

Research Markets Outlook

15 June 2026

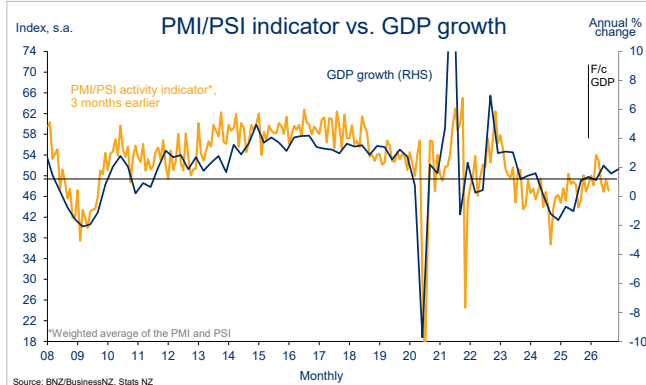
A tale of two quarters

- **Q1 GDP looking rosy**
- **Q2 GDP does not**
- **Current account balance stable**
- **CPI inflation rising as fuel prices fall**
- **War over?**

In a week full of key indicators potentially the most interesting information to be divulged has already been done so with the release last Friday of the May Performance of Manufacturing Index (PMI) and this morning's Services sibling (PSI). While Thursday's GDP result and Wednesday's Balance of Payments will provide a solid overview of the state of the economy, that state is pre-war. In contrast the PMI and PSI tell us about the here and now.

Alas, the here and now ain't great. The headline indices for services and manufacturing both sit below the breakeven 50 line and both are weaker than last month's readings. In combination they suggest near zero growth in the economy and further support our premise that after a solid Q1, Q2 GDP growth will be marginally above, or below, the zero line.

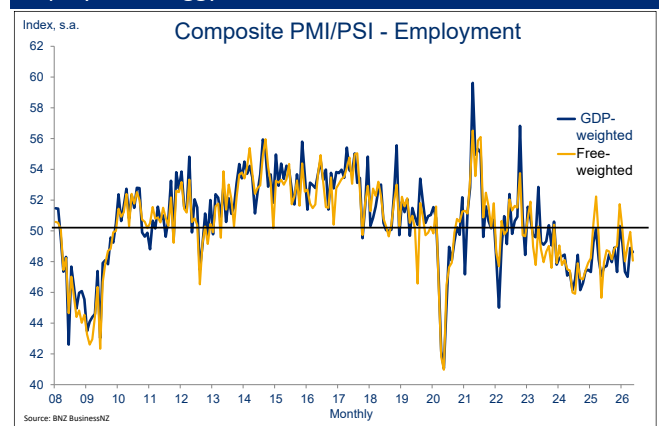
Doing it tough



Moreover, there is every reason to believe the already sub-50 activity indicators could fall further particularly in the manufacturing sector where an apparent inventory build-up, against a backdrop of falling new orders, implies future production will be under pressure.

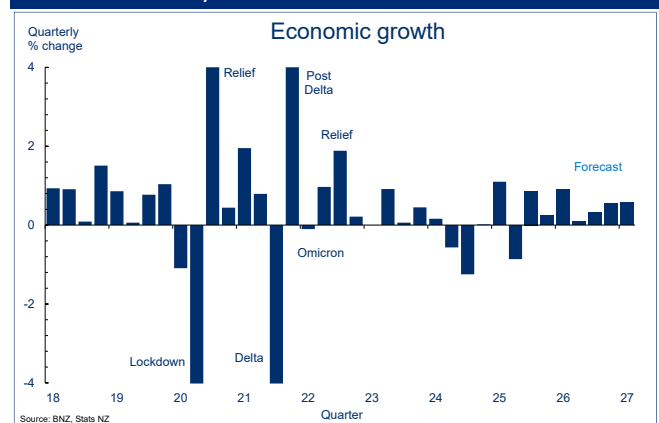
Most disheartening for us is that the employment indices for both services and manufacturing are sub-50. This bodes poorly for any immediate improvement in New Zealand's labour market and fits well with our view that the unemployment rate rises through the remainder of the year.

Employment soggy



Q1 GDP, due for release on Thursday, is likely to paint a very different picture than our performance measures. We expect activity rose a very solid 0.9% for the quarter to be up 1.1% for the year. We see this reflecting a general pick up in activity as pre-war confidence rose and the impact of very easy monetary policy started to feed through into the broader economy.

Solid start to the year



Additionally, activity was probably supported by late quarter inventory building as war broke out. To cap things off, in the case of the production measure of GDP, the bottom-line will be bolstered strongly by the so-called Balancing Item.

The only real drag on growth for Q1 was the construction sector for which a surprisingly large 3.5% drop in real building work put in place was reported.

The Reserve Bank is forecasting 1.0% growth for the quarter so, if we are right, the print will not change the Bank's view of the world recognising that it too is looking for a zero in Q2.

Note that the GDP data are prone to sometimes significant historical revisions. This could impact views on the state of the economy. The quarterly outcome will need to be read in conjunction with any such revisions.

Of course, from the central bank's perspective it's all about inflation. Growth outturns only matter to the extent they impact the output gap. The gap is almost impossible to measure at the best of times but is even more difficult to gauge when a supply shock is in play.

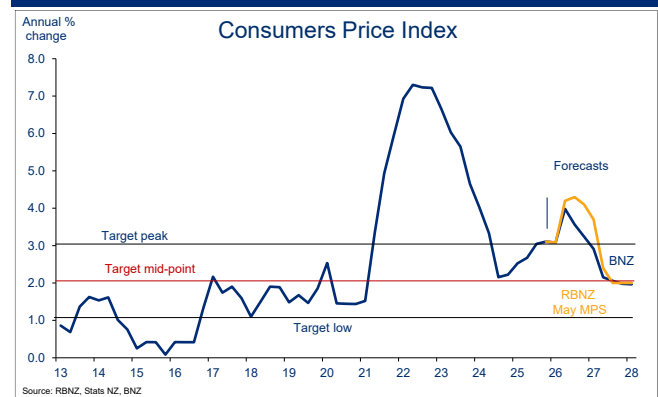
So, with inflation in mind, we will be trawling through the details of Tuesday's selected price indices to see if our view on price movements is on the ball or not. We were surprised to the downside with last month's data.

The key things we will be looking at are:

- *Food prices.* We have assumed total food prices will be unchanged for the month as was the case in April.
- *Rents.* Similarly, we expect to see no movement in rents.
- *Airfares.* History shows us some of the biggest surprises come via movements in airfares. We have assumed there is a more modest seasonal decline in airfares than is normally the case but could get blown out of the water with this one.
- *Accommodation services.* Total accommodation services normally rise in May with domestic price falls offset by the increased price of overseas accommodation prepaid in New Zealand.
- *Fuel prices.* After massive increases in March and April, pump prices, especially diesel, fell significantly through the month of May. Just how much will be revealed.

As things stand, we are forecasting a 1.4% increase in consumer prices for Q2 taking annual inflation to a peak of 4.0%. The Reserve Bank picks 1.6% and 4.2% respectively. If our estimates prove accurate it could, in the minds of the central bankers, reduce the upward pressure on the cash rate.

Up then down

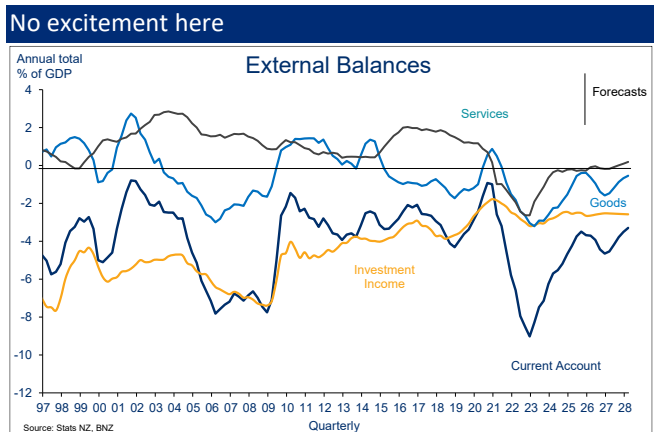


Of course, everyone is now pondering what the alleged end to the Iran war means. From our perspective the most likely initial impact is a pickup in confidence that may help support business investment and even consumer spending, at the margin.

Will we be scurrying to lower our inflation forecasts? Probably not. Our pump price forecasts have been based on the crude oil futures strip which was already showing a sharp decline in prices on the understanding that war-driven pressures on oil prices would dissipate.

Of course, even if the war is over, how long will it take for supplies to normalise and how long will it take us to believe that the war is genuinely over for good? In other words, uncertainty will remain elevated for some time so we will be cautious with our prognostications.

Wednesday June 17 Q1 Balance of Payments data are released. We expect the deficit to be unchanged from the previous quarter at 3.7% of GDP. Generally, we see the deficit being stuck in a 3.5% to 4.5% range for the foreseeable future. On this basis it should garner very little attention for quite some time.



An update on the country’s merchandise trade position will be delivered on Friday. This is expected to show a modest increase in the annual deficit.

Rounding out the week were Monday’s Electronic Cards Transactions for May, released this morning. It’s always difficult to make sense of these data but, for the record, core retail spending jumped 2.2% in the month. We don’t see this as a sign of strength but rather an offset for the 1.7% holidays-affected April fall.

stephen_toplis@bnz.co.nz

Global Watch

- **Multi central bank meetings, only BoJ seen moving**
- **US-Iran deal awaited**
- **US, China retail, industrial production data due**
- **UK inflation seen higher, labour market stabilising**

It is a busy week for central banks. The RBA and BoJ (Tuesday), Fed (Wednesday) and BoE (Thursday), Riksbank (Wednesday), SNB and Norges Bank (both Thursday) are all meeting. Only the BoJ is expected to move rates, with markets almost fully pricing a 25bp hike. The G7 summit in France runs from Monday, with the strait of Hormuz in focus. Before then markets will be looking for whether the claimed prospect of an imminent signing of a US-Iran deal materialises.

The proposed US-Iran memorandum of understanding would reportedly immediately reopen the Strait of Hormuz without tolls and provide Iran with sanctions relief conditional on compliance. It would extend the ceasefire for 60 days, including in Lebanon, while nuclear negotiations continue, and establish a framework for addressing Iran's enriched uranium stockpile.

In Australia, NAB expects the RBA to hold at 4.35% and now sees the tightening cycle as complete, with the next move likely down and now expected in Q2 2027. The Westpac Leading Index and a speech from RBA's Jones (both Wednesday) round out the week.

In Asia, Japan's National CPI (Friday) will show how far prices are spreading beyond subsidised energy. In China, retail sales and industrial production (both Tuesday) test whether April's demand weakness persisted, leaving growth reliant on trade.

In the US, Retail sales (Wednesday) will be supported by higher gas prices, with the core measures providing an update on consumer momentum. Industrial production (Monday) and regional Fed manufacturing surveys are also released. Canada's retail sales are due Friday.

In the UK, NAB expects May CPI (Wednesday) to rise from 2.8% to 3% yoy, mainly on services prices, with core up 0.2ppts to 2.7% and services up by as much as 0.4ppts, reversing some of the April drop. Labour market data (Thursday) should show some stabilisation, including in the drop in payrolled employees, after recent softening in jobs and wages. The Makerfield by-election (Thursday) could mark the start of a leadership challenge to UK PM Starmer and a shift in UK assets. Final EZ May HICP is due Wednesday.

Key Event Previews

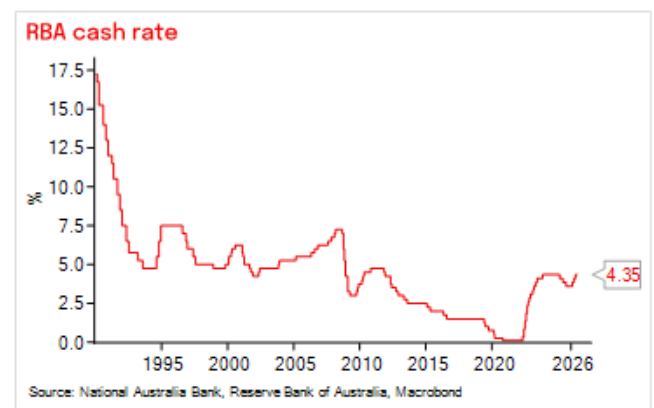
Tuesday

AU RBA Cash Rate Target

NAB expects the RBA to hold the cash rate at 4.35% on Tuesday.

The communication after the May meeting noted the Board had 'space' to assess incoming data even as the SoMP judged there would be limited cooling in the labour market and strong pass-through to near term inflation. The data flow since has suggested inflation is unlikely to surprise the Bank's forecast higher, but that unemployment and consumption growth could be weaker than it anticipated.

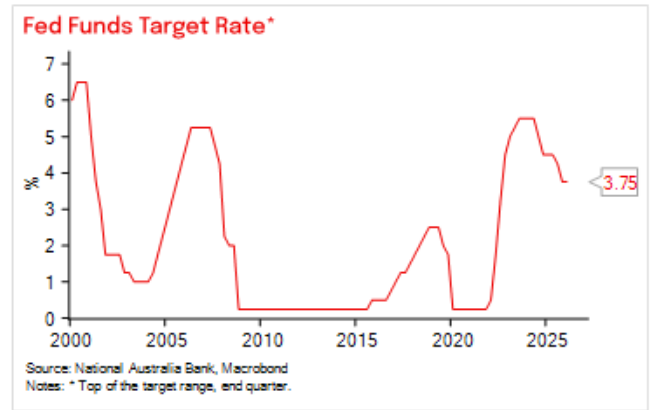
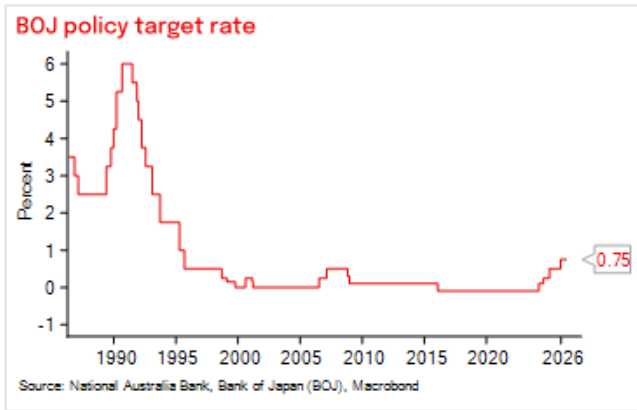
Inflation risks remain elevated and the RBA is unlikely to guide against further tightening on Tuesday, but NAB expects with restrictive policy and slow growth momentum, the next move from the RBA is likely to be down.



JP BOJ Target Rate

NAB expects the BoJ to hike 25bp to 1.00% on Tuesday, a move markets are almost fully priced for. It would be the first of two hikes NAB expects this year (June and September), which would take the rate to 1.25% by end-2026 before two more hikes in 2027 to 1.75% takes policy near neutral.

There are to be no new projections at this meeting, leaving focus on the post meeting press conference for hints about the past forward. Governor Ueda has been hospitalised and is expected to miss the meeting, which could complicate communication. Deputy Governor Himino will serve as acting chair, and it will fall on Deputy Governor Uchida to host the press conference.



Wednesday

US FOMC Decision

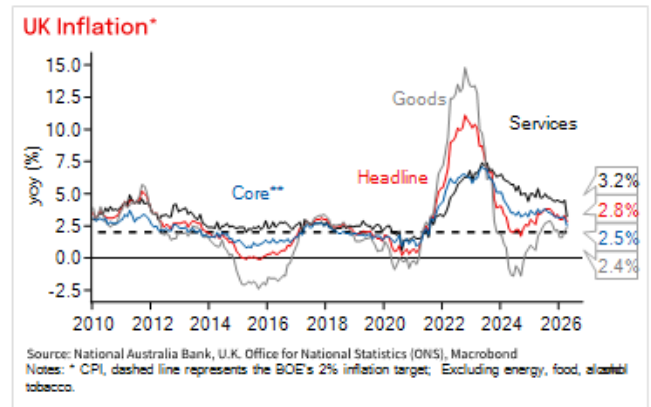
The FOMC is expected to leave rates at 3.5-3.75% on Wednesday, with Kevin Warsh holding his first press conference as Chair. NAB sees the Fed on hold through end-2027. Core PCE is tracking around 3.3% and is expected to stay above target well into 2027 as the oil shock and semiconductor prices feed goods inflation.

The statement is likely to drop the easing bias. That case was further supported by the recent strong jobs report. The meeting also includes the Statement of Projections. The end 2026 median is likely to show no cuts this year, from 25bp in March. As well as Warsh’s communication style, the press conference will also be watched for signs that the communication framework will be reviewed.

Thursday

UK Bank of England Bank Rate

The BoE is widely expected to hold rates steady at 3.75%, with markets pricing in almost zero chance of a move. NAB continues to expect no change in rates in 2026, with the economy weak and labour market data softening. There are no new formal economic forecasts at this meeting.



doug_steel@bnz.co.nz

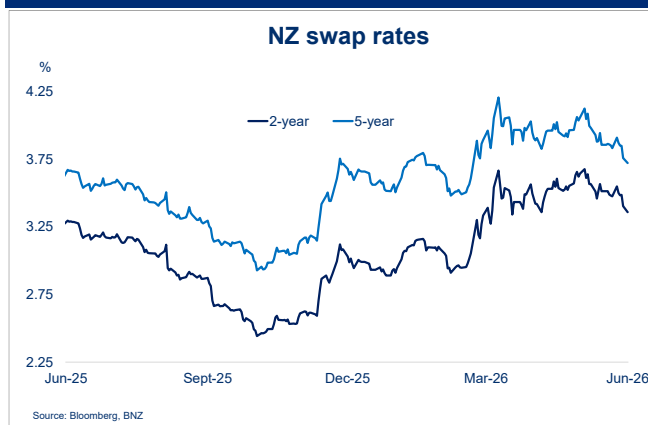
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ rates continued to move lower last week, supported by offshore markets and a decline in oil prices amid hopes of a US-Iran deal to end the conflict and eventually normalise energy shipments. The 2-year NZ swap rate fell below levels prevailing before the May Monetary Policy Statement, with momentum signals still positive across the curve. Reduced mortgage-related hedging demand from bank balance sheets has also supported the move lower at the front end.

By the end of this week, all the main domestic data ahead of the 8 July RBNZ Monetary Policy Review (MPR) will have been released. We expect Q1 GDP to hold up at 0.9% q/q, providing a pre-conflict baseline before growth slows through the middle of the year. More timely indicators point to softer activity, with the GDP-weighted PMI falling to 48.0 in May, well below its long-run average of 52.6. May inflation partials are also due and should capture some of the impact from lower energy prices.

Downside momentum for NZ rates

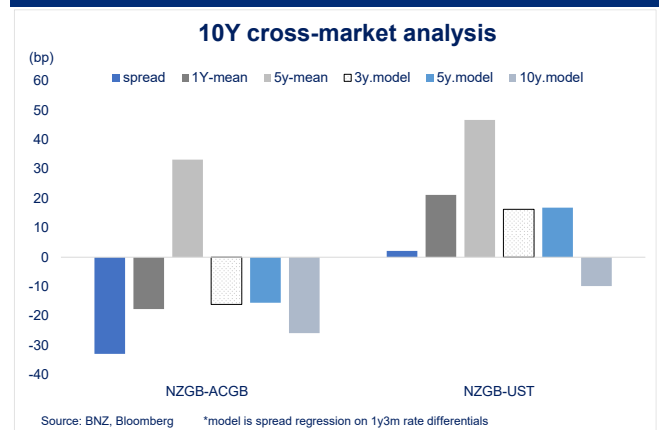


Market pricing for the July MPR has retraced marginally and implies around a 75% probability of a 25bp hike. It is unlikely the upcoming domestic data will materially alter the market's expectations in the lead-up to the meeting. There is around 60bp of tightening priced by the end of the year and 110bp by December 2027 with the market continuing to trim the magnitude of the RBNZ tightening cycle. While acknowledging the market momentum and positive sentiment from lower oil prices, we think risks for NZ swap rates are evenly balanced at current levels.

10-year NZGB spreads remain well below long-run averages against key comparison markets, including Australian government bonds and US Treasuries. The 10-year NZGB traded through the equivalent US Treasury last week, leaving the spread close to flat — its tightest level since November and near the bottom of the five-year range. However, the move appears only modestly stretched once differences in expected central bank policy paths are taken into account.

The near 40bp tightening in NZGB-UST spreads since April has coincided with a broadly similar move in front-end NZ-US rate spreads, compared with an estimated beta closer to 0.5 across the 3-, 5- and 10-year regression lookbacks. After the repricing of RBNZ expectations, however, scope for further spread compression from this driver appears limited, particularly as we expect the Fed to remain on hold this year while markets are close to fully discounting a 25bp hike.

Modest overshoot in 10Y NZGB cross-market spreads



NZGBs will likely need to retain some yield premium to keep non-resident investors engaged ahead of the expected launch of the new May-2038 nominal line next month. While tighter cross-market spreads may temper demand from some accounts, the NZGB curve remains relatively steep within developed markets, and FX-hedged yields are still among the highest globally, alongside JGBs. Meanwhile, 10-year NZGB swap spreads are near the wide end of their multi-month -40bp to -30bp range, leaving scope for some tightening ahead of the supply event.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	2.68	2.55 - 2.68
NZ 2yr swap (%)	3.39	3.39 - 3.69
NZ 5yr swap (%)	3.75	3.75 - 4.13
NZ 10yr swap (%)	4.13	4.13 - 4.50
2s 10s swap curve (bps)	74	69 - 80
NZ 10yr swap-govt (bps)	-33	-37 - -31
NZ 10yr govt (%)	4.46	4.47 - 4.76
US 10yr govt (%)	4.48	4.42 - 4.69
NZ-US 10yr (bps)	-2	-2 - 27
NZ-AU 2yr swap (bps)	-107	-116 - -97
NZ-AU 10yr govt (bps)	-35	-38 - -23

*Indicative range over last 4 weeks

stuart_ritson@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZFWDS Bloomberg pg BNZ

The NZD modestly outperformed last week, following its weak performance the previous week. NZD/USD rose 0.6% to 0.5830, while NZD crosses were also modestly higher, including a 0.6% gain against the AUD, taking the cross rate to 0.8280. The new week has opened on a modestly positive note, with confirmation of a US-Iran deal.

The NZD opened weak last week amid increased military action in the Middle East, with reports of Iran firing missiles into Israel. Iran also struck a US military helicopter in the Strait of Hormuz, followed by two days of strikes between the US and Iran. Perhaps this latest escalation accelerated negotiations, because by Friday a deal appeared imminent and that has been confirmed this morning. With President Trump authorising the immediate removal of the US naval blockade, after many false starts, a deal has finally been reached.

Any “deal” remains on shaky ground, and negotiations on any nuclear pact could well continue into next year. However, what matters most for markets is that oil and gas can ultimately flow freely again through the Strait of Hormuz. That removes the negative tail risk hanging over the NZD. The NZD traded down to about 0.5770 last week, and we see this as the new short-term support level. Resistance just below 0.60 remains in place.

Hopefully, over the next couple of months, Middle East developments will no longer dominate headlines and macroeconomic drivers will again become the main force shaping currencies. On that note, US CPI and PPI data confirmed stronger inflationary pressure, with the core PCE deflator moving further away from the Fed’s target alongside evidence of labour market resilience. Our year-end projection for NZD/USD of 0.63 assumes the Fed remains on hold indefinitely, despite recent market expectations that it could begin hiking later this year or early next year.

Any Fed rate hikes would offset our view that the RBNZ will soon begin a tightening cycle, with a series of rate hikes extending into next year. So, even though the fog around Middle East risks appears to be clearing, there is still downside risk to our positive NZD/USD projections.

In the week ahead, a number of major central banks will provide policy updates, including the US Fed on Thursday morning NZ time. Of the Fed, BoE, RBA and BoJ, only the BoJ is expected to change policy, with a 25bp hike well priced. The JPY will be vulnerable if the rate hike is not accompanied by guidance indicating that the bias remains towards further tightening. With USD/JPY trading consistently above 160 last week, there is already a significant chance of further intervention, with the MoF

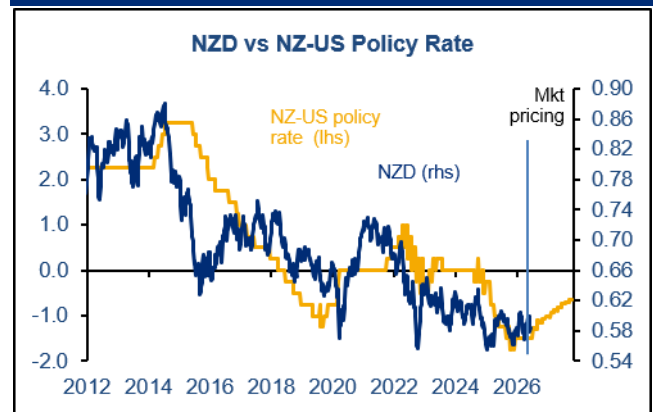
likely to await the policy meeting before considering its next move.

The Fed’s meeting will be the first chaired by Trump appointee Warsh. Recent speeches from FOMC members have pushed back against the implicit easing bias of the previous meeting, so we expect the new economic and rate projections to reflect that. With a new chair and updated forecasts, there is plenty of scope for market reaction.

For the RBA and BoE meetings, the focus will be on the strength of any guidance towards possible tightening. There are also a number of top-tier global economic releases due, including China’s monthly activity data, Japan CPI, UK CPI, UK labour market data, and US retail sales.

For New Zealand, the key releases will be May CPI indicators and Q1 GDP. The local top four trading banks and the RBNZ’s estimate are tightly bunched, with GDP expected to increase by 0.8–1.0% q/q, consistent with solid growth momentum ahead of the Middle East conflict. Market implications are likely to be limited, given that it is already well understood that growth in the current quarter is running much weaker.

Higher NZ-US policy rate gap crucial for better NZD outlook



Cross Rates and Recent Ranges

	Current	Last wk %chg	Last 3-wks range*
NZD/USD	0.5856	0.6%	0.5770 - 0.5990
NZD/AUD	0.8267	0.6%	0.8140 - 0.8350
NZD/CAD	0.8180	1.0%	0.8050 - 0.8270
NZD/GBP	0.4360	0.1%	0.4320 - 0.4460
NZD/EUR	0.5047	0.2%	0.5010 - 0.5140
NZD/JPY	93.59	0.6%	92.60 - 95.40

*Indicative range over last 3 weeks, rounded

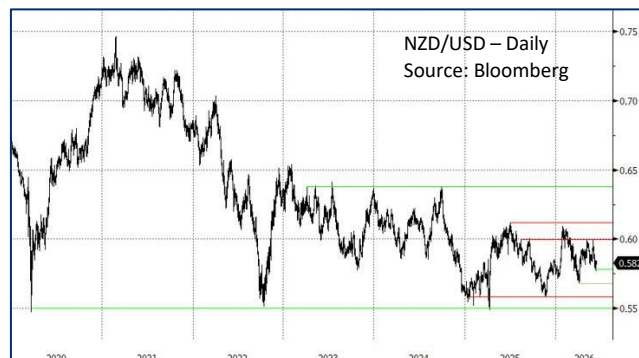
jason.k.wong@bnz.co.nz

Technicals

NZD/USD

Outlook: Trading range
 ST Resistance: 0.60 (ahead of 61)
 ST Support: 0.5770 (ahead of 0.5680)

The NZD remains in a tight trading range. The first support level is 0.5770 while 0.60 remains a key resistance level.

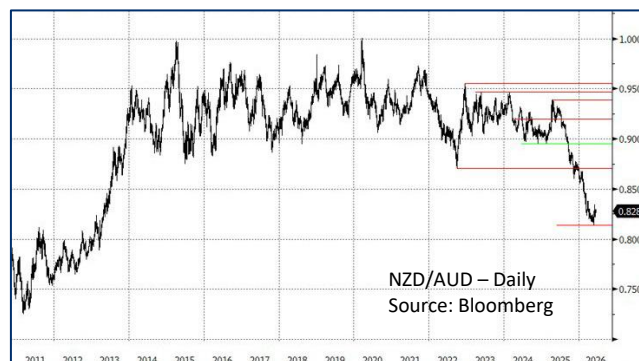


NZD/AUD

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

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

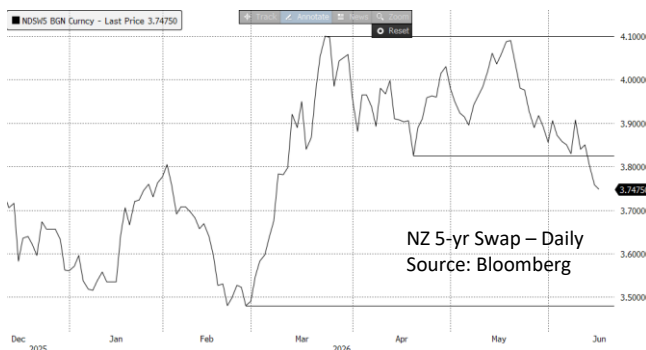
jason.k.wong@bnz.co.nz



NZ 5-year Swap Rate

Outlook: lower
 ST Resistance: 3.82
 ST Support: 3.48

5-year swap broke lower last week, and in doing so reversed our directional outlook. Support becomes resistance at 3.82% while we see the next level of support coming in at 3.48%.



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

Outlook: Higher
 ST Resistance: 0.67
 ST Support: 0.34

2x5 swap spread remains just above our support of 34bp. We have shifted our outlook to steeper curves at this level as support appears to be holding.

matthew.herbert@bnz.co.nz



Quarterly Forecasts

Forecasts as at 15 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	0.6	0.6	0.7	0.7
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	-3.9	-4.4	-4.6	-4.5	-4.2	-3.8
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	1.9	1.6	2.2	2.6

Interest Rates

Historical data - qtr average
Forecast data - end quarter

	Government Stock				Swaps			US Rates		Spread
	Cash	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	2.75	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/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.59	0.71	1.16	1.34	160
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	0.83	0.50	0.44	93.7	66.7
Forecasts						
Jun-26	0.59	0.83	0.50	0.44	92.0	66.6
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	69.7
Mar-27	0.64	0.87	0.53	0.47	96.2	70.6
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	69.5
Dec-27	0.63	0.88	0.53	0.47	90.7	69.6

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 15 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	1.4	1.3	2.4	1.1	-0.2	1.4	1.1	2.1
Government Consumption	1.1	-1.3	2.8	-1.4	1.0	0.1	-0.9	2.4	-0.8	0.4
Total Investment	-1.1	-4.9	-0.6	4.5	3.7	-0.3	-4.9	-1.5	3.3	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	1.6	1.6	2.4	-0.7	-1.1	0.8	1.9	2.1
Exports	8.6	3.4	2.8	4.9	3.6	11.5	4.7	2.7	4.9	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	0.7	1.0	2.6	2.1	-0.3	0.5	0.8	2.2
GDP (production)	1.8	-0.9	0.6	1.8	2.6	2.2	-0.3	0.2	1.7	2.3
<i>GDP - annual % change (q/q)</i>	1.6	-0.7	1.1	1.6	3.0	1.4	-1.6	1.3	1.9	2.8
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	0.6	-0.8	0.1	1.1	0.7	0.4
Unit Labour Costs (ann av %)	6.6	4.4	2.6	2.5	2.6	7.1	4.7	3.0	2.3	2.8
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	-16.7	-21.5	-16.3	-25.8	-20.0	-16.3	-21.8	-17.2
Current Account - % of GDP	-5.7	-4.2	-3.7	-4.5	-3.3	-6.3	-4.7	-3.7	-4.6	-3.5
Government Accounts - June Yr, % of GDP										
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-3.1	-3.2	-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	70.6	69.7	72.0	68.5	66.8	69.7	69.6
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			Median	Fcast	Last
	Monday 15 June				UK	CPI Services YoY May	3.60%		3.20%
EC	ECB's Nagel, Lagarde, Cipollone, Pereira speak				EC	CPI YoY May F	3.20%		3.20%
EC	Industrial Production SA MoM Apr	0.20%		0.20%	EC	CPI Core YoY May F	2.50%		2.50%
EC	Trade Balance SA Apr			3.5b		Thursday 18 June			
	Tuesday 16 June				US	Retail Sales Advance MoM May	0.50%		0.50%
US	Empire Manufacturing Jun	13.5		19.6	US	Retail Sales Ex Auto MoM May	0.60%		0.70%
US	Manufacturing Production MoM May	0.30%		0.60%	US	Retail Sales Control Group May	0.30%		0.50%
EC	ECB's Kocher speaks				EC	ECB's Sleijpen speaks			
US	NAHB Housing Market Index Jun	37		37	US	Business Inventories Apr	0.50%		0.90%
NZ	Food Prices MoM May		0.00%	0.00%	US	Pending Home Sales MoM May	1.00%		1.40%
CH	Used Home Prices MoM May			-0.23%	US	FOMC Rate Decision (Upper Bound) June-17	3.75%	3.75%	3.75%
CH	Retail Sales YoY May	-0.20%		0.20%	NZ	GDP SA QoQ 1Q	0.80%	0.90%	0.20%
CH	Industrial Production YoY May	4.30%		4.10%	UK	Private Earnings ex Bonus 3M/YoY Apr	2.90%		3.00%
CH	Fixed Assets Ex Rural YTD YoY May	-2.30%		-1.60%	UK	ILO Unemployment Rate 3Mths Apr	5.00%		5.00%
CH	Surveyed Jobless Rate May	5.20%		5.20%	UK	Payrolled Employees Monthly Change May	-25k		-100k
AU	RBA Cash Rate Target June-16	4.35%	4.35%	4.35%	EC	ECB's Kocher, Nagel speaks			
GE	ZEW Survey Expectations Jun	-5.8		-10.2	SZ	SNB Policy Rate June-18	0.00%		0.00%
EC	Labour Costs YoY 1Q F			3.40%	UK	Bank of England Bank Rate June-18	3.75%	3.75%	3.75%
EC	ECB's Escriva speaks					Friday 19 June			
JN	BOJ Target Rate June-16	1.00%		0.75%	EC	ECB's Cipollone, Lane speaks			
	Wednesday 17 June				US	Initial Jobless Claims June-13	225k		229k
US	ADP Weekly Employment Change May-30			29.000k	US	Initial Claims 4-Wk Moving Avg June-13			219k
US	New York Fed Services Business Activity Jun			-5.8	US	Philadelphia Fed Business Outlook Jun	10		-0.4
US	Housing Starts May	1430k		1465k	US	Continuing Claims June-6	1789k		1795k
EC	ECB's Lane, Sleijpen speak				EC	ECB's Escriva speaks			
NZ	Westpac Consumer Confidence 2Q			94.7	NZ	Trade Balance NZD May		1000m	1920m
NZ	Current Account GDP Ratio YTD 1Q	-3.70%	-3.70%	-3.70%	UK	GfK Consumer Confidence Jun	-23		-23
JN	Trade Balance May	-¥547.6b		¥301.9b	JN	Natl CPI YoY May	1.50%		1.40%
JN	Core Machine Orders MoM Apr	0.30%		-9.40%	JN	BOJ Minutes of April Meeting			
AU	Westpac Leading Index MoM May			0.04%	GE	PPI YoY May	2.50%		1.70%
AU	RBA's Jones speaks				UK	Retail Sales Inc Auto Fuel MoM May	0.50%		-1.30%
UK	CPI YoY May	3.00%		2.80%	EC	ECB's Lane, Escriva, Cipollone speak			

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	3.25	2 years	3.38	3.55	3.68	3.30
1mth	2.47	2.45	2.47	3.34	3 years	3.53	3.70	3.88	3.42
2mth	2.58	2.56	2.57	3.32	4 years	3.64	3.81	4.02	3.55
3mth	2.68	2.67	2.66	3.30	5 years	3.74	3.91	4.12	3.67
6mth	2.90	2.91	2.85	3.28	10 years	4.12	4.28	4.49	4.17
GOVERNMENT STOCK					FOREIGN EXCHANGE				
05/28	3.41	3.54	3.73	3.63	NZD/USD	0.5857	0.5810	0.5875	0.6061
05/31	3.96	4.09	4.32	4.17	NZD/AUD	0.8277	0.8247	0.8196	0.9289
04/33	4.19	4.32	4.56	4.42	NZD/JPY	93.71	93.03	93.31	87.69
05/36	4.47	4.60	4.82	4.72	NZD/EUR	0.5048	0.5037	0.5041	0.5242
05/41	4.84	4.97	5.17	5.10	NZD/GBP	0.4359	0.4355	0.4374	0.4464
05/54	5.07	5.19	5.39	5.34	NZD/CAD	0.8184	0.8105	0.8072	0.8223
GLOBAL CREDIT INDICES (ITRXX)					TWI				
Nth America 5Y	50	52	54	54		66.7	66.6	66.6	69.8
Europe 5Y	52	54	58	56					

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.