

October 2018

# New Zealand economic update

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Follow us on Tv  
This is not pers  
or circumstance



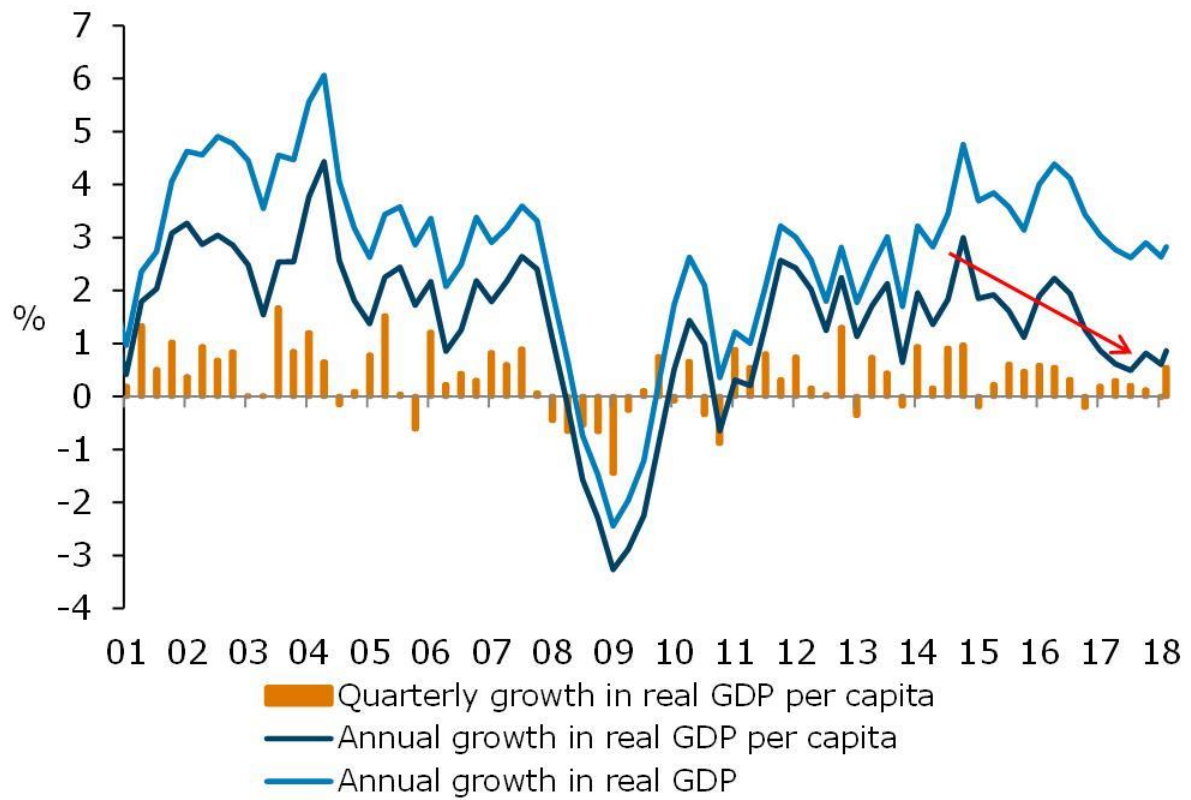
1

Economic momentum has softened.



The slowdown isn't new

## Real GDP growth: headline and per capita

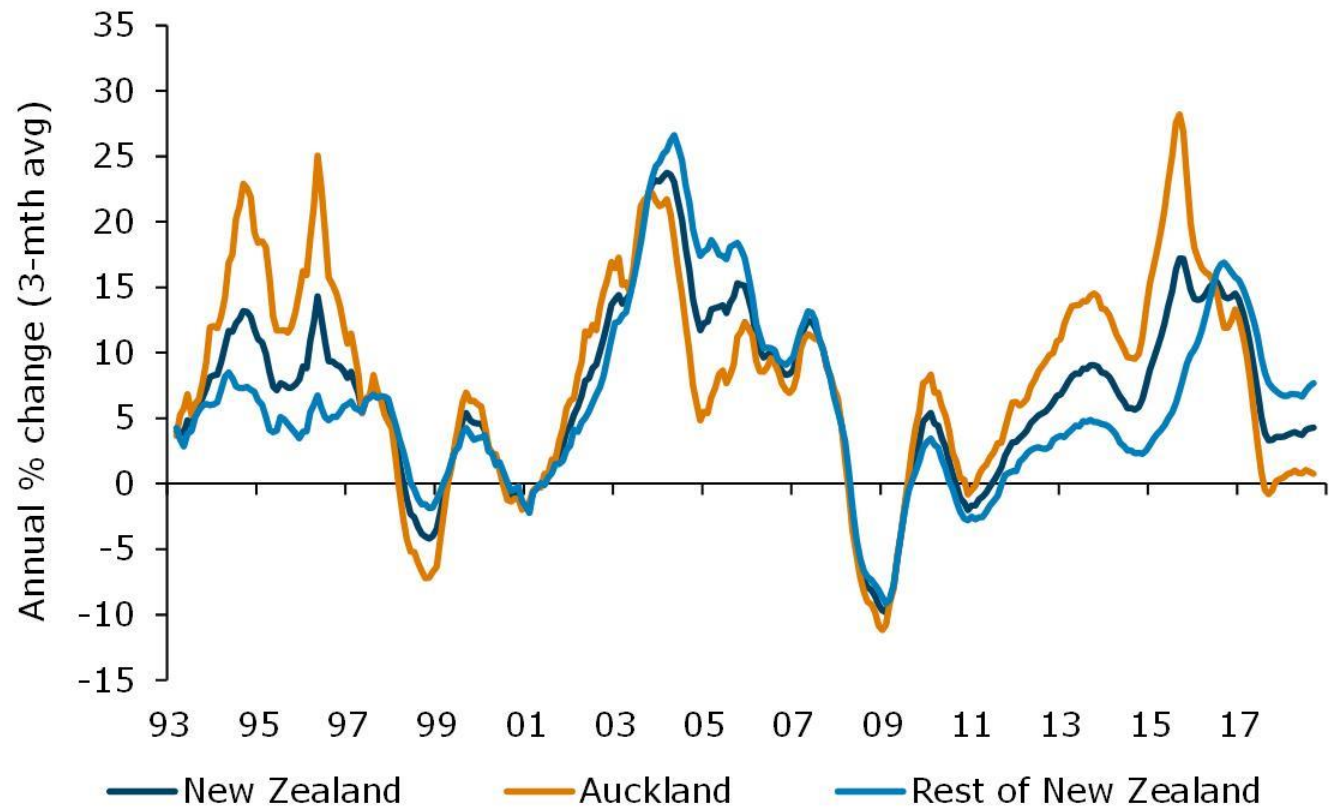


- Engines of growth not revving as they once were.



Party's  
over

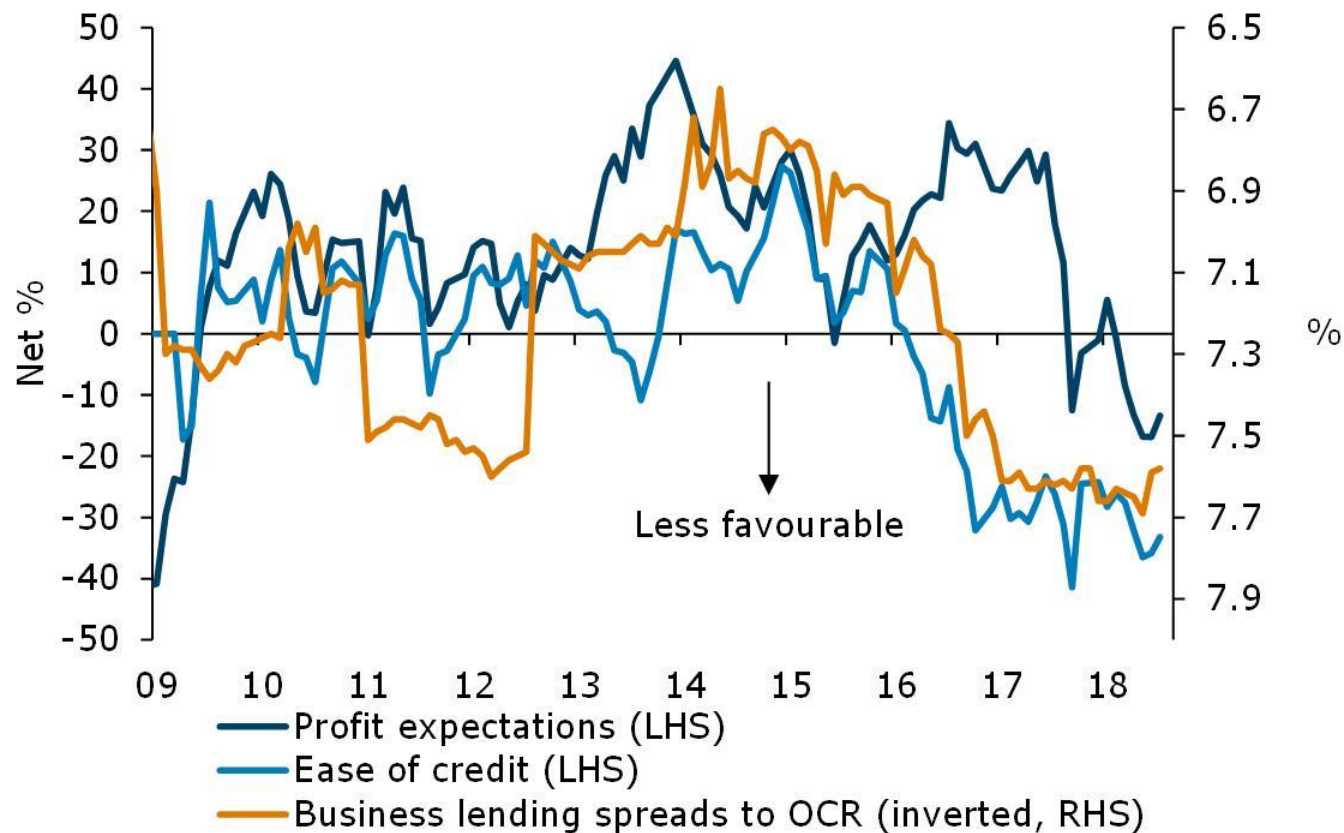
## House price inflation



- Immigration trending down.
- The level of home building is hitting constraints.

Feeling the pinch

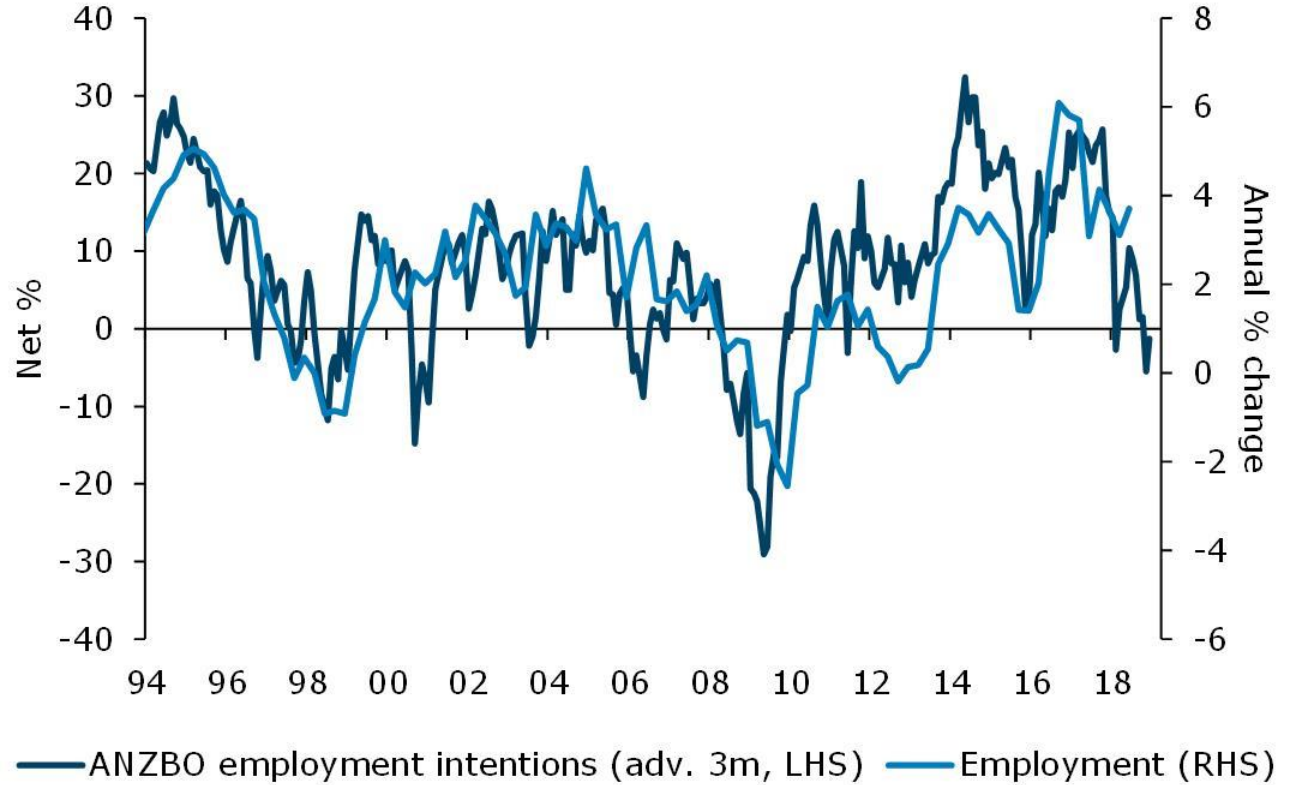
## Financial conditions for businesses



- The credit cycle matters.

The sky is falling!

## ANZBO employment intentions and employment



- Self-fulfilling prophecy?



1

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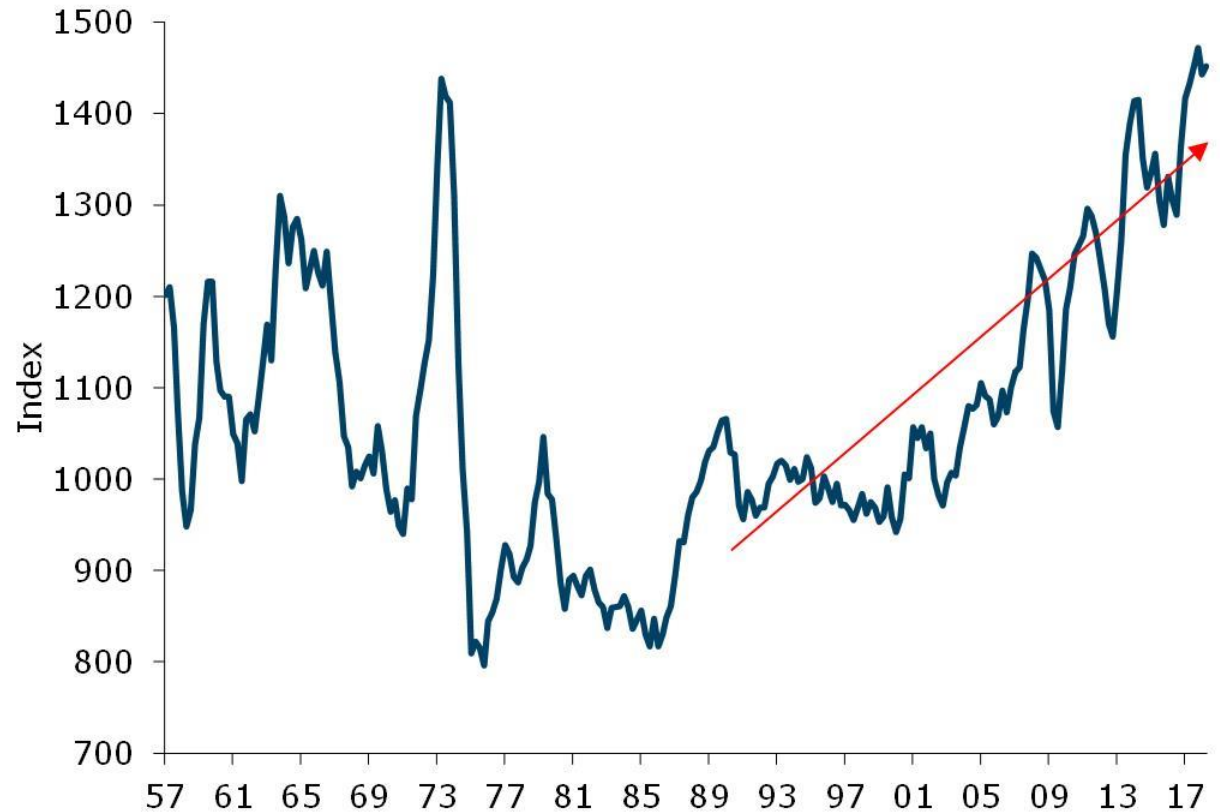
2

But a number of factors will support growth  
(and the labour market).



Near  
record high

## New Zealand terms of trade

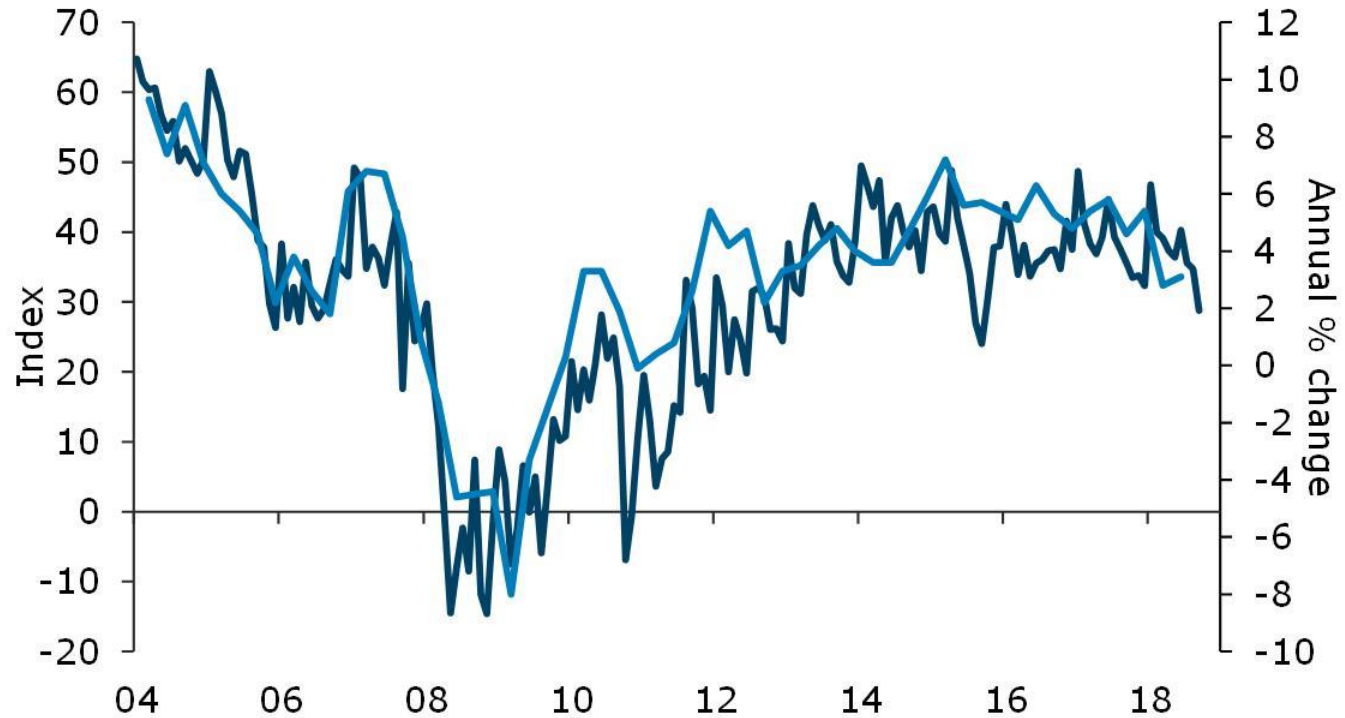


- Much more broad-based than previous peaks (dairy, beef, lamb, forestry, kiwifruit...).
- External demand and exchange rate also supportive.



Households  
still upbeat

## ANZ-Roy Morgan consumer confidence: good time to buy major household item vs. real retail sales



- ANZ Roy Morgan good time to buy major household item (LHS)
- Retail sales volumes (RHS)

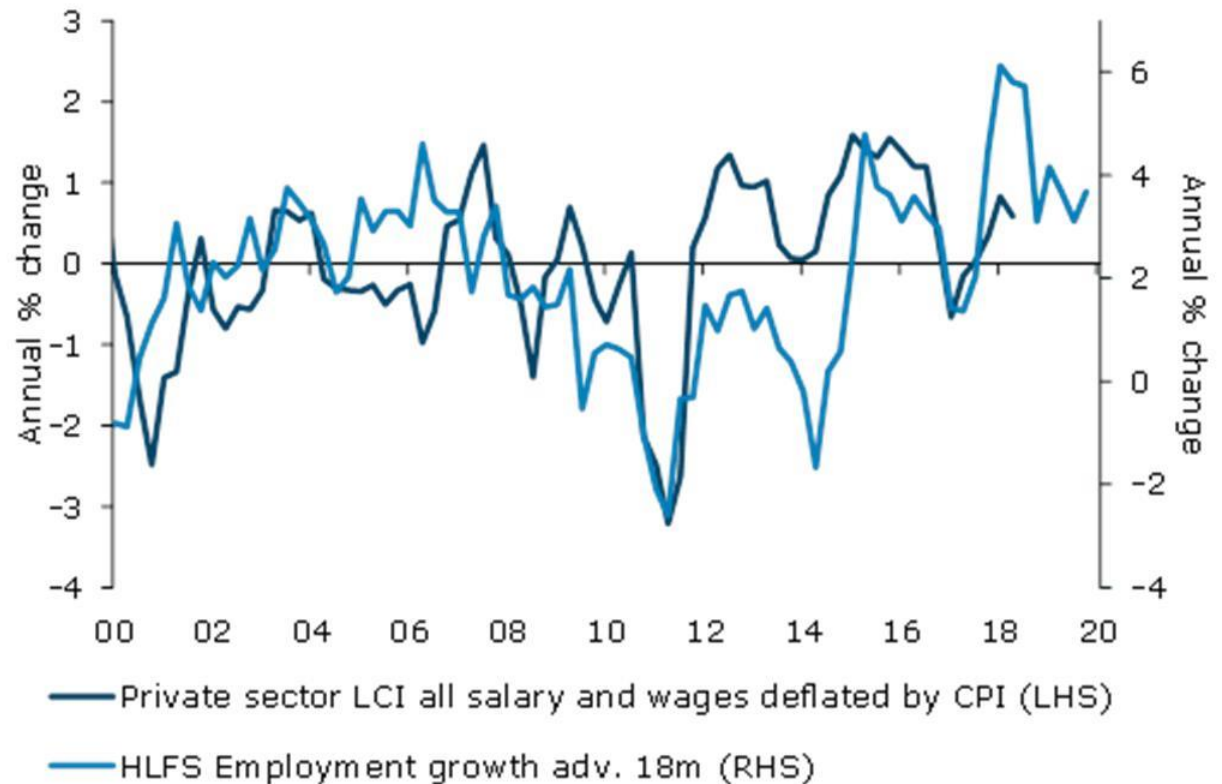
- And the Government is spending.
- Financial conditions supportive.

Source: Roy Morgan, Statistics NZ, ANZ Research



Labour  
market  
supportive

## Employment growth and real wage inflation



- Wage growth has been decent in real terms.
- Labour market expected to remain “tight”.

1

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2

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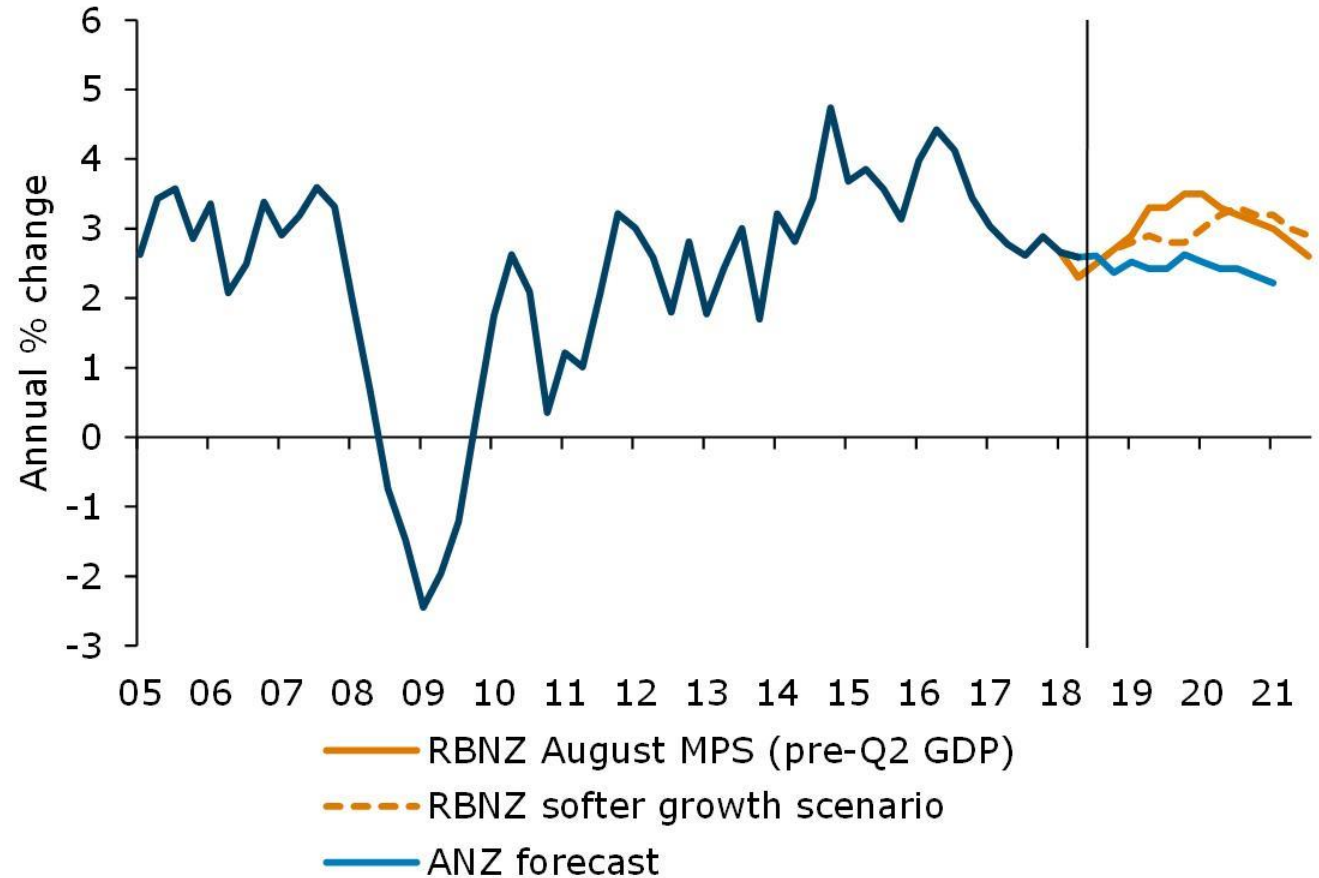
3

The RBNZ is expected to remain cautious.



Concerned  
about activity  
risks

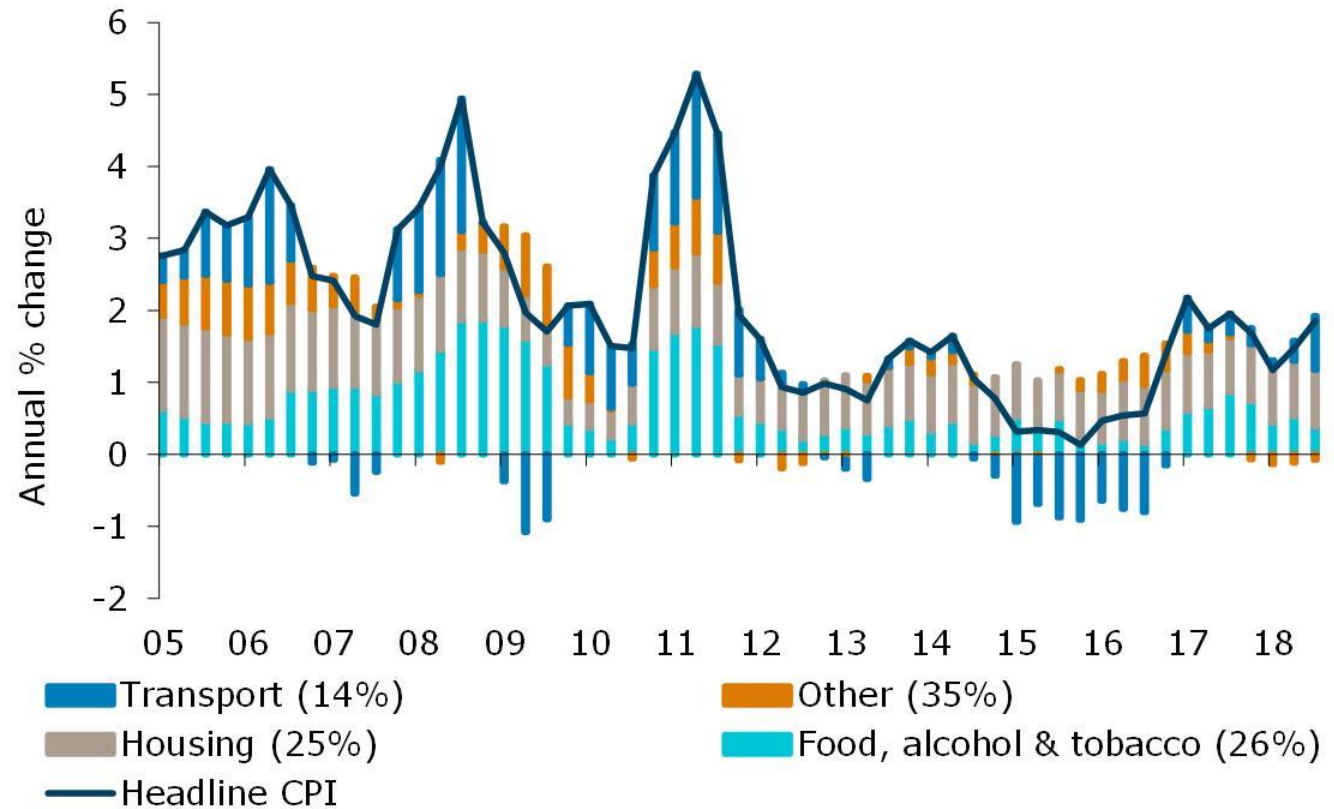
## GDP growth forecasts



- OCR 100bps lower in the alternative scenario.

Lack of  
broad-based  
inflation

## Contributions to inflation



- RBNZ expected to “look through” temporary factors.
- OCR on hold for the foreseeable future. Cuts more likely than hikes.

Source: Statistics NZ

1

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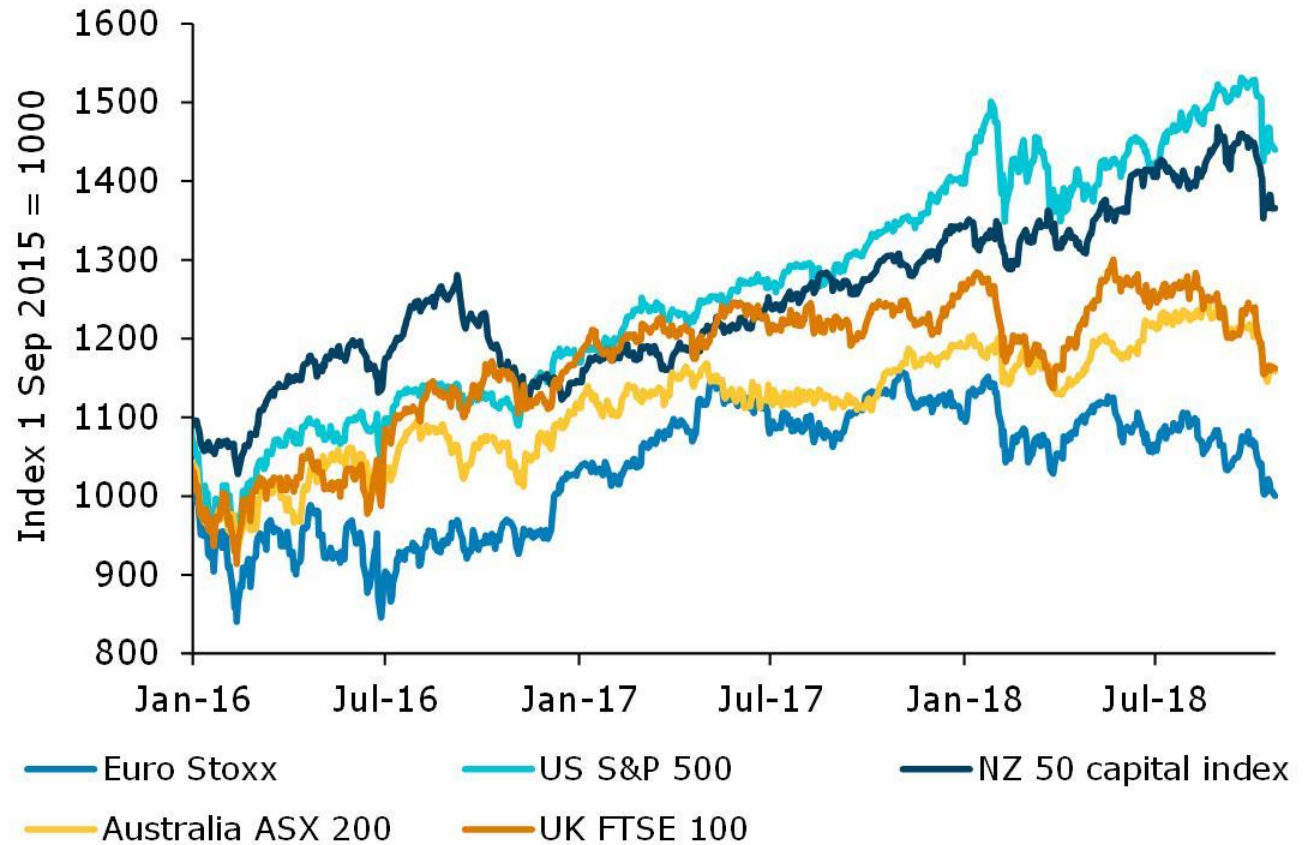
4

Risks have increased.



Volatility is back

## Selected equity indexes



- Central banks treading carefully.
- Trade and political risks.

Chinese demand is softening

## China new vehicles sales and NZ commodity prices



Source: Bloomberg, ANZ Research

1

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# THANK YOU

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Presented by Liz Kendall



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