Research

# Markets Outlook

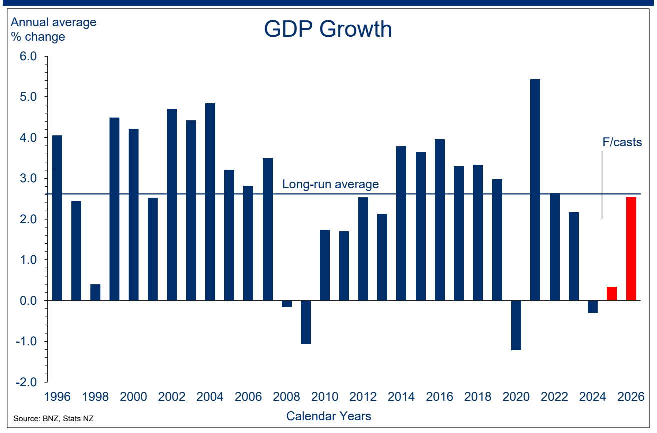
12 January 2026

## Happy New Year?

- **2026 a much better year**
- **But still hard going for many**
- **As labour market recovery lags**
- **Tuesday's QSBO of paramount importance**
- **Friday price data to confirm inflation containment**

We head into a brand-new year quietly confident it will prove to be a much better one than any of the past three years. We say this mindful that we did not share the consensus view that calendar 2025 would prove to be filled with optimism.

Better days ahead




But we are quick to point out that "better" and "good" are two very different things. We are forecasting the economy to expand 2.5% in calendar 2026. While we expect economic expansion in every quarter of the year, we are still very aware that conditions will remain tough for many. Both households and businesses will continue to struggle with elevated costs, and the household sector is unlikely to see much joy on the job front until much later in the year.

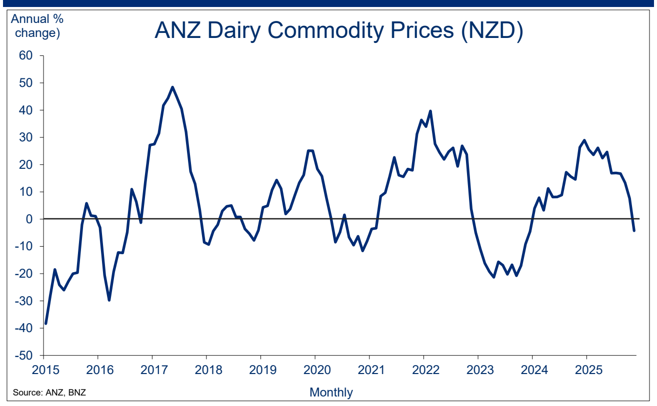
There remains a multiplicity of moving parts to monitor and, of course, there will be shocks that occur that, by definition, have not been taken into consideration. But, for us, the three key factors that we will be keeping a watchful eye on over the next few months are:

- The impact of weaker dairy prices;
- Political uncertainty both home and abroad and its effect on investment; and
- The path of household disposable incomes against a backdrop of lower mortgage interest rates and ongoing weakness in employment growth.

We think folk often underestimate the impact of dairy prices on the wider economy. In our opinion, had it not been for the surge in dairy commodity prices over the last two years, New Zealand would have looked very sick indeed. The good news is that the positive downstream effects of the increase in dairy sector earnings still has some way to run. And then there's the further boost to farmers' cash balances from Fonterra's sale of its consumer business to Lactalis.

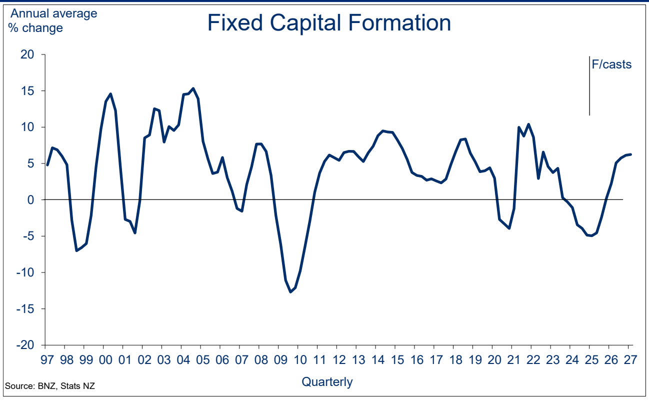
On the flip side, dairy prices have slumped over the last few months. The recent jump in the GDT price is heartening as is the surge in futures prices but we caution that in and of itself it's not enough to return expected earnings to anything like the 2024/25 season. Given this, there is a very good chance the economic impetus from the dairy sector will shift from strong tailwind to strong headwind. Even in a best case scenario the marginal positive impact will be less than it has been.

Dairy boost fades




We have been highlighting our concerns about the political environment for some time. We will not pass judgment on the capacity of various parties to run the country well but what we can say with certainty is that it is easier for people to make decisions when there is some surety about the rules of the game. In contrast, when it is very unclear who might win an election and it is clear the policy stance of potential governments could be very different then it is difficult for people to forge ahead with investment decisions. This can apply equally to housing investment as it can business investment in plant and machinery and technology. Our forecasts are predicated on a significant pick up in investment activity so we will be watching investment intentions closely for any signs that such investment growth may not be forthcoming. For the record we are forecasting total fixed capital formation to increase 6.1% in calendar 2026, its strongest pace of expansion since 2021.

Investment recovery required

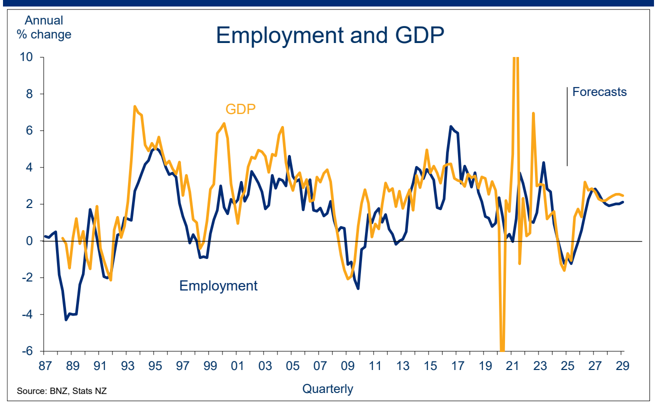



Also key to a sustainable economic recovery is that household disposable incomes rise. This is where we potentially see our biggest forecasts risk.

Our projections imply that employment will increase by 80,000 people across calendar 2026. Our fear is that given the often-long lags between economic growth and employment that any pick up in jobs growth will be either further delayed or more moderate than we have assumed. We are particularly concerned that, as things stand, there are extremely low flows of labour from the unemployed category into the employed category and that even as the demand for labour increases there may be skill mismatches between those looking for staff and those available for work.

With the broader labour market still in a position of excess supply wage growth is likely to remain low with modest real increases at best.

Will labour market conditions improve?




A huge boon for the household sector will come by way of further declines in the mortgage rates of householders moving from floating rates to fixed rates or simply locking in recent past gains. The sum total cash flow impact on the household sector will be significant and help boost retail spending particularly given that mortgage holders tend to be in the demographic of those with a high marginal propensity to consume.

Of course, it's not all good news. Mortgage rates are again sneaking higher, the majority of New Zealanders don't have a mortgage so don't benefit directly anyway, and there is a segment of the population which relies on deposit interest rates to make ends meet.

Nonetheless, we are optimistic that stimulatory interest rates will prove to be net positive for the economy.

Our first real chance to gauge how the economy might fair in 2026 comes by way of Tuesday's edition of NZIER's Quarterly Survey of Business Opinion (QSBO). Not only is this of great interest to us but it is a survey which is watched very closely by the central bank.

We anticipate expected trading conditions to continue supporting our view that the economy is expanding at a modest pace. Profit expectations are a useful indicator of expected future earnings streams for the corporate sector and, in turn, activity.

Also interesting, though, will be whether experienced trading conditions can continue their trend improvement. There is certainly plenty of anecdotal evidence to suggest that Q4, 2025 economic growth will be much weaker than that reported for Q3. We are currently picking a 0.5% increase in December Quarter GDP compared with a 1.1% jump in September but see the risks as being to the downside.

More interesting to us will be the indicators that give insight into investment and hiring intentions. Failure for these indicators to push higher would be a clear warning that economic momentum is faltering.

Average selling prices will, as always, be watched for signs of budding inflationary pressure. In the December QSBO only a net 7% of respondents expected selling prices to rise. This series would have to rise dramatically to, say, something over 20 before it would produce any indication that the RBNZ needed to worry about future CPI prints.

Talking of inflation, Friday sees the release of selected price indices for the December month. We'll be looking for supporting evidence of our current Q4 CPI forecast of 0.3% for the quarter, 2.8% for the year. A key marker for us will be December month food prices which we have assumed to have increased 0.1%.

The RBNZ's inflation pick for the year ended December is 2.7% which we do not see as being meaningfully different to our own. Generally, we see inflationary pressure building faster than does the RBNZ but still see inflation being broadly under control over the medium term provided, of course, the cash rate rises steadily through calendar 2027.

On Wednesday we get updates on building consents, employment indicators and commodity prices. We will need evidence of a small increase in employment in November, with no negative revision to October's flat outturn to be consistent with our view of a 0.3% increase in employment when the Q4 Household Labour Survey is released. As things stand, we are a bit nervous about Q4 employment data given anecdotal evidence from the retail sector that the normal Christmas staff uplift did not occur.

As for building permits, we expect the annual number of new dwelling units authorised to keep ticking higher while remaining relatively downbeat on expectations for non-residential construction.

December commodity prices will continue to reflect the downshift in dairy prices. We are looking for a drop in the world price of our commodity exports of around 2.5% taking the annual fall to -2.8%. New Zealand dollar prices will drop much more given the appreciation of the NZD over the month. Consequently, NZD prices are expected to reveal their first annual decline since November 2023.

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# Global Watch

- **US core CPI at risk of payback in December**
- **Fed's Williams to speak Tuesday morning NZT**
- **US earnings season kicks off, major banks this week**
- **China trade and financing data due**

**The key focus in Australia this week is consumer spending data today.** NAB expect a 0.5% mom rise in November, following a 1.3% increase in October, an outcome that would leave the risk to the upside of our Q4 real household consumption forecast of 0.6% qoq. November Job Vacancies (Wed) provide an update on labour demand ahead of December unemployment figures next week. Westpac-Melbourne Institute Consumer Confidence is Tuesday.

**In the US**, the spotlight will be on **December CPI** data (Tue) where consensus looks for a 0.3% mom outcome and some payback after shutdown-affected data in the prior release. Other data include **PPI and retail sales** on Wednesday, initial jobless claims on Thursday, and industrial production on Friday. The Fed's Beige Book is out Wednesday, and FOMC speakers include **NY's Williams** delivering a keynote address Tuesday morning NZT.

Geopolitical developments also remain in focus, while the **U.S. earnings season** kicks off with results from major banks including JPMorgan, Citi, Bank of America, Wells Fargo, Goldman Sachs, and Morgan Stanley.

**In Asia**, China's December **trade data** (Wed) is expected to show slower growth in both imports and exports. Aggregate financing data is also due during the week. In **Japan**, after today's holiday, current account data is on Tuesday and PPI data is out Thursday.

**UK industrial production** for November is Thursday. In the **Eurozone**, final CPI's for France and Germany are out ahead of the eurozone wide release next Monday. There are speeches from ECB Vice President Guindos and Governor Villeroy.

## Key Event Previews

### Monday

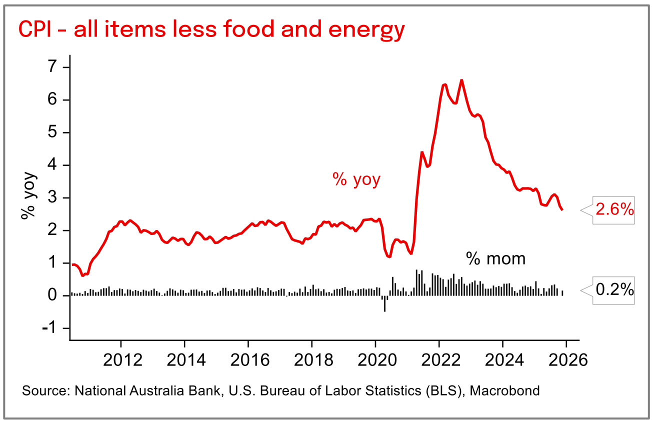
**AU Household Spending (Nov)**
NAB expects MHSI to rise 0.5% mom in November, to be 5.4% higher over the year. This follows October's strong 1.3% mom gain, the largest since January 2024, and would be consistent with the robust spending momentum evident in the NAB Consumer Spend Trend.

The key focus will be whether October's broad-based lift in spending is sustained. There is a risk of larger payback if earlier promotional discounting pulled spending forward form November.

### Tuesday

**US CPI (Dec)**
Core CPI surprised to the downside in the 2 months to November, with November at 2.6% yoy. Missing October data and later-than-usual collection of November data likely contributed to the lower outcome, especially in shelter and core goods. Late sampling meant more goods prices reflected black Friday weekend. That sets up the risk of payback in December.

Early consensus is 0.3% mom and 2.7% yoy for core CPI.




### Wednesday

**AU Job Vacancies (Nov)**
Job vacancies fell by 2.6% in August, led by declines in the private sector. While vacancies fell back materially from their peak in mid-2022, they have been steadier recently, only 1.5% lower over the past year.

This aligns with other indicators of labour demand, which have been steady or trending lower over the past year but remain at solid levels. Looking ahead, NAB suggests stronger private sector activity growth should help underpin labour demand at reasonably healthy levels.

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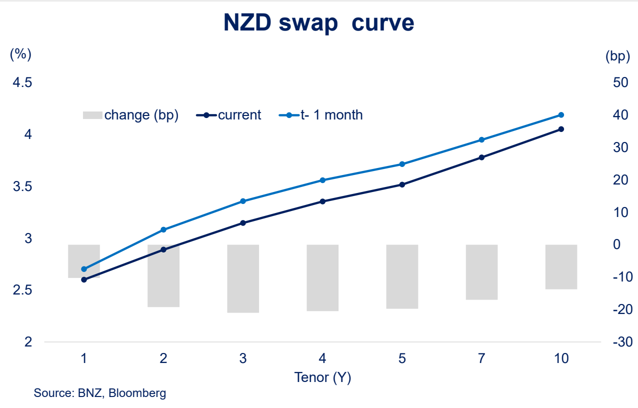
# Fixed Interest Market

**Reuters: BNZL, BNZM Bloomberg:BNZ**

The aggressive positioning-driven selloff in NZ fixed income, saw yields reach a peak in mid-December, before a subsequent retracement. The reversal was supported by comments from RBNZ Governor Breman which pushed back against the premature tightening in financial conditions. The Governor's statement outlined the economy has broadly evolved in line with the RBNZ's expectations at the November Monetary Policy Statement (MPS). In addition, the commentary reiterated the Bank's modelled track for the Official Cash Rate (OCR), which implies a slight probability of another rate cut in the near term, and that the Cash Rate is likely to remain stable at 2.25% for some time.

NZ swap rates are close to 25bp lower in the front end and belly of the curve since the December peak. As we previously noted, the post-MPS selloff in NZ rates appeared to be an overshoot and related to an overhang from market positioning. With positioning cleaner, we expect NZ rates to more closely align with domestic fundamentals. The market is pricing 32bp of tightening by the RBNZ this year. This compares with our baseline forecast the OCR will remain steady at 2.25% suggesting some downside potential for front end rates.

1-month change in NZ swap curve

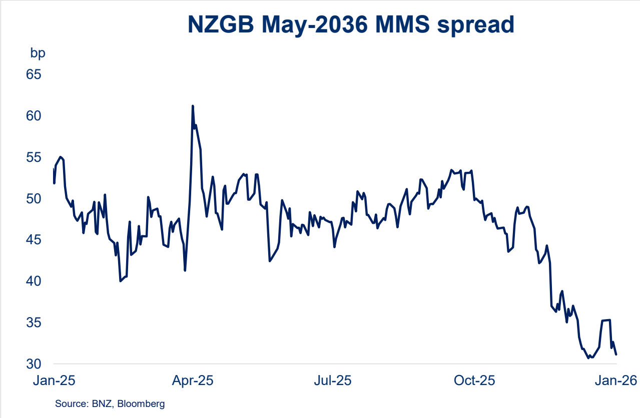



Yields have edged lower this year, with support by lower rates in Australia, in the absence of material domestic data. The relatively steep NZ curve is likely to attract receive-side interest, with global cross market implied volatility subdued, and upbeat investor risk appetite supporting demand for carry positions. The NZ economic calendar picks up this week with the release of the Quarterly Survey of Business Opinion, a key source of information for activity and inflation dynamics. Inflation partials will also be monitored ahead of the Q4 CPI release next week.

New Zealand Government Bonds (NZGBs) have remained well supported, since the Half-Year borrowing programme update, with the market focussed on the reduced supply for the second half of the fiscal year. 70% of issuance has already been completed and there is NZ$11 billion required to complete the 2025/26 programme. Issuance will be met by weekly tenders (there are no further syndications this fiscal year) and will restart on 15 January.

10-year matched maturity swap (MMS) spreads have tightened towards +30bp, the narrowest level in more than twelve months. We would expect a period of consolidation in the near term after the recent bond outperformance. Pricing dynamics in the Kauri market suggest issuance is likely to be sporadic and not a material driver in the swap market.

10-year NZGB MMS spreads back at the recent lows




NZGB supply dynamics are forecast to gradually improve in coming fiscal years, though this will of course be impacted by economic and political cycles. A key driver of matched maturity swap spreads - the net supply to the market as a proportion of GDP - has peaked. The RBNZ's Large Scale Asset Purchase holdings are on track to be fully unwound by the middle of 2027. This will reduce the amount of NZGB supply that needs to be absorbed by private sector investors and points towards a tightening in MMS spreads over a multi-month horizon.

Current rates and 1-month range

| | Current | Last 4-weeks range* |
|---|---|---|
| NZ 90d bank bills (%) | 2.50 | 2.48 - 2.52 |
| NZ 2yr swap (%) | 2.89 | 2.89 - 3.14 |
| NZ 5yr swap (%) | 3.52 | 3.51 - 3.79 |
| NZ 10yr swap (%) | 4.05 | 4.04 - 4.27 |
| 2s10s swap curve (bps) | 116 | 115 - 120 |
| NZ 10yr swap-govt (bps) | -36 | -40 - -26 |
| NZ 10yr govt (%) | 4.41 | 4.40 - 4.51 |
| US 10yr govt (%) | 4.17 | 4.10 - 4.20 |
| NZ-US 10yr (bps) | 24 | 23 - 36 |
| NZ-AU 2yr swap (bps) | -111 | -116 - -93 |
| NZ-AU 10yr govt (bps) | -28 | -44 - -21 |

*Indicative range over last 4 weeks

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# Technicals

**NZ 5-year Swap Rate**

Outlook: Neutral

ST Resistance: 3.69

ST Support: 2.92


The holiday period has seen 5y move lower and it looks to have rejected the move above 3.69% as resistance. We shift our outlook to neutral and await a move in either direction. A move below 3.40% would be a bullish signal.

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

Outlook: Higher

ST Resistance: 0.76

ST Support: 0.26


2s5s took a small round trip over the holiday period but the outlook remains for it to steepen given momentum and point of the rates cycle.

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# Quarterly Forecasts

**Forecasts as at 12 January 2026**

## Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts

| | Jun-25 | Sept-25 | Dec-25 | Mar-26 | Jun-26 | Sept-26 | Dec-26 | Mar-27 | Jun-27 | Sept-27 |
|---|---|---|---|---|---|---|---|---|---|---|
| **GDP (production s.a.)** | -1.0 | 1.1 | 0.5 | 0.7 | 0.9 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| **Retail trade (real s.a.)** | 0.7 | 1.9 | 0.4 | 1.0 | 0.9 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| **Current account (ann, % GDP)** | -3.7 | -3.5 | -3.3 | -3.4 | -3.5 | -3.7 | -3.7 | -3.7 | -3.7 | -3.7 |
| **CPI (q/q)** | 0.5 | 1.0 | 0.3 | 0.5 | 0.5 | 0.7 | 0.3 | 0.6 | 0.5 | 0.7 |
| **Employment** | -0.2 | 0.0 | 0.3 | 0.5 | 0.7 | 0.8 | 0.7 | 0.6 | 0.5 | 0.5 |
| **Unemployment rate %** | 5.2 | 5.3 | 5.3 | 5.3 | 5.1 | 4.9 | 4.8 | 4.7 | 4.7 | 4.7 |
| **Pr. avg hourly earnings (ann %)** | 4.6 | 4.1 | 3.4 | 4.1 | 3.2 | 3.2 | 3.4 | 3.3 | 3.2 | 3.2 |
| **Trading partner GDP (ann %)** | 3.3 | 3.2 | 2.5 | 2.7 | 2.7 | 2.8 | 3.0 | 2.9 | 2.8 | 2.8 |
| **CPI (y/y)** | 2.7 | 3.0 | 2.8 | 2.3 | 2.3 | 2.0 | 2.0 | 2.1 | 2.1 | 2.1 |
| **GDP (production s.a., y/y)** | -1.1 | 1.3 | 1.7 | 1.3 | 3.2 | 2.8 | 2.8 | 2.7 | 2.3 | 2.2 |

## Interest Rates

| Historical data - qtr average<br>Forecast data - end quarter | | Cash | Government Stock<br>90 Day Bank Bills | 5 Year | 10 Year | Swaps<br>2 Year | 5 Year | 10 Year | US Rates<br>SOFR 3 month | US 10 yr | Spread<br>NZ-US Ten year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2025** | **Mar** | 3.92 | 3.84 | 3.99 | 4.58 | 3.47 | 3.71 | 4.15 | 4.30 | 4.45 | 0.13 |
| | **Jun** | 3.33 | 3.38 | 3.85 | 4.55 | 3.19 | 3.57 | 4.10 | 4.30 | 4.35 | 0.19 |
| | **Sep** | 3.08 | 3.09 | 3.67 | 4.42 | 2.99 | 3.40 | 3.95 | 4.20 | 4.25 | 0.17 |
| | **Dec** | 2.33 | 2.51 | 3.51 | 4.26 | 2.71 | 3.26 | 3.85 | 3.80 | 4.10 | 0.17 |
| Forecasts | | | | | | | | | | | |
| **2026** | **Mar** | 2.25 | 2.40 | 3.65 | 4.55 | 2.80 | 3.40 | 4.15 | 3.60 | 4.25 | 0.30 |
| | **Jun** | 2.25 | 2.40 | 3.65 | 4.65 | 2.85 | 3.40 | 4.25 | 3.35 | 4.35 | 0.30 |
| | **Sep** | 2.25 | 2.40 | 3.85 | 4.80 | 3.20 | 3.60 | 4.40 | 3.10 | 4.50 | 0.30 |
| | **Dec** | 2.25 | 2.55 | 4.10 | 4.80 | 3.60 | 3.90 | 4.45 | 3.10 | 4.50 | 0.30 |
| **2027** | **Mar** | 2.50 | 3.05 | 4.25 | 4.80 | 3.90 | 4.10 | 4.50 | 3.10 | 4.50 | 0.30 |
| | **Jun** | 3.00 | 3.50 | 4.30 | 4.80 | 4.00 | 4.20 | 4.55 | 3.10 | 4.50 | 0.30 |
| | **Sep** | 3.50 | 4.00 | 4.25 | 4.80 | 4.00 | 4.20 | 4.60 | 3.10 | 4.50 | 0.30 |
| | **Dec** | 4.00 | 4.15 | 4.25 | 4.80 | 4.00 | 4.25 | 4.65 | 3.10 | 4.50 | 0.30 |

## Exchange Rates (End Period)

### USD Forecasts

| | NZD/USD | AUD/USD | EUR/USD | GBP/USD | USD/JPY |
|---|---|---|---|---|---|
| **Current** | 0.57 | 0.67 | 1.16 | 1.34 | 158 |
| **Mar-26** | 0.60 | 0.69 | 1.20 | 1.35 | 144 |
| **Jun-26** | 0.62 | 0.71 | 1.21 | 1.36 | 140 |
| **Sept-26** | 0.63 | 0.72 | 1.23 | 1.38 | 135 |
| **Dec-26** | 0.63 | 0.71 | 1.22 | 1.37 | 135 |
| **Mar-27** | 0.63 | 0.70 | 1.21 | 1.36 | 135 |
| **Jun-27** | 0.62 | 0.69 | 1.20 | 1.35 | 135 |
| **Sept-27** | 0.62 | 0.69 | 1.20 | 1.34 | 133 |
| **Dec-27** | 0.62 | 0.69 | 1.20 | 1.32 | 133 |

### NZD Forecasts

| | NZD/USD | NZD/AUD | NZD/EUR | NZD/GBP | NZD/JPY | TWI-17 |
|---|---|---|---|---|---|---|
| **Current** | 0.57 | 0.86 | 0.49 | 0.43 | 90.5 | 66.0 |
| **Mar-26** | 0.60 | 0.87 | 0.50 | 0.44 | 86.4 | 68.1 |
| **Jun-26** | 0.62 | 0.87 | 0.51 | 0.46 | 86.4 | 69.3 |
| **Sept-26** | 0.63 | 0.88 | 0.51 | 0.46 | 85.1 | 69.9 |
| **Dec-26** | 0.63 | 0.89 | 0.52 | 0.46 | 85.1 | 69.9 |
| **Mar-27** | 0.63 | 0.90 | 0.52 | 0.46 | 85.1 | 70.1 |
| **Jun-27** | 0.62 | 0.90 | 0.52 | 0.46 | 83.7 | 69.2 |
| **Sept-27** | 0.62 | 0.90 | 0.52 | 0.46 | 82.5 | 69.2 |
| **Dec-27** | 0.62 | 0.90 | 0.52 | 0.47 | 82.5 | 69.3 |
| **TWI Weights** | 16.2% | 17.8% | 9.2% | 4.0% | 4.7% | |

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

# Annual Forecasts

| **Forecasts** as at 12 January 2026 | March Years | | | | December Years | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Actuals | | Forecasts | | Actuals | | Forecasts | | | |
| | 2024 | 2025 | 2026 | 2027 | 2023 | 2024 | 2025 | 2026 | 2027 | |
| ***GDP -*** annual average % change | | | | | | | | | | |
| Private Consumption | 1.1 | 0.0 | 1.7 | 2.3 | 1.1 | -0.2 | 1.6 | 2.0 | 2.3 | |
| Government Consumption | 1.1 | -1.3 | 2.3 | 0.2 | 0.1 | -0.9 | 1.9 | 0.7 | -0.4 | |
| Total Investment | -1.1 | -5.0 | 2.3 | 6.2 | -0.3 | -4.9 | 0.2 | 6.1 | 4.3 | |
| Stocks - ppts cont'n to growth | -1.4 | 0.4 | 0.2 | 0.4 | -1.2 | 0.4 | -0.2 | 0.6 | 0.0 | |
| GNE | -0.9 | -1.1 | 2.2 | 3.2 | -0.7 | -1.1 | 1.1 | 3.4 | 2.3 | |
| Exports | 8.6 | 3.4 | 2.9 | 4.9 | 11.5 | 4.7 | 2.7 | 4.9 | 3.8 | |
| Imports | -1.4 | 1.5 | 4.9 | 5.0 | -0.7 | 1.7 | 3.4 | 5.5 | 3.4 | |
| Real Expenditure GDP | 1.5 | -0.7 | 1.3 | 3.1 | 2.1 | -0.3 | 0.7 | 2.9 | 2.3 | |
| **GDP (production)** | **1.8** | **-0.9** | **0.8** | **2.9** | **2.2** | **-0.3** | **0.3** | **2.5** | **2.3** | |
| *GDP - annual % change (q/q)* | *1.6* | *-0.7* | *1.3* | *2.7* | *1.4* | *-1.6* | *1.7* | *2.8* | *2.2* | |
| Output Gap (ann avg, % dev) | 1.2 | -0.7 | -1.3 | -0.2 | 1.3 | -0.2 | -1.2 | -0.4 | 0.1 | |
| Nominal Expenditure GDP - $bn | 417 | 431 | 449 | 472 | 413 | 427 | 445 | 466 | 489 | |
| ***Prices and Employment -*** annual % change | | | | | | | | | | |
| CPI | 4.0 | 2.5 | 2.3 | 2.1 | 4.7 | 2.2 | 2.8 | 2.0 | 2.1 | |
| Employment | 0.9 | -0.9 | 0.6 | 2.8 | 2.7 | -1.2 | -0.1 | 2.7 | 2.0 | |
| Unemployment Rate % | 4.4 | 5.1 | 5.3 | 4.7 | 4.0 | 5.1 | 5.3 | 4.8 | 4.7 | |
| Wages - ave. hr. ord. time earnings (private sector) | 4.8 | 3.8 | 4.1 | 3.3 | 6.6 | 4.0 | 3.4 | 3.4 | 3.2 | |
| Productivity (ann av %) | -0.6 | 0.1 | 1.2 | 0.5 | -0.8 | 0.1 | 1.2 | 0.7 | -0.1 | |
| Unit Labour Costs (ann av %) | 6.6 | 4.4 | 2.2 | 2.7 | 7.1 | 4.7 | 2.6 | 2.4 | 3.3 | |
| House Prices (stratified, mth) | 2.8 | -0.6 | -0.7 | 2.9 | 0.6 | -0.8 | -0.4 | 2.1 | 3.9 | |
| ***External Balance*** | | | | | | | | | | |
| Current Account - $bn | -23.8 | -18.3 | -15.3 | -17.7 | -25.8 | -20.0 | -14.8 | -17.4 | -17.2 | |
| Current Account - % of GDP | -5.7 | -4.2 | -3.4 | -3.7 | -6.3 | -4.7 | -3.3 | -3.7 | -3.5 | |
| ***Government Accounts*** - June Yr, % of GDP | | | | | | | | | | |
| OBEGAL ex ACC (core op. balance) (Treasury forecasts) | -2.1 | -2.1 | -3.0 | -2.2 | | | | | | |
| Net Core Crown Debt (ex NZS) (Treasury forecasts) | 41.8 | 41.8 | 43.3 | 46.0 | | | | | | |
| Bond Programme - $bn (Treasury forecasts) | 39.3 | 42.6 | 35.0 | 34.0 | | | | | | |
| Bond Programme - % of GDP | 9.4 | 9.9 | 7.8 | 7.2 | | | | | | |
| ***Financial Variables*** [(1)] | | | | | | | | | | |
| NZD/USD | 0.61 | 0.57 | 0.60 | 0.63 | 0.62 | 0.57 | 0.59 | 0.63 | 0.62 | |
| USD/JPY | 150 | 149 | 144 | 135 | 144 | 154 | 146 | 135 | 133 | |
| EUR/USD | 1.09 | 1.08 | 1.20 | 1.21 | 1.09 | 1.05 | 1.19 | 1.22 | 1.20 | |
| NZD/AUD | 0.93 | 0.91 | 0.87 | 0.90 | 0.93 | 0.91 | 0.88 | 0.89 | 0.90 | |
| NZD/GBP | 0.48 | 0.44 | 0.44 | 0.46 | 0.49 | 0.45 | 0.44 | 0.46 | 0.47 | |
| NZD/EUR | 0.56 | 0.53 | 0.50 | 0.52 | 0.57 | 0.55 | 0.50 | 0.52 | 0.52 | |
| NZD/YEN | 91.1 | 85.4 | 86.4 | 85.1 | 89.5 | 88.4 | 86.1 | 85.1 | 82.5 | |
| TWI | 71.2 | 67.9 | 68.1 | 70.1 | 72.0 | 68.5 | 67.6 | 69.9 | 69.3 | |
| Overnight Cash Rate (end qtr) | 5.50 | 3.75 | 2.25 | 2.50 | 5.50 | 4.25 | 2.25 | 2.25 | 4.00 | |
| 90-day Bank Bill Rate | 5.64 | 3.60 | 2.40 | 3.05 | 5.63 | 4.26 | 2.49 | 2.55 | 4.15 | |
| 5-year Govt Bond | 4.60 | 4.00 | 3.65 | 4.25 | 4.50 | 3.90 | 3.80 | 4.10 | 4.25 | |
| 10-year Govt Bond | 4.60 | 4.50 | 4.55 | 4.80 | 4.65 | 4.45 | 4.45 | 4.80 | 4.80 | |
| 2-year Swap | 4.91 | 3.35 | 2.80 | 3.90 | 4.93 | 3.53 | 2.98 | 3.60 | 4.00 | |
| 5-year Swap | 4.40 | 3.65 | 3.40 | 4.10 | 4.43 | 3.63 | 3.61 | 3.90 | 4.25 | |
| US 10-year Bonds | 4.20 | 4.25 | 4.25 | 4.50 | 4.00 | 4.40 | 4.15 | 4.50 | 4.50 | |
| NZ-US 10-year Spread | 0.40 | 0.25 | 0.30 | 0.30 | 0.65 | 0.05 | 0.30 | 0.30 | 0.30 | |

(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 |
|---|---|---|---|---|
| | **Monday 12 January** | | | |
| AU | Household Spending MoM Nov | 0.60% | 0.50% | 1.30% |
| EC | ECB's Guindos speaks | | | |
| EC | Sentix Investor Confidence Jan | -4.9 | | -6.2 |
| CH | (circa) Aggregate Financing CNY YTD Dec | 35295.0b | | 33390.0b |
| CH | (circa) New Yuan Loans CNY YTD Dec | 16161.7b | | 15360.0b |
| | **Tuesday 13 January** | | | |
| EC | ECB's Villeroy speaks | | | |
| US | Fed's Bostic, Barkin, Williams speak | | | |
| NZ | NZIER Business Opinion Survey | | | |
| UK | BRC Sales Like-For-Like YoY Dec | | | 1.20% |
| JN | Eco Watchers Survey Outlook SA Dec | 50.2 | | 50.3 |
| UK | BOE's Bailey speaks | | | |
| EC | ECB's Kocher speaks | | | |
| | **Wednesday 14 January** | | | |
| US | NFIB Small Business Optimism Dec | 99.5 | | 99 |
| US | ADP Weekly Employment Change 27-Dec | | | |
| US | Core CPI YoY Dec | 2.70% | | 2.60% |
| US | Fed's Musalem, Barkin speaks | | | |
| US | New Home Sales Oct | 715k | | |
| NZ | Filled Jobs SA MoM Nov | | | 0.00% |
| NZ | Building Permits MoM Nov | | | -0.90% |
| NZ | ANZ Commodity Price MoM Dec | | -2.50% | -1.60% |
| EC | ECB's Guindos speaks | | | |
| UK | BOE's Taylor speaks | | | |
| CH | Trade Balance CNY Dec | | | 800.00b |
| | **Thursday 15 January** | | | |
| US | PPI Ex Food and Energy YoY Nov | 2.70% | | |
| US | Retail Sales Advance MoM Nov | 0.50% | | 0.00% |
| US | Retail Sales Control Group Nov | 0.40% | | 0.80% |
| US | Current Account Balance 3Q | -$241.0b | | -$251.3b |
| US | Fed's Paulson, Miran speak | | | |
| US | Existing Home Sales Dec | 4.22m | | 4.13m |
| US | Business Inventories Oct | 0.10% | | 0.20% |
| UK | BOE's Ramsden speaks | | | |
| US | Fed's Kashkari, Bostic, Williams speak | | | |
| UK | Monthly GDP (MoM) Nov | 0.10% | | -0.10% |
| UK | Industrial Production MoM Nov | 0.00% | | 1.10% |
| UK | Manufacturing Production MoM Nov | 0.40% | | 0.50% |
| UK | Trade Balance GBP/Mn Nov | -£2500m | | -£4824m |
| GE | Budget Maastricht % of GDP 2025 | -2.70% | | -2.60% |
| EC | ECB Publishes Economic Bulletin | | | |
| EC | ECB's Guindos speaks | | | |
| UK | Bank of England Bank Liabilites/Credit Conditions Surveys | | | |
| EC | Trade Balance SA Nov | | | 14.0b |
| EC | Industrial Production SA MoM Nov | 0.50% | | 0.80% |
| | **Friday 16 January** | | | |
| US | Philadelphia Fed Business Outlook Jan | -1.7 | | -10.2 |
| US | Initial Jobless Claims 10-Jan | 215k | | 208k |
| US | Initial Claims 4-Wk Moving Avg 10-Jan | | | 211.75k |
| US | Continuing Claims 3-Jan | 1900k | | 1914k |
| US | BLS Releases Limited Oct. Import-Export Series with Nov. Data | | | |
| US | Empire Manufacturing Jan | 1 | | -3.9 |
| US | Fed's Bostic, Barr, Barkin, Schmid speak | | | |
| NZ | BusinessNZ Manufacturing PMI Dec | | | 51.4 |
| NZ | Food Prices MoM Dec | | 0.10% | -0.40% |
| GE | CPI YoY Dec F | 1.80% | | 1.80% |
| | **Saturday 17 January** | | | |
| US | New York Fed Services Business Activity Jan | | | -20 |
| US | Manufacturing (SIC) Production Dec | -0.10% | | 0.00% |
| US | NAHB Housing Market Index Jan | 40 | | 39 |
| US | Fed's Bowman, Jefferson speak | | | |

# Historical Data

| | Today | Week Ago | Month Ago | Year Ago |
|---|---|---|---|---|
| **CASH AND BANK BILLS** | | | | |
| Call | 2.25 | 2.25 | 2.25 | 4.25 |
| 1mth | 2.41 | 2.41 | 2.41 | 4.37 |
| 2mth | 2.46 | 2.46 | 2.45 | 4.20 |
| 3mth | 2.50 | 2.52 | 2.49 | 4.11 |
| 6mth | 2.55 | 2.56 | 2.52 | 3.85 |
| **GOVERNMENT STOCK** | | | | |
| 04/27 | 2.70 | 2.72 | 2.77 | 3.66 |
| 05/30 | 3.60 | 3.69 | 3.81 | 4.06 |
| 05/32 | 3.97 | 4.09 | 4.18 | 4.41 |
| 05/35 | 4.31 | 4.43 | 4.49 | 4.71 |
| 04/37 | 4.53 | 4.66 | 4.68 | 4.90 |
| 05/41 | 4.80 | 4.94 | 4.95 | 5.11 |
| 05/54 | 5.07 | 5.21 | 5.20 | 5.31 |
| **GLOBAL CREDIT INDICES (ITRXX)** | | | | |
| Nth America 5Y | 49 | 49 | 51 | 52 |
| Europe 5Y | 50 | 50 | 51 | 59 |

| | Today | Week Ago | Month Ago | Year Ago |
|---|---|---|---|---|
| **SWAP RATES** | | | | |
| 2 years | 2.89 | 2.95 | 3.03 | 3.45 |
| 3 years | 3.15 | 3.22 | 3.31 | 3.50 |
| 4 years | 3.36 | 3.43 | 3.52 | 3.59 |
| 5 years | 3.52 | 3.59 | 3.68 | 3.69 |
| 10 years | 4.05 | 4.14 | 4.18 | 4.14 |
| **FOREIGN EXCHANGE** | | | | |
| NZD/USD | 0.5728 | 0.5789 | 0.5782 | 0.5583 |
| NZD/AUD | 0.8577 | 0.8622 | 0.8704 | 0.9039 |
| NZD/JPY | 90.55 | 90.50 | 89.72 | 87.92 |
| NZD/EUR | 0.4924 | 0.4939 | 0.4920 | 0.5450 |
| NZD/GBP | 0.4276 | 0.4275 | 0.4322 | 0.4576 |
| NZD/CAD | 0.7972 | 0.7972 | 0.7959 | 0.8028 |
| TWI | 66.0 | 66.3 | 66.8 | 67.2 |

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