

Research Markets Outlook

8 April 2024

RBNZ In Wait and Watch Mode

- **RBNZ to sit pat at 5.50% this week**
- **Expect familiar on hold message**
- **QSBO expected to confirm economic slack...**
- **...guide on pricing, activity, employment, investment**
- **Selected Prices to monitor for Q1 CPI implications**
- **ECT to show weak annual spending growth; PMI due**

The RBNZ's Monetary Policy Review on Wednesday will be the centre of attention this week. We expect the OCR to be held at 5.50%, which is the unanimous view of those polled and is also fully priced by the market.

In our opinion, as we said in our full MPR preview last week, the Bank could easily cut and paste the policy assessment it delivered back in February. This is based on the idea that from a big picture perspective very little has changed since then: growth is moribund, the unemployment rate is rising, and 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.

We remain of the opinion that OCR reduction will begin later this year. We still have November pencilled in as the start date. Of course, that is dependent on the data. We do not believe there is sufficient evidence at this juncture for the Bank to signal an earlier move than that published in the February MPS, which was most consistent with easing being in H1 2025.

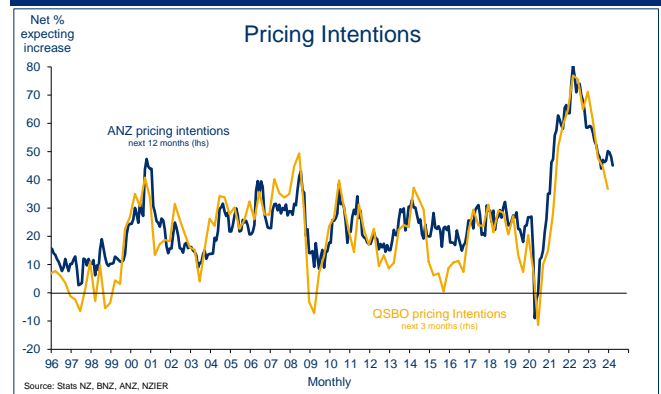
We see the Bank as waiting and watching. We will see on Wednesday if the RBNZ's broad view of the world has changed or not. Being an MPR this week, note that no new forecasts will be published. So, if there were to be any change to the RBNZ's outlook, it would be conveyed through the policy assessment text.

The day before the MPR, NZIER releases its latest Quarterly Survey of Business Opinion (QSBO). This will be well worth a look. There are many areas of interest for us (and no doubt the RBNZ).

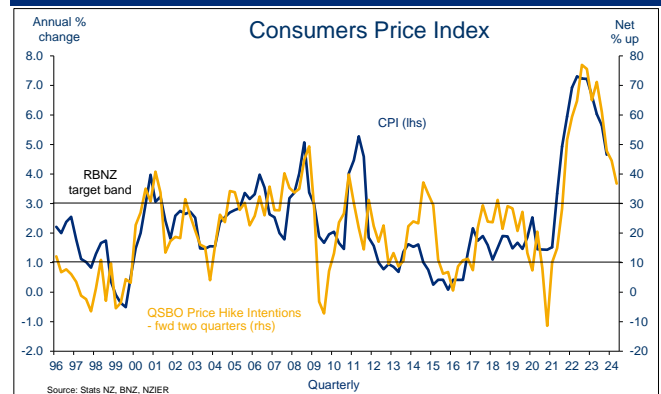
Firstly, pricing indicators. These will be monitored to see whether they are still trending down or not. In the previous quarter, they continued to ease from elevated levels in contrast to some stickiness in similar indicators

from the ANZBO survey. QSBO pricing intentions would need to fall a bit further over the next quarter or two to be consistent with forecasts of annual CPI inflation getting back inside the RBNZ's target band in the second half of this year.

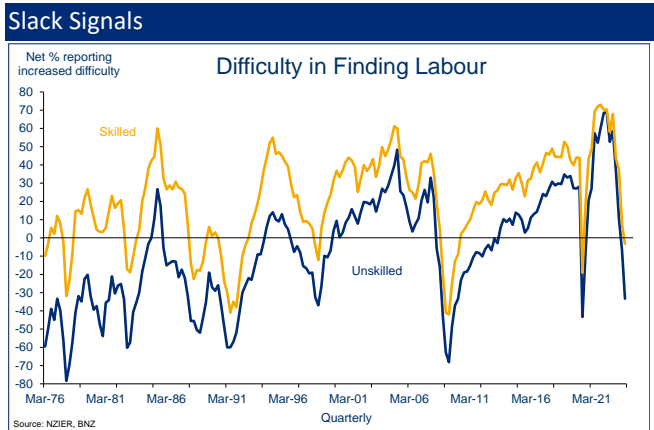
A Little Different



Trending Lower



Secondly, the range of capacity pressure variables. These will be monitored closely, especially those relating to the labour market. Many, such as labour as a constraint on output and firms' reported difficulty finding labour, have moved rapidly over recent quarters to the point of indicating outright slack in the labour market. We think that will remain the case and it seems more a matter of assessing the extent of it in this week's Q1 data. Such indicators suggest that pressure is coming off wage inflation and are consistent with our view that wage inflation will ease this year and next.



Thirdly, real activity indicators. Gauges on trading activity (looked a little better in the previous quarter, but not clear that they will necessarily build on those gains), employment intentions (might they ease a bit like ANZBO comparables?), profitability, and investment intentions will all be assessed for guidance on such matters.

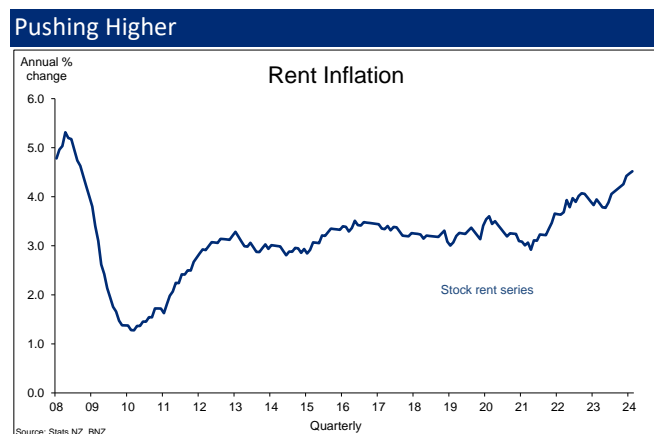
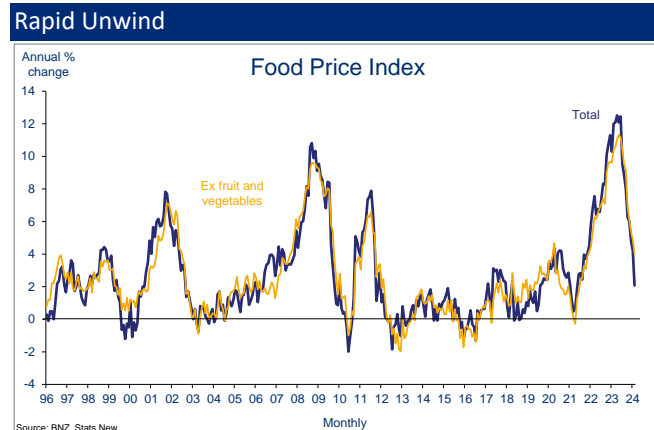
The QSBO is a fantastic survey for timely guidance on the economy. But it is worth recalling that it does not directly survey the agriculture sector nor the state sector. So, for example, the current round of public service job cuts will not be directly surveyed. And other recent surveys have shown that agriculture has generally seen lower indicators than the average for other sectors. Some things to bear in mind when thinking about the survey’s implications for the economy overall.

Friday brings the remainder of the week’s scheduled data in the form of March updates for the PMI, Electronic Card Transactions (ECT), and Selected Price Indexes (SPI).

ECT annual growth is expected to be weak in nominal terms and just dreadful on a real per capita basis. The monthly movement is difficult to pick after a hefty drop in February, and the distortions from February’s leap day and Easter falling in March this year. But soft annual growth will maintain the overarching message of the NZ consumer being under spending restraint.

March’s SPIs will add to our thoughts on Q1 CPI. Our estimate for the latter currently sits at 0.8% q/q and 4.2% y/y. This is higher than the RBNZ’s 0.4% and 3.8%, but does maintain a firm downtrend in headline annual inflation.

We don’t forecast all the components in the SPIs, but we have a go at food and rents where we have pencilled in 0.5% m/m gains for both. That would see annual food price inflation continue to ease, but annual rent inflation edge higher. We will also be watching the volatile components like airfares (more upside to domestic fares?) and overseas accommodation prepaid in NZ. Will the latter unwind a bit after very strong gains over the previous two months?



On the topic of prices, we are keeping an eye on oil prices that have been pushing a bit higher of late. Such moves can be a two-sided coin for monetary policy. There is the direct upside to headline inflation, but also a drag on real incomes that can dampen activity, demand, and price pressures elsewhere (much as we have seen in a broader terms of trade context over recent quarters). Then there is the standard difficulty of not knowing how persistent or otherwise any oil price lift will be. The RBNZ can look through the first round of commodity price shocks. But such things are another reason to keep monitoring the likes of inflation expectation gauges for signs of any significant pass through. So far so good on that front.

Lastly, keep an eye out for REINZ’s March housing report that may see the light of day before the week is out. House sale numbers might be well above last year’s low base, but we have seen nothing to suggest outright strength. For house price inflation, March’s figure will be lined up against February’s 3.2% to see if it is still edging upward or not.

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Global Watch

- **Global data, including US, tending to surprise on upside**
- **Tempering extent of expected Fed cuts this year**
- **ECB seen holding this week; remain on track for June cut**
- **US CPI annual core easing, headline to nudge higher**

Two big developments over the past week have been a further paring back of US rate cut expectations, while geopolitical tensions have risen again following Israel's bombing of Iranian property in Syria – adding potential for the conflict to widen.

US payrolls data at the end of last week were unequivocally strong. The 303k increase easily beat market expectations, while the unemployment rate matched market views in edging down a tick to 3.8%. Average hourly earnings rose 0.3% m/m, to be up 4.1% y/y. The economy suggests the economy remains resilient and little urgency for the Fed to being an easing cycle.

US Treasury yields moved higher. Market implied expectations for Fed rate cuts were reduced following the data. There is now 14bps of easing priced by June and 65bps in total by year end, which is less than the 75bp median projection from the March FOMC.

US Fed speak has mostly been pushing back on imminent rate cuts. The Fed's Kashkari flagged the possibility of no rate cuts this year if the progress on inflation continues to stall, while the Fed's Mester said the Fed was close to confidence levels for cuts but also mooted she was close to moving her three rate cut dot for 2024 down to two. The next few inflation prints will be important – note CPI is on 10 April.

Brent oil has risen 4.5% over the past week to \$90.90 on increased tension in the Middle East. Gold has also rallied strongly.

Data has been generally surprising on the high side. In addition to the upward payrolls surprise, US ISM Manufacturing beat expectations although ISM Services disappointed. Favourable Chinese data suggest some momentum despite ongoing woes in the property sector – non-manufacturing PMI in China printed at 53.0 vs. 51.5.

Week Ahead

The ECB, Bank of Canada, and US CPI on Wednesday dominates the data calendar in the week ahead.

The ECB meets on Thursday. President Lagarde has already acknowledged the ECB has begun the discussion of dialling back its restrictive policy and has all but teed up for a June cut. A hold this week is unanimously expected and should come and go without much fanfare, but there will be focus on the

presser on the path of easing going forward. NAB sees the ECB cutting rates by 100bps in 2024, starting in June.

The Bank of Canada on Wednesday is also expected to be on hold, but with better recent inflation outcomes, focus will be on how Governor Macklem's comments measure against market pricing of around a two-thirds chance of a June cut.

US CPI (Wednesday) is widely expected at 0.3% m/m on both the core and headline measure, enough to see the core measure a tenth lower to 3.7% y/y from 3.8%, while energy base effects mean headline is expected to nudge up to 3.4% y/y from 3.2%. PPI the following day will help form PCE projections.

Elsewhere, the FOMC March Minutes are on Wednesday and University of Michigan consumer sentiment is on Friday. There are a few Fed speakers scheduled, with a Keynote from New York's Williams (Thursday) the pick of the bunch.

The earnings season also kicks off Friday, with banks including Citi, JPMorgan and Wells Fargo due to report.

In China, inflation data is on Thursday. Annual PPI deflation of 2.8% is expected, while annual CPI inflation is seen easing to 0.4% in March from 0.7% in February. Aggregate financing data is due in the week from Tuesday.

It is quiet in Australia with only new loan commitments out from the ABS. Focus instead will be on the NAB Business Survey (Tuesday), along with April W-MI Consumer Confidence.

Important Events Preview

Monday 8

JN Labour cash earnings & BoP

With the BoJ having seen enough to exit negative rates, cash earnings won't be in as much focus, but sustainably higher wages growth remains key to any further moves from the BoJ. Expectations are for cash earnings of 1.8% y/y from 2.0%.

AU Home loan values

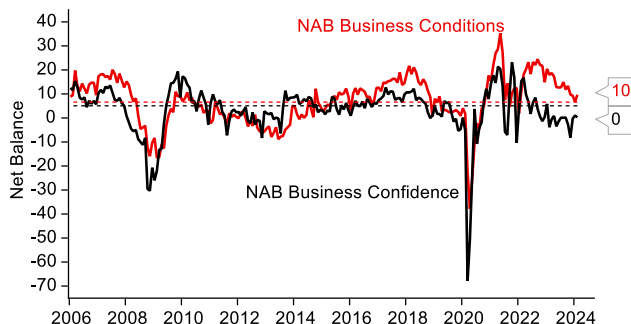
Housing loan commitments were 3.9% m/m lower in January, but the ABS points out improved processing times meant more loans process during peak periods, and so fewer commitments in January. There could be some payback in February.

Tuesday 9

AU NAB Business Survey

No preview here given NAB publishes this survey.

NAB Business Survey



Source: National Australia Bank, National Australia Bank, Macrobond

AU Consumer Confidence

There was a small fall in confidence in March, but it held on to most of February’s gain. Can the improved inflation picture drive a further uplift in still soft confidence?

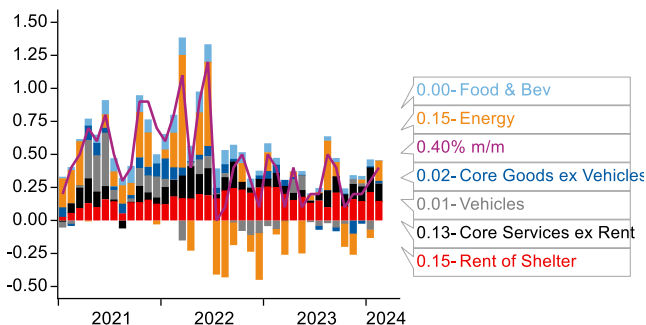
Wednesday 10

US CPI

Fed Chair Powell recently said *“the recent data do not, however, materially change the overall picture, which continues to be one of solid growth, a strong but rebalancing labor market, and inflation moving down toward 2 percent on a sometimes bumpy path.”* On inflation, he suggested it was too soon to say whether recent readings are ‘more than just a bump’. Cue March CPI, where the consensus is for a 0.3% m/m outcome for both core and headline.

That would be a step down from February’s 0.4%. 0.3s do not represent victory, but it would support the assessment recent outcomes were a statistical bump rather than a reacceleration. Energy base effects will see the headline y/y rate higher, expected 3.4% from 3.2%, while the core CPI is seen slowing to 3.7% from 3.8%.

Contributions to US Monthly CPI



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

US FOMC Minutes

There have been many Fed speakers post the March FOMC meeting and updated projections. There could be some juice left to squeeze out of the Minutes for a discussion of the reasoning behind shifts in the dots and to what extent the characterisation has changed.

Also in focus will be any discussion of plans to slow balance sheet runoff. Chair Powell said after the March meeting that *“it will be appropriate to slow the pace of run-off fairly soon.”* If the Minutes reflect well progressed discussions, it could open the door to a decision as soon as the 1 May meeting.

CA Bank of Canada

Analysts see April as still too soon for the BoC to begin cuts, with a BoC on hold at 5.0% the unanimous consensus. Markets price less than 20% chance of a cut, but imply a more than two thirds chance a cut will come in June. Governor Macklem indicated after the last meeting there was clear consensus rates needed to stay at 5%, but with recent data flow showing better than expected inflation outcomes he could strike a more dovish tone in the post meeting news conference.

Thursday 11

CH CPI & PPI

CPI surprised higher in February at 0.7% y/y, helped by holiday demand. Consensus is for the y/y rate to slow back to 0.4% y/y in March, consistent with an ongoing dearth of upward domestic inflation pressures. PPI is expected to remain firmly negative at -2.8% y/y from -2.7%.

EZ ECB to hold

The data and Governing Council members are lining up a June cut. This April meeting, and Lagarde’s press conference, should confirm a June tee off to cuts, absent some large surprise in wages data available late May. NAB expects a cut in June and 100bp of cuts this year. Markets allow less than 10% chance of the ECB jettisoning their June focussed communication and jumping the gun in April. 23bps are priced for June and 85bp over 2024.

US PPI and Fed’s William’s keynote

On the back of CPI a day earlier, PPI will be scrutinised for what it means for the Fed’s preferred PCE. Core PPI is seen at 0.2% m/m after 0.3% in February.

Friday 12

UK Monthly GDP

Monthly GDP will get some attention given the pickup in PMIs recently; market expects 0.1% m/m in February.

US UMich Consumer sentiment

The headline consensus is for a dip back in sentiment to 79.0 from 79.4 with higher gas prices likely to weigh on sentiment and perhaps short-term inflation expectations.

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Fixed Interest Market

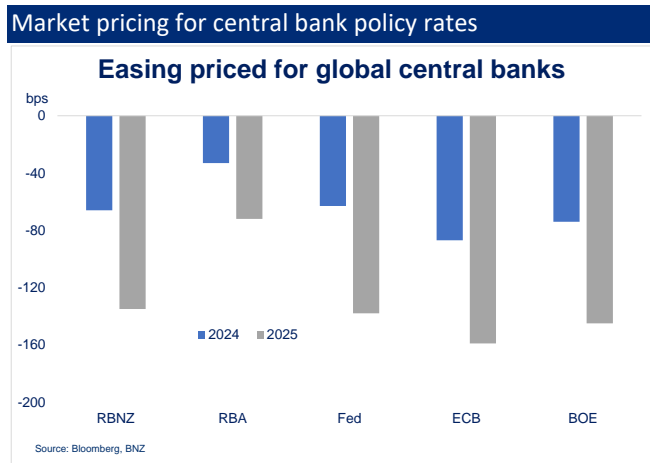
Reuters: BNZL, BNZM Bloomberg:BNZ

NZ government bond (NZGB) yields were stable last week, set against the backdrop of limited domestic economic data, as the market focused on the syndication of the new May-2035 nominal maturity. The stability in NZGBs contrasted with US treasuries where yields have continued to push higher. US economic data has been resilient, and combined with the pickup in inflation in 2024, suggests the US Federal Reserve (Fed), will be patient and wait for further confirmation of the disinflationary process before easing rates. NZGB-UST 10-year government spreads are at the tightest level in almost 3 years.

US labour market data for March was robust. The increase in US nonfarm payrolls, at 303k, was above the highest estimate on the Bloomberg panel of economists. In addition, payrolls for the prior two months were revised higher by 22k, and the unemployment rate edged down to 3.8%, from 3.9% in February. Consensus forecasts for US GDP growth in 2024 have continued to be revised higher, currently 2.2%, which is up from 1.3% in January. The market has decreased the amount of implied Fed rate cuts to 65bps for this year, which is less than the 75bps median projection from the March FOMC. The release of March US CPI and PPI data is the key global risk event in the week ahead.

The RBNZ is unanimously expected to leave the Official Cash Rate unchanged at its Monetary Policy Review on Wednesday. The economy is broadly evolving in line with its expectations from the February Monetary Policy Statement. Q4 GDP data was marginally weaker than the RBNZ's expectations in February while monthly selected price indicators suggest upside risks to the central bank's Q1 CPI projection. We expect the accompanying statement will closely match the bank's guidance from February.

The market is pricing the first 25bps RBNZ rate cut by August, and close to 70bps for this year, which has been stable over the past 2 weeks. The decline in 2-year swap rates from February highs, has found a base near 4.80%, and we expect a period of consolidation, given the amount of RBNZ easing already discounted by the market. There would need to be evidence of further progress on inflation to justify pricing of additional easing. The Quarterly Survey of Business Opinion (QSBO), released tomorrow, will be important in terms of firms' pricing intentions and outlook for the labour market and wages.



There was strong investor demand in the 15 May-2035 syndication. The order book, at final price guidance, exceeded NZ\$17.0 billion. NZDM issued NZ\$4.5 billion which was only slightly below the volume cap of NZ\$5 billion. Bank balance sheets were allocated close to 40% of the transaction, likely attracted by asset swap spread levels that were elevated in the context of the 6-month range, ahead of the syndication.

After incorporating the syndication proceeds, New Zealand Debt Management have completed a total of NZ\$30 billion of the NZ\$38 billion 2023/24 borrowing programme. The remainder will be met by weekly tenders and the tap syndication of a short maturity nominal bond. Assuming the 2023/24 borrowing programme remains unchanged at the Budget on 30 May, we estimate the tap syndication will target issuance volumes of around NZ\$3 billion.

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.63	5.63 - 5.65
NZ 2yr swap (%)	4.93	4.73 - 5.00
NZ 5yr swap (%)	4.45	4.21 - 4.45
NZ 10yr swap (%)	4.51	4.27 - 4.51
2s10s swap curve (bps)	-42	-48 - -38
NZ 10yr swap-govt (bps)	-13	-21 - -11
NZ 10yr govt (%)	4.64	4.44 - 4.67
US 10yr govt (%)	4.40	4.03 - 4.43
NZ-US 10yr (bps)	24	24 - 52
NZ-AU 2yr swap (bps)	92	83 - 100
NZ-AU 10yr govt (bps)	54	43 - 62

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week, NZD/USD rose 0.7% to about 0.6010, with the NZD and AUD outperforming other key major currencies, supported by higher global commodity prices. While NZD/AUD traded down to a nine-month low just under 0.9130, the NZD was 0.2-1% higher on the other key majors.

A global reflation trade of sorts was in action last week, seeing higher global yields, higher commodity prices and a stronger NZD and AUD. Recent economic data have shown a lift in global manufacturing PMIs around the world, suggesting an upswing for the economic cycle in play. Rate cuts by major emerging market central banks beginning late last year could be a factor in supporting global growth. This dynamic is boosting commodity prices, with broad-based gains over recent weeks. Bloomberg’s commodity price index has risen for five of the past six weeks, with the largest gain of 3.4% coming last week.

This dynamic is NZD-positive and is an antidote to the recent driving force of resilient US economic data. Stronger than expected US data play to the view of no need for the Fed to rush in and ease monetary policy. Just 65bps of Fed rate cuts are now priced for 2024, the lowest figure since November, seeing US Treasury yields push up to fresh highs for the year. Fed speakers were in force last week and espousing a now-familiar message – that of data-dependency and not moving to cut rates until there is greater confidence inflation is moving sustainably towards target. US data releases last week were mixed, with a stronger manufacturing PMI and strong employment growth against a weaker services PMI.

A more than 4% gain in oil prices last week took Brent crude up to a six-month high above USD91 per barrel, reflecting expectations of stronger demand, tight supply conditions given OPEC+ production curbs, and increasing tension in the Middle East after Israel bombed the Iranian consulate in Syria.

For the NZD this is a double-edged sword, with the focus on rising commodity prices a supporting factor. But higher commodity prices are likely to lead to higher inflation, including in the US, which adds to the potential for delay in the Fed cutting rates, an NZD-negative force. The first force won the battle last week, and was helpful in lifting the NZD off the year-to-date low of 0.5940 traded on Easter Monday. The NZD remains extremely cheap on fundamentals, but a few things still have to fall into place for the NZD to sustainably recover.

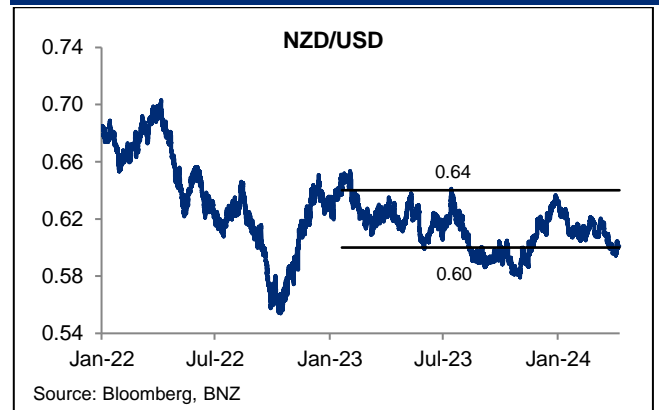
In the week ahead, the domestic focus will be on the RBNZ’s Monetary Policy Review, where it is widely anticipated that the tone will largely be a cut-and-paste

from the February MPS. With no new projections released, the event should pass with little market reaction. We have more interest in the quarterly survey of business opinion released tomorrow. With the economy facing recessionary conditions, this survey should continue to indicate economic slack that ultimately means lower inflationary pressure.

The key global release will be the US CPI, released Wednesday night, with the market highly sensitive to the detail, including the second decimal place. After signs of higher inflation over January and February, a positive surprise would further push out the timing and scope for Fed rate cuts and push up the USD. A negative surprise would act in the opposite direction by supporting a June rate cut. The PPI report later in the week could also potentially be market moving.

The Bank of Canada and ECB are expected to keep rates on hold, but lay the groundwork for near-term rate cuts, with the ECB already having guided to a June easing and last week’s weaker CPI data would have solidified that view.

NZD back in the 0.60-0.64 range, but only just



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6008	0.5940 - 0.6110
NZD/AUD	0.9138	0.9130 - 0.9290
NZD/GBP	0.4758	0.4720 - 0.4790
NZD/EUR	0.5543	0.5520 - 0.5600
NZD/JPY	91.09	90.10 - 92.20

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models		
	Model Est.	Actual/FV
NZD/USD	0.6650	-10%
NZD/AUD	0.8970	2%

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Technicals

NZD/USD

Outlook: Downside risk
 ST Resistance: 0.62 (ahead of 0.64)
 ST Support: 0.60 (ahead of 0.58)

With the move sub-0.60 proving to be brief, we've reinstated 0.60 as the support level to watch

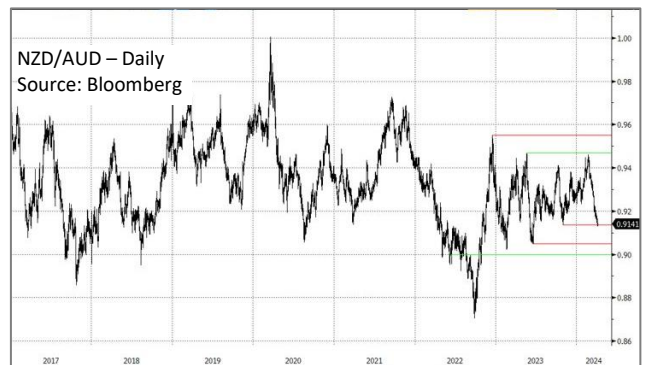


NZD/AUD

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

The support level of 0.9130 was reached last week and we'll keep it there for now, ahead of 0.9050.

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NZ 5-year Swap Rate

Outlook: Lower
 MT Resistance: 4.50
 MT Support: 4.07

Little new technical information emerged last week as 5y swap continues to hold a tight range this month; watching resistance at 4.50

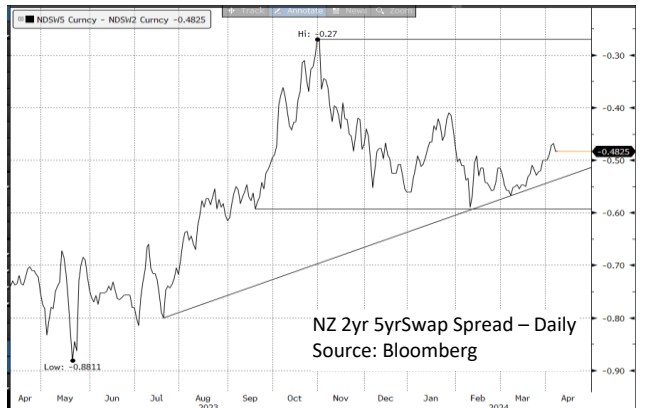


NZ 2-year - 5-year Swap Spread (yield curve)

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

2x5 swap spread broken previous resistance. Shift to a steeper bias and target a level of -0.28.

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Quarterly Forecasts

Quarterly Forecasts

Forecasts as at 8 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	-6.6	-6.3	-5.9	-5.7	-5.5	-5.2
CPI (q/q)	1.8	0.5	0.8	0.6	1.1	0.4	0.5	0.5	0.9	-0.2
Employment	-0.1	0.4	0.3	0.0	0.1	0.2	0.3	0.5	0.6	0.7
Unemployment rate %	3.9	4.0	4.3	4.6	5.0	5.2	5.5	5.5	5.4	5.3
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	2.7	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			Swaps			US Rates		Spread NZ-US Ten year
		90 Day Bank Bills	5 Year	10 Year	2 Year	5 Year	10 Year	Libor 3 month	US 10 yr	
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	0.66	1.08	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	0.91	0.55	0.48	91.1	70.7
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 8 April 2024	March Years					December Years				
	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	5.8	5.5	-2.7	-0.2	10.0	7.1	5.4
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	1.2	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
<i>GDP - annual % change (q/q)</i>	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	2.7	2.0	5.9	7.2	4.7	2.9	1.8
Employment	2.5	3.0	1.6	0.6	2.5	3.3	1.7	2.4	0.6	2.1
Unemployment Rate %	3.2	3.4	4.3	5.5	5.1	3.2	3.4	4.0	5.2	5.3
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	0.0	1.2	3.5	0.2	-2.2	-0.7	1.4
Unit Labour Costs (ann av %)	4.6	6.5	8.8	4.9	2.0	2.4	6.5	8.6	6.5	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	-26.6	-25.3	-22.2	-20.6	-33.4	-27.8	-26.4	-23.2
Current Account - % of GDP	-6.6	-8.2	-6.5	-5.9	-4.9	-5.8	-8.8	-6.9	-6.3	-5.2
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	0.61	0.67	0.69	0.68	0.63	0.62	0.65	0.71
USD/JPY	119	134	150	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	0.56	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	71.2	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		Median	Fcast	Last
Monday 08 April				Thursday (continued)			
AU Home Loans Value MoM Feb	2.00%		-3.90%	UK Bank of England Bank Liabilites/Credit Conditions Surveys			
JN Eco Watchers Survey Outlook SA Mar	53.3		53	EC Eurogroup in Luxembourg			
GE Industrial Production SA MoM Feb	0.50%		1.00%	Friday 12 April			
GE Trade Balance SA Feb	25.0b		27.5b	EC ECB Main Refinancing Rate Apr-11	4.50%		4.50%
EC Sentix Investor Confidence Apr	-8.3		-10.5	EC ECB Marginal Lending Facility Apr-11	4.75%		4.75%
Tuesday 09 April				EC ECB Deposit Facility Rate Apr-11	4.00%		4.00%
US NY Fed 1-Yr Inflation Expectations Mar			3.04%	US PPI Ex Food and Energy YoY Mar	2.30%		2.00%
UK BOE's Breeden speaks				US Initial Jobless Claims Apr-06	215k		221k
US Fed's Goolsbee speaks				US Continuing Claims Mar-30	1800k		1791k
NZ NZIER Business Opinion Survey, net confidence Q1			-2%	US Fed's Williams speaks			
US Fed's Kashkari speaks				US Fed's Collins speaks			
UK BRC Sales Like-For-Like YoY Mar	1.80%		1.00%	US Fed's Bostic speaks			
AU NAB Business Confidence Mar			0	UK BOE's Greene speaks			
EC ECB Bank Lending Survey				NZ BusinessNZ Manufacturing PMI Mar			49.3
US NFIB Small Business Optimism Mar	89.9		89.4	NZ Card Spending Total MoM Mar			-1.90%
CH New Yuan Loans CNY Mar	3700.0b			NZ Food Prices MoM Mar	0.50%		-0.60%
CH Aggregate Financing CNY Mar	4844.0b			NZ Selected Price Indexes Mar			
CH New Yuan Loans CNY YTD Mar			6370.0b	JN Industrial Production MoM Feb F			-0.10%
Wednesday 10 April				GE CPI YoY Mar F	2.20%		2.20%
NZ RBNZ MPR, OCR Apr-10	5.50%	5.50%	5.50%	UK Monthly GDP (MoM) Feb	0.10%		0.20%
Thursday 11 April				UK Industrial Production MoM Feb	0.00%		-0.20%
US CPI Ex Food and Energy YoY Mar	3.70%		3.80%	UK Manufacturing Production MoM Feb	0.10%		0.00%
US Fed's Bowman speaks				UK Trade Balance GBP/Mn Feb	-£3100m		-£3129m
CA Bank of Canada Rate Decision Apr-10	5.00%		5.00%	EC ECB Survey of Professional Forecasters			
US Wholesale Trade Sales MoM Feb			-1.70%	UK Bank of England releases Bernanke report on forecasting			
US Fed's Goolsbee speaks				EC ECB's Elderson speaks			
US FOMC Meeting Minutes Mar-20				CH Trade Balance CNY Mar			281.97b
NZ Finance Min at Parliament Select Committee on BPS				Saturday 13 April			
AU CBA Household Spending YoY Mar			3.50%	US U. of Mich. Sentiment Apr P	79		79.4
CH PPI YoY Mar	-2.80%		-2.70%	US Fed's Bostic speaks			
CH CPI YoY Mar	0.40%		0.70%	US Fed's Daly speaks			

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	5.25	2 years	4.93	4.80	4.88	4.99
1mth	5.59	5.59	5.59	5.33	3 years	4.66	4.51	4.57	4.59
2mth	5.61	5.61	5.62	5.41	4 years	4.52	4.36	4.40	4.38
3mth	5.63	5.64	5.65	5.49	5 years	4.46	4.30	4.33	4.25
6mth	5.54	5.57	5.59	5.58	10 years	4.53	4.37	4.36	4.13
GOVERNMENT STOCK					FOREIGN EXCHANGE				
05/26	4.63	4.60	4.67	4.24	NZD/USD	0.6007	0.5953	0.6170	0.6218
04/29	4.42	4.37	4.39	3.98	NZD/AUD	0.9144	0.9173	0.9330	0.9366
05/31	4.50	4.45	4.44	3.94	NZD/JPY	91.13	90.28	90.66	83.07
05/34	4.64	4.60	4.59	3.98	NZD/EUR	0.5547	0.5542	0.5647	0.5725
04/37	4.79	4.75	4.72	4.07	NZD/GBP	0.4759	0.4743	0.4815	0.5021
05/41	4.92	4.88	4.81	4.17	NZD/CAD	0.8171	0.8079	0.8319	0.8401
05/51	4.91	4.87	4.79	4.12	TWI	70.7	70.4	71.9	71.0
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	53	52	50	78					
Europe 5Y	55	54	53	88					

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