

# Economic Weekly

30 April 2018

## NZ labour market conditions under scrutiny

The week ahead is action packed, full of key market-sensitive economic events. The **key event from a domestic perspective is the Q1 employment report** (see our preview on page 2), with the unemployment rate and pace of wage growth now under greater scrutiny from the Reserve Bank of New Zealand. Offshore, **the FOMC rate decision and US employment report are the key events**, and likely to influence US 10-year Treasury yields, which are hovering (just under) the key 3% level. We also have tomorrow's RBA policy decision and Q1 Eurozone GDP.

### Key events and views

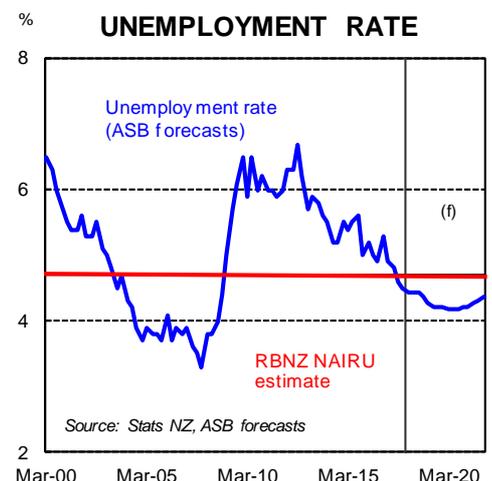
<a href="#">Key Insights</a>	2018Q1 Labour market preview.
<a href="#">Foreign exchange</a>	NZD TWI down on strengthening USD index.
<a href="#">Interest rates</a>	NZD yields lower. Focus on Bank-bill OIS rates, US Treasury yields.
<a href="#">Domestic events</a>	ANZ business outlook, Q1 labour market report, GlobalDairyTrade auction.
<a href="#">International events</a>	RBA, FOMC policy decisions, Q1 Eurozone GDP, US non-farm payrolls.
<a href="#">Calendars</a>	NZ and International calendar of upcoming economic events.

### Chart of the Week: Sustainable employment, target achieved?

This week's release of quarterly employment figures will come under more scrutiny than received in the past. NZ's Household Labour Force Survey (HLFS) is renowned for its volatility, but with the RBNZ now tasked with "supporting maximum sustainable employment within the economy" alongside its price stability mandate, there is the potential for markets to be more sensitive to HLFS surprises.

We expect the unemployment rate to fall from 4.5% to 4.4%, which is also consistent with the RBNZ's February MPS forecast. Importantly, the forecast level of unemployment is well below the RBNZ's estimate of the non-accelerating inflation rate of unemployment (NAIRU) of 4.7% (the closest numerical proxy of the 'sustainable employment' target). The RBNZ is likely to conclude that the labour market is in little need of additional policy stimulus.

For the time being, low headline inflation will keep the OCR on ice. However, wages are a key component in the inflation process and the right conditions are now in place for wage inflation to rise. We expect the tight labour market, growing skill shortages and pending increases in the minimum wage to bump up wage inflation over the next few years.



## Key Insights this week: 2018Q1 Labour market preview

### Key points:

- We expect to see a moderate 0.5% increase for HLFS employment (3.2% yoy), which should push the unemployment rate down to 4.4%, a fresh 9-year low. Measures of labour utilisation should remain elevated.
- Quarterly labour costs are expected to climb just 0.4% qoq on the LCI measure, with private sector and total annual LCI inflation either at (or just below) 2%. Risks are tilted to the upside.
- The tight labour market backdrop and increases in the minimum wage keeps the bias tilted towards a higher OCR. Still-low CPI inflation provides the RBNZ with breathing space and we do not expect the next OCR hike until next August.

Q1 Labour Market Forecasts			
Indicator	ASB	Prior	Market
Employment growth (QoQ)	0.5	0.5	0.6
Unemployment Rate (%)	4.4	4.5	4.5
Participation Rate (%)	70.9	71	71
<u>Labour Cost Index</u>			
Private Sector (% , QoQ)	0.4	0.4	0.4
Private Sector (% , ann)	2.0	1.9	2.0

### Labour market expected to tighten further

**We expect overall HLFS employment to post a moderate 0.5% qoq increase in Q1 2018.** Whilst surveyed employment intentions eased further in Q1, they remain at levels consistent with a moderate pace of employment growth. **We expect annual employment growth to slow to just over 3%, with a net addition of around 80,000 jobs to the New Zealand labour market over the past 12 months.** Other published employment measures, including filled jobs and paid hours from the Quarterly Employment Survey (QES) should post moderate increases.

### Still-strong growth in the working age population has made it possible for increasing labour demand to translate into more employment.

Earlier published figures from Statistics New Zealand confirmed that the working-age population increased by 0.6% in Q1, with the annual growth at a still elevated 2.2%, an addition of close to 85,000 persons over the last 12 months. Net permanent and long-term (PLT) immigration is on a moderating trajectory but we expect the pace of decline to be gradual. As such, we expect the growth in the working-age population to remain elevated at around 1.8% over the 2019 year.

**The strong demand for labour and prospect of firmer wages is expected to encourage strong attachment to the labour market.** Indeed, we expect the HLFS participation rate and the employment rate to remain elevated over the next few years. With a **solid outlook for employment, we expect that capacity pressures within the existing labour market will gradually intensify, with the unemployment rate moving towards 4% by the end of next year.** We expect the unemployment rate to have edged down to 4.4%, a nine year low, although risks are tilted towards a higher unemployment rate if participation holds up by more than we expect.

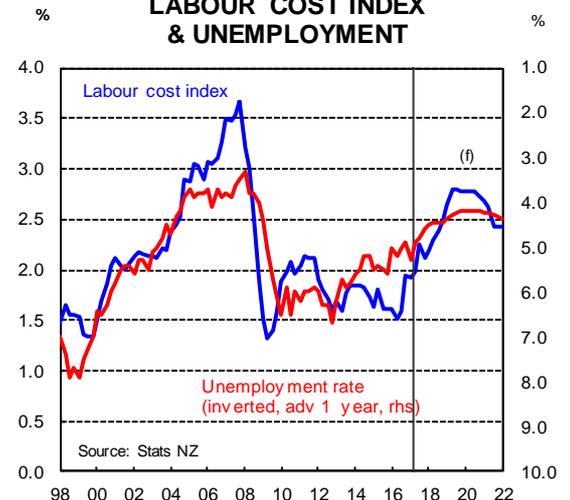
### Wages poised to stir

Private sector LCI wage inflation troughed at 1.5% yoy in March 2017, but the subsequent climb has been very gradual for this stage of the cycle. **Low headline CPI inflation and strongly growing labour supply have helped to contain**

**EMPLOYMENT & HIRING INDICATOR (PAST 3 MONTHS)**

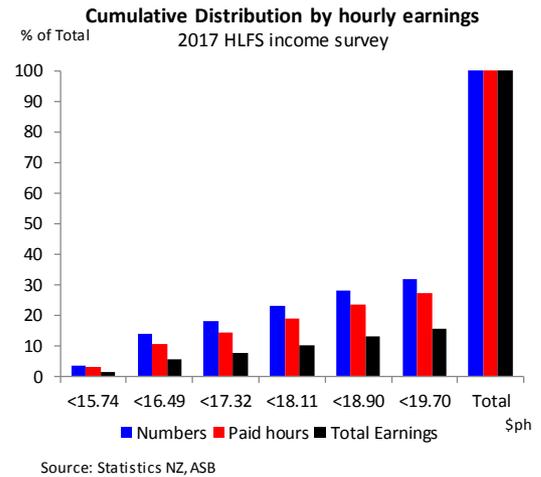


**LABOUR COST INDEX & UNEMPLOYMENT**



**wage growth.** Indeed, following the pay-equity settlement and minimum-wage related boost to Q3 wages, moderate increases were posted for both private and public sector LCI wages in Q4 (private +0.4% qoq, public 0.5% qoq). There were also few signs of a broadening front of wage increases developing. The distributional measures showed that about half of all jobs had not experienced a wage increase in the 2017 year that was not productivity related, with only about one-third of jobs getting a wage increase above 2%, on par with the last 2 years. Median and mean increases (2.4% and 3.2%) were also mild over 2017.

We expect another moderate quarterly outturn for wage growth, with 0.4% qoq quarterly increases expected for both private sector (1.9% yoy) and public sector (1.7% yoy) LCI wages. **We suspect, however, that we are getting closer to another inflexion point for wage inflation and there are clear upside risks to our pick.** There are two factors underpinning this. First, the labour market is tight, and with CPI inflation set to firm (albeit gradually), wages looks set to follow. Second, prospective increases as a result of minimum wage increases, with the minimum wage set to progressively increase to \$20 per hour by 2021, a cumulative increase of more than 25% since 2017 levels. Back in 2017, Just 3% of paid hours were on (or below) the minimum wage at the time accounting for less than 2% of total hourly earnings according to Statistics NZ estimates.



**Over the next few years, we expect increases in the minimum wage to outpace other wage increases.** There will also be a flow-on to other wages as workers attempt to preserve relativities. Depending on the assumptions used our estimates suggest anywhere from 5-10% of paid hours would be impacted. All else equal this would add 0.2 to 0.4 percentage points to annual CPI inflation though to 2021. We will outline our thinking in a forthcoming note.

**All up, we expect annual LCI wage inflation to move above 2½% for both the private sector and all sectors combined by the end of next year.** Whilst economy-wide productivity has been sub-par (see our recent note [here](#) on productivity), we expect annual wage inflation from the unadjusted LCI measure (which includes compensation for productivity gains) of wage increases to remain close to 3½% yoy. The resultant increase in real wages of approximately 2% over the year will provide some impetus to household spending.

### Market reaction and policy implications

**The labour market report is published on Wednesday, May 2, one week before the Reserve Bank’s (RBNZ) May Monetary Policy Statement (MPS).** This will be the first MPS under new Governor Adrian Orr, and the first under the new policy targets agreement (PTA) which added the requirement of the RBNZ to aim towards “supporting maximum sustainable employment within the economy” (see our takeout of the PTA [here](#)). The labour market looks in little need of additional policy stimulus in our view.

The view of the RBNZ in the February MPS was that labour market conditions would tighten further, with the unemployment rate declining from 4.4% in 2018Q1 to 4.1% by the end of the projection period, somewhat below the 4.7% RBNZ estimate of the non-accelerating inflation rate of unemployment (NAIRU). In combination, the tightening in capacity pressure, increases in the minimum wage, and rising headline inflation are expected to increase wage growth over the projection, with annual LCI wage inflation set to move from 2% in 2018Q1 to 2.7% in mid-2020.

Our view is that the low rates of headline inflation rate will keep the OCR on ice, but that increasing pressure on labour market capacity and the minimum wage will add to wage inflation. **With wages a key component in the inflation process, we expect the OCR to start moving up from August 2019, but that OCR moves will be gradual, culminating of a low OCR endpoint of about 3.5% this cycle.**

## Foreign Exchange Market

FX Rates	Current*	Week ago	Month ago	Year ago	ST Bias	Support^	Resistance^	MT Bias
NZD/USD	0.7083	0.7205	0.7198	0.6878	DOWN	0.6800	0.7200	UP
NZD/AUD	0.9349	0.9380	0.9398	0.9204	FLAT	0.9250	0.9450	DOWN
NZD/JPY	77.27	77.66	76.72	76.42	FLAT	76.0	78.50	UP
NZD/EUR	0.5841	0.5870	0.5839	0.6330	FLAT	0.5750	0.5900	FLAT
NZD/GBP	0.5142	0.5140	0.5111	0.5327	UP	0.5050	0.5300	UP
TWI	73.8	74.3	74.0	74.8	FLAT	73.50	75.50	FLAT/UP

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

### NZD Recap

**USD strength was the key currency theme last week.** The USD index hit a three-month high on Wednesday night (NZT) following the move higher in the US 10-year Treasury yield (which breached the 3% level for the first time in 4 years last week). This saw the NZD/USD fall roughly US 2 cents over the week from its peak, to end the week at just below US0.71. Data took a backseat last week until Friday where there were a flurry of releases including US and UK Q1 GDP. Softer than expected UK GDP weighed on the pound on Friday, paring the gains from earlier in the week and leaving the NZD/GBP largely unchanged compared to the start of the week. US GDP was stronger than expected, but had little lasting impact on the currency. Lower AUD interest rates contributed to AUD falls over the week.

### Near-term outlook

**There are a number of first tier data releases this week which is likely to spark some volatility in currency markets.** US core PCE data (tonight), the US rate announcement on Thursday and US Non-farm Payrolls release on Friday night are likely to keep the USD movements at the forefront. Market participants will also continue to watch developments in the US 10-year Treasury yield closely. Attention will continue to be on the likely pace of US rate hikes after the March Fed minutes highlighted the risks of US rates outpacing market expectations. In New Zealand, Q1 employment data is the key release where we are expecting measures to show that the labour market continues to tighten, albeit with contained wage pressures. In Australia, commentary surrounding the RBA rate announcement tomorrow could cause some AUD volatility. Markets will be looking for any gauge on the timing of an RBA cash rate hike, and the AUD risks dipping if the RBA signals a possible delay in pending policy tightening.

### Medium-term outlook

**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 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	0.73	0.74	0.75	0.76	0.79	0.75
NZD/AUD	0.91	0.94	0.90	0.90	0.90	0.90	0.90	0.89
NZD/JPY	80	77	78	78	79	79	79	81
NZD/EUR	0.59	0.59	0.59	0.59	0.59	0.60	0.60	0.59
NZD/GBP	0.53	0.51	0.53	0.53	0.53	0.53	0.54	0.54
NZD TWI	74.3	74.3	74.7	75.0	75.1	75.7	76.6	74.0

## 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	2.02	2.05	1.96	1.98	FLAT	UP
2-year swap	2.28	2.31	2.22	2.31	FLAT	UP
5-year swap	2.76	2.76	2.62	2.89	UP	UP
10-year swap	3.24	3.24	3.07	3.37	Up	UP
10-year govt bond yield	2.87	2.91	2.71	3.05	UP	UP
Curve Slope (2s10s swaps)	0.96	0.93	0.85	1.07	UP	DOWN

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

### Market Recap

**NZ swap yields start the week 2-4bps lower across the curve compared to a week ago.** Bank Bill-OIS spreads narrowed slightly over the week, although the 90-day bank bill rate is around 25bp higher than it was at the start of the year. The bellwether 2-year swap has eased to 2.28%, well below mid-April 2018 highs (2.35%). Despite firmer oil prices, offshore interest rate swap yields were also lower. Lacklustre Q1 UK GDP, the steady as she goes ECB policy assessment and low inflation contributed to the stronger rally in longer-term UK, Eurozone and Australian yields (flatter curves). **More generally, however, markets remain fixated with the impact of (rising) US Treasury yields,** which last week briefly moving above 3% for the first time in 4 years for the 10-year note, with 2-year yields briefly topping 2.50%, a ten-year high. NZD rates have outperformed those in the US, with NZD swap yields lower out to (and including the 6-year) tenor. NZD 10-year swap yields are just 25bp above USD counterparts. NZ bond yields are below US yields out to (and including) the 10 year tenor. This has not been seen since the early 1990's and reflects a combination of factors.

### Near-term NZD interest rate outlook

**In a busy week, the focus remains on USD yields and its impact on NZD rates.** Our bias is for local yields to continue to outperform US counterparts, which are expected to drift up. **We will also be closely monitoring Bank bill-OIS spreads for signs of further slippage (see our note [here](#)).** On Tuesday, annual inflation on the US PCE measure is expected to firm to 2%, Thursday morning's Fed statement is expected to set the scene for a June hike (93% odds), particularly with the April labour market print next weekend expected to confirm the US unemployment rate falling to its lowest in close to 20 years. **Local Q1 labour market data is expected to confirm a tightening labour market, but show a contained wage inflation backdrop, which should cap upside pressure on NZD yields.** Tomorrow sees the RBA cash rate decision and with annual headline and core inflation at (or slightly below) 2% and with a contained wage inflation backdrop, the RBA are unlikely to raise the cash rate until at least November. Q1 Eurozone GDP will be looked for signs of cooling growth momentum, which along with sub 2% core and headline inflation should cap yields.

### 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 five 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

(end of quarter)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21
	<< 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
ANZ Business Outlook Survey, April, headline net %	30/04	1:00 pm	-20	-	-
RBNZ Credit Aggregates, Household, %mom	30/04	3:00 pm	+0.5	-	-
Building Consents, March, %	01/05	10.45 am	+5.7	-	-
GlobalDairyTrade Auction, whole milk powder , % chg	01/05	overnight	+0.9	-	+1.0
Employment, Q1, %qoq	02/05	10:45am	+0.5	+0.6	+0.5
Unemployment rate, Q1, %	02/05	10:45am	4.5	4.5	4.4
LCI, private sector, Q1, % qoq	02/05	10:45am	+0.4	+0.4	+0.4

**We expect some gradual improvement in business confidence over the next few months.** General business sentiment in the ANZ Business Opinion survey bounced back somewhat in February, following a sharp post-election plunge late last year. However, the extent of the bounce back was modest and the ANZ survey remains relatively pessimistic compared to confidence measured by NZIER's Quarterly Survey of Business Opinion (QSBO). Still-low levels of employment and investment intentions in the ANZ survey are concerning. This implies major business decisions could be deferred due to near-term uncertainty as the business community awaits further details of policy change.

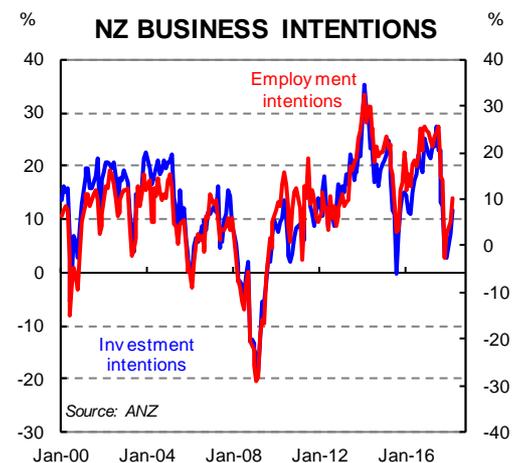
**We expect recent trends in credit growth to continue in March.**

Mortgage credit growth is continuing to slow, reflecting overall softness in the housing market. Agricultural credit growth is also soft as dairy farmers focus on debt repayment. Business and consumer credit growth are expected to remain around recent levels.

**Residential consent issuance is trending sideways on a nationwide basis.** Growth in Auckland consent issuance has slowed, which likely reflects **capacity constraints in the construction sector**. Growth in Wellington consents have been strong, but as the construction sector nears capacity growth may soon start to slow. Meanwhile, it is likely that **uncertainty around the new KiwiBuild policy is temporarily weighing on housing construction demand**. If this proves to be the case, we expect that consents will recover in coming months once further policy details are revealed.

**We expect prices to rise at the GlobalDairyTrade auction overnight Tuesday.** A fortnight ago whole milk powder (WMP) prices lifted 0.9%. At the current juncture, futures pricing suggests WMP prices will lift by around 1%. NZ production is limping into the end of the 2017/18 season. Also, on top of the underlying production weakness, NZ is moving closer to its seasonal production lull through winter. These factors are combining and causing the global butter shortage to become acute, which is expected to put upward pressure on dairy prices over the coming months.

**We expect to see a moderate 0.5% increase for HLFS employment (3% yoy), which should push the unemployment rate down to a new fresh 9-year low of 4.4%.** Measures of labour utilisation should remain elevated. Quarterly labour costs are expected to climb 0.4% qoq on the LCI measure, with private sector, public sector and total annual LCI inflation either at (or just below) 2%. **However, risks to our wage pick are firmly tilted to the upside.** The labour market is tight and in little need of policy stimulus to meet the employment objectives in the new PTA. The firming trajectory for wage inflation (due to increases in the minimum wage and the tight labour market backdrop) points to a higher OCR. But still-low CPI inflation suggests there is no need to hurry; we expect the OCR to move up in August 2019.



## Major International Events for the week ahead

Data	Date	Time (NZT)	Market	ASB
US PCE Deflator, March, %qoq	01/05	12:30 am	2.0	1.8
CBA Australia PMI, April, Index	01/05	11:00 am	-	-
Australia CoreLogic House Prices, March, %mom	01/05	12:00 pm	-	-0.2
Reserve Bank of Australia Interest Rate Announcement, %	01/05	4:30 pm	1.5	1.5
RBA Governor Lowe to speak at Board dinner	01/05	-	-	-
Eurozone GDP, Q1, %qoq	02/05	9:00 pm	0.4	0.4
US Federal Reserve Interest Rate Announcement, %	03/05	6:00 am	1.50-1.75	1.50-1.75
Australia Trade Balance, March, \$bn	03/05	1:30 pm	0.95	1.2
Australia Building Approvals, March, %mom	03/05	1:30 pm	1.0	1.0
RBA Statement of Monetary Policy	04/05	1:30 pm	-	-
US Non-farm Payrolls, April, 000s	05/05	12:30 am	195	200

**Australian** manufacturing has been reporting solid activity levels recently. The **CBA PMI** for April is due out this week.

We expect another slight fall in **Australian CoreLogic House prices** for March.

The **Reserve Bank of Australia** is expected to have a neutral bias when it announces its **cash rate target** following benign Q1 CPI.

The **Reserve Bank of Australia Governor Lowe** is slated to speak at the RBA Board Dinner in Adelaide on Tuesday this week.

**Australia** is likely to have a small **trade surplus** in March expected following higher bulk prices.

We expect a small rise in **Australian building approvals** for March following February's fall.

The **Reserve Bank of Australia** is likely exhibit a neutral bias in its **Statement of Monetary Policy** while being upbeat on global and local growth outlook.

We expect the **March core US PCE deflator** to accelerate to 1.8%pa. However, the risk is a smaller acceleration to 1.7%pa because consumers' long-run inflation expectations remain low. The already-released regional manufacturing surveys suggest the national manufacturing ISM eased again to 56 points. We expect the Federal Open Market Committee to keep the Funds rate target range at 1.50-1.75%. In its description of the US economy, the Fed may state the softness in Q1 growth outcomes will be temporary but maintain the economic outlook remains strong.

In the **Eurozone**, business surveys suggest **GDP growth** lost momentum in Q1. We estimate Q1 Eurozone GDP expanded by 0.4% (2.6%pa). We expect Eurozone April core CPI to remain at 1.0%pa. The Eurozone economy has been growing faster than potential for some years, although there is still plenty of slack in the labour market.

We expect no change when the **US Federal Reserve** meets to make its **interest rate decision**. Its clear intent to keep raising rates every quarter will likely be repeated. We expect the next rate rise at its 12 June meeting.

We expect **US April payrolls** to expand by 200,000 after the small increase in March. The labour market is tight and further falls in the unemployment rate should lead to further increases in wage costs. We expect the unemployment rate to return to 4.0% and average earnings to expand by 0.2% (2.7%pa).

## Global Data Calendars

### Calendar - Australasia, Japan and China

Date	Time (NZT)	Eco	Event	Period	Unit	Previous	Forecast	
							Market	ASB
Mon 30 Apr	13:00	AU	Melbourne Institute Inflation	Apr	m%ch	0.1	~	~
	13:00	NZ	ANZ own activity outlook	Apr	~	21.8	~	~
	13:00	CH	Manufacturing PMI	Apr	Index	51.5	51.2	~
	13:30	AU	Private sector credit	Mar	m%ch	0.4	~	~
Tue 1 May	~	AU	RBA Governor Lowe remarks at Board Dinner					
	10:45	NZ	Building permits	Mar	m%ch	5.7	~	~
	11:00	AU	CBA Australia PMI	Apr	Index	54.3	~	~
	11:30	AU	ANZ Roy Morgan Weekly	Apr	Index	118.4	~	~
	12:00	AU	CoreLogic House Px	Apr	m%ch	-0.2	~	-0.2
	12:30	JN	Nikkei Japan PMI	Apr F	Index	53.3	~	~
	16:30	AU	RBA cash rate target	May	%	1.5	1.5	1.5
Wed 2 May	05:00	NZ	QV house prices	Apr	y%ch	7.3	~	~
	10:45	NZ	Unemployment rate	Q1	%	4.5	4.5	4.4
	12:30	JN	Nikkei Japan PMI composite	Apr	Index	51.3	~	~
	13:45	CH	Caixin China PMI manufacturing	Apr	Index	51.0	50.8	~
Thu 3 May	11:00	AU	CBA Australia PMI composite	Apr	Index	55.4	~	~
	13:30	AU	Trade balance	Mar	\$mn	825.0	950.0	1200
	13:30	AU	Building approvals	Mar	m%ch	-6.2	1.0	1.0
Fri 4 May	13:30	AU	RBA Statement on Monetary Policy					
	13:45	CH	Caixin China PMI composite	Apr	Index	51.8	~	~

### Calendar - North America & Europe

Date	Time (UKT)	Eco	Event	Period	Unit	Previous	Forecast	
							Market	ASB
Mon 30 Apr	00:01	UK	Lloyds Business Barometer	Apr	~	32.0	~	~
	13:30	US	PCE deflator	Mar	m%ch	0.2	0.1	~
	15:30	US	Dallas Fed manufacturing	Apr	~	21.4	25	~
Tue 1 May	09:30	UK	Net consumer credit	Mar	£bn	1.6	~	~
	09:30	UK	Markit UK PMI manufacturing	Apr	Index	55.1	~	~
	15:00	US	ISM manufacturing	Apr	Index	59.3	58.5	~
Wed 2 May	09:00	EC	Markit Eurozone manufacturing	Apr F	Index	56.0	~	~
	10:00	EC	Unemployment rate	Mar	%	8.5	~	~
	10:00	EC	GDP	Q1 A	q%ch	0.6	0.4	0.4
	19:00	US	FOMC rate (upper bound)	May	%	1.75	1.75	1.75
Thu 3 May	10:00	EC	PPI	Mar	m%ch	0.1	~	~
	10:00	EC	CPI core	Apr A	y%ch	1.0	~	~
	10:00	EC	European Commission updates its Economic Forecasts					
	13:00	EC	ECB's Constancio speaks in Frankfurt					
	13:30	US	Initial jobless & cont. claims	Apr	~	~	~	~
Fri 4 May	09:00	EC	Markit Eurozone composite PMI	Apr F	Index	55.2	~	~
	10:00	EC	Retail sales	Mar	m%ch	0.1	~	~
	13:30	US	Change in nonfarm payrolls	Apr	000	103.0	195.0	200.0

## 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	0.2	0.5	-0.1			
CPI - A%	1.6	1.1	1.3	1.3	1.1	1.0	1.7	2.2
HLFS employment growth - Q%	0.5	0.5	0.5	0.5	0.6			
HLFS employment growth - A%	3.7	3.2	3.7	2.0	2.1	2.1	1.8	1.5
Unemployment rate - %sa	4.5	4.4	4.4	4.4	4.3	4.2	4.2	4.3
Annual current account balance as % of GDP	-2.7	-2.4	-2.4	-2.5	-2.4	-2.3	-2.3	-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 << 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	0.73	0.74	0.75	0.76	0.79	0.75
NZD/AUD	0.91	0.94	0.90	0.90	0.90	0.90	0.90	0.89
NZD/JPY	80	77	78	78	79	79	79	81
NZD/EUR	0.59	0.59	0.59	0.59	0.59	0.60	0.60	0.59
NZD/GBP	0.53	0.51	0.53	0.53	0.53	0.53	0.54	0.54
NZD TWI	74.3	74.3	74.7	75.0	75.1	75.7	76.6	74.0

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