Research

Markets Outlook

11 March 2024

GDP going nowhere fast

- **We think GDP struggled to grow in Q4, estimate +0.1%**
- **Per capita recession rolls on**
- **PMI to provide manufacturing update**
- **Monthly price indicators of high interest**
- **Has net migration peaked?**

Looking through last week's plethora of Q4 activity indicators, we saw nothing to change our broad assessment that the economy struggled to grow in the latter part of last year.

We judge GDP rose 0.1% in Q4. If that comes to pass, we will let others debate whether that means NZ was in recession or not in the second half of last year (after Q3's -0.3%) – and whether subsequent revisions change that prognosis.

We will stick with our now well-worn line that growth last year was bumping along the bottom. A quarterly outcome as we see it would result in annual growth steadying from -0.6% in Q3, to 0.1% in Q4. That's anaemic. And cements the idea of the per-capita recession rolling on.

There remains considerable noise in the quarterly data, such that we certainly wouldn't rule out the possibility of another negative quarter in GDP itself. But, to be frank, the difference between -0.1% or +0.1% is well within the margin of error. The RBNZ estimated a flat result in its February MPS.

Beyond the decimal points, growth looks well below potential such that we believe the output gap is becoming more negative. This will support inflation falling further. That remains the bigger picture.

Taking a quick look at the details for the quarter by industry, negativity seems to have been centred in the distribution sectors of retail and wholesale trade along with the associated transport and storage industry. Construction might hold up in the quarter, judging by last week's not-as-weak-as-expected building work figures, even if looks to be within a broader downtrend.

Last week's Q4 sales for selected services also fell in the quarter, suggesting some softness in this large component of GDP – although the indicator is hardly precise. But the message matches up with the likes of what the PSI has been indicating. We stick with our thinking that services were generally subdued, overall.

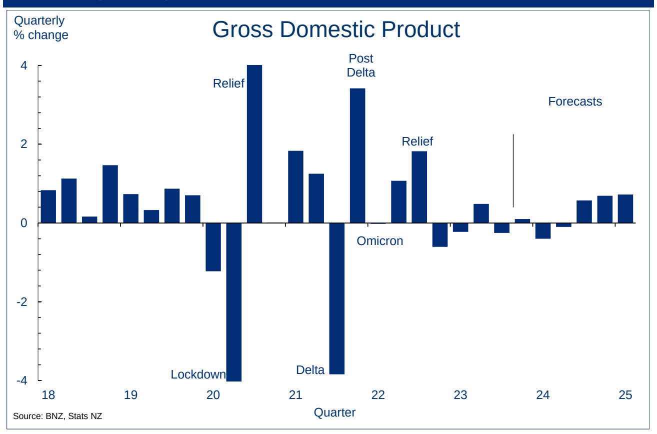
We see some growth in primary production with some flow-on support to food processing, as indicated by higher milk and meat production.

Broader manufacturing is interesting. Q4 activity certainly looked weak in last week's data. Sales volumes fell 0.6%. But various ways of estimating valued added for manufacturing GDP purposes presented a wide range of estimates – from a strong increase to a large decline. We assess that most manufacturing industries contracted, but there were some big gains for a few which may well be associated with some operations getting up and running again post-cyclone damage – the scale of which might not have been picked up in indicators like the PMI which has remained weak.

For manufacturing overall, we have settled on a modest increase in Q4. But the error margin around that feels something like +/- 2%, which would translate to around +/- 0.2% on bottom line GDP from this source alone. Just one illustration of the noise in the detail.

From an expenditure perspective, we see positives in exports of goods and some areas of investment like non-residential building. Conversely, indicators suggest weakness in exports of services (think tourism unwind from the FIFA Women's World Cup), private consumption, and residential investment (dwelling construction).

Bouncing along the bottom



At face value, looking at growth from the expenditure side suggests some upside risk to quarter. But it is difficult to trust, given the potential for what looks like a very large drop in goods imports. This would be GDP positive in and of itself but no so if it is telling us that domestic demand and/or inventories are lower than we think. Another illustration of the uncertainties in estimating growth this quarter.

Note that Stats NZ plans to release a quarterly GDP income measure for the first time as part of the overall GDP release. Production GDP remains NZ's official GDP figure, but it is good to get the income side upgraded to 'official' status even if only on a nominal basis in the first instance.

Enough of the detail. 'Top-down' cross-checks for growth in the quarter have been giving similarly mixed messages – but essentially averaging out to about flat. For example, QES indicators like paid hours and filled jobs fell in Q4, whereas HLFS employment and hours worked increased in the quarter. Likewise, the relevant QSBO activity indicators are giving conflicting directional signals.

All up, heaps of noise but it looks like next to no growth in the quarter, all considered. Q4 GDP data is due out next Thursday, 21 March.

Turning to this week's data, most focus will be on Wednesday's Selected Price Indexes for February. These will provide further guidance on how Q1 CPI is shaping up.

Within the price indicators, we expect annual disinflation in food prices to continue. We have annual food price inflation of 2.5% pencilled in for February, compared to January's 4.0%. The offshore deflationary influence is likely fading about now, but annual inflation in domestic food prices will be influenced downward by last year's elevated base due to severe weather events.

For rents, the momentum remains upward as strong population growth continues to put pressure on the existing housing stock. We have 0.4% m/m plugged in for February.

For the other monthly prices, we wouldn't be surprised to see a chunky lift in fuel prices in the month. We will also be watching airfares, given recent public announcements of rising domestic airfares and reports of increasing capacity on some international routes.

It's worth bearing in mind that Wednesday's figures are not a monthly CPI, but the released components do account for around 45% of the CPI itself – so can certainly move the dial on the market's assessment of how things are tracking.

Our current estimate for Q1 CPI sits at 0.6% q/q and 4.0% y/y. Any material deviation from our priors and thoughts around this week's monthly figures could have implications for near-term CPI calculations. Our current CPI pick is a couple of ticks higher that the RBNZ's February MPS projection of 0.4% q/q and 3.8% y/y.

We don't think CPI coming in 2 ticks higher and growth coming in a tick higher than the central bank's forecast on its own, and amid the broader trends, would be enough to restart monetary tightening. But such outcomes would play to a theme of requiring some patience before monetary conditions are relaxed.

In other data, we will check January's net migration figures on Thursday for any further signs that the recent exceptionally strong net inflows are abating or whether those prior signs have been revised away. We wouldn't be surprised to see recent prior month net inflows revised higher again, it seems to be more assessing the extent of it.

Short term visitor arrivals growth has been generally slowing, but there looks to have been a pop higher in January. Last January was negatively affected by extreme weather, at the margin, so annual growth could well look okay. Furthermore, additional international seat capacity and further recovery in visitors from China seem to have offset softening growth in other markets. Nonetheless, total visitor arrival numbers will remain well below pre-covid levels.

On the activity front, Friday's PMI will show how the manufacturing sector performed in February. It was still sub-par at 47.3 in January.

Tuesday's Electronic Card Transactions for February will be important given a surprisingly big lift in January. But February's figures will be difficult to assess for underlying trends given the leap day (which seasonal adjustment procedures struggle to deal with), Lunar New Year (in February this year), and a sharp jump in fuel prices in the month. And the annual comparisons will be distorted by bouts of extreme weather a year ago. We have pencilled in a moderate positive for transaction values in the month. This would build on January's lift and raise the chance of a bounce in Q1 real retail sales. But, if transactions rise in February on account of the leap day and Lunar New Year alone, we can expect a similar unwind in March.

We expect to see REINZ's housing report for February at some point during the week too. Prices have been inching forward, but there are strong, opposing, forces at work. House sales might look strong compared to last year's weather-affected base, but probably still weak in a broader assessment if regional indicators are any guide.

Beside the data, note that RBNZ Governor Orr is speaking in London on Tuesday and Wednesday and Chief Economist Conway is talking on Thursday. The RBNZ has stated that they will both be speaking to MPS presentation slides, no additional speaking notes will be published, and no new information provided.

doug_steel@bnz.co.nz
stephen_toplis@bnz.co.nz

Global Watch

Last week Q4 GDP was the key focus across the Tasman. Growth was in line with NAB and consensus expectations for 0.2% q/q with the key story remaining weakness in household consumption growth, which was just 0.1% q/q and 0.1% over the year.

Growth is below trend and progress is being made on reducing excess demand, but the real income squeeze on households is easing and it will take some time for the RBA to be comfortable that progress is translating into a sufficient reduction in domestic inflation pressures.

The ECB lowered its inflation and some growth forecasts at its early March policy meeting last week. Headline inflation is now seen at 2.3% in 2024 (2.7% previously) at 2.0% in 2025 (2.1%) and at 1.9% in 2026. The ECB said it had more confidence in the disinflation process but is still not confident enough in inflation falling sustainably to 2.0% as required to cut rates. ECB president Christine Lagarde said the ECB would “know more in April” but “a lot more in June.” We see that as a tacit nod to a June rate cut providing there are no surprises.

Fed Chair Powell said in his Senate testimony that the Fed was “not far” from having confidence to cut rates, following a comment that the cuts “can and will begin” this year with continued disinflation. Markets are looking to June in the US, with 24bp priced, up from 8bp for May.

Ahead of the US February payrolls report, **AUD/USD has enjoyed its best week since mid-December**, rallying to its highest level since mid-January. Gains this week have been matched only by JPY, where incoming official rhetoric and various ‘source’ reports have markets busily speculating on an end to the BoJ’s negative interest rate policy as soon as the March meeting (not NAB’s view, but both March and April’s meetings must now be considered ‘live’). AUD/JPY is, accordingly, little changed on the week.

AUD’s gains look to reflect a squeeze on short speculative positions (more so than most other major currencies) amid positive risk sentiment and a weaker USD driven by increased confidence the Fed will be embarking on a policy easing cycle commencing no later than June. In the absence of hard evidence that Chinese growth is accelerating (Jan-Feb activity data not due until March 18), further general USD weakness looks to be required if AUD is to build on this week’s gains.

Week Ahead

In Australia **the NAB Business Survey will be released Tuesday**.

There is nothing of much note from the ABS. The March Westpac-Melbourne Institute Consumer Sentiment index, which would usually be released next week, is delayed to 26 March, presumably so the survey overlaps the RBA’s March 19 meeting.

The **RBA’s new Chief Economist, Sarah Hunter, makes her first appearance, on a panel at the AFR Business Summit Tuesday Morning**. She will be much more involved in the May forecasts, so any daylight between her comments and the picture painted in February could be instructive.

The pick of the Global Calendar is the US February CPI on Tuesday. **The monthly reading is expected to be back at 0.3% on the core measure after the blip higher in January,** even as gasoline supports the headline read. PPI Thursday should show a similar pattern. Also on Thursday is Retail Sales, expected to show a bounce out of January’s weather-affected weakness. Fed speakers go quiet from Saturday ahead of the 21 March decision.

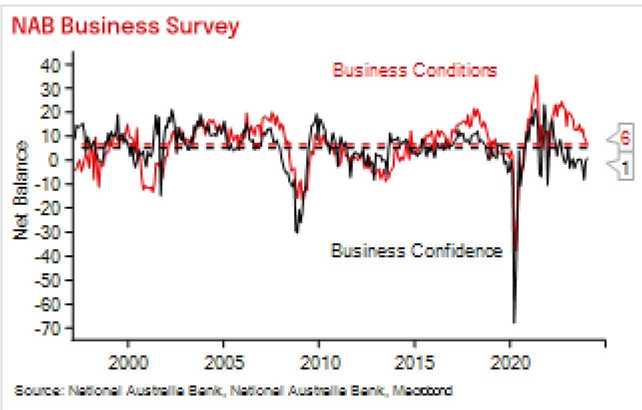
In **Japan**, Monday should see Q4 GDP revised higher, but initial results of **Rengo, Japan’s largest labour union federation, wage talks, due Friday** will be key for the BoJ. Japanese Labour Cash earnings data last week, combined with BoJ commentary, has helped fuel speculation the BoJ could be moving as soon as the March 18-19 meeting. The broader picture of wage outcomes will get clearer ahead of the April and June meetings.

There is little of note on the European Calendar beyond a few ECB speakers. Look out for hawk Holzmann on Tuesday to contrast dove Stournaras Wednesday. **The UK gets labour market data on Tuesday and Monthly GDP on Wednesday.**

Important Events Preview

Monday 11

JN Final Q4 GDP
The preliminary number showed a -0.1% q/q contraction and so a technical recession. Since then, the Ministry of Finance’s quarterly corporate survey revealed stronger private capital expenditure. Expect an upward revision, consensus looks for 0.3% q/q.



Tuesday 12

AU NAB Survey

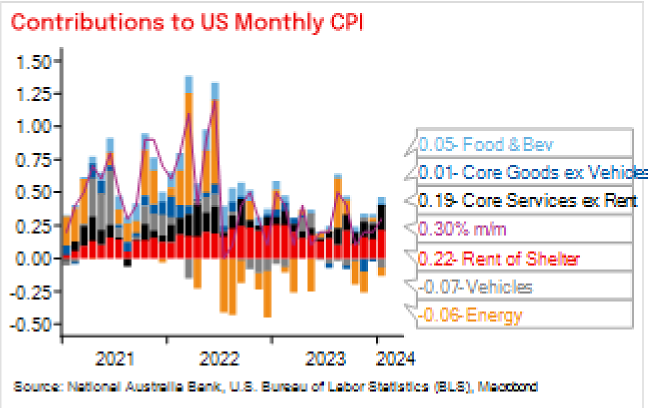
No comment from us given NAB publishes the survey. In January, conditions slipped to +6 and confidence edged higher to +1.

EZ ECB Holzmann speaks in Vienna

ECB Governing Council member and Austrian Central Bank Governor Robert Holzmann speaks from Vienna. Holzmann is probably the most hawkish ECB member and has recently railed against the idea of rate cuts. It could be interesting to hear from the hawkish side on the shift in the debate and apparent progress towards 2% inflation in light of the ECB's lower CPI forecasts.

US February CPI

Of the early estimates in the Bloomberg survey, 0.3% m/m is the overwhelming consensus for core CPI, while gasoline prices are expected to see headline at 0.4% m/m. The 6 monthly rotating panel in rents leaves some risk the noise in January owner equivalent rents is not a one off, and residual seasonality evident through some of core services in January may bleed into February as well. Consensus though is for a return to 0.3% for the core, helped by lower used car prices. That would match the November and December readings.



Wednesday 13

UK January monthly GDP

UK monthly GDP is expected to recover a little after December's -0.2% outturn.

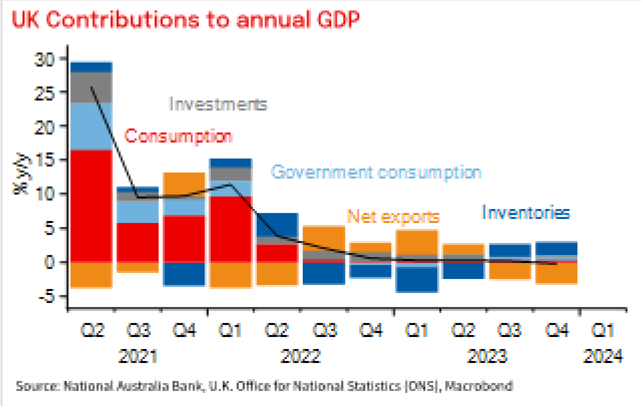
EZ ECB Stournaras speaks in London

ECB Governing Council member and Bank of Greece Governor Yannis Stournaras speaks in London. Stournaras is one of the most dovish ECB members and recently called for a rate cut in June. Comments are likely to contrast with Holzmann's.

Thursday 14

US PPI

Core PPI is also seen reversing a January blip, while headline is seen stable at 0.3% m/m.



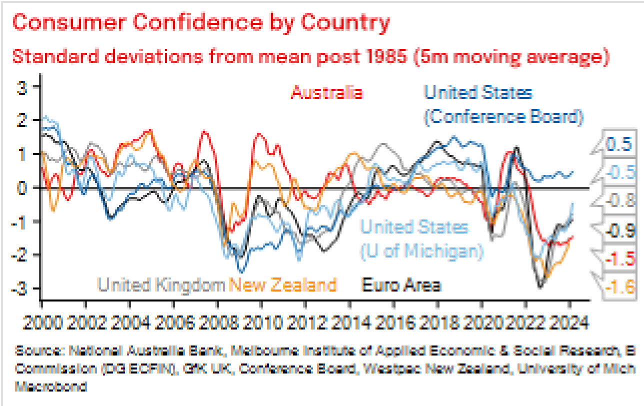
US Retail Sales

Continuing the pattern in the US data, the weakness in January retail sales was weather impacted and year-end seasonal adjustment challenges were also unhelpful. A rebound is likely in February.

Friday 15

US UMich Consumer Sentiment

The final University of Michigan consumer sentiment was revised sharply lower from the preliminary read in January. Will February number rebound? More broadly, US consumer sentiment troughed shallower, and has rebounded more notably than seen in Europe.



CH 1-year MLF

No change is the consensus from the PBoC on Friday, but a decent minority of analysts are looking for a 10bp cut. The PBoC is weighing the economy's need for more support with a desire to prevent further depreciation of the yuan. The RRR was cut 50bp in February, and a lower 5-yeap LPR has provided some support via mortgage rates. With the NPC last week confirming the ambitious 'around 5%' growth target, could more broad-based easing be coming?

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

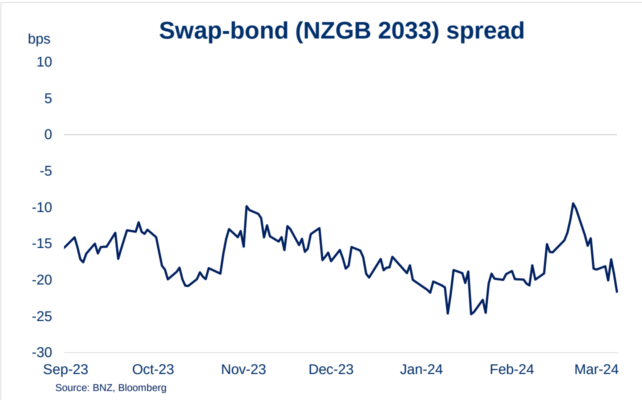
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ yields adjusted lower across the curve last week, aligned with moves in offshore markets, in the absence of first-tier domestic economic releases. US Federal Reserve Chair Powell's testimony to lawmakers outlined the central bank is close to gaining confidence in the inflation outlook, which would allow it to begin to lower rates. 10-year New Zealand government bond (NZGB) yields fell 11bps to 4.65%, extending the move lower that gained momentum after the RBNZ's February Monetary Policy Statement.

Government bonds have underperformed swaps since late February. Swap spreads had widened in the lead up to the May-2054 syndication, as the swaps market absorbed hedging flows, and outright yield levels contributed to demand for NZGBs. Swap spreads have subsequently retraced, with the market looking ahead to the upcoming May-2035 syndication, and ongoing government bond supply in the weekly tenders. There is NZ$14 billion of NZGB issuance forecast before the end of the fiscal year, which will be evenly split, across syndications and tenders.

10-year swap spreads reverse lower



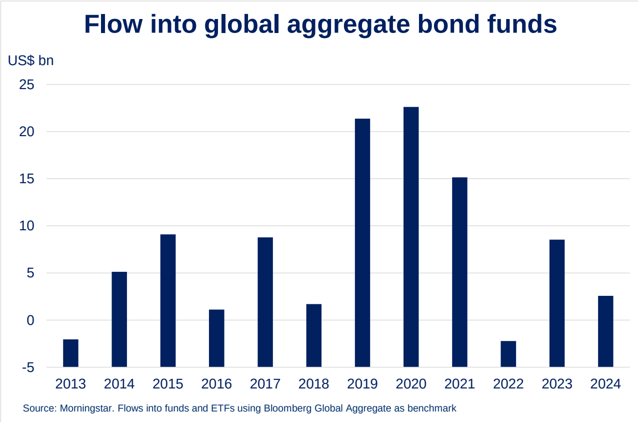
This week is relatively quiet in terms of domestic and international economic data, as the market looks ahead to major central bank meetings, including the FOMC on March 21.

US labour market data for February were mixed – payrolls beat expectations but there were downward revisions to previous months and the unemployment rate reached a 2-year high of 3.9% – and didn't provide a strong signal for policy makers.

The main risk event this week is US CPI data released Wednesday morning (NZT). This is the last key data point ahead of the FOMC and follows a surprisingly strong print in January.

NZ selected price indices – released Wednesday – will enable us to further refine our Q1 CPI forecast.

Investor fixed income flows strong to start 2024



Demand for fixed income has been robust in recent months, as investors look ahead to the next phase of the interest rate cycle, with global central banks expected to begin easing monetary policy around mid-year. Investment flows into global aggregate exchange traded funds (ETFs) and mutual funds have picked up strongly in 2024.

US investment grade issuance is on track to reach a record for the first quarter, amid strong investor demand, evidenced by small new issue concessions and high book coverage ratios. US investment grade credit spreads are the tightest in more than two years, as measured by 5-year credit default swaps, indicating it is the all-in yield that is proving enticing for investors.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.65	5.64 - 5.79
NZ 2yr swap (%)	4.90	4.90 - 5.28
NZ 5yr swap (%)	4.35	4.35 - 4.76
NZ 10yr swap (%)	4.36	4.36 - 4.79
2s10s swap curve (bps)	-54	-56 - -44
NZ 10yr swap-govt (bps)	-20	-21 - -8
NZ 10yr govt (%)	4.56	4.56 - 4.92
US 10yr govt (%)	4.07	4.03 - 4.35
NZ-US 10yr (bps)	49	40 - 65
NZ-AU 2yr swap (bps)	97	97 - 123
NZ-AU 10yr govt (bps)	59	54 - 68

*Indicative range over last 4 weeks

stuart_ritson@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week the USD was broadly weaker, with dollar indices down 1%, helping NZ/USD gain over 1% to about 0.6175. The NZD was mixed on the crosses, with modest falls against AUD and GBP and a close to 1% fall on NZD/JPY, as the yen outperformed on speculation of an imminent hawkish pivot by the BoJ. NZD/CAD and NZD/EUR were modestly stronger.

For a second consecutive week, US economic data releases were mostly weaker than expected, adding to evidence that some cracks are opening up in the economy, following a long period of economic exceptionalism compared to other major developed nations. At the end of the week, the strong headline payrolls figure masked a much softer underbelly, with downward revisions to employment, low wage inflation, and the unemployment rate rising to a two-year high of 3.9%.

Fed Chair Powell faced lawmakers and, while the key messages were the same, there were no hawkish surprises and some of his comments appeared dovish. He said the Fed was "not far" from having confidence to cut rates, reiterated that cuts "can and will begin" this year with continued disinflation, and that the Fed understands the risks of waiting too long to cut rates. The softer US data, and Chair Powell outlining the path to easier policy, contributed to a weaker USD dollar through the week.

After the ECB's on-hold decision, President Lagarde said the ECB was unlikely to be in a position to cut rates in April – the Bank will only have a little more data then – while in June they will know a lot more. This was consistent with her previous message that the ECB would likely be cutting rates in the summer.

The yen was the star performer last week, supported by two key factors. Firstly, Japanese wage growth positively surprised in January and unions noted strong wage demands in the current round. (The finalisation of negotiations from Japan's largest union, Rengo, will occur over the coming week). Secondly, a number of media reports said that the BoJ is considering scrapping its yield curve control policy and will decide on that, and ending its negative short term policy rate, as soon as the next meeting on 19 March.

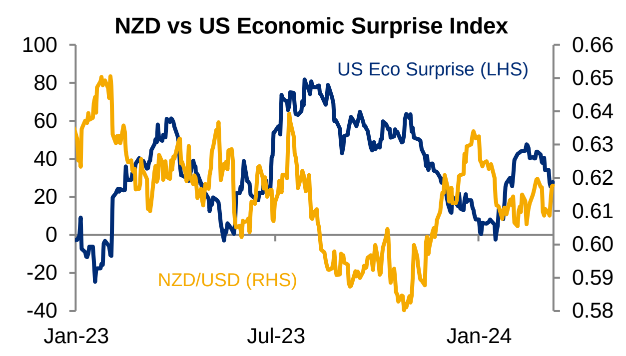
These factors resulted in some closing of short yen positions and drove a stronger yen. In last week's report we suggested the recent nine-year high in NZD/JPY could represent the top of the cycle, and highlighted the significant downside potential for the cross rate over the medium-term. Last week's news and price action gives us more confidence in that view.

On NZD/USD there isn't much to say that we haven't said before, with the currency in a well-established 0.60-0.64 range until further notice.

In the week ahead, the key focus will be on US CPI, PPI and retail sales data. The CPI data, in particular, could have a significant impact on the market on any deviation from market expectations. After the surprising uptick in inflation in January, the market will be wanting to see signs of a pullback to justify views that the Fed can cut rates in three months, at the June meeting. A negative surprise could see May brought into play, with lower US rates and a weaker USD, while a positive surprise could see a delay of cuts into the second half, with higher rates and a stronger USD.

Elsewhere, there is little much else to excite the market apart from, possibly, UK labour market data. The NZ economic calendar is light and our main interest will be in the monthly price indicators that will feed into Q1 CPI estimates.

US economic data surprise index falling back



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6184	0.6070 - 0.6220
NZD/AUD	0.9329	0.9300 - 0.9460
NZD/GBP	0.4809	0.4780 - 0.4910
NZD/EUR	0.5652	0.5600 - 0.5730
NZD/JPY	90.91	90.70 - 93.50

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6720	-8%
NZD/AUD	0.9110	2%

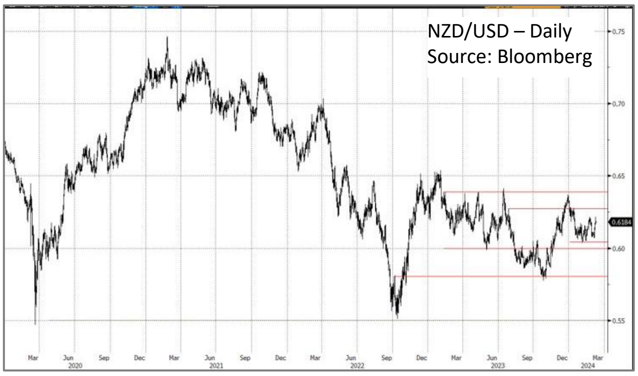
Jason.k.wong@bnz.co.nz

Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.6280 (ahead of 0.64)
ST Support: 0.6040 (ahead of 0.60)

0.60-0.64 continues to look to be the bigger range. Initial support/resistance levels at 0.6040/0.6280



NZD/AUD

Outlook: Trading range
ST Resistance: 0.9470 (ahead of 0.9550)
ST Support: 0.9270 (ahead of 0.92)

The cross is back inside the wedge after a brief topside excursion. The bottom edge of the wedge is 0.9270.

jason.k.wong@bnz.co.nz

NZ 5-year Swap Rate

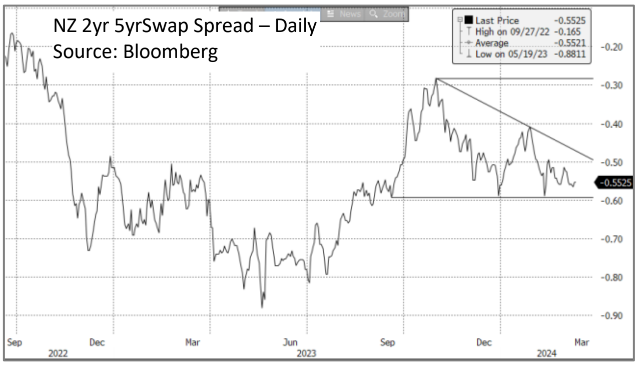
Outlook: Lower
MT Resistance: 4.76
MT Support: 4.07

5y swap continued its move lower last week following its break of support. We retain our view that we will see this move continue and target the support of 4.07.

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

Outlook: Neutral
MT Resistance: -0.47
MT Support: -0.59

2x5 swap spread flattened slightly last week but remain above our support. We would look to enter a steepener position should the spread dip much lower towards our support.



matthew.herbert@bnz.co.nz

Quarterly Forecasts

Forecasts as at 11 March 2024

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts

	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
GDP (production s.a.)	1.8	-0.6	-0.2	0.5	-0.3	0.1	-0.4	-0.1	0.6	0.7
Retail trade (real s.a.)	-0.9	-1.0	-0.8	-0.6	-0.8	-1.9	0.2	0.6	0.8	0.9
Current account (ytd, % GDP)	-8.3	-8.8	-8.2	-7.6	-7.6	-7.1	-6.8	-6.6	-6.2	-5.7
CPI (q/q)	2.2	1.4	1.2	1.1	1.8	0.5	0.6	0.7	1.1	0.5
Employment	1.4	0.7	1.1	1.0	-0.1	0.4	0.1	0.0	0.1	0.2
Unemployment rate %	3.3	3.4	3.4	3.6	3.9	4.0	4.4	4.9	5.2	5.5
Avg hourly earnings (ann %)	8.6	8.1	8.2	7.7	7.1	6.6	5.8	5.1	4.0	4.3
Trading partner GDP (ann %)	3.7	2.1	2.9	3.5	3.1	3.2	2.7	2.8	2.7	2.9
CPI (y/y)	7.2	7.2	6.7	6.0	5.6	4.7	4.0	3.7	3.0	2.9
GDP (production s.a., y/y))	6.4	2.3	2.1	1.5	-0.6	0.1	-0.1	-0.7	0.2	0.8

Interest Rates

Historical data - qtr average / Forecast data - end quarter	Cash	Government Stock: 90 Day Bank Bills	5 Year	10 Year	Swaps: 2 Year	5 Year	10 Year	US Rates: Libor 3 month	US 10 yr	Spread: NZ-US Ten year
2022 Sep	2.83	3.33	3.65	3.77	4.12	3.95	3.95	3.00	3.10	0.67
Dec	4.00	4.27	4.34	4.31	5.10	4.67	4.55	4.50	3.80	0.49
2023 Mar	4.58	4.99	4.27	4.26	5.11	4.51	4.40	4.90	3.65	0.61
Jun	5.42	5.62	4.23	4.27	5.19	4.44	4.30	5.40	3.60	0.68
Sep	5.50	5.66	4.87	4.87	5.54	4.90	4.75	5.65	4.15	0.73
Dec	5.50	5.63	4.48	4.67	4.93	4.43	4.50	5.65	4.00	0.67
Forecasts										
2024 Mar	5.50	5.60	5.00	4.90	5.30	4.90	4.65	5.80	4.40	0.50
Jun	5.50	5.65	4.80	4.70	4.95	4.70	4.50	5.30	4.20	0.50
Sep	5.50	5.50	4.50	4.50	4.55	4.45	4.40	4.80	4.00	0.50
Dec	5.25	5.25	4.20	4.25	4.10	4.15	4.15	4.55	3.75	0.50
2025 Mar	5.00	4.75	3.90	4.10	3.75	3.95	4.10	4.05	3.50	0.60
Jun	4.50	4.25	3.80	4.10	3.45	3.85	4.10	3.80	3.50	0.60
Sep	4.00	3.75	3.65	4.10	3.25	3.80	4.20	3.30	3.50	0.60
Dec	3.50	3.50	3.65	4.10	3.15	3.80	4.20	3.05	3.50	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	0.61	0.65	1.09	1.27	150	0.61	0.94	0.56	0.48	91.1	71.3
Mar-24	0.62	0.66	1.09	1.29	147	0.62	0.93	0.57	0.48	91.1	71.8
Jun-24	0.64	0.69	1.13	1.33	142	0.64	0.92	0.56	0.48	90.4	72.6
Sep-24	0.64	0.71	1.16	1.36	138	0.64	0.91	0.55	0.47	88.7	72.3
Dec-24	0.65	0.72	1.17	1.37	135	0.65	0.90	0.56	0.47	87.8	72.3
Mar-25	0.67	0.73	1.18	1.38	130	0.67	0.91	0.56	0.48	86.5	72.8
Jun-25	0.69	0.75	1.19	1.39	125	0.69	0.92	0.58	0.50	86.3	74.5
Sep-25	0.71	0.77	1.21	1.41	120	0.71	0.92	0.59	0.50	85.2	75.8
Dec-25	0.71	0.78	1.22	1.42	118	0.71	0.91	0.58	0.50	83.8	75.3
Mar-26	0.69	0.78	1.23	1.43	116	0.69	0.89	0.56	0.49	80.5	73.6
Jun-26	0.68	0.76	1.23	1.43	115	0.68	0.90	0.55	0.48	78.2	72.7
TWI Weights						13.8%	16.5%	9.8%	3.1%	6.1%	

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

Annual Forecasts

Forecasts as at 11 March 2024	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025
GDP - annual average % change										
Private Consumption	6.0	2.7	0.3	0.5	2.6	7.4	3.3	0.7	-0.2	2.4
Government Consumption	7.9	2.0	-1.2	-3.5	1.4	7.8	4.9	-1.5	-3.9	0.9
Total Investment	10.2	2.1	-1.4	-1.9	4.2	12.0	3.4	-0.9	-2.8	3.1
Stocks - ppts cont'n to growth	0.5	-0.1	-0.5	0.4	0.0	1.4	-0.4	-0.7	0.6	0.0
GNE	7.9	2.4	-1.5	-0.6	2.8	10.0	3.4	-1.2	-1.4	2.3
Exports	2.5	6.0	4.0	3.4	5.4	-2.7	-0.2	7.8	3.1	5.4
Imports	17.3	4.6	-2.7	-3.0	3.8	14.8	4.6	0.1	-5.0	3.2
Real Expenditure GDP	4.7	2.7	0.2	1.1	3.1	5.9	2.2	0.4	0.8	2.8
GDP (production)	**4.5**	**2.8**	**0.2**	**0.5**	**3.0**	**5.5**	**2.4**	**0.7**	**0.1**	**2.7**
GDP - annual % change (q/q)	*0.7*	*2.1*	*-0.1*	*1.9*	*3.1*	*2.5*	*2.3*	*0.1*	*0.8*	*3.1*
Output Gap (ann avg, % dev)	1.3	1.8	-0.3	-1.0	0.1	1.5	1.9	0.2	-1.0	-0.2
Nominal Expenditure GDP - $bn	359	388	414	435	459	353	381	408	429	453
Prices and Employment - annual % change										
CPI	6.9	6.7	4.0	2.8	2.0	5.9	7.2	4.7	2.9	1.8
Employment	2.5	3.0	1.4	0.6	2.5	3.3	1.7	2.4	0.4	2.1
Unemployment Rate %	3.2	3.4	4.4	5.7	5.3	3.2	3.4	4.0	5.5	5.5
Wages - ahote (private sector)	5.3	8.2	5.8	3.9	3.0	4.1	8.1	6.6	4.3	3.0
Productivity (ann av %)	1.7	0.6	-2.3	-0.1	1.2	3.5	0.2	-2.1	-0.9	1.3
Unit Labour Costs (ann av %)	4.6	6.4	8.7	5.1	2.0	2.4	6.4	8.6	6.6	2.0
House Prices	13.8	-12.1	1.8	6.5	10.1	27.2	-11.1	-1.5	4.8	10.1
External Balance										
Current Account - $bn	-23.6	-31.8	-28.2	-22.8	-19.2	-20.6	-33.4	-28.9	-24.3	-20.3
Current Account - % of GDP	-6.6	-8.2	-6.8	-5.3	-4.2	-5.8	-8.8	-7.1	-5.7	-4.5
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-2.7	-2.4	-2.8	-1.7	-0.8					
Net Core Crown Debt	17.0	18.0	22.4	23.2	23.3					
Bond Programme - $bn (Treasury forecasts)	20.0	28.0	38.0	36.0	34.0					
Bond Programme - % of GDP	5.6	7.2	9.2	8.3	7.4					
Financial Variables (1)										
NZD/USD	0.69	0.62	0.62	0.67	0.69	0.68	0.63	0.62	0.65	0.71
USD/JPY	119	134	147	130	116	114	135	144	135	118
EUR/USD	1.10	1.07	1.09	1.18	1.23	1.13	1.06	1.09	1.17	1.22
NZD/AUD	0.93	0.93	0.93	0.91	0.89	0.95	0.94	0.93	0.90	0.91
NZD/GBP	0.52	0.51	0.48	0.48	0.49	0.51	0.52	0.49	0.47	0.50
NZD/EUR	0.62	0.58	0.57	0.56	0.56	0.60	0.60	0.57	0.56	0.58
NZD/YEN	81.5	83.0	91.1	86.5	80.5	77.4	85.6	89.5	87.8	83.8
TWI	73.9	71.0	71.8	72.8	73.6	73.0	72.9	72.0	72.3	75.3
Overnight Cash Rate (end qtr)	1.00	4.75	5.50	5.00	3.25	0.75	4.25	5.50	5.25	3.50
90-day Bank Bill Rate	1.45	5.16	5.60	4.75	3.15	0.92	4.55	5.63	5.25	3.50
5-year Govt Bond	2.90	4.40	5.00	3.90	3.60	2.20	4.30	4.50	4.20	3.65
10-year Govt Bond	3.20	4.35	4.90	4.10	4.10	2.35	4.25	4.65	4.25	4.10
2-year Swap	3.00	5.15	5.30	3.75	3.15	2.22	5.21	4.93	4.10	3.15
5-year Swap	3.20	4.50	4.90	3.95	3.85	2.56	4.62	4.43	4.15	3.80
US 10-year Bonds	2.10	3.65	4.40	3.50	3.50	1.45	3.60	4.00	3.75	3.50
NZ-US 10-year Spread	1.10	0.70	0.50	0.60	0.60	0.90	0.65	0.65	0.50	0.60

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

Source: Statistics NZ, BNZ, NZ Treasury

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	5.50	5.50	5.50	4.75
1mth	5.59	5.59	5.63	4.96
2mth	5.62	5.62	5.68	5.06
3mth	5.65	5.66	5.74	5.19
6mth	5.61	5.63	5.76	5.41
GOVERNMENT STOCK				
05/26	4.71	4.75	5.02	4.62
04/29	4.44	4.53	4.73	4.43
05/31	4.49	4.60	4.79	4.39
05/34	4.64	4.74	4.87	4.39
04/37	4.76	4.86	5.02	4.50
05/41	4.85	4.94	5.12	4.56
05/51	4.83	4.91	5.11	4.45
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	50	51	54	91
Europe 5Y	52	54	57	95

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	4.90	5.04	5.23	5.31
3 years	4.59	4.73	4.90	5.00
4 years	4.43	4.57	4.72	4.80
5 years	4.35	4.49	4.65	4.67
10 years	4.36	4.54	4.66	4.48
FOREIGN EXCHANGE				
NZD/USD	0.6179	0.6094	0.6131	0.6220
NZD/AUD	0.9324	0.9362	0.9387	0.9330
NZD/JPY	90.89	91.72	91.55	82.84
NZD/EUR	0.5648	0.5613	0.5690	0.5795
NZD/GBP	0.4805	0.4801	0.4854	0.5105
NZD/CAD	0.8334	0.8272	0.8246	0.8540
TWI	71.9	71.6	71.9	70.7

Contact Details

BNZ Research

Stephen Toplis
Head of Research
+64 4 474 6905

Doug Steel
Senior Economist
+64 4 474 6923

Jason Wong
Senior Markets Strategist
+64 4 830 1676

Stuart Ritson
Senior Interest Rate Strategist
+64 9 9248601

Mike Jones
BNZ Chief Economist
+64 9-956 0795

Main Offices

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

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

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