Research
Markets Outlook

3 April 2023

Pressing On

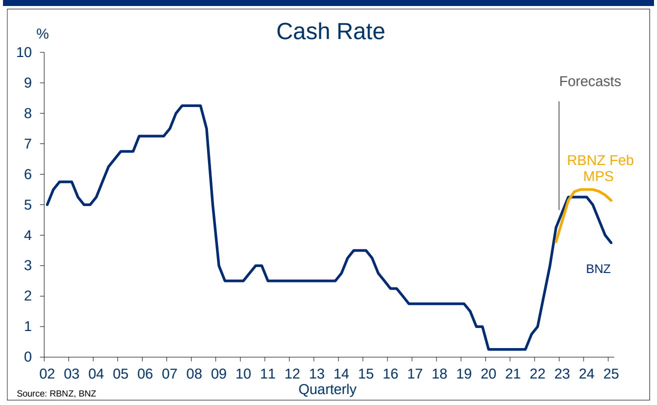
- **RBNZ/MPC to hike 25bps at Wednesday's MPR**
- **And with rhetoric keeping focus on more to come**
- **Markets largely on board with this**
- **Tomorrow's QSBO surely still stagflationary**
- **The CPI-busting boost to incomes from 1 April**
- **Fonterra tweaks its milk price down by 20c**

With the global banking ructions seemingly settled down (for the meantime), focus has returned squarely on the inflation battles at hand. In New Zealand's case, this puts the spotlight on Wednesday's 2:00pm RBNZ Monetary Policy Review (MPR).

Our full preview of this was in last Monday's Markets Outlook. Suffice it to say we expect the Bank's Monetary Policy Committee (MPC) to increase the Official Cash Rate (OCR) by 25bps, to 5.00%.

We are also of the view the RBNZ/MPC still thinks it has further work to do, in order to feel confident about getting inflation back in its box, much like it outlined in its 22 February Monetary Policy Statement, which entailed an OCR peak of 5.50%.

Feeling For the Peak



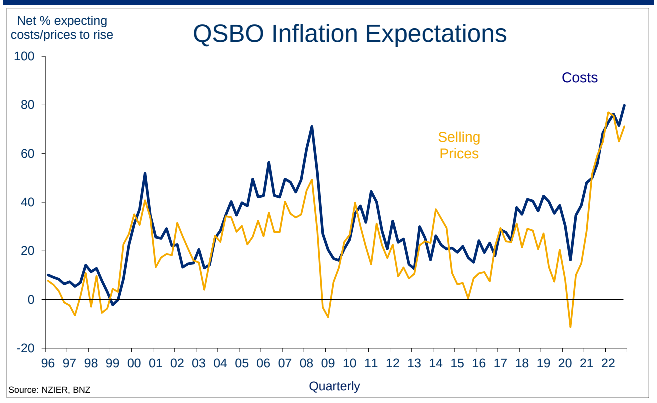
That said, we doubt the Bank will want to say anything too specific on Wednesday, about the way forth. And even less likely to say anything numerical (noting that, in being an MPR, there will be no set of forecasts, nor any press conference). Indeed, we think the RBNZ will want to leave its page of policy commentary as brief as it is broad-based – albeit its Summary Record of Minutes will obviously have to go through all the issues in more detail.

Following the global banking jitters, markets are back up to fully pricing a 25bp hike at Wednesday's MPR, along with another 25bp hike by July, which would take the OCR to 5.25%. The markets are no longer convinced of the 5.50% peak the RBNZ forecast in its February MPS, however. Indeed, they are of the view the Bank will start reducing its cash rate later this year, albeit glacially (with an eye to around a 4.25% level by late 2024).

Of course, the RBNZ, in its February MPS, also forecast OCR cuts. But from a 5.50% peak, and with the first easing not implied until H2 2024, and with a level still a bit above 4.00% by the end of 2025. Even more glacially. To the extent the Bank is still thinking along these lines, it will not want to say anything on Wednesday that the markets could (over)interpret as dovish.

Ahead of the MPR there is tomorrow morning's NZIER Quarterly Survey of Business Opinion (QSBO) to digest. This is likely to show less negativity in confidence but still a broadly stagflationary view on the economy – if the month to month business surveys (including last week's ANZ version) are any guide, that is.

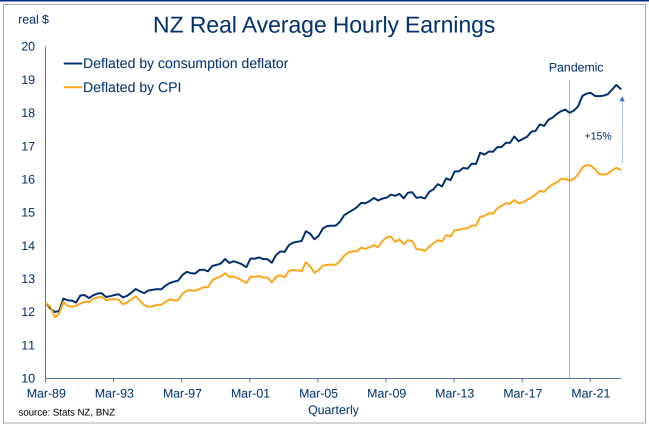
Most Annoying



So, only a major shock from this narrative would seem salient for what the MPC decides to do and say on Wednesday afternoon. That said, we also know the RBNZ puts a lot of store in the QSBO – especially for its capacity pressure variables and underlying inflation pointers – and so its results will still bear assessing carefully.

Meanwhile, local incomes are doing their darnedest to keep up with inflation. Amid perceptions of household income being crushed by inflation, it's worth noting that nominal hourly pay rates, on average, have largely kept pace with the recent bout of high CPI inflation.

The Good and Better



Saturday's (1 April) boost to welfare recipient incomes, meanwhile, highlighted that many incomes are, by design, indexed to keep exact pace with CPI inflation. For the most part these rose 7.2%, including for the 880,000 or so receiving superannuation (pension) payments as well as those receiving benefits of various sorts. With the government's welfare bill running at around \$38b that implies, roughly, an extra \$2.7b or so into people's pockets (0.7% of nominal GDP) – with about half of that superannuation.

In addition, the minimum wage went up 7.1% on 1 April, to \$22.70 per hour. While only a small percentage of workers are on the minimum wage, the degree of increase will sweep up to affect almost 8% of employees. What's more it will have ripple effects up into pay scales now barely above the new minimum wage, in order to preserve skill and experience relativities.

It's also worth noting the Living Wage is set to increase 9.9% on 1 September. While this is not a legislated rate of pay, many firms and organisations subscribe to it. This includes many local councils, who will obviously have to cover additional operating costs with what they charge ratepayers.

None of this is to begrudge the jump in incomes that the estimated 1.4 million New Zealanders will be getting. It's more to point out that these lumps of extra income will, in turn, sustain underlying inflation momentum in the economy. Those are the facts the RBNZ will have to deal with.

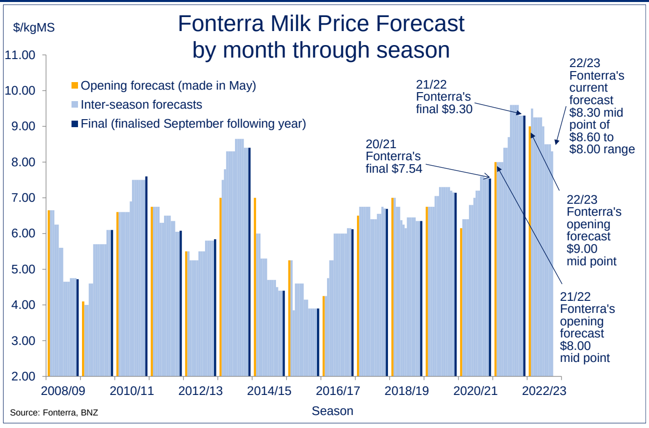
The rest of the week's economic news is essentially bits and bobs.

Housing market news for March is formally due from CoreLogic any day now, while Barfoot and Thompson's results for the (flood-affected) Auckland market are expected sometime early this week. The message, overnight, from the realestate.co.nz report was that the rate of new listings was falling – which partly explains why sales are so very low, and inventory is not entering glut territory.

This week's commodity export price information will be a useful point of reference, especially given the international turmoil of recent weeks. Prices at Wednesday morning's dairy auction might struggle, if whole-milk powder prices, since the last GDT auction back on 22 March, are any guide. We are looking for a reduction in the GDT-weighted price index in the order of 2 to 3%.

That dairy prices have already been under downward pressure was highlighted by Fonterra, this morning, coming out with a 20-cent trim to its 2022/23 milk price forecast, in a range of \$8.00 to \$8.60. This infers a mid-point of \$8.30, which compares to the \$9.30 of last season. The consolation is that Fonterra's earnings guidance for 2023/23 stayed at 55c to 75c, whereas it ended up being 36c for 2021/22. Still, in total, it implies a \$1.6b drop in dairy farmer income over the year, and over a time when costs are rising.

Reduced Fat



For Wednesday afternoon's ANZ export prices, however, there is a decent chance the overall world price index manages a small net gain for the month of March. This is aided by improved prices for meat and, to a degree, forestry prices, offset by further correction in aluminium prices.

For Wednesday morning's working-age population estimate, for the March quarter, we anticipate an improved rate of expansion, underpinned by higher net inward migration. This is part of our computation that the unemployment rate holds steady in Q1, at 3.4%.

Also note the Crown Financial Accounts, scheduled for release on Tuesday. In rolling into the 8 months to February, these will presumably capture more of the immediate costs from the recent storms. They will also be the second to last monthly set of accounts before the Budget of 18 May.

And speaking of things coming into view, New Zealand will be marking national holidays for Good Friday (7 April) and Easter Monday (10 April), meaning the next Markets Outlook won't be until Tuesday next week.

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Global Watch

- **US ISMs and Payrolls highlights of data week**
- **RBA tomorrow with views split between pause and +25**
- **AU Financial Stability Review also due**
- **China Caixin PMIs, higher like official measures?**
- **BoE speakers on the circuit**

Australia

All eyes on the RBA tomorrow to see whether they will deliver a pause or another 25bp hike. NAB thinks they will hike by 25bps, but acknowledge it is a line ball decision with the RBA having already flagged they will ‘reconsider’ the case for a pause at this meeting.

NAB continue to assess the data makes the case that the risks are not yet balanced with a cash rate at 3.60%. Markets currently price only a small chance of a hike this week. 11 of 27 analysts in the Bloomberg survey pick a hike, while 16 look for a pause.

The RBA also releases the April Financial Stability Review on Thursday and there is a speech by Governor Lowe on Wednesday. Whatever the decision on Tuesday, Wednesday is an opportunity for the Governor to provide further explanation.

The monthly CPI indicator last week supported the widely held view the inflation had peaked in Q4, but although it doesn’t point to upside risk to the RBA’s Q1 CPI forecast, it is far from conclusive about the path back to 2-3%.

Job vacancies and the February employment print have confirmed a still very tight labour market backdrop into 2023, even if some of the acute tightness from late 2022 may have abated and the pace of employment growth had slowed. A tight labour market and ongoing gradual acceleration in wages growth can help sustain strong activity and challenge the path back to 2-3%.

That said, the RBA has communicated they will ‘reconsider’ the case for a pause in April, and the data flow is not forcing their hand. NAB certainly don’t rule out the possibility of a pause. While other central banks are tending to seek to move rates to a level where the risks are at least balanced before contemplating a pause, the RBA has shown itself to be a more reluctant hiker this cycle and is remarkably sanguine about its own forecasts for inflation which only touch 3% in mid-2025. The RBA could pause and retain a hiking bias, preferring to err on the side of a more protracted battle against inflation until and unless its hand is forced by the data.

This week’s data is largely second tier. February Building approvals and New Home loans are due today, with the Trade Balance out on Thursday.

NAB expects Dwelling Approvals to bounce 15% m/m off last month’s 27.6% plunge (consensus 10%). Some of that was a 41% decline in volatile apartment approvals that NAB expects to bounce back towards trend. NAB sees a downward trend in detached approvals to remain intact, but that the January decline was overstated by difficulty seasonally adjusting around year end.

NAB pencils in a decline of 2% m/m for new home loan approvals, which would mark its 13th consecutive month of decline (consensus -1.8%).

For the trade balance, NAB expects a narrowing in the surplus to $11bn from $11.7bn as an expected decline in exports led by iron ore and LNG is partially offset by some correction lower from the surge in vehicle imports from already elevated levels in January (consensus $11.3bn).

US

This week’s key prints are the ISMs (Manufacturing on Monday and Services on Wednesday) and Payrolls on Friday. Note although Payrolls will be out, stock and bond markets will be closed, meaning we will have to wait until the following week for most of the market reaction. Key will be whether there is any sign of a material slowing in employment and wages growth. Consensus sees payroll growth of 240K, average hourly earnings growing by 0.3% m/m (recall last month it just rounded to 0.2%). Other data out also includes Tuesday’s Job Openings and Thursday’s Challenger Job Cuts. There’ll also be understandable focus on bank earnings guidance once the earnings season gets underway the following week.

China

It’s a light week ahead with the main data release of note being the Caixin PMIs (Manufacturing on Monday and Services on Thursday). The consensus looks a little light on at 51.4 for Manufacturing and 55.0 for Services given the official PMIs came in strong last week with Manufacturing at 51.9 and Non-manufacturing at 58.2.

Eurozone

It is quiet in the lead up to Easter (note Easter Friday is a Public Holiday in most EU countries). The final version of the PMIs but those are unlikely to move markets.

UK

There’s a couple of BoE officials speaking, including Chief Economist Pill on Tuesday speaking on ‘inflation, persistence, & monetary policy’. Tenreyro is also speaking on Tuesday and Wednesday. Final PMIs due but no other data of note.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

A fading of global financial stability fears drove a smart reversal in rates, with a short end-led lift in US Treasury yields. NZ remained a bystander to these global forces. NZ's 2-year swap rate is back around 5% ahead of this week's Monetary Policy Review, where a 25bps hike is well priced.

After a tumultuous period in fixed income markets in the wake of the failure of Silicon Valley Bank and other banks, some order was restored last week. There were no new fresh casualties, with the authorities seemingly having done enough to support confidence in the US (and European) banking system to prevent contagion. There was some finger pointing at the next area of concern – the US commercial real estate market – but for now the market has settled and the focus has returned to the economic backdrop.

US consumer confidence data showed no ill effect from the bank failures and the PCE deflators showed some welcome moderation in inflation. In the euro area, headline CPI inflation was weaker than expected, but core CPI inflation continued to trend higher, to 5.7% y/y.

With financial stability concerns fading, the market faded some of the easing of policy that had been priced into the US curve, and the market moved to price in a better than even chance of a 25bps Fed hike next month. After hitting a fresh 6-month low of 3.55% towards the end of the previous week when Deutsche Bank was under speculative attack, the 2-year Treasury yield closed the week up 26bps at 4.03%. The 10-year rate rose 9bps to 3.47%.

Curve flattening was also a feature of the NZ market, led by the short end. At the beginning of last week and through the previous week, market pricing for this week's RBNZ Monetary Policy Review was for a 25bps hike but with some chance of a pause. The improved market backdrop now sees the market having more conviction in a 25bps hike with a small chance of a larger 50bps move.

We can't argue with market pricing that sees a 25bps hike fully priced. With no new forecasts presented the focus will be on the tone of the Statement. While there is a good case for the Bank softening its hawkish tightening bias as we get one step closer to the end of the tightening cycle, the Bank will likely be vague enough to keep its options open. The Bank should acknowledge the ructions in the global banking system, but remain committed to its goal of bringing inflation to target. We aren't expecting any sustained market reaction to the announcement, with bigger global forces at play.

A day earlier we think the RBA's policy update is a close call. The market is pricing in 4bps of hikes which feels like underpricing the chance of another 25bps hike. Polls of economists show only a small majority expecting a pause. With a cash rate of only 3.6% and inflation no lower than most other countries, Australian rates look too low compared to the rest of the dollar bloc and others. Whatever the decision at this week's meeting, we see scope for NZ-Australian rates to ultimately narrow in the course of time.

With banking sector concerns put to one side for now, key US data in the week ahead have the chance to perturb the market, with the ISM manufacturing and services indices and non-farm payrolls report at the end of the week in focus. We're not convinced that the ructions in the rates market are completely over, and risks around financial stability could easily come back to the fore at a later date. In particular, we are monitoring the still-significant deposit flows out of the US banking system and into money market funds. This portends a significant deterioration in credit conditions with wider economic influences. After a sharp 475bps lift in the Fed Funds rate, there are bound to be more casualties ahead, alongside more bouts of rates market volatility.

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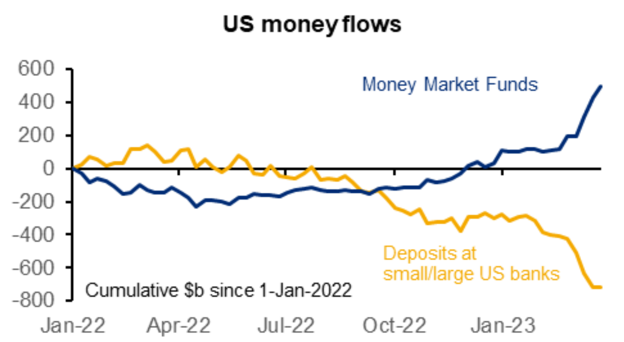
Money flows out of US banks into Money Market Funds



Source: BNZ, Bloomberg

Current Rates/Spreads and Recent Ranges

	Current	Last 3-weeks range*
NZ 90d bank bills (%)	5.23	5.01 - 5.23
NZ 2yr swap (%)	4.99	4.76 - 5.22
NZ 5yr swap (%)	4.38	4.21 - 4.63
NZ 10yr swap (%)	4.26	4.11 - 4.50
2s10s swap curve (bps)	-74	-76 - -64
NZ 10yr swap-govt (bps)	10	0 - 13
NZ 10yr govt (%)	4.16	4.03 - 4.45
US 10yr govt (%)	3.47	3.28 - 3.70
NZ-US 10yr (bps)	69	55 - 88
NZ-AU 2yr swap (bps)	154	134 - 173
NZ-AU 10yr govt (bps)	86	78 - 100

*Indicative range over last 3 weeks

Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Risk appetite improved last week, seeing calmer market conditions and broadly-based USD weakness. The NZD/USD rose by 0.9%, closing the week just over 0.6250 after trading a range of 0.6180-0.63 (rounded figures). A rebound in global rates put downward pressure on the yen, with NZD/JPY up 2½% to just over 83. The NZD was flat to modestly higher on the other key crosses.

Some calm was restored to rates markets last week, without any new US bank blow-ups. Fed data showed much less borrowing from the Fed's backstop liquidity facilities. Our risk appetite index increased 10pts to 44%, which was instrumental in driving the USD weaker and supporting the NZD.

While the most acute phase of the bank liquidity crisis might well be over, there remain some lingering concerns about financial stability. Money is still flowing out of the US banking system to money market funds at a rapid pace. In the week ending 29 March, money market funds attracted $66b in flows and some $300b over the past three weeks. Reduced deposits for banks will result in a significant tightening in lending restrictions which will have flow-on effects across the economy. The US commercial real estate market has been widely acknowledged as a future area of concern.

The implications for the NZD are multi-dimensional. The combination of higher rates and tighter lending standards adds conviction to our view that the US economy will fall into recession. This ostensibly means reduced work for the Fed to bring inflation down and ultimately could trigger a reversal in policy that sees lower US rates. This dynamic would support our view for a broadly-based decline in the USD.

Working in the opposite direction, a weaker US economic outlook and fresh outbreaks of concern with regards to financial stability is ostensibly negative for risk appetite, a negative force for the NZD.

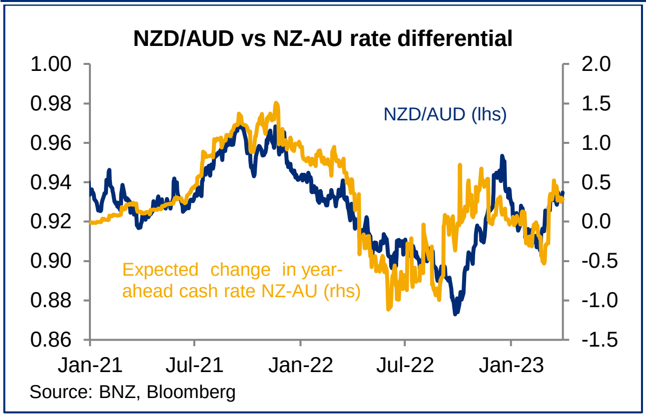
The balance of these two forces will determine the path of the NZD over the rest of the year. Last week we downgraded our outlook for the NZD, with increased risk around our prior baseline view. Our new forecasts see a reduced central target of 0.63 for end-Q2, not much higher than current spot, and a central view of 0.64-0.66 for Q3 and Q4. We also acknowledged some tail-risk of the NZD diving back below 0.60 should contagion in the banking sector spread.

With some market calm around the banking sector, the economic calendar will come back into focus. Domestically, the RBNZ Monetary Policy Review on Wednesday shouldn't perturb the market if the Bank delivers a widely anticipated 25bps hike and maintains a tightening bias.

By contrast, the consensus is split on the RBA's decision tomorrow, with economists divided between a pause or a 25bps hike and just 4bps of hikes priced in. Wider NZ-Australia rate spreads have been a key driver of the stronger NZD/AUD cross rate since late-February. In our forecast update we nudged down our cross rate forecast, against recent momentum, believing that in the current environment Australian rates look too low relative to other markets, including NZ, amongst other factors. We're not sure of timing, but to us the economic fundamentals point to the chance of the cross breaking back below 0.90 before the end of the year.

Elsewhere, US ISM manufacturing and services data and the employment report at the end of the week are important releases.

NZD/AUD has been tied to NZ-AU rates differential



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6258	0.6140 - 0.6310
NZD/AUD	0.9364	0.9250 - 0.9370
NZD/GBP	0.5073	0.5040 - 0.5160
NZD/EUR	0.5769	0.5720 - 0.5890
NZD/JPY	83.51	80.40 - 84.10

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6300	-1%
NZD/AUD	0.9270	1%

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Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.6535 (ahead of 0.6570)
ST Support: 0.6200 (ahead of 0.6060)

Recent price action suggests some lingering support around 0.62, with the next support level at 0.6060.

NZD/AUD

Outlook: Trading range
ST Resistance: 0.94 (ahead of 0.9460)
ST Support: 0.90 (ahead of 0.8890)

The next resistance remains around 0.94, ahead of trendline resistance at 0.9460.

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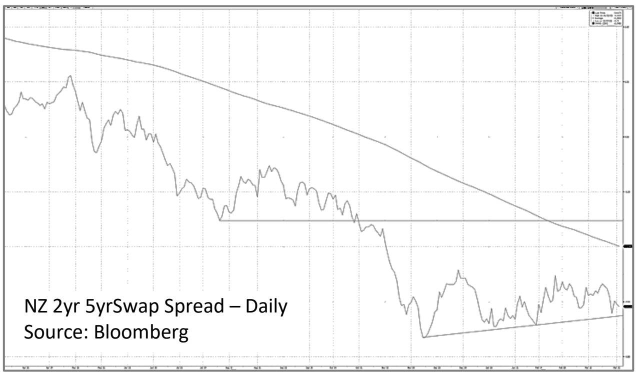
NZ 5-year Swap Rate

Outlook: Higher
MT Resistance: 4.93
MT Support: 4.2

The pay area last week worked well. Look to take profit around 4.77 benchmark candle and Stop below 4.22.

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

Outlook: Less inverted
MT Resistance: -0.305
MT Support: -0.73



No change here look for less inversion to continue, target -30.5.

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Quarterly Forecasts

Forecasts as at 3 April 2023

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts (shaded columns: Mar-23 to Mar-24)

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
GDP (production s.a.)	3.5	-0.5	1.6	1.7	-0.6	-0.1	0.3	-0.3	-0.4	0.0
Retail trade (real s.a.)	9.1	-1.5	-2.3	0.6	-0.6	0.2	-0.4	-0.3	-0.5	-0.1
Current account (ytd, % GDP)	-6.0	-6.8	-8.0	-8.5	-8.9	-8.8	-9.1	-9.3	-9.5	-9.1
CPI (q/q)	1.4	1.8	1.7	2.2	1.4	1.7	1.1	1.7	0.5	0.6
Employment	0.0	0.0	-0.1	1.3	0.1	0.2	0.0	-0.2	-0.3	-0.2
Unemployment rate %	3.2	3.2	3.3	3.3	3.4	3.4	3.5	3.8	4.2	4.7
Avg hourly earnings (ann %)	4.1	5.3	7.0	8.6	8.1	7.9	7.4	6.1	6.3	5.8
Trading partner GDP (ann %)	4.4	3.9	2.2	3.8	2.1	2.2	3.5	2.7	3.1	3.1
CPI (y/y)	5.9	6.9	7.3	7.2	7.2	7.2	6.5	6.1	5.1	3.9
GDP (production s.a., y/y))	3.3	0.9	0.4	6.4	2.2	2.6	1.3	-0.8	-0.6	-0.5

Interest Rates

Historical data - qtr average		Government Stock			Swaps			US Rates		Spread
Forecast data - end quarter	Cash	90 Day Bank Bills	5 Year	10 Year	2 Year	5 Year	10 Year	Libor 3 month	US 10 yr	NZ-US Ten year
2021 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
Dec	4.00	4.27	4.34	4.31	5.10	4.67	4.55	4.50	3.80	0.49
2023 Mar	4.58	5.04	4.16	4.20	5.20	4.37	4.40	5.30	3.75	0.40
Forecasts										
Jun	5.25	5.50	4.08	4.15	5.43	4.26	4.35	5.80	3.75	0.40
Sep	5.25	5.40	3.91	4.10	5.37	4.11	4.30	5.30	3.70	0.40
Dec	5.25	5.40	3.71	3.90	5.18	3.85	4.10	4.80	3.50	0.40
2024 Mar	5.25	5.30	3.65	3.90	4.81	3.72	4.10	4.30	3.50	0.40
Jun	5.00	4.90	3.54	3.90	4.38	3.60	4.10	3.80	3.50	0.40
Sep	4.50	4.40	3.27	3.65	3.98	3.34	3.85	3.55	3.25	0.40
Dec	4.00	4.05	3.10	3.65	3.56	3.26	3.85	3.30	3.25	0.40
2025 Mar	3.75	3.65	2.93	3.65	3.07	3.20	3.85	3.05	3.25	0.40

Exchange Rates (End Period)

	USD Forecasts					NZD Forecasts					
	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.63	0.67	1.08	1.23	133	0.63	0.94	0.58	0.51	83.5	71.3
Jun-23	0.63	0.70	1.12	1.27	127	0.63	0.90	0.56	0.50	80.0	69.9
Sep-23	0.64	0.73	1.15	1.28	124	0.64	0.88	0.56	0.50	79.9	70.2
Dec-23	0.66	0.74	1.17	1.31	120	0.66	0.89	0.56	0.50	79.2	71.1
Mar-24	0.66	0.74	1.20	1.35	118	0.66	0.89	0.55	0.49	77.9	70.9
Jun-24	0.65	0.73	1.19	1.33	115	0.65	0.89	0.55	0.49	74.8	70.1
Sep-24	0.63	0.71	1.17	1.32	113	0.63	0.89	0.54	0.48	71.2	68.8
Dec-24	0.65	0.73	1.19	1.34	111	0.65	0.89	0.55	0.49	72.2	70.2
Mar-25	0.67	0.75	1.21	1.36	108	0.67	0.89	0.55	0.49	72.4	71.4
Jun-25	0.69	0.77	1.22	1.38	106	0.69	0.90	0.57	0.50	73.1	72.8
Sep-25	0.71	0.78	1.23	1.39	105	0.71	0.91	0.58	0.51	74.6	74.5
TWI Weights						13.8%	16.5%	9.8%	3.1%	6.1%	

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

Annual Forecasts

Forecasts as at 3 April 2023	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
GDP - annual average % change										
Private Consumption	-0.4	6.0	1.7	0.1	1.2	7.5	2.9	-0.6	0.8	2.0
Government Consumption	7.6	8.0	2.3	-1.5	-3.3	8.2	4.5	-0.8	-4.3	1.4
Total Investment	-1.7	10.6	2.5	-0.5	0.5	12.4	3.6	-0.3	-0.2	2.0
Stocks - ppts cont'n to growth	-0.2	0.6	0.2	-0.3	0.0	1.3	-0.1	-0.2	-0.1	0.0
GNE	0.6	8.1	2.7	-0.3	0.1	10.1	3.4	0.0	-0.5	1.9
Exports	-18.0	2.4	6.3	6.5	5.6	-2.6	-1.0	10.7	5.9	4.9
Imports	-16.0	17.6	4.7	4.5	2.0	15.1	4.4	5.4	2.3	3.0
Real Expenditure GDP	0.0	4.8	2.8	-0.3	0.9	6.0	2.2	0.6	0.2	2.3
GDP (production)	**-0.7**	**5.2**	**2.9**	**-0.2**	**0.9**	**6.0**	**2.4**	**0.6**	**0.2**	**2.3**
GDP - annual % change (q/q)	*4.2*	*0.9*	*2.6*	*-0.5*	*2.2*	*3.3*	*2.2*	*-0.6*	*1.4*	*2.1*
Output Gap (ann avg, % dev)	-1.3	1.4	1.9	0.0	-0.7	1.5	1.9	0.6	-0.8	-0.1
Nominal Expenditure GDP - $bn	328	358	386	393	406	352	380	392	401	420
Prices and Employment - annual % change										
CPI	1.5	6.9	7.2	3.9	2.5	5.9	7.2	5.1	2.5	2.2
Employment	0.1	2.5	1.6	-0.7	0.3	3.3	1.3	-0.3	-0.2	1.7
Unemployment Rate %	4.6	3.2	3.4	4.7	5.6	3.2	3.4	4.2	5.6	5.6
Wages - ahote (private sector)	4.1	5.3	7.9	5.8	3.6	4.1	8.1	6.3	4.0	2.8
Productivity (ann av %)	-1.2	2.3	1.3	-0.2	1.2	4.0	0.4	0.1	0.8	1.2
Unit Labour Costs (ann av %)	3.8	4.0	6.0	6.8	3.1	2.0	6.2	7.2	4.1	1.8
House Prices	24.1	13.8	-15.0	-2.5	3.8	27.2	-13.1	-6.9	3.3	4.1
External Balance										
Current Account - $bn	-8.9	-24.2	-34.2	-35.6	-30.1	-21.1	-33.8	-37.2	-32.2	-28.4
Current Account - % of GDP	-2.7	-6.8	-8.8	-9.1	-7.4	-6.0	-8.9	-9.5	-8.0	-6.8
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-1.4	-2.7	-0.9	-0.1	0.4					
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	28.0	30.0	30.0					
Bond Programme - % of GDP	13.7	5.6	7.2	7.6	7.4					
Financial Variables (1)										
NZD/USD	0.71	0.69	0.62	0.66	0.67	0.68	0.63	0.66	0.65	0.71
USD/JPY	109	119	134	118	108	114	135	120	111	105
EUR/USD	1.19	1.10	1.07	1.20	1.21	1.13	1.06	1.17	1.19	1.23
NZD/AUD	0.93	0.93	0.93	0.89	0.89	0.95	0.94	0.89	0.89	0.91
NZD/GBP	0.51	0.52	0.51	0.49	0.49	0.51	0.52	0.50	0.49	0.51
NZD/EUR	0.60	0.62	0.58	0.55	0.55	0.60	0.60	0.56	0.55	0.58
NZD/YEN	77.5	81.5	83.1	77.9	72.4	77.4	85.6	79.2	72.2	74.6
TWI	74.8	73.9	71.0	70.9	71.4	73.0	72.9	71.1	70.2	74.4
Overnight Cash Rate (end qtr)	0.25	1.00	4.75	5.25	3.75	0.75	4.25	5.25	4.00	2.25
90-day Bank Bill Rate	0.33	1.45	5.30	5.30	3.65	0.92	4.55	5.40	4.05	2.40
5-year Govt Bond	1.00	2.90	4.05	3.65	2.95	2.20	4.30	3.70	3.10	2.55
10-year Govt Bond	1.75	3.20	4.15	3.90	3.65	2.35	4.25	3.90	3.65	3.65
2-year Swap	0.50	3.00	5.43	4.81	3.07	2.22	5.21	5.18	3.56	2.40
5-year Swap	1.15	3.20	4.50	3.79	3.13	2.56	4.62	3.85	3.30	2.76
US 10-year Bonds	1.60	2.10	3.75	3.50	3.25	1.45	3.60	3.50	3.25	3.25
NZ-US 10-year Spread	0.15	1.10	0.40	0.40	0.40	0.90	0.65	0.40	0.40	0.40

(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 April			
AU	Melbourne Institute Inflation YoY Mar			6.30%
AU	Home Loans Value MoM Feb	-1.80%	-2.00%	-5.30%
AU	Building Approvals MoM Feb	10.00%	15.00%	-27.60%
CH	Caixin China PMI Mfg Mar	51.4		51.6
EC	S&P Global EZ Mfg PMI Mar F	47.1		47.1
UK	S&P Global/CIPS UK Mfg PMI Mar F	48		48
NZ	CoreLogic House Prices YoY Mar			-8.90%
	Tuesday 4 April			
EC	ECB's Vujcic speaks			
US	S&P Global US Mfg PMI Mar F	49.3		49.3
US	Construction Spending MoM Feb	0.00%		-0.10%
US	ISM Manufacturing Mar	47.5		47.7
US	Fed's Cook speaks			
NZ	N.Z. Gov 8-Month Financial Statements			
NZ	NZIER QSBO			-70%
AU	RBA Cash Rate Target Apr-04	3.60%	3.85%	3.60%
GE	Trade Balance SA Feb	16.6b		16.7b
EC	ECB Consumer Expectations Survey			
UK	BOE's Tenreyro speaks			
	Wednesday 5 April			
US	Factory Orders Feb	-0.50%		-1.60%
US	JOLTS Job Openings Feb	10500k		10824k
US	Durable Goods Orders Feb F	-1.00%		-1.00%
NZ	GDT dairy auction, Price Index			-2.60%
UK	BOE's Pill speaks			
US	Fed's Cook speaks			
US	Fed’s Mester speaks			
NZ	HLFS Working Age Population Q1			4.1209m
AU	Judo Bank Australia PMI Services Mar F			48.2

		Median	Fcast	Last
	Wednesday (continued)			
NZ	RBNZ Official Cash Rate Apr-05	5.00%	5.00%	4.75%
AU	RBA's Lowe speaks			
GE	Factory Orders MoM Feb	0.50%		1.00%
GE	S&P Global Germany Services PMI Mar F	53.9		53.9
EC	S&P Global EZ Services PMI Mar F	55.6		55.6
UK	S&P Global/CIPS UK Services PMI Mar F	52.8		52.8
UK	BOE's Silvana Tenreyro speaks			
	Thursday 6 April			
US	ADP Employment Change Mar	210k		242k
US	Trade Balance Feb	-$68.8b		-$68.3b
US	S&P Global US Services PMI Mar F	53.8		53.8
EC	ECB's Lane speaks			
US	ISM Services Prices Paid Mar			65.6
US	ISM Services Employment Mar			54
US	ISM Services New Orders Mar			62.6
NZ	ANZ Commodity Price MoM Mar		0.70%	1.30%
AU	Trade Balance Feb	A$11223m	A$11000m	A$11688m
AU	RBA Financial Stability Review			
GE	Industrial Production SA MoM Feb	-0.30%		3.50%
	Friday 7 April			
NZ	Good Friday			
US	Initial Jobless Claims Apr-01	200k		198k
US	Continuing Claims Mar-25			1689k
US	Fed’s Bullard speaks			
JN	Household Spending YoY Feb	4.80%		-0.30%
US	Change in Nonfarm Payrolls Mar	240k		311k
US	Unemployment Rate Mar	3.60%		3.60%
US	Av Weekly Hours All Employees Mar	34.5		34.5
CH	New Yuan Loans CNY Mar			1810.0b

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	4.75	4.75	4.75	1.00
1mth	5.06	5.00	4.94	1.34
2mth	5.15	5.09	5.06	1.51
3mth	5.23	5.17	5.18	1.67
6mth	5.37	5.27	5.42	2.19
GOVERNMENT STOCK				
04/23	5.65	5.05	4.82	2.48
04/25	4.62	4.31	5.01	3.11
04/27	4.33	4.07	4.68	3.21
04/29	4.24	4.03	4.65	3.25
05/31	4.22	4.04	4.63	3.29
04/33	4.20	4.03	4.62	3.30
04/37	4.31	4.24	4.75	3.38
05/41	4.39	4.35	4.81	3.44
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	76	83	71	64
Europe 5Y	84	96	74	70

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	4.99	4.81	5.41	3.41
3 years	4.69	4.53	5.14	3.51
4 years	4.49	4.36	4.95	3.52
5 years	4.37	4.26	4.84	3.52
10 years	4.24	4.16	4.68	3.49
FOREIGN EXCHANGE				
NZD/USD	0.6254	0.6197	0.6197	0.6948
NZD/AUD	0.9362	0.9317	0.9208	0.9212
NZD/JPY	83.39	81.52	84.21	85.32
NZD/EUR	0.5769	0.5739	0.5800	0.6335
NZD/GBP	0.5073	0.5043	0.5153	0.5297
NZD/CAD	0.8442	0.8465	0.8435	0.8676
TWI	71.2	70.6	70.9	74.6

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