Markets Outlook

31 March 2025

4% GDP Growth? Really?

- **Businesses optimistic**
- **Consumers not, presenting risk to business expectations**
- **Inflation expectations well behaved**
- **Pricing intentions deviated further from QSBO**
- **Positive employment intentions not seen in jobs**
- **RBNZ to review capital settings**

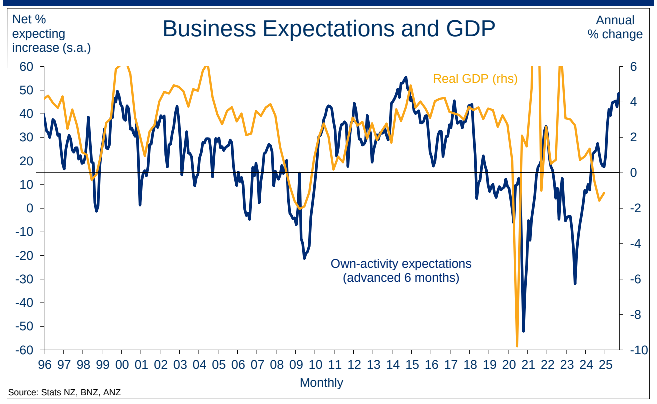
Businesses remain firmly optimistic about the way ahead, according to this afternoon's ANZ business outlook survey. Yes, confidence edged a touch lower in the month but less than it usually does at this time of year and firms' own activity expectations rose to 48.6 from 45.1.

Judging by historical relationships, the strength in activity expectations is consistent with annual economic growth of over 4%. That is well above what folk are forecasting, including the RBNZ. Also, there is little sign of global or domestic economic uncertainty denting business confidence or firm's intentions to invest or employ. It remains to be seen if this stays the case. However, with additional questions added to the survey comparisons to history need to be treated carefully.

Investment intentions were 17.3 in March from 18.1 in February. Employment intentions eased to 15.6 from 17.0. Both marginally lower, but optimistic for growth ahead.

We remain of the view that economic recovery is progressing. At face value, these indicators suggest the pickup may be faster than we, and the RBNZ, currently forecast.

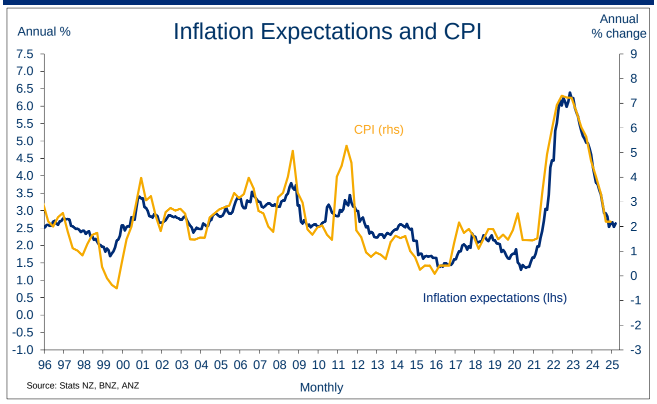
Business expectations elevated



If these sorts of real activity indicators do show up in the official data in due course, they would suggest more inflationary pressure than the Bank is projecting. That remains an 'if' but it needs to be monitored closely as it would have implications for where the Bank thinks it needs to set its cash rate.

Inflation expectations were 2.63% in today's March survey. This is a nudge higher from February's 2.53%, but not quite back to January's 2.67%. Inflation expectations still look well contained and consistent with annual CPI inflation well within the RBNZ's target range.

No worries here

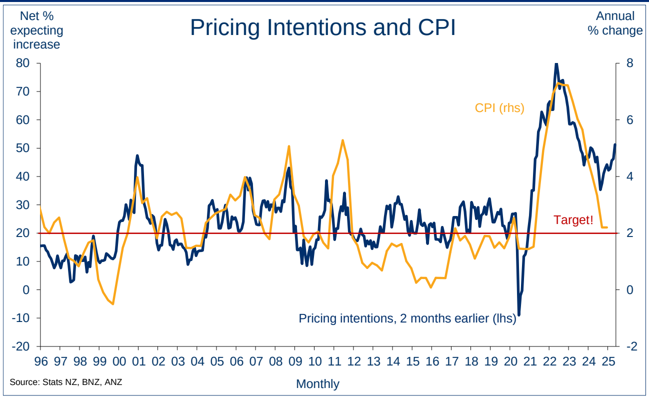


Pricing intentions rose to 51.3 from February's 46.2. We put less weight on this series. It has been elevated for a long time and has been inconsistent with similar measures from other surveys and CPI outcomes themselves. However, the upward direction of travel is disconcerting and will not be welcomed by the RBNZ. Likewise, elevated cost and wage measures.

The pricing intentions outcome put additional focus on the equivalent measures from next week's QSBO. The latter has been much more subdued and a better indicator of recent CPI outcomes.

With regard to the positive real economy expectations, it is important to remember that these indicators represent a net number of firms expecting an increase not a measure of quantum of increase. The positivity may well represent firms saying 'up from recent low levels' rather than expressing expectations of overt strength ahead. Only time will tell.

Upward direction of travel looks worrying



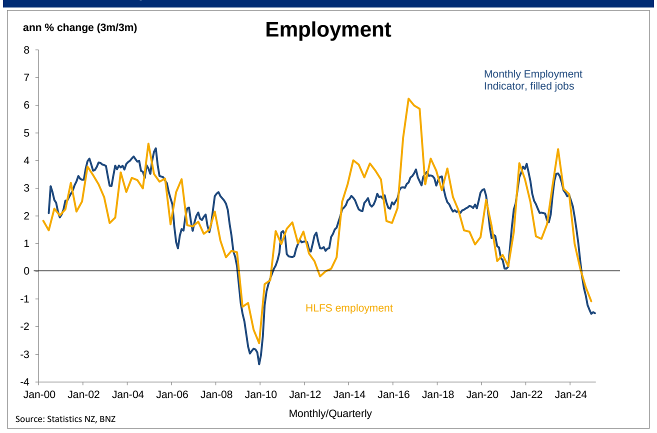
Other recently published high frequency data have been far less gung-ho suggesting there's a risk that firms' expectations for solid demand are not met. We say this with an eye on consumer confidence that has weakened, from already subdued levels.

There are likely a multitude of factors influencing consumer confidence. Elevated prices are likely one factor amid a hint of consumers' inflation expectations edging higher.

A weakening labour market is another factor with people's employment confidence falling in Q1 and last week's filled jobs numbers uninspiring with a flat February and downward revisions to prior months. Those indicators, along with broadly flat job ads, are at odds with many months of firms' positive employment intentions.

Incidentally, the filled jobs numbers give no reason for us to alter our flat pick for Q1 HLFS employment which, with an expanding labour force, would be consistent with the unemployment rate continuing to edge higher. In February, filled jobs were 1.5% lower than a year earlier.

Fewer filled jobs



Whatever the cause of lower consumer confidence it suggests at least some caution on demand expectations is warranted. Particularly in the retail sector.

We have seen new orders in the likes of the PMI and PSI trail the overall indexes. If that persists, and with consumer confidence absent, there is a clear risk there will be flow on detrimental effects to the labour market with disinflationary consequences.

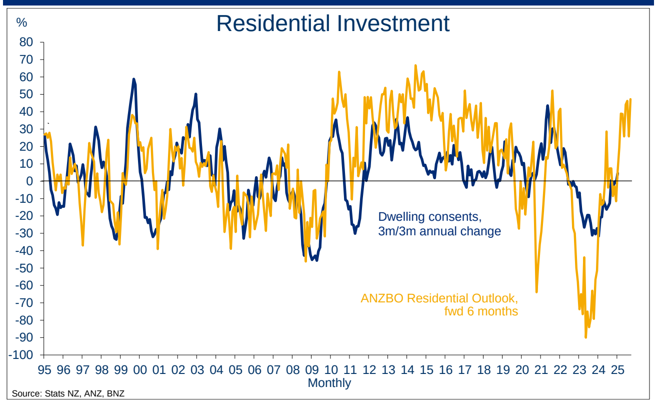
Speaking of disinflation, petrol prices look to have eased back a bit of late. But any solace here needs to be weighed up against the well-signalled hike in retail electricity prices for consumers from tomorrow and the persistent elevation in wholesale electricity prices as hydro lake levels remain well below average.

For those exposed to the latter, it is upward pressure on costs. This may well be reflected in today's business survey which saw a net 74.1% of firms expect higher costs ahead.

In good news for the building sector, a net 47.2% of firms see more residential construction ahead and a net 33.3% more commercial activity.

Firms' positive residential expectations are, nonetheless, off a low base. We are forecasting a lift in building consents this year, but we have seen no sign of a sustained pick up in consents to date. That must happen before construction activity itself improves.

A lift expected from a low base



We remain of the view that the near-term outlook for construction is weak. The cost to build generally looks less appealing relative to purchasing existing property. Demand has been low, and activity has dropped markedly. Real residential construction activity is 13.0% below a year ago. Non-residential is 9.3% down over the same period.

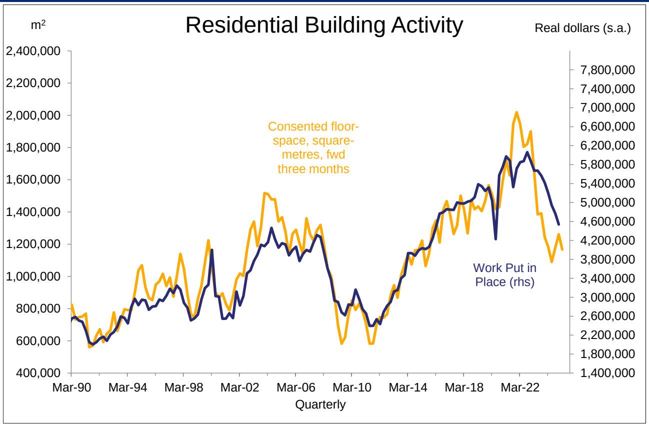
Weakness in the construction sector has fed into the labour market and continues to put downward pressure on inflation.

Filled jobs in the construction sector have fallen an annual 6.6% in the year to February. Construction sector optimism in today's business survey needs to be seen in this context.

Residential building cost inflation was 2.4% in Q4, much lower than the 4.3% a year ago, or the 13.1% in the year before that.

We get February's consent figures on Wednesday. Picking the monthly move is fraught with difficulty, but we expect to see more stabilisation in the running annual number of residential consents. That sort of level of building consents does not suggest any sustained pick up in construction is imminent yet. Indeed, if anything, it suggests building activity may have a bit more downside in the near term.

Near term building activity outlook remains weak



Meanwhile, the RBNZ announced this morning that it is to review key aspects of its bank capital settings. This will include, among other things, a reassessment of the appropriate risk appetite for capital settings in New Zealand.

The review is to take place before the end of the year. This is to allow for any changes to be well signalled ahead of next year's scheduled capital requirement increase. The scheduled increase in capital requirements on 1 July 2025 is to proceed.

If bank capital requirements were to be lessened, with the resulting downward pressure on interest rates, the implicit easing in monetary conditions could result in the OCR not needing to be as low as it otherwise would be, all other things constant.

There continues to be a lot of moving parts regards the outlook for the cash rate. We will publish our preview for next week's OCR Review tomorrow.

Remaining data and events for the week to watch are:

- Tuesday sees a raft of, already signalled, Government changes as part of the regular annual adjustments to benefits to account for inflation. The minimum wage also increases with the adult rate lifting by 1.5%, to $23.50 per hour.
- Wednesday's GDT dairy auction. Indicators show no clear direction overall, on net, although some forecast volume reduction might offer some support to skimmilk powder prices.
- Thursday's Government Financial Statements for the 8 months to February. This will be lined up against the previous month's figures that had the OBEGALx deficit metric running $1,372m smaller than the Treasury's HYEFU forecasts. Even on the prospect of some expense variation unwinding, stronger than expected revenue though to January suggests there may be some continuing underlying positive variance to deficit baselines.
- Thursday's ANZ commodity prices for March. They are expected to show a monthly advance in world prices for NZ's major primary products in the order of 0.8%, with additional support from a lower NZD seeing a lift of around 1.3% in local currency terms. That would see local prices up 25.0% y/y. Stronger commodity prices are a key reason why we think the merchandise terms of trade will push on to a record high this year.
- We will also be keeping an ear out for an appointment of the temporary RBNZ Governor.

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Global Watch

- **Reciprocal tariff announcement due Thursday (NZ time)**
- **US payrolls seen at 138k; unemployment rate steady**
- **ISM manufacturing and services surveys due**
- **RBA decision, no change expected**
- **Euro area CPI data expected to ease slightly**

Week in Review

Last week had every chance of being a lull before the 2 April deadline for the 'reciprocal tariff' announcements, but in the event, there was no escape from tariff developments. President Trump signed a proclamation imposing 25% tariffs on auto imports from 3 April. About 50% of the 16m auto purchases in the US last year were imported. New vehicles are 4.4% of the CPI, with used vehicles another 2.4%.

The negative for growth but positive for prices reality of tariff policy is dominating policymakers' communication. Musalem said he was wary of assuming a full 'look-through' strategy will necessarily be appropriate given the risk of second round effects. His comments are in line with NAB's conclusion that the path the FOMC takes is likely to sit somewhere between a neat 'look-through' scenario and a mechanical response to initial inflation impacts.

In Australia, the Monthly CPI Indicator fell a tenth to 2.4% from 2.5%, while the annual trimmed mean slipped to 2.7% from 2.8%. Our colleagues at NAB continue to think the RBA was a little too cautious on the inflation outlook in February and expect a 0.6% q/q for trimmed mean in the full CPI on 30 April, though the risk does tilt up to a 0.7%, which is the RBA's pick. Earlier in the week, the budget showed little change to underlying cash balance estimates. There was a surprise income tax cut, though it is fairly modest and is described as a 'top-up' to previous cuts. Overall, the fiscal impulse is broadly neutral for 2025-26. An election has been called for 3 May.

Week Ahead

Offshore, all focus is on the US' 'Liberation Day' reciprocal tariffs (April 2). It is still unclear how large tariffs will be and what countries will be impacted. Note the earlier announced auto tariffs take also take effect this week. Post tariff announcement, markets will be looking for a pivot to a pro-growth deregulation/tax cut agenda. Failure to pivot would be a significant headwind. Also out in the US are JOLTS (Tuesday), Payrolls (Friday) and the ISMs (Tuesday and Thursday). Fed Chair Powell rounds up the week (Friday) and will be closely watched given some concerns from Fed officials around inflation expectations.

In Europe, the prelim CPI (Tuesday) dominates and where the consensus expects core CPI to be 2.5% y/y. There is plenty of ECB speak with the ECB hosting an AI Conference (Tuesday) and speakers include President Lagarde and chief economist Lane. EU defence ministers are meeting during the week as are NATO foreign ministers. In the UK, it is very quiet with only the final-PMIs of any note.

In China, the Caixin Manufacturing (Tuesday) and Services (Thursday) PMIs are due. Given the proximity of the US' reciprocal tariffs (April 2), trade and possible retaliation will dominate. Japan also sees the Tankan Survey (Tuesday).

In Australia, the RBA meets (Tuesday) and is widely expected to be on hold, as it waits for more information on inflation and wages growth. The April Board Meeting will also include discussions around financial stability given the FSR (Thursday). There is also plenty of data out with the most important being Retail Sales (Tuesday) and Household Spending (Friday).

Important Events Preview

Monday 31

GE/IT Prelim-CPI (Feb)

US Chicago PMI (Mar)

Tuesday 1

AU RBA (hold) and presser
The RBA is widely expected to keep rates on hold in April as it waits further information on inflation (Q1 CPI April 30) and on wages growth (WPI May 14). Note the next RBA meeting is not until May 19-20.

The recent RBA Minutes noted that when the Board decided to cut rates in February, the observations and judgements they applied were that inflation had come in lower than expected, the Board gave greater weight to potential downside risks, and judged the labour market might not be as tight as previously thought.

NAB continues to be of the view that the RBA will cut rates again in May. The call thereafter is for three further rate cuts taking the cash rate to 3.1% by February 2026. A key risk to that view is that the labour market is tighter than NAB's assessment, or that it potentially re-tightens alongside a pickup in activity.

AU Retail Sales (Feb), Dwelling Prices (Mar)
Also out in Australia is Retail Sales for February and Dwelling Prices for March. NAB's expectation for retail is 0.4% m/m. It is also worth noting that the ABS is phasing out the retail trade publication, with the last publication set for July 2025. As for dwelling prices, of interest will be the extent the rise in Melbourne dwelling prices is sustained.

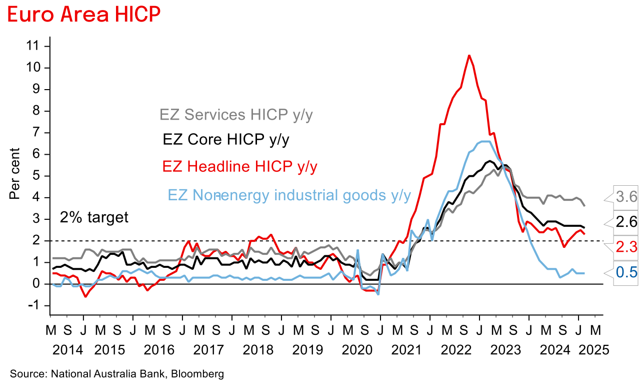
JN Tankan Survey (Q1)

CH Caixin Manufacturing PMI

EZ/UK Final-PMIs (Manufacturing)

EZ Prelim-CPI (Mar), ECB AI Conference

Following preliminary March inflation from France, Spain, Germany and Italy, EZ HICP is expected to see headline inflation ease slightly to 2.2% y/y. Core prices are forecast to ease 1/10th to 2.5%. After remaining stable around 4% for months, services prices last month started what is expected to be a multi-month decline to the high 2's by mid-year. For March, NAB expect a decline in services prices to 3.5% from 3.6%, with risks to the downside.



US Manufacturing ISM (Mar), JOLTS (Feb)

The ISMs will be closely watched to see to what extent uncertainty stemming from Trump's policies are weighing on the business sector. Headline consensus stands at 49.5 from 50.3. Of particular interest will be the new orders and inventory components which have historically been used as good cyclical indicators of the US economy.

Also out are JOLTs for February with all eyes on whether government employment uncertainty and the imposition of tariffs is impacting job openings – consensus is for 7,680k vs. 7,740k previously.

Wednesday 2

AU RBA's Kent, Building Approvals (Feb)

RBA Assistant Governor Kent is speaking on "The RBA's Monetary Policy Implementation System – Some Important Updates". This will be a follow up to his speech of exactly one year ago where he said the RBA planned to transition from the pandemic-era excess reserves system to a new ample-reserves system with full allotment open market operations. NAB anticipate further details around the frequency of OMO operations, the term of funding and possibly the price of the full-allotment operations.

Also out are building approvals which NAB expect will be flat after the sharp 6.3% m/m rise in January.

US 'Liberation Day' (reciprocal tariffs), ADP

President Trump is due to announce reciprocal tariffs. It is still unclear how large tariffs will be and what countries will be impacted. Important will be how trading partners respond – whether there is scope to negotiate lower tariffs, or whether there is tit-for-tat retaliation.

Markets will also be on alert (and expecting) for a post-tariff pivot towards the pro-growth deregulation/tax cut agenda. Such a pivot would help stabilise sentiment which has become fragile as the Administration has to date mostly focused on the trade agenda.

Thursday 3

AU RBA FSR, Trade Balance

The RBA publishes its semi-annual financial stability review. Of interest will be commentary on super funds given the RBA's observation of increased exposure to margin calls (from hedging of foreign asset exposures), which have the potential to amplify shocks. Comments on private credit will also be closely watched given intense focus on the sector.

For the goods trade balance, NAB expect a surplus of $6bn supported by the increased value of gold exports alongside the rise in the gold price. It is worth noting that gold is set to be Australia's second largest export.

CH Caixin Services PMI

EU/US NATO foreign ministers meet

EZ/UK Final-PMIs (Services)

US Services ISM (Mar), Jobless Claims, Trade (Feb)

Consensus sees the Services ISM broadly steady at 53.0 from 53.5 despite US policy uncertainty. Risks as such would appear to be to the downside. Along with new orders and inventories, NAB will be watching closely the prices and supplier delivery indexes, which in prior cycles have proved a good gauge to inflationary pressure and the Fed's reaction to them. Jobless Claims will also continue to be watched closely given the rise in layoff announcements.

Friday 4

AU Household Spending (Feb)

US Payrolls (Mar), Fed Chair Powell

Consensus expects payrolls to rise 138k and for the unemployment rate to be unchanged at 4.1%. Average hourly earnings are expected to tick along at 0.3% m/m.

Fed Chair Powell is also speaking on Friday and will no doubt be asked on reciprocal tariffs and the dataflow over the week. More recently a few Fed officials have become concerned about the rise in inflation expectations.

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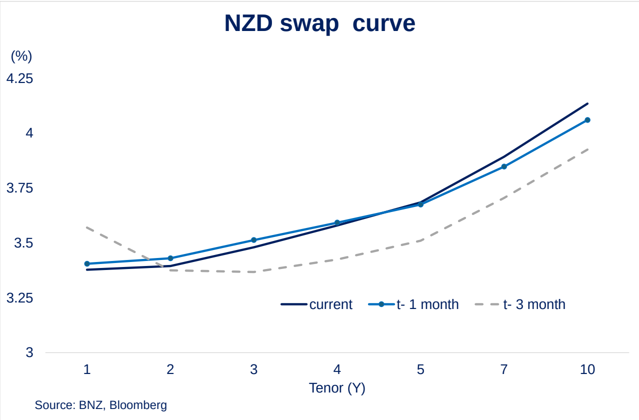
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ swap rates were little changed last week in the absence of first-tier economic data or other catalysts. 2-year rates have been confined to an increasingly narrow range with the bulk of the price action in March playing out between 3.4% - 3.5%. The stability in NZ rates has contrasted with other developed markets, which have seen larger swings in central bank pricing, particularly in the US where terminal Fed funds pricing has traded in a 20bp range over the past two weeks.

NZD swap curve little changed from a month ago



There is limited domestic data to alter the RBNZ outlook in the run up to the Monetary Policy Review on April 9. After ANZ business confidence today, the Quarterly Survey of Business Opinion is the final key data point and is released one day prior to the meeting. The market continues to fully discount a 25bp cut in April and there is a further 20bp of easing priced for the May Monetary Policy Statement.

We think risks for front end rates are to the downside. Global growth is forecast to moderate, and recent domestic data has been lacklustre. NZ consumer confidence is soft, and needs to recover meaningfully, to align with our forecast pickup in household spending. Weak job growth is consistent with the unemployment rate continuing to move higher and toward a 5.5% peak by mid-year.

The escalation in global trade tensions is providing a complex backdrop for central bankers. US growth forecasts have been revised lower concurrently with upward revisions to inflation forecasts. The manufacturing and services ISM surveys this week, will provide further guidance of how much US economic policy uncertainty is impacting activity, after sharp falls in consumer confidence.

President Trump is expected to announce sweeping tariffs on April 2. At this point, global fixed income markets have been more sensitive to downward revisions to growth forecasts. This was illustrated by the rally in US treasuries on Friday, after weak consumption data, despite the unexpected increase in the core PCE deflator.

Outside of the tariff announcements, US labour market data is the main risk event in the week ahead. The RBA is expected to keep rates on hold as it waits further information on inflation. Implied volatility is relatively low, given the event risk, and there may be complacency that tariffs will either be rolled back or negotiated away.

NZ Debt Management (NZDM) have announced the joint lead managers for the syndicated tap of the May-2032 nominal bond. The panel announcement suggests the transaction is likely to launch this week, which will likely see some hedging in the swap market, and potential for curve steepening. NZDM indicated it expects to issue at least NZ$3.0 billion, and the transaction will be capped at NZ$4.0 billion, which is smaller than recent syndications.

NZGB May-2032 ASW stable over the past month

Month end flows, relating to the Bloomberg NZ government bond duration extension, are likely to create a tailwind for the deal. In addition, the relatively small target issuance volume – the previous three syndicated transactions have been NZ$5 billion or larger – should provide support and require limited concession.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.61	3.61 - 3.76
NZ 2yr swap (%)	3.42	3.37 - 3.52
NZ 5yr swap (%)	3.72	3.61 - 3.80
NZ 10yr swap (%)	4.17	4.01 - 4.24
2s10s swap curve (bps)	75	69 - 76
NZ 10yr swap-govt (bps)	-38	-42 - -36
NZ 10yr govt (%)	4.56	4.43 - 4.60
US 10yr govt (%)	4.25	4.10 - 4.40
NZ-US 10yr (bps)	31	16 - 32
NZ-AU 2yr swap (bps)	-24	-36 - -19
NZ-AU 10yr govt (bps)	10	6 - 20
*Indicative range over last 4 weeks		

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week, currency movements were small as the market awaits the forthcoming "Liberation Day" where President Trump outlines his reciprocal tariff policy. NZD/USD fell 0.3% to just below 0.5720 and the NZD was down ½% or less on the key cross rates.

President Trump imposed 25% tariffs on autos and auto parts imported into the US, effective 3 April, with parts compliant with USMCA being tariff-free until a process is worked out how to apply tariffs to their non-US content. The new tariffs add to existing tariffs. New tariffs on lumber, copper and pharmaceuticals are coming but have yet to be announced.

Market reaction to the announcement was limited across major assets, with global auto makers seeing the most reaction but with currency markets little moved. The new tariffs led to threats of retaliation from the EU, Canada, Japan and South Korea, but countries will want to see the details of the upcoming reciprocal tariff announcement, which will be made sometime on Thursday, NZ time.

There has been intense speculation about the make-up of new tariffs and Trump offered some clues last week. Reciprocal tariffs will be on all countries, said Trump, but he added that they will be very lenient, and "people will be pleasantly surprised". This might mean that he doesn't treat VAT or GST as anti-competitive and, if so, NZ won't automatically face an across-the-board 15% tariff. There is also some speculation that the tariffs will mainly be directed towards products from the 15% of countries that the White House deems the worst US trading partners, which account for almost 90% of imports.

In last week's note we suggested the NZD would track sideways until we get more clarity on the reciprocal tariff policy. It looks like the range-trading behaviour will continue until at least Thursday.

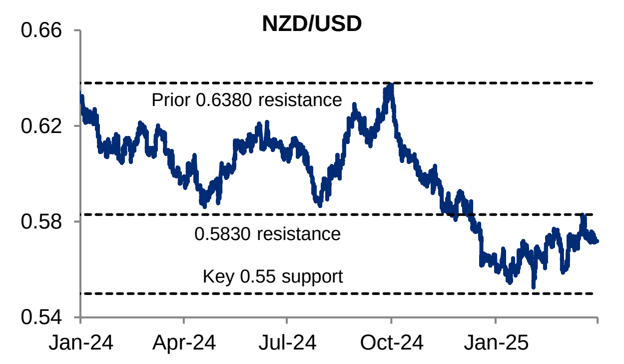
We continue to believe that market reaction to the wide-ranging tariff announcements so far is instructive. The textbook theory that new tariffs should be USD-positive isn't playing out because (i) USD strength in Q4 was a case of the market front-running the new tariffs and (ii) the market is increasingly viewing US tariffs as an "own-goal" for the US economy, reducing future US growth potential over coming years, stifling consumption and investment and thereby a headwind for the USD. There is also increasing market speculation that Trump's policy agenda will encourage reserve diversification away from the USD and that the USD will see its safe-haven characteristics fade.

Let's see what this week's announcement brings, but as we've previously noted, our one-cent upgrade to our NZD target for Q2 to 0.58 earlier this month was a nod to receding downside risk potential for the NZD over the coming quarter and at the time we noted we were becoming more comfortable in our projection for the NZD/USD exchange rate to recover in the second half. Crucially, so far there is no inclination for the PBoC to use a weaker yuan as a weapon against a rising tariff impost on China.

On the economic calendar this week, the US employment report on Friday night is the key release. Fed speakers last week conveyed the same uncertainty that Chair Powell expressed at the last FOMC meeting. They seemed comfortable in their views of policy remaining unchanged during the current period of uncertainty, while noting the upside risk to inflation from tariffs.

US PMI manufacturing and services data and the JOLTS report on the labour market are also released. Elsewhere, China PMI and euro area CPI data are released. The RBA meets tomorrow, with little chance of another easing, with the May meeting seen to be the first live one for a second rate cut this cycle.

Stuck in a range after Q4 plunge



Source: Bloomberg, BNZ

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5718	0.5680 - 0.5830
NZD/AUD	0.9089	0.9060 - 0.9160
NZD/GBP	0.4421	0.4400 - 0.4490
NZD/EUR	0.5284	0.5220 - 0.5340
NZD/JPY	85.60	83.30 - 87.40

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	model suspended	
NZD/AUD	0.8550	6%

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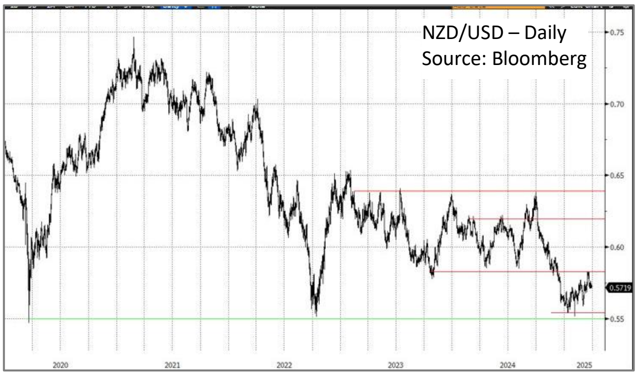
Technicals

NZD/USD

Outlook:	Trading range
ST Resistance:	0.5830 (ahead of 0.60)
ST Support:	0.5540 (ahead of 0.55)

No change, with short-term resistance at 0.5830 and the spot rate trading well above support of 0.5540.



NZD/AUD

Outlook:	Trading range
ST Resistance:	0.92 (ahead of 0.9315)
ST Support:	0.89 (ahead of 0.87)

No change, with the cross rate remaining well entrenched in a trading range.

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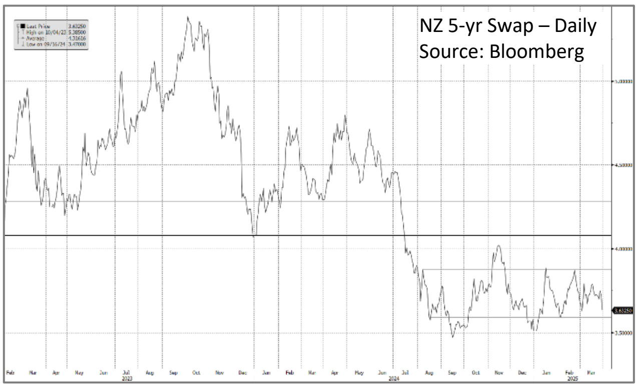
NZ 5-year Swap Rate

Outlook:	Neutral
ST Resistance:	3.90
ST Support:	3.60

5-year swap remains in a tight range for the time being. We continue to watch for a directional break.



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

Outlook:	Neutral
ST Resistance:	0.34
ST Support:	0.20

2x5 swap looks to be flattening towards support.

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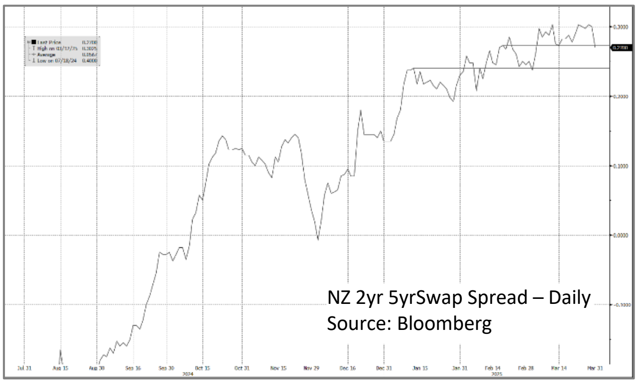

Quarterly Forecasts

Forecasts as at 31 March 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	-4.3	-4.0	-4.0	-4.0	-4.1	-4.1	-4.0
CPI (q/q)	0.5	0.8	0.5	0.8	0.5	0.5	0.2	0.8	0.4	0.5
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	3.0	3.0	2.8	2.6	2.6	2.7	2.8	2.9	2.9
CPI (y/y)	2.2	2.4	2.5	2.7	2.6	2.3	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
Forecasts											
2025	**Mar**	3.75	3.60	4.00	4.50	3.35	3.65	4.05	4.30	4.25	0.25
	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	4.15	4.25	0.20
	Dec	2.75	2.90	3.55	4.30	3.15	3.50	4.10	3.90	4.00	0.30
2026	**Mar**	2.75	2.90	3.65	4.30	3.40	3.65	4.15	3.65	4.00	0.30
	Jun	2.75	2.90	3.90	4.40	3.70	3.90	4.30	3.40	4.00	0.40
	Sep	2.75	3.30	4.10	4.40	3.95	4.15	4.45	3.40	4.00	0.40
	Dec	3.25	3.55	4.20	4.40	4.10	4.25	4.50	3.40	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	0.57	0.63	1.08	1.30	149	0.57	0.91	0.53	0.44	85.2	67.8
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 as at 31 March 2025	March Years					December Years				
	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	2.4	2.3	1.9	7.2	4.7	2.2	2.6	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	2.7	-0.4	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	-18.0	-19.0	-35.6	-28.6	-26.4	-17.9	-19.1
Current Account - % of GDP	-8.6	-6.6	-5.4	-4.0	-4.0	-9.2	-6.9	-6.2	-4.0	-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	148	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	84.7	83.1	83.8	85.6	89.5	88.4	83.1	83.2
TWI	71.0	71.2	67.7	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
	Monday 31 March			
EC	ECB's Panetta & Villeroy Speak			
	Tuesday 01 April			
GE	CPI YoY Mar P	2.20%		2.30%
AU	CoreLogic Home Value MoM Mar			0.30%
US	MNI Chicago PMI Mar	45		45.5
AU	S&P Global Australia PMI Mfg Mar F			52.6
JN	Jobless Rate Feb	2.50%		2.50%
JN	Tankan Large Mfg Index 1Q	12		14
AU	Retail Sales MoM Feb	0.30%	0.40%	0.30%
CH	Caixin China PMI Mfg Mar	50.6		50.8
AU	RBA Cash Rate Target 1-Apr	4.10%	4.10%	4.10%
EC	HCOB EZ Manufacturing PMI Mar F	48.7		48.7
UK	BOE's Greene speaks			
EC	ECB's Cipollone Speaks			
UK	S&P Global UK Manuf PMI Mar F	44.6		44.6
EC	CPI Estimate YoY Mar P	2.20%		2.30%
EC	CPI Core YoY Mar P	2.50%		2.60%
EC	Unemployment Rate Feb	6.20%		6.20%
	Wednesday 02 April			
EC	ECB's Lagarde, Lane & Schnabel Speak			
US	Fed's Barkin Speaks			
NZ	Dairy GDT Auction			
US	S&P Global US Manuf PMI Mar F	49.8		49.8
US	Construction Spending MoM Feb	0.30%		-0.20%
US	JOLTS Job Openings Feb	7680k		7740k
US	ISM Manufacturing Mar	49.5		50.3
US	Dallas Fed Services Activity Mar			4.6
NZ	Building Permits MoM Feb			2.60%
AU	RBA's Kent Speaks			

		Median	Fcast	Last
AU	Building Approvals MoM Feb	-1.50%	0.00%	6.30%
	Thursday 03 April			
NZ	CoreLogic Home Value MoM Mar			0.30%
EC	ECB's Schnabel, Lane & Others Speak			
US	ADP Employment Change Mar	120k		77k
NZ	Govt Accts - 8 Months to February 2025			
CH	Caixin China PMI Services Mar	51.5		51.4
US	Factory Orders Feb	0.50%		1.70%
US	Durable Goods Orders Feb F	0.90%		0.90%
US	Fed's Kugler Speaks			
AU	S&P Global Australia PMI Services Mar F			51.2
NZ	ANZ Commodity Price MoM Mar			3.00%
AU	RBA-Financial Stability Review			
AU	Trade Balance Feb	A$5400m	A$6000m	A$5620m
EC	HCOB Eurozone Services PMI Mar F	50.4		50.4
UK	S&P Global UK Services PMI Mar F	53.2		53.2
	Friday 04 April			
EC	ECB Publishes Account of March 5-6 Meeting			
US	Trade Balance Feb	-$123.4b		-$131.4b
US	Initial Jobless Claims 29-Mar	225k		224k
US	Continuing Claims 22-Mar	1867k		1856k
US	S&P Global US Services PMI Mar F	54.1		54.3
US	ISM Services Index Mar	53.0		53.5
US	Fed's Jefferson & Cook Speak			
JN	Household Spending YoY Feb	-0.80%		0.80%
AU	Household Spending MoM Feb	0.30%	0.40%	0.40%
	Saturday 05 April			
US	Change in Nonfarm Payrolls Mar	138k		151k
US	Unemployment Rate Mar	4.10%		4.10%
US	Average Hourly Earnings MoM Mar	0.30%		0.30%
US	Fed's Powell, Barr & Waller Speak			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	3.75	3.75	3.75	5.50
1mth	3.72	3.76	3.87	5.59
2mth	3.68	3.70	3.77	5.61
3mth	3.61	3.63	3.73	5.64
6mth	3.51	3.51	3.55	5.57
GOVERNMENT STOCK				
04/27	3.58	3.61	3.58	4.42
05/30	4.06	4.07	4.02	4.40
05/32	4.38	4.37	4.28	4.51
05/35	4.65	4.62	4.52	
04/37	4.84	4.82	4.69	4.75
05/41	5.06	5.04	4.89	4.88
05/54	5.23	5.21	5.08	
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	61	57	50	52
Europe 5Y	62	58	53	54

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.40	3.42	3.42	4.80
3 years	3.48	3.52	3.50	4.51
4 years	3.58	3.62	3.59	4.36
5 years	3.69	3.72	3.67	4.30
10 years	4.14	4.16	4.07	4.37
FOREIGN EXCHANGE				
NZD/USD	0.5718	0.5728	0.5617	0.5953
NZD/AUD	0.9093	0.9113	0.9023	0.9173
NZD/JPY	85.65	86.32	83.96	90.28
NZD/EUR	0.5283	0.5303	0.5355	0.5542
NZD/GBP	0.4421	0.4432	0.4422	0.4743
NZD/CAD	0.8180	0.8202	0.8134	0.8079
TWI	68.0	68.1	67.1	70.4

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