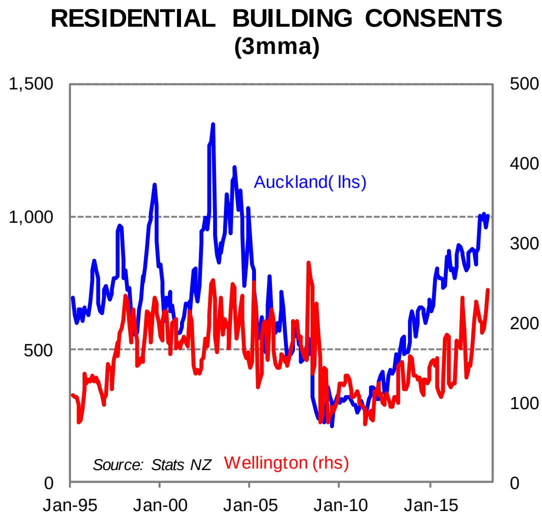
ASB interest rate forecasts	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21
(end of quarter)		<< actual	forecast >>					
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	2.25	2.75
NZ 90-day bank bill	1.88	2.0	2.0	2.0	2.0	2.0	2.5	3.0
NZ 2-year swap rate	2.21	2.2	2.2	2.3	2.4	2.5	3.3	3.7
NZ 10-year Bond	2.75	2.7	2.9	2.9	3.0	3.1	3.3	3.4

Major Domestic Events for the week ahead

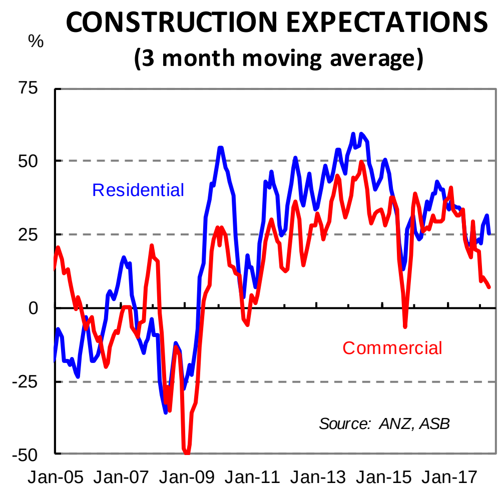
Data	Date	Time (NZT)	Previous	Market	ASB
RBNZ Financial Stability Report	30/05	9:00 am	-	-	-
Building Consents, April, % mom	30/05	10:45 am	+14.7	-	-
ANZ Business Outlook Survey, confidence, May, net %	31/05	1:00 pm	-23.4	-	-
RBNZ Credit Aggregates, household, April, % mom	31/05	3:00 pm	+0.5	-	-
NZ Terms of Trade, Q1, %qoq	01/06	10:45am	+0.8	-	-4.0



The RBNZ relaxed its Loan-to-Value (LVR) lending restrictions at its previous **Financial Stability Report (FSR)** in November. The move was earlier than expected, given a number of factors were likely distorting housing market activity (including the election). The housing market has since rebounded and house price growth has picked up strongly in some regions. Housing lending growth has also stabilised. As such, **we do not expect the RBNZ to announce any significant change to the LVR lending restrictions at the May FSR.** If any changes are made they are likely to be limited to relaxing LVR restrictions for owner-occupiers. The RBNZ will also provide an update on other key financial stability vulnerabilities which include dairy sector indebtedness and global risks. Dairy risks have continued to ease, but the sector remains in the RBNZ's focus given the high level of indebtedness. In the November FSR, the RBNZ noted that most farms were expected to be profitable this season and non-performing loans in the industry had declined. The RBNZ will be encouraged by the strong dairy price outlook (and Fonterra's bullish outlook for the upcoming season). However, we note that confidence in the dairy industry is likely to remain weighed down by mycoplasma bovis concerns as well as ongoing uncertainty with respect to the new Government. From a global perspective, the RBNZ is likely to note the increase in financial market volatility at the start of the year and the recent tightening in short-term funding markets.



As was the case with the Monetary Policy Statement, the Financial Stability Report may be presented in a different format to earlier vintages, with the focus on making the report and policy measures more accessible to a wider audience**. However, we do not expect a significant change in the RBNZ's policy messages on financial stability, namely that the New Zealand financial system remains sound, but that the RBNZ will remain alert to emerging risks.** The press conference at 10am is live streamed from the RBNZ website and will be worth watching.



Residential building consent numbers surged close to 15% in March, driven by strong apartment consent issuance. As apartment consents tend to be lumpy, we expect some payback in April. **We believe NZ construction activity is close to a peak.** Growth in Auckland consent issuance has slowed which likely reflects capacity constraints in the construction sector. Growth in Wellington consents has been strong, but limited construction sector capacity may soon start to slow growth in the capital also. Meanwhile, weak commercial construction confidence may weigh on non-residential construction demand.

Housing credit growth has stabilised recently as strong price growth in regional centres has, to a degree, offset still-subdued activity in many larger centres. We expect this to continue in April. Business credit growth is expected to remain subdued, given still-low business confidence. Furthermore, with agricultural returns healthy, farmers may continue their focus on debt repayment, which should translate into continued subdued agricultural credit growth.

Business confidence slipped slightly in April, from already-pessimistic levels. Confidence is particularly weak in the agricultural and construction sectors. The former may likely reflect concerns about the new Government and the ongoing uncertainty around mycoplasma bovis. The latter likely reflects challenges in the construction sector (particularly commercial construction) with capacity constraints restricting growth and crimping profitability. **While confidence may remain low in agriculture and construction, we do expect to see a recovery in business confidence going forward.**

On Friday, **we expect data to show that NZ's goods Terms of Trade (ToT) fell by 4% over the March quarter**. With overall import prices expected to be broadly stable, lower dairy prices are expected to contribute roughly three quarters of the 4% decline in export prices, with lower forestry and fruit prices are likely to account for the remainder. **However, we anticipate that this fall will prove temporary**. Dairy export prices have since recovered and are likely to lift further through the middle of the year as the global butter shortage remains acute**. All up, we expect the ToT to remain historically high over 2018 as strong food (export) prices offset lifts in oil prices on the import price side.**

Major International Events for the week ahead

Data	Date	Time (NZT)	Market	ASB
Australia Building Approvals, April, %mom	30/05	1:30 pm	-3.0	-4.0
Bank of Canada Interest Rate Announcement, %	31/05	2:00 am	1.25	1.25
Australia Private Sector Capex, Q1, %qoq	31/05	1:30 pm	1.0	1.5
UK Mortgage Approvals, April, 000s	31/05	8:30 pm	63.4	62.0
Eurozone CPI, May, Headline, %yoy	31/05	9:00 pm	1.6	1.5
US PCE Deflator, April, %yoy	01/06	12:30 am	2.0	-
Australia CoreLogic Dwelling Price Index, May, %mom	01/06	12:00 pm	-	-0.3
China Caixin Manufacturing PMI, May, Index	01/06	1:45 pm	51.2	51.2
UK Manufacturing PMI, May, Index	01/06	8:30 pm	53.5	53.2
US Non-farm Payrolls, May, 000s	02/06	12:30 am	190	200
US ISM Manufacturing, May, Index	02/06	2:00 am	58.1	58.1

We expect a moderate 4% fall in Australian building approvals over April. Approvals are resilient for detached houses but, as expected, are sliding for multi-unit developments. A gradual slowdown in apartment building is underway. Population growth is matching new supply while prices are softening as lending slows.

We expect a small rise in Australian private sector capex over Q1. The first estimate of 2018/19 capex plans came in at $84bn, which implied a lift in non-mining investment of around 6% when compared with 2017/18 and a fall in mining capex of around 6%. All up, a modest lift in total nominal investment of around 3% is likely (note that the capex survey excludes a number of large industries like agriculture, health and education).

Another **small fall is expected in Australian dwelling prices over May**. Sydney's prices have been coming off more quickly on an annual basis compared to Melbourne house prices.

There will likely be a small rise in **China's Caixin manufacturing PMI in May** as manufacturing activity is still expanding.

We expect the Bank of Canada to maintain its target for the overnight rate at 1.25% (75% priced in by Canada's OIS curve) and stick with its gradual rate hike bias. Underlying CPI inflation in Canada is contained near the mid-point of the BoC's 1-3% target range. Our base case scenario remains for the BoC to raise rates again in October.

We anticipate the **April UK mortgage approval data** will print at levels around 62k, consistent with a broad-based slowdown in the UK property market.

We anticipate the **Eurozone will print at 1.5% (headline) and 1.0% (core) inflation in May**. Higher energy prices and the lagged effects of EUR depreciation will likely lead to a lift in headline CPI prints over the coming months. Risks are biased to the upside for the May CPI print.

US inflation is still below the Federal Reserve's desired level of >2.0%. A June rate hike by the central bank looks likely even if inflation stays under 2%pa.

We anticipate the **UK manufacturing PMI for May** will print around 53.2. The slowdown in the manufacturing PMI reflects the wider slowdown seen in European manufacturing PMIs in recent months.

We expect a solid rise in **US employment**. The unemployment rate looks set to fall further as job gains stay solid.

Robust **US manufacturing activity** is expected to continue over Q2.

Global Data Calendars

Calendar - Australasia, Japan and China

Date	Time (NZT)	Eco	Event	Period	Unit	Previous	Forecast Market	Forecast ASB
Tue 29 May	11:30	JN	Jobless rate	Apr	%	2.5	~	~
Wed 30 May	09:00	NZ	RBNZ Financial Stability Report					
	10:45	NZ	Building permits	Apr	m%ch	14.7	~	~
	12:00	JN	BOJ Governor Kuroda speaks at Conference					
	13:30	AU	Building approvals	Apr	m%ch	2.6	~	~
	17:00	JN	Consumer confidence index	May	Index	43.6	~	~
Thu 31 May	11:50	JN	Industrial production	Apr P	m%ch	1.4	~	~
	13:00	NZ	ANZ activity outlook	May	~	17.8	~	~
	13:00	CH	Manufacturing PMI	May	Index	51.4	51.4	~
	13:30	AU	Private capital expenditure	Q1	%	-0.2	~	~
Fri 1 Jun	10:00	NZ	ANZ consumer confidence	May	Index	120.5	~	~
	10:45	NZ	Terms of trade index	Q1	q%ch	0.8	~	-4.0
	11:00	AU	CBA Australia PMI	May	Index	55.5	~	~
	12:00	AU	CoreLogic house prices	May	m%ch	-0.3	~	~
	12:30	JN	Nikkei Japan PMI Manuf.	May F	Index	52.5	~	~
	13:45	CH	Caixin China PMI manufacturing	May	Index	51.1	51.2	~

*P = Preliminary

Calendar - North America & Europe

Date	Time (UKT)	Eco	Event	Period	Unit	Previous	Forecast Market	Forecast ASB
Tue 29 May	05:40	US	Fed's Bullard speaks in Tokyo	May	Index	-3.0	~	~
	08:45	EC	ECB's Villeroy in Paris (08:45) and ECB's Mersch at Frankfurt Summit (10:30)					
	14:00	US	S&P CoreLogic CS US HPI index	Mar	Index	197.0	~	~
	15:00	US	Conf. Board consumer Conf	May	~	128.7	128.0	~
	15:30	US	Dallas Fed manufacturing	May	~	21.8	~	~
	16:30	EC	ECB's Lautenschlaeger in Frankfurt (16:30) and ECB's Coeure in Paris (17:00)					
Wed 30 May	10:00	EC	Consumer Confidence	May F	~	0.2	~	~
	13:30	US	GDP annualized	Q1 S	q%ch	2.3	2.3	~
	15:00	CA	Bank of Canada rate decision	May	%	1.25	1.25	~
	20:00	US	Fed to Hold Board Meeting to discuss Volcker Rule Changes					
Thu 31 May	10:00	EC	Unemployment rate	Apr	%	8.5	~	~
	10:00	EC	CPI core	May A	y%ch	0.7	~	~
	11:00	US	Fed's Bullard takes part in MNI Roundtable in Tokyo					
	13:30	US	PCE deflator	Apr	m%ch	0.0	0.2	~
	17:30	US	Fed's Bostic speaks in Moderated Q&A in Orlando					
Fri 1 Jun	09:00	EC	Markit Eurozone manufacturing	May F	Index	55.5	~	~
	09:30	UK	Markit UK PMI manufacturing	May	Index	53.9	~	~
	13:30	US	Change in nonfarm payrolls	May	000	164.0	195.0	~
	13:30	US	Unemployment rate	May	%	3.9	3.9	~
	14:45	US	Markit US manufacturing PMI	May F	Index	56.6	~	~
	15:00	US	ISM manufacturing	May	Index	57.3	58.0	~

Key Forecasts

ASB NZ economic forecasts	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21
	<< actual	forecast >>						
GDP real - Q%	0.6	0.4	0.9	0.9	0.9			
GDP real - A%	2.9	2.6	2.6	2.9	3.1	3.6	3.3	3.0
GDP real - AA%	2.9	2.7	2.7	2.8	2.8	3.1	3.4	3.2
CPI - Q%	0.1	0.5	0.4	0.3	0.0			
CPI - A%	1.6	1.1	1.5	1.3	1.2	1.1	1.8	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	2.1	1.9	1.8	1.6
Unemployment rate - %sa	4.5	4.4	4.4	4.3	4.2	4.2	4.1	4.0
Annual current account balance as % of GDP	-2.7	-2.4	-2.5	-2.5	-2.5	-2.3	-2.4	-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	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	3.3	3.7
NZ 10-year Bond	2.75	2.7	2.9	2.9	3.0	3.1	3.3	3.4

ASB foreign exchange forecasts	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21
(end of quarter)		<< 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

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