29 October 2024

RBNZ Likes What It Sees

- **RBNZ senses 'calmer waters'**
- **Suggests incremental policy change, barring a shock**
- **September filled jobs show softening labour market**
- **Business pricing intentions, expectations to monitor**
- **Housing indicators, RBNZ market update, scheduled**

RBNZ Governor Orr's speech, Q&A, and media interview last week made for some interesting reading and listening. It was good to hear the Governor's thoughts. To cut to the chase, there was nothing to fundamentally change our view on policy ahead.

We suspect the speech, to the Peterson Institute in Washington DC, and associated Q&A, would have been satisfying for the Governor to give with inflation recently returning to the target band. The RBNZ likes what it sees.

'Low and stable inflation is again in sight' and 'consumer price inflation is now at 2.2%, converging on the midpoint of our 1 to 3% target range' is 'something to celebrate'. We agree. This is good news.

The speech was not hawkish, but relative to a market looking for signals that the next OCR move will be 75 basis points the broad tone of the speech and Q&A might have appeared a touch that way. That is not to say it was an absolute rebuke of a 75-point move, how could it be when it is the committee that makes the decision. But it seemed to lean that way rather than endorse a larger move.

Q&A comments like 'on the way down we can be more incremental now, and we have been' and 'we're being more incremental because we're in calmer waters but also because of that lingering inflation persistence on the domestic side' and 'a bit circumspect on the way down' do not give a sense of further stepping up the pace of OCR reduction.

The reference to 'calmer waters' is interesting in the context of our observation published last week that all previous OCR movements of 75 points or more have followed significant shocks and/or large data surprises. We haven't seen anything of that nature over recent months, at least to date.

There was discussion of easing monetary policy, as you would expect amidst an easing cycle. And talk of policy still being restrictive to lean against the last of the inflationary pressures that have lingered on from the recent burst of inflation. This is consistent with recent big picture messaging from the RBNZ.

The speech was followed by a pre-recorded interview with CNBC. It might have just been the medium, but the Governor sounded a bit more dovish in parts with comments like 'strongly believe inflation is beaten', 'significant output gap', and 'NZ getting very close to people not worrying about inflation'.

The Governor cited wage behaviours, price setting behaviours, and inflation expectations as all being consistent with low and stable inflation and allowing the RBNZ to cut the OCR by the 50 basis points that it did and 'a lot more projected ahead'. That is consistent with our expectation of material easing ahead.

It could be argued that sort of language doesn't rule out a 75-basis points move. But equally, little there that we didn't already know. And the more dovish sounding interview comments were also balanced with others like 'got time now to just watch the last of the inflation tail to come out'. Again, that doesn't portray a sense of urgency to increase the pace of easing.

With the November MPS still about a month away, there is still potential for surprise from domestic data and/or from an offshore event.

Regards domestic data, we see the Q3 labour market next week as the most important, but, here, our forecasts are like the Bank expectations, so we do not anticipate a large surprise to the RBNZ. Various measures of inflation expectations and the October selected prices ahead of the November meeting will also be worth keeping an eye on.

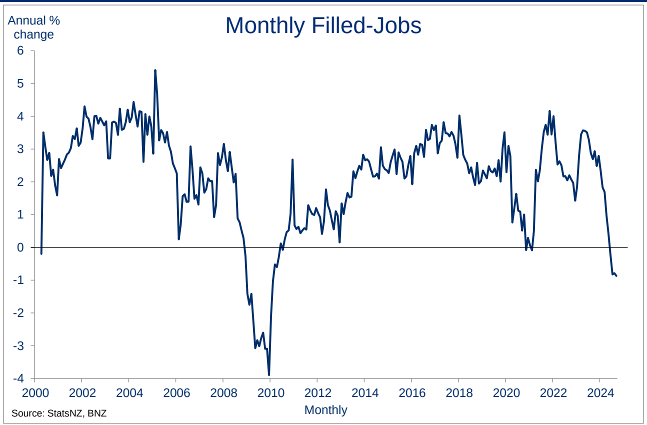
Ahead of that, we have this week's data to peruse. It is already out of the gate with this morning's filled jobs for September. They were soft.

It was not only the flat filled jobs in September (that was along the lines of what we might have imagined), but combined with downward revisions to prior months it saw filled jobs drop by 0.7% in Q3. It is broadly consistent with our expectation of a contraction in official HLFS employment next week, not that changes in filled jobs is any guarantee of the precise quarterly movement in the

HLFS. If anything, today's figures suggest some downside risk to our 0.5% q/q pick for quarterly HLFS employment.

More broadly, today's data fits with our long-held view that the unemployment rate will continue to rise rapidly. We expect the unemployment rate to lift to 5.0% in Q3 (same as the RBNZ published in its August MPS) and higher again next year.

Labour market weakening



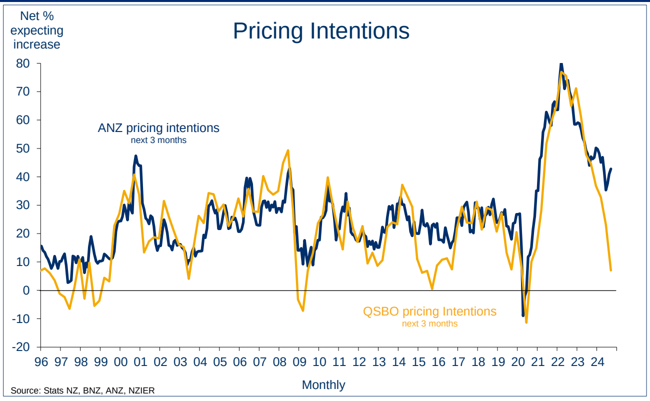
A weaker labour market is a headwind for consumer confidence and spending. ANZ-RM consumer confidence fell to 91.2 in October from 95.1 in September, in data released last week. This is consistent with ongoing contraction in spending per person and suggests some downside risk to near term forecasts for consumer spending. This is far from the ideal backdrop for retailers heading into the important pre-Christmas sales period. Consumer confidence has significantly lagged a pickup in business sentiment.

We get an update on business confidence this Thursday, via the ANZ business survey. Business confidence and firms' own activity expectations have leapt to well above average levels over recent months. Lower interest rates might have been a catalyst for a pickup, but the extent of lift suggests a fair dose of relief has been in the mix too. If so, a pullback at some stage wouldn't surprise. Indeed, if the current levels of business confidence and activity expectations persistent it would suggest upside risk to our economic growth forecasts for next year.

It is certainly the case that business confidence, activity expectations, and employment intentions in the ANZ business survey have been materially above similar measures in other surveys, most notably the QSBO. Some of this is probably due to the 12-months-ahead window of the ANZ survey compared to shorter outlook windows of the QSBO.

Pricing intentions have differed across surveys, despite the same time horizons, with the ANZ survey measure at an elevated level of 42.9 in September while QSBO pricing intentions have dropped substantially, as has actual CPI inflation. Meanwhile, the ANZBO inflation expectations series was unchanged at 2.9% in September, which is at a level that has been previously consistent with annual CPI inflation settling well inside the target band. We will see if the recent Q3 CPI inflation outcome or volatility in fuel prices has had any influence.

Different intentions



Volatility in fuel prices look set to continue with a sharp reduction in oil prices overnight (a drop of more than 5%), post latest developments in the Middle East.

With inflation back inside the target band, it provides more latitude for the central bank to look through idiosyncratic relative price shocks with focus on broader inflation dynamics. As RBNZ Governor Orr noted in his speech last week, 'uncertainties about firms' price-setting behaviour and the persistence of inflation continue to influence the MPC's thinking. However, these uncertainties are now set against a lower central outlook for inflation. Inflation has declined back to within our target band, as have inflation expectations.'

This week, on Thursday, the RBNZ has said it will publish an 'update on the housing market' article. We can expect this to come through a financial stability lens given that the article, in what has become the norm, is a pre-release of some content from the Bank's full Financial Stability Report which is scheduled for the release next week.

Speaking of the housing market, the remainder of this week's data contain bits and pieces in that area via Thursday's September credit aggregates (annual growth in housing lending was 3.2% in August), Friday's October CoreLogic house prices, and September building consents. On the latter, it is difficult to pick the number of residential building consents in the month, given volatility, but we will be looking for more signs of the trend stabilising.

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Global Watch

- **Abundance of global top-tier data**
- **US GDP and Payrolls in focus for Fed easing cycle**
- **Australia and Eurozone CPI data due**
- **China PMIs closely watched for any stimulus impacts**
- **UK Chancellor Reeves presents Budget**

Week in Review

Last week was relatively quiet with central bankers and finance ministers in Washington for the IMF/WB meetings. The only central bank to meet was the BoC who cut rates by 50bps to 3.75% as largely anticipated by markets.

The BoC noted they view "*the risks around our inflation forecast as reasonably balanced*", reducing prospects of super-sized cuts. Future cuts which are still flagged ("*we expect to reduce the policy rate further*") are more likely to be in 25bp increments.

The Global PMIs were the only notable piece of data. US outperformance remained with the Services PMI 55.3 vs. 51.2 for the EZ. The US Fed's Beige Book was more subdued, though election uncertainty was weighing. And most were optimistic of a rebound once that uncertainty resolved.

Talking of elections, polling and betting markets are pointing to a Trump victory on November 5, though most polls remain very close. Markets are attuned to red wave prospects.

In Australia, it was a very quiet week with only remarks by RBA Deputy Governor Hauser of any note. Hauser implicitly endorsed the market reaction to the stronger than expected labour market figures the week before.

"*Some of the recent reactions of market pricing and commentary to the data do suggest that the reaction function of the RBA is, at least right now, relatively well understood*".

Week Ahead

In Australia, Q3 CPI (Wednesday) dominates the week. Given government subsidies, it will be important to look even more closely at core measures. For Trimmed Mean NAB expect a 0.8% q/q outcome, which is what the RBA had pencilled in.

Also out in the week is Retail Sales (Thursday), and housing related data (Building Approvals on Thursday, and Dwelling Prices on Friday).

Elsewhere, it is extremely busy. The key events are Q3 GDP for the US and EZ (Wednesday), China PMIs, Eurozone CPI, US ECI (Thursday), and US Payrolls and ISM Manufacturing (Friday). There is also a smorgasbord of large tech names reporting, including Alphabet (Tuesday), Meta and Microsoft (Wednesday), and Amazon and Apple (Thursday).

In the US, most focus will be on Q3 GDP (Wednesday) and Payrolls (Friday). The consensus for Q3 GDP is for 3.0% annualised, well above the 1.8% trend growth estimate by FOMC officials. Such an outcome would continue to see some in the FOMC question whether a quick flurry of rate cuts is needed, or whether the Fed should pause.

Making that assessment more difficult will be a hurricane affected Payrolls. Given the volatility, the unemployment rate may give a better read with consensus for unchanged at 4.1%. Such an outcome would see the unemployment rate undershooting the FOMC's 4.4% projection for Q4 2024.

Also important will be the Employment Cost Index (ECI) (Thursday) to see whether the labour market is still benign regarding potential inflationary pressure, as well as PCE inflation (also Thursday, but much will already be known from Q3 GDP).

In China, the PMIs for October will be closely watched for any stimulus impacts on sentiment. There is a possibility of stimulus announcements with the NPC meeting, though a more comprehensive announcement may wait until the outcome of the US election and how likely the campaign promises will translate into actual policy.

Europe sees the Preliminary CPIs (Thursday) as well as Q3 GDP (Wednesday). Across the channel in the UK the Budget (Wednesday) will likely dominate.

Finally in Japan, while the BoJ (Thursday) meets, all focus will be on the fallout of the elections and what it may portend as to the potential pace of normalisation by the BoJ, and also on the fiscal stance.

Important Events Preview

Tuesday 29

US JOLTS, Consumer Confidence (Conf. Board)

Job opening for September are expected to fall back slightly to 8,000k. Recall that last month job openings sharply surprised to the upside, coming in at 8,040k vs. the 7,693 consensus and helped to alleviate fears around the labour market. Election uncertainty was cited in the Beige book as one factor delaying hiring plans.

US Earnings – Alphabet
Alphabet is the first large tech name to report, which will be followed by the other large tech names during the week, including Meta and Microsoft (Wednesday), Amazon and Apple (Thursday).

Wednesday 30

AU Q3 CPI
CPI dominates the week. NAB expects Q3 Trimmed Mean inflation of 0.8% q/q and 3.5% y/y, which is also in line with the RBA's August SoMP forecasts, though do see risks

skewing more to a lower print. Government subsidies will skew the distribution. For Headline inflation, NAB expect 0.3% q/q and 2.9% y/y.

Overall, NAB expect a 0.8% q/q trimmed mean print to keep the RBA on the side-lines until H1 2025. In the event of a downward surprise on trimmed mean to 0.7% q/q, NAB think given the government subsidies, the RBA would still look for further confirmation of trends in Q4 CPI before contemplating a rate cut.

EZ Q3 GDP and German CPI
Q3 GDP is expected to be subdued at 0.2% q/q. The individual country level data will also garner attention to see if Germany slipped back into recession.

Also out is the first country level CPIs for October ahead of the wider Eurozone measure on Thursday. Consensus sees German CPI at 2.1% y/y; Spain and Belgium also out.

UK Budget
UK Chancellor Reeves confirmed in an FT article that she intends to change the UK's fiscal rules – by targeting a different measure of debt - to allow her to borrow up to £50bn more per year on much needed long-term infrastructure investment.

So as not to frighten financial markets Reeves is only expected to spend around £20bn of this at this stage on and she will ring-fence day-to-day spending, ensuring that the so-called '£22bn black hole' overspend is met by a combination of tax rises and departmental spending cuts.

US Q3 GDP
Q3 GDP is expected to be 3.0% annualised. Risks at this stage are to the upside given the Atlanta Fed's GDP Now Estimate sits at 3.3%. Growth in the US has been well above trend the FOMC's trend growth estimate of 1.8%, and well above the 2024 GDP dot of 2.0%.

Indications of well above trend growth is challenging the need for fast rate cut cycle. Also published alongside the GDP data is Q3 PCE inflation, which will give a good guide to the September month PCE out on Thursday.

US Earnings – Meta, Microsoft

Thursday 31

AU Retail Sales, Building Approvals, Credit
September month retail sales will be watched closely for the momentum of the consumer, especially in regard to the tax cuts which came into effect from 1 July. NAB has pencilled in -0.3% m/m, a small pull back from last month's sharp 0.7% m/m rise. Such an outcome would see retail sales up 1.0% q/q in nominal terms, and likely around up 0.6% q/q in volume terms.

As for building approvals, NAB see a 5.0% m/m rebound after last month's -6.1%. And credit growth continuing at 0.5% m/m.

JN BoJ
No change expected for the BoJ meeting.

CH PMIs
The PMIs will be watched closely to see whether recent stimulus announcements are starting to buoy sentiment and activity.

EZ CPIs
Consensus sees October Core CPI at 2.6% y/y from 2.7%. Unfortunately, there is no estimate for services inflation, but NAB see it easing from 3.9% to 3.8%. The ECB has said it has growing confidence that inflation will decline to target and perhaps earlier than forecast due to subdued activity. This, alongside some dovish ECB commentary has driven markets to halfway price a 50bps cut in December.

US ECI, PCE, Jobless Claims
The ECI is probably the more important of the trifecta of data given much will already be known about the PCE from the GDP figures, while any rise in Jobless Claims will likely be discounted due to potential hurricane impact.

Consensus for ECI is 0.9% q/q, a similar pace to last quarter. An upside surprise would be a challenge to rate cut pricing as it would provide less assurance on the inflation front. As for Core PCE, consensus is for 0.3% m/m and 2.6% y/y.

US Earnings – Amazon, Apple (also Samsung)

Friday 1

AU Dwelling Prices, Home Loans, PPI

US Payrolls, and ISM Manufacturing
October Payrolls will be incredibly hard to read given the possible hurricane impacts. Consensus sees payrolls at 110k from 254k. Average hourly earnings have also historically been buffeted by hurricane activity and here consensus is for 0.3% m/m and 4.0% y/y. Given all the uncertainties, the unemployment rate may give a cleaner read and here consensus is for it to be unchanged at 4.1%. Such an outcome would likely see the unemployment rate coming in well below the FOMC's September projections of the unemployment rate lifting to 4.4% in Q4 2024.

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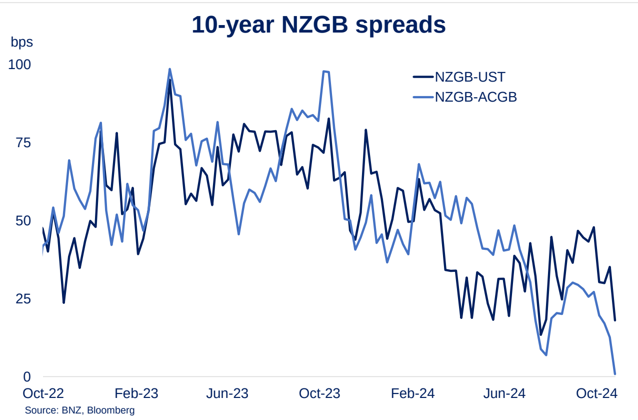
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ fixed income yields are little changed over the past week, despite generally higher global rates, continuing the recent trend of narrowing cross-market spreads. Notably, 10-year NZGB yields traded below Australian government bonds for the first time in three years and spreads have returned to the bottom of the range against US treasuries (UST). There were limited domestic rates catalysts and the tap syndication of the May-2030 nominal NZGB line attracted strong demand from investors.

Alongside weak cyclical dynamics and the front-loaded RBNZ easing cycle, NZGBs continue to screen well within developed market fixed income. Real yields - defined as nominal yields less consensus inflation expectations - are relatively high. Furthermore, the 10Y – 3m curve slope is on the cusp of turning positive and the steeper curve has increased the rolldown for 10-year bonds.

NZGB cross market spreads narrow

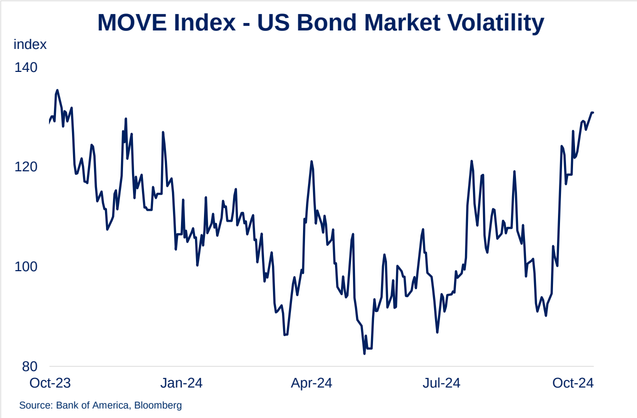


Global rates have continued to move higher – 10-year UST are close to 70bp above the September yield low - with fundamental support from higher consensus growth forecasts and a paring of Fed rate cut pricing. In addition, the market is incorporating a fiscal risk premium ahead of the US election, as both presidential candidates support stimulus, albeit differentiated by tax and expenditure policy preferences.

Implied volatility in the treasury market, as measured by the Move Index, is at the highest level since the end of last year. This is related to uncertainty regarding the Fed's reaction function and the political backdrop, which could drive changes in fiscal policy. A scenario of a sweep where either party controls both Congress and the White House, is likely to be associated with a US-centric move higher in global yields.

There is a plethora of key economic releases in the US this week, headlined by the October labour market report, which could be noisy given the impact of strikes and weather events. Labour market data has gained additional importance for Fed policy makers as inflation has increasingly converged towards target. The data will help refine expectations for the November FOMC where market pricing implies a high chance of a 25bp rate cut. Fed policy makers have now entered the blackout period ahead of the meeting.

Higher UST implied volatility ahead of election



10Y NZGB valuations have improved with real yields having increased to 2.0%. This is close to levels that prevailed at the multi-year nominal yield peak in late 2023. At that time, higher nominal yields corresponded with elevated inflation expectations. 10Y real NZGB yields are above the 90th percentile using data for the past ten years. In addition, cyclical duration signals are also supportive.

We have become more constructive on duration following the back up in yields, but the market will likely require clarity on the US election outcome, for a meaningful yield retracement.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	4.55	4.55 - 4.90
NZ 2yr swap (%)	3.66	3.51 - 3.78
NZ 5yr swap (%)	3.78	3.48 - 3.84
NZ 10yr swap (%)	4.16	3.82 - 4.24
2s10s swap curve (bps)	50	33 - 55
NZ 10yr swap-govt (bps)	-29	-38 - -29
NZ 10yr govt (%)	4.45	4.23 - 4.49
US 10yr govt (%)	4.27	3.69 - 4.30
NZ-US 10yr (bps)	17	17 - 49
NZ-AU 2yr swap (bps)	-36	-40 - -8
NZ-AU 10yr govt (bps)	-3	-6 - 27

*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, seeing the DXY index rise for a fourth successive week. NZD/USD underperformed and fell over 1½% to a fresh 12-week low just under 0.5980. Only the yen was weaker, seeing NZD/JPY up modestly to 91.0. NZD/AUD was barely lower at 0.9050, while the NZD fell by just under 1% against the CAD, EUR and GBP.

The new week has kicked off with the NZD making a fresh low of 0.5958 yesterday but is currently flat compared to the weekly close. JPY is even weaker after the government lost its majority and a period of uncertainty overhangs Japan.

The USD's recovery has continued, buoyed by stronger than expected economic data and rising odds of Trump winning the Presidential election. While the economic calendar was light last week, with only second-tier data, they continued to imply the US economy tracking along nicely with no real sign of concern.

Citigroup's US economic surprise index has been consistently tracking higher since late-August (see chart). The consensus sees Q3 GDP, released this week, showing an annualised increase of 3.0%. The Atlanta Fed GDPnow forecast is even higher, at 3.3%. US rates continue to push higher, as the market pares the scale of projected Fed easing. By March, the market sees the Fed Funds rate sitting just over 4%. Just over a month ago, the rate was seen to be 3.4%, so over 60bps of easing has been priced out of the curve over that short timeframe, supporting the USD.

At the same time, the odds of Trump winning and the Republican party achieving a clean sweep has been rising. A Trump victory is seen to be USD-positive from the impact of higher import tariffs, lower taxes and higher US rates. Clearly, the scope for the USD to push higher after a Trump victory is now much reduced, but there is still more juice in the trade on a win.

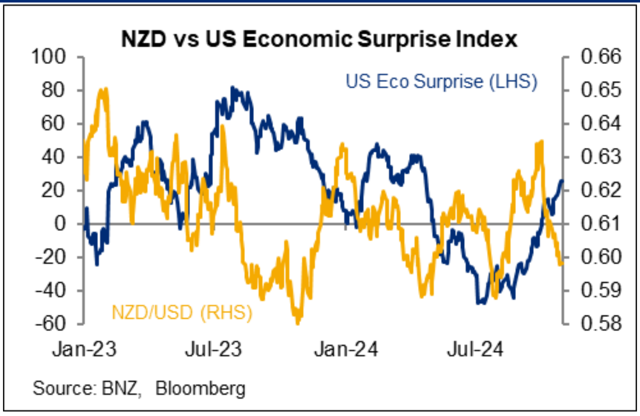
The strong recovery in the NZD through August/September now seems like a distant memory. NZD/USD has fallen nearly 6% through October, seeing the currency well back into the lower part of its trading range. The technical RSI hasn't yet fallen into oversold territory. A key support level is 0.5850, which the currency briefly touched in early August and almost got to in April.

We published a note last week on the risks overhanging our projections as a result of the US election (see Brace for impact). Our current projections assume the status quo on US political leadership. Under a Trump victory we would have to seriously question the chance of the NZD recovering in 2025. We don't think a Trump victory is fully priced and support would be tested if he won. In 2016, the NZD weakened by 5% soon after his victory, but the real damage was done when the trade war against China began in earnest in early 2018.

In the week ahead is there is an abundance of top-tier data releases that could swing markets around. The US dataflow includes the employment report and ISM manufacturing at the end of the week, preceded by the JOLTS report, employment cost index, PCE deflator and the first estimate of Q3 GDP.

Elsewhere, in Australia Q3 CPI will be the focus, with the RBA policy outlook highly sensitive to the outcome. GDP and CPI figures will be released for the euro area and PMI data for China. The BoJ meets and a policy change is highly unlikely, particularly given the increased uncertainty following the weekend election result. The UK Budget is also this week, where there is plenty of focus under the new Labour government. Five of the seven Magnificent-7 stocks report earnings. In NZ, it'll be quiet by comparison, with only the ANZ business outlook survey to look forward to.

Positive US eco surprises & Trump factor drive down NZD



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5980	0.5960 - 0.6140
NZD/AUD	0.9084	0.9020 - 0.9120
NZD/GBP	0.4609	0.4600 - 0.4690
NZD/EUR	0.5529	0.5520 - 0.5610
NZD/JPY	91.63	90.10 - 92.00

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6820	-12%
NZD/AUD	0.8540	6%

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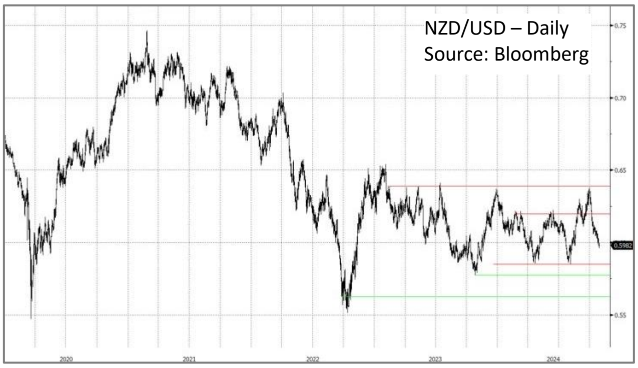
Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.62 (ahead of 0.6380)
ST Support: 0.5850 (ahead of 0.5775)

0.60 didn't provide much support but this year's low of 0.5850 is a more important level.



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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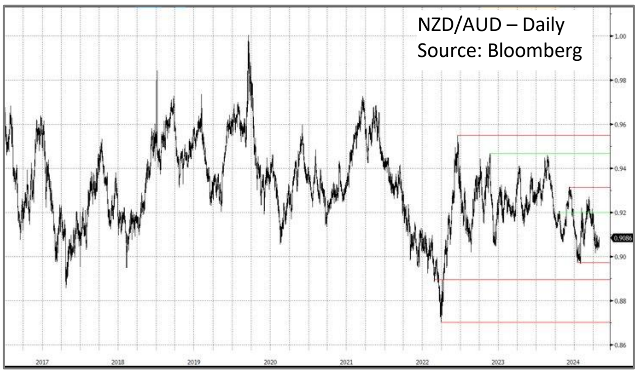
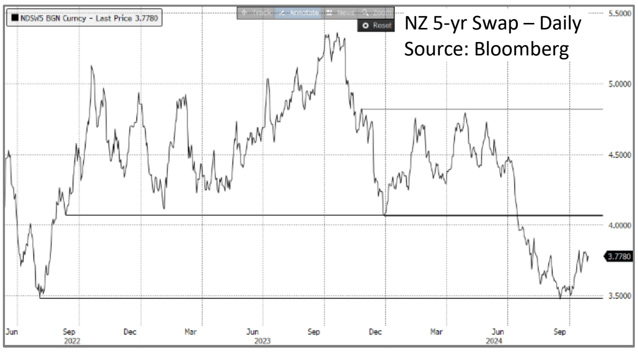


NZ 5-year Swap Rate

Outlook: Lower
ST Resistance: 4.06
ST Support: 3.48

5-year swap largely tracked sideways last week with 3.80% proving to show some more signs of resistance. We will continue to watch this level closely as we favour lower rates.



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

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

2x5 year swap spread remained relatively stable last week. We favour the recent steepening bias to continue

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Quarterly Forecasts

Forecasts as at 29 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	-6.1	-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 Forecasts**					
	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.60	0.66	1.08	1.30	153	0.60	0.91	0.55	0.46	91.7	69.8
Dec-24	0.62	0.69	1.11	1.30	143	0.62	0.90	0.56	0.48	88.7	71.0
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	71.8
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 29 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	1.7	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	-25.9	-21.5	-21.3	-35.6	-28.6	-27.2	-22.5
Current Account - % of GDP	-6.8	-8.7	-6.7	-6.1	-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
	Tuesday 29 October			
JN	Jobless Rate Sep	2.50%		2.50%
GE	GfK Consumer Confidence Nov	-20.5		-21.2
	Wednesday 30 October			
US	JOLTS Job Openings Sep	8000k		8040k
US	Conf. Board Consumer Confidence Oct	99.5		98.7
AU	CPI QoQ 3Q	0.30%	0.30%	1.00%
AU	CPI YoY 3Q	2.90%	2.90%	3.80%
AU	CPI Trimmed Mean QoQ 3Q	0.70%	0.80%	0.80%
AU	CPI Trimmed Mean YoY 3Q	3.50%	3.50%	3.90%
GE	GDP SA QoQ 3Q P	-0.10%		-0.10%
EC	GDP SA QoQ 3Q A	0.20%		0.20%
	Thursday 31 October			
US	ADP Employment Change Oct	112k		143k
UK	UK Budget			
US	GDP Annualized QoQ 3Q A	3.00%		3.00%
GE	CPI EU Harmonized YoY Oct P	2.10%		1.80%
US	Pending Home Sales MoM Sep	1.90%		0.60%
EC	ECB's Schnabel, Villeroy, and Nagel Speak			
NZ	RBNZ Publish Update on the Housing Market			
JN	Retail Sales MoM Sep	-0.30%		0.80%
JN	Industrial Production MoM Sep P	0.80%		-3.30%
NZ	ANZ Business Confidence Oct			60.9
AU	Building Approvals MoM Sep	2.10%	5.00%	-6.10%
AU	Retail Sales MoM Sep	0.30%	-0.30%	0.70%
AU	Retail Sales Ex Inflation QoQ 3Q	0.50%	0.60%	-0.30%
AU	Private Sector Credit MoM Sep	0.50%	0.50%	0.50%
CH	Manufacturing PMI Oct	49.8		49.8
CH	Non-manufacturing PMI Oct	50.4		50
UK	BOE's Breeden Speaks			
NZ	Household Credit YoY Sep			3.10%
JN	BOJ Target Rate Oct-31	0.25%		0.25%
EC	ECB's Panetta and Escriva Speak			
EC	CPI Estimate YoY Oct	1.90%		1.70%
EC	CPI Core YoY Oct P	2.60%		2.70%
EC	Unemployment Rate Sep	6.40%		6.40%
	Friday 01 November			
NZ	CoreLogic Home Value MoM Oct			-0.50%
EC	ECB's Knot Speaks			
US	Employment Cost Index 3Q	0.90%		0.90%
US	Core PCE Price Index MoM Sep	0.30%		0.10%
US	Core PCE Price Index YoY Sep	2.60%		2.70%
US	Initial Jobless Claims Oct-26	230k		227k
US	Continuing Claims Oct-19	1880k		1897k
AU	CoreLogic Home Value MoM Oct			0.50%
US	MNI Chicago PMI Oct	47		46.6
NZ	Building Permits MoM Sep			-5.30%
AU	Judo Bank Australia PMI Mfg Oct F			46.6
AU	PPI QoQ 3Q			1.00%
AU	Home Loans Value MoM Sep	1.00%	2.00%	1.00%
CH	Caixin China PMI Mfg Oct	49.7		49.3
UK	S&P Global UK Manufacturing PMI Oct F	50.3		50.3
	Saturday 02 November			
US	Change in Nonfarm Payrolls Oct	110k		254k
US	Unemployment Rate Oct	4.10%		4.10%
US	Average Hourly Earnings MoM Oct	0.30%		0.40%
US	Fed's Logan Speaks			
US	S&P Global US Manufacturing PMI Oct F	47.8		47.8
US	Construction Spending MoM Sep	0.00%		-0.10%
US	ISM Manufacturing Oct	47.6		47.2

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	5.09	5.60
2mth	4.64	4.67	5.00	5.62
3mth	4.55	4.57	4.84	5.64
6mth	4.29	4.32	4.62	5.71
GOVERNMENT STOCK				
05/26	3.77	3.83	3.81	5.38
04/29	3.93	4.01	3.75	5.40
05/31	4.18	4.25	3.99	5.50
05/34	4.42	4.48	4.23	5.60
04/37	4.64	4.72	4.52	5.72
05/41	4.82	4.90	4.72	5.76
05/51	4.92	5.02	4.82	5.67
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	52	52	54	80
Europe 5Y	56	57	60	86

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.66	3.67	3.57	5.58
3 years	3.63	3.64	3.46	5.42
4 years	3.69	3.71	3.48	5.34
5 years	3.78	3.80	3.54	5.31
10 years	4.16	4.20	3.87	5.44
FOREIGN EXCHANGE				
NZD/USD	0.5980	0.6043	0.6281	0.5825
NZD/AUD	0.9085	0.9044	0.9126	0.9192
NZD/JPY	91.65	91.30	90.16	88.32
NZD/EUR	0.5530	0.5596	0.5676	0.5508
NZD/GBP	0.4611	0.4654	0.4728	0.4793
NZD/CAD	0.8306	0.8350	0.8472	0.8082
TWI	69.8	70.3	71.7	69.6

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