Research

Markets Outlook

29 April 2024

Employment Outpaced?

- **Employment increasing**
- **But doesn't look as strong as labour supply**
- **So we expect the unemployment rate to rise**
- **Putting downward pressure on wage inflation**
- **FSR due Wednesday, any update on DTIs?**

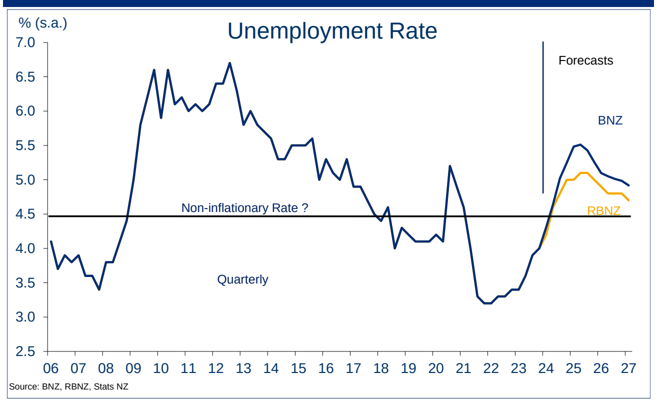
Last week we outlined our thoughts on this week's suite of Q1 labour market reports. In short, we expect they will confirm softening in the labour market although not substantially different from what the RBNZ has forecast.

We remain of the view that net-immigration-driven labour supply is expanding faster than labour demand such that the unemployment rate is expected to rise. We expect both employment and unemployment to rise.

In numbers, we forecast a 0.3% q/q increase in HLFS employment, which, given a steady participation rate and rising working age population, would see the unemployment rate push up to 4.3% from the 4.0% it crept up to in Q4. Market expectations for employment and the unemployment rate are the same as our forecasts. The RBNZ projected 0.1% q/q employment growth and 4.2% for the Q1 unemployment rate in its February MPS.

A softer 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.

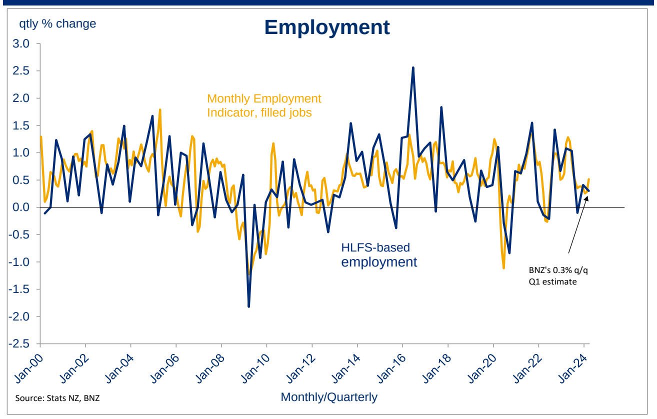
Unemployment rate expected to rise



This morning's March filled jobs indicator rose 0.4% m/m. This suggests some upside risk to our HLFS employment expectations for Q1. This need not lead to downside risk to the unemployment rate as, often, when employment increases so does the participation rate.

While today's filled jobs do support our thinking that employment increased in Q1, the indicators do not provide direct insight into what is happening on the supply side and thus whether the labour market is softening or not.

Employment rising too…



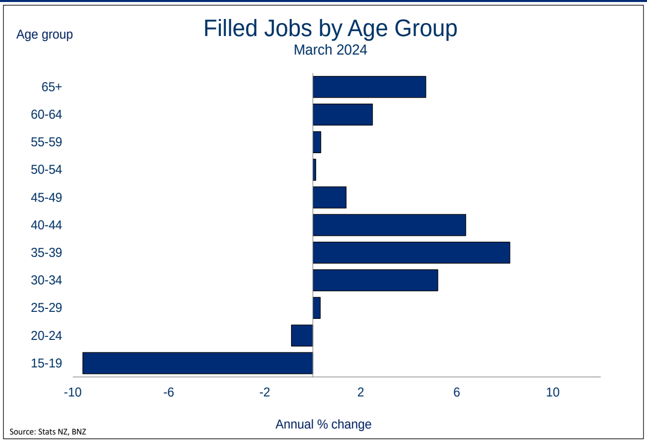
One interesting observation is that we continue to see employment in younger age groups decline. This is in sharp contrast to when the labour market was previously very tight and there was exceptionally strong growth in youth employment.

Today's figures for March show employment in the 15-19 year old age group was 9.6% lower than a year ago and in the 20-24 year old age group employment was 0.9% down on a year earlier.

In contrast, employment growth in the groups from 30-year-olds through to 44-year-olds has been firmly positive. Likewise, for the older age groups. In addition to an aging population, the latter fits with the idea that some are retiring later whether that be by choice or whether some see it as a necessity.

The mix of filled jobs would seem consistent with labour market softening, as indicated by many other indicators from business surveys.

…But not universally



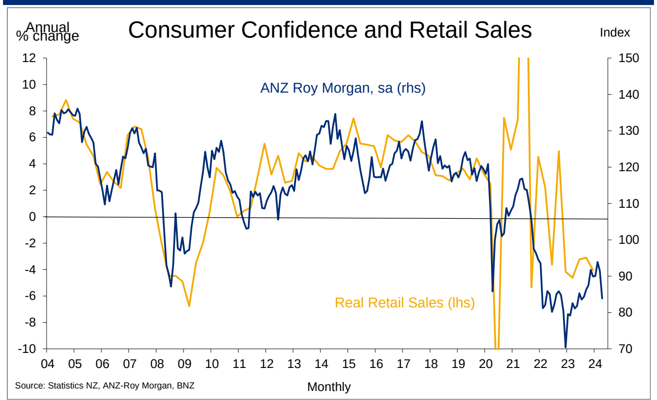
Employment indicators suggests some chance of a positive outcome for Q1 GDP rather than the flat to negative outcome we currently anticipate. But a softening labour market would still add to the case that the economy is tracking along below its potential rate and putting downward pressure on inflation.

Even if GDP manages some lift in Q1 that is not to say we are getting more optimistic on growth ahead. If anything, we are sensing downside risks to our current estimates for Q2 and Q3. This follows from a softening in recent business survey indicators including the QSBO, PMI, and PSI.

Last week's ANZ-RM consumer confidence reinforced the case. It was exceptionally weak in dropping to 82.1 in April from an already weak 86.4 in March. This is consistent with further declines in real spending per capita, and potentially by more than we already forecast. That is a worry for a retail sector already under duress.

Adding to concern is the fact that consumer confidence has dropped so much even with employment expanding and before a forecast loosening in the labour market takes place. It does not bode well for a rapid turnaround in consumer spending.

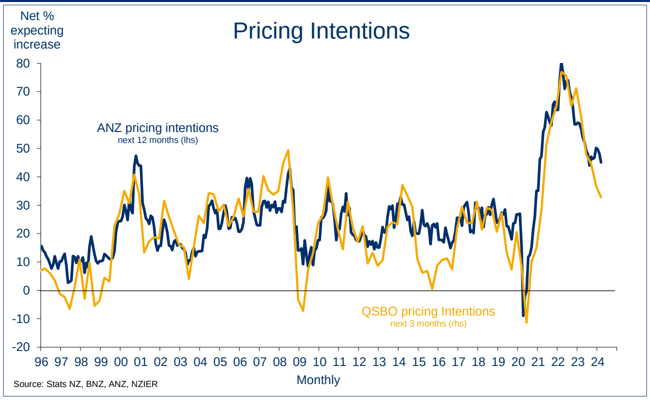
Unhappy



Also notable in last week's consumer survey were two-year ahead inflation expectations. They came in at 4.4%. Not much changed from the previous month's 4.5%, nonetheless more helpful for the inflation fighters that inflation expectations pushed a tick lower rather than a tick higher. Inflation expectations are not that far from the top of the range that prevailed pre-covid, although we suspect the RBNZ would like to see them continue to trend lower.

Other data of interest this week includes the ANZ business opinion survey tomorrow. We think this is prone to generally look a bit softer real-economy wise, if the latest QSBO and other surveys are any guide. Attention will be on the pricing indicators too, including to see if pricing intentions push lower like their QSBO counterparts or not.

Persistent or not?



Wednesday morning sees the RBNZ release its six-monthly Financial Stability Report (FSR). It's due at 9am. We look forward to discussion and analysis of financial system risks and recent stress tests.

The RBNZ released an excerpt from the FSR this morning on dwelling insurance highlighting that insurance premiums have significantly outstripped general inflation over the past decade. While the rising cost of insurance is a significant issue, we, and it seems the RBNZ, continues to see this as predominately a relative price shift rather than anything else. The RBNZ sees insurance premiums are increasingly reflecting detailed assessments of a property's flood and earthquake risk. This suggests monetary policy can look through the direct effects of such on inflation but remain alert to any potential flow on effects. Some of these may be inflationary via pressures from higher costs. But others may be deflationary such as higher insurance premiums being a headwind to property prices.

It seems to us that rising insurance premiums are, in themselves, a tightening in financial conditions. If so, one needs to take that into account when assessing implications for monetary policy.

This has some similarity to not having interest rates in the CPI measure that is the basis for the target of the central bank (which was not the case in times gone by). We say this with a glance at today's Household Living-Costs Price Indexes (HLPI) that showed annual inflation running 6.2%, materially higher than CPI inflation at 4.0%.

One important difference between the two is the treatment of housing. The CPI captures the cost of building a new home, while the HLPIs capture mortgage interest payments. There is good reason to take interest rates out of the target measure for monetary policy. To not do so can lead to policy 'chasing its own tail'.

Also regards the FSR, while it may be too early, there will be some interest to see if there are any updates regarding decisions around the previously proposed DTI restrictions and associated loosening of LVRs for residential lending post the prior consultation period. In any case, it will be worth tuning in to the FSR press conference at 1pm to hear what the RBNZ has to say.

The week's remaining data have a housing theme albeit of a second-tier nature with tomorrow's household credit growth for March, Wednesday's core logic house price index for April, and Thursday's building consents figures for March. We expect the tone to be subdued.

Last week's new residential lending data for March was flat compared to a year ago. It confirms our suspicions that the stronger looking annual growth figures for January and February were effectively all due to last year's severe-weather-affected low base. It suggests annual growth in the stock of household credit in March in tomorrow's figures will remain around the 3% mark.

Residential building consents have been exceptionally volatile over recent months, including the leap day supported 14.9% lift in February. The trend remains downward but has been slowing in pace. Picking the outcome for the number of residential building consent in March is difficult, but we think it will be lower than a year ago, not helped by the timing of Easter this year. Regardless, recent trends point to more downside in actual building activity for some time yet.

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Global Watch

- **Fed seen on hold, but what will Powell say?**
- **US payrolls seen at 250k; unemployment rate steady**
- **EZ annual core inflation seen lower in April**
- **EZ Q1 GDP to show exit from recession**
- **China PMIs seen positive but slower**

Week in review

Australian Q1 CPI last week came in on the high side of expectations, at 1.0% q/q on both the headline and trimmed mean measure. That is stronger than the 0.8% q/q the RBA had pencilled in the February SoMP. Relative to last quarter, consumer durable goods prices rose sharply (they fell in Q4 2023) and strong rents inflation resumed after the one off from higher rent assistance last quarter. Market services inflation also remained unhelpfully stubborn. Those themes were expected, the surprise for NAB was even stronger price rises in health categories than it had pencilled in, and a rise in new car prices.

Recent data means the RBA will need to revise higher their near-term inflation outlook and lower their near-term unemployment outlook at the May meeting, yet another test for the RBA's approach of seeking to do the bare minimum on policy. In NAB's view, below trend growth and the paring of market pricing for cuts means the RBA can still forecast inflation getting back to target by mid-2026, though policy will need to remain modestly restrictive for a good while yet. NAB's long held view is the RBA will cut rates in November.

The yen has continued to slide, USDJPY rose through 155 ahead of the BoJ meeting, when the decision to stand pat on the benchmark rate and signal it would buy bonds in line with its March decision saw the USDJPY move higher still up through 158 a new 34 -year low.

PMIs were robust in Europe, but softer in the US. PMIs have a somewhat patchy predictive record, but they add to the list of indicators suggesting the stubborn exceptionalism in US growth performance should not sustain indefinitely.

Week Ahead in Brief

Ahead of the RBA May meeting and forecast updated on 7 May, there is a flurry of monthly activity reports through the week. March Retail Sales is the pick of the bunch, but coming alongside the goods trade balance, building approvals and private sector credit it is mostly second tier data flow.

For retail sales, NAB has pencilled in a modest 0.1% m/m outcome, marginally below the 0.2% consensus.

It's also a big week globally. The US has Payrolls and the May FOMC. Europe has preliminary April CPI and Q1 GDP. And Earnings season continues with Apple and Amazon the headliners in the week ahead.

The US labour market has been giving the Fed very little fodder to balance the inflation risks evident in recent prices data. The consensus is for Payrolls on Friday to continue that trend, with 250k jobs and an unemployment rate remaining at 3.8%. Ahead of April's Payrolls, March JOLTs and April ADP data are out Wednesday.

The FOMC meeting also ends Wednesday. The FOMC is on hold with no new projections, but with the March dots already feeling dated, Powell's confidence (or otherwise) that recent unhelpful data is a bump in the road rather than something more serious will be key.

In Europe, preliminary EZ April CPI is Tuesday where the consensus is at 2.4% y/y for the headline number and for the core to slow to 2.6% y/y from 2.9%. Country level number ahead of Tuesday will help firm up the risks, including Germany and Spain on Monday. A small positive quarterly growth outcome is expected in Eurozone Q1 GDP, which would see the EZ exit its short-lived technical recession.

Elsewhere, Chinese PMIs and Japanese Jobless rate, Retail Sales, and Industrial Production are all out Tuesday.

Important Events Preview

Monday 29

EZ Germany/Spain CPI

EZ Consumer/Economic Confidence

Tuesday 30

AU Private Sector Credit

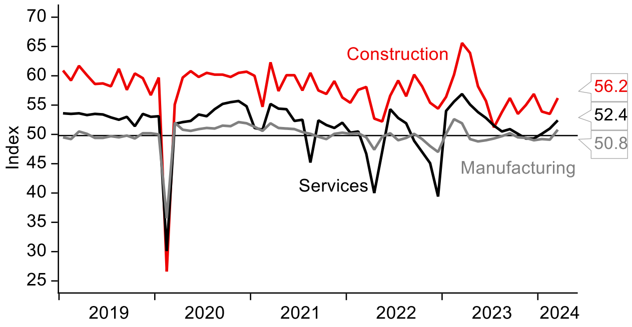
AU Retail Sales

NAB has pencilled in a modest 0.1%m/m gain for March retail sales (consensus 0.2%). Volatility around tricky seasonal adjustment around year-end and black Friday is behind us, but an early Easter and some evidence of a Taylor Swift boost to clothing spending in February do complicate the March numbers a little. Our internal data continues to suggest still sluggish broader consumption growth, and we expect that to be reflected in muted trend growth in the goods heavy retail sales basket.

CH PMIs

Official Chinese PMIs and the Caixin manufacturing PMI are all out Tuesday. Recent outcomes have been encouraging, but expectations are for some of the March pick up to fall away in April, leaving the recovery in activity intact, but far from firm footing.

China Official PMIs



Source: National Australia Bank, China Federation of Logistics & Purchasing, Macrobond

EZ Prelim April inflation
Preliminary HICP inflation for April is expected to rise 0.6% m/m, after a 0.8% rise in March, leaving the annual rate unchanged at 2.4% on early forecasts. Over the coming few months NAB expects headline HICP to drop below 2% with the new June ECB staff forecasts revealing more confidence here. In April, the consensus sees Core inflation declining to 2.6% from 2.9%.

EZ Advance Q1 GDP
EZ advance Q1 GDP is expected to improve to 0.1% q/q from Q4's 0% outturn, taking the annual rate to 0.2% from 0.1%. A positive reading will see the EZ exit its short-lived technical recession. Recent improved services data, which has continued into Q2 with April readings, with better figures from Germany and France suggests the risks are skewed upward for Q1.

US Consumer confidence (Conference Board)

Wednesday 1

US JOLTS & ADP employment
March JOLTs data on Wednesday will be watched for further progress towards labour market balance even as the unemployment rate tracks sideways. The Quits rate is no longer elevated, and job openings are expected to continue to trend lower.

US FOMC May meeting
The FOMC is on hold and there are no new projections on offer at this meeting. The March dots, where the median held on (just) to 3 cuts this year already looks dated. Powell's presser should acknowledge the intervening data flow has failed to build confidence, but focus will be on whether he continues to characterise recent inflation outcomes a blip on an uneven journey back towards target, or something more concerning. Also expect more details on quantitative tightening plans.

Thursday 2

AU Goods Trade Balance
The February trade balance narrowed to $7.3bn, its lowest since August. Falling iron ore export values were only partially offset by higher coal and LNG, while import values surged, up some 4.8% and led by other processed industrial supplies. Iron ore port volumes looked healthier in March, and some pullback in import values is possible, though vehicle imports have been a large source of month-to-month volatility recently. NAB has pencilled in a $8bn surplus for March (consensus $7.3bn).

AU Building Approvals
NAB has pencilled in a 3% m/m increase in building approvals in March. Expectations are for some payback from the volatile apartment approvals series, which declined 25% in February, even as the trend remains mired at low levels.

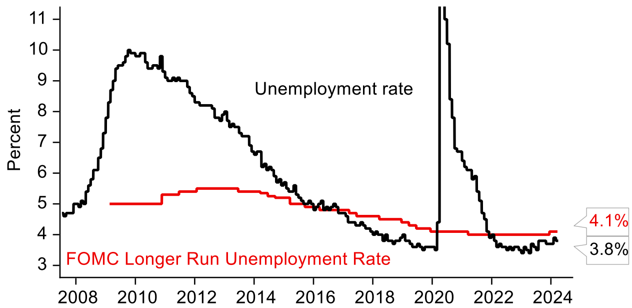
EZ/US/UK Final Apr S&P Manufacturing PMI
Preliminary April manufacturing activity disappointed (while services expanded at increased pace). EZ manufacturing activity slowed further to 45.6 from 46.1, while in the UK manufacturing slipped back into recession from 50.3 to 48.7. In the US this measure of manufacturing activity also slipped marginally from expansion (51.9) to contraction (49.9).

Friday 3

UK Final Apr S&P Services PMI
The UK leads the way in services activity, with the preliminary measure recording a jump to 54.9 from 53.1, consistent with improved GDP over the course of 2024 and sufficient to see the UK exit its H2, 2023 technical recession.

US Payrolls
Consensus is for a 250k gain in Friday's non-farm payrolls number. That's still strong but would be down from last month's 303k outturn. The unemployment rate is seen steady at 3.8%. Hourly earnings growth are seen steady at 0.3% m/m in early forecasts though the 20% increase in the minimum wage for Californian fast food workers skew the risks higher.

US Unemployment Rate and FOMC Longer-run Dot



Source: National Australia Bank, Federal Reserve Bank of St. Louis, U.S. Bureau of Labor Statistics, Macrobond

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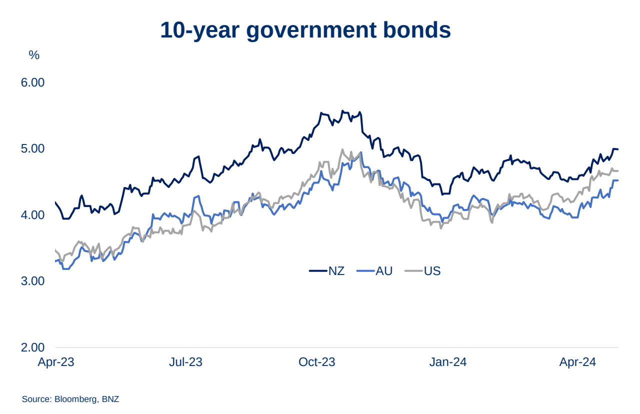
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ fixed interest yields continued to move higher during last week driven by moves in global bond markets. 10-year New Zealand government bond (NZGB) yields reached a fresh 2024 high near 5%. The personal consumption expenditure (PCE) deflator, which is the Federal Reserve's (Fed) preferred gauge of inflation, provided further evidence that US inflation is proving sticky. The release of the quarterly PCE data contributed to 10-year US treasuries trading above 4.70%. Australian Q1 CPI also surprised to the topside, sending AUD rates higher, which also impacted NZ yields.

10-year government bond yields at 2024 highs



10-year treasury yields have increased 90bps from the December low. The adjustment higher has been predominantly driven by real yields - breakeven inflation has increased 20bps to 2.45% – and is fundamentally driven given the series of upward revisions to US growth and inflation forecasts. We think the economic outlook has largely been discounted by the rates market with the first 25bps Fed rate cut now pushed back till December.

The domestic economic backdrop contrasts with that of the US. The NZ economy remains very weak. Consensus growth and inflation forecasts are little changed since the start of the year. We continue to think 2-year swap rates are likely to peak near current levels which correspond with the highs in the leadup to the February Monetary Policy Statement. The market has reduced the amount of RBNZ easing this year to around 25bps. After this repricing, we think risks are skewed towards lower front-end yields.

NZ fixed income benchmarks will have a significant duration extension, because of index rebalancing, with the upcoming maturity of the 15 May 24 nominal NZGB. This will create demand for duration at month end for investors that follow the Bloomberg NZ Bond Treasury Index. The S&P New Zealand Govt Bond Index will have a similar duration extension in the middle of May.

There are several significant catalysts for fixed interest markets in the week ahead. Q1 labour market data is the main domestic economic release. Forward looking indicators for the labour market are soft. We forecast the unemployment rate will increase to 4.3% from 4.0% in Q4 2023. We think labour supply is outpacing labour demand. A weaker labour market is expected to reduce wage pressures and ultimately feed through to lower services inflation.

The Fed is unanimously expected to leave rates on hold at its meeting this week. There won't be updated economic projections, so the market will be interpreting how the Fed's tone shifts, in response to the recent upward surprises to inflation and ongoing resilient activity. As mentioned above, we think the market has largely discounted the shift, by reducing the magnitude and pushing out Fed rate cuts, to later this year.

The Fed is expected to announce changes to its quantitative tightening program. The tapering of the runoff of its treasury portfolio, is largely independent of interest-rate policy, and isn't expected to have significant market impact. In addition, the US Treasury is expected to hold off further increases in its quarterly refunding auctions, particularly with yields at year-to-date highs.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.64	5.00 - 5.65
NZ 2yr swap (%)	5.20	4.80 - 5.22
NZ 5yr swap (%)	4.78	4.30 - 4.80
NZ 10yr swap (%)	4.85	4.37 - 4.87
2s10s swap curve (bps)	-35	-44 - -35
NZ 10yr swap-govt (bps)	-14	-18 - -11
NZ 10yr govt (%)	4.99	4.54 - 5.00
US 10yr govt (%)	4.66	4.19 - 4.74
NZ-US 10yr (bps)	33	18 - 34
NZ-AU 2yr swap (bps)	82	76 - 107
NZ-AU 10yr govt (bps)	47	43 - 58

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week risk appetite recovered, with an associated outperformance of commodity currencies. NZD/USD rose by nearly 1% to 0.5940. The AUD performed even better, following stronger than expected CPI data, resulting in NZD/AUD falling to a 10-month low near 0.9090. JPY fell significantly, not helped by higher US Treasury yields and another dovish policy update by the BoJ. NZD/JPY rose 3.3% to a level not seen since 2007, just over 94.

Last week our risk appetite index recovered from 71% to 80%, alongside a bounce-back in US equities, supported by strong earnings results. This was a headwind for the performance of the USD, while commodity currencies regained some poise.

In addition, US activity data were weaker than expected. US Q1 GDP rose an annualised 1.6%, the softest quarter in nearly two years. The US composite PMI for April fell to 50.9, against a backdrop of stronger composite PMIs across Europe. These data suggested a closing of relative growth performance between the US and Europe, another possible factor for the softer USD.

Furthermore, the US core PCE deflator was stronger than expected, running at an annualised 3.7% in Q1. This imparted an upside bias to US rates as the market further pared the pricing of Fed rate cut expectations. At the end of the week, just 34bps of cuts were priced for 2024, the lowest amount so far this year. That the USD was weaker despite this force hinted that Fed rate expectations might be becoming a less significant force on the USD, with risk appetite and weaker US growth momentum having more influence. Our end-Q1 target for NZD/USD remains 0.60, consistent with a 0.58-0.62 trading range.

Australian CPI data were hotter than expected, the trimmed mean measure up 1% for the quarter and 4% for the year, two-tenths higher than consensus estimates. This is likely to see the RBA revise higher its inflation projections, alongside a lower unemployment rate after recent strength in labour market data. This raised a debate of whether the RBA might have to hike rates again this cycle and drove the AUD higher. A relatively weaker NZ economy versus Australia and a narrowing of NZ-Australia rate differentials have been key factors in our expectations for a weaker cross rate this year. For NZD/AUD, we see a test of last year's low just over 0.90 and ultimately a move into the 0.80s sometime this year.

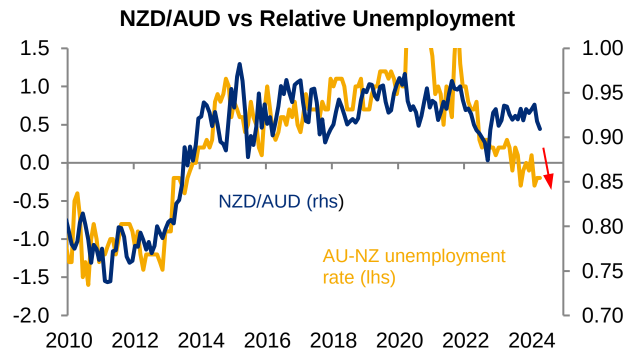
USD/JPY effortlessly charged higher, with no effort by the MoF to intervene and the BoJ's dovish policy update. Governor Ueda seemed unbothered by JPY weakness, adding to selling pressure. The chance of official intervention has risen, so investors need to be prepared for sharp intra-day corrections. We are shocked by the BoJ's lack of concern for the yen. Our projections for a weaker NZD/JPY cross rate assume firmer policy pushback come into play, something that currently seems lacking.

In the week ahead there is plenty of event risk that could perturb currency markets. There are a number of top-tier US economic releases, including ISM manufacturing and services data, the employment cost index and non-farm payrolls.

Focus will also be on the Fed's policy update, where no chance of any move is priced and, with no new forecasts, the tone of Chair Powell's press conference will determine the market impact. A couple of weeks ago, 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.

Elsewhere, China PMI and euro area GDP and CPI data are released. Domestically, the focus will be on labour market reports. Leading indicators point to a sharp imminent lift in NZ's unemployment rate, but this will likely take several quarters to be officially measured.

Still plenty more downside potential for NZD/AUD



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5952	0.5850 - 0.6080
NZD/AUD	0.9119	0.9090 - 0.9210
NZD/GBP	0.4768	0.4720 - 0.4800
NZD/EUR	0.5564	0.5510 - 0.5600
NZD/JPY	93.97	90.00 - 94.10

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6740	-12%
NZD/AUD	0.8910	2%

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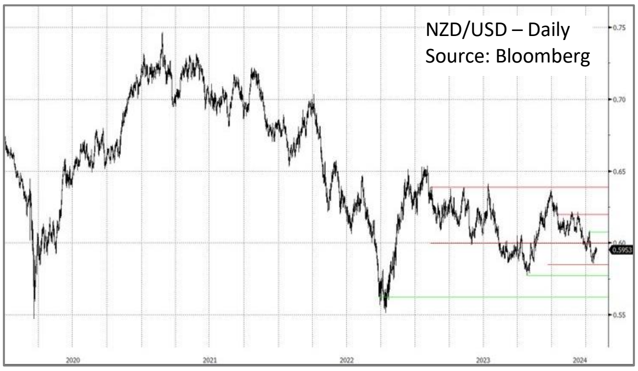
Technicals

NZD/USD

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

Near term support/resistance still seen as 0.5850/0.6080.



NZD/AUD

Outlook:	Downside risk
ST Resistance:	0.92 (ahead of 0.93)
ST Support:	0.9050 (ahead of 0.90)

After a fresh 10-month low last week, we lower support to the next level of 0.9050, with resistance lowered to 0.92.

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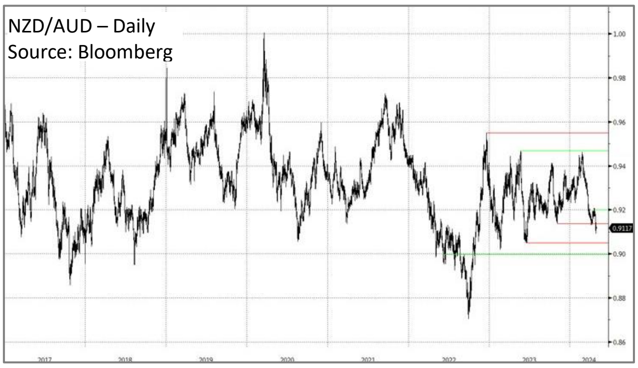
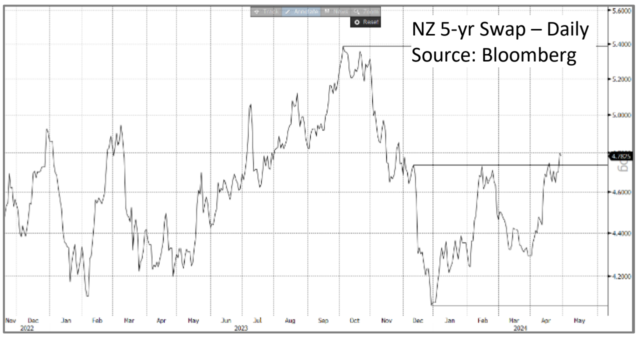


NZ 5-year Swap Rate

Outlook:	Steeper
MT Resistance:	4.74
MT Support:	5.40

5y broke resistance at 4.74, shift to steeper bias, watching 5.40



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

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

Watching short term resistance at -.40, if break through shift target to -0.28.

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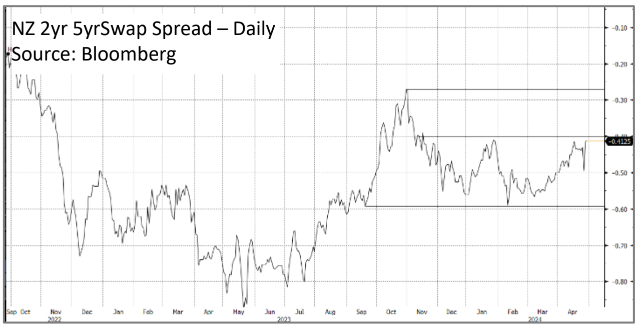

Quarterly Forecasts

Forecasts as at 29 April 2024

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts (shaded)

	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	-6.3	-6.4	-6.2	-5.7	-5.4	-5.1	-4.9	-4.7
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 90 Day Bank Bills	5 Year	10 Year	Swaps 2 Year	5 Year	10 Year	US Rates Libor 3 month	US 10 yr	Spread NZ-US Ten year
2022 Sep	2.83	3.33	3.65	3.77	4.12	3.95	3.95	3.00	3.10	0.67
Dec	4.00	4.27	4.34	4.31	5.10	4.67	4.55	4.50	3.80	0.49
2023 Mar	4.58	4.99	4.27	4.26	5.11	4.51	4.40	4.90	3.65	0.61
Jun	5.42	5.62	4.23	4.27	5.19	4.44	4.30	5.40	3.60	0.68
Sep	5.50	5.66	4.87	4.87	5.54	4.90	4.75	5.65	4.15	0.73
Dec	5.50	5.63	4.48	4.67	4.93	4.43	4.50	5.65	4.00	0.67
2024 Mar	5.50	5.64	4.41	4.64	4.91	4.38	4.40	5.60	4.20	0.44
Forecasts										
Jun	5.50	5.65	4.60	4.90	4.55	4.65	4.70	5.75	4.50	0.40
Sep	5.50	5.50	4.40	4.75	4.15	4.45	4.65	5.50	4.25	0.50
Dec	5.25	5.25	4.15	4.60	3.80	4.20	4.50	5.25	4.10	0.50
2025 Mar	5.00	4.75	4.15	4.60	3.55	4.20	4.60	4.75	4.00	0.60
Jun	4.50	4.25	4.00	4.50	3.35	4.05	4.50	4.50	3.90	0.60
Sep	4.00	3.75	3.90	4.40	3.25	3.95	4.40	4.25	3.80	0.60
Dec	3.50	3.50	3.80	4.35	3.15	3.85	4.35	4.00	3.75	0.60

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.59	0.65	1.07	1.25	158
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	0.91	0.56	0.48	94.1	70.5
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 29 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	0.9	2.5	7.4	3.3	0.3	0.2	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	-2.0	-3.1	4.2	12.0	3.4	-1.1	-4.3	3.1
Stocks - ppts cont'n to growth	0.5	0.0	-1.2	1.0	0.0	1.4	-0.4	-1.1	0.7	0.2
GNE	7.9	2.5	-1.9	0.3	2.7	10.0	3.4	-1.5	-0.8	2.4
Exports	2.5	6.0	7.6	5.2	5.4	-2.7	-0.2	10.0	6.6	5.2
Imports	17.3	4.3	-2.1	0.8	3.9	14.8	4.6	-0.3	-0.7	3.7
Real Expenditure GDP	4.7	2.8	0.3	1.6	3.0	5.9	2.2	0.6	1.3	2.7
GDP (production)	**4.6**	**2.7**	**0.1**	**0.8**	**3.0**	**5.6**	**2.4**	**0.6**	**0.3**	**2.8**
GDP - annual % change (q/q)	*0.6*	*2.0*	*0.0*	*2.0*	*3.2*	*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	4.0	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	-25.9	-23.0	-20.0	-20.6	-33.4	-27.8	-24.0	-21.0
Current Account - % of GDP	-6.6	-8.2	-6.3	-5.4	-4.4	-5.8	-8.8	-6.9	-5.7	-4.7
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-2.7	-2.4	-2.8	-1.7	-0.8					
Net Core Crown Debt (ex NZS)	32.3	34.4	39.3	40.6	41.0					
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	4.15	3.80	2.20	4.30	4.50	4.15	3.80
10-year Govt Bond	3.20	4.35	4.60	4.60	4.35	2.35	4.25	4.65	4.60	4.35
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	4.20	3.90	2.56	4.62	4.43	4.20	3.85
US 10-year Bonds	2.10	3.65	4.20	4.00	3.75	1.45	3.60	4.00	4.10	3.75
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 29 April			
EC	ECB's De Cos speaks			
EC	Economic Confidence Apr	96.7		96.3
EC	ECB's Lane speaks			
	Tuesday 30 April			
GE	CPI YoY Apr P	2.30%		2.20%
EC	ECB's Guindos speaks			
UK	Lloyds Own Price Expectations Apr			57
JN	Jobless Rate Mar	2.50%		2.60%
JN	Retail Sales MoM Mar	-0.20%		1.50%
JN	Industrial Production MoM Mar P	3.50%		-0.60%
NZ	ANZ Business Confidence Apr			22.9
AU	Private Sector Credit MoM Mar	0.40%	0.50%	0.50%
CH	Manufacturing PMI Apr	50.3		50.8
CH	Non-manufacturing PMI Apr	52.2		53
AU	Retail Sales MoM Mar	0.20%	0.10%	0.30%
CH	Caixin China PMI Mfg Apr	51		51.1
NZ	Household Credit YoY Mar			3.00%
GE	Unemployment Claims Rate SA Apr	5.90%		5.90%
GE	GDP SA QoQ 1Q P	0.10%		-0.30%
EC	CPI Estimate YoY Apr	2.40%		2.40%
EC	CPI Core YoY Apr P	2.60%		2.90%
EC	GDP SA QoQ 1Q A	0.10%		0.00%
UK	BOE Releases APF quarterly report			
	Wednesday 01 May			
NZ	CoreLogic House Px MoM Apr			
US	S&P CoreLogic CS US HPI YoY NSA Feb			6.03%
US	MNI Chicago PMI Apr	45		41.4
US	Conf. Board Consumer Confidence Apr	104		104.7
AU	CoreLogic House Px MoM Apr			0.60%
US	Dallas Fed Services Activity Apr			-5.5
NZ	RBNZ Financial Stability Report			
NZ	Unemployment Rate 1Q	4.30%	4.30%	4.00%
NZ	Employment Change QoQ 1Q	0.30%	0.30%	0.40%
NZ	Pvt Wages Ex Overtime QoQ 1Q	0.80%	0.70%	1.00%
AU	Judo Bank Australia PMI Mfg Apr F			49.9
UK	S&P Global UK Mfg PMI Apr F	48.7		48.7
	Thursday 02 May			
US	ADP Employment Change Apr	180k		184k
US	S&P Global US Mfg PMI Apr F	49.9		49.9
US	Construction Spending MoM Mar	0.30%		-0.30%
US	JOLTS Job Openings Mar	8680k		8756k
US	ISM Manufacturing Apr	50.1		50.3
EC	ECB's De Cos speaks			
US	FOMC Rate Decision (Upper Bound) May-01	5.50%	5.50%	5.50%
NZ	Building Permits MoM Mar			14.90%
JN	BOJ Minutes of March Meeting			
AU	Imports MoM Mar			4.80%
AU	Trade Balance Mar	A$7400m	A$8000m	A$7280m
AU	Exports MoM Mar			-2.20%
AU	Building Approvals MoM Mar	3.00%	3.00%	-1.90%
EC	HCOB Eurozone Mfg PMI Apr F	45.6		45.6
EC	OECD Economic Outlook			
	Friday 03 May			
US	Trade Balance Mar	-$69.2b		-$68.9b
US	Initial Jobless Claims Apr-27	210k		207k
US	Continuing Claims Apr-20	1798k		1781k
US	Factory Orders Mar	1.60%		1.40%
US	Durable Goods Orders Mar F	2.60%		2.60%
AU	Judo Bank Australia PMI Services Apr F			54.2
AU	Home Loans Value MoM Mar	1.00%	1.00%	1.50%
AU	Household Spending YoY Mar			
UK	S&P Global UK Services PMI Apr F	54.9		54.9
EC	Unemployment Rate Mar	6.50%		6.50%
	Saturday 04 May			
US	Change in Nonfarm Payrolls Apr	250k		303k
US	Unemployment Rate Apr	3.80%		3.80%
US	Average Weekly Hours All Employees Apr	34.4		34.4
US	S&P Global US Services PMI Apr F	50.9		50.9
US	ISM Services Prices Paid Apr			53.4
US	Fed's Goolsbee speaks			
US	Fed's Williams speaks			
	Sunday 05 May			
US	Fed's Cook 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	5.60	5.59	5.42
2mth	5.62	5.63	5.61	5.50
3mth	5.64	5.65	5.64	5.58
6mth	5.62	5.61	5.57	5.66
GOVERNMENT STOCK				
05/26	4.99	4.94	4.60	4.22
04/29	4.80	4.73	4.37	4.02
05/31	4.87	4.80	4.45	4.02
05/34	5.00	4.93	4.60	4.10
04/37	5.15	5.08	4.75	4.22
05/41	5.26	5.19	4.88	4.28
05/51	5.25	5.18	4.87	4.18
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	52	54	52	78
Europe 5Y	55	58	54	83

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	5.20	5.14	4.80	5.06
3 years	4.95	4.90	4.51	4.65
4 years	4.83	4.77	4.36	4.41
5 years	4.78	4.71	4.30	4.29
10 years	4.85	4.76	4.37	4.17
FOREIGN EXCHANGE				
NZD/USD	0.5949	0.5919	0.5953	0.6167
NZD/AUD	0.9109	0.9178	0.9173	0.9302
NZD/JPY	93.94	91.64	90.28	84.78
NZD/EUR	0.5561	0.5556	0.5542	0.5618
NZD/GBP	0.4765	0.4793	0.4743	0.4935
NZD/CAD	0.8132	0.8109	0.8079	0.8352
TWI	70.5	70.3	70.4	70.6

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