Research

Markets Outlook

25 November 2024

Will It Be 50?

- **RBNZ widely expected to cut OCR by 50 bps**
- **Retail core sales volumes fall in Q3**
- **Consumption goods imports show signs of a turn**
- **Annual trade deficit continues to narrow**
- **Further export gains expected**

The RBNZ Monetary Policy Statement (MPS) on Wednesday takes centre stage this week. Market polls show a broad consensus for the OCR to be cut by 50 basis points from 4.75% to 4.25% at this meeting.

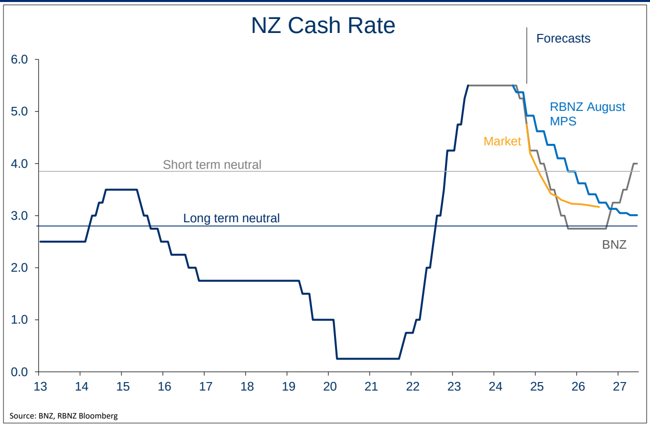
We provided our full MPS preview last week. In short, a 50-point cut at this meeting is our central view, as it has been since before the October Monetary Policy Review. Although we can understand there are arguments for a cut of 25 or 75 as alternatives, as we outlined last week, we see a 50-point move as the most likely outcome by a considerable way.

Fundamentally, economic spare capacity continues to grow and will do so for some time. Accompanying this, inflation will remain well contained around the 2% mark and the unemployment rate will rise further over the next few quarters. 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. Consequently a 75-point cut is neither needed nor desirable.

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

In addition to Wednesday's decision on where to put the OCR now, we also have significant interest in any indication 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 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.

Lower cash rate expected



After the MPS release at 2pm on Wednesday, note that dialogue will follow via the press conference at 3pm that day, the RBNZ's parliament select committee testimony the following morning from 9am, and the likely post-release media interviews from RBNZ officials.

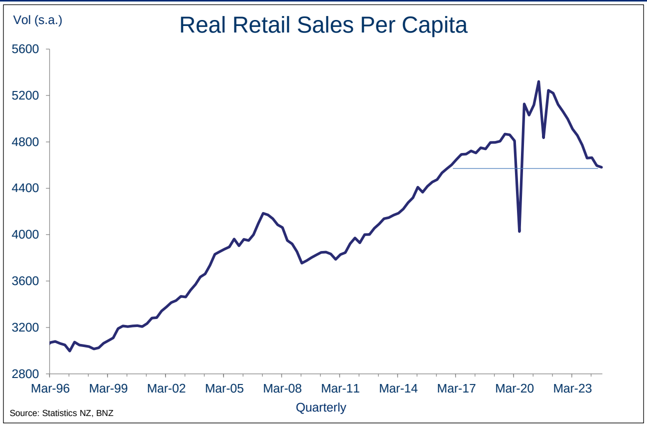
There will be much less market interest in the week's data compared to the MPS, but there is a decent smattering of it to monitor. It is already well underway with this morning's Q3 retail sales and October merchandise trade figures.

The value of retail sales in Q3 were 2.8% lower than a year earlier. Adjusting for inflation and population growth over the period puts the volume of retail sales per person down 4% on a year ago and a whopping 13.9% down from its peak just over 3 years ago. It confirms what we already knew – that retail conditions have been very challenging.

In Q3, retail sales volumes fell 0.1% on a seasonally adjusted basis. This was close to our expectations and marginally stronger than the 0.5% decline expected by the market. But we wouldn't overstate that surprise, given core (ex auto) sales volumes fell 0.8% q/q.

We saw nothing in today's retail figures to dissuade us from thinking that the economy contracted again in Q3. They are certainly consistent with soft demand and growing spare capacity, with monetary policy implications as already discussed. However, there are implications of a soft economy for government revenue too. A risk we have long pointed out.

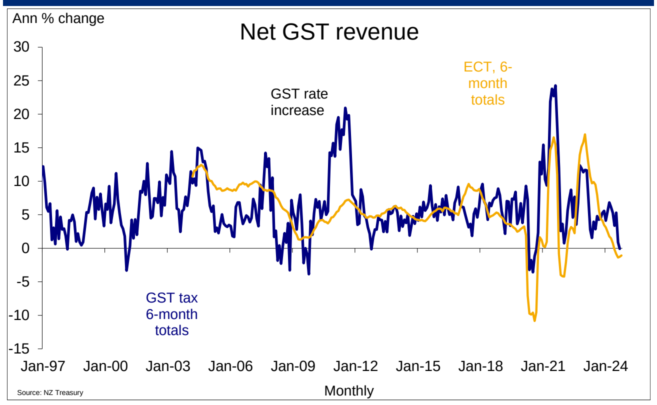
Weak



Treasury Chief Economist Dominick Stephens noted in a speech last week that the economic downturn has been deeper, and the recovery may begin later, than the Treasury forecast at Budget 2024 and trend productivity may have been weaker than anticipated. This presents downside risk to tax revenue. The magnitude was not discussed but the direction of pressure, as we have long discussed, is clear.

Reports noted that the Chief Economist said GST collections have been surprisingly low relative to underlying economic activity. That fits with weakness in today's retail figures.

One source of revenue pressure

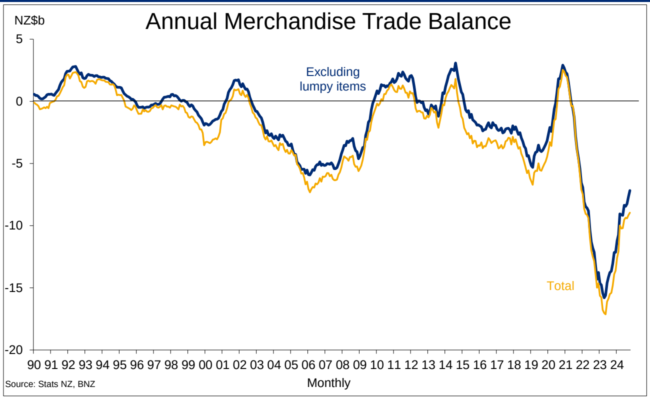


While retail sales volumes continued to fall in Q3, it is important to note that the decline was much smaller than Q2's 1.2% drop. Sales are falling at a slower rate. It's a start. Any recovery will be off a very weak base. But we do see some improvement in retail sales ahead as lower interest rates, reduced inflation, and a higher terms of trade offer support to household spending. However, those positives will be confronted by expected further deterioration in the labour market for a while yet.

The other data out this morning was merchandise trade figures for October. The annual trade deficit came in at $8,956m, continuing its trend narrowing from a recent peak of $17.1b mid last year. This was very close to our expectations.

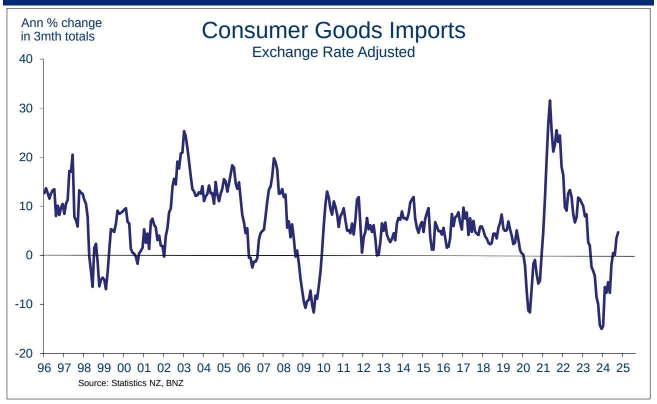
We anticipate further narrowing ahead as exports are forecast to rise faster than imports, as was the case in the month of October. Exports rose 7.5% y/y, while imports increased 3.0% y/y.

Narrowing trend



Imports were boosted by aircraft, as expected. Ex aircraft, import values were down 1.4% y/y. Passenger vehicle imports fell 30.4% y/y. Domestic demand has been generally weak, but there are some hints of it becoming either less negative or even positive. The 5.7% y/y decline in imports of plant and machinery in October is still negative but less negative than before, while consumption goods imports in the month were 10.0% higher than a year ago. The latter is materially higher than the 4.1% decline recorded for the year to October compared to the year before.

A hint of lift



Exports are being supported by higher commodity prices, which we expect to continue as dairy prices have strengthened. Core dairy exports were up 16.1% y/y in October. Meat exports rose 6.1% y/y.

Fruit exports were up 313% y/y, as the tail end of previous bumper kiwifruit crop was exported and compared to the usually much lower fruit export levels at this time of year. Fruit exports for the year to October were up 32.4% on the previous year.

We see more export gains ahead, as the likes of the positivity from the current dairy season shows up in the external accounts. Milk production is tracking above year ago levels and as more milk is made, processed, and product shipped at significantly higher prices than those prevailing a year ago it will lift exports. We expect this to support more economic activity ahead.

A lower NZD will offer support more broadly to exports. However, it needs to be seen in the context of a stronger USD in the anticipation of Trump re-entering the White House. The latter also brings material uncertainty around international trade conditions ahead.

There are other data out this week that is worth monitoring, even if it is after the MPS. November's ANZ business survey is likely to maintain a significant divergence between strongly positive forward-looking indicators like business confidence but negative assessments on recent performance. Attention will also be on inflation gauges like firms' pricing intentions and inflation expectations which were mixed last month with the former still elevated but the latter well contained and edging lower.

And employment indicators for October are scheduled for Thursday. Filled jobs will give a sense of how employment is tracking into the final quarter of the year. The recent trend has been weak. We expect more of the same to be consistent with our estimate for Q4 employment and expected further increase in the unemployment rate.

Finally, we get some credit data through the week via new residential lending figures for October on Wednesday which look like being up on a year ago if more house sales over the period is any guide. Also, credit aggregates for October are out on Friday where we wouldn't be surprised to see the stock of lending to households remaining close to its recent annual rate of 3.3%.

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Global Watch

- **US PCE deflators and FOMC minutes in focus**
- **Australia CPI indicator due for October**
- **Eurozone CPI data expected to lift slightly**

Week in Review

In the US, markets are still attempting to discern the likely policy mix under a Trump Administration. Key appointments have played to the view of the trade/tariff agenda being very real, but it is still too early to discern sequencing or magnitudes. After the market close on Friday, Trump nominated hedge fund chief Scott Bessent for the role of Treasury Secretary, a person considered to have market-friendly orthodoxy on economic policy.

Geopolitical tensions rose with Ukraine using long-range missiles to strike targets in Russia. Russia responded by firing a ballistic missile.

Dataflow has been most prominent in Europe with UK CPI coming in hotter than expected, further cementing the case for no change at the upcoming December meeting. The ECB negotiated wages measure also rose strongly.

PMI data showed a marked difference in economic activity between Europe and the US. For the Euro area and UK, services PMIs fell to 49.2 and 50.0 respectively. For the US, the services PMI rose 2 points to a 2½ year high of 57.0. The divergent result played to the narrative of economic exceptionalism in the US.

It was a quiet week in Australia, though the RBA Minutes did ruffle a few feathers, playing to the view of the RBA not being in a rush to cut rates. The key para from the Minutes was that if the dataflow broadly tracks as forecast while inflation eases by more, the RBA Board "…*would need to observe more than one good quarterly inflation outcome to be confident that such a decline in inflation was sustainable*".

Overall, that suggests a February rate cut is very unlikely and May more likely, though there remains a real risk it could be delayed deeper into 2025.

Week Ahead

The Australian data calendar includes the first GDP partials in the form of construction work done (Wednesday) and Private Capex (Thursday). Q3 GDP follows on 4 December.

Of more focus will be the October Monthly CPI Indicator. As usual, the indicator is not the full CPI and comes with a big health warning. NAB anticipate another measured fall in electricity prices to leave the year-ended rate at 2.1% y/y. The annual trimmed mean measure is expected to move higher to around 3.3% from 3.1%.

RBA governor Bullock speaks on Thursday evening, which will be closely watched for any expansion on what the RBA would need to see to shift their assessment – important as the optics of the Q4 CPI (ahead of the February meeting) are shaping up to look substantially better than the underlying signal.

It is a holiday shortened week in the US. Bond and equity markets are closed for Thanksgiving on Thursday and have a shortened day on Black Friday. Before then, the FOMC November Minutes will be parsed for how much participants risk assessment had shifted.

On the data side, the second estimate of Q3 GDP is Wednesday (and seen unrevised from the advanced read at 2.8% quarterly annualised). Core PCE is also Wednesday, a day early due to Thanksgiving. The core deflator is seen at 0.3% m/m. Jobless claims are also a day early on Wednesday.

Europe releases preliminary November inflation data on Friday and where there will be a further extension the headline rate from 2% towards 2.5% and a tenth or two on the core measure. Germany, Spain and Belgium release their advance inflation prints on Thursday. It's a low-key week for the UK.

In Japan, November Tokyo CPI is expected lift to 2.2% y/y from 1.8%, helped by lower electricity subsidies, while the core measures are also seen a little higher. It is a quiet week on the Chinese calendar.

Important Events Preview

Monday 18

EZ Germany IFO November Business Climate Survey
The expectations components are worth looking at for any hit to sentiment from the recent US elections and the talk of tariffs.

EZ, UK ECB's Lane, BoE's Lombardelli, Dhingra speak at BoE Watchers' Conference (Lane Keynote)

Tuesday 19

US Conference Board Consumer Confidence

US FOMC November Minutes
The FOMC is not going to be cutting every meeting looking forward, but the near-term focus for markets is whether a skip could come as soon as December. The 25bp cut in November was unanimous, but a shifting balance of risk away from labour market downside and towards growth resilience and inflation persistence is likely to be evident in the Minutes.

Wednesday 20

AU Q3 Construction Work Done

AU October CPI Indicator
The October Monthly Indicator is not the full CPI. Being the first month of the quarter it is also heavily weighted towards goods prices and contains little information on key services categories the RBA is focused on.

NAB expect the year-ended rate to remain low at 2.1% y/y. The annual trimmed mean measure (which is a different, and less useful, concept to the RBA's preferred quarterly trimmed mean) should rise to around 3.3% from 3.1%.

The detail will be of some use to firm up NAB's Q4 CPI forecast, which will show another very low headline print as electricity subtracts again. NAB pencil in a 0.7% q/q trimmed mean outcome, in line with the RBA's November forecast, though NAB note the risk skews firmly to a 0.6% q/q at this stage. That would be welcome news for the RBA but given government subsidies, NAB caution the optics will be more encouraging than the detail.

US October PCE, 2nd GDP est., jobless claims
The second estimate of Q3 GDP is expected unrevised from the advanced read. That is out an hour and a half ahead of October PCE, rather than the usual 24 hours, due to the Thanksgiving holiday.

The core PCE deflator is seen up 0.3% m/m and 2.8% y/y, on track to exceed the FOMC's year-end September projection, with higher financial services costs one driver. The spending and income measures will also be in focus. Payrolls on 7 December and CPI on 12 December are the remaining key data points ahead of the December meeting. Jobless claims are also out Wednesday, a day early.

Thursday 21

AU Q3 Capex; RBA's Bullock
RBA Governor Bullock speaks at the Annual CEDA Dinner Address in Sydney. The Governor will be speaking after the October CPI indicator and will likely be quizzed to elaborate on what the board would need to see to be more comfortable on inflation.

EZ Germany, Spain, Belgium November HICP Inflation
Preliminary November inflation for Germany, Spain and Belgium ahead of broader EZ inflation on Friday 29th. Spain should print a notable headline rise after energy price declines a year ago.

EZ November Consumer, Economic Confidence survey

US Thanksgiving holiday (Bond and Equities closed)
It is the Thanksgiving public holiday in the US with the bond market and equity market closed. Note both markets will also close early on Friday. It is also the Black Friday shopping period with anecdotes likely of interest in both the US and elsewhere.

Friday 22

JN Tokyo CPI & jobless rate
The ex-fresh food measure of the Tokyo CPI is expected to tick up to 2.1% from 1.8%, on track for further normalisation from the BoJ.

EZ Final October HICP Inflation
Prices dropped markedly a year ago, suggesting base effects will help drive the headline measure up from 2% in October and a cycle low of 1.7% in September to 2.3% or 2.4% and where the risks lie on the upside. Core HICP is likely to rise from 2.7% y/y to 2.8%, while services prices will remain stable around 4% - where they have been for a year now.

CA Q3 GDP

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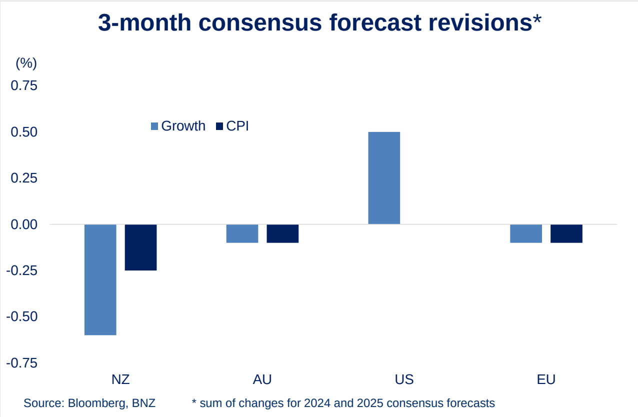
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

The positioning-driven move higher in NZ yields, reversed last week, led by the front end of the curve. We have previously highlighted that the pricing for the terminal Official Cash Rate (OCR) was not aligned with domestic fundamentals. After peaking earlier in November near 3.6%, the terminal rate has declined to 3.3%, and there is still room for a further downside adjustment. We continue to forecast the RBNZ will cut rates below 3% next year, a level which corresponds with its estimate for the long-term neutral Cash Rate.

NZ remains an economic outlier

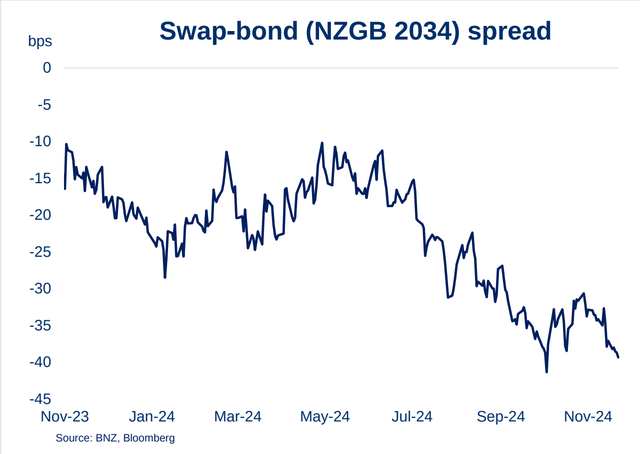


NZ rates have outperformed on a cross-market basis with the divergent economic outlook providing a fundamental underpinning. Consensus forecasts for NZ GDP and CPI, have been revised lower over the past three months, contrasting with the US and Australia. NZ-US swap rate differentials have tightened to new cycle lows across the yield curve, reflecting the increased likelihood the Federal Reserve, will slow its easing cycle.

The RBNZ's Monetary Policy Statement is the key domestic risk event this week. The RBNZ is expected to reduce the OCR by 50bp to 4.25%. Pricing in overnight index swaps has consistently indicated a chance (currently ~20%) of a 75bp cut, but we see this outcome as less likely. The Bank is expected to maintain an easing bias - a 4.25% policy rate would still be above the top end of its estimated range for the neutral OCR – but is likely to signal data dependence going forward.

NZ government bonds (NZGB) have underperformed relative to interest rate swaps during November. 10-year swap spreads are approaching the multi-year lows near -40bp, reached at the start of October. New Zealand is not alone. There has been a global trend of swap spread tightening, which reflects heavy government supply and the shift of bonds to price-sensitive private investors, due to quantitative tightening.

10-year swap spreads approaching multi-year lows



New Zealand Debt Management (NZDM) will update the borrowing programme alongside the Half Year Economic and Fiscal Update on December 17. Funding pressures remain - a speech by the Treasury's Chief Economic Advisor, Dominick Stephens, outlined that the economic downturn was deeper, and the recovery may begin later than forecast at the Budget. He also said there are downside risks to tax revenue forecasts.

The speech implies the risk is skewed towards an upward revision to the government's funding requirements, and an increase to the NZGB programme, depending on NZDM's funding strategy. Non-resident investors have been key to absorbing the increased supply in recent years. Data for the end of October, which includes the tap syndication of the May-2030 bond, reveals non-residents hold NZ$100 billion of NZGBs, corresponding with 62% of the outstanding when the RBNZ's holdings are excluded.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	4.38	4.38 - 4.56
NZ 2yr swap (%)	3.70	3.61 - 3.97
NZ 5yr swap (%)	3.85	3.73 - 4.04
NZ 10yr swap (%)	4.20	4.12 - 4.36
2s10s swap curve (bps)	50	41 - 50
NZ 10yr swap-govt (bps)	-36	-37 - -29
NZ 10yr govt (%)	4.57	4.42 - 4.67
US 10yr govt (%)	4.40	4.17 - 4.50
NZ-US 10yr (bps)	16	9 - 31
NZ-AU 2yr swap (bps)	-38	-46 - -19
NZ-AU 10yr govt (bps)	2	-10 - 6

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The USD DXY index rose for an eighth consecutive week, fuelled by the Trump trade and further signs of economic exceptionalism for the US economy. The NZD fell to a fresh low for the year before ending the week down ½% to 0.5835. This was an underperformance compared to other commodity currencies which gained against the USD. NZD/AUD and NZD/CAD both fell by more than 1%. European currencies were even weaker than the NZD, resulting in modest gains in NZD/EUR and NZD/GBP crosses. The new week has opened with a broadly weaker USD after Trump nominated hedge fund manager Scott Bessent as his Treasury Secretary, a person considered to have market-friendly orthodoxy on economic policy.

European currencies were the worst of the majors last week reflecting both geopolitical and economic factors. Tensions in the Ukraine-Russia war intensified. After President Biden gave the go ahead for Ukraine to use US-made long-range missiles, President Putin signed an updated nuclear arms doctrine which included a possibility of a nuclear response to aggression by non-nuclear states that is supported by other nuclear powers. Ukraine fired US and British made long-range missiles into Russia and Russia retaliated with the use of a new mid-range missile to send a warning message.

At the end of the week, Euro area and UK PMI data were weaker than expected, flagging the chance of a late-year economic contraction. By contrast, the US PMI rose further and played to the narrative of the US economy clearly outperforming the rest of the G10. The euro slumped to a two-year low before regaining some poise. NZD/EUR closed the week at 0.56, about mid-range for 2024.

The USD remained well supported, trading near a two-year high on the DXY index. NZD/USD fell to a fresh 2024 low of 0.5817, continuing to languish amidst considerable headwinds. We remain bearish on the NZD and see further downside potential, albeit more likely next year than the remainder of this year. Seasonally, December is the strongest month for the NZD.

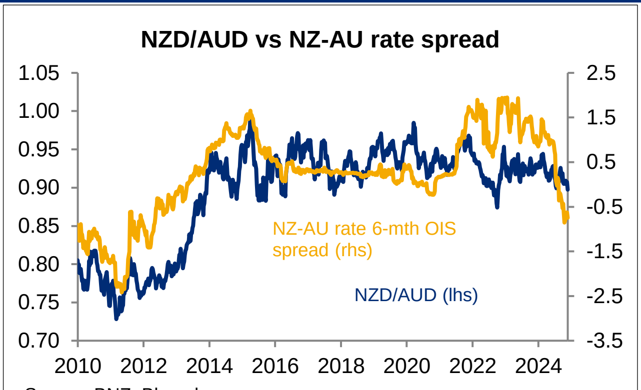
We saw the NZD's underperformance against the AUD and CAD as reflecting some fresh short positioning ahead of the RBNZ MPS this week (see below). NZD/AUD broke below 0.90, as it did back in July, but this time around there is more chance of the cross rate remaining weak or weakening further. NZ short term rates are now below Australia, meaning shorting NZD/AUD attracts positive carry, easing the path for further falls in the cross rate. Fundamentally NZD/AUD remains expensive, with our models suggesting somewhere in the vicinity of the mid-0.80s is more appropriate, given the significant underperformance of the NZ economy against Australia.

In the week ahead the focus will be on the RBNZ's Monetary Policy Statement. Bloomberg's survey of economists shows 19/20 economists expecting a 50bps cut to the OCR to 4.25%, and this has been fully priced by the OIS market (with a small chance of a larger 75bps cut).

Assuming the RBNZ cuts 50bps as expected, the tone of the messages and projected rate track provide the best chance for perturbing the market. While the RBNZ has clearly brought forward the easing cycle relative to its last projection in August, we don't see the projected terminal OCR changing much from the previous 3.0%. While there is always scope for a knee-jerk NZD reaction, we think global forces are more important for the currency outlook. Trump's economic policies are going to be a much greater swing factor for the NZD into year-end and next year, rather than domestic monetary policy considerations.

Key global data releases in the week ahead include monthly Australian CPI, euro area CPI and US PCE deflators. The day after the RBNZ update, ANZ releases its NZ business outlook survey.

Much more NZD/AUD downside based on rate spreads



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5848	0.5820 - 0.6040
NZD/AUD	0.8961	0.8940 - 0.9100
NZD/GBP	0.4652	0.4590 - 0.4670
NZD/EUR	0.5590	0.5480 - 0.5640
NZD/JPY	90.19	90.00 - 92.50

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6910	-15%
NZD/AUD	0.8630	4%

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Technicals

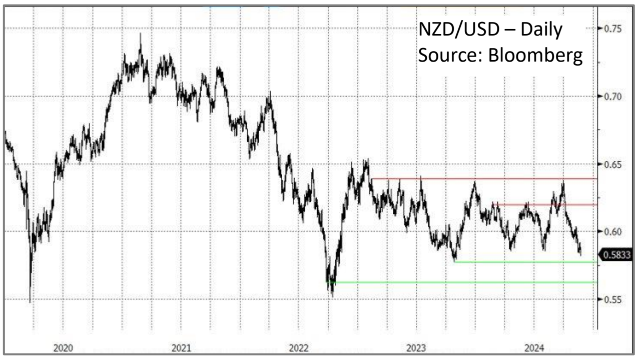
NZD/USD

Outlook: Downside risk

ST Resistance: 0.60 (ahead of 0.62)

ST Support: 0.5775 (ahead of 0.5625)

Following a more decisive break of 0.5850 we've lowered the next support level to 0.5775.



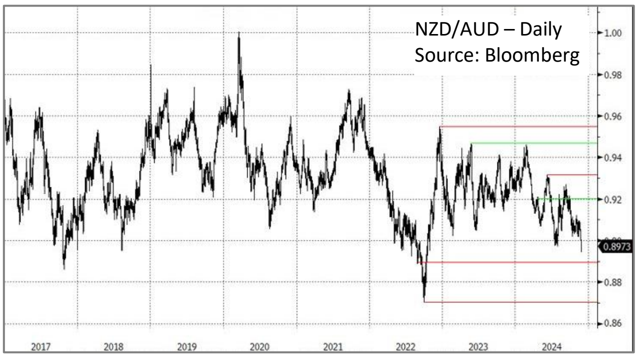
NZD/AUD

Outlook: Downside risk

ST Resistance: 0.91 (ahead of 0.9315)

ST Support: 0.89 (ahead of 0.87)

A break to fresh 2024 lows means support is now lower around 0.89, ahead of 0.87.



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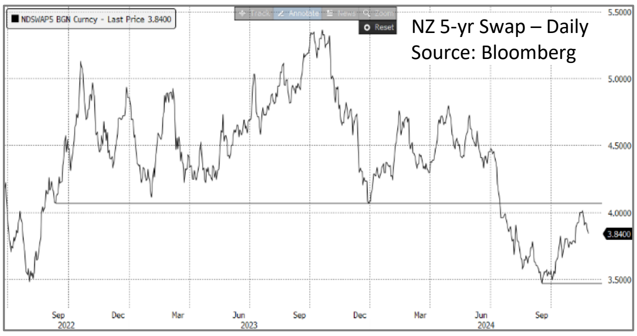
NZ 5-year Swap Rate

Outlook: Lower

ST Resistance: 4.06

ST Support: 3.48

5-year swap saw a significant rally last week from a level just under our resistance. We anticipate this move to continue and as such will retain our received position, targeting our support around 3.5%.



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

Outlook: Steeper

ST Resistance: 0.28

ST Support: -0.10

2x5 year swap spread steepened slightly last week. We expect this trend to continue.

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Quarterly Forecasts

Forecasts as at 25 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	0.5	-1.2	-0.1	0.5	0.8	1.0	1.2	1.1	0.9
Current account (ytd, % GDP)	-7.1	-6.7	-6.7	-6.7	-6.6	-6.2	-5.8	-5.5	-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	3.95	4.50	3.50	3.75	4.15	4.50	4.30	0.20
2025 Mar	4.00	3.75	3.70	4.50	3.20	3.55	4.15	4.25	4.30	0.20
Jun	3.50	3.25	3.45	4.45	2.95	3.35	4.15	4.00	4.25	0.20
Sep	3.00	2.90	3.45	4.45	3.00	3.40	4.20	3.75	4.25	0.20
Dec	2.75	2.90	3.55	4.30	3.15	3.50	4.10	3.50	4.00	0.30
2026 Mar	2.75	2.90	3.65	4.30	3.40	3.65	4.15	3.50	4.00	0.30

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	1.05	1.26	154	0.59	0.90	0.56	0.47	90.3	69.3
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 25 November 2024	March Years Actuals 2022	2023	2024	2025	2026	December Years Actuals 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	3.5	1.9	2.4	6.5	8.9	4.5	1.9
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	-26.1	-21.4	-21.3	-35.6	-28.6	-27.4	-22.3
Current Account - % of GDP	-6.8	-8.7	-6.7	-6.2	-4.8	-6.0	-9.3	-7.1	-6.6	-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	3.70	3.65	2.20	4.30	4.50	3.95	3.55
10-year Govt Bond	3.20	4.35	4.60	4.50	4.30	2.35	4.25	4.65	4.50	4.30
2-year Swap	3.00	5.15	4.91	3.20	3.40	2.22	5.21	4.93	3.50	3.15
5-year Swap	3.20	4.50	4.40	3.55	3.65	2.56	4.62	4.43	3.75	3.50
US 10-year Bonds	2.10	3.65	4.20	4.30	4.00	1.45	3.60	4.00	4.30	4.00
NZ-US 10-year Spread	1.10	0.70	0.40	0.20	0.30	0.90	0.65	0.65	0.20	0.30

(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 25 November			
GE	IFO Expectations Nov	87		87.3
UK	BOE's Lombardelli and Dhingra Speak			
	Tuesday 26 November			
US	Chicago Fed Nat Activity Index Oct	-0.2		-0.28
EC	ECB's Centeno, Lane, and Others Speak			
	Wednesday 27 November			
US	Philadelphia Fed Non-Manufacturing Activity Nov			6
EC	ECB's Centeno Speaks			
UK	BOE's Pill Speaks			
US	New Home Sales Oct	725k		738k
US	Conf. Board Consumer Confidence Nov	111.8		108.7
US	Richmond Fed Manufact. Index Nov			-14
US	Richmond Fed Business Conditions Nov			-4
US	Dallas Fed Services Activity Nov			2
US	FOMC Meeting Minutes Nov-07			
AU	Construction Work Done 3Q	0.40%	-0.40%	0.10%
AU	CPI YoY Oct	2.30%	2.10%	2.10%
AU	CPI Trimmed Mean YoY Oct		3.30%	3.20%
NZ	RBNZ Official Cash Rate Nov-27	4.25%	4.25%	4.75%
CH	Industrial Profits YoY Oct			-27.1%
NZ	RBNZ Press Conference			
NZ	New Residential Lending YoY Oct			26.1%
GE	GfK Consumer Confidence Dec	-18.8		-18.3
	Thursday 28 November			
US	GDP Annualized QoQ 3Q S	2.80%		2.80%
US	Durable Goods Orders Oct P	0.50%		-0.70%
US	Initial Jobless Claims Nov-23	217k		213k
US	Continuing Claims Nov-16	1889k		1908k
US	MNI Chicago PMI Nov	45		41.6
US	Personal Income Oct	0.30%		0.30%

		Median	Fcast	Last
	Thursday (continued)			
US	Personal Spending Oct	0.40%		0.50%
US	PCE Price Index MoM Oct	0.20%		0.20%
US	PCE Price Index YoY Oct	2.30%		2.10%
US	Core PCE Price Index MoM Oct	0.30%		0.30%
US	Core PCE Price Index YoY Oct	2.80%		2.70%
US	Pending Home Sales MoM Oct	-2.00%		7.40%
EC	ECB's Lane Speaks			
NZ	Filled Jobs SA MoM Oct			0.00%
NZ	ANZ Business Confidence Nov			65.7
AU	Private Capital Expenditure 3Q	1.00%	-0.60%	-2.20%
AU	RBA's Bullock Speaks			
EC	Consumer Confidence Nov F			-13.7
EC	Economic Confidence Nov	95.1		95.6
	Friday 29 November			
GE	CPI YoY Nov P	2.30%		2.00%
EC	ECB's Lane Speaks			
NZ	ANZ Consumer Confidence Index Nov			91.2
JN	Jobless Rate Oct	2.50%		2.40%
JN	Tokyo CPI YoY Nov	2.20%		1.80%
JN	Tokyo CPI Ex-Fresh Food YoY Nov	2.10%		1.80%
AU	Private Sector Credit MoM Oct	0.50%	0.50%	0.50%
NZ	Household Credit YoY Oct			3.30%
EC	CPI Estimate YoY Nov	2.30%		2.00%
EC	CPI Core YoY Nov P	2.80%		2.70%
UK	BOE Financial Stability Review			
	Saturday 30 November			
EC	ECB's Guindos and Nagel Speak			
CA	Quarterly GDP Annualized 3Q	1.00%		2.10%
CH	Manufacturing PMI Nov	50.2		50.1
CH	Non-manufacturing PMI Nov	50.4		50.2

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	4.75	4.75	4.75	5.50
1mth	4.45	4.51	4.88	5.58
2mth	4.42	4.44	4.64	5.60
3mth	4.38	4.42	4.55	5.62
6mth	4.16	4.20	4.29	5.66
GOVERNMENT STOCK				
05/26	3.90	4.02	3.77	5.05
04/29	4.09	4.22	3.93	4.91
05/31	4.36	4.45	4.18	4.99
05/34	4.59	4.67	4.42	5.06
04/37	4.83	4.89	4.64	5.20
05/41	5.02	5.07	4.82	5.25
05/51	5.15	5.19	4.92	5.19
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	49	49	52	64
Europe 5Y	58	56	56	70

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.70	3.86	3.61	5.27
3 years	3.70	3.85	3.59	5.05
4 years	3.76	3.91	3.65	4.92
5 years	3.84	3.98	3.74	4.85
10 years	4.20	4.31	4.12	4.92
FOREIGN EXCHANGE				
NZD/USD	0.5854	0.5893	0.5981	0.6098
NZD/AUD	0.8961	0.9057	0.9084	0.9230
NZD/JPY	90.24	91.14	91.67	90.67
NZD/EUR	0.5586	0.5560	0.5531	0.5567
NZD/GBP	0.4648	0.4649	0.4611	0.4830
NZD/CAD	0.8166	0.8259	0.8307	0.8303
TWI	69.1	69.2	69.8	70.9

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