

# Markets Outlook

9 February 2026

## RB NZ Monetary Policy Preview

- We expect the RBNZ to drop its near-term easing bias
- A cautious approach will be taken
- To keep financial markets anchored
- But we still expect a modestly higher interest rate track
- As historic growth and inflation both surprise

There is now little doubt in our minds that the economic recovery is gaining momentum. Equally we recognise that there are still major headwinds for the recovery to contend with, meaning that the pace of expansion is likely to be constrained. But even with only modest growth, there are worrying signs that inflation is not as dead as one might expect it to be begging the question as to how low New Zealand's potential growth rate might be. This will be the overarching conundrum the RBNZ faces into as it puts together its February 18 Monetary Policy Statement.

In summary we think the RBNZ will reach the following conclusions:

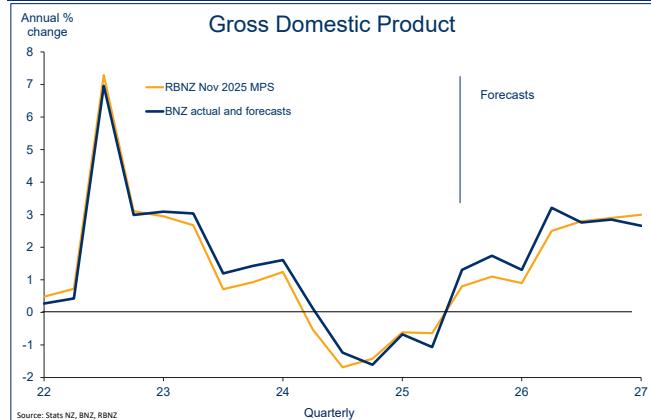
- Growth is stronger than anticipated but private consumption is weaker.
- There will be question marks over potential growth but it will be too early to conclude potential is much weaker than previously thought.
- But the starting point for inflation is higher risking a rise in inflation expectations.
- The economy's evolution is such that the RBNZ can confidently remove the last vestiges of any prospective easing from its rate track.
- Indeed, it will want to strengthen the case for less stimulatory monetary policy while being mindful that it will not want financial markets to price any more tightening than is already the case.
- This is likely to result in an on-hold interest rate decision on the day and a rate track that is only modestly more aggressive than in its November MPS.

The market reaction to all this is difficult to gauge but we think the risk is more heavily weighted to a modest rally in fixed interest markets as the Bank will be pushing back fairly aggressively on any further sell off. On balance this, consequentially, may imply some modest downside threat to the NZD.

Notwithstanding the inherent volatility in the data, growth appears to be unequivocally stronger than the RBNZ had

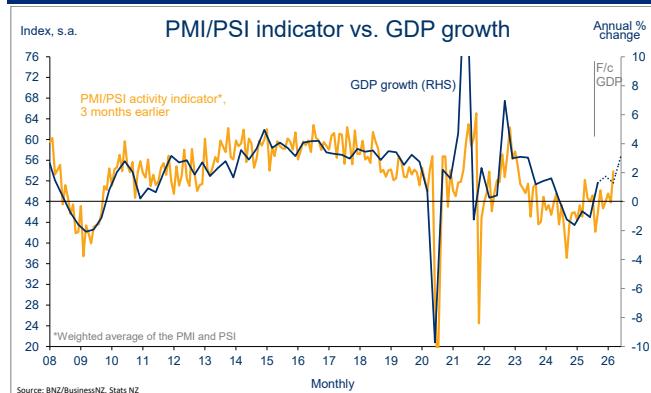
anticipated. The Bank was forecasting just 0.4% for the September quarter 2025 but the actual outcome was 1.1%. No one believes this number is a sign of things to come with an outturn of around half this expected for the December quarter. But the good news is that both coincident and leading indicators suggest that modest momentum can be sustained.

### Growth stronger than anticipated



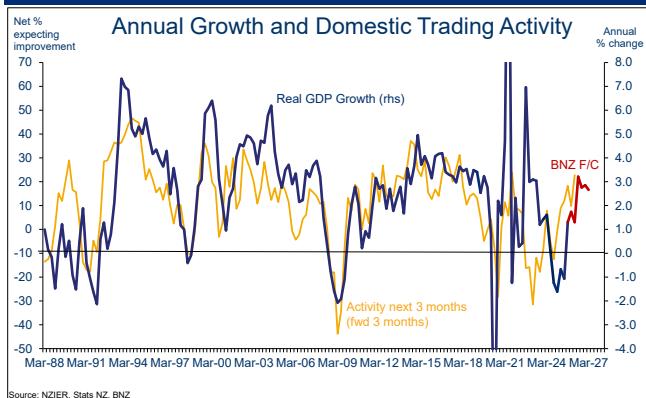
BNZ-Business NZ's combined PMI and PSI activity reading rose to 53.9 in December. This was its highest reading since February 2023 and it's displaying a firm upward trend.

### PMI and PSI solid



NZIER's QSBO activity expectations index rose to its highest level since December 2017, apart from a one quarter blip in June 2021. With a net 23% of businesses optimistic about the future this is consistent with annual GDP growth climbing to over 3.0%.

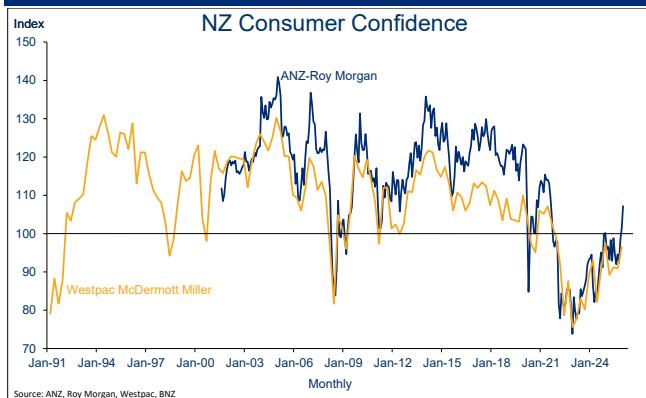
## Business optimism jumps



Importantly, the key profit expectations series revealed its strongest reading since March 2018 with profit expectations now above average. There were also large jumps in both investment and hiring intentions.

Even previously morbid consumers see some light at the end of the tunnel with consumer confidence indicators rising sharply.

## Consumer confidence resurrecting



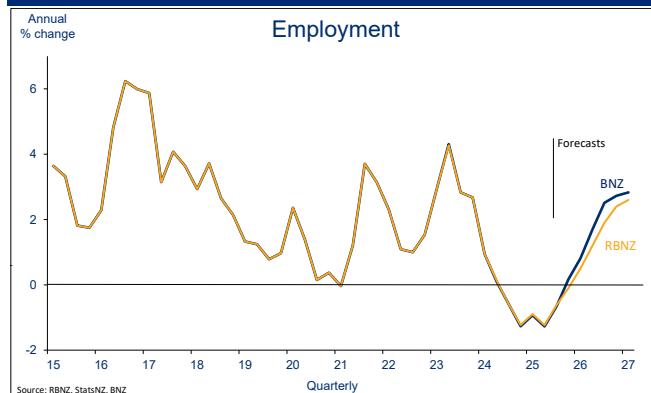
We had been concerned that the support for the economy from the agriculture sector might run out this year especially as dairy prices appeared to be going into freefall but there has been a solid bounce in recent GDT auction prices suggesting this year's payout is still on track to be \$9.00+. Meanwhile meat prices are going from strength to strength and horticulture seems to be faring well.

There's been a bit of talk about weakness in consumer spending over Christmas in light of December's drop in Electronic Card Spending but we think the jump in November and fall in December simply reflect a change in seasonal patterns. It was also heartening to see Worldline announce that its data revealed a 0.6% y/y increase in January spending despite a big negative impact from the storms across the upper North Island.

There is also concern that consumer spending cannot recover unless house prices start rising again. There is no doubt changes in wealth play a big part in driving consumer spending but with residential listings so high even the rise in turnover that we are seeing is unlikely to see a marked priced response.

If household real disposable incomes pick up via rising employment and, eventually, wages then spending will rise even if house prices don't. With that in mind it was notable that employment increased 0.5% in the December quarter. This was the largest increase since June 2023 and well above the RBNZ's 0.2% pick. Sure, the unemployment rate, at 5.4%, was also higher than the Bank's 5.3% pick but this was because the participation rate rose more sharply than expected.

## Labour market on the mend

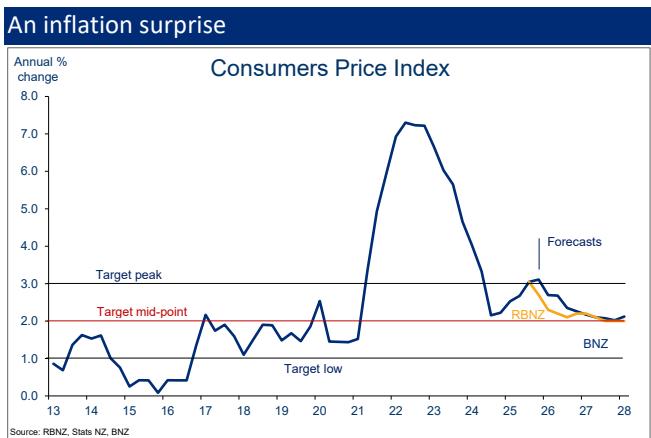


And don't forget that monetary policy works with long lags. There's a lot more stimulus to growth and employment yet to be felt from past easing. Easing which continues, on average, despite recent increases in mortgage interest rates.

Of course, this growth stuff is all very interesting but it's inflation that is the focus of the central bank. We wrote a comprehensive piece on the fact that inflation is worryingly high following the release of the Q4 CPI.

To summarise:

- The December quarter outturn of 0.6% q/q was well above the RBNZ's 0.2% expectation.
- It was the second quarter in a row that quarterly CPI inflation has surprised the RBNZ to the upside.
- An annual inflation rate with a "3" in front of it is likely to push inflation expectations higher.
- Importantly, business surveys already showed pricing intentions and inflation expectations rising before the top of the RBNZ target band was breached.
- In the November MPS "The committee noted that both core and non-tradables inflation have continued to decline". This wasn't the case in the December quarter.
- Seasonally adjusted inflation has been around the 3.0% annualised mark for five consecutive quarters now.
- Inflation has been trending higher with no economic growth.
- The proportion of goods and services increasing in price is rising.
- Businesses are starting to report increased difficulty in finding skilled staff.



According to the Bank's November MPS annual potential output growth is just 1.5% rising to 2.4% in the year to March 2028. The output gap was forecast to close by early 2028. All other things being equal that closure should now be around the second half of 2027 faster given the growth surprise that has been delivered

The Bank's view of where potential growth is, will be key to how it views the inflation outlook. The fact that inflation has not settled near 2.0% during a nasty recession suggests potential might be lower than expected. Additionally, the Bank has assumed that labour force supply will be bolstered by rising migration but there is no sign of this.

On the flip side, investment activity appears to be stronger than the Bank anticipated meaning that the country's capital stock may be rising more quickly than expected.

On balance, we do think the Reserve Bank will be able to get on top of inflation and we are forecasting annual CPI growth to move back to the mid-point of the target band. Moreover, the Bank's Monetary Policy Committee will be cheered by the fact that the exchange rate is much stronger than assumed. At TWI 68.4 it's 3.6% up on the Bank's November assumption. This could knock as much as 0.4% off annual CPI forecasts, all else equal.

Nonetheless, taking everything into consideration, we still believe the Bank needs to reduce the extent of the current stimulus provided a little earlier than previously forecast.

We believe the RBNZ will raise rates in September 2026 but, given current uncertainty, we do not predict it to express that intent at the upcoming meeting. We do expect it to acknowledge the pick up in growth and higher starting point for inflation but to still express confidence that inflation will come back to the mid-point of the target band but it is still expected to push back on market pricing which has a 25 points hike priced by October. Specifically, we expect the possibility of an easing to be removed from the Bank's published interest rate track such that the low remains at 2.25% through to the December quarter. From there on in we would expect the track to be around 10 basis points higher than previously published.

All this musing is all well and good but the upcoming statement will be the first opportunity for the new Governor to show her true colours. We should all be a lot

wiser about her monetary policy thoughts, and those of a monetary policy committee no longer influenced by Adrian Orr or Christian Hawkesby, once the February MPS is published. Given this, the potential for commentator thought recalibration is probably larger than usual. Over time, given Anna Breman's background, we would expect to see conservative, consistency benchmarked to whatever is delivered next week.

Note Governor Dr Breman is scheduled to speak at a business event on Friday 20 February, with remarks to be published on the RBNZ website at 1.20pm that day.

Between now and the release of the MPS the key data to be released will probably arrive too late to significantly influence the Committee's thinking. The BNZ-Business New Zealand Performance of Manufacturing Index comes out on Friday and on Monday February 16 the Performance of Services Index is delivered. We will be looking closely for confirmation that the upward trend in the combined PCI Index continues.

The other "biggie" will be January's Selected Price Indexes on February 17. We will be seeking supporting evidence for our Q1 CPI inflation pick of 0.5% q/q. If we are right the breach of the 3.0% target range will be short lived with annual inflation falling to 2.7%. This would be great news for keeping a cap on inflation expectations and supporting the RBNZ's view that all is under control but the annual reading would still be 0.4% up on the Bank's November forecast of 2.3% for the year ended March.

Other partials to keep an eye out for include:

- Wednesday's concrete production for Q4. A decent increase for the quarter is required to be consistent with our view that the construction sector has turned the corner.
- Thursday's Crown Financial Statements for the 6-months to December will be lined up against HYEFU baselines. They will also be assessed against November's run rate that saw the operating deficit (OBEGALx) tracking \$1.1b narrower than Treasury forecasts.
- Friday sees migration and travel data for the month of December. Anecdotal evidence suggests tourism numbers will continue to improve in line with the ongoing expansion in airline capacity. While tourism arrivals should continue to rise, we are less optimistic about net migration. We will be scouring the entrails of the migration data in the vain hope that there is a return to more "normal" net inflows.
- Friday also sees the RBNZ's Q1 Survey of Expectations released. We will be looking to see if inflation expectations edge higher following headline and some core measures of inflation in the quarter or manage to shrug off those influences.
- January electronic cards transactions data will be released Monday February 16. Recently published Worldline data suggests consumer spending rose 0.6% after December's wobble. We will be looking for further signs of this.

stephen\_toplis@bnz.co.nz

# Global Watch

- US core CPI seen at 0.3% m/m
- Delayed US payrolls expected around 70k
- Many Fed, ECB and RBA speakers on the circuit

In the US, non-farm payrolls, originally due Friday 6th, will now be released on Wednesday, with expectations for around a 70k jobs gain and the unemployment rate to hold at 4.4%. CPI has been pushed from Wednesday to Friday with the consensus looking for 0.3% core CPI. Also during the week are retail sales and the employment cost index.

Across Asia, labour cash earnings and the trade balance for Japan are released on Monday, followed by PPI on Thursday. China's data flow includes PPI and CPI on Wednesday and new home prices on Friday.

It's a light data and event risk week for the EZ and UK. The UK releases preliminary Q4 GDP on Thursday, expected to improve to 0.2% q/q. December monthly GDP is likely to ease back from November's 0.3% m/m. Europe releases the second Q4 GDP estimate, expected at 0.3% q/q.

In Australia, this week provides an update on both the consumer and businesses. December household spending data are released on Monday, with our colleagues at NAB expecting some payback following the strong gains of the previous two months. NAB's business survey is released on Tuesday, before lending indicators on Wednesday. RBA Assistant Governor Hunter speaks Thursday on full employment and the labour market, while RBA Deputy Governor Hauser appears in a fireside chat Wednesday.

## Key Event Previews

### Monday

#### AU Household Spending (Dec)

Following two months of strong consumer spending gains (1.4% in October and 1% in November) some payback in December would be unsurprising and is flagged by the NAB Consumer Spend Trend. NAB pencil in a flat monthly outcome. Q4 volumes data are released at the same time and is likely to show a q/q gain above 1%.

#### Household Spending Indicator



Source: National Australia Bank, Australian Bureau of Statistics, Macrobond

While a soft December monthly print is possible, coming after recent strength and amid still unsettled seasonal sales patterns it will be difficult to read a clear signal on consumer momentum.

### Wednesday

#### US Non-farm Payrolls (Jan)

Nonfarm payrolls were delayed by the brief, partial government shutdown. The consensus is for the unemployment rate to remain at 4.4%, and a ~70k payroll gain. That would do nothing to challenge the FOMC's assessment that "*the unemployment rate has shown some signs of stabilization*". Farm payrolls were delayed by the brief, partial government shutdown. The consensus is for the unemployment rate to remain at 4.4%, and a ~70k payroll gain. That would do nothing to challenge the FOMC's assessment that "

January's release will also incorporate annual benchmark revisions to payrolls. In addition, the birth-death model will be refreshed to incorporate the latest sample information each month, which will drive revisions. Some analysts are expecting lower initial estimates, but smaller downward revisions going forward as a result.

Usual annual population control adjustments to the household survey this year are delayed to the February release in March.

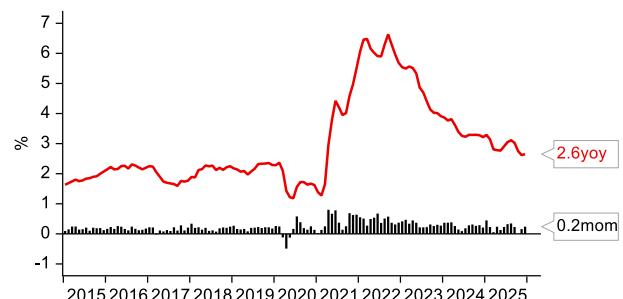
### Friday

#### US CPI (Jan)

January CPI, originally due Wednesday, is now scheduled for Friday. Consensus points to a 0.3% m/m rise in both headline CPI and core CPI, enough to see year ended rates slow to 2.5%.

This would reinforce the view that disinflation is progressing gradually. However, shelter inflation continues to put upward pressure on core. Shelter rose 0.4% in December and was the largest contributor to the monthly increase, and its typically sticky behaviour may slow the pace at which inflation eases.

#### US Core CPI\*



Source: National Australia Bank, U.S. Bureau of Labor Statistics (BLS), Macrobond

Notes: \*All items less food and energy.

[matt\\_brunt@bnz.co.nz](mailto:matt_brunt@bnz.co.nz)

# Fixed Interest Market

NZ swap rates retraced from six-month highs after the Q4 labour market report. Although employment expanded, the rates market focused on the unexpected increase in the unemployment rate to 5.4%, a ten year high. The rise was due to a higher participation rate, but it still underscores the level of unused capacity in the economy. Short-term rates have likely found the top of the range as the market looks ahead to the 18 February Monetary Policy Statement (MPS) with the tightening cycle already looking fully priced.

The move higher in NZ rates since the November MPS has tightened monetary conditions. The pivot by the central bank has pushed fixed mortgage rates higher and contributed to a near 4% increase in the NZ dollar trade weighted index. Mortgage rate increases have been concentrated at longer tenors while households have favoured fixed periods of less than one-year until the end of November. However, longer fixing periods have increased in popularity after the MPS and should show up in December data released this week.

## Range top likely in place for 2-year rates ahead of MPS

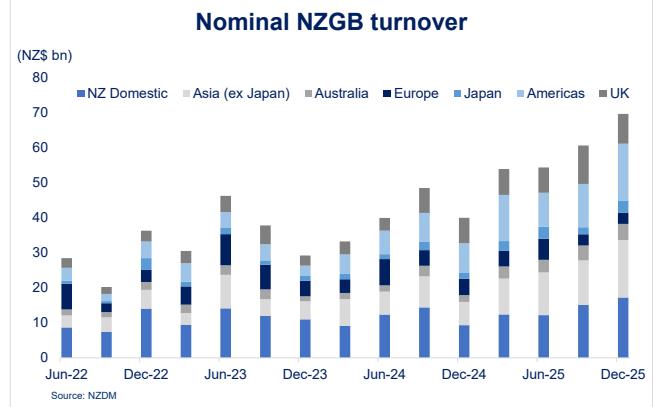


Beyond the tightening in financial conditions via the cash-flow channel, the RBNZ has emphasised the role of the intertemporal substitution channel in its modelling. In an October speech, Adam Richardson highlighted how changes in interest rates can meaningfully influence saving, investment, hiring, and household borrowing decisions. With the market already pricing around 40bp of tightening this year and a cumulative 150bp by the end of next year, the economic pickup is well discounted.

We think NZ fixed income can perform well in the near term, with the prospect for modest capital returns, alongside the carry and rolldown from the very steep swap and government curves. 10-year government bonds have retraced from above 4.60% corresponding with the December yield highs. We think the bonds in the belly of the curve are attractive. It is the steepest part of the curve and less impacted by global factors.

Reuters: BNZL, BNZM Bloomberg: BNZ

## Secondary market NZGB turnover continues to increase



NZ Debt Management (NZDM) have released secondary market turnover data for the December quarter. Quarterly trading volumes have tripled from around NZ\$28 billion in late 2019 to about NZ\$100 billion by late 2025. The chart above strips out trades involving the RBNZ and the interbank market to focus on pure investor turnover. The growth has seen an increase in offshore investors joining the market, particularly after New Zealand Government Bonds were added to the FTSE World Government Bond Index in November 2022.

The increased volume of NZGBs on issue mechanically raises turnover capacity and NZDM's issuance strategy of increasing benchmark bond line sizes has been designed to foster liquidity. Around 75% of turnover takes place with offshore investors which broadly aligns with the structure of market holdings. This investor category is well diversified across central banks, real-money funds, fast-money traders and across regions. The largest increase in over the past year has been in Asia (ex-Japan) and in the Americas.

## Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	2.49	2.49 - 2.55
NZ 2yr swap (%)	3.10	2.89 - 3.17
NZ 5yr swap (%)	3.71	3.50 - 3.82
NZ 10yr swap (%)	4.20	4.02 - 4.31
2s10s swap curve (bps)	111	109 - 113
NZ 10yr swap-govt (bps)	-33	-39 - -33
NZ 10yr govt (%)	4.53	4.42 - 4.60
US 10yr govt (%)	4.21	4.13 - 4.31
NZ-US 10yr (bps)	33	23 - 38
NZ-AU 2yr swap (bps)	-117	-119 - -96
NZ-AU 10yr govt (bps)	-29	-32 - -18

\*Indicative range over last 4 weeks

stuart\_ritson@bnz.co.nz

# Foreign Exchange Market

Last week, the USD recovered, primarily against European currencies, the CAD, and the JPY. The NZD, however, held its ground, with NZD/USD remaining flat for the week at around 0.6020, despite some intra-week volatility. The AUD outperformed following a hawkish update from the RBA. The NZD fell by 0.8% against the AUD but was modestly stronger on most other crosses. Yen underperformance pushed NZD/JPY up 1½%, reaching a new eighteen-month high above 94.5.

Recently, currency markets have seen increased volatility. Despite this, commodity currencies such as the AUD, NZD, and NOK have outperformed, buoyed by a global reflationary narrative. Easier global monetary policy last year, coupled with ongoing easy fiscal policy, continues to support a positive global growth outlook. A broadly weaker USD in particular has benefited emerging markets, as a weaker USD effectively eases global liquidity conditions. This environment typically supports the NZD.

Following its strong performance so far this year, we expect the NZD to enter a consolidation phase over the next month or two, though our outlook for the year remains decidedly positive. We see short-term support between 0.5850 and the 200-day moving average of 0.5870, with short-term resistance at around 0.6120.

US economic data were mixed last week. The ISM manufacturing and services surveys indicated economic resilience, while labour market data were generally softer than anticipated.

NZ's labour market data also presented a mixed picture. Q4 saw the strongest quarterly employment growth in nearly three years, accompanied by a rise in labour force participation, which pushed the unemployment rate up slightly to 5.4%. This outcome relieved markets, reversing some of the recent increase in interest rates. However, lower NZ rates had little impact on the NZD, as broader global forces were at play. A dip in risk appetite initially pushed the NZD below 0.5930 on Waitangi Day, but a swift rebound in sentiment led to a strong recovery.

The RBA became the first major developed central bank to tighten policy in this cycle, raising its cash rate by 25bps to 3.85%. Before the meeting, many market participants were uncertain whether this was a one-off insurance hike or the beginning of a series. The updated projections indicated that a series of hikes would likely be necessary to bring inflation back to target, which pushed Australian rates and the AUD higher. An additional 1½ hikes are now priced in for this year.

Our expectation has been for near-term downward pressure on the NZD/AUD cross rate, tempered by the belief that

Reuters pg BNZWFWDs Bloomberg pg BNZ9

the RBNZ will join the RBA in a tightening cycle later this year. While we may not have seen the low in the cross rate for this cycle yet, we are likely approaching the end.

NZD/GBP was supported by a more dovish update from the BoE than anticipated. Expected BoE rate cuts this year—probably two—should support further gains in NZD/GBP. The ECB, as expected, remained on hold, but we anticipate NZD/EUR can drift higher this year as well.

Meanwhile, the high in NZD/JPY likely remains ahead. Prime Minister Takaichi secured a strong mandate in the weekend election to advance a fiscal stimulus programme amid very accommodative BoJ policy settings. These policies favour a weaker yen and a higher NZD/JPY cross rate.

Looking ahead, there are several key US economic releases, including the employment report, employment cost index, retail sales, and CPI. Numerous Fed speakers are also scheduled. In addition, UK Q4 GDP and a couple of RBA speakers may attract market interest. Domestically, keep an eye out for the manufacturing PMI and the RBNZ survey of expectations later in the week.

## We see the NZD in a consolidation phase after its rebound



## Cross Rates and Recent Ranges

	Current	Last wk % chg	Last 3-wks range*	
NZD/USD	0.6012	-0.1%	0.5820	- 0.6090
NZD/AUD	0.8570	-0.8%	0.8570	- 0.8690
NZD/CAD	0.8215	0.3%	0.8030	- 0.8270
NZD/GBP	0.4421	0.5%	0.4320	- 0.4430
NZD/EUR	0.5089	0.2%	0.4970	- 0.5130
NZD/JPY	94.69	1.5%	91.40	- 94.70

\*Indicative range over last 3 weeks, rounded

Jason.k.wong@bnz.co.nz

## Technicals

### NZD/USD

Outlook: Trading range  
 ST Resistance: 0.6100/20  
 ST Support: 0.5850/70

No change. We see short-term support between 0.5850 and the 200-day moving average of 0.5870, with short-term resistance at around 0.6120.



### NZD/AUD

Outlook: Downside risk  
 ST Resistance: 0.87 (ahead of 0.8950)  
 ST Support: 0.8550

No change, with support at 0.8550 and resistance at 0.87. Below 0.8550, there is no obvious support level.

jason.k.wong@bnz.co.nz



### NZ 5-year Swap Rate

Outlook: Neutral  
 ST Resistance: 3.87  
 ST Support: 2.92

5-year swap reversed back lower last week, closing 7bp lower. It does however remain near the top of the range.

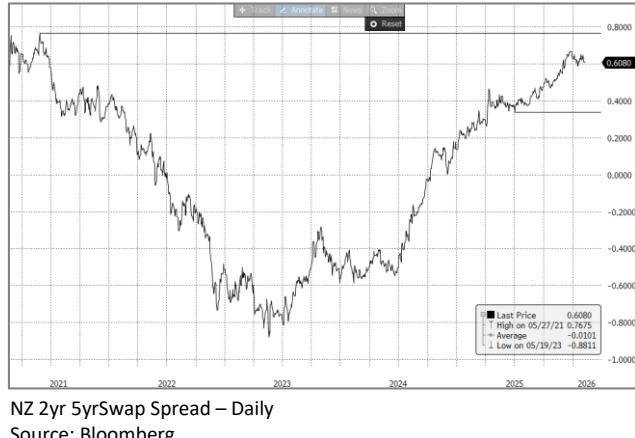


### NZ 2-year - 5-year Swap Spread (yield curve)

Outlook: Higher  
 ST Resistance: 0.76  
 ST Support: 0.26

2s5s spread saw a small flattening last week as the belly of the curve led yields lower.

matthew.herbert@bnz.co.nz



# Quarterly Forecasts

Forecasts as at 9 February 2026

## Key Economic Forecasts

Quarterly % change unless otherwise specified

	Jun-25	Sept-25	Dec-25	Mar-26	Jun-26	Sept-26	Dec-26	Mar-27	Jun-27	Sept-27	Forecasts
GDP (production s.a.)	-1.0	1.1	0.5	0.7	0.9	0.6	0.6	0.5	0.5	0.5	0.5
Retail trade (real s.a.)	0.7	1.9	0.4	1.0	0.9	0.8	0.7	0.7	0.7	0.7	0.7
Current account (ann, % GDP)	-3.7	-3.5	-3.5	-3.5	-3.5	-3.6	-3.5	-3.4	-3.3	-3.2	-3.2
CPI (q/q)	0.5	1.0	0.6	0.5	0.5	0.7	0.5	0.4	0.5	0.6	0.6
Employment	-0.2	0.0	0.5	0.5	0.7	0.8	0.7	0.6	0.5	0.5	0.5
Unemployment rate %	5.2	5.3	5.4	5.3	5.2	5.0	4.8	4.6	4.7	4.7	4.7
Pr. avg hourly earnings (ann %)	4.6	4.1	3.5	4.2	3.3	3.3	3.4	3.3	3.2	3.2	3.2
Trading partner GDP (ann %)	3.3	3.2	2.5	2.7	2.7	2.8	3.0	2.9	2.8	2.8	2.8
CPI (y/y)	2.7	3.0	3.1	2.7	2.7	2.4	2.3	2.2	2.1	2.1	2.1
GDP (production s.a., y/y)	-1.1	1.3	1.7	1.3	3.2	2.8	2.9	2.7	2.3	2.2	2.2

## Interest Rates

Historical data - qtr average

Forecast data - end quarter

	Cash	Government Stock				Swaps			US Rates		Spread
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	SOFR	US 10 yr	NZ-US	Ten year
		Bank Bills						3 month			
2025 Mar	3.92	3.84	3.99	4.58	3.47	3.71	4.15	4.30	4.45	0.13	
Jun	3.33	3.38	3.85	4.55	3.19	3.57	4.10	4.30	4.35	0.19	
Sep	3.08	3.09	3.67	4.42	2.99	3.40	3.95	4.20	4.25	0.17	
Dec	2.33	2.51	3.54	4.27	2.71	3.26	3.85	3.80	4.10	0.18	
Forecasts											
2026 Mar	2.25	2.40	3.85	4.60	2.90	3.60	4.20	3.65	4.25	0.35	
Jun	2.25	2.50	3.90	4.75	3.30	3.65	4.35	3.40	4.35	0.40	
Sep	2.50	2.75	4.15	4.90	3.60	3.90	4.50	3.15	4.50	0.40	
Dec	2.75	3.05	4.35	4.90	3.90	4.15	4.55	3.15	4.50	0.40	
2027 Mar	3.00	3.55	4.40	4.90	4.05	4.25	4.60	3.15	4.50	0.40	
Jun	3.50	4.00	4.40	4.90	4.10	4.30	4.65	3.15	4.50	0.40	
Sep	4.00	4.15	4.35	4.90	4.10	4.30	4.70	3.15	4.50	0.40	
Dec	4.00	4.15	4.35	4.90	4.10	4.35	4.75	3.15	4.50	0.40	

## Exchange Rates (End Period)

### USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.60	0.70	1.18	1.36	157
Forecasts					
Mar-26	0.60	0.70	1.20	1.37	154
Jun-26	0.62	0.72	1.22	1.38	152
Sept-26	0.63	0.73	1.22	1.38	150
Dec-26	0.63	0.73	1.23	1.38	148
Mar-27	0.63	0.72	1.22	1.36	146
Jun-27	0.63	0.71	1.22	1.35	145
Sept-27	0.63	0.71	1.21	1.34	143
Dec-27	0.62	0.70	1.19	1.34	142

### NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.60	0.86	0.51	0.44	94.7	68.4
Forecasts						
Mar-26	0.60	0.86	0.50	0.44	92.4	67.8
Jun-26	0.62	0.86	0.51	0.45	94.2	69.4
Sept-26	0.63	0.86	0.52	0.46	94.5	70.0
Dec-26	0.63	0.87	0.52	0.46	93.8	70.1
Mar-27	0.63	0.88	0.52	0.46	92.0	69.9
Jun-27	0.63	0.89	0.52	0.47	91.4	70.4
Sept-27	0.63	0.89	0.52	0.47	90.1	70.5
Dec-27	0.62	0.89	0.52	0.46	88.0	69.8

### TWI Weights

16.2% 17.8% 9.2% 4.0% 4.7%

Source for all tables: Stats NZ, Bloomberg, Reuters, RBNZ, BNZ

# Annual Forecasts

Forecasts as at 9 February 2026	March Years				December Years				
	Actuals		Forecasts		Actuals		Forecasts		
	2024	2025	2026	2027	2023	2024	2025	2026	
<b>GDP - annual average % change</b>									
Private Consumption	1.1	0.0	1.7	2.3	1.1	-0.2	1.6	2.0	2.3
Government Consumption	1.1	-1.3	2.3	0.2	0.1	-0.9	1.9	0.7	-0.4
Total Investment	-1.1	-5.0	2.5	6.6	-0.3	-4.9	0.3	6.6	4.3
Stocks - ppts cont'n to growth	-1.4	0.4	0.2	0.4	-1.2	0.4	-0.2	0.6	0.0
GNE	-0.9	-1.1	2.3	3.3	-0.7	-1.1	1.2	3.5	2.3
Exports	8.6	3.4	3.2	5.1	11.5	4.7	2.9	5.3	3.8
Imports	-1.4	1.5	5.3	5.4	-0.7	1.7	3.6	6.1	3.4
Real Expenditure GDP	1.5	-0.7	1.3	3.1	2.1	-0.3	0.8	2.9	2.3
<b>GDP (production)</b>	<b>1.8</b>	<b>-0.9</b>	<b>0.8</b>	<b>2.9</b>	<b>2.2</b>	<b>-0.3</b>	<b>0.3</b>	<b>2.5</b>	<b>2.3</b>
<b>GDP - annual % change (q/q)</b>	<b>1.6</b>	<b>-0.7</b>	<b>1.3</b>	<b>2.7</b>	<b>1.4</b>	<b>-1.6</b>	<b>1.7</b>	<b>2.9</b>	<b>2.2</b>
Output Gap (ann avg, % dev)	1.2	-0.7	-1.3	-0.2	1.3	-0.2	-1.2	-0.4	0.1
Nominal Expenditure GDP - \$bn	417	431	449	472	413	427	445	466	489
<b>Prices and Employment -annual % change</b>									
CPI	4.0	2.5	2.7	2.2	4.7	2.2	3.1	2.3	2.0
Employment	0.9	-0.9	0.8	2.8	2.7	-1.3	0.2	2.7	2.0
Unemployment Rate %	4.4	5.1	5.3	4.6	4.0	5.1	5.4	4.8	4.7
Wages - ave. hr. ord. time earnings (private sector)	4.8	3.8	4.2	3.3	6.6	4.0	3.5	3.4	3.2
Productivity (ann av %)	-0.6	0.1	1.2	0.4	-0.8	0.1	1.2	0.6	-0.1
Unit Labour Costs (ann av %)	6.6	4.4	2.7	3.2	7.1	4.7	2.8	3.1	3.3
House Prices (stratified, mth)	2.8	-0.6	-0.7	2.9	0.7	-0.8	-0.3	2.1	3.9
<b>External Balance</b>									
Current Account - \$bn	-23.8	-18.3	-15.8	-16.0	-25.8	-20.0	-15.5	-16.3	-15.1
Current Account - % of GDP	-5.7	-4.2	-3.5	-3.4	-6.3	-4.7	-3.5	-3.5	-3.1
<b>Government Accounts - June Yr, % of GDP</b>									
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-2.1	-2.1	-3.0	-2.2					
Net Core Crown Debt (ex NZS) (Treasury forecasts)	41.8	41.8	43.3	46.0					
Bond Programme - \$bn (Treasury forecasts)	39.3	42.6	35.0	34.0					
Bond Programme - % of GDP	9.4	9.9	7.8	7.2					
<b>Financial Variables <sup>(1)</sup></b>									
NZD/USD	0.61	0.57	0.60	0.63	0.62	0.57	0.58	0.63	0.62
USD/JPY	150	149	154	146	144	154	156	148	142
EUR/USD	1.09	1.08	1.20	1.22	1.09	1.05	1.17	1.23	1.19
NZD/AUD	0.93	0.91	0.86	0.88	0.93	0.91	0.87	0.87	0.89
NZD/GBP	0.48	0.44	0.44	0.46	0.49	0.45	0.43	0.46	0.46
NZD/EUR	0.56	0.53	0.50	0.52	0.57	0.55	0.49	0.52	0.52
NZD/YEN	91.1	85.4	92.4	92.0	89.5	88.4	90.3	93.8	88.0
TWI	71.2	67.9	67.8	69.9	72.0	68.5	66.8	70.1	69.8
Overnight Cash Rate (end qtr)	5.50	3.75	2.25	3.00	5.50	4.25	2.25	2.75	4.00
90-day Bank Bill Rate	5.64	3.60	2.40	3.55	5.63	4.26	2.49	3.05	4.15
5-year Govt Bond	4.60	4.00	3.85	4.40	4.50	3.90	3.90	4.35	4.35
10-year Govt Bond	4.60	4.50	4.60	4.90	4.65	4.45	4.50	4.90	4.90
2-year Swap	4.91	3.35	2.90	4.05	4.93	3.53	2.98	3.90	4.10
5-year Swap	4.40	3.65	3.60	4.25	4.43	3.63	3.61	4.15	4.35
US 10-year Bonds	4.20	4.25	4.25	4.50	4.00	4.40	4.15	4.50	4.50
NZ-US 10-year Spread	0.40	0.25	0.35	0.40	0.65	0.05	0.35	0.40	0.40

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

Source: Statistics NZ, BNZ, RBNZ, NZ Treasury

# Key Upcoming Events

All times and dates NZT

	Median	Fcast	Last	Median	Fcast	Last
<b>Monday 09 February</b>						
JN Labor Cash Earnings YoY Dec	3.20%	1.70%		US Final Benchmark Payrolls Revision 2025	-863k	
AU Household Spending YoY Dec	5.80%	6.30%		US Fed's Schmid, Bowman & Hammack Speak		
AU Household Spending MoM Dec	0.10%	0.00%	1.00%	EC ECB's Schnabel & Cipollone Speak		
EC ECB's Simkus Speaks				NZ Government 6-Month Financial Statements		
<b>Tuesday 10 February</b>						
EC ECB's Lagarde, Lane & Nagel Speak				AU RBA-Senate Testimony		
US NY Fed 1-Yr Inflation Expectations Jan		3.42%		JN PPI YoY Jan	2.30%	2.40%
US Fed's Waller, Miran & Bostic Speak				AU RBA's Hunter Speaks		
UK BOE's Mann Speaks				UK GDP QoQ 4Q P	0.20%	0.10%
AU NAB Business Confidence Jan		3		UK Monthly GDP (MoM) Dec	0.10%	0.30%
<b>Wednesday 11 February</b>						
US NFIB Small Business Optimism Jan	99.8	99.5		<b>Friday 13 February</b>		
US ADP Weekly Employment Change 10-Jan		7.750k		US Initial Jobless Claims 7-Feb	224k	231k
US Employment Cost Index 4Q	0.80%	0.80%		US Continuing Claims 31-Jan	1850k	1844k
US Retail Sales Advance MoM Dec	0.40%	0.60%		US Existing Home Sales Jan	4.20m	4.35m
US Retail Sales Control Group Dec	0.50%	0.40%		EC ECB's Lane, Nagel & Others Speak		
US Fed's Hammack & Logan Speak				NZ BusinessNZ Manufacturing PMI Jan		56.1
NZ Ready-Mixed Concrete Production 4Q				NZ Net Migration SA Dec		990
AU Investor Loan Value QoQ 4Q		17.60%		US Fed's Logan & Miran Speaks		
AU Home Loans Value QoQ 4Q	4.80%	9.60%		CH New Home Prices MoM Jan		-0.37%
AU Owner-Occupier Loan Value QoQ 4Q				NZ 2Yr Inflation Expectation 1Q		2.28%
CH PPI YoY Jan	-1.50%	-1.90%		EC GDP SA QoQ 4Q S	0.30%	0.30%
CH CPI YoY Jan	0.40%	0.80%		EC GDP SA YoY 4Q S	1.30%	1.30%
AU RBA's Hauser Speaks				EC Trade Balance SA Dec		10.7b
EC ECB's Wage Tracker				EC Employment YoY 4Q P		0.60%
EC ECB's Cipollone Speaks				JN BOJ's Tamura Speaks		
<b>Thursday 12 February</b>						
US Change in Nonfarm Payrolls Jan	69k	50k		<b>Saturday 14 February</b>		
US Av Weekly Hours All Employees Jan	34.2	34.2		UK BOE's Pill Speaks		
US Unemployment Rate Jan	4.40%	4.40%		EC ECB's Guindos Speaks		
<b>Sunday 15 February</b>						
				US Core CPI MoM Jan	0.30%	0.20%
				US Core CPI YoY Jan	2.50%	2.60%
				EC ECB's Lagarde Speaks		

## 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	2.25	2.25	2.25	4.25	2 years	3.10	3.16	2.89	3.45
1mth	2.42	2.41	2.40	4.03	3 years	3.37	3.45	3.15	3.51
2mth	2.46	2.46	2.45	3.94	4 years	3.56	3.64	3.35	3.60
3mth	2.49	2.50	2.50	3.86	5 years	3.71	3.80	3.51	3.69
6mth	2.59	2.60	2.55	3.68	10 years	4.21	4.28	4.05	4.11
<b>GOVERNMENT STOCK</b>					<b>FOREIGN EXCHANGE</b>				
05/28	3.28	3.35	3.07	3.79	NZD/USD	0.6008	0.5999	0.5772	0.5641
05/31	3.99	4.07	3.82	4.18	NZD/AUD	0.8573	0.8635	0.8602	0.8986
04/33	4.25	4.33	4.07	4.42	NZD/JPY	94.74	93.36	91.26	85.74
05/36	4.54	4.62	4.40	4.68	NZD/EUR	0.5087	0.5088	0.4947	0.5473
05/41	4.90	4.98	4.79	4.94	NZD/GBP	0.4421	0.4390	0.4287	0.4561
05/54	5.13	5.22	5.06	5.09	NZD/CAD	0.8217	0.8207	0.8010	0.8076
<b>GLOBAL CREDIT INDICES (ITRXX)</b>					TWI	68.4	68.4	66.3	67.8
Nth America 5Y	50	49	49	48					
Europe 5Y	52	51	50	53					

# Contact Details

## BNZ Research

**Stephen Toplis**

Head of Research

**Doug Steel**

Senior Economist

**Matt Brunt**

Economist

**Jason Wong**

Senior Markets Strategist

**Stuart Ritson**

Senior Interest Rate Strategist

**Mike Jones**

BNZ Chief Economist

## Main Offices

**Wellington**

Level 2, BNZ Place  
1 Whitmore St  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Toll Free: 0800 283 269

**Auckland**

80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Toll Free: 0800 283 269

**Christchurch**

111 Cashel Street  
Christchurch 8011  
New Zealand  
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

**Analyst Disclaimer:** The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

**New Zealand:** The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

**USA:** If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.