Research

Markets Outlook

15 January 2024

A tough start to 2024

- **Unfortunately, the worst is upon us**
- **End 2024 looking better**
- **Near term indicators dire**
- **But forward looking more optimistic**
- **Declining inflation critical**

As Monday, January 22, is Wellington Anniversary Day the next Markets Outlook will be published on Tuesday January 23.

Happy New Year!

We think it will be, eventually, but there remains a bit of a hill to climb in the first half of this year until we get there.

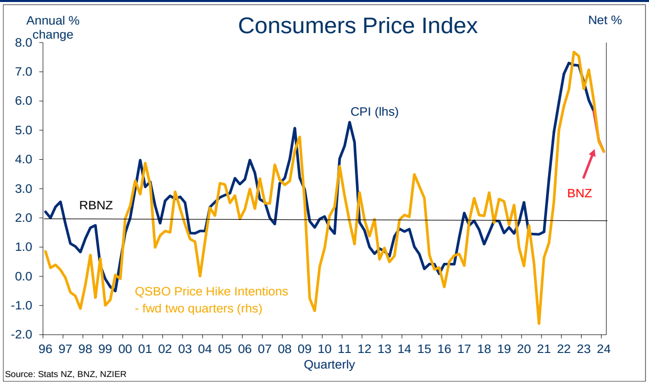
This week we are delivered two key sets of indicators which will provide guidance as to our current and prospective standing.

On Tuesday we receive NZIER's Quarterly Survey of Business Opinion. After that come BNZ-Business New Zealand's Performance Indicators (Manufacturing on Friday and Services on Tuesday, January 23). The former (QSBO) will give us great insight into where we are headed, the latter (the PMI and PSI) an early read as to where exactly we now are. Both sets of figures are watched closely by the RBNZ with the QSBO, in particular, a key indicator as to the state of inflationary and labour market pressures.

With regard to the QSBO we expect:

- Growth indicators to turn upward. We expect them to continue to show the economy as struggling to gain traction but to suggest a pick-up in activity towards the end of this year.
- Labour market indicators should continue to show easing in conditions, consistent with a rising unemployment rate.
- For us, the series of most interest will be those to do with pricing and pricing expectations. While the economy is unequivocally weak, and inflationary pressures are diminishing, there is still scant evidence the disinflationary process is strong enough yet to pacify the RBNZ. We don't think the RBNZ will raise the cash rate again but any indication that inflation might not abate will certainly leave the door open for further action.

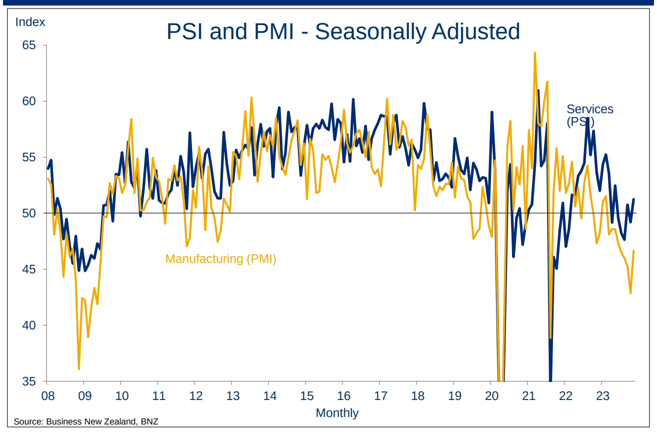
More downside please!



We think we are currently in the weakest quarter of the economic cycle. We would expect this malaise to be reflected most in December's PMI. The headline PMI has been indicating economic contraction in manufacturing for nine consecutive months. The production indicator goes one worse with ten consecutive sub-50 readings. We expect to see more of the same.

The services sector has consistently outperformed manufacturing since early 2022. We expect this to remain the case. However, we would not be surprised to see significant deviation across the services' sub-sectors. Anything influenced by international tourism should fare well. Conversely, there is strong anecdote that retail spending this festive season was disappointing.

Struggle street

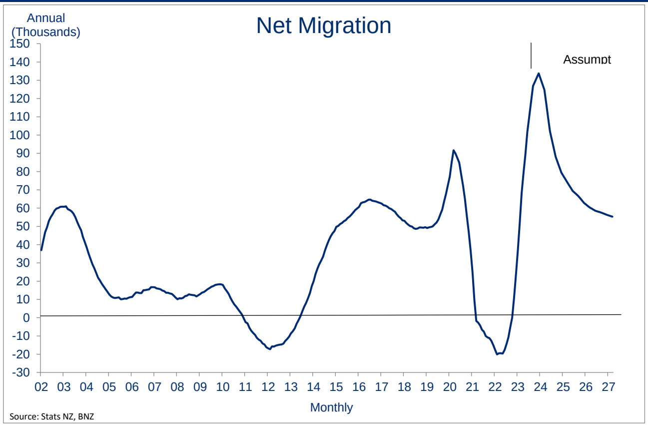


We get an update on the retail sector with the release, on Wednesday, of Electronic Card Transactions data for December. The monthly series have been volatile and difficult to interpret. For example, was November's jump in sales (0.8% for total spending and 1.6% for core retail) indicative of a marked improvement in consumer spending or was it a statistical/seasonal anomaly which suggests that December's number could reveal a big unwind? Our best guess is that we get a small increase in sales reported for the December month. Whatever the exact reading, we suspect the key message will be that sales in December were barely changed, in real terms, on year earlier levels.

November tourism and migration numbers are out on Friday. Tourism growth has been a major supporter of the economy over the last twelve months. That said, growth seems to have stalled over the last month or two. The "post-COVID" boost now seems behind us but there is still plenty of room for growth via increasing Chinese numbers, strength in cruise boat visitors and increasing airline capacity generally.

Of perhaps greater importance to the bigger picture is what's happening to migration. Net migration needs to slow dramatically for the RBNZ to be confident that this source of inflationary pressure is brought to account. If net migration remains at current levels there is a much heightened chance the RBNZ feels the need to tighten further. If recent past data are anything to go by, the odds are that November will show an apparent slowing in net migration inflows but the slowing reported in past months will be revised away. In short, we'll probably have very little insight into what's happening to migration now until we get the revised data next month. Nonetheless, we'll do our best to make sense of it.

Too many migrants?



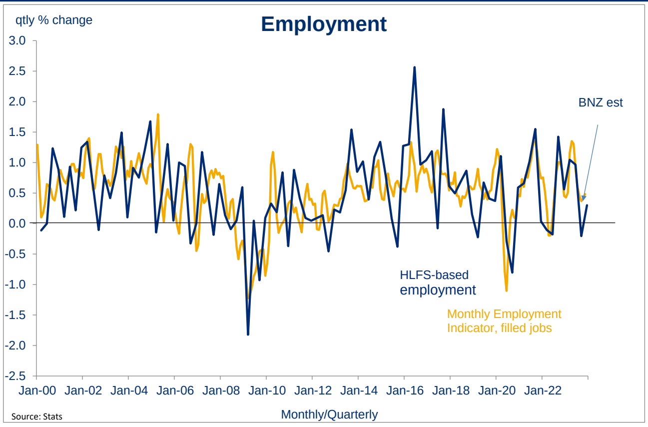
On Thursday we get the latest suite of monthly inflation indicators. These data represent over 40% of the CPI so, being the December readings, will help us solidify our fourth quarter CPI pick. As things stand, we are forecasting a Q4 CPI of 0.5%, producing an annual reading of 4.7%. The RBNZ is picking 0.8% and 5.0% respectively. At face value, this would tend to suggest the RBNZ could become more relaxed about inflation. In truth it may be quite the opposite. Our estimates are much lower than the Bank's thanks to our belief that tradeables inflation surprises substantially to the downside. As regards non-tradeables, we think this component will surprise the Bank to the upside. This is a problem as the RBNZ seems to be placing a huge weight on the non-tradables component when making its rate call decisions. We're not convinced by this approach but if it is the approach taken then, ironically, the surprisingly weak headline reading we are anticipating will put upward pressure on rates.

We do not forecast each of the monthly CPI components that will be published this week. We do, however, have a view on food prices and rents and there are a number of series that we will be paying close attention to. We are forecasting a 0.6% increase in food prices, resulting in a 0.9% decline for the quarter. We expect rents to increase 0.4% for the month, 1.0% for the quarter. And, we have assumed a significant increase in airfares to match pre-COVID patterns. There are substantial risks around this assumption.

Of course, the data flow for 2024 has already begun with several releases over the previous week. The news that most piqued our attention was that filled jobs rose 0.1% in November. Given the October increase of 0.4% was impacted by the 2023 General Election, it was reasonable to assume some correction in November. That this did not happen implies the labour market remains relatively strong, and potentially stronger than we have anticipated.

At face value, the November reading indicates Q4 HLFS employment growth could be as high as 0.6%. Our current forecast is for growth of 0.3%, which produces an unemployment rate of 4.3%. Clearly there are upside risks to our employment forecast and downside risks to our unemployment expectations.

Still hiring strongly



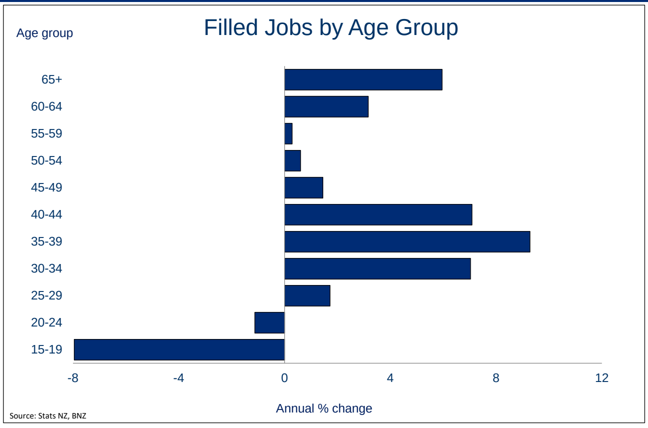
If these upside risks came to fruition it would be disconcerting because the RBNZ is forecasting 0.2% employment growth and an unemployment rate of 4.2%. If it is surprised to the tight side then this would add to the pressure to raise rates further.

If HLFS job growth does turn out as strong as the monthly numbers suggest then it may be further reflection of the impact of immigration on the workforce. With this in mind, it comes as no surprise to us that Stats NZ has also revised upward its estimates of working age population that form the basis for the Household Labour Force Survey calculations. This also adds another element of uncertainty in trying to work out what the HLFS might tell us when it is released on February 7.

As an aside, the distribution of employment growth remains interesting. We continue to see the unwind of the massive growth that occurred in youth employment during the COVID disruptions as youth chose work over learning, and labour shortages gave employers no choice but to employ youth labour irrespective of capability. This is no longer the case.

At the other end of the spectrum, growth in the older/elderly age groups remains strong, possibly reflecting the need to keep working for longer in the face of growing costs.

Going back to school?



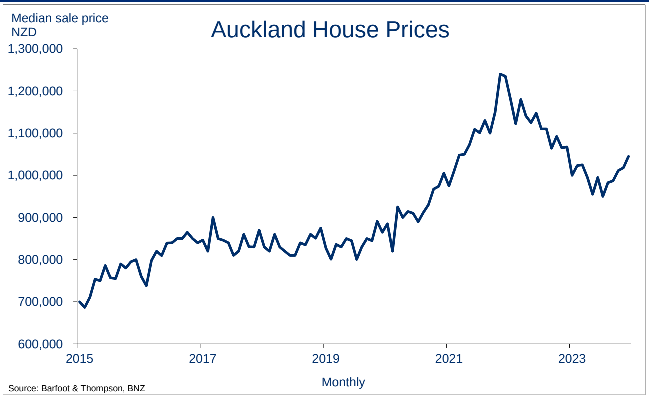
A key point of focus for 2024 will be the state of the housing market. Barfoot & Thomson last week provided the first set of insights into this. There were mixed messages in its December data but, overall, there is a sense the housing market continues to find its feet.

Sales in December 2023 were up a whopping 57.5% on an, admittedly very weak, December 2022. With new listings falling 5.1% over the year (their lowest December number since 2018) this meant the stock of available listings dropped 6.0%.

All other things being equal you might expect the combination of increased demand and weakening supply to push prices higher. This indeed, is exactly what is happening.

The median price may still be 2.1% below where it was this time last year but, more importantly, prices are up 10.0% from their July 2023 lows. This means around a third of the price drop recorded since November 2021's peak has been recovered.

House prices continue to rise



With the costs of construction prohibitively high and investors re-entering the market, we expect house prices to continue forging higher despite the deteriorating state of the labour market, negative pressure on real incomes and ongoing increases in average debt servicing costs.

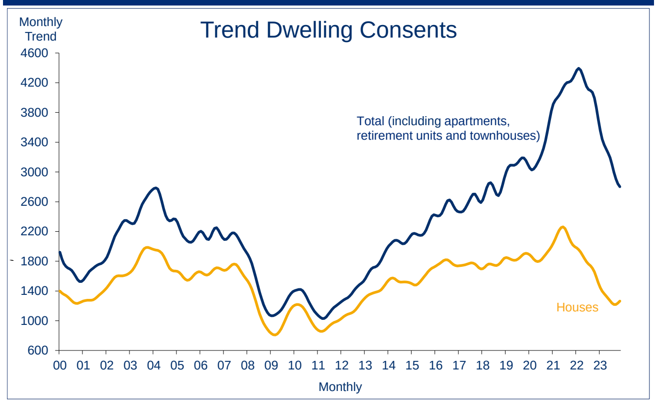
This upward pressure on house prices will be substantially exacerbated by the decline in building activity we are experiencing and are expected to experience further. Latest building permit data confirm this.

New dwelling units authorised in the month of November were down 36% on year earlier levels. It was the weakest November reading since 2015.

Driving the current decline is the construction of multi-unit dwellings as developers cut back on activity.

The annual number of residential permits issued fell to 38,209, 25% down on the peak of 51,105 reached in the year ended March 2022.

Construction wilting



If there is any good news to be gleaned from this, it is that activity will not fall by as much as permits are. This is because it was unlikely actual construction would have been able to keep up with permit issuance at any time when annual permits were much over 40,000. This also means there is catch up work taking place that will help prop up the industry. All that said, if the current seasonally adjusted monthly level of permitting is maintained then the sector will have to get used to building around 32,000 units a year. That would represent something like a 20% drop in activity from peak levels of construction work put in place, which is about a further 12% decline from current. Given this, we should probably be lowering our already weak residential fixed capital formation forecasts a little more.

In a similar vein, non-residential consents are weakening faster than we had anticipated, meaning we may also have to revise lower the non-residential construction component of our GDP forecasts. For the record, non-residential consents for the three months ended November were 13.2% below the same period a year earlier.

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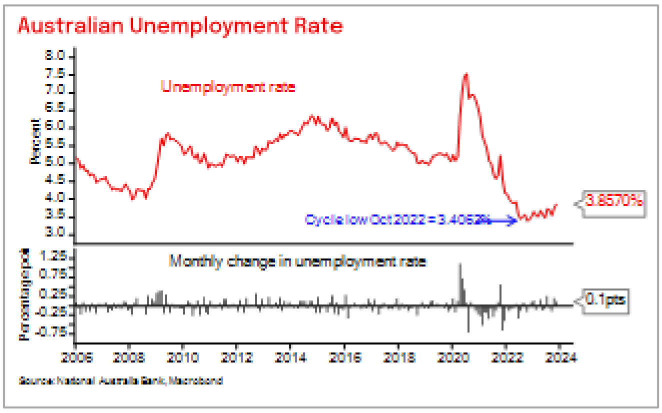
Global Watch

- **Aussie CPI and labour market data potential market movers both sides of the Tasman**
- **Republican Iowa caucus centre-stage in the US**
- **China miffed by Taiwanese presidential election**
- **Keep an eye on Davos**

Australia

Employment (Thursday) is the main data piece for Australia. The consensus expectation is for 15,000 job growth and for unemployment to be unchanged at 3.9%. Given last month's lift in the unemployment rate was driven by a leap in participation, we look for some reversal and see the unemployment rate falling back to 3.8% and for 30k jobs.



The RBA November SoMP had pencilled in an unemployment rate of 3.8% for Q4 2023, so a 3.8-3.9% outcome is unlikely to shift its thinking. More important will be the Q4 CPI data on 31 January. NAB thinks the core trimmed mean measure could print an annual 4.2% y/y, 0.3% below the 4.5% pencilled in by the RBA.

There is also plenty of second-tier data, including the Melbourne Institute Inflation Gauge (Monday) and Westpac Consumer Confidence (Tuesday). Neither should be particularly market moving.

United States

Politics heats up with the Republican Iowa Caucus on Monday. There is also a holiday on Monday, Martin Luther King Jr Day, which will make for a quiet start to the week.

On the data front, the bigger data pieces are Retail Sales (Wednesday) along with Industrial Production and the University of Michigan Consumer Sentiment survey on Friday.

There is also plenty of US Fed speak. The most important likely being the Fed's Waller (Tuesday). The Fed's Beige Book (Wednesday) is also out.

It is also US earnings season again. Kicking things of last Friday were JP Morgan, Citi, BofA, Wells Fargo and BoNY Mellon. These will be followed by Goldmans and Morgan Stanley on Tuesday.

Asia

In Asia, China Q4 GDP and monthly activity indicators are released on Wednesday. The consensus expectation for Q4 GDP is 1.0%. As for the monthly activity indicators, retail sales are expected to be up 8.0% y/y and industrial production 6.6% y/y. Also being watched will be the fallout from Saturday's Taiwanese presidential election won by the pro-sovereignty Lai Ching-te.

Europe

In Europe it is very quiet apart from the UK which sees CPI (Wednesday) and Retail Sales (Friday). Labour market data are also being published on Tuesday. As for across the channel, the German ZEW is released Tuesday, along with a final measure of German CPI. ECB Minutes are also released.

Finally, the Davos World Economic Forum is on from 15-19 January, expect plenty of headlines from this.

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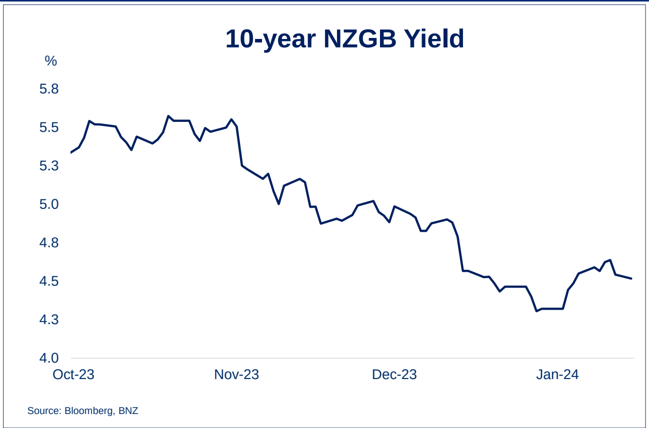
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ fixed income markets extended the rally into the end of December, aligned with moves in global markets and demand for fixed income into year-end. 10-year NZ government bond (NZGB) yields reached a low near 4.3%, continuing the aggressive rally that began in November, which has seen yields drop more than 100bps from the cyclical highs. Yields have subsequently reversed higher in January, reflecting the moves in global markets, given the lack of domestic drivers over the seasonal lull.

The pace of the bond market rally since November and amount of easing priced, both for the Reserve Bank of New Zealand (RBNZ) and major central banks, suggests a period of consolidation is likely from a tactical perspective. The 12-week rolling returns for 10-year NZGBs are still significantly stretched from a historical perspective, despite the 25bps move higher in yields since the start of January.

10-year NZGB yields rebound off 7-month lows in January

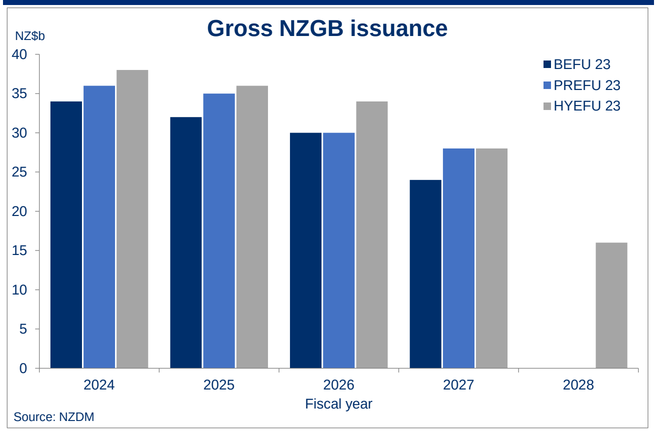


The market is close to fully pricing a 25bps rate cut by the RBNZ in May and about 100bps of easing through 2024. There is a relatively large gap until the next RBNZ meeting on 28 February. In the interim, Q4 inflation (Jan 24) and labour market data (Feb 7), will be most impactful for the monetary policy outlook. In addition, the Quarterly Survey of Business Opinion released tomorrow will also provide an important guide to the state of the domestic economy.

Sentiment towards global fixed income has been underpinned by the dovish pivot by the US Federal Reserve at the December FOMC. However, US economic data, arguably, do not make a strong case for an imminent policy shift to rapid rate cuts by the Fed. Futures markets imply an 80% chance of a 25bps rate cut in March and about 170bps of easing by the end of the year. The extent of easing priced suggests investors are incorporating a reasonable probability of a hard landing for the US economy.

New Zealand Debt Management (NZDM) will restart tendering of government bonds this week after pausing in mid-December. The 2023/24 borrowing programme was revised higher alongside the Half Year Economic and Fiscal Update (HYEFU) on December 20. Gross NZGB issuance for FY24 is forecast to be NZD38 billion. This is an increase of NZD2 billion, compared to September's Pre-election Economic and Fiscal Update (PREFU).

Forecast issuance changes at economic and fiscal updates



NZGB supply will pick up through the second half of the fiscal year. NZDM has issued NZD16.5 billion in H1 FY24, which leaves a further NZD21.5 billion of issuance for H2 FY24. We expect weekly tender volumes to remain constant at NZD500 million. This will leave NZD11 billion to be met by syndicated transactions in H2 FY24. Heavy NZGB supply suggests bonds will remain cheap relative to interest rate swaps.

Current rates and range since December 22nd.

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.64	5.62 - 5.64
NZ 2yr swap (%)	4.69	4.62 - 4.86
NZ 5yr swap (%)	4.23	4.07 - 4.36
NZ 10yr swap (%)	4.35	4.13 - 4.45
2s10s swap curve (bps)	-34	-50 - -34
NZ 10yr swap-govt (bps)	-17	-22 - -15
NZ 10yr govt (%)	4.52	4.31 - 4.65
US 10yr govt (%)	3.94	3.78 - 4.10
NZ-US 10yr (bps)	58	44 - 61
NZ-AU 2yr swap (bps)	76	69 - 89
NZ-AU 10yr govt (bps)	44	32 - 53

*Indicative range since Dec 22 2023.

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The NZD has begun the year on a soft note, although in the context of a very strong end to 2023. This is the flipside of the USD recovering, after its hefty decline through November-December. After trading as high as 0.6325 on the first trading day of the year, the low has been 0.6180, with a flat profile last week and a close of 0.6240. The NZD has been mixed on the crosses, with modest gains so far this year against AUD and JPY, flat against CAD, a small loss against EUR and a 1.3% fall against GBP, the strongest of the majors this year.

Last year the NZD traded a range of 0.5774 to 0.6538, with the high coming in early February and the low coming in late October. For all the ups and downs, the year-end close around 0.6320 wasn't much different from the prior year-end close of 0.6350 but, notably, supported by a mighty 8½% rally over the last two months of the year.

As the new year gets underway, we haven't had any revelations during the holiday break that make us immediately wanting to change views. Recall that we have been suggesting the NZD would trade in a 0.60-0.64 range, before breaking to the topside later in 2024. After such a strong run over November and December, it is understandable that the NZD is struggling to punch higher, and the trading pattern so far this year has been consistent with some consolidation.

Key data released since we switched off for Christmas include US inflation and labour market outcomes. We think it is worth highlighting that the core US PCE deflator – the US Fed's preferred inflation "target" – fell to 1.9% on an annualised basis for the second half of 2023. Clearly, if inflation continues at this rate over the next six months, then the Fed would have met its 2% inflation target for the full year. And yet monetary policy remains well in restrictive territory.

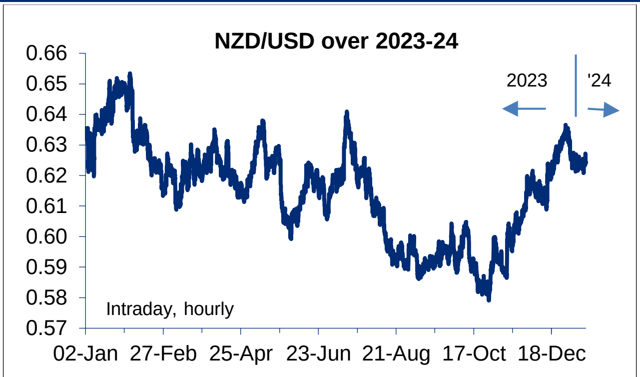
The disinflation narrative was reinforced by last week's US PPI data. On the flip side, CPI data slightly disappointed to the high side and services sector inflation remains sticky. Related to this point, the labour market and wages inflation aren't yet weak enough to give comfort that services sector inflation can be brought well under control.

Still, much easier US monetary policy (and easier policy from other key major developed central banks) still looks highly likely this year, it seems just a matter of time. As US inflation continues to fall, the real policy rate effectively rises, which the Fed is well aware of. Tighter Fed policy was a key driver of USD strength and our working hypothesis is that easier Fed policy should be a key driver of (further) USD weakness. Our long-standing end-2024 NZD target has been 0.65, consistent with some modest appreciation over the course of the year, with some likely ups and downs during the period. Over coming weeks, we will flesh out our views in more detail.

Key risks to our view of a mildly stronger NZD/USD in 2024 – driven by a weaker USD than a stronger NZD per se – include ongoing US economic growth exceptionalism versus the rest of the world, China's economic recovery stagnating, rising geopolitical risk, the possible re-election of Donald Trump in November's US presidential election, as well as any other possible significant "risk-off" event, in the context of our risk appetite index beginning the year at a top-quartile level around 75%.

In the week ahead, key global economic releases include US retail sales, China activity data for Q4 and December month, Australian employment, and CPI data for Japan and the UK. There are a number of Fed speakers, including Governor Waller, who is well-respected, and can move the market. Domestically, the Quarterly Survey of Business Opinion and monthly price indicators are the key releases.

NZ starts 2024 on a soft note after strong end to 2023



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6241	0.6180 - 0.6370
NZD/AUD	0.9332	0.9230 - 0.9340
NZD/GBP	0.4894	0.4880 - 0.4990
NZD/EUR	0.5699	0.5670 - 0.5750
NZD/JPY	90.42	88.60 - 91.00

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6610	-6%
NZD/AUD	0.8940	4%

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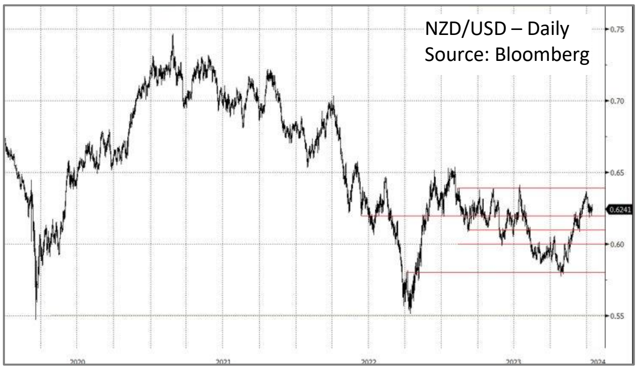
Technicals

NZD/USD

Outlook:	Trading range
ST Resistance:	0.64 (ahead of 0.65)
ST Support:	0.62 (ahead of 0.60)

0.60-0.64 looks to be the bigger range, familiar territory last year, with possible near-term support around 0.62.



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.

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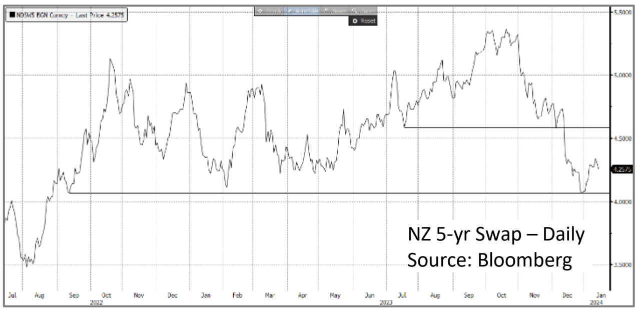
NZ 5-year Swap Rate

Outlook:	Lower
MT Resistance:	4.58
MT Support:	4.05

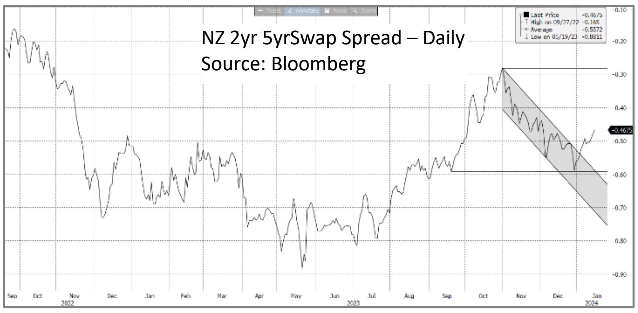
The Christmas break saw high levels of volatility and a significant fall in both global and NZ rates. Our previous support at 4.58 has now become resistance with the next level of support coming in at 4.05. We favour a continuation of this downward momentum and see 5-year swap continuing to trend lower.



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

Outlook:	Steeper
MT Resistance:	-0.28
MT Support:	-0.59

2x5 swap spread has bounced back higher in the new year off the support and has also broken the downward channel. We favour a continued steepening of the 2x5 swap spread and will target a break of the resistance above.



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Quarterly Forecasts

Forecasts as at 15 January 2024

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts: Dec-23 to Dec-24

	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
GDP (production s.a.)	1.8	-0.6	-0.2	0.5	-0.3	-0.1	-0.4	-0.1	0.6	0.7
Retail trade (real s.a.)	-0.5	-0.8	-1.3	-0.9	0.0	0.5	0.2	0.6	0.8	0.9
Current account (ytd, % GDP)	-8.3	-8.8	-8.2	-7.6	-7.6	-7.1	-6.8	-6.7	-6.4	-6.0
CPI (q/q)	2.2	1.4	1.2	1.1	1.8	0.5	0.9	0.6	1.3	0.1
Employment	1.4	0.6	1.0	1.0	-0.2	0.3	-0.1	0.0	0.1	0.3
Unemployment rate %	3.2	3.4	3.4	3.6	3.9	4.3	4.5	5.0	5.4	5.7
Avg hourly earnings (ann %)	8.6	8.1	8.2	7.7	7.1	7.0	6.2	5.5	4.4	4.3
Trading partner GDP (ann %)	3.7	2.1	2.9	3.5	3.1	3.1	2.7	2.8	2.7	2.8
CPI (y/y)	7.2	7.2	6.7	6.0	5.6	4.7	4.3	3.8	3.4	3.0
GDP (production s.a., y/y))	6.4	2.3	2.1	1.5	-0.6	-0.1	-0.3	-0.8	0.0	0.8

Interest Rates

Historical data - qtr average Forecast data - end quarter	Cash	Government Stock 90 Day Bank Bills	5 Year	10 Year	Swaps 2 Year	5 Year	10 Year	US Rates Libor 3 month	US 10 yr	Spread NZ-US Ten year
2022 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
Dec	5.50	5.60	5.35	5.30	5.50	5.20	5.10	5.80	4.60	0.70
Forecasts										
2024 Mar	5.50	5.60	5.10	5.05	5.20	4.95	4.85	5.80	4.40	0.65
Jun	5.50	5.50	4.85	4.80	4.85	4.70	4.60	5.55	4.20	0.60
Sep	5.25	5.00	4.55	4.60	4.45	4.50	4.50	5.30	4.00	0.60
Dec	4.75	4.75	4.20	4.30	4.00	4.15	4.20	4.80	3.75	0.55
2025 Mar	4.50	4.25	3.80	4.00	3.55	3.85	4.00	4.30	3.50	0.50
Jun	4.00	3.75	3.70	4.00	3.20	3.75	4.00	3.80	3.50	0.50
Sep	3.50	3.15	3.60	3.95	3.00	3.75	4.05	3.30	3.50	0.45
Dec	2.75	2.90	3.55	3.90	3.00	3.70	4.00	3.05	3.50	0.40

Exchange Rates (End Period)

	USD Forecasts					NZD Forecasts					
	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.62	0.67	1.10	1.27	146	0.62	0.93	0.57	0.49	90.8	72.2
Mar-24	0.62	0.69	1.13	1.31	145	0.62	0.90	0.55	0.47	89.9	71.0
Jun-24	0.64	0.71	1.16	1.35	138	0.64	0.90	0.55	0.47	88.3	72.1
Sep-24	0.64	0.72	1.17	1.34	135	0.64	0.89	0.55	0.48	86.4	71.3
Dec-24	0.65	0.73	1.18	1.35	130	0.65	0.89	0.55	0.48	84.5	71.3
Mar-25	0.67	0.75	1.19	1.35	125	0.67	0.89	0.56	0.50	83.8	72.5
Jun-25	0.69	0.77	1.21	1.37	120	0.69	0.90	0.57	0.50	82.8	73.8
Sep-25	0.71	0.78	1.22	1.37	118	0.71	0.91	0.58	0.52	83.8	75.4
Dec-25	0.71	0.78	1.23	1.38	116	0.71	0.91	0.58	0.51	82.4	75.2
Mar-26	0.69	0.76	1.23	1.38	115	0.69	0.91	0.56	0.50	79.4	73.6
Jun-26	0.68	0.75	1.21	1.37	114	0.68	0.91	0.56	0.50	77.5	73.2
						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 15 January 2024	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	0.4	0.5	2.4	7.4	3.3	0.7	-0.1	2.2
Government Consumption	7.9	2.0	-1.2	-3.5	1.4	7.8	4.9	-1.5	-3.9	0.9
Total Investment	10.2	2.1	-1.7	-2.2	4.2	12.0	3.4	-1.0	-3.2	3.1
Stocks - ppts cont'n to growth	0.5	-0.1	-0.3	0.2	0.0	1.4	-0.4	-0.5	0.4	0.0
GNE	7.9	2.4	-1.4	-0.8	2.7	10.0	3.4	-1.0	-1.7	2.2
Exports	2.5	6.0	4.2	3.7	5.5	-2.7	-0.2	8.0	3.4	5.5
Imports	17.3	4.6	-0.1	0.2	3.8	14.8	4.6	1.5	-0.5	3.2
Real Expenditure GDP	4.7	2.7	-0.5	-0.1	3.0	5.9	2.2	0.2	-0.8	2.7
GDP (production)	**4.5**	**2.8**	**0.1**	**0.5**	**3.0**	**5.5**	**2.4**	**0.7**	**-0.1**	**2.7**
GDP - annual % change (q/q)	*0.7*	*2.1*	*-0.3*	*1.9*	*3.1*	*2.5*	*2.3*	*-0.1*	*0.8*	*3.1*
Output Gap (ann avg, % dev)	1.3	1.9	-0.4	-1.3	-0.2	1.5	1.9	0.1	-1.3	-0.5
Nominal Expenditure GDP - $bn	359	388	414	435	459	353	381	408	429	453
Prices and Employment - annual % change										
CPI	6.9	6.7	4.3	2.8	2.1	5.9	7.2	4.7	3.0	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 %)	1.7	0.6	-1.8	0.1	0.9	3.5	0.3	-1.8	-0.3	1.0
Unit Labour Costs (ann av %)	4.6	6.4	7.6	4.3	2.2	2.4	6.4	8.0	5.3	2.4
House Prices	13.8	-12.1	2.6	8.6	13.4	27.2	-11.1	-1.6	6.7	13.4
External Balance										
Current Account - $bn	-23.6	-31.8	-28.3	-23.7	-16.6	-20.6	-33.4	-29.0	-25.5	-18.4
Current Account - % of GDP	-6.6	-8.2	-6.8	-5.4	-3.6	-5.8	-8.8	-7.1	-6.0	-4.1
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	8.1	6.5					
Financial Variables [(1)]										
NZD/USD	0.69	0.62	0.62	0.67	0.69	0.68	0.63	0.62	0.65	0.71
USD/JPY	119	134	145	125	115	114	135	144	130	116
EUR/USD	1.10	1.07	1.13	1.19	1.23	1.13	1.06	1.09	1.18	1.23
NZD/AUD	0.93	0.93	0.90	0.89	0.91	0.95	0.94	0.93	0.89	0.91
NZD/GBP	0.52	0.51	0.47	0.50	0.50	0.51	0.52	0.49	0.48	0.51
NZD/EUR	0.62	0.58	0.55	0.56	0.56	0.60	0.60	0.57	0.55	0.58
NZD/YEN	81.5	83.0	89.9	83.8	79.4	77.4	85.6	89.5	84.5	82.4
TWI	73.9	71.0	71.0	72.5	73.6	73.0	72.9	72.0	71.3	75.3
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	5.10	3.80	3.50	2.20	4.30	5.35	4.20	3.55
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	4.95	3.85	3.75	2.56	4.62	5.20	4.15	3.70
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
	Monday 15 January			
UK	Rightmove House Prices MoM Jan			-1.90%
CH	1-Yr Med-Term Lending Facility Rate Jan-15	2.40%		2.50%
GE	Budget Maastricht % of GDP 2023			-2.50%
EC	Industrial Production SA MoM Nov			-0.70%
	Tuesday 16 January			
NZ	QSBO 4Q			-52%
CA	Existing Home Sales MoM Dec			-0.90%
CA	BoC Overall Business Outlook Survey 4Q			-3.5
AU	Westpac Consumer Conf Index Jan			82.1
UK	Claimant Count Rate Dec			4.00%
UK	Average Weekly Earnings 3M/YoY Nov			7.20%
GE	CPI MoM Dec F			0.10%
GE	ZEW Survey Expectations Jan			12.8
EC	ZEW Survey Expectations Jan			23
	Wednesday 17 January			
US	Empire Manufacturing Jan	-2.9		-14.5
NZ	Card Spending Total MoM Dec		0.30%	0.80%
NZ	Card Spending Retail MoM Dec		0.30%	1.60%
CH	New Home Prices MoM Dec			-0.37%
CH	GDP SA QoQ 4Q	1.00%		1.30%
CH	Industrial Production YoY Dec	6.60%		6.60%
CH	Retail Sales YoY Dec	8.00%		10.10%
CH	Surveyed Jobless Rate Dec	5.00%		5.00%
UK	CPI MoM Dec			-0.20%
UK	CPI Core YoY Dec			5.10%
UK	House Price Index YoY Nov			-1.20%
EC	CPI MoM Dec F			0.20%
EC	CPI Core YoY Dec F			3.40%
	Thursday 18 January			
US	MBA Mortgage Applications Jan-12			9.90%
US	New York Fed Services Business Activity Jan			-14.6
US	Retail Sales Advance MoM Dec	0.40%		0.30%
US	Industrial Production MoM Dec	-0.10%		0.20%
US	Capacity Utilization Dec	78.60%		78.80%
US	Manufacturing (SIC) Production Dec	-0.10%		0.30%
US	Business Inventories Nov	-0.10%		-0.10%
US	NAHB Housing Market Index Jan	37		37
US	Federal Reserve Beige Book			
NZ	REINZ House Sales YoY Dec			12.20%
NZ	Selected Monthly Price Indices Dec			
JN	Core Machine Orders MoM Nov			0.70%
UK	RICS House Price Balance Dec			-43%
AU	Employment Change Dec			61.5k
AU	Unemployment Rate Dec			3.90%
NZ	Non Resident Bond Holdings Dec			60.50%
JN	Industrial Production MoM Nov F			-0.90%
JN	Capacity Utilization MoM Nov			1.50%
EC	ECB Current Account SA Nov			33.8b
	Friday 19 January			
US	Building Permits Dec	1480k		1460k
US	Philadelphia Fed Business Outlook Jan	-6.5		-10.5
US	Housing Starts Dec	1415k		1560k
US	Initial Jobless Claims Jan-13			
NZ	BusinessNZ Manufacturing PMI Dec			46.7
NZ	Net Migration SA Nov			7810
JN	Natl CPI YoY Dec	2.50%		2.80%
	Saturday 20 January			
US	U. of Mich. Sentiment Jan P	69.1		69.7
US	Existing Home Sales Dec	3.84m		3.82m
	Monday 22 January			
NZ	Regional Holiday, Wellington Anniversary			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	5.50	5.50	5.50	4.25
1mth	5.58	5.58	5.58	4.34
2mth	5.61	5.61	5.61	4.61
3mth	5.64	5.64	5.63	4.82
6mth	5.58	5.57	5.59	5.23
GOVERNMENT STOCK				
04/25	5.06	5.08	5.01	4.49
04/27	4.37	4.48	4.45	4.16
04/29	4.29	4.37	4.38	4.07
05/31	4.44	4.51	4.48	4.03
04/33	4.54	4.59	4.52	4.06
04/37	4.79	4.82	4.72	4.22
05/41	4.89	4.91	4.81	4.28
05/51	4.87	4.87	4.77	4.13
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	55	57	58	70
Europe 5Y	60	63	62	80

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	4.69	4.83	4.80	5.03
3 years	4.41	4.54	4.51	4.68
4 years	4.28	4.39	4.37	4.46
5 years	4.22	4.33	4.30	4.35
10 years	4.34	4.40	4.36	4.26
FOREIGN EXCHANGE				
NZD/USD	0.6244	0.6250	0.6212	0.6381
NZD/AUD	0.9337	0.9302	0.9262	0.9175
NZD/JPY	90.49	90.14	88.68	82.02
NZD/EUR	0.5702	0.5708	0.5687	0.5896
NZD/GBP	0.4897	0.4903	0.4911	0.5233
NZD/CAD	0.8370	0.8343	0.8323	0.8556
TWI	72.2	72.1	72.0	71.5

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