Research

# Markets Outlook

28 September 2026

## Moving inflationary parts

- **Fuel prices jump, on oil and lower NZD**
- **NZD seen lower for longer**
- **We nudge our CPI forecasts upwards**
- **Adds to risk OCR goes higher than RBNZ projects**
- **Filled jobs rise in August**
- **PREFU and confidence data due**

Upward inflationary pressures from elevated oil prices and a softening NZD dollar continue, as we have been highlighting for some time.

Last week we revised our NZ dollar forecasts lower from an already cautious short-term view. An expected positive impact on the currency from a RBNZ tightening cycle has been offset by evolving expectations that global interest rates will be higher than previously anticipated.

The forecast appreciation has been delayed and tempered such that by the middle of next year our NZ TWI forecast is around 5% lower than it was previously.

We nudge our Q4 2026 forecast peak in annual CPI up a tick to 4.3%. This largely reflects local fuel prices ramping up a tad more and a touch earlier than we already had pencilled in. Our Q3 CPI pick remains unchanged at 3.8% y/y.

Our Q4 view assumes fuel prices remain around current levels over coming weeks before easing into year-end. The balance of risk here still feels more upward than downward. As usual, we base our fuel price assumptions off oil futures pricing that continues to show easing through next year, and our currency projections.

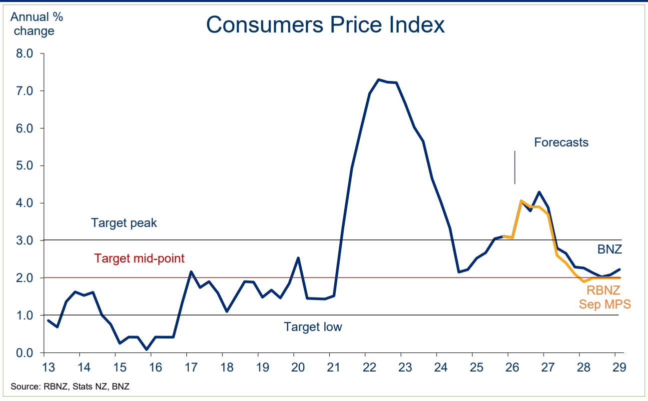
We continue to forecast annual CPI inflation easing next year but more slowly than before as a lower currency projection is factored in.

Our Q3 estimate remains a tick lower than the RBNZ's 3.9% projected in its MPS. However, our Q4 CPI forecast has pushed a bit further above the Bank's 3.9% forecast.

The Bank has acknowledged upside risk to its own near term inflation forecasts. In a press release last week, the Bank acknowledged that 'if higher oil prices persist, they are expected to result in somewhat higher near-term inflation than we assumed in the September Statement.'

The word 'somewhat' doesn't convey alarm. But the direction of risk is clearly acknowledged. And in the context of the Bank already forecasting near term annual inflation at 3.9%, any incremental push higher is likely to increase the risk that inflation becomes embedded into inflation expectations and firms' pricing behaviour.

Inflation risks higher into years' end




The RBNZ also acknowledged economic growth in Q2, despite the headwinds in that quarter. The Bank typically avoids talking about the currency and didn't mention it in last week's comment. But at 64.3, the TWI is tracking around 3.9% below its projection assumptions. Using a rough rule of thumb, that could add around 0.4% to the RBNZ's inflation forecasts over the coming year or so.

The Bank noted 'as always, we will assess incoming data and global developments ahead of our next decision in October and remain focused on the outlook for inflation over the medium term'. Nothing at all controversial in that but it is interesting that the Bank chose to mention the next meeting.

We remain of the view that the Bank will raise its cash rate by 25 basis points at the October meeting as it continues to remove monetary stimulus.

Our inflation forecasts changes are small and essentially a variation along the same themes we have long discussed. But a tweak higher simply adds to the risk that the RBNZ will need to hike interest rates more than it projected in its September MPS.

Separately last week, the RBNZ announced Rebecca Williams has been appointed to the Monetary Policy Committee (MPC) for a one-year term starting 15 October 2026. She will take part in the Monetary Policy Review on 28 October. Williams has been at the RBNZ since 2010, and her current role is Senior Manager Economics.

Williams is very well versed in the context of MPC discussions over the past 10+ years. She should hit the ground running. The summary record of meetings may shed light on Williams' policy thoughts and whether she is more of a hawk or dove in the current environment.

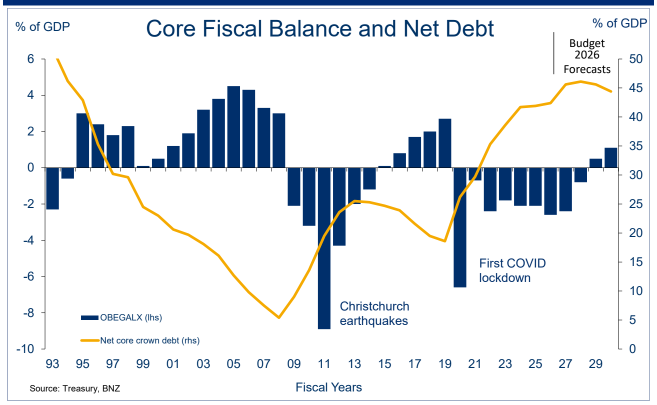
Tomorrow at 1pm the NZ Treasury will release its Pre-Election Economic and Fiscal Update (PREFU). This will show the latest economic and fiscal projections ahead of the General Election on 7 November.

We outlined our thoughts on this last week but, in short, we expect forecasts to show the Government's operating deficit (OBEGALx) shrinking over time and turning to surplus in 2028/29.

As always, there are many moving parts regards the government's funding requirements. One wonders if they may roughly balance out leaving the bond programme little changed, although, with the cash deficit running $2.0b smaller than forecast in the 11 months to May, there seems more chance of a reduction than an increase at least in the short term.

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.

PREFU due tomorrow

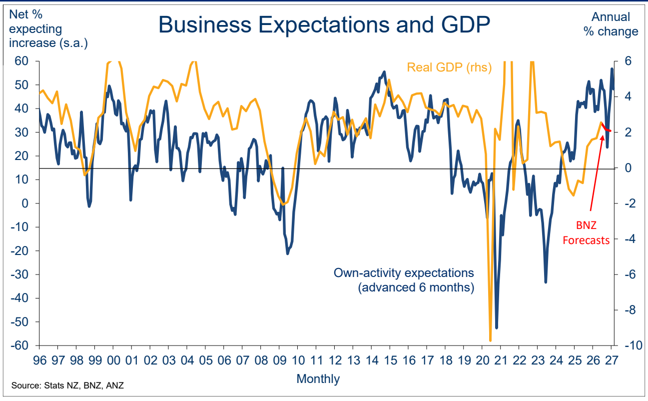



Beyond the PREFU, this week's data will provide updates on confidence via the ANZ's business and consumer surveys.

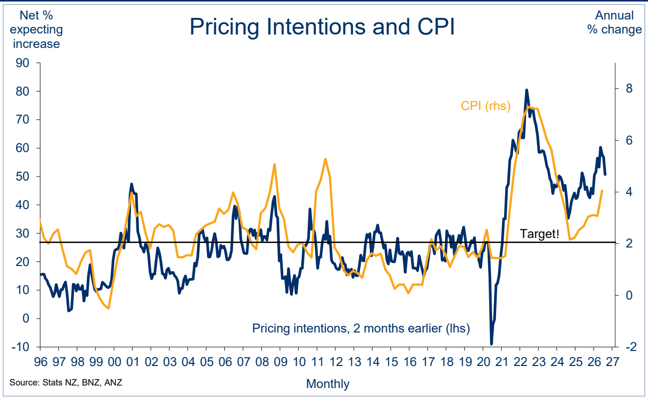
Businesses have recently been strongly upbeat about their own prospects. We'll see how firms' own activity expectations have fared with a renewed surge in fuel prices, recent interest rate hikes, and the election drawing ever closer. Expectations could ease a fair way from their August heights and still be consistent with solid growth. The same can be said for employment intentions.

Of interest will be the inflation gauges. Firms' pricing intentions in the survey have eased over recent months but remained at a level consistent with the CPI pushing upward to around 5%. At the same time, the survey's inflation expectations series stabilised last month after unwinding from an earlier spike. They sit at a level historically consistent with annual inflation around 3%.

Optimism




Too high




Consumer confidence has been understandably sensitive to fuel prices. Confidence was perkier in July and August when fuel prices were lower. Consumer inflation expectations steadied over recent months but have remained in an elevated 4.6% to 4.7% range.

One would think that if consumer inflation expectations lifted on higher fuel prices in September, confidence would fall. Such has been the strongly negative correlation between the two since the start of the oil shock. Perhaps other factors can provide an offset. Let's see what September brings.

This week's data is already underway with this morning's filled jobs for August. They rose 0.2% m/m and, even with what has been a typical downward revision to the previous month, are consistent with ongoing employment growth. Filled jobs are 0.9% up on a year ago. Nothing here to dissuade us of our view that HLFS employment grew in Q3 and the unemployment rate stabilised, at 5.6%.

The data week rounds out with building consents for August on Thursday and Cotality's home value index for September on Friday. Residential building consents have been above year earlier levels but have been easing on a month-to-month basis following a big lift in April. The home value index is likely to remain subdued.

doug_steel@bnz.co.nz

# Global Watch

- **A big week for Aus data flow**
- **RBA expected to raise cash rate**
- **US labour market and PCE data released mid-week**

The RBA is expected to raise rates to 4.6% on Tuesday. There will be no new forecasts, leaving post-meeting communication key to watch for guidance. August household spending (Tuesday), CPI (Wednesday) and job vacancies (Thursday) will help inform the challenging growth/inflation trade-off Australia is facing. The RBA publishes its semi-annual Financial Stability Review on Thursday when private sector credit, building approvals and goods trade are also released.

In China, official and RatingDog PMIs are due on Wednesday ahead of the National Day holiday for which Hong Kong markets are closed Thursday, with China markets are closed through to 7 October. In Japan, attention will focus will be on BoJ's July meeting minutes (Monday) and September Summary of Opinions (Thursday). Data flow includes production and retail sales (Wednesday) and the Q3 Tankan survey (Thursday). Last week FinMin Katayama said Trump shared concerns about the weak yen. With USDJPY back above 158, markets will be alert to intervention risk.

In the US, Payrolls (Friday) are unlikely to shift the Fed's assessment that the labour side of the mandate is in good shape. Early consensus expects the unemployment rate to remain at 4.1% on a +100k payroll gain. The August PCE (Wednesday) is expected to show core PCE rose 0.25% m/m. Conference Board consumer confidence and JOLTS job openings are due Tuesday, followed by ADP employment and the final Q2 GDP estimate (Wednesday), and ISM manufacturing and jobless claims (Thursday).

In Europe, the preliminary September euro area CPI estimate on Friday follows inflation prints from Germany and France on Wednesday. The final estimate of Q2 UK GDP is out Wednesday. The UK Labour Party's annual conference runs from Sunday to Thursday, with PM Burnham due to address delegates on Tuesday.

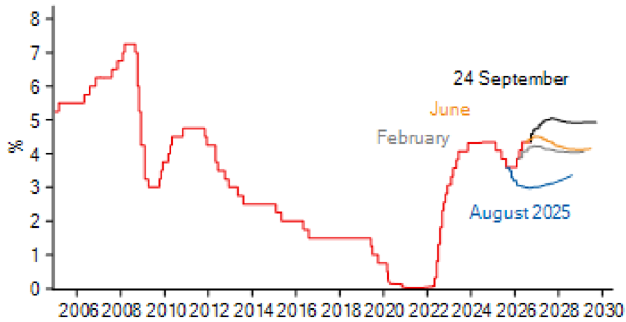
## Key Event Previews

### Tuesday

**AU RBA Policy Decision**

NAB expect a hike to 4.6%; the highest cash rate since 2011. Risk continues to be tilted in favour of a follow up hike in November. Evidence of further slowing in growth or easing in the labour market would reduce the risk of back-to-back hikes. Any dissents and the tone of the post-meeting communication will be key to assessing how high the bar is for the RBA to deliver further tightening.

RBA Market Expectations

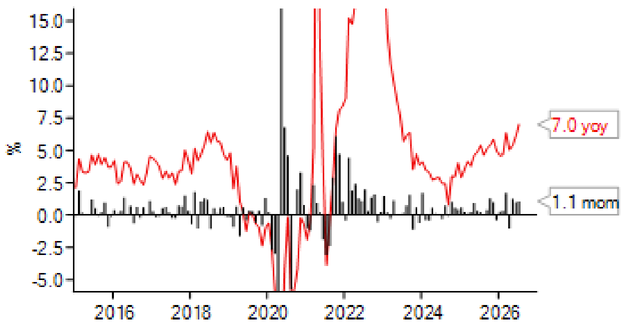



Source: National Australia Bank, Bloomberg

**AU Household Spending (August)**

NAB expect nominal household spending to rise 0.7% m/m (consensus 0.3% m/m) to 7.7% y/y. The NAB Spend Trend suggests discretionary spending eased after a period of strong growth in prior months, while overall spending growth was supported by higher spending on essential items, particularly fuel, reflecting higher prices.

Household Spending Indicator



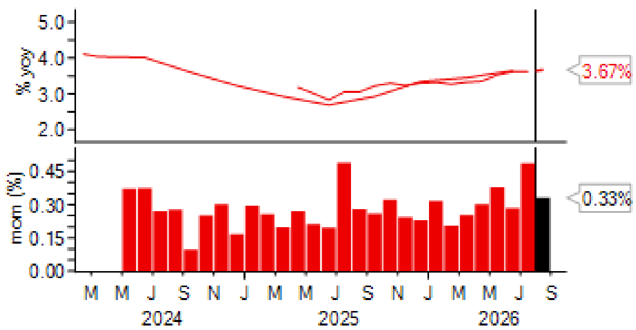

Source: National Australia Bank, Australian Bureau of Statistics, Macrobond, Accountdase

### Wednesday

**AU Inflation (August)**

Headline CPI is expected to rise to 4.1% y/y in August from 3.5% in July on higher fuel prices. NAB expect the monthly trimmed mean to ease from July's strong outcome but remain elevated at 0.3% m/m (3.7% y/y). Ahead of the August update, we expect Q3 trimmed mean inflation of 1.0% q/q, above the RBA's August SoMP forecast of 0.83%, with risks skewed towards a 1.1% outcome.

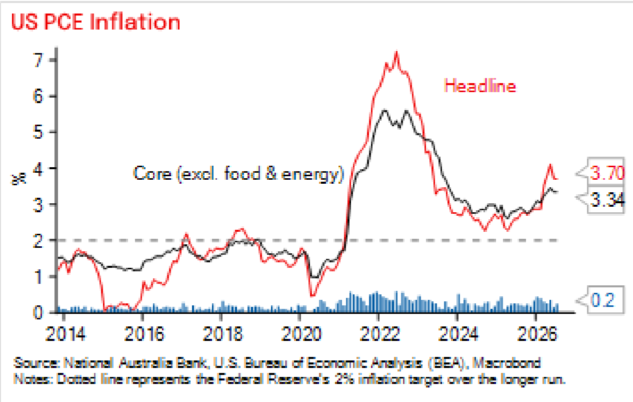
Consumer Price Index (Monthly Trimmed Mean)




Source: National Australia Bank, Australian Bureau of Statistics

### US PCE (August)

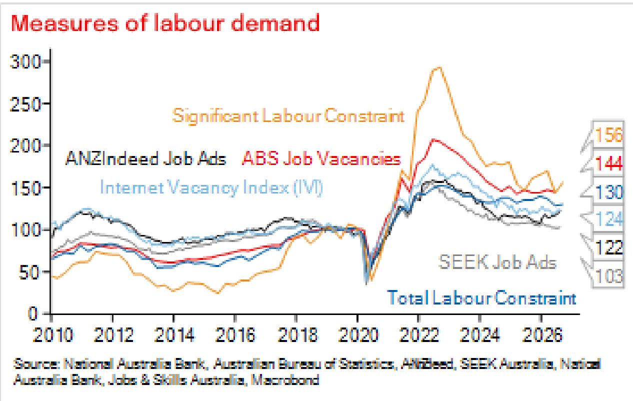
Analysts expect core PCE of 0.25% m/m in August. There is greater than usual uncertainty this month due to NIPA revisions which are expected to result in a downward revision to year-ended PCE outcomes of ~2 tenths. The changes shift the source data towards PPI or a composite approach for software and computer accessories and legal services, as well as a new methodology for investment portfolio management services. Household spending is expected to confirm strength in consumer spending in August.




## Thursday

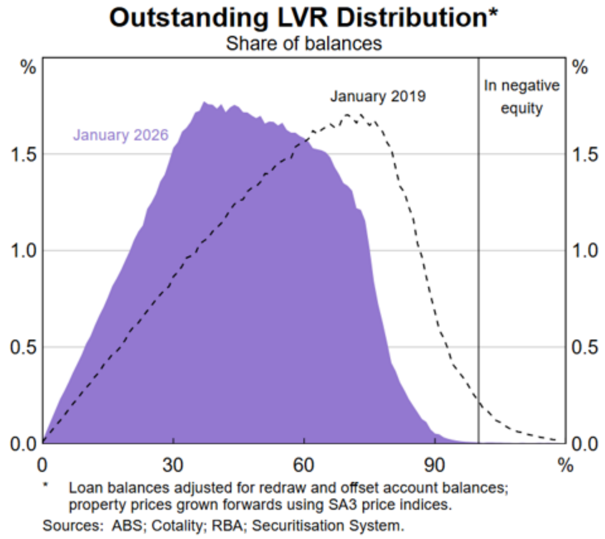
### AU Job Vacancies (August)

Vacancies broadly unchanged to slightly higher would be consistent with the marginal improvement seen in other measures of labour demand in recent months. Indeed, the NAB Business Survey showed a rise in the share of firms reporting labour as a significant constraint on output in Q3.




### AU RBA Financial Stability Review (FSR)

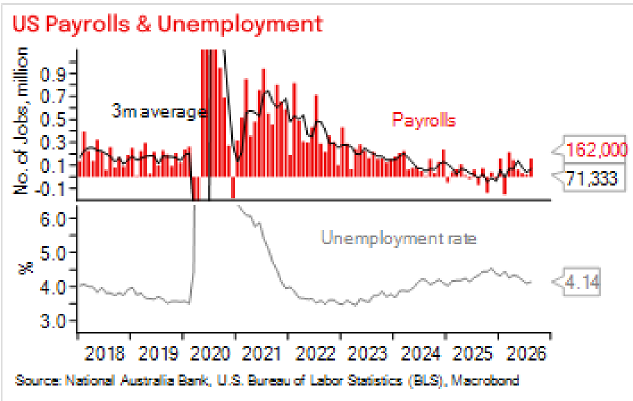
With house prices declining, attention will be on updates to the RBA's analysis on the share of borrowers with negative equity (below 1% in March) and the updated outlook for the share of mortgage holders in cashflow shortfall. These will be interesting updates, but they are expected to align with the RBA's recent communication that household balance sheets are generally in good shape and are not a source of financial stability risk that would provide any constraint on monetary policy.




## Friday

### US Payrolls (September)

After the September hike Chair Warsh said "the labour side of the Fed's Congressional remit is in good shape". That assessment is unlikely to shift on Payrolls this week. Initial claims have inched even lower over the past few weeks consistent with some downward bias to 'unemployment due to permanent layoffs' in September. Early forecasts see the unemployment rate steady at 4.1% on a still healthy +100k payrolls gain.




india_power@bnz.co.nz

# Fixed Interest Market

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

NZ rates reached fresh cycle highs last week, with the curve shifting broadly in parallel despite a steepening in the US Treasury curve. The domestic calendar was light, although markets priced further RBNZ tightening, lifting the implied OCR above 4% by the end of next year. US developments are likely to remain the primary influence this week, while the borrowing programme update accompanying PREFU will provide the main domestic focus.

The 10-year Treasury yield reached a fresh peak of 5.22% as resilient US activity and elevated energy prices reinforced expectations that policy would remain restrictive for longer. September PMIs signalled accelerating business activity, while the Atlanta Fed's GDPNow estimate pointed to annualised Q3 growth of around 5%. Markets increased the probability of further tightening, while Fed commentary indicated that additional restraint may still be required.

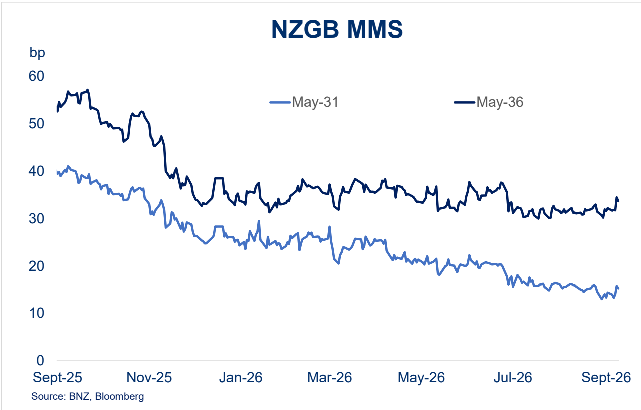
The broader sell-off over the past month has primarily reflected a repricing of real rates rather than a deterioration in inflation expectations. The roughly 50bp increase in 10-year nominal yields came largely through higher real yields, with breakevens rising only modestly. Poor sentiment was compounded last week by weak demand at the five-year Treasury auction. Long-end valuations have improved materially, but value alone is unlikely to generate a sustained rally while the macro backdrop remains firm.

Rolling returns looking stretched


With substantial RBNZ tightening already priced and few domestic catalysts this week, US labour-market and inflation releases are likely to drive the near-term direction for NZ yields. Calling an end to the sell-off remains difficult, particularly as valuation is generally a weak signal for timing duration positions. However, 10-year NZGB returns are approaching historically extreme levels that have typically preceded consolidation. A sustained rally would still require clearer evidence of slowing global activity and easing inflation pressures.

While offshore developments will dominate outright yield direction, PREFU could be more consequential for NZGB performance against swaps. Market attention will centre on any revision to NZDM's NZ$34 billion 2026/27 bond programme, the composition of remaining issuance and guidance on future syndications. Recent fiscal outturns and a somewhat stronger near-term nominal GDP profile relative to the Budget baseline suggest modest downside risk to borrowing requirements. However, the data are dated and timing effects may explain some of the improvement, favouring only limited programme changes.

Benign NZGB supply supports further MMS tightening




Following the NZ$7 billion May-2038 syndication, NZDM may provide guidance on the remaining 2026/27 transactions. Our base case is one further syndication in the second half of the fiscal year, although the bond may not be identified until HYEFU in December. The May-2032 and Apr-2037 nominals appear the leading tap candidates, with the May-2034 green bond a possible alternative. A new maturity looks less likely given the recent launch and NZDM's preference to build liquidity in existing lines.

An unchanged or slightly smaller programme would support NZGB outperformance against swaps. Net supply to price-sensitive investors has declined from its FY25 peak, while demand conditions remain supportive. Swap market flows related to Kauri and bank issuance appears insufficient to offset the improving NZGB supply backdrop. With no immediate syndication expected, 10-year matched-maturity swap spreads could tighten through the +30bp level that has marked the base of the range through 2026. Global term-premium and risk-appetite moves remain the main risks.

stuart.ritson@bnz.co.nz

# Foreign Exchange Market

**Reuters pg BNZWFWDS Bloomberg pg BNZ**

The NZD fell for a fifth consecutive week, extending its decline since late August to more than 5%. Against a backdrop of broad USD strength, NZD/USD fell 1% to 0.5665 after reaching a near three-month low. The NZD was mixed on the crosses: flat to modestly higher against GBP, EUR, CAD and AUD, but down 0.8% against the yen.

The USD was broadly stronger last week as expectations for Fed rate hikes were repriced, driven by the energy shock fuelling inflation fears and stronger PMI data. Rising US gasoline and diesel prices strengthened the case for inflationary pressures to broaden, and the market now prices some 3½ further Fed rate hikes, which would take the Fed Funds rate to 4.75%. Adding to the upward pressure on rates and the USD, the US composite PMI surged 2.4 points to a more than five-year high of 58.4, consistent with growth running at an annualised rate of 5%. Meanwhile, the input price index rose to a four-year high.

The RBNZ issued a rare intra-meeting statement that included comments on recent data and economic conditions. The natural conclusion was that the Bank was attempting to send a message to the market. However, the mix of soundbites could be interpreted as either dovish or hawkish, leaving the overall message open to interpretation. The market viewed the key takeaway as the Bank's acknowledgment that near-term inflation would be higher than assumed in the September MPS. The NZD's positive reaction to the statement proved temporary.

The NZD found support at 0.5650, its lowest level since the end of June. From a technical perspective, the next support level is the year-to-date low of around 0.5625, reached in mid-June.

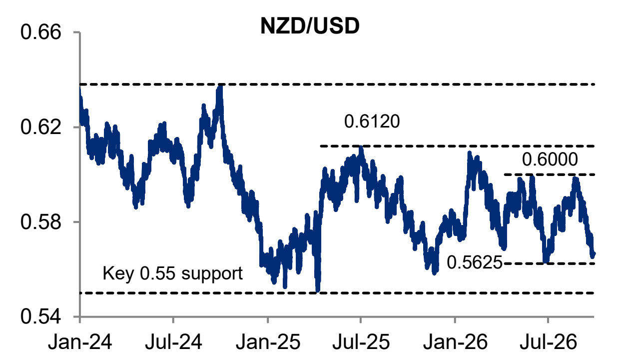
As promised, last week we updated our NZD projections and adopted a more cautious outlook. Our early-July forecast for NZD/USD to end Q3 near 0.57 has played out, supported by low NZ interest rates, negative seasonal factors and election uncertainty. However, the case for an NZD recovery has weakened. Even if the RBNZ eventually adopts a more hawkish stance – as it should, given rising inflation pressures and NZ facing a prolonged period of above-target inflation – it would do so against a backdrop of higher global rates. NZ–US short-term rate differentials should still narrow over the next 12–18 months, but probably only gradually, leaving the negative spread as an enduring headwind.

We now expect NZD/USD to trade broadly sideways over the next couple of quarters, within a 0.55–0.60 range, and have reset our end-Q4 and end-Q1 targets to 0.5750 accordingly. A sustained move above 0.60 now looks more likely in 2028 than in 2027.

In the week ahead, the RBA is widely expected to raise its cash rate by 25bps for a fourth time this cycle, taking it to 4.6%. Given that the move is already well priced, it should have little impact on the NZD/AUD cross rate. The market will be watching to see whether the statement and Governor Bullock's rhetoric are consistent with pricing for another hike. Looking ahead, the large negative gap between NZ and Australian short-term rates will remain a formidable headwind for the cross through at least the rest of the year. We cannot rule out a temporary move below 0.80 at some point this year, although we still see scope for the cross to recover next year.

Domestic releases this week include the NZ pre-election fiscal update and the ANZ consumer and business confidence surveys, none of which should be market-moving. The key global economic release will be the US employment report at the end of the week. Before then, the US ISM manufacturing index and core PCE deflator will be released. Other key global releases include Australian monthly CPI data, China's PMIs and euro area CPI.

NZD back towards the bottom of the range




Source: Bloomberg, BNZ

Cross Rates and Recent Ranges

| | Current | Last wk %chg | Last 3-wks range* |
|---|---|---|---|
| NZD/USD | 0.5665 | -1.0% | 0.5650 - 0.5870 |
| NZD/AUD | 0.8068 | 0.4% | 0.8010 - 0.8150 |
| NZD/CAD | 0.8009 | 0.1% | 0.7980 - 0.8130 |
| NZD/GBP | 0.4277 | 0.1% | 0.4260 - 0.4350 |
| NZD/EUR | 0.4974 | -0.2% | 0.4960 - 0.5060 |
| NZD/JPY | 89.07 | -0.8% | 88.90 - 90.90 |

*Indicative range over last 3 w eeks, rounded

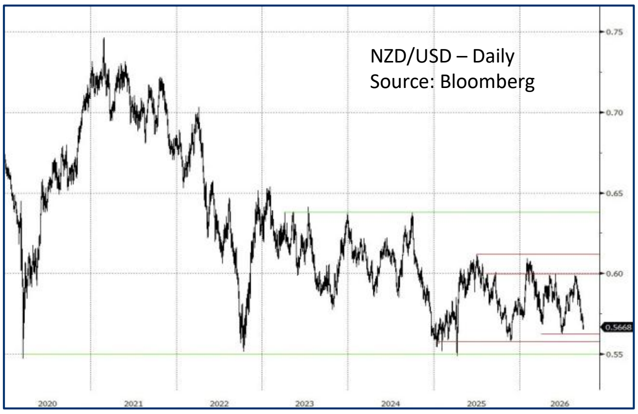
jason.k.wong@bnz.co.nz

# Technicals

**NZD/USD**

| | |
|---|---|
| Outlook: | Trading range |
| ST Resistance: | 0.60 (ahead of 0.6120) |
| ST Support: | 0.5625 (ahead of 0.5580) |

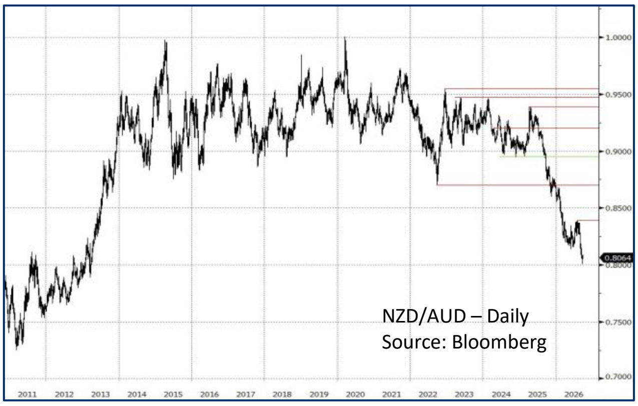
After five consecutive weekly falls the next support level is 0.5625, around the year-to-date low. A break of that would see support down at 0.5580.




**NZD/AUD**

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

The cross found some support just above 0.80 last week so we leave that as the support level, but beyond that there is no obvious support.




jason.k.wong@bnz.co.nz

**NZ 5-year Swap Rate**

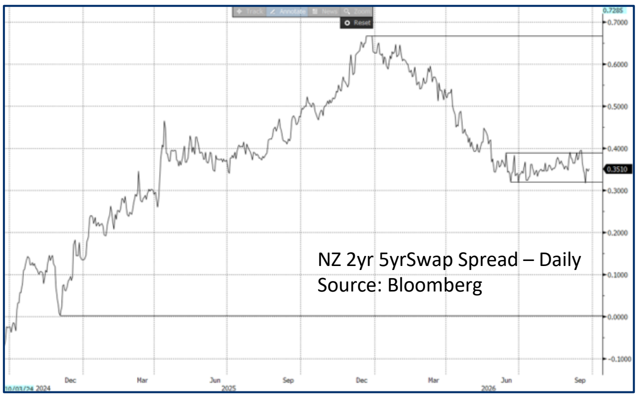
| | |
|---|---|
| Outlook: | Lower |
| MT Resistance: | 4.48 |
| MT Support: | 4.10 |

5-year swap is testing our medium-term resistance, and we expect it to rebound slightly lower. We shift our outlook to reflect this.


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

| | |
|---|---|
| Outlook: | Neutral |
| MT Resistance: | 0.67 |
| MT Support: | 0 |

2s5s curve continues to obey our short-term channel after steepening from the lows last week. We await a break in either direction for a medium-term outlook.




matthew.herbert@bnz.co.nz

# Quarterly Forecasts

Forecasts as at 28 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 | -3.6 | -4.3 | -4.7 | -4.8 | -4.8 |
| **CPI (q/q)** | 0.5 | 1.0 | 0.6 | 0.9 | 1.5 | 0.7 | 1.1 | 0.5 | 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 | 4.3 | 3.9 | 2.8 | 2.7 |
| **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* | | | 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 | 3.35 | 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 | 0.70 | 1.14 | 1.32 | 158 | 0.57 | 0.81 | 0.50 | 0.43 | 89.1 | 64.3 |
| **Forecasts** | | | | | | | | | | | |
| **Sept-26** | 0.57 | 0.71 | 1.15 | 1.34 | 157 | 0.57 | 0.80 | 0.50 | 0.43 | 89.7 | 64.7 |
| **Dec-26** | 0.58 | 0.71 | 1.15 | 1.33 | 155 | 0.58 | 0.81 | 0.50 | 0.43 | 89.1 | 64.9 |
| **Mar-27** | 0.58 | 0.70 | 1.15 | 1.32 | 153 | 0.58 | 0.82 | 0.50 | 0.44 | 88.0 | 64.8 |
| **Jun-27** | 0.58 | 0.69 | 1.15 | 1.31 | 151 | 0.58 | 0.84 | 0.50 | 0.44 | 87.6 | 65.3 |
| **Sept-27** | 0.59 | 0.68 | 1.15 | 1.31 | 150 | 0.59 | 0.87 | 0.51 | 0.45 | 88.5 | 66.8 |
| **Dec-27** | 0.59 | 0.67 | 1.15 | 1.31 | 149 | 0.59 | 0.88 | 0.51 | 0.45 | 87.9 | 67.0 |
| **Mar-28** | 0.59 | 0.67 | 1.15 | 1.31 | 149 | 0.59 | 0.88 | 0.51 | 0.45 | 87.9 | 67.0 |
| **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 28 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 | 2.3 | 1.1 | 0.3 | 1.0 | 1.1 | 1.9 |
| 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 | 0.1 | -1.2 | 0.4 | -0.1 | 0.4 | 0.0 |
| GNE | -0.9 | -1.0 | 1.9 | 1.8 | 2.4 | -0.8 | -0.9 | 0.7 | 2.3 | 2.1 |
| Exports | 8.4 | 3.0 | 4.1 | 6.9 | 3.4 | 12.0 | 3.6 | 4.3 | 6.6 | 3.8 |
| Imports | -1.5 | 0.7 | 6.3 | 3.9 | 2.6 | -0.8 | 1.1 | 3.7 | 6.1 | 2.2 |
| Real Expenditure GDP | 1.5 | -0.5 | 1.3 | 2.5 | 2.6 | 2.2 | -0.2 | 0.7 | 2.6 | 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 | 3.9 | 2.3 | 4.7 | 2.2 | 3.1 | 4.3 | 2.3 |
| 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 | 1.3 | 0.7 | 0.1 | -0.7 | 0.1 | 1.2 | 1.0 | 0.1 |
| Unit Labour Costs (ann av %) | 6.6 | 4.4 | 2.4 | 2.4 | 3.1 | 7.1 | 4.7 | 2.9 | 2.0 | 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 | -22.2 | -20.5 | -24.8 | -20.9 | -13.5 | -20.1 | -22.2 |
| Current Account - % of GDP | -5.6 | -4.4 | -3.0 | -4.7 | -4.1 | -6.0 | -4.9 | -3.0 | -4.3 | -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 | 6.4 | | | | | |
| **Financial Variables** (1) | | | | | | | | | | |
| NZD/USD | 0.61 | 0.57 | 0.58 | 0.58 | 0.60 | 0.62 | 0.57 | 0.58 | 0.58 | 0.59 |
| USD/JPY | 150 | 149 | 159 | 153 | 148 | 144 | 154 | 156 | 155 | 149 |
| EUR/USD | 1.09 | 1.08 | 1.16 | 1.15 | 1.14 | 1.09 | 1.05 | 1.17 | 1.15 | 1.15 |
| NZD/AUD | 0.93 | 0.91 | 0.83 | 0.82 | 0.88 | 0.93 | 0.91 | 0.87 | 0.81 | 0.88 |
| NZD/GBP | 0.48 | 0.44 | 0.44 | 0.44 | 0.46 | 0.49 | 0.45 | 0.43 | 0.43 | 0.45 |
| NZD/EUR | 0.56 | 0.53 | 0.51 | 0.50 | 0.53 | 0.57 | 0.55 | 0.49 | 0.50 | 0.51 |
| NZD/YEN | 91.1 | 85.4 | 92.8 | 88.0 | 88.8 | 89.5 | 88.4 | 90.3 | 89.1 | 87.9 |
| TWI | 71.2 | 67.9 | 66.8 | 64.8 | 68.1 | 72.0 | 68.5 | 66.8 | 64.9 | 67.0 |
| 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 28 September** | | | |
| NZ | Filled Jobs SA MoM Aug | | | 0.30% |
| JN | BOJ Minutes of July Meeting | | | |
| CH | Industrial Profits YoY Aug | | | 11.20% |
| | **Tuesday 29 September** | | | |
| EC | ECB's Lagarde Speaks | | | |
| US | Dallas Fed Manf. Activity Sep | 8.2 | | 11.6 |
| UK | BRC Shop Price Index YoY Sep | 1.50% | | 1.50% |
| NZ | Treasury Releases Pre-Election Fiscal Update | | | |
| AU | Household Spending MoM Aug | 0.40% | | 1.10% |
| AU | RBA Cash Rate Target September - 09 | 4.60% | 4.60% | 4.35% |
| UK | Consumer Credit YoY Aug | | | 9.20% |
| EC | Economic Confidence Sep | 98.9 | | 98.4 |
| EC | Consumer Confidence Sep F | -16.5 | | -16.5 |
| EC | ECB's Nagel Speaks | | | |
| CH | BoP Current Account Balance 2Q F | | | $195.1b |
| | **Wednesday 30 September** | | | |
| CA | GDP YoY Jul | 1.40% | | 2.00% |
| US | Conf. Board Consumer Confidence | 89.2 | | 89.4 |
| US | JOLTS Job Openings Aug | 7225k | | 7271k |
| US | Fed's Waller Speaks | | | |
| JN | Retail Sales MoM Aug | -1.10% | | 2.40% |
| JN | Industrial Production MoM Aug P | 1.20% | | -0.20% |
| NZ | ANZ Activity Outlook Sep | | | 48.2 |
| AU | CPI YoY Aug | 4.10% | 4.10% | 3.50% |
| CH | Manufacturing PMI Sep | 50.1 | | 49.8 |
| UK | GDP YoY 2Q F | 1.20% | | 1.20% |
| UK | Exports QoQ 2Q F | 0.50% | | 0.50% |
| UK | Imports QoQ 2Q F | 0.50% | | 0.50% |
| UK | Current Account Balance 2Q | -25.5b | | -22.1b |

| | | Median | Fcast | Last |
|---|---|---|---|---|
| | **Thursday 01 October** | | | |
| US | ADP Employment Change Sep | 72k | | 38k |
| US | PCE Price Index YoY Aug | 3.70% | | 3.70% |
| US | GDP Annualized QoQ 2Q T | 1.50% | | 1.50% |
| US | Wholesale Inventories MoM Aug P | 0.40% | | 1.30% |
| NZ | Building Permits MoM Aug | | | -4.30% |
| AU | RBA-Financial Stability Review | | | |
| AU | Trade Balance Aug | A$2100m | | A$1923m |
| AU | Exports MoM Aug | | | -3.30% |
| AU | Imports MoM Aug | | | -2.50% |
| UK | Nationwide House PX MoM Sep | 0.00% | | 0.20% |
| UK | BOE Governor Speaks | | | |
| EC | S&P Global Eurozone Manufacturing | 52.7 | | 52.7 |
| UK | S&P Global UK Manufacturing PMI Sep F | 52 | | 52 |
| EC | Unemployment Rate Aug | 6.40% | | 6.40% |
| EC | Bundesbank Chief Nagel Speaks | | | |
| | **Friday 02 October** | | | |
| NZ | Cotality Home Value MoM Sep | | | -0.40% |
| US | Initial Jobless Claims September - 26 | 200k | | 197k |
| CA | S&P Global Canada Manufacturing PMI Sep | | | 53 |
| EC | ECB's Lagarde Speaks | | | |
| US | S&P Global US Manufacturing PMI Sep F | 57 | | 57 |
| US | ISM Manufacturing Sep | 55 | | 54.6 |
| US | Construction Spending MoM Aug | 0.00% | | -0.50% |
| US | Fed's Cook and NY Fed's Williams Speak | | | |
| NZ | ANZ Consumer Confidence Index Sep | | | 98 |
| EC | CPI YoY Sep P | 3.70% | | 3.20% |
| | **Saturday 03 October** | | | |
| EC | ECB's Vujcic | | | |
| US | Change in Nonfarm Payrolls Sep | 90k | | 162k |
| US | Unemployment Rate Sep | 4.10% | | 4.10% |
| EC | ECB's Nagel Speaks | | | |

# Historical Data

| | Today | Week Ago | Month Ago | Year Ago |
|---|---|---|---|---|
| **CASH AND BANK BILLS** | | | | |
| Call | 2.75 | 2.75 | 2.50 | 3.00 |
| 1mth | 3.00 | 2.95 | 2.92 | 2.94 |
| 2mth | 3.11 | 3.06 | 2.99 | 2.90 |
| 3mth | 3.23 | 3.17 | 3.06 | 2.79 |
| 6mth | 3.47 | 3.41 | 3.27 | 2.77 |
| **GOVERNMENT STOCK** | | | | |
| 05/28 | 3.93 | 3.85 | 3.61 | 2.94 |
| 05/31 | 4.59 | 4.45 | 4.18 | 3.61 |
| 04/33 | 4.83 | 4.69 | 4.44 | 3.96 |
| 05/36 | 5.11 | 4.95 | 4.74 | 4.32 |
| 05/41 | 5.43 | 5.29 | 5.13 | 4.77 |
| 05/54 | 5.64 | 5.51 | 5.38 | 5.08 |
| **GLOBAL CREDIT INDICES (ITRXX)** | | | | |
| Nth America 5Y | 58 | 56 | 50 | 52 |
| Europe 5Y | 61 | 58 | 51 | 56 |

| | Today | Week Ago | Month Ago | Year Ago |
|---|---|---|---|---|
| **SWAP RATES** | | | | |
| 2 years | 4.12 | 4.00 | 3.72 | 2.65 |
| 3 years | 4.28 | 4.15 | 3.86 | 2.80 |
| 4 years | 4.39 | 4.25 | 3.97 | 2.97 |
| 5 years | 4.47 | 4.34 | 4.07 | 3.12 |
| 10 years | 4.80 | 4.65 | 4.44 | 3.71 |
| **FOREIGN EXCHANGE** | | | | |
| NZD/USD | 0.5660 | 0.5715 | 0.5917 | 0.5777 |
| NZD/AUD | 0.8072 | 0.8028 | 0.8256 | 0.8785 |
| NZD/JPY | 89.01 | 89.92 | 94.51 | 85.82 |
| NZD/EUR | 0.4975 | 0.4985 | 0.5092 | 0.4927 |
| NZD/GBP | 0.4278 | 0.4276 | 0.4367 | 0.4301 |
| NZD/CAD | 0.8007 | 0.8020 | 0.8197 | 0.8037 |
| TWI | 64.3 | 64.9 | 66.8 | 66.8 |

# 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