11 November 2024

Trumped!

- **New president adopts a pro-growth platform for the US**
- **Looser fiscal policy, new tariffs**
- **Risks higher inflation**
- **So higher interest rates**
- **And a weaker NZD**

With all the noise surrounding the US election, we thought it worthwhile trying to summarise the likely impacts on the New Zealand economy following Trump's resurrection. That said, we are very wary there may yet be a big void between what has been said in the run up to the election and what policy will actually be introduced so any predictions of likely outcomes, including this one, should be taken with a bucket load of salt.

Will he or won't he?

Folk often say Trump is unpredictable but we beg to differ. The direction of policy is highly predictable. What is unpredictable, however, are the specifics with the more extreme edges of his policy prone to restraint.

While it is reasonable to assume some moderation in this term of office compared to his previous reign, we warn that this time is different and that some of the factors that constrained Trump previously may no longer be present.

Most importantly, Trump looks like he will have control of both the Senate and House. This means it is much easier for him to drive policy through. In particular, command of the Senate means Trump can control the policy agenda and the formulation of Cabinet.

Note that in New Zealand the Cabinet is selected from the elected representatives of the ruling party or parties. In the United States cabinet members are typically nominated by the President and then the Senate approves (or doesn't) the nominee. With control of the Senate Trump's nominees will be largely rubber-stamped allowing him to surround himself with close allies many of whom will think like he does.

Trump had control of both the House and Senate in 2016 but there were clearly a significant number of moderate Republicans who were prepared to stand up against his views. Only time will tell whether this will be the case this time around, but it is felt that the old conservative core of the Republican party is now markedly diminished in its power. It is, nonetheless, reasonable to believe there will be some resistance if Trump's policy mix starts to threaten the re-election of some of those Republicans as the next election approaches.

The other factor to note is that Trump's desire to be re-elected may have moderated his stance during his first term. In the US, presidents can only be in office for two terms so fears of re-election are no longer a binding issue. Of course, the counter to this issue is that Trump cares about the legacy he leaves behind.

Putting all this together, we feel Trump is more likely to push ahead with his policy promises than not and he will be encouraged by the fact that the electorate installed him because he is seen as a decision maker.

Climate change

Trump has vowed to remove the US from the Paris agreement. If he does so there will be pressure on other nations to do likewise. This is negative when it comes to attempts to reduce global emissions.

Security

There are mixed views as to how a Trump led USA will attend to geopolitical issues. On the plus side, Trump is not seen as a warmonger. In conjunction with this, he does not like seeing massive expenditure on offshore conflicts, which he largely sees as other nations' concerns.

The problem with this, according to many military analysts, is the chance that Trump creates a geopolitical vacuum. This has implications for the South China sea, Russia/Ukraine and the Middle East.

In terms of the South China sea, there are concerns that Trump's disinterest in the region means China may feel emboldened to act more aggressively towards Taiwan.

Similarly, Trump's reluctance to get involved in the Middle East could result in an increase in tensions which may flow through to higher oil prices and further disruption of freight lanes.

Regarding Russia/Ukraine, it is believed Trump wants Ukraine to give up the 20% of its territory Russia currently holds in return for guarantees that it will take no more.

Deregulation

Trump is promising significant deregulation. This is a clear positive for growth and in a non-inflationary manner. Of note, Trump is concerned that banking rules are too tight. Any changes in US banking regulation could have flow through impacts to the New Zealand banking industry where much of our regulation is driven by our need to interact with the US banking system.

Fiscal policy

The President-elect has promised to cut taxes on social security, overtime pay, gratuities, and corporates. At the very least he will extend the tax cuts that he introduced in 2017, which were due to expire in 2025. Trump has said he will offset the impact of these cuts via aggressive reductions in government spending but it is doubtful that any such reduction will be sufficient to prevent US Government debt rising further putting upward pressure on long term interest rates. Note that Harris would also have run bigger deficits but Trump's policy mix appears relatively more stimulatory, as indicated by the independent Congressional Budget Office estimates based on proposed policy programmes.

Trade

Trump has promised aggressive tariff protection of US industry. He is proposing putting significant tariffs on imports across the board from most countries (10% and possibly up to 20%) and tariffs of as much as 60% on imports from China. We have no way of knowing the timing of such actions nor whether the introduction will be staged or in one hit. Moreover, there is a chance such tariff changes might adversely impact corporate profitability resulting in a much-moderated programme. Nonetheless some sort of protectionism is a given and this will be negative for global growth as some of the benefits of globalisation unwind.

The United States currently takes around 12.8% of New Zealand's total goods exports summing to around NZD8.8bn over the last twelve months. Tariffs would be problematic particularly for meat, wine and casein. What we do know, as confirmed by Foreign Affairs Minister, Winston Peters, is that New Zealand will be doing its very best to constrain any tariffs thrown our way by highlighting the longstanding relationships that we have as an ally of the US.

Probably of greater concern than the direct impact of tariffs are the indirect impacts. To the extent that other countries start imposing trade barriers in response this will be a burden on a small open economy such as ours. Moreover, the associated reduction in global growth will hurt us especially if our major trading partner, China, suffers disproportionately as would appear to be likely.

Note that, in the short term, stockpiling ahead of tariff implementation might distort economic data.

US monetary policy

The President of the United States nominates the Chair of the Federal Reserve. Jerome Powell, the current chair is up for reappointment May 15, 2026. There is a widely held view that Trump will not reappoint Powell but instead look to someone who is less hawkish. There was some talk Powell would be pushed/or resign if Trump was elected but Powell has confirmed he is here for the long haul.

Inflation and financial markets

The mix of increased fiscal stimulus and tariffs is unequivocally inflationary. Financial markets have already reacted to this by lowering expectations for future Fed easing. Initially, US bond markets sold off aggressively but much of this has since been unwound. Nonetheless, our view is that the policy mix espoused will add upward pressure to the yields on longer dated securities, and yields had already risen in anticipation of a Trump presidency.

The US equity market has outperformed as equities like deregulation, tax cuts, and growth.

The USD dollar has risen in conjunction with all the above albeit much of the adjustment occurred in the run up to the election rather than on election night. The flip side of this is a lower NZD.

In contrast with the relative jubilance in the US, most of the rest of the world seems to be preparing itself for higher inflation accompanied by lower growth. Last week, the RBNZ also acknowledged the Trump presidency will be inflationary at the margin, albeit manageable.

While there is good reason to assume US growth assets will outperform near term, tighter immigration controls could partly offset stronger growth prospects. It is also important to recognise that, if the economy is overstimulated, rising inflation and a Federal Reserve response will ultimately take their toll. Furthermore, remember that a rebellion against an elevated cost of living was a key driver of the Trump victory. If inflation looks set to become problematic again Trump is likely to soften policy measures that are inflationary.

For New Zealand

We have alluded to the impacts on New Zealand in the above but to sum it up a Trump regime probably means:

- Lower domestic growth, as exports are adversely impacted, and global growth suffers
- A lower NZD than otherwise would have been the case
- Higher inflation, in part driven by that weaker NZD
- Higher interest rates than would otherwise have been the case. We will, accordingly, reassess our rate views.

As for the week ahead, while eyes will remain firmly affixed on the US, there are a few bits and pieces of domestic data to be aware of.

Our key focal point will be the Performance of Manufacturing Index due for release Friday morning followed by the Services equivalent on Monday November 18. We are currently forecasting GDP growth will turn positive, by a smidgen, in the fourth quarter of this year. We will be looking for confirmation of this in these data. The PMI and PSI are coincident rather than leading indicators, so we are still expecting them to look relatively miserable.

There are three other indicators of domestic activity out this week all of which are released Tuesday.

- October retail electronic card transactions are expected to be near zero for the month but this still indicates a negative result for the year.
- Q3 concrete production may well be negative again. Q2 was the first quarterly result above zero since the December 2021 COVID rebound but there is little evidence yet of a trend improvement in activity and most indicators suggest a further contraction in construction for the September quarter.
- To cap things off is the ANZ’s latest instalment of its truckometer.

On Wednesday we get September data on tourism and migration. Anecdotal evidence suggest that tourism growth remains stalled and that net migration inflows have declined further.

Rounding off the week, there will also be high interest in the Selected Price Indices due on Thursday. We are looking for something to support our view that the CPI will increase 0.6% in Q4 producing an annual increase of 2.3%, a slight increase from the 2.2% of a quarter earlier. For the record, the RBNZ also had 2.3% pencilled in when it produced its August Monetary Policy Statement.

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Global Watch

- **US CPI and PPI data for October**
- **Fed speakers including Powell and Williams**
- **Australian labour market data due**
- **China activity indicators watched for stimulus impacts**

Week in Review

The RBA left rates on hold as universally expected on Tuesday. The central bank sees an economy running above capacity and a policy setting that is restrictive but remains less restrictive than many of their advanced economy peers. They are not yet comfortable inflation is sustainably tracking back to target and are concerned about upside risks should gradual labour market cooling stall and capacity growth remain sluggish.

The data continues to evolve slowly in Australia, and the RBA has a higher bar to clear to begin cutting than those central banks that had a starting point deeper in restrictive territory. That's an environment in which the risk skews firmly to a later start than NAB's February expectation.

The Bank of England and the US FOMC also delivered no surprises at their November meetings. US Fed Chair Powell understandably gave little away in terms of the implications of the election for the outlook given it is too early to know what actions the Trump administration will take.

Markets have been sizing up the ultimate implications of the election outcome. If Trump follows through on his campaign pledges for large scale increase in tariffs, NAB expect it will be negative for global growth and add (if only temporarily) to US inflation.

Week Ahead

In Australia, the labour market is under focus this week with Q3 WPI (Wednesday) and October Labour Force (Thursday). However, it is unlikely Q3 WPI will have much influence on the RBA for now. In their recent SoMP the RBA had observed that even though wages growth has moderated, labour cost growth is still elevated alongside weak productivity growth. NAB expect the unemployment rate to be unchanged at 4.1% and for employment growth of 30k.

RBA Governor Bullock is on a panel (Thursday), though given the lack of data flow since the recent SoMP and sticking closely to script in recent Senate Estimates, NAB do not think she will say anything new of substance.

Elsewhere it is a quiet start to the week. The US observes Veterans Day (Monday) with bond markets closed, though equities and futures will be open. Canada also observes a public holiday on Monday (which is Remembrance Day).

Expect a lot more chatter around the implications of a Trump Presidency and focus on who the transition team approaches for key roles. That may give some indication to what extent and how quickly campaign rhetoric could become policy.

On the data front, the US has CPI (Wednesday) and PPI (Thursday), as well as Retail Sales (Friday). Should CPI inflation print on the stronger side, it would argue against further near-term cuts. Consensus for Core CPI is 0.3% m/m.

Fed Chair Powell is also speaking Thursday. There is a bevy of other Fed speakers, including Waller (Tuesday) and Williams (Thursday). The Fed also publishes its Senior Loan Officer Opinion Survey (Tuesday).

China has its monthly activity drop of Retail Sales, Industrial Production and Fixed Asset Investment (Friday). It is unclear whether this will show too much impact from recent stimulus, though the PMIs did seem to suggest this. Also out is Aggregate Financing figures.

Europe is relatively quiet, though the German ZEW (Tuesday) may be looked at more closely for any hit to sentiment in Europe from the US election. The European Commission also publishes its forecasts on Friday. The UK has its Q3 GDP (Friday) and wages data (Tuesday). Japan also has Q3 GDP.

Important Events Preview

Monday 11

JN BoJ Minutes

US Veterans Day Holiday (bond market closed)
The Veterans Day Holiday will see cash bond markets closed, but equity markets are open. Note it is also a holiday in Canada with Remembrance Day.

Tuesday 12

AU NAB Business Survey; W-MI Consumer Sentiment

EZ German ZEW Survey
The ZEW is a survey of market analysts but might garner attention for fallout from the US election on Germany.

UK Employment/Earnings
Most focus will be on the earnings measure. The measure the BoE looks at is private sector regular pay at 4.8%. The rest of the labour market data continues to be treated with caution given the low survey return levels.

US SLOOS; NFIB; Fed's Waller

The Fed's Senior Loan Officers Survey is out, but what will likely garner more focus is Fed Governor Waller who is speaking in moderated Q&A. The NFIB Survey is also out.

Wednesday 13

AU Q3 Wage Price Index
NAB expect Q3 WPI to be 0.9% q/q and 3.7% y/y. While wages growth has clearly peaked, it is still unclear whether it is consistent with at target inflation given subdued productivity growth. For this reason, NAB don't see this data as being particularly market moving. Instead, the more important data for the RBA will be realised quarterly inflation (particularly services) as well as the unemployment rate.

It is also worth noting for coming quarters, some additional support for the aggregate WPI will come from the wage increases for aged care and childcare workers as part of the process to adjust for historical undervaluation for work in female dominated industries.

US CPI; Fed's Logan and Schmid
The consensus for Core CPI is for 0.3% m/m, the same as last month and which would keep annual inflation at 3.3%. The recent tick-up in inflation bears watching, and if sustained may indicate inflation progress stalling.

Thursday 14

AU RBA Governor on a panel
RBA Governor Bullock is on a panel at the ASIC Annual Forum in Sydney at 12.00pm (NZT). Given limited data flow since the recent RBA Meeting and SoMP, it is unlikely she will say anything new.

AU Unemployment and Employment
NAB expects employment growth to be 30k and for the unemployment rate to be unchanged at 4.1%. The RBA in their latest SoMP had forecast the unemployment rate averaging 4.3% in Q4 2024 and peaking at 4.5% in mid-2025. Should unemployment fall back to 4.0%, it would challenge that forecast profile.

UK BoE Governor Bailey
BoE Governor Bailey speaks at the annual financial and professional services dinner at Mansion House.

US Jobless Claims; PPI, Fed's Powell
Fed's Powell likely to dominate the data flow given the many uncertainties. The PPI (along with Wednesday's CPI) should give a fairly good guide for the Fed's preferred PCE measure of inflation. Consensus for Core PPI is 0.3% m/m.

Friday 15

JN Q3 GDP, Industrial Production
Japanese GDP is expected to rise 0.2% q/q and 0.7% y/y.

CH Retail Sales, Industrial Production, FAI
The monthly data drop of Retail Sales, Industrial Production and Fixed Asset Investment is out for October. It may be too early to pick up any evidence of stimulus impacts, though the recent PMIs do suggest a pickup in momentum. Consensus for Retail Sales is 3.8% y/y and for Industrial Production 5.6% y/y.

EZ EC Economic Forecasts

UK GDP, Industrial Production

US Retail Sales, NY Empire Manufacturing
Core Control Retail Sales are expected to rise 0.3% m/m from 0.7% previously. The strength of the consumer has been one major surprise in the economy to date, sustaining well above trend growth to date.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ fixed interest markets moved higher in yield last week led by unwinding of received positions in the swap market. The (likely) Republican sweep in the election provided the catalyst for a US-centric move higher in global rates. President-elect Trump campaigned on policies for tax cuts and tariff increases which will likely result in wider budget deficits and higher inflation. The US yield curve flattened as the initial sell off in the longer end retraced, while higher inflation expectations contributed to a reduction in easing priced for the Federal Reserve (Fed), which underpinned the front end.

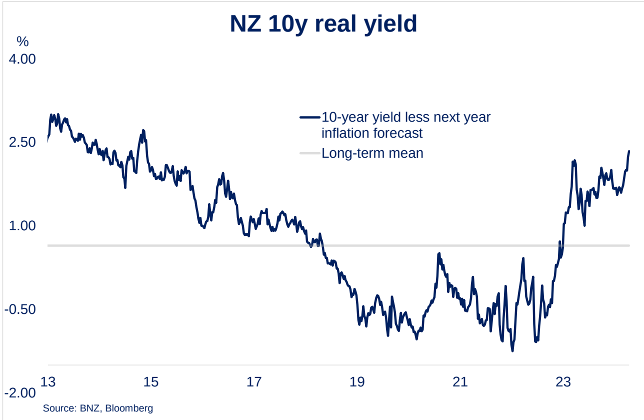
The adjustment in NZ rates was more definitive, with a durable move higher across the yield curve, and a modest flattening bias. The NZ market underperformed on a cross-market basis, as the initial spike in rates, contributed to an unwind of speculative positioning. Global events took precedence over domestic data which continued to support a front-loaded RBNZ easing cycle. The Q3 labour market report painted a weak picture overall, and is the last first-tier economic release, ahead of the November Monetary Policy Statement (MPS).

Big shift in market pricing for the terminal OCR

Overnight index swaps indicate close to 55bp of easing for the MPS, which is little changed over the past few weeks. However, pricing for the terminal Official Cash Rate (OCR) has increased to 3.4%, well above the 2.8% level from mid-September. The risk-reward of fading this move is increasingly attractive with the terminal rate appearing out of line with NZ fundamentals. Inflation expectations, inflation partials for October and the manufacturing PMI are the main domestic drivers for rates this week.

The move higher in NZ yields is also creating value further out the curve. 10-year government bond (NZGB) yields deflated by consensus inflation expectations, have surpassed levels from late 2023, and are the highest in almost ten years. In addition, 12-week rolling total returns are looking increasingly oversold. The move higher largely reflects NZGB's sensitivity to treasuries with the US economy remaining robust and the market also incorporating some political risk premium.

Elevated 10Y NZGB real yields



The Fed reduced its policy rate by 25bp as expected. Chair Powell noted that some of the downside risks to activity have diminished, and the central bank is on a path to a more neutral stance, with incoming data to determine the magnitude and pace of easing. Consensus economic growth forecasts have been revised higher in recent months, which has provided a fundamental underpinning, for the reduction in market pricing of Fed rate cuts.

The terminal fed funds rate has increased to 3.80%, more than 100bp above the 2.80% low in September. The latest reading on US consumer and producer prices are the main international releases in the week ahead. Fed speakers including Chair Powell, New York Fed president Williams and Fed Governor Waller will also be closely monitored.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	4.47	4.46 - 4.65
NZ 2yr swap (%)	3.79	3.57 - 3.86
NZ 5yr swap (%)	3.90	3.65 - 3.98
NZ 10yr swap (%)	4.24	4.00 - 4.33
2s10s swap curve (bps)	45	45 - 55
NZ 10yr swap-govt (bps)	-32	-36 - -29
NZ 10yr govt (%)	4.55	4.40 - 4.57
US 10yr govt (%)	4.30	3.99 - 4.48
NZ-US 10yr (bps)	25	9 - 39
NZ-AU 2yr swap (bps)	-30	-46 - -15
NZ-AU 10yr govt (bps)	1	-10 - 19

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week was action-packed with the US election a key focus. In the end, the impact of a Trump victory and (likely) Republican clean sweep triggered some market volatility, but the net result was small outperformance of commodity currencies as risk appetite surged. The NZD was barely higher at just under 0.5970. On the crosses the most significant move was a more than 1% gain against EUR as the euro was a key underperformer for the week.

Americans voted for Trump 2.0, giving him a clear mandate to enact his policies, with a likely Republican victory in the House and a clear Republican majority in the Senate, easing the path for policy implementation. The NZD was torn by two forces, the drag from a weaker yuan in anticipation of punishing tariffs against China and the uplift from much higher risk appetite, supported by such a decisive result. Our risk appetite rose 15pts for the week to 74%.

In the end, higher risk appetite was the slightly greater force and it was also the case that the market had already priced in some chance of a Trump victory, restraining downside forces for the NZD. While the NZD hit a multi-month low of 0.5912 as the vote counting got underway and Trump looked the likely victor, the NZD recovered.

While Trump has a clear economic agenda of tax cuts, reduced regulations, tighter immigration and increased import tariffs, the phasing and scope of these policies is highly uncertain. For the NZD, the biggest force will be what he does regarding tariffs, including the impact on China and global trade. As we've noted on a number of occasions, our prevailing FX projections assumed a US political status quo and we would likely have to downgrade our NZD outlook if Trump won. We are re-working our forecasts and will soon provide an update but suffice to say we will have to follow through with a meaningful NZD downgrade.

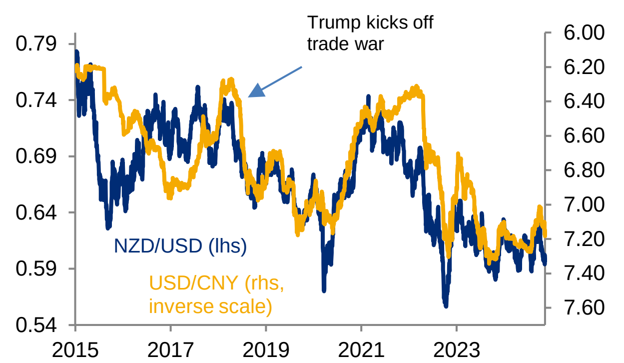
At the end of the week the market was disappointed that China's policy update was focused on a debt swap for local government, rather than policies that would directly address the weak consumer. A weaker yuan dragged down the NZD into the weekly close. This is a theme to closely monitor, as further yuan weakness is likely an ongoing drag for the NZD.

In other news last week, policy updates from the US Fed, UK BoE and RBA didn't rock the market, with 25bps cuts by the Fed and BoE, while the RBA remained on hold, all well anticipated. Fed Chair Powell wasn't drawn into any discussion on the impact of the US election, other to say that in the near term the result would have no impact on monetary policy. The market has already given its verdict, seeing much less scope for policy easing ahead, under a policy agenda that will add to inflationary pressure.

NZ labour market data painted a picture of falling employment and reduced labour force participation, with the net result being a lift in the unemployment rate to a four-year high of 4.8%. A larger fall in participation softened the increase in unemployment compared to expectations. Meanwhile wage inflation was slightly weaker than expected, with the 0.6% q/q lift in private sector ordinary time earnings the weakest in over three years. We saw the data as cementing in expectations for another RBNZ 50bps rate cut later this month, but not necessitating stepping up the pace to 75bps.

In the week ahead, the key economic release will be the US CPI on Wednesday night, with PPI and retail sales data in the following days. There are a number of Fed speakers, but we don't expect them to add much colour, with the policy outlook highly data dependent. Elsewhere, Australian wages and employment data will be high on the radar. Also, UK labour market data, China monthly activity indicators and Q3 GDP data for the UK, euro area and Japan will be released. In NZ there are a number of second-tier data releases.

Back to closely watching this chart; NZD & yuan correlation



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5968	0.5910 - 0.6080
NZD/AUD	0.9065	0.9020 - 0.9120
NZD/GBP	0.4619	0.4580 - 0.4680
NZD/EUR	0.5567	0.5470 - 0.5610
NZD/JPY	91.09	90.40 - 92.50

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6940	-14%
NZD/AUD	0.8600	5%

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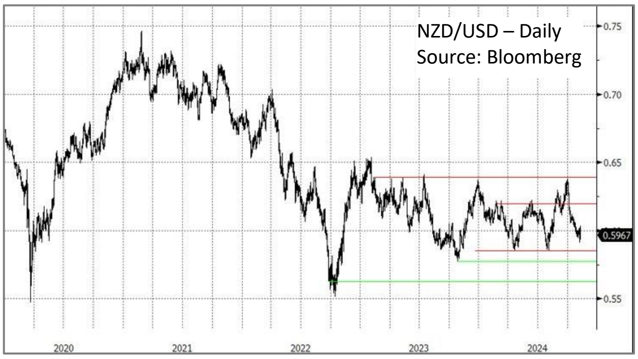
Technicals

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/USD – Daily
Source: Bloomberg

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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NZD/AUD – Daily
Source: Bloomberg

NZ 5-year Swap Rate

Outlook: Lower
ST Resistance: 4.06
ST Support: 3.48

5-year swap moved higher last week in sympathy with global yields and towards our resistance. Momentum indicators are showing 5y swap as broadly oversold at these levels. We favour entering a received position here and target a move lower towards support. We would stop should 5y swap retrace back through the resistance level.

NZ 5-yr Swap – Daily
Source: Bloomberg

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

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

2x5 year swap spread moved slightly steeper last week but appears to have found a level here for the time being. We do anticipate this structure to mechanically steepen as short-end rates continue to fall.

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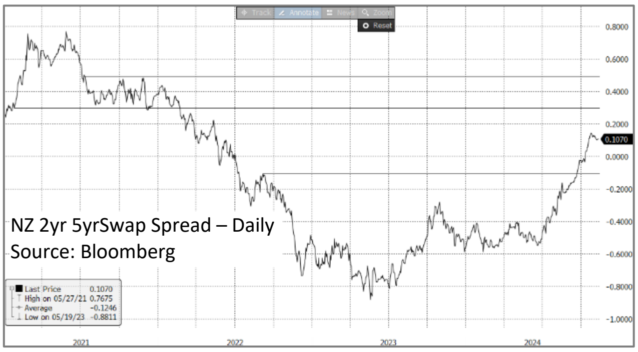

NZ 2yr 5yrSwap Spread – Daily
Source: Bloomberg

Quarterly Forecasts

Forecasts as at 11 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	-4.8
CPI (q/q)	0.5	0.6	0.4	0.6	0.6	0.6	0.2	0.6	0.1	0.6
Employment	0.3	-0.4	0.2	-0.5	-0.2	0.2	0.5	0.6	0.7	0.7
Unemployment rate %	4.0	4.4	4.6	4.8	5.2	5.3	5.5	5.4	5.3	5.3
Avg hourly earnings (ann %)	6.6	4.8	4.0	3.2	3.4	3.9	3.6	3.0	2.9	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 90 Day Bank Bills	Government Stock 5 Year	Government Stock 10 Year	Swaps 2 Year	Swaps 5 Year	Swaps 10 Year	US Rates Libor 3 month	US Rates US 10 yr	Spread NZ-US Ten year
2023 Mar	4.58	4.99	4.27	4.26	5.11	4.51	4.40	4.90	3.65	0.61
Jun	5.42	5.62	4.23	4.27	5.19	4.44	4.30	5.40	3.60	0.68
Sep	5.50	5.66	4.87	4.87	5.54	4.90	4.75	5.65	4.15	0.73
Dec	5.50	5.64	4.90	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 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	1.07	1.29	153	0.60	0.91	0.56	0.46	90.9	69.7
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 11 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**
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	1.1	-0.3	2.5	3.3	1.7	2.8	-0.9	2.0
Unemployment Rate %	3.2	3.4	4.4	5.3	5.3	3.2	3.4	4.0	5.2	5.3
Wages - ahote (private sector)	5.3	8.2	4.8	3.9	3.0	4.1	8.1	6.6	3.4	2.9
Productivity (ann av %)	1.7	0.5	-2.2	0.3	1.0	3.6	0.2	-2.4	0.0	1.1
Unit Labour Costs (ann av %)	4.6	6.5	8.3	3.9	2.1	2.4	6.5	8.9	4.7	2.3
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	-25.8	-21.3	-21.3	-35.6	-28.6	-27.2	-22.2
Current Account - % of GDP	-6.8	-8.7	-6.7	-6.1	-4.8	-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*

Key Upcoming Events

All times and dates NZT

		Median	Fcast	Last
	Monday 11 November			
JN	BOJ Summary of Opinions			
NZ	2Yr Inflation Expectation 4Q			2.03%
	Tuesday 12 November			
NZ	Card Spending Total MoM Oct			0.30%
AU	Westpac Consumer Conf SA MoM Nov			6.20%
AU	NAB Business Confidence Oct			-2
UK	ILO Unemployment Rate 3Mths Sep	4.10%		4.00%
UK	Average Weekly Earnings 3M/YoY Sep	3.90%		3.80%
EC	ECB's Rehn and Centeno Speak			
UK	BOE's Pill Speaks			
GE	ZEW Survey Expectations Nov	13.2		13.1
	Wednesday 13 November			
US	NFIB Small Business Optimism Oct	92		91.5
EC	ECB's Cipollone Speaks			
US	Fed's Waller, Barkin, Kashkari, and Harker Speak			
US	NY Fed 1-Yr Inflation Expectations Oct			3.00%
US	Senior Loan Officer Opinion Survey			
NZ	Net Migration SA Sep			1840
AU	Wage Price Index QoQ 3Q	0.90%	0.90%	0.80%
UK	BOE's Mann Speaks			
	Thursday 14 November			
US	Fed's Kashkari, Williams, and Others Speak			
US	CPI Ex Food and Energy MoM Oct	0.30%		0.30%
US	CPI Ex Food and Energy YoY Oct	3.30%		3.30%
NZ	Food Prices MoM Oct			0.50%
NZ	Selected Monthly Price Indexes Oct			
AU	RBA's Bullock Speaks			
AU	Employment Change Oct	25.0k	30.0k	64.1k
AU	Unemployment Rate Oct	4.10%	4.10%	4.10%
EC	ECB's Guindos Speaks			
EC	GDP SA QoQ 3Q P	0.40%		0.40%
	Thursday (Continued)			
EC	Employment YoY 3Q P			0.80%
EC	Industrial Production SA MoM Sep	-1.30%		1.80%
	Friday 15 November			
US	Fed's Kugler, Barki, Powell, and Williams Speak			
UK	BOE's Mann and Bailey Speak			
US	PPI Ex Food and Energy MoM Oct	0.30%		0.20%
US	Initial Jobless Claims Nov-09	223k		221k
US	Continuing Claims Nov-02			1892k
EC	ECB's Schnabel Speaks			
NZ	REINZ Housing Oct			
NZ	BusinessNZ Manufacturing PMI Oct			46.9
JN	GDP SA QoQ 3Q P	0.20%		0.70%
AU	RBA's Jones Speaks			
CH	Industrial Production YoY Oct	5.60%		5.40%
CH	Retail Sales YoY Oct	3.80%		3.20%
CH	Fixed Assets Ex Rural YTD YoY Oct	3.50%		3.40%
CH	Surveyed Jobless Rate Oct	5.10%		5.10%
JN	Industrial Production MoM Sep F			1.40%
UK	Industrial Production MoM Sep	0.10%		0.50%
UK	Trade Balance GBP/Mn Sep	-£1300m		-£955m
UK	Monthly GDP (MoM) Sep	0.20%		0.20%
UK	GDP QoQ 3Q P	0.20%		0.50%
EC	EU Commission Economic Forecasts			
	Saturday 16 November			
US	Empire Manufacturing Nov	0		-11.9
US	Retail Sales Advance MoM Oct	0.30%		0.40%
US	Retail Sales Control Group Oct	0.30%		0.70%
US	Fed's Collins and Williams Speak			
EC	ECB's Lane and Cipollone Speak			
	Sunday 17 November			
EC	ECB's Guindos Speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	4.75	4.75	4.75	5.50
1mth	4.69	4.75	4.88	5.59
2mth	4.53	4.53	4.77	5.61
3mth	4.49	4.47	4.65	5.63
6mth	4.26	4.23	4.42	5.68
GOVERNMENT STOCK				
05/26	3.95	3.82	3.98	5.10
04/29	4.08	3.96	4.03	5.03
05/31	4.33	4.22	4.25	5.12
05/34	4.58	4.47	4.45	5.20
04/37	4.81	4.72	4.70	5.30
05/41	5.00	4.89	4.89	5.33
05/51	5.13	5.00	5.00	5.25
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	47	54	52	67
Europe 5Y	55	59	56	74

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.79	3.66	3.76	5.37
3 years	3.77	3.63	3.71	5.14
4 years	3.82	3.69	3.75	5.02
5 years	3.90	3.77	3.82	4.97
10 years	4.24	4.15	4.14	5.03
FOREIGN EXCHANGE				
NZD/USD	0.5970	0.5973	0.6096	0.5877
NZD/AUD	0.9071	0.9070	0.9064	0.9215
NZD/JPY	91.21	90.85	91.29	89.16
NZD/EUR	0.5575	0.5491	0.5588	0.5494
NZD/GBP	0.4624	0.4610	0.4668	0.4787
NZD/CAD	0.8300	0.8303	0.8409	0.8112
TWI	69.9	69.6	70.2	69.8

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