Research

# Markets Outlook

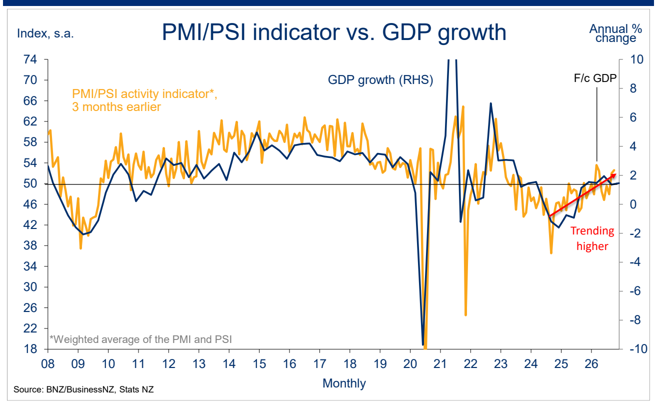
17 August 2026

# Growth and inflation

- **PMI/PSI/ECT indicate growth**
- **Selected prices suggest CPI above RBNZ forecasts**
- **Inflation expectations mixed**
- **Monetary stimulus removal to continue**
- **Housing softness to be monitored**
- **GDT dairy auction, July trade data due**

July's Performance of Services Index (PSI) was released this morning. The PSI was a touch disappointing in that its foray into expansion in June didn't kick higher. The employment index remained weak and remains an area of concern. The more optimistic take is that the PSI managed to maintain a mildly expansionary tone for the second consecutive month. When combined with last Friday's strongly positive PMI, it points to annual GDP growth of around 2%. This suggests some mild upside risk to our near-term growth forecasts. Adding to the Q3 pickup vibe was this morning's July Electronic Card Transactions where total transaction values rose 1.0% m/m.

Progress



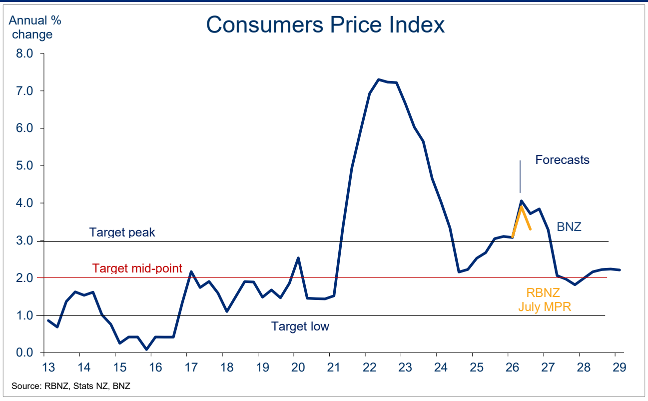

Recently improving growth signals are reflected in the RBNZ's KiwiGDP nowcast. Last Friday's update saw its Q2 GDP growth estimate steady around 0.1%, while its Q3 estimate has nudged up to a strong looking 0.9%. If the Bank were to adopt these as forecasts, it would represent a meaningful uplift from the 0.0% and 0.2% it included for the respective quarters in its May MPS. The PSI and ECT results will be included in this Friday's KiwiGDP update.

This morning's July Selected Prices confirmed sharp drops in petrol and diesel prices in the month, as we expected, although both remain much higher than a year ago. Similar for electricity and gas, flattening off as we thought but still up 9.5% and 10.9% on a year ago respectively. Rent inflation remained predictably weak, close to zero for the month and year.

Food prices rose 0.1% m/m, a touch softer than we had pencilled in, to be up 1.9% y/y. That downside surprise was offset by much higher airfares showing up in the data. The lack of airfare increases to date had been a little puzzling, but they lifted strongly in July with domestic up 20.7% m/m and international up 10.9% m/m.

Through the noise, the balance of monthly price changes was broadly in line with our expectations. We will take a closer look through the detail in due course but, at first glance, there seems no reason to change our Q3 CPI forecast of 0.7% q/q and 3.7% y/y. This supports our view that annual CPI inflation peaked in Q2, but it is still shaping up to be above the annual 3.3% forecast by the RBNZ when it released its July 8 Monetary Policy Review.

Tracking too high

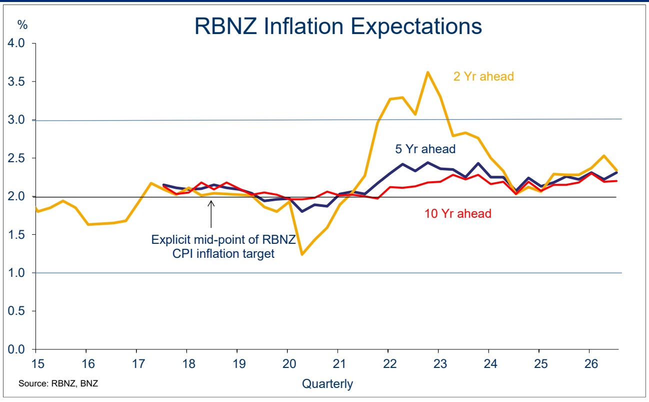



The market took some solace from last week's RBNZ Survey of Expectations survey. We are not so sure it should have. We always wonder how much weight to give this small survey (38 respondents this quarter) but know that as folk and the RBNZ watch it, so must we.

Yes, the closely watched 2-year ahead inflation expectations eased to 2.34% from 2.53%. But we suspect that largely reflects a net fall in oil prices over the survey period. An influence that probably had even more impact on 1-year ahead inflation expectations which dropped to 2.60% from 3.41%.

Don't get us wrong, the RBNZ will no doubt be pleased to see these indicators ease. But we also think the Bank will not be so pleased to see 5-year ahead inflation expectations reading wriggle higher. It edged up to 2.31% from 2.22% to match its highest reading since December 2023 and with a hint of an uptrend. The central bank has previously indicated rising medium to long-term inflation expectations could be seen as a challenge to its credibility of achieving its inflation mandate.

Solace or not?



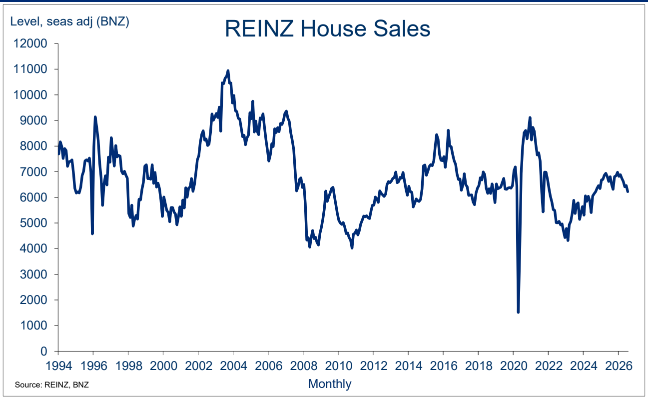

None of these medium-term inflation expectation moves are especially convincing, but we suggest they are a bit more balanced overall than what the dip in the 2-year ahead measure alone implies.

Moreover, it is important to recognise that all these inflation expectations are also based on respondents' views that monetary tightening will be delivered. One year ahead expectations for the cash rate rose to 3.21%. Presumably, if such tightening was not delivered respondents would expect more inflation, all other factors constant. As it is, all inflation expectations measures remain above the 2% 'ideal' level.

None of this changes our monetary policy view. We continue to believe the RBNZ will further remove monetary stimulus at its next Monetary Policy Statement on 2 September. We will provide a full preview of that next week.

We are watching the housing market closely. Last week's REINZ house price index for July eased 0.1% m/m to be down 0.4% y/y. No surprises in that whatsoever. But other indicators added to our wariness with higher listings, rising days to sell, and sales tracking lower than a year earlier and slipping below average even after accounting for the time of year. Softer activity may reflect a sticker shock to the July OCR rate hike. In any case, the housing market is worth keeping an eye on as a potentially bigger drag than expected on both economic activity and inflationary pressures.

Dipping below average




Remaining data to be released in the week ahead include:

- Global dairy trade auction very early Wednesday morning: the balance of price indicators is looking more positive than negative. A positive result would support recent milk price forecasts.
- Q2 business price indexes on Wednesday morning: NZ's producer prices are not closely followed as they come out well after the CPI for the quarter and are heavily influenced by volatile commodity prices.
- July merchandise trade: double digit annual growth in both exports and imports is expected albeit both slower than the near 25% and 28% recorded for each respectively in June. The annual trade balance is expected to be similar to the $3.7b recorded in the year to June.
- Q3 RBNZ's Business Expectations Survey: still relatively new and so difficult to interpret but will provide another take on the likes of business inflation expectations.

doug_steel@bnz.co.nz

# Global Watch

- **A full week of data releases**
- **FOMC minutes out on Wednesday**
- **Australian labour market data a key focus**
- **Global PMI data released on Friday**

This week brings a plethora of data releases. In Japan, preliminary Q2 GDP is released on Monday; a surveyed 2.1% annualised result expected. Industrial production (Monday) and international trade (Thursday) also land. In China, monthly activity data arrives Monday.

July's FOMC minutes will be released on Wednesday and are a key read on the hawkish 9-3 hold at the last meeting. Fed Chair Warsh's limited guidance leaves the minutes as the primary insight into the committee's thinking. Empire manufacturing (Monday), housing starts and industrial production (both Tuesday) complete the economic slate. The close of US earnings season approaches. Walmart, Home Depot and Lowe's earnings released on Tuesday and Wednesday will provide a consumer bellwether. In Canada, July CPI (Monday) lands as Trump's latest tariffs on Canadian goods take effect on Wednesday.

Australian labour market data will be a key focus on Thursday. NAB expect an uplift in employment and the unemployment rate to hold at 4.4%. Q2 Wage Price Index (WPI) data is due Wednesday, and is expected to increase 0.8% q/q, 3.2% y/y. RBA Deputy Governor Andrew Hauser will also participate in a fireside chat in Brisbane at 12.45pm on Wednesday. Westpac-Melbourne Institute consumer confidence is due on Tuesday followed by Melbourne Institute consumer inflation expectations on Thursday. In addition, reporting season continues, with earnings from JB Hi-Fi (Monday) BHP (Tuesday).

In Europe, the Q2 employment cost index, current account and July inflation data are all out Wednesday followed by Q2 wages data on Friday. The Riksbank meets on Thursday and is expected to keep policy on hold at 1.75%.

In the UK, the focus of June labour market data (Tuesday) remains on private sector (ex-bonus) earnings, the 3-month y/y rate is expected to ease a little further to 2.7% from 2.9%. July CPI (Wednesday) is likely to see a tick up in headline inflation from 2.6% y/y to closer to 3%. Core CPI and services will both also likely ease, to 2.5% and 3.3% respectively.

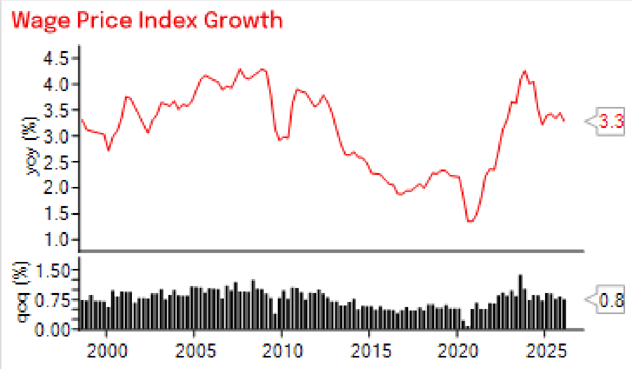
A wave of international flash manufacturing and services PMIs will be released on Friday.

## Key Event Previews

### Wednesday

**AU Wage Price Index (Q2)**

Q2 wages data reflect changes over the 3 months to May and are therefore somewhat dated. NAB forecast WPI growth of 0.8% q/q and 3.2% y/y. The higher minimum wage outcome will support Q3, as will higher pay for NSW nurses, while strong pay outcomes for Victorian teachers are set to boost Q4. Administered wage decisions and public agreements are supporting overall wages growth. The RBA's August SoMP forecast a Q2 WPI of ~3.25% y/y.



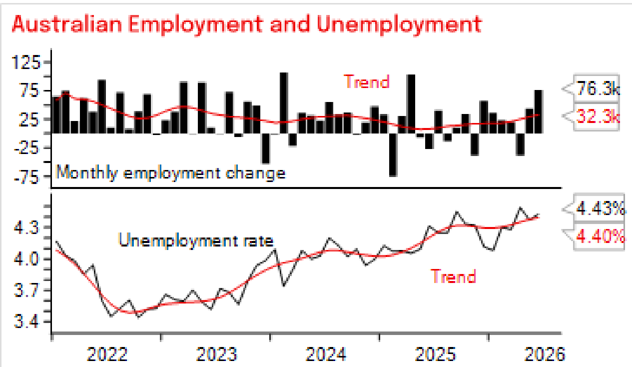

Source: National Australia Bank, Australian Bureau of Statistics, Macrobond

### Thursday

**AU Labour Force (July)**

NAB expect employment growth of +20k in July and the unemployment rate to hold steady at 4.4%. The surprisingly strong June employment outcome, in part, reflected some catch up growth as a greater-than-usual number of people were waiting to start work in the previous month. As such, NAB have not pencilled in payback in July. There will also be interest in whether the previous month's jump in the participation rate and the recent trend higher in underemployment sustain.

After an upside surprise to unemployment in Q2, the RBA's August SoMP now anticipates very little further rise in unemployment in the near term, pencilling in a 4.5% unemployment rate in Q4.




Source: National Australia Bank, ABS

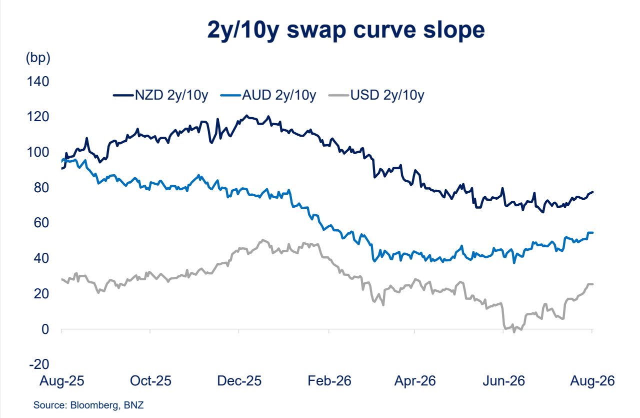
india_power@bnz.co.nz

# Fixed Interest Market

**Reuters: BNZL, BNZM  Bloomberg:BNZ**

Benign domestic inflation expectations data saw 2-year swap rates briefly dip below 3.60% last week, although a subsequent rebound left short-end rates little changed on the week. A steepening bias across global curves has pushed the NZ 2y/10y swap curve towards +80bp, its highest level in more than a month. With the monthly PMIs and July partial inflation indicators now released, there is little domestic data left that is likely to materially shift the monetary policy outlook ahead of the 2 September Monetary Policy Statement.

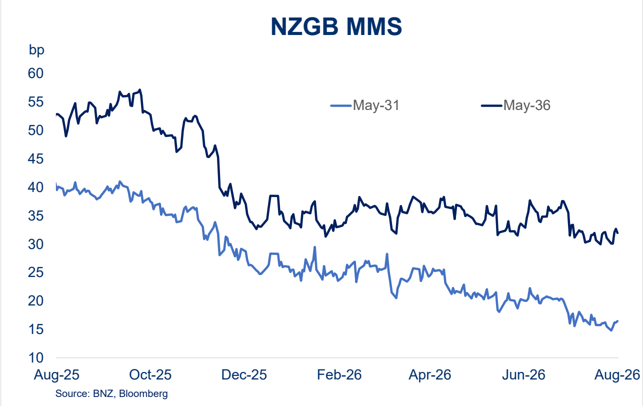
Steeper global yield curves




Market pricing continues to imply a high probability of a 25bp hike early next month, although expected cumulative tightening across the three remaining meetings this year has eased to around 50bp, from about 60bp at the start of August. Short-end rates appear to be finding the lower end of their post-peak trading range after the recent pullback. We still see scope for modest further downside, but not an extended move lower. Sequential RBNZ hikes over the next four meetings, taking the OCR to a 3.5% peak, would imply fair value for the 2-year swap rate near 3.5%, based on cash-rate path analysis alone. That is only slightly below current levels and excludes any allowance for swap-market supply and demand dynamics.

In our view, the market is underpricing the risk of an RBNZ hike at the October Policy Review, with only around 11bp of tightening priced into the meeting-dated OIS contract, compared with 16bp for December. For investors expecting the tightening cycle to extend beyond September, paying October meeting-date OIS against receiving December offers the cleanest expression of a front-loading view, while limiting exposure to the eventual terminal OCR. Assuming the data evolve broadly in line with current expectations, the Bank seems unlikely to pause after only two hikes, particularly with the OCR still below most estimates of neutral. Its own modelling points to a neutral range of 3.0–3.5%, based on the long-term and forecast-horizon mean estimates from its analytical framework.

10Y NZGB matched maturity swap at bottom of range




NZ government bonds continue to attract solid demand at weekly tenders, with the coverage ratio averaging above four in the new fiscal year. Tenders are likely to be the only source of primary supply for the remainder of the calendar year. We don't expect another syndication until H1 2027, after the new May-2038 line was introduced last month. The Pre-Election Economic and Fiscal Update in late September will be the next scheduled opportunity for NZ Debt Management to update the issuance programme.

10-year NZGB matched-maturity swap spreads have remained near the bottom of a well-defined +30 to +40bp trading range in recent weeks. Although this level has contained bond outperformance, we expect an eventual break lower. Net NZGB supply to the market is projected to remain on a declining trend from its FY2025 peak, while the RBNZ's operational update last week confirmed the LSAP portfolio will be fully unwound by June next year. Shorter-maturity matched-maturity swap spreads have maintained a steady tightening trend, reinforcing the broader direction of travel.

Current rates and 1-month range

| | Current | Last 4-weeks range* |
|---|---|---|
| NZ 90d bank bills (%) | 2.95 | 2.55 - 2.96 |
| NZ 2yr swap (%) | 3.65 | 3.59 - 3.81 |
| NZ 5yr swap (%) | 4.01 | 3.94 - 4.15 |
| NZ 10yr swap (%) | 4.43 | 4.32 - 4.51 |
| 2s10s swap curve (bps) | 78 | 69 - 78 |
| NZ 10yr swap-govt (bps) | -30 | -31 - -28 |
| NZ 10yr govt (%) | 4.72 | 4.66 - 4.72 |
| US 10yr govt (%) | 4.69 | 4.51 - 4.75 |
| NZ-US 10yr (bps) | 3 | -5 - 16 |
| NZ-AU 2yr swap (bps) | -91 | -98 - -81 |
| NZ-AU 10yr govt (bps) | -29 | -35 - -19 |

*Indicative range over last 4 weeks

stuart.ritson@bnz.co.nz

# Foreign Exchange Market

**Reuters pg BNZWFWDS Bloomberg pg BNZ**

The NZD was relatively flat last week, closing at 0.5890, supported by late-week USD weakness that helped the NZD recover from an earlier fall. The NZD recorded small losses on most crosses, with the underperformance attributed to rising political risk ahead of the November general election and the market's focus on lower NZ two-years-ahead inflation expectations. The yen was the weakest of the majors, as the effects of official intervention continued to fade. NZD/JPY rose nearly 1% to 93.8.

In previous reports and presentations, we have noted potential downside risk to the NZD in the months leading up to the 7 November general election. We have referred to the 2017 playbook as a guide for elections when polls are close and a change of government is possible. We saw the first sign of that dynamic last week, when the NZD weakened on headlines of a coup attempt within the National Party to topple PM Luxon. Ultimately, the move failed, but it cast National in a poor light and increased the perceived chance of a change of government. Polymarket odds now show a greater than 50% chance of Labour leader Hipkins becoming the next PM, while Luxon's chances have softened to 34%.

We do not think NZD weakness driven by domestic political forces ahead of the election will be sustained for too long. However, weakness ahead of the election followed by a recovery afterwards, even with a change of government, was the experience in 2017 (see chart).

Lower NZ rates last week also added, at the margin, to NZD softness. The RBNZ's survey of expectations showed higher wage expectations, higher house price expectations, and higher long-term inflation expectations, but the market focused more on the fall in one-year and two-year inflation expectations. We do not see the mixed survey results altering the trajectory of NZ monetary policy, with the OCR still needing to rise significantly from its current low level.

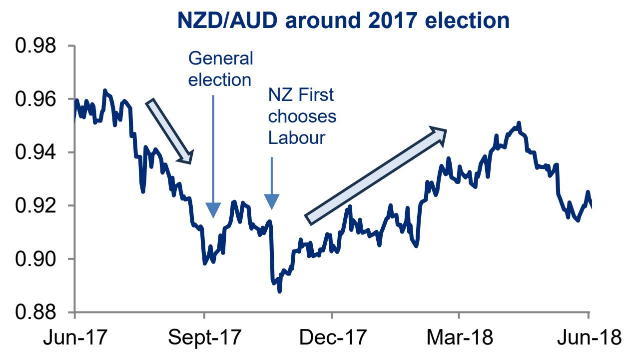
BNZ's risk appetite index has been rising through August and ended last week at a super-risk-loving level of 85%, a fraction shy of the early-January high. The link between risk appetite and the NZD comes and goes and is not particularly strong at the moment. We still think that the RBNZ's easy policy stance relative to peer central banks such as the RBA, Fed and BoE remains a key dampening force on the NZD and much tighter NZ monetary policy will be required to drive the NZD sustainably back above 0.60.

We remain neutral on the NZD over the short term and do not see any immediate threat to the 0.56–0.60 range we have been anticipating for Q3. Technically, we continue to see initial resistance just below 0.5910, with initial support remaining at 0.5750. Volatility remains suppressed by the northern hemisphere summer season, and we do not anticipate much change to that pattern over the coming week. Fed Chair Warsh's speech at the annual Jackson Hole Symposium near the end of August could well be the next key event to awaken the currency market.

Two weeks after the latest round of official intervention in the yen, including joint action with the US Treasury, the yen has given back more than half of its gains. Talk that PM Takaichi would support a near-term BoJ hike in September or October had little impact on yen sentiment. A full rate hike by the BoJ is already priced by October, which would still leave Japanese interest rates well below the rest of the G10 and negative in real terms. We remain neutral on NZD/JPY, seeing the cross contained within the approximate 91–95 trading range it has occupied since early 2026.

On this week's economic calendar, there is little else of note for NZ after this morning's PSI and monthly CPI inflation data releases. The global calendar is heavier, with Australian wages and labour market data, China monthly activity data, and CPI releases for Canada, Japan, and the UK. Rounding out the calendar are global PMIs, Japan Q2 GDP, and UK labour market data.

Playbook in 2017 election was NZD weakness then recovery




Source: BNZ, Bloomberg

Cross Rates and Recent Ranges

| | Current | Last wk % chg | Last 3-wks range* |
|---|---|---|---|
| NZD/USD | 0.5891 | -0.1% | 0.5760 - 0.5910 |
| NZD/AUD | 0.8314 | -0.3% | 0.8250 - 0.8390 |
| NZD/CAD | 0.8175 | -0.5% | 0.8120 - 0.8300 |
| NZD/GBP | 0.4352 | -0.4% | 0.4320 - 0.4390 |
| NZD/EUR | 0.5092 | -0.2% | 0.5050 - 0.5120 |
| NZD/JPY | 93.83 | 0.9% | 91.70 - 95.30 |

*Indicative range over last 3 w eeks, rounded

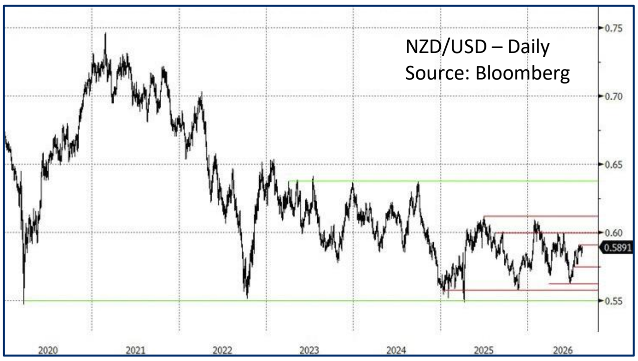
jason.k.wong@bnz.co.nz

# Technicals

**NZD/USD**

Outlook: Trading range
ST Resistance: 0.5910 (ahead of 0.60)
ST Support: 0.5750 (ahead of 0.5625)

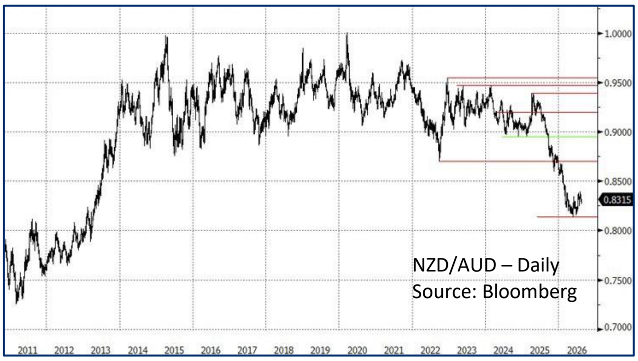
No change, with recent price action suggesting some resistance around 0.59-0.5910. A clear break of that level would open up 0.60 as the next resistance level. The first support level is around 0.5750.




**NZD/AUD**

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

No change. 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**

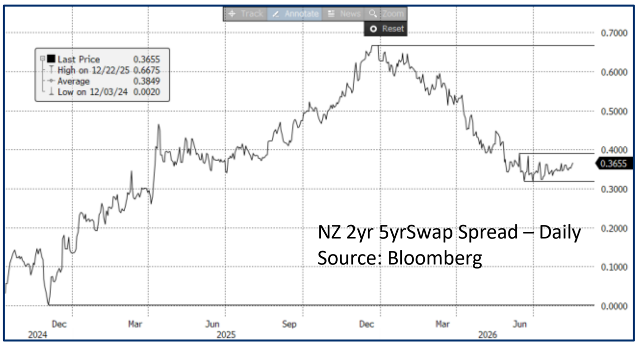
Outlook: Neutral
MT Resistance: 4.48
MT Support: 3.65

5-year swap failed to move with any material bias. We retain our neutral bias.


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

Outlook: Neutral
MT Resistance: 0.67
MT Support: 0

2s5s curve remains relatively unchanged on the week.




matthew.herbert@bnz.co.nz

# Quarterly Forecasts

Forecasts as at 17 August 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 | -4.7 | -4.7 | -4.6 | -4.3 |
| **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 | 0.0 | 0.5 | 0.2 | 0.5 | 0.4 | 0.5 | 0.5 | 0.6 | 0.7 |
| **Unemployment rate %** | 5.2 | 5.3 | 5.4 | 5.4 | 5.6 | 5.6 | 5.5 | 5.5 | 5.4 | 5.3 |
| **Pr. avg hourly earnings (ann %)** | 4.6 | 4.1 | 3.5 | 3.5 | 3.0 | 3.1 | 3.2 | 3.8 | 3.2 | 3.2 |
| **Trading partner GDP (ann %)** | 3.4 | 3.2 | 3.3 | 3.6 | 3.2 | 2.9 | 2.8 | 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 | 4.10 | 4.66 | 3.70 | 3.90 | 4.30 | 3.65 | 4.50 | 0.16 |
| | **Dec** | 3.25 | 3.65 | 4.35 | 4.81 | 4.00 | 4.15 | 4.45 | 3.65 | 4.50 | 0.31 |
| **2027** | **Mar** | 3.75 | 4.05 | 4.35 | 4.91 | 4.00 | 4.20 | 4.60 | 3.65 | 4.50 | 0.41 |
| | **Jun** | 4.00 | 4.15 | 4.35 | 4.91 | 4.00 | 4.25 | 4.65 | 3.65 | 4.50 | 0.41 |
| | **Sep** | 4.00 | 4.15 | 4.30 | 4.91 | 3.95 | 4.20 | 4.65 | 3.65 | 4.50 | 0.41 |
| | **Dec** | 4.00 | 4.15 | 4.25 | 4.91 | 3.85 | 4.15 | 4.65 | 3.65 | 4.50 | 0.41 |
| **2028** | **Mar** | 4.00 | 4.15 | 4.15 | 4.91 | 3.75 | 4.05 | 4.65 | 3.65 | 4.50 | 0.41 |

## Exchange Rates (End Period)

| | USD Forecasts | | | | | NZD Forecasts | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | NZD/USD | AUD/USD | EUR/USD | GBP/USD | USD/JPY | NZD/USD | NZD/AUD | NZD/EUR | NZD/GBP | NZD/JPY | TWI-17 |
| **Current** | 0.59 | 0.71 | 1.16 | 1.36 | 159 | 0.59 | 0.83 | 0.51 | 0.44 | 94.0 | 67.0 |
| **Forecasts** | | | | | | | | | | | |
| **Sept-26** | 0.57 | 0.69 | 1.14 | 1.32 | 163 | 0.57 | 0.83 | 0.50 | 0.43 | 93.0 | 65.7 |
| **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 | 68.8 |
| **Mar-28** | 0.61 | 0.67 | 1.15 | 1.32 | 151 | 0.61 | 0.90 | 0.53 | 0.46 | 91.4 | 68.8 |
| | | | | | | **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 17 August 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 | 1.0 | -0.9 | 0.5 | 1.9 | 2.8 | 2.6 | -1.3 | 0.2 | 1.6 | 2.6 |
| Unemployment Rate % | 4.4 | 5.2 | 5.4 | 5.5 | 5.0 | 4.0 | 5.1 | 5.4 | 5.5 | 5.1 |
| Wages - ave. hr. ord. time earnings (private sector) | 4.8 | 3.8 | 3.5 | 3.8 | 3.2 | 6.6 | 4.0 | 3.5 | 3.2 | 3.2 |
| Productivity (ann av %) | -0.6 | 0.1 | 1.2 | 0.1 | 0.1 | -0.8 | 0.1 | 1.2 | 0.4 | 0.0 |
| Unit Labour Costs (ann av %) | 6.6 | 4.4 | 2.5 | 3.0 | 3.1 | 7.1 | 4.7 | 2.9 | 2.6 | 3.3 |
| 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 | -22.3 | -18.6 | -25.8 | -20.0 | -16.0 | -22.0 | -19.4 |
| Current Account - % of GDP | -5.7 | -4.2 | -3.6 | -4.7 | -3.7 | -6.3 | -4.7 | -3.6 | -4.7 | -4.0 |
| **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 | 68.8 |
| 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 | 4.15 | 4.50 | 3.90 | 3.90 | 4.35 | 4.25 |
| 10-year Govt Bond | 4.60 | 4.50 | 4.65 | 4.90 | 4.90 | 4.65 | 4.45 | 4.50 | 4.80 | 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 | 4.05 | 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 | 0.40 | 0.40 | 0.65 | 0.05 | 0.35 | 0.30 | 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 17 August** | | | |
| JN | Industrial Production MoM Jun F | | | 1.30% |
| CH | Used Home Prices MoM Jul | | | -0.32% |
| CH | Retail Sales YoY Jul | 1.50% | | 1.00% |
| CH | Industrial Production YoY Jul | 5.00% | | 5.30% |
| CH | Fixed Assets Ex Rural YTD YoY Jul | -6.20% | | -5.70% |
| CH | Surveyed Jobless Rate Jul | 5.10% | | 5.00% |
| EC | ECB's Lane speaks | | | |
| | **Tuesday 18 August** | | | |
| US | Empire Manufacturing Aug | 10.5 | | 15.6 |
| US | NAHB Housing Mrkt Index Aug | 33 | | 34 |
| UK | Private Earnings ex Bonus 3M/YoY Jun | 2.80% | | 2.90% |
| UK | ILO Unemployment Rate 3Mths Jun | 4.80% | | 4.90% |
| UK | Payrolled Employees Monthly Change Jul | 2k | | -4k |
| GE | ZEW Survey Expectations Aug | 30 | | 26.3 |
| EC | ECB's Lane speaks | | | |
| | **Wednesday 19 August** | | | |
| US | ADP Weekly Employment Change Aug-1 | | | 8.250k |
| US | New York Fed Services Business Activity Aug | | | 8.7 |
| US | Housing Starts Jul | 1350k | | 1427k |
| US | Manufacturing Production MoM Jul | 0.20% | | 0.00% |
| US | Pending Home Sales MoM Jul | 0.00% | | -5.40% |
| NZ | GDT dairy auction | | | |
| NZ | PPI Output QoQ 2Q | | | 0.80% |
| JN | Core Machine Orders MoM Jun | 7.40% | | -12.40% |
| AU | Wage Price Index QoQ 2Q | 0.80% | 0.80% | 0.80% |
| AU | RBA's Hauser speaks | | | |
| UK | CPI YoY Jul | 2.90% | | 2.60% |
| UK | CPI Services YoY Jul | 3.40% | | 3.60% |
| EC | ECB's Lagardes speaks | | | |
| EC | Labour Costs YoY 2Q P | | | 3.20% |
| EC | CPI YoY Jul F | 2.90% | | 2.90% |
| EC | CPI Core YoY Jul F | 2.50% | | 2.50% |

| | | Median | Fcast | Last |
|---|---|---|---|---|
| | **Thursday 20 August** | | | |
| US | FOMC Meeting Minutes July-29 | | | |
| JN | Trade Balance Jul | -¥618.1b | | -¥406.9b |
| AU | Employment Change Jul | 12.0k | 20.0k | 76.3k |
| AU | Unemployment Rate Jul | 4.40% | 4.40% | 4.40% |
| GE | PPI YoY Jul | 2.50% | | 1.80% |
| SW | Riksbank Policy Rate August-20 | 1.75% | | 1.75% |
| UK | CBI Trends Total Orders Aug | -40 | | -45 |
| UK | CBI Trends Selling Prices Aug | | | 11 |
| | **Friday 21 August** | | | |
| US | Philadelphia Fed Bus Outlook Aug | 25 | | 41.4 |
| US | Initial Jobless Claims August-15 | 212k | | 209k |
| US | Initial Claims 4-Wk Moving Avg 15/08/2026 | | | 199.00k |
| US | Continuing Claims August-8 | 1788k | | 1777k |
| EC | ECB's Sleijpen speaks | | | |
| NZ | Trade Balance NZD Jul | | | 23m |
| AU | S&P Global Australia PMI Mfg Aug P | | | 52 |
| AU | S&P Global Australia PMI Services Aug P | | | 53.6 |
| UK | GfK Consumer Confidence Aug | -17 | | -17 |
| JN | Natl CPI YoY Jul | 1.90% | | 1.60% |
| NZ | RBNZ Business Expectations Survey 3Q | | | |
| UK | Retail Sales Inc Auto Fuel MoM Jul | -0.40% | | 1.00% |
| GE | S&P Global Germany Services PMI Aug P | 50.1 | | 49.8 |
| EC | S&P Global Eurozone Manufacturing PMI Aug P | 51.9 | | 51.9 |
| EC | S&P Global Eurozone Services PMI Aug P | 51.6 | | 51.7 |
| EC | ECB 3 Year CPI Expectations Jul | 2.80% | | 2.80% |
| UK | S&P Global UK Manufacturing PMI Aug P | 51.5 | | 51.9 |
| UK | S&P Global UK Services PMI Aug P | 51.9 | | 52.1 |
| EC | Negotiated Wages 2Q | 2.55% | | 2.46% |
| | **Saturday 22 August** | | | |
| US | S&P Global US Manufacturing PMI Aug P | 53.9 | | 53.9 |
| US | S&P Global US Services PMI Aug P | 53.9 | | 54.6 |
| EC | Consumer Confidence Aug P | -16.3 | | -15.9 |
| | **Monday 24 August** | | | |
| NZ | Retail Sales Ex Inflation QoQ 2Q | | | 0.90% |

# Historical Data

| | Today | Week Ago | Month Ago | Year Ago |
|---|---|---|---|---|
| CASH AND BANK BILLS | | | | |
| Call | 2.50 | 2.50 | 2.50 | 3.25 |
| 1mth | 2.78 | 2.75 | 2.70 | 3.14 |
| 2mth | 2.87 | 2.85 | 2.79 | 3.14 |
| 3mth | 2.95 | 2.95 | 2.88 | 3.14 |
| 6mth | 3.15 | 3.15 | 3.08 | 3.12 |
| GOVERNMENT STOCK | | | | |
| 05/28 | 3.54 | 3.57 | 3.65 | 3.36 |
| 05/31 | 4.12 | 4.13 | 4.20 | 3.95 |
| 04/33 | 4.38 | 4.37 | 4.43 | 4.24 |
| 05/36 | 4.68 | 4.67 | 4.71 | 4.55 |
| 05/41 | 5.09 | 5.06 | 5.09 | 4.96 |
| 05/54 | 5.33 | 5.29 | 5.31 | 5.19 |
| GLOBAL CREDIT INDICES (ITRXX) | | | | |
| Nth America 5Y | 51 | 52 | 52 | 50 |
| Europe 5Y | 51 | 52 | 53 | 52 |

| | Today | Week Ago | Month Ago |
|---|---|---|---|
| SWAP RATES | | | |
| 2 years | 3.65 | 3.65 | 3.70 |
| 3 years | 3.79 | 3.79 | 3.83 |
| 4 years | 3.91 | 3.90 | 3.94 |
| 5 years | 4.01 | 4.00 | 4.03 |
| 10 years | 4.43 | 4.39 | 4.39 |
| FOREIGN EXCHANGE | | | |
| NZD/USD | 0.5891 | 0.5882 | 0.5838 |
| NZD/AUD | 0.8317 | 0.8338 | 0.8343 |
| NZD/JPY | 93.88 | 93.69 | 94.86 |
| NZD/EUR | 0.5094 | 0.5095 | 0.5115 |
| NZD/GBP | 0.4353 | 0.4355 | 0.4347 |
| NZD/CAD | 0.8175 | 0.8200 | 0.8214 |
| TWI | 66.9 | 66.9 | 67.1 |

# 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