4 October 2021

NZ In Transition

- **Vaccination drives COVID plan**
- **Restrictions set to ease as infections set to rise**
- **GDP growth under threat**
- **But inflation high and labour market tight**
- **So RBNZ hikes**

On Wednesday, the RBNZ will be announcing what it will do with New Zealand's cash rate. Its decision is to be made on a "least regrets" basis. While financial markets will be fixated on this outcome, today's post-cabinet announcement on how the government is going to approach Delta's current stronghold in New Zealand will be based on a least regrets analysis a hundred-fold more complex and life-changing for every citizen of New Zealand than is the Bank's.

New Zealand has well and truly passed the point where it can live in the hope of operating in a COVID-free bubble. Now we are moving rapidly towards living with the disease, accepting that there will be a significant increase in hospitilisations and, unfortunately, deaths. The key questions now are how fast can we get to this state and what are the prerequisites for doing so?

For now, the government has given a clear indication that it has a 90% target for vaccinations before it will feel free to remove the possibility of further Level 3 or Level 4 lockdowns. That said, it would already seem that Level 4 is a thing of the past with the Prime Minister ruling out Auckland moving back there even with the ongoing spread of COVID in the city.

Moreover, the Prime Minister has said that even the Level 3 restrictions that are currently in place may be eased in a manner that makes "life easier in Auckland, but don't pose as much risk". This relative relaxation would never have been allowed in previous outbreaks.

We will get the Government's latest update at 4.00pm today. We think it will actually be a step in the direction of getting rid of the Levels terminology altogether. Policy moving forward is likely to be far more pragmatic, and a lot less rules based, as the government progressively transitions New Zealand into a COVID-endemic world.

Whatever the detail today, we will be looking to lower our Q4 GDP forecasts over the next few days. In round numbers the 7.0% bounce-back in activity we were anticipating now looks more like a 6.0% rebound. Not only will Auckland face restrictions for longer but, as a consequence of that, the rest of the country's restrictions will stay higher for longer too. To cap things off, you can throw in the recently announced move to Level 3 for a big chunk of Waikato for at least the next five days. Waikato accounts for 8.6% of New Zealand's nominal GDP. And while it's not the whole region that will experience enhanced restrictions it's enough of the region to make a difference to our overall prognosis.

More generally, it is likely we are going to have to lower our GDP trajectory for at least the next six months. Our current forecasts implicitly assume the economy operates in a relatively COVID-free manner from mid-November onwards. This no longer looks to be the case. Either we will be more restricted than we are currently assuming, or the spread of COVID in the community will be adversely impacting consumer spending, especially in the services sector, as folk fearing COVID go out less.

For those, especially in the hospitality sector, that are looking forward to reopening in time for the festive season there is every reason to be optimistic. However, we strongly caution there is a very real risk the Christmas bonanza will be nowhere near as rewarding as it would have been in a "normal" holiday season.

Moreover, ironically, as we all demand greater and greater clarity about the way ahead, the truth of the matter is that we are entering a period of heightened uncertainty and experimentation. Uncertainty is never great for business planning especially around investment activity.

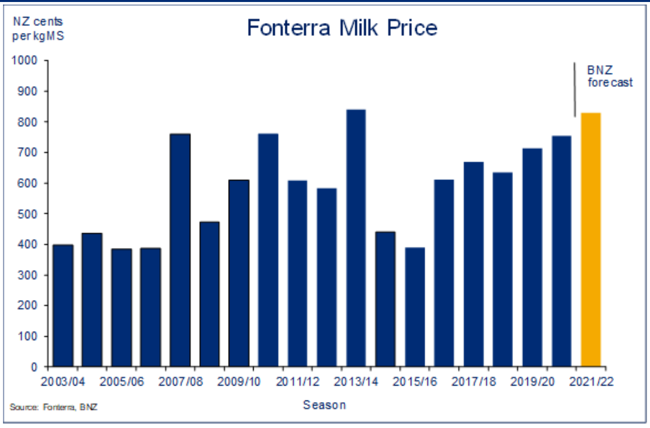
For the Reserve Bank of New Zealand, heightened uncertainty signals (under its least regrets approach) the need to be conservative. With this in mind, the latest COVID developments should have flattened any remaining talk of the RBNZ raising the cash rate by 50 basis points at its Wednesday Monetary Policy Review. Furthermore, there is no doubt the risks to future economic activity are elevated compared to the RBNZ's August MPS. But, on the other hand, the starting point (higher GDP, higher house prices and, probably, higher CPI inflation) is more problematic than anticipated and COVID continues to deliver a supply shock which is pushing both the labour market and inflation to disconcerting places. Taking all this into consideration, we still think the Bank will raise the cash rate 25 basis points at this week's Review while signaling the likelihood of further increases to come.

But lest it not be forgotten that it is people who make the decisions not machines. These people will be being emotionally torn by recent COVID developments in the same way that everyone else is in the country. We think the fear of missing mandates will eventual win the emotional battles faced by the decision-makers but downgrade our probability of a rate increase to 85% from 100% in recognition of the issues being confronted.

With all the hype around government and RBNZ announcements this week, don't overlook tomorrow's NZIER Quarterly Survey of Business Opinion. The QSBO is always a great overview of both the current state of economic conditions and business expectations for the future. For us the key indicators will again be all those that signal just how tight the labour market remains and everything to do with pricing and pricing intentions. If the PMI, PSI and ANZ surveys are anything to go by, tightness in the labour market will remain highly elevated and the inflation indicators will remain well north of being consistent with the RBNZ achieving its desired inflation outcomes.

While much of the week's news will be challenging, hopefully Wednesday morning's Dairy Auction can provide some positive news. We are expecting a further 1.0% increase in the GDT auction price. If so, this will imply further upside risk to our current 2021/2022 milk price forecast of $8.30. Last year's $7.54 was a tremendous result but this year is shaping up to be a real cracker. We should, note, nonetheless, that with on-farm costs rising aggressively not all the gains will be lining the pockets of producers.

Dairy – a shining light



Commodity prices, in general, are faring well and we also expect to see ANZ's Commodity Price Index, released Tuesday, reveal an increase in prices for September of around 2.0%.

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Global Watch

- **US payrolls vulnerable to downside risks**
- **US debt ceiling, infrastructure bills in focus**
- **AU vaccination rates close to allowing restriction relief**
- **No change expected from RBA**
- **EU, UK energy issues a major headwind**
- **China on Golden Week**

Australia

Freedom Day is almost here, which is rendering most data to the rear vision mirror. NSW is set to reach its 70% full adult vaccination target this week, allowing the state to begin to re-open on October 11. The ACT has set October 15 to ease restrictions and VIC has pencilled in October 26.

Australia has now fully vaccinated 55.1% of the adult population (16 years plus), while 78.5% have had at least one dose.

Though easing of restrictions is slated to occur in phases, with many activity restrictions including capacity caps remaining following the initial lifting of stay at home orders, re-opening should see a rebound in activity starting from October. That should ensure a strong rebound for Q4 GDP after what is likely to be a very weak Q3. The exact timing of interstate border reopening remains uncertain. As for the international border, the government has indicated it will lift some border restrictions in November as states reach the 80% 16+ double vaccination threshold.

The RBA meets on Tuesday and is likely to remain optimistic given the vaccine rollout. No change is expected to monetary policy settings or guidance in many respects this meeting will be a non-event given the RBA went ahead with its taper last month and guided the current $4bn pace will continue until February. Financial stability issues will be a focus given the Board will have been briefed on the Financial Stability Review which is published on Friday. Note regulators are poised to tighten macro-prudential policies in coming months.

Data is minimal with Job Ads and the Trade Balance on Tuesday, and ABS Payrolls on Thursday. NAB suggests the trade surplus is likely to ease back to $10bn from $12.1bn given the fall in the iron ore price. A further decline in the trade balance is likely and NAB wouldn't be surprised to see the trade balance surplus hovering around the $8bn in the months ahead given commodity price developments.

China

China is out for Golden Week Holidays till Thursday with the only data point being the Caixin Services PMI on Friday. Evergrande developments will remain front and centre as will any news around power supply developments.

US

Payrolls on Friday is the focus with several high frequency indicators suggesting downside risks to the consensus of 470k jobs – one indicator even points to a negative print. Should payrolls disappoint, that will ignite discussions on whether the Fed makes a taper announcement in November. Key data points ahead of payrolls include the Services ISM on Tuesday and ADP Payrolls on Wednesday. Jobless Claims on Thursday is also likely to garner more attention than usual given three consecutive weeks of unexpected increases which analysts attributed to storm activity and unfavourable seasonal factors. As for Fed speak, hawks dominate the speaking circuit with Bullard, Mester and Harker. The debt ceiling needs to be lifted by October 18 and questions remain on whether Democrats can coalesce to pass two infrastructure bills ($1 trillion bi-partisan and $3.5 trillion social infrastructure).

Eurozone

With higher energy prices likely to be with us for a while, all of this will play into a potentially interesting ECB debate over the next six months or so. Datawise there is only the final Services PMI on Tuesday and Retail Sales on Wednesday of note. There are also a few ECB speakers with Chief Economist Lane the one to watch on Thursday.

UK

The UK economy is facing some serious headwinds given the fuel shortage due to a lack of truck drivers, as well as skyrocketing natural gas prices. Markets will also be looking for fallout from the end of the government's job furlough scheme and anything from the BoE given the surge in market rate pricing to almost three hikes by end 2022 and the first as soon as next month. BoE's Ramsden (hawk) speaks on Monday.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ long-term swap rates made fresh multi-year highs again last week as the US 10-year hit a 3½ month high before retracing. The market now looks ahead to the RBNZ MPR this week, where the universal consensus is for a 25bps OCR hike.

News over the weekend that large parts of Waikato will join Auckland in Covid alert level 3, for at least five days, are unlikely to derail the RBNZ's planned OCR hike. The RBNZ has been clear that, with the OCR just 0.25%, lockdowns are not an impediment to raising rates. Auckland has been in lockdown since before the August MPS and the RBNZ has strongly signalled that it intends to raise the OCR this week. Unlike the RBNZ's decision to keep the OCR on hold in August, this a regional, rather than nationwide, lockdown in Waikato.

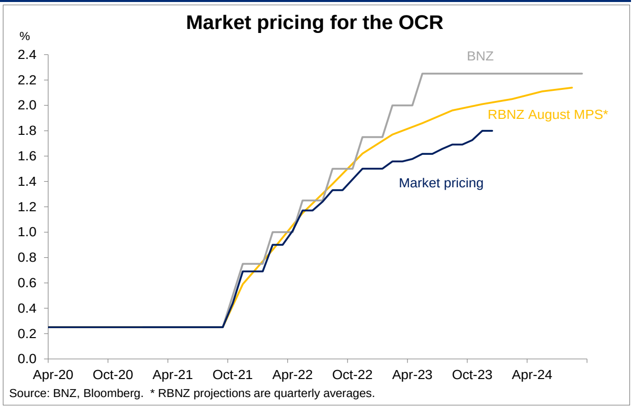
The market is already well priced for a 25bps hike, with 19bps priced in today, implying around a 75% chance of a move. It is also the universal consensus among economists, including our own. Hence, key to the market reaction will be how the RBNZ characterises the outlook in its statement and accompanying summary record of the meeting. We're expecting the RBNZ will signal more hikes to come as it looks to return the OCR to something closer to 'neutral'. But, with the 65bps of OCR rate hikes priced in for the upcoming three meetings and around 130bps by the end of next year, we think the market is likely to be more sensitive to anything which suggests the RBNZ might take a more cautious approach to raising rates.

The US 10-year rate made a 3½ month high mid last week, at 1.565%, before reversing lower on Thursday and Friday, eventually ending the week little changed, at 1.46%. Upward pressure on global rates has followed the recent hawkish messages from the Fed and the Bank of England against a backdrop of continued elevated inflation globally. The unfolding energy crisis, which has seen European gas prices explode higher and thermal coal hit record highs, is adding to already high inflation. European inflation expectations, as measured by the 10-year inflation swap, hit an almost 8-year high last week, at 1.91%.

NZ 5-year and 10-year swap rates have been dragged higher by these global forces, hitting 1.88% and 2.26% respectively late last week, before dipping a little today. Our core view is still that global rates will track higher from here which should flow through to NZ long-term rates, albeit the moves are unlikely to be one-for-one (we expect NZ long-term rates to rise by less than the US and Australia since there is much less monetary policy tightening priced in for the Fed and the RBA than for the RBNZ).

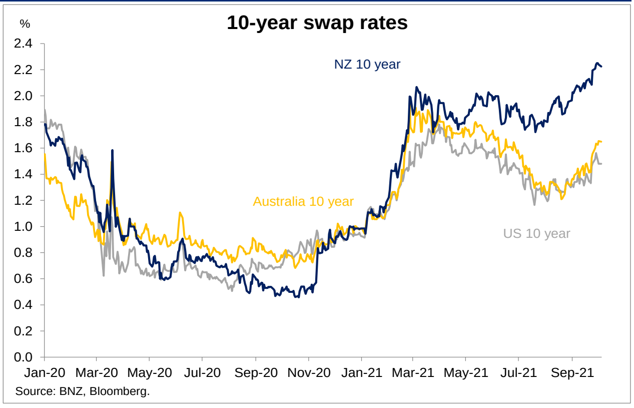
The focus offshore this week is likely to be on the US nonfarm payrolls release on Friday night, with several high frequency indicators suggesting downside risks to the consensus of 470k jobs (one indicator even points to a negative print). Should payrolls disappoint, it might cast doubt around whether the Fed makes a taper announcement in November, although some would argue that it is largely constrained labour *supply* (rather than demand) that is holding back faster job growth at present. Distressed Chinese real estate developer Evergrande is also likely to remain in the headlines amidst reports that it has guaranteed a bond that matures today and were bondholders not to get paid it could trigger a cross-default on its own debt obligations. There hasn't been much spill over from concerns around Evergrande to the broader market seemingly reflecting market confidence that the Chinese authorities will step in if a disorderly bankruptcy threatened the Chinese economy.

Near-term OCR expectations came down last week



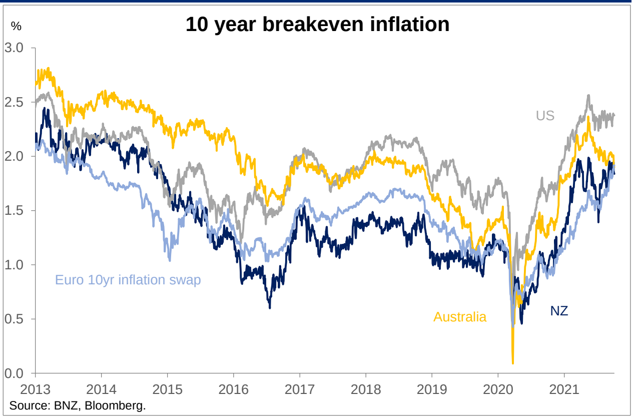
Source: BNZ, Bloomberg. * RBNZ projections are quarterly averages.

3½ month high for US 10yr, multi-year high for NZ 10yr



Source: BNZ, Bloomberg.

European 10-year inflation expectations hit almost 8yr high



Source: BNZ, Bloomberg.

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The USD showed broad-based strength last week. The NZD got caught up in this dynamic, sending it down 1% to 0.6950 and reaching as low as 0.6860. Not helping the NZD was a spike up in COVID19 cases, while the AUD had some protection by higher energy prices and managed to recover to end the week flat. NZD/AUD fell by about 1% to 0.9555. The NZD was flat against the EUR and GBP, while the lower risk appetite backdrop saw NZD/JPY down 0.7%.

Last week was significant for the USD in that the closely watched DXY and BBDXY indices broke the top end of their trading ranges seen so far this year to record 2021 highs. EUR, GBP and JPY all reached fresh year-to-date lows against the USD. The NZD and AUD didn't reach the same milestone as both printed weaker figures in late-August.

This dynamic reflected a combination of safe-haven USD demand as risk appetite soured, and a delayed reaction to the more hawkish pivot from the US Fed the previous week. US short-end rates pushed up to multi-year highs as the market brought forward the timing of the first Fed rate hike into late 2022. The Fed's central view remains that the current inflationary surge is transitory and inflation is expected to come down in the first half next year. But in front of lawmakers last week, Chair Powell said that if there were indications that inflation could rise to unsustainable levels, then the Fed would hike rates to bring it under control.

Price action has followed the June FOMC playbook, with the USD strengthening after that meeting as the Fed turned more hawkish, and now again after the September FOMC update. A continuation of this theme at regular Fed policy updates would see the NZD struggle to perform over the coming year, even though the RBNZ was well ahead of the Fed in stopping QE and is ready to raise rates. On that note a 25bps hike from the RBNZ is widely anticipated from the RBNZ this Wednesday and should cause little sustained NZD reaction.

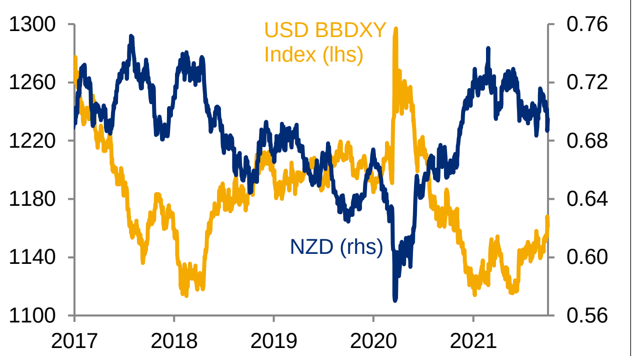
Not helping NZD sentiment is the backdrop of surging energy prices across Europe and China, resulting in production shutdowns that threaten the global economic recovery underway. To add to the risk around China's economy, the restructuring of troubled property developer Evergrande will require significant government involvement to avoid its imminent collapse reverberating across the rest of the property sector. The property sector has been a key contributor to China's growth performance over the past decade, so a major slowdown in this sector would have significant global ramifications.

Yet another headwind for the NZD is the local COVID19 outbreak that has seen a long tail of cases and ultimately a more protracted lockdown in Auckland than originally envisaged. The government is poised to rightly change its strategy around lockdowns. Still, NZ's economy will likely lag others which are showing more willingness to live with the virus. Australia is looking to reopen its international borders next month, well ahead of NZ.

In sum, it is difficult to see catalysts to take the NZD on a higher plane and we will be taking a hard look at our projections this week, in which we will consider whether USD strength is likely to be sustained, or not. On the NZD crosses there is less obvious need for revision. We have more confidence that NZD/AUD has reached a turning point, after a second consecutive weekly decline that followed 14 successive upward weeks.

While domestically the RBNZ's MPR will take centre stage, on the global calendar US non-farm payrolls at the end of the week will play a key role in whether the US Fed announces a tapering of its QE programme in early-November. The current median consensus is 470k and the mode is 400k and either of these figures is likely good enough. The RBA meets tomorrow but is a "dead rubber", after last month's decision to taper bond purchases and not review that decision until February.

NZD struggles with USD at fresh high for the year



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6942	0.6860 - 0.7140
NZD/AUD	0.9563	0.9530 - 0.9730
NZD/GBP	0.5123	0.5100 - 0.5160
NZD/EUR	0.5988	0.5910 - 0.6050
NZD/JPY	76.99	76.30 - 78.60

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.7210	-4%
NZD/AUD	0.9160	4%

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Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.7140 (ahead of 0.7315)
ST Support: 0.6850 (ahead of 0.6800)

A series of lower highs and lower lows this year raises the possibility of a downward trend, requiring a break above 0.7140 to disprove that, which we note as a possible resistance level. Key support is around the 0.68-0.6850 zone.

NZD/AUD

Outlook: Trading range
ST Resistance: 0.9600 (ahead of 0.9730)
ST Support: 0.9500 (ahead of 0.9430)

Two weekly falls after 14 consecutive weekly gains provide some ground in believing that the turning point has passed. We lower resistance to 0.96. The frst level of support might kick in around 0.95.

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NZ 5-year Swap Rate

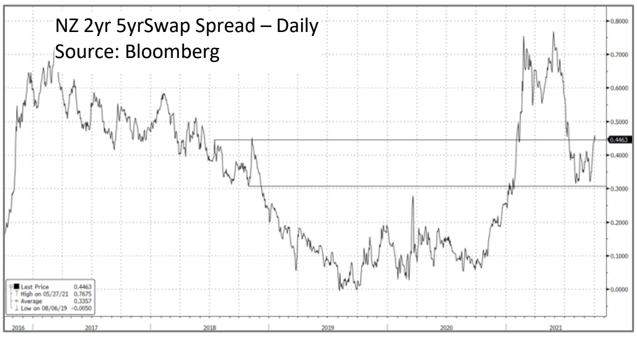
Outlook: Higher
MT resistance: 1.89
MT support: 1.72

We just reached our initial target at 1.89. Hold paid position while raising stop to 1.72, next target 2.12.

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

Outlook: Neutral
MT resistance: 0.45
MT support: 0.31

Took profit at 0.45 and are now neutral curve awaiting technical signal.



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Quarterly Forecasts

Forecasts as at 4 October 2021

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts: Sep-21 to Sep-22

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
GDP (production s.a.)	-9.9	13.9	-1.0	1.4	2.8	-7.0	7.0	0.0	1.5	0.4
Retail trade (real s.a.)	-15.5	27.8	-2.2	2.8	3.3	-12.0	13.0	1.0	0.8	0.6
Current account (ytd, % GDP)	-1.5	-0.7	-0.8	-2.5	-3.3	-4.6	-5.4	-5.8	-6.5	-6.6
CPI (q/q)	-0.5	0.7	0.5	0.8	1.3	1.5	0.7	0.6	0.6	0.8
Employment	-0.4	-0.6	0.7	0.6	1.1	-0.2	0.2	0.7	0.6	0.5
Unemployment rate %	4.1	5.3	4.8	4.6	4.0	4.0	4.3	3.9	3.7	3.7
Avg hourly earnings (ann %)	2.4	3.7	4.6	4.1	4.5	2.8	3.7	4.0	4.3	4.9
Trading partner GDP (ann %)	-5.3	-0.9	0.8	6.7	9.7	4.2	3.7	4.2	4.4	5.0
CPI (y/y)	1.5	1.4	1.4	1.5	3.3	4.2	4.4	4.2	3.5	2.8
GDP (production s.a., y/y))	-10.2	1.4	0.1	2.9	17.4	-4.2	3.6	2.2	1.0	9.0

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
2020 Mar	0.75	1.05	1.00	1.35	1.00	1.10	1.40	1.55	1.40	-0.03
Jun	0.25	0.30	0.40	0.85	0.25	0.40	0.80	0.60	0.70	0.15
Sep	0.25	0.30	0.25	0.65	0.15	0.25	0.60	0.25	0.65	0.02
Dec	0.25	0.25	0.25	0.70	0.15	0.30	0.75	0.20	0.85	-0.15
2021 Mar	0.25	0.30	0.75	1.40	0.40	0.85	1.50	0.20	1.30	0.09
Jun	0.25	0.35	1.00	1.75	0.55	1.20	1.90	0.15	1.60	0.17
Sep	0.25	0.50	1.35	1.75	1.20	1.60	1.95	0.15	1.30	0.41
Forecasts										
Dec	0.75	0.95	2.05	2.35	1.80	2.15	2.45	0.10	1.80	0.55
2022 Mar	1.00	1.20	2.40	2.60	2.05	2.50	2.70	0.10	2.00	0.60
Jun	1.25	1.45	2.60	2.85	2.30	2.70	2.95	0.10	2.20	0.65
Sep	1.50	1.75	2.80	3.05	2.50	2.90	3.15	0.10	2.35	0.70
Dec	1.75	2.00	2.95	3.20	2.65	3.05	3.30	0.10	2.50	0.70
2023 Mar	2.00	2.25	3.00	3.25	2.65	3.10	3.35	0.10	2.65	0.60
Jun	2.25	2.40	3.00	3.30	2.65	3.10	3.40	0.10	2.80	0.50

Exchange Rates (End Period)

	USD Forecasts NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD Forecasts NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.69	0.73	1.16	1.35	111	0.69	0.96	0.60	0.51	77.0	74.2
Dec-21	0.75	0.78	1.23	1.43	109	0.75	0.95	0.61	0.52	81.5	76.5
Mar-22	0.76	0.80	1.24	1.46	109	0.76	0.95	0.61	0.52	82.8	77.2
Jun-22	0.75	0.80	1.26	1.48	109	0.75	0.94	0.60	0.51	82.0	76.3
Sep-22	0.75	0.80	1.28	1.52	109	0.75	0.94	0.59	0.50	82.0	76.2
Dec-22	0.74	0.80	1.30	1.54	109	0.74	0.93	0.57	0.48	80.7	75.1
Mar-23	0.73	0.79	1.28	1.52	108	0.73	0.92	0.57	0.48	78.8	74.5
Jun-23	0.72	0.77	1.26	1.50	108	0.72	0.93	0.57	0.48	77.5	73.9
Sep-23	0.71	0.76	1.25	1.47	107	0.71	0.93	0.57	0.48	76.0	73.5
Dec-23	0.69	0.75	1.24	1.47	107	0.69	0.92	0.56	0.47	73.8	71.7
Mar-24	0.69	0.75	1.24	1.46	106	0.69	0.92	0.56	0.47	73.1	72.0
TWI Weights						13.6%	18.7%	10.4%	4.1%	6.1%	

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

Annual Forecasts

Forecasts as at 4 October 2021	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023
GDP - annual average % change										
Private Consumption	2.7	0.2	5.2	4.7	1.9	3.4	-1.3	7.1	3.9	2.2
Government Consumption	6.1	6.5	7.7	1.9	1.3	5.4	6.3	8.3	2.9	1.2
Total Investment	1.3	-4.4	6.2	5.6	-0.9	3.2	-7.0	7.9	5.7	-0.4
Stocks - ppts cont'n to growth	-0.5	-0.1	0.3	0.3	-0.1	-0.7	-0.8	1.0	0.2	-0.1
GNE	2.4	0.2	6.9	4.6	1.1	2.9	-2.0	9.1	4.5	1.3
Exports	0.3	-17.8	6.2	12.1	5.6	2.5	-12.6	-3.3	10.1	9.1
Imports	1.2	-16.1	18.1	11.2	3.9	2.1	-16.0	14.6	11.3	5.8
Real Expenditure GDP	2.1	-0.3	3.4	4.2	1.3	3.0	-1.1	4.1	3.8	1.7
GDP (production)	**1.7**	**-1.4**	**4.4**	**3.6**	**1.3**	**2.4**	**-2.1**	**4.5**	**3.5**	**1.5**
GDP - annual % change (q/q)	*0.1*	*2.9*	*2.2*	*2.5*	*1.7*	*1.8*	*0.1*	*3.6*	*2.2*	*1.3*
Output Gap (ann avg, % dev)	1.4	-1.5	0.4	1.5	0.4	1.9	-1.7	0.3	1.5	0.6
Nominal Expenditure GDP - $bn	322	325	348	367	380	319	322	343	364	376
Prices and Employment - annual % change										
CPI	2.5	1.5	4.2	2.5	2.6	1.9	1.4	4.4	2.5	2.6
Employment	2.5	0.3	1.8	1.8	1.1	1.2	0.7	1.6	2.2	1.0
Unemployment Rate %	4.2	4.6	3.9	3.9	4.6	4.0	4.8	4.3	3.6	4.5
Wages - ahote	3.2	4.1	4.0	4.0	2.8	3.8	2.6	4.6	3.7	4.1
Productivity (ann av %)	-0.3	-1.9	2.7	1.7	0.1	0.5	-3.3	3.3	1.7	0.2
Unit Labour Costs (ann av %)	3.3	4.5	3.7	2.4	3.1	2.5	5.7	2.6	2.9	3.3
House Prices	7.8	22.0	10.1	1.3	2.0	4.6	17.0	17.7	1.5	2.0
External Balance										
Current Account - $bn	-7.6	-8.2	-20.3	-22.0	-19.8	-9.3	-2.7	-18.6	-23.9	-20.7
Current Account - % of GDP	-2.4	-2.5	-5.8	-6.0	-5.2	-2.9	-0.8	-5.4	-6.6	-5.5
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-7.3	-2.8	-5.5	-1.8	-0.2					
Net Core Crown Debt (excl NZS Fund Assets)	26.3	32.0	42.0	45.0	42.0					
Bond Programme - $bn (Treasury forecasts)	29.0	45.0	30.0	25.0	25.0					
Bond Programme - % of GDP	9.0	13.8	8.6	6.8	6.6					
Financial Variables (1)										
NZD/USD	0.60	0.71	0.76	0.73	0.69	0.66	0.71	0.75	0.74	0.69
USD/JPY	108	109	109	108	107	109	104	109	109	107
EUR/USD	1.11	1.19	1.24	1.28	1.24	1.11	1.22	1.23	1.30	1.24
NZD/AUD	0.97	0.93	0.95	0.92	0.92	0.96	0.94	0.95	0.93	0.92
NZD/GBP	0.49	0.51	0.52	0.48	0.47	0.50	0.53	0.52	0.48	0.47
NZD/EUR	0.55	0.60	0.61	0.57	0.56	0.59	0.58	0.61	0.57	0.56
NZD/YEN	65.1	77.5	82.8	78.8	73.8	72.0	73.6	81.5	80.7	73.8
TWI	68.9	74.8	77.2	74.5	71.7	72.8	74.3	76.5	75.1	71.7
Overnight Cash Rate (end qtr)	0.25	0.25	1.00	2.00	2.25	1.00	0.25	0.75	1.75	2.25
90-day Bank Bill Rate	0.71	0.33	1.20	2.25	2.40	1.23	0.26	0.95	2.00	2.40
5-year Govt Bond	0.80	1.00	2.40	3.00	3.00	1.25	0.40	2.05	2.95	3.00
10-year Govt Bond	1.15	1.75	2.60	3.25	3.30	1.60	0.90	2.35	3.20	3.30
2-year Swap	0.65	0.50	2.05	2.65	2.65	1.25	0.28	1.80	2.65	2.65
5-year Swap	0.80	1.15	2.50	3.05	3.10	1.40	0.49	2.15	3.05	3.10
US 10-year Bonds	0.90	1.60	2.00	2.65	3.00	1.85	0.90	1.80	2.50	3.00
NZ-US 10-year Spread	0.25	0.15	0.60	0.60	0.30	-0.25	0.00	0.55	0.70	0.30

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

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

Key Upcoming Events

	Forecast	Median	Last
Monday 4 October			
NZ, Govt Reviews COVID restriction levels			
Aus, Inflation Gauge (Melbourne Institute), Sep y/y			+2.5%
UK, BOE's Ramsden & Mark Carney speak			
US, Fed's Bullard Speaks			
US, Factory Orders, August		+1.0%	+0.4%
Tuesday 5 October			
NZ, QSBO, Q3			+7
NZ, ANZ Comdty Prices (world), September			-1.6%
Aus, ANZ Job Ads, September			-2.5%
Aus, International Trade, August		+$10.00b	+$12.12b
Aus, Services PMI (Markit), Sep 2nd est			44.9P
Aus, RBA Policy Announcement	0.10%	0.10%	0.10%
Euro, PMI Services, Sep 2nd est		56.3	56.3P
UK, Markit/CIPS Services, Sep 2nd est		54.6	54.6P
US, International Trade, August		-$70.6b	-$70.1b
US, ISM Non-Manuf, September		59.9	61.7
Wednesday 6 October			
NZ, Working-age Population, Q3			4.1061m
NZ, Dairy Auction, GDT Price Index			+1.0%
NZ, RBNZ MPR	0.50%	0.50%	0.25%
Euro, Retail Sales, August		+0.9%	-2.3%
Germ, Factory Orders, August		-2.0%	+3.4%
US, ADP Employment, September		+430k	+374k
Thursday 7 October			
Germ, Industrial Production, August		-0.5%	+1.0%
US, Jobless Claims, week ended 02/10		350k	362k
US, Fed's Mester Speaks			
Friday 8 October			
Aus, Financial Stability Review			
China, Services PMI (Caixin), September		49.2	46.7
Jpn, Household Spending, Aug y/y (real)		-1.2%	+0.7%
Jpn, Eco Watchers Survey, Sep (Outlook)		48.5	43.7
Germ, Trade Balance, August		+€15.0b	+€18.1b
UK, BOE Financial Policy Statement			
US, Non-Farm Payrolls, September		+470k	+235k
US, Wholesale Trade Sales, August			+2.0%
US, Unemployment Rate, September		5.1%	5.2%

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	0.25	0.25	0.25	0.25
1mth	0.46	0.43	0.32	0.28
2mth	0.55	0.53	0.41	0.27
3mth	0.64	0.63	0.50	0.27
6mth	0.81	0.81	0.69	0.27
GOVERNMENT STOCK				
04/23	1.00	1.01	1.00	-0.01
04/25	1.36	1.39	1.40	0.03
04/27	1.62	1.62	1.59	0.20
04/29	1.86	1.82	1.76	0.39
05/31	2.01	1.93	1.89	0.52
04/33	2.17	2.05	2.10	0.67
04/37	2.40	2.29	2.39	0.89
05/41	2.62	2.51	2.67	1.16
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	52	51	47	57
Europe 5Y	50	49	44	57

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	1.39	1.46	1.37	0.06
3 years	1.61	1.65	1.58	0.06
4 years	1.75	1.77	1.70	0.09
5 years	1.85	1.86	1.78	0.14
10 years	2.23	2.21	2.08	0.53
FOREIGN EXCHANGE				
NZD/USD	0.6942	0.7017	0.7136	0.6646
NZD/AUD	0.9564	0.9628	0.9591	0.9249
NZD/JPY	76.99	77.88	78.38	70.26
NZD/EUR	0.5988	0.5999	0.6012	0.5638
NZD/GBP	0.5124	0.5122	0.5157	0.5117
NZD/CAD	0.8778	0.8859	0.8945	0.8810
TWI	74.2	74.8	75.5	71.8

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