30 September 2024

All Eyes On The QSBO

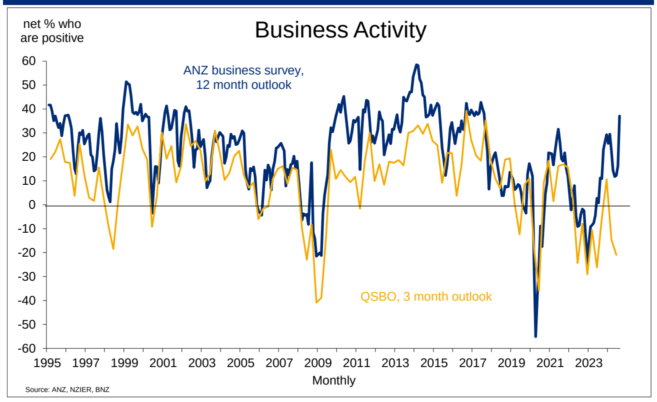
- **QSBO commands attention this week**
- **Inflation, employment indicators of most interest**
- **Today's ANZ survey a prelude**
- **Last major guidance ahead of RBNZ Oct meeting**

NZIER's Quarterly Survey of Business Opinion (QSBO) tomorrow is the final major domestic data release scheduled ahead of the RBNZ's October rate decision next week. It has the potential to change views.

There are no polls for the QSBO. And we don't forecast its wide range of indicators but are very interested in observing the results and assessing their implications for the outlook for the economy and interest rates.

That said, given the August jump we saw in the ANZ business survey's own activity expectations (latest month due out this afternoon), we would expect to see a reasonable increase in the similar QSBO gauge. A solid improvement is required in the latter to be consistent with our (and RBNZ's) near-term economic growth forecasts.

Mind The Gap



More generally, with activity broadly troughing now, labour much easier to find, significant destocking undertaken, and the positive impact of lower interest rates to be felt, it would be surprising if businesses didn't expect conditions to improve. But how much? And, even if business expectations improve, we wonder about the possibility of disappointment given consumer confidence remains weak albeit less weak than before.

It pays to remember that the QSBO does not survey the government sector which needs to be factored in. But nor does it survey agriculture where dairy and horticulture are now doing relatively very well.

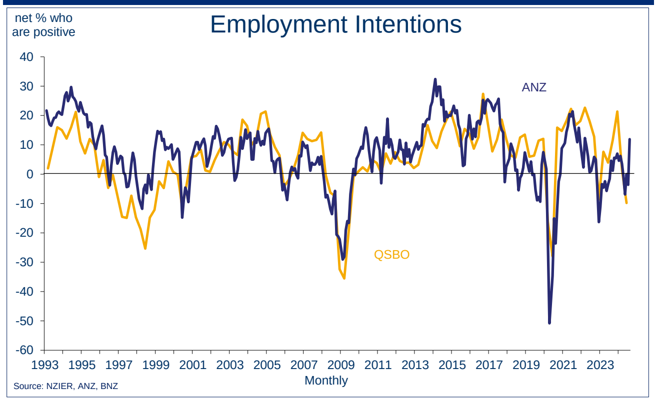
While the ANZ survey does include agriculture, it is worth noting that its expectations question asks about 12 months ahead while the QSBO refers to 3 months ahead. This is relevant in the current context where near term indicators have tended to be much softer than those looking further ahead. All this suggests QSBO activity expectations will not look as strong as its counterpart from the ANZ survey.

As interesting as business activity expectations will be, employment and pricing intentions will likely be a bigger focus at the current juncture. If they give a meaningful disinflationary signal, they might be enough to convince the RBNZ to speed up its projected 25bp easing pace.

Our own forecasts include substantial cuts to the OCR ahead. We have long pencilled in a pace of a 25bp cut per meeting, while seeing material risk of a faster pace. This remains the case. We will reassess this risk after we see what the QSBO has to say.

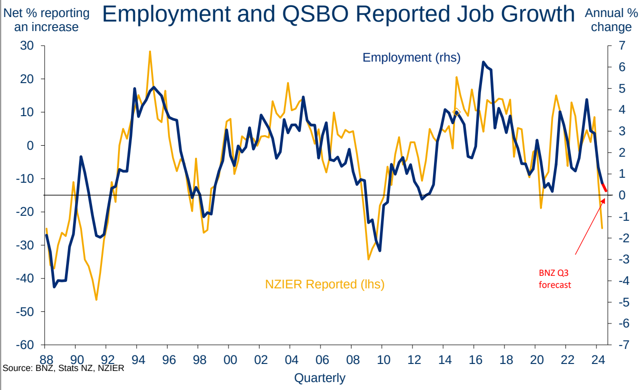
The extent of lift in employment intentions in the previous ANZ survey looked odd in the context of weakness across many other labour market indicators. That adds interest to this afternoon's update and tomorrow's QSBO equivalent.

Employment growth next year



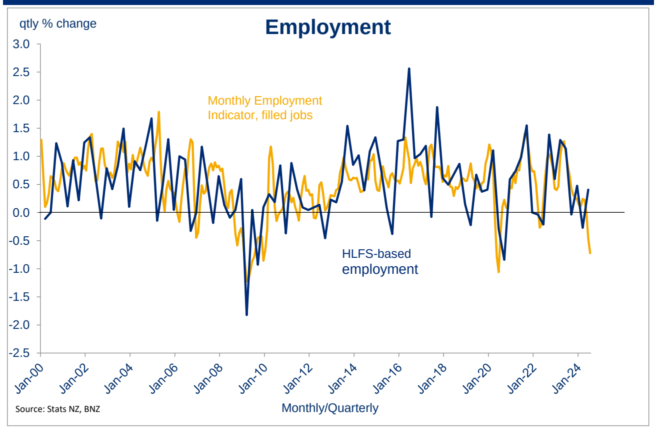
However, we are also keen to see what the QSBO shows for reported employment, not just employment intentions. The employment indicator was particularly weak in the previous survey, with a net 25% of QSBO respondents reporting a decline in employment. If this week's Q3 figure prints anywhere near that it would suggest the 0.4% q/q decline in official employment we (and the RBNZ) currently forecast might need to be nudged even lower.

But not now



More guidance on Q3 employment will also come from this week's August employment indicators (and any revisions). They were initially scheduled for this morning, but Stats NZ has delayed the release to Friday due to 'a significant issue processing the data'. As things stand, filled jobs to July point to a clear drop in Q3 employment.

Filled jobs retreat



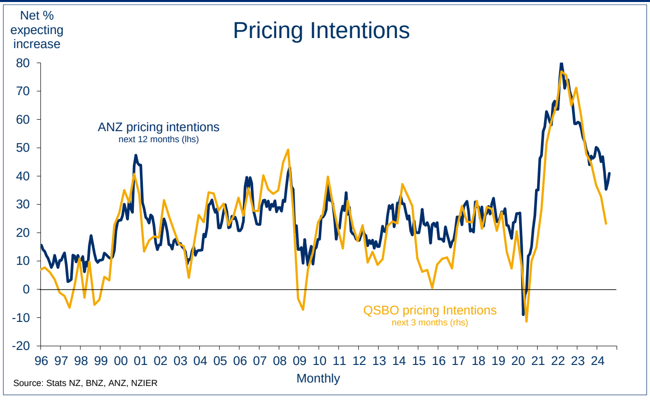
This is just one of a long line of softening labour market indicators that fit with our long-held view. For example, last week we saw WMM Employment Confidence drop to near pandemic lows in Q3, driven by people's perception that jobs have become much harder to find. We expect the QSBO to show the flipside with firms reporting labour easier to find as well as fewer firms seeing labour as a major constraint on output. And SEEK job ads continued their trend retreat in August. All this points to downward pressure on wage inflation.

We have long been of the view that the unemployment rate is headed higher. We currently forecast 5.0% for Q3, as does the RBNZ. But we see the unemployment rate pushing higher than the RBNZ anticipates next year.

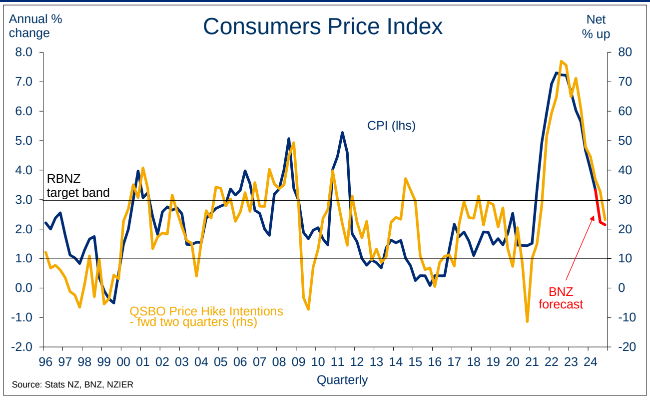
Pricing intentions in the QSBO and ANZ survey have parted ways a little over recent months. The trends are still downward, but the levels have diverged. The Q2 QSBO reading is consistent with annual CPI inflation dropping to near the middle of the RBNZ target band this year, whereas the ANZ equivalent through to August has been more elevated.

Our (and the RBNZ's) near term CPI forecasts are much more in line with the QSBO indicator. The latest guidance here will be closely followed.

Sticky or not?



Near mid band



Turning to the week's other data. Wednesday morning brings the latest GDT dairy auction, where the balance of price indicators looks more positive than negative. Even a steady outcome would be supportive of a 2024/25 milk price forecast of around $9.00, which represents a material increase in dairy sector revenue.

Staying with commodities, September's ANZ commodity price index is due on Thursday. We expect dairy and aluminium to drive a 1.8% gain in world prices in the month and see prices 14.4% above year earlier levels. This is a decent boost to the terms of trade, which will help extend a bounce back from prior softening.

August residential building consents are out on Tuesday, where they would seem prone to unwind a decent chunk of July's massive 26.2% gain. More broadly, and through the monthly volatility, we will be looking to see if the annual residential building consent numbers are showing more signs of stabilising.

The CoreLogic house price index for September is due on Thursday. Another small negative for annual house price inflation would not surprise. It was -0.5% in August.

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Global Watch

- **US September payrolls, unemployment rate in focus**
- **Euro area CPI expected to fall temporarily**
- **Official and Caixin PMIs released for China**
- **Australia retail sales and building approvals due**

Week in Review

Offshore, the most significant development was China's policy stimulus announcements on Tuesday and Thursday. Increased optimism that China is finally addressing its economic woes with some vigour drove the CSI300 index higher, and commodities (except oil) have rallied strongly.

In the US, PCE and consumer spending data were consistent with the view of inflation converging towards target and the economy still showing reasonable growth. Dataflow continues to suggest a soft landing, despite the Fed's reservations around the labour market. Weekly jobless claims remain low, the final version of Q2 GDP was revised up to 3.0% annualised, while the Atlanta Fed's Q3 GDP Now tracker sits at 3.1% annualised.

There have been a few US Fed speakers, but none overly market moving. The most significant remarks have been around neutral rates, with a few members seeing neutral rates having lifted since the pandemic began. It is worth noting here that 7 out of 19 FOMC members had pencilled in a nominal neutral rate of 3.25% or higher at the September FOMC meeting.

While the RBA kept rates on hold as widely expected and kept its hawkish language, Governor Bullock noted they did not explicitly discuss a rate rise.

However, the Governor also noted that the data flow had "*not materially altered the outlook*" or judgements since August. The monthly CPI indicator for August last Wednesday reinforced that view, printing in line with expectations at 2.7% y/y. Importantly, the CPI indicator again showed sticky services inflation, while goods inflation fell sharply due to government subsidies on electricity

Week Ahead

Offshore there are three key data points. US payrolls (Friday), Eurozone CPI (Tuesday), and China PMIs (Monday).

For **US** payrolls (Friday), consensus sits at 146k jobs and for the unemployment rate to be unchanged at 4.2%. However, there is little between 4.2% and the FOMC's September projection of the unemployment rate averaging 4.4% in Q4. Any lift in the unemployment rate would likely lift the probability of a follow up 50bp cut in November.

There are also other relevant labour market indicators out in the week, including JOLTS (Tuesday), ADP employment (Wednesday), and the employment sub-indexes of the manufacturing and services ISMs (Tuesday and Thursday). Overall, the services ISM is expected to remain in expansion.

In **Europe**, the preliminary HICP (Tuesday) takes top billing, but much will be known given Belgium, France, Germany, Italy, and Spain report country level figures before then. The overall message to date is European core inflation remains elevated, as it does in the UK and in Australia. There are also plenty of ECB speakers, but unlikely to be market moving.

In **China**, the official PMIs (Monday) are out, ahead of the Golden Week Public Holidays. Given recent stimulus announcements, the PMIs are likely to be less relevant. Instead, expect more market commentary on the estimated impact of stimulus measures.

In **Japan**, the tankan and BoJ September minutes (Tuesday) feature.

In **Australia**, focus is on the extent to which households have started to spend the extra cash flow generated from recent tax cuts and government subsidies. Retail sales (Tuesday) will give some guide and where the consensus is for 0.4% m/m. NAB's transactions data suggests some upside risk to this and have pencilled in 0.5% m/m. There is also plenty of second-tier data including building approvals (Tuesday) and the goods trade balance (Thursday).

Important Events Preview

Monday 30

AU Credit and Deposit data
NAB restarted coverage of monthly credit and deposit data last month. The biggest news then was that household deposits lifted by $30.8bn in July, its largest ever increase.

It wasn't clear what the exact driver was, though it does sync in with some government subsidies which reduce out of pocket costs, tax cuts taking effect and the shift in the timing of tax returns. A smaller than usual increase and/or drawdown may indicate spending picking up.

CH Official PMIs and Caixin PMIs
The Chinese PMIs this month are less relevant given the recent monetary and fiscal announcements that appear to be designed so that China achieves its 5% growth target. Consensus looks for a lift in the manufacturing PMI to 49.4 from 49.1, and for the services PMI to be little changed at 50.4 from 50.3.

EZ German CPI
Ahead of the wider Eurozone CPI measure, German CPI is released tonight (consensus 1.80% y/y).

US Fed's Powell

Fed Chair Powell speaks at the National Association of Business Economists. Remarks could be wide ranging, but hard to see Powell's remarks being illuminating given the lack of data flow since the FOMC meeting.

Tuesday 01

AU Retail Sales, Building Approvals
Retail sales are being watched closely to see whether household consumption starts to pick up following the recent tax cuts and government subsidies which reduce out of pocket costs. In July, retail sales were flat following two months of strong increases. NAB highlighted then that August would be key to see to what extent tax cuts are saved or spent.

NAB's transactions data suggests retail sales rose 0.5% m/m with strong increases being seen in goods and in cafes & restaurants. Accordingly, NAB pencil in a 0.5% m/m rise, while consensus is 0.4% m/m.

For building approvals, NAB expect a small retracement from last month's 10.4% m/m rise. The underlying theme of building approvals remains, with the level of approvals still very subdued relative to population growth.

JN Tankan, BoJ's Minutes (September meeting)

CH Golden Week Public Holidays (through to Oct 7)

EZ CPIs and final-Manufacturing PMI
Given country level data for several countries was published earlier, it is likely HICP will print close to the whisper number. HICP inflation should post a notable decline at the headline level, due in part to lower oil prices, falling to 1.8% or so from 2.2%.

However, ECB's Lagarde has already warned that this headline measure drop will be temporary and will be back to 2.5% at end of the year. And services or core HICP is likely to show little further progress – Europe, UK and Australia stand out with still elevated core inflation.

The ECB has noted that with the time between the September and October meetings shorter than normal, it does not expect to get much new information on which to base a decision. New forecasts are due in December. NAB's call for a December cut remains. Despite the risks of an October move, NAB think it unlikely, not sharing the so pessimistic view of EZ growth as some observers.

US Fed talk – Cook, Barkin, Collins, Bostic

US Manufacturing ISM and JOLTS

The consensus for the manufacturing ISM is for a small lift to 47.6 from 47.2. Perhaps of more importance given the Fed's sensitivity to labour market data may be JOLTS where a sharp fall in job openings last month was one factor behind the Fed's 50bp move. Job openings per unemployed person are now below pre-pandemic at 1.1 vs. 1.2 prior to the pandemic. Layoffs though remain low.

Wednesday 02

US ADP Employment, MBA Mortgage Applications
ADP employment will no doubt garner attention ahead of payrolls later in the week. Consensus stands at 125k from 99k. Also of some interest could be MBA mortgage applications to see to what extent the recent fall in mortgage rates feed into housing demand (one dynamic that could mean a shallow cutting cycle).

Thursday 03

AU Trade balance – goods only
Unlikely to be market moving. NAB expect the goods trade balance to be broadly unchanged at $5.5bn from $6bn.

US Services ISM and Jobless Claims
The services ISM is likely to be watched closely with an ongoing divergence between the S&P services PMI at 55.4 and the services ISM at 51.5. Also of interest will be the employment sub-index given the focus on the labour market.

Also out are jobless claims which should remain low and highlights that the softening in the labour market is not due to increased layoffs, but a slowing in hiring and greater labour supply.

Friday 04

US Payrolls
The consensus on payrolls is for 146k jobs and for the unemployment rate to be unchanged at 4.2%. Note the FOMC's recent September forecasts have a Q4 2024 unemployment rate of 4.4%. Should the unemployment rate rise, it would play to the view that the Fed may need to cut by more than 25bps in November.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

The rally at the front end of the NZ yield curve has continued with 2-year swaps extending below 3.60% as the market factors in an increasingly front-loaded RBNZ easing cycle. However, yields at the longer end moved higher during last week as the yield curve continued to steepen. Looking ahead, the Quarterly Survey of Business Opinion is the final first-tier economic reference point ahead of the October Monetary Policy Review and is expected to provide further evidence of weak activity and moderating price pressures.

The economy is largely tracking in line with the RBNZ's downwardly revised forecasts from August. We estimate the chance of a 50bps cut in October as close to even. And in the scenario where the Bank opts for a smaller 25bps cut, we expect the market will redistribute the easing across future policy meetings, given the domestic macro backdrop and theoretical lags for policy to impact the real economy.

Curve steepening aligned with easing cycle

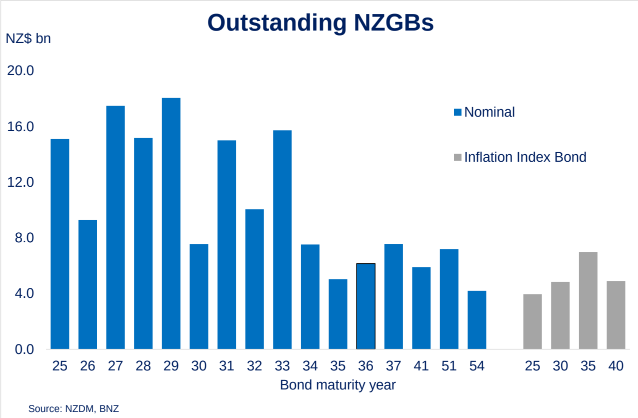
The NZ curve is steepening in tandem with moves in global markets. As is typical in previous easing cycles, the beta of the long end of the curve to 2-year rates declines as the market embeds rate cuts and a shift to a more accommodative monetary policy stance. The NZD 2y/10y swap curve has steepened above 25bps to fresh cycle highs, and looks set to extend further, as the easing cycle progresses, and term premia build.

The stabilisation at the ultralong end of the NZ Government bonds (NZGB) curve during August proved temporary, with the 10y/30y curve now extending above 60bps. The long end of the NZGB curve has underperformed relative to comparison US and Australian government curves, which have also steepened but not to the same extent. While a steeper curve is expected in an easing cycle, there are signs that 30-year NZGBs are overshooting, relative to the level of 10-year NZGBs.

NZGBs have continued to cheapen relative to interest rate swaps, with ongoing supply pressure from the government's funding requirements and the unwinding of the RBNZ's Large Scale Asset Purchase portfolio. Swap spreads are approaching historical lows and offer medium term value, though ongoing supply remains a headwind near term.

New Zealand Debt Management has announced a tap syndication of the May-2030 nominal bond will be undertaken before calendar year end. This is one of the two tap syndications of existing nominal lines announced alongside the Budget in May. There are potential execution windows in October and November, though an earlier transaction may be desired to avoid a potential pickup in volatility around the US election.

Tap syndication of May-2030 NZGB announced



Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	4.90	4.90 - 5.23
NZ 2yr swap (%)	3.57	3.56 - 3.98
NZ 5yr swap (%)	3.54	3.46 - 3.79
NZ 10yr swap (%)	3.88	3.75 - 4.06
2s10s swap curve (bps)	31	11 - 32
NZ 10yr swap-govt (bps)	-35	-35 - -26
NZ 10yr govt (%)	4.23	4.09 - 4.30
US 10yr govt (%)	3.75	3.60 - 3.93
NZ-US 10yr (bps)	48	38 - 52
NZ-AU 2yr swap (bps)	-4	-6 - 20
NZ-AU 10yr govt (bps)	27	25 - 33

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week the NZD and the AUD outperformed in the wake of a more concerted effort by China's government to stimulate the economy. They both traded at fresh highs for the year and NZD/USD closed the week around 0.6340, up 1.7%. The NZD also made gains of between 1-2% against the CAD, GBP and EUR. NZD/AUD showed a modest 0.3% gain and NZD/JPY gained only ½% for the week, with the newly elected LDP leader to become the next PM being sympathetic to the BoJ's tighter policy stance.

The highlight last week was China's government pivoting to a much more stimulatory policy path. China's economy has been languishing for most of this year with only incremental policy steps to support the economy. The government now seems to have decided that a bigger bang approach to policy stimulus is required to drive the economy out of its funk. The timing might be considered opportunistic, coming hot on the heels of the US Fed recently kick-starting a major easing cycle.

China's PBoC and other financial regulators offered a smorgasbord of policy easing measures including cutting a wide range of interest rates, cutting banks' reserve requirement ratio (RRR), lowering minimum deposit requirements for buying second homes, and allowing funds and brokers to tap central bank money to buy equities. Governor Pan promised further cuts to the RRR later in the year and for key policy rates to decline further. Furthermore, China's Politburo noted the need to "intensify countercyclical adjustments" through fiscal policy and made a pledge to support the property market. Reuters reported that the MoF plans to issue RMB 2 trillion (1.4% of GDP) worth of special government bonds to support easier fiscal policy, with half of that used primarily to boost consumption and half to help local governments tackle their debt problems.

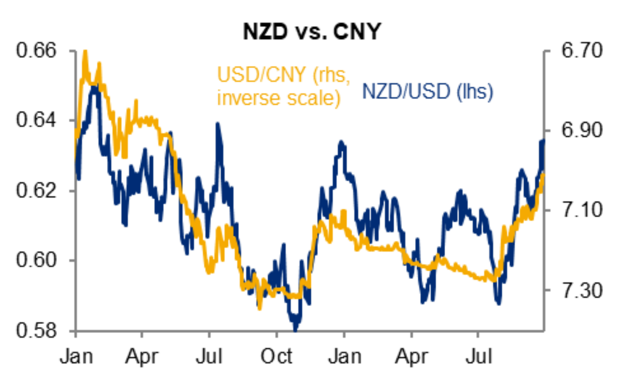
The policy measures greatly improve the outlook for China's economy and a stronger yuan spilled over the NZD and AUD, whilst driving up global commodity prices, with the Bloomberg industrial metals index up 5.7% for the week. The NZD traded a fresh year-to-date high of 0.6367, finding some resistance just below the late-December peak of 0.6369. With this in mind, we consider 0.6370 as a new short-term resistance level, although 0.64 might prove to be harder to crack.

Last week we published a note, "[Should we be upgrading the NZD outlook]()". We concluded that the forthcoming US election remains a key risk event ahead and a close call, clouding the outlook and holding us back from upgrading the NZD. But we also noted that the NZD remains cheap against our short-term fair value model estimate (near 0.68). A market-friendly US election result and improved sentiment on China would pave the way for further significant NZD appreciation, as per our NZD projections for 2025.

NZD/AUD still seems resistant to falling in a sustained way and not helping last week was the RBA's policy update, where Governor Bullock said that the Board didn't explicitly discuss a rate rise. The ongoing lack of desire to lift rates raises the chance that the next move will be a rate cut, even if this might not occur until next year. The best hope for a weaker NZD/AUD cross rate is that the AUD outperforms as markets embrace the potential for a stronger economic outlook in China.

In the week ahead, domestically the ANZ business survey and QSBO are the highlights, the last key data prints ahead of the RBNZ MPR next week. There are a number of top-tier US data releases including the ISM manufacturing and services surveys, JOLTS report and the employment report at the end of the week, which could be key in determining whether the Fed cuts by 25bps or 50bps at its next meeting. There are also a number of Fed speakers including Chair Powell. Elsewhere, China PMIs and euro area CPI figures will be on the radar.

NZD riding on coattails of a stronger yuan



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6335	0.6110 - 0.6370
NZD/AUD	0.9171	0.9140 - 0.9260
NZD/GBP	0.4738	0.4670 - 0.4750
NZD/EUR	0.5675	0.5550 - 0.5700
NZD/JPY	90.09	86.30 - 92.30

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6810	-7%
NZD/AUD	0.8620	6%

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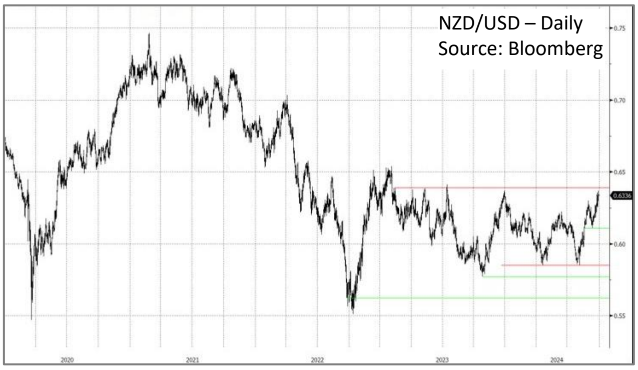
Technicals

NZD/USD

Outlook:	Trading range
ST Resistance:	0.6370 (ahead of 0.64)
ST Support:	0.61 (ahead of 0.60)

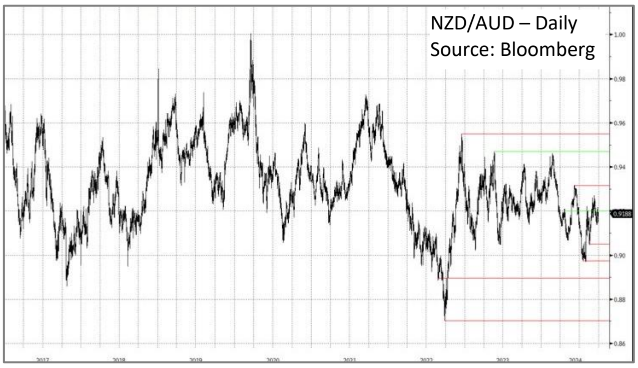
Resistance lifted to last week's high under just 0.6370, although it might be harder to make a sustained crack of 0.64. Support raised to 0.61.



NZD/AUD

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

No change, with resistance remaining around 0.9315 and support remaining around 0.9050.



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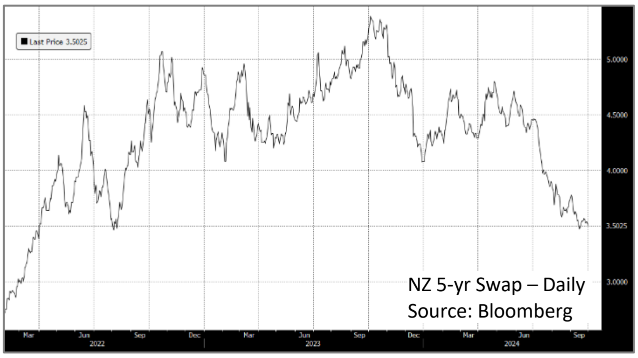
NZ 5-year Swap Rate

Outlook:	Lower
ST Resistance:	4.06
ST Support:	3.48

Strong momentum has driven the 5y to approach medium term support, consolidation looks to have set in for the near term before a break lower.



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

Outlook:	Steeper
ST Resistance:	0.05
ST Support:	-0.10

Strong steepening momentum remains, a break of -10 bps sees +5 the next level to test.

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Quarterly Forecasts

Forecasts as at 30 September 2024

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts (shaded: Sep-24 onward)

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
GDP (production s.a.)	0.0	0.1	-0.2	-0.4	0.2	0.7	1.0	0.8	0.7	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)	-7.0	-6.8	-6.7	-6.7	-6.5	-6.2	-5.8	-5.5	-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))	0.0	0.5	-0.5	-0.5	-0.3	0.3	1.5	2.7	3.3	3.3

Interest Rates

Historical data - qtr average / Forecast data - end quarter		Cash	Government Stock: 90 Day Bank Bills	Government Stock: 5 Year	Government Stock: 10 Year	Swaps: 2 Year	Swaps: 5 Year	Swaps: 10 Year	US Rates: Libor 3 month	US Rates: US 10 yr	Spread: NZ-US Ten year
2023	**Mar**	4.58	4.99	4.27	4.26	5.11	4.51	4.40	4.90	3.65	0.61
	Jun	5.42	5.62	4.23	4.27	5.19	4.44	4.30	5.40	3.60	0.68
	Sep	5.50	5.66	4.87	4.87	5.54	4.90	4.75	5.65	4.15	0.73
	Dec	5.50	5.64	4.48	4.67	4.93	4.43	4.50	5.65	4.00	0.67
2024	**Mar**	5.50	5.66	4.41	4.64	4.91	4.38	4.40	5.60	4.20	0.44
	Jun	5.50	5.62	4.50	4.65	4.98	4.47	4.50	5.60	4.30	0.35
Forecasts											
	Sep	5.25	4.90	3.80	4.20	3.55	3.50	3.85	5.30	3.80	0.40
	Dec	4.75	4.75	3.90	4.40	3.50	3.75	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	0.63	0.69	1.12	1.34	143	0.63	0.92	0.57	0.47	90.6	71.9
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	73.0
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 30 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	0.6	1.0	2.5	7.4	3.4	0.4	0.8	2.2
Government Consumption	7.9	2.1	-0.3	-1.0	-0.8	7.8	5.0	-1.4	-0.3	-1.4
Total Investment	10.2	2.1	-2.0	-1.7	3.3	12.0	3.4	-1.2	-2.8	2.2
Stocks - ppts cont'n to growth	0.5	0.0	-1.4	0.7	0.6	1.4	-0.3	-1.3	0.3	0.8
GNE	7.9	2.5	-1.7	0.6	2.7	10.0	3.5	-1.8	0.1	2.2
Exports	2.5	5.6	8.6	1.8	5.3	-2.7	-0.8	11.4	3.6	4.3
Imports	17.2	4.4	-1.3	2.6	4.6	14.8	4.7	-0.6	2.3	4.1
Real Expenditure GDP	4.7	2.6	0.7	0.3	2.7	5.9	2.2	0.9	0.5	2.1
GDP (production)	**4.6**	**2.7**	**0.3**	**-0.2**	**2.7**	**5.6**	**2.4**	**0.7**	**-0.2**	**2.0**
GDP - annual % change (q/q)	*0.6*	*2.0*	*0.5*	*0.3*	*3.3*	*2.6*	*2.2*	*0.0*	*-0.3*	*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	358	388	410	427	451	353	381	405	422	445
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 %)	1.8	0.5	-2.3	-0.1	1.2	3.6	0.2	-2.4	-0.4	1.2
Unit Labour Costs (ann av %)	4.6	6.5	8.4	4.3	1.9	2.4	6.5	8.9	5.1	2.2
House Prices (stratified, qtr)	9.1	-12.8	2.7	-0.7	7.0	22.5	-13.8	0.6	-1.5	6.5
External Balance										
Current Account - $bn	-24.5	-33.8	-27.6	-26.0	-21.8	-21.3	-35.6	-28.6	-27.3	-22.8
Current Account - % of GDP	-6.8	-8.7	-6.8	-6.2	-4.9	-6.0	-9.4	-7.0	-6.5	-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	8.9	8.0					
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	3.90	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	3.75	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 30 September			
NZ	ANZ Business Confidence Sep			50.6
CH	Manufacturing PMI Sep	49.4		49.1
CH	Non-manufacturing PMI Sep	50.4		50.3
AU	Private Sector Credit MoM Aug	0.50%	0.50%	0.50%
CH	Caixin China PMI Mfg Sep	50.5		50.4
CH	Caixin China PMI Services Sep	51.6		51.6
NZ	Household Credit, y/y Aug			3.10%
UK	GDP QoQ 2Q F	0.60%		0.60%
	Tuesday 01 October			
GE	CPI EU Harmonized YoY Sep P	1.80%		2.00%
US	Fed's Powell and Bowman speak			
EC	ECB's Lagarde speaks			
NZ	NZIER QSBO			
NZ	Building Permits MoM Aug			26.20%
NZ	circa, Subnational Population Estimates at June 2024			
NZ	circa, Business Demography Statistics as at Feb 2024			
JN	BOJ Summary of Opinions (Sept. MPM)			
JN	Tankan Large Mfg Index 3Q	12		13
AU	Building Approvals MoM Aug	-4.30%	-2.00%	10.40%
AU	Retail Sales MoM Aug	0.40%	0.50%	0.00%
EC	ECB's Guindos, Nagel, and Rehn speak			
EC	HCOB EZ Manufacturing PMI Sep F	44.8		44.8
EC	CPI Estimate YoY Sep	1.80%		2.20%
	Wednesday 02 October			
NZ	Dairy GDT auction			0.80%
US	S&P Global US Manufacturing PMI Sep F	47		47
UK	BOE's Pill Speaks			
US	Construction Spending MoM Aug	0.20%		-0.30%
US	JOLTS Job Openings Aug	7660k		7673k
US	ISM Manufacturing Sep	47.6		47.2

		Median	Fcast	Last
EC	ECB's Schnabel, Lane, and others speak			
NZ	Working-age Population Q3			4.318m
US	Fed's Bostic, Barkin, and Collins speak			
EC	Unemployment Rate Aug	6.40%		6.40%
	Thursday 03 October			
NZ	CoreLogic Home Value MoM Sep			-0.50%
US	MBA Mortgage Applications Sep-27			11.00%
US	ADP Employment Change Sep	125k		99k
US	Fed's Hammack, Musalem, Bowman, and Barkin speak			
EC	ECB's Schnabel and Holzmann speak			
NZ	ANZ Commodity Price MoM Sep			2.10%
AU	Trade Balance Aug	A$5500m	A$5500m	A$6009m
EC	HCOB Eurozone Services PMI Sep F	50.5		50.5
	Friday 04 October			
US	Initial Jobless Claims Sep-28	221k		218k
US	Continuing Claims Sep-21	1830k		1834k
US	S&P Global US Services PMI Sep F	55.4		55.4
US	Factory Orders Aug	0.10%		5.00%
US	Durable Goods Orders Aug F	0.00%		0.00%
US	ISM Services Index Sep	51.6		51.5
US	Fed's Kashkari and Bostic speak			
NZ	Filled Jobs SA MoM Aug			-0.10%
AU	Household Spending MoM Aug	0.50%	0.50%	0.80%
AU	Home Loans Value MoM Aug	1.00%	4.00%	3.90%
EC	ECB's Villeroy, Simkus and others speak			
UK	BOE's Pill Speaks			
	Saturday 05 October			
US	Change in Nonfarm Payrolls Sep	146k		142k
US	Unemployment Rate Sep	4.20%		4.20%
US	Av Weekly Hours All Employees Sep	34.3		34.3
US	Fed's Williams speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	5.25	5.25	5.25	5.50
1mth	5.13	5.21	5.36	5.62
2mth	5.06	5.09	5.29	5.68
3mth	4.90	4.97	5.21	5.73
6mth	4.65	4.71	4.97	5.81
GOVERNMENT STOCK				
05/26	3.81	3.88	4.13	5.52
04/29	3.75	3.76	3.91	5.32
05/31	3.99	3.98	4.12	5.35
05/34	4.23	4.21	4.31	5.42
04/37	4.51	4.49	4.53	5.52
05/41	4.71	4.69	4.71	5.59
05/51	4.81	4.77	4.77	5.58
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	53	53	49	75
Europe 5Y	58	59	53	82

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.57	3.65	3.96	5.77
3 years	3.46	3.52	3.79	5.53
4 years	3.48	3.52	3.75	5.37
5 years	3.54	3.57	3.78	5.28
10 years	3.88	3.87	4.05	5.24
FOREIGN EXCHANGE				
NZD/USD	0.6336	0.6267	0.6233	0.5947
NZD/AUD	0.9176	0.9165	0.9176	0.9345
NZD/JPY	90.21	89.99	91.54	89.11
NZD/EUR	0.5676	0.5640	0.5629	0.5676
NZD/GBP	0.4740	0.4695	0.4741	0.4920
NZD/CAD	0.8560	0.8486	0.8410	0.8132
TWI	71.9	71.4	71.7	71.0

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