

Research Markets Outlook

22 April 2024

A Peak Into Next Week's Labour Market Data

- **Next week's labour market data to affirm softening**
- **Nothing to improve consumer confidence there**
- **Annual trade deficit seen \$6b narrower than a year ago**
- **Monitoring geopolitical risks including influence on oil prices, imports**

The key takeaway from last week's Q1 inflation data was that we saw nothing that would spook the RBNZ. Inflation is heading the right way and is expected to be back inside the target band by Q3 this year. That will help the cause in getting inflation to move further towards target as lower headline inflation can feed into inflation expectations. Core measures of inflation are trending lower.

But equally, for all the favourable trends, there was nothing in the inflation data that would have the Bank rushing to bring forward its rate cut projection. Our forecast first rate cut late this year remains later than is priced by the market, even after some recent paring of the market's eagerness for early action. In any case, the rates outlook depends on economic developments ahead.

Regards domestic data, next week's Q1 labour market reports are the next area of focus. We think they will generally confirm softening in the labour market, although not substantially different from what the RBNZ anticipate.

We remain of the view that labour supply is expanding faster than labour demand such that the likes of the unemployment rate is expected to rise.

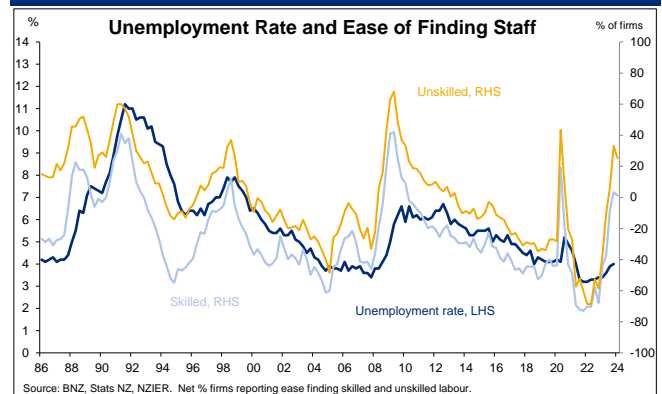
We will finalise our HLFS estimates after next Monday's March employment indicators. But we currently have 0.3% q/q pencilled in for HLFS Q3 employment growth, which, given a steady participation rate and rising working age population, would see the unemployment rate push up to 4.3% (from Q4's 4.0%). There will be interest to see what influence the government's public sector staff reduction programme has had on Q1 employment figures, though it may be a little early for it to show up.

In its February MPS, the RBNZ projected 0.1% quarterly employment growth overall and an unemployment rate of 4.2%. That is not too different to our thinking, especially in the context of the HLFS's historical volatility.

Numerous measures of labour market tightness have softened aggressively over recent quarters, like the QSBO's

difficulty of finding labour indicators. While such indicators do not give precise estimates of unemployment, the indicated direction of travel is clear. The QSBO also revealed business profitability is under pressure with indicators weak and well below their historical averages.

Higher Unemployment Indicated



A softening labour market is expected to put downward pressure on wage inflation over time. We see annual inflation in the LCI private sector all salary and wage rates at 3.7% in Q1. The RBNZ projected 3.8%. Either outcome would be lower than Q4's 3.9% and lower than a recent peak of 4.5% in Q1 2023.

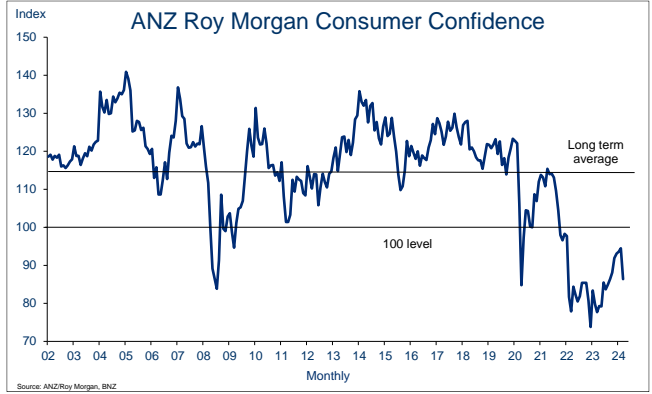
From an inflation fighting point of view, given the current circumstances, the above is what is deemed necessary. Of course, higher productivity growth that can enable higher wages and higher profitability without resulting in broad inflation would be more desirable but there is no sign of this.

Looking to the week ahead, the domestic data calendar is very light (coinciding with school holidays and Thursday's ANZAC day). Wednesday's merchandise trade data for March and Friday's ANZ-RM consumer confidence for April will be worth a look.

Consumer confidence is likely to remain well below the 100 level that indicates there are more pessimists than optimists.

Confidence slumped anew in March to 86.4 from February's 94.5. Normal seasonality would suggest that it could tick a few points higher in April.

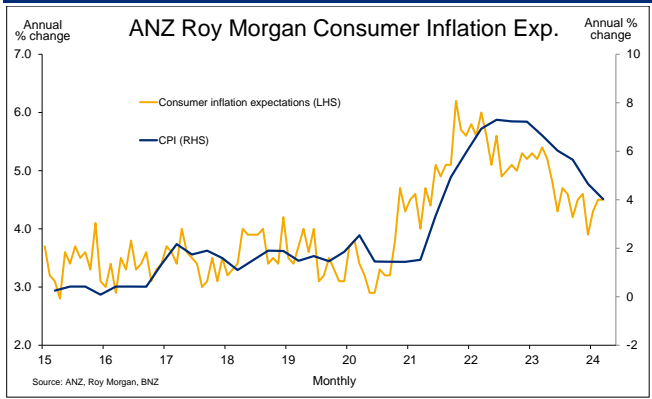
Unhappy



It might do, but we wouldn't count on it given recent fuel price increases, a softer labour market, and the fact that responses in the final week of the March consumer survey had already slumped to just under 80. Anything around the 80-90 range would be consistent with ongoing contraction in real spending per capita. It would also be another indicator suggesting some downside risk to our economic growth forecast for the second half of this year. We continue to mull nudging that down a touch.

Consumers' inflation expectations are worth keeping an eye on too. They have been trending lower over the past couple of years, but the pace of decline has slowed from the second half of last year and expectations were unchanged at 4.5% in March. This series is typically higher than actual inflation but would still seem to need to fall a bit further over time to be consistent with the RBNZ's target.

Further Progress Required



We expect Wednesday's merchandise trade data to show the annual trade deficit continuing to narrow. We have a deficit of \$10.7b pencilled in for the 12 months to March, which would be smaller than the prior month's \$12.0b, and much smaller than the \$16.8b recorded a year earlier.

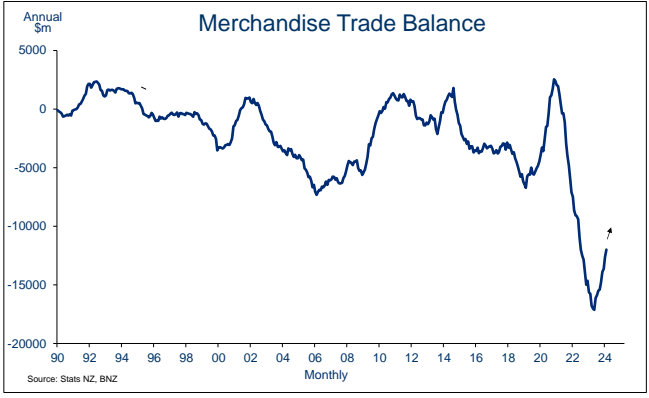
For March itself, we see some growth in exports helped by better primary export prices and the initial stages of the new horticulture export selling season, where better volumes are expected compared to last year's levels which were compromised by severe weather. Imports are expected to be lower than a year ago, partly because last March's figures were boosted by the arrival of a military aircraft.

Within the detail of March's merchandise trade data, we will also be gauging the evolving influence of various factors including:

- Recent geopolitical tensions on things like shipping costs and imported fuel costs.
- Very low inflation or deflation in China and its potential influence of NZ import prices.
- Softer domestic demand and its influence on imports.

One month's data will never provide full answers on such things, but it is worth monitoring for any guidance.

Deficit Large But To Narrow Further



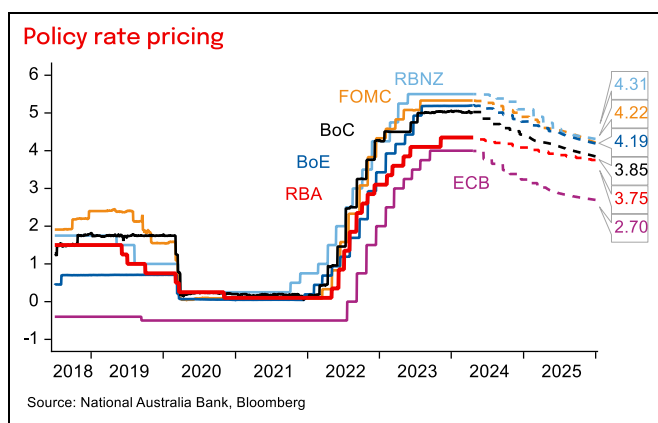
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Global Watch

- Geopolitical risks remain in focus
- Data sees US rate cut expectations pushed back
- US GDP growth seen above potential
- Global PMIs to show activity still picking up?
- BoJ seen on hold Friday
- AU CPI to reinforce only gradual progress

Markets over the past week continued to weigh the fallout of the stronger than expected US CPI the week before and the prospect for further escalation in the Middle East. US Retail sales were strong, and some of the apparent slowing in January and February was revised away, further playing into the theme that stubborn strength in activity and bumpiness in inflation is keeping sufficient comfort to cut rates out of reach.

Fed Chair Powell last Wednesday effectively endorsed the recent price action in the US rates market by noting that recent data shows a 'lack of further progress on inflation' and observing that "it is appropriate to allow restrictive policy further time to work and let the data and the evolving outlook guide us."



In Australia, the unemployment rate rose a tenth to 3.8%, holding onto most of its decline seen in February (when the measured unemployment rate fell back to 3.7% from 4.1%). Broadly, the data confirms the unemployment rate has been steady a bit below 4% since late last year. Outside the January read, unemployment has now been below 4.0% for 2 years. The RBA will need to mark their near-term forecast lower to recent outcomes at their May 7 forecast update but with GDP growth below trend and the pulse of employment growth still cloudy, the RBA will likely hold onto their forecast for gradual cooling in the labour market.

The data took a backseat to the interrelated milieu of the stronger USD, Asian FX weakness, and sensitivity to global risk sentiment. There was a broad flight to safety on reports Israel launched a retaliatory strike on Iran and of an explosion in an explosion in Iran's central city of Isfahan.

NAB has updated its FX forecasts to reflect a later expected start date to US policy easing and consequently a 'stronger-for-longer' USD view.

Week Ahead

Fallout from Israel's strikes in Iran, which occurred on Friday morning, will likely continue to dominate market sentiment early into the week. The key question is if Israel's retaliation to Iran's initial retaliation perpetuates a spiralling tit-for-tat escalation. Markets continue to discount this scenario with large risk-off moves on Friday morning partly reversing by the afternoon. We will find out more as the days progress. Either way tensions will remain elevated.

As for data, in Australia Q1 CPI (Wednesday) dominates domestically in a holiday-shortened week given the ANZAC Day Public Holiday on Thursday. NAB expects trimmed mean inflation to print at 0.9% q/q and 3.8% y/y (consensus 0.8/3.8). NAB assesses risks as slightly to the downside, and the RBA February SoMP had pencilled in 0.8% q/q. NAB expects the data to reinforce only gradual progress on domestic price pressures, keeping the RBA on the side lines until late 2024.

In the US it is Q1 GDP (Thursday) that is set to dominate with Fed officials in blackout for most of the week given the proximity of the next FOMC meeting (on 2 May). The early consensus pegs growth at 2.5% annualised, though the Atlanta Fed's GDP Now estimate sits at 2.9%. Durables (Wednesday) will firm up expectations. Core PCE (Friday) is also out, though much will be known from the GDP report.

Elsewhere the PMIs in both Asia and Europe (Tuesday) will garner attention for whether the pickup in activity (particularly in manufacturing) continues and, if so, in the absence of rate cuts. A rosier view of manufacturing is emerging given government initiatives globally to increase domestic manufacturing capacity, increased defence spending, as well as retailers having actively managed their post-pandemic bloated inventories.

In Japan the BoJ meets on Friday. Expectations are for no change. Governor Ueda recently noted the possibility a weak yen could push up trend inflation through rises in imported goods prices. The BOJ will certainly scrutinise how the yen's declines so far this year could affect the economy and prices and take the findings into account in producing fresh quarterly growth and inflation forecasts.

Other data includes: China Loan Prime Rates (Monday); German IFO (Wednesday); and BoC Minutes (Wednesday). The BoC Minutes are worth a closer look given further progress was seen on inflation following the BoC's most recent meeting. Governor Macklem post that meeting said

that they are *“seeing what we need to see”* on inflation, however, they *“need to see it for longer to be confident”*.

The US earnings season also continues with the big tech names reporting this week. Key names include: Tesla (Tuesday); IBM & Meta (Wednesday); and Microsoft & Alphabet (Thursday)

Important Events Preview

Monday 22

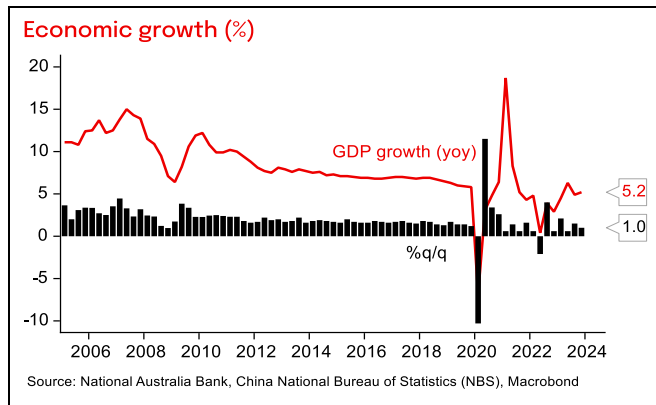
CH China loan prime rate

No change expected to either the 1yr or 5yr rate.

Tuesday 23

EZ/UK/US S&P Preliminary Apr PMI activity

Preliminary PMIs are for April. Financial markets tend to focus more on the EZ and UK, rather than the US which has the well-established ISMs. Global manufacturing activity does appear to be improving with PMIs moving back up to the 50 area. In Europe manufacturing activity remains the laggard, thanks largely to Germany and France, but it has improved of late in the UK to 50.3. One thing to watch out for regarding the manufacturing PMIs is if there is any rise in the price component. For services, the UK continues to enjoy PMIs above 53, while the EZ has also seen a spurt back above 50 in the last two months.



UK BoE Chief Economist Huw Pill

No speech topic available, but given recent wage and inflation prints have been slightly hotter than expected, his views will be important for the timing of prospective rate cuts.

Wednesday 24

AU Q1 CPI

NAB expects Q1 Trimmed Mean CPI of 0.9% q/q and 3.8% y/y, a slight tick up on the 0.8% seen in Q4 2023 (consensus 0.8/3.8). NAB sees the risks as skewed to a 0.8% q/q which is what the RBA forecast back in February (NAB are at 0.86 unrounded). Two reasons Q1 trimmed mean should print higher than Q4 2023 are the drags from the increase to rent assistance and falling goods prices will

not repeat in Q1. For headline NAB expects 0.8% q/q and 3.5% y/y. The data are likely to confirm only gradual progress on domestic price pressures, keeping the RBA on the side lines until later in the year.

EZ German Apr Ifo (less market moving given the PMIs)

CA BoC Minutes and Retail Sales

The BoC Minutes could garner more attention given further progress was seen on inflation following the BoC’s most recent meeting. Governor Macklem post that meeting said that they are *“seeing what we need to see”* on inflation, however, they *“need to see it for longer to be confident”*. How much longer is uncertain and the Minutes may help shed light on that. Markets currently price a 65% chance a rate cut could come at the next meeting in June.

US Durable Goods

Durables will be mostly looked at for what it says about Q1 GDP which is released the next day on Thursday. Consensus for Durables ex transport sits at 0.3% m/m.

Thursday 25

AU/NZ ANZAC Day Public Holiday

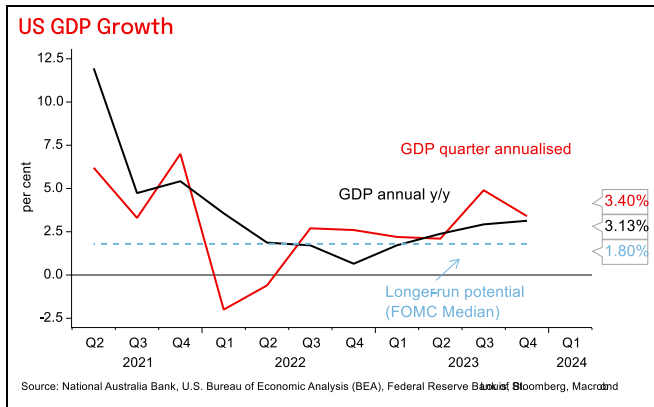
Both sides of the Tasman observe this as a public holiday. Given many will likely take a long weekend amid school holidays in NSW, it could mean thin trading on Friday too.

EZ ECB Consumer 1 & 3-year Mar Inflation Expectations

In February consumers saw 1-year inflation at 3.1% - a low for this cycle, while the 3-year was seen at 2.5%

US Q1 GDP, Jobless Claims, Inventories

US Q1 GDP growth is expected again to be a blockbuster and print well above longer-run potential. The Atlanta Fed’s GDP Now estimate pegs Q1 growth at 2.9% annualised, well above the longer-run potential growth seen by the US Fed of 1.80%. The early consensus sits at 2.5%. The longer that growth remains above potential alongside too high inflation, the greater the likelihood that pushes prospective rate cuts out, as well as starting to shift thoughts to whether policy is tight enough and whether the Fed should actually be hiking rates further rather than cutting them. Note the GDP figures also include the quarter measure of Core PCE inflation, which will provide a good guide to the March month core PCE on Friday.



Friday 26

JN BoJ decision & Tokyo CPI

The BoJ is unlikely to hike rates again so soon after last month’s meeting, especially given softer than expected CPI

data. BoJ Governor Ueda recently did note though the possibility a weak yen could push up trend inflation through rises in imported goods prices “...if the impact becomes too big to ignore, it might lead to a change in monetary policy”. The BOJ will scrutinise how the yen's declines so far this year could affect the economy and prices and take the findings into account in producing fresh quarterly growth and inflation forecasts that are published alongside the meeting.

US PCE deflators and final-Uni Michigan Confidence

March month Core PCE inflation should not surprise given the GDP numbers on Thursday will have the March quarter PCE numbers. Consensus prior to GDP sits at 0.3% m/m, a pace that is too hot for the Fed to contemplate cutting rates until later this year.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

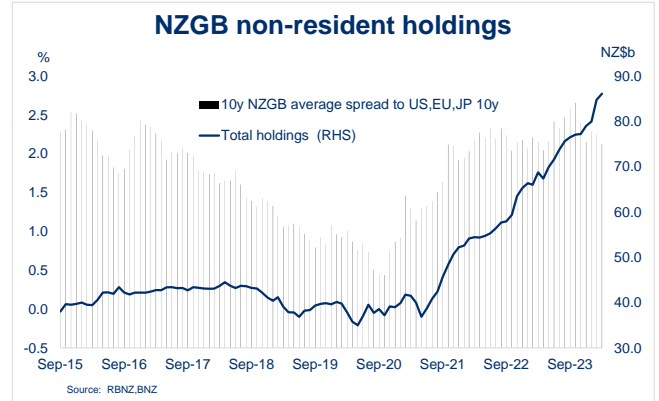
NZ fixed interest yields moved higher during last week, amid crosscurrents from fluctuating investor risk appetite following developments in the Middle East, and further strong US economic data. 10-year New Zealand government bond (NZGB) yields reached a 2024 high, just below 5%, before retracing. The pullback was set against the backdrop of weaker risk sentiment. Global equities remained under pressure, with the S&P drawdown from the late March peak, extending to 6%.

Headline Q1 NZ CPI inflation data printed in line with expectations. The annual rate fell to 4% which is the lowest level since the second quarter of 2021. Core inflation measures were mixed but generally showed a further decline. However non-tradables inflation, a measure of domestic price pressures, remained elevated at 5.8%.

2-year NZD swaps traded up towards 5.2% - the highest level since February - following the CPI data. The market is pricing about 35bps of RBNZ rate cuts in 2024. Given the restrictive monetary policy settings, very weak economic activity and headline inflation forecast to return within the Bank's 1-3% inflation target by the September quarter, we see risks as skewed towards lower front-end rates.

policy makers. Fed Chair Powell commented that recent data shows a 'lack of further progress on inflation'. He also noted it will take longer to gain confidence on inflation and it is appropriate to let policy take further time to work.

Non-resident demand for NZGBs



Non-resident holdings of NZGBs have continued to increase. Offshore investors held NZ\$86 billion at the end of March. This corresponds to 63% of the total outstanding stock after excluding holdings from the RBNZ's quantitative easing portfolio. Non-residents have added NZ\$7 billion in 2024, with demand in March seemingly not impacted, by the contraction in the spread between NZGBs and US treasuries to 3-year lows. The proportion of non-resident ownership in individual NZGB lines is particularly skewed at the long end of the curve where the average offshore holding is close to 80% of outstanding issuance.

US data is consistently above median estimates



US economic activity remains robust. Retail sales beat expectations last week and continues the trend of incoming data consistently surpassing forecasts. The Atlanta Fed GDPNow forecast for Q1 GDP, which is released this week, has increased to 2.9%. The potential growth rate for the US economy is thought to be closer to 2%. Economic momentum suggests there is little urgency for the US Federal Reserve to begin an easing cycle and this has been a consistent theme in speeches by US

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.64	5.63 - 5.65
NZ 2yr swap (%)	5.12	4.80 - 5.21
NZ 5yr swap (%)	4.68	4.28 - 4.78
NZ 10yr swap (%)	4.73	4.34 - 4.83
2s10s swap curve (bps)	-39	-44 - -38
NZ 10yr swap-govt (bps)	-11	-18 - -11
NZ 10yr govt (%)	4.84	4.49 - 4.93
US 10yr govt (%)	4.62	4.18 - 4.69
NZ-US 10yr (bps)	22	18 - 35
NZ-AU 2yr swap (bps)	98	83 - 107
NZ-AU 10yr govt (bps)	59	43 - 59

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week, weaker risk appetite sent the NZD and AUD down to fresh lows for the year, the NZD only finding some support just over the 0.5850 mark. For the week, NZD/USD fell 0.8% to just under 0.5890. On the crosses, there was little net change in the NZD against AUD, JPY and GBP, while EUR and CAD were two of the strongest performers, seeing NZD/CAD and NZD/EUR down 1%.

There were many cross currents affecting currency markets last week. Towards the end of the week, the NZD hit fresh lows for the year after Israel launched a few drones into Iran, retaliating against Iran’s launch of a barrage of projectiles into Israel just over a week ago. Both attacks appear to have been largely symbolic, with no real intent to inflict serious damage. Neither side is seeking a major war. While the risk of a miscalculation is always present, we see ongoing Middle East tensions as likely having only temporary influences rather than a sustained impact on currency markets.

More fundamentally, there was further paring of US monetary policy easing expectations in response to further signs of economic resilience – retail sales were much stronger than expected in March – and hawkish Fed-speak. Fed Chair Powell said recent data show a lack of further progress on inflation and therefore it is appropriate to let restrictive policy take further time to work. A couple of Fed speakers weren’t shy about raising the possibility – however remote – of the need for another policy rate increase.

NZ CPI inflation data were in line with expectations, up 0.6% q/q and 4.0% y/y, with further progress in getting annual headline and core inflation down to 2½ to 3-year lows. However, the market took notice of higher services and non-tradeables inflation, putting some upward pressure on NZ rates, providing some temporary support for the NZD. There was nothing in the data that would have the RBNZ scurrying to bring forward its rate cut agenda.

During the week we revised higher our USD projections. As regular readers know, our projections for a higher NZD/USD exchange rate this year were predicated on the US Fed kick-starting a meaningful easing cycle. Strong US activity and inflation have got in the way of easier policy, forcing us to reassess the outlook.

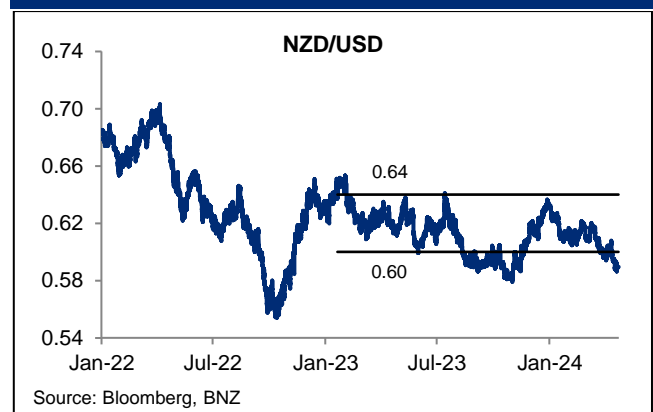
We now see the NZD trading a 0.58-0.62 range through the current quarter. While the NZD has spent most of the past fifteen months stuck in a 0.60-0.64 range, the period of mid-August to mid-November last year saw a weaker trading period, with fresh lows just under 0.58. We see

similar trading conditions prevailing over the current quarter.

Our new projections now show a more pedestrian appreciation in NZD/USD in the second half of the year and into 2025, when the assumed new downward leg for the USD gets underway. Our year-end target is now 0.62, consistent with the previous familiar 0.60-0.64 trading range. We made little change to our cross-rate projections, given this revision was all about the higher-for-longer-trajectory of the USD.

In the week ahead, there will be little domestic news. The next key domestic releases are the labour market reports due next week. This week, the key global releases are US Q1 GDP, expected to show robust growth of an annualised 2.5%, and the core PCE deflator at the end of the week, which should come in a tick weaker than the CPI release earlier this month, at 0.3% m/m. Global PMIs and Australian Q1 CPI data are also released.

A brief return to late last year’s sub-0.60 environment



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5886	0.5850 - 0.6080
NZD/AUD	0.9174	0.9130 - 0.9210
NZD/GBP	0.4756	0.4720 - 0.4790
NZD/EUR	0.5524	0.5510 - 0.5600
NZD/JPY	90.99	90.00 - 92.40

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models		
	Model Est.	Actual/FV
NZD/USD	0.6660	-12%
NZD/AUD	0.8960	2%

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Technicals

NZD/USD

Outlook: Downside risk
 ST Resistance: 0.6080 (ahead of 0.62)
 ST Support: 0.5850 (ahead of 0.5775)

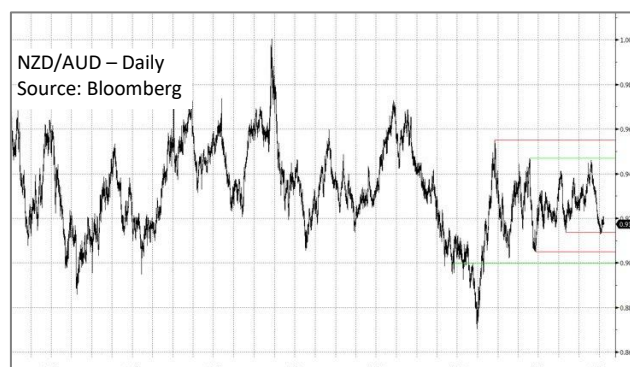
A new YTD low just over 0.5850 last week is a new support level, ahead of last year's low around 0.5775.



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.

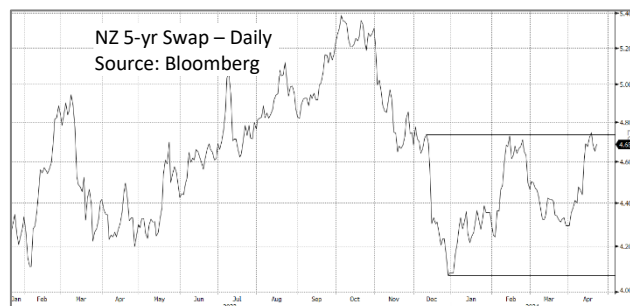


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NZ 5-year Swap Rate

Outlook: Neutral
 MT Resistance: 4.74
 MT Support: 4.07

5y Resistance at 4.74 holding



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

Outlook: Steeper
 MT Resistance: -0.40, -0.28
 MT Support: -0.59

Maintain 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 22 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	0.6	1.0	0.5	0.6	0.4	0.9	0.0
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	4.0	3.5	2.7	2.7	2.7	2.5	2.4	2.0
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	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	0.59	0.64	1.07	1.24	155
Jun-24	0.60	0.65	1.07	1.25	150
Sep-24	0.61	0.67	1.09	1.28	146
Dec-24	0.62	0.69	1.11	1.30	143
Mar-25	0.64	0.71	1.13	1.31	140
Jun-25	0.65	0.72	1.14	1.32	137
Sep-25	0.66	0.74	1.16	1.34	134
Dec-25	0.67	0.75	1.17	1.35	131
Mar-26	0.66	0.74	1.18	1.36	129
Jun-26	0.65	0.73	1.18	1.36	129

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.59	0.92	0.55	0.48	91.5	70.3
Jun-24	0.60	0.92	0.56	0.48	90.0	70.5
Sep-24	0.61	0.91	0.56	0.48	89.1	70.8
Dec-24	0.62	0.90	0.56	0.48	88.7	71.1
Mar-25	0.64	0.90	0.56	0.49	88.9	72.1
Jun-25	0.65	0.90	0.57	0.49	89.1	72.9
Sep-25	0.66	0.89	0.57	0.49	88.4	73.0
Dec-25	0.67	0.89	0.57	0.50	87.8	73.6
Mar-26	0.66	0.89	0.56	0.49	85.1	72.7
Jun-26	0.65	0.89	0.55	0.48	83.9	72.0

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 22 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>	<i>0.6</i>	<i>2.0</i>	<i>0.0</i>	<i>2.0</i>	<i>3.1</i>	<i>2.6</i>	<i>2.2</i>	<i>-0.3</i>	<i>1.2</i>	<i>3.1</i>
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	4.0	2.7	1.8	5.9	7.2	4.7	2.7	2.0
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	0.64	0.66	0.68	0.63	0.62	0.62	0.67
USD/JPY	119	134	150	140	129	114	135	144	143	131
EUR/USD	1.10	1.07	1.09	1.13	1.18	1.13	1.06	1.09	1.11	1.17
NZD/AUD	0.93	0.93	0.93	0.90	0.89	0.95	0.94	0.93	0.90	0.89
NZD/GBP	0.52	0.51	0.48	0.49	0.49	0.51	0.52	0.49	0.48	0.50
NZD/EUR	0.62	0.58	0.56	0.56	0.56	0.60	0.60	0.57	0.56	0.57
NZD/YEN	81.5	83.0	91.1	88.9	85.1	77.4	85.6	89.5	88.7	87.8
TWI	73.9	71.0	71.2	72.1	72.7	73.0	72.9	72.0	71.1	73.6
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 22 April				Thursday (continued)			
UK Rightmove House Prices YoY Apr			0.80%	US Durable Goods Orders Mar P	2.50%		1.30%
EC ECB's Villeroy speaks				EC ECB's Schnabel speaks			
UK BOE's Benjamin speaks				CA Bank of Canada Releases Summary of Deliberations			
UK CBI Trends Total Orders Apr	-16		-18	GE GfK Consumer Confidence May	-26		-27.4
UK CBI Trends Selling Prices Apr	20		21	EC ECB's Schnabel speaks			
Tuesday 23 April				Friday 26 April			
US Chicago Fed Nat Activity Index Mar	0.09		0.05	US GDP Annualized QoQ 1Q A	2.50%		3.40%
EC Consumer Confidence Apr P	-14.5		-14.9	US Initial Jobless Claims Apr-20	215k		212k
EC ECB's Villeroy speaks				US Continuing Claims Apr-13	1810k		1812k
EC ECB's Lagarde Speaks				US Pending Home Sales MoM Mar	-0.30%		1.60%
AU Judo Bank Australia PMI Mfg Apr P			47.3	EC ECB's Panetta speaks			
AU Judo Bank Australia PMI Services Apr P			54.4	NZ ANZ Consumer Confidence Index Apr			86.4
GE HCOB Germany Services PMI Apr P	50.5		50.1	UK GfK Consumer Confidence Apr	-20		-21
EC HCOB EZ Manufacturing PMI Apr P	46.5		46.1	AU PPI QoQ 1Q			0.90%
EC HCOB Eurozone Services PMI Apr P	51.8		51.5	NZ New residential lending, y/y Mar			28.1%
UK BOE's Haskel speaks				NZ RBNZ six-monthly Credit Conditions survey			
EC ECB's Panetta speaks				EC ECB 1 Year CPI Expectations Mar			3.10%
UK S&P Global UK Mfg PMI Apr P	50.4		50.3	EC ECB 3 Year CPI Expectations Mar	2.40%		2.50%
UK S&P Global UK Services PMI Apr P	53		53.1	EC ECB's Centeno speaks			
UK BOE's Pill speaks				JN BOJ Target Rate (Upper Bound) Apr-26	0.10%		0.10%
Wednesday 24 April				Saturday 27 April			
US Philadelphia Fed Non-Manufacturing Activity Apr			-18.3	US Personal Income Mar	0.50%		0.30%
EC ECB's Nagel speaks				US Personal Spending Mar	0.60%		0.80%
US S&P Global US Mfg PMI Apr P	52		51.9	US Real Personal Spending Mar	0.30%		0.40%
US S&P Global US Services PMI Apr P	52		51.7	US PCE Deflator MoM Mar	0.30%		0.30%
US Revisions: Retail Sales				US PCE Deflator YoY Mar	2.60%		2.50%
US New Home Sales Mar	670k		662k	US PCE Core Deflator MoM Mar	0.30%		0.30%
US Richmond Fed Manufact. Index Apr	-8		-11	US PCE Core Deflator YoY Mar	2.70%		2.80%
NZ Trade Balance NZD Mar		-316m	-218m	US U. of Mich. Sentiment Apr F	77.9		77.9
AU CPI YoY Mar	3.40%	3.40%	3.40%	US Kansas City Fed Services Activity Apr			7
AU CPI Trimmed Mean QoQ 1Q	0.90%	0.90%	0.80%	CH Industrial Profits YoY Mar			
AU CPI QoQ 1Q	0.80%	0.80%	0.60%				
EC ECB's Cipollone speaks							
GE IFO Expectations Apr	88.9		87.5				
Thursday 25 April							
NZ ANZAC Day holiday							

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	5.12	5.08	4.83	5.04
1mth	5.60	5.60	5.59	5.37	3 years	4.88	4.83	4.52	4.67
2mth	5.62	5.63	5.61	5.47	4 years	4.74	4.70	4.37	4.45
3mth	5.64	5.65	5.63	5.56	5 years	4.68	4.64	4.30	4.33
6mth	5.62	5.59	5.57	5.65	10 years	4.73	4.66	4.36	4.22
GOVERNMENT STOCK					FOREIGN EXCHANGE				
05/26	4.88	4.86	4.58	4.28	NZD/USD	0.5888	0.5904	0.6003	0.6167
04/29	4.66	4.63	4.33	4.12	NZD/AUD	0.9176	0.9163	0.9179	0.9210
05/31	4.73	4.70	4.41	4.12	NZD/JPY	90.97	91.07	90.89	82.78
05/34	4.86	4.82	4.55	4.19	NZD/EUR	0.5525	0.5557	0.5539	0.5583
04/37	5.01	4.96	4.71	4.30	NZD/GBP	0.4759	0.4744	0.4751	0.4939
05/41	5.12	5.07	4.83	4.36	NZD/CAD	0.8092	0.8140	0.8156	0.8351
05/51	5.11	5.05	4.82	4.26	TWI	70.0	70.4	70.6	70.0
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	57	57	53	76					
Europe 5Y	60	60	55	83					

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