

# WHAT TO WATCH AUS/NZ

Week starting 11 December 2017



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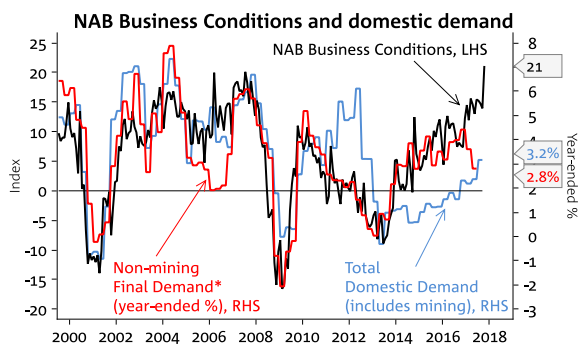
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## Payrolls, NAB Business Survey, employment, Lowe, FOMC, Brexit, down-under fiscal updates, and a new Star Wars movie

The immediate focus is tonight's payrolls/earnings report and whether the EC Summit will agree to start trade negotiations with the UK. Locally, next week sees the November NAB Business Survey followed Thursday with another expected solid employment read and lower under-employment. The MYEFO is due "soon" (before Christmas) and could unveil some emerging improvement in the outlook, given growth momentum. NZ's fiscal update is coming this week. China releases their November activity data. The FOMC meets. It's very likely to lift rates again and will unveil whether there are any changes to their higher-than-market Fed funds forecasts. The BoE, ECB, and SNB are likely to remain on hold.

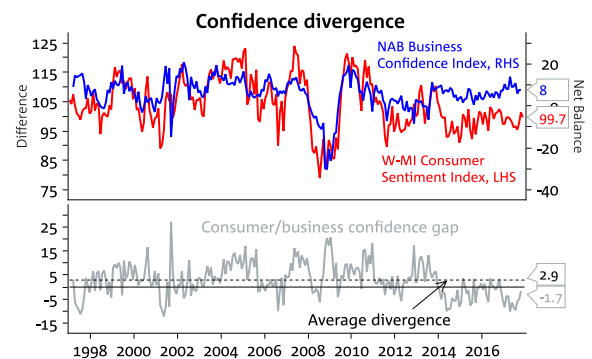
- **Australia:** NAB Survey Tuesday, RBA's Lowe and Kent speak at separate events on Wednesday, Employment/Unemployment Thursday to be another solid one for employment, steady unemployment but a 0.3% decline in underemployment (measured once a quarter). Consumer Confidence will also be in focus. The Budget MYEFO is due "soon" (before Christmas) and set to unveil some incremental lowering of this year's deficit thanks to improving business momentum.
- **NZ:** It's mainly a fiscal policy focus. Finance Minister Grant Robertson is speaking at a Monday breakfast speech ahead of Thursday's Half-year Economic and Fiscal Update. The HYEFO will set out medium-term goals and an update the 100-day plan.
- **China:** There's CPI/PPI tomorrow (Saturday), then PBoC Deputy Governor Yi Gang speaks on Sunday. Next week's focus is Thursday's November Retail Sales/IP/Fixed Assets Investment growth reports. Money supply/new lending data is due any day.
- **US:** After payrolls/average hourly earnings tonight, it's partly about the FOMC's "priced in" rate hike but more on whether there will be any winding back of their dot plot Fed funds forecasts, and Yellen's presser, likely her last. CPI is released hours before the Fed announcement. Thursday's Retail Sales are also under the spotlight.
- **Japan:** BoJ Governor Kuroda makes a brief speech on Wednesday. Friday's BoJ Tankan report the main data point and set to reveal further growth improvement.
- **Eurozone:** While the ECB will leave rates on hold, it'll be their growth and inflation forecasts, growth to be tweaked higher. The preliminary December PMIs are out three hours before the ECB announcement, a reminder of the vibrant growth story.
- **UK:** While there's understandable continued Brexit focus into the EU Summit next week, markets will be watching Tuesday's CPI, Wednesday's labour market/earnings report and Retail Sales on Thursday ahead of the BoE meeting.
- **Canada:** Light for data, the main interest being BoC Governor Poloz's speech on Thursday and NAFTA, technical negotiators meeting in Washington on Monday.

Chart 1: Even before last month conditions were strong



\* Includes exports  
Source: National Australia Bank, ABS

Chart 2: Confidence divergence narrowing?



Source: National Australia Bank, Macrobond

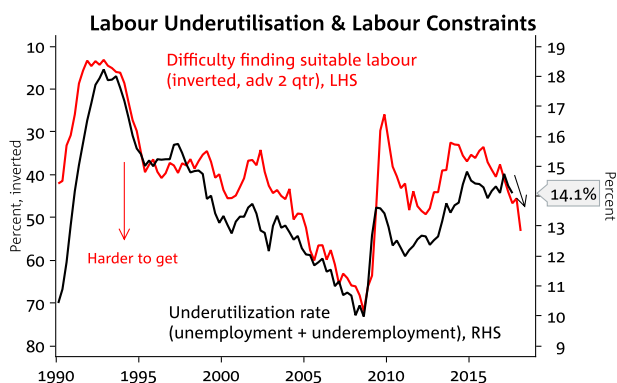
**Australia**

It's another week of potentially market sensitive data starting with the NAB Business Survey on Tuesday, Consumer Sentiment on Wednesday and the monthly labour market report on Thursday. RBA Governor speaks on Tuesday on "An eAUD" at a Payments Summit Conference, an interesting topic though seemingly less market sensitive. The RBA's Chris Kent speaks on the supply of business finance, also on Wednesday at a banking and finance conference.

Also be aware that the mid-year Budget update (MYEFO) is due before Christmas, now close after the release this week of the September quarter national accounts. Expectations for the 2017-18 Underlying Cash balance were surveyed this week by Bloomberg with the current consensus of a deficit of \$A26.2bn, down from \$A29.4bn at Budget time, benefiting from the improving domestic economy, flowing to higher tax receipts and lower unemployment support benefits.

Again we offer no clues ahead of the release of the NAB Business Survey! We'll remind our readers that Business Conditions hit an all new high in October jumping an impressive 7 points in October, to +21 index points, the highest level since the monthly Survey commenced in 1997. While Business Conditions jumped, Business Confidence index was unchanged in October at +8 index points, marginally above the long-run average.

Chart 3: Diminishing labour market slack



Source: National Australia Bank, ABS

As for Thursday's Labour Force report, NAB's forecasting models using other labour market indicators points to a best estimate of employment growth of around 15K, with some upside risk. The Labour Force's sample rotation effects do not point to a particular skew for employment.

For the unemployment rate, NAB's estimate is that the rate is most likely to be unchanged at 5.4%, though sample rotation effects point to the risk of a somewhat higher 5.5% print. The outgoing portion of the sample has an unemployment rate of 4.2% which is lower than the sample as a whole at 5.1% (in original, not seasonally adjusted terms). If the incoming sample has the same as the outgoing, this would be enough to boost the unemployment rate by 0.1% points. Other near-term indicators of unemployment are mixed: SEEK's applications-per-ad remain elevated and have not fallen appreciably, the Roy Morgan measure has been rising in recent months, while consumer unemployment expectations continue to trend down.

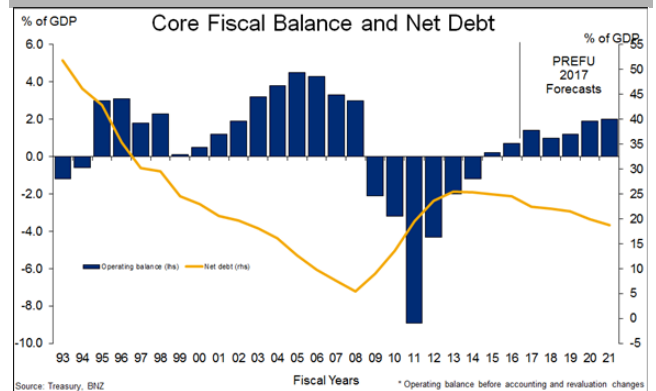
This is the mid-quarter month when the Statistician also surveys the level of under-employment and under-utilisation in the labour force survey. This is not part of the weekly survey of economists, but the quarterly NAB Business Survey's finding of more businesses reporting an increasing difficulty finding labour points to a shrinking pool of labour slack and a lower underutilization rate. NAB expects the under-utilisation rate to fall 0.3% points from 14.1% to 13.8%.

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**New Zealand**

The coming week in New Zealand is principally about fiscal updates. And it's not just Thursday's (1:00pm) Half-year Economic and Fiscal Update (HYEFU). Accompanying the HYEFU will be the Budget Policy Statement – which sets out medium-term intentions including around the fiscal balance and debt – while, the government is supposed to be providing an update of its 100-day plan and associated costing. As a prelude to all of this, be aware that Finance Minister, Grant Robertson, is scheduled to give a breakfast speech to Auckland's Chamber of Commerce on Monday.

Chart 4: Fiscal update and plans under the spotlight



Source: Treasury, BNZ \* Operating balance before accounting and revaluation changes

With respect to the HYEFU it will be helpful in confirming what's in, and what's not, with respect to talked-about policy, and how it all affects the surplus and debt tracks. So it's a confirmation of policy as much as the numbers. The Labour Party was reasonably clear about the extra debt it was going to take on, compared to Treasury's pre-election Economic and Fiscal Update baselines. However, it remains to be seen how much more upside there might be to debt, given the policy demands of the NZ First and Greens to boot.

With respect to the HYEFU's GDP track, while this is likely to be trimmed for the near term there might remain a sense that Treasury's forecasts are overly optimistic more generally.

But it's not all fiscal this week. There are a few monthly data reports on offer too. For Monday's (10:45am)

electronic card transactions we have pencilled in a 0.4% gain. Anything short of this (regarding November) would question whether retail sales volumes are accelerating at all in Q4, following the 0.2% gain in Q3 (which, itself, was a hangover after the rapid 1.8% expansion in Q2). November's Food Price Index is due Wednesday (10:45am). We have a 0.4% fall plugged in for this – partly on seasonality. Any major deviation could have implications for our Q4 CPI pick, which currently sits at +0.6% q/q and +2.1% y/y. Friday (10:30am) closes the show with the Business NZ/BNZ Performance of Manufacturing Index for November. This will be an

important cross-check on the slump we saw in general business confidence in the month.

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*See our enclosed Calendar of Economic Events for a fuller list of local and offshore events for the week ahead.*

# CALENDAR OF ECONOMIC EVENTS

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
<b>Friday, 8 December 2017</b>								
US	Change in Nonfarm Payrolls/Unemployment rate	Nov		195/4.1		261.0/4.1	13:30	0:30
US	Average Hourly Earnings MoM/YoY	Nov		0.3/2.7		0.0/2.4	13:30	0:30
US	Labor Force Participation Rate/Underemployment rate	Nov		/		62.7/7.9	13:30	0:30
US	U. of Mich. Sentiment/5-10Yr Inflation	Dec P		99/		98.5/2.4	15:00	2:00
US	Baker Hughes U.S. Rig Count/Oil Rigs only	Dec 8		/		929.0/749.0	18:00	5:00
<b>Saturday, 9 December 2017</b>								
CH	CPI/PPI YoY	Nov		1.8/5.8		1.9/6.9	1:30	12:30
<b>Sunday, 10 December 2017</b>								
CH	New Yuan Loans/Aggregate financing CNY	Nov		800/1250		663.2/1040.0	10-15 Dec release	
<b>Monday, 11 December 2017</b>								
NZ	Finance Minister Robertson Speaks at Auckland Chamber of Commerce						19:00	6:00
NZ	Card Spending Total MoM	Nov	0.4			0.4	21:45	8:45
AU	Budget MYEFO Underlying cash balance, 17/18 (due before Christm		-28.9			-29.4	Before Christmas	
JN	BSI Large All Industry/Manufacturing QoQ	4Q		5.8/10		5.1/9.4	23:50	10:50
JN	Machine Tool Orders YoY	Nov P				49.8	6:00	17:00
EC	ECB's Nowotny Presents Austria Financial Stability Report						9:00	20:00
CA	Bloomberg Nanos Confidence	Dec 8				58.7	15:00	2:00
US	JOLTS Job Openings	Oct				6093.0	15:00	2:00
<b>Tuesday, 12 December 2017</b>								
NZ	ANZ Truckometer Heavy MoM	Nov				2.9	21:00	8:00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Dec 10				115.8	22:30	9:30
AU	NAB Business Conditions/Confidence	Nov		/		21.0/8.0	0:30	11:30
AU	House Price Index QoQ/YoY	3Q		0.5		1.9	0:30	11:30
JN	Tertiary Industry Index MoM	Oct		0.2		-0.2	4:30	15:30
UK	CPI MoM/YoY	Nov		/		0.1/3.0	9:30	20:30
UK	CPI Core YoY	Nov		/		2.7	9:30	20:30
UK	PPI Input NSA MoM/YoY	Nov		/		1.0/4.6	9:30	20:30
UK	House Price Index YoY	Oct		/		5.4	9:30	20:30
GE	ZEW Survey Current Situation/Expectations	Dec		/		88.8/18.7	10:00	21:00
EC	ZEW Survey Expectations	Dec		/		30.9	10:00	21:00
US	NFIB Small Business Optimism	Nov		/		103.8	11:00	22:00
UK	CBI Total Dist./Retail Reported Sales	Dec		/		30.0/26.0	11:00	22:00
US	PPI Final Demand MoM/YoY	Nov		0.4/3		0.4/2.8	13:30	0:30
US	Monthly Budget Statement	Nov		-135		-63.2	19:00	6:00
<b>Wednesday, 13 December 2017</b>								
NZ	Food Prices MoM	Nov	-0.4			-1.1	21:45	8:45
AU	RBA Governor Lowe speaks at Australian Payment Summit in Sydney: "An eAUD?"						22:15	9:15
AU	Westpac Consumer Conf Index/MoM	Dec		/		99.7/-1.7	23:30	10:30
JN	Core Machine Orders MoM/YoY	Oct		2.7/-3.9		-8.1/-3.5	23:50	10:50
AU	RBA's Kent speaks in Sydney at Finance and Banking Conference: "The Availability of Business Finance"						1:15	12:15
AU	RBA's Richard Participates in Panel in Sydney						2:00	13:00
GE	CPI EU Harmonized MoM/YoY	Nov F		/		0.3/1.8	7:00	18:00
EC	EC's Juncker and Tusk discuss approaching Summit/Brexit with European MPs						8:00	19:00
JN	BOJ Kuroda makes a brief speech at Economists' Gathering						9:00	20:00
UK	Jobless Claims Change	Nov		/		1.1	9:30	20:30
UK	Average Weekly Earnings/ex bonus earnings 3M/YoY	Oct		/		2.2/2.2	9:30	20:30
UK	Employment Change/Unemployment rate 3M/3M	Oct		/		-14.0/4.3	9:30	20:30
EC	Industrial Production SA MoM/YoY	Oct		/		-0.6/3.3	10:00	21:00
EC	Employment QoQ/YoY	3Q		/		0.4/1.6	10:00	21:00
US	CPI MoM/YoY	Nov		0.4/2.2		0.1/2.0	13:30	0:30
US	CPI Ex Food and Energy MoM/YoY	Nov		0.2/1.8		0.2/1.8	13:30	0:30
CA	Teranet/National Bank HPI MoM/YoY	Nov		/		-1.0/10.0	13:30	0:30
US	FOMC Rate Decision (Lower/Upper Bound)	Dec 13		1.25/1.5		1.0/1.3	19:00	6:00
US	Yellen Holds Press Conference Following FOMC Meeting						19:30	6:30
<b>Thursday, 14 December 2017</b>								
NZ	ANZ Consumer Confidence Index/MoM	Dec		/		123.7/-2.1	0:00	11:00
AU	Consumer Inflation Expectation	Dec		/		3.7	0:00	11:00
NZ	Budget Policy Statement, HYEPU, update on 100 day plan						0:00	11:00
UK	RICS House Price Balance	Nov		/		1.0	0:10	11:10
AU	Employment Change/Unemployment rate	Nov	15/5.4	19/5.4		3.7/5.4	0:30	11:30
AU	Participation Rate	Nov	65.1	65.1		65.1	0:30	11:30
AU	Underutilisation rate (surveyed once a quarter)	Nov	13.8			14.1	0:30	11:30
CH	Retail Sales YoY/YTD YoY	Nov		10.3/10.3		10.0/10.3	2:00	13:00
CH	Industrial Production YoY/YTD YoY	Nov		6.1/6.6		6.2/6.7	2:00	13:00
CH	Fixed Assets Ex Rural YTD YoY	Nov		7.2		7.3	2:00	13:00
JN	Industrial Production MoM/YoY	Oct F		/		0.5/5.9	4:30	15:30
<b>EC Summit in Brussels (Dec 14-16)</b>								
GE	Markit/BME Germany Manufacturing PMI	Dec P		/		62.5	8:30	19:30
GE	Markit Germany Services/Composite PMI	Dec P		/		54.3/57.3	8:30	19:30
SW	Swiss National Bank meeting, Sight Deposit Interest Rate					-0.75	8:30	19:30
EC	Markit Eurozone Manufacturing PMI	Dec P		/		60.1	9:00	20:00
EC	Markit Eurozone Services/Composite PMI	Dec P		/		56.2/57.5	9:00	20:00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Nov		/		0.1/-0.3	9:30	20:30
UK	Bank of England Bank Rate	Dec 14		0.5		0.5	12:00	23:00
UK	BOE Asset Purchase/Corporate Bond Target	Dec		/		435.0/10.0	12:00	23:00
EC	ECB Main Refinancing Rate/Marginal Lending Facility	Dec 14		/		0.0	12:45	23:45
EC	ECB Deposit Facility Rate	Dec 14		/		-0.4	12:45	23:45
EC	ECB President Draghi holds news conference in Frankfurt						12:00	23:00
CA	New Housing Price Index MoM	Oct		/		0.2	13:30	0:30
US	Initial Jobless Claims	Dec 2		240		236.0	13:30	0:30
US	Retail Sales Advance/Ex autos and gas MoM	Nov		0.3/0.3		0.2/0.3	13:30	0:30
US	Markit US Manufacturing PMI	Dec P		54		53.9	14:45	1:45
US	Markit US Services/Composite PMI	Dec P		/		54.5/54.5	14:45	1:45
US	Business Inventories	Oct		-0.1		0.0	15:00	2:00
CA	Bank of Canada's Poloz Speech to Canadian Club of Toronto						17:25	4:25
<b>Friday, 15 December 2017</b>								
NZ	BusinessNZ Manufacturing PMI	Nov		/		57.2	21:30	8:30
JN	Tankan Large Mfg Index	4Q		24		22.0	23:50	10:50
EC	ECB's Nowotny Presents Austrian GDP Outlook						9:00	20:00
EC	Trade Balance SA	Oct		/		25.0	10:00	21:00
CA	Manufacturing Sales MoM	Oct		/		0.5	13:30	0:30
US	Empire Manufacturing	Dec		18		19.4	13:30	0:30
CA	Existing Home Sales MoM	Nov		/		0.9	14:00	1:00
US	Industrial Production MoM	Nov		0.2		0.9	14:15	1:15
US	Baker Hughes U.S. Rig Count/Oil Rig Count	Dec 8		/		929.0/749.0	18:00	5:00
US	Total Net TIC/Net long term Flows	Oct		/		-51.3/80.9	21:00	8:00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
US	Federal Reserve	14 Dec	1.25-1.50%	1.25-1.50%		1.00-1.25%		
UK	BOE	14-Dec	0.5%			0.50%		
Europe	ECB	14-Dec	-0.4%	-0.4%		-0.4%		
Japan	BoJ	21-Dec	-0.1%	-0.1%		-0.1%		
Canada	BoC	18-Jan				1.00%		
Australia	RBA	6-Feb	1.50%	1.50%		1.50%		
New Zealand	RBNZ	8-Feb	1.75%	1.75%		1.75%		

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Savings Time

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