ECONOMIC OVERVIEW

Nearing the finish line.

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A NOTE FROM KELLY

Nearing the finish line.

For almost two years the economy has been in a "rolling maul" recession where one quarter of flat or slightly negative growth has merged seamlessly into another. This has been driven deliberately by a Reserve Bank aiming to bring high sticky inflation back to target.

Some hard yards have been covered in the last three months. Increased pessimism among households and businesses about when rate relief might come, combined with hawkish RBNZ rhetoric has prompted more rapid adjustment. We now find ourselves with a noticeably weaker economy and labour market that looks much more likely to push inflation back towards 2% given time. Population growth will slow as migration inflows fall off sharply due to fewer opportunities available in the NZ labour market.

These developments now give the RBNZ room to consider tempering restriction. Inflation is now just a touch above the top of the range and the lowest it has been in three years. That finish line now looks tantalisingly close.

It's likely to remain tough for businesses and households for the rest of the year but improvement should be evident as OCR cuts, now expected to begin four months earlier than previously thought, hit the bloodstream and give some relief.

We don't expect growth in 2025 to be stellar - the global growth environment remains subdued and fiscal policy increasingly restrictive. But lower rates here and abroad will support better times ahead. Firmer commodity prices will be a welcome relief for farmers.

Inflation still has a way to fall to 2% - hence we don't see the RBNZ cutting either fast or deep. But by early 2026 rates should be close to neutral levels. The pace at which we get there will depend on how rapidly inflation approaches the target midpoint over coming quarters.

Almost there .... finally.

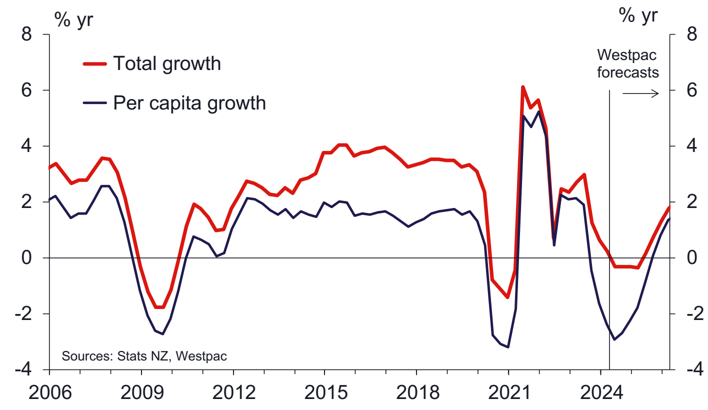
OVERVIEW

> "The latter part of 2024 will be tough for many New Zealand households and businesses. However, a gradual recovery is expected to take hold from 2025."

Still some hurdles to clear.

- The slow "rolling maul" recession seen over the past two years appears to have given way to a steeper downturn in recent months. We estimate that economic activity contracted 0.6% in the June quarter, with a further 0.2% fall in the September quarter.
- The trend weakness in activity reflects continued high inflation and interest rates, relatively subdued global demand and more restrained government spending. The weakness in activity through the middle part of this year likely reflects the sharper adjustments that households and businesses have made due to increased pessimism on when interest rates might ultimately fall.
- We now see the labour market turning down more sharply. Unemployment is set to reach a higher peak of 5.6% next year.
- Inflation is set to re-enter the target band in the September quarter this year and move closer to the target midpoint over the course of 2025/26 as domestic inflation pressures fall. This will allow the RBNZ to begin a gradual easing cycle from October. Hence recent pessimism about interest rates should soon dissipate.
- Those conditions will lay the groundwork for a gradual recovery in economic activity from 2025. We also expect to see the housing market turning higher again over the year ahead, with house prices to rise by 6% in 2025.

GDP growth



Key economic forecasts

	2023	2024(f)	2025(f)	2026(f)
GDP growth (% year)	-0.2	-0.2	2.0	2.5
Inflation (% year end)	4.7	2.5	2.2	2.1
Unemployment rate (%)	4.0	5.4	5.6	4.9
House prices (% year end)	0.6	0.5	6.4	4.1
Official Cash Rate (%)	5.50	5.00	4.00	3.75

HOUSEHOLDS

> "Cost and interest rate pressures are easing, but the weaker labour market will keep households on the defensive."

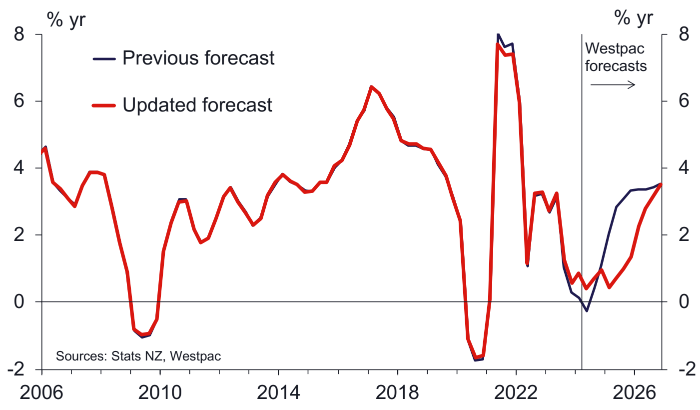
Pressures on household finances to eventually ease.

- Household finances remain under pressure, as ongoing increases in living costs, high interest rates, and now a quickening downturn in the labour market constrain demand. Retail sales fell 4% in the first half of the year, with discretionary spending particularly weak. Despite tax cuts, we expect spending will remain restrained over the remainder of this year.
- Spending is expected to gradually strengthen over 2025, but the overall profile for consumer spending is weaker than forecast in May. Lower inflation and mortgage rates combined with income tax cuts and other stimulus measures will help disposable incomes. But higher unemployment will constrain some.
- Mortgage borrowers have shifted to shorter term rates, and as such look better placed to benefit sooner from the lower interest rates we now expect.

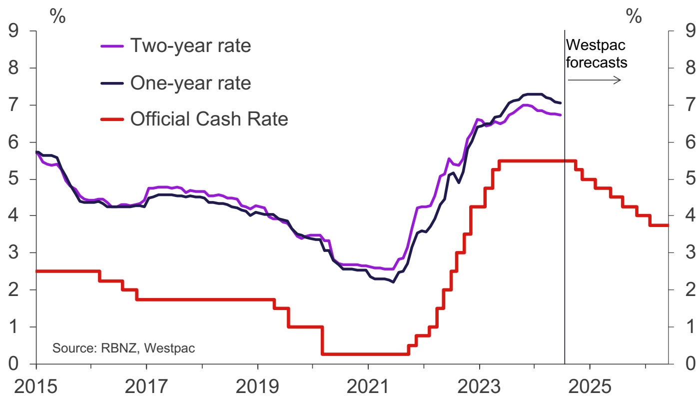
The direction of the labour market and interest rates are key risks.

- Should the labour market weaken more sharply, increased concerns about job security could see a deeper and more protracted downturn in spending.
- On the upside, the likelihood of earlier rate cuts from the RBNZ than previously anticipated will be welcome news for many households, and could lift sentiment and support a faster recovery in spending.

Private consumption spending



Official Cash Rate and mortgage rates



HOUSING

> "House prices are set to remain in the doldrums for 2024 but will recover over 2025 and 2026 as lower interest rates offset weaker population growth."

Housing is weak, reflecting a significant supply/demand imbalance.

- House sales have dropped away as still-high interest rates and weaker growth and employment prospects have deterred buyers.
- The number of homes available for sale has remained elevated, leading to a significant supply/demand imbalance. That's driven prices backwards, even with the growth in population and in rents.

Weak momentum in 2024 will give way to strength in 2025 and 2026.

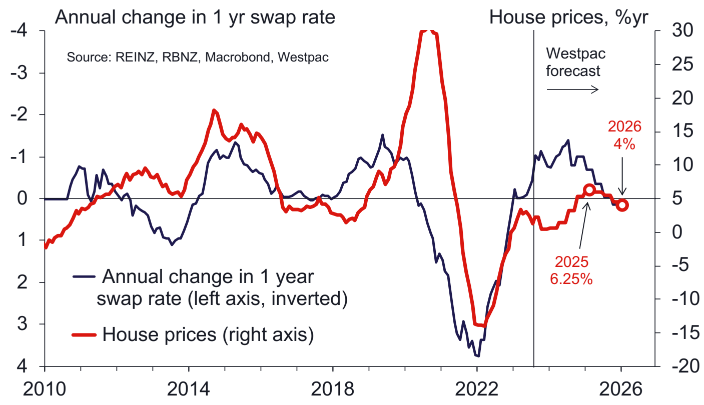
- The weak economy and supply overhang will keep a lid on prices over the remainder of 2024. Weaker migration and population growth will also constrain the market.
- Prospects will improve in 2025 and 2026 as lower interest rates have their impact. We see 6.25% growth in 2025 and 4% growth in 2026.

Upside risks stem from interest rate reductions, downside risks from the labour market.

- Lower interest rates could reignite the market more quickly than forecast – especially if the broader economy responds well.
- A steeper or more protracted lift in the unemployment rate and weaker income growth could see a slower recovery if potential buyers are constrained.

Sales-listings versus house price growth

House price growth vs interest rates



MIGRATION

> “We expect a pronounced reversal in net migration flows as departures of New Zealanders remain high and fewer foreigners arrive or stay, given the weak NZ labour market.”

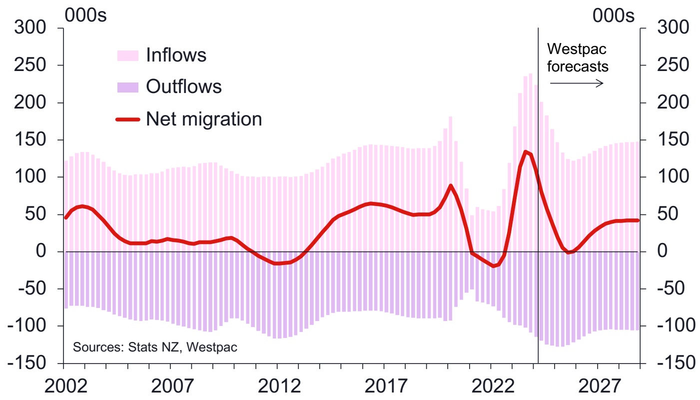
Net migration set to fall to zero by the end of 2025.

- Net migration has eased substantially from its record highs over the past year, driven by both a slowing in foreign arrivals and rising departures by New Zealanders. Annual population growth will fall from 3% to as low as 0.4%.
- The surge in arrivals in 2022-23 reflected a catch-up after the Covid border closure. Combined with the slowing domestic economy, most employers are no longer facing the pressure of worker shortages.
- Departures of New Zealanders to Australia are likely to remain high over the year ahead. Job prospects are relatively more favourable in Australia, and we expect the unemployment rate there will rise more gradually than in New Zealand.
- We expect the balance to return to a net inflow of around 40k a year over the longer term. New Zealand remains a relatively attractive destination for much of the world, and our economic performance should return more in line with our peers once inflation is tamed and interest rates can fall.

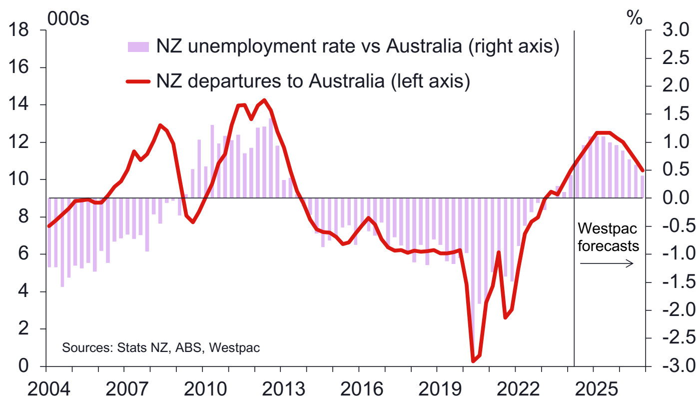
Risk is for a swing towards net outflows, as an echo of recent inflows.

- Recent migrant arrivals have been heavily weighted towards those on work visas, leaving them in a relatively insecure position as job opportunities wane. This could prompt a sharp rise in non-New Zealand outflows, which haven’t been a feature of this cycle so far.

Migration flows, annual sum



Migration by New Zealanders to Australia



LABOUR MARKET

> “The protracted slowdown in the NZ economy, and the increased availability of workers, have significantly shifted the balance of pressures on employment and wages.”

We expect the unemployment rate to peak at 5.6% next year.

- The cooling economy over the last couple of years is now being accompanied by a more substantial softening in the labour market. Unemployment began rising gradually from 2022 but has picked up the pace in recent quarters.
- Employment growth is expected to turn negative in the year ahead as job losses increase. Slowing net migration will also mean substantially lower growth in the working-age population.

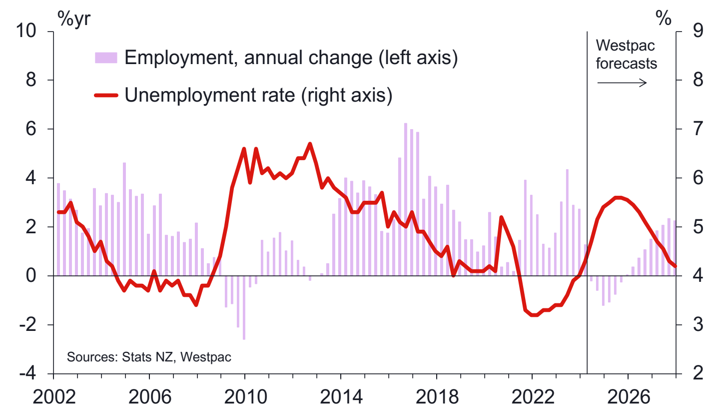
Easing wage inflation is the last shoe to drop in the cycle.

- Annual wage growth has now turned down from its peak, although this has been partly masked by the remaining stages of public sector pay agreements. We expect wage inflation to slow further in the face of a softer jobs market and reducing pressure for cost-of-living increases. Labour costs make up an important part of the remaining ‘stickiness’ in domestic inflation.

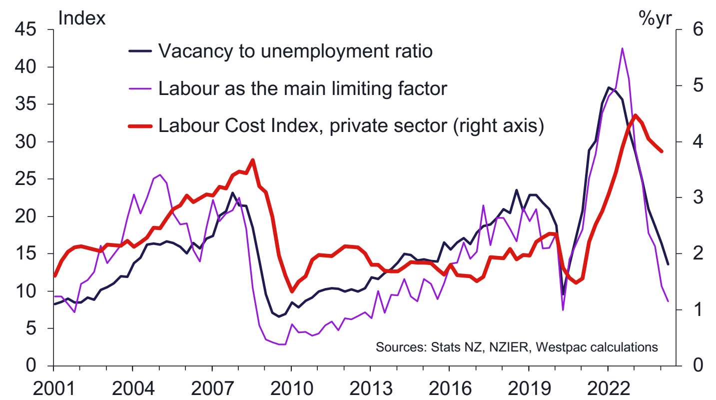
Unemployment could go even higher if labour hoarding is unwound.

- Indicators of labour market balance suggest a significant amount of slack, a marked turnaround from the worker shortages of previous years. As long as domestic demand remains subdued, firms may become less inclined to hold on to existing workers.

Employment growth and unemployment rate



RBNZ measures of labour market tightness



BUSINESS SECTOR

> "Operating cost inflation is slowing, but sluggish consumer demand means margins and profitability are weak."

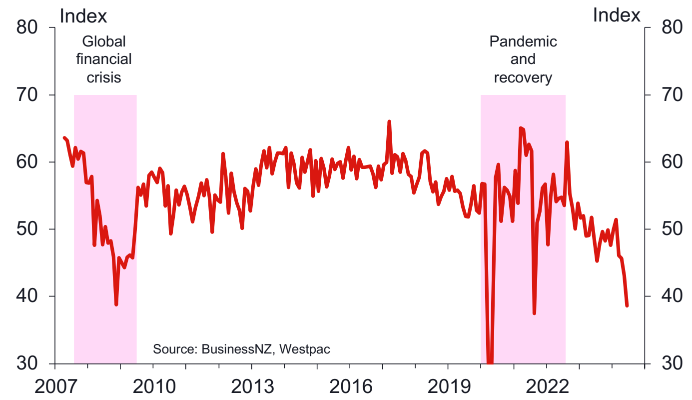
Trading conditions have become increasingly tough.

- Businesses across the economy have reported an increasingly tough operating environment in recent months, with falls in sales and forward orders. There has been notable softness in the construction, retail and hospitality sectors, and an increase in business closures. Many SMEs, who often have smaller financial buffers, have been doing it particularly tough.
- While operating costs aren't rising as quickly as they did in recent years, they are continuing to push higher. And with softening demand, it's increasingly hard to pass on those increases to consumers. That's resulted in further pressure on operating margins.
- Many businesses have scaled back plans for hiring and we have seen mounting job losses in sectors like construction and parts of the services sector. Plans for capital expenditure have also been wound back.

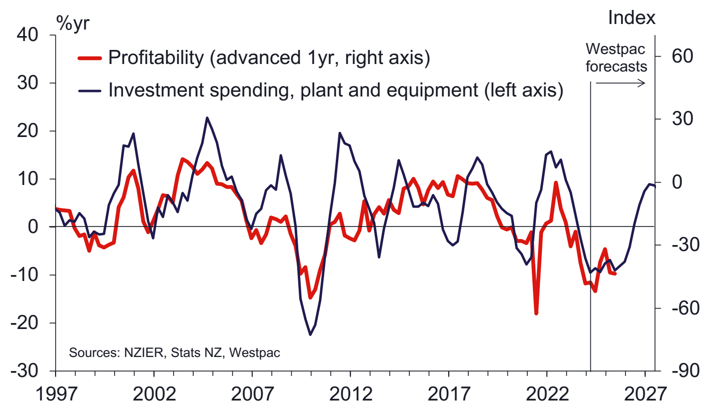
Risks centre around the strength of demand.

- With challenging trading conditions, we could see further business closures, while plans for capital expenditure and hiring could be scaled back by even more than assumed.
- On the upside, interest rates have started to fall and consumer sentiment is showing tentative signs of stabilising. That could signal a faster recovery in trading conditions over the year ahead.

Businesses' forward orders



Business profitability and investment



CONSTRUCTION

> "Building activity is likely to remain weak over the year ahead with high costs and weak economic conditions discouraging new development."

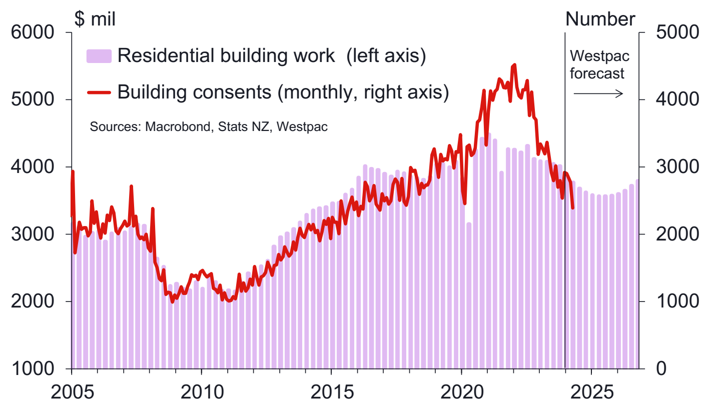
Costs and interest rates remain a handbrake on new development.

- Residential building is set to continue trending down over the coming year as the existing pipeline of projects is worked off. Weakness in the housing market and high interest rates mean fewer new projects have been coming to market, with residential consent numbers down nearly 25% over the past year.
- There are large amounts of office space and industrial buildings in development. However, softness in economic conditions continues to weigh on the amount of retail and hospitality space being developed.
- While spending on infrastructure continues to climb at a brisk pace, the amount of work being completed is rising more gradually because of continued cost increases. There is a large amount of work planned by central and local government (including maintenance work).

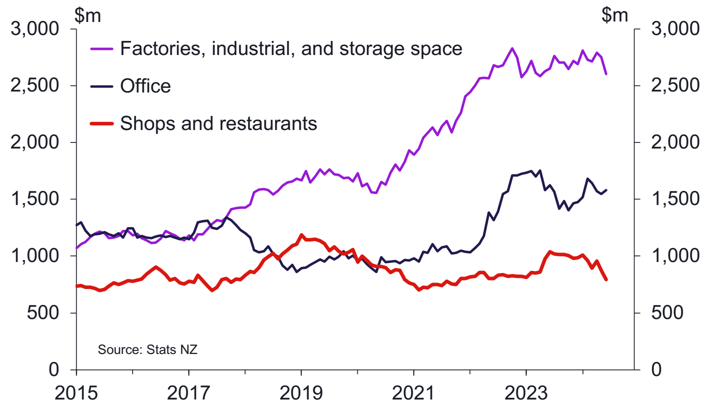
Regulatory changes could support faster development activity.

- In the near term, softness in economic activity could see a further downturn in the number of residential and commercial projects coming to market. In addition, cost increases and funding pressures could also be a constraint on the pace of infrastructure work, especially for local authorities.
- Policy changes allowing for greater housing densification, as well as measures aimed at speeding up the planning process for infrastructure projects, could support a faster turnaround in construction activity.

Residential building and consent numbers



Value of commercial building consents (annual)



FISCAL

> "Achieving a fiscal surplus and the Government's long-term debt goal will be difficult. Ratings agencies will be watching."

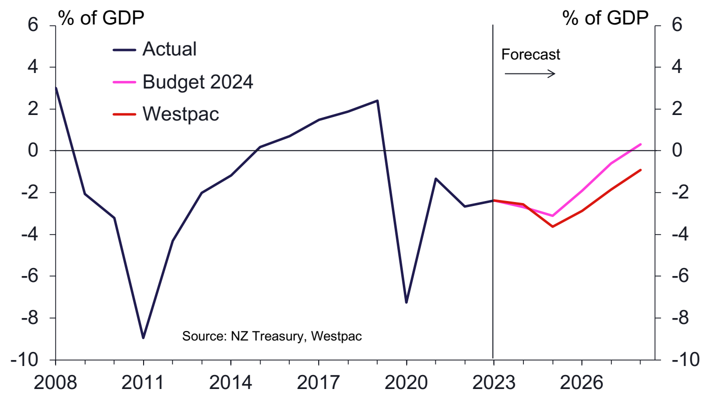
Operating surpluses remain a distant prospect.

- Budget 2024 signalled a period of sustained government spending restraint. However, due to personal tax cuts, overall fiscal consolidation (i.e. a decline in operating deficits) will not begin until the 2025/26 year.
- We expect that mounting pressures, due to recent rapid population growth, will cause spending to rise a little more quickly than forecast in Budget 2024.
- Additionally, our economic view implies that the tax base will grow more slowly than estimated in Budget 2024. Hence, we forecast that the OBEGAL will remain in deficit until 2028/29 – one year later than forecast in Budget 2024.

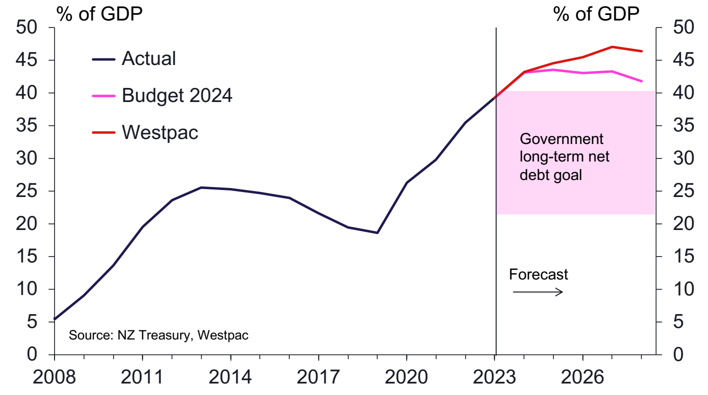
The Government debt programme is likely to be revised higher.

- Our forecasts imply a larger borrowing programme than set out in Budget 2024. As a result, for the foreseeable future, net core Crown debt will not enter the 20-40% of GDP range that the Government has set as a long-term goal.
- Absent more favourable economic conditions than we expect, faster progress will require the Government to run a tighter policy, through some combination of lower spending and new revenue initiatives.
- Ratings agencies will be watching to see whether the Government sticks to its fiscal plan. Further fiscal slippage could see NZ's credit rating downgraded.

Operating balance (OBEGAL)



Net core Crown debt



GLOBAL OUTLOOK

> "The global backdrop remains generally supportive although there are some risks on the horizon."

Trading partner growth to remain at a slightly subpar pace.

- New Zealand's trading partners are forecast to grow 3.3% this year – slightly less than last year and a little below long-run averages. Growth in most advanced economies should lift as monetary policy settings normalise.
- Our assessment of the near-term growth outlook in China has been revised lower. Chinese growth should continue to slow as consumers are constrained by unfavourable demographics and a weak property market.

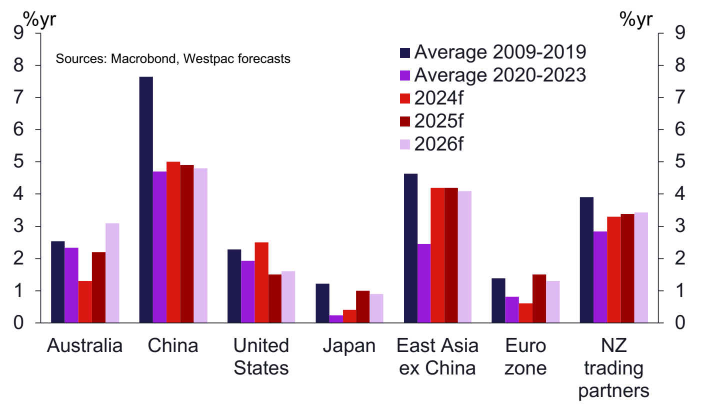
Monetary policy easing is drawing closer in many jurisdictions.

- With recent US inflation data more encouraging, the Fed is expected to commence a policy easing cycle in September, as we forecast previously.
- The ECB and BoE will likely continue the gradual policy easings they began mid-year, while the RBA is expected to begin easing before year-end. By contrast, a slow tightening cycle will likely continue in Japan.

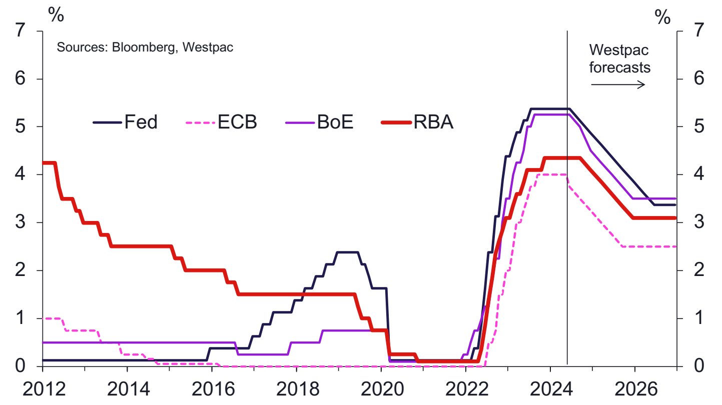
There are both upside and downside risks to the outlook.

- Lingering services inflation could delay/limit policy easing and undermine growth. Geopolitical tensions and the outcome of the US election present risks to inflation, trade and growth.
- A faster decline in inflation could support a stronger upswing in global demand.

Growth forecasts, major trading partners



Global central bank policy rates



EXPORT VOLUMES

> "Improved climatic conditions are boosting primary sector exports, but land-use and environmental constraints means it's difficult to grow exports as a share of GDP."

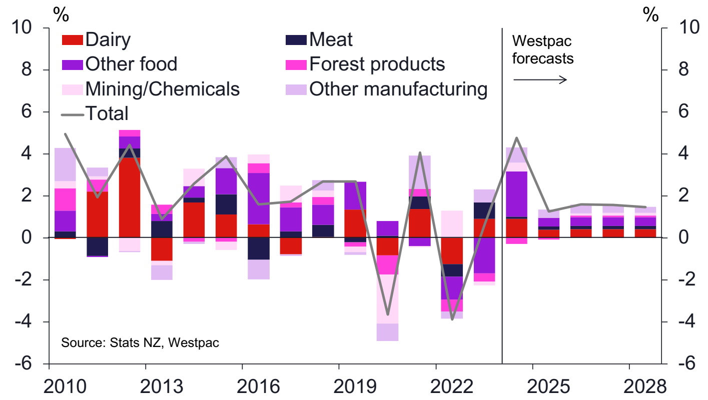
Growth in merchandise exports is likely to remain subdued.

- Merchandise export volumes are on track to be a bright spot this year, posting growth of close to 5%. In part this reflects a natural rebound in horticultural exports following last year's storms.
- Looking ahead, New Zealand's ability to further expand agricultural exports is constrained by limitations on land-use and environmental considerations. So, while neither global demand nor the exchange rate are an impediment to growth, we expect exports will continue to trend down as a share of GDP.

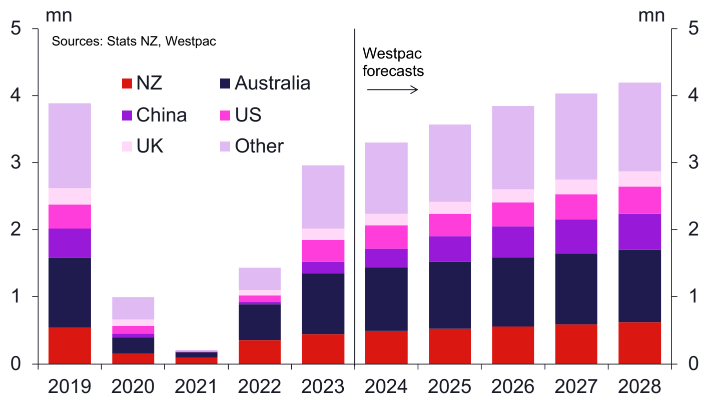
Tourism recovery now proceeding at a slower pace.

- A strong uplift in inbound visitor arrivals in 2023 has given way to a slower pace of recovery in recent months. Arrivals in the year to May were about 83% of 2019 levels, not least due to continued weak arrivals from China (57%).
- Of New Zealand's major markets, only the US is operating close to 2019 levels. Even here, arrivals have declined in recent months following a strong summer. Australian visitor arrivals are tracking at around 90% of 2019 levels.
- Looking ahead, easing financial pressures on households should support further recovery, although the pre-pandemic peak may not be surpassed until early 2027. While we remain optimistic about the long-term growth potential from the Chinese market, arrivals could continue to disappoint in the near term.

Goods exports – contributions to growth



Tourist arrivals by citizenship



AGRICULTURE

> "New Zealand's agricultural sector earnings are set to modestly improve this year. A more marked improvement depends on a recovery in Chinese demand."

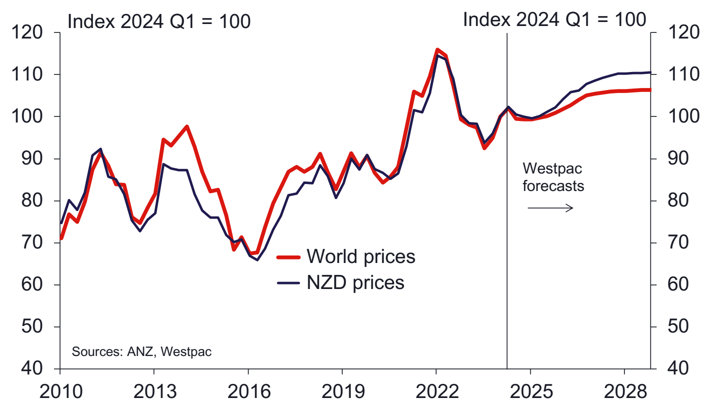
Conditions in the agricultural sector to improve over the coming year.

- Prices are set to improve over the coming year reflecting better demand outside of China. Profitability will remain challenged by still-high costs and for some, a stronger NZD/USD.

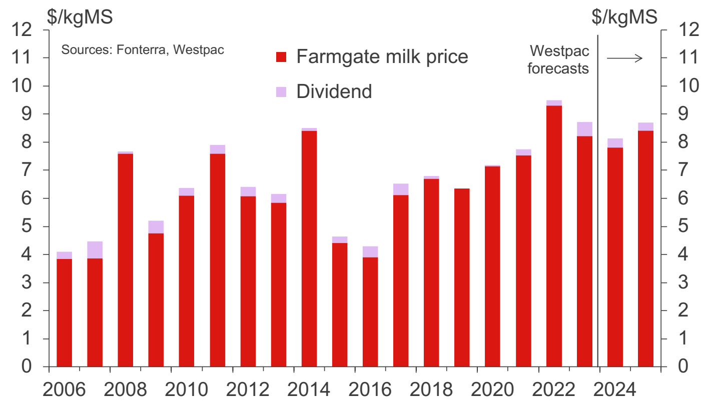
Stronger demand outside of China will help support prices.

- Despite recent softer GlobalDairyTrade auctions, we expect dairy prices to track modestly higher. We see balanced risks around our milk payout of $8.40/ kgMS for 2024/25, with the fortunes of Chinese demand likely being key.
- Beef prices will continue to be supported by reduced US supply as they rebuild their beef herd. A firmer medium-term uptrend in prices will require stronger Chinese demand which we don't expect to see for a while. Increased supply from South American producers could limit price increases.
- A recent spike in lamb prices reflects stronger exports into the UK market where domestic production has fallen. We don't expect a more protracted increase in prices until Chinese demand recovers.
- Orchardists are likely to benefit from higher export volumes due to improved climate conditions. These will offset the impact of lower kiwifruit and apple prices. Log prices are expected to move sideways in coming months, but then tilt higher as declining inventories in China are replenished.

Commodity prices – World and NZ dollar denominated



Farmgate milk prices



CURRENT ACCOUNT

> "The current account deficit needs to narrow to reduce the risk of a credit rating downgrade, especially as the fiscal deficit remains large."

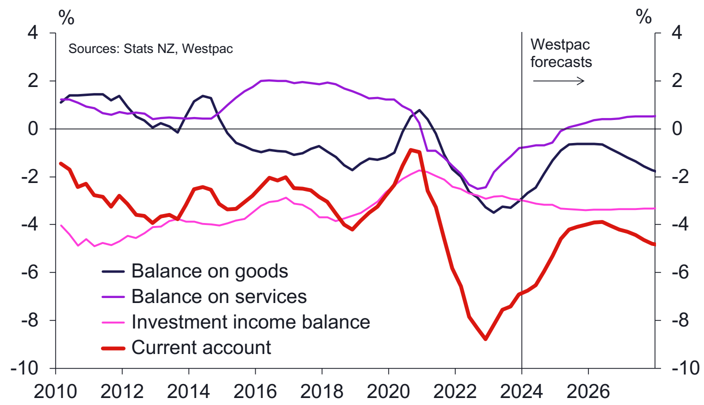
NZ's current account deficit remains very large but should narrow.

- Surprisingly weak services exports meant that the current account deficit narrowed only fractionally to 6.8% of GDP in the year to March 2024.
- A pickup in exports and subdued demand for imports will reduce the goods deficit in the near term, while the services balance will gradually move back into surplus, in part due to the ongoing recovery in foreign visitor arrivals.
- In addition, we expect a lift in the terms of trade (although increased incomes will also boost real demand for imports).

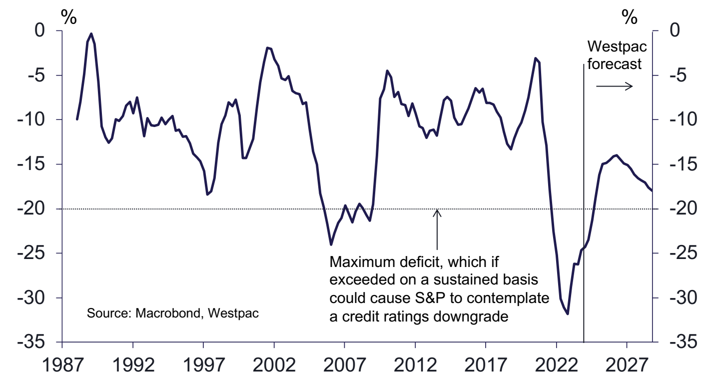
Twin deficits leave NZ exposed to a future credit rating downgrade.

- With interest rates expected to hold above pre-pandemic levels and accumulated large current account deficits adding to net external liabilities, the primary income (i.e. investment) deficit will likely continue to widen.
- The overall current account deficit is expected to narrow to a low point of around 4% of GDP late next year, before gradually widening again as the economy begins to strengthen and demand for imports recovers.
- Together with New Zealand's persistent fiscal deficit, a large current account deficit leaves New Zealand exposed to the possibility of a credit rating downgrade, especially in the event of a new negative shock hitting the economy.

Current account balance, % of GDP



Current account balance, ratio of current receipts



INFLATION

> "Imported inflation has fallen to low levels, while domestic price pressures remain strong and widespread."

Inflation dropping back, but domestic price pressures remain strong.

- Annual inflation slowed to 3.3% in the year to June, the lowest it's been in three years. The drop in inflation has mainly been due to a fall in tradables prices, with soft consumer spending contributing to lower prices for imported retail goods like household furnishings and apparel.
- In contrast, non-tradable pressures remain strong. And that's not just due to the cost of items like insurance or council rates – prices for domestic services more generally are continuing to rise at a solid pace.

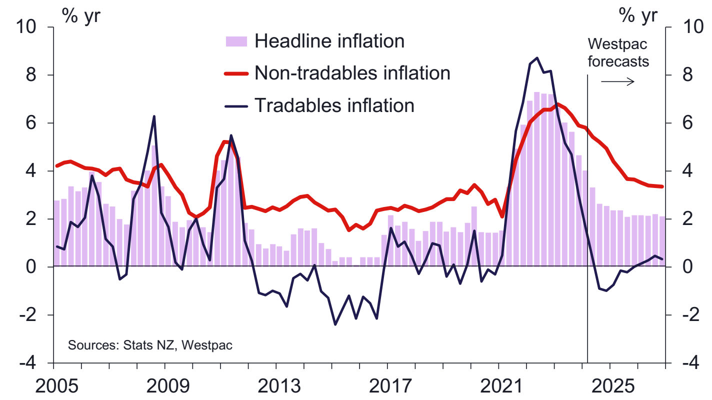
Inflation to continue easing over the coming year.

- Inflation is set to fall back inside the RBNZ's 1-3% target band in the September quarter, with continued low tradables inflation offsetting strength in non-tradables prices. We expect inflation will continue to trend down over the year ahead, but that the RBNZ will be content with inflation settling a little over 2%.

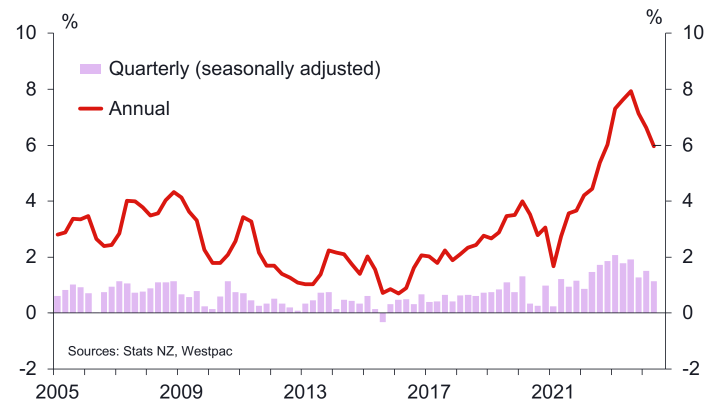
Significant two-sided risks over the year ahead.

- Upside risks for inflation include the possibility of persistence in domestic inflation, and the potential for higher imported inflation due to higher shipping costs or a weaker NZD. Downside risks could stem from weaker domestic demand and/or a softer labour market which leads non-tradable inflation to normalise sooner than expected, as well as the risk of further softness in imported prices.

Inflation components



Non-tradables excluding housing, government charges and insurance costs



MONETARY POLICY

> "Weak demand combined with headline inflation likely inside the target range will finally give the RBNZ scope to temper the degree of restriction beginning in October."

The ground has shifted significantly since May.

- Economic demand has weakened more sharply and opened up excess capacity more quickly than previously assumed.
- Headline inflation has surprised to the downside due to weaker tradable good prices and now makes a return to the 1-3% range much more likely in 2024.
- At the July Monetary Policy Review, the RBNZ recognised the increased potential to reduce restriction.

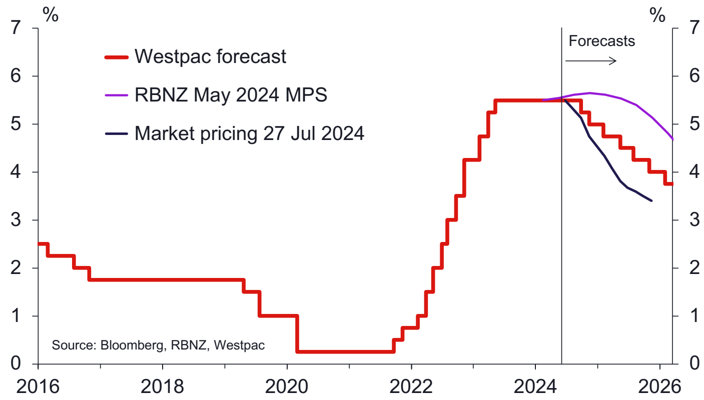
We see 50bps of easing by the end of 2024 beginning in October.

- Lower medium-term inflation and the weaker economy justifies an easing in restriction by year end and a 4.5% OCR in May 2025.
- From May 2025 the RBNZ will tread more carefully and move more slowly depending on the data until the terminal rate of 3.75% is reached in 2026.

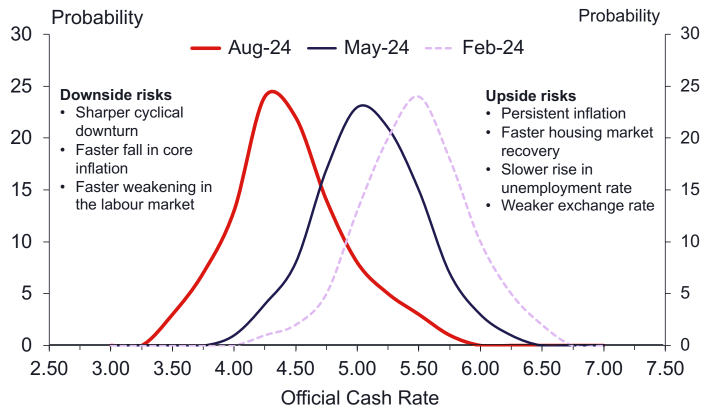
Progress in reducing non-tradable inflation will be key.

- A faster downturn that reduces non-tradable inflation more quickly opens scope to ease more quickly and/or move the OCR into expansionary territory.
- But if the economy responds well to the initial cuts and/or core inflation remains sticky then the RBNZ will move more cautiously.

Official Cash Rate forecasts



Risk distribution for the OCR in one year's time



FOREIGN EXCHANGE

> "New Zealand's twin fiscal and current account deficits, lower interest rates and weaker growth imply the NZ dollar will underperform as the US dollar weakens."

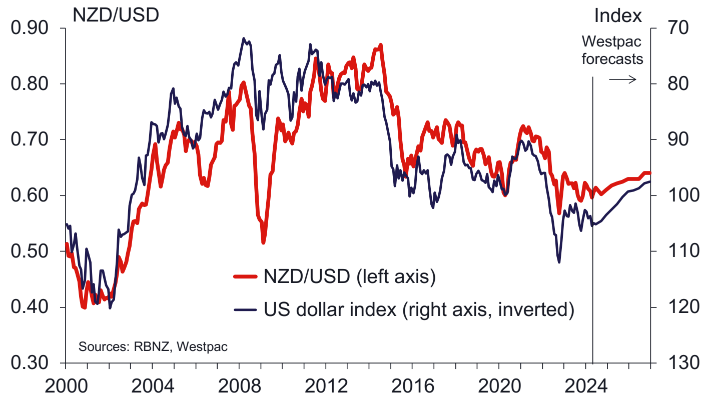
The US dollar remains key to NZD/USD direction.

- Most of the variation in NZD/USD continues to be explained by broad movements in the US dollar.
- In the near term, the US dollar may be supported by risk aversion associated with the impending US presidential and congressional elections.
- Beyond the near term, the Fed policy easing cycle – expected to begin in September – argues for a slightly weaker US dollar over time.
- The NZD/USD will likely continue to trade tightly with the US dollar, and so we expect a modest appreciation over the next year or so. The forecast lift in NZD/USD is slightly smaller than in our previous Overview, reflecting a weaker current account position and an earlier easing of RBNZ policy settings.

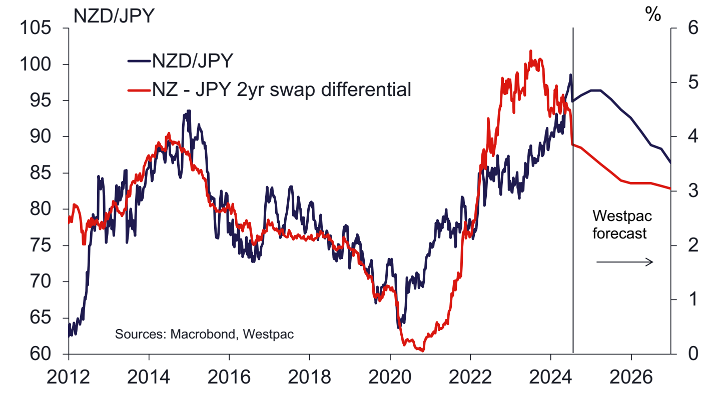
NZ dollar will likely underperform against AUD and JPY.

- New Zealand's large twin deficits – fiscal and current account – and weaker growth outlook will weigh on the NZ dollar, with the impacts likely to be observed more clearly on the crosses.
- As RBNZ policy easing reduces New Zealand's yield advantage, we see scope for the NZ dollar to weaken against the AUD and especially the JPY (the latter also supported by the gradual tightening of monetary policy settings in Japan).

NZD/USD and US dollar index

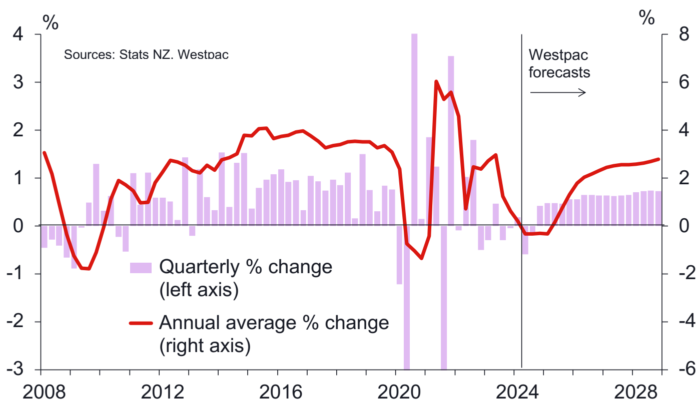


NZD/JPY and 2-yr swap differential

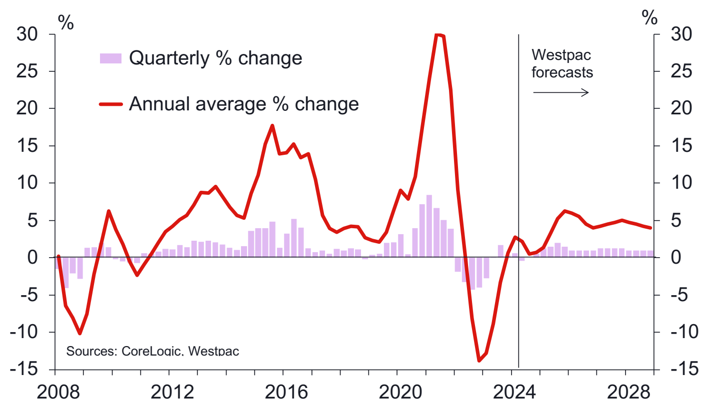


THE ECONOMY IN EIGHT CHARTS

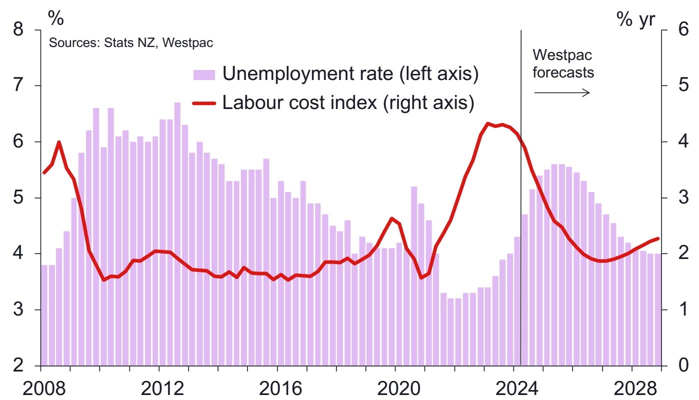
GDP growth



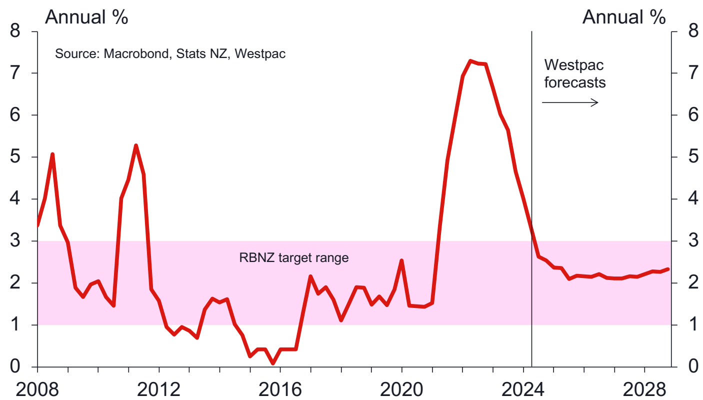
House prices



Employment and wage growth

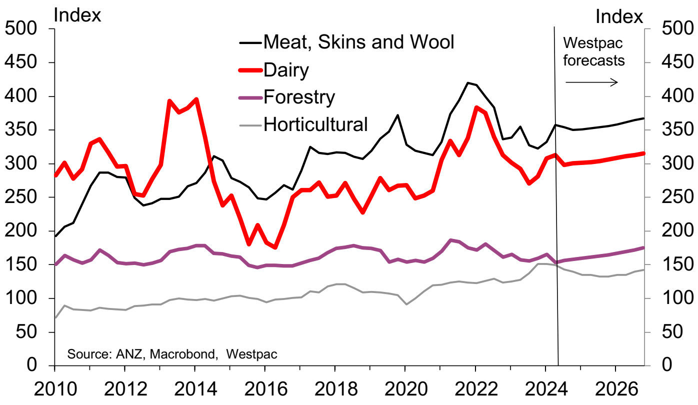


Consumer price inflation

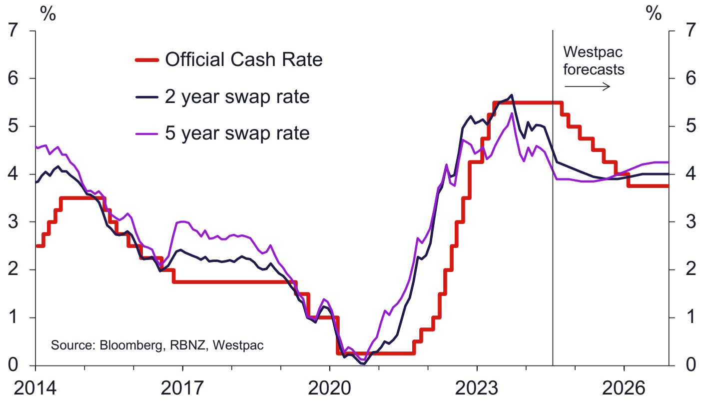


THE ECONOMY IN EIGHT CHARTS CONT.

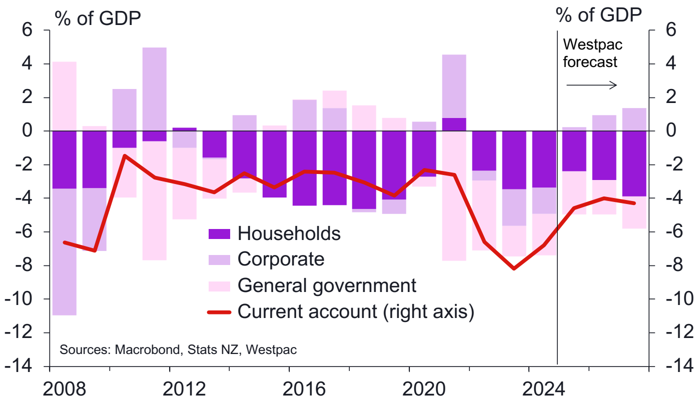
Export commodity prices



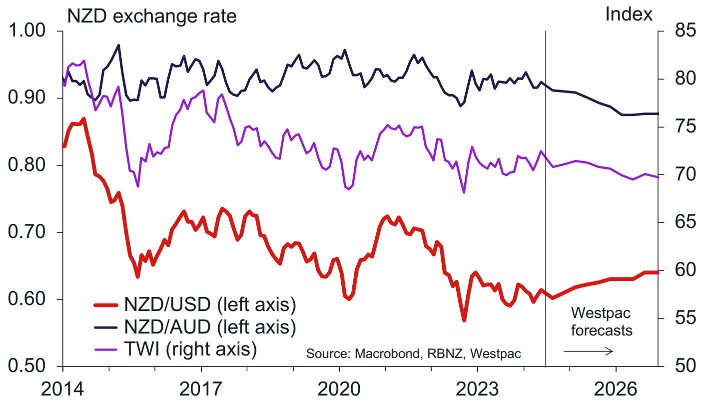
Official Cash Rate, 2-year and 5-year swap rates



Net lending by major sector and current account



Exchange rates



ECONOMIC AND FINANCIAL FORECASTS

New Zealand forecasts

Economic indicators	Quarterly % change				Annual % change			
	Mar-24	Jun-24	Sep-24	Dec-24	2023	2024	2025	2026
GDP	0.2	-0.6	-0.2	0.4	-0.2	-0.2	2.0	2.5
GDP (annual average)	-	-	-	-	0.6	-0.3	1.3	2.3
Consumer price index	0.6	0.4	1.1	0.4	4.7	2.5	2.2	2.1
Employment change	-0.2	-0.4	-0.4	-0.2	2.7	-1.2	0.0	1.5
Unemployment rate	4.3	4.7	5.2	5.4	4.0	5.4	5.6	4.9
Labour cost index (all sectors)	0.9	0.8	0.7	0.7	4.3	3.2	2.3	1.9
Current account balance (% of GDP)	-6.8	-6.5	-6.0	-5.3	-6.9	-5.3	-4.0	-4.2
Terms of trade	5.1	3.2	1.7	-0.5	-10.7	9.8	2.4	1.8
House price index	0.6	-0.4	0.0	0.5	0.6	0.7	6.3	4.0
Financial forecasts	**End of quarter**				**End of year**			
	Mar-24	Jun-24	Sep-24	Dec-24	2023	2024	2025	2026
90 day bank bill	5.66	5.63	5.30	5.00	5.65	5.00	4.00	3.85
2 year swap	4.91	5.01	4.25	4.15	5.28	4.15	3.90	4.00
5 year swap	4.40	4.53	3.90	3.90	4.85	3.90	4.00	4.25
10 year bond	4.69	4.74	4.40	4.35	5.09	4.35	4.30	4.35
TWI	71.6	71.4	70.8	71.1	70.8	71.1	70.6	69.8
NZD/USD	0.61	0.61	0.60	0.61	0.60	0.61	0.63	0.64
NZD/AUD	0.93	0.92	0.91	0.91	0.93	0.91	0.89	0.88
NZD/EUR	0.56	0.56	0.55	0.55	0.56	0.55	0.55	0.56
NZD/GBP	0.48	0.48	0.47	0.48	0.49	0.48	0.48	0.49

ECONOMIC AND FINANCIAL FORECASTS CONT.

New Zealand forecasts

Fiscal indicators	June years						
	2022	2023	2024	2025	2026	2027	2028
Total government revenue ($bn)	141.6	153.0	165.5	166.1	174.0	183.0	192.7
- % of GDP	38.9	38.7	40.2	39.2	39.3	39.3	39.3
Total government spending ($bn)	151.0	161.8	175.5	181.1	186.3	191.2	196.6
- % of GDP	41.5	40.9	42.7	42.7	41.9	40.7	39.7
Operating balance excl. gains and losses ($bn)	-9.7	-9.4	-10.5	-15.4	-12.8	-8.7	-4.4
- % of GDP	-2.7	-2.4	-2.5	-3.6	-2.9	-1.9	-0.9
Net core Crown debt ($bn)	128.9	155.3	177.5	188.7	201.1	218.6	227.0
- % of GDP	35.4	39.3	43.2	44.5	45.4	47.0	46.3

International economic forecasts

Real GDP (calendar years)	Annual average % change					
	2021	2022	2023	2024f	2025f	2026f
Australia	5.5	3.9	2.0	1.3	2.2	3.1
China	8.4	3.0	5.2	5.0	4.9	4.8
United States	5.8	1.9	2.5	2.5	1.5	1.6
Japan	2.6	1.0	1.9	0.4	1.0	0.9
East Asia ex China	4.3	4.5	3.3	4.2	4.2	4.1
India	9.7	7.0	7.8	6.9	6.7	6.5
Euro zone	5.9	3.4	0.4	0.6	1.5	1.3
United Kingdom	8.7	4.3	0.1	0.6	1.3	1.3
NZ trading partners	**6.3**	**3.3**	**3.4**	**3.3**	**3.4**	**3.4**
World	**6.5**	**3.5**	**3.2**	**3.3**	**3.3**	**3.2**

ECONOMIC AND FINANCIAL FORECASTS CONT.

Interest rates and exchange rates

	CPI	Interest rates				Exchange rates							
	Annual %	OCR	90-day bill	2 year swap	5 year swap	USD Index	NZ TWI	NZD/USD	NZD/AUD	NZD/GBP	NZD/EUR	NZD/CNY	NZD/JPY
Jun-24	3.3	5.50	5.63	5.01	4.53	105.2	71.4	0.61	0.92	0.48	0.56	4.38	94.2
Sep-24	2.6	5.50	5.30	4.25	3.90	104.3	70.8	0.60	0.91	0.47	0.55	4.33	95.7
Dec-24	2.5	5.00	5.00	4.15	3.90	103.2	71.1	0.61	0.91	0.48	0.55	4.33	96.4
Mar-25	2.4	4.75	4.75	4.05	3.85	102.4	71.4	0.62	0.91	0.48	0.56	4.36	96.4
Jun-25	2.4	4.50	4.50	3.95	3.85	101.4	71.3	0.62	0.90	0.48	0.56	4.35	95.2
Sep-25	2.1	4.25	4.25	3.90	3.90	100.3	70.8	0.63	0.89	0.48	0.55	4.31	93.8
Dec-25	2.2	4.00	4.00	3.90	4.00	99.4	70.6	0.63	0.89	0.48	0.55	4.28	92.6
Mar-26	2.2	3.75	3.85	3.95	4.10	99.2	70.0	0.63	0.88	0.48	0.55	4.22	90.7
Jun-26	2.2	3.75	3.85	4.00	4.20	98.8	69.5	0.63	0.88	0.48	0.55	4.16	88.8
Sep-26	2.2	3.75	3.85	4.00	4.25	97.8	70.1	0.64	0.88	0.49	0.56	4.19	88.3
Dec-26	2.1	3.75	3.85	4.00	4.25	97.5	69.8	0.64	0.88	0.49	0.56	4.16	86.4
Mar-27	2.1	3.75	3.85	4.00	4.25	97.2	69.6	0.64	0.88	0.49	0.56	4.13	85.0

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