

Research Markets Outlook

4 November 2024

Labour Market Loosening

- Q3 unemployment rate forecasts centred on 5.0%
- Annual wage inflation seen slowing
- Crown accounts to reveal run rate relative to Budget
- Full RBNZ Financial Stability Report due tomorrow
- Commodity price recovery continuing

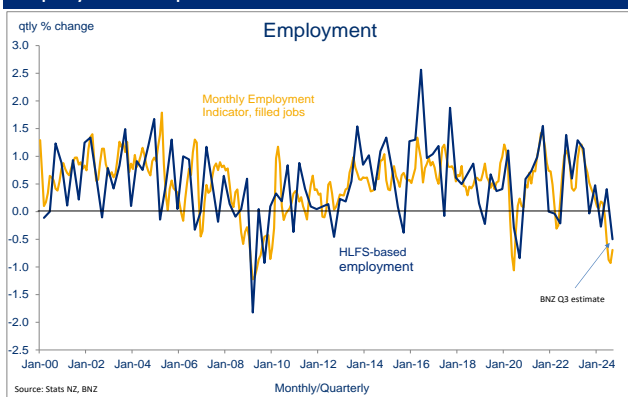
As the world watches the outcome of the US election this week, there is an obvious risk that domestic proceedings play second fiddle. Nonetheless, there are some important releases to monitor on the domestic calendar.

We have long anticipated a material loosening in the labour market. This week's data is expected to simply add confirming evidence and, barring a major shock, it looks more like a case of assessing the extent of it.

The background to the Q3 labour market reports on Wednesday is that job ads and filled job indicators have been trending lower and businesses have been reporting labour far easier to find, even though net inward migration has reduced rapidly. Survey measures of employment outcomes have been soft, although employment intentions have been extremely varied.

With all that in mind, we think the unemployment rate will continue to rise and have pencilled in a lift to 5.0% in Q3, from Q2's 4.6% and 3.9% a year earlier. This follows from our view that the Household Labour Force Survey (HLFS) measure of employment will decline by 0.5% in Q3 after a surprisingly strong 0.4% gain in Q2. That would see annual employment growth slowing to 0.1%. Such estimates build in slowing working age population growth, as net inward migration abates, and an assumed pullback in the participation rate to 71.5% from 71.7%.

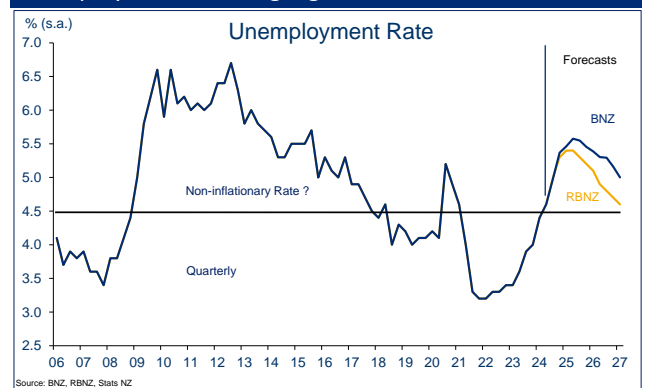
Employment expected to contract in Q3



Market polls show very similar Q3 expectations to our own. Likewise, the RBNZ, in its August MPS, projected an unemployment rate of 5.0%, associated with a 0.4% quarterly drop in HLFS-based employment and a participation rate of 71.5%). We are not expecting any material surprise for the RBNZ.

We see the risks to our forecasts as broadly balanced, but always wary of the potential for a surprise HLFS outcome.

Unemployment trending higher

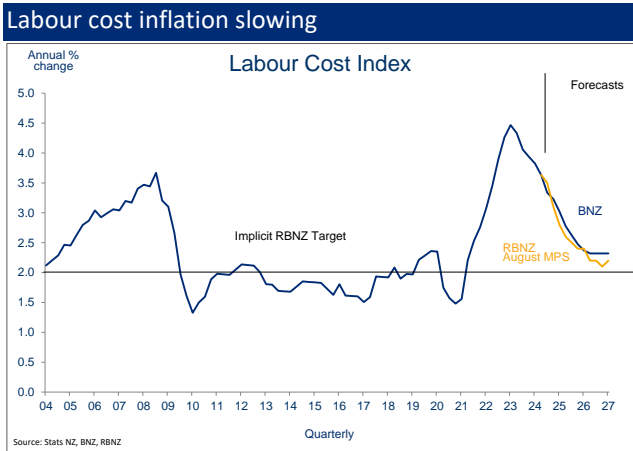


The August MPS also expected the private-sector Labour Cost Index (LCI) to increase a quarterly 0.7% and an annual 3.5% (a tick slower than Q2's 3.6%). We expect a quarterly increase of 0.6%, which rounds down our annual pick to 3.3%. An outcome like that wouldn't be a major surprise to the RBNZ, especially in the context of the Bank expecting annual LCI inflation continuing to ease significantly over the coming quarters. However, slowing unit labour cost inflation would support continuing to progress purposefully with removing monetary restraint.

The Quarterly Employment Survey (QES) wage measures can be thrown around by changes in labour force composition period to period so can be trickier to interpret, but we expect the underlying trend in average annual wage inflation to continue slowing in Q3.

Turning to the week's other releases, we are interested in Thursday's Crown Financial Accounts, for the 3 months to September. Specifically, how is the operating deficit tracking compared to Budget baselines and what does the latest tax data infer about the economy? It is easier to imagine relative weakness rather than strength in tax

revenue given indicators of economic pressures over this period. These accounts will also be foundational for the government’s Half-year Economic and Fiscal Update (due 17 December).



The RBNZ six-monthly Financial Stability Report (FSR) is scheduled for release on Tuesday 9:00am. This is the Bank’s regular assessment of the soundness and efficiency of the NZ financial system, with risk identification a key part of it. The Bank has already pre-released an update on the housing market (last Friday) from the FSR and an article on the latest bank stress test and geopolitical risk was released this morning.

The Bank highlighted how geopolitical risk can disrupt international trade, weaken domestic demand and lead to financial market volatility with follow on impacts. This is obviously relevant in the current global context, although, at first glance, there were no major surprises.

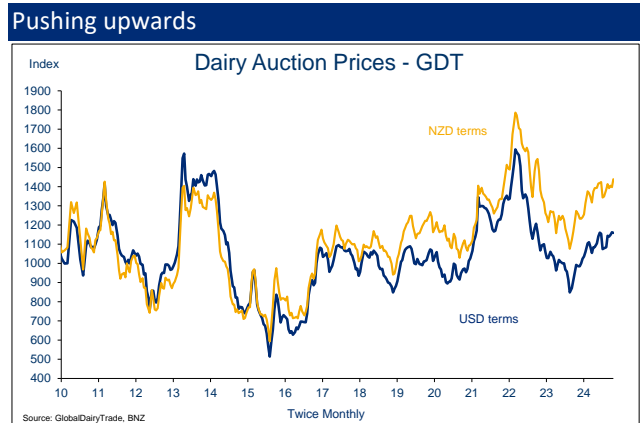
In addition to the full FSR release tomorrow, RBNZ officials will be holding a press conference starting at 1:00pm Tuesday, and there will also be testimony to Parliament on the report on Thursday morning. Both will provide the Bank the opportunity to promote the FSR’s messages.

October’s ANZ commodity price index is due on Tuesday. We expect another monthly gain in world prices, driven by

dairy and aluminium. The anticipated lift will be enhanced by a softer NZD when converted into local currency. There is considerable variation among individual sectors, but overall local currency commodity export prices are tracking around 10% above year earlier levels. Yes, that is recouping the prior year’s decline, but it is a material part of the rebound in New Zealand’s terms of trade we have been forecasting and a support to the purchasing power of the country.

Dairy prices are a significant component of this. We get the latest on those via the GDT auction in the early hours of Wednesday morning. The balance of indicators suggests more chance of an increase than not. An increase would increase the chance of another round of upgrades to analyst forecasts for milk prices paid to farmers for the current season’s milk.

Even if GDT pricing sticks around current levels over coming months, milk processors paying in excess of \$9 per kilogram milksolids to farmers would become increasingly likely. Many risks prevail, but with current strength in dairy product prices, along with strong early season domestic milk production, the outlook for this season’s dairy sector exports and revenue looks positive.



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Global Watch

- **US election front and centre**
- **FOMC and BoE decisions, expected to cut 25bps**
- **RBA decision, remain on hold**
- **China's National People's Congress in focus**

Week in Review

Globally it was a very busy week data wise. In the US, Q3 GDP was well above trend at 2.8% quarter annualised but close to the 2.9% consensus, and initial jobless claims fell to their lowest level since May. Euro area GDP surprised at 0.4% q/q vs. 0.2% expected. And along with a higher-than-expected Core CPI print of 2.7% y/y, is challenging earlier expectations of a 50bp cut from the ECB in December. Equity markets fell over the week with tech guidance disappointing from Microsoft and Meta.

In Australia, it was all about Q3 CPI figures. The all-important Trimmed Mean printed at 0.8% q/q and 3.5% y/y, which is what NAB and the RBA August SoMP had expected. With Q3 CPI no better than the RBA had forecast, a rate cut in 2024 looks extremely unlikely.

NAB's call is for the RBA to cut rates in February, but with still strong labour market data, they continue to note the risks skew later. Q3 Retail Sales showed a lift in retail volumes for just the second time in two years. That is a positive sign in so far as an expected pickup in consumption growth. Markets pushed out pricing for the first RBA rate cut, with that now not fully priced until May 2025.

Week Ahead

The RBA's Melbourne Cup Day meeting will see the RBA on hold. Trimmed mean inflation in Q3 was in line with their August forecasts, and there is enough stubbornness across domestically sensitive components to keep them on the sidelines. NAB expect little change in messaging from September, and with market pricing having rightly abandoned any prospect of an easing this year, Governor Bullock may feel less of a need to give near-term guidance.

It is quieter on the data calendar in the week ahead for Australia. Goods trade balance is on Thursday, but bank earnings are likely to garner more attention, with full year results from Westpac Monday, NAB Thursday, and ANZ Friday.

The US will be dominating attention. The election on Tuesday will be front and centre. Polls are close to a coin toss even as betting markets give Trump a slight edge. Polls close from 12pm Wednesday NZT. A good sense of the outcome could be known by Wednesday afternoon, though an especially close ballot in the swing states would push out that timeline to days or even weeks.

The FOMC decision is on Thursday (which is 8.00am Friday NZT), where a 25bp cut remains widely expected even as the strength in recent US data has seen the extent of the cutting cycle substantially pared. The election is unlikely to have too much bearing on the decision this month, but Powell will likely be pressed in the press conference for what the emerging outcome could mean for the policy outlook.

Elsewhere, it's a low-key week for the EZ, with final PMI's of passing interest. The BoE meets Thursday and will ease for the second time to 4.75% from 5%. The Riksbank and Norges Bank also meet Thursday. Canada employment data is released Friday.

China's much anticipated National People's Congress kicks off from Wednesday with announcement of decisions taken likely on 8 November. Reports suggest China is considering approving the issuance of over 10 trillion yuan in extra debt in the next few years, which includes 6 trillion to address local govt debt risks and up to 4 trillion in bonds for land and property purchases. If Trump wins the US election, markets may look for announcements to go even further.

Important Events Preview

Monday 4

EZ Final S&P October Manufacturing PMI

Flash readings revealed a slight improvement from gloomy levels for German manufacturing, while France's pace of contraction increased. EZ manufacturing activity came in at 45.9 from 45 in September.

Tuesday 5

AU RBA Meeting & SoMP

The RBA will be on hold at their Melbourne Cup Day meeting (note it is also a public holiday in Victoria). There will be focus on updated forecasts and the RBA's assessment of the risks around the nascent reacceleration on sluggish growth.

Another focus will be whether Bullock rolls forward the 'no cuts in the near term' mantra from August. NAB would expect a straighter bat in terms of near-term guidance.

With trimmed mean inflation in the Q3 CPI broadly in line with the RBA's forecast, their near-term inflation forecasts will be little changed. Strength in the September unemployment data may flow through to a modest downward revision to their Q4 2024 unemployment forecast of 4.3%.

Some downward revisions to their H2 2024 growth forecast, though, is likely to be enough to keep them comfortable in their outlook for ongoing gradual progress

on inflation. NAB expect the messaging to remain similar to September, with the RBA comfortably on hold as they watch the data.

NAB pencils in a first cut in February and only a gradual cutting cycle, with a data backdrop that creates little urgency. As such, NAB continue to note the risks skew to a later first cut.

CH Caixin Services PMI

US Services ISM

The US continues to outperform its peers with ISM services activity rising to 54.9 in September. The consensus looks for a modest slowdown in pace to 53.8. Final S&P October Services PMIs for the UK are also out Tuesday, while the US and EZ iterations are due Wednesday. The pace of EZ services activity slowed to 51.2 in preliminary October data. The US S&P measure remains above 55, in line with the ISM.

US Election

The US goes to the polls on 5 November. Polling puts the outcome of the presidential ballot close to a coin toss, although Trump has opened up a small polling lead in Pennsylvania recently and betting markets give Trump a slight lead. For the policy implications, control of congress matters, meaning the down-ballot races are also important.

Polls begin to close from 12pm Wednesday NZT time, with a good sense of the presidential outcome likely to be known by late Wednesday afternoon, though an especially close ballot in the swing states would push out that timeline to days or even weeks.

Thursday 7

AU Trade Balance

CH China Trade

UK Bank of England

NAB expect the BoE to cut rates by 25bps to 4.75%. This will be the second cut in this cycle. NAB expect an 8-1

decision with one member (Dhingra) voting to ease by 50bps. NAB think the risk lies to a 7-2 vote with two members opting for 50bps.

At its 18 September meeting the BoE said, "in absence of material developments, a gradual approach to removing policy restraint remains appropriate." NAB think this overrides Governor Bailey's comments towards a more activist approach, particularly in view of the Budget, which the OBR thinks adds to inflation and growth. NAB expect modest downgrades to growth and inflation forecasts, given recent undershoots.

SE Riksbank Policy Meeting

NO Norges Bank Policy Meeting

US FOMC

Data flow since the FOMC's 50bp cut in September is consistent with healthy growth and modest inflation. Futures markets continue to price a 25bp cut at the November meeting. FOMC officials are still likely to see some further scope to moderate the degree of restrictiveness given progress on inflation goals and more balanced risks to employment and inflation. There are no new projections at the November meeting.

Friday 8

CH NPC meeting concludes

China's much anticipated National People's Congress kicks off from Wednesday with announcement of decisions taken likely on 8 November. Reports suggest China is considering approving the issuance of over 10 trillion yuan in extra debt in the next few years, which includes 6 trillion to address local govt debt risks and up to 4 trillion in bonds for land and property purchases. If Trump wins the US election, markets may look for announcements to go even further.

CA Unemployment

US UMich Sentiment

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ government bonds (NZGB) – as measured by the Bloomberg Treasury Index – ended October with a negative total return for the first time since April. Global rates increased sharply during the month, as investors reduced expectations for easing by the Federal Reserve, amid generally strong US activity data. An index of US economic surprises has reached the highest level in six months. 10-year NZGB yields ended the month 24bp higher but notably outperformed US treasuries (UST) and Australian government bonds. NZ yields traded higher through last week, largely driven by the sensitivity to global rates, in the absence of first-tier domestic catalysts.

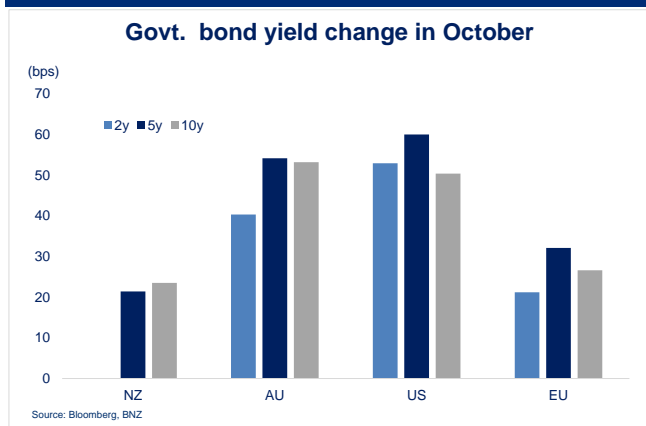
The term premium for 10-year UST – which is compensation for investors to hold longer term bonds rather than roll short-dated interest rates - has reached the highest level this year. Investors are cautious about the fiscal backdrop ahead of the US election. The move higher in 10-year UST yields, despite weak payrolls data is illustrative, and the market has treasury supply to absorb this week. Elevated implied volatility for the US bond market is contributing to the rise in term premium.

There are several key economic releases and risk events in the week ahead. The domestic focus will centre on Q3 labour market data, which is the last major release, ahead of the November Monetary Policy Statement. The unemployment rate is expected to increase to 5%, from 4.6% in Q2, supporting a further 50bp RBNZ rate cut at the end of the month. The market is continuing to price an approximately 30% chance of a 75bp cut, which remains a low probability outcome, from our perspective.

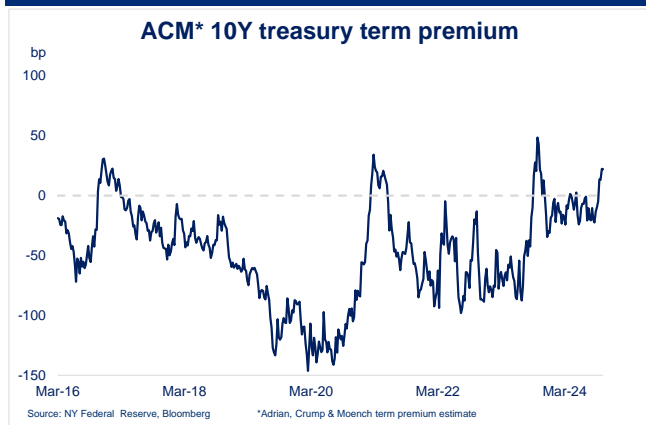
The government’s financial statements for the three months ended 30 September will be closely monitored. The release will provide a reference point for how the fiscal backdrop is tracking, relative to the Treasury’s projections ahead of the Half Year Economic and Fiscal Update in December. The Treasury’s growth forecasts from the Budget in May are above current consensus estimates, which suggests downward pressure on projected government revenues.

New Zealand Debt Management (NZDM) have announced a repurchase programme for the 20 September 2025 IIB. There will be two repurchase tenders in November, each capped at NZ\$200 million with allocations taking place using a multi-price auction mechanism, subject to pricing and NZDM’s portfolio requirements.

NZGBs outperform but still register losses in October



Term premia rising for 10Y US treasuries



US labour market data for October was mixed and impacted by hurricanes and industrial strikes. US nonfarm payrolls increased 12K, well below the consensus estimate for a 101k gain. In addition, there were downward revisions totalling 112k for the previous two months. While the Federal Reserve will likely attribute some of the weakness in payrolls data to one-off factors, the market continues to fully discount a 25bp rate cut at the FOMC this week.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	4.51	4.51 - 4.80
NZ 2yr swap (%)	3.68	3.56 - 3.78
NZ 5yr swap (%)	3.80	3.53 - 3.84
NZ 10yr swap (%)	4.19	3.89 - 4.24
2s10s swap curve (bps)	51	39 - 55
NZ 10yr swap-govt (bps)	-29	-36 - -29
NZ 10yr govt (%)	4.47	4.30 - 4.49
US 10yr govt (%)	4.38	3.83 - 4.38
NZ-US 10yr (bps)	9	9 - 42
NZ-AU 2yr swap (bps)	-41	-46 - -15
NZ-AU 10yr govt (bps)	-7	-7 - 25

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week, currency movements were modest, despite a plethora of top-tier global economic data. NZD/USD fell 0.2% to just over 0.5960, an insignificant fall but still making it five consecutive weekly declines, amidst a broad-based recovery in the USD. The NZD made some gains on most crosses but only in the order of 0.1-0.5%. NZD/EUR was an exception, falling 0.6% to just over 0.55, with EUR moderately supported by stronger than expected GDP and CPI data.

US economic data released last week were consistent with signs of healthy growth and modest inflation. GDP rose at an annual rate of 2.8% in Q3, underpinned by strong consumer spending. US initial jobless claims fell to their lowest level since May. Consumer confidence surged in October. In the key employment report, non-farm payrolls growth was very weak, but dragged down by the impact of Hurricanes and labour strikes – the unemployment rate held steady at 4.1%. On the inflation side, the key employment cost index rose 0.8% q/q, a three-year low. The core PCE deflator is tracking slightly above the Fed’s September projections.

The euro area economy showed higher than expected GDP growth of 0.4% q/q in Q3, while CPI inflation was also slightly higher than expected, the core rate remaining steady at 2.7% y/y. The data played down the need for the ECB to step up the pace of easing and the EUR was the strongest of the major currencies last week. NZD/EUR took a brief look below 0.55. The cross has remained in a well-established range all year (approx. 0.5425-0.5750) and we continue to see the currency remaining in this range over the foreseeable future.

GBP was affected by the tax-and-spend UK Budget, which resulted in a weaker currency and higher rates. The independent Office for Budget Responsibilities called it “one of the largest fiscal loosening of any fiscal event in recent decades”. NZD/GBP is trading near the lower edge of its range this year, and we see slightly more upside than downside risk over the coming year.

The BoJ left policy unchanged as expected but Governor Ueda offered some hawkish soundbites which helped support the yen. He left the door open to a possible December rate hike. NZD/JPY has remained surprisingly stable over the last month compared to previous volatile trading activity. Our bias is that medium-term risks remain skewed to the downside.

Australian Q3 CPI broadly matched expectations. Recent data don’t provide any good reason for the RBA to ease policy anytime soon. Despite further narrowing in NZ-Australia rate spreads, the NZD/AUD cross rate nudged up last week. We continue to assess risks as skewed to the downside.

In the week ahead there are plenty of potholes to navigate that could disrupt markets. US election results will start to filter through from Wednesday afternoon NZ time. If the result is close, we still might not know the outcome by the end of the week. But hopefully the result is clearer than that and the market could move in either direction on a Trump or Harris presidential victory. The outcome of the House and Senate races will also be a consideration.

The USD opened broadly weaker this morning following a shock poll in Iowa that gave Harris a 3pt lead over Trump in the State. This isn’t considered a swing state, as it has swung aggressively to the right in recent elections, delivering Trump solid victories in 2016 and 2020. It’s a warning sign for Trump a couple of days ahead of the election. Prediction markets showing plummeting odds of a Trump victory, down to 52-55% from about 60-65% last week.

We think that the USD still currently prices in some chance of a Trump victory. If he wins, expect to see a broadly stronger USD, with the NZD testing key support of 0.5850. We see a Harris victory as resulting in the USD broadly weakening, resulting in the NZD recovering after its poor run through October. Our projections assume a political status quo as for some time we have believed that the race is too close to call.

The FOMC meeting announcement will be on Friday morning NZ time, where a 25bps rate cut should follow. Fed Chair’s press conference will be key, and the election result could be a factor in the tone of the messaging. In other central bank meetings, the BoE is widely expected to cut rates by 25bps while the RBA is certain to remain on hold.

Domestically, the focus will be on the labour market reports on Wednesday. The consensus sees the unemployment rate rising further to a four-year high of 5.0%. The only global economic release worth mentioning is the US ISM services survey.

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)

Key support remains at 0.5850, with no real resistance until at least 0.62.



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.

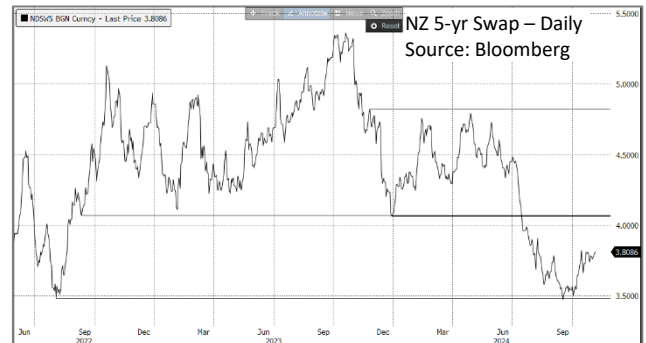
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NZ 5-year Swap Rate

Outlook: Lower
 ST Resistance: 4.06
 ST Support: 3.48

5-year swap saw another reasonably stable week absent of much volatility. With a significant week of data and global events ahead we may see a repricing of outright yields.



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

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

2x5 year swap remained unchanged last week with very little volatility.

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Quarterly Forecasts

Forecasts as at 4 November 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

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	4.90	5.07	5.28	4.85	4.90	5.65	4.45	0.64
2024 Mar	5.50	5.66	4.44	4.68	4.92	4.40	4.45	5.60	4.15	0.53
Jun	5.50	5.63	4.56	4.74	5.01	4.53	4.60	5.60	4.45	0.30
Sep	5.33	5.24	3.96	4.33	4.01	3.79	4.05	5.25	3.95	0.37
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	0.60	0.66	1.09	1.30	153
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	0.60	0.91	0.55	0.46	91.3	69.7
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 4 November 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
<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	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		Median	Fcast	Last	
Monday 04 November				Thursday (continued)				
EC	HCOB EZ Manufacturing PMI Oct F	45.9	45.9	JN	Cash Earnings -Same Sample Base YoY Sep	3.60%	3.10%	
EC	Sentix Investor Confidence Nov	-12.6	-13.8	JN	Scheduled FT Pay - Same Base YoY Sep	2.80%	2.90%	
EC	ECB's Nagel Speaks			AU	Exports MoM Sep		-0.20%	
Tuesday 05 November				AU	Trade Balance Sep	A\$5300m	A\$5500m	
EC	ECB's Holzmann Speaks			AU	Imports MoM Sep		-0.20%	
US	Factory Orders Sep	-0.50%	-0.20%	EC	ECB's Stournaras, Schnabel, and Elderson Speak			
US	Durable Goods Orders Sep F	-0.80%	-0.80%	SW	Riksbank Policy Rate Nov-07	2.75%	3.25%	
NZ	RBNZ Financial Stability Report			NO	Deposit Rates Nov-07	4.50%	4.50%	
NZ	Household Living Costs 3Q		5.4%	EC	Retail Sales MoM Sep	0.40%	0.20%	
AU	Judo Bank Australia PMI Services Oct F		50.6	Friday 08 November				
NZ	ANZ Commodity Price MoM Oct		1.80%	CH	Trade Balance CNY Oct		582.62b	
UK	BRC Sales Like-For-Like YoY Oct	1.40%	1.70%	UK	Bank of England Bank Rate Nov-07	4.75%	5.00%	
CH	Caixin China PMI Services Oct	50.5	50.3	EC	ECB's Escriva, Lane, and Stournaras Speak			
AU	RBA Cash Rate Target Nov-05	4.35%	4.35%	US	Initial Jobless Claims Nov-02	223k	216k	
UK	S&P Global UK Services PMI Oct F	51.8	51.8	US	Continuing Claims 1/10/2026	1875k	1862k	
Wednesday 06 November				US	FOMC Rate Decision (Upper Bound) Nov-07	4.75%	5.00%	
NZ	Dairy GDT auction		-0.3%	JN	Household Spending YoY Sep	-1.80%	-1.90%	
US	Trade Balance Sep	-\$84.1b	-\$70.4b	AU	RBA's Jones-Panel			
US	ISM Services Index Oct	53.8	54.9	Saturday 09 November				
EC	ECB's Schnabel Speaks			UK	BoE's Pill Speaks			
NZ	Pvt Wages Inc Overtime QoQ 3Q	0.70%	0.60%	0.90%	US	U. of Mich. Sentiment Nov P	71	70.5
NZ	Unemployment Rate 3Q	5.00%	5.00%	4.60%	US	Fed's Bowman and Musalem Speak		
NZ	Employment Change QoQ 3Q	-0.40%	-0.50%	0.40%	CA	Unemployment Rate Oct	6.60%	6.50%
JN	BoJ Minutes of Sept. Meeting			CH	PPI YoY Oct	-2.50%	-2.80%	
EC	HCOB Eurozone Services PMI Oct F	51.2	51.2	CH	CPI YoY Oct	0.30%	0.40%	
Thursday 07 November				CH	New Yuan Loans CNY YTD Oct	16720.3b	16020.0b	
EC	ECB's Escriva, Lagarde, and Guindos Speak			CH	Aggregate Financing CNY YTD Oct	27264.2b	25660.0b	
US	S&P Global US Services PMI Oct F	55.3	55.3	Sunday 10 November				
NZ	Government 3-Month Financial Statements			EC	ECB's Escriva and Lagarde Speak			

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	4.75	4.75	5.25	5.50	2 years	3.69	3.61	3.64	5.31
1mth	4.81	4.88	4.99	5.59	3 years	3.66	3.59	3.54	5.10
2mth	4.58	4.64	4.89	5.61	4 years	3.72	3.65	3.55	5.00
3mth	4.51	4.55	4.78	5.63	5 years	3.81	3.74	3.63	4.96
6mth	4.26	4.29	4.56	5.68	10 years	4.20	4.12	3.99	5.08
GOVERNMENT STOCK					FOREIGN EXCHANGE				
05/26	3.82	3.77	3.86	5.04	NZD/USD	0.5992	0.5981	0.6125	0.5964
04/29	3.96	3.93	3.83	5.02	NZD/AUD	0.9065	0.9084	0.9065	0.9191
05/31	4.21	4.18	4.07	5.12	NZD/JPY	91.17	91.67	90.76	89.49
05/34	4.47	4.42	4.32	5.21	NZD/EUR	0.5508	0.5531	0.5581	0.5565
04/37	4.71	4.64	4.60	5.33	NZD/GBP	0.4621	0.4611	0.4681	0.4831
05/41	4.88	4.82	4.81	5.36	NZD/CAD	0.8342	0.8307	0.8341	0.8171
05/51	4.99	4.92	4.92	5.29	TWI	69.7	69.8	70.5	70.3
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	53	52	54	71					
Europe 5Y	58	56	58	78					

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