RESEARCH

Markets Outlook

11 October 2021

Another Test of Transitional Fortitude

- **The cautious transition to lesser restrictions continues**
- **As vaccination rate renews push for (first-dose) 90%**
- **September's card transactions roughly steady c.f. August?**
- **Will the ANZ survey's pricing intentions slump QSBO-like?**
- **Also due this week: Sep food prices, PMI**
- **Fin Min Robertson talking at Tuesday's Crown accounts**

There are numerous monthly-type economic reports to discuss. However, this week's news effectively begins with this afternoon's government decision on COVID alert levels. The trend in raw case numbers over the last week or so doesn't look all that encouraging. Having said that, the government has much more than that to consider (including the case details), as it judges Auckland's stepwise transition out of level 3 lockdown.

One way or another, level 3 (along with level 4) lockdowns might soon be a thing of the past anyway. There are suggestions New Zealand will be moving away from its longstanding level 1-4 framework before too much longer, to a simpler green/amber/red scale of precautions, depending on COVID's (regional) prevalence. The shift to this traffic-light approach – implicitly devoid of "hard" lockdowns – will presumably depend on vaccination rates, amongst other things.

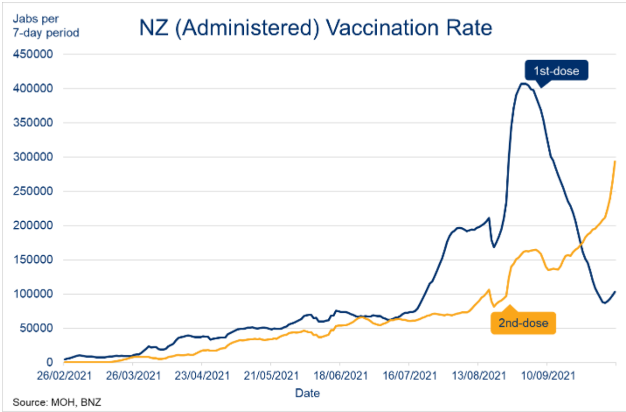
Speaking of which, New Zealand's vaccination rates look to be getting another push – having lost a lot of momentum since peaking in early September. This renews the prospect of achieving the government's 90% inoculation "target" – at least in terms of first dose by the festive season, and as a national average.

To be sure, the rise in the daily rate of vaccination over the last week or so predominately reflects second doses ramping up rather than first doses going gangbusters again.

Nonetheless, the rolling 7-day average of first doses is stabilising around the 100,000 per week mark, even turning up a bit (bearing in mind it peaked at 407,000 at the start of September). This infers the vaccination rate of the eligible population (12-year-olds plus) increases by just over 2 percentage points per week. So, on the basis the current rate continues, in four or five weeks we will, in theory, hit 90% - at least as a national average.

While the vaccination rate remains crucial for how well the NZ economy (and society at large) can function going forward, the push and shove of COVID is clearly not going to necessarily dictate RBNZ policy over the next while.

Leading Light

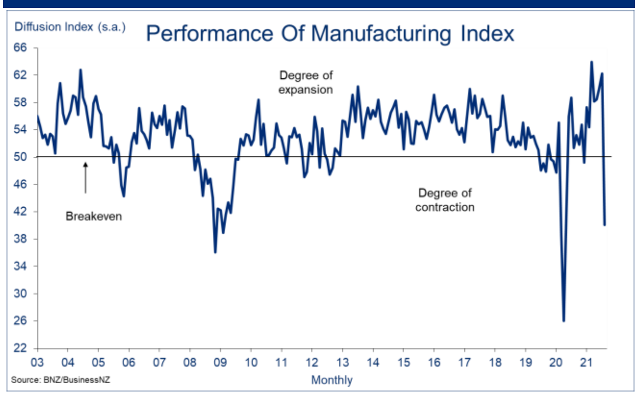


The Bank made this clear at its Monetary Policy Review last week, as it emphasised a focus on medium-term horizons, with a wary eye on capacity constraint and inflation. Uncertainty will regulate the degree and pace of OCR normalisation, not stop the process altogether, is the message.

Still, the economic information will be important.

To get a handle on the degree of hurt for Q3 GDP, there are a few indicators to note this week. The key one will be tomorrow's electronic card transactions for September. It's tempting to think they will bounce from a level 4 laden August, but just bear in mind the first half of August was restriction free. All considered, we figure on a relatively flat result for September's ECT compared to August, but conscious that it could easily be up or down a few percent on that.

After the Fall



Tomorrow's international travel and migration figures, for August, will once again be constrained to very little, but the ANZ Truck-o-meter for September promises to be informative in the extent it recovers from its very weak level of August. Friday's PMI will provide good insight into how economic activity was faring in September, as the transition out of August's level 4 lockdown staggered forth.

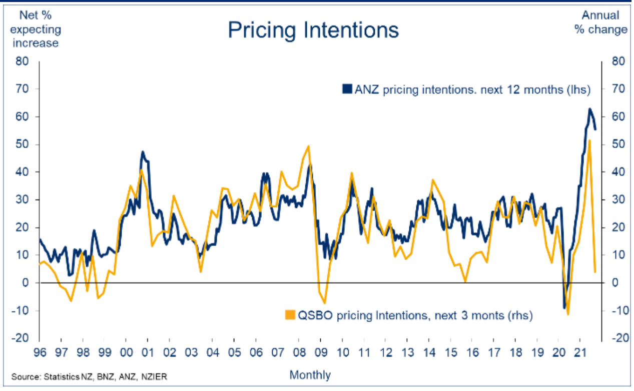
Whatever the degree of dip for Q3 GDP, a sizable increase in Q4 is still on cards. However, the extent of its bounce-back has been encountering headwinds, compared to our initial forecasts/assumptions (including from the stuttered transition out of COVID-related restrictions).

In terms of looking ahead, Wednesday's ANZ business survey will be a useful guide. By and large, respondents' expectations on activity, investment, and especially employment, have held up far better than they did during the worst of last year's lockdowns. However, uppermost in our mind will be the survey's pricing intentions, considering the surprising sag we saw in the QSBO's versions.

While the QSBO did deliver a curiosity with its soft pricing (and cost) outlook, the survey's messages of severe capacity were consistent with a strong core inflation trajectory for the foreseeable future.

As for our views on NZ inflation, note that we intend publishing a note on this over the coming days – serving as a preview to next Monday's (18 October) Q3 CPI report. As things stand, we estimate the Q3 CPI increased 1.6%, taking annual inflation to 4.3%, from 3.3% in Q2. From there we forecast annual inflation of 4.6%, 4.5% and 3.7% in Q4, Q1 and Q2 respectively.

A Cross Reference to Note

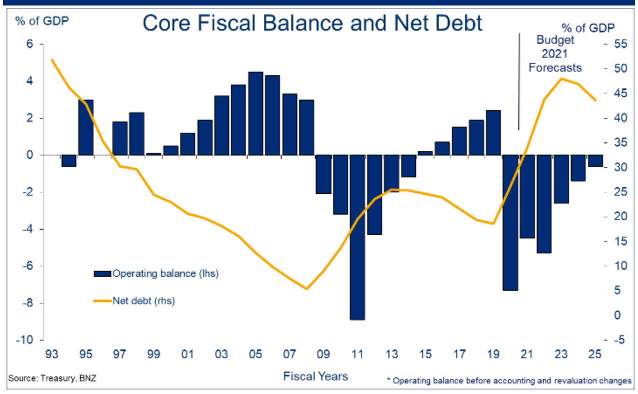


These forecasts have been bolstered, by the way, by the revised NZ dollar projections we published last week. These essentially involved removing the near-term upside we previously envisaged for NZD, mainly on the view the USD is now not likely to swoon lower, as was our [previous view.]

Consistent with our view on the Q3/Q4 CPI, we anticipate Wednesday's Food Price Index for September slipped 0.2%. This would be less of a fall than historical seasonal patterns would suggest. The Rental Price Indexes we expect to be aligned with Q3 CPI rents increasing 0.7%, for an annual increase of 3.2%.

Also note that tomorrow, 1:00pm, the government will be releasing its fully audited financial accounts for the year ended June 2021. These will highlight how well the economy was doing to that point in time, with a significantly lesser operating deficit, and lower increase in net-debt, than was anticipated by May's Budget. Be aware that Finance Minister Grant Robertson is scheduled to speak at the lock-up, so watch for any media reportage on that too.

From Good to Bad...to Good



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Global Watch

- **US CPI inflation seen staying above 5%**
- **US retail sales expected to dip, while core lifts**
- **US inflation expectations, FOMC minutes also due**
- **China trade surplus to narrow; inflation to rise**
- **EU ZEW survey to pull back on energy crisis?**
- **AU employment expected to fall heavily in September**
- **But reopening to see improvement ahead**

Australia

The September Employment numbers loom large on Thursday. NAB expects employment to decline 120k and the unemployment rate to increase one tenth to 4.6%, weighed further by participation declines. The hours worked numbers will be a better guide for the impact of lockdowns on activity.

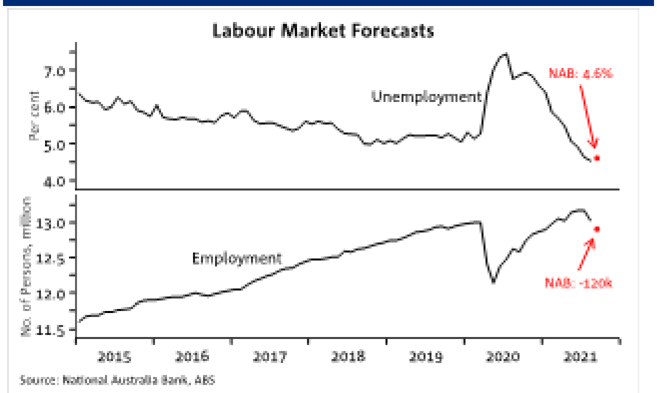
NAB anticipates the decline in employment will be led by Victoria, which saw a bounce out of its earlier lockdown reflected in the previous survey. The September data reflects the two weeks to 11 September, with Victoria's current lockdown beginning 5 August.

Also out are the NAB Business Survey for September on Tuesday (no hints here!) and the Westpac-Melbourne Institute Consumer confidence measure on Wednesday.

RBA Deputy Governor Guy Debelle speaks on 'Climate Risks and the Australian Financial System' on Thursday.

Australia has now fully vaccinated 60.2% of the adult population (16 years plus), while 81.5% have had at least one dose. Re-opening is starting to occur with NSW recently passing 70% adult vaccination and is set for the first stage of reopening today, followed by the ACT on Friday, while VIC takes a more gradual approach slated to begin to open on 26 October. After lagging globally in the vaccine rollout, Australia looks set to reach very high vaccination levels.

Lockdown impacts to be seen in employment



With Australia progressing towards vaccination targets, a rebound in employment is likely alongside reopening.

There was a strong rebound in SEEK job ads in NSW in September that points to firms looking to add staff in anticipation of the restrictions easing and the RBA recently noted that its liaison program was picking up that "*many firms are seeking to hire workers ahead of the expected reopening in October and November.*"

China

Monthly trade numbers for September are out Wednesday, with expectations for a decline in the trade surplus to US$47b from US$58b in August. Year-ended consumer and producer price inflation reads are released Thursday and are expected to increase to 0.9%y/y (from 0.8%) and 10.5%y/y (from 9.5%) respectively.

US

Wednesday's September CPI and Friday's Retail Sales reports headline the data releases. Moderate rises in both the headline (0.3%) and core (0.2%) CPI are expected, seeing annual inflation steady at 5.3%, with core at 4.0%. Headline Retail sales are expected to dip 0.2%, the control group rising 0.5% after 2.5% growth in August. The preliminary UoM measure of consumer confidence is out Friday with much focus on 5-10y inflation expectations. August JOLTs Job Openings report are likely to show red-hot labour demand continuing. The FOMC Minutes are on Wednesday and there are seven Fed speeches scattered through the week. It's Columbus Day holiday on Monday.

Eurozone

The energy crisis remains the European focus and while individual countries are discussing subsidies, the EU is looking to procure more Nat Gas. Russia is likely to be part of the answer, but a solution here is unlikely to be quick given geopolitical considerations. The ECB's view of higher prices, a drag of growth and generally tighter financial conditions will be of interest. There are several ECB speakers on Monday and Tuesday, including chief economist Philip Lane. The ZEW analyst survey for October is released on Tuesday. A further pullback looks likely. August industrial production is on Wednesday.

UK

BoE's Cunliffe speaks Wednesday with doves Tenreyro and Mann on Thursday. Will they push back on the idea of near-term hikes? We suspect so, but that may not be enough for markets given other official comments so far. Labour market data for August and September on Tuesday and will help inform views on spare capacity. Monthly GDP for August is released on Wednesday. The consensus looks for +0.5% m/m and +3.0% 3m/3m.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

New Zealand long-term rates continue to push higher on the back of global forces, with NZ 5 and 10-year swap rates hitting fresh multi-year highs. Global inflation concerns appear to have re-emerged, in part due to spiralling energy costs, and central banks are sounding less certain that current inflation pressures will be as "transitory" as first thought.

The main theme over the past week has been the continued rebound in global rates. The US 10-year Treasury yield closed last week at 1.61%, some 15bps higher on the week and now 50bps off its lows reached in early August. The market looked through a disappointing September jobs number in the nonfarm payrolls report, with labour supply constraints seemingly mostly to blame, and higher wage growth symptomatic of what is a 'tight' labour market, despite the unemployment rate remaining well above pre-Covid levels. The market consensus is still that the Fed will announce a tapering of its bond buying at its meeting next month.

The UK 10-year rate hit a new 2½-year high of 1.16% last week amidst more hawkish comments from the Bank of England. The BoE is now priced to start raising its cash rate from December, much earlier than was expected just a few months back. The UK is facing an inflation surge, driven in part by the explosion in natural gas prices, and BoE policymakers, much like those in other central banks, are sounding less sure that inflation will subside as quickly as previously thought.

Australia's bond yields also saw big moves higher, with the market bringing forward the expected timing of RBA rate hikes as NSW starts reopening its economy today. Victoria is expected to start reopening early next month when vaccination targets are reached. The market prices the first RBA rate hike in November 2022 despite Governor Lowe's continued insistence that hikes are unlikely before 2024.

The upward pressure in global rates has occurred against a backdrop of rising inflation expectations, with the UK and Europe seeing new highs in breakeven inflation rates last week and the 10-year US breakeven inflation rate rebounding to near an 8-year high. Like central bankers, investors appear to have become less convinced that inflationary pressures will be transitory.

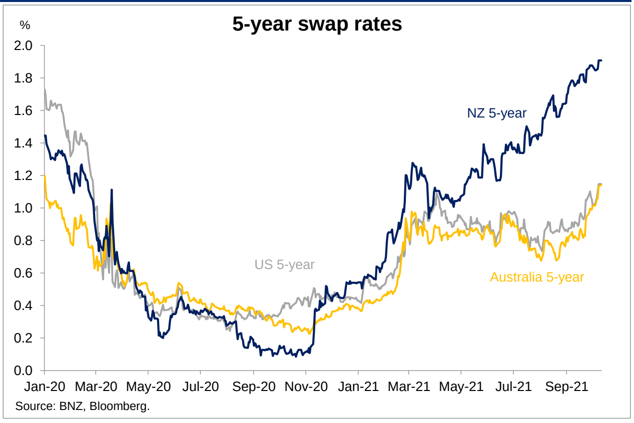
NZ-specific Covid developments have been less positive, with cases now clearly trending higher and growing realisation that elimination is not going to happen, at least in Auckland. The RBNZ, in its October MPR statement, noted the uncertainty around the economic outlook going forward, in part due to the uncertainty around the virus. The prospect of 'endemic' Covid-19 in New Zealand may mean a less vigorous post-lockdown rebound in spending than that seen after the original lockdown last year.

NZ rates were little moved by the RBNZ's 25bps OCR hike at the October meeting, with the move having been universally expected by economists and nearly fully priced by markets. The market continues to price a high chance of follow-up hikes in November and February (around 88% for each meeting).

NZ rates were higher across the curve last week, but by less than offshore markets. This reflects both the incrementally negative Covid-19 developments in NZ and the fact that the market already prices much more tightening for the RBNZ than it does for other central banks. As such, there is greater scope for offshore markets to revise up rate hike expectations. We expect this trend to continue, with NZ long-term rates increasing from here but by less than Australia and the US.

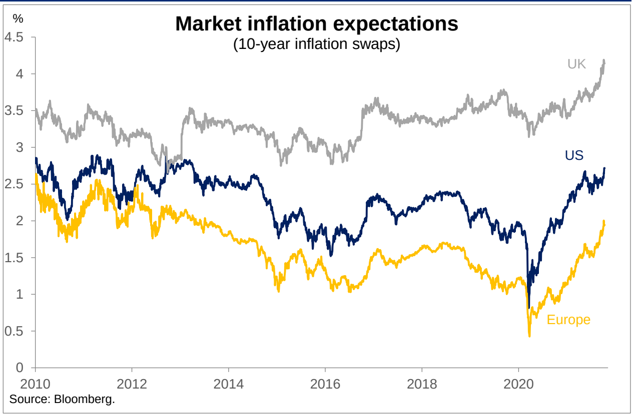
With the market pricing the OCR to get to around 1.55% by the end of 2022 and 1.9% by the end of 2023 we think the risks at the short end of the NZ curve are more balanced. Rates could yet increase further if the NZ CPI release next week is a big upside surprise. But we think the bulk of the move higher in short-end rates (beyond that already priced in by the market) is probably behind us now.

Global rates increase further, helping push up NZ rates



Source: BNZ, Bloomberg.

Global inflation expectations on the rise



Source: Bloomberg.

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The NZD underperformed last week, falling 0.3% to 0.6930 against a backdrop of the other commodity currencies (CAD, AUD and NOK) all being at the top of the leaderboard – those currencies benefiting from further gains in oil and gas prices. NZD/AUD fell for the third consecutive week to 0.9480, now down some 2½% from the recent peak above 0.97. While NZD/GBP was weaker, as the market builds in further conviction of BoE hikes through the next year, the NZD/EUR was flat and NZD/JPY rose by nearly 1%.

Soaring energy prices remained in focus last week, driving most commodity currencies higher, but the NZD didn't see any positive spillover from this. Natural gas prices skyrocketed further across Europe but there were some hopeful signs that worst might be over, with President Putin advising that Russia would come up with a proposal to stabilise global energy markets. The oil market remained well bid, with Brent crude reaching a fresh 3-year high and WTI reaching a 7-year high.

The RBNZ hiked the OCR for the first time in seven years, with a well-anticipated 25bps increase to 0.5%. The tone of the Statement didn't surprise either, noting that the medium-term outlook for inflation and employment had not materially changed since the August MPS. The COVID19 situation wasn't throwing the RBNZ off course and it had confidence that economic activity will recover quickly as alert level restrictions ease. There was little NZD reaction, with the market already well-priced for a long series of further rate hikes through the next year.

Last week we noted that we would be reviewing our NZD projections, noting the various headwinds facing the currency. We weighed up the drivers of the surprising USD strength since the middle of the year and concluded that they are unlikely to reverse soon, leading us to significantly revise down our NZD/USD projections for the coming year.

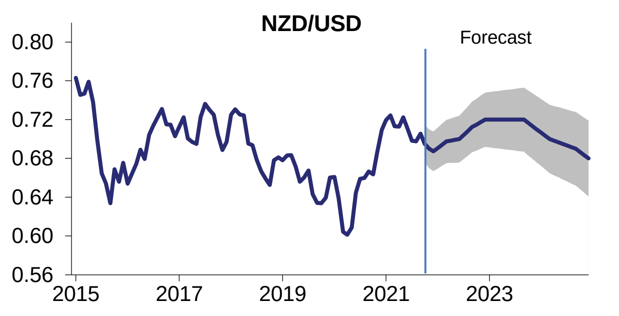
Headwinds for the NZD include the fledgling global energy crisis, global stagflation concerns, the Fed's hawkish pivot and uncertainty about China's economic outlook. Domestically, RBNZ rate hikes are well priced, while the imminent wider spread of COVID19 through the country could hold back economic activity, even as lockdowns restrictions are eased. The counter argument would be that the spot rate already reflects a lot of these risks and as we enter the endgame of the global pandemic, the global economy will gradually revert to normal, supporting risk currencies.

Our revised relatively flat profile for NZD/USD through 2022 takes a mid-course approach and we have assumed a range of around 0.67-0.72 through to the middle of next year. Given the uncertain outlook, corporate hedgers and fund managers should look to take a more neutral position.

On the crosses, we made little to no revision to NZD/AUD and NZD/EUR projections, while NZD/GBP was revised higher and NZD/JPY was revised lower. On NZD/AUD we think that the peak has passed and, after some stability around 0.95, we see the cross moving back down into the low 0.90s. The risk is that the move down comes faster than expected. The cross is over-valued, given the outperformance of Australia versus NZ commodity prices and Australia's economy is set to outperform NZ's as the pandemic enters its final stages and Australia's economy will re-open earlier. Tighter RBNZ policy is well priced, and there is more chance of NZ-Australia rate spreads narrowing than widening from here, beyond the very short-term maturities.

In the week ahead, we can't see the limited domestic data releases haven't any impact on the NZD and sentiment is more likely to be weighed down by the local deteriorating COVID19 outbreak and lack of visibility on the easing of restrictions. Globally, in the US CPI, retail sales, and consumer sentiment data, alongside FOMC minutes from the September meeting, all have the ability to rattle the market. Australian employment data will be released but remains distorted by lockdown restrictions.

NZD near term headwinds to hold back performance



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6930	0.6860 - 0.7090
NZD/AUD	0.9481	0.9470 - 0.9720
NZD/GBP	0.5090	0.5070 - 0.5160
NZD/EUR	0.5990	0.5910 - 0.6040
NZD/JPY	77.78	76.30 - 78.20

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.7270	-5%
NZD/AUD	0.9190	3%

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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: 0.9400 (ahead of 0.9240)

A steep decline over the past few weeks has seen 0.95 and 0.96 offer little support, bringing in 0.94 as the next possible support level.

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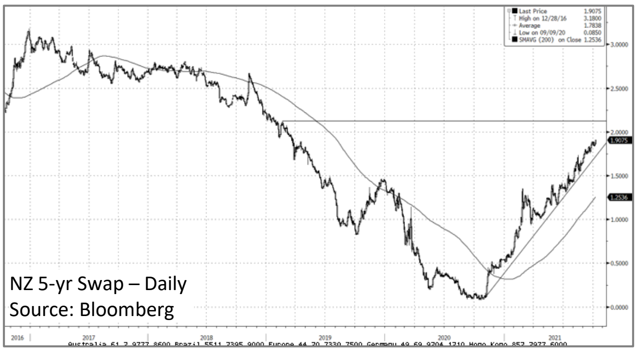
NZ 5-year Swap Rate

Outlook: Higher
MT resistance: 2.11
MT support: 1.75

Stop raised to trendline support at 1.75. Target 2.11.



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

Outlook: Neutral
MT resistance: 0.51
MT support: 0.31

Neutral here trade a break.

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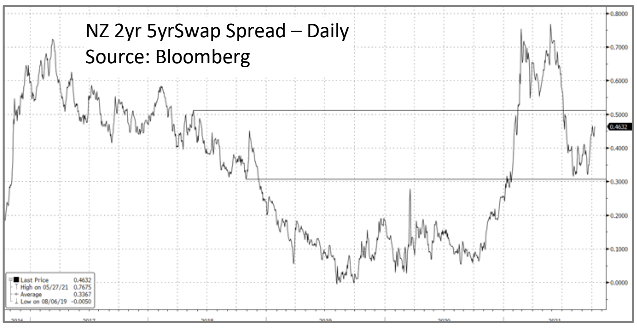

Quarterly Forecasts

Forecasts as at 11 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	11.0	1.0	0.8	0.6
Current account (ytd, % GDP)	-1.5	-0.7	-0.8	-2.5	-3.3	-4.5	-5.2	-5.4	-5.9	-6.0
CPI (q/q)	-0.5	0.7	0.5	0.8	1.3	1.6	0.8	0.7	0.5	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	4.3	4.6	4.5	3.7	2.9
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	 5 Year	 10 Year	Swaps 2 Year	 5 Year	 10 Year	US Rates Libor 3 month	 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 Forecasts					
	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.69	0.73	1.16	1.36	112	0.69	0.95	0.60	0.51	77.7	74.0
Dec-21	0.69	0.72	1.15	1.31	112	0.69	0.95	0.60	0.52	77.0	73.7
Mar-22	0.70	0.73	1.16	1.33	111	0.70	0.95	0.60	0.52	77.4	74.1
Jun-22	0.70	0.74	1.17	1.35	112	0.70	0.94	0.60	0.52	78.4	74.0
Sep-22	0.71	0.76	1.19	1.36	111	0.71	0.94	0.60	0.52	79.1	74.6
Dec-22	0.72	0.78	1.20	1.38	111	0.72	0.93	0.60	0.52	79.9	75.2
Mar-23	0.72	0.78	1.22	1.39	110	0.72	0.93	0.59	0.52	79.2	75.3
Jun-23	0.72	0.78	1.24	1.40	109	0.72	0.92	0.58	0.51	78.5	74.9
Sep-23	0.72	0.78	1.24	1.42	108	0.72	0.92	0.58	0.51	77.8	74.7
Dec-23	0.71	0.77	1.25	1.43	108	0.71	0.92	0.57	0.50	76.7	73.6
Mar-24	0.70	0.76	1.25	1.43	107	0.70	0.92	0.56	0.49	74.9	72.6
						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 11 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	6.5	12.1	5.6	2.5	-12.6	-3.1	10.3	9.1
Imports	1.2	-16.1	17.7	11.3	3.9	2.1	-16.0	14.3	11.3	5.8
Real Expenditure GDP	2.1	-0.3	3.7	4.2	1.3	3.0	-1.1	4.2	3.9	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	0.6	1.6	0.4	1.9	-1.7	0.5	1.6	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	4.5	2.5	2.6	1.9	1.4	4.6	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	4.7	4.0	4.8	4.3	3.7	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	-19.0	-19.8	-17.7	-9.3	-2.7	-17.9	-21.7	-18.6
Current Account - % of GDP	-2.4	-2.5	-5.4	-5.4	-4.6	-2.9	-0.8	-5.2	-6.0	-4.9
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	0.70	0.72	0.71	0.66	0.71	0.69	0.72	0.71
USD/JPY	108	109	111	110	108	109	104	112	111	108
EUR/USD	1.11	1.19	1.16	1.22	1.25	1.11	1.22	1.15	1.20	1.25
NZD/AUD	0.97	0.93	0.95	0.93	0.92	0.96	0.94	0.95	0.93	0.92
NZD/GBP	0.49	0.51	0.52	0.52	0.50	0.50	0.53	0.52	0.52	0.50
NZD/EUR	0.55	0.60	0.60	0.59	0.57	0.59	0.58	0.60	0.60	0.57
NZD/YEN	65.1	77.5	77.4	79.2	76.7	72.0	73.6	77.0	79.9	76.7
TWI	68.9	74.8	74.1	75.3	73.6	72.8	74.3	73.7	75.2	73.6
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 11 October			
NZ, Govt reviews COVID settings			
UK, Industrial Production, August		+0.2%	+1.2%
UK, Trade Balance, August		-£2.8b	-£3.1b
UK, BRC Retail Sales Monitor, Sep y/y			+1.5%
Tuesday 12 October			
NZ, Electronic Card Transactions,	flat		-21.8%
NZ, International Travel/Migration, Aug s.a.			+1,139
NZ, ANZ Truckometer Index, September			-18.1%
NZ, Crown Financial Statements, Year to June 2021			
Aus, NAB Business Survey, September			
Germ, ZEW Sentiment, October		+24.0	+26.5
UK, Unemployment Rate (ILO), August		4.5%	4.6%
US, NFIB Small Business Optimism,		99.5	100.1
US, Fed's Clarida Speaks			
US, JOLTS Job Openings, August		10,938k	10,934k
Wednesday 13			
NZ, Food Price Index, September	-0.2%		+0.3%
NZ, ANZ Business Survey, Oct prelim			-7.2
Aus, Westpac Consumer Confidence,			106.2
China, Trade Balance, September		+¥287b	+¥376b
Jpn, Machinery Orders, August		+1.5%	+0.9%
Euro, Industrial Production, August		-1.6%	+1.5%

	Forecast	Median	Last
Germ, CPI, Sep y/y 2nd est		+4.1%	+4.1%P
UK, GDP monthly, August		+0.5%	+0.1%
US, Fed's Brainard Speaks			
US, CPI ex food/energy, Sep y/y		+4.1%	+4.0%
US, FOMC Minutes, 22 Sep meeting			
Thursday 14 October			
Aus, Employment, September		-120k	-146k
Aus, Unemployment Rate, September		4.8%	4.5%
China, CPI, Sep y/y		+0.9%	+0.8%
China, PPI, Sep y/y		+10.5%	+9.5%
Jpn, Industrial Production, Aug 2nd est			-3.2%P
US, Jobless Claims, week ended 09/10		320k	326k
US, PPI ex-food/energy, Sep y/y		+7.1%	+6.7%
Friday 15 October			
NZ, BNZ PMI (Manufacturing), September			40.1
Euro, Trade Balance, Aug s.a.		+€14.2b	+€13.4b
US, Retail Sales, September		-0.2%	+0.7%
US, Empire Manufacturing, October		+25.0	+34.3
US, Business Inventories, August		+0.6%	+0.5%
US, Mich Cons Confidence, Oct 1st est		73.5	72.8
Monday 18 October			
NZ, CPI, Q3 y/y			+3.3%
NZ, BNZ PSI (Services), September			35.6

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	0.50	0.25	0.25	0.25
1mth	0.53	0.45	0.34	0.28
2mth	0.60	0.53	0.44	0.28
3mth	0.67	0.61	0.53	0.27
6mth	0.82	0.78	0.75	0.26
GOVERNMENT STOCK				
04/23	1.00	0.98	1.03	-0.01
04/25	1.38	1.33	1.41	0.04
04/27	1.64	1.59	1.61	0.24
04/29	1.88	1.83	1.76	0.43
05/31	2.04	1.98	1.90	0.58
04/33	2.19	2.14	2.07	0.75
04/37	2.42	2.38	2.35	0.99
05/41	2.62	2.59	2.63	1.25
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	54	53	47	53
Europe 5Y	52	51	45	51

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	1.46	1.38	1.38	0.03
3 years	1.67	1.60	1.58	0.03
4 years	1.81	1.74	1.69	0.06
5 years	1.91	1.85	1.77	0.11
10 years	2.29	2.23	2.08	0.50
FOREIGN EXCHANGE				
NZD/USD	0.6923	0.6969	0.7119	0.6647
NZD/AUD	0.9475	0.9561	0.9661	0.9218
NZD/JPY	77.68	77.30	78.30	70.02
NZD/EUR	0.5980	0.5996	0.6028	0.5627
NZD/GBP	0.5075	0.5119	0.5145	0.5087
NZD/CAD	0.8639	0.8771	0.9003	0.8717
TWI	74.0	74.4	75.4	71.6

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