26 April 2022

Pressing On

- **RBNZ surprised by its own core inflation measures?**
- **ANZ business survey's labour market pointers to note**
- **As this week's clues to Q1 jobs prone to affirm softness**
- **March vehicle buying huge (ahead of emissions taxes)**
- **Goods trade for March to help inform Q1 activity direction**
- **March credit aggregates only slow re households?**

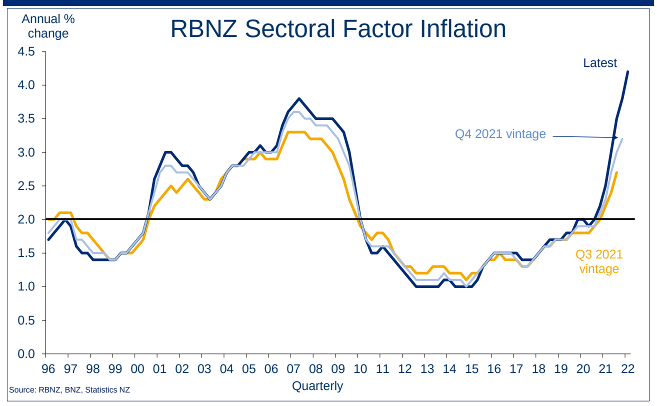
With this week's economic data not substantively until Thursday and Friday, the messages from last week's Q1 CPI report will continue to bounce off the walls. Headline inflation is conceivably undershooting the vicinity the Reserve Bank alluded to in its MPR. However, we wonder if core inflation is overshooting what the Bank had in mind, and in view.

To be sure, the various core inflation measures computed by Stats NZ have been pressing higher on an annual basis, for a number of quarters now. So, their respective pushes higher in Q1 2022 shouldn't have come as a big surprise.

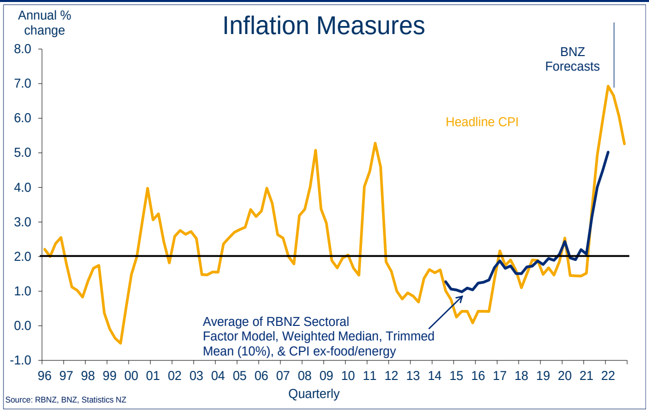
But as a post-script to last Thursday morning's CPI report, it was harder to digest the sizable increase in the Reserve Bank's own measure of core inflation, from its sectoral factor model. It kept accelerating, and from significantly upwardly revised estimates of recent history. For the longest time, revisions in this core inflation estimate were rare or trivial, and the outright trajectory was slow to change momentum. So, the fact it picked up to an annual pace of 4.2% in Q1, from 3.8% in Q4 (revised from 3.2%), and 2.0% at the outset of the pandemic, is something to behold.

Then again, this is about what happened to the Bank's sectoral factor model inflation the last time New Zealand's

Upwardly Revisionist



Where to Look?



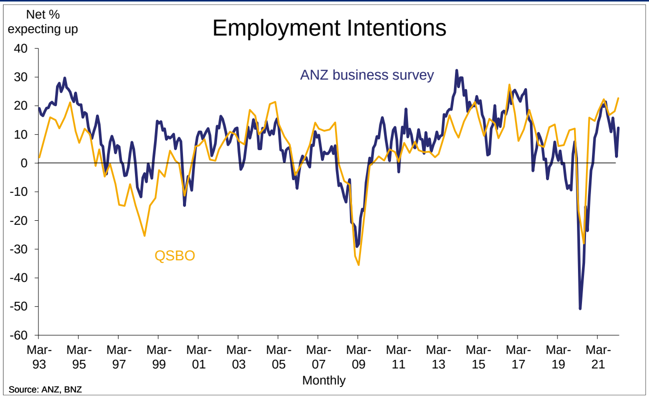
unemployment rate pressed below its equilibrium (NAIRU) level, over the 2003-07 economic cycle. In this sense, there is nothing especially unusual about the pick-up in core inflation rates we're now seeing.

With this in mind, it will be interesting to see how the labour market indicators in Thursday's ANZ business survey are tracking. It's hard to see its employment intentions measure sagging, when the NZIER's Quarterly Survey of Business Opinion (QSBO) of a couple of weeks ago sustained a strong view on such matters. SEEK job ads have also underscored a hefty demand for staff, even if the availability of such is extremely limited.

This is not to say the Q1 labour market figures (due 4 May) will necessarily be strong in employment. Indeed, the messages we're detecting in the higher-frequency labour market data appear to be flat to slightly negative. Thursday's employment indicators for March will complete their picture on how Q1 compares to Q4, with a downside bias seemingly beckoning. The weekly filled-jobs series appear to be leaning this way too. But there is Omicron to factor into the analysis as well.

As for whether a patchy Q1 jobs result in the Household Labour Force Survey would mean an uptick in the unemployment rate, that depends on how the participation rate goes in tandem. In any case, we can imagine the annual wage inflation measures will continue to trend higher in Q1, reflecting the broadly very tight market, and soaring CPI inflation as a reference point for cost-of-living compensation claims.

Optimism Personified



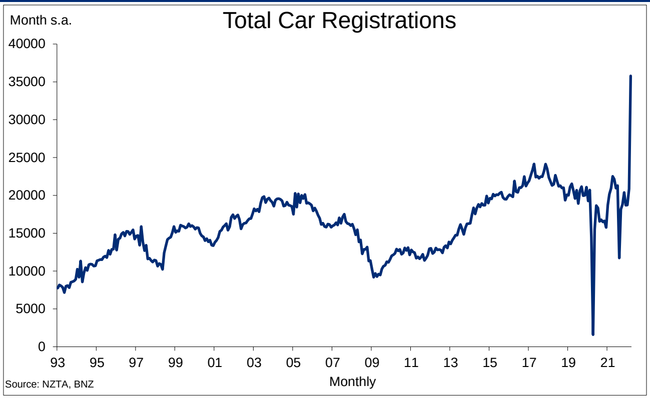
With business costs rising, from many angles, Thursday's ANZ survey will be instructive too in terms of its profit expectations (which were weakening in the QSBO, by way of comparison), while giving a broader sense of how the economy is coping with COVID-19's ongoing spread through the community. Albeit that the recent peak is now many weeks behind us. As for the survey's inflation pointers, for how much longer can they stay so extremely high?

For more on economic confidence, there is Friday's ANZ Roy Morgan survey of consumers to note. Last month its headline index fell to a 77.9 – lower than the low it got to during the recession of 2008. High inflation is clearly impinging on this.

With such weak consumer confidence, we remain alert to a capitulation in household spending that could yet take a lot of steam out of excess demand. There was certainly weakness in electronic card transactions in February/March, although the extent to which this reflected the shock of soaring COVID cases remains to be discerned. June quarter spending needs to be given a chance to prove itself.

Just bear in mind that Q1 household spending aggregates will be flattered a rush of expenditure on vehicles, ahead of the emission taxes (and rebates) that came into effect 1 April. It was no surprise to see the surge in vehicle registrations in March, as a sure sign of this. Registrations of new cars in March 2022 were 68% higher than in March 2021, while for used cars, and commercial vehicles, numbers were roughly doubled.

To Beat Emissions Taxes



While this will surely cause a vacuum in April/May sales, it also raises the possibility of folk needing to sell a lot of existing vehicles, all of a sudden, which could take pressure off near-term pricing.

As for Thursday's merchandise trade figures for March, these will round out insight into Q1 export and import activity. For the record, we forecast annual growth in export, and import, values of 24%. This would yield a March trade balance that is trivially positive. But there is guesswork involved in these picks, now Stats NZ has stopped publishing the higher-frequency trade data that would normally give the game away well in advance.

Thursday's new residential lending figures for March will no doubt be on the soft side again, albeit not dreadful (much like home sales for the month). Friday afternoon's credit aggregates will provide their usual, more general, inferences on net lending trends, covering housing, consumer credit, business, and agriculture sectors.

Also be aware of Friday's Q1 Household Living-Costs Price Indexes. Not because they could be market moving, but because they will be a potent reminder of the inflation being faced by households, and demonstrated by way of income and expenditure quintiles, as well as other demographic groupings.

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Global Watch

- **Aussie Q1 CPI to meet RBA's firmed expectations**
- **As headline hits 4.7% y/y and trimmed mean 3.4%**
- **China PMIs to note for Saturday**
- **US data include Q1 GDP and Employment Cost Index**

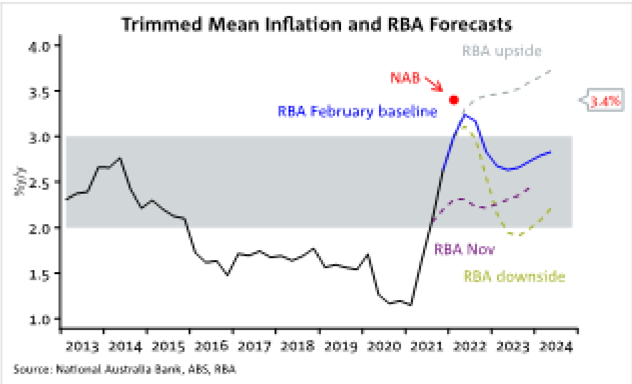
Australia

CPI on Wednesday

CPI data on Wednesday is the main focus. The RBA is braced for a stronger print than the 0.8% q/q and 3.0% y/y for trimmed mean that it had in the February SoMP, with the recent Minutes noting that "*measures of underlying inflation in the March quarter expected to be above 3 per cent*".

The RBA is likely to get it. Our forecasts are in line with consensus at 1.2% q/q for 3.4% y/y for trimmed mean and 1.7% q/q for 4.7% y/y headline. In terms of the distribution, 7 of 16 estimates are for trimmed mean at 1.2% q/q, with another 7 at 1.0-1.1%. Views are a little more mixed for headline, with a range of 1.4% to 2.0% but the majority are clustered at 1.7-1.8%.

CPI seens outpacing RBA forecasts again



The main drivers for core inflation are expected to be accelerating consumer goods price passthrough (as reflected in the NAB Business Survey), while fuel and new dwelling purchase costs are again set to skew the distribution of prices and support the 70% trim. Grocery inflation, which was subdued through H2 2021 should also add, while importantly for the outlook rent inflation is expected to pick-up. Key for policy will be evidence of a broadening out of inflationary pressures.

While the trimmed mean measure remains more relevant for policy, the headline rate is also set for a blockbuster print, driven by petrol prices. For Headline CPI we see a 1.7% q/q rise in Q1, taking the y/y rate to 4.7% y/y from 3.5%. Automotive fuel (+11% q/q) is again set to lift the headline read, adding over 1ppt to the year-ended headline number. Also supporting is continued price growth in new dwelling purchase costs which is expected to rise 4.0% q/q and add 0.35ppt to q/q inflation.

For more detail on our inflation forecasts, see our CPI preview update distributed last week or our 29 March Australian Markets Weekly that walked through the forecasts in detail.

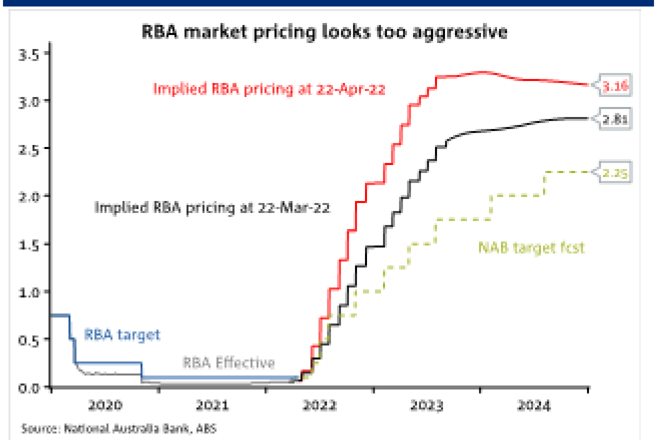
In terms of implications for the RBA, the RBA clearly pivoted in April to bringing "*forward the likely timing of the first increase in interest rates*" based on a revised outlook for inflation, and greater confidence in the gradual pick-up in wages as informed by the business liaison and the outperformance of the labour market. At the same time, higher inflation and tighter-than-expected labour markets have increased the risks of waiting too long to raise interest rates.

The April RBA Minutes have also made it clear the RBA is waiting on additional evidence on *"both inflation and the evolution of labour costs*" over coming months. That seemingly suggests the RBA not only wants to look at the CPI (27 April), but also wants to confirm their near-term assessment of labour costs (WPI on May 18 and GDP on June 1), before contemplating lifting rates from June. NAB expects a 15bp rate rise in June followed by consecutive 25bp increases in July and August.

Though the bar appears high, a stellar core CPI print still has the potential to bring forward the first-rate hike to May. We think a core trimmed mean print of around 1.5% q/q that is sufficiently broad-based would be enough to see the RBA feel compelled to move in May. A broad-based 1.5% q/q print would see annual inflation at 3.7% y/y, necessitating a substantial revision of the RBA's inflation forecasts and a quicker and perhaps steeper tightening cycle.

Markets are braced for an upside surprise with markets pricing in an initial 15bp move in May and a follow up 25bp rise in June. For the whole of 2022 markets are pricing in over 200bps worth of hikes (or approximately 9 rate hikes over the next eight RBA meetings), which looks excessive if the RBA chooses to wait until June.

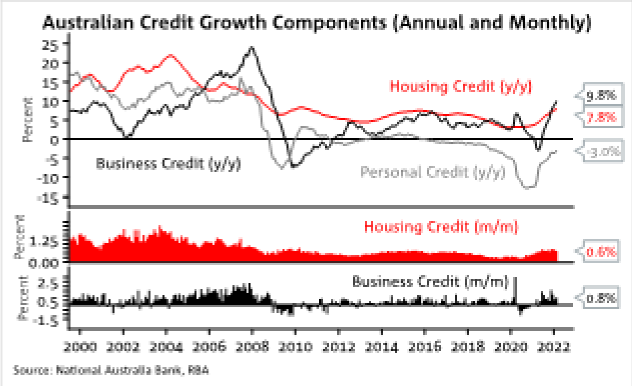
Markets are pricing an aggressive rates track



Private Sector Credit Friday

The only other data of note out during the week is private sector credit data for May. We see it unchanged at 0.6% m/m in March. Business lending is expected to be strong, though some continued slowing in housing lending is expected at the margin.

Private Sector Credit Growth



China

After the slew of updates last week the Calendar is less full this week. April PMIs are expected Saturday. Policy easing steps will remain in focus after the PBoC disappointed last week, the MLF and Prime Loan rates unchanged, although the RRR was cut slightly. A depreciation in the yuan, in contrast was given an implicit stamp of approval last week with a weak daily fix. PBoC governor Wang Yi has promised more easing steps soon. Evolution of COVID policy is also in focus with as many as 45 cities in some sort of lockdown.

US

A busy week for economic data. The Preliminary Q1 GDP is on Thursday and is tipped to see growth slow to just 1.1% q/q annualised, broadly in line with the Atlanta Fed's GDP Now estimate of 1.3%. The key Employment Cost Index on Friday, which filters out much of the noise from compositional changes in the monthly hourly earnings data, is expected to show employment costs at 1.1% q/q – a similar pace to last quarter. Also out Friday is the March PCE figures where focus will be on both real income and real spending given the ongoing inflation headwinds and whether volumes are starting to be squeezed. Corporate earnings season also continues with tech giants Apple, Amazon, Alphabet, Meta and Microsoft all reporting. The Fed goes quiet ahead of the FOMC next week with recent Fed rhetoric seeing markets fully pricing in three consecutive 50bp hikes at the May, June and July Fed meetings. In total there is 245bps of hikes priced by the end of the year.

UK

Not much of note out of the UK in the week ahead before the BoE meeting the following week. For that meeting markets are pricing a 50% chance of a 50bps hike.

Eurozone

With the French presidential election having decisively returned Macron to power, attention can turn to Europe's data ahead. After the upside surprise to Germany's IFO survey on Monday, fresh reads on inflation will come through via a slew of national April preliminary April CPIs (Germany is on Thursday) ahead of the wider Eurozone measure on Friday. Preliminary Q1 GDP is also out on Friday. The ECB has sounded decidedly more hawkish over the last week or so, with the inflation data helping to size-up the challenge facing the ECB as it weighs the risks of second round effects against protecting the recovery. We are also due to hear from Villeroy and Wunsch during the week. European bank earnings include Credit Suisse, UBS, Deutsche Bank, and Barclays.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

Last week saw another surge higher in domestic rates in thin, post-holiday market conditions. Swap rates made new cycle highs across curve, rising by between 20bps and 24bps, albeit with some reversal this morning. Markets remain very volatile.

Central bank rate hike expectations continue to push higher around the world. An array of Fed officials, including those who have had ‘dovish’ leanings in the past, such as Evans and Daly, have come out in support of a 50bps rate hike in recent weeks. The market now fully prices 50bps Fed rate hikes at each of the next two meetings, with an outside chance of a 75bps hike (!) priced in. In Canada, the market has moved to price a chance of a 75bps hike in June following last week’s huge upside inflation surprise. In Europe, several ECB Governing Council members raised the possibility of a rate hike at the July meeting. The market is now almost fully pricing a 25bps ECB hike in July and more than three hikes by the end of the year.

The US 10-year Treasury yield hit a peak of 2.98% last week, nearing the psychologically important 3% level for the first time since 2018, before reversing sharply at the start of this week to 2.82%. Shorter-term rates continued to push sharply higher amidst mounting Fed rate hike expectation. After an abrupt steepening move earlier this month, yield curve flattening has resumed, with the US 2y10y curve back below 20bps.

The increases in global central bank rate hike expectations flowed through to New Zealand in what were thin market conditions during a holiday shortened week. The NZ 2-year swap rate was 24bps higher last week, hitting a fresh six-year high of 3.74% on Friday. There has been a modest pullback this morning in response to the correction in global rates. The market has moved to fully price a 50bps RBNZ rate hike in May for the first time and a “terminal OCR” (i.e., a peak in the cash rate) above 4% again.

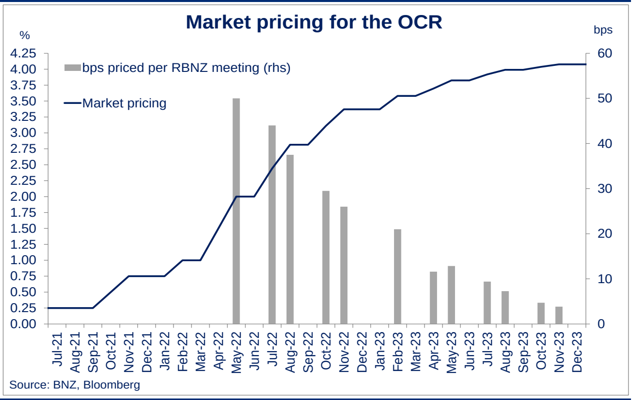
NZ CPI was slightly softer than expected on a headline basis last week, with annual inflation rising by “only” 1.8% in Q1, taking the annual rate to 6.9%. But the core inflation measures were all very strong, including the RBNZ’s preferred Sectoral Factor Model, which came in at 4.2% y/y, well above the top of the RBNZ’s 1-3% target range. While the data cemented expectations the RBNZ will raise the OCR by 50bps next month, the key driver of NZ rates last week was offshore developments.

The market continues to price in much more tightening than we think is likely to be delivered by the RBNZ (we still have a peak in the cash rate of 3% pencilled in for later this year). But the relentless rise in global short-term rates, ongoing hedging of NZ fixed rate mortgages and continued wariness among investors to stand in the way of the market’s current momentum are keeping shorter-term rates (and risk premia) at elevated levels. There needs to be some stability in global rates or a change in the macro outlook to see a decent reversal lower in shorter-term NZ rates. We have an eye on developments in the NZ housing market, but this is unlikely to be a market driver until the market sees some moderation in inflation pressures.

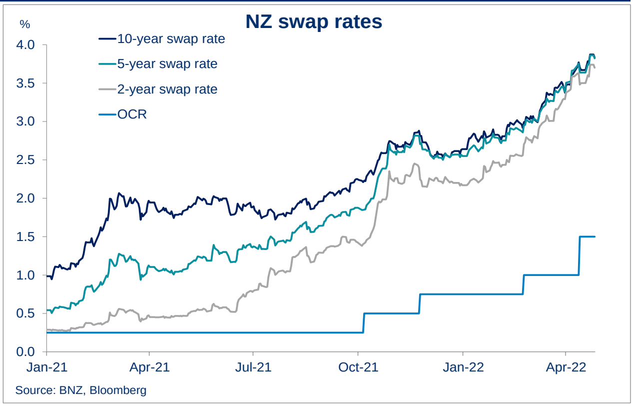
Even after their recent surge higher, longer-term rates are still relatively low in a historical sense. For instance, the US 10-year Treasury yield is below where it peaked towards the end of the Fed’s last tightening cycle in 2018. That said, markets don’t move in a straight line and we think long term rates are overdue for a period of consolidation in the coming months, even if they ultimately peak later this year or next.

Uncertainty remains very high. On the upside, there is the risk that inflation stays higher-for-longer, requiring more central bank tightening than what has already been discounted to get inflation back to target. Risk premia on longer-term rates has been rising, but it remains relatively low on a historical basis, and could increase further given the uncertainty around the inflation outlook. On the downside, there is a growing risk of a sharp downwards correction in risk assets like equities and, looking further ahead, the possibility that aggressive central bank tightening could tip the global economy into a recession.

Market fully pricing a 50bps RBNZ hike in May



NZ rates continue their relentless trend higher



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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Over the last week and a bit, the USD has strengthened to fresh cycle highs and commodity currencies have been under significant downward pressure as risk appetite has tumbled. On ANZAC day the NZD fell to a two-month low to just above 0.6580, a substantial fall from the temporary breach above 0.70 just three weeks ago. The AUD has been hit even harder, influenced more than the NZD by the tumbling yuan. NZD/AUD took a peek below 0.91 last week in the immediate aftermath of NZ's Q1 CPI announcement but is now back above 0.92.

In last week's report we highlighted three key forces in play that were serving to reduce risk appetite and keeping the NZD in a downward channel, evident for over a year now, suggesting that the recent short visit to above 0.70 was a headfake. Those forces were a key driver of market pricing last week and early this week while NZ was on holiday.

Our risk appetite index has fallen to 43%, after recovering to 63% early in April. At the end of last week, US short-end rates reached fresh 3½-year highs on increasing conviction that the Fed would front-load rate hikes, with a series of 50bps hikes over coming meetings. Concerns remain on how the US economy and risk appetite will fare with a significant tightening of monetary policy.

On the war in Ukraine, media are reporting that President Putin has lost interest in diplomatic efforts for a peace deal and has shifted focus to securing as much land in Ukraine as possible. This suggests a long war, with negative global economic impacts, as Europe reduces its reliance on Russian energy, amongst other factors.

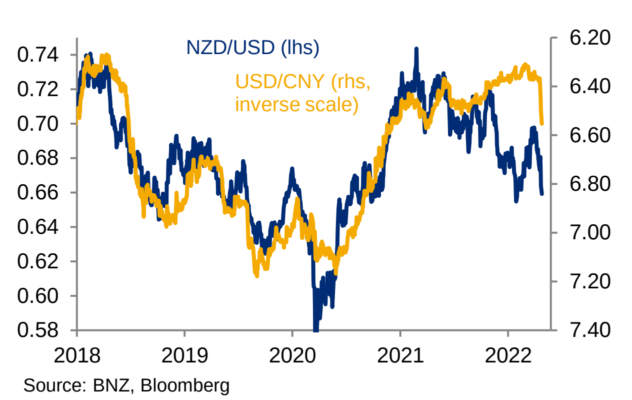
China came into increased focus last week, with the PBoC apparently sanctioning a weaker yuan, allowing CNY to depreciate by over 2% last week, the largest fall since the 2015 devaluation. China's COVID outbreak continues to worsen, with parts of Beijing now facing lockdown restrictions with the government's zero tolerance for the spread of the virus. A weaker Chinese economy will be an ongoing drag on the global economy and expectations have ramped up that further yuan depreciation is likely. Over recent years, a weaker yuan has often gone hand-in-hand with a weaker AUD and NZD.

Domestic forces remain a sideshow. NZ's CPI print for Q1 wasn't as high as feared, not quite piercing the expected 7% y/y mark, but core measures showed inflation gathering momentum in Q1, with annual rates in an uncomfortably high zone of about 4-6%. The bottom line is that there was little comfort from the slight undershoot in the headline rate and expectations for significant tightening ahead remain unchanged. NZ monetary policy largely continues to have little impact on NZD sentiment, with the Fed's policy path being a greater force.

As we noted last week, the negative driving forces for the NZD represent an ongoing headwind for the NZD. In the January episode of NZD weakness the currency fell all the way down to 0.6530 before recovering. The difference this time is that the yuan is under significant downward pressure, meaning that there is a reasonable chance that the end-January nadir will be breached. While 0.65 might offer some near-term support, the next major technical support level is closer to 0.62. However, from a fundamental perspective 0.62 seems like far too much of a stretch, given NZ's commodity price index (in world price terms) is some 30% higher since the currency was last at that level. Indeed, the fact that our fair value model estimate has a 0.69 handle offers some comfort that any further downside potential in the NZD might be limited in scale.

Key data for the week ahead include Australian Q1 CPI, which could trigger a May hike ahead of the Federal Election, if significantly stronger than expected. GDP and the employment cost index for Q1 for the US, and GDP data for the euro area as well are the remaining highlights. Domestically, only second-tier data are released, including business and consumer confidence from ANZ's surveys.

Weaker yuan a fresh drag factor for the NZD



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6620	0.6580 - 0.6970
NZD/AUD	0.9220	0.9090 - 0.9240
NZD/GBP	0.5196	0.5140 - 0.5330
NZD/EUR	0.6180	0.6110 - 0.6400
NZD/JPY	84.80	84.10 - 87.30

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6960	-5%
NZD/AUD	0.9040	2%

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Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.70 (ahead of 0.72)
ST Support: 0.6530 (ahead of 0.6400)

Last week's tumble means the NZD threatens the bottom of the downward channel, which is 0.6530, coincidentally matching the low in late-January.

NZD/AUD

Outlook: Trading range
ST Resistance: 0.9450 (ahead of 0.9600)
ST Support: 0.9100 (ahead of 0.9055)

We'll put support at 0.91 after last week's peek just below that level, although a sharp rebound to above 0.92 puts it safely above that support level for now.

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NZ 5-year Swap Rate

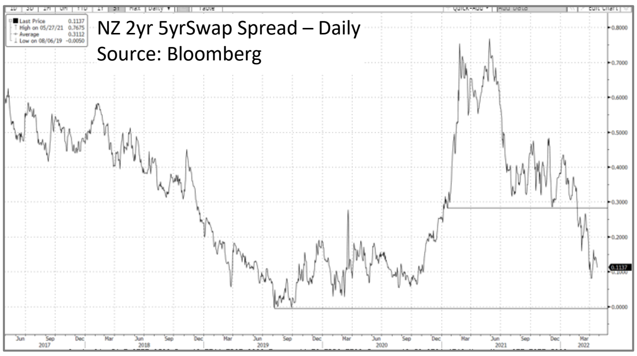
Outlook: Higher
ST Resistance: 4.26
ST Support: 3.28

3.75 was tested last week. Keep paid position and exit on a weekly close below 3.75. Next target 4.26.

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

Outlook: Lower
ST Resistance: 0.28
ST Support: 0.0

Continue to hold rec'd position targeting move to zero. Stop on close through +28.



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Quarterly Forecasts

Forecasts as at 26 April 2022

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts (shaded: Mar-22 to Mar-23)

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
GDP (production s.a.)	-0.3	1.3	2.5	-3.6	3.0	0.0	2.0	1.1	0.4	0.3
Retail trade (real s.a.)	-2.0	2.5	3.0	-8.2	8.6	-1.0	1.5	1.0	0.4	0.2
Current account (ytd, % GDP)	-0.8	-2.5	-3.3	-4.6	-5.8	-6.2	-7.1	-7.4	-7.3	-6.5
CPI (q/q)	0.5	0.8	1.3	2.2	1.4	1.8	1.1	1.6	0.7	0.9
Employment	0.6	0.7	1.0	1.9	0.1	0.2	0.2	0.3	0.2	0.1
Unemployment rate %	4.9	4.6	4.0	3.3	3.2	3.1	3.1	3.0	3.1	3.1
Avg hourly earnings (ann %)	4.6	4.1	4.5	3.6	4.1	4.6	5.1	5.1	4.8	4.5
Trading partner GDP (ann %)	0.8	6.8	9.8	4.2	4.1	3.8	3.9	4.7	4.0	4.0
CPI (y/y)	1.4	1.5	3.3	4.9	5.9	6.9	6.7	6.1	5.3	4.4
GDP (production s.a., y/y))	0.3	3.2	17.9	-0.2	3.1	1.8	1.3	6.3	3.6	3.9

Interest Rates

Historical data - qtr average Forecast data - end quarter		Government Stock			Swaps			US Rates		Spread
	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**
2020 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
Dec	0.65	0.80	2.15	2.40	2.10	2.45	2.60	0.15	1.55	0.87
2022 Mar	0.90	1.25	2.60	2.75	2.65	2.95	3.00	0.50	1.95	0.83
Forecasts										
Jun	2.00	2.10	3.20	3.20	3.40	3.40	3.40	1.70	2.50	0.70
Sep	2.50	2.65	3.25	3.35	3.40	3.45	3.55	2.20	2.75	0.60
Dec	3.00	3.00	3.25	3.45	3.40	3.45	3.65	2.45	3.00	0.45
2023 Mar	3.00	3.15	3.25	3.45	3.40	3.45	3.65	2.70	3.00	0.45
Jun	3.00	3.15	3.20	3.45	3.30	3.40	3.65	2.95	3.00	0.45
Sep	3.00	3.15	3.15	3.45	3.20	3.35	3.65	3.20	3.00	0.45
Dec	3.00	3.05	3.00	3.40	3.00	3.20	3.60	3.20	3.00	0.40

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	0.66	0.72	1.07	1.27	128	0.66	0.92	0.62	0.52	84.6	73.1
Jun-22	0.69	0.76	1.11	1.32	124	0.69	0.91	0.63	0.53	86.1	74.0
Sep-22	0.70	0.78	1.13	1.33	122	0.70	0.90	0.62	0.53	85.4	74.2
Dec-22	0.72	0.80	1.15	1.35	120	0.72	0.90	0.63	0.53	86.4	75.6
Mar-23	0.72	0.80	1.17	1.37	118	0.72	0.90	0.62	0.53	85.0	75.2
Jun-23	0.72	0.79	1.18	1.40	116	0.72	0.91	0.61	0.51	83.5	75.0
Sep-23	0.72	0.78	1.22	1.40	114	0.72	0.92	0.59	0.51	82.1	74.7
Dec-23	0.71	0.77	1.23	1.41	112	0.71	0.92	0.58	0.50	79.5	73.6
Mar-24	0.70	0.76	1.25	1.41	110	0.70	0.92	0.56	0.50	77.0	72.6
Jun-24	0.70	0.76	1.26	1.41	108	0.70	0.92	0.56	0.50	75.6	72.3
Sep-24	0.69	0.75	1.25	1.42	108	0.69	0.92	0.55	0.49	74.5	71.5
						TWI Weights					
						13.6%	17.3%	10.1%	3.2%	5.7%	

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

Annual Forecasts

Forecasts as at 26 April 2022	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
GDP - annual average % change										
Private Consumption	2.5	0.4	3.1	2.6	2.0	-1.1	6.2	0.6	2.6	2.0
Government Consumption	5.8	7.5	10.4	4.5	0.9	6.8	10.2	6.8	1.0	0.6
Total Investment	2.6	-4.8	8.8	7.8	-0.4	-7.0	9.6	7.9	0.6	1.2
Stocks - ppts cont'n to growth	-0.2	-0.2	0.8	-0.4	0.0	-0.8	1.6	-0.4	-0.1	0.0
GNE	2.9	0.4	6.6	3.7	1.2	-1.8	9.4	2.9	1.7	1.5
Exports	0.3	-17.8	5.4	10.7	7.1	-12.7	-3.0	6.5	11.5	4.1
Imports	1.1	-16.1	19.1	10.8	4.3	-16.1	15.7	10.3	6.8	0.4
Real Expenditure GDP	2.7	-0.2	4.0	3.3	1.7	-0.9	5.0	2.3	2.3	2.6
GDP (production)	**2.2**	**-1.4**	**5.2**	**3.8**	**1.7**	**-2.1**	**5.6**	**3.2**	**2.2**	**2.6**
GDP - annual % change (q/q)	*0.4*	*3.2*	*1.8*	*3.9*	*1.8*	*0.3*	*3.1*	*3.6*	*1.4*	*3.0*
Output Gap (ann avg, % dev)	1.4	-1.7	0.3	1.3	0.3	-1.9	0.6	1.0	0.5	0.3
Nominal Expenditure GDP - $bn	324	328	354	377	394	324	350	371	390	410
Prices and Employment - annual % change										
CPI	2.5	1.5	6.9	4.4	1.7	1.4	5.9	5.3	1.7	2.2
Employment	2.5	0.2	3.2	0.8	0.6	0.6	3.7	0.9	0.4	1.7
Unemployment Rate %	4.2	4.6	3.1	3.1	3.8	4.9	3.2	3.1	3.7	3.9
Wages - ahote	3.2	4.1	4.6	4.5	2.8	2.6	4.6	4.1	4.8	2.9
Productivity (ann av %)	0.2	-1.9	2.2	2.5	1.2	-3.3	3.5	1.4	1.6	1.4
Unit Labour Costs (ann av %)	2.9	4.6	4.2	2.2	2.2	5.7	2.5	3.7	2.1	1.5
House Prices	7.8	24.1	14.6	-11.5	0.0	17.0	25.0	-9.2	-2.5	3.3
External Balance										
Current Account - $bn	-7.6	-8.2	-22.1	-24.5	-22.0	-2.7	-20.2	-27.0	-22.9	-19.1
Current Account - % of GDP	-2.3	-2.5	-6.2	-6.5	-5.6	-0.8	-5.8	-7.3	-5.9	-4.7
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-7.3	-1.3	-5.7	-0.2	0.5					
Net Core Crown Debt (excl NZS Fund Assets)	26.3	30.1	37.6	40.1	39.9					
Bond Programme - $bn (Treasury forecasts)	29.0	45.0	20.0	18.0	18.0					
Bond Programme - % of GDP	9.0	13.7	5.6	4.8	4.6					
Financial Variables [(1)]										
NZD/USD	0.60	0.71	0.69	0.72	0.70	0.71	0.68	0.72	0.71	0.71
USD/JPY	108	109	119	118	110	104	114	120	112	112
EUR/USD	1.11	1.19	1.10	1.17	1.25	1.22	1.13	1.15	1.23	1.23
NZD/AUD	0.97	0.93	0.93	0.90	0.92	0.94	0.95	0.90	0.92	0.92
NZD/GBP	0.49	0.51	0.52	0.53	0.50	0.53	0.51	0.53	0.50	0.50
NZD/EUR	0.55	0.60	0.62	0.62	0.56	0.58	0.60	0.63	0.58	0.58
NZD/YEN	65.1	77.5	81.5	85.0	77.0	73.6	77.4	86.4	79.5	79.5
TWI	68.9	74.8	73.9	75.2	72.6	74.3	73.0	75.6	73.6	73.6
Overnight Cash Rate (end qtr)	0.25	0.25	1.00	3.00	2.75	0.25	0.75	3.00	3.00	2.00
90-day Bank Bill Rate	0.71	0.33	1.45	3.15	2.80	0.26	0.92	3.00	3.05	2.15
5-year Govt Bond	0.80	1.00	2.90	3.25	2.85	0.40	2.20	3.25	3.00	2.50
10-year Govt Bond	1.15	1.75	3.20	3.45	3.30	0.90	2.35	3.45	3.40	3.00
2-year Swap	0.65	0.50	3.00	3.40	2.75	0.28	2.22	3.40	3.00	2.25
5-year Swap	0.80	1.15	3.20	3.45	3.05	0.49	2.56	3.45	3.20	2.70
US 10-year Bonds	0.90	1.60	2.10	3.00	3.00	0.90	1.45	3.00	3.00	3.00
NZ-US 10-year Spread	0.25	0.15	1.10	0.45	0.30	0.00	0.90	0.45	0.40	0.00

[(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

All times and dates NZT

		Median	Fcast	Last
Tuesday 26 April				
JN	Jobless Rate, Mar	2.70%		2.70%
NZ	Credit Card Spending MoM, Mar	--		-2.60%
Wednesday 27 April				
US	Durable Goods Orders, Mar P	1.00%		-2.10%
US	S&P CoreLogic CS US HPI YoY NSA, Feb	--		19.17%
US	Conf. Board Consumer Confidence, Apr	108.0		107.2
US	Richmond Fed Manufact. Index, Apr	9		13
US	New Home Sales, Mar	768k		772k
CH	Industrial Profits YoY, Mar	--		4.20%
AU	CPI Trimmed Mean QoQ, 1Q	1.20%		1.00%
AU	CPI QoQ, 1Q	1.70%		1.30%
GE	GfK Consumer Confidence, May	-16.0		-15.5
UK	CBI Retailing Reported Sales, Apr	-5		9
Thursday 28 April				
US	Pending Home Sales MoM, Mar	-1.00%		-4.10%
NZ	Trade Balance NZD, Mar	--		-385m
NZ	Employment Indicators, m/m, Mar			-0.30%
JN	Retail Sales MoM, Mar	1.00%		-0.80%
JN	Industrial Production MoM, Mar P	0.50%		2.00%
NZ	ANZ Business Confidence, Apr	--		-41.9
NZ	New residential lending, y/y, Mar	--		-24.90%
EC	ECB Publishes Economic Bulletin			
EC	Economic Confidence, Apr	108.0		108.5
JN	BOJ Policy Balance Rate, 46844	-0.10%		-0.10%
JN	BOJ 10-Yr Yield Target, 46844	0.00%		0.00%

		Median	Fcast	Last
Friday 29 April				
GE	CPI YoY, Apr P	7.20%		7.30%
US	GDP Annualized QoQ, 1Q A	1.10%		6.90%
US	Initial Jobless Claims, 45017	180k		184k
US	Continuing Claims, 42461	1398k		1417k
NZ	ANZ Consumer Confidence Index, Apr	--		77.9
NZ	Household Living Costs, 1Q			
AU	PPI QoQ, 1Q	--		1.30%
AU	Private Sector Credit MoM, Mar	0.60%		0.60%
CH	Caixin China PMI Mfg, Apr	47.0		48.1
NZ	Household claims, y/y, Mar	--		
GE	GDP SA QoQ, 1Q P	0.20%		-0.30%
EC	CPI Estimate YoY, Apr	7.50%		7.50%
EC	GDP SA QoQ, 1Q A	0.30%		0.30%
Saturday 30 April				
US	Employment Cost index, IQ	1.1%		1.0%
US	Personal Income, Mar	0.40%		0.50%
US	Personal Spending, Mar	0.70%		0.20%
US	PCE Core Deflator MoM, Mar	0.30%		0.40%
US	PCE Core Deflator YoY, Mar	5.30%		5.40%
US	MNI Chicago PMI, Apr	62.0		62.9
US	U. of Mich. Sentiment, Apr F	65.7		65.7
CH	Manufacturing PMI, Apr	48.0		49.5
CH	Non-manufacturing PMI, Apr	46.0		48.4
Sunday 1 May				
NZ	Border opens to all visa-waiver countries, Apr			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	1.50	1.50	1.00	0.25
1mth	1.59	1.58	1.25	0.26
2mth	1.78	1.75	1.43	0.31
3mth	1.96	1.91	1.61	0.35
6mth	2.47	2.38	2.12	0.36
GOVERNMENT STOCK				
04/23	2.78	2.61	2.39	0.27
04/25	3.38	3.26	3.02	0.62
04/27	3.49	3.38	3.18	0.99
04/29	3.54	3.42	3.28	1.34
05/31	3.57	3.45	3.32	1.61
04/33	3.60	3.48	3.33	1.84
04/37	3.67	3.53	3.41	2.15
05/41	3.72	3.57	3.46	2.45
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	77	74	66	52
Europe 5Y	84	80	72	51

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.70	3.55	3.28	0.47
3 years	3.81	3.67	3.41	0.63
4 years	3.83	3.69	3.45	0.84
5 years	3.82	3.69	3.46	1.05
10 years	3.83	3.73	3.49	1.80
FOREIGN EXCHANGE				
NZD/USD	0.6620	0.6736	0.6935	0.7208
NZD/AUD	0.9220	0.9131	0.9238	0.9283
NZD/JPY	84.80	86.82	85.21	78.36
NZD/EUR	0.6180	0.6241	0.6256	0.5962
NZD/GBP	0.5196	0.5183	0.5297	0.5180
NZD/CAD	0.8432	0.8501	0.8667	0.8939
TWI	73.1	73.3	74.3	75.4

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