Research

Markets Outlook

26 May 2025

RBNZ to cut this week

- **RBNZ expected to cut 25 bps and signal reduction ahead**
- **Amid significant uncertainty**
- **Are firms' expansion intentions cooling?**
- **Filled jobs showing signs of weakening**
- **Solid new season milk price forecast anticipated**

After last week's Budget, market attention has quickly turned to Wednesday's RBNZ Monetary Policy Statement.

This is within the context of ongoing offshore commotion, geopolitically and economically. Uncertainty is still the name of the game in international trade. Late last week President Trump threatened very aggressive 50% tariffs on the EU from 1 June and a 25% levy on smartphones if companies don't move production to the US. These are major changes if they come into effect and remain. And even if some trade deals are nearing completion as indicated by the US, significant risk of abrupt change remains. Indeed, just this morning, the 1 June deadline on EU tariffs has been extended to 9 July.

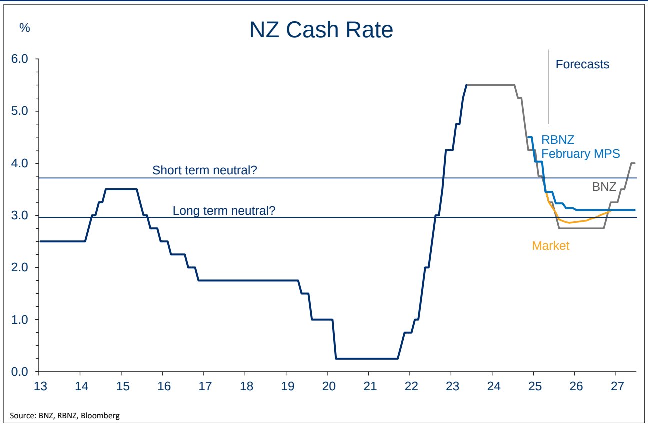
Focus is also on US debt, with Moody's the last of the major rating agencies recently stripping the US of their top notch and the IMF reportedly urging the US to rein in their growing fiscal deficit. US, and global, economic growth forecasts continue to get revised lower.

We discussed in detail our MPS thoughts last week, but to summarise, we expect the Bank to lower its cash rate by 25 basis points to 3.25% and indicate in its rate track further reductions. A 25 cut this week is almost unanimously expected by forecasters and fully priced by the market.

Amid significant uncertainty about the global, and hence domestic, economic outlook it seems reasonable to assume the Bank will either lower its growth forecasts or, at the very least, raise the perceived risk to lower growth and hence to medium term inflation.

The medium term is key here. We are concerned about the potential for a near term increase in inflation but feel that the disinflationary impact of weaker growth should dominate in the medium term. This fits with the Bank noting in April that 'future policy decisions will be determined by the outlook for inflationary pressure over the medium term'.

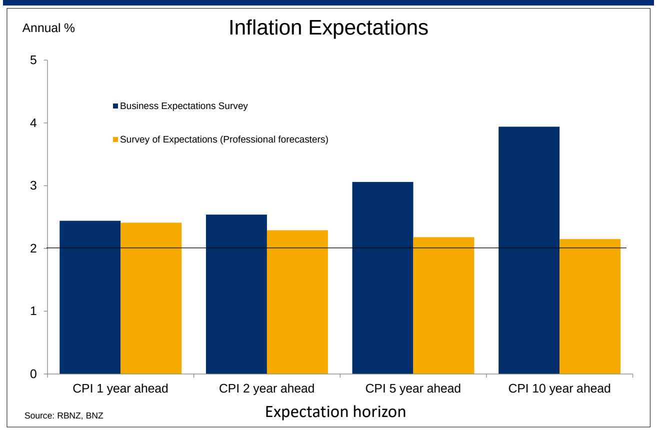
Lower OCR expected



The past week's events haven't materially altered the balance of our thinking on the cash rate, albeit with marginal influences regards risk on both sides.

Various measures of inflation expectations have ticked a bit higher. At this point the increases in the longer running series do not look meaningfully out of line with what one might expect given the lift in headline inflation to date, but this needs to be monitored closely.

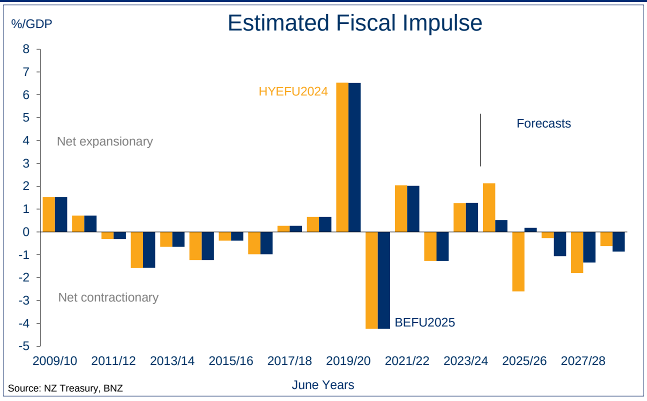
Inflation expectations need monitoring



We aren't reading too much into the new RBNZ survey series released last week. We simply need a longer time series to aid interpretation of the new data. There is an odd-looking disparity between the new business survey and the existing survey of expectations, particularly over the longer time horizons. The disparity widened with the length of expectation horizon, perhaps suggesting some businesses are forecasting accumulated price increases over the period rather than inflation in a given year.

We doubt the Budget will have any meaningful impact on the RBNZ's decision. That said, the Treasury stated that new policies will mean the cash rate would be 30 basis points lower than would otherwise have been the case. Accordingly, Treasury lowered its expectation of the trough in the cash rate to 2.5%.

Still broadly contractionary



If the Bank wanted to be hyper cautious it could leave the low point in its OCR track unchanged from February at 3.1% while repeating its April line "as the extent and effect of tariff policies become clearer, the Committee has scope to lower the OCR further as appropriate".

Some might argue that, with the risk of the wheels falling off, the RBNZ should cut 50 at this meeting. We do not buy into this. Firstly, to do so would suggest a degree of certainty about future outcomes that simply cannot be contemplated at this juncture. And, secondly, various measures of inflation expectations edging higher may bring a degree of caution for the time being.

Whatever the Bank does, it needs to highlight, and highlight again, the massive uncertainty that is pervasive and the fact that such uncertainty means very little about the future can be taken for granted including future interest rate settings.

The RBA delivered a 25-basis point cut last week. Significant attention was given to global uncertainties along with alternative scenarios. We can add that to the long list of how global central banks have responded to the trade confusion from no published central forecast (BoC) to no forward guidance (ECB), and the clear differences of opinion among policy makers as to where current rates should be set (BoE).

The RBNZ is thinking hard about these uncertainties and will discuss what they mean for monetary policy in this week's Statement. One would expect this to be the case, but we know it to be the case given external MPC member Prasanna Gai is scheduled to speak in June on 'Monetary Policy and Trade Uncertainty' – using presentation slides from the MPS.

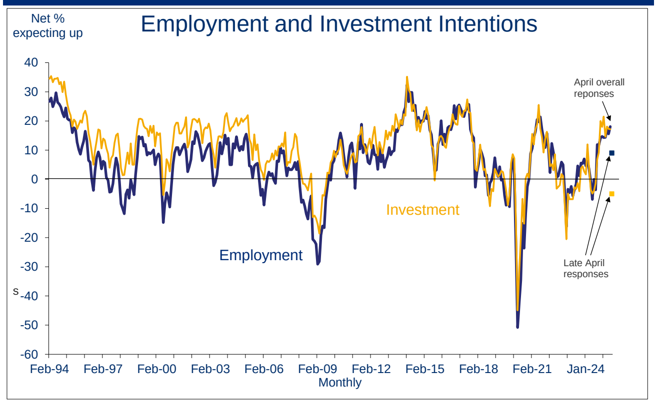
Turning to recent and upcoming data, we saw more signs of a growth pick up, off a low base, with last week's retail sales figures showing a 0.8% q/q lift in Q1. Even though the outcome was flattered by a bounce in vehicle sales, the 0.4% gain in core sales was enough to nudge our pick for Q1 GDP growth up to 0.4% (from 0.3%).

The bigger question remains on what lies ahead. Weak electronic card transactions and a downbeat PSI in April are among the indicators raising doubts about the strength of activity into Q2 and beyond.

Thursday's ANZ May business confidence outlook will be a useful barometer on business' views, even though it comes out after the RBNZ's MPS.

There were clear signs of uncertainties denting sentiment in the latter responses to the April survey, particularly regards firms' investment intentions. If that flavour extends into May, despite some wind back of tensions between the US and China, this week's survey would look a lot softer than the April headline results. It would seem too soon for the Budget's accelerated deprecation announcement to have an impact on this survey, but something to monitor ahead.

Less intent?

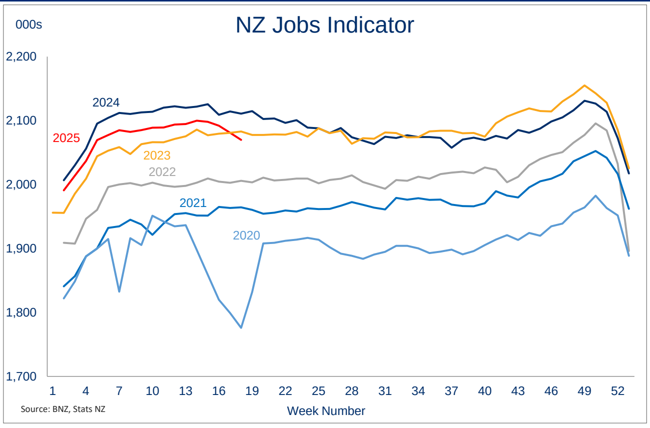


Attention will also be on the survey's inflation gauges. We are most interested in the inflation expectations series. It has been stable over the past six months, despite some other measures edging higher of late. Employment intentions will also be useful to monitor, to see if they ease back from April's strength.

Actual employment growth has been undoubtedly weak, but indicators of change from here have been mixed. Job ads are edging upward from a low level. However, weekly filled job indicators have recently fallen below 2023 levels.

It is difficult to know if the recent data through April have been distorted by the timing of holidays or not.

Weekly filled jobs dip



April's employment indicators on Wednesday will give their read on filled jobs for the month. A mild lift would be consistent with our forecast of a small lift in Q2 official employment but still may not be enough to prevent a further nudge up in the unemployment rate. That said, we need to be wary of any activity-related data for April given the dislocation caused by the combination of Easter, Anzac Day and the school holidays.

Other data due out this week include:

- May ANZ-RM consumer confidence. It was 98.3 in April. Based on historical relationships, confidence needs to lift substantially over coming months to be consistent with the pickup in household spending that we forecast this year.
- April building consents on Friday. These may give some assessment of whether the 9.6% m/m leap in March's residential building consents was more noise or signal of some trend improvement taking place. We reiterate, though, that April's figures may not provide much clarity given the timing of holidays during the month.
- April new residential lending data, on Monday, looks like being solid given housing market activity in the month. That would be consistent with the growth in the stock of housing lending continuing to edge higher. The stock data are due out on Friday alongside business credit figures, where annual growth has been subdued, and agriculture lending, which has been tracking below year earlier levels, reflecting that sector's strong cashflows.

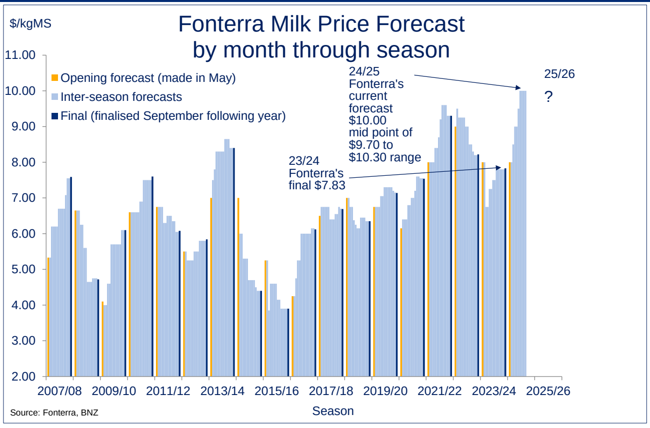
Before the week is done Fonterra is scheduled to provide its first milk price forecast for the new, 2025/26, dairy season. It is likely to be robust. Futures pricing currently mark the new season a shade under $10. But with current global uncertainties, we think that whatever midpoint forecast is provided it is highly likely to come with a wide range around it.

Our forecast for next year is currently $9.50. That is a nod to the current uncertainty around the global economic outlook. We think GDT pricing will ease over coming months. But they can ease a fair way and still be consistent with a strong milk price paid to farmers in the year ahead.

There is also an opportunity for Fonterra to provide an update on its current $10 milk price midpoint forecast for the 2024/25 season. Recent GDT pricing looks supportive of the Co-op confirming $10, or perhaps a touch more. This represents a marked lift from the previous season's $7.83.

Current milk price strength, accompanied by decent volumes, is highly supportive of total exports and the economy as a whole.

Milk price forecasts strong



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Global Watch

- **Market focus on tariffs and US fiscal policy**
- **Plenty of Fed and ECB speakers**
- **US core PCE seen at 0.1% m/m**
- **Australia CPI indicator due for April**

Week in Review

Globally, the US fiscal trajectory has been in focus with the passage of the 'big, beautiful bill' through the House. Late last week, President Trump also threatened to impose a 50% tariff on imports from the EU from 1 June (since delayed to 9 July). However, the threat of aggressive tariffs may well be a 'negotiating tactic' and is unlikely to be where tariffs settle over the long run.

The RBA delivered on a 25bp cut as widely expected (our colleagues at NAB had been forecasting 50bp cut). The accompanying forecasts and communication were a dovish surprise to the market. Importantly, the RBA judges that the implications of the ratchet higher in US tariffs are net disinflationary for Australia. NAB continue to see the need for the RBA to return the cash rate to a neutral stance over coming months but have lifted their terminal rate expectation to 3.1% (from 2.6%) in recognition of a more modest offshore headwind.

Week Ahead

Offshore, with the US' 90-day tariff pause still in effect for China (until 12 August) and other trading partners (until 9 July) focus is still on whether trade deals are finalised. The contents key, particularly in regard to any currency commitments or purchase commitments of US goods or even US financial assets. US and Japanese bond auctions will likely be under focus given recent soft outcomes, as will be the deficit projections from the US CBO for the 'big, beautiful bill'.

US data is relatively heavy, but the week starts very quiet with the Memorial Day Public Holiday (Monday). Durables (Tuesday), 2nd read on Q1 GDP (Thursday) and PCE (Friday) are the major data pieces. PCE will be watched closely for spending amid impending tariff headwinds, while Core PCE inflation which largely predates tariff impacts is expected to be 0.1% m/m and 2.5% y/y.

EZ/UK is extremely quiet with no top-tier data. The UK has its Spring Bank Holiday (Monday), while country-level preliminary CPIs are out for Germany/Spain/Italy, ahead of the wider Eurozone measure next week. In China, it is quiet data wise with only Industrial Profits.

In Australia, two top-tier data pieces are the Monthly CPI Indicator (Wednesday) and Retail Sales (Friday), both for April. For the CPI Indicator, NAB see this ticking up a tenth to 2.5% y/y from 2.4% supported by higher travel prices. For Retail Sales NAB expect this to rise 0.4% m/m. Pre-GDP partials of Construction Work Done (Wednesday) and Capex (Thursday) are out too.

Economic Events Preview

Monday 26

US and UK Public Holidays
Markets are closed.

EZ ECB's Lagarde
ECB President Lagarde is speaking on 'Europe's Role in a Fragmented World'. The ECB was relatively vocal around US policy in its recent Financial Stability Review.

Tuesday 27

JN BOJ's Conf. 'New Challenges for Monetary Policy'
The BoJ holds its two-day BOJ-IMES conference with this year's topic on 'New Challenges for Monetary Policy'. BoJ's Ueda is giving opening remarks. On Monday, the RBA's Hauser is also on a panel with the Fed's Kashkari talking on 'Monetary policy Challenges in an Uncertain Economy'.

CH Industrial Profits

EZ Consumer Confidence

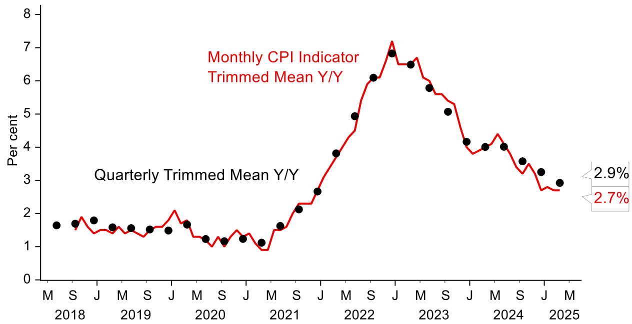
US Durables (Apr), Conf. Board Consumer Confidence
Headline durables are set to show a sharp decline of 7.8% m/m, reversing last month's 7.5% rise. The Conference Board Consumer Confidence Index is expected to be broadly flat at 87.0 from 86.0 previously.

US Bitcoin 2025 Conference
Crypto endorsement by the US Administration continues with Vice President JD Vance giving remarks.

Wednesday 28

AU Monthly CPI Indicator (Apr), Construction (Q1)
The Monthly CPI Indicator is for April and NAB expect the headline to rise a tenth to 2.5% y/y from 2.4%. For the underlying monthly trimmed mean, NAB see this little changed at 2.7% y/y. Note monthly trimmed mean is not the same as the quarterly trimmed mean.

CPI Indicator Core vs Quarterly Trimmed Mean



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

Travel is expected to support in April. The usual caveat to the first month CPI indicator is that it is a goods heavy month, caught between some modest import price increases over Q4 and Q1 and a still sluggish demand environment. Also out is Construction Work Done which NAB expect to rise 1.0% q/q.

JN ¥500bn 40yr Auction

US FOMC Minutes, Nvidia earnings, Fed's Williams/Waller, $70bn 5yr Auction
The FOMC Minutes are unlikely to be enlightening given the plethora of Fed speak recently which points to the Fed being on hold until greater clarity emerges on inflation and the labour market in H2 2025. Meanwhile the Fed's Williams and Waller are speaking on the second day of the BoJ Conference.

With bond auctions in focus following the recent soft 20yr action, the performance of shorter tenors will be of interest. The US sells $70bn in 5yr Notes, as well as there being $28bn in 2yrs FRNs. Note on Thursday there is a $44bn 7yr auction.

WD OPEC+ ministerial meeting
OPEC+ is weighing another output increase of 411k barrels a day for July, which would add further supply into a market that is already well supplied.

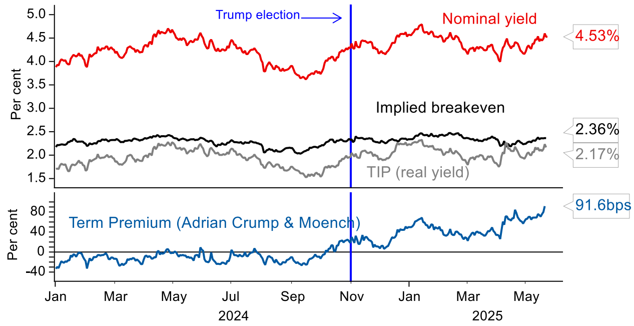
Thursday 29

AU Capex (Q1)
For Capex it is the machinery and equipment line that feeds into GDP. NAB look for a flat income for the headline Capex number.

US Jobless Claims, 2nd read on Q1 GDP, Fed speak, $44bn 7yr Auction
A 2nd read on Q1 GDP is expected to be unrevised at -0.3% annualised. It could be that upward revisions occur given the sharp rise in imports, which appeared to not fully show up in either consumption or inventories. There is also a plethora of Fed speak.

The Fed's Logan is probably the one to watch regarding comments on yields and term premium given her prior roles at the NY Fed. Note US term premia has risen by 80-90bps since just before the election of Trump according to the ACM measure.

US 10 Yield Decomposition & Term Premium



Source: National Australia Bank, Macrobond

Friday 30

AU Retail Sales (Apr), Building Approvals, Credit
Retail Sales are for April, and NAB expect a 0.4% m/m rise, which would be up one-tenth from last month's 0.3%. While the outlook remains for a pickup in consumption growth, NAB continues to see some downside risk to the RBA's consumption profile.

For Building Approvals, NAB expect a 2.0% m/m rise following last month's 8.8% fall. While building approvals lifted in Q1, they are still running well below prior relationships with population growth. Credit growth is likely to have continued to tick around 0.5% m/m.

JN Tokyo CPI (May), Retail Sales (Apr)
The Core Tokyo CPI is expected to rise a tenth to 3.2% y/y from 3.1%. Also out is the usual data drop of the Jobless Rate, Industrial Production and Retail Sales.

EZ Prelim. German/Spanish/Italian CPI (May)
Ahead of the wider Eurozone measure next week, a few country-level preliminary CPIs which include Germany, Spain and Italy. German headline inflation is expected to fall back to 2.0% y/y from 2.2%.

US PCE (Apr), Goods Trade, final-Uni. Mich, Fed speak
PCE inflation is expected to be subdued following the recent CPI/PPI with consensus for core at 0.1% m/m and 2.5% y/y. The real personal spending component is likely to garner the most focus given tariff headwinds. Consensus is for this to be flat at 0.0% m/m from 0.7%.

A final read on the University of Michigan Consumer Confidence should again be read with caution given the partisanship being shown in the survey. Finally rounding out the Fed speaking roster is Goolsbee in Q&A.

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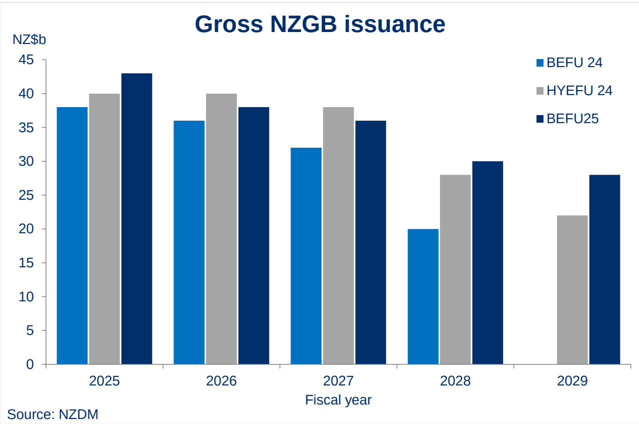
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ swap rates edged lower through last week as the consolidation continues to play out. There was a notable underperformance relative to Australia, after the central bank cut its policy rate by 25bp, though the accompanying communication was more dovish than expected. The RBNZ's Monetary Policy Statement is the key domestic risk event in the week ahead. The Bank is expected to reduce the Official Cash Rate, by a further 25bp to 3.25%, and signal further easing ahead. We maintain our bias for lower front-end rates and a steeper curve.

There was a modest increase to the government bond programme when it was updated alongside the Budget last week. Gross New Zealand Government Bond (NZGB) issuance was increased, by a total of NZ$4 billion over the forecast period to June 2029, relative to the previous update in December. Gross issuance for 2025/26 has been revised lower to NZ$38 billion. We assume the weekly tenders will raise around NZ$20 billion, leaving the remainder to be met by syndications.

Modest increase to forecast NZGB issuance

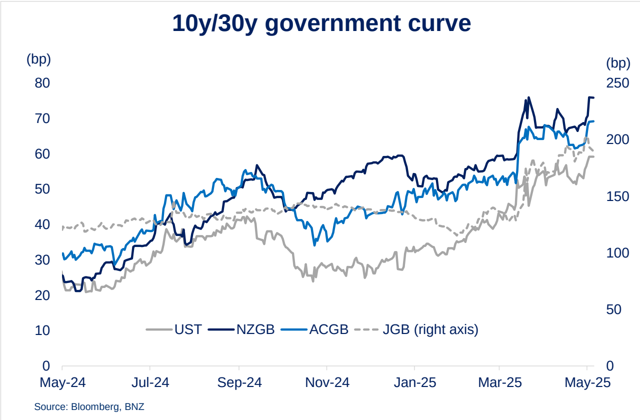


NZ Debt Management expects to undertake four syndications in 2025/26. There will be three tap syndications of existing nominal lines. The first is a tap of the May-2031 maturity before the end of August. In addition, NZDM will syndicate a new September-2050 inflation-indexed bond (IIB), which indicates ongoing support for the product amid limited market activity and issuance in recent years.

10-year NZGB swap spreads have been stable near -50bp. The lack of a material upward revision to the borrowing programme removes a potential risk, but ongoing elevated issuance is likely to constrain bond outperformance, and we expect spreads will remain range bound in coming months. The requirement to target NZ$5 billion per nominal syndication on average, which is large from a historical perspective, suggests investors will require an ongoing supply premium.

Longer maturity global government bonds remain under pressure. The surge in yields, most pronounced in the US and Japan, has been driven by concerns over expansionary fiscal policy. US 30-year treasury yields reached 5.15% last week, just below the multi-year highs from October 2023, after President Trump's tax bill passed in the House. The legislation is estimated to increase US national debt by more than $3.3tn over the next decade.

Long end of government curves under pressure



Estimates of 10-year UST term premium – the compensation required by investors to take exposure to longer maturity interest rates – has reached the highest level in more than ten years, reflecting supply concerns as well as uncertainty about US economic policies. Long-dated bonds across developed markets, including New Zealand and Australia, have also faced selling pressure. The NZGB 10y/30y curve has traded back to the recent high at 75bp and we wouldn't look to fade the steepening.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.28	3.28 - 3.45
NZ 2yr swap (%)	3.16	3.05 - 3.26
NZ 5yr swap (%)	3.57	3.40 - 3.67
NZ 10yr swap (%)	4.13	3.92 - 4.25
2s10s swap curve (bps)	97	89 - 99
NZ 10yr swap-govt (bps)	-51	-53 - -47
NZ 10yr govt (%)	4.63	4.48 - 4.68
US 10yr govt (%)	4.51	4.12 - 4.62
NZ-US 10yr (bps)	12	8 - 29
NZ-AU 2yr swap (bps)	-15	-33 - -10
NZ-AU 10yr govt (bps)	21	11 - 29

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week the USD was broadly weaker, seeing various dollar indices fall in the order of 1.7-2%. NZD/USD gained 1.8% to just under 0.5990, albeit remaining within the trading range evident since mid-April when the consolidation phase began. NZD cross movements were modest, all plus or minus 0.4% for the week. The AUD was the laggard of the majors, following the RBA's widely expected 25bps cut but more dovish than expected update. NZD/AUD rose 0.4% for the week to 0.9215.

The USD was under steady downside pressure last week. Early in the week the currency was trading in the afterglow of Moody's downgrade to the US sovereign credit rating to Aa1, adding to the market's concerns around the direction of US fiscal policy. President Trump managed to get the House to pass his "big, beautiful bill", by a majority of just one. The bill is now handed to the Senate for consideration, before moving back to the House and further modifications are likely required before becoming law.

The bill, by cutting taxes and offering limited cuts to spending, would cement in fiscal deficits of around 7% of GDP over coming years and keep Federal debt on a significant upward trajectory. There are increasing signs of anxiety in the bond markets about the country's debt burden. Increasing focus on US fiscal policy forms part of our playbook which encourages investors to reduce exposure to US assets and put downward pressure on the USD.

On the economic front, PMI data were resilient for the US, going against the grain of some indicators which suggest significant economic headwinds. Furthermore, PMI data were softer than expected for Europe, but the divergence in US-European activity indicators did not provide any support for the USD.

At the end of the week, President Trump got the market's attention when he threatened to impose a 50% tariff on imports from the EU from 1 June (since delayed to 9 July), saying the region was difficult to deal with. He also threatened to impose a 25% tariff on foreign-made smartphones, including those from Apple and Samsung. The threats added to USD weakness seen throughout the week.

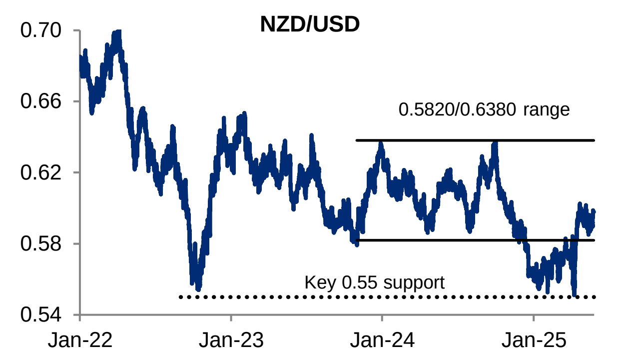
While NZD/USD remains in a consolidation phase, we remain patient in our view that at some stage a further recovery will proceed, driven by the USD leg. Last week's price action was a reminder of the vulnerability of the USD. The threat of higher tariffs has not gone away, and the shocking state of the US fiscal accounts is plain to see. We continue to see the first level of resistance around 0.6030. The clear break of that would pave the way for the currency to head up to around 0.62. We continue to see 0.5820 as the first level of support.

We maintain a neutral view on the NZD/AUD cross rate. Our last forecast update just after Easter assumed a steady cross rate centred around 0.9250 over the foreseeable future, based on similar NZ and Australian economic outlooks and similar risks regarding future RBNZ and RBA rate cuts, thereby keeping interest rate differentials broadly steady.

In the week ahead the global economic calendar is relatively light, so the market will remain focused on tariffs and US fiscal policy.

The domestic focus will be on the RBNZ's Monetary Policy Statement on Wednesday. With a 25bps cut in the OCR to 3.25% almost universally expected and fully priced, the main interest will lie in the policy guidance. A weaker growth outlook and a stronger NZD should reduce the medium-term inflation outlook, enabling a lowering of the projected OCR track to just below 3%. But we expect cautious language about the scope for further easing, given heightened uncertainty and the recent lift in inflation and inflation expectations. The outcome should be NZD-neutral. Overall, we don't think monetary policy will be a key driver of the NZD through the rest of the year – there are larger global forces at play.

NZD in a consolidation mode



Source: Bloomberg, BNZ

Cross Rates and Recent Ranges

	Current	Last 3-weeks range*
NZD/USD	0.5985	0.5850 - 0.6020
NZD/AUD	0.9218	0.9160 - 0.9280
NZD/GBP	0.4423	0.4390 - 0.4510
NZD/EUR	0.5265	0.5220 - 0.5320
NZD/JPY	85.33	84.60 - 87.70

*Indicative range over last 3 weeks, rounded figures

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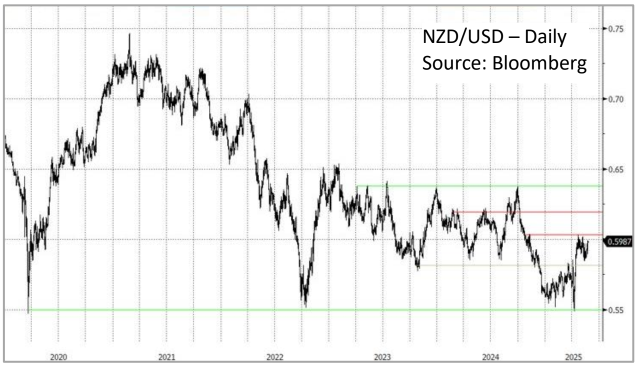
Technicals

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 intial support and resistance levels at 0.9070/0.9390.

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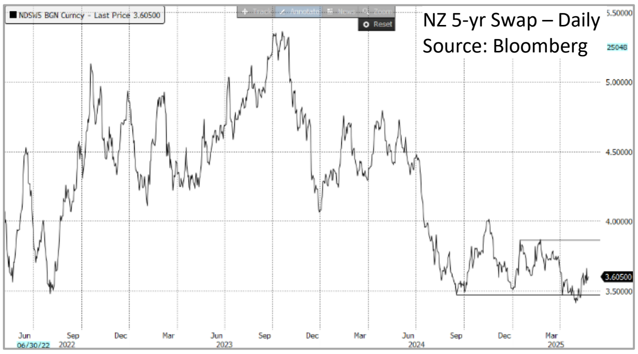
NZ 5-year Swap Rate

Outlook:	Neutral
ST Resistance:	3.85
ST Support:	3.47

5-year swap remained approximately unchanged on the week and failed to change our outlook.



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

Outlook:	Neutral
ST Resistance:	0.50
ST Support:	0.25

2x5 year swap spread moved slightly steeper last week but failed to register any meaningful directionality.

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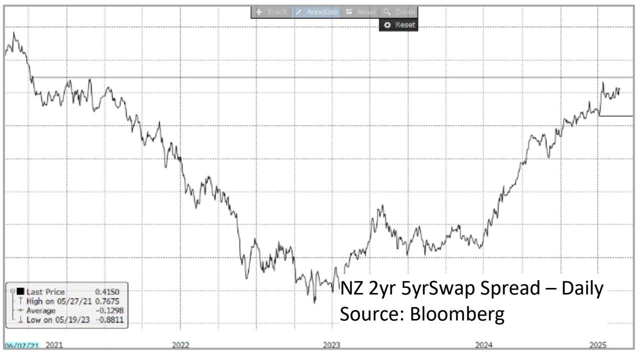

Quarterly Forecasts

Forecasts as at 26 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	0.4	0.4	0.5	0.7	0.8	0.7	0.6	0.6	0.5
Retail trade (real s.a.)	1.0	0.8	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	-3.8	-4.0	-4.1	-4.0
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	2.5	2.3	2.2	2.5	2.6	2.6	2.7	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	-1.1	0.4	1.9	1.9	2.3	2.6	2.8	2.7	2.4

Interest Rates

Historical data - qtr average Forecast data - end quarter	Cash	Government Stock 90 Day Bank Bills	5 Year	10 Year	Swaps 2 Year	5 Year	10 Year	US Rates SOFR 3 month	US 10 yr	Spread NZ-US 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	0.60	0.65	1.14	1.35	143
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	0.60	0.92	0.53	0.44	85.6	69.2
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 26 May 2025	March Years					December Years				
	Actuals					Actuals				
	2023	2024	2025	2026	2027	2022	2023	2024	2025	2026
GDP - annual average % change										
Private Consumption	3.4	1.0	0.1	2.1	2.8	4.2	1.0	0.2	1.5	2.9
Government Consumption	2.7	2.0	-0.9	-0.8	-0.1	5.2	0.8	0.0	-0.7	-0.4
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	2.0	3.0	4.5	-0.8	-0.8	1.4	3.1
Exports	5.6	8.6	3.5	4.9	3.9	-0.8	11.4	4.2	5.7	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	1.8	2.6	3.2	1.9	-0.1	1.1	2.6
GDP (production)	**3.5**	**1.4**	**-1.1**	**1.6**	**2.6**	**2.9**	**1.8**	**-0.5**	**0.8**	**2.6**
GDP - annual % change (q/q)	*3.0*	*1.4*	*-1.1*	*2.3*	*2.4*	*3.1*	*0.9*	*-1.1*	*1.9*	*2.7*
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	1.1	0.2	0.7	-1.2	-0.1	1.1	0.2
Unit Labour Costs (ann av %)	5.7	7.1	4.7	2.5	3.1	6.0	7.6	4.9	2.9	3.0
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	-16.5	-19.1	-35.6	-28.6	-26.4	-17.0	-19.1
Current Account - % of GDP	-8.6	-6.6	-5.5	-3.7	-4.0	-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	-2.3	-2.6	-1.7					
Net Core Crown Debt (ex NZS) (Treasury forecasts)	38.7	41.7	42.7	43.9	45.7					
Bond Programme - $bn (Treasury forecasts)	28.0	39.3	43.0	38.0	36.0					
Bond Programme - % of GDP	7.1	9.4	10.0	8.4	7.6					
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
	Monday 26 May			
NZ	New Residential Lending YoY Apr			40.60%
	Tuesday 27 May			
EC	ECB's Lagarde, Nagel & Villeroy Speak			
CH	Industrial Profits YoY Apr			2.60%
GE	GfK Consumer Confidence Jun	-20		-20.6
US	Fed's Kashkari Speaks			
EC	Consumer Confidence May F			-15.2
EC	Economic Confidence May	94.1		93.6
	Wednesday 28 May			
US	Durable Goods Orders Apr P	-7.80%		7.50%
US	Fed's Williams, Kashkari & Others Speak			
US	Conf. Board Consumer Confidence May	87		86
EC	ECB's Nagel Speaks			
NZ	Filled Jobs SA MoM Apr			0.20%
AU	CPI YoY Apr	2.30%	2.50%	2.40%
AU	CPI Trimmed Mean YoY Apr		2.70%	2.70%
AU	Construction Work Done 1Q	0.50%	1.00%	0.50%
NZ	RBNZ Official Cash Rate 28-May	3.25%	3.25%	3.50%
GE	Unemployment Claims Rate SA May	6.30%		6.30%
EC	ECB 3 Year CPI Expectations Apr	2.50%		2.50%
EC	ECB 1 Year CPI Expectations Apr	2.80%		2.90%
AU	RBA's Hauser Speaks			
	Thursday 29 May			
US	Richmond Fed Manufact. Index May	-10		-13
US	Dallas Fed Services Activity May			-19.4
US	FOMC Meeting Minutes 7-May			
NZ	ANZ Business Confidence May			49.3
AU	Private Capital Expenditure 1Q	0.50%	0.00%	-0.20%
	Friday 30 May			
US	Fed's Barkin, Logan & Others Speak			

		Median	Fcast	Last
	Friday (continued)			
US	GDP Annualized QoQ 1Q S	-0.30%		-0.30%
US	Initial Jobless Claims 24-May	230k		227k
US	Continuing Claims 17-May	1888k		1903k
US	Pending Home Sales MoM Apr	-1.00%		6.10%
NZ	ANZ Consumer Confidence Index May			98.3
NZ	Building Permits MoM Apr			9.60%
JN	Jobless Rate Apr	2.50%		2.50%
JN	Industrial Production MoM Apr P	-1.50%		0.20%
JN	Retail Sales MoM Apr	0.50%		-1.20%
JN	Tokyo CPI Ex-Fresh Food, Energy YoY May	3.20%		3.10%
AU	Building Approvals MoM Apr	3.00%	2.00%	-8.80%
AU	Retail Sales MoM Apr	0.30%	0.40%	0.30%
AU	Private Sector Credit MoM Apr	0.50%	0.40%	0.50%
NZ	Household Credit YoY Apr			4.10%
EC	ECB's Panetta & Vujcic Speak Apr	4.10%		
	Saturday 31 May			
GE	CPI EU Harmonised YoY May P	2.00%		2.20%
US	Real Personal Spending Apr	0.00%		0.70%
US	Core PCE Price Index MoM Apr	0.10%		0.00%
US	Core PCE Price Index YoY Apr	2.50%		2.60%
US	MNI Chicago PMI May	45.1		44.6
US	U. of Mich. Sentiment May F	51		50.8
US	Fed's Goolsbee Speaks			
CH	Manufacturing PMI May	49.5		49
CH	Non-manufacturing PMI May	50.6		50.4
	Monday 02 June			
NZ	Holiday, King's Birthday			
AU	CoreLogic Home Value MoM May			0.20%
JN	Capital Spending YoY 1Q			-0.20%
AU	ANZ-Indeed Job Advertisements MoM May			0.50%

Historical Data

CASH AND BANK BILLS	Today	Week Ago	Month Ago	Year Ago
Call	3.50	3.50	3.50	5.50
1mth	3.41	3.44	3.62	5.60
2mth	3.35	3.38	3.49	5.62
3mth	3.28	3.33	3.43	5.63
6mth	3.22	3.24	3.26	5.63

GOVERNMENT STOCK	Today	Week Ago	Month Ago	Year Ago
04/27	3.34	3.37	3.23	4.73
05/30	3.94	3.98	3.77	4.62
05/32	4.33	4.36	4.14	4.72
05/35	4.66	4.68	4.45	4.83
04/37	4.91	4.90	4.65	4.93
05/41	5.19	5.14	4.89	5.03
05/54	5.42	5.37	5.11	5.07

GLOBAL CREDIT INDICES (ITRXX)	Today	Week Ago	Month Ago	Year Ago
Nth America 5Y	60	55	67	49
Europe 5Y	61	57	66	51

SWAP RATES	Today	Week Ago	Month Ago	Year Ago
2 years	3.16	3.23	3.07	5.13
3 years	3.29	3.36	3.19	4.84
4 years	3.43	3.50	3.32	4.69
5 years	3.57	3.64	3.45	4.61
10 years	4.13	4.18	3.97	4.62

FOREIGN EXCHANGE	Today	Week Ago	Month Ago	Year Ago
NZD/USD	0.5984	0.5931	0.5979	0.6149
NZD/AUD	0.9220	0.9185	0.9296	0.9241
NZD/JPY	85.31	85.91	84.91	96.45
NZD/EUR	0.5266	0.5276	0.5235	0.5662
NZD/GBP	0.4424	0.4439	0.4449	0.4815
NZD/CAD	0.8217	0.8274	0.8268	0.8382
TWI	69.1	68.8	69.7	72.3

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