Research

Markets Outlook

2 October 2023

Holding Hands

- **RBNZ seen on hold this week**
- **QSBO to confirm confidence lift, labour market easing?**
- **Dwelling consents trend remains firmly downward**
- **El Nino is here: risk to primary and power production…**
- **…but some positives and negatives for prices**

The RBNZ's Monetary Policy Review on Wednesday takes centre stage this week. We think the RBNZ will hold the OCR at 5.50%, as it delivers its one-page missive and record of meeting at 2pm. As we detailed in last week's preview, we see this course of action as the balance of many competing forces and uncertainties.

On the one hand, labour market pressures are clearly dissipating at an accelerating rate and, despite the strong Q2 GDP outturn, the economic outlook is weak. Latest pointers to a softening labour market include Westpac's employment confidence survey that fell sharply to 98.3 in Q3 and further increases in the number of people receiving the jobseeker benefit. It adds to the accumulating evidence that the unemployment rate increased in Q3, even though employment looks to have nudged higher judging by gains in filled jobs through to August. Implied wage inflation from the filled jobs data is easing.

On the other hand, it appears to us that near term CPI inflation will surprise prior RBNZ forecasts on the upside (largely driven by higher fuel prices) and the housing market looks to be turning more rapidly than the RBNZ had expected.

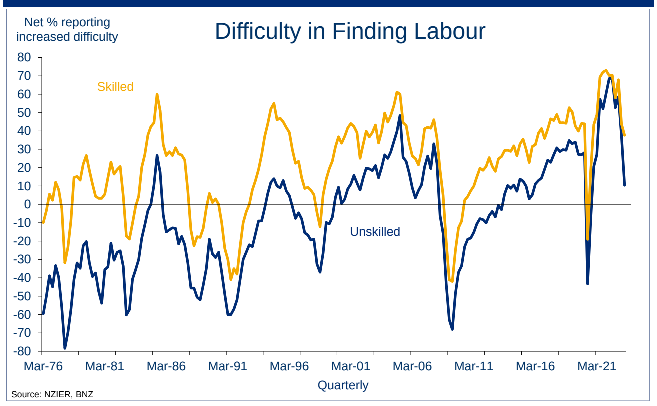
Higher fuel prices lift headline inflation but also dent consumers' purchasing power. A key risk for policy is that higher fuel prices filter into inflation expectations. In this context, it has been interesting to see latest measures of both consumers' and business' inflation expectations continue to trend lower despite increases in firms' pricing intentions and cost expectations.

Meanwhile, retail interest rates are under upward pressure from higher funding costs which is also important for policy deliberations. With all these competing influences, and the uncertainties surrounding the election, we think the RBNZ would be best advised to play a straight bat. Market pricing shows a residual chance of a hike, while an on-hold decision is the unanimous view among participants in market polls.

For this week's data, tomorrow's Quarterly Survey of Business Opinion (QSBO), from NZIER, is the most important. Business confidence will surely show a less dire reading that Q2's -63%, if moves in other business surveys are anything to go by. But we, and in all likelihood the RBNZ, have much more interest in the labour market, capacity, and pricing indicators. We are looking for further confirmation that firms' difficulty in finding labour is easing and demand continues to replace labour as business' major factor constraint. We also want to see how all that is influencing cost and pricing pressures against a backdrop of higher fuel prices.

Despite its proximity to the RBNZ decision, any major surprises from the QSBO could still influence the tone of message from the central bank the following day.

Further Easing Here?

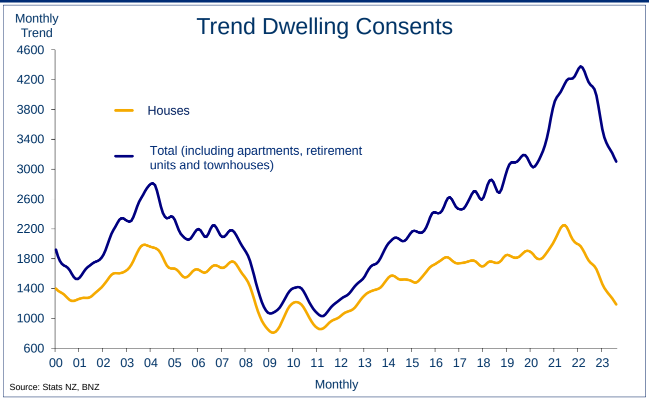


The data week has already kicked off with this morning's building consents for August. New dwelling consents fell 6.7% m/m. These can be volatile so one shouldn't read too much into one month. But August's large drop follows July's 5.4% reduction and maintains a strong downtrend in this lead indicator for residential construction. The number of residential dwelling consents is now 30% lower than a year ago.

The outlook for dwelling construction activity remains firmly downward. This is despite clear signs of some pick up in the existing housing market, such as house sales and prices lifting off previous lows. We get Core Logic's house price index for September first thing (12.01am) Wednesday morning where something less negative than

August's -8.7% is to be expected in this relatively slow moving three-month moving average measure.

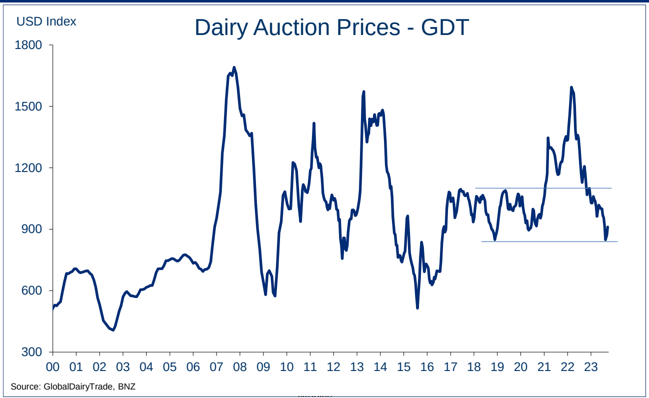
Trend Well Established



For non-residential building work, the signals have been robust relative to housing. That said, consents for non-residential in today's release exhibited less strength, with annual growth in their value, for the 3 months to August, going flat.

Very early Wednesday morning also brings the latest GDT dairy auction. Indicators suggest another decent price gain is likely, which would see prices push further away from their mid-August lows. Concern around milk supply might be entering more minds as early season NZ milk production has struggled and weather forecasters' recent declaration of an El Nino weather pattern commands caution on the outlook through spring and summer.

More Bounce From Low?

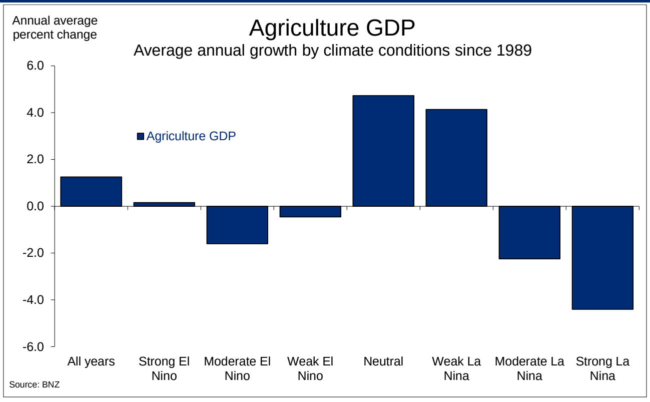


Dented milk production might not be the best way to achieve higher prices, but it needs to be factored into milk price forecasts. Another decent GDT price gain would enhance the prospect of at least some reversal of recently lowered forecast milk prices to farmers.

For meat, El Nino driven dry conditions often result in less livestock on farm and more processed to the detriment of prices. A similar process is occurring in Australia, following a few years of stock rebuilding during La Nina weather conditions, which is increasing competition in global markets. This is a material headwind for lamb prices in particular.

Generally, in NZ, El Ninos are associated with dry conditions (especially in the East) adversely affecting agriculture production. Such conditions can also impair hydro electricity generation, lifting costs and denting economic activity in the process. These are risks worth monitoring.

El Ninos Tend To Be Negative For Primary Production



Turning back to this week's economic data, Wednesday's working age population estimates for Q3 will again be boosted by net migrant inflows and will set the base for the quarter's labour market statistics such as the HLFS.

On Thursday, ANZ's commodity price index for September is released. We expect world prices to lift around 2% m/m, which would arrest three consecutive months of decline. That would still see prices down around 12% y/y, but also be the least negative annual inflation since late last year.

The Crown Financial Statements for the year ended June 2023 are to be released at 1pm on Thursday. No doubt there will be attention on these in the middle of an election campaign. However, we would be surprised if they were markedly different from the unaudited figures published at the time of the PREFU which included a fiscal (OBEGAL) deficit for the year of $10.0b (2.5% of GDP). The most informative number on the day might well be June's tax receipts.

As for the election itself, while polling day is 14 October, early voting has commenced this morning.

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Global Watch

- **NAB expects RBA to hold cash rate on Tuesday**
- **US focus on Sep PMIs and Friday's payrolls**
- **Plus a plethora of Fed speakers to note**
- **China quiet with Golden Week**

Australia

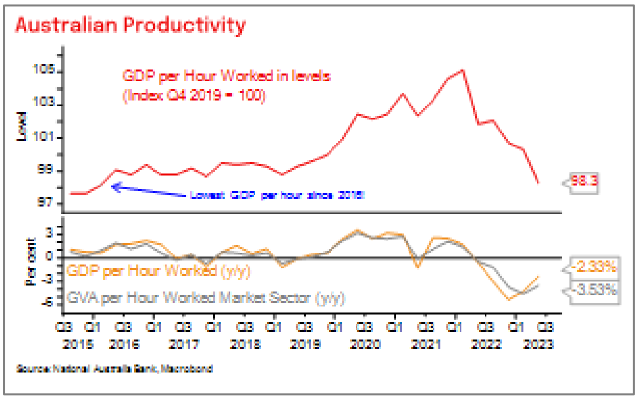
RBA Preview

The RBA is widely expected to be on hold on Tuesday. That is our call as well. Although the Monthly CPI Indicator did show sticky services inflation, we think the RBA is likely to wait for confirmation in the full Q3 CPI on 25 October. NAB sees the RBA hiking rates at the November meeting to 4.35%.

The Financial Stability Review which will be previewed at the meeting before final publication on Friday will also be important from the perspective of modelling the impact of further possible rate increases on household cash flows.

The RBA at the September Board Meeting noted that "*the recent flow of data was consistent with inflation returning to target within a reasonable timeframe while the cash rate remained at its present level*". The data flow since that meeting has been less favourable on the inflation front.
The National Accounts which came out the day after the September Board Meeting showed very poor productivity figures. Headline productivity as measured by GDP per Hour Worked was -3.5% y/y and on this measure the level of productivity in the economy is now at its lowest since 2016!

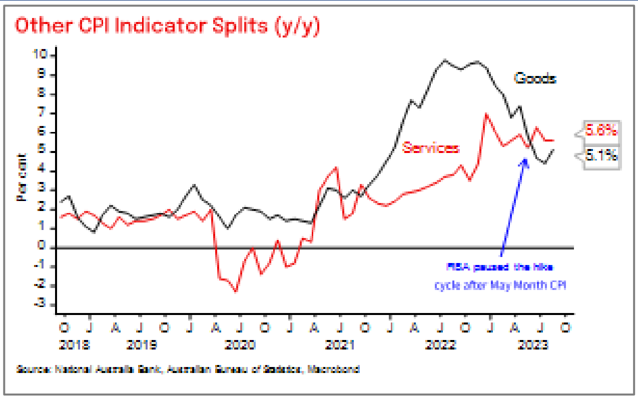
Productivity has gone backwards



The other important development was the Monthly CPI Indicator for August, which showed sticky services inflation, which notably has persisted in the months following the RBA pausing the rate cycle back in July (see NAB note: AUS: CPI Indicator lifts to 5.2% y/y and shows sticky services inflation).

Woeful productivity and sticky services inflation are an immense challenge to the RBA's inflation forecasts which have trimmed mean inflation only getting below 3% by mid-2025 at 2.9% y/y. That challenge is even before the potential impacts from a lower AUD and from the recent lift in oil prices.

Services inflation looks sticky

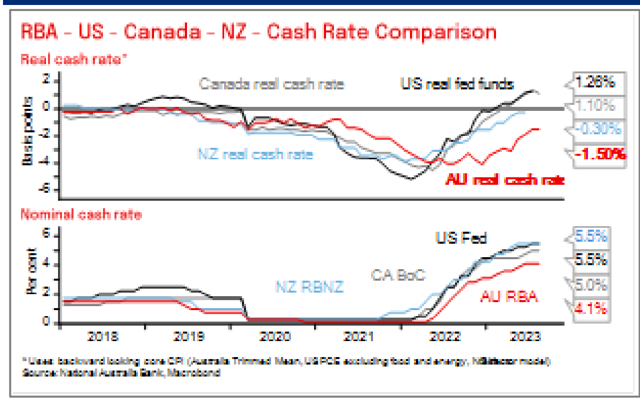


When discussing the case for hiking rates at the September meeting, Board members noted it rested on "on the expectation that inflation will remain above the Bank's target for a prolonged period and the risk that this period might be extended. This could occur if productivity growth does not pick up as anticipated or if high services price inflation is more persistent than expected". Both of those factors look like they are being realised.

In contrast, the case to hold rates (which was the outcome at September, as it was in July and August), was "on the observation that interest rates had been increased significantly in a short period, and that the effects of tighter monetary policy were yet to be fully realised". Activity data to date has remained resilient with 64.9k jobs in August, unemployment holding steady at 3.7%. Retail sales growth was moderate, though the industry splits were more mixed and suggest resilience in discretionary retail categories.

NAB's view is the RBA will hold rates in October, but lift them in November to 4.35%. Doing so will buy more insurance in getting inflation back to target. If, though, woeful productivity trends continue and inflation proves to be even more sticky, the risk is the RBA would have to lift rates further, though that is not our forecast.

Real rates in Australia still very negative



Other data ahead

Datawise it is second tier with Dwelling Prices (Monday), Home Loans, Dwelling Approvals (both Tuesday), and Trade Balance (Thursday). NAB has pencilled in a 6.0% m/m bounce in dwelling approvals following the sharp -8.1% outcome last month (consensus 2.5%), while we expect the trade balance to step back again to $7.5bn from $8.0bn (consensus $8.9bn).

Note also that Monday is a public holiday in NSW, ACT, QLD, and SA. Daylight savings also took effect yesterday (Sunday) in NSW, VIC, ACT and TAS.

US

With partial shutdown of US government services averted over the weekend, it will be back to focussing solely on the data. On this, there is plenty of top-tier information including the ISM Manufacturing (Monday), ISM Services (Wednesday), and of course Payrolls on Friday. The ISM Services may garner even more attention than usual given the wide divergence between it and the S&P Global version – last month the ISM Services was 54.5 and the S&P Global Services PMI weakened this month to 50.2. As for Payrolls, consensus sees 170k jobs, unemployment ticking down a tenth to 3.7% from 3.8%, and for average hourly earnings growth of 4.3% y/y. There are a lot of Fed speakers, including Chair Powell participating in a roundtable discussion with workers and small business owners (Monday).

China

With PMIs (official NBS versions) already out over the weekend and Sunday (Caixin) it is a very quiet week ahead for Chinese data, reinforced by Golden Week Holidays running from 1 October to 7 October.

Eurozone/UK

After last Friday's CPI figures it goes quiet for European news. The coming week sees Retail Sales (Wednesday), and final versions of the PMIs. There are a lot of ECB speakers, including Lagarde on Wednesday who is speaking at a monetary policy conference. It is also quiet in the UK with no top-tier data. BoE MPC members Greene and Broadbent though are speaking.

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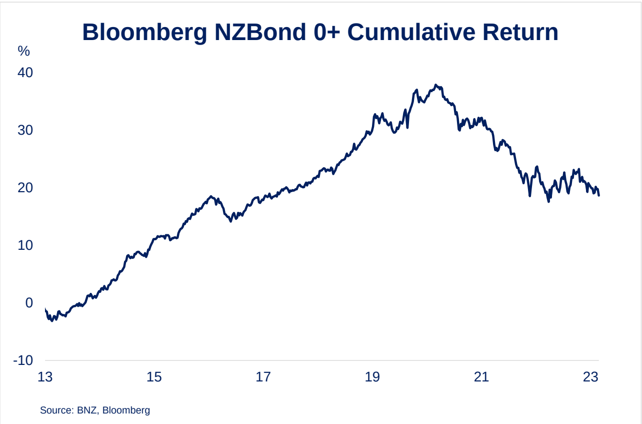
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

It has been a tough September for bond investors. NZ 10-year government bond (NZGB) yields increased more than 40bp during the month, and reached 5.30%, which is the highest level since 2011. The widely followed Bloomberg NZGB index lost 1.80% on a total return basis, the largest monthly decline since August 2022, which has seen the index retest the lows from last year. Cumulative returns have retraced close to 18% from the peak in 2020. The ‘higher for longer’ narrative by central bank policy makers has impacted market sentiment. This is set against a backdrop of slowly moderating inflation pressures and the global growth outlook remaining tepid, though better than what was anticipated earlier in the year.

NZGB index retesting the previous lows



There was limited domestic data or catalysts last week which saw NZGBs take direction from offshore markets. 10-year US treasuries reached multi-year highs in yield, near 4.7%, setting the tone for a broad-based sell off across global bond markets. The move saw German bund yields reach a high of just below 3%, levels last seen in 2011. Front end bonds were less impacted by the sell-off with monetary policy expectations across major economies little changed over the week.

There has been further evidence that restrictive monetary policy is gaining traction with inflation, which contributed to bond markets retracing off the yield highs. Core PCE inflation data in the US, which is closely watched by the Federal Reserve (Fed), fell to 3.9% y/y from 4.3% in July. This is the lowest level since September 2021. Meanwhile, Eurozone core inflation fell to 12-month lows of 4.5% y/y. Easing inflation pressures suggest the debate amongst policy makers will centre on how long rates need to be held at restrictive levels as opposed to if further hikes are required.

The bond market selloff has been led by the longer maturities contributing to a steeper yield curve. The yield gap between 2-year and 10-year treasuries has reduced to -47bps, the steepest level since May, and some distance from the maximum curve inversion of -110bp reached in July. The unwinding of Fed cuts priced for 2024 has been a key driver of higher yields alongside technical factors such as heavy supply and quantitative tightening as the Fed reduces the size of its balance sheet.

A key measure of the compensation for investors to hold long-term debt rather than rolling short term deposits – the term premium - turned positive for the first time since June 2021. The New York Federal Reserve’s gauge of the 10-year term premium has been negative for most of the past seven years and has increased with the moves higher in longer-maturity treasury yields. The 2y/10y curve in New Zealand has also continued to steepen, and has reached -43bp, up from -78bp in July.

US 10-year term premium increases

The Reserve Bank of New Zealand (RBNZ) Monetary Policy Review is unlikely to be a significant driver for interest rate markets this week. All 19 analysts surveyed by Bloomberg expect the Official Cash Rate to be left on hold at 5.5%. The market is incorporating a modest risk premium into the event and is pricing about 5bps of tightening implying a 20% chance of a 25bp rate hike. Recent inflation developments skew near-term risks in this direction, but it remains to be seen how the Monetary Policy Committee will set out its view on higher oil prices and what it may mean for future policy. A higher inflation profile is set against a backdrop of soft economic activity and clear signs that the labour market is turning. We continue to think that rates have peaked, and cuts will begin mid-2024.

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week the NZD outperformed, rising 0.6% to around 0.60 and up 0.6%-1.3% on all the key crosses. This was a creditable performance against the backdrop of a further fall in risk appetite and the eleventh consecutive weekly rise in the USD DXY index, which traded at a fresh high for the year during the week, a steady fall in EUR being a key driver of that dynamic.

The NZD capped off September on a strong note, possibly exaggerated by month-end flows as it's hard to point to fundamentals as a driving force. It traded as high as 0.6049 on Friday night – its highest level in seven weeks – before ending the week just under 0.60. Failure to close above 0.60 keeps that level as a mark of resistance for now. On a daily close basis, the NZD has traded a narrow range of just 1.25c (0.5873-0.5998) since the NZD first broke below 0.60 in early August. Fair to say, NZD volatility has remained low.

Last week the economic calendar was light, but that didn't prevent global rates from lifting to fresh highs for the cycle, in the afterglow of the US Federal Reserve's recent "higher for longer" mantra on its policy rate. Concern about the impact of higher interest rates – how high they might go and how long they might stay up there –weighed on market sentiment, with our risk appetite index falling to a four-month low of 52%. Higher oil prices, taking them to their highest level this year, and lingering concerns about large fiscal deficits around the world (Europe, US and NZ included) have added to recent upside pressure on rates.

Lower risk appetite saw our short-term NZD fair value estimate nudge down to 0.62, with the stronger NZD closing the gap to fair value and, near 3%, that gap isn't statistically significant.

The lack of further NZD downside across a backdrop of weaker risk appetite and a well-supported USD over the past couple of weeks is a good sign for the Kiwi. Seasonally, August and September are two of the weakest months, with Q4 typically the best quarter of the year. Our end-Q4 target of 0.60 is consistent with a trading range of 0.58-0.62 developing over coming months.

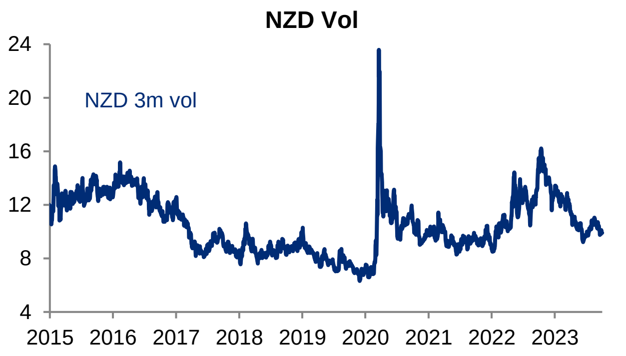
Over the weekend, another US government shutdown has been averted, or at least pushed out to mid-November. To the extent that some of the recent fall in risk appetite reflected the shutdown concerns, risk appetite could begin the week on a slightly stronger note.

On the calendar, the key global releases include the US employment report at the end of the week and ahead of that ISM manufacturing and services indices and the JOLTs report on the labour market.

The domestic focus will be the RBNZ's Monetary Policy Review on Wednesday. With the RBNZ having last hiked back in May and its expressed "confidence" since then that enough tightening has been done to bring inflation back down to target, the Review is essentially a dead rubber, especially coming ahead of the election. We expect a similar tone on policy to be adopted and little sustained NZD reaction. A day earlier, we'll be watching the QSBO for signs of further easing in labour market and capacity pressures, and the trading activity indicator will give a good steer on how weak growth was in Q3.

Also on Tuesday, the RBA policy meeting, even with a new Governor at the helm, should be uneventful with policy on hold, as the Bank likely awaits the Q3 CPI print before deciding whether to hike again. We remain puzzled why NZD/AUD has recovered back to the top of its trading range over the past few months and continue to believe that fundamentally it should trade closer to the bottom of the range, if not lower, keeping 0.90 as a nice round number to aim for.

NZD volatility remains suppressed



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6007	0.5880 - 0.6050
NZD/AUD	0.9338	0.9150 - 0.9340
NZD/GBP	0.4929	0.4710 - 0.4930
NZD/EUR	0.5685	0.5480 - 0.5700
NZD/JPY	89.73	86.60 - 90.20

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6200	-3%
NZD/AUD	0.9070	3%

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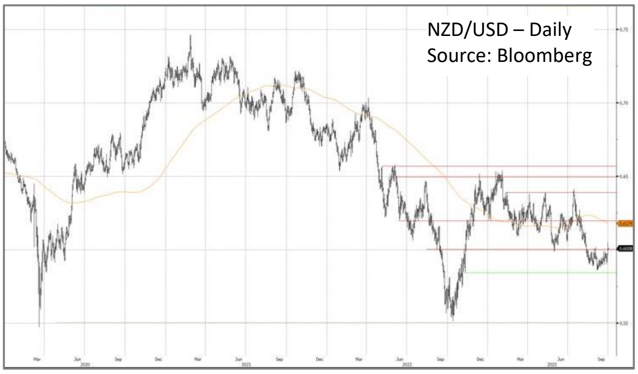
Technicals

NZD/USD

Outlook:	Trading range
ST Resistance:	0.60 (ahead of 0.62)
ST Support:	0.5840 (ahead of 0.55)

We'll leave resistance at 0.60 for now, with last week's spike above that level not sustained, and a weekly close just below that mark. A more notable break would bring 0.62 back into play.


NZD/USD – Daily
Source: Bloomberg

NZD/AUD

Outlook:	Trading range
ST Resistance:	0.94 (ahead of 0.9450)
ST Support:	0.90 (ahead of 0.8890)

Technicals remain consistent with the cross in a broad 0.90-0.94 trading range. Watching the wedge formation closely.


NZD/AUD – Daily
Source: Bloomberg

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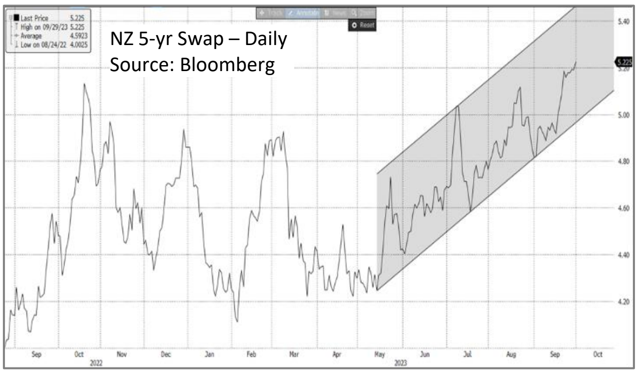
NZ 5-year Swap Rate

Outlook:	Neutral
MT Resistance:	5.46
MT Support:	4.96

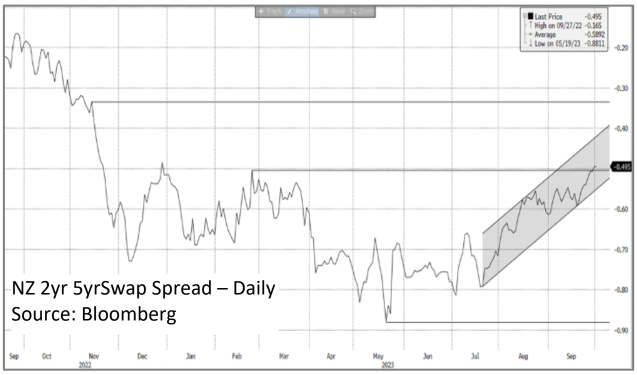
5 year swap remains within its trend channel and we maintain our neutral bias from here.


NZ 5-yr Swap – Daily
Source: Bloomberg

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

Outlook:	Less inverted
MT Resistance:	-0.33
MT Support:	-0.51

We have broken through our resistance of -51bp which now becomes support. The new target becomes -33bp with our stop raised to -53 bp.


NZ 2yr 5yrSwap Spread – Daily
Source: Bloomberg

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Quarterly Forecasts

Forecasts as at 2 October 2023

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts: Sep-23 to Sep-24

	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
GDP (production s.a.)	1.3	1.5	-0.5	0.0	0.9	0.0	-0.2	-0.2	0.4	0.8
Retail trade (real s.a.)	-1.9	0.2	-1.1	-1.6	-1.0	-1.5	-0.5	0.2	0.6	0.8
Current account (ytd, % GDP)	-7.9	-8.3	-8.8	-8.2	-7.5	-7.2	-6.7	-6.4	-6.3	-6.2
CPI (q/q)	1.7	2.2	1.4	1.2	1.1	2.2	1.2	0.7	0.5	1.0
Employment	-0.1	1.2	0.7	1.1	1.0	0.5	0.3	0.1	0.0	0.1
Unemployment rate %	3.3	3.3	3.4	3.4	3.6	3.8	4.0	4.4	4.8	5.1
Avg hourly earnings (ann %)	7.0	8.6	8.1	8.2	7.7	6.8	6.6	5.8	5.1	4.2
Trading partner GDP (ann %)	2.2	3.8	2.2	2.8	3.4	2.7	3.0	2.5	2.6	2.7
CPI (y/y)	7.3	7.2	7.2	6.7	6.0	6.1	5.8	5.3	4.7	3.5
GDP (production s.a., y/y))	0.7	6.6	2.4	2.2	1.8	0.3	0.6	0.5	0.0	0.8

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
2022 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	4.99	4.27	4.26	5.11	4.51	4.40	4.90	3.65	0.61
Jun	5.42	5.62	4.23	4.27	5.19	4.44	4.30	5.40	3.60	0.68
Sep	5.50	5.64	4.80	4.78	5.43	4.91	4.80	5.70	4.10	0.68
Forecasts										
Dec	5.50	5.60	4.70	4.70	4.95	4.85	4.80	5.80	4.10	0.60
2024 Mar	5.50	5.45	4.40	4.50	4.55	4.60	4.65	5.55	3.90	0.60
Jun	5.25	5.00	4.20	4.35	4.15	4.40	4.50	5.05	3.75	0.60
Sep	4.75	4.50	3.95	4.10	3.95	4.20	4.30	4.55	3.50	0.60
Dec	4.25	4.25	3.80	4.10	3.45	4.05	4.30	4.05	3.50	0.60
2025 Mar	4.00	3.75	3.70	4.10	3.10	3.95	4.30	3.55	3.50	0.60
Jun	3.50	3.65	3.60	4.10	2.80	3.85	4.30	3.30	3.50	0.60
Sep	3.00	3.15	3.60	4.10	2.75	3.85	4.30	3.05	3.50	0.60

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	0.60	0.64	1.06	1.22	150	0.60	0.93	0.57	0.49	89.9	71.2
Dec-23	0.60	0.66	1.13	1.31	138	0.60	0.91	0.53	0.46	82.8	69.1
Mar-24	0.62	0.69	1.16	1.35	135	0.62	0.90	0.53	0.46	83.7	70.3
Jun-24	0.64	0.71	1.17	1.34	130	0.64	0.90	0.55	0.48	83.2	71.3
Sep-24	0.64	0.72	1.18	1.35	125	0.64	0.89	0.54	0.47	80.0	70.4
Dec-24	0.65	0.73	1.19	1.35	120	0.65	0.89	0.55	0.48	78.0	70.4
Mar-25	0.67	0.75	1.21	1.37	118	0.67	0.89	0.55	0.49	79.1	71.8
Jun-25	0.69	0.77	1.22	1.37	116	0.69	0.90	0.57	0.50	80.0	73.4
Sep-25	0.71	0.78	1.23	1.38	115	0.71	0.91	0.58	0.51	81.7	75.2
Dec-25	0.71	0.78	1.23	1.38	114	0.71	0.91	0.58	0.51	80.9	75.2
Mar-26	0.69	0.76	1.21	1.37	112	0.69	0.91	0.57	0.50	77.3	73.8
TWI Weights						13.8%	16.5%	9.8%	3.1%	6.1%	

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

Annual Forecasts

Place Quarterly Table in here - I:\Economics\Economics database\Miscellaneous

Forecasts as at 2 October 2023	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025
GDP - annual average % change										
Private Consumption	6.0	2.7	1.4	1.0	2.3	7.4	3.2	1.4	0.5	2.1
Government Consumption	8.0	2.0	-0.3	-2.9	1.4	8.2	4.6	-0.7	-3.1	0.9
Total Investment	10.4	3.5	0.7	-1.1	4.2	12.3	4.1	1.4	-1.8	3.3
Stocks - ppts cont'n to growth	0.5	-0.1	-1.1	1.0	0.0	1.4	-0.3	-1.3	1.1	0.1
GNE	8.0	2.6	-0.2	0.7	2.6	10.2	3.4	-0.1	0.1	2.3
Exports	2.5	6.0	5.8	3.1	5.2	-2.7	-0.2	9.2	3.2	5.1
Imports	17.3	4.7	-0.7	0.0	2.7	14.8	4.7	0.9	-0.6	2.1
Real Expenditure GDP	4.8	2.9	1.4	1.5	3.2	6.1	2.3	1.6	1.2	3.1
GDP (production)	**5.2**	**2.9**	**0.8**	**1.4**	**3.2**	**6.0**	**2.7**	**1.2**	**0.8**	**3.1**
GDP - annual % change (q/q)	*1.1*	*2.2*	*0.5*	*2.8*	*3.2*	*3.3*	*2.4*	*0.6*	*1.8*	*3.2*
Output Gap (ann avg, % dev)	1.3	1.6	-0.3	-1.0	-0.1	1.4	1.8	0.2	-1.1	-0.3
Nominal Expenditure GDP - $bn	358	388	412	429	453	353	381	408	423	447
Prices and Employment - annual % change										
CPI	6.9	6.7	5.3	2.3	2.2	5.9	7.2	5.8	2.5	2.2
Employment	2.5	2.9	1.9	0.9	2.0	3.3	1.7	2.9	0.5	2.0
Unemployment Rate %	3.2	3.4	4.4	5.3	5.3	3.2	3.4	4.0	5.2	5.3
Wages - ahote (private sector)	5.3	8.2	5.8	3.6	2.8	4.1	8.1	6.6	4.0	2.9
Productivity (ann av %)	2.3	0.8	-1.8	0.7	1.4	3.9	0.5	-1.7	-0.1	1.6
Unit Labour Costs (ann av %)	4.0	6.2	7.6	3.5	1.6	2.0	6.2	7.8	4.8	1.7
House Prices	13.8	-11.9	2.4	8.6	10.9	27.2	-11.1	-1.6	6.7	12.5
External Balance										
Current Account - $bn	-23.6	-31.8	-26.3	-22.2	-16.0	-20.6	-33.4	-27.2	-24.3	-17.4
Current Account - % of GDP	-6.6	-8.2	-6.4	-5.2	-3.5	-5.8	-8.8	-6.7	-5.7	-3.9
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-2.7	-2.5	-2.8	-1.7	-0.8					
Net Core Crown Debt (excl NZS Fund Assets)	17.0	18.1	22.4	23.2	23.3					
Bond Programme - $bn (Treasury forecasts)	20.0	28.0	36.0	35.0	30.0					
Bond Programme - % of GDP	5.6	7.2	8.7	8.2	6.6					
Financial Variables [(1)]										
NZD/USD	0.69	0.62	0.62	0.67	0.69	0.68	0.63	0.60	0.65	0.71
USD/JPY	119	134	135	118	112	114	135	138	120	114
EUR/USD	1.10	1.07	1.16	1.21	1.21	1.13	1.06	1.13	1.19	1.23
NZD/AUD	0.93	0.93	0.90	0.89	0.91	0.95	0.94	0.91	0.89	0.91
NZD/GBP	0.52	0.51	0.46	0.49	0.50	0.51	0.52	0.46	0.48	0.51
NZD/EUR	0.62	0.58	0.53	0.55	0.57	0.60	0.60	0.53	0.55	0.58
NZD/YEN	81.5	83.0	83.7	79.1	77.3	77.4	85.6	82.8	78.0	80.9
TWI	73.9	71.0	70.3	71.8	73.8	73.0	72.9	69.1	70.4	75.2
Overnight Cash Rate (end qtr)	1.00	4.75	5.50	4.00	2.50	0.75	4.25	5.50	4.25	2.50
90-day Bank Bill Rate	1.45	5.16	5.45	3.75	2.65	0.92	4.55	5.60	4.25	2.65
5-year Govt Bond	2.90	4.40	4.40	3.70	3.60	2.20	4.30	4.70	3.80	3.60
10-year Govt Bond	3.20	4.35	4.50	4.10	4.10	2.35	4.25	4.70	4.10	4.10
2-year Swap	3.00	5.15	4.55	3.10	2.75	2.22	5.21	4.95	3.45	2.75
5-year Swap	3.20	4.50	4.60	3.95	3.85	2.56	4.62	4.85	4.05	3.85
US 10-year Bonds	2.10	3.65	3.90	3.50	3.50	1.45	3.60	4.10	3.50	3.50
NZ-US 10-year Spread	1.10	0.70	0.60	0.60	0.60	0.90	0.65	0.60	0.60	0.60

[(1)] *Average for the last month in the quarter*

Key Upcoming Events

All times and dates NZT

		Median	Fcast	Last
	Monday 02 October			
AU	CoreLogic House Px MoM Sep		0.90%	1.00%
NZ	Building Permits MoM Aug			-5.20%
JN	Tankan Large Mfg Index 3Q	6		5
AU	Melbourne Institute Inflation YoY Sep			6.10%
EC	ECB's Centeno, de Cos Speak			
EC	HCOB Eurozone Mfg PMI Sep F	43.4		43.4
UK	S&P Global/CIPS UK Mfg PMI Sep F	44.2		44.2
EC	Unemployment Rate Aug	6.40%		6.40%
	Tuesday 03 October			
US	S&P Global US Mfg PMI Sep F	48.9		48.9
US	Construction Spending MoM Aug	0.50%		0.70%
US	ISM Manufacturing Sep	47.9		47.6
UK	BOE's Catherine Mann speaks			
US	Fed's Powell and Harker Speak			
NZ	NZIER Business Opinion Survey			-63
US	Fed's Mester Speaks on Eco Outlook			
AU	Home Loans Value MoM Aug	0.00%		-1.20%
AU	ANZ-Indeed Job Ads MoM Sep			1.90%
AU	Building Approvals MoM Aug	2.80%		-8.10%
AU	RBA Cash Rate Target Oct-03	4.10%		4.10%
EC	ECB's Lane Speaks			
	Wednesday 04 October			
NZ	CoreLogic House Prices YoY Sep			-8.70%
NZ	Global Dairy Trade Auction			4.60%
US	Fed's Bostic Speaks			
EC	ECB's Villeroy speaks in Paris			
US	JOLTS Job Openings Aug	8830k		8827k
AU	Judo Bank Australia PMI Services Sep F			50.5
NZ	RBNZ Official Cash Rate Oct-04	5.50%	5.50%	5.50%
GE	HCOB Germany Services PMI Sep F	49.8		49.8
EC	ECB's Lagarde Speaks			
EC	HCOB Eurozone Services PMI Sep F	48.4		48.4
UK	S&P Global/CIPS UK Services PMI Sep F	47.2		47.2
EC	Retail Sales MoM Aug	-0.50%		-0.20%
	Thursday 05 October			
US	ADP Employment Change Sep	150k		177k
US	S&P Global US Services PMI Sep F	50.2		50.2
US	Factory Orders Aug	0.40%		-2.10%
US	ISM Services Index Sep	53.5		54.5
US	Fed's Bowman, Goolsbee Speak			
NZ	ANZ Commodity Price MoM Sep			-2.90%
NZ	NZ Govt 12-Month Fin Statements			
AU	Trade Balance Aug	A$8749m		A$8039m
GE	Trade Balance SA Aug	15.8b		15.9b
UK	DMP 1 Year CPI Expectations Sep			4.80%
UK	BOE releases inflation survey			
EC	BOE, Riksbank and ECB Speakers			
UK	BOE's Broadbent speaks			
	Friday 06 October			
US	Trade Balance Aug	-$60.4b		-$65.0b
US	Initial Jobless Claims Sep-30	210k		204k
US	Fed's Mester Speaks			
EC	ECB's Nagel Speaks			
US	Fed's Daly Speaks			
JN	Household Spending YoY Aug	-3.90%		-5.00%
GE	Factory Orders MoM Aug	1.50%		-11.70%
	Saturday 07 October			
US	Change in Nonfarm Payrolls Sep	165k		187k
US	Unemployment Rate Sep	3.70%		3.80%
	Monday 09 October			
GE	Industrial Production SA MoM Aug			-0.80%
EC	Sentix Investor Confidence Oct			-21.5
CH	New Yuan Loans CNY Sep			1360.0b

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	5.50	5.50	5.50	3.00
1mth	5.62	5.62	5.60	3.51
2mth	5.68	5.67	5.63	3.69
3mth	5.73	5.72	5.65	3.87
6mth	5.81	5.79	5.71	4.20
GOVERNMENT STOCK				
04/25	5.74	5.66	5.47	4.18
04/27	5.38	5.27	5.03	4.21
04/29	5.27	5.13	4.91	4.22
05/31	5.29	5.13	4.91	4.25
04/33	5.31	5.13	4.91	4.34
04/37	5.46	5.28	5.04	4.54
05/41	5.53	5.34	5.10	4.66
05/51	5.52	5.33	5.09	4.58
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	74	73	63	104
Europe 5Y	80	78	69	133

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	5.72	5.67	5.48	4.72
3 years	5.48	5.41	5.20	4.65
4 years	5.32	5.23	5.01	4.59
5 years	5.23	5.12	4.89	4.54
10 years	5.18	5.00	4.77	4.51
FOREIGN EXCHANGE				
NZD/USD	0.6002	0.5967	0.5939	0.5722
NZD/AUD	0.9319	0.9289	0.9190	0.8780
NZD/JPY	89.65	88.83	86.98	82.71
NZD/EUR	0.5672	0.5632	0.5501	0.5823
NZD/GBP	0.4915	0.4887	0.4704	0.5054
NZD/CAD	0.8135	0.8029	0.8072	0.7795
TWI	71.2	70.7	69.8	67.5

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