ASB

Economic Weekly

29 October 2018

The squeeze is on

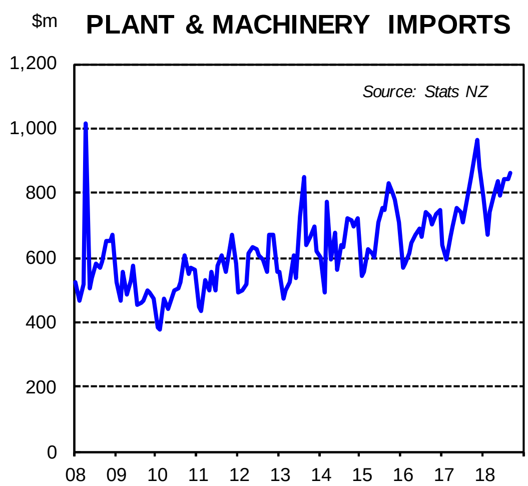
Last week was relatively quiet on the data front, but global share-markets continued to slide. October has not been a good month for global equities, which are down close to 10% so far this month. The domestic spotlight of late has been on higher fuel prices, and on page 2 we discuss their impacts on household budgets. October business confidence from the ANZ Business Outlook will be the key local focus this week. Aside from watching developments on global equities, offshore key events impacting global markets include US and Australian inflation data and central bank announcements from the Bank of Japan, Bank of England and European Central Bank.

Key events and views

Key Insights	Impact of higher fuel prices on household budgets.
Foreign exchange	The NZD/USD remained off its recent lows last week, but volatility remained high.
Interest rates	NZ and global yields lower, with flatter curves on equity market weakness.
Domestic events	ANZ Business Outlook Survey, September Building Consents
International events	US PCE deflator, AU CPI, ECB, BoE, BoJ rate announcement
Calendars	NZ and international calendar of upcoming economic events.

Chart of the Week: Still waiting for weak business confidence to impact activity

Weak business confidence has grabbed headlines over 2018. And for many, including the RBNZ, the risk from low confidence is that it translates into slowing economic activity as firms put off investment and hiring decisions. **So far we have yet to see a smoking gun that would point to actual activity slowing**. Indeed quite the opposite has been true. Last week's healthy capital imports data were a case in point, and hinted that firms are still investing. Plant and machinery import values rose 2.5% over the month and 5% over the quarter.



On Wednesday we get another update, with the release of the October ANZ Business Outlook Survey. We don't't anticipate that firms will have changed their tune this month. **However, the more important test will come over the remainder of 2018 as the hard data are released.** Q3 employment data (due 7 November) and Q3 GDP data (due 20 December) will provide us with the true test we need. In that sense, we'll know if business is confidence is more 'canary in the coalmine' or 'head fake' material.

Rising fuel prices putting hosuehold budgets under pressure

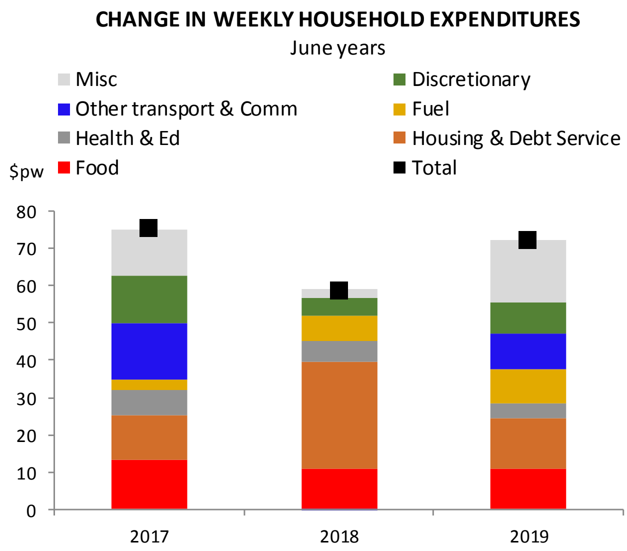
- The household sector has been subjected to a number of large and offsetting shocks over recent years.
- Higher fuel prices are hogging the headlines and are adding to pressures on household budgets.
- There are regional and income distributional aspects to consider, with rising fuel prices likely to further push up consumer prices and squeeze household budgets.

This is an abridged version of an economic note that we published late last week on the household sector outlook.

Short-term outlook for the wider household sector

The household sector has been subjected to a number of large and offsetting shocks over recent years. Looking ahead there are some specific headwinds (near-record fuel prices and a moribund housing market), but also some tailwinds (low mortgage interest rates, and the boost provided by the Government's Families package). To see how these forces play out, we use a variety of data sources to investigate how household expenditures over the last 20 years. **Since the late 1990s average household expenditures on housing, food and transport have generally outstripped that of other categories**. Partly related to this are rising consumer prices for these components.

Our estimates suggest that the increase in household expenditures slowed from an average of around $75 per week in the June 2017 year, to around $60 per week in the June 2018 year. Expenditures on other "necessities" such as electricity, health and education have also been trending up. Increases in food, transport and housing expenditures accounted for around 80% of the increase in spending. **Expenditures on more "discretionary" types of goods and services – including tobacco & alcohol, apparel, and recreation & culture – have not moved much over the last decade.** There has been a cutback on expenditure volumes for other goods and services (e.g. tobacco) in response to sizeable increases in prices and general lifestyle changes.

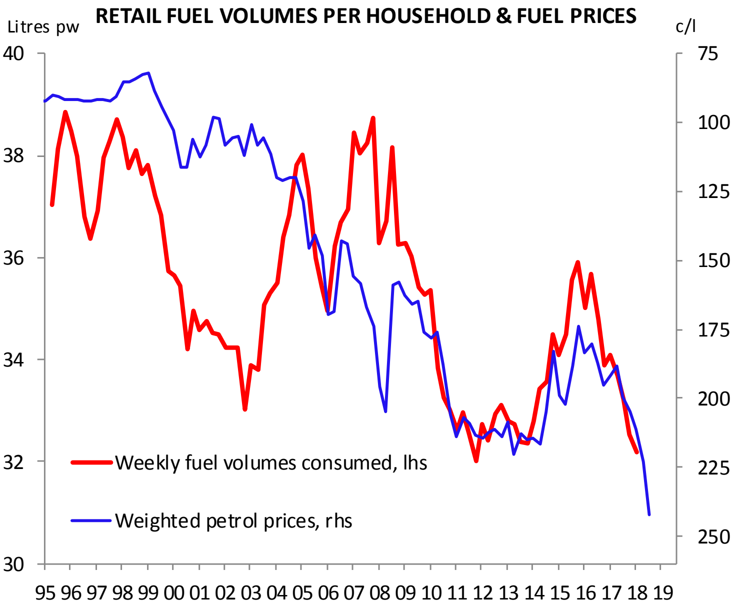


Source: Statistics NZ, ASB

To estimate what household expenditures will be, we use our latest economic forecasts to project economy-wide household spending patterns through to mid-2019. **Recent declines in consumer sentiment, if acted upon, present some downside risk**. **Another major determinant on household expenditures is higher costs for fuel, food and housing.** Our earlier research on the short-term inflation outlook had highlighted the risk of cost shocks emerging and translating into higher consumer prices. This indeed appears to be the case, with annual headline CPI inflation likely to end 2018 at around 2.3%, a six-year high.

Our estimates suggest that expenditure growth for the June 2019 year looks set to pick up to around $70 per week per household. Underpinning much of the increase of household expenditures will be price rises for "necessities" (such as fuel, food, housing), which would still account for more than half of the increase in household expenditures. **Rising transport costs looks set to increasingly erode household purchasing power, with our estimates suggesting households will be forking out close to an additional $20 per week in the June 2019 year.** Around half of this increase is directly attributable to higher expenditures on fuel, and much of the remainder for transport is also likely to be fuel price-related. **Higher housing costs look set to add just under $15 to weekly household expenditures.** This is about half of the increase from the June 2018 year and largely reflects a less buoyant housing market backdrop. **Pending price increases for miscellaneous goods and services are likely to continue to push up household expenditures.** We also expect discretionary spending to lift, as both prices rise (driven by higher import and wage costs) and as higher household incomes support demand.

Rising fuel prices are hogging the headlines



Source: Statistics NZ, MBIE, ASB

According to the latest estimates provided by the Ministry of Business, Innovation and Employment (MBIE), average discounted nationwide prices for unleaded 91petrol have surged by around 42 cents per litre, a 23% increase over the past 12 months. Diesel prices have risen by around 45 cents per litre over this period (up 38%). **What will be the impact on household budgets?** According to our estimates, average fuel usage of the household sector is approximately 30 litres per household per week. **Assuming fuel usage remains at this level, an extra 42-45 cents per litre for fuel prices would add roughly $14 to weekly household expenditures ($710 per annum).** The Auckland Regional Fuel Tax would see Auckland households paying an extra $3-4 per week on top of that. Households who use more fuel than the nationwide average – typically families with children and rural households who have to drive longer distances and do not have viable public transport alternatives – will also be paying more. Ouch.

However, the actual impact of higher fuel costs on household budgets will depend on the extent to which households can cut back on fuel spending. Indeed, our research using household expenditure, consumer price and retail trade data suggests that average fuel consumption per household has been on a downward trend over the last decade. Average fuel consumption has dropped from around 40 litres per household in late 2008 to around 32 litres per household at present. Linked to the cutting back of fuel usage could be the steady increase in retail fuel prices, with a reasonably close inverse relationship evident in recent years.

Higher fuel costs could have a more widespread impact on wider household expenditures via triggering price increases elsewhere. One route could be raising inflation expectations of wage and price setters. Another could be via raising costs to the retail sector, part of which will be passed onto consumers. According to 2013 input-output tables produced by Statistics New Zealand, vehicle fuels constitute approximately 12-15% of inputs into the road transport sector. As such, a 10% increase in fuel prices would increase costs to the road transport industry by 1.2%-1.5%. **Diesel prices have risen by close to 40% over the last 12-months, taking the increase in costs to the sector to around 5%.** About 35% of the disposition of the road transport sector is used to generate private household consumption so there will likely be an impact on overall consumer prices. **Our estimates are indicative and depend on the pricing decision of firms, but tentatively suggest that households have faced up to at least a $20 weekly increase in expenditures over the last 12 months that was related to higher fuel prices.**

Distributional Implications

According to Statistics NZ figures, household expenditures tend to rise with incomes, **with weekly expenditures for the highest 20% of household income earners being more than twice that of the bottom 20% of the income distribution.** Lower income households spend progressively more of their income on food, housing & debt servicing. As such, they have copped a greater proportionate hit from higher housing and food costs over recent years. **Transport spending is 13-15% of expenditures for all of the household income quintiles, but it seems likely that fuel costs would form a higher proportion of transport expenses for lower income households. Discretionary spending tends to increase with incomes, both in an absolute sense and proportionate to incomes. Prices for discretionary items have barely budged over the last 20 years, and in some cases have fallen**. As such, higher income earning households have accrued a larger share of the benefits from low consumer price inflation.

Foreign Exchange Market

FX Rates	Current*	Week ago	Month ago	Year ago	ST Bias	Support^	Resistance^	MT Bias
NZD/USD	0.6526	0.6560	0.6602	0.6838	FLAT	0.6350	0.6620	UP
NZD/AUD	0.9200	0.9228	0.9152	0.8955	FLAT	0.9080	0.9320	FLAT
NZD/JPY	73.00	73.72	74.94	78.01	FLAT	71.70	73.90	FLAT/UP
NZD/EUR	0.5730	0.5725	0.5669	0.5875	FLAT/UP	0.5640	0.5800	FLAT
NZD/GBP	0.5092	0.5036	0.5046	0.5206	FLAT/UP	0.5010	0.5160	DOWN
TWI	71.9	71.9	71.8	72.80	FLAT	70.0	73.0	FLAT

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

NZD Recap

The NZD edged lower against the USD, AUD and JPY over the past week, largely weighed by the global equity market sell off and the "risk off" sentiment in global markets (which tend to create headwinds for commodity currencies, such as the NZD, AUD and CAD). **The GBP was weighed by uncertainty created by the ongoing Brexit negotiations** between the UK and EU. Further compounding this weakness were reports that some governing Conservative party members are looking to topple Prime Minister Theresa May. **The EUR was also under pressure due to concerns about the Italian Government's clash with the European Commission (EC) over Italy's expansionary budget proposals**. EUR weakness was reinforced by comments from the European Central Bank (ECB) acknowledging the recent slowing in Eurozone economic growth as well as the weekend's German regional election results. Bloomberg reports that Chancellor Angela Merkel's Christian Democratic Union (CDU) had its worst showing in the state in more than 50 years. Speculative positioning remained short for the NZD and AUD.

Near-term outlook

The week ahead is a big week for offshore economic releases and these are likely to dictate most of the moves in the NZD this week. **October ANZ business confidence, released on Wednesday, is the key domestic event. In Australia, we see risk that CPI inflation underperforms the consensus market expectation** and could keep the AUD on the back foot. **In the US, we expect key US economic data to be supportive of the USD, but equity markets will also remain an important influence on financial market sentiment this week. The EUR will likely to remain weighed this week**, with some economic data likely to show evidence of slowing growth and the Italian Government budget stand-off with the EC remaining a headwind. **The GBP will also remain under pressure** and the Bank of England is likely to emphasise the greater uncertainty about the Brexit process at its policy announcement this week.

Medium-term outlook

We 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 (although it has recently dipped below this range). 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.

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	0.92	0.90	0.90	0.91	0.90	0.90
NZD/JPY	80	77	74	75	73	74	73	75	74
NZD/EUR	0.59	0.59	0.58	0.57	0.58	0.58	0.55	0.55	0.54
NZD/GBP	0.53	0.51	0.52	0.51	0.52	0.53	0.53	0.54	0.51
NZD TWI	74.3	74.3	72.5	72.1	71.4	71.9	72.3	72.8	70.2

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	1.89	1.90	1.91	1.95	FLAT	UP
2-year swap	2.01	2.03	2.04	2.17	FLAT	UP
5-year swap	2.31	2.39	2.40	2.68	FLAT/DOWN	UP
10-year swap	2.78	2.90	2.90	3.25	FLAT/DOWN	UP
10-year govt bond yield	2.52	2.66	2.62	3.03	FLAT/DOWN	UP
Curve Slope (2s10s swaps)	0.78	0.86	0.86	1.08	FLAT	FLAT/DOWN

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

Market Recap

Local and global yields fell last week, with curves flattening. Triggering the fall in rates has been the plunge in global equity values, with the MSCI global index down by 4% over the week, and down almost 10% since the start of the month. US 10-year Treasury yields fell 12 basis points over the week (3.08%), with sizeable falls and curve flattening evident in Australian and US swap yields. NZ yields fell by a similar margin and look to have remained in the 'safe-haven' camp, with NZ 10-year Government bond yields (2.52%) down to very low levels. Lower oil prices also helped dampen global yields. Markets have scaled back expectations of Federal Reserve tightening, with odds for a December Fed hike down to around 70% and with around 35bps hikes for 2019 (versus 75bps of hikes in the Fed 'Dot Plots' for 2019). **Despite market volatility, it was business as usual for central banks.** Comments by Fed voters Clarida, Bostic and Kaplan stuck to the script and signalled further Fed hikes were warranted despite recent market turmoil. As was widely expected, the Bank of Canada adjudged that the Canadian economy was no longer in need for policy stimulus and hiked rates by 25bps to 1.75%, the highest in a decade. The European Central Bank left policy settings unchanged and signalled its intent to end asset purchases by the end of 2018. ECB President Draghi sidestepped questions over recent financial market turmoil and growing risks to Italy's creditworthiness. Italian yields eased, nonetheless.

Near-term NZD interest rate outlook

We have a broadly neutral bias for domestic interest rates this week, but (as we cautioned last week) flatter curves could result if markets refocus on recent equity market weakness and global growth prospects. Weaker domestic business sentiment could see markets factor in greater odds of a RBNZ cut than the 4bps currently priced in for 2019. We expect a weaker than consensus print for Australian CPI inflation, but for the policy-relevant underlying CPI to print in line with the market consensus (+ 0.4% qoq, 1.9% yoy). We expect the Reserve Bank of Australia (RBA) to remain on hold until well into 2019. There are updates on the core PCE deflator, the Fed's preferred inflation measure, the ISM manufacturing index and non-farm payrolls that could contribute to market volatility. No change is expected from the Bank of England as Brexit uncertainties weigh on the economy. The Bank of Japan's monetary policy meeting also takes place, but no changes are expected to be made, with limited implications for NZD yields.

Medium-term outlook

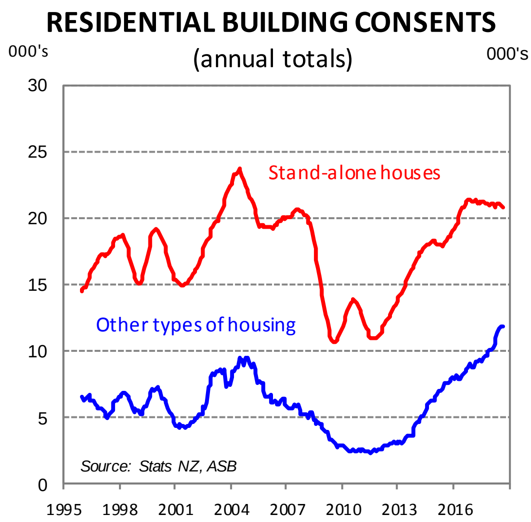
Given the cautious RBNZ assessment over the pace of NZ growth and due to our low CPI inflation outlook we expect the OCR to remain on hold until February 2020. If growth momentum slows and inflationary pressure fails to materialise, the OCR could be lowered to a new record low, but we still view the hurdle to OCR cuts as being high. We expect a historically-low OCR endpoint of just **2.75% this cycle** (from August 2021 onwards). **Modest RBNZ tightening and low global yields should limit the climb in longer-term NZD yields.**

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	2.0	2.1	2.2	2.5	3.0	3.2
NZ 10-year Bond	2.75	2.7	2.9	2.7	3.0	3.1	3.3	3.5	3.6

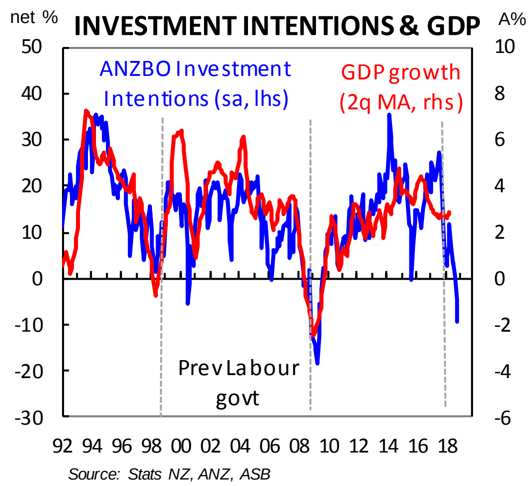
Major Domestic Events for the week ahead

Data	Date	Time (NZT)	Previous	Market	ASB
Building Consents, Sep, %	31/10	10.45 am	+7.7	-	-
ANZ Business Outlook Survey, Oct, headline net %	31/10	1:00 pm	-38.3	-	-
RBNZ Credit Aggregates, Household, Sep, %mom	31/10	3:00 pm	+0.5	-	-

August residential dwelling consents rebounded 7.7% mom following the previous month's 11% fall. **Apartment consents were strong** in August and account for much of the month-to-month volatility in building consent figures. As a result, **September consents may be weak due to the lumpy nature of apartment consents.** Underlying trends show house building demand remains strong, with broad-based gains across the country and some regions showing some bounce-back in consents issued after slowing during the year. Some of the regions have experienced strong population growth over the past year and housing construction has struggled to keep up. Housing shortages will continue to underpin housing construction at elevated levels over the coming year.



Headline business confidence and firms' own activity expectations improved in the September ANZ Business Outlook survey, but the improvement appeared mainly seasonal, with confidence at low levels. Weaker investment intentions were particularly concerning. At face value, soft confidence surveys point to a pending deceleration in economic activity over the second half of 2018. Expectations do not always translate into reality, but the longer that business confidence remains low, the greater the risk to the economic outlook, and the more likely the OCR will be cut.



Despite annual mortgage credit growth ticking up slightly in August, we continue to expect mortgage credit growth to slowly trend lower. Auckland house prices remain stagnant, while the pace of growth in other areas is slowing. Business credit growth remains in line with recent averages and is expected to continue to grow modestly. However, ongoing soft business confidence does pose a downside risk to the outlook. Agricultural growth is expected to remain modest around the recent pace. Uncertainty in the dairy sector is likely to be offset, to a degree, by the strong horticulture outlook.

Major International Events for the week ahead*

Data	Date	Time (NZT)	Market	ASB
US PCE Deflator, September, %yoy	30/10	1:30 am	2.0	2.0
RBA Asst. Gov. Bullock to speak at conference	30/10	3:10 pm	-	-
Eurozone GDP, Q3, %yoy	30/10	11:00 pm	1.8	1.8
Australia CPI, Q3, %qoq	31/10	1:30 pm	0.5	0.3
Bank of Japan interest rate announcement, %	31/10	-	-	-
Eurozone CPI, October, %yoy	31/10	11:00 pm	1.1	1.1
Australia CoreLogic dwelling prices, October, %mom	01/11	12:00 pm	-	-0.6
Bank of England interest rate announcement, %	02/11	1:00 am	0.75	-
Australia Retail Trade, September, %mom	02/11	1:30 pm	0.3	0.3
US Non-farm Payrolls, October, 000s	03/11	1:30 am	193	190

**Originally published by CBA Global Markets Research on Friday 26th October 2018 at 13.49pm.*

Reserve Bank of Australia's Assistant Governor Bullock is due to speak at the CBA 10th Annual Global Markets Conference in Sydney. She will be speaking on economic and financial stability in Australia. There will likely be comments around conditions in the housing market and household debt levels.

We expect a soft 0.3% rise in **Australia's headline CPI** in Q3. This would take the annual rate of inflation down to 1.8%. For the underlying rate we expect an outcome of 0.4%, keeping the annual rate at 1.9%. A number of one-off falls in the prices of administered goods and services are expected to weigh on the Q3 CPI.

The Bank of Japan is widely expected to make no monetary policy changes. While the bank is unlikely to make material changes to its GDP growth outlook, there is a risk its inflation forecasts will be revised a bit lower. The BoJ currently projects Japan's CPI (excluding fresh food) inflation to reach 2% in fiscal year 2019. But that measure of core inflation has been stuck in a 0.7-1.0% yoy range through 2018 so far.

Australia's daily CoreLogic data is showing that dwelling prices across the eight capital cities are down around 0.6% in October. Dwelling prices continued to fall in Sydney, Melbourne and Perth over the month while prices in Brisbane and Adelaide posted small increases. Prices are falling faster at the top end of the market, with cheaper properties falling by a lesser amount or even rising. A lift in first home buyers is supporting the lower end.

We are expecting a 0.3% lift in **Australian retail trade** in September, in line with the trend pace of growth so far this year. This should see the annual rate tick up to 3.9%.

The prices paid subcomponents from business surveys suggests the core **US PCE deflator** will remain sticky near the Fed's 2% inflation target in September.

Eurozone GDP growth is projected to slow at an annual pace of 1.8% in Q3 from 2.1% in Q2. But lower business and consumer confidence indicators point to downside risk to Q3 GDP growth. Also, faster private sector credit growth and improving wage growth dynamics in the region are consistent with a pick-up in **core CPI inflation** above 1% yoy.

The **Bank of England** is widely expected to make no monetary policy changes. The central bank will likely emphasise again the greater uncertainty about the Brexit process. We do not expect material changes to the BoE's macroeconomic projections. UK economic and inflation data have been mixed since the August Inflation Report.

Leading employment indicators point to an above-average increase in **US non-farm payrolls** in October (around +190k). Also, the drag to employment growth in September – from Hurricane Florence – will largely be unwound. Meanwhile, tighter US labour market conditions (the unemployment rate is at its lowest level since 1969) are consistent with faster average hourly earnings growth in October (consensus: +0.3% mom, 3.1% yoy).

Global Data Calendars

Calendar - Australasia, Japan and China

Date	Time (NZT)	Eco	Event	Period	Unit	Previous	Forecast Mkt	Forecast ASB
Mon 29 Oct	12:50	JN	Retail sales	Sep	m%ch	0.9	~	~
Tue 30 Oct	11:30	AU	ANZ Roy Morgan Cons. Conf.	Oct	Index	112.3	~	~
	12:30	JN	Jobless rate	Sep	%	2.4	~	~
	13:30	AU	Building approvals	Sep	m%ch	-9.4	~	6
	15:10	AU	RBA's Bullock gives speech in Sydney at CBA's Global Markets Conference					
Wed 31 Oct	~	JN	BOJ policy balance rate	Oct	%	-0.1	~	~
	10:45	NZ	Building permits	Sep	m%ch	7.8	~	~
	12:50	JN	Industrial production	Sep P	m%ch	0.2	~	~
	13:00	NZ	ANZ business confidence	Oct	~	-38.3	~	~
	13:30	AU	CPI	Q3	q%ch	0.4	0.5	0.3
	14:00	CH	Non-manufacturing PMI	Oct	Index	54.9	~	~
	15:00	NZ	RBNZ Credit Aggregates	Sep	m%ch	0.5	~	~
Thu 1 Nov	05:00	NZ	QV house prices	Oct	y%ch	4.6	~	~
	11:00	AU	CBA Australia PMI	Oct F	Index	54.3	~	~
	13:30	AU	Trade balance	Sep	$mn	1,604	~	1,200
	14:45	CH	Caixin China PMI	Oct	Index	50.0	50.2	~
Fri 2 Nov	10:00	NZ	ANZ consumer confidence	Oct	Index	117.6	~	~
	13:30	AU	PPI	Q3	q%ch	0.3	~	~
	13:30	AU	Retail sales	Sep	m%ch	0.3	0.3	0.3

*P = Preliminary

Calendar - North America & Europe

Date	Time (UKT)	Eco	Event	Period	Unit	Previous	Forecast Mkt	Forecast ASB
Mon 29 Oct	09:30	UK	Mortgage approvals	Sep	000	66.4	~	~
	12:30	US	PCE deflator	Sep	m%ch	0.1	0.1	~
	13:45	US	Fed's Evans speaks at Conference on Regional Competitiveness					
	14:30	US	Dallas Fed manuf. activity	Oct	Index	28.1	29	~
Tue 30 Oct	10:00	EC	Economic confidence	Oct	Index	110.9	110.2	~
	10:00	EC	GDP	Q3 A	q%ch	0.4	0.3	~
	14:00	US	Conf. Board cons. conf.	Oct	Index	138.4	136.8	~
Wed 31 Oct	10:00	EC	Unemployment rate	Sep	%	8.1	8.0	~
	10:00	EC	CPI headline	Oct	y%ch	2.1	2.1	~
	12:15	US	ADP employment change	Oct	000	230.0	190.0	~
Thu 1 Nov	09:30	UK	Markit UK PMI manuf.	Oct	Index	53.8	53.1	~
	12:00	UK	Bank of England Bank rate	~	%	0.75	0.75	~
	12:30	US	Initial jobless and cont. claims	~	~	~	~	~
	14:00	US	ISM manufacturing	Oct	Index	59.8	59.5	~
Fri 2 Nov	09:00	EC	Markit Eurozone manuf. PMI	Oct F	Index	52.1	~	~
	09:30	UK	Markit/CIPS UK const. PMI	Oct	Index	52.1	52.5	~
	12:30	US	Trade balance	Sep	$bn	-53.2	-52.0	~
	12:30	US	Change in nonfarm payrolls	Oct	000	134.0	193	190

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	1.0	0.6	0.4				
GDP real - A%	2.9	2.6	2.8	2.8	2.5	2.7	3.1	3.1	2.9
GDP real - AA%	2.8	2.7	2.7	2.8	2.7	2.7	2.8	3.2	2.9
CPI - Q%	0.1	0.5	0.4	0.9	0.5				
CPI - A%	1.6	1.1	1.5	1.9	2.3	2.3	1.7	1.7	2.1
HLFS employment growth - Q%	0.4	0.6	0.5	0.4	0.3				
HLFS employment growth - A%	3.7	3.1	3.7	1.9	1.9	1.7	1.8	1.9	1.5
Unemployment rate - %sa	4.5	4.4	4.5	4.5	4.5	4.5	4.1	3.9	4.0
Annual current account balance as % of	-2.9	-3.0	-3.3	-3.2	-2.9	-2.2	-1.5	-1.6	-1.8

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	2.0	2.1	2.2	2.5	3.0	3.2
NZ 10-year Bond	2.75	2.7	2.9	2.7	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-22
(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	0.92	0.90	0.90	0.91	0.90	0.90
NZD/JPY	80	77	74	75	73	74	73	75	74
NZD/EUR	0.59	0.59	0.58	0.57	0.58	0.58	0.55	0.55	0.54
NZD/GBP	0.53	0.51	0.52	0.51	0.52	0.53	0.53	0.54	0.51
NZD TWI	74.3	74.3	72.5	72.1	71.4	71.9	72.3	72.8	70.2

ASB Economics & Research			Phone
Chief Economist	Nick Tuffley	nick.tuffley@asb.co.nz	(649) 301 5659
Senior Economist	Mark Smith	mark.smith4@asb.co.nz	(649) 301 5657
Senior Economist	Jane Turner	jane.turner@asb.co.nz	(649) 301 5853
Senior Rural Economist	Nathan Penny	nathan.penny@asb.co.nz	(649) 448 8778
Senior Economist, Wealth	Chris Tennent-Brown	chris.tennent-brown@asb.co.nz	(649) 301 5915
Economist	Kim Mundy	kim.mundy@asb.co.nz	(649) 301 5661
Publication & Data Manager	Judith Pinto	judith.pinto@asb.co.nz	(649) 301 5660

www.asb.co.nz/economics

@ASBMarkets