Research
Markets Outlook

13 July 2026

Recovery evidence builds

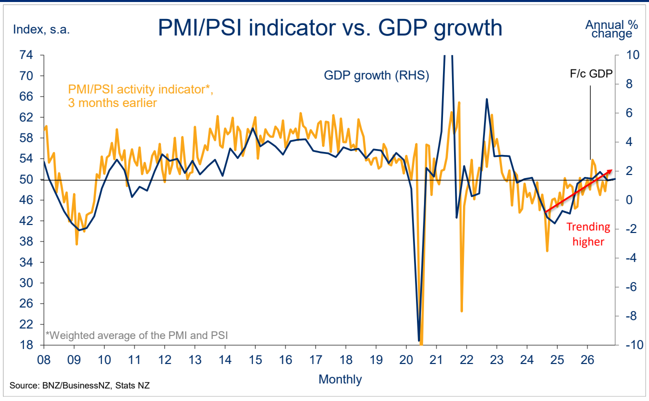
- **Combined manufacturing and services indices portend growth**
- **Hopes the QSBO provides good news**
- **Tourism and migration support the economy**
- **Rate increase not destabilising**
- **Lower inflation, higher spending power**

Evidence continues to build that there is cause for optimism for the New Zealand economy. In last week's Markets Outlook we listed a significant number of leading indicators that were pointing in the "right" direction and we said we hoped this would be followed up with positive reads on the here and now. This is exactly what has happened over the last seven days.

We were gobsmacked by the strength in the June Performance of Manufacturing Index. To be honest, we are still puzzled by its strength and doubt it will be repeated in July. But even if the improvement is half reversed in coming months, the progress in this indicator has to be seen as good news.

This morning's Performance of Services Index was far less spectacular in its improvement but it still headed in the right direction. And the combined indices portend a trend improvement in economic activity.

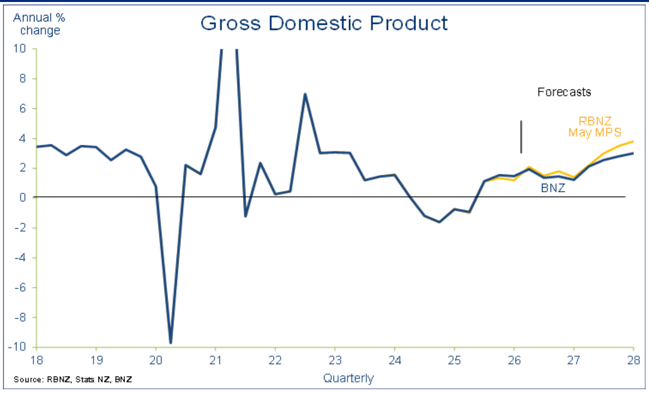
Positive vibes



Clearly a strong driver of the economy at the moment is the primary sector and its export successes both in terms of price and volume. This is reflected in the general improvement in manufacturing and the transport & storage component of the PSI. We think it also showed up in the ANZ's Heavy Traffic Index which bounced 1.8% in June and maintains its upward trend.

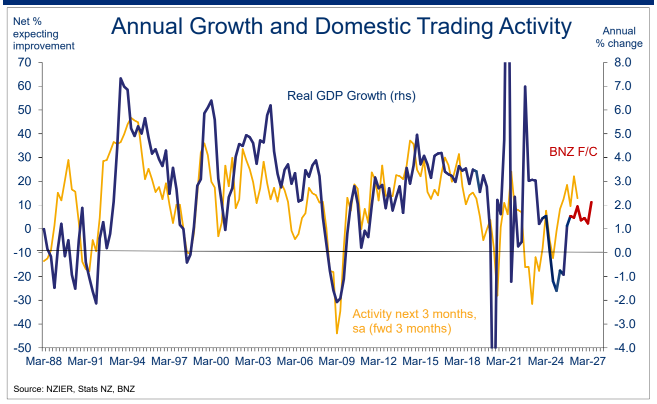
We are forecasting a modest (0.3%) recovery in GDP across the September quarter of this year following a small contraction in June. But we have to acknowledge that the data so far says we might be a bit light with our expectations. The Reserve Bank in its June Monetary Policy Review also noted growth was proving to be higher than had been anticipated.

Upside risk



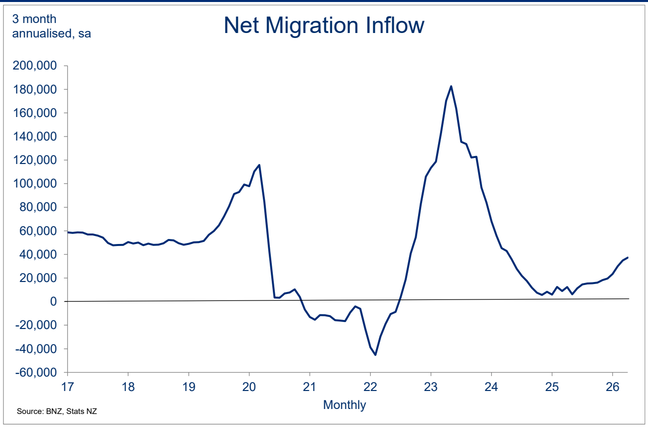
In the week ahead we will have more to mull over on the data front. Tuesday's NZIER Quarterly Survey of Business Opinion will be the major point of focus. We assume its indicators of prospective growth will perk up in the manner of other monthly surveys that we have observed recently and that concerns over inflation will reduce but not to a level where we can become comfortable that inflation is dead and buried.

Looking for strength



Also on Tuesday we get the latest tourism and migration data. Rising tourism numbers and a pick-up in net migration have been features of the data of late. They have also added to our enthusiasm about growth. We will be looking for more of the same with these May observations.

Brain gain underway?



On Wednesday June Electronic Card Transactions data are released. It's really difficult to know how this turns out. Falling petrol prices should see spending on fuel drop. The question is will such spending be redirected elsewhere? We're expecting annual spending growth to be around 4.0%, which is near zero in real terms. As miserable as that might seem it's still a lot better than what was experienced through calendar 2024 and 2025.

Rounding out the week, on Friday we get the Selected Price Index data for June. As the third month of the quarter, it will have more of an impact on our September quarter CPI pick than June's. Nonetheless, any outsize moves relative to expectations could still result in modest revision to the 1.5% increase we are forecasting for Q2 which delivers an annual 4.1% move.

The Reserve Bank has a newly-revised 3.9% pick for the quarter. If we are right then the pressure for the RBNZ to raise rates in September will rise. Of course we won't know if we are right or not until the June Quarter CPI is released July 21.

In terms of Friday's release we will be looking for the following:

- a 1.2% increase in food prices
- no movement in rents
- normal volatility in airfares and accommodation

We provided our thoughts on the July 8 Monetary Policy Review on the day so we won't repeat them but we do want to pass comment on some of the coverage since then.

Firstly, there are many who would have you believe that the 25 basis point increase in the cash rate is the beginning of the end for economic growth. This is simply not the case. At 2.50% the cash rate is still well below the likely forecast horizon neutral rate. This means monetary conditions are still stimulatory. Not only are interest rates sub-neutral but the currency is weak. The slight tweak in rates that we have experienced, and will experience further, is a reduction in stimulus. Only when rates push above neutral can rate settings be considered as contractionary.

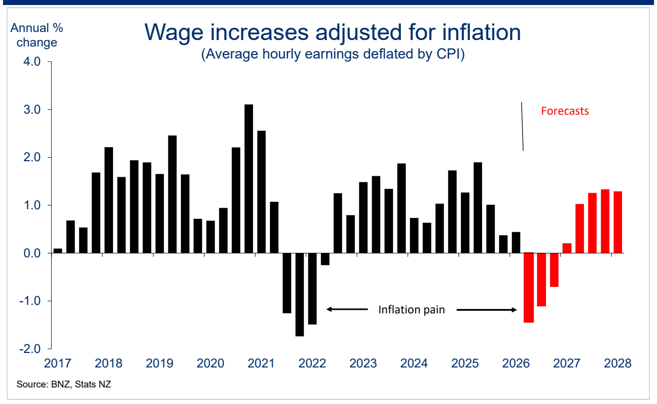
It is also important to recognise that rate moves have their biggest impact when they come as a surprise to markets. This move did not surprise. Consequently, lending rates are unlikely to change markedly, if at all. The floating rate will push higher but longer duration rates should be relatively well anchored. So, there is little reason to believe the move will adversely impact the housing market as some claim.

Certainly, house price inflation is moribund but that's more to do with listings continuing to rise aggressively in the face of soft demand than it is an affordability issue due to elevated debt servicing costs. Anyway, wouldn't it be nice for a change if New Zealand's economic recovery was led by rising real disposable incomes rather than asset price appreciation.

Another claim made by some is that the Bank should not be raising interest rates until the unemployment rate falls. Given that there are long lags between moving interest rates and having an impact on inflation it can be too late if you wait until unemployment falls. Equally, there can be long lags between growth picking up and new labour being hired. In the first stages of most recoveries, utilising the existing labour force more is the first and lower-risk option for businesses. Increased hiring comes when the existing labour force is fully utilised and there is confidence that growth will be sustained.

Overarching this, it is important to remember that the single biggest hit to the household sector, and the economy, over the last few years has been the erosion of spending power by inflation. As a recent reminder of this, look at how quickly consumer confidence was poleaxed when oil prices soared. If you want to start making inroads into a "cost of living crisis" the best way to do this is to get rid of inflation.

Inflation hurts



Stephen_toplis@bnz.co.nz

Global Watch

- **Confidence surveys dominate Australia data flow**
- **Q2 GDP to rise 1.0%**
- **US CPI inflation to fall**
- **Inflation pullback in Europe too**
- **BoC on hold**

Across the Tasman, Westpac consumer confidence and the NAB business survey are out Tuesday. Interestingly, consumer confidence, including perceptions of family finances, have so far failed to recover alongside the fall in fuel prices. This is very different to the bounce experienced in New Zealand.

Apart from that, it is another quiet week in Australia with nothing from the ABS or RBA.

China dominates the Asian data flow. Q2 GDP is released Wednesday. Consensus looks for an increase of 1.0% for the quarter and 4.5% yoy, dragged down by still sluggish domestic demand.

June activity data is also released Wednesday. This includes retail sales, industrial production, and property investment. The trade balance is released Tuesday.

In the US, the focus will be on the June CPI release (Tuesday), Fed Chair Kevin Warsh's semi-annual testimony to the House Financial Services Committee (Tuesday) and the Senate Banking Committee (Wednesday). Warsh will continue to opt out of forward guidance, though questioning may reveal additional insights into his approach. The Beige Book is Wednesday, and earnings season kicks off with a flood of US Banks reporting Tuesday. Also published are PPI (Wednesday), retail sales (Thursday) and University of Michigan consumer sentiment (Friday).

The Bank of Canada is universally expected to keep rates on hold at 2.25% (Wednesday).

In Europe, final June HICP inflation is released (Friday). Headline inflation is expected to have retained the 0.4ppts pullback to 2.8% yoy, with annual deceleration also seen in the core and services measures.

May monthly GDP is released (Thursday) in the UK. It is expected to show a 0.1% rise mom. Likely outgoing Chancellor, Rachel Reeves, and BoE Governor, Andrew Bailey, give their annual Mansion House speeches (Tuesday). With Andy Burnham securing sufficient Labour Party votes to prevent a challenger, he is likely to formally kick-off his Prime Ministership on Monday July 20.

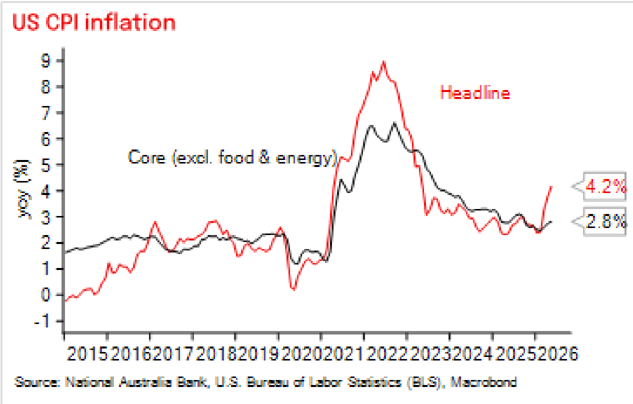
Key Event Previews

Tuesday

US CPI (June)

Headline CPI inflation is expected to tick down from the 4.2% annual cycle high as gasoline prices fall back. There is even a chance of a small decline in month on month terms.

Interest will be in core prices, where the early consensus is split between a 0.2% and 0.3% mom outcome. Rent increases should be back near their subdued trend pace after catch-up measurement from earlier data collection gaps, and there is uncertainty as to how much of a World Cup boost will be measured in accommodation prices in June. There may be some boost to consumer electronics prices from memory cost increases, but Apple's decision to raise prices on Mac computers was likely too late to be reflected in the June CPI.



Wednesday

Bank of Canada Rate Decision (July)

The BoC is widely expected to keep rates unchanged at 2.25%, which would mark a sixth straight hold. This is because there is clear slack in the economy and concerns around economic growth leave the BoC comfortable running a modestly accommodative policy setting for now. Core inflation is around the BoC's target but inflation risks are tilted to the upside. Nonetheless, given the extent of the spare capacity, NAB expects the BoC to remain on hold through 2026, with the next move a hike in Q1 2027 as growth recovers.

Stephen_toplis@bnz.co.nz

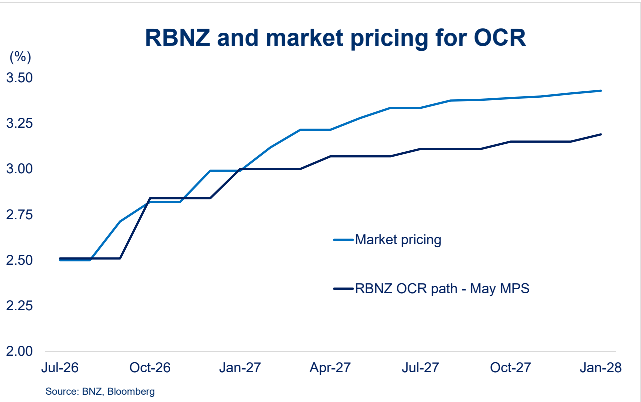
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ rates moved sharply higher last week, driven by a rebound in oil prices that pushed global yields higher, as well as expectations of increased government bond supply, which was exacerbated by market positioning. While a small minority had expected the RBNZ to leave rates on hold, the 25bp increase in the Cash Rate to 2.50% and the tone of the accompanying communication were broadly in line with expectations. The Bank retained a data-dependent tightening bias, signalling that further increases are likely, although the timing remains uncertain.

Because the announcement was a Policy Review, the Bank did not publish a full set of updated forecasts. However, it did provide inflation projections for the June and September quarters which were well below the May Statement forecasts thanks to the recent decline in oil prices. The outlook for medium-term inflation pressures was described as uncertain and will depend on the extent to which recent cost increases feed through into prices and the offset provided by the spare capacity in the economy.

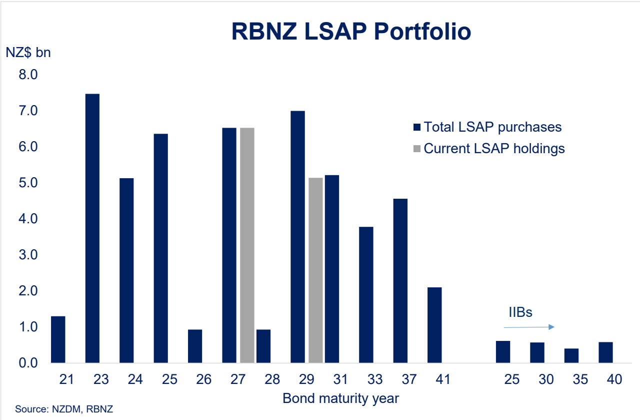
Market pricing for OCR marginally above RBNZ path



OIS pricing implies around an 85% chance of a follow-up hike at the September Monetary Policy Statement, and just under 50bp of cumulative tightening across the remaining three meetings this year. A range of first-tier economic data is due ahead of the meeting, including Q2 CPI, labour market data, and the RBNZ's inflation expectations survey. The QSBO will provide a read on activity, capacity pressures, and pricing intentions, while high-frequency indicators, including PMIs and monthly inflation partials, will help assess the broader momentum in activity and inflation. June PMIs pointed to a rebound in activity, while inflation partials for the same month are released this week.

NZ Debt Management announced the syndicate panel for the new 15 May 2038 nominal bond last week and launched the deal this morning. A July transaction was widely expected, and the start of this week offers an execution window free of major domestic data releases and market holidays in key NZGB investor domiciles. Non-residents were allocated close to 70% of the two most recent near-10-year syndications, highlighting the importance of this investor category. This week also avoids the likely launch of a similar-maturity Australian Government bond later this month. Target volume for the new May-2038 NZGB is NZ$5-7 billion with initial price guidance of 6-10bp over the 2037 bond.

LSAP unwind close to complete



At last week's meeting, the Monetary Policy Committee has approved full divestment of the remaining Large Scale Asset Purchase (LSAP) holdings by June 2027 in the interests of operational efficiency. Under the current programmatic active sales to NZDM and the maturity of the May-2027 line, there would only be a trivial remaining NZGB holdings by next June and an earlier unwind will not impact the market or issuance. The RBNZ will also divest its NZ$392 million LSAP holdings of Local Government Funding Agency securities. Initial details on the LGFA sale were not provided but the Bank noted that LGFA provides a regular repurchase tender.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	2.83	2.67 - 2.83
NZ 2yr swap (%)	3.51	3.26 - 3.53
NZ 5yr swap (%)	3.84	3.62 - 3.85
NZ 10yr swap (%)	4.21	3.98 - 4.24
2s10s swap curve (bps)	70	67 - 80
NZ 10yr swap-govt (bps)	-36	-37 - -33
NZ 10yr govt (%)	4.57	4.32 - 4.61
US 10yr govt (%)	4.56	4.36 - 4.60
NZ-US 10yr (bps)	1	-12 - 3
NZ-AU 2yr swap (bps)	-94	-122 - -92
NZ-AU 10yr govt (bps)	-27	-40 - -25

*Indicative range over last 4 weeks

Stuart.ritson@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ

The NZD outperformed last week, supported by the RBNZ's rate hike and a strong rebound in NZ's manufacturing PMI. Escalating tensions in the Middle East provided only a mild dampening influence. NZD/USD rose 0.9% over the week to 0.5760, while gains on the NZD crosses were in the order of 0.5-1.0%. NZD/AUD closed the week at 0.8290 after failing to sustain a temporary move above 0.8300.

The RBNZ finally kicked off its tightening cycle, raising the OCR by 25bps to 2.5%, its first rate hike in more than three years. The Bank maintained a tightening bias, noting that "some further reduction in monetary stimulus is likely to be required". While the move was anticipated by many, others had expected the RBNZ to wait, meaning the hike was not fully priced heading into the event. We welcomed the Bank's decision, viewing the rate hike as well overdue given the sticky inflation backdrop. The Bank's maintenance of a low cash rate relative to key peer countries has contributed significantly to a weaker NZD over the past year, adding to inflation pressure and cost-of-living strain.

A strong rebound in NZ's manufacturing PMI to 59.7 in June, its highest reading in five years, was reported after the Bank's rate hike and supported the narrative that the economic recovery is getting back on track following the temporary war-driven hit in Q2. The data added to NZD strength later in the week.

Offsetting some of the positive news for the NZD, Iran fired missiles at commercial ships transiting the Strait of Hormuz, testing a late-June agreement with the US to halt attacks. The US retaliated with missile strikes on Iran, and Iran hit back with strikes across other Gulf nations, a state of affairs that continued through the weekend. President Trump declared the ceasefire over.

The market has become desensitised to headlines about the US-Iran conflict. The oil market has also proven more resilient than pre-conflict expectations suggested, while the conflict has encouraged parties to become less reliant on oil and gas flows through the Strait of Hormuz. While the escalation is a reminder of the risks still overhanging the market, we see the conflict as less important for FX markets than it was a few months ago.

With the RBNZ now off the sidelines and NZ economic data improving, we continue to see limited downside risk for the NZD, absent catastrophic developments in the Middle East. That said, NZ rates remain historically low and continue to be an enduring headwind to any NZD recovery. Our recent downgrade to NZD/USD projections incorporated a milder recovery than we previously expected.

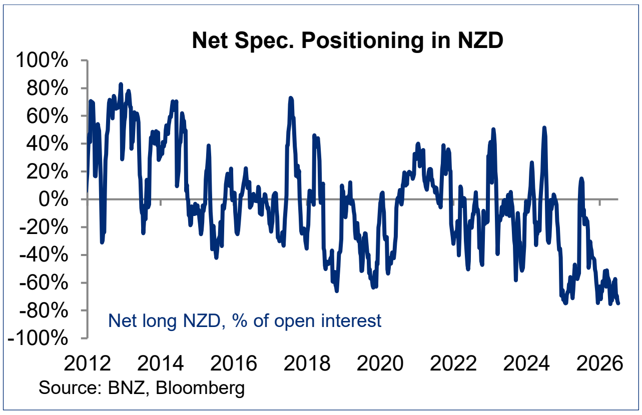
Last week's NZD appreciation still leaves it below the midpoint of the approximate 0.56–0.60 range we anticipate through the rest of Q3. From a technical perspective, we see 0.5630 as the first near-term support level.

The RBNZ's move to begin a tightening cycle gives us greater confidence that the late-May low in NZD/AUD of 0.8138 will not be breached. Some of last week's strength in the cross reflected a closing of short NZD/AUD positions and, as we saw after the RBNZ's hawkish May update, such positioning unwind can be short-lived. NZ short rates relative to Australia remain historically low, and the negative carry remains a formidable headwind for NZD/AUD performance. Our projections are consistent with only a small uplift in the cross through the rest of the year.

The latest CFTC data showed speculative accounts continuing to add to US dollar long positions in futures markets, a proxy for the broader FX market. The aggregate USD long position increased to USD40 billion, the largest in more than a decade. Ahead of the RBNZ meeting, the data continued to show significant net short NZD positions.

In the week ahead, top-tier global releases include US inflation and retail sales data for June, along with China Q2 GDP and June activity data. The Bank of Canada meets and is widely expected to keep policy on hold. In NZ, monthly CPI data will allow us to finalise our Q2 estimate, which currently sits at an elevated 4.1% y/y. Tomorrow's QSBO will also be well anticipated.

Low rates continue to attract significant short NZD positions



Cross Rates and Recent Ranges

	Current	Last wk %chg	Last 3-wks range*
NZD/USD	0.5761	0.9%	0.5630 - 0.5790
NZD/AUD	0.8295	0.7%	0.8160 - 0.8320
NZD/CAD	0.8158	0.6%	0.7990 - 0.8190
NZD/GBP	0.4303	0.6%	0.4250 - 0.4350
NZD/EUR	0.5053	1.1%	0.4940 - 0.5060
NZD/JPY	93.12	1.1%	91.00 - 93.60

*Indicative range over last 3 weeks, rounded

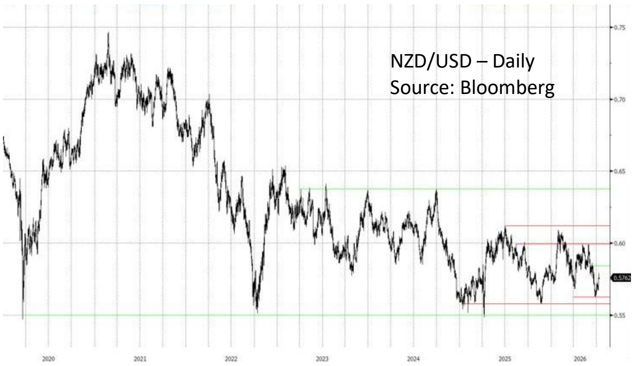
Jason.k.wong@bnz.co.nz

Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.5850 (ahead of 60)
ST Support: 0.5625 (ahead of 0.5580)

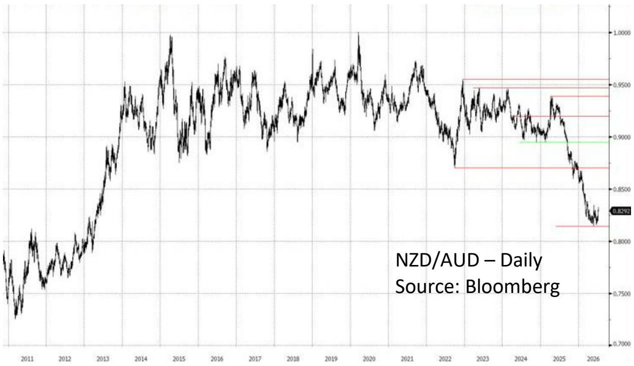
No change. Following recent price action, we would put initial support and resistance levels at 0.5625 and 0.5850 respectively.



NZD/AUD

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

The cross looks to be in a consolidation phase but for now remains technically vulnerable with no support below the late-May low near 0.8140.

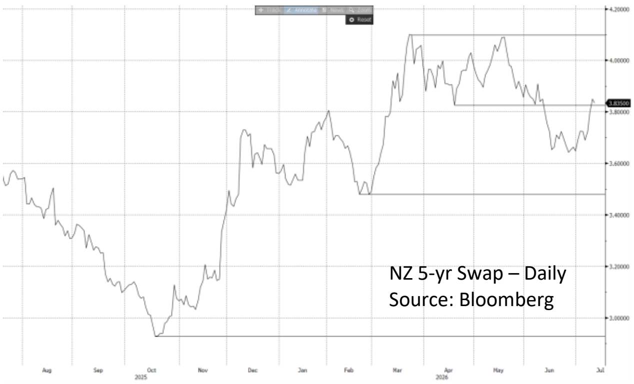


Jason.k.wong@bnz.co.nz

NZ 5-year Swap Rate

Outlook: Higher
MT Resistance: 4.095
MT Support: 3.82

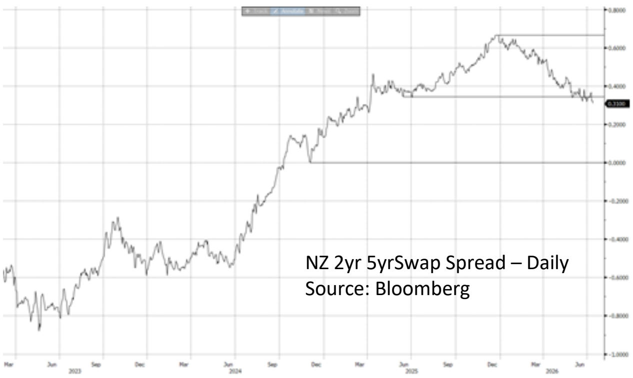
5-year swap looks to have sold off sharply through our resistance level of 3.82. We shift our outlook to a higher 5-year with resistance becoming support. The next resistance we see at 4.095%.



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

Outlook: Lower
MT Resistance: 0.34
MT Support: 0

2s5s curve continues to trade flatter directionally. We see it flattening further from here.



Matthew.herbert@bnz.co.nz

Quarterly Forecasts

Forecasts as at 13 July 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.)	-0.7	0.9	0.5	0.8	-0.2	0.3	0.6	0.6	0.7	0.7
Retail trade (real s.a.)	0.7	2.0	0.9	0.9	0.4	0.6	0.5	0.6	0.7	0.8
Current account (ann, % GDP)	-3.7	-3.5	-3.6	-3.6	-3.6	-4.1	-4.5	-4.5	-4.3	-4.0
CPI (q/q)	0.5	1.0	0.6	0.9	1.5	0.7	0.3	0.6	0.6	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	4.1	3.8	3.5	3.1	2.2	2.0
GDP (production s.a., y/y)	-0.9	1.1	1.5	1.5	1.9	1.4	1.5	1.2	2.1	2.6

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	**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
	Jun	2.25	2.68	3.96	4.47	3.40	3.75	4.15	3.70	4.45	0.00
Forecasts											
	Sep	2.75	3.25	4.25	4.70	3.80	4.00	4.30	3.65	4.50	0.20
	Dec	3.25	3.65	4.35	4.75	4.00	4.15	4.40	3.40	4.50	0.25
2027	**Mar**	3.75	4.05	4.35	4.80	4.00	4.20	4.50	3.15	4.50	0.30
	Jun	4.00	4.15	4.30	4.85	4.00	4.20	4.60	3.15	4.50	0.35
	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
2028	**Mar**	4.00	4.15	4.10	4.90	3.75	4.10	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	0.58	0.69	1.14	1.34	162	0.58	0.83	0.50	0.43	93.2	66.1
Forecasts											
Sept-26	0.57	0.69	1.14	1.32	163	0.57	0.83	0.50	0.43	92.6	65.4
Dec-26	0.59	0.70	1.15	1.32	161	0.59	0.84	0.51	0.45	94.7	67.1
Mar-27	0.60	0.70	1.16	1.33	158	0.60	0.86	0.52	0.45	94.5	67.9
Jun-27	0.61	0.69	1.15	1.32	155	0.61	0.88	0.53	0.46	94.6	69.0
Sept-27	0.61	0.68	1.15	1.31	153	0.61	0.90	0.53	0.46	93.0	69.2
Dec-27	0.61	0.67	1.15	1.32	151	0.61	0.90	0.53	0.46	91.4	68.9
Mar-28	0.61	0.67	1.15	1.32	151	0.61	0.90	0.53	0.46	91.4	68.9
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 13 July 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	3.8	1.2	1.0	0.1	-0.9	2.5	2.9	0.4
Total Investment	-1.1	-4.9	-0.2	4.2	3.7	-0.3	-4.8	-1.3	3.2	4.1
Stocks - ppts cont'n to growth	-1.4	0.4	0.3	0.2	-0.1	-1.2	0.4	-0.1	0.5	-0.1
GNE	-0.9	-1.0	1.8	2.3	2.4	-0.7	-1.1	0.9	2.6	2.2
Exports	8.6	3.4	3.3	6.5	3.4	11.5	4.7	2.8	6.9	3.5
Imports	-1.4	1.5	5.4	7.9	2.6	-0.7	1.6	3.3	8.9	3.1
Real Expenditure GDP	1.5	-0.7	1.3	1.9	2.5	2.1	-0.3	0.7	2.2	2.2
GDP (production)	**1.8**	**-0.9**	**0.8**	**1.5**	**2.6**	**2.2**	**-0.3**	**0.3**	**1.6**	**2.2**
GDP - annual % change (q/q)	*1.5*	*-0.8*	*1.5*	*1.2*	*3.0*	*1.5*	*-1.6*	*1.5*	*1.5*	*2.8*
Output Gap (ann avg, % dev)	1.3	-0.4	-0.8	-0.8	-0.2	1.4	0.0	-0.9	-0.7	-0.4
Nominal Expenditure GDP - $bn	417	432	451	473	496	413	427	445	468	490
Prices and Employment -annual % change										
CPI	4.0	2.5	3.1	3.1	1.9	4.7	2.2	3.1	3.5	1.9
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	1.2	0.3	0.6	-0.8	0.1	1.2	0.6	0.3
Unit Labour Costs (ann av %)	6.6	4.4	2.5	2.8	2.6	7.1	4.7	2.9	2.4	2.9
House Prices (stratified, mth)	2.7	-0.7	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	-16.3	-21.0	-17.6	-25.8	-20.0	-16.0	-21.1	-18.4
Current Account - % of GDP	-5.7	-4.2	-3.6	-4.5	-3.6	-6.3	-4.7	-3.6	-4.5	-3.8
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	0.60	0.61	0.62	0.57	0.58	0.59	0.61
USD/JPY	150	149	159	158	150	144	154	156	161	151
EUR/USD	1.09	1.08	1.16	1.16	1.14	1.09	1.05	1.17	1.15	1.15
NZD/AUD	0.93	0.91	0.83	0.86	0.90	0.93	0.91	0.87	0.84	0.90
NZD/GBP	0.48	0.44	0.44	0.45	0.47	0.49	0.45	0.43	0.45	0.46
NZD/EUR	0.56	0.53	0.51	0.52	0.54	0.57	0.55	0.49	0.51	0.53
NZD/YEN	91.1	85.4	92.8	94.5	91.5	89.5	88.4	90.3	94.7	91.4
TWI	71.2	67.9	66.8	67.9	69.4	72.0	68.5	66.8	67.1	68.9
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	4.35	4.15
10-year Govt Bond	4.60	4.50	4.65	4.80	4.90	4.65	4.45	4.50	4.75	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	4.15	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	0.30	0.40	0.65	0.05	0.35	0.25	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			
NZ	Quarterly survey of business opinion			
NZ	RBNZ Chief Economist Paul Conway Speaks on Inflation			
AU	Westpac Consumer Conf Index			80.6
AU	NAB Business Conditions			3
CH	Exports YoY	19.20%		19.40%
CH	Imports YoY	25.00%		27.40%
US	NFIB Small Business Optimism	95.7		95.3
	Wednesday			
US	Core CPI MoM - Jun	0.20%		0.20%
US	Core CPI YoY - Jun	2.90%		2.90%
US	CPI MoM - Jun	-0.10%		0.50%
US	CPI YoY - Jun	3.80%		4.20%
US	Fed Chair Warsh Testifies at House Financial Services Cmte.			
UK	BOE Governor Bailey speaks at Mansion House			
NZ	Card Spending Total MoM - Jun			2.20%
CH	GDP (q/q%) - 2Q	0.90%		1.30%
CH	GDP (y/y%) - 2Q	4.50%		5.00%
CH	Fixed investment (YTD, y/y%) - Jun	-5.00%		-4.10%
CH	Industrial production (y/y%) - Jun	4.60%		4.50%
CH	Retail sales (y/y%) - Jun	-0.10%		-0.60%
EC	Industrial production (m/m%) - May	0.30%		0.10%

		Median	Fcast	Last
	Thursday			
US	Empire Manufacturing - Jul	9.3		5.7
US	PPI ex food and energy (m/m%) - Jun	0.30%		0.40%
US	PPI ex food and energy (y/y%) - Jun	5.20%		4.90%
US	Fed's Williams Delivers Keynote Remarks			
CA	Bank of Canada policy rate (%) - July	2.25%		2.25%
US	Fed Chair Warsh Testifies Before Senate Banking Committee			
UK	Industrial production (m/m%) - May	-0.10%		0.00%
UK	GDP (m/m%) - May	0.10%		-0.10%
	Friday			
US	Initial jobless claims (k) - Jul	217k		215k
US	Philadelphia Fed business outlook -	11.5		10.3
US	Retail sales (m/m%) - Jun	0.30%		0.90%
US	Retail sales control group (m/m%) Jun	0.50%		0.70%
US	Retail Sales ex auto, gas (m/m%) Jun	0.40%		0.50%
US	NAHB housing market index - Jul	35		35
US	Pending home sales (m/m%) - Jun	-0.20%		3.80%
NZ	Monthly CPI indicators - Jun			1.00%
US	Building permits (k)- Jun P	1400k		1410k
US	Housing starts (k) - Jun	1315k		1177k
US	Industrial production (m/m%) - Jun	0.20%		0.10%
US	U.of Mich. 5-10 yr inflation expectations - Jul P	3.30%		3.30%
US	U. of Mich. consumer sentiment - Jul P	51		49.5
US	PPI ex food and energy (m/m%) - Jun	0.30%		0.40%

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	2.50	2.25	2.25	3.25
1mth	2.70	2.63	2.48	3.36
2mth	2.77	2.69	2.58	3.32
3mth	2.85	2.75	2.68	3.28
6mth	3.03	2.96	2.90	3.24
GOVERNMENT STOCK				
05/28	3.50	3.33	3.34	3.47
05/31	4.03	3.88	3.89	4.05
04/33	4.29	4.13	4.12	4.34
05/36	4.58	4.42	4.41	4.66
05/41	4.97	4.80	4.79	5.03
05/54	5.23	5.06	5.01	5.25
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	51	50	50	51
Europe 5Y	52	50	51	55

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.52	3.35	3.33	3.17
3 years	3.65	3.48	3.47	3.30
4 years	3.76	3.59	3.59	3.43
5 years	3.85	3.69	3.69	3.57
10 years	4.22	4.07	4.09	4.10
FOREIGN EXCHANGE				
NZD/USD	0.5752	0.5701	0.5823	0.5972
NZD/AUD	0.8294	0.8197	0.8233	0.9123
NZD/JPY	93.17	92.40	93.35	88.21
NZD/EUR	0.5049	0.4984	0.5023	0.5120
NZD/GBP	0.4300	0.4258	0.4341	0.4448
NZD/CAD	0.8150	0.8099	0.8146	0.8185
TWI	66.1	65.4	66.5	69.0

Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

India Power
Economist

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