Research

Markets Outlook

2 June 2026

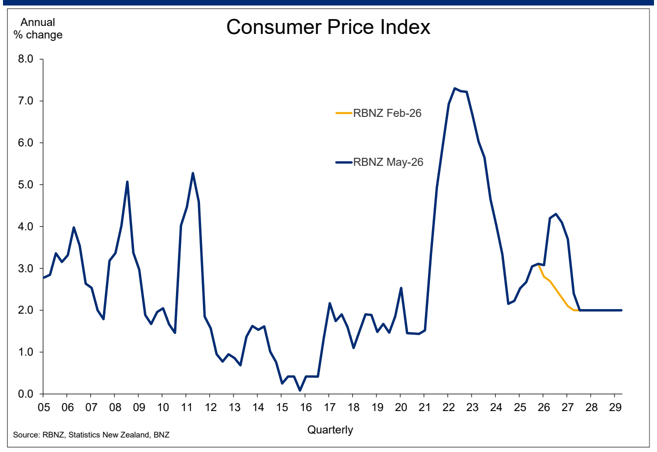
Economic Pain in RBNZ Forecasts

- **Higher inflation, lower growth in RBNZ forecasts**
- **Inflation expectations lower; businesses see growth**
- **Neutral interest rate important, but estimates vary**
- **Q1 GDP partials: trade and building due**
- **Farmers repaid, banked a chunk of capital return**

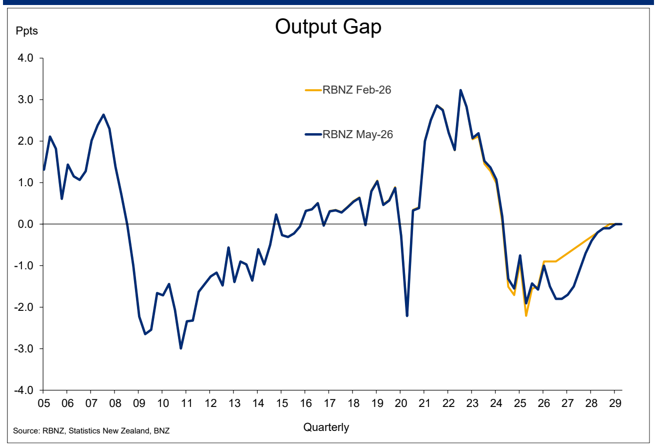
The theme of higher inflation and softer growth has dominated our economic commentary since the US-Iran conflict started in late February.

It was on full display when the RBNZ published its May Monetary Policy Statement (MPS) last week. The Bank's annual inflation peaks at 4.3% in Q3 2026. This is a full 1.8 percentage points higher than the Bank projected for that period back in its February MPS.

Pain here



And here



At the same time, the Bank lowered its annual growth forecast over 2026 by more than 1% such that its forecast of the output gap widened by a full percentage point into late 2026.

As if anyone needed reminding, there is no doubting the heft of economic pain caused by hostilities in the Middle East. That prognosis remains dominant and will likely remain so until at least the Strait of Hormuz opens.

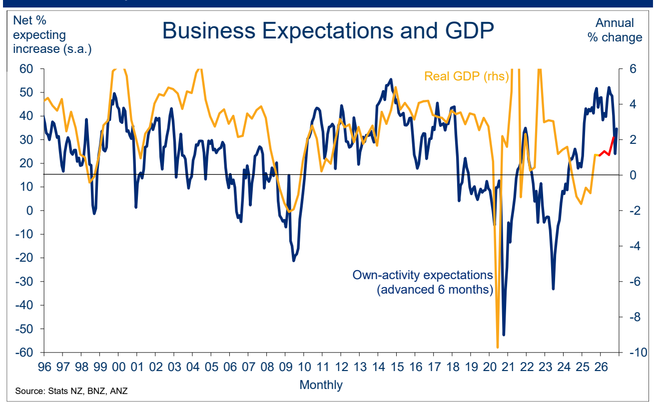
That said, there has been a subtle shift in the other direction in some of the recent data. It can only be described as 'at the margin' and not enough to shift the dial on broad views. But it is worth keeping an eye on.

We have been noting over recent weeks that fuel prices have been unwinding from their previous peaks. Unsurprisingly, this appears to have taken the edge off the inflation indicators in May's ANZBO business survey.

In that survey, inflation expectations fell from 3.81% to 3.63% and a net 56.7% of businesses said they would be raising prices compared to 57.7% a month earlier and a peak of 67% in the latter part of March. A tad lower, but the indicators still show inflationary pressures are too high for comfort.

Related, and perhaps a little surprising in the extent, was a bounce in firms' own activity expectations. This was against the typical dip between April and May offering hope that our expectation there remains a modicum of momentum in the economy, despite all that is going wrong, is correct.

Growth hope



Consumer inflation expectations also pulled back in May's ANZ consumer confidence survey, from 6.6% to 5.3%. Confidence edged a bit higher, but not by that much with consumers still deeply pessimistic. Inflation expectations are lower, but still too high for any sort of real comfort. Either for consumers or the Monetary Policy Committee one would think.

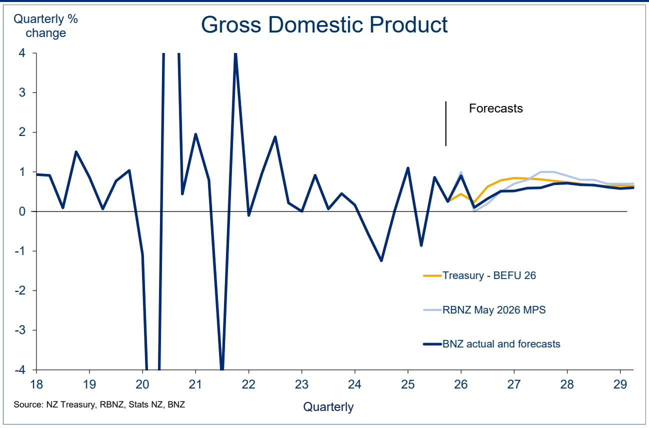
Weak consumer confidence will act as a headwind to spending. At present, it is tantamount to saying higher inflation is eroding real disposable incomes and, in turn, households' ability to purchase goods and services. Confidence is more likely to return and be sustained when inflation is tamed.

We expect the RBNZ to start increasing the OCR at its next meeting in July, with a lift of 25bp points from its current 2.25%. We forecast further lifts of 25bps at each subsequent meeting up to a peak of 4% by around the middle of next year.

This is the same peak OCR we have been forecasting for many months. Not that we have any more or less confidence in that forecast. There remain many moving parts that will no doubt pan out different to expectations and see policy deviate from current forecasts, one way or another.

Uncertainty remains rife. Take a look a recent economic growth forecasts from the RBNZ, Treasury (as part of the Government's Budget), and our own. There are clear differences over the next few years. One reason is simply the ongoing lack of clarity on how the conflict will play out and what its impact will be.

Growth outlook uncertain



Another perennial uncertainty for policy is where neutral interest rates sit. Knowledge of this helps us assess whether current rates are stimulatory or contractionary and how much so.

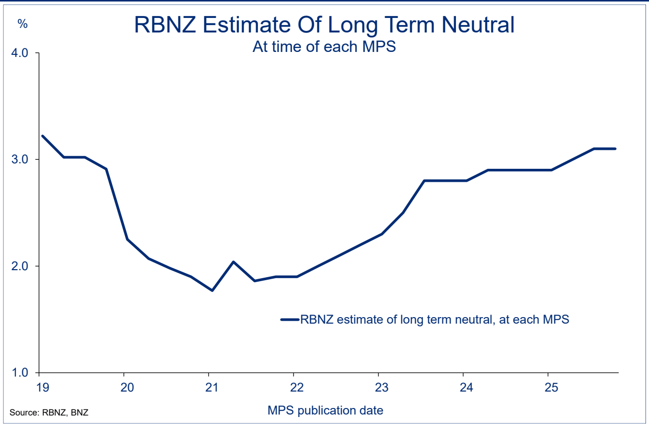
The RBNZ publishes three estimates of neutral OCR: short term, forecast horizon, and long-term. The Bank's latest estimate for each of these sit at 4.1%, 3.5%, and 3.1% respectively.

We remain of the opinion that policy rates will likely need to push above neutral for the RBNZ to achieve its inflation objectives. But this does not provide clarity as to where rates will ultimately track because you never know exactly where neutral sits. Moreover, it can change.

Over the past seven years, the RBNZ has seen long-term neutral as being as low as 1.77%, as high as 3.22%, and currently estimates it at 3.1%. The trend over recent years has been upward.

Even neutral estimates for the same point in time can change. The RBNZ's long-term neutral estimate for Q1 2021 started at 1.9% five years ago when the May MPS of that year was published. It dipped to 1.8% at one point, before lifting to its current level of 2.4%.

Estimates of neutral can change significantly



None of this is a criticism of the RBNZ neutral estimates. It is merely an illustration that estimates of such unobservable variables can change. And significantly so.

In the current context, the RBNZ's current forecast horizon estimate of neutral sits at 3.5%. Our projected OCR peak should be seen in this context, amid a host of other moving parts.

The policy outlook is complicated by material changes in both supply and demand stemming from the Middle Eastern conflict.

It is often the case that weak growth will lead to lower inflation and more accommodative interest rates. However, with a supply shock, like now, lower growth can be the result of high inflation. High inflation advises higher interest rates. The result can be economic pain from the initial inflation spike and pain from stopping inflation from becoming entrenched. Inflation sourced from one area, like fuel, can show up in reduced activity in other areas. The result can be higher near-term inflation and a wider output gap – as seen in the RBNZ forecast changes published last week. The challenge for forecasters is to assess what this means for inflation over the medium term and for policy ahead.

There are two key influences. A bigger output gap will reduce medium term inflation. Second, higher near-term inflation increases the risk of second round price increases and rising medium term inflation expectations.

The first puts downward pressure on interest rates and the second exerts upward pressure. The key is how these two forces on medium term inflation evolve and what the balance turns out to be. That balance will have a material bearing on how high interest rates ultimately go.

We continue to monitor indicators to gain understanding of how the balance of pressures is evolving.

This week we get more partials to assess our Q1 GDP forecast of 0.9%. The first is International Trade on Wednesday. Export and import volumes are expected to lift strongly with the balance generating a mild negative contribution to Q1 GDP growth.

In the detail, we expect the trade data to show a solid lift in tourism spending. If so, it would confirm our thinking that it had a positive influence on Q1 retail sales. The corollary is private consumption is likely to show slower real growth in Q1 than retail sales alone would imply.

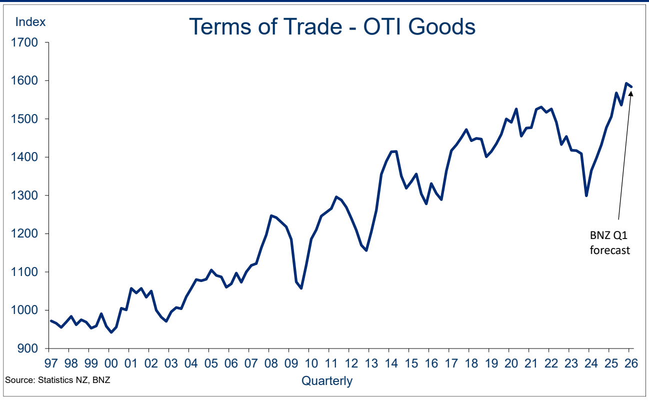
The trade data are also expected to show elevated merchandise terms of trade, albeit perhaps a touch lower in the quarter. If the 0.6% dip we have pencilled in for Q1 is anywhere near correct, the terms of trade would still be 5.2% higher than a year ago. We expect the oil shock to show up more from Q2 rather than much in Q1.

We expect timely export price indicators to ease a touch this week. This includes May's ANZ commodity price index which is expected to show second consecutive monthly declines in both world and NZ dollar terms, with the latter easing back from its all-time high in March.

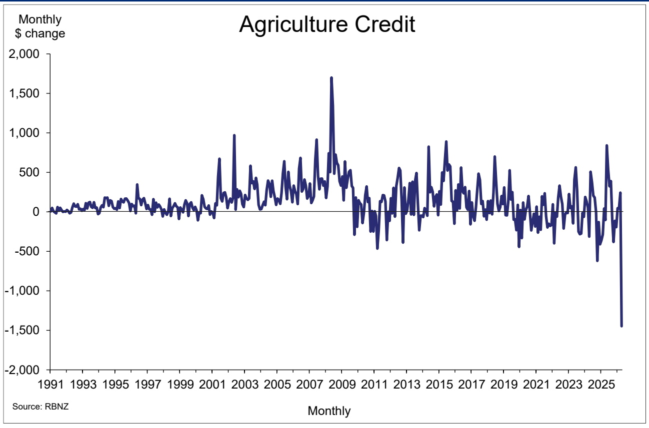
The balance of indicators for Wednesday's GDT auction looks a tad more negative than positive. It is the first auction of the new dairy season, for which Fonterra published its first forecast last week with a milk price of $9.75 inside a wide range from $8.00 to $11.00. Our forecast for the new season remains at $9.00. Fonterra's (and our) milk price forecast for the season just ended remains at $9.70.

Fonterra's $3.2b capital return to its farmers during April looks to have made an appearance in the RBNZ's financial system aggregates last week. Agricultural lending fell $1.45b in April – by far the biggest monthly decline since the series began back in the early 1990s. It supports our thinking and widespread anecdote that many farmers took the opportunity to reduce debt.

Easing off record high?



Debt repayment



On the other side of the ledger, agriculture deposits leapt $1.55b in the month. Also, the biggest monthly move since that series started.

The credit and money aggregates, along with other indicators showing signs of more agriculture investment, supports our thinking that the capital return will be used for a variety of purposes. Lower debt and higher deposits provide headroom for those farmers to manage current cost pressures and support more activity ahead.

Back to Q1 GDP partials, Building Work Put In Place data are due Thursday. A lift in building activity is expected to be driven by a solid gain in the residential sector.

April's building consents data are released Wednesday. Brace for anything here. It is probably too early to see a material hit from the energy shock, but even if it is present it will probably be difficult to distinguish it from the month's holiday-disrupted nature which has generated volatility in other indicators for the month.

On Thursday, the Government Financial Statements for the 10 months to April will be released. These will be the first monthly outcome to be lined up against the new Budget baselines.

doug_steel@bnz.co.nz

Global Watch

- **Middle East conflict continues**
- **US unemployment rate seen steady at 4.3%**
- **China PMIs; EU inflation due**
- **Many central bankers on the speaking circuit**
- **AU GDP expected to lift 0.5%, subject to partials**

Confusion around the situation in the Middle East continues. In the past few days, US and Iranian talks continued, while hostilities between Israel and Hezbollah intensified. Overnight Iran media reported that the country would suspend negotiations with the US in protest for Israel's offensive in Lebanon. This morning Trump said that he had talked to Netanyahu and representatives of Hezbollah and they agreed not to attack each other. Suffice to say there is no obvious imminent end to the conflict and the Strait of Hormuz remains effectively closed.

In the US, May JOLTS (Tuesday) and ADP (Wednesday) will gauge whether hiring is holding around April's 115k pace or stepping lower ahead of non-farm payrolls (Friday). ISM and the Beige Book (both Wednesday) gauge activity. A heavy Fed slate ahead of the 17 Jun FOMC blackout: Kashkari (Tuesday) and Logan (Wednesday) amongst others. In Canada, May employment (Friday) leads.

In Australia, NAB expects Q1 GDP (Wednesday) to rise 0.5% qoq and 2.6% yoy. This estimate will be firmed up after partial GDP data on Tuesday, including trade, inventories and public demand. The FWC will also release its award wages decision Tuesday morning. Second tier data include building approvals (Tuesday) and trade balance (Thursday). RBA speakers this week, with MPB member Harper Tuesday, the Senate hearing on Thursday, and fireside chat with RBA Deputy Governor Hauser on Friday.

In Asia, Japan's April wage data and household spending (both Friday) lead, with BoJ's Ueda speaking Wednesday with markets around 20bp priced for a 16 June hike. China's PMIs are due Wednesday.

In Europe, preliminary inflation for May on Tuesday is the main release. While a cut in fuel excise duty will have temporarily lowered German inflation, NAB expects EZ headline inflation to rise 0.2ppts to 3.2%. Services inflation will have risen more steeply by 0.4ppts or 0.5ppts from 3% thanks to airfares and holiday prices, lifting the core rate by 0.3ppts from 2.2%. BoE's Bailey has three speaking engagements this week (Tuesday, Thursday, and Friday).

The OECD Economic Outlook is published Wednesday.

Key Event Previews

Wednesday

AU GDP (Q1)

NAB expects real GDP to rise 0.5% qoq in Q1 to be 2.6% higher over the year, broadly in line with the RBA's May SoMP forecast and consensus. NAB sees strong private demand growth in the quarter, but that will overstate growth momentum. The end of electricity subsidies mean consumption will shift from public to private spending, adding 30bps to household consumption growth while subtracting from public demand. On the investment side, a surge in data-centre related capex will drive strong investment, but the import intensive activity will net to a much more modest impact after a large drag from net exports. Tuesday brings a raft of partials, including trade, inventories and public demand that will refine forecasts.

Quarterly GDP forecasts with contributions

	qoq		yoy	Contribution to qoq
	Dec-25	Mar-26	Mar-26	Mar-26
Household Consumption	0.3	0.6	2.5	0.3
Dwelling Investment	0.6	0.2	3.1	0.0
Underlying Business Investment (a)	0.1	4.5	8.4	0.4
Underlying Public Final Demand	0.8	0.3	2.6	0.1
Domestic Final Demand	**0.5**	**0.9**	**3.5**	**0.9**
Stocks (b)	0.4	-0.1	-0.1	-0.1
GNE	**0.9**	**0.9**	**3.3**	**n.a.**
Net exports (b)	**-0.1**	**-0.4**	**-0.5**	**-0.4**
Real GDP	**0.8**	**0.5**	**2.6**	**n.a.**

(a) New machinery & equipment and non-dwelling construction
(b) Contribution to GDP growth

Friday

US Non-Farm Payrolls (May)

After April's 115k print, NAB expects gradual labour market softening through the rest of 2026. Consensus sees the unemployment rate steady at 4.3% in May.

Headline payrolls, the unemployment rate, and wage growth will be read together. With the Fed currently weighting inflation as the larger mandate risk, it would take a substantial labour market deterioration to bring cuts back into play in the near term. But equally higher wages growth in addition to no progress on inflation would validate a hike. Sentiment among FOMC members has shifted away from a clear bias to ease, but inflation or labour market risks would need to shift decisively to move the Fed away from holding at coming meetings.

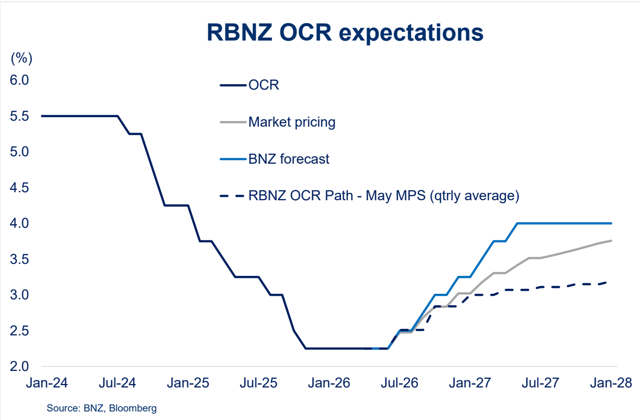
doug_steel@bnz.co.nz

Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

The RBNZ left the OCR unchanged at 2.25% in a finely balanced decision, with three committee members voting for a 25bp hike. Although the committee differed on timing, there was clear consensus on the need for higher rates to prevent medium-term inflation from rising. The RBNZ's updated modelled OCR track implies a high probability of hikes in both July and September, bringing forward the expected policy path relative to the February MPS. It also suggests that most of the adjustment will be delivered this year, while the terminal rate was lifted to 3.28% from 3.00%.

A July start to the hiking cycle appears likely

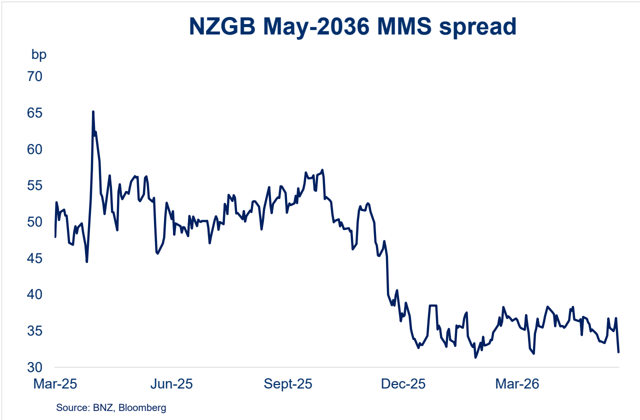


Although the split vote was more hawkish than expected, the updated OCR track broadly aligns with market pricing for this year. We have brought forward our forecast for the first hike to July, from September previously, and expect 25bp increases at each meeting, taking the OCR to a peak of 4.0% by mid-next year. The overnight index swap market is pricing about 23bp of tightening for the July meeting and a cumulative 75bp by December, broadly consistent with the RBNZ's OCR track.

Since the conflict began, 2-year rates have traded in a 3.35% to 3.70% range. The RBNZ's tightening bias should limit the extent to which short-end rates can fall from current levels. While 2-year rates are likely to remain within this elevated range, we do not expect a sustained move materially higher. The market is already pricing around 150bp of hikes by the end of next year and an OCR near 3.65%, above the RBNZ's modelled path.

The Government's borrowing programme was revised modestly lower alongside the Budget. Forecast gross NZGB issuance has been reduced by NZ$6 billion over the forecast horizon, with the cuts in the outer years. The 2026/27 programme is unchanged at NZ$34 billion and will be delivered primarily through nominal bond issuance, split between weekly tenders and syndications. Weekly tenders will raise close to NZ$20 billion over the fiscal year, leaving around NZ$14 billion to be met through nominal syndicated transactions. NZDM expects to launch a new May-2038 nominal bond by the end of calendar 2026, implying one or two further syndications, most likely in the second half of the fiscal year.

Swap spreads rangebound since the move in Q4 2025



After tightening from around +60bp at the end of 2025, 10-year matched-maturity swap spreads have traded in a relatively tight +30bp to +40bp range in recent months. The move tighter preceded NZDM's December announcement that the final syndication would no longer be required, suggesting domestic supply expectations were only a partial driver. Instead, the move was more consistent with the broader global pattern of government bonds outperforming swaps in Q4 2025.

We expect the NZGB market to absorb the NZ$34 billion 2026/27 issuance comfortably. However, an early 2038 syndication in the new fiscal year could limit further near-term bond outperformance relative to swaps. Spreads have tended to widen ahead of recent syndicated transactions in the near-10-year sector.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	2.62	2.55 - 2.77
NZ 2yr swap (%)	3.56	3.46 - 3.71
NZ 5yr swap (%)	3.91	3.85 - 4.13
NZ 10yr swap (%)	4.25	4.19 - 4.50
2s10s swap curve (bps)	69	69 - 82
NZ 10yr swap-govt (bps)	-32	-37 - -31
NZ 10yr govt (%)	4.57	4.51 - 4.76
US 10yr govt (%)	4.45	4.31 - 4.69
NZ-US 10yr (bps)	11	5 - 31
NZ-AU 2yr swap (bps)	-101	-119 - -97
NZ-AU 10yr govt (bps)	-32	-37 - -23

*Indicative range over last 4 weeks

stuart.ritson@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ

Last week, the NZD outperformed strongly, supported by the RBNZ's hawkish hold. It also benefited from a broadly weaker USD as the market anticipated an imminent US-Iran peace deal. The NZD surged 2.4% to close the week near 0.5990. It made strong gains across all the key crosses, ranging from a 1.6% rise against the AUD to a 2.4% gain against the yen. The new week has begun with a mild risk-off tone and the NZD retracing some of last week's strength.

Risk sentiment remained well supported last week in anticipation of an imminent US-Iran peace deal, following Trump's comment that a deal had been "largely negotiated". An Axios report outlined the terms of a memorandum of understanding (MoU) agreed by Iran and ready for President Trump's approval. Importantly for the market, shipping through the Strait of Hormuz would be "unrestricted", and Iran would have to remove all mines from the strait within 30 days.

Since then, Iranian media have suggested a different version of the MoU, under which Iran would continue to control the Strait of Hormuz. While negotiations are ongoing, we remain none the wiser about the terms of any MoU or how close it is to being signed. With Brent crude trading around USD95 per barrel, near the bottom end of its three-month range, the market is still behaving as though the Strait of Hormuz will not remain closed for much longer. Anything to the contrary would be materially NZD-negative.

More importantly as a currency driver last week, the RBNZ kept the OCR at 2.25%, as universally expected, although the close 3-3 split decision came as a surprise. The external members of the MPC voted for a 25bps hike, while the internal members voted to hold, leaving Governor Breman to cast the deciding vote. However, the difference of opinion reflected only the timing of rate hikes, with the minutes noting that all committee members agreed that increasing the OCR at upcoming meetings would likely be necessary.

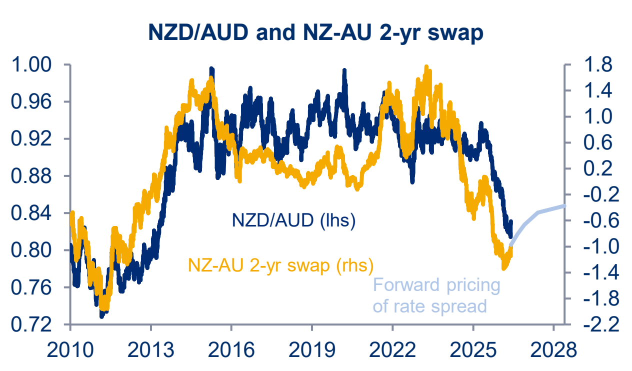
We have previously highlighted that our positive NZD projections through the second half of 2026 are heavily dependent on the RBNZ kick-starting a tightening cycle. Thus, the RBNZ's message was a welcome development from our perspective. BNZ Economics now sees July as the start date, with four 25bps hikes this year and further tightening to come next year. As long as there is a clear pathway for a significant tightening cycle, we are comfortable leaving our year-end NZD/USD target of 0.63 intact.

NZ rate hikes are also required to support our projections for stronger NZD crosses. In recent updates, we have highlighted our view that the NZD/AUD cross rate was close to a turning point, and that a more hawkish RBNZ was needed for a decisive break higher. Our existing projections were based on the RBNZ beginning a meaningful tightening cycle from Q3, with anticipation of that helping the cross rate end Q2 at 0.83 and continue pushing higher thereafter, finishing the year at 0.86.

The abrupt move from 0.8140 to above 0.83 was exacerbated by investors with long AUD/NZD positions being caught out, and it will take a little time for the market to settle. We see no immediate need to change our forecasts. However, based on last week's events, we are more confident that the low for the cycle has been reached. We note that NZ's OCR is still 210bps below Australia's cash rate. Even if the RBNZ hikes four times this year and Australia hikes only once more, the gap would remain a sizeable 135bps, which will slow the recovery path for NZD/AUD.

In the week ahead, US labour market indicators, including non-farm payrolls at the end of the week, will be released. Elsewhere, Australian Q1 GDP and euro area CPI are due, while NZ data are second-tier. Central bank speakers who could sway markets include at least three from the RBA, along with the heads of the BoJ, ECB and BoE.

Turnaround in NZ/AU rate spreads is NZD/AUD positive



Source: BNZ, Bloomberg

Cross Rates and Recent Ranges

	Current	Last wk %chg	Last 3-wks range*
NZD/USD	0.5934	2.4%	0.5820 - 0.5990
NZD/AUD	0.8286	1.6%	0.8140 - 0.8350
NZD/CAD	0.8212	2.2%	0.8000 - 0.8270
NZD/GBP	0.4409	2.2%	0.4340 - 0.4460
NZD/EUR	0.5101	1.9%	0.5020 - 0.5140
NZD/JPY	94.75	2.4%	92.50 - 95.40

*Indicative range over last 3 w eeks, rounded

jason.k.wong@bnz.co.nz

Technicals

NZD/USD

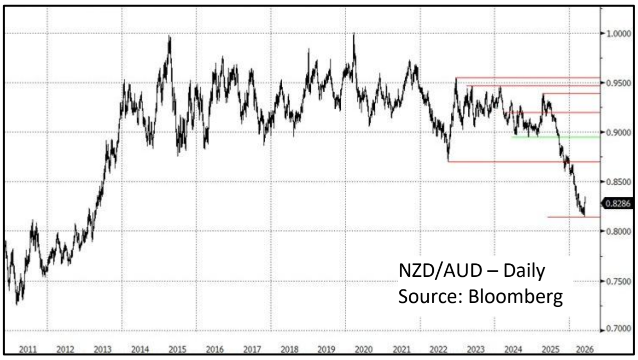
Outlook: Trading range
ST Resistance: 0.60 (ahead of 61)
ST Support: 0.5790 (ahead of 0.5680)

No change, with the NZD stuck in a range of about 0.58-0.60 since early April.

NZD/AUD

Outlook: Better
ST Resistance: 0.87 (ahead of 0.8950)
ST Support: 0.8140

Sharp turnaround from the 13-year low near 0.8140 gives hope that the low has been reached. Given extent of fall, resisitance is miles away but next few weeks will provide better guidance on that.

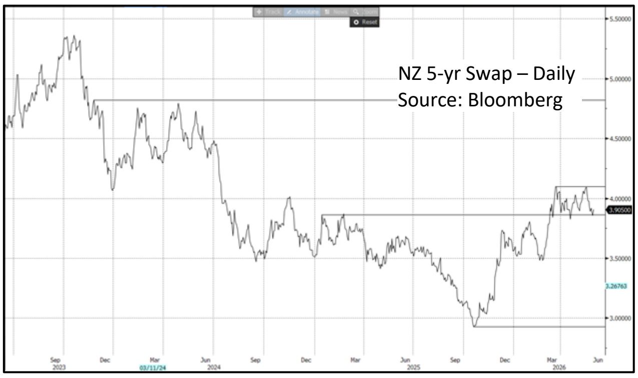


jason.wong@bnz.co.nz

NZ 5-year Swap Rate

Outlook: Higher
ST Resistance: 4.10
ST Support: 3.85

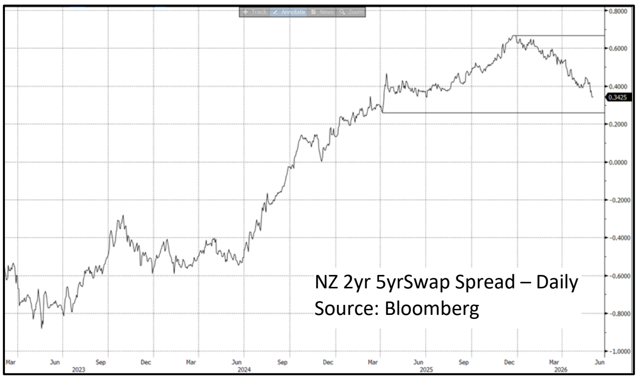
5-year swap was relatively stable last week, we maintain a tight range here to watch in the short term.



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

Outlook: Neutral
ST Resistance: 0.67
ST Support: 0.26

2x5 swap spread continued its flattening momentum last week. We are closely watching our support at 26bp as it looks to test lower.



matthew.herbert@bnz.co.nz

Quarterly Forecasts

Forecasts as at 2 June 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.)	0.7	2.0	0.9	0.9	0.6	0.4	0.5	0.6	0.7	0.8
Current account (ann, % GDP)	-3.7	-3.5	-3.7	-3.7	-3.8	-4.2	-4.4	-4.3	-4.0	-3.7
CPI (q/q)	0.5	1.0	0.6	0.9	1.4	0.6	0.3	0.6	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	3.2	3.3	3.6	3.1	2.8	2.6	2.8	2.8	2.9
CPI (y/y)	2.7	3.0	3.1	3.1	4.0	3.6	3.2	2.9	2.2	2.1
GDP (production s.a., y/y)	-1.0	1.1	1.3	1.1	2.1	1.6	1.8	1.5	2.0	2.2

Interest Rates

Historical data - qtr average			Government Stock			Swaps			US Rates		Spread
Forecast data - end quarter		Cash	90 Day Bank Bills	5 Year	10 Year	2 Year	5 Year	10 Year	SOFR 3 month	US 10 yr	NZ-US 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	2.75	4.05	4.75	3.50	3.80	4.35	3.65	4.35	0.40
	Sep	2.75	3.25	4.30	4.90	3.80	4.05	4.50	3.65	4.50	0.40
	Dec	3.25	3.65	4.40	4.90	4.00	4.20	4.55	3.40	4.50	0.40
2027	**Mar**	3.75	4.05	4.35	4.90	4.00	4.20	4.60	3.15	4.50	0.40
	Jun	4.00	4.15	4.35	4.90	4.00	4.25	4.65	3.15	4.50	0.40
	Sep	4.00	4.15	4.25	4.90	3.95	4.20	4.70	3.15	4.50	0.40
	Dec	4.00	4.15	4.15	4.90	3.85	4.15	4.75	3.15	4.50	0.40

Exchange Rates (End Period)

USD Forecasts						NZD Forecasts					
	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.59	0.72	1.16	1.35	160	0.59	0.83	0.51	0.44	94.7	67.4
Forecasts											
Jun-26	0.59	0.71	1.18	1.33	156	0.59	0.83	0.50	0.44	92.0	66.7
Sept-26	0.61	0.72	1.19	1.34	153	0.61	0.85	0.51	0.46	93.3	68.4
Dec-26	0.63	0.73	1.20	1.33	152	0.63	0.86	0.52	0.47	95.4	69.8
Mar-27	0.64	0.74	1.21	1.36	150	0.64	0.87	0.53	0.47	96.2	70.7
Jun-27	0.63	0.73	1.20	1.35	149	0.63	0.87	0.53	0.47	94.2	69.6
Sept-27	0.63	0.72	1.20	1.35	146	0.63	0.88	0.53	0.47	92.0	69.6
Dec-27	0.63	0.72	1.19	1.35	144	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 2 June 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	-0.3	5.5	3.7	-0.3	-4.9	-1.5	4.5	4.2
Stocks - ppts 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	1.8	2.3	2.1	-0.7	-1.1	0.8	2.6	1.9
Exports	8.6	3.4	2.7	4.8	3.6	11.5	4.7	2.7	4.8	3.6
Imports	-1.4	1.5	5.1	6.1	2.6	-0.7	1.7	3.4	7.0	2.9
Real Expenditure GDP	1.5	-0.7	0.8	1.7	2.3	2.1	-0.3	0.5	1.6	2.0
GDP (production)	**1.8**	**-0.9**	**0.6**	**1.8**	**2.3**	**2.2**	**-0.3**	**0.2**	**1.7**	**2.0**
GDP - annual % change (q/q)	*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	2.9	2.0	4.7	2.2	3.1	3.2	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	-0.7	0.3	-0.5	5.4	0.7	-0.8	-0.3	0.0	4.5
External Balance										
Current Account - $bn	-23.8	-18.3	-16.8	-20.4	-15.9	-25.8	-20.0	-16.3	-20.5	-16.8
Current Account - % of GDP	-5.7	-4.2	-3.7	-4.3	-3.2	-6.3	-4.7	-3.7	-4.4	-3.4
Government Accounts - June Yr, % of GDP										
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-2.1	-2.1	-2.6	-2.4	-0.8					
Net Core Crown Debt (ex NZS) (Treasury forecasts)	41.7	41.9	42.4	45.6	46.1					
Bond Programme - $bn (Treasury forecasts)	39.3	42.6	35.0	34.0	32.0					
Bond Programme - % of GDP	9.4	9.9	7.8	7.2	6.5					
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	3.75	4.00	5.50	4.25	2.25	3.25	4.00
90-day Bank Bill Rate	5.64	3.60	2.50	4.05	4.15	5.63	4.26	2.49	3.65	4.15
5-year Govt Bond	4.60	4.00	4.10	4.35	4.10	4.50	3.90	3.90	4.40	4.15
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	4.00	3.75	4.93	3.53	2.98	4.00	3.85
5-year Swap	4.40	3.65	3.87	4.20	4.10	4.43	3.63	3.61	4.20	4.15
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
	Tuesday 02 June			
AU	BoP Current Account Balance 1Q	-A$23.4b	-A$24b	-A$21.1b
AU	Net Exports of GDP 1Q	-0.5	-0.4	-0.1
AU	Building Approvals MoM Apr	-1.60%	2.00%	-10.50%
AU	Inventories SA QoQ 1Q	0.00%	0.00%	-0.10%
US	Fed's Kashkari speaks			
EC	Eurozone Inflation Ticker Update			
EC	ECB's Rehn speaks			
EC	CPI Estimate YoY May P	3.20%		3.00%
EC	CPI YoY May P	3.20%		3.00%
EC	CPI Core YoY May P	2.40%		2.20%
AU	Private Sector Credit MoM Apr	0.60%	0.60%	0.70%
	Wednesday 03 June			
US	Fed's Hammack speaks			
UK	BOE Governor Bailey speaks			
US	JOLTS Job Openings Apr	6866k		6866k
US	JOLTS Quits Rate Apr	1.90%		2.00%
EC	ECB's Vujcic speaks			
UK	BOE Rate-Setter Greene speaks			
EC	ECB's Sleijpen Speaks in Dutch Parliament			
NZ	Terms of Trade Index QoQ 1Q	-1.00%	-0.60%	3.70%
NZ	Building Permits MoM Apr			-1.30%
AU	S&P Global Australia PMI Services May F			47.7
AU	GDP SA QoQ 1Q	0.50%	0.50%	0.80%
EC	ECB's Rehn, Dolenc, Elderson speak			
GE	S&P Global Germany Services PMI May F	47.8		47.8
EC	S&P Global Eurozone Services PMI May F	46.4		46.4
UK	S&P Global UK Services PMI May F	47.9		47.9
JN	BOJ Governor Ueda speaks			
	Thursday 04 June			
NZ	Cotality Home Value MoM May			0.10%
US	ADP Employment Change May	120k		109k
US	Fed's Barr, Logan speaks			
EC	ECB'S Cipollone speaks			
CA	S&P Global Canada Services PMI May			49.2
CA	S&P Global Canada Composite PMI May			49.9
US	S&P Global US Services PMI May F	50.9		50.9
US	Factory Orders Apr	4.60%		1.50%
US	ISM Services Prices Paid May	72.3		70.7
US	ISM Services New Orders May	53.1		53.5
US	ISM Services Employment May	49		48
US	Durable Goods Orders Apr F	7.90%		7.90%
US	Fed Releases Beige Book			
NZ	N.Z. Government 10-Month Financial Statements			
NZ	Volume of All Buildings SA QoQ 1Q	1.50%	1.70%	-3.10%
NZ	ANZ Commodity Price MoM May			-0.80%
AU	Trade Balance Apr	A$1600m	A$1000m	-A$1841m
AU	RBA's Bullock testifies to Senate			
EC	ECB's Lagarde speaks			
EC	Retail Sales MoM Apr	-0.30%		-0.10%
US	Challenger Job Cuts Total May			83387
	Friday 05 June			
US	Fed's Barkin speaks			
US	Initial Jobless Claims May-30	214k		215k
US	Initial Claims 4-Wk Moving Avg May-30			209.00k
US	Continuing Claims May-23	1780k		1786k
UK	BOE Governor Bailey speaks			
US	Fed's Daly speaks			
JN	Cash Earnings - Same Sample Base YoY Apr	3.00%		2.50%
JN	Household Spending YoY Apr	-1.50%		-2.90%
AU	RBA's Hauser speaks			
UK	DMP 1 Year CPI Expectations May	3.90%		4.00%
EC	GDP SA QoQ 1Q T	0.10%		0.10%
EC	Employment YoY 1Q F			0.50%
	Saturday 06 June			
US	Change in Nonfarm Payrolls May	85k		115k
US	Unemployment Rate May	4.30%		4.30%
UK	BOE Rate-Setter Dhingra speaks			
UK	BOE Governor Bailey speaks			
	Sunday 07 June			
US	Fed's Barr speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	2.25	2.25	2.25	3.25
1mth	2.43	2.47	2.44	3.36
2mth	2.53	2.55	2.53	3.34
3mth	2.63	2.63	2.61	3.32
6mth	2.86	2.81	2.80	3.27
GOVERNMENT STOCK				
05/28	3.52	3.49	3.60	3.63
05/31	4.05	4.09	4.14	4.16
04/33	4.27	4.33	4.38	4.42
05/36	4.52	4.61	4.65	4.70
05/41	4.89	4.97	4.99	5.08
05/54	5.11	5.18	5.21	5.31
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	51	52	54	55
Europe 5Y	54	54	58	57

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.56	3.46	3.53	3.28
3 years	3.72	3.64	3.70	3.41
4 years	3.82	3.78	3.82	3.55
5 years	3.91	3.88	3.92	3.68
10 years	4.25	4.26	4.29	4.17
FOREIGN EXCHANGE				
NZD/USD	0.5934	0.5836	0.5887	0.5998
NZD/AUD	0.8286	0.8143	0.8196	0.9280
NZD/JPY	94.74	92.97	92.92	86.34
NZD/EUR	0.5102	0.5018	0.5034	0.5275
NZD/GBP	0.4410	0.4340	0.4347	0.4437
NZD/CAD	0.8213	0.8061	0.8015	0.8228
TWI	67.4	66.4	66.7	69.4

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