Research

Markets Outlook

21 September 2026

Positive Momentum

- **Economic momentum positive**
- **Primary exports, investment, tourism lead the charge**
- **Inflation troublesome as oil rips and NZD dips**
- **Consumer, housing remains subdued**
- **Fonterra's milk price forecast lifted**
- **Government accounts ahead of plan before PREFU**

There was a heap of economic information released last week. The headline news was GDP growth and inflation indicators but there was a lot more to digest too. Let's take stock.

The GDP data confirmed the economy grew modestly in the second quarter and was 2.6% bigger than a year earlier. A very commendable performance given the oil shock presented a significant headwind in the quarter. Growth was stronger than the RBNZ forecast and does not stand in the way of further interest rate hikes.

Price indicators continue to point to inflation remaining elevated and pushing up again into years' end. The combination of higher oil prices and a falling NZD saw us lift our CPI inflation forecasts last week. Last Friday's selected prices for August reinforced the case.

It all left us forecasting annual CPI inflation punching back up to 4.2% in Q4 this year, after an expected easing to 3.8% in Q3 from its 4.1% reading in Q2. At this point we have factored in very little second round influences from either resurgent oil prices or the drop in the NZD.

As it is, inflation into years' end looks like printing above the RBNZ expectations – a tick under in Q3 but more meaningfully above in Q4. In its September MPS, the RBNZ forecast annual inflation of 3.9% for both Q3 and Q4.

Elevated inflation and an associated increasing threat of persistence provide clear upside risk to the likes of firms' pricing behaviour and inflation expectations. The inflation risks fit with our view that the RBNZ needs to continue removing monetary stimulus.

Last week we reinserted an October 25 basis points hike into our interest rate forecasts that we had previously removed on the Bank's signals. We made no other changes to our cash rate forecasts which see 25-point increase at each meeting until it reaches 3.75%, albeit a meeting earlier thanks to the re-inclusion of an October hike.

Returning to the growth figures and outlook. Three themes stood out to us in last week's GDP figures.

- Strong export growth, driven by the primary sector with support from tourism.
- Forward momentum in investment activity.
- A subdued consumer.

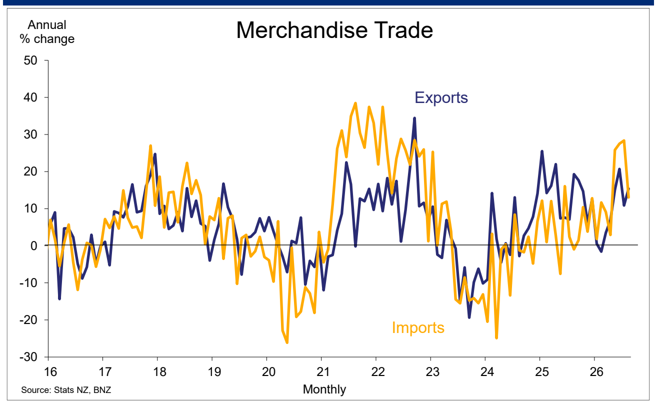
While attention was on the dated Q2 GDP data, last week's other data indicated the economic recovery has continued in Q3 and seemingly in line with the above themes.

On the export side, August's merchandise export values were up 15.4% on a year earlier while July's visitor arrival numbers were up 8.5% compared to the same month a year before.

Incidentally, visitor arrival numbers nudged above their equivalent pre-Covid month for the first time since the pandemic. It has been a long six plus years, but the visitor number trend is upward and contributing to growth.

Merchandise imports were 13.1% up on a year earlier. Unsurprisingly, petroleum products (+21% y/y) made a significant contribution but investment components also showed strength.

Strong lift in trade values

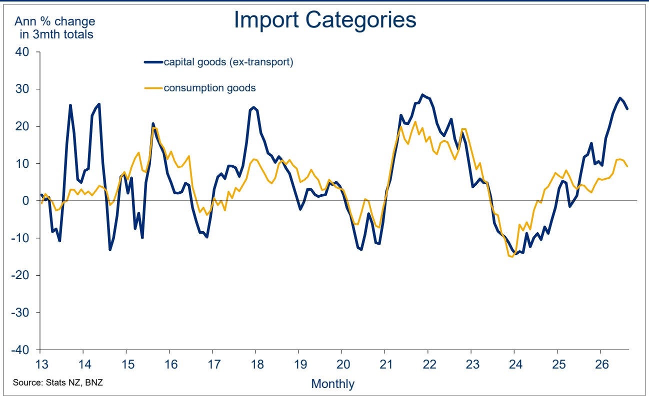


Capital goods imports were up 11.8% y/y, as strong gains in plant and machinery equipment more than offset a pullback in transport equipment. Computer imports in August were double what they were a year ago while phone imports rose strongly too.

Some of this may reflect a price impact from the chip and memory shortage we have previously discussed but it likely reflects some inherent underlying demand as well.

Interestingly, consumer goods imports were 9.5% higher than a year earlier. This looks relatively strong compared to some domestic spending indicators, although no doubt includes some upward price movement from offshore as well as influence from a lower NZ dollar.

Consistent with investment rising

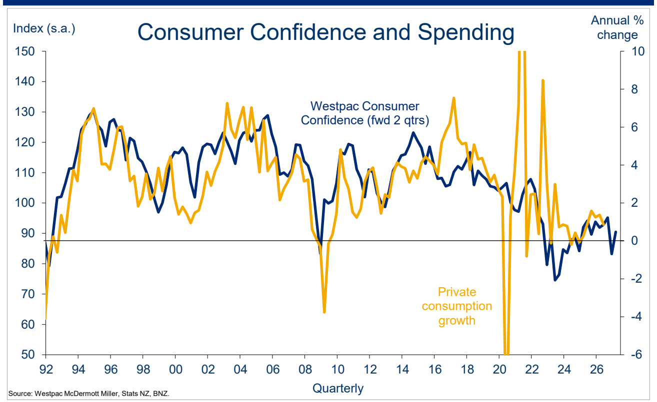


Passenger motor car imports continue to rise strongly. This fits with car registrations continuing to trend higher, up 11% y/y in August.

Some of this looks to reflect rental car companies gearing up for the coming summer tourism season. The stock of rental cars licensed in August was 10.9% above year earlier levels.

Last week's consumer and housing indicators remained subdued. Westpac Consumer Confidence index did bounce in Q3 to 89.5 from 80.4. An improvement but still weak. Elevated inflation remains a material headwind to consumer spending.

Confidence higher but still weak



August's electronic card transactions affirmed subdued spending. Total transaction values eased 0.5% m/m, continuing a string of see-saw monthly ups and downs. However, with annual growth of only 0.8% on a nominal basis, it indicates weakness on an inflation adjusted basis.

REINZ housing data for August supported the ongoing weak undertones in the housing market. Houses are taking a touch longer to sell, there are fewer sales, and prices continue to track a tad lower compared to a year earlier. The REINZ house price index was 0.9% below year earlier levels adding to the case that house prices may end the year a bit below where they started it.

More positively, SEEK job ads rose in August to be 9.7% higher than a year earlier. The level of jobs ads looks consistent with further moderate employment growth which we expect to be strong enough to stabilise the unemployment rate before the latter eases next year.

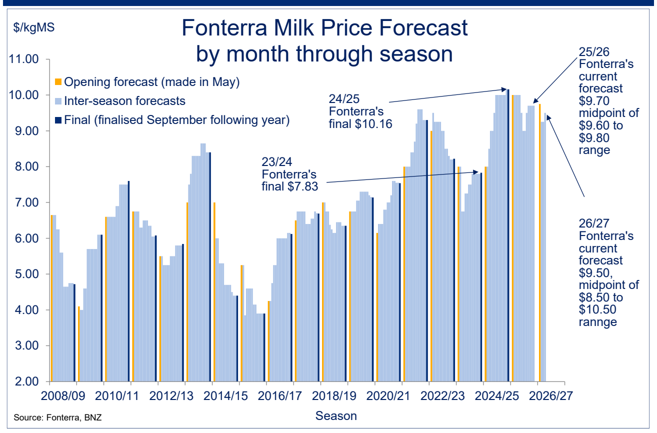
And finally on last week's data, July's migration figures continue to show signs of upward trending net migration offering support to demand as well as and labour supply. Stats NZ currently estimates a net migration inflow of 20,300 in the year ending July.

All this was broadly in line with our expectations and fits with our forecast of ongoing economic recovery. We continue to forecast annual economic growth of around 2% in 2026.

There is no material economic data on this week's calendar although Fonterra's annual result is due Thursday where the co-op will finalise its 2025/26 milk price paid to its farmers. We expect it to be close to the latest guidance of $9.70/kgMS or perhaps a few cents more.

Fonterra upgraded its forecast for the current 2026/27 season this morning, lifting its midpoint forecast to $9.50 from $9.25 previously and tightening its forecast range to $8.50-$10.50 from $8.00-$10.50. The co-op said recent improvements in global commodity prices supported an increase in forecast.

Forecast upgrade



This makes sense to us. Recent global pricing, especially for whole milk and skim milk powder, suggested clear upside risk to the co-op's (and our) $9.25 view.

In a similar vein, we lift our own 2026/27 milk price forecast to $9.50. This reflects recently higher milk powder prices and a softer than expected NZ dollar. Risks are on both sides around our new forecast.

Our $9.50 view is consistent with the relevant global dairy prices remaining around current levels for the remainder of the 2026/27 season.

This may prove conservative if El Nino or other global weather events were to dent milk supply more than expected and/or the NZD were to remain lower than expected. Conversely, supply may surprise on the high side given some weather risk is likely already factored into price and/or an unsettled geopolitical world could impact demand and send prices downward.

At this point, a nudge higher in forecast milk price for the 2026/27 season getting it close to the likely final outcome for the previous season is consistent with maintenance of strong revenue flows into the dairy sector.

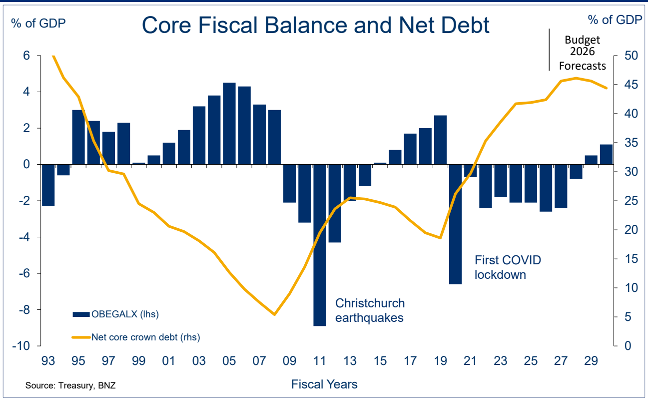
Lastly, next week NZ Treasury are scheduled to release its Pre-Election Economic and Fiscal Update on Tuesday. This will show the latest economic and fiscal projections ahead of the General Election on 7 November.

We look for the Government's operating deficit (OBEGALx) to continue to track to surplus by 2028/29, albeit potentially from a smaller deficit starting point. OBEGALx was tracking well below (to the tune of $3.0b) Budget forecasts in the 11 months to May, courtesy of stronger than forecast revenue, lower than forecast expenses, as well as favourable results from State-Owned Enterprises.

Tax revenue surprising on the topside appears consistent with the nominal economy travelling a little stronger than the Treasury had factored into the Budget. This suggests at least some of the tax outperformance can be sustained into fiscal year end at least.

Regards funding requirements, there are many influences. The core Crown residual cash deficit was around $2.0b smaller than Treasury forecast in the 11 months to May which, if sustained, will be available for allocation either taking some pressure off the government's funding requirements or for allocation elsewhere. The economic projections will matter too.

PREFU due next week



One wonders if all this may roughly balance out leaving the bond programme little changed, although with the cash deficit running smaller than forecast there seems more chance of a reduction than an increase. In any case, even if there is some change to the government's funding requirements there is a choice of instruments to use. It need not necessarily result in a change in the bond programme.

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Global Watch

- **Trump and Xi to meet on Thursday**
- **Aus labour market data a close call**
- **PMI data and central bank speakers abundant**

Trump and Xi will meet Thursday on the sidelines of the UN General Assembly. This follows a meeting between US Treasury Secretary Scott Bessent and Chinese Vice Premier He Lifeng today. A 7.5% Section 301 overcapacity tariff on China is in play which would lift second-term duties to ~20%. Reports suggest any announcement will be delayed until after the meeting. Separately, G7 foreign ministers are set to gather on Monday.

Australian August labour force data released on Thursday will be the final key data release ahead of the RBA's decision on 29 September. NAB expects the unemployment rate to nudge lower to 4.4%, but the outcome remains a close call. Consensus looks for 20k lift in employment and an unemployment rate of 4.5%. RBA Assistant Governor Hunter participates in a podcast on Tuesday, while Governor Bullock participates in a fireside chat at a CEDA event later that day. Meanwhile, MPB member Ian Ross is set to speak at the University of Melbourne Centre for Employment and Labour Relations Law.

On Wednesday flash PMIs are out across Australia, the US, UK, and euro-zone, with Japan released on Thursday. China's loan prime rates are due on Monday while Japanese markets are closed through Wednesday for a collection of public holidays.

In the US, there is a busy slate of Fed speakers all week. The key speakers to watch are keynotes from Williams and Jefferson at the US Treasury Market Conference (Tuesday), and Hammack at Cleveland Fed/ECB Inflation conference (Thursday–Friday). In terms of data, new home sales (Thursday) and preliminary durable goods (Friday) are the notable releases. In Canada, the BoC's Macklem speaks Monday and retail sales print Thursday.

In Europe, the data calendar is also light, leaving focus on central bank speakers. ECB's Lane (Thursday) and Nagel (Tuesday and Wednesday) are the key voices to watch. BoE's Breeden (Thursday) and Lombardelli (Friday), amongst others, also speak. On Thursday, no change is expected from the SNB and Riksbank but there is a chance of a hike from Norges Bank.

Key Event Previews

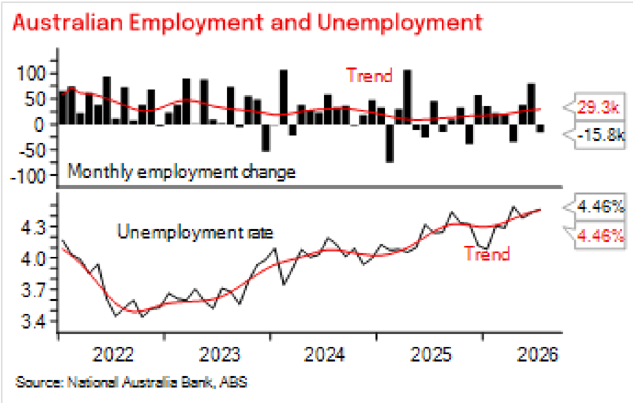
Thursday

AU Labour Force (August)

Expectations for labour market data are finely balanced. Labour demand indicators do not point to a sharp shift in labour market conditions in the short term, leaving it is a close call between the unemployment rate edging lower to 4.4% or remaining at 4.5% from last month's 4.46% unrounded outcome. NAB lean towards a 4.4% on an expected 20k employment gain (consensus 4.5%).

The RBA has been clear that the extent of cost pressures from supply shocks worsens the trade-off between the labour market and inflation. Their August SoMP forecast saw the unemployment rate ending the year at 4.5%.

The ABS's Labour Force Survey modernisation adds uncertainty at the margin. July's data was affected by a temporary reduction in the survey sample, while changes to the collection of supplementary questions require a change to seasonal adjustment in August. From the September data (to be released in October), the survey release schedule will return to its usual timing.



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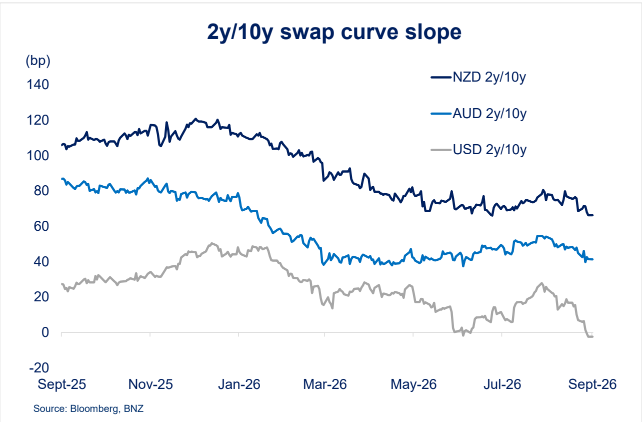
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ rates moved lower and the yield curve flattened during last week. It was a busy week for NZ economic data which was headlined by Q2 GDP but also had a range of higher frequency releases covering activity, labour market and inflation partials for August. In aggregate, the indicators largely met expectations and had limited impact on NZ rates, with offshore developments remaining the primary driver of price action. However, oil prices are around 15% above the RBNZ's MPS assumptions, the NZD trade-weighted index is around 3% below projected levels, and GDP growth was stronger than expected. Together, these developments have led us to reinstate an October OCR hike in our forecast track.

The revised OCR profile has had only a limited impact on our NZ swap-rate forecasts, as reinstating an October hike represents only a modest adjustment to the overall policy outlook. We continue to believe short-end rates are close to their peak. Our current fair-value estimate for the 2-year swap rate is around 3.80%, based solely on the projected OCR cash-flow path. While market rates can deviate from theoretical fair value due to supply and demand dynamics, term premia and positioning effects, the estimate suggests current pricing already discounts a meaningful amount of further tightening and should help anchor short-end rates near current levels.

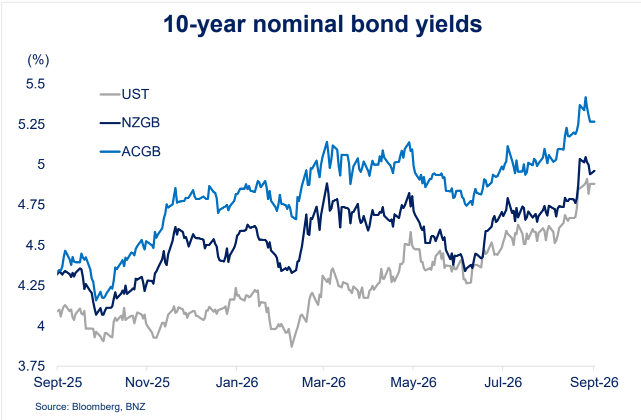
Flatter yield curves



The NZ 2s10s swap curve has flattened to around +65bp, down from a recent peak near +80bp following the RBNZ's dovish hike earlier this month. Since then, the curve has bear flattened as markets priced additional tightening into the front end. While the move reflects a more hawkish policy outlook, the curve now appears flatter than is justified by both the level of short-end rates and our medium-term policy expectations. We therefore see scope for a modest tactical steepening in the near term and continue to expect the curve to settle at steeper levels than currently implied by forward pricing.

Curve flattening has been a dominant global theme as central banks have adopted a more hawkish stance in response to resilient economic activity and renewed upside inflation risks following the recent rise in energy prices. The US Federal Reserve's rate hike last week, alongside increases by several other major central banks, reinforced this shift. A key message from the FOMC was that policymakers can place greater emphasis on one side of the dual mandate when inflation and employment objectives are not in conflict. The Committee currently judges the economy to be sufficiently resilient for policy to remain focused on containing inflation without causing a significant deterioration in activity.

Signs of stability appearing for 10-year sovereign yields?



While return momentum remains negative for 10-year sovereign bonds, UST yields near 5% have materially improved valuations. Markets are now pricing around 75bp of additional Fed tightening, which may ultimately prove more than is delivered. As a result, a substantial amount of policy restraint is already embedded in bond yields, leaving valuations considerably more attractive than earlier in the year and helping to stabilise the long end of the curve. However, value alone is unlikely to generate a sustained rally. Inflation remains elevated, growth has been resilient and labour-market conditions remain firm.

While there is now considerably more value in duration than earlier in the year, a durable decline in global 10-year yields, including NZGBs, will likely require a meaningful shift in the macro backdrop, particularly clearer evidence of slower activity and easing inflation pressures. Relatively high real yields, a steep curve and a benign supply outlook remain supportive factors for NZGBs. However, cross-market spreads to US Treasuries are already tight, and NZ rates will continue to be heavily influenced by global developments, particularly at the long end of the curve.

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ

The NZD's weak run extended into a fourth week, with NZD/USD down 1.6% to 0.5720 after testing fresh two-month lows just above 0.57. While the USD was broadly stronger, the NZD continued to underperform, with key NZD crosses all lower except against the yen. After probing a fresh low for the year, NZD/JPY showed a modest weekly gain to 89.8, while NZD/AUD fell nearly 1% to 0.8030 after reaching a fresh 13-year low. The NZD also posted modest declines on the other key crosses. Excluding one day during the height of the COVID panic in 2020, the NZ TWI is trading at its lowest level in 15 years.

The market had to navigate a wide range of event risk last week. The USD was broadly stronger both ahead of and after the Fed's policy meeting, despite the market having already positioned for a hawkish update. In a unanimous decision, the Fed tightened monetary policy for the first time since mid-2023, raising the Fed Funds target range by 25bps to 3.75–4%. FOMC members signalled that another rate hike this year would be appropriate. Chair Warsh demonstrated his inflation-fighting credentials at the press conference, while his view that policy is not restraining the economy pointed to a longer tightening campaign than a simple policy tweak.

The BoE voted 6-3 to hold policy steady, but the commentary from most of those favouring no change was more hawkish. From a starting point of 3.75%, the market now sees a high chance that the BoE will join the global tightening cycle at its next meeting in November. The BoJ raised its policy rate by 25bps to 1.25%, a 31-year high, but the tone was dovish. In a display of political influence, PM Takaichi's recent appointees to the Board both voted to hold rates, while Governor Ueda was reluctant to provide clarity on the timing of any future hikes, driving a weaker yen.

RBA Governor Bullock's testimony to lawmakers was hawkish enough to add conviction that another tightening is likely at the meeting later this month, with a better-than-even chance of another hike later in the year.

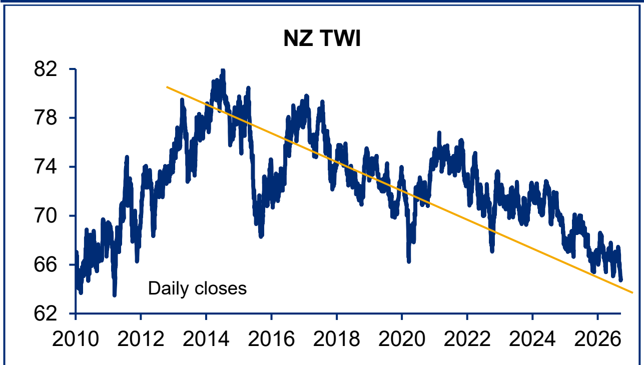
NZ Q2 GDP was stronger than consensus expectations, with upward revisions lifting annual growth to 2.6% y/y. However, support for the NZD was fleeting, with global forces dominating. The context for the broadly weaker NZD is that, despite NZ being part of the global monetary policy tightening cycle, prospective NZ rate hikes are not aggressive enough to quickly close the gap between NZ's very low policy rate and those of peer-group central banks in the US, UK, and Australia.

In previous reports, we made it clear that the RBNZ's September MPS was too dovish to support the NZD. The NZ TWI has fallen nearly 3% since that meeting, which will add to NZ inflation pressure and, in theory, should require offsetting tighter monetary policy. BNZ Economics now expects sequential 25bp hikes until the OCR reaches 3.75% in March 2027. However, from a currency perspective, this would likely still leave NZ's policy rate below those of the US, UK, and Australia, based on their likely policy trajectories.

As a result, the conditions are simply not in place to drive a significant NZD recovery, although tighter NZ monetary policy might prevent the NZD from falling much further. Given last week's price action, we would suggest some mild technical support at 0.57, ahead of the year-to-date low around 0.5625. At our last forecast revision in early July, we showed an end-Q3 target of 0.57. While that has largely played out, our projections showed a mild recovery from Q4 onwards and, as noted last week, we will provide updated forecasts this week with a view towards downgrading the NZD outlook.

The week ahead is relatively quiet. Key global economic releases include Australian labour market data and global PMIs. RBA Governor Bullock will speak again, and we will also get further colour on policy from a number of Fed speakers. There will be some interest in President Xi's meeting with President Trump in the US later in the week.

Easy NZ monetary policy drives down NZ TWI to 15-yr low



Source: BNZ, Bloomberg

Cross Rates and Recent Ranges

	Current	Last wk %chg	Last 3-wks range*
NZD/USD	0.5723	-1.6%	0.5700 - 0.5900
NZD/AUD	0.8042	-0.9%	0.8010 - 0.8260
NZD/CAD	0.8006	-0.8%	0.7980 - 0.8210
NZD/GBP	0.4275	-0.6%	0.4260 - 0.4370
NZD/EUR	0.4983	-0.6%	0.4970 - 0.5100
NZD/JPY	89.75	0.6%	89.00 - 94.70

*Indicative range over last 3 w eeks, rounded

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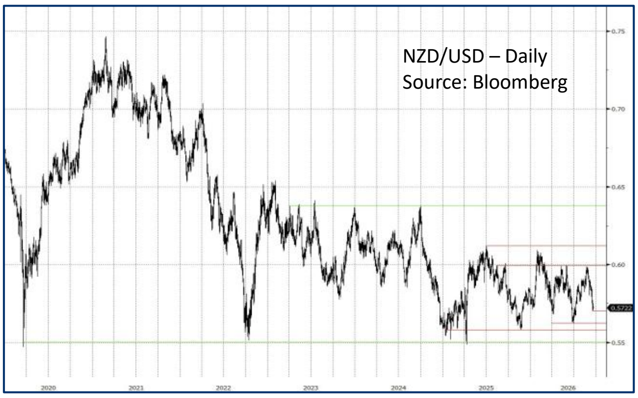
Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.60 (ahead of 0.6120)
ST Support: 0.5700 (ahead of 0.5625)

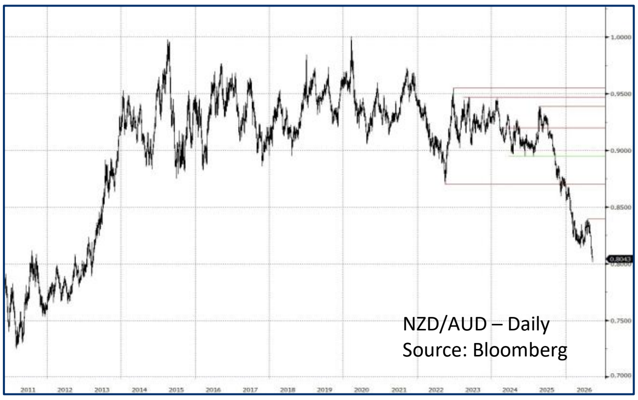
Support levels keep falling, after 4 consecutive weekly declines. The 0.57 mark might be considered the next support level, ahead of the year-to-date low near 0.5625.



NZD/AUD

Outlook: Downside risk
ST Resistance: 0.84 (ahead of 0.87)
ST Support: 0.80

With the cross rate probing a 13-year low there are no obvious support levels in sight. We suggest 0.80 as a round figure, but for that reason only.



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NZ 5-year Swap Rate

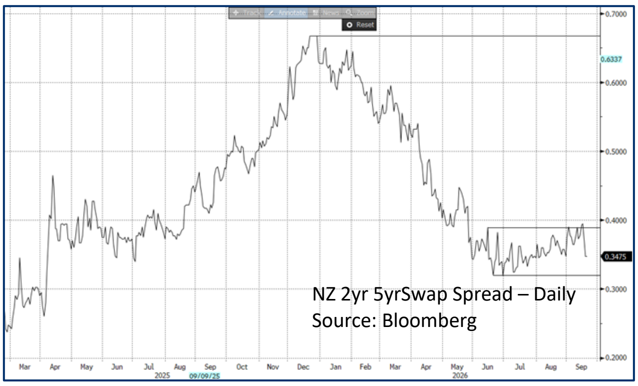
Outlook: Higher
MT Resistance: 4.48
MT Support: 4.10

5-year swap retraced slightly last week from just below resistance. We retain the view that it will continue higher in the medium-term.

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

Outlook: Neutral
MT Resistance: 0.67
MT Support: 0

2s5s curve tried to steepen through our short term channel but was rejected and remains inside. We retain a neutral outlook.



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Quarterly Forecasts

Forecasts as at 21 September 2026

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts: Sept-26 to Sept-27

	Jun-25	Sept-25	Dec-25	Mar-26	Jun-26	Sept-26	Dec-26	Mar-27	Jun-27	Sept-27
GDP (production s.a.)	-0.6	0.9	0.5	0.9	0.2	0.5	0.4	0.6	0.7	0.7
Retail trade (real s.a.)	0.7	2.0	0.8	1.0	-0.5	0.9	0.2	0.6	0.7	0.8
Current account (ann, % GDP)	-3.6	-3.1	-3.0	-3.0	-3.2	-3.9	-4.3	-4.4	-4.2	-3.8
CPI (q/q)	0.5	1.0	0.6	0.9	1.5	0.7	1.0	0.4	0.4	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	3.8	4.2	3.7	2.6	2.4
GDP (production s.a., y/y)	-0.9	1.2	1.6	1.7	2.6	2.2	2.1	1.7	2.2	2.4

Interest Rates

Historical data - qtr average
Forecast data - end quarter

		Cash	Government Stock			Swaps			US Rates		Spread
			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	3.35	4.30	4.95	3.90	4.15	4.65	3.90	4.90	0.05
	Dec	3.25	3.75	4.40	4.95	4.00	4.25	4.65	4.15	4.90	0.05
2027	**Mar**	3.75	4.00	4.30	4.90	3.95	4.20	4.65	4.15	4.80	0.10
	Jun	3.75	4.00	4.20	4.90	3.90	4.15	4.70	4.15	4.75	0.15
	Sep	3.75	4.00	4.15	4.85	3.85	4.10	4.65	4.15	4.65	0.20
	Dec	3.75	4.00	4.15	4.90	3.80	4.10	4.70	4.15	4.65	0.25
2028	**Mar**	3.75	3.85	4.10	4.85	3.75	4.05	4.65	3.90	4.60	0.25

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	0.57	0.71	1.15	1.34	157	0.57	0.80	0.50	0.43	89.7	64.8
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	68.9
Mar-28	0.61	0.67	1.15	1.32	151	0.61	0.90	0.53	0.46	91.4	68.9
						TWI Weights					
						16.2%	17.8%	9.2%	4.0%	4.7%	

Source for all tables: Stats NZ, Bloomberg, Reuters, RBNZ, BNZ

Annual Forecasts

Forecasts as at 21 September 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	1.3	0.1	1.3	1.1	2.4	1.1	0.3	1.0	1.1	2.0
Government Consumption	1.1	-1.4	3.7	0.3	1.0	0.1	-1.0	2.4	2.0	0.3
Total Investment	-1.2	-5.0	0.2	5.5	3.7	-0.4	-4.9	-1.2	4.6	4.2
Stocks - ppts cont'n to growth	-1.4	0.4	0.3	0.1	0.0	-1.2	0.4	-0.1	0.4	0.0
GNE	-0.9	-1.0	1.9	1.8	2.5	-0.8	-0.9	0.7	2.4	2.1
Exports	8.4	3.0	4.1	6.1	3.4	12.0	3.6	4.3	6.1	3.5
Imports	-1.5	0.7	6.3	3.8	2.6	-0.8	1.1	3.7	6.0	2.2
Real Expenditure GDP	1.5	-0.5	1.3	2.4	2.7	2.2	-0.2	0.7	2.5	2.4
GDP (production)	**1.8**	**-0.9**	**0.9**	**2.1**	**2.6**	**2.2**	**-0.3**	**0.3**	**2.1**	**2.3**
GDP - annual % change (q/q)	*1.5*	*-0.7*	*1.7*	*1.7*	*3.0*	*1.4*	*-1.6*	*1.6*	*2.1*	*2.8*
Output Gap (ann avg, % dev)	1.2	-0.5	-1.0	-0.5	0.0	1.4	-0.1	-1.1	-0.4	-0.2
Nominal Expenditure GDP - $bn	417	432	452	473	498	413	428	446	467	492
Prices and Employment -annual % change										
CPI	4.0	2.5	3.1	3.7	2.1	4.7	2.2	3.1	4.2	2.0
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	0.6	0.2	-0.8	0.1	1.2	0.8	0.1
Unit Labour Costs (ann av %)	6.6	4.4	2.5	2.5	3.1	7.1	4.7	2.9	2.2	3.1
House Prices (stratified, mth)	2.7	-0.7	0.2	-1.8	3.3	0.7	-0.8	-0.3	-1.0	2.0
External Balance										
Current Account - $bn	-23.3	-19.0	-13.7	-20.8	-15.9	-24.8	-20.9	-13.5	-20.2	-16.9
Current Account - % of GDP	-5.6	-4.4	-3.0	-4.4	-3.2	-6.0	-4.9	-3.0	-4.3	-3.4
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	6.4					
Financial Variables [1]										
NZD/USD	0.61	0.57	0.58	0.60	0.61	0.62	0.57	0.58	0.59	0.61
USD/JPY	150	149	159	158	150	144	154	156	161	151
EUR/USD	1.09	1.08	1.16	1.16	1.14	1.09	1.05	1.17	1.15	1.15
NZD/AUD	0.93	0.91	0.83	0.86	0.90	0.93	0.91	0.87	0.84	0.90
NZD/GBP	0.48	0.44	0.44	0.45	0.47	0.49	0.45	0.43	0.45	0.46
NZD/EUR	0.56	0.53	0.51	0.52	0.54	0.57	0.55	0.49	0.51	0.53
NZD/YEN	91.1	85.4	92.8	94.5	91.5	89.5	88.4	90.3	94.7	91.4
TWI	71.2	67.9	66.8	67.9	69.4	72.0	68.5	66.8	67.1	68.9
Overnight Cash Rate (end qtr)	5.50	3.75	2.25	3.75	3.75	5.50	4.25	2.25	3.25	3.75
90-day Bank Bill Rate	5.64	3.60	2.50	4.00	3.85	5.63	4.26	2.49	3.75	4.00
5-year Govt Bond	4.60	4.00	4.10	4.30	4.10	4.50	3.90	3.90	4.40	4.15
10-year Govt Bond	4.60	4.50	4.65	4.90	4.85	4.65	4.45	4.50	4.95	4.90
2-year Swap	4.91	3.35	3.32	3.95	3.75	4.93	3.53	2.98	4.00	3.80
5-year Swap	4.40	3.65	3.87	4.20	4.05	4.43	3.63	3.61	4.25	4.10
US 10-year Bonds	4.20	4.25	4.25	4.80	4.60	4.00	4.40	4.15	4.90	4.65
NZ-US 10-year Spread	0.40	0.25	0.40	0.10	0.25	0.65	0.05	0.35	0.05	0.25

[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 21 September			
NZ	Milk production Aug			
UK	Rightmove House Prices MoM Sep			-2.00%
	Tuesday 22 September			
AU	RBA's Bullock speaks			
UK	CBI Trends Total Orders Sep	-35		-25
EC	ECB President Lagarde speaks			
	Wednesday 23 September			
US	Philadelphia Fed Non-Manufacturing			-10.6
EC	Consumer Confidence Sep P	-16		-15.5
US	Richmond Fed Manufact. Index Sep	2		4
US	Richmond Fed Business Conditions			-12
US	Fed's Williams speaks			
EC	S&P Global Eurozone Manufacturing	52.6		52.7
EC	S&P Global Eurozone Services PMI Sep P	51.4		51.6
UK	S&P Global UK Manufacturing PMI Sep P	51.5		51.7
UK	S&P Global UK Services PMI Sep P	52		52.5
	Thursday 24 September			
NZ	Fonterra Full-year Results			
US	S&P Global US Manufacturing PMI Sep P	53.5		53.9
US	S&P Global US Services PMI Sep P	55.8		56.5
US	S&P Global US Composite PMI Sep P	54.7		56
US	Fed's Barr speaks			
AU	Unemployment Rate Aug	4.50%	4.40%	4.50%
US	Fed's Williams speaks			

		Median	Fcast	Last
EC	ECB's Lane speaks			
UK	BOE's Dhingra speaks			
UK	CBI Total Dist. Reported Sales Sep			-27
UK	CBI Retailing Reported Sales Sep			-48
CA	CFIB Business Barometer Sep			57.6
NZ	Parliamentary Term Ends			
	Friday 25 September			
US	Fed's Barkin speaks			
CA	Retail Sales MoM Jul	-0.80%		0.60%
US	Current Account Balance 2Q	-		-
US	Initial Jobless Claims September-9	200k		196k
US	Fed's Hammack speaks			
UK	BOE's Breeden speaks			
UK	BOE's Lombardelli speaks			
US	New Home Sales MoM Aug	1.40%		-10.50%
US	Kansas City Fed Manf. Activity Sep	9		10
UK	GfK Consumer Confidence Sep	-16		-14
US	Building Permits MoM Aug F			-2.70%
	Saturday 26 September			
US	Durable Goods Orders Aug P	-0.30%		1.10%
US	Durables Ex Transportation Aug P	0.60%		0.40%
US	Cap Goods Orders Nondef Ex Air Aug P	0.70%		0.00%
US	Cap Goods Ship Nondef Ex Air Aug P	0.70%		1.20%
US	U. of Mich. Sentiment Sep F	47.5		47.8
US	Kansas City Fed Services Activity Sep			-3

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	2.75	2.75	2.50	3.00
1mth	2.95	2.95	2.86	2.98
2mth	3.06	3.04	2.94	2.91
3mth	3.17	3.13	2.95	2.84
6mth	3.41	3.38	3.23	2.79
GOVERNMENT STOCK				
05/28	3.83	3.91	3.56	3.00
05/31	4.44	4.50	4.15	3.65
04/33	4.68	4.74	4.42	3.99
05/36	4.95	5.01	4.73	4.34
05/41	5.28	5.37	5.13	4.79
05/54	5.50	5.60	5.37	5.09
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	51	52	51	52
Europe 5Y	55	54	51	56

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	4.00	4.03	3.65	2.68
3 years	4.16	4.19	3.80	2.83
4 years	4.26	4.31	3.91	3.00
5 years	4.35	4.40	4.02	3.15
10 years	4.66	4.73	4.43	3.74
FOREIGN EXCHANGE				
NZD/USD	0.5725	0.5778	0.5960	0.5868
NZD/AUD	0.8036	0.8093	0.8336	0.8891
NZD/JPY	89.84	89.17	94.81	86.67
NZD/EUR	0.4985	0.5004	0.5109	0.4972
NZD/GBP	0.4275	0.4280	0.4372	0.4343
NZD/CAD	0.8008	0.8032	0.8250	0.8108
TWI	64.8	65.1	67.3	67.4

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