31 March 2017

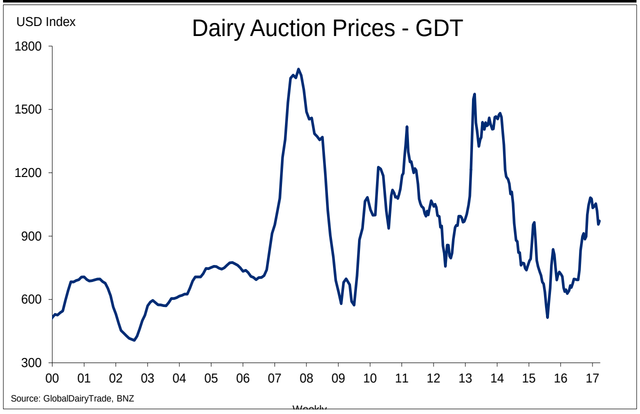
Milk Ahead

- Dairy prices have recovered from last year's lows
- But prices have eased back in 2017 so far
- EU, NZ supply; Chinese demand important from here
- Dairy prices remain a bit stretched relative to oil, grains
- Our milk price forecasts remains at $6.10 for 2016/17 and $6.00 for 2017/18
- Many moving parts, so we look at some scenarios

International dairy prices have eased back a bit so far in 2017, following their strong recovery in 2016. The GDT price index in mid-March was nearly 10% lower than where it started 2017, but more than 50% higher than a year ago.

Signs of stabilisation in EU milk supply and an improving outlook for late season NZ milk production have checked previously positive price momentum. NZ milk production in 2016/17 is now looking like finishing only a percent or two down on the previous season. That is a much smaller fall than some forecasts from earlier in the season.

Dairy Prices Recovered During 2016



The general recovery in dairy prices has got 2016/17 milk price forecasts huddled around the $6.00 mark. Indeed, Fonterra's current forecast is $6.00. We still anticipate a touch more than this with our $6.10 forecast for once the season is all wrapped up, but, really, at this point of the season we are getting within the margin of error. Whatever the precise final number, it looks certain to be miles better than last season's $3.90 (and back above average breakeven levels).

But focus is rapidly turning to next season. NZ production could well post a moderate increase next season, given latest relatively stable cow number estimates and as the cow cull continues to lag last year. Of course, production will ultimately depend on the weather and it's too early to tell what the brewing prospect of an El Nino weather pattern will bring (hopefully not anywhere near the damage it has been causing in parts of Latin America).

For prices ahead, there is much to consider. In the big picture, we are focused on four areas:

- EU: EU milk supply is showing signs of stabilising. Skimmilk powder (SMP) prices are back down close to intervention levels threatening an expansion of an already large SMP stockpile (more than 400,000T, including private storage aid) that would be a headwind for SMP pricing ahead. SMP prices have fallen heavily over recent GDT auctions, as prices realign toward European equivalents. The evolution of EU production (including in the Netherlands under its Phosphate Reduction Plan) post the Milk Production Reduction Scheme will play an important role in where dairy prices track over the coming season. So too will the value of the Euro, as recent weakness makes European product more competitive.
- Supply elsewhere: Particularly in NZ next season but also how Australian and Argentine production develops following this season's hefty declines. Eyes on the brewing El Nino risk.
- Demand: There are currently mixed signals. Recent data shows China's dairy imports lagging a year earlier. But the 1.7% overall price gain at the mid-March GDT auction implied strengthening dairy demand. Encouragingly, global growth indicators have been picking up, and to quite strong levels despite heightened policy uncertainty, providing a useful backdrop for dairy demand ahead.
- Trade: The China-NZ free trade agreement upgrade talks are to start in April with potential, at least in time, to be dairy price positive depending on the detail. Kicking off EU-NZ free trade agreement negotiations remains on the agenda. More uncertain is the indirect influence from potential trade relationship changes as protectionism sentiment rises along with risk of retaliation. Watch for any potential changes in the US-Mexico-Canada trading relationships and between the EU and UK as the Brexit negotiations evolve. The UK is currently the biggest customer for EU (ex-UK) dairy and the second biggest net dairy importer in the world, behind China.

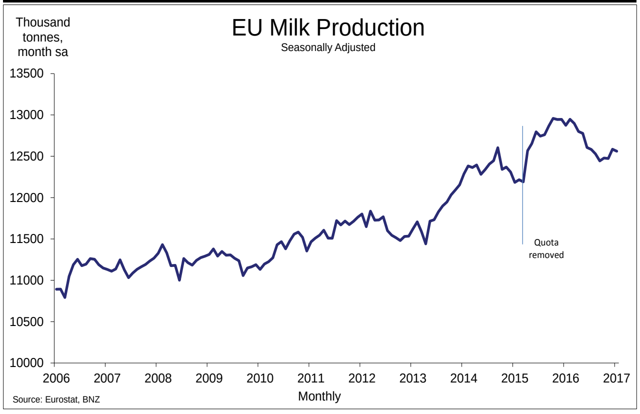
Of course, there are many other factors worth watching too like currency movements (the NZD has softened over recent weeks and months), oil and grain prices (both remain subdued), US milk supply and dairy demand, and general global economic improvement but not without some pockets of weakness.

The NZ dollar has softened a touch this year. On its own, a weaker NZD is a tailwind to domestic milk price. But there are many other moving parts to milk price calculations. And there is much information to influence currency markets over the coming months and year including the performance of the NZ economy and inflation outlook as well as highly important offshore events like the US fiscal outlook, US Federal Reserve's interest rate decisions, other major central bank policy choices, and the process of the UK leaving the EU.

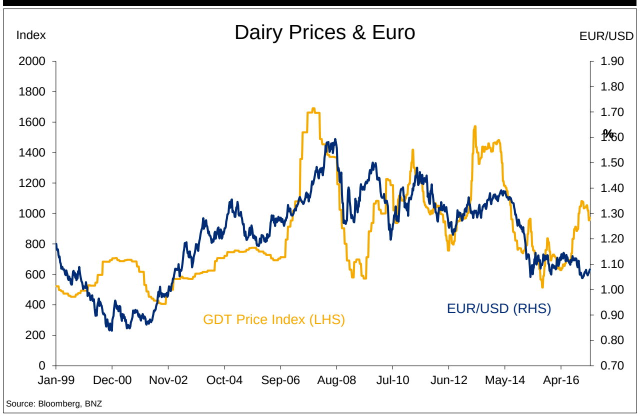
Dairy prices have underperformed oil prices over recent months after a period of outperformance. Dairy prices still look a little stretched relative to oil, although that does not necessarily mean dairy will under-perform ahead. There is some chance of dairy outperforming oil if a premium is built back in on account of El Nino risk, as has often been the case in the past.

Meanwhile, international grain prices remain weak. Low grain prices reduce cost to dairy producers, especially those in the Northern Hemisphere. This, in isolation, and if sustained, will encourage future milk production.

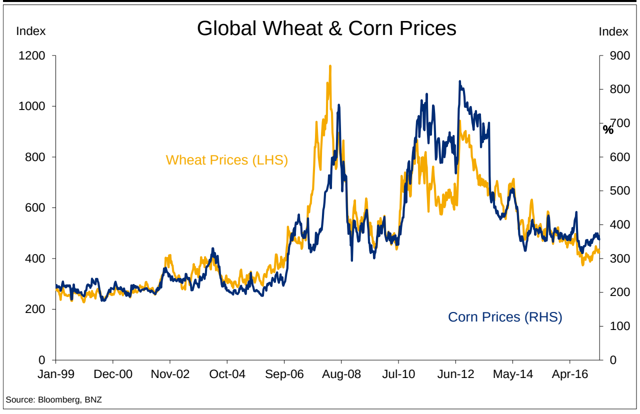
EU Milk Production Stabilising



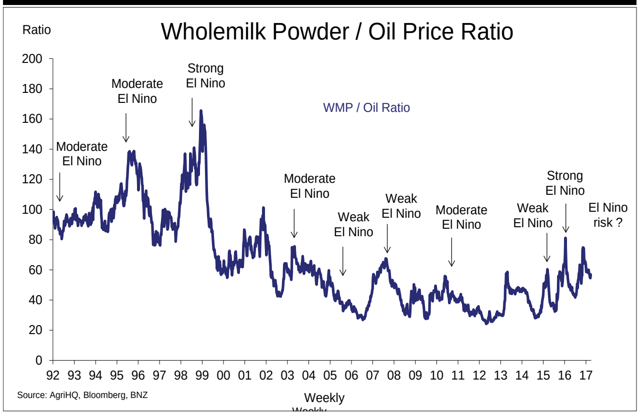
A Weak Euro Unhelpful



Global Wheat and Corn Prices Remain Low



Wholemilk Powder / Oil Price Ratio and El Nino

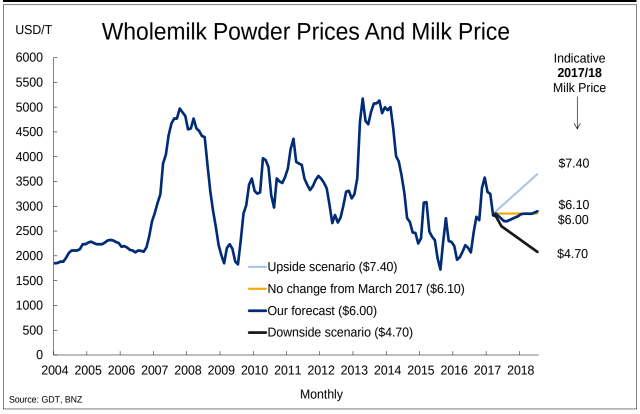


All considered, our central view includes relatively little price change over 2017 with a touch of downward bias near term, before some improvement in 2018. This reflects our thinking that demand and supply in the current dairy market, overall, are relatively balanced. This view underpins our 2017/18 milk price forecast that remains at $6.00.

Our $6.00 figure sits within a wide range of potential outcomes when the 2017/18 season's figures are finalised in around 18 months' time. It is entirely possible for prices to end up higher than our forecast, just as much as it is for prices to be lower. Currently, there appears a touch more downside risk than upside risk to our point forecast. Our view is underpinned by wholemilk powder (WMP) prices ranging between $2,700/T and $2,900/T over the next year or so (amid a host of other assumptions regards other international product prices, product mix, operating costs, and foreign exchange rates – the latter includes our forecast of a slightly lower NZD/USD and an assumption that this translates in an average conversion rate in the high-60s). NZD/USD has average around 0.695 over the past 18 months.

Given a lot of uncertainty for the upcoming season at this time of year, it is useful to look at some alternative WMP price scenarios and what these might mean for milk price

Wholemilk Powder Prices and Milk Price



ahead. In addition to our forecast, we look at three alternatives: no change from here, a downside scenario and an upside one. The chart shows these WMP price scenarios and the associated indicative 2017/18 milk price.

No-Change-From-Here Scenario

This scenario assumes prices remain steady from the mid-March auction level for the entire 2017/18 season (as if world prices would ever sit still for a year!). Given the other uncertainties including the exchange rate, we estimate this would give a 2017/18 milk price in a range of $5.80 to $6.40.

Downside Scenario

This scenario assumes WMP prices fall back toward early-2016 lows, at around US$2,100/T by season's end. Such a scenario may involve a blend of a bounce in EU milk production with softer EU dairy product pricing inducing more intervention buying, a weaker EUR, ongoing strong growth in milk supply in the US that spills into the world market, slower global economic growth perhaps stemming from policy-induced trade disruption, an economic stumble in China denting dairy demand, a retreat in oil prices, and/or even weaker international grain pricing. The NZD would be expected to decline under such rather severe conditions. But even so and given the other uncertainties, such an international environment would indicate a 2017/18 milk price in a range of $4.40 to $5.00.

Upside scenario

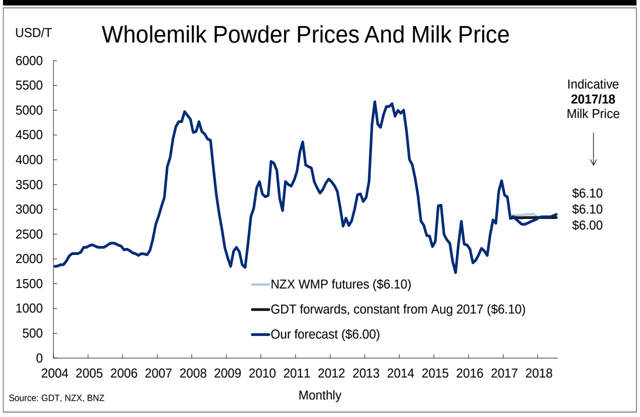
This upside scenario assumes WMP prices track firmly upwards from here just above 2016's high to just over US$3,600/T by the middle of next year. Such a scenario may involve some combination of pullback in EU and US milk supply, ramping up of Chinese demand, a lift in international oil prices, a weather event in a major milk producing area (watch the brewing El Nino) and/or gains in international grain prices. The NZD would be expected to be firm under such conditions, but even so and given the other uncertainties, we estimate this would give a 2017/18 milk price in a range of $7.10 to $7.70.

Market Pricing

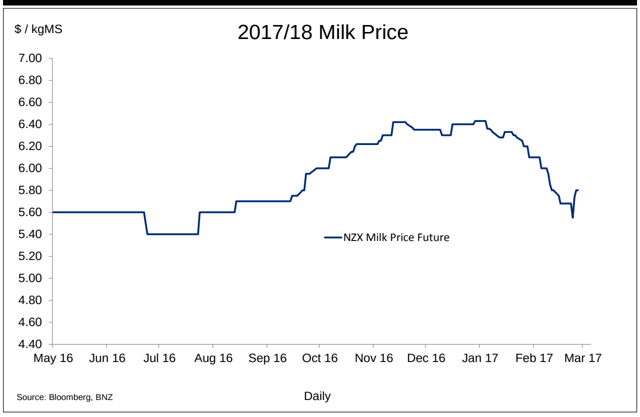
In addition to the above scenarios, it is useful to look at what market pricing implies. Using GDT forward pricing for WMP from mid-March for as far as it goes to August 2017 (and held constant thereafter) and our assumptions for other factors suggests a milk price in a range of $5.80 to $6.40. We get a similar range using the equivalent NZX WMP futures pricing (out to early 2018 and held constant thereafter). More directly, the NZX milk price future for 2017/18 currently sits around $5.80.

Of course, all such pricing can change quickly as dairy demand and supply conditions evolve. Indeed, the NZX milk price future was as low as $5.55 at one point in mid-March, having been as high as $6.43 as recently as late-January. That's a sizeable range within the space of just a couple of months and fits within the scenarios we have constructed above.

Wholemilk Powder Prices and Milk Price



NZX 2017/18 Milk Price Future



Fonterra

As usual, Fonterra is due to make its first forecast for the 2017/18 season before the end of May. We will see where the co-op's forecast sits alongside our scenarios and current market pricing discussed above, as it takes account of all the information available at that time. Two months is a long time in commodity markets.

RBNZ

RBNZ commentary seems to fit around the middle of our scenarios. The RBNZ sees WMP prices trending towards US$3,000/T over the medium term, a view it reiterated in its February Monetary Policy Statement (at a time when prices were around US$3,330/T). Our calculations using that view and current pricing show it would be consistent with a 2017/18 milk price of around $6 or a touch over, depending on a host of other assumptions including the outlook for the currency even if it is based off the Bank's broad currency projections. At last week's OCR Review, the Bank noted volatility in recent dairy auctions and continued to highlight the uncertainty around future outcomes – something that our scenarios above reflect.

Overall

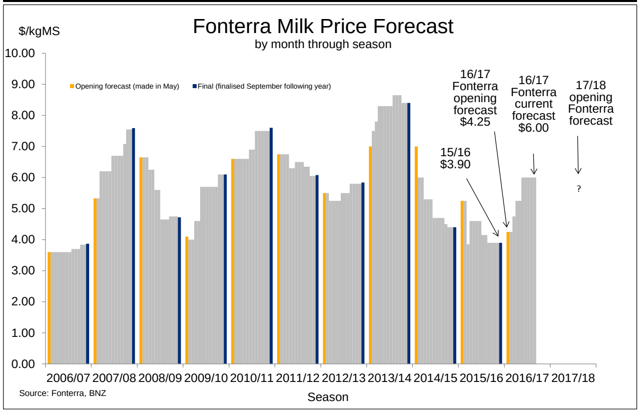
While some of the scenarios discussed might seem unlikely given the degree of price movement, we note that in the three dairy price cycles over the past 10 years or so WMP prices have both essentially doubled or halved within little more than a 12 month period. Never say never in primary product markets. But it is important to note that global supply seems more ready to respond if and when price pressure occurs. This is not to say that commodity price cycles are dead (will they ever be?), but rather that there is a chance the amplitude of future cycles may be dampened somewhat compared to the recent past.

Farmgate milk price is very difficult to forecast. This stems from the nature of the international dairy market including the inherent biological and system supply lag times to respond to price changes, a diverse set of demand drivers across the globe, relatively little product traded across borders but big domestic milk markets around the world, weather risks, and political and trade access risk all of which is then overlaid with the vagaries of currency markets.

We are heading into the time of year that often generates a lot of volatility in the coming season's milk price forecasts themselves. This is partly because any dairy price moves at this time of year affects the starting point for the new season and (unduly?) influences one's view for where prices are likely to track over the season ahead as a whole.

The scenarios we have outlined are not intended to scaremonger nor elevate expectations. They are simply designed to illustrate the degree of uncertainty around as well as potential milk price outcomes given various international conditions. From a business risk and planning point of view, it bears thinking about. Forecasts can and do change – often by quite a lot through the season. Ultimately, while forecasts and scenarios can be useful what matters most is what prices actually turn out to be.

Fonterra Milk Price Forecast By Month Through Season



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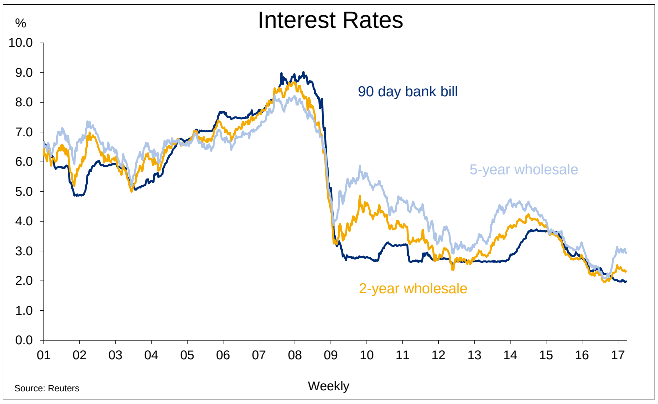
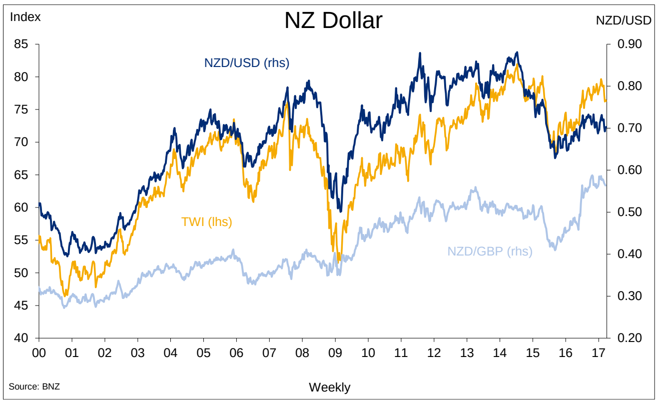
Key Macro Drivers for Commodity Producers

Interest Rates



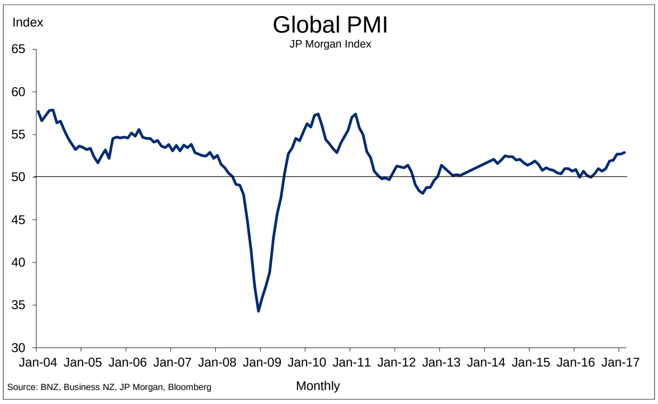
The Reserve Bank of New Zealand again held the Official Cash Rate (OCR) at a historic low of 1.75% at its 23 March Review. RBNZ forecasts show no change in the OCR over the coming two years. We continue to expect the OCR will be maintained at 1.75% through 2017, before gradual increases from the first half of 2018. Wholesale floating rates have a slight upward bias reflecting ongoing upward pressure on bank funding costs while the OCR remains unchanged. While short-dated wholesale fixed rates have been in a tight range some gradual upside pressure in the second half of 2017 is expected as we move closer to the expected OCR tightening cycle in 2018. We see upside pressure to longer-term wholesale fixed rates later in 2017, largely reflecting anticipated global forces.

Foreign Exchange



The NZ dollar has eased somewhat over the past two months, as global risk appetite has pulled back from 2½ year highs. But risk appetite still remains elevated, as volatility has been relatively low across equity, bond and currency markets. We think that risk appetite is likely to be weaker later in the year and is one factor we see acting as a headwind for the NZD ahead. The push lower in the NZD has occurred a little earlier than we had anticipated, but has not altered our general view for a somewhat lower NZD in 2017, especially against the USD that is expected to strengthen. We continue to see NZD/USD around 0.67 by year's end. Meanwhile, the NZD is not expected to get materially stronger against the likes of GBP and EUR but we will be monitoring Brexit negotiations and political risks.

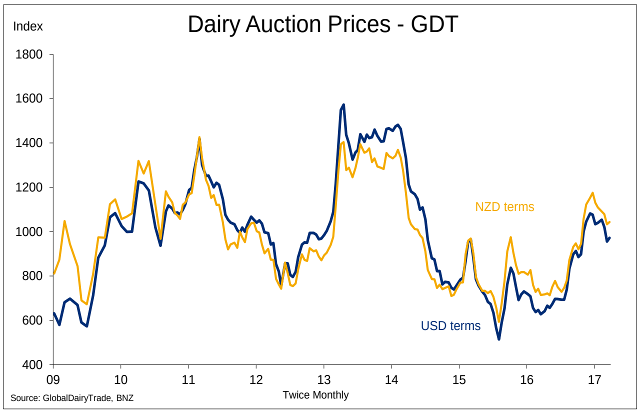
Global Growth



Notwithstanding uncertainty surrounding policy in the US (including trade policy), upcoming elections in the EU, and the now-underway Brexit process, the cyclical upturn in the global economy has continued. Indeed, global economic growth indicators have become quite strong. For example, in February, the global PMI index hit its highest level since 2011 indicating acceleration in global economic growth. Annual inflation has lifted in many countries and longer term interest rates have lifted from last year. We expect economic growth in our major trading partners to be around 3.4% in 2017 and 2018, close to its long term trend rate and a generally supportive backdrop for commodity prices.

Key Commodities

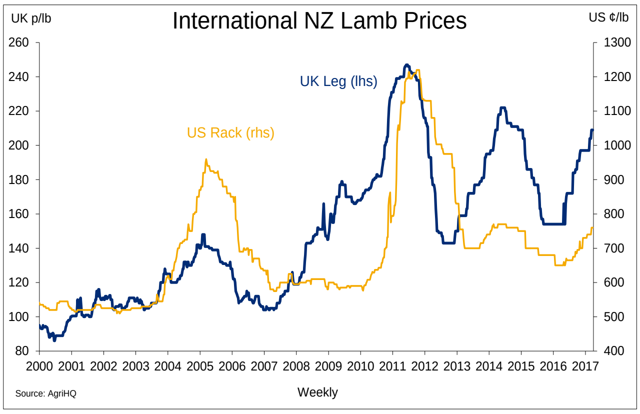
Dairy



International dairy prices have eased back a bit so far in 2017. The GDT price index in mid-March was nearly 10% lower than where it started 2017, but more than 50% higher than a year ago. Signs of stabilisation in EU milk supply and an improving outlook for late season NZ milk production have checked previously positive momentum. NZ milk production in 2016/17 is now looking like finishing only a percent or two down on the previous season. Our milk price forecast for 2016/17 sits at $6.10. Our initial forecast for the 2017/18 season remains at $6.00 and assumes relatively stable prices over the coming year or so, as a mid-point around a wide range of plausible scenarios.

	Current	Month ago	Year ago	Next 12 months
Whole milk powder (US $/t)	2890	3225	2000	→

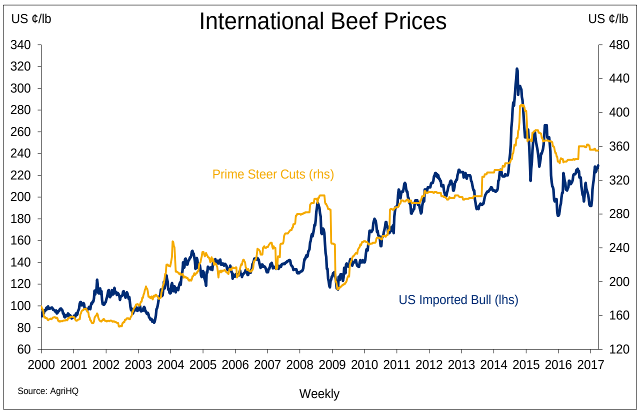
Lamb



Lamb prices in the UK have continued to run higher, with prices now more than a third higher than a year ago. The gains are getting big enough to offset weakness in the GBP. In NZ, prices have squeezed higher – unusual for the time of year – but the lack of supply will limit any gain to the bottom line. The 2016/17 season average lamb price forecast is pushing up toward the mid-$5/kg mark. Looking ahead there is much focus on the now-underway Brexit negotiations.

	Current	Month ago	Year ago	Next 12 months
Lamb leg (UK p/lb)	209	204	154	↑

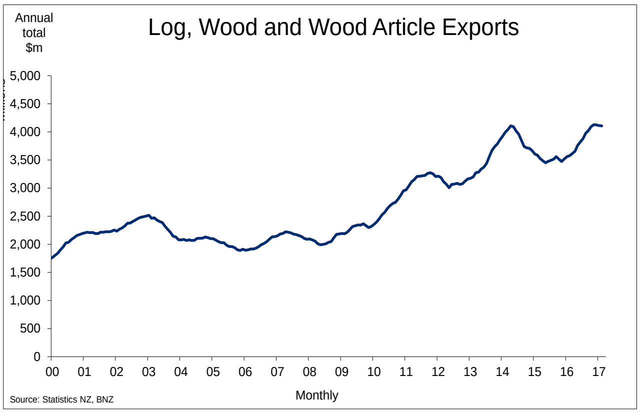
Beef



US bull beef prices have continued their push higher in 2017. Prices are now more than 10% higher than a year ago. Tight supply (including from NZ and Australia) has been an important factor, while US demand indicators are positive and increasingly so. This bodes well for prices ahead. Brazil's tainted meat scandal that erupted mid-March may pressure prices higher, although potential upside is diminishing as the many (more than 20) countries that initially banned Brazilian meat are starting to reopen markets. Still, increased scrutiny remains and there are questions around the extent of the dent to consumer trust.

	Current	Month ago	Year ago	Next 12 months
Imported bull (US ¢/lb)	229	223	207	↑

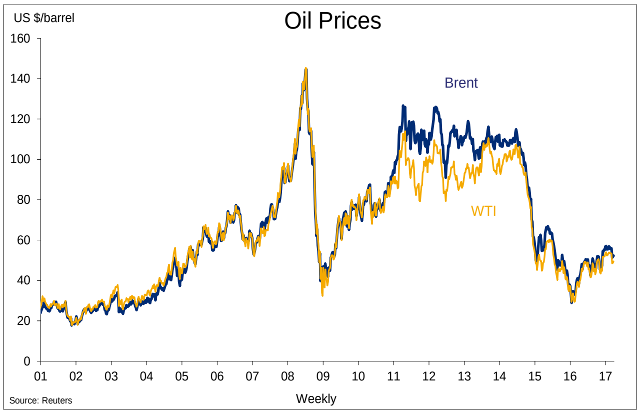
Forestry



Forestry continues to enjoy a strong run. Forestry GDP rose nearly 5% in 2016, despite a technical pullback in the final quarter. The trend has been strongly positive. More timely indicators remain generally positive, although locally some recent pullback in the number of residential building consents bears watching. So too upwards pressure on shipping costs. Meanwhile exports in the year to February were 15% higher than a year earlier, but have shown some flattening at elevated levels over recent months. Overall prices remain firm. The AgriHQ Log Price Index in March sat nearly 5% higher than a year earlier and some 15% above its 5-year average.

	Current	Month ago	Year ago	Next 12 months
S1/S2 log price (NZ $/t)	120	118	109	→

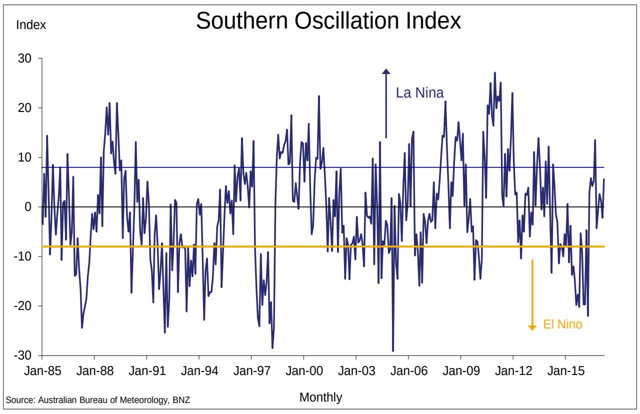
Oil



Crude oil prices have stabilised around $US50/bbl over the past few weeks, easing from a mild push higher earlier in the year. Prices haven't managed to kick on despite estimates that OPEC has manage 95% compliance to their agreed production cuts in March, ultimately still hindered by huge US and global inventories. Improving global growth indicators provide some upside to prices ahead. Note comparisons to the oil price drop last year is providing a boost to annual inflation calculations around the world that will fade later this year if prices remain at current levels.

	Current	Month ago	Year ago	Next 12 months
West Texas Intermediate (US $/b)	49	53	38	↑

Southern Oscillation Index



Despite there being too much rain in some places, rainfall over the past two months has been generally welcomed by pastoral agriculture. Production prospects have improved along with grass growth. We expect to see a positive contribution from agriculture to GDP in the first quarter of the year, after a weather-inflicted hit in the second half of 2016. Weather forecasts over the coming few months look relatively benign. But we are watching the potential for an El Nino weather pattern to develop later in 2017. The Australian Bureau of Meteorology's indicators suggest a 50% chance of El Nino developing in 2017. All El Nino's are different but, in general, under those conditions NZ tends to experience stronger or more frequent winds from the west and south-west leading to dry conditions in the east and more rain in the west. El Nino's tend to dent NZ agriculture GDP. Let's hope the newly developed NZ Drought Index does not get an early run higher!

Quarterly Forecasts

Forecasts as at 31 March 2017

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts (shaded: Mar-17 to Mar-18)

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
GDP (production s.a.)	1.0	0.7	0.8	0.8	0.4	0.7	0.7	0.7	0.6	0.6
Retail trade (real s.a.)	1.3	0.9	2.2	0.7	0.6	0.9	0.8	0.6	0.5	0.7
Current account (ytd, % GDP)	-3.4	-3.1	-2.9	-3.0	-2.7	-2.7	-2.7	-2.8	-2.7	-3.1
CPI (q/q)	-0.5	0.2	0.4	0.3	0.4	0.9	0.3	0.7	0.3	0.6
Employment	1.1	1.2	2.4	1.3	0.8	0.7	0.7	0.6	0.5	0.4
Unemployment rate %	4.9	5.2	5.0	4.9	5.2	5.2	5.2	5.2	5.3	5.4
Avg hourly earnings (ann %)	2.5	2.5	2.1	1.6	1.1	1.2	1.2	1.9	2.6	2.7
Trading partner GDP (ann %)	3.2	3.1	3.3	3.2	3.5	3.3	3.3	3.5	3.4	3.4
CPI (y/y)	0.1	0.4	0.4	0.4	1.3	2.1	2.0	2.3	2.2	1.9
GDP (production s.a., y/y))	2.2	2.8	3.5	3.3	2.7	2.7	2.7	2.6	2.7	2.6

Interest Rates

Historical data - qtr average
Forecast data - end quarter

	Cash	Government Stock 90 Day Bank Bills	Government Stock 5 Year	Government Stock 10 Year	Swaps 2 Year	Swaps 5 Year	Swaps 10 Year	US Rates Libor 3 month	US Rates US 10 yr	Spread NZ-US Ten year
2015 Dec	2.70	2.85	2.85	3.35	2.75	3.10	3.60	0.40	2.20	1.15
2016 Mar	2.45	2.55	2.60	3.05	2.50	2.80	3.30	0.60	1.90	1.15
Jun	2.25	2.35	2.20	2.60	2.25	2.45	2.90	0.65	1.75	0.85
Sep	2.10	2.30	1.90	2.25	2.05	2.15	2.45	0.80	1.55	0.70
Dec	1.85	2.10	2.35	2.95	2.25	2.65	3.10	0.90	2.10	0.80
Forecasts										
2017 Mar	1.75	2.00	2.70	3.20	2.35	2.95	3.45	1.10	2.40	0.80
Jun	1.75	2.00	2.70	3.30	2.40	3.00	3.60	1.40	2.50	0.80
Sep	1.75	2.00	2.75	3.30	2.50	3.05	3.60	1.40	2.50	0.80
Dec	1.75	2.00	2.75	3.25	2.60	3.05	3.55	1.60	2.50	0.75
2018 Mar	1.75	2.10	2.80	3.25	2.80	3.10	3.55	1.60	2.50	0.75
Jun	2.00	2.40	3.10	3.55	3.10	3.40	3.85	1.90	2.75	0.80
Sep	2.25	2.65	3.20	3.60	3.20	3.50	3.90	2.10	2.75	0.85
Dec	2.50	2.90	3.30	3.65	3.40	3.60	3.95	2.40	2.75	0.90
2019 Mar	2.75	3.10	3.35	3.65	3.50	3.65	3.95	2.55	2.75	0.90

Exchange Rates (End Period)

	USD Forecasts EUR/USD	USD/JPY	GBP/USD	NZD/USD	AUD/USD	NZD Forecasts NZD/EUR	NZD/JPY	NZD/GBP	NZD/USD	NZD/AUD	TWI-17
Current	1.07	112	1.25	0.70	0.76	0.66	78.3	0.56	0.70	0.92	76.2
Mar-17	1.08	111	1.24	0.70	0.77	0.65	78.1	0.57	0.70	0.92	76.2
Jun-17	1.05	114	1.25	0.71	0.75	0.68	80.9	0.57	0.71	0.95	78.6
Sep-17	1.04	116	1.24	0.70	0.73	0.67	81.2	0.56	0.70	0.96	78.7
Dec-17	1.04	118	1.22	0.67	0.70	0.64	79.1	0.55	0.67	0.96	76.2
Mar-18	1.05	120	1.20	0.68	0.70	0.64	81.0	0.56	0.68	0.96	76.7
Jun-18	1.06	120	1.21	0.68	0.70	0.64	81.6	0.56	0.68	0.97	77.0
Sep-18	1.08	122	1.22	0.69	0.70	0.63	83.6	0.56	0.69	0.98	77.3
Dec-18	1.10	122	1.22	0.69	0.70	0.63	84.2	0.57	0.69	0.99	77.5
Mar-19	1.11	120	1.25	0.71	0.70	0.64	84.6	0.56	0.71	1.01	78.7
Jun-19	1.12	118	1.25	0.71	0.71	0.63	83.8	0.57	0.71	1.00	78.8
TWI Weights						0.1135	0.0635	0.0456	0.1398	0.2073	

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

Forecasts

Forecasts as at 31 March 2017	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
GDP - annual average % change										
Private Consumption	3.1	2.8	4.7	2.7	2.1	2.9	4.3	3.2	2.2	1.7
Government Consumption	3.1	2.7	2.4	2.1	1.0	2.6	2.3	2.5	1.1	1.0
Total Investment	6.8	2.5	6.1	5.7	4.2	2.1	5.6	6.0	4.7	2.2
Stocks - ppts cont'n to growth	0.5	-0.3	0.1	0.1	0.0	-0.3	0.2	0.2	-0.1	0.0
GNE	3.9	2.4	4.9	2.9	2.4	2.1	4.8	3.3	2.5	1.7
Exports	4.3	5.5	1.1	1.6	3.9	6.8	1.6	0.5	3.9	4.1
Imports	7.4	2.1	6.0	3.8	3.7	3.6	4.2	4.7	3.7	3.2
Real Expenditure GDP	3.1	3.4	3.6	2.3	2.4	3.1	3.9	2.3	2.5	1.8
GDP (production)	**3.4**	**2.4**	**3.0**	**2.6**	**2.4**	**2.5**	**3.1**	**2.7**	**2.5**	**1.8**
GDP - annual % change (q/q)	*3.1*	*2.8*	*2.7*	*2.6*	*2.2*	*2.2*	*2.7*	*2.7*	*2.4*	*1.5*
Output Gap (ann avg, % dev)	0.8	0.9	1.1	1.1	1.0	0.8	1.1	1.1	1.1	0.7
Household Savings (gross, % disp. income)	1.8	1.2	0.3	0.6	-0.1					
Nominal Expenditure GDP - $bn	240.8	250.4	265.4	281.1	292.9	247.4	261.2	277.8	289.9	300.6
Prices and Employment - annual % change										
CPI	0.3	0.4	2.1	1.9	1.9	0.1	1.3	2.2	2.0	1.7
Employment	3.2	2.0	5.2	2.2	1.5	1.4	5.8	2.5	1.6	1.2
Unemployment Rate %	5.4	5.2	5.2	5.4	5.7	4.9	5.2	5.3	5.6	5.8
Wages - ahote	2.6	2.5	1.2	2.7	3.0	2.5	1.1	2.6	2.9	2.8
Productivity (ann av %)	-0.1	0.3	-2.6	-0.1	0.7	0.1	-1.6	-1.0	0.6	0.5
Unit Labour Costs (ann av %)	2.2	2.5	4.6	2.8	2.4	2.6	3.6	3.6	2.3	2.6
External Balance										
Current Account - $bn	-8.5	-7.8	-7.1	-8.7	-11.6	-8.3	-7.1	-7.6	-11.3	-12.0
Current Account - % of GDP	-3.5	-3.1	-2.7	-3.1	-4.0	-3.4	-2.7	-2.7	-3.9	-4.0
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	0.2	0.7	0.2	1.2	1.8					
Net Core Crown Debt (excl NZS Fund Assets)	25.1	24.6	24.4	23.6	21.9					
Bond Programme - $bn	8.0	7.0	8.0	7.0	7.0					
Bond Programme - % of GDP	3.3	2.8	3.0	2.5	2.4					
Financial Variables (1)										
NZD/USD	0.75	0.67	0.70	0.68	0.71	0.67	0.70	0.67	0.69	0.73
USD/JPY	120	113	111	120	120	122	116	118	122	114
EUR/USD	1.08	1.11	1.08	1.05	1.11	1.09	1.05	1.04	1.10	1.14
NZD/AUD	0.97	0.90	0.92	0.96	1.01	0.93	0.96	0.96	0.99	1.00
NZD/GBP	0.50	0.47	0.57	0.56	0.56	0.45	0.56	0.55	0.57	0.57
NZD/EUR	0.69	0.61	0.65	0.64	0.64	0.62	0.67	0.64	0.63	0.64
NZD/YEN	89.9	76.0	78.1	81.0	84.6	82.1	81.7	79.1	84.2	83.2
TWI	78.3	72.2	76.4	76.7	78.7	73.2	78.1	76.2	77.4	79.6
Overnight Cash Rate (end qtr)	3.50	2.25	1.75	1.75	2.75	2.50	1.75	1.75	2.50	3.50
90-day Bank Bill Rate	3.63	2.42	2.00	2.08	3.08	2.74	2.03	2.00	2.88	3.78
5-year Govt Bond	3.20	2.45	2.70	2.80	3.35	2.90	2.60	2.75	3.30	3.50
10-year Govt Bond	3.35	2.95	3.20	3.25	3.65	3.45	3.35	3.25	3.65	3.80
2-year Swap	3.55	2.30	2.35	2.80	3.50	2.80	2.40	2.60	3.40	3.75
5-year Swap	3.65	2.60	2.95	3.10	3.65	3.15	3.00	3.05	3.60	3.80
US 10-year Bonds	2.05	1.90	2.40	2.50	2.75	2.25	2.50	2.50	2.75	2.75
NZ-US 10-year Spread	1.30	1.05	0.80	0.75	0.90	1.20	0.85	0.75	0.90	1.05

(1) *Average for the last month in the quarter*

Source for all tables: Statistics NZ, EcoWin, Bloomberg, Reuters, RBNZ, NZ Treasury, BNZ

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