Research

Markets Outlook

6 May 2024

Softening Affirmed

- **Labour market expected to soften further**
- **Q1 jobs data provide no clarity on quarterly GDP growth**
- **Crown accounts to confirm pressure on tax revenues?**
- **Water deal to take edge off inflationary pressures**
- **PMI, concrete production, commodity price data due**

Last week's Q1 labour market data affirmed our view of a softening market. It wasn't just the unemployment rate matching our expectations of 4.3%, but a range of indicators moving in a loosening direction. It was more evidence supporting our main thesis that labour supply is continuing to outstrip labour demand.

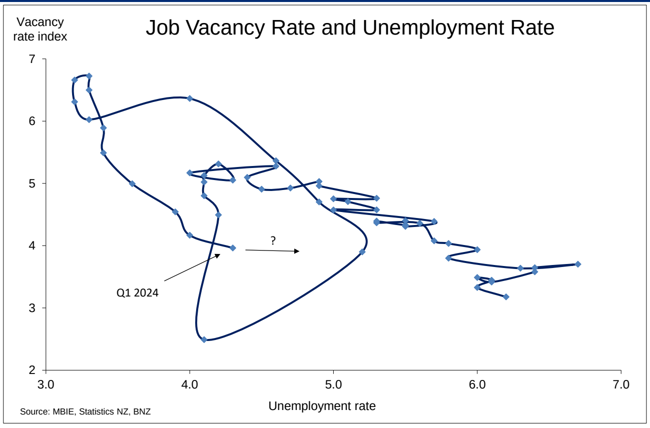
We have thought for quite some time that strong labour supply has been enabling some employment by filling previously vacant positions. But, at the same time, there has been limited, if any, net additional demand for labour. At some point the vacant positions are filled, employment growth stalls, and the dynamics of labour supply outstripping demand becomes even more evident in the likes of the unemployment rate. This is how things seem to be playing out with an accelerating unemployment rate.

Weak employment intentions in the ANZ business survey last week are consistent with ongoing soft labour demand. SEEK job ads have been trending lower. We get the latest figures for April this week. Meanwhile, MBIE data through to March show job vacancy rates have fallen, but the rate of decline has slowed. As well as showing less jobs are available, it fits with the notion that remaining job vacancies are in more difficult positions to fill. As vacancy rates have dropped, the unemployment rate has risen.

Our forecasts see the unemployment rate heading for 5.5% in calendar 2025. The corollary being further downward pressure on wage inflation.

As we said in our note on the labour market last week, the unemployment rate was 0.1% higher than the 4.2% expected by the RBNZ. While a relatively insignificant difference, we think the deviation is a sign of things to come. This will keep pressure on the RBNZ to ease a little sooner than the Q2 2025 its February MPS intimates. That is not to imply we think the RBNZ is in any rush to alter course. Importantly, wage inflation was in line with RBNZ expectations.

Job Vacancies Lower, Unemployment Rising



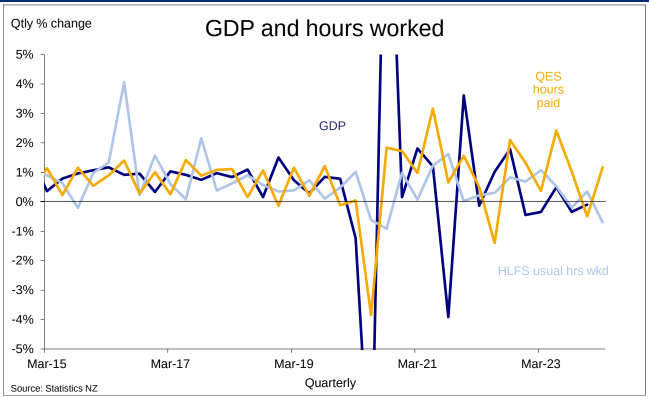
Understandably, there seemed no sense of surprise from RBNZ comments last week. At the Financial Stability Report release, Deputy Governor Chirstian Hawksby noted that the economy's supply/demand balance is evolving broadly as expected. Similar sentiment was expressed by Bank officials at Parliament's Select Committee the following day.

With the Q1 labour market data out of the way, attention turns to what information could move the dial next. While it all matters, on the local calendar the upcoming Budget and all things inflation are the releases that could have more significance than most for the Bank's view. While the Q2 CPI will be of interest we think the Q3 CPI, not due for release until October, will be the one that really matters. That's when annual inflation is forecast to be back inside the target band. We currently project 2.7% y/y for Q3 CPI, similar to the RBNZ's February MPS view of 2.6%.

Speaking of Q3, it is that quarter when the vast bulk of local authority rates come through the inflation figures. It is well known very large increases are in the pipeline. To the extent that the weekend deal struck between the Government and Auckland Council around Auckland's water will reduce rates' inflation in the super city this year, it will take the edge off the amount that higher local authority rates will lift the CPI in Q3. But water is but one component, local authority rates will still make a significant positive contribution to this year's Q3 CPI.

Returning to last week's mass of labour market information for one final comment: the details provided no clear direction on Q1 GDP growth. Those looking for weakness could point to the 0.2% dip in employment or reach for the 0.7% drop in HLFS usual hours worked. Those looking for strength might lean toward the 0.7% gain in QES filled jobs or highlight the 1.2% jump in QES paid hours. Take your pick!

No clarity here



Certainly nothing definitive there to have us change our initial thoughts on flat to negative for Q1 growth. But the balance does give a sense of some upside risk to our view. This is at the same time as we see accumulating downside risk to our growth forecasts for later in the year. None of it changes our bigger picture view that the economy continues to bounce along the bottom.

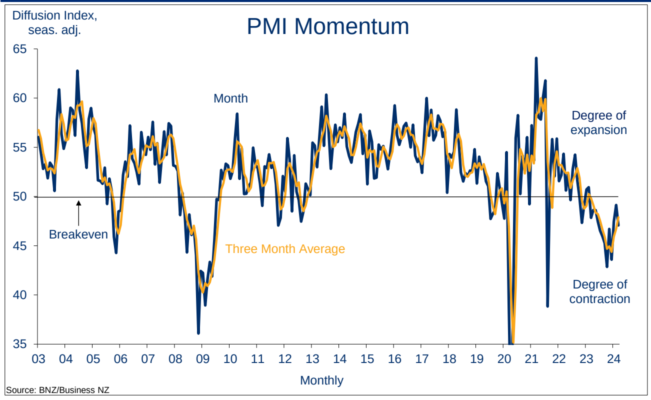
There is no top tier NZ data out this week. But a few indicators covering the fiscal accounts, activity, and commodity prices will be worth monitoring.

The Crown Financial Statements for the 9-months to March are out Tuesday. These will be the last monthly update ahead of the Budget on 30 May. We wouldn't be surprised to see further signs of pressure on the accounts from the economy underperforming Treasury forecasts.

In the previous month, core crown tax revenue was running 0.6% below forecast. Core crown expenses were running under expectations but Treasury suggested that was mainly a timing issue. If expenditure timing differences were to resolve and the tax take maintain its sub-forecast trajectory, the (OBEGAL) operating deficit would push further below Treasury's earlier expectations.

Regards activity, Friday's PMI for April will be watched after it slumped to 47.1 in March. And Q1 concrete production on Thursday will give a loose guide to construction in the quarter – we have seen nothing to disturb the clear downtrend from the eight consecutive quarterly declines already completed through to the end of last year.

What follows April's slump?



This week's commodity price updates are already underway with the ANZ index for April. The 0.5% increase in world prices in the month (driven by a jump in aluminium prices) was not quite as much as we had pencilled in, but it does support the case that the terms of trade is making some partial recovery in the first half of 2024 from its hefty decline last year.

The GDT dairy auction in the early hours of Wednesday morning will provide the very latest on dairy prices, with early indicators suggesting a moderate pullback following gains in April. NZ makes very little milk at this time of year, but current pricing helps shape milk price forecasts and risks for the next dairy season starting 1 June.

doug_steel@bnz.co.nz

Global Watch

- **Fed speakers be in broad agreement with Powell?**
- **BoE, RBA seen on hold – but with differing tones**
- **China services PMI seen broadly holding up**
- **China President Xi in Europe**

Week Ahead in Brief

The calendar shows a quiet week ahead, but there are a couple of key events to watch out for. In Australia, the RBA decision (Tuesday) and forecast update dominate and is likely to strike a noticeably different tone to the BoE (Thursday), while markets are split as to whether the Riksbank (Wednesday) will cut rates.

All but one of 21 forecasts in the Bloomberg survey expect the RBA on hold. While NAB also expect a hold, a tilt back towards a tightening bias after what many interpreted was a neutral bias at the March meeting is likely. The substance of the SoMP forecasts and communication should reflect a risk profile that feels less balanced than the RBA's characterisation in March.

The RBA will need to revise higher their near-term inflation outlook and lower their near-term unemployment outlook. But activity growth remains slow and new forecasts will be conditioned on higher for longer policy (given the shift in market pricing since February), so NAB's central case remains that the RBA will continue to assess they are making progress towards their goals even as recent data flow should challenge their comfort policy settings are sufficiently restrictive. NAB continues to expect that the RBA will hold rates until November when NAB has pencilled in the first cut.

Otherwise, there is little on the Australian data calendar with only Q1 retail volumes on Tuesday of note, which are expected to confirm a small decline in retail spending.

In the UK, the BoE's May meeting remains too early to start cutting rates, but market pricing currently sees June as a 40% chance and are over 90% priced for a cut by August. The May meeting also sees updated forecasts in the Monetary Policy Report. Q1 GDP data for the UK is on Friday, while Monday is a bank holiday.

In the US, the data calendar is light, with University of Michigan consumer sentiment on Friday the highlight. With Powell continuing to frame the current juncture as how long to hold, rather than meaningfully entertaining the risk of a hike, the full calendar of post-FOMC fed speak will be instructive for whether there is broad agreement with Powell's characterisation that the FOMC believes over time policy will prove sufficiently restrictive. A fireside chat with New York's Williams on Monday stands out. The Senior Loan officers survey is also on Monday.

China sees the Caixin services PMI (Monday) and trade data (Thursday), while geopolitics will also be in focus for trade and investment implications with President Xi on a five day tour of Europe from Sunday, his first EU visit in 5 years. Credit numbers are due in the week from Thursday.

In Europe, the final PMIs and ECB April Minutes (Friday) headline a very quiet calendar.

Important Events Preview

Monday 6

CH Caixin Services PMI
Expectation are for the Caixin version to ease marginally to 52.5 in April from 52.7 in March.

US Fed's Williams in a fireside chat
US Fed's Senior Loan Officers Survey

Tuesday 7

AU Retail Sales Volumes
Nominal retail sales slid in March to eke out only 0.2% q/q in nominal terms. NAB's mapping from CPI suggests the retail deflator rose 0.6% q/q, implying a volumes fall of 0.4% q/q. That decline would be consistent with NAB's expectation for flat to marginally positive consumption growth in Q1. Note retail sales reflects only about a third of household consumption and is heavily skewed towards goods spending. Of note, cafes, restaurants and takeaway food services, a rare services spending indicator, was 1.0% higher q/q, consistent with positive growth in volume terms.

AU RBA & SoMP
In contrast to most of the RBA's advanced economy peers, the RBA's stripes as a reluctant hiker leave the near-term risks from May to August to a hike rather than a cut even at this late stage of the tightening phase. That said, NAB does not expect the RBA to hike and continues to see the RBA on hold until November, a view held since NAB dropped its earlier expectation for an additional hike to 4.6% in January, partly in recognition of the RBA's reluctance to take out additional insurance that inflation would return to target in an acceptable time frame.

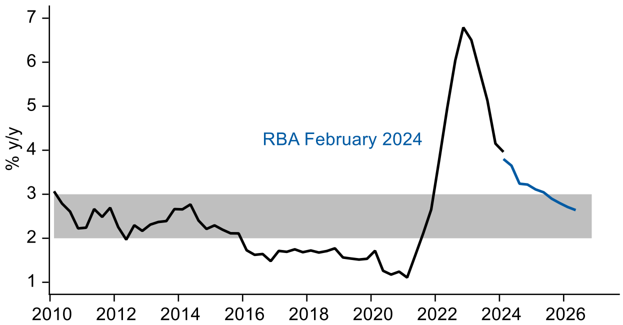
Even still, the RBA's successive shift to a more neutral stance over the past few meetings was premature. Labour market cooling and progress on inflation haven't gone the RBA's way as quickly as it had expected in February, but below trend growth will continue to give the RBA enough confidence they are making progress reducing excess demand to stay on hold.

In March, the substantive guidance was the Board is 'not ruling anything in or out.' Before that, February communicated it was 'a further increase' that couldn't be ruled out. NAB expects a sentiment more like February than March, though with market pricing having moved materially to entertain only one cut out to the end of 2025, the RBA won't feel pressured to sound overly hawkish. The RBA under Bullock has also been more circumspect about forward guidance, and so may prefer to keep their options more fully open.

Regardless, with a full SoMP and forecast update to digest alongside the 2:30 announcement, and a presser from 3:30, the framing there should prove more revealing about the RBA's comfort things remain on track.

The RBA will need to revise higher their near-term inflation outlook and lower their near-term unemployment outlook at the May meeting. Further out, the paring of market pricing for cuts over the past three months, and a slew of market economists delaying cut expectations, means the 'hybrid path' underlying the forecasts will imply tighter-for-longer policy that can weigh on their growth outlook and mute the passthrough to their mid 2026 inflation forecast of 2.6%.

Underlying Inflation Forecasts



Source: National Australia Bank, ABS, RBA

Wednesday 8

SE Riksbank

The Riksbank at its March meeting and left the door wide open to a cut in May or June. The Swedes may well be next among G10 central banks to follow the Swiss to cut but may be reticent to move too far ahead of the ECB. Markets are 47% priced for a cut on Wednesday. Should the Riksbank cut, it would again highlight Europe is at the vanguard of a prospective global easing cycle – with monetary policy divergence to persist until late 2024.

Thursday 9

CH Trade Balance

UK Bank of England

The BoE is universally expected to hold rates steady once again at 5.25%. Alongside the pullback in pricing of US rate cuts, markets have trimmed their expectations for the BoE too with almost two cuts priced for end Dec. NAB's view remains for three cuts starting in August (22bps priced) but the risks are skewed to fewer all the while the Fed is seen staying on hold. NAB expects the BoE decision to be another 8:1 vote with dove Dhingra calling for a cut.

The BoE will release its Inflation Report with new projections for CPI and GDP as well as unemployment. In February the BoE forecast CPI dropping to 2% in Q2 on the then market path and to 1.9% in Q2 on unchanged rates. NAB remains of the view UK CPI will drop to between 1% and 2% over the next few months and as such expect the new BoE inflation track to also ease a little in the coming quarters, but likely push back above 2% in 2025.

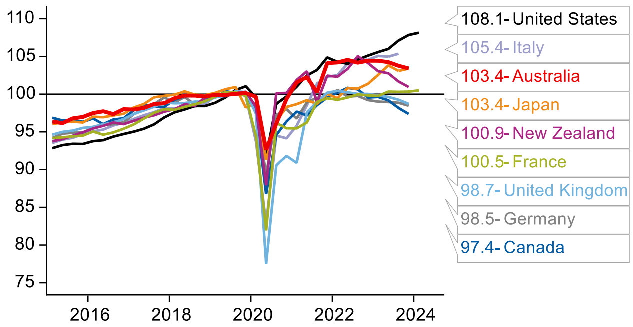
In February the BoE introduced new language that the restrictive stance of monetary policy was 'bearing down on inflationary pressures' (as well as weighing on economic activity and leading to a looser labour market). It noted then that the stance of monetary policy could remain restrictive even if Bank Rate were reduced.

Friday 10

UK EQ1 Preliminary GDP

Q1 preliminary GDP is expected to pick up and pull the UK out of its H2, 2023 technical recession. The consensus view for GDP is +0.4% q/q after -0.3% in Q4.

GDP per Capita by Country



Source: National Australia Bank, National Sources

CA April Employment

The final labour market update ahead of the Bank of Canada's 5 June meeting, which is very much live and a cut is currently 2 thirds priced by markets. Expectations are for the April data to confirm a labour market that has softened materially, no longer posing much of a threat to the inflation outlook and providing a balancing concern for the BoC to its inflation objective. The unemployment rate is seen up another tenth, to 6.2%.

US University of Michigan Consumer Sentiment

taylor.nugent@nab.com.au / doug_steel@bnz.co.nz

Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ fixed interest yields declined last week set against the backdrop of first-tier domestic and international economic data. In NZ, there was further confirmation that weak economic activity and elevated net migration is contributing to a softer labour market. The unemployment rate reached a 3-year high of 4.3% and the labour cost index increased 3.8%, down from a peak of 4.5%, which should reduce inflationary pressures.

The overnight interest rate swap market is pricing close to 45bps of RBNZ rate cuts by the end of the year. The amount of easing increased last week in part due to the labour market data. The market had priced 25bps of easing only a week ago. 2-year swap rates, which peaked close to 5.2%, have retraced back below 5%, aligned with the markets' reassessment of RBNZ monetary policy.

Recent price action increases our confidence that levels up towards the 5.20%-5.30% region - which correspond with the February and April highs - will form strong resistance for 2-year swap rates. The market is likely to retain some probability of an earlier RBNZ pivot towards an easing cycle, relative to the Bank's projections in February, given the very weak economy. We estimate fair value for 2-year swaps is around 4.7%, based on our core scenario that the RBNZ easing cycle begins in November.

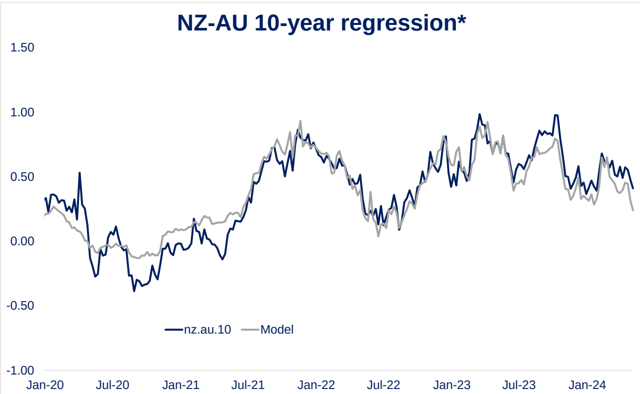
US growth and inflation surprises

Source: Citibank, Bloomberg

10-year NZ government bond yields have retraced from 2024 highs near 5% aligned with moves in US treasuries. US yields declined following the May FOMC, where Fed Chair Powell suggested it was unlikely that the next move would be a hike, and repeatedly outlined its focus was on the timing of the easing cycle. After three consecutive months of upside surprises to CPI data this year, the market was alert for a more hawkish statement by the Fed.

Weaker than expected US labour market data and a soft services ISM also contributed to lower treasury yields. The data continued a recent series of weaker than expected activity indicators for the US economy. The Citi economic surprise index, which measures actual data relative to expectations, has fallen sharply since mid-April and is now below zero. The market is pricing about 45bps of Fed rate cuts for this year, up from a minimum of 25bps in the lead up to the FOMC last week.

Compression in NZ-AU spreads



Source: BNZ, Bloomberg *regression on 1y3m rate differentials

NZ-AU 10-year government spreads have contracted toward 35bps, the tightest level since early January. The move has been driven by the reassessment of the relative central bank policy outlooks. The RBA is expected to tilt back towards a tightening bias at its policy meeting tomorrow given labour market resilience and the upside surprise to Q1 inflation data. We estimate fair value for the 10-year government spread to be around 25bps, based of the relative monetary policy outlook, which is marginally tighter than current levels.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.63	5.63 - 5.65
NZ 2yr swap (%)	4.98	4.87 - 5.22
NZ 5yr swap (%)	4.54	4.39 - 4.80
NZ 10yr swap (%)	4.62	4.46 - 4.87
2s10s swap curve (bps)	-35	-39 - -32
NZ 10yr swap-govt (bps)	-16	-16 - -11
NZ 10yr govt (%)	4.78	4.57 - 5.00
US 10yr govt (%)	4.51	4.30 - 4.74
NZ-US 10yr (bps)	28	18 - 30
NZ-AU 2yr swap (bps)	67	67 - 107
NZ-AU 10yr govt (bps)	37	37 - 57

*Indicative range over last 4 weeks

stuart_ritson@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week the USD was broadly weaker, while JPY surged after official intervention to support the currency. There was some spillover impact of the latter for the NZD and AUD. NZD/USD closed the week up 1.2% to back above the 0.60 mark. NZD/AUD was flat just under 0.91 after trading at a fresh 10-month low. NZD/JPY was highly volatile and fell over 2% to just under 92. The NZD made modest gains against EUR and GBP.

Two key dynamics were in play last week driving currency markets, a weaker USD and volatility in JPY. The USD was broadly weaker, after softer economic data and a more dovish Fed update than expected. On the data front, US consumer confidence, key ISM manufacturing and services indices, and non-farm payrolls were all notably weaker than expected. While the employment cost index was stronger than expected, average hourly earnings fell to a near three-year low of 3.9% y/y. Reflecting the run of weaker data, Citigroup's US economic surprise index fell to a 15-month low.

The Fed's policy update noted the lack of further progress toward the Committee's 2% inflation objective. But Chair Powell was keen to hose down views that the Fed could tighten again this cycle, given policy was already seen to be restrictive enough. He seemed much happier to convey the message that the next move would be a cut, but that depended on receiving some more inflation-friendly data. By the end of the week, the market had priced more easing into the curve for 2024 (45bps), and the first full rate cut brought forward to November. The path of the USD remains sensitive to Fed rate pricing.

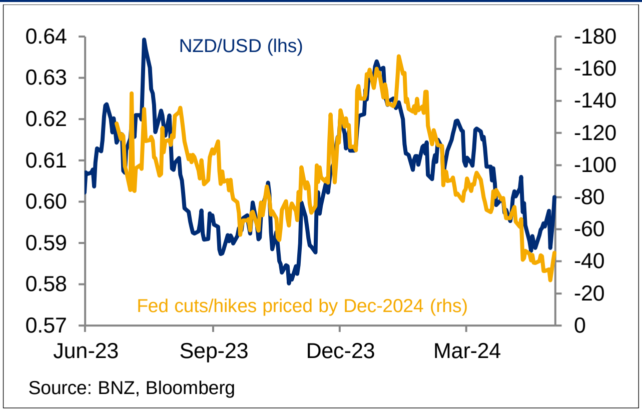
The yen has been a key factor for the performance of the NZD this year. The relationship has been a weak yen putting downward pressure on the yuan and spillover into the NZD, AUD and other Asian currencies. After the yen tumbled, sending USD/JPY up through 160 last Monday, official intervention was triggered to end the one-way bet. Market estimates are that just under USD60b was spent in two separate intervention episodes on Monday and Thursday. USD/JPY fell over 3% for the week and, after a brief look above 95, NZD/JPY closed the week just under 92, after going sub-91 during a period of heightened volatility. High volatility in the yen will discourage further speculative activity. To the extent that the yen has now found a floor, this headwind for the NZD, in play all year, has now likely been extinguished.

Key NZ labour market data were in line with expectations, with the unemployment rate rising to a three-year high of 4.3% and annual labour cost inflation falling to an 18-month low of 3.8%. The message was one of a clear easing in labour market pressures, driving weaker wage inflation. With recessionary economic conditions lingering, the unemployment rate is well on its way towards rising further, indeed the pace of increase could well pick up, as it stretches towards 5½%, paving the way for further disinflationary pressure. For the NZD, global forces remain far more important than domestic forces.

After last week's data and price action, we are tempted to suggest that the low for the NZD has now passed. Our projections have been for the NZD to trade in a 0.58-0.62 range this quarter. The bottom end of the range hasn't been tested and, dare we say, now probably won't be. More US data like that received last week and a further bringing-forward of Fed easing, would support a higher trading range developing later this year.

The week ahead is quiet on the economic calendar. There will be a number of Fed speakers doing the rounds, policy updates by the RBA and the BoE (both on-hold with policy) and UK GDP data. In the RBA update tomorrow, the Bank will need to acknowledge the positive inflation surprise and lower unemployment rate trajectory, so the tone of the statement should be more hawkish than the last neutral one.

NZD/USD remains sensitive to Fed rate pricing outlook



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6009	0.5850 - 0.6050
NZD/AUD	0.9078	0.9070 - 0.9210
NZD/GBP	0.4790	0.4700 - 0.4800
NZD/EUR	0.5582	0.5510 - 0.5600
NZD/JPY	91.90	90.00 - 95.40

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6730	-11%
NZD/AUD	0.8890	2%

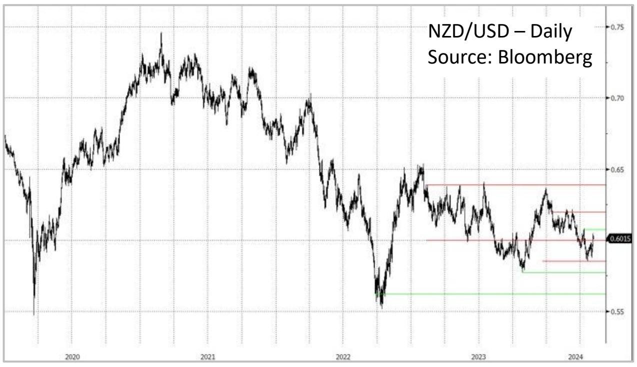
Jason.k.wong@bnz.co.nz

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.

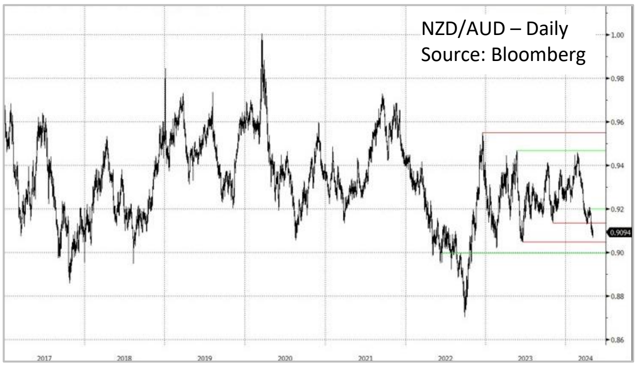


NZD/AUD

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

With downward momentum, we're watching 0.9050 as a short-term level of support, ahead of 0.90.

jason.k.wong@bnz.co.nz



NZ 5-year Swap Rate

Outlook:	Neutral
MT Resistance:	5.40
MT Support:	4.06

5 year swap continues to be very volatile it appears to have been a false break last week. We may revise resistance lower again should the level around 4.80 continue to hold. Given the level of volatility we hold a neutral outlook for now.

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

Outlook:	Steeper
MT Resistance:	-0.38
MT Support:	-0.59

The 2y-5y swap spread continues to challenge our resistance level but has failed to break through and remains in the relatively tight range we have seen thus far in 2024.

matthew.herbert@bnz.co.nz

Quarterly Forecasts

Forecasts as at 6 May 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	-6.3	-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	0.0	0.4	-0.2	0.0	0.1	0.2	0.3	0.5	0.6	0.7
Unemployment rate %	3.9	4.0	4.3	4.7	5.1	5.3	5.5	5.5	5.5	5.3
Avg hourly earnings (ann %)	7.1	6.6	4.8	4.1	3.0	3.3	3.9	3.4	3.2	3.0
Trading partner GDP (ann %)	3.1	3.3	3.2	2.9	2.8	2.8	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	3.75	4.20	4.50	5.25	4.10	0.50
2025 Mar	5.00	4.75	4.10	4.60	3.45	4.15	4.60	4.75	4.00	0.60
Jun	4.50	4.25	3.95	4.50	3.25	4.00	4.50	4.50	3.90	0.60
Sep	4.00	3.75	3.85	4.40	3.20	3.90	4.40	4.25	3.80	0.60
Dec	3.50	3.50	3.90	4.35	3.30	3.95	4.35	4.00	3.75	0.60

Exchange Rates (End Period)

	USD Forecasts					NZD Forecasts					
	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.60	0.66	1.08	1.26	153	0.60	0.91	0.56	0.48	92.1	70.8
Jun-24	0.60	0.65	1.07	1.25	150	0.60	0.92	0.56	0.48	90.0	70.9
Sep-24	0.61	0.67	1.09	1.28	146	0.61	0.91	0.56	0.48	89.1	71.2
Dec-24	0.62	0.69	1.11	1.30	143	0.62	0.90	0.56	0.48	88.7	71.5
Mar-25	0.64	0.71	1.13	1.31	140	0.64	0.90	0.56	0.49	88.9	72.4
Jun-25	0.65	0.72	1.14	1.32	137	0.65	0.90	0.57	0.49	89.1	73.2
Sep-25	0.66	0.74	1.16	1.34	134	0.66	0.89	0.57	0.49	88.4	73.4
Dec-25	0.67	0.75	1.17	1.35	131	0.67	0.89	0.57	0.50	87.8	74.0
Mar-26	0.66	0.74	1.18	1.36	129	0.66	0.89	0.56	0.49	85.1	73.1
Jun-26	0.65	0.73	1.18	1.36	129	0.65	0.89	0.55	0.48	83.9	72.4
						TWI Weights					
						14.5%	17.7%	9.5%	3.4%	5.6%	

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

Annual Forecasts

Forecasts as at 6 May 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	1.3	0.6	2.5	3.3	1.7	2.7	0.1	2.1
Unemployment Rate %	3.2	3.4	4.3	5.5	5.1	3.2	3.4	4.0	5.3	5.3
Wages - ahote (private sector)	5.3	8.2	4.8	3.9	3.0	4.1	8.1	6.6	3.3	3.0
Productivity (ann av %)	1.8	0.5	-2.4	0.4	1.2	3.6	0.2	-2.3	-0.2	1.4
Unit Labour Costs (ann av %)	4.6	6.5	8.5	3.8	2.0	2.4	6.5	8.8	4.9	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	72.4	73.1	73.0	72.9	72.0	71.5	74.0
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	3.00	0.92	4.55	5.63	5.25	3.50
5-year Govt Bond	2.90	4.40	4.60	4.10	3.90	2.20	4.30	4.50	4.15	3.90
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	3.45	3.45	2.22	5.21	4.93	3.75	3.30
5-year Swap	3.20	4.50	4.40	4.15	4.00	2.56	4.62	4.43	4.20	3.95
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 06 May			
EC	ECB's Simkus, Vujcic, Muller, Vasle speak at forum in Vilnius			
AU	Melbourne Institute Inflation YoY Apr			3.80%
NZ	ANZ Commodity Price MoM Apr			-1.30%
AU	ANZ-Indeed Job Advertisements MoM Apr			-1.00%
GE	HCOB Germany Services PMI Apr F	53.3		53.3
EC	HCOB Eurozone Services PMI Apr F	52.9		52.9
EC	Sentix Investor Confidence May	-5		-5.9
EC	ECB's Villeroy speaks			
EC	ECB's Nagel, Panetta, RBI's Das speak			
EC	EU Commission Economic Forecasts			
	Tuesday 07 May			
US	Fed's Barkin speaks			
US	Fed's Williams speaks			
US	Senior Loan Officer Opinion Survey on Bank Lending Practices			
NZ	N.Z. Government 9-Month Financial Statements			
UK	BRC Sales Like-For-Like YoY Apr	2.00%		3.20%
AU	Retail Sales Ex Inflation QoQ 1Q	-0.30%	-0.40%	0.30%
AU	RBA Cash Rate Target May-07	4.35%	4.35%	4.35%
GE	Factory Orders MoM Mar	0.40%		0.20%
GE	Trade Balance SA Mar	22.4b		21.4b
EC	Retail Sales MoM Mar	0.70%		-0.50%
	Wednesday 08 May			
EC	ECB's De Cos, MAS's Chia, HKMA's Yue speak			
NZ	GDT dairy auction			0.10%
US	Fed's Kashkari Participates in Fireside Chat			
GE	Industrial Production SA MoM Mar	-0.70%		2.10%
SW	Riksbank Policy Rate May-08	3.75%		4.00%
	Thursday 09 May			
EC	ECB's Wunsch speaks			
US	Wholesale Trade Sales MoM Mar	0.90%		2.30%
US	Fed's Jefferson speaks			
US	Fed's Collins speaks			
US	Fed's Cook speaks			
JN	Schd FT Pay - Same Base YoY Mar	1.60%		2.10%

		Median	Fcast	Last
JN	BOJ Summary of Opinions (April MPM)			
UK	Bank of England Bank Rate May-09	5.25%		5.25%
CH	Trade Balance CNY Apr			415.86b
CH	Aggregate Financing CNY YTD Apr	13770.0b		12930.0b
CH	New Yuan Loans CNY YTD Apr	10460.0b		9460.0b
	Friday 10 May			
EC	ECB's Cipollone, Guindos speak			
US	Initial Jobless Claims May-04	214k		208k
US	Continuing Claims 46478	1785k		1774k
UK	DMP 1 Year CPI Expectations Apr	3.10%		3.20%
UK	BOE decision maker panel survey			
UK	BOE Chief Economist Pill speaks			
US	Fed's Daly speaks			
NZ	BusinessNZ Manufacturing PMI Apr			47.1
JN	Household Spending YoY Mar	-2.30%		-0.50%
JN	Eco Watchers Survey Outlook SA Apr	51.6		51.2
UK	GDP QoQ 1Q P	0.40%		-0.30%
UK	Monthly GDP (MoM) Mar	0.10%		0.10%
UK	Industrial Production MoM Mar	-0.50%		1.10%
UK	Manufacturing Production MoM Mar	-0.50%		1.20%
UK	Trade Balance GBP/Mn Mar	-£2100m		-£2291m
UK	Visible Trade Balance Ex Precious Metals Mar			-£15308m
UK	Trade Balance Ex Precious Metals Mar	-£3800m		-£3387m
EC	ECB's Cipollone speaks			
UK	BOE's Pill speaks			
EC	ECB Publishes Account of April Policy Meeting			
UK	BOE's Dhingra speaks			
	Saturday 11 May			
US	Fed's Bowman speaks			
US	Fed's Logan speaks			
US	U. of Mich. Sentiment May P	76.2		77.2
US	Fed's Goolsbee speaks			
US	Fed's Barr speaks			
CH	PPI YoY Apr	-2.30%		-2.80%
CH	CPI YoY Apr	0.10%		0.10%

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	5.50
2mth	5.62	5.62	5.61	5.56
3mth	5.63	5.63	5.63	5.62
6mth	5.59	5.62	5.54	5.71
GOVERNMENT STOCK				
05/26	4.80	4.97	4.73	4.32
04/29	4.61	4.77	4.52	4.11
05/31	4.70	4.84	4.61	4.11
05/34	4.83	4.96	4.74	4.19
04/37	4.98	5.11	4.89	4.36
05/41	5.10	5.22	5.01	4.47
05/51	5.09	5.21	5.00	4.38
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	51	52	51	81
Europe 5Y	53	55	54	86

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	5.00	5.19	4.95	5.08
3 years	4.75	4.95	4.67	4.67
4 years	4.61	4.83	4.54	4.42
5 years	4.56	4.78	4.48	4.30
10 years	4.65	4.85	4.54	4.20
FOREIGN EXCHANGE				
NZD/USD	0.6009	0.5978	0.6032	0.6344
NZD/AUD	0.9080	0.9104	0.9133	0.9357
NZD/JPY	92.25	93.45	91.56	85.72
NZD/EUR	0.5581	0.5576	0.5554	0.5765
NZD/GBP	0.4786	0.4758	0.4766	0.5028
NZD/CAD	0.8221	0.8166	0.8186	0.8485
TWI	70.8	70.7	70.8	72.0

Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Mike Jones
BNZ Chief Economist

Main Offices

Wellington
Level 2, BNZ Place
1 Whitmore St
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854