

Research Markets Outlook

12 August 2024

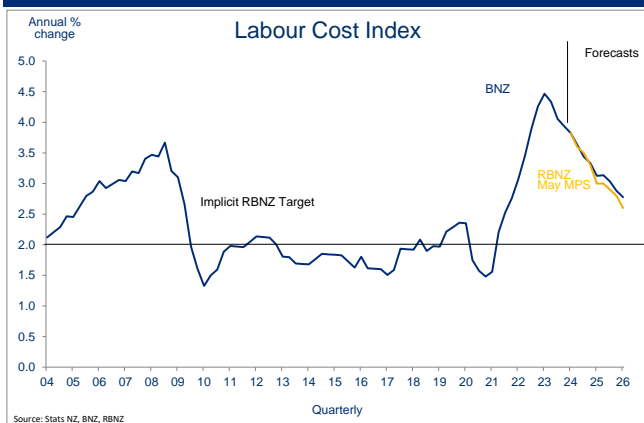
OCR cuts to be confirmed

- Economy demands rate cuts
- If not August then fairly soon thereafter
- NZ a massive underperformer
- PMI and PSI to confirm moribund economy
- Selected price indexes to confirm sub 3.0% annual CPI

There's quite a lot of interesting data being released in the week ahead but market watchers will be solely focused on the August Monetary Policy Statement (MPS) on Wednesday afternoon.

We provided our [full preview](#) of the MPS last Tuesday. In short, we believe the New Zealand economy is contracting, spare capacity is rising rapidly, and the unemployment rate is some way from its peak. This is alleviating pressure on inflation and, importantly, lower wage growth will help bring down stubborn non-tradables inflation.

Falling wage growth a key

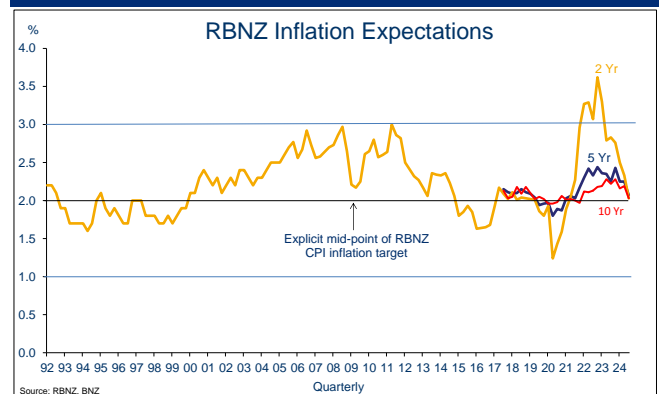


Headline inflation has again surprised to the downside and is almost certain to be well within the Reserve Bank's target band when the September quarter data are released. Moreover, the Reserve Bank itself has acknowledged its confidence that inflation is now behaving.

To cap things off pricing intentions are falling and last week we learnt that inflation expectations for two, five and ten years ahead are basically at 2.0%.

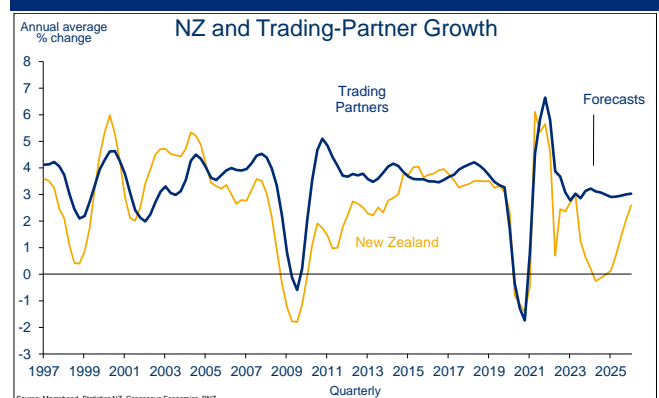
As if all this wasn't enough, globally the tide is pulling stronger and stronger in the direction of easier monetary conditions as, importantly, New Zealand trading partner inflation projections remain subdued.

Mission accomplished



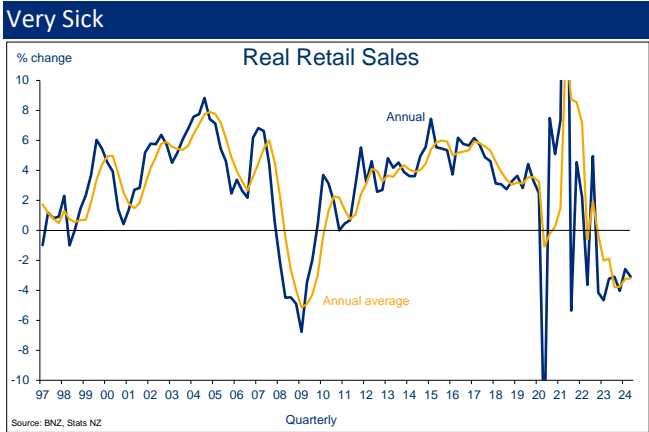
There are many who believe further easing by the majors, particularly the US Fed, will be needed before the RBNZ can move. We are not of this view. New Zealand is in a world of its own. Our economy is simply much sicker than most of our trading partners and our residual inflation is largely driven by relative price shifts and factors that the central bank has minimal influence over.

NZ Sick



In our opinion, the economy is now screaming out for relief and any further delay by the Reserve Bank risks it having to slash rates aggressively further down the track likely resulting in unnecessary volatility in output and prices.

There are others who believe the RBNZ couldn't possibly turn dovish this week given the proximity of this decision to the Bank's move to a tightening bias back in May.



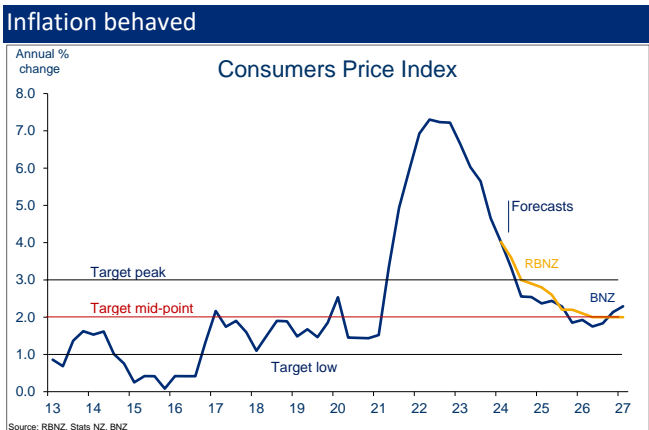
But this misses two very important points. Firstly, the Bank appeared to reverse this decision when it met in July and, secondly, when the data shifts the Bank will shift. It has and is now overwhelming in its negativity.

One can never be certain about a central bank’s stance and uncertainty increases when the composition of the decision-making team is changing, as has been the case for the RBNZ in 2024. But what we can say is that if the RBNZ does not ease at this meeting we will simply forecast a stronger easing at ensuing meetings. We feel that market pricing will do likewise.

Ironically, there are several key data releases later in the week that the RBNZ really would have liked to see before going to print.

On Thursday we get the Selected Price Indexes for July, the first month of the September quarter.

We are forecasting a 1.0% jump in the CPI for Q3 which will drop annual inflation to just 2.6%. Over half of the increase is expected to come from the housing and household utilities group with local body rates increases accounting for almost 80% of that. Unfortunately, the only component of this group that appears in the selected price indexes is rents so we won’t get a great steer on this influential component. We do, nonetheless, expect rents to increase 0.3% for the month which would be consistent with our hypothesis that annual rent increases have peaked.

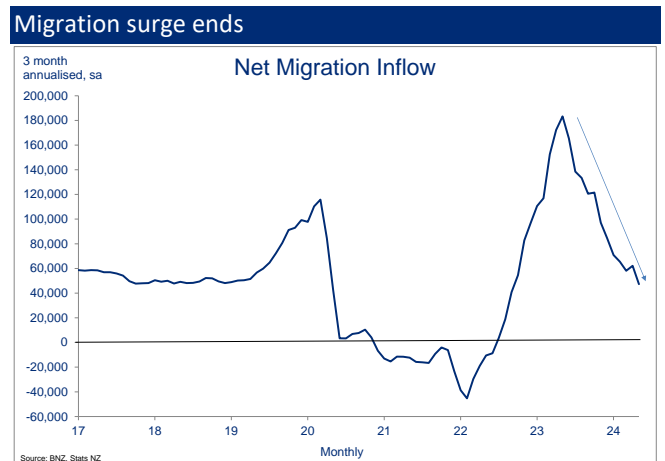
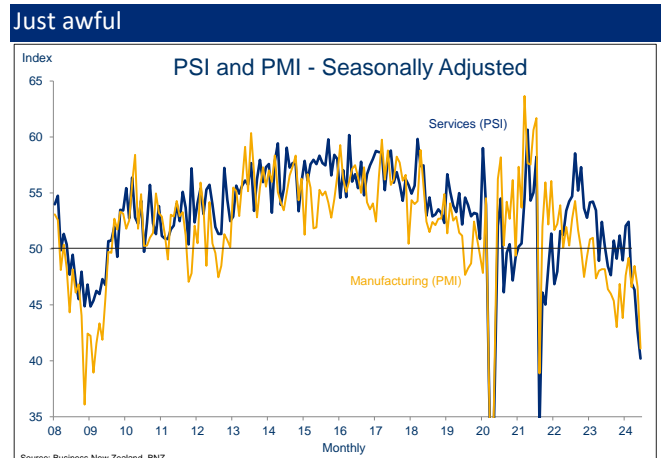


Food prices are also seasonally high in Q3 as fresh fruit and vegetable prices typically jump in July. We are forecasting total food prices to rise 0.9% in the month. Any significant deviation from this could have a meaningful impact on our Q3 CPI projections. As things stand, food prices account for around a third of our expected quarterly CPI increase.

Another price indicator we will be keeping an eye on is accommodation services. Anecdotal evidence suggests domestic hotel rates are falling aggressively. It will be interesting to see if this is revealed in these data.

On Friday the Business NZ – BNZ Performance of Manufacturing Index (PMI) is released. We can only assume the PMI remains buried below the “breakeven” 50 level for the 17th consecutive month given the parlous state of the domestic economy. We do believe the prospect of falling interest rates will boost business confidence but the PMI, and its sister index, the PSI (Performance of Services Index), report on the current situation rather than expectations of the future.

The Services Index had been well and truly outperforming manufacturing for some time but over the last few months it too has succumbed. Again, more of the same is anticipated in the August 19 release of the latest PSI.



The already extreme weakness of the PMI and PSI should be right in the line of sight of the central bank when making its August 14 decision.

Also of interest should be the downward pressure on growth coming from the sharp slowdown in net migration and the apparent stalling in tourism growth. We will get an update on this on Tuesday.

Rounding out the week's real economy data are July's electronic cards transactions data on Thursday. On a seasonally adjusted basis, core retail transaction values have declined for five consecutive months. There is a good chance July sales elongate that trend.

The only other data to keep an eye on are:

- ANZ's truckometer released Tuesday;
- household inflation expectations Thursday; and
- business price indices Friday.

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Global Watch

- **US core CPI seen at 0.2% m/m; PPI due before**
- **US retail sales, jobless claims to monitor**
- **China activity data to show slow start to Q3**
- **AU labour market, confidence data due**
- **UK GDP seen up 0.6% q/q; CPI up to 2.3% y/y**

Week in review

A solid US ISM Services (51.4 vs. 51.0 consensus) and a fallback in Jobless Claims (233k from 250k) saw markets calm a little through last week. The other driver of the recent volatility has been the BoJ and the unwind of yen carry trades and short volatility trades. The BoJ came out to calm markets with Deputy Governor Uchida stating, *“the bank will not raise its policy interest rate when financial and capital markets are unstable”*.

The RBA held rates as widely expected, although commentary was slightly more hawkish. Governor Bullock noted that the “Board remains vigilant with respect to upside risks on inflation and will not hesitate to raise rates if it needs to. I know this is not what people want to hear. But the alternative of persistently high inflation is worse. It hurts everyone.” Ms Bullock also pushed back on pricing for cuts: “a near-term reduction in the cash rate doesn’t align with the board’s current thinking” and markets “are a bit ahead of themselves”.

Week Ahead in Brief

In the US, PPI (Tuesday) comes ahead of the more interesting CPI (Wednesday) this month. Core CPI is expected at 0.2% m/m, enough to keep the focus firmly on the labour market, but not enough by itself to cage the remaining hawks on the FOMC. An update on the consumer comes with Retail Sales on Thursday, but will have to share the spotlight with heightened sensitivity to Jobless Claims.

A reasonably busy week ahead for Australia. From the ABS, July unemployment data (Thursday) and Q2 WPI (Tuesday) take centre stage. Also released Tuesday are the NAB Business Survey and W-MI Consumer Confidence.

From the RBA in the wake of their August forecast update and still heightened concern about inflation risks, Deputy Governor Hauser speaks in Brisbane on Tuesday, and Governor Bullock appears alongside a cast of other senior leadership at before the House of Representatives Standing Committee on Economics on Friday.

For Australian labour market data on Thursday, NAB expects a stable unemployment rate of 4.1% on a 30k employment gain, June’s unrounded outcome of 4.051% helping to avoid a tick higher in the unemployment rate. The RBA forecast a Q4 unemployment rate of 4.3% at their August Statement. For Wages, NAB expects a 0.9% q/q

outcome for 4.0% y/y, in line with the RBA’s August forecast and consensus, though the risk sits with a repeat of Q1’s 0.8% outcome.

It’s a quieter calendar in Europe. Germany gets the ZEW Survey (Tuesday) and preliminary GDP (Wednesday) is expected unchanged from the advanced estimate of 0.3%. Market pricing is consistent with expectations that the Norges Bank holds rates on Thursday.

Across the channel, the UK has a fuller data calendar. June earnings will be in focus in the suite of labour market data on Tuesday. Base effects has the market expecting a headline annual CPI inflation rate higher at 2.3% (from 2.0%) on Wednesday. The BoE pencils in a lift to 2.4%. And Q2 GDP should show a healthy pace of growth in Q2 Thursday with market expectations of 0.6% for the quarter and 0.9% for the year.

In Asia, Chinese activity data (Thursday) is expected to show a soft start to Q3. Japan has a holiday Monday.

Important Events Preview

Monday 12

AU RBA’s Hauser

RBA Deputy Governor Hauser speaks at an ESA business lunch in Brisbane. He is likely to remain on message with Governor Bullock’s more hawkish given market pricing sits at odds with the Bank’s assessment of what is necessary to see inflation back at target in 2026.

Tuesday 13

AU WPI

NAB expects Q2 WPI growth of 0.9% q/q or 4.0% y/y, in line with the consensus and the RBA’s August SoMP pick.

The Q1 data showed WPI up 0.8% q/q and 4.1% y/y. It also came with an upward revision to Q4, which continued the pattern of revisions as seasonal factors adjust to a shift in the timing of pay increases post pandemic. In Q1, just 12% of jobs saw a pay increase in the private sector, compared to 15-17% in the years prior to the pre-pandemic. The average size of pay changes was stable at an elevated 4.4%. The Q1 outcome was also weighed by a low public sector outcome, with jobs that usually see a pay change in Q1 instead seeing increases in Q3 or Q4.

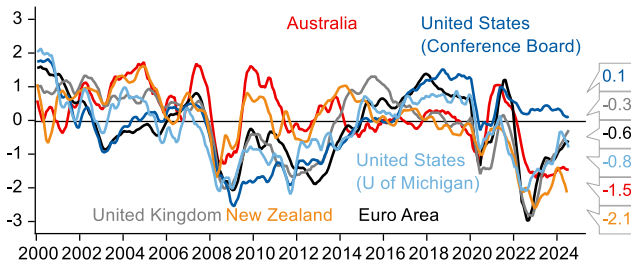
AU NAB Business Survey; W-MI Consumer Confidence

No comment on the survey given NAB publish it.

The W-MI consumer confidence has so far failed to meaningfully move off its lows despite the most acute pressures on household incomes fading.

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 Michigan, Macrobond

GE ZEW Survey

UK Employment & Earnings

UK average hourly earnings for June should show a modest decline from stubbornly high readings of 5.7% y/y for total earnings (inc bonuses) and also 5.7% for regular pay. The deceleration has been glacial and the prominent factor behind the minority four BoE members (of nine) who voted to keep rates unchanged earlier in August but were outvoted. Going forward NAB expects wage settlements to track down behind headline inflation. Broader UK labour market data is expected to see the unemployment rate in the 3m to June tick up a tenth to 4.5% and where the single month number may reach 4.7%.

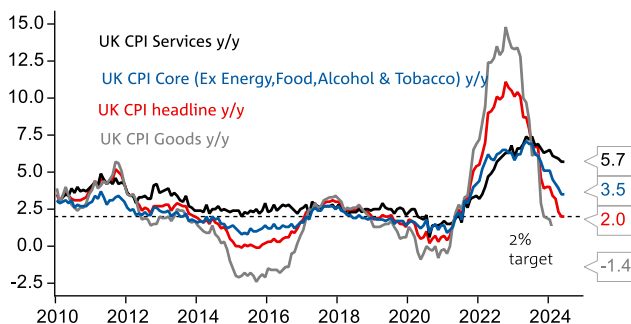
US PPI; Fed's Bostic speaks

PPI is released ahead of CPI, meaning expectations for the PCE deflator released 30 August will firm up quickly after Wednesday's CPI. Expectations for PPI are for a 0.2% m/m increase in the headline and core measures.

Wednesday 14

UK July CPI

After holding at the 2% target for two consecutive months, UK headline inflation is expected to nudge a little higher in July (consensus 2.3% y/y) as previously favourable base effects, mainly related to energy, turn higher. The BoE forecasts headline CPI to move up to around 2.7% in Q4. Core CPI and services inflation at 3.5% and 5.7% respectively should continue their gradual decline.



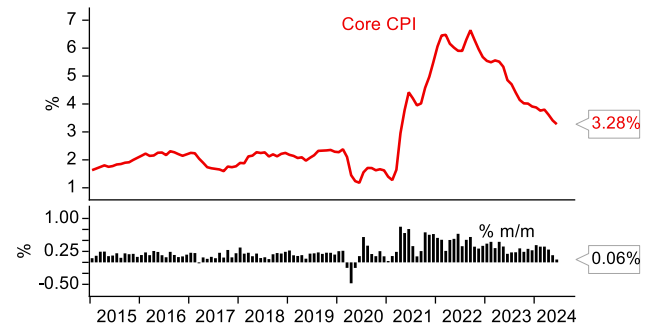
Source: National Australia Bank, Macrobond

EZ Preliminary Q2 GDP (2nd estimate)

US July CPI

Consensus is for core CPI is 0.2% m/m, another relatively benign outcome that would see the y/y rate slow to 3.2%. That wouldn't completely allay some of the more hawkish FOMC members concerns about persistence risks, with PCE likely to remain above 2.5% in y/y terms through to the end of the year, but would leave room for the Fed to respond to a softening labour market.

US Consumer Price Index



Source: National Australia Bank, U.S. Bureau of Labor Statistics (BLS), Macrobond

Thursday 15

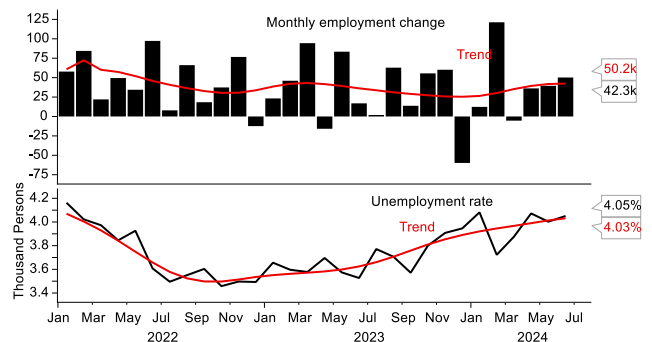
JN Q2 GDP

GDP is expected up 0.6% q/q, rebounding from -0.5% q/q outcome in Q1 on the back of a consumption pick up, helped by stronger pay increases and tax cuts, and a rebound in exports after earlier car production delays.

AU July Employment

NAB's forecasts see an ongoing gradual cooling in the labour market that keeps the trend unemployment rate inching higher. The July unemployment rate was 4.051% unrounded, so NAB have pencilled in an unchanged unemployment rate at 4.1% in August on the back of a 30k employment gain. The RBA's August forecasts look for an unemployment rate that averages 4.3% in Q4.

Australian Employment



Source: National Australia Bank, ABS

CH 1-yr MLF rate

Expectations are for the PBoC to stand pat. The unscheduled 20bp cut two weeks ago may have been

another more permanent step to shift focus towards the reverse repo rate, which would mean reduced prominence of the MLF rate as a policy tool and a delay to the usual timing to later in the month. Consensus is for the 1-year MLF rate to be steady at 2.30%.

CH July Retail, Industrial Production

The July round of PMIs was generally soft suggesting activity likely remained subdued into the third quarter. Retail Sales are expected up 2.6% y/y (from 2.0%) and industrial production is seen at 5.2% from 5.3%.

UK Preliminary Q2 GDP (Second Estimate)**NO Norges Bank (hold)**

Markets price the Norges bank as being on hold with a full rate cut not priced until December 2024.

US Retail Sales & Jobless Claims; Fed speak too

A pickup in car sales should support the headline retail sales read, expected up 0.4% m/m, while the core control group is expected to come back down to earth at 0.1%

m/m after a strong 0.9% outcome in June. While it's only a partial view of consumption, a weak print could reignite fears of a sharper turning point in the US economy. On that front, initial jobless claims will likely be under more intense scrutiny again in the absence of any other major labour market indicators, with the consensus at 236k. The Fed's Muslem and Harker also speak.

Friday 16**AU RBA Governor Bullock in front of House of Reps**

Governor Bullock appears alongside a cast of other senior leadership at before the House of Representatives Standing Committee on Economics.

UK Retail Sales

July UK retail sales should improve on their weak June outturn that was negatively affected by unseasonable weather.

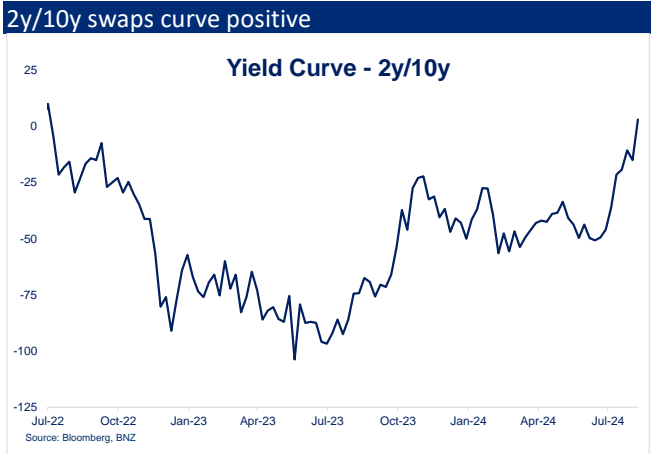
US UMich Consumer Sentiment

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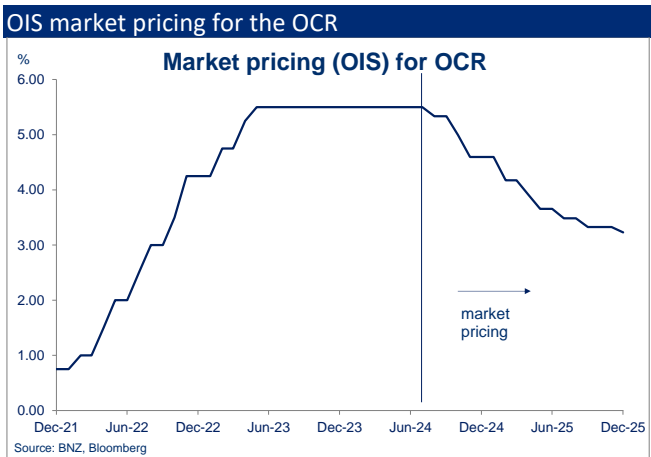
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ yields traded to new cycle lows as volatility across financial markets surged, and risk-sensitive assets declined, contributing to flight to quality flows into global fixed income. 2-year NZD swap rates dipped below 4%, the lowest level in two years, as market participants recalibrated expectations for the path of RBNZ monetary policy. The front end of the yield curve continued to outperform and the 2y/10y swaps curve returned to a positive slope for the first time since mid-2022.



Amid the peak market volatility at the start of last week, overnight index swaps (OIS) fully discounted a 25bps cut to the Official Cash Rate (OCR) at the RBNZ’s August Monetary Policy Statement (MPS) this Wednesday. Although Q2 labour market data revealed an increase in the unemployment rate to the highest level in more than three years, it was below the 4.7% consensus estimate, and contributed to some paring of rate cut expectations.



The MPS is the key domestic risk event for NZ rates markets in the week ahead. We forecast a 25bps rate cut with the Bank’s dovish tilt at the July Monetary Policy Review opening the door for a start to the easing cycle. Very weak activity indicators illustrate the impact that restrictive monetary policy settings are having on the economy, which is sufficient to repress inflation, and

supports the case for a rate cut. We forecast inflation will return to the RBNZ’s 1-3% target band in Q3.

Inflation expectations have continued to recede – Q3 2 year ahead expectations have fallen to 2.0%. This series peaked at 3.6% at the end of 2022 and has now returned to levels that prevailed ahead of the pandemic. This suggests some of the sticky non-tradables inflation within the basket, like local council rates and insurance, are not impacting broader expectations.

There is a range of views for the RBNZ’s OCR decision with economists polled on Bloomberg approximately evenly split between a 25bps cut and leaving the OCR unchanged at 5.5%. The OIS market is pricing a ~75% chance of a 25bps rate cut at the meeting and a cumulative 90bps of easing by the November MPS. If the RBNZ leaves rates on hold, it will increase the chance that a more aggressive cutting cycle will be required, to prevent an overshoot on the downside.

Given the amount of easing already priced, we think it would be a high hurdle for the RBNZ to surprise the market on the dovish side. The current level of 2-year swap, near 4%, approximately aligns with sequential 25bps rate cuts at each RBNZ policy meeting till the end of 2025. Although speculative received positioning presents a risk, extended moves higher in front end yields will be constrained by the domestic economic considerations.

US CPI data is the main international release in a busy week for global economic data. The market is pricing ~40bps of Fed easing at the September FOMC. A firmer services ISM and better jobless claims last week contributed to a paring of rate cut expectations. Chair Powell has emphasized the totality of the incoming data, and the CPI data will be impactful for refining the magnitude of what is expected to be the first cut for the easing cycle in September.

Current rates and 1-month range		
	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.35	5.32 - 5.56
NZ 2yr swap (%)	4.00	3.96 - 4.61
NZ 5yr swap (%)	3.79	3.68 - 4.20
NZ 10yr swap (%)	4.03	3.89 - 4.33
2s10s swap curve (bps)	3	-18 - 3
NZ 10yr swap-govt (bps)	-23	-30 - -22
NZ 10yr govt (%)	4.26	4.22 - 4.50
US 10yr govt (%)	3.94	3.67 - 4.29
NZ-US 10yr (bps)	32	14 - 43
NZ-AU 2yr swap (bps)	18	3 - 39
NZ-AU 10yr govt (bps)	20	5 - 23

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week commodity currencies outperformed as risk appetite recovered during a period of further market volatility. NZD/USD closed the week up 0.7% to around 0.6000 after probing a fresh year-to-date low of 0.5850 during a liquidity vacuum early in the week. While NZD/AUD and NZD/CAD fell slightly, the NZD was higher on the other key majors, with close to 1% gains against JPY, EUR and GBP.

Markets remained on edge last week but sentiment improved following stronger than expected US economic data that allayed fears of a hard economic landing. The US services ISM rebounded from contractionary territory in June and initial jobless claims fell a larger than expected 17k to 233k, after shooting up to 250k the previous week.

Also grabbing the market’s attention, BoJ deputy Governor Uchida gave the first public BoJ comments since the previous week’s rate hike. His comments were interpreted as dovish by the market, where he said that “the bank will not raise its policy interest rate when financial and capital markets are unstable”. Concerns about the unwinding of the yen-carry trade have been at the heart of recent market volatility.

Last week’s support for the NZD at 0.5850 increases the status of that level as a strong support area, which is close to the low seen in April. While rates and equity markets have displayed remarkable volatility of late, the NZD has been confined to a range of 0.5850-0.6220 since mid-January, less than 4 cents. We haven’t changed our FX forecasts since April and our end-Q3 target remains at 0.61.

Domestically, last week’s labour market reports didn’t help answer the question whether the RBNZ will kick start the easing cycle this week, even if most followers agree that easier policy is entirely appropriate, with the economy mired in recession and inflation falling steadily towards target. The HLFS showed unemployment rate rising to a fresh three year high of 4.6%, in line with the Bank’s May projection, while employment surprisingly rose by 0.4% q/q. We see the latter as an aberration, given other data showing the labour market under significant pressure, including filled jobs, job ads and hours worked. Inflation expectations data showing all horizons down to close to 2% provided another reason for the RBNZ to ease policy from the current overly restrictive level.

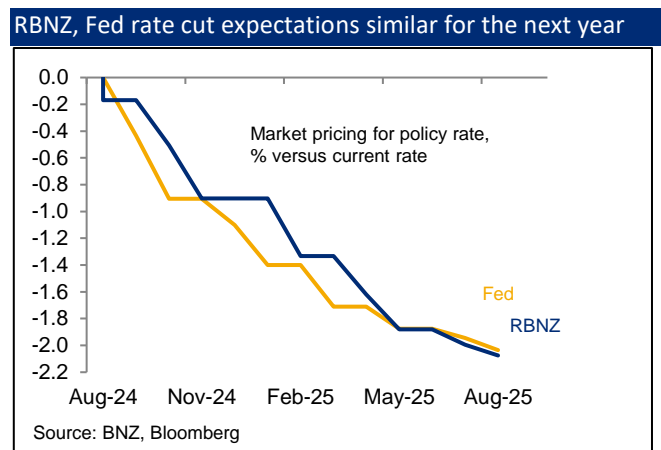
We’re in the camp expecting the RBNZ to deliver a 25bps rate cut this Wednesday. A delayed rate cut outcome might only offer short-term strength for the NZD as significant NZ rate cuts are inevitable and the market is unlikely to back away from that expectation for long.

Last week, the RBA delivered a more hawkish policy update than widely anticipated, maintaining previous language that data “have reinforced the need to remain

vigilant to upside risks to inflation” and the Board “is not ruling anything in or out”. Governor Bullock pushed back against market pricing of near-term risk of rate cuts. We remain negative on the NZD/AUD cross rate and see a re-test of the 0.90 level before the end of the year. Australian wages and employment data this week are key releases.

Elsewhere, the economic calendar is busy, with market focus on the US CPI and PPI releases, and retail sales also of note. Almost everyone surveyed expects the core CPI rose 0.2% m/m, an outcome that would see annual core inflation down to a fresh three-year low. Any deviation from forecast could see an outsized market reaction.

UK labour market and CPI data, Japan GDP and China monthly activity data could also be market moving this week.



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5996	0.5850 - 0.6040
NZD/AUD	0.9131	0.8950 - 0.9220
NZD/GBP	0.4698	0.4560 - 0.4740
NZD/EUR	0.5494	0.5360 - 0.5540
NZD/JPY	87.93	83.10 - 94.90

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models		
	Model Est.	Actual/FV
NZD/USD	0.6500	-8%
NZD/AUD	0.8710	5%

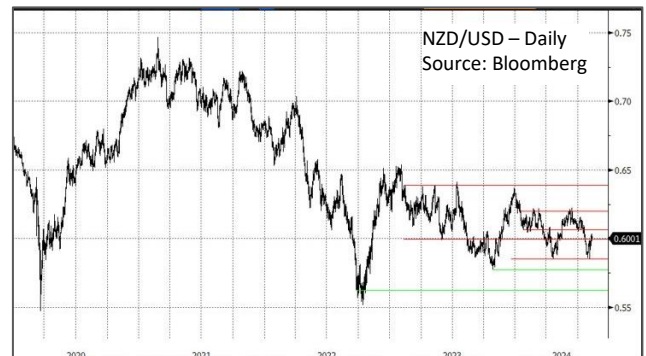
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Technicals

NZD/USD

Outlook: Trading range
 ST Resistance: 0.60 (ahead of 0.6220)
 ST Support: 0.5850 (ahead of 0.5775)

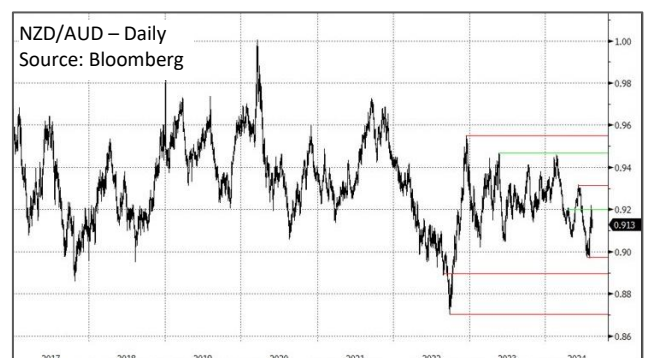
Recent price action has reaffirmed strong support near 0.5850. Key resistance still seen at 0.6220.



NZD/AUD

Outlook: Trading range
 ST Resistance: 0.9200 (ahead of 0.9315)
 ST Support: 0.8970 (ahead of 0.8900)

No change to key levels, with support around 0.8970 and resistance at 0.92.



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NZ 5-year Swap Rate

Outlook: Lower
 MT Resistance: 4.06
 MT Support: 3.48

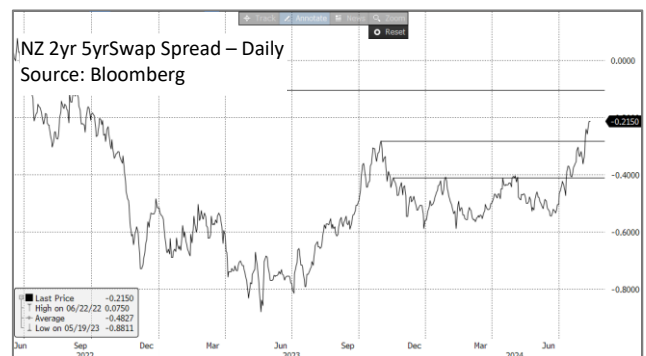
5 year swap continues to see volatile price action. A risk event filled week will likely see this continue.



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

Outlook: Steeper
 MT Resistance: -0.10
 MT Support: -0.28

The 2x5 year swap spread broke higher through our resistance last week. We continue to see strong momentum steeper and now target new resistance at -10bp.



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Quarterly Forecasts

Forecasts as at 12 August 2024

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
GDP (production s.a.)	-0.1	0.2	-0.3	0.0	0.5	0.7	0.7	0.8	0.8	0.8
Retail trade (real s.a.)	-1.8	0.5	-1.0	0.1	0.5	0.8	1.0	1.2	1.1	0.9
Current account (ytd, % GDP)	-6.9	-6.8	-6.7	-6.8	-6.6	-6.2	-6.0	-5.8	-5.6	-5.3
CPI (q/q)	0.5	0.6	0.4	1.0	0.5	0.5	0.5	0.9	0.0	0.5
Employment	0.5	-0.3	0.4	-0.1	0.0	0.3	0.5	0.6	0.7	0.7
Unemployment rate %	4.0	4.4	4.6	4.9	5.3	5.5	5.5	5.5	5.4	5.3
Avg hourly earnings (ann %)	6.6	4.8	4.0	2.9	3.1	3.7	3.4	3.2	3.0	3.0
Trading partner GDP (ann %)	3.3	3.2	3.0	2.9	2.9	2.9	3.0	3.0	3.1	3.0
CPI (y/y)	4.7	4.0	3.3	2.6	2.5	2.4	2.4	2.3	1.9	1.9
GDP (production s.a., y/y)	-0.2	0.3	-0.5	-0.1	0.4	0.9	1.9	2.6	2.9	3.0

Interest Rates

Historical data - qtr average

Forecast data - end quarter

	Cash	Government Stock			Swaps			US Rates		Spread NZ-US Ten year
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	Libor 3 month	US 10 yr	
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	5.25	5.00	4.15	4.55	3.85	4.05	4.30	5.40	4.25	0.30
Dec	4.75	4.75	4.05	4.45	3.50	4.00	4.30	5.15	4.10	0.35
2025 Mar	4.50	4.25	3.90	4.40	3.20	3.85	4.25	4.65	4.00	0.40
Jun	4.00	3.75	3.80	4.35	3.05	3.75	4.20	4.40	3.90	0.45
Sep	3.50	3.25	3.70	4.30	2.95	3.65	4.15	4.15	3.80	0.50
Dec	3.00	3.00	3.75	4.25	3.05	3.70	4.10	3.90	3.75	0.50
2026 Mar	2.75	2.90	3.80	4.25	3.30	3.80	4.15	3.65	3.75	0.50

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.60	0.66	1.09	1.28	147
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
Sep-26	0.67	0.73	1.18	1.36	129

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.60	0.91	0.55	0.47	87.9	70.0
Sep-24	0.61	0.91	0.56	0.48	89.1	71.1
Dec-24	0.62	0.90	0.56	0.48	88.7	71.4
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	73.2
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
Sep-26	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 12 August 2024	March Years					December Years				
	Actuals			2025		Actuals			2025	
	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025
GDP - annual average % change										
Private Consumption	6.0	2.7	0.9	1.2	2.6	7.4	3.3	0.6	1.4	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	-4.3	3.5	12.0	3.4	-0.9	-4.9	1.9
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	0.4	2.5	10.0	3.4	-1.5	0.0	2.0
Exports	2.5	6.0	6.4	2.0	5.0	-2.7	-0.2	9.8	2.6	4.5
Imports	17.3	4.4	-1.2	3.1	4.1	14.8	4.7	-0.5	2.8	3.6
Real Expenditure GDP	4.7	2.7	0.4	0.2	2.6	5.9	2.3	0.8	0.1	2.1
GDP (production)	4.6	2.7	0.2	0.1	2.6	5.6	2.4	0.6	0.0	2.1
<i>GDP - annual % change (q/q)</i>	<i>0.6</i>	<i>2.0</i>	<i>0.3</i>	<i>0.9</i>	<i>3.0</i>	<i>2.6</i>	<i>2.2</i>	<i>-0.2</i>	<i>0.4</i>	<i>2.9</i>
Output Gap (ann avg, % dev)	1.4	2.0	-0.1	-1.2	-0.6	1.6	2.0	0.3	-1.0	-0.8
Nominal Expenditure GDP - \$bn	359	388	409	423	445	353	381	405	419	439
Prices and Employment - annual % change										
CPI	6.9	6.7	4.0	2.4	1.9	5.9	7.2	4.7	2.5	1.9
Employment	2.5	3.1	1.3	0.6	2.5	3.3	1.7	2.9	0.0	2.1
Unemployment Rate %	3.2	3.4	4.4	5.5	5.3	3.2	3.4	4.0	5.3	5.4
Wages - ahote (private sector)	5.3	8.2	4.8	3.7	3.0	4.1	8.1	6.6	3.1	3.0
Productivity (ann av %)	1.7	0.5	-2.4	0.0	0.9	3.6	0.2	-2.4	-0.4	1.0
Unit Labour Costs (ann av %)	4.6	6.5	8.5	4.2	2.3	2.4	6.5	9.0	5.1	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	-26.3	-23.4	-20.6	-33.4	-27.9	-27.7	-24.5
Current Account - % of GDP	-6.6	-8.2	-6.8	-6.2	-5.3	-5.8	-8.8	-6.9	-6.6	-5.6
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	71.4	74.0
Overnight Cash Rate (end qtr)	1.00	4.75	5.50	4.50	2.75	0.75	4.25	5.50	4.75	3.00
90-day Bank Bill Rate	1.45	5.16	5.64	4.25	2.90	0.92	4.55	5.63	4.75	3.00
5-year Govt Bond	2.90	4.40	4.60	3.90	3.80	2.20	4.30	4.50	4.05	3.75
10-year Govt Bond	3.20	4.35	4.60	4.40	4.25	2.35	4.25	4.65	4.45	4.25
2-year Swap	3.00	5.15	4.91	3.20	3.30	2.22	5.21	4.93	3.50	3.05
5-year Swap	3.20	4.50	4.40	3.85	3.80	2.56	4.62	4.43	4.00	3.70
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	0.40	0.50	0.90	0.65	0.65	0.35	0.50

⁽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		Median	Fcast	Last
Monday 12 August				Thursday (continued)			
AU RBA's Hauser speaks				CH Fixed Assets Ex Rural YTD YoY Jul	3.90%		3.90%
CH New Yuan Loans CNY YTD Jul	13689.1b		13270.0b	CH Surveyed Jobless Rate Jul	5.10%		5.00%
CH Aggregate Financing CNY YTD Jul	19100.0b		18100.0b	NZ Household inflation exp., 2yr ahead median 3Q			3.00%
Tuesday 13 August				JN Industrial Production MoM Jun F			-3.60%
US NY Fed 1-Yr Inflation Expectations Jul			3.02%	UK GDP QoQ 2Q P	0.60%		0.70%
NZ Net Migration SA Jun			1410	UK Monthly GDP (MoM) Jun	0.00%		0.40%
AU Wage Price Index QoQ 2Q	0.90%	0.90%	0.80%	UK Industrial Production MoM Jun	0.10%		0.20%
AU NAB Business Confidence Jul			4	UK Trade Balance GBP/Mn Jun	-£3500m		-£4894m
UK ILO Unemployment Rate 3Mths Jun	4.50%		4.40%	UK Trade Balance Ex Precious Metals Jun	-£2400m		-£3187m
UK Payrolled Employees Mnthly Chng Jul	10k		16k	Friday 16 August			
GE ZEW Survey Expectations Aug	32.7		41.8	US Empire Manufacturing Aug	-5.5		-6.6
US NFIB Small Business Optimism Jul	91.5		91.5	US Retail Sales Advance MoM Jul	0.40%		0.00%
Wednesday 14 August				US Retail Sales Ex Auto and Gas Jul	0.20%		0.80%
US PPI Ex Food and Energy YoY Jul	2.70%		3.00%	US Retail Sales Control Group Jul	0.10%		0.90%
US Fed's Bostic speaks				US Philadelphia Fed Business Outlook Aug	5		13.9
NZ RBNZ Official Cash Rate Aug-14	5.50%	5.25%	5.50%	US Initial Jobless Claims Aug-10	236k		233k
UK CPI YoY Jul	2.30%		2.00%	US Continuing Claims Aug-03	1870k		1875k
UK CPI Services YoY Jul	5.50%		5.70%	US Fed's Musalem speaks			
EC GDP SA QoQ 2Q P	0.30%		0.30%	US Manufacturing (SIC) Production Jul	-0.30%		0.40%
EC Employment YoY 2Q P			1.00%	US Business Inventories Jun	0.30%		0.50%
EC Industrial Production SA MoM Jun	0.40%		-0.60%	US NAHB Housing Market Index Aug	43		42
Thursday 15 August				US Fed's Harker speaks			
US CPI Ex Food and Energy YoY Jul	3.20%		3.30%	NZ BusinessNZ Manufacturing PMI Jul			41.1
NZ RBNZ Governor Orr at FEC				NZ PPI Output QoQ 2Q			0.90%
NZ Food Prices MoM Jul			1.00%	AU RBA Governor Bullock appears before parliament			
NZ Selected Prices MoM Jul				NZ RBNZ Governor Orr speaks			
NZ Card Spending Total MoM Jul			-0.50%	UK Retail Sales Inc Auto Fuel MoM Jul	0.60%		-1.20%
JN GDP SA QoQ 2Q P	0.60%		-0.50%	EC Trade Balance SA Jun	12.0b		12.3b
CH Used Home Prices MoM Jul			-0.85%	Saturday 17 August			
AU Employment Change Jul	20.0k	30.0k	50.2k	US Housing Starts Jul	1335k		1353k
AU Unemployment Rate Jul	4.10%	4.10%	4.10%	US New York Fed Services Business Activity Aug			-4.5
CH Industrial Production YoY Jul	5.20%		5.30%	US U. of Mich. Sentiment Aug P	66.9		66.4
CH Retail Sales YoY Jul	2.60%		2.00%	US Fed's Goolsbee speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	5.50	5.50	5.50	5.50	2 years	4.00	3.96	4.44	5.52
1mth	5.44	5.42	5.61	5.61	3 years	3.82	3.74	4.18	5.22
2mth	5.45	5.38	5.59	5.63	4 years	3.78	3.68	4.09	5.03
3mth	5.35	5.33	5.56	5.64	5 years	3.79	3.69	4.06	4.92
6mth	5.12	5.10	5.39	5.73	10 years	4.03	3.93	4.23	4.81
GOVERNMENT STOCK					FOREIGN EXCHANGE				
05/26	4.14	4.08	4.47	5.07	NZD/USD	0.5998	0.5941	0.6075	0.5976
04/29	3.90	3.79	4.17	4.85	NZD/AUD	0.9125	0.9144	0.8987	0.9211
05/31	4.07	3.94	4.29	4.87	NZD/JPY	88.02	85.65	96.02	86.97
05/34	4.26	4.16	4.45	4.94	NZD/EUR	0.5493	0.5423	0.5576	0.5479
04/37	4.45	4.38	4.62	5.05	NZD/GBP	0.4702	0.4650	0.4685	0.4711
05/41	4.62	4.57	4.78	5.13	NZD/CAD	0.8238	0.8212	0.8312	0.8044
05/51	4.67	4.63	4.82	5.09	TWI	70.0	69.3	71.5	70.0
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	58	61	49	66					
Europe 5Y	62	65	51	72					

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