Research

Markets Outlook

18 November 2024

November MPS Preview

- **25, 50 or 75 basis point cuts are all options**
- **We're sticking with our 50 call**
- **Trump more inflationary**
- **But the NZ economy remains moribund**
- **And the cash rate is still well above neutral**

We are at that strange stage of the economic cycle where green shoots are prevalent but those shoots are appearing amongst the death throes of the past season's crop. Forward indicators for the economy are growing in strength but today's news is far from optimistic, lags in the system will ensure there are many more people yet to lose their jobs, and there is substantial ongoing risk of increased business failures.

This is a challenging time for the central bank. There is no doubt further easing will be required to fertilise the new growth but there is very little clarity as to the requisite pace or extent of that easing.

So wide is the uncertainty that reasonable people could present sound arguments for any rate cut ranging between 25 and 75 basis points at the November 27 Monetary Policy Statement. Our view is that a 50 point cut, taking the cash rate to 4.25%, is the most likely outcome by a considerable way but below we present the rationale for the variety of plausible outcomes.

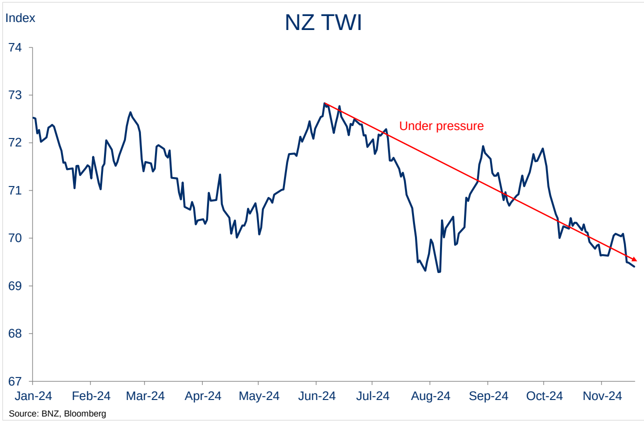
25?

There is a good chance the arrival of one Donald Trump heralds a more inflationary world. Tariffs and protectionism could well result in higher prices for a wide number of tradable goods particularly if Trump's actions spawn a proliferation of anti-free trade measures across the planet.

Additionally, easier fiscal policy threatens to push inflation even higher in the United States resulting in tighter monetary policy from the Federal Reserve, which will have rate implications for central banks everywhere. As things stand, US markets have already dramatically reduced the chances of a near term easing by the Fed and Governor Powell has intimated that he is in no great rush to cut.

Overall, this means higher interest rates than might otherwise be the case. Moreover, the pro-growth, higher interest rate US environment also supports the USD meaning the NZD weakens. For a while it looked like the TWI would settle above the 69.5 assumed in the August MPS but now its pushing below those levels.

NZ Currency Under Pressure



Importantly, key inflation and labour market data are coming out very close to RBNZ's expectations. These expectations were deemed as being consistent with the need to cut interest rates 25 basis points at each of its October and November meetings – a cumulative 50 basis points. Given that 50 has already been delivered this would argue for a moderate approach this time around.

Capping things off, RBNZ inflation expectations measures have risen slightly. We are not bothered by this but it does look like the outturns are at the upper edge of what the RBNZ had anticipated and, hence, will have a dampening impact on the Bank's desire to cut.

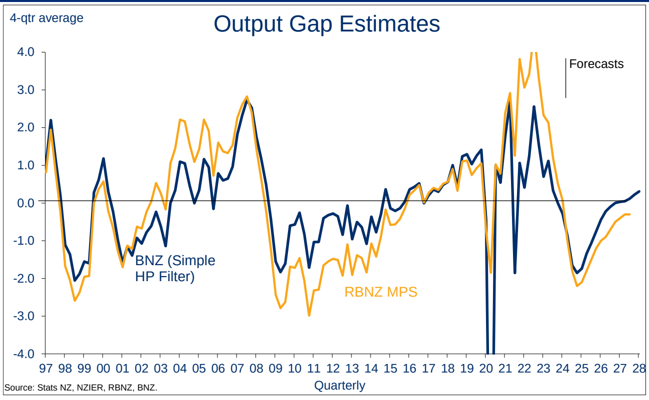
We think the argument for a 25 basis point cut is marginally stronger than that for a 75.

50?

A 50 point cut this meeting is our central view. It has been that way since before the October Monetary Policy Review.

Fundamentally, economic spare capacity continues to grow and will do so for some time. Accompanying this, inflation will remain well contained around the 2.0% mark and the unemployment rate will rise further over the next few quarters.

Output gap demands more



Given the current level of the cash rate lies well above the range of possible neutral rates we see strong justification for a greater-than-25-point move.

Equally, though, we don't think that what we are experiencing is a shock that requires a knee-jerk response. We're not in a GFC or a pandemic but we are in a phase something more akin to a "normal" economic cycle. Consequently a 75 point move is neither needed nor desirable.

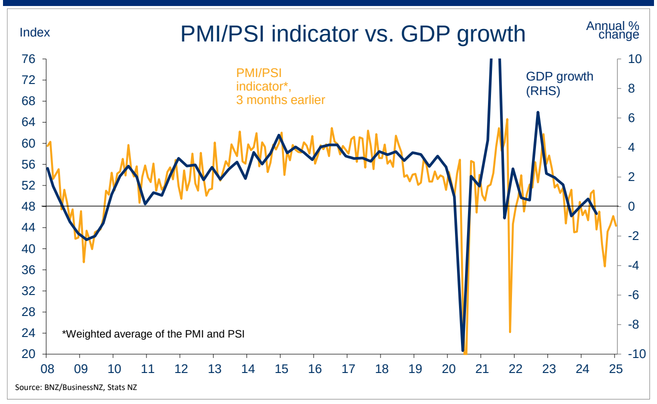
Capping things off, the market is currently pricing in a 50 point cut and there is no need for the RBNZ to provide a shock which could result in unnecessary instability in interest rates, the currency and growth.

75?

The argument for a 75 point cut revolves around the fact there is little evidence the economy is yet gaining much traction from the easing we have seen so far, annual inflation could well be headed to a sub 2.0% level, and policy has a long way to go before it is openly stimulatory. Front of mind, in this regard, is the ongoing weakness in both the PMI and PSI which are watched closely by the Bank.

The PMI revealed that the manufacturing sector has been contracting for 20 consecutive months, production is moribund, and staff are still being let go. This morning's PSI nudged higher but is still easily sub 50. The combination of the two indicators is consistent with the economy contracting at a sub -1.0% rate.

It's still miserable out there



The argument for a 75 point cut is bolstered by the fact that there is a long wait until the next meeting in February, a wait that many think the RBNZ can't afford.

We get the sentiment but we simply do not think the necessary excesses are in place to warrant such an aggressive move at this juncture.

And don't forget that at the October Monetary Policy Review the committee's discussion was around whether the Bank should cut 25 or 50. Little weight was given to a 75 point move.

For us most interest will be on anyi ndication the Reserve Bank gives as to where it is likely to head in the New Year. It goes without saying that the low in the cash rate will occur earlier than the Bank previously forecast because the cash rate will probably be 50 basis points lower in yield by the end of November than was previously published.

We get the sense the RBNZ's low is likely to be brought forward from mid 2027 through to mid 2026. Its last low point was around 3.0%. We think it will stay somewhere near this.

We have a low in the cash rate of 2.75% pencilled in for October 2025. We've had this pick for a long time now. The balance of risk is that we end up edging this higher but we believe that market pricing of a 3.5% trough has downside risk.

The key indicators for the week are all out today.

We've already mentioned the Performance of Services Index which confirmed the current weakness in the economy and supports our view that Q4 GDP growth is unlikely to be far away from zero.

One of the features of the PSI is the ongoing weakness in hiring intentions. For the last 11 months the employment index has been below 50. In theory, this means that, on balance, the sector is laying off staff. This is consistent with our view that the unemployment rate has some way to go before it peaks. Also consistent with this is today's SEEK data. Job ads fell 1.4% in October to be 26.2% down on a year ago. There are signs the drop in job ads might soon reverse but given the level was last this low in 2014 (excluding the COVID lockdown) ads will have to rise substantially before we get excited about them.

This morning Statistics New Zealand published the Q3 Business Price Indices. In some ways these data are of minimal interest because they follow the Consumer Price Index which is our primary point of focus. Nonetheless, the data always throw up a few interesting titbits.

For the record, producer inputs prices rose 1.9% for the quarter to be up 5.0% for the year, output prices rose 1.5% for the quarter, 4.2% for the year.

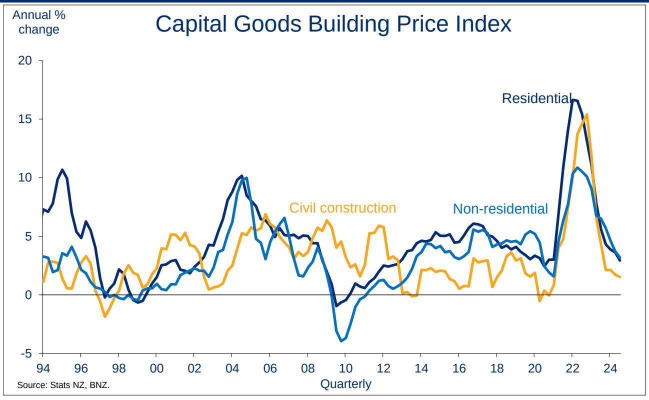
At first glance these look worryingly high but the correlation between the CPI and PPIs is often not great. But there are, nonetheless, some warning signs for consumers in that there are clear increases in commodity prices, especially dairy and meat, that could yet end up affecting household budgets. Furthermore, there is further evidence of rising energy prices impacting business operating costs some of which will be passed on albeit that some of the recent increases will also be reversed.

Accompanying the producer price indices is the Capital Goods Price Index. This was good news for the inflation fighters. Capital goods prices rose just 0.1% in the September quarter. The last time it was lower than this was March 2013. The annual rate fell to 2.1% from 2.8% a quarter earlier.

The combination of outright declines in the price of plant, machinery and equipment prices, when accompanied with falling interest rates, is good news for business investment.

Construction cost inflation is also falling. Residential construction costs rose just 0.2% for the quarter, 2.9% for the year. While that's helpful in keeping the CPI constrained lest it not be forgotten that, on this measure, the cost of building a house has risen a cumulative 80% over the last ten years.

Construction costs behaving



On Tuesday the Reserve Bank releases its updated household inflation expectations series. We'll be keeping an eye on the one-year expectations figures as this seems to enter the RBNZ's thinking when making its MPS deliberations.

Rounding out the week is Wednesday's GDT auction. We are expecting another moderate increase in dairy prices. If so this would imply further upside to Fonterra's $9.50 milk price forecast and even some upside to our own $9.75 pick. With prices up and volumes solid the dairy sector is currently an important support for the broader economy at a time when much is going the "wrong" way.

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Global Watch

- **Fed speakers remain in focus**
- **More announcements on Trump's key appointments**
- **CPI data for the UK, Japan, and Canada**
- **Global PMIs to show activity pulse for November**

Week in Review

US CPI and PPI data point to inflation outcomes a little stronger than the FOMC anticipated in their September dots. Fed Chair Powell noted "*we are moving policy over time to a more neutral setting*" but that "*the economy is not sending any signals that we need to be in a hurry to lower rates.*" Headline retail sales rose more than forecast in October and were underpinned by a rebound in car sales. Looking ahead, consumer sentiment is likely to be supported by expectations of tax cuts and higher stock prices.

In Australia, employment rose 15k, but payback from recent strength was modest and the trend is a robust +37k. The unemployment rate remained at 4.1%, while the underemployment rate fell. WPI on Wednesday did show the tight labour market is not proving particularly wage inflationary, but that's cold comfort given weak productivity. Elsewhere, there was a lift in business and consumer confidence. NAB recently changed its RBA rate cut call to May 2025 (from February) and see a real risk that policy rates stay on hold even deeper into 2025.

Week Ahead

Globally it is relatively quiet and most focus is still likely to be in trying to assess the likely policy mix and sequencing under a Trump administration. The ongoing drip feed of cabinet positions will be important, and this will likely overshadow the G20 Leaders Meeting that is held in Rio (18-19 November).

Datawise, in the US it is a mainly housing focused week with permits/starts (Tuesday), along with a smattering of Fed speak (Goolsbee and Hammack speak Thursday).

The global PMIs (Friday) will get most focus in the EZ and UK. US economic outperformance is clear on the services side (and indeed across all data flow as shown in the Citi surprise indexes) and NAB will also be watching for any hit to sentiment from the recent US elections. Also, this week in the EZ is the Q3 negotiated wages (Tuesday) which could be pivotal to ECB rate cut pricing.

Elsewhere, it is a big week for CPIs with Canada, UK and Japan publishing October CPI figures. For Canada the data should be supportive for further rate cuts. While in Japan even though the data argues towards further policy normalisation, politics may push further normalisation into 2025 given the recent elections. BoJ Governor Ueda is also speaking which may provide further clues (Monday).

China has its loan prime rates (Wednesday) with consensus for no change. Recent stimulus announcements have disappointed, with that being the larger focus for markets. We may have to wait until 2025 and clarity around what a Trump administration may do in regard to trade and tariffs before a larger stimulus package from China.

It is quiet in Australia with only the RBA Minutes from November, and a speech by RBA Assistant Governor Kent. Neither are likely to be overly market moving given the plethora of RBA speak recently.

Important Events Preview

Monday 18

JN BoJ Governor Ueda
BoJ Governor Ueda is speaking at an annual conference. The post-election uncertainty has cast a fog on the BoJ, with much uncertainty around whether the BoJ would hike in December. The recent weakening in the Yen should add to upside inflation risks, while the data flow continues to argue for further policy normalisation.

AU RBA Assistant Governor Kent
The RBA's Kent is giving the Melville Lecture in Canberra. He will speak on 'Financial Markets and Monetary Policy in Australia', with the seminar billed as reviewing key features of Australia's financial system, and then discussing some implications of these for: the transmission of monetary policy; financial stability; and forward guidance.

GN G20 Leaders Meet (18-19 November)
G20 Leaders meet in Rio de Janeiro. NAB don't expect much to come from this summit given the US lame-duck interval between election and inauguration. More important for markets will be the ongoing drip feed of potential US cabinet positions under President-elect Trump – yet to be announced are Treasury Secretary, Commerce Secretary and Trade Representative.

Tuesday 19

AU RBA Meeting Minutes (from November)
Given the plethora of RBA speak recently and the SoMP, it is hard to see what else might be in the RBA November Minutes. NAB recently changed its RBA rate cut call to May 2025 (from February) and see a real risk that policy rates stay on hold even deeper into 2025.

In the post-Meeting press conference to November, Governor Bullock kept the 'not ruling anything in or out' language, which suggests the RBA is not rushing to cut rates. And while policy is seen as restrictive, it is also seen as less restrictive than in peer economies.

Further progress on inflation is clearly needed for the RBA to have greater confidence in its inflation track. In subsequent remarks at a regulator's forum, Governor

Bullock also noted ongoing strength is sustaining too high inflation. The unemployment rate has been unchanged in trend terms at 4.1% since June 2024, while underemployment is back to its lowest since April 2023.

EZ Q3 negotiated wages; final-CPI (October)
Q3 negotiated wages could have ECB rate pricing implications after Q2 wages slowed to 3.5% from 4.8% in Q1. The decline was largely due to one-off payments in March in Germany, which were not repeated in Q2, and which is likely to mean something of a rebound in Q3. The underlying trend in EZ wages is down, however the data are uneven. Meanwhile final-CPIs are likely to be unrevised and core was 2.7% y/y on the flash.

CA CPI (October)
The average of the core measures is around 2.4% on both the y/y and 6m annualised. The BoC guided back in October that "*if the economy evolves broadly in line with our latest forecast, we expect to reduce the policy rate further*".

US Housing Starts/Permits

Wednesday 20

CH Loan prime rates
Loan prime rates are expected to be unchanged.

UK CPI (October), Boe's Ramsden
Consensus for Core CPI is 3.1% y/y (last month was 3.2% y/y). Headline last month was 1.7% and NAB expect this measure to rise to 2.1% with risks skewed to the topside and by December closer to 3%. The recent Budget included higher economic growth and inflation forecasts, meaning UK headline inflation is unlikely to decline back to the 2% target until well into 2026.

US Nvidia earnings
Nvidia's earnings and outlook have the potential to move the equity market given its high weight in the S&P500 where it makes up 6.8% of the market cap share.

Thursday 21

AU RBA Governor (Women in Payments)
RBA Governor Bullock is speaking to a payments conference so the speech itself is unlikely to be market moving. The Q&A though could touch on monetary policy.

US Jobless Claims; Existing Home Sales; Fed speak
Jobless Claims remain at low levels. This continues to challenge the downside concerns that some FOMC officials had on the labour market. There is also plenty of Fed speak with Hammack and Goolsbee in moderated Q&A. Fed speak will be important to watch with the December FOMC now less certain.

Friday 22

JN CPI (October)
Core CPI (excl. fresh food and energy) is expected to rise a tenth to 2.2% y/y from 2.1%. The dataflow to date continues to make the case for ongoing policy normalisation, but politics remains a complicating factor, which has the potential to push further normalisation into 2025.

UK/EZ Preliminary PMIs, UK Retail Sales, ECB conf.
Global PMIs remain under focus with US economic outperformance clearly evident on the services side. Consensus sees the Eurozone Services PMI unchanged at 51.6. NAB will be also watchful for any sentiment impact from the recent US election, with Europe and Asia seen as being very vulnerable to possible US-EU tariffs and talk of China-US decoupling. There is also a European Banking Congress in Frankfurt with a bevy of ECB speakers.

US PMIs, final-Uni Mich. Con. Sentiment
The PMIs in the US have tended to be less market moving, but the economic outperformance relative to the Eurozone is stark.

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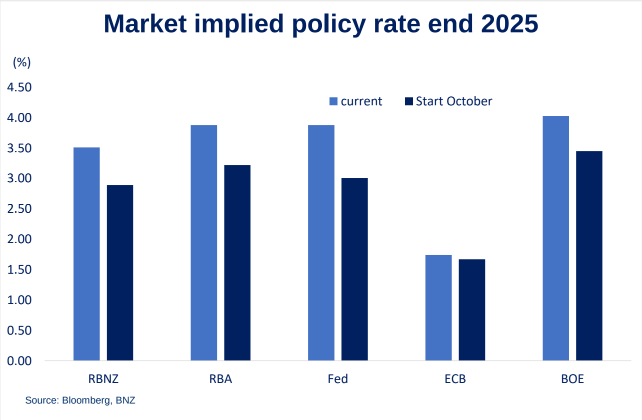
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

The move higher in global yields following the US election has been associated with an underperformance of NZ fixed income. This reflects the unwinding of received rates positions and flows from momentum driven investors, as yields increased. Domestic economic data has generally evolved in line with expectations. Inflation partials for October were broadly consistent with our 2.3% forecast for Q4 headline CPI, which also corresponds with the RBNZ's forecast, from the August Policy Statement.

We continue to think the repricing of the terminal Official Cash Rate (OCR) doesn't align with domestic fundamentals. The manufacturing and services PMIs remained in contractionary territory and point towards still soft activity to start Q4. The market is pricing the terminal rate close to 3.5%, well above the 2.8-2.9% level, that prevailed during the second half of September. Market positioning and a paring of easing expectations for the Federal Reserve (Fed), and other global central banks, have been the key drivers for the move.

Less easing priced for global central banks



The US rates market is increasingly pricing a soft landing for the economy and that the Fed will slow the pace of easing. The implied policy rate for end-2025 is 3.9%, compared with the median FOMC participant's 3.4% projection, which was contained in September's Summary of Economic Projections. Fed Chair Powell said, 'the economy is not sending any signals that we need to be in a hurry to lower rates.'

The CPI and PPI data released last week, implies a 0.3% monthly and 2.8% annual rate for the Fed's preferred core PCE measure of inflation. The Q4 average for PCE inflation looks set to marginally overshoot the median FOMC policymakers' 2.6% forecast. US economic activity data has generally been robust, and has continued to outperform relative to consensus estimates, as measured by the Citi economic surprise index.

10-year US treasury yield at highest level since July

After Powell's comments, the market implied chance for a 25bp cut in December has decreased to around 50%, having been close to 80% during last week. The incoming economic releases will strongly influence the FOMC's next decision. November CPI and PPI data will be available before the meeting along with the labour market report. Despite the relatively hawkish commentary from officials, the Fed views policy settings as restrictive, and are still maintaining a clear easing bias.

The selloff in US rates markets has left 10-year treasuries oversold. The three-month rolling return – a measure we monitor for signs of capitulation – has dropped below the 10th percentile. 10-year yields have reached the highest since July and are flagging cheap relative to estimates of fair value. We would expect increasing support towards the 2024 yield highs. It is a quiet week ahead from a data perspective. PMIs in Europe and the US will be monitored with no data of note ahead in NZ.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	4.45	4.44 - 4.59
NZ 2yr swap (%)	3.90	3.59 - 3.97
NZ 5yr swap (%)	4.00	3.69 - 4.04
NZ 10yr swap (%)	4.32	4.04 - 4.36
2s10s swap curve (bps)	42	41 - 52
NZ 10yr swap-govt (bps)	-36	-37 - -29
NZ 10yr govt (%)	4.69	4.42 - 4.69
US 10yr govt (%)	4.44	4.06 - 4.50
NZ-US 10yr (bps)	25	9 - 35
NZ-AU 2yr swap (bps)	-20	-46 - -19
NZ-AU 10yr govt (bps)	5	-10 - 16

*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 (again), seeing the DXY index up for a seventh consecutive week and trading at its highest level in over a year. NZD/USD traded at a fresh year-to-date low of 0.5840 and closed the week down a cent or 1.7% at 0.5865. NZD crosses were mixed, with little net change against the AUD and EUR, around ½% falls against CAD and JPY and a ½% gain against GBP.

Two key forces remained in action last week, the stronger USD on the Trump trade and added USD strength from ongoing positive US economic surprises with an associated paring of Fed rate cut expectations.

Citigroup's US economic surprise index rose to a nine-month high, supported by solid retail sales and jobless claims data signalling a still-robust labour market. CPI inflation data matched expectations while PPI data were slightly stronger. The message from the data was that inflation is no longer falling and estimates of the core PCE deflator – the key inflation indicator targeted by the Fed – show inflation tracking a little above the Fed's September forecasts.

With widespread recognition that the path of Fed easing is highly data dependent, the market continued to pare the extent of rate cuts priced into the curve, supporting the USD. By the end of the week, the equivalent of just three 25bps cuts by the Fed was priced through to the end of next year.

Adding to USD strength, Trump's economic agenda is widely seen to be USD-positive. His early appointments to key positions are Trump loyalists who are on board with his economic prescription. The USD DXY index and some major currencies hit key levels last week. The DXY index briefly traded above 107, near the top of its trading range of the past couple of years.

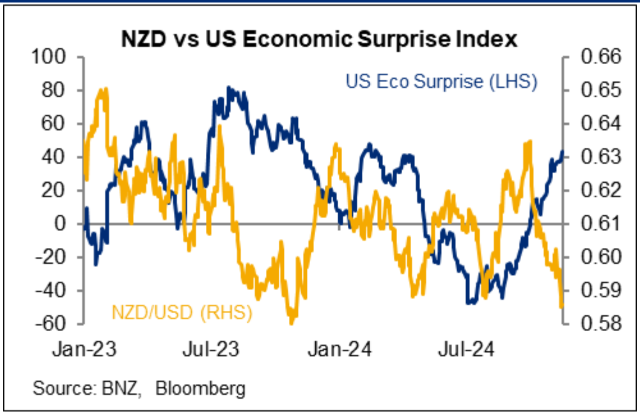
NZD/USD broke (just) below the key 0.5850 support level, with the bigger picture being one of the NZD revisiting previous lows this year in April and August. A sustained break of 0.5850 would open up the 2023 low around 0.5775 as the next support level, ahead of around 0.55.

At the beginning of last week, we made a significant downgrade to our NZD/USD projections, reflecting the dual headwinds of a stronger-for-longer US economy and the impact of Trump 2.0 (see Factoring Trump 2.0 into our NZD projections). Our new year-end target for 2024 is 0.5950, which includes the usual positive seasonal factors for the NZD late in the year. Consider this as a 0.5750-0.6150 trading range. We expected support of 0.5850 to be broken before year-end and as it turned out that occurred before the end of the week. We have 0.57-0.58 central targets in Q1/Q2 year, implying that a low of 0.55 could be reached at some stage.

Our projections were based on a moderate Trump 2.0 policy agenda evolving, which included an assumption that tariffs imposed against China wouldn't reach the 60% level threatened. On a more aggressive US policy stance, downside NZD/USD potential is even greater. Without knowing policy details, there is wide uncertainty around our projections and we suspect that we'll be doing more frequent revisions.

In the week ahead, the key global economic releases will be CPI data in Canada, Japan and the UK, while global PMI data will also be released. Only second-tier NZ data are released ahead of the RBNZ's next MPS on 27 November. Fed speakers will remain in force, Nvidia releases its earnings result, and focus will remain on Trump's key appointments.

US economic surprise index heading higher



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5861	0.5840 - 0.6040
NZD/AUD	0.9066	0.9020 - 0.9120
NZD/GBP	0.4645	0.4580 - 0.4660
NZD/EUR	0.5565	0.5470 - 0.5610
NZD/JPY	90.38	90.20 - 92.50

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6930	-15%
NZD/AUD	0.8670	5%

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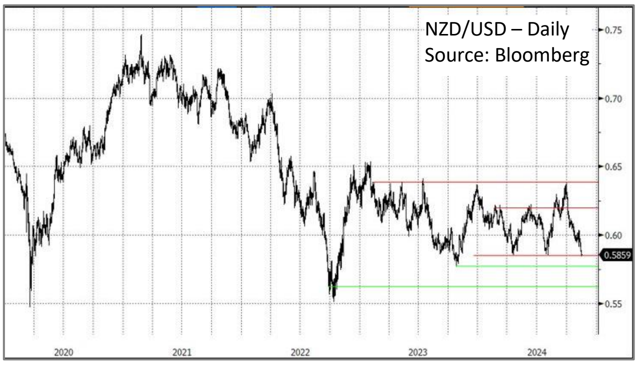
Technicals

NZD/USD

Outlook: Downside risk
ST Resistance: 0.62 (ahead of 0.6380)
ST Support: 0.5850 (ahead of 0.5775)

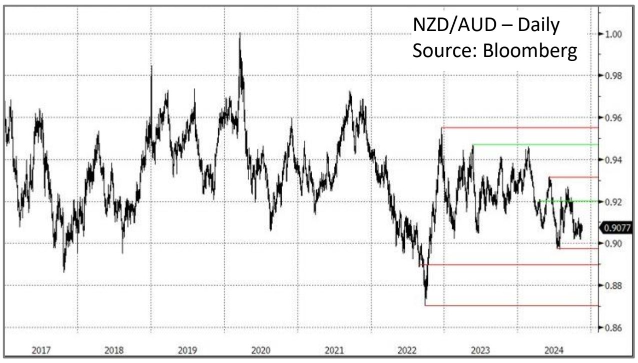
The NZD briefly traded below 0.5850 last week before recovering so we'll leave that level as support, ahead of 0.5775.



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 moved higher last week and approaches our resistance. We continue to favour a move lower however a break above 4.06 will cause us to reassess.

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

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

2x5 year swap spread was unchanged on last week. We continue to favour steeper curves.

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Quarterly Forecasts

Forecasts as at 18 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	 5 Year	 10 Year	Swaps 2 Year	 5 Year	 10 Year	US Rates Libor 3 month	 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/USD	 AUD/USD	 EUR/USD	 GBP/USD	 USD/JPY	NZD Forecasts NZD/USD	 NZD/AUD	 NZD/EUR	 NZD/GBP	 NZD/JPY	 TWI-17
Current	0.59	0.65	1.06	1.27	155	0.59	0.91	0.56	0.46	91.6	69.9
Dec-24	0.60	0.66	1.05	1.27	153	0.60	0.90	0.57	0.47	91.0	70.0
Mar-25	0.58	0.65	1.04	1.27	155	0.58	0.89	0.56	0.46	89.9	69.0
Jun-25	0.57	0.64	1.05	1.27	155	0.57	0.89	0.55	0.45	88.4	68.8
Sep-25	0.59	0.66	1.06	1.28	153	0.59	0.89	0.55	0.46	89.5	69.6
Dec-25	0.60	0.67	1.07	1.28	150	0.60	0.89	0.56	0.47	89.3	70.1
Mar-26	0.62	0.69	1.08	1.29	144	0.62	0.89	0.57	0.48	88.6	71.5
Jun-26	0.64	0.71	1.11	1.32	140	0.64	0.89	0.57	0.48	88.9	72.7
Sep-26	0.65	0.72	1.13	1.34	135	0.65	0.90	0.58	0.49	87.8	73.6
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 18 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	-0.6	7.0	22.5	-13.8	0.6	-1.0	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	0.58	0.62	0.68	0.63	0.62	0.60	0.60
USD/JPY	119	134	150	155	144	114	135	144	153	150
EUR/USD	1.10	1.07	1.09	1.04	1.08	1.13	1.06	1.09	1.05	1.07
NZD/AUD	0.93	0.93	0.93	0.89	0.89	0.95	0.94	0.93	0.90	0.89
NZD/GBP	0.52	0.51	0.48	0.46	0.48	0.51	0.52	0.49	0.47	0.47
NZD/EUR	0.62	0.58	0.56	0.56	0.57	0.60	0.60	0.57	0.57	0.56
NZD/YEN	81.5	83.0	91.1	89.9	88.6	77.4	85.6	89.5	91.0	89.3
TWI	73.9	71.0	71.2	69.0	71.5	73.0	72.9	72.0	70.0	70.1
Overnight Cash Rate (end qtr)	1.00	4.75	5.50	4.00	2.75	0.75	4.25	5.50	4.25	2.75
90-day Bank Bill Rate	1.45	5.16	5.64	3.75	2.90	0.92	4.55	5.63	4.25	2.90
5-year Govt Bond	2.90	4.40	4.60	3.55	3.65	2.20	4.30	4.50	3.75	3.55
10-year Govt Bond	3.20	4.35	4.60	4.35	4.25	2.35	4.25	4.65	4.40	4.25
2-year Swap	3.00	5.15	4.91	3.05	3.40	2.22	5.21	4.93	3.25	3.15
5-year Swap	3.20	4.50	4.40	3.40	3.65	2.56	4.62	4.43	3.55	3.50
US 10-year Bonds	2.10	3.65	4.20	4.00	3.75	1.45	3.60	4.00	4.10	3.75
NZ-US 10-year Spread	1.10	0.70	0.40	0.35	0.50	0.90	0.65	0.65	0.30	0.50

(1) *Average for the last month in the quarter*

Source: Statistics NZ, BNZ, NZ Treasury

Key Upcoming Events

All times and dates NZT

		Median	Fcast	Last
	Monday 18 November			
JN	BOJ Governor Ueda Speaks			
AU	RBA's Kent Speaks			
EC	ECB's Nagel, Guindos, and Makhlouf Speak			
EC	Trade Balance SA Sep	7.7b		11.0b
	Tuesday 19 November			
EC	ECB's Lagarde, Lane, and Others Speak			
US	New York Fed Services Business Activity Nov			-2.2
US	NAHB Housing Market Index Nov	42		43
US	Fed's Goolsbee Speaks			
UK	BOE's Bailey, Mann, and Others Speak			
AU	RBA Minutes of Nov. Policy Meeting			
NZ	Household Inflation Expectations Q4			
EC	CPI YoY Oct F	2.00%		2.00%
EC	CPI Core YoY Oct F	2.70%		2.70%
	Wednesday 20 November			
NZ	Dairy GDT auction			4.80%
CA	CPI YoY Oct	1.90%		1.60%
US	Housing Starts Oct	1337k		1354k
US	Fed's Schmid Speaks			
AU	Westpac Leading Index MoM Oct			0.03%
JN	Trade Balance Oct	-¥414.1b		-¥294.3b
CH	1-Year Loan Prime Rate Nov-20	3.10%		3.10%
CH	5-Year Loan Prime Rate Nov-20	3.60%		3.60%
UK	CPI YoY Oct	2.20%		1.70%
UK	CPI Core YoY Oct	3.10%		3.20%
EC	ECB Financial Stability Review			
EC	ECB Euro Area Negotiated Wages			
	Thursday 21 November			
UK	BOE's Ramsden Speaks			
US	Fed's Cook and Bowman Speak			
EC	ECB's Guindos, Stournaras, and Others Speak			
AU	RBA's Bullock Speaks			
	Friday 22 November			
US	Philadelphia Fed Business Outlook Nov	7		10.3
US	Initial Jobless Claims Nov-16	220k		217k
US	Continuing Claims Nov-09	1885k		1873k
US	Fed's Goolsbee, Hammack, and Barr Speak			
UK	BOE's Mann Speaks			
EC	Consumer Confidence Nov P	-12.4		-12.5
US	Existing Home Sales Oct	3.94m		3.84m
EC	ECB's Lane, Elderson, and Others Speaks			
AU	S&P Global Australia PMI Mfg Nov P			47.3
AU	S&P Global Australia PMI Services Nov P			51
JN	Natl CPI YoY Oct	2.30%		2.50%
UK	GfK Consumer Confidence Nov	-22		-21
UK	Retail Sales Inc Auto Fuel MoM Oct	-0.30%		0.30%
GE	GDP SA QoQ 3Q F	0.20%		0.20%
EC	ECB's Lagarde and Guindos Speak			
EC	HCOB EZ Manufacturing PMI Nov P	46		46
EC	HCOB Eurozone Services PMI Nov P	51.6		51.6
UK	S&P Global UK Manufacturing PMI Nov P	50		49.9
UK	S&P Global UK Services PMI Nov P	52		52
	Saturday 23 November			
EC	ECB's Nagel, Villeroy, and Schnabel Speak			
US	S&P Global US Manufacturing PMI Nov P	48.8		48.5
US	S&P Global US Services PMI Nov P	55.3		55
US	U. of Mich. Sentiment Nov F	73.5		73
US	Kansas City Fed Services Activity Nov			5
US	Fed's Bowman Speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	4.75	4.75	4.75	5.50
1mth	4.57	4.62	4.88	5.58
2mth	4.48	4.49	4.67	5.60
3mth	4.45	4.45	4.59	5.63
6mth	4.23	4.23	4.32	5.66
GOVERNMENT STOCK				
05/26	4.05	3.99	3.84	4.86
04/29	4.25	4.11	3.97	4.76
05/31	4.49	4.36	4.20	4.85
05/34	4.70	4.60	4.43	4.95
04/37	4.92	4.83	4.68	5.09
05/41	5.10	5.01	4.87	5.17
05/51	5.23	5.14	4.98	5.12
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	49	47	52	64
Europe 5Y	56	54	56	68

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.90	3.84	3.64	5.10
3 years	3.89	3.82	3.61	4.86
4 years	3.94	3.87	3.67	4.73
5 years	4.00	3.94	3.75	4.68
10 years	4.32	4.27	4.11	4.78
FOREIGN EXCHANGE				
NZD/USD	0.5870	0.5964	0.6031	0.6037
NZD/AUD	0.9081	0.9072	0.9058	0.9207
NZD/JPY	90.61	91.67	90.97	89.56
NZD/EUR	0.5574	0.5597	0.5577	0.5518
NZD/GBP	0.4649	0.4635	0.4645	0.4828
NZD/CAD	0.8272	0.8304	0.8341	0.8285
TWI	69.4	70.0	70.2	70.3

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