26 August 2024

A confidence bounce?

- **Falling interest rates should boost confidence**
- **For both businesses and households**
- **But real economy lags are long**
- **And softening labour market remains a headwind**
- **Lending aggregates to remain subdued**

With interest rates falling it's likely confidence, both consumer and business, will start to move higher. In the first instance just removing the fear of higher rates from those who are under the pump will be a huge weight off the shoulders of many. For others it will not be long before there are genuine cash flow impacts as their mortgages reset at lower levels. For corporates this will be a while longer but future rate relief will still be greeted with open arms.

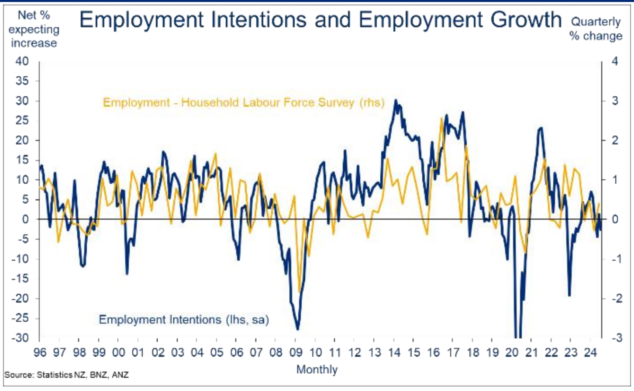
On Thursday we get the ANZ's latest business survey which is followed up with the consumer equivalent on Friday. We will be looking out for those aforementioned confidence improvements the likes of which should be considered as a genuine portent of better times ahead.

However, we can't stress enough that the lags between rate cuts and real activity will be long for many. And, perhaps more importantly, the labour market still has many months of adjustment before its nadir is reached. Currently, the unemployment rate is 4.6%, up from a low of 3.2% back in March 2022. We are forecasting the rate to rise to 5.5% by March 2025 but for it to be 2026 before it starts to lower. The risk, and it is becoming an increasingly strong one, is that the unemployment rate goes even higher than we anticipate.

For many corporates it will be the reduction in labour costs that ultimately returns the business back to profitability but for those who lose their jobs this will be little consolation, and will be a significant headwind to any pick-up in consumer confidence.

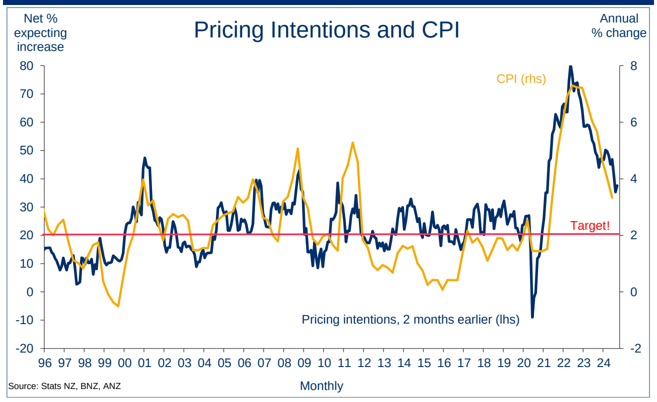
We'll be looking closely at the ANZ survey to see just how soft that labour market could become. Every day we are reading reports of potential layoffs, and labour cost reduction, and it's no longer just the state sector where the adjustments are occurring. In the July survey a net 3.6% of businesses said they would be reducing their staff numbers. A modest further decline in this measure would be consistent with our unemployment view but a more aggressive drop would suggest the upside risk to our forecasts was playing out.

Labour market to deteriorate further



Of course, we'll also be watching pricing intentions and inflation expectations. The RBNZ will want to see these well behaved if it is to maintain its confidence that interest rates can keep falling. We are quietly confident that this will be the case.

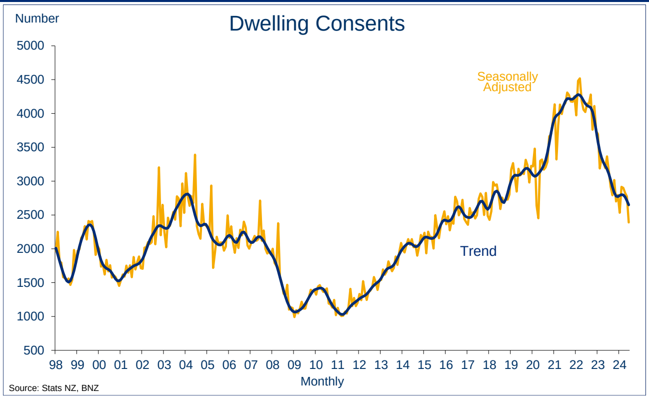
Further falls needed



On Wednesday we will get further insights into the labour market with the release of July employment indicators. Filled jobs have fallen for each of the last three months. We wouldn't be at all surprised to see a further decline this time around.

Yet another area of weakness in the economy has been construction. On Friday we get July building consents data. We expect the broad trend to be down but caution that the very weak June reading could in part be due to decreased trading days as the country celebrated Matariki with a day off work. This being so, there is a chance of some reversal in July but it's unlikely to be enough to reveal any core improvement in activity.

Going down



Updates on lending data will be produced this week. The softness in house building will weigh on the lending data but a pick up in the turnover in the existing stock will prove beneficial and could well be enough to see a pick up in new residential lending. With plant and machinery investment as weak as it is we doubt there will be much sign of life in business lending. The full credit aggregates are released Friday, new lending data are out this afternoon.

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Global Watch

- **Fed Chair Powell says the ‘time has come’ for easing**
- **China PMIs due**
- **US jobless claims, NVIDIA earnings in focus**
- **EZ core CPI seen easing**
- **AU CPI monthly; retail sales due**

Week in review

Fed Chair Powell’s Jackson Hole speech on Friday was much anticipated and his nod to commencing interest rate cuts from September and protecting the labour market were music to the ears of investors.

There have been many occasions when the Fed Chair’s Jackson Hole speech has been market-moving and this was one of those occasions, justifying the anticipation all week in the lead-up. While the speech contents were not surprising, it will be remembered for the time of Chair Powell giving the all-clear to begin the easing cycle and realigning the focus of monetary policy on the protection of the labour market rather than concern about inflation. The key comments are worth repeating as written:

“The time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks.” And, “We do not seek or welcome further cooling in labour market conditions. Overall, the economy continues to grow at a solid pace. But the inflation and labour market data show an evolving situation. The upside risks to inflation have diminished. And the downside risks to employment have increased. We will do everything we can to support a strong labour market as we make further progress toward price stability”.

On the data front, the Global PMIs were on the positive side, especially for the US and UK. While European services activity jumped, it appeared this was partly due to a surge in French services activity related to the Olympics. Notwithstanding that, the services component of the global economy appears to be performing relatively well, in contrast to manufacturing.

One reason behind strength in services is that labour markets are holding up. US Jobless Claims remained low over the week, pushing back on concerns the labour market was slowing more rapidly. While there were downward revisions to US payrolls, it was largely as expected.

In Australia the RBA Minutes for August contained little new information. Governor Bullock’s push back on market pricing was repeated: “*based on the information available at the time of the meeting, it was unlikely that the cash rate target would be reduced in the short term*”.

Importantly, the RBA Board is not being overly dogmatic in their guidance. The Minutes note: “*members were alert to the possibility that labour demand could soften, perhaps quite rapidly*”. Of course, there is little evidence of labour demand softening.

Week Ahead in Brief

A lot of data in Australia, but none are likely to leave us any wiser in terms of the trajectory for the economy or rates. The Monthly CPI Indicator (Wednesday) is for the first month of the quarter, and thus is heavily weighted to goods, and should be heavily discounted given it provides little insight into services inflation. Additionally, government energy subsidies are set to swing inflation heavily with monthly timing uncertain. NAB has pencilled in 3.4% y/y for this week’s July indicator, but there is a large degree of uncertainty on timing of rebates, and airfares.

Pre-GDP partials of Construction Work Done (Wednesday) and Capex (Thursday) will help to update views of Q2 GDP. NAB’s Q2 GDP forecast is for 0.2% q/q. The big unknown is consumption and a soft GDP number will contrast sharply to the already known 1.5% q/q rise in hours worked.

Also out are Retail Sales for July and Credit Stats. Retail Sales will be watched closely for any response to the recent tax cuts, but NAB thinks this will be overshadowed by a retracement from recent strength. The CrowdStrike outage also occurred in July and could have impacted the numbers.

US events for the week are Durables (Tuesday), NVIDIA earnings, and whose market cap now comprises some 6% of the S&P500 (Wednesday). Jobless Claims (Thursday) will be front and centre given “some” FOMC members in the recent Minutes highlighted the “*risk that a further gradual easing in labor market conditions could transition to a more serious deterioration*”. PCE deflator is out on Friday, but more focus is likely to be on the spending numbers.

In Europe, the preliminary CPIs are on Friday, with the usual country data for Germany/Spain/Belgium out earlier on Thursday. Core y/y is seen easing to 2.8% from 2.9%. It is very quiet in the UK with no top-tier data of note with Summer Holidays still in full swing.

In Asia, China has the 1yr Medium Term Lending Facility (Monday) with no change expected. Industrial Profits (Tuesday) are also out, but markets are likely to be more focused on the Office PMIs that are due out on Saturday (31 August). Japan has the Tokyo CPI on Friday along with the usual monthly data flow.

Important Events Preview

Monday 26

CH 1yr Medium Term Lending Facility

No change expected.

GE German IFO
The disappointing August flash PMIs have already foreshadowed a downbeat survey read. The survey has become less market moving given the PMIs are released a few days prior to the IFO.

US Durable goods
Consensus is for core durables to be flat m/m.

Tuesday 27

CH Industrial profits

US Consumer Confidence (Conference Board)
Consensus for consumer confidence is for it to be little changed at 100.6.

Wednesday 28

AU Monthly CPI Indicator, Construction
The Monthly CPI Indicator is more likely to be noise than signal given it is set to be buffeted by government subsidies. It is also the first month of the quarter which is more goods heavy and has less coverage of services.

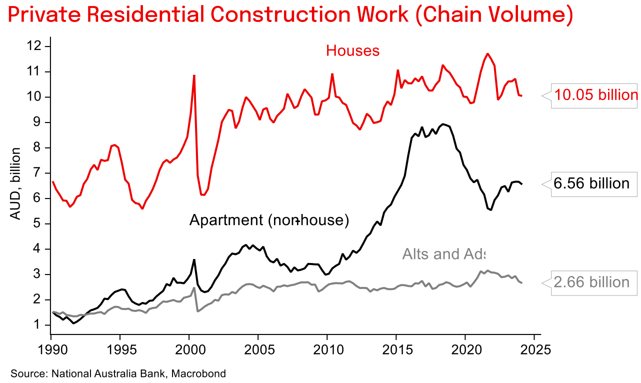
NAB has pencilled in 3.4% y/y, which is where consensus as settled. NAB sees the key uncertainties this month surrounding the monthly timing of energy subsidies.

Nationwide, households are receiving $300 off their energy bill for the year. Energy retailers are guiding most households will receive their bill relief payments automatically from their electricity provider in quarterly instalments of $75 on their electricity bill from 31 July, 31 October, 31 January, and 30 April. This means most of the effect of the federal government's energy bill relief will be felt in August and September. The government had guided that the relief would lower energy bills by 17% on average compared to the prior year and thus lower headline inflation over the year by around ½ per cent.

QLD and WA are also providing further energy relief with QLD's payment the bigger driver this month. QLD is giving households $1,000, which is credited from 1 July 2024. WA is also giving an extra $400 in two instalments from 20 July and 7 December.

Of the major components of the goods-heavy first month CPI which we have indicators for, NAB thinks rents rose 0.6% m/m, new dwelling construction costs up 0.4% m/m, and have pencilled in flat holiday travel and accommodation despite a normal seasonal rise.

As for Construction Work Done, it is a pre-GDP partial and NAB expects it to rise 0.1% q/q. Key themes remain with the backlog of housing being worked through, while non-residential construction remains strong



US NVIDIA earnings; Fed's Bostic
Given NVIDIA's share of the S&P500, earnings may be important for the direction of risk sentiment. Key will be the outlook for Blackwell chip shipments after they had been reported to be facing delays of up to three months.

Thursday 29

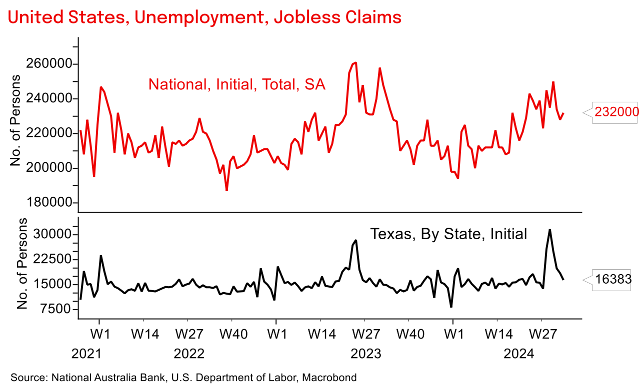
AU Capex
One of the pre-GDP partials and where the 'equipment, plant & machinery' line feeds directly into Q2 GDP. NAB expects this to rise 0.1% q/q. The survey also contains expectations for future spend.

EZ Regional CPIs – Germany, Spain
Ahead of the wider Eurozone measure, country level CPIs are in for Germany, Spain and Belgium.

US Jobless Claims, Trade, Second read on Q2 GDP
NAB expects markets to remain sensitive to Jobless Claims given the Fed's pivot to looking more at the employment side of their mandate. As noted in the recent FOMC Minutes:

"*a majority of participants remarked that the risks to the employment goal had increased*" and that "*some participants noted the risk that a further gradual easing in labor market conditions could transition to a more serious deterioration*".

Consensus for Jobless Claims is 230k. Claims overall have ticked back from their elevated levels of prior weeks. Hurricane activity in Texas was one factor behind the prior spike.



Friday 30

AU Retail Sales (July), Credit
NAB has pencilled in 0.0% m/m for Retail Sales, which is weaker than the consensus of 0.3% m/m. Retail Sales has grown solidly over the past few months and the Statistician has previously attributed this to a pickup in sales activity ahead of the end of financial year. An easing back in sales activity should see growth ease.

Apart from an easing in sales activity, another reason to expect a subdued read is from possible impacts from the CrowdStrike outage which occurred later in July. These two effects may overshadow the tax cut impact in July.

As for Credit, NAB previously limited our coverage of this data given limited implications from slow moving m/m changes. However, the recent RBA Minutes had pointed to the lift in business credit growth as one reason why financial conditions may be less tight: *"Members noted that financial conditions appeared to have eased modestly, as housing prices and credit growth had picked up and bond yields had declined".* NAB expect credit growth to be 0.5% m/m, which is in line with the consensus.

JN Tokyo CPI, Unemployment, Retail Sales
Tokyo CPI for August is the pick of the indicators with core inflation still expected to be relatively soft at 1.4% y/y from 1.5%. The Jobless Rate is expected to be unchanged at 2.5% y/y.

EZ CPI, Unemployment
Consensus is for core inflation easing to 2.8% from 2.9%. As for Headline, consensus is for 2.2% from 2.6%. Given current drivers NAB expects markets to focus on the lower headline outcome which supports an ECB rate cut in September.

US PCE, Final-Uni Mich Cons Sentiment, Chicago PMI
While the PCE deflator normally gets top billing, the personal spending numbers are likely to garner more attention given uncertainties around the growth outlook, and more confidence on the inflation outlook.

Consensus sees a solid month for personal spending of 0.5% m/m (from 0.3% m/m previously). If realised this would be another sign of resilience. As for the PCE deflator, consensus sees core at 2.7% y/y, from 2.6% y/y.

CA GDP

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

The relentless rally in NZ fixed income took a breather last week with yields ending marginally higher across the swap and government curves. There was limited economic data to provide direction, and bond markets remained broadly in a holding position, ahead of Fed Chair Powell's appearance at the Jackson Hole economic symposium. New Zealand Debt Management (NZDM) used the lull in data and market risk events, to issue NZ$6 billion of a new 15 May 2036 nominal bond via syndication, which attracted record demand from investors.

Chair Powell removed any lingering doubts about easing policy at the September FOMC. He outlined 'the time has come for policy to adjust'. The Fed has become increasingly sensitive to the outlook for economic activity, and particularly in respect to the employment side of its dual mandate. Powell noted that the FOMC 'do not seek or welcome further cooling in labour market conditions.' The upcoming data – especially the August labour market report on 7 Sep (NZT) – will determine the magnitude of the initial cut. The market is pricing 34bps of easing for the meeting.

10-year NZGB rolling returns stretched

We think a further period of consolidation is likely for NZ fixed income, given the amount of RBNZ easing already priced, and our estimate of the position skew towards longs held by speculative accounts. 10-year NZGBs have traded in line with their beta to global rates in the recent rally. Although economic and price momentum signals are positive for duration, we are cautious given previous strong NZGB market returns, which look stretched from a historical standpoint.

10-year NZGB-US treasury spreads have oscillated in a +10 to +40bps range since breaking lower in March. 10-year spreads have not kept pace with the recent compression in the front end of the yield curve and have widened back towards +40bps after Powell's speech at the end of last week. A regression of the 10-year NZGB-UST spread on 1-year forward 3-month NZ-US rate differentials – a proxy for the relative path of RBNZ and Fed monetary policy – implies 'fair value' close to 20bps, 15bps tighter than the current market.

The NZ$6 billion 15 May 2036 syndication was at the top end of the indicated issuance volumes. The total book size at final price guidance, exceeded NZ$22.7 billion, which was a record for a NZGB syndication, reflecting strong investor demand. The new line was priced at a spread of 9bps over the reference 15 May 2035 nominal bond, representing around 3bps of new issuance concession, relative to our estimate of fair value.

With the 2036 volumes reaching the cap at NZ$6 billion, the remaining two tap syndications of existing nominal lines, indicated by NZDM at the Budget in May, will likely be sufficient to complete the 2024/25 programme. We estimate a total of NZ$8 billion is required for these two deals. This assumes weekly tender volumes remain unchanged, and the gross issuance forecast for this fiscal year (NZ$38 billion) remains steady, when the borrowing programme is updated alongside the Half Year Economic and Fiscal Update in December.

Domestic investors – representing a mixture of bank trading books, bank balance sheets and asset managers – were allocated 40% of the issuance. This was a bit lower compared with other recent near-10-year syndications. Bank balance sheet demand was likely underpinned by wide asset swap spreads (ASW) which are trading near multi-year highs. We think there is room for 10-year ASW compression now the transaction is complete. The May-2036 will enter NZ fixed income benchmarks this week creating demand for the new line and resulting in an index duration extension.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.24	5.23 - 5.49
NZ 2yr swap (%)	3.84	3.76 - 4.26
NZ 5yr swap (%)	3.62	3.58 - 3.93
NZ 10yr swap (%)	3.88	3.85 - 4.15
2s10s swap curve (bps)	4	-7 - 10
NZ 10yr swap-govt (bps)	-30	-30 - -23
NZ 10yr govt (%)	4.18	4.19 - 4.37
US 10yr govt (%)	3.80	3.67 - 4.26
NZ-US 10yr (bps)	38	14 - 43
NZ-AU 2yr swap (bps)	15	-2 - 39
NZ-AU 10yr govt (bps)	26	7 - 30

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS **Bloomberg pg BNZ9**

Last week the NZD outperformed, rising around 3% to just over 0.6230, its highest level since January, against a backdrop of a chunky broad-based fall in the USD as the Fed's easing cycle came into focus. Gains on the crosses were between 0.7-1.7%. NZD/AUD was up just over 1% to 0.9170, while solid NZD gains against GBP and EUR were also achieved despite these currencies reaching fresh highs against the USD.

Last week's focus turned to the US monetary policy outlook, which triggered a chunky fall in the USD. The USD DXY index fell by 1.7% for the week to 100.7, the largest weekly fall since last November and a fresh low for the year. According to minutes of the Fed's July meeting, the "vast majority" of Fed officials said "it would likely be appropriate to ease policy at the next meeting" if the economic data came in as expected, while several officials thought there was a "plausible" case for a cut at the current meeting.

The dovish policy outlook was confirmed at the end of the week by Chair Powell in his Jackson Hole speech. He said that the "time has come for policy to adjust" and he expressed confidence that inflation was beaten, and the focus would turn to protecting the labour market, the other half of its dual mandate. Policy guidance was said to be data dependent (and so by implication, not time dependent), raising the chance of cutting rates in 50bps clips if the employment situation deteriorated. Of note, earlier in the week annual revisions showed jobs growth in the economy had been far weaker (818k) over the year to March than originally stated.

The strong gain for the NZD took it above the key resistance level of 0.6220, while the relative strength index (RSI) closed last week just under the oversold marker of 70. We will need a few more trading days to determine whether that is a sustained break and, if so, then the December high just under 0.6370 comes into play.

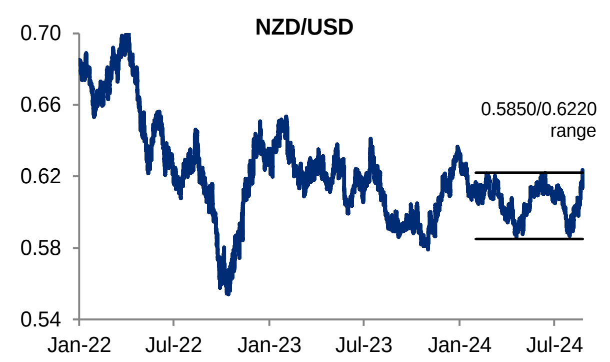
Our near-term NZD forecasts have been conservative as we have been long awaiting the beginning of the Fed's rate cutting cycle, which has been progressively pushed out compared to expectations as at the end of last year. There have been many false dawns but, as Chair Powell noted, the time has come. Our end Q3 target for NZD/USD of 0.61 allowed for a 0.59-0.63 trading range, while our end-Q4 target of 0.62 allowed for a higher range of 0.60-0.64. Our projections into 2025 allowed for even higher ranges to emerge. We don't want to jump the gun and make forecast changes at this point, but if the NZD continues on tearing higher, then our suggestion would be that the stronger profile we have been expecting is simply being brought forward.

We still have a US Presidential election in November to navigate and a Trump victory would upend our forecasts and require us to downgrade the NZD outlook, so we still have that risk in the back of our mind. On that note, the dropping out of Independent presidential candidate Robert F. Kennedy Jr. and his endorsement of Trump adds to the chance of a Trump victory.

At the end of last week we published a chart pack on the NZD/AUD. We didn't change our negative outlook, noting we still saw risks skewed to the downside. Our short-medium models show fair value at 0.86. While our charts show that NZD/AUD should be trading weaker, we have been reluctant so far to reflect this in our projections, simply highlighting the strong case for a weaker exchange rate.

In the week ahead, the key domestic release will be the ANZ business outlook survey. Elsewhere, Australia's monthly CPI report, Euro area CPI, Canadian GDP and US PCE deflators are all on the radar. Nvidia's earnings announcement mid-week is also a key event on the calendar.

NZD at the top of the range



Source: Bloomberg, BNZ

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6232	0.5940 - 0.6240
NZD/AUD	0.9177	0.9040 - 0.9200
NZD/GBP	0.4717	0.4640 - 0.4740
NZD/EUR	0.5569	0.5410 - 0.5570
NZD/JPY	89.89	85.40 - 90.30

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6680	-7%
NZD/AUD	0.8660	6%

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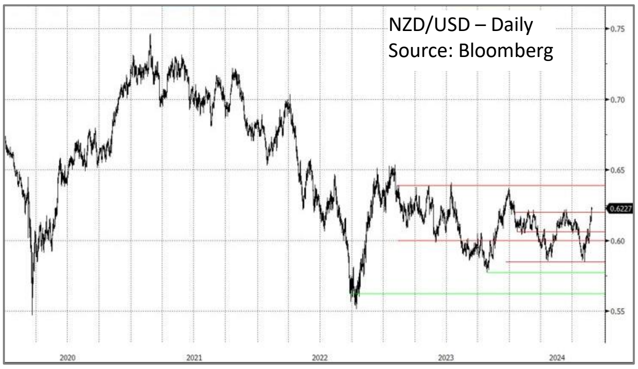
Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.6390 (ahead of 0.65)
ST Support: 0.6060 (ahead of 0.60)

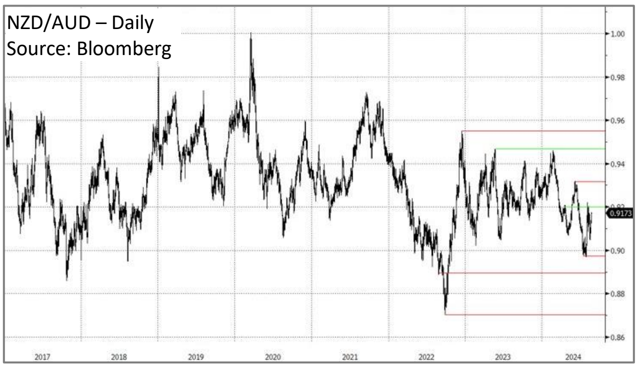
The key resistance level of 0.6220 was broken last week but we should wait for a few more trading days before jumping to conclusions. The next resistance level is 0.6390.



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

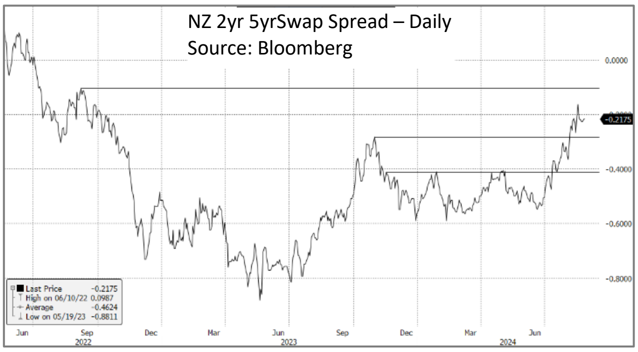
Outlook: Lower
MT Resistance: 4.06
MT Support: 3.48

5 year swap bounced higher last week, but not by any material amount. We continue to target a move lower.

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

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

The 2x5 year swap spread traded a narrow range last week. We expect to see this curve continue to steepen.



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Quarterly Forecasts

Forecasts as at 26 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	-0.3	0.4	0.8	0.9	0.8	0.8	0.7
Retail trade (real s.a.)	-1.8	0.4	-1.2	0.0	0.5	0.8	1.0	1.2	1.1	0.9
Current account (ytd, % GDP)	-6.9	-6.8	-6.7	-6.9	-6.8	-6.4	-6.2	-6.1	-5.9	-5.5
CPI (q/q)	0.5	0.6	0.4	0.8	0.4	0.5	0.5	0.9	0.0	0.5
Employment	0.5	-0.3	0.4	-0.2	-0.1	0.2	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	2.3	2.2	2.1	2.1	2.2	1.9	1.9
GDP (production s.a., y/y))	-0.2	0.3	-0.5	-0.5	-0.1	0.6	1.7	2.9	3.3	3.2

Interest Rates

Historical data - qtr average Forecast data - end quarter	Cash	Government Stock 90 Day Bank Bills	5 Year	10 Year	Swaps 2 Year	5 Year	10 Year	US Rates Libor 3 month	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	5.25	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	0.62	0.68	1.12	1.32	144
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	0.62	0.92	0.56	0.47	89.8	71.4
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 26 August 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	1.0	2.7	7.4	3.3	0.6	1.2	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	1.2	0.3	1.4	-0.3	-1.4	0.6	0.6
GNE	7.9	2.5	-1.4	0.2	2.7	10.0	3.4	-1.5	-0.2	2.1
Exports	2.5	6.0	6.4	1.3	4.8	-2.7	-0.2	9.8	2.2	4.0
Imports	17.3	4.4	-1.2	2.9	4.1	14.8	4.7	-0.5	2.7	3.6
Real Expenditure GDP	4.7	2.7	0.4	-0.1	2.8	5.9	2.3	0.8	-0.2	2.1
GDP (production)	**4.6**	**2.7**	**0.2**	**-0.1**	**2.8**	**5.6**	**2.4**	**0.6**	**-0.2**	**2.1**
GDP - annual % change (q/q)	*0.6*	*2.0*	*0.3*	*0.6*	*3.2*	*2.6*	*2.2*	*-0.2*	*-0.1*	*3.3*
Output Gap (ann avg, % dev)	1.4	2.0	-0.1	-1.3	-0.6	1.6	2.1	0.4	-1.1	-0.8
Nominal Expenditure GDP - $bn	359	388	409	422	444	353	381	405	418	438
Prices and Employment - annual % change										
CPI	6.9	6.7	4.0	2.1	1.9	5.9	7.2	4.7	2.2	1.9
Employment	2.5	3.1	1.3	0.3	2.5	3.3	1.7	2.9	-0.2	2.0
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	-0.2	1.2	3.6	0.2	-2.4	-0.5	1.2
Unit Labour Costs (ann av %)	4.6	6.5	8.5	4.4	1.9	2.4	6.5	9.0	5.2	2.2
House Prices	13.8	-12.1	2.9	1.0	7.7	27.2	-11.1	-0.6	0.0	6.9
External Balance										
Current Account - $bn	-23.6	-31.8	-27.6	-27.2	-24.5	-20.6	-33.4	-27.9	-28.3	-25.7
Current Account - % of GDP	-6.6	-8.2	-6.8	-6.4	-5.5	-5.8	-8.8	-6.9	-6.8	-5.9
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
	Monday 26 August			
NZ	New residential lending, y/y Jul			-1.20%
GE	IFO Expectations Aug	85.8		86.9
	Tuesday 27 August			
US	Durable Goods Orders Jul P	4.90%		-6.70%
US	Fed's Daly speaks			
CH	Industrial Profits YoY Jul			3.60%
GE	GDP SA QoQ 2Q F	-0.10%		-0.10%
UK	CBI Retailing Reported Sales Aug	-10		-43
EC	ECB's Knot speaks			
	Wednesday 28 August			
US	S&P CoreLogic CS US HPI YoY NSA Jun			5.94%
EC	ECB's Nagel speaks			
US	Conf. Board Consumer Confidence Aug	100.6		100.3
US	Richmond Fed Manufact. Index Aug			-17
US	Richmond Fed Business Conditions Aug			-9
US	Dallas Fed Services Activity Aug			-0.1
NZ	Filled Jobs SA MoM Jul			-0.10%
AU	Construction Work Done 2Q	0.50%	0.10%	-2.90%
AU	CPI YoY Jul	3.40%	3.40%	3.80%
AU	CPI Trimmed Mean YoY Jul			4.10%
US	Fed's Waller speaks			
GE	GfK Consumer Confidence Sep	-18		-18.4
	Thursday 29 August			
UK	BOE's Mann speaks			
US	Fed's Bostic speaks			
NZ	ANZ Business Confidence Aug			27.1
AU	Private Capital Expenditure 2Q	1.00%	0.10%	1.00%
EC	Consumer Confidence Aug F			-13.4
EC	Economic Confidence Aug	95.8		95.8
EC	ECB's Lane speaks			
	Friday 30 August			
GE	CPI YoY Aug P	2.10%		2.30%

		Median	Fcast	Last
	Friday (continued)			
US	GDP Annualized QoQ 2Q S	2.80%		2.80%
US	Initial Jobless Claims Aug-24	230k		232k
US	Continuing Claims Aug-17	1870k		1863k
US	Pending Home Sales MoM Jul	0.70%		4.80%
EC	ECB's Nagel speaks			
US	Fed's Bostic speaks			
NZ	ANZ Consumer Confidence Index Aug			87.9
NZ	Building Permits MoM Jul			-13.8%
UK	Lloyds Own Price Expectations Aug			57
JN	Jobless Rate Jul	2.50%		2.50%
JN	Industrial Production MoM Jul P	3.60%		-4.20%
JN	Retail Sales MoM Jul	0.40%		0.60%
AU	Retail Sales MoM Jul	0.30%	0.00%	0.50%
AU	Private Sector Credit MoM Jul	0.50%	0.50%	0.60%
NZ	Household credit, y/y Jul			3.20%
EC	ECB's Schnabel, Rehn, Kazaks, Simkus, Muller speak			
GE	Unemployment Claims Rate SA Aug	6.00%		6.00%
EC	CPI Estimate YoY Aug	2.20%		2.60%
EC	Unemployment Rate Jul	6.50%		6.50%
EC	CPI Core YoY Aug P	2.80%		2.90%
	Saturday 31 August			
US	Personal Income Jul	0.20%		0.20%
US	Personal Spending Jul	0.50%		0.30%
US	Real Personal Spending Jul	0.30%		0.20%
US	PCE Price Index MoM Jul	0.20%		0.10%
US	PCE Price Index YoY Jul	2.60%		2.50%
US	Core PCE Price Index MoM Jul	0.20%		0.20%
US	Core PCE Price Index YoY Jul	2.70%		2.60%
US	MNI Chicago PMI Aug	45.1		45.3
US	U. of Mich. Sentiment Aug F	68		67.8
CH	Manufacturing PMI Aug	49.5		49.4
CH	Non-manufacturing PMI Aug	50		50.2

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	5.25	5.25	5.50	5.50
1mth	5.36	5.36	5.54	5.60
2mth	5.30	5.30	5.50	5.62
3mth	5.24	5.24	5.46	5.64
6mth	4.97	4.96	5.28	5.72
GOVERNMENT STOCK				
05/26	4.04	3.97	4.32	5.23
04/29	3.83	3.78	4.03	5.00
05/31	4.01	3.98	4.16	5.01
05/34	4.20	4.19	4.36	5.05
04/37	4.41	4.37	4.58	5.15
05/41	4.58	4.52	4.76	5.20
05/51	4.62	4.57	4.81	5.20
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	49	51	52	64
Europe 5Y	52	53	55	74

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.84	3.83	4.19	5.58
3 years	3.64	3.63	3.94	5.30
4 years	3.60	3.60	3.86	5.10
5 years	3.62	3.62	3.86	4.99
10 years	3.88	3.91	4.07	4.85
FOREIGN EXCHANGE				
NZD/USD	0.6230	0.6113	0.5876	0.5910
NZD/AUD	0.9169	0.9081	0.8972	0.9194
NZD/JPY	89.73	89.59	90.50	86.60
NZD/EUR	0.5567	0.5515	0.5430	0.5463
NZD/GBP	0.4716	0.4706	0.4569	0.4690
NZD/CAD	0.8416	0.8333	0.8140	0.8038
TWI	71.4	70.2	69.3	69.6

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