

Research Markets Outlook

4 March 2024

Monitoring Growth, Or Lack Thereof

- **Partial indicators to confirm GDP struggled in Q4?**
- **Terms of trade plunges 7.8%**
- **Loss of purchasing power sees import volumes plummet**
- **Building, manufacturing, wholesale, services data due**
- **Crown accounts data to portray fiscal challenges**

We appear to be in what some people might feel as the strange part of the economic cycle when there is a bit more talk about improvement ahead, but it currently doesn't feel like anything of the sort.

We think growth in the here and now is soft at best. And while our forecasts over the coming year show some growth, activity is expected to remain below trend so economic conditions will continue to feel suppressed for a while. The positive is that such conditions tend to put downward pressure on inflation. That, in time, will allow currently tight monetary conditions to relax.

Regular readers will know that has been our view for quite sometime now. Last week's MPS revealed that the RBNZ is now of a similar view.

The Reserve Bank gave a clear message it is holding the OCR at 5.50% for some time. Yes, there was still a hint of a tightening bias, but we see that as more the Bank retaining optionality rather than any intent to act. It also signals the bank is in no mood to cut rates now.

The messages in the ensuing wave of media interviews, comments, and speeches from the RBNZ's top brass was that policy is going to stay restrictive for some time. The Bank's projections essentially show some rate reduction can start next year, or perhaps toward the end of this year at a pinch.

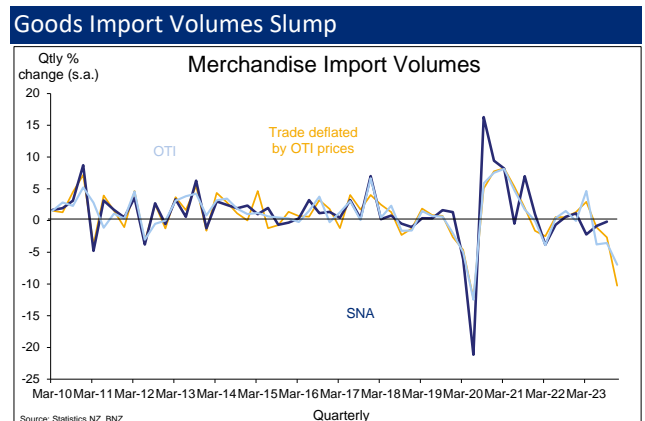
Of course, the actual path for policy depends on the evolution of economic information in its totality. So, it is back to data watching.

There is no single top-tier data this week, but a collection of the remaining key indicators for Q4 GDP and a couple of higher frequency indicators covering commodity prices and the fiscal accounts.

This week's GDP 'partials' will be monitored and assessed before finalising our estimate for growth in the quarter, which currently sits at -0.1%. The RBNZ forecast Q4 GDP growth at flat in its MPS last week.

The indicators are already out of the blocks with this morning's international trade figures. To be frank, they were all over the show with big differences to our expectations across the board with implications for GDP not immediately obvious.

The feature that stood out most to us was the 7.0% slump in goods imports as measured by the OTI index. The drop is an even greater 10.3% if measured by deflating the nominal trade figures themselves. How much of this shows up in the GDP accounts remains to be seen. But at face value, this is a massive drop in imports. It certainly looks like a sudden stop.



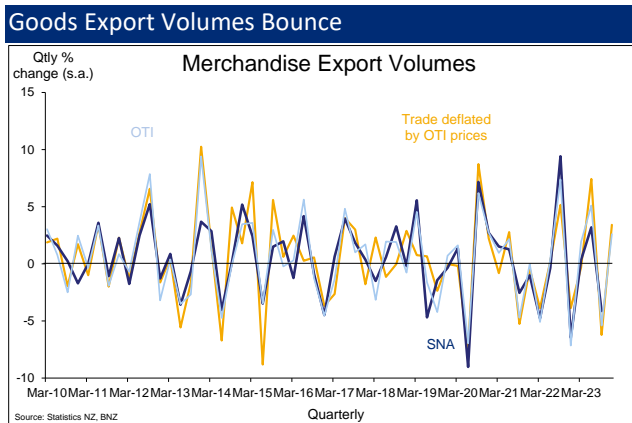
Goods export volumes rose about 3% q/q depending on your measure of choice. This was a bit stronger than we had pencilled in and is related to prices being even softer in the quarter than indicators suggested.

Regards services trade, export travel services (think visitor spending) were some 44% higher than a year earlier. But, as we have been highlighting, tourism's rebound looks to have run out of puff over the later part of last year. Indeed, looking at exports of services overall, we judge that they fell by about 3% q/q in real terms (at least partly reflecting some unwind from the FIFA Women's World Cup in Q3). This was a bit softer than the flat result we expected.

We also judge that imports of services fell about 2.4% in real terms, against the small increase that we had pencilled in.

The balance of today's trade figures arithmetically equates to some upside risk to our pick for Q4 GDP. But it need not be that way when all is considered. The very large drop in imports likely suggests softer consumption, investment, or inventories than we have currently pencilled in. We will

look into the details of today's trade figures before passing judgement on that.



In any case, we will need to wait for building data on Wednesday, and manufacturing, wholesale trade, and selected services on Thursday, before we can nail down our Q4 GDP estimate.

Wednesday's Building Work Put In Place will help us better guess the movement in construction activity in the Q4 GDP accounts, which we currently reckon declined by around 2%, led by residential work (down around 4%). The near-term outlook for construction appears to be firmly lower, it seems just a question of picking the extent of it, quarter-to-quarter.

We have long expected a large pullback in residential construction. Yes, there is huge population growth. But the incentive to build has been lacking – given house prices relative to elevated (even if flattening now) construction costs.

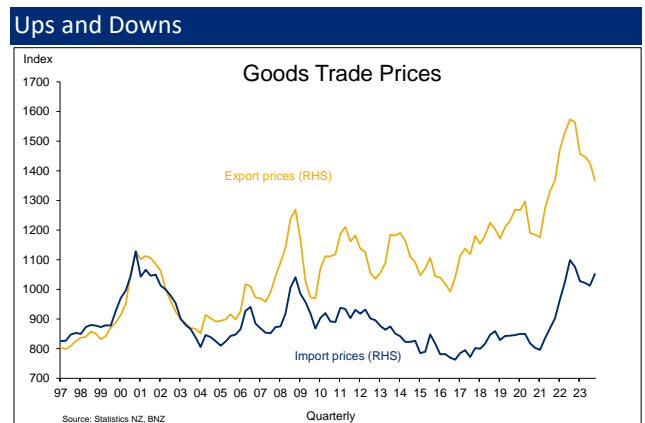
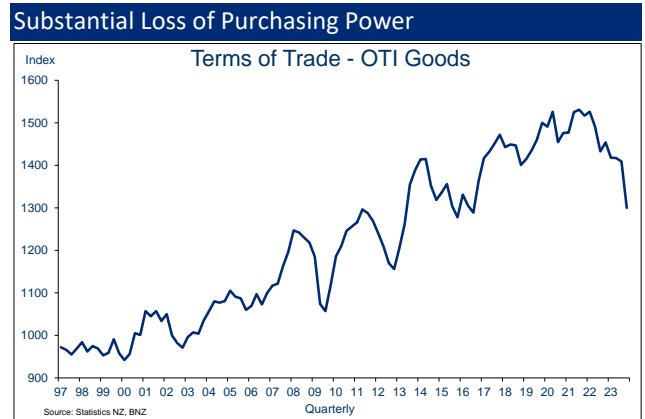
The ongoing decline in dwelling consents (last week's January figures were 28% lower than a year earlier) adds downside risk to our already weak residential investment forecasts. In addition to the clear trend, the extent of the decline in consents through last year raises the possibility of building recording a rather large drop in one quarter or another. We will see what Wednesday's Q4 figures bring.

We expect Thursday's Business Financial Data to infer a decline in real manufacturing and wholesaling activity, and a bit more resilience in service-sector activity (as a whole, at least).

The PMI points to manufacturing weakness, although there is a chance that the primary processing segment provides some support in the quarter. Wholesale activity is expected to feel the effects of weaker retail, manufacturing, construction, and much (after today's figures) softer imports. The PSI indicated subdued service sector activity in the quarter.

Another key feature of today's trade data was the plunge in the merchandise terms of trade. It fell 7.8% in the quarter to be down 10.6% over the year. A lower terms of trade means a decline in the country's purchasing power – a feeling no doubt many have felt of late. Lower purchasing power usually shows up in things like lower retail sales, weaker consumption, and or investment.

The lower terms of trade reflected a 4.2% q/q drop in export prices and a 3.8% q/q lift in import prices. The former was softer than we expected, as more of the prior weakness in primary product prices showed up in the official figures. While the latter was driven by a large jump in petroleum prices.



In the bigger picture, export prices are 12.6% below year ago levels and import prices are down 2.2% over the same period. In contrast, our forecasts show annual deflation abating ahead. For example, we have already seen the likes of dairy prices bounce materially from last August's lows in the regular GDT auctions.

The ANZ Commodity Price Index is released tomorrow and is a more timely read on NZ's major primary export prices. We think prices posted a decent lift in world terms in February (circa 3.5%) and rose by even a bit more in local currency terms. The most timely read, for dairy prices at least, is early on Wednesday morning with the latest GDT auction where the indicators are suggesting some moderate pullback in prices is likely after a strong and persistent lift from lows last August.

The Crown Financial Statements for the 7 months to January will also be released on Tuesday. Will they show another month of a smaller-than-forecast operating deficit, but a larger-than-forecast cash deficit? Both the Treasury and Finance Minister have recently noted a weaker economy would have implications for Government revenue ahead. By the end of the week, the GDP indicators might give us a better guide to what sort of economy those revenue forecasts will be based off.

doug_steel@bnz.co.nz

Global Watch

- **China National People's Congress – what growth target?**
- **ECB expected to hold rates; new forecasts to note**
- **US payrolls seen at 200k, unemployment rate at 3.7%**
- **Numerous Fed speakers, with Powell before Congress**
- **AU GDP expected to grow 0.2% in Q4 (consensus 0.3%)**

A busy week globally sees US Payrolls and Super Tuesday primaries, the ECB meets, and China has the National People's Congress.

The US political calendar has Super Tuesday, when over a dozen states hold primaries. The data calendar is headlined by Payrolls Friday, where consensus looks for a still robust 200k payrolls gain and an unemployment rate holding at 3.7%. And from the FOMC, a full calendar of Fed speakers is headlined by Powell's testimony before the House Financial Services Committee on Wednesday.

The ECB meets on Thursday, with no change expected but the extent of downward revision to forecasts could help determine how long lingering concerns about wages growth will keep the Bank from rate cuts. Markets price around a 20% chance of an April cut and 70% by June.

The UK Budget will be delivered on Wednesday. Our NAB colleagues suggest in this election year the government will want to offer some tax cut sweeteners, but note there is very little headroom and significant demands to spend on health, defence, infrastructure.

Out of China's NPC look for the growth target on Tuesday. Rumours out of the Economic Work Conference in December were that the target would be unchanged around 5%. Without last year's tailwind from pandemic rebound, that will be hard to achieve. A decision to shave it would temper hopes for policy follow through to support growth. Trade data is on Thursday and the Caixin Services PMI is on Tuesday.

In Japan, February Tokyo CPI on Tuesday is likely boosted as a subsidy induced year-ago decline in energy costs rolls out. CPI is seen back at 2.5% from 1.8%. Labour cash earnings on Thursday will be key to whether Ueda's hoped 'virtuous cycle' is finding foundation, watch the 'same sample' figures. Note, though Shunto/Rengo wage rounds won't be completed until June.

The key event in Australia is GDP on Wednesday. NAB expects a subdued end to 2023 as real income pressure weighs on consumption. NAB has pencilled in a 0.2% q/q and 1.4% y/y outcome, close to consensus at 0.3% q/q and 1.4% y/y but a touch below the RBA's latest SoMP forecasts. Ahead of GDP we get Business Indicators and the Balance of Payments, which include some partial information to mark against the current GDP forecast, and second tier monthly data through the week including Building approvals and Goods Trade.

It is worth reminding anyone looking for an RBA meeting on the first Tuesday of the month of the new 6-weekly meeting schedule this year. The next RBA meeting is not until 19 March.

Important Events Preview

Monday 4

AU Business Indicators (inc. private inventories)

A suite of indicators that fill out the quarterly picture for private businesses ahead of Wednesday's GDP. NAB expects private inventories were broadly stable in Q4, implying a subtraction from growth of 0.4ppt, though with offsets across public and farm inventories and trade. Company profits and the private wages bill is also in the release.

AU Building Approvals

Building approvals should rebound in January. The December 9.5% m/m was driven by attached approvals which are volatile month to month and NAB think should be reverting back to their, admittedly sluggish, trend.

Tuesday 5

JN Tokyo CPI

Focus this past week has been on the national CPI failing, to dip below the BoJ's 2% target. That was always going to be a short-lived foray, with base effects turning the other way in February. We should get confirmation of that on Tuesday, were the Tokyo headline and ex fresh food measure are expected back up at 2.5%, from 1.8% in January, even as the ex-fresh food and energy reading eases to 3.1% from 3.3%.

AU Balance of Payments

Australia recorded a narrow current account deficit in Q3, only its second since Q1 2019. A combination of high export values buoyed by iron ore, and lower import values after a Q3 surge in vehicle imports, should see us comfortably back in surplus territory. NAB pencils in a \$5bn surplus. Also in the release is detail on services trade (now excluded from the monthly figures) and the contribution to GDP from trade volumes. NAB expect a 0.2ppt contribution.

EZ/UK/US Final Feb Services PMI

Preliminary data revealed a generally unexpected recovery in EZ services sector activity to the 50 boom-bust level. Activity picked up across the US and UK too, while in China, things continued to stabilise after an easing in the pace of expansion. Regardless of whether the final data print eases back off 50 at all, NAB looks for a further slow improvement as the European economy benefits from a

rise in real incomes, lower energy prices and easier monetary policy.

Wednesday 6

AU GDP

NAB sees a +0.2% q/q (1.4% y/y) GDP print for Q3 2023 - outside of the pandemic, this would be the lowest annual growth rate since 2000. That's a touch below what the RBA pencilled in at its February SoMP, but NAB sees few immediate policy implications.

CA Bank of Canada

The BoC is widely expected to keep rates on hold at 5% and thus maintain its restrictive settings as it awaits further signs of inflation moderation. At its last meeting in January, it crucially removed a line on being prepared to raise rates further if needed. Here it has been vindicated by lower than forecast inflation data for January. However, with GDP, retail sales and labour market data remaining robust, market pricing of no rate cuts until June at the earliest, seems about right.

US ADP, JOLTS & Beige Book

ADP Employment will get some attention, despite its patchy-at-best record as a Payrolls predictor, while JOLTS provides extra detail on the January labour market picture and the Beige book updates the qualitative assessment. With the hard data, including the surge in payrolls in January and the elevated January inflation outcomes, being met with a raised eyebrow, that qualitative picture will be an important sense check on whether the broader trends of late last year are indeed still intact

Thursday 7

AU Goods Trade Balance

NAB pencils in little change to the goods trade balance for January, seeing it remain near \$11bn.

UK BoE DMP 1 & 3-year CPI Infl. Expectations Survey

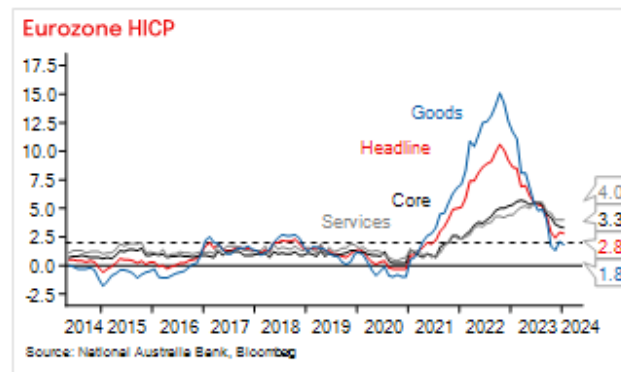
The prior survey in January found 1-year CPI inflation expectations at 3.4%, with 3-year at 4.3%. Within the next couple of months expect these numbers to decline more meaningfully, as UK CPI drops below 2%.

EZ European Central Bank

No rate change is expected. The ECB will deliver a new set of staff forecasts for HICP inflation and economic growth. The last set of forecasts in December pegged headline inflation at 2.7% for 2024, 2.1% in 2025 and 1.9% in 2026. NAB anticipates 2024 being lowered to 2.4/2.5%, 2025 to 2% and 2026 unchanged or raised to 2%. NAB wouldn't be surprised if the actual data outturn undershoots that inflation profile, but the ECB won't want to be too optimistic.

Further base effect-driven declines in headline and core inflation should be evident over the coming few months,

taking the headline rate briefly below 2% in the next 2-3 months. Those optics could support market rate cut pricing and could help moderate wage demands. Currently markets price the first full cut at the 6 June meeting. NAB's base case remains a cut at the 11 April meeting (currently around 20% priced) and though it expects this pricing to rise in the coming weeks as inflation prints lower, the risk is the ECB waits until June but still delivers 100bps of cuts in 2024.



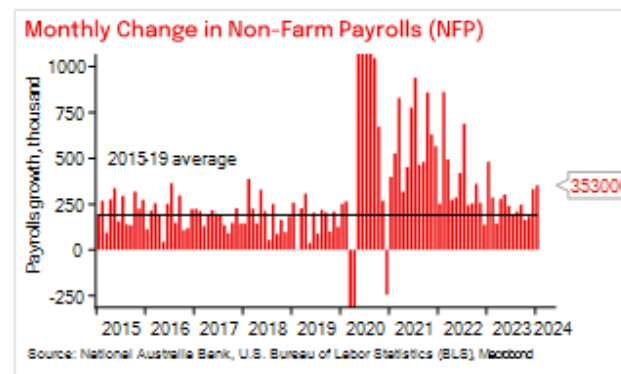
US Powell Testimony

Fed speakers in general don't appear to be spooked by the January inflation data, but nor do they feel any urgency to move to cuts while activity and labour markets remain healthy. NAB continues to expect the FOMC can overdeliver on the 3 cuts implied by the December dots, but Powell will be reluctant to endorse such a prospect until more data is in.

Friday 8

US Payrolls

The early consensus for February Payrolls is 200k, still strong, but step down from the sharp upside surprise provided by January's 353k outturn. The unemployment rate is seen steady at 3.7%. Average earnings rose a startling 0.6% m/m in January. That is out of line with the more reliable (softer) trend in the ECI indicator. Consensus is for it to fall back to 0.3% m/m. The risk is for a more material payback.



taylor.nugent@nab.com.au / doug.steel@bnz.co.nz

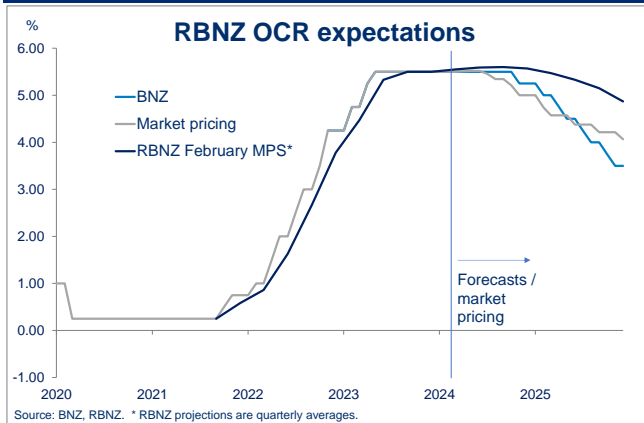
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ yields fell across the curve last week following the RBNZ’s Monetary Policy Statement (MPS). Although the Bank held the Official Cash Rate (OCR) steady as expected, at 5.5%, it eased the tightening bias from the previous MPS in November. The Monetary Policy Committee (MPC) members noted that overall, risks to the outlook for inflation were more balanced than at the time of the November 2023 Statement.

The RBNZ made a ~10bps downward revision to its projected OCR track. The modelled peak was reduced to 5.60%, from 5.69% in November. The OCR track implies the first-rate cut in H1-2025, from H2-2025 previously. Although a rate hike was discussed at the meeting, there was a ‘strong consensus’ to leave rates unchanged. Furthermore, the change in the projected OCR track suggests the probability of a further rate hike has clearly declined from the Bank’s perspective.

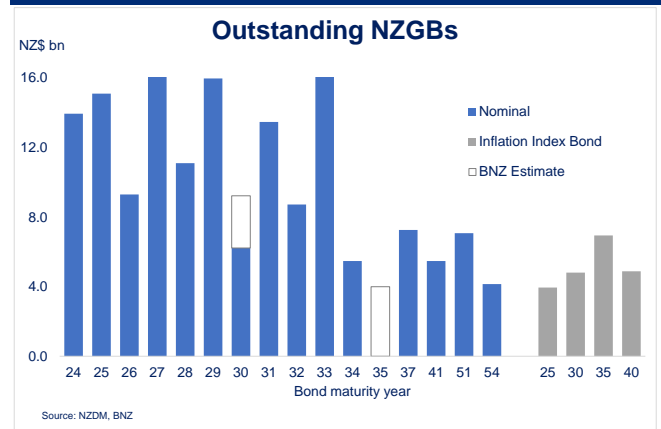
Market pricing for the Official Cash Rate



BNZ forecasts for the OCR are unchanged. We expect the policy rate has peaked at 5.50%, and the RBNZ will pivot towards easier monetary policy later this year. Monetary policy is restrictive, economic activity is soft and inflation, both headline and core, is falling. The labour market is easing and forward-looking indicators suggest a further deterioration ahead.

The overnight index swap market is pricing the OCR to remain steady at 5.5% until the middle of 2024. There is a full 25bps rate cut priced by the October MPR, and close to 50bps of cuts priced by year end. We see potential for the post-RBNZ move to extend further, and target NZ-AU 2-year swap rates to compress towards 80bps, from 100bps currently.

NZDM bond portfolio



New Zealand Debt Management (NZDM) announced it expects to launch a new 15 May 2035 nominal bond, via syndication, by the end of April 2024 subject to market conditions. The new bond will fill a gap on the government curve between the 2034 and 2037 nominal bonds. We estimate the remaining syndication volumes for H2-FY24 are ~NZ\$7 billion which will be met by the new 2035 maturity and a tap syndication of a shorter maturity line before June 30. We expect the syndication of the 2035 maturity will take place in April. March provides few clear issuance windows and NZDM would likely prefer a gap between transactions with the recent May-2054 syndication only settling last week.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.65	5.64 - 5.79
NZ 2yr swap (%)	5.02	4.73 - 5.28
NZ 5yr swap (%)	4.49	4.24 - 4.76
NZ 10yr swap (%)	4.55	4.33 - 4.79
2s10s swap curve (bps)	-47	-55 - -44
NZ 10yr swap-govt (bps)	-15	-18 - -8
NZ 10yr govt (%)	4.70	4.48 - 4.92
US 10yr govt (%)	4.18	3.86 - 4.35
NZ-US 10yr (bps)	52	40 - 65
NZ-AU 2yr swap (bps)	101	80 - 123
NZ-AU 10yr swap (bps)	59	50 - 68

*Indicative range over last 4 weeks

stuart_ritson@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week the NZD underperformed as the RBNZ kept rates unchanged and slightly lowered its projected rate track. NZD/USD fell 1½% to just over 0.61. The NZD fell by similar amounts on the major crosses, although NZD/AUD fell just under 1% to 0.9360. JPY modestly outperformed, seeing NZD/JPY fall to 91.7, well down from the 93.5 peak just over a week ago.

Focus on the RBNZ’s February meeting intensified in early February after ANZ Bank made an out-of-consensus call that the Bank would hike rates twice more. In the weeks ahead of the MPS, NZ-global rate spreads widened, providing the NZD a tailwind, with domestic factors overtaking the usual global factors for the currency.

As it turns out, the RBNZ left the OCR unchanged at 5.5% – as most expected – but leading into the meeting a 20% chance of a hike had been priced, with a 50% chance of a full hike by May. Not only did the RBNZ keep rates on hold, but it also softened its hawkish stance, evident by the slightly lower projected rate track, which saw the Bank bringing forward the timing of the first cut to 1H25.

Last week we noted the NZD would fall on an on-hold decision and this proved to be case, fuelled by NZ-global rates spreads retracing back to those seen earlier in February. With the MPS out of the way, it is now a case of global factors likely taking over as the driving force for the NZD.

Last week it was interesting to see a string of weaker than expected US economic releases, spanning home sales (new and pending), durable goods orders, consumer confidence, jobless claims, and the ISM manufacturing index. Cracks in the hither-to resilient US economy are appearing. US rates pushed lower over the week and the USD was flat on the DXY index, but Fed speakers continued to maintain a united front that hoses down any chance of an early easing in monetary policy.

The first full US Fed rate cut is not priced until June. Over coming weeks and months, we expect the economic dataflow will see the scope and timing of US rate cuts ebb and flow, and that will largely determine gyrations in the NZD. We still see a 0.60-0.64 range in play for the NZD. Despite the RBNZ’s softened tone, the early-February year-to-date low in the NZD just under 0.6040 held, and we see this mark as an initial level of support.

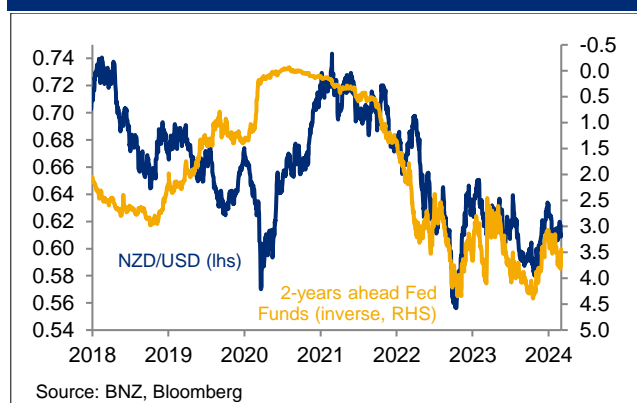
Last week’s JPY outperformance reflected a combination of lower US Treasury yields and a speech from BoJ board member Takata, which was read as hawkish by the market. He said “my view is that the price target is finally coming into sight” adding that the Bank needed to consider flexible and nimble steps including an exit from the yield curve control framework and ending negative rates. Later

in the week, BoJ Governor Ueda was less forthright, and this continues to sow a seed of doubt as to the timing of any significant hawkish pivot by the BoJ.

It is too early to be over-confident, but the recent nine-year high in NZD/JPY could represent the top for the cycle. Timing remains elusive, but the medium-term outlook is for significant downside potential in the cross rate.

In the week ahead there are plenty of risk events that could perturb currency markets. The highlight will be the US employment report at the end of the week and, ahead of that, the ISM services report and Fed Chair Powell’s testimony to lawmakers will be of interest. Neither the Bank of Canada nor the ECB are expected to hike rates, but the market will be looking out for any hints of timing for the first rate cuts this cycle. Australian GDP is expected to show sluggish growth over Q4. NZ economic releases are second-tier with quarterly indicators providing more clue on just how bad the economy officially was in Q4.

Back to watching this chart on NZD vs Fed expectations



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6107	0.6050 - 0.6220
NZD/AUD	0.9357	0.9340 - 0.9460
NZD/GBP	0.4827	0.4800 - 0.4910
NZD/EUR	0.5634	0.5610 - 0.5730
NZD/JPY	91.64	91.10 - 93.50

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models		
	Model Est.	Actual/FV
NZD/USD	0.6780	-10%
NZD/AUD	0.9110	3%

Jason.k.wong@bnz.co.nz

Technicals

NZD/USD

Outlook: Trading range
 ST Resistance: 0.6280 (ahead of 0.64)
 ST Support: 0.6040 (ahead of 0.60)

0.60-0.64 continues to look to be the bigger range. Initial support/resistance levels at 0.6040/0.6280

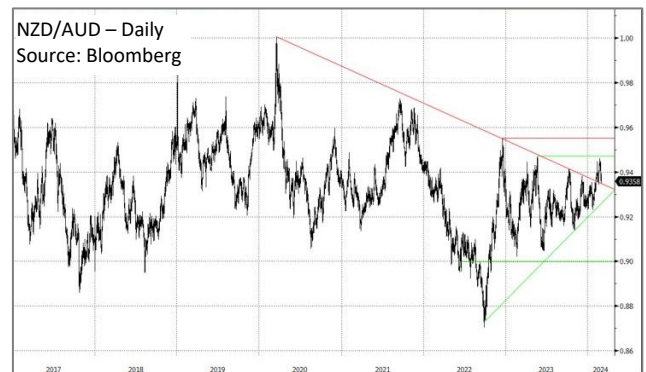


NZD/AUD

Outlook: Trading range
 ST Resistance: 0.9470 (ahead of 0.9550)
 ST Support: 0.9350 (ahead of 0.9250)

Cross back down to near the topside of the wedge around 0.9350 so watching that level closely

jason.k.wong@bnz.co.nz



NZ 5-year Swap Rate

Outlook: Lower
 MT Resistance: 4.76
 MT Support: 4.07

5y swap saw a technical break last week as expected, heading lower and through the previous support of 4.59. We shift our bias to a lower rate and will be watching 4.07 as our new support level.



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

Outlook: Neutral
 MT Resistance: -0.46
 MT Support: -0.59

2x5 swap spread steepened last week and continues to trade in the descending triangle pattern. We remain neutral.

Henry_Turner@bnz.co.nz



Quarterly Forecasts

Forecasts as at 4 March 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.)	-0.9	-1.0	-0.8	-0.6	-0.8	-1.9	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	-5.8
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	0.7	1.1	1.0	-0.1	0.4	0.1	0.0	0.1	0.2
Unemployment rate %	3.3	3.4	3.4	3.6	3.9	4.0	4.4	4.9	5.2	5.5
Avg hourly earnings (ann %)	8.6	8.1	8.2	7.7	7.1	6.6	5.8	5.1	4.0	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 NZ-US
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	Libor 3 month	US 10 yr	
		Bank Bills								
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	5.00	4.90	5.30	4.90	4.65	5.80	4.40	0.50
Jun	5.50	5.65	4.80	4.70	4.95	4.70	4.50	5.30	4.20	0.50
Sep	5.50	5.50	4.50	4.50	4.55	4.45	4.40	4.80	4.00	0.50
Dec	5.25	5.25	4.20	4.25	4.10	4.15	4.15	4.55	3.75	0.50
2025 Mar	5.00	4.75	3.90	4.10	3.70	3.95	4.10	4.05	3.50	0.60
Jun	4.50	4.25	3.75	4.10	3.35	3.80	4.10	3.80	3.50	0.60
Sep	4.00	3.75	3.60	4.10	3.10	3.75	4.20	3.30	3.50	0.60
Dec	3.50	3.50	3.55	4.10	3.00	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	1.27	150
Mar-24	0.62	0.66	1.09	1.29	147
Jun-24	0.64	0.69	1.13	1.33	142
Sep-24	0.64	0.71	1.16	1.36	138
Dec-24	0.65	0.72	1.17	1.37	135
Mar-25	0.67	0.73	1.18	1.38	130
Jun-25	0.69	0.75	1.19	1.39	125
Sep-25	0.71	0.77	1.21	1.41	120
Dec-25	0.71	0.78	1.22	1.42	118
Mar-26	0.69	0.78	1.23	1.43	116
Jun-26	0.68	0.76	1.23	1.43	115

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.61	0.94	0.56	0.48	91.7	71.4
Mar-24	0.62	0.93	0.57	0.48	91.1	71.8
Jun-24	0.64	0.92	0.56	0.48	90.4	72.6
Sep-24	0.64	0.91	0.55	0.47	88.7	72.3
Dec-24	0.65	0.90	0.56	0.47	87.8	72.3
Mar-25	0.67	0.91	0.56	0.48	86.5	72.8
Jun-25	0.69	0.92	0.58	0.50	86.3	74.5
Sep-25	0.71	0.92	0.59	0.50	85.2	75.8
Dec-25	0.71	0.91	0.58	0.50	83.8	75.3
Mar-26	0.69	0.89	0.56	0.49	80.5	73.6
Jun-26	0.68	0.90	0.55	0.48	78.2	72.7

TWI Weights

13.8% 16.5% 9.8% 3.1% 6.1%

Source for all tables: Statistics NZ, Bloomberg, Reuters, RBNZ, BNZ

Annual Forecasts

Forecasts as at 4 March 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	3.8	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
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>	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	1.8	-0.3	-1.0	0.1	1.5	1.9	0.2	-1.0	-0.2
Nominal Expenditure GDP - \$bn	359	388	414	435	459	353	381	408	429	453
Prices and Employment - annual % change										
CPI	6.9	6.7	4.0	2.7	2.0	5.9	7.2	4.7	2.9	1.8
Employment	2.5	3.0	1.4	0.6	2.5	3.3	1.7	2.4	0.4	2.1
Unemployment Rate %	3.2	3.4	4.4	5.7	5.3	3.2	3.4	4.0	5.5	5.5
Wages - ahote (private sector)	5.3	8.2	5.8	3.9	3.0	4.1	8.1	6.6	4.3	3.0
Productivity (ann av %)	1.7	0.6	-2.3	-0.1	1.2	3.5	0.2	-2.1	-0.9	1.3
Unit Labour Costs (ann av %)	4.6	6.4	8.7	5.1	2.0	2.4	6.4	8.6	6.6	2.0
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	-28.1	-23.2	-19.1	-20.6	-33.4	-29.0	-24.7	-20.2
Current Account - % of GDP	-6.6	-8.2	-6.8	-5.3	-4.2	-5.8	-8.8	-7.1	-5.8	-4.5
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-2.7	-2.4	-2.8	-1.7	-0.8					
Net Core Crown Debt	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	147	130	116	114	135	144	135	118
EUR/USD	1.10	1.07	1.09	1.18	1.23	1.13	1.06	1.09	1.17	1.22
NZD/AUD	0.93	0.93	0.93	0.91	0.89	0.95	0.94	0.93	0.90	0.91
NZD/GBP	0.52	0.51	0.48	0.48	0.49	0.51	0.52	0.49	0.47	0.50
NZD/EUR	0.62	0.58	0.57	0.56	0.56	0.60	0.60	0.57	0.56	0.58
NZD/YEN	81.5	83.0	91.1	86.5	80.5	77.4	85.6	89.5	87.8	83.8
TWI	73.9	71.0	71.8	72.8	73.6	73.0	72.9	72.0	72.3	75.3
Overnight Cash Rate (end qtr)	1.00	4.75	5.50	5.00	3.25	0.75	4.25	5.50	5.25	3.50
90-day Bank Bill Rate	1.45	5.16	5.60	4.75	3.00	0.92	4.55	5.63	5.25	3.50
5-year Govt Bond	2.90	4.40	5.00	3.90	3.60	2.20	4.30	4.50	4.20	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	5.30	3.70	3.15	2.22	5.21	4.93	4.10	3.00
5-year Swap	3.20	4.50	4.90	3.95	3.85	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	0.50	0.60	0.60	0.90	0.65	0.65	0.50	0.60
⁽¹⁾ Average for the last month in the quarter										

Source: Statistics NZ, BNZ, NZ Treasury

Key Upcoming Events

All times and dates NZT

	Median	Fcast	Last		Median	Fcast	Last
Monday 04 March				US JOLTS Job Openings Jan	8890k		9026k
NZ Terms of Trade Index QoQ 4Q	-0.10%		-0.60%	US Wholesale Trade Sales MoM Jan			0.70%
JN Capital Spending YoY 4Q	2.80%		3.40%	US Fed's Daly speaks			
AU Melbourne Institute Inflation YoY Feb			4.60%	US Federal Reserve Releases Beige Book			
AU Inventories SA QoQ 4Q	0.00%	0.10%	1.20%	US Fed's Kashkari speaks			
AU ANZ-Indeed Job Advertisements MoM Feb			1.70%	NZ Mfg Activity Volume QoQ 4Q			-2.70%
AU Building Approvals MoM Jan	4.00%	5.00%	-9.50%	JN Cash Earnings -Same Sample Base YoY Jan	1.90%		1.50%
EC Sentix Investor Confidence Mar	-10.6		-12.9	AU Trade Balance Jan	A\$11500m	A\$11000m	A\$10959m
Tuesday 05 March				AU Exports MoM Jan			1.80%
EC ECB's Holzmann speaks				AU Imports MoM Jan			4.80%
US Fed's Harker speaks				AU Home Loans Value MoM Jan	2.00%	2.00%	-4.10%
NZ N.Z. Government 7-Month Financial Statements				JN BOJ Board Nakagawa speaks			
AU Judo Bank Australia PMI Services Feb F			52.8	GE Factory Orders MoM Jan	-6.00%		8.90%
NZ ANZ Commodity Price MoM Feb			2.20%	UK DMP 1 Year CPI Expectations Feb	3.00%		3.40%
UK BRC Sales Like-For-Like YoY Feb	1.60%		1.40%	Friday 08 March			
AU Net Exports of GDP 4Q	0.2	0.2	-0.6	EC ECB Main Refinancing Rate Mar-07	4.50%		4.50%
AU BoP Current Account Balance 4Q	A\$5.0b	A\$5.0b	-A\$0.2b	EC ECB Marginal Lending Facility Mar-07	4.75%		4.75%
JN BOJ Governor Ueda speaks				EC ECB Deposit Facility Rate Mar-07	4.00%		4.00%
GE HCOB Germany Services PMI Feb F	48.2		48.2	US Trade Balance Jan	-\$63.5b		-\$62.2b
EC HCOB Eurozone Services PMI Feb F	50		50	US Initial Jobless Claims Mar-02	218k		215k
UK S&P Global UK Services PMI Feb F	54.3		54.3	US Continuing Claims Feb-24	1870k		1905k
Wednesday 06 March				US Fed Chair Powell Testifies Before Congress			
NZ GDT dairy auction, price index			0.50%	US Fed's Mester speaks			
US S&P Global US Services PMI Feb F	51.4		51.3	JN Household Spending YoY Jan	-4.10%		-2.50%
US Factory Orders Jan	-2.90%		0.20%	JN Eco Watchers Survey Outlook SA Feb	52.2		52.5
US Durable Goods Orders Jan F	-6.10%		-6.10%	GE Industrial Production SA MoM Jan	0.60%		-1.60%
US ISM Services Prices Paid Feb			64	GE PPI YoY Jan	-6.90%		-8.60%
US ISM Services Employment Feb			50.5	EC GDP SA QoQ 4Q F	0.00%		0.00%
US ISM Services New Orders Feb			55	EC Employment YoY 4Q F			1.30%
US Fed's Barr speaks				Saturday 09 March			
NZ Volume of All Buildings SA QoQ 4Q	-1.80%	-2.00%	-2.40%	US Fed's Williams speaks			
AU GDP SA QoQ 4Q	0.30%	0.20%	0.20%	US Change in Nonfarm Payrolls Feb	200k		353k
GE Trade Balance SA Jan	21.0b		22.2b	US Unemployment Rate Feb	3.70%		3.70%
EC Retail Sales MoM Jan	0.10%		-1.10%	US Av Weekly Hours All Employees Feb	34.3		34.1
Thursday 07 March				CH PPI YoY Feb	-2.50%		-2.50%
US ADP Employment Change Feb	150k		107k	CH CPI YoY Feb	0.30%		-0.80%
CA Bank of Canada Rate Decision Mar-06	5.00%		5.00%	CH New Yuan Loans CNY Feb	1550.0b		4920.0b
US Fed Chair Powell Testifies Before Congress				CH Aggregate Financing CNY Feb	2200.0b		6500.0b

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	5.50	5.50	5.50	4.75	2 years	5.02	5.21	4.88	5.41
1mth	5.59	5.66	5.59	4.94	3 years	4.72	4.90	4.57	5.14
2mth	5.62	5.69	5.63	5.06	4 years	4.56	4.73	4.43	4.95
3mth	5.65	5.72	5.67	5.18	5 years	4.49	4.65	4.37	4.84
6mth	5.64	5.75	5.61	5.42	10 years	4.55	4.66	4.45	4.68
GOVERNMENT STOCK					FOREIGN EXCHANGE				
05/26	4.77	4.93	4.69	4.78	NZD/USD	0.6103	0.6173	0.6055	0.6197
04/29	4.55	4.67	4.45	4.65	NZD/AUD	0.9358	0.9439	0.9340	0.9208
05/31	4.62	4.71	4.55	4.63	NZD/JPY	91.57	93.02	90.01	84.21
05/34	4.76	4.82	4.67	4.65	NZD/EUR	0.5630	0.5689	0.5636	0.5800
04/37	4.88	4.94	4.83	4.75	NZD/GBP	0.4822	0.4866	0.4830	0.5153
05/41	4.96	5.03	4.93	4.81	NZD/CAD	0.8271	0.8336	0.8198	0.8435
05/51	4.94	5.01	4.93	4.67	TWI	71.4	72.4	71.2	70.9
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	51	52	55	71					
Europe 5Y	55	55	59	74					

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.