

# Research Markets Outlook

5 February 2024

## Labour Market Pressures Changing Rapidly

- Unemployment rate set to rise; so too employment
- Labour supply exceeding incremental demand
- Annual wage inflation expected to cool
- Balance of data not expected to change RBNZ view

It is a shortened work week with Waitangi Day on Tuesday, but there are still important data to monitor. It all comes in a rush on Wednesday morning with the release of the Q4 Household Labour Force Survey (HLFS), Labour Cost Index (LCI), and the Quarterly Employment Survey (QES).

If the sheer quantum of labour market data released doesn't bewilder a few, some of the outcomes might at first glance. One would think that if employment increases, the unemployment rate would decline. Well, not necessarily this time around.

That would be the case if there was a steady pool of labour. But the potential labour supply has been booming recently, driven by exceptionally strong net migration inflows. This has enabled more employment but also exceeding additional labour demand.

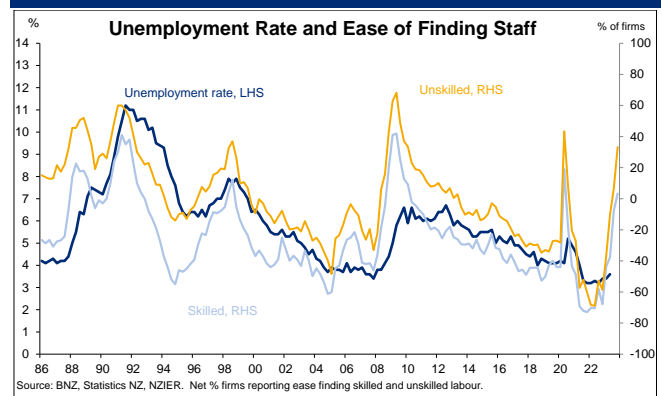
We expect the main message from the balance of Wednesday's data to be that previous tightness in the labour market continues to abate. This would support our view of further wage disinflation ahead. That said, it is not clear that the overall mix of indicators from this week's data will present a clear picture that overall disinflation pressures are progressing faster than the RBNZ expected, with a mix of data on that front enough to keep the Bank on guard.

While the Household Labour Force Survey (HLFS) data can be volatile quarter to quarter, we expect it to affirm numerous other indicators suggesting additional labour supply has been overwhelming incremental labour demand – such that we believe both employment and the unemployment rate rose in Q4.

Our forecast is for the HLFS measure of employment to increase 0.3% q/q (2.1% y/y). But with that rapid labour supply expansion, we anticipate the unemployment rate to lift to 4.3%, from 3.9% in Q3. That is predicated on our assumed participation rate of just over 72%. Keep an eye on hours worked too, outright as a (loose) indicator of economic activity but also relative to employment amid

other indicators suggesting there is less overtime being worked.

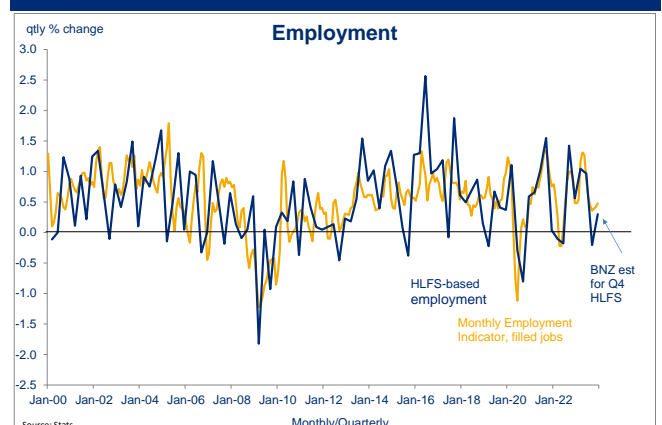
### Labour Market Pressures Changing Rapidly



As it happens, market expectations for employment (+0.3% q/q) and the unemployment rate (4.3%) are centred on our view, and with little variation across forecasters. The RBNZ has a 0.2% pick for employment and 4.2% for unemployment.

While forecasts are broadly in agreement with their expectations, history is littered with HLFS surprises, so it is worth thinking about the risks.

### Even With More Jobs



For employment, we see risks on both sides to our pick. The monthly filled jobs indicators and firms' reported employment from the recent QSBO both suggest some upside, while the likes of the PMI, PSI, and fewer job ads suggest risk the other way. Firms' employment intentions

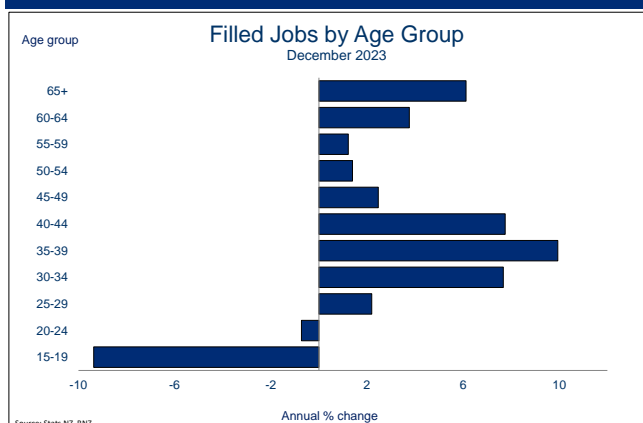
don't offer clarity either, with those in the QSBO strong, while the ANZ business survey measure is below average.

It is worth bearing in mind business surveys don't directly include the public sector. And change is afoot there via the government's signalled intention to reduce headcount. We doubt much of this, if any, will show up on net in this week's Q4 employment measures, especially when considered alongside what we think was a temporary employment boost from the requirement to run October's General Election. Nonetheless, it will be worth keeping an eye on public sector employment, not only in this week's Q4 data, but also in the period ahead.

We also see risks on both sides to our 4.3% unemployment rate forecast. Firms reporting that labour is easy to find suggests upside risk to unemployment and fits with SEEK data showing a record number of applications per job ad. However, while job seeker benefit numbers have been rising, their ratio relative to a rapidly expanding working age population has been only edging higher. All this suggests it is more a question of how much the anticipated increase in unemployment shows up in Q4 rather than whether unemployment will increase steadily over the year ahead.

Keep an eye on the HLFS age group data too. We have been highlighting for some time now that jobs filled by youth have been declining sharply (following very strong growth during the pandemic). In addition to influencing the employment figures, there is a chance that this pulls down the participation rate compared to what we have factored in.

### Not Uniform

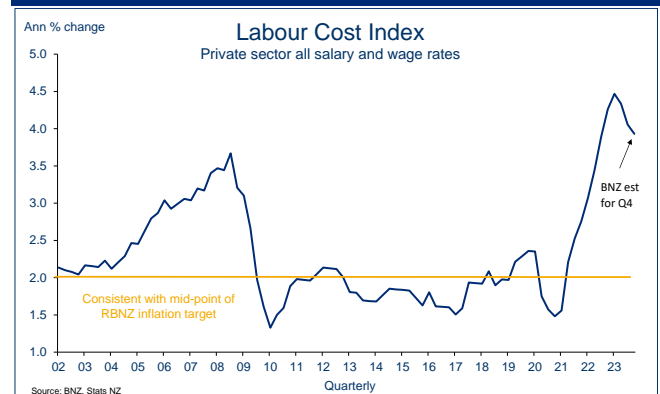


Even if employment matches our forecasts, it could generate a lower-than-expected unemployment rate if the participation rate were to undershoot our priors (and vice versa). Either way, it is important to be wary of potential shifts on the supply side at present and not just via changes in net migration.

Regards wages, we forecast private-sector Labour Cost Index annual inflation to ease to 3.9% in Q4, from 4.1% in Q3. This is based on a quarterly outcome of 1.0%. We are

touch higher on wages than market (0.9% q/q) and the RBNZ (0.8% q/q, 3.8% y/y). While it is in the context of annual inflation continuing to decline, which we think will happen as abating labour market tightness and the usual lag to wages plays out, it will be of concern for the Bank in the interim if it is surprised to the upside.

### Wage Inflation Cooling



Last week the government announced the minimum wage is to be increased 2%, to \$23.15 per hour, on 1 April. This will not affect this week's data, but the increase is lower than last year's 7.1% increment, which will see less upward influence on the likes of annual LCI wage inflation from Q2 onwards.

There is less focus on QES wages, as being averages they can be thrown around by changes in labour force composition as much as by any like-for-like wage change. But we wouldn't be surprised to see gross earnings remaining robust in Q4, if the likes of the government's PAYE tax take is anything to go by. Gross weekly earnings were up 12.3% y/y in Q3.

On balance, we don't expect outcomes along the lines of our forecasts to alter the Reserve Bank's view of the world which was inherent in the push back to the market pricing of aggressive cuts that was contained in RBNZ Chief Economist Paul Conway's speech last week.

There are minimal other data items in the week, with only a couple of commodity price updates. We expect a decent lift in this afternoon's ANZ commodity price index for January. While this is off a low base, it should be enough to halt the annual deflation readings for this basket of world prices for NZ's major primary export products that persisted right through last year. A somewhat lower NZ dollar will provide additional support for prices expressed in local currency.

And for the latest GDT dairy auction in the very early hours of Wednesday, we expect another small gain in the overall price index. We think that will maintain some upside risk to Fonterra's (and our) milk price forecast mid-point of \$7.50 for the 2023/24 season, but not enough to threaten the previous season's \$8.22 level.

[doug\\_steel@bnz.co.nz](mailto:doug_steel@bnz.co.nz)

# Global Watch

- **Fed Chair speaks, likely to reiterate FOMC message**
- **Many other Fed speakers on the circuit too**
- **US ISM services seen pushing higher**
- **Eyes on US CPI revisions, Friday**
- **China CPI/PPI deflation expected again**
- **RBA seen on hold tomorrow; SoMP released**

## Australia

The RBA is out on Tuesday. This is the first meeting where not only the meeting decision is published at 2.30pm, but so too is the Statement on Monetary Policy (SoMP) with updated forecasts. This is followed then by Governor Bullock's presser at 3.30pm. Governor Bullock is also speaking again in Parliamentary Testimony, on Friday.

The RBA are unanimously expected to be on hold. Better than expected progress on inflation is likely to be acknowledged given Q4 trimmed mean inflation came in at 4.2% y/y, three tenths below the RBA's 4.5% forecast. With goods deflation evident, the RBA is likely to be able to forecast inflation returning to the mid-point of the 2-3% band by mid-2026. Given too high services inflation, NAB expects the soft tightening bias to be maintained. In the press conference NAB expects Governor Bullock to push back on notions of cutting rates, and it is worth noting here core inflation six-month annualised is still running 1.5 percentage points above target, in sharp contrast to being at target in US and Europe.

December's trade balance is out today, with the consensus picking a smaller surplus of \$10.5b in December compared to November's \$11.4b surplus. NAB expects a surplus of \$9.0b. Q4 Retail Volumes are due tomorrow, where NAB and the consensus are at 0.1% q/q.

## US

Fed Chair Powell speaks in a 60minutes interview this afternoon (NZT) which will help shape the start of the week. NAB expects his remarks to be similar to the FOMC press conference.

As for data, the big pieces are the ISM Services and the Senior Loan Officers Survey (both Monday). Consensus estimates for January's ISM Services is for a push higher to

52.0 from 50.6. This would be somewhat lower than the 52.9 expected in the final reading of January's smaller sample PMI.

Revisions to CPI (Friday) are also of note given Waller's comments back in January being "One piece of data I will be watching closely is the scheduled revisions to CPI inflation due next month. Recall that a year ago, when it looked like inflation was coming down quickly, the annual update to the seasonal factors erased those gains. In mid-February, we will get the January CPI report and revisions for 2023, potentially changing the picture on inflation. My hope is that the revisions confirm the progress we have seen, but good policy is based on data and not hope").

There is also plenty of Fed speakers on the circuit through the week, including Mester, Collins, and Barkin.

## China

Caixin Services PMI is out today where expectations are for a marginal improvement to 53.0 from 52.9. CPI/PPI are due on Thursday with deflation expected to continue: CPI seen at -2.6% y/y from -2.7% and PPI at -0.5% from -0.3% y/y. China will then be out for Lunar New Year Celebrations starting on Friday through to 17 February.

## Europe and UK

There is minimal data on the calendar. The final-PMIs are on Monday with the consensus for that they are in line with the weakness shown in the flash estimates for the EU. EU Retail Sales are due Tuesday, with a drop of 1.0% m/m the consensus expectation. Also on Tuesday, CPI expectations data are released. The December readings will be compared to November's where 1-year CPI expectations dropped to 3.2%, the lowest since February 2022, and 3-year CPI expectations fell to 2.2%. In the UK, it is very quiet, with the services PMI expected to match the flash estimate of 53.8. MPC member Mann, who voted to hike rates recently, is speaking on 'inflation dynamics and drivers: looking under the bonnet'.

[tapas.strickland@nab.com.au](mailto:tapas.strickland@nab.com.au) / [doug\\_steel@bnz.co.nz](mailto:doug_steel@bnz.co.nz)

# Fixed Interest Market

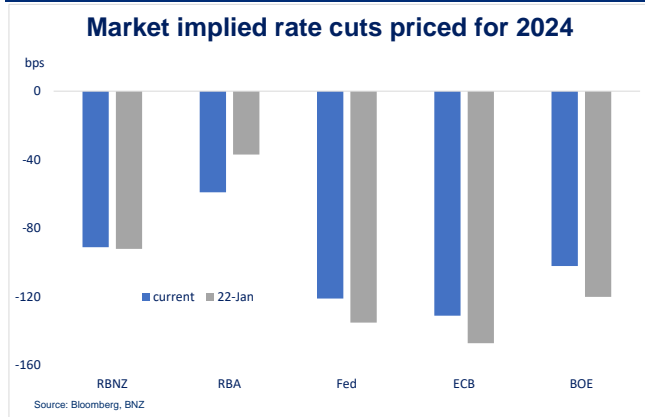
Reuters: BNZL, BNZM Bloomberg:BNZ

The push back against near term rate cuts by global central bankers remains a key theme across fixed interest markets. In a widely anticipated speech last week RBNZ Chief Economist, Paul Conway, downplayed recent softer than expected growth and inflation data and implied the RBNZ forecasting team see little reason for the bank to change its hawkish monetary policy stance. NZ yields have moved back towards the top end of recent ranges, and we expect the broader consolidation to continue after the significant rally over the final months of 2023.

US Federal Reserve Chair Powell dismissed the likelihood of imminent rate cuts at the press conference accompanying the January FOMC. He said the committee intends to move carefully and is dependent on the incoming data. Although the Fed removed its tightening bias, which prepares the way for easier monetary policy in 2024, he said a rate cut won't be appropriate until the central bank gains more confidence that inflation is moving sustainably towards 2%. These comments were echoed by a range of Fed officials following the meeting.

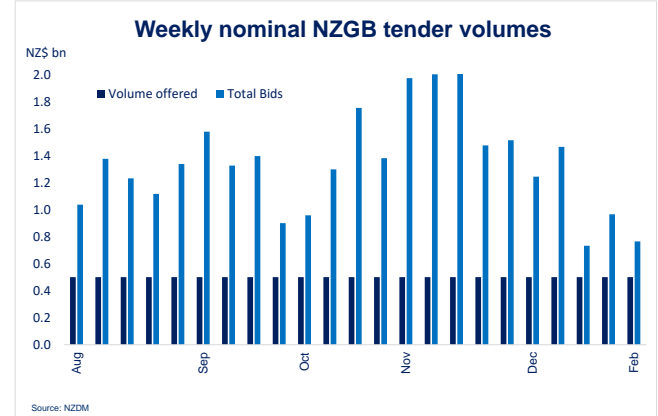
The US economy remains resilient. The Citibank economic surprise index has surged since mid-January, and the Atlanta Fed GDPNow Q1 forecast is currently 4.2% on an annualised basis, indicating robust activity to start the year. US labour market data for January was significantly stronger than expected. Nonfarm payrolls increased 353k, which was double consensus estimates, and previous months were also revised higher.

## Market pricing for major central bank easing pared back



The labour market data prompted a further reassessment by investors that the Fed would make near term cuts to its policy rate. The implied probability of a 25bps rate cut in March has been scaled back to 20%. This probability indicated an 80% chance of a March rate cut ahead of the FOMC on Thursday. The market is pricing 120bps of easing by the Fed through 2024.

## Softer NZGB tender coverage ratios in 2024



Demand for New Zealand Government Bonds (NZGBs) at the weekly tenders has been subdued since the start of the year. The average bid-cover ratio has been 1.6 over the 3 tenders in 2024, compared with a 2.9 average for tenders in the first half of the fiscal year. The market is preparing for an increase in NZGB supply for the remainder of the fiscal year which will feature 3 syndicated transactions. The first – a new May 2054 maturity – is likely to take place this month.

New Zealand Debt Management has increased tender volumes into inflation indexed bonds (IIBs) recently, albeit representing a small proportion of total funding. IIBs were offered at 3 weekly tenders in the first half of the fiscal year but have featured in each of the previous 3 weekly tenders. This may represent an uptick in indicated demand from market participants. Break even inflation appears to offer value at current levels, notwithstanding the challenging liquidity dynamics of the IIB market.

## Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.67	5.64 - 5.67
NZ 2yr swap (%)	4.81	4.67 - 4.86
NZ 5yr swap (%)	4.32	4.21 - 4.39
NZ 10yr swap (%)	4.42	4.31 - 4.53
2s10s swap curve (bps)	-40	-41 - -27
NZ 10yr swap-govt (bps)	-20	-22 - -16
NZ 10yr govt (%)	4.62	4.44 - 4.74
US 10yr govt (%)	4.02	3.81 - 4.20
NZ-US 10yr (bps)	60	51 - 64
NZ-AU 2yr swap (bps)	87	60 - 95
NZ-AU 10yr govt (bps)	64	37 - 64

\*Indicative range over last 4 weeks

stuart\_ritson@bnz.co.nz

# Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

Last week net currency movements were modest. The defining moment was a blockbuster US payrolls report that sent the USD higher and drove the NZD from the top of its weekly range to near the bottom. NZD/USD finished the week at 0.6065, down ½%, with moves of ½% or less on the NZD crosses.

On Friday night the NZD hit a new low for the year of 0.6059, albeit only a few pips below the previous week's low. Within our view of a broad 0.60-0.64 trading range for Q1, the 0.6060 area might be considered a support level for now.

The US monetary policy outlook remains the key driver of FX markets and that was on full display last week. The Fed officially removed any remnants of its tightening bias, with the committee looking for greater confidence that inflation is moving sustainably toward 2% before cutting rates. However, Chair Powell pushed back on the likelihood of cutting rates as soon as the next meeting saying, "I don't think it's likely that the committee will reach a level of confidence by the time of the March meeting...but that's to be seen".

Ahead of the key US employment report at the end of the week, data showing soft ADP private payrolls, higher jobless claims and a welcome downside miss on the quarterly employment cost index all played to an easier labour market and lower wage inflation, keeping alive the chance of a March rate cut, despite Powell's central view.

That macro perspective was ruined by a blockbuster employment report that showed very strong growth in payrolls in January, and wage inflation picking up, alongside upward revisions to both variables. The data drove a strong turnaround in the USD, seeing the NZD fall a full cent from the 0.6160 level prevailing ahead of the data. The Fed is unlikely to kick start its easing cycle in March unless two CPI prints ahead of that are ostensibly benign and the next employment report shows that the surprisingly strong January figures were an aberration.

Any delay to the Fed's easing cycle is likely to hold back performance of the NZD and keep it rangebound for now. RBNZ monetary policy is very much a secondary force for the NZD. RBNZ Chief Economist Conway's speech downplayed recent softer than expected growth and inflation data and implied a high hurdle rate for the Bank to flag the need for easier monetary policy. The hawkish comments only had a passing impact on the NZD.

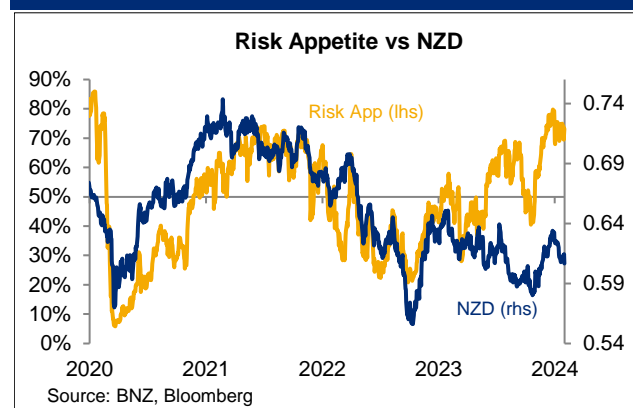
In other news last week, like the Fed the Bank of England also removed its official tightening bias and flagged easier policy this year but Governor Bailey wouldn't be drawn on timing. Softer than expected Australian CPI data will likely keep RBA policy on hold and support the market's view

that the tightening cycle is likely over. NZD/AUD traded back above 0.93 but we remain bearish on the cross and see skewed risks to the downside this year, given NZ's poorer macroeconomic performance relative to Australia. The current higher interest rate advantage for the NZD will ultimately fade.

In the week ahead, the domestic focus will be on Wednesday's labour market. We're in line with the market consensus, expecting the unemployment rate to show a 0.4 percentage points jump in Q4 to 4.3%, the highest level in nearly three years. There is much more upside to come, which will help support a lower trajectory for wages and CPI inflation.

The global calendar is light. The RBA will likely keep rates unchanged but it's doubtful whether it'll completely remove its tightening bias. In the US there will be a number of FOMC members speaking, following last week's meeting. The US ISM service index is the only notable data print (tonight) but CPI revisions at the end of the week could be market moving if they are significant.

## NZD continues to lag positive risk appetite



## Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6065	0.6060 - 0.6210
NZD/AUD	0.9311	0.9230 - 0.9350
NZD/GBP	0.4802	0.4780 - 0.4880
NZD/EUR	0.5622	0.5580 - 0.5680
NZD/JPY	89.99	89.30 - 90.80
*Indicative range over last 3 weeks, rounded figures		
BNZ Short-term Fair Value Models		
	Model Est.	Actual/FV
NZD/USD	0.6640	-9%
NZD/AUD	0.9040	3%

Jason.k.wong@bnz.co.nz

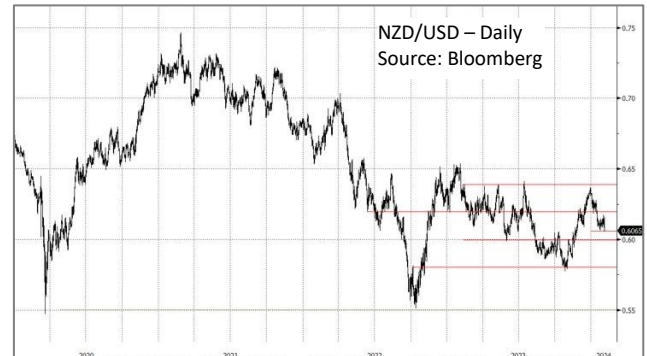


# Technicals

## 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. Trading over the past couple of weeks hints that 0.6060 could be an initial support level.

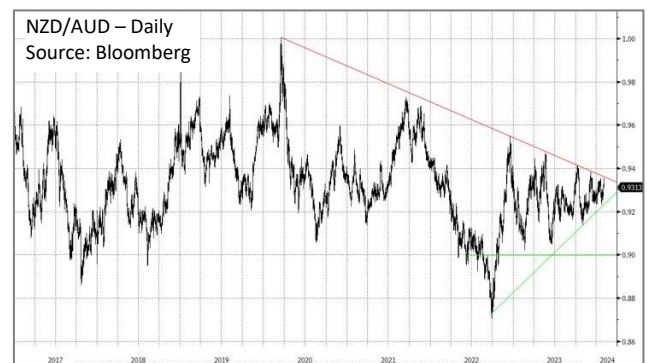


## NZD/AUD

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

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

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



## NZ 5-year Swap Rate

Outlook: Neutral  
 MT Resistance: 4.58  
 MT Support: 4.05

While we saw a move lower last week in 5y swap, it did not provide any technical directionality. We remain neutral for the time being.



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

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

2x5 swap spread flattened out last week and has presented a potential symmetrical triangle. We will watch for a break of either trendline for our next short term signal.



[matthew.herbert@bnz.co.nz](mailto:matthew.herbert@bnz.co.nz)

# Quarterly Forecasts

Forecasts as at 5 February 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	-6.8	-6.6	-6.2	-5.7
CPI (q/q)	2.2	1.4	1.2	1.1	1.8	0.5	0.6	0.6	1.1	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	4.0	3.6	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	4.85	4.90	4.90	4.75	4.65	5.80	4.40	0.50
Jun	5.50	5.50	4.60	4.70	4.50	4.50	4.50	5.55	4.20	0.50
Sep	5.25	5.00	4.30	4.50	4.05	4.25	4.40	5.30	4.00	0.50
Dec	4.75	4.75	4.00	4.25	3.60	3.95	4.15	4.80	3.75	0.50
2025 Mar	4.50	4.25	3.70	4.10	3.25	3.75	4.10	4.30	3.50	0.60
Jun	4.00	3.75	3.60	4.10	3.00	3.65	4.10	3.80	3.50	0.60
Sep	3.50	3.15	3.55	4.10	2.90	3.70	4.20	3.30	3.50	0.60
Dec	2.75	2.90	3.55	4.10	2.95	3.70	4.20	3.05	3.50	0.60

## Exchange Rates (End Period)

### USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.61	0.65	1.08	1.26	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	90.1	71.1
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 5 February 2024	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025
<b>GDP - annual average % change</b>										
Private Consumption	6.0	2.7	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	3.8	5.5	-2.7	-0.2	7.9	3.6	5.4
Imports	17.3	4.6	-0.6	-0.8	3.8	14.8	4.6	1.2	-1.8	3.2
Real Expenditure GDP	4.7	2.7	-0.4	0.3	3.0	5.9	2.2	0.2	-0.3	2.7
<b>GDP (production)</b>	<b>4.5</b>	<b>2.8</b>	<b>0.1</b>	<b>0.5</b>	<b>3.0</b>	<b>5.5</b>	<b>2.4</b>	<b>0.7</b>	<b>-0.1</b>	<b>2.7</b>
<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
<b>Prices and Employment - annual % change</b>										
CPI	6.9	6.7	4.0	2.7	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	-0.4	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
<b>External Balance</b>										
Current Account - \$bn	-23.6	-31.8	-28.0	-23.0	-17.8	-20.6	-33.4	-28.9	-24.6	-19.2
Current Account - % of GDP	-6.6	-8.2	-6.8	-5.3	-3.9	-5.8	-8.8	-7.1	-5.7	-4.2
<b>Government Accounts - June Yr, % of GDP</b>										
OBEGAL (core operating balance)	-2.7	-2.4	-2.8	-1.7	-0.8					
Net Core Crown Debt (excl NZS Fund Assets)	17.0	18.0	22.4	23.2	23.3					
Bond Programme - \$bn (Treasury forecasts)	20.0	28.0	38.0	36.0	34.0					
Bond Programme - % of GDP	5.6	7.2	9.2	8.3	7.4					
<b>Financial Variables <sup>(1)</sup></b>										
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	4.85	3.70	3.55	2.20	4.30	4.50	4.00	3.55
10-year Govt Bond	3.20	4.35	4.90	4.10	4.10	2.35	4.25	4.65	4.25	4.10
2-year Swap	3.00	5.15	4.90	3.25	3.00	2.22	5.21	4.93	3.60	2.95
5-year Swap	3.20	4.50	4.75	3.75	3.80	2.56	4.62	4.43	3.95	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	0.50	0.60	0.60	0.90	0.65	0.65	0.50	0.60
<sup>(1)</sup> Average for the last month in the quarter										

Source: Statistics NZ, BNZ, NZ Treasury



# Key Upcoming Events

All times and dates NZT

	Median	Fcast	Last		Median	Fcast	Last
<b>Monday 05 February</b>				<b>Wednesday 07 February</b>			
EC ECB's Vujcic on Panel at Conference in Warwick				NZ GDT dairy auction			2.30%
AU Judo Bank Australia PMI Services Jan F			47.9	US Fed's Mester, Kashkari, Collins speak			
AU Melbourne Institute Inflation YoY Jan			5.20%	NZ Unemployment Rate 4Q	4.30%	4.30%	3.90%
NZ ANZ Commodity Price MoM Jan			2.40%	NZ Employment Change QoQ 4Q	0.30%	0.30%	-0.20%
US Fed's Powell speaks				NZ Pvt Wages Ex Overtime QoQ 4Q	0.80%	1.00%	0.80%
AU Trade Balance Dec	A\$10500m	A\$9000m	A\$11437m	US Fed's Harker speaks			
AU Exports MoM Dec			1.70%	GE Industrial Production SA MoM Dec	-0.50%		-0.70%
AU Imports MoM Dec			-7.90%	UK BOE's Breeden speaks			
AU ANZ-Indeed Job Advertisements MoM Jan			0.10%	<b>Thursday 08 February</b>			
GE Trade Balance SA Dec	18.7b		20.4b	US Trade Balance Dec	-\$62.2b		-\$63.2b
UK ONS to publish LFS-based data for Sept. to Nov. 2023				US Fed's Kugler, Collins, Barkin, Bowman speak			
GE HCOB Germany Services PMI Jan F	47.6		47.6	CH PPI YoY Jan	-2.60%		-2.70%
EC HCOB Eurozone Services PMI Jan F	48.4		48.4	CH CPI YoY Jan	-0.50%		-0.30%
EC Sentix Investor Confidence Feb	-15		-15.8	JN Eco Watchers Survey Outlook SA Jan	49.3		49.1
UK S&P Global UK Services PMI Jan F	53.8		53.8	EC ECB Publishes Economic Bulletin			
EC OECD Publishes Interim Economic Outlook				<b>Friday 09 February</b>			
<b>Tuesday 06 February</b>				EC ECB's Wunsch speaks			
CA S&P Global Canada Composite PMI Jan			44.7	US Fed's Barkin speaks			
CA S&P Global Canada Services PMI Jan			44.6	US Initial Jobless Claims Feb-03	220k		224k
US S&P Global US Services PMI Jan F	52.9		52.9	US Continuing Claims Jan-27	1873k		1898k
US ISM Services Prices Paid Jan			57.4	UK BOE's Mann speaks			
US Fed's Goolsbee speaks				US Wholesale Trade Sales MoM Dec			0.00%
UK BOE's Huw Pill speaks				EC ECB's Lane speaks			
US Fed's Bostic speaks				US Fed's Barkin speaks			
US Senior Loan Officer Opinion Survey on Bank Lending Practices				AU RBA Governor Bullock - Testimony			
JN Scheduled FT Pay -Same Base YoY Dec	2.00%		2.00%	GE CPI YoY Jan F	2.90%		2.90%
JN Household Spending YoY Dec	-2.00%		-2.90%	EC ECB's Nagel speaks			
UK BRC Sales Like-For-Like YoY Jan	1.00%		1.90%	CH New Yuan Loans CNY Jan	4525.0b		1170.0b
AU Retail Sales Ex Inflation QoQ 4Q	0.10%	0.10%	0.20%	CH Aggregate Financing CNY Jan	5900.0b		1940.0b
AU RBA Cash Rate Target Feb-06	4.35%	4.35%	4.35%	<b>Saturday 10 February</b>			
GE Factory Orders MoM Dec	0.00%		0.30%	EC ECB's Cipollone speaks			
EC ECB 3 Year CPI Expectations Dec			2.20%	US Fed's Logan speaks			
EC Retail Sales MoM Dec	-1.00%		-0.30%	US Revisions: CPI			

## Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
<b>CASH AND BANK BILLS</b>					<b>SWAP RATES</b>				
Call	5.50	5.50	5.50	4.25	2 years	4.81	4.77	4.83	4.70
1mth	5.59	5.59	5.58	4.61	3 years	4.51	4.51	4.54	4.35
2mth	5.63	5.63	5.61	4.81	4 years	4.37	4.39	4.39	4.17
3mth	5.67	5.66	5.64	4.95	5 years	4.32	4.36	4.33	4.08
6mth	5.60	5.61	5.57	5.21	10 years	4.42	4.49	4.40	4.04
<b>GOVERNMENT STOCK</b>					<b>FOREIGN EXCHANGE</b>				
05/26	4.58	4.59	4.61	3.94	NZD/USD	0.6065	0.6133	0.6250	0.6305
04/29	4.33	4.39	4.37	3.81	NZD/AUD	0.9309	0.9277	0.9302	0.9160
05/31	4.44	4.53	4.51	3.83	NZD/JPY	89.99	90.46	90.14	83.63
05/34	4.56	4.68	4.64	3.98	NZD/EUR	0.5624	0.5661	0.5708	0.5878
04/37	4.72	4.83	4.82	4.12	NZD/GBP	0.4802	0.4826	0.4903	0.5246
05/41	4.82	4.95	4.91	4.20	NZD/CAD	0.8166	0.8227	0.8343	0.8478
05/51	4.82	4.94	4.87	4.13	TWI	71.1	71.5	72.1	71.0
<b>GLOBAL CREDIT INDICES (ITRXX)</b>									
Nth America 5Y	55	54	57	70					
Europe 5Y	59	59	63	75					

# Contact Details

## BNZ Research

**Stephen Toplis**

Head of Research  
+64 4 474 6905

**Doug Steel**

Senior Economist  
+64 4 474 6923

**Jason Wong**

Senior Markets Strategist  
+64 4 924 7652

**Stuart Ritson**

Senior Interest Rate Strategist  
+64 9 9248601

**Mike Jones**

BNZ Chief Economist  
+64 9-956 0795

## Main Offices

**Wellington**

Level 2, BNZ Place  
1 Whitmore St  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Toll Free: 0800 283 269

**Auckland**

80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Toll Free: 0800 283 269

**Christchurch**

111 Cashel Street  
Christchurch 8011  
New Zealand  
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

**Analyst Disclaimer:** The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

**New Zealand:** The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

**USA:** If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.