

13 November 2024

## More Milk Money

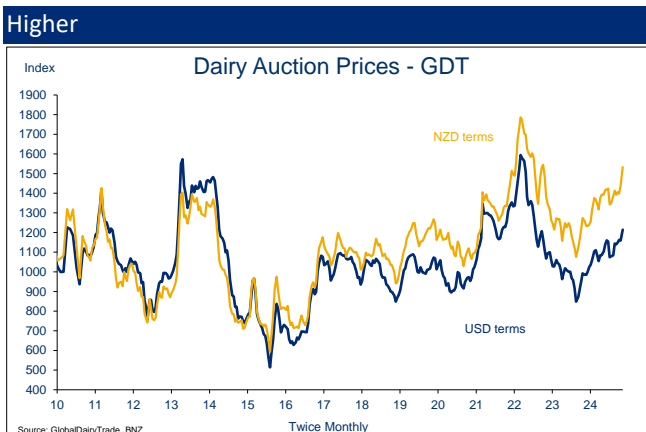
- Dairy season looking stronger and stronger
- Milk price in the mid-to-high \$9's expected
- As global product prices lift, NZD dips
- Higher price and more milk to boost revenue
- On-farm costs remain elevated
- Eyes on US policy, post Trump's election victory

This season's price outlook for dairy farmers has continued to strengthen. The early November GDT auction was buoyant, adding to the recent trend higher, seeing prices 23% higher than a year ago.

Demand at the auction looked strong with the number of unsatisfied bidders above average, as was participation.

We see two broad reasons for recent dairy product price strength:

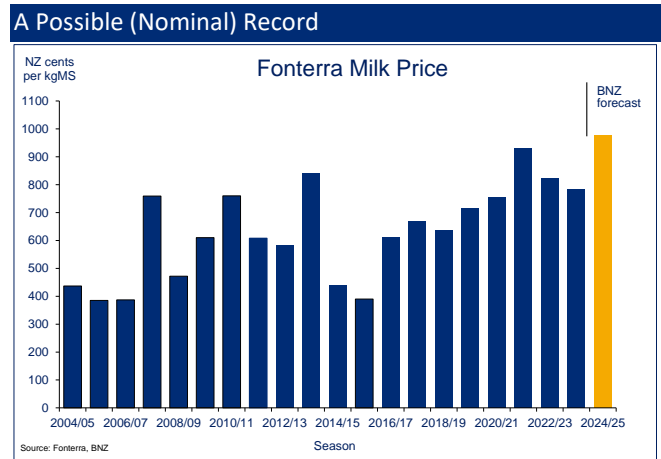
- Constraint supply in major exporting regions, aside from Oceania. This has been ongoing, including disease influence in some key areas.
- Buoyant demand including the potential for some pre-buying ahead of Christmas, Chinese Lunar New Year, and event risk associated with the US election.



Reflecting stronger dairy product export prices, Fonterra has lifted its 2024/25 milk price forecast mid-point to \$9.50 from \$9.00 previously. The co-op cited demand out of China, where 'there are indicators that domestic production is below expectations, and also in Africa, the Middle East and Southeast Asia.' Fonterra's forecast range width was tightened, to \$9.00 to \$10.00, reflecting more contracted sales as the season progresses.

The forecast upgrade makes sense to us, following recent buoyancy in reference product prices. This morning's GDT pulse event saw prices lift further. Meanwhile, the NZD has dipped, and we have revised down our NZD forecast post the US election result, which is also supportive to milk prices in NZ. After previously discussing upside risks to \$9.00, we lift our 2024/25 milk price forecast to \$9.75. This builds in firm product prices near term ahead of some easing before the season is done. A milk price close to \$10 is possible if current product prices remain around current levels for the remainder of the season, whereas a \$9 milk price would be consistent with a material pullback in product prices from current levels. The SGX-NZX futures market currently sits around \$9.70.

It all suggests an increased likelihood that Fonterra's milk price will hit a record this season. The previous high was \$9.30 in 2021/2022.

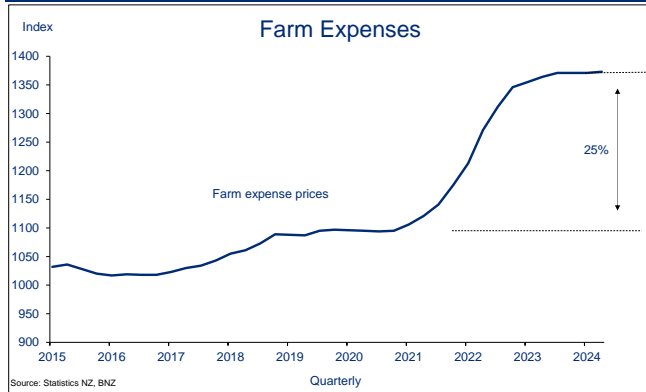


As positive as this is, it is notable that even if a record milk price is achieved this season, it is unlikely to be a record in inflation-adjusted terms. On-farm costs have increased significantly over recent seasons. On our calculations, a nominal milk price of about \$11.50 would be required this season for a record to be achieved in real terms. That looks like a stretch too far, but it is not to deny a decent milk price this season is becoming more and more likely.

At the same time, more milk is also being made. Importantly, in the past, a high milk price has often been associated with weak NZ milk production. Not this year. NZ milk supply has generally had a strong start to the season,

notwithstanding some very challenging conditions in the south. NZ milk production season-to-September is up a strong 6.5%. While that above-last-year performance is likely to slow as the season progresses, full season output is expected to be well up on a year earlier.

### Inflation Has Eased, Costs Haven't



Strong pricing and higher volumes will generate significant revenues for the dairy sector. Our current projections show dairy sector revenue associated with this season's milk to lift by over \$3 billion compared to the previous season. There are likely some holes to fill from a tighter previous season. But more cash gives farmers options. It is good to have them.

Positivity currently prevails, but so do many risks. This includes how the second half of the NZ dairy season pans out and its potential influence on global prices. We are also wary of the possibility that at least some of the current dairy product price strength is associated with buyers lifting inventory levels ahead of potentially significant changes to US tariffs and possible flow on effects. If nothing else, such factors suggest some caution in blindly extrapolating current price strength into subsequent seasons.

More generally, and not just for dairy, there is a lot of focus offshore with significant attention now on the global economic outlook – post Trump winning the US election. At the same time, we should not lose sight of NZ recently signing free trade agreements with the Gulf Cooperation Council (GCC) and the United Arab Emirates (UAE) and their expected positive contribution to NZ trade when they come into force.

### Post US election considerations

On the US policy direction ahead, there are many facets to consider which we have broadly discussed [here](#). We reiterate just a few here.

On trade, Trump has promised aggressive tariff protection of US industry. He is proposing putting significant tariffs on imports across the board from most countries (10% and possibly up to 20%) and tariffs of as much as 60% on imports from China. We have no way of knowing the

timing of such actions (beyond at least 20 January 2025 when Trump is inaugurated) nor whether the introduction will be staged or in one hit. Moreover, there is a chance such tariff changes might adversely impact corporate profitability resulting in a much-moderated tariff policy. Nonetheless some sort of protectionism is a given and this will be negative for global growth as some of the benefits of globalisation unwind.

The United States currently takes around 12.8% of New Zealand's total goods exports summing to around \$8.8b over the last twelve months. Tariffs on NZ exports into the US would be problematic particularly for meat (mainly beef, but also sheepmeat), wine, and segments of dairy such as casein. What we do know, as confirmed by Foreign Affairs Minister, Winston Peters, is that New Zealand will be doing its very best to constrain any tariffs thrown our way by highlighting the longstanding relationships that we have as an ally of the US.

Probably of greater concern than the direct impact of tariffs are the indirect impacts. To the extent that other countries start imposing trade barriers in response this will be a burden on a small open economy such as ours. Moreover, the associated reduction in global growth will hurt us especially if our major trading partner, China, suffers disproportionately as would appear to be likely.

Note that, in the short term, stockpiling ahead of tariff implementation might distort economic data. It is difficult to be sure but, as we noted above, we wonder how much of this has already been occurring as the prospect of a Trump victory has been factored in. To the extent that this has driven some prices higher, and may do so further in the near term, it would raise the chance of some unwind. If true, it would serve as a caution to over-extending any near-term price strength.

On inflation and financial markets, the mix of increased US fiscal stimulus and tariffs is unequivocally inflationary. Financial markets have already reacted to this by lowering expectations for future Fed easing. Initially, US bond rates rose aggressively but much of this has since been unwound. Nonetheless, our view is that the policy mix espoused will add upward pressure to longer term rates.

The US equity market has outperformed as equities like deregulation, tax cuts, and growth.

The USD dollar has risen in conjunction with the above albeit much of the adjustment occurred in the run up to the election rather than on election night. The flip side of this is a lower NZD.

We have touched on some impacts on New Zealand in the above but to sum it up a Trump regime probably means:

- Lower NZ domestic growth, as exports are adversely impacted, and global growth suffers.
- A lower NZD than otherwise would have been the case. We have already revised down our forecasts for

the NZD, post US election, reflecting the likely increase in tariffs and spillover effects on China and global growth. A lower NZD will help cushion some of the impact on NZ primary exporters.

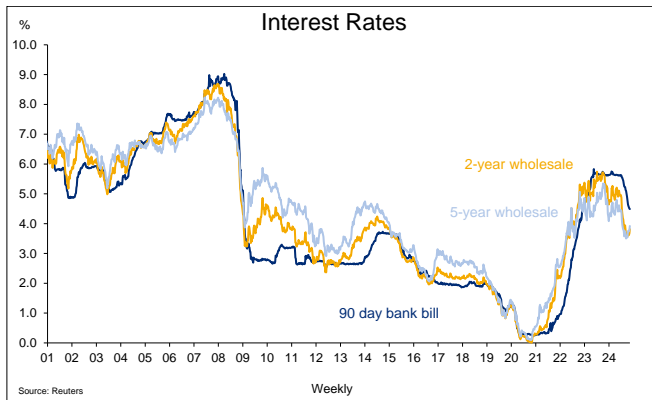
- Higher inflation, in part driven by a lower NZD.
- Higher interest rates that would otherwise have been the case. We will, accordingly, reassess our rate views. However, suffice to say here that we still see the RBNZ part way through an easing cycle and further OCR reductions are expected.

All this is deliberately high level as without knowing the US policy details yet, there is considerable uncertainty around the outlook. And even if the direction of travel is correct, it is quite another thing to assess the magnitude of change, and/or when.

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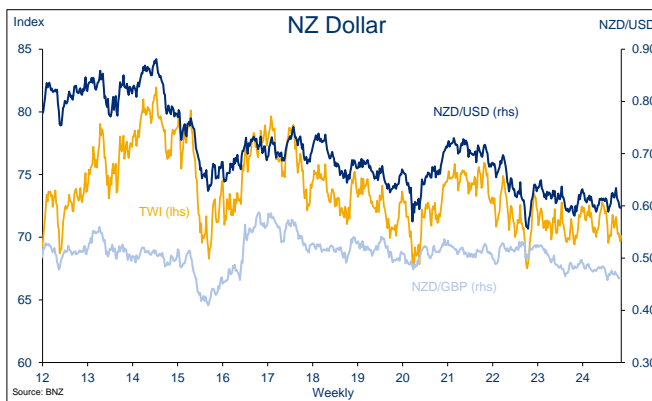
# Key Macro Drivers for Commodity Producers

## Interest Rates



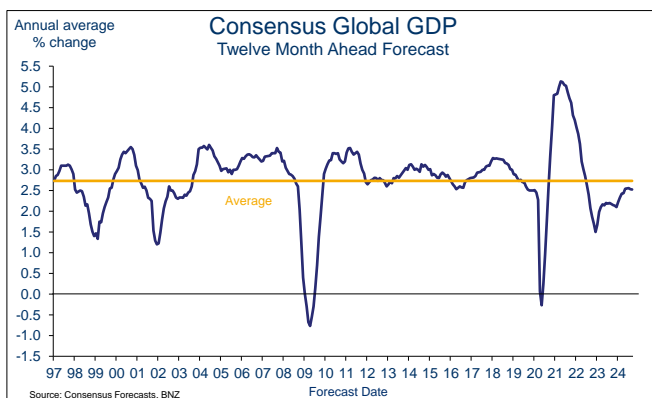
The Reserve Bank of New Zealand cut the cash rate by 50bps to 4.75% at its October Monetary Policy Review. A very weak economy, loosening labour market, and inflation inside the target band suggest a further material reduction in the OCR ahead. In August, the RBNZ published a rate track which implies gradual OCR easing to an eventual low of 3.0%. Our view remains that the Bank will cut the OCR by another 50bps at the November decision and continue reducing the OCR next year. The extent of RBNZ easing already priced by the market will likely limit the downside for fixed rates. Most global central banks including the US Federal Reserve have also started to reduce the degree of restrictive policy and further reduction is priced by markets, albeit less so post the US election.

## Foreign Exchange



Stronger than expected US economic data and rising odds of a Trump victory drove a higher USD in October and early November. This move continued in the wake of Trump's election victory. The prevailing narrative is that under a Trump presidency, policies of higher tariffs and looser fiscal policy via tax cuts will be USD-positive. Since August, the NZD/USD has depreciated around 4.5%. Lower NZ-global interest rate spreads added to NZD downside pressure, contributing to NZD weakness against some other major currencies. Pricing for US interest rates remains a key driver of NZD direction (more so than the prospect of RBNZ rate cuts). Factoring the US election result into our NZD projections, we now project further NZD downside from here (the flipside of a stronger USD view) but restrained by the fact that a Trump victory was already partially priced.

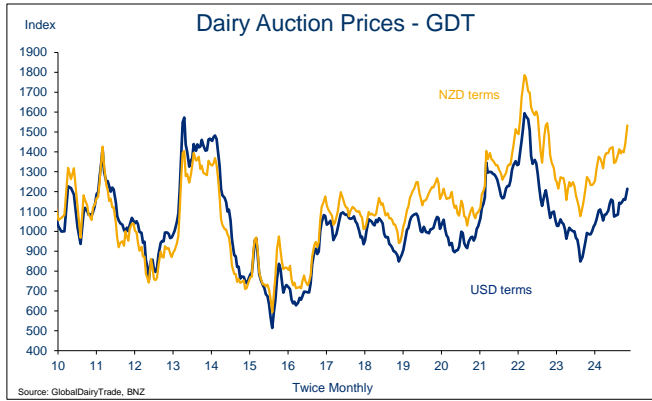
## Global Growth



Global economic growth forecasts are broadly unchanged in recent months. The 12-month ahead forecasts remain close to its long-term average. In October, the IMF noted 'global growth is expected to remain stable yet underwhelming'. In China, recent policy announcements have improved the economic outlook, but the weak housing market and low consumer confidence remain significant headwinds. In the US, economic data has mostly surprised to the upside, suggesting that the economy is performing better than many expected. Lower global inflation and most major central banks reducing policy rates, suggests a generally supportive backdrop for primary product prices ahead. However, heightened geopolitical risks could rapidly alter global economic conditions. And attention will intensify on US President-elect Trump's intention to impose significant tariffs on goods imports into the US and any subsequent response from other countries.

# Key Commodities

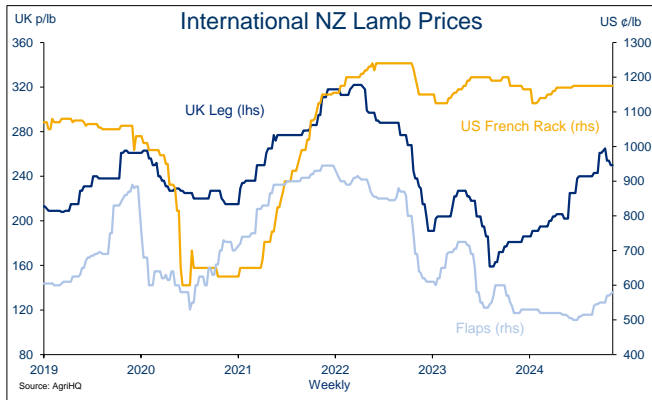
## Dairy



The early-November GDT auction was strong, with another 4.8% gain. Dairy action prices are now 23.3% above year earlier levels. There are two key reasons for the current strength. The first is constrained supply in many major exporting regions, excluding Oceania. The second is potential for pre-buying ahead of Christmas, Chinese Lunar New Year, and event risk associated with the US election. NZ milk supply has generally had a strong start to the season, notwithstanding very challenging conditions in the south. Strong pricing and higher volumes are expected to generate buoyant revenues for the dairy sector this season.

|                             | Current | Month ago | Year ago | Next 12 months |
|-----------------------------|---------|-----------|----------|----------------|
| Whole milk powder (US \$/t) | 3680    | 3570      | 3050     | ➔              |

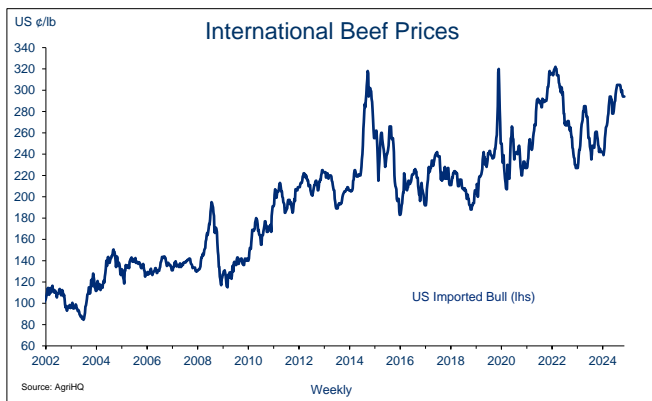
## Lamb



Looking at the bigger picture, while lamb prices have improved over the last 12 months, they remain well below long term norms. The previous downward influence from high slaughter volumes in Australia has eased. Demand from China has looked patchy, while European and North American demand has been robust. Trump's victory in the US election has injected more uncertainty into future international trade flows and pricing. A lower NZD is helpful. Our forecast for the current season's average lamb price is materially higher than last season's average, although still below average on an inflation-adjusted basis.

|                    | Current | Month ago | Year ago | Next 12 months |
|--------------------|---------|-----------|----------|----------------|
| Lamb leg (UK p/lb) | 250     | 265       | 181      | ➔              |

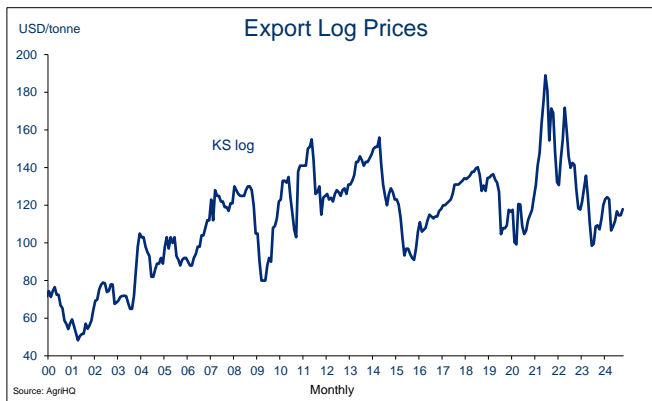
## Beef



International beef prices are around 21% higher than a year ago, supported by reasonable global demand and limited supply. US herd rebuilding continues but has been slow on poor pasture conditions. Export demand for New Zealand product has looked firm, with some improvement reported from China. Demand from the US has appeared solid. In the year to June, the US accounted for around 39% of NZ's total beef exports by value. Trump's victory in the US election has injected more uncertainty into future international trade flows and pricing. Our forecast is for the current season's average beef price to post a decent gain on the prior season average and to be near normal on an inflation-adjusted basis.

|                          | Current | Month ago | Year ago | Next 12 months |
|--------------------------|---------|-----------|----------|----------------|
| Imported bull (US \$/lb) | 294     | 296       | 242      | ⬆              |

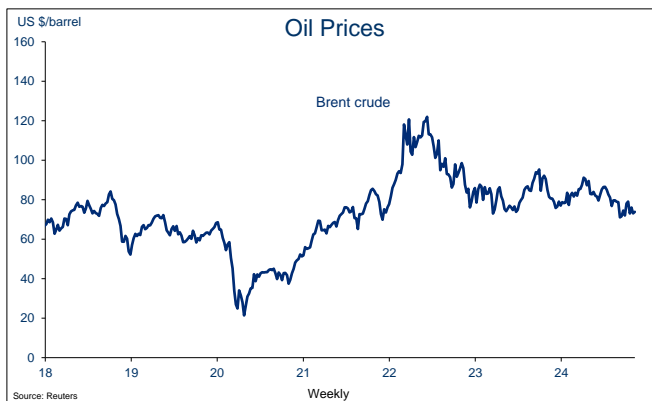
**Forestry**



The weak property market in China remains a headwind for export log prices although there has been some incremental improvement of late. AgriHQ report decreasing port-level inventories in China which, along with currency movements, has been price supportive. But challenges remain and new house prices in China have declined for 16 consecutive months. In New Zealand, domestic demand for sawn timber remains weak, mills have slowed down production, and local prices have been steady. While residential building consents are forming a base, our forecasts are for building activity to contract for a period yet, before gradually recovering during 2025.

|                           | Current | Month ago | Year ago | Next 12 months |
|---------------------------|---------|-----------|----------|----------------|
| S1/S2 log price (NZ \$/t) | 127     | 128       | 126      | ➔              |

**Oil**

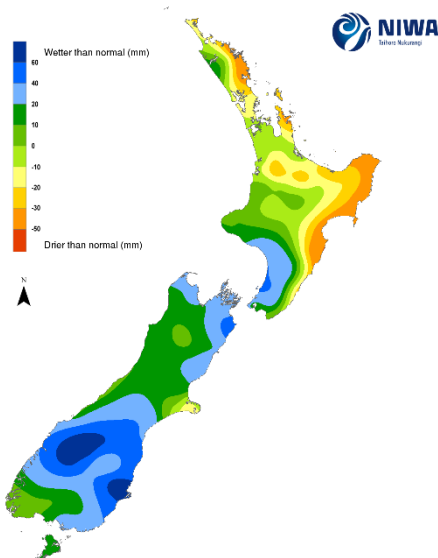


Brent crude oil prices have tended to move around in a broad \$US70 to \$US80/bbl range over recent months. OPEC continue to cut its projections for oil demand through to the end of 2025. OPEC+ subsequently agreed to push back its planned December production increase. Tensions in the Middle East remain elevated, but attacks to date have avoided oil sites. The oil futures curve remains mildly downward sloping. Domestic fuel prices have softened slightly over recent months but would face some upside if the NZD were to continue to push lower.

|                       | Current | Month ago | Year ago | Next 12 months |
|-----------------------|---------|-----------|----------|----------------|
| Brent Crude (US \$/b) | 74      | 79        | 81       | ➔              |

**Weather**

Soil moisture anomaly (mm) at 9am on 11/11/2024



Soil moisture maps are wetter than normal for this time of the year across most of the country, except for the east coast of the North Island. This reflects the heavy rainfall experienced in September and October, particularly in Otago and Southland which impacted production. November – January rainfall is projected to be near normal or below normal for the country at large and suggest more widespread dry conditions than what is typical for La Niña. NIWA currently estimate the probability of La Niña developing by the end of 2024 as 53%. La Niña generally brings more north-easterly winds, which tend to bring a bit more moisture to the north-east of the North Island and less moisture to the south and south-west of the South Island. If La Nina does eventuate, it is likely to be weak and short-lived. Neutral or weak La Niña conditions in previous seasons have tended to be associated with positive primary production, although not uniformly.



# Quarterly Forecasts

Forecasts as at 13 November 2024

## Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

|                              | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| GDP (production s.a.)        | 0.0    | 0.1    | -0.2   | -0.4   | 0.2    | 0.5    | 0.8    | 0.8    | 0.8    | 0.8    |
| Retail trade (real s.a.)     | -1.8   | 0.4    | -1.2   | 0.0    | 0.5    | 0.8    | 1.0    | 1.2    | 1.1    | 0.9    |
| Current account (ytd, % GDP) | -7.1   | -6.7   | -6.7   | -6.7   | -6.5   | -6.1   | -5.7   | -5.4   | -5.1   | -4.8   |
| CPI (q/q)                    | 0.5    | 0.6    | 0.4    | 0.6    | 0.6    | 0.6    | 0.2    | 0.6    | 0.1    | 0.6    |
| Employment                   | 0.3    | -0.4   | 0.2    | -0.5   | -0.2   | 0.2    | 0.5    | 0.6    | 0.7    | 0.7    |
| Unemployment rate %          | 4.0    | 4.4    | 4.6    | 4.8    | 5.2    | 5.3    | 5.5    | 5.4    | 5.3    | 5.3    |
| Avg hourly earnings (ann %)  | 6.6    | 4.8    | 4.0    | 3.2    | 3.4    | 3.9    | 3.6    | 3.0    | 2.9    | 3.0    |
| Trading partner GDP (ann %)  | 3.3    | 3.2    | 3.0    | 2.9    | 2.9    | 2.9    | 3.0    | 3.0    | 3.0    | 3.0    |
| CPI (y/y)                    | 4.7    | 4.0    | 3.3    | 2.2    | 2.3    | 2.3    | 2.1    | 2.1    | 1.6    | 1.6    |
| GDP (production s.a., y/y)   | 0.0    | 0.5    | -0.5   | -0.5   | -0.3   | 0.1    | 1.2    | 2.4    | 3.0    | 3.2    |

## Interest Rates

Historical data - qtr average

Forecast data - end quarter

|                  | Cash | Government Stock     |        |         | Swaps  |        |         | US Rates         |          | Spread<br>NZ-US<br>Ten year |
|------------------|------|----------------------|--------|---------|--------|--------|---------|------------------|----------|-----------------------------|
|                  |      | 90 Day<br>Bank Bills | 5 Year | 10 Year | 2 Year | 5 Year | 10 Year | Libor<br>3 month | US 10 yr |                             |
| <b>2023 Mar</b>  | 4.58 | 4.99                 | 4.27   | 4.26    | 5.11   | 4.51   | 4.40    | 4.90             | 3.65     | 0.61                        |
| <b>Jun</b>       | 5.42 | 5.62                 | 4.23   | 4.27    | 5.19   | 4.44   | 4.30    | 5.40             | 3.60     | 0.68                        |
| <b>Sep</b>       | 5.50 | 5.66                 | 4.87   | 4.87    | 5.54   | 4.90   | 4.75    | 5.65             | 4.15     | 0.73                        |
| <b>Dec</b>       | 5.50 | 5.64                 | 4.90   | 5.07    | 5.28   | 4.85   | 4.90    | 5.65             | 4.45     | 0.64                        |
| <b>2024 Mar</b>  | 5.50 | 5.66                 | 4.44   | 4.68    | 4.92   | 4.40   | 4.45    | 5.60             | 4.15     | 0.53                        |
| <b>Jun</b>       | 5.50 | 5.63                 | 4.56   | 4.74    | 5.01   | 4.53   | 4.60    | 5.60             | 4.45     | 0.30                        |
| <b>Sep</b>       | 5.33 | 5.24                 | 3.96   | 4.33    | 4.01   | 3.79   | 4.05    | 5.25             | 3.95     | 0.37                        |
| <b>Forecasts</b> |      |                      |        |         |        |        |         |                  |          |                             |
| <b>Dec</b>       | 4.25 | 4.25                 | 3.75   | 4.40    | 3.25   | 3.55   | 4.05    | 5.00             | 4.10     | 0.30                        |
| <b>2025 Mar</b>  | 4.00 | 3.75                 | 3.55   | 4.35    | 3.05   | 3.40   | 4.05    | 4.50             | 4.00     | 0.35                        |
| <b>Jun</b>       | 3.50 | 3.25                 | 3.45   | 4.30    | 2.95   | 3.35   | 4.05    | 4.25             | 3.90     | 0.40                        |
| <b>Sep</b>       | 3.00 | 2.90                 | 3.40   | 4.25    | 3.00   | 3.35   | 4.05    | 4.00             | 3.80     | 0.45                        |
| <b>Dec</b>       | 2.75 | 2.90                 | 3.55   | 4.25    | 3.15   | 3.50   | 4.10    | 3.75             | 3.75     | 0.50                        |
| <b>2026 Mar</b>  | 2.75 | 2.90                 | 3.65   | 4.25    | 3.40   | 3.65   | 4.15    | 3.50             | 3.75     | 0.50                        |

## Exchange Rates (End Period)

### USD Forecasts

|                | NZD/USD | AUD/USD | EUR/USD | GBP/USD | USD/JPY |
|----------------|---------|---------|---------|---------|---------|
| <b>Current</b> | 0.59    | 0.65    | 1.06    | 1.27    | 155     |
| <b>Dec-24</b>  | 0.60    | 0.66    | 1.05    | 1.27    | 153     |
| <b>Mar-25</b>  | 0.58    | 0.65    | 1.04    | 1.27    | 155     |
| <b>Jun-25</b>  | 0.57    | 0.64    | 1.05    | 1.27    | 155     |
| <b>Sep-25</b>  | 0.59    | 0.66    | 1.06    | 1.28    | 153     |
| <b>Dec-25</b>  | 0.60    | 0.67    | 1.07    | 1.28    | 150     |
| <b>Mar-26</b>  | 0.62    | 0.69    | 1.08    | 1.29    | 144     |
| <b>Jun-26</b>  | 0.64    | 0.71    | 1.11    | 1.32    | 140     |
| <b>Sep-26</b>  | 0.65    | 0.72    | 1.13    | 1.34    | 135     |

### NZD Forecasts

|                | NZD/USD | NZD/AUD | NZD/EUR | NZD/GBP | NZD/JPY | TWI-17 |
|----------------|---------|---------|---------|---------|---------|--------|
| <b>Current</b> | 0.59    | 0.91    | 0.56    | 0.46    | 91.6    | 69.9   |
| <b>Dec-24</b>  | 0.60    | 0.90    | 0.57    | 0.47    | 91.0    | 70.0   |
| <b>Mar-25</b>  | 0.58    | 0.89    | 0.56    | 0.46    | 89.9    | 69.0   |
| <b>Jun-25</b>  | 0.57    | 0.89    | 0.55    | 0.45    | 88.4    | 68.8   |
| <b>Sep-25</b>  | 0.59    | 0.89    | 0.55    | 0.46    | 89.5    | 69.6   |
| <b>Dec-25</b>  | 0.60    | 0.89    | 0.56    | 0.47    | 89.3    | 70.1   |
| <b>Mar-26</b>  | 0.62    | 0.89    | 0.57    | 0.48    | 88.6    | 71.5   |
| <b>Jun-26</b>  | 0.64    | 0.89    | 0.57    | 0.48    | 88.9    | 72.7   |
| <b>Sep-26</b>  | 0.65    | 0.90    | 0.58    | 0.49    | 87.8    | 73.6   |

### TWI Weights

14.5% 17.7% 9.5% 3.4% 5.6%

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

# Annual Forecasts

| Forecasts<br>as at 13 November 2024            | March Years |            |            |             |            | December Years |            |            |             |            |
|--|-------------|------------|------------|-------------|------------|----------------|------------|------------|-------------|------------|
|  | Actuals     |            |            |             |            | Actuals        |            |            |             |            |
|  | 2022        | 2023       | 2024       | 2025        | 2026       | 2021           | 2022       | 2023       | 2024        | 2025       |
| <b>GDP - annual average % change</b>           |             |            |            |             |            |                |            |            |             |            |
| Private Consumption                            | 6.0         | 2.7        | 0.6        | 0.9         | 2.1        | 7.4            | 3.4        | 0.4        | 0.7         | 1.7        |
| Government Consumption                         | 7.9         | 2.1        | -0.3       | -1.0        | -0.8       | 7.8            | 5.0        | -1.4       | -0.3        | -1.4       |
| Total Investment                               | 10.2        | 2.1        | -2.0       | -2.3        | 2.5        | 12.0           | 3.4        | -1.2       | -3.0        | 0.9        |
| Stocks - ppts cont'n to growth                 | 0.5         | 0.0        | -1.4       | 0.7         | 0.6        | 1.4            | -0.3       | -1.3       | 0.3         | 0.8        |
| GNE  | 7.9         | 2.5        | -1.7       | 0.3         | 2.2        | 10.0           | 3.5        | -1.8       | 0.0         | 1.6        |
| Exports  | 2.5         | 5.6        | 8.6        | 1.7         | 5.3        | -2.7           | -0.8       | 11.4       | 3.6         | 4.3        |
| Imports  | 17.2        | 4.4        | -1.3       | 2.4         | 4.3        | 14.8           | 4.7        | -0.6       | 2.3         | 3.7        |
| Real Expenditure GDP                           | 4.7         | 2.6        | 0.7        | 0.1         | 2.3        | 5.9            | 2.2        | 0.9        | 0.4         | 1.5        |
| <b>GDP (production)</b>                        | <b>4.6</b>  | <b>2.7</b> | <b>0.3</b> | <b>-0.3</b> | <b>2.4</b> | <b>5.6</b>     | <b>2.4</b> | <b>0.7</b> | <b>-0.2</b> | <b>1.7</b> |
| <i>GDP - annual % change (q/q)</i>             | 0.6         | 2.0        | 0.5        | 0.1         | 3.2        | 2.6            | 2.2        | 0.0        | -0.3        | 3.0        |
| Output Gap (ann avg, % dev)                    | 1.4         | 2.0        | 0.1        | -1.3        | -0.8       | 1.6            | 2.1        | 0.5        | -1.0        | -1.1       |
| Nominal Expenditure GDP - \$bn                 | 358         | 388        | 410        | 422         | 443        | 353            | 381        | 405        | 419         | 437        |
| <b>Prices and Employment - annual % change</b> |             |            |            |             |            |                |            |            |             |            |
| CPI  | 6.9         | 6.7        | 4.0        | 2.3         | 1.6        | 5.9            | 7.2        | 4.7        | 2.3         | 1.6        |
| Employment                                     | 2.5         | 3.1        | 1.1        | -0.3        | 2.5        | 3.3            | 1.7        | 2.8        | -0.9        | 2.0        |
| Unemployment Rate %                            | 3.2         | 3.4        | 4.4        | 5.3         | 5.3        | 3.2            | 3.4        | 4.0        | 5.2         | 5.3        |
| Wages - ahote (private sector)                 | 5.3         | 8.2        | 4.8        | 3.9         | 3.0        | 4.1            | 8.1        | 6.6        | 3.4         | 2.9        |
| Productivity (ann av %)                        | 1.7         | 0.5        | -2.2       | 0.3         | 1.0        | 3.6            | 0.2        | -2.4       | 0.0         | 1.1        |
| Unit Labour Costs (ann av %)                   | 4.6         | 6.5        | 8.3        | 3.9         | 2.1        | 2.4            | 6.5        | 8.9        | 4.7         | 2.3        |
| House Prices (stratified, qtr)                 | 9.1         | -12.8      | 2.8        | -0.2        | 7.0        | 22.5           | -13.8      | 0.6        | -0.3        | 6.5        |
| <b>External Balance</b>                        |             |            |            |             |            |                |            |            |             |            |
| Current Account - \$bn                         | -24.5       | -33.8      | -27.6      | -25.8       | -21.3      | -21.3          | -35.6      | -28.6      | -27.2       | -22.2      |
| Current Account - % of GDP                     | -6.8        | -8.7       | -6.7       | -6.1        | -4.8       | -6.0           | -9.4       | -7.1       | -6.5        | -5.1       |
| <b>Government Accounts - June Yr, % of GDP</b> |             |            |            |             |            |                |            |            |             |            |
| OBEGAL (core operating balance)                | -2.7        | -2.4       | -3.1       | -3.1        | -1.9       |                |            |            |             |            |
| Net Core Crown Debt (ex NZS)                   | 35.5        | 39.3       | 42.5       | 43.5        | 43.0       |                |            |            |             |            |
| Bond Programme - \$bn (Treasury forecasts)     | 20.0        | 28.0       | 38.0       | 38.0        | 36.0       |                |            |            |             |            |
| Bond Programme - % of GDP                      | 5.6         | 7.2        | 9.3        | 9.0         | 8.1        |                |            |            |             |            |
| <b>Financial Variables <sup>(1)</sup></b>      |             |            |            |             |            |                |            |            |             |            |
| NZD/USD  | 0.69        | 0.62       | 0.61       | 0.58        | 0.62       | 0.68           | 0.63       | 0.62       | 0.60        | 0.60       |
| USD/JPY  | 119         | 134        | 150        | 155         | 144        | 114            | 135        | 144        | 153         | 150        |
| EUR/USD  | 1.10        | 1.07       | 1.09       | 1.04        | 1.08       | 1.13           | 1.06       | 1.09       | 1.05        | 1.07       |
| NZD/AUD  | 0.93        | 0.93       | 0.93       | 0.89        | 0.89       | 0.95           | 0.94       | 0.93       | 0.90        | 0.89       |
| NZD/GBP  | 0.52        | 0.51       | 0.48       | 0.46        | 0.48       | 0.51           | 0.52       | 0.49       | 0.47        | 0.47       |
| NZD/EUR  | 0.62        | 0.58       | 0.56       | 0.56        | 0.57       | 0.60           | 0.60       | 0.57       | 0.57        | 0.56       |
| NZD/YEN  | 81.5        | 83.0       | 91.1       | 89.9        | 88.6       | 77.4           | 85.6       | 89.5       | 91.0        | 89.3       |
| TWI  | 73.9        | 71.0       | 71.2       | 69.0        | 71.5       | 73.0           | 72.9       | 72.0       | 70.0        | 70.1       |
| Overnight Cash Rate (end qtr)                  | 1.00        | 4.75       | 5.50       | 4.00        | 2.75       | 0.75           | 4.25       | 5.50       | 4.25        | 2.75       |
| 90-day Bank Bill Rate                          | 1.45        | 5.16       | 5.64       | 3.75        | 2.90       | 0.92           | 4.55       | 5.63       | 4.25        | 2.90       |
| 5-year Govt Bond                               | 2.90        | 4.40       | 4.60       | 3.55        | 3.65       | 2.20           | 4.30       | 4.50       | 3.75        | 3.55       |
| 10-year Govt Bond                              | 3.20        | 4.35       | 4.60       | 4.35        | 4.25       | 2.35           | 4.25       | 4.65       | 4.40        | 4.25       |
| 2-year Swap                                    | 3.00        | 5.15       | 4.91       | 3.05        | 3.40       | 2.22           | 5.21       | 4.93       | 3.25        | 3.15       |
| 5-year Swap                                    | 3.20        | 4.50       | 4.40       | 3.40        | 3.65       | 2.56           | 4.62       | 4.43       | 3.55        | 3.50       |
| US 10-year Bonds                               | 2.10        | 3.65       | 4.20       | 4.00        | 3.75       | 1.45           | 3.60       | 4.00       | 4.10        | 3.75       |
| NZ-US 10-year Spread                           | 1.10        | 0.70       | 0.40       | 0.35        | 0.50       | 0.90           | 0.65       | 0.65       | 0.30        | 0.50       |

<sup>(1)</sup> Average for the last month in the quarter

Source: Statistics NZ, BNZ, NZ Treasury



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