Markets Outlook

17 March 2025

Chaos Reigns!

- **Markets focussed on Trump**
- **And broader geopolitical matters**
- **Domestic data of minimal consequence**
- **But Thursday's GDP worth noting**
- **And partials remain broadly positive**

Two key macro aggregates are due for release this week: Q4 GDP (Thursday) and Q4 Balance of Payments (Wednesday). They are both critical to our understanding of how the economy has evolved. Well, that's the theory. In practice, the data are ancient history, subject to significant revision (especially in the case of GDP) and pale into insignificance with regard to prospective monetary policy having been completely usurped by shifts in our high frequency indicators, the antics of the Trump regime in the United States and potential changes of style at the RBNZ.

Financial markets are completely perplexed as to what the raft of policy changes coming out of the Unites States will do to US growth and inflation and, in turn, the global equivalents. Best guess, for now, is that inflation will be higher (note the sharp rise reported in US consumer inflation expectations on Friday) and growth lower (as indicated by the drop in consumer confidence in the same survey).

This leaves the Federal Reserve in a conundrum. Higher inflation means higher interest rates than would otherwise be the case but lower growth, with the real possibility of a recession in the US, implies a diametrically opposite stance. But it gets even more complicated than this. A big question is how much of the current policy shift is sustainable (particularly tariffs) if growth does slow markedly and adversely impacts voter support for the Trump regime. To cap things off, further volatility surrounds developments in Russia/Ukraine, Israel/Palestine, the Middle East generally and the US relationship with China. For Ukraine, Israel and the Middle East binary outcomes are plausible which could have far reaching impacts on both growth and inflation.

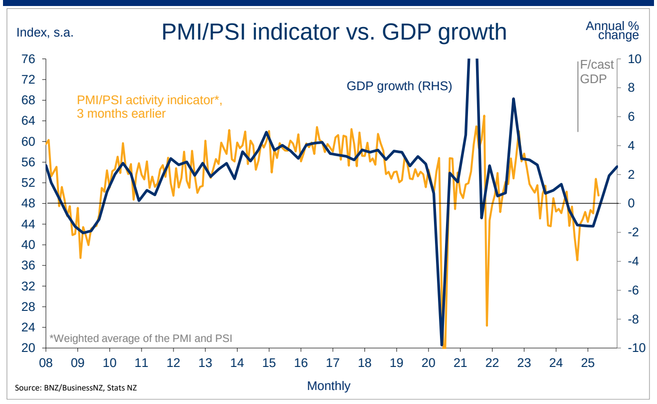
Chaos reigns!

All we can really conclude is that volatility will remain the order of the day for some time, which will adversely impact investment activity globally. New Zealand will not escape this, particularly when you add on our own domestic political uncertainty with current polling showing that there is an even chance of a change in government in 2026. Lower fixed capital formation is both a drag on GDP and potential GDP.

Domestic monetary policy decision making will be being buffeted by all the above forces. Additionally, theoretically Adrian Orr's departure from the RBNZ should have little impact on monetary policy outcomes but, realistically, the Bank will feel a little adrift until a new Governor is appointed. Heightened economic risk and a caretaker leader must increase the likelihood the Reserve Bank will take a very conservative approach for the time being. To be fair, the state of play with the domestic economy, and the cash rate already approaching neutral, demand heightened caution anyway. While we are too afraid to make any rate change view in the current environment, we acknowledge there is an increasing weight of evidence suggesting our projected 2.75% low in the cash rate is too low.

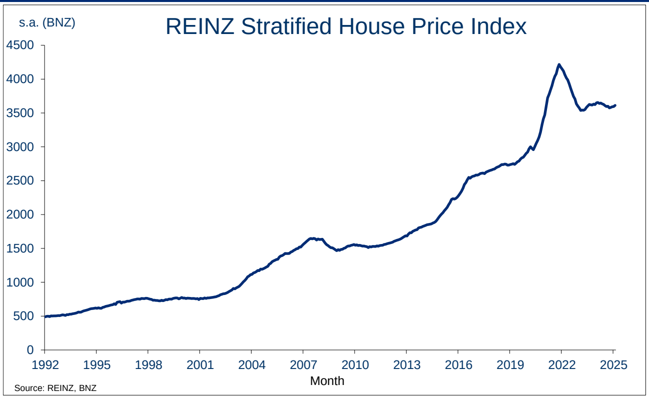
Probably the most important domestic news for the week ahead has already been released with the news that the Performance of Services Index (PSI) dipped back below the breakeven 50 mark to 49.1. With the Performance of Manufacturing Index (PMI), released last Friday, bouncing there had been some hope the PSI would follow suit. That it did not is a reminder that things are not all plain sailing right now. Nonetheless, the broad trend in the composite PMI and PSI is upward and remains consistent with our view that the economy is slowly, but surely, on the mend.

Growth indicators still trending higher



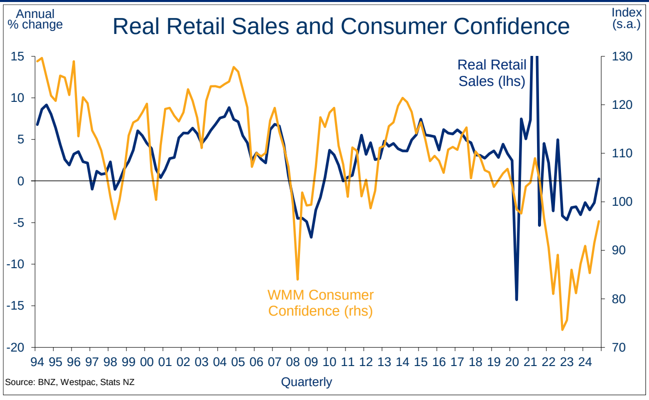
The same can be concluded from this morning's REINZ figures which again show the housing market has, at worst, stalled and, more likely, is now edging higher. House sales were up 3.4% Feb25/Feb24, which is a solid result given that last year was a leap year. But reported listings are rising strongly, keeping a cap on prices. Not a big enough cap, however, to prevent prices rising a seasonally adjusted 0.3% for the month. This is the fourth consecutive month of modest increase but still leaves prices 1.2% down on last year.

House prices broadly stable



On Wednesday we get Westpac's March Quarter instalment of its consumer confidence survey. This survey has revealed sub 100 ("breakeven") outcomes since September 2021. We wouldn't be surprised to see yet another sub-par performance. Confidence will be being buoyed by declining mortgage interest rates but supressed by the weakening labour market. The trend is still broadly up but confidence needs to move significantly higher if it is to draw near to our household spending forecasts later this year.

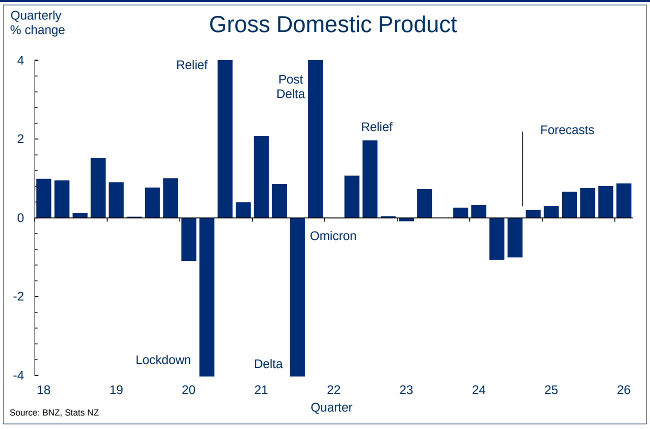
More confidence needed



Thursday's GDP should provide some confirmation that private consumption edged higher in the fourth quarter of 2024. This plus rising export volumes and a modest contribution from inventories should see expenditure GDP rise around 0.7% for the quarter. But it's production GDP that is New Zealand's official measure and we expect that to show a more modest 0.2% increase. While it will be good to see a positive reading following the consecutive significant declines (-1.1% and -1.0%) of the preceding two quarters, this will still leave activity 1.5% below year earlier levels. If we are right that will be the largest (non-COVID) annual decline since Q2 2009.

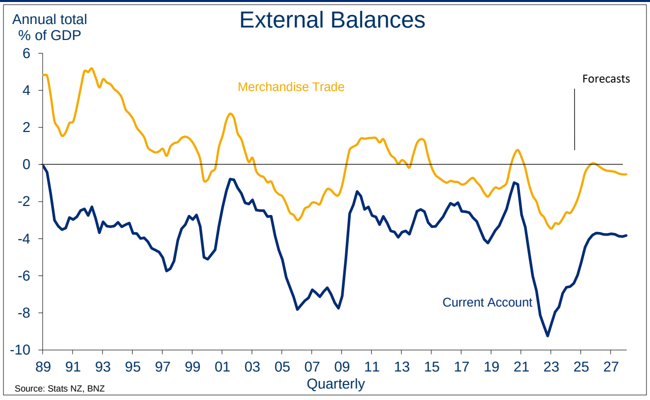
For the record, the RBNZ assumed a 0.3% increase for the quarter so we are not expecting an outturn that will have the RBNZ rethinking its view of the world. Of course, over the past few quarters significant revisions to historical data have had a greater bearing on musings about the state of the world than has the quarterly outturn.

GDP Edging Higher



Q4 balance of payments data are released Wednesday, the day before GDP. We expect the trend "improvement" in the current account deficit to continue. The deficit peaked at 9.2% of GDP in the December quarter 2022 but had fallen to 6.4% of GDP by Q3 2024. We are picking it to decline further to 6.0% this time around. Moreover, we still believe the deficit will be sub 4.0% of GDP by end 2025. Progress on this front will help calm the rating agencies who are getting increasingly bothered by the expansion in both local and central government debt in New Zealand. Whether it will be enough or not to prevent a future downgrade is moot.

Current account deficit shrinking



An improving merchandise trade balance has been helping the reduction in the current account deficit. On Friday we get merchandise trade data for February which should provide further hope on this front. We are expecting exports to be well up on year earlier levels (around 13.0%)

with imports increasing a much more modest 2.0%. This would result in the annual merchandise trade deficit declining to $6.6bn, it's lowest reading in dollar terms since November 2021. The annual trade deficit peaked at $17.1bn in May 2023.

One of the major factors driving the improvement in the trade balance has been the strength in commodity prices. In the year to February 2025 New Zealand dollar commodity prices rose 22.9%. A key driver of this was the 23.6% increase in dairy prices. We'll get further insight on the progress of dairy prices with Wednesday morning's GDT auction. Our view is that dairy prices have broadly peaked. This being so, a small downside shift in prices at this auction would not surprise.

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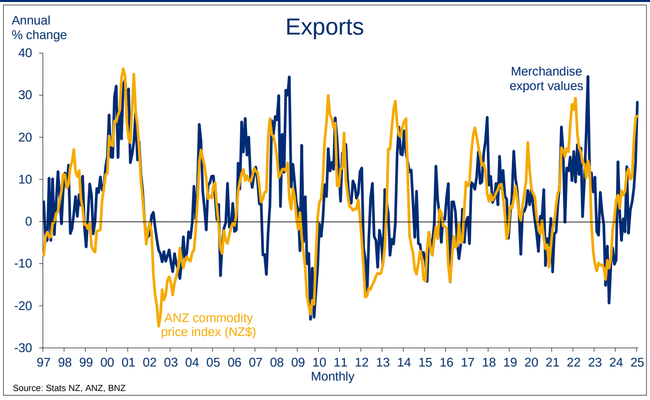
Prices drive export revenues



Global Watch

- **FOMC, BoJ, BoE and Riksbank all seen on hold**
- **Swiss National Bank (SNB) expected to cut 25bps**
- **US retail sales to rebound after weak January**
- **CPI data for Canada and Japan**
- **Labour market data in focus for Australia and the UK**

Week in Review

Offshore events have been the predominant driver of markets with US trade uncertainty weighing. President Trump's 25% tariff on steel and aluminium went ahead without carveouts on March 12, while it is widely expected reciprocal tariffs and other product specific tariffs will be announced from April 2. Europe and Canada have retaliated to steel/aluminium tariffs and President Trump has threatened to respond with further tariffs.

US equity markets continue to sell-off in that environment with US growth forecasts being downgraded and recession risk rising (albeit from what was low levels). According to Polymarket the odds of a recession are sitting at 40%, with major US bank estimates ranging from 20-40%.

Data in Australia was light, but broadly positive. Consumer sentiment rose 4.0% m/m to its highest since March 2022. Unemployment expectations also fell back to their lowest since early 2023 when the unemployment rate was 3.7%.

Week Ahead

Globally, beyond the now familiar drumbeat of evolving trade policy pronouncements (note reciprocal tariffs on April 2 is the next key tariff date), there are Russia-Ukraine developments to watch and a full roster of central banks. The BoJ and FOMC is Wednesday, and the BoE, Riksbank and SNB are on Thursday.

The FOMC on Wednesday is firmly on hold as they wait for the fog around both the data momentum and the net effect of the full range of policy uncertainty to begin to clear. The meeting comes with new projections which could show some downside to growth and upside to prices. On the data side, US Retail Sales is on Monday, an early read on any rebound from the soft January round of consumption data.

In the UK, the suite of labour market indicators is published Thursday, hours ahead of the BoE. Our colleagues at NAB expect the BoE to keep Bank Rate unchanged at 4.5% after cutting rates at its prior meeting in February.

In Europe, German parliament holds a final vote on the debt brake/defence/infrastructure legislation, leaders are meeting to discuss defence spending and Ukraine (Thursday), while EZ final-CPI is Wednesday. The SNB is expected to cut 25bp to 0.25% and the Riksbank hold at 2.25% on Thursday.

The BoJ is on Wednesday and is widely expected on hold, with focus instead on whether Governor Ueda starts to lay the groundwork for a next step in policy normalisation at coming meetings. National CPI data is on Friday.

In Australia, February employment data dominates the calendar as the RBA grapples with the trajectory of the labour market. NAB pencil in 4.0% for the unemployment rate on a +45k employment gain (consensus 4.1/30k). RBA chief economist Hunter speaks on Tuesday.

China gets the round of activity data for January and February on Monday, including Retail Sales and Industrial Production.

Important Events Preview

Monday 17

CH February Retail Sales & Industrial Production
The combined January-February outcomes for Retail Sales and Industrial Production, among other monthly indicators, are expected to confirm fragile economic momentum. Retail sales are expected at 3.8% y/y, not far from the 3.7% outcome in December.

US February Retail Sales
After a soft round of January consumption indicators, February Retail Sales provides an early read on whether the remainder of Q1 can provide an at least partial rebound. Expectations are for the control group measure to rise 0.3%, after -0.8% in January.

Tuesday 18

AU RBA's Hunter
RBA's Chief Economist Hunter gives a Keynote at the AFR Banking Summit.

CA February CPI
Canada CPI is expected to increase to 2.2% y/y with some support from higher gas prices and the end of a narrow sales tax holiday in the month. Though with tariffs likely to dominate growth and inflation looking forward, the data probably won't do much to influence the CPI outlook.

GE German Bundestag final legislative vote on debt brake and infrastructure spending

Wednesday 19

JN BoJ
The BoJ continues on its slow policy normalisation but will be on hold this meeting. The BoJ has been watching the outcomes of the Shunto wages round closely, and Governor Ueda could start to lay the groundwork for another 25bp hike in coming meetings.

US FOMC and Statement of Economic Projections
The FOMC will be firmly on hold on Wednesday as it waits to see how much of the uncertainty on the data momentum and government policy unfolds. Interest will be on the updated projections and the presser.

Messaging will likely be similar to what we heard from Powell just before the communications blackout: officials are focussed on "*separating the signal from the noise as the outlook evolves. We do not need to be in a hurry, and are well positioned to wait for greater clarity.*" He also emphasised that there was policy uncertainty on more than just trade, highlighting as well immigration, fiscal policy, and regulation. "*It is the net effect of these policy changes that will matter for the economy and for the path of monetary policy.*"

Powell will be careful not to endorse any prospect the Fed has space to respond more quickly to a slowdown in growth. There will be downward pressure on growth projections and upward pressure on inflation in the updated dot plot, but the assumptions underlying individual participant projections could vary widely. A couple of dots could shift higher from the 50bp of cuts by end 2025 median, but it would take a lot to shift the median projections relative to December.

Thursday 20

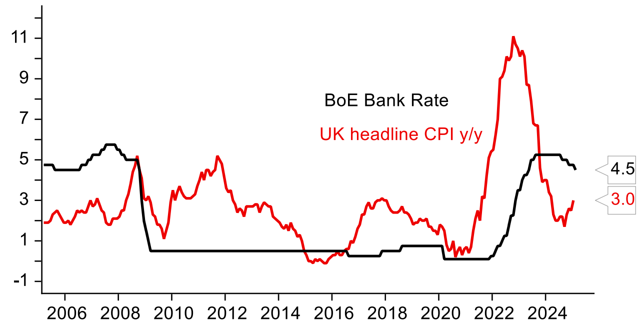
AU Employment
NAB pencil in a +45k employment gain and an unemployment rate back at 4.0% in February (consensus 4.1/30k). As has been the case in previous years, there was a higher number of people newly attached to a job but waiting to start work in January. While this dynamic is less pronounced than previous years, it still sets up the prospect for some payback in the February data and drives NAB's forecast for the unemployment rate to tick lower.

Our colleagues at NAB are also watching other indicators including the job finding rate, which has lifted in the past couple months after falling back near its long run average. The detail labour force data for February, due the following Thursday, also contains updates on how a number of indicators tracked into early 2025.

UK labour market data
UK Average earnings data in this ONS series have ticked up in the last couple of months, with regular private sector pay at 6.2% 3M y/y. That's too high for the BoE, who's own Decision Maker Panel survey data points to slightly less elevated wages (5.2%) and where firms are expecting pay to drop to 4% over the coming year. The soon-to-be implemented National Insurance tax hikes and other employer costs will help bring wages down. Given the lagged nature of the ONS data (January) it may take some months to see pay ease off the over 6% highs.

UK Bank of England
NAB expect the BoE to keep Bank Rate unchanged at 4.5% after cutting rates at its prior meeting in February and where inflation has started to rise once again. NAB look for an 8:1 vote to hold, with only dove Swati Dhingra voting for a cut. At its February meeting the surprise was that Dhingra was joined by hawk Catherine Mann in calling for a larger 50bps cut. Mann's reasoning was to more effectively communicate the stance of monetary policy. However, outside of Dhingra, NAB believe the MPC wants to move gradually and at set meetings where there are new forecasts, with May the next easing event. Before that the uncertainty of the inflationary impact of higher employer National Insurance and other costs is too great.

Bank Rate and CPI



Source: National Australia Bank, Bloomberg

SW/SZ Riksbank & SNB
Sweden's Riksbank is seen on hold at 2.25%, while the SNB is expected to cut 25bp to 0.25%.

EC ECB's Lagarde & (separately) Lane

Friday 21

JN National CPI

US NY Fed's Williams

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Fixed Interest Market

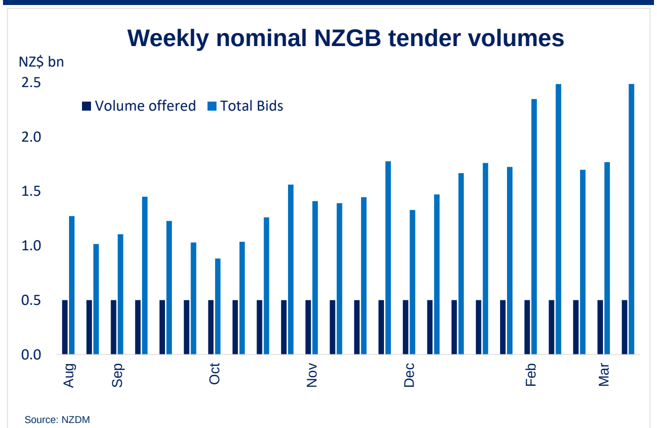
Reuters: BNZL, BNZM Bloomberg: BNZ

NZ fixed income markets ended last week little changed, despite deteriorating investor risk appetite that contributed to the S&P 500 equity index entering a technical correction, after falling 10% from its February peak. There were larger moves in global fixed income markets, particularly in the US, where the pricing of Fed rate cuts by the end of the year had large oscillations. Although the Fed is unanimously expected to leave rates unchanged this week, its updated projections and the tone of the accompanying statement and press conference, will be closely monitored.

In the absence of new domestic drivers, NZ 2-year swap rates remain confined to the long-standing 3.30% to 3.60% range. Weak global risk sentiment contributed to a move towards the lower end of the range before rebounding later in the week. The 2y/10y curve slope reached a fresh cycle high of 76bp, and we think there is still room for the curve to steepen further, as the RBNZ easing cycle progresses.

The domestic focus for rates markets in the week ahead will be Q4 GDP data. After the economy's significant contraction through the middle of last year, we forecast a 0.2% expansion for the December quarter. Higher frequency activity data suggest the economy is gaining traction albeit after an extended period of weakness. Inflation partials continue to point towards a benign inflation backdrop.

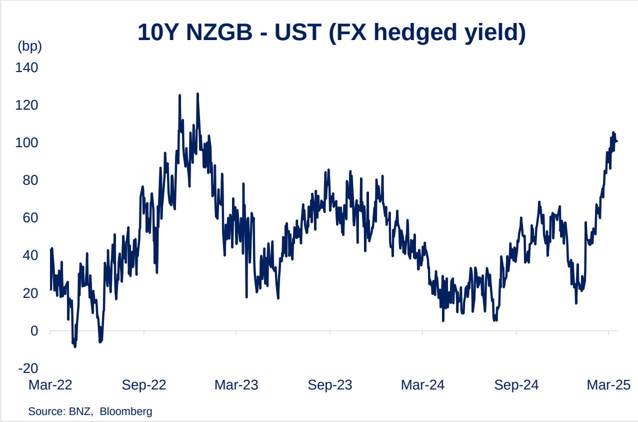
Robust demand for NZGBs in weekly tenders



There has been continued strong demand for NZ government bonds (NZGBs) in the weekly tenders. Last week saw NZ$2.5 billion of bids for the NZ$500 million being offered. All three lines cleared below the prevailing market levels although bonds had cheapened a little going into the auction. The market will soon have to digest the tap syndication of the May-2032 maturity, which will take place before the end of April.

NZGBs appear attractive on a cross-market basis against US treasuries, after the underperformance since the beginning of the year. The 10-year NZGB-UST spread has widened from -20bp in January towards +30bp. NZGBs offer an increasing yield pick up on an FX hedged basis, which is relevant for much of the non-resident investor base, with many following currency hedged benchmarks. The NZGB yield pickup over 10-year treasuries has increased to 100bp, on annualised basis, using a 3-month NZD/USD FX forward.

10Y NZGB currency hedged yield pickup over UST



In comments before the blackout ahead of the March FOMC, Fed Chair Powell said the central bank doesn't need to hurry to ease policy further and the path to 2% inflation is expected to be bumpy. The central bank is expected to mark down its growth forecasts and lift its projections for core PCE, relative to the last update in December, reflecting recent higher inflation prints and the impact of tariffs.

The market will look for any changes in the dot plot. The median dot in December was for 50bp of cuts for this year. Although some FOMC participants may favour less easing, it would take a significant shift for the median to move to 25bp and would be a hawkish surprise. The market is pricing 65bp of easing by December, down from 90bp at the peak of the risk off sentiment last week.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.69	3.69 - 3.84
NZ 2yr swap (%)	3.48	3.37 - 3.60
NZ 5yr swap (%)	3.75	3.61 - 3.87
NZ 10yr swap (%)	4.17	4.01 - 4.27
2s10s swap curve (bps)	69	62 - 76
NZ 10yr swap-govt (bps)	-41	-42 - -32
NZ 10yr govt (%)	4.58	4.43 - 4.57
US 10yr govt (%)	4.31	4.10 - 4.57
NZ-US 10yr (bps)	26	-1 - 32
NZ-AU 2yr swap (bps)	-23	-37 - -23
NZ-AU 10yr govt (bps)	15	5 - 17

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week, currency markets showed signs of consolidation. The NZD modestly outperformed, with NZD/USD up 0.7% to 0.5750 and gains on all the key crosses. Safe-haven currencies underperformed, seeing NZD/JPY up over 1% to 85.5. The NZD reached fresh multi-year lows against GBP and EUR but still managed modest weekly gains on these crosses. NZD/AUD continued to drift higher, up modestly to around 0.9090.

Last week, news on tariffs remained a key focus for the market. The proposed US 25% tariffs on steel and aluminium products came into force on 12 March for all countries. Canada and the EU retaliated with their own tariffs, targeting specific goods designed for maximum negative impact on President Trump's Republican support base. Ontario had to backtrack on a 25% surcharge imposed on US states that receive its electricity after Trump threatened to double tariffs on Canada to 50%. Trump also threatened to retaliate against the EU's retaliation. It was a reminder that in a trade war, there are no winners.

Getting as much attention was the White House's apparent indifference to the near-term shock hitting markets and the economy because of the tariffs. President Trump wouldn't rule out his policies causing a recession.

The greatest impact was seen in US equity markets, with the S&P500 down for a fourth successive week and falling more than 10% from its February high at one stage. BNZ's risk appetite index fell to a six-month low just below 50% before recovering at the end of the week to 55%. In economic data of note, US consumer sentiment plunged to a level, if sustained, normally associated with economic recession.

The currency market reaction remains instructive, with modest net movements compared to the carnage seen in US equities. The NZD remains in a consolidation mode, largely tracking sideways this year despite lower risk appetite and the significant deterioration in the US economic outlook. Market movements continue to inform us that the strong USD rally in Q4 last year was overdone. As tariffs are being implemented, the USD is gaining no further traction as US growth risks weigh on sentiment for the big dollar. Indeed, the USD has been trending down this year on a trade-weighted basis.

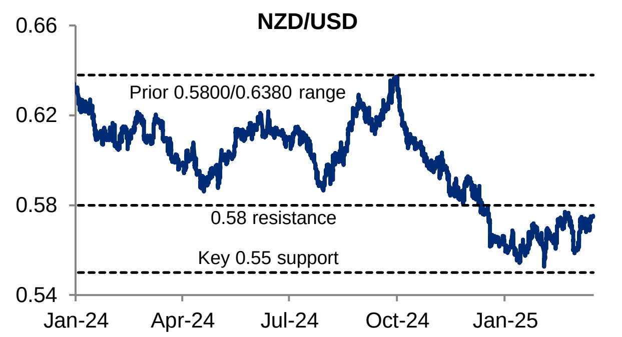
Last week, we made our first FX forecast revisions since early November, incorporating a stronger EUR and JPY, hence downgrades to these NZD crosses. Our revisions to NZD/USD were minimal, revising up our end-Q2 target by 1 cent to 0.58 whilst leaving our year-end target at 0.60. This was a nod to changing risk factors. We are less concerned about a possible final lunge down in the NZD in Q2, based on the revealed price action in Q1 noted above.

Furthermore, we see less chance of China using a weaker yuan as a weapon against tariffs, reducing possible spillover effects for the NZD. We're open to the idea of the expected recovery in NZD/USD being brought forward, although Trump's tariff agenda remains an uncertain risk factor which continues to overhang the outlook for the NZD. Whether Trump imposes reciprocal tariffs from 2 April remains a key risk factor over the next few weeks. We continue to see key support at 0.55, while it will be tough to break resistance of 0.58, ahead of early-April tariff decisions.

In the week ahead, there are policy meetings for the Fed, BoJ and BoE. Market pricing for all implies almost no chance of any rate changes and we don't see much FX market reaction to these policy updates. Key global economic data include China activity data, due later today, US retail sales, Canadian and Japan CPI data, and Australia's employment report.

Domestically, Q4 GDP is the key release where a small positive lift is widely seen. We see the data as too dated to have any sustained impact on the market, but there's always the chance of some intra-day volatility.

NZD consolidating; 0.55-0.58 support/resistance



Source: Bloomberg, BNZ

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.5751	0.5590 - 0.5770
NZD/AUD	0.9094	0.9000 - 0.9090
NZD/GBP	0.4448	0.4400 - 0.4550
NZD/EUR	0.5286	0.5220 - 0.5500
NZD/JPY	85.46	83.20 - 86.20

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	model suspended	
NZD/AUD	0.8610	6%

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Technicals

NZD/USD

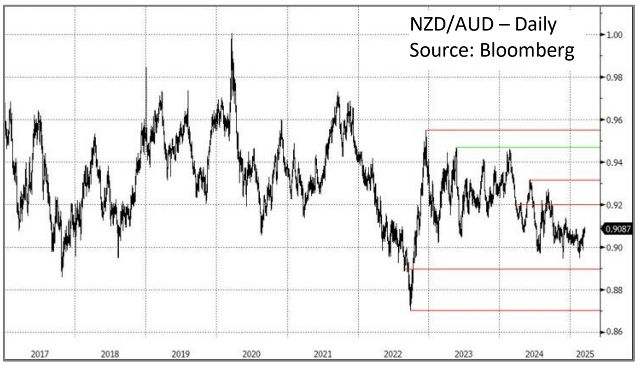
Outlook:	Trading range
ST Resistance:	0.58 (ahead of 0.60)
ST Support:	0.5540 (ahead of 0.55)

No change, with 0.58 still seen to be the first mark of resistance, and support in a 0.55-0.5550 zone.

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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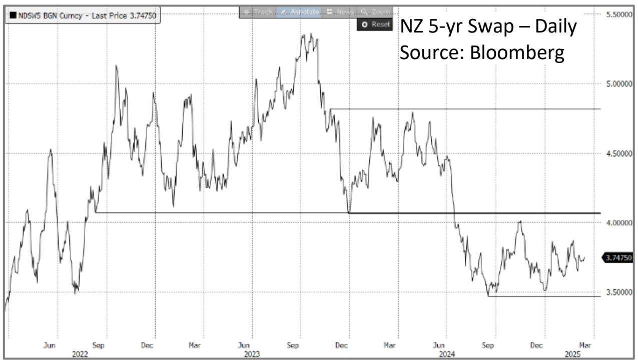
NZ 5-year Swap Rate

Outlook:	Neutral
ST Resistance:	3.90
ST Support:	3.60

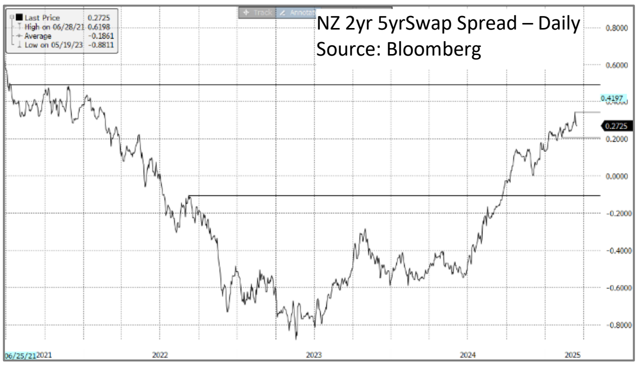
5-year swap held steady again last week. We continue to look for a directional break either way for guidance.



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

Outlook:	Neutral
ST Resistance:	0.34
ST Support:	0.20

2x5 swap spread flattened back last week after breaking through our resistance. Our previous high becomes resistance, and we are left with a tighter range going forward. We anticipate this spread to be range bound for the near future.



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Quarterly Forecasts

Forecasts as at 17 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 (ann, % GDP)	-6.9	-6.6	-6.6	-6.4	-6.0	-5.3	-4.5	-4.1	-3.8	-3.7
CPI (q/q)	0.5	0.6	0.4	0.6	0.5	0.8	0.5	0.8	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
Pr. 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	2.4	2.5	2.7	2.6	2.3
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	0.58	0.63	1.09	1.29	149	0.58	0.91	0.53	0.45	85.6	68.1
Mar-25	0.57	0.63	1.08	1.29	148	0.57	0.91	0.53	0.44	84.7	67.7
Jun-25	0.58	0.65	1.10	1.29	145	0.58	0.90	0.53	0.45	84.5	68.5
Sep-25	0.59	0.66	1.10	1.30	142	0.59	0.90	0.54	0.46	84.1	69.2
Dec-25	0.60	0.67	1.11	1.30	138	0.60	0.90	0.54	0.46	83.1	69.9
Mar-26	0.62	0.69	1.12	1.31	134	0.62	0.90	0.55	0.47	83.1	71.1
Jun-26	0.64	0.71	1.14	1.32	130	0.64	0.90	0.56	0.49	83.2	72.4
Sep-26	0.65	0.72	1.15	1.33	128	0.65	0.90	0.57	0.49	83.2	73.0
						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 17 March 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	0.1	2.3	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	-5.0	1.3	10.9	4.2	-0.6	-4.9	-1.1
Stocks - ppts cont'n to growth	0.5	0.3	-1.6	0.2	0.3	1.4	0.0	-1.4	0.1	0.2
GNE	7.9	3.7	-1.1	-0.7	2.1	9.9	4.5	-0.9	-0.9	1.2
Exports	2.5	5.6	8.6	2.3	4.2	-2.7	-0.8	11.4	3.9	3.7
Imports	17.2	4.4	-1.3	1.2	3.5	14.8	4.6	-0.6	1.7	2.1
Real Expenditure GDP	4.6	3.9	1.3	-0.6	2.3	5.8	3.2	1.8	-0.1	1.3
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	2.4	2.3	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	-0.5	1.2	3.6	0.7	-1.3	-0.2	0.7
Unit Labour Costs (ann av %)	4.7	5.7	7.2	5.0	2.3	2.3	6.0	7.6	5.0	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	-22.5	-16.6	-21.3	-35.6	-28.6	-25.4	-16.9
Current Account - % of GDP	-6.8	-8.6	-6.6	-5.3	-3.7	-6.0	-9.2	-6.9	-6.0	-3.8
Government Accounts - June Yr, % of GDP										
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-2.4	-1.8	-2.1	-3.0	-2.3					
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	0.57	0.62	0.68	0.63	0.62	0.57	0.60
USD/JPY	119	134	150	148	134	114	135	144	154	138
EUR/USD	1.10	1.07	1.09	1.08	1.12	1.13	1.06	1.09	1.05	1.11
NZD/AUD	0.93	0.93	0.93	0.91	0.90	0.95	0.94	0.93	0.91	0.90
NZD/GBP	0.52	0.51	0.48	0.44	0.47	0.51	0.52	0.49	0.45	0.46
NZD/EUR	0.62	0.58	0.56	0.53	0.55	0.60	0.60	0.57	0.55	0.54
NZD/YEN	81.5	83.0	91.1	84.7	83.1	77.4	85.6	89.5	88.4	83.1
TWI	73.9	71.0	71.2	67.7	71.1	73.0	72.9	72.0	68.5	69.9
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 17 March			
CH	Used Home Prices MoM Feb			-0.34%
CH	Industrial Production YTD YoY Feb	5.30%		
CH	Retail Sales YTD YoY Feb	3.80%		
CH	Fixed Assets Ex Rural YTD YoY Feb	3.20%		
CH	Surveyed Jobless Rate Feb	5.10%		
	Tuesday 18 March			
US	Empire Manufacturing Mar	-2		5.7
US	Retail Sales Advance MoM Feb	0.60%		-0.90%
US	Retail Sales Ex Auto and Gas Feb	0.40%		-0.50%
US	Retail Sales Control Group Feb	0.30%		-0.80%
US	NAHB Housing Market Index Mar	42		42
AU	RBA's Hunter Speaks			
EC	ECB's Rehn & Escriva Speak			
GE	ZEW Survey Expectations Mar	50.3		26
EC	Trade Balance SA Jan	14.0b		14.6b
	Wednesday 19 March			
CA	CPI YoY Feb	2.20%		1.90%
US	Housing Starts Feb	1381k		1366k
US	New York Fed Services Business Activity Mar			-10.5
US	Manufacturing (SIC) Production Feb	0.30%		-0.10%
NZ	Dairy GDT Auction			
NZ	Westpac Consumer Confidence 1Q			97.5
NZ	Current Account GDP Ratio YTD 4Q	-6.10%	-6.00%	-6.40%
AU	Westpac Leading Index MoM Feb			0.12%
JN	Trade Balance Feb	¥688.3b		-¥2758.8b
JN	Core Machine Orders MoM Jan	-0.10%		-1.20%
JN	Industrial Production MoM Jan F			-1.10%
EC	Labour Costs YoY 4Q			4.60%
EC	CPI YoY Feb F	2.40%		2.40%
EC	CPI Core YoY Feb F	2.60%		2.60%
EC	ECB's Villeroy Speaks			
JN	BOJ Target Rate 19-Mar	0.50%		0.50%
	Thursday 20 March			
EC	ECB's Lagarde, Guindos & Others Speak			
US	FOMC Rate Decision (Upper Bound) 19-Mar	4.50%		4.50%
NZ	GDP SA QoQ 4Q	0.40%	0.20%	-1.00%
NZ	GDP SA YoY 4Q	-1.40%	-1.50%	-1.50%
AU	Employment Change Feb	30.0k	45.0k	44.0k
AU	Unemployment Rate Feb	4.10%	4.00%	4.10%
GE	PPI YoY Feb	1.00%		0.50%
UK	Private Earnings ex Bonus 3M/YoY Jan	6.20%		6.20%
UK	ILO Unemployment Rate 3Mths Jan	4.40%		4.40%
UK	Payrolled Employees Monthly Chng Feb	-21k		21k
SZ	SNB Policy Rate 20-Mar	0.25%		0.50%
SW	Riksbank Policy Rate 20-Mar	2.25%		2.25%
	Friday 21 March			
EC	ECB's Lane, Centeno & Others Speak			
UK	BoE Bank Rate 20-Mar	4.50%		4.50%
US	Current Account Balance 4Q	-$330.0b		-$310.9b
US	Initial Jobless Claims 15-Mar	224k		220k
US	Continuing Claims 8-Mar	1888k		1870k
US	Philadelphia Fed Business Outlook Mar	10		18.1
US	Existing Home Sales Feb	3.94m		4.08m
NZ	Trade Balance NZD Feb			-486m
JN	Natl CPI YoY Feb	3.50%		4.00%
UK	GfK Consumer Confidence Mar	-21		-20
	Saturday 22 March			
US	Fed's Williams Speaks			
EC	Consumer Confidence Mar P	-13		-13.6

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	3.75	3.75	4.25	5.50
1mth	3.81	3.87	3.91	5.59
2mth	3.73	3.75	3.85	5.62
3mth	3.66	3.70	3.79	5.64
6mth	3.53	3.54	3.64	5.61
GOVERNMENT STOCK				
04/27	3.64	3.61	3.68	4.52
05/30	4.09	4.07	4.12	4.48
05/32	4.38	4.36	4.39	4.59
05/35	4.66	4.64	4.64	
04/37	4.86	4.82	4.82	4.84
05/41	5.07	5.02	5.01	4.94
05/54	5.24	5.19	5.17	
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	55	55	47	49
Europe 5Y	57	56	51	53

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.49	3.43	3.54	4.97
3 years	3.58	3.53	3.62	4.66
4 years	3.67	3.63	3.70	4.49
5 years	3.76	3.73	3.79	4.42
10 years	4.18	4.16	4.18	4.46
FOREIGN EXCHANGE				
NZD/USD	0.5748	0.5699	0.5736	0.6085
NZD/AUD	0.9087	0.9076	0.9025	0.9276
NZD/JPY	85.53	83.92	86.89	90.76
NZD/EUR	0.5282	0.5259	0.5471	0.5597
NZD/GBP	0.4444	0.4425	0.4544	0.4780
NZD/CAD	0.8264	0.8228	0.8136	0.8235
TWI	68.0	67.9	68.2	71.3

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