

Research Markets Outlook

7 October 2024

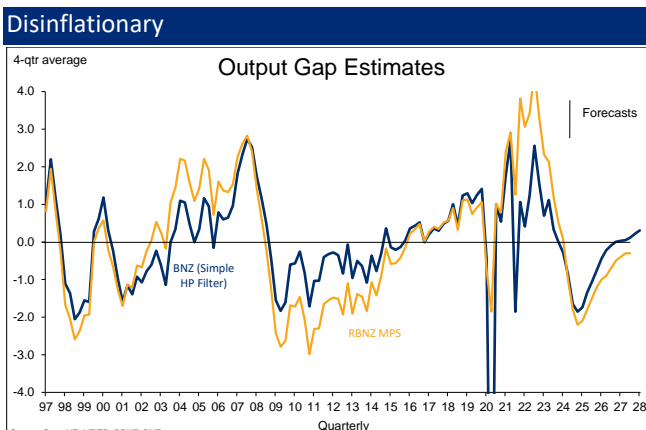
OCR Down But How Much?

- **RBNZ OCR decision a close call**
- **We favour a 50bp cut**
- **Latest information provides no more clarity**
- **Government accounts to confirm deficit**
- **Selected prices, PMI, people movements to monitor**

The RBNZ's Monetary Policy Review on Wednesday takes centre stage this week. We expect the Bank to lower the OCR and provide guidance consistent with further rate reduction ahead. As we reiterated last week, we see the OCR decision as a line ball call between a cut of 25bp and 50bp.

We moved to favour a larger 50bp move immediately after the strong disinflationary message from the Quarterly Survey of Business Opinion (QSBO). A negative and widening output gap, falling inflation and indicators pointing to it being at risk of dropping below the bottom of the target band, combined with inflation expectations at target, all support the idea of rapidly removing the current degree of monetary policy restraint.

Our simple estimate of the output gap has tended to be lower than the RBNZ's estimate for some time, at least before the Bank revised its forecasts materially lower in the August MPS. Interestingly, the RBNZ does not see the output gap returning to zero before at least September 2027. A wider output gap is consistent with the disinflationary tendencies displayed in the QSBO last week.

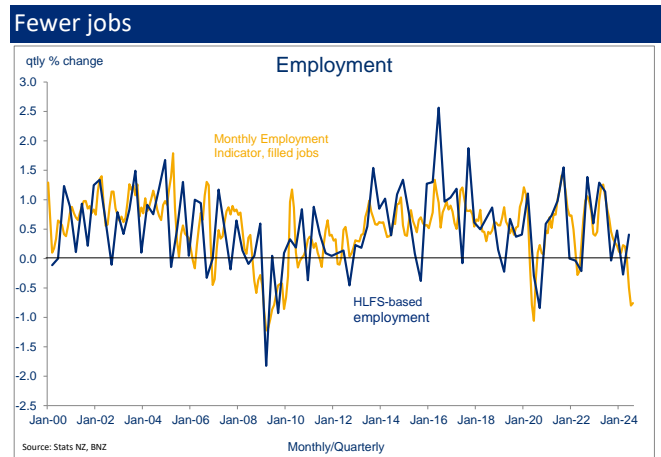


After we changed our call to a 50bp cut, the consensus moved the same way as, one-by-one, commentators

changed calls to a larger cut. Nonetheless, what the Monetary Policy Committee decides to do with the cash rate may yet come down to the weight it puts on the starting point as opposed to what some of the long-lead indicators say about where conditions might be in twelve months' time (albeit that the leading indicators themselves are dependent on the prospect of lower interest rates).

Interestingly, since we made our call, the incremental information has moved a touch the other way. Last Friday's filled jobs indicators for August rose 0.2% m/m in what was their first increase after 4 months of consecutive declines. That said, the nudge higher was largely offset by downward revisions such that filled jobs were down 0.8% on a rolling three-month average basis.

Filled jobs are not a one for one guide to HLFS employment, but the moves are not inconsistent with our Q3 HLFS employment pick of -0.5% q/q. It is consistent with the labour market continuing to weaken and the unemployment rate continuing to rise sharply.



Then on Friday night, US jobs printed stronger than market expectations contributing to a recalibration of easing expectations for the US Fed. There is now 25bps of easing priced in for the Fed's November meeting, compared with 33bps ahead of the jobs data.

At the margin, this will be factored into the RBNZ MPC's decision as will the associated currency moves. The NZ TWI fell to currently sit near 70.7, trimming the extent that it sits above the RBNZ's MPS projections to 1.7% from

around 3% above not too long ago. This means a touch less disinflationary pressure compared to RBNZ projections than was previously the case.

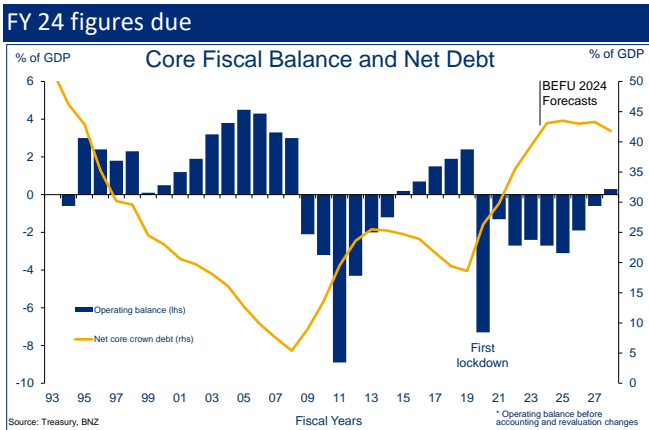
Finally, on the latest run of information, oil prices have jumped 8.8% in a week on Middle East tensions. That, combined with a lower NZD, puts upward pressure on domestic fuel prices. While the Bank would be well advised to look through oil price volatility, it may have some influence if it was thought that it may have an effect on inflation expectations.

With this week’s OCR call finely balanced, market pricing as we head into the decision could well be a determining factor. Current pricing is consistent with a 60% chance of a 50bp cut. So still tilted for a 50bp move, but not quite to the same extent as was the case last week.

No clarity there. Nor in NZIER’s RBNZ Shadow Board view released today with participants split on the size of the appropriate OCR cut albeit with a slight leaning to a 50bp cut over a 25bp reduction. Participants were much clearer on the big picture, with all thinking the OCR’s appropriate level will be significantly lower in 12 months’ time.

Turning to other releases this week, Thursday brings the audited Crown Financial Statements for the fiscal year ended June 2024.

The fiscal deficit for the 11 months to May was tracking at \$1.0b smaller than Budget baselines, although the outperformance had reduced from the prior month on growing headwinds to revenue. The full year accounts will be line up against the Budget projections of a \$11.1b deficit (2.7% of GDP) and net core crown debt of \$178.1b (43.1% of GDP).



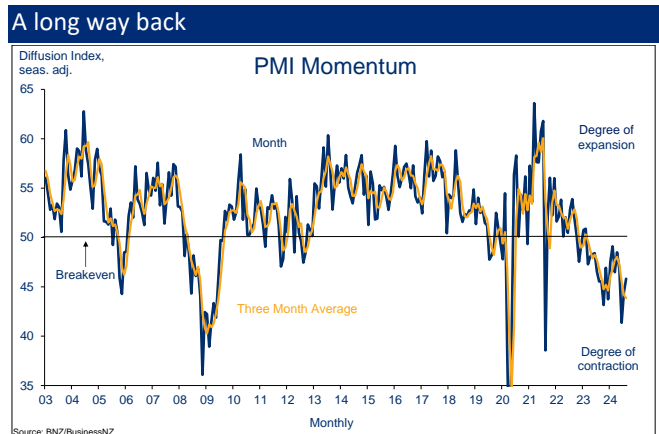
Released at the same time, the June tax data will be of some interest, as another (albeit dated) read on the economy. Once the annual fiscal accounts are out, it will pave the way for the resumption of the regular monthly tax data updates with July, August, and September to be released in one go in a month’s time, as part of the 3 months to September 2024 Crown Financial Statements.

These will be the more relevant news on how New Zealand’s fiscal position, including tax, is going.

The week’s remaining data come in the form of Selected Prices, the PMI, and migration and tourism. All are scheduled for release on Friday.

September’s Selected Prices will be the last of the major inflation indicators ahead of the Q3 CPI due next week. We don’t forecast all the monthly components but have a 0.1% m/m decline pencilled in for food prices and a 0.2% m/m gain in rents. We also expect another monthly decline in fuel prices and will monitor all parts for their guidance on the respective CPI components. 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 for CPI inflation in the August MPS.

The September PMI will be monitored for any further lift from its still very weak level of 45.8 in August. At least that was better than July’s 44.4 and much better than June’s 41.4.



August’s migration figures will continue to show reducing annual net inflows, but we wonder if the latest figures and any revisions will add to the recent signs of stabilisation on a month-to-month basis. That will have implications for the likes of the labour and housing markets.

August tourist arrival figures are expected to be a few percent higher than a year ago. Solid gains from Australia, China, and Japan are expected to be partly offset by fewer visitors from the US. The latter will reflect last year’s elevated numbers associated with the FIFA Women’s World Cup.

Lastly, there is a chance the REINZ housing figures for September are released by week’s end. Whether they are out this week or next, we wouldn’t be surprised to see a decent lift in September sales but prices continuing to trail a touch behind year earlier levels.

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Global Watch

- **US CPI and PPI data due for September**
- **Detail in FOMC and RBA minutes released**
- **Plenty of Fed and RBA speakers**
- **Markets re-open in China after Golden Week holidays**

Week in Review

In the US, dataflow has continued to show resilience. Nonfarm payrolls were stronger than expected and increased by 254k in September. In addition, there was an upward revision of 72k across the previous two months. The unemployment rate fell to 4.1% and average hourly earnings increased 4% from a year earlier. The report is likely to alleviate concerns that the labour market is deteriorating though investors won't want to put too much weight on a single data point.

In Europe, ECB speakers have tended to temper their hawkishness, seeing the balance of risks tilting away from inflation persistence and towards softness in growth and labour markets. In the UK, Governor Bailey said the BoE could become a "bit more aggressive" and "a bit more activist" to cutting rates if the news on inflation continued to be good.

In Australia, retail sales jumped 0.7% m/m in August to be up 3.1% over the past year. The increase was broad-based across states and industries but may have gotten an extra boost from warmer weather. While the pickup should lessen RBA concerns about the consumption outlook for now, NAB continues to see some downside risk to the RBA's growth forecasts. The balance of risks has been shifting and NAB have brought forward their call for the first cut from the RBA to February from May 2025. NAB still pencil in a one-per quarter pace to 3.1% in early 2026.

Geopolitical concerns about escalating conflict in the Middle East has kept risk sentiment fragile and seen oil surge around 9%.

In China, optimism around stepped-up policy support saw onshore equities extend last week's gains, up another 8% on Monday ahead of Golden Week holidays. In Japan, support for patiently maintaining easy policy from new Prime Minister Ishiba weighed on the yen, leaving the BoJ sidelined until at least after a general election slated for late October.

Week Ahead

Another quiet week in Australia which kicks off with a Public Holiday in NSW, QLD, SA and ACT. Thin liquidity is likely, and while OTC markets are closed, futures and the ASX are open. Tuesday is the bumper day for mostly second-tier data, which includes the NAB Business Survey, Westpac Consumer Sentiment, and the RBA Minutes from September.

There is also plenty of RBA speak this week but unclear how much RBA speakers will add given data flow since September has mostly come in line with expectations. Speakers include Deputy Governor Hauser (Tuesday), Assistant Governor Kent (Wednesday), and Assistant Governor Hunter (Thursday).

In China, markets re-open (Tuesday) following the prior Golden Week holidays. Keen focus on whether mainland equities follow the strong rise seen in Hong Kong, as well as the usual reports on spending and travel during the holiday period. Fiscal details of stimulus may also start to emerge which would help sustain the recent rally.

The US sees CPI for September (Thursday) and PPI (Friday) which will provide a good guide to the Fed's preferred PCE measure. Note the CPI is the last inflation report before the November Presidential election (5 November) and the FOMC meeting (7 November). Other important data out include the University of Michigan Consumer Sentiment (Friday), as well as plenty of Fed speak and the FOMC Minutes (Wednesday). US earnings season kicks off with JP Morgan and Wells Fargo report on Friday.

In Europe it is very quiet with little in the way of top tier data. Similar in the UK where there is only the Monthly GDP figures (Friday).

In Japan, with the election to be held later in October, data for now takes a back seat. Labour Cash earnings (Tuesday) the most relevant.

Important Events Preview

Monday 7

AU Public Holiday in NSW, QLD, SA, and ACT

A Public Holiday is observed in several states, meaning likely thin liquidity for Australian markets. OTC markets are closed, though futures are open as is the ASX.

EZ Retail Sales, ECB's Lane

US Fed speak – Kashkari, Bostic, Musalem

Tuesday 08

AU NAB Business Survey, W-MI Consumer Confidence

The Westpac Consumer Confidence has started to stabilise and may start to lift more meaningfully given the RBA's September meeting was interpreted as being less hawkish (see below).

AU RBA Minutes (September meeting), RBA's Hauser

Unlikely to glean much new information from the RBA Minutes given the Governor's extensive post-meeting press conference. The big headline from the September press conference was that the RBA didn't explicitly discuss hiking rates:

“We didn’t explicitly consider an interest rate rise at this meeting. The format of the meeting was slightly different. The way we framed the discussion really was around what had changed since August. And what would we need to see to go either a raise in interest rates or a lowering in interest rates. So there wasn’t an explicit alternative in the sense that I’ve talked about in the past”.

Importantly though the dataflow flow had *“not materially altered the outlook”* or judgements since August. And Governor Bullock again re-iterated in Q&A that the *“message clearly from the board is that in the near term, it does not see interest rate cuts”*

Deputy Governor Hauser is also speaking at 2.00pm (NZT) at the Walkley Foundation.

JN Labour Cash Earnings

CH Markets re-open following Golden Week

Mainland Chinese markets re-open after having been closed for the Golden Week holidays. Will the rally continue? During this period Hong Kong equities continued to rally, closing the divergence in performance to the US S&P500. Also important will be the spending and travel anecdotes during this period. During the week Aggregate Financing figures for September are out.

China Equity Indexes vs the US S&P500



Source: National Australia Bank, Bloomberg

EZ German Industrial Production

US NFIB, Trade Balance, Fed’s Kugler, Bostic, Collins

Wednesday 09

AU RBA’s Kent

RBA Assistant Governor Kent speaks at 1.00pm (NZT).

US FOMC Minutes

Thursday 10

AU RBA’s Hunter

RBA Assistant Governor Hunter is speaking on a panel at Macquarie University, Sydney.

UK Monthly GDP

US CPI (September), Jobless Claims

Core CPI is expected to be 0.2% m/m and 3.2% y/y. This is the last CPI report before the November election so could also be interesting from a political point of view. Jobless claims meanwhile are for the week of Oct 5, and thus may include weather impacts from recent storm activity.

Friday 11

US PPI, Uni Mich Consumer Sentiment, Fed’s Williams

The PPI along with Thursday’s CPI will provide a good guide to the Fed’s preferred PCE measure of inflation. The consensus for core PPI is for 0.2% m/m and 2.7% y/y. Elsewhere consumer sentiment is expected to be little changed at 70.5 from 70.1.

US Earnings – JP Morgan and Wells Fargo

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

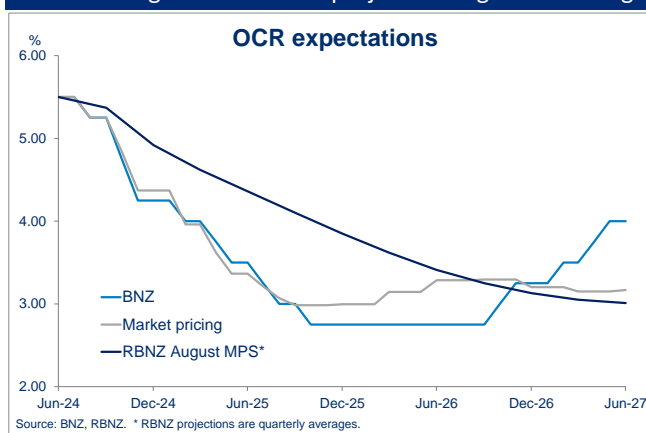
The persistent rally at the front end of the NZ yield curve stalled last week, despite further evidence of decreasing inflation pressure from the Quarterly Survey of Business Opinion (QSBO). This supported our view that the RBNZ will reduce the Official Cash Rate (OCR) by 50bps at the Monetary Policy Review (MPR) on Wednesday. Indicators within the QSBO suggest there is a risk that headline inflation could fall below the midpoint of the Reserve Bank’s 1-3% target band. This challenges the gradual easing path contained in the Bank’s modelled OCR track from the August Monetary Policy Statement.

will look to inflation partials for September and the manufacturing PMI for direction.

Stronger than expected US labour market data has increased the prospect for a soft landing and contributed to higher global yields as investors lowered the probability of a near-term US recession. The market has displayed increased sensitivity to labour market data in recent months, likely reflecting inflation is retracing towards target, and that policy makers will put greater emphasis on the employment part of its mandate.

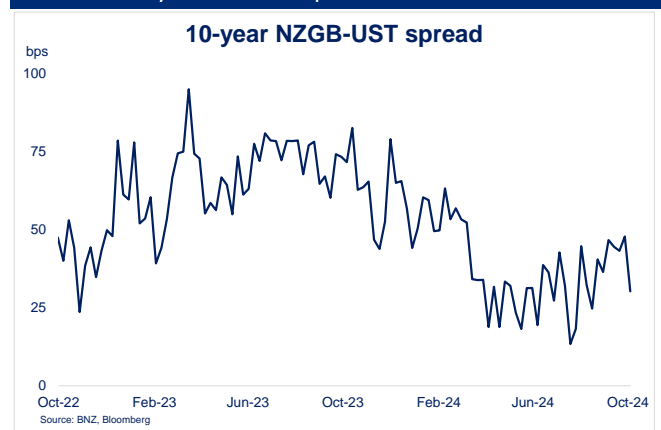
US CPI data is the key international catalyst for rates markets in the week ahead and is the last report ahead of the November FOMC. Market pricing has gravitated towards a 25bps Fed rate cut after the strong payrolls report. 10-year NZGB-UST spreads have tightened over the past week, and we see room for a further NZGB outperformance based on the respective central bank outlooks.

Market diverges from RBNZ’s projection of gradual easing



There is a consensus amongst economists for a 50bps reduction at the MPR. The market will be focus on the accompanying record of meeting, to gauge the pace and magnitude of the easing cycle, and how the Bank assesses the economy is tracking relative to its August projections. Any hawkish surprise, be it in the rates decision or commentary, is likely to be faded given the domestic macro backdrop. A 25bps rate cut this week instead would likely see easing reallocated to future meetings.

Room for 10-year NZGB outperformance relative to UST



Our forecast for consecutive 50bps RBNZ rate cuts at the October and November meetings, followed by sequential 25bps rate cuts at subsequent meetings till October next year, largely aligns with the rates path embedded in the current level of the 2-year swap rate. Even in the scenario where the RBNZ cut rates by 50bps at each of the next four policy meetings, then reverts to 25bps increments, we estimate that the fair value for 2-year swaps would only decline by ~20bps relative to current levels.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	4.79	4.79 - 5.15
NZ 2yr swap (%)	3.66	3.51 - 3.79
NZ 5yr swap (%)	3.64	3.46 - 3.64
NZ 10yr swap (%)	4.01	3.75 - 4.01
2s10s swap curve (bps)	35	15 - 36
NZ 10yr swap-govt (bps)	-33	-38 - -30
NZ 10yr govt (%)	4.34	4.09 - 4.27
US 10yr govt (%)	3.97	3.60 - 3.98
NZ-US 10yr (bps)	37	37 - 52
NZ-AU 2yr swap (bps)	-21	-31 - 14
NZ-AU 10yr govt (bps)	26	20 - 32

*Indicative range over last 4 weeks

We think the easing cycle is well priced limiting the downside for front end rates. It would take a significant, and likely global economic shock, that requires a rapid pace of easing beyond 50bps increments, for front end rates to move meaningfully lower from what is already priced by the forwards. In addition to the MPR, the market

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Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week the USD was broadly stronger and the NZD underperformed, resulting in steady fall through the week, cumulating to a chunky loss of nearly 3% to 0.6160. The yen was even weaker and NZD/JPY gained 1½% to 91.6. But the NZD was weaker on the other key crosses with losses around 1-1½% against AUD, GBP and EUR, while NZD/CAD fell 2½%.

There were multiple factors driving currency markets last week. The week started with the NZD hitting a fresh 2024 high of 0.6379 in the aftermath of the previous week’s policy pivot by the Chinese government, but it was all downhill from there.

Rising geo-political risk in the Middle East took another leg up after Iran launched a missile attack against Israel, in retaliation for Israel’s killing of Hezbollah’s leader in Lebanon. This drove a broadly stronger USD, which was further buttressed by much stronger than expected US economic data – including a 3.4pts lift in the ISM services index to a 19-month high of 54.9 and a 254k lift in non-farm payrolls alongside upward revisions, with the unemployment rate falling to 4.1%. The data challenged the soft-landing narrative for the US economy – rather than slowing to a sub-trend pace under the weight of restrictive monetary policy, at face value the data suggest the economy is still growing strongly. Markets promptly pared the expected scale of Fed easing, driving up US rates.

Domestically, the QSBO conveyed a more depressing outlook than the ANZ survey, probably reflecting the shorter 3-month rather than 12-month look-ahead window. While confidence was notably higher, the activity and pricing indicators were consistent with weak economic conditions continuing and further disinflationary pressure. BNZ, followed by others, moved to a view of the RBNZ likely front loading RBNZ rate cuts from here, to bring the OCR down faster to a more neutral setting – two 50bps cuts for the final two meetings this year.

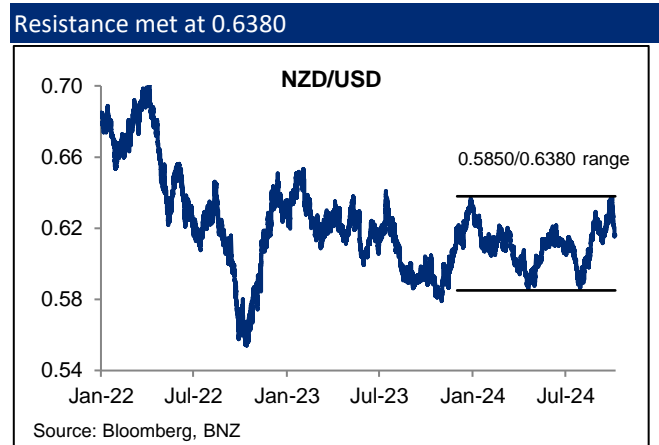
While NZD/USD fell nearly 3% for the week, damage against other crosses was limited – against GBP after BoE Governor Bailey said the central bank could become a “bit more aggressive” and “a bit more activist” to cutting rates; against JPY after new Japan PM Ishiba talked down the chance of further near-term rate hikes; and against EUR following softer CPI inflation data for the euro area and ECB President Lagarde giving a nod to cutting rates again later this month.

The weaker NZD vindicates our view not to rush in with an upgrade to the NZD outlook after its recent strong recovery. We are now more comfortable with our long-standing 0.62 target for year-end, consistent with a 0.60-

0.64 trading range. Key near-term factors that could perturb currency markets include how much the war in the Middle East escalates and Iran’s ultimate involvement, the US dataflow which will determine the pace of Fed policy easing, and the US elections in early November.

In the week ahead, the domestic focus will be on the RBNZ MPR on Wednesday. A 50bps cut has become a strong consensus call and given around a 70% chance on OIS pricing, so a smaller cut would surprise more than a larger cut. We continue to highlight that global rather than domestic forces are a far more important consideration for the path of the NZD, so don’t expect any NZD reaction to be sustained. Monthly CPI indicators on Friday will help firm up Q3 CPI forecasts, and we’re currently at 2.2% y/y, close to the mid-point of the target range.

Globally, the focus will remain on the Middle East but on the economic front, US CPI and PPI data are the key releases, although inflation has become subservient to labour market data as a key driver of market pricing.



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6160	0.6150 - 0.6380
NZD/AUD	0.9074	0.9050 - 0.9220
NZD/GBP	0.4699	0.4670 - 0.4760
NZD/EUR	0.5619	0.5550 - 0.5720
NZD/JPY	91.67	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	-10%
NZD/AUD	0.8710	4%

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Technicals

NZD/USD

Outlook: Trading range
 ST Resistance: 0.6380 (ahead of 0.64)
 ST Support: 0.61 (ahead of 0.60)

Resistance lifted to last week’s high under just 0.6380, 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 7 October 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.)	0.0	0.1	-0.2	-0.4	0.2	0.5	0.8	0.8	0.8	0.8
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)	-7.1	-6.7	-6.7	-6.7	-6.5	-6.2	-5.7	-5.4	-5.1	-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	-0.5	-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	5.5	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	3.0	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	0.1	1.2	2.4	3.0	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	
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
Sep	5.25	4.87	3.79	4.26	3.57	3.55	3.90	4.85	3.80	0.48
Forecasts										
Dec	4.25	4.25	3.70	4.40	3.20	3.50	4.05	5.00	4.10	0.30
2025 Mar	4.00	3.75	3.80	4.35	3.00	3.65	4.05	4.50	4.00	0.35
Jun	3.50	3.25	3.75	4.30	3.00	3.65	4.05	4.25	3.90	0.40
Sep	3.00	2.90	3.70	4.25	3.10	3.65	4.05	4.00	3.80	0.45
Dec	2.75	2.90	3.85	4.25	3.30	3.80	4.10	3.75	3.75	0.50
2026 Mar	2.75	2.90	3.90	4.25	3.55	3.90	4.15	3.50	3.75	0.50

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.62	0.68	1.10	1.31	149
Dec-24	0.62	0.69	1.11	1.30	143
Mar-25	0.64	0.71	1.13	1.31	140
Jun-25	0.65	0.72	1.14	1.32	137
Sep-25	0.66	0.74	1.16	1.34	134
Dec-25	0.67	0.75	1.17	1.35	131
Mar-26	0.66	0.74	1.18	1.36	129
Jun-26	0.65	0.73	1.18	1.36	129
Sep-26	0.66	0.74	1.20	1.37	125

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.62	0.91	0.56	0.47	91.8	70.7
Dec-24	0.62	0.90	0.56	0.48	88.7	71.0
Mar-25	0.64	0.90	0.56	0.49	88.9	71.9
Jun-25	0.65	0.90	0.57	0.49	89.1	72.8
Sep-25	0.66	0.89	0.57	0.49	88.4	73.0
Dec-25	0.67	0.89	0.57	0.50	87.8	73.5
Mar-26	0.66	0.89	0.56	0.49	85.1	72.5
Jun-26	0.65	0.89	0.55	0.48	83.9	71.8
Sep-26	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 7 October 2024	March Years					December Years				
	Actuals			Actuals		Actuals			Actuals	
	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025
GDP - annual average % change										
Private Consumption	6.0	2.7	0.6	0.9	2.1	7.4	3.4	0.4	0.7	1.7
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	-2.3	2.5	12.0	3.4	-1.2	-3.0	0.9
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	0.3	2.2	10.0	3.5	-1.8	0.0	1.6
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	2.4	4.3	14.8	4.7	-0.6	2.3	3.7
Real Expenditure GDP	4.7	2.6	0.7	0.1	2.3	5.9	2.2	0.9	0.4	1.5
GDP (production)	4.6	2.7	0.3	-0.3	2.4	5.6	2.4	0.7	-0.2	1.7
<i>GDP - annual % change (q/q)</i>	<i>0.6</i>	<i>2.0</i>	<i>0.5</i>	<i>0.1</i>	<i>3.2</i>	<i>2.6</i>	<i>2.2</i>	<i>0.0</i>	<i>-0.3</i>	<i>3.0</i>
Output Gap (ann avg, % dev)	1.4	2.0	0.1	-1.3	-0.8	1.6	2.1	0.5	-1.0	-1.1
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	-0.1	2.5	3.3	1.7	2.9	-0.6	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	1.0	3.6	0.2	-2.4	-0.4	1.0
Unit Labour Costs (ann av %)	4.6	6.5	8.4	4.3	2.1	2.4	6.5	8.9	5.0	2.4
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	-26.3	-21.9	-21.3	-35.6	-28.6	-27.6	-22.9
Current Account - % of GDP	-6.8	-8.7	-6.7	-6.2	-4.9	-6.0	-9.4	-7.1	-6.5	-5.1
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	71.0	73.5
Overnight Cash Rate (end qtr)	1.00	4.75	5.50	4.00	2.75	0.75	4.25	5.50	4.25	2.75
90-day Bank Bill Rate	1.45	5.16	5.64	3.75	2.90	0.92	4.55	5.63	4.25	2.90
5-year Govt Bond	2.90	4.40	4.60	3.80	3.90	2.20	4.30	4.50	3.70	3.85
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	3.00	3.55	2.22	5.21	4.93	3.20	3.30
5-year Swap	3.20	4.50	4.40	3.65	3.90	2.56	4.62	4.43	3.50	3.80
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		Median	Fcast	Last
Monday 07 October				US Wholesale Trade Sales MoM Aug	0.40%		1.10%
GE Factory Orders MoM Aug	-2.00%		2.90%	EC ECB's Villeroy Speaks			
EC ECB's Cipollone and Lane Speak				US FOMC Meeting Minutes Sep-18			
EC Retail Sales MoM Aug	0.20%		0.10%	US Fed's Collins and Daly Speak			
Tuesday 08 October				NZ REINZ housing (circa) Sep			
EC ECB's Escriva and Nagel Speak				NZ Nat Accts - income, saving, assets, liabilities quarterly Q2			
US Fed's Bowman, Kashkari, Bostic & Musalem Speak				NZ NZ Government 12-Month Financial Statements			
UK BRC Sales Like-For-Like YoY Sep	0.80%		0.80%	AU RBA's Hunter Speaks			
JN Cash Earnings - Same Sample Base YoY Aug	3.20%		4.80%	Friday 11 October			
JN Household Spending YoY Aug	-2.70%		0.10%	US CPI MoM Sep	0.10%		0.20%
AU Westpac Consumer Conf SA MoM Oct			-0.50%	US CPI Ex Food and Energy MoM Sep	0.20%		0.30%
AU RBA Minutes of Sept. Policy Meeting				US CPI YoY Sep	2.30%		2.50%
AU NAB Business Confidence Sep			-4	US CPI Ex Food and Energy YoY Sep	3.20%		3.20%
AU RBA's Hauser Speaks				US Initial Jobless Claims Oct-05	230k		225k
GE Industrial Production SA MoM Aug	0.80%		-2.40%	US Continuing Claims Sep-28	1832k		1826k
US Fed's Kugler Speaks				US Fed's Cook, Barkin and Williams Speak			
US NFIB Small Business Optimism Sep	92		91.2	NZ BusinessNZ Manufacturing PMI Sep			45.8
Wednesday 09 October				NZ Food Prices MoM Sep			0.20%
NZ Dairy GDT pulse WMP (reg CP2)				NZ Selected Monthly Price Indexes Sep			
US Trade Balance Aug	-\$70.5b		-\$78.8b	NZ Net Migration SA Aug			3030
US Fed's Bostic, Collins and Jefferson Speak				UK Monthly GDP (MoM) Aug	0.20%		0.00%
EC ECB's Nagel Speaks				Saturday 12 October			
AU RBA's Kent Speaks				US PPI Ex Food and Energy MoM Sep	0.20%		0.30%
NZ RBNZ Official Cash Rate Oct-09	4.75%	4.75%	5.25%	US PPI Ex Food and Energy YoY Sep	2.70%		2.40%
NZ RBNZ Monetary Policy Review				US Fed's Goolsbee, Logan and Bowman Speak			
EC ECB's Elderson Speaks				US U. of Mich. Sentiment Oct P	70.5		70.1
CH New Yuan Loans CNY YTD Sep	16353.0b		14430.0b	Sunday 13 October			
CH Aggregate Financing CNY YTD Sep	25400.2b		21900.0b	NZ Last day of School Holidays			
Thursday 10 October				CH PPI YoY Sep	-2.50%		-1.80%
US Fed's Bostic, Logan, Goolsbee and Jefferson Speak				CH CPI YoY Sep	0.60%		0.60%

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	5.25	5.25	5.25	5.50	2 years	3.66	3.57	3.78	5.72
1mth	5.01	5.10	5.36	5.62	3 years	3.55	3.46	3.62	5.52
2mth	4.94	4.99	5.20	5.66	4 years	3.57	3.48	3.60	5.40
3mth	4.79	4.87	5.12	5.70	5 years	3.64	3.55	3.63	5.34
6mth	4.56	4.61	4.87	5.77	10 years	4.01	3.88	3.91	5.33
GOVERNMENT STOCK					FOREIGN EXCHANGE				
05/26	3.80	3.83	4.00	5.51	NZD/USD	0.6164	0.6349	0.6145	0.6023
04/29	3.77	3.76	3.81	5.41	NZD/AUD	0.9081	0.9183	0.9227	0.9395
05/31	4.01	4.01	4.03	5.47	NZD/JPY	91.66	91.18	87.97	89.43
05/34	4.27	4.25	4.23	5.56	NZD/EUR	0.5620	0.5702	0.5568	0.5699
04/37	4.57	4.53	4.47	5.67	NZD/GBP	0.4702	0.4747	0.4700	0.4921
05/41	4.78	4.74	4.65	5.72	NZD/CAD	0.8365	0.8587	0.8331	0.8184
05/51	4.90	4.83	4.71	5.70	TWI	70.7	71.9	70.8	71.1
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	53	53	52	75					
Europe 5Y	58	59	55	87					

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