

Research Markets Outlook

30 October 2023

Labour Market Migrating Toward a Better Balance

- **Unemployment rate still rising (but by how much)?**
- **As jobs growth fails to keep pace with immigration**
- **September's filled jobs rise 0.4%, 3.0% y/y**
- **(Remainder of) RBNZ FSR due Wed. (presser 1.00pm)**
- **Final election results to note for Friday**

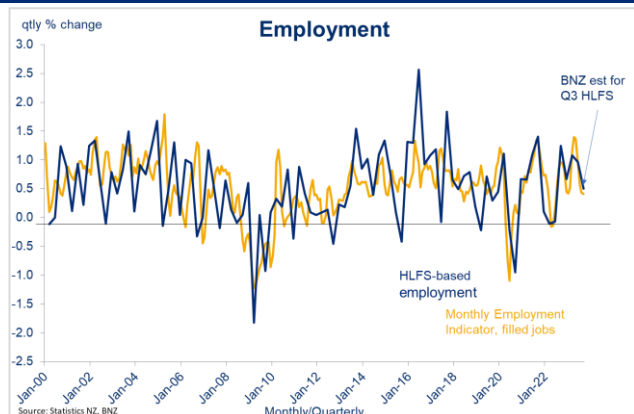
There is a lot to suggest New Zealand's jobs market is moving towards a better balance and that this will become more obvious as time wears on. That said, Wednesday's Q3 labour market reports seem more likely to show a gradual rate of cooling, rather than anything dramatic at this stage.

Businesses have certainly been expressing far less difficulty in finding staff than they were 6-12 months ago, as net inward migration has burgeoned to extraordinarily high levels. To be sure, economic surveys have, in general, conveyed tough times for local firms. However, their near-term pointers on employment have tended to show relative resilience.

With all this in mind, we judge the Household Labour Force Survey (HLFS) measure of employment will expand 0.5% for Q3, generating annual growth of 3.3%.

This, by the way, was unperturbed by this morning's employment indicators for the month of September. Yes, they increased a seasonally adjusted 0.37% – stronger than we anticipated. However, downward revisions to August (now +0.11%) and July (now 0.07%) meant the September quarter gain, compared to the June quarter, came in at 0.4% – near as dammit to what we expected.

In line



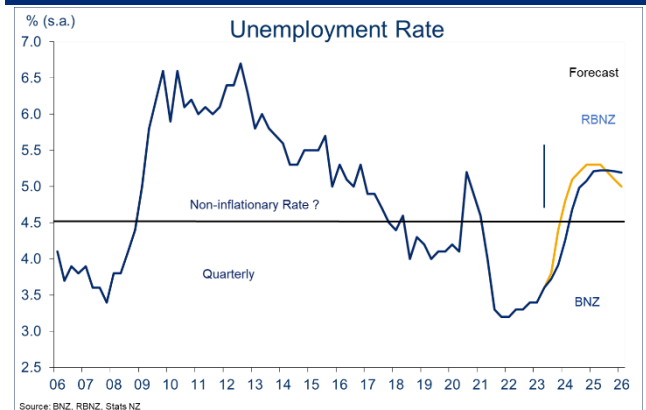
Still, with high immigration concurrently boosting labour force growth, we reckon the unemployment rate, on balance, edged up to 3.7% in Q3, from 3.6% in Q2 (bearing in mind its low, of 3.2%, was back in Q1 2022). This assumes the participation rate holds up at the record-high of 72.4% it posted for Q2.

Market expectations are that the unemployment rate will shift up to 3.9% in Q3. This is based on quarterly employment growth of 0.3% and a higher high in the participation rate, namely 72.5%.

As for what the RBNZ was looking for, its August MPS figured on the unemployment rate moving up to 3.8% in Q3, predicated on a 0.3% increase in employment and the participation rate holding steady at 72.4%.

While there are compositional differences across these range of expectations, they more commonly suggest the unemployment rate continues to trend upward, as slowing employment growth struggles to mop up the entirety of the (immigration-boosted) supply of labour.

Pressure coming off

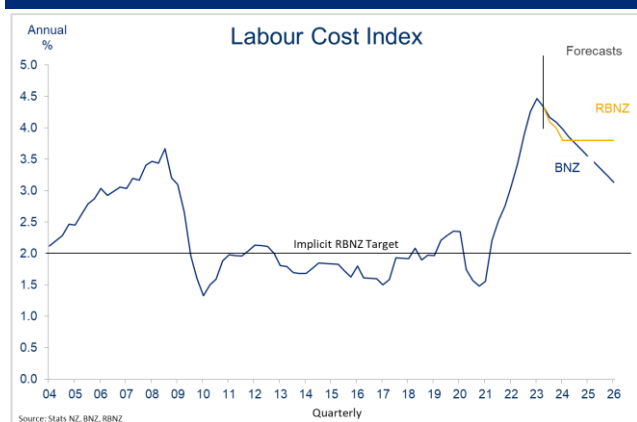


In terms of how the outcomes relate to maximum sustainable employment (MSE), this essentially depends on what they mean for core inflation. This symbiosis, by the way, is why we don't see much, if any, change in the way RBNZ will go about its monetary policy business, even with its MSE mandate looking like it's going to be dropped by the incoming government.

As for what Wednesday's labour market reports have to say on wage rates and salaries, we anticipate the private-sector Labour Cost Index to expand 1.0%. This would leave its annual rate of inflation at 4.3% (although right on the cusp of rounding down to 4.2%).

The market polling also figures on a 1.0% quarterly increase in the private sector LCI, as did the Reserve Bank in its August MPS. The contentious issue with the Bank's LCI forecasts is that they had annual inflation persisting at 3.8% y/y for 2024 and 2025. This is a long way above the 2.0% per annum LCI pace normally judged consistent with the mid-point of the Bank's 1.0 to 3.0% target band on annual CPI inflation. This might reflect the Bank signalling its flexibility, but it's hard to know.

On the level



Ahead of Wednesday's labour market data, tomorrow afternoon's ANZ business survey will obviously be important. That said, the responses to it will probably largely pre-date the 14 October election – when it's the post-election assessments we are most interested in viewing.

We could say the same about the housing market, with many punters waiting for affirmation of the policies that will prevail from the Beehive's reset.

So, the various housing market reports covering October, due this week, will arguably be more instructive for their split-month anecdote than their statistics per se. The CoreLogic report is formally due 00:01am Wednesday, while we would expect to see Auckland's Barfoot and Thompson result sheets by Friday.

Further context to the housing market will be provided by tomorrow morning's building consents, which will also update for trends regarding non-residential construction activity in the pipeline.

For a lens into mortgage activity, note September's money and credit aggregates are scheduled for Tuesday afternoon. These will also provide updates on consumer, business and agriculture credit trends.

Housing will also feature, as usual, in the RBNZ six-monthly Financial Stability Report (FSR). This is due Wednesday 9:00am. Of course, the dynamics of rising interest rates should by now be well baked into analysis. And note the RBNZ has pre-released, this morning, FSR material on this, while noting few signs to debt-servicing stress at present. This is after the Bank pre-released its FSR chapter on agriculture last week (which also described low default rates at present, albeit with headwinds blowing for the sector).

Even with this pre-released material, there will be plenty else to pore over in the always-comprehensive FSR. Also appreciate the press conference the RBNZ officials will be holding on it. This is scheduled to start 1:00pm Wednesday (presumably to allow the 10:45am HLFS to come and go). There will be no testimony to Parliament on the FSR anytime soon, however, given the political flux.

Speaking of which, the final results of the 2023 general election are due for release 2:00pm Friday. These will help establish the form of the National-led government, including confirmation of the degree of overhang New Zealand's 54th Parliament will have (which will affect the numbers required for a majority).

Still, it could take a while yet to know the final arrangements on the new government, and the full range of policies that will result from it. Elongation in this government formation process will curtail what can formally go into December's Half-Year Economic and Fiscal Update as government policy, as well as the mini-Budget the government appears to have in mind before the year is out.

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Global Watch

- Fed, BoE seen on hold
- But what about the BoJ?
- US ISMs, payrolls to monitor
- China PMIs expected to show stability
- EU annual inflation seen lower; GDP flat

Australia

A week full of second-tier data for Australia, which is unlikely to influence expectations of the RBA hiking rates the following week on 7 November.

For Retail Sales today consensus is for 0.3% m/m and NAB is a touch stronger at 0.4% based off its internal transactions data. There is the potential for the latest iPhone to boost sales and this was cited by the Statistician as a factor driving retail in September 2022. Offsetting that there could be some pullback from the women's world cup boost that was seen in August. Note the quarterly volumes measure of retail is out on Friday. NAB expects a flat outcome, somewhat stronger than consensus at -0.3% q/q.

Private Sector Credit is out Tuesday, with Dwelling Prices and Building Approvals on Wednesday. NAB expects building approvals to rise 3.0% m/m (consensus 2.5%). Trade Balance and Lending Finance data is scheduled for Thursday. The calculation of the trade balance is changing in the report to be goods only. There may be some confusion as the headline monthly balance no longer reflects services trade. Consensus sits at \$9.6bn, down from \$10.4bn.

There are two speeches by RBA Assistant Governor Jones on Tuesday and Friday, but unlikely to be monetary focused – Jones' remit is the financial system.

US

NAB expects the FOMC to be on hold on Wednesday (Thursday morning NZT), as is widely expected. Fed officials have indicated a high bar to hiking again, and it would take inflation re-accelerating and/or further strength in the rate of activity. Chair Powell is also expected to remain on message, being open to tightening again, but also acknowledging progress on inflation. So expect messaging to be similar, though there may be greater acknowledgement of the moderation seen in inflation and the de-facto tightening from the recent run up in yields.

Data kicks off on Tuesday with the Employment Cost Index, Consumer Confidence, and Chicago PMI. The ECI is the most important with consensus at 1.0% q/q, a similar pace to last quarter at 1.0%. A low print would suggest the tentative signs of loosening in the labour market are starting to translate into labour costs. The Conference Board consumer confidence is expected to dip to 100 from 103.

ISM Manufacturing is due on Wednesday where the consensus is for little change at 49.0. JOLTs job openings are also due Wednesday along with ADP Employment.

Payrolls and the ISM Services are out on Friday, both with the potential to move markets. The former to reveal how tight the labour market is, and the latter important for tracking US activity (including its outperformance relative to the likes of the EU). Headline payrolls are expected to be 190k and expectations are for unemployment rate to be unchanged at 3.8%. As for the ISM, expectations are for a fall back to 53.0 from 53.6.

China

PMIs are out Tuesday will show whether activity is continuing to stabilise – signs of stabilisation have been picked up over recent months. Consensus for manufacturing is 50.2 (unchanged on last month) and for non-manufacturing to be 51.8 (from 51.7). Also of interest will be the breakdown of non-manufacturing between construction and services, where there has been a pickup in the construction sector and suggestive of policy moves stabilising activity. The Caixin Manufacturing Index is out on Wednesday.

Japan

The BoJ is out on Tuesday with a lot of uncertainty heading into the meeting. The Japanese government is worried about Yen weakness and USD/JPY poking above 150 being seen as the upper end of the tolerance of Japanese officials. At the same time 10yr JGB yields are trading close to the upper end of the recently widened band. It could be the BoJ decides to widen the band further, or even scrap YCC altogether. Either way expect some volatility to come from the meeting.

UK

The BoE on Thursday is the main event. NAB expects another on hold decision (albeit likely another split decision), consistent with a view that rates have peaked at 5.25%. That is also the consensus view of economists, while market pricing is increasingly removing its partial pricing of another hike sometime in the coming months and where cuts are now being priced later in 2024. Recent wage and labour market data has been consistent with the BoE's assessment in September that UK economic indicators are more broadly aligning with a slowdown. On the same day and sticking with this theme the BoE will release its latest Decision makers Panel findings on wages and inflation for October.

EU

German inflation numbers are usually closely watched ahead of the wider Euro area measure which is out on Tuesday. Consensus for EU headline inflation sits at 3.1% y/y, and for core at 4.2%. Focus will also be on Q3 GDP figures which are likely to be weak (consensus looks for flat q/q). A technical recession this year cannot be ruled out.

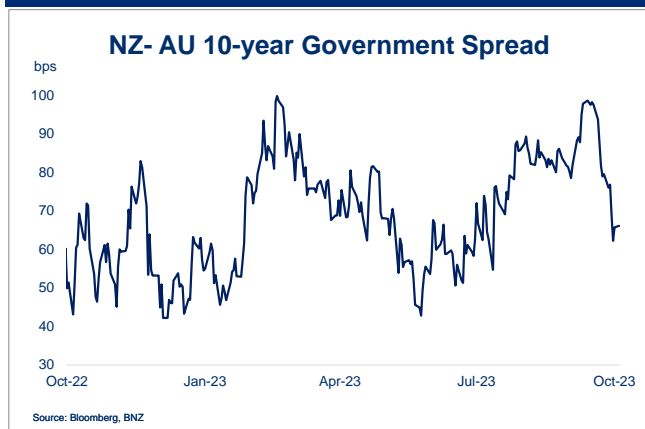
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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ fixed interest yields pulled back off the recent cycle highs during the last week aligning with the moves in offshore markets in the absence of first tier domestic economic data. 10-year government bond yields ended the week at 5.47%, consolidating below the recent 5.60% multi-year highs. NZ fixed interest has been outperforming on a cross market basis since the release of lower than expected Q3 CPI data, which increased the probability that the RBNZ has completed its tightening cycle. 10-year government spreads against Australia narrowed towards 65bp, down from recent highs near 100bp. NZGB spreads to US treasuries have also compressed.

Sharp reversal in NZ-Australia 10y government spread

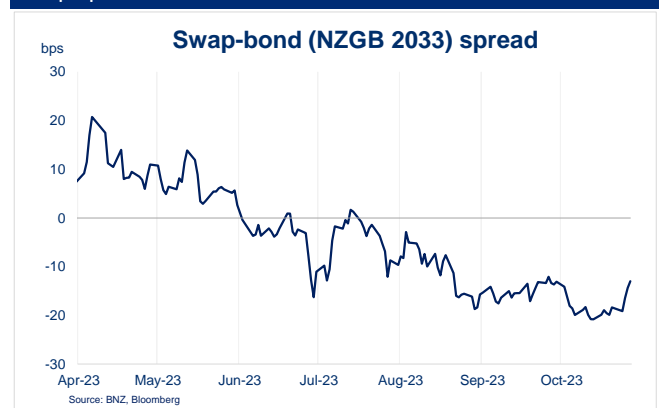


Government bonds outperformed relative to interest rate swaps during last week. The market had been anticipating New Zealand Debt Management (NZDM) to announce a syndication would take place in November when it released the monthly tender schedule last Wednesday. At the Pre-election Economic and Fiscal Update in September, NZDM indicated it would issue 2 new lines – a May 2035 and a May 2054 maturity – before the end of FY24. The month of November presented several potential issuance windows.

While there is still a chance of a November syndication, NZDM has used the monthly tender schedule to announce recent transactions and the probability of using the available issuance windows in November has decreased. With many in the market anticipating the supply event, bonds outperformed swaps in the absence of a syndication timing announcement.

10-year swap spreads have rebounded almost 10bp off the recent lows near -20bp. We expect bonds to maintain a yield premium to swaps amid a persistently large government borrowing programme and it is likely swap spreads retest the recent lows. NZDM will provide an update on the bond programme alongside the Half Year Economic and Fiscal Update in December.

Swap spreads recover off the lows



Large government borrowing programmes are a feature across global fixed income markets. Heavy supply has contributed to the recent steepening in the US treasury yield curve. The US Treasury releases its updated borrowing plans early Thursday morning (NZT). The quarterly refunding announcement is expected to reveal a further increase in issuance volumes. The market will be anticipating the compositional breakdown between longer term debt and shorter-term cash borrowing instruments.

There are several key economic reports released in the week ahead as well as monetary policy decisions from the US Federal Reserve, Bank of England, and Bank of Japan (BOJ). The main domestic data point is the Q3 labour market reports. We have noted a clear momentum shift in the labour market, and if confirmed by the report on Wednesday, will support our forecasts for an earlier pivot towards an easing cycle by the RBNZ than what is currently priced by the market.

The Fed is expected to leave rates on hold so the accompanying statement and press conference will be important to understand the committee’s updated thinking on the economy and its impact on monetary policy. Recent US data points to ongoing resilience, though higher long-term yields have contributed to tighter financial conditions, reducing the need for a further increase in the policy rate.

There has been growing speculation the BoJ will announce adjustments to its yield curve control (YCC) or end the policy all together. 10-year JGB yields have been edging higher towards the top of the YCC band at 1%. If the BOJ do adjust the policy, ongoing JGB purchasing operations will likely smooth upward moves in JGB yields. Global bond markets are sensitive to the normalisation in Japan’s monetary policy which could reduce Japanese investor demand for foreign bonds.

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Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week the NZD traded a 1-cent range and ended down a modest 0.3% to 0.5810, after trading a fresh year-to-date low of 0.5774. The NZD was flat against EUR and GBP and showed near-½% falls against AUD and JPY, the former down to a monthly low after stronger than expected Australian CPI data.

The market traded with a cautious tone last week, with ongoing conflict in the Middle East a bubbling risk under the surface as well as bond market volatility continuing on uncertainty about the inflation, growth and rates outlook. Our risk appetite index is hovering just over the 40% mark, suggesting below-average sentiment.

Data released highlighted the US economy's growth hegemony, with Q3 GDP running at an annualised rate of 4.9% and PMI data showing US PMIs now at 50, or above, while the Euro area PMIs slipped further into contractionary territory. Still, even with US data still surprising on the high side and risk appetite remaining soft, the USD DXY index hasn't challenged the highs traded earlier this month. This suggests that the strong rally in the USD from mid-July to early-October has run its course, with long positioning in the USD providing a suitable headwind to any further strength. This bodes well for the NZD finding a base, in the absence of a major escalation of risk in the Middle East.

The ECB left its policy rate on hold, with a neutral policy outlook and noting risks to growth remain tilted to the downside. Through the week, NZD/EUR showed some consolidation around the 0.55 mark.

Australia's Q3 CPI report was stronger than market expectations, including the core measure (trimmed mean) coming in at 1.2% q/q, three-tenths higher than the RBA's last official forecast. The data supported the case for another RBA rate hike at its meeting next week. NZD/AUD fell to just over 0.9160 before consolidating, with some profit-taking after its short-sharp decline from over 0.94 earlier this month. We see 0.9150 as a near-term support level, but ultimately continue to think that the 0.90 level can be challenged this cycle, based on Australia's economy likely outperforming NZ, and that leading to further narrowing of interest rate differentials.

In the week ahead, the economic calendar is full, with plenty of event risk that could impact the currency market. There will be policy meetings by the BoJ, Fed and BoE. With ongoing positive inflation surprises, a full forecast update and USD/JPY trading above 150 last week, the BoJ's decision will be the most interesting. There is a good argument for another policy tweak, another incremental step away from the prevailing ultra-easy policy stance. Doing nothing would risk sending the yen weaker and requiring intervention to stem the tide. Yen weakness continues to keep NZD/JPY elevated and our medium-view

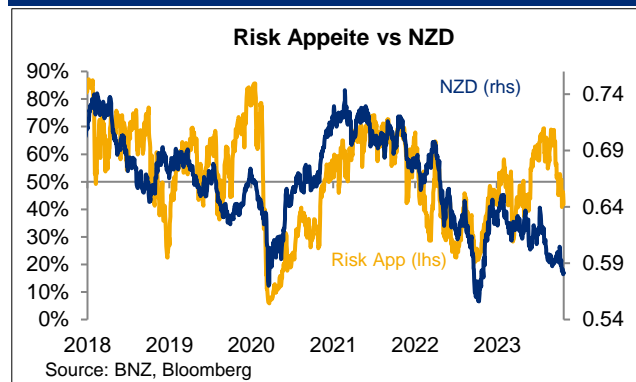
is for a considerable fall, the key question being one of timing for that move.

The Fed is widely anticipated to keep policy unchanged. Chair Powell's message is likely to be similar to what he said just over a week ago – that the Fed would “proceed carefully” and “make decisions about the extent of additional policy firming and how long policy will remain restrictive based on the totality of the incoming data, the evolving outlook, and the balance of risks.” A repeat of the message shouldn't perturb the market. On the BoE, the market is pricing little chance of another hike at this meeting.

Key global data releases, all with the potential of moving the market, are China PMIs, euro area CPI and GDP figures, and in the US the employment cost index, JOLTS report, non-farm payrolls and the ISM indicators.

Domestic releases include the ANZ business outlook survey and key labour market indicators. The latter are expected to show slightly softer wage inflation and the consensus sees the unemployment rate rising 0.3 percentage points to 3.9%, its highest level in over two years and thereby supporting the RBNZ's on-hold view for policy.

Falling risk appetite a drag on the NZD



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5819	0.5770 - 0.6060
NZD/AUD	0.9184	0.9160 - 0.9410
NZD/GBP	0.4803	0.4770 - 0.4930
NZD/EUR	0.5502	0.5470 - 0.5710
NZD/JPY	87.01	86.80 - 89.90

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models		
	Model Est.	Actual/FV
NZD/USD	0.6250	-7%
NZD/AUD	0.9020	2%

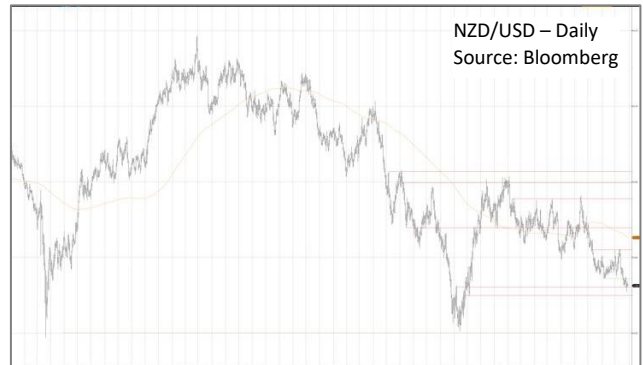
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Technicals

NZD/USD

Outlook: Downside risk
 ST Resistance: 0.6050 (ahead of 0.62)
 ST Support: 0.58 (ahead of 0.5750)

A fresh low last week of 0.5774 wasn't sustained for long. Support zone now considered around 0.5750-0.58.

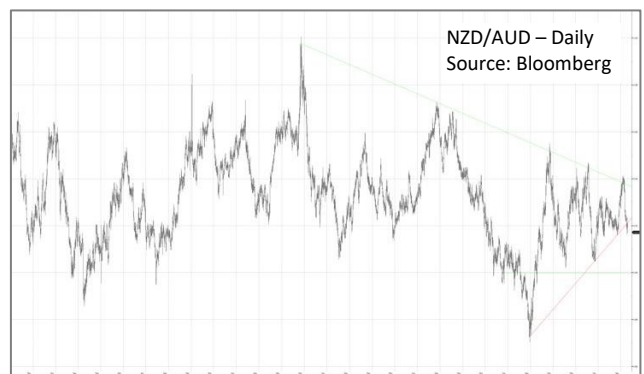


NZD/AUD

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

Still in a broad 0.90-0.94 trading range, although sharp move lower takes it below the wedge formation that has been in play for some time.

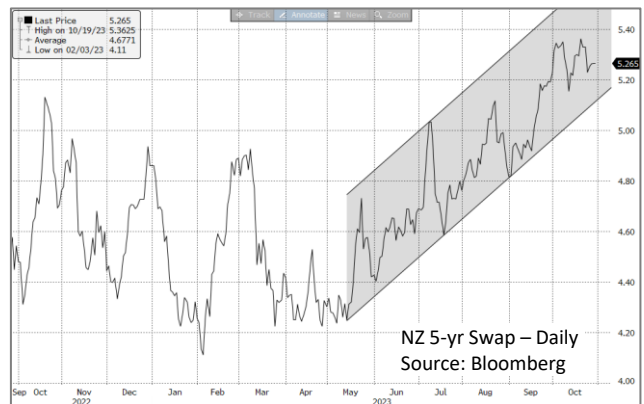
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NZ 5-year Swap Rate

Outlook: Neutral
 MT Resistance: 5.615
 MT Support: 5.115

5 year swap drifted slightly lower last week. We remain neutral in our outlook with no meaningful technical signals available.

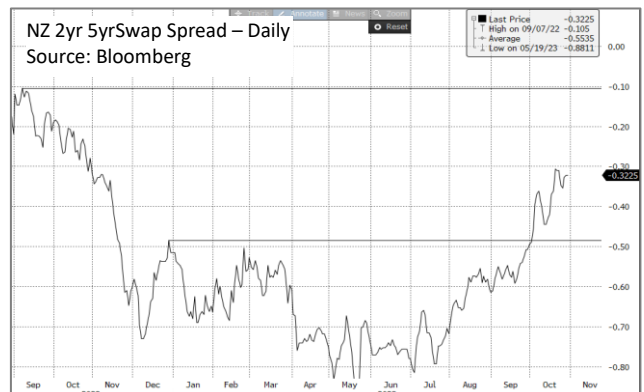


NZ 2-year - 5-year Swap Spread (yield curve)

Outlook: Neutral
 MT Resistance: -0.10
 MT Support: -0.48

2x5 swap spread has moved back lower through our support and as such we have taken profit on our paid position. We are now neutral on this curve and await further technical signals.

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Quarterly Forecasts

Forecasts as at 30 October 2023

Key Economic Forecasts

Quarterly % change unless otherwise specified

	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Forecast	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	-6.6	-6.3	-6.2	-6.0
CPI (q/q)	1.7	2.2	1.4	1.2	1.1		1.8	0.8	0.6	0.6	1.3
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		2.8	3.0	2.5	2.6	2.7
CPI (y/y)	7.3	7.2	7.2	6.7	6.0		5.6	5.0	4.4	3.8	3.4
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			Swaps			US Rates		Spread
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	Libor	US 10 yr	NZ-US
		Bank Bills						3 month		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	5.20	5.30	5.15	5.35	5.40	5.85	4.60	0.70
2024 Mar	5.50	5.45	4.85	5.05	4.75	5.05	5.20	5.85	4.40	0.65
Jun	5.25	5.00	4.55	4.80	4.35	4.75	4.95	5.60	4.20	0.60
Sep	4.75	4.50	4.30	4.60	3.95	4.55	4.80	5.35	4.00	0.60
Dec	4.25	4.25	3.95	4.30	3.50	4.20	4.50	4.85	3.75	0.55
2025 Mar	4.00	3.75	3.65	4.00	3.20	3.90	4.20	4.35	3.50	0.50
Jun	3.50	3.25	3.60	4.00	3.05	3.85	4.20	3.85	3.50	0.50
Sep	3.00	2.90	3.55	3.95	3.00	3.80	4.15	3.35	3.50	0.45

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.58	0.63	1.06	1.21	150
Dec-23	0.60	0.66	1.13	1.31	138
Mar-24	0.62	0.69	1.16	1.35	135
Jun-24	0.64	0.71	1.17	1.34	130
Sep-24	0.64	0.72	1.18	1.35	125
Dec-24	0.65	0.73	1.19	1.35	120
Mar-25	0.67	0.75	1.21	1.37	118
Jun-25	0.69	0.77	1.22	1.37	116
Sep-25	0.71	0.78	1.23	1.38	115
Dec-25	0.71	0.78	1.23	1.38	114
Mar-26	0.69	0.76	1.21	1.37	112

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.58	0.92	0.55	0.48	86.9	69.3
Dec-23	0.60	0.91	0.53	0.46	82.8	69.1
Mar-24	0.62	0.90	0.53	0.46	83.7	70.3
Jun-24	0.64	0.90	0.55	0.48	83.2	71.3
Sep-24	0.64	0.89	0.54	0.47	80.0	70.4
Dec-24	0.65	0.89	0.55	0.48	78.0	70.4
Mar-25	0.67	0.89	0.55	0.49	79.1	71.8
Jun-25	0.69	0.90	0.57	0.50	80.0	73.4
Sep-25	0.71	0.91	0.58	0.51	81.7	75.2
Dec-25	0.71	0.91	0.58	0.51	80.9	75.2
Mar-26	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

recasts as at 30 October 2023	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025
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	0.5	-1.1	4.2	12.3	4.1	1.2	-1.9	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	-0.2	0.1	2.3
Exports	2.5	6.0	5.5	3.0	5.2	-2.7	-0.2	9.0	3.0	5.1
Imports	17.3	4.7	-1.0	-0.1	2.7	14.8	4.7	0.7	-0.8	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
<i>GDP - annual % change (q/q)</i>	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	-0.5	-1.0	-0.1	1.4	1.8	0.1	-1.1	-0.3
Nominal Expenditure GDP - \$bn	358	388	412	428	453	353	381	407	423	447
and Employment - annual % change										
CPI	6.9	6.7	4.4	2.9	2.1	5.9	7.2	5.0	2.9	2.1
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	-12.1	2.3	8.6	10.9	27.2	-11.1	-1.9	6.7	12.5
External Balance										
Current Account - \$bn	-23.6	-31.8	-26.0	-21.7	-15.6	-20.6	-33.4	-27.0	-23.6	-17.0
Current Account - % of GDP	-6.6	-8.2	-6.3	-5.1	-3.5	-5.8	-8.8	-6.6	-5.6	-3.8
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					
Real 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	2.75	0.75	4.25	5.50	4.25	2.75
90-day Bank Bill Rate	1.45	5.16	5.45	3.75	2.90	0.92	4.55	5.60	4.25	2.90
5-year Govt Bond	2.90	4.40	4.85	3.65	3.55	2.20	4.30	5.20	3.95	3.50
10-year Govt Bond	3.20	4.35	5.05	4.00	3.90	2.35	4.25	5.30	4.30	3.90
2-year Swap	3.00	5.15	4.75	3.20	3.10	2.22	5.21	5.15	3.50	3.00
5-year Swap	3.20	4.50	5.05	3.90	3.80	2.56	4.62	5.35	4.20	3.75
US 10-year Bonds	2.10	3.65	4.40	3.50	3.50	1.45	3.60	4.60	3.75	3.50
NZ-US 10-year Spread	1.10	0.70	0.65	0.50	0.40	0.90	0.65	0.70	0.55	0.40
<i>10-year swap rate for the last month in the quarter</i>										

Source: Statistics NZ, BNZ, NZ Treasury

Key Upcoming Events

All times and dates NZT

	Median	Fcast	Last		Median	Fcast	Last
Monday 30 October				UK S&P Global/CIPS UK Mfg PMI Oct F	45.2		45.2
NZ Employment indicators Sep			0.24%	Thursday 02 November			
AU Retail Sales MoM Sep	0.30%	0.40%	0.20%	US ADP Employment Change Oct	150k		89k
EC ECB's Simkus speaks				US S&P Global US Mfg PMI Oct F	50		50
GE GDP SA QoQ 3Q P	-0.20%		0.00%	US Construction Spending MoM Sep	0.40%		0.50%
EC Consumer Confidence Oct F			-17.9	US JOLTS Job Openings Sep	9265k		9610k
EC Economic Confidence Oct	93		93.3	US ISM Manufacturing Oct	49		49
Tuesday 31 October				US FOMC Rate Decision (Upper Bound) Nov-01	5.50%	5.50%	5.50%
EC ECB's Guindos Speaks				AU Trade Balance Sep	A\$9576m		A\$10380m
GE CPI YoY Oct P	4.00%		4.50%	AU Exports MoM Sep			4.50%
NZ Building Permits MoM Sep			-6.70%	AU Imports MoM Sep			-1.00%
JN Jobless Rate Sep	2.60%		2.70%	AU Home Loans Value MoM Sep	1.00%	2.00%	2.20%
JN Retail Sales MoM Sep	0.20%		0.10%	GE Unemployment Claims Rate SA Oct	5.80%		5.70%
AU RBA's Jones speaks				EC HCOB Eurozone Mfg PMI Oct F	43		43
JN Industrial Production MoM Sep P	2.50%		-0.70%	UK BOE Decision Maker Panel Survey			
NZ ANZ Business Confidence Oct			1.5	Friday 03 November			
AU Private Sector Credit MoM Sep	0.30%	0.40%	0.40%	EC ECB's Lane Speaks			
CH Manufacturing PMI Oct	50.2		50.2	UK Bank of England Bank Rate Nov-02	5.25%	5.25%	5.25%
CH Non-manufacturing PMI Oct	51.8		51.7	US Initial Jobless Claims Oct-28	210k		210k
NZ Household credit YoY Sep			3.10%	US Continuing Claims Oct-21	1780k		1790k
EC ECB's De Cos speaks				US Factory Orders Sep	1.90%		1.20%
EC GDP SA QoQ 3Q A	0.00%		0.10%	US Durable Goods Orders Sep F			4.70%
EC CPI Estimate YoY Oct	3.10%			AU Judo Bank Australia PMI Services Oct F			47.6
EC CPI Core YoY Oct P	4.20%		4.50%	EC ECB's Schnabel speaks			
JN BOJ Policy Balance Rate Oct-31	-0.10%		-0.10%	AU Retail Sales Ex Inflation QoQ 3Q	-0.30%	0.00%	-0.50%
JN BOJ 10-Yr Yield Target Oct-31	0.00%		0.00%	AU RBA's Jones speaks			
Wednesday 01 November				NZ Final Election Vote Count			
NZ CoreLogic House Prices YoY Oct			-7.30%	GE Trade Balance SA Sep	16.3b		16.6b
US S&P CoreLogic CS US HPI YoY NSA Aug			0.98%	UK BOE's Hauser speaks			
AU CoreLogic House Px MoM Oct			0.90%	UK S&P Global/CIPS UK Services PMI Oct F	49.2		49.2
US MNI Chicago PMI Oct	45		44.1	EC Unemployment Rate Sep	6.40%		6.40%
US Conf. Board Consumer Confidence Oct	100		103	Saturday 04 November			
US Dallas Fed Services Activity Oct			-8.6	US Fed's Barr speaks			
EC ECB's Nagel, Guindos speaks				UK BOE's Pill speaks			
NZ RBNZ Financial Stability Report				US Change in Nonfarm Payrolls Oct	190k		336k
NZ Pvt Wages Ex Overtime QoQ 3Q	1.00%	1.00%	1.10%	US Unemployment Rate Oct	3.80%		3.80%
NZ Employment Change QoQ 3Q	0.40%	0.50%	1.00%	US Average Weekly Hours All Employees Oct	34.4		34.4
NZ Unemployment Rate 3Q	3.90%	3.70%	3.60%	US S&P Global US Services PMI Oct F	51		50.9
AU Building Approvals MoM Sep	2.50%	3.00%	7.00%	US ISM Services Prices Paid Oct	53		53.6
CH Caixin China PMI Mfg Oct	50.8		50.6	UK BOE's Haskel, Barr speak			

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	5.50	5.50	5.50	3.50	2 years	5.59	5.64	5.77	5.02
1mth	5.60	5.61	5.62	3.79	3 years	5.41	5.47	5.53	4.90
2mth	5.62	5.64	5.68	3.95	4 years	5.31	5.37	5.37	4.79
3mth	5.64	5.67	5.73	4.10	5 years	5.27	5.33	5.28	4.70
6mth	5.71	5.73	5.81	4.56	10 years	5.36	5.37	5.24	4.61
GOVERNMENT STOCK					FOREIGN EXCHANGE				
04/25	5.60	5.60	5.78	4.30	NZD/USD	0.5813	0.5846	0.5947	0.5814
04/27	5.29	5.38	5.42	4.24	NZD/AUD	0.9169	0.9227	0.9345	0.9084
04/29	5.33	5.42	5.32	4.18	NZD/JPY	86.92	87.51	89.11	86.44
05/31	5.43	5.50	5.35	4.17	NZD/EUR	0.5498	0.5479	0.5676	0.5882
04/33	5.48	5.54	5.37	4.17	NZD/GBP	0.4791	0.4773	0.4920	0.5068
04/37	5.64	5.70	5.52	4.37	NZD/CAD	0.8056	0.8003	0.8132	0.7920
05/41	5.68	5.74	5.59	4.49	TWI	69.0	69.4	71.0	69.8
05/51	5.60	5.68	5.58	4.42					
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	82	79	75	90					
Europe 5Y	89	87	82	114					

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