

Research Markets Outlook

14 April 2025

Ongoing tariff fiasco remains centre stage

- **Ongoing tariff fiasco remains centre stage**
- **Tariff changes galore**
- **More to come**
- **No matter what, uncertainty will stymie growth**
- **And bamboozle forecasters**
- **NZ inflation accelerates**

So, Donald Trump has put on hold the majority of the egregious tariffs that were announced with such fanfare on the so-called Liberation Day. The initial market reaction was very positive as there were hopes that worst fears would not be realised. But the bounce was short-lived as the realisation dawned that (a) even what remains is awful for global growth and (b) uncertainty about what might actually happen reigns supreme.

In our opinion even if its just the 10% tariff on all, plus specific previously announced tariffs, our key directional conclusions remain unchanged:

- It's negative for global growth so as a small open economy New Zealand will suffer
- The inflation outlook is not clear
- One man has managed to break the global rules-based system for trade. While the remainder of the world is still trying to keep a semblance of order there is now less reason why other countries should feel an obligation to do so
- The perception of the United States as a stabiliser has been shattered
- All of the above will see uncertainty elevated and potential growth diminished.

The 90 day suspension of the imposition of increased tariffs may offer a glimmer of light at the end of the tunnel but if you are an exporter or an importer what do you do now? How do you plan for the future? And would you continue investing in your business? One thing's for certain, you'd probably be trying to get product into the US market as fast as possible. This will impose the added uncertainty that economic data for this period will be very hard to interpret.

Forecasting economic outcomes will remain nigh on impossible for everyone whether exporter or not. Spare a

thought also for the Reserve Bank which must put together a May 7 Financial Stability Review, a May 28 Monetary Policy Statement and a July 9 Monetary Policy Review during the interregnum. Similarly, NZ Treasury is putting together its May 22 Budget forecasts and numerous companies, including our own, will be preparing forecasts for their shareholders. A genuine bugger's muddle!

And we haven't even mentioned China yet. The imposition of a 145% tariff on Chinese exports is tantamount to banning the importation of Chinese goods into the United States. China's reciprocation does likewise to US exports to China. While this is a clear hit to China's prospective growth it also has implications for other countries as China attempts to redirect its trade elsewhere.

One redeeming feature is that the US has said that it will, for now at least, exempt smartphones and computers from the new tariffs. On the surface this is great news for tech investors and purchasers of such equipment but still leaves everything else in a parlous state.

It is important to remember that China has delivered the largest contribution to global growth for decades, absolutely swamping the contribution of the United States. South East Asia has been a huge beneficiary of this. In turn Australia and New Zealand have been significant benefactors of China's expansion. Any hit to Chinese activity is therefore far more disconcerting to New Zealand than any slowdown in the United States. Having both slow together is very unhelpful.

China drives the world



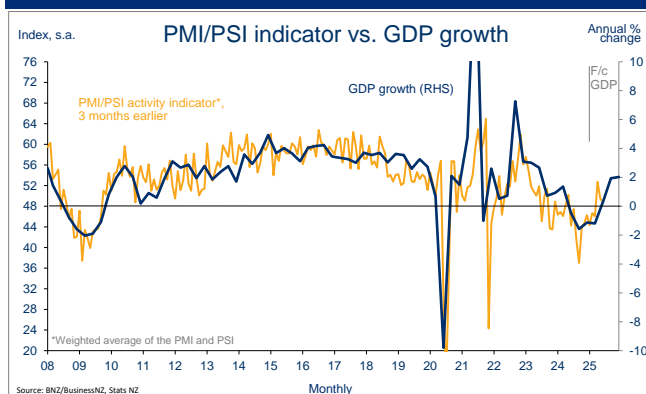
China drives the world



Daily moves in US tariff policy will dominate markets and forecasters' thinking for some time to come. Moreover, the key warning indicators where things are headed are going to be printed offshore not onshore. For example, Friday's US consumer sentiment and inflation expectations data reveal a slump in sentiment accompanied by a sharp rise in inflation expectations. These are the very things that indicate the US economy faces substantial risk of stagflation if its current approach is sustained.

But while offshore is our focus, we should not take our eyes completely off developments at home. Headlining this week's domestic news was this morning's BNZ-Business New Zealand Performance of Services Index (PSI) [\[insert link\]](#) which, dishearteningly, presents a picture of a stalling service sector. The PSI is sufficiently weak to ensure that the composite manufacturing and services index (PCI) is only just strong enough to be consistent with a very weak growth profile. If our current forecast pick-up in activity is to be realised later this year then the PCI will need to start trending higher soon. Given current uncertainties the risk is that it doesn't.

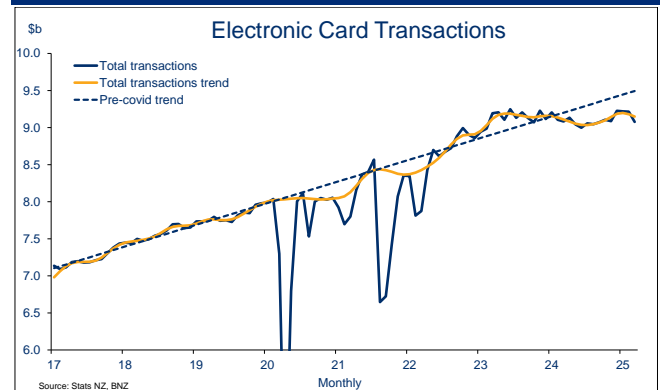
More enthusiasm needed



In a sure sign all is not well domestically, the value of retail electronic card transactions fell 0.8% in the month of March according to this morning's data release. This leaves sales 1.0% below year earlier levels. Convert this to real per capita and you've got a 4.0% decline. Staggeringly, total

electronic card transactions are no higher, in nominal terms, than they were way back in early 2023.

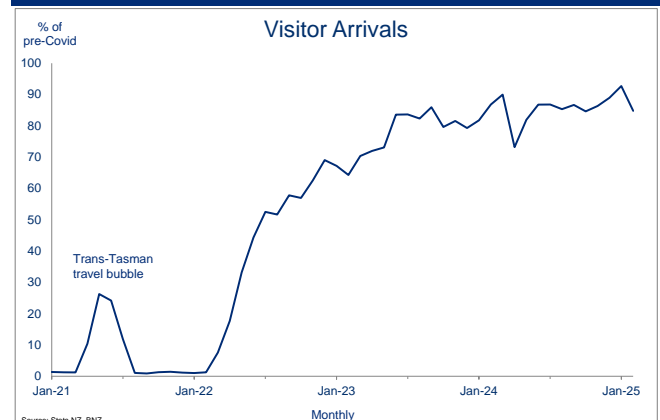
Consumer spending stalled



March quarter nominal sales, for total retail, fell -0.1% when compared with December quarter spending. This implies clear downside risk to our expectation that GDP rose 0.3% through Q1.

February tourism data, also released this morning, provided no cause for celebration either. Tourism numbers were down 2.3% on year earlier levels and visitor numbers fell back to 84.8% of pre-COVID levels after lifting to 92.7% in January.

Tourism stalled too



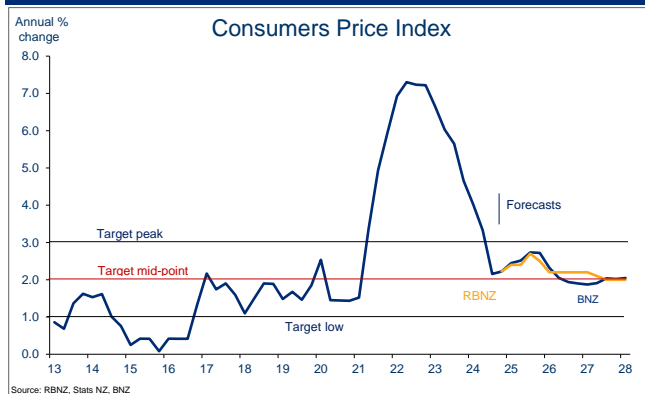
The only good news, from a demand perspective, in this morning's data flow was the apparent confirmation that net migration has troughed. But while stronger migration numbers may provide some support to housing and private consumption it will only add to the unemployment rate if labour demand does not pick up. The increase in working age population that the migration data suggests is one of the reasons we continue to assume that New Zealand's unemployment rate will lift above the level assumed by the Reserve Bank of New Zealand.

For the central banking community, the inflationary outcomes associated with the tariff fiasco will be the focal point. It is way too early to expect to see anything tariff

related in New Zealand's data. However, the Q1 CPI to be released on Thursday will be able to shed some light on what the starting point was looking like.

Our view is that an acceleration in inflation will be reported. We are forecasting a 0.9% increase in the CPI for the March quarter resulting in the annual lift rising to 2.4% from the 2.2% reported for the year ended December. Rounding issues mean our quarterly pick is 0.1% above the central bank's but the annual expectation is identical. Generally, our inflation projections are very little different to the RBNZ's.

Inflation behaving for now



We had hoped we would have the March month selected price indices to help us with our CPI estimates. They were due to be published last Friday but Statistics New Zealand has delayed the release of these data to Tuesday of this week. There is a chance, then, that folk will be revising their CPI picks ahead of its release.

Talking of prices, we wouldn't be surprised to see March's REINZ housing report before the week is done. The house price index often dips in March so don't be surprised if that is the case in these figures. Any such drop would keep prices a bit behind year earlier levels. If prices don't dip in the month, the house price index would be at least as high as a year ago.

We look for house sales to be around average levels, maintaining a recent upward trend.

The hot spot in the New Zealand economy at the moment is the dairy sector where both strong prices and volumes are delivering a sizeable boost to the broader economy. That said we are not expecting things to get much better

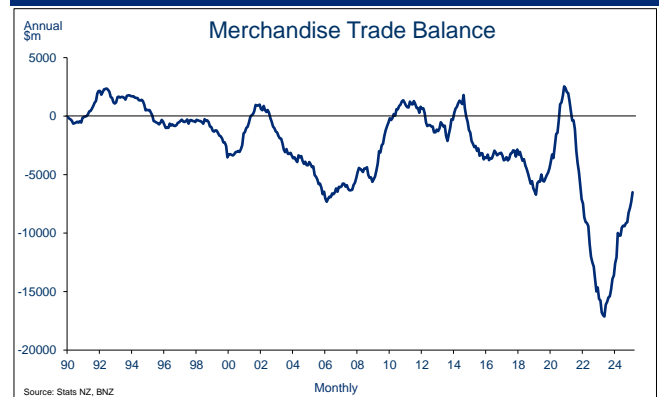
over the near term. Indeed, we wouldn't be surprised if Wednesday's GDT auction revealed a slight dip in prices.

On Tuesday morning, RBNZ Chief Economist Conway speaks on forecasting, including what the Bank is trying to convey when it publishes the outlook for the OCR. All humdrum stuff no doubt designed to educate folk about the conditionality associated with the forecast OCR track.

Given that there is minimal data to be released in the week beginning Monday April 21, and the fact that there are only three working days for New Zealanders that week, we will not be producing a Markets Outlook for the week beginning April 21. Our next markets outlook will be published on April 28.

For the record, March month merchandise trade data will be released Tuesday April 22. We expect the pace of export revenue growth to exceed that of imports further helping the trade deficit's narrowing trend.

Trade improvement continues



Statutory holidays will be observed in New Zealand Friday April 18 (Good Friday), Monday April 21 (Easter Monday) and Friday April 25 (ANZAC Day). These holidays also coincide with New Zealand school holidays. The combination of all this means that there is plenty of potential for lots of noise in the April data. When it is finally released, treat it with care.

For those of you, half of New Zealand it would appear, lucky enough to take the opportunity to have an extended break we hope that you have a restful and Trump free holiday.

stephen_toplis@bnz.co.nz

Global Watch

- Focus remains on US policy developments
- US retail sales for March
- China Q1 GDP and activity indicators due
- Fed speakers including Powell and Waller
- BoC (on hold) and ECB (cut 25bp) decisions

Week in Review

US trade policy uncertainty continues to swamp domestic developments. Markets have been extremely volatile reacting to headlines. The Trump Administration has put a 90-day pause on its higher-than-baseline tariffs with the rest of the world. There is now a 10% baseline rate applied to most countries except for China where a 145% tariff is in place. Over the weekend it was announced that the US would exempt some imports from reciprocal tariffs, providing a reprieve for global technology manufacturers, though this could be a temporary adjustment.

Sector specific tariffs also remain in place with these being for steel/aluminium and autos, while pharma tariffs are due to be announced in the week ahead. Last week, the net result was stronger world equity markets, much higher US Treasury yields and a broadly weaker USD.

In Australia, data flow was mostly second tier. Consumer confidence fell 6.0% m/m as offshore uncertainty weighed. Those surveyed post the US' tariff announcements had a -10% fall in sentiment. Based on offshore headwinds, our colleagues at NAB revised their forecasts and now expect the RBA to cut by 50bps in May, followed by 25bps in July, August, November and February.

Week Ahead

Offshore, all focus remains on US policy developments with the US now having a 145% tariff on China (and China having a 125% tariff on the US). Such a high tariff will be prohibitive for most items between the world's two largest economies. President Trump has also flagged pharmaceutical tariffs. Headlines will continue to be closely watched.

As for data, in the US top-tier includes Retail Sales (Wednesday). However, second-tier data is likely to gain more prominence for a more real-time read. NY Inflation Expectations (Monday) and Jobless Claims (Thursday) will be important to watch, while second-tier regional manufacturing surveys may garner some interest (Empire and Philly Fed).

The Fed's Powell (Wednesday) is speaking on the economic outlook (expect similar remarks around inflation expectations). Also helping to shape the outlook will be Q1 earnings – Goldmans (Monday), Citigroup and BofA (Tuesday). The first of the big global tech names also report: ASML (Wednesday) and TSMC (Thursday). The

IMF/WB Spring Meeting seasons also kicks off with a speech by IMF MD Georgieva (Thursday).

In Europe, the ECB (Thursday) is expected to cut rates by 25bps in a close decision. Earlier in the week the ECB lending survey is also out (Tuesday). The UK has Average Earnings and Unemployment (Tuesday), and CPI (Wednesday). Across the pond, the BoC (Wednesday) has a tough decision to make.

In China, there is important data (Trade Balance Monday, Q1 GDP Wednesday), but again will take a backseat to trade developments.

In Australia, it is a holiday-shortened week with Easter Friday (18 April) and Easter Monday (21 April). Dataflow will continue to take a backseat to offshore trade/tariff developments and financial market moves. The RBA Minutes (Tuesday) pre-date the latest intensification in global uncertainty, but still worth a look. Labour Force (Thursday) will also be partly clouded due to Cyclone Alfred. NAB look for unchanged unemployment at 4.1% and 20k employment gain, but there is greater than usual uncertainty (consensus 4.2/40k).

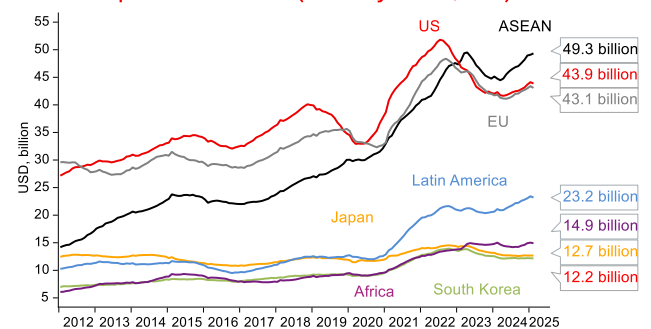
Important Events Preview

Monday 14

CH Trade Balance (Mar)

Data will likely take a backseat given trade headwinds. Key will be headlines on whether any de-escalation is in prospect, and how quickly China ramps up stimulus to offset. As for the data, consensus sees the trade balance higher with tariff front running (imports -2.1% y/y; exports 4.6% y/y; balance \$74.4bn).

China - Export Destination (Monthly Trend, USD)



Source: National Australia Bank, China General Administration of Customs (GAC), Macrobond

US NY-Fed Inflation Expectations, Fed's Waller

Given the Fed's elevated focus on inflation expectations the NY Fed Consumer Survey is worth a look. To date the 3yr inflation expectation out of this survey has not risen to the same extent as the Uni of Michigan 5-10yr measure.

US Earnings - Goldmans**Tuesday 15****AU RBA Minutes**

The RBA Minutes pre-date the latest intensification in global uncertainty but are still worth a look given the Governor said they did “talk a little bit about downside risks, including the global downside risks”.

UK Averaging Earnings/Unemployment

UK February weekly average earnings are expected to very gradually decline from current elevated levels and as higher employer taxes and other costs cut wages amid slow economic growth. The unemployment rate may well tick up a 10th to 4.5%, while payrolled employees falls.

EZ German ZEW, ECB Lending Survey**US NY Empire, Earnings – Citigroup, BofA**

Although volatile, the NY Empire is worth a look to see how trade/tariff uncertainty is impacting on conditions in manufacturing. Consensus is at -12.5 from -20. The earnings season also continues with Citigroup and BofA.

Wednesday 16**CH GDP (Q1), Retail Sales, IP, FAI (Mar)**

Normally very important but again is likely to take a backseat given trade headwinds. Consensus sees Q1 GDP at 1.4% q/q and 5.2% y/y. As for the monthly data industrial production growth is expected to remain at 5.9% y/y, and retail sales at 4.2% y/y.

UK CPI (Mar)

UK March inflation could continue the temporary reprieve in higher prices for an additional month, after which NAB expect all measures of inflation to push higher. Headline CPI eased back to 3% to 2.8% in February and March can print 2.7%, before NAB see moves towards 4% in the coming months. Core CPI is expected to ease slightly to 3.4%, while services also pulls back to 4.8%.

EZ Earnings - ASML**CA BoC (hold, close decision)**

The BoC decision is expected to be very close with the market consensus split between a cut (8/24) and a hold (16/24). The Q1 BoC Business Survey had a softening investment and sales outlook, and a worsening input cost outlook with more firms expecting to increase selling prices. This highlights the inherent uncertainty that BoC Governor Macklem has about the outlook.

US Fed's Powell, Retail Sales (Mar)

Fed Chair Powell is speaking at the Economic Club of Chicago about the economic outlook with Q&A. Also on the speaking roster is Hammack and Schmid. NAB expect Fed Chair Powell to keep close to his 4 April comments where he emphasised the need to keep inflation expectations anchored, which continues to suggest the Fed is unlikely to be pre-emptive:

“The size and duration of these effects remain uncertain. While tariffs are highly likely to generate at least a temporary rise in inflation, it is also possible that the effects could be more persistent. Avoiding that outcome would depend on keeping longer-term inflation expectations well anchored, on the size of the effects, and on how long it takes for them to pass through fully to prices. Our obligation is to keep longer-term inflation expectations well anchored and to make certain that a one-time increase in the price level does not become an ongoing inflation problem.”

As for Retail Sales, these are for March with the consensus for the core control group at 0.6% m/m from 1.0%. How consumers are responding to the ongoing policy uncertainty will be important for the outlook and for shaping up recession risks. The Atlanta Fed GDP Now has Q1 GDP growth at -0.3% annualised when adjusting for the import and export of gold.

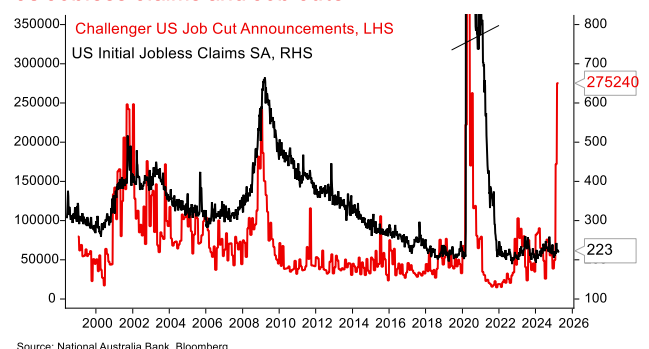
Thursday 17**AU Employment/Unemployment (Mar)**

NAB are pencilling in the unemployment rate to be unchanged at 4.1% and for 20k jobs (Consensus 4.2% and 40k). Note there is one more labour market print (April data for 15 May) before the 19-20 May RBA Meeting.

Cyclone Alfred is likely to make for a volatile labour market print for March. The reference week of the labour force survey is 2-15 March, which spans the cyclone ‘watch and act’ period which started from 4 March with landfall on 7 March. The likely impact will be to hours worked, and perhaps a fall in participation.

JN Trade**US Jobless Claims, Philly Fed Manufacturing**

Jobless Claims remain under heightened focus given the Challenger Job Cut Announcements have surged over recent weeks. Historically such a sharp rise has seen jobless claims rise quickly. The Philly Fed also worth a look to see how the trade/tariff uncertainty is impacting on confidence and conditions in manufacturing.

US Jobless Claims and Job Cuts**EZ ECB Meeting (25bp cut, but close call)**

NAB have pulled their June rate cut call forward to April. They will decide after this meeting whether June will see another cut as more clarity emerges on tariffs and EU fiscal policy after the April ECB decision.

US tariffs of course won't help European growth, and they will raise uncertainty and could raise prices, particularly if the EU and other nations retaliate with their own tariffs. While Trump's decision to pause reciprocal tariffs for 90-days makes the call a close one, it seems the balance of doves and hawks is tilted to a cut. The slide in oil prices and a higher euro also play to this.

Looking forward, with the deposit rate at 2.50% (and set to fall to 2.25% at this meeting), policy is now at the upper end of a neutral range. The ECB will need to take account of increased fiscal spending in Europe, which will add to inflation.

Friday 18

AU Holiday, Good Friday

Australian, US and many European markets are closed for Easter. Australia has a public holiday on Good Friday (Friday 18).

JN CPI (Mar)

Important Events Following Week

Monday 21

AU Holiday, Easter Monday

Tuesday 22

EC Consumer Confidence (Apr)

US Philly Fed Non-Manufacturing (Apr)

US Richmond Fed Manufacturing (Apr)

Wednesday 23

Global Preliminary PMIs (Apr P)

EC Trade Balance (Feb)

UK BoE's Bailey & Pill

US Fed Beige Book

Thursday 24

GE Ifo German Business Climate Index (Apr)

US Durable Goods Orders (Mar P)

US Jobless Claims

UK BoE's Lombardelli

Friday 25

AU Holiday, ANZAC day

UK Retail Sales (Mar)

matt_brunt@bnz.co.nz

Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

Last week saw massive moves across global fixed income markets in terms of yields, curve shape and spreads, amid the volatility unleashed by US tariff announcements. The NZ 2y/10y swap curve steepened 32bp, which is amongst the largest curve moves historically, as front-end yields declined while the longer end sold off. In addition, the absolute curve adjustment doesn't capture the large gyrations between steepening and flattening that took place. 10-year NZ government bond asset swap spreads (ASW) widened sharply and reached fresh cycle highs.

The NZGB market showed greater sensitivity to the moves in US treasuries than comparison markets like Australia – the 10-year NZGB-ACGB spread widened by 24bp to +35bp. Some of the selling in US treasuries appeared to be positioned unwinding, which was also likely a factor for NZGB price action, amid challenging liquidity conditions. 10-year NZGB ASW spreads reached a high of +59bp, surpassing the peak from last December, when the borrowing programme was revised higher.

We think that ASW spreads are likely to form a cyclical peak near current levels, but the price action over the past week shows the NZGB markets' vulnerability amid volatility, with issuance significantly elevated relative to history. Although we maintain our medium-term curve steepening bias, the sharp move higher in the NZGB curve appears to have overshoot, and a stabilisation in risk sentiment, is likely to see some retracement within the overall uptrend.

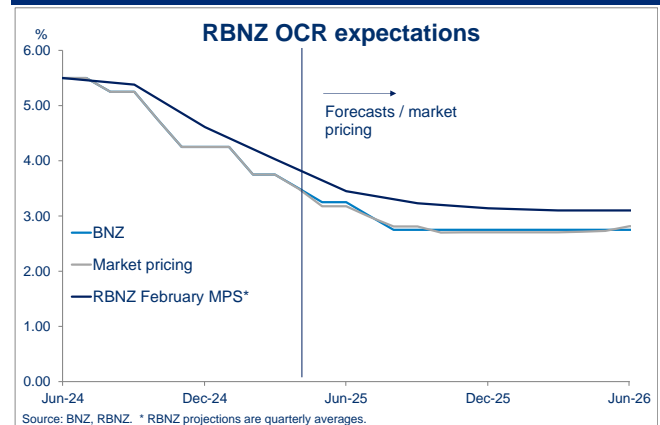
ASW spreads back at the cycle peak



As expected, the RBNZ reduced the Official Cash Rate by 25bp to 3.50%. This was a Policy Review meeting, so the Bank didn't release updated forecasts. The statement accompanying the decision noted headline inflation is near the midpoint of the target range, and core measures are consistent with inflation remaining near target, over the medium term. On balance, it expects the trade war to reduce global activity and create downside risks to the outlook for domestic inflation over the medium term.

The RBNZ indicated there is scope to lower the OCR further. We expect the RBNZ to reduce rates by 25bp at the Monetary Policy Statement (MPS) in May. The macro backdrop is fluid, and the RBNZ's assessment of trade war skews the risk towards a larger 50bp reduction. By the May MPS, the Bank will have greater clarity on how US economic policy is likely to impact the NZ economy.

Market pricing of OCR relative to RBNZ's model track



Q1 CPI data, which is released this week, and the labour market report will be available ahead of the May MPS. However, this data will only form the baseline for the pre-tariff escalation period. Market pricing for the terminal OCR is below the RBNZ's projected rate track from the February MPS but rightly incorporates the significant shift in the macro backdrop. When headwinds from slower global activity is combined with soft high frequency domestic activity indicators, and the disinflationary tone from the Quarterly Survey of Business Opinion, the risk for short end rates towards is skewed towards the downside.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.48	3.45 - 3.69
NZ 2yr swap (%)	3.20	3.03 - 3.52
NZ 5yr swap (%)	3.66	3.37 - 3.80
NZ 10yr swap (%)	4.24	3.84 - 4.24
2s10s swap curve (bps)	104	67 - 111
NZ 10yr swap-govt (bps)	-57	-62 - -38
NZ 10yr govt (%)	4.81	4.38 - 4.78
US 10yr govt (%)	4.49	3.86 - 4.59
NZ-US 10yr (bps)	32	20 - 47
NZ-AU 2yr swap (bps)	-10	-29 - -5
NZ-AU 10yr govt (bps)	41	6 - 41

*Indicative range over last 4 weeks

stuart_ritson@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week was a historic one for financial markets, with significant dislocation and trading conditions at times comparable to the height of COVID19 and the GFC, all because of President Trump's fast-changing tariff policy. The net result was stronger world equity markets, much higher US Treasury yields and a broadly weaker USD. The NZD made fresh multi-year lows against the USD, EUR, GBP, JPY and CAD before bouncing back. For the week, the NZD and AUD outperformed, and NZD/USD rose over 4% to 0.5825 – remarkably, moving from the bottom to the top of its 2025 trading range over the course of three trading days.

Last week began with the market still coming to grips with President Trump's reciprocal tariff announcement on Liberation Day the prior week. In the end, increasing predictions of economic recession, plunging stock markets and a sharp lift in US Treasury yields resulted in a 90-day "pause" for the reciprocal tariffs. Thus, most countries now face "only" the baseline 10% tariff rate, but China's rate was ratcheted up to 145% after China retaliated and by the end of the week China had fought back with a 125% tariff for US imports. China said it "will fight to the end", while the EU paused its proposed retaliatory tariffs.

During a period of significant market dislocation, NZD/USD fell to 0.5486, its lowest level since the chaotic trading day of 19-March-2020 during the height of the COVID19 scare. However, with the dip below 0.55 lasting less than 20 minutes, we still consider 0.55 as a key support level and, if anything, reinforcing its importance as a technical level.

NZD/EUR took a peek below 0.50, NZD/JPY took a peek below 80 and NZD/GBP fell to a low of 0.4281. All crosses subsequently bounced back strongly.

NZD/AUD rose to a 12-month high just under 0.9340 before settling around 0.9260. The lift in NZD/AUD since Liberation Day likely reflects Australia's closer association with China compared to NZ, a country which faces a significant economic shock if punitive tariffs are maintained, the level being equivalent to an effective US trade embargo. The PBoC continued to keep a tight rein on the yuan but did allow it to depreciate beyond the previous line in the sand of 7.33 for USD/CNY.

At the beginning of last week, we were not tempted to change our FX forecasts, making the prudent decision to ride out the market turmoil. US trade policy is currently being changed on a whim and volatile market conditions could easily be sustained for a while yet, even if we seem to be past the point of peak uncertainty on tariffs.

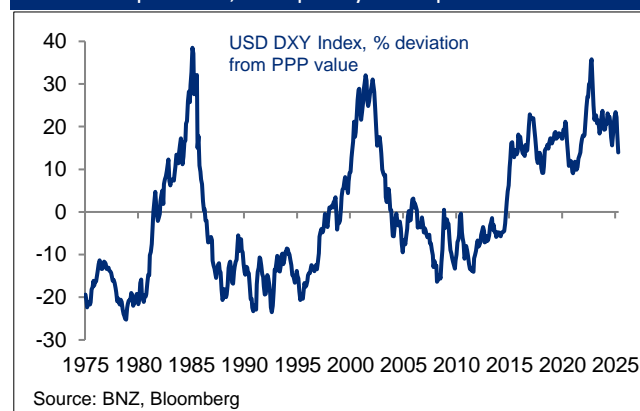
There are opposing forces on the NZD at this juncture. On the downside the two biggest risks are possible spillover effects from a much weaker yuan ahead and downgrades to the global growth outlook. On the upside, the USD

looks vulnerable, given its current rich level on long-term valuation metrics (see chart), prospects for a much weaker US economy ahead, and selling pressure as the world diversifies away from the USD, given the likely reduced influence of the USD in world trade and down-weighting of the USD by reserve managers.

How the net balance of these diverging forces plays out will determine if the 0.55 support level can hold or whether the NZD can appreciate further from here. On a scenario where confidence in the USD deteriorates significantly further, the NZD could easily blast up through our year-end target of 0.60 much earlier than anticipated.

In the week ahead, market focus will remain on the evolving tariffs situation. Economic data will continue to take a backseat, but for the record the key economic releases this week are US retail sales, CPIs for NZ, Canada, UK and Japan, Australian employment and China Q1 GDP and monthly activity indicators for March. Key Fed speakers include Chair Powell and Governor Waller. There are also policy meetings by the Bank of Canada and ECB, the former expected to take a pause in the easing cycle and the latter widely expected to cut rates by another 25bps.

USD under pressure, with plenty of scope to fall further



Cross Rates and Recent Ranges

	Current	Last 3-weeks range*
NZD/USD	0.5830	0.5490 - 0.5850
NZD/AUD	0.9242	0.9070 - 0.9350
NZD/GBP	0.4456	0.4280 - 0.4470
NZD/EUR	0.5153	0.5000 - 0.5340
NZD/JPY	83.95	79.80 - 86.90

*Indicative range over last 3 weeks, rounded figures

Jason.k.wong@bnz.co.nz

Technicals

NZD/USD

Outlook: Trading range
 ST Resistance: 0.5850 (ahead of 0.60)
 ST Support: 0.55 (ahead of 0.50)

Key support of 0.55 was reinforced last week after a failed sustained break of the level. First line of resistance remains at 0.5850.

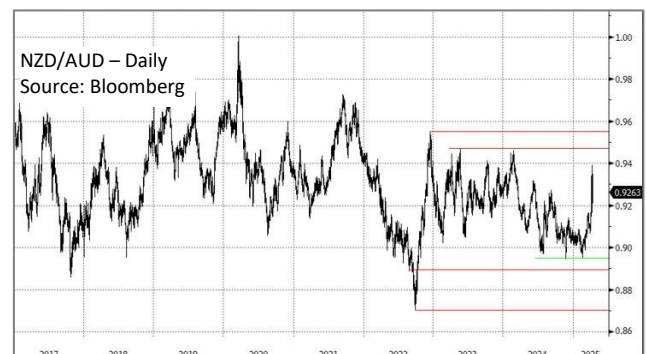


NZD/AUD

Outlook: Trading range
 ST Resistance: 0.9470 (ahead of 0.9550)
 ST Support: 0.8950 (ahead of 0.89)

In a volatile trading environment the wide support/resistance levels of 0.8950/0.9470 remain in place.

jason.k.wong@bnz.co.nz



NZ 5-year Swap Rate

Outlook: Neutral
 ST Resistance: 3.85
 ST Support: 3.47

5-year swap saw an incredibly volatile week as a false break lower was quickly reversed, closing last Monday back on previous support with a daily tick. We are left without a directional bias here but expect continued volatility to create difficult conditions to have a technical view.



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

Outlook: Steeper
 ST Resistance: 0.50
 ST Support: 0.20

2x5 swap curve broke through our resistance last week as global yield curves steepened aggressively. We see resistance not too far from current marks at +50bp. Given the quick move higher last week, momentum changes our outlook to steeper curves. We will watch the new resistance closely to see if it creates some stability.



matthew.herbert@bnz.co.nz

Quarterly Forecasts

Forecasts as at 14 April 2025

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
GDP (production s.a.)	0.7	0.3	0.4	0.6	0.7	0.8	0.7	0.6	0.5	0.5
Retail trade (real s.a.)	0.9	0.4	0.6	1.0	1.2	1.1	0.9	0.8	0.7	0.7
Current account (ann, % GDP)	-6.2	-5.4	-4.6	-4.3	-4.0	-4.0	-4.1	-4.2	-4.2	-4.1
CPI (q/q)	0.5	0.9	0.5	0.8	0.5	0.5	0.2	0.7	0.5	0.4
Employment	-0.1	0.0	0.2	0.4	0.6	0.7	0.7	0.6	0.5	0.5
Unemployment rate %	5.1	5.3	5.5	5.5	5.4	5.2	5.0	4.9	4.9	4.8
Pr. avg hourly earnings (ann %)	4.0	4.5	4.2	3.6	2.9	3.0	3.1	3.2	3.4	3.3
Trading partner GDP (ann %)	3.2	3.0	3.0	2.8	2.6	2.6	2.7	2.8	2.9	2.9
CPI (y/y)	2.2	2.4	2.5	2.7	2.7	2.3	2.0	1.9	1.9	1.9
GDP (production s.a., y/y)	-1.1	-1.2	0.3	1.9	2.0	2.5	2.8	2.8	2.6	2.3

Interest Rates

Historical data - qtr average

Forecast data - end quarter

	Cash	Government Stock			Swaps			US Rates		Spread
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	SOFR	US 10 yr	NZ-US
		Bank Bills						3 month		Ten year
2024 Mar	5.50	5.66	4.44	4.68	4.92	4.40	4.45	5.30	4.15	0.53
Jun	5.50	5.63	4.56	4.74	5.01	4.53	4.60	5.35	4.45	0.30
Sep	5.33	5.30	3.96	4.31	4.05	3.80	4.05	5.05	3.95	0.37
Dec	4.42	4.44	4.00	4.47	3.65	3.74	4.10	4.50	4.30	0.19
2025 Mar	3.92	3.84	3.99	4.58	3.47	3.71	4.15	4.30	4.45	0.13
Forecasts										
Jun	3.25	3.00	3.45	4.45	2.90	3.35	4.15	4.30	4.25	0.20
Sep	2.75	2.90	3.45	4.45	3.00	3.40	4.20	3.85	4.25	0.20
Dec	2.75	2.90	3.55	4.30	3.15	3.50	4.10	3.60	4.00	0.30
2026 Mar	2.75	2.90	3.65	4.30	3.40	3.65	4.15	3.35	4.00	0.30
Jun	2.75	2.90	3.90	4.40	3.70	3.90	4.30	3.10	4.00	0.40
Sep	2.75	3.30	4.10	4.40	3.95	4.15	4.45	3.10	4.00	0.40
Dec	3.25	3.55	4.20	4.40	4.10	4.25	4.50	3.10	4.00	0.40

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.58	0.63	1.14	1.31	143
Jun-25	0.58	0.65	1.10	1.29	145
Sep-25	0.59	0.66	1.10	1.30	142
Dec-25	0.60	0.67	1.11	1.30	138
Mar-26	0.60	0.67	1.11	1.30	138
Jun-26	0.64	0.71	1.14	1.32	130
Sep-26	0.65	0.72	1.15	1.33	128
Dec-26	0.66	0.73	1.17	1.34	126
Mar-27	0.67	0.74	1.18	1.36	126

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.58	0.93	0.51	0.45	83.8	68.6
Jun-25	0.58	0.90	0.53	0.45	84.5	68.5
Sep-25	0.59	0.90	0.54	0.46	84.1	69.2
Dec-25	0.60	0.90	0.54	0.46	83.1	69.9
Mar-26	0.60	0.90	0.54	0.46	83.1	69.9
Jun-26	0.64	0.90	0.56	0.49	83.2	72.4
Sep-26	0.65	0.90	0.57	0.49	83.2	73.0
Dec-26	0.66	0.90	0.56	0.49	83.2	73.3
Mar-27	0.67	0.90	0.56	0.49	83.8	73.2

TWI Weights

15.6% 18.4% 9.2% 3.9% 5.5%

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

Annual Forecasts

Forecasts as at 14 April 2025	March Years					December Years				
	Actuals		2025	2026	2027	Actuals			2025	2026
	2023	2024				2022	2023	2024		
GDP - annual average % change										
Private Consumption	3.4	1.0	0.1	2.1	2.8	4.2	1.0	0.2	1.4	2.9
Government Consumption	2.7	2.0	-0.8	0.6	0.0	5.2	0.8	0.0	0.4	0.2
Total Investment	3.3	-1.1	-4.9	0.4	5.8	4.2	-0.1	-4.6	-1.7	5.6
Stocks - ppts cont'n to growth	0.3	-1.6	0.4	0.6	0.1	0.0	-1.4	0.2	0.5	0.2
GNE	3.7	-0.9	-0.6	2.3	3.1	4.5	-0.8	-0.8	1.5	3.2
Exports	5.6	8.6	3.5	4.6	3.9	-0.8	11.4	4.2	5.4	3.7
Imports	4.4	-1.3	2.9	5.2	4.9	4.6	-0.6	2.4	4.9	5.0
Real Expenditure GDP	3.9	1.4	-0.6	2.0	2.6	3.2	1.9	-0.1	1.2	2.7
GDP (production)	3.5	1.4	-1.1	1.7	2.6	2.9	1.8	-0.5	0.8	2.7
<i>GDP - annual % change (q/q)</i>	<i>3.0</i>	<i>1.4</i>	<i>-1.2</i>	<i>2.5</i>	<i>2.3</i>	<i>3.1</i>	<i>0.9</i>	<i>-1.1</i>	<i>2.0</i>	<i>2.6</i>
Output Gap (ann avg, % dev)	2.0	1.0	-1.1	-0.8	0.0	1.9	1.2	-0.6	-1.0	-0.1
Nominal Expenditure GDP - \$bn	394	418	430	451	473	386	413	427	445	468
Prices and Employment - annual % change										
CPI	6.7	4.0	2.4	2.3	1.9	7.2	4.7	2.2	2.7	1.9
Employment	3.1	1.0	-0.6	1.9	2.3	1.7	2.8	-1.1	1.2	2.5
Unemployment Rate %	3.4	4.4	5.3	5.2	4.8	3.4	4.0	5.1	5.4	4.9
Wages - ave. hr. ord. time earnings (private sector)	8.2	4.8	4.5	3.0	3.3	8.1	6.6	4.0	2.9	3.4
Productivity (ann av %)	1.3	-1.1	-0.3	1.0	0.2	0.7	-1.2	-0.2	0.7	0.3
Unit Labour Costs (ann av %)	5.7	7.1	4.8	2.6	3.1	6.0	7.6	4.9	3.2	2.9
House Prices (stratified, qtr)	-12.8	2.7	-0.4	7.0	5.4	-13.8	0.6	-0.9	6.8	6.1
External Balance										
Current Account - \$bn	-33.8	-27.6	-23.3	-18.2	-19.5	-35.6	-28.6	-26.4	-18.0	-19.5
Current Account - % of GDP	-8.6	-6.6	-5.4	-4.0	-4.1	-9.2	-6.9	-6.2	-4.0	-4.2
Government Accounts - June Yr, % of GDP										
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-1.8	-2.1	-3.0	-2.3	-0.9					
Net Core Crown Debt (ex NZS) (Treasury forecasts)	39.3	42.4	45.1	45.1	46.5					
Bond Programme - \$bn (Treasury forecasts)	28.0	39.3	40.0	40.0	38.0					
Bond Programme - % of GDP	7.1	9.4	9.3	8.9	8.0					
Financial Variables ⁽¹⁾										
NZD/USD	0.62	0.61	0.57	0.62	0.67	0.63	0.62	0.57	0.60	0.66
USD/JPY	134	150	149	134	126	135	144	154	138	126
EUR/USD	1.07	1.09	1.08	1.12	1.18	1.06	1.09	1.05	1.11	1.17
NZD/AUD	0.93	0.93	0.91	0.90	0.90	0.94	0.93	0.91	0.90	0.90
NZD/GBP	0.51	0.48	0.44	0.47	0.49	0.52	0.49	0.45	0.46	0.49
NZD/EUR	0.58	0.56	0.53	0.55	0.56	0.60	0.57	0.55	0.54	0.56
NZD/YEN	83.0	91.1	85.4	83.1	83.8	85.6	89.5	88.4	83.1	83.2
TWI	71.0	71.2	67.9	71.1	73.2	72.9	72.0	68.5	69.9	73.3
Overnight Cash Rate (end qtr)	4.75	5.50	3.75	2.75	3.50	4.25	5.50	4.25	2.75	3.25
90-day Bank Bill Rate	5.16	5.64	3.60	2.90	4.05	4.55	5.63	4.26	2.90	3.55
5-year Govt Bond	4.40	4.60	4.00	3.65	4.20	4.30	4.50	3.90	3.55	4.20
10-year Govt Bond	4.35	4.60	4.50	4.30	4.40	4.25	4.65	4.45	4.30	4.40
2-year Swap	5.15	4.91	3.35	3.40	4.15	5.21	4.93	3.53	3.15	4.10
5-year Swap	4.50	4.40	3.65	3.65	4.25	4.62	4.43	3.63	3.50	4.25
US 10-year Bonds	3.65	4.20	4.25	4.00	4.00	3.60	4.00	4.40	4.00	4.00
NZ-US 10-year Spread	0.70	0.40	0.25	0.30	0.40	0.65	0.65	0.05	0.30	0.40
⁽¹⁾ Average for the last month in the quarter										

Source: Statistics NZ, BNZ, RBNZ, NZ Treasury

Key Upcoming Events

All times and dates NZT

	Median	Fcast	Last		Median	Fcast	Last
Monday 14 April				Friday 18 (Continued)			
JN Industrial Production MoM Feb F			2.50%	US Housing Starts Mar	1416k		1501k
CH Exports YoY Mar	4.60%		-3.00%	US Initial Jobless Claims 12-Apr	225k		223k
CH Imports YoY Mar	-2.10%		1.50%	US Philadelphia Fed Business Outlook Apr	3		12.5
CH Trade Balance Mar	\$74.4b		\$31.7b	US Continuing Claims 5-Apr	1870k		1850k
Tuesday 15 April				EC ECB's Lagarde Speaks			
US NY Fed 1-Yr Inflation Expectations Mar			3.13%	US Fed's Barr Speaks			
US Fed's Waller, Harker & Bostic Speak				JN Natl CPI YoY Mar	3.70%		3.70%
NZ RBNZ's Conway Speaks				Saturday 19 April			
NZ Food Prices MoM Mar			-0.50%	US Fed's Daly Speaks			
NZ Selected Monthly Price Indexes Mar				Monday 21 April			
UK BRC Sales Like-For-Like YoY Mar	0.60%		0.90%	NZ Holiday, Easter Monday			
AU RBA Minutes of April Meeting				Tuesday 22 April			
UK Private Earnings ex Bonus 3M/YoY Feb	6.00%		6.10%	NZ Trade Balance NZD Mar			510m
UK ILO Unemployment Rate 3Mths Feb	4.40%		4.40%	EC ECB Survey of Professional Forecasters			
UK Payrolled Employees Mnthly Chng Mar	-15k		21k	Wednesday 23 April			
EC ECB Bank Lending Survey				US Philadelphia Fed Non-Manufacturing Activity Apr			-32.5
GE ZEW Survey Expectations Apr	10		51.6	US Fed's Jefferson & Harker Speak			
EC Industrial Production SA MoM Feb	0.20%		0.80%	EC Consumer Confidence Apr P			-14.5
Wednesday 16 April				US Richmond Fed Manufact. Index Apr			-4
US Empire Manufacturing Apr	-12.5		-20	US Richmond Fed Business Conditions Apr			-14
NZ Dairy GDT auction				AU S&P Global Australia PMI Mfg Apr P			52.1
US Fed's Cook Speaks				AU S&P Global Australia PMI Services Apr P			51.6
JN Core Machine Orders MoM Feb	1.20%		-3.50%	EC HCOB EZ Manufacturing PMI Apr P			48.6
AU Westpac Leading Index MoM Mar			0.07%	EC HCOB Eurozone Services PMI Apr P			51
CH GDP SA QoQ 1Q	1.40%		1.60%	UK S&P Global UK Manufacturing PMI Apr P			44.9
CH GDP YoY 1Q	5.20%		5.40%	UK S&P Global UK Services PMI Apr P			52.5
CH Industrial Production YoY Mar	5.90%			EC Trade Balance SA Feb			14.0b
CH Retail Sales YoY Mar	4.20%			EC ECB Wage Tracker (TBC)			
CH Fixed Assets Ex Rural YTD YoY Mar	4.10%		4.10%	UK BOE's Pill Speaks			
UK CPI YoY Mar	2.70%		2.80%	Thursday 24 April			
UK CPI Core YoY Mar	3.40%		3.50%	US Fed's Goolsbee, Musalem & Others Speak			
UK CPI Services YoY Mar	4.80%		5.00%	US S&P Global US Manufacturing PMI Apr P			50.2
EC CPI YoY Mar F	2.20%			US S&P Global US Services PMI Apr P			54.4
EC CPI Core YoY Mar F	2.40%		2.40%	US New Home Sales Mar	683k		676k
Thursday 17 April				UK BOE's Bailey & Breeden Speak			
US Retail Sales Advance MoM Mar	1.40%		0.20%	US Fed Releases Beige Book			
US Retail Sales Control Group Mar	0.60%		1.00%	NZ ANZ Consumer Confidence Index Apr			93.2
US New York Fed Services Business Activity Apr			-19.3	NZ Credit Conditions Survey			
US Manufacturing (SIC) Production Mar	0.30%		0.90%	GE IFO Expectations Apr			87.7
CA Bank of Canada Rate Decision 16-Apr	2.75%		2.75%	Friday 25 April			
US Business Inventories Feb	0.20%		0.30%	NZ Holiday, ANZAC Day			
US NAHB Housing Market Index Apr	38		39	US Chicago Fed Nat Activity Index Mar			0.18
US Fed's Powell, Hammack & Others Speak				US Durable Goods Orders Mar P	0.50%		1.00%
NZ CPI QoQ 1Q	0.70%	0.90%	0.50%	US Initial Jobless Claims 19-Apr			
NZ CPI YoY 1Q	2.30%	2.40%	2.20%	US Continuing Claims 12-Apr			
NZ CPI Tradeable QoQ 1Q	0.60%	1.00%	0.30%	UK BOE's Lombardelli Speaks			
NZ CPI Non Tradeable QoQ 1Q	0.80%	0.80%	0.70%	US Existing Home Sales Mar	4.12m		4.26m
JN Trade Balance Mar	¥465.0b		¥584.5b	UK GfK Consumer Confidence Apr			-19
JN BOJ's Nakagawa Speaks				UK Retail Sales Inc Auto Fuel MoM Mar			1.00%
AU Employment Change Mar	40.0k	20.0k	-52.8k	Saturday 26 April			
AU Unemployment Rate Mar	4.20%	4.10%	4.10%	US U. of Mich. Sentiment Apr F			50.8
UK BoE Bank Liabilities/Credit Conditions Surveys				US Kansas City Fed Services Activity Apr			0
Friday 18 April				UK BOE's Greene Speaks			
NZ Holiday, Good Friday				Sunday 27 April			
EC ECB Deposit Facility Rate 17-Apr	2.25%		2.50%	CH Industrial Profits YoY Mar			11.00%

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	3.50	3.75	3.75	5.50	2 years	3.21	3.10	3.50	5.08
1mth	3.62	3.59	3.81	5.60	3 years	3.35	3.19	3.60	4.83
2mth	3.55	3.53	3.73	5.63	4 years	3.51	3.30	3.69	4.70
3mth	3.49	3.47	3.66	5.65	5 years	3.66	3.41	3.78	4.64
6mth	3.27	3.28	3.53	5.59	10 years	4.23	3.89	4.19	4.66
GOVERNMENT STOCK					FOREIGN EXCHANGE				
04/27	3.24	3.29	3.67	4.71	NZD/USD	0.5831	0.5540	0.5820	0.5904
05/30	3.95	3.78	4.13	4.65	NZD/AUD	0.9272	0.9256	0.9116	0.9163
05/32	4.40	4.12	4.42	4.74	NZD/JPY	83.90	81.89	86.83	91.07
05/35	4.77	4.39	4.69	4.87	NZD/EUR	0.5141	0.5080	0.5328	0.5557
04/37	5.00	4.62	4.89	4.96	NZD/GBP	0.4458	0.4353	0.4480	0.4744
05/41	5.27	4.87	5.10	5.07	NZD/CAD	0.8086	0.7891	0.8316	0.8140
05/54	5.52	5.09	5.27	5.07	TWI	68.5	66.9	68.4	70.4
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	73	77	54	57					
Europe 5Y	77	80	56	60					

Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Matt Brunt
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

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