Research

Markets Outlook

24 February 2025

Activity Rising; Uncertainty Heightened

- **No surprises from the RBNZ**
- **Didn't flinch on higher inflation outlook**
- **Activity indicators improving**
- **Retail sales lift in Q4**
- **Nudges our Q4 GDP estimate up to 0.2%**
- **Output gap negative; uncertainty elevated**
- **Treasury speech and jobs, confidence data due**

There were no material surprises from the RBNZ meeting last week. The Bank cut the OCR by 50 basis points, brought forward its projected rate track, and maintained its low point near 3%. This met our, and the market's, expectations.

No surprise, but there's a bit to unpack from the RBNZ's statement. We have previously discussed our thoughts around the neutral OCR so won't repeat those here. Rather we look at four other points of interest: forecasting CPI inflation near the top of the band, a negative output gap, forward guidance, and uncertainty.

Starting with inflation, we were heartened by the fact that despite the Bank forecasting a 2.7% peak in annual CPI inflation later this year (which matches our own view), it did not flinch. The target band is in use. But we are quick to point out that this still needs close monitoring. We remain mindful that it can be easier to look through a forecast pickup in inflation than to do so when inflation actually prints higher. There is naturally more comfort when actual inflation is nearer 2% than nearer 3%.

We remain wary of a pickup in inflation over coming quarters and, if it does, we will watch for any signs of it feeding into inflation expectations. That is what would worry the RBNZ more.

Secondly, a heavily negative output gap is a key reason why the OCR is likely to be cut further. A negative output gap exerts downward pressure on core inflation.

We forecast economic growth to improve this year and are already seeing data picking up. Be that as it may, a pickup in activity is coming from a very low base. That leads to talk of recovery, while it might take some time to feel like one.

Our near-term growth estimates are a bit lower than the RBNZ's. Slower growth outcomes than the Bank anticipates could result in the output gap being more negative, resulting in less core inflationary pressure, and additional downward pressure on the OCR.

Thirdly, forward guidance. RBNZ Governor Orr was quite clear in the MPS press conference that the Bank's projections are consistent with future cuts being of a 25 basis point variety compared to the recent 50 point pace.

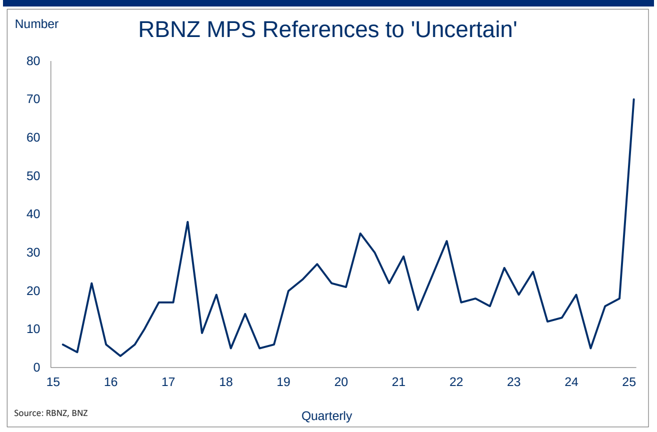
We have no argument with projections consistent with 25 basis point cuts ahead. Indeed, they match our own forecasts. Rather we wonder if the guidance in the press conference is a change in communication strategy from the Bank. If so, there is a risk that the market takes such guidance too literally with insufficient attention given to the conditionality surrounding it.

That risk might have increased with last week's 50 basis point cut being seen as delivered because that was the previous guidance given, without enough weight being placed on economic events evolving, on net, broadly in line with the RBNZ's forecasts. That need not necessarily always be the case. Shocks can and do happen.

We say this at a time of heightened uncertainty. The outlook is always uncertain, but there are indications it is more so than usual at present.

The RBNZ mentioned 'uncertain' no less than 70 times in the February MPS. A significant lift from its 18 references in November's statement and around four times above the average number of references in MPSs over the past ten years. It might not be the best measure of 'uncertainty' but it does say that the Bank is very aware of it.

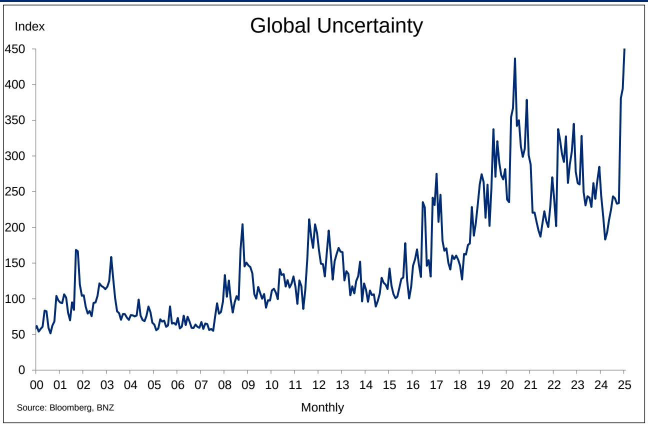
RBNZ Very Aware Of Uncertainty



The likes of changing policy direction in the US, including around tariffs and responses thereto, global fragmentation and geopolitical tensions are very much part of this.

A global uncertainty index we track has bolted upwards over recent months, to its highest level this century including through the pandemic.

Big change



It is important to recognise that uncertainty is not the same as downside risk. Things can be uncertain and turn out for the better. But uncertainty alone can slow activity in the first instance, as businesses are more cautious than otherwise with investment and households are relativity more circumspect with spending.

This featured in the RBNZ statement, with the Bank materially lowering its business investment forecasts. Our own forecasts have investment trailing year earlier levels until later this year. But we must continue to monitor the indicators – which have been showing more signs of life, including last week' machinery and plant imports.

Focus remains on indicators like business investment intentions (and employment intentions) from the various business surveys to get a sense of what might lie ahead. They have been generally buoyant of late. It remains to be seen how much this remains the case, in what looks like a lift in uncertainty, and/or to what extent the recently positive intentions are acted upon or not.

This week's ANZ business confidence survey will be worth a look on Thursday for firms' latest thoughts on investment intentions as well as activity expectations, inflation, and profitability. Lower interest rates are supportive, so too buoyant commodity prices for the primary sector, but uncertainty and costs are elevated.

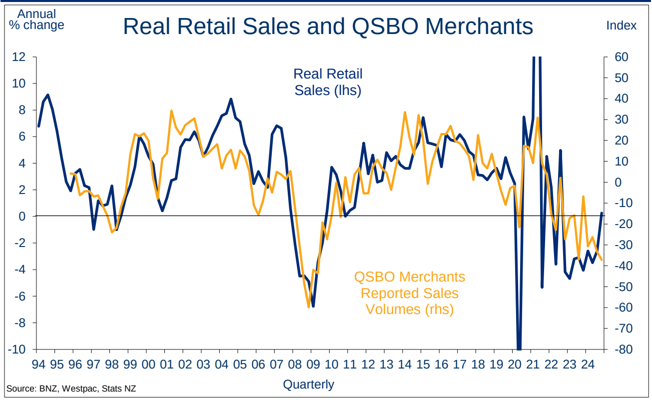
We look for this week's survey to maintain its generally positive hue on the economic outlook. It is likely to be more a case of assessing its degree. Pricing intentions in this survey have been more elevated than in other surveys, while inflation expectations have been well behaved.

The week's data is already underway via this morning's retail sales figures for Q4. Sales volumes rose 0.9% q/q in Q4. This was stronger than market and our expectations.

We thought that a decline in vehicle sales might offset some pickup in core sales. Vehicle sales did fall, but the 1.5% q/q decline was not as much as they might have. And core retail sales rose a chunky 1.4% q/q.

Some retailers might well be scratching their heads at data showing a solid pickup in sales, including those answering the QSBO that showed merchants with the weakest quarterly reading for NZ sales since 2009.

Retail Sales Volumes Surprise

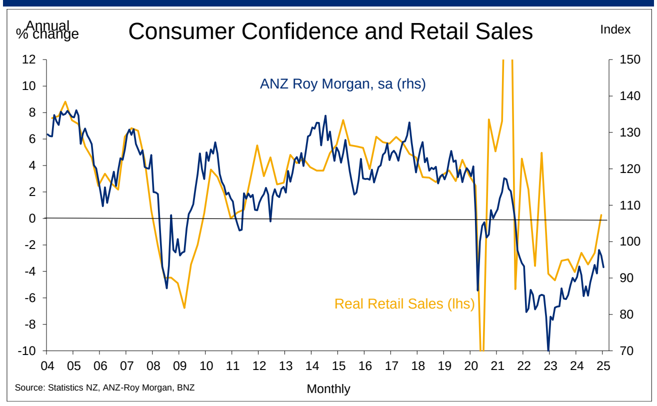


It is not that today's data show sales volumes are strong in an outright sense. Far from it. The figures show the volume of sales are only 0.2% higher than a year ago and are still 9.1% below their peak.

However, the change of direction is important. And the quarterly result feeds into Q4 GDP calculations. The lift in core retail sales suggests private consumption rose by more than the 0.3% q/q we had factored in and more than the 0.4% q/q the RBNZ projected in its February MPS. The upside surprise is enough for us to nudge our Q4 GDP estimate up to 0.2% from 0.1%.

Friday's ANZ February consumer confidence survey will be monitored for the latest pulse on the consumer, where confidence weakened in January. Back then, at 96.0, it spoke of net pessimistic consumers and confidence levels still well below average. Looking at historical relationships, confidence still looks like it needs to lift a fair way to be consistent with our forecasts of further increases in consumer spending this year.

Consumers still pessimistic?



Consumers' inflation expectations will also be worth a glance, to see if any signal can be gleaned from a noisy series. We have seen other measures of household inflation expectations edge higher.

January filled jobs data, as part of Friday's employment indicators, will be assessed for their guidance on employment into the New Year. A gain in January would add to the hints of positivity late last year and could indicate some upside risk to our flat Q1 employment forecast, although not necessarily as prior months' initial estimates have recently tended to be revised lower.

Ahead of that, Treasury's Chief Economist gives a speech on Wednesday entitled 'State of the Economy 2025'. It looks like being a detailed run through of the Treasury's HYEFU forecasts from December, with the agency inviting people 'to join the presentation if you would like to better understand the Treasury's economic and fiscal forecasts which underpinned its latest picture of the state of the economy.' Markets will be interested to hear comment, if any, on whether subsequent economic developments have materially altered the Treasury's broad view.

Finally, new lending data for January on Thursday will be monitored after its strong December reading. More house sales in January suggest buoyancy in new lending continued. That should maintain mild upward pressure on growth in the stock of household lending, which ticked up to 3.6% in December. January's stock data is due out on Friday afternoon.

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Global Watch

- **US core PCE seen at 0.3% m/m**
- **Many Fed speakers on the circuit**
- **Australia CPI indicator due for January**
- **Official PMIs released for China**

Week in Review

Last week the RBA cut as expected, but unenthusiastically. Governor Bullock said that the decision "*does not imply that further rate cuts along the lines suggested by the markets are coming … and the board is very alert to upside risks that could derail the deflationary process.*" The data flow will need to make a positive case for the RBA to continue to ease policy. Key will be how inflationary the resilient labour market proves. While growth and unemployment forecasts were revised to be similar to NAB's forecasts, the RBA remains cautious on the inflation outlook.

Speaking in front of a parliamentary panel on Friday, Governor Bullock said, "*the board is committed to being guided by the incoming data and our evolving assessment of the risks,*" and noted the risk that a tight labour market could 'delay or derail' the disinflation process. Wage Price Index data, out Wednesday, played to the theme that the labour market through 2024 was not particularly wage inflationary, while Thursday's employment data was robust, doing nothing to dissuade the RBA from caution about retightening.

The US services PMI was considerably weaker than expected. It dropped to 49.7, down from 52.9, as uncertainty about the new administration's economic policies weighed on orders and business expectations. The recent weakness in activity readings has seen the US economic surprise index drop into negative territory.

In the UK, headline inflation accelerated more than expected but core was in line with expectations.

Week Ahead

In Australia, January CPI indicator (Wednesday) and GDP investment partials (Wednesday & Thursday) will be a focus ahead of Q4 GDP data the following week. The RBA's head of economic analysis gives a speech titled 'Why is productivity important?' on Thursday.

For January CPI, the usual caveat about this being a partial indicator and the first month of the quarter containing few services indicators apply. Our colleagues at NAB pencil in 2.7% y/y from 2.5%. More interesting will be the key housing components, and any sign of higher goods inflation after higher consumption import prices in Q4 alongside the lower AUD.

Also watch for geopolitical headlines on Ukraine, with Trump meeting Macron early in the week and Starmer on Thursday. The next known date to watch on tariffs is the current 4 March go-live for Mexico and Canada tariffs. G20 finance ministers and central bankers meet in Cape Town Wednesday and Thursday.

On the data side in Europe, Final January CPI is Monday, followed by preliminary country level CPIs for February later in the week with Spain Thursday and France and Germany Friday.

The BoE's Research conference starts Monday, with Deputy Governor's Lombardelli and Ramsden on the docket on Monday and ECB's Schnabel on Tuesday. There plenty of other central bank speakers scheduled through the week as well.

In the US, beyond a full roster of appearances from FOMC officials, data includes the second estimate of Q4 GDP on Thursday and January personal income and spending data Friday. The core PCE deflator is expected at 0.3%, hardly encouraging and keeping the Fed cautious, but not quite as eye catching as the strong January CPI outcome alone.

In Japan, Tokyo CPI on Friday is expected to see the ex-fresh fruit and energy measure tick higher, keeping the BoJ on track to deliver further policy normalisation, if not in a hurry.

In China, there is no data on the calendar until official PMIs on Saturday 1 March.

Important Events Preview

Monday 24

EZ Final January CPI

UK BoE 2025 Research Conference
Includes addresses from Dep Governors Lombardelli and Ramsden. Dhingra speaks separately at Birkbeck later in the day.

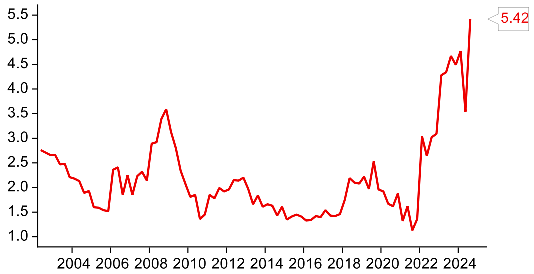
Tuesday 25

EZ ECB's Schnabel at BoE Conference

UK BoE Chief Econ Pill at BoE Conference

EZ ECB EZ Q4 Negotiated Wages Report
EZ negotiated wages spiked in Q3 – in part due to base effects in Germany from a year earlier. Adjusting for one-off payments they are running below 5%, while the higher-frequency ECB wage tracker reckons wage growth is around 4.7%. The ECB has said it believes wages will ease in 2025, though hawks such as Schnabel maintain that wage settlements need to be monitored.

ECB EZ Percentage Change of Negotiated Wage Rates



Source: National Australia Bank, Bloomberg, Macrobond

US Conference Board Confidence

Wednesday 26

AU January CPI indicator
The January indicator is the first month of the quarter and contains few services indicators. Travel prices also see large seasonal swings this time of year that add more uncertainty than usual to the headline outcome. NAB pencil in 2.7% from 2.5%, helped by a small rise in electricity prices as Queensland progressively exhaust the $1000 state government electricity rebate.

As a result, more informative than the headline will be key housing components and any steer on whether the measured increase in consumption import prices in Q4 alongside the lower Australian dollar has put upward pressure on some key goods components. Anything below a 0.5% m/m for rents and 0.1% m/m for New Dwellings would suggest further disinflationary impetus from housing.

NAB currently pencil in a 0.6% q/q for Q1 trimmed mean with risks tilted toward 0.7%, which is the RBA's pick. That is based on 0.1% m/m outcomes for New Dwelling cost inflation and note that trimmed mean outcomes are highly sensitive to small surprises in New Dwelling cost inflation.

AU Q4 Construction Work Done
This is the first of the investment partials for Q4 GDP the following week. Construction work done is expected to show another rise in Q4, up around 1.5%. Growth last quarter was supported by engineering work, while dwelling investment saw a small decline.

Thursday 27

AU Q4 Private Capex
Q4 Capex is expected to grow around 1% q/q, a similar pace to Q3. The equipment, plant and machinery component is a guide to investment in Q4 GDP and complements the information from construction work done the prior day.

EZ ECB publishes account of Jan 30 policy meeting

US Q4 GDP second estimate

Friday 28

EZ France and Germany preliminary CPI

CA Q4 GDP

US Personal Incomes and Spending
The release includes the Fed's preferred inflation gauge, the Core PCE deflator. With the CPI and PPI earlier this month in hand, expectations are for an outcome around 0.3% m/m, enough to see the year-ended rate tick lower to 2.6%. That's hardly good news on inflation, but it is much less threatening than the strong CPI outcome alone, which was likely more heavily impacted by residual seasonality.

Elsewhere in the release, spending is seen up 0.2% m/m after surging 0.7% the prior month and income is seen up 0.4% m/m.

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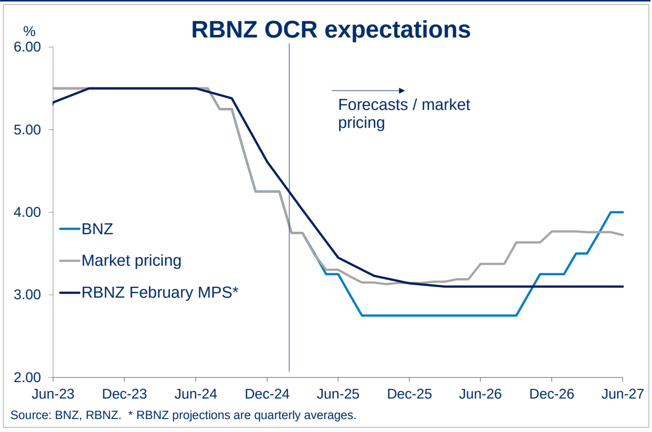
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

The RBNZ matched expectations and market pricing and delivered a 50bp reduction in the Official Cash Rate (OCR) to 3.75% at the Monetary Policy Statement (MPS) last week. The accompanying statement outlined consumer price inflation is near the 2% midpoint of the target band, economic activity is subdued, and spare capacity is weighing on domestic price pressures.

The Bank maintained a clear easing bias. Its downwardly revised modelled OCR track is consistent with a 25bp rate cut at each of the April and May meetings, and a terminal OCR near 3%. In the post-MPS press conference, Governor Orr confirmed this profile as the Bank's base case, conditional on the economy evolving in line with its expectations.

RBNZ maintains its easing bias



Source: BNZ, RBNZ. * RBNZ projections are quarterly averages.

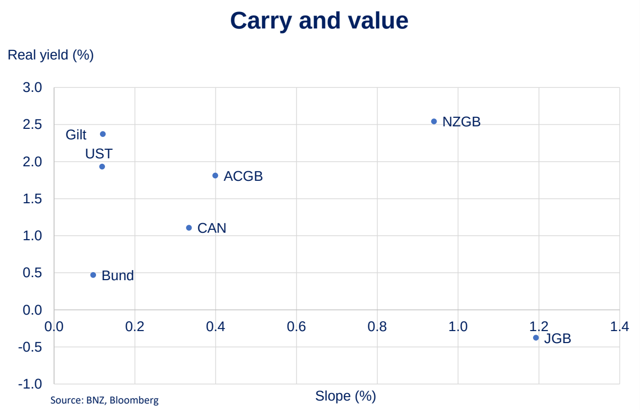
The timing of the 9 April Monetary Policy Review means Q1 CPI data, which is released a week later, won't be available. The higher frequency monthly activity indicators and inflation partials will be important to gauge how the economy is performing, relative to the RBNZ's MPS projections. Q4 GDP is released on 20 March and the Quarterly Survey of Business Opinion on 8 April.

The RBNZ's updated OCR track, closely aligned with the prevailing pricing in the overnight index swap market, limiting the impact. Front end rates have been drifting higher in recent weeks. 2-year swap rates are back at the top end of the 3.35% - 3.65% range that has confined price action through 2025.

The market-implied OCR track has a terminal rate ~30bp above our 2.75% forecast, and an earlier start to the tightening cycle. The RBNZ has typically held the OCR steady for at least twelve months at the end of the cycle. Combining these observations, we expect front end rates will retrace lower.

There was strong investor demand in the weekly government bond (NZGB) tender last week continuing the recent trend. Investor bids totalled NZ$2.5 billion and the clearing level was ~2bp below prevailing market levels for all three offered lines. The latest data on non-resident holdings covering the period to end-January, reveals notable demand for near 10-year bonds in the month, which preceded strong demand from offshore accounts in the May-2035 tap syndication.

NZGB screen well compared with global sovereign bonds



Source: BNZ, Bloomberg

NZGBs offer an increasingly large currency hedged yield over comparison sovereign markets. For example, a US domiciled investor into 10-year NZGB using a 3-month FX hedge, would earn an annualised yield pick up over US treasuries of ~80bp. It is a similar pickup for European domiciled investors over bunds. These dynamics are likely contributing to demand for NZGBs, alongside NZ's divergent macro backdrop, which supports further easing by the RBNZ. The duration extension, at month end for NZGB benchmarks, will also support demand.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.77	3.75 - 4.02
NZ 2yr swap (%)	3.55	3.33 - 3.60
NZ 5yr swap (%)	3.83	3.58 - 3.87
NZ 10yr swap (%)	4.22	4.03 - 4.27
2s10s swap curve (bps)	67	60 - 71
NZ 10yr swap-govt (bps)	-33	-43 - -32
NZ 10yr govt (%)	4.54	4.45 - 4.57
US 10yr govt (%)	4.43	4.38 - 4.66
NZ-US 10yr (bps)	11	-9 - 11
NZ-AU 2yr swap (bps)	-31	-44 - -27
NZ-AU 10yr govt (bps)	3	3 - 14

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week, net currency movements were small, with NZD movements against major currencies all within plus or minus ½%, apart from a 1.8% fall against JPY. The yen outperformed, with further evidence of higher inflation and the BoJ needing to continue to tighten policy this year. NZD/USD hit a fresh high for the year of 0.5773 before closing the week around 0.5740. Another NZD/AUD dip below 0.90 proved to be temporary, with the cross rate closing the week up a touch at 0.9030.

There was plenty of newsflow last week, but the net result was small net movements in currencies apart from further strength in the yen. Geopolitically, the US engaged with Russia on ending the Ukraine war and left Europe's leaders on the sidelines. President Xi met with leaders of the IT industry, including Jack Ma, signalling a more business-friendly tack for Chinese leadership. Furthermore, there was speculation that President Trump would like to strike a wide-ranging deal with President Xi, one that goes beyond just reworking the trading relationship.

The RBNZ's 50bps cut to the OCR to 3.75%, guidance of a slowdown in the pace of easing this year, and projections of a terminal rate of 3.1% didn't surprise. The RBA didn't surprise either, kick-starting an easing cycle, with a widely anticipated 25bps cut in the cash rate to 4.1% and a cautious message on the scope for further easing.

Economic data showed further evidence of the NZ economy showing a positive turnaround in January, with the PSI matching the PMI data in showing a rise back into expansion territory. Meanwhile US data surprises continued to track negatively. Of note, the PMI services index fell below 50 to 49.7, its lowest level in two years, with the report noting increased uncertainty about the business environment, especially cuts in government spending and tariffs.

In terms of our NZD view, we see 0.58 as an initial level of resistance while 0.55 remains a key support level. A pall of uncertainty overhangs the currency market until we get clarity on what level of global tariffs President Trump ends up imposing. On that note, key dates ahead are 3rd/4th March, when the delayed 25% tariffs for Canada and Mexico are due to take effect, barring further negotiation, and 12th March when 25% tariffs on Steel and Aluminium are due. But a key date is 1-April, when the trade reports are due to land on President Trump's desk, prepared for the America First Trade Policy. From that date onwards, Trump will have the necessary ammunition to accelerate his tariff policy, if desired – including the reciprocal tariffs threatened that encompass NZ, by virtue of the 15% GST applied to all goods and services sold in NZ.

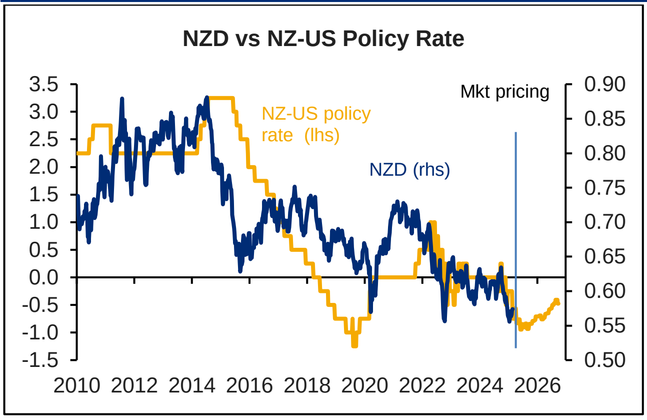
The negative NZD implications of higher tariffs are the feared impact on global growth, given the NZD's sensitivity to the global economic cycle, and spillover effects if/when China decides to reduce its grip on the yuan, allowing the currency to weaken to provide an offsetting force to tariffs.

As of today, we still don't know the pathway President Trump will take on tariffs. To us, it feels like the market is taking a sanguine view, as reflected in US and European equities rising to fresh record highs last week. Many investors optimistically assume the tariff threats over the past month are just part of a negotiating strategy.

Our central projections assume that the tariffs threatened aren't fully imposed and a moderate policy is adopted. But if we're wrong, then markets could enter a period of turmoil sometime in April. So, while we think the NZD can tread water over the next six weeks or so, a cloud continues to overhang the outlook for Q2. If Trump does go hard on tariffs, then the 0.55 support level could well be threatened.

The economic calendar is light in the week ahead. For NZ, we'll be watching the ANZ business outlook survey. At the end of the week, US PCE deflators and China PMIs are the key global releases.

NZ rate cuts well priced; negative impact for NZD fading



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5742	0.5600 - 0.5770
NZD/AUD	0.9017	0.8950 - 0.9060
NZD/GBP	0.4544	0.4500 - 0.4580
NZD/EUR	0.5477	0.5410 - 0.5500
NZD/JPY	85.68	85.30 - 87.50

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	model suspended	
NZD/AUD	0.8490	6%

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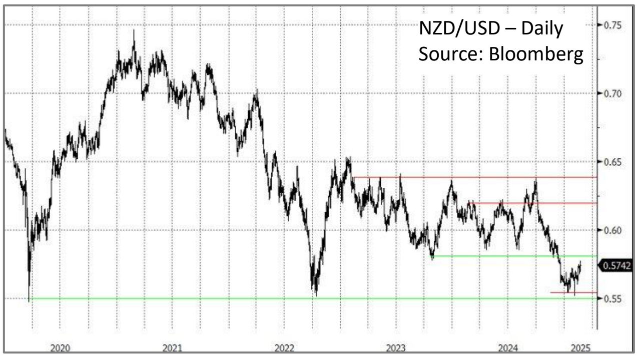
Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.58 (ahead of 0.60)
ST Support: 0.5540 (ahead of 0.55)

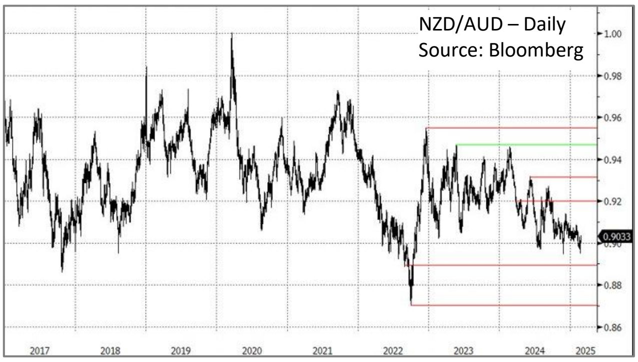
Key support of 0.55 no longer a near-term threat, with the NZD reaching another fresh 2025 high last week. First point of resistance could be around 0.58.



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 continue to see support at 0.89 and some resistance at 0.92.



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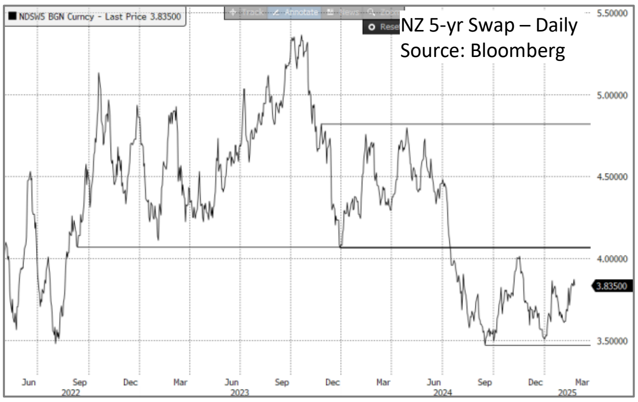
NZ 5-year Swap Rate

Outlook: Neutral
ST Resistance: 4.06
ST Support: 3.48

5-year swap saw momentum take it higher in yield last week, now sitting around the calendar year high. While this remains short of our resistance, a sustained move back lower may indicate new resistance around 3.85.



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

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

2x5 swap spread temporarily broke our resistance reaching +29bp before closing back below +28bp. We will need a sustained break before revising our outlook and levels, but momentum does seem to be taking the spread higher.

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Quarterly Forecasts

Forecasts as at 24 February 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	0.3	0.7	0.8	0.8	0.9
Retail trade (real s.a.)	-2.0	0.6	-1.2	0.0	0.9	0.5	0.8	1.0	1.2	1.1
Current account (ytd, % GDP)	-6.9	-6.6	-6.6	-6.4	-6.1	-5.5	-4.9	-4.6	-4.3	-4.0
CPI (q/q)	0.5	0.6	0.4	0.6	0.5	0.7	0.5	0.8	0.5	0.6
Employment	0.4	-0.5	0.1	-0.6	-0.1	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	4.0	4.5	4.2	3.6	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	2.3	2.4	2.7	2.6	2.6
GDP (production s.a., y/y)	0.9	1.3	-0.5	-1.5	-1.5	-1.6	0.2	1.9	2.6	3.1

Interest Rates

Historical data - qtr average
Forecast data - end quarter

			Government Stock		Swaps			US Rates		Spread
	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	3.50	3.70	4.50	3.20	3.55	4.15	5.00	4.30	0.20
Jun	3.25	3.00	3.45	4.45	2.90	3.35	4.15	5.00	4.25	0.20
Sep	2.75	2.90	3.45	4.45	3.00	3.40	4.20	4.75	4.25	0.20
Dec	2.75	2.90	3.55	4.30	3.15	3.50	4.10	4.50	4.00	0.30
2026 Mar	2.75	2.90	3.65	4.30	3.40	3.65	4.15	4.25	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	0.58	0.64	1.05	1.26	149	0.58	0.90	0.55	0.46	85.9	68.3
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	70.0
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 24 February 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	2.3	7.6	4.2	1.0	0.1	1.7
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	2.2	9.9	4.5	-0.9	-0.8	1.3
Exports	2.5	5.6	8.6	1.8	3.6	-2.7	-0.8	11.4	3.6	2.9
Imports	17.2	4.4	-1.3	1.8	4.1	14.8	4.6	-0.6	2.0	3.0
Real Expenditure GDP	4.6	3.9	1.3	-0.8	2.0	5.8	3.2	1.8	-0.2	1.0
GDP (production)	**4.5**	**3.5**	**1.4**	**-1.3**	**2.0**	**5.6**	**2.9**	**1.8**	**-0.6**	**0.8**
GDP - annual % change (q/q)	*0.5*	*3.0*	*1.3*	*-1.6*	*3.1*	*2.6*	*3.1*	*0.9*	*-1.5*	*2.6*
Output Gap (ann avg, % dev)	1.0	2.0	0.9	-1.4	-1.3	1.3	1.9	1.2	-0.7	-1.6
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	2.3	2.6	5.9	7.2	4.7	2.2	2.6
Employment	2.5	3.1	1.0	-0.6	1.9	3.3	1.7	2.8	-1.1	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	4.5	3.0	4.1	8.1	6.6	4.0	2.9
Productivity (ann av %)	1.7	1.3	-1.1	-0.6	1.2	3.6	0.7	-1.3	-0.3	0.7
Unit Labour Costs (ann av %)	4.7	5.7	7.2	5.0	2.4	2.3	6.0	7.6	5.1	3.2
House Prices (stratified, qtr)	9.1	-12.8	2.8	-0.4	7.0	22.5	-13.8	0.6	-1.0	6.8
External Balance										
Current Account - $bn	-24.5	-33.8	-27.6	-23.7	-18.2	-21.3	-35.6	-28.6	-25.9	-19.0
Current Account - % of GDP	-6.8	-8.6	-6.6	-5.5	-4.0	-6.0	-9.2	-6.9	-6.1	-4.3
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	70.0
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

(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 24 February			
GE	IFO Expectations Feb	85		84.2
UK	BOE's Lombardelli Speaks			
EC	CPI YoY Jan F	2.50%		2.50%
EC	CPI Core YoY Jan F	2.70%		2.70%
	Tuesday 25 February			
UK	BOE's Ramsden & Dhingra Speak			
US	Chicago Fed Nat Activity Index Jan	-0.05		0.15
AU	RBA's Jones Speaks			
GE	GDP SA QoQ 4Q F	-0.20%		-0.20%
US	Fed's Logan Speaks			
EC	ECB's Nagel Speaks			
EC	Euro Area Indicator of Negotiated Wage Rates			
	Wednesday 26 February			
EC	ECB's Schnabel Speaks			
US	Philadelphia Fed Non-Manufacturing Activity Feb			-9.1
UK	BOE's Pill Speaks			
US	Conf. Board Consumer Confidence Feb	102.7		104.1
US	Richmond Fed Manufact. Index Feb	-3		-4
US	Richmond Fed Business Conditions Feb			7
US	Dallas Fed Services Activity Feb			7.4
US	Fed's Barr & Barkin Speak			
NZ	Treasury Chief Economist Stephens Speaks			
AU	CPI YoY Jan	2.60%	2.70%	2.50%
AU	CPI Trimmed Mean YoY Jan			2.70%
AU	Construction Work Done 4Q	1.00%	1.50%	1.60%
GE	GfK Consumer Confidence Mar	-21.5		-22.4
	Thursday 27 February			
US	Fed's Barkin & Bostic Speak			
US	New Home Sales Jan	675k		698k
UK	BOE's Dhingra Speaks			
AU	RBA's Plumb Speaks			
NZ	ANZ Business Confidence Feb			54.4

		Median	Fcast	Last
	Thursday (Continued)			
AU	Private Capital Expenditure 4Q	0.50%	1.00%	1.10%
EC	Consumer Confidence Feb F			-13.6
EC	Economic Confidence Feb	96		95.2
	Friday 28 February			
EC	ECB Publishes Account of Jan. 29-30 Policy Meeting			
US	GDP Annualized QoQ 4Q S	2.30%		2.30%
US	Durable Goods Orders Jan P	2.00%		-2.20%
US	Initial Jobless Claims 22/02/2025	221k		219k
US	Continuing Claims 15/02/2025	1872k		1869k
US	Fed's Schmid, Bowman and Others Speak			
US	Pending Home Sales MoM Jan	-0.80%		-5.50%
NZ	ANZ Consumer Confidence Index Feb			96
NZ	Filled Jobs SA MoM Jan			0.10%
JN	Tokyo CPI Ex-Fresh Food, Energy YoY Feb	2.00%		1.90%
AU	Private Sector Credit MoM Jan	0.50%		0.60%
UK	BOE's Ramsden Speaks			
EC	ECB 3 Year CPI Expectations Jan	2.50%		2.40%
EC	ECB 1 Year CPI Expectations Jan			2.80%
	Saturday 01 March			
GE	CPI EU Harmonised YoY Feb P	2.60%		2.80%
CA	GDP YoY Dec	2.00%		1.50%
US	Personal Income Jan	0.40%		0.40%
US	Personal Spending Jan	0.20%		0.70%
US	PCE Price Index MoM Jan	0.30%		0.30%
US	PCE Price Index YoY Jan	2.50%		2.60%
US	Core PCE Price Index MoM Jan	0.30%		0.20%
US	Core PCE Price Index YoY Jan	2.60%		2.80%
US	MNI Chicago PMI Feb	40.3		39.5
US	Kansas City Fed Services Activity Feb			-4
CH	Manufacturing PMI Feb	50		49.1
CH	Non-manufacturing PMI Feb	50.3		50.2
US	Fed's Goolsbee Speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	3.75	4.25	4.25	5.50
1mth	3.87	3.91	4.24	5.66
2mth	3.82	3.85	4.08	5.69
3mth	3.77	3.79	3.96	5.72
6mth	3.61	3.64	3.77	5.75
GOVERNMENT STOCK				
04/27	3.76	3.68	3.70	4.77
05/30	4.18	4.12	4.07	4.69
05/32	4.43	4.39	4.37	4.74
05/35	4.68	4.64	4.63	
04/37	4.86	4.82	4.79	4.94
05/41	5.06	5.01	4.98	5.03
05/54	5.23	5.17	5.14	
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	48	47	49	52
Europe 5Y	52	51	54	55

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.57	3.54	3.50	5.21
3 years	3.67	3.62	3.55	4.90
4 years	3.75	3.70	3.62	4.73
5 years	3.84	3.79	3.71	4.65
10 years	4.23	4.18	4.12	4.66
FOREIGN EXCHANGE				
NZD/USD	0.5740	0.5736	0.5693	0.6173
NZD/AUD	0.9018	0.9025	0.9047	0.9439
NZD/JPY	85.68	86.89	87.95	93.02
NZD/EUR	0.5478	0.5471	0.5426	0.5689
NZD/GBP	0.4543	0.4544	0.4554	0.4866
NZD/CAD	0.8168	0.8136	0.8182	0.8336
TWI	68.2	68.2	67.9	72.4

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