Research
Markets Outlook

28 April 2025

Central banks in disarray

- **Fed faces into stagflation**
- **Bank of Canada stops publishing forecasts**
- **ECB gives no forward guidance**
- **RBNZ faces similar options**
- **Survey outcomes key to our understanding**

Donald Trump has thrown global trade into chaos. He's created volatility in financial markets. He's raised fears of recession in the United States alongside the prospect of rising inflation. He's created massive uncertainty across the planet. All of which has thrown the global central banking community into disarray.

The US Federal Reserve is stuck in the centre of the maelstrom created by Trump's actions. The policy mix espoused by the Republican regime puts the US on a path to weaker growth (and, hence, a higher unemployment rate) while pushing up prices faced by the US consumer. The direction for both is clear, the extent is not.

Trumpflation is a real headache for a central bank which has the dual objective of containing both inflation and unemployment. The question is which one should it focus on when both objectives are under threat. There is no clear guidance on the approach the Fed should take but Fed members have suggested it is likely to put more effort into the variable that looks most likely to have the biggest deviation from target. We would suggest that it's inflation that is most likely to move higher first. The labour market is typically a lagging indicator. All other things being equal that should mean the chance of a US rate hike is now moving ahead of that for a cut. The inflationary impulse will be accelerated if the USD continues to depreciate and become more problematic if inflation expectations continue to rise in the way they currently are.

It is less clear, however, what will dominate longer term as weakening growth should diminish inflationary pressures and raise the unemployment rate. For now, at least, financial markets seem more focussed on the longer term weakness in the economy with further substantial rate cuts still priced into US yield curves.

There are also fiscal factors to take into consideration. Apart from tariff revenue, a weakening US economy will put more pressure on the country's already poorly fiscal accounts. A deteriorating fiscal position will put upward pressure on bond yields which will tighten monetary conditions and limit Trump's plans for expansionary tax policy.

This is all a real headache for the central bank. And an even greater headache when the President is openly pressuring the Fed to ease while making veiled, and not so veiled, threats to the tenure of the Governor of the Federal Reserve Jerome Powell. Any sense of government threatening the independence of the monetary authority is considered a major no-no by the international investor community.

What happens in the United States, both in the real economy and financial markets, is a major determinant of what happens elsewhere around the globe. Other central banks are certainly feeling the pinch.

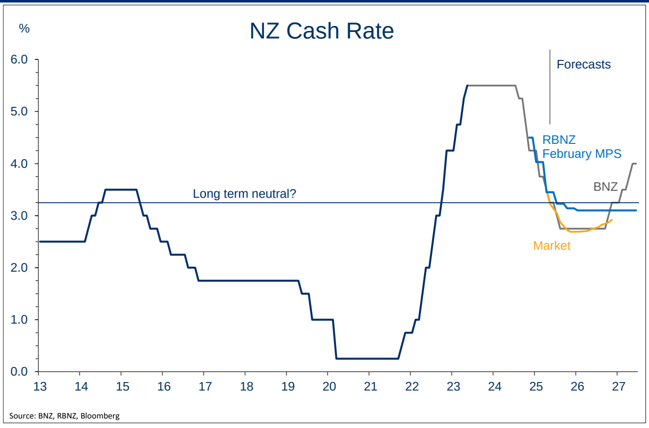
Outside of the United States, most central banks openly place more weight on containing inflation than anything else. Therefore, if labour market weakness and heightened inflation provided contesting signals, the fight against inflation would win the argument. That said, while it is likely the US faces into both a rising unemployment and inflation rate, it is less clear that other nations will face higher inflation unless they decide to impose reciprocal tariffs on the US. Even if they do, then provided tariffs are not implemented on nations other than the United States, the effect could be relatively muted. Indeed, it may well be that trade diversion and weaker global growth results in lower inflation and an increased incentive to ease monetary policy.

The long and short of it is that confusion reigns. Symptomatic of this, the European Central Bank provided no forward guidance when it released its latest monetary policy decision. Chair Lagarde also went on to indicate that the traditional formulation of monetary policy around the perceived neutral interest rate might no longer be apt. She said that "the neutral rate works in a shock-free world and what's needed now is an appropriate rate." She went on to say that folk should be ready for large moves in either direction. Obviously, no sense of direction here.

The Bank of Canada also recently provided no forecasts and instead a scenario analysis rather than giving any indication where it's central view of the world might be. And for good reason, it simply doesn't know.

We wait with bated breath for the RBNZ's approach to be revealed. It does have a track record of withdrawing guidance. In the monetary policy decisions of May 2020, August 2020, November 2020 and February 2021 (as COVID raged) the RBNZ provided no OCR projection past March 2021. There is no reason why it couldn't do something similar at the May 28 announcement this year. It certainly couldn't be blamed for doing so. And RBNZ officials have already highlighted the possibility that they might produce more scenario analysis in future even before the Trump wrecking ball was swung.

More easing to come



Our central view remains that weakness in the economy demands further rate cuts to maintain the current level of mortgage rates which are already based on the assumption that the cash rate falls to around 2.75%. We don't think now would be a great time to effectively tighten monetary conditions especially when growth expectations are being revised lower and the strengthening NZD is already tightening conditions.

Notwithstanding this, we caution that inflation is not dead and buried. It is already trending higher on an annual basis and early signs are that inflation expectations, particularly in the household sector, are rising. This being so and, given the uncertainty that pervades, we would caution against the Bank moving rates any more than 25 basis points were it to continue its easing path.

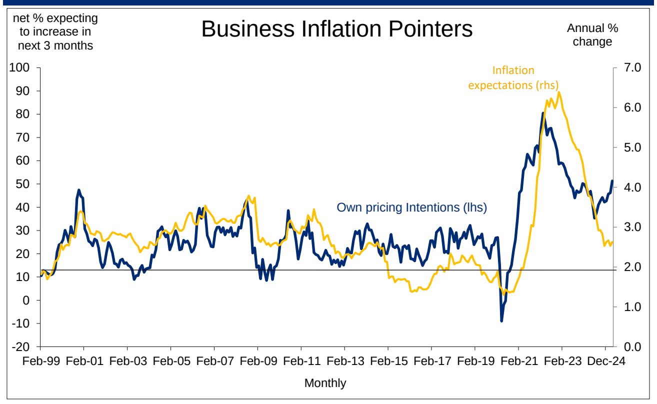
It was heartening to see ANZ's consumer confidence reading push higher to 98.3 in April from 93.2 in March. It needs to keep progressing along this path if the pick up in private consumption that we are forecasting is to be achieved, especially when recent data show us that household saving is in decline and households continue to face into negative wealth issues.

What was less heartening was the jump in consumer inflation expectations to 4.7% from 4.2%. They are now at their highest level since July 2023 and are starting to push above levels seen as being consistent with the RBNZ achieving its inflation target.

With this in mind, we will be watching the ANZ's April Business Opinion Survey, released this Wednesday, for indications as to how businesses are thinking about prospective price increases. Inflation expectations have been in a narrow, and low, band of between 2.5% and 2.7% for the last five surveys. Hopes are that they will remain anchored in this range.

We'll have a look at pricing intentions too but don't really know what to make of this series at the moment give that its strongly rising trend has been diametrically opposite to what we have been seeing from NZIER's much-trusted Quarterly Survey of Business Opinion.

Which one to believe?

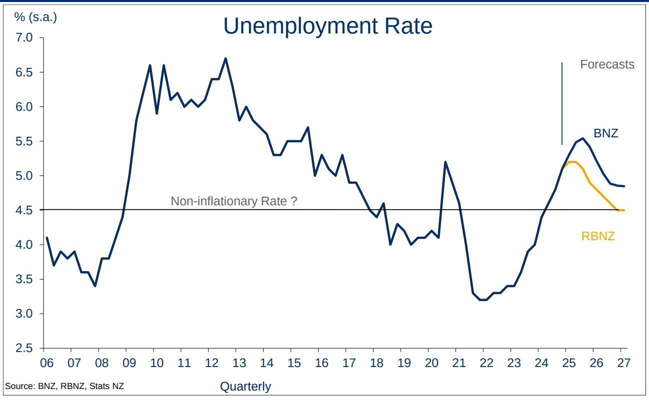


Investment and employment intentions should provide some early indication as to whether the uncertainty that Trump is creating is weighing on business decisions locally. In the March survey a net 17.3% of businesses suggested they were about to increase investment while a net 15.6% intended to hire more staff. Any significant weakening in these indicators would be a concern.

As for own activity expectations, this has also been somewhat baffling in that its strength is consistent with much stronger growth than anyone is forecasting, a significant reduction in this series would not necessarily indicate anything particularly sinister for the economy. Ongoing strength would, however, question whether we are all simply being too pessimistic. March's survey showed a net 48.6% of businesses expecting to increase activity.

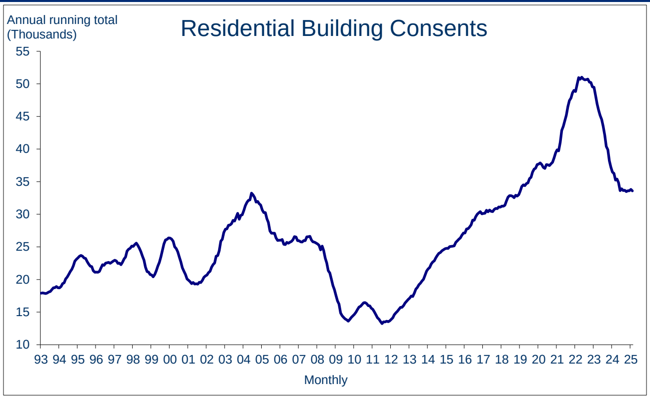
On Tuesday March employment data are released. We get little sense that employment is picking up so expect weak employment growth at best and, conceivably, a negative reading for the month. Either way we do not expect the data to dissuade us from or view that the unemployment rate will rise higher than the RBNZ currently forecasts.

We're still worried about the labour market



Friday sees March building consents released. We are looking for confirming evidence that residential building approvals are forming a trough at around 33,000 per annum. Further weakness in non-residential consents is anticipated.

Forming a base?



Besides the data, we will also keep an eye on Finance Minister Willis' speech tomorrow morning to a local Chamber of Commerce for any more pre-Budget announcements. The Budget will be delivered on 22 May.

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Global Watch

- **Abundance of global top-tier data**
- **US Q1 GDP, ISM manufacturing survey and PCE deflators**
- **Euro area GDP and CPI**
- **Australia Q1 CPI in focus ahead of RBA May meeting**
- **BoJ decision, no change expected**

Week in Review

US trade policy uncertainty continues to swamp domestic developments. Markets have been extremely volatile reacting to headlines. The Trump Administration floated the idea of exploring options to remove Fed Chair Powell, but the Administration quickly backtracked after a violent 'sell America' reaction.

President Trump clarified he had no intention of firing Fed Chair Powell but was also adamant in wanting lower interest rates. Markets are still likely to be apprehensive on the issue given the US Supreme Court is due to rule any day now on whether President Trump has the authority to remove board members of two other independent agencies.

President Trump and Treasury Secretary Bessent also suggested tariffs against China could be lowered, though later clarified this would be part of a negotiation and would not happen unilaterally. Some easing of tariffs targeting the auto industry is also being mulled. Market sentiment lifted following these comments and has broadly reversed the sharp 'sell America' moves earlier last week.

Week Ahead

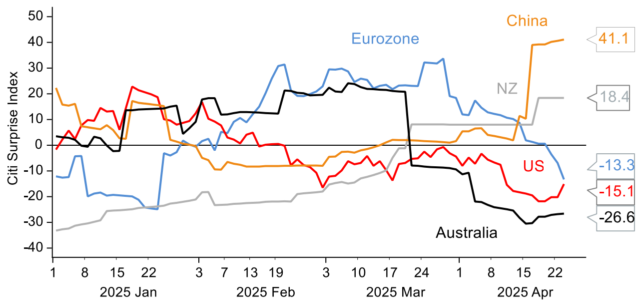
In Australia, Q1 CPI (Wednesday) would normally be the top driver for markets, though global trade/tariff uncertainty will continue to dominate. For Q1 CPI, our colleagues at NAB expect trimmed mean inflation to be 0.6% q/q and 2.8% y/y, which would see inflation one tenth below the RBA's Feb forecast track.

NAB think either a 0.6 or 0.7 print for trimmed mean would see the RBA cut rate rates at the 19-20 May Board Meeting, with the discussion instead being around whether they cut by 25 or 50bps given global headwinds. NAB's base case is that the RBA will deliver a 50bp cut in May to take policy more quickly towards neutral.

There is also plenty of other important data. The RBA's Kent is speaking (Tuesday), and Retail Sales (Friday) is probably the pick of the data. NAB pencil in a 0.2% m/m rise and see quarterly retail volumes at a subdued 0.1% q/q. Also out is Credit (Wednesday) and Trade (Thursday).

Offshore, focus remains on US Policy Developments. Expect more on this front with President Trump celebrating his first 100 days in office at a rally in Michigan (Tuesday). As for data, it is a deluge globally which will all be watched closely to see how trade/tariff uncertainty is weighing on activity. Relative to expectations, data is surprising to the downside in the US, Europe and Australia. It is surprising to the upside in China, though front loading ahead of tariffs is likely a driver.

Citi Economic Surprise Indexes*



* The surprise indicies measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases has been worse than expected
Source: National Australia Bank, Macrobond

In the US Q1 GDP (Wednesday), PCE (Wednesday), ISM Manufacturing (Thursday) and Payrolls (Friday) all have the potential to reflect some of the headwinds from trade/tariff uncertainty. While the consensus for Q1 GDP is 0.4% quarterly annualised, the Atlanta Fed GDP Now estimate excluding gold is a more meagre -0.4%. Note Fed officials are in blackout ahead of the 8 May FOMC Decision (hold).

The Eurozone also has Q1 GDP (Wednesday) as well as the Preliminary CPI for April (Friday). In contrast the UK is very quiet with no top-tier data. In China, the Officials PMIs (Wednesday) take top billing. The Politburo is also set to be held by the end of April.

The earning season also continues with Amazon, Apple and Meta all reporting this week.

Important Events Preview

Tuesday 29

AU RBA's Kent
RBA Assistant Governor Kent is speaking on 'Australia's External Position and the Evolution of the FX Markets'.

EZ Confidence

US JOLTS (Mar), Con. Board Consumer Confidence
The labour market is clearly less tight on the JOLTs metrics with both openings per unemployed person and quits rates below pre-pandemic levels. Also out is the Conference Board Consumer Confidence Measure which is expected to fall to 87.6 from 92.9.

US Trump 100-day rally, Earnings – Coca-Cola, Visa
President Trump is holding a rally in Michigan to celebrate his first 100 days in office. It is unclear whether major new policy announcement will follow, but markets will not only

be attentive to soundbites on trade/tariffs, but also on the pending tax cut and deregulation agenda. While President Trump's approval rating has fallen, it remains mostly higher than what it was during his first term.

Wednesday 30

AU Quarterly CPI (Q1)
NAB expect Headline Q1 CPI of 0.8% q/q, supported by an unwind of electricity rebates after two quarters of low outcomes. For the more policy-relevant trimmed mean indicator NAB continue to expect a rise of 0.6% q/q and 2.8% y/y. That is one tenth below the RBA's Feb forecast track, though NAB note the risks skew to a 0.7% outcome.

Looking forward, the key uncertainty for CPI is the impact from the global trade/tariff shock, though NAB think it will be ultimately disinflationary given the potential for trade diversion. As for RBA implications, NAB think the quarterly CPI will largely take a backseat to rising global uncertainty. NAB's base case is that the RBA will deliver a 50bp cut in May to take policy more quickly towards neutral. Exceptionally elevated uncertainty means any rates forecast is subject to larger-than-usual error bands.

JN Retail Sales (Mar), Industrial Production (Mar)

CH Official PMIs (Apr), Caixin Manufacturing (Apr)
The PMIs will continue to take a backseat to trade/tariff developments. The prior month saw manufacturing (50.5) and non-manufacturing (50.8) marginally positive.

EZ GDP (Q1), GE/IT/FR Prelim CPI (Apr)
Last quarter saw growth of 0.2% q/q. Also out are prelim CPIs from Germany, Italy and France.

US GDP (Q1), ECI (Q1), PCE (Mar), ADP (Apr)
Lots of data out with the focus on Q1 GDP given the Atlanta Fed GDP Nowcast adjusted for gold imports is marginally in negative territory. Data will be analysed closely for estimating how much activity in the quarter reflected a pull forward of demand ahead of tariffs via inventories/consumption.

Alongside the GDP figures will be the Employment Cost Index (consensus 0.9% q/q) and the monthly PCE figures with focus on personal spending given the anecdotes out of the Fed's Beige Book of soft non-auto consumer spending. Core PCE inflation should be relatively muted as suggested by CPI/PPI at 0.1% m/m and 2.6% y/y. Tariff-led price increases are more likely to show from April/May.

US Treasury Quarterly Refunding Announcement

US Earnings – Amazon, Meta, McDonalds

Thursday 1 (May Day)

AU Trade Balance (Mar), Dwelling Prices (Apr)
NAB expect the Goods Trade Balance to be little changed with a surplus of $3bn. Elevated gold values are likely to support the trade balance, even as prices for other commodities have eased. One key uncertainty is whether cyclone activity disrupted port loadings in the month.

JN BoJ (hold)
NAB expect the BoJ to be firmly on hold, waiting until the July meeting to contemplate lifting rates again. The trade/tariff uncertainty and its potential fallout on Japan risks keeping the BoJ on the sidelines for longer.

CH Public Holiday

US ISM Manufacturing (Apr), Jobless Claims
The ISM Manufacturing is expected to remain weak, falling back to 48.0 from 49.0. NAB will be looking closely at the new orders and inventories lines, which historically have provided a good cyclical indicator of the US economy. Currently these are pointing to a sharp slowdown in the manufacturing sector, highlighting elevated recession risk. The prices paid and supplier deliveries indexes also give a good guide to inflationary pressures and to the Fed's reaction function.

US Earnings – Apple, Qualcomm, Mastercard

Friday 2

AU Retail Sales (Mar)
NAB expect Retail Sales to rise 0.2% m/m in March. The month of March also rounds out the quarter with nominal quarterly retail set to be 0.6% q/q, implying only a modest rise in volume terms. NAB pencil in 0.1% q/q.

It is also worth noting that the retail sales publication will cease from 31 July 2025 (last data will reference the June 2025 period). Attention will then shift to the ABS' new monthly household spending indicator.

EZ Prelim CPI (Apr)
Much will be known given France, Germany, Italy, Spain and Belgium all report prelim CPI figures earlier in the week. It is worth noting that the ECB regards the "disinflation process is well on track" and "most indicators of underlying inflation are pointing to a sustained return of inflation to….target".

The bigger uncertainty for Europe and the ECB stems from global trade tensions which could lower growth by dampening exports and by dragging down business and consumer confidence.

US Payrolls (Apr)
The consensus sees 130k jobs, the unemployment rate being unchanged at 4.2% and average hourly earnings of 0.3% m/m. Worth noting the recent Fed Beige Book for April picked up anecdotes of hiring freezes.

Saturday 3

AU Election
Australians head to the polls.

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Fixed Interest Market

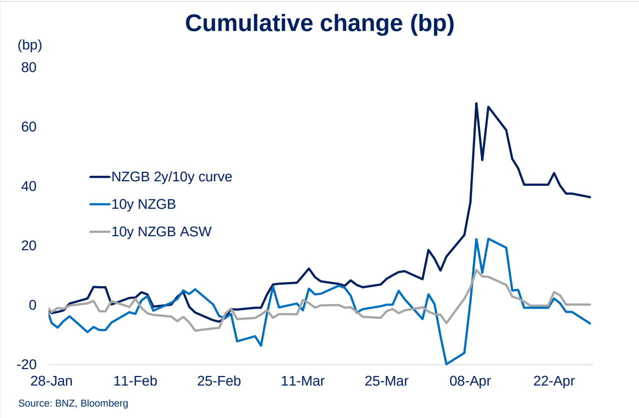
Reuters: BNZL, BNZM Bloomberg: BNZ

The recovery in global investor risk sentiment has contributed to a retracement in bond yields. The MOVE index of implied volatility for the US bond market has fallen sharply. Sentiment has recovered since President Trump said he has no intention to remove Fed Chair Powell and that he would be open to reducing tariffs on China. 10-year US treasury yields have fallen towards 4.20%, from a peak near 4.60% earlier in the month, contributing to a rally across global fixed income.

Concerns that international investors would reduce exposure to treasuries, in response to US economic policy uncertainty, appear unfounded. Data from the treasury auctions, when yields were surging higher in April, reveal that foreign investors were awarded a higher share of 10- and 30-year issuance than in March. This points to deleveraging, rather than foreign selling, as the main contributor to bond market weakness earlier in the month.

10-year NZ government bond yields matched the move lower in US treasuries since the recent peak and have broadly traded in line with the historical beta to comparison markets. The recovery in sentiment has been associated with a flattening of the NZ curve – front end yields have been stable and anchored by RBNZ monetary policy – and a retracement in asset swap spreads (ASW) from what appeared to be overbought levels.

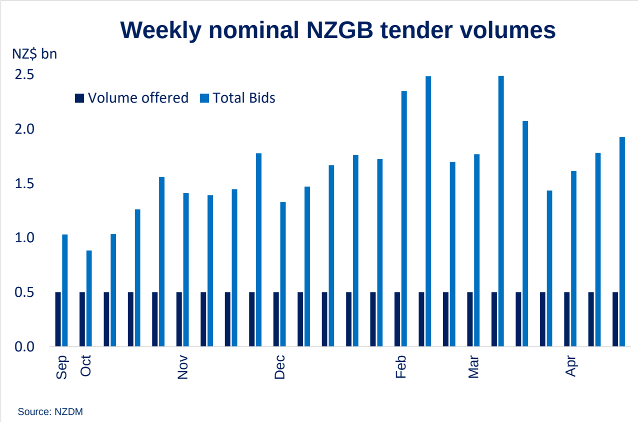
Retracement as market volatility decreased



NZ Debt Management (NZDM) surprisingly announced a reduction in the weekly nominal tender volumes to NZ$450 million in the schedule for May. Weekly issuance has been set at NZ$500 million since July 2023. Although there wasn't an explanation for the shift, it is likely aimed at taking pressure of the government bond market amid a period of elevated market volatility, rather than any signal on the borrowing programme, which will be updated alongside the Budget next month.

Although investor demand for NZGBs remains robust, as evidenced by the weekly tender statistics and the book sizes in the syndicated transactions, periods of illiquidity can impact the market. 10-year NZGB ASW spreads reached a fresh cycle high this month, but have since recovered, and this was likely a factor in the decision to reduce the tender volumes. In any case, the reduction is a positive signal but is unlikely to have a material impact, as investors look ahead to the updated funding strategy next month.

Continued solid NZGB tender cover ratios



The impact of US economic policy is beginning to flow through to consensus forecasts. Analysts' global growth projections are being revised lower and forecast revisions often exhibit positive serial correlation - for example, a downward revision is followed by another. Weaker global growth and subdued domestic high frequency activity indicators will limit the upside for front end NZ rates. The market is pricing a ~2.70% terminal OCR, closely aligning with our forecast, but risks for front end rates continue to be skewed lower.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.45	3.45 - 3.62
NZ 2yr swap (%)	3.11	3.03 - 3.45
NZ 5yr swap (%)	3.49	3.37 - 3.75
NZ 10yr swap (%)	4.03	3.84 - 4.25
2s10s swap curve (bps)	92	86 - 111
NZ 10yr swap-govt (bps)	-49	-62 - -38
NZ 10yr govt (%)	4.52	4.38 - 4.73
US 10yr govt (%)	4.24	3.86 - 4.59
NZ-US 10yr (bps)	28	13 - 47
NZ-AU 2yr swap (bps)	-12	-26 - -5
NZ-AU 10yr govt (bps)	28	10 - 36

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Markets were calmer last week, a reprieve from recent extreme volatility. NZD/USD traded a range of "only" a cent or so and rose less than ½% to just over 0.5960, after trading at a fresh 2025 high just under 0.6030. NZD cross movements were modest but safe-haven currencies underperformed during the week as risk appetite recovered, seeing NZD/JPY lift 1½% to 85.75.

Last week began with some fear in the market after President Trump attacked Fed Chair Powell, calling him a loser, and telling him he should be cutting rates. That sent USD indices to fresh multi-year lows, after the market considered the unthinkable scenario of the Fed losing its independence, but order was restored after President Trump said he had no intention of firing Fed Chair Powell, "never did".

President Trump and Treasury Secretary Bessent also seemed keen to suggest that there would be some de-escalation to the trade war. Trump said China's final tariffs after a deal would not be anywhere near 145%, even if it won't be zero. He said "we're going to be very good to China…China will be very happy". There were also reports that China has exempted some US imports from the recent retaliatory 125% lift in tariffs, for products that the country would struggle to immediately source from other countries.

We are now probably past "peak" trade war anxiety, which should reduce market volatility, but economically speaking the impact of the trade war is just beginning. Shipping and port data suggest much reduced freight visits to the US over coming weeks, and it will take a few months before the US consumer feels the full blast of the trade war. The IMF downgraded its global growth forecasts relative to January, with downgrades for the US much greater than for any other advanced economy, down nine tenths to 1.8% for 2025. Even this figure looks overly optimistic, with heightened recession risk for the US.

Before Easter, we flagged a significant downgrade to our USD projections (see USD under pressure), and we will produce updated forecasts this week. Our year-end 0.60 NZD/USD target has already been reached, and it looks like our end-2026 target of 0.66 will also be met much earlier than anticipated.

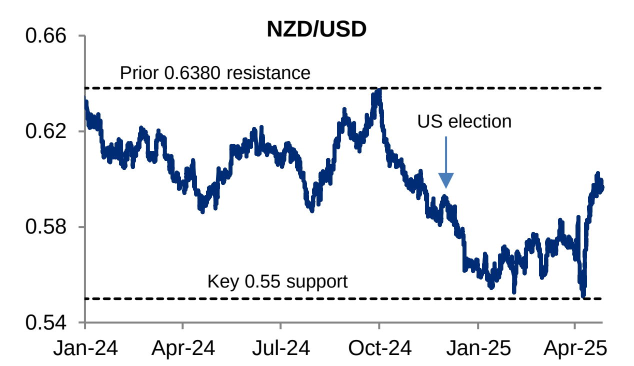
The sharp recovery in the NZD only takes it back to pre-US election levels. In our new forecasts we will need to factor in a more decisive end to US growth exceptionalism and likely significant asset allocation out of US assets over the year ahead. The USD remains significantly over-valued against long-term valuation metrics and the currency potentially has a long way to fall.

For now, we might consider 0.58 as a short-term support level and last week's high near 0.6030 as a resistance level. Despite our more optimistic view on the NZD/USD outlook, there is also the case to consider that currencies don't necessarily move in straight lines and a period of consolidation might be in order. Much will depend on what new developments the White House throws at the market.

The economic calendar in the week ahead is heavy. Domestically, there will be some interest in the ANZ business outlook survey. Key global releases include Australia CPI, China PMIs, Euro area GDP and CPI. In the US, there is the JOLTs report, ISM manufacturing, PCE deflators, employment cost index, consumer confidence and the employment report at the end of the week. The BoJ meets and, given the recent market turmoil, it is likely to keep policy on hold, even if it might have been tempted to tighten again if not for the disruptions caused by the trade war.

However, economic data will continue to take a backseat to whatever President Trump says this week and the wider macroeconomic implications. It will take some time before economic data convey the implications of the current US policy agenda.

NZD "only" back to pre-US election level



Source: Bloomberg, BNZ

Cross Rates and Recent Ranges

	Current	Last 3-weeks range*
NZD/USD	0.5959	0.5490 - 0.6030
NZD/AUD	0.9319	0.9170 - 0.9390
NZD/GBP	0.4478	0.4300 - 0.4520
NZD/EUR	0.5242	0.5000 - 0.5290
NZD/JPY	85.60	79.80 - 86.10

*Indicative range over last 3 weeks, rounded figures

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Technicals

NZD/USD

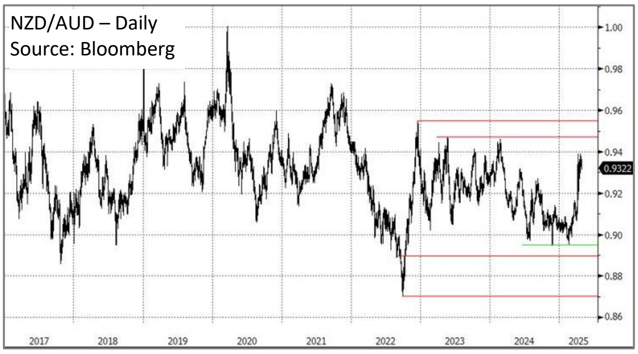
Outlook: Trading range
ST Resistance: 0.6030 (ahead of 0.62)
ST Support: 0.58 (ahead of 0.55)

We'll put short-term resistance at last week's high around 0.6030, ahead of 0.62. The 0.55 mark remains the key support level, but some earlier support might come around 0.58.

NZD/AUD

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

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



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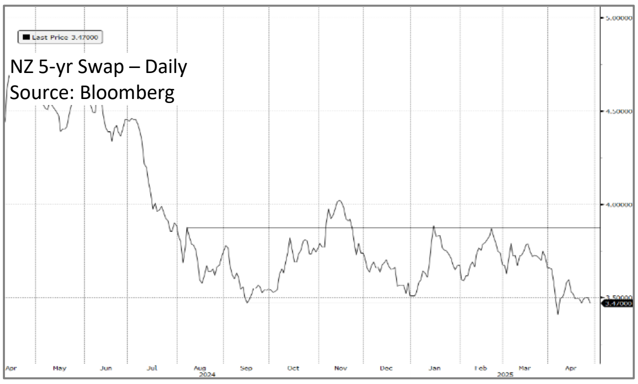
NZ 5-year Swap Rate

Outlook: Receive
ST Resistance: 3.85
ST Support: 3.47

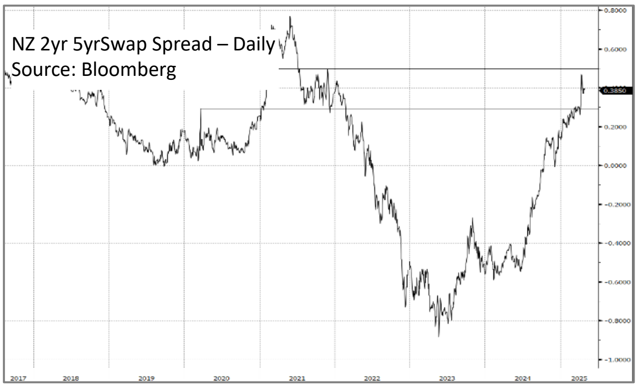
5-year swap looks to be consolidating around short-term support here before the risk of a break lower stay received.



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

Outlook: Neutral
ST Resistance: 0.50
ST Support: 0.30

Curve also looks to be consolidating following a turbulent period of steepening pressure, pay dips towards 0.30.



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Quarterly Forecasts

Forecasts as at 28 April 2025

Key Economic Forecasts

Quarterly % change unless otherwise specified | Forecasts

	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
GDP (production s.a.)	0.7	0.3	0.4	0.6	0.7	0.8	0.7	0.6	0.5	0.5
Retail trade (real s.a.)	0.9	0.4	0.6	1.0	1.2	1.1	0.9	0.8	0.7	0.7
Current account (ann, % GDP)	-6.2	-5.4	-4.6	-4.2	-3.9	-3.8	-3.9	-4.0	-4.1	-4.0
CPI (q/q)	0.5	0.9	0.5	0.8	0.5	0.5	0.2	0.7	0.5	0.4
Employment	-0.1	0.0	0.2	0.4	0.6	0.7	0.7	0.6	0.5	0.5
Unemployment rate %	5.1	5.3	5.5	5.5	5.4	5.2	5.0	4.9	4.9	4.8
Pr. avg hourly earnings (ann %)	4.0	4.5	4.2	3.6	2.9	3.0	3.1	3.2	3.4	3.3
Trading partner GDP (ann %)	3.2	3.1	2.8	2.6	2.4	2.5	2.7	2.8	2.8	2.8
CPI (y/y)	2.2	2.5	2.6	2.7	2.7	2.2	2.0	1.9	1.9	1.9
GDP (production s.a., y/y)	-1.1	-1.2	0.3	1.9	2.0	2.5	2.8	2.8	2.6	2.3

Interest Rates

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

Exchange Rates (End Period)

	USD Forecasts NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD Forecasts NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.60	0.64	1.14	1.33	144	0.60	0.93	0.52	0.45	85.6	69.9
Jun-25	0.58	0.65	1.10	1.29	145	0.58	0.90	0.53	0.45	84.5	68.5
Sep-25	0.59	0.66	1.10	1.30	142	0.59	0.90	0.54	0.46	84.1	69.2
Dec-25	0.60	0.67	1.11	1.30	138	0.60	0.90	0.54	0.46	83.1	69.9
Mar-26	0.60	0.67	1.11	1.30	138	0.60	0.90	0.54	0.46	83.1	69.9
Jun-26	0.64	0.71	1.14	1.32	130	0.64	0.90	0.56	0.49	83.2	72.4
Sep-26	0.65	0.72	1.15	1.33	128	0.65	0.90	0.57	0.49	83.2	73.0
Dec-26	0.66	0.73	1.17	1.34	126	0.66	0.90	0.56	0.49	83.2	73.3
Mar-27	0.67	0.74	1.18	1.36	126	0.67	0.90	0.56	0.49	83.8	73.2
TWI Weights						15.6%	18.4%	9.2%	3.9%	5.5%	

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

Annual Forecasts

Forecasts	March Years					December Years				
as at 28 April 2025	Actuals					Actuals				
	2023	2024	2025	2026	2027	2022	2023	2024	2025	2026
GDP - annual average % change										
Private Consumption	3.4	1.0	0.1	2.1	2.8	4.2	1.0	0.2	1.4	2.9
Government Consumption	2.7	2.0	-0.8	0.6	0.0	5.2	0.8	0.0	0.4	0.2
Total Investment	3.3	-1.1	-4.9	0.4	5.8	4.2	-0.1	-4.6	-1.7	5.6
Stocks - ppts cont'n to growth	0.3	-1.6	0.4	0.6	0.1	0.0	-1.4	0.2	0.5	0.2
GNE	3.7	-0.9	-0.6	2.3	3.1	4.5	-0.8	-0.8	1.5	3.2
Exports	5.6	8.6	3.5	4.6	3.9	-0.8	11.4	4.2	5.4	3.7
Imports	4.4	-1.3	2.9	5.2	4.9	4.6	-0.6	2.4	4.9	5.0
Real Expenditure GDP	3.9	1.4	-0.6	2.0	2.6	3.2	1.9	-0.1	1.2	2.7
GDP (production)	**3.5**	**1.4**	**-1.1**	**1.7**	**2.6**	**2.9**	**1.8**	**-0.5**	**0.8**	**2.7**
GDP - annual % change (q/q)	*3.0*	*1.4*	*-1.2*	*2.5*	*2.3*	*3.1*	*0.9*	*-1.1*	*2.0*	*2.6*
Output Gap (ann avg, % dev)	2.0	1.0	-1.1	-0.8	0.0	1.9	1.2	-0.6	-1.0	-0.1
Nominal Expenditure GDP - $bn	394	418	430	451	473	386	413	427	445	468
Prices and Employment - annual % change										
CPI	6.7	4.0	2.5	2.2	1.9	7.2	4.7	2.2	2.7	1.9
Employment	3.1	1.0	-0.6	1.9	2.3	1.7	2.8	-1.1	1.2	2.5
Unemployment Rate %	3.4	4.4	5.3	5.2	4.8	3.4	4.0	5.1	5.4	4.9
Wages - ave. hr. ord. time earnings (private sector)	8.2	4.8	4.5	3.0	3.3	8.1	6.6	4.0	2.9	3.4
Productivity (ann av %)	1.3	-1.1	-0.3	1.0	0.2	0.7	-1.2	-0.2	0.7	0.3
Unit Labour Costs (ann av %)	5.7	7.1	4.8	2.6	3.1	6.0	7.6	4.9	3.2	2.9
House Prices (stratified, qtr)	-12.8	2.8	-0.6	7.0	5.4	-13.8	0.6	-0.9	6.8	6.1
External Balance										
Current Account - $bn	-33.8	-27.6	-23.3	-17.1	-19.0	-35.6	-28.6	-26.4	-17.2	-19.0
Current Account - % of GDP	-8.6	-6.6	-5.4	-3.8	-4.0	-9.2	-6.9	-6.2	-3.9	-4.1
Government Accounts - June Yr, % of GDP										
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-1.8	-2.1	-3.0	-2.3	-0.9					
Net Core Crown Debt (ex NZS) (Treasury forecasts)	39.3	42.4	45.1	45.1	46.5					
Bond Programme - $bn (Treasury forecasts)	28.0	39.3	40.0	40.0	38.0					
Bond Programme - % of GDP	7.1	9.4	9.3	8.9	8.0					
Financial Variables (1)										
NZD/USD	0.62	0.61	0.57	0.62	0.67	0.63	0.62	0.57	0.60	0.66
USD/JPY	134	150	149	134	126	135	144	154	138	126
EUR/USD	1.07	1.09	1.08	1.12	1.18	1.06	1.09	1.05	1.11	1.17
NZD/AUD	0.93	0.93	0.91	0.90	0.90	0.94	0.93	0.91	0.90	0.90
NZD/GBP	0.51	0.48	0.44	0.47	0.49	0.52	0.49	0.45	0.46	0.49
NZD/EUR	0.58	0.56	0.53	0.55	0.56	0.60	0.57	0.55	0.54	0.56
NZD/YEN	83.0	91.1	85.4	83.1	83.8	85.6	89.5	88.4	83.1	83.2
TWI	71.0	71.2	67.9	71.1	73.2	72.9	72.0	68.5	69.9	73.3
Overnight Cash Rate (end qtr)	4.75	5.50	3.75	2.75	3.50	4.25	5.50	4.25	2.75	3.25
90-day Bank Bill Rate	5.16	5.64	3.60	2.90	4.05	4.55	5.63	4.26	2.90	3.55
5-year Govt Bond	4.40	4.60	4.00	3.65	4.20	4.30	4.50	3.90	3.55	4.20
10-year Govt Bond	4.35	4.60	4.50	4.30	4.40	4.25	4.65	4.45	4.30	4.40
2-year Swap	5.15	4.91	3.35	3.40	4.15	5.21	4.93	3.53	3.15	4.10
5-year Swap	4.50	4.40	3.65	3.65	4.25	4.62	4.43	3.63	3.50	4.25
US 10-year Bonds	3.65	4.20	4.25	4.00	4.00	3.60	4.00	4.40	4.00	4.00
NZ-US 10-year Spread	0.70	0.40	0.25	0.30	0.40	0.65	0.65	0.05	0.30	0.40

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

Source: Statistics NZ, BNZ, RBNZ, NZ Treasury

Key Upcoming Events

All times and dates NZT

		Median	Fcast	Last
	Tuesday 29 April			
EC	ECB's Guindos, Cipollone & Rehn Speak			
NZ	MoF Willis Speaks			
NZ	Filled Jobs SA MoM Mar			0.00%
AU	RBA's Kent Speaks			
NZ	New Residential Lending YoY Mar			19.00%
GE	GfK Consumer Confidence May	-25.7		-24.5
EC	Consumer Confidence Apr F			-16.7
EC	Economic Confidence Apr	94.5		95.2
UK	BOE's Ramsden Speaks			
	Wednesday 30 April			
EC	ECB's Holzmann & Muller Speak			
US	JOLTS Job Openings Mar	7500k		7568k
US	Conf. Board Consumer Conf Apr	87.6		92.9
JN	Retail Sales MoM Mar	-0.80%		0.50%
JN	Industrial Production MoM Mar P	-0.50%		2.30%
NZ	ANZ Business Confidence Apr			57.5
AU	CPI QoQ 1Q	0.80%	0.80%	0.20%
AU	CPI Trimmed Mean QoQ 1Q	0.60%	0.60%	0.50%
AU	CPI YoY 1Q	2.30%	2.20%	2.40%
AU	CPI Trimmed Mean YoY 1Q	2.80%	2.80%	3.20%
CH	Manufacturing PMI Apr	49.8		50.5
CH	Non-manufacturing PMI Apr	50.8		50.8
AU	Private Sector Credit MoM Mar	0.50%	0.50%	0.50%
CH	Caixin China PMI Mfg Apr	49.7		51.2
NZ	Household Credit YoY Mar			3.90%
EC	GDP SA QoQ 1Q A	0.20%		0.20%
	Thursday 1 May			
GE	CPI EU Harmonized MoM Apr P	0.40%		0.40%
NZ	CoreLogic Home Value MoM Apr			0.50%

		Median	Fcast	Last
	Thursday (continued)			
US	ADP Employment Change Apr	124k		155k
US	GDP Annualized QoQ 1Q A	0.40%		2.40%
US	Employment Cost Index 1Q	0.90%		0.90%
US	MNI Chicago PMI Apr	46		47.6
US	Real Personal Spending Mar	0.50%		0.10%
US	Core PCE Price Index MoM Mar	0.10%		0.40%
US	Core PCE Price Index YoY Mar	2.60%		2.80%
US	Pending Home Sales MoM Mar	1.00%		2.00%
AU	CoreLogic Home Value MoM Apr			0.40%
UK	BOE's Lombardelli Speaks			
AU	Trade Balance Mar	A$3050m	A$3000m	A$2968m
JN	BOJ Target Rate 1-may	0.50%		0.50%
	Friday 2 May			
US	Initial Jobless Claims 26-Apr	225k		222k
US	Continuing Claims 19-Apr	1860k		1841k
US	ISM Manufacturing Apr	48		49
US	Construction Spending MoM Mar	0.20%		0.70%
NZ	Building Permits MoM Mar			0.70%
AU	Retail Sales MoM Mar	0.40%	0.20%	0.20%
AU	Retail Sales Ex Inflation QoQ 1Q	0.30%	0.10%	1.00%
EC	CPI Estimate YoY Apr P	2.10%		2.20%
EC	CPI Core YoY Apr P	2.50%		2.40%
EC	Unemployment Rate Mar	6.10%		6.10%
	Saturday 3 May			
US	Change in Nonfarm Payrolls Apr	130k		228k
US	Unemployment Rate Apr	4.20%		4.20%
US	Average Hourly Earnings MoM Apr	0.30%		0.30%
US	Factory Orders Mar	4.50%		0.60%
US	Durable Goods Orders Mar F	9.20%		9.20%

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	3.50	3.50	3.75	5.50
1mth	3.62	3.62	3.70	5.60
2mth	3.54	3.55	3.68	5.62
3mth	3.45	3.48	3.60	5.63
6mth	3.28	3.29	3.49	5.62
GOVERNMENT STOCK				
04/27	3.28	3.27	3.55	4.82
05/30	3.83	3.82	4.01	4.79
05/32	4.20	4.21	4.32	4.89
05/35	4.52	4.53	4.59	5.02
04/37	4.73	4.74	4.78	5.11
05/41	4.97	4.99	5.00	5.22
05/54	5.19	5.21	5.17	5.23
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	66	74	61	52
Europe 5Y	66	72	64	55

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.11	3.13	3.37	5.19
3 years	3.23	3.24	3.46	4.95
4 years	3.36	3.36	3.56	4.83
5 years	3.49	3.50	3.66	4.78
10 years	4.03	4.04	4.10	4.85
FOREIGN EXCHANGE				
NZD/USD	0.5958	0.6001	0.5678	0.5978
NZD/AUD	0.9323	0.9351	0.9090	0.9104
NZD/JPY	85.57	84.52	85.15	93.45
NZD/EUR	0.5242	0.5211	0.5250	0.5576
NZD/GBP	0.4477	0.4485	0.4395	0.4758
NZD/CAD	0.8261	0.8306	0.8169	0.8166
TWI	69.9	70.1	67.7	70.7

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