

# Research Markets Outlook

24 March 2025

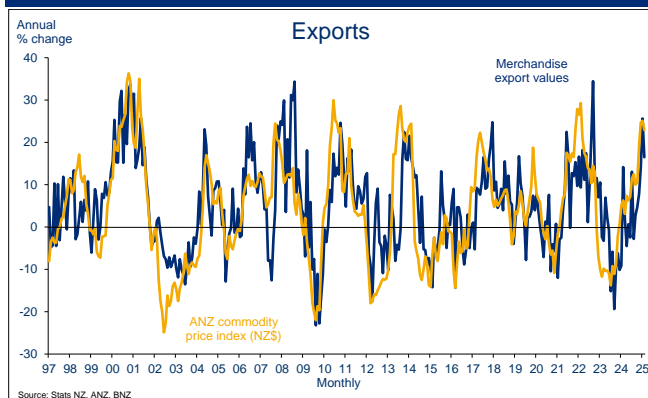
## Trade Transmission

- Exports up strongly
- Commodity prices up, while currency sags
- Alters the transmission of buoyant terms of trade
- We can see it in confidence readings
- February filled jobs a guide to Q1 employment

Export returns continue to power ahead. Look at last Friday's February data. Export values were up 16.5% on a year ago (and last February had an extra (leap) day).

This is confirmation of what we have known for a long time – commodity prices have lifted a long way over the past 12 months. They are driving exports up and the trade and current account deficits narrower.

### Big ups



Importantly, export prices are tracking higher relative to import prices. The ratio of these trade prices is what economists call the terms of trade. An increase represents an improvement in purchasing power.

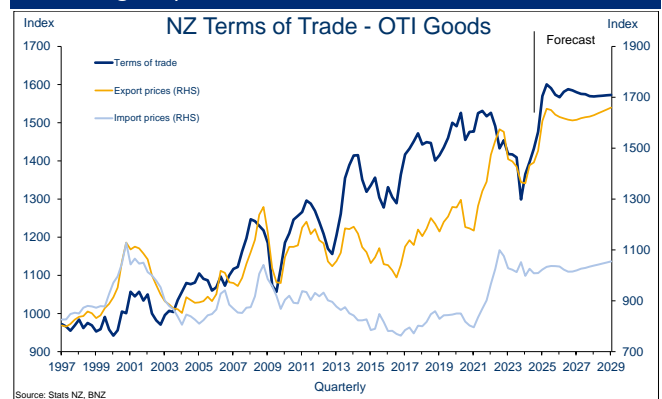
The terms of trade plunged in 2023, before bouncing in 2024. Our forecasts show the terms of trade will hit a record this year. It is an important part of the economic recovery we forecast.

We continue to monitor how this is transmitting through the economy. To date, it looks to be quite different.

Usually, higher commodity prices are accompanied by a higher NZD. One consequence of that is that exports do not lift as much as they otherwise would. And the benefit of the world buying NZ products at higher prices are effectively spread across the country via lower than

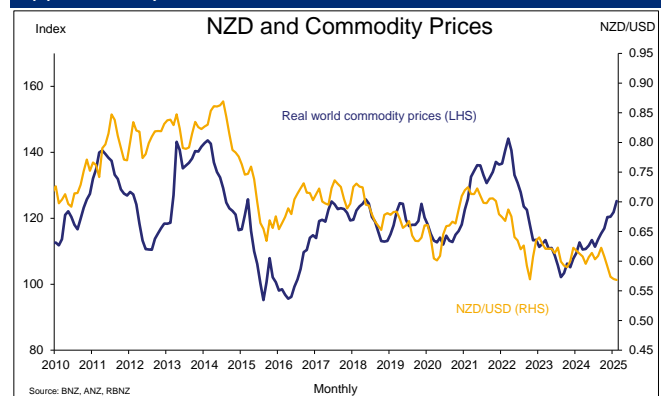
otherwise import prices. This transmission method can be reasonably quick.

### Record high expected



This time around the NZD has fallen, despite gains in commodity prices on world markets. The currency has been responding to other global factors. Its weakness has amplified export prices in local currency terms. The benefit of the world buying our products at higher prices is still present and is clear to see. However, the transmission mechanism through the economy is different and may well be slower.

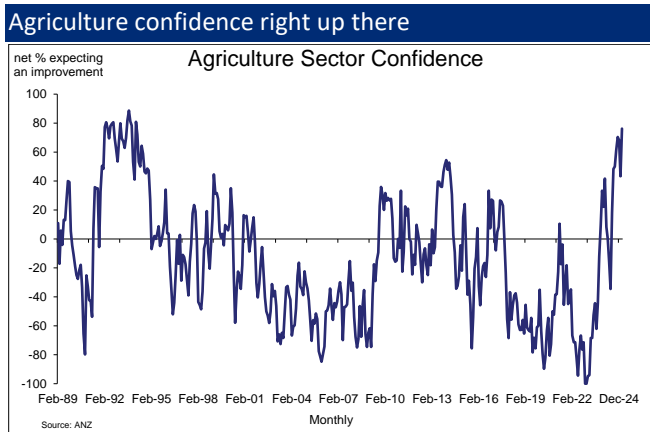
### Opposite ways



Interestingly, even though the NZD is lower than one might associate with higher commodity prices, it is not lower than what the RBNZ has built into its forecasts. Indeed, at 68.1, the TWI is tracking slightly above the Bank's assumptions so not a reason to fret further about inflation.

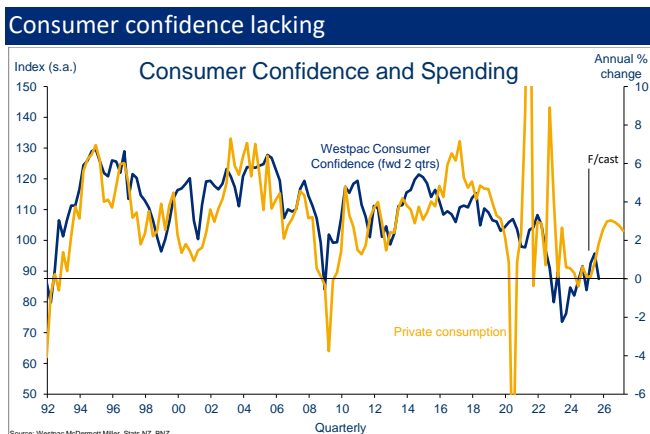
A consequence of the NZD moving in a different direction to the terms of trade can be seen in recent confidence survey outcomes (amid a multitude of other factors influencing confidence).

Agriculture confidence is at levels of elevation seldom seen. Meanwhile, consumer confidence remains weak. That situation is unusual – the two are usually positivity correlated.



High farmer confidence is one thing, but the decision to spend and invest is another. We have no doubt higher primary returns will support economic activity ahead, but drought and elevated global uncertainty will inject a fair amount of caution into the mix.

Last week's Q1 WMM consumer confidence slumped anew. Consumer spending remains moribund. Amid the flashy looking 0.7% headline Q4 GDP growth number last week, private consumption barely grew at all in the quarter or over the year (+0.1% for both).



Low consumer confidence raises the risk that household spending undershoots our (and the RBNZ's) current forecasts. This needs to be monitored closely. Consumer confidence needs to lift a long way to be at a level consistent with our current private consumption forecasts.

This week is data light. We do get an update on consumer confidence on Friday, via the ANZ's monthly index for March. This has a bit more interest than usual, in the

current context. It was 96.6 in February. A decline seems likely, with interest in whether it corroborates (or not) the significant drop in the Q1 WMM index last week. Consumer inflation expectations are volatile month to month but will also be worth a glance to see if the hint of a push higher over recent months is sustained or not.

February filled jobs data, as part of Friday's employment indicators, will be assessed for their guidance on Q1 HLF5 employment. A gain in February filled jobs could indicate some upside risk to our flat Q1 employment forecast, although it need not necessarily as previous months have recently tended to be revised lower.

Even with some employment growth in the quarter, it may not be sufficient to offset an expanding labour force such that the unemployment rate continues to edge higher.

We will also keep an eye on Wednesday's new lending data for February which should be positive enough given the pickup we have seen in house sales. That said, we would be very surprised if annual growth matched January's exceptionally strong 50.3% pace.

That's it for the data week but note that the ANZ business survey is out next Monday. This will be checked for firms' latest thoughts on activity, inflation, profitability and investment and employment intentions.

Lower interest rates are supportive, but uncertainty is elevated. We would expect the survey to retain its generally positive hue on the economic outlook – with agriculture a bright light. It is likely to be more a case of assessing its degree.

Pricing intentions in the ANZ survey have been more elevated than in other surveys, while inflation expectations have been well behaved. The latter has been more consistent with annual CPI inflation and continues to indicate inflation within the RBNZ's 1% to 3% target band.

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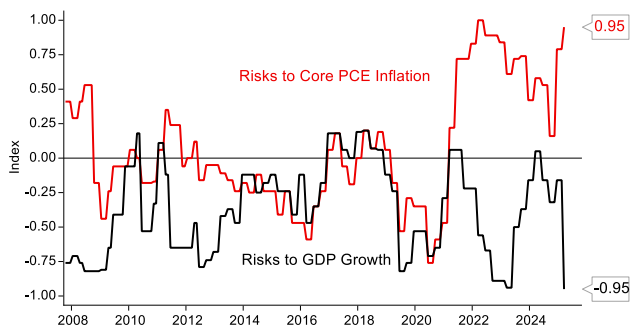
# Global Watch

- Markets wait for April 2 reciprocal tariff announcement
- Global PMIs to give latest activity pulse check
- Australia CPI indicator due for February
- UK CPI data out too
- US core PCE seen at 0.3% m/m

## Week in Review

Offshore, markets are effectively trading water ahead of President Trump's reciprocal tariff announcement due on April 2. Uncertainty is high and weighing heavily on central banks. The US FOMC kept rates on hold as widely expected, though raised their forecasts for core PCE inflation in 2025 (to 2.8% from 2.5%) and lowered GDP to 1.7% (from 2.1%). Almost all Fed officials see the risks to inflation forecasts as being tilted to the upside.

### US FOMC – risk views on inflation and GDP forecasts



Source: National Australia Bank, Federal Reserve, Macrobond

The Fed also further tapered QT, reducing the maturity caps on its UST holdings from \$25bn per month to \$5bn per month from April 1. This was a mild surprise with markets having had pushed back the timing. This, coupled with the Fed Chair Powell's use of the word "transitory" when talking about the potential of tariffs to lift inflation, saw risk markets rally.

In Australia, labour market data for February was noisy with employment falling sharply (-52.8k vs. +30k expected). However, our colleagues at NAB think this was more reflective of noise given the participation rate fell to 66.8%. The unemployment rate was unchanged at 4.1%.

Given the RBA still views the labour market as "a little too tight", it will take realised wages growth (WPI) and inflation (quarterly CPI) to make the case for further rate cuts. NAB continues to be of the view that the RBA will cut rates again in May. The call thereafter is for three further rate cuts taking the cash rate to 3.1% by February 2026.

Elsewhere, Germany passed its defence and infrastructure package, which is solidifying the view that Europe will be substantially increasing defence spending. The BoJ kept rates on hold, with a rate hike by July looking likely.

## Week Ahead

Key data includes the S&P Global Preliminary PMIs, out Monday. The focus is on whether the recent pickup in euro area and US manufacturing can extend, or whether soft survey data out of the US is reflected in the PMI as well.

Elsewhere in the US, it is reasonably quiet. Personal Spending and Income data on Friday includes the Fed's preferred core PCE estimate, which is expected to show y/y core PCE edging higher. There's a host of FOMC speakers to watch out for as well.

In Europe, as well as the PMIs the German IFO is on Tuesday. France and Spain preliminary CPI are Friday ahead of the eurozone wide measure the following week. There is plenty of ECB commentary to look out for during the week as well.

In the UK, February CPI data is Wednesday. Headline inflation was up to 3% in January from a cycle low of 1.7% back in September. It could hold there in February before resuming a push higher on the back of electricity prices and administered prices. Also on Wednesday is the Spring Statement from Chancellor Reeves.

In Australia, the Federal Budget will be handed down on Tuesday evening. NAB don't expect much in terms of outlook-shifting announcements from the budget. An election needs to be held on or before 17 May. February CPI Indicators data is on Wednesday, where NAB pencil in a 2.4% y/y from 2.5%.

In China, there may be some headlines out of the Boao forum from Tuesday, but it is a quiet week for data.

## Important Events Preview

### Monday 24

#### UK BoE Bailey

#### Global Preliminary PMIs

In February's S&P services PMIs, the US, EZ and UK all coalesced around the 50.5 - 51 level. In manufacturing activity, the US was above the 50 breakeven, while activity in Europe and the UK remained in recession. Given the weakness seen in sentiment indices in the US amid the tariff uncertainty, the expectation will be that the US PMIs soften further.

### Tuesday 25

#### AU RBA's Jones

RBA Assistant Governor for the Financial System Jones is in a fireside chat at Australian Payments Plus. Unlikely to contain anything relevant to Monetary Policy.

**AU 2025-26 Budget**

While a pre-election budget, NAB don't expect any large new policy announcements and would be surprised if the shift to the fiscal impulse will be large enough to shift macro forecasts. An extension of electricity rebates is likely. This would further push out payback in the CPI beyond Q3 2025 and lead to a downward revision to the RBA's headline inflation track, which is conditioned on current policy. NAB don't see that influence on headline inflation as important for the RBA outlook.

**JN BoJ Minutes (Jan meeting)****GE Ifo German Business Climate Index**

It is early days, but NAB assume the Ifo Business Climate Index, particularly the forward-looking expectations component, will reflect the improvement in sentiment from the changes to fiscal spending on defence and infrastructure.

**US Fed's Williams and Kugler****US Conference Board Consumer Confidence**

The Conference Board measure is yet to show as much of a deterioration as has been evident in the University of Michigan counterpart. With a larger weight towards forward looking components, that divergence may begin to close this month.

**Wednesday 26****AU February CPI Indicator**

NAB forecast the headline February CPI indicator fell to 2.4% y/y from 2.5%. Lower fuel prices than a year ago are one factor, while volatile travel prices and electricity measurement are key uncertainties that cloud interpretation of headline. Annual trimmed mean could slip back to 2.7% from 2.8%.

The February data will shape expectations for the full quarterly CPI on 26 April. NAB expect a 0.6% q/q trimmed mean outcome, though the risk skews to a 0.7% q/q.

**UK February CPI**

UK inflation continues to rise across-the-board, with the headline up to 3% in January from a cycle low of 1.7% back in September. The consensus looks for a one-tenth y/y decline for February, while NAB see the risks for an unchanged 3%. Regardless, headline inflation will continue to rise over the coming months much closer to 4% and likely won't peak until Q3. Higher utility prices and increased employer taxes the drivers. NAB expect core CPI

to rise 1/10th to 3.8% y/y, while services prices will rise from 5% to 5.1%.

**UK Spring Statement by UK Chancellor Reeves**

The Spring Statement will include the independent OBR's latest forecasts on growth and the much talked about fiscal rules. It is assumed the fiscal rules – balancing day-to-day spending and overseeing a reduction in public debt by the end of the five-year parliamentary period – would have been broken due to developments such as weaker than expected economic growth and higher debt servicing costs. Chancellor Reeves will announce spending cuts, but the prospect of tax increases, which may also help to pay for increased defence spending, will continue to be debated for the Oct/Nov Budget.

**Thursday 27****AU Detailed Labour Force data**

The mid-month of the quarter contains a number of indicators, including duration of unemployment, job switching intentions, and unemployment by previous employment status. NAB pointed to some of these indicators as one reason why the labour market through 2024 may have seen ongoing rebalancing despite still low unemployment. The February data will provide a useful update.

**US Jobless Claims****Friday 28****EZ France, Spain preliminary March HICP Inflation**

France and Spain release preliminary March HICP inflation ahead of the EZ release on 1 April. While headline and core HICP in the EZ will inch marginally higher over the coming few months, the big news is a steady decline in services inflation.

**UK Final Q4 GDP****UK February Retail Sales****US Personal Income and Spending**

With the CPI and PPI data in hand, the core PCE data are expected around 0.3% m/m, which would see the y/y rate push higher.

Also in the release is income and spending data. January nominal spending fell 0.2%, and expectations are for a bit of a rebound in February.

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# Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

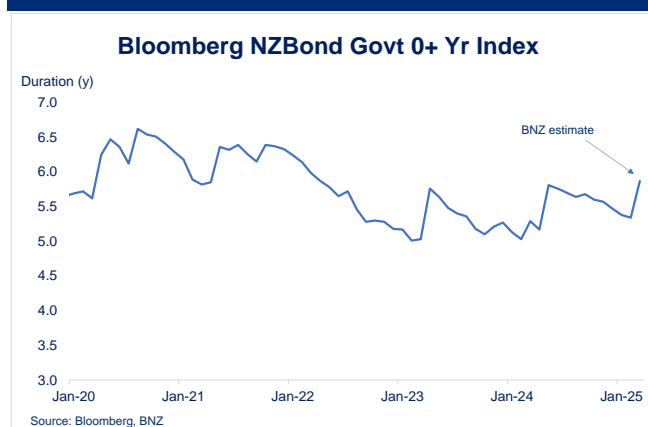
NZ swap rates were little changed last week. Market pricing for the terminal Official Cash Rate remained stable near 3.1% amid mixed domestic economic data. The pullback in the services PMI below the 50 level, and very weak consumer confidence, provided a reminder that the expected economic recovery this year will not be all one-way. Q4 GDP data easily beat consensus expectations, but the underlying details provided more noise than signal, leaving RBNZ pricing little changed.

Government bonds outperformed swaps at the margin and there was continued strong investor demand in the weekly tender. 10-year NZGBs matched the post FOMC rally in US treasuries. The Fed downgraded its growth forecast for 2025 and indicated a slower pace in the rundown of its treasury holdings, which supported the rally, despite the increase in its projections for core PCE inflation. 10-year NZGB yields have retraced back towards the middle of the 4.50% - 4.70% range which has held for the past two months.

Given there was no announcement of the syndicate panel for the May-2032 tap last week, it seems likely the transaction will take place in the month of April, which aligns with our prior expectation. There are several possible execution windows throughout April, and the transaction could come as soon as the first week. If this is the case, we would expect the panel to be announced around the middle of this week.

It is expected that bank balance sheets will be a key sponsor for the upcoming tap of the May-2032 line. It is unclear if the recent increase in holdings will dampen future demand. There are several dynamics driving bank demand for NZGBs including a dearth of investment alternatives. SSA issuance has completely dried up, with current market dynamics not conducive for these issuers. The last Kauri deal took place at the start of 2024.

## NZGB benchmark duration extension at month end



NZGBs are likely to find support in the near term from investor demand relating to month end index extensions. The April-2025 line will be removed from Bloomberg bond indices at the end of March, based on the minimum maturity rule, and we estimate the government bond index (NZ Govt 0+ Yr) duration will increase by close to 0.5 years. In addition, the proceeds from the bond maturity are likely to contribute to some recycling of capital further out the yield curve.

## NZGB holdings by banks continues to rise



Domestic bank balance sheets have continued to accumulate government bonds. Holdings increased to a record NZ\$27 billion at the end of February. This corresponds with 42% of the total debt securities held by the NZ banking sector, also a record high. The increase in February would include the tap of the May-2035 maturity, when this investor category was allocated around a quarter of the NZ\$5.5 billion transaction.

## Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.64	3.64 - 3.77
NZ 2yr swap (%)	3.44	3.37 - 3.59
NZ 5yr swap (%)	3.73	3.61 - 3.87
NZ 10yr swap (%)	4.15	4.01 - 4.27
2s10s swap curve (bps)	71	64 - 76
NZ 10yr swap-govt (bps)	-37	-42 - -32
NZ 10yr govt (%)	4.52	4.43 - 4.60
US 10yr govt (%)	4.25	4.10 - 4.51
NZ-US 10yr (bps)	28	8 - 32
NZ-AU 2yr swap (bps)	-23	-36 - -19
NZ-AU 10yr govt (bps)	13	8 - 20

\*Indicative range over last 4 weeks

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# Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week, net currency movements were modest. NZD/USD closed near the bottom of its trading range for the week, near 0.5735. The most significant cross rate move was a gain of 0.6% against the AUD to 0.9140 after reaching a fresh six-month high. Other cross movements were all less than ½%.

Early in the week the NZD made a fresh 2025 high of 0.5831 for reasons that weren't obvious at the time, albeit it followed stronger than expected Chinese activity data and China's government fleshing out further policy details on measures to support domestic demand. From this high, the NZD fell about a cent by the end of the week.

We'd still characterise the trading environment as one of NZD consolidation this year, following the tumble over Q4. Looking through the noise, one might detect a slight upward bias to the NZD this year, but it's marginal.

Markets look to be in a holding pattern ahead of 2 April, which President Trump calls "Liberation Day", the day when his reciprocal tariffs begin to take effect. Last week, Trump said there will be flexibility on the forthcoming tariffs and Bloomberg reported they might be more targeted than previously threatened. There's a sense that countries will be able to negotiate their way out of the tariffs if they bow to Trump's demands. We're still not sure where NZ sits, with the 15% GST rate applied to goods and services seen to be anti-competitive against US exports to NZ in the eyes of the President.

We don't see much chance for big swings in the market until we get clarity on how Trump proceeds. This suggests the NZD continues to track sideways for at least another week and a bit.

Last week, the US Fed kept rates unchanged, noting uncertainty around the economic outlook has increased. Updated forecasts showed downgrades to growth and upgrades to inflation. The median FOMC member expects to cut rates by 50bps this year, unchanged from December, while the distribution of changes showed a bias towards less scope for cutting rates this year. Chair Powell acknowledged that tariffs are already impacting the economy and the base case was that they would have a transitory impact on inflation.

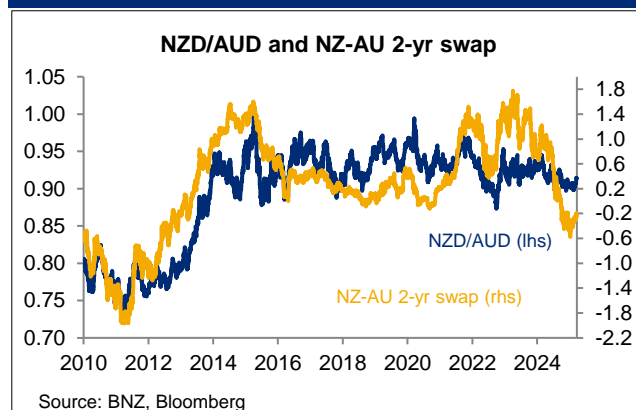
Given its dual mandate and belief that the inflationary impact of tariffs will be transitory, it appears that the Fed will be more attune to near-term growth than inflation gyrations. The market prices 70bps of cuts this year, which seems unbelievable if inflation pushes higher and further from the 2% target, but the prospect of a significant US growth shock looks real and this year's price action so far reveals that to be broadly USD-negative.

It's worth making a comment on NZD/AUD. Earlier this year we removed the downside bias we previously saw. The argument was that if the poor relative macro forces that pervaded NZ compared to Australia didn't result in a lurch down for the cross rate, then as macro forces turned more favourable for NZ, then the cross rate was unlikely to fall further. That is now playing out and a closing of short NZD/AUD positions is likely exacerbating the drift up in the cross rate. Last week's price action revealed 0.9160 as a possible near-term resistance level.

We wouldn't put much emphasis on the stronger than expected NZ GDP data for Q4. The figures need to be treated with caution, given the recent difficulty in seasonal adjustment. Weaker consumer confidence for Q1, showing a sharp fall, was a reminder that NZ's economic recovery out of recession will be slow and patchy.

In the week ahead, the economic calendar is unlikely to spark much market reaction with global PMIs, Australian monthly CPI, UK CPI and US PCE deflators released. Next week's reciprocal tariff announcement looks to be the next key event to focus on.

## NZ-AU rate spreads and NZD/AUD have both bottomed



## 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: 0.5830 (ahead of 0.60)  
 ST Support: 0.5540 (ahead of 0.55)

We've nudged up short-term resistance to 0.5830, where the NZD stretched to last week.



## NZD/AUD

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

We've left resistance at 0.92, while last week's price action revealed 0.9160 as a possible near-term resistance level.

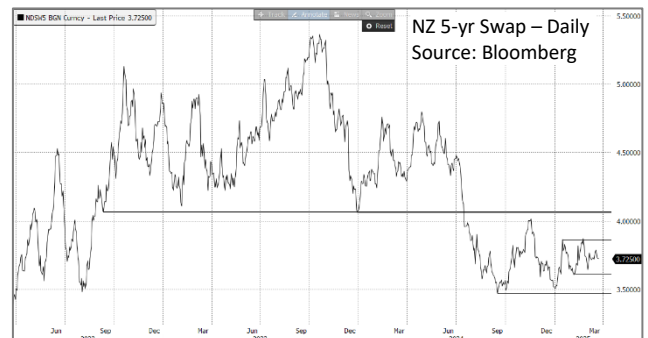


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## NZ 5-year Swap Rate

Outlook: Neutral  
 ST Resistance: 3.90  
 ST Support: 3.60

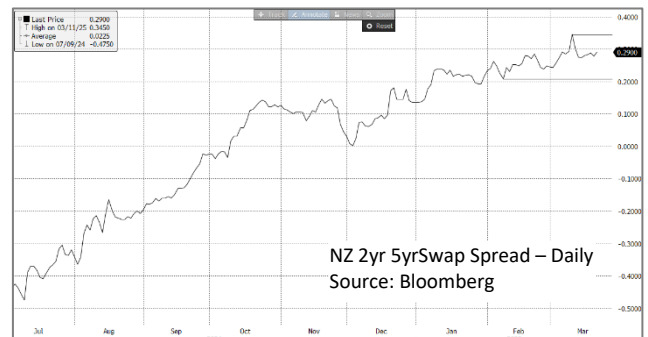
5-year swap remains in a tight range for the time being. We continue to watch for a directional break.



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

Outlook: Neutral  
 ST Resistance: 0.34  
 ST Support: 0.20

2x5 swap spread steepened slightly last week but remains rangebound.



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# Quarterly Forecasts

Forecasts as at 24 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.)	0.2	0.4	-1.1	-1.1	0.7	0.3	0.6	0.6	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	-6.5	-6.2	-5.4	-4.7	-4.3	-4.1	-4.0
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	3.2	3.0	3.0	2.9	2.7	2.7
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	1.4	-0.5	-1.6	-1.1	-1.2	0.4	2.1	2.3	2.9

## Interest Rates

Historical data - qtr average

Forecast data - end quarter

	Cash	Government Stock			Swaps			US Rates		Spread NZ-US
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	Libor 3 month	US 10 yr	
		Bank Bills								
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/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.57	0.63	1.08	1.29	150
Mar-25	0.57	0.63	1.08	1.29	148
Jun-25	0.58	0.65	1.10	1.29	145
Sep-25	0.59	0.66	1.10	1.30	142
Dec-25	0.60	0.67	1.11	1.30	138
Mar-26	0.62	0.69	1.12	1.31	134
Jun-26	0.64	0.71	1.14	1.32	130
Sep-26	0.65	0.72	1.15	1.33	128

### NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.57	0.91	0.53	0.44	85.8	68.1
Mar-25	0.57	0.91	0.53	0.44	84.7	67.7
Jun-25	0.58	0.90	0.53	0.45	84.5	68.5
Sep-25	0.59	0.90	0.54	0.46	84.1	69.2
Dec-25	0.60	0.90	0.54	0.46	83.1	69.9
Mar-26	0.62	0.90	0.55	0.47	83.1	71.1
Jun-26	0.64	0.90	0.56	0.49	83.2	72.4
Sep-26	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 24 March 2025	March Years					December Years				
	Actuals			Actuals		Actuals				
	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025
<b>GDP - annual average % change</b>										
Private Consumption	6.3	3.4	1.0	0.1	2.1	7.6	4.2	1.0	0.2	1.4
Government Consumption	8.0	2.7	2.0	-0.8	0.6	7.9	5.2	0.8	0.0	0.4
Total Investment	9.1	3.3	-1.1	-4.8	0.8	10.9	4.2	-0.1	-4.6	-1.5
Stocks - ppts cont'n to growth	0.5	0.3	-1.6	0.4	0.6	1.4	0.0	-1.4	0.2	0.5
GNE	7.9	3.7	-0.9	-0.6	2.4	9.9	4.5	-0.8	-0.8	1.6
Exports	2.5	5.6	8.6	3.5	4.6	-2.7	-0.8	11.4	4.2	5.4
Imports	17.2	4.4	-1.3	2.9	5.2	14.8	4.6	-0.6	2.4	4.9
Real Expenditure GDP	4.6	3.9	1.4	-0.6	2.1	5.8	3.2	1.9	-0.1	1.2
<b>GDP (production)</b>	<b>4.5</b>	<b>3.5</b>	<b>1.4</b>	<b>-1.1</b>	<b>1.9</b>	<b>5.6</b>	<b>2.9</b>	<b>1.8</b>	<b>-0.5</b>	<b>0.9</b>
<i>GDP - annual % change (q/q)</i>	<i>0.5</i>	<i>3.0</i>	<i>1.4</i>	<i>-1.2</i>	<i>2.9</i>	<i>2.6</i>	<i>3.1</i>	<i>0.9</i>	<i>-1.1</i>	<i>2.3</i>
Output Gap (ann avg, % dev)	1.0	2.0	1.0	-1.1	-0.8	1.2	1.9	1.2	-0.6	-1.0
Nominal Expenditure GDP - \$bn	359	394	418	430	451	353	386	413	427	445
<b>Prices and Employment - annual % change</b>										
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	2.7	-0.4	7.0	22.5	-13.8	0.6	-0.9	6.8
<b>External Balance</b>										
Current Account - \$bn	-24.5	-33.8	-27.6	-23.3	-18.2	-21.3	-35.6	-28.6	-26.4	-18.1
Current Account - % of GDP	-6.8	-8.6	-6.6	-5.4	-4.0	-6.0	-9.2	-6.9	-6.2	-4.1
<b>Government Accounts - June Yr, % of GDP</b>										
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					
<b>Financial Variables <sup>(1)</sup></b>										
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

<sup>(1)</sup> Average for the last month in the quarter

Source: Statistics NZ, BNZ, NZ Treasury

## Key Upcoming Events

All times and dates NZT

	Median	Fcast	Last		Median	Fcast	Last
<b>Monday 24 March</b>				<b>Thursday (continued)</b>			
EC				US			
EC				US	-1.00%		3.20%
EC	48.2		47.6	US			
EC	51.1		50.6	EC			
UK	47.2		46.9	UK			
UK	51		51	<b>Friday 28 March</b>			
<b>Tuesday 25 March</b>				US	2.30%		2.30%
US	-0.17		-0.03	US	225k		223k
US	51.8		52.7	US	1879k		1892k
US	51		51	EC			
US				US	1.00%		-4.60%
UK				US			
EC				NZ			96.6
AU				NZ			0.30%
JN				JN			
AU				UK	0.10%		0.10%
GE	87.9		85.4	UK	-24.5b		-18.1b
<b>Wednesday 26 March</b>				UK	-0.40%		1.70%
US			-13.1	UK	-£3000m		-£2816m
US				GE	6.20%		6.20%
US	680k		657k	EC			-14.5
US	93.6		98.3	EC	96.9		96.3
US	0		6	<b>Saturday 29 March</b>			
US			1	US	0.40%		0.90%
EC				US	0.50%		-0.20%
AU	2.50%	2.40%	2.50%	US	0.30%		-0.50%
AU			2.80%	US	0.30%		0.30%
NZ			50.30%	US	2.70%		2.60%
UK	2.90%		3.00%	US	57.9		57.9
<b>Thursday 27 March</b>				US			2
UK				US			

## Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	
	Year Ago								
<b>CASH AND BANK BILLS</b>					<b>SWAP RATES</b>				
Call	3.75	3.75	3.75	5.50	2 years	3.44	3.50	3.56	4.83
1mth	3.76	3.81	3.87	5.59	3 years	3.53	3.60	3.66	4.52
2mth	3.70	3.73	3.81	5.61	4 years	3.62	3.69	3.74	4.37
3mth	3.63	3.66	3.75	5.63	5 years	3.73	3.78	3.82	4.30
6mth	3.51	3.53	3.60	5.57	10 years	4.15	4.19	4.21	4.36
<b>GOVERNMENT STOCK</b>					<b>FOREIGN EXCHANGE</b>				
					NZD/USD	0.5740	0.5820	0.5733	0.6003
04/27	3.61	3.67	3.73	4.39	NZD/AUD	0.9148	0.9116	0.9029	0.9179
05/30	4.06	4.13	4.14	4.36	NZD/JPY 85.73	86.83	85.83	90.89	
05/32	4.36	4.42	4.39	4.47	NZD/EUR	0.5305	0.5328	0.5476	0.5539
05/35	4.61	4.69	4.63		NZD/GBP	0.4446	0.4480	0.4540	0.4751
04/37	4.81	4.89	4.80	4.71	NZD/CAD	0.8237	0.8316	0.8175	0.8156
05/41	5.03	5.10	5.00	4.83					
05/54	5.20	5.27	5.17		TWI	68.2	68.4	68.2	70.6
<b>GLOBAL CREDIT INDICES (ITRXX)</b>									
Nth America 5Y	60	54	49	53					

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