13 June 2022

Q1 GDP's Recession Teaser

- **We expect Q1 GDP to be around flat**
- **(Bi modal) market expects +0.5%; RBNZ +0.7%**
- **So, perception of disappointment looms**
- **But still good reason to expect strong gain in Q2 GDP**
- **External deficit still burgeoning; now circa 6.6% of GDP**
- **May's REINZ (housing), PMI and FPI also awaited**

Thursday's Q1 GDP report is the main game in town this week. We are expecting to see a lot of ups and downs in its components, with a roughly flat quarterly result overall.

It would be hard to treat this as a bad outcome, however, when COVID finally burst the community's defences (with a vengeance) during the quarter. The other reason to not read too much into a relatively flat result on Q1 GDP is that it would still deliver annual growth of 1.8% and leave real GDP 3.5% north of its pre-pandemic level.

Be that as it may, our expectation is clearly below market expectations. As much as we can meaningfully interpret the latter's averages, that is. The median expectation of the Bloomberg poll, for instance, is for a 0.5% increase in Q1 GDP. But this is from an extremely bi-modal spread, with almost everyone picking 0.5% or 0.6%, but three of four local banks anticipating a flat result.

In terms of the Q1 GDP componentry, we expect pressing gains in construction to feature on the positive side, but with primary industry elements dragging manufacturing down, while electricity value-add is severely compromised by protecting hydro lake levels at the time. A sizable drop in merchandise export volumes in the quarter will likely be reflected in higher inventories, while the export of services will probably record another clear decline.

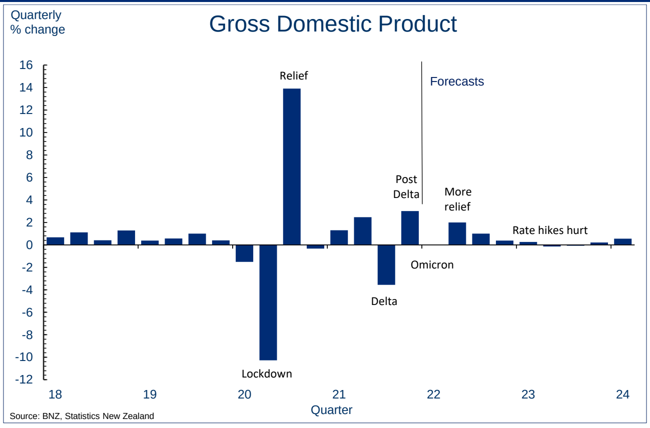
The net result of a lot of noise, our flat expectation on Q1 GDP naturally brings the possibility of a slip into the negative. This risk is echoed in the 0.2% decline we have for the expenditure-based measure of GDP, the slight falls that occurred with HLFS hours-worked and QES paid-hours in the quarter, as well as the impression we got from the QSBO's trading-activity report, suggesting a struggle to hold up flat in Q1.

A negative result on Q1 GDP could well excite market perceptions, especially from globally based viewers, that the NZ economy is not just losing momentum but is halfway into a technical recession already.

And even a flat outcome on Q1 GDP would far undershoot RBNZ expectations. In its May MPS, the Bank estimated a 0.7% increase in Q1 GDP. While this is still possible (hey, Australia managed +0.8%, in not dissimilar circumstances), and would seem in touching distance from the viewpoint of polled analysts, we think such a gain is a bit of stretch.

In any case, any underperformance in Q1 GDP is likely to simply reinforce expectations of a bounce in Q2. For context, the RBNZ expected a 1.3% advance for Q2, predicated on a 0.7% increase in Q1, whereas we are picking a 2.0% rebound for Q2 (with upside risk), partly as the suppressive factors of Q1 fade. While New Zealand had moved to the more-permissive traffic-light COVID framework by early 2022, it started off at Red, and only moved to Orange mid-April.

No Recession, Not Yet

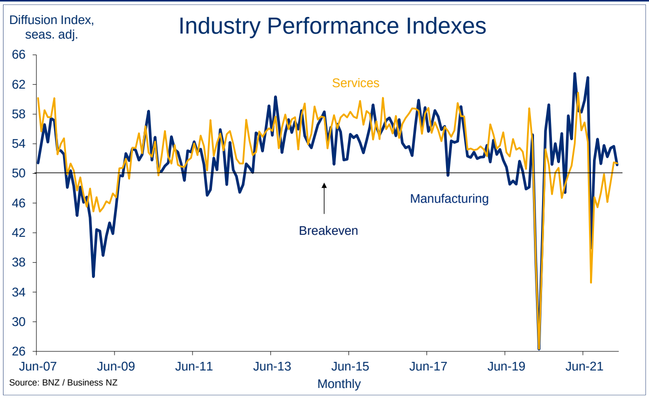


Last week's electronic card transactions for May certainly nourished the prospect of a solid increase in Q2 GDP, as they set the basis for retail trade to rebound in the order of 3.0% (or more?), after it slipped 0.5% in Q1. This defies the inference, from very low consumer sentiment, and numerous other surveys, that real spending should be going more and more down, not up.

As for how much of a bounce we can expect for Q2 GDP we will get to factor in Friday's PMI for May, as well as vehicle registrations for the month, due Thursday.

This morning's travel and migration data for April were starting to reflect the impacts of the opening borders. While the data splits remain hard to interpret, the net migration number remained negligible for April, and negative as a 12-month running sum.

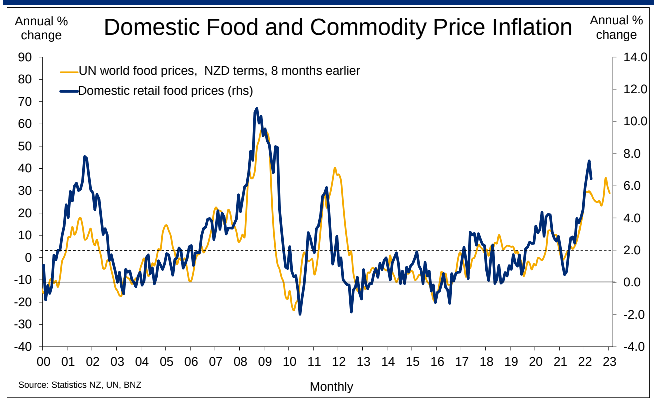
Where to From There?



Short-term arrivals and departures were (unsurprisingly) the best they had been since the pandemic started, albeit only about 22% of their pre-pandemic benchmarks. Those proportions got above 33% in May, by the look of the daily data Stats NZ publishes. Getting there, but with no leaps and bounds.

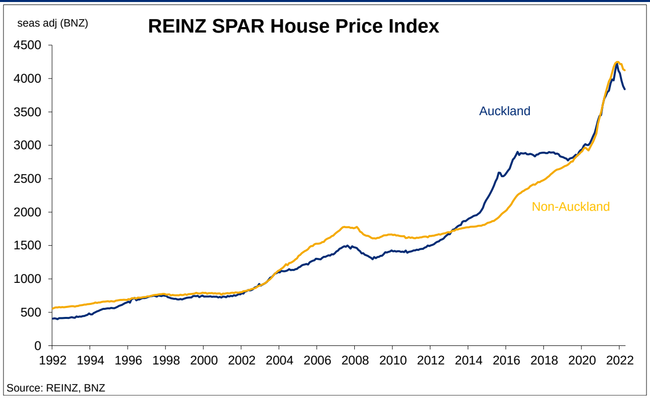
There is also some inflation news this week, in the form of tomorrow's Food Price Index for May. Even with the price-containment measures announced by the major supermarkets for the month, we anticipate a 0.5% increase overall, for its annual inflation to chime in at 6.5%, from 6.4% in April. This is part of why we expect the Q2 CPI to expand 1.3%, keeping its annual rate of inflation at 6.9%.

No End In Sight



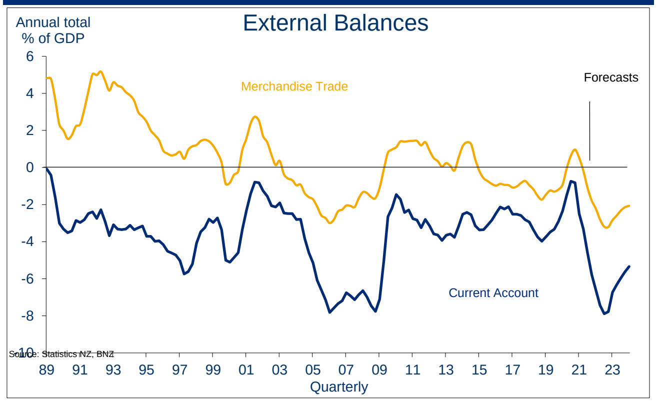
May's REINZ housing report has just been scheduled for release tomorrow, 9:00am. This will give us a better steer on the extent to which prices are falling, and the areas where this is most noticeable. Sure, amendments to the new CCCFA are coming into effect soon. And the government has just ramped up the price caps for first home buyer grants. But this might just be to allow more people in, to take their chances in a market otherwise facing major headwinds.

Buckle Up



Also note the Q1 Balance of Payments, due Wednesday. We expect these to confirm a still-expanding current account deficit, to the order of 6.6% of GDP for the year to March 2022, compared to 5.8% for calendar 2021. We forecast 7.9% for calendar 2022, as a classic sign of a significantly overheated economy. We will also check the BOP quarterly trade data to see if they broadly confirm the negative features we expect for exports and imports, in terms of the GDP accounts.

A Classic Blowout



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Global Watch

- **FOMC likely to hike 50bps this week**
- **US retail sales growth seen weak**
- **China activity indicators seen less weak in April**
- **BoE seen hiking 25bps**
- **ECB speakers out in force**
- **AU unemployment seen easing; confidence data due**

Australia

Employment data on Thursday is the main event. NAB sees +30k employment growth, enough for the unemployment rate to round to 3.8% even as the participation rate recovers back up to 66.4% from its April dip.

The pace of employment growth has slowed over the past couple of months. Looking to May, the timing of Easter adds further uncertainty, complicating seasonal adjustment over April and May. A 3.9% unemployment rate wouldn't be a huge surprise with risk of a sharper bounce in participation out of its April dip.

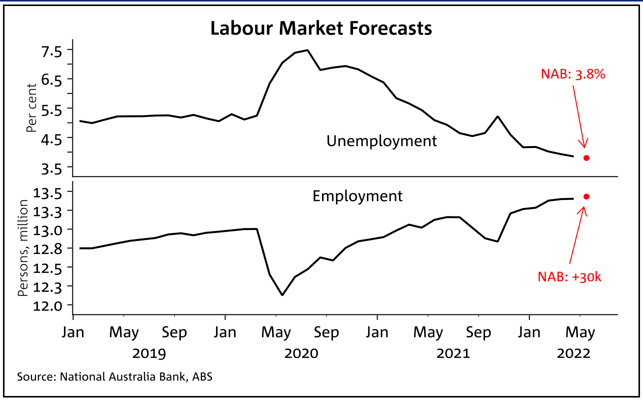
But labour demand has remained very strong, and against that backdrop NAB expects a still-solid employment gain in May, with the risk of some payback from the weak results in the past couple of months. With population growth having recovered somewhat, employment growth of around 20k per month is needed just to keep the ratios stable as the employment metrics absorb stronger population growth. Looking ahead, if the slowing in employment growth does persist, the risk is that it proves challenging for the economy to further reduce the 500k+ pool of people unemployed at any one time even amid tight labour markets. In that context, slower employment growth in time wouldn't be a huge surprise and will make it harder for the unemployment rate to keep falling.

With strength in labour demand indicators unambiguous, if there is softer employment growth over coming months it shouldn't be read as dovish; instead, it may be more a reflection of the capacity constrained world economies have entered. Total available hours of labour supply have been mired near lockdown lows even as employment had more than recovered earlier falls and hours actually worked saw a much smaller hit in the quarter.

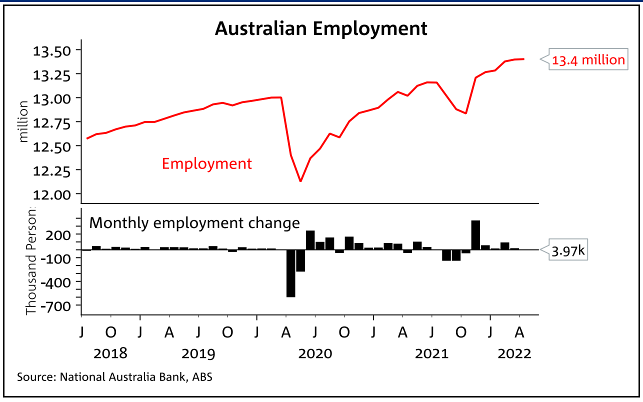
The May NAB Business Survey is released Tuesday (no hints here). Survey price components have been showing significantly accelerating upstream cost pressures recently and the latest readings will no doubt be closely scrutinised.

Westpac-Melbourne Institute Consumer Confidence data for June follows on Wednesday. Higher inflation and interest rate concerns have been weighing on consumer sentiment, and with the June survey period straddling the RBA meeting on Tuesday, these concerns should continue to bite.

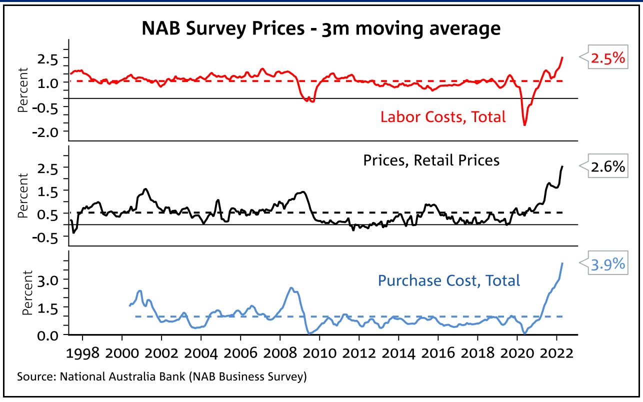
Unemployment still edging lower



Employment growth slowed in March and April



Upwards price pressure



China

Monthly indicators for May are due Wednesday. They largely predate the more expansive, but still fragile, easing of lockdown restrictions from June, but could still show some pull-back from the depths of the April shutdowns amid some restart of production and easing of bottlenecks. Industrial production is seen at -1.0% y/y from -2.9% in April and Fixed asset investment +6.1% y/y from 6.8%. Retail sales are seen at a still soft -7.1% y/y from -11.1% previously. Most analysts expect the 1yr MLF announcement early this week to leave the rate steady at 2.85% for a fifth consecutive month, though a minority look for a cut to 2.75%, which would reinforce the signal of monetary policy support following the 15bp drop in the 5yr LPR.

US

Last week's strong CPI report reinforces the likely hawkish tone for this week's FOMC meeting. The market is priced for a follow-up 50bps hike in the Fed funds rate on Wednesday, with a decent chance of a 75bp move being factored in. Regards the week's data, the Retail Sales report for May (out Tuesday) will help throw some colour on some recent downgrades from large retailers and the state of the consumer. Headline retail sales are tipped to have risen by a meagre 0.1%, price rises more than accounting for that rise. Among a suite of second tier indicators, Thursday's weekly jobless claims is worth a look given the slight tick up in claims evident since March and whether that is a sign of the beginnings of a turn in the labour market.

UK

Ahead of Thursday's Bank of England Monetary Policy Committee meeting, Monday's April monthly GDP and related activity reports kick off the week, followed Tuesday by the monthly labour market report for April-May. Data points on the labour market to watch include the growth in average earnings for the April quarter in the wake of cost of living pressures, as well as the resilience of labour demand revealed by the May count of payroll employment and vacancies, both strong through April despite real pressures on business costs. As for the BoE meeting, a 25bps rise seems more likely in the aftermath of the Government's recent cost of living support package. Such a hike is priced by the market.

Eurozone

In the wake of last week's ECB guidance of rate rises starting in July, there's a large suite of ECB members speaking. EZ data releases are relatively light this week but include industrial production for April, trade, car registrations and labour costs.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

Last week NZ rates continued to push higher, with the 2-year swap rate up 13bps to close over 4% for the first time since 2014. The long end of the curve saw similar upside pressure with 10-year swap up 15bps to 4.15%. The NZGB market was even weaker, with the 10-year rate up a massive 25bps to a fresh high of 3.93%, with the market not reacting well to the RBNZ's update of LSAP sales even though there was nothing new in the release to shock the market. Global forces on rates remain strongly to the upside and NZ rates have pushed even higher in early Monday trading, with the NZGB 10-year bond yield cracking the 4% mark in reaction to Friday's US CPI shocker.

Relentless upside pressure to rates continues. Last week we saw hawkish updates from both the RBA and ECB and in the week ahead we expect another hawkish update from the Fed. The underlying backdrop to these forces is that inflationary pressure is way too high for comfort and central banks have been behind the curve to combat it and are determined to get on top of the problem.

The RBA surprised the market with a larger than expected 50bps hike in the cash rate to 0.85%. Looking ahead, the RBA said it "expects to take further steps in the process of normalising monetary conditions in Australia over the months ahead", signalling a high chance of a follow-up 50bps hike(s) in the coming months. The market is pricing nearly 50bps into the next two meetings and an average 35bps over the following four meetings, taking the cash rate to nearly 3.25% by year-end. With monthly policy meetings, this sees the gap between the NZ and Australian cash rates gradually close, with the NZ OCR priced at about 3.8% by year end.

The ECB also surprised the market, with clearer guidance and a more aggressive hiking path than the market thought the central bank would signal. The rate hike cycle will kick off with a 25bps move next month, a likely 50bps hike in September and more gradual 25bps hike thereafter. European short and long end rates continued to head higher. Germany's 2-year rate rose a massive 31bps over the week; Germany's 10-year rate rose 25bps.

One trend we are watching closely is the relentless rise in peripheral bond spreads to Germany. The end of bond purchases by the ECB, means one less buyer in the market for the likes of Spanish, Italian and Greek bonds. The market was disappointed in the ECB's lack of detail in a "new tool" to combat market fragmentation within the euro-area. This is a trend that needs to be watched carefully as the last thing the world needs right now is another European debt crisis. The risk is that the market takes peripheral bond spreads a lot wider, forcing the ECB to eventually act.

Three more policy updates this week by the US Fed, Bank of England and Bank of Japan will keep the market's focus on tighter monetary policy. The surprisingly strong US CPI print on Friday of 8.6% y/y makes this week's FOMC update more interesting. At the last meeting Chair Powell gave clear guidance that members thought 50bps hikes were on the table for the next couple of meetings and he said that a 75bps hike wasn't something the FOMC was actively considering. The odds still favour the Fed moving in 50bps increments, but Chair Powell will have the chance to keep the upside pressure on rates by delivering a very hawkish missive.

At the end of the week, the Bank of England and Bank of Japan meet, with expectations for a 25bps hike from the former and the BoJ likely to resolutely maintain its super-stimulatory stance, against the grain of other major developed central banks.

Higher global rates continue to spill over into the NZ market. In domestic news, the RBNZ published details of its previously announced plan to sell bonds bought under the large-scale asset purchase (LSAP) programme. LSAP sales will commence in July at $5bn per fiscal year, beginning with the longest maturities and working sequentially. The RBNZ is not selling in the secondary market, so there are no direct market implications. The Budget accounted for the increased debt issuance to reflect the LSAP sales. LSAP sales can be simply viewed as an accounting transaction between the RBNZ and NZDM. Even though the RBNZ's LSAP sales plan contained little news, the NZGB market subsequently traded with a heavy tone.

NZ Q1 GDP data will be the headline act this week on the domestic calendar. We think the risks are skewed to a weaker result (BNZ is flat against market and RBNZ expectations of 0.5-0.7%). But not too much should be read into the restriction-affected release and we expect a bounce-back in Q2, so fade any market reaction to this release.

Current Rate/Spreads and Recent Ranges

	Current	Last 3-weeks range*
NZ 90d bank bills (%)	2.53	2.28 - 2.53
NZ 2yr swap (%)	4.09	3.49 - 4.10
NZ 5yr swap (%)	4.18	3.56 - 4.19
NZ 10yr swap (%)	4.23	3.62 - 4.24
2s10s swap curve (bps)	14	-5 - 16
NZ 10yr swap-govt (bps)	21	16 - 34
NZ 10yr govt (%)	4.02	3.44 - 4.02
US 10yr govt (%)	3.16	2.70 - 3.18
NZ-US 10yr (bps)	86	67 - 88
NZ-AU 2yr swap (bps)	55	45 - 88
NZ-AU 10yr govt (bps)	34	15 - 34

*Indicative range over last 3 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The NZD trended lower through last week against the backdrop of weaker risk appetite and broad USD strength, falling over 2% to 0.6360. Crosses were mixed. NZD/AUD was flat at 0.9020 after a temporary break below 0.90. NZD/EUR briefly fell below 0.60, but ended the week only down slightly to 0.6045. NZD/JPY made a run towards 87 before reversing course and ending the week only slightly stronger at 85.5. NZD/GBP fell 1% to 0.5160.

Our risk appetite index fell 9pts last week to 35% in a week that saw hawkish policy updates by the RBA and ECB and data showing a fresh forty-year high in US CPI inflation to 8.6% y/y and consumer sentiment plunging to a record low.

The RBA hiked the cash rate by a larger than expected 50bps to 0.85%, joining the rest of the dollar bloc (US Fed, Bank of Canada, and RBNZ) in recently moving policy in 50bps increments. The forward statement signalled a high chance of follow-up 50bps hikes in the coming months. The positive AUD response proved fleeting, with global forces taking over. NZD/AUD fell but showed some support near 0.8950, as in early-May and in 2018, suggesting that is a key level of technical support. By the end of the week, the NZD/AUD cross rate was back above 0.90.

The ECB also delivered a more hawkish policy update than the market expected, signalling an end to QE on 1 July, a 25bps lift in its policy rate at its next meeting in July and suggesting that the following move in September looks to be 50bps. Beyond September, the ECB expects a series of further gradual (25bps) rate increases. Again, the positive impact on EUR proved fleeting.

The week ahead is action packed that could see more FX volatility. There are scheduled policy updates from the US Fed (Thursday morning), the Bank of England (Thursday night) and Bank of Japan (Friday). The Fed has given strong guidance of a 50bps hike and this is fully priced, but with some chance now of a 75bps hike after the shockingly high CPI figure last week. We do not expect Fed Chair Powell to deviate from his previous hawkish messaging – the Bank is fully committed to bringing inflation down to 2% and will take policy tighter than neutral if necessary. Projections will show upgrades to inflation and the Fed Funds rate.

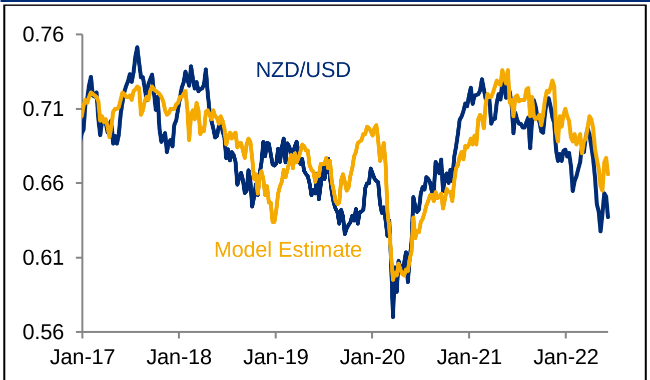
The Bank of England is widely expected to deliver "only" a 25bps hike, with market pricing conveying a chance of a larger 50bps hike at this meeting. The BoE has previously been cautious about the policy outlook, given the looming threat of economic recession. Any dovish overtones would set the Bank apart from the dollar-bloc central banks. But implications for GBP are mixed, with an aggressive policy stance being positive for GBP from a rates differential perspective, but negative if the market thinks an aggressive tightening will lead to economic recession.

USD/JPY rose to a fresh 20-year high of 134.56 against the backdrop of higher global rates, with the US 10-year rate up 23bps to 3.16% and European rates higher, with Germany's 10-year rate up 25bps. At its policy update this Friday, the BoJ is expected to leave its policy settings unchanged, with its yield curve control policy targeting a 10-year JGB no higher than 0.25%. More than jawboning is required to support the yen. At some point we see the Bank capitulating, which will shock the market at the time, sending the yen much higher. Picking the timing of this is difficult, but leaves us bearish on NZD/JPY on a medium-term view.

The domestic focus this week is NZ GDP on Thursday. We are picking a flat result against market and RBNZ expectations of 0.5-0.7%. We wouldn't overplay a weak or negative outlook, as the quarter was negatively impacted by Omicron restriction and a bounce-back in Q2 is expected. But sticker shock from a poor result could cause a fleeting NZD reaction.

In global economic data, US retail sales, Australian employment and Chinese monthly activity data all have scope to trigger a market reaction. So overall, an action-packed week ahead with some potential currency volatility to take advantage of.

NZD tracking more or less in line with fundamentals



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6350	0.6350 - 0.6580
NZD/AUD	0.9024	0.8950 - 0.9160
NZD/GBP	0.5151	0.5100 - 0.5240
NZD/EUR	0.6040	0.5980 - 0.6110
NZD/JPY	85.31	81.30 - 86.80

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6660	-5%
NZD/AUD	0.8830	2%

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Technicals

NZD/USD

Outlook: Downside risk
ST Resistance: 0.6570 (ahead of 0.6800)
ST Support: 0.6200 (ahead of 0.6000)

After another bad week for the NZD the prior support at 0.62 comes back into play.

NZD/AUD

Outlook: Downside risk
ST Resistance: 0.9150 (ahead of 0.9250)
ST Support: 0.8950 (ahead of 0.8850)

The cross found support at 0.8950 last week, about the same as the low in 2018, before bouncing higher.

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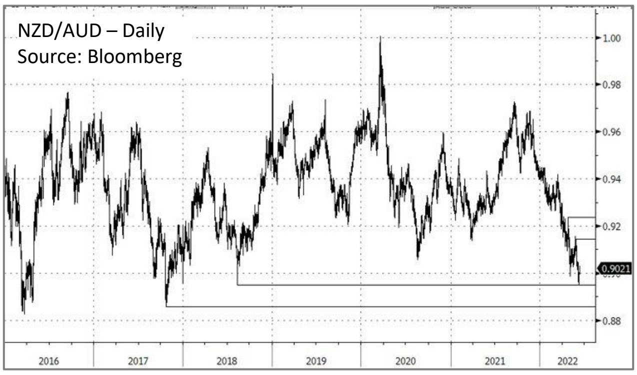


NZ 5-year Swap Rate

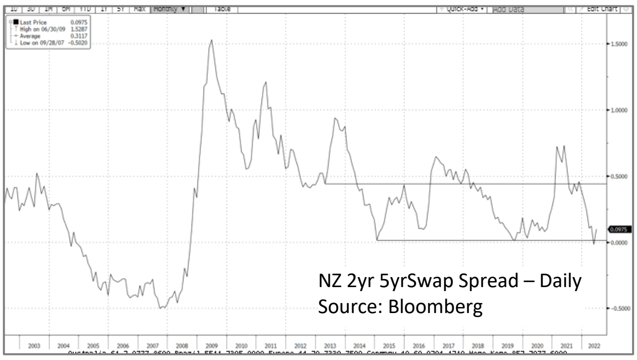
Outlook: Higher
MT Resistance: 4.76
MT Support: 3.54

Breaking out to the topside, target is 4.76.

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

Outlook: negative
MT Resistance: 0.45
MT Support: 0.00

Stop at +10, if broken target 0.45.



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Quarterly Forecasts

Forecasts as at 13 June 2022

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts: 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	1.0	0.4	0.3
Retail trade (real s.a.)	-2.1	2.6	3.0	-8.3	8.3	-0.5	3.0	0.5	0.4	0.2
Current account (ytd, % GDP)	-0.8	-2.5	-3.3	-4.6	-5.8	-6.6	-7.4	-7.9	-7.8	-6.7
CPI (q/q)	0.5	0.8	1.3	2.2	1.4	1.8	1.3	1.7	0.9	1.3
Employment	0.5	0.7	0.9	1.8	0.0	0.1	0.2	0.3	0.3	0.1
Unemployment rate %	4.9	4.6	4.0	3.3	3.2	3.2	3.1	3.1	3.1	3.1
Avg hourly earnings (ann %)	4.6	4.1	4.5	3.6	4.1	5.3	5.7	5.7	5.6	5.1
Trading partner GDP (ann %)	0.8	6.8	9.8	4.2	4.1	3.8	3.4	4.4	3.7	3.8
CPI (y/y)	1.4	1.5	3.3	4.9	5.9	6.9	6.9	6.4	5.9	5.4
GDP (production s.a., y/y))	0.3	3.2	17.9	-0.2	3.1	1.8	1.3	6.1	3.4	3.7

Interest Rates

Historical data - qtr average Forecast data - end quarter		Cash	Government Stock 90 Day Bank Bills	5 Year	10 Year	Swaps 2 Year	5 Year	10 Year	US Rates Libor 3 month	US 10 yr	Spread NZ-US Ten year
2020	**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	2.60	3.50	3.50	3.75	3.70	3.70	2.05	2.50	1.00
	Sep	3.00	3.40	3.50	3.55	3.75	3.70	3.75	2.55	2.75	0.80
	Dec	3.50	3.65	3.50	3.60	3.75	3.70	3.80	3.05	3.00	0.60
2023	**Mar**	3.50	3.65	3.45	3.60	3.65	3.65	3.80	3.30	3.00	0.60
	Jun	3.50	3.65	3.40	3.60	3.55	3.60	3.80	3.30	3.00	0.60
	Sep	3.50	3.55	3.30	3.55	3.40	3.50	3.75	3.30	3.00	0.55
	Dec	3.25	3.30	3.15	3.45	3.20	3.35	3.65	3.30	3.00	0.45

Exchange Rates (End Period)

	USD Forecasts NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD Forecasts NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.64	0.70	1.05	1.23	134	0.64	0.90	0.60	0.52	85.3	71.4
Jun-22	0.64	0.71	1.06	1.23	128	0.64	0.90	0.60	0.52	81.9	71.1
Sep-22	0.62	0.70	1.02	1.20	125	0.62	0.89	0.61	0.52	77.5	69.9
Dec-22	0.64	0.72	1.01	1.18	122	0.64	0.89	0.63	0.54	78.1	71.6
Mar-23	0.66	0.73	1.02	1.19	120	0.66	0.90	0.65	0.56	79.2	73.1
Jun-23	0.67	0.74	1.05	1.21	118	0.67	0.91	0.64	0.55	79.1	73.2
Sep-23	0.68	0.75	1.07	1.23	116	0.68	0.91	0.64	0.55	78.9	73.6
Dec-23	0.69	0.76	1.10	1.25	114	0.69	0.91	0.63	0.55	78.7	73.9
Mar-24	0.68	0.75	1.13	1.27	112	0.68	0.91	0.60	0.54	76.2	72.5
Jun-24	0.69	0.76	1.15	1.29	110	0.69	0.91	0.60	0.54	75.9	72.8
Sep-24	0.71	0.77	1.18	1.31	108	0.71	0.92	0.60	0.54	76.7	74.0
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 13 June 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	3.4	3.4	1.4	-1.1	6.2	1.7	2.1	1.4
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	8.7	6.4	-1.1	-7.0	9.6	6.6	-0.1	0.2
Stocks - ppts cont'n to growth	-0.2	-0.2	0.9	-0.4	0.0	-0.8	1.6	-0.4	-0.1	0.0
GNE	2.9	0.4	6.8	3.8	0.7	-1.8	9.4	3.2	1.2	0.9
Exports	0.3	-17.8	3.7	10.5	6.9	-12.7	-3.0	3.4	12.8	3.9
Imports	1.1	-16.1	18.5	9.5	5.4	-16.1	15.7	8.4	7.8	0.9
Real Expenditure GDP	2.7	-0.2	4.0	3.7	0.7	-0.9	5.0	2.6	1.6	1.7
GDP (production)	**2.2**	**-1.4**	**5.2**	**3.6**	**0.7**	**-2.1**	**5.6**	**3.2**	**1.4**	**1.7**
GDP - annual % change (q/q)	*0.4*	*3.2*	*1.8*	*3.7*	*0.5*	*0.3*	*3.1*	*3.4*	*0.3*	*2.6*
Output Gap (ann avg, % dev)	1.4	-1.6	1.1	2.3	0.7	-1.8	1.0	2.1	1.2	0.5
Nominal Expenditure GDP - $bn	324	328	355	381	398	324	350	374	394	414
Prices and Employment - annual % change										
CPI	2.5	1.5	6.9	5.4	1.6	1.4	5.9	5.9	1.8	2.1
Employment	2.6	0.1	2.8	0.9	-0.1	0.6	3.5	0.9	-0.1	1.2
Unemployment Rate %	4.2	4.6	3.2	3.1	4.1	4.9	3.2	3.1	4.0	4.3
Wages - ahote	3.2	4.1	5.3	5.1	3.3	2.6	4.6	4.1	5.6	4.1
Productivity (ann av %)	0.2	-1.9	2.2	2.3	0.5	-3.3	3.4	1.2	1.0	1.2
Unit Labour Costs (ann av %)	2.9	4.6	4.2	2.5	3.8	5.8	2.5	3.7	3.7	1.5
House Prices	7.8	24.1	14.1	-14.2	0.0	17.0	26.4	-13.3	-2.5	3.3
External Balance										
Current Account - $bn	-7.6	-8.2	-23.5	-25.6	-21.2	-2.7	-20.2	-29.1	-22.2	-18.3
Current Account - % of GDP	-2.3	-2.5	-6.6	-6.7	-5.3	-0.8	-5.8	-7.8	-5.6	-4.4
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-7.2	-1.4	-5.2	-1.7	-0.6					
Net Core Crown Debt (excl NZS Fund Assets)	26.2	29.8	36.9	40.8	41.2					
Bond Programme - $bn (Treasury forecasts)	29.0	45.0	20.0	25.0	25.0					
Bond Programme - % of GDP	9.0	13.7	5.6	6.6	6.3					
Financial Variables (1)										
NZD/USD	0.60	0.71	0.69	0.66	0.68	0.71	0.68	0.64	0.69	0.69
USD/JPY	108	109	119	120	112	104	114	122	114	114
EUR/USD	1.11	1.19	1.10	1.02	1.13	1.22	1.13	1.01	1.10	1.10
NZD/AUD	0.97	0.93	0.93	0.90	0.91	0.94	0.95	0.89	0.91	0.91
NZD/GBP	0.49	0.51	0.52	0.56	0.54	0.53	0.51	0.54	0.55	0.55
NZD/EUR	0.55	0.60	0.62	0.65	0.60	0.58	0.60	0.63	0.63	0.63
NZD/YEN	65.1	77.5	81.5	79.2	76.2	73.6	77.4	78.1	78.7	78.7
TWI	68.9	74.8	73.9	73.1	72.5	74.3	73.0	71.6	73.9	73.9
Overnight Cash Rate (end qtr)	0.25	0.25	1.00	3.50	3.00	0.25	0.75	3.50	3.25	2.25
90-day Bank Bill Rate	0.71	0.33	1.45	3.65	3.05	0.26	0.92	3.65	3.30	2.30
5-year Govt Bond	0.80	1.00	2.90	3.45	2.95	0.40	2.20	3.50	3.15	2.50
10-year Govt Bond	1.15	1.75	3.20	3.60	3.30	0.90	2.35	3.60	3.45	2.90
2-year Swap	0.65	0.50	3.00	3.65	2.95	0.28	2.22	3.75	3.20	2.35
5-year Swap	0.80	1.15	3.20	3.70	3.15	0.49	2.56	3.70	3.35	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	0.60	0.30	0.00	0.90	0.60	0.45	-0.10

(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
Monday 13th June				
NZ	(circa) REINZ housing Apr	0.10%		-0.10%
UK	Monthly GDP (MoM) Apr	0.10%		-0.10%
UK	Industrial Production MoM Apr	0.30%		-0.20%
UK	Trade Balance GBP/Mn Apr	-£10800m		-£11552m
EC	ECB's Holzmann, Simkus, Guindos speak			
Tuesday 14th June				
US	Fed's Brainard speaks			
NZ	Food Prices MoM May		0.50%	0.10%
AU	NAB Business Confidence May			10
JN	Industrial Production MoM Apr F			-1.30%
UK	Payrolled Employees Mnthly Chnge May	70k		121k
GE	CPI YoY May F	7.90%		7.90%
UK	ILO Unemployment Rate 3Mths Apr	3.60%		3.70%
GE	ZEW Survey Expectations Jun	-26.8		-34.3
US	NFIB Small Business Optimism May	93		93.2
Wednesday 15th June				
US	PPI Ex Food and Energy YoY May	8.60%		8.80%
EC	ECB's Schnabel Speaks			
NZ	Current Account GDP Ratio YTD 1Q	-6.50%	-6.60%	-5.80%
JN	Core Machine Orders MoM Apr	-1.30%		7.10%
CH	Industrial Production YoY May	-1.00%		-2.90%
CH	Retail Sales YoY May	-7.10%		-11.10%
CH	Fixed Assets Ex Rural YTD YoY May	6.10%		6.80%
CH	Surveyed Jobless Rate May	6.10%		6.10%
EC	Industrial Production SA MoM Apr	0.50%		-1.80%
EC	Trade Balance SA Apr	-14.5b		-17.6b
EC	ECB's Nagel, De Cos speak			
Thursday 16th June				
US	Empire Manufacturing Jun	3		-11.6

		Median	Fcast	Last
Thursday (continued)				
US	Retail Sales Advance MoM May	0.10%		0.90%
EC	ECB's Panetta, Knot speak			
US	Business Inventories Apr	1.20%		2.00%
US	NAHB Housing Market Index Jun	68		69
EC	ECB's Lagarde, Centeno speak			
US	FOMC Rate Decision (Upper Bound) Jun-15	1.50%	1.50%	1.00%
NZ	GDP SA QoQ 1Q	0.50%	0.00%	3.00%
NZ	Vehicle registrations May			
JN	Trade Balance May	-¥2063.8b		-¥839.2b
AU	Employment Change May	25.0k	30.0k	4.0k
AU	Unemployment Rate May	3.80%	3.80%	3.90%
EC	ECB's many speakers at Young Factor web event			
EC	Labour Costs YoY 1Q			1.90%
UK	Bank of England Bank Rate Jun-16	1.25%	1.25%	1.00%
Friday 17th June				
US	Housing Starts May	1707k		1724k
US	Philadelphia Fed Business Outlook Jun	5		2.6
US	Initial Jobless Claims Jun-11	215k		229k
US	Continuing Claims Jun-04	1301k		1306k
NZ	BusinessNZ Manufacturing PMI May	--		51.2
UK	Retail Sales Inc Auto Fuel MoM May	-0.60%		1.40%
EC	CPI YoY May F	8.10%		7.40%
EC	CPI Core YoY May F	3.80%		3.80%
JN	BOJ Policy Balance Rate Jun-17			-0.10%
JN	BOJ 10-Yr Yield Target Jun-17			0.00%
Saturday 18th June				
US	Fed's Powell speaks			
US	Manufacturing (SIC) Production May	0.30%		0.80%
US	Fed's Waller speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	2.00	2.00	1.50	0.25
1mth	2.08	2.03	1.87	0.27
2mth	2.31	2.26	2.00	0.30
3mth	2.53	2.49	2.13	0.32
6mth	3.04	3.01	2.58	0.33
GOVERNMENT STOCK				
04/23	3.03	2.99	2.66	0.24
04/25	3.57	3.42	3.26	0.65
04/27	3.67	3.48	3.38	1.05
04/29	3.80	3.56	3.49	1.40
05/31	3.87	3.63	3.54	1.65
04/33	4.02	3.77	3.61	1.86
04/37	4.23	3.96	3.71	2.19
05/41	4.37	4.08	3.76	2.49
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	92	82	86	49
Europe 5Y	100	88	93	47

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	4.10	3.88	3.52	0.52
3 years	4.18	3.94	3.64	0.76
4 years	4.19	3.94	3.67	0.98
5 years	4.19	3.94	3.67	1.17
10 years	4.24	4.00	3.80	1.79
FOREIGN EXCHANGE				
NZD/USD	0.6350	0.6492	0.6310	0.7144
NZD/AUD	0.9020	0.9022	0.9052	0.9261
NZD/JPY	85.30	85.62	81.49	78.63
NZD/EUR	0.6037	0.6069	0.6047	0.5893
NZD/GBP	0.5153	0.5179	0.5119	0.5062
NZD/CAD	0.8116	0.8167	0.8105	0.8675
TWI	71.4	72.4	70.9	74.3

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