

Research Markets Outlook

12 May 2025

Activity Indicators Feature

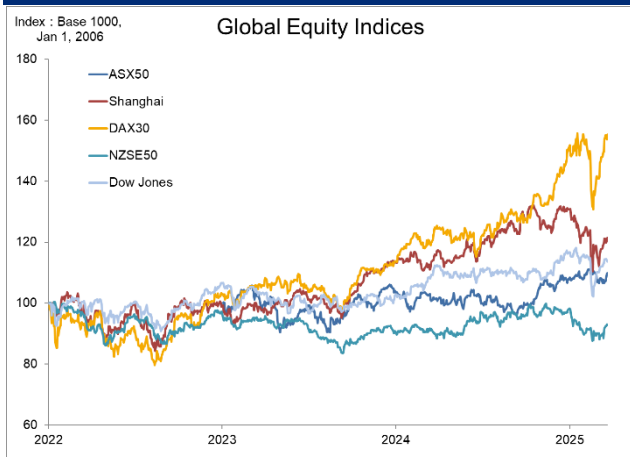
- **Trump's antics dominate markets**
- **But ignore domestic activity at your peril**
- **PMI, PSI and ECT to inform current momentum**
- **Selected Price Indexes to reveal inflationary pulse**
- **More housing data to confirm relative stability**

Sadly, the only game in town is Mr Trump and his tariff antics. Even the threat of a full-blown war between India and Pakistan has barely raised an eyebrow in financial markets. Instead, markets appear singularly focussed on attempting to gauge the extent of the damage caused by both the deglobalisation of trade and the rules-based system upon which trade was based.

Our view remains firmly unchanged. There is almost no way that the global economy can be anything other than weaker because of what has happened even in the very unlikely event all the tariff announcements were reversed tomorrow.

With this in mind, we are somewhat perplexed by the strength in equities around the planet, especially in the United States. While many equity markets are off their highs it seems to us that they are, for all intents and purposes, discounting the threat to global growth. The potential for a significant correction in equity markets is very real and any such correction would have implications for activity and other financial market pricing. Keep an eye on this space.

What risk?



While we remain at the mercy of offshore developments there are still domestic indicators that need to be watched closely as to how international developments might start to impact local activity.

For us the key data we will be watching over the next week or so will be the BNZ-Business NZ Performance of Manufacturing Index, released Friday, and the Performance of Services Index Monday May 19.

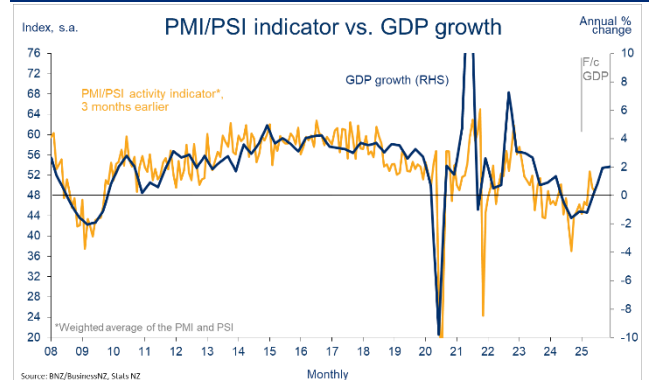
The combined PMI and PSI index has been trending upward, but it needs to rise at an accelerating rate if it is to be consistent with the 2.0%-plus growth rates that most are forecasting the New Zealand economy to climb to.

Over the last three months the combined index has been supported by the manufacturing index moving back into positive territory following an extended period of contraction. We are not convinced this can be sustained. The March PMI was 53.2 but it was held up by very strong stocks. In contrast new orders were weak. This portends a softer PMI for April.

The PSI seems to have stalled just below the 50 breakeven reading. We would not be surprised to see more of the same for this month.

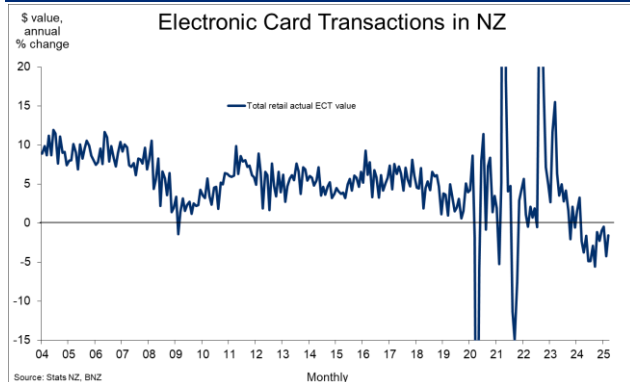
If the combined index fails to show any sign of improvement, then it will add to our growing concern that our forecast modest recovery might be delayed.

Need better, and soon



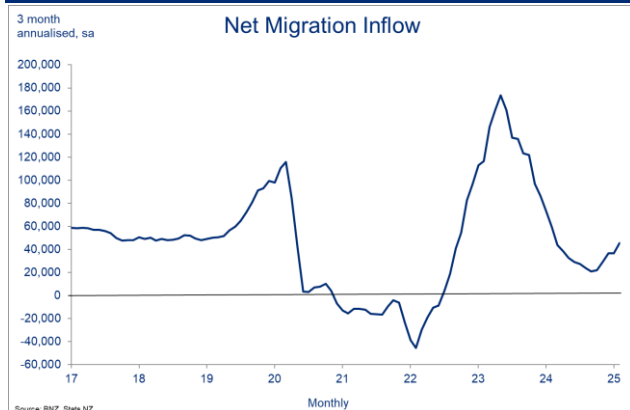
Electronic cards transactions data for April are published on Wednesday. Sales have been weak compared to year earlier levels, in nominal terms, suggesting there is little sign yet of the desired pick up in private consumption. More of the same can be expected.

Looking poorly



Contrary to popular opinion, increasing net migration is now adding to domestic demand. There are clear indications that the annual net migration inflow has troughed at around 32,000 per annum and is now in the midst of heading higher towards the 50,000 mark. That's around the sort of levels that we used to consider as being normal. The latest update on this will also be delivered on Wednesday.

Migration inflows rising



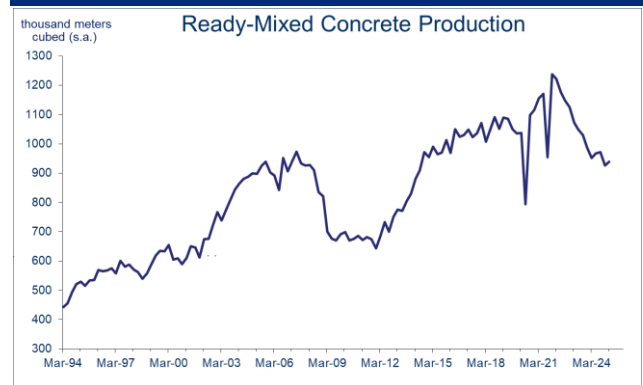
Alongside the migration data are the travel figures for March. Inbound tourism growth appears to have stalled and may be a factor behind the stalling in the PSI, referred to above. We have no reason to believe that the new figures will show anything different.

Visitor arrivals stall



This morning ready mix concrete production for Q1 was released. On a seasonally adjusted basis production rose 1.4%. At first glance this looks positive, but it is only a partial recovery from the 4.6% decline reported for the previous quarter and leaves production 1.2% below year earlier levels. To put it in context, we're making the same amount of concrete now as we were in 2007. If there is some good news in these data it's that the annual decline is at least slowing.

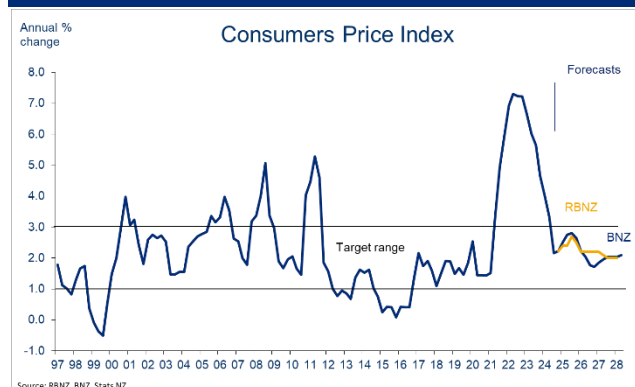
Concrete set low



On Thursday we get the Selected Price Indexes for the month of April. Being the first month of the quarter they have the potential to have the biggest impact on our CPI forecasts for Q2.

As things stand, we are forecasting a 0.6% increase in the June quarter CPI taking the annual reading to 2.8%. This is up on the RBNZ's 2.4% forecast but, as we expect this increase to be transitory, especially in light of the path of oil prices, then it shouldn't bother the central bank unless it starts to feed into inflation expectations. (Incidentally, the RBNZ releases its inflation expectations on Friday).

Relaxed about inflation



There is no single summary index amongst the selected price indexes but we can tell you that we have assumed a 0.2% increase for the Food Price Index and the same move in the monthly rental series.

This month's data will include electricity and gas for the first time. We will be looking for confirmation of the sharp rise in electricity prices that we have built into our forecasts.

At some point in the week we expect to see the latest REINZ data on the housing market. We expect to see a further increase in house sales which will be largely matched with rising listings, the combination of which should result in a sideways to slightly positive seasonally adjusted move in house prices.

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Global Watch

- **Core measures for US CPI and PPI seen at 0.3% m/m**
- **US retail sales and consumer sentiment out too**
- **Q1 GDP figures for Japan and the UK**
- **Australian wages and employment data due**

Week in Review

Offshore US trade/tariff headlines continue to buffet markets. The first outlines of a US-UK Trade Agreement emerged on Thursday, giving some optimism that further trade deals may emerge. The New York Post reported the US is weighing a plan to slash the 145% tariff on Chinese imports to as low as 50-54%. That figure was reportedly discussed last month when President Trump met with the CEOs of the three largest US retailers. India/Pakistan tensions flared though has not impacted overall market sentiment to date.

While the US FOMC did meet, it did not have an overwhelming influence. Fed Chair Powell emphasised the Fed is not going to be pre-emptive, repeating the line “our obligation is to keep longer-term inflation expectations well anchored and to prevent a one-time increase in the price level from becoming an ongoing inflation problem”. He noted “risks of higher unemployment and higher inflation appear to have risen...”.

In Australia, Building Approvals disappointed at -8.8% m/m vs. -1.5% expected. Looking through the volatility, in the quarter approvals are up by 3.8% q/q. While having picked up, it is still well short of the government’s ambitious target of 240k dwellings a year. As for politics, the result of the Federal election saw the governing Labor party re-elected with an increased majority. In the Senate it looks like Labor will be able to pass legislation with only the support of the Greens (whereas previously they needed Greens and Independents if legislation was opposed by Liberal/National).

Week Ahead

Globally, focus remains on policy and political developments as much as the data flow. After the US-UK framework agreement, the contents of further announcements will be closely watched as markets size up expectations for tariff rates beyond the 90-day pause.

US data include CPI (Wednesday), PPI (Thursday) and Import Prices (Friday) which could be instructive on early (largely pre-Liberation Day) tariff impacts. Retail sales on are also on Thursday. Across second tier data, there are a few Regional Fed surveys to watch out for including Empire Manufacturing and Philly Fed and the usual jobless claims (all Thursday). Rounding out the week is the Uni. Michigan Consumer Sentiment (Friday).

Earnings season continues, with Walmart on Thursday of interest for how the retailer is navigating the current environment. There are also plenty of Fed speakers on the docket, including at the Thomas Laubach Research Conference late in the week, which will include opening remarks from Powell.

The Eurozone data calendar is quiet, but there is no shortage of appearance from ECB officials on the roster. It is a busy week in the UK though. Labour market data is on Wednesday, ahead of what is expected to be confirmation of reasonably strong Q1 GDP growth on Thursday.

In Australia, April employment and Q1 wages mark the last notable data releases ahead of the RBA’s May 20 rates decision. WPI Wednesday is seen up 0.8% q/q, supported by childcare and aged care pay adjustments. Our colleagues at NAB expect the unemployment rate to hold at 4.1% in April on a 25k employment gain.

As well as the labour market data, Westpac Consumer Confidence and the NAB Business Survey are both released Tuesday. CBA also has a trading update on Wednesday. While the data are important, how much the RBA’s assessment of the outlook has shifted to reflect more material offshore headwinds to growth is likely to be more important for the May decision.

Economic Events Preview

Monday 12

UK BoE speakers

EZ EU finance ministers meet through to May 13

Tuesday 13

AU Westpac Consumer Confidence

There was a 6% fall in consumer confidence last month, with those surveyed after ‘Liberation Day’ seeing a starker deterioration than those before. The May read could be instructive on how households are weighing the ratcheting of US tariffs on China against the rebound and relative calm of financial markets recently.

AU NAB Business Survey

UK Labour Market data

To date UK regular (non-bonus) wage settlements have remained at elevated levels, with headline earnings at 5.9% 3m y/y and private sector regular earnings also at 5.9%. The BoE noted in its May Inflation Report its Decision Makers Panel of firms expects wage settlements to average 4% in 2025. The uncertainty however is the extent that an upcoming jump in inflation will be passed on and

trigger second-round effects. Any rise in unemployment from 4.4% will gain attention.

US April CPI

The March round of inflation data was thoroughly benign. Too early to reflect tariff impacts and supporting the view that strength in January and February was a product of residual seasonality rather than genuine reacceleration. April data will be scoured for early clue on pass-through. Categories like clothing, furnishings and other consumer durables saw larger early tariff rises than many others, due to concentration of imports from China. Firms, though, have generally signalled reluctance to pass on costs while they are selling pre-tariff stock, creating some uncertainty. The consensus is for 0.3% m/m for headline and core.

Wednesday 14

AU Q1 Wages

NAB expect WPI growth of 0.8% q/q, a tenth below the RBA's 0.9% q/q pick and in line with consensus. NAB see underlying private sector wages growth running at a similar pace and a little below the RBA's February outlook.

But Q4 was held down by low public sector wages growth due to shifts in timing of payments, and Q1 will be boosted as 10% pay rises flow through to childcare workers and some workers in the aged care sector see further pay rises.

Those increases emanate from the Fair Work Commission's programme to correct historical undervaluation in female dominated industries and will be an ongoing sporadic support for wages growth. NAB expect it will add about 25bp to annual wages growth over 2025 and 2026.

Thursday 15

AU April Unemployment

NAB expect the unemployment rate to remain at 4.1% on a 25k employment gain in April. Monthly employment data is volatile, but trend employment growth has slowed recently even as the unemployment rate has been little changed. Reconciling that tension is a fall back in participation from its recent record high. The RBA forecast an unemployment rate steady at 4.2% from Q2. NAB think the risk is to the high side of that forecast later this year.

UK Q1 GDP

The UK is expected to record reasonably strong Q1 GDP with a decent tail wind from stronger growth at the back end of 2024 and February's 0.5% outturn more than making up for flat growth in January. Things are expected to slow thereafter.

US PPI, Retail Sales & Jobless Claims

PPI fills out the April inflation picture, and will be watched not just for PCE implications, but also for evidence of upstream tariff-related price increases beginning to filter through.

Retail Sales jumped 1.5% in March on auto purchases, while the control group rose 0.4%. Disentangling underlying resilience from pulled forward demand ahead of expected tariff price rises will remain a challenge.

US Fed's Powell on framework review

Fed Chair Powell speaks at the Thomas Laubach Research Conference on the framework review. The subject is the 5-yearly review of its monetary policy strategy, with a focus on the Committee's approach to monetary policy and the Committee's policy communications tools. What might otherwise have been largely arcane could be of more interest given the context of a prospective tension within the dual mandate, and the inadequacies of the dot plot to communicate in such an uncertain environment.

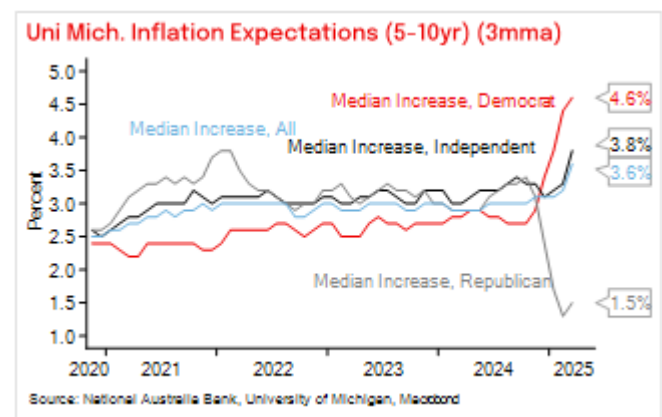
Friday 16

JN Q1 GDP

The consensus is for a 0.1% q/q fall in Q1. That would follow a 0.6% q/q gain amid swings in net exports.

US Uni of Mich. Consumer Sentiment, Import Prices

Consumer sentiment is expected to remain dire with consensus at 53.3 from 52.2. However, the degree of partisanship being shown in the survey does limit the interpretation of both headline confidence, and the important inflation expectations measures.



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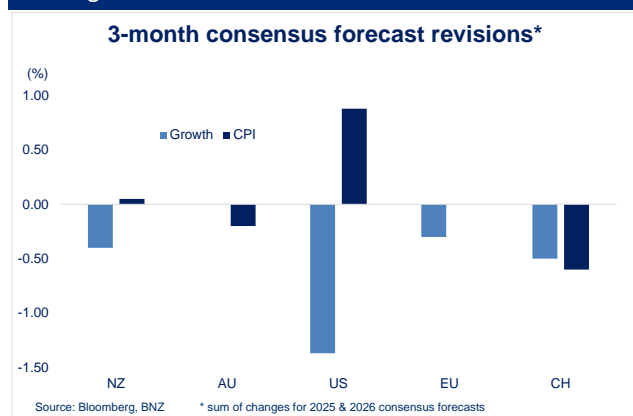
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ swap rates are consolidating near the cycle lows following the decline in April. The Q1 labour market report didn't materially alter RBNZ policy expectations. Although the unemployment rate was below consensus estimates, due to a lower participation rate, other details were soft. Full time employment and hours worked have fallen for five consecutive quarters. Annual private sector wage growth fell to 2.6% y/y in Q1 from 3.0% in Q4.

We maintain a downside bias for front end NZ rates. Market pricing for the terminal rate has been stable near 2.75%. However, risks are skewed towards pricing a lower terminal rate, and there is potential to push out the tightening priced for 2026. Even with the de-escalation in trade tensions, the shock from tariffs and policy uncertainty is substantial and will take time to filter through to the real economy.

Global growth forecasts revised lower



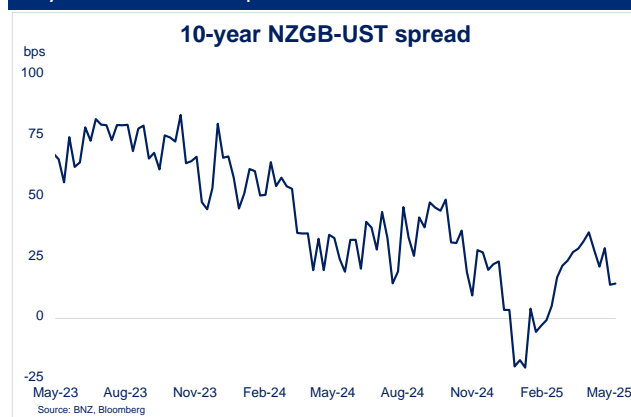
Hedging by bank mortgage books, as households opt for longer fixed periods, has been well-absorbed by the swap market. Data on new lending reveals increased demand for 2-year fixed rate mortgages in March. Despite this and an anecdotal pickup in hedging flow, there was limited market impact with domestic macro conditions continuing to attract offsetting received positions from speculative accounts.

The US Federal Reserve (Fed) kept rates on hold for a third consecutive meeting, as policy makers wait for greater clarity on the outlook for the labour market and inflation. The statement accompanying the decision noted that uncertainty about the outlook has 'increased further' and that risks of higher unemployment and inflation have risen. Fed Chair Powell reiterated the central bank doesn't need to be in a hurry to adjust rates.

There is currently around 65bp of Fed rate cuts priced by the end of the year. This is the least amount since reciprocal tariffs were announced, and compares with close to 100bp of cuts, at the beginning of the month. The divergence in RBNZ and Fed pricing, has contributed to a

compression in the spread between 10-year NZ government bonds (NZGB) and US treasuries (UST), towards 10bp from the recent 40bp peak in April.

10-year NZGB – UST spread



10-year NZGBs offer high real yields and the steepest curve amongst developed market sovereign markets. However, we are cautious about extrapolating the recent outperformance against treasuries. There is greater scope for the market to reprice the terminal fed funds, which is above US policy makers 3.0% estimate of the long funds rate, compared with the terminal OCR which is already below the midpoint of the RBNZ's estimated neutral range.

Higher frequency data reveals international investors have not made a meaningful rotation away from treasuries, despite the economic uncertainty unleashed by 'Liberation Day'. Investor class data for auctions in April didn't show a slowdown in foreign demand. In addition, there is no discernible change in the Fed's report on treasury custody holdings for foreign and official institutions.

Current rates and 1-month range

| | Current | Last 4-weeks range* |
|-------------------------|---------|---------------------|
| NZ 90d bank bills (%) | 3.37 | 3.37 - 3.49 |
| NZ 2yr swap (%) | 3.10 | 3.05 - 3.21 |
| NZ 5yr swap (%) | 3.47 | 3.40 - 3.67 |
| NZ 10yr swap (%) | 3.99 | 3.92 - 4.25 |
| 2s10s swap curve (bps) | 89 | 87 - 95 |
| NZ 10yr swap-govt (bps) | -52 | -59 - -47 |
| NZ 10yr govt (%) | 4.51 | 4.48 - 4.73 |
| US 10yr govt (%) | 4.38 | 4.12 - 4.59 |
| NZ-US 10yr (bps) | 13 | 13 - 34 |
| NZ-AU 2yr swap (bps) | -19 | -23 - -9 |
| NZ-AU 10yr govt (bps) | 22 | 22 - 36 |

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ

Currency markets remain in a consolidation mode. The NZD has traded in a range of not much more than 1½ cents since mid-April (0.5870-0.6030 on rounded figures). Last week, NZD/USD closed towards the bottom end of the range at 0.5910. Net NZD cross movements were small, with the largest move being a 0.8% fall in NZD/GBP following a hawkish rate cut by the BoE.

While currency markets have settled over recent weeks, it is worth highlighting a remarkable 8% appreciation of the Taiwan dollar over the past two weeks. We see this as symbiotic of the impact of the trade war on a currency normally out of the spotlight. Driving the move was speculation that stronger Asian currencies like the TWD could become part of negotiations around any potential US trade deal; exporters panicking to convert USDs; and life insurers – which hold significant US financial assets – buying the local currency to mitigate losses, given their significant under-hedging of currency risk.

We have read numerous reports over recent weeks on the topic of investors looking to reduce exposure to the US and USD-denominated assets. If this activity becomes the norm for investors around the world – not just in Asia – then the USD has the potential to fall significantly further. This dynamic is a key feature of our central view that the NZD can recover a lot further over the next year or two.

The chart shows the strong relationship between the NZD and our Asian currency index, with the USD leg driving the apparent high correlation. It highlights how global, not domestic forces, will determine the path of the NZD. Any sustained strength in Asian currencies is likely to spill over into a stronger NZD.

In other news last week, President Trump announced a trade framework with the UK, the first so-called trade deal in a long list of countries that are lined up. The deal includes the 10% baseline tariff on most goods remaining. President Trump said that the 10% baseline tariff is probably the lowest end for a tariff. US-China trade talks began during the weekend and, while we await full details of the meeting held in Switzerland, comments from the US side suggest “substantial progress” has been made.

Market consensus is converging on a view of where we land on tariffs being close to what Trump campaigned on pre-election – most countries facing tariffs in the order of 10-20% and China closer to 60%. This would not be a good outcome for the US economy.

Last week, the US Federal Reserve left rates on hold for a third straight meeting. The Fed noted that uncertainty about the outlook has increased further and indicated that the risks of higher unemployment and inflation have risen. Chair Powell reiterated that the Fed doesn’t need to be in

a hurry to adjust rates, a message that offered some short-term support for the USD.

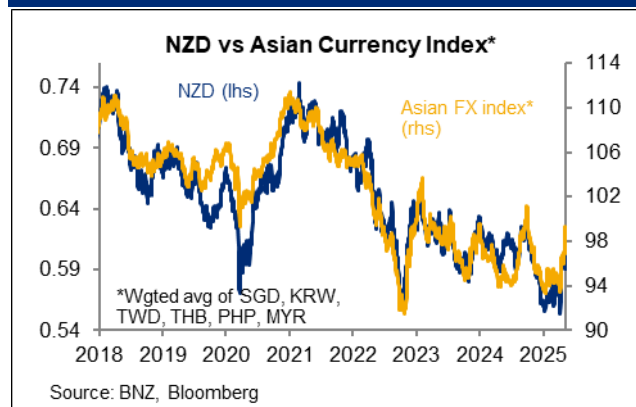
Domestic forces remain largely irrelevant for the NZD, but for the record we didn’t read anything into the lower-than-expected Q1 unemployment rate, which remained steady at 5.1%. Other details within the labour market report were soft, with wage inflation continue to recede to fresh multi-year lows and full-time employment and hours worked falling for five consecutive quarters.

The market currently prices the NZ OCR falling about another 75bps and the US Fed Funds rate falling about another 100bps, consistent with NZ-US rate differentials increasing over the next year, a neutral to positive factor for the NZD.

For the NZD, the period of consolidation can continue for now, while volatility could easily return to the market. Technically, the “big” support and resistance levels for the NZD are 0.55/0.64. If we were to tighten that up, we’d suggest support around 0.5820 and resistance at 0.6030.

In the week ahead, key US economic releases include the CPI, PPI, retail sales, and consumer sentiment. However, it remains much too early to see the full impact of the 2-April Liberation Day tariff announcement and in the meantime company anecdotes provide the best source of the economic impact. Elsewhere, UK labour market, Japan GDP, and Australian wages and employment data are released.

Sustained stronger Asian FX would spill over into the NZD



Cross Rates and Recent Ranges

| | Current | Last 3-weeks range* |
|---------|---------|---------------------|
| NZD/USD | 0.5924 | 0.5870 - 0.6030 |
| NZD/AUD | 0.9218 | 0.9200 - 0.9390 |
| NZD/GBP | 0.4465 | 0.4420 - 0.4520 |
| NZD/EUR | 0.5288 | 0.5190 - 0.5310 |
| NZD/JPY | 86.59 | 84.00 - 86.40 |

*Indicative range over last 3 weeks, rounded figures

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Technicals

NZD/USD

Outlook: Trading range
 ST Resistance: 0.6030 (ahead of 0.62)
 ST Support: 0.5820 (ahead of 0.55)

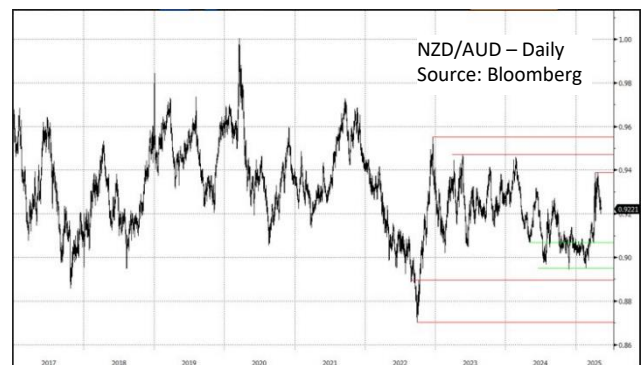
No change, with the first level of resistance at the recent high around 0.6030, ahead of 0.62. The 0.55 mark remains the key support level, but some earlier support might come around 0.5820.



NZD/AUD

Outlook: Trading range
 ST Resistance: 0.9390 (ahead of 0.9470)
 ST Support: 0.9070 (ahead of 0.8950)

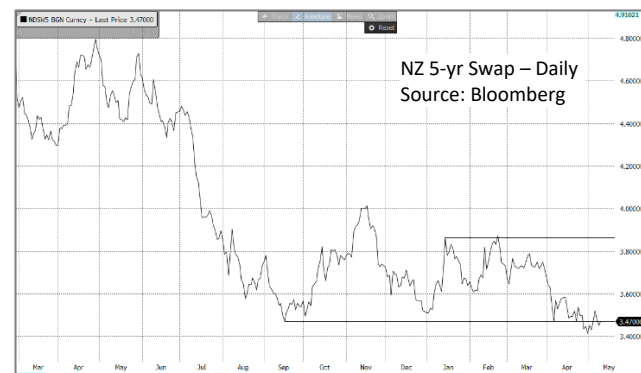
No change, with initial support and resistance levels at 0.9070/0.9390.



NZ 5-year Swap Rate

Outlook: Lower
 ST Resistance: 3.85
 ST Support: 3.47

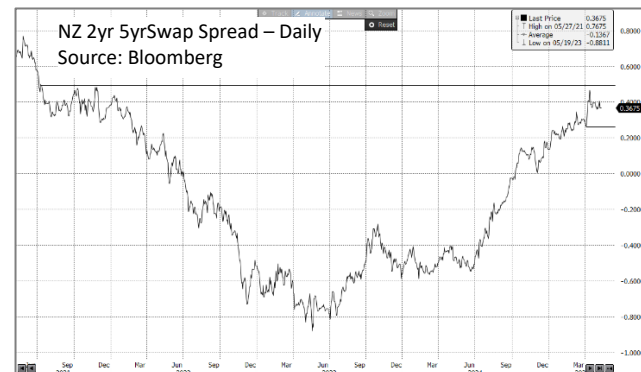
5-year swap continues to sit on our support level. It tried to break lower again last week but ultimately failed to close the week through the level.



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

Outlook: Neutral
 ST Resistance: 0.50
 ST Support: 0.25

2x5 year swap spread remained unchanged last week, we remain neutral at these levels.



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Quarterly Forecasts

Forecasts as at 12 May 2025

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

| | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| GDP (production s.a.) | 0.7 | 0.3 | 0.4 | 0.6 | 0.7 | 0.8 | 0.7 | 0.6 | 0.5 | 0.5 |
| Retail trade (real s.a.) | 0.9 | 0.0 | 0.6 | 1.0 | 1.2 | 1.1 | 0.9 | 0.8 | 0.7 | 0.7 |
| Current account (ann, % GDP) | -6.2 | -5.5 | -4.6 | -4.2 | -3.8 | -3.7 | -3.9 | -4.0 | -4.1 | -4.1 |
| CPI (q/q) | 0.5 | 0.9 | 0.6 | 0.7 | 0.4 | 0.5 | 0.4 | 0.4 | 0.3 | 0.7 |
| Employment | -0.2 | 0.1 | 0.2 | 0.4 | 0.6 | 0.7 | 0.7 | 0.6 | 0.5 | 0.5 |
| Unemployment rate % | 5.1 | 5.1 | 5.2 | 5.3 | 5.3 | 5.1 | 5.0 | 4.9 | 4.8 | 4.8 |
| Pr. avg hourly earnings (ann %) | 4.0 | 3.8 | 3.5 | 3.0 | 2.3 | 3.0 | 3.1 | 3.2 | 3.4 | 3.3 |
| Trading partner GDP (ann %) | 3.2 | 3.1 | 2.8 | 2.6 | 2.4 | 2.5 | 2.7 | 2.8 | 2.8 | 2.8 |
| CPI (y/y) | 2.2 | 2.5 | 2.8 | 2.8 | 2.6 | 2.2 | 2.0 | 1.8 | 1.7 | 1.9 |
| GDP (production s.a., y/y) | -1.1 | -1.2 | 0.3 | 1.9 | 2.0 | 2.5 | 2.8 | 2.8 | 2.6 | 2.3 |

Interest Rates

Historical data - qtr average

Forecast data - end quarter

| | Cash | Government Stock | | | Swaps | | | US Rates | | Spread |
|-----------|------|------------------|--------|---------|--------|--------|---------|----------|----------|----------|
| | | 90 Day | 5 Year | 10 Year | 2 Year | 5 Year | 10 Year | SOFR | US 10 yr | NZ-US |
| | | Bank Bills | | | | | | 3 month | | Ten year |
| 2024 Mar | 5.50 | 5.66 | 4.44 | 4.68 | 4.92 | 4.40 | 4.45 | 5.30 | 4.15 | 0.53 |
| Jun | 5.50 | 5.63 | 4.56 | 4.74 | 5.01 | 4.53 | 4.60 | 5.35 | 4.45 | 0.30 |
| Sep | 5.33 | 5.30 | 3.96 | 4.31 | 4.05 | 3.80 | 4.05 | 5.05 | 3.95 | 0.37 |
| Dec | 4.42 | 4.44 | 4.00 | 4.47 | 3.65 | 3.74 | 4.10 | 4.50 | 4.30 | 0.19 |
| 2025 Mar | 3.92 | 3.84 | 3.99 | 4.58 | 3.47 | 3.71 | 4.15 | 4.30 | 4.45 | 0.13 |
| Forecasts | | | | | | | | | | |
| Jun | 3.25 | 3.00 | 3.50 | 4.45 | 2.90 | 3.30 | 4.05 | 4.30 | 4.25 | 0.20 |
| Sep | 2.75 | 2.90 | 3.50 | 4.45 | 3.00 | 3.40 | 4.15 | 3.80 | 4.25 | 0.20 |
| Dec | 2.75 | 2.90 | 3.50 | 4.30 | 3.15 | 3.50 | 4.10 | 3.55 | 4.00 | 0.30 |
| 2026 Mar | 2.75 | 2.90 | 3.60 | 4.30 | 3.40 | 3.65 | 4.15 | 3.30 | 4.00 | 0.30 |
| Jun | 2.75 | 2.90 | 3.80 | 4.40 | 3.70 | 3.90 | 4.30 | 3.05 | 4.00 | 0.40 |
| Sep | 2.75 | 3.30 | 3.95 | 4.40 | 3.95 | 4.10 | 4.35 | 3.05 | 4.00 | 0.40 |
| Dec | 3.25 | 3.55 | 4.00 | 4.40 | 4.10 | 4.20 | 4.40 | 3.05 | 4.00 | 0.40 |

Exchange Rates (End Period)

USD Forecasts

| | NZD/USD | AUD/USD | EUR/USD | GBP/USD | USD/JPY |
|---------|---------|---------|---------|---------|---------|
| Current | 0.59 | 0.64 | 1.12 | 1.33 | 146 |
| Jun-25 | 0.61 | 0.66 | 1.18 | 1.37 | 138 |
| Sep-25 | 0.63 | 0.68 | 1.24 | 1.43 | 130 |
| Dec-25 | 0.65 | 0.70 | 1.23 | 1.41 | 125 |
| Mar-26 | 0.65 | 0.70 | 1.23 | 1.41 | 125 |
| Jun-26 | 0.68 | 0.73 | 1.26 | 1.45 | 119 |
| Sep-26 | 0.68 | 0.73 | 1.27 | 1.46 | 118 |
| Dec-26 | 0.68 | 0.73 | 1.28 | 1.47 | 117 |
| Mar-27 | 0.69 | 0.74 | 1.26 | 1.45 | 116 |

NZD Forecasts

| | NZD/USD | NZD/AUD | NZD/EUR | NZD/GBP | NZD/JPY | TWI-17 |
|---------|---------|---------|---------|---------|---------|--------|
| Current | 0.59 | 0.92 | 0.53 | 0.45 | 86.3 | 69.1 |
| Jun-25 | 0.61 | 0.92 | 0.52 | 0.45 | 84.2 | 70.3 |
| Sep-25 | 0.63 | 0.93 | 0.51 | 0.44 | 81.9 | 71.2 |
| Dec-25 | 0.65 | 0.93 | 0.53 | 0.46 | 81.3 | 72.5 |
| Mar-26 | 0.65 | 0.93 | 0.53 | 0.46 | 81.3 | 72.5 |
| Jun-26 | 0.68 | 0.93 | 0.54 | 0.47 | 80.9 | 74.1 |
| Sep-26 | 0.68 | 0.93 | 0.54 | 0.47 | 80.2 | 73.9 |
| Dec-26 | 0.68 | 0.93 | 0.53 | 0.46 | 79.6 | 73.7 |
| Mar-27 | 0.69 | 0.93 | 0.55 | 0.48 | 80.0 | 74.6 |

TWI Weights

15.6% 18.4% 9.2% 3.9% 5.5%

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

Annual Forecasts

| Forecasts as at 12 May 2025 | March Years | | | | | December Years | | | | |
|--|-------------|------------|-------------|------------|------------|----------------|------------|-------------|------------|------------|
| | Actuals | | 2025 | 2026 | 2027 | Actuals | | 2025 | 2026 | |
| | 2023 | 2024 | | | | 2022 | 2023 | | | 2024 |
| GDP - annual average % change | | | | | | | | | | |
| Private Consumption | 3.4 | 1.0 | 0.1 | 2.1 | 2.8 | 4.2 | 1.0 | 0.2 | 1.4 | 2.9 |
| Government Consumption | 2.7 | 2.0 | -0.8 | 0.6 | 0.0 | 5.2 | 0.8 | 0.0 | 0.4 | 0.2 |
| Total Investment | 3.3 | -1.1 | -4.9 | 0.4 | 5.8 | 4.2 | -0.1 | -4.6 | -1.7 | 5.6 |
| Stocks - ppts cont'n to growth | 0.3 | -1.6 | 0.4 | 0.6 | 0.1 | 0.0 | -1.4 | 0.2 | 0.5 | 0.2 |
| GNE | 3.7 | -0.9 | -0.6 | 2.3 | 3.1 | 4.5 | -0.8 | -0.8 | 1.5 | 3.2 |
| Exports | 5.6 | 8.6 | 3.5 | 4.5 | 3.9 | -0.8 | 11.4 | 4.2 | 5.3 | 3.7 |
| Imports | 4.4 | -1.3 | 2.9 | 5.2 | 4.9 | 4.6 | -0.6 | 2.4 | 4.9 | 5.0 |
| Real Expenditure GDP | 3.9 | 1.4 | -0.6 | 2.0 | 2.6 | 3.2 | 1.9 | -0.1 | 1.1 | 2.7 |
| GDP (production) | 3.5 | 1.4 | -1.1 | 1.7 | 2.6 | 2.9 | 1.8 | -0.5 | 0.8 | 2.7 |
| <i>GDP - annual % change (q/q)</i> | <i>3.0</i> | <i>1.4</i> | <i>-1.2</i> | <i>2.5</i> | <i>2.3</i> | <i>3.1</i> | <i>0.9</i> | <i>-1.1</i> | <i>2.0</i> | <i>2.6</i> |
| Output Gap (ann avg, % dev) | 2.0 | 1.0 | -1.1 | -0.8 | 0.0 | 1.9 | 1.2 | -0.6 | -1.0 | -0.1 |
| Nominal Expenditure GDP - \$bn | 394 | 418 | 430 | 451 | 473 | 386 | 413 | 427 | 445 | 468 |
| Prices and Employment -annual % change | | | | | | | | | | |
| CPI | 6.7 | 4.0 | 2.5 | 2.2 | 1.9 | 7.2 | 4.7 | 2.2 | 2.6 | 1.7 |
| Employment | 3.1 | 1.0 | -0.7 | 1.9 | 2.3 | 1.7 | 2.8 | -1.2 | 1.3 | 2.5 |
| Unemployment Rate % | 3.4 | 4.4 | 5.1 | 5.1 | 4.8 | 3.4 | 4.0 | 5.1 | 5.3 | 4.8 |
| Wages - ave. hr. ord. time earnings (private sector) | 8.2 | 4.8 | 3.8 | 3.0 | 3.3 | 8.1 | 6.6 | 4.0 | 2.3 | 3.4 |
| Productivity (ann av %) | 1.3 | -1.1 | -0.2 | 1.2 | 0.2 | 0.7 | -1.2 | -0.1 | 1.0 | 0.3 |
| Unit Labour Costs (ann av %) | 5.7 | 7.1 | 4.7 | 2.4 | 3.1 | 6.0 | 7.6 | 4.9 | 2.9 | 2.9 |
| House Prices (stratified, qtr) | -12.8 | 2.8 | -0.6 | 7.0 | 5.4 | -13.8 | 0.6 | -0.9 | 6.8 | 6.1 |
| External Balance | | | | | | | | | | |
| Current Account - \$bn | -33.8 | -27.6 | -23.5 | -16.8 | -19.4 | -35.6 | -28.6 | -26.4 | -17.1 | -19.4 |
| Current Account - % of GDP | -8.6 | -6.6 | -5.5 | -3.7 | -4.1 | -9.2 | -6.9 | -6.2 | -3.8 | -4.1 |
| Government Accounts - June Yr, % of GDP | | | | | | | | | | |
| OBEGAL ex ACC (core op. balance) (Treasury forecasts) | -1.8 | -2.1 | -3.0 | -2.3 | -0.9 | | | | | |
| Net Core Crown Debt (ex NZS) (Treasury forecasts) | 39.3 | 42.4 | 45.1 | 45.1 | 46.5 | | | | | |
| Bond Programme - \$bn (Treasury forecasts) | 28.0 | 39.3 | 40.0 | 40.0 | 38.0 | | | | | |
| Bond Programme - % of GDP | 7.1 | 9.4 | 9.3 | 8.9 | 8.0 | | | | | |
| Financial Variables ⁽¹⁾ | | | | | | | | | | |
| NZD/USD | 0.62 | 0.61 | 0.57 | 0.67 | 0.69 | 0.63 | 0.62 | 0.57 | 0.65 | 0.68 |
| USD/JPY | 134 | 150 | 149 | 120 | 116 | 135 | 144 | 154 | 125 | 117 |
| EUR/USD | 1.07 | 1.09 | 1.08 | 1.25 | 1.26 | 1.06 | 1.09 | 1.05 | 1.23 | 1.28 |
| NZD/AUD | 0.93 | 0.93 | 0.91 | 0.93 | 0.93 | 0.94 | 0.93 | 0.91 | 0.93 | 0.93 |
| NZD/GBP | 0.51 | 0.48 | 0.44 | 0.47 | 0.48 | 0.52 | 0.49 | 0.45 | 0.46 | 0.46 |
| NZD/EUR | 0.58 | 0.56 | 0.53 | 0.54 | 0.55 | 0.60 | 0.57 | 0.55 | 0.53 | 0.53 |
| NZD/YEN | 83.0 | 91.1 | 85.4 | 80.4 | 80.0 | 85.6 | 89.5 | 88.4 | 81.3 | 79.6 |
| TWI | 71.0 | 71.2 | 67.9 | 73.6 | 74.6 | 72.9 | 72.0 | 68.5 | 72.5 | 73.7 |
| Overnight Cash Rate (end qtr) | 4.75 | 5.50 | 3.75 | 2.75 | 3.50 | 4.25 | 5.50 | 4.25 | 2.75 | 3.25 |
| 90-day Bank Bill Rate | 5.16 | 5.64 | 3.60 | 2.90 | 4.05 | 4.55 | 5.63 | 4.26 | 2.90 | 3.55 |
| 5-year Govt Bond | 4.40 | 4.60 | 4.00 | 3.60 | 4.05 | 4.30 | 4.50 | 3.90 | 3.50 | 4.00 |
| 10-year Govt Bond | 4.35 | 4.60 | 4.50 | 4.30 | 4.40 | 4.25 | 4.65 | 4.45 | 4.30 | 4.40 |
| 2-year Swap | 5.15 | 4.91 | 3.35 | 3.40 | 4.15 | 5.21 | 4.93 | 3.53 | 3.15 | 4.10 |
| 5-year Swap | 4.50 | 4.40 | 3.65 | 3.65 | 4.25 | 4.62 | 4.43 | 3.63 | 3.50 | 4.20 |
| US 10-year Bonds | 3.65 | 4.20 | 4.25 | 4.00 | 4.00 | 3.60 | 4.00 | 4.40 | 4.00 | 4.00 |
| NZ-US 10-year Spread | 0.70 | 0.40 | 0.25 | 0.30 | 0.40 | 0.65 | 0.65 | 0.05 | 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 | | Median | Fcast | Last |
|---|--------|-------|--------|--|---------|-------|---------|
| Monday 12 May | | | | UK Trade Balance GBP/Mn Mar | -£2200m | | -£1956m |
| UK BOE's Greene & Lombardelli Speak | | | | EC GDP SA QoQ 1Q S | 0.40% | | 0.40% |
| Tuesday 13 May | | | | EC Industrial Production SA MoM Mar | 1.80% | | 1.10% |
| UK BOE's Mann, Pill & Taylor Speak | | | | EC Employment YoY 1Q P | | | 0.70% |
| US Fed's Kugler Speaks | | | | Friday 16 May | | | |
| AU Westpac Consumer Conf SA MoM May | | | -6.00% | US Empire Manufacturing May | -8 | | -8.1 |
| AU NAB Business Confidence Apr | | | -3 | US Retail Sales Advance MoM Apr | 0.10% | | 1.50% |
| UK Private Earnings ex Bonus 3M/YoY Mar | 5.70% | | 5.90% | US Retail Sales Control Group Apr | 0.30% | | 0.40% |
| UK ILO Unemployment Rate 3Mths Mar | 4.50% | | 4.40% | US PPI Ex Food and Energy MoM Apr | 0.30% | | -0.10% |
| EC ECB's Escriva & Makhoulf Speak | | | | US PPI Ex Food and Energy YoY Apr | 3.10% | | 3.30% |
| GE ZEW Survey Expectations May | 10 | | -14 | US Initial Jobless Claims 10-May | 230k | | 228k |
| US NFIB Small Business Optimism Apr | 95 | | 97.4 | US Continuing Claims 3-May | 1890k | | 1879k |
| Wednesday 14 May | | | | US Philadelphia Fed Business Outlook May | -10.5 | | -26.4 |
| US CPI Ex Food and Energy MoM Apr | 0.30% | | 0.10% | US Fed's Powell & Barr Speak | | | |
| US CPI Ex Food and Energy YoY Apr | 2.80% | | 2.80% | US Manufacturing (SIC) Production Apr | -0.40% | | 0.30% |
| UK BOE's Bailey & Breeden Speak | | | | UK BOE's Dhingra Speaks | | | |
| EC ECB's Knot, Escriva & Nagel Speaks | | | | US NAHB Housing Market Index May | 40 | | 40 |
| NZ Card Spending Total MoM Apr | | | -1.50% | NZ BusinessNZ Manufacturing PMI Apr | | | 53.2 |
| NZ Net Migration SA Mar | | | 5430 | JN GDP SA QoQ 1Q P | -0.10% | | 0.60% |
| AU Wage Price Index QoQ 1Q | 0.80% | 0.80% | 0.70% | NZ 2Yr Inflation Expectation 2Q | | | 2.06% |
| US Fed's Waller Speaks | | | | JN BOJ's Nakamura Speaks | | | |
| Thursday 15 May | | | | EC Trade Balance SA Mar | | | 21.0b |
| US Fed's Jefferson & Daly Speak | | | | Saturday 17 May | | | |
| EC ECB's Holzmann, Guindos & Others Speak | | | | US Housing Starts Apr | 1365k | | 1324k |
| NZ Selected Monthly Price Indexes Apr | | | | US Import Price Index MoM Apr | -0.30% | | -0.10% |
| NZ Food Prices MoM Apr | | | 0.50% | US New York Fed Services Business Activity May | | | -19.8 |
| AU Employment Change Apr | 20.0k | 25.0k | 32.2k | US U. of Mich. Sentiment May P | 53.3 | | 52.2 |
| AU Unemployment Rate Apr | 4.10% | 4.10% | 4.10% | EC ECB's Lane & Vujcic Speak | | | |
| UK GDP QoQ 1Q P | 0.60% | | 0.10% | UK BOE's Lombardelli Speaks | | | |
| UK Monthly GDP (MoM) Mar | 0.00% | | 0.50% | US Fed's Daly & Barkin Speak | | | |

Historical Data

| | Today | Week Ago | Month Ago | Year Ago | | Today | Week Ago | Month Ago | Year Ago |
|--------------------------------------|-------|----------|-----------|----------|-------------------------|--------|----------|-----------|----------|
| CASH AND BANK BILLS | | | | | SWAP RATES | | | | |
| Call | 3.50 | 3.50 | 3.50 | 5.50 | 2 years | 3.13 | 3.10 | 3.15 | 4.98 |
| 1mth | 3.51 | 3.56 | 3.62 | 5.60 | 3 years | 3.24 | 3.21 | 3.29 | 4.72 |
| 2mth | 3.45 | 3.48 | 3.56 | 5.62 | 4 years | 3.37 | 3.34 | 3.44 | 4.57 |
| 3mth | 3.37 | 3.40 | 3.49 | 5.63 | 5 years | 3.50 | 3.47 | 3.60 | 4.51 |
| 6mth | 3.23 | 3.24 | 3.29 | 5.59 | 10 years | 4.02 | 3.99 | 4.16 | 4.59 |
| GOVERNMENT STOCK | | | | | FOREIGN EXCHANGE | | | | |
| 04/27 | 3.25 | 3.27 | 3.28 | 4.66 | NZD/USD | 0.5922 | 0.5967 | 0.5877 | 0.6017 |
| 05/30 | 3.83 | 3.85 | 3.95 | 4.59 | NZD/AUD | 0.9214 | 0.9227 | 0.9290 | 0.9105 |
| 05/32 | 4.21 | 4.20 | 4.38 | 4.66 | NZD/JPY | 86.42 | 85.75 | 84.05 | 93.98 |
| 05/35 | 4.51 | 4.49 | 4.72 | 4.78 | NZD/EUR | 0.5275 | 0.5273 | 0.5177 | 0.5576 |
| 04/37 | 4.74 | 4.71 | 4.94 | 4.89 | NZD/GBP | 0.4457 | 0.4488 | 0.4456 | 0.4791 |
| 05/41 | 4.97 | 4.96 | 5.20 | 5.02 | NZD/CAD | 0.8248 | 0.8250 | 0.8153 | 0.8223 |
| 05/54 | 5.19 | 5.19 | 5.44 | 5.06 | TWI | 69.1 | 69.5 | 68.9 | 71.0 |
| GLOBAL CREDIT INDICES (ITRXX) | | | | | | | | | |
| Nth America 5Y | 62 | 64 | 71 | 51 | | | | | |
| Europe 5Y | 61 | 65 | 74 | 53 | | | | | |

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