

# Research Markets Outlook

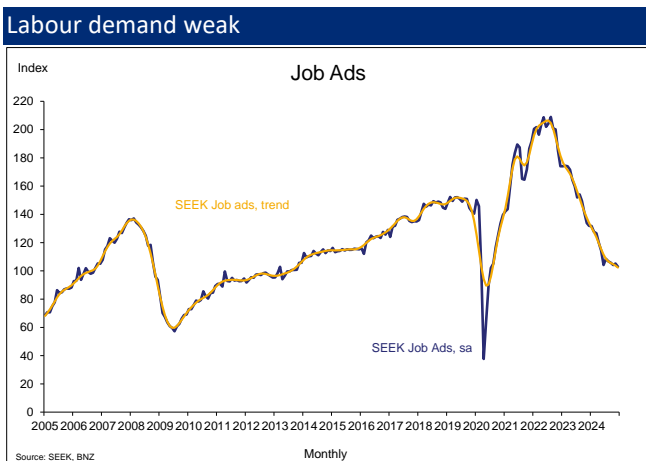
27 January 2025

## Exports Lifting; Labour Market Lags

- **Job ads consistent with rising unemployment rate**
- **RBNZ's Conway to talk long term growth, neutral rates**
- **Exports and imports seen much higher in December**
- **Goods trade balance trending narrower**
- **We nudge our milk price forecasts upwards**
- **Confidence updates due; inflation gauges of interest**

There is no top tier data due in the week ahead, but a decent smattering of timely monthly indicators and an RBNZ speech to pique some interest. The week's action kicks off with the labour market.

Labour demand still appears weak. This was reinforced by this morning's BNZ-SEEK job ads dropping 2.1% m/m in December. Job ads are down 21.9% y/y. After a hint of stabilisation over prior months, the downtrend in job ads has resumed.



December's employment indicators, due tomorrow, will round out guidance for Q4 employment. We anticipate subdued filled jobs in the month. Historical revisions will be worth noting too. They have tended to be to the downside.

We look for the jobs data to be consistent with our -0.2% q/q pick for Q4 HLF5 employment. This would see the unemployment rate push higher to 5.1%, assuming the participation rate nudges a touch lower. An increase in Q4 jobseeker benefit numbers released last week is also indicative of the unemployment rate continuing to rise.

In its November MPS, the RBNZ forecast the Q4 unemployment rate at 5.1% with employment dropping 0.3%. The official Q4 labour market figures are due out next Wednesday (5 February) and are the last major data release ahead of the RBNZ's next MPS on 19 February.

Speaking of the RBNZ, its Chief Economist Paul Conway speaks on growth and interest rates in the long run, on Wednesday morning. Expect discussion on NZ's growth potential and productivity, as well as on neutral interest rates.

Neutral rates are unobservable, but it matters where the RBNZ estimates them to be. In the November MPS, the Bank assessed neutral OCR in the short, medium, and long term at 3.6%, 3.4%, and 2.9% respectively. In discussion, post the MPS, officials talked of a 2.5% to 3.5% neutral range.

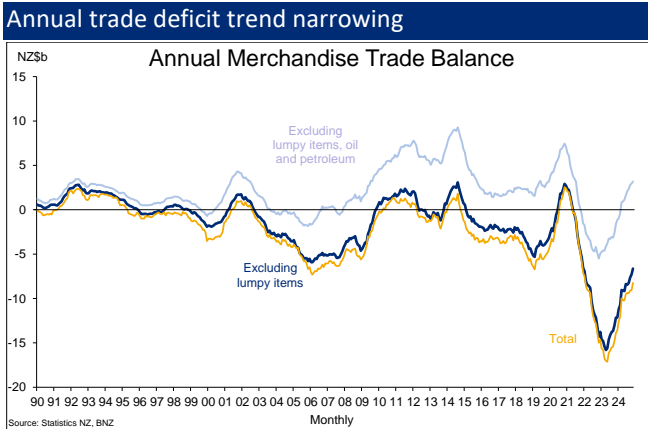
It all shows that, while the concept of neutral is important, pinning down where such a figure currently sits is an imprecise science, never mind where it may sit in future. But RBNZ musings on such structural parameters are relevant for thoughts on policy through the cycle so the speech will be of interest.

We can expect it to provide more fodder for market considerations on how far the cash rate may need to go this time around. But anyone looking for information on the Bank's assessment of recent economic developments in the speech will be disappointed. The RBNZ has been very clear that there will be no update on the state of the economy since the November MPS and the speech is not intended as an official MPC statement. There is a Q & A session.

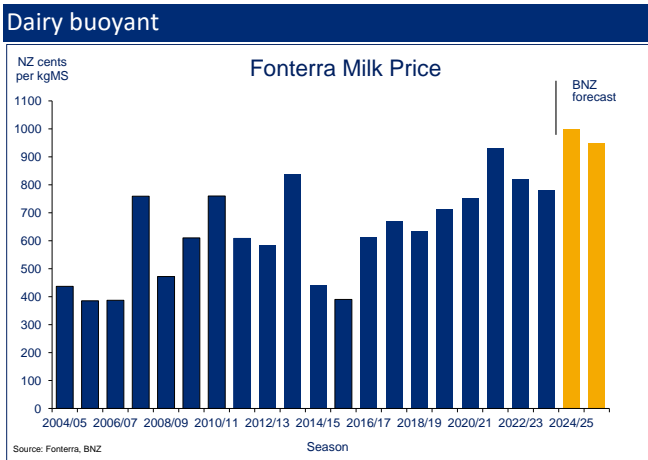
Thursday has merchandise trade data for December scheduled. We expect an annual trade deficit of \$8.2b, which would support our view of the annual deficit continuing to trend narrower. The trade deficit was \$13.6b a year ago.

In the month, we expect both exports and imports to be up substantially on a year earlier. Exports will reflect materially higher commodity prices and a lower NZD; we have pencilled in a gain of 13% y/y. For imports, our estimated increase of 11% y/y is heavily conditional on our assumption of the importation of more aircraft in the month. Excluding these and volatile petroleum

components, underlying imports are expected to show a more moderate lift from a year ago.

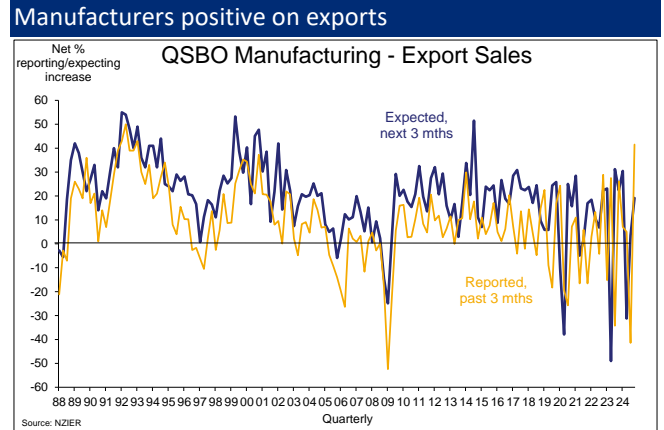


A key component of the current and expected buoyancy in exports is dairy. Last week's GDT auction was positive adding to our constructive view for payments to local farmers. We nudge our forecast for Fonterra's 2024/25 milk price up to \$10 per kg of milksolids (from \$9.75). Milk price anywhere near this figure, as is increasingly likely as the season progresses, would be significantly higher than the prior season's \$7.83. Add in more milk production this season (up 3.7% season to date) and it lines up a lift in dairy sector revenue in excess of \$4 billion for the season.



Importantly, current GDT price strength and a recently lower NZD raises the chance of milk price strength persisting into the following season. Reflecting this, we lift our 2025/26 milk price forecast to \$9.50 (from \$9.00). Forecast precision for the coming season is next to impossible this far out, but the above acknowledges the chance of buoyant milk prices persisting into next season have increased.

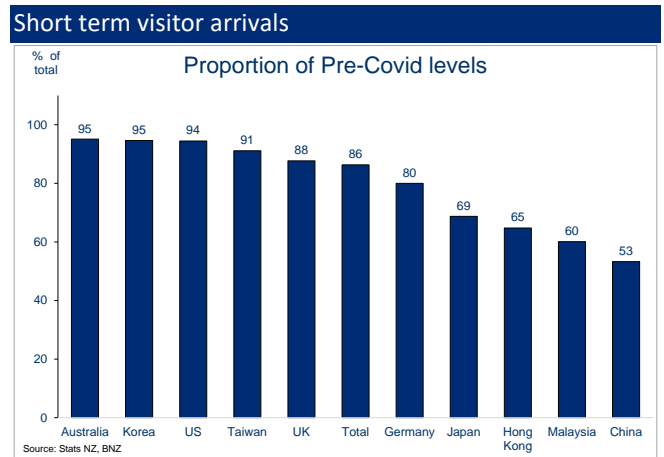
We have seen export positivity in other sectors too. The recent QSBO saw more firms reporting higher exports and expectations for further gains ahead (in direct contrast to still generally soft reports for domestic sales). This includes builders and manufacturers.



It all bodes well for exports in 2025. However, there are many risks to monitor including from the new US administration's potential to erect tariffs on imports to the US from various countries, with the possibility of retaliation generating a risk to global growth and NZ's export outlook.

One export area that has been weak is tourism. Yes, last week's November arrival numbers were up 5.9% on a year ago but that sees visitor numbers at only 86% of pre-pandemic levels. Importantly, real spending comparisons are similar, if a tad softer.

By major source country, arrival numbers from China are lower than most compared to respective pre-covid equivalents, at 53%. It puts some context to last week's comments from PM Luxon and Finance Minister Willis around their desire to grow tourism numbers, including from China.



The relative lack of Chinese visitors needs to be seen in the context of total outbound tourists from China. In 2024, Chinese departures averaged 63% of pre-pandemic through to Q3. This suggests a significant chunk of the lower numbers to NZ might well have more to do with fewer departures out of China in general rather than NZ losing market share (although there appears to be some of that as well). This dynamic is notable in context of total tourist numbers out of China picking up through 2024

which is a helpful backdrop to the NZ government's desire to increase visitor numbers.

A few weeks don't make a summer season, but provisional visitor numbers, including from China, through a good chunk of December show decent growth on a year ago. And domestic spending on overseas-issued credit cards was up 12% y/y in the month. Some positive tourism signs to watch in what has been a persistent hole in the external accounts.

We also get updates on confidence levels this week via the ANZ's business and consumer surveys for January on Thursday and Friday respectively.

The ANZ business confidence and activity expectations have been generally much more positive than other surveys over recent times. It wouldn't surprise if this remains the case. A fair chunk of the difference may well reflect the ANZ survey tending to ask about a longer time horizon.

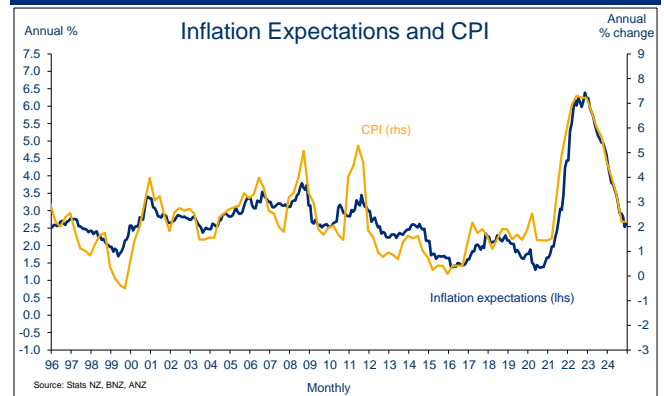
The December confidence reading of 62.3 would seem a better frame of reference for January's outcome than the recent QSBO's 15.8. Likewise for activity expectations, with 50.3 and 17.0 the respective previous readings for the ANZ and QSBO surveys.

While activity expectations are important, at this juncture we have as much interest in whether firms are experiencing a pickup in activity as opposed to just expecting it. There have been some signs of life in the likes of electronic card transactions, but top-down indicators like the PMI and PSI say the economy is still struggling to gain traction.

Regards the inflation gauges, pricing intentions from the ANZ survey have remained elevated relative to its historical norms (last 42.7) and would seem likely to remain so. The survey's inflation expectations series tends to be more correlated with actual CPI inflation. It showed some hint of stabilising in December following a two-year decline (at 2.63% from 2.53% in November). More signs of that would be consistent with our recent warnings that annual CPI inflation looks set to tick a bit higher over coming quarters.

We wouldn't get too excited by any particular month's data, one way or t'other, but inflation expectations in general are worth watching. A departure from expectations broadly consistent with the middle of the RBNZ's target range (across a range of measures) would be more disconcerting for the Bank than CPI inflation itself moving away from target, especially if the latter was driven by currency and/or commodity price movements as appears to be the risk ahead.

## Downtrend ending?



Regards consumer confidence, it has been recently trending higher. While it may continue recent momentum aided by summer seasonal support and the influence of lower interest rates, we do not see that as a given. Higher fuel prices in the New Year will be confidence sapping, as a headwind to disposable income. And some unfavourable weather through the holiday period might have tempered the usual seasonal confidence boost. January's outcome will be lined up against December's 100.2. While the later was well above readings through mid-last year, it was still well short of its historic average near 114. Consumer confidence needs to lift a fair way yet to indicate a meaningful pickup in consumer spending.

Lastly, consumer inflation expectations will be worth a glance too. However, detecting signal from noise is difficult in what can be a volatile series. Also note consumer inflation expectations tend to track higher than actual inflation to the extent that December's 3.8% reading was within the range prevailing pre-covid when CPI inflation was well contained.

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## Global Watch

- **FOMC universally expected to hold**
- **ECB, BoC and Riksbank all expected to cut 25bps**
- **Australia Q4 CPI in focus ahead of RBA February meeting**
- **Euro area and US Q4 GDP figures released**
- **US core PCE seen at 0.2% m/m**

### Week in Review

Last week saw the first few days of the Trump Presidency following his inauguration on Monday. The early focus is on the border and on green and energy policy.

On trade, there were no day one tariffs. Instead, the 'America First Trade Policy' has been ordered for completion by 1 April. In the meantime, Trump has threatened 25% tariffs on Canada and Mexico and 10% on China from 1 February. However, these comments weren't taken seriously by the market and the working assumption is that they won't proceed on 1 February.

Clarity on the path forward for tariffs is a long way off and the outcome of the 'America First Trade Policy' review will be important to watch. Tariffs will continue to be a source of volatility, especially in currency markets. But so far, the lack of day one action and Trump's comments may point to tariffs as a big stick he would prefer not to use, rather than a revenue raising macro policy objective or component part of any 'strategic decoupling' policy vis-a-vis China.

Elsewhere, the main economic news of the week was a well anticipated rate hike from the BoJ. The BoJ raised their policy rate 25bp to 0.5%, after having been on hold since July. The BoJ reiterated that they will continue to raise the policy interest rate and adjust the degree of monetary accommodation if the outlook is realised. Their CPI ex fresh food forecasts were revised higher to 2.4% from 1.9% next year and 2.0% from 1.9% for FY 2026.

### Week Ahead

Australia Q4 CPI on Wednesday is expected to show inflation below the RBA's cautious November forecasts. Our colleagues at NAB pencil in 0.5% q/q for trimmed mean, down from 0.8% q/q in Q3. The RBA pencilled in 0.7% q/q in November and cited 'modest downside risk' to that forecast in December. NAB forecast headline inflation at 0.2% q/q.

Also, during the week is the NAB Business Survey on Tuesday, as well as PPI and trade prices, and private sector credit. Monday is a public holiday nationally.

In the US, the FOMC will be on hold on Wednesday with no new published projections. On the data side, the advanced read of Q4 GDP is expected to show another quarter of robust growth, annualising a little below 3% q/q on ongoing strength in consumer spending. The quarterly core PCE will be published on Wednesday, ahead of the

December monthly data on Friday, where expectations are for a low 0.2% m/m outcome.

Elsewhere, earnings season continues, with Tesla, Microsoft, Meta and ASML (Wednesday), and Apple (Thursday) and Samsung (Friday).

In Canada, after two consecutive 50bp cuts and a cumulative 175bp adjustment from the peak in policy rates at 5.0%, the Bank of Canada is set to slow the pace of easing at its meeting on Wednesday.

The eurozone is expected to see modest but positive growth in the advanced Q4 GDP read on Thursday despite a headwind from German weakness. The ECB on Thursday is universally expected to continue easing, delivering what will be its fifth back-to-back 25bp rate cut to 2.75% for the Deposit Rate.

Wednesday is the Lunar New Year holiday throughout Asia. China markets will be closed Tuesday through Friday.

### Important Events Preview

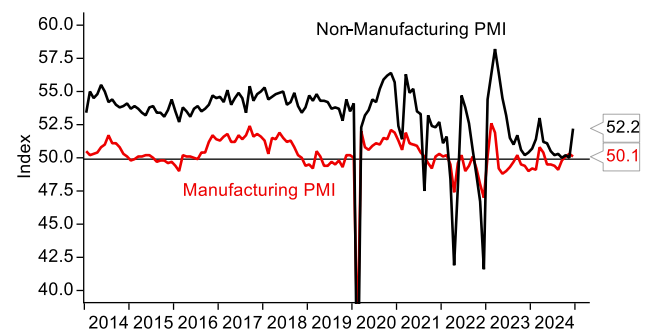
#### Monday 27

##### AU Australia Day Holiday

##### CH Official PMIs

Chinese PMIs showed some improvement into the end of 2024, with the non-manufacturing measure lifting to 52.2, its highest since March. The January read will be an early test of whether that nascent momentum is extending into 2025.

#### China Official PMIs



Source: National Australia Bank, China Federation of Logistics & Purchasing, Macrobond

#### Tuesday 28

##### AU NAB Business Survey

##### EZ ECB Q4 Bank Lending Survey

The Q3 survey found housing loan demand rebounded strongly as interest rates were cut, while loan demand by companies improved much more modestly. NAB expect much of the same for Q4. Meanwhile credit standards for firms were unchanged after two years of consecutive

tightening. They eased for house purchases and should do again in Q4.

## US Conference Board Consumer Confidence

### Wednesday 29

#### AU Q4 CPI

Our colleagues at NAB forecast headline at 0.2% q/q (2.4% y/y) with fuel prices and measured electricity prices again subtracting on a quarterly basis. They expect trimmed mean inflation just 0.5% q/q (3.2% y/y), 2 tenths below the RBA's November forecast. Risks are reasonably centred at 0.5% q/q, though skew slightly to a 0.6%.

Consensus is 0.3% q/q for headline and 0.6% q/q for trimmed mean.

Subsidy impacts weigh on both headline and trimmed mean in Q4, but don't account for all the undershoot. 0.5% q/q is not the new normal and NAB expect Q1 2025 trimmed mean will be higher than Q4.

A step-shift lower in New Dwelling inflation is hugely important. If new dwellings had not slowed from its Q3 pace, NAB's trimmed mean forecast would be 15bp higher.

December monthly data is released alongside the full Q4 data. NAB pencil in headline at 2.4% y/y and for the annual trimmed mean to slow to 2.9% y/y.

#### CA BoC January meeting (cut)

The Bank of Canada cut by 50bps at its last 2 meetings and has already moved policy rates 175bp lower from 5% this cycle. With recent labour market data showing some signs of stabilisation and a substantial adjustment already having been made, the pace of easing will slow. Expectations are for a 25bp cut and markets are well priced for that outcome.

#### US FOMC January meeting (hold)

The FOMC will hold rates steady at 4.25-4.50%. After patient accumulation of evidence though mid 2024 before beginning to cut, the FOMC has completed what was ultimately a proactive recalibration of policy. They are back to patience and caution. The December median dots showed 50bp of cuts this year on a broadly resilient labour market and some further progress on inflation. There are no new projections at this meeting.

## SE Riksbank policy meeting (cut 25ps to 2.25%)

### Thursday 30

#### EC Q4 GDP (advanced estimate)

Preliminary EZ Q4 GDP is expected to rise 0.1% q/q for 1.0% y/y. Germany is expected to contract by 0.1%.

#### EC ECB January meeting (cut)

The ECB is universally expected to continue easing, delivering what will be its fifth back-to-back 25bp rate cut to 2.75% for the Deposit Rate. ECB officials, who like to not pre-announce policy moves have barely bothered to hide their expectations for cuts at the next two meetings given their collective confidence that inflation will fall to the 2% target sustainably sometime later this year. The only debate is whether rates find a base at 2.25% or 2%. NAB look for the former (in June) as policy moves to neutral.

#### US Q4 GDP (advanced estimate)

GDP is on track for another quarter of solid growth in Q4. NAB expect growth a little under 3% q/q (annualised). The Atlanta Fed's GDPNow tracker sits at 3.0%. Household consumption remains a key driver, government spending likely remained robust and housing investment also appears to have stepped up in Q4. In contrast, business investment growth is looking softer this quarter, in part due to a reversal of lift in aircraft shipments over Q2 and Q3.

### Friday 31

#### EC France and Germany Preliminary January CPI

Germany and France country level preliminary CPI are ahead of the eurozone-wide measure on Monday 3 February.

#### US Personal Consumption Expenditure

December Personal Income and Spending will round out the December indicators, with consumer spending expected to remain resilient at around 0.5% m/m. Focus will also be on the PCE deflator, the Fed's preferred inflation indicator. With the CPI and PPI detail in hand, analyst forecasts cluster a little below 0.2% m/m, unthreatening against the FOMC's December projection.

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# Fixed Interest Market

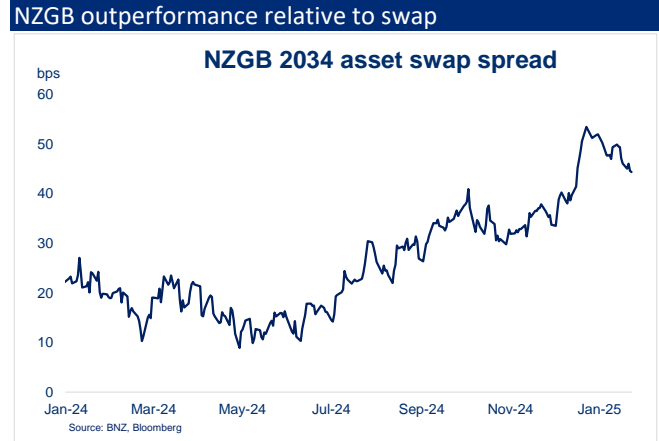
Reuters: BNZL, BNZM Bloomberg: BNZ

NZ fixed income yields moved lower last week, with government bonds outperforming swaps, amid further signs of solid investor demand in the weekly bond tender. 2-year swap rates are close to 15bp below the recent high, with the unwinding of speculative positioning, which contributed to the large idiosyncratic move higher in early January, appearing complete. Q4 CPI data was broadly in line with consensus expectations, and the RBNZ’s forecast from the November Monetary Policy Statement.

A 50bp reduction in the Official Cash Rate (OCR) remains our base case for the February meeting. This is almost fully discounted by market pricing. Separately, the PSI data was consistent with an economy that is still struggling to gain momentum. The GDP weighted composite index dipped relative to November, and extended the period in contractionary territory, to ten consecutive months.

There is limited domestic fundamental drivers for NZ rates in the week ahead. However, a speech by RBNZ chief economist Paul Conway, which discusses the neutral interest rate, will be closely monitored. The speech may provide additional guidance to supplement the suite of models that underpin the RBNZ’s estimate for the neutral OCR. Market pricing for the terminal rate is ~3.20%, above the mean output from the Bank’s neutral rate models. We have a downside bias for front end rates.

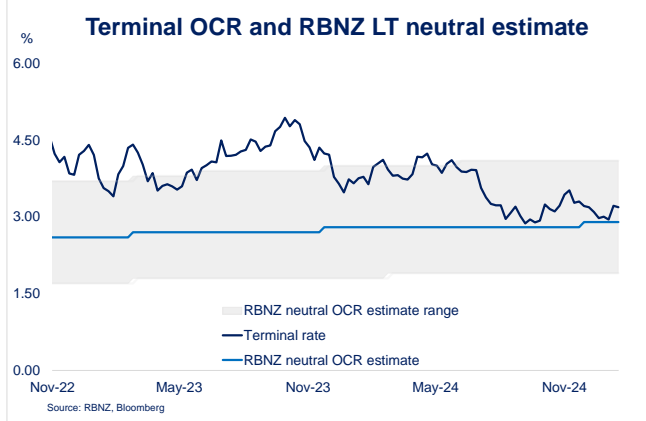
are the highest in ten years when subtracting inflation expectations – in conjunction with a steep curve are supporting demand for bonds.



10-year asset swap spreads peaked near 55bp and have since retraced. However, further bond outperformance relative to swaps could be constrained ahead of the tap syndication of the May-2035 nominal line. At HYEUFU, New Zealand Debt Management (NZDM) announced the tap would take place in the March quarter and there are several potential issuance windows in February.

NZDM have typically used monthly tender schedules to provide updates on upcoming syndications. The February schedule is released at 8am on Wednesday (NZT) and may provide guidance on timing for the May-2035 transaction. We expect NZDM will target issuance around NZ\$4-5 billion. With ~NZ\$7 billion required from syndications to complete the 2024/25 programme, this should allow some prefunding from the final tap in the June quarter.

## RBNZ’s long term neutral OCR estimate



After asset swap spreads reached a multi-year peak, following the upward revision to the government borrowing programme at the Half-Year Economic and Fiscal Update (HYEFU) in December, NZGBs have outperformed swaps during January. The seasonal pause in supply appears to have left the market with residual demand and contributed to strong performance metrics since the tenders restarted, particularly at the longer end of the curve.

The bid-cover ratio for the May-2041 line has averaged ~4.5 in January. It appears the elevated yield levels – which

## Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	4.01	4.01 - 4.20
NZ 2yr swap (%)	3.52	3.37 - 3.65
NZ 5yr swap (%)	3.73	3.51 - 3.89
NZ 10yr swap (%)	4.14	3.92 - 4.30
2s10s swap curve (bps)	62	60 - 71
NZ 10yr swap-govt (bps)	-41	-49 - -41
NZ 10yr govt (%)	4.55	4.41 - 4.70
US 10yr govt (%)	4.62	4.50 - 4.81
NZ-US 10yr (bps)	-7	-16 - 4
NZ-AU 2yr swap (bps)	-36	-57 - -26
NZ-AU 10yr govt (bps)	7	-2 - 18

\*Indicative range over last 4 weeks

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# Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week the USD was broadly weaker, with President Trump not imposing tariffs as a matter of priority. With the USD DXY index showing its largest weekly decline in 14-months of 1.7%, most of the majors showed gains of around 2% or more, CHF, CAD and JPY being the exceptions. NZD/USD rose 2.2% to 0.5710, trading at its high for the year on Friday. NZD cross movements were modest, apart from gains of more than 1% against CAD and CHF and a 2% lift in NZD/JPY, with the rate hike by the BoJ already well priced by the market.

Markets got through Trump’s first week as the 47<sup>th</sup> President relatively unscathed. There were pockets of minor volatility at random times when Trump spoke, a taste of things to come over the next few years. There was relief when the WSJ reported in the hours ahead of his inauguration that no new tariffs would be announced on day one and Trump’s trade agenda would proceed in a measured way.

Still, Trump threatened 25% tariffs against Canada and Mexico from 1 February and increasing tariffs on China by 10% in off-the-cuff comment to reporters. But these comments weren’t taken seriously by the market and the working assumption is that the threatened tariffs won’t proceed on 1 February.

Of some comfort and support to the NZD was Trump’s initial lack of aggressive policies towards China. We have previously noted that Trump’s tariff policy on China is a key variable of uncertainty for the path of the NZD, via the impact on the yuan and global growth. It appears that Trump wants to engage with President Xi before imposing punitive tariffs. Trump’s “America First Trade Policy” focuses on 1 April as a key date for the conclusion of the various trade reviews and consultation reports to be delivered to President Trump, so all this chatter on tariffs could continue for another couple of months without any concrete action.

Without Trump proceeding with tariffs over the short term, there is scope for the NZD to recover some further losses, after its near 12% decline in Q4, perhaps towards 0.58-0.59 as large short positions are unwound. Downside risk would then overhang the NZD later in April and through the rest of Q2, depending on how Trump proceeds with tariffs. That said, it is hard to be overly confident in the FX outlook, given policy being at the whim of President Trump and possible outcomes remain wide.

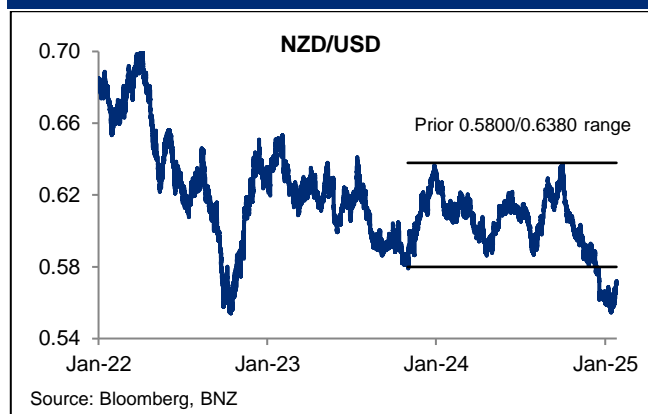
In the week ahead, there is plenty of event risk with policy meetings of the US Fed, ECB and Bank of Canada and some top tier data releases. The Fed is universally expected to hold policy steady after rate cuts over the past three meetings and no chance of a cut has been priced. As well

as Powell’s comments at the press conference, one must also consider President Trump’s reaction as a potentially market moving event, although in this instance we aren’t expecting any notable FX reaction. The Bank of Canada is expected to dial down its rate cutting to 25bps, after 50bps cuts over recent meetings, while a 25bps cut by the ECB is well priced.

The Australian Q4 CPI figure is seen as a crucial release ahead of the RBA’s February policy meeting, where the market has priced in 19bps worth of cuts. Even a small upward surprise could see that pricing reduce significantly, supporting the AUD, and driving NZD/AUD below 0.90, with thoughts of any cut pushed out to April/May. A soft CPI print would see a strong consensus for a February rate cut and NZD/AUD push higher.

Other key releases this week include Q4 GDP figures for the US and Euro area and the US employment cost index and PCE deflator. For NZ, there will be some interest in RBNZ Chief Economist Conway’s speech on Wednesday – not the speech itself but his response to the Q&A.

### Scope for the NZD to return to old range, up through 0.58



### Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5708	0.5540 - 0.5720
NZD/AUD	0.9037	0.9010 - 0.9070
NZD/GBP	0.4576	0.4500 - 0.4610
NZD/EUR	0.5443	0.5410 - 0.5490
NZD/JPY	89.04	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: Trading range  
 ST Resistance: 0.58 (ahead of 0.60)  
 ST Support: 0.5540 (ahead of 0.55)

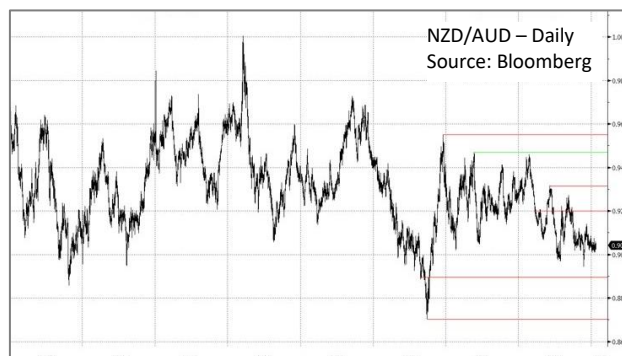
Some upward momentum last week reduces the threat of a downside break of 0.5540 support. Looking at 0.58 as the initial resistance mark.



## 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 remains middle of the range. We await further technical signals.



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

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

2x5 swap spread seems to have found a level for the time being. We still favour a continued steepening into the new year.

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# Quarterly Forecasts

Forecasts as at 27 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	0.1	0.3	0.7	0.8	0.8	0.9
Retail trade (real s.a.)	-1.8	0.5	-1.2	-0.1	0.0	0.5	0.8	1.0	1.2	1.1
Current account (ytd, % GDP)	-6.9	-6.6	-6.6	-6.4	-6.2	-5.7	-5.1	-4.9	-4.6	-4.4
CPI (q/q)	0.5	0.6	0.4	0.6	0.5	0.8	0.5	0.7	0.4	0.6
Employment	0.3	-0.4	0.2	-0.5	-0.2	0.0	0.2	0.4	0.6	0.7
Unemployment rate %	4.0	4.4	4.6	4.8	5.1	5.3	5.5	5.5	5.4	5.2
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	2.2	2.4	2.4	2.5	2.3	2.1
GDP (production s.a., y/y)	0.9	1.3	-0.5	-1.5	-1.6	-1.7	0.0	1.8	2.6	3.1

## 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	
<b>2023 Mar</b>	4.58	4.99	4.27	4.26	5.11	4.51	4.40	4.90	3.65	0.61
<b>Jun</b>	5.42	5.62	4.23	4.27	5.19	4.44	4.30	5.40	3.60	0.68
<b>Sep</b>	5.50	5.66	4.87	4.87	5.54	4.90	4.75	5.65	4.15	0.73
<b>Dec</b>	5.50	5.64	4.90	5.07	5.28	4.85	4.90	5.65	4.45	0.64
<b>2024 Mar</b>	5.50	5.66	4.44	4.68	4.92	4.40	4.45	5.60	4.15	0.53
<b>Jun</b>	5.50	5.63	4.56	4.74	5.01	4.53	4.60	5.60	4.45	0.30
<b>Sep</b>	5.33	5.30	3.96	4.31	4.05	3.80	4.05	5.35	3.95	0.37
<b>Dec</b>	4.42	4.44	4.00	4.47	3.65	3.74	4.10	4.85	4.30	0.19
<b>Forecasts</b>										
<b>2025 Mar</b>	3.75	3.50	3.70	4.50	3.20	3.55	4.15	4.65	4.30	0.20
<b>Jun</b>	3.25	3.00	3.45	4.45	2.90	3.35	4.15	4.40	4.25	0.20
<b>Sep</b>	2.75	2.90	3.45	4.45	3.00	3.40	4.20	4.15	4.25	0.20
<b>Dec</b>	2.75	2.90	3.55	4.30	3.15	3.50	4.10	3.90	4.00	0.30
<b>2026 Mar</b>	2.75	2.90	3.65	4.30	3.40	3.65	4.15	3.90	4.00	0.30

## Exchange Rates (End Period)

### USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
<b>Current</b>	0.57	0.63	1.05	1.25	156
<b>Mar-25</b>	0.58	0.65	1.04	1.27	155
<b>Jun-25</b>	0.57	0.64	1.05	1.27	155
<b>Sep-25</b>	0.59	0.66	1.06	1.28	153
<b>Dec-25</b>	0.60	0.67	1.07	1.28	150
<b>Mar-26</b>	0.62	0.69	1.08	1.29	144
<b>Jun-26</b>	0.64	0.71	1.11	1.32	140
<b>Sep-26</b>	0.65	0.72	1.13	1.34	135

### NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
<b>Current</b>	0.57	0.90	0.54	0.46	88.6	68.0
<b>Mar-25</b>	0.58	0.89	0.56	0.46	89.9	69.0
<b>Jun-25</b>	0.57	0.89	0.55	0.45	88.4	68.7
<b>Sep-25</b>	0.59	0.89	0.55	0.46	89.5	69.5
<b>Dec-25</b>	0.60	0.89	0.56	0.47	89.3	70.1
<b>Mar-26</b>	0.62	0.89	0.57	0.48	88.6	71.4
<b>Jun-26</b>	0.64	0.89	0.57	0.48	88.9	72.7
<b>Sep-26</b>	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 27 January 2025	March Years					December Years				
	Actuals					Actuals				
	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025
<b>GDP - annual average % change</b>										
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	1.4	10.9	4.2	-0.6	-4.9	-0.9
Stocks - ppts cont'n to growth	0.5	0.3	-1.6	0.2	0.4	1.4	0.0	-1.4	0.1	0.3
GNE	7.9	3.7	-1.1	-0.6	2.1	9.9	4.5	-0.9	-0.8	1.3
Exports	2.5	5.6	8.6	1.4	3.1	-2.7	-0.8	11.4	3.5	2.1
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	-0.9	1.9	5.8	3.2	1.8	-0.3	0.9
<b>GDP (production)</b>	<b>4.5</b>	<b>3.5</b>	<b>1.4</b>	<b>-1.3</b>	<b>1.9</b>	<b>5.6</b>	<b>2.9</b>	<b>1.8</b>	<b>-0.6</b>	<b>0.7</b>
<i>GDP - annual % change (q/q)</i>	<i>0.5</i>	<i>3.0</i>	<i>1.3</i>	<i>-1.7</i>	<i>3.1</i>	<i>2.6</i>	<i>3.1</i>	<i>0.9</i>	<i>-1.6</i>	<i>2.6</i>
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
<b>Prices and Employment - annual % change</b>										
CPI	6.9	6.7	4.0	2.4	2.1	5.9	7.2	4.7	2.2	2.3
Employment	2.5	3.1	1.1	-0.5	1.9	3.3	1.7	2.8	-0.9	1.2
Unemployment Rate %	3.2	3.4	4.4	5.3	5.2	3.2	3.4	4.0	5.1	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	1.2	3.6	0.7	-1.3	-0.4	0.6
Unit Labour Costs (ann av %)	4.7	5.7	7.2	4.6	1.8	2.3	6.0	7.7	4.9	2.4
House Prices (stratified, qtr)	9.1	-12.8	2.8	-0.4	7.0	22.5	-13.8	0.6	-1.0	6.8
<b>External Balance</b>										
Current Account - \$bn	-24.5	-33.8	-27.6	-24.4	-19.6	-21.3	-35.6	-28.6	-26.4	-20.4
Current Account - % of GDP	-6.8	-8.6	-6.6	-5.7	-4.4	-6.0	-9.2	-6.9	-6.2	-4.6
<b>Government Accounts - June Yr, % of GDP</b>										
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					
<b>Financial Variables <sup>(1)</sup></b>										
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	3.50	2.90	0.92	4.55	5.63	4.26	2.90
5-year Govt Bond	2.90	4.40	4.60	3.70	3.65	2.20	4.30	4.50	3.90	3.55
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	3.40	2.22	5.21	4.93	3.53	3.15
5-year Swap	3.20	4.50	4.40	3.55	3.65	2.56	4.62	4.43	3.63	3.50
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

<sup>(1)</sup> 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
<b>Monday 27 January</b>				<b>Thursday (continued)</b>			
CH Manufacturing PMI Jan	50.1		50.1	JN BOJ's Himino Speaks			
CH Non-manufacturing PMI Jan	52.2		52.2	GE GDP SA QoQ 4Q P	-0.10%		0.10%
GE IFO Expectations Jan	85		84.4	EC GDP SA QoQ 4Q A	0.10%		0.40%
EC ECB's Lagarde, Holzmann and Others Speak				EC Consumer Confidence Jan F			-14.2
<b>Tuesday 28 January</b>				<b>Friday 31 January</b>			
US New Home Sales Dec	672k		664k	EC Economic Confidence Jan	94.2		93.7
NZ Filled Jobs SA MoM Dec			0.30%	EC Unemployment Rate Dec	6.30%		6.30%
AU NAB Business Confidence Dec			-3	EC ECB Deposit Facility Rate Jan 30	2.75%		3.00%
EC ECB Bank Lending Survey				US GDP Annualized QoQ 4Q A	2.70%		3.10%
EC ECB's Villeroy Speaks				US Initial Jobless Claims Jan 25	225k		223k
<b>Wednesday 29 January</b>				<b>Saturday 01 February</b>			
US Durable Goods Orders Dec P	0.50%		-1.20%	US Continuing Claims Jan 18	1910k		1899k
US Dallas Fed Services Activity Jan			9.6	EC ECB's Lagarde Speaks			
EC ECB's Cipollone Speaks				US Pending Home Sales MoM Dec	-0.50%		2.20%
US Conf. Board Consumer Confidence Jan	105.6		104.7	NZ ANZ Consumer Confidence Index Jan			100.2
US Richmond Fed Manufact. Index Jan	-12		-10	JN Jobless Rate Dec	2.50%		2.50%
US Richmond Fed Business Conditions Jan			14	JN Retail Sales MoM Dec	-0.10%		1.80%
NZ MoF Willis Speaks at Select Committee				AU PPI QoQ 4Q			1.00%
NZ RBNZ's Conway Speaks				AU Private Sector Credit MoM Dec	0.50%		0.50%
JN BOJ Minutes of Dec. Meeting				EC ECB 3 Year CPI Expectations Dec	2.40%		2.40%
AU CPI QoQ 4Q	0.30%	0.20%	0.20%	EC ECB 1 Year CPI Expectations Dec	2.70%		2.60%
AU CPI YoY 4Q	2.50%	2.40%	2.80%	<b>Saturday 01 February</b>			
AU CPI Trimmed Mean QoQ 4Q	0.60%	0.50%	0.80%	NZ CoreLogic Home Value MoM Jan			-0.20%
AU CPI Trimmed Mean YoY 4Q	3.30%	3.20%	3.50%	GE CPI YoY Jan P	2.60%		2.60%
SW Riksbank Policy Rate Jan 2029	2.25%		2.50%	US Fed's Bowman Speaks			
<b>Thursday 30 January</b>				US Employment Cost Index 4Q	0.90%		0.80%
CA Bank of Canada Rate Decision Jan 2029	3.00%		3.25%	US Personal Spending Dec	0.50%		0.40%
US FOMC Rate Decision (Upper Bound) Jan 2029	4.50%		4.50%	US PCE Price Index MoM Dec	0.30%		0.10%
NZ Trade Balance NZD Dec			-437m	US Core PCE Price Index MoM Dec	0.20%		0.10%
NZ ANZ Business Confidence Jan			62.3	US Core PCE Price Index YoY Dec	2.80%		2.80%
AU RBA's Jones Speaks				EC ECB's Villeroy Speaks			
				US MNI Chicago PMI Jan	40		36.9

## Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
<b>CASH AND BANK BILLS</b>					<b>SWAP RATES</b>				
Call	4.25	4.25	4.25	5.50	2 years	3.52	3.61	3.43	4.77
1mth	4.30	4.35	4.37	5.59	3 years	3.56	3.67	3.43	4.51
2mth	4.12	4.15	4.31	5.63	4 years	3.64	3.75	3.49	4.39
3mth	4.01	4.06	4.17	5.66	5 years	3.73	3.83	3.58	4.36
6mth	3.81	3.85	3.87	5.61	10 years	4.14	4.22	3.99	4.49
<b>GOVERNMENT STOCK</b>					<b>FOREIGN EXCHANGE</b>				
04/27	3.70	3.76	3.62	4.45	NZD/USD	0.5707	0.5672	0.5640	0.6133
05/30	4.07	4.18	4.00	4.46	NZD/AUD	0.9041	0.9039	0.9065	0.9277
05/32	4.37	4.49	4.32	4.58	NZD/JPY	88.85	88.24	88.45	90.46
05/35	4.63	4.74	4.59		NZD/EUR	0.5442	0.5445	0.5419	0.5661
04/37	4.79	4.91	4.76	4.83	NZD/GBP	0.4572	0.4602	0.4494	0.4826
05/41	4.98	5.11	4.98	4.95	NZD/CAD	0.8195	0.8117	0.8094	0.8227
05/54	5.14	5.27	5.17		TWI	68.1	67.5	67.9	71.5
<b>GLOBAL CREDIT INDICES (ITRXX)</b>									
Nth America 5Y	48	49	50	54					
Europe 5Y	53	54	58	59					

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