

7 June 2022



## So What If Q1 GDP Undershoots RBNZ Expectations?

- Friday's GDP partials to survey our flat-Q1 view
- RBNZ (May MPS) expects +0.7% on Q1 GDP
- May's ECT look likely to consolidate their big April jump
- May export prices down, GDT dairy auction prices up?
- NZ primary sector's emission-control proposal due Wed.
- SEEK data latest affirmation of still-strong jobs market
- Fin Min Robertson testifying on Budget, Wednesday

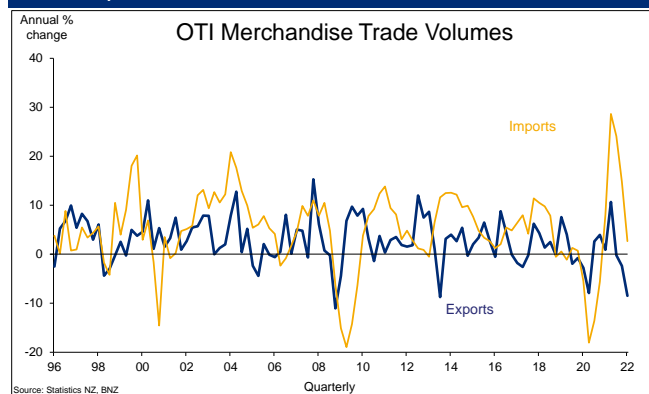
Following yesterday's Queen's Birthday holiday, minds cast out to Friday's plethora of GDP "partials", to see how close to flat Q1 activity might be. May's electronic card transactions will also be watched, along with the ups and downs of this week's commodity export price updates.

Regarding Friday's Q1 GDP partials we expect:

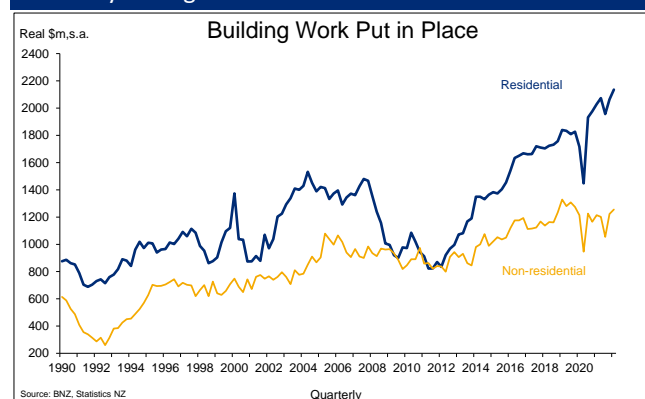
- the manufacturing sales and inventory data to infer a flat picture around output
- wholesale trade to rise approximately 2% in nominal terms (inferring a moderate decline in volume, given the 3.1% increase in wholesale trade prices in Q1)
- mixed results amongst services firms, depending on one's exposure to COVID and its associated restrictions

This is bearing in mind New Zealand was still in the Red traffic-light setting back in the March quarter (only moving to Orange in mid-April). This keeps us alert to negative influences on Q1 GDP. There were certainly drops in that quarter's volume of goods exports and imports, according to last week's International Trade Indexes. In sharp contrast, building activity was reported up 3.2% for Q1, to a record high level.

### Relatively Weak



### Relatively Strong



As things stand, we anticipate – as we have done for a while now – a flat result on Q1 GDP (due for release 16 June). And we still like the chances of a solid bounce in Q2 GDP, in the order of 2.0%.

Curiously, the RBNZ went for a 0.7% increase in Q1 GDP in its May MPS, which, from what we know today, might seem hard to achieve. But the Bank also had a 1.3% increase for Q2 GDP, which might prove a bit light. Overall, this nets out as close to what we anticipate across H1 2022 as a whole.

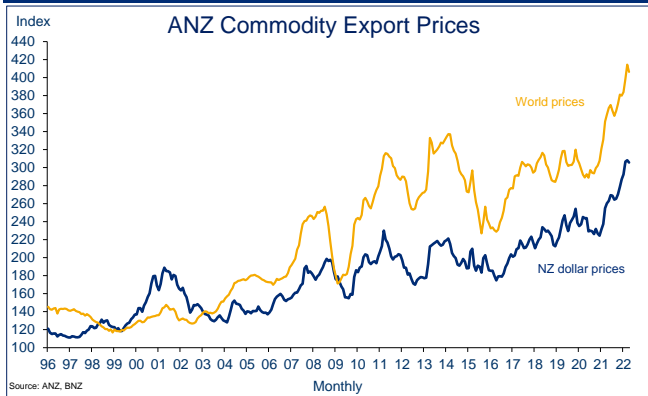
As for the value of May's electronic card transactions, we expect this to broadly consolidate the 7% jump it posted for April – with our formal pick at +1.0%. Anything roughly flat would effectively represent a solid outcome and shape the likelihood of a chunky rebound in retail trade volumes in Q2, following its fall of 0.5% in Q1.

For more clues on how activity is doing in Q2, also note Wednesday's Crown Accounts for April (especially their information on tax receipts, which have been strong in trend) and Thursday's ANZ truck-o-meter for May.

There is also some commodity price news due during the week, to do with NZ exports, which is salient in the context of ongoing global nerves.

For this afternoon's ANZ indices for May we estimate a 5% fall in world price terms, with most components falling – clearly for dairy, but most pronounced for aluminium. The modestly lower NZD through the month will be a partial buffer.

Hitting Limits?



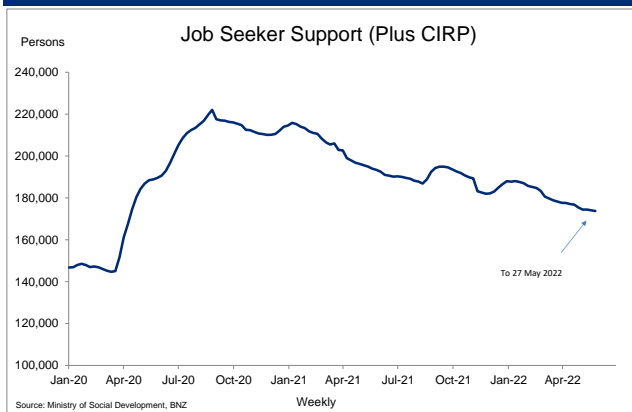
We think it will be the opposite story for Wednesday morning’s dairy auction, for which we anticipate a 4-5% lift in USD-denominated prices. But this is in the context of the NZD (currently) running around 2-3% stronger since the previous auction.

For our more comprehensive view on the NZ primary sector, with a focus on dairy, please see our [Rural Wrap of last Friday](#).

And speaking of the primary sector, note that He Waka Eke Noa – the Primary Sector Action Partnership – is scheduled to release its Recommendations Report Wednesday 9:30am (having already presented these to the Minister of Agriculture and Minister of Climate Change Tuesday last week). The government will then assess whether the recommendations will suffice as a way forth, else the sector will start entering the longstanding Emissions Trading Scheme from 2025.

The labour market is also something we are paying attention to – as it seems to be, importantly, holding the economy together for the meantime, albeit as headwinds gather. For the most part, the signals remain strong (to the point of overheated). Into the heart of Q2, weekly filled-jobs series appear solid, for instance, and numbers on the Jobseeker benefit continue to trend lower.

Still Trending Lower



May’s data from SEEK certainly proved strong, indicating New Zealand’s labour market is still very hard pressed. See [today’s BNZ SEEK report](#)

The 2.5% monthly advance in job ads replicated the solid pulse from April, maintaining annual growth around the 15% mark. Compared to December, ad numbers are up 17% (seasonally adjusted).

It’s clear from the trend measure also, that job advertising has barrelled right the way through Omicron’s disruptive influence, which began early in the year. Whether about businesses wanting to get extra cover because of COVID-induced absenteeism, or just them wanting to better meet customer demand fundamentally, heightened job ads portray exceptionally strong demand for staff at present.

Roaring Through Omicron



Hospitality & Tourism remained one of the leading “go to” industries in May – in many ways now overtaking most other industries in strength and tightness, rather than just playing catch up from suppression early in the year. Yes, with the housing market slowing, we have been keeping a close eye on advertising trends in the property-related industries, like Real Estate & Property, but there is no obvious weakness to report to date.

Today’s SEEK data also highlight the relative abundance of positions wanting/needing to be filled. This is clear from the applications-per-ad measure, which continued to trend lower in May, from already very low levels. This message of extreme tightness was reasonably widespread across regions and industries and is consistent with the official measure of NZ unemployment remaining exceptionally low (after the equal-record low rate of 3.2% it posted for Q1 2022).

Finally, just note that Finance Minister Grant Robertson is scheduled to appear before Parliament’s Finance and Expenditure Committee Wednesday 9:30am, to testify on the Budget. The big question for us is whether the fiscal projections account for enough price (and wage) inflation with respect to the operating, and capital, expenditure aspects of the accounts. If not, the return to surplus will be harder to achieve, raising the risk the bond programme will need to be revised higher.

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## Global Watch

- **ECB seen announcing end of asset buying; set up hikes**
- **US CPI firm, but annual inflation to ease on base effects**
- **China easing restrictions; trade, inflation data due**
- **RBA expected to hike today, market split on how much**

### Australia

The RBA is widely expected to hike today – following up its first rate rise in over a decade last month. The key question is what size will the increase be? NAB has pencilled in a 25bp increase, with the Bloomberg survey showing a distinct lack of consensus; currently at eight for 25bps, eleven for 40bps and three for 50bps.

At its prior May meeting, the RBA surprised with a 25bp hike to 0.35%, most analysts, including NAB, had picked a 15bp rise, while some plumped for 40bp, either option returning the RBA to a round quarter point level of the cash rate target. The May minutes revealed 3 options were considered, a 15bp, 25bp, and 40bp rise.

The Minutes to that meeting revealed that the size of the 25bp rise was chosen to signal *“the Board was now returning to normal operating procedures”* despite the break from the decades-long and international standard practice of quarter point levels for the cash rate target when not constrained near zero.

The Minutes also noted that *“given that the Board meets monthly, it would have the opportunity to review the setting of interest rates again within a relatively short period of time, based on additional information.”*

NAB hasn't seen anything in the data flow since May that is likely to move the RBA from their May assessment.

The April employment data showed the unemployment rate at 3.9%, its lowest since 1974, consistent with a still-tightening labour market. But that wasn't a surprise to the RBA's May forecasts and employment growth was relatively soft.

The Q1 WPI rose 0.7%q/q, in line with the RBA's forecasts, but on the soft side of most market forecasts. That data is backward looking, ongoing acceleration in wages alongside the tighter labour market is expected, and the RBA has emphasised a shift in the wage environment more recently in its business liaison program. The Q1 data wasn't evidence against the outlook for a further pick-up but did nothing to challenge the RBAs assessment of the starting point.

GDP data showed a continuing services consumption recovery (out of Q3 lockdowns) amid a capacity constrained and weather-interrupted investment picture, especially in dwellings, and a strong public demand contribution alongside high health spending and flood

assistance. Overall, nothing to shift the growth expectations over 2022.

The broader labour measures in the data that the RBA has been highlighting painted a mixed picture.

Assistant Governor Ellis said last week that *“the Board has already said there's more from here, but we will be watching the data and the evidence very carefully and working out what the appropriate course of action is”*.

NAB doesn't see anything in the data to push the RBA relative to its May framing, but a case for a larger move can certainly be made given upside risks to inflation.

Front loading the hike cycle by a supersized 40bp hike is a risk, and has the added benefit of cleaning up the level of the cash rate. If the RBA chooses to hike by 40bp (or even 50bp) it won't be due to the data flow relative to May, rather more in terms of the framing of inflation risks and a desire to return to a more normal setting of monetary policy relatively quickly.

Today's decision will be informative in how quickly the RBA wants to get to a more normal setting of policy. A 25bp move would support a 'string of 25bp' moves. In contrast a 40 or 50bp move would indicate a desire to move relatively quickly and perhaps indicate another 50bp move the following meeting.

### China

PMIs over the past week suggest conditions are stabilising and with an easing of Covid restrictions, activity should start to bounce back. China has announced a further easing in Covid restrictions, with public transport to resume in most of Beijing, which will allow most workers to return to the office, while restaurants and cinemas in the city will be allowed to reopen. It remains to be seen whether China can keep Omicron out, with Shanghai reporting three new cases out of quarantine on Sunday. Remaining data this week sees May's Trade Balance released on Thursday with another hefty surplus given constrained imports, and the CPI and PPI are on Friday. Also, Aggregate Financing figures are due anytime from Thursday.

### US

CPI looms large on Friday. The core measure is seen at 0.5% m/m, with base effects seeing the annual rate slowing to 5.9% from 6.2%. Also closely watched will be the alternative core measures such as the trimmed means and medians which have been running at 0.4-0.5% over the past three months and have shown little indication of pressures easing. Fed officials have gone to ground ahead of the FOMC meeting next week. Other data out in the

week include the Trade Balance, Mortgage Applications, and University of Michigan Consumer Sentiment.

#### **UK**

The UK returns from the Queen's Platinum Jubilee celebrations to a quiet week with no top tier data and little scheduled from the BoE ahead of its meeting next week. PM Johnson has won a confidence vote by 211 to 148 to retain leadership.

#### **Eurozone**

The ECB's June meeting on Thursday should see the announcement of a well telegraphed end of asset purchases and set the stage for the first interest rate rise at the following July meeting. Recent communication by ECB officials have looked to 25bp increases at the July and September meetings to exit negative rates by the end of Q3, though with some members preferring to leave the door open to larger 50bp hikes, Lagarde's post-meeting press conference will be closely watched.

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## Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

Global rates have pushed sharply higher over the past week on more extremely high inflation readings, this time in Europe, continued hawkish rhetoric from central bankers and less pessimism around China's economy. The US 10-year rate is around 30bps higher than it was at the start of last week and is back above the 3% mark while the German 10-year rate has made a fresh 8-year high. NZ short-term rates found some stability with terminal OCR pricing of around 4%, but higher global rates have seen longer-term domestic rates push higher.

Global factors took centre stage last week for the rates market amidst a quiet week for domestic news. In Europe, headline inflation surged to a record 8.1% y/y, well above market expectations, fuelling speculation the ECB could raise its policy rate by 50bps at one of the upcoming meetings. The Bank of Canada lifted its cash rate by 50bps, as expected, but the tone of the accompanying statement was unambiguously hawkish, with the Bank warning that it was "prepared to act more forcefully if needed", putting the market on notice for the risk of a 75bps hike in the coming months if inflation surprises to the upside again. In the US, Fed officials, including Vice Chair Brainard, hosed down expectations for a possible pause in the tightening cycle in September, with the debate at this point seemingly whether the Fed hikes by 25bps or 50bps at that meeting. US economic data have been firm enough to support expectations of aggressive Fed rate action, with nonfarm payrolls growth of almost 400k, albeit with some signs of moderation in the monthly pace of average hourly earnings. Easing Covid restrictions in China have also seen less negativity around the Chinese growth outlook and, if the country can keep Omicron out – a big if – this would be good news for the global economy.

This combination of factors has seen the US 10-year rate rebound from around 2.75%, the bottom of the recent range, back above 3% in the space of a week. The US 10-year rate is still within its broader trading range, with 3.20% marking the upper-end, despite the sharp move last week. Likewise, the German 10-year rate is almost 40bps higher in little more than a week, with the market now pricing 36bps for the ECB's July meeting, indicating an almost 50% chance of a 50bps hike.

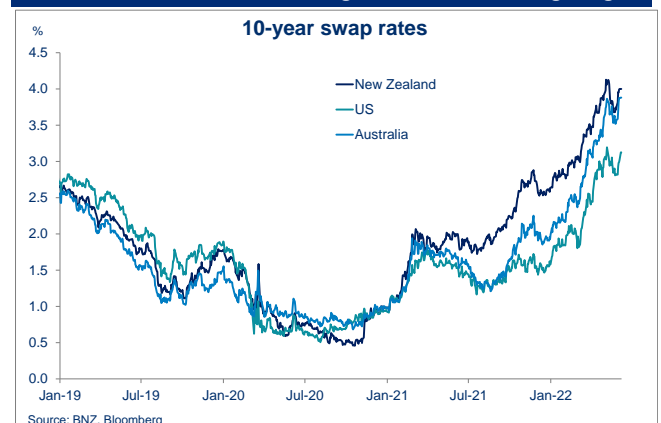
The higher global rates backdrop and some stabilisation in RBNZ OCR expectations have supported a steeper curve in New Zealand. At the short end, the market seems to have consolidated around terminal OCR pricing of around 4%. In the absence of a clear domestic catalyst, and with the market already pricing a high chance of 50bps RBNZ hikes at each of the next three meetings, the short end of the curve shouldn't move too much higher in the near term. There is little on the agenda this week in terms of domestic data. The 2-year swap rate is trading around 3.90%, still below its recent 3.995% peak.

Longer-end rates have been more responsive to global forces, as is usually the case. The NZ 5-year swap rate is around 20bps higher than the Friday night close the week prior and the 10-year rate 25bps higher, the latter hitting the 4% mark for the first time in almost four weeks. Like global rates, NZ rates remain contained to existing trading ranges. The 2y10y swap curve, which inverted in the wake of the RBNZ's hawkish policy update last month, has steepened back to around +12bps.

While there has been a significant repricing in global rates over the past week, we still think rates are likely to remain broadly range bound over the coming months. While inflation is intense and central banks are aggressively raising rates, recession risks next year haven't gone away (albeit the incremental news on China is more encouraging in this regard) and equity markets remain in a downtrend. Lingering recession concerns, or at least growing expectations of a material global growth slowdown, should help cap the upside to longer-term rates in the near term. That said, we're still reluctant to say longer-term rates have peaked just yet, given long-term rates remain relatively low historically and history would suggest the US 10-year rate doesn't tend to peak until late in the cycle.

The key event this week for rates markets is the US CPI release and particularly the core inflation figure. Another upside surprise to core inflation would support the recent rebound in rates while any moderation in monthly core inflation would play to the view that rates are likely to remain range-bound for the time being. At its meeting this week, the ECB should rubber stamp the end to net asset purchases and a rate hike in July, with market interest likely to centre around how forcefully (or not) Lagarde pushes back on the possibility of a 50bps hike at the next meeting. Closer to home, the RBA will raise rates today, with the market roughly split between a 25bps hike and a 40bps move, with the super-tight labour market and well above-target inflation clearly supporting the latter.

Rates rebound last week although still within existing ranges



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# Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

The NZD has spent the last week consolidating around 0.65. It has underperformed other commodity currencies, with falls of over 1% against the AUD and CAD, those currencies supported by strong GDP in Australia and a very hawkish policy update by the Bank of Canada. JPY has been the weakest of the majors against the backdrop of higher global rates, not helped by some very strong euro area inflation data, stronger than expected US activity data and higher risk appetite on further easing in China lockdown restrictions. NZD/JPY is up 3% over the past week.

After rebounding since the mid-May nadir, the NZD has spent the past week or so consolidating, meeting some resistance around 0.6570 and now back around 0.65. The latest CFTC data showed that the more hawkish RBNZ policy update in late-May had little impact on net speculative positioning. Net shorts as a percentage of open interest actually pushed a little higher, taking short positioning to a fresh two-year high. Speculators evidently have a similar view to ourselves, seeing little merit in being long the NZD in the current macro environment. This creates a low hurdle for further recovery in the NZD, although we continue to believe that rallies provide an opportunity to sell, given our view that ultimately the NZD hasn't seen its low for the cycle.

Last week the ANZ business outlook survey painted a bleak picture of the NZ economy, with the own-activity indicator falling further below average to minus 4.7, and other indicators also consistent with a sluggish economy. When combined with the recessionary level of consumer confidence, and the slumping housing market, the signs of an economic recession, or thereabouts, are clearly visible.

This NZ release contrasted with stronger than expected US data, with another strong payrolls print of +390k in May and the ISM manufacturing index showing a lift to 56.1. The ISM services index was slightly weaker than expected, but still at a robust level of 55.9. Australian Q1 GDP came in at a strong 0.8% q/q, while we expect NZ GDP was flat in the same quarter, with the release due next week. Indicators due this week will help firm up that estimate.

Fed vice-Chair Brainard ran the party line of two 50bps increases at the next two meetings in June and July, but pushed back on a pause thereafter, saying "right now it's very hard to see the case for a pause...we've still got a lot of work to do to get inflation down to our 2% target". The strong US data and hawkish Fed commentary supported higher US rates in the past week. Adding to the higher global rates backdrop was very strong German and euro area CPI data.

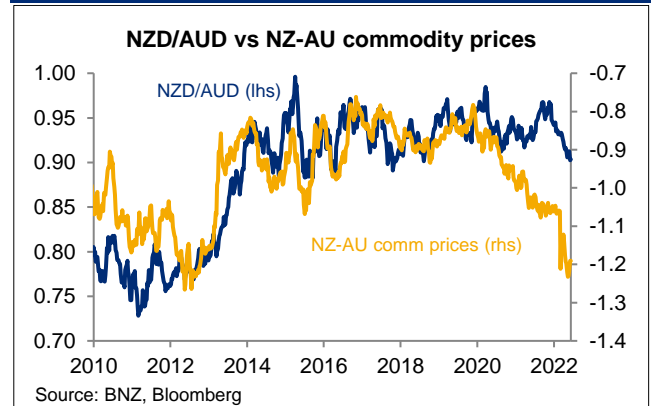
In the week ahead focus turns to policy updates by the RBA (later today) and the ECB (Thursday night). Australian economists are evenly divided by a 25bps hike and a larger

40bps or 50bps hike. Whatever the outcome, the RBA is late to the tightening party and has a lot of work to do on rates. We remain negative on the NZD/AUD cross and suggest that it is only a matter of time before it sustainably falls below 0.90. The RBNZ's much earlier and more aggressive rate hike path puts NZ's economy on a weaker trajectory compared to Australia, while Australia's hard commodities are also outperforming NZ's soft commodities.

ECB policymakers have given clear guidance that the end of QE is near and have been setting the market up for a rate hike cycle beginning July, the debate now whether 25bps or 50bps hikes will be more appropriate. We are neutral on NZD/EUR over the short term but think that the cross can head higher later in the year. Reasons are that the euro area economy looks vulnerable with war on its doorstep, the transition away from Russian oil will be economically costly, and there is the real threat of Russia retaliating by turning off the gas supply to the euro area when it will hurt the most, namely in the run-up to the northern hemisphere winter.

US CPI due at the end of the week is the key global data release. It is expected to remain uncomfortably high, consistent with the Fed raising rates at a 50bps pace for now.

## NZD/AUD expensive in light of relative commodity prices



## Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6491	0.6290 - 0.6580
NZD/AUD	0.9024	0.9010 - 0.9160
NZD/GBP	0.5180	0.5090 - 0.5240
NZD/EUR	0.6069	0.5990 - 0.6110
NZD/JPY	85.60	80.50 - 85.90

\*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models		
	Model Est.	Actual/FV
NZD/USD	0.6760	-4%
NZD/AUD	0.8960	1%

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# Technicals

## NZD/USD

Outlook: Downside risk  
 ST Resistance: 0.6570 (ahead of 0.6800)  
 ST Support: 0.6400 (ahead of 0.6200)

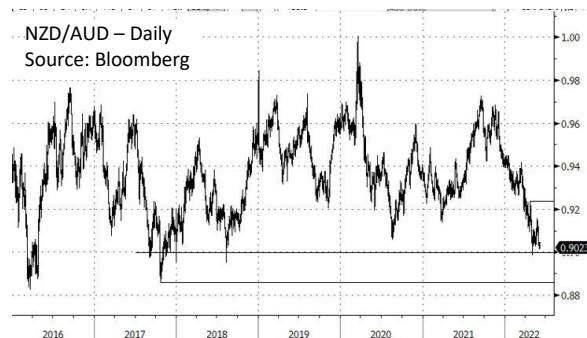
After a sharp bounceback, the NZD has shown some resistance around the 0.6550-0.6570 level while 0.64 is the first level of support.



## NZD/AUD

Outlook: Downside risk  
 ST Resistance: 0.9250 (ahead of 0.9400)  
 ST Support: 0.9000 (ahead of 0.8850)

Support remains at 0.90 after the brief spike in early May below that level, ahead of 0.8850. There are no obvious resistance levels at this juncture but we've pencilled in 0.9250.



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## NZ 5-year Swap Rate

Outlook: Neutral  
 ST Resistance: 4.16  
 ST Support: 3.49

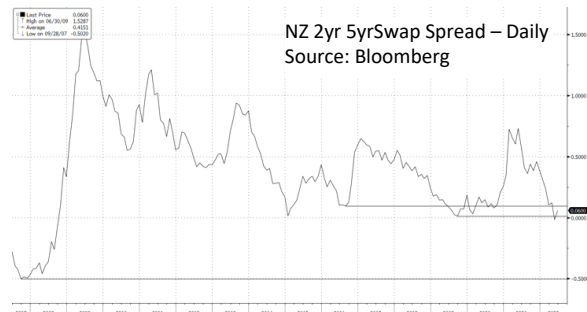
Looks range bound near term but in the middle of the range at present. Stay neutral.



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

Outlook: More negative  
 MT Resistance: 0.10  
 MT Support: -0.50

Break of flat was rejected last week. Put stop at +10.



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# Quarterly Forecasts

Forecasts as at 7 June 2022

## Key Economic Forecasts

Quarterly % change unless otherwise specified

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Forecasts				
						Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
GDP (production s.a.)	-0.3	1.3	2.5	-3.6	3.0	0.0	2.0	1.0	0.4	0.3
Retail trade (real s.a.)	-2.1	2.6	3.0	-8.3	8.3	-0.5	2.0	0.5	0.4	0.2
Current account (ytd, % GDP)	-0.8	-2.5	-3.3	-4.6	-5.8	-6.6	-7.4	-8.0	-8.1	-7.2
CPI (q/q)	0.5	0.8	1.3	2.2	1.4	1.8	1.3	1.6	0.9	1.2
Employment	0.5	0.7	0.9	1.8	0.0	0.1	0.2	0.3	0.3	0.1
Unemployment rate %	4.9	4.6	4.0	3.3	3.2	3.2	3.1	3.1	3.1	3.1
Avg hourly earnings (ann %)	4.6	4.1	4.5	3.6	4.1	5.3	5.7	5.7	5.6	5.1
Trading partner GDP (ann %)	0.8	6.8	9.8	4.2	4.1	3.8	3.4	4.4	3.7	3.8
CPI (y/y)	1.4	1.5	3.3	4.9	5.9	6.9	6.9	6.3	5.7	5.1
GDP (production s.a., y/y)	0.3	3.2	17.9	-0.2	3.1	1.8	1.3	6.1	3.4	3.7

## Interest Rates

Historical data - qtr average

Forecast data - end quarter

	Cash	Government Stock			Swaps			US Rates		Spread
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	Libor	US 10 yr	NZ-US
		Bank Bills						3 month		Ten year
2020 Sep	0.25	0.30	0.25	0.65	0.15	0.25	0.60	0.25	0.65	0.02
Dec	0.25	0.25	0.25	0.70	0.15	0.30	0.75	0.20	0.85	-0.15
2021 Mar	0.25	0.30	0.75	1.40	0.40	0.85	1.50	0.20	1.30	0.09
Jun	0.25	0.35	1.00	1.75	0.55	1.20	1.90	0.15	1.60	0.17
Sep	0.25	0.50	1.35	1.75	1.20	1.60	1.95	0.15	1.30	0.41
Dec	0.65	0.80	2.15	2.40	2.10	2.45	2.60	0.15	1.55	0.87
2022 Mar	0.90	1.25	2.60	2.75	2.65	2.95	3.00	0.50	1.95	0.83
Forecasts										
Jun	2.00	2.60	3.50	3.50	3.75	3.70	3.70	2.05	2.50	1.00
Sep	3.00	3.40	3.50	3.55	3.75	3.70	3.75	2.55	2.75	0.80
Dec	3.50	3.65	3.50	3.60	3.75	3.70	3.80	3.05	3.00	0.60
2023 Mar	3.50	3.65	3.45	3.60	3.65	3.65	3.80	3.30	3.00	0.60
Jun	3.50	3.65	3.40	3.60	3.55	3.60	3.80	3.30	3.00	0.60
Sep	3.50	3.55	3.30	3.55	3.40	3.50	3.75	3.30	3.00	0.55
Dec	3.25	3.30	3.15	3.45	3.20	3.35	3.65	3.30	3.00	0.45

## Exchange Rates (End Period)

### USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.65	0.72	1.07	1.25	132
Jun-22	0.64	0.71	1.06	1.23	128
Sep-22	0.62	0.70	1.02	1.20	125
Dec-22	0.64	0.72	1.01	1.18	122
Mar-23	0.66	0.73	1.02	1.19	120
Jun-23	0.67	0.74	1.05	1.21	118
Sep-23	0.68	0.75	1.07	1.23	116
Dec-23	0.69	0.76	1.10	1.25	114
Mar-24	0.68	0.75	1.13	1.27	112
Jun-24	0.69	0.76	1.15	1.29	110
Sep-24	0.71	0.77	1.18	1.31	108

### NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.65	0.90	0.61	0.52	85.6	72.1
Jun-22	0.64	0.90	0.60	0.52	81.9	71.1
Sep-22	0.62	0.89	0.61	0.52	77.5	69.9
Dec-22	0.64	0.89	0.63	0.54	78.1	71.6
Mar-23	0.66	0.90	0.65	0.56	79.2	73.1
Jun-23	0.67	0.91	0.64	0.55	79.1	73.2
Sep-23	0.68	0.91	0.64	0.55	78.9	73.6
Dec-23	0.69	0.91	0.63	0.55	78.7	73.9
Mar-24	0.68	0.91	0.60	0.54	76.2	72.5
Jun-24	0.69	0.91	0.60	0.54	75.9	72.8
Sep-24	0.71	0.92	0.60	0.54	76.7	74.0

### TWI Weights

13.6% 17.3% 10.1% 3.2% 5.7%

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



# Annual Forecasts

Forecasts as at 7 June 2022	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
<b>GDP - annual average % change</b>										
Private Consumption	2.5	0.4	3.4	3.4	1.4	-1.1	6.2	1.7	2.1	1.4
Government Consumption	5.8	7.5	10.4	4.5	0.9	6.8	10.2	6.8	1.0	0.6
Total Investment	2.6	-4.8	8.7	6.4	-1.1	-7.0	9.6	6.6	-0.1	0.2
Stocks - ppts cont'n to growth	-0.2	-0.2	0.9	-0.5	0.0	-0.8	1.6	-0.3	-0.2	0.0
GNE	2.9	0.4	6.9	3.7	0.7	-1.8	9.4	3.3	1.2	0.9
Exports	0.3	-17.8	3.7	10.5	6.9	-12.7	-3.0	3.4	12.8	3.9
Imports	1.1	-16.1	18.5	9.5	5.4	-16.1	15.7	8.4	7.8	0.9
Real Expenditure GDP	2.7	-0.2	4.0	3.7	0.7	-0.9	5.0	2.6	1.6	1.7
<b>GDP (production)</b>	<b>2.2</b>	<b>-1.4</b>	<b>5.2</b>	<b>3.6</b>	<b>0.7</b>	<b>-2.1</b>	<b>5.6</b>	<b>3.2</b>	<b>1.4</b>	<b>1.7</b>
<i>GDP - annual % change (q/q)</i>	<i>0.4</i>	<i>3.2</i>	<i>1.8</i>	<i>3.7</i>	<i>0.5</i>	<i>0.3</i>	<i>3.1</i>	<i>3.4</i>	<i>0.3</i>	<i>2.6</i>
Output Gap (ann avg, % dev)	1.4	-1.6	1.1	2.3	0.7	-1.8	1.0	2.1	1.2	0.5
Nominal Expenditure GDP - \$bn	324	328	355	381	398	324	350	374	394	414
<b>Prices and Employment - annual % change</b>										
CPI	2.5	1.5	6.9	5.1	1.6	1.4	5.9	5.7	1.8	2.1
Employment	2.6	0.1	2.8	0.9	-0.1	0.6	3.5	0.9	-0.1	1.2
Unemployment Rate %	4.2	4.6	3.2	3.1	4.1	4.9	3.2	3.1	4.0	4.3
Wages - ahote	3.2	4.1	5.3	5.1	3.3	2.6	4.6	4.1	5.6	4.1
Productivity (ann av %)	0.2	-1.9	2.2	2.3	0.5	-3.3	3.4	1.2	1.0	1.2
Unit Labour Costs (ann av %)	2.9	4.6	4.2	2.5	3.8	5.8	2.5	3.7	3.7	1.5
House Prices	7.8	24.1	14.1	-14.2	0.0	17.0	26.4	-13.3	-2.5	3.3
<b>External Balance</b>										
Current Account - \$bn	-7.6	-8.2	-23.5	-27.3	-22.3	-2.7	-20.2	-30.2	-23.5	-19.5
Current Account - % of GDP	-2.3	-2.5	-6.6	-7.2	-5.6	-0.8	-5.8	-8.1	-6.0	-4.7
<b>Government Accounts - June Yr, % of GDP</b>										
OBEGAL (core operating balance)	-7.2	-1.4	-5.2	-1.7	-0.6					
Net Core Crown Debt (excl NZS Fund Assets)	26.2	29.8	36.9	40.8	41.2					
Bond Programme - \$bn (Treasury forecasts)	29.0	45.0	20.0	25.0	25.0					
Bond Programme - % of GDP	9.0	13.7	5.6	6.6	6.3					
<b>Financial Variables <sup>(1)</sup></b>										
NZD/USD	0.60	0.71	0.69	0.66	0.68	0.71	0.68	0.64	0.69	0.69
USD/JPY	108	109	119	120	112	104	114	122	114	114
EUR/USD	1.11	1.19	1.10	1.02	1.13	1.22	1.13	1.01	1.10	1.10
NZD/AUD	0.97	0.93	0.93	0.90	0.91	0.94	0.95	0.89	0.91	0.91
NZD/GBP	0.49	0.51	0.52	0.56	0.54	0.53	0.51	0.54	0.55	0.55
NZD/EUR	0.55	0.60	0.62	0.65	0.60	0.58	0.60	0.63	0.63	0.63
NZD/YEN	65.1	77.5	81.5	79.2	76.2	73.6	77.4	78.1	78.7	78.7
TWI	68.9	74.8	73.9	73.1	72.5	74.3	73.0	71.6	73.9	73.9
Overnight Cash Rate (end qtr)	0.25	0.25	1.00	3.50	3.00	0.25	0.75	3.50	3.25	2.25
90-day Bank Bill Rate	0.71	0.33	1.45	3.65	3.05	0.26	0.92	3.65	3.30	2.30
5-year Govt Bond	0.80	1.00	2.90	3.45	2.95	0.40	2.20	3.50	3.15	2.50
10-year Govt Bond	1.15	1.75	3.20	3.60	3.30	0.90	2.35	3.60	3.45	2.90
2-year Swap	0.65	0.50	3.00	3.65	2.95	0.28	2.22	3.75	3.20	2.35
5-year Swap	0.80	1.15	3.20	3.70	3.15	0.49	2.56	3.70	3.35	2.70
US 10-year Bonds	0.90	1.60	2.10	3.00	3.00	0.90	1.45	3.00	3.00	3.00
NZ-US 10-year Spread	0.25	0.15	1.10	0.60	0.30	0.00	0.90	0.60	0.45	-0.10
<sup>(1)</sup> Average for the last month in the quarter										

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

## Key Upcoming Events

All times and dates NZT

		Median	Fcast	Last			Median	Fcast	Last
<b>Tuesday 7<sup>th</sup> June</b>					<b>Friday 10<sup>th</sup> June</b>				
NZ	ANZ Commodity Price MoM May		-4.80%	-1.90%	NZ	ANZ Truckometer Heavy MoM May			2.30%
AU	RBA Cash Rate Target Jun-07	0.60%	0.60%	0.35%	EC	ECB Deposit Facility Rate	-0.50%	-0.5%	-0.5%
GE	Factory Orders MoM Apr	0.40%		-4.70%	CH	Trade Balance CNY May	400.0b		325.08b
EC	Sentix Investor Confidence Jun	-21.2	--	-22.6	CH	Aggregate Financing CNY May	2000.0 b		910.2b
UK	S&P Global/CIPS UK Services PMI	51.8	--	51.8	<b>Friday 10<sup>th</sup> June</b>				
<b>Wednesday 8<sup>th</sup> June</b>					CH	New Yuan Loans CNY May	1211.5b		645.4b
US	Trade Balance Apr	-\$89.5b		-\$109.8b	US	Initial Jobless Claims Jun-04	207k		200k
NZ	GDT dairy auction, price index			-2.90%	US	Continuing Claims May-28	1303k		1309k
NZ	Finance Min Robertson at Select Committee on Budget				CA	Bank of Canada Releases Financial System Review			
NZ	N.Z. Government 10-Month Financial Statements				NZ	Filled jobs, PAYE-based			
JN	GDP SA QoQ 1Q F	-0.30%		-0.20%	NZ	Mfg Activity Volume QoQ 1Q	--		8.20%
JN	Eco Watchers Survey Outlook SA	51.8	--	50.3	NZ	Card Spending Total MoM May			7.00%
GE	Industrial Production SA MoM Ap	1.20%	--	-3.90%	CH	PPI YoY May	6.50%		8.00%
<b>Thursday 9<sup>th</sup> June</b>					CH	CPI YoY May	2.20%		2.10%
EC	Employment YoY 1Q F	--	--	2.60%	<b>Saturday 11<sup>th</sup> June</b>				
EC	GDP SA QoQ 1Q F	0.30%	--	0.30%	UK	BoE/lpsos Inflation Next 12 Mths Jun			4.30%
US	Wholesale Trade Sales MoM Apr	--	--	1.70%	US	CPI Ex Food and Energy YoY May	5.90%		6.20%
					US	U. of Mich. Sentiment Jun P	58.2	--	58.4

## Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
<b>CASH AND BANK BILLS</b>					<b>SWAP RATES</b>				
Call	2.00	2.00	1.50	0.25	2 years	3.90	3.92	3.83	0.56
1mth	2.03	2.03	1.80	0.27	3 years	3.95	3.94	3.98	0.83
2mth	2.26	2.25	1.98	0.30	4 years	3.96	3.92	4.02	1.06
3mth	2.49	2.47	2.15	0.32	5 years	3.96	3.90	4.03	1.27
6mth	3.01	3.00	2.67	0.33	10 years	4.02	3.96	4.11	1.95
<b>GOVERNMENT STOCK</b>					<b>FOREIGN EXCHANGE</b>				
04/23	2.99	2.98	2.88	0.28	NZD/USD	0.6492	0.6514	0.6290	0.7200
04/25	3.42	3.42	3.52	0.76	NZD/AUD	0.9024	0.9079	0.9065	0.9301
04/27	3.48	3.46	3.63	1.17	NZD/JPY	85.63	83.84	82.06	78.80
04/29	3.56	3.52	3.73	1.54	NZD/EUR	0.6069	0.6069	0.5974	0.5912
05/31	3.63	3.57	3.77	1.80	NZD/GBP	0.5180	0.5169	0.5104	0.5084
04/33	3.77	3.69	3.83	2.02	NZD/CAD	0.8167	0.8239	0.8195	0.8718
04/37	3.96	3.84	3.91	2.35					
05/41	4.08	3.95	3.94	2.65	TWI	72.2	72.3	71.0	74.9
<b>GLOBAL CREDIT INDICES (ITRXX)</b>									
Nth America 5Y	82	80	87	50					
Europe 5Y	88	88	96	49					

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