Research

Markets Outlook

21 October 2024

Next rate cut 75?

- **Market chatters about 75bp OCR cut**
- **History suggests hurdle high for RBNZ**
- **Q3 export volumes indicators expected to be weak**
- **Rate cut support for consumer confidence?**
- **But weak job ads consistent with softer labour market**

It is a very quiet week for local data. There is nothing obvious on that front to materially alter market thinking on how much the RBNZ will cut the OCR in November.

With recent market chatter of whether the RBNZ will cut 75bps or not at that meeting, we thought we'd have a quick look at when previous RBNZ moves of 75bps or more occurred and why. We found three reasons.

1. When the banking sector was in turmoil. New Zealand's most aggressive rate cuts occurred around the time that Lehman Brothers collapsed and led the world into the 2008/09 global financial crisis. The environment today is massively different. There are no major liquidity issues in the banking sector and bank balance sheets look sound.

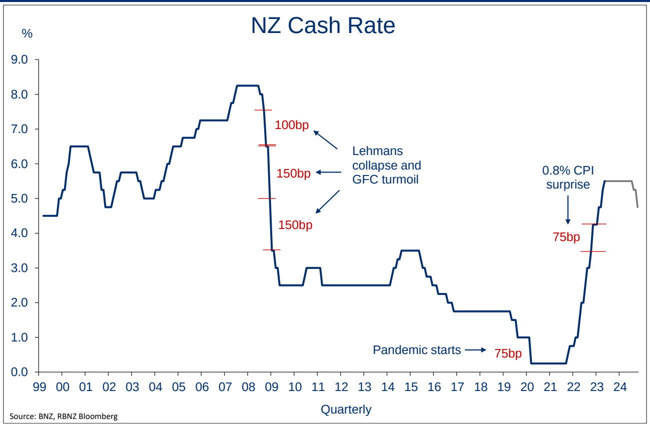
2. A massive external shock. The initial response by the RBNZ to the COVID pandemic was to slash the cash rate 75 basis points. For now, there is no major shock impacting New Zealand. That's not to rule out another large external shock at some stage in the future but there's certainly nothing like it in the offing now.

3. A big CPI miss. The Q3 2022 CPI proved to be 0.8% higher than the RBNZ anticipated resulting in a sharp reaction from the Bank. The recent 0.1% miss (this time on the downside) is not exactly in the same category.

All the above does not rule out a 75bp move at the November meeting but it is a strong reminder that, typically, the hurdle for the RBNZ doing so is high. We stick with our view of a 50bp cut in November, as we continue to monitor all incoming information.

This includes comment from the RBNZ, with a few speakers on the circuit this week. Governor Orr speaks in Washington DC (from 6am Thursday NZ time) on 'Monetary policy during periods of economic volatility', Assistant Governor Silk talks in Sydney on Tuesday, Senior Manager Economics Richardson speaks on Thursday, and Chief Economist Conway joins a panel discussion (no speech or media present for the latter) on Friday. We don't expect there to be any new material near-term policy guidance from these but will monitor the communication for its content.

Previous large OCR moves



Turning to the week's data, it might be minimal and of a second-tier nature but there are some aspects of interest.

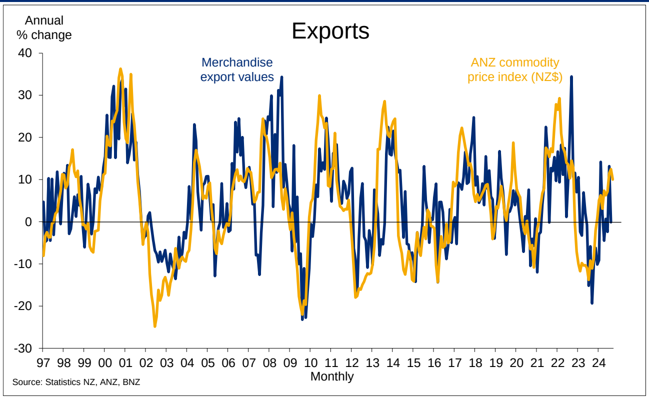
In tomorrow's Overseas Merchandise Trade figures for September, we will be most interested in the quarterly export volume indicators, for the sectors available, to see if they align with the weakness we have built in regards Q3 GDP calculations. We think a large decline in meat volumes will outweigh a decent lift in dairy volumes.

For the September month, we have pencilled in export values to be up 9% y/y and import values up 4% y/y. While this would result in a monthly trade deficit of around $2.3b, this would be a touch smaller deficit than a year ago and keep the annual trade deficit edging narrower.

For exports in the month, higher commodity prices compared to a year ago are expected to offer support while implied volumes are seen contained.

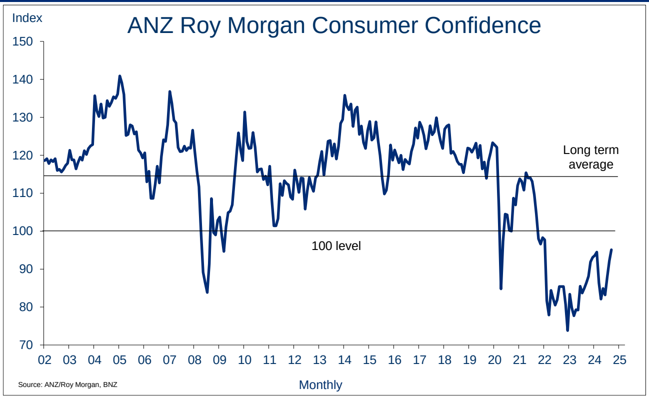
Our import estimate assumes the importation of a C-130J Hercules aircraft by Government, the first of five to be incorporated in the trade figures over coming months. Excluding the aircraft, annual growth in the value of imports would be close to flat, indicative of subdued domestic demand.

Commodity price support



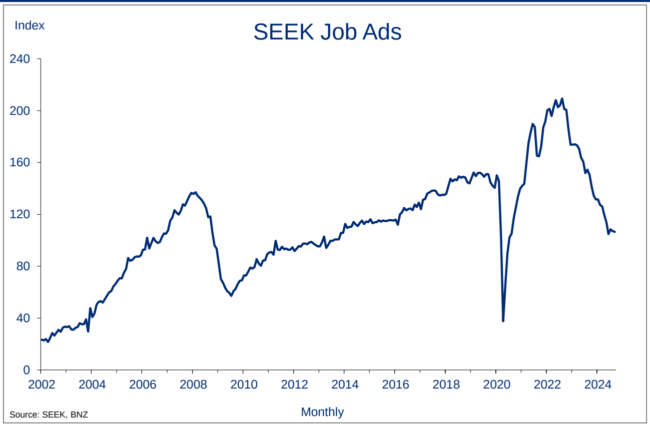
For another pointer on domestic demand, there will be some interest in October's ANZ-RM consumer confidence survey scheduled for release on Friday. Consumers have been becoming less pessimistic over recent months, but confidence hasn't yet lifted to a level consistent with growth in household spending. Slowing general inflation and lower interest rates might help reduce pessimism further, but a recent bounce in petrol prices and the ongoing deterioration in the labour market won't.

Consumer confidence low, but improving



Further confirmation of a soft labour market came in the form of the latest SEEK job ads which fell 0.5% in September, taking the annual drop to 29.1%. The glass-half-full take is that the rate of decline seems to have slowed over recent months. But the not-so-favourable observation is that, outside of Covid lockdown, the level of job ads over recent months has been at its lowest since 2013. Nothing there to challenge our view that the unemployment rate rose in Q3 and will likely continue rising into next year.

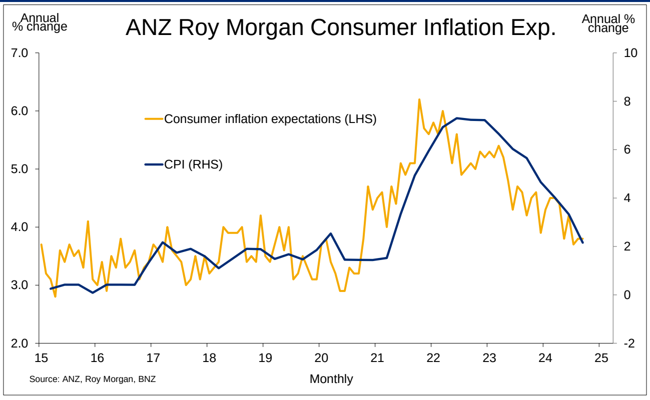
Fewer job ads



Consumers' inflation expectations in the confidence survey will be worth a glance too. Anything close to September's 3.8% outcome wouldn't be out of line with annual CPI inflation settling near 2%.

Rounding out the limited data week is Thursday's new residential lending for September. It is likely to be too early for the first OCR cut to generate any meaningful pick up in new lending compared to a year earlier. But there are expectations of improvement ahead. Indeed, last Friday's RBNZ credit conditions survey saw a decent pickup in Bank's residential mortgage loan demand expectations over the coming six months. That contrasted with weakness in observed demand over the past six months.

Behaved



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Global Watch

- **Central Bankers speak at IMF-World Bank meetings**
- **Global PMIs to show activity pulse for October**
- **BoC and PBoC decisions, expected to cut**

Week in Review

In the US, Retail Sales for September surprised strongly with core retail at 0.7% m/m vs. 0.3% expected. The beat highlights the strength and outperformance of US data flow. The Atlanta Fed's Q3 GDP Now Estimate sits at 3.4% and is well above the FOMC's 1.8% estimate for trend growth.

Markets are becoming slightly less convinced the US Fed will cut rates in both November and December. A few Fed speakers have voiced they are still thinking about whether to cut rates 1 or 2 more times for the rest of this year.

In Europe, the ECB cut rates by 25bps as expected, though President Lagarde sounded dovish in the press conference. UK inflation eased more than expected.

In China, the drip feed of incremental stimulus news has disappointed expectations of a big fiscal bazooka. Analysts are attuned to the NPC meetings at the end of October. Monthly activity data for September were stronger than expected, with retail sales and industrial production picking up during the month. Q3 GDP rose 0.9% q/q, up from a downwardly revised 0.5% in Q2, still weak by China standards.

In Australia, very strong labour market figures have seen a paring back of rate cut expectations for 2024. Employment growth was 64.1k in September vs. the 25.0k consensus and the unemployment rate fell to 4.1% vs. the 4.2% consensus. The RBA's August SoMP had forecast a 4.3% unemployment rate for Q4 2024.

NAB's interpretation was that the stellar print was a genuine reflection of the strength in the labour market. This also aligns with the elevated level of job vacancies which was recently mentioned by RBA Assistant Governor Hunter. For the RBA, that plays into the view of holding for longer, which should put a stake in the idea of rate cuts this year.

Week Ahead

It is mostly quiet with the IMF/WB annual meetings from Monday through Saturday occupying central bankers and finance ministers globally. The exception is the BoC (Wednesday) with markets well priced for a supersized 50bp cut, and on the data front the Global PMIs (Thursday).

In the US there is a lot of Fed speak on the side-lines of the IMF/WB meetings. Main data points this week are the Fed's Beige Book (Wednesday), Jobless Claims (Thursday) and Durables (Friday).

For Jobless Claims expect Hurricane Milton to buffet the figures, making interpretation more difficult than usual. The Global PMIs (Thursday) seem to be getting more attention, especially given the widely followed Services ISM lifted to the same elevated levels of the Services PMI.

The BoC meets on Wednesday. Markets are expecting a supersized 50bp cut, although economists are less convinced of this. The BoC have been of the view that activity growth needed to strengthen so that inflation stays close to 2%.

Australia is very quiet this week with only a speech by RBA Deputy Governor Hauser (Monday) of note. His interpretation of ongoing strength in the labour market will be closely watched, as markets wait for the Q3 CPI report on 30 October.

In Europe, focus will be on the Global PMIs (Thursday) and the extent to which they continue to reflect subdued growth in the Eurozone. In contrast in the UK, the PMIs have been more positive with focus on whether this continues.

In Asia it is also quiet. In China is the Loan Prime Rate (Monday) which should be cut by 20-25bps as already flagged by PBoC Governor Pan. In Japan the Tokyo CPI (Friday) is also out, though with little change in the inflation pace expected with core expected at 1.6% y/y.

Important Events Preview

Monday 21

AU RBA's Hauser
RBA Deputy Governor Hauser is giving a fireside chat with Q&A at the CBA 2024 Global Markets Conference in Sydney. Markets will be attentive to hear his thoughts on the very strong labour market figures recently. NAB's view is that the strong labour market figures should put a stake in the idea of rate cuts this year. NAB sees the RBA waiting until early 2025, having pencilled in February.

CH Loan Prime Rates
Following the already flagged rate cuts, consensus expects the 1-yr and 5yr prime loan rates to be cut by 20bps to 3.15% and 3.65% respectively.

US IMF/WB meetings are on through to Saturday

Global central bankers and finance ministers meet in Washington through to Saturday 26 October. Expect a lot of central bank talk on the side-lines. The most important date for that based on scheduled speeches is Wednesday.

Tuesday 22

UK BoE's Bailey in New York

Wednesday 23

CA BoC to cut, 25 or 50bps?
Markets are expecting a supersized 50bp cut following slightly softer than expected Core CPI data for September (2.4% y/y vs. 2.5% expected). However, economists are

divided between a 25bp or 50bp move. The BoC has been of the view that activity growth needs to strengthen so that inflation stays close to 2%. And importantly that seems not to be occurring with Governor Macklem noting at the end of September that “some recent indicators suggest growth may not be as strong as expected”.

UK BoE’s Bailey in Washington

EZ ECB’s Lagarde in Washington

Three central bank heads speak in Washington on the side-lines of the IMF/WB meetings. RBNZ Governor Orr is speaking about monetary policy at the Peterson Institute. ECB’s Lagarde is discussing Europe’s economic challenges and the path forward at the Atlantic Council. Meanwhile BoE’s Bailey is speaking in an event at the Institute of International Finance.

US Existing Home Sales, Beige Book, Tesla & Boeing

No top-tier data, though the Fed’s Beige Book is worth a look for anecdotes. NAB will be watching closely election anecdotes with some Fed officials having cited this for delaying activity e.g.: “Some 30% of respondents to a recent survey by the Atlanta and Richmond Feds in conjunction with Duke University reported that election-related uncertainty has caused them to postpone, scale down, delay or cancel investment plans”.

Tesla is also one large tech name reporting this week.

Thursday 24

EZ/UK/US Global PMIs
Eurozone PMIs will be closely watched given the ECB’s worries on activity. The consensus sees little change from last month with Manufacturing at 45.1 and Services at 51.5. In contrast, the US services sector continues to outperform, and highlights US growth is growing well above trend. The UK has also seen resilience, particularly in manufacturing relative to the EZ and the US.

US Jobless Claims, New Home Sales
Jobless Claims should be buffeted by Hurricane Milton which mainly hit Florida. The recent rise in Jobless Claims had reflected the prior Hurricane Helene which impacted Florida and North Carolina.

Friday 25

JN Tokyo CPI
The core measure (ex-fresh food and energy) is expected to be little changed at 1.6% y/y.

GE German IFO
The IFO is now much less market moving given the preliminary PMIs are published the day before. The consensus sees the Business Climate Index little changed at 85.6 from 85.4.

US Durable Goods. Uni Michigan Consumer Sentiment
Core Durable Goods are expected to fall -0.1% m/m from 0.5% previously. Following the report analysts will update their views on Q3 GDP which is published on Wednesday 30 October.

It is worth noting that US data has been surprising to the upside for the past few weeks and the Atlanta Fed’s Q3 GDP Now estimate sits at a well above trend rate of 3.4%.

Such above trend growth will continue to see some in the FOMC question whether the Fed should pause the rate cut cycle. Expect more discussion from Fed officials.

Note the Uni Michigan Consumer Sentiment is a final estimate and is unlikely to be market moving.

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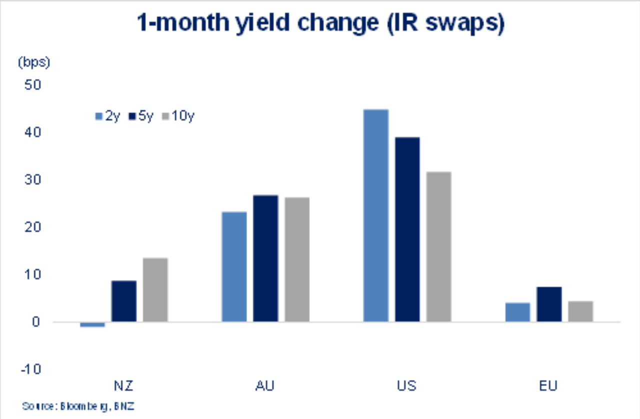
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

After the move higher since mid-September, the NZ swap curve ended last week lower in yield, led by shorter maturities. Benign domestic CPI data, which saw the headline annual rate return towards the mid-point of the RBNZ's target band, supported the market's pricing of a front-loaded easing cycle. Overnight index swaps imply an approximate 30% chance for a 75bp rate cut at the November Monetary Policy Statement. Policy rate adjustments of this magnitude are infrequent and would likely require a more significant deviation in the economy, from the Bank's projections in August.

NZ market outperformance



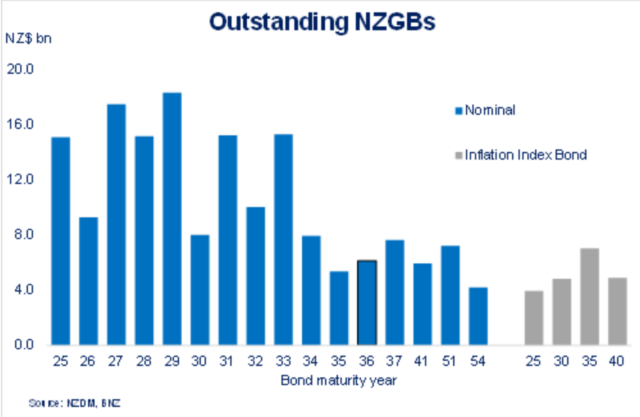
Cross market spreads against Australia and the US have compressed after robust activity data contributed to the market paring RBA and Fed rate cut expectations. Australian labour market data cooled the prospect for near-term RBA cuts and US retail sales were stronger than expected. The Atlanta Fed's Q3 GDP Now estimate is 3.4%, well above the FOMC's 1.8% estimate for trend growth.

There are limited economic catalysts for the fixed income market in the week ahead. Advance PMIs for Europe and the US are the only international data of note. In NZ, there are no first-tier domestic economic releases, and the market focus will centre on the tap syndication of the May-2030 nominal NZGB line.

New Zealand Debt Management (NZDM) announced the panel for the tap syndication last week and the deal launched this morning. The selection of four domestic banks on the panel suggests NZDM expect to see demand from bank balance sheets given the tenor, although asset swap spreads close to the recent and multi-year peak, will likely drive demand from a broad range of investors.

As noted in last week's *Market Outlook*, banks' NZGB holdings have increased sharply over the past year, which could impact demand from this investor category. There is currently NZ$8 billion outstanding in the May-2030 maturity, including the non-market bonds held by the RBNZ, and NZDM expects to issue at least $3.0 billion with the transaction capped at NZ$5.0 billion. This range of issuance volumes would more closely align the 2030's outstanding with neighbouring bonds and smooth NZDM's maturity profile.

May-2030 nominal line has relatively low outstanding



The 5-year sector of the government curve has underperformed, and the 2030 maturity has cheapened relative to neighbouring lines, as the market anticipated the upcoming transaction. The weekly government bond tender on Thursday will be cancelled as is typical when NZDM undertakes a syndication.

The latest non-resident holdings data revealed solid NZGB buying by offshore domiciled investors in September. The NZ$3.4 billion increase, was the largest in a non-syndication month for some time and was concentrated in the 10-year sector. This takes total holdings to a record notional amount of NZ$94.6 billion, representing 61% of total outstanding NZGBs, when the RBNZ's holdings are excluded.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	4.59	4.59 - 5.00
NZ 2yr swap (%)	3.61	3.51 - 3.78
NZ 5yr swap (%)	3.73	3.48 - 3.84
NZ 10yr swap (%)	4.08	3.82 - 4.15
2s10s swap curve (bps)	47	30 - 47
NZ 10yr swap-govt (bps)	-34	-38 - -30
NZ 10yr govt (%)	4.42	4.20 - 4.42
US 10yr govt (%)	4.08	3.69 - 4.12
NZ-US 10yr (bps)	34	28 - 49
NZ-AU 2yr swap (bps)	-31	-34 - 7
NZ-AU 10yr govt (bps)	11	10 - 32

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week the USD was broadly stronger, although movements were well contained. NZD/USD fell 0.6% to about 0.6070. NZD cross movements were insignificant, with the largest move being a 0.5% fall against GBP to 0.4650. NZD/AUD was flat and closed the week at 0.9055.

The USD DXY index rose for a third successive week. Supporting the USD have been robust US economic data and a return of the Trump trade. US retail sales were stronger than expected across the board, with control-group sales, which feed into GDP, rising at an annualised pace of 6.4% in Q3. The strong data supported a narrative that the US economy remains in fine fettle and raised a question mark over the pace of Fed easing ahead.

Meanwhile, the Trump trade continues as his chances of winning the Presidential election are seen to improve, supporting US equity markets and the USD. While the polls remain close, all four betting markets we monitor – Polymarket, Kalshie, PredictIt and Betfair – suggest the money flow is backing a Trump victory.

NZ CPI data were broadly in line with market expectations, with a small downside miss relative to RBNZ estimates. Inflation has been on a steady downward path for over a year, with the annual increase of 2.2% now close to the mid-point of the target range. With the likelihood of inflation falling further against the backdrop of rising excess capacity, the market saw increased pressure on the RBNZ to bring the OCR down to a neutral level sooner rather than later. This contributed to lower NZ-US rate spreads.

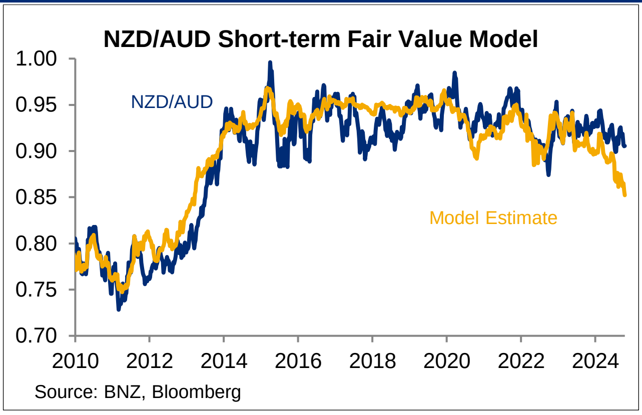
Elsewhere, the market lost some conviction that the RBA might soon join the easing party, after stronger than expected labour market data. The ECB cut its policy rates for a third time this cycle, as widely telegraphed prior to the meeting, with a 25bps cut in the deposit rate to 3.25%. The press conference was dovish and the market saw a rising chance that the ECB steps up with a larger 50bps cut at the next meeting in December. UK CPI inflation data were much weaker than expected, adding to the chance of the BoE delivering back-to-back 25bps rate cuts over its last two meetings of 2024.

Looking at NZD cross movements, the insignificant movement in NZD/AUD looked odd in the face of the NZ-Australia 2-year swap differential falling another 14bps, to a fresh 12-year low of minus 32bps. Our short-term NZD/AUD fair value model estimate continues to push lower and now sits just over 0.85. Risks for the cross rate remain heavily skewed to the downside, in our view. More patience seems required to see the cross rate make a sustained break below 0.90.

On NZD/USD, recall that our projections assume the status quo regarding the US political backdrop. We have previously noted that we would likely have to downgrade our NZD/USD outlook on a Trump victory. Betting markets favour a Republican clean sweep, with the party expected to regain the Senate. Betting markets were wrong in the 2016 election and in our view the outcome remains too close to call, so we are not willing to change our FX forecasts ahead of the election. A Harris victory could well see a bounce-back in the NZD. Our year-end projection remains at 0.62, consistent with a 0.60-0.64 trading range.

The economic calendar in the week ahead is very light with a lack of top-tier data, with only global PMIs to look forward to. The Bank of Canada meets and the OIS market puts a high chance of the central bank stepping up the easing process with a 50bps cut, although economists are less convinced of this. The IMF-World Bank annual meetings with the world's finance ministers and top central bankers in attendance takes place and these might get some airplay.

Lower NZ/AU rate spreads drive down NZD/AUD fair value



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6076	0.6040 - 0.6380
NZD/AUD	0.9058	0.9020 - 0.9200
NZD/GBP	0.4655	0.4630 - 0.4760
NZD/EUR	0.5594	0.5530 - 0.5720
NZD/JPY	90.86	89.90 - 92.00

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6850	-11%
NZD/AUD	0.8520	6%

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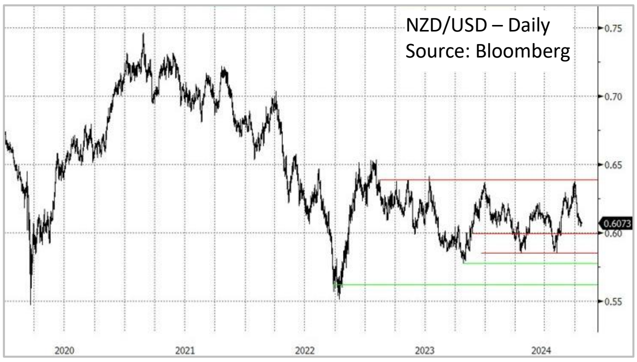
Technicals

NZD/USD

Outlook:	Trading range
ST Resistance:	0.6380 (ahead of 0.64)
ST Support:	0.60 (ahead of 0.5850)

No change, with 0.60 looking to be a key support area and resistance just under 0.64.



NZD/AUD

Outlook:	Trading range
ST Resistance:	0.92 (ahead of 0.9315)
ST Support:	0.8970 (ahead of 0.89)

No change, with support at 0.8970 and no resistance until at least 0.92.

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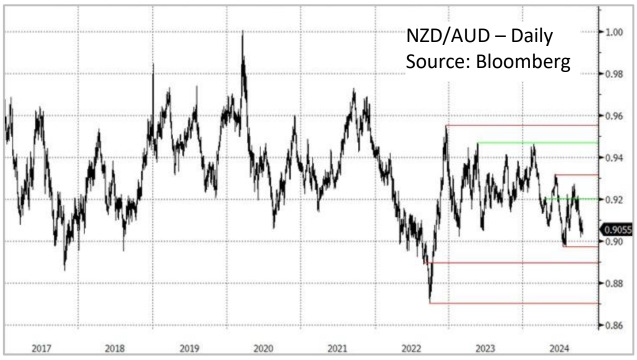
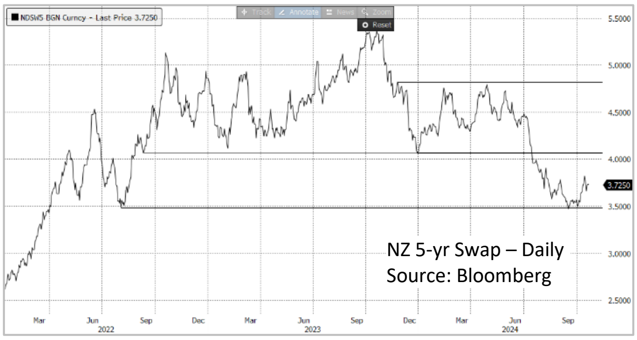


NZ 5-year Swap Rate

Outlook:	Lower
ST Resistance:	4.06
ST Support:	3.48

5-year swap ceased to continue its momentum higher last week as it moved back lower. It appears some short-term resistance may be emerging around 3.80% which we will watch closely going forward.



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

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

2x5 year swap spread continues to steepen aggressively. We have shifted our resistance to +28bp and continue to favour steeper curves.

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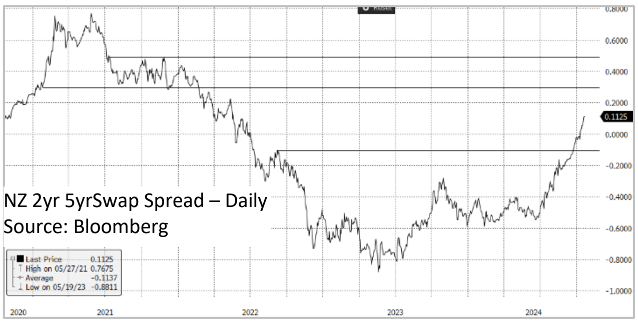

Quarterly Forecasts

Forecasts as at 21 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	0.6	0.6	0.6	0.2	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	2.3	2.3	2.1	2.1	1.6	1.6
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			Government Stock			Swaps			US Rates		Spread
Forecast data - end quarter		Cash	90 Day Bank Bills	5 Year	10 Year	2 Year	5 Year	10 Year	Libor 3 month	US 10 yr	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
	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	3.75	4.40	3.25	3.55	4.05	5.00	4.10	0.30
2025	**Mar**	4.00	3.75	3.55	4.35	3.05	3.40	4.05	4.50	4.00	0.35
	Jun	3.50	3.25	3.45	4.30	2.95	3.35	4.05	4.25	3.90	0.40
	Sep	3.00	2.90	3.40	4.25	3.00	3.35	4.05	4.00	3.80	0.45
	Dec	2.75	2.90	3.55	4.25	3.15	3.50	4.10	3.75	3.75	0.50
2026	**Mar**	2.75	2.90	3.65	4.25	3.40	3.65	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	0.61	0.67	1.09	1.31	150
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	0.61	0.90	0.56	0.47	90.9	70.3
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 21 October 2024	March Years					December Years				
	Actuals					Actuals				
	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025
GDP - annual average % change										
Private Consumption	6.0	2.7	0.6	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**
GDP - annual % change (q/q)	*0.6*	*2.0*	*0.5*	*0.1*	*3.2*	*2.6*	*2.2*	*0.0*	*-0.3*	*3.0*
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	422	443	353	381	405	419	437
Prices and Employment - annual % change										
CPI	6.9	6.7	4.0	2.3	1.6	5.9	7.2	4.7	2.3	1.6
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	2.8	-0.2	7.0	22.5	-13.8	0.6	-0.3	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	-3.1	-3.1	-1.9					
Net Core Crown Debt (ex NZS)	35.5	39.3	42.5	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	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	3.55	3.65	2.20	4.30	4.50	3.75	3.55
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	3.05	3.40	2.22	5.21	4.93	3.25	3.15
5-year Swap	3.20	4.50	4.40	3.40	3.65	2.56	4.62	4.43	3.55	3.50
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 21 October			
UK	Rightmove House Prices YoY Oct			1.20%
AU	RBA's Hauser Speaks			
CH	5-Year Loan Prime Rate Oct-21	3.65%		3.85%
CH	1-Year Loan Prime Rate Oct-21	3.15%		3.35%
EC	ECB's Simkus Speaks			
	Tuesday 22 October			
US	Fed's Logan, Kashkari, Schmid, and Daly Speak			
NZ	Trade Balance NZD Sep			-2203m
NZ	RBNZ's Silk Speaks			
	Wednesday 23 October			
NZ	Dairy GDT Pulse WMP (reg CP2)			
US	Philadelphia Fed Non-Mfg Activity Oct	4.1		-6.1
EC	ECB's Centeno, Lagarde, and Others Speak			
UK	BOE's Bailey, Greene, and Breeden Speak			
US	Fed's Harker Speaks			
US	Richmond Fed Manufact. Index Oct	-17		-21
US	Richmond Fed Business Conditions Oct			-3
	Thursday 24 October			
US	Fed's Bowman and Barkin Speak			
CA	Bank of Canada Rate Decision Oct-23	3.75%		4.25%
EC	Consumer Confidence Oct P	-12.5		-12.9
EC	ECB's Lagarde, Lane, and Others Speak			
US	Existing Home Sales Sep	3.88m		3.86m
NZ	RBNZ's Orr Speaks			
US	Federal Reserve Releases Beige Book			
UK	BOE's Bailey Speaks			
AU	Judo Bank Australia PMI Mfg Oct P			46.7
AU	Judo Bank Australia PMI Services Oct P			50.5
NZ	RBNZ's Richardson Speaks			
NZ	New Residential Lending YoY Sep			7.10%
EC	HCOB Eurozone Manufacturing PMI Oct P	45.1		45
EC	HCOB Eurozone Services PMI Oct P	51.5		51.4
UK	S&P Global UK Manufacturing PMI Oct P	51.5		51.5
UK	S&P Global UK Services PMI Oct P	52.4		52.4
	Friday 25 October			
US	Chicago Fed Nat Activity Index Sep			0.12
US	Initial Jobless Claims Oct-19	240k		241k
US	Continuing Claims Oct-12	1876k		1867k
US	Fed's Hammack Speaks			
UK	BOE's Mann and Bailey Speak			
EC	ECB's Kazaks and Lane Speaks			
US	S&P Global US Manufacturing PMI Oct P	47.5		47.3
US	S&P Global US Services PMI Oct P	55		55.2
US	New Home Sales Sep	720k		716k
NZ	ANZ Consumer Confidence Index Oct			95.1
NZ	Subnational Population Estimates as at 30 June 2024			
UK	GfK Consumer Confidence Oct	-21		-20
JN	Tokyo CPI YoY Oct	1.80%		2.20%
JN	Tokyo CPI Ex-Fresh Food, Energy YoY Oct	1.60%		1.60%
NZ	RBNZ's Conway Speaks			
GE	IFO Business Climate Oct	85.6		85.4
	Saturday 26 October			
US	Durable Goods Orders Sep P	-1.00%		0.00%
US	U. of Mich. Sentiment Oct F	69.3		68.9
US	Kansas City Fed Services Activity Oct			-2
EC	France's Villeroy and Armand Speak			
	Sunday 27 October			
UK	BOE's Bailey Speaks			
CH	Industrial Profits YoY Sep			-17.80%

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	4.75	4.75	5.25	5.50
1mth	4.88	4.88	5.21	5.61
2mth	4.70	4.77	5.09	5.64
3mth	4.59	4.65	4.97	5.67
6mth	4.32	4.42	4.71	5.73
GOVERNMENT STOCK				
05/26	3.83	3.98	3.88	5.42
04/29	3.96	4.03	3.76	5.42
05/31	4.20	4.25	3.98	5.50
05/34	4.43	4.45	4.21	5.58
04/37	4.68	4.70	4.49	5.70
05/41	4.86	4.89	4.69	5.74
05/51	4.97	5.00	4.77	5.68
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	51	52	53	79
Europe 5Y	55	56	59	87

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.61	3.76	3.65	5.64
3 years	3.58	3.71	3.52	5.47
4 years	3.64	3.75	3.52	5.37
5 years	3.73	3.82	3.57	5.33
10 years	4.08	4.14	3.87	5.37
FOREIGN EXCHANGE				
NZD/USD	0.6071	0.6096	0.6267	0.5846
NZD/AUD	0.9056	0.9064	0.9165	0.9227
NZD/JPY	90.78	91.29	89.99	87.51
NZD/EUR	0.5593	0.5588	0.5640	0.5479
NZD/GBP	0.4653	0.4668	0.4695	0.4773
NZD/CAD	0.8377	0.8409	0.8486	0.8003
TWI	70.3	70.2	71.4	69.4

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