RESEARCH

Markets Outlook

5 September 2022

Thinking (Positively) About Q2 GDP

- **Our Q2 GDP estimate poised at 1.5%, with upside**
- **After Q2 building work beats with a 2.6% gain**
- **But will Thursday's many GDP "partials" play nice?**
- **Friday's ECT a lottery (but car regos surge) for Aug.**
- **Dairy prices recovering from recent correction?**
- **Trio of RBNZ speakers Wednesday to note**

A good chunk of this week's data will complete "partial" insight into Q2 GDP, while the remainder of it will give us a feel for how the economy is going in Q3.

As things stand, we formally estimate a 1.5% increase in real production-based GDP for Q2 2022. But there are reasons to believe it could be closer to the 1.8% advance the RBNZ had built into its August Monetary Policy Statement (MPS).

Last Friday's International Trade Indexes provided a veritable mixture of news, the balance of which nudged our expenditure-based estimate of Q2 GDP growth to 1.6%, from 1.4%.

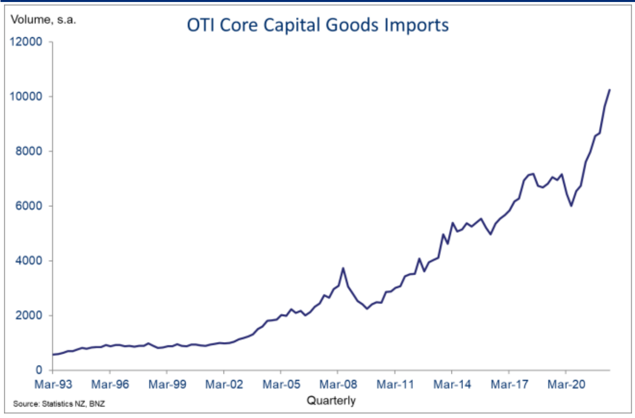
As mentioned last week, the trade indexes were going to be important, in giving us something to work with, with respect to the exportation and importation of services. As it tuned out, they suggested real services exports are likely to jump in the order of 60% in Q2, not the 80% we had factored in. Services imports also looked to have undershot our initial assumptions, with an approximate gain of 7% rather than 18% or so.

This does not mean, by the way, that tourist arrivals are picking up substantially faster than the numbers of New Zealanders holidaying abroad, in terms of raw numbers. Rather, the significantly different speeds have a lot do with seasonal factors.

As for merchandise export volumes, these posted a 3.0% rebound in Q2, which was about what we thought. The 0.9% fall in real merchandise imports in Q2, meanwhile, was also in the ballpark of what we were thinking, in terms of GDP.

What we did find a little surprising, was the outright strength showing through in capital goods imports, excluding transport goods. This suggests a solid tone around business investment in plant, machinery and equipment.

Upbeat on Investment



As for the 2.3% fall in the merchandise terms of trade, which caught us wrong-footed, this reflected much-higher quarterly inflation in import prices (+6.5%) than we reckoned on, while export prices (+3.7%) were close to what we thought. The signal on inflation, as well as net pinch on local income/profits, was underscored by annual rates of inflation of 23.2% for imports and 20.1% for exports.

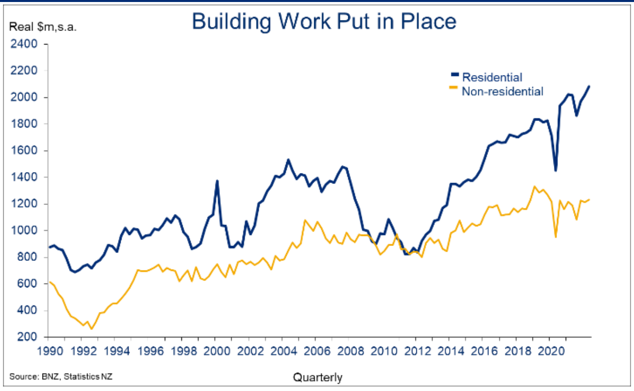
A strong sense of bloating was also what the Trade Indexes inferred for the current account deficit, which we've nudged up to 7.3% of GDP for the year to June and, following through on the dynamics, 7.7% for the year to September.

While last Friday's International Trade Indexes caused us to nudge up our expenditure GDP growth estimate, this morning's Building Work Put in Place (BWPIP) figures placed upside potential on our computations of production-based GDP for Q2.

NZ's BWPIP expanded a real 2.6% in Q2, seasonally adjusted. This was a bigger gain that the 1.0% we were looking for, although it was offset by Q1's growth being revised down to 1.1%, from 3.2%.

The Q2 increase was disproportionately driven by residential work, which was up 3.2% (to a fresh high, 14% above pre-COVID levels), while non-residential increased 1.6%.

Pushing It



While today's strong building figures reinforce upside risk to our 1.5% estimate for Q2 GDP growth, we still have a plethora of "partials" to get through on Thursday (including manufacturing, wholesaling and many service sectors) before we can finalise. By and large, we expect these to print some solid gains, so let's see.

We do, however, expect GDP growth to slow to a quarterly pace of 0.8% in Q3.

Friday's electronic card transactions (ECT) for August will some insight into this likelihood. That said, the monthly ECT are a bit of a lottery these days, as they are, firstly, hard to reconcile to the weekly MBIE spending figures and, secondly, can be terrible pointers to the quarterly retail sales data.

What we do know is that August's ECT, in being nominal figures, will not only reflect the approximate 10% fall in fuel pump prices in the month, but annual comparisons will be enormously flattered by the fact that in August last year New Zealand went into its COVID-19 Delta level-4 lockdown.

As for today's news that new car registrations surged to their biggest August ever (reflecting shipping backlogs being cleared), just note that associated consumer expenditure tends not to show up in electronic card transactions. But the big bounce in registrations is certainly something to bear in mind for Q3 retail trade, especially after retail trade was significantly hampered by vehicle expenditure in Q2.

Updates on New Zealand's commodity export prices are also due during this week. For this afternoon's ANZ indices, covering August, just note that we anticipate a fall in world price terms of about 2%, again dictated by dairy.

That said, we expect to see a moderate increase in dairy prices at Wednesday's GDT auction, as a sign of stabilisation, even the start of a broader creep higher.

Finally, note that Reserve Bank Assistant Governor, Karen Silk, is scheduled to speak at Wednesday's KangaNews summit, starting 9:05am, with speaking notes published on the RBNZ website. Later that day, Deputy Governor, Christian Hawkesby, is addressing a Craigs Investor Conference about the August MPS (11:00am), while RBNZ Chief Economist, Paul Conway, is speaking to the Institute of Directors (12:00-2:00pm) – neither of which involves published speaking notes.

craig_ebert@bnz.co.nz

Global Watch

- **RBA expected to hike 50bps, to 2.35%**
- **NAB expects Q2 GDP to expand 0.7%**
- **ECB expected to hike 75bps on Thursday**
- **Fed Chair Powell talking Thursday**

Australia

All eyes on the RBA with two key events that could shape expectations. The RBA is expected to lift rates by 50bps for the fourth successive meeting on Tuesday (21 of 23 economists surveyed) and Governor Lowe is giving his annual Anika Foundation speech on Thursday, titled "Inflation and the Monetary Policy Framework". (NAB is proud to sponsor this event which raises funds for research into adolescent depression and suicide. Customers that would like to attend can join the webinar at The Anika Foundation - Dr Philip Lowe, Governor, Reserve Bank of Australia Tickets, Thu 08/09/2022 at 12:45 pm | Eventbrite. Focus will be on the outlook and whether the language supports a step down to 25bp rate rise increments after September, and on exactly what the Governor's "*even keel*" comments mean in regard to charting inflation back to 2-3%, against an uncertain growth outlook, and whether this implies a higher inflation tolerance than the US Fed.

The key uncertainty remains how sensitive the economy is to interest rate increases seen so far. Top-tier data to date suggests there has been little impact outside of housing with retail sales strong in July (+1.3% m/m) and the labour market has continued to tighten (unemployment now 3.4%). Business confidence and conditions have also remained very robust, though consumers are clearly not happy with confidence levels more akin to those seen in downturns. High inflation, falling house prices, and a rise in interest servicing costs are all weighing on consumer sentiment.

Given these uncertainties and the long and variable lags associated with monetary policy, we expect the pace of tightening to slow after September. NAB has pencilled in a 25bp increase in October and another in November to see the cash rate end the year at 2.85%. Thereafter the RBA is likely to pause, and we think the tightening seen so far, as well as some signs of easing international inflation pressures, should see inflation ease in 2023. Comments around the AUD and tolerance of depreciation would be closely watched, if as we expect the RBA slows the pace of tightening and the Fed continues to hike aggressively.

The risk remains the RBA feels compelled to do further tightening should activity data prove more resilient, and if global inflation pressures fail to ease sufficiently. Signs on global inflation are encouraging with freight rates falling and the US Manufacturing ISM's prices paid and supplier delivery indexes having eased noticeably. The war in Ukraine, and China's lockdowns though continue to pressure global supply chains, and inflation pressures so far remain very strong in the Services ISM, delaying any prospective significant moderation in consumer inflation until 2023.

Chart 1: Container freight rates are easing

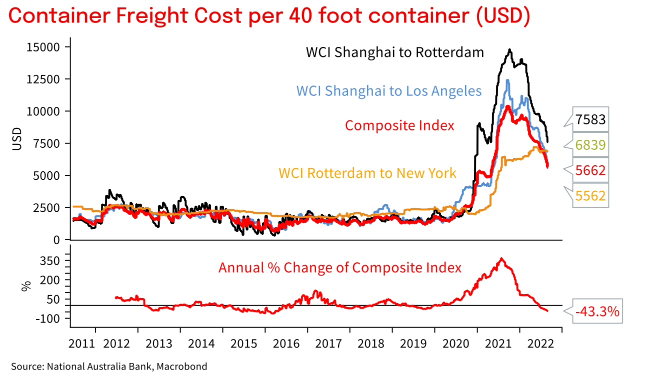
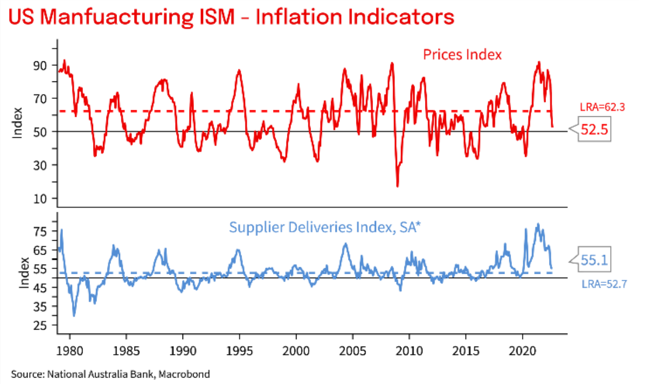


Chart2: Some tentative easing in manufacturing prices



NAB expects a moderate 0.7% q/q GDP print, below the consensus of 1.0%. Growth in Q2 is expected to have been driven by household consumption and a rebound in net exports. Such an outcome would see quarterly GDP around 5% above its pre-pandemic level – reflecting a very rapid rebound in activity from the lockdowns over the past 2 years. It will also confirm that household consumption spending remained robust, though some is a bounce back from Omicron softness in Q1.

The partial indicators before Wednesday are Inventories and Net Exports, as well as Government Spending. For Inventories we see the level increasing by 3.1% q/q (consensus 1.5%) and see Net Exports adding 0.9 points (consensus 1.0 points) to Q2 growth. While there is no consensus for Government Spending, we see this as adding 0.2 percentage points to Q2 growth.

Looking forward, we expect growth to moderate driven by a slowing in household consumption– with higher rates, prices and negative wealth effects weighing. There is also likely to be some ongoing rebalancing of goods and services spending in the near-term as the impact of the pandemic wanes.

Dwelling construction is expected to remain elevated but likely volatile, and we expect business investment to see modest gains. Taken together with a slowing in global growth, we expect below trend growth of around 1.75% y/y in each of the next two years.

As for implications, the most interesting will be in the price measures, which will likely confirm broad-based price pressures in the economy through the consumption and investment deflators but, coming the day after the RBA's next meeting (where we expect a 50bp hike), have no near-term implications for monetary policy. In the medium term, the RBA will also remain focused on normalising rates (and moving to a moderately restrictive stance) while keeping an eye on how supply-side inflation pressures resolve (for further details, please see NAB Group Economics: Australian GDP Preview – Q2 2022, A solid outcome ahead of a slower H2 2022).

US

A quiet start with markets closed for Labor Day on Monday. Focus thereafter will be on the Services ISM on Tuesday and then to Fed Chair Powell on Thursday who is speaking in a moderated discussion on monetary policy hosted by the Cato Institute. It is not clear how much more Powell can add in terms of hawkishness given his Jackson Hole address. Markets currently price a peak fed funds rate of 3.95% (up from 3.79% last week) and give around a 75% chance of a 75bp hike at the 21 September FOMC meeting. As for the Services ISM, this will be watched more closely than usual given the S&P Services PMI has been in contraction territory for two consecutive months (currently 44.1), with the consensus for the ISM much stronger at 55.2 from 56.7. Also on the calendar is the Fed's Beige Book on Wednesday and the Fed's Brainard also speaks on monetary policy. **North of the border the Bank of Canada meets on Wednesday** and where a 75bp hike to 3.25% is expected.

China

A big week of data which is likely to be overshadowed by China's ongoing zero-COVID policy with Chengdu in lockdown and other cities tightening restrictions ahead of the party congress on 16 October, where President Xi is expected to be elected to a historic third five-year term. The Trade Balance is on Wednesday, CPI/PPI on Friday, and Aggregate Finance figures are due anywhere from Friday to the following week. The Trade Balance is the statistic one to watch given slowing global growth and uncertain domestic demand given property headwinds, drought impacts, and China's ongoing zero-COVID policy.

Eurozone

The focus will be squarely on Thursday's ECB meeting. Markets are close to fully pricing in a 75bp hike after numerous ECB officials said they were leaning that way, though there is still likely to be a debate around 50 v 75. Also important will be the ECB's outlook given activity so far has been resilient to the intense pressure coming from energy prices and inflation in general. Data is mostly second tier with a final Services PMI on Monday, along with Retail Sales for July (note German retail sales were much stronger than expected at +1.9% m/m). Germany also has Factory Orders on Tuesday and Industrial Production on Wednesday – a key barometer for the expected energy hit to activity.

UK

The focus is likely to be on the 1230 GMT Monday announcement of who has won the Tory Party leadership contest and thereby becomes the UK's new PM, effective Tuesday. Thereafter there will be a swift baptism of fire as the new leader is instantly forced to get to grips with the cost-of-living crisis and in particular ruinous energy bills. The BoE's Mann speaks on Monday, and Governor Bailey on Wednesday. Final Services PMI activity is due Monday after the flash release revealed activity at 52.5. On Friday the BoE/Ipsos poll on inflation for the next 12 months will be released

tapas.strickland@nab.com.au / craig_ebert@bnz.co.nz

Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

Last week saw wholesale rates push higher once more, as New Zealand felt the ripple effects of the global bond sell off. Swap rates were 10-12bps higher across the curve, mainly in response to global forces, as Fed Chair Powell's hawkish message from Jackson Hole sunk in with investors.

Fed Chair Powell's message from Jackson Hole – that the Fed's commitment to getting inflation under control is "unconditional", that rates will likely need to be higher for longer, and that "some pain" will likely be felt by the economy – continued to reverberate across markets last week. This led to another big lift in the US curve, the 10-year rate almost hitting 3.30% at one point. The move was even more pronounced in real (i.e. inflation-adjusted) rates. The US 5-year real yield is now some 40bps higher since before Powell spoke at Jackson Hole just over a week ago. There was some pullback in US rates though on Friday night after a 'goldilocks' nonfarm payrolls report, which showed still-strong job growth, some evidence of workers returning to the labour market, and some moderation in wage growth. The market is pricing just over a 50% chance of a 75bps hike by the Fed later this month and a peak in the cash rate at around 3.85%.

In Europe, the market is now leaning towards a 75bps rate hike at the ECB's meeting this week after another upside inflation surprise and after more officials suggested they were open to such a move. The inflation situation is likely to worse before it gets better after the announcement that Gazprom was indefinitely suspending gas flows to Europe.

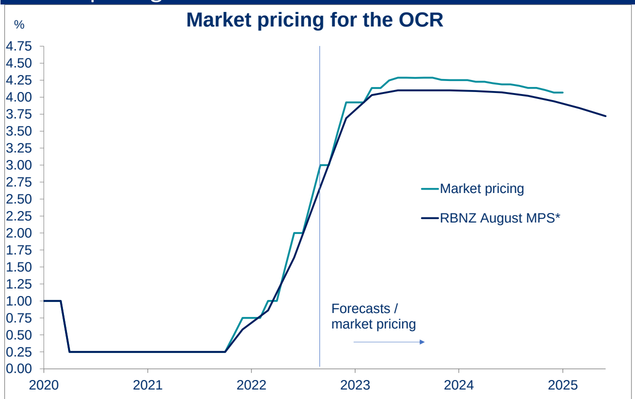
The NZ market continues to take its lead from overseas developments. At one stage last week the market had pushed expectations of the peak in the OCR to almost 4.50%, although there was some moderation on Friday, seeing terminal cash rate pricing end the week around 4.30%. Despite Governor Orr's (and other senior officials') post-MPS message that the RBNZ is likely to take a pause when the OCR reaches 4% (or 4.25%), OCR expectations continue to gyrate with offshore pricing.

Where the Governor's message does appear to have gotten through is in his message that rates will likely need to stay on hold at restrictive levels for some time. Market expectations are that the OCR will essentially flatline, at around 4.30%, through 2023, with only one rate cut priced in by the end of 2024. This lines up with the shape of the RBNZ's own projected path for the OCR, which has a rate cut built in for late 2024 (see chart).

Our central expectation is still for a 4% peak in the OCR, in line with the recent signalling from the RBNZ and our expectation that inflation finally will be on the way down and the economy showing clear signs of weakness later this year. The market is pricing in more tightening than this and consequently short-term interest rates are higher than our year-end forecasts. Ultimately, once the market has more visibility around the end of the Fed's tightening cycle, and hard data show NZ inflation to be clearly receding at a decent clip, we would expect short-term interest rates to come down somewhat. But the risk is that short-term NZ rates remain elevated in the near term while the trend in offshore rate expectations is upwards.

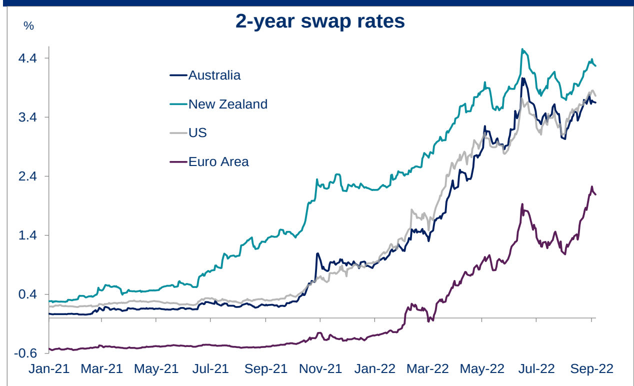
For longer-term rates, we suspect we're still going to be in a choppy range for the remainder of the year given the crosscurrents of high inflation and recession risk. That said, we still think the risks are tilted to the upside over the medium term. First, the US 10-year rate historically hasn't tended to peak until near the time of the Fed's last hike which, on market pricing, isn't likely to be until March. Second, over the past thirty years the US 10-year rate has tended to peak at, or above, the peak in the Fed funds rate which, again on market pricing, is expected to be around 4%. Third, we think the risk is that inflation proves sticker and takes longer to return to target than what the market is pricing. This suggests the risk is the Fed is slower to cut rates than the market thinks (the first Fed rate cut is priced in by the end of next year). Finally, risk premia are still very low on longer-term rates which is unusual given the high uncertainty around inflation. Intuitively, if the potential range of inflation outcomes is very wide, then investors should be demanding more compensation (by way of higher interest rates) to lend for long-term maturities.

Market pricing a little above the RBNZ's forecasts now



Source: BNZ, RBNZ. * RBNZ projections are quarterly averages.

NZ rates continue to follow offshore trends



Source: BNZ, NAB, Bloomberg.

nick.smyth@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week, the USD continued to show broad-based strength and the DXY index traded at a fresh 20-year high. Against this backdrop, the NZD traded at a fresh 2-year low of 0.6051 and closed the week down 0.4% at 0.6110. JPY and GBP remained out of favour and new milestones included USD/JPY breaking up through 140 to reach a 24-year high and GBP/USD breaking below 1.15. Lower energy prices saw AUD underperform and NZD/AUD recover by 0.8% to 0.8975.

A key theme of last week was the market trading in the afterglow of Fed Chair Powell's hawkish Jackson Hole speech the previous week, where he outlined the strong case for rates higher heading and remaining restrictive for some time. Economic data was also USD-supportive, with a strong JOLTS labour market report, strong non-farm payrolls at the end of the week and stronger than expected consumer confidence.

In Europe, gas prices plunged over 30% from the previous week's astronomical level on talk of forthcoming EU intervention in the market and signs that storage facilities were filling up fast. However, at the end of the week Gazprom said that it had "indefinitely suspended" natural gas flows through the Nord Stream pipeline that runs to Germany. This adds to the chance of European gas shortages this winter and a deeper recession. A near-8% fall in Brent crude oil prices added to the falls in gas prices and can explain the recovery in NZD/AUD from its 5-year low recorded the previous week.

In China, rising COVID cases got the market's attention, especially when Chengdu, its sixth largest city, was locked down. Cities responsible for a third of China's GDP are currently facing COVID-related disruptions although Chengdu is the only one currently under draconian restrictions. But there is a growing threat of other cities joining in. Downward pressure on the yuan saw the PBoC attempt to moderate its decline, but USD/CNY still traded at a two-year high of 6.92. A move to 7 looks inevitable and based on the NZD/USD and USD/CNY correlation this year, fair value for the NZD drops below 0.60 with USD/CNY at 7 (see chart).

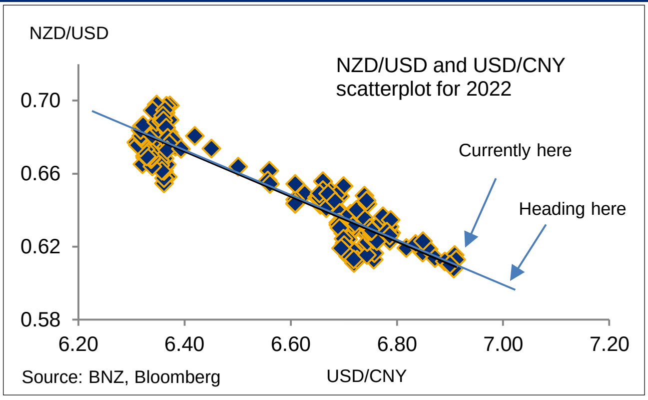
Regular readers will be aware of our negative view on the NZD and the reasons – tighter US monetary policy that drives the economy into recession, a winter energy crisis in Europe that sends the UK and euro area into recession, and China's zero-COVID policy that keeps its economy in a recession-like state. All these factors were in play last week. The NZD is sensitive to these global growth dynamics and we don't see any near-term reprieve. Until the market has fully embraced the negative global growth outlook, then the NZD can keep drifting lower. For some time, we have alluded to the risk of the NZD going sub-0.60 and our projections continue to allow for a trading range that extends down to around 0.57-0.58.

In the week ahead we get policy updates from the RBA, Bank of Canada and ECB. The RBA should deliver another 50bps hike tomorrow, with the market on the look-out for commentary that might suggest a step-down to 25bps increments in later meetings. Q1 GDP on Wednesday and a speech from Governor Lowe on Thursday means there is plenty of event risk for the AUD. The Bank of Canada is expected to deliver "only" a 75bps hike after its surprise 100bps hike in July.

With stronger than expected euro area CPI data showing annual inflation at a record of 9.1% y/y and increasingly hawkish rhetoric from ECB members, the odds favour the central bank opting for a 75bps hike than 50bps. The last set of meeting minutes suggested that rate hikes would be needed even if the economy fell into recession. As we've seen with GBP recently, higher rates offer little support to the currency against a backdrop of economic recession and surging inflation prints.

The domestic calendar remains light and of little consequence to the path of the NZD.

USD/CNY at 7 consistent with NZD below 0.60



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6106	0.6050 - 0.6460
NZD/AUD	0.8982	0.8860 - 0.9100
NZD/GBP	0.5321	0.5200 - 0.5320
NZD/EUR	0.6147	0.6070 - 0.6300
NZD/JPY	85.55	84.30 - 86.30

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

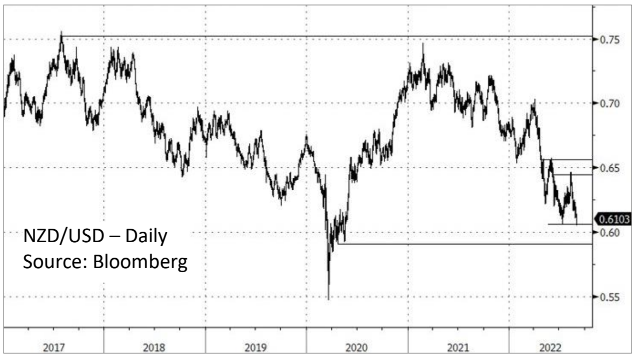
	Model Est.	Actual/FV
NZD/USD	0.6320	-3%
NZD/AUD	0.8960	0%

Jason.k.wong@bnz.co.nz

Technicals

NZD/USD

Outlook: Downside risk
ST Resistance: 0.6450 (ahead of 0.6560)
ST Support: 0.6050 (ahead of 0.5910)



A fresh low near 0.6050 last week makes that the new support level. Below that, support looks flaky, but 0.5910 seems as good as any level.

NZD/AUD

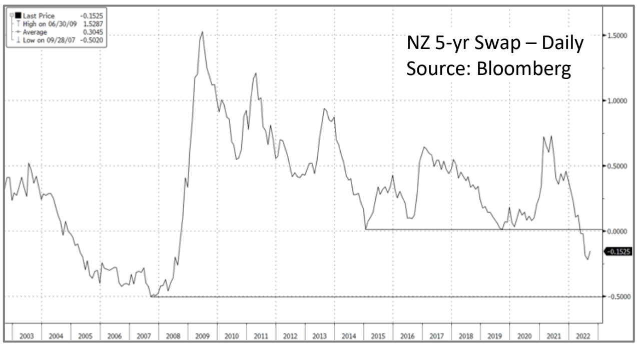
Outlook: Downside risk
ST Resistance: 0.9150 (ahead of 0.9250)
ST Support: 0.8885 (ahead of 0.88)

We'll put support at the recent 5-year low of 0.8885 and below that, 0.88-0.8850 looks like a bit of a support range.

jason.k.wong@bnz.co.nz

NZ 5-year Swap Rate

Outlook: higher
MT Resistance: 4.76
MT Support: 3.55



Hold paid position, raise stop to 4.02 pct.

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

Outlook: neutral
MT Resistance: 0.00
MT Support: -0.50

The 2x5's spread has bounced higher off the -0.30 level. We will look to receive back towards 0.00 or pay at -0.30.

pete_mason@bnz.co.nz

Quarterly Forecasts

Forecasts as at 5 September 2022

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts: Jun-22 (from Jun-22 onward, shaded; some Jun-22 values actual)

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
GDP (production s.a.)	1.7	2.4	-3.8	3.0	-0.2	1.5	0.8	0.0	0.0	-0.3
Retail trade (real s.a.)	2.7	3.1	-8.4	8.5	-0.9	-2.3	0.5	0.4	0.0	-0.1
Current account (ytd, % GDP)	-2.5	-3.3	-4.6	-5.8	-6.5	-7.3	-7.7	-7.8	-7.2	-7.2
CPI (q/q)	0.8	1.3	2.2	1.4	1.8	1.7	1.5	0.3	1.2	0.8
Employment	0.6	1.1	1.7	-0.1	0.0	0.0	0.2	0.0	-0.1	-0.2
Unemployment rate %	4.6	3.9	3.3	3.2	3.2	3.3	3.2	3.4	3.6	3.9
Avg hourly earnings (ann %)	4.1	4.5	3.6	4.1	5.3	7.0	7.6	7.6	7.4	6.9
Trading partner GDP (ann %)	6.8	9.8	4.2	4.2	3.9	2.0	3.9	3.2	3.1	3.7
CPI (y/y)	1.5	3.3	4.9	5.9	6.9	7.3	6.5	5.3	4.7	3.8
GDP (production s.a., y/y))	3.3	17.9	-0.2	3.1	1.2	0.4	5.2	2.1	2.3	0.5

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
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
Jun	1.83	2.24	3.55	3.68	3.83	3.92	3.95	1.50	2.90	0.76
Forecasts										
Sep	3.00	3.65	3.50	3.55	4.00	3.70	3.75	2.80	2.75	0.80
Dec	4.00	4.15	3.50	3.60	4.00	3.70	3.80	3.30	3.00	0.60
2023 Mar	4.00	4.15	3.45	3.60	3.90	3.65	3.80	3.55	3.00	0.60
Jun	4.00	4.15	3.40	3.60	3.75	3.60	3.80	3.55	3.00	0.60
Sep	4.00	4.05	3.30	3.55	3.60	3.50	3.75	3.55	3.00	0.55
Dec	3.75	3.80	3.15	3.45	3.40	3.35	3.65	3.55	3.00	0.45
2024 Mar	3.50	3.55	2.95	3.30	3.15	3.15	3.50	3.55	3.00	0.30
Jun	3.25	3.30	2.80	3.15	2.90	3.00	3.35	3.55	3.00	0.15

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	0.61	0.68	0.99	1.15	140	0.61	0.90	0.61	0.53	85.6	70.8
Sep-22	0.61	0.68	0.98	1.18	135	0.61	0.90	0.62	0.52	82.4	69.9
Dec-22	0.60	0.68	0.98	1.15	133	0.60	0.89	0.61	0.52	79.8	69.1
Mar-23	0.62	0.69	0.99	1.18	128	0.62	0.90	0.63	0.53	79.4	70.5
Jun-23	0.63	0.70	1.00	1.18	125	0.63	0.90	0.63	0.53	78.8	70.9
Sep-23	0.64	0.71	1.02	1.18	123	0.64	0.90	0.63	0.54	78.7	71.4
Dec-23	0.65	0.72	1.04	1.20	121	0.65	0.90	0.63	0.54	78.7	71.9
Mar-24	0.64	0.71	1.06	1.22	119	0.64	0.90	0.60	0.53	76.2	70.4
Jun-24	0.65	0.72	1.08	1.23	117	0.65	0.90	0.60	0.53	76.1	70.9
Sep-24	0.67	0.73	1.11	1.27	115	0.67	0.92	0.60	0.53	77.1	72.4
Dec-24	0.68	0.74	1.14	1.30	114	0.68	0.92	0.60	0.52	77.5	72.9
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 5 September 2022	March Years Actuals 2021	2022	Forecasts 2023	2024	2025	December Years Actuals 2020	2021	Forecasts 2022	2023	2024
GDP - annual average % change										
Private Consumption	0.4	4.4	2.5	0.0	1.4	-1.1	6.1	3.2	-0.4	1.0
Government Consumption	7.5	10.4	4.9	1.0	0.6	6.8	10.1	7.1	1.1	0.6
Total Investment	-4.8	9.2	4.9	-1.2	1.2	-7.0	9.9	6.0	-0.6	0.2
Stocks - ppts cont'n to growth	-0.2	0.8	-0.2	-0.1	0.0	-0.8	1.6	-0.5	-0.1	0.0
GNE	0.3	7.5	3.0	-0.2	1.2	-1.9	9.5	3.8	-0.2	0.7
Exports	-17.8	1.9	8.0	8.1	3.9	-12.6	-3.6	-0.6	14.7	4.0
Imports	-16.1	17.3	6.5	5.4	0.8	-16.0	15.0	5.3	7.5	0.9
Real Expenditure GDP	-0.2	4.1	2.3	0.0	2.1	-1.0	5.1	1.8	0.5	1.5
GDP (production)	**-1.4**	**5.1**	**2.5**	**0.0**	**2.1**	**-2.1**	**5.6**	**2.2**	**0.5**	**1.5**
GDP - annual % change (q/q)	*3.3*	*1.2*	*2.3*	*0.2*	*2.6*	*0.3*	*3.1*	*2.1*	*-0.3*	*2.5*
Output Gap (ann avg, % dev)	-1.6	1.0	2.1	0.4	0.2	-1.8	1.1	1.9	0.8	0.1
Nominal Expenditure GDP - $bn	328	356	381	391	410	324	350	375	389	405
Prices and Employment - annual % change										
CPI	1.5	6.9	4.7	2.0	2.2	1.4	5.9	5.3	2.8	1.9
Employment	0.1	2.7	0.1	-0.5	1.3	0.6	3.4	0.2	-0.6	0.9
Unemployment Rate %	4.6	3.2	3.6	4.8	5.0	4.9	3.2	3.4	4.4	5.0
Wages - ahote	4.1	5.3	7.4	5.4	3.6	2.6	4.6	4.1	7.6	5.9
Productivity (ann av %)	-1.9	2.1	2.3	0.4	1.5	-3.2	3.5	1.1	0.9	1.4
Unit Labour Costs (ann av %)	4.5	4.2	4.2	5.8	2.6	5.7	2.4	5.0	5.7	3.2
House Prices	24.1	14.1	-14.2	0.0	3.8	17.0	26.4	-13.3	-2.5	3.3
External Balance										
Current Account - $bn	-8.2	-23.3	-27.7	-24.6	-19.8	-2.7	-20.3	-29.5	-26.4	-20.7
Current Account - % of GDP	-2.5	-6.5	-7.2	-6.2	-4.7	-0.8	-5.8	-7.8	-6.6	-5.0
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-1.4	-5.2	-1.7	-0.6	0.6					
Net Core Crown Debt (excl NZS Fund Assets)	29.8	36.9	40.8	41.2	37.5					
Bond Programme - $bn (Treasury forecasts)	45.0	20.0	25.0	25.0	25.0					
Bond Programme - % of GDP	13.7	5.6	6.6	6.4	6.1					
Financial Variables [(1)]										
NZD/USD	0.71	0.69	0.62	0.64	0.68	0.71	0.68	0.60	0.65	0.65
USD/JPY	109	119	128	119	114	104	114	133	121	121
EUR/USD	1.19	1.10	0.99	1.06	1.14	1.22	1.13	0.98	1.04	1.04
NZD/AUD	0.93	0.93	0.90	0.90	0.92	0.94	0.95	0.89	0.90	0.90
NZD/GBP	0.51	0.52	0.53	0.53	0.52	0.53	0.51	0.52	0.54	0.54
NZD/EUR	0.60	0.62	0.63	0.60	0.60	0.58	0.60	0.61	0.63	0.63
NZD/YEN	77.5	81.5	79.4	76.2	77.5	73.6	77.4	79.8	78.7	78.7
TWI	74.8	73.9	70.5	70.4	72.9	74.3	73.0	69.1	71.9	71.9
Overnight Cash Rate (end qtr)	0.25	1.00	4.00	3.50	2.50	0.25	0.75	4.00	3.75	2.75
90-day Bank Bill Rate	0.33	1.45	4.15	3.55	2.55	0.26	0.92	4.15	3.80	2.80
5-year Govt Bond	1.00	2.90	3.45	2.95	2.50	0.40	2.20	3.50	3.15	2.50
10-year Govt Bond	1.75	3.20	3.60	3.30	2.90	0.90	2.35	3.60	3.45	2.90
2-year Swap	0.50	3.00	3.90	3.15	2.40	0.28	2.22	4.00	3.40	2.55
5-year Swap	1.15	3.20	3.70	3.15	2.70	0.49	2.56	3.70	3.35	2.70
US 10-year Bonds	1.60	2.10	3.00	3.00	3.00	0.90	1.45	3.00	3.00	3.00
NZ-US 10-year Spread	0.15	1.10	0.60	0.30	-0.10	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 5th			
NZ	Volume of All Buildings SA QoQ2Q	1.00%	--	3.20%
AU	S&P Global Australia PMI Services	--	--	49.6
NZ	ANZ Commodity Price MoM Jul	--	--	-2.20%
AU	Melbourne Institute Inflation YoY	--	--	5.40%
AU	Inventories SA QoQ2Q F	1.50%	--	3.20%
EC	S&P Global Eurozone Services PMI 2Q F		50.2	50
EC	Sentix Investor Confidence Aug	-26.8	--	-25.2
UK	S&P Global/CIPS UK Services PMI Jul	52.5	--	52.5
EC	Retail Sales MoM	0.40%	--	-1.20%
	Tuesday 6th			
UK	BOE's Catherine Mann speaks Sep-07			
UK	BRC Sales Like-For-Like YoY	--	--	1.60%
JN	Household Spending YoY	4.60%	--	3.50%
AU	BoP Current Account Balance	A$22.0b	--	A$7.5b
AU	Net Exports of GDP2Q	1	--	-1.7
AU	RBA Cash Rate Target 2Q F	2.35%	--	1.85%
GE	Factory Orders MoM Jul	-0.70%	--	
	Wednesday 7th			
NZ	GDT Dairy Auction			-2.90%
US	S&P Global US Services PMI Aug	44.2	--	44.1
NZ	RBNZ's Silk, Hawksby, Conway Speaks Sep-08			
AU	GDP SA QoQ Sep-08	1.10%	--	0.80%
AU	RBA's Connolly-PanelSep-08			
GE	Industrial Production SA MoMSep-03	-0.60%	--	0.40%
UK	BOE Governor and MPC testify to ParliamentAug-27			
EC	Employment YoY	--	--	2.40%
EC	GDP SA QoQ	0.60%	--	0.60%
CH	Trade Balance CNY Aug	--	--	682.69b

		Median	Fcast	Last
	Thursday 8th			
US	Trade Balance Aug	-$70.3b	--	-$79.6b
US	Fed's Barkin Speaks at MIT Aug			
CA	Bank of Canada Rate Decision Aug	3.25%	--	2.50%
US	Fed's Mester speaks at MNI virtual event Aug			
US	Fed's Brainard Discusses the Eco Outlook Aug			
US	U.S. Federal Reserve Releases Beige Book Aug			
NZ	Business Financial Data Jul			
JN	GDP SA QoQ	0.70%	--	0.50%
AU	Trade Balance Jul	A$14500m	--	A$17670m
AU	RBA Governor Lowe-Speech			
JN	Eco Watchers Survey Outlook SA Aug	44.3	--	42.8
	Friday 9th			
EC	ECB Main Refinancing Rate 39692	1.25%	--	0.50%
EC	ECB Marginal Lending Facility 39692	1.50%	--	0.75%
EC	ECB Deposit Facility Rate 39692	0.75%	--	0.00%
US	Initial Jobless Claims 37865	240k	--	232k
US	Continuing Claim s46600	1438k	--	1438k
EC	ECB President Lagarde Holds Press Conference			
US	Powell Speaks at Monetary Policy Conference			
NZ	ANZ Truckometer Heavy MoM Aug	--	--	-0.10%
NZ	Card Spending Total MoM Aug	--	--	-0.20%
CH	PPI YoY Aug	3.20%	--	4.20%
CH	CPI YoY Aug	2.80%	--	2.70%
UK	BoE/Ipsos Inflation Next 12 Mths Aug		--	4.60%
CH	Aggregate Financing CNY Aug	2100.0b	--	756.1b
CH	New Yuan Loans CNY Aug	1500.0b	--	679.0b
	Saturday 10th			
US	Wholesale Trade Sales MoM Jul	0.80%	--	1.80%
US	Fed's Waller/George Discuss Economic Outlook			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	3.00	3.00	2.50	0.25
1mth	3.11	3.04	2.94	0.32
2mth	3.32	3.25	3.12	0.41
3mth	3.53	3.46	3.29	0.50
6mth	3.84	3.81	3.68	0.69
GOVERNMENT STOCK				
04/23	3.84	3.75	3.34	1.00
04/25	3.87	3.84	3.36	1.40
04/27	3.89	3.85	3.31	1.59
04/29	3.94	3.90	3.32	1.76
05/31	3.96	3.93	3.34	1.89
04/33	4.03	4.02	3.46	2.10
04/37	4.21	4.23	3.65	2.39
05/41	4.29	4.33	3.72	2.67
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	92	88	81	47
Europe 5Y	113	113	100	44

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	4.28	4.34	3.83	1.37
3 years	4.24	4.27	3.71	1.58
4 years	4.17	4.21	3.62	1.70
5 years	4.12	4.16	3.56	1.78
10 years	4.12	4.15	3.55	2.08
FOREIGN EXCHANGE				
NZD/USD	0.6089	0.6154	0.6285	0.7136
NZD/AUD	0.8964	0.8916	0.8999	0.9591
NZD/JPY	85.49	85.36	84.83	78.38
NZD/EUR	0.6142	0.6155	0.6165	0.6012
NZD/GBP	0.5306	0.5254	0.5204	0.5157
NZD/CAD	0.8002	0.8006	0.8080	0.8945
TWI	70.6	70.7	71.4	75.5

Contact Details

BNZ Research

Stephen Toplis
Head of Research
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Jason Wong
Senior Markets Strategist
+64 4 924 7652

Nick Smyth
Senior Interest Rates Strategist
+64 4 924 7653

Main Offices

Wellington
Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854