RESEARCH
Markets Outlook

29 November 2021

Green Light to Red and Orange

- **Move to traffic-light system economically important**
- **NZ can assess Omicron implications from a distance**
- **Business/consumer confidence is weakening already**
- **But inflation gauges still broadly strong**
- **Employment indicators solid for October but slowing**
- **Fonterra could upgrade its 2021/22 milk price Friday**

While there are no heavyweight NZ data reports due, this week still promises to be important for thinking about the economy's path.

More information about the Omicron strain of COVID-19 – which rattled international markets late last week (albeit in US markets made thin by Thanksgiving) – will be gratefully received. The good news is that Pfizer and Moderna have already indicated that their vaccines, by their nature, could be amended to deal with the new strain, if necessary. But all of this will take time to get a handle on.

Of course, New Zealand's borders are still so tightly managed (regards people) as to be largely closed, in effect. And these restraints will be very slow to loosen next year. So, potential impacts from Omicron locally can be reasonably judged from a distance, at this stage.

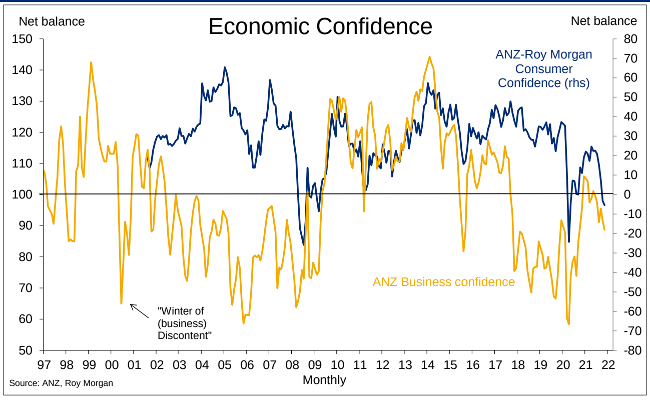
New Zealand's shift to its traffic-light system of COVID management is arguably the more immediate virus-related news to be abreast of. This shift will occur Thursday 11:59pm, with Auckland starting off in the most-cautious setting of red. What we don't know is whether some other regions might start off in red too, or whether everywhere outside Auckland begins in orange. This will all be confirmed by the government late this afternoon.

We will also be attuned to this afternoon's government press conference, to hear from Deputy Prime Minister, Grant Robertson, details on how the business support measures will morph into the new COVID-management system.

While the traffic-light system will still involve gradings of restriction, these will be predominantly along vaccinated versus unvaccinated lines. This will, on balance, allow Auckland to be freed up materially from its present level-3, step-2, setting, even though it goes into red to begin with. This has the potential to release a lot of pent-up demand into the economy. All the while, areas outside of Auckland, in shifting to orange, will, in theory at least, lend a supportive tailwind. We will be monitoring the nearer-term spending indicators with this in mind.

Having said this, the traffic-light system brings with it the likelihood of more occurrence of COVID-19 across the

A Note of Caution



country than otherwise. This, in turn, might inject a note of caution into the economy in the fullness of time. The RBNZ is certainly attentive to this potential and risk. Already, we've seen consumer confidence lose its footing over recent months, to now be well below par.

Business confidence is also wavering. While this hasn't translated into poor employment and investment intentions amongst firms, trading expectations have begun to slip a bit below par.

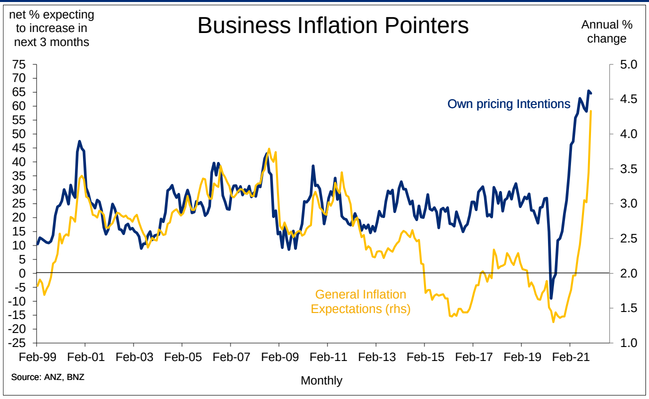
Own-activity expectations in the preliminary ANZ business survey for November, for example, eased to +15.6, from +21.7 in October, with the long-term average being +25.3. It will be interesting to see how this index goes in the full and finalised survey to be published tomorrow.

Even so, the ANZ business survey has also indicated that inflation pressures continue to build. And the Reserve Bank has made it clear it's watching inflation expectations for any drift higher. The trouble is that information on this tends to be patchy in New Zealand (and can't be reasonably extracted from inflation-indexed bonds, to be sure).

Yes, the RBNZ has its own quarterly survey on inflation expectations. However, the 2-year view can have trouble looking past immediate CPI inflation, while respondents' view of where annual CPI inflation will print in 5 years' time could be interpreted as a judgement on the Bank's framework more than anything else.

There has certainly been no let-up in various inflation expectations regarding the coming 12 months or so. The ANZ survey's view on this jumped to record-high level of 4.33% in its preliminary read for November. This challenges the view that the worst of the price increases are behind us, let alone will become muted.

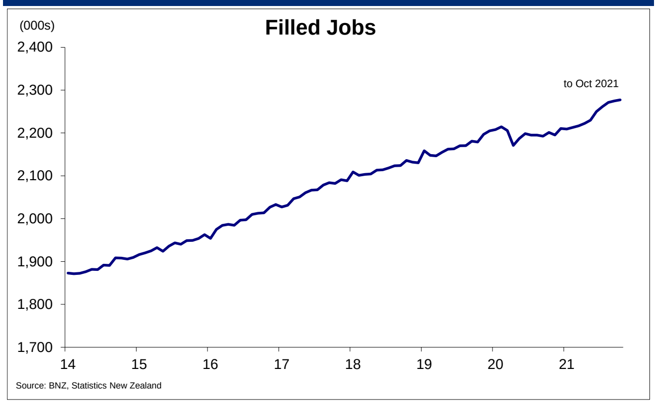
Not So Transitory



We also note some local examples of relatively high nominal wage claims being met by employers, amid an incredibly tight labour market. Such things are closely tied to the Reserve Bank's monetary mandates.

Labour market tightness was the implication from this morning's employment indicators for October. The count on filled jobs increased a seasonally adjusted 0.1%. While this was a slower pace than previous months, the weekly paid-jobs series into the first half of November argues against the idea that the hiring expansion is withering altogether.

Robust

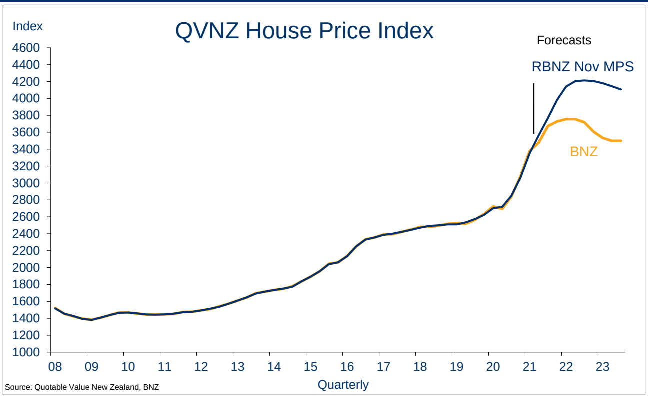


There will be other key updates regarding the state of the nation's household sector through the week.

October's household credit figures are due tomorrow, as part of the wider money and credit aggregates release (from the RBNZ).

The early housing market reports for November will emerge over the coming days, including the CoreLogic version due Wednesday and, we'd guess, the summary from Barfoot and Thompson by Friday. While there is anecdote of cooling demand in the housing market there is little evidence that prices are losing heat just yet. Just bear in mind the November Monetary Policy Statement assumed house prices would continue to grind higher over the coming year, before starting to ease back gradually from late next year.

Higher for Longer?

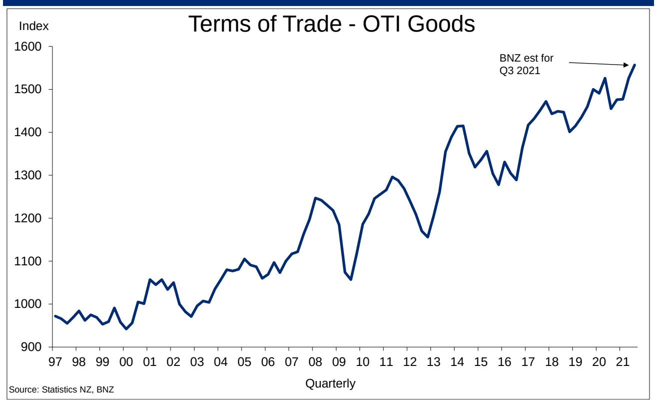


Also on Wednesday, Stats NZ publishes October's building consents. Can they conceivably get any stronger?

We also flag Friday's household balance sheet data for the September quarter, as published by the RBNZ. The Bank has noted private balance sheets as being a solid underpinning for the economy and financial system (although we would note the role that very high asset prices are playing in this).

Thursday's International Trade statistics will be an early test of our view on Q3 economic activity. Income-wise, we reckon the merchandise terms of trade increased 1.6% in the quarter, to mark a record high. This is as export prices (+4.9%) outpace import prices (+3.3%) – both inflationary indicators in their own right.

Record High



In this vein, note that on Friday Fonterra is scheduled to deliver its first-quarter business update. While this is all about operating performance, it's also an opportunity for the co-op to update its forecast of the 2021/22 milk price paid to local farmers, from its present range of $7.90 to $8.90. There is a decent chance the mid-point will move up from $8.40 (closer to the record-high $8.90 we now envisage?).

Regarding the Q3 (OTI) export volumes, note that the approximate 4% fall we anticipate for these is not particularly dictated by COVID restrictions. On the other side of the ledger, we expect to see a sizable jump in goods import volumes in the quarter, suggesting all is not lost for Q3 GDP. The services components of the International

Trade report will once again be muted by minimal tourist activity.

Wednesday's Crown Accounts, for the 4 months to October, will also be worth a look. They will set the scene for the government's Half-year Economic and Fiscal Update (HYEFU), which is scheduled for 15 December. We are still struggling to reconcile (with the nominal economy) how the year to June 2021 tax revenue ended up so strong. However, it's clear that this will have been eaten into by the COVID-restrictions that kicked in from mid-August, while government spending has ramped up at the same time.

Finally, note that the Reserve Bank's Orr and Hawkesby are talking Tuesday (NZ time), to a Bank of Canada Symposium on Indigenous Economies.

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Global Watch

• New COVID variant, Omicron, to hog limelight
• Powell, Yellen to testify mid-week
• US payrolls may surprise to the upside
• China, EU, UK PMIs to reveal latest pulse
• EU inflation seen rising further
• AU Q3 GDP expected to be sharply lower, on lockdowns

The arrival of Omicron, another COVID variant, has spooked markets. The WHO has formally designated it a variant of concern. It is very early days. Focus will be on trying to determine its transmissibility, its damage to human health, and response to current vaccines. There is still significant uncertainty around the variant, and much more will be known in a few weeks, after vaccine makers and scientists have had time to run tests and observe real world experience. Some market volatility can be expected in the meantime.

Australia

GDP data this week is likely to be largely ignored given it references a period when NSW, VIC and the ACT were in lockdown. For the record, NAB pencils in a Q3 GDP print of -3.8% q/q. Other data pieces in the week include the pre-GDP partials of Business Indicators today and Net Exports tomorrow.

Since Q3, activity has rebounded sharply with, for example, the level of payrolls now 0.8% higher than they were at 26 June 2021, immediately preceding the initial Sydney lockdown. The rebound has occurred in under 3 weeks from the end of lockdown.

Also out in the week are Building Approvals (Tuesday), Credit (Tuesday), House Prices (Wednesday), Trade (Thursday) and Housing Finance (Thursday). They are unlikely to trouble markets. Again, for the record, NAB has pencilled in a -3.0% m/m outcome for Building Approvals, a broadly steady monthly Trade Surplus of around $12b, and a 2.0% rise in Home Loan Approvals. There is one RBA event with Deputy Governor Debelle speaking on Tuesday, but he is unlikely to wade too close to monetary policy given the RBA meeting next week.

China

PMIs on Tuesday will dominate the week with the consensus still seeing manufacturing weak at 49.7 (from 49.2) and non-manufacturing conditions easing to 51.4 from 52.4. The Caixin PMI versions are on Wednesday and Friday.

US

Focus this week will be on Friday's Payrolls report along with Fed Chair Powell giving joint testimony with Treasury Secretary Yellen before the Senate and House on Tuesday and Wednesday. The consensus for payrolls is for 535k jobs with the unemployment rate expected to tick down one-tenth to 4.5%. The risk to payrolls seems to the upside and ADP Payrolls on Wednesday will likely be closely watched. As for Fed Chair Powell, the Fed appears to be tilting hawkish with many FOMC members open to accelerating the tapering pace (perhaps double to finish QE by March instead of the currently scheduled June), as well as pencilling in multiple hikes in 2022. It will be interesting to hear the latest, given recent developments, including the arrival of Omicron. Other data pieces include the Manufacturing ISM on Wednesday, Services ISM on Friday, while Jobless Claims will get a glance given they have fallen to their lowest level since November 1969.

Eurozone

Inflation data for November is released on Tuesday, with a taster from Germany and Spain ahead of that on Monday. The wider EZ measure is expected to rise to 4.5% y/y (from 4.1%) with the core measure at 2.3% y/y. The final versions of the PMIs are also out on Wednesday (Manufacturing) and Friday (Services), which, judging by the preliminary data, were on balance a little better in Europe. The latest wave of COVID-19 will also likely pre-occupy policy makers with focus on whether more countries tighten restrictions.

UK

It's a reasonably light week for UK data with only the final versions of the PMIs due on Wednesday (Manufacturing) and Friday (Services). Nationwide house prices for November are out during the week, which may be of interest to the BoE alongside mortgage and credit lending data for October on Monday. There are speeches from BoE's Mann on Tuesday and Bailey on Wednesday. UK-EU discussion on N. Ireland continue, but with little sign of a breakthrough.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ rates had a material move lower last week after the MPS proved to be less hawkish than feared and then the discovery of the Omicron Covid variant sent global rates plummeting. From Monday morning last week, the 2-year swap rate is 35bps lower, with the 5-year and 10-year rates down 23bps and 17bps respectively. Even after last week's correction, rates remain much higher than they were a few months back.

Starting with Omicron, there are more questions than answers at this stage and more will be known in a few weeks about vaccine effectiveness and how harmful and transmissible the new variant is. The market's initial reaction was to pare back central bank rate hike expectations, which is a natural response to increased uncertainty. If it turns out that vaccines remain highly effective against serious illness or that the new variant is much less severe than Delta, then rates markets are likely to quickly snap back to where they were, with inflation concerns returning to the forefront of investors' attention. If it becomes apparent that heavy new restrictions, including possibly lockdowns, are needed in the short term to combat it, there is scope for markets to push back tightening expectations further, given the sharp run-up seen in the past few months and the proximity to year-end.

The NZ rates market is potentially more at risk than most to a repricing, given there is still a significant amount of tightening priced into the yield curve. Indeed, there are more rate hikes priced for the RBNZ than any other developed market central bank. As things stand, the market prices the OCR at around 2.2% by the end of next year, implying almost six rate hikes at the seven meetings in 2022.

The market's OCR rate hike expectations are still quite a bit lower than they were this time a week ago, although that was mainly in response to last week's RBNZ MPS. The MPS was less hawkish than market expectations, with the RBNZ hiking the OCR by 'only' 25bps (the market was pricing a 35% chance of a 50bps move) and the RBNZ projecting a peak in the OCR at around 2.6%, lower than some had feared. Moreover, the RBNZ's mention of "considered steps" suggests the path forward is likely to be a series of 25bps OCR increases, unless something dramatic changes. The discussion around the outlook was relatively balanced, with the RBNZ noting there were scenarios where it might need to pause its tightening cycle, for instance if the spread of Covid-19 in the country were to dampen confidence and spending, and other scenarios where it might need to quicken the pace.

The market has reduced – although not eliminated – the risk premia for 50bps moves in upcoming meetings. February has 27bps priced, implying a 10% chance of a 50bps increase. The terminal rate is now priced at around 2.75%, having been close to 3% prior to the statement.

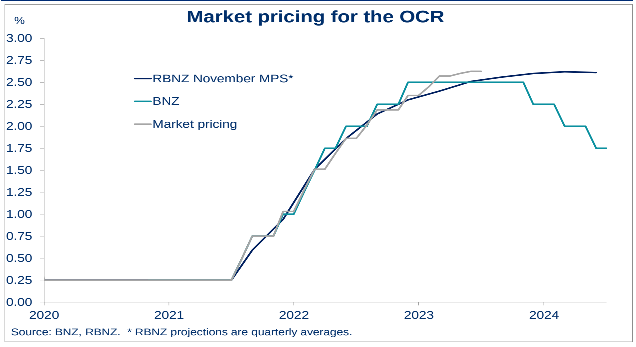
The market still prices in more OCR tightening than we think is likely to be realised. So while short-term swap rates, like the 2-year, are likely to continue pushing higher as the RBNZ increases the OCR, we don't expect they will increase by as much as the market is pricing. In the near-term, we think short-term swap rates have the potential to fall somewhat further as the market digests the implications of the MPS and factors in the potential downside risks of Omicron.

The MPS also mentioned that the RBNZ would report back in February with a plan to "manage down" its large LSAP bond holdings. There were hints that this might involve the RBNZ selling these bonds, rather than letting them passively roll off as they mature, although we will need to wait for February for more detail. Any prospective bond sales would be directly back to Treasury and <u>not</u> in the secondary market. Interested readers can see our note *RBNZ LSAP – are bond sales possible in the future?* from August 31st for more on our thinking.

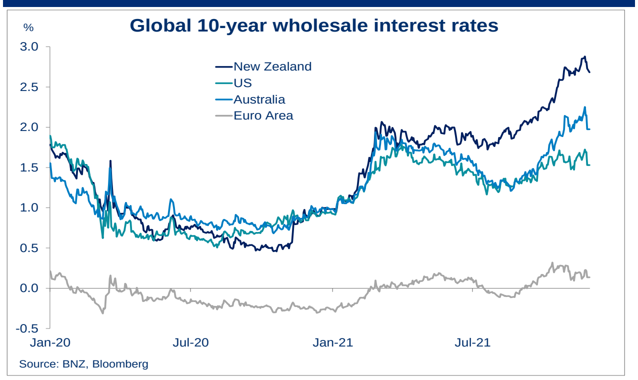
A key point was that any rundown in its bond portfolio, whether done passively or actively (with bond sales), would be done in a "gradual" way, to avoid disruption to markets. In theory, the RBNZ running down its bond holdings would tighten financial conditions and could substitute for OCR hikes. In practice, we think gradual portfolio run-off, probably starting in the second half of 2022 or when the first major bond maturity takes place in 2023, would likely have only a second-order impact on the RBNZ's OCR settings. The OCR remains the main instrument for adjusting monetary policy.

Omicron is likely to dominate market attention over the next few weeks, although the market will also be watching for payrolls on Saturday and Powell's testimony on Tuesday.

The market prices the OCR to reach ~2.75% in 2023



Long-term rates pull back after the Omicron news



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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The NZD was the worst of the majors last week, as risk appetite plunged following reports of a new mutant variant of COVID19 ("Omicron") spreading across the world and after the RBNZ delivered "only" a 25bps hike. NZD/USD fell by 2.6% and printed a low of 0.6805, the same low for the year as in August, before closing the week about 0.6820. The NZD fell in the order of 3% against the euro and yen, while NZD/AUD fell by 1% to 0.9580.

For most of last week, strong positive USD momentum continued after strong data releases, including initial jobless claims falling to their lowest level since 1969, personal income and spending data, and core capital goods orders. President Biden reappointed Powell as Fed Chair, clearing some event risk, and a number of FOMC members argued for a faster tapering of QE that would give added optionality on rate hikes next year. USD indices reached their highest level since mid-2020 and key levels were broken on some majors, with EUR breaking below 1.12, GBP down through 1.33, and USD/JPY breaking above 115. But USD strength reversed late in the week following reports of Omicron, as the market pared back projected Fed hikes next year, dragging US rates down again.

The NZD fell after the RBNZ delivered "only" a 25bps hike to the OCR. Ahead of the meeting the market had priced in a 35% chance of a larger 50bps move. Furthermore, the more cautious approach by the RBNZ showed a revealed preference of only moving in 25bps increments. This resulted in some future hikes priced out of the curve and the 2-year swap rate fell by 30bps for the week.

Adding to the NZD's woes was the late-week plunge in risk appetite, with the market not liking the uncertainty about the new COVID19 variant. It'll probably take a few weeks to get clarity on Omicron – its transmissibility, whether it is a more deadly variant, and the efficacy of current vaccines.

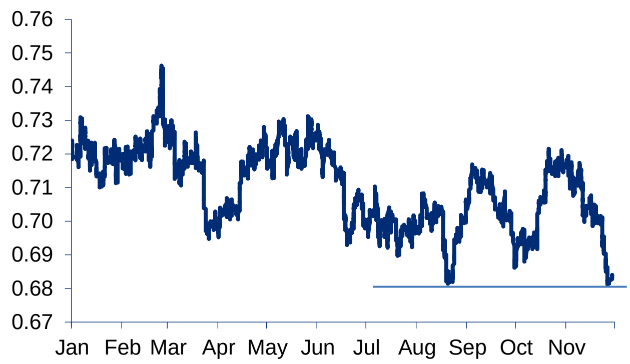
All these forces are playing to our "headwinds galore" theme for the NZD and we maintain a cautious stance. A pall of uncertainty overhangs the global economic outlook, US Fed rhetoric continues to move in a more hawkish direction, and NZ's economy is set to underperform as the RBNZ leads the global tightening cycle (key mortgage rates are already up 180bps in short order). Risk appetite could remain volatile until we get more information on Omicron.

In our early-October NZD downgrade, we alluded to the 0.67 level as being potentially the bottom of the range. Our projections did not incorporate a more vicious COVID19 strain, so if Omicron turns out to be deadlier and more vaccine-resistant, then that argues for a weaker global growth backdrop and additional NZD downside potential, possibly bringing 0.65 into the picture. That extra downside could be avoided if the fear of Omicron quickly passes following more information on the strain. In the meantime, the recent low near 0.68 is a level of technical support.

In the week ahead, the key local release is the ANZ business outlook survey, although that remains contaminated by the Auckland lockdown. There are a number of key US economic releases including consumer confidence, the ISMs for manufacturing and services, and non-farm payrolls at the end of the week. The latter will be crucial ahead of mid-December FOMC update. Another strong employment report would help cement in expectations of a further hawkish pivot by the Fed next month and add to USD support. Elsewhere, China PMI data tomorrow will be of some interest while Australian Q3 GDP data on Wednesday will show a chunky fall in of the order of 2½%, driven by lockdowns.

The key driver of currency markets for the week ahead could well be further speculation on Omicron, even if it could well be a few weeks before conclusive evidence is provided.

NZD technical support near 0.68



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6839	0.6810 - 0.7130
NZD/AUD	0.9572	0.9520 - 0.9700
NZD/GBP	0.5128	0.5100 - 0.5290
NZD/EUR	0.6050	0.6020 - 0.6230
NZD/JPY	77.77	77.10 - 81.20

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.7050	-3%
NZD/AUD	0.9300	3%

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Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.7220 (ahead of 0.7315)
ST Support: 0.6800 (ahead of 0.6500)

Last week the currency hit 0.6805, the same low set in August, making that a key support level. There are no obvious support levels below that until about 0.65.

NZD/AUD

Outlook: Trading range
ST Resistance: 0.9700 (ahead of 0.9730)
ST Support: 0.9400 (ahead of 0.9240)

No change in support/resistance levels for a while. Resistance is around 0.97-0.9730, while support is not a current threat down at 0.94.

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NZ 5-year Swap Rate

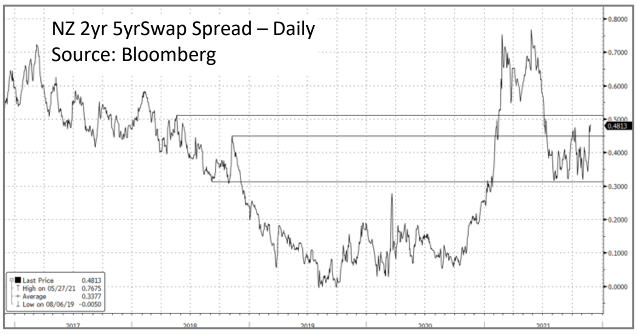
Outlook: Neutral
MT resistance: 3.10
ST support: 2.30

Market is still in consolidation phase. Staying neutral until we get a new strong technical signal.

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

Outlook: neutral
MT resistance: 0.51
MT support: 0.31

Range still holding put flattener on around 0.51 with tight stop.



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Quarterly Forecasts

Forecasts as at 29 November 2021

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
GDP (production s.a.)	-9.9	13.9	-1.0	1.4	2.8	-7.0	2.6	4.9	1.8	0.4
Retail trade (real s.a.)	-15.6	28.4	-2.3	2.3	3.3	-8.1	4.0	7.0	0.8	0.6
Current account (ytd, % GDP)	-1.5	-0.7	-0.8	-2.5	-3.3	-4.6	-5.3	-5.5	-5.8	-5.7
CPI (q/q)	-0.5	0.7	0.5	0.8	1.3	2.2	1.3	0.9	0.5	0.9
Employment	-0.4	-0.7	0.7	0.5	1.0	2.0	0.4	0.0	0.2	0.2
Unemployment rate %	4.1	5.3	4.8	4.6	4.0	3.4	3.3	3.3	3.3	3.4
Avg hourly earnings (ann %)	2.4	3.7	4.6	4.1	4.5	3.6	3.8	4.3	4.8	4.8
Trading partner GDP (ann %)	-5.3	-0.9	0.8	6.7	9.8	4.2	3.6	4.2	4.3	5.1
CPI (y/y)	1.5	1.4	1.4	1.5	3.3	4.9	5.8	5.8	5.0	3.6
GDP (production s.a., y/y))	-10.2	1.4	0.1	2.9	17.4	-4.2	-0.6	2.8	1.8	9.9

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
2020	**Mar**	0.75	1.05	1.00	1.35	1.00	1.10	1.40	1.55	1.40	-0.03
	Jun	0.25	0.30	0.40	0.85	0.25	0.40	0.80	0.60	0.70	0.15
	Sep	0.25	0.30	0.25	0.65	0.15	0.25	0.60	0.25	0.65	0.02
	Dec	0.25	0.25	0.25	0.70	0.15	0.30	0.75	0.20	0.85	-0.15
2021	**Mar**	0.25	0.30	0.75	1.40	0.40	0.85	1.50	0.20	1.30	0.09
	Jun	0.25	0.35	1.00	1.75	0.55	1.20	1.90	0.15	1.60	0.17
	Sep	0.25	0.50	1.35	1.75	1.20	1.60	1.95	0.15	1.30	0.41
Forecasts											
	Dec	0.75	0.95	2.50	2.55	2.25	2.60	2.65	0.15	1.80	0.75
2022	**Mar**	1.00	1.35	2.65	2.80	2.45	2.75	2.90	0.15	2.00	0.80
	Jun	1.50	1.95	2.75	3.05	2.65	2.85	3.15	0.15	2.20	0.85
	Sep	2.00	2.25	2.80	3.15	2.75	2.90	3.25	0.15	2.35	0.80
	Dec	2.25	2.50	2.85	3.20	2.80	2.95	3.30	0.15	2.50	0.70
2023	**Mar**	2.50	2.65	2.85	3.20	2.80	2.95	3.30	0.15	2.50	0.70
	Jun	2.50	2.65	2.85	3.20	2.80	2.95	3.30	0.15	2.50	0.70

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	0.68	0.71	1.13	1.33	114	0.68	0.96	0.60	0.51	77.6	73.5
Dec-21	0.69	0.72	1.15	1.32	112	0.69	0.95	0.60	0.52	77.0	73.4
Mar-22	0.70	0.73	1.16	1.33	111	0.70	0.95	0.60	0.52	77.4	73.8
Jun-22	0.70	0.74	1.17	1.35	112	0.70	0.94	0.60	0.52	78.4	73.7
Sep-22	0.71	0.76	1.19	1.36	111	0.71	0.94	0.60	0.52	79.1	74.4
Dec-22	0.72	0.78	1.20	1.38	111	0.72	0.93	0.60	0.52	79.9	74.7
Mar-23	0.72	0.78	1.22	1.39	110	0.72	0.93	0.59	0.52	79.2	74.5
Jun-23	0.72	0.78	1.24	1.40	109	0.72	0.92	0.58	0.51	78.5	74.2
Sep-23	0.72	0.78	1.24	1.42	108	0.72	0.92	0.58	0.51	77.8	74.1
Dec-23	0.71	0.77	1.25	1.43	108	0.71	0.92	0.57	0.50	76.7	73.2
Mar-24	0.70	0.76	1.25	1.43	107	0.70	0.92	0.56	0.49	74.9	72.5
TWI Weights						13.6%	18.7%	10.4%	4.1%	6.1%	

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

Annual Forecasts

Forecasts as at 29 November 2021	March Years Actuals 2020	2021	Forecasts 2022	2023	2024	December Years Actuals 2019	2020	Forecasts 2021	2022	2023
GDP - annual average % change										
Private Consumption	2.7	0.2	3.9	5.9	1.9	3.4	-1.3	5.8	5.3	2.2
Government Consumption	6.1	6.5	7.7	1.9	1.3	5.4	6.3	8.3	2.9	1.2
Total Investment	1.3	-4.4	5.7	6.0	-0.9	3.2	-7.0	7.5	6.0	-0.4
Stocks - ppts cont'n to growth	-0.5	-0.1	0.4	0.3	-0.1	-0.7	-0.8	1.0	0.3	-0.2
GNE	2.4	0.2	6.0	5.4	1.1	2.9	-2.0	8.2	5.4	1.3
Exports	0.3	-17.8	6.1	12.4	5.6	2.5	-12.6	-3.4	10.4	9.2
Imports	1.2	-16.1	17.7	11.0	3.9	2.1	-16.0	14.4	10.8	5.9
Real Expenditure GDP	2.1	-0.3	2.7	5.2	1.3	3.0	-1.1	3.2	5.0	1.6
GDP (production)	**1.7**	**-1.4**	**3.4**	**5.4**	**1.3**	**2.4**	**-2.1**	**3.4**	**5.5**	**1.6**
GDP - annual % change (q/q)	*0.1*	*2.9*	*2.8*	*2.8*	*1.7*	*1.8*	*0.1*	*-0.6*	*7.5*	*1.3*
Output Gap (ann avg, % dev)	1.4	-1.5	-0.1	2.3	1.1	1.9	-1.7	-0.3	2.3	1.4
Nominal Expenditure GDP - $bn	322	325	347	371	385	319	322	341	367	381
Prices and Employment - annual % change										
CPI	2.5	1.5	5.8	2.6	2.3	1.9	1.4	5.8	2.7	2.5
Employment	2.5	0.2	3.4	0.7	1.0	1.2	0.6	4.0	0.6	0.7
Unemployment Rate %	4.2	4.6	3.3	3.6	4.1	4.0	4.8	3.3	3.5	4.0
Wages - ahote	3.2	4.1	4.3	4.5	2.8	3.8	2.6	4.6	3.8	4.8
Productivity (ann av %)	-0.3	-1.9	0.2	4.2	0.6	0.5	-3.3	1.1	3.4	0.9
Unit Labour Costs (ann av %)	3.3	4.5	6.1	0.2	2.8	2.5	5.7	4.8	1.0	2.8
House Prices	7.8	24.1	11.2	-5.9	0.0	4.6	17.0	21.0	-3.2	-2.5
External Balance										
Current Account - $bn	-7.6	-8.2	-18.9	-18.1	-15.7	-9.3	-2.7	-18.2	-20.1	-16.7
Current Account - % of GDP	-2.4	-2.5	-5.5	-4.9	-4.1	-2.9	-0.8	-5.3	-5.5	-4.4
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-7.3	-1.3	-5.5	-1.8	-0.2					
Net Core Crown Debt (excl NZS Fund Assets)	26.3	30.1	42.0	45.0	42.0					
Bond Programme - $bn (Treasury forecasts)	29.0	45.0	30.0	25.0	25.0					
Bond Programme - % of GDP	9.0	13.8	8.6	6.7	6.5					
Financial Variables (1)										
NZD/USD	0.60	0.71	0.70	0.72	0.71	0.66	0.71	0.69	0.72	0.71
USD/JPY	108	109	111	110	108	109	104	112	111	108
EUR/USD	1.11	1.19	1.16	1.22	1.25	1.11	1.22	1.15	1.20	1.25
NZD/AUD	0.97	0.93	0.95	0.93	0.92	0.96	0.94	0.95	0.93	0.92
NZD/GBP	0.49	0.51	0.52	0.52	0.50	0.50	0.53	0.52	0.52	0.50
NZD/EUR	0.55	0.60	0.60	0.59	0.57	0.59	0.58	0.60	0.60	0.57
NZD/YEN	65.1	77.5	77.4	79.2	76.7	72.0	73.6	77.0	79.9	76.7
TWI	68.9	74.8	73.8	74.5	73.2	72.8	74.3	73.4	74.7	73.2
Overnight Cash Rate (end qtr)	0.25	0.25	1.00	2.50	2.25	1.00	0.25	0.75	2.25	2.50
90-day Bank Bill Rate	0.71	0.33	1.35	2.65	2.40	1.23	0.26	0.95	2.50	2.65
5-year Govt Bond	0.80	1.00	2.65	2.85	2.50	1.25	0.40	2.50	2.85	2.65
10-year Govt Bond	1.15	1.75	2.80	3.20	3.05	1.60	0.90	2.55	3.20	3.15
2-year Swap	0.65	0.50	2.45	2.80	2.40	1.25	0.28	2.25	2.80	2.60
5-year Swap	0.80	1.15	2.75	2.95	2.60	1.40	0.49	2.60	2.95	2.75
US 10-year Bonds	0.90	1.60	2.00	2.50	2.50	1.85	0.90	1.80	2.50	2.50
NZ-US 10-year Spread	0.25	0.15	0.80	0.70	0.55	-0.25	0.00	0.75	0.70	0.65

(1) *Average for the last month in the quarter*

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

Key Upcoming Events

All times and dates NZT

	Median	Fcast	Last
Monday			
NZ Govt details COVID traffic light settings			
EC ECB's Villeroy speaks			
EC Economic Confidence Nov	117.5		118.6
Tuesday			
US Pending Home Sales MoM Oct	0.80%		-2.30%
EC ECB's Lagarde, Fed's Williams Speak			
US Powell Makes Opening Remarks at New York Fed Innovation			
NZ ANZ Business Confidence Nov F			-18.1
AU BoP Current Account Balance 3Q	A$29.3b		A$20.5b
AU Net Exports of GDP 3Q	1.0		-1.0
AU Building Approvals MoM Oct	-1.50%		-4.30%
AU Private Sector Credit MoM Oct	0.60%		0.60%
CH Non-manufacturing PMI Nov	51.4		52.4
CH Manufacturing PMI Nov	49.7		49.2
NZ Household claims, y/y Oct			11.60%
NZ RBNZ's Orr/Hawksby speak			
EC CPI Estimate YoY Nov	4.50%		4.10%
Wednesday			
US S&P CoreLogic CS US HPI YoY NSA Sep			19.84%
US Powell, Yellen Testify Before Senate Panel			
US Conf. Board Consumer Confidence	110.7		113.8
NZ Crown accounts, 4 mths to Oct			
NZ Building Permits MoM Oct			-1.90%
AU CoreLogic House Px MoM Nov			1.40%
AU GDP SA QoQ 3Q	-2.50%		0.70%

	Median	Fcast	Last
CH Caixin China PMI Mfg Nov	50.5		50.6
EC Markit Eurozone Manufacturing PMI NovF	58.6		58.6
NZ CoreLogic House Prices YoY Nov			28.80%
Thursday			
US ADP Employment Change Nov	525k		571k
UK BOE's Bailey speaks			
US Powell, Yellen Testify Before House Panel			
US ISM Manufacturing Nov	61.1		60.8
US U.S. Federal Reserve Releases Beige Book			
NZ Terms of Trade Index QoQ 3Q	2.00%	1.60%	3.30%
NZ NZ moves into new COVID traffic light system			
AU Trade Balance Oct	A$11150m		A$12243m
AU Home Loans Value MoM Oct	1.50%		-1.40%
EC Unemployment Rate Oct	7.30%		7.40%
Friday			
US Initial Jobless Claims Nov-27	250k		199k
US Continuing Claims Nov-20	2000k		2049k
US Fed’s Quarles, Bostic, Daly, Barkin speak			
NZ Fonterra Q1 business update			
NZ Household balance sheet Q3			
EC ECB's Lagarde speaks			
EC Markit Eurozone Services PMI Nov F	56.6		56.6
Saturday			
US Change in Nonfarm Payrolls Nov	535k		531k
US Unemployment Rate Nov	4.50%		4.60%
US Markit US Services PMI Nov F	57		57

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	0.75	0.50	0.50	0.25
1mth	0.78	0.86	0.68	0.27
2mth	0.79	0.88	0.74	0.26
3mth	0.80	0.90	0.81	0.25
6mth	1.05	1.20	1.06	0.26
GOVERNMENT STOCK				
04/23	1.45	1.66	1.54	0.20
04/25	2.08	2.27	2.17	0.29
04/27	2.24	2.39	2.32	0.47
04/29	2.38	2.49	2.44	0.69
05/31	2.45	2.55	2.54	0.85
04/33	2.58	2.63	2.61	1.00
04/37	2.76	2.80	2.77	1.29
05/41	2.84	2.86	2.86	1.58
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	57	53	53	50
Europe 5Y	58	50	51	49

	Today	Week Ago	Month Ago	Year Ag
SWAP RATES				
2 years	2.10	2.43	2.22	0.2
3 years	2.40	2.69	2.47	0.2
4 years	2.53	2.78	2.56	0.3
5 years	2.58	2.82	2.60	0.4
10 years	2.68	2.86	2.71	0.8
FOREIGN EXCHANGE				
NZD/USD	0.6839	0.6958	0.7185	0.701
NZD/AUD	0.9571	0.9630	0.9554	0.955
NZD/JPY	77.76	79.93	81.91	73.1
NZD/EUR	0.6050	0.6195	0.6192	0.588
NZD/GBP	0.5129	0.5193	0.5258	0.526
NZD/CAD	0.8726	0.8835	0.8887	0.912
TWI	73.6	75.0	76.2	74.

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