13 September 2021

A Stronger Basis for GDP (and Inflation)

- **Q2 GDP (+1.1%) to beat the RBNZ (+0.6%)**
- **Also beware upward revisions, involving consumption**
- **Worsening the external deficit's expanding trajectory**
- **ANZ business survey maintains poise and inflation throb**
- **COVID-level decision hitting economic pinch points**
- **Aug. FPI/rents keep our Q3 CPI pick at 1.5% (4.2% y/y)**

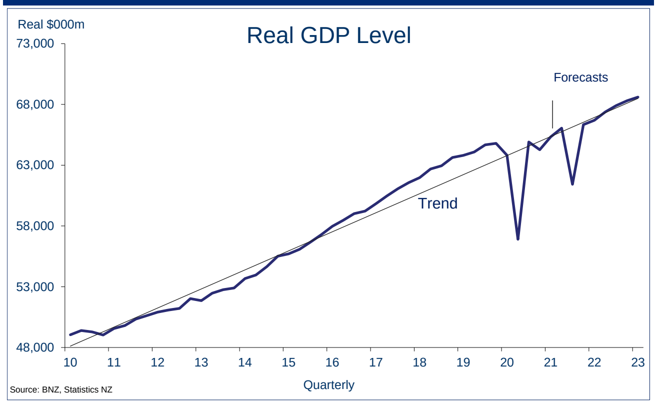
With New Zealand under COVID-induced restrictions, there is understandable focus on today's ANZ business survey, and government alert-level decisions later this afternoon, as being real-time relevant for the economy.

However, this is no reason to discount Thursday's GDP report as old hat. And not just because its Q2 expansion will likely far exceed RBNZ expectations. Stats NZ's annual revisions will probably boost the historical level of GDP to boot. All of this will emphasise just how much of an inflationary head of steam the economy had, which the latest lockdowns has interrupted, but are unlikely to stop at its core.

Regarding Q2 GDP, we estimate a lift of 1.1%, with material risks to the upside. This compares to the 0.6% increase that RBNZ had built into its ("hawkish pause") Monetary Policy Statement of 18 August.

Our finalised pick is bigger than the 0.9% we had on the board this time last week, as the net effect of last week's Q2 "partials" bumped things up. Yes, wholesale trade appeared surprisingly flat overall, once adjusted for inflation. However, manufacturing production looks to have expanded a solid 2%-plus in the June quarter – more than we figured on.

Underlying Strength



But most significantly, the services area of last week's business financial data exhibited more growth than we expected. Some components inferred very big gains. Then again, this might simply be recognition of a bounce in June quarter activity, following a March quarter that was held back by COVID-related restrictions (including Auckland being at level 3 for a time). Lest we forget.

Other points of strength in Q2 GDP, from a production point of view, are likely to be in construction and forestry. In contrast, a notable weak spot is electricity generation. Its value-add looks to have been compromised by increasing recourse to expensive non-hydro sources, given low levels in the hydro lakes at the time (since resolved by good rains).

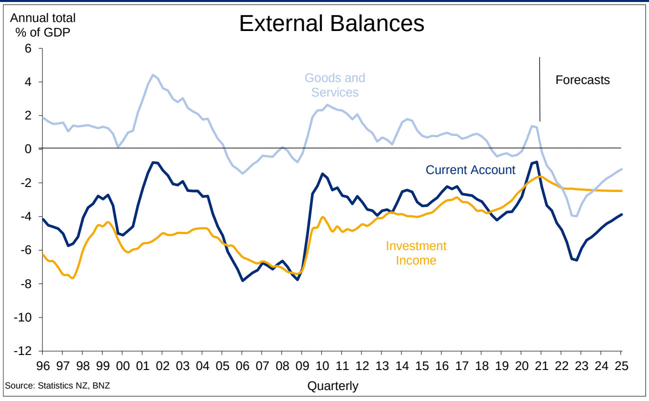
In terms of expenditure-based GDP, it's worth noting we are picking a 1.4% jump in this (highlighting where the risks lie on our production-based version). As part of this, watch for a solid increase in goods exports, a technically big jump in services exports and contribution from inventory rebuild. We anticipate business investment to expand relatively well in Q2, but for private consumption to register a tepid increase (especially relative to bumper retail trade) after the unusually large gain it posted for Q1.

Note that revisions are likely to impact the private consumption track. These will probably include downward revisions to estimates of expenditure by visitors to New Zealand (on account of a different measurement approach). This will depress services exports, back over prior quarters. However, it will also mean more of the domestic expenditure estimates will need to be attributed to resident households. Accordingly, we are likely to see a stronger historical level/trajectory for private consumption in Thursday's GDP accounts.

These revisions are not good news for the current account, however. Watch for this when the Q2 Balance of Payments is published by Stats NZ on Wednesday. Formally, we anticipate an annual current account deficit of 3.3% of GDP for Q2, from 2.2% last quarter. However, it's difficult to fully account for likely historical revisions. Even as things stand, we are forecasting the external deficit to breach 6% of GDP before the end of 2022. Could it end up over 7% of GDP?

Signs of overheating and imbalance are, of course, already evident in the economy. While the COVID-related lockdowns might paper over this for a time they are unlikely to alter the underlying situation.

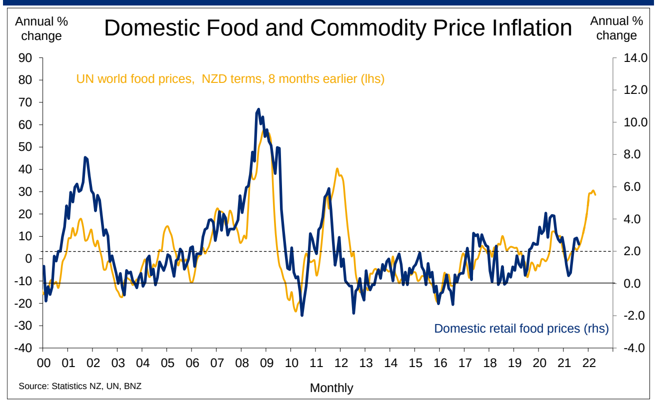
On The Radar



Accordingly, we see little reason to alter our view of annual CPI inflation. We still see this pushing higher in a core sense, into the top half of the Reserve Bank's 1 to 3% target band, and for headline inflation to move above 4% near term.

This morning's news on food prices and rents didn't perturb our views. Sure, the 0.3% increase in the Food Price Index for August wasn't as much as we thought. However, we see this as tempering upside risk to our Q3 CPI pick of 1.5% q/q and 4.2% y/y rather than a reason to nudge that down.

Upside Ahead



For the record, Stats NZ said the August lockdowns had minimal impact on price collection in August (noting that restaurant meals and ready to eat food collection was done under alert level 1…which suggests there will be some disruption in the September figures to look out for).

Released at the same time, August rents were close to our expectations albeit a touch under. The stock measure – the one most directly aligned with the CPI - rose 0.2% m/m to keep its annual inflation at 3.2%. The rent flow measure is more volatile and while it fell 0.6% m/m it was enough to see annual inflation rise to 5.4% - the latter getting very elevated. This suggests further upward pressure on the stock/CPI rents measures over time.

We also expect ongoing price robustness in tomorrow's REINZ housing report for August. Sales will obviously have been compromised by the L4 lockdown that the nation endured over the second half of the month. However, as we've seen from other housing reports for the month, technology, along with still-strong demand, is allowing a decent level of sales to be maintained – certainly a lot higher than we saw during the worst of last year's L4 lockdown.

The country going into the severest of lockdowns is also something to bear in mind for Friday's PMI and Thursday's vehicle registrations, covering August. Context for the PMI is that it was super-strong in July, at, 62.6, and August's survey went into the field 6 September, for those wondering about timing.

Speaking of which, this afternoon's preliminary ANZ business survey for September was wholly canvassed after New Zealand's move into lockdowns from mid-August. As it turned out, it largely retained the poise that was evident in the post-lockdown portion of the survey responses for August.

While activity expectations have been bruised, and profit expectations undermined, the survey's inflation gauges remained relatively strong. See the accompany table for the numbers. These results are in stark contrast to what we saw during previous lockdowns. This suggests the majority of businesses are not only better able to see their way out of the present predicament, but that a capacity-constrained economy will accompany them out the other side.

ANZ Bank Business Outlook

Net balance - next 12 months (All sectors)	Sep prelim	Aug final	Change	Average
General business outlook	**-6.8**	**-14.2**	7.4	6.4
Own business	**18.2**	**19.2**	-1.0	25.3
Profits	**-13.1**	**-5.5**	-7.6	7.2
Employment	**14.7**	**17.0**	-2.3	7.3
Investment	**12.2**	**14.4**	-2.2	12.4
Exports	**5.7**	**7.4**	-1.7	27.3
Pricing intentions	**55.4**	**59.2**	-3.8	21.7
Cost expectations	**82.7**	**85.3**	-2.6	
Inflation expectations	**2.97**	**3.05**	-0.08	2.52
(Own activity outlook)				
Retail	**n/a**	**10.9**		22.3
Manufacturing	**n/a**	**22.4**		27.0
Agriculture	**n/a**	**30.4**		21.0
Construction	**n/a**	**15.2**		18.3
Services	**n/a**	**19.5**		28.3

In regard to the government's latest review of COVID restriction levels, later this afternoon, the question is whether Auckland will be allowed to come down to L3 (and when), from its present L4. While the health advice appears tilted toward an extension of L4, the government will also, as usual, need to pay regard to the economic and social costs. More than over previous weeks, it's coming to the crunch, and not just for Auckland. We will assess our economic forecasts in light of the government's decisions.

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Global Watch

- **US CPI inflation to edge lower, still seen above 5%**
- **US retail sales, surveys watched for momentum signals**
- **China monthly activity to show slower growth**
- **UK labour market and CPI data due**
- **RBA's Lowe to speak on economy and policy**
- **AU labour market to show lockdown impacts**

Australia

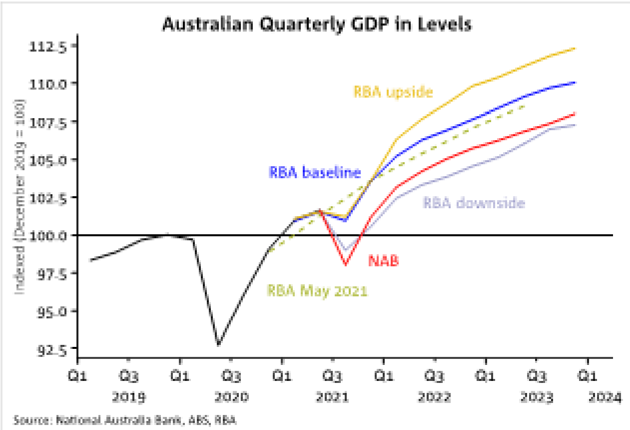
RBA Governor Lowe speaks on Tuesday to the ANIKA foundation in a speech titled *Delta, the Economy and Monetary Policy.* That will be closely watched for the RBA's views on the recovery from the current spate of lockdowns.

At its meeting last week, the RBA stuck to its scheduled tapering of asset purchases to $4bn a week from $5bn a week starting from early September, though given the delay in the recovery caused by the Delta outbreak, this reduced pace will now continue until at least February 2022 rather than being reviewed in November. While keeping to the scheduled taper was in line with NAB's expectations, it was a surprise to the market which had anticipated a delay given the lockdowns seen in NSW, VIC and the ACT. Instead, the RBA while recognising the short-term hit to the economy, notes "*the Delta outbreak is expected to delay, but not derail, the recovery".* NAB sees downside risks to the RBA's baseline activity forecasts.

On Tuesday morning, ahead of Dr Lowe's remarks, Assistant Governor (Economic) Luci Ellis appears with the head of Economic Analysis Bradley Jones before the Standing Committee on Tax and Revenue.

On the data side, the August Employment numbers loom large on Thursday. NAB expects employment to decline 150k in August (the consensus is for -100k, and the range of estimates from -300k to -50k) and for the unemployment rate to increase two tenths to 4.8% (consensus 5.0%).

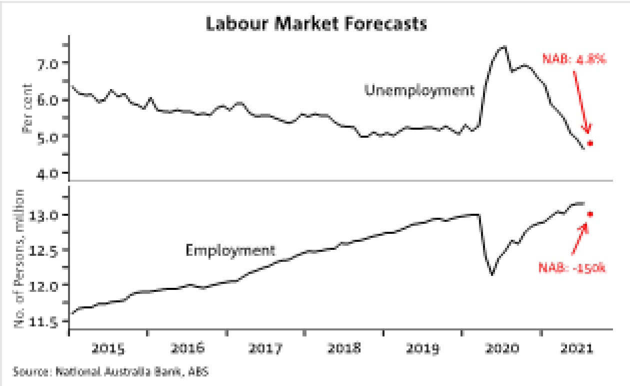
Downside risk to RBA's August SoMP forecast



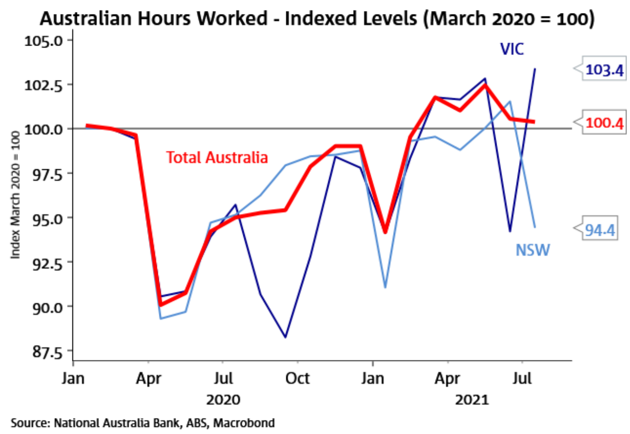
The rise in unemployment will be muted by a decline of 7 tenths in the participation rate to 65.3%. That's amid large uncertainty about how the impact of the current lockdowns will be captured in the headline numbers given expected large participation effects. The hours worked numbers will be a better guide for the impact of lockdowns. A large hit to hours worked is expected in the August survey.

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

Lockdown impacts to be seen in employment



Hours worked currently the better indicator



China

Monthly activity numbers for August are out Wednesday. Retail sales is seen at 7.0% y/y and industrial production at 5.8% y/y, each easing back from their July reads. A similar dynamic in fixed asset investment is expected in August with 9.0% y/y.

US

CPI data for August will be in focus, with headline inflation seen pulling back from 5.4% to 5.3%y/y, while core is forecast to remain at 4.3%y/y. Retail sales for August on

Thursday will be closely watched for further signs of waning economic momentum. The consensus is for sales to decline marginally. The New York Empire manufacturing survey for September is released on Wednesday, followed by the Philadelphia Fed business outlook on Thursday. The preliminary September Michigan sentiment index rounds out the week that will also see the NFIB small business optimism survey for August out on Monday. The Fed will be quiet ahead of the 22 September FOMC meeting.

Eurozone

Following the ECB's decision to slow the pace of asset purchases in Q4, markets will be on alert for official comments regarding the transition from PEPP to APP and the general debate around how long and what size APP will be going forward. July trade data dominate a week of second tier data.

UK

August labour market data including average earnings are released on Tuesday and will be closely watched given the impending end of the furlough scheme on which around 1.6m are still receiving assistance. August inflation data are released on Wednesday, while August retail sales are on Friday.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

There was little change in swap rates across the curve last week with the market consolidating around an expectation that the RBNZ will hike rates 25bps at each of the coming three meetings. 2, 5 and 10-year swap rates printed fresh two-year highs last week.

The market has been encouraged by the trend lower in local Covid-19 cases (notwithstanding the modest pickup over the weekend), giving hope that Auckland will be able to move down from Alert Level 4 before the October RBNZ meeting. Market pricing for the October meeting continues to edge higher, now at 0.51%, implying a (slightly) greater chance that the RBNZ raises the OCR 50bps at its upcoming meeting than keeps the OCR unchanged. As discussed in this column last week, we think a 50bps OCR increase is both unlikely and unnecessary but we wouldn't be surprised if the market priced in even an greater risk of this outcome if Covid-19 case numbers continue to decline and New Zealand moves down the Covid Alert levels ahead of the October meeting.

With 75bps of hikes priced in to the next three meetings and year-end 2023 OCR pricing sitting at around 1.80%, we think the risks around short-end pricing are more balanced here.

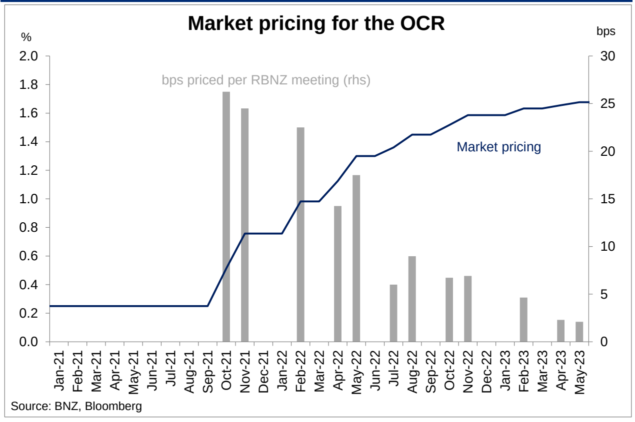
NZ GDP data this week are likely to be ignored by the market, given it predates the latest nationwide lockdown. We're expecting strong quarterly growth of 1.1%, much higher than the RBNZ's 0.6% MPS estimate, but this is of little market relevance now compared to how the current lockdown plays out. The preliminary ANZ business survey is likely to show slower activity indicators and still-high inflation and price pressures, underlining the dilemma the RBNZ faces.

Global rates continue to track sideways within established trading ranges. The US 10-year rate, at 1.34%, is sitting towards the upper-end of its 1.10% - 1.40% range that has been in place for the past two months. The recent disappointing US payrolls number (on job growth) means a formal tapering announcement is highly unlikely at the Fed's meeting later this month, but tapering is still likely to start by the end of the year and should be concluded before the end of 2022, paving the way for interest rate hikes from this point. We still expect global rates to break out of their current trading range to the topside later this year, as global growth concerns around the Delta variant outbreak start to fade. Market positioning (which appears to still be leaning 'short') is a near-term headwind to our higher global rates view.

More generally, we think the risks around global long-term rates are still asymmetrically skewed higher from present levels. In particularly, we think the market is underpricing the risk that inflation ends up staying higher-for-longer, necessitating more than the 150bps of interest rate increases priced in for the Fed over the next five years. The US CPI release this week should show inflation pressures remaining very elevated, although the bigger (and still unsettled) debate is whether inflation reverts to 2% next year as some of the one-off, Covid-related factors fade.

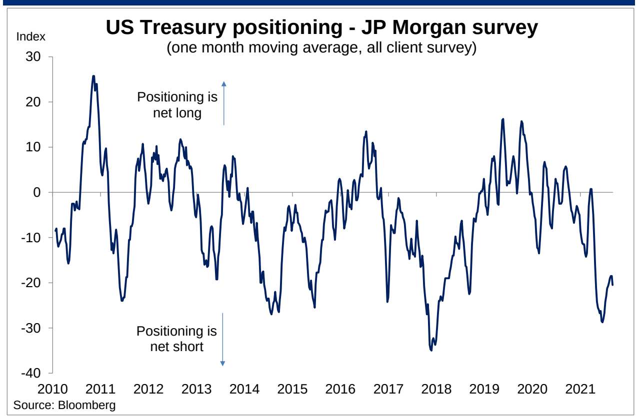
In the local bond market, New Zealand Debt Management has launched its inaugural 30-year government bond (a May-2051 maturity). This will bring New Zealand into line with most other major bond markets which have 30-year bonds and provide a benchmark at the long-end of the curve for other issuers (Auckland Council issued a 30-year bond last year).

The market prices 26bps for the RBNZ's October meeting



NZ 10-year rate makes fresh two-year high last week

Investors still appear to be positioned for higher US rates



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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The USD was broadly stronger last week, seeing NZD/USD slip 0.6% to about 0.7115. The NZD outperformed other commodity currencies, seeing NZD/AUD up to a fresh 17-month high around 0.9675 and closing the week up 0.8%. NZD/CAD sustained a move up through 0.90. NZD/EUR was steady just above 0.60 and the NZD fell about ½% against GBP and JPY.

Last week was fairly uneventful. Risk appetite slipped through the week but without any obvious trigger. Central bank policy decisions had some impact on currencies at the margin. The AUD was weaker after the RBA tapered QE from $5b to $4b per week, as it had previously indicated, but extended the next review period by three months to February, making it a "dovish taper" decision. NZD/AUD's recovery continued and, as we've noted previously, our projections are consistent with a new higher trading range extending as high as 0.98 over coming months. The Bank of Canada and ECB also had policy updates and CAD and EUR were also on the weaker side of the ledger, even with no surprise in forward guidance.

NZ's latest outbreak of COVID19 looks to be well-contained, giving the market more conviction of pending RBNZ rate hikes. NZ swap rates continue to push higher and OIS pricing for the October meeting has pushed up through 0.50%, suggesting the market now gives a higher probability to a possible 50bps rate hike compared to no change at that meeting. The third meeting in the sequence, in February, is priced just under 1%, suggesting high conviction of 75bps of hikes through the next three meetings. This view on RBNZ policy is providing some underlying support for the NZD, more notably on the crosses.

In the week ahead, NZ GDP data for Q2 will be released on Thursday. While the figures are dated, the consensus sits at 1.2% q/q with some estimates as high as 1.7%, well above the RBNZ's pick of 0.6%. And upward revisions have already been indicated for the release, suggesting that the RBNZ significantly underestimated the size of the positive output gap just before the latest COVID19 outbreak and therefore the likely inflationary consequences. Even though we know the current Q3 estimate will be dire, owing to the lockdowns, a strong rebound from that would add to the sense that the OCR needs to head a lot higher, adding to conviction for rate hikes ahead.

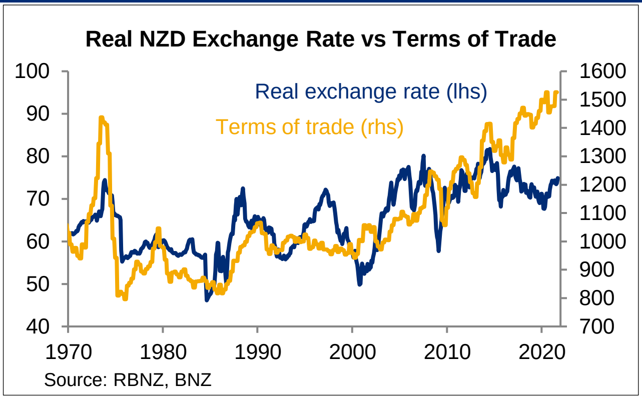
Strong terms of trade data, released earlier this month, suggest very strong nominal GDP growth. As the chart below shows, NZ's real exchange rate has significantly lagged the strong terms of trade trend over recent years, suggesting that the NZD remains deeply under-valued from a medium-long term perspective, based on this indicator.

As noted, RBNZ rate hikes are well priced by the market, so it is questionable how much more this factor can add to further NZD upside pressure, at least over the near-term. We'd suggest that the second quarter of next year will be more important for the impact of domestic monetary policy on the NZD, because at that point we'll have a feel for how the economy is responding after a few rate hikes and whether the RBNZ is likely to continue hiking through the rest of 2022. Through the rest of this year, we'd suggest that global forces will be more important as to whether the NZD can push higher, as we project, or whether the currency tracks sideways.

US CPI and retail sales data this week will be interesting, but their market impact likely muted to the extent that Fed monetary policy is being more determined by the employment situation than other variables.

Last week we suggested that a new higher trading range of 0.71-0.7315 could come into play over the short term for the NZD. However, it's too early to determine whether 0.71 will prove to be a level of support or resistance and we'll have a better idea over coming weeks.

NZD massively under-valued against NZ's terms of trade



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.7118	0.6810 - 0.7170
NZD/AUD	0.9671	0.9550 - 0.9680
NZD/GBP	0.5142	0.5000 - 0.5170
NZD/EUR	0.6025	0.5820 - 0.6050
NZD/JPY	78.22	74.70 - 78.70

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.7220	-1%
NZD/AUD	0.9190	5%

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Technicals

NZD/USD

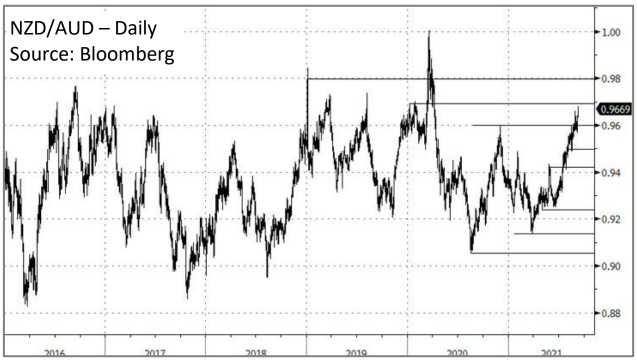
Outlook: Trading range
ST Resistance: 0.7315 (ahead of 0.7460)
ST Support: 0.7100 (ahead of 0.6900)

Last week we suggested that 0.71 would morph from a resistance to a support level. The jury is still out on that one, but if it's right then the NZD could be back into the familiar 0.7100-0.7315 range seen earlier this year.

NZD/AUD

Outlook: Trading range
ST Resistance: 0.9700 (ahead of 0.9800)
ST Support: 0.9500 (ahead of 0.9430)

Prior resistance of 0.96 looks to have been sustainably broken, setting up the net level of resistance at 0.97. We'll move support up to 0.95 as a result.



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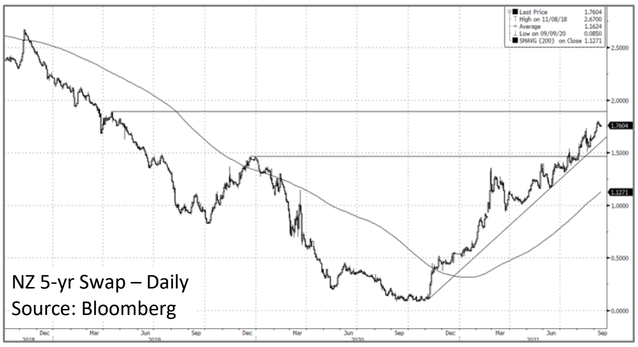
NZ 5-year Swap Rate

Outlook: Higher
MT resistance: 1.89
MT support: 1.46

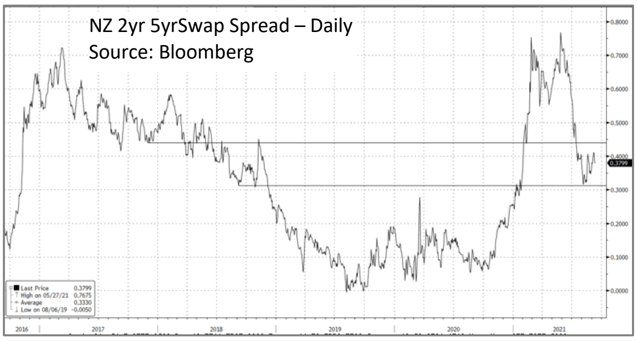
No change here, if you want a tight stop trendline support comes in at 1.61 now.



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

Outlook: Steeper
MT resistance: 0.45
MT support: 0.31

Still looking for 0.31 to hold take profit around 0.45.



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Quarterly Forecasts

Quarterly Forecasts

Forecasts as at 13 September 2021

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts (shaded)

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
GDP (production s.a.)	-1.5	-10.8	14.1	-1.0	1.6	1.1	-7.0	8.0	0.5	1.0
Retail trade (real s.a.)	-1.0	-15.5	27.8	-2.2	2.8	3.3	-14.0	15.0	2.0	0.8
Current account (ytd, % GDP)	-2.8	-1.8	-0.8	-0.8	-2.2	-3.3	-3.6	-4.4	-4.8	-5.5
CPI (q/q)	0.8	-0.5	0.7	0.5	0.8	1.3	1.5	0.6	0.5	0.4
Employment	1.0	-0.4	-0.6	0.7	0.6	1.1	-0.2	0.2	0.7	0.6
Unemployment rate %	4.2	4.1	5.3	4.8	4.6	4.0	4.0	4.3	3.9	3.7
Avg hourly earnings (ann %)	3.2	2.4	3.7	4.6	4.1	4.5	2.8	3.7	4.0	4.3
Trading partner GDP (ann %)	-2.4	-5.3	-0.9	0.7	6.3	9.8	4.5	4.1	4.5	4.6
CPI (y/y)	2.5	1.5	1.4	1.4	1.5	3.3	4.2	4.3	4.0	3.1
GDP (production s.a., y/y))	0.0	-11.2	0.4	-0.8	2.4	16.1	-5.4	3.2	2.1	2.0

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
2019 Dec	1.00	1.15	1.05	1.40	1.10	1.20	1.50	1.95	1.80	-0.40
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
Forecasts										
Sep	0.25	0.60	1.60	1.90	1.45	1.80	2.10	0.15	1.50	0.40
Dec	0.75	0.95	2.05	2.35	1.80	2.15	2.45	0.15	1.80	0.55
2022 Mar	1.00	1.20	2.40	2.60	2.05	2.50	2.70	0.15	2.00	0.60
Jun	1.25	1.45	2.60	2.85	2.30	2.70	2.95	0.15	2.20	0.65
Sep	1.50	1.75	2.80	3.05	2.50	2.90	3.15	0.15	2.35	0.70
Dec	1.75	2.00	2.95	3.20	2.65	3.05	3.30	0.15	2.50	0.70
2023 Mar	2.00	2.25	3.00	3.25	2.65	3.10	3.35	0.15	2.65	0.60

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.71	0.74	1.18	1.38	110
Sep-21	0.72	0.76	1.21	1.41	109
Dec-21	0.75	0.78	1.23	1.43	109
Mar-22	0.76	0.80	1.24	1.46	109
Jun-22	0.75	0.80	1.26	1.48	109
Sep-22	0.75	0.80	1.28	1.52	109
Dec-22	0.74	0.80	1.30	1.54	109
Mar-23	0.73	0.79	1.28	1.52	108
Jun-23	0.72	0.77	1.26	1.50	108
Sep-23	0.71	0.76	1.25	1.47	107
Dec-23	0.69	0.75	1.24	1.47	107

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.71	0.97	0.60	0.51	78.1	75.4
Sep-21	0.72	0.96	0.60	0.51	78.8	75.2
Dec-21	0.75	0.95	0.61	0.52	81.5	76.6
Mar-22	0.76	0.95	0.61	0.52	82.8	77.3
Jun-22	0.75	0.94	0.60	0.51	82.0	76.4
Sep-22	0.75	0.94	0.59	0.50	82.0	76.3
Dec-22	0.74	0.93	0.57	0.48	80.7	75.1
Mar-23	0.73	0.92	0.57	0.48	78.8	74.5
Jun-23	0.72	0.93	0.57	0.48	77.5	74.0
Sep-23	0.71	0.93	0.57	0.48	76.0	73.6
Dec-23	0.69	0.92	0.56	0.47	73.8	71.8
TWI Weights	13.3%	19.2%	10.5%	4.1%	6.4%	

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

Annual Forecasts

Forecasts as at 13 September 2021	March Years Actuals 2020	2021	Forecasts 2022	2023	2024	December Years Actuals 2019	2020	Forecasts 2021	2022	2023
GDP - annual average % change										
Private Consumption	2.9	-0.7	6.4	5.2	1.9	3.6	-1.9	7.6	4.9	2.3
Government Consumption	6.1	6.3	5.1	1.8	1.3	5.4	6.4	5.8	2.3	1.2
Total Investment	1.3	-4.7	8.3	7.4	-0.8	3.2	-7.4	9.3	8.1	-0.3
Stocks - ppts cont'n to growth	-0.5	-0.2	0.5	0.2	-0.1	-0.7	-0.8	1.1	0.3	-0.2
GNE	2.5	-0.5	6.8	5.3	1.1	3.0	-2.5	8.6	5.4	1.3
Exports	-0.3	-15.9	2.0	12.5	8.9	2.3	-11.8	-5.4	9.1	12.6
Imports	1.2	-16.2	13.7	15.2	5.4	2.2	-16.4	10.7	14.7	7.3
Real Expenditure GDP	2.1	-0.4	2.8	3.9	1.6	3.0	-1.2	3.5	3.5	1.9
GDP (production)	**1.7**	**-2.3**	**3.6**	**4.5**	**1.6**	**2.4**	**-2.9**	**3.7**	**4.3**	**1.9**
GDP - annual % change (q/q)	*0.0*	*2.4*	*2.1*	*2.9*	*1.6*	*1.8*	*-0.8*	*3.2*	*3.0*	*1.4*
Output Gap (ann avg, % dev)	1.9	-1.6	-0.3	1.5	0.6	2.3	-1.7	-0.3	1.4	0.8
Nominal Expenditure GDP - $bn	322	325	347	366	380	319	322	342	363	376
Prices and Employment - annual % change										
CPI	2.5	1.5	4.0	2.3	2.7	1.9	1.4	4.3	2.2	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	-2.8	1.9	2.6	0.5	0.5	-4.1	2.5	2.4	0.6
Unit Labour Costs (ann av %)	3.4	5.5	4.5	1.6	2.7	2.5	6.6	3.5	2.1	2.9
House Prices	7.8	22.0	8.5	2.3	2.0	4.6	17.0	15.7	2.8	2.0
External Balance										
Current Account - $bn	-9.1	-7.2	-16.7	-21.5	-17.8	-10.6	-2.4	-15.0	-23.9	-18.7
Current Account - % of GDP	-2.8	-2.2	-4.8	-5.9	-4.7	-3.3	-0.8	-4.4	-6.6	-5.0
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-7.3	-2.8	-5.0	-1.5	0.0					
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	77.3	74.5	71.8	72.8	74.3	76.6	75.1	71.8
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 13 September			
NZ, Govt Reviews COVID restriction levels			
NZ, ANZ Business Survey, Sept prelim			-14.2
NZ, Food Price Index, August	+0.9%		+1.3%
Jpn, BSI Business Survey, Q3			-4.7
US, Budget Statement, August		-$175b	-$200b
Tuesday 14 September			
NZ, REINZ Housing Data, August			
Aus, Lowe Speaks, ANIKA Foundation			
Aus, NAB Business Survey, August			
Aus, House Prices, Q2 y/y		+14.0%	+7.5%
Jpn, Industrial Production, July 2nd est			-1.5%P
UK, Average Weekly Earnings, July y/y		+8.2%	+8.8%
UK, Unemployment Rate (ILO), July		4.6%	4.7%
US, CPI ex food/energy, Aug y/y		+4.2%	+4.3%
US, NFIB Small Business Optimism, August		99.0	99.7
Wednesday 15 September			
NZ, Balance of Payments, Q2	-3.3%	-3.2%	-2.2%
Aus, Westpac Consumer Confidence, Sept			104.1
China, Retail Sales, Aug y/y		+7.0%	+8.5%
China, Industrial Production, Aug y/y		+5.8%	+6.4%
China, Fixed Assets (ex rural), Aug ytd		+9.0%	+10.3%

	Forecast	Median	Last
Jpn, Tertiary Industry Index, July		+0.1%	+2.3%
Jpn, Machinery Orders, July		+2.8%	-1.5%
Euro, Labour Costs, Q2 y/y			+1.5%
Euro, Industrial Production, July		+0.6%	-0.3%
UK, CPI, Aug y/y		+2.9%	+2.0%
US, Industrial Production, August		+0.4%	+0.9%
US, Empire Manufacturing, September		+18.0	+18.3
Thursday 16 September			
NZ, GDP, Q2	+1.1%	+1.2%	+1.6%
Aus, Employment, August		-80k	+2k
Aus, Unemployment Rate, August		4.9%	4.6%
Jpn, Merchandise Trade Balance, August		-¥53b	+¥441b
Euro, Trade Balance, Jul s.a.		+€14.9b	+€12.4b
US, Philly Fed Index, September		+19.0	+19.4
US, Business Inventories, July		+0.5%	+0.8%
US, Jobless Claims, week ended 11/09		320k	310k
US, Retail Sales, August		-0.8%	-1.1%
Friday 17 September			
NZ, BNZ PMI (Manufacturing), July			62.6
Euro, CPI, Aug y/y 2nd est		+3.0%	+3.0%P
UK, Retail Sales, August		+0.8%	-2.5%
US, Mich Cons Confidence, Sep 1st est		72.0	70.3

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	0.25	0.25	0.25	0.25
1mth	0.33	0.32	0.55	0.27
2mth	0.43	0.41	0.61	0.29
3mth	0.53	0.50	0.67	0.30
6mth	0.74	0.69	0.86	0.31
GOVERNMENT STOCK				
04/23	1.03	1.00	1.02	-0.02
04/25	1.39	1.40	1.28	0.01
04/27	1.59	1.59	1.45	0.20
04/29	1.74	1.76	1.62	0.42
05/31	1.87	1.89	1.71	0.60
04/33	2.04	2.10	1.90	0.80
04/37	2.33	2.39	2.17	1.08
05/41	2.60	2.67	2.43	1.33
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	47	47	49	69
Europe 5Y	45	44	46	55

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	1.38	1.37	1.37	0.05
3 years	1.57	1.58	1.51	0.05
4 years	1.69	1.70	1.62	0.08
5 years	1.76	1.78	1.69	0.13
10 years	2.05	2.08	2.00	0.53
FOREIGN EXCHANGE				
NZD/USD	0.7118	0.7136	0.7019	0.6700
NZD/AUD	0.9676	0.9591	0.9567	0.9193
NZD/JPY	78.22	78.38	76.69	70.84
NZD/EUR	0.6023	0.6012	0.5960	0.5647
NZD/GBP	0.5141	0.5157	0.5069	0.5216
NZD/CAD	0.9029	0.8945	0.8826	0.8828
TWI	75.5	75.5	74.8	72.2

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