

# Research Markets Outlook

27 November 2023

## In with the new...

- **Major policy shifts ahead**
- **Difficult to quantify economic impact**
- **Nothing to change our Monetary Policy view – yet!**
- **Reduced government spending a key focus**
- **But tax cuts stimulatory**

With the installation of the ACT/New Zealand First/National coalition government, and confirmation of its policy settings, we thought it worthwhile providing a brief overview of our thoughts as to the likely financial market and wider economic implications of the changes afoot. Some of the biggest changes are likely to occur in areas such as health, education and law and order but we have confined ourselves to passing comment on the factors that will have the clearest tangible economic impact.

### Monetary Policy

The Government has confirmed it will move to a single mandate for the Reserve Bank's remit. Maximum sustainable employment as a point of focus will be removed with the containment of inflation becoming the sole objective.

We contest that the labour market and inflation are inextricably linked so this should make very little difference to the RBNZ's thinking.

We were interested to see the government intends taking advice on: making the Governor the sole decision maker, removing the Treasury observer from the Monetary Policy Committee (MPC), and setting time targets for achieving the inflation target.

To us this appears all about making the Governor accountable for outcomes so that the Government has someone to "blame" if targets aren't achieved. As things stand, the NZ MPC is dominated by RBNZ officials who report to the Governor. We think it is reasonable to assume that the Governor thus already has a disproportionate impact on the outcome albeit no guarantee that his view will be adopted.

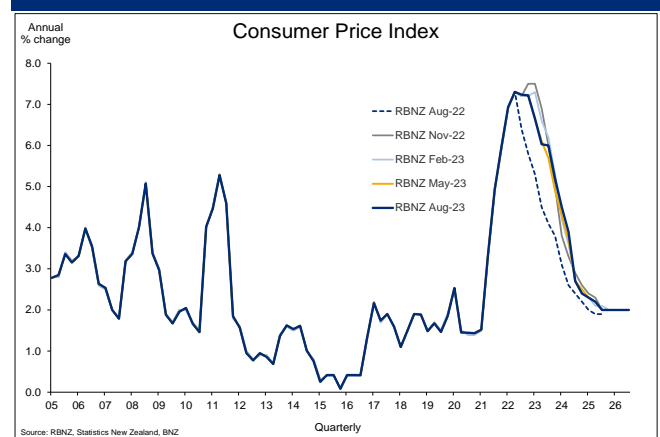
We do not see the relevance of the Treasury observer. It has always seemed a bit odd to us that an entity which is supposed to be operationally independent should have a

Treasury representative present during the decision-making process.

We have mixed emotions with regard to setting a specific time frame to achieve the inflation target. Overly tight specificity could result in unwelcome increased volatility in interest rates and output. However, it will depend somewhat on what the time frame is. As things stand, the Reserve Bank usually sets monetary policy to achieve its inflation target within 18 to 24 months and almost always has a forecast annual inflation outcome of very close to 2.0% by the end of its projected horizon, which is around three years. Make the target within three years and nothing should change.

We should repeat our strong view that inflation targeting is crucial but so too is flexibility. In that regard we are strong believers in being able to use the full width of the target band. For example, had this been the case earlier in this economic cycle, the Reserve Bank may not have felt inclined to keep easing monetary policy (which contributed to economic overheating and a house price bubble) simply because inflation was below the 2.0% target mid-point albeit comfortably within the target range.

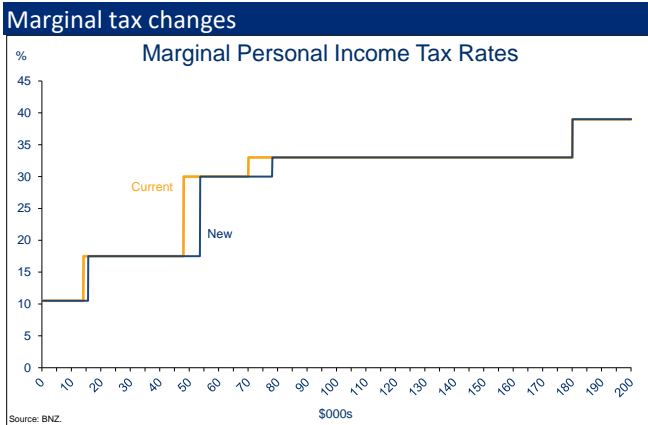
### RBNZ intent consistent



### Tax cuts

The government will forge ahead with National's proposed personal tax cuts. This involves increasing the thresholds at which the marginal tax rate increases. The threshold for moving from a 10.5% tax rate to 17.5% will rise to \$15,600 from \$14,000. The next step to 30% rises to \$53,500 from

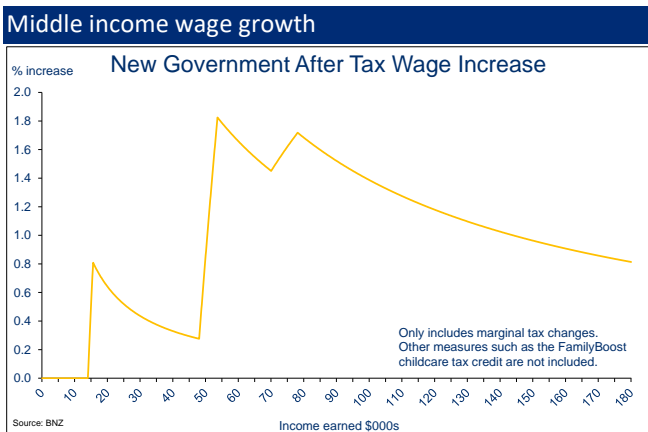
\$48,000 and the move to 33% increases to \$78,100 from \$70,000.



Other minor tax adjustments will also be made.

We will be looking closely at the impact of these but all other things being equal we can conclude that:

- It will raise real disposable incomes. By our estimates someone on the average wage should be around 1.7% better off.
  - Given middle income earners are under significant pressure from rising prices and interest rates these tax changes should convert directly into increased private consumption and GDP.
  - Given the starting point this is more inflationary.
- These tax cuts will come into force July 1, 2024.



The problem for government is that these reductions were to be part-funded, to the tune of \$750m per annum, by a tax on foreign buyers of New Zealand property. As part of the coalition agreement with New Zealand First, this has been abandoned. The government says that it has sufficient buffer in its plans to cope with this but time will tell. There is some risk either this will need to be debt funded, there will need to be greater cuts to the civil service, or a new alternative source of revenue will need to be found.

It sounds like the Government will abandon adjusting the abatement threshold for Working for Families payments on 1 April 2026 for starters.

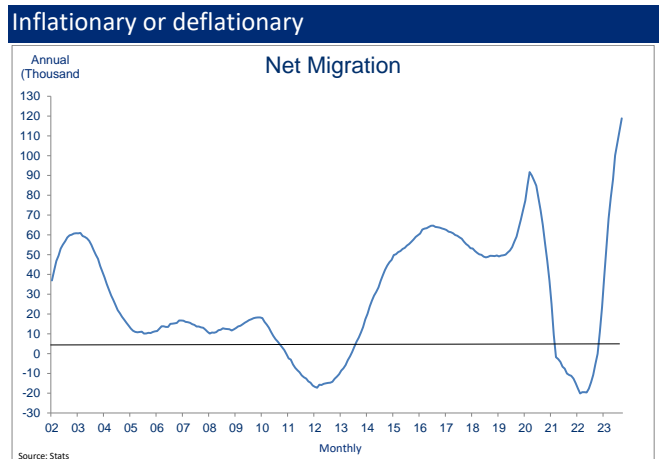
**Labour Market**

There are numerous policy changes that might affect the labour market. The key ones for us are:

- Repeal the Fair Pay Agreement
- Reform health and safety law and regulations
- Expand 90-day trials to apply to all businesses
- Effectively increase the potential supply of, and reduce the cost of, migrants

At the margin, we believe this will enhance flexibility and reduce business costs particularly as the measures coincide with a softening labour market. That said, it is not a policy outcome that the unions will be enamoured with so there may be heightened industrial action.

Also, the current pace of net immigration, while creating supply-side disinflation, is beginning to generate demand side inflation, particularly in the housing market.



**Fiscal policy**

The Government is committed to significant cost cutting. This will likely result in staff reduction. Overall, this will reduce domestic demand and, hence, reduced inflationary pressure.

**The housing sector**

The ability for investors to claim interest rate deductibility will occur even more quickly than suggested in the run up to the election. Changes to the Brightline test will also go ahead.

We do not believe this will increase the supply of housing as it reduces the relative tax advantage of building new compared to investing in the existing housing stock. At the margin it will increase demand for existing houses pushing up prices.

**Impact on the bond programme**

It's difficult to ascertain the impact of all the policy changes on the bond programme. In short it depends on:

- Whether the policy mix turns out stimulatory rather than contractionary

- How the government fills the hole brought about by no longer having the foreign buyer tax to rely on
- Just how successful the government is in cutting government spending

We think it's fair to say that no matter what was in the government's policy announcement, the current risks to the economy mean we would reach the conclusion that there is a greater chance that bond issuance will increase relative to current plans than decrease.

**The week ahead**

The RBNZ will be mulling over the prospective policy mix in the same way we are. While the Bank will be watching developments closely, and be very wary of the potential inflationary implications, we believe there is nothing in the mix that will alter its approach to Wednesday's Monetary Policy Statement.

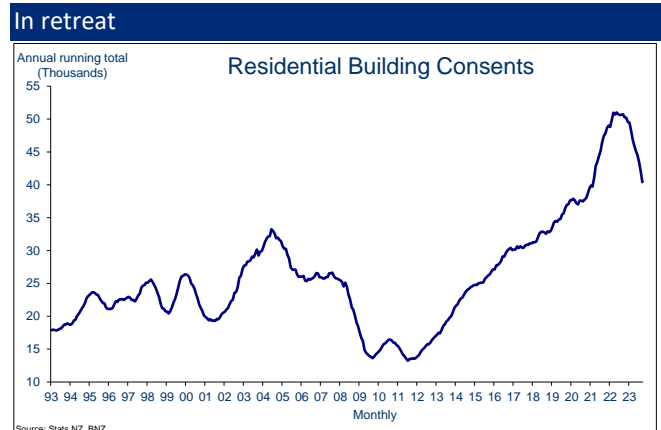
We wrote our [full preview last week](#) and concluded that:

- The cash rate will remain unchanged at 5.50%
- With inflation outcomes either bang on RBNZ forecasts, or slightly lower, depending on which bits of the data you want to focus on, the RBNZ should publish a rate track that is no more aggressive than that printed in its last MPS.
- The labour market data is definitely softer than the Bank had assumed so is supportive of a modestly easier stance.
- But with about three cuts already price in for next year, the RBNZ will probably be reluctant to say anything that would encourage the market to rally aggressively from current levels. Especially as nagging questions remain as to the likely impact on inflation of the current surge in net immigration.

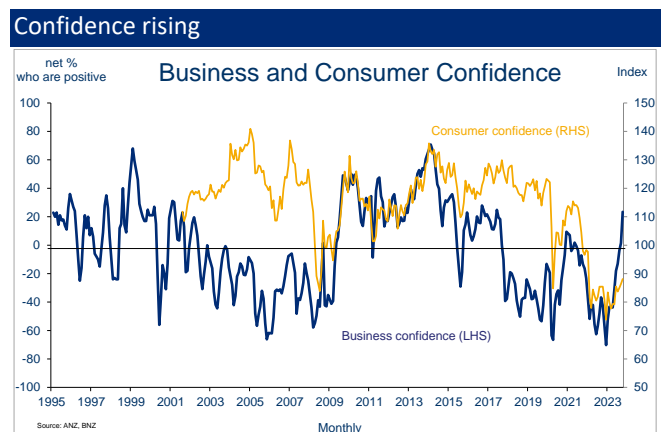
Other data to watch out for this week include:

- Tuesday's employment indicators for October. Employment has been holding up remarkably well as migrants have filled existing vacancies/demand for labour. But we think the demand for labour is starting to moderate and that this will ultimately end up in lower employment growth. This is highly likely as state sector reforms swing into action. That said, it's going to be difficult to make much sense of the October data, which will see employment supported by actual election related activity (such as staffing polling booths) but offset by a reduction in hiring, as employers awaited the election outcome before making business decisions.
- Thursday we see the latest instalment of ANZ's business survey. We would expect increased optimism from the business sector following the election outturn. More interesting to us will be employment and pricing intentions readings.
- Also on Thursday we receive building consent data for October. We think these data will continue to present a softening outlook for construction particular in

residential. We are expecting annual residential dwelling authorisations to dip below 40,000 for the first time since February 2021.



- Credit aggregates for October complete Thursday's data offering. Credit growth is currently weak. We would not expect this to change.
- The ANZ consumer confidence reading is released Friday. This series has been trending very slowly higher off a very weak base. Expect to see more of the same.



- Rounding out the week we expect to see CoreLogic's November house price data on Friday. A certain amount of enthusiasm has returned to the market as the migrant inflow, coupled with the elevated cost of building a new house, is putting upward pressure on the price of the existing stock. These data should reveal further upward momentum.

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## Global Watch

- **US PCE, EZ HICP inflation seen easing further**
- **US ISM seen edging higher, but still weak**
- **Fed's Powell speaks late in the week**
- **ECB's Lagarde testifying Monday**
- **China PMIs seen marginally higher**
- **RBA's Bullock speaks on Tuesday**

### Australia

RBA Governor Bullock appears on a panel at an HKMA-BIS conference on Tuesday. We might not get too much more on the domestic outlook following her speech last week and coming so close to the 5 December meeting, but the topic is 'Inflation, Financial Stability and Employment' and the discussion is set to touch on policy trade-offs, so there may be some comments of interest.

Retail sales and the CPI indicator for October are the highlights of the data calendar this week, but there is also a raft of second tier data, including pre-GDP partials in the form of Construction Work Done and Capex and October reads for private credit and building approvals. Be wary of extrapolating softness with idiosyncratic factors impacting both retail and CPI for October.

For retail sales on Tuesday NAB has pencilled in a -0.4% decline (consensus +0.2%) after a strong September, with shifting seasons given Black Friday/Cyber Monday in November. As for the CPI Indicator, NAB expects 5.2% y/y from 5.6% in line with consensus. The year-ended core measure is also likely to slow, but the October number is overweight goods, and has low coverage of services, which means October data won't help much to gauge domestic pressures. NAB sees a result in line with its October forecast as broadly consistent with the RBA's November SoMP forecasts for Q4 underlying and headline inflation of 1.0% q/q and 4.5% y/y.

NAB sees a flat outcome for Q3 Construction Work Done on Wednesday and for Q3 Capital Expenditure on Thursday. For the latter, it's machinery plant and equipment that matters for GDP, and here there could be some payback after the strong Q2 outcomes ahead of the end of the expanded instant asset write-off scheme.

Thursday also sees October's private sector credit and building consents that will draw much less focus than the week's other data.

### US

The PCE deflator and Manufacturing ISM are the key data events this week, while Fed Chair Powell speaks in a fireside chat on Friday and the Fed published the Beige Book on Wednesday.

Thursday sees the US PCE which is expected to show core PCE at 0.2% m/m and 3.5% y/y, on track to come in a little below the Fed's most recent 3.7% year-end pick. Spending and income are each seen 0.2% m/m higher.

The Manufacturing ISM on Friday for November is expected to remain weak, albeit a point higher than October's 47.7.

### China

A still-sluggish Chinese economy is likely to be reflected in the November PMIs, but will there be enough to offset a usual seasonal boost in November. The consensus is for the manufacturing PMI to edge higher to 49.7 from 49.5 and the non-manufacturing to print 50.8 from 50.6. The Caixin manufacturing version follows Friday, ahead of the services read the following week.

### EU

ECB President Lagarde is in front of the European Parliament on Monday. Markets are comfortable the ECB is done raising rates. Of more interest will be whether Lagarde attempts to push back on pricing for cuts.

Base effects turn unhelpful for Eurozone CPI in coming months, but not yet convincingly so for November, meaning a further small decline in headline from 2.9% y/y is a possibility. Consensus is for 2.7% y/y. The core measure is seen easing to 3.9% y/y from 4.2% y/y. European headline HICP could head back up to between 3.5% and 4%, but after February 2024 begin a larger and more sustainable decline that will be guiding lower ECB staff HICP forecasts for 14 December.

EZ consumer, economic, services and industrial confidence data for November are out on Wednesday. A modest recovery has been underway.

### Japan

October Industrial Production and Retail data are out on Wednesday. Consensus is for preliminary Industrial Production to rise 0.8% m/m and for the year-ended rate to return to positive territory at 0.2% y/y from -4.4%. Retail Sales are seen at 6.0% y/y from 5.8%.

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# Fixed Interest Market

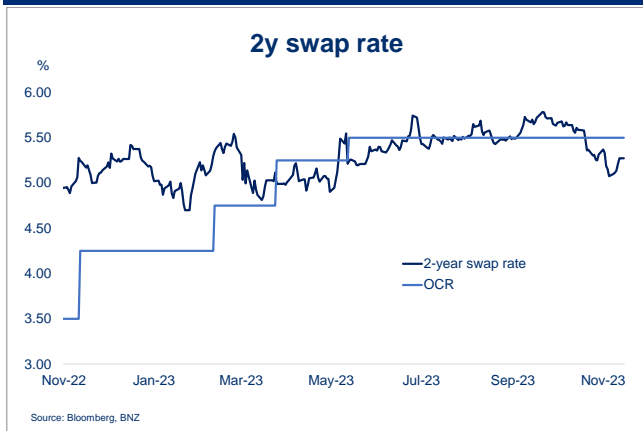
Reuters: BNZL, BNZM Bloomberg:BNZ

New Zealand fixed income yields moved higher throughout last week led by the front end of the curve. 2-year swap rates increased 20bps to 5.27%, rebounding from 6-month lows near 5.0%. The adjustment higher took place against the backdrop of limited domestic data and point towards position adjustments by market participants after the large fall in yields from the beginning of November. Global bond yields moved higher amid commentary from policy makers aimed at pushing back against the magnitude of cuts being priced for 2024 alongside expectations of increased government bond supply.

Concerns about the supply of government bonds has spread to Germany amid heavy issuance from developed market countries. This follows periodic supply issues that have impacted UK gilts and US treasuries given the funding requirements from large fiscal deficits. It was announced that Germany will suspend the constitutional limit on new borrowing – the ‘debt brake’ – for a fourth consecutive year. A court judgement has required the government to retroactively fund off-budget debt that was issued to mitigate the impact of high energy costs on households and companies.

further impetus to market pricing which is already incorporating close to 75bps of rate cuts in 2024 and the first 25bps rate cut by August. Separately, we don’t think the recently formed Government’s proposal to alter the RBNZ’s remit to focus solely on inflation will have any immediate implications for the rate outlook.

2-year swap rates rebound from 6-month lows



The focus for NZ fixed interest markets will be the RBNZ’s Monetary Policy Statement (MPS) on Wednesday. The economy has generally evolved in line with the bank’s projections at the August MPS. There has been growing indications of a clear momentum shift in the labour market. The unemployment rate increased to 3.9% in Q3 and forward-looking indicators pointing to further rises ahead. The 5.6% reading for Q3 CPI was below the RBNZ’s projections (6.0%) and the partial monthly CPI indicators for October suggest downside risks to its Q4 forecast also.

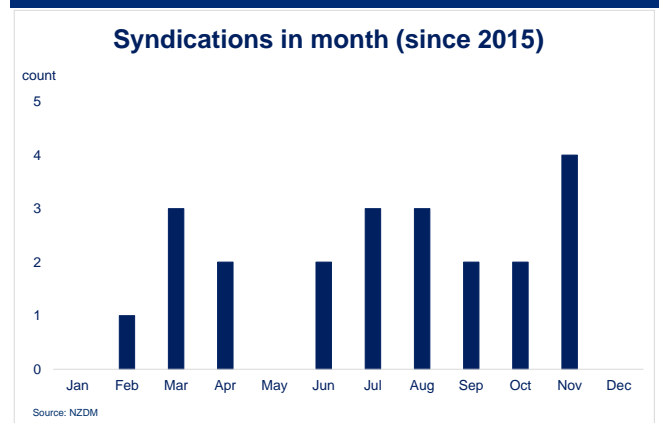
The RBNZ will take comfort from the recent data which may lead to some softening in its projected track for the Official Cash Rate (OCR). However, any adjustment is likely to be modest. The RBNZ, will be wary about providing

The market is pricing a full 25bps cut from next August



New Zealand Debt Management (NZDM) will release the monthly tender schedule for December on Wednesday morning. There is no reason to expect a change in the NZ\$500 million per week issuance volumes. It is typical for NZDM to pause tendering mid-month, so we anticipate NZ\$1 billion issuance over 2 tenders in December. A syndication announcement can’t be fully discounted for December although we would attach a low probability. Economic and fiscal update months – May and December – are not typically favoured for syndications pointing towards February as the next likely issuance window.

May and December are not favoured for syndications



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# Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week the NZD outperformed, getting a tailwind from higher risk appetite and a stronger yuan. Higher short-term rates aided performance, with NZ's 2-year swap rate up 20bps, reversing some of the recent sharp decline.

NZD/USD closed the week up about a cent, or over 1½%, to just under 0.6090, after trading at a three-month high. The NZD was up about ½% against the AUD and GBP and made 1-1½% gains against CAD, EUR and JPY.

A notable dynamic in currency markets over the past two weeks has been a much stronger yuan, some of this related to broad USD weakness we've recently been talking about. In addition, turnaround in sentiment for the yuan has been supported by better Chinese economic data and further incremental government policies aimed at supporting the beleaguered property market.

Despite notable yuan appreciation (USD/CNY falling from over 7.30 to 7.15), the PBoC has continued to set the CNY reference rate stronger than market estimates, a signal that the central bank is happy to guide the currency stronger. The stronger yuan has spilled over into other Asian currencies as well as the NZD and AUD.

The NZD broke above key resistance of 0.6055 and traded at a three-month high of 0.6090 on Friday. In addition to the tailwinds from positive Asian currencies, our risk appetite index closed the week at 70%, its highest level in two years, a negative force for the USD. Higher risk appetite reflects the VIX index falling to its lowest level this year and narrower credit spreads.

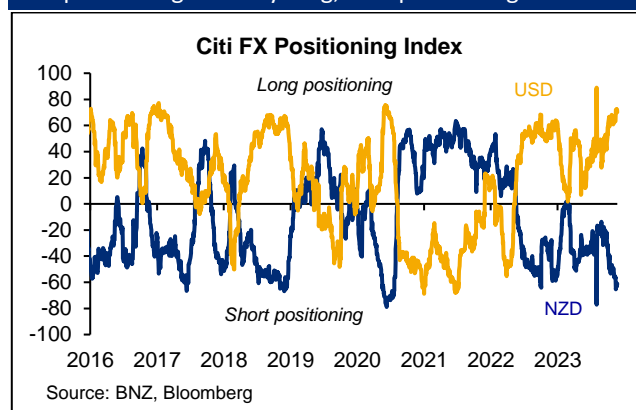
An FT article that caught our eye suggested investors were dumping the dollar at its fastest pace in a year, quoting custodians State Street and BNY Mellon. A bet that the Fed is finished tightening is seeing some unwinding of long USD positions. CFTC data and Citigroup's "PAIN" index for the USD suggest still very long USD positioning (see chart). This suggests further potential material downside USD risk if speculators/investors continue to rebalance back toward neutral.

With the NZD weekly close above the previous key resistance level, we have increased confidence that the currency has entered a new higher trading range and suggest the previous trading range evident earlier in the year of 0.60-0.64 as feasible. We note that higher risk appetite and the recent recovery in NZ commodity prices has sent our short-term fair value model estimate up through 0.6450, to reach its highest level this year. The model estimate has consistently tracked above spot NZD for almost the entire year, but the current gap of around 6% is larger than usual, playing to a view of skewed upside risks to the NZD from here.

In the week ahead the key domestic release will be the RBNZ's Monetary Policy Statement. There is universal agreement that the Bank will leave the OCR unchanged at 5.5% (the last rate hike was in May) and the projections should show a rate track no higher than the previous one in August, given softer activity and inflation data. The tone should convey a message of the Bank being in a happy place, content that policy is restrictive enough to help bring inflation down, but not wanting to encourage further easing in financial conditions at this stage. Global forces remain much more important for the NZD, and we don't expect any sustained NZD reaction.

On the economic calendar, releases on our watchlist include the ANZ business outlook survey, China PMIs, Euro area CPI, US PCE deflators and the ISM manufacturing survey, and Australia's monthly CPI indicator. All of these have potential to shift currencies around this week.

## USD positioning still very long; NZD positioning short



## Cross Rates and Model Estimates

	Current	Last 3-weeks range*	
NZD/USD	0.6078	0.5860	- 0.6090
NZD/AUD	0.9230	0.9180	- 0.9280
NZD/GBP	0.4825	0.4770	- 0.4860
NZD/EUR	0.5557	0.5470	- 0.5590
NZD/JPY	90.83	88.90	- 91.20

\*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models		
	Model Est.	Actual/FV
NZD/USD	0.6470	-6%
NZD/AUD	0.8980	3%

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# Technicals

## NZD/USD

Outlook: Upside risk  
 ST Resistance: 0.62 (ahead of 0.64)  
 ST Support: 0.60 (ahead of 0.58)

A clear break of previous resistance of 0.6055 brings the previous trading range of 0.60-0.64 back into play. The 200-day moving average of 0.6092 will also be on the watchlist.



## NZD/AUD

Outlook: Trading range  
 ST Resistance: 0.94 (ahead of 0.9450)  
 ST Support: 0.9150 (ahead of 0.90)

Still range bound and within the narrowing wedge formation. Support at 0.9150, resistance at 0.94.

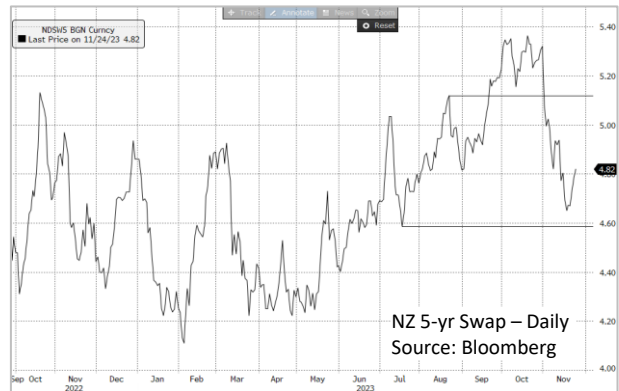
[jason.k.wong@bnz.co.nz](mailto:jason.k.wong@bnz.co.nz)



## NZ 5-year Swap Rate

Outlook: Neutral  
 MT Resistance: 5.12  
 MT Support: 4.58

5 year swap reversed its trend lower and closed through the previous resistance. We now sit neutral and await a new technical indicator.

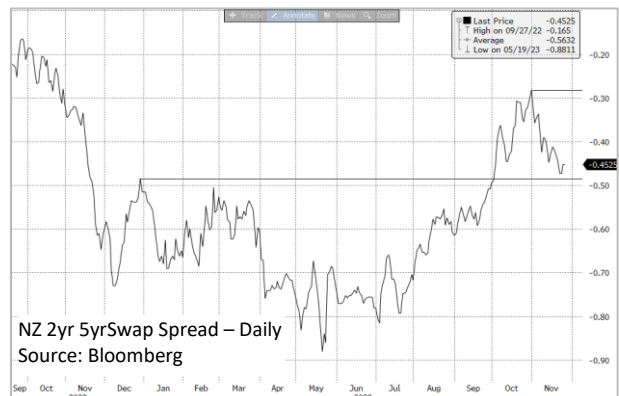


## NZ 2-year - 5-year Swap Spread (yield curve)

Outlook: Higher  
 MT Resistance: -0.28  
 MT Support: -0.48

2x5 swap spread moved lower towards our support. We will look to enter a paid position at this level with a stop loss level below at -0.50 should our support break. We target a move back towards our resistance of -0.28.

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# Quarterly Forecasts

Forecasts as at 27 November 2023

## Key Economic Forecasts

Quarterly % change unless otherwise specified

	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	-0.4	0.2	0.6
Retail trade (real s.a.)	-2.0	-0.5	-0.8	-1.3	-0.9	0.0	-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	-6.3	-6.3	-6.2
CPI (q/q)	1.7	2.2	1.4	1.2	1.1	1.8	0.5	0.6	0.6	1.3
Employment	-0.2	1.4	0.6	1.0	1.0	-0.2	0.3	-0.1	0.0	0.1
Unemployment rate %	3.3	3.2	3.4	3.4	3.6	3.9	4.3	4.5	5.0	5.4
Avg hourly earnings (ann %)	7.0	8.6	8.1	8.2	7.7	7.1	7.0	6.2	5.5	4.4
Trading partner GDP (ann %)	2.2	3.7	2.1	2.8	3.4	3.0	3.2	2.8	2.7	2.7
CPI (y/y)	7.3	7.2	7.2	6.7	6.0	5.6	4.7	4.0	3.6	3.0
GDP (production s.a., y/y)	0.7	6.6	2.4	2.2	1.8	0.3	0.6	0.3	-0.4	0.2

## Interest Rates

Historical data - qtr average

Forecast data - end quarter

	Cash	Government Stock			Swaps			US Rates		Spread NZ-US Ten year
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	Libor 3 month	US 10 yr	
<b>2022 Jun</b>	1.83	2.24	3.55	3.68	3.83	3.92	3.95	1.50	2.90	0.76
<b>Sep</b>	2.83	3.33	3.65	3.77	4.12	3.95	3.95	3.00	3.10	0.67
<b>Dec</b>	4.00	4.27	4.34	4.31	5.10	4.67	4.55	4.50	3.80	0.49
<b>2023 Mar</b>	4.58	4.99	4.27	4.26	5.11	4.51	4.40	4.90	3.65	0.61
<b>Jun</b>	5.42	5.62	4.23	4.27	5.19	4.44	4.30	5.40	3.60	0.68
<b>Sep</b>	5.50	5.66	4.87	4.87	5.54	4.90	4.75	5.65	4.15	0.73
<b>Forecasts</b>										
<b>Dec</b>	5.50	5.60	5.20	5.30	5.15	5.35	5.40	5.85	4.60	0.70
<b>2024 Mar</b>	5.50	5.45	4.85	5.05	4.75	5.05	5.20	5.85	4.40	0.65
<b>Jun</b>	5.25	5.00	4.55	4.80	4.35	4.75	4.95	5.60	4.20	0.60
<b>Sep</b>	4.75	4.50	4.30	4.60	3.95	4.55	4.80	5.35	4.00	0.60
<b>Dec</b>	4.25	4.25	3.95	4.30	3.50	4.20	4.50	4.85	3.75	0.55
<b>2025 Mar</b>	4.00	3.75	3.65	4.00	3.20	3.90	4.20	4.35	3.50	0.50
<b>Jun</b>	3.50	3.25	3.60	4.00	3.05	3.85	4.20	3.85	3.50	0.50
<b>Sep</b>	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
<b>Current</b>	0.61	0.66	1.09	1.26	150
<b>Dec-23</b>	0.60	0.66	1.10	1.27	148
<b>Mar-24</b>	0.62	0.69	1.13	1.31	145
<b>Jun-24</b>	0.64	0.71	1.16	1.35	138
<b>Sep-24</b>	0.64	0.72	1.17	1.34	135
<b>Dec-24</b>	0.65	0.73	1.18	1.35	130
<b>Mar-25</b>	0.67	0.75	1.19	1.35	125
<b>Jun-25</b>	0.69	0.77	1.21	1.37	120
<b>Sep-25</b>	0.71	0.78	1.22	1.37	118
<b>Dec-25</b>	0.71	0.78	1.23	1.38	116
<b>Mar-26</b>	0.69	0.76	1.23	1.38	115

### NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
<b>Current</b>	0.61	0.92	0.56	0.48	90.9	70.8
<b>Dec-23</b>	0.60	0.91	0.55	0.47	88.8	69.8
<b>Mar-24</b>	0.62	0.90	0.55	0.47	89.9	71.0
<b>Jun-24</b>	0.64	0.90	0.55	0.47	88.3	72.1
<b>Sep-24</b>	0.64	0.89	0.55	0.48	86.4	71.3
<b>Dec-24</b>	0.65	0.89	0.55	0.48	84.5	71.3
<b>Mar-25</b>	0.67	0.89	0.56	0.50	83.8	72.5
<b>Jun-25</b>	0.69	0.90	0.57	0.50	82.8	73.8
<b>Sep-25</b>	0.71	0.91	0.58	0.52	83.8	75.4
<b>Dec-25</b>	0.71	0.91	0.58	0.51	82.4	75.2
<b>Mar-26</b>	0.69	0.91	0.56	0.50	79.4	73.6

### 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 27 November 2023	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025
<b>GDP - annual average % change</b>										
Private Consumption	6.0	2.7	1.2	0.5	2.5	7.4	3.2	1.4	0.0	2.3
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	-0.1	-2.6	4.2	12.3	4.1	1.0	-3.5	3.1
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	-0.4	0.1	2.7	10.2	3.4	-0.2	-0.6	2.4
Exports	2.5	6.0	5.6	3.1	5.2	-2.7	-0.2	9.1	3.2	5.2
Imports	17.3	4.7	-1.0	0.3	3.8	14.8	4.7	0.7	-0.6	3.2
Real Expenditure GDP	4.8	2.9	1.2	0.8	3.0	6.1	2.3	1.5	0.5	2.8
<b>GDP (production)</b>	<b>5.2</b>	<b>2.9</b>	<b>0.8</b>	<b>0.8</b>	<b>3.0</b>	<b>6.0</b>	<b>2.7</b>	<b>1.2</b>	<b>0.3</b>	<b>2.8</b>
<i>GDP - annual % change (q/q)</i>	1.1	2.2	0.3	2.2	3.1	3.3	2.4	0.6	1.1	3.1
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	425	449	353	381	408	420	443
<b>Prices and Employment - annual % change</b>										
CPI	6.9	6.7	4.0	2.8	2.1	5.9	7.2	4.7	2.9	2.1
Employment	2.5	2.9	1.0	0.9	2.4	3.3	1.7	2.1	0.3	2.3
Unemployment Rate %	3.2	3.4	4.5	5.8	5.7	3.2	3.4	4.3	5.7	5.8
Wages - ahote (private sector)	5.3	8.2	6.2	3.9	3.0	4.1	8.1	7.0	4.3	3.0
Productivity (ann av %)	2.3	0.8	-1.2	0.4	0.9	3.9	0.5	-1.3	0.0	1.1
Unit Labour Costs (ann av %)	4.0	6.2	7.0	4.0	2.2	2.0	6.2	7.4	4.9	2.3
House Prices	13.8	-12.1	2.6	8.6	10.9	27.2	-11.1	-1.6	6.7	12.5
<b>External Balance</b>										
Current Account - \$bn	-23.6	-31.8	-26.2	-23.3	-16.1	-20.6	-33.4	-27.1	-24.8	-18.1
Current Account - % of GDP	-6.6	-8.2	-6.3	-5.5	-3.6	-5.8	-8.8	-6.7	-5.9	-4.1
<b>Government Accounts - June Yr, % of GDP</b>										
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	6.7					
<b>Financial Variables <sup>(1)</sup></b>										
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	145	125	115	114	135	148	130	116
EUR/USD	1.10	1.07	1.13	1.19	1.23	1.13	1.06	1.10	1.18	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	0.47	0.50	0.50	0.51	0.52	0.47	0.48	0.51
NZD/EUR	0.62	0.58	0.55	0.56	0.56	0.60	0.60	0.55	0.55	0.58
NZD/YEN	81.5	83.0	89.9	83.8	79.4	77.4	85.6	88.8	84.5	82.4
TWI	73.9	71.0	71.0	72.5	73.6	73.0	72.9	69.8	71.3	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
<sup>(1)</sup> 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		Median	Fcast	Last
<b>Monday 27 November</b>				<b>Thursday (continued)</b>			
CH Industrial Profits YoY Oct			11.90%	CH Manufacturing PMI Nov	49.6		49.5
<b>Tuesday 28 November</b>				CH Non-manufacturing PMI Nov	51.1		50.6
UK CBI Retailing Reported Sales Nov			-36	NZ Household Credit YoY Oct			3.10%
EC ECB's Lagarde speaks				GE Unemployment Claims Rate SA Nov	5.80%		5.80%
US New Home Sales Oct	723k		759k	EC ECB's Panetta speak			
NZ Employment indicators MoM Oct			0.40%	EC CPI Estimate YoY Nov	2.70%		2.90%
AU Retail Sales MoM Oct	0.10%	-0.40%	0.90%	EC CPI Core YoY Nov P	3.90%		4.20%
UK BOE's Ramsden speaks				EC Unemployment Rate Oct	6.50%		6.50%
EC ECB's De Cos speaks				<b>Friday 01 December</b>			
AU RBA's Bullock speaks				NZ CoreLogic House Prices YoY Nov			-5.70%
GE GfK Consumer Confidence Dec	-28.3		-28.1	AU CoreLogic House Px MoM Nov			0.90%
EC ECB's Nagel speaks				EC ECB's Lagarde speaks			
<b>Wednesday 29 November</b>				US Initial Jobless Claims Nov-25	220k		209k
US S&P CoreLogic CS US HPI YoY NSA Sep			2.57%	US Continuing Claims Nov-18	1870k		1840k
US Fed's Goolsbee, Waller speak				US Personal Income Oct	0.20%		0.30%
US Conf. Board Consumer Confidence Nov	101		102.6	US Personal Spending Oct	0.20%		0.70%
US Richmond Fed Manufact. Index Nov	1		3	US Real Personal Spending Oct	0.10%		0.40%
US Dallas Fed Services Activity Nov			-18.2	US PCE Deflator MoM Oct	0.10%		0.40%
EC ECB's Lagarde speaks				US PCE Deflator YoY Oct	3.10%		3.40%
UK BOE's Haskel speaks				US PCE Core Deflator MoM Oct	0.20%		0.30%
EC ECB's Lane speaks				US PCE Core Deflator YoY Oct	3.50%		3.70%
AU Construction Work Done 3Q	0.30%	-1.00%	0.40%	US MNI Chicago PMI Nov	46		44
AU CPI YoY Oct	5.20%	5.30%	5.60%	US Pending Home Sales MoM Oct	-1.00%		1.10%
NZ RBNZ MPS, Official Cash Rate Nov-29	5.50%	5.50%	5.50%	UK BOE's Megan Greene speaks			
EC OECD Publishes Economic Outlook				EC ECB's Nagel speaks			
EC Economic Confidence Nov	93.5		93.3	NZ ANZ Consumer Confidence Index Nov			88.1
<b>Thursday 30 November</b>				AU Judo Bank Australia PMI Mfg Nov F			47.7
GE CPI YoY Nov P	3.50%		3.80%	JN Jobless Rate Oct	2.60%		2.60%
US GDP Annualized QoQ 3Q S	5.00%		4.90%	JN Capital Spending YoY 3Q	3.40%		4.50%
UK BOE's Bailey, Hauser speak				CH Caixin China PMI Mfg Nov	49.3		49.5
US Fed's Mester speaks				EC HCOB EZ Mfg PMI Nov F	43.8		43.8
US Federal Reserve Releases Beige Book				UK S&P Global/CIPS UK Mfg PMI Nov F	46.7		46.7
NZ Building Permits MoM Oct			-4.70%	EC ECB's Elderson speaks			
JN Retail Sales MoM Oct	0.40%		-0.10%	<b>Saturday 02 December</b>			
JN Industrial Production MoM Oct P	0.70%		0.50%	EC ECB's Lagarde speaks			
NZ ANZ Business Confidence Nov			23.4	US S&P Global US Manufacturing PMI Nov F			49.4
AU Private Sector Credit MoM Oct	0.40%	0.50%	0.50%	US Construction Spending MoM Oct	0.40%		0.40%
AU Private Capital Expenditure 3Q	1.00%	0.00%	2.80%	US ISM Manufacturing Nov	47.7		46.7
AU Building Approvals MoM Oct	1.40%	1.00%	-4.60%	US Fed's Powell, Goolsbee, Cook speak			

## Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
<b>CASH AND BANK BILLS</b>					<b>SWAP RATES</b>				
Call	5.50	5.50	5.50	4.25	2 years	5.27	5.10	5.58	5.17
1mth	5.58	5.58	5.60	4.32	3 years	5.04	4.86	5.41	4.89
2mth	5.60	5.60	5.62	4.37	4 years	4.89	4.73	5.32	4.67
3mth	5.62	5.63	5.64	4.42	5 years	4.82	4.68	5.28	4.53
6mth	5.66	5.66	5.72	4.96	10 years	4.88	4.78	5.38	4.34
<b>GOVERNMENT STOCK</b>					<b>FOREIGN EXCHANGE</b>				
04/25	5.29	5.15	5.61	4.60	NZD/USD	0.6074	0.6037	0.5844	0.6163
04/27	4.92	4.76	5.31	4.31	NZD/AUD	0.9233	0.9207	0.9167	0.9266
04/29	4.89	4.76	5.35	4.14	NZD/JPY	90.77	89.56	87.12	85.63
05/31	4.96	4.85	5.45	4.08	NZD/EUR	0.5553	0.5518	0.5505	0.5961
04/33	4.99	4.91	5.50	4.03	NZD/GBP	0.4822	0.4828	0.4802	0.5153
04/37	5.16	5.09	5.67	4.17	NZD/CAD	0.8285	0.8285	0.8079	0.8319
05/41	5.22	5.17	5.70	4.27	TWI	70.8	70.3	69.4	72.6
05/51	5.16	5.12	5.63	4.22					
<b>GLOBAL CREDIT INDICES (ITRXX)</b>									
Nth America 5Y	63	64	81	82					
Europe 5Y	68	68	88	92					

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