Markets Outlook

21 January 2025

Inflation Close To Target, But

- **Annual CPI inflation seen close to RBNZ target in Q4**
- **But some near term upside risk ahead**
- **PMI, PSI remain moribund**
- **ECT transactions show life in December**
- **Trump sworn in – eyes on policy**
- **Annual net migration still easing, for now**

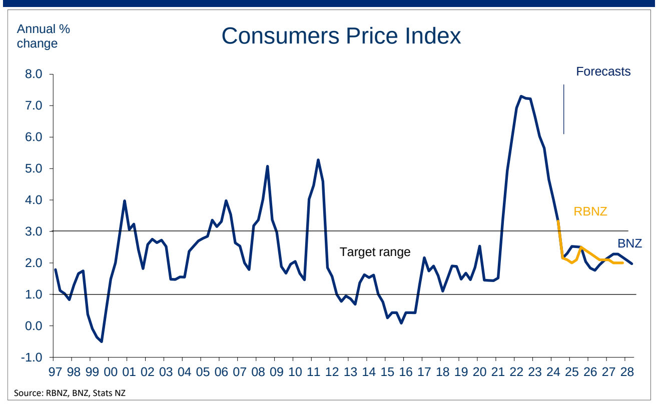
Domestic focus this week will be on the Q4 CPI due out tomorrow. We think inflation is under control but there are areas to watch. More so regards 2025 than in this week's figures, although the starting point is always relevant.

For tomorrow's Q4 figures, we estimate the CPI rose 0.6% q/q and 2.3% y/y. Like Q3's 2.2%, such an outcome would see annual inflation remain close to the middle of the RBNZ's target band.

In its November MPS, the RBNZ projected Q4 CPI inflation of 0.4% q/q and 2.1% y/y. While our Q4 numbers are marginally above the Bank's, we don't think that outcome would derail the RBNZ's broad policy judgement in and of itself.

That assessment would be assisted if our pick for Q4 non-tradeable inflation of 0.8% q/q and 4.7% y/y is close to the mark. Our estimates match the Bank's projections for this component (with our estimate for non-tradeables closer to rounding down than rounding up).

Near term upside risk

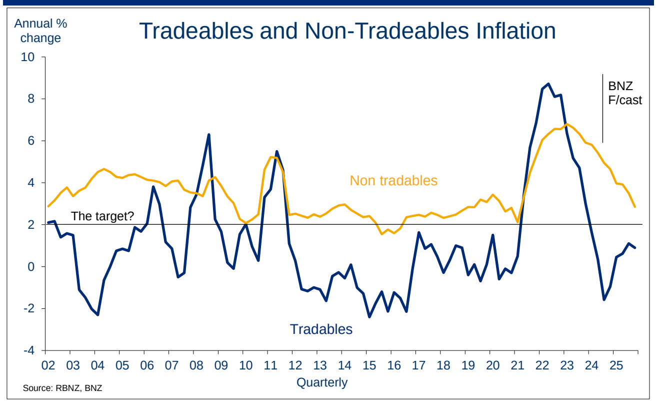


The possibility of headline inflation printing a touch above the RBNZ's forecast, but non-tradeable inflation printing at or below the Bank's view raises the possibility of tomorrow's figures having something for both hawks and doves.

Market expectations for Q4 CPI sit at 0.5% q/q and 2.1% y/y. And for non-tradeables 0.8% q/q, which would result in 4.7% y/y.

Q4 outcomes a tick or two above the RBNZ's projections do not look too troublesome. However, we have a growing unease regards inflation ahead given what appears to be brewing in the tradeable space and its potential influence on inflation expectations.

Moving parts



We forecast Q4 tradeable inflation of +0.4% q/q and -1.0% y/y, which is firmer than the RBNZ's -0.2% and -1.5% y/y projections. We cannot be sure of the exact reasons behind the difference as the Bank does not publish a full breakdown of its tradeable CPI forecasts, but at least part of it is likely related to the recent push higher in fuel prices (even though fuel prices fell in Q4 overall).

The Bank has said it will look through short term shocks which is entirely appropriate, but movements in crude oil, commodities more generally, and the NZD, are firmly on our watch list.

As we noted last week, there has been more upward price pressure occurring from such things in the New Year to the point of seeing our annual inflation forecast for Q1 2025 at 2.5%. Perhaps more importantly, it stays there for three consecutive quarters. This is more meaningfully above the RBNZ's Q1 estimate of 2.0% than the deviation we see in tomorrow's Q4 figures.

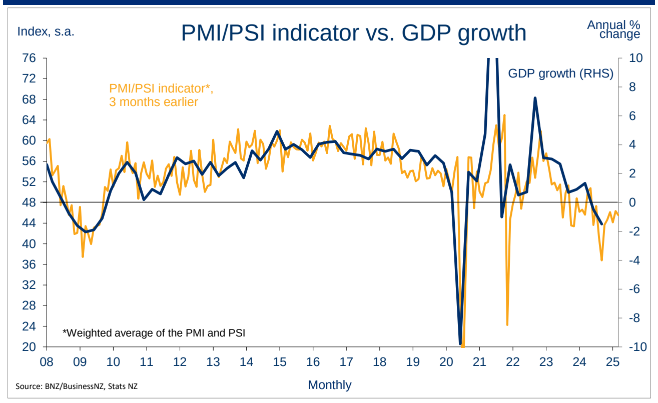
If annual inflation nudges higher in the New Year, it has the potential to influence inflation expectations. This risk may be greater than in the past given the inflation experience of the past few years. To be clear, we are currently only talking risks with inflation expectations. They still look well behaved at this point, but certainly worth monitoring in the wake of rising oil prices and a softer NZD (notwithstanding opposite movements overnight).

In this week's CPI data, we will observe the many core measures of annual inflation. These have been trending lower, although it is not clear they all definitively slowed further in Q4 2024. Annual non-tradeable inflation looks to have slowed more, but the likes of CPI ex petrol or CPI ex food, household energy and vehicle fuels may not have.

It is important to note that the output gap is negative. Indeed, activity indicators like last week's PMI and this morning's PSI remain well below the breakeven 50 mark in December.

In contrast, the 1.5% m/m lift in this morning's December electronic card transactions offers some encouragement, driven by a decent lift in durables. Some caution is warranted around the influence the likes of Black Friday and associated sales has had on seasonal patterns. The trend in ECT is consistent with our expectation for retail sales volumes to have lifted slightly in Q4.

Activity continues to struggle



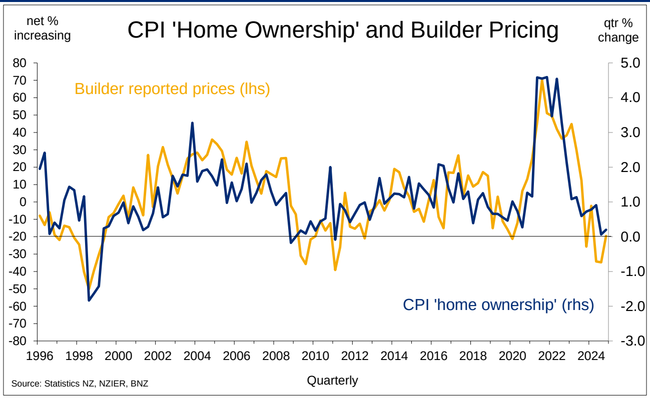
Overall, the balance of indicators suggests underlying economic activity struggled to gain traction in Q4 and points to the output gap continuing to widen. This is expected to maintain downward pressure on large parts of domestic inflation over the medium term.

That all sets up an outlook for easing annual non-tradeable inflation, from an elevated level, while annual tradeable inflation is set to turn from negative to positive in due course. For policy makers, it is about assessing the balance of the two components, the relative importance it assigns to each, and the effect the combination of the two opposing trends has on inflation expectations.

In the CPI detail tomorrow, we had long built in higher international airfares for the quarter which were confirmed in last week's December figures. Likewise, lower food prices in Q4 on seasonal grounds. We have less visibility on some other tradeable goods prices which could surprise on the downside if weak domestic demand dominates opposing currency and cost influences.

We expect housing related inflation to ease in Q4. This includes rents. Not only because of the December data issue noted last week, but in an underlying sense too. And we saw nothing in the recent QSBO to change our view of another low quarter for house construction costs.

Construction cost inflation subdued



More generally, subdued house prices through 2024 fits with minimal construction cost inflation, as does weak demand. Additional evidence of the latter came in last week's QSBO with builder's reporting sales as the major factor constraining output at levels not seen since 1998. Confidence in the future has improved, but builder's current sales are still challenging.

We have assumed slower insurance cost inflation in Q4, as the previous rapid repricing cools. Risks are on both sides. More generally, hope of subsidence in global reinsurance inflation will face headwinds from the cost pressures as a result of the LA wildfires.

Speaking of the globe, Donald Trump has been inaugurated as the US President overnight. The world will be watching over the coming days, weeks, and months for what policies (and details thereof) are put in place. There is much to watch. Some have seen relief that tariffs have not been part of the immediate policy announcements. It is early days.

NZ exporters' expectations have strengthened lately, with buoyant commodity prices and a retreat in the NZD among the positives for the sector. But what about the outlook for world trade and world growth? As things stand, the consensus forecast for world growth in 2025 is not far from average.

Speaking of commodity prices, the latest GDT dairy auction occurs early Wednesday morning. Dairy prices are at buoyant levels, despite pulling back a cumulative 4.1% over the previous two auctions. Indicators look relatively favourable for this week's event. Some reduction in Fonterra's forecast offer volumes on GDT over the coming year, with the co-op citing positive demand off the GDT platform, is expected to add some price support. Current GDT price levels are encouraging for strong milk payments to NZ farmers this season.

Turning to the rest of the week's scheduled domestic data, it is all on Thursday. It starts with the Government's Financial Statements for the 5 months to November. These figures will be the first to be lined up against the updated (larger deficit) baselines from December's HYEFU.

November's migration data on Thursday will likely confirm further slowing in the annual net inflow of migrants (38,800 in October), but we will also be interested to see if the monthly figures show more signs of stabilisation.

Tourist arrival numbers, released at the same time as the migration data, are expected to be around 4-5% higher than a year earlier in the month. This would see arrival numbers remain around 85% of their pre-covid level – still a significant hole regards activity and influence on the external accounts.

Lastly, we wouldn't be surprised to see REINZ's housing report for December at some point during the week. If so, we'd expect to see broadly middling house sales and prices still marginally trailing prior year levels.

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Global Watch

- **Eyes on the US as Trump sworn into office**
- **Global PMIs to give latest activity pulse check**
- **University of Michigan inflation expectations in focus**
- **BoJ expected to hike 25bps**
- **UK labour market data due**

Week Ahead

US politics and earnings season will provide plenty for markets to digest, even with a quiet US data calendar and an FOMC in pre-meeting quiet period. Final UMich Confidence (Friday) is worth a look for whether the lift in inflation expectation reported in the preliminary numbers is confirmed. Netflix is the pick of the earnings calendar. The follow through from US policy rhetoric to early executive action will be important to watch, including for the currency, where tariff intentions are a big swing factor. We can also expect additional confirmation hearings.

The World Economic Forum is taking place in Davos, expect headlines from government and business leaders and central bankers. Speakers include Ukrainian President Zelenskiy and German Chancellor Scholz (Tuesday), ECB's Lagarde, Villeroy and Knot (Wednesday), and ECB President Lagarde and Blackrock CEO Fink (Friday).

Preliminary Global PMIs are out Friday. Manufacturing activity across the US, EZ and UK remains in the doldrums, but especially so in Germany and France. The focus of the January PMIs will be services and in particular the slump and then rebound in Europe. Our colleagues at NAB would not be surprised to see a slight pullback after the rebound in the eurozone services measure in December.

Elsewhere, the BoJ is seen hiking rates on Friday. Recent media reports note the Bank is likely to upgrade its inflation forecast and this week Governor Ueda reinforced the message from his deputy that next week's policy meeting is live. NAB retain their forecast for a 25bps hike and assuming this is delivered, then it is reasonable to project an end of the year policy rate closer to 1%. December CPI data is published Friday morning.

In the UK, labour market data is on Tuesday. Average earnings unexpectedly jumped in the last report for October, in part due to revisions, and the labour market data continues to suffer from poor response rates, but broader data suggests some softening in demand in recent months.

Important Events Preview

Tuesday 21

UK Weekly Average Earnings Nov, Labour Market data Dec
UK Average earnings unexpectedly jumped in the last report for October, in part due to revisions. Regular (non-bonus) pay in the private sector, which is the measure the BoE likes to track rose to 5.4% in the three months to October from 4.9%. Whole economy regular pay rose to 5.2% from 4.9%. NAB expect a slight moderation for November, but regardless of any relief here, higher pay demand is expected to remain in place as inflation ticks back up again and continues to feed through from the higher costs for business and employers following October's Budget. Of course, there will also be some cutting back of headcount as a result of this, which meshes with broader labour market data that has showed a softening in demand in recent months.

GE ZEW Survey

EZ EU Commission President von der Leyen speech Davos

EZ Germany CDU Leader Merz speech Davos

CA December CPI

Wednesday 22

UK Public Finances December

EZ ECB President Lagarde speaks from Davos

Thursday 23

NO Norway Norges Bank policy meeting (hold)

US Jobless claims
Jobless claims dipped over year end, in line with the seasonal pattern last year, but rose back to 217k in the latest release.

Friday 24

JN December CPI

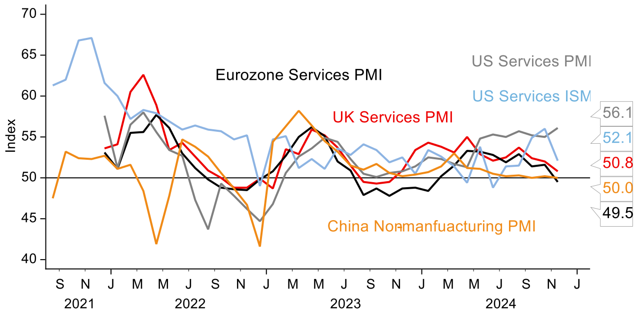
JN BoJ Policy Meeting (hike)
Little by little the BoJ has been leading the market to "hiking water". Following recent media reports noting the Bank was likely to upgrade its inflation forecast, last week Governor Ueda reinforced the message from his deputy that next week's policy meeting is live. Since then, media reports have noted BoJ officials see a good chance of an interest rate hike if the arrival of Trump at the White House doesn't trigger too many negative surprises. Our colleagues at NAB retain their forecast for a 25bps hike this week and assuming this is delivered, then it is reasonable to project an end of the year policy rate closer to 1%.

US Final UMich Consumer Sentiment
Worth a look to see if the 5 tenths lift to 3.3% in the 1-yr inflation expectations reported in the preliminary data is sustained.

EZ, US, UK January Preliminary Manufacturing Services PMIs
Manufacturing activity across the US, EZ and UK remains in the doldrums. In the US, manufacturing is modestly below

the neutral 50 level, which is suitably above the 45.1 reading for the EZ in December, which is weighed down by Germany and France. In the UK manufacturing activity is decelerating more quickly at 47. The focus of the January PMIs will be services and in particular the slump and then rebound in Europe. In November EZ services dived from 51.6 to 49.5, only to recapture 51.6 in December. While NAB felt the November slump exaggerated the weakness and there is some strength outside Germany and France, they would not be surprised to see a slight pullback from December. Meanwhile the US remains well ahead in services.

Global Services PMIs



Source: National Australia Bank, Institute for Supply Management (ISM), China Federation of Logistics & Purchasing, Accountinghouse, Bloomberg, Macrobond

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

There was a spike in volatility in NZ rates markets last week with a sharp idiosyncratic move higher in yields. 2-year swap rates reached a high towards 3.70%, marking a significant rebound from the recent low near 3.35%. The selloff was largely driven by an unwinding of speculative positioning, rather than changes in the underlying fundamental drivers. The Quarterly Survey of Business Opinion was consistent with a slow recovery in economic activity, and muted inflation pressures, supporting the RBNZ's easing cycle.

The upside momentum in NZ rates faded, following a rally across global fixed income after weaker than expected US CPI data, which helped dispel concerns that the disinflation process is stalling. Dovish comments from influential Federal Reserve (Fed) Governor Waller, which suggested a March rate cut shouldn't be ruled out, provided additional impetus for global rates markets. 2-year NZ rates stabilised marginally below the recent high, with larger falls in longer maturities, and the 2y/10y curve flattened towards 60bp.

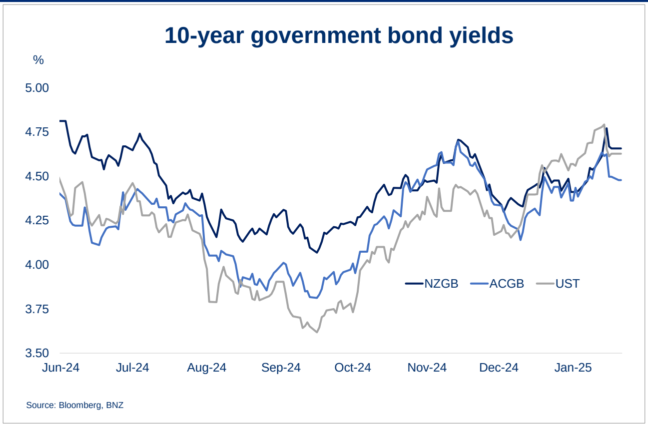
December inflation partials data was consistent with our 2.3% forecast for Q4 CPI, which is the key domestic risk event for NZ rates markets this week. Our forecast is marginally above the RBNZ's 2.1% projection from the November Monetary Policy Statement, with the difference driven by the tradables component.

Narrowing interest rate differentials, relative to the US, have weighed on the NZ dollar, which has been exacerbated by expectations of higher tariffs from the new US administration. The NZ trade weighted index is ~2% below the RBNZ's November forecast, impacting tradable prices, and the Bank will be closely monitoring any impact on inflation expectations.

Terminal OCR pricing to return to recent low

After the move higher in front end yields last week, market pricing for the terminal Official Cash Rate (OCR) increased to 3.25%. This appears too high, set against the backdrop of weak economic activity, and on-target inflation. We expect the RBNZ will need to ease policy, at least to the mid-point (2.9%) of its estimated long term neutral OCR range, supporting a retest of the recent lows for front end rates.

10 centric rally off yield highs after US CPI data



After moving higher since the start of December, largely reflecting a US-centric global repricing, longer dated NZ yields appear to have found the top end of the range. 10-year government bond (NZGB) yields have retraced from six-month highs. Elevated real yields, which are at the highest level in ten years, suggest attractive valuations at current outright levels.

New Zealand Debt Management's first tender of the New Year attracted strong demand from investors. There were solid bid-cover ratios across all the offered lines, with notable support for the May-2041 maturity, which received NZ$400 million of bids for the NZ$75 million bonds being offered. The improved sentiment and indicated demand for the ultras, supported an extension of the recent flattening trend in the 10y/30y NZGB curve.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	4.06	4.06 - 4.22
NZ 2yr swap (%)	3.61	3.37 - 3.65
NZ 5yr swap (%)	3.83	3.51 - 3.89
NZ 10yr swap (%)	4.22	3.92 - 4.30
2s10s swap curve (bps)	61	55 - 71
NZ 10yr swap-govt (bps)	-44	-50 - -44
NZ 10yr govt (%)	4.66	4.41 - 4.70
US 10yr govt (%)	4.63	4.50 - 4.81
NZ-US 10yr (bps)	3	-16 - 4
NZ-AU 2yr swap (bps)	-32	-57 - -26
NZ-AU 10yr govt (bps)	18	-2 - 18

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The new week has begun with a broad USD sell-off after the WSJ published a report suggesting Trump would proceed in a "measured way" on imposing new import tariffs. This added to broad USD weakness last week after a benign CPI print and some dovish comments by Fed Governor Waller, supporting a lower US rates backdrop. Over the first few weeks of the year the NZD has traded a range (on rounded figures) of 0.5540-0.5690 and it currently sits at the upper end of that range.

For our first NZD weekly commentary we note that last year finished on a weak note for the NZD while the currency has seen choppy trading this year with a gain of 1¼%. A low of 0.5542 was traded on 13 January, above the 0.5512 nadir in October 2022. We continue to believe that 0.55 is a key technical level and we are watching that mark closely.

In our last forecast revision within a week of Trump's victory in early November, we projected downside pressure for the NZD with a possible of low of 0.55 in 2025. The outlook depended on how hard Trump goes on tariffs, with further potential downside on an aggressive stance. We noted wide uncertainty around our FX projections and possibly more frequent revisions under Trump 2.0.

Two months on, we are none the wiser on policy, but the week ahead could be crucial. With Trump newly inaugurated as the 47th US President, we await a series of executive orders as he takes charge of policy. Our main interest is how he proceeds with tariffs, with this policy potentially the most significant to affect the NZD, via the impact on China, the yuan and global growth outlook. The overnight WSJ article suggests a measured approach, which is NZD supportive for now, against a backdrop of near-record short NZD positions, but what is clear is that new tariffs are coming. We still don't know how ultimately punitive they will become.

The PBoC has been actively managing the yuan to keep it stronger than market forces. We expect China to use the yuan as a policy tool to counteract effects of higher US import tariffs against the country. Being a market-driven exchange rate, the NZD has already priced in some future yuan weakness, reflected in NZD/CNY trading near two-year lows. Thus, any overt yuan weakness over coming months won't necessarily drive down the NZD further, but if yuan weakness extends beyond about 7.70 to the dollar then that would be a significant headwind for the NZD.

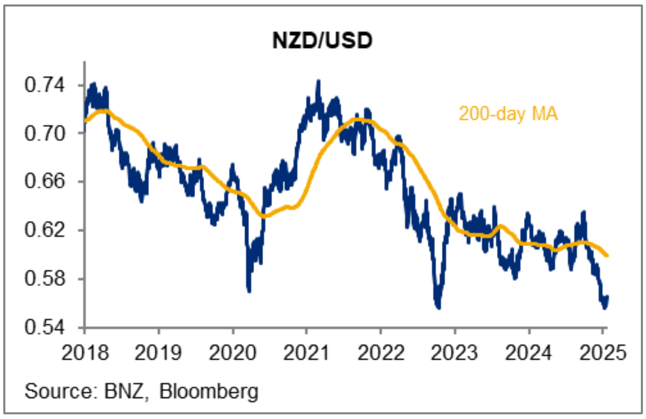
Our November projections had Q1 and Q2 targets for the NZD of 0.58 and 0.57 respectively, the latter being consistent with the range extending down to 0.55. If anything, NZD weakness has come a little earlier than expected.

It hasn't all been about the Trump factor though. The NZ economy has been struggling and the RBNZ easing cycle has proven to be more front-loaded, against a backdrop of ongoing resilience in the US economy and less scope for the Fed to ease monetary policy this year. We'll take a fresh look at our forecasts in the future and there is no point in doing this ahead of Trump's likely announcements on tariffs and other policy.

Broadly, we are still comfortable with NZD projections of 0.55-0.60 for 2025.

As well as the focus on Trump this week, key global releases include CPI data for Canada and Japan, UK labour market data and global PMI data. At the end of the week, the BoJ is expected to increase its policy rate by 25bps, much of which is already priced, unless markets go crazy ahead of the meeting in response to any Trump announcements. The domestic focus will be on the Q4 CPI release on Wednesday. A 50bps rate cut by the RBNZ next month is still well priced.

NZD stabilises after Q4 plunge



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5682	0.5540 - 0.5690
NZD/AUD	0.9046	0.9010 - 0.9070
NZD/GBP	0.4604	0.4470 - 0.4610
NZD/EUR	0.5449	0.5400 - 0.5490
NZD/JPY	88.38	86.70 - 89.70

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	model suspended	
NZD/AUD	0.8560	6%

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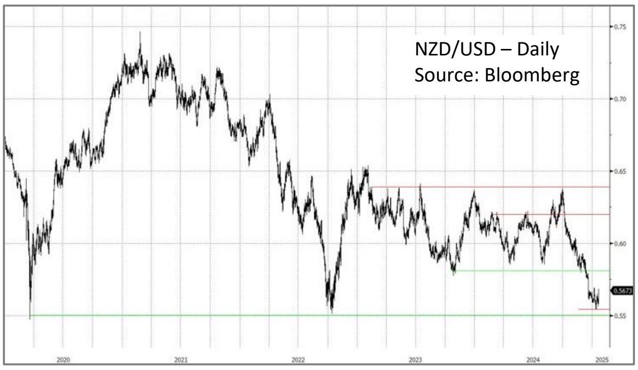
Technicals

NZD/USD

Outlook:	Downside risk
ST Resistance:	0.58 (ahead of 0.60)
ST Support:	0.5540 (ahead of 0.55)

0.55 remains a key support level and the YTD low near 0.5540 ahead of that worth noting. First resistance mark is 0.58.



NZD/AUD

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

No obvious markers but we see support at 0.89 and some resistance at 0.92.

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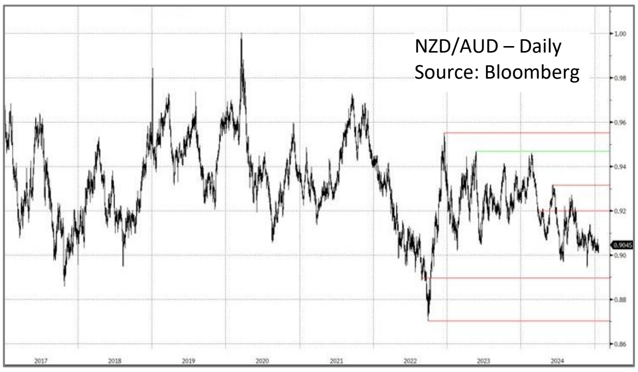

NZ 5-year Swap Rate

Outlook:	Neutral
ST Resistance:	4.06
ST Support:	3.48

5-year swap sits roughly in the middle of the range while offering little in terms of technical directionality. We will watch for a move this week from CPI before reconsidering our outlook.

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

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

2x5 swap spread remained relatively stable last week just below our resistance. We continue to favour a steeper curve going forward.

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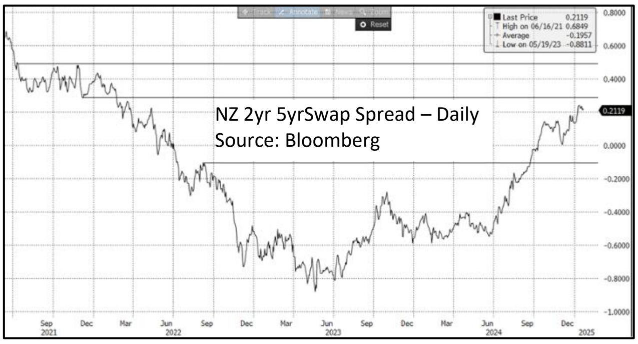

Quarterly Forecasts

Forecasts as at 21 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	-5.1	-4.9	-4.5	-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	5.4	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 %)	3.2	3.1	2.9	2.9	3.0	2.8	2.9	2.9	2.9	2.8
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	0.57	0.63	1.04	1.23	155	0.57	0.90	0.55	0.46	88.2	68.0
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	68.7
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 21 January 2025	March Years					December Years				
	Actuals					Actuals				
	2022	2023	2024	2025	2026	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	5.4
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	-24.4	-18.9	-21.3	-35.6	-28.6	-26.4	-20.0
Current Account - % of GDP	-6.8	-8.6	-6.6	-5.7	-4.2	-6.0	-9.2	-6.9	-6.2	-4.5
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
	Tuesday 21 January			
UK	ILO Unemployment Rate 3Mths Nov	4.40%		4.30%
UK	Average Weekly Earnings 3M/YoY Nov	5.70%		5.20%
UK	Payrolled Employees Mthly Change Dec	-8k		-35k
GE	ZEW Survey Expectations Jan	15.1		15.7
	Wednesday 22 January			
EC	ECB's Centeno, Villeroy & Knot Speak			
CA	CPI YoY Dec	1.80%		1.90%
US	Philadelphia Fed Non-Manufacturing Activity Jan			-6
NZ	Dairy GDT auction			
NZ	CPI QoQ 4Q	0.50%	0.60%	0.60%
NZ	CPI YoY 4Q	2.10%	2.30%	2.20%
NZ	CPI Tradeable QoQ 4Q	0.10%	0.40%	-0.20%
NZ	CPI Non Tradeable QoQ 4Q	0.80%	0.80%	1.30%
AU	Westpac Leading Index MoM Dec			0.05%
UK	Public Sector Net Borrowing Dec	14.2b		11.2b
	Thursday 23 January			
EC	ECB's Lagarde, Nagel & Escriva Speak			
NZ	Government 5-Month Financial Statements			
NZ	Net Migration SA Nov			2790
JN	Trade Balance Dec	-¥74.5b		-¥117.6b
NO	Deposit Rates Jan-23	4.50%		4.50%
	Friday 24 January			
UK	CBI Trends Total Orders Jan	-35		-40

		Median	Fcast	Last
UK	CBI Trends Selling Prices Jan	20		23
US	Initial Jobless Claims Jan-18	220k		217k
US	Continuing Claims Jan-11	1868k		1859k
EC	Consumer Confidence Jan P	-14.1		-14.5
AU	S&P Global Australia PMI Mfg Jan P			47.8
AU	S&P Global Australia PMI Services Jan P			50.8
JN	Natl CPI YoY Dec	3.40%		2.90%
UK	GfK Consumer Confidence Jan	-18		-17
GE	HCOB Germany Services PMI Jan P	51		51.2
EC	HCOB Eurozone Manufacturing PMI Jan P	45.4		45.1
EC	HCOB Eurozone Services PMI Jan P	51.5		51.6
UK	S&P Global UK Manufacturing PMI Jan P	47		47
UK	S&P Global UK Services PMI Jan P	50.8		51.1
EC	ECB's Lagarde Speaks			
JN	BOJ Target Rate Jan-24	0.50%		0.25%
	Saturday 25 January			
UK	CBI Retailing Reported Sales Jan	-10		-15
EC	ECB's Cipollone Speaks			
US	S&P Global US Manufacturing PMI Jan P	49.9		49.4
US	S&P Global US Services PMI Jan P	56.5		56.8
US	U. of Mich. Sentiment Jan F	73.2		73.2
US	Existing Home Sales Dec	4.20m		4.15m
US	Kansas City Fed Services Activity Jan			2

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	4.25	4.25	4.25	5.50
1mth	4.36	4.37	4.37	5.58
2mth	4.16	4.19	4.35	5.62
3mth	4.06	4.12	4.20	5.65
6mth	3.85	3.88	3.91	5.58
GOVERNMENT STOCK				
04/27	3.76	3.76	3.63	4.42
05/30	4.18	4.16	4.00	4.45
05/32	4.49	4.50	4.31	4.58
05/35	4.74	4.79	4.57	
04/37	4.91	4.97	4.74	4.84
05/41	5.11	5.18	4.95	4.96
05/54	5.27	5.38	5.15	
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	49	51	49	55
Europe 5Y	54	59	57	60

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.61	3.58	3.42	4.74
3 years	3.67	3.62	3.42	4.45
4 years	3.75	3.70	3.48	4.32
5 years	3.83	3.80	3.57	4.28
10 years	4.22	4.22	3.98	4.41
FOREIGN EXCHANGE				
NZD/USD	0.5672	0.5604	0.5652	0.6102
NZD/AUD	0.9046	0.9048	0.9068	0.9276
NZD/JPY	88.28	88.52	88.81	90.52
NZD/EUR	0.5447	0.5437	0.5429	0.5623
NZD/GBP	0.4602	0.4589	0.4508	0.4810
NZD/CAD	0.8118	0.8041	0.8115	0.8214
TWI	67.9	67.8	67.7	71.0

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