3 October 2022

Differing Accounts

- **RBNZ MPR to broadly repeat August MPS messaging**
- **Market pricing relatively stronger OCR, of 4.75%-plus**
- **Tues. QSBO to show extent of core inflation pressure**
- **Crown a/cs Wed. and Fin Min Robertson speaking Thurs.**
- **Commodity updates in the context of a sinking NZD**
- **Today's last of the cost-of-living instalments**

It's not just Wednesday's RBNZ Monetary Policy Review (MPR) that will garner market attention this week. There is also tomorrow's NZIER Quarterly Survey of Business Opinion (QSBO) to take note of. And with recent global market appraisals of (UK) fiscal policy raising eyebrows, who can ignore this week's Crown Financial accounts, and speech by Finance Minister, Grant Robertson, scheduled for Thursday.

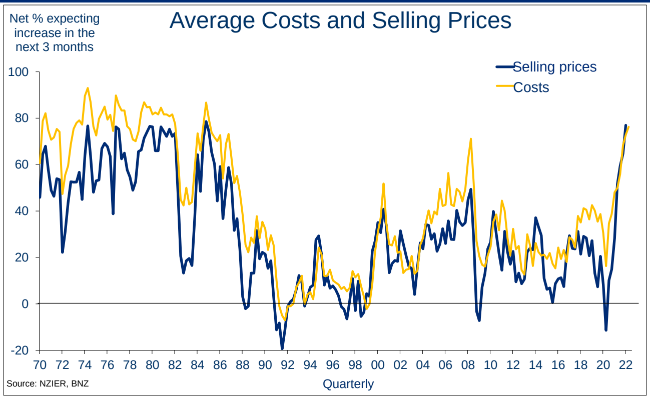
Regarding the MPR, we provided our full preview of this in last week's (Tuesday) BNZ Markets Outlook. As its summary stated:

"The October 5 Monetary Policy Review should be a fairly close approximation of the August Monetary Policy Statement. We expect a 50 basis point rate increase to be delivered with confirmation of the same again in November. The real interest lies with where to in 2023? We think that, in the current environment of heightened uncertainty and the increasing likelihood of a global recession, the RBNZ should do nothing to suggest its view on the terminal cash rate of 4.25 to 4.50% has been lifted."

Much of a Muchness

Tomorrow morning's NZIER QSBO is likely too late in the piece to influence the RBNZ Monetary Policy Committee's conclusions all that much. Still, the survey results will be important to take on board. Are there signs that the economy is starting to extricate itself from its very inflationary position, and how? Last week's ANZ business survey suggested no great shift, for now, including, importantly, resilient intentions to increase staffing levels.

Less Rampant?



Turning to this week's fiscal events, whatever possessed the NZ Treasury to be publishing the year-to-June 2022 Crown Financial Accounts just an hour before the RBNZ MPR, we'll never know. But they will certainly be very useful in filling the vacuum of fiscal information that has accumulated, while everyone waited for the auditors to do their thing. How big will the fiscal deficit be, exactly? And what will the tax figures tell us about the (nominal) economy?

Also bear in mind that the publication of the fully audited annual accounts will then pave the way for the more recent fiscal accounts to be released. We can thus look forward to the 3-months to September 2022 accounts around the end of October.

We are certainly interested in how New Zealand's fiscal accounts are travelling. For at least a couple of reasons.

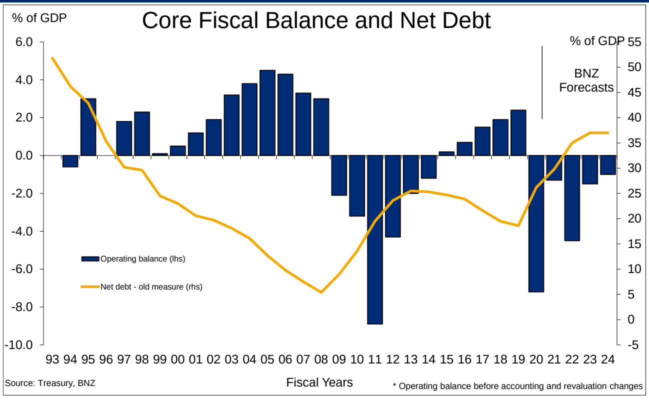
First, we got a feeling from the May 2022 Budget that the government expenditure lines, and provisions, had not fully encapsulated the inflation pressure that the Treasury's macro-economic forecasts portended at the time. This will need relitigating by the time of the December Economic and Fiscal Update (DEFU).

Second, we also wonder about the basis of Treasury's tax revenue forecasts. As an example, the Reserve Bank, in its August MPS, forecast $65b less nominal GDP over the 3 years to June 2025, relative to the May 2022 Budget. The

RBNZ view inferred billions of dollars less in the way of tax revenue, per annum. The Bank won't be providing updated GDP forecasts at Wednesday's MPR, but it will be something to watch for in November's MPS, as a cross-reference.

While New Zealand's next set of fiscal forecasts aren't due until December, we do wonder that if they show the government is not (even close) to running an operating surplus over a period when the economy is severely overheated, then how big might the underlying deficit be?

Facing Challenges



Wednesday's Crown accounts will provide a timely segue into a speech that Finance Minister, Grant Robertson, is due to give at a Bloomberg event the very next day, Thursday, from around 4:15pm. This speech has scope to elaborate on the fiscal approach the government is taking, as it starts to develop the bones of its DEFU, while also looking ahead to next year's Budget and general election.

This week's commodity news begins with Wednesday's early morning Global Dairy Trade auction. For this we are looking for another moderate increase in prices. Call it up 2% or so. Then, for Thursday's ANZ export price indices, we expect a slight fall in world price terms for September, but an increase in local currency terms.

The latter, of course, brings into focus the way the NZ dollar has softened of late. The way it has kept softening, more accurately. Through the course of September, for instance, NZD dropped 8.5%. The NZ TWI declined 4.1%. And the TWI has fallen further today, to 67.1, which is now 6.4% lower than the RBNZ assumed for the purposes of its August MPS (inflation) projections. And compared to the previous GDT dairy auction NZD presently sits about 6% lower, which would add to the 2% increase we expect in world-price terms.

Of course, the NZ exchange rate is weakening for a reason – an increasingly troubled and volatile global economy (and financial system?). Still, in falling, the local currency is at least doing its job as a natural shock absorber.

Also keep an eye out for the various monthly housing market updates through the week. The CoreLogic edition is scheduled for Wednesday morning, while the Auckland-based Barfoot and Thompson issue will likely be out by around that time too. Is the recent orderly correction in the housing market turning into something more disorderly, or are there signs of a base forming already?

In other local data, the Q3 working-age population estimate is due Wednesday, which will feed into our unemployment calculation (presently 3.2%). It's bound to remain constraining, considering the net migration outflow that occurred through the quarter.

Also, because it's meaningful to a lot of household budgets, a reminder that, today, the final (of three) Cost of Living payments will be paid out by the government. It's $117 or so – essentially for working people on low to moderate incomes.

And, finally, for the technically minded, note that Stats NZ published material today on CPI measurement methodologies, including the treatment of housing-related elements. It was more to explain the differences amongst the various indices already being published, rather than any plan to redefine any one of them.

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Global Watch

- **US ISM and payrolls due; watched for direction**
- **Annexation attempts the latest war watch point**
- **RBA expected to hike 50bps tomorrow**
- **OBR to provide first forecast post UK mini-Budget**
- **OPEC meets, oil production cut being considered**
- **China Golden Week holiday**

Australia

The RBA meets tomorrow. NAB expects a fifth consecutive 50bp hike to take the cash rate target to 2.85%. A view shared by 16 of 21 respondents to the Bloomberg Survey.

Governor Lowe in his parliamentary testimony 2 weeks ago framed the decision as between 25 and 50bp again, with the decision settling on how they view the balance of risks. Lowe also said that "*at some point we'll obviously not need to be increasing rates by 50 basis points at each meeting, and we're getting closer to that point*". Note the RBA also considered 25bp at its prior September meeting even as it opted for 50bp.

In NAB's view, one more outsized 50bp move (tomorrow) is likely given the resilience in the data to date and the RBA's acknowledgement in the September minutes (and elsewhere) that there is a clear domestic component to current inflationary pressure and "*the economy was having difficulty meeting the level of aggregate demand*".

From there, NAB expects the RBA to taper the pace of hikes, raising rates by 25bp in November and pausing in December as it monitors the impact of prior tightening on the economy.

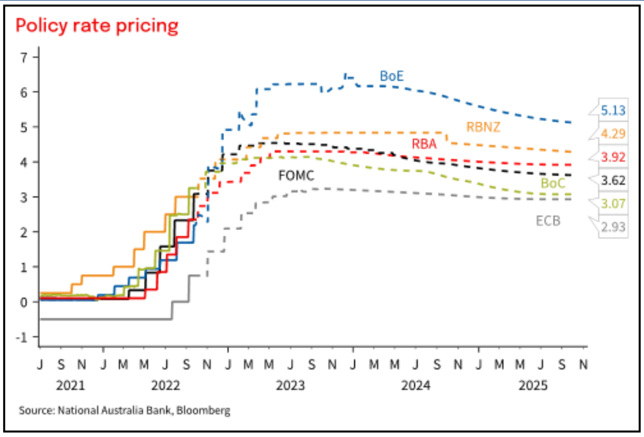
While the RBA is alert to very tight labour markets, domestic capacity constraints and elevated inflationary pressure, they are weighing this against a deteriorating global outlook and the uncertain response of households to the extent of tightening in place so far. Lags in interest rate transmission may be helping to keep household spending resilient to date.

Deputy governor Michele Bullock noted last week that the RBA continues to see the task for the RBA in navigating the path to sustainably at target inflation comparing favourably to that of some other Central Banks, "*there's at least a few reasons why we are in a slightly better position*".

Bullock noted in Q&A last week that inflation was not as high as the US or UK, wages had not responded to the same extent as some other countries, and that she didn't see the same over stimulus issue that the US is facing.

Also from the RBA is the semi-annual Financial Stability Report on Friday. RBA Head of Domestic Markets, Jonathon Kearns, flagged updated analysis on the impact of higher interest rates for borrowers, including the extent that excess repayments many borrowers have been making would mute the cash flow impact of rate rises. That will be useful to see how the RBA is assessing the prospective cash flow hit as it weighs the extent of further tightening. Elsewhere, the RBA is likely to continue to assess that financial stability risks from the fast adjustment in interest rates are contained.

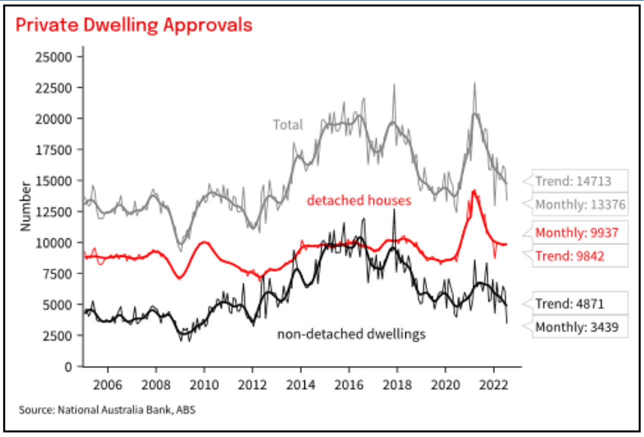
Policy rate pricing



The ABS publishes August data for Building Approvals and New Housing Lending on Tuesday. Building Approvals fell sharply in July, down 17.2%, and NAB expects a rebound in August, pencilling in a 10% rise. The decline, and forecast rebound, are due to the volatile attached (apartments) series, which plummeted 43.5% in July. NAB expects some reversion to support the headline number in August.

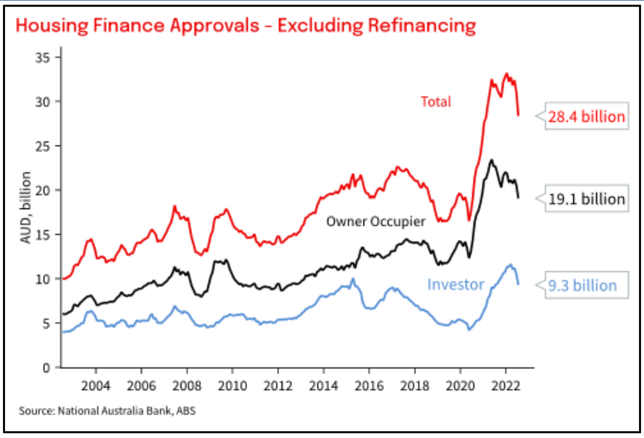
More interesting though is the resilience in detached approvals in recent months. Detached house approvals have fallen back from the HomeBuilder-supported highs in early 2021, but despite the sharp increases in housing construction costs, the flow of new approvals has stabilised at levels similar to those seen in 2018 and well above the pre-pandemic 2019 level. Some further slowing is expected over time.

Detached housing plateauing?



New Housing loans fell 8.5%m/m in July and were 11.3% lower than a year ago. NAB expects loan approvals to fall further as the impact of higher rates bite, and as housing activity slows and pencil in a 5% m/m decline in August.

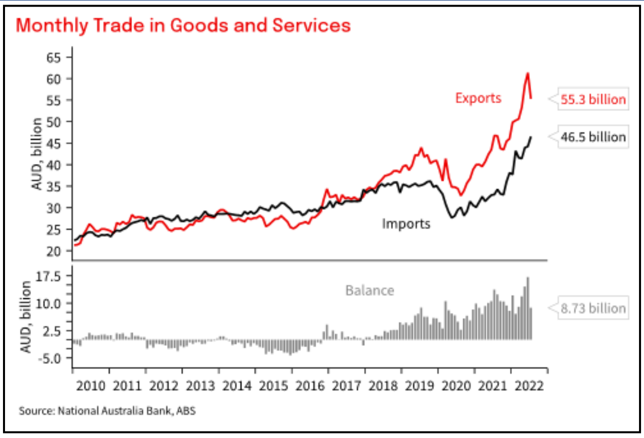
Loan approvals have further to fall



The trade balance plummeted in July to $8.7bn from a record $17.1bn in June. That fall was on the back of a $2.5bn fall in coal export values, as well as a dip in iron ore values and a 5.2% gain in imports.

NAB pencils in a bounce back to a surplus of $10.5bn in August on the back of a rebound in export values. Coal export volumes were heavily impact by weather in July, with Newcastle port loading down 40%, but bounced back sharply in August. The trade data is due out on Thursday.

Exports to rebound in August



US

A big week for data with the most notable being the ISM Manufacturing on Monday and Payrolls on Friday. Both will be closely watched for any signs of activity weakness and hints of any easing of inflationary pressures. The ISM Manufacturing is expected to be a touch lower at 52.1, ditto for the ISM Services on Wednesday at 56.0. As for Payrolls, another strong print is expected with 250k jobs, unchanged unemployment at 3.7% and average hourly earnings of 5.1% y/y. There is plenty of Fed speak with the most important being Williams on Monday, Waller on Thursday and new Fed Governor Cook also Thursday.

China

China goes quiet in the week ahead with Golden Week holidays extending through to Friday 7 October. Focus thereafter will be on the 20th National Congress of the Chinese Communist Party which starts on 16 October and where President Xi is widely expected to be elected to a historic third, five-year term. Important for the outlook will be whether following this event China starts to pivot towards living with Covid given the significant slowing seen in the economy to date.

UK

Focus remains on the fallout from the mini budget with the Office for Budget Responsibility (OBR) expected to provide a first draft of its next economic forecasts on Friday 7 October, with a full iteration by the end of October. The Budget is scheduled for November 23. The OBR analysis will be key for markets in assessing the implications from the mini budget. Importantly the bringing forward of the OBR analysis will mean details will also be available before the next BoE meeting on 3 November where markets price around a 150bp hike with a peak heading toward 6% by mid-2023. Note the BoE is currently offering to buy up to £5bn per day of 20year+ Gilts until 14 October in an effort to restore orderly market conditions (so far successful). Politics will also remain front and centre and the Conservative Party annual conference starts Sunday and runs through Tuesday. As for data it is very quiet with only final versions of the PMIs out in the week on Monday and Wednesday.

Eurozone

Data out this week is mostly second tier with Retail Sales on Thursday and final PMIs on Monday and Wednesday. Important for risk sentiment will be Russia's attempted annexation of regions in South-East Ukraine. This is a potential turning point if such regions now come under Russia's nuclear umbrella and what Russia's reaction will be to any Ukrainian attempts to recapture these regions. Further sanctions on Russia are likely if the annexation is officially announced. Expect focus on oil/gas with OPEC also meeting on Wednesday with widespread reports of production cuts to be considered.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

Last week was another tumultuous one in financial markets, especially in the UK. The end result was further significant upward pressure on global rates, with the US 10-year rate briefly touching 4% for the first time since 2010. The Bank of England was forced into intervening at the ultra-long end of the UK bond market to prevent an implosion of defined benefit pensions. NZ swap rates were 12-15bps higher across the curve.

The UK has been the epicentre of financial market ructions over the past week. Government bond rates have rocketed higher since the new UK government announced a huge fiscal stimulus last Friday week, raising concerns about both inflation (at a time when the UK economy is already at capacity and the BoE is battling annual CPI of almost 10%) and the huge bond supply requirement for the market (to fund the stimulus). The market is now pricing a rate hike on the order of 140bps for the BoE's November meeting and a terminal cash rate of almost 6%. After a disorderly move higher at the long end of the UK government bond curve (the 30-year bond rate had increased 150bps in just five trading sessions), the BoE stepped in, saying it would purchase up to £65b of long end bonds over a two-week period. The BoE's intervention into the bond market was made on financial stability, rather than monetary policy, grounds and was done to break a self-reinforcing cycle whereby higher rates were causing (levered) defined benefit pension schemes to sell UK bonds (and other assets) to meet collateral calls on derivatives positions, with these bond sales themselves contributing to even higher rates. Since the BoE's intervention, long end UK bond rates have reversed lower, but the market still expects an aggressive monetary policy response from the BoE in the coming months to reassert its inflation-fighting credentials.

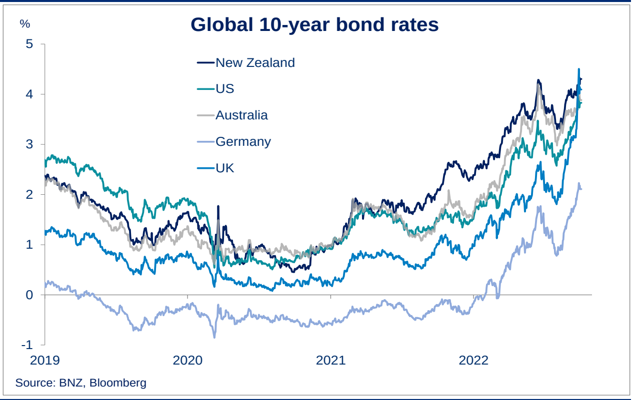
Elsewhere, the US 10-year rate briefly touched the 4% mark for the first time since 2010, as the UK moves spilled over to other markets. There has since been some retracement, with the US 10-year rate ending the week just above 3.80%, still 14bps higher on the week. We still think the US 10-year rate has scope to go higher from here over the next few months (although trading conditions are likely to remain volatile) given its historical tendency to peak around the time of the last, or penultimate, hike of the cycle, which isn't likely to be until next year. In the near term though, it's possible we could see a period of consolidation after what has been a rapid move higher (130bps in just two months).

Global movements have been dictating direction for NZ rates (right across the curve) for some time now. The 2-year rate is up to 4.74%, a new post-GFC high, with market pricing for the terminal OCR now above 4.75%. 5 and 10-year rates are bumping up against their highest levels since 2014.

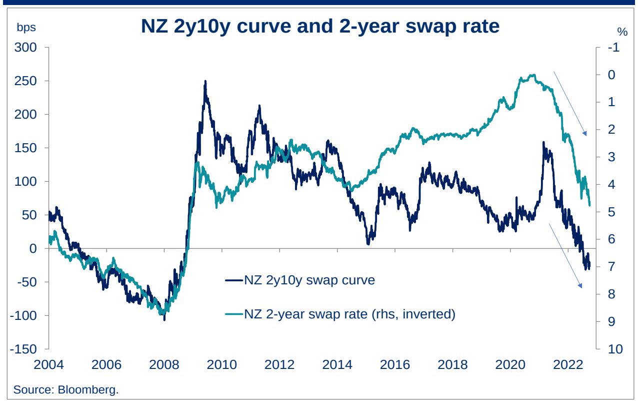
The RBNZ MPR this week takes place against this higher global rates backdrop and elevated OCR expectations. We're expecting a 50bps hike (in-line with market pricing) and the RBNZ to reiterate a similar message to that in August. A dovish scenario might involve the RBNZ stating that its interest rate projections from August (which showed a peak in the OCR of 4%-4.25%) were still broadly intact, although with global rate hike expectations continuing to track higher, it's still hard to see a major sustained correction in short-term NZ rates in the near term. We think the market will likely need visibility over the end of the Fed tightening cycle for stability to return short-term rates globally. The market is still pricing in much more tightening than our central scenario for a 4.25% peak in the OCR, although we suspect it won't be until next year (after the Fed and RBNZ cycles are over, or almost over) that we see a major retracement.

The NZ swap curve is inverted between 2-year and 10-year maturities, mainly reflecting the significant amount of tightening now priced in for the RBNZ (a terminal cash rate above 4.75%). While OCR expectations may remain elevated over the coming months – given rising global rate hike expectations – our medium-term view is for curve steepening. This could come either through higher long-term rates or a pullback at the short end of the curve.

Global rates continue to head higher, dragging NZ with them



NZ 2y10y swap curve has inverted as OCR expectations increase



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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

In another week of financial market turmoil, the NZD underperformed, falling 2½% to about 0.56, after trading at a fresh low of 0.5565, a level not seen since the COVID19 panic of March 2020. NZD/AUD plumbed to a 9-year low just above 0.87, before ending the week down over ½% to around 0.8750. Even larger falls were seen against euro and sterling, with NZD/EUR down 3½% to 0.5710 and NZD/GBP down over 5% to 0.5015.

Financial market turbulence has increased over recent weeks in the face of hawkish central bank policy updates from major developed countries (albeit with the BoJ a notable exception) and a crisis of confidence in the UK. Surging UK gilt yields triggered a liquidity crisis for a large chunk of the pension industry and the Bank of England was forced to intervene on financial stability grounds to avoid contagion in the market. Last week we also saw an intervention by the PBoC, taking further action to try to stem the weakness of the CNY, by increasing the reserve requirement on CNY FX forward sales to 20%, to make shorting the currency more expensive. This followed the previous week's currency intervention by Japan's MoF to stem a collapsing yen. These sorts of interventions highlight the current fragility of markets and strong influence that central banks can have.

Our risk appetite index fell to 22%, the lowest level in over two years. The NZD always struggles in this sort of market environment. NZD/USD has fallen 13% since mid-August, the most of any major developed currency and is down over 6½% on a TWI basis.

The NZD is deep in oversold territory on the technical RSI, falling below 20. The only time this has occurred since 2015 was during the panic of March 2020 (see chart). While financial market turbulence can linger for a while longer, once markets settle, there is a low hurdle rate for the NZD to bounce higher.

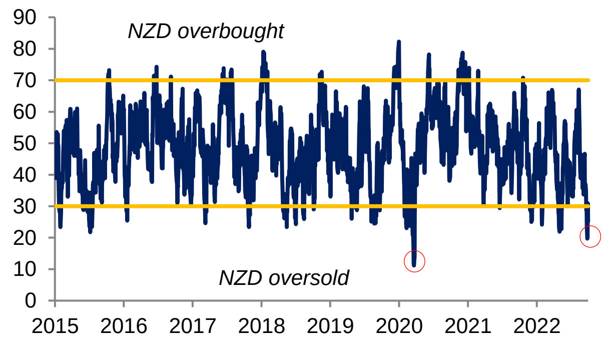
In our latest NZD Corporate Update, published at the end of last week, we suggested that with the NZD recently plumbing fresh lows, the risk-reward balance has changed, and we are no longer outright bearish. While we can't be sure the low in the NZD has been reached this cycle, our suggested trading range of roughly 0.55-0.60 through the rest of the year implies that we think we're in the final throes of the downturn we've seen over the past 18 months. Sell-the-rallies has morphed into buy-the-dips. We see NZD levels of 0.58 or below as a good buying opportunity for exporters topping up hedges, and very good for longer term hedging requirements.

In the week ahead, on Wednesday the RBNZ shouldn't rattle the market, with another 50bps hike in the OCR to 3.5% and guidance that the policy rate still needs to go higher. Given the recent plunge in the NZD the Bank might choose to add in a line that the weaker currency will add to inflation pressure in the tradeables sector – this should be read as a statement of fact rather than any hint the Bank would intervene in the market. Another RBA hike of 50bps tomorrow also shouldn't perturb the market.

It's a big data week for the US, with the ISM indices and the key non-farm payrolls report, the latter expected to show strong, albeit slowing employment growth (a 250k increase expected for September).

The UK is likely to remain in the spotlight. At the end of the week, the Office for Budget Responsibility provides an independent first draft of projections based on the government's announced fiscal expansion. While the BoE's intervention last week has helped calm the market, many will be worried about what happens when the BoE's bond buying finishes at the end of next week. Twitter has also been in a tizz over speculation that Credit Suisse is in trouble and might need bailing out. The next couple of weeks could see financial market turbulence continuing, which the NZD will be sensitive to.

NZD well over-sold on technical RSI



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5603	0.5570 - 0.6160
NZD/AUD	0.8741	0.8700 - 0.8980
NZD/GBP	0.5016	0.5010 - 0.5500
NZD/EUR	0.5716	0.5700 - 0.6070
NZD/JPY	81.10	80.60 - 87.90

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6180	-9%
NZD/AUD	0.9100	-4%

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Technicals

NZD/USD

Outlook: Downside risk
ST Resistance: 0.59 (ahead of 0.60)
ST Support: 0.5565 (ahead of 0.55)

With the currency in free fall, it's not obvious where support lies, but somewhere in a 0.55-0.56 range seems plausible

NZD/AUD

Outlook: Downside risk
ST Resistance: 0.89 (ahead of 0.90)
ST Support: 0.87 (ahead of 0.86)

The recent plunge in the cross took it to a 9-year low and we now have to refer to support levels of 2013 around 0.86-0.87.

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NZ 5-year Swap Rate

Outlook: higher
MT Resistance: 4.76
MT Support: 4.02

No change here keep stop at 4.02 and take profit at previous high around 4.76.

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

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

We will look to receive back towards 0.00 or pay at -0.30.

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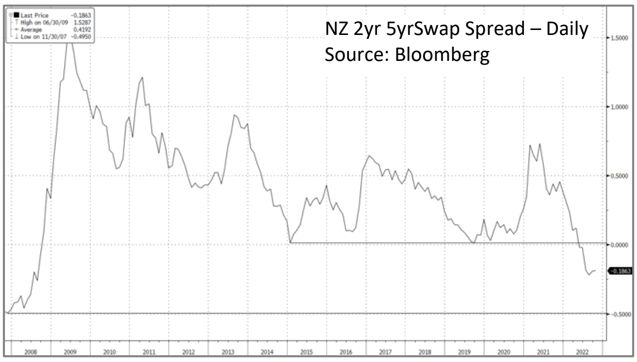

Quarterly Forecasts

Forecasts as at 3 October 2022

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts (shaded)

	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
GDP (production s.a.)	2.3	-3.9	3.0	-0.2	1.7	1.0	0.3	0.1	-0.2	-0.1
Retail trade (real s.a.)	3.1	-8.4	8.5	-0.9	-2.3	0.5	0.4	0.0	-0.1	-0.3
Current account (ytd, % GDP)	-3.4	-4.8	-6.0	-6.8	-7.7	-8.3	-8.4	-7.9	-8.1	-8.0
CPI (q/q)	1.3	2.2	1.4	1.8	1.7	1.5	0.6	1.2	0.8	0.9
Employment	1.1	1.7	-0.1	0.0	0.0	0.2	0.1	0.0	-0.1	-0.2
Unemployment rate %	3.9	3.3	3.2	3.2	3.3	3.2	3.3	3.4	3.6	3.9
Avg hourly earnings (ann %)	4.5	3.6	4.1	5.3	7.0	7.6	7.6	7.4	6.9	6.4
Trading partner GDP (ann %)	9.8	4.2	4.2	3.9	2.2	3.6	2.9	2.6	3.6	2.9
CPI (y/y)	3.3	4.9	5.9	6.9	7.3	6.5	5.6	5.0	4.0	3.4
GDP (production s.a., y/y))	17.9	-0.4	3.0	1.0	0.4	5.6	2.8	3.1	1.1	0.0

Interest Rates

Historical data - qtr average
Forecast data - end quarter

		Cash	Government Stock 90 Day Bank Bills	5 Year	10 Year	Swaps 2 Year	5 Year	10 Year	US Rates Libor 3 month	US 10 yr	Spread NZ-US Ten year
2021	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
	Sep	2.83	3.33	3.65	3.77	4.12	3.95	3.95	3.00	3.10	0.67
Forecasts											
	Dec	4.00	4.25	4.20	4.30	4.60	4.40	4.50	4.70	4.00	0.30
2023	Mar	4.25	4.40	4.30	4.50	4.60	4.50	4.70	4.95	4.25	0.25
	Jun	4.25	4.40	4.10	4.30	4.35	4.30	4.50	4.95	4.00	0.30
	Sep	4.25	4.40	3.85	4.05	4.10	4.05	4.25	4.95	3.75	0.30
	Dec	4.25	4.30	3.60	3.80	3.85	3.80	4.00	4.95	3.50	0.30
2024	Mar	4.00	4.05	3.45	3.70	3.60	3.65	3.90	4.70	3.50	0.20
	Jun	3.75	3.80	3.30	3.60	3.35	3.50	3.80	4.45	3.50	0.10
	Sep	3.50	3.55	3.15	3.45	3.15	3.35	3.65	4.20	3.25	0.20

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	0.56	0.64	0.98	1.12	145	0.56	0.87	0.57	0.50	81.2	67.1
Dec-22	0.57	0.65	0.96	1.10	145	0.57	0.88	0.59	0.52	82.7	67.9
Mar-23	0.60	0.68	0.99	1.13	135	0.60	0.88	0.61	0.53	81.0	69.5
Jun-23	0.62	0.70	1.00	1.16	130	0.62	0.89	0.62	0.53	80.6	70.3
Sep-23	0.64	0.71	1.02	1.18	125	0.64	0.90	0.63	0.54	80.0	71.7
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
Mar-25	0.69	0.75	1.16	1.32	112	0.69	0.92	0.60	0.52	77.3	73.6
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 3 October 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	0.3	4.6	2.1	0.6	1.5	-1.2	6.2	2.8	0.1	1.1
Government Consumption	7.5	10.2	4.9	1.0	0.6	6.9	9.9	7.2	1.1	0.6
Total Investment	-4.8	7.9	1.4	-1.1	1.2	-7.0	9.0	2.5	-1.1	0.2
Stocks - ppts cont'n to growth	-0.2	0.7	-0.3	0.1	0.0	-0.8	1.5	-0.6	0.1	0.0
GNE	0.2	7.2	2.9	0.3	1.3	-1.9	9.2	3.4	0.4	0.8
Exports	-17.7	1.4	13.4	7.4	3.8	-12.7	-3.6	3.1	15.0	3.8
Imports	-16.1	17.3	6.2	5.8	0.8	-16.0	14.9	5.0	7.9	0.9
Real Expenditure GDP	-0.3	3.7	3.2	0.3	2.1	-1.1	4.8	2.3	1.1	1.5
GDP (production)	**-1.4**	**4.9**	**3.0**	**0.3**	**2.1**	**-2.1**	**5.5**	**2.4**	**1.0**	**1.5**
GDP - annual % change (q/q)	*3.2*	*1.0*	*3.1*	*0.3*	*2.5*	*0.3*	*3.0*	*2.8*	*-0.1*	*2.5*
Output Gap (ann avg, % dev)	-1.5	1.1	1.5	-0.2	-0.3	-1.8	1.2	1.5	0.3	-0.4
Nominal Expenditure GDP - $bn	327	354	384	396	414	324	349	377	393	409
Prices and Employment - annual % change										
CPI	1.5	6.9	5.0	2.1	2.2	1.4	5.9	5.6	2.8	1.9
Employment	0.1	2.7	0.3	-0.4	1.3	0.6	3.4	0.3	-0.4	0.9
Unemployment Rate %	4.6	3.2	3.4	4.5	4.7	4.9	3.2	3.3	4.1	4.7
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	2.0	2.1	0.5	1.5	-3.3	3.4	0.9	1.0	1.4
Unit Labour Costs (ann av %)	4.6	4.4	4.4	5.6	2.7	5.7	2.5	5.3	5.6	3.2
House Prices	24.1	13.6	-14.7	0.0	3.8	17.0	27.2	-14.8	-2.5	3.3
External Balance										
Current Account - $bn	-8.4	-24.3	-30.4	-28.0	-23.2	-2.8	-21.1	-31.8	-29.7	-24.0
Current Account - % of GDP	-2.6	-6.8	-7.9	-7.1	-5.6	-0.8	-6.0	-8.4	-7.6	-5.9
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	6.5	6.3	6.0					
Financial Variables (1)										
NZD/USD	0.71	0.69	0.60	0.64	0.68	0.71	0.68	0.57	0.65	0.65
USD/JPY	109	119	135	119	114	104	114	145	121	121
EUR/USD	1.19	1.10	0.99	1.06	1.14	1.22	1.13	0.96	1.04	1.04
NZD/AUD	0.93	0.93	0.88	0.90	0.92	0.94	0.95	0.88	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	0.61	0.60	0.60	0.58	0.60	0.59	0.63	0.63
NZD/YEN	77.5	81.5	81.0	76.2	77.5	73.6	77.4	82.7	78.7	78.7
TWI	74.8	73.9	69.5	70.4	72.9	74.3	73.0	67.9	71.9	71.9
Overnight Cash Rate (end qtr)	0.25	1.00	4.25	4.00	3.00	0.25	0.75	4.00	4.25	3.25
90-day Bank Bill Rate	0.33	1.45	4.40	4.05	3.05	0.26	0.92	4.25	4.30	3.30
5-year Govt Bond	1.00	2.90	4.30	3.45	2.95	0.40	2.20	4.20	3.60	3.05
10-year Govt Bond	1.75	3.20	4.50	3.70	3.30	0.90	2.35	4.30	3.80	3.40
2-year Swap	0.50	3.00	4.60	3.60	2.85	0.28	2.22	4.60	3.85	3.00
5-year Swap	1.15	3.20	4.40	3.65	3.15	0.49	2.56	4.40	3.80	3.25
US 10-year Bonds	1.60	2.10	4.25	3.50	3.25	0.90	1.45	4.00	3.50	3.25
NZ-US 10-year Spread	0.15	1.10	0.25	0.20	0.05	0.00	0.90	0.30	0.30	0.15

(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 3 October			
NZ	Third (of 3) monthly Cost of Living payments made			
JN	BOJ Summary of Opinions			
JN	Tankan Large Mfg Index 3Q	10	--	9
AU	Melbourne Institute Inflation YoY Sep	--	--	4.90%
EC	S&P Global Eurozone Mfg PMI Sep F	48.5	--	48.5
UK	S&P Global/CIPS UK Mfg PMI Sep F	48.5	--	48.5
	Tuesday 4 October			
US	Fed's Bostic speaks			
US	S&P Global US Manufacturing PMI Sep F	51.8	--	51.8
US	Construction Spending MoM Aug	-0.30%	--	-0.40%
US	ISM Manufacturing Sep	52.1	--	52.8
UK	BOE's Mann speaks			
US	Fed's Williams Speaks			
NZ	NZIER Business Opinion Survey			
AU	ANZ Job Advertisements MoM Sep	--	--	2.00%
AU	Home Loans Value MoM Aug	-3.00%	-5.00%	-8.50%
AU	Building Approvals MoM Aug	10.00%	10.00%	-17.2%
AU	RBA Cash Rate Target Oct-04	2.85%	2.85%	2.35%
	Wednesday 5 October			
EC	ECB's Centeno Speaks			
US	Fed's Williams, Logan, Mester speak			
NZ	Global Dairy Trade auction (GDT Price Index)			2.00%
US	Factory Orders Aug	0.20%	--	-1.00%
US	Durable Goods Orders Aug F	-0.20%	--	-0.20%
US	JOLTS Job Openings Aug	11075k	--	11239k
EC	ECB's Lagarde Speaks			
US	Fed's Jefferson Speaks			
NZ	CoreLogic House Prices YoY Sep	--	--	5.80%
US	Fed's Daly Speaks			
NZ	Working Age Population 3Q			
AU	S&P Global Australia PMI Services Sep F	--	--	50.4
NZ	NZ Government Financial Statements for June Year			
NZ	RBNZ MPR (OCR) Oct-05	3.50%	3.50%	3.00%
GE	Trade Balance SA Aug	4.0b	--	5.4b

		Median	Fcast	Last
	Wednesday (Continued)			
GE	S&P Global Germany Services PMI Sep F	45.4	--	45.4
EC	S&P Global Eurozone Services PMI Sep F	48.9	--	48.9
UK	S&P Global/CIPS UK Services PMI Sep F	49.2	--	49.2
	Thursday 6 October			
US	ADP Employment Change Sep	200k	--	132k
US	Trade Balance Aug	-$67.9b	--	-$70.7b
US	S&P Global US Services PMI Sep F	49.2	--	49.2
US	Fed's Bostic speaks			
NZ	ANZ Commodity Price MoM Sep	--	-1.10%	-3.30%
AU	Trade Balance Aug	A$10000m	A$10500m	A$8733m
NZ	Finance Minister Robertson Speaks at Bloomberg Address			
GE	Factory Orders MoM Aug	-0.50%	--	-1.10%
EC	Retail Sales MoM Aug	-0.40%	--	0.30%
JN	BOJ Governor Kuroda Speaks			
	Friday 7 October			
EC	ECB Publishes Account of September Policy Meeting			
US	Initial Jobless Claims Oct-01	205k	--	193k
US	Continuing Claims Sep-24	1380k	--	1347k
US	Fed's Evans, Cook speak			
US	Fed's Waller, Mester speak			
JN	Household Spending YoY Aug	6.70%	--	3.40%
AU	RBA-Financial Stability Review			
GE	Industrial Production SA MoM Aug	-0.50%	--	-0.30%
UK	BOE's Ramsden Speaks			
	Saturday 8 October			
US	Change in Nonfarm Payrolls Sep	250k	--	315k
US	Unemployment Rate Sep	3.70%	--	3.70%
US	Average Weekly Hours All Employees Sep	34.5	--	34.5
US	Fed's Williams Speaks			
US	Wholesale Trade Sales MoM Aug	0.50%	--	-1.40%
US	Fed's Bostic speaks			
	Sunday 9 October			
CH	Aggregate Financing CNY Sep	--	--	2430.0b
CH	New Yuan Loans CNY Sep	1700.0b	--	1250.0b

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	3.00	3.00	3.00	0.25
1mth	3.48	3.39	3.11	0.45
2mth	3.66	3.58	3.32	0.53
3mth	3.85	3.76	3.52	0.61
6mth	4.19	4.09	3.83	0.78
GOVERNMENT STOCK				
04/23	4.03	4.00	3.84	0.98
04/25	4.20	4.12	3.89	1.33
04/27	4.23	4.11	3.90	1.59
04/29	4.24	4.10	3.95	1.83
05/31	4.27	4.12	3.98	1.98
04/33	4.36	4.19	4.04	2.14
04/37	4.56	4.36	4.22	2.38
05/41	4.68	4.48	4.30	2.59
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	108	110	92	53
Europe 5Y	135	134	119	51

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	4.72	4.62	4.32	1.38
3 years	4.65	4.55	4.27	1.60
4 years	4.59	4.48	4.21	1.74
5 years	4.53	4.42	4.17	1.85
10 years	4.50	4.37	4.17	2.23
FOREIGN EXCHANGE				
NZD/USD	0.5603	0.5637	0.6095	0.6969
NZD/AUD	0.8740	0.8730	0.8967	0.9561
NZD/JPY	81.03	81.58	85.70	77.30
NZD/EUR	0.5716	0.5865	0.6138	0.5996
NZD/GBP	0.5015	0.5274	0.5292	0.5119
NZD/CAD	0.7743	0.7741	0.8012	0.8771
TWI	67.1	68.4	70.8	74.4

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