

# Research Markets Outlook

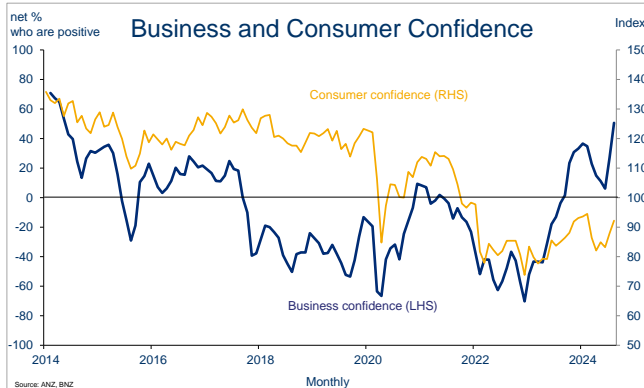
2 September 2024

## GDP looking sick

- Exports and imports going backwards
- Construction sector recession rolls on
- House prices going sideways
- At least commodity prices doing okay
- And confidence boost portends better days ahead

It comes as no surprise to us that both business and consumer confidence were reported to have risen in August. The drop, and expected further falls, in the OCR were undoubtedly going to engender a widespread sigh of relief. Rate cuts are almost always a harbinger of better times ahead. The problem, of course, is that the set of circumstances that allows rates to be cut in the first place is usually an indication of economic malaise. And it will take some time for that malaise to be assuaged by easing monetary conditions.

### Hope springs eternal



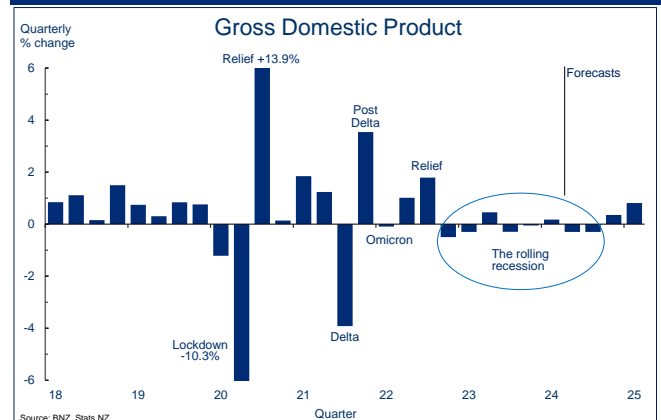
Note that business confidence is moving higher faster than consumer. This is to be expected. Businesses can see that with the likely stabilisation in demand that profits can be rebuilt. But profitability will also be boosted by the continuation of cost cutting. Such cuts include labour. For the household sector labour shedding will be a headwind to the interest cuts tailwind.

In the week ahead we will get a further update on where we stand now. Or, more precisely, where we have been through the initial part of 2024. The picture painted will not be great.

On September 19, Q2 GDP will be published. We are forecasting that the New Zealand economy will be shown

to have contracted for the fifth time in the last seven quarters. Currently we are estimating a contraction of 0.3% for the quarter leaving activity 0.5% lower than where it was a year earlier. We also acknowledge that there appears to be significant downside risk to our expectations as highlighted by the fact that the Reserve Bank, in its August Monetary Policy Statement, has a -0.5% pick for the June quarter.

### The rolling recession



Last week's employment indicators revealed more downside risk to GDP both in Q2 and Q3 thanks largely to a downward revision to June month data which now see June filled jobs 0.4% below previous estimates.

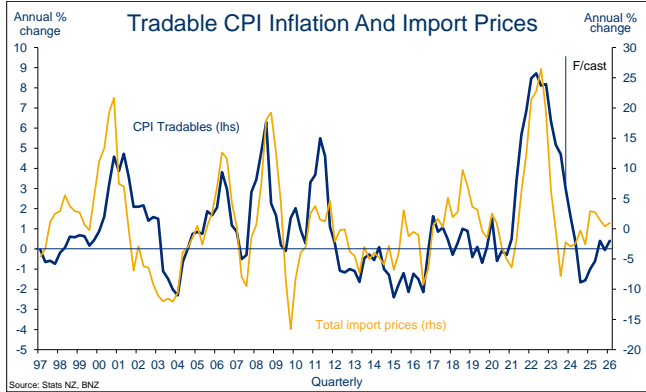
Helping to consolidate views on the upcoming GDP announcement will be Tuesday's international trade data and Friday's real building work put in place with the key manufacturing and wholesale trade indicators completing the picture on Tuesday September 10.

The trade data has both a real economy and price component. With regards prices, we are expecting export prices to rise 3.6% while import prices edge slightly lower. If we are right then it means the deflationary pulse coming from the external sector, which has been helping push our CPI lower, will be abating.

The increase in export prices is being driven by dairy commodity prices which is good news for farmers, but which also tends to feed into higher domestic retail prices. On the import side, the RBNZ has recently highlighted that sharper than expected import price falls had a bearing on

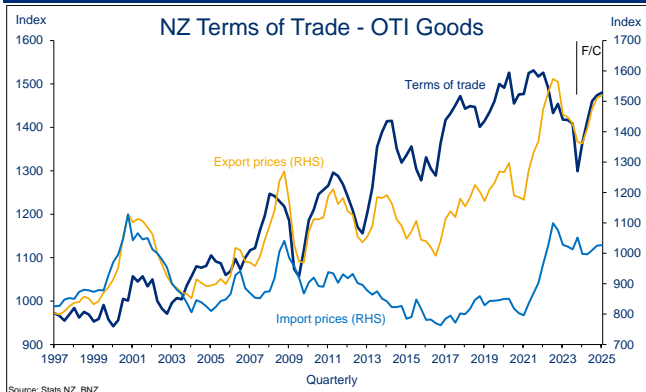
reduced domestic inflation, the 5.1% decline in the March quarter being of note. But we think that support is coming to an end albeit we do not expect any major upward pressure from import prices any time soon.

**Import deflation abates**



If our price forecasts are correct, then that would mean a 3.7% increase in the country’s terms of trade for the quarter coming off the back of a 5.1% increase a quarter earlier. This is good news for New Zealand Inc.’s earning power and for further reduction in the current account deficit.

**Terms of trade rebounds**



But it’s the real economy side that we are most immediately interested in. Our Q2 GDP pick is predicated on total exports declining 0.2%, with imports off 0.3%. Note that in the case of exports we are assuming services exports performed relatively well in the quarter but that the benefits of this growth were offset by a drop in goods exports. It’s a similar story for imports.

On Friday we get further insight into the state of the building sector. Residential building has taken a pummeling. As at the end of the March quarter real residential building work put in place had fallen for six consecutive quarters dropping a cumulative 13.7% from its peak. We are assuming another 2.5% drop in the June quarter.

**Residential retreat**

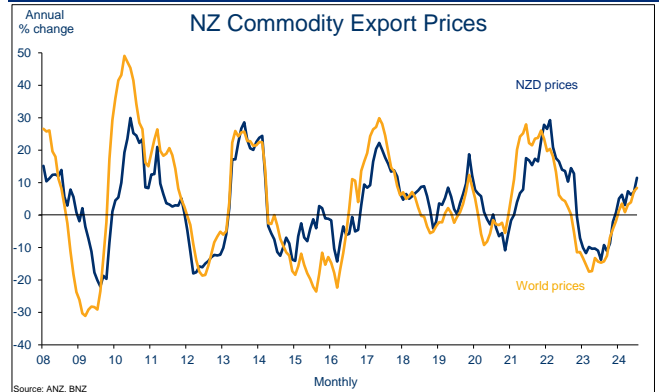


Non-residential has held up better, partly because of the longer lags between rate changes and activity but we still expect a decline in activity of a similar magnitude for this sector.

Aside from the GDP partials keep an eye on Wednesday’s ANZ Commodity Price Index. We are thinking prices will be marginally higher in world price terms largely because of an improvement in dairy. New Zealand Dollar prices will be even stronger due to the recent modest depreciation in the NZD.

Commodity price movements have been one flickering bright spot for New Zealand with New Zealand dollar prices likely to be up around 12.0% on year earlier levels.

**It’s not all gloom and doom**



The other price data due are contained in Thursday’s Core Logic housing update. We would expect this to be a case of more of the same with house prices going broadly sideways.

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# Global Watch

- **Australia GDP, trade data due for Q2**
- **US August payrolls due, unemployment rate in focus**
- **Fed's Williams and Waller speak on Friday**
- **Bank of Canada decision, expected to cut 25bps**

## Week in Review

US data flow suggests the growth backdrop remains resilient. Q2 GDP was revised a little higher, to 3.0% from 2.8%, on strength in consumption, and jobless claims continue to show that the cooling in the labour market is not due to elevated layoffs. The US personal consumption expenditures (PCE) deflator, which is the Fed's preferred inflation measure, was in line with expectations. It increased 0.2% in July which left the annual rate unchanged from the 2.6% reading in June.

Commentary from some Fed speakers continue to lean towards gradualism in adjusting policy. Atlanta Fed's Bostic said, "I don't want us to be in a situation where we cut and then we have to raise rates again." Once FOMC officials are confident policy is too restrictive, the next question is how assertive they want to be in adjusting policy amid uncertainty about how quickly the economy will respond to easing and how far away from more neutral settings policy is.

Labour market cooling has outpaced FOMC projections and could support more proactive near-term adjustment with the current policy setting out of step with the balance of risks on the labour market and inflation. But activity data is so far resilient, and inflation is still a bit above target. There remains significant uncertainty about the path forward.

Eurozone inflation fell to 2.2% in August, supporting the case for the European Central Bank (ECB) to reduce rates at its mid-September meeting. Isabel Schnabel, an ECB executive board member, said on Friday that the central bank 'should proceed gradually and cautiously' on lowering rates.

In Australia, the key data was the July Monthly CPI indicator, which fell to 3.5% from 3.8%. Measures of underlying inflation in Australian are in the high 3s and moderating only gradually. Progress on annual inflation in the month was flattered by electricity base effects and the beginning of electricity subsidies. Overall, NAB didn't see anything in the data to push the RBA in either direction.

## Week Ahead

In Australia, Q2 GDP numbers are the main event, while RBA Governor Bullock speaks on Wednesday. For GDP, NAB expect another quarter of soft growth, pencilling in a 0.1% q/q outcome for 0.8% y/y. Consensus is for 0.2% q/q and 0.9% y/y, in line with the RBA's August forecast. Trade, public finance, and business inventories data out Monday

and Tuesday will help to firm up the forecast. Also during the week is July Building Approvals (Monday), Goods Trade (Thursday) and New Home Lending (Friday).

RBA Governor Bullock gives the annual address to the Anika foundation on Thursday. Unless there is something particularly surprising in GDP, NAB don't see much to have shifted the RBA's assessment from the picture painted at the August forecast update.

After today's US Labor Day holiday, August payrolls looms large on the US calendar on Friday. Focus will be on the unemployment rate, with expectations for a tick back down to 4.2% as some of the temporary layoff increase last month unwinds. That would not erase the underlying trend cooling, but it would support the assessment that the labour market is not deteriorating sharply. Broader data flow in the past couple of weeks has done nothing to suggest to the more gradualist voices on the FOMC that they are behind the curve. If the unemployment rate were to rise again, it would challenge that framing.

Before Friday, July JOLT's (Wednesday) provides an update on hires and quits rates as well as vacancies. Powell pointed to these indicators in assessing "labor market conditions are now less tight than just before the pandemic in 2019." ADP employment is Thursday. Elsewhere, August ISMs are released, Manufacturing (Tuesday) and Services (Thursday). The Fed's Beige Book is on Wednesday, and Fed speakers include Williams and Waller talking soon after payrolls numbers on Friday.

The Bank of Canada meets Wednesday and is widely expected to cut 25bps. Canadian Employment data is out Friday.

It is very quiet on the UK and European calendar. Final PMIs for August are released, manufacturing on Monday and Services on Wednesday. Nagel, Villeroy and Holzmann are scheduled to speak through the week.

Chinese Caixin PMIs are due this week, manufacturing Monday and services Wednesday. Expectations are generally for little change to last month's outcomes.

## Important Events Preview

### Monday 2

#### **AU Business Indicators Survey (GDP partial)**

The Quarterly Business Indicators Survey provides a range of indicators including private wage bill measures, inventories, and profits. NAB expect a small rise in inventories in the quarter, but for a negative contribution to GDP because of the much stronger rise in Q1.

#### **AU Building Approvals**

NAB anticipate a rise in building approvals after a decline in June was led by a fall in volatile apartments.

**Tuesday 3**

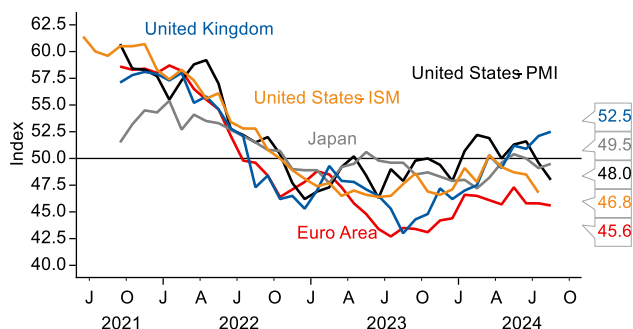
**AU Balance of Payments, Public Finance**

The Balance of Payments is likely to shift further into deficit in Q2 on the back of a narrowing nominal trade surplus. The release will also help firm up expectations for Q2 GDP, NAB expect a minimal contribution from trade in the quarter. Public finance statistics, containing public consumption and investment figures, are also released and feed into the GDP outcome.

**US Manufacturing ISM**

The manufacturing ISM in July was weak, and the preliminary manufacturing PMI weakened towards the more negative signal out of the ISM. The plummet in employment subindex to 43.4 from 49.3 in July caught some attention, so is worth a look for any signs of stabilisation in August, even as manufacturing is only a small share of employment.

**Manufacturing PMIs**



Source: National Australia Bank, S&P Global, Institute for Supply Management (ISM), Macrobond

**Wednesday 4**

**AU Q2 GDP**

NAB expects GDP growth will be +0.1% q/q in Q2 2024. This would represent another quarter of weak growth. Year ended growth would be 0.8% y/y which, outside of the 2020 COVID lockdowns, would be the weakest annual growth since the early 1990s.

Such a GDP growth outcome would have few direct implications for the RBA, as it would be only marginally weaker than they had expected. It would confirm growth remains weak – implying a narrowing of the output gap – but also that inflation remains elevated and productivity growth is still a concern.

**CA Bank of Canada**

A 25bp cuts is the strong consensus of analysts, which would take the policy rate to 4.25%.

**US JOLTs (job openings and layoffs) & Beige Book**

JOLTs for July pales in comparison to the August payrolls on Friday but will still be of interest. Powell pointed to hiring, quits, and vacancies as evidence that “labor market conditions are now less tight than just before the pandemic in 2019.” While layoffs remain low and jobless claims are not showing signs of further deterioration, the JOLTs data

can help fill out the picture of labour market tightness beyond the low layoffs environment.

**Thursday 5**

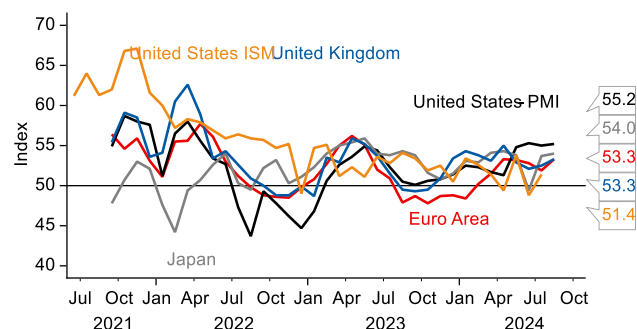
**AU RBA’s Bullock, Trade Balance**

Governor Bullock gives a speech to the Anika Foundation in Sydney. There is unlikely to be much of a shift relative to the assessment painted out of the August SoMP, but there is an opportunity to see whether the July monthly CPI or GDP out the prior day have done anything to shift the assessment at the margin. There will be some interest in whether she continues to push back against market pricing. The trade balance is only for goods with consensus around \$5bn.

**US ADP Employment, Services ISM**

The Services ISM will be watched for whether last month’s move back into positive territory is sustained. The alternative US Services PMI has been more positive.

**Services PMIs**



Source: National Australia Bank, S&P Global, Institute for Supply Management (ISM), Macrobond

**Friday 6**

**US Payrolls**

This is the key release ahead of the FOMC’s September 18 meeting. Chair Powell has acknowledged that an adjustment to the level of restrictiveness is appropriate and said, “We do not seek or welcome further cooling in labor market conditions.” The two tenths rise in the unemployment rate last month was driven mostly by temporary layoffs, setting up a good prospect for a tick lower. That wouldn’t erase the trend rise in unemployment that has caught policy makers attention, but it would support the assessment that the labour market is not deteriorating sharply. The early consensus is for slight fall to 4.2%. Non-farm payrolls growth is expected at 165k.

**US Fed’s Williams and Waller**

A couple of FOMC heavy hitters in the form of NY Fed President Williams and Governor Waller may provide some early insight into their reaction to the data. Williams speaks just 15 minutes after the release, while Waller has 2 and a half hours to digest the outcome.

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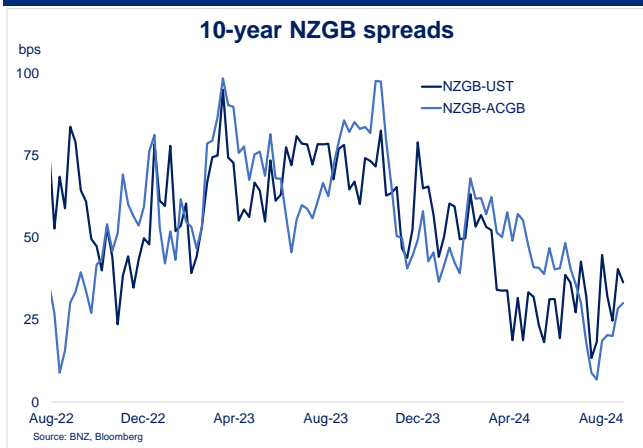
# Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ fixed income yields traded higher during last week in the absence of first-tier domestic data or other catalysts. 2-year swap rates, which reached a low of 3.75% after the August Monetary Policy Statement, are now 20bps higher. The market is pricing the terminal Official Cash Rate near 3.25% which is above the RBNZ’s 3% estimate. We think the market will ultimately gravitate to a lower terminal rate, and NZ yields have room to decline, led by the front end and belly of the curve in coming months.

NZ government bonds (NZGB) have underperformed on a cross-market basis against Australia (ACGB) and the US (UST). 10-year NZGB-ACGB spreads are at six week wides while the NZGB-UST spreads are testing the topside of the +10 to +40bps range from the past four months. The widening in 10-year cross market government spreads appears to have overshot, relative to the expected path for central bank policy rates, suggesting an opportunity to fade.

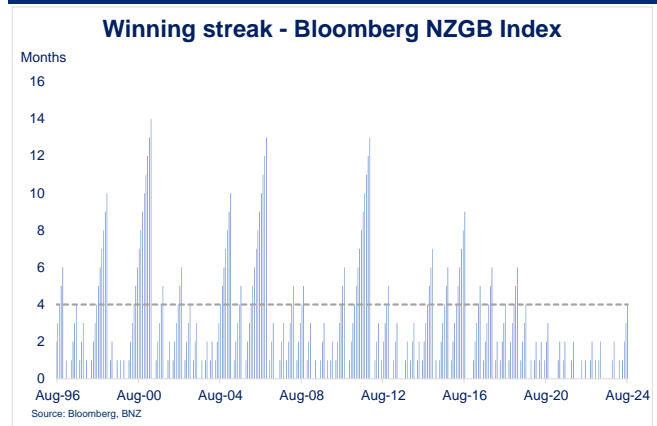
## 10-year NZGB spreads to UST and ACGB have rebounded



The drift higher in NZ yields has seen our ‘capitulation’ measure, which indicates when a market is over-extended, normalise. However, there are few domestic catalysts in the week ahead and we think a further period of consolidation is likely, albeit with a bias toward lower rates over the medium term. The market will need to wait until next week to get monthly high frequency activity indicators.

The near-term directional bias for NZ rates will likely be driven by offshore developments. US labour market data is the main risk event and will help formulate expectations for the magnitude of easing at the September FOMC. The market is pricing ~33bps of easing and the recent data has aligned more closely with a 25bps rate cut. US corporate issuance is expected to pick up in line with typical seasonals at the end of the Northern Hemisphere summer and a desire by borrowers to raise funds ahead of the US presidential election in November.

## NZGBs on longest monthly winning streak in five years



The Bloomberg 0+ Year NZGB Index advanced 0.9% in August. This is the fourth consecutive monthly gain and the longest winning streak since 2019. The index registered fourteen consecutive monthly gains in February 2000 through March 2001. There were also winning streaks lasting 13 months ending in November 2006 and December 2011.

The NZGB index has a total return of 4% in 2024 driven by a combination of capital returns and interest income. Even after the positive returns for this year, the index is still 9% below its peak from September 2020, as the government bond market continues to recover from its worst ever drawdown. Excess returns above cash for this year are only 0.4% reflecting high short end rates and the associated inverted yield curve.

## Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.23	5.22 - 5.46
NZ 2yr swap (%)	3.96	3.76 - 4.19
NZ 5yr swap (%)	3.77	3.58 - 3.92
NZ 10yr swap (%)	4.03	3.85 - 4.12
2s10s swap curve (bps)	6	-3 - 10
NZ 10yr swap-govt (bps)	-26	-31 - -23
NZ 10yr govt (%)	4.28	4.19 - 4.28
US 10yr govt (%)	3.90	3.67 - 4.02
NZ-US 10yr (bps)	38	22 - 45
NZ-AU 2yr swap (bps)	22	-2 - 39
NZ-AU 10yr govt (bps)	31	10 - 33

\*Indicative range over last 4 weeks

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# Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week was reasonably uneventful but the NZD was the strongest of the key majors, rising 0.3% to about 0.6250 after trading an eight-month high just under 0.63. While NZD/CAD was slightly higher, the NZD was 0.7-1.5% stronger against the other key crosses, with the largest gains against JPY and EUR.

The NZD capped off a strong August with a further modest gain last week, taking the rise for the month to 5%. It traded as high as 0.6299, its highest level since the first trading day of the year.

It was a fairly quiet week for economic data but, of note, the ANZ business outlook survey conveyed much improved confidence about the outlook. Business confidence rose to a decade-high level, while a range of indicators, including own-activity, investment, construction and employment intentions showed a decent recovery. The survey isn't consistent with our business talks, but we think that improved confidence reflects hope after a significant fall in wholesale interest rates, and businesses liking the general direction of government policy. After such a woeful economic period, things can only improve from here.

European currencies couldn't hold onto recent gains, with the market reacting to much weaker than expected German inflation data, while US economic data remained consistent with a soft-landing narrative. Jobless claims suggested no overt concern about the labour market and Q2 GDP was revised higher to a 3% annualised pace, driven by a stronger consumer. After trading as low as sub-0.54 in early August, NZD/EUR has recovered strongly to over 0.5650. NZD/GBP is also at its highest level in over a month.

The AUD broke above 0.68 for the first time since January following slightly stronger than expected monthly CPI data, but the move wasn't sustained. NZD/AUD continued to push higher, going against our core view.

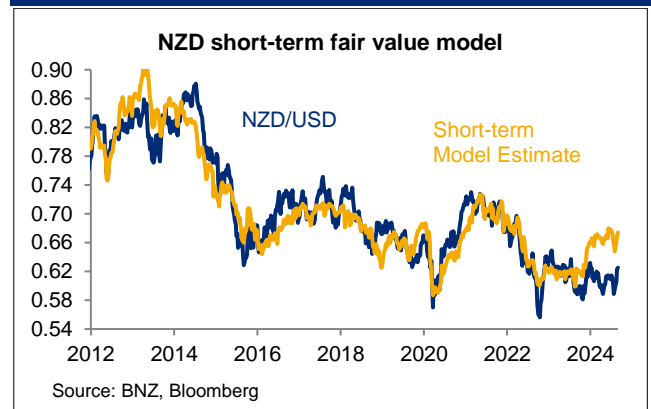
With broadly based gains, NZ's TWI index has risen more than 1½% since the RBNZ's rate cut at the August MPS, which surprised some in the market and led to a significant fall in NZ interest rates, a reminder that global forces are a much more important driver for the NZD than domestic forces.

For NZD/USD, the technical RSI hasn't broken up through the overbought signal of 70 yet, but it's fair to say that the NZD has had a great run over the past month and is due for a breather. We haven't changed our forecasts although the NZD is already above the mid-point of the range we have been targeting for Q4 (0.60-0.64), suggesting the NZD's recovery is moving a little ahead of schedule. We maintain a constructive outlook but, knowing currency markets, there could well be some volatility along the way.

In the week ahead the key focus will be on the US employment report at the end of the week. The consensus is picking a lift in nonfarm payrolls to 165k for August (previous 114k) and the unemployment rate dipping one-tenth to 4.2%. Figures in line with consensus would likely see the market pare the size of the expected Fed rate cut in September closer to 25bps (from 33bps) and for the three meetings over the rest of the year (currently at 100bps). This could be USD-positive. A negative USD reaction would likely need a much weaker set of figures.

Ahead of that release, ISM manufacturing and services and JOLTS releases will have to be navigated. The Bank of Canada meets and a slightly more than full 25bps rate cut has already been priced in. Australia Q2 GDP is expected to show a small increase. There are only second tier NZ data releases.

## NZD fair value gap closing, but still there



## Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6249	0.5980 - 0.6300
NZD/AUD	0.9237	0.9040 - 0.9260
NZD/GBP	0.4760	0.4650 - 0.4770
NZD/EUR	0.5656	0.5440 - 0.5670
NZD/JPY	91.34	87.80 - 91.40

\*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models		
	Model Est.	Actual/FV
NZD/USD	0.6740	-7%
NZD/AUD	0.8660	7%

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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)

With the prior key resistance of 0.6220 now clearly broken, the next resistance level is 0.6390.



## NZD/AUD

Outlook: Trading range  
 ST Resistance: 0.9315 (ahead of 0.9470)  
 ST Support: 0.9050 (ahead of 0.8970)

With 0.92 not offering much resistance the next level is 0.9315. Some possible support at 0.9050.



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## NZ 5-year Swap Rate

Outlook: Lower  
 MT Resistance: 4.06  
 MT Support: 3.48

5 year swap maintained it's moved higher last week. We continue to favour a move lower towards support.



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

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

2x5 swap spread moved slightly steeper last week, albeit not by a material amount. We continue to look for this curve structure to steepen.



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# Quarterly Forecasts

Forecasts as at 2 September 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	-6.8	-6.5	-6.0	-5.6	-5.4	-5.2	-4.9
CPI (q/q)	0.5	0.6	0.4	0.7	0.4	0.5	0.5	0.8	0.0	0.6
Employment	0.5	-0.3	0.4	-0.4	-0.2	0.2	0.5	0.6	0.7	0.7
Unemployment rate %	4.0	4.4	4.6	5.0	5.4	5.5	5.6	5.6	5.5	5.4
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	2.2	2.1	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			Swaps			US Rates		Spread NZ-US Ten year
		90 Day Bank Bills	5 Year	10 Year	2 Year	5 Year	10 Year	Libor 3 month	US 10 yr	
<b>2023 Mar</b>	4.58	4.99	4.27	4.26	5.11	4.51	4.40	4.90	3.65	0.61
<b>Jun</b>	5.42	5.62	4.23	4.27	5.19	4.44	4.30	5.40	3.60	0.68
<b>Sep</b>	5.50	5.66	4.87	4.87	5.54	4.90	4.75	5.65	4.15	0.73
<b>Dec</b>	5.50	5.64	4.48	4.67	4.93	4.43	4.50	5.65	4.00	0.67
<b>2024 Mar</b>	5.50	5.66	4.41	4.64	4.91	4.38	4.40	5.60	4.20	0.44
<b>Jun</b>	5.50	5.62	4.50	4.65	4.98	4.47	4.50	5.60	4.30	0.35
<b>Forecasts</b>										
<b>Sep</b>	5.25	5.00	4.10	4.40	3.85	3.95	4.15	5.30	4.10	0.30
<b>Dec</b>	4.75	4.75	4.05	4.40	3.50	3.90	4.15	5.05	4.10	0.30
<b>2025 Mar</b>	4.50	4.25	3.85	4.35	3.20	3.75	4.15	4.55	4.00	0.35
<b>Jun</b>	4.00	3.75	3.75	4.30	3.05	3.70	4.15	4.30	3.90	0.40
<b>Sep</b>	3.50	3.25	3.70	4.25	2.95	3.65	4.10	4.05	3.80	0.45
<b>Dec</b>	3.00	3.00	3.75	4.25	3.05	3.70	4.10	3.80	3.75	0.50
<b>2026 Mar</b>	2.75	2.90	3.80	4.25	3.30	3.80	4.15	3.55	3.75	0.50

## Exchange Rates (End Period)

### USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
<b>Current</b>	0.62	0.68	1.11	1.31	146
<b>Sep-24</b>	0.61	0.67	1.09	1.28	146
<b>Dec-24</b>	0.62	0.69	1.11	1.30	143
<b>Mar-25</b>	0.64	0.71	1.13	1.31	140
<b>Jun-25</b>	0.65	0.72	1.14	1.32	137
<b>Sep-25</b>	0.66	0.74	1.16	1.34	134
<b>Dec-25</b>	0.67	0.75	1.17	1.35	131
<b>Mar-26</b>	0.66	0.74	1.18	1.36	129
<b>Jun-26</b>	0.65	0.73	1.18	1.36	129
<b>Sep-26</b>	0.66	0.74	1.20	1.37	125

### NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
<b>Current</b>	0.62	0.92	0.57	0.48	91.2	71.8
<b>Sep-24</b>	0.61	0.91	0.56	0.48	89.1	70.6
<b>Dec-24</b>	0.62	0.90	0.56	0.48	88.7	70.9
<b>Mar-25</b>	0.64	0.90	0.56	0.49	88.9	71.9
<b>Jun-25</b>	0.65	0.90	0.57	0.49	89.1	72.8
<b>Sep-25</b>	0.66	0.89	0.57	0.49	88.4	72.9
<b>Dec-25</b>	0.67	0.89	0.57	0.50	87.8	73.5
<b>Mar-26</b>	0.66	0.89	0.56	0.49	85.1	72.5
<b>Jun-26</b>	0.65	0.89	0.55	0.48	83.9	71.7
<b>Sep-26</b>	0.66	0.89	0.55	0.48	82.5	72.1

### 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 2 September 2024	March Years					December Years				
	Actuals					Actuals				
	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025
<b>GDP - annual average % change</b>										
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
<b>GDP (production)</b>	<b>4.6</b>	<b>2.7</b>	<b>0.2</b>	<b>-0.1</b>	<b>2.8</b>	<b>5.6</b>	<b>2.4</b>	<b>0.6</b>	<b>-0.2</b>	<b>2.1</b>
<i>GDP - annual % change (q/q)</i>	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
<b>Prices and Employment - annual % change</b>										
CPI	6.9	6.7	4.0	2.1	1.9	5.9	7.2	4.7	2.1	1.9
Employment	2.5	3.1	1.3	0.0	2.5	3.3	1.7	2.9	-0.5	2.0
Unemployment Rate %	3.2	3.4	4.4	5.5	5.4	3.2	3.4	4.0	5.4	5.5
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	1.3	3.6	0.2	-2.4	-0.4	1.4
Unit Labour Costs (ann av %)	4.6	6.5	8.5	4.2	1.8	2.4	6.5	9.0	5.1	2.0
House Prices	13.8	-12.1	2.9	1.0	7.7	27.2	-11.1	-0.6	0.0	6.9
<b>External Balance</b>										
Current Account - \$bn	-23.6	-31.8	-27.6	-25.2	-21.8	-20.6	-33.4	-27.9	-27.2	-22.8
Current Account - % of GDP	-6.6	-8.2	-6.8	-6.0	-4.9	-5.8	-8.8	-6.9	-6.5	-5.2
<b>Government Accounts - June Yr, % of GDP</b>										
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					
<b>Financial Variables <sup>(1)</sup></b>										
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	71.9	72.5	73.0	72.9	72.0	70.9	73.5
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	3.85	3.80	2.20	4.30	4.50	4.05	3.75
10-year Govt Bond	3.20	4.35	4.60	4.35	4.25	2.35	4.25	4.65	4.40	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	3.75	3.80	2.56	4.62	4.43	3.90	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	0.35	0.50	0.90	0.65	0.65	0.30	0.50

<sup>(1)</sup> 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
<b>Monday 02 September</b>				AU Trade Balance Jul	A\$5000m	A\$5000m	A\$5589m
AU Judo Bank Australia PMI Mfg Aug F			48.7	CA Bank of Canada Rate Decision Sep-04	4.25%		4.50%
JN Capital Spending YoY 2Q	10.00%		6.80%	US JOLTS Job Openings Jul	8100k		8184k
AU Inventories SA QoQ 2Q	-0.10%	0.30%	1.30%	US Factory Orders Jul	4.70%		-3.30%
AU ANNZ-Indeedob Advertisements MoM Aug			-3.00%	US Durable Goods Orders Jul F	9.90%		9.90%
AU Building Approvals MoM Jul	2.80%	3.00%	-6.50%	US Federal Reserve Releases Beige Book			
CH Caixin China PMI Mfg Aug	50		49.8	JN BOJ Board Takata Speech in Ishikawa			
EC HCOB EZ Manufacturing PMI Aug F	45.6		45.6	EC Retail Sales MoM Jul	0.20%		-0.30%
UK S&P Global UK Manufacturing PMI Aug F	52.5		52.5	AU RBA's Bullock Speech to Anika Foundation			
<b>Tuesday 03 September</b>				UK DMP 1 Year CPI Expectations Aug	2.60%		2.50%
NZ Terms of Trade Index QoQ 2Q	2.70%	3.70%	5.10%	<b>Friday 06 September</b>			
AU Net Exports of GDP 2Q	0.6	0.1	-0.9	US Initial Jobless Claims Aug-31	230k		231k
AU BoP Current Account Balance 2Q	-A\$5.0b	-A\$9.0b	-A\$4.9b	US ADP Employment Change Aug	140k		122k
<b>Wednesday 04 September</b>				US S&P Global US Services PMI Aug F			55.2
NZ GDT dairy auction			5.50%	EC ECB's Holzmann speaks in Vienna			
UK BOE's Breeden speaks				US ISM Services Prices Paid Aug			57
US S&P Global US Manufacturing PMI Aug F	48		48	US ISM Services Employment Aug			51.1
US Construction Spending MoM Jul	0.10%		-0.30%	US ISM Services New Orders Aug			52.4
EC ECB's Nagel Speaks				NZ Volume of All Buildings SA QoQ 2Q	-2.70%	-2.30%	-4.00%
NZ AUCT - NZ ETS Auction of 3.525m NZUs on EEX				JN Household Spending YoY Jul	1.20%		-1.40%
AU Judo Bank Australia PMI Services Aug F			52.2	AU Home Loans Value MoM Jul	1.00%	1.00%	1.30%
US ISM Manufacturing Aug	47.5		46.8	GE Trade Balance SA Jul	20.9b		20.4b
NZ ANZ Commodity Price MoM Aug			-1.70%	EC GDP SA QoQ 2Q F	0.30%		0.30%
AU GDP SA QoQ 2Q	0.20%	0.10%	0.10%	EC Employment YoY 2Q F			0.80%
AU Household Spending MoM Jul	0.60%		-0.50%	US Continuing Claims Aug-24	1865k		1868k
EC HCOB Eurozone Services PMI Aug F	53.3		53.3	<b>Saturday 07 September</b>			
UK S&P Global UK Services PMI Aug F	53.3		53.3	US Change in Nonfarm Payrolls Aug	165k		114k
EC ECB's Villeroy Speaks				US Unemployment Rate Aug	4.20%		4.30%
<b>Thursday 05 September</b>				US Av Weekly Hours All Employees Aug	34.3		34.2
NZ CoreLogic Home Value MoM Aug			-0.50%	US Fed's Williams Gives Keynote Remarks			
US Trade Balance Jul	-\$78.9b		-\$73.1b	US Fed's Waller Gives Speech on Economic Outlook			

## Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
<b>CASH AND BANK BILLS</b>					<b>SWAP RATES</b>				
Call	5.25	5.25	5.50	5.50	2 years	3.96	3.84	3.96	5.48
1mth	5.36	5.36	5.42	5.60	3 years	3.78	3.64	3.74	5.20
2mth	5.30	5.29	5.38	5.63	4 years	3.74	3.60	3.68	5.01
3mth	5.23	5.22	5.33	5.65	5 years	3.77	3.62	3.69	4.89
6mth	4.96	4.95	5.10	5.71	10 years	4.03	3.89	3.93	4.77
<b>GOVERNMENT STOCK</b>					<b>FOREIGN EXCHANGE</b>				
05/26	4.10	3.99	4.08	5.14	NZD/USD	0.6243	0.6204	0.5941	0.5939
04/29	3.87	3.78	3.79	4.91	NZD/AUD	0.9230	0.9162	0.9144	0.9190
05/31	4.07	3.97	3.94	4.91	NZD/JPY	91.21	89.65	85.65	86.98
05/34	4.27	4.17	4.16	4.94	NZD/EUR	0.5652	0.5558	0.5423	0.5501
04/37	4.48	4.38	4.38	5.04	NZD/GBP	0.4754	0.4704	0.4650	0.4704
05/41	4.65	4.54	4.57	5.10	NZD/CAD	0.8423	0.8366	0.8212	0.8072
05/51	4.71	4.59	4.63	5.09	TWI	71.8	71.2	69.3	69.8
<b>GLOBAL CREDIT INDICES (ITRXX)</b>									
Nth America 5Y	49	49	61	63					
Europe 5Y	53	52	65	69					

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