Research
Markets Outlook

2 April 2024

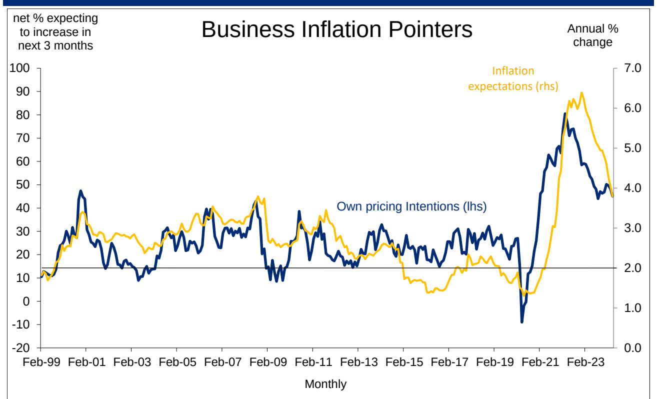
RBNZ – Rinse and Repeat

- **No change in stance at April MPR**
- **Modest upward inflation surprise**
- **But downward trend entrenched**
- **And economic spare capacity elevated**
- **Fiscal uncertainty clouds the picture too**

Next Wednesday the RBNZ gives us its latest update on monetary settings. In our opinion, the Bank could easily cut and paste the policy assessment it delivered back in February. From a bigger picture perspective very little has changed: growth is moribund, the unemployment rate is rising, inflation and inflation expectations are trending lower. The job is not done because inflation still has some way to fall but current settings seem to be doing the job.

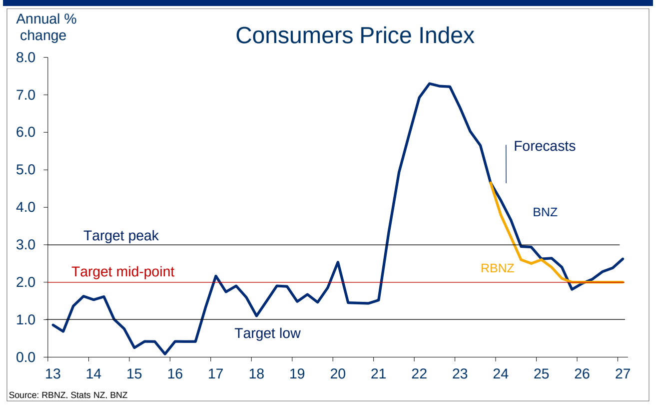
Last week's ANZ Business Opinion Survey provided further evidence that pricing intentions and inflation expectations are in decline. Inflation expectations fell back to October 2021 levels at 3.8% (from 4.03%) and a net 45.2% of businesses intend raising prices, down from 48.2%. Both need to fall further for the Bank to be satisfied that the battle against inflation is won but both are entirely consistent with annual headline inflation falling further.

Inflation expectations falling



That said, we think the Q1 CPI, due for release April 17, will end up well above the RBNZ's pick of 0.4%. Currently, we are forecasting a 0.8% hike. Around half of the difference between our projection and the Bank's is due to the information we have gleaned from the monthly selected price indices for February. The RBNZ will have seen the same data as we have so it's likely the Monetary Policy Committee will be alerted to the upside risk to the Bank's published forecasts. Any upside surprise is disconcerting as it has the potential to feed into inflation expectations and make the inflation fighting job that much more difficult. However, even if our CPI forecast is right, annual inflation is still trending lower. We think core inflation measures will likewise be moderating and the RBNZ will be aware there are a few unusual factors driving the near-term surprises the most important of which is the likely contribution from the soaring price of overseas accommodation prepaid in New Zealand. This is something the RBNZ has no control over and it's questionable as to what it's doing in the CPI in the first place.

Short term surprise?

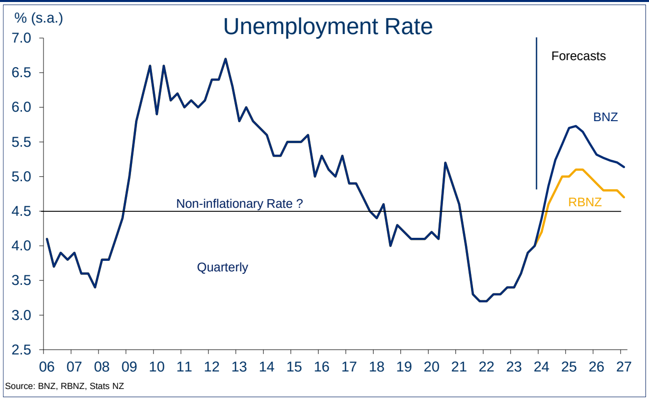


And a surprising source

The other factor that could unnerve the RBNZ is the fact that the net migration inflow continues to surprise to the upside. Despite this, we, and we suspect the RBNZ, still believe that the inflow is beginning to slow. And, anyway, it's still not clear whether the strength in net immigration is inflationary or deflationary.

To cap the "worries" off, leading indicators suggest employment growth is more buoyant than may have been expected but even if it is we continue to believe the unemployment rate will head substantially higher and, don't forget, we still haven't seen the full impact of state sector cuts in the data nor the increasing pressure on the private sector to cut jobs.

Unemployment headed higher



Meanwhile the broader economy is proving to be at least as soft as the RBNZ had forecast. Q4 GDP was 0.1% lower than projected but this is neither here nor there. Generally, though, evidence of increasing economic distress is mounting and we still think there is downside risk to RBNZ expectations for growth.

Putting all the above together, at the very margin, we think conditions are slightly more inflationary than the RBNZ would have liked/forecast. But the differentials are insignificant and the uncertainty sufficiently elevated that there is no need for the RBNZ to adjust its stance next week.

Doves will point to their interpretation that recent rhetoric from RBNZ spokespeople has been seen to lean towards the possibility of earlier cuts than those published in the February MPS. Whether or not this is so is moot but, whatever the case, we do not believe there is sufficient evidence at this juncture for the Bank to signal an earlier move. We say this mindful that our own forecasts still have a first cut in November of this year.

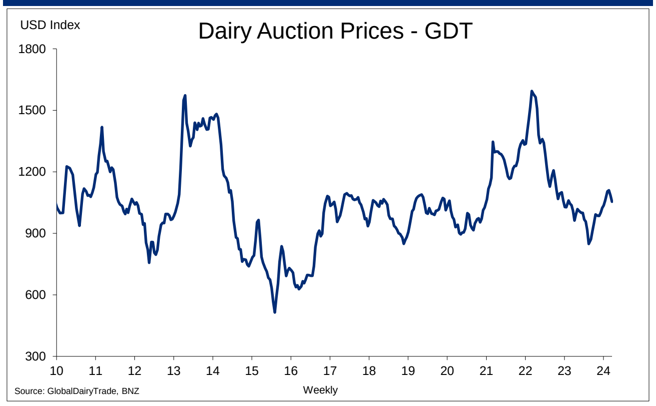
In our opinion, the first opportunity for the Reserve Bank to markedly change its central view, in either direction, is at the August Monetary Policy Statement. The Bank will produce its next full set of forecasts at its May 22 MPS but the problem is the Budget will not be released until Thursday May 30. Fiscal policy will be critical to the RBNZ's reaction function. The RBNZ will have to balance the contractionary effect of government expenditure cuts against the expansionary effect of personal tax cuts. The Government states that its policy mix will be fiscally neutral. But the full detail will need to be looked at by the RBNZ once it becomes available.

From our own perspective, it seems we currently have a better handle on the contractionary aspects of the government's plan, via the expected cuts in government spending that have already been provided by Treasury, but we have not included the tax cuts in our forecasts at all yet. All other things being equal, the cuts will boost activity relative to our current expectations. The same can be probably said for the RBNZ. The relationship between the RBNZ, Treasury and the Minister of Finance seems strong at the moment so we feel the Bank will have a good sense of the major components of the Budget by the time it delivers its May MPS. But it can't include any detail until such time as that detail is public and is formal government policy. With the government clear that lower inflation is a key target one can only assume that it will be setting the Budget with full knowledge of its implication for economy-wide price pressures but, ultimately, it must be the RBNZ's view of such when it formulates monetary policy.

The RBNZ will have full detail in time for its July Monetary Policy Review but, typically, there appears to be a preference to make decisive changes in policy when it can be accompanied by the full suite of forecasts included in a Monetary Policy Statement. Hence, August could be interesting.

On Wednesday we get the filled jobs numbers that were originally due for release last week. We don't have a strong view on what these 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.

Trend reversal?



Early Wednesday morning the first GDT data for April are released. We are looking for a modest drop in prices to support our view that the uptrend which was evident between August 2023 and February 2024 has done its dash.

We get a broader view of commodities with the publication of ANZ's Commodity Price Index on Thursday. The March reading will pick up, with a lag, the aforementioned uptick in dairy prices. However, within a few months it could well peak given the reversal in dairy prices and the high weight of dairy in the commodity index.

Building permits are also released Thursday. Following two months of exceptional decline, and the fact that seasonal adjustment of leap years is often problematic, we wouldn't be surprised if new dwelling unit authorisations rose.

Nonetheless, the sector is unequivocally weak and unlikely to show any significant resurgence until such time that mortgage rates start to fall. Construction will be being supported by soaring net migration, but high debt servicing costs and the elevated cost of building are offsetting impacts on demand.

Rounding out the week are the Crown Accounts for the eight months to February. This is expected to show further evidence of the pressure on the fiscal accounts from the falling tax take associated with the struggling economy.

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Global Watch

- **Fed speakers suggest no rush to cutting rates**
- **Fed's Powell and Williams speaking this week**
- **China PMIs firmer**
- **US payrolls seen at 205k; unemployment to edge down**
- **Eurozone core inflation expected to tick lower**
- **RBA minutes due, Assistant Gov. Kent speaks**

Past Week

Australia's February CPI indicator showed y/y inflation at 3.4%, with core measures at 3.9%. With January and February indicators in hand, the fuller Q1 picture is coming into view. Overall, the data is shaping up broadly in line with NAB's Q1 forecast of 3.8% y/y for trimmed mean and 3.4% y/y for headline.

Job vacancies data in Australia showed a tight labour market, but consistent with other indicators of a labour demand and availability backdrop that has eased from its extreme tightness. Also, across the ditch, retail sales were 0.3% m/m higher in February and close to expectations. At 0.1% in trend terms retail is consistent with the broader story of consumer resilience but sluggish spending growth.

NAB's view is the RBA won't be confident enough in the trajectory of inflation to cut until late this year, pencilling in November.

Internationally, there wasn't much market moving news until the stronger than expect US ISM manufacturing data overnight. The index rose to 50.3 in March which exceeded all economist estimates and saw it move into expansionary territory since September 2022. US PCE data was close to expectations with the core annual rate easing to 2.8% from 2.9%.

Fed Governor Waller sounded cautious last week in a speech titled 'There's Still No Rush'. He cautioned "*strength of the U.S. economy and resilience of the labor market mean the risk of waiting a little longer to ease policy is small and significantly lower than acting too soon and possibly squandering our progress on inflation".* Fed Chair Powell also noted that the central bank isn't in a hurry to cut rates with policy makers looking for further confirmation that inflation is contained.

China's PMIs published on Sunday and Monday were generally stronger, both compared to the prior month and compared to expectations. Manufacturing has moved back into expansion, at 50.8, while non-manufacturing as strengthen to a solid looking 53.0.

The BoE's Mann confirmed she was still firmly on the hawkish end of the MPC spectrum despite dropping her vote for a hike last week.

Week Ahead

There is no top-tier data Australian data with only Building Approvals (Thursday) and the Goods Trade Balance (Friday). These are unlikely to be market moving.

Instead focus will remain on the RBA with Assistant Governor Kent speaking on "*The Future System for Monetary Policy Implementation*", just before the publication of the RBA Minutes (Tuesday). The Minutes should be less market moving now that Governor Bullock gives a press conference.

Dr Kent's speech may delve into the RBA's balance sheet, where markets are always attentive to any prospects of active QT, now that the end of the TFF roll-off is in sight. At issue is whether the RBA is happy running a de facto floor system where the overnight rate is influenced by the deposit rate, rather than the corridor system which existed prior to the pandemic.

Offshore, markets are likely to see thin liquidity given the Easter break in many markets.

In terms of US data the key will be Payrolls (Friday), Services ISM (Wednesday), and Fed speak by Williams (Tuesday) and Powell (Wednesday). The consensus for payrolls is 205k jobs and for the unemployment rate to tick down a tenth to 3.8%.

The Fed's Powell and Williams are worth watching following Waller's more hawkish take on recent labour market strength and hotter than expected CPIs.

In Europe the EZ CPI (Wednesday) dominates ahead of well-priced easing for June. Markets see core at 3.0% y/y, a tenth down from 3.1%. On a sixth-month annualised basis core inflation is running much softer at 2.3%. The final-PMIs are also out during the week.

China has the Caixin version of Services PMI on Wednesday and is expected to improve a couple of ticks from February's 52.5.

Important Events Preview

Tuesday 2

AU RBA's Kent and RBA Minutes
Dr Kent will be speaking on "*The Future System for Monetary Policy Implementation*" at the Bloomberg Australia Briefing. A potentially important topic given focus globally about whether central banks will attempt a return to a corridor system for targeting the cash rate, or will continue with the floor system given abundant reserves. If the aim is to eventually return to a corridor system, then some form of active QT would be required to more quickly run down reserves. The Minutes are also out, with most focus likely on what options the Board discussed when

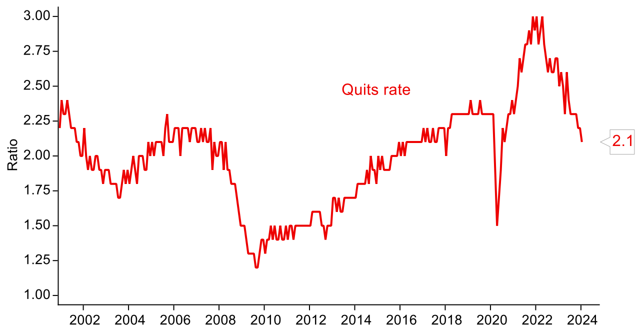
holding rates. Any discussion around the balance sheet will also be closely watched, especially in the context of Dr Kent's speech title.

EZ German CPI; Final Manufacturing PMIs; ECB 1-3yr inflation expectations
In February German HICP inflation eased to 2.7% y/y from 3.1%. Base effects could see headline inflation drop further in coming months. Consensus is for 2.4% in March. As for inflation expectations, in February consumers forecast 1-year inflation expectations at 3.3% up from a cycle low of 3.2% in January. The three-year inflation expectation was 2.5% from a 2.4% cycle low in November.

US JOLTS; Fed's Williams moderates discussion
Consensus for JOLTS is 8770k. Worth noting Fed officials have been looking closely at both the headline job openings and also at the quits rates which has fallen back to below pre-pandemic.

The Fed's Williams is also moderating a discussion at the Economics club of New York. His views will be important to watch given Waller's more hawkish take of recent data.

US JOLTS - Quits Rate



Source: National Australia Bank, U.S. Bureau of Labor Statistics (BLS), Macrobond

Wednesday 3

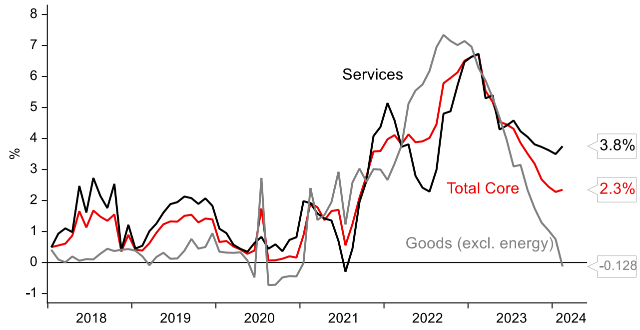
CH Caixin Services PMI

Consensus sees some mild improvement to 52.7 in March from February's 52.5.

EZ CPI; Unemployment Rate
Consensus sees EZ preliminary HICP inflation easing to 2.5% in y/y terms in March from 2.6% y/y in February. Core inflation is forecast to edge down to 3.0% from 3.1%. It is worth noting that 6m annualised inflation has been close to the ECB's 2% target since December, but like the US, a lot of that progress has occurred in goods, rather than services.

The ECB has clearly signalled, barring any unforeseen developments, it is readying to ease monetary policy in June, and they should given below trend growth. Markets fully price this.

Eurozone Core CPI - 6m annualised



Source: National Australia Bank, Eurostat, Macrobond

US ADP Employment; Services ISM, Fed's Powell
For Services ISM, the consensus looks for a marginal improvement to 52.8 (from 52.6). As for ADP, the consensus looks for 150k, which is below the consensus for payrolls which sits at 205k. Fed Chair Powell also speaks at a Standford event with Q&A.

Thursday 4

AU Building Approvals
The January fall in approvals was led by detached house approvals. That was a feature of the last 2 Januarys as well so look for a rebound in February. NAB has pencilled in a 4% m/m increase for overall February approvals.

US Trade Balance; Jobless Claims

Friday 5

AU Trade Balance
NAB expects another month of goods trade surpluses around $11.0bn. Iron ore export values are at elevated levels, offsetting some of the pullback in coal and LNG export values compared to 2022. Consensus sits at $10.5bn.

EZ German Factory Orders, Retail Sales

US Payrolls; Unemployment
Headline unemployment rate under focus after its two tenth rise last month to 3.9%. Consensus looks for a one-tenth decline to 3.8%. Headline payrolls are expected to be 205k and average hourly earnings are expected to be 0.3% m/m, which would see annual wage inflation ease to 4.1% from 4.3%.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ fixed interest yields moved sideways during last week in the absence of first-tier domestic economic data and a quiet international calendar. NZ government bonds continue to trade at the tight end of the range on a cross market basis to US treasuries, which have returned to the yield highs for the year. Several Federal Reserve (Fed) speakers have pushed back against the prospect of near-term easing, preferring to wait until they have greater confidence that inflation is returning sustainably to target.

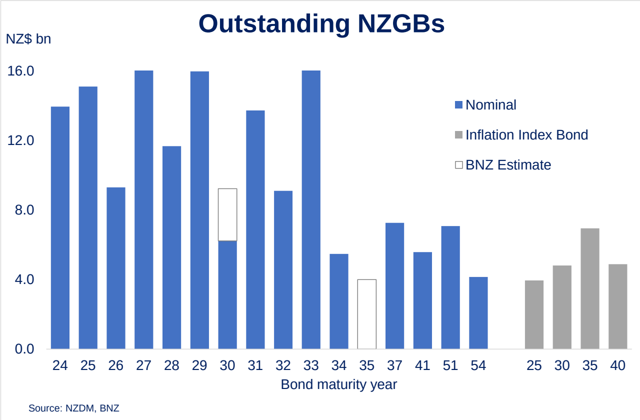
Federal Reserve Governor, Christopher Waller, remarked there is no need to rush to lower rates and he would like to see 'at least a couple months of better inflation data' before easing policy. He said it might be appropriate to reduce the number of cuts, or push them further into the future, given the recent data. The ISM manufacturing PMI rose to 50.3 in March, which exceeded economist estimates, and was the first time the index moved into expansionary territory since September 2022.

The strong ISM data intensified the debate that the Fed may cut rates less than previously expected. The market is pricing around 65bps of rate cuts this year, which is less than the dot plot median projection of 75bps, presented at the March FOMC. The market was pricing nearly 85bps at the start of last week. Conversely, RBNZ pricing has remained relatively stable. Market pricing implies the first 25bps rate cut by August and about 70bps of cuts by the end of the year.

We continue to think the RBNZ easing cycle looks fully priced at this point. 2-year NZD swap rates are close to fair value based off our projections for the Official Cash Rate. This doesn't preclude a further move lower, but headwinds from carry and roll for a received 2-year swap position don't present a favourable risk return near-term payoff, from our perspective. Relative central bank pricing will likely limit further narrowing of the 10-year spread between NZ government bonds (NZGB) and US treasuries, which appears stretched, particularly against the backdrop of heavy NZGB supply.

The NZ Government's Budget policy statement, prepared in advance of the Budget in May, revealed the Treasury has revised down its growth projections suggesting a later return to a surplus. As part of its fiscal strategy, the government will target a reduction in net core debt below 40 percent of GDP. The borrowing programme will be updated alongside the Budget in May, with risks skewed towards an upward revision, given the Treasury's updated growth and tax outlook. The Government will release interim financial statements for the eight months to the end of February this week.

NZDM launch May-2035 syndication



New Zealand Debt Management launched the syndication of a new May 2035 nominal bond this morning, which was expected, following the announcement of the syndicate panel last week. The syndication closely follows NZ$4 billion of 30-year supply in late February and will test the market's appetite for NZGBs. 10-year asset swap levels should make the new line attractive for domestic bank balance sheets. And NZ fixed interest benchmark adjustments will also contribute to NZGB demand later in April. However as mentioned previously, tight spreads to US treasuries could make the new 2035 maturity less compelling for non-resident investors.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.64	5.63 - 5.66
NZ 2yr swap (%)	4.87	4.73 - 5.08
NZ 5yr swap (%)	4.38	4.21 - 4.52
NZ 10yr swap (%)	4.45	4.27 - 4.56
2s10s swap curve (bps)	-42	-52 - -42
NZ 10yr swap-govt (bps)	-18	-21 - -14
NZ 10yr govt (%)	4.63	4.44 - 4.72
US 10yr govt (%)	4.33	4.03 - 4.35
NZ-US 10yr (bps)	30	25 - 52
NZ-AU 2yr swap (bps)	93	83 - 106
NZ-AU 10yr govt (bps)	66	44 - 66
*Indicative range over last 4 weeks		

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The new week/month has begun with the NZD falling to a fresh low for the year of 0.5940, following a much stronger than expected US ISM manufacturing survey overnight which supported broad-based gains in the USD. Last week, major currencies showed modest movements in the absence of key news. Still, the NZD was on the soft side of the ledger, falling 0.2% to consolidate just below the 0.60 mark. NZD crosses were modestly lower, and NZD/AUD has consolidated at four-month lows under 0.92.

At the start of last week there was key interest in the actions of the PBoC, following the move on the prior Friday to abandon the "line in the sand" of 7.20 for USD/CNY. In the event, traders reported that China's state banks sold USD in large amounts and Chinese institutions were less willing to offer short-term CNH funding, supporting the yuan. The PBoC also set the CNY reference rate much stronger than estimated, a signal that it wasn't necessarily seeking a weaker yuan. If this signal is true, then it should limit further possible downside pressure to the NZD and AUD from a weaker yuan. China PMI data released over the weekend was stronger than expected, suggesting that policy stimulus is working to put the economy on a slightly better footing.

We think that the PBoC's action to allow USD/CNY to move above 7.20 probably reflected a response to CNY/JPY rising to a 31-year high – China not wanting to lose further currency competitiveness against Japan. On that note, the yen fell to its lowest level against the USD since 1990, with USD/JPY stretching to just below 152. The yen has weakened since the disappointing "dovish hike" by the BoJ at its last meeting, where Governor Ueda was at pains to suggest that monetary conditions needed to remain highly accommodative for some time yet.

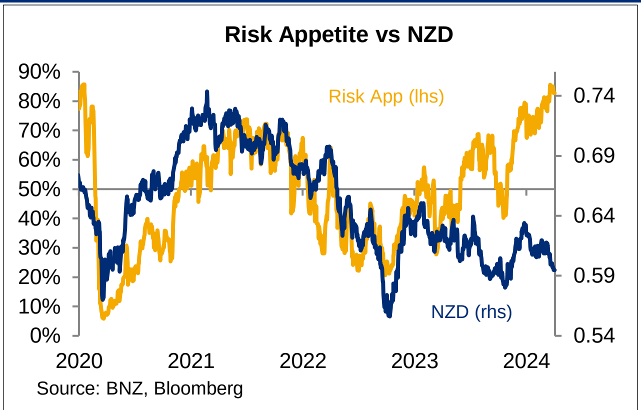
The fresh low for the yen prompted a round of verbal intervention by Japanese policymakers and raised the probability of actual intervention by Japanese authorities for the first time since 2022. Downside spillover for the NZD will remain an ever-present risk over the short-term for as long as the market is willing to test the tolerance of Japan's MoF to a weaker yen.

Last week's soggy performance for the NZD wasn't helped by weaker NZ consumer and business confidence data. These series fell after their recent post-election lift and are consistent with ongoing domestic economic headwinds. The rates market has been gaining increased conviction of the RBNZ easing this year, pushing down NZ rates, reducing NZ-global rate differentials, one factor in a softer NZD. For the NZD, this force seems to have more than offset the impact of higher risk appetite. Our risk appetite index recently hit the 85% mark, a multi-year high. The NZD has been unresponsive to higher risk appetite for some time, explaining much of the valuation gap between current spot and our short-term fair value model estimate which is close to 0.67.

The key to a positive turnaround for the NZD is a weaker USD trajectory, with imminent Fed rate cuts needed to trigger that dynamic. The Fed remains patient, with the data suggesting no urgency to cut rates. Given stretched valuation metrics, we see limited downside NZD potential, but the currency is likely to languish for longer than previously thought, and clearly there are downside risks to our near-term NZD/USD projections.

In the week ahead the key economic data release is the US employment report at the end of the week, where the market expects a modest slowing in payrolls growth of 205k, the unemployment rate ticking down from a two-year high to 3.8% and a modest lift in average hourly earnings of 0.3%. Ahead of that, the JOLTS report and the ISM services survey will be of interest to the market. Elsewhere, the calendar is light, with euro area CPI data important, ahead of a likely ECB easing in June.

NZD unresponsive to higher risk appetite over past year



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5949	0.5940 - 0.6180
NZD/AUD	0.9171	0.9160 - 0.9330
NZD/GBP	0.4742	0.4720 - 0.4820
NZD/EUR	0.5539	0.5520 - 0.5650
NZD/JPY	90.22	90.10 - 92.20

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6680	-11%
NZD/AUD	0.9000	2%

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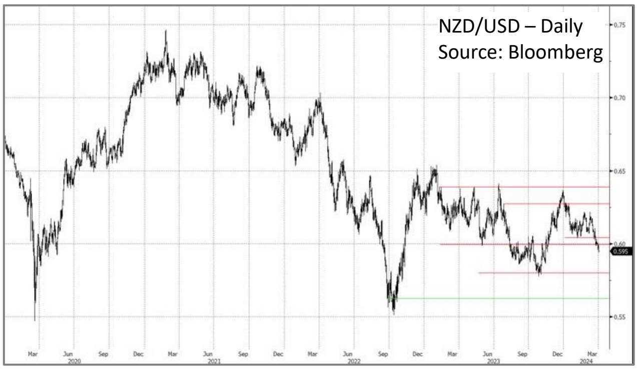
Technicals

NZD/USD

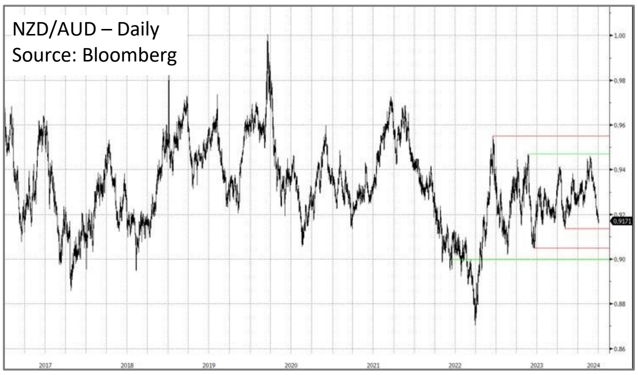
Outlook: Downside risk
ST Resistance: 0.60 (ahead of 0.6275)
ST Support: 0.58 (ahead of 0.56)



With prior support of 0.60 clearly broken, the next level of interest is around 0.58, while 0.60 becomes the new resistance level.

NZD/AUD

Outlook: Downside risk
ST Resistance: 0.93 (ahead of 0.9470)
ST Support: 0.9130 (ahead of 0.9050)



The steady, sharp fall is bringing previous support levels in view, next stop 0.9130, ahead of 0.9050.

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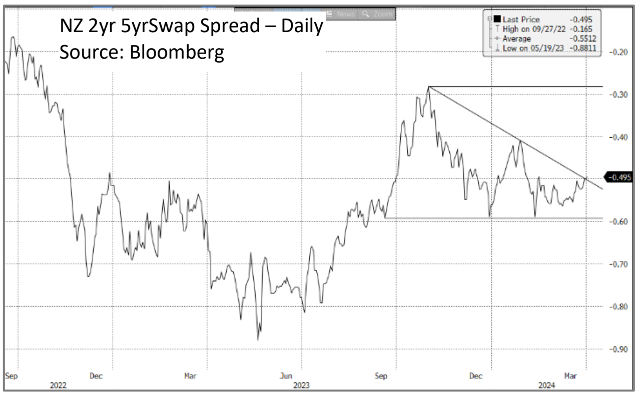
NZ 5-year Swap Rate

Outlook: Lower
MT Resistance: 4.52
MT Support: 4.07

Little new technical information emerged last week as 5y swap continues to hold a tight range this month.

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

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



2x5 swap spread is sitting directly on our resistance. A break higher would see us shift to a steeper bias and target a level of -0.28.

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Quarterly Forecasts

Forecasts as at 2 April 2024

Key Economic Forecasts

Quarterly % change unless otherwise specified Forecasts

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
GDP (production s.a.)	-0.3	-0.1	-0.1	0.0	0.6	0.7	0.7	0.8	0.8	0.8
Retail trade (real s.a.)	-0.8	-1.9	0.2	0.5	0.8	0.9	1.0	1.1	1.0	0.9
Current account (ytd, % GDP)	-7.4	-6.9	-6.5	-6.6	-6.5	-6.1	-5.7	-5.4	-5.2	-4.9
CPI (q/q)	1.8	0.5	0.8	0.6	1.1	0.5	0.5	0.6	0.9	-0.1
Employment	-0.1	0.4	0.1	0.0	0.1	0.2	0.3	0.5	0.6	0.7
Unemployment rate %	3.9	4.0	4.4	4.9	5.2	5.5	5.7	5.7	5.6	5.5
Avg hourly earnings (ann %)	7.1	6.6	5.8	5.1	4.0	4.3	3.9	3.4	3.2	3.0
Trading partner GDP (ann %)	3.1	3.2	2.8	3.0	2.8	2.9	2.9	3.0	3.0	3.0
CPI (y/y)	5.6	4.7	4.2	3.7	3.0	2.9	2.6	2.6	2.4	1.8
GDP (production s.a., y/y))	-0.6	-0.3	0.0	-0.5	0.4	1.2	2.0	2.8	3.0	3.1

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
2024 Mar	5.50	5.64	4.41	4.64	4.91	4.38	4.40	5.60	4.20	0.44
Forecasts										
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/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.60	0.65	1.07	1.26	152
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	0.60	0.92	0.55	0.47	90.3	70.3
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	March Years					December Years				
as at 2 April 2024	Actuals		Forecasts			Actuals				
	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	-0.4	-0.9	0.1	1.5	1.9	0.1	-0.9	-0.1
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	-24.2	-20.8	-20.6	-33.4	-27.8	-25.6	-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	5.64	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	4.91	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
	Tuesday 02 April			
AU	Judo Bank Australia PMI Mfg Mar F			46.8
AU	RBA's Kent speaks			
US	Fed's Cook speaks			
AU	Melbourne Institute Inflation YoY Mar			4.00%
AU	RBA Minutes of March Policy Meeting			
EC	HCOB EZ Manufacturing PMI Mar F	45.7		45.7
EC	ECB 1 Year CPI Expectations Feb			3.30%
EC	ECB 3 Year CPI Expectations Feb	2.40%		2.50%
UK	S&P Global UK Mfg PMI Mar F	49.9		49.9
	Wednesday 03 April			
GE	CPI YoY Mar P	2.20%		2.50%
NZ	GDT dairy auction			-2.80%
US	JOLTS Job Openings Feb	8770k		8863k
US	Factory Orders Feb	1.00%		-3.60%
US	Durable Goods Orders Feb F	1.40%		1.40%
US	Fed's Bowman speaks			
US	Fed's Williams speaks			
US	Fed's Mester speaks			
US	Fed's Daly speaks			
NZ	Employment indicators Feb			0.60%
NZ	Working Age Population Q1			4.256m
EC	CPI Estimate YoY Mar	2.50%		2.60%
EC	CPI Core YoY Mar P	3.00%		3.10%
EC	Unemployment Rate Feb	6.40%		6.40%
	Thursday 04 April			
NZ	CoreLogic House Prices YoY Mar			-1.40%
US	ADP Employment Change Mar	150k		140k
EC	ECB's De Cos speaks			
US	Fed's Bowman speaks			
US	S&P Global US Services PMI Mar F	51.7		51.7
US	ISM Services Prices Paid Mar			58.6
US	ISM Services Employment Mar			48
US	ISM Services New Orders Mar			56.1
US	Fed's Goolsbee speaks			
US	Fed's Powell speaks			
US	Fed's Barr speaks			
US	Fed's Kugler speaks			
NZ	N.Z. Government 8-Month Financial Statements			
NZ	Building Permits MoM Feb			-8.80%
AU	Judo Bank Australia PMI Services Mar F			53.5
AU	RBA's Jones speaks			
NZ	ANZ Commodity Price MoM Mar			3.50%
AU	Building Approvals MoM Feb	3.00%	4.00%	-1.00%
GE	HCOB Germany Services PMI Mar F	49.8		49.8
EC	HCOB Eurozone Services PMI Mar F	51.1		51.1
UK	DMP 3M Output Price Expectations Mar	4.20%		4.30%
UK	DMP 1 Year CPI Expectations Mar	3.20%		3.30%
UK	S&P Global UK Services PMI Mar F	53.4		53.4
	Friday 05 April			
EC	ECB Publishes Account of March Rate Decision			
US	Trade Balance Feb	-$67.0b		-$67.4b
US	Initial Jobless Claims Mar-30	214k		210k
US	Continuing Claims Mar-23	1810k		1819k
US	Fed's Harker speaks			
US	Fed's Barkin speaks			
US	Fed's Goolsbee speaks			
US	Fed's Mester speaks			
US	Fed's Kashkari speaks			
US	Fed's Musalem speaks			
US	Fed's Kugler speaks			
JN	Household Spending YoY Feb	-2.90%		-6.30%
AU	Imports MoM Feb			1.30%
AU	Trade Balance Feb	A$10500m		A$11027m
AU	Exports MoM Feb			1.60%
GE	Factory Orders MoM Feb	0.60%		-11.30%
EC	Retail Sales MoM Feb	-0.40%		0.10%
	Saturday 06 April			
US	Change in Nonfarm Payrolls Mar	205k		275k
US	Unemployment Rate Mar	3.80%		3.90%
US	Av Weekly Hours All Employees Mar	34.3		34.3
US	Fed's Barkin speaks			
US	Fed's Logan speaks			
US	Fed's Bowman speaks			
	Sunday 07 April			
NZ	Daylight Saving Ends (-1hr to +12:00 GMT)			

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	5.59	5.10
2mth	5.61	5.61	5.62	5.18
3mth	5.63	5.64	5.65	5.25
6mth	5.56	5.57	5.62	5.36
GOVERNMENT STOCK				
05/26	4.60	4.61	4.78	4.33
04/29	4.37	4.38	4.54	4.11
05/31	4.45	4.47	4.61	4.07
05/34	4.60	4.62	4.75	4.11
04/37	4.75	4.77	4.87	4.19
05/41	4.88	4.90	4.95	4.27
05/51	4.87	4.89	4.92	4.22
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	52	53	52	78
Europe 5Y	54	55	55	87

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	4.87	4.85	5.05	5.02
3 years	4.59	4.54	4.74	4.68
4 years	4.44	4.39	4.57	4.47
5 years	4.38	4.33	4.49	4.35
10 years	4.46	4.40	4.52	4.20
FOREIGN EXCHANGE				
NZD/USD	0.5953	0.6004	0.6087	0.6313
NZD/AUD	0.9175	0.9191	0.9359	0.9348
NZD/JPY	90.26	90.94	91.32	83.08
NZD/EUR	0.5541	0.5543	0.5606	0.5760
NZD/GBP	0.4744	0.4754	0.4791	0.5049
NZD/CAD	0.8080	0.8155	0.8273	0.8486
TWI	70.2	70.8	71.4	71.5

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