Research

Markets Outlook

24 June 2024

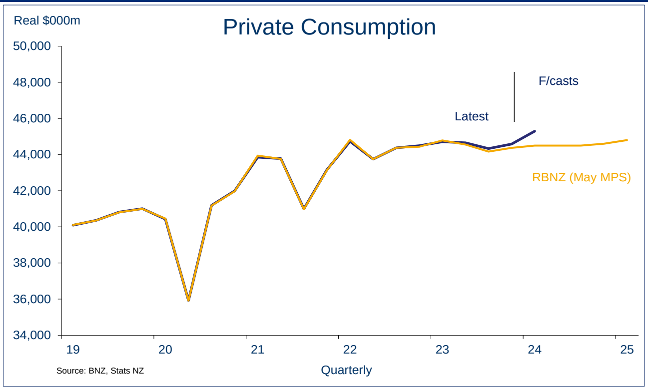
More Slack Ahead

- **Growth weakness confirmed, demand surprises**
- **Lead indicators very weak**
- **Promising more economic slack, less inflation**
- **RBNZ sees risks to inflation forecasts on both sides**
- **Confidence surveys to monitor this week**

Last week's GDP figures were weak. Growth of 0.2% in the quarter did not keep up with population growth. But growth was no different to what the RBNZ expected, so no obvious reason to materially alter the Bank's view of the world or its outlook for the cash rate.

Some of the detail might have raised an eyebrow or two at the central bank. Private consumption was much stronger than the RBNZ expected. This will be of some interest and perhaps give the Bank pause for thought. But the apparent strength in consumption is very difficult to trust given significant seasonal adjustment issues. Other indicators of demand show nothing like that sort of strength and forward-looking indicators have softened.

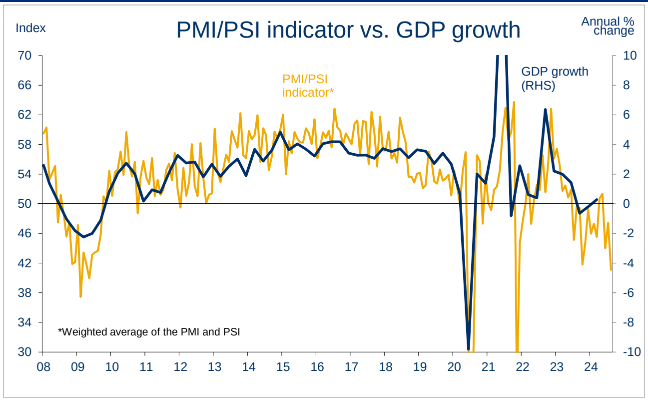
Difficult to reconcile



Importantly, lead indicators for near term growth show rapidly accumulating downside risk to growth. Economic conditions have evolved significantly since Q1. For example, the PMI and PSI combined have deteriorated and were especially weak in May.

If economic growth drops as much as the likes of those indicators suggest, it will result in a much wider output gap than the Bank has projected (assuming the RBNZ does not materially shift its potential growth assumption again). A bigger output gap would promise more downward pressure on medium term inflation than the central bank currently anticipates.

Growth indicators weakening aggressively



That process, of course, would take time. But it might well be a bit quicker these days, with RBNZ Chief Economist Paul Conway's speech and associated research last week highlighting inflation has become more sensitive to spare capacity in the economy.

To the extent that that alters the MPC's thinking on such things (it is not exactly clear how much that will be the case), it increases the chance of a double whammy – a larger than expected output gap along with its expected incremental punch on inflation being bigger than considered before. If that is how it plays out, it has the potential to change views on the outlook for interest rates.

Conversely, so too would signs of inflation being more persistent than expected.

These were essentially the two opposing risks that the RBNZ Chief Economist outlined in a speech last week, saying that there are some reasons to think that 'inflation could fall more quickly than expected over the medium term.' But also saying that there are some reasons to think that "inflation may be more persistent than in our current projections in the near term. In other words, more 'sticky'." So factors to watch on both sides.

We nudged our near-term growth estimates a touch lower last week after the Q1 GDP figures (which were marginally higher than we had pencilled in). Not a major change but sees us adjusting to some of the downside risks we have long discussed. The bigger picture view of the economy bouncing along the bottom remains.

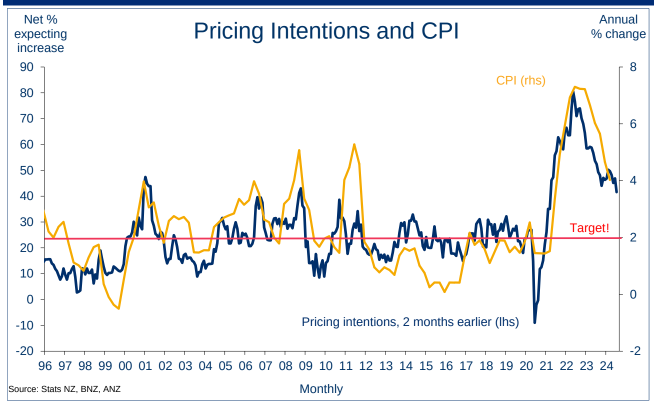
We think downside risks to growth have increased and threaten more downward pressure on inflation over the medium term. We take last week's RBNZ speech as some acknowledgement of this risk, albeit with inflation persistence risk on the other side too.

Given the RBNZ's starting point in the May MPS – discussion of hiking rates and including some chance of a hike in its forward track and no cuts until much later next year – the Bank has a long way to move before entertaining the idea of cutting rates this year. We still have the prospect of a rate cut this year in the risk category, with our base case remaining that rate reduction starts early next year.

It is back to watching the data to assess how the balance of risks are evolving.

Wednesday's ANZ business and consumer confidence surveys will be monitored mostly for their inflation gauges. Business (one year ahead) inflation expectations have been trending lower. June's reading will be lined up against May's 3.59%. Business pricing intentions dipped to 41.9 in May, after a period of stickiness. Further decline is required for them to be at a level consistent with annual CPI inflation below 3%.

Firms' pricing intentions

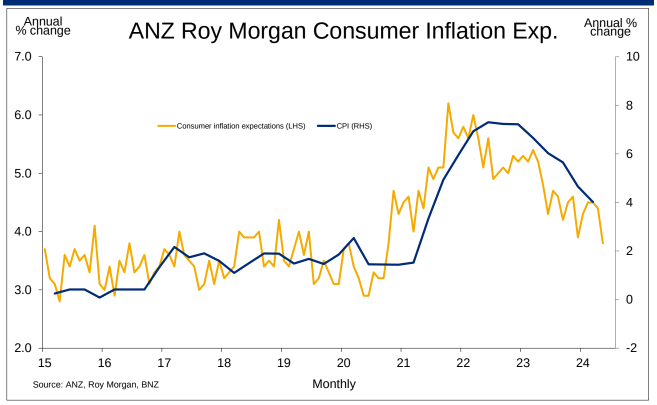


Some interest will also be in the labour market indicators like employment intentions. They fell to -6.9 in May. There is already considerable evidence that the labour market is softening. We expect to see more evidence of this ahead as it tends to lag the economic cycle. Labour market indicators remain critical in a full assessment of economic slack. Next week's QSBO indicators will be important in that regard. But such things as employment intentions give a good feel for how demand for labour is changing.

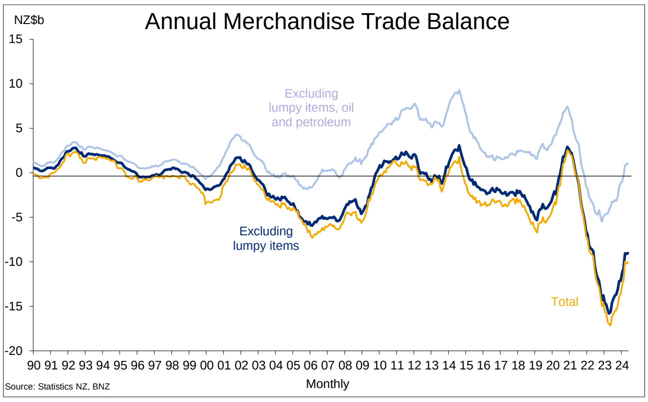
We will also check in on business confidence and real economy indicators to see if there has been any change from generally subdued levels. The likes of firms' own activity expectations would need to lift a bit from May's 11.8 to be consistent with the improvement in growth that we (and the RBNZ) see into year's end. Otherwise, it will add to the sense of downside risk to prevailing views.

Consumer confidence looks set to remain very weak in June's ANZ-RM survey, if last week's Q2 Westpac McDermott Millar reading is any guide. Like in the business survey, inflation expectations will be watched closely. Consumer inflation expectations (two years ahead) can be volatile month to month so we will see what we get on Wednesday. But it is notable that they fell to 3.8% in May, putting them back inside the range prevailing before Covid and at a level that was previously consistent with annual CPI inflation comfortably inside the target band. Consolidation at a level consistent with near 2% annual CPI inflation would be viewed positively by the RBNZ.

Wobbly, but trending lower



The week's data are already underway with this morning's merchandise trade figures for May. Exports were up 2.9% y/y and imports were up 0.6% y/y, generating a monthly trade surplus of $204m. Imports were boosted by a large aircraft in the month. The underlying trend narrowing in the annual trade deficit is continuing, although it has slowed over recent months. It fits with our thinking that the annual current account deficit in Q2 will stick around the 6.8% mark it recorded in last week's figures for Q1.



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Global Watch

- **US core PCE deflator seen at 0.1% m/m**
- **US first presidential election debate in focus**
- **EU member state inflation figures to monitor**
- **Likewise Tokyo CPI watched for national guidance**
- **AU May CPI indicator to inform Q2 estimates**
- **RBA speakers on the circuit**

Week in review

The RBA set the cat amongst the pigeons, with lots of speculation on what the RBA would do should Q2 CPI on 31 July print on the high side. Governor Bullock in the post-RBA presser said the Board did discuss the case for a rate hike at the latest meeting (as it did in May).

Ms Bullock also said hawkish tweaks to the post-Meeting Statement were made to make the point that the Board is alert to the potential upside risks to inflation which stemmed from the monthly CPI indicator being higher than expected and consumption being revised higher.

Q2 CPI is clearly going to be important for the RBA in assessing the risks around their inflation outlook. And should inflation print higher and suggest persistence within services, the RBA is clearly willing to contemplate hiking again, though the bar is still very high.

In addition to the RBZ, three other G10 central banks met. The SNB cut rates again by 25bps to 1.25%. The BoE while holding, once more signalled the prospect of an August cut by noting that it was a "*finely balanced*" decision for some members – markets are 62% priced for August In contrast, Norgesbank pushed out easing expectations to 2025.

In terms of global data flow, US second-tier data is generally printing to the soft side, though it is unclear how this is translating to activity with the Atlanta Fed's Q2 GDP Now estimate still sitting at 3.0% annualised (as of 20 June). Interestingly, European data flow has been surprising to the upside (but not Friday's PMIs).

Chinese activity data failed to inspire, though retail sales did beat the consensus.

Week Ahead in Brief

It is a much quieter global calendar in the week ahead.

In Australia, the May Monthly CPI Indicator on Wednesday is the main data of note, while the RBA's Deputy Governor Hauser speaks on Thursday evening. The May CPI Indicator is not the full CPI and should be looked at with a view to implications for the Q2 CPI on 31 July, ahead of the RBA's August meeting and forecast update. This month, being the second month of the quarter, contains better coverage of a range of services categories that will help guide the RBA assessment of domestic inflation pressure and firm up Q2 CPI forecasts.

NAB has pencilled in 3.6% y/y, vs consensus for 3.8%, from 3.6% in April. The below consensus pick looks to be due to an expected large fall in volatile travel prices in the month. Prices fall seasonally in May, but the magnitude of the measured decline is highly uncertain. For the ex-volatiles and travel number, NAB has pencilled in 3.9% from 4.1%, though the risk sits with a 4.0%.

Staying with Australia, May vacancies (Thursday) should continue to normalise from very elevated levels, RBA Assistant Governor (Financial Markets) Kent speaks at an ABA conference on Wednesday morning, and RBA Deputy Governor Hauser (Thursday evening) will be watched for any clues to just how high the bar is for the RBA to be pushed to hike if the inflation data goes against them.

In the US, it is quiet for most of the week ahead of PCE on Friday. The Fed's preferred core PCE deflator measure is expected to confirm the good news out of May CPI and PPI, with consensus at 0.1% m/m, though the risk on unhelpful rounding skews to a 0.2%. Before then, conference board consumer confidence is on Tuesday, the third estimate of GDP is Wednesday (watch for revisions back towards the initial estimate) and there is plenty of Fed speak as well.

Further north, Canadian CPI on Tuesday will be watched for whether it leaves the door open for a follow up cut from the BoC in July, where markets are currently 60% priced.

A light data calendar for Europe and the UK, with the main data focus there likely to be preliminary June inflation readings from some EU member states, but the EZ figures are not due until 2 July. The Riksbank meets Thursday, expected to be on hold.

Politics remains a focal point with elections in France on 30 June and 7 July, with the UK sandwiched in between on 4 July. As such French opinion polls and policy details have the capacity to move asset prices. US Biden-Trump have their first election debate (Thursday), which could be a defining moment for both campaigns.

In Asia, China's data calendar is reasonably light, with only Industrial Profits on Thursday. The currency will be of interest, with USDCNY having pushed above 7.25 for the first time since November 2023. Japan gets Tokyo CPI on Friday. USDJPY is knocking on the door of 160, something to watch.

Important Events Preview

Monday 24

JN BoJ Minutes (summary of opinion)

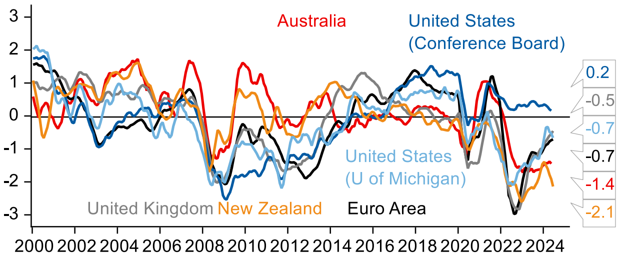
EU German Ifo Business Climate Index

Consensus looks for the German Ifo to be little changed from last month at 89.3.

Tuesday 25

AU Consumer Confidence
Westpac-Melbourne Institute consumer confidence edged slightly lower in the post budget May outcome. While off its trough in late 2022 it remains at notably depressed levels. With the real income backdrop improving and 1 July tax cuts in sight, some lift seems likely over the remainder of this year.

Consumer Confidence by Country
Standard deviations from mean post 1985 (5m moving average)



Source: National Australia Bank, Melbourne Institute of Applied Economic & Social Research, Eurc Commission (DG ECFIN), GfK UK, Conference Board, Westpac New Zealand, University of Michig Macrobond

CA May CPI
Forecasts point to a fall in the headline CPI to 2.6% y/y from 2.7%. Core measures are expected to keep the BoC comfortable the disinflation process remains intact.

US Conference Board Consumer Confidence

Wednesday 26

AU RBA's Kent
Assistant Governor (Financial Markets) Chris Kent is speaking at the ABA Banking Conference in Melbourne. No topic is available. At his last speech, Kent outlined that the Board had endorsed a plan to move to an ample reserves framework with full allotment OMO repo as the RBA's future monetary policy implementation system.

AU May CPI indicator
NAB have pencilled in 3.6% y/y, unchanged from April, and for the ex-volatiles and travel measure to slow to 3.9% from 4.1%. Slower food and takeaway inflation help the underlying measure, while smaller falls in fuel prices than a year ago supports headline and travel adds volatility.

The RBA's comfort tolerating the upside risk inherent in their chosen policy approach is frayed and NAB's preliminary Q2 trimmed mean forecast of 0.9% q/q is a tenth above the RBA's May SoMP forecast. The RBA does not meet until after the full Q2 CPI on 31 July, so the May outcome should be viewed for its implications for the more comprehensive quarterly print. The May outcome has better coverage of a range of services components. That will be the focus for an RBA concerned about persistence in domestic prices pressure despite slower recent growth outcomes.

EZ ECB speak

EZ Bank of Finland's Conference on Monetary Policy on Low & High Inflation Environment (expect ECB speak).

Thursday 27

AU Vacancies

Vacancies fell 6.1% in the three months to February. Other more timely indicators of labour demand including employment intentions from the NAB Business Survey and Job Ads point to further cooling in labour demand even as the labour market remains tight. While vacancies are off their peaks, they remain elevated relative to history for the current level of the unemployment rate.

AU RBA's Hauser
No topic has been published but the speech is to the A50 Australian Economic Forum, in Sydney. There will be interest in any initial reaction to the May CPI Indicator the day before. In focus as markets size up just how reluctant the RBA is to hike will be Hauser framing of the RBA's level of comfort that rates will prove sufficiently restrictive as the headwinds that have been weighing on growth abate through H2 this year.

SW Swedish Riksbank Policy Meeting
The Swedish Riksbank is expected to hold rates steady at its late June policy meeting after delivering a first rate cut in this cycle on 8 May. After that 25bps cut, to 3.75%, the Riksbank said it expected to cut twice more in H2, 2024 and markets see it waiting until later this year, with just 8bps priced for this week. No economists expect an easing then either.

EU Belgium June Preliminary HICP Inflation

US Q1 GDP (third read); Jobless Claims; Durables

US Biden-Trump election debate
President Biden and Trump have their first election debate, which could be defining moments for both campaigns. There is no in-person audience and microphones will be muted except for the candidate whose turn it is to speak (see CNN who is hosting the debate for details).

Friday 28

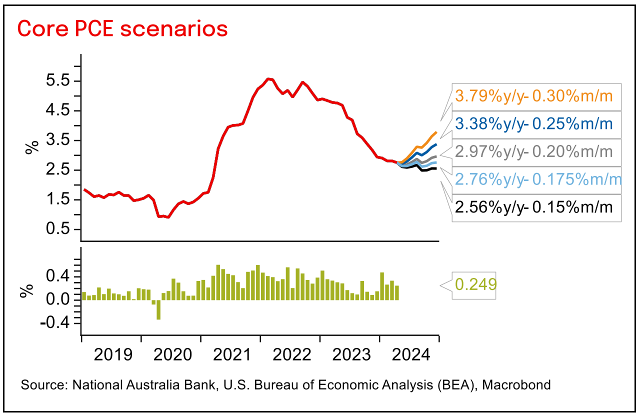
JN Tokyo CPI
The Nationwide measure for May showed CPI excluding fresh food and energy edging back further to 2.1% y/y from 2.4% in May and headline reaccelerating to 2.8% from 2.5%, both a tenth below consensus. Even so, they don't necessarily stand in the way of an upgrade to the BoJ's CPI forecasts at the 31 July meeting.

The Tokyo figures give an early steer on developments into the Nationwide figures for June on Friday as markets size up the risk of the July BoJ hike. Consensus is for the headline rate to rise to 2.3% from 2.2% and the core-core rate to be steady at 1.7%. Note the Tokyo reads are below the national reads due to the introduction of free education measures in the city.

EU France, Italy, Spain June Preliminary HICP Inflation
Preliminary June inflation for France, Spain and Italy is released ahead of EZ prices on 2 July. In May headline, core and services prices all surprised to the upside. July EZ inflation should benefit from a reversal of early Easter effects and lower German inflation, but there are risks from higher insurance, social care, and hospitality costs.

US PCE
The core PCE deflator is expected to confirm the good news out of the earlier May CPI and PPI reports. Consensus is for 0.1% m/m. A couple more prints like that would go along way to reverse the shock of bad Q1 outcomes for FOMC participants. Elsewhere in the release, personal spending is expected up 0.3% m/m in nominal terms, after 0.2%, which would be consistent with slower but still growing real consumption.

Note that low PCE deflator outcomes are needed to keep the y/y rate from rising through the course of this year given the string of low prints in the second half of 2023. The Fed is well aware of this. The median dot for end 2024 was 2.8% for PCE, unchanged from its current level and implying average monthly outcomes of 0.18%. Powell called that *"a fairly conservative forecast month by month"* and said *"If you're at 2.6, 2.7 … that's a really good place to be."*



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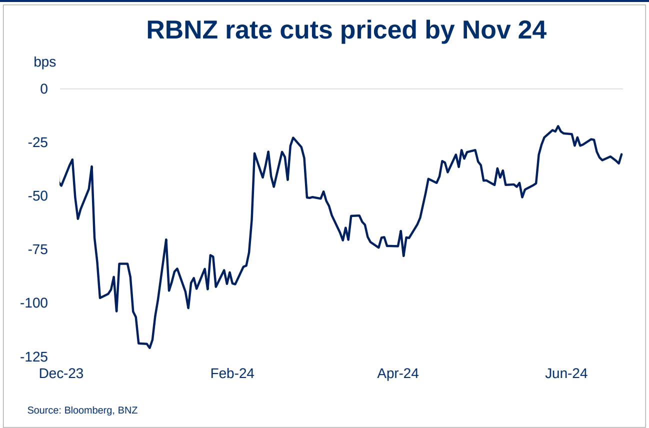
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ fixed income yields were little changed last week. An initial offshore driven rally following weak US retail sales ultimately retraced. Q1 GDP was a little above consensus forecasts, and contributed to some position unwinding at the margin, which saw NZ yields rebound off the bottom of the range that has held for the past few months. RBNZ Chief Economist Paul Conway's webinar on inflation dynamics, and associated Q&A session, didn't provide any guidance on the outlook for monetary policy. The market is pricing around 30bps of RBNZ rate cuts by December, which is little changed over the course of last week.

Implied change in the Official Cash Rate by November



NZ yields are trading at the bottom of the range and lack a domestic catalyst for a break lower in the absence of first-tier economic data until the Quarterly Survey of Business Opinion at the start of July. We think the economy is sufficiently repressed to weigh on inflation. The market will need to wait for the RBNZ's Monetary Policy Review on 10 July to gain insights into the Bank's reaction function to the very weak activity.

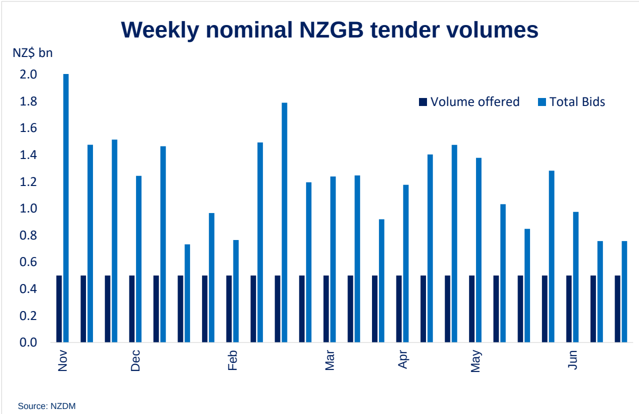
We expect that 2-year swap rates will find support towards the lower end of the 4.80% - 5.20% range which has contained price action in recent months. Further ahead we see asymmetric risk of a downside range break. However, in the near term we estimate the speculative market is positioned for lower rates, and the monthly cost of carry on a 2-year received position is ~5bps, suggesting some risk of an unwind if market downside momentum stalls here.

There is limited domestic economic data in the holiday shortened week. The 'activity outlook' component of the ANZ business survey will be monitored for corroboration of the unexpectedly weak PMI data. In addition, pricing intentions and inflation expectations will also be important. The global economic calendar is also populated with largely second-tier releases before the monthly cycle starts up again in July. The focus will be the US core PCE deflator, which is expected to fall to a 2.6% annual rate, the slowest pace in more than three years.

10-year NZGB yields are also approaching the bottom end of the 6-month trading range. Although US data surprises have been negative, cyclical fundamental drivers are not signalling lower yields, and we are reluctant to chase the long end rally at current levels. Global central banks, including the US Federal Reserve, are biased toward easing policy and we expect long end global long end rates will move to a lower trading range later this year.

New Zealand Debt Management (NZDM) will undertake its final weekly tender for 2023/24 this week. Recent tender metrics have softened. Bid cover ratios have fallen well below the fiscal year mean of 2.7 in June. The July tender schedule is released on Wednesday and could signal a change to current weekly issuance volumes. While an increase is in tender volumes is possible, NZDM may prefer to keep volumes unchanged and instead flex syndication volumes for the NZ$38 billion 2024/25 borrowing programme.

Weekly NZGB tender performance



Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.62	5.61 - 5.64
NZ 2yr swap (%)	4.92	4.89 - 5.21
NZ 5yr swap (%)	4.40	4.39 - 4.74
NZ 10yr swap (%)	4.42	4.41 - 4.77
2s10s swap curve (bps)	-50	-51 - -43
NZ 10yr swap-govt (bps)	-18	-18 - -11
NZ 10yr govt (%)	4.59	3.87 - 4.92
US 10yr govt (%)	4.26	4.19 - 4.64
NZ-US 10yr (bps)	34	19 - 36
NZ-AU 2yr swap (bps)	74	74 - 93
NZ-AU 10yr govt (bps)	38	38 - 56

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The NZD continued its consolidation phase, spending most of last week locked into a tight 0.61-0.6150 range and ending the week down 0.4% to around 0.6120. It was flat to weaker on most crosses, although NZD/JPY rose to a fresh 17-year high as the yen remained under pressure. NZD/AUD fell 0.8% to around 0.9215 after a more hawkish than expected RBA policy update.

Last week there were a number of US data releases that negatively surprised, taking Citigroup's economic surprise index down to its lowest level in almost two years. These included another soft retail sales report and signs of a more decisive upward trend in jobless claims, consistent with other indicators pointing to a weaker labour market. Despite that backdrop, there were only small changes in US interest rates and the USD.

After the previous week's beating dealt to European assets, centred on France because of heightened political risk ahead of the snap election, the market settled and EUR/USD was flat. NZD/EUR remains near the top end of its annual trading range, with resistance around 0.5750.

In policy meetings, the RBA left rates on hold but the tone of the statement and the press conference were more hawkish than expected, with Governor Bullock saying that a rate hike was discussed while a rate cut was not and recent data "reinforced the need to remain vigilant to the upside risks to inflation". This tone helped support the AUD.

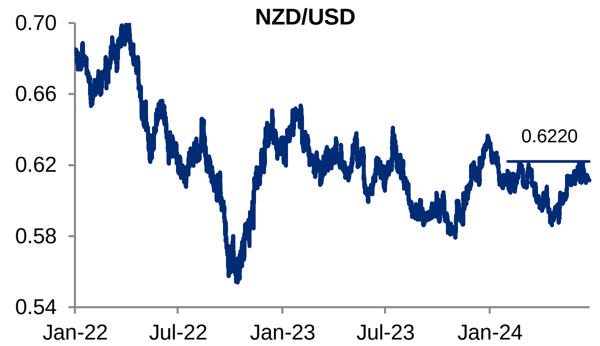
The Bank of England left its policy rate unchanged as expected, with the same 7-2 vote split as the previous meeting, with two officials again voting to cut rates by 25bps. However, the Bank opened the door for a near-term rate cut, saying that the decision not to ease at this meeting was "finely balanced" for some MPC members. The market ascribes about a two-thirds chance that the BoE kick-starts its easing cycle in August. GBP was on the softer side of the ledger, but not materially so.

Domestically, NZ GDP rose 0.2% q/q in Q1, toward the top end of market estimates and in line with the RBNZ's estimate. While positive, the small growth impulse was against a backdrop of strong population growth, seeing annual GDP per capita growth at a dreadful minus 2.4%. The positive figure also raised the chance of a larger contraction in the current quarter, with the PSI/PMI composite guiding towards worsening conditions and a very poor outcome. The market didn't pay much attention to the stronger outturn and the NZD was on the weaker side of the ledger for the week.

Even weaker was the poor-performing yen, with NZD/JPY continuing to push higher and reaching a fresh 17-year high just below 98. Blame lies at the feet of the BoJ's overly cautious approach to moving away from its ultra-easy policy stance. Japan's annual CPI inflation rate has been above the 2% target for 26 consecutive months and rose to 2.8% in May. The lack of intent to tighten policy in any meaningful way raises the chance of further short-term yen weakness, prompting Japan's MoF to step in with further intervention to constrain further yen weakness.

In the week ahead, we look for further NZD consolidation, with key resistance around 0.6220 and support around 0.6080. The data calendar is quieter. Domestically, we'll be watching the ANZ business outlook survey with the pricing indicators much more important than the activity indicators. A positive surprise to Australia's monthly CPI would put more heat on the RBA to respond with higher rates. The key US release is the PCE deflator released at the end of the week, with recent CPI and PPI data guiding to a low 0.1% m/m print for the core measure.

NZD consolidating, resistance at 0.6220



Source: Bloomberg, BNZ

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6115	0.6100 - 0.6220
NZD/AUD	0.9209	0.9180 - 0.9320
NZD/GBP	0.4840	0.4790 - 0.4850
NZD/EUR	0.5720	0.5650 - 0.5750
NZD/JPY	97.70	95.30 - 97.80

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6730	-9%
NZD/AUD	0.8940	3%

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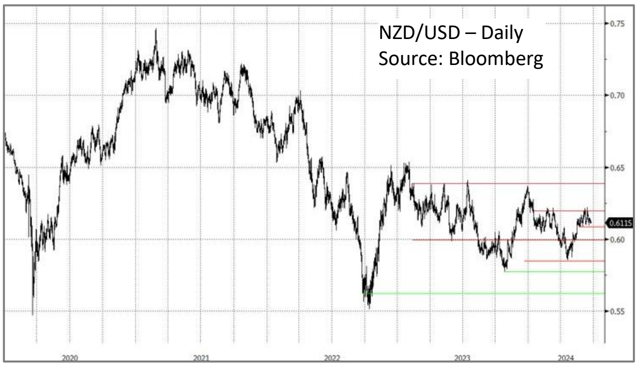
Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.6220 (ahead of 0.6390)
ST Support: 0.6085 (ahead of 0.60)

There is notable resistance near the 0.6220 mark, close to recent highs in February, March and June. Initial support is 0.6085.



NZD/AUD

Outlook: Trading range
ST Resistance: 0.9315 (ahead of 0.9470)
ST Support: 0.9140 (ahead of 0.9050)

Resistance at the recent high around 0.9315 and support near 0.9140.

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NZ 5-year Swap Rate

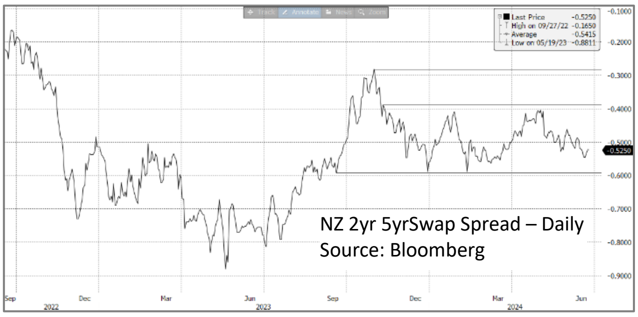
Outlook: Neutral
MT Resistance: 4.82
MT Support: 4.06

5y swap is threatening to break lower but ultimately sits towards the middle of the range. We see some support coming in around 4.25, but continue to watch levels closely.

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

Outlook: Neutral
MT Resistance: -0.38
MT Support: -0.59

The 2y-5y swap spread dipped lower last week before reverting to unchanged levels. We will look to put on a steepener position towards the -59bp support should we get a dip much lower.



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Quarterly Forecasts

Forecasts as at 24 June 2024

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
GDP (production s.a.)	-0.3	-0.1	0.2	-0.2	0.3	0.6	0.7	0.7	0.8	0.8
Retail trade (real s.a.)	-0.8	-1.8	0.5	-0.5	0.4	0.5	0.8	1.0	1.2	1.1
Current account (ytd, % GDP)	-7.4	-6.9	-6.8	-6.8	-6.6	-6.2	-5.7	-5.3	-5.2	-5.0
CPI (q/q)	1.8	0.5	0.6	0.6	1.0	0.5	0.5	0.5	0.9	0.1
Employment	0.0	0.4	-0.2	0.0	0.1	0.2	0.3	0.5	0.6	0.7
Unemployment rate %	3.9	4.0	4.3	4.7	5.1	5.3	5.5	5.5	5.5	5.3
Avg hourly earnings (ann %)	7.1	6.6	4.8	4.1	3.0	3.3	3.9	3.4	3.2	3.0
Trading partner GDP (ann %)	3.1	3.3	3.2	3.1	2.9	2.9	2.9	3.0	3.0	2.9
CPI (y/y)	5.6	4.7	4.0	3.5	2.7	2.7	2.6	2.5	2.4	2.0
GDP (production s.a., y/y))	-0.6	-0.2	0.3	-0.4	0.2	0.9	1.4	2.3	2.8	3.0

Interest Rates

Historical data - qtr average		Government Stock		Swaps			US Rates		Spread
Forecast data - end quarter	**Cash**	**90 Day Bank Bills**	**5 Year**	**10 Year**	**2 Year**	**5 Year**	**10 Year**	**Libor 3 month**	**US 10 yr**	**NZ-US Ten year**
2022 Sep	2.83	3.33	3.65	3.77	4.12	3.95	3.95	3.00	3.10	0.67
Dec	4.00	4.27	4.34	4.31	5.10	4.67	4.55	4.50	3.80	0.49
2023 Mar	4.58	4.99	4.27	4.26	5.11	4.51	4.40	4.90	3.65	0.61
Jun	5.42	5.62	4.23	4.27	5.19	4.44	4.30	5.40	3.60	0.68
Sep	5.50	5.66	4.87	4.87	5.54	4.90	4.75	5.65	4.15	0.73
Dec	5.50	5.64	4.48	4.67	4.93	4.43	4.50	5.65	4.00	0.67
2024 Mar	5.50	5.66	4.41	4.64	4.91	4.38	4.40	5.60	4.20	0.44
Forecasts										
Jun	5.50	5.65	4.65	4.90	4.75	4.70	4.70	5.75	4.50	0.40
Sep	5.50	5.65	4.50	4.75	4.40	4.55	4.65	5.50	4.25	0.50
Dec	5.50	5.50	4.25	4.60	3.95	4.30	4.50	5.25	4.10	0.50
2025 Mar	5.25	5.00	4.15	4.60	3.60	4.20	4.60	4.75	4.00	0.60
Jun	4.75	4.50	4.00	4.50	3.35	4.05	4.50	4.50	3.90	0.60
Sep	4.25	4.00	3.90	4.40	3.25	3.95	4.40	4.25	3.80	0.60
Dec	3.75	3.75	3.85	4.35	3.25	3.90	4.35	4.00	3.75	0.60

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.61	0.66	1.07	1.26	160
Jun-24	0.60	0.65	1.07	1.25	150
Sep-24	0.61	0.67	1.09	1.28	146
Dec-24	0.62	0.69	1.11	1.30	143
Mar-25	0.64	0.71	1.13	1.31	140
Jun-25	0.65	0.72	1.14	1.32	137
Sep-25	0.66	0.74	1.16	1.34	134
Dec-25	0.67	0.75	1.17	1.35	131
Mar-26	0.66	0.74	1.18	1.36	129
Jun-26	0.65	0.73	1.18	1.36	129

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.61	0.92	0.57	0.48	97.7	72.4
Jun-24	0.60	0.92	0.56	0.48	90.0	70.9
Sep-24	0.61	0.91	0.56	0.48	89.1	71.2
Dec-24	0.62	0.90	0.56	0.48	88.7	71.5
Mar-25	0.64	0.90	0.56	0.49	88.9	72.4
Jun-25	0.65	0.90	0.57	0.49	89.1	73.3
Sep-25	0.66	0.89	0.57	0.49	88.4	73.4
Dec-25	0.67	0.89	0.57	0.50	87.8	74.0
Mar-26	0.66	0.89	0.56	0.49	85.1	73.1
Jun-26	0.65	0.89	0.55	0.48	83.9	72.4
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 as at 24 June 2024	March Years Actuals 2022	2023	Forecasts 2024	2025	2026	December Years Actuals 2021	2022	2023	2024	2025
GDP - annual average % change										
Private Consumption	6.0	2.7	0.9	1.4	2.6	7.4	3.3	0.6	1.5	2.1
Government Consumption	7.9	2.0	0.5	-3.3	0.4	7.8	4.9	-0.8	-2.2	-0.6
Total Investment	10.2	2.1	-1.7	-3.3	4.1	12.0	3.4	-0.9	-4.3	2.8
Stocks - ppts cont'n to growth	0.5	0.0	-1.5	1.3	0.1	1.4	-0.3	-1.4	0.7	0.5
GNE	7.9	2.5	-1.4	0.8	2.7	10.0	3.4	-1.5	0.2	2.2
Exports	2.5	6.0	6.4	2.9	5.0	-2.7	-0.2	9.8	3.3	4.8
Imports	17.3	4.4	-1.2	3.4	4.1	14.8	4.7	-0.5	3.1	3.7
Real Expenditure GDP	4.7	2.7	0.4	0.7	2.8	5.9	2.3	0.8	0.4	2.4
GDP (production)	**4.6**	**2.7**	**0.2**	**0.5**	**2.8**	**5.6**	**2.4**	**0.6**	**0.2**	**2.4**
GDP - annual % change (q/q)	*0.6*	*2.0*	*0.3*	*1.4*	*3.0*	*2.6*	*2.2*	*-0.2*	*0.9*	*3.0*
Output Gap (ann avg, % dev)	1.4	1.9	-0.3	-1.2	-0.5	1.6	2.0	0.2	-1.1	-0.7
Nominal Expenditure GDP - $bn	359	388	409	425	447	353	381	405	420	442
Prices and Employment - annual % change										
CPI	6.9	6.7	4.0	2.6	1.9	5.9	7.2	4.7	2.7	2.0
Employment	2.5	3.0	1.3	0.6	2.5	3.3	1.7	2.7	0.1	2.1
Unemployment Rate %	3.2	3.4	4.3	5.5	5.1	3.2	3.4	4.0	5.3	5.3
Wages - ahote (private sector)	5.3	8.2	4.8	3.9	3.0	4.1	8.1	6.6	3.3	3.0
Productivity (ann av %)	1.8	0.5	-2.3	0.2	0.9	3.6	0.2	-2.3	-0.2	1.0
Unit Labour Costs (ann av %)	4.6	6.5	8.4	4.0	2.3	2.3	6.5	8.8	4.9	2.4
House Prices	13.8	-12.1	2.8	3.0	7.7	27.2	-11.1	-0.7	2.0	6.9
External Balance										
Current Account - $bn	-23.6	-31.8	-27.6	-24.0	-21.1	-20.6	-33.4	-27.9	-26.2	-22.2
Current Account - % of GDP	-6.6	-8.2	-6.8	-5.7	-4.7	-5.8	-8.8	-6.9	-6.2	-5.0
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-2.7	-2.4	-2.7	-3.1	-1.9					
Net Core Crown Debt (ex NZS)	35.5	39.3	43.1	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	8.9	8.0					
Financial Variables (1)										
NZD/USD	0.69	0.62	0.61	0.64	0.66	0.68	0.63	0.62	0.62	0.67
USD/JPY	119	134	150	140	129	114	135	144	143	131
EUR/USD	1.10	1.07	1.09	1.13	1.18	1.13	1.06	1.09	1.11	1.17
NZD/AUD	0.93	0.93	0.93	0.90	0.89	0.95	0.94	0.93	0.90	0.89
NZD/GBP	0.52	0.51	0.48	0.49	0.49	0.51	0.52	0.49	0.48	0.50
NZD/EUR	0.62	0.58	0.56	0.56	0.56	0.60	0.60	0.57	0.56	0.57
NZD/YEN	81.5	83.0	91.1	88.9	85.1	77.4	85.6	89.5	88.7	87.8
TWI	73.9	71.0	71.2	72.4	73.1	73.0	72.9	72.0	71.5	74.0
Overnight Cash Rate (end qtr)	1.00	4.75	5.50	5.25	3.50	0.75	4.25	5.50	5.50	3.75
90-day Bank Bill Rate	1.45	5.16	5.64	5.00	3.25	0.92	4.55	5.63	5.50	3.75
5-year Govt Bond	2.90	4.40	4.60	4.15	3.90	2.20	4.30	4.50	4.25	3.85
10-year Govt Bond	3.20	4.35	4.60	4.60	4.35	2.35	4.25	4.65	4.60	4.35
2-year Swap	3.00	5.15	4.91	3.60	3.35	2.22	5.21	4.93	3.95	3.25
5-year Swap	3.20	4.50	4.40	4.20	4.00	2.56	4.62	4.43	4.30	3.90
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	0.60	0.60	0.90	0.65	0.65	0.50	0.60

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

Source: Statistics NZ, BNZ, NZ Treasury

Key Upcoming Events

All times and dates NZT

		Median	Fcast	Last
	Monday 24 June			
NZ	Trade Balance NZD May			91m
JN	BOJ Summary of Opinions (June MPM)			
US	Fed's Waller speaks			
GE	IFO Expectations Jun	90.7		90.4
UK	CBI Trends Total Orders Jun	-26		-33
UK	CBI Trends Selling Prices Jun	15		15
EC	ECB's Nagel speaks			
	Tuesday 25 June			
EC	ECB's Villeroy speaks			
US	Fed's Goolsbee speaks			
EC	ECB's Schnabel speaks			
CA	Bank of Canada Governor Tiff Macklem speaks			
US	Fed's Daly speaks			
GR	ECB's Stournaras speaks			
US	Fed's Bowman speaks			
EC	ECB's Nagel speaks			
	Wednesday 26 June			
US	Philadelphia Fed Non-Manufacturing Activity Jun			-0.6
US	Chicago Fed Nat Activity Index May	-0.25		-0.23
US	S&P CoreLogic CS US HPI YoY NSA Apr			6.49%
US	Conf. Board Consumer Confidence Jun	100		102
US	Richmond Fed Manufact. Index Jun	-3		0
US	Richmond Fed Business Conditions Jun			-9
US	Dallas Fed Services Activity Jun			-12.1
US	Fed's Cook, Bowman speak			
AU	RBA's Kent speaks			
AU	Westpac Leading Index MoM May			-0.03%
AU	CPI YoY May	3.80%	3.60%	3.60%
GE	GfK Consumer Confidence Jul	-19.5		-20.9
EC	ECB's Centeno, Rehn, Panetta, Lane, Kazaks speak			
EC	ECB's Rehn Speaks			
UK	CBI Retailing Reported Sales Jun	0		8
	Thursday 27 June			
US	New Home Sales May	645k		634k
NZ	ANZ Consumer Confidence Index Jun			84.9
JN	Retail Sales MoM May	0.80%		1.20%
NZ	ANZ Business Confidence Jun			11.2
CH	Industrial Profits YoY May			4.00%

		Median	Fcast	Last
	Thursday (continued)			
SW	Riksbank Policy Rate Jun-27	3.75%		3.75%
EC	ECB's Kazimir speaks			
EC	Consumer Confidence Jun F			-14
EC	Economic Confidence Jun	96		96
UK	BOE financial stability report			
AU	RBA's Hauser speask			
	Friday 28 June			
US	GDP Annualized QoQ 1Q T	1.40%		1.30%
US	Initial Jobless Claims Jun-22	235k		238k
US	Continuing Claims Jun-15	1824k		1828k
US	Durable Goods Orders May P	-0.20%		0.60%
US	Pending Home Sales MoM May	1.10%		-7.70%
UK	Lloyds Own Price Expectations Jun			61
JN	Jobless Rate May	2.60%		2.60%
JN	Industrial Production MoM May P	2.00%		-0.90%
AU	Private Sector Credit MoM May	0.40%	0.50%	0.50%
UK	GDP QoQ 1Q F	0.60%		0.60%
UK	Current Account Balance 1Q	-17.5b		-21.2b
GE	Unemployment Claims Rate SA Jun	6.00%		5.90%
EC	ECB 1 Year CPI Expectations May	2.80%		2.90%
EC	ECB 3 Year CPI Expectations May	2.40%		2.40%
US	Fed's Barkin speaks			
EC	ECB's Villeroy speaks			
	Saturday 29 June			
US	Personal Income May	0.40%		0.30%
US	Personal Spending May	0.30%		0.20%
US	Real Personal Spending May	0.20%		-0.10%
US	PCE Deflator MoM May	0.00%		0.30%
US	PCE Deflator YoY May	2.60%		2.70%
US	PCE Core Deflator MoM May	0.10%		0.20%
US	PCE Core Deflator YoY May	2.60%		2.80%
US	MNI Chicago PMI Jun	40		35.4
US	U. of Mich. Sentiment Jun F	66		65.6
US	Kansas City Fed Services Activity Jun			11
US	Fed's Bowman speaks			
	Sunday 30 June			
CH	Manufacturing PMI Jun	49.6		49.5
CH	Non-manufacturing PMI Jun	50.9		51.1

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	5.50	5.50	5.50	5.50
1mth	5.60	5.60	5.60	5.60
2mth	5.61	5.60	5.62	5.65
3mth	5.62	5.61	5.63	5.69
6mth	5.58	5.58	5.63	5.80
GOVERNMENT STOCK				
05/26	4.81	4.75	4.90	4.69
04/29	4.46	4.43	4.61	4.48
05/31	4.50	4.47	4.67	4.48
05/34	4.62	4.59	4.79	4.52
04/37	4.79	4.75	4.93	4.60
05/41	4.93	4.88	5.03	4.67
05/51	4.94	4.88	5.04	4.57
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	53	53	49	74
Europe 5Y	62	63	51	79

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	4.92	4.93	5.13	5.42
3 years	4.63	4.64	4.84	5.05
4 years	4.48	4.48	4.69	4.81
5 years	4.40	4.39	4.61	4.66
10 years	4.42	4.41	4.62	4.47
FOREIGN EXCHANGE				
NZD/USD	0.6115	0.6132	0.6149	0.6164
NZD/AUD	0.9211	0.9273	0.9241	0.9234
NZD/JPY	97.67	96.72	96.45	88.46
NZD/EUR	0.5719	0.5712	0.5662	0.5652
NZD/GBP	0.4837	0.4826	0.4815	0.4849
NZD/CAD	0.8375	0.8415	0.8382	0.8109
TWI	72.1	72.3	72.3	71.7

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