



# WHAT TO WATCH AUSTRALIA & NZ

Week commencing 24 June 2019

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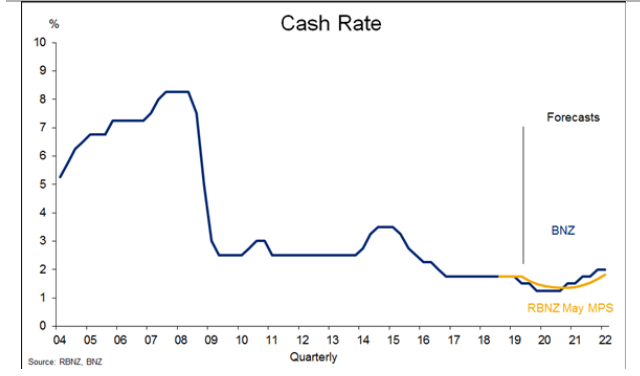
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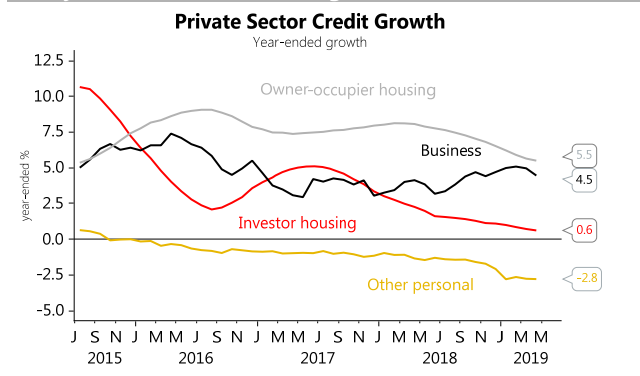
**Trump and Xi meet at the G20; RBA Gov & AU credit; RBNZ cash rate decision; US PCE, Fed speakers; EZ flash PMIs; UK Tory leadership**

- **AU:** In a quiet week, Governor Lowe is participating in panel discussion on the ‘State of the global economy’ on Monday and credit growth figures for May are released on Friday (NAB, mkt: 0.2% m/m). Lowe’s recent comments suggest that the RBA maintains a relatively upbeat outlook on the global economy, but commentary from the Fed points to growing downside risks.
- **NZ:** BNZ expects the RBNZ to hold at 1.5% at its OCR review on Wednesday (market: 1.5%). We think it will sound sufficiently dovish to leave the market largely pricing another 25bp cut at the August Monetary Policy Statement. It remains to be seen whether spare capacity will open up in the economy, restraining inflation, but the global outlook and leading NZ growth indicators have deteriorated. So we can imagine the RBNZ will be inclined to ease further, before too long.
- **Global:** The Trump-Xi meeting at the G20 in Osaka next week (28-29 June) will be the major focus for markets. President Trump has suggested communication between the two presidents is up and running again, lifting hopes that a deal could yet be done.
- **US:** The May PCE deflators and consumer spending for May are released this week, with retail sales pointing to some increase in the tempo of growth. The core PCE deflator is expected to have grown by another 0.2%, with annual growth remaining at 1.6%. Keep an eye out for the Dallas Fed trimmed mean version. With the FOMC out of the way, there are five Fed speeches, including Chair Powell who is speaking at the Council of Foreign Relations in New York on Tuesday.
- **EZ:** Heads of State are currently meeting in Brussels (20-21 June) to make important choices for the most senior European positions, including the next President of the EC and the replacement for ECB President Draghi. Data-wise, most interest will be in tonight’s (Friday) preliminary German, French, and Eurozone PMIs for June given the weakness in manufacturing, especially in Germany.
- **UK:** Markets remain fixated on the Conservative Party’s choice of its next leader and hence the PM. Even though the BoE harbours a weak bias to lift rates, the tone of recent data has deteriorated and the market now anticipates further economic weakness. The BoE expects growth stalled in Q2 and data that will help fill out this evolving picture include the CBI retail survey for June (sales were soft in April and May) and consumer and business confidence.
- **CA:** A very quiet week, with the April GDP release the pick on Friday.

**Chart 1: BNZ expects the RBNZ to hold next week and lower rates in November**



**Chart 2: Private-sector credit growth has been slowing, led by a slowdown in housing credit**



### Australia – Lowe speaks on the global economy

- In a quiet week, Governor Lowe is participating in panel discussion on the ‘State of the global economy’ on Monday and credit growth figures for May are released on Friday (NAB, mkt: 0.2% m/m). Lowe’s recent comments suggest that the Governor maintains a relatively upbeat outlook on the global economy, contrasting with commentary from the Fed highlighting growing downside risks.

### NAB expects the next 25bp rate cut in July, followed by another cut in November, reducing the cash rate to 0.75%.

- Yesterday, Governor Lowe made it clear further rate cuts were necessary. Lowe said, “The most recent data – including the GDP and labour market data – do not suggest we are making any inroads into the economy’s spare capacity ... it is not unrealistic to expect a further reduction in the cash rate as the Board seeks to wind back spare capacity ... and deliver inflation outcomes in line with the medium-term target.”
- Given Lowe’s language, we no longer think the Bank will wait until August to deliver the next rate cut. The Governor has made it clear that the current level of unemployment is no longer good enough.
- We still see a strong case for the Reserve Bank to enact another cut to 0.75%, in November, with the risk of alternative monetary measures in 2020. We believe there is a more pressing need to deliver stimulus given the economy has lost some momentum, which is reflected in our weaker economic outlook.

(For further detail, see: *NAB Fine-tunes Timing of Rate Call: RBA to cut in July to 1%*, 20 June 2019)

### Governor Lowe’s panel appearance will likely maintain a relatively upbeat view on the global economy.

- Governor Lowe is joining a panel discussion on the ‘State of the global economy’ at the ANU Crawford Leadership Forum in Canberra.
- Yesterday, Lowe’s Q&A remarks suggested the Bank maintains a positive reasonable outlook for the global economy, despite slowing growth, dovish comments from the Fed and a deteriorating outlook for US-China trade relations.
- We expect Lowe will maintain a relatively positive perspective, which we think means there is an additional downside risk to the RBA’s outlook.

### NAB expects credit posted another month of weak growth in May, up 0.2%

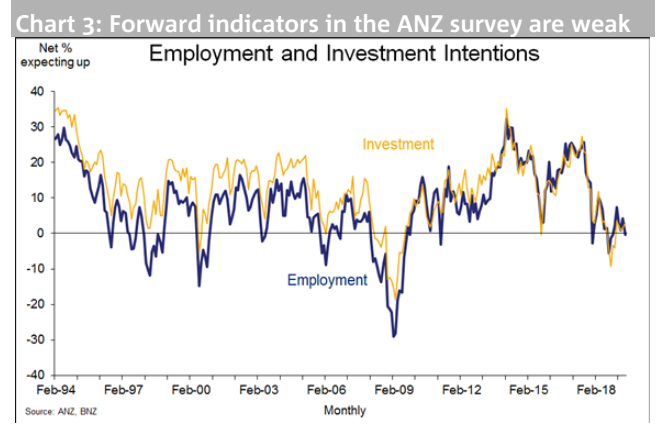
- Housing credit growth is forecast to slow a touch further to 0.2% m/m. We expect owner-occupied credit grew 0.3% in the month (was 0.4%), while investor credit was flat again.
- While business credit disappointed in April with a flat result, we look for a small 0.3% gain in May. Elsewhere, we expect another 0.2% decline in personal credit.

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### New Zealand – dovish RBNZ on hold for now

BNZ expects the RBNZ to hold at 1.5% at its OCR review on Wednesday (market: 1.5%). We think it will sound sufficiently dovish to leave the market largely pricing another 25bp cut at the August Monetary Policy Statement. It remains to be seen whether spare capacity will open up in the economy, restraining inflation, but the global outlook and leading NZ growth indicators have deteriorated. So we can imagine the RBNZ will be inclined to ease further, before too long.

Speaking of leading indicators, June’s ANZ business survey is scheduled for Thursday. We struggle to see what will underpin a turnaround. June consumer confidence is due Friday.



May’s merchandise trade figures on Tuesday will give us a feel for how net exports are going in Q2, after the strength they posted in the Q1 GDP accounts. There are also some credit data for May that should maintain decent momentum, including in housing. Thursday’s Crown Accounts for May will show whether the massive spike in tax revenue in May – which was related to new IRD systems of collection – was mainly a timing issue.

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*See our enclosed Calendar of Economic Events for a fuller list of local & offshore events.*

# CALENDAR OF ECONOMIC EVENTS

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
<b>Friday, 21 June 2019</b>								
GE	Markit/BME Germany Manufacturing PMI	Jun P		44.6		44.3	7.30	17.30
EC	Markit Eurozone Manufacturing PMI	Jun P		48		47.7	8.00	18.00
CA	Retail Sales MoM / Ex Auto MoM	Apr		0.2/0.4		1.1/1.7	12.30	22.30
UK	BOE's Tenreyro Speaks in Copenhagen						12.30	22.30
US	Markit US Manufacturing PMI / Services PMI	Jun P		50.5/51		50.5/50.9	13.45	23.45
US	Fed Listens Event in Cincinnati with Brainard and Mester						16.00	2.00
US	ECB's Nowotny Gives Award to George Soros in Vienna						16.00	2.00
US	Fed's Daly Hosts Podcast on Community Economics						19.00	5.00
<b>Monday, 24 June 2019</b>								
US	Fed's Harker Speaks at Aspen Ideas Festival						14.00	0.00
AU	RBA Governor Lowe speaks on Canberra panel 'state of the global economy'						23.30	9.30
NZ	Credit Card Spending YoY	May				4.5	3.00	13.00
JN	Leading Index Cl	Apr F				95.5	5.00	15.00
GE	IFO Business Climate	Jun		97.5		97.9	8.00	18.00
US	Chicago Fed Nat Activity Index	May		0.1		-0.45	12.30	22.30
US	Dallas Fed Manf. Activity	Jun		1		-5.3	14.30	0.30
<b>Tuesday, 25 June 2019</b>								
NZ	Trade Balance NZD	May		200		433	22.45	8.45
JN	BOJ Minutes of April Policy Meeting						23.50	9.50
AU	RBA's Bullock Gives Speech in Berlin						7.05	17.05
CA	Wholesale Trade Sales MoM	Apr				1.4	12.30	22.30
US	Fed's Williams Makes Opening Remarks at Finance Forum						12.45	22.45
US	Richmond Fed Manuf. Index	Jun		7		5	14.00	0.00
US	New Home Sales	May		685		673	14.00	0.00
US	Conf. Board Consumer Confidence	Jun		131.95		134.1	14.00	0.00
US	Fed's Bostic Speaks on Housing						16.00	2.00
US	Powell to speak at Council on Foreign Relations in New York						17.00	3.00
US	Fed's Barkin Speaks in Ottawa						19.30	5.30
US	Fed's Bullard Gives Welcoming Remarks at Lecture in St. Louis						22.30	8.30
<b>Wednesday, 26 June 2019</b>								
NZ	RBNZ Official Cash Rate	46174	1.5	1.5		1.5	2.00	12.00
GE	GfK Consumer Confidence	Jul		10		10.1	6.00	16.00
UK	BOE's Carney, Cunliffe, Tenreyro and Saunders Speak						9.15	19.15
US	Durable Goods Orders	May P		0		-2.1	12.30	22.30
US	Cap Goods Orders Nondef Ex Air	May P		0		-1	12.30	22.30
US	Wholesale Inventories MoM	May P				0.8	12.30	22.30
<b>Thursday, 27 June 2019</b>								
JN	The BOJ releases 1Q Money Flow						23.50	9.50
JN	Retail Sales MoM	May		0.6		0	23.50	9.50
NZ	ANZ Business Confidence	Jun				-32	1.00	11.00
JN	BOJ Wakatabe speaks in Aomori						1.30	11.30
EC	Consumer Confidence	Jun F				-7.2	9.00	19.00
GE	CPI MoM / YoY	Jun P		0.3/1.6		0.2/1.4	12.00	22.00
US	GDP Annualized QoQ	1Q T		3.2		3.1	12.30	22.30
US	Core PCE QoQ	1Q T				1	12.30	22.30
<b>Friday, 28 June 2019</b>								
NZ	ANZ Consumer Confidence Index	Jun				119.3	22.00	8.00
JN	Jobless Rate	May		2.4		2.4	23.30	9.30
JN	Tokyo CPI YoY	Jun		1		1.1	23.30	9.30
JN	BOJ Summary of Opinions						23.50	9.50
JN	Industrial Production MoM / YoY	May P		0.7/-3		0.6/-1.1	23.50	9.50
AU	Private Sector Credit MoM / YoY	May	0.2/3.7	0.2/3.7		0.2/3.7	1.30	11.30
JN	Vehicle Production YoY	Apr				-4.1	4.00	14.00
JN	Housing Starts YoY	May		-4.2		-5.7	5.00	15.00
UK	GDP QoQ / YoY	1Q F		0.5/1.8		0.5/1.8	8.30	18.30
EC	CPI Core YoY	Jun A		0.8		0.8	9.00	19.00
EC	CPI Estimate YoY	Jun		1.3		1.2	9.00	19.00
CA	GDP MoM / YoY	Apr		/		0.5/1.4	12.30	22.30
CA	Industrial Product Price MoM	May				0.8	12.30	22.30
US	PCE Core Deflator MoM / YoY	May		0.2/1.6		0.2/1.6	12.30	22.30
US	MNI Chicago PMI	Jun		54		54.2	13.45	23.45
US	U. of Mich. Sentiment	Jun F		97.1		97.9	14.00	0.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
UK, BOE		1-Aug	0.75%	0.75%		0.75%		
Japan, BoJ		30-Jul	-0.1%	-0.1%		-0.1%		
New Zealand, RBNZ		26-Jun	1.50%	1.5%		1.5%		
Australia, RBA		2-Jul	1.00%	1.25%		1.25%		
Canada, BoC		10-Jul	1.75%	1.75%		1.75%		
Europe, ECB		25-Jul	-0.4%	-0.4%		-0.4%		
US, Federal Reserve		31-Jul	2.25-2.5%	2.25-2.5%		2.25-2.5%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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