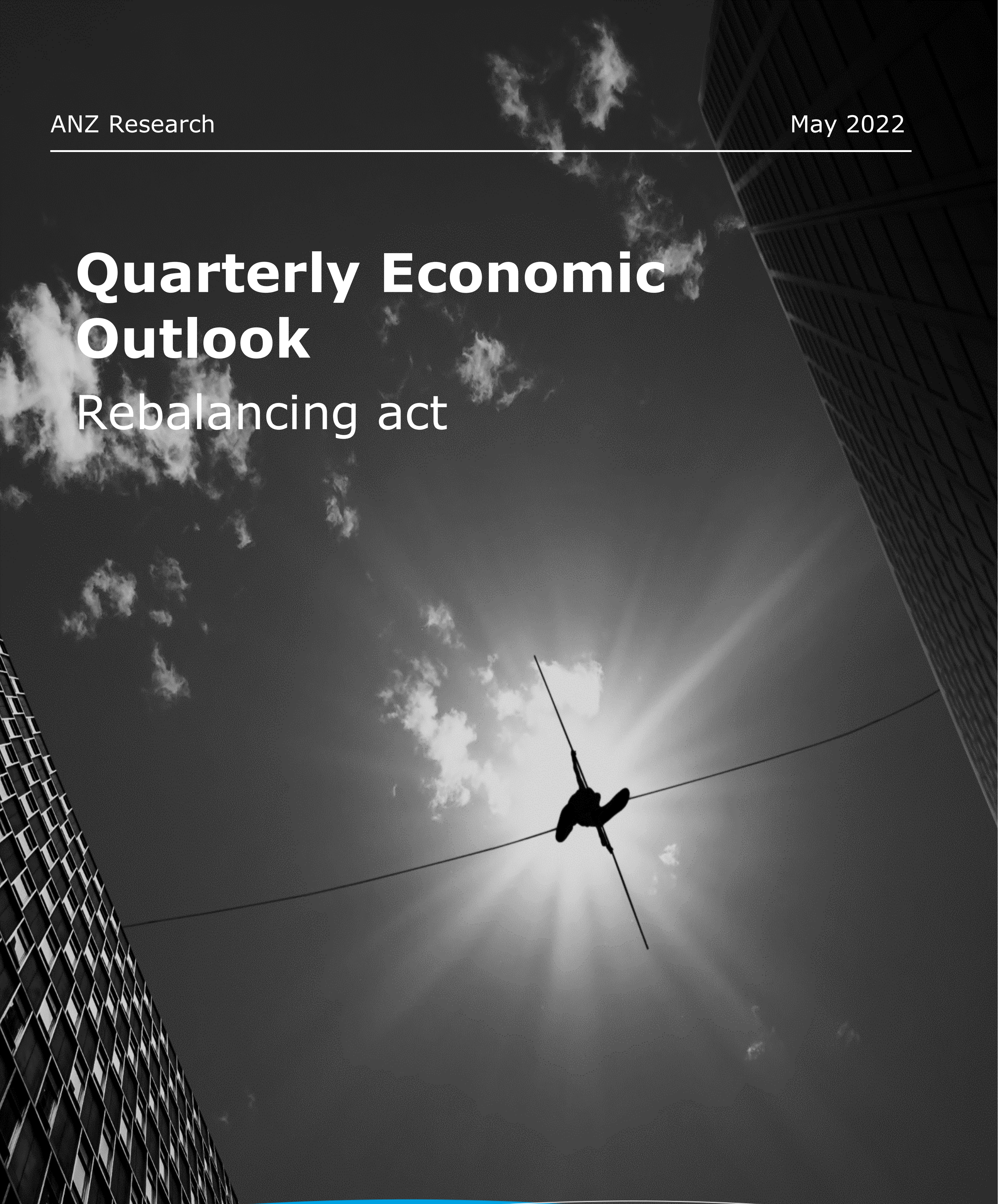
Quarterly Economic Outlook

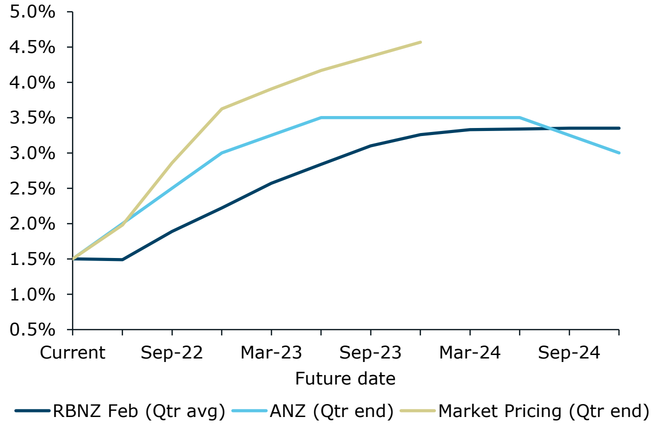
Rebalancing act



Summary of forecasts

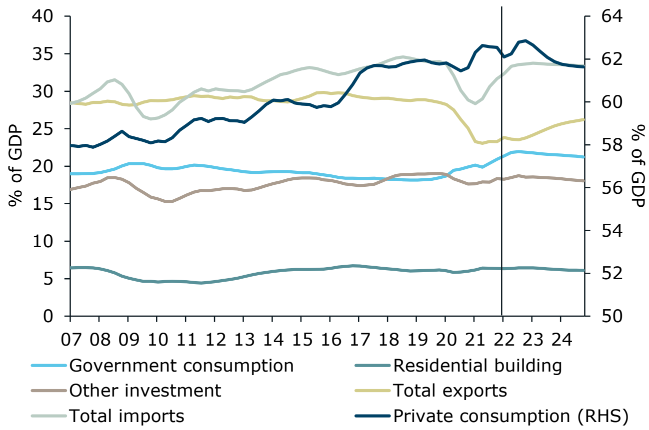
We see the OCR hitting 3.5% by April 2023, with another 50bp hike in May

OCR Forecast



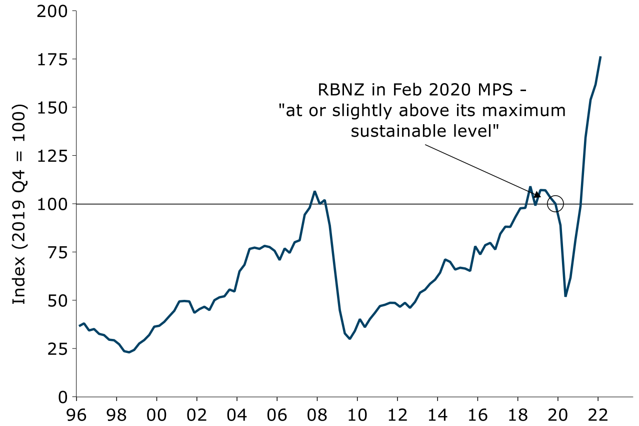
The economy will re-adjust to a world of higher rates and open borders

Real GDP



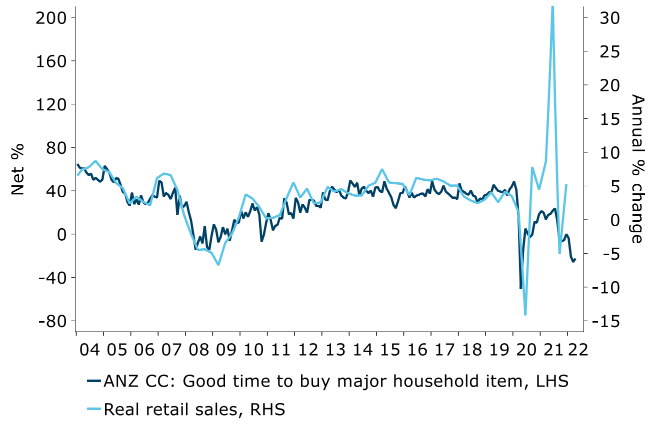
A hard landing is possible, but hopefully avoidable with a labour market this tight

Labour demand exceeds supply by a long shot as shown by the job ads to unemployment ratio



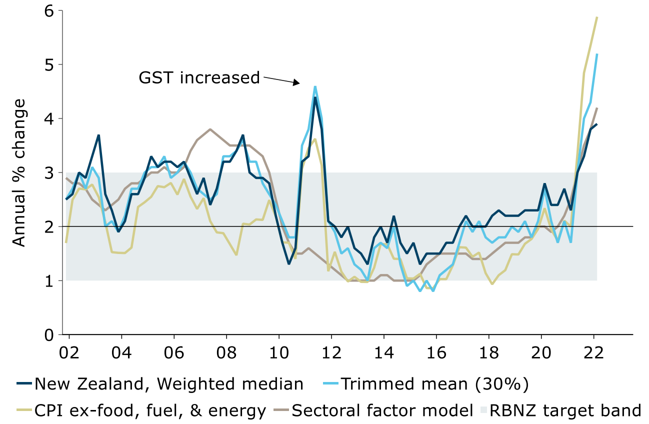
Despite the exceptionally tight labour market, consumers don't appear to be in the mood to spend

ANZ-Roy Morgan Consumer Confidence Survey



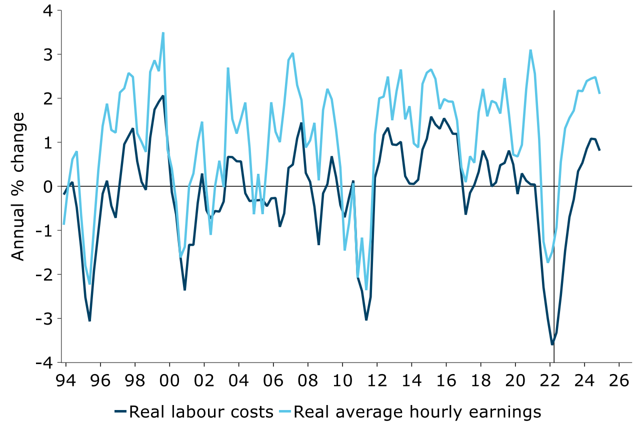
But that's part of the recipe for slowing inflation

Core inflation is convincingly outside the target band



Households will hopefully feel better when wage growth is outpacing inflation once again

Real wage growth



Source: Stats NZ, RBNZ, MBIE, Bloomberg, ICAP, Roy Morgan, ANZ Research

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Rebalancing act

Summary

The economy is transitioning from domestic demand that was overstimulated (with the benefit of hindsight), to a rapid withdrawal of monetary stimulus in order to tame the inflation beast. The reopening of our border will hopefully offset some of the slowing in domestic demand, but it'll be only a partial offset. It's a fine balance for the RBNZ as they weigh up the risk of oversteering (engineering a hard landing for economic activity and inflation) against the risk that inflation pressures continue to spiral. At some point in the not-too-distant future, the OCR will be back at a level where these risks are a little more balanced, and decisions will be more difficult.

The outlook remains uncertain…

In our last Quarterly Economic Outlook we outlined a very lengthy list of key drivers of economic momentum that are either currently transitioning or expected to transition into a turning point over the forecast horizon. Focusing on turning points is important because each carries additional risks and uncertainties (eg timing, magnitude, flow-on economic impacts etc) that can cause economic outcomes to vary significantly from our expectation. The key point we wanted to make in our last edition was that while lockdown-induced volatility is hopefully a thing of the past, there remains considerable uncertainty in the economic outlook as we transition to a new normal.

Most of the key turning points in the outlook haven't changed a lot over the past few months:

- COVID-19 developments. Not only navigating the Omicron outbreak, but also any future outbreaks, variants, and/or medical breakthroughs that may occur.
- Border settings (both in NZ and abroad) and what that means for net migration and services exports (international tourism and education).
- The evolution of labour supply relative to demand. Open borders are both a risk and an opportunity for the former; slowing activity and monetary tightening are a risk to the latter.
- Global supply chain bottlenecks and materials shortages, and the impact on CPI inflation.
- The composition of global demand as COVID restrictions ease and households start normalising their consumption towards more services (eg holidays) and away from widgets.
- The pace and degree to which house prices are likely to fall, and how this will impact broader economic outcomes.
- The persistence of current decades-high inflation and inflation expectations, and the question of how long inflation is likely to outstrip household income growth (sending many households backwards in real terms).
- Household spending and savings behaviour in light of the very tight labour market, but slowing economy, very weak consumer confidence, rising interest rates, high inflation, and high household debt levels. What a cocktail!
- Continued fiscal expansion, with Budget 2022 shaping up to be a big one. New fiscal rules suggest the Government will focus on consolidation eventually, but at a slower pace than under the pre-pandemic debt-target era.
- The impacts (both magnitude and timing) of monetary tightening (domestically and abroad). Indeed, monetary policy tends to act with around a 12 to 18-month lag, meaning we are yet to see the full impacts of the current tightening cycle.

That's a long, and not even exhaustive, list of turning points. And it's only got longer since our last edition, with the Russian invasion of Ukraine and COVID restrictions in China adding to global inflation pressures and weighing on global growth and sentiment, and numerous central banks kicking into action with monetary tightening.

…as upside inflation risks and downside growth risks remain.

If anything, global inflation risks have intensified over the past few months, but front-loaded OCR hikes by the RBNZ have mitigated domestic inflation risks. Many other central banks across the globe are now underway with their tightening cycle too, and making all the right noises, and we fully expect them to tame inflation in time. The question is, how much tightening will it take, and how much economic pain will it require?

Indeed, on the activity side, it very much feels like one-way traffic: War, COVID in China hitting dairy prices, a further global pivot towards tighter monetary settings, still-accelerating inflation, biting capacity constraints (including within many global labour markets), falling house prices, and weak consumer and business confidence all suggest risks to the activity outlook are to the downside.

Rebalancing act

Winter is coming

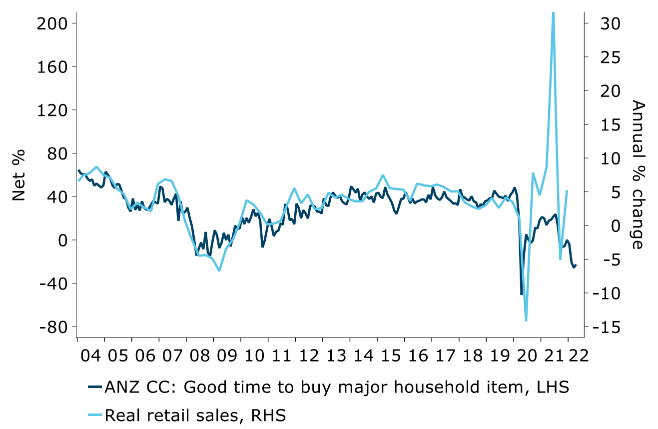
Some economic indicators are looking rather downbeat right now, but COVID-volatility is making it hard to separate the noise vs the signal.

Near term, the GDP data will be noisy. Lockdown impacts in Q3 (which saw the economy contract 3.6% q/q) partially unwound over Q4 (a 3.0% rebound) and should continue unwinding through the Omicron-ravaged Q1. However, it's possible that Omicron pushes some of this bounce into Q2. But provided we manage to avoid lockdowns in 2022, the GDP data should settle down over the second half of the year (Q3 GDP is released December 2022).

That means we need to continue to look beyond GDP for our steer on economic momentum. And there are plenty of indicators suggesting underlying momentum is slipping.

Take our consumer confidence survey, and the question within it of whether it's a good time to buy a major household item (figure 1). This indicator tends to provide a very good steer on momentum in retail activity, which in turn, tends to provide a very good steer on overall domestic demand. And right now it's very soft – softer than during the 2008/09 recession, which is not a time retailers remember fondly.

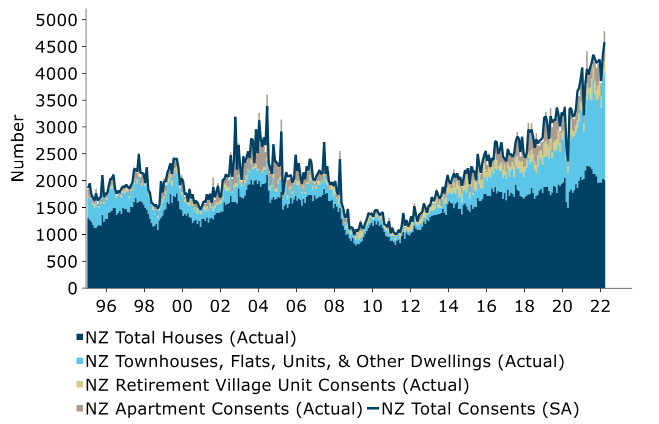
Figure 1. Good time to buy a major household item vs. retail sales



Source: Stats NZ, Roy Morgan, Macrobond, ANZ Research

Our Business Outlook suggests residential construction is poised to slow (which is exactly what you'd expect when house prices and sales are contracting). However, building consents continue to push record highs, driven recently by multi-unit dwellings (figure 2). While that suggests the construction pipeline is full, rapid building cost inflation, construction delays, difficulty achieving presales as house sales and prices fall could very well see some of these consented projects scrapped. Anecdotally, that's happening already.

Figure 2. Building consents



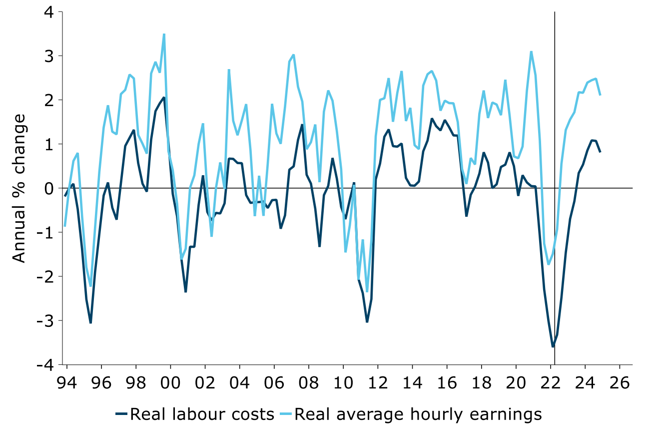
Source: Stats NZ, Macrobond, ANZ Research

There are other reasons to think tougher times lie ahead:

- New Zealanders are now free to travel abroad to escape the NZ winter. Meanwhile, international tourism isn't expected to start picking up meaningfully until the 2022/23 summer (given the usual seasonality of tourism). That means NZ tourist operators are likely to find they don't have the same captive audience this winter they had over the past couple of years. So while open borders are a good news story overall, there could be a tough winter to navigate before the benefits are felt.
- Conditions for our key exporters are tough! Key export commodity prices are elevated due to tight global supplies, but they are now slipping as the willingness and ability of global consumers to pay top dollar for our produce is reduced (we've recently downgraded our milk-price forecast). But output prices are only part of the story. Difficulty getting product to market and finding workers for farms and orchards are weighing on agricultural production. And the price of fertiliser has gone through the roof.
- Households are going backwards financially as inflation outpaces income growth. Based on our inflation and wages forecast, growth in real hourly earnings will be positive by the end of the year, but that's assuming we're right about inflation having peaked already. Positive real wage growth will hopefully help change the mood among consumers and help facilitate the soft landing in the economy we're all hoping for. But it's a mixed blessing for the RBNZ, who are quite rightly concerned about the possibility of a wage-price spiral developing.

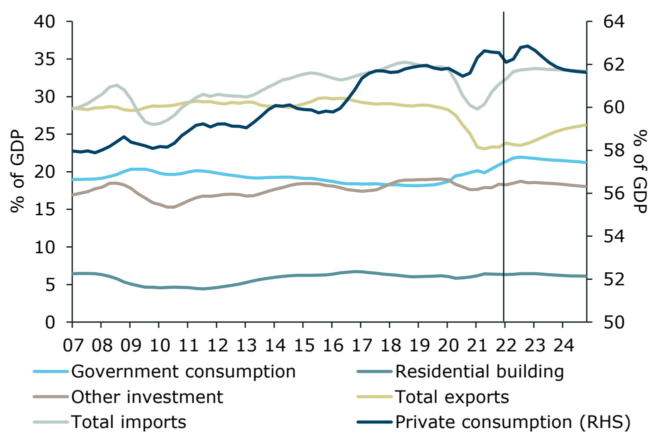
Rebalancing act

Figure 3. Real wage growth



Source: Stats NZ, Macrobond, ANZ Research

Figure 4. Real GDP



Source: Stats NZ, ANZ Research

It's not exactly counter-cyclical (unless private sector demand slows a lot more quickly than we expect), but another big spend-up come Budget 2022 will (if nothing else) help put a floor under how quickly economic momentum might wane. Depending on the mix of spending (to be detailed in the Budget), the Government may struggle to get bang for its buck in such a capacity-constrained environment. Any further impetus to CPI inflation from fiscal settings will need to be met with a higher-than-otherwise OCR.

All up, the drivers of economic momentum are particularly complex right now. A lot hinges on the labour market holding it together, but even if it does, the composition of the economy won't be the same.

The composition of growth is changing

Putting it all together, we land on an economic outlook that's likely to feel very different for many households than the past couple of years. Private consumption is expected to slip as a share of the real economy, as the demand impulse from the tight labour market reaches its limits and high inflation, higher interest rates and a slowing housing market bite (figure 4).

The Government consumption share of GDP still has a little further to climb as more stimulus is delivered in Budget 2022. However, we see significant limitations on how much additional government spending can achieve in real terms given the degree of capacity stretch in the economy right now.

Investment is another key driver of domestic demand, and one that tends to be very sensitive to interest rates. But government investment (which we estimate accounts for around 15% of total investment) is more likely to look through rising rates. All up, we foresee both residential investment and other investment shrinking only mildly as a share of GDP over the forecast horizon as rates rise, but a harder landing in housing (and the broader economy) than we expect would very likely see investment underperform.

Net exports should improve over the forecast, with services exports hopefully well on the road to recovery by the end of the year (as international tourism finally gets a peak season with open borders). However, it will likely take a couple of seasons (and the return of visitors from China) before the industry is well and truly back on its feet. Services imports, on the other hand, are expected to recover faster, given kiwis are relatively free to travel already, and there's certainly pent-up demand to escape the NZ winter over coming months. On the goods side, export volumes are expected to struggle as agricultural production faces headwinds, despite solid prices. Imports are expected to remain strong in the near term, reflecting the cyclically solid domestic demand pulse, but as household demand slows, so too will goods imports.

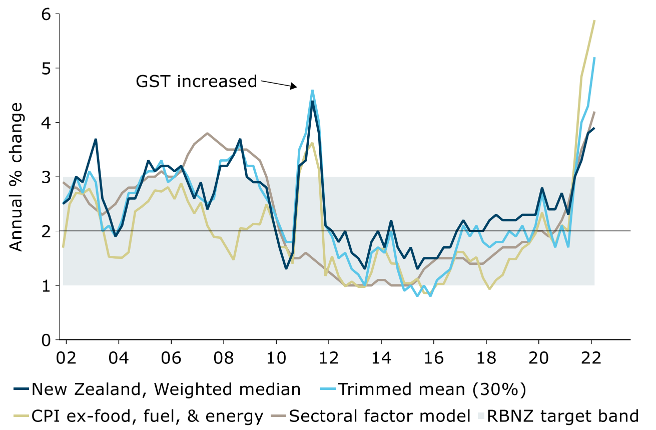
Rebalancing act

Overall, 2022 (which still has some post-lockdown bounce to deliver) should see growth come in close to trend (2.5% over the year to December). But 2023 (2.1%) and 2024 (1.7%) are expected to be softer.

Inflation will ease; it's just a question of how high rates need to go (and for how long)

High inflation was confirmed in the Q1 data (6.9% y/y). While there are some significant inflation pressures stemming from global developments, the ongoing intensification in domestic inflation pressures is the primary concern for the RBNZ. Non-tradables inflation (aka domestic inflation) lifted to 6.0%, up from 5.3% in Q4. This is the sticky kind of inflation that tends to hang around, and is difficult to tame. Core inflation measures are also on a tear and convincingly outside of the RBNZ 1-3% target band (figure 5).

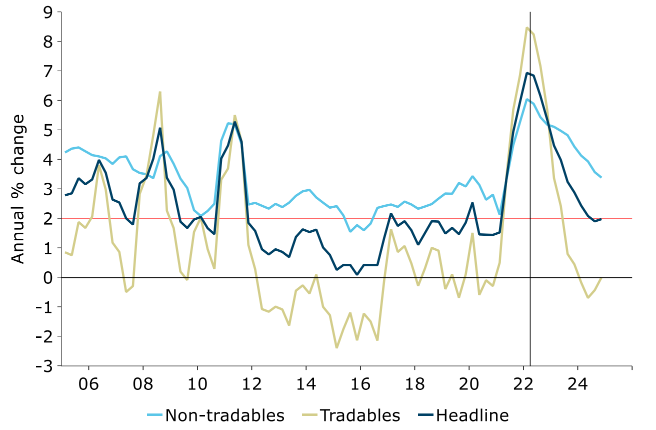
Figure 5. Measures of core inflation



Source: Stats NZ, RBNZ, Macrobond, ANZ Research

We expect OCR hikes, supported by the general monetary tightening underway globally, will successfully take the heat out of inflation in time (figure 6). Tradable inflation will slow alongside global developments (there's already evidence of weakening orders for Chinese manufactured goods, which should see shipping costs soon start to fall). But it'll take a loosening in the labour market and a housing slowdown to tackle non-tradable (domestic) inflation – that's a longer-term project.

Figure 6. Inflation forecast



Source: Stats NZ, Macrobond, ANZ Research

Having hiked 50 basis points in April, the RBNZ is now well and truly underway, with 125bp of hikes already under its belt, whereas some global central banks are only just getting started. We expect a second 50bp hike in May, taking the OCR to 2%. Based on the RBNZ's current thinking (something we really need to keep a very close eye on, as it could change), 2% is a bit of a magic number for the OCR. It's the RBNZ's most recently published (highly uncertain and time-varying) estimate of the neutral OCR – that's the OCR consistent with stable, close-to-target inflation over the medium term. The RBNZ's strategy currently appears to be to get to neutral quickly and then take it more gently from there, given the lags with which monetary policy operates. So any change in the estimate of at what interest rate the foot moves from the accelerator to the brake will have consequences for the likelihood of a third 50bp hike in July.

To really deliver a KO punch to inflation, we think the RBNZ will need to take the OCR into contractionary territory, ie above neutral (as it has already signalled it will do). Following May's 50bp hike we expect to see a series of back-to-back 25bp hikes taking the OCR to 3.5% by April 2023. In acknowledgement of the risk that the RBNZ might need to do more, we have extended our expectation for how long the OCR might need to stay at 3.5%. Previously, we had the OCR gradually "normalising" from early 2024, but we have pushed this out to the second half of 2024.

It's hard to overstate the uncertainty about where the OCR will peak and/or how long it might need to stay there. On the one hand, getting on top of 7% inflation with 'just' a 3.5% OCR would be quite the achievement, given the OCR typically peaks well above inflation. On the other hand, the RBNZ is hiking into the teeth of an already rapidly weakening housing market, and in that context, it'll be impressive if the wheels don't fall off before the OCR gets that far (by early next year).

It's a fine balance for the RBNZ as they weigh up the risk of oversteering (engineering a hard landing for housing, economic activity and inflation) against ensuring they prevent inflation pressures from spiralling out of control. At some point in the not-too-distant future, the OCR will be back at a level where these risks are a little more balanced, and monetary policy decisions will be harder to make. Right now, the inflation-spiral risk is dominating, and that speaks to another 50-pointer this month.

Markets are toying with another 50bp hike in July, and while we certainly can't rule that out (the RBNZ may conclude it should get it done while the going is good), we do think the signs will be clear that monetary tightening is getting some traction by then. The important things for which to keep an eye out before July are:

- Evidence that household and business inflation expectations have peaked and beginning to turn.
- Evidence that some of the global inflationary forces are no longer intensifying (eg a retreat in global shipping costs).
- Evidence that the degree of unmet labour demand is easing.
- Evidence that the housing market is slowing (the cost of building a house has been a key driver of domestic inflation).
- Evidence that higher rates are taking enough heat out of the domestic demand impulse to reduce capacity pressures.

All up, the rebalancing act that the RBNZ and other central banks are currently performing is riddled with risks and uncertainties. But the one thing we can be sure of is that they will be successful in taming inflation, it's just a question of how high (and for how long) rates need to go.

Markets outlook

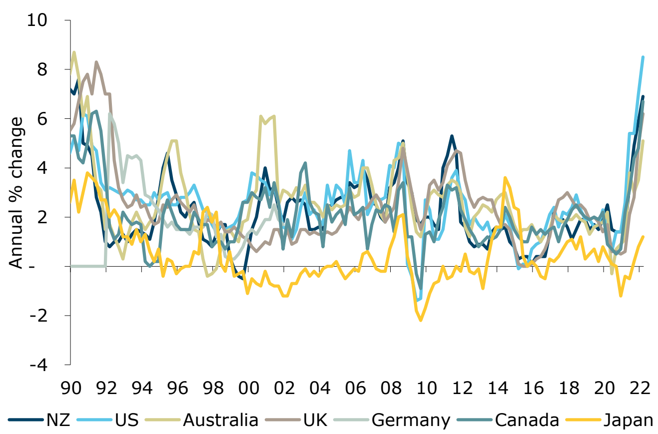
Summary

Policy rates across the major economies are rising again as central banks try to rein in a potential 1980s-style wage-price spiral. Although the RBNZ was an early starter this cycle, it too has found itself faced with the need to deliver larger hikes, with another 50bp hike expected in May. While stiff hikes are already priced into market expectations, liquidity is thin and angst is high, and with global rates also rising, the overshoot of local interest rates currently occurring is both understandable and likely to persist for at least another quarter or two. Our forecasts assume that we are near, but not quite at, the peak in key short-term rates like the 2-year. We expect long-term interest rates to keep rising too, but they are more influenced by the global cycle, which is lagging the local cycle, and that will keep them higher for longer. In FX markets, we expect the USD's star power to fade (as it has early in past cycles), but this dynamic is expected to be delayed this time around, suppressing the NZD. NZD/AUD has depreciated since last quarter, and it's expected to fall a little more by year end.

Global policy tightening underway with gusto

The most notable development since the last edition of our *Quarterly* has been the start of the tightening cycle across the "dollar-bloc" economies, with rate hikes now delivered by the US Federal Reserve ("the Fed"), the Bank of Canada, and most recently, by the Reserve Bank of Australia ("the RBA"). The state of play outside the dollar bloc is more mixed – the Bank of England has hiked four times, Europe has yet to tighten policy (but is signalling that it will), and the Bank of Japan has doubled down on easy policy.

Figure 1. Annual CPI across the major developed economies



Source: Bloomberg, ANZ Research

With inflation running at highs not seen in three decades in many countries (Figure 1), time is of the essence, and that has prompted a number of central banks, including the RBNZ, to deliver 50bp hikes, something that hasn't been seen since 2000. While large, we believe aggressive moves are justified as central banks look to head off the risk of a sustained lift in inflation expectations and a potential 1980s style wage-price spiral. Just a few months ago, this risk was probably a lot lower down the list for many forecasters, but given the tightness of many labour markets around the world, it certainly can't be discounted now.

50bp OCR hike delivered; another to come

Of the major central banks, the RBNZ has been the most aggressive, having both started earlier (in October) and having delivered an outsized 50bp hike. This has bought the RBNZ credibility, but the war on inflation is not won yet, and we expect another 50bp hike this month. From there, the OCR will be at or at least significantly closer to neutral (ie at a level regarded to be neither stimulatory or contractionary), and assuming no more upward inflation surprises we expect the RBNZ to revert to hiking in 25bp steps, eventually taking the OCR to 3½% by April 2023.

Many commentators are now talking about the risks of a recession (here and in other countries) given policy rates are rising, and markets are pricing in (ie expecting) more hikes to come. This is a valid concern, as it is clear locally that the impact of the hikes has already reverberated through the housing market via higher mortgage rates – adding an extra layer of concern over and above fears about the cost of living and sustainability of asset prices (via KiwiSaver balances and the like). However, it is imperative that the RBNZ gets on top of inflation quickly. Going hard early should, in theory, lessen the need to hike by more in total, and that has been a key RBNZ message.

Raising rates aggressively while consumer confidence is around record lows and housing retreating might seem counterintuitive, but the policy choice is between some pain now, or probably more pain later. Indeed, not hiking aggressively now would itself be risky. If bond market participants sense that central banks are going soft on containing inflation, long-term interest rates are likely to rise even more sharply over time as investors seek inflation compensation. This is what happened in the 1980s and it is crucial that this is avoided this time around so as to avoid a deep and prolonged period of stagnation.

If bond markets remain confident that inflation will be tamed, we are likely to see interest rates fall in time as inflation itself falls. This is the proverbial light at the end of the tunnel, and it needs to remain visible. Our forecasts assume that the RBNZ will get on top of inflation, and that will see the OCR eventually come down slightly in late 2024.

A nuanced outlook for local interest rates

However, given our expectation of a string of OCR hikes over the remainder of 2022 and into 2023, we expect short-term interest rates to continue to rise over the near term. But this will occur in a very nuanced way. As the first figure in our Summary of Forecasts shows, markets already expect stiff hikes over coming quarters, with Overnight Indexed Swap markets pricing in an OCR of around 4½% by the end of 2023. Given that is a full percent higher than where we expect the OCR to peak, it is tempting to suggest that key rates like 2 and 3-year swap rates and bond yields (that are based on those expectations, which are too high) can thus fall. That is likely in time, but as past cycles have shown, markets tend to trade on the "cheap" side of fair value early on in the cycle. In addition, liquidity has been thin all the way up, with swap "receivers" and bond buyers notably absent amidst global turmoil. In light of this, we expect 2-year interest rates to remain elevated until nearer the end of the year, by which time we expect them to moderate as both the peak in the OCR nears, and we get confirmation that inflation has been tamed.

Very short-term interest rates like the 90-day bill are expected to continue to rise slowly (their short tenure limits how forward-looking they can be), ultimately peaking slightly above the peak OCR.

Long-end interest rates remain under pressure thanks mainly to global factors. Having gone hard early, with 175bp of hikes expected to have been delivered by the end of May (vs just 75bps of hikes by the Fed) we do expect New Zealand 10-year bond yields to outperform their US counterparts (ie yields rise by less) over coming quarters, but this expected spread compression is unlikely to be sufficient to contain what is expected to be a significant rise in US bond yields. While Fed chair Powell has hinted at a series of 50bp hikes until the Fed's policy rate reaches neutral (considered to be around 2%), markets remain fearful that even that won't be enough to contain inflation, and that is putting upside pressure on the bellwether US 10-year bond yield.

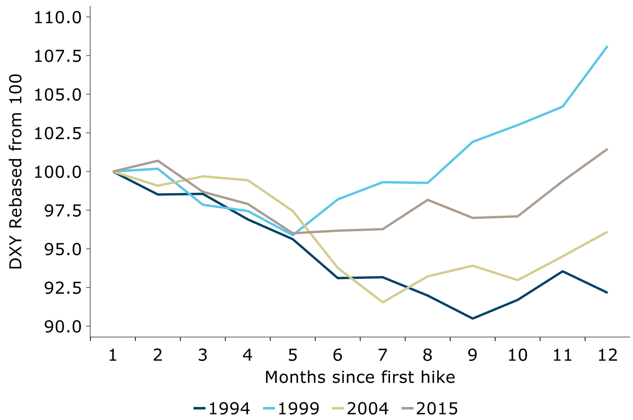
The Fed has also stated that quantitative tightening (QT) will begin in June, with the pace of QT set at $47.5bn for the first three months and $95bn per month thereafter. While that doesn't quite match the pace at which QE proceeded ($120bn per month), it is nonetheless a sharp turnaround, and it will follow a pause of just two months (April and May). That contrasts with the New Zealand experience of an elongated taper and a 12-month hiatus where neither QE or QT took place. And as we signalled in our last *Quarterly*, the Fed's lurch to QT is expected to have an upward impact on US bond yields. Indeed, we expect the US 10-Treasury bond yield to rise to around 3¾% by September.

A different USD cycle this time around

In the FX space, we have downgraded our NZD/USD forecasts, acknowledging that special factors are likely to keep the USD elevated for longer than usual as the current tightening cycle gets underway.

As figure 2 shows, the USD has tended to peak early as past Fed tightening cycles have gotten underway. This has generally reflected the tendency for bond markets to be at or near their most bearish on the eve of the first hike, and the tendency for the Fed to lead the global cycle, which thus implies catching up elsewhere, with flow-on impacts felt in FX markets.

Figure 7. USD performance over past Fed tightening cycles



Source: Bloomberg, Macrobond, ANZ Research

2022 has bucked that trend, with the USD DXY index (a measure of the USD against a basket of currencies) now up around 5% since the Fed's first hike. We believe the main drivers of this are (1) EUR sensitivity to the crisis in Ukraine and the impact sanctions are having on European growth and inflation prospects, (2) the Bank of Japan's decision to double down on easy policy, which has hit the yen hard, and (3) safe-haven demand for the USD amidst global financial market turmoil.

We still expect strength into the end of the year as the USD eventually fades, but in recognition of these factors, we have lowered our NZD profile slightly. We do expect the NZD to soften over 2023 as the OCR reaches a peak, but that softening is expected to be very gradual.

Markets outlook

Table 1: Forecasts (end of quarter)

FX Rates	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
NZD/USD	0.67	0.67	0.69	0.68	0.68	0.67	0.67
NZD/AUD	0.91	0.88	0.88	0.88	0.88	0.88	0.88
NZD/EUR	0.61	0.61	0.62	0.60	0.60	0.58	0.58
NZD/JPY	90.5	90.5	89.7	86.4	85.0	81.7	80.4
NZD/GBP	0.52	0.52	0.52	0.51	0.50	0.50	0.49
NZD/CNY	4.39	4.36	4.42	4.32	4.28	4.19	4.17
NZ$ TWI	73.4	72.8	73.7	72.3	71.9	70.6	70.4
Interest Rates	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
NZ OCR	2.00	2.50	3.00	3.25	3.50	3.50	3.50
NZ 90 day bill	2.52	3.02	3.27	3.60	3.60	3.60	3.60
NZ 2-yr swap	4.10	4.10	4.00	3.85	3.75	3.54	3.33
NZ 10-yr bond	4.00	4.25	4.25	4.10	4.10	3.85	3.85

Source: Bloomberg, ANZ Research

Key forecasts

Calendar Years	2018	2019	2020	2021	2022(f)	2023(f)	2024(f)
NZ Economy (annual average % change)							
Real GDP (production)	3.4	2.9	-2.1	5.6	2.5	2.1	1.7
Private Consumption	4.6	3.2	-1.2	6.6	2.9	1.1	1.8
Public Consumption	3.3	5.1	6.8	10.4	7.1	1.0	0.8
Residential investment	-1.6	5.4	-3.3	11.0	3.9	-0.7	0.2
Other investment	9.7	4.1	-8.2	9.2	3.5	1.9	0.2
Stockbuilding[1]	0.3	-0.5	-0.8	1.6	-0.9	0.0	0.0
Gross National Expenditure	5.2	3.2	-1.9	9.6	3.3	1.4	1.3
Total Exports	3.2	2.4	-12.9	-2.5	4.6	9.6	5.5
Total Imports	6.4	2.1	-15.9	15.4	8.7	2.5	1.5
Employment (annual %)	2.2	1.2	0.6	3.5	1.3	1.3	0.9
Unemployment Rate (sa; Dec qtr)	4.4	4.1	4.9	3.2	2.9	3.4	3.9
Labour Cost Index (annual %)	2.0	2.4	1.5	2.8	3.8	3.4	2.8
Terms of trade (OTI basis; annual %)	-4.8	7.1	-1.6	2.6	-2.0	5.1	2.6
Prices (annual % change)							
CPI Inflation	1.9	1.9	1.4	5.9	5.3	2.9	2.0
Non-tradable Inflation	2.7	3.1	2.8	5.3	5.2	4.4	3.4
Tradable Inflation	0.9	0.1	-0.3	6.9	5.7	0.4	0.0
REINZ House Price Index	3.1	5.1	15.5	26.2	-10.0	1.8	3.7
NZ Financial Markets (end of December quarter)							
NZD/USD	0.67	0.67	0.72	0.68	0.69	0.67	--
NZD/AUD	0.95	0.96	0.94	0.94	0.88	0.88	--
NZD/EUR	0.59	0.60	0.59	0.60	0.62	0.58	--
NZD/JPY	73.8	73.1	74.6	78.6	89.7	80.4	--
NZD/GBP	0.53	0.51	0.53	0.51	0.52	0.49	--
NZD/CNY	4.62	4.69	4.74	4.35	4.42	4.17	--
NZ$ TWI	73.4	73.7	75.2	73.2	73.7	70.4	--
Official Cash Rate	1.75	1.00	0.25	0.75	3.00	3.50	3.00
90-day bank bill rate	1.97	1.29	0.27	0.97	3.27	3.60	3.10
2-year swap rate	1.97	1.26	0.28	2.17	4.00	3.33	3.10
10-year government bond rate	2.37	1.65	0.99	2.39	4.25	3.85	3.60

[1] Percentage point contribution to growth

Forecasts finalised 10 May 2022

Source: Statistics NZ, REINZ, Bloomberg, Treasury, ANZ Research

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