Research

Markets Outlook

24 August 2026

September MPS Preview

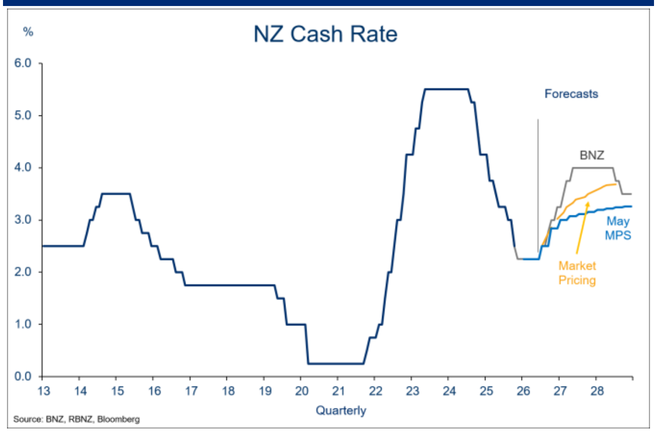
- **Cash rate to rise 25bp to 2.75%**
- **Market says done deal**
- **Signal of more to come**
- **RBNZ to signal peak approaching 3.5%**
- **We see upside risk to this**

Our view of the path of interest rates has been unchanged for a long time and we see no reason to change now. In short, we believe the Reserve Bank will raise the cash rate 25 basis points at its upcoming meeting. It will signal the likelihood of further rate increases until such time that the cash rate is at, or above, neutral. But the specific rate path will be subject to the evolution of the economy and the accompanying data flow.

We think the RBNZ's rate track will be very similar to that published in May. However, it will have to directly incorporate the rate increases delivered in July and, likely, September. Back in May the modelled projection for the September quarter was 2.51%. By inserting 2.75% for the upcoming meeting this will lift the quarter average modestly. Also in May the modelled peak was 3.28% for June 2029. This time around we think the Bank will publish something like 3.3% for September 2029.

What we think the Bank will publish and what we think will eventually be the case are slightly different. It is our view the cash rate will rise 25 basis points at each meeting until it reaches 4.0% in May 2027.

More rate increases ahead



As we have said multiple times, we are not going to die in a ditch over our end point forecast. So much will happen between now and mid next year that could alter this outcome but, until such time that there is clear evidence we need to move, we will keep with our long-held view. There is probably more downside risk than up, but the risks are both ways. We have four big potential downside drivers:

- El Nino causes a recession.
- Election uncertainty delays the expected economic recovery.
- A global asset price correction triggered by any combination of: further geopolitical ructions (of many forms); a technology stock driven revaluation of equity markets; rising interest rates.
- A change in government sees a change in the RBNZ's mandate that not only brings employment back into the frame but does so in a manner that impacts the way the central bank sets rates. The latter is not necessarily a given in the event the remit does change.

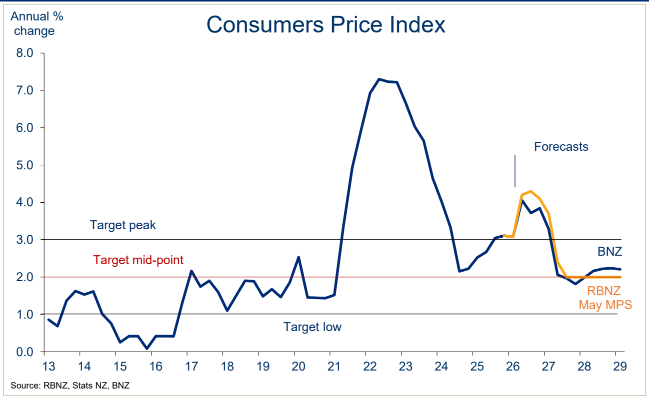
On the flip side:

- Inflationary pressures continue to build.
- Some of these are structural in nature but central banks still choose to respond to them.
- A multiplicity of factors cause potential output growth to fall more than anticipated.

In trying to ascertain what the RBNZ might do we are somewhat torn between points of comparison with the extensive data published in the May Monetary Policy Statement and the very partial updates provided in July. In the end, as partial as it might be, it is the July missive that matters more.

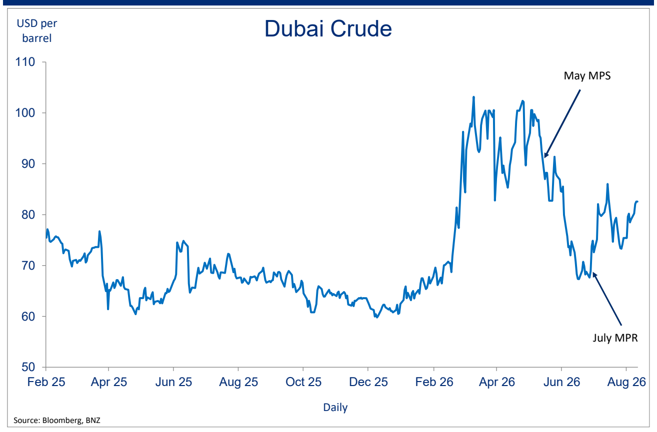
With that in mind, the critical sentence in the July media release is: "With inflation still above target and economic activity expected to strengthen, some further reduction in monetary stimulus is likely to be required to return inflation to the 2 percent target mid-point". Well, inflation is still above target and likely to stay above the target band, let alone the mid-point, until Q2 2027. Moreover, we are projecting annual CPI inflation of 3.7% for the September quarter 2026 compared to an RBNZ projection, when it delivered its July assessment, of 3.3% for the period. To cap things off, it looks as if growth will be at least as strong as the RBNZ had been expecting.

Inflation surprises



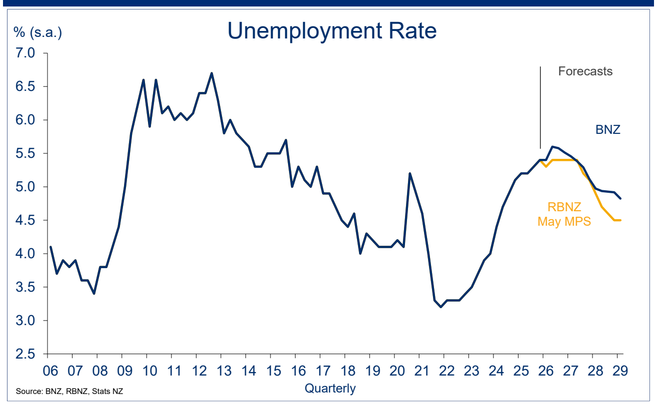
One feature of the July statement was that the RBNZ maintained its tightening bias despite oil prices having fallen around a third from their peaks. At that point the Bank noted that “near-term inflation pressures have eased”. Oil prices are still well down on their highs but at the time of writing Dubai Crude prices are 12.0% higher than they were in the immediate run up to the July commentary.

Oil well off its lows



The only thing that could conceivably provide the Bank with some reason to pause at the upcoming meeting was the fact that the unemployment rate was higher than anticipated. But with employment also higher than expected and the Labour Cost Index a tad more inflationary we don’t think the state of the labour market is due cause to blink.

The stumbling block to hikes



Last but not least, the market is currently pricing in a 94% chance of a rate increase. While the central Bank doesn’t have to follow market pricing it would need to have a very convincing argument to not go with this pricing.

The big issue for markets is whether to price further interest rate hikes into both October and December. At this stage only one more rate hike is priced across these two meetings thanks to a combination of focus on the downside risks that we have noted above and the perception by some that the central bank will not want to raise interest rates in the immediate run up to the election.

We once thought the Bank would avoid an October rate hike but only because such a hike would have been the first. Starting the process just before an election may have embroiled the Bank in politics in a manner that, for the case of six weeks, it may prefer to avoid.

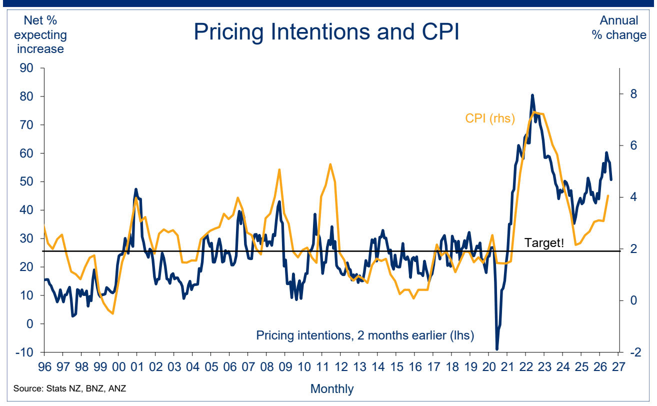
Whether or not to raise rates in the midst of a tightening cycle takes on a completely different vibe so we are less inclined to think the election will deter the Bank from raising interest rates if it is inclined to do so.

Whatever the case, markets will be looking for hints on how to price these two meetings. Given current pricing October/December is the part of the futures strip that offers up the greatest potential to shift.

Between now and the delivery of the MPS there is plenty of potential for offshore events to impact the decision but little domestically that might sway the decision one way or t’other.

ANZ’s business opinion survey, due for release Monday August 31, will be of interest to the extent that it reports on inflation expectations and pricing intentions and provides some further insight into the likely path of economic growth. But it would have to provide a significant surprise if it was to become centre-stage in the RBNZ’s decision making process.

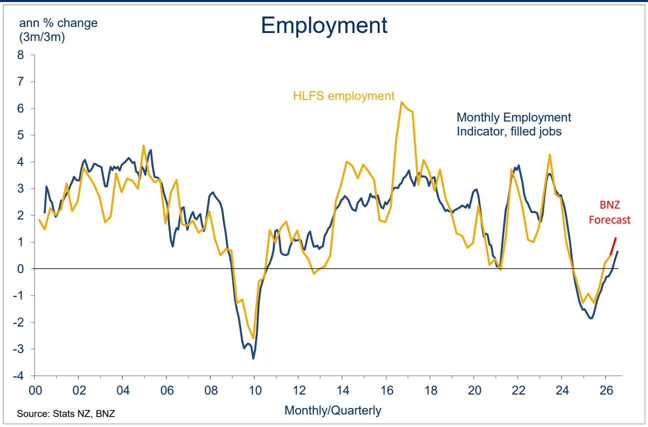
More downside needed



This Friday, July’s employment indicators will hopefully provide support for our expectation that the Q3 Household Labour Force measure of employment will reveal a further 0.4% lift taking the annual increase to an 11 quarter high of

1.6%. This should be enough to bring the rise in the unemployment rate to a halt.

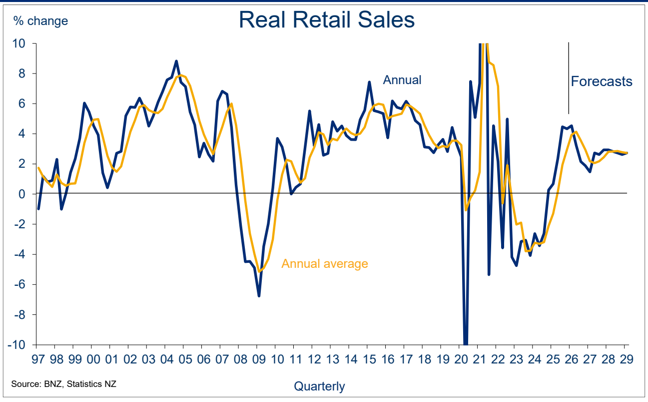
Labour market improving



This morning we were informed that Q2 retail sales fell 0.5% q/q, slowing annual growth to a respectable 3.3%. This was lower than expected, although somewhat understandable. Fuel volumes dropped a massive 13.1% q/q. Lower retail sales volumes in the quarter plays to the theme of a subdued Q2 GDP.

Some bounce back in retail sales volumes can be expected in Q3 given a subsequent retreat in fuel costs and bounce in consumer confidence. In Q2, core (ex auto) retail sales volumes rose 0.7% q/q, a solid result given the circumstances.

Not as bad as you might think



stephen_toplis@bnz.co.nz

Global Watch

- **Jackson Hole economic symposium begins Thursday**
- **Chair Warsh to deliver keynote speech on Friday**
- **Key Aus data before next week's GDP release**

Australian July CPI (Wednesday) is expected to slow to 3.3% y/y from 3.8% in June, while NAB forecast trimmed mean inflation to edge lower to 3.5% y/y from 3.6% y/y, in line with consensus. On Tuesday the RBA's August minutes are released, and the RBA's Jacobs will speak on "The Road to Ample – Towards a Demand-driven Liquidity Regime". NAB expect Aus household spending (Thursday) to increase 0.7% m/m in July. Meanwhile, Q2 construction work done (Wed) and private capex (Thurs) will feed into expectations for next week's GDP release.

In the US, central bankers will gather at the Kansas City Fed's Jackson Hole economic symposium (Thursday to Saturday). Chair Warsh will deliver the keynote address on Friday but has been tight lipped about its content beyond focusing on the "big picture". July PCE, the second estimate of Q2 GDP, and durable goods lead the US data slate, all arriving Wednesday. Core PCE inflation is likely to be consistent with an easing from the pace seen in H1. Conference board (Tuesday) and UMich final sentiment measures (Friday) will track the consumer's mood in August. In Canada, Q2 GDP (Friday) is anticipated to show a strong quarterly recovery.

Japan's labour market data and Tokyo CPI both arrive on Friday. Deputy Governor Himino's speech on Thursday will be closely watched for clues on the BoJ's willingness to accelerate policy normalisation following the sharp repricing in market expectations following this month's yen intervention (an 80% chance of a September hike is currently priced). In China, industrial profits arrive Thursday, and the National People's Congress Standing Committee meet Tuesday to Friday with a host of issues in the table including anti-corruption measures and banking regulations.

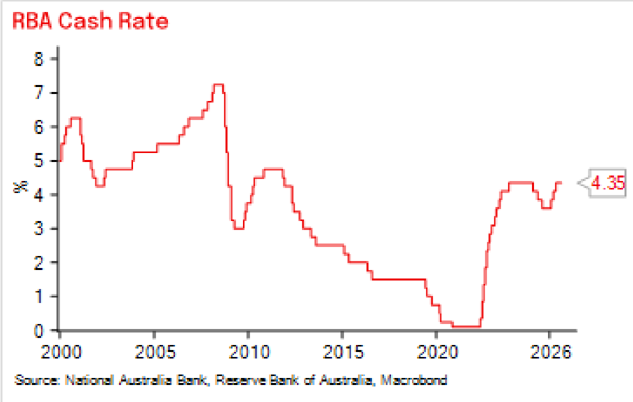
In Europe, Spain releases preliminary August HICP on Friday, as does France. For the EZ, the read through is the rise in oil and natural gas prices will push headline inflation up through 3% in August and looks like it will stay there. Nothing to deter the ECB from hiking in September.

Key Event Previews

Tuesday

AU RBA Minutes (August)

The RBA Board unanimously left the cash rate unchanged at its August meeting. At the post-meeting press conference Governor Bullock noted that the Board considered a rate hike (having not done so at the June meeting). The description of the hike could be of some interest in the minutes particularly given Deputy Governor Hauser reiterated concerns around the upside risks to inflation last week.

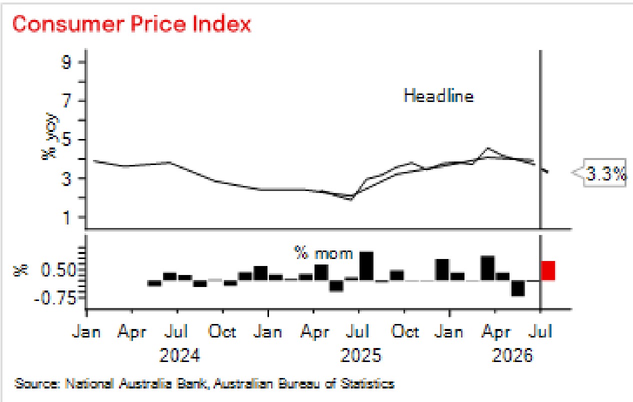


Wednesday

AU CPI (July)

NAB expects headline CPI inflation to have slowed to 3.3% y/y from 3.8% y/y in July. This will be largely driven by energy rebate base effects, which should more than offset upward pressure from a 6% m/m rise in fuel prices. Trimmed mean is expected to remain elevated at 0.35% m/m, but fall a tenth on an annual basis to 3.5% y/y.

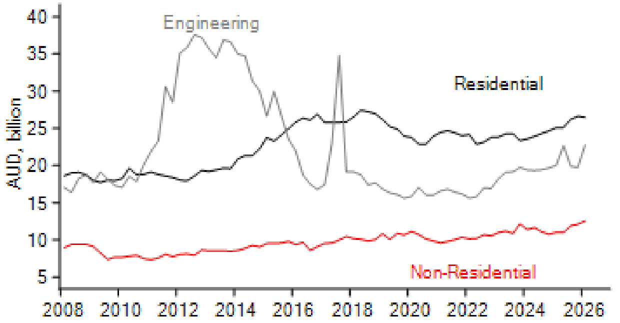
The RBA's August SoMP forecasts for Q3 headline inflation at 1.0% q/q with a trimmed mean of 0.83% q/q. This is softer than NAB's forecasts of 1.1-1.2% q/q and 0.9% q/q, respectively.



AU Construction Work Done (Q2)

Construction work done is the first partial indicator for investment in Australia's national accounts to be released next week. NAB expects the headline number to be little changed, weighed by the unwind of a spike seen in the engineering component in Q1. Building work, which tracks more closely through to GDP, is likely to see only modest growth.

Australia Private Sector Work Done (Chain Volume)



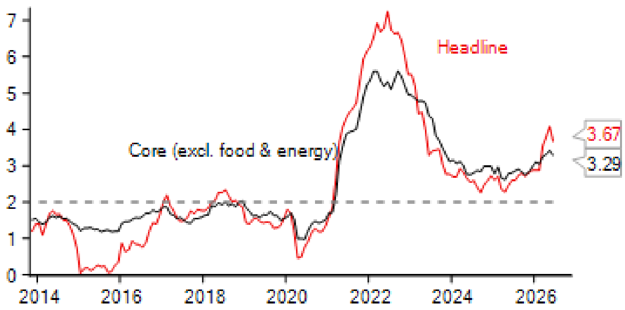
Source: National Australia Bank, Australian Bureau of Statistics, Macrobond

US Personal Consumption Expenditures (July)

As the Fed's preferred inflation measure, July's PCE print will serve as the gauge on whether inflation is travelling in the right direction. Most analysts are expecting a 0.20-0.25% monthly core reading. This would be consistent with an easing in annual inflation from what was seen through much of H1, resulting in the Fed staying on hold in September. July PCE estimates will incorporate a large rise in portfolio management fees. The methodology for this component will change in September and is expected to result in a modest downward revision to PCE inflation.

Aside from inflation, weak July retail sales data point to subdued real personal spending growth in the month.

US PCE Inflation



Source: National Australia Bank, U.S. Bureau of Economic Analysis (BEA), Macrobond
Notes: Dotted line represents the Federal Reserve's 2% inflation target over the longer run.

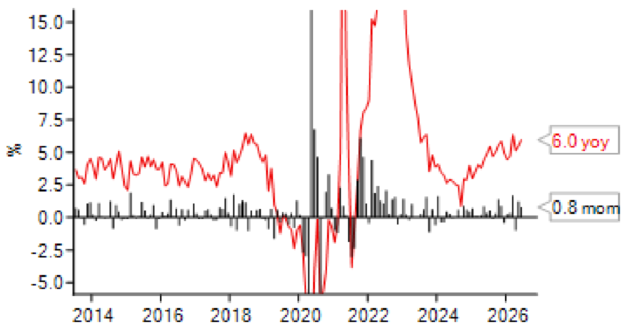
Thursday

AU Consumer Spending (July)

NAB expect the ABS monthly household spending indicator to rise 0.7% m/m in July. This would be another solid outcome, following gains of 1.2% and 0.8% in May and June, respectively, and would suggest nominal household spending remains resilient.

The NAB Spend Trend suggests discretionary spending remained solid during July, while essential spending likely increased, reflecting higher fuel spending following the partial unwind of the fuel excise discount.

Household Spending Indicator

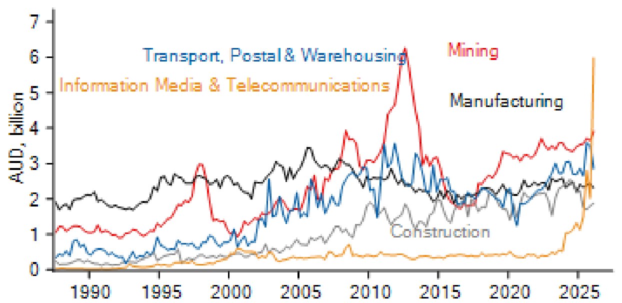


Source: National Australia Bank, Australian Bureau of Statistics, Macrobond, Accountkease

AU Capex (Q2)

The Q2 Capex data will give more insight into the machinery and equipment component of business investment in GDP. NAB have pencil in a 5% q/q decline in the quarterly figure. Volatile data centre equipment spending surged in Q1, but business' investment intentions and lower imports of ADP equipment suggest this will largely reverse. Capex spending will still likely remain up on the year. We will also receive an update for estimates of business' investment intentions.

Equipment, plant and machinery by selected industries (volumes)



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

india_power@bnz.co.nz

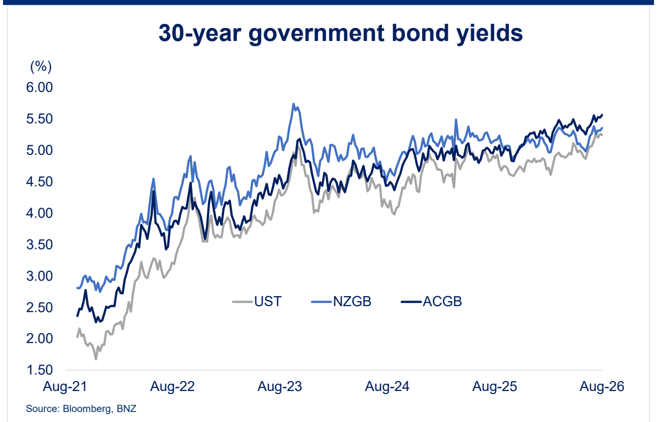
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ front-end rates remained stable last week, with few domestic catalysts to shift expectations for the RBNZ ahead of the September Monetary Policy Statement. The greater focus was on the long end of global sovereign curves, where thirty-year yields have pushed to multi-decade highs across the US, UK, Europe and Canada. Global long-duration bond indices now offer the highest yields since before the Global Financial Crisis. The direct comparison is less straightforward in New Zealand, where NZ Debt Management only began issuing 30-year bonds in 2021, but the longer-standing May-2051 line remains around 30bp below its 5.75% peak from 2023.

We expect the NZ front end to remain relatively stable near term, while the longer end and overall curve shape should remain more exposed to global duration moves. Recent US payrolls and CPI data have helped temper rate-hike expectations, while investors will look for further guidance from Fed Chair Kevin Warsh's keynote speech at Jackson Hole. In New Zealand, 10-year NZGB yields have moved back toward the upper end of their two-year trading range around 4.80%–4.90%, levels that should attract interest from investors looking to fade the move.

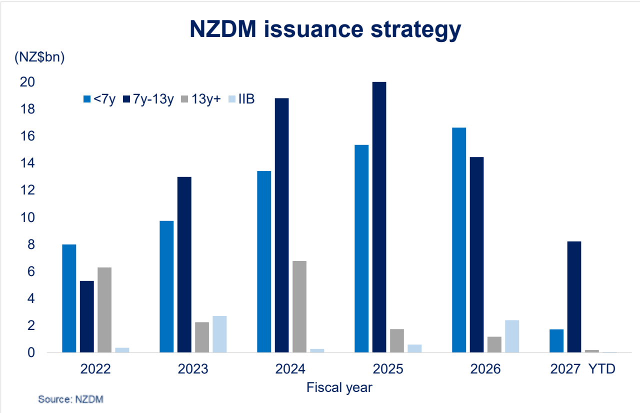
30Y UST yields reach fresh multi-decade highs above 5.30%



US 30-year Treasury yields pushed above 5.30%, prompting the Treasury Department to signal larger buybacks of older securities. The stated aim was to support market functioning, though investors also interpreted the move as an attempt to cap borrowing-cost pressure. The rise in long-end yields this year has been driven mainly by higher real yields rather than a material lift in long-term inflation expectations. Market-based inflation compensation remains relatively well anchored, while real yields and term premia have risen sharply. Investors are demanding greater compensation for fiscal risks, persistent inflation concerns, uncertainty around the Fed's reaction function and increased corporate issuance particularly from hyper-scalers.

The US Treasury's decision to at least double buybacks of older 10- to 30-year securities initially provided some relief, but long-end yields soon reversed the move as investors judged the programme too small to materially shift supply-demand dynamics. The additional US$16b of quarterly buybacks beyond 10-year maturities is only likely to affect market conditions at the margin, given the size of total gross issuance. A durable decline in yields would require some combination of fiscal consolidation, reduced duration supply, weaker activity or clearer evidence that inflation risks are receding.

Longer end NZGB issuance has been restrained recently



The NZ curve has not experienced the same ultra-long-end pressure as other markets. Near-30-year NZGB yields have traded largely sideways even as global benchmarks have reached multi-decade highs, reflecting in part diverging central bank policy-rate outlooks. NZ long-end rates will still be influenced by global duration pricing, particularly moves in US Treasuries. However, NZDM has limited nominal issuance at the long end in recent years, likely reflecting investor feedback, and we do not expect any near-term change in strategy. The 10y/30y NZGB curve has traded in a +55bp to +65bp range over the past year and is currently near the top of that range.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.00	2.55 - 3.00
NZ 2yr swap (%)	3.67	3.59 - 3.81
NZ 5yr swap (%)	4.04	3.94 - 4.15
NZ 10yr swap (%)	4.45	0.00 - 4.51
2s10s swap curve (bps)	78	73 - 81
NZ 10yr swap-govt (bps)	-30	-31 - -28
NZ 10yr govt (%)	4.75	4.68 - 4.72
US 10yr govt (%)	4.73	4.59 - 4.75
NZ-US 10yr (bps)	1	-5 - 10
NZ-AU 2yr swap (bps)	-90	-95 - -81
NZ-AU 10yr govt (bps)	-31	-35 - -19

*Indicative range over last 4 weeks

stuart_ritson@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZWFWDS **Bloomberg pg BNZ**

Currency markets came to life last week as the USD debasement trade returned, and for good reason. The USD weakened broadly, driving NZD/USD up 1½% to 0.5980. The NZD outperformed, posting gains across all the key crosses, ranging from a 0.3% rise in NZD/AUD to a 1.3% gain in NZD/JPY.

A surprise announcement by US Treasury Secretary Bessent jolted the currency market out of its recent torpor. Bessent directed the Treasury to at least double the maximum liquidity-support buyback operations for longer-dated Treasuries, with maturities of 10 to 30 years, to $4b per operation. While the policy was framed as providing liquidity support, it is clear that this was another step by Bessent to suppress long-end yields.

The dollar amount involved is tiny in the context of the more than $5 trillion of US nominal Treasuries outstanding with maturities of at least 10 years and in the context of the US national debt, which reached $40 trillion last week. As such, the signalling effect is more important than the operations themselves. The upscaled liquidity operations cannot realistically be expected to have much impact on long-term rates, which have been moving higher due to a combination of concerns about US fiscal sustainability, a backdrop of strong nominal GDP growth, and a ramp-up in investment-grade corporate bond issuance. The key signal is Bessent's lack of tolerance for higher yields and his willingness to move further down the path of financial repression to contain them.

In theory, attempting to suppress yields below their natural level is a recipe for a weaker currency. The currency market reacted accordingly, with US dollar indices falling 0.8–0.9% last week. Japan's experience of suppressing rates in recent years has been a key factor behind the yen depreciating to a forty-year low.

Needless to say, talk of the USD debasement trade has returned. That theme was last prominent in the first half of last year, in the wake of Trump's executive orders after he returned to power, including the Liberation Day tariff announcement. Over that period, the USD collapsed and NZD/USD rose 5 cents, from around 0.56 to 0.61. We have already seen a 1 cent move in the currency since Bessent's announcement. The question is whether there will be any follow-through over the coming weeks and months.

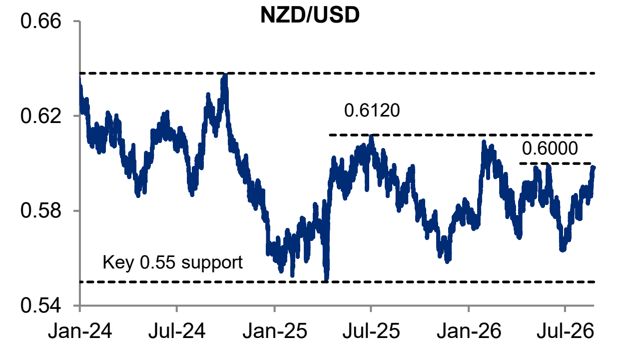
Our prevailing projections have signalled 0.60 as the top of the expected trading range for Q3, but in light of Bessent's policy change, we must accept that the hurdle for the NZD to break through the 0.60 resistance level has been lowered. A break above 0.60 would open up the January high of just below 0.61 as the next resistance level, ahead of last year's high of 0.6120.

We have previously noted that a sustainable move above 0.60 would require the RBNZ to deliver a series of rate hikes, but if the USD debasement trade returns with more vigour, then that offers another potential pathway for the NZD to reach new highs this year. We're not going to jump the gun with forecast revisions at this stage, but fair to say the skew around them is now to the upside. How the currency trades over the next few weeks will be important in assessing the outlook.

On the economic calendar this week, there is little of note domestically after today's NZ Q2 retail sales data. The key global releases include Australian CPI data for July and Canadian Q2 GDP. In the US, the July PCE deflators and spending data are due, along with consumer confidence, the second estimate of Q2 GDP, and annual revisions to payrolls data.

Towards the end of the week, the annual Fed symposium at Jackson Hole begins, with attention focused on a speech by Fed Chair Warsh after the NZ weekly close. In the past, this forum has triggered significant market reactions following the Chair's speech. There will be keen interest in whether Warsh offers any clues about the Fed's policy outlook or reaction function, something he has been loath to do early in his term.

NZD approaching important resistance levels



Source: Bloomberg, BNZ

Cross Rates and Recent Ranges

	Current	Last wk %chg	Last 3-wks range*
NZD/USD	0.5973	1.5%	0.5820 - 0.5990
NZD/AUD	0.8338	0.3%	0.8260 - 0.8390
NZD/CAD	0.8250	0.7%	0.8120 - 0.8300
NZD/GBP	0.4384	0.7%	0.4320 - 0.4390
NZD/EUR	0.5114	0.6%	0.5060 - 0.5120
NZD/JPY	94.96	1.3%	92.20 - 95.20

*Indicative range over last 3 w eeks, rounded

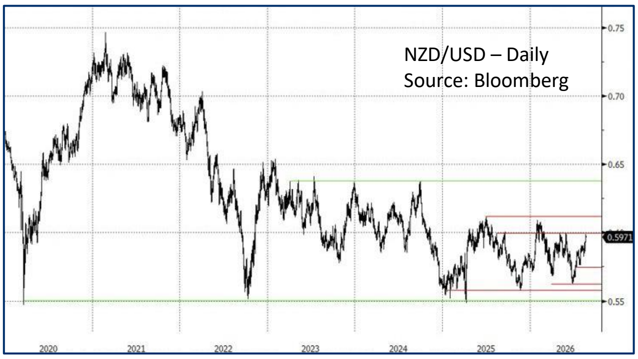
jason.k.wong@bnz.co.nz

Technicals

NZD/USD

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

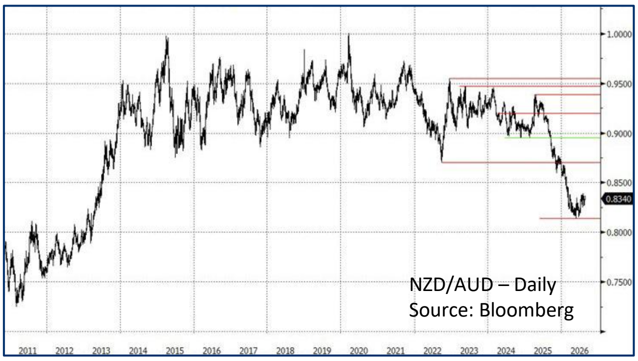
A sharp rally has brought resistance of 0.60 back into the picture, ahead of last year's high of 0.6120.



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

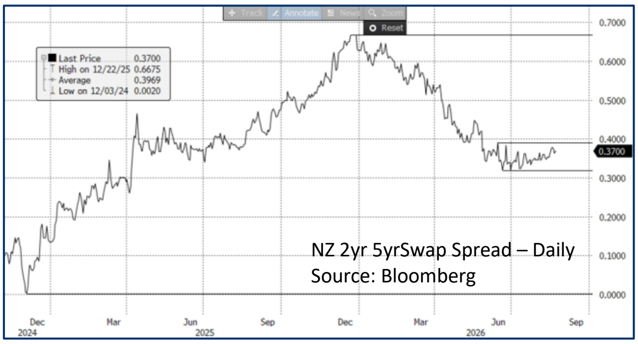
Outlook:	Neutral
MT Resistance:	4.48
MT Support:	3.65

5-year swap moved slightly higher last week with global yield curves; we retain our neutral outlook.

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

Outlook:	Neutral
MT Resistance:	0.67
MT Support:	0

2s5s curve remains unchanged on the week.



matthew.herbert@bnz.co.nz

Quarterly Forecasts

Forecasts as at 24 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	0.8	1.0	-0.5	0.9	0.5	0.6	0.7	0.8
Current account (ann, % GDP)	-3.7	-3.5	-3.6	-3.6	-3.7	-4.3	-5.0	-5.2	-5.3	-4.9
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	0.60	0.72	1.17	1.36	159	0.60	0.83	0.51	0.44	94.9	67.4
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 24 August 2026	March Years Actuals 2024	2025	2026	March Years Forecasts 2027	2028	December Years Actuals 2023	2024	2025	December Years 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	8.5	2.6	-0.7	1.6	3.3	9.5	3.2
Real Expenditure GDP	1.5	-0.7	1.3	1.8	2.5	2.1	-0.3	0.7	2.0	2.1
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	-24.7	-20.9	-25.8	-20.0	-16.0	-23.4	-22.1
Current Account - % of GDP	-5.7	-4.2	-3.6	-5.2	-4.2	-6.3	-4.7	-3.6	-5.0	-4.5
Government Accounts - June Yr, % of GDP										
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-3.1	-3.2	-2.6	-2.4	-0.8					
Net Core Crown Debt (ex NZS) (Treasury forecasts)	41.7	41.9	42.4	45.6	46.1					
Bond Programme - $bn (Treasury forecasts)	39.3	42.6	35.0	34.0	32.0					
Bond Programme - % of GDP	9.4	9.9	7.8	7.2	6.5					
Financial Variables (1)										
NZD/USD	0.61	0.57	0.58	0.60	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
	Tuesday 25 August			
US	Chicago Fed Nat Activity Index Jul	-0.05		-0.02
AU	RBA Minutes of Aug. Policy Meeting			
AU	RBA's Jacobs speaks			
GE	GDP SA QoQ 2Q F	0.20%		0.20%
GE	IFO Expectations Aug	87.3		86.7
	Wednesday 26 August			
US	Fed's Barkin speaks			
US	ADP Weekly Employment Change August-8			9.500k
US	Philadelphia Fed Non-Manufacturing Activity Aug			7.4
US	S&P Cotality CS US HPI YoY NSA Jun			1.11%
US	Richmond Fed Manufact. Index Aug	7		5
US	New Home Sales Jul	620k		628k
US	Richmond Fed Business Conditions Aug			-5
US	Conf. Board Consumer Confidence Aug	90.2		90.8
AU	Westpac Leading Index MoM Jul			0.04%
AU	CPI MoM Jul	0.90%		-0.10%
AU	CPI YoY Jul	3.30%	3.30%	3.80%
AU	CPI Trimmed Mean YoY Jul	3.50%	3.50%	3.60%
AU	Construction Work Done 2Q	0.40%		3.40%
UK	CBI Retailing Reported Sales Aug	-35		-26
EC	ECB's Cipollone speaks			
	Thursday 27 August			
US	Personal Income Jul	0.20%		0.20%
US	Personal Spending Jul	0.10%		0.30%
US	Real Personal Spending Jul	0.00%		0.40%
US	PCE Price Index MoM Jul	0.10%		-0.10%
US	PCE Price Index YoY Jul	3.60%		3.70%
US	Core PCE Price Index MoM Jul	0.20%		0.10%
US	Core PCE Price Index YoY Jul	3.30%		3.30%

		Median	Fcast	Last
US	Durable Goods Orders Jul P	0.50%		0.50%
US	GDP Annualized QoQ 2Q S	1.50%		1.50%
US	Fed's Barkin speaks			
AU	Private Capital Expenditure 2Q	0.80%	-5.00%	6.50%
CH	Industrial Profits YoY Jul			15.10%
AU	Household Spending YoY Jul	5.70%		6.00%
AU	Household Spending MoM Jul	0.30%	0.70%	0.80%
GE	GfK Consumer Confidence Sep	-29.4		-29.6
EC	ECB Publishes Account of July 22-23 Meeting			
JN	BOJ Deputy Governor Himino speaks			
	Friday 28 August			
US	Advance Goods Imports MoM SA Jul			-2.60%
US	Advance Goods Exports MoM SA Jul			-1.80%
US	Initial Jobless Claims August-22	208k		206k
US	Initial Claims 4-Wk Moving Avg August-22			204.00k
US	Continuing Claims 15/08/2026	1800k		1799k
NZ	Filled Jobs SA MoM Jul			0.10%
UK	Lloyds Own Price Expectations Aug			54
JN	Jobless Rate Jul	2.50%		2.50%
GE	Unemployment Claims Rate SA Aug	6.40%		6.40%
EC	Economic Confidence Aug	97.6		96.9
EC	Consumer Confidence Aug F	-15.5		-15.5
	Saturday 29 August			
CA	GDP Advance Estimate MoM Jul			0.20%
US	MNI Chicago PMI Aug	57.9		57.6
US	Prelim. Benchmark Payrolls Revision Aug-29	157k		-911k
US	Fed's Warsh speaks			
US	U. of Mich. Sentiment Aug F	51		51
US	Kansas City Fed Services Activity Aug			14
EC	ECB's Schnabel speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	2.50	2.50	2.50	3.00
1mth	2.84	2.80	2.70	3.10
2mth	2.92	2.89	2.81	3.06
3mth	3.00	2.97	2.91	3.01
6mth	3.22	3.17	3.15	2.94
GOVERNMENT STOCK				
05/28	3.58	3.55	3.67	3.23
05/31	4.16	4.14	4.20	3.84
04/33	4.43	4.40	4.42	4.15
05/36	4.75	4.72	4.71	4.49
05/41	5.15	5.13	5.07	4.94
05/54	5.39	5.37	5.30	5.23
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	51	51	53	50
Europe 5Y	52	51	54	51

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.67	3.64	3.72	2.91
3 years	3.82	3.78	3.86	3.05
4 years	3.94	3.90	3.97	3.20
5 years	4.04	4.00	4.06	3.34
10 years	4.45	4.42	4.41	3.89
FOREIGN EXCHANGE				
NZD/USD	0.5973	0.5902	0.5774	0.5848
NZD/AUD	0.8338	0.8307	0.8260	0.9022
NZD/JPY	94.92	94.10	94.54	86.42
NZD/EUR	0.5114	0.5096	0.5079	0.5034
NZD/GBP	0.4380	0.4358	0.4345	0.4347
NZD/CAD	0.8241	0.8188	0.8155	0.8105
TWI	67.4	67.0	66.4	67.8

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