Research

Markets Outlook

4 May 2026

May the (labour) force be with you

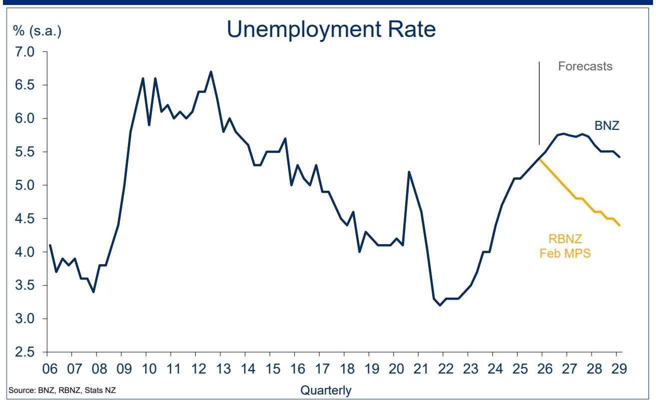
- **Labour market to show slack**
- **But sharp price gains evident**
- **Denting confidence**
- **MPC member Gai talks inflation risks today**
- **RBNZ's Financial Stability Report due Wednesday**

Both businesses and consumers are feeling intense cost pressure stemming from a surge in energy prices, most recently driven by conflict in the Middle East.

Business confidence has dropped as cost pressures hit profitability. The associated flinch in hiring intentions is expected to dent the labour market ahead. While it is probably too soon to show up much in this week's Q1 official labour market figures, we expect it will add to labour market slackness over the quarters ahead.

We forecast Wednesday's Household Labour Force Survey to show Q1 employment growth of 0.2% q/q. That would be enough to lift annual employment growth to 0.5%, but not enough to outweigh expected labour force expansion. This means we forecast the unemployment rate to edge up to 5.5% from 5.4%, assuming the labour force participation rate rounds up to 70.6%.

Labour market slack to widen



If the participation rate does not lift, or even edges lower, it could prevent the unemployment rate from increasing in this week's data other things constant. Participation could ease if workers become discouraged from looking for work. Even if the unemployment rate did not edge higher in Q1, employment indicators suggest that is where the balance of pressure lies over coming quarters.

Our employment growth assumption is softer than the RBNZ's February MPS projection of 0.4%, with our pick for the unemployment rate higher than the RBNZ's forecast of 5.3%. While the Bank's labour market expectations might have changed since February, it did not give any numerical guidance around that at its April Monetary Policy Review.

Market consensus sees a 0.3% quarterly lift in employment, with flat unemployment and participation rates at 5.4% and 70.5% respectively.

Q1 wage measures will reveal pressures before the Middle East conflict shock. The balance of demand and supply of labour over the past year or so has seen wage growth moderate.

We forecast a 0.4% q/q lift in the private-sector Labour Cost Index including overtime. Such a quarterly move would see annual wage inflation remain at 2.0%. The RBNZ forecast 0.4% q/q and 1.9% y/y in its February Monetary Policy Statement.

The RBNZ has highlighted wage growth as one indicator to watch regards guidance to medium term inflation pressures. It currently does not look particularly threatening. Wages tend to lag changes in the economy and general labour market conditions. However, this feedback loop is important to keep monitoring as inflation risks come from elsewhere.

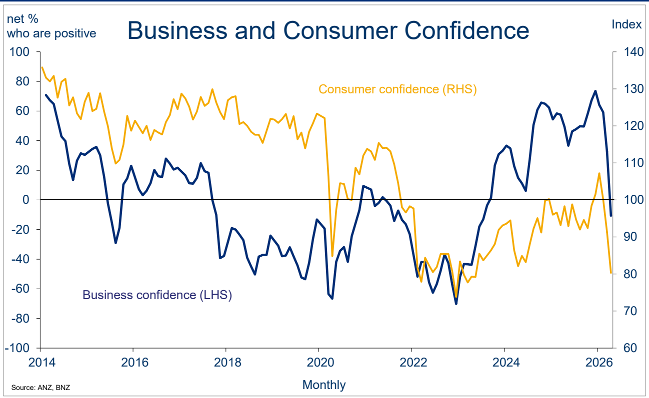
Prices are faced today. So are business costs. Increases in the former have slammed consumer confidence while lifts in the latter have hit business confidence. If anyone needed reminding of the evils of inflation and the damage it can do, last week's ANZ consumer and business confidence surveys provided it. They make for grim reading.

Consumer confidence fell to 80.3 in April from 91.3 in March. April's reading was no worse than responses in late March hinting at some stabilisation. But consumer confidence is lower than during the GFC and when Covid first struck. Let that sink in.

Consumer confidence is getting to levels seen in 2022 when inflation was around 7%. Indeed, consumer inflation expectations are nearing that level with April's two-year ahead reading lifting to 6.6% from 5.7% in March. Higher prices reduce the purchasing power of incomes. Households are making painful spending adjustments to absorb higher costs for fuel and associated items.

Last week's business survey saw 90% of firms expecting higher costs. A net 58% intend to raise prices. The difference illustrates the pressure on profitability. The net number of firms looking to lift prices is elevated, but no higher than in the previous month. Firms are also making adjustments, including cooling employment and investment intentions.

Confidence plunges



The confidence surveys vividly illustrate two key elements of the current shock that we have been highlighting from its outset. The shock is inflation enhancing and growth repressing.

It is helpful to reiterate what monetary policy can and cannot do in situations like this. It can not stop near term inflation from rising aggressively. And it can not stop near term growth from slowing. All it can realistically do is prevent higher inflation from becoming persistent and embedded. We continue to expect the RBNZ to start lifting interest rates this year.

As near-term inflation expectations lift

The RBNZ expected short term inflation expectations to lift, so increases should come as no surprise. That said, the extent of the lift in consumer inflation expectations to 6.6% will not be welcomed. Business inflation expectations nudged up too, but the lift and level were more modest at 3.81% in April from 3.08% in March.

Finance Minister Willis and the RBNZ announced changes to the MPC charter last week. Changes include that when a monetary policy decision vote is required, each members' vote will be revealed. Even when there is a consensus decision any material differences of view or judgement by members will be published. The RBNZ also said changes will encourage members to communicate externally.

We see the changes as a positive move in aiding transparency, consistent with the Governor's clear intent. It will help from meeting to meeting to know more about what individual members are thinking. It will also help when MPC membership changes occur as the departing member's view will be better understood.

The charter changes take immediate effect and will be in effect for the RBNZ's May meeting. That is useful timing given current economic conditions and outlook are more conducive to generating different views and judgements than might ordinarily be the case.

Speaking of MPC members, Professor Prasanna Gai talks today at a Treasury event on 'Shipping lanes and inflation-at-risk: Hub shocks and optimal monetary policy.' This looks highly relevant at the current juncture. We will be very interested to hear what Professor Gai has to say.

The preamble notes that in the talk Professor Gai will explore how disruption to energy and shipping hubs can push costs up across the economy and increase the risk of prolonged or extreme inflation. He explains why central banks need to look beyond average forecasts and pay close attention when inflation pressures become widespread and move together.

The RBNZ will publish Professor Gai's full remarks on its website at 1.30pm today.

On Wednesday, the RBNZ will publish the Financial Stability Report (FSR), its semi-annual assessment of soundness and efficiency of the NZ financial system with risk identification a key part.

Some articles from the report could be released early, as has been the case in recent years. The full report will be released at 9am on Wednesday, with a press conference scheduled for 1pm, and RBNZ testimony to Parliament on Thursday morning, from 9am.

Monetary policy is not a focus of the FSR. However, the release provides a platform for the RBNZ Governor to make comments if she chooses to do so. Intended or otherwise, comments from RBNZ officials at the press conference often have folk inferring monetary policy implications.

There was nothing surprising in the RBNZ Governor's panel discussion last week. There was acknowledgement that Q1 CPI was higher than expected and outside the target band as well as acknowledgement that core measures remain stable within the target band. The accompanying language was essentially a repeat from April's MPR.

Outside the labour market, there is only a couple of commodity price updates on the data calendar this week.

Tomorrow's ANZ commodity price index for April is expected to be about flat in the month and up around 3% y/y in both world and NZD price terms, as higher aluminium prices roughly offset some easing in dairy prices.

The GDT dairy auction early Wednesday morning will provide the very latest on dairy prices. The indicators are mixed for this event but nothing to disturb a strong season's revenue as it draws to a close this month.

doug_steel@bnz.co.nz

Global Watch

- **US-Iran conflict remains unchanged**
- **RBA expected to hike 25bps**
- **US payrolls to show how labour market is holding up**
- **Plenty of Fed and ECB speakers**

Over the weekend, peace proposals were exchanged between the US and Iran via mediator Pakistan. From what we can gather, Iran's proposal reopens the Strait of Hormuz alongside an end to the US blockade, ahead of month-long talks on a nuclear agreement. The US has previously rejected that sequencing.

In Australia, our colleagues at NAB expect the RBA to hike by 25bps to 4.35% on Tuesday, alongside an updated set of forecasts in the SoMP. Household spending data will be released earlier in the day and is likely to show a solid increase, largely driven by higher fuel prices. Building approvals and ANZ-Indeed job ads are due on Monday, with the trade balance released on Thursday.

In the US, the week builds to April non-farm payrolls (Friday). Wednesday is loaded with April ISM services, March JOLTS and ADP employment. The March trade balance (Tuesday) is also due. Bowman, Waller and others speak at the Hoover Monetary Policy Conference (Friday).

In Europe, the focus shifts to hard data after last week's ECB and BoE decisions. German factory orders (Thursday) and industrial production (Friday) will test whether the March PMI surge reflected genuine demand or stockpiling. EZ retail sales (Thursday) are also due. Lane, Schnabel and Bailey speak, amongst others. The Riksbank and Norges Bank hold (Thursday). UK local elections (Thursday) may unsettle the governing Labour Party, potentially flowing through to gilt yields.

In Asia, China's April RatingDog services PMI (Wednesday) and trade data (Saturday) are the highlights, after March's surplus almost halved on surging imports. In Japan, BoJ minutes (Thursday) will be closely watched after last week's 6-3 split, the biggest since 2016. March wage data are also due (Friday).

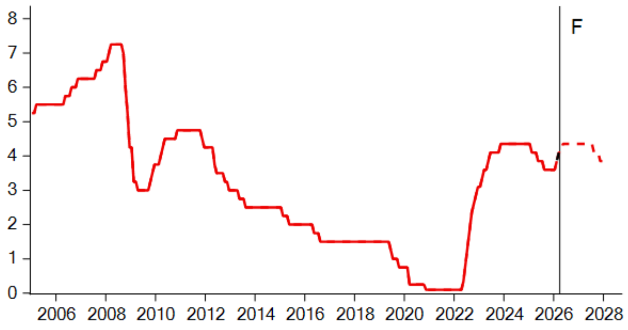
Key Event Previews

Tuesday

AU RBA Policy Decision (May)

NAB expect the RBA to hike by another 25bps to 4.35%, taking the cash rate to its pre-2025 cut levels. Even before the escalation in the Middle East, the domestic backdrop was one of above potential growth, a labour market near capacity and inflation pressures re-emerging. Since then, higher energy prices have added to inflation and lifted inflation expectations in the near term. With Q1 trimmed mean inflation printing at 3.5% y/y, the RBA has limited scope to look through the shock.

RBA Cash Rate Target and NAB Forecast



Source: National Australia Bank, RBA, Macrobond

The RBA will release an updated set of forecasts in its SoMP. The key question will be how the RBA chooses to balance the risks to growth and inflation. There will likely be a downward revision to growth in the near-term and an upward revision to inflation. The unemployment rate forecast is likely to be little changed in the near-term and lifted further out in the forecast horizon. The cash rate underlying these forecasts will likely peak around 4.6% (compared to 4.3% in the February SoMP).

AU Household Spending Indicator (Mar)

NAB expects the monthly household spending indicator (MHSI) to rise by 2.0% in March, which is broadly consistent with NAB's Spend Trend. The increase will be largely driven by fuel, reflecting higher prices from the Middle East conflict shock. The ABS will also release Q1 volumes which will help refine NAB's forecast for real consumption growth of 0.2% q/q. That said, they place less weight on the signal from partial indicators and apply judgment, given the MHSI outperformed the national accounts measure in Q4.

Friday

US Non-Farm Payrolls (April)

April payrolls will provide the clearest read on how the US labour market is absorbing the energy shock. March payrolls rebounded to 178k after February's weather and strike-affected fall of 92k. Average hourly earnings will also draw attention, with firms potentially cutting hours before headcount as energy costs compress margins. With the Fed on hold and rate cut expectations for 2026 all but gone, the data will test how long the labour market can hold up under the energy shock.

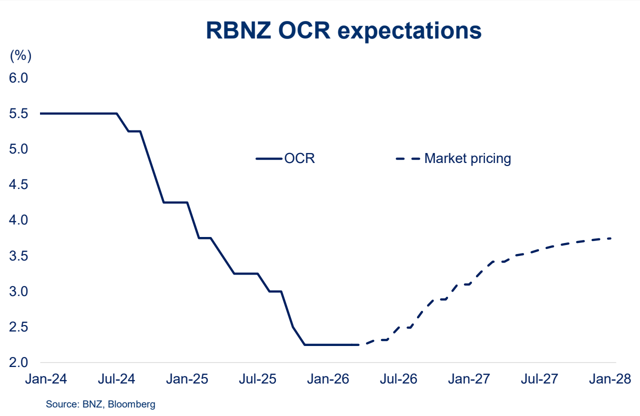
matt_brunt@bnz.co.nz

Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ swap rates continued to oscillate in wide daily ranges but ended last week little changed overall. Two-year rates pushed above 3.60% and neared the cycle highs from March before retracing. The pullback from the highs was supported by weak consumer confidence, which has fallen sharply to a three-year low and highlights the headwinds facing economic activity along with a pickup in inflation expectations. The market is pricing 85bp of tightening by the RBNZ this year, and a peak for the Official Cash Rate (OCR) near 3.75% in late 2027. I continue to think the market has fully discounted the hiking cycle; risks are asymmetric around the OCR peak, with the potential for the tightening cycle to fall short of what is implied by market pricing.

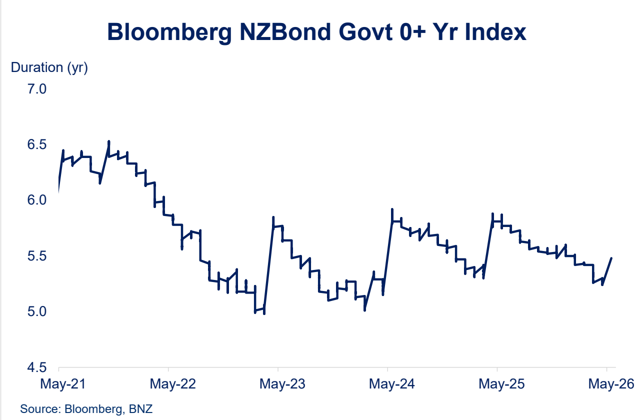
RBNZ hiking cycle well discounted



The key domestic focus in the week ahead is the March quarter labour market release. We expect the unemployment rate to edge up to 5.5%, a fresh 10-year high. The downgraded growth profile stemming from the conflict in the Middle East has contributed to a weaker labour market outlook, and we now see unemployment peaking at 5.8% in December 2026. A softer labour market should constrain wage growth through this year, providing some pushback against expectations for an aggressive RBNZ response to the energy supply-driven inflation spike.

The Reserve Bank of Australia (RBA) is expected to hike 25bp to 4.35% tomorrow, alongside updated forecasts in the Statement on Monetary Policy. Market pricing implies around a 70% chance of a 25bp hike. With Q1 trimmed-mean inflation printing at 3.5%, the RBA has limited scope to look through the shock. The key question is how the central bank balances the risks to growth and inflation from here. Markets are pricing a cumulative 60bp of hikes by December, and our NAB colleagues think 4.35% will mark the peak of this mini tightening cycle. NZ-AU cross-market spreads have been range-bound in recent months. We think spreads are near cycle lows, with limited room for further NZ outperformance from current levels.

NZGB demand from index extension well-absorbed



The widely followed Bloomberg NZ Government Bond Index gained 0.35% in April, recovering after the sharp sell-off in March as bond yields moved rapidly higher, reflecting a repricing of expectations for a more front-loaded and higher OCR peak in the RBNZ hiking cycle. The positive returns in April have seen index returns close to flat for the year. Returns in April were driven by income, which offset a modest lift in yields. The yield on the index increased to 4.11%, from 4.07% at the end of March.

The Bloomberg index had a 0.2-year duration extension at month-end as the May-2026 maturity was removed from the index. This was relatively small in the context of recent years, reflecting the NZ$7.8 billion outstanding of the May-2026 line, which is smaller than other recent maturities. There was a similar extension in the World Government Bond Index. This created some demand for duration into month-end, but it was well absorbed by the market. Bonds outperformed at the margin relative to swaps on the day. 5-year spreads (ref May-2031 maturity) are at the bottom end of the trading range. Bonds in the belly of the curve are attractive and offer around 2bp pickup for carry and roll relative to swaps.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	2.60	2.55 - 3.00
NZ 2yr swap (%)	3.50	3.32 - 3.64
NZ 5yr swap (%)	3.92	3.83 - 4.05
NZ 10yr swap (%)	4.28	4.23 - 4.41
2s10s swap curve (bps)	78	78 - 90
NZ 10yr swap-govt (bps)	-40	-39 - -34
NZ 10yr govt (%)	4.68	4.65 - 4.74
US 10yr govt (%)	4.37	4.22 - 4.43
NZ-US 10yr (bps)	31	31 - 44
NZ-AU 2yr swap (bps)	-118	-127 - -109
NZ-AU 10yr govt (bps)	-34	-35 - -21

*Indicative range over last 4 weeks

stuart_ritson@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week the USD was broadly weaker against the backdrop of higher risk appetite. BNZ's risk appetite index closed the week just over 80%, its highest level in three months. NZD/USD showed a modest lift to about 0.59. The yen was the strongest performer following official intervention to prop it up, resulting in the NZD/JPY falling just over 1% to 92.6. While other NZD cross movements were modest, NZD/AUD traded at fresh 13-year low around 0.8175.

Stepping back from all the daily noise, the NZD remains in a holding pattern, whilst the US-Iran conflict remains at a standstill. Since the second week of April, NZD/USD has traded a 0.5790-0.5930 range (on rounded figures), or less than 1.5 cents. The 0.5920-0.5930 area is turning out to be a notable resistance level.

We await further developments in the Middle East to break the stalemate and until then, we expect the period of NZD consolidation to continue. The US strategy is one of economic warfare rather than military strikes to compel Iran into action to end the conflict. Iran appears increasingly keen to strike a deal as the US navy blockade is working well, meaning that Iran's oil storage facilities are filling up fast. Iran is in the process of being forced to shut-in oil production, which could cause permanent damage to their aging fields.

There were five major central bank meetings last week and all left policy unchanged. However, drawing a common theme, all were alert to developments in the Middle East and were prepared to wait a little longer before reacting to evident greater inflationary forces.

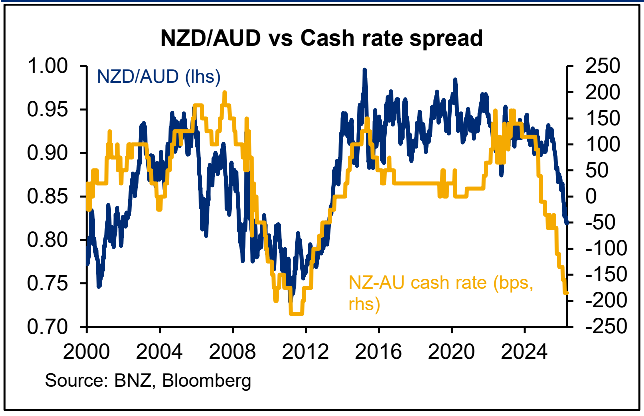
For the US Fed, three regional Presidents dissented regarding the implicit easing bias, preferring a more neutral tone, while perennial dove Miran's vote for a rate cut can be ignored, as his short stint on the FOMC has ended. This balances the committee towards a more hawkish direction for the next meeting. The market sees little chance of US monetary policy adjustment through the rest of the year. The ECB and BoE are open to rate hikes ahead and the skew around the Bank of Canada's policy outlook is more one of hiking than cutting. The BoJ remains on the sidelines and was compelled into intervening to prevent further yen weakness after its meeting, where Governor Ueda did not give a clear steer on the next meeting.

A key requirement for our constructive NZD forecasts to play out over the second half of the year is for the RBNZ to adopt a more hawkish tone and act with tighter policy. The RBNZ's decision would be made easier if other central banks are also raising rates. NZ's policy rate is comparably low compared to the US, Australia and UK, acting as a drag on the NZD. A BoJ-style sitting-on-hands approach to bubbling inflation pressures would clearly be NZD-negative and add to inflationary pressure. The RBNZ's 27-May MPS will be an important event regarding the NZD outlook.

Tighter Australian monetary policy against steady RBNZ policy has been a key driver of a weaker NZD/AUD cross rate this year, adding to NZ inflation pressure. Another 25bps RBA hike (tomorrow) would take Australia's policy rate 210bps higher than NZ's. On our view that the RBA's mini-tightening cycle ends and the RBNZ embarks on a tightening cycle later this year, the rate spread is at a turning point and that should mean the NZD/AUD cross rate is also close to a turning point. We see limited downside pressure on NZD/AUD from here and as the year progresses, the cross rate can gradually recover.

In the week ahead the key domestic release will be the labour market reports on Wednesday. It is too early for them to be affected much by the US-Iran conflict. As noted, the RBA is widely expected to hike rates for a third consecutive meeting tomorrow, but it isn't a sure thing considering the very close vote at the previous meeting. Following major central bank meetings last week, there will be plenty of policy makers giving speeches post the blackout period. The key global economic release will be the US labour market reports at the end of the week.

NZD/AUD driven by NZ-AU rate spread; close to turning



Cross Rates and Recent Ranges

	Current	Last wk %chg	Last 3-wks range*
NZD/USD	0.5906	0.3%	0.5820 - 0.5930
NZD/AUD	0.8189	-0.4%	0.8170 - 0.8300
NZD/CAD	0.8025	-0.3%	0.7960 - 0.8140
NZD/GBP	0.4343	0.0%	0.4320 - 0.4380
NZD/EUR	0.5027	0.3%	0.4980 - 0.5050
NZD/JPY	92.60	-1.1%	91.30 - 94.30

*Indicative range over last 3 weeks, rounded

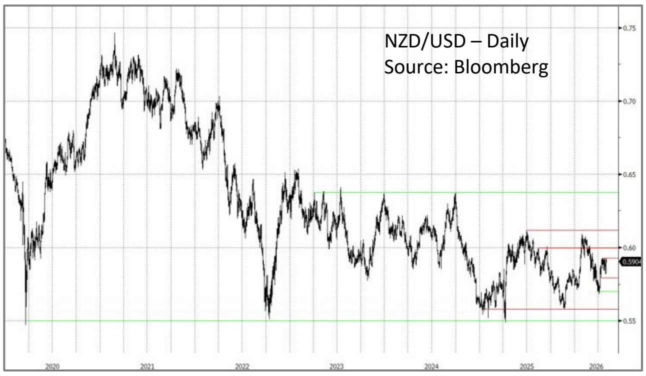
jason.k.wong@bnz.co.nz

Technicals

NZD/USD

Outlook:	Trading range
ST Resistance:	0.5920/30 (ahead of 60)
ST Support:	0.5790 (ahead of 0.5680)

Recent price action signals some notable near-term resistance around 0.5920-0.5930. A break of this would open up 0.60. We put near term support at 0.5790, ahead of the April low near 0.5680.

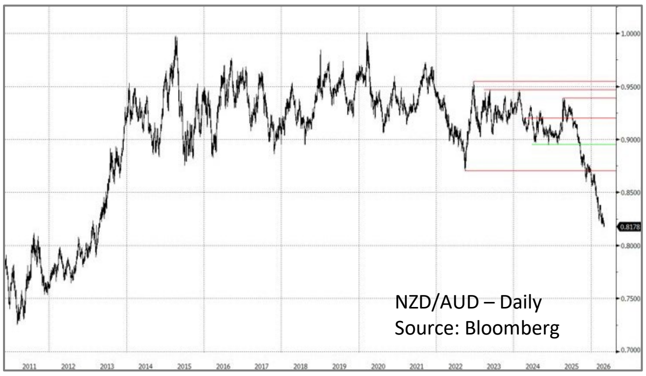


NZD/AUD

Outlook:	Downside risk
ST Resistance:	0.87 (ahead of 0.8950)
ST Support:	None

With the cross rate making fresh 13-year lows, there is no clear support level.

jason.k.wong@bnz.co.nz



NZ 5-year Swap Rate

Outlook:	Higher
ST Resistance:	4.85
ST Support:	3.85

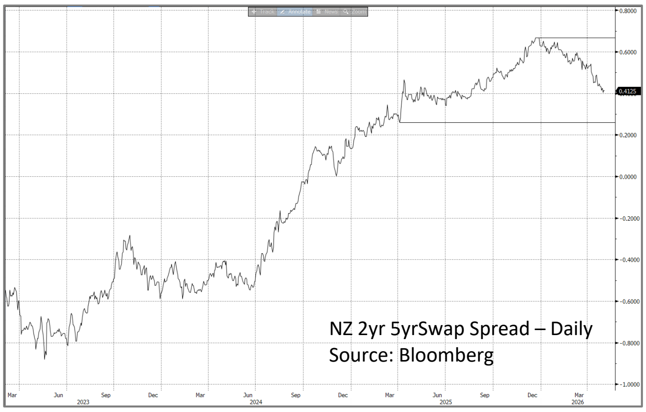
5-year swap traded a tight range last week. We retain our outlook for a higher rate.

NZ 2-year - 5-year Swap Spread (yield curve)

Outlook:	Neutral
ST Resistance:	0.67
ST Support:	0.26

2s5s curve is continuing to grind flatter towards our short-term support level. A move below 26bp would see us shift our outlook to flatter in the medium-term.

matthew.herbert@bnz.co.nz



Quarterly Forecasts

Forecasts as at 4 May 2026

Key Economic Forecasts

Quarterly % change unless otherwise specified Forecasts

	Jun-25	Sept-25	Dec-25	Mar-26	Jun-26	Sept-26	Dec-26	Mar-27	Jun-27	Sept-27
GDP (production s.a.)	-0.9	0.9	0.2	0.9	0.1	0.3	0.5	0.5	0.6	0.6
Retail trade (real s.a.)	0.8	1.9	0.9	1.2	0.6	0.4	0.5	0.6	0.7	0.8
Current account (ann, % GDP)	-3.7	-3.5	-3.7	-3.7	-4.0	-4.5	-4.8	-4.9	-4.5	-4.2
CPI (q/q)	0.5	1.0	0.6	0.9	1.9	0.6	0.3	0.4	0.7	0.5
Employment	-0.2	0.0	0.5	0.2	0.2	0.3	0.5	0.5	0.5	0.5
Unemployment rate %	5.2	5.3	5.4	5.5	5.6	5.7	5.8	5.7	5.7	5.8
Pr. avg hourly earnings (ann %)	4.6	4.1	3.5	4.2	3.3	3.3	3.4	3.3	3.2	3.2
Trading partner GDP (ann %)	3.3	3.2	2.5	2.7	2.7	2.8	3.0	2.9	2.8	2.8
CPI (y/y)	2.7	3.0	3.1	3.1	4.6	3.9	3.6	3.1	2.1	2.1
GDP (production s.a., y/y)	-1.0	1.1	1.3	1.1	2.1	1.6	1.8	1.5	1.9	2.2

Interest Rates

Historical data - qtr average			Government Stock			Swaps			US Rates		Spread
Forecast data - end quarter		Cash	90 Day Bank Bills	5 Year	10 Year	2 Year	5 Year	10 Year	SOFR 3 month	US 10 yr	NZ-US Ten year
2025	**Mar**	3.92	3.84	3.99	4.58	3.47	3.71	4.15	4.30	4.45	0.13
	Jun	3.33	3.38	3.85	4.55	3.19	3.57	4.10	4.30	4.35	0.19
	Sep	3.08	3.09	3.67	4.42	2.99	3.40	3.95	4.20	4.25	0.17
	Dec	2.33	2.51	3.54	4.27	2.71	3.26	3.85	3.80	4.10	0.18
2026	**Mar**	2.25	2.50	3.96	4.52	3.12	3.71	4.15	3.65	4.20	0.33
Forecasts											
	Jun	2.25	2.50	3.95	4.75	3.35	3.70	4.35	3.65	4.35	0.40
	Sep	2.50	2.75	4.25	4.90	3.70	4.00	4.50	3.65	4.50	0.40
	Dec	2.75	3.15	4.35	4.90	3.95	4.15	4.55	3.40	4.50	0.40
2027	**Mar**	3.25	3.65	4.45	4.90	4.10	4.30	4.60	3.15	4.50	0.40
	Jun	3.75	4.05	4.45	4.90	4.15	4.35	4.65	3.15	4.50	0.40
	Sep	4.00	4.15	4.35	4.90	4.05	4.30	4.70	3.15	4.50	0.40
	Dec	4.00	4.15	4.25	4.90	3.95	4.25	4.75	3.15	4.50	0.40

Exchange Rates (End Period)

	USD Forecasts					NZD Forecasts					
	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.59	0.72	1.17	1.36	157	0.59	0.82	0.50	0.43	92.6	66.8
Forecasts											
Jun-26	0.59	0.71	1.18	1.33	156	0.59	0.83	0.50	0.44	92.0	66.7
Sept-26	0.61	0.72	1.19	1.34	153	0.61	0.85	0.51	0.46	93.3	68.4
Dec-26	0.63	0.73	1.20	1.33	152	0.63	0.86	0.52	0.47	95.4	69.8
Mar-27	0.64	0.74	1.21	1.36	150	0.64	0.87	0.53	0.47	96.2	70.7
Jun-27	0.63	0.73	1.20	1.35	149	0.63	0.87	0.53	0.47	94.2	69.7
Sept-27	0.63	0.72	1.20	1.35	146	0.63	0.88	0.53	0.47	92.0	69.6
Dec-27	0.63	0.72	1.19	1.35	144	0.63	0.88	0.53	0.47	90.7	69.7
						TWI Weights					
						16.2%	17.8%	9.2%	4.0%	4.7%	

Source for all tables: Stats NZ, Bloomberg, Reuters, RBNZ, BNZ

Annual Forecasts

Forecasts as at 4 May 2026	March Years					December Years				
	Actuals		Forecasts			Actuals			Forecasts	
	2024	2025	2026	2027	2028	2023	2024	2025	2026	2027
GDP - annual average % change										
Private Consumption	1.1	0.0	1.3	1.2	2.4	1.1	-0.2	1.4	0.9	2.1
Government Consumption	1.1	-1.3	3.4	1.3	-0.5	0.1	-0.9	2.4	2.3	-0.4
Total Investment	-1.1	-4.9	-0.4	5.2	3.7	-0.3	-4.9	-1.5	4.2	4.2
Stocks - ppts cont'n to growth	-1.4	0.4	0.4	0.2	-0.1	-1.2	0.4	-0.1	0.6	-0.2
GNE	-0.9	-1.1	1.7	2.3	2.1	-0.7	-1.1	0.8	2.5	2.0
Exports	8.6	3.4	2.6	3.8	3.7	11.5	4.7	2.7	3.9	3.4
Imports	-1.4	1.5	4.9	4.9	2.7	-0.7	1.7	3.4	5.8	2.8
Real Expenditure GDP	1.5	-0.7	0.8	1.8	2.3	2.1	-0.3	0.5	1.7	2.1
GDP (production)	**1.8**	**-0.9**	**0.6**	**1.7**	**2.3**	**2.2**	**-0.3**	**0.2**	**1.7**	**2.0**
GDP - annual % change (q/q)	*1.6*	*-0.7*	*1.1*	*1.5*	*2.6*	*1.4*	*-1.6*	*1.3*	*1.8*	*2.4*
Output Gap (ann avg, % dev)	1.3	-0.4	-1.0	-0.7	-0.3	1.4	0.0	-0.9	-0.7	-0.4
Nominal Expenditure GDP - $bn	417	431	449	474	496	413	427	445	468	491
Prices and Employment -annual % change										
CPI	4.0	2.5	3.1	3.1	2.0	4.7	2.2	3.1	3.6	1.9
Employment	0.9	-0.9	0.5	1.5	2.3	2.7	-1.3	0.2	1.2	2.1
Unemployment Rate %	4.4	5.1	5.5	5.7	5.6	4.0	5.1	5.4	5.8	5.7
Wages - ave. hr. ord. time earnings (private sector)	4.8	3.8	4.2	3.3	3.2	6.6	4.0	3.5	3.4	3.2
Productivity (ann av %)	-0.6	0.1	1.1	0.6	0.3	-0.7	0.1	1.1	0.7	0.2
Unit Labour Costs (ann av %)	6.6	4.4	2.8	3.1	3.0	7.1	4.7	3.0	3.0	3.1
House Prices (stratified, mth)	2.7	-0.6	0.2	-0.5	5.4	0.7	-0.8	-0.3	0.0	4.5
External Balance										
Current Account - $bn	-23.8	-18.3	-16.6	-23.0	-18.6	-25.8	-20.0	-16.3	-22.5	-19.4
Current Account - % of GDP	-5.7	-4.2	-3.7	-4.9	-3.7	-6.3	-4.7	-3.7	-4.8	-4.0
Government Accounts - June Yr, % of GDP										
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-2.1	-2.1	-3.0	-2.2	-1.0					
Net Core Crown Debt (ex NZS) (Treasury forecasts)	41.8	41.8	43.3	46.0	46.9					
Bond Programme - $bn (Treasury forecasts)	39.3	42.6	35.0	34.0	34.0					
Bond Programme - % of GDP	9.4	9.9	7.8	7.2	6.9					
Financial Variables [1]										
NZD/USD	0.61	0.57	0.58	0.64	0.63	0.62	0.57	0.58	0.63	0.63
USD/JPY	150	149	159	150	142	144	154	156	152	144
EUR/USD	1.09	1.08	1.16	1.21	1.18	1.09	1.05	1.17	1.20	1.19
NZD/AUD	0.93	0.91	0.83	0.87	0.88	0.93	0.91	0.87	0.86	0.88
NZD/GBP	0.48	0.44	0.44	0.47	0.46	0.49	0.45	0.43	0.47	0.47
NZD/EUR	0.56	0.53	0.51	0.53	0.53	0.57	0.55	0.49	0.52	0.53
NZD/YEN	91.1	85.4	92.8	96.2	89.5	89.5	88.4	90.3	95.4	90.7
TWI	71.2	67.9	66.8	70.7	69.8	72.0	68.5	66.8	69.8	69.7
Overnight Cash Rate (end qtr)	5.50	3.75	2.25	3.25	4.00	5.50	4.25	2.25	2.75	4.00
90-day Bank Bill Rate	5.64	3.60	2.50	3.65	4.15	5.63	4.26	2.49	3.15	4.15
5-year Govt Bond	4.60	4.00	4.10	4.45	4.15	4.50	3.90	3.90	4.35	4.25
10-year Govt Bond	4.60	4.50	4.65	4.90	4.90	4.65	4.45	4.50	4.90	4.90
2-year Swap	4.91	3.35	3.32	4.10	3.80	4.93	3.53	2.98	3.95	3.95
5-year Swap	4.40	3.65	3.87	4.30	4.15	4.43	3.63	3.61	4.15	4.25
US 10-year Bonds	4.20	4.25	4.25	4.50	4.50	4.00	4.40	4.15	4.50	4.50
NZ-US 10-year Spread	0.40	0.25	0.40	0.40	0.40	0.65	0.05	0.35	0.40	0.40

[1] *Average for the last month in the quarter*

Source: Statistics NZ, BNZ, RBNZ, NZ Treasury

Key Upcoming Events

All times and dates NZT

		Median	Fcast	Last
	Monday 04 May			
AU	ANZ-Indeed Job Advertisements MoM Apr			-3.10%
NZ	RBNZ External MPC Member Gai Speaks			
AU	Building Approvals MoM Mar	-10.00%		29.70%
EC	ECB's Simkus, Dolenc & Villeroy Speaks			
EC	ECB Survey of Professional Forecasters			
EC	Sentix Investor Confidence May	-22		-19.2
	Tuesday 05 May			
EC	ECB's Kocher, Nagel & Others Speak			
US	Factory Orders Mar	0.50%		0.00%
US	Fed's Williams Speaks			
NZ	ANZ Commodity Price MoM Apr			4.10%
AU	Household Spending MoM Mar	1.50%	2.00%	0.30%
AU	Household Spending YoY Mar	6.10%		4.60%
AU	RBA Cash Rate Target 5-May	4.35%	4.35%	4.10%
	Wednesday 06 May			
US	Trade Balance Mar	-$60.6b		-$57.3b
US	Fed's Bowman & Barr Speak			
US	New Home Sales Mar	660k		
US	ISM Services Index Apr	53.7		54
US	JOLTS Job Openings Mar	6850k		6882k
EC	ECB's Lane & Cipollone Speaks			
NZ	RBNZ Financial Stability Report (FSR)			
NZ	Unemployment Rate 1Q	5.40%	5.50%	5.40%
NZ	Employment Change QoQ 1Q	0.30%	0.20%	0.50%
NZ	Pvt Wages Inc Overtime QoQ 1Q	0.40%	0.40%	0.50%
NZ	RBNZ Press Conference for the FSR			
NZ	RatingDog China PMI Services Apr	52.0		52.1
EC	ECB Wage Tracker			
	Thursday 07 May			
US	ADP Employment Change Apr	120k		62k

		Median	Fcast	Last
US	US Treasury Quarterly Refunding Announcement			
US	Fed's Musalem & Goolsbee Speak			
NZ	RBNZ at Select Committee for the FSR			
JN	BOJ Minutes of March Meeting			
AU	Trade Balance Mar	A$4400m		A$5686m
GE	Factory Orders MoM Mar	1.00%		0.90%
EC	ECB's Kocher, Villeroy & Guindos Speak			
SW	Riksbank Policy Rate 7-May	1.75%	1.75%	1.75%
NO	Deposit Rates 7-May	4.00%	4.00%	4.00%
EC	Retail Sales MoM Mar	-0.30%		-0.20%
	Friday 08 May			
US	Initial Jobless Claims 2-May	205k		189k
US	Continuing Claims 24-April	1790k		1785k
EC	ECB's Lane, Schnabel & Guindos Speak			
US	Construction Spending MoM Mar	0.30%		-0.30%
US	NY Fed 1-Yr Inflation Expectations Apr			3.42%
US	Fed's Williams, Kashkari & Others Speak			
JN	Scheduled F/T Pay - Same Base YoY Mar	3.00%		3.00%
JN	Cash Earnings - Same Sample Base YoY Mar			3.20%
GE	Industrial Production SA MoM Mar	0.50%		-0.30%
	Saturday 09 May			
US	Change in Nonfarm Payrolls Apr	62k		178k
US	Avg Weekly Hours All Employees Apr	34.2		34.2
US	Unemployment Rate Apr	4.30%		4.30%
US	U. of Mich. Sentiment May P	49.4		49.8
US	Wholesale Trade Sales MoM Mar			2.70%
US	Fed's Waller, Bowman & Others Speak			
CH	Trade Balance CNY Apr			354.75b
	Sunday 10 May			
EC	ECB's Cipollone Speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	2.25	2.25	2.25	3.50
1mth	2.42	2.40	2.43	3.56
2mth	2.52	2.50	2.47	3.48
3mth	2.60	2.59	2.51	3.40
6mth	2.80	2.82	2.68	3.24
GOVERNMENT STOCK				
05/28	3.62	3.60	3.54	3.48
05/31	4.17	4.19	4.23	4.04
04/33	4.42	4.43	4.46	4.30
05/36	4.69	4.69	4.73	4.60
05/41	5.02	5.03	5.11	4.96
05/54	5.24	5.27	5.35	5.19
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	54	54	59	64
Europe 5Y	58	59	65	65

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.54	3.53	3.43	3.10
3 years	3.72	3.72	3.70	3.21
4 years	3.85	3.86	3.85	3.34
5 years	3.95	3.96	3.97	3.47
10 years	4.32	4.33	4.34	3.99
FOREIGN EXCHANGE				
NZD/USD	0.5910	0.5908	0.5711	0.5967
NZD/AUD	0.8189	0.8221	0.8256	0.9227
NZD/JPY	92.65	94.18	91.19	85.75
NZD/EUR	0.5035	0.5041	0.4949	0.5273
NZD/GBP	0.4346	0.4365	0.4316	0.4488
NZD/CAD	0.8027	0.8050	0.7944	0.8250
TWI	66.8	66.9	65.6	69.5

Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Matt Brunt
Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Mike Jones
BNZ Chief Economist

Main Offices

Wellington
Level 2, BNZ Place
1 Whitmore St
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854