Research

Markets Outlook

3 March 2025

More Signs of Recovery

- **January indicators firmer**
- **Consumers still pessimistic**
- **Terms of trade charging higher**
- **Trade volumes look GDP positive**
- **More Q4 GDP indicators this week and next**

The economic recovery we forecast for 2025 continues to take shape. Last week's data printed mostly for the better.

Job ads and filled jobs rose in January (admittedly from low levels); new lending to households was much higher than a year ago in the first month of the year; and businesses remain broadly upbeat about the prospects for the period ahead with positive confidence and intentions to employ and invest.

Combined with a decent lift in Q4 retail sales, it all adds to signs of life and recovery getting underway. There's even a hint of it being a touch firmer than we might have thought.

A fly in the ointment is consumer confidence. People are not feeling it yet. Confidence remains stuck in pessimistic territory, well below average, and, if that were to persist, it threatens at least the pace of recovery ahead.

And, of course, there remains significant uncertainty around the outlook for global trade with heightened geopolitical tensions and the ebb and flow of US tariff announcements and associated ramifications.

Undoubtedly any domestic economic recovery is coming off a very low base. But its pace needs to be monitored closely as it will be an important ingredient into how fast the current very negative output gap can close through the year that will influence on how far the RBNZ thinks it needs to take its cash rate.

This week provides more partial indicators for Q4 GDP in the form of building work and international trade. We look for Thursday's total real building work put in place to fall around 2% q/q to be consistent with our GDP thoughts. This includes expected quarterly declines for both residential and non-residential building.

Ahead of that, January's building consents are due on Tuesday. It is always difficult to pick the very volatile monthly outcomes, but we have interest in whether the previous hint of a renewed downtrend over recent months has continued into the New Year or not. If it has, it raises questions around whether the annual number of residential building consents will stay bobbling around the 33-34k mark like it did over the second half of last year and as we have pencilled in for the first half of 2025.

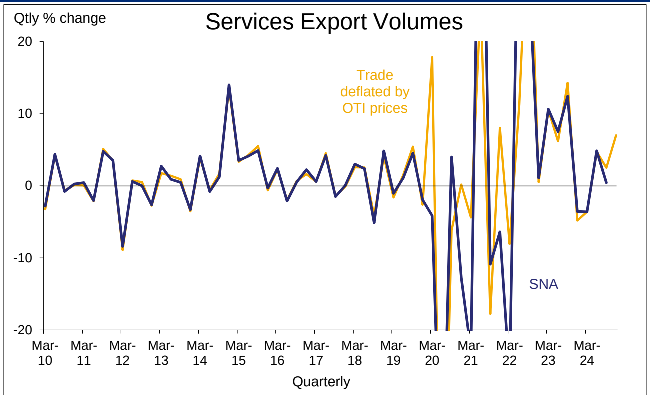
Q4 international trade data were published this morning. It is a mass of information which we will dig further into in due course, but we make a few first observations here.

Export volumes look stronger than we had pencilled in, driven by a decent increase in services (aided by what looks like a strong lift in overseas visitor spending). Import volumes looked a bit weaker than we had pencilled in regards GDP, although there is not a one-to-one mapping from those indicators to their GDP equivalents.

At face value, stronger exports and weaker imports imply stronger GDP. There is upside risk to our +0.2% q/q pick for Q4. However, we need to be a little wary of what the trade indicators imply for the domestic economy.

For example, a drop in imports including for mechanical machinery and transport goods may well mean domestic investment in Q4 was even softer than we thought. And more visitor spending likely underpinned the lift in retail sales rather than a material pick up in household spending. We will take a closer look over coming days.

Export services rising on tourism

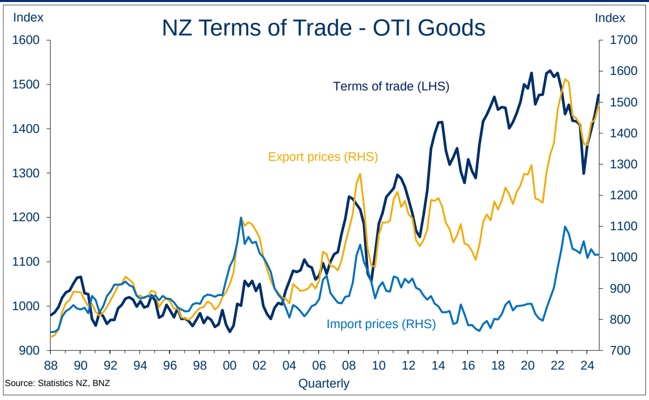


In any case, we will finalise our Q4 GDP estimate after we see both Thursday's building data and next Tuesday's figures for manufacturing, wholesale trade, and selected services. They all have potential to move the dial.

This morning's trade data also confirmed the significant increase underway in the country's goods' terms of trade.

The terms of trade is the ratio of export prices to import prices. A higher value represents an increase in the purchasing power of the country's exports. It rose 13.6% through 2024, including a 3.1% q/q lift in Q4.

Big bounce



The strong uplift in the terms of trade is positive. Yes, the terms of trade remains 3.6% below its peak in 2021, but the lift over the past year has been significant. And we expect further gains as recent commodity price strength continues to filter into the official figures.

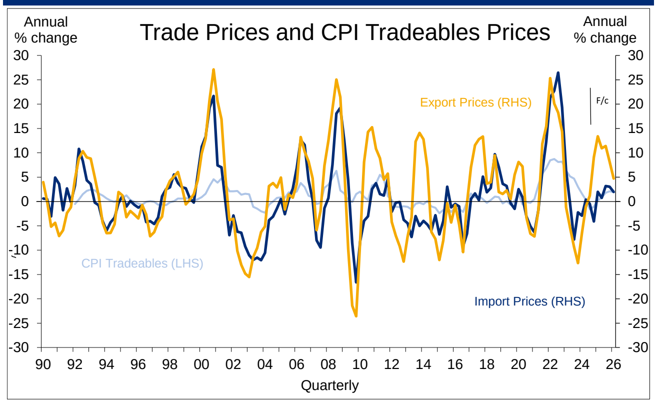
Export prices in Q4 were 9.1% higher than a year ago, while import prices were 4.0% lower. But both export and import prices rose in the quarter, by 3.2% and 0.1% respectively, with support from a softer NZ dollar.

The quarterly increases play to the theme of previous tradable deflation being replaced with tradeable inflation, albeit that the minimal lift in import prices was a bit lower than it might have been.

Our forecast pickup in tradeable CPI inflation is an important component of why we see annual CPI inflation pushing up to around 2.7% in Q3. The RBNZ has the same forecast and has demonstrated a willingness to look through the pickup in inflation as being driven by temporary factors.

Anchored inflation expectations help allow this, but we suggest these need to be watched closely particularly if the forecast uptick in inflation occurs. Last week's reasonably steady business (marginally lower) and consumer (marginally higher) inflation expectation indicators were helpful.

Tradeable inflation to pass through to CPI

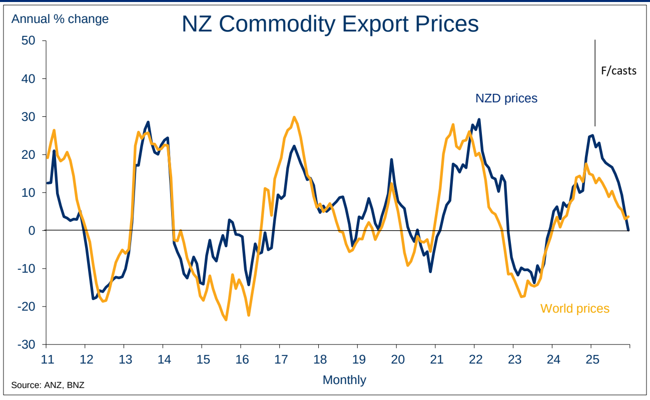


As positive as the lift in the goods' terms of trade is, it is being partly offset by a material drop in the equivalent for services. The services' terms of trade fell 7.4% y/y, driven by a 10.4% lift in services import prices. In turn, those reflect a hefty lift in transportation costs that are up 33.6% y/y.

Transport costs much higher

Primary product prices have been a major part of the upswing in export goods prices. On Wednesday, we get commodity price updates via the ANZ commodity price indices and latest GDT dairy auction.

Annual inflation peaking?



World prices in the former are expected to be up around 12.5% y/y, with a lower NZD seeing returns in local currency up 22.0% y/y. Annual inflation in these indices may have peaked, but they represent significant gains from a year ago and will add further support to the terms of trade and current account balance over coming quarters.

For the GDT auction, the balance of indicators looks more negative than positive this time around. We expect a moderate decline. However, prices are likely to remain well above year earlier levels and particularly so in local currency terms.

There are open questions as to how much of, and/or how quickly, this season's stronger primary sector export returns will be spent.

Higher revenue gives producers more options to cover costs, spend and invest more, repay debt, and/or increase saving. Farmer confidence is high and intentions to invest strongly positive. However, there are signs that not all the additional revenue is being spent.

Standing tall

Agriculture credit growth has continued to slow to the point of lending being down 0.6% y/y in January. Negative credit growth is not necessarily a bad thing. In this case, it may well reflect better sector revenue on the higher commodity prices over the past 12 months. If so, it suggests some of the sector's better revenue stream is being used to repay debt.

Additionally, some of stronger returns looks like they have been used to help replenish deposits. Agriculture deposits are up 9.0% y/y.

We have no doubt higher export returns will support more activity ahead. But the above suggests some caution is being exercised. That is understandable given some previous holes to fill and the significant uncertainties circulating in offshore markets.

While cautious spending may see slower than otherwise growth in the near term, it can help put what activity there is on a firmer footing. It also adds to the case that stronger terms of trade will translate into a further narrowing in the current account deficit.

Another factor adding to caution is the rapidly spreading drier-than-normal conditions across much of the North Island, but more so in the west. Drought has already been declared in Taranaki. Persistent dry conditions will have an impact on late season primary production and lift costs. They are also a factor in pushing hydro lake levels further below average for this time of year. Wholesale electricity prices have been rising and risk rising further if dry conditions persist.

On Thursday, the Government's Financial Statements for the 7 months to January are released. These figures will be lined up against the previous month's figures that had the new deficit metric (OBEGALx) running marginally ($384m) smaller than the Treasury's HYEFU forecasts. We wouldn't expect a large variance to forecast this time around either, given last week's message from the Treasury's Chief Economist, Dominick Stephens, that the economy was tracking broadly in line with its forecasts.

Finally, note that the RBNZ is holding a conference to market 35 years of flexible inflation targeting on Thursday and Friday. Speakers include current BoE MPC member Catherine Mann and former Fed Chairman Ben Bernanke. The conference will be livestreamed. RBNZ MPC members are speaking, including welcoming and opening remarks from RBNZ Governor Orr on Thursday from 9.30am. We are not expecting any direct guidance on current RBNZ policy. It is not that sort of forum. But the range of papers and panel discussion are policy relevant in the bigger picture. RBNZ Chief Economist, Paul Conway, is on a panel discussion from 3.30pm Friday. The Bank intends to publish the research papers on its website.

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Global Watch

- **Tariffs to be levied this week**
- **US payrolls seen at 160k; unemployment rate steady**
- **ISM manufacturing and services surveys due**
- **ECB widely expected to cut 25bps, CPI data out too**
- **Australia GDP seen at 0.5% q/q**

Week in Review

Offshore, developments in the later part of last week dominated with a clear risk adverse tone. The key catalyst was Trump's Truth Social Post that 25% tariffs on Canada and Mexico would go ahead on March 4, as well as a further 10% tariff on China.

In Australia, the first Q1 monthly CPI Indicator was the highlight. While the headline printed close to consensus at 2.5% y/y vs. 2.6%, the underlying details suggested a better inflation narrative relative to the RBA's most recent February SoMP forecasts. Key to the better narrative was the housing components.

The data overall firms up NAB's view for Q1 Trimmed Mean CPI of 0.6% q/q, which would then see the y/y rate fall to 2.8% y/y. If that quarterly pace is sustained into Q2, then that would see the y/y rate fall to 2.5% and would be two tenths below the RBA's February SoMP forecast of 2.7%.

Week Ahead

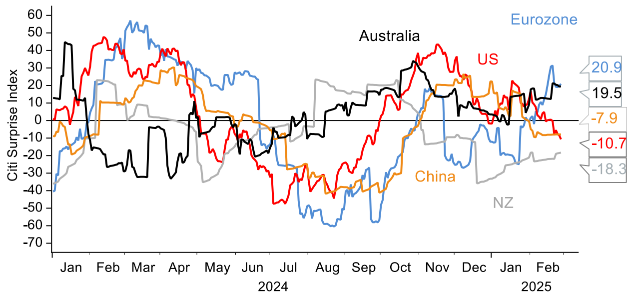
A busy week in Australia. The major pieces are Q4 GDP (Wednesday), Retail Sales (Tuesday), a speech by RBA Deputy Governor Hauser (Wednesday) and the RBA Minutes from February (Tuesday). Even though it is busy, it is hard to see any of that moving the dial as far as policy is concerned. For Q4 GDP NAB see growth of 0.5% q/q and 1.2% y/y. NAB see downside risks to retail sales and have pencilled in a below consensus read of -0.8% m/m vs. a 0.3% consensus.

Globally, it is a very busy week with major risk events being: (1) whether tariffs are imposed on Canada, Mexico and China (Tuesday); (2) China's NPC and whether concrete policies are announced (Wednesday); (3) Market sensitivity to US data which includes the ISMs (Monday and Wednesday), Payrolls and Fed Chair Powell (both Friday).

On tariffs, Trump's Truth Social post of still intending on going ahead with a 25% tariff on Canda and Mexico, as well as imposing a further 10% tariff on China (on top of the recently enacted 10%) has put Tuesday March 4 in the spotlight. The same day Trump is giving a speech to a joint sitting of Congress which may give an indication as to how much of the campaign rhetoric will find its way into real policy.

Should tariffs go ahead, there will be focus on the degree of retaliation by Canada, Mexico and China. There are clear downside risks to markets should this eventuate. And Trump has also indicated reciprocal tariffs could be announced from April 2. How business is reacting to trade uncertainty will be important and it is worth noting US data flow has started to undershoot expectations.

Citi Economic Surprise Indexes*



* The surprise indicies measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases has been worse than expected
Source: National Australia Bank, Macrobond

As for data, consensus for US Payrolls (Friday) sit at 160k and the unemployment rate is expected to be unchanged at 4.0%. The Fed of course seems asymmetric, happy to sit on the sidelines given the state of the labour market and tariff uncertainty, and as such markets are likely to be sensitive to data missing expectations. Powell is also speaking on Friday.

Elsewhere the ECB meets (Thursday) and is widely expected to cut rates. In China, alongside the NPC, Trade Balance data is due Friday.

Important Events Preview

Monday 3

AU Inventories (Q4)
NAB expects inventories to add 0.2 points to Q4 GDP (which is published on March 5). Also contained are data on wages and company profits.

CH Caixin Manufacturing PMI
Again, will take a backseat given the NPC and the prospect of additional tariffs. Consensus sees the Caixin Manufacturing PMI lifting to 50.4 from 50.1.

EZ CPI (Jan), Final-PMIs
Headline HICP is expected to tick down from January's 2.5% y/y to 2.3%, maybe 2.2%. Core prices are seen easing to 2.5% from 2.7%. Services inflation could record their lowest level since May 2024. Since then, services inflation has stubbornly held a 3.9%-4.1% range. In February services prices should ease to 3.7% from 3.9%, with lower insurance and medical costs helping to ease pressures. By late summer, services aided by wage moderation, could be suitably below 3%. This is the area to watch.

US Manufacturing ISM, Fed speak
The ISMs will be closely watched to see to what extent uncertainty stemming from Trump's policies are weighing on the business sector. Headline consensus stands at 50.8 from 50.9. Of more interest though will be the new orders and inventory components which have historically been used as good cyclical indicators of the US economy. Elsewhere the Fed's Musalem is speaking at the National Association of Business Economics conference.

Tuesday 4

AU Net exports (Q4), Retail Sales (Jan), RBA Minutes
Retail Sales are for January and NAB has pencilled in a non-consensus fall of -0.8% m/m (consensus + 0.3%). The Statistician noted in December that "*Cyber Monday fell in early December and boosted spending to begin the month*", and as such NAB look for some retracement this month after the lack of retracement in December (recall retail printed at -0.1% m/m vs. consensus of -0.7%).

The RBA Minutes are for the February Meeting where they cut rates in a widely expected decision. Although much has been said by RBA officials since then, it will be interesting to see how close the actual decision was. NAB continues to expect the RBA to cut rates in May, with January inflation data showing further encouraging disinflationary signs.

Also out is the net export contribution to Q4 GDP. Here NAB look for a small contraction of -0.1 points. Following the data NAB will firm up its Q4 GDP print which they currently have pencilled in 0.5% q/q and 1.2% y/y.

US/CA/MX 25% tariff on Canada, Mexico due

US/CH 10% additional tariff on China

US Trump speech to joint session of Congress
All eyes on whether the US goes ahead with a 25% tariff on Canada and Mexico, as well as the additional 10% tariff on China. There will likely be plenty of insights into Trump's trade agenda with the President giving his first address to a joint session of congress.

Wednesday 5

AU Q4 GDP, RBA's Hauser
NAB expects Q4 GDP to rise 0.5% q/q and 1.2% y/y. Such an outcome would be similar to the RBA's February SoMP projection of 1.1% y/y. NAB continue to expect GDP growth to strengthen over 2025, making H2 2024 the low point in growth for the cycle. Also of interest will be unit labour costs and measures of productivity growth.

CH National People's Congress, Caixin Services PMI
China's National People's Congress starts today with lots of focus on priorities and potential policies. It is unclear how much in terms of concrete policy will come out of the NPC given uncertainties around Trump's trade agenda.

US ISM Services, ADP Employment, Fed's Beige Book
Consensus sees the Services ISM broadly steady at 52.7 from 52.8. Given the uncertainty being picked up in other surveys, risks would appear to be to the downside. Along with new orders and inventories, NAB will be watching closely the prices and supplier delivery indexes, which in prior cycles have proved a good gauge to inflationary pressure and the Fed's reaction to them.

The Beige Book is also worth a detailed look for anecdotes on how trade/tariff uncertainty is impacting business plans. ADP Employment is expected to come in at 146k.

Thursday 6

AU Building Approvals (Jan), Trade Balance (Jan)
Building approvals are expected to be flat this month, while the trade balance should lift after last month's was weighed down by a surge in defence aircraft. The consensus for the trade balance is for a surplus of $5.8bn and NAB is a little higher at $6.0bn.

EZ ECB decision (25bp cut), Retail Sales
The ECB will cut rates by 25bps, reducing the Deposit Rate to 2.5%. This will be the sixth cut in this cycle from the peak of 4.5% and fifth back-to-back cut. There is a good chance the ECB removes the line in its policy statement on monetary policy being restrictive.

New staff inflation forecasts are likely to modestly nudge up the headline and core estimates for 2025 from 2.1% and 2.3% respectively, while the 2025 GDP forecast will likely be lowered slightly from 1.1%. NAB expect the ECB to take a pause at the next (April) meeting. Though NAB expect the ECB to start discussions on an April pause, they do not see President Lagarde making such a view public.

US Jobless Claims, Fed talk
Jobless Claims ticked up recently with many attributing the rise to adverse weather.

Friday 7

CH Trade Balance

US Payrolls, Fed's Powell
Payrolls are expected to rise 160k with the unemployment rate stable at 4.0% and average hourly earnings of 4.1% y/y. Of equal interest this month is the Fed's Powell, speaking on the Economic Outlook at the Chicago Booth School's 2025 Monetary Policy Forum.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

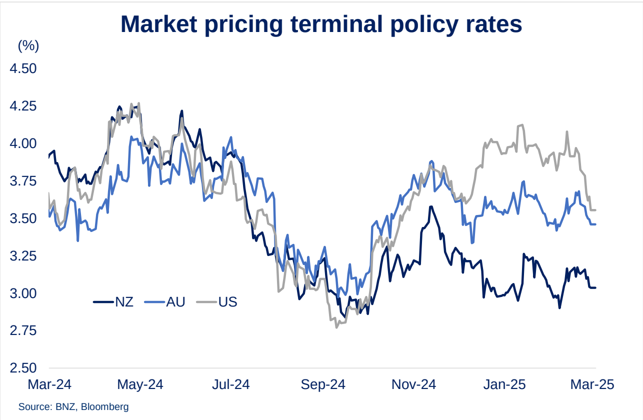
NZ fixed income yields moved lower last week but underperformed relative to the larger adjustment in the US, where growth concerns surfaced after a series of weaker than expected activity data. NZ 2-year swap rates have retraced 15bp off the recent 3.60% high, and back toward the middle of the range that has confined price action over the past three months.

The post Monetary Policy Statement decrease in NZ mortgage rates - all the major banks are offering ~5% two-year fixed rates - raises the prospect of an increased level of bank hedging in the swap market, as households term out their mortgages. RBNZ data reveals that 82% of mortgages have remaining terms of one year or less at the end of December, matching the all-time high from 2012.

While it is natural to expect a reversion back towards longer tenor mortgages through time, the impact on short end swap rates is uncertain. Our analysis reveals there hasn't been a consistent historic relationship, between 2-year asset swap spreads and large compositional changes in mortgage tenor, using monthly data back to 2000. In addition, the timing of any tenor extension will be conditioned on the macro backdrop and outlook for RBNZ monetary policy.

The soft run of US activity data has raised concerns about the global growth backdrop, although the data remains very noisy, and sentiment is being buffeted by the uncertainty created by US economic policies. Market pricing for the terminal fed funds rate has dropped sharply, contributing to a sharp increase in NZ-US cross market spreads.

Terminal fed funds rate drops sharply



We continue to see room for front end rates to move lower and 2-year swaps are expected to retest the 3.30% February low. Terminal Official Cash Rate pricing is just above the RBNZ's long term neutral estimate, despite the lacklustre domestic growth backdrop, and on target inflation. Increasing uncertainty about the outlook for global growth could also be impactful for NZ monetary policy.

May-2032 tap announcement halts ASW tightening trend

New Zealand Debt Management has announced it expects to undertake a syndicated tap of the existing May-2032 nominal government bond (NZGB) by the end of April. We hadn't expected the final tap for the fiscal year until June, and the announcement appeared to have taken the market by surprise, with bonds underperforming relative to swaps immediately afterwards.

Although there are suitable transaction windows in March, we expect the 2032 tap will launch in April. There will be technical NZGB demand during the month from a ~0.6 year duration extension for the Bloomberg NZ government bond index (March 31), maturity of the 15 April-2025 line and NZ$1.4 billion of coupons mid-month.

The near seven-year maturity should appeal to domestic bank balance sheets. Recent transactions in this maturity bucket have seen this investor category allocated close to a third of the issued volume on average. Bank NZGB holdings have steadily increased over the past year, to NZ$24 billion by end January, which excludes allocations from May-2035 tap in February.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.76	3.75 - 3.94
NZ 2yr swap (%)	3.44	3.33 - 3.60
NZ 5yr swap (%)	3.68	3.58 - 3.87
NZ 10yr swap (%)	4.07	4.03 - 4.27
2s10s swap curve (bps)	63	62 - 69
NZ 10yr swap-govt (bps)	-36	-43 - -32
NZ 10yr govt (%)	4.42	4.42 - 4.57
US 10yr govt (%)	4.21	4.19 - 4.66
NZ-US 10yr (bps)	21	-9 - 25
NZ-AU 2yr swap (bps)	-31	-44 - -24
NZ-AU 10yr govt (bps)	13	5 - 17

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week the USD was broadly stronger, with the DXY index up nearly 1%, against a backdrop of increased policy uncertainty, fuelled by President Trump's mutterings on tariffs. NZD/USD fell 2½% to close the week just under 0.56, eroding all its prior gains for the month. The NZD was weaker on all key crosses. With commodity currencies underperforming, the NZD fell only slightly against the AUD to 0.9020 and fell less than 1% against CAD. The NZD made chunkier falls between 1½-2% against EUR, GBP and JPY, trading to fresh lows for 2025 on these crosses.

Risk appetite was weaker last week, seeing our index fall to the low 60% mark, its weakest level this year. A key driver was rising US policy uncertainty, as President Trump ramped up the rhetoric on tariffs. After initially saying that the proposed tariffs on Canada and Mexico would be delayed until 2 April, President Trump affirmed that they would be imposed on schedule, 4 March. These tariffs are at 25%, except for a carveout for Canadian energy products which see a reduced 10% rate.

Furthermore, President Trump increased the tariff rate on Chinese imports by 10%, effective 4 March. This will take the average duty imposed from 24.5% to 34.5%, having already risen from 14.5%. We await news on Chinese retaliation, but their response to the earlier 10% lift in tariffs was restrained. To date, China hasn't used the yuan as a weapon, but the higher tariffs become, the more likely that the PBoC will allow the yuan to depreciate, to offset the economic impact of the tariffs on the economy.

Trump also said tariffs on products from the EU like autos and "other things" will be 25%. More details will be forthcoming.

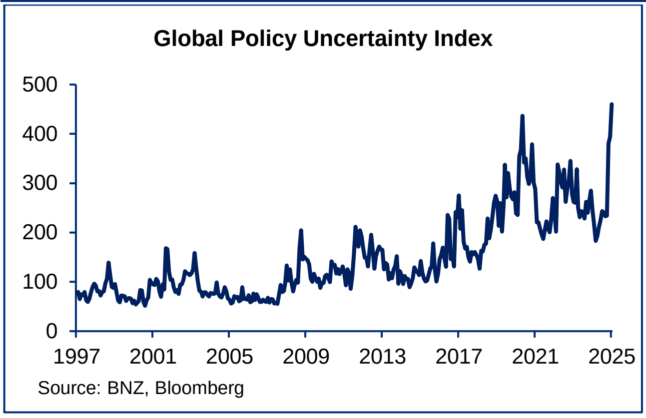
Regular readers will be aware of our view of seeing higher Chinese tariffs as a key threat to the outlook for the NZD. Despite the PBoC's tight control over the yuan, USD/CNH rose towards 7.30, and a weaker yuan spilled over into the NZD and AUD. If President Trump lifts tariffs on China to 60%, the rate proposed during the election campaign, then China will likely allow the yuan to weaken significantly, and in that scenario the NZD and AUD would likely be whacked a lot further.

Increased US policy uncertainty is having an impact on the US economy. Citigroup's US economic surprise index continues to trend lower. Last week's offering of weaker than expected data included a chunky fall in consumer confidence, a contraction in real personal spending, ongoing weakness in housing market indicators, and a spike up in initial jobless claims. For the currency market, the impact of weaker risk appetite is more than offsetting lower US rates and the weaker data, keeping the USD strong.

For the NZD, we continue to see 0.55 as a key support level. That should continue to hold for now, but the risk of a downside breach increases over the coming months, if and when tariffs are imposed during March (Canada, Mexico, on 4-March and steel and aluminium from 12-March) and in April, when tariffs could ramp up following the series of trade reports due on Trump's desk by 1-April.

In the week ahead, the market will be watching closely whether Canada and Mexico tariffs will be delayed until April. On the economic calendar, the US employment report at the end of the week is the key one, preceded by the ISM manufacturing and services surveys. Euro area CPI data are released, while another 25bps cut by the ECB this week is fully priced. There is only second-tier data in NZ, while the consensus sees a 0.5% q/q lift in Australian Q4 GDP.

Heightened policy uncertainty overhangs the NZD outlook



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5598	0.5590 - 0.5770
NZD/AUD	0.9012	0.8950 - 0.9060
NZD/GBP	0.4446	0.4440 - 0.4580
NZD/EUR	0.5387	0.5380 - 0.5500
NZD/JPY	84.31	83.70 - 87.40

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	model suspended	
NZD/AUD	0.8500	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)

The lurch down last week puts support levels back into sight, initially at 0.5540 and the key one around 0.55

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 failed to kick on higher last week and has created an intriguing level at around 3.86%. We will continue to watch as 5y swap looks to be trading at tighter ranges.

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

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

2x5 swap spread moved back lower last week before steadying around 24bp. We still await a break higher.

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Quarterly Forecasts

Forecasts as at 3 March 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	-5.6	-5.0	-4.8	-4.4	-4.2
CPI (q/q)	0.5	0.6	0.4	0.6	0.5	0.7	0.5	0.9	0.5	0.5
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	2.4
GDP (production s.a., y/y)	0.9	1.3	-0.5	-1.5	-1.5	-1.6	0.1	1.9	2.6	3.1

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	3.50	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	0.56	0.62	1.04	1.26	151	0.56	0.90	0.54	0.45	84.7	67.2
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 3 March 2025	March Years Actuals 2022	2023	2024	2025	2026	December Years Actuals 2021	2022	2023	2024	2025
GDP - annual average % change										
Private Consumption	6.3	3.4	1.0	0.2	2.4	7.6	4.2	1.0	0.2	1.8
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	2.3	9.9	4.5	-0.9	-0.8	1.4
Exports	2.5	5.6	8.6	1.8	3.7	-2.7	-0.8	11.4	3.6	3.0
Imports	17.2	4.4	-1.3	1.8	4.2	14.8	4.6	-0.6	2.0	3.1
Real Expenditure GDP	4.6	3.9	1.3	-0.8	2.1	5.8	3.2	1.8	-0.2	1.1
GDP (production)	**4.5**	**3.5**	**1.4**	**-1.3**	**1.9**	**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	2.4	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	-0.9	6.8
External Balance										
Current Account - $bn	-24.5	-33.8	-27.6	-24.1	-18.8	-21.3	-35.6	-28.6	-26.1	-19.7
Current Account - % of GDP	-6.8	-8.6	-6.6	-5.6	-4.2	-6.0	-9.2	-6.9	-6.1	-4.4
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 03 March			
AU	Inventories SA QoQ 4Q	0.00%	0.20%	-0.9%
AU	ANZ-Indeed Job Advertisements MoM Feb			0.20%
CH	Caixin China PMI Mfg Feb	50.4		50.1
EC	HCOB EZ Manufacturing PMI Feb F	47.3		47.3
UK	S&P Global UK Manufacturing PMI Feb F	46.4		46.4
EC	CPI Estimate YoY Feb P	2.30%		
EC	CPI Core YoY Feb P	2.50%		2.70%
	Tuesday 04 March			
US	S&P Global US Manufacturing PMI Feb F	51.6		51.6
US	Construction Spending MoM Jan	-0.1%		0.50%
US	ISM Manufacturing Feb	50.8		50.9
US	Fed's Musalem Speaks			
NZ	Building Permits MoM Jan			-5.6%
JN	Jobless Rate Jan	2.40%		2.40%
AU	BoP Current Account Balance 4Q	-A$12.0b	-A$13.0b	-A$14.1b
AU	Net Exports of GDP 4Q	-0.1	-0.1	0.1
AU	RBA Minutes of Feb. Policy Meeting			
AU	Retail Sales MoM Jan	0.30%	-0.80%	-0.1%
EC	Unemployment Rate Jan	6.30%		6.30%
	Wednesday 05 March			
NZ	Dairy GDT Auction			
US	Fed's Williams Speaks			
AU	RBA's Hauser Speaks			
AU	S&P Global Australia PMI Services Feb F			51.4
NZ	ANZ Commodity Price MoM Feb			1.80%
AU	GDP SA QoQ 4Q	0.50%	0.50%	0.30%
JN	BOJ's Uchida Speaks			
CH	Caixin China PMI Services Feb	50.7		51.0
EC	HCOB Eurozone Services PMI Feb F	50.7		50.7
UK	S&P Global UK Services PMI Feb F	51.1		51.1
	Thursday 06 March			
NZ	CoreLogic Home Value MoM Feb			-0.1%
US	ADP Employment Change Feb	146k		183k

		Median	Fcast	Last
	Thursday (continued)			
UK	BOE's Bailey, Pill and Others Speak			
US	S&P Global US Services PMI Feb F	49.7		49.7
US	Factory Orders Jan	1.60%		-0.9%
US	Durable Goods Orders Jan F	3.10%		3.10%
US	ISM Services Index Feb	52.7		52.8
US	Federal Reserve Releases Beige Book			
NZ	RBNZ Hosts Research Conference			
NZ	Government 7-Month Financial Statements			
NZ	Volume of All Buildings SA QoQ 4Q	-1.4%	-2.0%	-3.2%
AU	Building Approvals MoM Jan	0.00%	0.00%	0.70%
AU	Trade Balance Jan	A$5800m	A$6000m	A$5085m
EC	Retail Sales MoM Jan	0.10%		-0.2%
	Friday 07 March			
EC	ECB Deposit Facility Rate 6/03/2025	2.50%		2.75%
US	Trade Balance Jan	-$128.7b		-$98.4b
US	Initial Jobless Claims 1/03/2025	235k		242k
US	Continuing Claims 22/02/2025	1875k		1862k
EC	ECB's Lagarde, Nagel and Others Speak			
US	Fed's Harker, Waller and Bostic Speak			
AU	Household Spending MoM Jan	0.50%		0.40%
CH	Trade Balance YTD Feb	$147.5b		
EC	GDP SA QoQ 4Q F	0.10%		0.10%
EC	Employment YoY 4Q F			0.60%
	Saturday 08 March			
US	Change in Nonfarm Payrolls Feb	160k		143k
US	Average Weekly Hours All Employees Feb	34.2		34.1
US	Unemployment Rate Feb	4.00%		4.00%
US	Fed's Powell, Williams and Others Speak			
EC	ECB's Centeno and Kazaks Speak			
UK	BOE's Mann Speaks			
	Sunday 09 March			
CH	PPI YoY Feb	-2.0%		-2.3%
CH	CPI YoY Feb	-0.4%		0.50%

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	3.75	3.75	4.25	5.50
1mth	3.87	3.87	4.15	5.59
2mth	3.82	3.81	4.02	5.62
3mth	3.76	3.75	3.89	5.66
6mth	3.58	3.60	3.69	5.63
GOVERNMENT STOCK				
04/27	3.57	3.73	3.57	4.60
05/30	4.00	4.14	3.95	4.56
05/32	4.25	4.39	4.25	4.65
05/35	4.50	4.63	4.53	
04/37	4.67	4.80	4.71	4.86
05/41	4.87	5.00	4.90	4.94
05/54	5.06	5.17	5.06	
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	49	49	49	51
Europe 5Y	54	53	55	54

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.44	3.56	3.36	5.04
3 years	3.52	3.66	3.41	4.73
4 years	3.60	3.74	3.50	4.57
5 years	3.68	3.82	3.60	4.49
10 years	4.07	4.21	4.03	4.54
FOREIGN EXCHANGE				
NZD/USD	0.5602	0.5733	0.5630	0.6094
NZD/AUD	0.9016	0.9029	0.9041	0.9362
NZD/JPY	84.37	85.83	87.09	91.72
NZD/EUR	0.5389	0.5476	0.5442	0.5613
NZD/GBP	0.4450	0.4540	0.4522	0.4801
NZD/CAD	0.8093	0.8175	0.8120	0.8272
TWI	67.1	68.2	67.0	71.6

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