25 March 2024

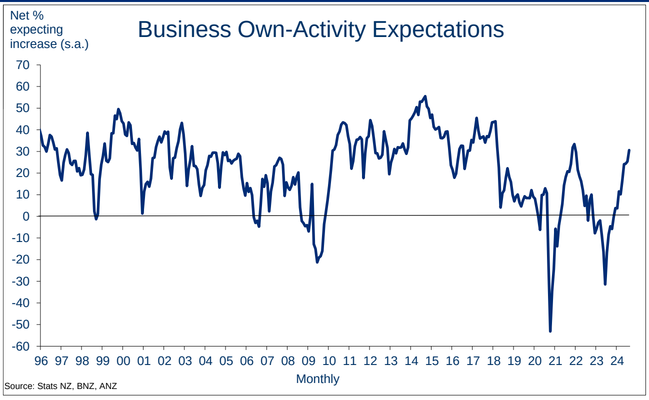
In Confidence

- **Has the rise in confidence peaked?**
- **Pricing intentions need to fall further**
- **Businesses still hiring**
- **FY 2027 fiscal surplus no more?**
- **Tax details would be helpful**

There will be a heavy focus this week on the state of the nation's confidence with the ANZ releasing both its consumer and business versions on Thursday. Over the last few months, it has been heartening to see confidence measures broadly on the improve. On a seasonally adjusted basis, consumer confidence rose to 94.5 in February from a low of 73.8 in flood-ridden February 2023. It was its highest reading since March 2022. The business sector's own-activity indicator (we prefer this to the confidence measure) climbed to 30.6 from -31.4 in December 2022, its highest reading since June 2021.

We think much of the increased enthusiasm was due to the election result, particularly with respect to the business sector. There are two aspects to this. Firstly, elections, especially when they are close, breed uncertainty. Simply getting an election out of the way often generates confidence simply because uncertainty diminishes. Secondly, businesses tend to like National Governments more than they like their Labour equivalents.

Real or illusionary?



The question we have is how much of the shift in confidence can be attributed to a genuine expectation that economic conditions will soon be on the improve and how much was simply due to the change in leadership? We get the distinct feeling confidence has probably peaked for the time being. Anecdotal evidence from the business sector is disconcerting and some parts of the country are coming to grips with the scale of government expenditure cuts that are underway, and the likely wider economic impact thereof.

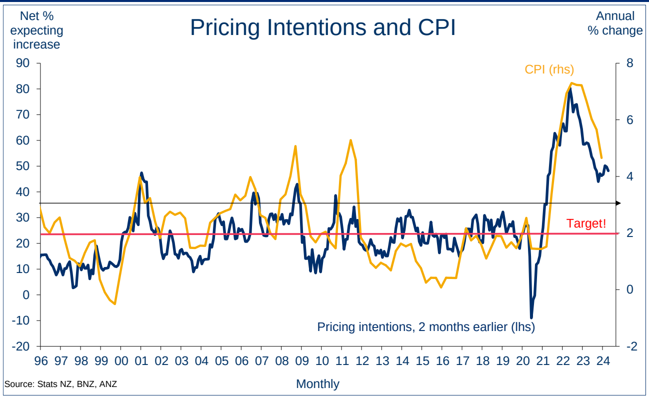
The fact of the matter is that if fiscal policy is tightening aggressively and monetary policy is very tight it will be difficult for an economy to gain any momentum.

Tony Alexander, in association with Mint Design, conducts a monthly business survey. In his March survey it was really interesting to note that concerns about politics have remained very low when compared to pre-election but, after three consecutive declines, concerns about the state of the economy have climbed back to pre-election levels.

Of course, as always, we'll be taking a close look at the employment and inflation indicators in the ANZ business survey. There has been some concern that the trend declines in inflation expectations and pricing intentions are stalling at levels more consistent with 4.0% annual CPI inflation than the requisite 2.0%. In February a net 48.2% of respondents said they expected to raise prices. To be consistent with our forecasts of annual inflation falling within the Reserve Bank's target range a reading in the mid-30s would be more appropriate, and soonish.

As for hiring intentions, this series has been remarkably robust of late. We can't help but think that the demand for labour is dropping but there has been little evidence of this in the survey so far. Perhaps this time?

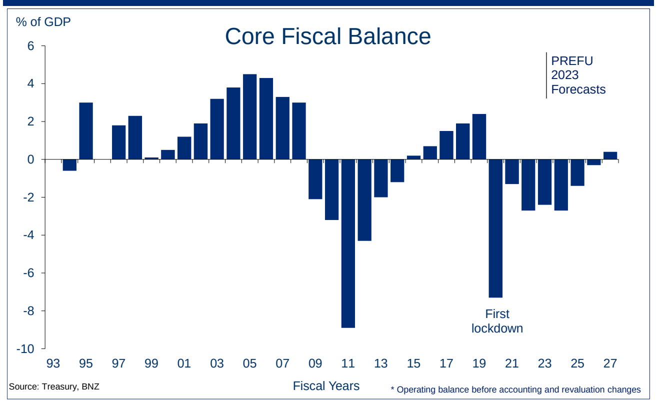
Further falls needed



Talking of the labour market, Thursday also sees the release of February employment indicators. We don't have a strong view on what this might show. The 0.6% increase in January looked surprisingly high so there is the potential for a February correction. Then again, employment momentum has been stronger than we had been expecting thanks largely to the migration-driven increase in supply. What we can say is that if there is no correction, the monthly series will suggest our 0.1% employment growth pick for the March Quarter Household Labour Force Survey may need a nudge higher.

With fiscal policy front of mind, we will be looking closely at the release of the Budget Policy Statement (BPS) on Wednesday. The BPS gives the government the opportunity to set out its fiscal objectives for the short and medium term. We won't be in the slightest bit surprised if the government openly states it no longer expects to achieve a surplus in fiscal 2027 given the deteriorating starting point that it currently faces into.

Surplus later?



There is no obligation on the government to provide detail on the fiscal position when releasing the BPS but there is a decent chance the finance minister gives a broad update on how things are evolving. Of course, what we really want to know is what is going to happen with the tax cuts that were proposed during the election campaign. Will the government be able to deliver these cuts given the deterioration in revenue inflows, the weakening in the economy and the risk that any tax cut might prove problematic for the Reserve Bank in terms of its inflation objective? It seems certain that tax cuts, in some form, will go ahead but the timing and magnitude is in doubt. We would certainly appreciate some guidance from government on this. The final taxation outcome could have a significant bearing on our economic forecasts. Given the policy uncertainty, our suite of forecasts has no personal tax adjustments incorporated. Nor does the central bank's projections.

Talking of the central bank, Chief Economist Paul Conway is talking to a gathering of chartered accountants tomorrow evening. He'll be keeping to the recent MPs script so we doubt there will be any news in what he has to say.

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Global Watch

- **Europe looks like being at front of global easing cycle**
- **EZ regional CPIs to monitor ahead of region wide result**
- **US core PCE seen up 0.3% m/m, annual steady at 2.8%**
- **Fed Chair Powell speaks Friday**
- **AU February CPI seen at 3.6% y/y; retail sales 0.4% m/m**

Several Central Banks made announcements last week. The BoJ ended negative interest rates and scrapped YCC. It was the first rate rise in 17 years, but the move was thoroughly telegraphed. Despite the tentative first step away from ultra-accommodative settings, there was little guidance on future hikes and market pricing sees the policy rate ending the year at 0.25%. The yen fell, ending the week at the bottom of the G10 table, down 1.7% with USDJPY around 151.5.

The other worst performing G10 currency was the Swiss Franc, also 1.7% lower against the USD. There, the SNB kicked off the rate cutting cycle for major central banks with a 25bps cut to 1.5%, comparatively low, and below forecast, inflation and the 3-month wait to the June meeting meaning the risk of policy error in moving soon was very low.

The US FOMC held rates steady as expected. Focus was on the dots, and while the median held on to 3 cuts in 2024, the distribution of dots did shift higher. Just one participant sees more than 3 cuts this year, down from 5 in December. Responding to the resilience in activity the 2026 medians were raised 25bp.

FOMC participants upgraded their growth outlook but have on the whole not been spooked by stronger January inflation. Core PCE was revised up to 2.6% this year from 2.4% but was unchanged further out. Chair Powell said recent higher inflation numbers "*haven't changed the overall story*" explaining "*there's reason to think that there could be seasonal effects there*" and said the February PCE wasn't "*terribly high*."

Overall, it was a message of more resilient growth but still comfort on disinflation progress. Asked about easier financial conditions, Powell again declined to take the bait, giving little indication he viewed overall conditions as insufficiently restrictive.

In Australia, the RBA held rates to nobody's surprise, but tweaked the wording in the final paragraph: "*the Board is not ruling anything in or out*." In February, it was "*a further increase in interest rates cannot be ruled out*." NAB didn't put much weight in the soft February tightening bias, and the statement continued to suggest concern about risks on inflation. In the presser last week, Bullock noted that weak consumption growth and the tick up in unemployment were '*firmly on the Board's radar and that's why we're being cautious.*' Employment data on Thursday should give the RBA comfort the labour market is not cooling more rapidly than it expected.

The RBA under Bullock has made a point of stepping away from forward guidance, and NAB doesn't think the more explicitly neutral stance indicates any eagerness to shift to easing. NAB's view remains that the RBA is unlikely to hike given below trend growth, but the Bank will need to see that translate into genuine progress on cooling domestic inflation pressures before being comfortable cutting. That will take some time and NAB continues to pencil in a gradual easing cycle extending from November.

Week Ahead

A holiday shortened week with Easter Friday (29 March) a public holiday in many parts of the world, followed by Easter Monday (1 April). Those days are both public holidays in Australia, while in the US markets close early on Thursday, are closed on Friday, but re-open on Monday. Given these holidays, we may not get the full market reaction to data until the following Monday or Tuesday.

Key Aussie data are the CPI Monthly Indicator (Wednesday) and Retail Sales (Thursday). The CPI Indicator is for February and which has a better coverage of services. The RBA is closely watching services inflation which remains too high to be consistent with at target inflation. For Retail, the volatility of Black Friday and year end should be behind us, and we pencil in a decent rise of 0.4% m/m for February. A 'Taylor Swift' impact could support and note the possibility that seasonal adjustment does not fully account for the leap year. Also out in the week are Job Vacancies (Thursday) and W-MI Consumer Confidence (Tuesday). Vacancies worth a glance to provide another lens on the labour market after the sharp fall back in the unemployment rate to 3.7% in last week's data.

US focus likely on the Core PCE Deflator (Friday) with consensus at 0.3% m/m. Full market reaction will have to wait given cash bond and equity markets are closed on Easter Friday, but re-open on Easter Monday. Other key US data includes Durable Goods (Tuesday), while there is also plethora of Fed speakers including Chair Powell who is speaking in a moderated discussion on Friday.

Sweden is not a country we usually monitor but is worth watching given the Riksbank meets (Wednesday) and where previously the Riksbank has said it could begin cutting rates in the H1 2024. With the Swiss National Bank surprising markets with a rate cut last week, it looks like Europe will be at the vanguard of the global easing cycle given well below trend growth and moderating inflation.

Elsewhere it is quiet, Spain (Wednesday)/Belgium (Thursday) and France and Italy (Friday) all publish preliminary CPI figures ahead of the wider Eurozone figures on the 3 April. Japan also has Tokyo CPI figures on Friday, and China Industrial Production on Wednesday.

Important Events Preview

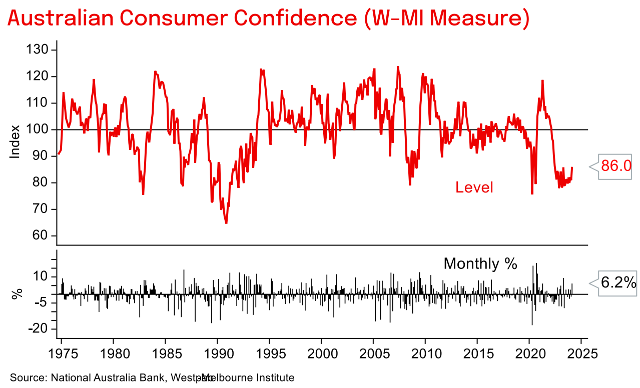
Monday 25

US Fed's Cook and Bostic speak

Cook speaks on the dual mandate while Bostic is participating in a moderated conversation about equitable economic development.

Tuesday 26

AU W-MI Consumer Confidence
Not usually market moving, but the significance is that consumer confidence appears to be turning as goods inflation eases, and as the labour market while easing, remains tight.



US Durable Goods
Consensus for durable goods orders ex transport is 0.4% m/m, reversing last month's -0.4% m/m.

Wednesday 27

AU CPI Monthly Indicator
February has better coverage of the services side of the CPI basket. Inflation in much of the services basket remains high, and the RBA is watching services as one indicator of domestic price pressures. Below trend growth and the fading of earlier cost-push pressures will see gradual improvement in the outlook, but NAB expects at most modest deceleration in Q1. The next RBA meeting is not until 6-7 May, meaning the RBA has the luxury of seeing the full Q1 CPI (on 24 April 2024) before updating its forecast track.

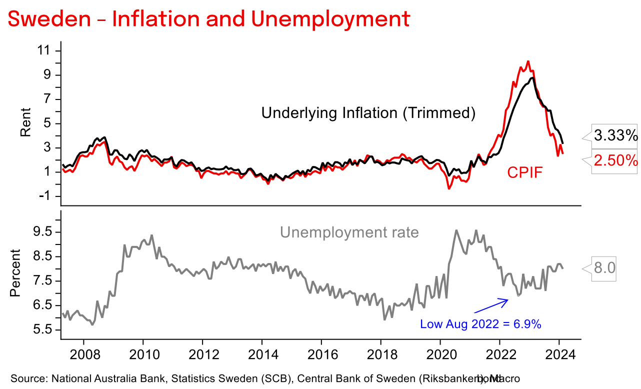
NAB forecasts headline February CPI rose to 3.6% y/y from 3.4%; 3.6% is also the consensus. Travel again the key risk – and we pencil in a smaller fall than usual in February (events, including Taylor Swift, a factor). NAB's February Monthly CPI Indicator forecast is consistent with its preliminary Q1 trimmed mean pick of 0.9% q/q (3.8% y/y). That is marginally above the RBA's February SoMP forecast of a high 0.8 q/q, though NAB sees risks skew to the downside of its 0.9% pick at this stage. Information on new dwelling construction and services components will be key to firming NAB forecasts.

CH Industrial Profits

EZ Spain prelim CPI, EZ Confidence
Spain releases prelim HICP inflation data for March. HICP printed 2.9% in February and base effects look set to pull the annual rate lower in March to around 2.3-2.4%. Preliminary EZ HICP for March will be released 3rd April.

The EZ also releases March confidence data for the consumer, services, economic and industrial sectors. NAB expects to see a continued gradual improvement in consumer confidence, commensurate with the improving economic outlook as inflation eases. The rebound in services PMI activity suggests the recent moderation in confidence here will also recover a little.

SW Sweden rate decision
The Riksbank is expected to hold rates in March, but then cut them in June. Deputy Governor Flooden said recently that "*in recent months, it has become increasingly clear that inflation is falling back towards the target…last week's inflation outcome reinforces this picture*". The Riksbank has said it could begin reducing borrowing costs in the first half of this year, risk is they could cut in March given the rise in the unemployment rate over late 2023 and 2024.



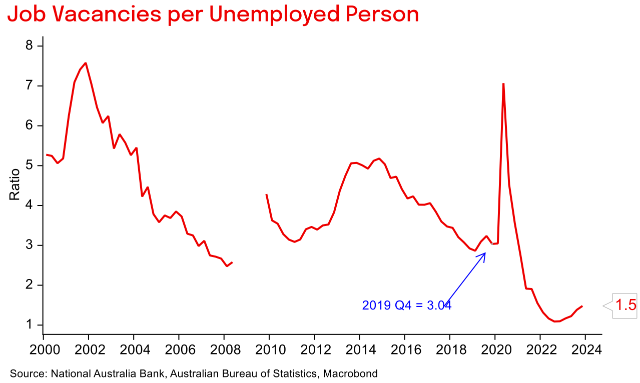
US Fed's Waller speaks on economic outlook
Influential Fed governor Waller speaks on the economic outlook at an event held by the Economic Club of New York. Note Waller's comments previously have been market moving – firstly in flagging the prospect of cutting if there is a run of low inflation prints, and secondly flagging delaying cuts given strong activity.

Thursday 28

Note: US markets close early ahead of Good Friday. Expect thin liquidity.

AU Retail Sales, Job Vacancies, Credit
For February's Retail Sales NAB has pencilled in a 0.4% m/m rise, which is also the consensus. Supporting sales in the month is some expected Taylor Swift impact given her concerts in late February, and the extra trading day given the leap year may make seasonal adjustment more difficult.

Job Vacancies are also worth a look given the sharp fall back in the unemployment rate to 3.7%, which is where it was back in September 2023. Last quarter job vacancies were broadly flat at -0.7% q/q, leaving job vacancies 68.6% above their pre-pandemic level and at the time there were still only 1.5 unemployed persons per vacancy, a ratio that is half what it was in Q4 2019 at 3.0.



PO, BE March Preliminary Inflation Portugal, Belgium

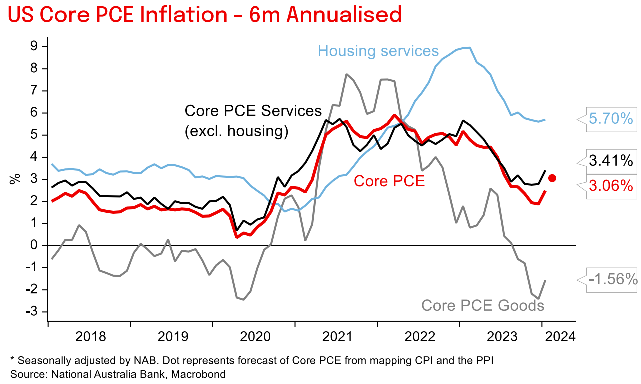
Friday 29 [Easter Friday]

Note: markets are closed in many jurisdictions for Good Friday. Some government offices though remain open with data/speeches. Market reaction will not be fully seen until Monday/Tuesday.

JN Tokyo CPI, Retail Sales, Industrial Production

EZ March Preliminary Inflation France, Italy
France and Italy release prelim HICP inflation for March. Both will see base effects weigh on inflation in March, with Italy – where annual inflation is already at 0.8% – expected to see a print nearer 0% over the next two months. Preliminary EZ HICP inflation will be released 3rd April.

US PCE/Spending/Income/Goods Trade/Inventories
The Feb Core PCE deflator is expected to be 0.3% m/m which would give 2.8% y/y. Risks appear balanced with most top ranked forecasters pencilling in 0.3%. Chair Powell in his post-FOMC presser said the January and February inflation data haven't really changed the overall disinflation story. Key will be next month's data to see whether the trend in disinflation continues. On the six-month annualised basis, Core PCE inflation has ticked up.



US Fed Chair Powell in moderated discussion
Fed Chair Powell speaks in moderated discussion with radio journalist Kai Ryssdal. There is no text.

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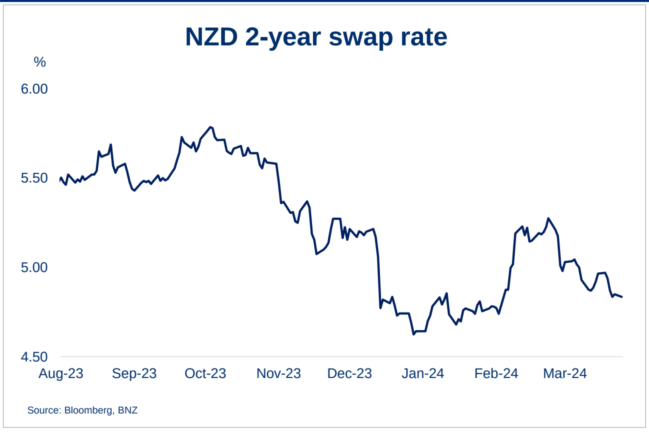
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ fixed interest yields moved lower last week, supported by weaker than expected Q4 GDP, and a rally across global bond markets aligned with major central policy meetings. The US Federal Reserve (Fed) maintained its projection for three 25bps rate cuts this year and the Swiss National Bank (SNB) unexpectedly cut rates. The SNB move begins what is expected to be a synchronised cutting cycle by developed market central banks through 2024. As expected, the Bank of Japan raised rates for the first time 17 years, becoming the last central bank to exit negative interest rate policy.

10-year NZ government bond (NZGB) yields fell close to 10bps during the week, to retest 4.50%, which has been the low several times in recent months. There are limited domestic catalysts for rates this week. The Budget Policy Statement, released Wednesday, is unlikely to be market moving. The Government will outline its fiscal strategy and objectives for key metrics like the operating balance and net debt levels.

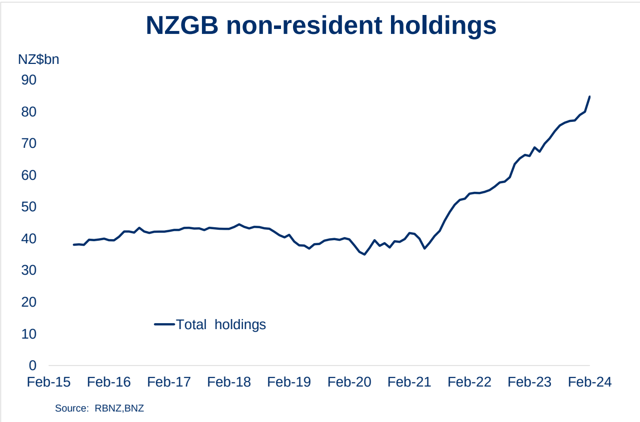
Lower 2-year swap rates face hurdle from RBNZ pricing



2-year NZ swap rates have continued to move lower, and we think it has run its course for now. The overnight index swap market is pricing a 25bps rate cut by the August Monetary Policy Statement and about 70bps of easing by year end. The amount of RBNZ easing already priced will limit the extent front-end rates can move lower in the near term, with carry and roll forming a headwind for received positions. We assess current 2-year swap rates (4.84%) as close to fair value based off our OCR forecasts.

We have a constructive view on duration further out the curve, but are tactically neutral, after the rally off the February yield highs. US economic resilience – and upward revisions for consensus 2024 growth forecasts – reduce urgency for near team cuts by the Fed. Current data suggest the Fed would be cutting rates to prevent excessively tight monetary policy, instead of reacting to a rapid slowdown or recession. Policy makers have time to assess if inflation is returning sustainably to target.

Non-resident NZGB holdings increase to NZ$85 billion



Non-resident investors continue to be a key source of demand for NZGBs. Data for February, reveals holdings have increased to NZ$85 billion, following the May-2054 syndication. This is equivalent to 63% of outstanding NZGBs when excluding the RBNZ's Large Scale Asset Purchase holdings. The spread between 10-year NZGBs and US Treasuries has narrowed, and it will be important for NZGBs to remain attractive on a cross market basis, ahead of the May-2035 syndication expected in the latter half of April.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.64	5.64 - 5.73
NZ 2yr swap (%)	4.84	4.73 - 5.28
NZ 5yr swap (%)	4.32	4.21 - 4.72
NZ 10yr swap (%)	4.38	4.27 - 4.73
2s10s swap curve (bps)	-46	-56 - -44
NZ 10yr swap-govt (bps)	-13	-21 - -8
NZ 10yr govt (%)	4.51	4.44 - 4.83
US 10yr govt (%)	4.20	4.03 - 4.35
NZ-US 10yr (bps)	31	25 - 53
NZ-AU 2yr swap (bps)	89	83 - 123
NZ-AU 10yr govt (bps)	48	44 - 68

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

In an action-packed week, the USD was broadly stronger and the NZD underperformed, falling 1½% to just under the 0.60 mark. A rare rate hike by the BoJ didn't stop the yen from depreciating and NZD/JPY was the only key cross rate higher for the week (albeit barely). The NZD was down ½-1% against the other key crosses, including NZD/AUD testing below 0.92 for the first time since November.

There were many key market-moving risk events last week. The USD was broadly weaker after the Fed's on-hold decision, the market reacting to the dotplot continuing to show three expected rate cuts this year, even while for 2025 the number of cuts expected was reduced from four to three. Fed Chair Powell wasn't particularly hawkish, and the message was that the Fed could still ease policy despite both inflation tracking higher than expected and growth proving to be stronger, so far this year. However, USD weakness proved temporary and by the end of the week the loss had been recovered, with the DXY USD index up 1% for the week.

The Swiss National Bank became the first major developed central bank to ease policy, surprising the market with a 25bps cut in its policy rate to 1.5%. The context though was headline and core CPI inflation having already fallen to 1.1-1.2% y/y, limiting spillover into other markets, although a weaker CHF was a drag on other European currencies.

UK CPI data came in just below expectations. The Bank of England kept policy on hold at 5.25% but the hawks on the committee abandoned their long-held call to hike rates further, moving in line with the consensus. Governor Bailey told the FT that rate cuts were "in play" at future meetings and signalled markets are right to expect more than one interest rate cut this year, saying he is increasingly confident inflation is heading towards target. GBP weakened after the BoE's decision and into the end of the week.

The Bank of Japan raised its policy rate for the first time since 2007, becoming the last central bank to exit negative interest rate policy. Following a small 10bps hike, the Bank shifted to a new overnight policy rate which it will keep in a 0-0.1% range. The move was widely considered a "dovish hike", with Governor Ueda at pains to highlight that it was important to keep monetary conditions accommodative, and this outlook weighed on the yen. The key for the yen going forward will be how high the BoJ will be prepared to take rates this cycle.

Closer to home, NZ Q4 GDP contracted by 0.1% q/q, slightly weaker than consensus, and marking the fourth quarterly contraction out of the past five quarters. The 0.3% contraction over the past year, against a near 3% surge in the population, made 2023 simply an awful year and poor relative to peers. A slightly weaker NZD after the data was soon reversed and global factors took over.

NZD/AUD was weaker after a stronger than expected Australian employment report, with the unemployment rate down a chunky 0.4 percentage points to 3.7%, making the previous two-year high look like a head-fake. The NZD/AUD cross slipped below 0.92 for the first time since November. A weaker cross rate has been in our projections for some time – an expected significant lift in NZ's unemployment rate compared to Australia is at the heart of that call – and ultimately we see a test below 0.90.

Last, but not least, at the end of the week, the PBoC set a weaker than expected daily reference rate for CNY and allowed USD/CNY to push above the 7.20 mark, previously seen as a line in the sand. This spilled over into a much weaker NZD and AUD, seeing the NZD trade at a fresh low for the year of 0.5990.

Last week's break of the bottom of our expected 0.60-0.64 trading range has occurred against the backdrop of our short-term fair value model estimate pushing higher. The model estimate has been tracking in a 0.67-0.68 range over the past seven weeks, fuelled by our risk appetite index reaching 85%, a historically high figure. Under these circumstances, we find it hard to be overly bearish on the NZD – the valuation gap is extreme on this model – but if the yuan continues to weaken then the NZD could fall modestly further over the short-term.

The week ahead calendar is light. NZ's Budget Policy Statement on Wednesday will contain new Treasury economic forecasts, which will make for grim reading, raising the prospect of larger fiscal deficits ahead and more borrowing. Globally, look out for Australia's monthly CPI report, an array of Fed speakers including influential Governor Waller, and the US PCE deflators at the end of the week.

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6005	0.5990 - 0.6220
NZD/AUD	0.9206	0.9190 - 0.9380
NZD/GBP	0.4767	0.4740 - 0.4840
NZD/EUR	0.5556	0.5540 - 0.5670
NZD/JPY	90.92	90.40 - 92.20

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6780	-11%
NZD/AUD	0.9040	2%

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Technicals

NZD/USD

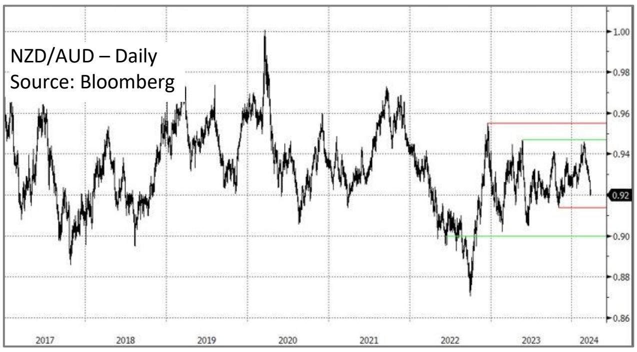
Outlook: Downside risk
ST Resistance: 0.6280 (ahead of 0.64)
ST Support: 0.58 (ahead of 0.56)

The cross broke 0.60 late last week and, while it might be a little too early to abandon thoughts of 0.60 as being roughly the bottom of the range, we note that the next key level of support is around 0.58.

NZD/AUD

Outlook: Trading range
ST Resistance: 0.9470 (ahead of 0.9550)
ST Support: 0.92 (ahead of 0.90)

The 0.92 level or thereabouts might offer some support, although a break below 0.9140 would be a bigger deal and open the threat of a reach for 0.90.



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NZ 5-year Swap Rate

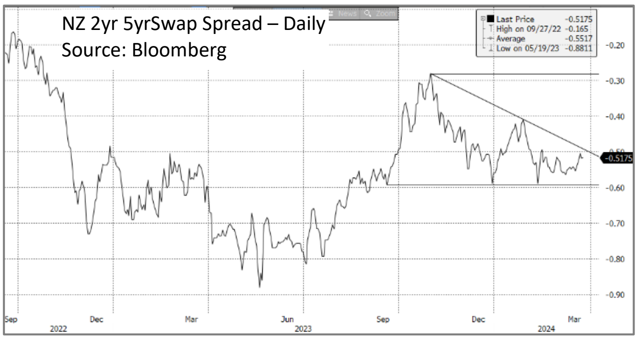
Outlook: Lower
MT Resistance: 4.56
MT Support: 4.07

5y swap drifted back lower last week on data-based events. We still favour a move lower in the medium term.

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

Outlook: Neutral
MT Resistance: -0.495
MT Support: -0.59

2x5 swap spread is closely approaching our resistance level. We will watch closely to see whether it is able to hold before determining our future outlook.



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Quarterly Forecasts

Forecasts as at 25 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	-0.4	-0.3	0.5	-0.3	-0.1	-0.1	0.0	0.6	0.7
Retail trade (real s.a.)	-0.9	-1.0	-0.8	-0.6	-0.8	-1.9	0.2	0.5	0.8	0.9
Current account (ytd, % GDP)	-8.3	-8.8	-8.2	-7.6	-7.4	-6.9	-6.5	-6.6	-6.5	-6.1
CPI (q/q)	2.2	1.4	1.2	1.1	1.8	0.5	0.8	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	4.2	3.7	3.0	2.9
GDP (production s.a., y/y))	6.4	2.2	2.0	1.5	-0.6	-0.3	0.0	-0.5	0.4	1.2

Interest Rates

Historical data - qtr average Forecast data - end quarter	Cash	Government Stock 90 Day Bank Bills	 5 Year	 10 Year	Swaps 2 Year	 5 Year	 10 Year	US Rates Libor 3 month	 US 10 yr	Spread NZ-US Ten year
2022 Sep	2.83	3.33	3.65	3.77	4.12	3.95	3.95	3.00	3.10	0.67
Dec	4.00	4.27	4.34	4.31	5.10	4.67	4.55	4.50	3.80	0.49
2023 Mar	4.58	4.99	4.27	4.26	5.11	4.51	4.40	4.90	3.65	0.61
Jun	5.42	5.62	4.23	4.27	5.19	4.44	4.30	5.40	3.60	0.68
Sep	5.50	5.66	4.87	4.87	5.54	4.90	4.75	5.65	4.15	0.73
Dec	5.50	5.63	4.48	4.67	4.93	4.43	4.50	5.65	4.00	0.67
Forecasts										
2024 Mar	5.50	5.65	4.60	4.60	4.90	4.40	4.45	5.60	4.20	0.40
Jun	5.50	5.65	4.60	4.70	4.55	4.50	4.50	5.50	4.20	0.50
Sep	5.50	5.50	4.35	4.50	4.15	4.30	4.40	5.00	4.00	0.50
Dec	5.25	5.25	4.05	4.25	3.80	4.00	4.15	4.75	3.75	0.50
2025 Mar	5.00	4.75	3.85	4.10	3.55	3.90	4.10	4.25	3.50	0.60
Jun	4.50	4.25	3.75	4.10	3.35	3.80	4.10	4.00	3.50	0.60
Sep	4.00	3.75	3.65	4.10	3.25	3.80	4.20	3.50	3.50	0.60
Dec	3.50	3.50	3.65	4.10	3.15	3.80	4.20	3.25	3.50	0.60

Exchange Rates (End Period)

USD Forecasts						NZD Forecasts					
	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.60	0.65	1.08	1.26	151	0.60	0.92	0.55	0.48	90.8	70.6
Mar-24	0.62	0.66	1.09	1.29	147	0.62	0.93	0.57	0.48	91.1	71.8
Jun-24	0.64	0.69	1.13	1.33	142	0.64	0.92	0.56	0.48	90.4	72.6
Sep-24	0.64	0.71	1.16	1.36	138	0.64	0.91	0.55	0.47	88.7	72.3
Dec-24	0.65	0.72	1.17	1.37	135	0.65	0.90	0.56	0.47	87.8	72.3
Mar-25	0.67	0.73	1.18	1.38	130	0.67	0.91	0.56	0.48	86.5	72.8
Jun-25	0.69	0.75	1.19	1.39	125	0.69	0.92	0.58	0.50	86.3	74.5
Sep-25	0.71	0.77	1.21	1.41	120	0.71	0.92	0.59	0.50	85.2	75.8
Dec-25	0.71	0.78	1.22	1.42	118	0.71	0.91	0.58	0.50	83.8	75.3
Mar-26	0.69	0.78	1.23	1.43	116	0.69	0.89	0.56	0.49	80.5	73.6
Jun-26	0.68	0.76	1.23	1.43	115	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 25 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	0.0	0.8	2.5	7.4	3.3	0.3	0.1	2.3
Government Consumption	7.9	2.0	-0.3	-2.6	1.4	7.8	4.9	-1.1	-2.6	0.9
Total Investment	10.2	2.1	-1.8	-2.5	4.2	12.0	3.4	-1.1	-3.6	3.1
Stocks - ppts cont'n to growth	0.5	0.0	-1.1	0.9	0.0	1.4	-0.4	-1.1	0.8	0.1
GNE	7.9	2.5	-1.8	0.3	2.7	10.0	3.4	-1.5	-0.6	2.3
Exports	2.5	6.0	7.6	6.2	5.5	-2.7	-0.2	10.0	7.4	5.5
Imports	17.3	4.3	-1.4	2.5	4.0	14.8	4.6	-0.3	1.8	3.6
Real Expenditure GDP	4.7	2.8	0.2	1.3	3.0	5.9	2.2	0.6	0.9	2.7
GDP (production)	**4.6**	**2.7**	**0.1**	**0.8**	**3.0**	**5.6**	**2.4**	**0.6**	**0.3**	**2.7**
GDP - annual % change (q/q)	*0.6*	*2.0*	*0.0*	*2.0*	*3.1*	*2.6*	*2.2*	*-0.3*	*1.2*	*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	410	427	451	353	381	405	422	445
Prices and Employment - annual % change										
CPI	6.9	6.7	4.2	2.6	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	0.2	1.2	3.5	0.2	-2.2	-0.5	1.4
Unit Labour Costs (ann av %)	4.6	6.5	8.7	4.8	2.0	2.4	6.5	8.6	6.2	2.0
House Prices	13.8	-12.1	1.8	6.5	10.1	27.2	-11.1	-1.5	4.8	10.1
External Balance										
Current Account - $bn	-23.6	-31.8	-26.7	-24.5	-20.8	-20.6	-33.4	-27.8	-25.9	-21.9
Current Account - % of GDP	-6.6	-8.2	-6.5	-5.7	-4.6	-5.8	-8.8	-6.9	-6.1	-4.9
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	9.3	8.4	7.5					
Financial Variables (1)										
NZD/USD	0.69	0.62	0.62	0.67	0.69	0.68	0.63	0.62	0.65	0.71
USD/JPY	119	134	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	5.65	4.75	3.15	0.92	4.55	5.63	5.25	3.50
5-year Govt Bond	2.90	4.40	4.60	3.85	3.60	2.20	4.30	4.50	4.05	3.65
10-year Govt Bond	3.20	4.35	4.60	4.10	4.10	2.35	4.25	4.65	4.25	4.10
2-year Swap	3.00	5.15	4.90	3.55	3.15	2.22	5.21	4.93	3.80	3.15
5-year Swap	3.20	4.50	4.40	3.90	3.85	2.56	4.62	4.43	4.00	3.80
US 10-year Bonds	2.10	3.65	4.20	3.50	3.50	1.45	3.60	4.00	3.75	3.50
NZ-US 10-year Spread	1.10	0.70	0.40	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
	Monday 25 March			
JN	BOJ Minutes of Jan. Meeting			
EC	ECB's Holzmann Speaks			
	Tuesday 26 March			
UK	CBI Retailing Reported Sales Mar	-14		-7
US	Fed's Bostic speaks			
US	Chicago Fed Nat Activity Index Feb	-0.34		-0.3
US	Fed's Goolsbee speaks			
US	New Home Sales Feb	675k		661k
UK	BOE's Mann speaks			
US	Fed's Cook speaks			
NZ	New residential lending YoY Feb			23.0%
NZ	RBNZ's Conway speaks			
GE	GfK Consumer Confidence Apr	-28		-29
	Wednesday 27 March			
US	Philadelphia Fed Non-Manufacturing Activity Mar			-8.8
US	Durable Goods Orders Feb P	1.20%		-6.20%
US	S&P CoreLogic CS US HPI YoY NSA Jan			5.53%
US	Conf. Board Consumer Confidence Mar	106.8		106.7
US	Richmond Fed Manufact. Index Mar	-5		-5
US	Richmond Fed Business Conditions Mar			-7
US	Dallas Fed Services Activity Mar			-3.9
NZ	ANZ Consumer Confidence Index Mar			94.5
NZ	New Zealand Government Budget Policy Statement			
AU	Westpac Leading Index MoM Feb			-0.08%
UK	Lloyds Own Price Expectations Mar			58
AU	CPI YoY Feb	3.50%	3.60%	3.40%
JN	BOJ Board Tamura Speech in Aomori			
CH	Industrial Profits YoY Feb			16.80%
SW	Riksbank Policy Rate Mar-27	4.00%		4.00%
EC	ECB's Cipollone speaks			
EC	Consumer Confidence Mar F			-14.9
EC	Economic Confidence Mar	96.2		95.4
UK	Bank of England financial policy committee minutes			
	Thursday 28 March			
US	Revisions: Wholesale sales, inventories			
	Thursday (continued)			
NZ	Employment indicators MoM Feb			0.60%
US	Fed's Waller speaks			
JN	BOJ Summary of Opinions (March MPM)			
NZ	ANZ Business Confidence Mar			34.7
AU	Private Sector Credit MoM Feb	0.40%	0.40%	0.40%
AU	Retail Sales MoM Feb	0.40%	0.40%	1.10%
NZ	Household credit YoY Feb			3.00%
UK	GDP QoQ 4Q F	-0.30%		-0.30%
UK	Current Account Balance 4Q	-21.4b		-17.2b
GE	Unemployment Claims Rate SA Mar	5.90%		5.90%
	Friday 29 March			
US	GDP Annualized QoQ 4Q T	3.20%		3.20%
US	Initial Jobless Claims Mar-23	213k		210k
US	Continuing Claims Mar-16	1816k		1807k
US	MNI Chicago PMI Mar	46		44
US	Pending Home Sales MoM Feb	1.30%		-4.90%
US	U. of Mich. Sentiment Mar F	76.5		76.5
EC	ECB's Villeroy speaks			
JN	Jobless Rate Feb	2.40%		2.40%
JN	Retail Sales MoM Feb	0.60%		0.80%
JN	Industrial Production MoM Feb P	1.30%		-6.70%
	Saturday 30 March			
US	Personal Income Feb	0.40%		1.00%
US	Personal Spending Feb	0.50%		0.20%
US	Real Personal Spending Feb	0.10%		-0.10%
US	PCE Deflator MoM Feb	0.40%		0.30%
US	PCE Deflator YoY Feb	2.50%		2.40%
US	PCE Core Deflator MoM Feb	0.30%		0.40%
US	PCE Core Deflator YoY Feb	2.80%		2.80%
US	Kansas City Fed Services Activity Mar			12
US	Fed's Daly speaks			
US	Fed's Powell speaks			
	Sunday 31 March			
CH	Manufacturing PMI Mar	50.2		49.1
CH	Non-manufacturing PMI Mar			51.4

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	5.50	5.50	5.50	4.75
1mth	5.59	5.59	5.66	5.00
2mth	5.61	5.62	5.69	5.09
3mth	5.63	5.64	5.72	5.17
6mth	5.57	5.61	5.75	5.27
GOVERNMENT STOCK				
05/26	4.59	4.70	4.93	4.13
04/29	4.34	4.45	4.67	4.03
05/31	4.44	4.53	4.71	4.04
05/34	4.58	4.69	4.82	4.10
04/37	4.74	4.84	4.94	4.24
05/41	4.85	4.94	5.03	4.35
05/51	4.84	4.92	5.01	4.32
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	52	49	52	83
Europe 5Y	56	53	55	96

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	4.84	4.97	5.21	4.81
3 years	4.54	4.66	4.90	4.53
4 years	4.38	4.49	4.73	4.36
5 years	4.32	4.42	4.65	4.26
10 years	4.38	4.46	4.66	4.16
FOREIGN EXCHANGE				
NZD/USD	0.5994	0.6085	0.6173	0.6197
NZD/AUD	0.9201	0.9276	0.9439	0.9317
NZD/JPY	90.77	90.76	93.02	81.52
NZD/EUR	0.5545	0.5597	0.5689	0.5739
NZD/GBP	0.4758	0.4780	0.4866	0.5043
NZD/CAD	0.8154	0.8235	0.8336	0.8465
TWI	70.6	71.3	72.4	70.6

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