13 January 2025

Economic Turning Points Are Messy

- **Economic recovery expected this year**
- **But it will take time to feel like it**
- **Near term inflation looking more problematic**
- **As NZD drops, oil prices rise**
- **QSBO to guide on activity, labour market, inflation**
- **Selected prices, PMI also of interest**
- **Filled jobs up in Nov, but not as strong as they look**

Welcome to 2025 and our first Markets Outlook for the year. Happy New Year!

Economic growth is expected to start recovering this year. We forecast the economy to grow by 1.2% in 2025. It may not be much, but it would be better than the 0.6% contraction we estimate occurred in 2024.

Expect more talk about economic recovery as the year progresses. But we caution that it might not feel like recovery until later in the year or perhaps even into 2026. This is because, even if economic activity picks up as expected, it will remain below potential. And the labour market is expected to lag, as it usually does, such that the unemployment rate is expected to push a bit higher before peaking.

Economic turning points are messy. Some indicators lurch higher, like business confidence. Other less-timely indicators look weak, think falling GDP. While many others are volatile and often especially so at turning points.

Last year finished with Q3 GDP figures that were weak, strong, and soft all that the same time! Weak because activity fell 1% q/q and followed (a revised) 1.1% q/q drop in Q2. Stronger because historical revisions saw the level of GDP in Q2 1.4% higher than previously published. And soft because the output gap during the middle of last year now looks a bit more negative using a simple filter through the GDP figures. The balance of that points to more disinflationary pressure over the medium term. And nothing there to stand in the way of the RBNZ continuing to lower the OCR.

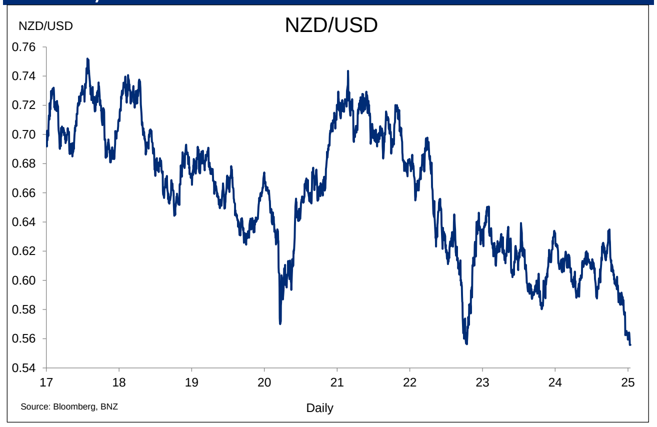
However, some market movements over the NZ summer break will give the Bank more to consider. These include:

- The NZD/USD dipping below 0.56. And the NZ TWI, at 67.3, is about 3.2% below what was included in the November MPS projections. This is an easing in monetary conditions.
- Crude oil prices have lifted 10% since just before Christmas. The RBNZ projections had oil prices trending lower.
- Global longer term bond rates have continued to rise with the UST 10-year rate up around 20 basis points since just before Christmas providing a backdrop for the NZ equivalent to also push upward. The latter represents some tightening in monetary conditions, although shorter term rates have moved less on net from pre-Christmas levels.

The combination of a lower currency and higher crude oil prices has put more upward pressure on local fuel prices than we had pencilled into our CPI projections.

Retail petrol prices have lifted around 8c/litre since the end of last year and with crude oil rising and the NZD falling it is reasonable to assume a further push higher. We have fed this through our CPI estimates and it adds 0.3% to our Q1 CPI pick which now stands at 0.9% q/q and 2.5% y/y. Perhaps more importantly, annual CPI inflation stays at 2.5% for three consecutive quarters. This will tend to have an impact on inflation expectations too.

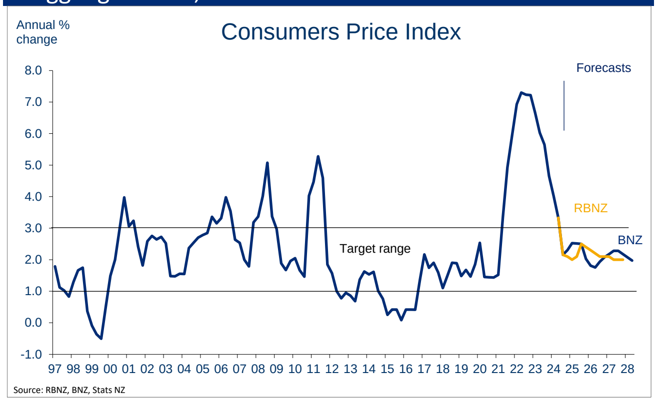
Currency weaker



The RBNZ has said it will look through short term shocks which is entirely appropriate, but such movements will be disconcerting nonetheless.

Moreover, we have not yet made any additional adjustments for the currency's recent weakness. Back of the envelope suggests the NZ TWI weakness would add roughly 0.3% to the RBNZ's inflation forecasts. Some of this will be caught in the petrol price movement but most will not. This adds further upside risk to our, and the RBNZ's, CPI forecasts.

Wriggling around, but within the band



There's a lot of water to go under the bridge yet but the anticipated 50 basis point cut by the RBNZ in February should not be considered a done deal. Indeed, we think there is much more chance of a 25 than a 75.

Short term CPI movements aside, we are still believers that CPI inflation is broadly under control so there is little standing in the way of significant RBNZ cuts in due course.

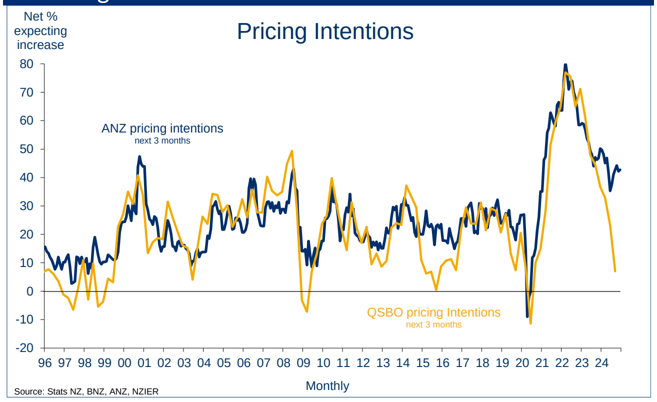
This week cranks up the domestic data flow for the New Year. Tomorrow's QSBO is the first major release of the year giving its usual timely and superb guidance on activity, the labour market, and pressures on pricing. We will be most interested in:

- Signs that the economy is on the turn in such things as domestic activity, profitability, and investment intentions.
- Guidance on the labour market including employment and the degree of market slack via the survey's difficulty in finding labour and labour as a constraint on output indicators. We expect these to be consistent with the unemployment rate still trending upwards.
- Firm's pricing intentions and cost pressures as an assessment on near term inflation.
- Other indicators on resource use like capacity utilisation and sales as a major constraint on output as medium-term inflation gauges.

Pricing intentions in the QSBO have been materially lower than the equivalent measure from the monthly ANZ business survey. The previous read on the former suggests annual CPI inflation could threaten the bottom of the RBNZ's inflation target range, while the latter suggests something above the band. Our CPI forecasts are still nestled in the middle and still comfortably within the RBNZ's target range.

It is probably too soon for the full effects of the latest currency and oil price movements to be reflected in the QSBO price and cost indicators.

Mixed signals



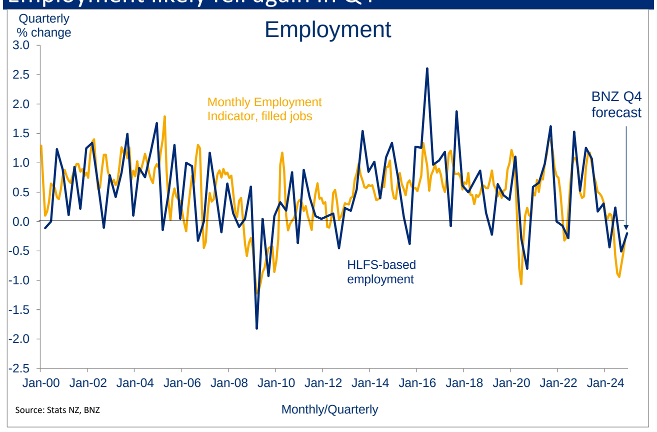
Sticking with inflation, monthly Selected Prices for December will be released on Thursday. Well, most of them will be. Stats NZ advised last week that this week's data will not include rent figures for December. Stats NZ require more time to integrate the data supplied by the Ministry of Business, Innovation & Employment following a system upgrade. This means that for Q4 CPI, which will be released on 22 January, the rent price will use the October and November 2024 data. At the margin, this will likely have a mild downward influence on Q4 CPI which will likely unwind in Q1. Something to be aware of but nothing to disturb policy thoughts.

We don't forecast all the monthly prices, but look for them collectively to be consistent with our Q4 CPI forecast of 0.6% q/q and 2.3% y/y. This includes a 0.2% m/m increase in food prices in December (with annual inflation likely to trend higher as a lower NZD and higher commodity prices filter through) and another nudge higher in fuel prices.

The data flow for the week is already underway with this morning's employment indicators and building consents both for the month of November.

Filled jobs rose 0.3% m/m, their first increase in eight months. But beware that initial monthly estimates have tended to be revised lower in subsequent releases. Indeed, November's gain is not as strong as it looks. Revisions to prior months sees the level of filled jobs in October 0.2% lower than previously published. The November lift is off a lower base and there are 1.2% fewer filled jobs than a year ago.

Employment likely fell again in Q4



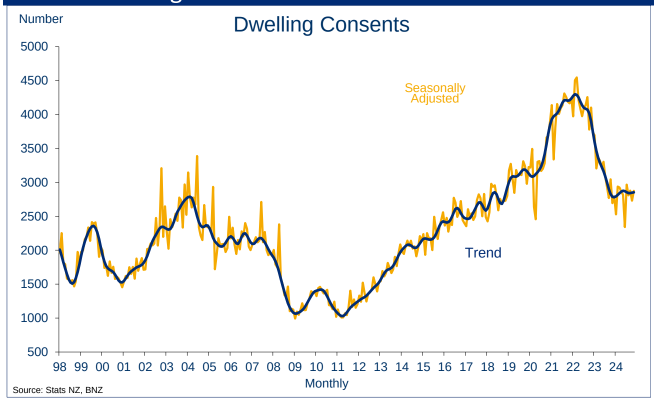
The filled jobs run rate through Q4 to date is still negative and broadly inline with our -0.2% q/q pick for HLFS employment for the quarter.

The good news is that the trend negativity in today's filled jobs appears to be lessening. It is a step in the right direction. And with working age population growth slowing, alongside reduced net migrant inflows, the upward pressure on the unemployment rate is likely starting to abate.

The building consents data could well be put in the 'especially volatile around turning points' basket. The 5.3% m/m gain in November's residential building consents essentially reverses their 5.2% m/m drop in the prior month. November's lift was driven by 'townhouses, flats, and units'. On a three-month smoothed basis, the number of consents is broadly flat compared to a year ago. The trend is consistent with our view that consents are forming a base, and we expect some improvement in 2025.

But that is not to deny much reduced consenting activity. For the 12 months to November, residential building consents are around 12% lower than a year ago. Lower building demand is reflected in less building cost inflation. Recent CoreLogic figures revealed annual building cost inflation easing to 1.1% in Q4, down from 2.4% a year earlier, and well down from a record 10.4% in the year before that.

Consents basing



The week's data rounds out with December's PMI on Friday. The PMI will give its usual update on the manufacturing sector. The PMI (and its sister survey PSI for the service sector) gave a clear guide to extreme economic weakness through the middle of last year in a significantly more-timely fashion than the likes of the official GDP figures. That adds to the interest in what these timely indicators say about activity into the end of last year and whether there are any signs of change underway. November's PMI indicated another month of contraction with a reading of 45.5.

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Global Watch

- **US CPI & PPI; concern progress in disinflation has stalled**
- **AU unemployment likely to undershoot RBA's forecast**
- **UK monthly CPI and GDP data due**
- **China activity data released for Q4**

Week in Review

In Australia, the November CPI Indicator showed a moderation in insurance inflation and a fall in new dwelling costs. Inflation had been shaping up as more benign than the RBA's November outlook, and with the November detail in hand the Q4 print is likely to be better still than the 'modest downside risk' characterised in the RBA's December board meeting minutes. Elsewhere, Vacancies data recorded their first increase in 9 quarters, up 4.2% in the three months to November.

The third data point of note in Australia was retail sales, which reflected the usual Black Friday bounce but was a little below expectation at 0.8% m/m. The magnitude of December payback will be important for confirming the pulse of spending, but NAB's read is that the modest downside surprise is due to seasonal factors better capturing Black Friday, not an underlying weaker reading.

Overall, while inflation is constructive and the labour market is not particularly wage inflationary, conditions in the labour market are not creating much urgency while the RBA's forecasts for an acceleration in activity growth remain intact.

Week Ahead

Australia Employment data for December is published Thursday and is the final labour market reading ahead of the RBA's February 18 decision. The November data surprised lower, with the unemployment rate dipping to 3.9%, leaving is comfortably below the RBA's November forecast for 4.3% on average through Q4.

Our colleagues at NAB pencil in an unemployment rate of 4.0% on an employment gain of 5k in December. There is a risk of a negative employment outcome in December but NAB caution against taking the December employment gain at face value and would put more stick in the unemployment rate. A shift in the timing of employment growth saw low measured outcomes in December 2022 and December 2023.

In the US, inflation dominates the data calendar. PPI is on Tuesday, unusually a day ahead of the CPI print on Wednesday. Early forecasts for Core CPI (Ex Food and Energy) are split between a 0.2% m/m and a fifth consecutive 0.3% outcome. Also on the data calendar is retail sales on Friday, expected to show still robust consumer spending through Q4. The Beige Book is on Wednesday.

As well as the data calendar, earnings season kicks off, with banks in focus. Citigroup, JPMorgan, Goldman Sachs, Bank of New York Mellon, Wells Fargo and BlackRock all report Wednesday, followed by Bank of America and Morgan Stanley on Thursday. On the political side, Senate confirmation hearings for Trump appointees will be in focus, with Bessent (Treasury) reportedly likely to take place Thursday.

In Europe, the data calendar is quiet beyond final CPI on Friday. There are a few ECB speakers on the docket, including Chief Economist Lane on Monday in Hong Kong and Villeroy on Wednesday.

The UK December CPI data is on Wednesday, where focus will remain on the stubborn core and services inflation measures. Monthly GDP data follows on Thursday.

In China, trade numbers are published Monday ahead of Q4 GDP figures on Friday. The full year growth target of 5% is in sight, though the risk is it falls short. The consensus is for year-average growth of 4.9% and Q4 gain that reflects some pickup from soft midyear outcomes at 1.6% q/q.

Important Events Preview

Monday 13

CH Trade Balance
Chinese trade numbers may show some signs of front-loaded export demand given tariff fears. Expectations are for a pickup in the y/y growth rate from 6.7% in November.

Tuesday 14

AU Consumer Confidence

US PPI
PPI is unusually released a day before CPI this month, meaning that additional detail useful for mapping through to PCE will be in hand when the CPI is released.

Wednesday 15

US Core CPI (Ex Food and Energy)
Forecasts are split between a 0.2% m/m outcome and a 0.3%. Coming after 4 consecutive 0.3% prints, more of the same would do nothing to dissuade FOMC members from their concern progress in disinflation has stalled.

UK CPI
Base effects after a 5% m/m fall in fuel prices a year ago puts upward pressure the year-ended rate, risking a tick higher from 2.6%. The BoE in November forecast 2.5%. The services measure will also be in focus, the BoE in November saw it falling 3 tenths to 4.7% from 5.0%.

Thursday 16

AU December Employment
Australian unemployment dipped to 3.9% in November. In trend terms, unemployment at 4.0% is where it was in March 2024 and labour demand indicators have generally stabilised near reasonably healthy levels. Slow growth has not translated into spare capacity in the labour market.

Our colleagues at NAB pencil in an unemployment rate of 4.0% in December on an employment gain of just 5k. The December employment print should be interpreted with caution, given weak outcomes were measured in December in both 2022 and 2023 as the timing of employment growth shifted. The unemployment rate was not affected by these seasonality shifts but is liable to jump higher temporarily in next month's data, should the pattern of greater-than-usual numbers of people with jobs they are waiting to start, continue.

The RBA as recently as November assessed an unemployment rate around 4.5% was consistent with full employment, and unemployment has sharply undershot their November forecast for an average of 4.3% through Q4. Even so, their December update sharply moderated their assessment of how tight the labour market is. The current labour market is not particularly wage inflationary, churn has slowed sharply, and job search is taking longer, meaning the labour market doesn't necessarily need to weaken for confidence on inflation to build.

US Retail Sales
Forecasts see retail sales up another 0.6% m/m in December, which would keep Q4 consumption annualising a little above 3% and supportive of Q4 growth even as private investment weighs in the quarter.

UK Monthly GDP

Friday 17

CH GDP
Chinese Q4 GDP data is expected to improve from the sluggish mid-year growth outcomes at 1.6% q/q, enough to lift the y/y rate to 5.0% and year-average growth up to 4.9% compared to the full year growth target of around 5%, though the risk is that it falls short of that number. Monthly retail sales and industrial production outcomes are released at the same time.

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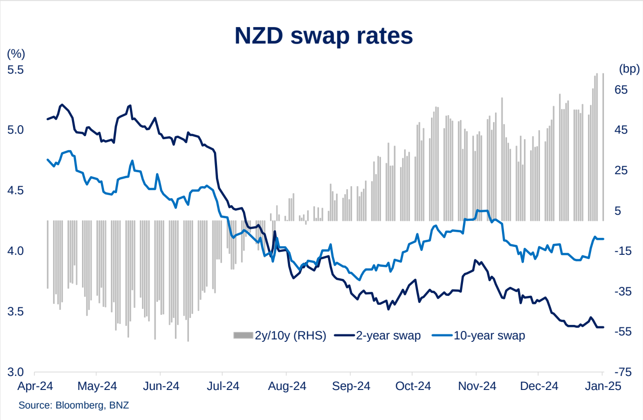
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ yields have repriced higher since the beginning of the new year, reflecting the adjustment in global markets, in the absence of domestic drivers. The front end of the NZ curve has been relatively stable - 2-year swap rates are only marginally above the cyclical low and are anchored by the RBNZ easing cycle - while the longer end of the curve has been impacted by the global rates selloff. This has contributed to a further steepening - the 2y/10y swap curve has increased to 71bp which is the highest level since late 2021.

Higher global yields contribute to steeper NZ curve in 2025

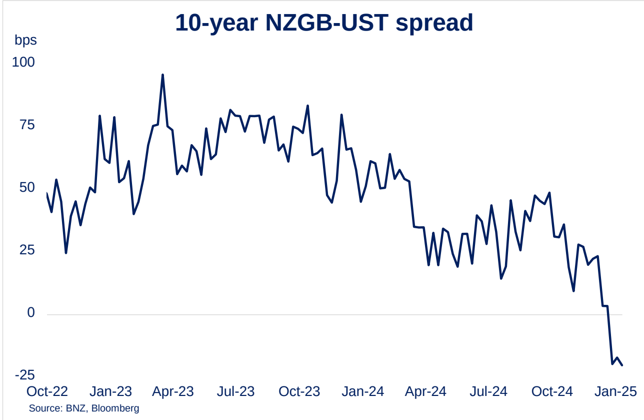


10-year US treasury (UST) yields have moved steadily higher since the start of December, and are approaching the multi-year peak near 5.0%, reached back in 2023. US policy makers have signalled a slower pace of easing ahead, set against the backdrop of higher inflation readings, and reduced downside risks to the labour market. December non-farm payrolls exceeded consensus expectations, and the unemployment rate fell to 4.1%.

The market has continued to reduce expectations for easing by the Federal Reserve. The terminal policy rate has increased to 4.1%, up from 3.6% at the beginning of December, with a similar magnitude move seen in 10-year treasuries. In addition, the market is pricing uncertainty about the policy choices of the incoming administration. This requires a premium for investors to take duration risk and has contributed to the rise in UST yields.

Concerns about heavy issuance and the sustainability of government debt have risen since the pandemic, although the impact on yields has fluctuated through time, with fundamental economic inputs remaining the main driver. NZGBs have lagged the move in treasuries driven in part by the diverging respective policy stances between the RBNZ and Fed. Market pricing for the terminal Official Cash Rate has remained steady near 3.0%. The 10-year NZGB-UST spread is negative and at the lowest level in four years. 10-year NZGBs are also trading below UK gilt yields and are close to flat relative to Australian government bonds.

10Y NZGB-UST spread is negative on policy divergence



After the seasonal break, New Zealand Debt Management will resume government bond tenders this week. Although the 2024/25 borrowing programme increased to NZ$40 billion at the Half Year Economic and Fiscal Update, tender volumes will remain unchanged, and the increased funding requirement will be met by an additional syndication. There will be two taps of existing nominal lines before June 30. The first has been announced as the May-2035 maturity and will be undertaken in the March quarter.

Heavy NZGB supply will be an ongoing dynamic for NZ fixed income for some time to come. NZGBs will need to remain attractive, compared to other core sovereign markets, to support non-resident demand which is main investor category with the capacity to take down the elevated supply. Narrow NZGB spreads to comparison markets could impact demand. However high real yields and a relatively steep curve will provide support.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	4.12	4.11 - 4.29
NZ 2yr swap (%)	3.42	3.37 - 3.62
NZ 5yr swap (%)	3.66	3.51 - 3.71
NZ 10yr swap (%)	4.13	3.92 - 4.13
2s10s swap curve (bps)	71	55 - 71
NZ 10yr swap-govt (bps)	-47	-50 - -40
NZ 10yr govt (%)	4.60	4.41 - 4.58
US 10yr govt (%)	4.76	4.31 - 4.79
NZ-US 10yr (bps)	-16	-16 - 9
NZ-AU 2yr swap (bps)	-52	-57 - -28
NZ-AU 10yr govt (bps)	5	-2 - 16

*Indicative range over last 4 weeks

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Foreign Exchange Market

– Will resume next week

Technicals

NZ 5-year Swap Rate

Outlook: Neutral

ST Resistance: 4.06

ST Support: 3.48

Over the holiday period 5y swap rallied towards our support before bouncing back higher to be roughly unchanged. We will remain neutral and await a technical signal to confirm directionality.

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

Outlook: Steeper

ST Resistance: 0.28

ST Support: -0.10

2x5s swaps spread saw a steepening over the holiday period, closing in on our resistance. We will watch this level closely for a break higher.

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Quarterly Forecasts

Forecasts as at 13 January 2025

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.)	0.3	0.3	-1.1	-1.0	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)	-6.9	-6.6	-6.6	-6.4	-6.2	-5.7	-5.2	-4.9	-4.6	-4.2
CPI (q/q)	0.5	0.6	0.4	0.6	0.6	0.9	0.4	0.6	0.2	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	2.5	2.5	2.5	2.0	1.8
GDP (production s.a., y/y))	0.9	1.3	-0.5	-1.5	-1.5	-1.3	0.6	2.4	3.0	3.2

Interest Rates

Historical data - qtr average		Government Stock			Swaps			US Rates		Spread
Forecast data - end quarter	Cash	90 Day Bank Bills	5 Year	10 Year	2 Year	5 Year	10 Year	Libor 3 month	US 10 yr	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	5.30	3.96	4.31	4.05	3.80	4.05	5.35	3.95	0.37
Dec	4.42	4.44	4.00	4.47	3.65	3.74	4.10	4.85	4.30	0.19
Forecasts										
2025 Mar	3.75	3.35	3.70	4.50	3.20	3.55	4.15	4.65	4.30	0.20
Jun	3.25	2.85	3.35	4.45	2.75	3.25	4.15	4.40	4.25	0.20
Sep	2.75	2.75	3.35	4.45	2.85	3.30	4.20	4.15	4.25	0.20
Dec	2.75	2.75	3.45	4.30	3.00	3.40	4.10	3.90	4.00	0.30
2026 Mar	2.75	2.75	3.55	4.30	3.25	3.55	4.15	3.90	4.00	0.30

Exchange Rates (End Period)

	USD Forecasts					NZD Forecasts					
	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.56	0.62	1.02	1.22	158	0.56	0.90	0.54	0.46	87.9	67.4
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	68.7
Sep-25	0.59	0.66	1.06	1.28	153	0.59	0.89	0.55	0.46	89.5	69.5
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	71.4
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					
						15.6%	18.4%	9.2%	3.9%	5.5%	

Source for all tables: Statistics NZ, Bloomberg, Reuters, RBNZ, BNZ

Annual Forecasts

Forecasts as at 13 January 2025	March Years Actuals 2022	2023	2024	2025	2026	December Years Actuals 2021	2022	2023	2024	2025
GDP - annual average % change										
Private Consumption	6.3	3.4	1.0	0.2	2.2	7.6	4.2	1.0	0.1	1.6
Government Consumption	8.0	2.7	2.0	-1.3	-0.1	7.9	5.2	0.8	-0.2	-0.6
Total Investment	9.1	3.3	-1.6	-4.9	1.8	10.9	4.2	-0.6	-4.9	-0.5
Stocks - ppts cont'n to growth	0.5	0.3	-1.6	0.5	0.6	1.4	0.0	-1.4	0.2	0.7
GNE	7.9	3.7	-1.1	-0.4	2.5	9.9	4.5	-0.9	-0.7	1.8
Exports	2.5	5.6	8.6	1.4	3.7	-2.7	-0.8	11.4	3.5	2.5
Imports	17.2	4.4	-1.3	1.7	3.8	14.8	4.6	-0.6	2.0	2.7
Real Expenditure GDP	4.6	3.9	1.3	-0.6	2.4	5.8	3.2	1.8	-0.2	1.5
GDP (production)	**4.5**	**3.5**	**1.4**	**-1.2**	**2.3**	**5.6**	**2.9**	**1.8**	**-0.6**	**1.2**
GDP - annual % change (q/q)	*0.5*	*3.0*	*1.3*	*-1.3*	*3.2*	*2.6*	*3.1*	*0.9*	*-1.5*	*3.0*
Output Gap (ann avg, % dev)	1.0	2.0	0.9	-1.4	-1.0	1.3	1.9	1.2	-0.7	-1.3
Nominal Expenditure GDP - $bn	359	394	417	428	450	353	386	412	426	444
Prices and Employment - annual % change										
CPI	6.9	6.7	4.0	2.5	1.8	5.9	7.2	4.7	2.3	2.0
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	1.3	-1.2	-0.7	0.9	3.6	0.7	-1.3	-0.4	0.5
Unit Labour Costs (ann av %)	4.7	5.7	7.2	4.5	2.1	2.3	6.0	7.7	4.9	2.5
House Prices (stratified, qtr)	9.1	-12.8	2.8	-0.4	7.0	22.5	-13.8	0.6	-0.9	6.8
External Balance										
Current Account - $bn	-24.5	-33.8	-27.6	-24.5	-19.0	-21.3	-35.6	-28.6	-26.4	-20.2
Current Account - % of GDP	-6.8	-8.6	-6.6	-5.7	-4.2	-6.0	-9.2	-6.9	-6.2	-4.6
Government Accounts - June Yr, % of GDP										
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-2.7	-2.4	-3.1	-4.1	-3.1					
Net Core Crown Debt (ex NZS) (Treasury forecasts)	35.4	39.3	42.4	45.1	45.1					
Bond Programme - $bn (Treasury forecasts)	20.0	28.0	39.3	40.0	40.0					
Bond Programme - % of GDP	5.6	7.1	9.4	9.3	8.9					
Financial Variables (1)										
NZD/USD	0.69	0.62	0.61	0.58	0.62	0.68	0.63	0.62	0.57	0.60
USD/JPY	119	134	150	155	144	114	135	144	154	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	0.91	0.89
NZD/GBP	0.52	0.51	0.48	0.46	0.48	0.51	0.52	0.49	0.45	0.47
NZD/EUR	0.62	0.58	0.56	0.56	0.57	0.60	0.60	0.57	0.55	0.56
NZD/YEN	81.5	83.0	91.1	89.9	88.6	77.4	85.6	89.5	88.4	89.3
TWI	73.9	71.0	71.2	69.0	71.4	73.0	72.9	72.0	68.5	70.1
Overnight Cash Rate (end qtr)	1.00	4.75	5.50	3.75	2.75	0.75	4.25	5.50	4.25	2.75
90-day Bank Bill Rate	1.45	5.16	5.64	3.35	2.75	0.92	4.55	5.63	4.26	2.75
5-year Govt Bond	2.90	4.40	4.60	3.70	3.55	2.20	4.30	4.50	3.90	3.45
10-year Govt Bond	3.20	4.35	4.60	4.50	4.30	2.35	4.25	4.65	4.45	4.30
2-year Swap	3.00	5.15	4.91	3.20	3.25	2.22	5.21	4.93	3.53	3.00
5-year Swap	3.20	4.50	4.40	3.55	3.55	2.56	4.62	4.43	3.63	3.40
US 10-year Bonds	2.10	3.65	4.20	4.30	4.00	1.45	3.60	4.00	4.40	4.00
NZ-US 10-year Spread	1.10	0.70	0.40	0.20	0.30	0.90	0.65	0.65	0.05	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 13 January			
AU	ANZ-Indeed Job Advertisements MoM Dec			-1.30%
CH	Trade Balance CNY Dec			692.80b
EC	ECB's Lane & Rehn Speak			
	Tuesday 14 January			
US	NY Fed 1-Yr Inflation Expectations Dec			2.97%
NZ	NZIER QSBO			
JN	BOJ's Himino Speaks			
EC	ECB's Rehn, Lane & Holzmann Speak			
UK	BOE's Breeden Speaks			
	Wednesday 15 January			
US	NFIB Small Business Optimism Dec	101.5		101.7
US	PPI Ex Food and Energy MoM Dec	0.30%		0.20%
US	Fed's Schmid & Williams Speak			
EC	ECB's Lane Speaks			
UK	CPI YoY Dec	2.60%		2.60%
UK	CPI Services YoY Dec	4.80%		5.00%
EC	ECB's Guindos, Villeroy & Others Speak			
EC	Industrial Production SA MoM Nov	0.30%		0.00%
	Thursday 16 January			
US	Empire Manufacturing Jan	3		0.2
US	CPI Ex Food and Energy MoM Dec	0.20%		0.30%
US	Fed's Barkin, Williams & Others Speak			
UK	BOE's Taylor Speaks			
US	Federal Reserve Releases Beige Book			
NZ	Food Prices MoM Dec			-0.10%
NZ	Selected Monthly Price Indexes Dec			
AU	Employment Change Dec	15.0k	5.0k	35.6k
AU	Unemployment Rate Dec	4.00%	4.00%	3.90%
UK	Monthly GDP (MoM) Nov	0.20%		-0.10%
UK	Industrial Production MoM Nov	0.10%		-0.60%

		Median	Fcast	Last
	Thursday (Continued)			
UK	Manufacturing Production MoM Nov	-0.20%		-0.60%
UK	Trade Balance GBP/Mn Nov	-£3700m		-£3718m
UK	BoE Bank Liabilites/Credit Conditions Surveys			
EC	Trade Balance SA Nov			6.1b
	Friday 17 January			
EC	ECB Releases Account of Dec. 11-12 Meeting			
US	Philadelphia Fed Business Outlook Jan	-5		-16.4
US	Retail Sales Advance MoM Dec	0.60%		0.70%
US	New York Fed Services Business Activity Jan			-5.2
US	Initial Jobless Claims Jan-11	210k		201k
US	Continuing Claims Jan-04	1877k		1867k
US	Business Inventories Nov	0.10%		0.10%
US	NAHB Housing Market Index Jan	45		46
NZ	BusinessNZ Manufacturing PMI Dec			45.5
CH	Used Home Prices MoM Dec			-0.35%
CH	GDP SA QoQ 4Q	1.60%		0.90%
CH	GDP YTD YoY 4Q	4.90%		4.80%
CH	Industrial Production YoY Dec	5.40%		5.40%
CH	Retail Sales YoY Dec	3.60%		3.00%
CH	Fixed Assets Ex Rural YTD YoY Dec	3.30%		3.30%
CH	Surveyed Jobless Rate Dec	5.00%		5.00%
UK	Retail Sales Inc Auto Fuel MoM Dec	0.40%		0.20%
EC	ECB's Escriva Speaks			
EC	CPI YoY Dec F	2.40%		2.40%
EC	CPI Core YoY Dec F	2.70%		2.70%
	Saturday 18 January			
US	Housing Starts Dec	1325k		1289k
US	Manufacturing (SIC) Production Dec	0.20%		0.20%
	Sunday 19 January			
US	Fed's External Communications Blackout			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	4.25	4.25	4.25	5.50
1mth	4.37	4.37	4.37	5.58
2mth	4.20	4.24	4.38	5.61
3mth	4.09	4.12	4.26	5.64
6mth	3.82	3.84	4.04	5.56
GOVERNMENT STOCK				
04/27	3.59	3.57	3.76	4.33
05/30	3.99	3.94	4.06	4.33
05/32	4.34	4.28	4.32	4.46
05/35	4.64	4.56	4.53	
04/37	4.83	4.74	4.70	4.76
05/41	5.04	4.95	4.91	4.86
05/54	5.24	5.14	5.08	
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	52	48	48	55
Europe 5Y	58	55	54	61

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.41	3.41	3.61	4.68
3 years	3.45	3.42	3.59	4.40
4 years	3.54	3.49	3.63	4.27
5 years	3.65	3.58	3.70	4.22
10 years	4.12	4.01	4.04	4.34
FOREIGN EXCHANGE				
NZD/USD	0.5562	0.5643	0.5782	0.6200
NZD/AUD	0.9040	0.9034	0.9075	0.9310
NZD/JPY	87.84	88.94	89.12	90.34
NZD/EUR	0.5432	0.5431	0.5500	0.5662
NZD/GBP	0.4560	0.4508	0.4559	0.4871
NZD/CAD	0.8022	0.8087	0.8234	0.8325
TWI	67.3	67.8	68.7	71.9

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