30 August 2021

Our Work-In-Progress Macro Forecasts

- **GDP to lose a little ground through near-term volatility**
- **HLFS jobless wobble more likely for Q4 than Q3**
- **Inflation-pressure story still broadly maintained however**
- **Economic confidence closely watched (by RBNZ included)**
- **But Tuesday's business survey largely pre-lockdowns**

Today we throw some updated economic forecasts out there, for people to think about. Not because we feel at all sure about how COVID-19, and the associated restriction-level prognosis, is going. But because waiting for clarity on these things could take a while. We prefer to put a set of numbers out now, but with the strong health warnings of it being a work in progress.

Regarding the COVID restriction levels, the government is due to review these today and make an announcement on this around 4pm. This is expected to confirm a further two weeks of level 4 for Auckland and Northland come midnight Tuesday, while it's ratified that the rest of the country is allowed to move down to level 3, at that time, as indicated last Friday, with perhaps a time-frame added to the latter.

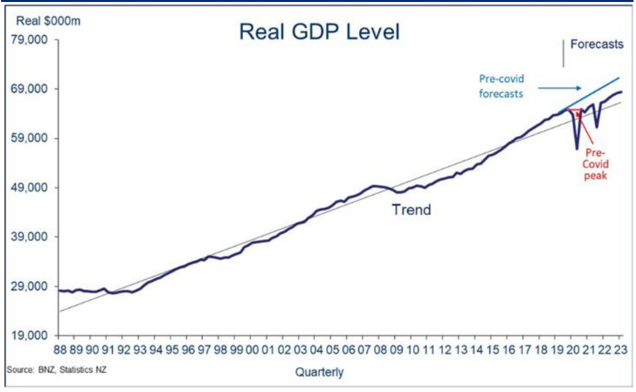
At face value at least, New Zealand's restriction level prognosis appears to be tracking the scenario we outlined in last week's BNZ Markets Outlook. It's on this basis, anyway, that we venture a few things about our latest forecasts (and as detailed, as usual, in the tables near the end of today's document).

On GDP, we have a 7% decline pencilled in for Q3 and an 8% rebound for Q4. While this might look like a full and fast recovery it barely gets the level of activity back to where it was in Q2, even with strong elements of catch-up spending in Q4. And even with a lack of a hangover in Q1 2022, GDP loses a bit of ground going into next year, compared to what we were forecasting before this latest community outbreak of COVID-19.

This is not to deny the economy is probably better placed to handle these latest lockdowns, than it was the first time around. But in our forecasts is also the recognition that for some businesses, these latest events will be the final straw to their viability. Financial haemorrhaging cannot be written off by a normalised next quarter. This is especially so for firms in Auckland, who, with the possible exception of those in the international tourism sector, have suffered much more than elsewhere, and will likely continue to do so for the foreseeable future.

Yes, with the economy having reconfigured itself following the collapse of tourist-related activity, there is now a greater proportion of the economy that can bounce back this time.

The Latest



However, this is offset by the fact that 1) much of the spending that has been able to be redirected away from "overseas holidays" has already occurred, 2) the latest incarnation of the government's wage subsidy scheme will be less scatter-gun generous, 3) other business support payments won't be as large in total, 4) the RBNZ has much less room to move, and 5) capacity constraints are ever present.

Sure, there will be industry and regional splits of the data to be conscious of. But in terms of our latest macro-economic musings, what features is a pattern that's broadly common through the main components of GDP, with only exports managing to avoid being completely swept up in this (although still materially dented in their own right).

Of course, labour market data are always lagged to GDP. But there are reasons to believe this will be exaggerated through these latest ructions.

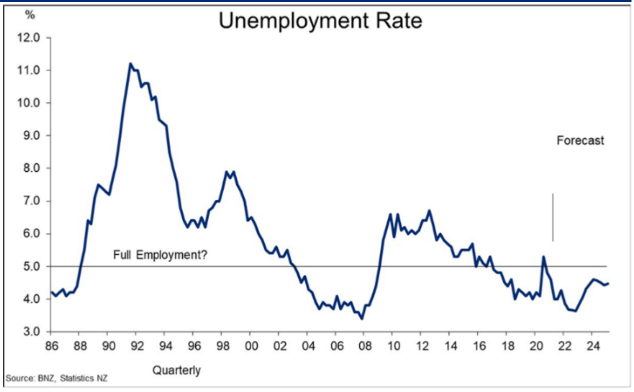
For a start, it's an open question as to which way the September quarter Household Labour Force Survey (HLFS, due 3 November) leans, let alone by how much. We say this mindful of two things.

One is the fact the HLFS is sampled week by week, so will probably have a very strong first half of the quarter locked and loaded.

The other point on the HLFS is that its second half of the September 2021 quarter is prone to the same measurement issues of last year's lockdown, in particular the way the unemployment rate held in because of a measured slump in the participation rate. Recall: out of work people can't be classed as jobless in the HLFS if they are not reasonably able to look for work.

For these reasons, it's likely to be the December quarter HLFS that best sheds the light on how the labour market has coped (is coping?) with this latest round of COVID-fighting restrictions. For the record, we expect this to nudge up to 4.3%, from a steady 4.0% in Q3. While this is 0.6% higher than we previously envisaged, there are risks it could prove a bit higher than that, even if the lockdowns don't prove more drawn out than our base case.

Wobbling Lower



Having said this, we also need to bear in mind the mammoth momentum the labour market had, going into these latest lockdowns. Employment intentions were through the roof, as were reports of staffing scarcity. So, businesses will probably be less inclined to shed staff in the first instance, and perhaps quicker to secure the extra staff they need once the clouds lift, compared to last year.

On balance, we forecast HLFS employment to dip 0.2% in Q3 and increase 0.2% in Q4. Not until the first half of 2022 does jobs growth get into catch-up mode, and even after that employment levels remain about 1% shy of what we were forecasting previously (much like the shortfall in GDP). Lockdowns are not economically costless.

Nonetheless, the bottom line is still a labour market that is relatively tight, and gets tighter as we travel into calendar 2022, with the unemployment rate still going below 4.0% (just not as far below as we previously thought). In an RBNZ mandate sense, the economy is still broadly heading into a period of employment being above its maximum sustainable level.

This, in turn, sustains above-average rates of wage and salary inflation in our forecasts. All we've really altered on this score is to make Q3 wage growth weaker and Q4 stronger, with a nod to what happened during last year's initial lockdown.

Similarly, we don't see great cause, at this stage, to amend our CPI forecasts. It might just mean that core inflation doesn't rise as much above the 2.0% mid-point of the Reserve Bank's 1.0 to 3.0% target band. Around this, it's difficult to believe pricing pressures related to supply (chain) issues will be resolved by New Zealand's latest lockdowns. It could be the opposite.

We are also loath to materially recast our house price assumptions at this point, although we do note they are already not as strong as the RBNZ forecast in its August MPS.

Fiscal implications are clear and present, however. While we haven't been through the numbers on this with a fine-toothed comb, the broad impression is that most of the significant gains the government accounts were heading for, compared to May's Budget projections, will be given up by these latest ructions from COVID-19 – for the 2021/22 year at least.

In this vein, the downward pressure that was bearing on the bond programme is dissipating, but not to the point of instituting upside pressure. Going into these latest lockdowns, a strong sense of fiscal over-funding had accumulated.

Finance Minister Grant Robertson has highlighted there is around $5b left from the allocated COVID fund, although more like over $6b when underspends of previous baselines are reallocated. In any case, the government's balance sheet is in a very strong position to cope with this latest wave of COVID-19 disruption to the economy. And after the hit to 2021/22, the underlying improvement to the fiscal forecasts should in large part resume, to a trajectory probably better than that outlined in the Budget. Such is the stronger than anticipated starting point for the economy.

Another generality to note with our latest macro-economic forecasts is that the current account deficit now pushes out closer to 6% of GDP, than the 5% mark we previously projected. Either way, it's the same story – watch this space. It was only last year the external deficit shrank to a historically slim margin of 0.8% of GDP.

Pulling everything through the Household Income and Outlay Account, however, doesn't reveal any obvious misalignments in terms of cash-flow and the savings rate (not doubt aided by it being a year to March based account, which smooths through a lot of the quarterly noise).

As our latest set of macro-economic forecasts haven't obviously lessened the extent of inflation pressure we envisage, we have broadly maintained our view on the RBNZ/OCR. This entails cash rate increases of 25 basis points at the October and November policy meetings, taking the OCR to 0.75%. This has been oxygenated by ongoing hawkish messages from Reserve Bank officials, following its August MPS. Accordingly, our views on the currency have not been amended, at this stage.

However, these are (as the Chinese proverb has it) interesting times. COVID-19 diagnosis and prognosis reigns for now. And knowing the near-term economic data are going to look dreadful, economic sentiment measures will be even more important than usual to monitor.

Yes, last week's consumer confidence index from ANZ Roy Morgan appeared to hold up OK, with 109.6 in August, from 113.1 in July. However, with confirmation that at most 15% of responses were completed post the news of renewed lockdown (17/18 August) it infers there could have been a big drop in the post-news sample. The sample split is also relevant to the fact CPI and house price inflation expectations supposedly remained high in “August”.

We need to keep a similar thing in mind with tomorrow’s ANZ business survey. As we saw from when it was being released in early/preliminary form, the vast majority of responses came in during the first half of the month. While ANZ had recently stopped publishing a preliminary version, maybe it resumes doing so under the circumstances? If so, the next instalment of this (early September?) will be the one to watch.

While we await more of the high-frequency economic data – to assess COVID-19 lockdown impacts – the rest of the week’s data will undoubtedly remind us of how very well the economy was doing pre-lockdown.

Bookending the ANZ business survey tomorrow there are the building consents (10:45am) and credit aggregates (3:00pm), for July.

The Q2 International Trade figures are due to be published by Statistics NZ on Thursday. These will assist views on that quarter’s GDP while confirming a decent lift in the merchandise terms of trade, which we reckon to be +6%, to a record high level.

Also watch out for the early housing market reports for August, including from CoreLogic (Tuesday) and Auckland-based realtor Barfoot and Thompson before the week is out. While their numbers will obviously be caught by the lockdowns that began mid-August, the commentaries will hopefully give further insight into how sentiment is going.

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Global Watch

- **US payrolls on Friday seen solid**
- **PMI's due in US, China, EU, and UK**
- **EU annual CPI inflation expected to lift**
- **UK housing in focus post stamp duty changes**
- **AU Q2 GDP seen soft; ahead of negative Q3**

Australia

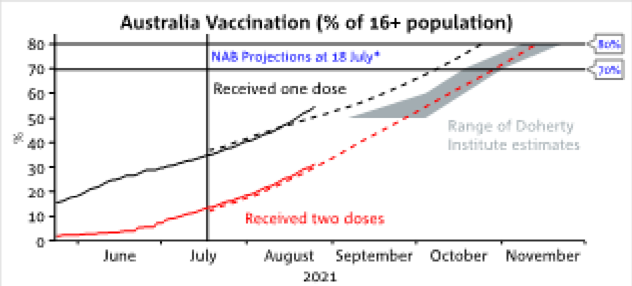
Pre-GDP partials dominate early in the weak, ahead of Q2 GDP figures on Wednesday. NAB has pencilled in a meagre 0.1% q/q which is weaker than the 0.3% consensus. A relatively sharp subtraction from net exports and a flat result for dwelling investment are expected to weigh on growth in the quarter. Any downside miss on Inventories (today) or Net Exports and Government Spending (tomorrow) will open the prospect of a flat or negative Q2 GDP print. While a flat to negative Q2 GDP print is a real risk, NAB note this is far in the rear vision mirror given the sharp contraction expected in Q3 which NAB has pencilled in at around -3% q/q. Given the impact of prior lockdowns has been relatively temporary, the focus remains on how quickly the economy rebounds as restrictions are eased.

There is also a smattering of mostly second-tier data pieces including Building Approvals (Tuesday), Credit Statistics (Tuesday), Trade Balance (Thursday) and Housing Finance Approvals (Friday). All are unlikely to be market moving and to some extent will be impacted by Sydney's protracted lockdown.

For Building Approvals NAB pencil in -5.0% m/m which is slightly weaker than the consensus of -3.0% m/m. For Housing Finance NAB anticipate -3.0% m/m. The Trade Balance on Thursday should remain elevated. NAB forecasts a surplus of $9bn. Credit Statistics are seen growing 0.5% m/m after last month's very strong 0.9% m/m.

In addition, attention will remain on vaccination progress with Australia on track for 70-80% of the adult population to have received two doses by November.

Australia on track for 70-80% by November



*Projections do not account for vaccine hesitancy. UK and US rollout slowed before 80% 2 dose benchmark. Plausible acceleration based on indicative supply. Pace increases linearly and is similar to EU pace by end Q3. First and Second dose shares are based on mature rollout programs in UK, Israel and US at comparable stages.
**Timeline varies according to AstraZeneca allocation scenario. Upper limit assumes 4 weeks between doses and guidance for uptake by 40+; lower limit 12 weeks between doses and guidance for 60+.
Source: National Australia Bank, Our World in Data, Doherty Institute

China

Chinese PMIs loom large amid slowdown concerns. The official versions are out on Tuesday where consensus sees Manufacturing at 50.1 and Non-Manufacturing at 52.0. The Caixin versions are on Wednesday and Friday. On a more positive front, the delta outbreak is under control with signs of activity rebounding in high frequency traffic and congestion data.

US

Key data prints this week include the Manufacturing ISM (Wednesday) and Services ISM (Friday), both are expected to be a little lower with most regional fed manufacturing surveys lower in August. The star release is of course Friday's Payrolls, expected to again be solid at +750K after +943K in July. At the moment payrolls are still 5.7m below pre-pandemic levels and at the current trend pace would take around 7 months to make up for the shortfall.

Eurozone

It's a very light week for key European releases. The main EU interest is CPI releases for Spain and Germany (Monday) then France and the Eurozone on Tuesday. In the EU, annual CPI inflation is seen lifting to 2.7% from 2.2%, with the core measure rising to 1.5% from 0.7%. Final EU and UK PMIs for Manufacturing are due Wednesday and for Services on Friday.

UK

It's an even lighter calendar for UK releases. There will be some interest in mortgage lending volumes for July, the month after the step down in the stamp duty free threshold from £500K to £250K, with the final step down to the pre-existing threshold of £125K taking place at the end of September. For similar reasons, Wednesday's Rightmove house prices might draw some interest, July prices having eased 0.5%, but August expected to see prices up 0.3%.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ rates rebounded last week, as the market finally took on board the hawkish post-MPS messages from senior RBNZ officials. The 2-year swap rate increased 13bps last week, to 1.29%, reversing most of the previous week's decline. The 10-year NZ swap rate remains range-bound, in-line with recent global trends.

The RBNZ's message that the country coming out of lockdown isn't a precondition for future OCR hikes seems to be getting through. The market is now pricing an OCR rate hike at the October meeting as an almost 90% chance, having been around 50% at the start of the week. Moreover, the market sees a high chance of rate hikes at each of the three upcoming meetings (October, November, and February) with around 65bps priced in total. This seems pretty well priced to us at this stage.

Assistant Governor Hawkesby's comments that a 50bps OCR hike at the August meeting had been "actively considered" also captured the market's attention. We still think a 50bps OCR hike is unlikely and unnecessary but, if the current lockdown ends before the October meeting and New Zealand eliminates Covid again, we can easily see the market pricing this risk into the October meeting. Immediately prior to the lockdown, the market had put around a 20% chance of a 50bp hike at the August MPS.

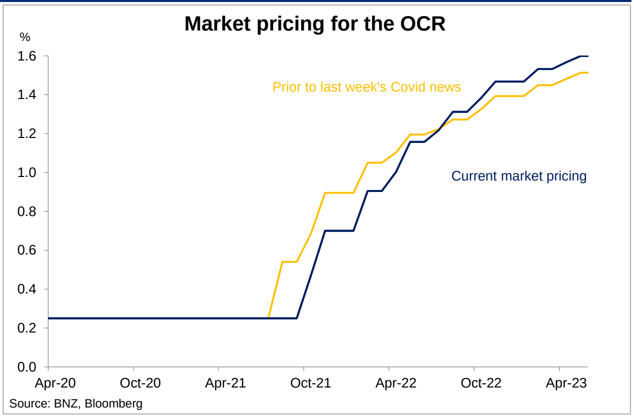
Expectations for the OCR at the end of 2022 and 2023, at around 1.45% and 1.65% respectively, are actually higher than they were pre-lockdown. The market's pricing remains below the forecast OCR tracks of both the RBNZ and our Research team, which see the OCR getting above 2% in 2023. We see a few reasons for this difference. There is a widely held view in the market that the RBNZ won't need to raise the OCR as high as 2% given high household debt levels. The modest path of rate hikes priced for both the Fed and the RBA (i.e. raising their respective cash rates to around 1.25% in 5 years' time) is also constraining medium-term market OCR expectations. Our short-term NZ rates forecasts incorporate market OCR expectations gravitating higher over time but, in the absence of a major repricing of RBA and Fed rate expectations, it is likely to be a slower grind from here.

The long-end (10-year point) of the interest rate curve remains more influenced by global trends than the near-term OCR outlook. Fed Chair Powell confirmed Fed tapering was likely to take place before the end of the year, but his dovish message around inflation and his attempt to de-link tapering from the timing of interest rate hikes saw a modest pullback in the US 10-year rate on Friday, to 1.30%. The US 10-year rate has been contained within a 1.10% to 1.40% range for over a month now. Nonfarm payrolls is the major focus this week and an upside surprise could bring forward market expectations of a tapering announcement to September, which would likely add some upward pressure to US rates. We think tapering is likely to be a second-order driver of US rates, with the main driver remaining expectations of the timing and pace of interest rate hikes. We still expect the US 10-year rate to move higher over the next year.

New Zealand Debt Management confirmed the inaugural 30-year government bond syndication was planned for the week of 13th September, with a $2b-$3b size targeted.

We have had some questions around whether the country going back into lockdown might result in greater government bond issuance. We think that's unlikely at this stage although, ultimately, it depends on how long the lockdown lasts and what the associated economic impacts are. At the end of June, Treasury had almost $40b in its cash account at the RBNZ (called the Crown Settlement Account) which it can draw on before increasing bond issuance and it can also use Treasury bill issuance to meet short-term cash needs. Treasury is also less likely to slash its medium-term economic forecasts this time around given the experience of the original lockdown, which would imply less change to bond issuance. The next bond programme update is planned for the HYEFU in December.

End-2022 OCR expectations are higher than pre-lockdown



10-year rates remain rangebound

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week, commodity currencies recovered strongly alongside higher risk appetite. NZD/USD rose by 2.6%, following the hefty 2.9% loss the previous week. The higher risk appetite backdrop saw JPY underperform alongside the USD, seeing NZD/JPY up 2.7%. NZD/AUD temporarily broke above the key resistance level of 0.96 on five separate occasions, but closed the week flat just under that mark. Gains for the NZD against EUR and GBP were in the order of 1½-2%.

Both domestic and global forces were in action last week, seeing the NZD rebound well off the near-0.68 support level reached the previous week. On the global side, investors became more comfortable with China's economic outlook following the reporting of low new community cases of COVID19 (zero on one day) and signals from the PBoC that it was prepared to ease credit conditions. There were also further signs that growth in the spread of the Delta variant across the US was fading, while final FDA approval for the Pfizer vaccine was seen to promote vaccination from a reluctant segment of the population. Risk assets rallied, including a large 5.7% lift in Bloomberg's commodity price index.

At the end of the week, Fed Chair Powell stuck to the script that tapering of QE is likely to occur later this year, but rate hikes remained a distant prospect and faced a "stringent test", including achieving maximum employment, before coming on the radar. US rates fell and the USD was weaker into the weekend close after his speech.

Domestically, senior RBNZ officials were out in force to get the message across that the delay to the rate hike cycle wasn't because of the local COVID19 outbreak *per se*, but because of the timing of the MPS, literally the first day of the highest-level lockdown. In maintaining a medium-term focus, the RBNZ's message was clear that fiscal policy is better placed to fill a gap in incomes due to any COVID19 outbreak, while monetary policy needs to be directed towards getting the economy on a more sustainable footing by removing policy stimulus to get the OCR back to at least a neutral level of 2% to contain inflationary pressure. NZ's 2-year swap rate rose by 13bps, providing some support to the NZD.

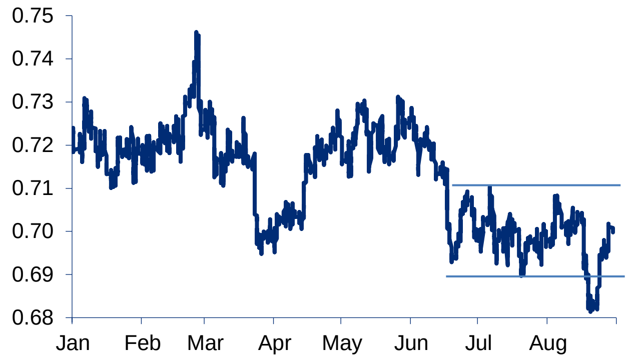
Last week we noted that the NZD had overshot to the downside, becoming the cheapest against our short-term fair value model estimate in 19 months. Last week's recovery helps close the gap, considering that the rise in our fair value estimate (to just over 0.72) was restrained by a 14% plunge in forestry prices that saw a near-4% fall in NZ's commodity price index.

The performance of the NZD over the short-term will remain closely tied to sentiment for the global economy, and on that note the spread of the delta variant in China and the US remains far more important than the local outbreak of COVID19. The local OIS market prices in nearly two full 25bps rate hikes for the remaining two meetings (46bps priced), so RBNZ policy considerations are unlikely to be a material driver of the NZD over the near term. US data and US Fed policy expectations will be far more important.

On that note, the economic calendar for the week ahead is busy. China PMI data due tomorrow, and a series of US releases including the ISM manufacturing and services indices and the employment report at the end of the week could all potentially be market moving. Unless non-farm payrolls data are "off-the-charts" strong, then the Fed's decision to taper QE is more likely to come at the November than September FOMC meeting.

For now, we'll suggest that the NZD will revert to its previous 0.69-0.71 trading range, but our forecasts remain consistent with a break to the upside later in the year, driven by further investor comfort for the global economy heading into next year.

NZD back in familiar 0.69-71 range for now



Source: BNZ/NAB, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.7003	0.6810 - 0.7060
NZD/AUD	0.9583	0.9490 - 0.9610
NZD/GBP	0.5089	0.4980 - 0.5100
NZD/EUR	0.5937	0.5820 - 0.6010
NZD/JPY	76.94	74.60 - 77.90

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.7220	-3%
NZD/AUD	0.9060	6%

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Technicals

NZD/USD

Outlook:	Trading range
ST Resistance:	0.7100 (ahead of 0.7315)
ST Support:	0.6900 (ahead of 0.6800)

A sharp rebound last week sees the NZD well up from the 0.68 level and back into the middle of the familiar 0.69-0.71 range with support and resistance at those levels.

NZD/AUD

Outlook:	Trading range
ST Resistance:	0.9600 (ahead of 0.9700)
ST Support:	0.9430 (ahead of 0.9300)

The key 0.96 resistance level was broken intraday on at least five separate occasions last week, but closed below that level each time, reaffirming the importance of that mark.

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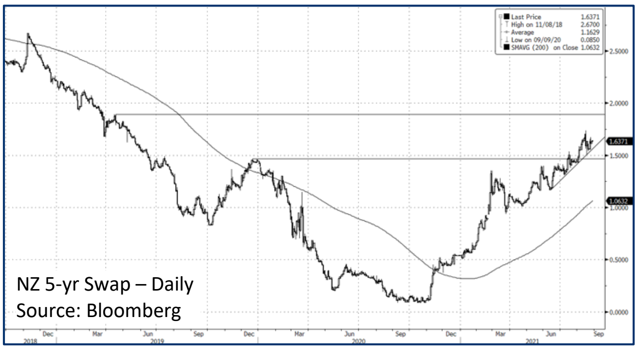
NZ 5-year Swap Rate

Outlook:	Higher
MT resistance:	1.89
MT support:	1.46

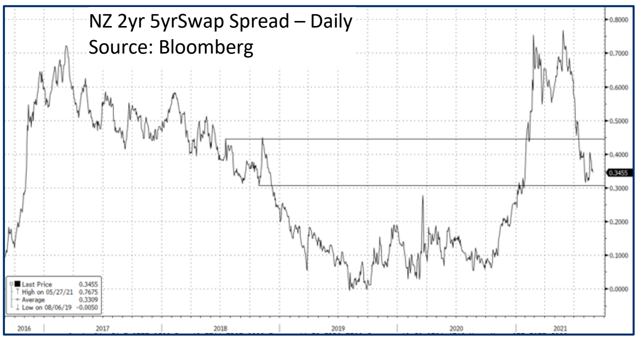
No change here, if you want a tight stop trendline support comes in at 1.56.



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

Outlook:	Steeper
MT resistance:	0.45
MT support:	0.31

Still looking for 0.31 to hold take profit around 0.45.



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Quarterly Forecasts

Forecasts as at 30 August 2021

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts (shaded)

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
GDP (production s.a.)	-1.5	-10.8	14.1	-1.0	1.6	0.9	-7.0	8.0	0.5	1.0
Retail trade (real s.a.)	-1.0	-15.5	27.8	-2.2	2.8	3.3	-12.0	13.0	1.5	0.8
Current account (ytd, % GDP)	-2.8	-1.8	-0.8	-0.8	-2.2	-3.4	-3.8	-4.3	-4.5	-5.1
CPI (q/q)	0.8	-0.5	0.7	0.5	0.8	1.3	1.5	0.6	0.6	0.4
Employment	1.0	-0.4	-0.6	0.7	0.6	1.1	-0.2	0.2	0.7	0.6
Unemployment rate %	4.2	4.1	5.3	4.8	4.6	4.0	4.0	4.2	3.8	3.6
Avg hourly earnings (ann %)	3.2	2.4	3.7	4.6	4.1	4.5	2.8	3.7	4.0	4.3
Trading partner GDP (ann %)	-2.4	-5.3	-0.9	0.7	6.3	9.8	4.5	4.1	4.5	4.6
CPI (y/y)	2.5	1.5	1.4	1.4	1.5	3.3	4.2	4.3	4.1	3.2
GDP (production s.a., y/y))	0.0	-11.2	0.4	-0.8	2.4	15.8	-5.6	3.0	1.9	2.0

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
2019 Dec	1.00	1.15	1.05	1.40	1.10	1.20	1.50	1.95	1.80	-0.40
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
Forecasts										
Sep	0.25	0.60	1.60	1.90	1.45	1.80	2.10	0.15	1.50	0.40
Dec	0.75	0.95	2.05	2.35	1.80	2.15	2.45	0.15	1.80	0.55
2022 Mar	1.00	1.20	2.40	2.60	2.05	2.50	2.70	0.15	2.00	0.60
Jun	1.25	1.45	2.60	2.85	2.30	2.70	2.95	0.15	2.20	0.65
Sep	1.50	1.75	2.80	3.05	2.50	2.90	3.15	0.15	2.35	0.70
Dec	1.75	2.00	2.95	3.20	2.65	3.05	3.30	0.15	2.50	0.70
2023 Mar	2.00	2.25	3.00	3.25	2.65	3.10	3.35	0.15	2.65	0.60

Exchange Rates (End Period)

	USD Forecasts NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD Forecasts NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.70	0.73	1.18	1.38	110	0.70	0.96	0.59	0.51	76.9	74.5
Sep-21	0.72	0.76	1.21	1.41	109	0.72	0.96	0.60	0.51	78.8	75.2
Dec-21	0.75	0.78	1.23	1.43	109	0.75	0.95	0.61	0.52	81.5	76.6
Mar-22	0.76	0.80	1.24	1.46	109	0.76	0.95	0.61	0.52	82.8	77.3
Jun-22	0.75	0.80	1.26	1.48	109	0.75	0.94	0.60	0.51	82.0	76.4
Sep-22	0.75	0.80	1.28	1.52	109	0.75	0.94	0.59	0.50	82.0	76.3
Dec-22	0.74	0.80	1.30	1.54	109	0.74	0.93	0.57	0.48	80.7	75.1
Mar-23	0.73	0.79	1.28	1.52	108	0.73	0.92	0.57	0.48	78.8	74.5
Jun-23	0.72	0.77	1.26	1.50	108	0.72	0.93	0.57	0.48	77.5	74.0
Sep-23	0.71	0.76	1.25	1.47	107	0.71	0.93	0.57	0.48	76.0	73.6
Dec-23	0.69	0.75	1.24	1.47	107	0.69	0.92	0.56	0.47	73.8	71.8
TWI Weights						13.3%	19.2%	10.5%	4.1%	6.4%	

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

Annual Forecasts

Forecasts as at 30 August 2021	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023
GDP - annual average % change										
Private Consumption	2.9	-0.7	6.4	5.2	1.9	3.6	-1.9	7.7	4.8	2.3
Government Consumption	6.1	6.3	5.1	1.8	1.3	5.4	6.4	5.8	2.3	1.2
Total Investment	1.3	-4.7	8.2	7.4	-0.7	3.2	-7.4	9.3	8.1	-0.3
Stocks - ppts cont'n to growth	-0.5	-0.2	0.6	0.2	-0.1	-0.7	-0.8	1.2	0.2	-0.2
GNE	2.5	-0.5	6.9	5.2	1.1	3.0	-2.5	8.7	5.3	1.3
Exports	-0.3	-15.9	1.2	13.5	8.9	2.3	-11.8	-6.2	10.2	12.7
Imports	1.2	-16.2	12.3	15.2	5.4	2.2	-16.4	9.7	14.4	7.3
Real Expenditure GDP	2.1	-0.4	3.1	4.1	1.7	3.0	-1.2	3.6	3.8	2.0
GDP (production)	**1.7**	**-2.3**	**3.4**	**4.4**	**1.6**	**2.4**	**-2.9**	**3.5**	**4.2**	**1.9**
GDP - annual % change (q/q)	*0.0*	*2.4*	*1.9*	*2.8*	*1.6*	*1.8*	*-0.8*	*3.0*	*2.9*	*1.4*
Output Gap (ann avg, % dev)	1.9	-1.6	-0.3	1.5	0.6	2.3	-1.7	-0.3	1.4	0.8
Nominal Expenditure GDP - $bn	322	325	347	366	380	319	322	342	363	376
Prices and Employment - annual % change										
CPI	2.5	1.5	4.1	2.3	2.7	1.9	1.4	4.3	2.2	2.6
Employment	2.5	0.3	1.8	1.8	1.1	1.2	0.7	1.6	2.2	1.0
Unemployment Rate %	4.2	4.6	3.8	3.8	4.5	4.0	4.8	4.2	3.6	4.4
Wages - ahote	3.2	4.1	4.0	4.0	2.8	3.8	2.6	4.6	3.7	4.1
Productivity (ann av %)	-0.3	-2.8	1.7	2.6	0.5	0.5	-4.1	2.3	2.3	0.6
Unit Labour Costs (ann av %)	3.4	5.5	4.7	1.6	2.8	2.5	6.6	3.6	2.2	2.9
House Prices	7.8	22.0	8.5	2.3	2.0	4.6	17.0	15.7	2.8	2.0
External Balance										
Current Account - $bn	-9.1	-7.2	-15.7	-20.2	-15.8	-10.6	-2.4	-14.8	-22.6	-16.8
Current Account - % of GDP	-2.8	-2.2	-4.5	-5.5	-4.2	-3.3	-0.8	-4.3	-6.2	-4.5
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-7.3	-2.8	-5.0	-1.0	0.0					
Net Core Crown Debt (excl NZS Fund Assets)	26.3	32.0	42.0	44.0	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	6.8	6.6					
Financial Variables (1)										
NZD/USD	0.60	0.71	0.76	0.73	0.69	0.66	0.71	0.75	0.74	0.69
USD/JPY	108	109	109	108	107	109	104	109	109	107
EUR/USD	1.11	1.19	1.24	1.28	1.24	1.11	1.22	1.23	1.30	1.24
NZD/AUD	0.97	0.93	0.95	0.92	0.92	0.96	0.94	0.95	0.93	0.92
NZD/GBP	0.49	0.51	0.52	0.48	0.47	0.50	0.53	0.52	0.48	0.47
NZD/EUR	0.55	0.60	0.61	0.57	0.56	0.59	0.58	0.61	0.57	0.56
NZD/YEN	65.1	77.5	82.8	78.8	73.8	72.0	73.6	81.5	80.7	73.8
TWI	68.9	74.8	77.3	74.5	71.8	72.8	74.3	76.6	75.1	71.8
Overnight Cash Rate (end qtr)	0.25	0.25	1.00	2.00	2.25	1.00	0.25	0.75	1.75	2.25
90-day Bank Bill Rate	0.71	0.33	1.20	2.25	2.40	1.23	0.26	0.95	2.00	2.40
5-year Govt Bond	0.80	1.00	2.40	3.00	3.00	1.25	0.40	2.05	2.95	3.00
10-year Govt Bond	1.15	1.75	2.60	3.25	3.30	1.60	0.90	2.35	3.20	3.30
2-year Swap	0.65	0.50	2.05	2.65	2.65	1.25	0.28	1.80	2.65	2.65
5-year Swap	0.80	1.15	2.50	3.05	3.10	1.40	0.49	2.15	3.05	3.10
US 10-year Bonds	0.90	1.60	2.00	2.65	3.00	1.85	0.90	1.80	2.50	3.00
NZ-US 10-year Spread	0.25	0.15	0.60	0.60	0.30	-0.25	0.00	0.55	0.70	0.30

(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

	Forecast	Median	Last
Monday 30 August			
NZ, Govt Reviews COVID Alert levels			
Aus, Business Inventories, Q2		+1.2%	+2.1%
Aus, Company Profits, Q2		+2.5%	-0.3%
Jpn, Retail Sales, July		+1.1%	+3.1%
Euro, Economic Confidence, August		118.0	119.0
Germ, CPI, Aug y/y 1st est		+3.9%	+3.8%
US, Pending Home Sales, July		+0.4%	-1.9%
Tuesday 31 August			
NZ, ANZ Business Survey, August			-3.8
NZ, Building Consents, July (res, #)			+3.8%
NZ, Credit Aggregates, Jul (household y/y)			+11.1%
Aus, Current Account, Q2		+$21.4b	+$18.3b
Aus, Private Sector Credit, July		+0.5%	+0.9%
Aus, BOP Goods and Services, Q2		-1.0ppts	-0.6ppts
Aus, Building Approvals, July		-5.0%	-6.7%
China, Non-manufacturing PMI, August		52.0	53.3
China, PMI (NBS), August		50.2	50.4
Jpn, Industrial Production, July 1st est		-2.4%	+6.5%
Jpn, Unemployment Rate, July		2.9%	2.9%
Euro, CPI, Aug y/y 1st est		+2.7%	+2.2%
Germ, Unemployment Rate, Aug s.a.		5.6%	5.7%
US, Shiller Home Price Index, Jun y/y			+16.6%
US, Chicago PMI, August		68.0	73.4
US, Consumer Confidence, August		123.0	129.1
Wednesday 1 September			
NZ, CoreLogic House Prices, July y/y			+24.8%
Aus, CoreLogic HPI, August			+1.6%
Aus, GDP, Q2		+0.5%	+1.8%
China, PMI (Caixin), August		50.1	50.3
Jpn, Capital Spending, Q2 y/y		+3.5%	-7.8%
Euro, Unemployment Rate, July		7.6%	7.7%
Germ, Retail Sales, July		-1.0%	+4.2%
US, ADP Employment, August		+638k	+330k
US, ISM Manufacturing, August		58.5	59.5
US, Construction Spending, July		+0.2%	+0.1%
Thursday 2 September			
NZ, International Trade, Q2			
Aus, International Trade, July		+$10.00b	+$10.50b
Aus, Housing Finance, July $		-0.2%	-1.6%
US, International Trade, July		-$71.0b	-$75.7b
US, Factory Orders, July		+0.3%	+1.5%
US, Jobless Claims, week ended 28/08			353k
Friday 3 September			
China, Services PMI (Caixin), August		52.0	54.9
Euro, Retail Sales, July		flat	+1.5%
US, ISM Non-Manuf, August		62.0	64.1
US, Unemployment Rate, August		5.2%	5.4%
US, Non-Farm Payrolls, August		+750k	+943k

Historical Data

CASH AND BANK BILLS	Today	Week Ago	Month Ago	Year Ago
Call	0.25	0.25	0.25	0.25
1mth	0.28	0.28	0.37	0.27
2mth	0.37	0.34	0.44	0.28
3mth	0.46	0.39	0.50	0.29
6mth	0.63	0.58	0.62	0.29

GOVERNMENT STOCK	Today	Week Ago	Month Ago	Year Ago
04/23	0.91	0.83	0.72	0.10
04/25	1.25	1.13	1.01	0.15
04/27	1.43	1.31	1.21	0.32
04/29	1.61	1.48	1.42	0.50
05/31	1.71	1.59	1.53	0.63
04/33	1.93	1.78	1.72	0.78
04/37	2.22	2.05	2.00	1.03
05/41	2.50	2.32	2.27	1.32

GLOBAL CREDIT INDICES (ITRXX)	Today	Week Ago	Month Ago	Year Ago
Nth America 5Y	47	49	50	65
Europe 5Y	45	46	47	54

SWAP RATES	Today	Week Ago	Month Ago	Year Ago
2 years	1.29	1.18	1.05	0.08
3 years	1.46	1.37	1.21	0.09
4 years	1.56	1.48	1.34	0.13
5 years	1.64	1.56	1.45	0.19
10 years	1.96	1.87	1.80	0.61

FOREIGN EXCHANGE	Today	Week Ago	Month Ago	Year Ago
NZD/USD	0.7003	0.6892	0.6970	0.6733
NZD/AUD	0.9583	0.9559	0.9469	0.9129
NZD/JPY	76.94	75.61	76.20	71.31
NZD/EUR	0.5936	0.5867	0.5872	0.5642
NZD/GBP	0.5091	0.5023	0.5021	0.5037
NZD/CAD	0.8839	0.8718	0.8719	0.8785
TWI	74.4	73.5	74.0	72.4

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