

Research Markets Outlook

29 January 2024

All Ears

- **RBNZ's Conway speech to hog attention**
- **Filled jobs up, but unlikely to offset more labour supply**
- **Trade data suggest weak domestic demand**
- **Business survey pulse check; but what about pricing?**
- **Are consumers expecting inflation to continue falling?**

Last week's data confirmed inflation is dropping, and quicker than the RBNZ projected. Core measures of inflation also fell sharply. Meanwhile, economic growth remains absent and prior labour market tightness is abating rapidly. Those dynamics, and lags involved, suggest monetary policy easing should be contemplated.

However, it is not clear the RBNZ will judge it that way. We are wary that three months ago the CPI surprised the RBNZ to the downside but, rather than shifting in a dovish direction, it raised its interest rate track. Even though the headline and core measures of inflation were moving the right way, the Bank suggested they were still too high for comfort hence necessitating its more aggressive stance. In addition, the RBNZ highlighted non-tradables inflation had surprised to the upside – a component that did so again last week.

Net migration was also a significant factor in the RBNZ's thinking in the November MPS, with more emphasis on demand risks from the massive net inflows occurring. Net migration has recently shown some tentative signs of peaking, but from an upwardly revised base and the initial readings are very difficult to trust.

All this makes a speech by RBNZ Chief Economist Paul Conway, tomorrow, of much interest. It will command market attention, especially given that the Bank has said 'In this speech, Mr Conway will also make brief comments on domestic data developments since the November Monetary Policy Statement.' Being 'brief comments' market anticipation may be for more guidance than it will get, but we will be all ears at 9am tomorrow.

If the RBNZ sticks with its focus on core inflation measures being too high (even though they are falling) and non-tradables printing above its projections, we wouldn't be surprised to hear some pushback on the market's eagerness to price early rate cuts.

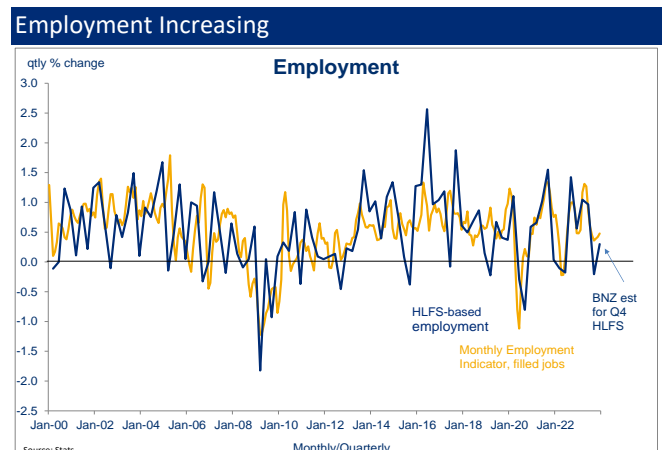
In any case, it is worth noting that while it is a member of the Monetary Policy Committee speaking this week, it need not necessarily represent the view of the full

committee. It has become unusual for the Bank to deliver speeches which include updated data commentary since its decision-making process has been by means of committee. This speech is timely, given the lengthy period and economic information received since November's MPS. Even brief comments will be welcome to get a sense of how the Bank is seeing recent developments.

This is not to discount the focus of the speech itself that is on 'how significant changes to the global economy since the COVID-19 pandemic have created new uncertainties and challenges for monetary policy'. This will aid understanding of how the Bank is assessing such things.

Turning to this week's data, it is already underway with this morning's December employment indicators and merchandise trade.

Filled jobs rose 0.2% m/m in December, to be up 3.3% on year earlier levels. This was marginally stronger than we had pencilled in for the month, but November was revised down to -0.1% m/m (from +0.1%) – it turns out that there was some give back in November from what looked like an Election-related boost back in October. Overall, nothing there to change our view for next week's HLFS.

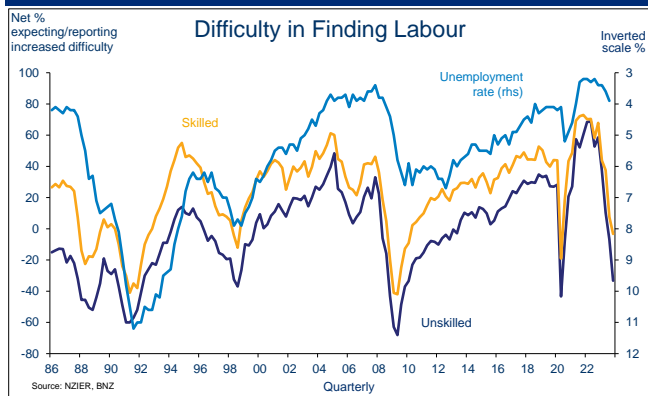


We have been of the view that next week's HLFS Q4 employment will see some growth. Today's figures support this thinking and maintains a sense of some upside risk if one took the filled jobs numbers at face value. But HLFS undershot filled jobs in Q3. And there has been employment weakness in the PSI, PMI, and job ads. So we remain with a 0.3% q/q lift in HLFS employment for next week.

Bigger picture, we see employment growth occurring as previously vacant positions are finally filled, but labour demand is getting overwhelmed by a large (net immigration driven) expansion of labour supply.

Even with some employment growth, we see a push higher in the unemployment rate (to 4.3% in Q4 from 3.9% in Q3). The RBNZ projected a Q4 unemployment rate of 4.2% in November's MPS. Firms reporting in the latest QSBO that labour is easier to find strongly supports the idea that the labour market is easing and the unemployment rate is rising, as does SEEK data showing record numbers of job applications per job ad.

But Labour Market Tightness Easing



This morning we also got merchandise trade figures for December. We expected weakness but they proved weaker than we had pencilled in. Exports were down 8.7% y/y, while imports were 12.5% below year earlier levels. It suggests economic growth and/or inflation is under downward pressure. That said, on the latter, we are monitoring latest global geopolitical developments to assess the potential for persistence in the latest gains in oil prices and shipping costs.

In the December data, the ongoing large contraction in imports adds to the case of softness in domestic demand, with the key categories of machinery and equipment, transport equipment, consumption goods, and intermediate goods all well lower than a year ago. Exports remain well back on year earlier levels, as previous falls in commodity prices show up in the nation's exports.

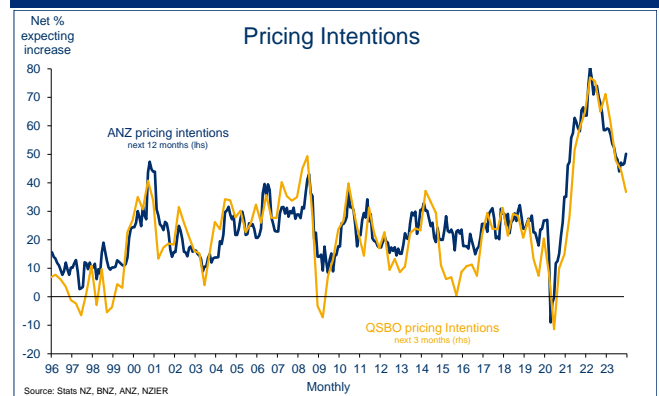
One outcome of imports falling faster than exports – and by more than expected – is that the trade deficit is narrowing a bit faster. The December monthly deficit of \$322m saw the 2023 calendar year deficit trim further to \$13.6b. This supports our view that the annual current account deficit will continue to narrow in Q4, from the 7.6% of GDP it recorded in Q3. Further deficit narrowing would be moving the right way for the likes of rating agencies who had voiced some discomfort with the external accounts last year.

Later this afternoon, we get new residential lending data for December which is likely to show annual growth a nudge higher than November's 8%, if house sales are any

guide, while annual growth in the stock of household credit is expected to remain subdued around the 3% mark.

There will be more interest in Wednesday's ANZ business survey. Business confidence (+33 last) and activity (+29) are likely to continue to suggest better times over the coming 12 months, but focus will be on employment intentions (+7) and more so the pricing indicators. Pricing intentions (+50) had shown some signs of stickiness late last year – contrary to QSBO indicators that headed sharply the other way. Inflation expectations have continued to fall, we would be surprised if they didn't continue to trend downward.

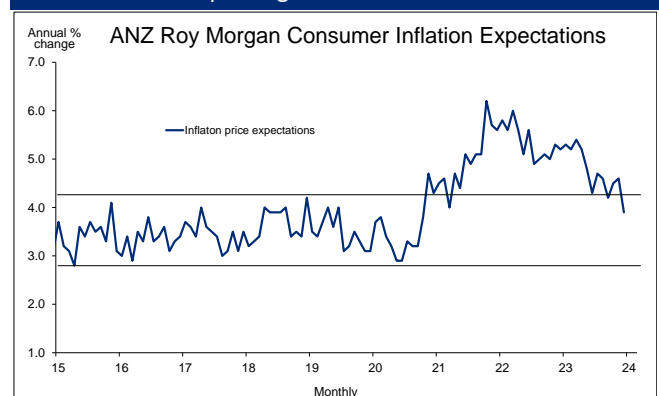
Interesting Divergence



We will be interested in any New Year housing market anecdote from Thursday's CoreLogic house price release as a pointer to current market conditions, while the relatively slow-moving house price measure is likely to show at least less negative annual inflation from December's -3.3%.

Friday's ANZ-RM consumer confidence will provide a check on how consumers have been feeling into the New Year. Late last year consumers were showing some signs of becoming less gloomy, but still firmly in a position consistent with spending restraint. Consumers' inflation expectations will be worth a look too. Last month's 3.9% looks a bit high relative to the RBNZ's target band. But that tended to be case even prior to the pandemic when CPI inflation was generally lower. It will be interesting to see if last month's dip back into the pre-COVID range is sustained this month or if it was just a wiggle in a reasonably volatile series.

Are Consumers Expecting Lower Inflation?



The data week ends with Friday's building consents for December. The monthly data are volatile, but the trend for residential building consents has been firmly downward and is likely to remain so. In November, new dwelling consents were down 36% on year earlier levels.

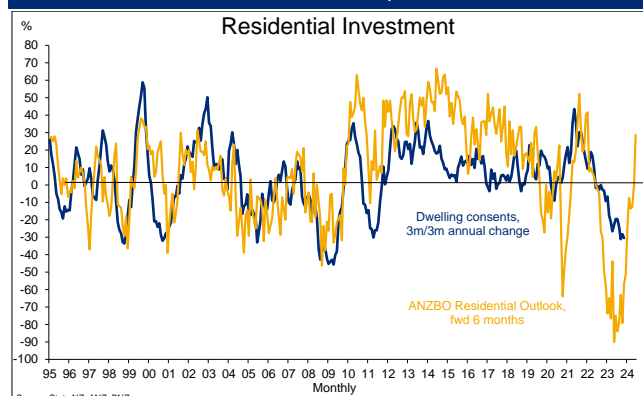
We will be viewing December's figures to see if we need to nudge down our construction forecasts, although we note that actual house building activity is unlikely to fall as far as consents given actual construction was resource constrained on the way up.

We will be keeping an eye on non-residential consents too. These have been weakening a bit faster than we might have anticipated suggesting some near-term downside risk to the non-residential building component of our GDP forecasts.

More encouragingly, for the medium term, sentiment in the construction sector has shown signs of a turn for the

better. That is another indicator to keep an eye on in this week's business survey.

Consents Lower, But Sentiment Improved



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Global Watch

- **FOMC out on Thursday, focus too on Powell comments**
- **US payrolls, ISM manufacturing, ECI, JOLTS on agenda**
- **BoE meets, no change expected**
- **AU CPI seen undershooting RBA forecast**
- **China PMIs due**
- **EU Q4 GDP and Jan CPI both expected to decline**

Australia

Q4 CPI (Wednesday) dominates the data week. NAB published a full preview a few weeks ago seeing the core trimmed mean measure at 4.2% y/y, three tenths below the RBA's November SoMP forecast of 4.5%. Market consensus is 4.3%. Regarding headline, NAB expects 0.7% q/q, where consensus is 0.8%. That should keep the RBA on hold in February (RBA meets 5-6 February).

Also out in the week is December Retail Sales (Tuesday), which should show a sharp fall following a Black-Friday/Cyber Monday-boosted November. NAB have pencilled in -2.0% m/m which is also the consensus. There is also a raft of housing data, including Dwelling Prices, Building Approvals, and Housing Finance.

US

The FOMC meets Wednesday (8am Thursday morning NZT) and while expectations are for no rate change, Chair Powell's presser will be closely parsed for two reasons. The first is when the Fed will feel comfortable enough in cutting rates given six-month annualised inflation is running at 1.9%. The second reason is on hints around QT given recent chatter the Fed could start to taper its balance sheet reduction. Markets have a rate cut fully priced by May, with some change in March.

It is also big week for US data with Payrolls (Friday) and the ISM Manufacturing (Thursday). For Payrolls the consensus is for 180k jobs and for the unemployment rate to rise a tenth to 3.8%. Two other key data points giving insight into inflation pressure is the Employment Cost Index (Wednesday) and Productivity (Thursday). JOLTS data on Tuesday may also be important in showing a better balance in the labour market.

US earnings season also continues with a big focus on tech with Alphabet (Tuesday), Apple (Wednesday) and Amazon (Thursday).

China

It is almost New Year, but before then is the Official PMIs (Wednesday) followed by the Caixin Manufacturing version on Thursday. The data will be watched closely given renewed expectations of stimulus amid uncertainty around the pace of growth.

Europe and UK

Q4 GDP (Tuesday) and the flash January CPI (Thursday) are the ones to watch. Consensus is -0.1% q/q for GDP and -0.4% m/m for CPI. Another low CPI print and a negative GDP print would argue for rate cuts sooner than what current ECB speak suggests. Markets fully price the first rate cut by June. As for CPI, Spanish and Belgium figures will be published earlier on Tuesday, and German/French figures will also early on Wednesday.

In the UK, the BoE meets on Thursday. No change expected.

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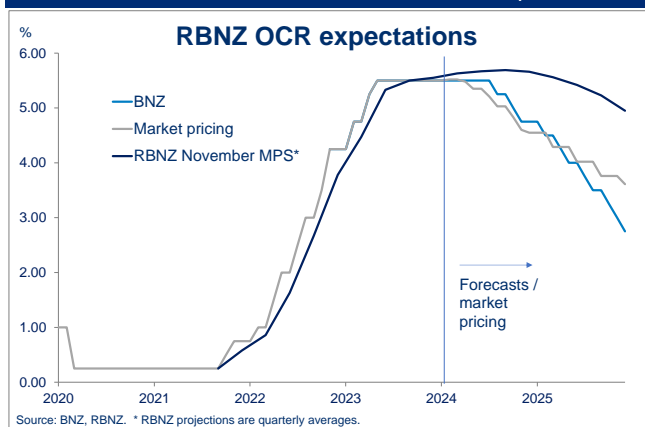
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ fixed income markets traded lower in yield during last week albeit in the context of the generally sideways price action that has played out since the move higher at the beginning of January. Q4 CPI printed in line with expectations at the headline level, but the non-tradable component was higher than consensus estimates and the RBNZ's projections from the November Monetary Policy Statement (MPS). The data contributed to a modest paring of cuts by the market, which currently implies the first 25bps rate cut by July and close to 90bps of easing through 2024.

With GDP and (headline) inflation data undershooting the central bank's projections, a speech tomorrow by its Chief Economist, Paul Conway, will be closely monitored. The speech will include comments on domestic data developments since the November MPS, when the RBNZ presented a significantly more hawkish stance than anticipated and made an upward revision to its projected Official Cash Rate (OCR) track. We continue to forecast the RBNZ will begin an easing cycle at the August MPS.

The market has deviated from the RBNZ's OCR path



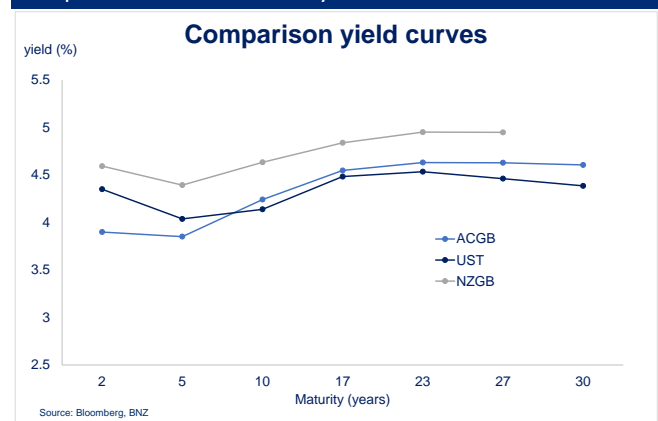
New Zealand Debt Management (NZDM) announced, alongside the Pre-election Economic and Fiscal Update (PREFU) in September, that a new 15 May 2054 nominal maturity will be syndicated this fiscal year. There was a further update in the monthly tender schedule, released on Wednesday, that the new 30-year bond will be launched, via syndication, in the March 2024 quarter.

When NZDM issued the first 30-year NZGB in September 2021 – the May 2051 maturity - it committed to maintaining the 30-year segment of the curve. A 3-year gap between maturities meets that objective. Given the large funding requirements and the remaining syndication pipeline, we expect NZDM will launch the new 30-year in the month of February. The most likely window for the transaction is the week beginning 19 February. The 2054 maturity is the first of

three syndicated transactions expected before the end of the fiscal year. It will be followed by the launch of a new 2035 nominal line and a tap of an existing shorter-dated nominal NZGB.

Previous long-end bond syndications had relatively large allocations to non-resident investors. Domestic bank balance sheets typically concentrate bond holdings on the short-to-intermediate sector of the yield curve and only received minimal allocations in the previous long-end syndications. Meanwhile, domestic fund managers will, at minimum, have rebalancing flow demand for the new 2054 maturity as it enters NZ bond benchmarks.

Comparison with US treasury and ACGB curve



The process of estimating fair value for the new 2054 maturity requires greater judgement relative to a curve infill bond. Using curve extrapolations, we estimate the fair value modestly above the yield on the May 2051 based on current market levels.

Current rates and range since December 22nd.

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.66	5.64 - 5.66
NZ 2yr swap (%)	4.76	4.63 - 4.86
NZ 5yr swap (%)	4.34	4.07 - 4.39
NZ 10yr swap (%)	4.46	4.13 - 4.53
2s10s swap curve (bps)	-30	-42 - -27
NZ 10yr swap-govt (bps)	-17	-22 - -17
NZ 10yr govt (%)	4.63	4.32 - 4.74
US 10yr govt (%)	4.14	3.83 - 4.20
NZ-US 10yr (bps)	50	44 - 61
NZ-AU 2yr swap (bps)	72	60 - 89
NZ-AU 10yr govt (bps)	39	32 - 53
*Indicative range over last 4 weeks		

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Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

Last week currency movements were small, with the NZD trading less than a 1 cent range and ending the week slightly lower, just below 0.61. All net major currency movements against the USD were plus or minus ½% and there were only small movements on the NZD crosses. The week ahead looks more promising for currency gyrations, with plenty of event-risk. Our view on the NZD outlook remains unchanged, with the currency embedded in a 0.60-0.64 trading range for now.

US economic data remained consistent with the Goldilocks theme of growth not too hot or cold and the Fed achieving the coveted soft-landing (so far), as it succeeds in meeting its inflation target. GDP rose a robust 3.3% in Q4 on an annualised basis, with the core PCE deflator running very close to the target rate of 2% for the past six months.

At the ECB policy meeting, President Lagarde stood by her recent comments in Davos that the ECB would likely be cutting rates in the summer, but she didn't offer significant pushback to the market's view that rate cuts could come earlier. The Bank of Japan left its policy rate and yield curve control parameters unchanged. The BoJ is seeing 'higher certainty' of reaching its price target and the minutes suggested a deepening discussion on the timing of the exit from current ultra-easy monetary policy and the appropriate pace of raising policy interest rates thereafter.

In a surprise move in terms of size and timing, the PBoC said it will cut the reserve requirement ratio for all banks by 50bps to 7.0%, the first cut since September. Despite that policy move and other measures to support the beleaguered economy and sharemarket, the reaction for CNH and flow-on impact on the NZD and AUD was negligible.

NZ's much anticipated Q4 CPI report came in bang in line with market expectations, at 0.5% q/q and 4.7% q/q. The key take-out from the release was that inflation was falling significantly, best illustrated by the seasonally adjusted CPI inflating at its lowest rate in three years. The 0.7 q/q lift in seasonally adjusted headline inflation puts annualised inflation back within the 1-3% target range. All core measures of inflation have been falling rapidly as well. As with other releases during the week, the impact on the NZD was minimal.

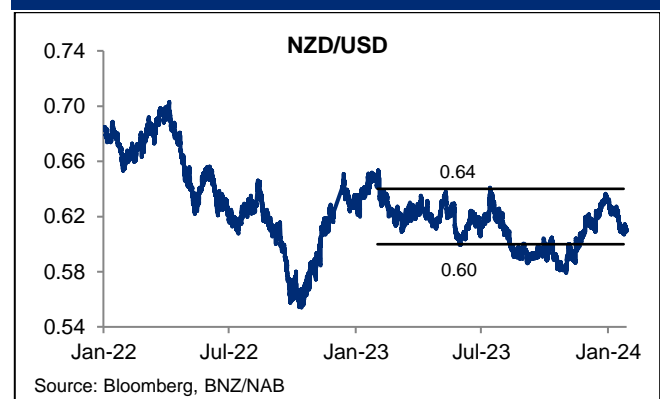
In the week ahead there are many risk events that could perturb the currency market. The Fed's policy announcement will be released Thursday morning. There will be no new forecasts and policy will remain unchanged, while Chair Powell should continue to convey that the timing and scope of any easing this year will depend on the dataflow. We don't expect much implication for the USD, with the next two CPI prints largely determining whether

the first rate cut can come as soon as March. The employment cost index in the hours ahead of the Fed meeting will also be important. US non-farm payrolls are released at the end of the week, which should play to further slight easing in labour market conditions.

The Bank of England meets and the question will be whether an overt neutral policy stance is adopted in the face of significantly falling inflation. CPI data from Australia, Germany and the euro area are released, as well as China PMIs and Germany and euro area GDP.

On the domestic calendar, watch out for RBNZ Chief Economist Conway speaking tomorrow morning, including a brief comment on recent data. With Q3 GDP growth much weaker than the RBNZ expected, activity indicators like the PMI and PSI suggesting the economy remains in a hole, and clear signs of weaker inflation, it's hard to see Conway being any more hawkish than the Bank was at the November MPS. However, Conway is unlikely to sanction current market pricing showing much easier monetary policy this year.

NZD stuck in the familiar 0.60-0.64 trading range



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6090	0.6060 - 0.6280
NZD/AUD	0.9253	0.9230 - 0.9350
NZD/GBP	0.4794	0.4780 - 0.4920
NZD/EUR	0.5611	0.5580 - 0.5720
NZD/JPY	90.22	89.70 - 91.00
*Indicative range over last 3 weeks, rounded figures		
BNZ Short-term Fair Value Models		
	Model Est.	Actual/FV
NZD/USD	0.6660	-9%
NZD/AUD	0.8980	3%

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Technicals

NZD/USD

Outlook: Trading range
 ST Resistance: 0.64 (ahead of 0.65)
 ST Support: 0.60 (ahead of 0.58)

0.60-0.64 looks to be the bigger range, familiar territory last year.

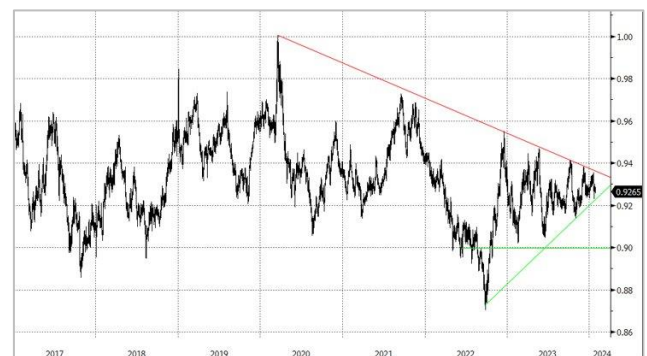


NZD/AUD

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.

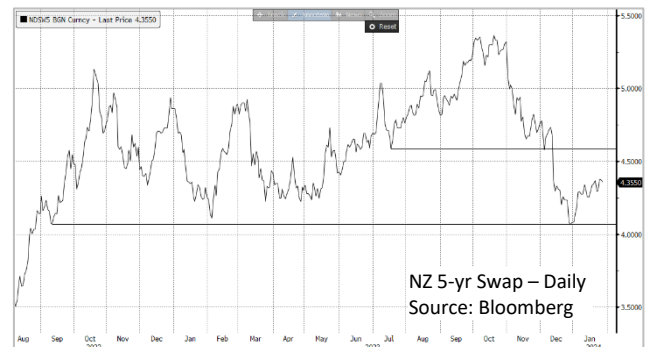
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NZ 5-year Swap Rate

Outlook: Neutral
 MT Resistance: 4.58
 MT Support: 4.05

5 year swap has continued to trend sideways and in doing so has broken above the downward channel we were looking at last week. We have shifted our outlook to neutral and will await further directional signals.

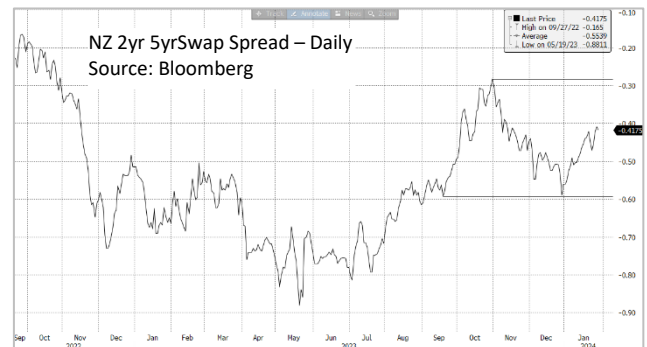


NZ 2-year - 5-year Swap Spread (yield curve)

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

2x5 swap spread trended slightly higher over the course of the last week. We maintain our bias for steeper curves.

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Quarterly Forecasts

Forecasts as at 29 January 2024

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	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	-6.9	-6.8	-6.4	-5.9
CPI (q/q)	2.2	1.4	1.2	1.1	1.8	0.5	0.6	0.6	1.2	0.5
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	3.2	2.7	2.8	2.7	2.9
CPI (y/y)	7.2	7.2	6.7	6.0	5.6	4.7	3.9	3.5	2.9	2.9
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			Swaps			US Rates		Spread
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	Libor	US 10 yr	NZ-US
		Bank Bills						3 month		Ten year
2022 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	5.63	4.48	4.67	4.93	4.43	4.50	5.65	4.00	0.67
Forecasts										
2024 Mar	5.50	5.60	5.05	5.05	5.20	4.95	4.85	5.80	4.40	0.65
Jun	5.50	5.50	4.80	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/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.61	0.66	1.08	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
Jun-26	0.68	0.75	1.21	1.37	114

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.61	0.93	0.56	0.48	90.2	71.2
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	75.3
Mar-26	0.69	0.91	0.56	0.50	79.4	73.6
Jun-26	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 29 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
<i>GDP - annual % change (q/q)</i>	<i>0.7</i>	<i>2.1</i>	<i>-0.3</i>	<i>1.9</i>	<i>3.1</i>	<i>2.5</i>	<i>2.3</i>	<i>-0.1</i>	<i>0.8</i>	<i>3.1</i>
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	3.9	2.8	2.0	5.9	7.2	4.7	2.9	1.8
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	-28.5	-23.8	-18.6	-20.6	-33.4	-29.0	-25.5	-20.0
Current Account - % of GDP	-6.6	-8.2	-6.9	-5.5	-4.0	-5.8	-8.8	-7.1	-5.9	-4.4
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	38.0	36.0	34.0					
Bond Programme - % of GDP	5.6	7.2	9.2	8.3	7.4					
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	5.63	4.75	2.90
5-year Govt Bond	2.90	4.40	5.05	3.80	3.50	2.20	4.30	4.50	4.20	3.55
10-year Govt Bond	3.20	4.35	5.05	4.00	3.90	2.35	4.25	4.65	4.30	3.90
2-year Swap	3.00	5.15	5.20	3.55	3.00	2.22	5.21	4.93	4.00	3.00
5-year Swap	3.20	4.50	4.95	3.85	3.75	2.56	4.62	4.43	4.15	3.70
US 10-year Bonds	2.10	3.65	4.40	3.50	3.50	1.45	3.60	4.00	3.75	3.50
NZ-US 10-year Spread	1.10	0.70	0.65	0.50	0.40	0.90	0.65	0.65	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 29 January				GE CPI YoY Jan P	3.00%		3.70%
NZ Auckland Anniversary Day Dec				AU CoreLogic House Px MoM Jan			0.40%
NZ Trade Balance NZD Dec		-1234m		US ADP Employment Change Jan	148k		164k
NZ Employment Indicators MoM Dec		0.10%		US MNI Chicago PMI Jan	48		46.9
NZ New residential lending YoY Dec		8.00%		US FOMC Rate Decision (Upper Bound) Jan-31	5.50%		5.50%
Tuesday 30 January				AU Judo Bank Australia PMI Mfg Jan F			50.3
EC ECB's Guindos Speaks				AU Building Approvals MoM Dec	0.00%	3.00%	1.60%
NZ RBNZ's Conway speaks				CH Caixin China PMI Mfg Jan	50.9		50.8
JN Jobless Rate Dec	2.50%		2.50%	EC HCOB Eurozone Manufacturing PMI Jan F	46.6		46.6
AU Retail Sales MoM Dec	-2.00%	-2.00%	2.00%	EC ECB's Centeno Speaks			
GE GDP SA QoQ 4Q P	-0.30%		-0.10%	UK S&P Global UK Manufacturing PMI Jan F	47.3		47.3
EC ECB's Vujcic, Lane speak				EC CPI Estimate YoY Jan	2.70%		2.90%
EC Consumer Confidence Jan F			-16.1	EC CPI Core YoY Jan P	3.20%		3.40%
EC Economic Confidence Jan	96.1		96.4	EC Unemployment Rate Dec	6.40%		6.40%
EC GDP SA QoQ 4Q A	-0.10%		-0.10%	Friday 02 February			
Wednesday 31 January				EC ECB's Lane Speaks			
EC ECB's Vasele speaks				UK Bank of England Bank Rate Feb-01	5.25%		5.25%
US S&P CoreLogic CS US HPI YoY NSA Nov			4.77%	US Initial Jobless Claims Jan-27	210k		214k
US Conf. Board Consumer Confidence Jan	114		110.7	US Continuing Claims Jan-20	1843k		1833k
US JOLTS Job Openings Dec	8709k		8790k	UK DMP 1 Year CPI Expectations Jan	3.80%		4.00%
US Dallas Fed Services Activity Jan			-8.7	US S&P Global US Manufacturing PMI Jan F	50.3		50.3
EC ECB's Nagel speaks				US Construction Spending MoM Dec	0.50%		0.40%
JN Retail Sales MoM Dec	0.10%		1.00%	US ISM Manufacturing Jan	47		47.4
JN BOJ Summary of Opinions (Jan. MPM)				NZ ANZ Consumer Confidence Index Jan			93.1
JN Industrial Production MoM Dec P	2.50%		-0.90%	NZ Building Permits MoM Dec			-10.60%
NZ ANZ Business Confidence Jan			33.2	AU PPI QoQ 4Q			1.80%
UK Lloyds Own Price Expectations Jan			59	AU Home Loans Value MoM Dec	1.00%	3.00%	1.00%
AU Private Sector Credit MoM Dec	0.40%	0.40%	0.40%	Saturday 03 February			
AU CPI QoQ 4Q	0.80%	0.70%	1.20%	UK BOE's Huw Pill speaks			
AU CPI Trimmed Mean QoQ 4Q	0.90%	0.80%	1.20%	US Change in Nonfarm Payrolls Jan	180k		216k
AU CPI YoY Dec	3.70%	4.20%	4.30%	US Unemployment Rate Jan	3.80%		3.70%
CH Manufacturing PMI Jan	49.2		49	US Average Weekly Hours All Employees Jan	34.3		34.3
CH Non-manufacturing PMI Jan	50.6		50.4	US U. of Mich. Sentiment Jan F	79		78.8
NZ Household Credit YoY Dec			3.00%	US Factory Orders Dec	0.20%		2.60%
GE Unemployment Claims Rate SA Jan	5.90%		5.90%	US Durable Goods Orders Dec F			0.00%
Thursday 01 February				EC ECB's Centeno Speaks			
NZ CoreLogic House Prices YoY Jan			-3.30%				

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	4.76	4.76	4.64	4.94
1mth	5.59	5.58	5.58	4.51	3 years	4.50	4.48	4.33	4.57
2mth	5.63	5.61	5.61	4.75	4 years	4.38	4.36	4.17	4.37
3mth	5.66	5.65	5.64	4.91	5 years	4.34	4.32	4.08	4.29
6mth	5.61	5.58	5.56	5.24	10 years	4.46	4.45	4.14	4.26
GOVERNMENT STOCK					FOREIGN EXCHANGE				
04/25	5.12	5.10	5.00	4.44	NZD/USD	0.6090	0.6077	0.6325	0.6469
04/27	4.45	4.52	4.26	4.06	NZD/AUD	0.9261	0.9250	0.9285	0.9163
04/29	4.39	4.46	4.14	4.02	NZD/JPY	90.37	90.00	89.12	84.36
05/31	4.53	4.61	4.26	4.02	NZD/EUR	0.5620	0.5584	0.5727	0.5961
04/33	4.63	4.71	4.32	4.11	NZD/GBP	0.4805	0.4782	0.4970	0.5237
04/37	4.83	4.94	4.54	4.32	NZD/CAD	0.8210	0.8191	0.8374	0.8661
05/41	4.95	5.05	4.63	4.40					
05/51	4.94	5.04	4.59	4.33	TWI	71.2	71.5	72.5	72.3
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	54	55	57	74					
Europe 5Y	58	59	58	80					

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