Research
Markets Outlook

8 July 2024

Misery but no rate cuts

- **RBNZ to hold cash rate at 5.5%**
- **As inflation fails to surprise to the downside**
- **But growth indicators go from bad to worse**
- **PMI and PSI to show recession rolls onwards**
- **House prices going sideways**

This week, all eyes will be on the July Monetary Policy Review on Wednesday afternoon. We wrote our full preview in last week's Markets Outlook but, for the record, we expect rates to be unchanged and the central bank to stick to its broad view that interest rates will need to stay elevated for longer to ensure it meets its inflation target.

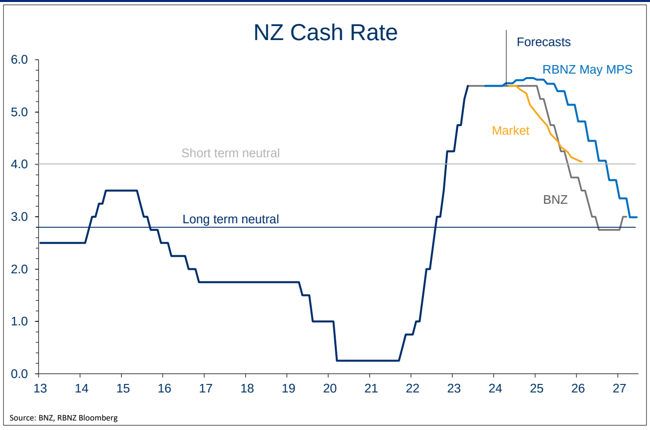
That said, it's going to be hard for the RBNZ to avoid acknowledging that the economy is now looking well and truly derailed. Front of mind will be last week's Quarterly Survey of Business Opinion which provided more evidence that the current recession will roll on for a while longer, the unemployment rate will rise rapidly and, most importantly, business intentions to raise prices are declining at pace. But it's not just the QSBO that's telling us this. The evidence from all quarters is now overwhelming.

However, we reiterate that the RBNZ has made it abundantly clear inflation is its objective. It has also suggested it won't feel comfortable letting go of the reins until such time that annual inflation is within its target band. Therefore, with the market now pricing a greater than even chance of a rate cut in October of this year, and the distinct possibility of an August cut, we think the Bank will be loathe to say anything at the upcoming MPR that might further fuel this reasoning. On this basis, don't be surprised if the RBNZ tries to push back on the market's current enthusiasm.

The RBNZ would no doubt like to have seen Thursday's Selected Price Indices before making their pronouncements but they won't. Based on current information we think the Q2 CPI will print at 0.6% delivering an annual increase of 3.5%. The RBNZ has the same quarterly pick but an annual 3.6%. The difference is just rounding so it's fair to say we don't think the Q2 CPI will surprise them to the downside.

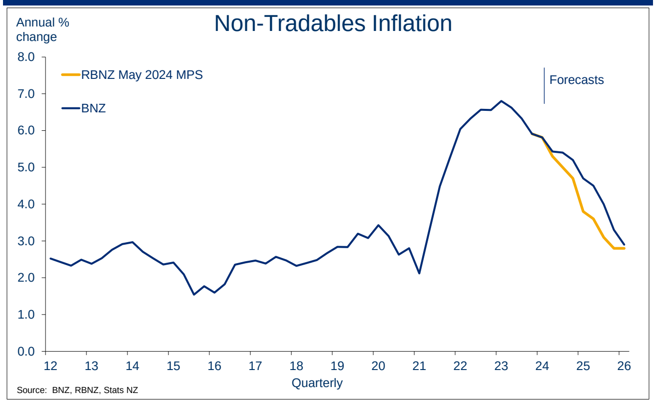
That said, we are forecasting tradables inflation to be a tad lower than the Bank's forecasts and non-tradables to be higher.

Too challenging for the Bank?



Given the emphasis the Bank has put on non-tradables inflation, this would not be the sort of result that would have the RBNZ looking to cut rates.

Problem!!



Thursday's Selected Price Indices may shift these expectations but given the data are for the third month in the quarter they are likely to be more impactive on the Q3 inflation read than Q2's.

We don't forecast all the monthly data but there are several items that we will be looking at quite closely:

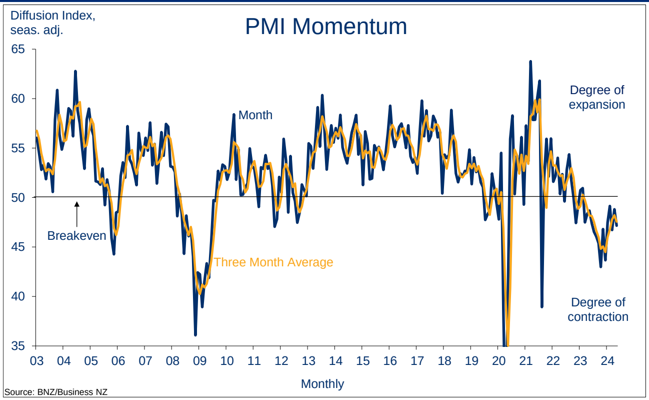
- Food prices tend to be seasonally high in June as winter impacts fresh fruit and vegetable prices. We have assumed a 0.9% increase in the food price index for the month.
- We have assumed rents rose 0.3% over the month.

- The highly volatile accommodation services and air fares could yet have a bearing on the Q2 outturn.

We will finalise our Q2 and Q3 CPI forecasts once the monthly data are available.

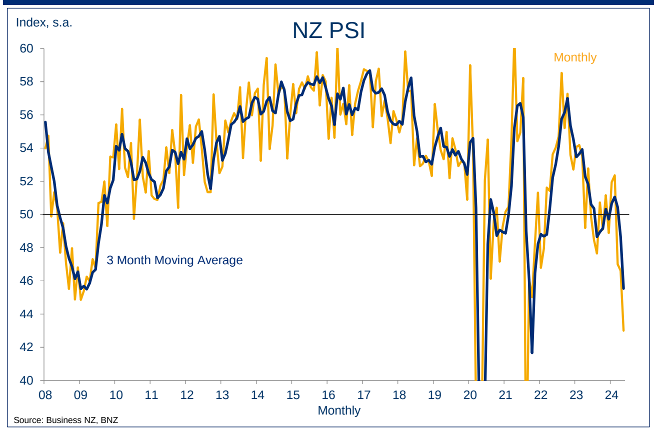
Friday sees the release of the June PMI. The PMI has been sub-50 for 15 consecutive months. We see no reason why this month won't add to the total. New orders have been similarly sub-par for 21 months, expect this to rise to 22 confirming the manufacturing sector is well and truly submerged in recession.

Manufacturing in recession



Until recently the services sector, as represented by the PSI, had been doing all the heavy lifting for the economy. However it, too, has turned wickedly negative over the last three months such that May's reading of 43.0 was the worst on record (excluding COVID lockdowns). The June reading released Monday July 15 will, hopefully, be a little less pessimistic but there is almost no chance of it turning openly optimistic.

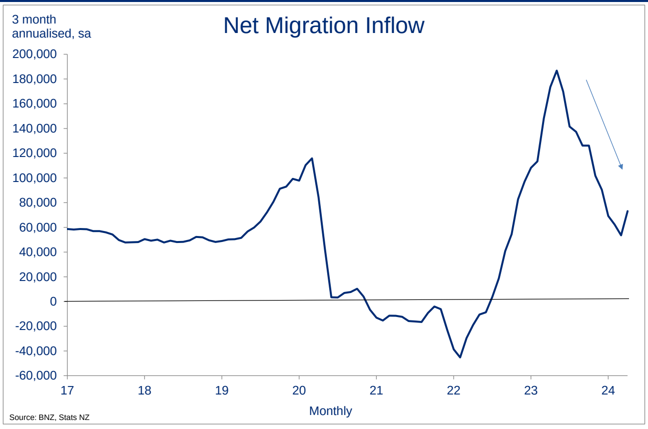
Services slumping too



On the morning of the Wednesday MPR we get the latest data on migration and international travel. There has been a significant trend reduction in net migration inflows which is already feeding through into softer demand pressures and a marked reduction in the growth of the labour supply.

Last month there were some signs of a slowing in the downtrend. We will be looking for evidence that the net inflow is approaching a trough at levels that would be consistent with our assumption that net migration averages around 55,000 over the next three years. Looking at seasonally adjusted data for the last three months, the annualised rate of increase is currently 73,000, down from a peak of 187,000 for the three months to March 2023.

Net migration inflows moderate



Meanwhile, it has seemed that growth in tourism has all but disappeared. We will look for confirmation of this in the May data.

Rounding things off, the latest REINZ housing data should be released sometime around mid-week. We expect this to show house prices are going nowhere fast as new listings growth outpaces sales.

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Global Watch

- **Politics forefront of mind in the UK, France and US**
- **US CPI and PPI releases towards the end of the week are the key global releases**
- **US Fed Chair Powell faces lawmakers ahead of those releases**

Week in review

Political fortunes have dominated market moves over the past week in what has been a quiet week for top-tier data (US data flow the exception). The French first round elections and subsequent tactical jostling ahead of the second round, reduced the probability of RN gaining an outright majority. In a surprise outcome, the early results from the second round released this morning, show a left-wing bloc in a dominant position, but some horse-trading will be required to form a government. Uncertainty about the policy outlook has increased and investors will be concerned about France's fiscal trajectory, in particular.

In the US, debate is raging whether President Biden will be the Democratic nominee following a woeful debate performance, and yields rose early in the week led by the long end. Many cited the rising likelihood of a Trump presidency as one factor. The odds of Biden remaining a Presidential nominee are falling by the day. A weak ISM Services and a weaker than expected employment report at the end of the week saw some retracement of those moves. The US unemployment rate unexpectedly rose to 4.1%, its highest level in 3½ years, supporting calls for easier US monetary policy from September.

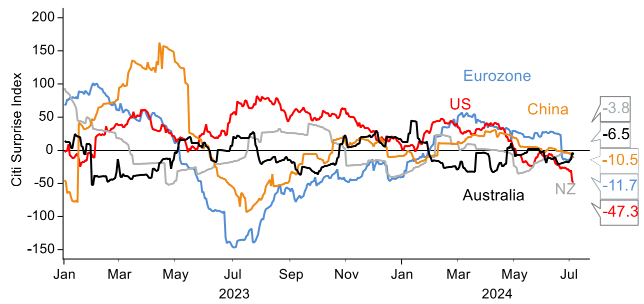
Across the pond the UK election saw the Labour Party win a landslide majority as expected. PM Starmer said that work has already begun to improve the UK's Brexit deal with the EU as the new government pursue closer ties with the bloc. This direction, as well as a functioning government, are seen to be positive for GBP and UK markets.

Domestically, the RBA Minutes contained little new information, but did reinforce that the August meeting is live. At the August meeting not only will Q2 CPI be available, but staff will incorporate "*an assessment of the impact of the budgets on the outlook and inflation*" which may inform whether demand is likely to hold up better than expected.

Looking to Q2 CPI on 31 July, NAB's CPI preview sees trimmed mean at 1.0% q/q which will be a test of the RBA's less aggressive approach. NAB's view is that the RBA will remain on hold, but further tightening is a possibility.

On the data front, retail sales for May beat expectations (0.6% m/m vs. 0.3% consensus), but we caution against extrapolating given trend retail sales growth is just 0.0% m/m. While not market moving, building approvals continue to run well below what is needed relative to population growth.

Citi Economic Surprise Indexes*



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

Week Ahead in Brief

The lull in the **Australian** calendar continues this week. June unemployment on 18 July and Q2 CPI on 31 July still loom as the key data points ahead of the RBA's August meeting. No key RBA speeches/events are currently scheduled ahead of the 6 August meeting. Even so, July consumer confidence and the NAB Business Survey on Tuesday will help size up momentum at the margin.

In the **US**, attention turns to Fed Chair Powell, testifying to the Senate Banking Committee Tuesday and the House Wednesday. His characterisation of how progress on inflation is evolving and how the balance of risks is shifting face an early test with CPI data on Thursday and PPI data Friday. Consensus for core CPI is a repeat of May's 0.2% m/m outcome. Depending on the detail in PPI on Friday, that would see June core PCE forecasts around 0.1/0.2. Outside the inflation data, preliminary UMich consumer sentiment is on Friday. Bank earnings also kick off. Citigroup, JPMorgan, Wells Fargo and Bank of New York Mellon report Friday.

In **Europe**, politics is still front of the agenda and focus will be on the likely make-up of the new government in France and policy outcomes. ECB speak starts to wind down with the quiet period ahead of the 18 July meeting beginning Thursday.

In the **UK**, Bank of England speakers include Haskel (Tuesday) and Chief Economist Pill (Thursday). On the data side, May monthly GDP should improve from April's 0.0% given the weather factor shifted from 70% above average precipitation in April to the warmest May since records began.

In **Japan**, May cash earnings on Monday are expected to pick up as Shunto wage outcomes flow through.

Chinese inflation data on Wednesday are expected to show falls in producer prices easing and still little evidence of domestic inflation pressures in CPI. Chinese trade data could show a small uptick in the pace of annual export growth, helped by base effects rather than more positive external demand. Credit data are also due in the week from Tuesday.

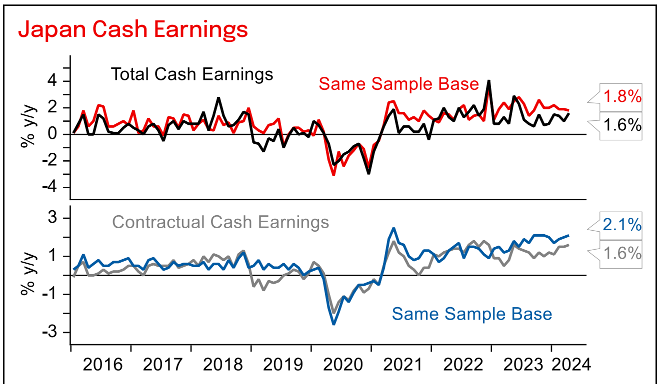
Important Events Preview

Monday 8

JN May Cash Earnings

The strong outcomes in the Shunto wage rounds are yet to show up in earnest in average wage data and is expected to support a lift in the May cash earnings data. Early consensus is for the headline series to lift to 2.1% from 1.6%. The same-sample basis series, which avoids sample volatility and is preferred by the BoJ, is seen at 2.3% from 1.8%.

Commentary from BoJ Governor Ueda allayed earlier doubts in the wake of the June meeting that the BoJ could both change the policy rate and reduce asset purchases at July meeting. Core Tokyo CPI and pricing indicators in the Q2 Tankan survey have done their part to support a further lift in BoJ policy rates. Earnings growth could help support a move, but money market pricing ascribes only about a 50% chance to a 0.1% lift to the policy rate (i.e. from 0-0.1% to 0.1-0.2%). June National and July Tokyo CPI are out ahead of the 31 July meeting.



Source: National Australia Bank, Macrobond, Bloomberg

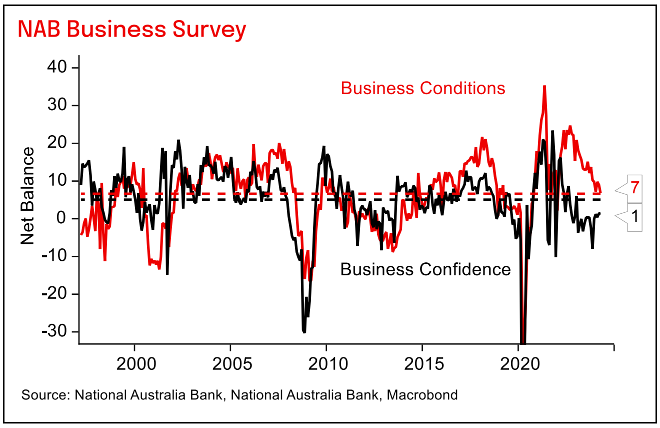
UK May GDP

UK monthly GDP is likely to show an improvement on April's 0% outturn given the weather factor shifted from 70% above average precipitation in April to the warmest May since records began. While that will see a decline in energy usage, it is expected to aid a surge in construction as projects attempted to make up for lost time and footfall on the high street picked up. Car production is also thought to have been strong.

Tuesday 9

AU NAB Business Survey

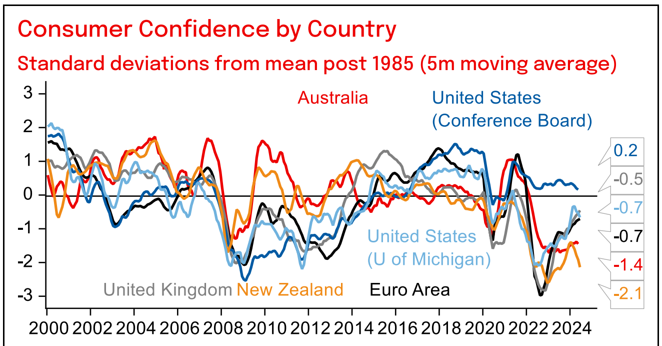
No Preview here as NAB publishes the Survey



Source: National Australia Bank, National Australia Bank, Macrobond

AU Consumer Confidence

It's only been 2 weeks since the previous consumer confidence reading due to the decision to align dates with the RBA meeting. That mid-June read showed a modest 1.7% m/m lift. Consumers remain deeply pessimistic. There will be some interest in whether the 10% lift in family finances vs a year ago sustains or extends in the context of 1 July tax cuts, but don't expect anything conclusive enough to remove the RBA's caution on the robustness of the anticipated pickup in discretionary consumption growth through H2.



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

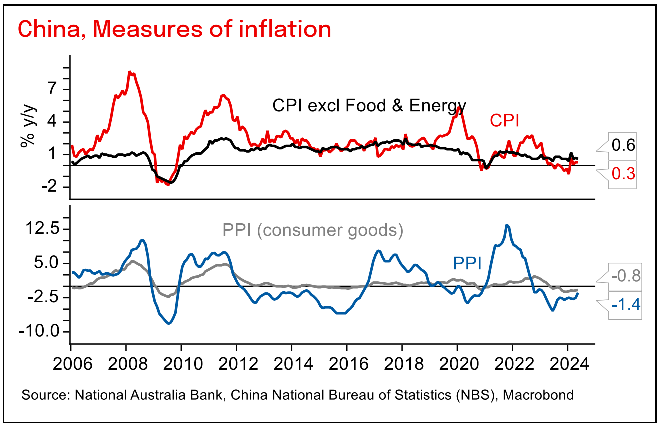
US Fed's Powell testifies

Powell at Sintra last week noted "significant progress" towards cooler inflation with stable growth, that "you can see the labour market is cooling off, appropriately so," and that "*It's very much understood by us that we have two-sided risks*." Fed officials are seeing the risks between stubborn inflation and unnecessary labour market deterioration as more balanced. Key will be how Powell communicates that balance with June Payroll's data tonight in hand. Any impression comfort is building on sustained progress on inflation, of course, will get an early test in the CPI print on Thursday night. Powell testifies in front of the Senate Banking Committee Tuesday and is in front of the House Wednesday.

Wednesday 10

CH CPI & PPI

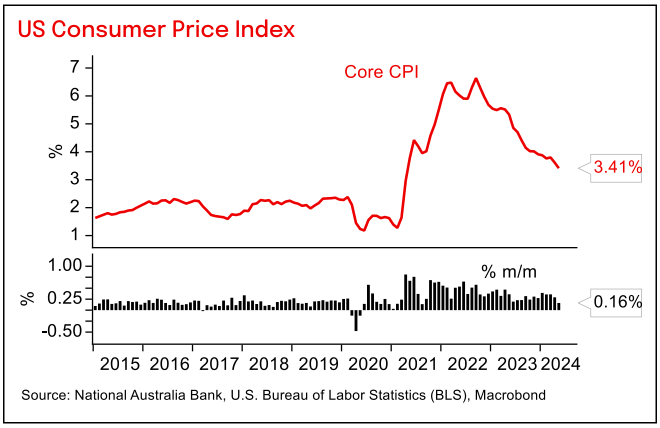
PPI deflation likely narrowed further in June, but even still is expected to mark its 21st month of y/y decline. CPI is seen inching up to 0.4% y/y from 0.3%. Domestic demand has been enough to keep the 5% growth target alive, generating little urgency for new support measures, but is far from robust enough to generate price pressure. The soft June Caixin Services PMI adds to concerns momentum is fragile. The third plenum, held 15-18 July, could be a vehicle for new policy announcements, but expectations are low for a big shift.



Thursday 11

US June CPI & Jobless Claims
Consensus is for a repeat of May's 0.2% m/m outcome for core CPI in June, leaving the y/y rate steady at 3.4%. If realised, that would be further confirmation the unhelpful start to 2024 is not persisting and help build confidence in the inflation trajectory for a still-patient Fed. Lower gas prices should see headline estimates lower, with consensus for 0.1%/ 3.1%.

Jobless Claims will also remain a focus with the ongoing lift in continuing claims.



Friday 12

US June PPI
Consensus is for 0.1% m/m but, as always, the focus will be on what the components mean for the Fed's preferred PCE measure. CPI and PPI around expectations would leave June core PCE deflator mappings around 0.1/0.2%.

US UMich Consumer Sentiment
The University of Michigan measure is progressively transitioning to all online interviews which is clouding the interpretation somewhat. Last month's preliminary read of 65.6 was revised up sharply to 68.2. Even so that was the lowest final read since November and compares to outcomes in the high 70s in the first 4 months of 2024.

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Fixed Interest Market

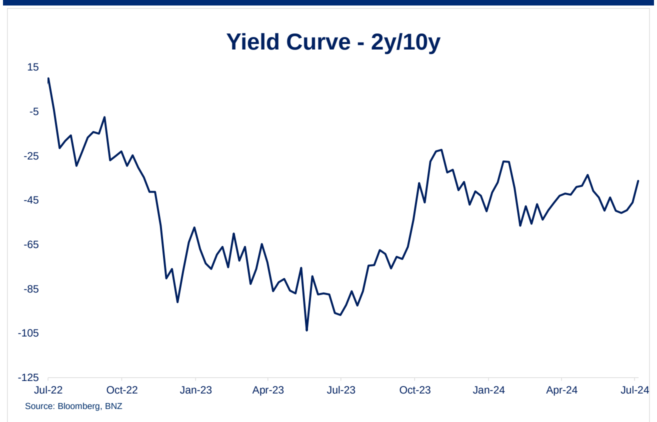
Reuters: BNZL, BNZM Bloomberg:BNZ

The NZ yield curve steepened last week. The front end remained well supported, amid further signs of soft domestic activity, while the longer end underperformed following a weak government bond tender. Activity and labour market indicators in the Quarterly Survey of Business Opinion were unsurprisingly weak and inflation pressures continued to cool. A net 23% of respondents expect to increase prices, which is consistent with headline CPI inflation near the midpoint of the RBNZ's target band by year end.

The RBNZ Monetary Policy Review (MPR) is the key domestic risk event this week though a material shift in the Bank's hawkish bias seems unlikely. An acknowledgment of the weak economic backdrop is expected, but the RBNZ will need to see further evidence that inflation is subsiding, before moderating its stance. Overnight index swaps are already pricing 38bps of easing by November, creating a headwind for a further move lower in rates, absent a tone shift from the central bank.

2-year swap rates are close to the base of the trading range which we expect will continue to hold for now. We estimate speculative accounts are already positioned for lower rates, and a failure to break outside of the range in the near term, may see some accounts begin to trim positioning given the cost of holding a received position. The 2y/10y curve steepened to -35bps last week and has been rangebound through 2024.

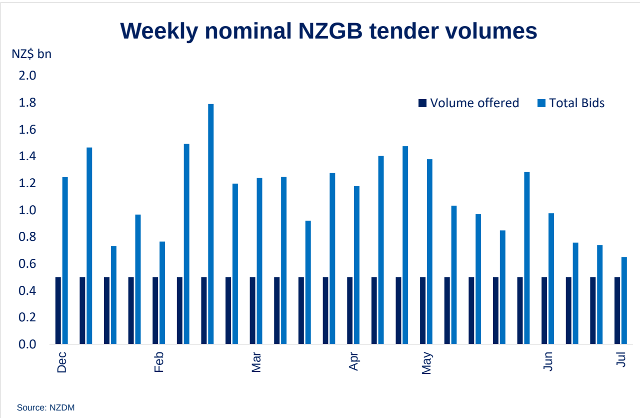
NZ swap curve has steepened (less inverted)



In addition to the RBNZ MPR this week, June inflation partials will be closely monitored ahead of Q2 CPI on July 17. The latest manufacturing PMI - which has been at a contractionary level for the past 15 months - is expected to reveal continued weak activity in the sector. The main risk event on the international calendar is US CPI data and Fed Chair Powell's testimony to US politicians. The market will be focused on how the Fed is assessing the balance of risks following signs of cooling in the US labour market.

NZ government bonds (NZGB) have underperformed relative to interest rate swaps and on a cross market basis against US Treasuries (UST). A contributing factor was tepid NZGB demand from investors at the first weekly tender for the new fiscal year. In total, there were NZ$650 million of bids for the NZ$500 million of bonds offered. The May-41s only attracted NZ$94 million of bids for the NZ$100 million being offered and had a significant tail. The last time an individual bond line wasn't fully covered was February 2023.

Soft NZGB tender demand continues in July



The recent trend of weak bond tenders is set against the backdrop of a large NZ$38 billion programme for 2024/25. However, demand is time-varying and can be driven by idiosyncratic factors. We expect the recent NZGB underperformance to stimulate fresh demand. 10-year asset swap spreads are at the widest level since April, and back towards the top end of the 10-25bps range, which has contained price action in recent months. Furthermore, the widening in 10-year NZGB-UST spreads, to 3-month highs near 40bps, will also likely contribute to demand.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.61	5.61 - 5.63
NZ 2yr swap (%)	4.83	4.83 - 5.11
NZ 5yr swap (%)	4.38	4.33 - 4.63
NZ 10yr swap (%)	4.45	4.36 - 4.66
2s10s swap curve (bps)	-38	-52 - -34
NZ 10yr swap-govt (bps)	-21	-21 - -11
NZ 10yr govt (%)	4.66	4.59 - 4.72
US 10yr govt (%)	4.28	4.19 - 4.49
NZ-US 10yr (bps)	38	22 - 38
NZ-AU 2yr swap (bps)	49	49 - 90
NZ-AU 10yr govt (bps)	26	26 - 51

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week the USD was broadly weaker after some soft data prints. NZD/USD rose nearly 1% to just under 0.6150, with the bigger picture being one of further consolidation in a roughly 0.61-0.62 range. JPY remained at the weak end of the ledger, seeing NZD/JPY lift to a fresh multi-decade high just below 99. The NZD showed falls of 0.5% or less against AUD, EUR and GBP, with GBP being the strongest of the majors, helped by optimism that a new functioning government can provide a better economic outlook with an improved relationship with the EU.

The key US employment report was consistent with an easier labour market, with moderating employment growth, lower wage inflation and the unemployment rate rising to 4.1%, its highest level in 3½ years. The Fed's projections assumed the unemployment rate moving no higher than 4.0% through to year-end and we have previously suggested clear upside risk to that forecast. The market drove down US rates and is back to pricing in two full rate cuts by year-end. The odds of the Fed starting the easing cycle in September increased and the USD was broadly weaker.

Earlier in the week, the US ISM manufacturing and services indices were weaker than expected, the latter particularly so, while jobless claims data showed a rising trend of job layoffs. Citigroup's US economic surprise index continues to trend lower, evidence of a much weaker dataflow over the past three months, supporting calls for easier US monetary policy.

Domestically, the economic dataflow remains woeful, as evidenced by the QSBO, with many indicators consistent with a protracted recession and weaker inflation pressures. The survey supported the widely-held view that the RBNZ should be easing monetary policy, not threatening to raise rates further as it did at the May MPS. NZ rates fell last week and the market has priced nearly 40bps of easing by the November meeting.

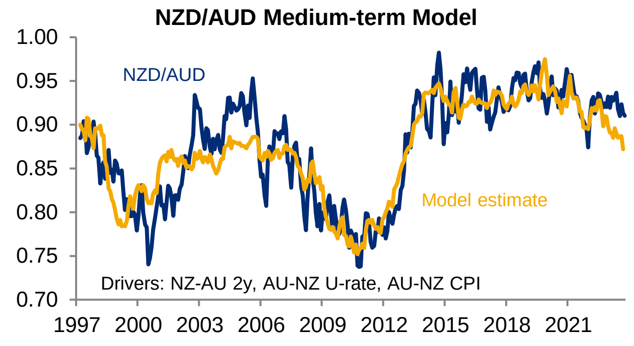
As we've previously suggested, the Fed's policy outlook will drive the path of NZD/USD, more so than the RBNZ's policy path, while the latter will be more reflected in the NZD crosses. NZD/AUD took a peek below 0.91, as it did a couple of months ago. We think it's only a matter of time before the cross goes below 0.90. NZ's economy is performing much more poorly than Australia and the odds of the RBNZ easing monetary policy this year have been increasing while the odds of the RBA easing this year have been falling. One still can't rule out the RBA needing to tighten policy further to bring inflation under control.

In the week ahead, the domestic focus will be on the RBNZ's Monetary Policy Review on Wednesday. The Statement and minutes are unlikely to read as dovish as the market wants them to read, with the overall message likely to remain one of monetary constraint being required to drive inflation back down to target, even if there might be some acknowledgement of the weak economy and signs of easier capacity pressures. It shouldn't be a market-moving event for the NZD but there is always scope for some volatility in the aftermath of the release.

More important for the market will be the US CPI and PPI reports (Thursday and Friday night respectively), where another soft CPI print would help cement in expectations for easier US monetary policy from September and would be USD-negative. Ahead of those releases, Fed Chair Powell will be speaking to lawmakers.

As the new week begins, political matters are forefront of mind, with the surprise French election result seeing a left-wing bloc in a dominant position, raising question marks on France's fiscal trajectory, this being ostensibly euro-negative. The decisive Labour Party victory in the UK is GBP-positive as noted earlier. In the US, Biden's position as a Presidential nominee is looking increasingly tenuous. With Biden at the helm, a Trump victory would be a shoo-in, which is USD-positive, but a stronger Democratic candidate would create a more two-sided risk profile for the USD.

NZD/AUD on a deservedly lower trajectory



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6138	0.6050 - 0.6150
NZD/AUD	0.9110	0.9080 - 0.9300
NZD/GBP	0.4797	0.4780 - 0.4850
NZD/EUR	0.5681	0.5630 - 0.5740
NZD/JPY	98.68	96.10 - 98.90

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6710	-9%
NZD/AUD	0.8860	3%

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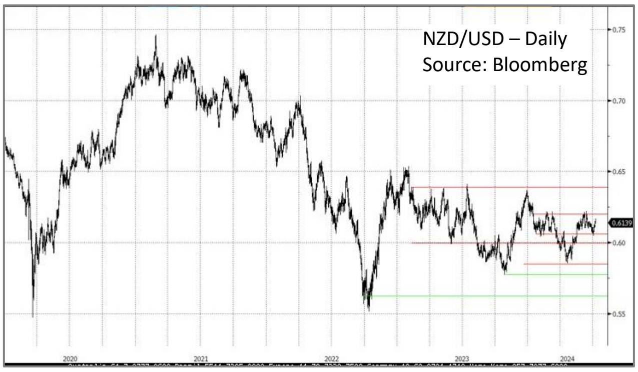
Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.6220 (ahead of 0.6390)
ST Support: 0.6050 (ahead of 0.60)

We've nudged the first support level down to last week's low around 0.6050, ahead of 0.60. There is notable resistance near the 0.6220 mark.



NZD/AUD

Outlook: Downside risk
ST Resistance: 0.9315 (ahead of 0.9470)
ST Support: 0.9050 (ahead of 0.9000)

The 0.90-0.9050 zone looks to be the first key support area. A break of that would open up lows not seen since 2022.

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NZ 5-year Swap Rate

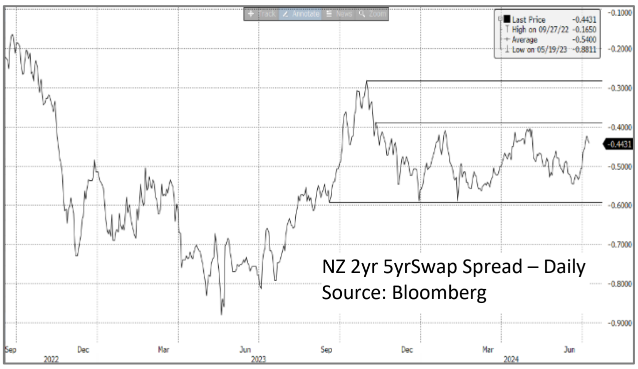
Outlook: Neutral
MT Resistance: 4.82
MT Support: 4.06

5 year swap took a leg lower last week on the back of increased rate cut expectations. Should it continue to move lower we will look to enter a short position around 4.30% where there looks to be some support emerging. With the RBNZ meeting this week, technical levels could be tested with any diversion from previous policy.

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

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

The 2y-5y swap spread moved steeper towards resistance last week before running out of steam. Again the RBNZ meeting this week may result in resistance being tested should they divert from previous policy. We will review our outlook post this meeting.



Quarterly Forecasts

Forecasts as at 8 July 2024

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts (shaded: Jun-24 onwards)

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
GDP (production s.a.)	-0.1	0.2	-0.2	0.3	0.6	0.7	0.7	0.8	0.8	0.8
Retail trade (real s.a.)	-1.8	0.5	-0.5	0.4	0.5	0.8	1.0	1.2	1.1	0.9
Current account (ytd, % GDP)	-6.9	-6.8	-6.9	-6.9	-6.5	-6.0	-5.7	-5.6	-5.4	-5.1
CPI (q/q)	0.5	0.6	0.6	1.1	0.5	0.5	0.5	0.9	0.1	0.4
Employment	0.4	-0.2	0.0	0.0	0.1	0.3	0.5	0.6	0.7	0.7
Unemployment rate %	4.0	4.3	4.6	4.9	5.3	5.5	5.5	5.5	5.4	5.3
Avg hourly earnings (ann %)	6.6	4.8	4.1	3.0	3.3	3.9	3.4	3.2	3.0	3.0
Trading partner GDP (ann %)	3.3	3.2	3.0	2.9	2.9	3.0	3.0	3.0	3.0	3.0
CPI (y/y)	4.7	4.0	3.5	2.8	2.8	2.6	2.5	2.3	1.9	1.9
GDP (production s.a., y/y))	-0.2	0.3	-0.4	0.2	0.9	1.4	2.3	2.8	3.0	3.0

Interest Rates

Historical data - qtr average
Forecast data - end quarter

	Cash	Government Stock 90 Day Bank Bills	Government Stock 5 Year	Government Stock 10 Year	Swaps 2 Year	Swaps 5 Year	Swaps 10 Year	US Rates Libor 3 month	US Rates US 10 yr	Spread NZ-US Ten year
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
Jun	5.50	5.62	4.50	4.65	4.98	4.47	4.50	5.60	4.30	0.35
Forecasts										
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
2026 Mar	3.50	3.25	3.90	4.35	3.35	4.00	4.40	0.00	3.75	0.60

Exchange Rates (End Period)

	USD Forecasts NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD Forecasts NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.61	0.67	1.08	1.27	161	0.61	0.91	0.57	0.48	98.2	72.1
Sep-24	0.61	0.67	1.09	1.28	146	0.61	0.91	0.56	0.48	89.1	71.2
Dec-24	0.62	0.69	1.11	1.30	143	0.62	0.90	0.56	0.48	88.7	71.5
Mar-25	0.64	0.71	1.13	1.31	140	0.64	0.90	0.56	0.49	88.9	72.4
Jun-25	0.65	0.72	1.14	1.32	137	0.65	0.90	0.57	0.49	89.1	73.3
Sep-25	0.66	0.74	1.16	1.34	134	0.66	0.89	0.57	0.49	88.4	73.4
Dec-25	0.67	0.75	1.17	1.35	131	0.67	0.89	0.57	0.50	87.8	74.0
Mar-26	0.66	0.74	1.18	1.36	129	0.66	0.89	0.56	0.49	85.1	73.1
Jun-26	0.65	0.73	1.18	1.36	129	0.65	0.89	0.55	0.48	83.9	72.4
Sep-26	0.67	0.73	1.18	1.36	129	0.67	0.89	0.56	0.48	79.0	72.8
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 8 July 2024	March Years					December Years				
	Actuals					Actuals				
	2022	2023	2024	2025	2026	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	-3.4	4.0	12.0	3.4	-0.9	-4.3	2.6
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	0.7	2.6	10.0	3.4	-1.5	0.2	2.2
Exports	2.5	6.0	6.4	2.8	5.0	-2.7	-0.2	9.8	3.2	4.8
Imports	17.3	4.4	-1.2	3.9	4.1	14.8	4.7	-0.5	3.4	3.8
Real Expenditure GDP	4.7	2.7	0.4	0.5	2.7	5.9	2.3	0.8	0.3	2.3
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	424	447	353	381	405	420	441
Prices and Employment - annual % change										
CPI	6.9	6.7	4.0	2.6	1.9	5.9	7.2	4.7	2.8	1.9
Employment	2.5	3.0	1.3	0.4	2.5	3.3	1.7	2.7	-0.1	2.1
Unemployment Rate %	3.2	3.4	4.3	5.5	5.3	3.2	3.4	4.0	5.3	5.4
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	0.3	1.0	3.6	0.2	-2.3	-0.2	1.1
Unit Labour Costs (ann av %)	4.6	6.5	8.4	3.9	2.2	2.3	6.5	8.8	4.8	2.3
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	-25.6	-22.6	-20.6	-33.4	-27.9	-27.5	-23.7
Current Account - % of GDP	-6.6	-8.2	-6.8	-6.0	-5.1	-5.8	-8.8	-6.9	-6.5	-5.4
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	9.0	8.1					
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 08 July			
JN	Scheduled FT Pay - Same Base YoY May	2.20%		1.70%
AU	Home Loans Value MoM May	1.80%		4.80%
JN	Eco Watchers Survey Outlook SA Jun	46.5		46.3
GE	Trade Balance SA May	20.3		22.2b
EC	Sentix Investor Confidence Jul	-0.5		0.3
	Tuesday 09 July			
US	NY Fed 1-Yr Inflation Expectations Jun			3.17%
UK	BOE's Haskel speaks			
UK	BRC Sales Like-For-Like YoY Jun	0.8%		0.4%
AU	NAB Business Confidence Jun			-3
US	NFIB Small Business Optimism Jun	90.2		90.5
CH	New Yuan Loans CNY YTD Jun	13438		11140.0b
CH	Aggregate Financing CNY YTD Jun	18222		14800.0b
	Wednesday 10 July			
US	Fed's Powell Testifies to Senate Banking			
NZ	Net Migration SA May			7380
CH	PPI YoY Jun	-0.8		-1.4%
CH	CPI YoY Jun	0.4		0.3%
NZ	RBNZ Official Cash Rate Jul-10	5.50%		5.50%
	Thursday 11 July			
UK	BOE's Pill speaks			
	Thursday (continued)			
US	Wholesale Trade Sales MoM May			0.1%
US	Fed's Goolsbee speaks			
NZ	Selected Prices Jun			
JN	Core Machine Orders MoM May	0.9		-2.90%
GE	CPI YoY Jun F	2.2		2.2%
UK	Monthly GDP (MoM) May	0.2%		0.0%
UK	Industrial Production MoM May	0.2%		-0.9%
UK	Trade Balance GBP/Mn May	-£2000m		-£6750m
	Friday 12 July			
US	CPI Ex Food and Energy YoY Jun	3.4%		3.4%
US	Initial Jobless Claims Jul-06	239k		238k
US	Continuing Claims Jun-29	1855k		1858k
US	Fed's Bostic speaks			
US	Fed's Musalem speaks			
NZ	BusinessNZ Manufacturing PMI Jun			47.2
NZ	Card Spending Total MoM Jun			-0.9%
JN	Industrial Production MoM May F			2.8%
CH	Trade Balance CNY Jun			586.40b
	Saturday 13 July			
US	PPI Ex Food and Energy YoY Jun	2.5%		2.3%
US	U. of Mich. Sentiment Jul P	68.2		68.2

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	5.62
2mth	5.61	5.62	5.61	5.66
3mth	5.61	5.63	5.62	5.70
6mth	5.55	5.59	5.62	5.83
GOVERNMENT STOCK				
05/26	4.80	4.85	4.91	5.15
04/29	4.50	4.49	4.59	4.91
05/31	4.58	4.54	4.63	4.87
05/34	4.71	4.65	4.73	4.92
04/37	4.88	4.81	4.88	5.03
05/41	5.03	4.93	4.99	5.10
05/51	5.04	4.95	5.00	5.02
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	50	52	50	68
Europe 5Y	54	58	53	75

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	4.83	4.93	5.08	5.72
3 years	4.58	4.65	4.81	5.41
4 years	4.45	4.51	4.66	5.20
5 years	4.38	4.45	4.59	5.06
10 years	4.45	4.49	4.62	4.86
FOREIGN EXCHANGE				
NZD/USD	0.6140	0.6076	0.6128	0.6210
NZD/AUD	0.9107	0.9123	0.9271	0.9302
NZD/JPY	98.72	98.08	96.23	87.75
NZD/EUR	0.5674	0.5657	0.5692	0.5645
NZD/GBP	0.4795	0.4803	0.4814	0.4829
NZD/CAD	0.8378	0.8345	0.8431	0.8247
TWI	72.3	72.1	72.2	71.9

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