9 October 2023

Changing the guard?

- **End of a single party government**
- **Coalition build may take time**
- **New policy regime unclear**
- **Coincident indicators to remain poor**
- **Inflation forecasts lowered**

Saturday October 14 is the date of the New Zealand General Election. That's all well and good but who knows how long it will be before we will know the exact shape of the newly elected Government. Depending on the vote it could take several days, or weeks even. Often in such times heightened uncertainty means bond markets sell off and the NZD weakens. Were this to happen again we would caution that any such response is likely to be short lived.

Only when we know who will be ruling the country, and what policies they will be able to enact, will we be able to make clearer judgment as to the likely impact on the economy, the fiscal position, inflation and financial markets.

What we can say with some certainty is:

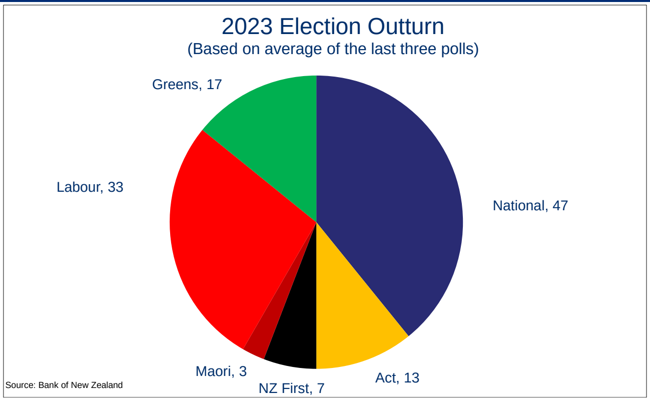
- It will be the end of a single party government
- If the "Left" defies the polls and gets across the line it is highly likely to be a three party coalition of some sort.
- If the "Right" maintains its current lead in the polls the shape of government will be heavily dependent on whether NZ First holds the balance of power or not. This looks a line ball call.
- Multiple right leaning propositions are possible:
  - A National/Act majority coalition
  - A National/Act/NZ First coalition
  - A National/Act coalition with NZ First's support from the cross benches
  - A National/NZ First coalition with Act on the cross benches

And, of course, if no one can agree there is the chance of another election but this would be unprecedented.

Given coalition building will be the order of the day there is no guarantee any policy that has been announced by any of the parties in the election campaign will come to fruition. On this basis there is little point in trying to make any comment on economic impact until we know the details.

Notwithstanding this, we are finding a number of investors who are becoming nervous about the possibility National will drop maximum sustainable employment as an objective within the RBNZ's remit instead having a sole focus on inflation. We think any such nervousness is unwarranted. We will not be making any major change to our view on monetary settings this cycle in the event the remit is adjusted. We have long held the view that the secret to getting inflation to acceptable levels this time around is to get the heat out of the labour market. We will hold to that view.

What the polls are saying

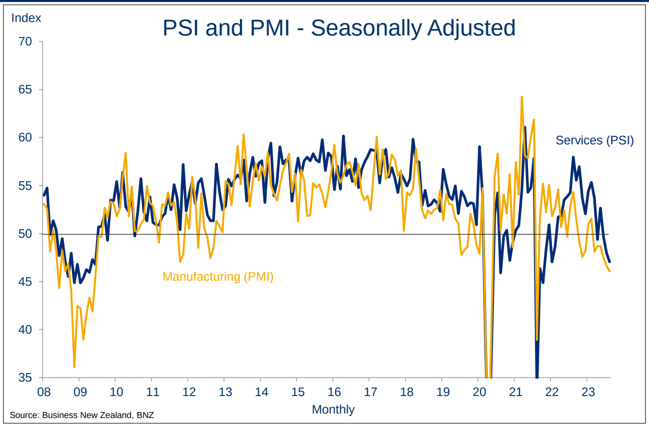


More generally, there are worries an incoming government might not be able to manage the fiscal situation in a manner that is disinflationary. Concerns are that a right leaning grouping will not be able to fund tax cuts and that a left leaning government won't be able to curtail spending in the manner currently forecast. We won't pass judgment on these points of contention other than to say that the Reserve Bank will need the government to do its bit if it is to cap the cash rate at the 5.5% it currently suggests.

While the election will take centre stage, there's plenty of economic data to pique our interest in the days ahead. We're most interested in the latest instalments of the Business New Zealand – BNZ PMI and PSI due Friday 13th and Monday 16th respectively. Both of these surveys have been miserable of late and point to an economy at best flatlining. We're not expecting to see anything other than this but would be happy to be pleasantly surprised.

Thursday we get more partials for the CPI with September's readings for food prices and rents.

PSI and PMI Ugly



We already have data for two of the three months for the quarter so any deviations from our expectations are unlikely to have a big impact on our Q3 forecasts. However, a big surprise would have us reconsidering our Q4 forecast. For the record, we are assuming a 0.1% increase in food prices and a 0.4% increase in rents, for the month. These are consistent with our view that the total CPI increase for Q3 will be 2.1%. This is bang in line with the RBNZ's expectation. The more interesting prospective difference is between our 1.0% forecast for the Q4 CPI against the RBNZ's 0.7% pick. We think the majority of the difference is petrol prices, which the RBNZ can look through. Nonetheless, it will certainly be a point of contention if the gap is sustained.

That said, the recent drop in petrol prices has taken the edge off our forecasts for Q4 to the tune of 0.2%. If prices are sustained at current levels then we will revise our numbers lower again.

The other technical point to note is that Statistics New Zealand has just announced a reweighting of the CPI. We won't go into all the detail but it has taken a further cumulative 0.2% off our forecasts over the next few quarters. It may well have a similar impact on the RBNZ's expectations. This is important as the RBNZ targets headline inflation. If measurement changes work in its favour then so be it. It still helps the Bank achieve its target and reduces the upward pressure on rates.

There have already been two data releases this week: Seek Job Ads and Quotable Value's latest house price index.

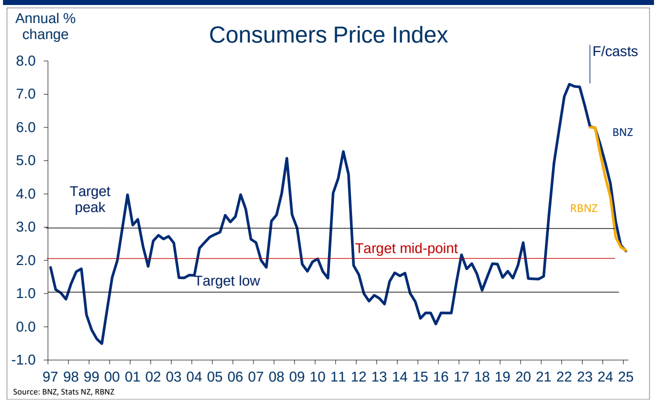
Job ads fell 2.3% in September. There'd been a small bounce in August which suggested the outlook for employment might have stabilised. We were not convinced, and it appears our scepticism is warranted. As far as we are concerned, the labour market continues to ease at a rapid rate.

Quotable Value revealed house prices rose 0.9% across the September quarter. This is consistent with all the other evidence that suggests the housing market is stabilising. What we are all waiting for, however, is to see what happens to prices when available listings rise. We think prices will continue to edge higher but the RBNZ doesn't seem quite so convinced.

On Wednesday, August migration and travel data are released. There are indications that net migration has peaked, at least on a monthly basis, and that tourism growth is stalling. We will be looking for confirmation of this in these data.

To round things off, September Electronic Cards Transactions data are released Friday. We have a 0.4% increase pencilled in but concede anecdotal evidence suggests retail is struggling so we are prepared for a downside surprise.

In line



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Global Watch

- **How will the Middle East conflict impact markets?**
- **Australia updates on business/consumer confidence**
- **US focus on CPI plus Fed minutes and many speakers**
- **ECB has “minutes” and numerous speakers scheduled**
- **China back from holidays with CPI, credit and trade**

Summary

As we start the week, there will obviously be a lot of attention on how various markets react to the conflict that erupted in the Middle East over the weekend.

Regarding the regular economic news, the NAB Business Survey and Consumer Confidence are the data releases of note for Australia in what is a quiet week from the ABS. Consumer confidence has been painting a picture of a much gloomier consumer than the slower but still broadly resilient consumption outcomes.

From the RBA, ahead of the Minutes and a panel appearance by Governor Bullock the following week, is a speech by RBA Assistant Governor (Financial Markets) Chris Kent on Wednesday. The Speech is titled ‘Channels of Transmission’ and will be interesting from the perspective of how effectively the RBA sees tighter policy flowing through to aggregate outcomes, given offsets via the wealth channel from rising house prices and little help from the exchange rate channel this cycle.

Globally, following last Friday’s robust US Payrolls results, attention turns to US CPI on Thursday. The consensus in the Bloomberg survey is for a 0.3% m/m gain in the core, compared to last month’s 0.28% outcome. That would be consistent with the theme of ongoing progress even if a little higher than the June and July outcomes and annualising above levels consistent with the Fed’s 2% PCE target. It’s the last CPI print ahead of the November FOMC meeting.

Minutes from the latest FOMC and ECB meetings will also be released, to be scoured for hints on the path forward, especially in context of the recent sharp rise in yields which followed the September FOMC meeting where the dot plot took out some of the projected cuts for 2024 (from 100bps of cuts to 50bps of cuts).

Elsewhere, the World Bank-IMF annual meetings take place in Morocco, the election for a new US House Speaker will make political headlines, and quarterly bank earnings get underway with Citigroup, JP Morgan, and Wells Fargo coming up in the week ahead.

There are a host of ECB speakers scheduled, including Lagarde on an IMF panel on Friday, as well as a full calendar of Fed speakers. Markets will be particularly attuned to any comments on the sharp back up in longer-term rates.

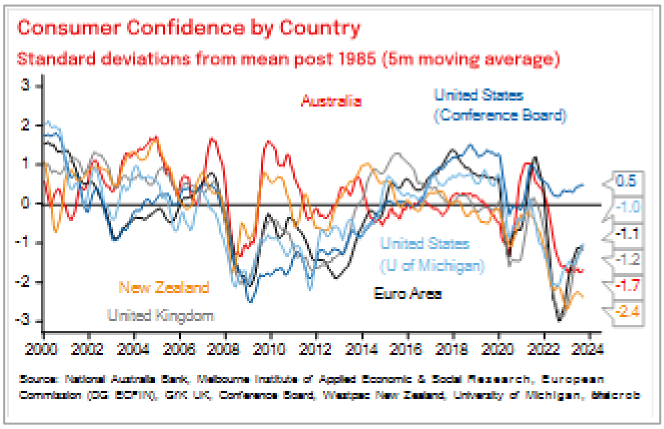
China is back from National Day holidays, with September Credit data due anytime during the week, and inflation data scheduled for Friday.

Calendar

Tuesday

AU October Consumer Confidence

Consumer confidence fell a little last month to be near the bottom of the depressed range it has tracked since mid 2022. This contrasts spending, which while slower has showed broad resilience to the pressures facing household budgets, and the experience in many other advanced economies, which, while still low, have tended to rebound as inflation has come off its peaks. Can it show signs of life this month?



Wednesday

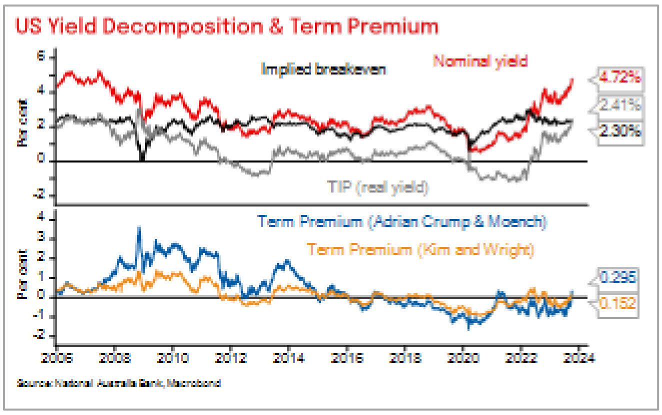
AU RBA’s Kent speaking on ‘Channels of Transmission’

RBA Assistant Governor (Financial Markets) speaks at midday in a Bloomberg Address titled ‘Channels of Transmission.’ Kent has broached similar topics before and expect an update on how the RBA is assessing the cash flow squeeze on households. Of most interest will be any commentary around the exchange rate channel.

The Australian dollar has depreciated since the August forecasts both against the US dollar and (less so) on a trade-weighted basis. Kent gave a rule of thumb that a 2% depreciation in the TWI would add 0.2ppt to CPI over a few years in a speech a year ago. Superficially, that would suggest the AUD, while certainly not helpful, is not forcing a rewrite of the policy outlook at this stage, but with little bite from the wealth channel either (house prices are rising) the holistic assessment of the stance of policy will help inform the path from here.

US FOMC Minutes

Will be watched closely given the market’s sharp reaction following the September FOMC meeting. At that meeting the dot plot projections downgraded potential rate cuts in 2024 from 100bps to 50bps. Real yields rose sharply over the weeks following that meeting, taking to heart the higher for longer messaging. Key will be the consensus around that messaging.



Thursday

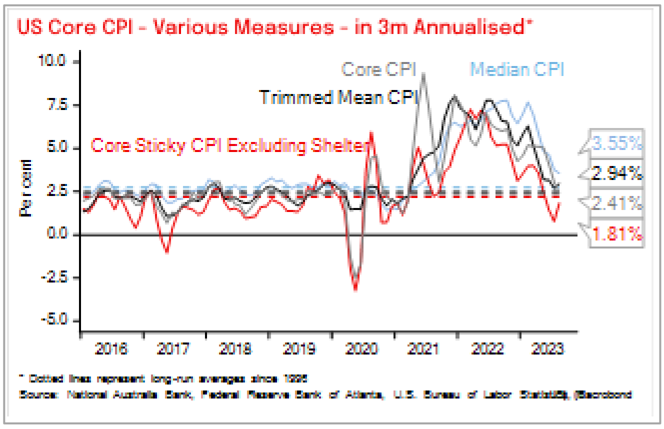
UK August Monthly GDP

Monthly GDP for August is released on Tuesday with markets broadly looking for something better than the 0.5% m/m slide in July. That was weather and strike affected; both factors that eased off in August. Investors are aware of recent GDP upgrades that saw around 2ppts added to GDP between Q4, 2019 and Q2, 2023. We are at least partially heartened that the latest services PMI data for September has been revised higher and much closer to 50 at 49.3 from a preliminary 46.8.

US September CPI

This is the key release of the week globally. Recent inflation data has been encouraging in the US, with 3m annualised core CPI having moderated to just 2.4%. The latest FOMC projections foresee a modest reacceleration of the pace of (PCE) inflation through the remainder of this year, with the September CPI an early test.

The consensus at time of writing looks for a 0.3% m/m gain in both the headline and core readings. August was 0.6% headline and 0.28% core, after core inflation was just 0.2% m/m the prior two months.



EZ Account of September ECB Meeting

Friday

CH September CPI and PPI, also Trade Balance

Incrementalist policy support may be starting to support some stabilisation early in activity, but Chinese inflation data on Friday is still expected to show minimal inflation pressure. Food inflation was likely weak, offset by higher energy. The CPI is seen inching higher to 0.2% y/y from 0.1%, while the pace of deflation in producer prices is expected to continue to moderate, to -2.4% y/y from -3.0%.

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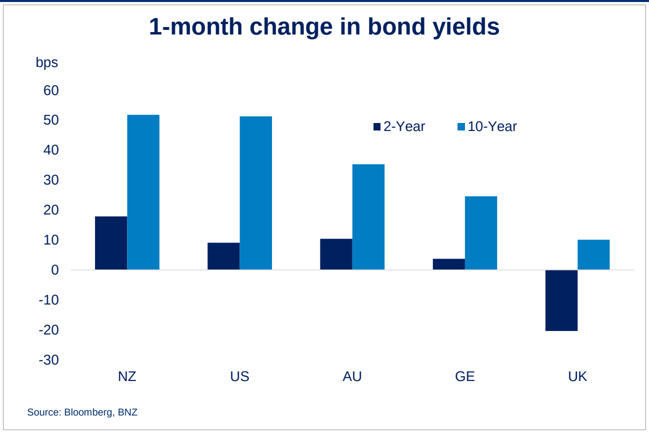
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

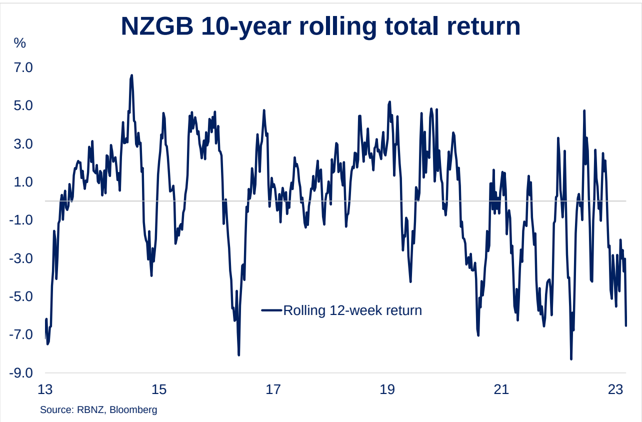
New Zealand fixed income yields continued to move higher over the course of last week. 10-year NZ Government Bond (NZGB) yields traded above 5.5% for the first time since 2011 amid a global bond market sell-off. The main driver for higher NZGB and global yields continues to be US treasuries. Economic activity in the US has remained resilient – the latest example being the large upside surprise to nonfarm payrolls data for September – and market sentiment has been impacted by the heavy bond issuance required to finance the fiscal deficit while the US Federal Reserve undertakes quantitative tightening.

Higher yields and steeper curves



NZGBs have kept pace with the sell-off in treasuries and the spread at the 10-year point on the curve has been stable near 70bps. The move higher in yields has been concentrated in longer maturities resulting in a steeper yield curve. From a peak inversion of near -80bp, the NZ 2y/10y curve is now back at -20bp. The pace of the sell-off has been relentless – 150bp since May in 10-year NZGBs – and suggests that a period of consolidation is required.

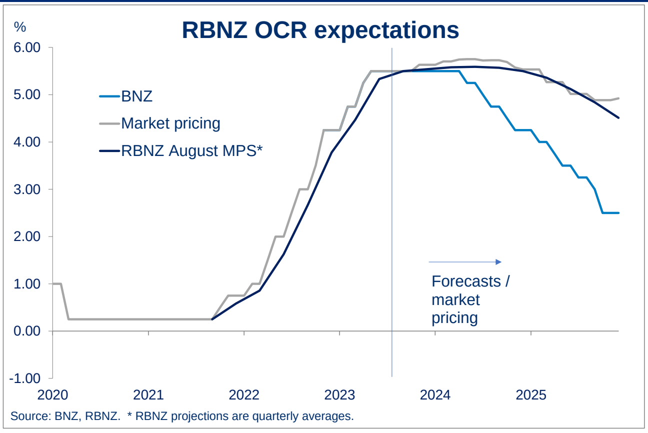
10-year NZGB selloff is reaching extreme levels



The Reserve Bank of New Zealand (RBNZ) left the Official Cash Rate (OCR) unchanged at 5.5% at the Monetary Policy Review last week. The accompanying statement suggested there is little change in the Bank's assessment from the August Monetary Policy Statement. While noting 'interest rates are constraining economic activity and reducing inflationary pressure as required', there was a suggestion, at the margin, that rates may need to stay elevated for longer than it had previously forecast.

The RBNZ did highlight that 'financial conditions have continued to tighten with an increase in wholesale and retail lending rates'. The Monetary Policy Committee noted that the average mortgage rate on outstanding loans continues to rise. 1-year mortgage rates have increased to 7.64% at the end of September, up from 7.18% in May when the OCR reached 5.5% reflecting, in part, higher funding costs for banks alongside the 'higher for longer' interest rate profile.

Market pricing higher for longer OCR profile



The overnight interest rate swap market is pricing close to 13bps of tightening for the November RBNZ meeting and a full a 25bps rate hike by May next year. We continue to expect the RBNZ will pivot to rate cuts earlier than the market is pricing amid slow economic activity and ongoing signs of a deterioration in the labour market.

There is only second-tier domestic economic data in the week ahead which is unlikely to provide much direction to bond yields. The General Election on 14 October is a potential risk event for New Zealand's debt markets. To date, non-resident investors have absorbed a significant portion of the NZ$12 billion NZGB supply in the new fiscal year. If negotiations to form a government look as though they could be protracted, it might impact market sentiment. We continue to expect one more syndication this year after the election uncertainty has passed in November.

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week the NZD was flat, closing at 0.5990, barely lower from the previous week's close after a round trip to just over 0.5870 near its mid-week low. Commodity currencies underperformed against a backdrop of a further slide in risk appetite and lower commodity prices. On the crosses, the NZD showed ½% gains against the AUD and CAD and falls of less than ½% against JPY, EUR and GBP.

The USD DXY index rose to a fresh high for the year mid-week after a strong JOLTS labour market report, but it drifted lower thereafter. The USD temporarily blipped higher after a strong payrolls report at the end of the week, before falling into the weekly close. The net result was the DXY index down a touch for the week, breaking a run of eleven consecutive weekly rises. This was even against a fall in our risk appetite index to a four-month low, ending the week below the neutral reading of 50%.

One shouldn't jump to conclusions, but the fact that the USD didn't lift after weaker risk appetite and stronger than expected US data could suggest that the near four-month recovery in the USD has now run its course, and the path of least resistance is for a weaker USD into year-end. For the near term though, Israel's declaration of war against Hamas at the weekend has just added another source of geopolitical risk into the mix, ostensibly USD-positive.

Domestically, the RBNZ left the OCR unchanged for a third consecutive meeting at 5.5%, alongside a neutral bias. There was no hint that the Bank feels the need to tighten policy further, even if the MPC agreed that interest rates may need to remain at a restrictive level "for a more sustained period of time". With the Statement not giving a nod to further possible hikes (versus a further hike expected by two of the major trading banks), the immediate reaction was a weaker NZD, but this was not sustained for long.

The RBA also kept policy unchanged, with a modest tightening bias, but the Bank also seemed to deliberately only make minimal changes to the Statement – a signal of "nothing to see here" after the change to a new Governor.

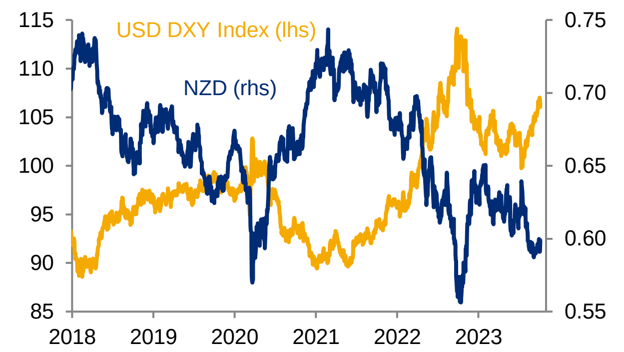
While commodity prices were generally weaker last week – Brent crude fell a chunky 11% and industrial metals prices were also lower – of note, NZ's dairy prices continue to show a strong recovery off a low base. This dynamic has driven a recent lift in NZ/Australia relative commodity prices. Combined with a small lift in NZ-Australian rate rates, our fair value NZD/AUD model estimate has risen close to 1½ cents over the past few weeks to 0.9150. These fundamental forces can explain why the cross has traded back up towards the top of its trading range this year. However, given NZ's more troubling macroeconomic backdrop, ultimately we see the cross falling back down.

A "flash crash" in USD/JPY after it rose up through 150 raised speculation that some official intervention was involved. We'll know for sure when figures are published later in the month, but any official intervention can only slow yen depreciation in the face of overwhelming fundamental forces that argue for a weaker yen, as the BoJ maintains its ultra-easy policy stance to suppress interest rates. NZD/JPY showed a blip down to near 87, but by the end of the week was back at 89.4.

In the week ahead the economic calendar is light, the key global release being the US CPI for September due Thursday night and, a day ahead of that, the US PPI. The consensus is picking the core CPI rose by 0.3% m/m which would take the annual increase down to a fresh two-year low of 4.1%. The market will be closely watching developments in the Middle East with a new war being waged.

With a light domestic calendar, focus turns to the general election at the end of the week. NZ-US and NZ-AU government rate spreads are trading near their highs for the year, with a higher risk premium on fiscal policy uncertainty as a factor. We don't think the NZD currently builds in a government-uncertainty risk premium and we don't think the outcome of the election will result in any sustained NZD reaction.

Recent recovery in USDE DXY index run its course?



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5990	0.5870 - 0.6050
NZD/AUD	0.9380	0.9150 - 0.9390
NZD/GBP	0.4895	0.4760 - 0.4930
NZD/EUR	0.5658	0.5520 - 0.5700
NZD/JPY	89.44	87.10 - 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	0.9150	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)

Resistance at 0.60 continues to hold. Support still seen at 0.5840.

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. Currently near the top of the wedge formation that has been in play for some time.

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NZ 5-year Swap Rate

Outlook: Neutral

MT Resistance: 5.51

MT Support: 5.01

Whilst moving higher last week, 5 year swap has stayed within the channel

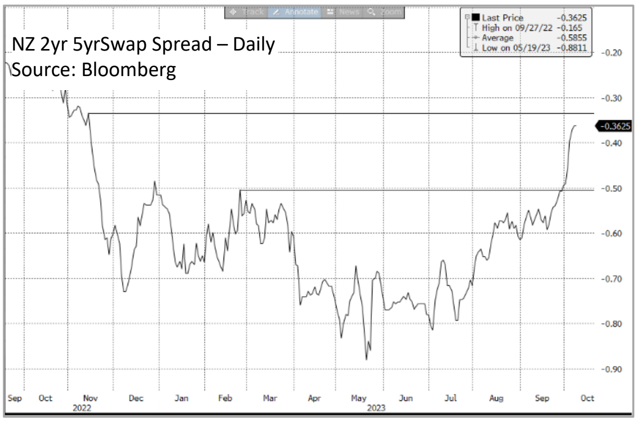
NZ 2-year - 5-year Swap Spread (yield curve)

Outlook: Less inverted

MT Resistance: -0.33

MT Support: -0.51

The 2x5 year swap spread continued its move higher. We continue to target -33bp to take profit on our steepening position.



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Quarterly Forecasts

Forecasts as at 9 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	2.1	1.0	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	3.7	3.9	4.3	4.7	5.0
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	6.0	5.5	4.9	4.3	3.1
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	5.65	4.83	4.83	5.50	4.86	4.70	5.65	4.10	0.74
Forecasts											
	Dec	5.50	5.60	4.70	4.70	4.95	4.85	4.80	5.85	4.10	0.60
2024	**Mar**	5.50	5.45	4.40	4.50	4.55	4.60	4.65	5.60	3.90	0.60
	Jun	5.25	5.00	4.20	4.35	4.15	4.40	4.50	5.10	3.75	0.60
	Sep	4.75	4.50	3.95	4.10	3.95	4.20	4.30	4.60	3.50	0.60
	Dec	4.25	4.25	3.80	4.10	3.45	4.05	4.30	4.10	3.50	0.60
2025	**Mar**	4.00	3.75	3.70	4.10	3.10	3.95	4.30	3.60	3.50	0.60
	Jun	3.50	3.65	3.60	4.10	2.80	3.85	4.30	3.35	3.50	0.60
	Sep	3.00	3.15	3.60	4.10	2.75	3.85	4.30	3.10	3.50	0.60

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	0.60	0.64	1.06	1.22	149	0.60	0.94	0.57	0.49	89.1	71.0
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

Forecasts as at 9 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	4.9	2.3	2.2	5.9	7.2	5.5	2.4	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	4.3	5.2	5.2	3.2	3.4	3.9	5.1	5.2
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	-2.4	-2.8	-1.7	-0.8					
Net Core Crown Debt (excl NZS Fund Assets)	17.0	18.0	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*

Source: Statistics NZ, BNZ, NZ Treasury

Key Upcoming Events

All times and dates NZT

		Median	Fcast	Last
	Monday 09 October			
GE	Industrial Production SA MoM Aug	-0.10%		-0.80%
EC	Sentix Investor Confidence Oct	-24		-21.5
CH	Aggregate Financing CNY Sep	3800.0b		3120.0b
	Tuesday 10 October			
EC	ECB's de Cos Speaks in Madrid			
US	Fed's Logan/Barr Speak			
US	Fed's Jefferson Speaks			
UK	BOE's Catherine Mann speaks			
UK	BRC Sales Like-For-Like YoY Sep			4.30%
AU	NAB Business Confidence Sep			2
US	NFIB Small Business Optimism Sep	91		91.3
	Wednesday 11 October			
US	Fed's Bostic Speaks			
US	Wholesale Trade Sales MoM Aug	0.50%		0.80%
US	NY Fed 1-Yr Inflation Expectations Sep			3.63%
EC	ECB's Villeroy speaks			
US	Fed's Waller Speaks			
US	Fed's Kashkari Speaks			
NZ	Net Migration SA Aug			5786
US	Fed's Daly Speaks			
AU	RBA's Kent Speaks			
AU	CBA Household Spending MoM Sep			0.70%
GE	CPI YoY Sep F	4.50%		4.50%
EC	ECB 1 Year CPI Expectations Aug			3.40%
US	Fed's Bowman Speaks in Morocco			
	Thursday 12 October			
US	PPI Ex Food and Energy YoY Sep	2.30%		2.20%
US	Fed's Waller Holds Fireside Chat			
US	Fed's Bostic Speaks			
US	FOMC Meeting Minutes Sep -20			
NZ	REINZ Housing Report Sep			

		Median	Fcast	Last
	Thursday (continued)			
US	Fed's Collins Speaks			
NZ	Food Prices MoM Sep		0.10%	0.50%
JN	Core Machine Orders MoM Aug	0.60%		-1.10%
JN	BOJ Board Noguchi Speech in Niigata			
UK	Monthly GDP (MoM) Aug	0.20%		-0.50%
UK	Industrial Production MoM Aug	-0.20%		-0.70%
UK	Trade Balance GBP/Mn Aug	-£3700m		-£3446m
UK	BOE credit conditions survey			
UK	BOE's Huw Pill speaks			
	Friday 13 October			
EC	ECB Publishes Account of Sep Meeting			
US	CPI Ex Food and Energy YoY Sep	4.10%		4.30%
US	Initial Jobless Claims Oct-07	210k		207k
US	Fed's Collins Speaks			
NZ	BusinessNZ Manufacturing PMI Sep			46.1
NZ	Card Spending Total MoM Sep		0.40%	0.90%
CH	CPI YoY Sep	0.20%		0.10%
CH	PPI YoY Sep	-2.40%		-3.00%
EC	ECB's Nagel, Germany's Lindner Speak			
UK	BOE Governor Bailey speaks at IIF			
EC	Industrial Production SA MoM Aug	0.10%		-1.10%
CH	Trade Balance CNY Sep			488.00b
EC	EU Rating reviewed by Moody's			
	Saturday 14 October			
US	Fed's Harker Speaks			
EC	ECB's Lagarde at IMF Panel			
US	U. of Mich. Sentiment Oct P	67		68.1
UK	BOE's Jon Cunliffe speaks at IIF			
NZ	New Zealand General Election			
	Sunday 15 October			
UK	BOE Governor Bailey speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	5.50	5.50	5.50	3.50
1mth	5.62	5.62	5.60	3.54
2mth	5.65	5.68	5.63	3.73
3mth	5.70	5.73	5.66	3.92
6mth	5.77	5.81	5.71	4.24
GOVERNMENT STOCK				
04/25	5.73	5.78	5.53	4.25
04/27	5.48	5.42	5.12	4.29
04/29	5.43	5.32	4.99	4.31
05/31	5.49	5.35	4.99	4.34
04/33	5.53	5.37	4.99	4.44
04/37	5.70	5.52	5.12	4.68
05/41	5.76	5.59	5.18	4.81
05/51	5.75	5.58	5.17	4.74
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	75	75	63	101
Europe 5Y	86	82	70	135

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	5.71	5.77	5.52	4.80
3 years	5.53	5.53	5.24	4.69
4 years	5.41	5.37	5.05	4.60
5 years	5.35	5.28	4.95	4.54
10 years	5.34	5.24	4.84	4.51
FOREIGN EXCHANGE				
NZD/USD	0.5969	0.5947	0.5919	0.5567
NZD/AUD	0.9382	0.9345	0.9204	0.8837
NZD/JPY	89.00	89.11	86.76	81.11
NZD/EUR	0.5655	0.5676	0.5506	0.5738
NZD/GBP	0.4892	0.4920	0.4732	0.5036
NZD/CAD	0.8161	0.8132	0.8035	0.7671
TWI	71.0	71.0	69.8	67.1

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