Research

Markets Outlook

31 August 2026

RBNZ to steal the show

- **Tightening, and then more**
- **GDP partials make an appearance**
- **Terms of trade turns down**
- **But dairy outlook positive**
- **Labour market turning**

The week ahead is all about the Monetary Policy Statement (MPS). We provided our full preview last Monday. In short, we are expecting:

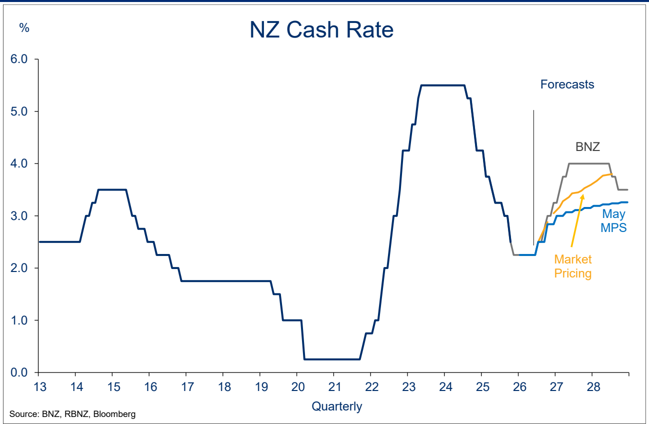
- the cash rate to be raised 25 basis points to 2.75%;
- the RBNZ to reaffirm its tightening bias;
- the peak in the cash rate track to be around 3.3% in the September quarter 2027.

For markets the key focus will be on any hints as to what the Bank intends doing at its October and December meetings. Market pricing suggests a split view between a 25 basis point increase in either October or December but not both.

We, by contrast, expect rate hikes at both meetings. Many think the November 7 General Election will cause the RBNZ to avoid moving in October. It probably would have had the Bank been contemplating the first move in the cycle, but we are mid cycle so no rate hike would seem strange.

While not our central view, if the bank was to pause in either October or December to assess the impact of its interest setting, it would make more sense to do this in December by which time the OCR would be sitting at the RBNZ's view of long-term neutral.

More to come



Source: BNZ, RBNZ, Bloomberg

We doubt that the interest rate track provided will be miles different to that prepared back in May though the risk of it being pushed higher is hugely greater than it going the other way.

Nothing has happened over the last week to change our view. That said, we have watched developments across the Tasman with interest where inflation has surprised to the upside, despite the unemployment rate rising, and, in turn, has seen forecasters rushing to revise their expected Australian interest rate track higher. For the record: Australia's current cash rate is 4.35% compared with New Zealand's 2.50%; its inflation rate is 3.5% compared to 4.1% here meaning we are 2.1% above target whereas Australia is just 1.0% above; our unemployment rate is 5.6% compared to 4.5% across the ditch.

The move in Australia's market pricing, and the potential for this to put downward pressure on the NZDAUD cross rate if the cash rate doesn't increase here, would not have gone unnoticed by the Monetary Policy Committee.

In a similar vein, we doubt Governor Breman will have been surrounded by folk who are relaxed about inflation at Jackson Hole.

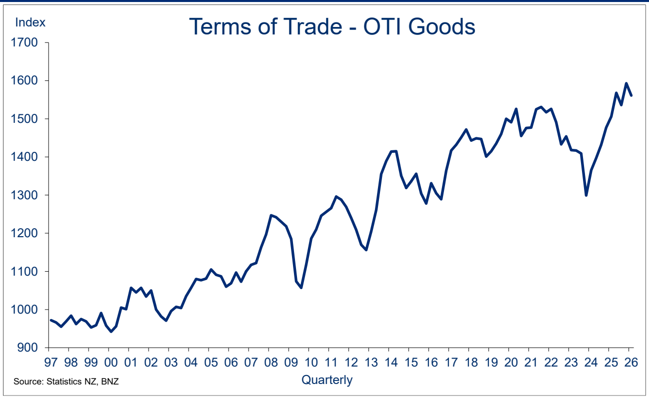
For us the remainder of the data across the week will be looked at in terms of does it or doesn't it fit with the economic assumptions the RBNZ will have published in its MPS.

With this in mind, the activity partials released in the week ahead will help finalise our Q2 GDP pick. Currently, we are forecasting a 0.2% decline in production GDP but a small increase in the expenditure-based measure. The latter is, in part, driven by our assumption that the contribution to growth from net exports is near zero. We will be looking for evidence of this in Thursday's international trade data for the quarter mindful that there is always the potential for these data to surprise, particularly on the services side.

Accompanying the trade volume data is the terms of trade. Soaring imported fuel prices will weigh on this through the quarter but will be largely offset by ongoing improvements in New Zealand's commodity export prices. On balance we thus expect a small fall in the terms of trade for the quarter.

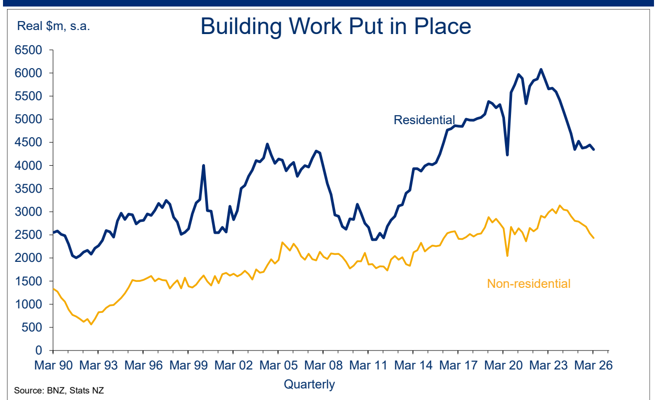
Alas the local commodity price offset doesn't look like it will carry through to Q3 for which a sharp drop in the terms of trade is anticipated. This is important because soaring export earnings have been a cornerstone of the current trend improvement in economic activity.

Peaked?



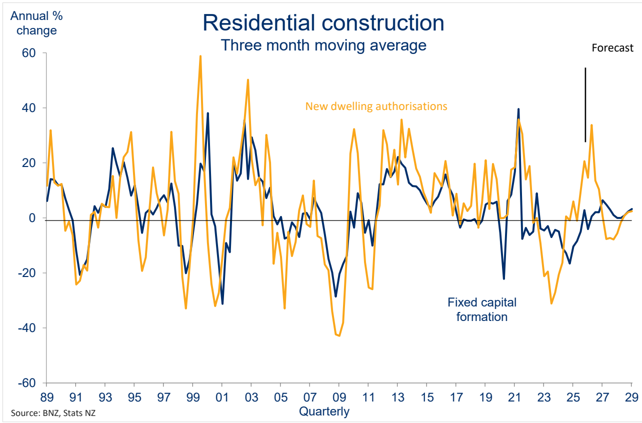
The other key growth indicator will be Friday's Q2 Building Work Put in Place (BWPIP). We are expecting a modest pick-up in activity led by the residential sector. A 3.7% increase in concrete production for the quarter provides some optimism for non-residential building but it may be that this reflects infrastructure work that is not well reflected in the BWPIP series. It may also be a bit hopeful to think that this quarter will be the first in ten to reveal an expansion.

Hope springs eternal



Further building data will be available on Wednesday with the release of building permits for July. We have been a bit bamboozled by the strength in new dwelling units authorised and the increasing disconnect with activity and anecdotal evidence. The drop in authorisations that were reported for May and June were easier to swallow, and we wouldn't be surprised if July maintained the downward trend.

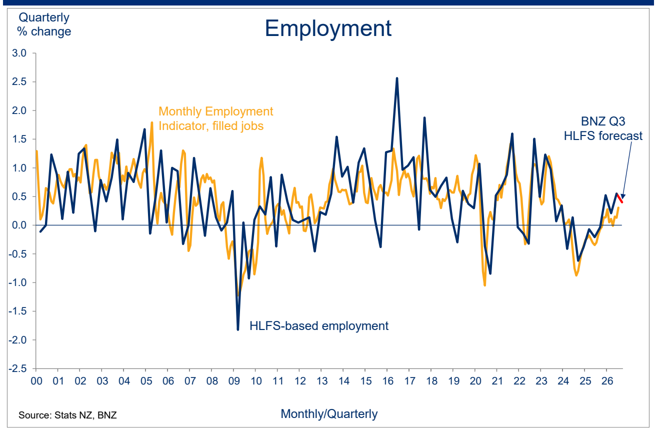
Follow through missing



This afternoon ANZ releases its latest business survey. We'll be more interested in what the pricing indicators suggest than the activity indicators. Hiring intentions will also be noteworthy given that the rising unemployment rate is one of the few things that might give the RBNZ reason to pause.

Last Friday's employment indicators again provide some reason to hope that recent growth in employment can be sustained. The data were consistent with our view that annual employment growth, measured on a Household Labour Force Survey basis will climb to 1.6% which will be enough to ensure the unemployment rate climbs no further. For the record the monthly jobs indicator showed filled jobs to be up 0.8% in the year to July. While hardly explosive, it is, nonetheless, the strongest reading since April 2024.

Job growth accelerating



Rounding out the week is Thursday's August Commodity Price Index which is expected to decline around 1.5% in world price terms (driven by meat) and 3.0% in NZD terms providing further confirmation that the Q3 terms of trade is likely to be negative. That said, there is a very good chance dairy might rescue the aggregate commodity price index in September. Watch for evidence of this in Wednesday morning's GDT auction.

stephen_toplis@bnz.co.nz

Global Watch

- **Aus Q2 GDP released on Wednesday**
- **US labour market and activity indicators arrive**
- **Bank of Canada to keep rates on hold**

In the week ahead, Australian Q2 GDP is released on Wednesday where NAB expects growth of 0.2% q/q (1.8% y/y). Partial data on trade, public demand, and inventories on Monday and Tuesday will firm up these forecasts. July building approvals, goods trade and private credit are also released this week, while RBA Assistant Governor Jones speaks on Thursday.

Japan's Q2 industrial production and retail sales for July (both Monday) followed by capital spending (Tuesday), are the key reads for the week before BoJ's Takata speaks on Wednesday. In China, official and RatingDog PMIs arrive Monday and Tuesday respectively.

In the US, August non-farm payrolls (Friday) anchors the week, with JOLTS (Tuesday) and ADP (Wednesday). Early forecasts are split between unemployment holding at 4.1% or ticking back up to 4.2%. ISM Manufacturing (Tuesday), durable goods, factory orders and the Fed's Beige Book (Wednesday) with provide updates on activity. Fed Governor Waller, in a moderated conversation Thursday, will be keenly watched in lieu of guidance from the Chair. The Bank of Canada is expected to hold rates on Wednesday, followed by August labour market data released on Friday.

In Europe, preliminary August inflation (Tuesday) will likely rise reflecting the jump in energy prices. Headline is expected to rise to 3.2% y/y, whereas core prices are expected unchanged at 2.5% - both have upside risks. EZ's July unemployment rate (Tuesday) is expected to be unchanged at 6.3%, followed by retail trade data on Friday. The ECB will be in its pre-rate decision week quiet period from Thursday. In the UK, BoE Governor Bailey speaks on Friday and August's inflation expectation survey are released the same day. UK Parliament resumes after its summer recess on Tuesday.

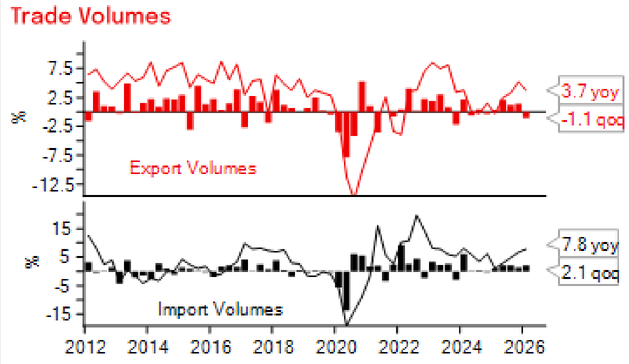
Key Event Previews

Tuesday

AU Balance of Payments (Q2)

The BoP will provide the trade components of Q2 GDP. NAB has pencilled in a 0.2ppts subtraction from quarterly GDP growth, driven by higher imports even though exports should rebound from disruptions to mining exports in Q1. The build of domestic fuel reserves following the conflict in the Middle East is likely to support the rise in imports. Services trade outcomes will also be of interest, with the RBA anticipating a drag from lower outbound tourism.

The current account deficit is likely to widen as import values outpace export growth, supported by higher fuel prices.



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

Wednesday

AU GDP (Q2)

NAB expects Q2 GDP growth of 0.2% q/q (1.8% y/y), modestly below the RBA forecast of 1.9% y/y.

A drag from business investment after the Q1 surge is driven by lumpy data centre activity, but domestic final demand will be supported by resilient consumption growth, higher residential building work, and ongoing growth in public demand.

Swings in inventories, investment and trade add uncertainty to the quarterly the outcome. Confirmation of the recent pulse in consumption growth will be important as the RBA assesses whether growth is slowing sufficiently to be comfortable on the inflation outlook.

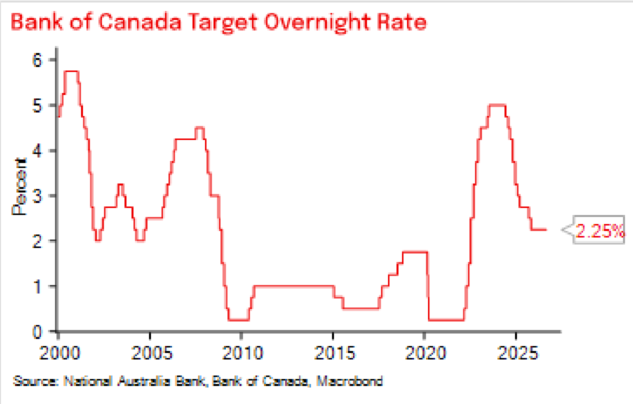
Quarterly GDP forecasts	qoq		yoy	contribution to qoq
	Mar-26	Jun-26	Jun-26	Jun-26
Household Consumption	0.5	0.4	1.9	0.2
Dwelling Investment	0.7	2.0	5.1	0.1
Underlying Business Investment	6.9	-2.7	8.6	-0.3
Underlying Public Final Demand	0.1	0.6	2.6	0.2
Domestic Final Demand	**1.0**	**0.2**	**3.1**	**0.2**
Stocks (b)	0.0	0.1		
GNE	**0.9**	**0.3**	**2.9**	**0.2**
Exports	-1.1	0.7	2.3	0.2
Imports	2.1	1.6	7.3	-0.4
Net exports (b)	**-0.8**	**-0.2**		**-0.2**
GDP	**0.3**	**0.2**	**1.8**	

(b) Contribution to growth

CA Bank of Canada Rate Decision

NAB expect the BoC to hold at 2.25% on Wednesday, as policymakers are currently in the enviable position of observing both a declining unemployment rate and underlying inflation ticking along at 2%. NAB expects ongoing shocks from the escalating tariff war between the US and Canada will keep the BoC on hold until 2027 as it rides out a period of cyclical weakness.

The key watch point will be any update from officials regarding the impact of new tariffs on Canada's growth prospects. A particularly grave reading could have implications for how accommodative policy needs to be as the tariffs begin to bite at the end of 2026. No updated projections will be provided as part of this update.

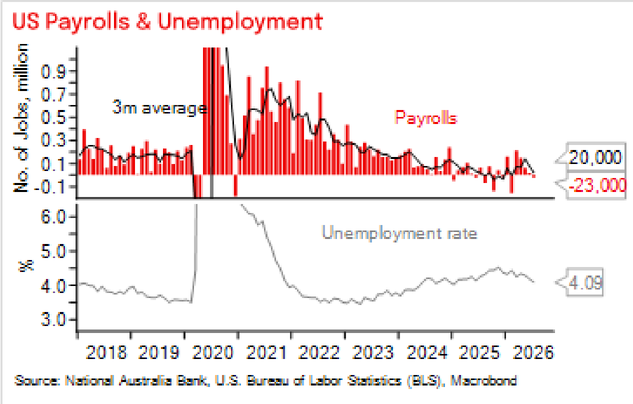


Friday

US Non-Farm Payrolls

July's payrolls report was unusual as it saw a decline in both employment growth (-23k) and the unemployment rate (-0.1ppts to 4.1%). Therefore, markets will be interested in how these conflicting signals resolve in August. A clearer labour market signal will give a clearer indication of where the Fed is headed next.

The Payrolls release this week, and August CPI the next week, are the key data ahead of the Fed's 16 September meeting.



india_power@bnz.co.nz

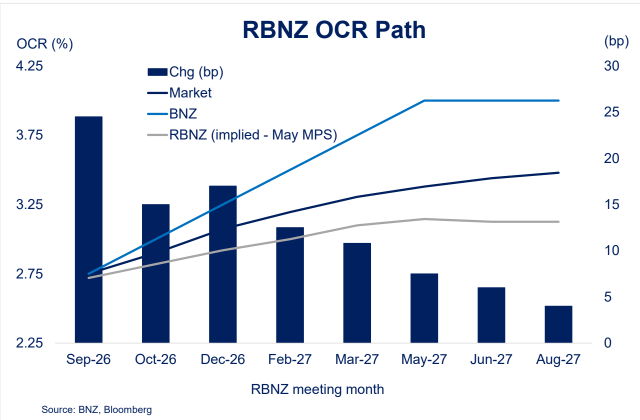
Fixed Interest Market

Reuters: BNZL, BNZM   Bloomberg:BNZ

Stability in NZ front-end rates has continued ahead of this week's RBNZ Monetary Policy Statement, with 2-year swap rates confined to a 10bp range in recent weeks. A 25bp increase is close to fully priced, leaving the Bank's communication - particularly any change in guidance and its assessment of recent data - as the key driver for rates markets. We expect the RBNZ to retain the flexible stance from the July Review, repeating that "some further reduction in monetary stimulus is likely to be required to return inflation to the 2 percent target mid-point", while keeping the outlook conditional on incoming data.

Pricing for a hike at the 28 October meeting has firmed to around 15bp in recent sessions. With an increase this week to 2.75% unanimous amongst economists, the key issue for rates markets is whether the RBNZ validates expectations for further tightening. We see the case an October hike supported by firmer high-frequency activity indicators and partial July price data that suggest Q3 inflation is tracking above the Bank's forecasts. The updated MPS projections, including the modelled OCR track, will therefore be closely watched, although we expect only marginal changes from May reflecting the hike in July and expected 25bp move this week.

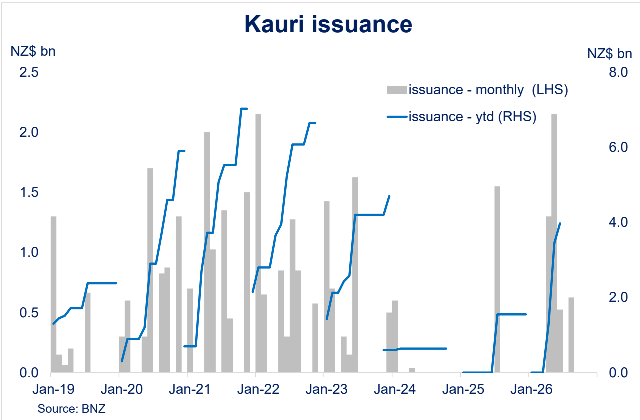
Market pricing for the RBNZ



NZ financial conditions have tightened since the July Policy Review, with 2-year rates almost 30bp higher and the NZ dollar TWI 2% stronger. The RBNZ is unlikely to welcome a material further tightening from here. Markets price around 55bp of additional tightening by year-end and a cumulative 115bp by the end of next year. From a strategy perspective, the cycle now looks well priced, with delivery risk around continued sequential hikes through next year. Against that backdrop, 1y1y above 4.0% looks an attractive level to fade further upside in rates, with 4.15% having repeatedly marked the top of the recent range.

10-year NZGB-UST spreads have been broadly stable and have edged back towards flat after hawkish comments from Fed Chair Warsh at Jackson Hole supported higher US front-end pricing. Current levels appear in line with expected central bank policy. Warsh said financial conditions are not restrictive, inflation remains too high, and recent progress is insufficient to confirm an improvement in underlying trends. He also reiterated the Fed's commitment to its 2% PCE target and described the labour market as consistent with full employment. That suggests a soft payrolls print may not be enough to shift the Fed's reaction function, leaving August CPI as the key release ahead of the 17 September FOMC.

Kauri issuance has slowed from mid-year



The Export-Import Bank of Korea executed a NZ$625 million 5-year Kauri bond last week, pricing at 44bp over swaps, equivalent to around 32bp over the May-2031 NZGB. Allocations were skewed toward domestic asset managers and bank balance sheets. After a burst of issuance in April and May, Kauri activity has slowed in recent months, with a narrower cross-currency basis weighing on issuer economics. Including last week's transaction, year-to-date issuance is close to NZ$4 billion, a notable pickup from the previous two years.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.05	2.55 - 3.05
NZ 2yr swap (%)	3.70	3.59 - 3.73
NZ 5yr swap (%)	4.06	3.94 - 4.08
NZ 10yr swap (%)	4.45	0.00 - 4.46
2s10s swap curve (bps)	75	74 - 81
NZ 10yr swap-govt (bps)	-29	-31 - -28
NZ 10yr govt (%)	4.74	4.68 - 4.74
US 10yr govt (%)	4.72	4.59 - 4.75
NZ-US 10yr (bps)	3	-5 - 8
NZ-AU 2yr swap (bps)	-100	-100 - -81
NZ-AU 10yr govt (bps)	-35	-37 - -19

*Indicative range over last 4 weeks

stuart_ritson@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZWFWDS **Bloomberg pg BNZ**

Last week, the USD was broadly stronger following Fed Chair Warsh's Jackson Hole speech, unwinding the previous week's "dollar debasement" hit. Warsh laid the groundwork for possible Fed hikes beginning as soon as the next meeting. NZD/USD fell more than 1% to 0.5915. NZD/AUD fell 1% to 0.8255, with stronger-than-expected Australian CPI data significantly increasing the chance of another RBA hike soon. The NZD recorded small to modest falls on the other key cross rates.

Central bank policy outlooks are proving to be a notable driver of currency volatility in the current environment. Fed Chair Warsh delivered a clear message in his first major speech since taking office. Relevant to the US monetary policy outlook, he did not view current financial conditions as restrictive, believed the labour market was at full employment, and expressed concern about inflation, particularly the lack of meaningful improvement in the underlying trend. His hawkish tone effectively reversed the market's "dollar debasement" response to Bessent's attempt to control the long end of the curve the previous week. The USD rebounded, and the market now prices in a better-than-even chance of a Fed hike at the September meeting and a cumulative 1½ hikes by December.

Australian monthly CPI data for July were stronger than expected, with the trimmed mean steady at 3.6% y/y. This led the market to price in a higher chance of another rate hike this cycle, now fully priced, with the next meeting in late September seen as close to an even chance. Recent RBA commentary has noted the risk of further tightening if upside risks to the inflation forecasts materialise. The AUD rebounded, sending NZD/AUD down to support at 0.8250.

The domestic focus in the week ahead is the RBNZ's Monetary Policy Statement, which will be important for the NZD outlook. There is strong consensus for a back-to-back 25bps hike in the OCR, taking it to 2.75%, and this is almost fully priced by the market. Assuming a hike is delivered, the market reaction will be determined by the tone of the policy outlook.

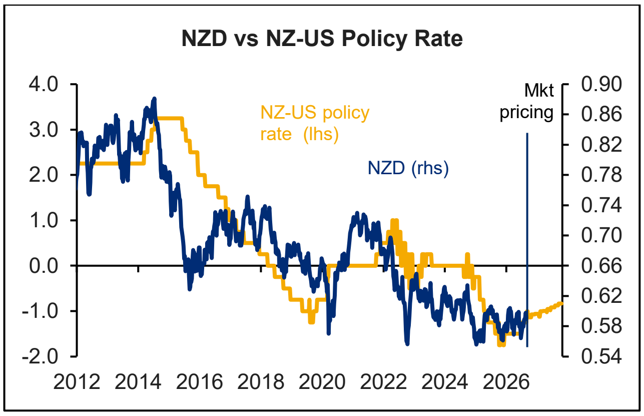
With the market pricing only one more hike across the October and December meetings, any hint that the Bank is on a pathway to further sequential rate hikes would be NZD-positive. That would align with BNZ's house view, but it would be prudent for the Bank to keep its options open for a possible pause. This should be reflected in the projected rate track showing a more gradual pace of hikes ahead than we believe to be appropriate.

With a strong chance of Fed and RBA hikes ahead, and the ECB and BoJ also inclined to tighten further, the RBNZ cannot afford to be too slow in moving policy into a restrictive zone. The RBNZ's more aggressive easing cycle compared with other central banks has contributed to the weaker NZD over the past couple of years, adding to tradeables CPI inflation. The RBNZ needs all the help it can get to bring inflation down. A decent tightening cycle would drive a stronger NZD and help reduce tradeables inflation.

The current stance of NZ monetary policy remains a headwind for the NZD, which is why our currency projections show only a mild expected recovery ahead, with this more a story for next year than for 2026. We still see NZD/USD in a 0.56–0.60 range for the current quarter, with the range edging only a little higher over the next couple of quarters. Our current projections also show NZD/AUD relatively flat over the near term, weighed down by the significant NZ-Australia rate gap differential, with 3-month bills around 150bps apart.

Elsewhere on the calendar this week, the Bank of Canada also meets, where another on-hold decision is almost certain. The reignition of the US-Canada trade war makes any BoC rate hike unlikely this year. On the global economic calendar, the key release is the US employment report at the end of the week, following the ISM manufacturing and services surveys. Canadian employment, Australian Q2 GDP, China PMIs, and Euro area CPI round out the calendar.

Easy RBNZ policy remains a drag on the NZD



Cross Rates and Recent Ranges

	Current	Last wk %chg	Last 3-wks range*
NZD/USD	0.5923	-1.1%	0.5820 - 0.5990
NZD/AUD	0.8276	-1.0%	0.8250 - 0.8370
NZD/CAD	0.8240	-0.1%	0.8120 - 0.8280
NZD/GBP	0.4376	-0.3%	0.4320 - 0.4390
NZD/EUR	0.5114	-0.3%	0.5060 - 0.5130
NZD/JPY	94.81	-0.4%	92.80 - 95.20

*Indicative range over last 3 w eeks, rounded

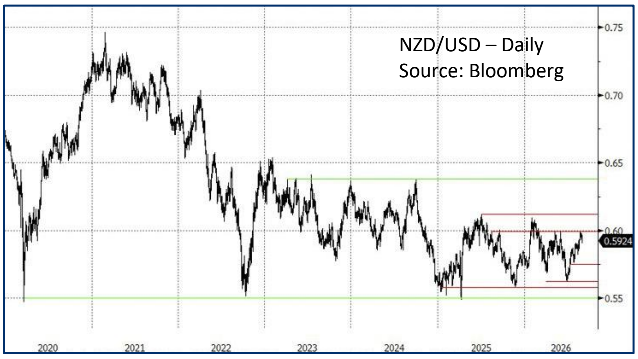
jason.k.wong@bnz.co.nz

Technicals

NZD/USD

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

No change, with short-term resistance of 0.60, ahead of last year's high of 0.6120 and initial support at 0.5750.

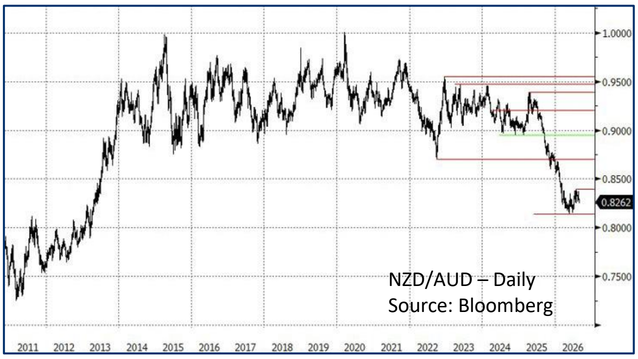


NZD/AUD

Outlook: Trading range
ST Resistance: 0.84 (ahead of 0.87)
ST Support: 0.8140

In a consolidation phase. Short-term support at the low near 0.8140 while we've lowered resistance to the recent high just under 0.84.

jason.k.wong@bnz.co.nz



NZ 5-year Swap Rate

Outlook: Neutral
MT Resistance: 4.48
MT Support: 3.65

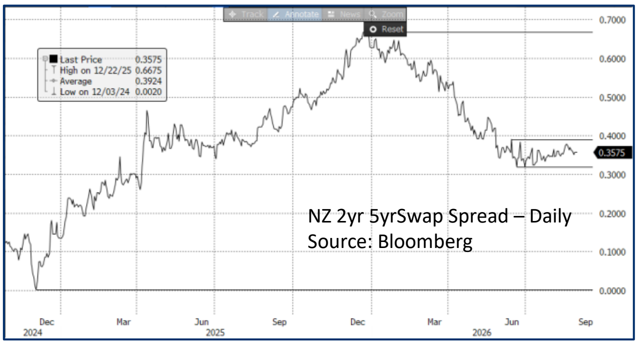
5-year swap failed to move materially last week with our outlook remaining neutral.

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

Outlook: Neutral
MT Resistance: 0.67
MT Support: 0

2s5s curve held its level just above 35bp again last week. We continue to wait for a break of the recent tight range.

matthew.herbert@bnz.co.nz



Quarterly Forecasts

Forecasts as at 31 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/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.59	0.72	1.16	1.35	160
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	0.59	0.83	0.51	0.44	94.7	66.9
Forecasts						
Sept-26	0.57	0.83	0.50	0.43	93.0	65.7
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	68.8
Mar-28	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 31 August 2026	March Years					December Years				
	Actuals			Forecasts		Actuals			Forecasts	
	2024	2025	2026	2027	2028	2023	2024	2025	2026	2027
GDP - annual average % change										
Private Consumption	1.1	0.0	1.4	1.3	2.4	1.1	-0.2	1.4	1.1	2.1
Government Consumption	1.1	-1.3	3.8	1.2	1.0	0.1	-0.9	2.5	2.9	0.4
Total Investment	-1.1	-4.9	-0.2	4.2	3.7	-0.3	-4.8	-1.3	3.2	4.1
Stocks - ppts cont'n to growth	-1.4	0.4	0.3	0.2	-0.1	-1.2	0.4	-0.1	0.5	-0.1
GNE	-0.9	-1.0	1.8	2.3	2.4	-0.7	-1.1	0.9	2.6	2.2
Exports	8.6	3.4	3.3	6.8	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
	Monday 31 August			
JN	Retail Sales MoM Jul	1.60%		-4.10%
JN	Industrial Production MoM Jul P	-0.70%		1.90%
NZ	ANZ Activity Outlook Aug			49.3
NZ	ANZ Business Confidence Aug			56.1
AU	Inventories SA QoQ 2Q	0.50%		0.50%
CH	Manufacturing PMI Aug	49.5		49.2
CH	Non-manufacturing PMI Aug	49.4		49
JN	Housing Starts YoY Jul	7.80%		18.60%
	Tuesday 01 September			
GE	CPI YoY Aug P	3.00%		2.80%
US	Dallas Fed Manf. Activity Aug	1.6		1.3
JN	Capital Spending YoY 2Q	-0.30%		0.00%
AU	BoP Current Account Balance 2Q	-A$30.0b	-A$30.0b	-A$27.1b
AU	Net Exports of GDP 2Q	0.1		-0.8
AU	Building Approvals MoM Jul	-5.00%		7.20%
CH	RatingDog China PMI Mfg Aug	51		50.9
JN	Consumer Confidence Index Aug	35.3		34.9
GE	Retail Sales MoM Jul	0.50%		-0.70%
UK	Nationwide House Px NSA YoY Aug	2.10%		1.80%
EC	S&P Glbl Eurozone Mnufctrng PMI Aug F	52.8		52.8
UK	Net Consumer Credit Jul	1.7b		1.8b
UK	S&P Global UK Mnufctrng PMI Aug F	51.5		51.5
EC	CPI YoY Aug P	3.30%		2.90%
EC	Unemployment Rate Jul	6.30%		6.30%
	Wednesday 02 September			
US	Fed's Barr speaks			
US	S&P Global US Mnufctrng PMI Aug F	53.3		53.2
US	ISM Manufacturing Aug	55.2		55.6
US	JOLTS Job Openings Jul	7313k		7359k
EC	ECB's Vujcic speaks			
NZ	Building Permits MoM Jul			-3.60%
NZ	GDT Dairy Auction			

		Median	Fcast	Last
AU	GDP YoY 2Q	1.80%	1.80%	2.50%
NZ	RBNZ Official Cash Rate	2.75%		2.50%
	Thursday 03 September			
CA	Bank of Canada Rate Decision	2.25%		2.25%
US	Fed Releases Beige Book			
NZ	Terms of Trade Index QoQ 2Q	-1.90%		-2.00%
NZ	ANZ Commodity Price MoM Aug			-3.90%
AU	Trade Balance Jul	A$1375m	A$1000m	A$1929m
AU	Exports MoM Jul			9.60%
AU	Imports MoM Jul			-0.20%
CH	RatingDog China PMI Services Aug	50.6		50.4
AU	RBA's Hunter-Testimony			
EC	S&P Glbl Eurozone Composite PMI Aug F	52.1		52.1
UK	S&P Global UK Composite PMI Aug F	52.5		52.5
EC	PPI MoM Jul	1.20%		-0.30%
	Friday 04 September			
US	Fed's Waller speaks			
US	Trade Balance Jul	-$90.0b		-$73.3b
US	Imports MoM Jul	1.40%		-1.80%
US	Exports MoM Jul	-0.80%		-0.90%
US	Initial Jobless Claims August-29	205k		203k
US	S&P Global US Composite PMI Aug F			56
US	ISM Services Index Aug	54.1		54.1
JN	Household Spending YoY Jul	-1.60%		-3.30%
UK	S&P Global UK Construction PMI Aug	46		44.7
UK	BOE Governor speaks			
EC	ECB's Lane speaks			
EC	Retail Sales MoM Jul	0.30%		-0.30%
	Saturday 05 September			
US	Change in Nonfarm Payrolls Aug	55k		-23k
CA	Unemployment Rate Aug	6.40%		6.40%
US	Unemployment Rate Aug	4.10%		4.10%

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	2.50	2.50	2.50	3.00
1mth	2.90	2.86	2.71	3.10
2mth	2.98	2.94	2.83	3.05
3mth	2.95	2.95	2.95	3.00
6mth	3.25	3.23	3.17	2.92
GOVERNMENT STOCK				
05/28	3.60	3.56	3.64	3.20
05/31	4.18	4.15	4.21	3.82
04/33	4.44	4.42	4.44	4.15
05/36	4.74	4.73	4.74	4.48
05/41	5.14	5.13	5.11	4.93
05/54	5.39	5.37	5.33	5.23
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	50	51	51	51
Europe 5Y	51	51	52	56

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.71	3.65	3.71	2.88
3 years	3.85	3.80	3.86	3.02
4 years	3.96	3.91	3.97	3.17
5 years	4.06	4.02	4.07	3.32
10 years	4.46	4.43	4.45	3.89
FOREIGN EXCHANGE				
NZD/USD	0.5916	0.5960	0.5871	0.5900
NZD/AUD	0.8262	0.8336	0.8387	0.9007
NZD/JPY	94.71	94.81	92.27	86.85
NZD/EUR	0.5109	0.5109	0.5101	0.5040
NZD/GBP	0.4371	0.4372	0.4371	0.4357
NZD/CAD	0.8231	0.8250	0.8246	0.8114
TWI	66.9	67.3	66.9	68.1

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