Research

Markets Outlook

15 April 2024

Plain miserable

- **Activity indicators turn sour**
- **Unemployment momentum set to accelerate**
- **At least inflation is behaving**
- **We pick 0.6% for Q1 CPI, 3.9% annual**
- **Rate cut economic boost awaited**

The last seven days has produced a simply miserable set of data. Until recently, coincident indicators of economic activity had been poor but there was clear enthusiasm from both the business and household sector that things would soon start to improve. This had us daring to believe that we might start to see some genuine momentum returning to the economy in the latter part of this year. Following the latest set of data we are questioning whether our expectations for a turnaround are premature.

There were always two risks to our forecasts:

- The post-election bounce in confidence may simply have been enthusiasm for the change in government, especially in the business sector. But the government policy changes that have been proposed will take time to positively impact business profitability. Meanwhile, the initial impact of cuts in government spending will be negative for activity more immediately and will precede any positive impact from tax cuts.
- The lagged impact of aggressive rate hikes could well be greater than anticipated.

It would appear that both of the above are at play. Ultimately, rate cuts will drive the economic cycle. Such cuts look increasingly likely and sooner than once thought and, already, the prospect of no further hikes is boosting the confidence for many. But it may well take some time before this is enough to kick start the economy from its stalled state.

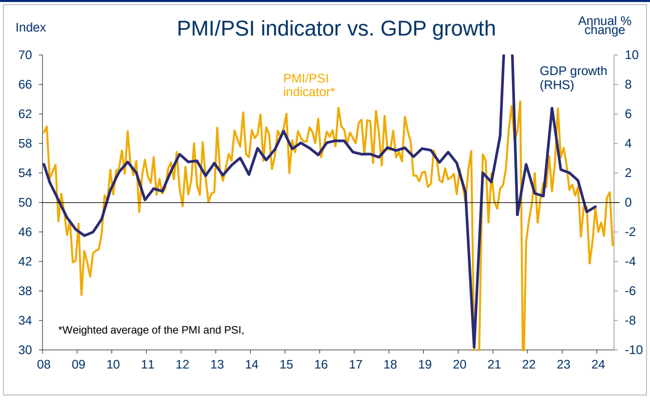
Looking back over the last few days the business indicators are very worrisome:

- NZIER's QSBO shows heightened business distress and a sharp contraction in business activity expectations.
- The BNZ-Business NZ Performance of Manufacturing Index (PMI) sunk back into contraction territory in March, following what looked like a developing recovery in the previous two months.
- The PMI's sister survey, the Performance of Services Index, slumped to 47.5 from 52.6 in March. Apart from during COVID, this was the worst reading since 2009.
- Employment intentions across the surveys were weak.
- SEEK job ads continued to trend lower and job applications to job ads were more than double what they were this time last year.

If all this wasn't bad enough, Friday's Electronic Card Transactions data revealed a 0.7% decline in retail spending in March and a 0.6% decline in core retail. For the quarter, both measures were clearly negative in real terms suggesting that the protracted retail recession has rolled on for yet another quarter.

At this stage we have not revised our expected GDP growth track lower, but the risks are clearly there. For the time being, however, it does strongly support our view that the economy is at best bouncing along the bottom, which should be confirmed with the eventual release of Q1 and Q2 GDP data.

Growth prognosis not good



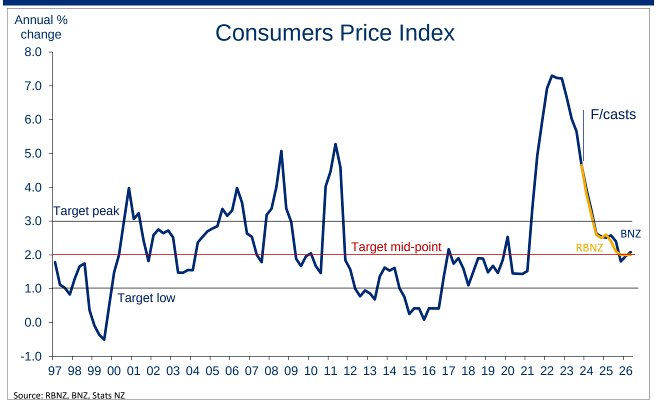
We also continue to believe the unemployment rate will rise to at least 5.5% within the next 18 months as labour supply growth exceeds demand. This morning's data confirm the rapid pace of net inbound migration which is the root cause of the growth in labour supply. A net 130,856 migrants arrived in the country in the year ended February 2024. That said, there is growing evidence that the peak in net migration is behind us.

The only good news that comes out of all the above is that inflationary pressures continue to diminish, and we are becoming increasingly comfortable with our view that annual CPI inflation will be within the Reserve Bank's target band before the end of this year.

Our comfort has grown with the release of the monthly selected price indices for March. These saw us revising our Q1 pick for the CPI, due for release this Wednesday, to 0.6% from 0.8%. This will see the annual rate fall to 3.9% from 4.7%. Moreover, the lower end point for the March quarter also sees us reduce our Q2 forecast to 0.5% from 0.6%, resulting in the annual rate dropping to 3.3%. One quarter later, sub 3.0% is achieved.

Our Q1 forecast is still 0.2 percentage points above the RBNZ's. But on an annual basis our 3.9% is little different to the RBNZ's 3.8% (thanks to rounding issues). Anyway, the RBNZ noted in its recent Monetary Policy Review that near term inflation might surprise to the upside, and it was relatively sanguine about the possibility given "that recent relative price changes are due mostly to volatile components including fuel, domestic airfares, and overseas accommodation."

Inflation in decline



If our forecasts are correct, then non-tradables inflation will again surprise the RBNZ to the upside. In the not too distant past the RBNZ would have made a big deal of such a "miss". However, we think the Bank is now taking a more pragmatic view with the CPI specifics so will not be overly perturbed by this development.

That said, measures of core inflation remain very important. If the trend decline in core measures were to come to a halt, there would be good reason for concern. We think the downward momentum in core inflation will be sustained.

Apart from Wednesday's CPI there are little other data to get excited about over the remainder of the week.

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Global Watch

- **Australian employment report front of mind**
- **Chinese quarterly GDP growth set to accelerate**
- **UK earnings growth in decline**

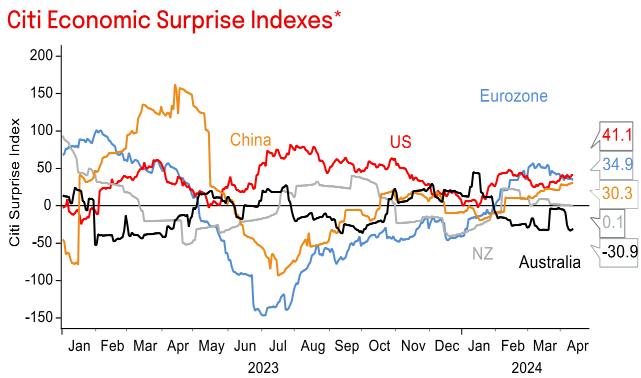
Two big events have seen a dramatic paring in rate cut expectations globally. The first was US Payrolls last Friday (Payrolls 303k vs. 214k expected) and, more significantly, a hotter-than-expected US CPI (Core CPI 0.4% m/m vs. 0.3% expected). US Fed Funds pricing now sees just a cumulative 43bps worth of cuts for 2024, down from 74bps last Thursday. The first cut is now not fully priced until September. NAB also pushed back its Fed call to September (see US Economic Update: Inflation disappointment pushes out Fed cuts).

US moves were shadowed to a less of an extent in Australia where it was a quiet week for data. RBA pricing now only sees 18bps of cuts for 2024, from 36bps last Thursday (the first cut is not fully priced until February 2025). The AU-US 10yr spread is little changed at -28bps.

In contrast to the US, expectations remain high that the ECB and BoC will cut rates in June - pricing for the ECB sits at 21bps and 13.4bps for the BoC (Canadian CPI this week will be important). Note Canada and the EZ both have growth close to recession, while Canadian unemployment has risen.

Meanwhile oil markets remain skittish and gold is rallying as Middle Eastern tensions grow.

Expectations that the low point for Chinese growth might now be history has seen commodities rally with the iron ore price up 10.7% last week to $109.



* The surprise indicies measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases has been worse than expected
Source: National Australia Bank, Macrobond

As for Australia there has been no top-tier data. The NAB Business Survey continues to see business conditions above average and capacity utilisation in the consumer facing sectors elevated (see NAB Business Survey – March 2024: Improvement in supply-demand balance still gradual). W-MI consumer sentiment fell, but unemployment expectations fell back to their lowest since mid-2023 (see AUS: Unemployment expectations tick back down, consumer sentiment shows noise). There was also some hints this week that a trough in job advertising might have been reached with SEEK reporting an increase in advertising in three of the past four months (see Employment Report - SEEK Job advertising rose 2.4% in March – is the trough in?).

Week Ahead

Employment data on Thursday headlines the Australian calendar and should get more than usual focus given the February saw the unemployment rate fall back sharply to 3.7% on a +117k employment gain.

We forecast an unemployment rate mostly holding onto its decline at 3.8% (consensus 3.9%) and for employment to grow 30k (consensus 0). If we do get a robust print on Thursday, it would confirm the risk is to the downside of the RBA's February unemployment forecast for Q2 of 4.2%.

Elsewhere, it is a quieter week ahead after the packed global calendar of central banks and US data last week. The IMF and World Bank spring meetings are taking place in Washington. There will be plenty of central bank appearances on the sidelines of those meetings to digest, and the updated World Economic Outlook is released Tuesday.

US retail sales are seen up 0.4% in March. While the stronger CPI keeps the FOMC on the sidelines for longer, retail sales may suggest momentum is slowing. The earnings season will also be in focus, with more big banks among the headliners – including Goldmans (Monday), Morgan Stanley and BofA (Tuesday). The first big tech stock is Netflix (Thursday) and TSMC reports which will be closely watched for a readthrough to other US tech firms.

Canadian CPI on Tuesday is in focus from a rate cut price perspective given Governor Macklem wants more evidence of slowing inflation, but sees June in 'the realm of possibilities'.

Pricing for a June BoE cut slipped from 75% to 40% in the US-led move last week. Will the full **UK** data calendar support that repricing? Labour market and earnings data on Tuesday should show still moderating wages growth and CPI on Wednesday should show another y/y easing from its current 3.4%. There's also an opportunity to gauge the views of new Deputy Governor Lombardelli who testifies on Tuesday.

Chinese Q1 GDP on Tuesday could show a decent start to 2024 even as headwinds, especially to the consumption outlook, remain a challenge. The PMIs have been more positive for China recently.

Japan gets March CPI, on Friday.

It is reasonably **quiet in Europe.** The ZEW survey and final March CPI are on Tuesday.

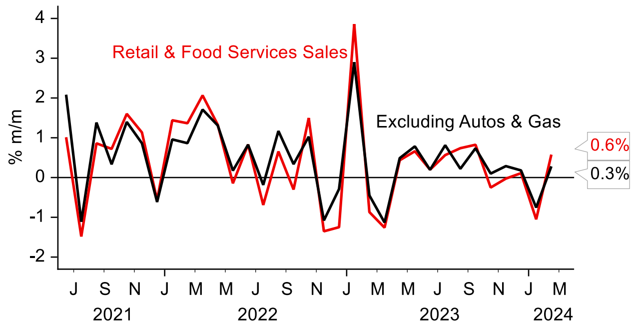
Important Events Preview

Monday April 15

US Retail Sales

Retail sales are expected to be 0.4% m/m higher, after last month's 0.6% gain. Lower auto sales are expected to weigh, while ex auto and gas sales are expected to increase 0.3% m/m, matching February's gain. Another tepid print in the control group, which feeds into GDP, would be consistent with fading momentum in goods consumption.

United States Retail Sales



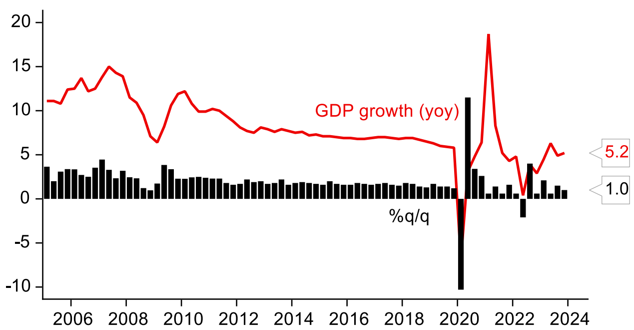
Source: National Australia Bank, U.S. Census Bureau, Macrobond

Tuesday April 16

CH GDP, Monthly activity indicators

Q1 GDP growth is likely to slow on a y/y basis, with consensus looking for 5.0% from 5.2%. Consumption remains too sluggish with still scant evidence of the desired shift in reliance away from investment as a source of growth. Despite those headwinds, a decent 1.6% q/q outcome is expected for the start of the year, an acceleration from Q4. Also released are monthly activity indicators for March. The PMIs have been more positive recently so risks are the data do not disappoint.

Economic growth (%)

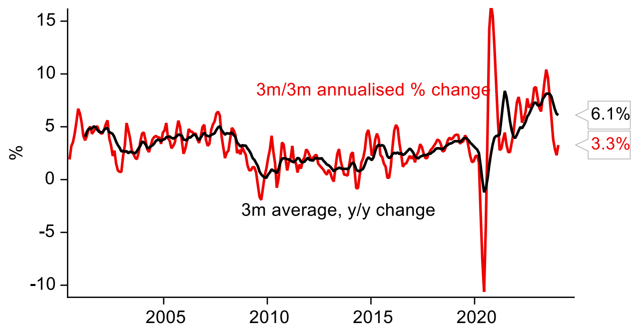


Source: National Australia Bank, China National Bureau of Statistics (NBS), Macrobond

UK Feb Average Earnings, Labour Mkt Data

ONS February average earnings growth is expected to decline modestly once again, lagging the decline in inflation. In January headline earnings growth eased to 5.6% y/y, while regular pay (ex-bonus) eased to 6.1% y/y. Other data are expected to reveal a further loosening in labour market conditions.

United Kingdom Private Average Weekly Earnings



Source: National Australia Bank, U.K. Office for National Statistics (ONS), Macrobond

In the UK, this is a chance for markets to hear from the unknown and newest BoE member, Clare Lombardelli, who is testifying to the UK Treasury Select Committee. Governor Andrew Bailey also speaks from the IMF meetings in Washington.

CA CPI

There is potential for a shift in rate cut pricing with Governor Macklem having said he needed more evidence of slowing inflation. Consensus for the core measures is for some incremental improvement with median at 3.0% y/y and trimmed mean at 3.2% y/y. Note pricing for a June cut sits at 60%.

Wednesday April 17

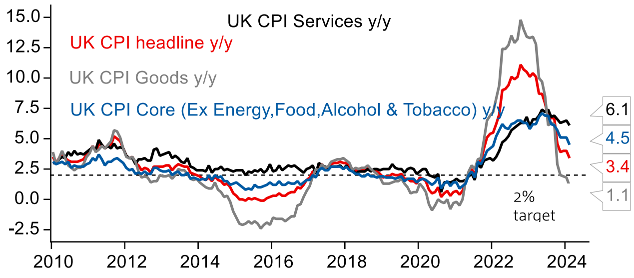
EZ ECB Final March Inflation

EZ final HICP inflation for March is unlikely to change from the preliminary reading of +0.8% m/m for 2.4% y/y, with core inflation at 2.9%.

UK CPI

Annual UK inflation for March is expected to record a further decline, aided by base effects. Annual headline inflation eased to 3.4% in February and we think could fall close to 3.0%. Core inflation dropped to 4.5% and should ease a couple of tenths, while services inflation should also decline from an elevated 6.1%. BoE Governor Bailey has remarked services inflation does not need to decline all the way to 2% for the BoE to ease.

UK CPI



Source: National Australia Bank, Bloomberg

Thursday April 18

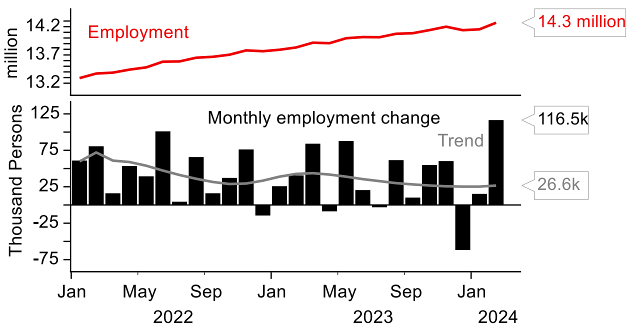
AU Employment

We forecast a 30k gain in employment and for the unemployment rate to tick up a tenth to 3.8%. Consensus is for zero employment growth and a 3.9% unemployment rate.

Employment surged 117k in February and the unemployment rate fell back to 3.7%. Measured employment had been volatile, and a large number of people attached to a job but delayed starting work in January shifted a lot of measured employment growth into February. The Bloomberg survey reveals most analysts are looking for payback in March from the strong February number. We are more inclined to think of February as payback for the weak December and January.

Much of the volatility in recent employment prints was to do with seasonality shifts over year-end, but even accounting for those dynamics the series has been unusually volatile recently and there is high uncertainty around the outcomes. If we are right, and we don't see a bounce higher in unemployment, it would confirm the risks are to a more modest slowing in the labour market than the RBA pencilled in in February, when their forecast was for the unemployment rate to average 4.2% in Q2.

Australian Employment



Source: National Australia Bank, ABS

Friday April 19

JN CPI

Headline CPI is seen holding at 2.8% y/y in March, while the ex fresh food and energy number is seen at 3.0% from 3.2%. While the core-core measure is seen continuing to moderate, it remains above the BoJ's 2% target and Governor Ueda commented this week that the underlying inflation trend will continue to rise gradually toward the end of the bank's projection period. Bloomberg also reported that strength in recent wage outcomes means the BoJ will probably discuss revising up its CPI projections at its 26 April Meeting.

UK March Retail Sales

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ fixed interest yields moved higher during last week, driven by the move in offshore markets, as investors looked past a series of weak domestic economic reports. 10-year government bonds (NZGB) ended the week 23bps higher in yield, at 4.87%, largely matching the move in US treasuries. The 10-year cross market NZGB-UST spread, which is at 3-year lows, was unable to absorb additional NZGB outperformance. The rise in yields is expected to be contained for now by the rise in geopolitical risk and demand for safe haven assets.

There was little market impact from the RBNZ's decision to hold the Official Cash Rate steady at 5.5% at the Monetary Policy Review. The brief accompanying statement suggested little change in the Bank's assessment of the economy and inflation outlook from the February Monetary Policy Statement. The economy was characterised as 'weak' and the RBNZ noted 'some short-term inflation pressures remain'. The Monetary Policy Committee is 'confident that maintaining the OCR at a restrictive level for a sustained period' will return inflation to target this year.

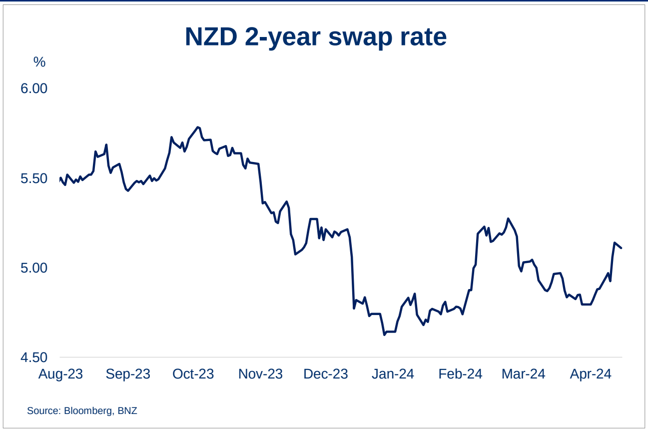
US treasury yields have been trending higher – 10-year bonds have traded up to 4.60% – 50bps above the March yield low. Resilient US economic activity, and a sequence of upside surprises to US inflation data, suggest the Federal Reserve will not cut rates soon, or by the 75bps median projection, from the March FOMC. This is set against a pickup in cyclical indicators. Global PMI momentum is firming, and consensus global growth forecasts have been revised higher, albeit driven almost exclusively by the US economy.

A higher trading range for US treasuries – we don't expect a return to the October multi-year peak – will constrain dips for NZGB yields, even though NZGB-UST cross-market spreads have partially absorbed the US led sell-off. Medium term, we retain a constructive view on duration, but note some softening in global cyclical indicators are required to realise attractive valuations.

Domestic data continue to point toward a very weak economy. The NZIER Quarterly Survey of Business Opinion (QSBO) highlighted soft activity, employment, and investment. The manufacturing PMI fell to 47.1, marking the 13th consecutive month of contraction for the sector, which is the most sustained downturn since the period surrounding the Global Financial Crisis in 2009. The services PMI also slipped back into contraction. In addition, electronic card transactions revealed ongoing sluggish consumer spending.

March inflation partials were below expectations, and we have revised down our forecast for Q1 headline CPI, which is released on Wednesday, to 0.6% q/q and 3.9% on an annual basis. We now forecast the annual rate moving back inside the RBNZ's 1-3% target band by Q3 and ending the year at 2.5%. The US-led move higher in NZ yields has seen 2-year swap rates retrace more than 50% of the 40bps decline after the February MPS, to the recent base in late March. We expect rangebound conditions to persist, with a preference to fade moves back towards 5.20%, just below the February highs.

2-year NZD swap rates higher despite weak domestic data



Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.64	5.63 - 5.65
NZ 2yr swap (%)	5.11	4.73 - 5.14
NZ 5yr swap (%)	4.66	4.21 - 4.69
NZ 10yr swap (%)	4.69	4.27 - 4.72
2s10s swap curve (bps)	-43	-47 - -38
NZ 10yr swap-govt (bps)	-12	-19 - -11
NZ 10yr govt (%)	4.81	4.44 - 4.85
US 10yr govt (%)	4.52	4.18 - 4.59
NZ-US 10yr (bps)	29	22 - 36
NZ-AU 2yr swap (bps)	104	83 - 107
NZ-AU 10yr govt (bps)	54	43 - 58
*Indicative range over last 4 weeks		

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week the USD made broad-based gains, with the DXY index rising 1.7%, its largest weekly gain in over 18-months. A hotter than expected US CPI print was largely responsible, with geopolitical risk adding to USD support. NZD/USD fell 1.3% to close near its low for the week and a fresh 2024 low around 0.5935. The NZD made small gains on most key cross rates, but fell slightly against the yen, as the latter attracted safe-haven flows.

The key driving force for currency markets last week was the US CPI print for March, where inflation surprised on the upside for the third consecutive month, with ongoing signs of persistent inflation pressure in the services sector. This was a blow for expectations for a Fed rate cut in June or even July. US rates were higher across the curve and the first full Fed rate cut is now not priced until September. The USD broadly strengthened and made further gains on Friday as rising geo-political risk took over.

Intelligence reports suggested that Iran would launch drone and missile attacks from Iranian soil directly into Israel and the latter was braced for an attack as soon as Saturday. These reports drove a flight to safety in markets, giving the USD and JPY some support and adding to weakness for the NZD and AUD. The tailwind for the NZD from rising global commodity prices through to mid-week, which saw the NZD trade above 0.6080 at one stage, was superseded by the positive US inflation shock and geopolitical risk.

As the new week begins, geopolitical risk overhangs the market, but Iran's attack over the weekend was more symbolic than designed to inflict damage and escalate the war. Attention now turns to Israel to see its appetite for outright war with Iran.

In domestic news, the QSBO showed broadly weaker activity indicators, consistent with recessionary conditions, and rising slack in the economy that should ultimately lead to much weaker inflation pressure. Inflation gauges continued to move in the right direction, albeit remaining higher than would be consistent with annual inflation at the RBNZ's target midpoint.

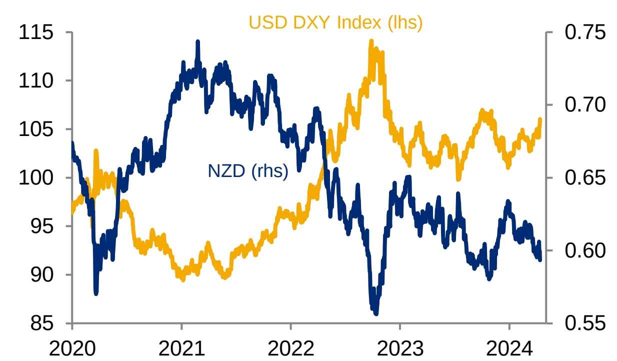
The RBNZ kept the OCR on hold at 5.5% and delivered a message that there was little change from its economic outlook and assessment of risks compared to February. This cut and paste view was widely anticipated by most, but some offshore players were looking for a dovish pivot and the lack of a pivot contributed to higher NZ rates – more so than seen for the US for the week – and supported NZD cross rates.

Overall, the recent run of US activity and inflation data is proving fatal to our view that the USD can imminently fall on a sustainable basis, given the paring of Fed rate cut expectations. At the end of last week, our NAB colleagues pushed out the projected timing for the first Fed rate cut to September. The projected Fed Funds rate for the end of next year is 3.75%, or 100bps higher than projected at the start of the year. A couple of weeks ago we noted downside risk to our NZD/USD projections and we will act on that – with broad upward revisions to the USD, meaning a downwardly revised NZD trajectory – within the next couple of days.

In the week ahead, the domestic focus will be on Q1 CPI. Following lower expected inflation from last week's monthly price indicators, BNZ and the consensus are picking a 0.6% q/q print, lower than previously expected, albeit still higher than the RBNZ's 0.4%. Depending on rounding, that could take the annual figure just below 4%, the weakest in nearly three years. The data are unlikely to be weak enough to change the RBNZ's outlook and therefore the figures should be NZD-neutral.

The global calendar is busy with key releases being US retail sales, China GDP and monthly economic indicators, Australian employment, UK labour market and CPI and Japan CPI.

USD stronger as Fed rate cuts get pushed out; NZD weaker



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5943	0.5930 - 0.6080
NZD/AUD	0.9190	0.9130 - 0.9220
NZD/GBP	0.4775	0.4720 - 0.4790
NZD/EUR	0.5588	0.5520 - 0.5600
NZD/JPY	90.98	90.10 - 92.40

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6660	-11%
NZD/AUD	0.8960	3%

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Technicals

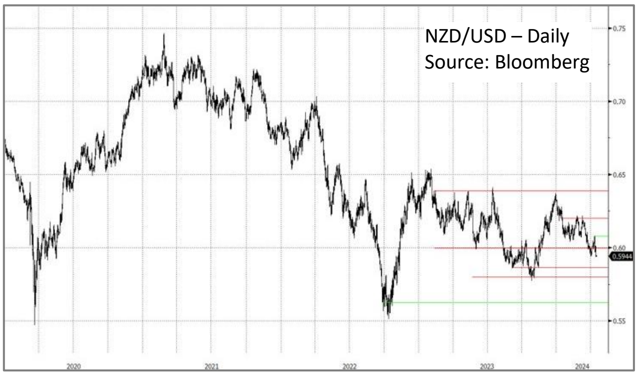
NZD/USD

Outlook: Downside risk

ST Resistance: 0.6080 (ahead of 0.62)

ST Support: 0.5860 (ahead of 0.58)

With another downside break of 0.60 and a new low for 2024, the next possible support level is 0.5860, ahead of 0.58.



NZD/AUD

Outlook: Downside risk

ST Resistance: 0.93 (ahead of 0.9470)

ST Support: 0.9130 (ahead of 0.9050)

Support remains around 0.9130, ahead of 0.9050.

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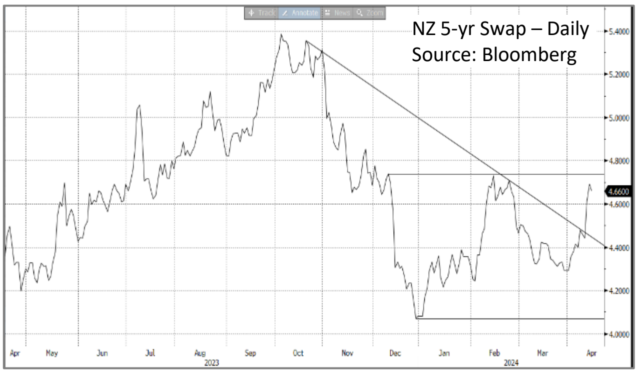
NZ 5-year Swap Rate

Outlook: Neutral

MT Resistance: 4.74

MT Support: 4.07

5y broke through previous resistance, shift to neutral outlook with new resistance level at 4.74



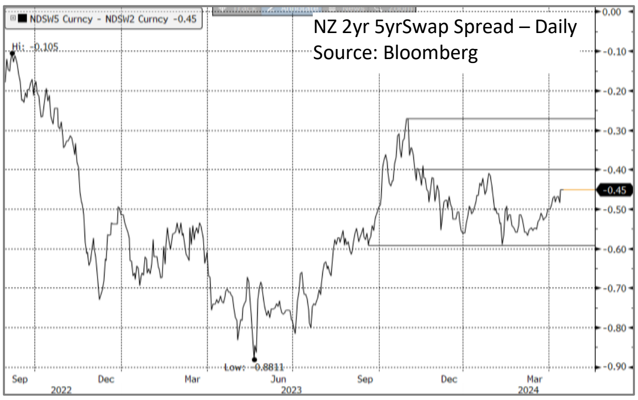
NZ 2-year - 5-year Swap Spread (yield curve)

Outlook: Steeper

MT Resistance: -0.40, -0.28

MT Support: -0.59

Steeper bias with short term resistance at -.40, if break through shift target to -0.28.



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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	0.6	0.5	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	3.9	3.3	2.6	2.5	2.5	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		Government Stock			Swaps			US Rates		Spread
Forecast data - end quarter	**Cash**	**90 Day Bank Bills**	**5 Year**	**10 Year**	**2 Year**	**5 Year**	**10 Year**	**Libor 3 month**	**US 10 yr**	**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	0.66	1.08	1.26	151
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	0.56	0.48	90.9	70.8
Jun-24	0.64	0.92	0.56	0.48	90.4	72.6
Sep-24	0.64	0.91	0.55	0.47	88.7	72.3
Dec-24	0.65	0.90	0.56	0.47	87.8	72.3
Mar-25	0.67	0.91	0.56	0.48	86.5	72.8
Jun-25	0.69	0.92	0.58	0.50	86.3	74.5
Sep-25	0.71	0.92	0.59	0.50	85.2	75.8
Dec-25	0.71	0.91	0.58	0.50	83.8	75.3
Mar-26	0.69	0.89	0.56	0.49	80.5	73.6
Jun-26	0.68	0.90	0.55	0.48	78.2	72.7
TWI Weights	13.8%	16.5%	9.8%	3.1%	6.1%	

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

Annual Forecasts

Forecasts as at 8 April 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	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**
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	3.9	2.5	2.0	5.9	7.2	4.7	2.5	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
	Monday 15 April			
NZ	Performance Services Index Mar			53
NZ	Net Migration SA Feb			2870
JN	Core Machine Orders MoM Feb			-1.70%
US	Fed's Logan speaks			
EC	Industrial Production SA MoM Feb			-3.20%
UK	BOE's Breeden speaks			
UK	Rightmove House Prices YoY Apr			0.80%
	Tuesday 16 April			
EC	ECB's Lane speaks			
US	Empire Manufacturing Apr	-7		-20.9
US	Retail Sales Advance MoM Mar	0.40%		0.60%
US	Retail Sales Ex Auto and Gas Mar	0.30%		0.30%
US	Retail Sales Control Group Mar	0.30%		0.00%
US	Business Inventories Feb	0.30%		0.00%
US	NAHB Housing Market Index Apr	51		51
US	Fed's Daly speaks			
CH	Used Home Prices MoM Mar			-0.62%
CH	GDP SA QoQ 1Q	1.50%		1.00%
CH	Industrial Production YoY Mar	6.00%		
CH	Retail Sales YoY Mar	5.00%		
CH	Fixed Assets Ex Rural YTD YoY Mar	4.00%		4.20%
CH	Surveyed Jobless Rate Mar	5.20%		5.30%
UK	ILO Unemployment Rate 3Mths Feb			3.90%
UK	Payrolled Employees Monthly Change Mar			20k
EC	ECB's Rehn speaks			
GE	ZEW Survey Expectations Apr			31.7
EC	Trade Balance SA Feb			28.1b
UK	BOE Deputy Governor Lombardelli testifies			
	Wednesday 17 April			
US	Housing Starts Mar	1480k		1521k
US	New York Fed Services Business Activity Apr			0.6
US	Fed's Jefferson speaks			
US	Manufacturing (SIC) Production Mar			0.80%
NZ	GDT dairy auction			2.80%
EC	ECB's Villeroy speaks			
UK	BOE Governor Bailey speaks			
NZ	REINZ housing report Mar			
NZ	CPI YoY 1Q	4.00%		4.70%

		Median	Fcast	Last
	Wednesday (continued)			
NZ	CPI Tradeable QoQ 1Q	-0.20%		-0.20%
NZ	CPI Non Tradeable QoQ 1Q	1.30%		1.10%
JN	Trade Balance Mar	¥345.5b		-¥379.4b
AU	Westpac Leading Index MoM Mar			0.08%
UK	CPI YoY Mar			3.40%
UK	CPI Services YoY Mar			6.10%
EC	CPI YoY Mar F			2.40%
EC	CPI Core YoY Mar F			2.90%
	Thursday 18 April			
UK	BOE's Greene speaks			
EC	ECB's Cipollone speaks			
EC	ECB's de Cos speaks			
EC	ECB's Schnabel speaks			
UK	BOE Governor Bailey speaks			
US	Federal Reserve Releases Beige Book			
UK	BOE's Haskel speaks			
US	Fed's Mester speaks			
US	Fed's Bowman speaks			
AU	Unemployment Rate Mar	3.9		3.70%
AU	Employment Change Mar	10.0k		116.5k
JN	BOJ Board Noguchi speaks			
	Friday 19 April			
US	Philadelphia Fed Business Outlook Apr	-1.5		3.2
US	Initial Jobless Claims Apr-13			
US	Continuing Claims Apr-06			
US	Fed's Bowman speaks			
US	Fed's Williams speaks			
US	Existing Home Sales Mar	4.09m		4.38m
US	Fed's Bostic speaks			
EC	ECB's Centeno, Simkus, Vujcic speak			
US	Fed's Bostic speaks			
JN	Natl CPI YoY Mar	2.80%		2.80%
UK	Retail Sales Inc Auto Fuel MoM Mar			0.00%
GE	PPI YoY Mar			-4.10%
	Saturday 20 April			
UK	BOE's Ramsden speaks			
US	Fed's Goolsbee speaks			
EC	ECB's Nagel speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	5.50	5.50	5.50	5.25
1mth	5.60	5.59	5.59	5.33
2mth	5.63	5.61	5.62	5.44
3mth	5.65	5.63	5.64	5.55
6mth	5.59	5.54	5.61	5.62
GOVERNMENT STOCK				
05/26	4.93	4.73	4.70	4.30
04/29	4.70	4.52	4.45	4.11
05/31	4.76	4.61	4.53	4.10
05/34	4.88	4.74	4.69	4.12
04/37	5.03	4.89	4.84	4.19
05/41	5.14	5.01	4.94	4.26
05/51	5.11	5.00	4.92	4.19
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	55	51	49	74
Europe 5Y	59	54	53	82

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	5.08	4.95	4.97	5.09
3 years	4.83	4.67	4.66	4.70
4 years	4.69	4.54	4.49	4.48
5 years	4.63	4.48	4.42	4.36
10 years	4.66	4.54	4.46	4.24
FOREIGN EXCHANGE				
NZD/USD	0.5943	0.6032	0.6085	0.6181
NZD/AUD	0.9182	0.9133	0.9276	0.9225
NZD/JPY	91.11	91.56	90.76	83.12
NZD/EUR	0.5581	0.5554	0.5597	0.5657
NZD/GBP	0.4770	0.4766	0.4780	0.4995
NZD/CAD	0.8180	0.8186	0.8235	0.8279
TWI	70.4	70.8	71.3	70.4

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