Research

Markets Outlook

9 September 2024

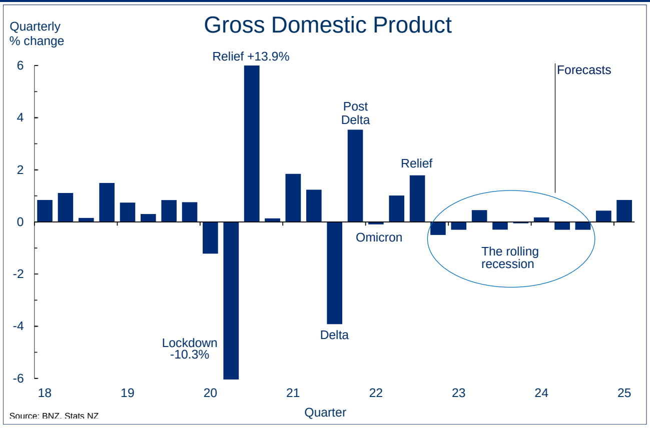
Partial Indicators To Guide On GDP

- **Q2 GDP 'partials' to test our current pick of -0.3%**
- **Trade figures support narrower current account deficit**
- **Helpful as the deficit is on S&P's radar**
- **Will the PMI and ECT data add to 'less bad' tone of July?**
- **August's selected prices to inform on Q3 CPI**

Forward-looking and timely high frequency data have tended to be 'less bad' of late and some have even turned outright positive. They offer hope for a return to growth by the end of the year and expansion next year (which fits with our forecasts).

But this week attention returns to Q2 as the GDP 'partial' indicators for the period roll in. They might be a bit dated but GDP matters as it establishes the economy's starting point for projections. It also allows for further assessment of how rapidly economic slack is enlarging as activity struggles to expand at all. More slack means less inflationary pressure ahead and a green light for the RBNZ to continuing reducing the OCR.

Not pretty



Our current pick for Q2 GDP is -0.3%. We haven't seen anything in the partials to date to persuade us to change. But there have been plenty of moving parts – and there is more coming this week – keeping error bounds around any estimate bloated.

Last week's trade figures were a case in point. Goods trade certainly implied a large negative contribution to growth in the quarter, as exports volumes slumped 4.3% and import volumes jumped 3.2%. However, services trade growth was stronger for exports, implying a positive contribution to the quarter's growth. The large moves, along with seasonal adjustment and other measurement issues, does not allow precision. But to the extent that these movements flow through to the national accounts, the overall balance of trade looks like being a drag on quarterly growth.

We wouldn't usually discuss revisions in much detail, but the trade figures contained some large ones this time around with some potentially important consequences.

For example, Q1's exports of travel services – think international visitor spending in New Zealand – was revised up by a chunky $1.2b. We think this will result in more of overall spending in that quarter now being allocated to international visitors rather than locals compared to when Q1 GDP figures were released.

If this is the case, we see three high level outcomes:

1. Q1 GDP overall would not be unduly influenced as an upward revision to exports of services will be largely offset by a similar sized downward revision to estimates of domestic household spending.
2. Q1 private consumption would be revised downward – which would make sense to us given the 1.6% q/q gain that was first reported always looked strangely strong. To be fair, the RBNZ, rightly in our view, largely ignored this strength in its recent policy decision.
3. A narrower current account deficit.

The latter point comes in the context of global rating agency Standard & Poor's (S&P) last week stating concerns about NZ's large current account deficit, along with the weak economy and local authority debt levels.

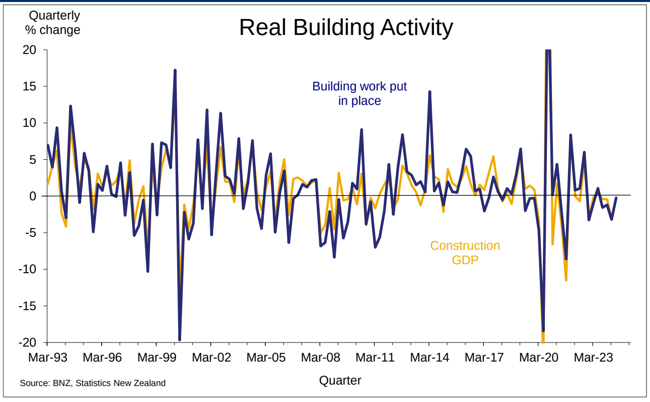
On NZ's sovereign rating outlook, S&P was reported as being 'broadly comfortable' with its current AA+ setting and stable outlook, though it is watching weak economic growth and the large current account deficit. We have long highlighted such factors as potentially worrying the rating agencies.

The annual current account deficit was 6.8% in Q1. S&P's base case is that 'the deficit narrows to something like 5% of GDP over the next couple of years', which is not dissimilar to our forecasts. However, the tone of S&P's commentary suggests there is not a lot of room for slippage from these projections.

We see the annual current account deficit shrinking to 6.3% in next week's Q2 report, supported by revisions. That would be a helpful narrowing given the backdrop. However, we don't see the annual deficit progressing toward 5% in a straight line which will likely keep the external accounts firmly on rating agencies' radars for a while yet.

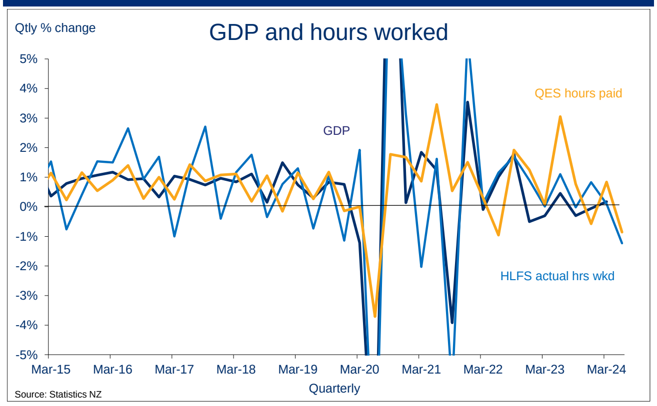
Back to Q2 GDP. The previously released 1.2% drop in retail sales volumes along with last week's implied lift in international visitor spending suggests private consumption fell in the quarter. Last week's building work put in place was negative for both residential and non-residential building, but not as negative as we had pencilled in.

Less bad



Overall, we still sense a bit more downside risk than upside to our -0.3% pick at this point. This is mainly because of the 'top down' indicators like the QSBO, QES paid hours and filled jobs and HLFS hours worked all suggesting a bit more downside. Our expenditure measure of GDP currently sits at -0.5% for the quarter.

But downside risk here

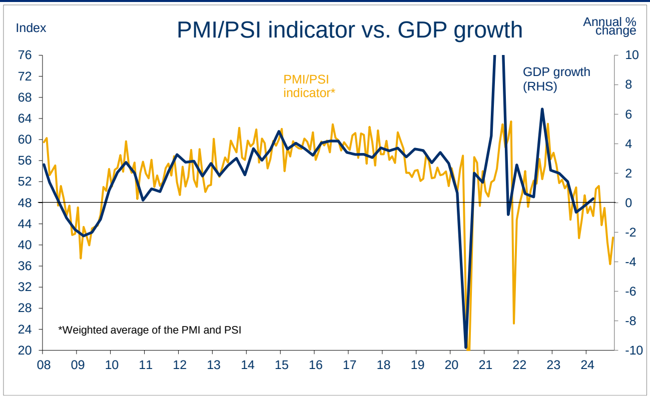


However, we just haven't seen that degree of negativity show up in the hard industry data for the quarter. It could yet do so.

This week brings the remainder of the major 'partials', with Tuesday's business financial data the main source. We expect these to infer activity declines in manufacturing, wholesale trade, and the broader service sector. It seems more about assessing the extent of decline in the quarter rather than the direction.

These data are perhaps where the greatest downside risks to GDP estimates lie particularly if the prior weakness in the combined PMI and PSI indicator shows up fully in Q2 GDP rather than spread over Q2 and Q3 as we have currently assumed.

And more so here



MBIE's energy statistics on Thursday will also be worth a glance to assess whether the decline we have built in for utilities is appropriate given that sector's intensifying challenges into and during winter.

After this week's indicators, we will finalise our Q2 GDP pick. As things stand, GDP would need to print a fair bit below our current estimate for it to be grounds for the RBNZ to think that it needs to cut rates any faster than it has suggested. After all, the RBNZ, in its August MPS, estimated a GDP drop of 0.5% in Q2. However, given the current noise in the data, we wouldn't rule anything out. The GDP data are due next Thursday, 19 September.

Also important, and arguably more so, are the timely activity indicators. August's PMI is due on Friday while the PSI equivalent is due next Monday. It will be interesting to see if these indicators can build on their – less negative – tones in July, which would seem more likely than not.

The week's other data includes July's migration and tourism figures on Wednesday. Annual net migrant inflows are highly likely to continue reducing rapidly, from the 73,300 recorded in the year to June 2024. Recent low monthly net inflows will have implications for both the housing market and labour supply. Short term visitor arrival numbers are expected to show single digit growth in the month compared to a year ago but remain materially below pre-covid levels. However, it is also worth keeping an eye on the number of visitors estimated to be *in* New Zealand, which have poked above pre-covid levels over recent months.

August electronic card transactions data are out on Thursday. The month's movement will be a contest between the likes of income tax relief and interest rate reduction on the positive side and a deteriorating labour market and subdued housing market on the negative. If a small monthly gain is achieved, as we have pencilled in, it would add to the case that real retail sales stopped falling in Q3.

We don't expect any new policy guidance to come from RBNZ Assistant Governor Karen Silk's speech to a KangaNews conference. She will speak to August MPS presentation notes.

Last, but not least, Thursday's Selected Prices for August will be closely watched. We don't forecast all the monthly components but have a 0.5% m/m gain pencilled in for food prices (on seasonal grounds) and a 0.2% m/m increase in rents. We also expect another monthly decline in fuel prices and will monitor all the other segments for their guidance on the relative components for Q3 CPI. We are monitoring the combination of descending crude oil prices and relatively stable NZD closely as it maintains downward pressure on domestic fuel prices. Our current forecast for Q3 CPI sits at 0.7% q/q and 2.2% y/y. The RBNZ projected 0.8% q/q and 2.3% y/y in the August MPS.

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Global Watch

- **US nonfarm payrolls weaker than expected**
- **US CPI and PPI due for August**
- **UK labour market release, earnings in focus**
- **ECB decision, expected to cut 25bps**

Week in Review

In Australia, Q2 GDP data on Wednesday confirmed weak growth through the first half of this year. Growth was 0.2% q/q and 1.0% y/y. Household consumption fell in the quarter and is running at a subdued 0.9% on a 6-month annualised basis.

Speaking on Thursday, RBA Governor Bullock acknowledged that while the composition was a little different to what they expected (that is, consumption was weaker) overall growth in Q2 was in line with their expectations. She noted that despite slow growth "*the level of demand for goods and services in the economy is higher than the ability of the economy to supply those goods and services.*" She drew a distinction between excess demand in Australia, and the situation in New Zealand or Canada where central banks have cut. The BoC delivered its third consecutive cut on Wednesday, taking their policy rate down to 4.25%.

In the US, market participants were looking for the labour market report to settle the debate on the size of the Fed rate cut at the September FOMC. Although payrolls growth was weak, it didn't provide a definitive answer. US nonfarm payrolls increased by 142k in August which was below consensus estimates. In addition, there were 86k of downward revisions to the previous two months. The unemployment rate fell to 4.2%, from 4.3% in July, which was in line with consensus estimates. Average hourly earnings rose 0.4% which pushed the annual rate back up to 3.8% from 3.6%.

Influential Fed Governor Waller said in a speech that downside risks for the economy had increased, and that the backdrop requires action from the Fed, to avoid undue damage to the labour market. His endorsement of rate cuts echoed comments made earlier by New York Fed President Williams. Waller also noted that if the data shows a significant deterioration in the labour market, the Fed can act quickly and forcefully to adjust monetary policy – 'If the data suggests the need for larger cuts, then I will support that as well'.

Week Ahead

In Australia, consumer confidence data and the NAB Business Survey are both published Tuesday. RBA Assistant Governor (Economic) Sarah Hunter speaks on Wednesday morning, though it is hard to see her adding much on top of Governor Bullock's comments last week.

In the US, August CPI on Wednesday remains a key release to determine how much space the FOMC has to ease into a gradual labour market cooling. Expectations are for a fourth consecutive benign print on the core CPI, with the early consensus at 0.2% m/m, leaving the headline rate still somewhat elevated at 3.2%. PPI fills out the inflation picture on Thursday.

Harris and Trump meet in Philadelphia on Tuesday in what may be their only debate before November's presidential election.

In Europe, the ECB is widely expected to ease by 25bp at their September meeting on Thursday. Deceleration in forward looking wages indicators and progress on inflation have supported the case for a cut.

In the UK, labour market data on Tuesday, especially July earnings outcomes, will be important for the pace of BoE easing going forward. While one more cut from the BoE is likely this year, still elevated pay growth could be a hurdle to more material easing. Monthly GDP is out Wednesday.

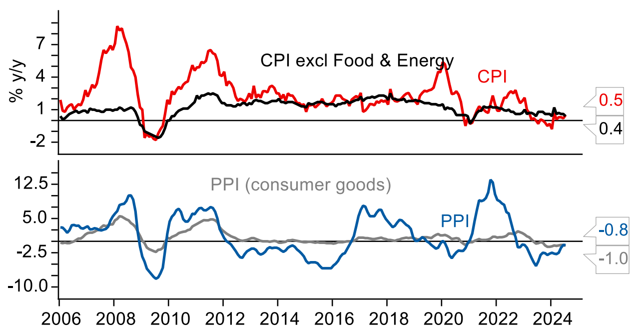
In China, data includes inflation readings for CPI and PPI on Monday, and trade data on Tuesday. August monthly activity data, including retail sales and industrial production, is slated for Saturday (14 September).

Important Events Preview

Monday 9

CH CPI & PPI
Chinese prices data are expected to continue to show a domestic economy that is generating little inflationary pressure. Expectations are for CPI to edge up to a still subdued 0.7% y/y, while lower commodity prices should see PPI fall back deeper into negative territory.

China, Measures of inflation



Source: National Australia Bank, China National Bureau of Statistics (NBS), Macrobond

Tuesday 10

AU Consumer Confidence & NAB Survey
Westpac-Melbourne Institute Consumer Confidence and the NAB Business Survey are published Tuesday. Consumer

Confidence remains mired near its lows in Australia and has been choppy in recent months. In contrast Europe, the UK, and the University of Michigan index in the US have shown a more obvious rebound as the peak in inflation has receded.

UK Unemployment & Earnings
Labour market data is likely to focus on July earnings outcomes, which have remained elevated. In June, headline average weekly earnings dropped from 5.7% 3M Y/Y, to 4.5%. Stripping out bonuses, earnings slowed to 5.4%, down from 5.8%. The BoE puts more weight on private sector regular (non-bonus) pay, which in June eased from 5.6% to 5.2%. High frequency wage monitors in the private sector tend to show wage settlements running below official data. However, a very recent report from Reed Recruitment revealed pay growth edging back up again.

Wednesday 11

AU RBA's Hunter
RBA Assistant Governor (Economic) Hunter speaks at the Barrenjoey Economic Forum. There is no topic yet, but it is unlikely she will stray far from the messages we heard from Governor Bullock last week.

UK Monthly GDP

US CPI
The early consensus is for another monthly print of 0.2% m/m for core CPI, leaving the y/y rate at 3.2%. Headline CPI is expected to slip to 2.6% y/y from 2.9%. A four-month run of benign prints wouldn't sound the all clear on inflation, but would be enough to continue to cede focus to the labour market. CPI is the last key data print ahead of the Fed's September 18 meeting and updated Summary of Projections, with the possible exception of Retail Sales next Tuesday.

Thursday 12

EZ ECB September Meeting
Markets broadly expect the ECB to deliver a second rate cut for this cycle on Thursday, taking the Deposit Rate down to 3.5%. NAB expect new ECB staff forecasts to marginally mark down Headline CPI and growth forecasts. NAB's long-term ECB rate forecasts have been for 25bp cuts in September and December to 3.25%, followed by three cuts to 2.5% in 2025.

At this meeting the ECB will also follow-through on its decision of earlier this year in utilising this September meeting to narrow the spread between the in-focus Deposit Rate and the Refinancing and Marginal Lending Facility rates, by reducing both the latter by 60bps to 3.65% and 3.9% respectively, which will close the spread between them and the Deposit Rate to 15bps and 40bps.

US PPI & Jobless claims
With Fed attention increasingly shifting to labour market dynamics, attention on the PPI is likely to fade, providing the headline inflation indicators remain benign. The component detail will continue to help analysts map through to the PCE inflation measure.

Jobless claims continue to point to a low layoffs labour market environment even as the pace of hiring has slowed. As long as that continues, it should keep fears of a sharper spike higher in unemployment at bay.

Friday 13

US UMich consumer sentiment

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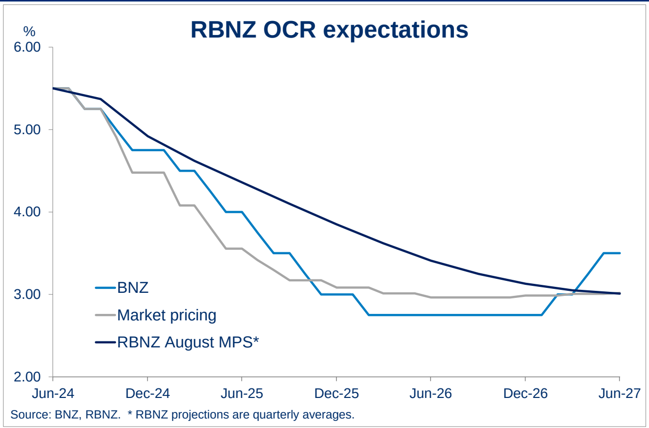
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ fixed income yields moved lower during last week, largely driven by offshore markets in the absence of first-tier domestic data. There were further signs of soft US activity and a cooling labour market – nonfarm payrolls printed below consensus and there were large downward revisions to the previous two months – which contributed to a rally in US treasuries, led by the front end of the curve.

NZ 2-year swaps traded 17bps lower, and retested the recent low of 3.75%, reached in the aftermath of the August Monetary Policy Statement. Overnight index swap (OIS) pricing implies a step up in the pace of RBNZ easing at upcoming policy meetings. There is ~120bps of cuts priced across the three meetings to February 2025, reflecting a high chance the RBNZ will cut rates by 50bps, at two of the three meetings.

Implied OCR path



Market pricing for RBNZ rate cuts compares with our base case scenario of 25bps per meeting. While we agree the balance of risks are skewed towards a more aggressive easing cycle, OIS pricing appears at risk of overshooting at this point. The RBNZ revised its growth and inflation forecasts lower in August, setting a new baseline which the economy would need to deviate from, to warrant faster easing.

There are several NZ data points this week which will help condition expectations for the pace of RBNZ easing. Firstly, GDP partials will help refine Q2 GDP forecasts ahead of next week's release. High frequency activity data - monthly manufacturing PMI and electronic card transactions - will also be monitored alongside selected price indicators.

The NZ yield curve is likely to continue to steepen, which is typical in easing cycles. The market is pricing the Official Cash Rate (OCR) to find a base near 3%, which broadly aligns with the RBNZ's estimate of the long-term neutral OCR rate. This could limit the downside for yields at the back end of the curve. The average spread between 10-year swap rates and the OCR in the ten years preceding December 2019 was close to 150bps.

The 2y/10y swap curve has already steepened by almost 60bps since the start of July, and market forwards are pricing a +50bps slope, six months ahead. The relationship between the short and long end of the swap curve has evolved in the past three months. The beta of 10-year rates to 2-year rates has fallen from close to 1 in the preceding three months to 0.5 currently, as the long end failed to match yield declines at the front end, which we expect will continue.

10y ASW back at multi-year wides

Government bonds (NZGB) have continued to underperform against swaps. 10-year asset swap spreads are above 30bps, and are near multi-year highs, after pandemic volatility is excluded. We continue to think ASWs are likely to retrace from historically high levels. The large NZ$6 billion May-2036 syndication in August has reduced the required syndication volumes to a manageable NZ$8 billion from the remaining two tap syndications this fiscal year.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	5.12	5.12 - 5.38
NZ 2yr swap (%)	3.77	3.75 - 4.04
NZ 5yr swap (%)	3.60	3.58 - 3.83
NZ 10yr swap (%)	3.89	3.85 - 4.06
2s10s swap curve (bps)	12	2 - 12
NZ 10yr swap-govt (bps)	-30	-31 - -23
NZ 10yr govt (%)	4.18	4.18 - 4.30
US 10yr govt (%)	3.71	3.64 - 3.99
NZ-US 10yr (bps)	48	22 - 48
NZ-AU 2yr swap (bps)	11	-2 - 27
NZ-AU 10yr govt (bps)	25	20 - 33

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week commodity currencies underperformed as risk appetite plunged. NZD/USD fell 1.2% to 0.6175 and NZD/AUD rose a touch to just under 0.9260. The NZD was weaker against other key crosses, down in the order of 1-1½% against EUR and GBP and over 3½% weaker against JPY. NZD/JPY closed the week below 88, as the yen attracted safe-haven flows.

Last week, our risk appetite index plunged by 16pts from 65% to 49%, taking it back below the neutral level. US economic data were in the spotlight and contributed to weaker risk appetite, on fears that a deeper US economic slowdown could eventuate. The Fed has yet to start the easing cycle, even if a rate cut later this month has been well signalled. Easier policy takes time to work through the economy and the fear is that restrictive policy has been in place for too long. Chicago Fed President Goolsbee said it best, saying tight policy was raising the risk of recession and he pointed out "every month inflation comes in low, we just tightened", a reference to real interest rates increasing as inflation falls.

In terms of the economic dataflow, the detail of the US ISM manufacturing report showed a very weak underbelly, with new orders falling against a lift in inventories, job openings fell to their lowest level in more than three years, and non-farm payrolls growth continues to trend lower. The Fed's focus is on protecting the current state of the labour market. The dataflow didn't provide clear guidance on whether the first rate cut later this month will be 25bps or 50bps, but Fed speakers seem to be leaning to a smaller decrease unless data or events ahead of the 18-September meeting suggest a larger rate cut is warranted.

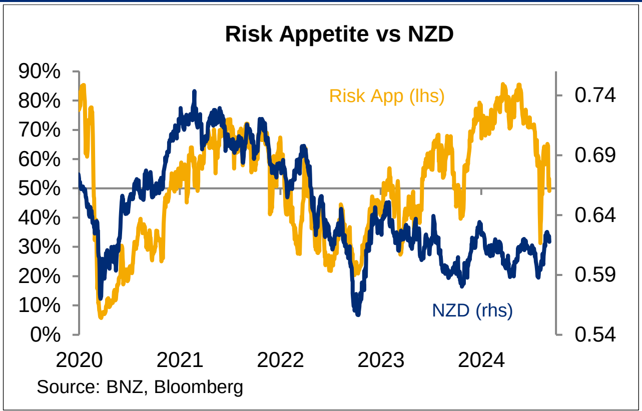
In many ways, the size of the first rate cut by the Fed doesn't matter for the path of the NZD. The scale of Fed rate cut expectations priced over the next 12-18 months looks to be similar to the RBNZ. While at face value a larger 50bps cut might seem USD-negative, a larger cut would be consistent with increased concern about the US economic outlook, which could be USD-positive to the extent that larger cuts drive risk appetite down further. The sweet spot for the NZD is a US economic soft-landing associated with a series of modest 25bps rate cuts over sequential meetings.

Last week we noted the possibility of the NZD's recovery tracking a little ahead of our projections, but last week's NZD weakness makes us more comfortable in our conservative upward profile. Technically, we see resistance at 0.63, while support looks to be just below 0.60, at around 0.5975.

In the week ahead, focus will be on the US CPI report on Wednesday night (followed by the PPI the following night), with the core CPI expected to be steady at 0.2% m/m and 3.2% y/y. Fed Chair Powell at Jackson Hole de-emphasised inflation data, expressing more concern on the labour market outlook, so inflation reports from here can probably be considered as less important as they have been over the past couple of years.

A 25bps rate cut by the ECB is universally expected, so focus will be on guidance for future meetings. Options are likely to be left open, with economic data driving future rate decisions. Elsewhere, UK labour market indicators and China monthly activity indicators are released. The NZ economic calendar remains uneventful, with the pick of the week being the monthly CPI indicators, which will help firm up Q3 CPI estimates.

Risk appetite whipsawing of late



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6176	0.6030 - 0.6300
NZD/AUD	0.9258	0.9040 - 0.9260
NZD/GBP	0.4704	0.4660 - 0.4770
NZD/EUR	0.5572	0.5470 - 0.5670
NZD/JPY	87.88	87.70 - 91.70

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6670	-7%
NZD/AUD	0.8670	7%

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Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.6300 (ahead of 0.6390)
ST Support: 0.6060 (ahead of 0.5975)

We see resistance at the recent high just under 0.63. We see some support around 0.6060, ahead of 0.5975.

NZD/AUD

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

Resistance remains around 0.9315 and support remains around 0.9050.

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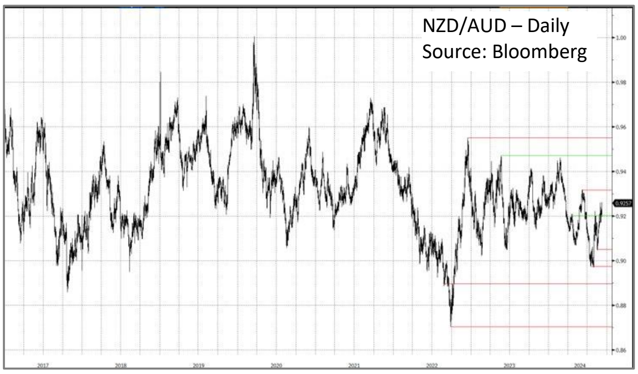
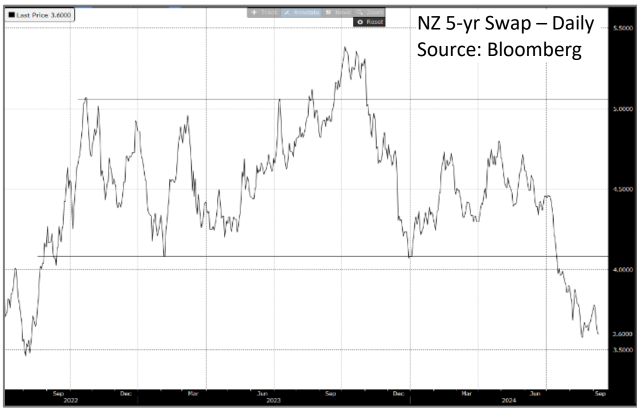


NZ 5-year Swap Rate

Outlook: Lower
ST Resistance: 4.06
ST Support: 3.48

Failed bounce in yield last weak amidst bearish market structure, favour a test toward 3.50 in the near term



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

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

Strong steepening momentum remains, a target of -10 bps looks realistic before we see some consolidation

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Quarterly Forecasts

Forecasts as at 9 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	-6.3	-6.6	-6.4	-6.3	-5.7	-5.4	-5.2	-4.9
CPI (q/q)	0.5	0.6	0.4	0.7	0.4	0.5	0.5	0.6	0.1	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 %)	3.2	3.2	3.0	2.9	2.9	2.8	3.0	3.0	3.1	3.0
CPI (y/y)	4.7	4.0	3.3	2.2	2.1	2.0	2.0	2.0	1.7	1.9
GDP (production s.a., y/y))	-0.2	0.3	-0.5	-0.5	0.0	0.7	1.9	3.0	3.4	3.3

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	4.10	4.40	3.85	3.95	4.15	5.30	4.10	0.30
Dec	4.75	4.75	4.05	4.40	3.50	3.90	4.15	5.05	4.10	0.30
2025 Mar	4.50	4.25	3.85	4.35	3.20	3.75	4.15	4.55	4.00	0.35
Jun	4.00	3.75	3.75	4.30	3.05	3.70	4.15	4.30	3.90	0.40
Sep	3.50	3.25	3.70	4.25	2.95	3.65	4.10	4.05	3.80	0.45
Dec	3.00	3.00	3.75	4.25	3.05	3.70	4.10	3.80	3.75	0.50
2026 Mar	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	NZD Forecasts NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.62	0.67	1.11	1.31	142	0.62	0.93	0.56	0.47	87.8	71.0
Sep-24	0.61	0.67	1.09	1.28	146	0.61	0.91	0.56	0.48	89.1	70.6
Dec-24	0.62	0.69	1.11	1.30	143	0.62	0.90	0.56	0.48	88.7	70.9
Mar-25	0.64	0.71	1.13	1.31	140	0.64	0.90	0.56	0.49	88.9	71.9
Jun-25	0.65	0.72	1.14	1.32	137	0.65	0.90	0.57	0.49	89.1	72.8
Sep-25	0.66	0.74	1.16	1.34	134	0.66	0.89	0.57	0.49	88.4	72.9
Dec-25	0.67	0.75	1.17	1.35	131	0.67	0.89	0.57	0.50	87.8	73.5
Mar-26	0.66	0.74	1.18	1.36	129	0.66	0.89	0.56	0.49	85.1	72.5
Jun-26	0.65	0.73	1.18	1.36	129	0.65	0.89	0.55	0.48	83.9	71.7
Sep-26	0.66	0.74	1.20	1.37	125	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 9 September 2024	March Years Actuals 2022	2023	2024	2025	2026	December Years Actuals 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	1.3	2.1
Government Consumption	7.9	2.0	0.5	-3.3	0.4	7.8	4.9	-0.8	-2.2	-0.6
Total Investment	10.2	2.1	-1.7	-3.0	3.4	12.0	3.4	-0.9	-3.9	2.0
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	0.5	2.7	10.0	3.4	-1.5	0.1	2.2
Exports	2.5	6.0	6.4	1.1	5.1	-2.7	-0.2	9.8	2.0	4.3
Imports	17.3	4.4	-1.2	3.7	3.8	14.8	4.7	-0.5	3.3	3.4
Real Expenditure GDP	4.7	2.7	0.4	-0.1	2.9	5.9	2.3	0.8	-0.2	2.3
GDP (production)	**4.6**	**2.7**	**0.2**	**-0.1**	**2.9**	**5.6**	**2.4**	**0.6**	**-0.2**	**2.3**
GDP - annual % change (q/q)	*0.6*	*2.0*	*0.3*	*0.7*	*3.3*	*2.6*	*2.2*	*-0.2*	*0.0*	*3.4*
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	2.0	1.9	5.9	7.2	4.7	2.1	1.7
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 (stratified, qtr)	14.2	-13.6	2.7	-1.4	6.9	26.2	-12.9	-0.7	-1.7	6.0
External Balance										
Current Account - $bn	-23.6	-31.8	-27.6	-26.4	-21.6	-20.6	-33.4	-27.9	-26.8	-22.6
Current Account - % of GDP	-6.6	-8.2	-6.8	-6.3	-4.9	-5.8	-8.8	-6.9	-6.4	-5.2
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	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

(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 09 September			
JN	GDP SA QoQ 2Q F	0.80%		0.80%
CH	PPI YoY Aug	-1.50%		-0.80%
CH	CPI YoY Aug	0.70%		0.50%
EC	Sentix Investor Confidence Sep	-12.2		-13.9
	Tuesday 10 September			
US	Wholesale Trade Sales MoM Jul			-0.60%
US	NY Fed 1-Yr Inflation Expectations Aug			2.97%
NZ	Mfg Activity Volume QoQ 2Q			-0.40%
NZ	Local Authority Statistics 2Q			
NZ	Business Financial Data - manu, wholesale, services 2Q			
AU	Westpac Consumer Conf SA MoM Sep			2.80%
AU	NAB Business Confidence Aug			1
GE	CPI YoY Aug F	1.90%		1.90%
UK	ILO Unemployment Rate 3Mths Jul	4.10%		4.20%
UK	Average Weekly Earnings 3M/YoY Jul	4.10%		4.50%
CH	Trade Balance CNY Aug			601.90b
	Wednesday 11 September			
NZ	Dairy GDT pulse WMP (reg CP2)			
US	Fed's Barr speaks			
NZ	RBNZ Assistant Governor Karen Silk speaks			
NZ	Net Migration SA Jul			2710
AU	RBA's Hunter-Speech			
JN	BOJ Board Nakagawa speaks			
UK	Monthly GDP (MoM) Jul	0.20%		0.00%
UK	Industrial Production MoM Jul	0.30%		0.80%
UK	Manufacturing Production MoM Jul	0.20%		1.10%
UK	Trade Balance GBP/Mn Jul	-£4900m		-£5324m

		Median	Fcast	Last
	Thursday 12 September			
US	CPI Ex Food and Energy YoY Aug	3.20%		3.20%
NZ	Food Prices MoM Aug			0.40%
NZ	Card Spending Total MoM Aug			0.70%
NZ	Selected monthly price indexes Aug			
NZ	MBIE Energy Quarterly 2Q			
JN	BOJ Board Tamura speaks			
	Friday 13 September			
EC	ECB to Reduce Spread Between Main and Deposit Rates to 15bps			
EC	ECB Deposit Facility Rate Sep-12	3.50%		3.75%
EC	ECB Main Refinancing Rate Sep-12	3.65%		4.25%
EC	ECB Marginal Lending Facility Sep-12	3.90%		4.50%
US	PPI Ex Food and Energy YoY Aug	2.40%		2.40%
US	Initial Jobless Claims Sep-07	230k		227k
US	Continuing Claims Aug-31	1850k		1838k
EC	ECB President Christine Lagarde Holds Press Conference			
NZ	BusinessNZ Manufacturing PMI Aug			44
NZ	REINZ House Sales YoY Aug			14.50%
JN	Industrial Production MoM Jul F			2.80%
UK	BoE/Ipsos Inflation Next 12 Mths Aug			2.80%
EC	ECB's Rehn speaks			
EC	Industrial Production SA MoM Jul	-0.70%		-0.10%
EC	ECB President Christine Lagarde speaks			
	Saturday 14 September			
US	U. of Mich. Sentiment Sep P	68.3		67.9
CH	Used Home Prices MoM Aug			-0.80%
CH	Industrial Production YoY Aug	4.60%		5.10%
CH	Retail Sales YoY Aug	2.50%		2.70%
CH	Surveyed Jobless Rate Aug	5.20%		5.20%
EC	Bundesbank President Nagel speaks			

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	5.44	5.60
2mth	5.26	5.29	5.44	5.63
3mth	5.13	5.21	5.36	5.66
6mth	4.89	4.97	5.11	5.71
GOVERNMENT STOCK				
05/26	3.97	4.13	4.15	5.22
04/29	3.76	3.91	3.91	4.99
05/31	3.98	4.12	4.06	4.99
05/34	4.17	4.31	4.25	5.03
04/37	4.40	4.53	4.44	5.12
05/41	4.58	4.71	4.61	5.18
05/51	4.64	4.77	4.66	5.17
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	54	49	60	63
Europe 5Y	56	53	61	70

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.77	3.96	4.01	5.52
3 years	3.60	3.79	3.81	5.24
4 years	3.57	3.75	3.77	5.05
5 years	3.60	3.78	3.78	4.95
10 years	3.88	4.05	4.02	4.84
FOREIGN EXCHANGE				
NZD/USD	0.6173	0.6233	0.6019	0.5919
NZD/AUD	0.9255	0.9176	0.9137	0.9204
NZD/JPY	87.73	91.54	88.59	86.76
NZD/EUR	0.5569	0.5629	0.5505	0.5506
NZD/GBP	0.4702	0.4741	0.4714	0.4732
NZD/CAD	0.8376	0.8410	0.8272	0.8035
TWI	71.1	71.7	70.4	69.8

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