

Research Markets Outlook

9 December 2024

Q3 Contraction Likely

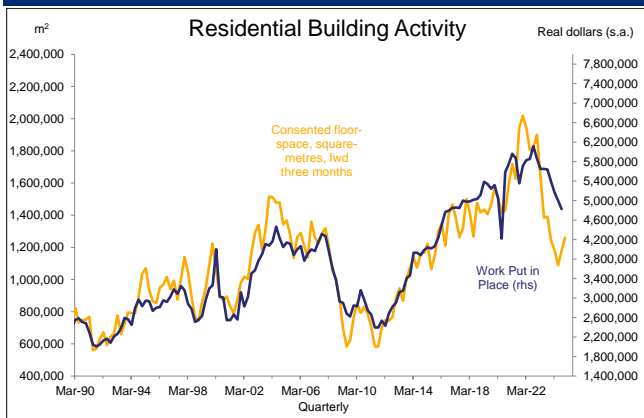
- **Partial indicators to date point to weak Q3 GDP**
- **Manufacturing, wholesale, services data this week**
- **Growth likely to undershoot RBNZ, Budget forecasts**
- **PMI, ECT, migration, tourism, housing data to monitor**

We haven't seen anything recently to dissuade us from our long-held view that the economy contracted in Q3. Indeed, recent indicators have only reinforced the case.

Last week's data added to our conviction that international trade will be a net drag on growth in the quarter because of lower export volumes and higher import volumes. And building work put in place fell a chunky 3.2% q/q in real terms, strengthening our belief that construction activity dropped sharply in Q3.

The decline in building activity (and a sizeable downward revision to Q2) makes sense to us. It seemed only a matter of time before the real building indicators started catching up with the large decline in building consents over the past couple of years. More encouraging for activity through next year, consents have shown some signs of stabilising of late.

Residential building work falls



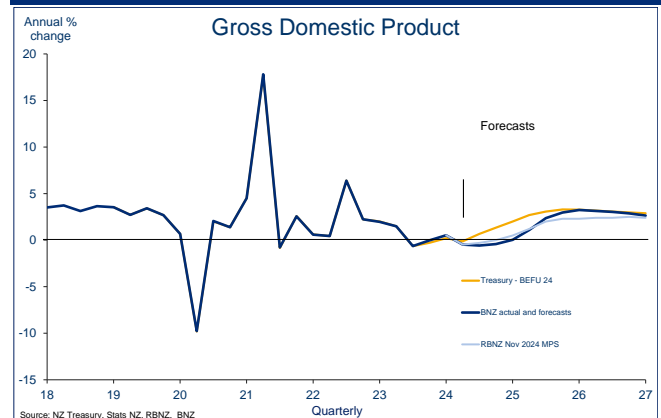
Q3 GDP is scheduled for release next Thursday, 19 December. This week brings the remaining partial indicators for it. Wednesday is heavy with these via the business financial data. We expect these to infer declines in both manufacturing and wholesaling trade, and broadly flat service sector activity (as a whole).

Production looks to have been generally challenged by weak demand in the quarter. And many businesses faced

specific supply side challenges via spiking wholesale electricity prices during winter and associated fuel shortages. We will peruse MBIE's energy statistics due on Thursday to gain further insight to the energy sector outcomes over the period.

After the partial indicators, we will look to finalise our Q3 GDP pick which currently sits at -0.5% q/q. This suggests downside risks to officials' forecasts. This includes the RBNZ, with a -0.2% estimate included in its November MPS. A softer Q3 GDP outcome would not stand in the way of further material monetary policy easing. A much bigger downside surprise looks in store for the +0.5% q/q included in the Treasury's Budget forecasts.

Growth weak



We thought the Budget growth forecasts were at risk of being too optimistic when they were published. That has become increasingly clear over subsequent months. More recently, the Treasury has given clear indication that it too now thinks GDP declined in Q3. This is part of a recent steady stream of commentary from Treasury saying that the economy has been underperforming expectations, suggesting the economic downturn has been deeper, and the recovery may begin later, than forecast in May's Budget.

Ahead of the HYEPU next week, on 17 December, a softer than expected economic performance suggests upward pressure on the fiscal deficit and funding requirements relative to Budget baselines.

While this week's economic indicators have the potential to fine tune our Q3 GDP estimates, the broad picture of

softness is unlikely to be altered. Top-down indicators like the QSBO, HLFS employment and hours worked, and QES paid hours and filled jobs all suggest weakness in the quarter. The uniform direction in these indicators also aligned with the message from the PMI and PSI.

Turning to the rest of the week’s data, Friday’s November PMI will provide its latest pulse check on the manufacturing sector. The PMI dipped to 45.8 in October from September’s 47.0 to remain below the breakeven 50 mark for the 20th consecutive month. October’s PMI outcome broadly matched its average through Q3.

Electronic card transactions data for November are scheduled for release on Thursday. It might be too much of a stretch for transaction values to push above prior year levels just yet. But another monthly gain in these spending indicators, as looks likely, would add to recent tentative signs of improvement. It would add support to our view that retail sales volumes increased in Q4, in what would only be their second quarterly increase in the past three years.

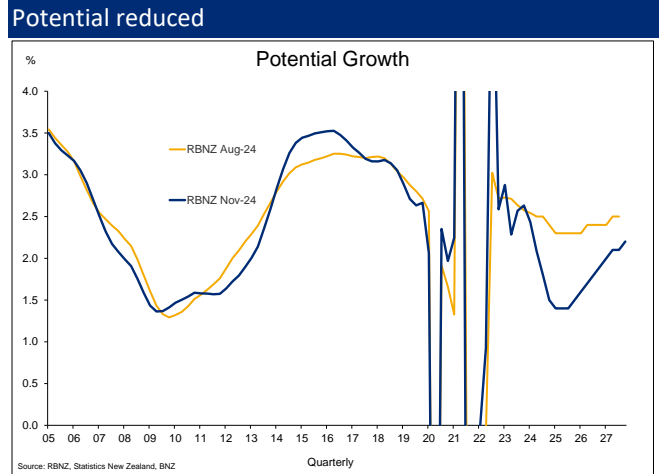
October’s tourism and migration data are due on Friday. Short term visitor arrival numbers are expected to be a few percent higher than a year ago but still well below pre-covid levels for the respective month.

Annual net migrant inflows are set to decline further from the 44,900 recorded in the year to September 2024. It has been a rapid decline from a peak net inflow of over 136,000 people nearly a year ago, as the number of arrivals reduced and the number of departures increased. Markedly reduced net inflows have drastically reduced population growth to 1.2% y/y in Q3 from its heady 3.0% pace a year earlier.

Notably, the RBNZ’s estimate of potential growth has become more sensitive to changes in population, as the Bank outlined in the November MPS. This makes sense in theory. However, it comes with risk that estimates of the output gap could become more sensitive to changes in net migration depending on how well demand measures also capture the influence of population change.

Net migration data are prone to material revision each month, so these will be as important to note as the latest monthly outcome.

The RBNZ is aware of both the demand and supply implications of changes in net migration. Indeed, the Bank assumed in its November MPS that ‘the net effect of lower net immigration on inflation is small’.

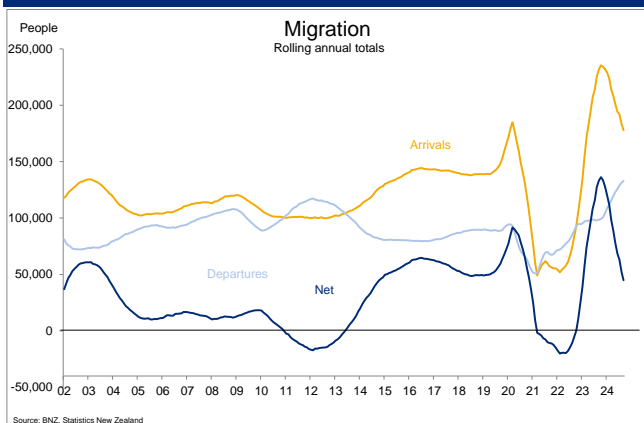


And there are GDP revisions to contend with this quarter too. Stats NZ have already outlined their annual revisions to real GDP. They were chunky including annual average growth for the year to March 2024 being lifted from 0.3% to 1.4%. Next week’s GDP figures will also include changes to seasonal adjustment methodology with potential to alter the quarterly growth profile, particularly over recent years. It is not clear what the revisions will imply for the output gap but it is another thing to assess when the GDP figures are released next week.

Finally, we get housing information for November via QV house price data on Tuesday. We also wouldn’t be surprised to see the REINZ housing report for the month at some point during the week. Recent trends have seen sales well off their lows but still below average, while prices have been marginally trailing year earlier levels. Regional indicators are hinting at some stabilisation and new residential lending has lifted. Lower interest rates will clearly be a strong tailwind for the sector but the headwinds of rising unemployment and moderating net migration inflows will continue to weigh heavily on the market for some time to come.

doug_steel@bnz.co.nz

Big flows, net lower



Global Watch

- **US CPI and PPI, will guide if Fed delivers December cut**
- **RBA to remain firmly on hold**
- **Australia employment data due for November**
- **ECB and BoC decisions, both expected to cut rates**

Week in Review

In Australia, most focus was on October Retail Sales and Q3 GDP. Retail Sales beat at 0.6% m/m vs. the 0.4% consensus, giving promising signs for consumption to pick up in Q4. NAB's view was that it should reduce near-term arguments for cuts based on activity.

Meanwhile Q3 GDP printed in line with NAB's forecasts of 0.3% q/q, but it did disappoint the 0.5% consensus. There was an outsized market reaction with markets now almost fully pricing a full rate cut by April 2025. Given the Q3 GDP outcome was in line with their forecast, our colleagues at NAB saw few implications from the data.

In the US, Fed officials are non-committal on the chances of a December rate cut, being open to the data flow which includes this week's CPI/PPI. Chair Powell said economic strength gives the Fed the ability to take its time. US data flow was mixed with the ISM Manufacturing and JOLTS beating, but the ISM Services missing. The unemployment rate rose to 4.2%, which encouraged the market to lift the chance of the Fed delivering a December cut.

Trump's nominations continue to trickle out. The most important for trade and the prospect of tariffs was Peter Navarro being picked as Trade Adviser. Supporters said it would signal that Trump is determined to follow through on his sweeping campaign-trail tariff proposals.

Elsewhere, there were a few political events that did not have an enduring impact on global markets. South Korea's President declared martial law and then rescinded it soon after following parliament voting against it. The French government collapsed, though limited implications in the near-term as elections cannot be held until July 2025.

Week Ahead

The RBA will remain firmly on hold on Tuesday. NAB anticipate little change in messaging and there are no new forecasts at this meeting. Interest in the post meeting press conference will be on how the RBA is interpreting the only modest growth reacceleration evident in Q3 GDP data. As well as Tuesday's meeting, Deputy Governor Hauser is slated to speak on 'Australia and the Global Economy' on Wednesday night, and Chief Economist Hunter speaks on Friday.

On the data side, Thursday's November employment data is the final top-tier print of the year. NAB pencil in a 25k increase in employment and a tick higher in the unemployment rate to 4.2%. The unemployment rate is

likely to undershoot the RBA's forecast for 4.3% in Q4. Earlier in the week, the NAB Business Survey is released on Tuesday.

In the US, attention turns to CPI on Wednesday and PPI on Thursday with a view to whether the FOMC will deliver a December cut. Expectations are for a fourth consecutive 0.3% m/m core CPI outcome, leaving inflation on track to end the year a bit hotter than the FOMC projected in September.

Elsewhere, markets will be focussed on China's Central Economic Work Conference, reportedly to be held Wednesday and Thursday, with the readout expected to be published Thursday. As usual, hopes are for a clear commitment to support the economic recovery and close the shortfall in domestic demand. Growth and deficit targets are likely to be discussed, but the Conference tends to stop short of specific policy detail. Also during the week are inflation data (Monday), trade (Tuesday) and credit data.

In Europe, the ECB meeting on Thursday takes centre-stage. A 25bp rate cut to a 3% Deposit Rate is NAB's (and the market) expectation. New staff inflation forecasts are likely to bring forward in 2025 the point where the ECB sees sustainable price stability being achieved, thanks to lower economic growth.

Rounding out the run sheet of central banks, the Bank of Canada (Wednesday) and Swiss National Bank (Thursday) will both cut rates, but markets and analysts are split on whether it will be by 25 or 50bps.

UK sees monthly GDP for October. Markets will continue to monitor French bond spreads and the debate around President Macron's selection of a new government. Worth noting though fresh legislative elections cannot be held until July 2025.

In Japan, final Q3 GDP data is expected to be revised up a tenth to 0.3% q/q on the back of upwardly revised business investment, while the Tankan Survey is out Friday.

Important Events Preview

Monday 9

CH CPI & PPI

Chinese inflation data is expected to do nothing to shift the narrative around the shortfall in domestic demand. Analysts expect CPI to lift slightly to 0.4% y/y from 0.3%, and PPI to edge up to -2.8% y/y from -2.9%.

Tuesday 10

AU RBA December meeting & presser

The RBA is universally expected to remain on hold at the December meeting. There are no new forecasts. The post meeting press conference will be closely watched for any

shift in the RBA's assessment following last week's GDP data. NAB expect little shift in messaging and a gradual cutting cycle of 25bps per quarter with a first cut in May.

AU NAB Business Survey

Wednesday 11

AU RBA's Hauser

RBA Deputy Governor Andrew Hauser speaks at the ABE Annual Dinner in Sydney on 'Australia and the Global Economy.' It is unclear how much more he will add given the Governor will have spoken already in the post-Meeting press conference.

US November CPI

US core CPI is expected to show a fourth consecutive 0.3% m/m increase November. That would leave the y/y rate at 3.3% and suggest progress on inflation has stalled in recent months. CPI is the key data print in the run up to the December FOMC. FOMC officials will be moving more cautiously given the strength in recent data flow and fewer fears about downside labour market risks.

CA Bank of Canada

The Bank of Canada is likely to cut its policy rate by 50bps, with a smaller 25bps cut an outside chance. Growth is weak and inflation near target, leaving the BoC on track to continue lowering its policy rate, but some tentative signs of a pickup in consumer spending may see the BoC revert to a 25bp increment after a 50bp cut at its October meeting.

Thursday 12

AU Employment

NAB pencil in a 25k employment gain in November and a tick higher in the unemployment rate to 4.2%. The RBA in their November SoMP forecast an unemployment rate averaging 4.3% in Q4. It is likely to come in a little below that.

Australian Employment growth has been exceptionally strong, more than keeping pace with elevated population growth and leaving the unemployment rate little changed over the past six months.

EZ ECB Monetary Policy Meeting

Our colleagues at NAB expect the ECB to cut rates by 25bps to a 3% Deposit Rate at its final meeting of 2024. They do however expect the ECB to debate whether a 50bps cut is warranted and it may well be the preference of a very small minority. The backstory to ECB easing is increasing confidence that sustainable price stability at 2% will be achieved earlier than the end 2025 forecast – thanks to weaker economic growth.

Some ECB officials have commented this may be achieved by mid-2025. New staff inflation and growth forecasts on the 12th will bring the forecast date for price stability forward from end-2025. In NAB's ECB rate track update, they brought forward the three 25bp cuts for 2025 to the Jan, Mar and Jun meetings, with the risk that Jun becomes Apr.

SZ SNB Policy Rate

The SNB is set to lower policy rates from 1.0% with markets split between a 25bp or a 50bp cut.

US PPI & Jobless claims

PPI data will, as usual, fill out much of the detail for the Fed's preferred PCE inflation measure. Inflation data so far is on track to end the year a little above the Fed's September expectation, and the run of PCE prints over the next few months is unlikely to match the run of good news seen in Q2 and Q3.

Friday 13

AU RBA's Hunter

RBA Assistant Governor (Economic) Sarah Hunter speaks at a lunch in Adelaide.

JN Tankan Survey

GE Germany Bundesbank Semi-Annual Forecasts

UK October Monthly GDP, BoE/Ipsos Inflation 12m Ahead

matt_brunt@bnz.co.nz

Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

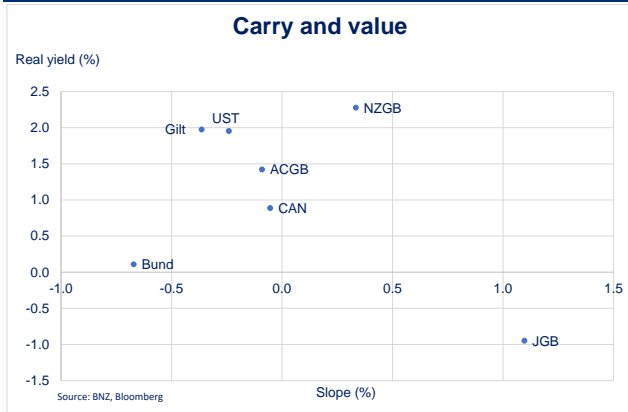
NZ swap rates declined last week with a modest steepening bias. 2-year rates have retraced towards the September lows, and we expect a further decline with the curve likely to continue to steepen, as the RBNZ easing cycle progresses in 2025. Swaps outperformed the government curve with 10-year swap spreads returning to the multi-year lows from October.

Recent commentary from government officials points towards an increase in funding requirements at the Half Year Economic and Fiscal Update (HYEFU) on December 17. Finance Minister Nicola Willis mentioned a ‘fiscal deterioration’ and declining revenue from company tax. This follows commentary from the Treasury, outlining downside risks to economic and tax revenue projections.

The last NZGB tender for the calendar year will take place on Thursday and issuance will pause till late January. We will likely get additional details on any upcoming syndications at HYEFU. The remaining tap syndication of an existing nominal line - there was three syndicated transactions announced alongside the Budget in May - is likely to be undertaken in the first quarter of next year. We expect an intermediate to longer maturity will be tapped with the May-2035 line a potential candidate.

Although NZGB cross market spreads against US treasuries (UST) and Australian government bonds (ACGB) have rebounded in recent sessions they remain narrow in a historical context. The spread compression over recent months has been supported by a fundamental divergence across economies, and the associated central bank response.

Cross market value and carry screening for 10Y bonds

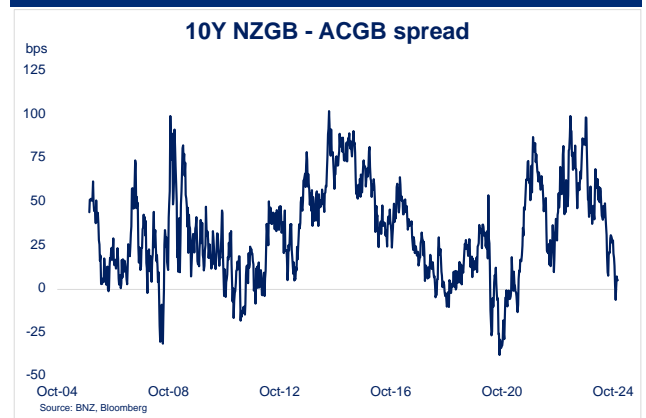


NZGBs screen positively within core fixed income markets with high real yields and a relatively steep curve. 10-year NZGBs have recently moved above cash funding rates for the first time since early 2023. Positive carry and roll offer investors greater compensation for taking duration risk. Although there is scope for 10-year NZ-UST and NZ-ACGB

to tighten modestly, we think the bulk of a move has now occurred. Elevated NZGB supply to fund the fiscal deficit and quantitative tightening, requires a premium to keep non-residents, who absorb the bulk of the issuance, engaged.

Over the past twenty years, there have been few instances where the NZGB-ACGB spread has remained negative for any length of time. The most pronounced period was when the RBNZ was actively considering a negative policy rate during the pandemic.

Negative NZGB-ACGB spreads are atypical



Drivers for the NZ rates market this week include high frequency activity indicators and GDP partials. Weak growth has supported the RBNZ’s front loaded easing cycle. Our Q3 forecast for the economy to contract by 0.5% in the September quarter is below the Bank’s November Monetary Policy Statement projection. The main global risk event is US CPI. The market firmed expectations for a 25bp cut at the December FOMC after the US unemployment rate increased to 4.2% last week.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	4.33	4.32 - 4.49
NZ 2yr swap (%)	3.62	3.57 - 3.97
NZ 5yr swap (%)	3.69	3.59 - 4.04
NZ 10yr swap (%)	3.99	3.91 - 4.36
2s10s swap curve (bps)	38	29 - 50
NZ 10yr swap-govt (bps)	-38	-39 - -30
NZ 10yr govt (%)	4.37	4.34 - 4.67
US 10yr govt (%)	4.15	4.13 - 4.50
NZ-US 10yr (bps)	21	8 - 29
NZ-AU 2yr swap (bps)	-25	-43 - -19
NZ-AU 10yr govt (bps)	14	-2 - 16

*Indicative range over last 4 weeks

stuart_ritson@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week, commodity currencies underperformed, falling between about 1-2%. Worst performing was the AUD, down 1.9%, not helped by weaker than expected Q3 GDP data. NZD/USD was dragged down, falling 1.4% for the week to 0.5830, fully unwinding the gain over the prior week. NZD/AUD rose to a two-month high, closing the week at 0.9125. The NZD was down close to 1½% against GBP, EUR and JPY, with those majors showing little net change against the USD for the week.

Despite higher risk appetite last week, with our index up to a six-month high of 79%, the NZD underperformed alongside other commodity currencies. Ironically, NZ’s commodity price index continues to strongly increase. ASB’s NZ export commodity price index (in USD terms) has risen to a 16-month high and is up over 11% year to date. NZ’s soft commodities, particularly dairy products, are doing very well, driving much stronger NZ terms of trade. Clearly, higher NZ commodity prices are not currently a key influence for the NZD, and they haven’t been all year, contributing to a breakdown of our NZD fair value model this year.

NZD weakness last week was partly explained by a softer than expected Australian GDP print for Q3 which dragged down the AUD. GDP rose 0.3% q/q. A miss of only two-tenths relative to the consensus would not normally see such a large AUD reaction, but clearly positioning in the rates and FX market exaggerated the move. Australia’s 2-year swap rate fell 12bps last week and the market brought forward the timing of the first full RBA rate cut by six weeks to April. Higher NZ-Australian interest rates across the curve supported a lift in the NZD/AUD cross rate.

The key US employment report – with the unemployment rate rising to 4.25% – was not too hot or too cold and encouraged the market to lift the chance of the Fed cutting its policy rate by 25bps at next week’s policy meeting – with 21bps now priced. Only a strong CPI print this week could reverse that move and bring “on hold” policy into play. The range of Fed speakers continued to convey the policy outlook as data dependent. Speaking ahead of the employment report, influential Fed Governor Waller indicated that he was leaning towards a 25bps rate cut unless data were stronger than expected. A strong consensus is developing where the Fed cuts next week, but then significantly slows the pace of easing next year, including a pause at the January meeting.

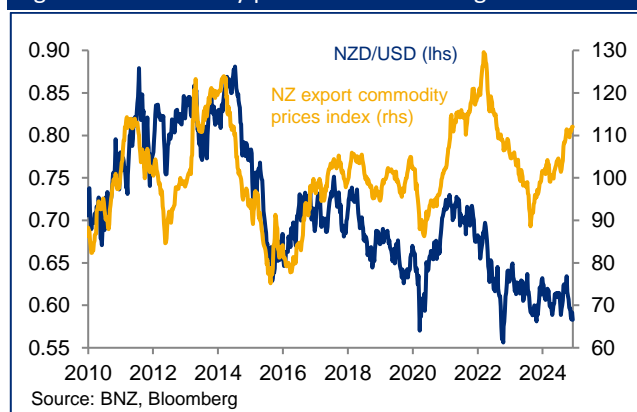
In the week ahead, the RBA, Bank of Canada and ECB all meet. The RBA meeting is a dead rubber, with the Bank likely to repeat recent messaging and with no new forecasts published. The Bank of Canada is likely to cut its policy rate by 50bps, with a smaller 25bps cut an outside

chance. The ECB is widely expected to cut its policy rates by 25bps. None of these decisions should surprise the market.

US inflation data are a bigger risk event for FX markets, with the CPI on Wednesday night followed by the PPI the following night. An upside surprise would see higher US rates and a stronger USD, with the market likely switching to the Fed pausing next week in that scenario, while an in-line outcome or downside surprise would reinforce expectations for a 25bps cut. Australia’s labour market report is the only other release worth noting as a potential market mover.

We continue to see NZD/USD in a consolidating pattern through the rest of the year, with some modest upside risk after key central bank policy meetings are out of the way from the end of next week. Thereafter, in early 2025 we await the inauguration of Donald Trump on 20 January and his first policy moves the day after. From that point on, downside risk to the NZD is expected to prevail in the lead-up to increases in import tariffs.

Higher NZ commodity prices not influencing NZD



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5916	0.5800 - 0.5980
NZD/AUD	0.9077	0.8940 - 0.9100
NZD/GBP	0.4643	0.4610 - 0.4680
NZD/EUR	0.5593	0.5530 - 0.5640
NZD/JPY	88.56	88.50 - 92.00

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models		
	Model Est.	Actual/FV
NZD/USD	0.6950	-15%
NZD/AUD	0.8650	5%

Jason.k.wong@bnz.co.nz

Technicals

NZD/USD

Outlook: Downside risk
 ST Resistance: 0.6040 (ahead of 0.62)
 ST Support: 0.5800 (ahead of 0.5625)

We put near-term support at 0.5800, or a little under (could extend to 0.5775), and resistance at 0.6040.



NZD/AUD

Outlook: Trading range
 ST Resistance: 0.92 (ahead of 0.9315)
 ST Support: 0.89 (ahead of 0.87)

The recent sharp recovery reduces the immediate threat of breaking below support at 0.89. Next minor resistance level at 0.92, ahead of 0.9315.



jason.k.wong@bnz.co.nz

NZ 5-year Swap Rate

Outlook: Lower
 ST Resistance: 4.06
 ST Support: 3.48

5-year swap saw volatile price action last week closing slightly lower on the week. We will watch closely to see if the reversal higher stifles the downward momentum over the month of December.



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

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

2x5 year swap spread initially continued its momentum lower before bouncing sharply off the flat level we were watching as potential support.



NZ 2yr 5yrSwap Spread – Daily
 Source: Bloomberg

matthew.herbert@bnz.co.nz

Quarterly Forecasts

Forecasts as at 9 December 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	-0.5	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	-6.7	-6.4	-5.9	-5.7	-5.3	-5.0
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	-0.6	-0.4	0.0	1.1	2.4	3.0	3.2

Interest Rates

Historical data - qtr average

Forecast data - end quarter

	Cash	Government Stock			Swaps			US Rates		Spread NZ-US Ten year
		90 Day Bank Bills	5 Year	10 Year	2 Year	5 Year	10 Year	Libor 3 month	US 10 yr	
2023 Mar	4.58	4.99	4.27	4.26	5.11	4.51	4.40	4.90	3.65	0.61
Jun	5.42	5.62	4.23	4.27	5.19	4.44	4.30	5.40	3.60	0.68
Sep	5.50	5.66	4.87	4.87	5.54	4.90	4.75	5.65	4.15	0.73
Dec	5.50	5.64	4.90	5.07	5.28	4.85	4.90	5.65	4.45	0.64
2024 Mar	5.50	5.66	4.44	4.68	4.92	4.40	4.45	5.60	4.15	0.53
Jun	5.50	5.63	4.56	4.74	5.01	4.53	4.60	5.60	4.45	0.30
Sep	5.33	5.30	3.96	4.31	4.05	3.80	4.05	5.35	3.95	0.37
Forecasts										
Dec	4.25	4.25	3.95	4.50	3.50	3.75	4.15	4.70	4.30	0.20
2025 Mar	4.00	3.75	3.70	4.50	3.20	3.55	4.15	4.45	4.30	0.20
Jun	3.50	3.25	3.45	4.45	2.95	3.35	4.15	4.20	4.25	0.20
Sep	3.00	2.90	3.45	4.45	3.00	3.40	4.20	3.95	4.25	0.20
Dec	2.75	2.90	3.55	4.30	3.15	3.50	4.10	3.70	4.00	0.30
2026 Mar	2.75	2.90	3.70	4.30	3.45	3.70	4.15	3.70	4.00	0.30

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.58	0.64	1.06	1.27	150
Dec-24	0.60	0.66	1.05	1.27	153
Mar-25	0.58	0.65	1.04	1.27	155
Jun-25	0.57	0.64	1.05	1.27	155
Sep-25	0.59	0.66	1.06	1.28	153
Dec-25	0.60	0.67	1.07	1.28	150
Mar-26	0.62	0.69	1.08	1.29	144
Jun-26	0.64	0.71	1.11	1.32	140
Sep-26	0.65	0.72	1.13	1.34	135

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.58	0.91	0.55	0.46	87.5	69.1
Dec-24	0.60	0.90	0.57	0.47	91.0	70.0
Mar-25	0.58	0.89	0.56	0.46	89.9	69.0
Jun-25	0.57	0.89	0.55	0.45	88.4	68.8
Sep-25	0.59	0.89	0.55	0.46	89.5	69.6
Dec-25	0.60	0.89	0.56	0.47	89.3	70.1
Mar-26	0.62	0.89	0.57	0.48	88.6	71.5
Jun-26	0.64	0.89	0.57	0.48	88.9	72.7
Sep-26	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 9 December 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	1.0	2.1	7.4	3.4	0.4	0.8	1.8
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	-2.4	2.5	12.0	3.4	-1.2	-3.1	0.8
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	0.4	2.3	10.0	3.5	-1.8	0.1	1.6
Exports	2.5	5.6	8.6	1.2	5.1	-2.7	-0.8	11.4	3.2	3.9
Imports	17.2	4.4	-1.3	2.7	4.4	14.8	4.7	-0.6	2.5	3.9
Real Expenditure GDP	4.7	2.6	0.7	-0.1	2.3	5.9	2.2	0.9	0.3	1.4
GDP (production)	4.6	2.7	0.3	-0.4	2.4	5.6	2.4	0.7	-0.2	1.6
<i>GDP - annual % change (q/q)</i>	<i>0.6</i>	<i>2.0</i>	<i>0.5</i>	<i>0.0</i>	<i>3.2</i>	<i>2.6</i>	<i>2.2</i>	<i>0.0</i>	<i>-0.4</i>	<i>3.0</i>
Output Gap (ann avg, % dev)	1.4	2.0	0.1	-1.4	-0.9	1.6	2.1	0.5	-1.1	-1.2
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	0.2	1.0	3.6	0.2	-2.4	-0.1	1.0
Unit Labour Costs (ann av %)	4.6	6.5	8.3	3.6	1.9	2.4	6.5	8.9	4.5	2.0
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	-26.8	-22.1	-21.3	-35.6	-28.6	-27.9	-23.1
Current Account - % of GDP	-6.8	-8.7	-6.7	-6.4	-5.0	-6.0	-9.4	-7.1	-6.7	-5.3
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	3.70	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	3.45	2.22	5.21	4.93	3.50	3.15
5-year Swap	3.20	4.50	4.40	3.55	3.70	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		Median	Fcast	Last
Monday 09 December				AU Unemployment Rate Nov	4.20%	4.20%	4.10%
JN GDP SA QoQ 3Q F	0.30%		0.20%	SZ SNB Policy Rate Dec-12	0.75%		1.00%
CH PPI YoY Nov	-2.80%		-2.90%	Friday 13 December			
CH CPI YoY Nov	0.40%		0.30%	EC ECB Deposit Facility Rate Dec-12	3.00%		3.25%
EC Sentix Investor Confidence Dec	-12.3		-12.8	US PPI Ex Food and Energy MoM Nov	0.20%		0.30%
CH New Yuan Loans CNY YTD Nov	17515b		16520b	US PPI Ex Food and Energy YoY Nov	3.20%		3.10%
CH Aggregate Financing CNY YTD Nov	29716b		27060b	US Initial Jobless Claims Dec-07	220k		224k
Tuesday 10 December				US Continuing Claims Nov-30	1878k		1871k
UK BOE's Ramsden Speaks				EC ECB's Lagarde Speaks			
US Wholesale Trade Sales MoM Oct			0.30%	NZ BusinessNZ Manufacturing PMI Nov			45.8
US NY Fed 1-Yr Inflation Expectations Nov			2.87%	NZ Net Migration SA Oct			2310
AU NAB Business Confidence Nov			5	JN Tankan Large Mfg Index 4Q	13		13
AU RBA Cash Rate Target Dec-10	4.35%	4.35%	4.35%	UK GfK Consumer Confidence Dec	-18		-18
GE CPI YoY Nov F	2.20%		2.20%	AU RBA's Hunter-Speech			
CH Trade Balance CNY Nov			679.10b	JN Industrial Production MoM Oct F			3.00%
Wednesday 11 December				GE Trade Balance SA Oct	15.7b		17.0b
US NFIB Small Business Optimism Nov	94.5		93.7	UK Industrial Production MoM Oct	0.30%		-0.50%
NZ Mfg Activity Volume QoQ 3Q			0.60%	UK Monthly GDP (MoM) Oct	0.10%		-0.10%
NZ Business Financial Data 3Q				UK Manufacturing Production MoM Oct	0.20%		-1.00%
AU RBA's Hauser-Speech				UK Trade Balance GBP/Mn Oct	-£3250m		-£3462m
Thursday 12 December				EC ECB's Holzmann Speaks			
US CPI Ex Food and Energy MoM Nov	0.30%		0.30%	UK BoE/Ipsos Inflation Next 12 Mths Nov			2.70%
US CPI Ex Food and Energy YoY Nov	3.30%		3.30%	EC Industrial Production SA MoM Oct	-0.10%		-2.00%
CA Bank of Canada Rate Decision Dec-11	3.25%		3.75%	EC Bundesbank Publishes Semi-Annual Forecasts			
NZ Card Spending Total MoM Nov			0.40%	Saturday 14 December			
AU RBA's Jones-Speech				EC ECB's Centeno Speaks			
AU Employment Change Nov	25.0k	25.0k	15.9k				

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	4.25	4.25	4.75	5.50	2 years	3.62	3.69	3.84	5.22
1mth	4.38	4.38	4.62	5.57	3 years	3.59	3.64	3.82	4.96
2mth	4.39	4.39	4.49	5.60	4 years	3.63	3.66	3.87	4.81
3mth	4.33	4.36	4.45	5.63	5 years	3.69	3.71	3.94	4.74
6mth	4.09	4.11	4.23	5.67	10 years	3.99	4.02	4.27	4.75
GOVERNMENT STOCK					FOREIGN EXCHANGE				
05/26	3.77	3.82	3.99	4.98	NZD/USD	0.5841	0.5888	0.5964	0.6124
04/29	3.92	3.89	4.11	4.79	NZD/AUD	0.9139	0.9094	0.9072	0.9324
05/31	4.16	4.13	4.36	4.86	NZD/JPY	87.55	88.07	91.67	89.50
05/34	4.38	4.34	4.60	4.94	NZD/EUR	0.5531	0.5609	0.5597	0.5689
04/37	4.63	4.59	4.83	5.08	NZD/GBP	0.4587	0.4652	0.4635	0.4877
05/41	4.84	4.79	5.01	5.15	NZD/CAD	0.8267	0.8270	0.8304	0.8312
05/51	4.97	4.92	5.14	5.10	TWI	69.0	69.9	70.0	71.5
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	47	47	47	61					
Europe 5Y	53	56	54	67					

Contact Details

BNZ Research

Stephen Toplis

Head of Research

Doug Steel

Senior Economist

Matt Brunt

Economist

Jason Wong

Senior Markets Strategist

Stuart Ritson

Senior Interest Rate Strategist

Mike Jones

BNZ Chief Economist

Main Offices

Wellington

Level 2, BNZ Place
1 Whitmore St
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch

111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.