30 March 2020

Plan for the future!

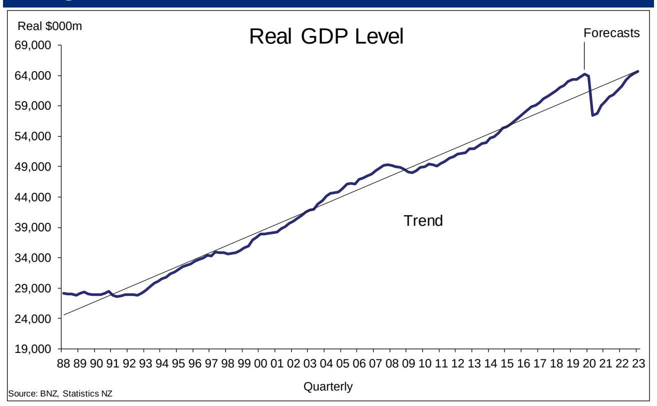
- **A slump and then a bounce**
- **The magnitude is anyone's guess**
- **The bounce will not be a full reversal**
- **Four years to "normality"?**
- **And some permanent changes afoot**

Alas, we continue to increase our expectations of the size of the hit the New Zealand economy is going to face from the pestilence we are currently experiencing. We are not alone. We are now witnessing forecasts for Q2 GDP ranging between -10% and -33%. Never before have we seen such a marked spread in expectations. And, yet, in reality, the irony of this huge spread is that it actually shows there is a very strong consensus view. Namely: the hit will be unprecedented; it will be focused on Q2; there will be a bounce; but no-one really has a clue as to the magnitude or duration of the shock.

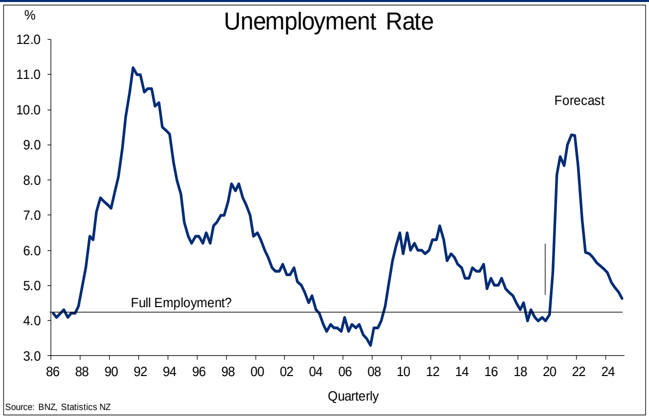
A simple, back of the envelope, analysis shows that a double-digit percentage hit to activity in Q2 is almost a given. If we assume a third of those currently employed remain working in essential services, another third work from home and a third can't do anything (think travel, tourism, hospitality, and retail) then, if nothing changes for the whole of the June quarter, economic activity would drop a third. If we assume the lockdown lasts for just 28 days, and things return quickly to normal, then the decline in economic activity would be 10%. This, in a nutshell, would be the best case scenario.

From a technical perspective, there will even be a big question mark over Statistics New Zealand's (SNZ) ability to capture what is going on.

A long time to normal



Unemployment a protracted problem



What is currently happening will stress any statistical model to the max. In particular, we are concerned about the capacity of some survey respondents to provide the data that SNZ needs. This being the case, even the official date will have to be taken with a pinch of salt.

All things considered, we are, thus, not spending a lot of time trying to fine tune our GDP forecasts. We are far more concerned with the spread of the illness, the likely spike in the unemployment rate to around 10%, and the ability for businesses to survive this shock. And, possibly of even greater importance, is trying to understand what the world will look like when we finally claw our way out of this mess.

With all this in mind, we are concerned about the view, held by many, that we will simply have a sharp correction in Q2 and that there will be an equally large bounce very soon thereafter returning things to normal. It is true we will get a huge drop followed by a significant hike. Equally, the bigger the fall, the bigger the bounce. This is why, even with huge variation in the quarterly forecasts of commentators, the deviation in overall growth expectations is not so large. But, even with the bounce, whenever that may be, things will not return to normal for a very long time. We believe it will not be until sometime in 2023 that activity will return to pre-crisis levels, at the very earliest. And we would be surprised if the unemployment rate fell back below 5.0% before 2025.

Common sense dictates that significant parts of the economy simply cannot bounce back quickly, and others will face structural issues that will transform them forever.

There are a host of issues we could confront here but we note the following abbreviated list for expediency:

- International travel will recover only very slowly. Even if New Zealand wins the battle against Covid-19, it is unlikely the rest of the world will do so any time soon. Realistically, the threat of infection is likely to stay in place for up to two years. This will be a major impediment to travel for an extended period of time.

- As New Zealand comes out of its Level 4 lockdown, there are likely to remain hotspots of disease. This will remain travel limiting.
- The massive increase in those working from home will change the world. Many of us talked about working offsite but never really embraced the concept. Now we know that it can be done, the need for office space could well diminish. Furthermore, we've all found out that video conferencing can work, which may permanently reduce the need for travel.
- Many hospitality businesses operate on the border of solvency at the best of times. Many will close forever given the current shock.
- Employment lags economic activity. As the economy bounces, employment will respond more slowly. In the first instance, firms will be reluctant to fully re-staff until such time that there is certainty that the virus will not re-emerge. Additionally, there will be those who realise they can produce the same output with lower staff numbers.
- With the unemployment rate higher for longer, discretionary spending will take a disproportionate hit. Even if employment does pick up sharply, consumer net debt levels will have risen as people borrowed to see through a time of hardship, or ran down their savings or built up debt through deferring their mortgages.
- Fallen asset prices (equities in the first instance but housing in the not-too-distant future) will adversely impact spending.
- Lower population growth will result in lower GDP growth.
- Uncertainty, in and of itself, defers investment activity.
- And, last but not least, there is no free lunch. The Government is spending up a storm. Its debt levels will rise explosively. Ultimately, someone will have to pay for this via increased taxation and/or heightened fiscal austerity. *{See the list of Government measures later in this document}*

Trying to get our heads around this is of greater priority than working out exactly where we are now.

That said, we are obviously monitoring the daily flow of data and anecdote and will be keeping an eye on what will be released in the week ahead.

On Tuesday we get a swathe of data most of which will be of little interest. This includes: building consents for February, credit aggregates for February, very dated (year to March 2019) Regional GDP data, the Government's financial accounts for the eight months to February 29 and ANZ's March Business Opinion survey, which can only be as bad (or worse) than the part-release of the survey earlier in the month.

March QVNZ data on Wednesday may be of some interest to the extent the data and published anecdotes pick up any change in behaviour between the time of Covid-19 hitting the press and the beginning of the lock down. Of course, from the time the lockdown began, turnover will drop to near zero and, so, there will be no meaningful price disclosure. Only when the housing market reopens for trade will we start to get some initial sense on the impact on prices. Barfoot and Thompson data may also be out sometime this week. While more current than the QVNZ numbers, they will also be afflicted by the same issues.

Keep an eye out also for the, now weekly, release of trade and tourism data. These are at least timely and, no doubt, will confirm the carnage in tourism and the pressure on exporters generally.

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Government Rescue Package

With all that's been going on, we thought it worth quickly summarizing the policy measures so far implemented by Government as a handy check list. We're sure we've missed a few bits and pieces but, hopefully, the below covers off all the main points.

- 17 March: Government announces $12.1b economic response package, the equivalent of around 4.0% of GDP. This includes:
  - $500m for health
  - $5.1b in wage subsidies for affected businesses in all sectors and regions over 12 weeks with a $150,000 cap.
  - $126m for COVID-19 leave and self-isolation support.
  - $2.8b income support, including a permanent $25 per week benefit increase and a doubling of the Winter Energy Payment for 2020.
  - $100m for redeployment
  - $2.8b in business tax changes to free up cashflow including provisional tax threshold lift, reinstatement of building depreciation and writing off interest on the late payment of tax.
  - $600m initial aviation support.
- 19 March: Government closes border, effectively stopping all people travelling to NZ except for returning New Zealanders.
- 20 March: Government supports AirNZ with 24-month loan facilities of up to $900m.
- 21 March: Government introduces COVID alert system initially setting it at level 2.
- 23 March: Government lifts alert to level 3 and says will be at level 4 in 48 hours (essential lockdown except for essential services).
- 23 March: Government removes cap on wage subsidy scheme, injecting a further $4b over next 11 weeks and taking the total cost from $5.1b to $9.3b. The $9.3b is an estimate, not a cap or a floor, with support there to meet the demand.
- 23 March: Government freezes all rent increases for six months and looks to extend no-cause terminations.
- 24 March: Government gives detail on $600m aviation package with $270m to airports and airlines and up to $330m on ensuring capacity for high priority goods.
- 24 March: Government announces banks will provide a six month mortgage holiday for mortgage holders and SME businesses.
- 24 March: Government announces a $6.25b SME business finance scheme allowing for loans up to three years, with Government taking 80% of the credit risk and the banks carrying the remainder.
- 24 March: Banks' core funding ratio lowered to 50% from 75%.
- 25 March: Government announces a $327m package for social services.
- 25 March: Government tweaks wage subsidy scheme with a cost estimate now between $8b and $12b, up from the original $5.1b.
- To date, $2.7b of wage subsidies has already been paid out for over 428,000 workers.

Additionally, the RBNZ, amongst other things, has cut the cash rate 75 basis points to 0.25%; delayed the requirements for banks to achieve higher capital requirements; provided liquidity to money markets to keep short term interest rates anchored; provided up to $30 billion of quantitative easing to ensure longer dated interest rates do not rise.

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Global Watch

- **COVID-19 remains front and centre**
- **US labour market hit extremely hard**
- **China's lockdown measures being relaxed**
- **Chinese PMIs to bounce but remain depressed**
- **Australia tightens containment measures**

Global

Attention remains nearly exclusively focused on COVID-19 developments as global cases and deaths continue to rise especially in the US and Europe. There is better news from China with more reports of lockdown measures being relaxed and activity resuming.

In the US, much focus is on whether the administration continues to signal its intention to lift health measures in order to "restart" the economy by Easter.

Regards assessing the extent of the economic damage and any signs of improvement, some attention is starting to be given to the data. The Chinese Caixin PMI for March should bounce from a record low, but remain depressed. US payrolls should show the initial effect of job losses, where recent weekly initial jobless claims surged to a record 3.3mn persons. The latter was nearly five times bigger than the previous record illustrating the monumental hit to the US labour market currently taking place.

Australia

Further containment measures are being implemented. Over the weekend, PM Morrison limited public gatherings to two people in the strictest measures to date. The government is also working on additional fiscal measures to support the economy, having already delivered two stimulus packages over recent weeks.

The RBA releases the minutes of its 18 March emergency meeting, when it cut the cash rate to its self-imposed floor of 0.25%, implemented limited yield curve control and started to buy government bonds. The main interest will be whether the board discussed any other unconventional policies, where we think the governor is still very reluctant to consider a negative cash rate.

Building approvals are expected to rise a strong 5% in February, while the preliminary ABS estimate pointed to a 0.4% rise in retail trade in February. Panic buying accelerated in March, when supermarket sales are likely to make a major contribution to growth.

Meanwhile, the weekly ANZ-Roy Morgan measure of consumer confidence could slip further after a 30% fall last week. Confidence is now close to the record lows reached during the global financial crisis.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

- **RBNZ announces a huge $30b QE programme in government bonds.**
- **NZ swap rates and NZGB yields fall sharply, assisted by falls offshore.**
- **NZ funding pressures moderate.**
- **Offshore credit markets show signs of thawing but the NZ market remains extremely strained.**
- **NZDM to announce its funding plans for the June quarter before Wednesday.**

The RBNZ took the historic step last week in announcing a Large-Scale Asset Purchase Programme (LSAP, more commonly referred to as Quantitative Easing, or QE). The $30b size, which is planned to take place over 12 months, is massive. It will see the RBNZ hold between 30% to 40% of the entire stock of nominal government bonds, a proportion that has taken many years for key offshore central banks to achieve (the Bank of Japan launched its QQE programme in 2013 and the ECB launched its version in early 2015).

NZGB yields were significantly lower last week after the announcement, with the 10-year yield more than 40bps lower, at about 1% currently. Of course, the sharp fall in NZGB yields needs to be seen in the context of the sharp run-up that took place in the two weeks preceding this. The 10-year yield remains 20bps above the lows that were reached earlier this month. NZGB yields fell more than swap rates, with investors anticipating that the RBNZ's purchases will reduce the 'free-float' of bonds available in the market to other investors.

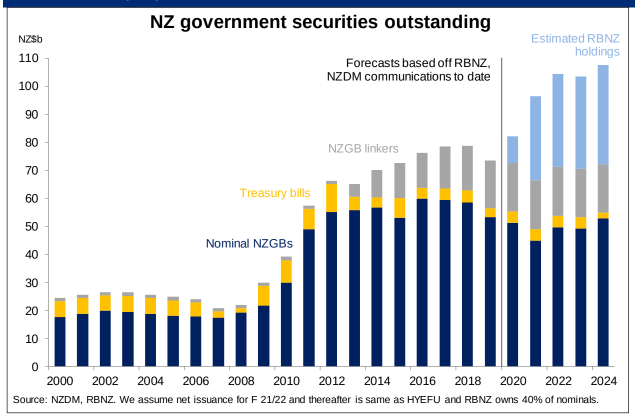
The next step will come from NZDM, which will reveal over the next two days how it intends to go about funding $5.1b in bond issuance over the coming quarter. This would have been an extremely large amount of issuance for the NZGB market to absorb in the absence of QE. The total gross issuance in the entire 2017/18 fiscal year was $7b and in the 2018/19 fiscal year it was $8b. We think there is a high risk that NZDM announces a new bond syndication alongside its tender schedule, which will likely put some temporary upward pressure on longer-term NZGB yields.

Does QE mean that NZGB yields will continue to fall, and the curve flatten, from here? We don't think it's that simple. The 10-year NZGB yield is a function of the expected path of the OCR over the next 10 years (dependent on fundamental factors like the outlook for future growth and inflation) and a risk, or 'term', premium. QE works mainly, over time, by supressing the term premium component of yields. In isolation, this argues for a lower and flatter curve. But it is not the only factor that affects the long-end of our curve. First, because NZ is a small market by international standards, global moves will continue to be an important driver of long-end bond yields. Second, the 10-year yield can change for fundamental reasons, if the growth and/or inflation outlook changes.

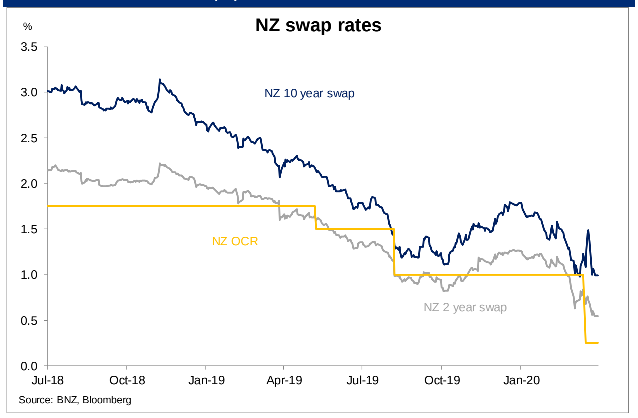
For now, it's reasonable to think that NZ rates will remain low (but probably volatile). The economy is entering a severe recession, so growth and inflation expectations will be low, and the RBNZ is going to buy a lot of bonds. But the tail risk of higher inflation down the line is getting fatter, given the unprecedented monetary-financed fiscal stimulus being thrown at the economy by most countries, including NZ. Uncertainty over the future path of the economy and the OCR is exceptionally high given the nature of the shock. We wouldn't rule out longer-term interest rates rising in the future, perhaps significantly.

Finally, there have been some signs of NZ funding pressures easing, following significant liquidity injections by the RBNZ. BKBM-OIS is back down to 25bps, having been 45bps little more than a week ago, while the NZD FX basis has also normalised. Credit markets offshore showed tentative signs of improving last week, with a record $109b of US investment grade new issuance. But the NZ market remains extremely strained, with corporate and bank spreads wider on the week and liquidity still impaired.

RBNZ to buy up to 40% of NZGB nominal market



NZ rates reverse sharply lower last week



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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week saw more extreme volatility in financial markets. The NZD trended higher following its collapse over the prior two weeks. NZD/USD was up almost 6% for the week, back up through the 0.60 mark. GBP was the strongest of the majors, following its recent patch of unexplainable underperformance, seeing NZD/GBP slip lower, while NZD/AUD was range bound, hovering around the 0.98 mark.

The USD was the weakest of the majors, with the USD major currency TWI down nearly 5% after its 5% rise the previous week. This likely reflects two factors – the easing of pressure in the demand for USD liquidity, supported by the US Fed's large swap line agreements with other major central banks; and the fact that the US has become the new epicentre for the spread of COVID-19, likely joining other regions of the world with lockdowns that deepen the economic contraction.

Despite the more than 10% bounce-back in the S&P500 for the week (and at one stage up more than 20% from its low-to-high for the week), we'd put more weight on the VIX index as a measure of market sentiment and the fear about the outlook. The VIX index began last week at 66 and ended the week at 65.5, closing each day above the 60 mark. Ultimately the extent of the economic downturn the world faces and how long it will take to recover will depend on how quickly the spread of COVID-19 can be contained. And that remains a big unknown variable.

Steady risk appetite and a chunky fall in NZ export commodity prices, alongside the bounce-back in the NZD, now sees the currency trade in line with our fair value estimate – for the first time in about eighteen months! But heightened volatility is expected to continue. Our central forecast still embodies a final meltdown in the NZD back down to, and possibly beyond, the low point already seen this month, before bouncing back up. But that is just one of many scenarios that could still play out.

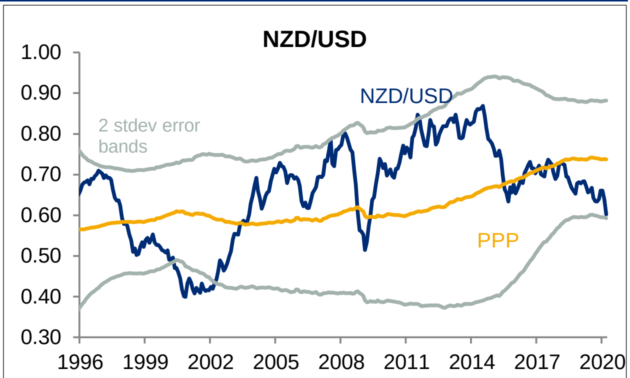
End-of-quarter trading over the next couple of sessions should see increased demand for US dollars as portfolios are rebalanced, but given the wild trading conditions, some of this could already have taken place through the month. Over the coming quarter we'd expect to see ongoing NZD volatility, although perhaps not to the same extent seen during Q1 (which has seen a more than 13-cents range). If Q2 can be kept to an 8 cents range (say 0.54-0.62), then consider that as progress.

Corporates and fund managers need to have the ability to be nimble in these volatile times. Those with some certainty about future cashflows and a longer term horizon should be looking at suitable levels to buy the NZD.

During the GFC the NZD only spent 7 months below USD0.60. For the current shock, NZ's terms of trade are in a much stronger position compared to the GFC and the NZ economy looks relatively better placed than others to weather the shock from COVID-19. Going into the shock NZ has a much stronger fiscal position than most other countries, the country supplies food for the world in this time of need, and being an island state NZ can more easily control the outbreak of the virus.

While we don't have a lot of conviction on how much further the NZD could still fall, we have conviction that any weakness will not be sustained for very long. Against our long-term PPP model, the NZD is nearly 2 standard deviations" cheap", a rare event – highlighting some attractive buying conditions for the NZD at 0.60 or below for those with a long-term focus.

NZD very cheap on our long-term PPP model



Source: BNZ

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6032	0.5470 - 0.6340
NZD/AUD	0.9808	0.9590 - 1.0000
NZD/GBP	0.4852	0.4760 - 0.5030
NZD/EUR	0.5428	0.5020 - 0.5600
NZD/JPY	64.97	59.50 - 66.60

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6080	-1%
NZD/AUD	0.9260	6%

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Technicals

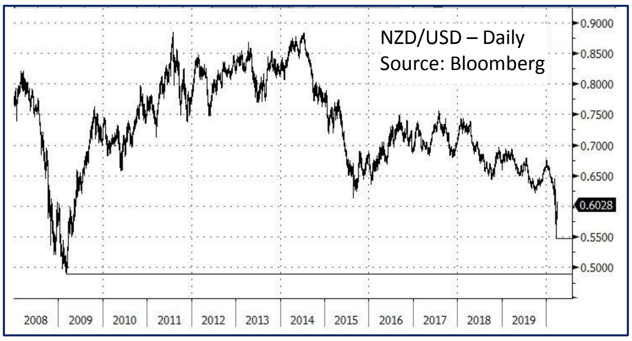
NZD/USD

Outlook: Downside risk

ST Resistance: 0.6070

ST Support: 0.5470 (ahead of 0.4900)

We'll put last week's high of 0.6070 and the previous week's low of 0.5470 at as resistance/support levels, an unusually wide range.



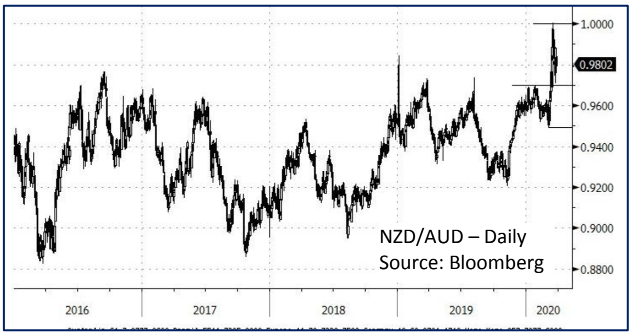
NZD/AUD

Outlook: Trading range

ST Resistance: 1.00

ST Support: 0.9700 (ahead of 0.9500)

The brief move above 1.00 wasn't sustained a couple of weeks ago, so we'd put that as a level of key resistance. Previous peaks around 0.97 might offer a modicum of support.



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NZ 5-year Swap Rate

Outlook: neutral

MT Resistance: 1.00

MT Support: 0.615

A close below 0.615 suggests a move to 0.50, if 0.615 holds then we could move to 0.78 in the near term.

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

Outlook: neutral

ST Resistance: +19

ST Support: zero

Mid range here await move to support/resistance before entering new trade.

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Quarterly Forecasts

Forecasts as at 30 March 2020

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts: Dec-19 to Dec-20 (shaded)

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
GDP (production s.a.)	0.6	1.0	0.4	0.0	0.8	0.5	-0.5	-10.0	0.5	2.3
Retail trade (real s.a.)	0.2	1.7	0.8	0.2	1.7	0.7	0.2	-7.0	0.0	4.0
Current account (ytd, % GDP)	-3.6	-3.8	-3.6	-3.4	-3.3	-3.0	-3.5	-4.3	-4.6	-5.2
CPI (q/q)	0.9	0.1	0.1	0.6	0.7	0.5	0.4	-0.6	0.8	0.4
Employment	0.8	0.1	0.0	0.7	0.2	0.0	0.1	-1.5	-3.1	-1.0
Unemployment rate %	4.0	4.3	4.1	4.0	4.1	4.0	4.2	5.4	8.2	8.7
Avg hourly earnings (ann %)	3.6	3.7	3.7	4.7	3.9	3.0	3.0	2.6	3.0	3.1
Trading partner GDP (ann %)	3.6	3.4	3.4	3.3	3.2	3.1	1.1	2.7	3.2	3.4
CPI (y/y)	1.9	1.9	1.5	1.7	1.5	1.9	2.1	1.0	1.1	1.0
GDP (production s.a., y/y))	3.0	3.3	3.0	2.1	2.3	1.8	0.8	-9.3	-9.5	-8.0

Interest Rates

Historical data - qtr average			**Government Stock**		**Swaps**			**US Rates**		**Spread**
Forecast data - end quarter	**Cash**	**90 Day Bank Bills**	**5 Year**	**10 Year**	**2 Year**	**5 Year**	**10 Year**	**Libor 3 month**	**US 10 yr**	**NZ-US Ten year**
2018 Dec	1.75	1.95	2.05	2.55	2.05	2.40	2.85	2.80	2.85	-0.42
2019 Mar	1.75	1.90	1.75	2.15	1.85	2.05	2.45	2.60	2.55	-0.56
Jun	1.60	1.70	1.45	1.80	1.55	1.65	2.05	2.40	2.05	-0.45
Sep	1.15	1.30	1.00	1.30	1.10	1.15	1.45	2.15	1.70	-0.51
Dec	1.00	1.15	1.05	1.40	1.10	1.20	1.50	1.90	1.85	-0.27
Forecasts										
2020 Mar	0.25	0.45	0.70	1.00	0.70	0.70	1.00	1.70	0.80	0.20
Jun	0.25	0.45	0.60	0.90	0.60	0.60	0.90	1.70	0.70	0.20
Sep	0.25	0.45	0.55	0.90	0.50	0.55	0.90	1.70	0.70	0.20
Dec	0.25	0.45	0.60	0.95	0.50	0.60	0.95	1.70	0.80	0.15
2021 Mar	0.25	0.45	0.90	1.25	0.80	0.90	1.25	1.70	1.00	0.25
Jun	0.25	0.55	1.05	1.40	0.95	1.05	1.40	1.70	1.00	0.40
Sep	0.50	0.80	1.35	1.70	1.25	1.35	1.70	1.70	1.20	0.50
Dec	0.75	0.95	1.60	1.90	1.50	1.60	1.90	1.70	1.30	0.60
2022 Mar	1.00	1.30	1.70	1.95	1.70	1.70	1.95	1.70	1.30	0.65

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	0.60	0.61	1.11	1.24	108	0.60	0.98	0.54	0.48	64.8	69.0
Mar-20	0.60	0.61	1.11	1.24	108	0.60	0.98	0.54	0.48	64.8	69.0
Jun-20	0.56	0.57	1.08	1.23	109	0.56	0.99	0.52	0.46	61.5	66.2
Sep-20	0.60	0.61	1.10	1.27	109	0.60	0.98	0.55	0.47	65.4	69.0
Dec-20	0.62	0.63	1.12	1.30	109	0.62	0.98	0.55	0.48	67.6	70.4
Mar-21	0.64	0.66	1.13	1.32	109	0.64	0.97	0.57	0.49	69.8	71.6
Jun-21	0.65	0.67	1.14	1.33	109	0.65	0.97	0.57	0.49	70.9	72.1
Sep-21	0.66	0.69	1.15	1.35	108	0.66	0.96	0.57	0.49	71.3	72.2
Dec-21	0.68	0.71	1.16	1.36	108	0.68	0.96	0.59	0.50	73.4	73.9
Mar-22	0.68	0.72	1.17	1.37	107	0.68	0.94	0.58	0.50	72.8	73.7
Jun-22	0.69	0.74	1.18	1.39	106	0.69	0.93	0.59	0.50	73.1	74.3
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 30 March 2020	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2018	2019	2020	2021	2022	2017	2018	2019	2020	2021
GDP - annual average % change										
Private Consumption	4.4	3.1	2.4	-6.5	3.1	5.1	3.2	2.7	-4.4	0.2
Government Consumption	3.0	3.9	4.6	3.4	2.0	2.9	3.7	4.3	4.0	2.3
Total Investment	6.9	3.7	2.1	-11.5	9.2	5.1	5.2	2.7	-9.4	4.7
Stocks - ppts cont'n to growth	0.2	-0.2	-0.2	0.1	0.3	0.2	0.3	-0.8	0.3	0.3
GNE	5.0	3.1	2.4	-6.0	4.6	5.0	4.0	2.0	-4.0	1.8
Exports	3.6	2.8	-0.8	-17.3	48.8	2.3	2.6	2.4	-20.7	44.8
Imports	7.2	3.9	1.3	-14.0	40.1	6.9	5.8	1.5	-14.9	35.4
Real Expenditure GDP	4.0	2.8	1.8	-6.5	4.7	3.8	3.2	2.2	-5.0	2.2
GDP (production)	**3.2**	**3.1**	**1.7**	**-8.3**	**4.7**	**3.1**	**3.2**	**2.3**	**-6.5**	**1.9**
GDP - annual % change (q/q)	*3.3*	*3.0*	*0.8*	*-6.5*	*4.4*	*3.3*	*3.3*	*1.8*	*-8.0*	*4.1*
Output Gap (ann avg, % dev)	1.2	1.8	1.7	-1.2	-1.2	1.1	1.7	1.9	-0.4	-1.4
Household Savings (% disp. income)	-0.2	-0.3	0.0	0.6	-1.9					
Nominal Expenditure GDP - $bn	289.1	300.3	314.4	300.6	308.8	285.2	297.6	311.0	304.7	305.4
Prices and Employment - annual % change										
CPI	1.1	1.5	2.1	1.0	1.3	1.6	1.9	1.9	1.0	1.1
Employment	2.5	1.4	1.1	-5.9	2.8	3.2	1.9	1.0	-5.4	0.8
Unemployment Rate %	4.3	4.1	4.2	8.4	8.4	4.5	4.3	4.0	8.7	9.3
Wages - ahote	4.0	3.7	3.0	2.8	2.5	3.1	3.7	3.0	3.1	2.6
Productivity (ann av %)	0.1	0.5	0.2	-0.6	2.4	-0.6	0.5	0.4	-0.8	2.6
Unit Labour Costs (ann av %)	2.9	2.6	3.4	4.4	0.9	3.2	2.9	3.1	4.6	0.9
External Balance										
Current Account - $bn	-8.1	-10.8	-11.0	-16.8	-16.0	-7.7	-11.4	-9.2	-15.9	-16.3
Current Account - % of GDP	-2.8	-3.6	-3.5	-5.6	-5.2	-2.7	-3.8	-3.0	-5.2	-5.4
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	1.9	2.4	-4.0	-10.0	-4.0					
Net Core Crown Debt (excl NZS Fund Assets)	19.9	20.1	25.0	35.0	40.0					
Bond Programme - $bn	8.0	8.0								
Bond Programme - % of GDP	2.8	2.7								
Financial Variables [(1)]										
NZD/USD	0.73	0.68	0.57	0.64	0.68	0.70	0.68	0.66	0.62	0.68
USD/JPY	106	111	110	109	107	113	112	109	109	108
EUR/USD	1.23	1.13	1.07	1.13	1.17	1.18	1.14	1.11	1.12	1.16
NZD/AUD	0.94	0.96	0.99	0.97	0.94	0.91	0.95	0.96	0.98	0.96
NZD/GBP	0.52	0.52	0.49	0.49	0.50	0.52	0.54	0.50	0.48	0.50
NZD/EUR	0.59	0.60	0.53	0.57	0.58	0.59	0.60	0.59	0.55	0.59
NZD/YEN	77.0	75.9	62.2	69.8	72.8	78.7	76.4	72.0	67.6	73.4
TWI	74.8	74.3	66.2	71.6	73.7	73.6	74.6	72.8	70.4	73.9
Overnight Cash Rate (end qtr)	1.75	1.75	0.25	0.25	1.00	1.75	1.75	1.00	0.25	0.75
90-day Bank Bill Rate	1.93	1.88	0.45	0.45	1.30	1.88	1.98	1.23	0.45	0.95
5-year Govt Bond	2.35	1.65	0.70	0.90	1.70	2.30	1.95	1.25	0.60	1.60
10-year Govt Bond	2.95	2.00	1.00	1.25	1.95	2.80	2.40	1.60	0.95	1.90
2-year Swap	2.25	1.80	0.70	0.80	1.70	2.20	2.05	1.25	0.50	1.50
5-year Swap	2.70	1.95	0.70	0.90	1.70	2.65	2.30	1.40	0.60	1.60
US 10-year Bonds	2.85	2.55	0.80	1.00	1.30	2.40	2.85	1.85	0.80	1.30
NZ-US 10-year Spread	0.10	-0.55	0.20	0.25	0.65	0.40	-0.45	-0.25	0.15	0.60

[(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 30 March			
Euro, Economic Confidence, Feb		91.6	103.5
Germ, CPI, Mar y/y 1st est		+1.3%	+1.7%
Tuesday 31 March			
NZ, Building Consents, Feb (res, #)			-2.0%
NZ, ANZ Business Survey, Ma final			-53.3P
Aus, Private Sector Credit, Feb		+0.3%	+0.3%
China, PMI (NBS), Mar		45.0	35.7
China, Non-manufacturing PMI, Mar		42.0	29.6
Jpn, Industrial Production, Feb 1st est	flat		+1.0%
Jpn, Retail Sales, Feb y/y		1.5%	-0.4%
Euro, CPI, Mar y/y 1st est		+0.8%	+1.2%
Germ, Unemployment Rate, Mar s.a.		5.1%	5.0%
US, Consumer Confidence, Mar		110.0	130.7
US, Chicago PMI, Mar		40.0	49.0
Wednesday 1 April			
NZ, QVNZ House Prices, Mar y/y			+5.3%
Aus, RBA Minutes, 18 Mar Meeting			
Aus, CoreLogic HPI, Mar			+1.2%
Aus, Building Approvals, Feb		+3.0%	-15.3%
China, PMI (Caixin), Mar		45.0	40.3
Jpn, Tankan (lge manuf), Q1		-10	flat
Euro, PMI Manufacturing, Mar 2nd est		44.7	44.8P
Euro, Unemployment Rate, Feb		7.4%	7.4%
Germ, Retail Sales, Feb		+0.1%	+0.9%
UK, Markit/CIPS Manuf Survey, Mar 2nd est		47.0	48.0P
US, ADP Employment, Mar		-150k	+183k
US, ISM Manufacturing, Mar		45.0	50.1
Thursday 2 April			
Aus, Job Vacancies, Feb			+1.6%
US, Jobless Claims, week ended 28/03			3,283k
US, International Trade, Feb		-$49.0b	-$45.3b
US, Factory Orders, Feb		+0.2%	-0.5%
Friday 3 April			
Aus, Retail Trade, Feb		+0.4%	-0.3%
Aus, Services PMI (CBA), Mar 2nd est			39.8P
Aus, Construction PMI (AiG), Mar			42.7
China, Services PMI (Caixin), Mar		39.5	26.5
Euro, PMI Services, Mar 2nd est		28.2	28.4P
Euro, Retail Sales, Feb		+0.1%	+0.6%
UK, Markit/CIPS Services, Mar 2nd est		34.8	35.7P
US, ISM Non-Manuf, Mar		44.0	57.3
US, Unemployment Rate, Mar		3.8%	3.5%
US, Non-Farm Payrolls, Mar		-100k	+273k
Sunday 5 April			
NZ, Daylight Saving Ends, -1hr to +12:00GMT			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	0.25	0.25	1.00	1.75
1mth	0.36	0.40	1.02	1.86
2mth	0.43	0.49	0.96	1.85
3mth	0.51	0.58	0.90	1.85
6mth	0.55	0.65	0.84	1.84
GOVERNMENT STOCK				
04/20	0.25	0.24	0.85	1.52
05/21	0.28	0.30	0.60	1.45
04/23	0.50	0.39	0.68	1.48
04/25	0.71	0.56	0.78	1.56
04/27	0.90	0.74	0.92	1.68
04/29	1.09	0.96	1.01	1.83
04/33	1.42	1.33	1.22	2.02
04/37	1.68	1.62	1.39	2.19
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	112	122	65	62
Europe 5Y	94	114	67	62

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	0.53	0.54	0.72	1.65
3 years	0.55	0.56	0.73	1.67
4 years	0.59	0.60	0.76	1.72
5 years	0.64	0.65	0.80	1.80
10 years	0.96	1.00	1.10	2.19
FOREIGN EXCHANGE				
NZD/USD	0.6028	0.5720	0.6261	0.6806
NZD/AUD	0.9802	0.9804	0.9578	0.9571
NZD/JPY	64.94	63.65	67.82	75.78
NZD/EUR	0.5419	0.5329	0.5623	0.6069
NZD/GBP	0.4843	0.4939	0.4909	0.5193
NZD/CAD	0.8456	0.8290	0.8342	0.9057
TWI	69.0	66.2	70.1	74.2

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