

Research Markets Outlook

4 December 2023

On Watch

- **Market seemingly not convinced of RBNZ rate track**
- **Economic developments to inform the way forward**
- **Today's trade data volatile, perhaps net positive GDP**
- **First of many Q3 GDP component indicators this week**
- **Fiscal updates to note, ahead of HYEPU**
- **Milk price update from Fonterra this week?**

The dust is settling after the RBNZ's surprisingly firm tone last week. To be sure, it wasn't the tone that surprised us it was more the extent of it.

In short, we see five changes the Bank included that seemed to sit behind its overtly more hawkish sentiment:

- Net migration – higher in the near term with more focus on the demand implications and hence inflationary pressures rather than deflationary forces (via the labour market).
- Inflation expectations – seen not behaving as needed.
- Higher non-tradeable inflation forecasts near term.
- Fiscally, including the PREFU figures was seen as more stimulatory than the Budget forecasts.
- A higher assessment of where the neutral level of the OCR sits over the longer term.

In the rounds of RBNZ comment and media interviews following the Bank's policy rate announcement, we heard the key messages being reiterated and a sense that some on the MPC had rising impatience that inflation might not be coming to heel fast enough.

It all highlighted the message from the RBNZ that it seems to have little tolerance of upside inflationary surprises. Conversely, the Bank is likely to have a fair bit of tolerance of downside surprise – at least in the first instance.

This suggests it wouldn't take much for the RBNZ to follow through with an actual hike. But it would take a fair bit of downside surprise before the Bank would contemplate reducing the OCR anytime soon. Right now, in the Governor's own words, the RBNZ is 'in no mood to cut'.

We are not sure markets have fully heeded these messages and the explicit declaration of the asymmetric risks that the RBNZ has articulated.

One can have a different view of the world and outlook and hence a different outlook for interest rates over time.

The risk is that the market is discounting the near-term upside risk to interest rates because it sees the RBNZ rhetoric as jawboning in an effort to prevent further, and/or earlier, cuts to interest rates being priced in when in fact the RBNZ is being clear and sincere.

For us, as we noted in our MPS review, the chance of a further rate hike is very real even if the market remains reluctant to believe that that is the case. We don't see the RBNZ lowering the OCR until the second half of next year.

Ultimately, the actual rate path will depend on economic developments, in their totality. There is a fair amount of data, fiscal announcements, and potential financial market movements to monitor before the RBNZ's next Monetary Policy Statement is due in February. Such things will all be worth monitoring to assess against the RBNZ's view.

We suspect that the RBNZ would need the balance of any surprises to be on the upside, for it to push on and lift the OCR further. That is what we take from the Bank's commentary. But it is not clear cut, given that the Bank's forecasts could be considered consistent with a hike following on-expectation outcomes. Another complication with making any such assessment is the Bank's seemingly evolving reaction function.

Our near-term forecasts for the likes of GDP, CPI, and unemployment rate are such that we currently don't see surprises to the more inflationary side on such elements to the Bank's views.

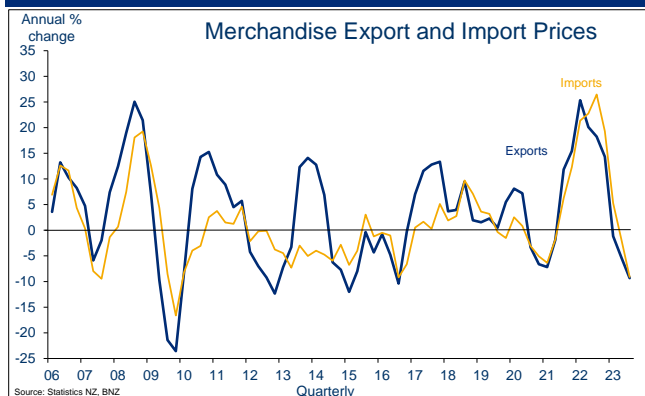
This week we get more direct indicators for components of Q3 GDP. This will test our current view of flat activity for the quarter. But, more importantly, just as much interest will be in whether the indicators suggest upside or downside risk to the RBNZ's 0.3% estimate for Q3 GDP as published in the MPS.

The data are already underway with this morning's Q3 goods and services international trade figures. On the goods side of things, today's information effectively splits the export and import values we already know into their respective volume and price components.

Goods export prices fell 1.4% q/q, while import goods prices eased 0.8%. Tradeables deflation continues. Export goods prices are 9.3% lower than a year ago, while import goods prices are down 9.1%. The terms of trade (the ratio

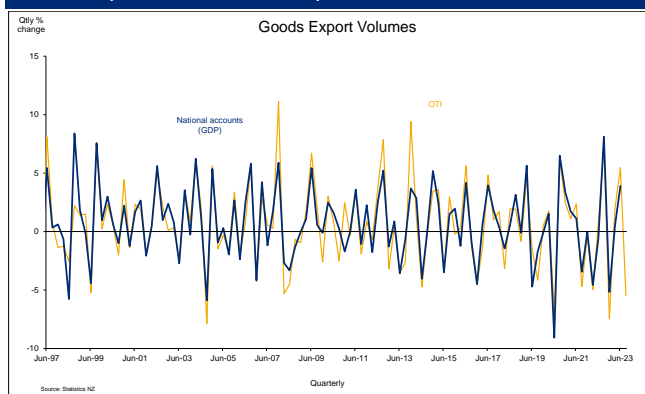
of export prices to import prices) fell 0.6% in the quarter, not as much as the 2.2% drop expected by the market nor the 1.9% decline we had factored in.

Goods Trade Price Deflation Continues



Goods volumes fell heavily for exports (-5.5% q/q) and imports (-3.0%). Not only were both weaker than we had pencilled in, but the balance implies a bit more of a drag on GDP than we had anticipated.

Goods Export Volumes Slump



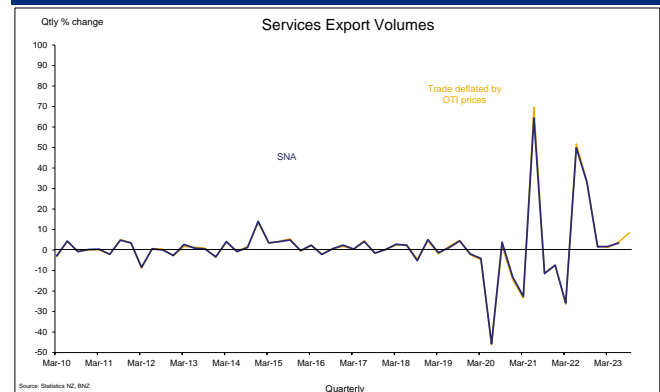
It was the opposite for services trade. Stronger than expected export services and weaker than expected import services generating a net positive for GDP calculations relative to our priors.

The overall balance of today's trade volume figures leaves us thinking there is some upside risk to our existing Q3 GDP pick. But we would hasten to add that there remains considerable volatility in the trade data and such indicators don't always line up one-for-one with the equivalents in the GDP accounts. A large upward revision to Q2 goods imports in today's figures muddies the waters further.

The weakness in imports in Q3 may well mean weaker inventory and domestic demand than we have assessed. For example, stronger visitor spending in today's data gives fresh perspective on the previously reported flat retail sales volumes for the quarter and what they imply for household spending. If there was more of a boost from tourist spending, then it suggests a weaker contribution from locals.

We will await the week's other indicators for components of GDP (from the production side) for further guidance before finalising our view.

Services Export Volumes Up



Tomorrow's Q3 Building Work Put in Place will be another pointer to the possible movement in construction activity in the Q3 GDP accounts, which we reckon was a small down, led by residential work.

Friday's business financial data will be the most instructive of the week's indicators for Q3 GDP. We expect these to infer a slight fall in manufacturing and wholesaling activity, and a mild increase in service-sector activity (as a whole, at least).

After all that, we can essentially finalise our Q3 GDP pick. The actual GDP data are due on 14 December. That is what will be much more closely assessed against the RBNZ's 0.3% estimate (along with the 0.9% drop in Q3 private consumption that the Bank has assessed in the details).

This week, there is also some fiscal news to take on board. Tomorrow Treasury publishes the Crown Financial Accounts for (the 4 months to) October. Has the outperformance of tax revenue, which emerged for the September quarter, continued? Stats NZ's version of the general government accounts, for the year to June 2023, are set for release Thursday. And with council rates an ongoing headache for the CPI, who can turn a blind eye to the local authority financial accounts for Q3, also due Thursday. Deficits have been the trend.

Meanwhile, we remain on the lookout for the confirmed release date of the government's Half-Year Economic and Fiscal Update.

Elsewhere, it is a matter of monitoring various updates on commodity export prices through the week. Tuesday's ANZ indices are likely to show a slight rise, in world price terms, but a dip when the influence of a stronger NZD is factored in for prices in local currency terms.

For Wednesday morning's GDT auction we have a 2% gain pencilled in for dairy price index. We are also keeping an eye out for the possibility that Fonterra releases its (FY) Q1 business update during the week to see if the co-op sees any need to change its 2023/24 milk price forecast from its current \$7.25/kg milksolids midpoint (if there were to be any change, an increase would seem more likely than a reduction).

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Global Watch

- **Australian focus is on RBA meeting and Q3 GDP**
- **US payrolls (Friday) and Services PMI to highlight**
- **China has trade, PSI and CPI/PPI figures to note**
- **BoC meeting; EU/UK quiet**

Australia

The RBA (Tuesday) and Q3 GDP (Wednesday) are the clear highlights on the Australian calendar. There is also raft of second-tier pre-GDP partials with Business Indicators (Monday), BoP and Government Finance (Tuesday). There is also the Goods Trade Balance (Thursday).

For the **RBA** we re-affirm our call of the RBA being on hold in December, but still see them hiking again in February given domestic price pressures which should again be evident in the Q4 CPI data on 31 January 2024. Almost all economists are on hold for December (23/24 in the Bloomberg survey).

The post-Meeting Statement will be watched closely, particularly for their interpretation of the recent monthly CPI indicator, and any observation of offshore inflation easing notably in the US and EZ.

We expect the watered-down tightening bias to be maintained (*"Whether further tightening of monetary policy is required to ensure that inflation returns to target in a reasonable timeframe will depend upon the data and the evolving assessment of risks"*), which jars with Governor Bullock's more hawkish rhetoric recently.

Recall Governor Bullock's recent comments where she highlighted domestic inflationary pressures and was more explicit that the RBA's target is the mid-point of the 2-3% band – *"obviously we would like to aim for the middle..."*.

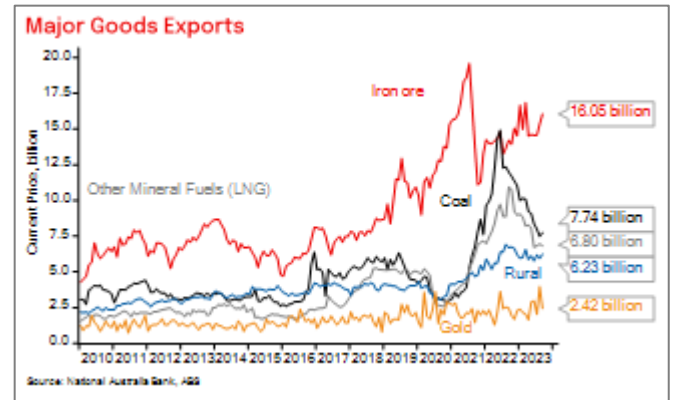
As for **AU Q3 GDP**, we pencil in 0.5% q/q with some upside risk. Of importance will be productivity measures that should rebound sharply given the recovery in hours worked, and underscores that productivity is volatile on a quarterly basis. Instead, we suggest looking at the pace of services inflation.

	Q/Q		Y/Y	Contribution to Q/Q
	Jun-23	Sep-23	Sep-23	Sep-23
Household Consumption	0.1	0.3	1.0	0.1
Dwelling Investment	-0.2	2.3	0.3	0.1
Underlying Business Investment	2.1	-0.5	5.8	0.0
Underlying Public Final Demand	1.2	0.3	2.8	0.1
Domestic Final Demand	0.7	0.4	1.9	0.3
Stocks (a)	-1.1	0.2	-0.7	0.2
GNE	-0.4	0.6	0.7	n.a.
Net exports (a)	0.8	-0.1	1.5	-0.1
Real GDP	0.4	0.5	1.9	n.a.

(a) Contribution to GDP growth

Pre-GDP partial of business indicators is out with inventories being the most relevant for Q3 GDP. We pencil in a -0.1% point contribution.

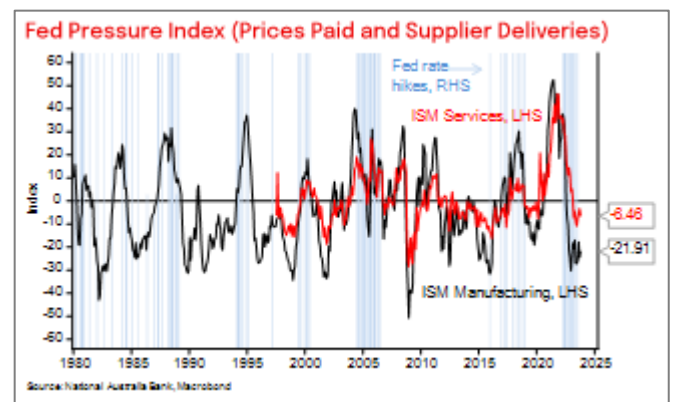
We also pencil in a rise in the trade surplus for October of \$8.5bn, a bit above the \$7.5bn consensus.



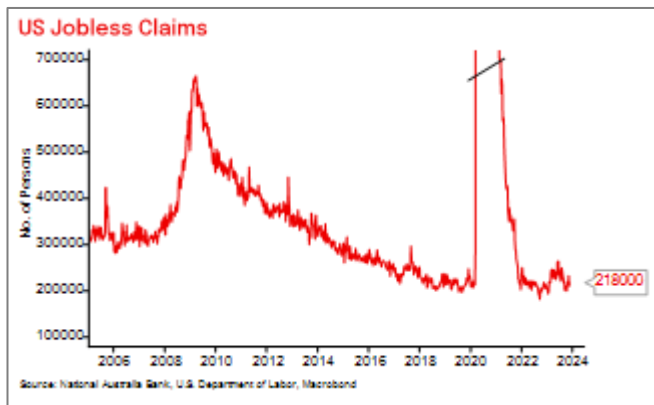
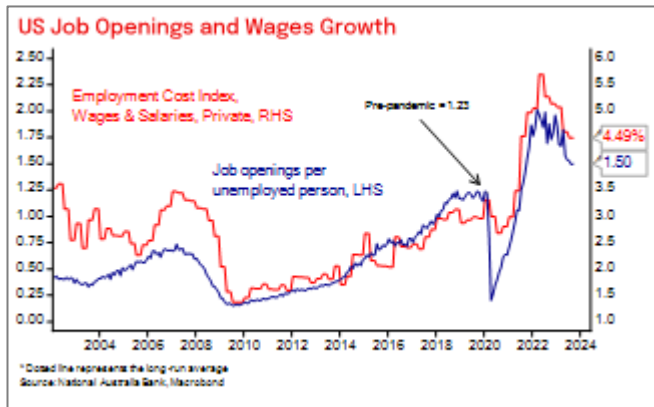
US

US Payrolls, due Friday, should see a boost from auto workers returning from strike. The unemployment rate is expected to be unchanged at 3.9% and average hourly earnings at 4.0% y/y. Markets should be less sensitive to a strong report.

The US ISM Services report (Tuesday) will be watched closely from both an activity and inflation point of view. Consensus sits at 52.3 from 51.8 previously. The Prices Paid Index (no consensus) has led a lot of the moderation seen in core inflation to date. At NAB we combine the prices paid index and supplier deliveries as a proxy for prices pressures, which we term the 'Fed Pressure Index'. This Index has been in easing territory over recent months, which aligns with the recent run of softer inflation prints.

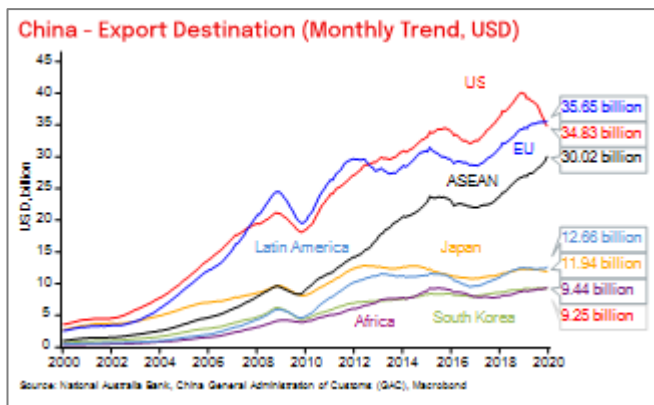


Tuesday's JOLTS report and Thursday's weekly jobless claims data will offer insight in the US labour market, ahead of Friday's all-important payrolls report.

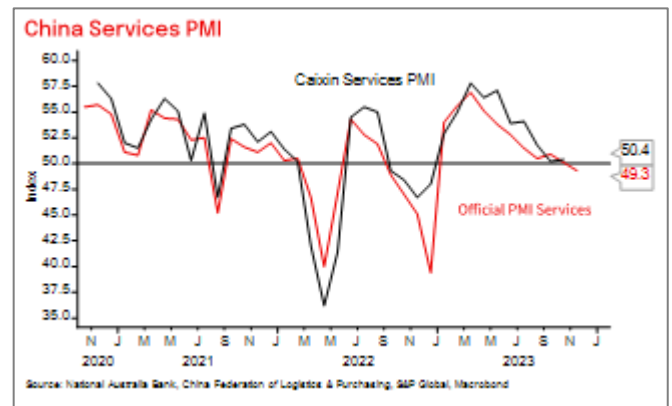


China

Thursday's Trade Balance results for November will be closely watched as a proxy of both internal and external demand, given the faltering manufacturing PMI recently and subdued non-manufacturing. Look at exports, there has been a large easing in exports to the US, and growth to other countries have flatlined apart from ASEAN.



We expect the China Caixin Services PMI to follow the official PMI seen earlier, which was in contraction territory. Be watchful for further talk of stimulus, while worries around the recent lift in fever cases amongst children appear to be receding given testing revealed it reflected the re-circulation of common viruses.



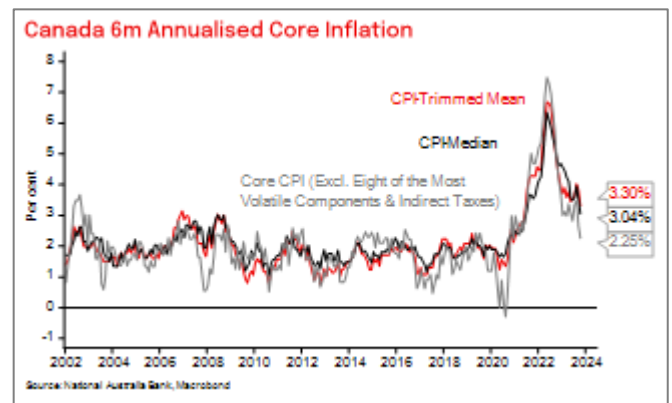
Also be aware of China's CPI and PPI reports for November, which are due for release Saturday, with market expectations at -0.2% y/y and -3.0% y/y, respectively.

Europe

As for **Europe** there is no new significant data released in either the EZ or UK. There are a couple of ECB speeches from Lagarde (Monday), but from Thursday the ECB moves into purdah ahead of its policy meeting outcome on the 14th.

Canada

Most economists expect the BoC to be on hold (Wednesday), but most interest will be in their interpretation of the recent run of low inflation prints. The 6m annualised on many of the core measures is now running within the BoC's wide 1-3% inflation target, though the BOC does emphasise the 2% mid-point. Markets currently price the first cut by April 2024, with around 100bps of easing in price for 2024.



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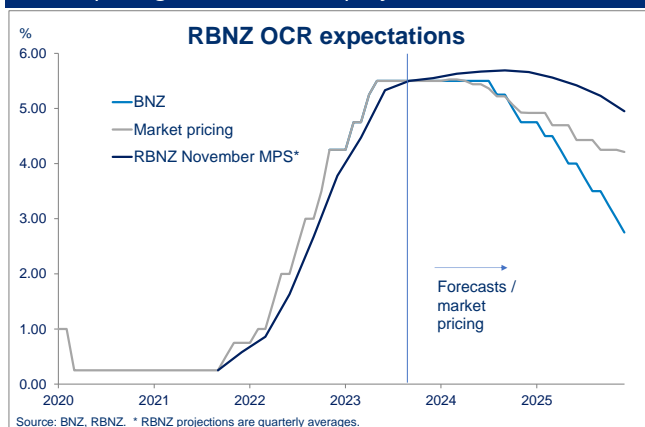
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

The Reserve Bank of New Zealand (RBNZ) held the Official Cash Rate (OCR) steady as expected, at 5.5%, at its Monetary Policy Statement (MPS) last Wednesday. However, the accompanying statement was significantly more hawkish than we, and the market, had anticipated. The Bank noted that inflation is too high, and it remains 'wary of ongoing inflationary pressures.' It even debated a rate hike at this meeting and outlined the OCR would likely need to rise further if inflationary pressures were to be stronger than expected.

The RBNZ made an upward revision to its projected OCR track. The modelled peak is 5.69%, up from 5.59% in the August MPS. Although Governor Orr didn't endorse a probabilistic interpretation, the risks of a hike clearly have risen from the Bank's perspective. The upward revision to the OCR track relative to the August MPS were progressively larger the further out the forecast period and is impacted by the Bank's updated estimate for the neutral OCR, which increased from 2.25% to 2.50%.

Market pricing and the RBNZ's projected OCR track

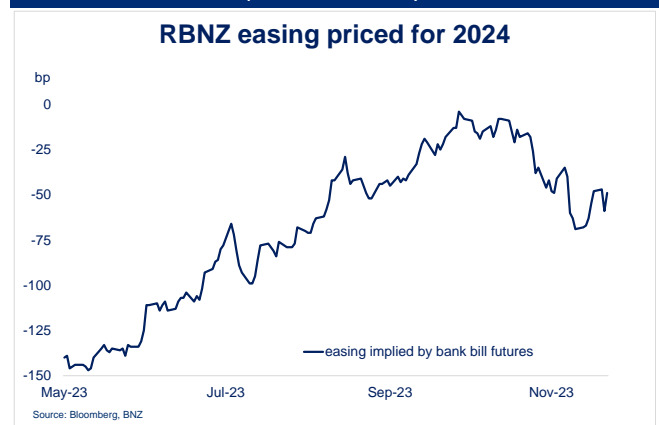


We have revised our OCR forecast in response to the hawkish tone in the MPS. We continue to think that 5.5% will mark the peak cash rate for the cycle but have pushed back the first cut to August 2024 from May 2024. Monetary policy settings are restrictive. The policy rate is above the RBNZ's updated long-run neutral OCR and is set against the backdrop of sluggish economic activity. There has been a clear abatement in labour market tightness. Forward looking indicators of labour demand, in conjunction with increasing supply, point to the unemployment rate rising faster than the RBNZ's forecasts. We also expect economic growth, as well as Q4 CPI inflation, will turn out below RBNZ projections.

The market had at one point during November priced close to 75bps of rate cuts for 2024 although that had reduced to nearer 50bps ahead of the MPS. The RBNZ view implies it is not comfortable with recent market pricing, given the

potential impact on financial conditions, and where it sees the balance of risks on inflation. One of the objectives of the hawkish MPS tone may have been to discourage the pricing of further easing.

Estimate of OCR cuts priced for next year



Our core view is that the interest rate cycle has decisively turned both in NZ and globally. However, the nearly 60bps fall in 2-year rates since the October peak, alongside the hawkish tone from the RBNZ, points towards a period of consolidation. 2-year rates are trading close to 30bps below the OCR which may provide a headwind to further declines in the near term.

The market is pricing the OCR will remain steady at 5.5% until the middle of 2024. There is a full 25bp cut priced by August of next year which aligns with our updated forecast. However, we think the easing cycle will be deeper and play out more quickly than is currently priced by the market which biases our expectations towards lower rates in 2024.

Current rates/spreads and recent ranges

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.63	5.62 - 5.64
NZ 2yr swap (%)	5.16	5.05 - 5.39
NZ 5yr swap (%)	4.72	4.64 - 5.04
NZ 10yr swap (%)	4.79	4.73 - 5.17
2s10s swap curve (bps)	-37	-47 - -29
NZ 10yr swap-govt (bps)	-14	-17 - -8
NZ 10yr govt (%)	4.94	3.67 - 5.23
US 10yr govt (%)	4.20	4.20 - 4.70
NZ-US 10yr (bps)	74	44 - 74
NZ-AU 2yr swap (bps)	89	70 - 94
NZ-AU 10yr govt (bps)	53	40 - 56

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

Last week the NZD outperformed, supported by high levels of risk appetite continuing and a surprisingly hawkish RBNZ. This was against a backdrop of more dovish commentary from Fed speakers and much weaker than expected euro area CPI data. NZD/USD closed at its weekly and four-month high of 0.6210, up 2% for the week. EUR was particularly weak, seeing NZD/EUR up over 2½%, while gains on other crosses were more modest.

It was another action-packed week in financial markets, with notable moves across currencies, bonds and equities. Respected Fed Governor Waller conveyed a policy-on-hold message, expressing confidence that policy was tight enough to slow the economy and get inflation back to 2%. Furthermore, he wasn't perturbed by the recent easing in financial conditions, and he outlined a path for future easing, suggesting that if inflation continues to cool for maybe three to five months, the Fed could lower the policy rate.

This message was music to the ears of investors and encouraged the market to price in greater scope for Fed easing next year. At the end of the week, Chair Powell said it was premature to be confident that the tightening cycle was over or to speculate when policy might ease. But he also added that the policy rate was well into restrictive territory and there was no real effort to push back against Waller's view. The US 2-year rate closed the week down over 40bps, with some 130bps of easing priced for 2024.

Supporting lower global rates was euro area CPI data that came in much weaker than expected, encouraging the market's view that the ECB tightening cycle was over and the Bank could be easing policy as soon as March. This all played to a weaker EUR and USD, the two worst performing majors last week. Lower rates supported our risk appetite index maintaining its two-year high around 70%.

The NZD gained further support from the RBNZ's "hawkish-hold". The RBNZ produced a set of forecasts raising the chance that further tightening could be required. The Bank seemed to put a lot of weight on the recent strength in migration, and that adding more to demand pressures on the economy than supply, with the Bank now seeing asymmetric risks to the inflation outlook. The rate track showed a slightly higher peak in the OCR of 5.7% and a delayed start to any easing cycle, with a full rate cut now not projected until mid-2025.

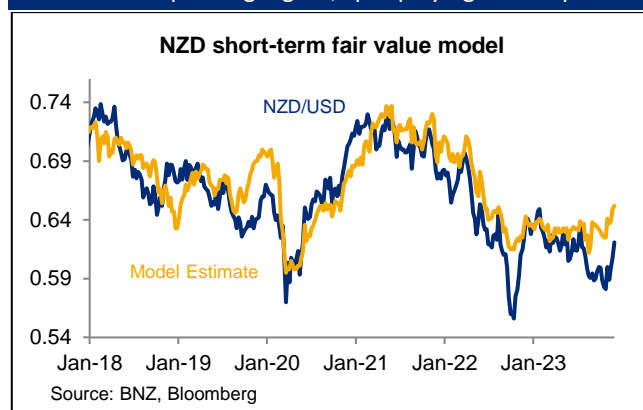
Not surprisingly, the market views the need for restrictive policy for such a long time with a great deal of scepticism. Like the market, we see little chance of the RBNZ tightening policy against a backdrop of major central banks like the Fed or ECB easing policy next year.

Recent price action supports our view that the NZD has likely moved into a higher 0.60-0.64 trading range, with the market's view of the Fed policy outlook remaining a

key driver of FX markets. The NZD remains on the cheap side of fair value, with our short-term fair value model estimate rising through the 0.65 mark. The RSI technical indicator moved into "over-bought" territory at the end of last week, raising the chance of a temporary pullback, but fundamental forces are positive, given increased conviction that the Fed tightening cycle is over and easier policy will likely follow sometime next year. The RBNZ's hawkish position offers short-term support, even if it looks out of place over a medium-term view. It's also worth reminding that seasonally, December is the strongest month for the NZD.

In the week ahead, the domestic calendar is bare but across the Tasman the market prices almost no chance of any rate hike, with the February meeting after the Q4 CPI report providing the next realistic opportunity for any further possible tightening. Key US releases are the ISM services index, the JOLTs report on the labour market and the employment report at the end of the week. Australian GDP is expected to show a modest lift for Q3.

NZD fair value pushing higher; spot playing catch-up



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6209	0.5860 - 0.6210
NZD/AUD	0.9309	0.9180 - 0.9340
NZD/GBP	0.4885	0.4770 - 0.4890
NZD/EUR	0.5703	0.5470 - 0.5710
NZD/JPY	91.16	89.00 - 91.50

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models		
	Model Est.	Actual/FV
NZD/USD	0.6520	-5%
NZD/AUD	0.8990	4%

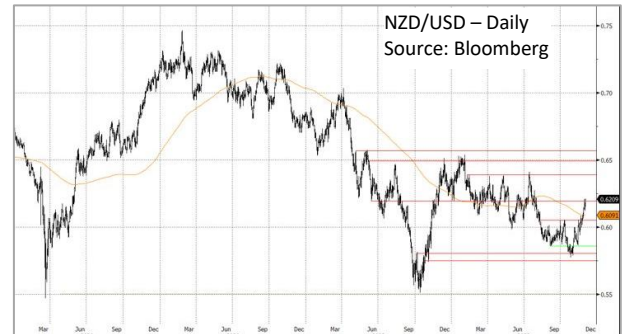
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Technicals

NZD/USD

Outlook: Upside risk
 ST Resistance: 0.64 (ahead of 0.65)
 ST Support: 0.6050 (ahead of 0.60)

With clear upside momentum the previous trading range of 0.60-0.64 is back into play. RSI breached 70 at end of last week, suggesting a short-term overbought condition.



NZD/AUD

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

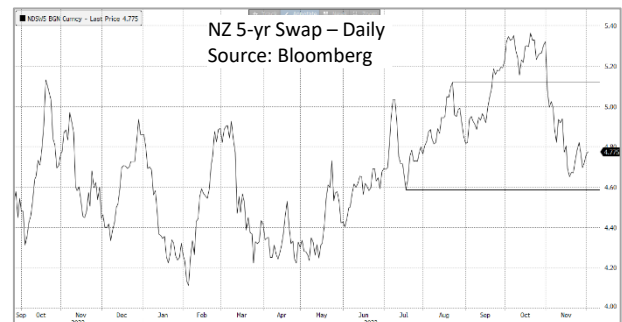
Still range bound and within the narrowing wedge formation. Support at 0.9150, resistance at 0.94.



NZ 5-year Swap Rate

Outlook: Neutral
 MT Resistance: 5.12
 MT Support: 4.58

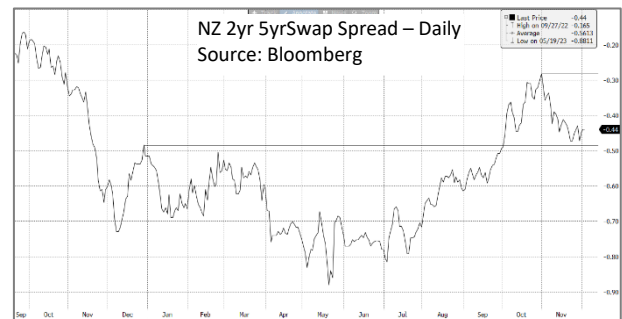
5-year swap traded a tight range with no technical significance last week. We remain neutral for the time being.



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

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

2x5 swap spread bounced slightly higher last week but remains towards the bottom end of the range. We maintain our bias for a move higher.



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Quarterly Forecasts

Forecasts as at 4 December 2023

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	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	-7.4	-6.6	-6.0	-5.7	-5.3
CPI (q/q)	1.7	2.2	1.4	1.2	1.1	1.8	0.6	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	4.1	3.6	3.1
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
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	Libor 3 month	US 10 yr	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	5.66	4.87	4.87	5.54	4.90	4.75	5.65	4.15	0.73
Forecasts										
Dec	5.50	5.60	5.30	5.30	5.50	5.45	5.40	5.85	4.60	0.70
2024 Mar	5.50	5.60	5.00	5.05	5.20	5.20	5.20	5.85	4.40	0.65
Jun	5.50	5.50	4.70	4.80	4.85	4.90	4.95	5.60	4.20	0.60
Sep	5.25	5.00	4.45	4.60	4.45	4.70	4.80	5.35	4.00	0.60
Dec	4.75	4.75	4.10	4.30	4.00	4.35	4.50	4.85	3.75	0.55
2025 Mar	4.50	4.25	3.75	4.00	3.55	4.00	4.20	4.35	3.50	0.50
Jun	4.00	3.75	3.65	4.00	3.20	3.90	4.20	3.85	3.50	0.50
Sep	3.50	3.15	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	0.62	0.67	1.09	1.27	147
Dec-23	0.60	0.66	1.10	1.27	148
Mar-24	0.62	0.69	1.13	1.31	145
Jun-24	0.64	0.71	1.16	1.35	138
Sep-24	0.64	0.72	1.17	1.34	135
Dec-24	0.65	0.73	1.18	1.35	130
Mar-25	0.67	0.75	1.19	1.35	125
Jun-25	0.69	0.77	1.21	1.37	120
Sep-25	0.71	0.78	1.22	1.37	118
Dec-25	0.71	0.78	1.23	1.38	116
Mar-26	0.69	0.76	1.23	1.38	115

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.62	0.93	0.57	0.49	91.0	71.9
Dec-23	0.60	0.91	0.55	0.47	88.8	69.8
Mar-24	0.62	0.90	0.55	0.47	89.9	71.0
Jun-24	0.64	0.90	0.55	0.47	88.3	72.1
Sep-24	0.64	0.89	0.55	0.48	86.4	71.3
Dec-24	0.65	0.89	0.55	0.48	84.5	71.3
Mar-25	0.67	0.89	0.56	0.50	83.8	72.5
Jun-25	0.69	0.90	0.57	0.50	82.8	73.8
Sep-25	0.71	0.91	0.58	0.52	83.8	75.4
Dec-25	0.71	0.91	0.58	0.51	82.4	75.2
Mar-26	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 4 December 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	0.9	0.4	2.5	7.4	3.2	1.2	-0.2	2.2
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	-0.9	-2.7	4.2	12.3	4.1	0.4	-3.8	3.1
Stocks - ppts cont'n to growth	0.5	-0.1	-1.1	1.0	0.0	1.4	-0.3	-1.4	1.1	0.1
GNE	8.0	2.6	-0.8	0.0	2.7	10.2	3.4	-0.5	-0.8	2.3
Exports	2.5	6.0	5.3	3.1	5.3	-2.7	-0.2	8.9	3.1	5.3
Imports	17.3	4.7	-2.8	-0.4	3.8	14.8	4.7	-0.6	-1.8	3.2
Real Expenditure GDP	4.8	2.9	1.3	0.9	3.0	6.1	2.3	1.6	0.6	2.8
GDP (production)	5.2	2.9	0.8	0.8	3.0	6.0	2.7	1.2	0.3	2.8
<i>GDP - annual % change (q/q)</i>	<i>1.1</i>	<i>2.2</i>	<i>0.3</i>	<i>2.2</i>	<i>3.1</i>	<i>3.3</i>	<i>2.4</i>	<i>0.6</i>	<i>1.1</i>	<i>3.1</i>
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
Prices and Employment - annual % change										
CPI	6.9	6.7	4.1	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
External Balance										
Current Account - \$bn	-23.6	-31.8	-24.6	-19.0	-11.6	-20.6	-33.4	-26.7	-20.7	-13.7
Current Account - % of GDP	-6.6	-8.2	-6.0	-4.5	-2.6	-5.8	-8.8	-6.6	-4.9	-3.1
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	6.7					
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	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	4.50	2.75	0.75	4.25	5.50	4.75	2.75
90-day Bank Bill Rate	1.45	5.16	5.60	4.25	2.90	0.92	4.55	5.60	4.75	2.90
5-year Govt Bond	2.90	4.40	5.00	3.75	3.50	2.20	4.30	5.30	4.10	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	5.20	3.55	3.00	2.22	5.21	5.50	4.00	3.00
5-year Swap	3.20	4.50	5.20	4.00	3.75	2.56	4.62	5.45	4.35	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
⁽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		Median	Fcast	Last
Monday 04 December				EC Retail Sales MoM Oct	0.20%		-0.30%
NZ Terms of Trade Index QoQ 3Q	-2.20%	-1.90%	0.40%	UK Bank of England financial stability report			
AU Melbourne Institute Inflation YoY Nov			5.10%	Thursday 07 December			
AU Inventories SA QoQ 3Q	-0.80%		-1.90%	US ADP Employment Change Nov	120k		113k
AU Home Loans Value MoM Oct	1.10%		0.60%	US Trade Balance Oct	-\$64.2b		-\$61.5b
GE Trade Balance SA Oct	17.2b		16.5b	CA Bank of Canada Rate Decision Dec-06	5.00%		5.00%
EC ECB's Guindos Speaks in Madrid				AU Trade Balance Oct	A\$7400m		A\$6786m
EC Sentix Investor Confidence Dec	-15.6		-18.6	GE Industrial Production SA MoM Oct	0.00%		-1.40%
Tuesday 05 December				EC ECB's Holzmann Speaks in Vienna			
UK BOE's Dhingra speaks				EC GDP SA QoQ 3Q F	-0.10%		-0.10%
EC ECB's Lagarde Speaks in Paris				EC Employment YoY 3Q F			1.40%
US Factory Orders Oct	-3.00%		2.80%	CH Trade Balance CNY Nov			405.47b
NZ N.Z. Government Financial Statements Oct				Friday 08 December			
NZ Volume of All Buildings SA QoQ 3Q	-0.50%	-0.50%	-0.10%	US Initial Jobless Claims Dec-02	222k		218k
NZ ANZ Commodity Price MoM Nov			2.90%	SW Riksbank's Bunge speaks			
UK BRC Sales Like-For-Like YoY Nov			2.60%	EC ECB's Elderson Speaks in Brussels			
AU Net Exports of GDP 3Q	-0.2		0.8	US Wholesale Trade Sales MoM Oct			2.20%
AU BoP Current Account Balance 3Q	A\$3.2b		A\$7.7b	NZ Mfg Activity Volume QoQ 3Q			2.90%
AU RBA Cash Rate Target Dec-05	4.35%		4.35%	JN Household Spending YoY Oct	-2.90%		-2.80%
SW Riksbank's Thedeén speaks				JN GDP SA QoQ 3Q F	-0.50%		-0.50%
GE HCOB Germany Services PMI Nov F	48.7		48.7	JN Eco Watchers Survey Outlook SA Nov	48.1		48.4
EC ECB 3 Year CPI Expectations Oct	2.40%		2.50%	GE CPI YoY Nov F	3.20%		3.20%
EC HCOB Eurozone Services PMI Nov F	48.2		48.2	UK BoE/Ipsos Inflation Next 12 Mths Nov			3.60%
UK S&P Global/CIPS UK Services PMI Nov F	50.5		50.5	UK BOE inflation attitudes survey			
Wednesday 06 December				Saturday 09 December			
NZ Dairy Auction GDT			flat	US Change in Nonfarm Payrolls Nov	180k		150k
CA S&P Global Canada Services PMI Nov			46.6	US Unemployment Rate Nov	3.90%		3.90%
US S&P Global US Services PMI Nov F	50.8		50.8	US U. of Mich. Sentiment Dec P	62		61.3
US JOLTS Job Openings Oct	9300k		9553k	CH CPI YoY Nov	-0.20%		-0.20%
AU GDP SA QoQ 3Q	0.40%		0.40%	CH PPI YoY Nov	-3.00%		-2.60%
GE Factory Orders MoM Oct	0.20%		0.20%	CH Aggregate Financing CNY Nov	2536.0b		1850.0b

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	4.25	2 years	5.16	5.27	5.31	5.01
1mth	5.58	5.58	5.59	4.32	3 years	4.91	5.05	5.10	4.70
2mth	5.60	5.60	5.61	4.39	4 years	4.78	4.92	5.00	4.50
3mth	5.63	5.62	5.63	4.45	5 years	4.72	4.85	4.96	4.38
6mth	5.66	5.66	5.68	4.95	10 years	4.79	4.92	5.08	4.22
GOVERNMENT STOCK					FOREIGN EXCHANGE				
04/25	5.23	5.29	5.38	4.44	NZD/USD	0.6197	0.6098	0.5964	0.6317
04/27	4.87	4.94	4.99	4.17	NZD/AUD	0.9297	0.9230	0.9191	0.9431
04/29	4.84	4.91	5.02	4.03	NZD/JPY	90.93	90.67	89.49	86.38
05/31	4.93	4.99	5.12	3.98	NZD/EUR	0.5697	0.5567	0.5565	0.6020
04/33	4.99	5.03	5.17	3.97	NZD/GBP	0.4885	0.4830	0.4831	0.5180
04/37	5.17	5.20	5.33	4.08	NZD/CAD	0.8368	0.8303	0.8171	0.8583
05/41	5.23	5.25	5.36	4.18					
05/51	5.18	5.19	5.29	4.12	TWI	71.9	70.9	70.3	73.3
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	61	64	71	80					
Europe 5Y	66	70	78	90					

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