

Research Markets Outlook

11 May 2026

Monitoring the cost

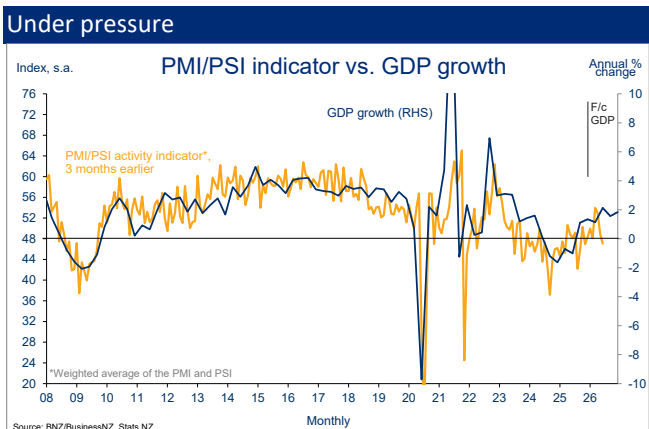
- **PMI/PSI monitored in face of energy cost shock**
- **April's Selected Prices to support surge in Q2 CPI**
- **No surprise if inflation expectations rise**
- **Fiscal accounts ahead of plan pre-conflict?**
- **RBNZ Governor on panel discussion**
- **Concrete, migration, tourism data due**

Economic indicators continue to be monitored in the wake of the Middle East conflict.

We get more growth and inflation data this week. Growth is expected to slow sharply after what still looks like a decent Q1. More evidence of the latter came with solid gains in hours worked in last week's labour market figures. Meanwhile, inflation will jump in Q2 with more evidence of this to come this week. Inflation expectations are expected to follow headline inflation higher.

The key growth indicators over the coming week are Friday's Performance of Manufacturing Index (PMI) and next Monday's Performance of Services Index (PSI) for April.

The PMI indicated decent manufacturing activity through the first quarter. The index was 53.2 in March. In contrast, the PSI revealed a service sector under increasing strain right through the first quarter, culminating in a weak 46.0 for March. The combined index indicated growth already coming under downward pressure. April's figures will show how the manufacturing and service sectors are faring in the face of a substantial cost shock for many.



The PMI/PSI details of production and new orders along with supplies and inventory will be important to gauge the relative importance of any supply and demand changes and how these are influencing employment.

The energy cost shock will be writ large in Friday's Selected Prices for April. We anticipate sharp increases in diesel and petrol prices, in the order of 42% m/m and 16% m/m respectively. We have also built in further gains in electricity and gas prices, a 0.5% m/m lift in food prices, and flat rent m/m.

The tone of the selected prices release will be influenced by airfares and whether an inevitable large, war-driven, increase shows up, and to what extent, this month or not.

We will also be watching accommodation price inflation given a risk that it could come under some downward pressure as more people chose staycations given the elevated cost of travel.

The selected price data will give insight into their various components for the CPI. Their sum will be measured against our current 1.9% q/q and 4.5% y/y pick for Q2 CPI.

While spiking in April, we are cognisant that fuel prices have retraced a portion of their earlier gains over recent weeks. Petrol prices are around 20c/litre off their mid-April highs in April, while diesel prices have declined about 60c/litre from their peak.

These dips haven't altered our CPI forecasts as we had already assumed that fuel prices would fall. Indeed, our broader view includes further unwinding in prices over coming months and quarters, which is broadly based off oil futures and our forecasts for the NZD. Risks remain many and varied, but it is important to acknowledge the dip to date.

From a policy point of view, more interest is in medium term inflation pressures than the near-term headline rate, although the latter can influence the former.

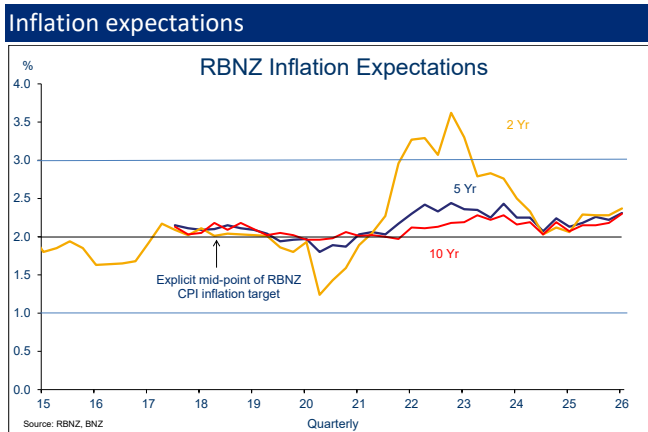
In April, the RBNZ noted three indicators it was watching to help gauge medium term inflation pressures, namely: wage inflation, core inflation, and medium and long-term inflation expectations.

Last week’s Q1 wage outcomes were very close to expectations and looked non-threatening from an inflation point of view. This followed the average of core inflation measures derived from the CPI easing a touch and sitting comfortably within the target band, albeit in its top half.

Wednesday’s RBNZ Survey of Expectations will be monitored chiefly for its inflation expectations components. It would be a shock if these measures did not lift given the supply shock since the previous survey. Focus will be on whether the medium and long-term measures remain close enough to 2% to not overly bother the RBNZ.

The 1, 2, 5, and 10-year ahead readings have been in a relatively tight range of late, although did edge a touch further above their 2% ‘ideals’ at 2.59%, 2.37%, 2.31%, and 2.30% respectively in the Q1 survey.

We don’t forecast these. We are sceptical of such measures of inflation expectations themselves, never mind having expectations of expectations!



The Government’s Financial Statements for the nine months to March will be released Tuesday. These will be the final monthly fiscal figures ahead of the 28 May Budget. The operating deficit (OBEGALx) was running \$2.1b narrower than the Treasury HYEPU forecasts in the eight months to February. Some of that undershoot is likely timing issues, but probably not all of it.

The more pressing issue for the Government accounts is what lies ahead, including disturbance because of the conflict in the Middle East. Economic conditions and outlook are expected to put some pressure on the fiscal accounts in the near term compared to what would have otherwise been the case. It remains a significant challenge to return the books to surplus over time.

Late last Friday, Finance Minister Willis confirmed the Government will remove the final year fees-free scheme for tertiary education students in the upcoming Budget. No fiscal implication details were provided. From a CPI perspective, we had built in some decline in tertiary education prices associated with the scheme early next year. Removing that nudges our CPI forecasts a tick higher in 2027.

A bunch of other indicators through the week are worth keeping an eye on too. Concrete production for Q1 on Tuesday will give its usual high-level guidance to construction activity. We look for evidence that previous gains in building consents are translating into building activity. It was notably absent in Q4.

Migration and tourism data for March are scheduled for release on Thursday. We expect the annual net inflow of migrants to continue edging upwards. Short term visitor arrival numbers are expected to maintain strong double-digit annual growth. This would support our expectation that tourism spending will generate a firmly positive contribution to Q1 GDP growth, before growth is then expected to soften.



RBNZ Governor Breman will participate in a panel discussion in Switzerland on 12 May. The topic is ‘Risk management in an uncertain world’. We are not expecting any specific NZ policy guidance. The RBNZ has said no speaking notes will be published.

Finally, there is a possibility the REINZ releases its April housing report before the week is done. The price index tends to ease at this time of year. House prices have been oscillating around year earlier levels, while sales have been around average and listings look plentiful.

doug_steel@bnz.co.nz

Global Watch

- **US President Trump to visit China**
- **US CPI monitored for any broadening of energy shock**
- **Likewise, China CPI and PPI**
- **Australian Budget out tomorrow**
- **UK, EU Q1 GDP updates due**

Over the weekend, Iran said it had sent its response to the US proposed memorandum of understanding to end the war. This morning US President Trump said it was ‘totally unacceptable’. The to and fro of negotiation continues.

This week President Trump visits China (Thursday-Friday) for meetings with President Xi, a pivotal moment for the trade and tariff outlook. OPEC and the IEA release monthly oil market reports (Wednesday), offering updated supply signals amid the energy shock.

In the US, April CPI (Tuesday) is the key release, with core readings key to whether the energy shock is broadening. PPI (Wednesday) follows, firming up PCE estimates. Retail sales (Thursday), industrial production and Empire Manufacturing (Friday) round out the activity data. Fed Chair Powell's term ends Friday, with the Warsh nomination vote due. Fed Vice Chair Barr and Boston Fed's Collins speak, amongst others. In Canada, BoC minutes (Wednesday) and housing starts (Friday) are due.

In Australia, the federal Budget (Tuesday) is expected to feature the most significant tax reform in a generation, with changes to negative gearing and the CGT discount widely expected. Key data releases include the Q1 WPI (Wednesday), NAB expect a 0.8% qoq increase, lifting annual growth to 3.3%, and the NAB Business Survey (Tuesday). The Westpac–MI Consumer Sentiment survey (Tuesday), lending indicators (Wednesday) and MI consumer inflation expectations (Thursday) round out the week's Australian data.

In Asia, China's April CPI and PPI are out on Monday. The PPI is more consequential given its energy pass-through signal for global goods prices. US Secretary of the Treasury Bessent visits Japan (Monday-Wednesday). BoJ minutes (Tuesday), Japan April PPI and machine tool orders (Friday) are also due.

In Europe, the eurozone's second estimate for Q1 GDP (Wednesday) lands alongside preliminary Q1 employment and March industrial production. In the UK, preliminary Q1 GDP (Thursday) is the headline, with March industrial production and trade data alongside. BoE Chief Economist Pill and rate-setter Mann both speak.

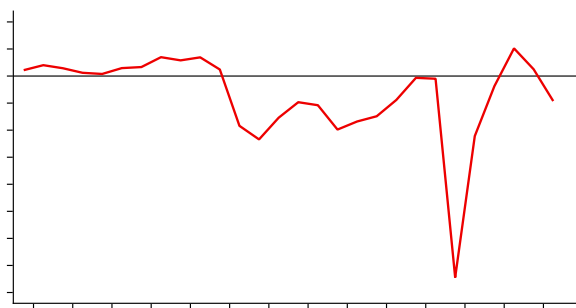
Key Event Previews

Tuesday

AU Federal Budget (2026-27)

The federal Budget headlines major housing tax reform alongside fiscal consolidation. Changes to negative gearing and abolition of the 50% CGT discount (replaced with inflation indexation) are widely reported, with new builds carved out to encourage supply. Existing assets face partial grandfathering via time-based apportionment. A 30% minimum tax on trust distributions and a 20% domestic gas reservation for east coast LNG exporters round out the supply-side measures. On spending, \$15-35 billion in NDIS savings over four years and a \$53 billion defence uplift over the decade are flagged.

Australian Underlying Cash Balance (\$b)

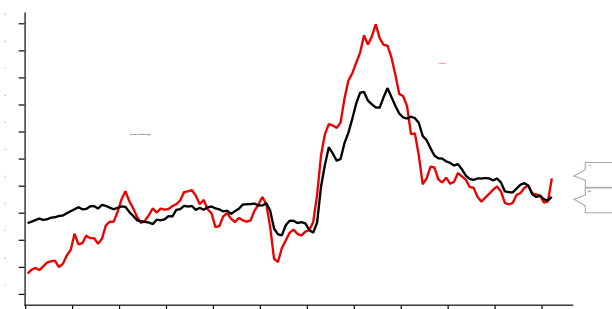


US CPI (April)

April CPI will capture the second full month of energy price pass-through from the Middle East conflict. March saw headline CPI jump to 3.3% yoy on the largest single-month gasoline price rise since the 1930s, while core remained relatively contained.

The question for April is whether energy costs are now feeding into broader consumer prices beyond fuel. Core inflation for the month will be boosted by a one-off lift in housing rental inflation as the artificially low reading in October due to the Federal government shutdown is finally reversed.

US CPI inflation



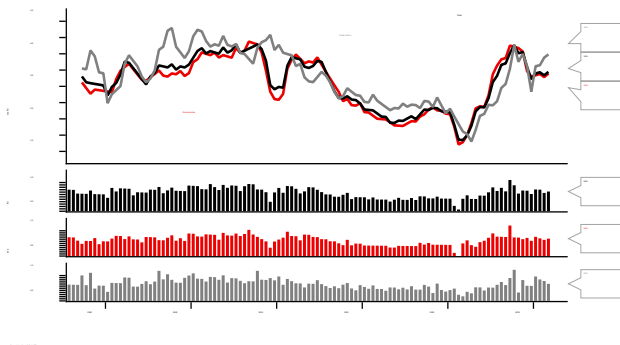
Wednesday

AU Wage Price Index (Q1)

NAB expects Q1 WPI growth of 0.8% qoq, taking annual growth to around 3.3% yoy. A further 5% uplift to early childhood wages, which took effect from December 2025, is expected to provide a modest boost in the quarter, adding around 5bps to aggregate WPI and leaving risks skewed to a slightly firmer 3.4% yoy outcome.

The RBA’s May SoMP revised up its wages outlook, likely reflecting an expectation of some pass-through from higher inflation to wage outcomes. However, the Q1 WPI largely pre-dates this shift, reflecting wage dynamics around mid-February, so it will take a couple of quarters for signs to emerge.

Wage Price Index by Sector



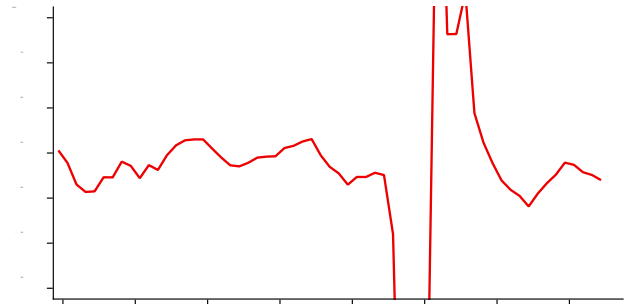
Thursday

UK GDP (Q1)

Q4 UK GDP rose just 0.1% qoq, but monthly data (including February's strong 0.5% bounce) point to a materially stronger Q1 outturn. NAB and the BoE both look for 0.5% qoq, though that looks stronger than the signal from other indicators and follows a recent pattern of unusually high Q1 growth before weaker outturns later in the year.

Seasonal issues may be at play, with the ONS set to release non-seasonally adjusted GDP for context. While Q1 does encompass the first month of the energy shock, it is likely too soon for much impact to show. NAB forecasts UK growth of just 0.7% in 2026, with the economy expected to flirt with technical recession in H2 as higher costs weigh on spending and confidence.

UK GDP (% yoy)



Source: National Australia Bank, U.K. Office for National Statistics (ONS), Macrobond

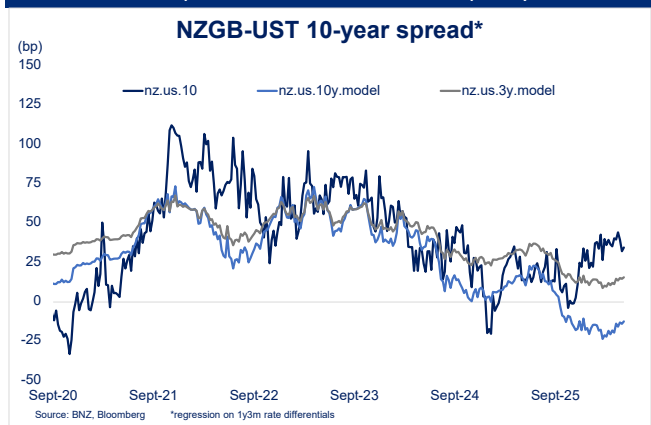
doug_steel@bnz.co.nz

Fixed Interest Market

NZ swap rates were little changed last week as the market consolidated and looked through the pullback in oil prices, with front-contract Brent futures dipping below US\$100 per barrel. Market pricing implies around a 30% chance of an RBNZ hike at the late-May Monetary Policy Statement and fully prices a 25bp OCR increase by the July Review, though we continue to expect the first hike in September. Two-year rates appear modestly elevated relative to our forecast OCR path. An increase in Q2 inflation expectations (released this week) are widely anticipated and should have limited market impact; the April manufacturing PMI and inflation partials may be more consequential for the outlook. Terminal OCR pricing (currently around 3.90%) is unlikely to rise materially from here given the RBNZ tightening cycle is already well discounted.

US rates were little changed after the April labour market report, despite the upside surprise in non-farm payrolls. Money markets still imply the Federal Reserve will keep rates on hold this year, with focus now turning to the upcoming CPI release this week. With inflation concerns lingering and activity steady but uneven, an on-hold stance remains consistent with the current data flow. 10-year NZGB-UST spreads have retraced from recent highs above 40bp. However, spreads still look elevated relative to the historic sensitivity of market-derived forward paths of the OCR and the Fed Funds Rate for several lookback windows.

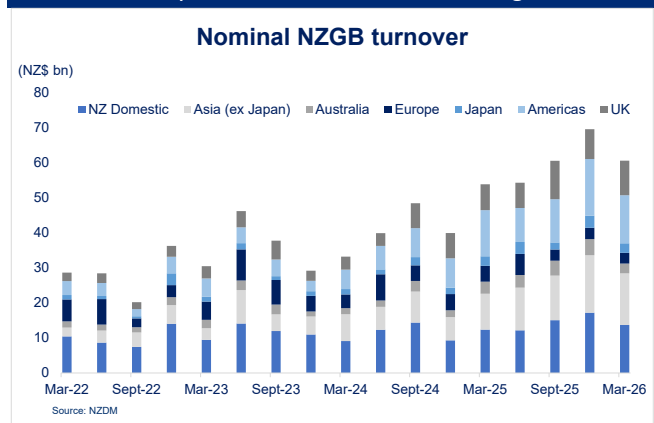
10Y NZGB-UST spread elevated relative to policy rates



The latest data on secondary-market turnover in the NZ government bond market were consistent with recent trends, offering a snapshot of evolving dynamics as the borrowing programme has expanded in recent years. Investor turnover totalled NZ\$61 billion in the March quarter, excluding the RBNZ and interbank activity. Domestic turnover accounts for around a quarter of activity but has declined in recent years as non-resident holdings have risen sharply, alongside the increase in outstanding bonds following the pandemic-era fiscal response.

Reuters: BNZL, BNZM Bloomberg:BNZ

NZGB secondary market turnover on increasing trend



The largest lift in activity has come from Asia ex-Japan and North America, likely reflecting greater participation by hedge funds and other relative-value investors executing via desks in these regions. Turnover has risen steadily in recent years, with the larger size of total outstandings a key factor. Secondary-market turnover has been broadly steady as a share of outstanding bonds, averaging near 30% per quarter over the past year. Private-sector holdings have increased as the RBNZ has undertaken quantitative tightening, reducing its Large Scale Asset Purchase NZGB portfolio to NZ\$13 billion from a peak near NZ\$54 billion.

NZ Debt Management (NZDM) began a repurchase programme for the May-2027 nominal bond last week. This line was removed from the FTSE Russell World Government Bond Index at the end of April. The NZDM repurchases helps to smooth Crown cash flows and supports market function by enabling investors to recycle proceeds further out the yield curve. Around NZ\$2 billion of the May-2026 was repurchased by NZDM before the RBNZ began its maturity phase liquidity management from late last year.

Current rates and 1-month range

| | Current | Last 4-weeks range* |
|-------------------------|---------|---------------------|
| NZ 90d bank bills (%) | 2.63 | 2.55 - 2.66 |
| NZ 2yr swap (%) | 3.55 | 3.36 - 3.64 |
| NZ 5yr swap (%) | 3.96 | 3.83 - 4.05 |
| NZ 10yr swap (%) | 4.34 | 4.23 - 4.41 |
| 2s10s swap curve (bps) | 79 | 75 - 82 |
| NZ 10yr swap-govt (bps) | -35 | -38 - -34 |
| NZ 10yr govt (%) | 4.69 | 4.65 - 4.71 |
| US 10yr govt (%) | 4.35 | 4.22 - 4.46 |
| NZ-US 10yr (bps) | 34 | 21 - 44 |
| NZ-AU 2yr swap (bps) | -113 | -123 - -107 |
| NZ-AU 10yr govt (bps) | -30 | -35 - -26 |

*Indicative range over last 4 weeks

Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ

Last week, strong risk appetite driven by hopes for a US-Iran peace deal supported the NZD, pushing NZD/USD up by over 1% to close the week around 0.5965. With the NZD outperforming, all major NZD currency pairs also ended higher. NZD/CAD was the strongest performer, rising 1.8% to 0.8160, due to weaker oil prices and ongoing signs of a soft Canadian labour market weighing on the CAD. The NZD gained between 0.5% and 1% against other key currencies. The AUD lagged, following the RBA’s anticipated rate hike that came without fuelling urgency on another consecutive hike. Meanwhile, further official intervention in the yen market had only a temporary effect.

Attention remains focused on the Middle East, with risk sentiment last week supported by the US sending Iran a one-page peace proposal to end the war. Iran reviewed the proposal over the weekend and responded with a counteroffer. However, risk sentiment has weakened this morning after Trump described Iran’s latest offer as “totally unacceptable.” Tensions in the region escalated, with Iran voicing displeasure at Trump’s plan to escort commercial ships trapped in the Strait of Hormuz. Both the US Navy and Iranian forces engaged near the Strait, and Iran launched additional missile attacks across the region.

Despite the continued effective closure of the Strait of Hormuz and rising regional tensions, markets appear willing to look beyond the hostilities and focus on a potential resolution. The NZD broke through resistance at 0.5930, trading as high as 0.5990—just below the level seen at the end of February before the conflict began. Our end-Q2 target of 0.59 assumes no immediate peace agreement, suggesting the trading range may persist for another month or two before a sustained move higher in the second half of the year.

NZ labour market data showed a modest decrease in the unemployment rate to 5.3% in Q1, but this had little impact on markets and did not alter the policy outlook. Our forecast for a stronger NZD in the second half of the year depends on the RBNZ initiating a tightening cycle and raising the OCR significantly over the next 12 months.

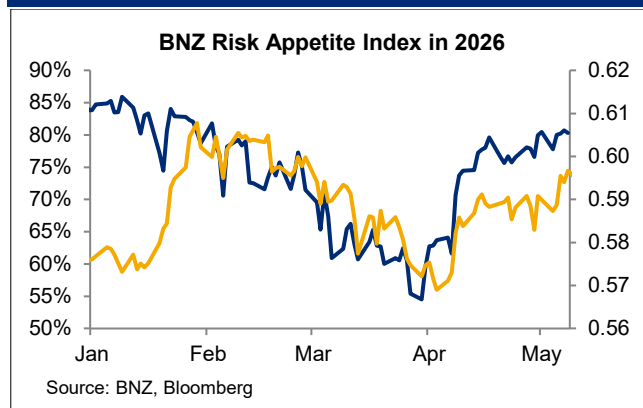
The RBA raised its cash rate by 25bps for the third consecutive meeting, bringing it to 4.35%—now 210bps above the RBNZ’s OCR. While the RBA highlighted upside inflation risks, it hinted at a possible pause in the tightening cycle pending further developments. This explains the modest rise in the NZD/AUD cross rate following the announcement. In last week’s report, we suggested that NZ-Australia rate spreads are at a turning point, which should mean the cross rate is also nearing a turning point. A gradual recovery is possible this year, but it depends on the RBNZ starting a tightening cycle later in the year.

The Japanese government continued intervening to prevent further yen weakness, but this appears ineffective given the BoJ’s ultra-loose policy stance, which remains the main factor behind the soft yen. Rather than strengthening the yen, the likely aim is to keep speculators guessing and prevent USD/JPY from climbing back above 160. We expect NZD/JPY to remain relatively stable for now, with potential upside later in the year as the RBNZ approaches a tightening cycle.

In the UK, the Labour Party performed as poorly as expected in local and regional elections. Although a challenge to PM Starmer’s leadership does not seem imminent, the fragility of his position and the potential for a more left-leaning replacement will continue to pose a negative risk to the GBP for some time.

Looking ahead, in addition to ongoing developments in the Middle East, President Trump’s upcoming trip to China to meet President Xi on Thursday and Friday will attract close attention. Domestically, we will be watching the RBNZ inflation expectations survey and monthly CPI indicators to assess the impact of the US-Iran conflict and implications for the policy outlook. Key releases on the global economic calendar include the Australian Budget and wages data, UK GDP, and US inflation and retail sales figures.

NZD following risk appetite closely over past few months



Cross Rates and Recent Ranges

| | Current | Last wk % chg | Last 3-wks range* |
|---------|---------|---------------|-------------------|
| NZD/USD | 0.5940 | 1.2% | 0.5820 - 0.5990 |
| NZD/AUD | 0.8222 | 0.5% | 0.8170 - 0.8260 |
| NZD/CAD | 0.8129 | 1.8% | 0.7960 - 0.8180 |
| NZD/GBP | 0.4381 | 0.7% | 0.4320 - 0.4390 |
| NZD/EUR | 0.5057 | 0.6% | 0.4990 - 0.5090 |
| NZD/JPY | 93.02 | 0.9% | 91.30 - 94.30 |

*Indicative range over last 3 weeks, rounded

jason.k.wong@bnz.co.nz

Technicals

NZD/USD

Outlook: Trading range
 ST Resistance: 0.60 (ahead of 61)
 ST Support: 0.5790 (ahead of 0.5680)

Resistance at 0.5930 broke last week, and the next level in sight is 0.60. We leave near term support at 0.5790, ahead of the April low near 0.5680.



NZD/AUD

Outlook: Downside risk
 ST Resistance: 0.87 (ahead of 0.8950)
 ST Support: 0.8170

We'll put support at 0.8170, around the recent low, with no obvious support level below that.

jason.k.wong@bnz.co.nz



NZ 5-year Swap Rate

Outlook: Higher
 ST Resistance: 4.85
 ST Support: 3.85

5-year swap continues to trade near our support without breaking lower. We continue to favour higher rates.

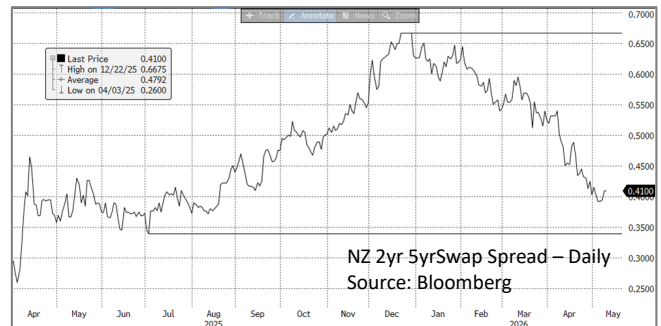


NZ 2-year - 5-year Swap Spread (yield curve)

Outlook: Neutral
 ST Resistance: 0.67
 ST Support: 0.26

Recent flattening momentum halted last week as 2x5 curve saw a slight steepening.

matthew.herbert@bnz.co.nz



Quarterly Forecasts

Forecasts as at 11 May 2026

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

| | Jun-25 | Sept-25 | Dec-25 | Mar-26 | Jun-26 | Sept-26 | Dec-26 | Mar-27 | Jun-27 | Sept-27 |
|---------------------------------|--------|---------|--------|--------|--------|---------|--------|--------|--------|---------|
| GDP (production s.a.) | -0.9 | 0.9 | 0.2 | 0.9 | 0.1 | 0.3 | 0.5 | 0.5 | 0.6 | 0.6 |
| Retail trade (real s.a.) | 0.8 | 1.9 | 0.9 | 1.2 | 0.6 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 |
| Current account (ann, % GDP) | -3.7 | -3.5 | -3.7 | -3.7 | -3.9 | -4.5 | -4.8 | -4.8 | -4.5 | -4.2 |
| CPI (q/q) | 0.5 | 1.0 | 0.6 | 0.9 | 1.9 | 0.6 | 0.3 | 0.5 | 0.7 | 0.5 |
| Employment | -0.2 | -0.1 | 0.5 | 0.1 | 0.2 | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 |
| Unemployment rate % | 5.2 | 5.3 | 5.4 | 5.3 | 5.4 | 5.5 | 5.6 | 5.7 | 5.7 | 5.7 |
| Pr. avg hourly earnings (ann %) | 4.6 | 4.1 | 3.5 | 3.5 | 2.6 | 2.6 | 2.7 | 3.3 | 3.2 | 3.2 |
| Trading partner GDP (ann %) | 3.4 | 3.3 | 3.3 | 3.4 | 3.1 | 2.9 | 2.7 | 2.8 | 2.8 | 2.8 |
| CPI (y/y) | 2.7 | 3.0 | 3.1 | 3.1 | 4.5 | 4.1 | 3.8 | 3.4 | 2.1 | 2.0 |
| GDP (production s.a., y/y) | -1.0 | 1.1 | 1.3 | 1.1 | 2.1 | 1.6 | 1.8 | 1.5 | 1.9 | 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 |
| | | Bank Bills | | | | | | 3 month | | Ten year |
| 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 |
| 2026 Mar | 2.25 | 2.50 | 3.96 | 4.52 | 3.12 | 3.71 | 4.15 | 3.65 | 4.20 | 0.33 |
| Forecasts | | | | | | | | | | |
| Jun | 2.25 | 2.50 | 3.95 | 4.75 | 3.35 | 3.70 | 4.35 | 3.65 | 4.35 | 0.40 |
| Sep | 2.50 | 2.75 | 4.25 | 4.90 | 3.70 | 4.00 | 4.50 | 3.65 | 4.50 | 0.40 |
| Dec | 2.75 | 3.15 | 4.35 | 4.90 | 3.95 | 4.15 | 4.55 | 3.40 | 4.50 | 0.40 |
| 2027 Mar | 3.25 | 3.65 | 4.45 | 4.90 | 4.10 | 4.30 | 4.60 | 3.15 | 4.50 | 0.40 |
| Jun | 3.75 | 4.05 | 4.45 | 4.90 | 4.15 | 4.35 | 4.65 | 3.15 | 4.50 | 0.40 |
| Sep | 4.00 | 4.15 | 4.35 | 4.90 | 4.05 | 4.30 | 4.70 | 3.15 | 4.50 | 0.40 |
| Dec | 4.00 | 4.15 | 4.25 | 4.90 | 3.95 | 4.25 | 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 | 0.59 | 0.72 | 1.18 | 1.36 | 157 |
| Forecasts | | | | | |
| Jun-26 | 0.59 | 0.71 | 1.18 | 1.33 | 156 |
| Sept-26 | 0.61 | 0.72 | 1.19 | 1.34 | 153 |
| Dec-26 | 0.63 | 0.73 | 1.20 | 1.33 | 152 |
| Mar-27 | 0.64 | 0.74 | 1.21 | 1.36 | 150 |
| Jun-27 | 0.63 | 0.73 | 1.20 | 1.35 | 149 |
| Sept-27 | 0.63 | 0.72 | 1.20 | 1.35 | 146 |
| Dec-27 | 0.63 | 0.72 | 1.19 | 1.35 | 144 |

NZD Forecasts

| | NZD/USD | NZD/AUD | NZD/EUR | NZD/GBP | NZD/JPY | TWI-17 |
|-----------|---------|---------|---------|---------|---------|--------|
| Current | 0.59 | 0.82 | 0.51 | 0.44 | 93.2 | 67.2 |
| Forecasts | | | | | | |
| Jun-26 | 0.59 | 0.83 | 0.50 | 0.44 | 92.0 | 66.7 |
| Sept-26 | 0.61 | 0.85 | 0.51 | 0.46 | 93.3 | 68.4 |
| Dec-26 | 0.63 | 0.86 | 0.52 | 0.47 | 95.4 | 69.8 |
| Mar-27 | 0.64 | 0.87 | 0.53 | 0.47 | 96.2 | 70.7 |
| Jun-27 | 0.63 | 0.87 | 0.53 | 0.47 | 94.2 | 69.6 |
| Sept-27 | 0.63 | 0.88 | 0.53 | 0.47 | 92.0 | 69.6 |
| Dec-27 | 0.63 | 0.88 | 0.53 | 0.47 | 90.7 | 69.7 |

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 11 May 2026 | March Years | | | | | December Years | | | | |
|--|-------------|-------------|------------|------------|------------|----------------|-------------|------------|------------|------------|
| | Actuals | | Forecasts | | | Actuals | | | Forecasts | |
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2023 | 2024 | 2025 | 2026 | 2027 |
| GDP - annual average % change | | | | | | | | | | |
| Private Consumption | 1.1 | 0.0 | 1.3 | 1.2 | 2.4 | 1.1 | -0.2 | 1.4 | 0.9 | 2.1 |
| Government Consumption | 1.1 | -1.3 | 3.4 | 1.3 | -0.5 | 0.1 | -0.9 | 2.4 | 2.3 | -0.4 |
| Total Investment | -1.1 | -4.9 | -0.4 | 5.2 | 3.7 | -0.3 | -4.9 | -1.5 | 4.2 | 4.2 |
| Stocks - pts cont'n to growth | -1.4 | 0.4 | 0.4 | 0.2 | -0.1 | -1.2 | 0.4 | -0.1 | 0.6 | -0.2 |
| GNE | -0.9 | -1.1 | 1.7 | 2.3 | 2.1 | -0.7 | -1.1 | 0.8 | 2.5 | 2.0 |
| Exports | 8.6 | 3.4 | 2.6 | 3.8 | 3.7 | 11.5 | 4.7 | 2.7 | 3.9 | 3.4 |
| Imports | -1.4 | 1.5 | 4.9 | 4.9 | 2.7 | -0.7 | 1.7 | 3.4 | 5.8 | 2.8 |
| Real Expenditure GDP | 1.5 | -0.7 | 0.8 | 1.8 | 2.3 | 2.1 | -0.3 | 0.5 | 1.7 | 2.1 |
| GDP (production) | 1.8 | -0.9 | 0.6 | 1.7 | 2.3 | 2.2 | -0.3 | 0.2 | 1.7 | 2.0 |
| <i>GDP - annual % change (q/q)</i> | 1.6 | -0.7 | 1.1 | 1.5 | 2.6 | 1.4 | -1.6 | 1.3 | 1.8 | 2.4 |
| Output Gap (ann avg, % dev) | 1.3 | -0.4 | -1.0 | -0.7 | -0.3 | 1.4 | 0.0 | -0.9 | -0.7 | -0.4 |
| Nominal Expenditure GDP - \$bn | 417 | 431 | 449 | 474 | 496 | 413 | 427 | 445 | 468 | 491 |
| Prices and Employment -annual % change | | | | | | | | | | |
| CPI | 4.0 | 2.5 | 3.1 | 3.4 | 2.0 | 4.7 | 2.2 | 3.1 | 3.8 | 2.0 |
| Employment | 0.9 | -0.9 | 0.4 | 1.5 | 2.3 | 2.6 | -1.3 | 0.2 | 1.1 | 2.1 |
| Unemployment Rate % | 4.4 | 5.1 | 5.3 | 5.7 | 5.6 | 4.0 | 5.1 | 5.4 | 5.6 | 5.7 |
| Wages - ave. hr. ord. time earnings (private sector) | 4.8 | 3.8 | 3.5 | 3.3 | 3.2 | 6.6 | 4.0 | 3.5 | 2.7 | 3.2 |
| Productivity (ann av %) | -0.6 | 0.1 | 1.1 | 0.6 | 0.3 | -0.8 | 0.1 | 1.1 | 0.7 | 0.2 |
| Unit Labour Costs (ann av %) | 6.6 | 4.4 | 2.6 | 2.6 | 3.0 | 7.1 | 4.7 | 3.0 | 2.3 | 3.1 |
| House Prices (stratified, mth) | 2.7 | -0.6 | 0.2 | -0.5 | 5.4 | 0.7 | -0.8 | -0.3 | 0.0 | 4.5 |
| External Balance | | | | | | | | | | |
| Current Account - \$bn | -23.8 | -18.3 | -16.6 | -22.8 | -18.4 | -25.8 | -20.0 | -16.3 | -22.4 | -19.2 |
| Current Account - % of GDP | -5.7 | -4.2 | -3.7 | -4.8 | -3.7 | -6.3 | -4.7 | -3.7 | -4.8 | -3.9 |
| Government Accounts - June Yr, % of GDP | | | | | | | | | | |
| OBEAL ex ACC (core op. balance) (Treasury forecasts) | -2.1 | -2.1 | -3.0 | -2.2 | -1.0 | | | | | |
| Net Core Crown Debt (ex NZS) (Treasury forecasts) | 41.8 | 41.8 | 43.3 | 46.0 | 46.9 | | | | | |
| Bond Programme - \$bn (Treasury forecasts) | 39.3 | 42.6 | 35.0 | 34.0 | 34.0 | | | | | |
| Bond Programme - % of GDP | 9.4 | 9.9 | 7.8 | 7.2 | 6.9 | | | | | |
| Financial Variables ⁽¹⁾ | | | | | | | | | | |
| NZD/USD | 0.61 | 0.57 | 0.58 | 0.64 | 0.63 | 0.62 | 0.57 | 0.58 | 0.63 | 0.63 |
| USD/JPY | 150 | 149 | 159 | 150 | 142 | 144 | 154 | 156 | 152 | 144 |
| EUR/USD | 1.09 | 1.08 | 1.16 | 1.21 | 1.18 | 1.09 | 1.05 | 1.17 | 1.20 | 1.19 |
| NZD/AUD | 0.93 | 0.91 | 0.83 | 0.87 | 0.88 | 0.93 | 0.91 | 0.87 | 0.86 | 0.88 |
| NZD/GBP | 0.48 | 0.44 | 0.44 | 0.47 | 0.46 | 0.49 | 0.45 | 0.43 | 0.47 | 0.47 |
| NZD/EUR | 0.56 | 0.53 | 0.51 | 0.53 | 0.53 | 0.57 | 0.55 | 0.49 | 0.52 | 0.53 |
| NZD/YEN | 91.1 | 85.4 | 92.8 | 96.2 | 89.5 | 89.5 | 88.4 | 90.3 | 95.4 | 90.7 |
| TWI | 71.2 | 67.9 | 66.8 | 70.7 | 69.8 | 72.0 | 68.5 | 66.8 | 69.8 | 69.7 |
| Overnight Cash Rate (end qtr) | 5.50 | 3.75 | 2.25 | 3.25 | 4.00 | 5.50 | 4.25 | 2.25 | 2.75 | 4.00 |
| 90-day Bank Bill Rate | 5.64 | 3.60 | 2.50 | 3.65 | 4.15 | 5.63 | 4.26 | 2.49 | 3.15 | 4.15 |
| 5-year Govt Bond | 4.60 | 4.00 | 4.10 | 4.45 | 4.15 | 4.50 | 3.90 | 3.90 | 4.35 | 4.25 |
| 10-year Govt Bond | 4.60 | 4.50 | 4.65 | 4.90 | 4.90 | 4.65 | 4.45 | 4.50 | 4.90 | 4.90 |
| 2-year Swap | 4.91 | 3.35 | 3.32 | 4.10 | 3.80 | 4.93 | 3.53 | 2.98 | 3.95 | 3.95 |
| 5-year Swap | 4.40 | 3.65 | 3.87 | 4.30 | 4.15 | 4.43 | 3.63 | 3.61 | 4.15 | 4.25 |
| US 10-year Bonds | 4.20 | 4.25 | 4.25 | 4.50 | 4.50 | 4.00 | 4.40 | 4.15 | 4.50 | 4.50 |
| NZ-US 10-year Spread | 0.40 | 0.25 | 0.40 | 0.40 | 0.40 | 0.65 | 0.05 | 0.35 | 0.40 | 0.40 |

⁽¹⁾ 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 | |
|-------------------------|--|----------|----------|------------------------|---|-----------------------|---------|--|
| Sunday 10 May | | | | US | Fed's Collins speaks | | | |
| EC | | | | UK | BOE's Catherine Mann speaks | | | |
| Monday 11 May | | | | US | Fed's Kashkari speaks | | | |
| CH | PPI YoY Apr | 1.80% | 0.50% | CA | Bank of Canada Summary of Deliberations | | | |
| CH | CPI YoY Apr | 0.90% | 1.00% | EC | ECB's Lane speaks | | | |
| CH | (circa) New Yuan Loans CNY YTD Apr | 8900.0b | 8600.0b | EC | ECB's Lagarde speaks | | | |
| CH | (circa) Aggregate Financing CNY YTD Apr | 16080.0b | 14830.0b | NZ | Net Migration SA Mar | | 3970 | |
| Tuesday 12 May | | | | UK | GDP QoQ 1Q P | 0.60% | 0.10% | |
| US | Existing Home Sales Apr | 4.05m | 3.98m | UK | Monthly GDP (MoM) Mar | -0.20% | 0.50% | |
| NZ | N.Z. Government 9-Month Financial Statements | | | UK | Industrial Production MoM Mar | -0.30% | 0.50% | |
| UK | BRC Sales Like-For-Like YoY Apr | 0.80% | 3.10% | UK | Trade Balance GBP/Mn Mar | | -£720m | |
| JN | Household Spending YoY Mar | -1.30% | -1.80% | JN | BOJ Board Member Masu speaks | | | |
| JN | BOJ Summary of Opinions (April MPM) | | | CA | BoC External Deputy Governor Alexopoulos speaks | | | |
| AU | NAB Business Confidence Apr | | -29 | Friday 15 May | | | | |
| GE | CPI YoY Apr F | 2.90% | 2.90% | US | Initial Jobless Claims May-9 | 205k | 200k | |
| US | Fed's Williams speaks | | | US | Initial Claims 4-Wk Moving Avg May-9 | | 203.25k | |
| GE | ZEW Survey Expectations May | -19.8 | -17.2 | US | Continuing Claims May-2 | 1781k | 1766k | |
| AU | Australian budget | | | US | Retail Sales Advance MoM Apr | 0.50% | 1.70% | |
| EC | ECB's Dolenc speaks | | | US | Retail Sales Ex Auto MoM Apr | 0.70% | 1.90% | |
| US | NFIB Small Business Optimism Apr | 96.1 | 95.8 | US | Retail Sales Ex Auto and Gas Apr | 0.40% | 0.60% | |
| NZ | RBNZ's Breman speaks | | | US | Retail Sales Control Group Apr | 0.40% | 0.70% | |
| Wednesday 13 May | | | | US | Business Inventories Mar | 0.90% | 0.40% | |
| US | ADP Weekly Employment Change April-25 | | 39.250k | US | Fed's Schmid speaks | | | |
| US | Core CPI YoY Apr | 2.70% | 2.60% | UK | BOE Chief Economist Pill speaks | | | |
| US | NY Fed Quarterly Report on Household Debt and Credit | | | US | Fed's Hammack speaks | | | |
| US | Fed's Goolsbee speaks | | | US | Fed's Barr speaks | | | |
| AU | Wage Price Index QoQ 1Q | 0.80% | 0.80% | 0.80% | US | Fed's Williams speaks | | |
| AU | Home Loans Value QoQ 1Q | 0.00% | 9.50% | NZ | BusinessNZ Manufacturing PMI Apr | | 53.2 | |
| NZ | 2Yr Inflation Expectation 2Q | | 2.37% | NZ | Food Prices MoM Apr | 0.50% | -0.60% | |
| JN | Eco Watchers Survey Outlook SA Apr | | 38.7 | EC | ECB Publishes Economic Bulletin | | | |
| EC | ECB's Radev, Muller speak | | | EC | ECB's Vujcic, Dolenc speak | | | |
| EC | GDP SA QoQ 1Q S | 0.10% | 0.10% | Saturday 16 May | | | | |
| EC | Industrial Production SA MoM Mar | 0.30% | 0.40% | US | Empire Manufacturing May | 7.5 | 11 | |
| EC | Employment YoY 1Q P | | 0.70% | US | Manufacturing (SIC) Production Apr | 0.20% | -0.10% | |
| Thursday 14 May | | | | JN | BOJ Deputy Governor Himino speaks | | | |
| US | PPI Ex Food and Energy YoY Apr | 4.30% | 3.80% | | | | | |

Historical Data

| | Today | Week Ago | Month Ago | Year Ago | | Today | Week Ago | Month Ago | Year Ago |
|--------------------------------------|-------|----------|-----------|----------|-------------------------|--------|----------|-----------|----------|
| CASH AND BANK BILLS | | | | | SWAP RATES | | | | |
| Call | 2.25 | 2.25 | 2.25 | 3.50 | 2 years | 3.56 | 3.52 | 3.56 | 3.13 |
| 1mth | 2.46 | 2.43 | 2.41 | 3.50 | 3 years | 3.74 | 3.70 | 3.79 | 3.25 |
| 2mth | 2.55 | 2.52 | 2.48 | 3.44 | 4 years | 3.87 | 3.82 | 3.93 | 3.38 |
| 3mth | 2.64 | 2.60 | 2.55 | 3.37 | 5 years | 3.97 | 3.92 | 4.03 | 3.51 |
| 6mth | 2.82 | 2.80 | 2.74 | 3.23 | 10 years | 4.35 | 4.29 | 4.40 | 4.03 |
| GOVERNMENT STOCK | | | | | FOREIGN EXCHANGE | | | | |
| 05/28 | 3.63 | 3.60 | 3.66 | 3.49 | NZD/USD | 0.5952 | 0.5873 | 0.5868 | 0.5855 |
| 05/31 | 4.18 | 4.14 | 4.29 | 4.07 | NZD/AUD | 0.8224 | 0.8193 | 0.8271 | 0.9189 |
| 04/33 | 4.42 | 4.39 | 4.51 | 4.36 | NZD/JPY | 93.39 | 92.35 | 93.57 | 86.92 |
| 05/36 | 4.69 | 4.66 | 4.76 | 4.65 | NZD/EUR | 0.5059 | 0.5023 | 0.4990 | 0.5281 |
| 05/41 | 5.05 | 5.00 | 5.12 | 5.01 | NZD/GBP | 0.4379 | 0.4340 | 0.4344 | 0.4443 |
| 05/54 | 5.25 | 5.22 | 5.35 | 5.23 | NZD/CAD | 0.8145 | 0.8001 | 0.8093 | 0.8182 |
| GLOBAL CREDIT INDICES (ITRXX) | | | | | TWI | 67.2 | 66.7 | 66.3 | 68.9 |
| Nth America 5Y | 53 | 55 | 55 | 55 | | | | | |
| Europe 5Y | 56 | 58 | 59 | 58 | | | | | |

Contact Details

BNZ Research

Stephen Toplis

Head of Research

Doug Steel

Senior 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.