Research

Markets Outlook

27 July 2026

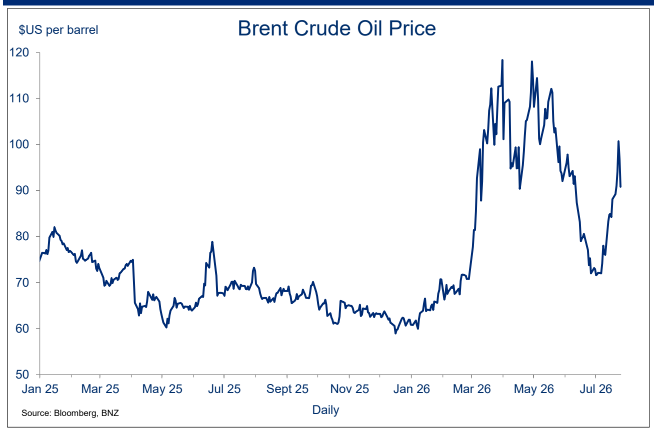
Oil volatility continues; labour market preview

- **Same same: oil volatile, more US tariff changes**
- **Inflation at risk of lingering close to 4% through 2026**
- **Confidence lift tested by numerous events in July**
- **Employment indicators pointing up**
- **But insufficient to prevent unemployment rate rise?**

Economic indicators continue to point to recovery in 2026. But that is not to say things have moved in a straight line this year and challenges remain.

The budding positive momentum must contend with resurgent geopolitical tensions and volatile oil prices. Brent crude prices poked back above US$100/bbl last week, after dipping toward US$70/bbl earlier in the month, before pulling back to near $US90/bbl this morning on peace talk hopes. The volatility is unhelpful, as is the upward pressure on costs.

Resurgent



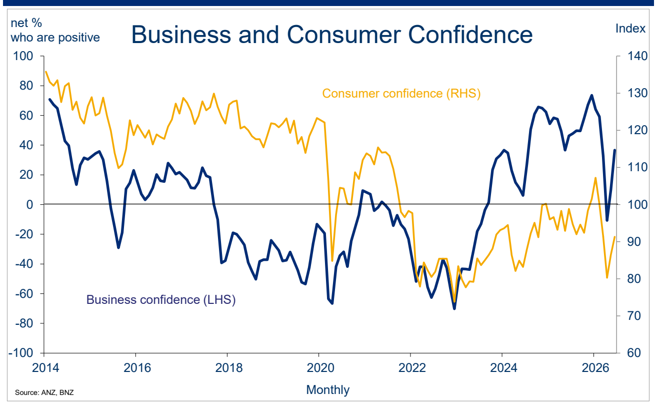
Looking through the volatility, our year-ahead inflation forecasts are broadly unchanged. However, higher oil prices and renewed upward pressure on domestic fuel prices raise the risk of inflation staying close to 4% through the rest of 2026. It remains anyone's guess as to how the situation in the Middle East evolves.

We continue to see near-term inflation above the RBNZ's July MPR estimates. The longer inflation stays outside the Bank's target band, the greater the risk it becomes entrenched. The RBNZ will be keen to avoid that, so we continue to expect further removal of monetary stimulus.

There is no top-tier local data on the calendar this week, but a few high-frequency indicators are worth monitoring. ANZ's business and consumer confidence surveys are due on Thursday and Friday, respectively, while June's filled jobs data are to be released tomorrow.

Business and consumer confidence rose in June, but the balance of developments since then suggest some retracement is more likely than further gains in July.

Confidence perked up in June; some give back in July?



Higher oil prices are a headwind for confidence. However, we shouldn't dismiss a substantial fall in domestic fuel prices earlier in the month. The net effect on confidence is unclear.

The RBNZ delivered an OCR hike in July. One would think this is more likely to dent confidence than not. The announcement effect may have done so, but a hike was widely expected and so should have surprised few. Some may even view it positively as a step toward bringing inflation to heel.

The first detection of H5N1 bird flu in NZ, Fonterra's lower 2026/27 milk price forecast, and rising awareness of El Nino weather risks to spring/summer primary production may take the edge off a generally positive primary sector.

Late last week, the US confirmed it is pushing ahead with imposing 10% to 12.5% tariffs on imports from most of its major trading partners, including New Zealand. Many countries, including New Zealand, have rejected the forced-labour premise of the new tariffs. Some products like beef and kiwifruit remain exempt. The new tariffs take effect as the prevailing temporary tariffs expire.

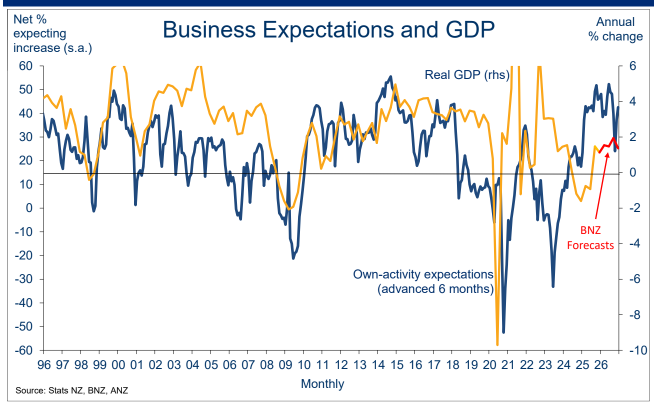
In effect, NZ goods entering the US will generally face a 12.5% tariff, up from the prevailing temporary 10%, though below the 15% rate before the US Supreme Court ruled against the basis for those earlier this year. The change is not a surprise.

The incremental tariff increase is unlikely to materially alter macroeconomic outlooks, though it is marginally negative for growth. Ongoing tariff changes also create uncertainty, which is itself unhelpful. While NZ faces similar US tariff rates to many others, there is still an added cost to absorb – either by US consumers, as many have argued has largely been the case to date, through the supply chain, or both.

Overall, recent developments would seem more negative than positive for confidence. Whether that appears in July's outcomes remains to be seen.

For Thursday's ANZ business survey, the focus will be on the inflation and real activity indicators rather than headline confidence. In June, the survey's inflation indicators eased off a touch and activity gauges lifted. Some reversal is possible, although the activity indicators could give back some of June's gains and remain consistent with recovery.

Firms' growth expectations lofty

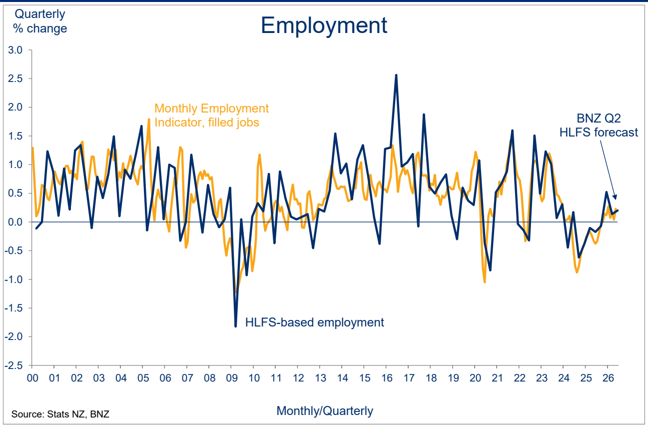


Official labour market data for Q2 are due next week, on Wednesday 5 August. Indicators including the PMI/PSI, SEEK job ads, firms' employment intentions, and filled jobs through to May, point to some employment growth in the quarter.

A small monthly gain in tomorrow's June filled jobs data would fit best with our forecast of a modest Q2 gain in HLFS employment, though there is not a one-to-one relationship between the two.

We have 0.2% q/q pencilled in for HLFS employment growth, subject to tomorrow's data. That would put annual employment growth at 0.8%, though we are wary that revisions could lower the annual rate relative to what any quarterly result on its own might imply.

Modest Q2 employment growth expected



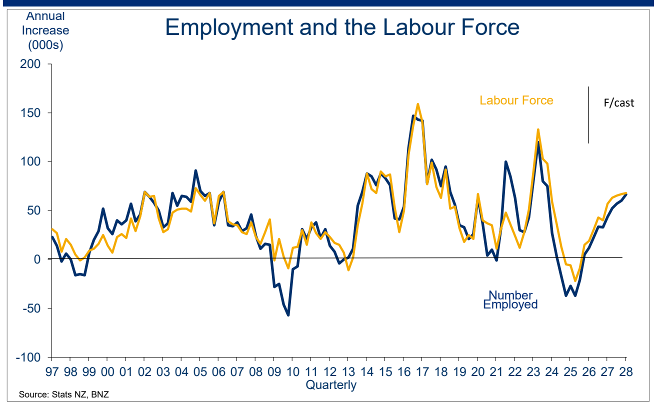
Our employment growth forecast is not strong enough to offset the expected lift in labour supply, so we forecast the unemployment rate to tick up to 5.4% in Q2 from 5.3% in Q1, assuming a roughly steady participation rate. A larger-than-expected participation dip could prevent the unemployment rate from pushing higher.

Wage inflation appears relatively steady. We forecast 2.0% annual growth in the private sector Labour Cost Index (LCI), matching Q1. A higher unemployment rate and lags could suggest some downside risk to our wage inflation forecast, while the likes of the SEEK salary index and QSBO tightness indicators at least point to an end of recent annual wage disinflation.

In its May MPS, the RBNZ saw Q2 employment growth of 0.1% q/q / 0.7% y/y, an unemployment rate at 5.4%, a participation rate at 70.3%, and private sector LCI wage inflation at 1.9% y/y.

Our labour market forecasts are very close to the Bank's, give or take a point, so outcomes in line with our forecasts are unlikely to materially alter its policy outlook.

Labour demand and supply rising



doug_steel@bnz.co.nz

Global Watch

- **Oil prices remain a key inflationary pressure**
- **Central bank decisions are abundant this week**
- **Key data due ahead of RBA decision on 11 August**

On Friday, President Trump announced a fresh round of tariffs, with the expiring 10% country-specific tariff rates replaced by 10% or 12.5% rates under a different act. Trump also threatened to hit the EU with more tariffs following the "robbing" of American tech companies after the EU imposed fines for breaching the bloc's digital rules.

Key remaining information ahead of the RBA's 11 August meeting comes this week. Governor Bullock speaks on Tuesday, ahead of Q2 CPI on Wednesday. NAB's forecasts are in line with consensus, seeing a trimmed mean of 0.9%, marginally below the RBA's May SoMP forecast, and headline CPI of 0.7%, well below the RBA's forecast due to the earlier fall in fuel prices. This week also bring building approvals (Thursday), private sector credit and PPI (Friday).

In Asia, the BoJ is expected to hold at 1.00% when it meets on Friday. Tokyo CPI, the jobless rate, industrial production and retail sales also land on Friday and machine tool orders are out on Wednesday. In China, official PMIs and industrial profits are released. There is no date set yet, but China's politburo ordinarily meets in the last week of July. Don't expect fireworks, but there is plenty of scope to accelerate delivery of previously approved spending.

In the US, the FOMC is expected to hold on Wednesday after June CPI and PPI data didn't add to inflation fears, but the combination of Chair Warsh's approach to forward guidance and elevated inflation uncertainty could make for an interesting meeting. Preliminary Q2 GDP arrives with June PCE on Thursday. Trade data is on Tuesday and Canada's May GDP is on Friday.

In Europe, preliminary Q2 GDP is out on Thursday. The consensus looks for growth of 0.2%. Also on Thursday, Germany, Spain and Belgium release preliminary inflation data, ahead of the EZ reading Friday. Headline HICP is seen at 2.9% y/y from 2.8% and core to 3% y/y from 2.8%. In the UK, BoE is expected to hold on Thursday.

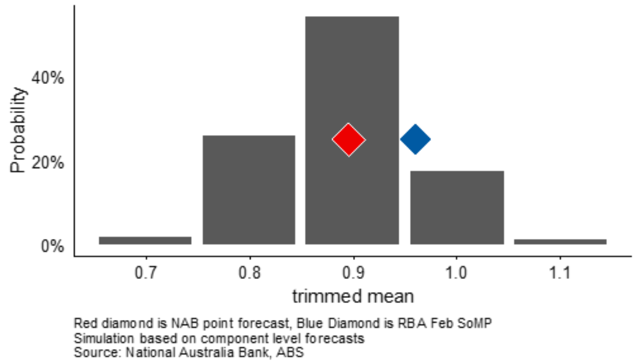
Key Event Previews

Wednesday

Australia Q2 CPI

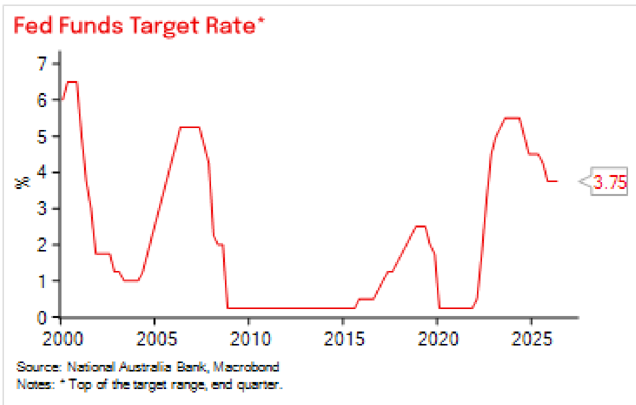
NAB expects a quarterly trimmed mean of 0.9% q/q and 3.7% y/y, in line with consensus and Q2 headline inflation to print 0.7% q/q and 4.0% y/y. Headline inflation looks to be peaking much lower than the RBA feared, but fuel prices are set to rise again in Q3. For monthly CPI, June headline CPI is forecast to be 4.0% y/y with a trimmed mean of 3.7% y/y.

Distribution of trimmed mean forecast outcomes



US FOMC Rate Decision

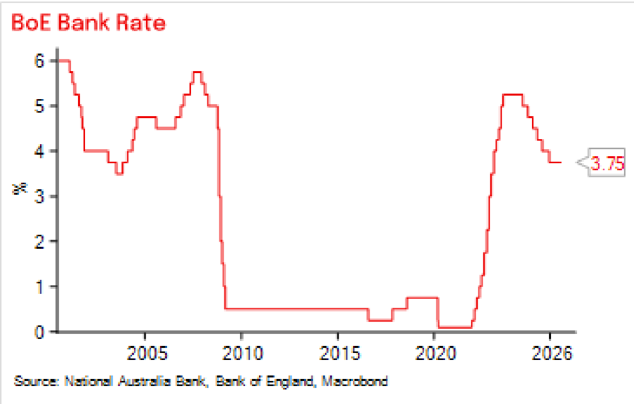
The FOMC is expected to leave rates unchanged next week, although resurgent oil prices have now seen markets price in a 33% chance of a rate rise. While June CPI was softer than expected, policymakers have been quick to stress that one reading does not constitute a trend. Our colleagues at NAB continue to expect the Fed to remain on hold through 2027, reflecting their view that underlying inflation pressures will gradually ease; but the run up in oil prices, if sustained, is a risk to that view.



Thursday

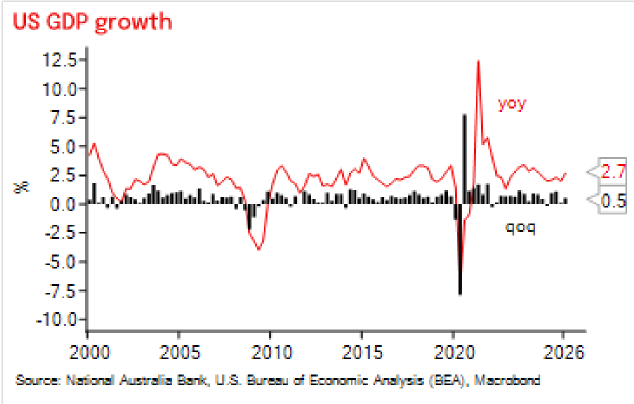
UK Bank of England Rate Decision

The BoE meets on Thursday with no change to policy rates expected. New economic forecasts could nudge economic growth up slightly for 2026, while inflation for 2026 and 2027 will show a slightly lower profile. Unemployment forecasts are likely to be marginally lower, NAB expects the BoE to highlight increased uncertainty overall thanks to Middle East developments and UK political changes, where fiscal policy is in a state of flux.



US GDP & PCE (Q2 Advance)

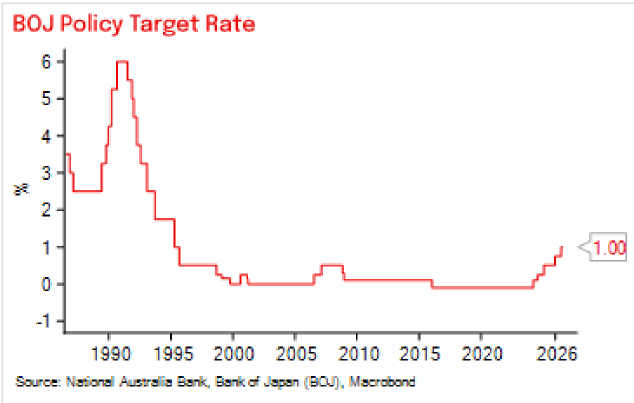
The GDP and PCE releases arrive together this month the day after the Fed's decision. Annualised quarterly growth is expected to be 2.2% for GDP, driven by a rebound in consumption and persistent strength in business equipment investment, mainly related to AI CapEx. With net exports likely to detract from growth, domestic final demand is likely to be stronger than the headline GDP result. The monthly PCE inflation read is expected, based on CPI and PPI data, to be 0.2% m/m. If realised this would be the lowest outcome for the year.



Friday

JP BoJ Rate Decision

The BoJ is expected to leave rates unchanged at 1.00%. Markets will focus on the Bank's updated forecasts and assessment of renewed tensions in the Middle East, particularly given policymakers' historical preference to move cautiously when global uncertainty rises. At the same time, persistently strong activity indicators and a generationally tight labour market should reassure the Board that the "virtuous cycle" between wages and prices remains intact. Preserving this dynamic remains central to the BoJ's gradual normalisation strategy after decades of low inflation. Our colleagues at NAB continue to expect the next rate increase in December, with Governor Ueda likely to reinforce the conclusion that further tightening remains a question of when, not if.



india_power@bnz.co.nz

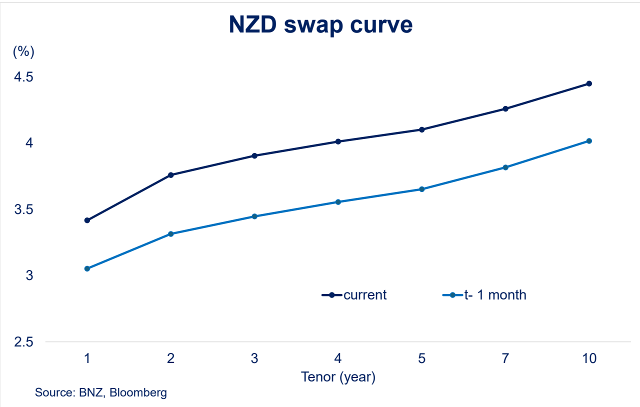
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

Two-year NZ swap rates traded above the previous May peak last week, reaching fresh 2026 highs above 3.80%, as the market priced a more aggressive RBNZ tightening cycle. The move reflected a combination of domestic and global factors. Locally, Q2 CPI was above consensus expectations and the RBNZ's July Policy Review projection, reinforcing the case for further tightening. Globally, fixed income markets sold off as the surge in energy prices pushed Brent crude above US$100 per barrel, reviving concerns about another inflation shock.

The move higher in NZ rates was exacerbated by market positioning, with the unwinding of received front-end positions adding momentum to the sell-off. The market is pricing around 60bp of RBNZ tightening by year-end and about 120bp cumulatively by December 2027. While near-term tightening risk has risen, we expect interest in fading terminal OCR pricing to build as market volatility declines. The repricing across the swap curve since early July has been relatively uniform, leaving the 2y/10y curve broadly stable near 70bp.

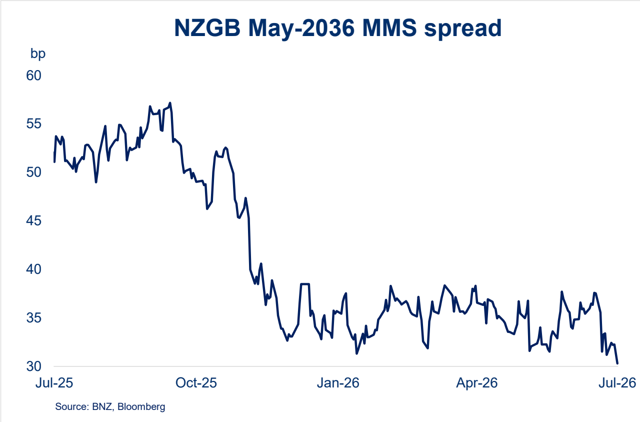
NZ swap curve repricing



Oil has re-emerged as a key macro driver for global rates markets, as escalating US-Iran tensions have reduced confidence that crude flows through the Strait of Hormuz can be fully restored. The rise in prices has been compounded by Iran-backed Houthi militants announcing a blockade of Saudi Arabia, reinforcing concerns that the energy shock could prove more prolonged. Even if tensions de-escalate, oil prices are likely to retain some geopolitical risk premium while uncertainty around Middle East supply routes persists.

With limited domestic data likely to materially affect NZ rates this week, investors will be focused on major central bank meetings and how policymakers respond to the latest rise in energy prices. The Federal Reserve meeting is likely to be the most important, with markets increasingly sensitive to any signal that officials are prepared to lean against a renewed inflation impulse. The Fed is widely expected to leave rates on hold, but market-implied odds of a hike have risen steadily in recent sessions.

10Y NZGB MMS spread at the bottom of the 2026 range



NZGBs have outperformed swaps during the recent sell-off, with 10-year matched-maturity swap spreads (MMS) tightening toward the bottom of this year's well-defined +30bp to +40bp range. The sell-off in NZ fixed income has been led by swaps, while pockets of NZGB demand have emerged as valuations improved. We expect interest in fading tighter MMS spreads near the bottom of the range, with any retracement in swap rates from recent highs likely to favour modest widening from current levels.

The new May-2038 bond will enter the main NZGB benchmarks at month-end, likely creating follow-through demand from low-tracking-error investors with mandates to closely replicate bond indices. The addition of NZ$7 billion of the new line would lengthen the widely followed Bloomberg Treasury 0+ Yr Index by around 0.14 years, a relatively large monthly adjustment that reflects both the maturity and syndication volume of the new NZGB.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	2.90	2.55 - 2.90
NZ 2yr swap (%)	3.81	3.31 - 3.81
NZ 5yr swap (%)	4.15	3.64 - 4.15
NZ 10yr swap (%)	4.50	3.99 - 4.51
2s10s swap curve (bps)	69	66 - 77
NZ 10yr swap-govt (bps)	-29	-37 - -29
NZ 10yr govt (%)	4.79	4.37 - 4.72
US 10yr govt (%)	4.68	4.36 - 4.71
NZ-US 10yr (bps)	11	-7 - 16
NZ-AU 2yr swap (bps)	-87	-112 - -80
NZ-AU 10yr govt (bps)	-30	-40 - -22

*Indicative range over last 4 weeks

stuart.ritson@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ

After its strong run through the first three weeks of July, the NZD weakened last week, with a safe-haven bid supporting a broadly based gain in the USD. After reaching a two-month high of 0.5873 early in the week, NZD/USD lost over a cent before finding some support. It closed the week 0.9% lower at 0.5790. NZD crosses were mixed, with NZD/AUD down 0.9%, and the NZD showing small falls against EUR and CAD, whilst flat against GBP and JPY. GBP got no benefit from the change in leadership and new Chancellor appointment. We'll have wait longer to see the true colours of the new government.

After a more than 4% gain since the end of June, the NZD's rapid recovery came to a grinding halt. Things looked ominous after the NZD couldn't sustain a modest gain seen in the wake of stronger NZ Q2 CPI data. That was a signal of its vulnerability. Add in a surge in oil prices, and the NZD closed the week lower.

NZ Q2 CPI was at the top end of market expectations, with a strong quarterly increase of 1.5% q/q lifting annual inflation from 3.1% to 4.1%. While the figures were boosted by higher fuel prices, inflation was still 2.9% excluding those effects. Core inflation measures were also strong, with the average of the five core measures closely monitored by the RBNZ rising to an 18-month high of 2.7% y/y. Notable too was the depth and breadth of price increases across the economy.

The data cemented expectations for a September RBNZ rate hike and follow up moves that extend into next year. However, the backdrop of higher oil prices led the market to price in increased rate hike potential for other central banks as well. Australian rate hike expectations got an added kicker following much stronger than expected employment in June, even though the unemployment rate was steady at 4.4%, weighing on the NZD/AUD cross rate.

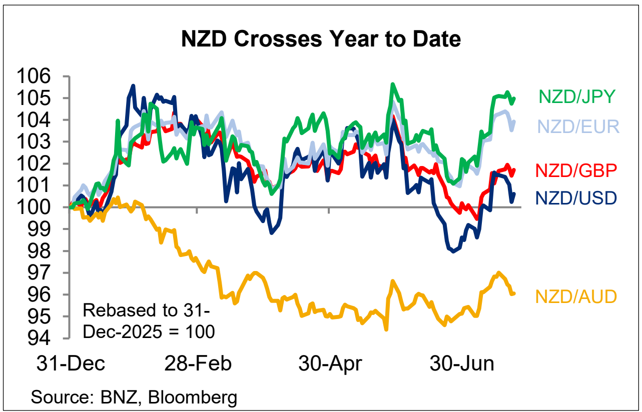
Short-term technical support for NZD/USD remains at 0.5750 while resistance is just under 0.60. As we noted last week, directionally any Middle East war escalation was ostensibly NZD-negative. Over the weekend the bombing campaign between the US and Iran stopped, following 13 consecutive days of strikes, with it being clear that neither side really wants military strikes to continue. This should set the scene for some consolidation in the week ahead. The NZD is close to the mid-point of the 0.56-0.60 range we had penciled in for Q3 in our early-July forecast update, so we have a neutral short-term NZD/USD outlook.

The week ahead is full of top tier events and releases which could impact currency markets. There are policy updates from the US Fed, Bank of England and Bank of Japan. While none of them are expected to raise rates, there will be keen interest in the language signalling the potential for future hikes. The market attributes a modest risk to the Fed delivering a rate hike at this meeting. While that is where the risk lies, only 1 out of 98 economists surveyed by Blomberg expects a hike, so such an outcome would be a surprise. Regardless of the decision, expect a USD-supportive tone to the event.

The BoJ should be tightening again – the central bank remains well behind the inflation curve – but that would surprise the market, and the best one might hope for is for firmer language around the pace of future hikes. A rate hike would be better than intervening in the market to prop up the yen. Intervention risk remains live, with the yen falling to a fresh 40-year low against the USD.

Australian Q2 CPI data will be crucial in driving near term policy expectations regarding the possibility of another hike this cycle. Key US economic releases are Q2 GDP, the employment cost index and PCE deflators for June, all of which are released after the Fed's policy update. Elsewhere, China PMIs, euro area Q2 GDP and July CPI data are released. The domestic calendar is light, with only the ANZ business outlook and consumer confidence surveys of some interest.

NZD still up year-to-date on most cross rates



Cross Rates and Recent Ranges

	Current	Last wk %chg	Last 3-wks range*
NZD/USD	0.5803	-0.9%	0.5670 - 0.5870
NZD/AUD	0.8288	-0.9%	0.8190 - 0.8390
NZD/CAD	0.8176	-0.4%	0.8050 - 0.8270
NZD/GBP	0.4350	0.1%	0.4250 - 0.4370
NZD/EUR	0.5090	-0.3%	0.4970 - 0.5150
NZD/JPY	94.99	0.0%	91.90 - 95.40

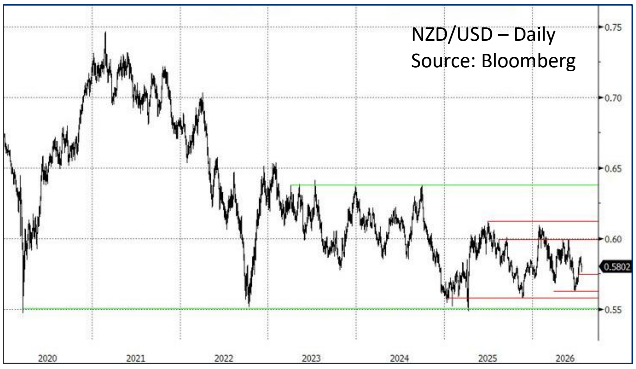
*Indicative range over last 3 w eeks, rounded

jason.k.wong@bnz.co.nz

Technicals

NZD/USD

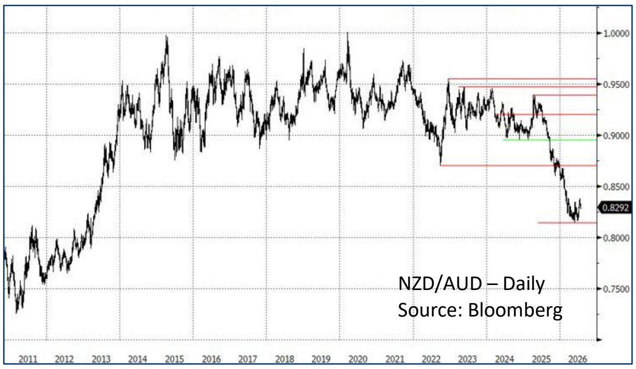
Outlook: Trading range
ST Resistance: 0.60 (ahead of 0.6120)
ST Support: 0.5750 (ahead of 0.5625)



No change. Short-term support sits at 0.5750, while the next resistance level is around 0.60.

NZD/AUD

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

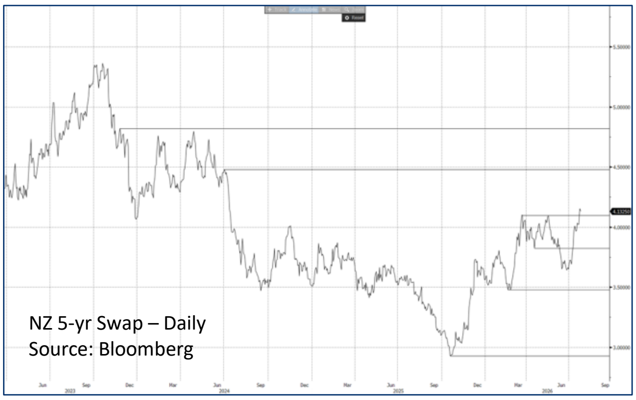


Looking to be in a consolidation phase. Short-term support at the low near 0.8140 while resistance is still far away at 0.87.

jason.k.wong@bnz.co.nz

NZ 5-year Swap Rate

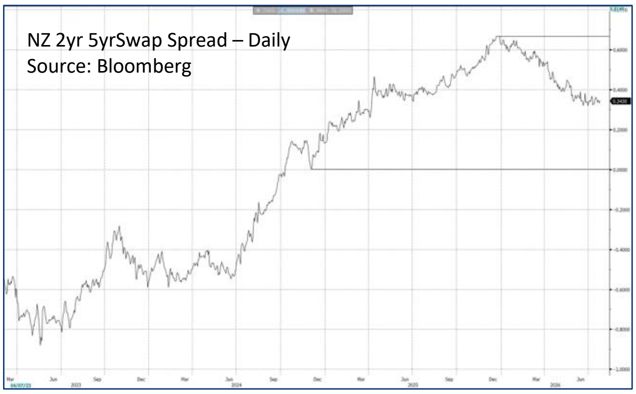
Outlook: Higher
MT Resistance: 4.48
MT Support: 4.095



5-year swap continued to move sharply higher last week and broke our resistance. The next observable resistance is at 4.48%, and we retain a higher outlook.

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

Outlook: Neutral
MT Resistance: 0.67
MT Support: 0



2s5s curve continues to hover around 35bp and does not exhibit any directional trend. We retain a neutral outlook.

matthew.herbert@bnz.co.nz

Quarterly Forecasts

Forecasts as at 27 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	-4.2	-4.6	-4.6	-4.4	-4.1
CPI (q/q)	0.5	1.0	0.6	0.9	1.5	0.7	0.7	0.4	0.3	0.6
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	3.7	3.8	3.3	2.1	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	2.5

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/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.58	0.70	1.14	1.33	164
Forecasts					
Sept-26	0.57	0.69	1.14	1.32	163
Dec-26	0.59	0.70	1.15	1.32	161
Mar-27	0.60	0.70	1.16	1.33	158
Jun-27	0.61	0.69	1.15	1.32	155
Sept-27	0.61	0.68	1.15	1.31	153
Dec-27	0.61	0.67	1.15	1.32	151
Mar-28	0.61	0.67	1.15	1.32	151

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.58	0.83	0.51	0.44	95.0	66.5
Forecasts						
Sept-26	0.57	0.83	0.50	0.43	92.6	65.4
Dec-26	0.59	0.84	0.51	0.45	94.7	67.1
Mar-27	0.60	0.86	0.52	0.45	94.5	67.9
Jun-27	0.61	0.88	0.53	0.46	94.6	69.0
Sept-27	0.61	0.90	0.53	0.46	93.0	69.2
Dec-27	0.61	0.90	0.53	0.46	91.4	68.9
Mar-28	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 27 July 2026	March Years Actuals 2024	2025	2026	Forecasts 2027	2028	December Years Actuals 2023	2024	2025	Forecasts 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	6.8	3.4	11.5	4.7	2.8	7.1	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	2.0	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	472	495	413	427	445	468	489
Prices and Employment -annual % change										
CPI	4.0	2.5	3.1	3.3	2.0	4.7	2.2	3.1	3.8	1.8
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	2.7	7.1	4.7	2.9	2.4	2.9
House Prices (stratified, mth)	2.7	-0.7	0.2	-0.7	4.3	0.7	-0.8	-0.3	0.0	3.0
External Balance										
Current Account - $bn	-23.8	-18.3	-16.3	-21.7	-17.6	-25.8	-20.0	-16.0	-21.7	-18.4
Current Account - % of GDP	-5.7	-4.2	-3.6	-4.6	-3.6	-6.3	-4.7	-3.6	-4.6	-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
	Monday 27 July			
CH	Industrial Profits YoY Jun			21.10%
GE	IFO Expectations Jul	84.7		84.1
UK	CBI Retailing Reported Sales Jul			-54
	Tuesday 28 July			
US	Durable Goods Orders Jun P	1.80%		-4.50%
NZ	Filled Jobs SA MoM Jun			0.30%
AU	RBA's Bullock speaks			
	Wednesday 29 July			
US	ADP Weekly Employment Change July -11			16.500k
US	Advance Goods Imports MoM SA Jun			3.60%
US	Advance Goods Exports MoM SA Jun			-5.40%
US	S&P Cotality CS US HPI YoY NSA May	1.00%		0.85%
US	Richmond Fed Manufact. Index Jul	5		4
US	Conf. Board Consumer Confidence Jul	92.1		91.2
US	Dallas Fed Services Activity Jul			2.9
AU	CPI MoM Jun	0.20%		-0.70%
AU	CPI YoY Jun	4.00%	4.00%	4.00%
AU	CPI Trimmed Mean MoM Jun	0.30%		0.40%
AU	CPI Trimmed Mean YoY Jun	3.70%	3.70%	3.60%
AU	CPI Trimmed Mean QoQ 2Q	0.90%	0.90%	0.80%
AU	CPI QoQ 2Q	0.70%	0.70%	1.40%
	Thursday 30 July			
CA	Bank of Canada Summary of Deliberations			
US	FOMC Rate Decision (Upper Bound) July-09	3.75%	3.75%	3.75%
AU	RBA's Hunter speaks			
NZ	ANZ Business Confidence Jul			36.6
AU	Building Approvals MoM Jun	-0.50%		-1.10%
GE	GDP SA QoQ 2Q P	0.10%		0.30%
EC	Economic Confidence Jul	96		95
EC	Consumer Confidence Jul F	-15.9		-15.9
EC	GDP SA QoQ 2Q A	0.20%		-0.20%
EC	Unemployment Rate Jun	6.20%		6.20%
UK	Bank of England Bank Rate July-30	3.75%	3.75%	3.75%
	Friday 31 July			
GE	CPI YoY Jul P	2.70%		2.30%
US	Personal Income Jun	0.30%		0.70%
US	Personal Spending Jun	0.30%		0.70%
US	Real Personal Spending Jun	0.40%		0.30%
US	PCE Price Index MoM Jun	-0.10%		0.40%
US	PCE Price Index YoY Jun	3.70%		4.10%
US	Core PCE Price Index MoM Jun	0.20%		0.30%
US	Core PCE Price Index YoY Jun	3.30%		3.40%
US	Initial Jobless Claims July-07	200k		187k
US	GDP Annualized QoQ 2Q A	2.10%	2.20%	2.10%
US	Initial Claims 4-Wk Moving Avg July-25			207.50k
US	Continuing Claims July-18	1800k		1796k
NZ	ANZ Consumer Confidence Index Jul			91.3
JN	Jobless Rate Jun	2.50%		2.50%
JN	Retail Sales MoM Jun	-1.70%		1.90%
JN	Industrial Production MoM Jun P	1.00%		0.10%
AU	PPI QoQ 2Q			0.40%
CH	Manufacturing PMI Jul	50		50.3
CH	Non-manufacturing PMI Jul	50		50.2
AU	Private Sector Credit MoM Jun	0.60%		0.70%
GE	Unemployment Claims Rate SA Jul	6.30%		6.30%
EC	CPI YoY Jul P	2.90%		2.80%
EC	CPI Core YoY Jul P	2.40%		2.40%
UK	BOE Chief Economist Pill speaks			
	Saturday 01 August			
JN	BOJ Target Rate July-31	1.00%	1.00%	1.00%
NZ	Cotality Home Value MoM Jul			-0.20%
US	MNI Chicago PMI Jul	56		56.7
US	U. of Mich. Sentiment Jul F	54		54.4

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	2.50	2.50	2.25	3.25
1mth	2.70	2.70	2.55	3.30
2mth	2.80	2.79	2.62	3.22
3mth	2.90	2.88	2.69	3.20
6mth	3.13	3.08	2.89	3.17
GOVERNMENT STOCK				
05/28	3.77	3.65	3.31	3.49
05/31	4.29	4.20	3.85	4.08
04/33	4.51	4.43	4.10	4.36
05/36	4.79	4.71	4.38	4.68
05/41	5.16	5.09	4.75	5.06
05/54	5.38	5.31	5.02	5.29
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	54	52	51	50
Europe 5Y	55	53	52	53

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.77	3.70	3.32	3.17
3 years	3.91	3.83	3.46	3.30
4 years	4.02	3.94	3.57	3.43
5 years	4.11	4.03	3.67	3.57
10 years	4.46	4.39	4.03	4.09
FOREIGN EXCHANGE				
NZD/USD	0.5805	0.5838	0.5651	0.5970
NZD/AUD	0.8293	0.8343	0.8205	0.9155
NZD/JPY	94.98	94.86	91.50	88.67
NZD/EUR	0.5095	0.5115	0.4947	0.5151
NZD/GBP	0.4348	0.4347	0.4262	0.4470
NZD/CAD	0.8176	0.8214	0.8030	0.8201
TWI	66.5	67.1	65.1	69.1

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