

Research Markets Outlook

16 June 2025

Economy Hits Q2 Brick Wall

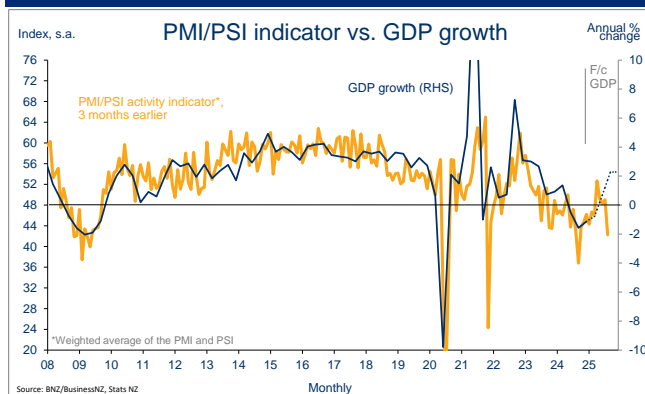
- **Q1 GDP looks firm, Q2 indicators weak**
- **Selected prices to indicate higher CPI inflation**
- **Middle East tensions escalate, oil prices jump**
- **Threat to disposable income, confidence, demand**
- **Current account deficit to dip below 6% of GDP**

Q1 GDP figures due out on Thursday are looking more and more dated by the day, as timelier domestic indicators roll in and yet more events offshore grab attention.

Timely domestic indicators continue to print weak. The latest was this morning's Performance of Services Index (PSI). It slumped to 44.0 in May, from an already weak 48.1 in April. The PSI is at a level seldom seen.

Combining it with the sharp drop in last week's May Performance of Manufacturing Index (PMI) to 47.5 and their prognosis for growth looks rather ugly. It appears the economy hit a brick wall in Q2.

PMI/PSI sound the alarm



This is of some concern given it is at a time when the lagged support from monetary policy is still flowing through, and very strong revenue growth is pulsing through the agriculture sector. But rather than demand indicators incrementally improving they have sunk. It looks like the positives have been more than offset by other factors, such as significant uncertainty and a soft labour market.

If there was ever an argument for the provision of further stimulus from the central bank, then this is it.

We will be revising down our forecast for near term GDP on the back of the very weak PMI/PSI outcomes. We had

previously signalled downside risk to our already modest growth forecasts for this year. However, before finalising the extent of downward revision, we will wait for this week's Q1 figures to establish the base for what comes next. But, as things sit, there looks to have been very little, if any, growth in Q2.

None of this is to deny what looks like being a firm Q1 GDP outcome and our broader view that the economy will manage to eke out some expansion this year. As we discussed in detail in our Q1 GDP preview last week, we expect confirmation of economic recovery continuing in the first quarter, with growth of 0.7% q/q. This is where the consensus for Q1 GDP has moved to and it's much stronger than the RBNZ's 0.4% estimate included in its May MPS.

The big question is whether the suggested softening in recent activity will outweigh the expected starting point optimism in this week's Q1 GDP figures? There seems every possibility that it will, keeping the output gap heavily negative into the middle of the year. Moreover, the trajectory of the timely indicators suggest the balance of risk is downward.

A negative output gap weighs on core inflation over the medium term. However, headline inflation has been lifting, and measures of inflation expectations have been following suit. This is where it gets nuanced for the RBNZ.

We forecast headline inflation to rise further in the near term. Tomorrow's May Selected Prices will be closely followed for their guidance on their respective CPI components. We have several areas of interest.

To start with, our near-term CPI forecasts include a significant lift in electricity prices reflecting previously announced regulatory changes. We have spread much of this increase over Q2 and Q3, but there is a chance that it is a bit more front-loaded than we currently have built into Q2.

Also on the inflationary side, annual food price inflation will push through 4% in May if our assumption of a small price gain in the month is anywhere near accurate. Annual commodity price inflation might be past its peak, but we suspect there remains some upward pressure on domestic retail prices from this source given the usual lags.

In contrast, we look for some disinflationary influences in tomorrow's price data too. This includes rent where our

view of minimal change in the month of May would see annual rent inflation dip below 3%. Supply is increasing while rental demand looks softer. The latter reflecting a weak labour market and lower net migration.

We also wouldn't be surprised to see a significant unwind in international airfares in May, after what looked like a holiday-induced 24.7% m/m jump in April.

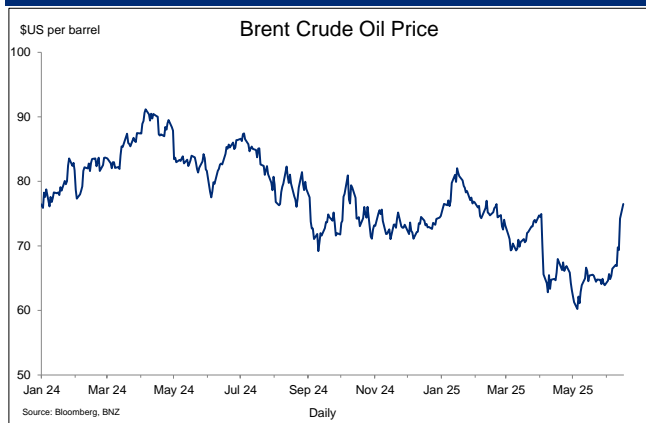
We will assess the balance of all monthly components against our current 0.6% and 2.8% forecast for quarterly and annual Q2 CPI inflation respectively. Our estimates are currently higher than the RBNZ's 0.5% and 2.6% forecasts in its May MPS.

Fuel prices also need close monitoring. Our CPI forecasts have assumed generally lower fuel prices this year. Indeed, we expect tomorrow's numbers to show another clear decline, in the order of 3.5% m/m. But the prospect of further near-term fuel price declines is obviously under serious threat following a significant escalation in Middle East tension.

As if economic uncertainty stemming from offshore wasn't elevated enough already, Israel's attack on Iran starting last Friday and subsequent retaliation and counter retaliation only adds to the mix of massive uncertainty.

From a macroeconomic perspective, in addition to the general drop in global risk sentiment, we are also watching oil and currency markets closely. Oil prices have spiked aggressively higher, and the NZD has dipped slightly.

Big jump, but within range



Oil prices are within the range of the past year, but the sudden lift over recent days is large. If such moves were to persist or extend, it would put upward pressure on local fuel prices and raises the threat of CPI inflation breaching the 3% top of the RBNZ's target band.

The impact of recent geopolitical flaring on medium term inflation is more ambiguous. Beyond the direct upward influence, higher fuel prices would also be a drag on disposable income. That will hit demand and would generate disinflationary pressures in other areas.

The medium-term assessment suggests the RBNZ can look through volatile oil price moves. However, we are wary that the Bank may be less willing to do so as it already appears nervous around a tick up in inflation expectations.

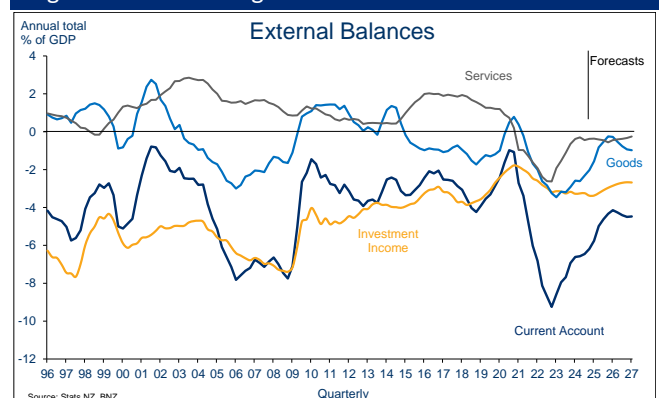
Our OCR forecast remains for further easing, specifically for two more 25 basis point cuts in July and August. However, yet another lift in global uncertainty may convince the Bank to be more cautious in its easing cycle. While the case for a pause in July has been rising, which could be supported by a firm Q1 GDP and selected prices, we prefer to keep assessing all the info as it comes in. The latest PMI and PSI suggest conditions are changing rapidly.

We will continue to monitor offshore developments, as well as the local data, in assessing our view on what the RBNZ will do with its cash rate. We still see the QSBO on 1 July as a very important dataset ahead of the RBNZ's next meeting on 9 July.

The remaining data of note this week are all due out on Wednesday:

- The latest GDT auction is in the very early hours, with the balance of indicators suggesting a further clear pullback from recent highs.
- Q1 Balance of Payments data are expected to show a large annual current account deficit continuing to narrow. We expect the deficit as a percent of GDP will narrow to 5.8% in the year to March 2025, from 6.2% in the previous quarter. A narrowing in the merchandise trade deficit, driven by strong export commodity prices, is expected to feature.
- Westpac McDermott Miller's Q2 consumer confidence wouldn't surprise if it shows ongoing weakness. It was a miserable 89.2 in Q1.

Large deficit narrowing



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Global Watch

- **FOMC decision, no change expected**
- **BoE and BoJ also seen on hold**
- **Retail sales due for the US and China**
- **UK CPI in focus after sharper than expected rise in April**

Week in Review

Offshore, US CPI and PPI dominated the data calendar, and both showed weaker-than-expected price outcomes. May CPI rose just 0.1% m/m for both headline and core measures. PPI data echoed the CPI softness. Services prices were benign, and goods prices showed some signs of pipeline inflation pressure but only limited upward pressure on aggregate prices so far.

Beyond the data flow, US-China trade talks ended in a detail light framework for upholding the interim agreement from last month's Geneva meeting. Separately, President Trump said he would be sending letters in 1½-2 weeks with 'take it or leave it' deals on reciprocal tariffs and said he might raise the auto tariffs.

Tensions escalated in the middle east with Israel's airstrikes on Iran on Friday. Oil jumped 11%, its biggest move in three years.

Week Ahead

Globally it is very busy with lots of focus on geopolitics given Israel's airstrikes on Iran and subsequent retaliation. Outside of geopolitics, central banks dominate with BoJ (Tuesday), FOMC (Wednesday), Riksbank (Wednesday), BoE (Thursday), Norgesbank (Thursday) and SNB (Thursday).

For the US, the FOMC (Wednesday) is expected to be on hold as it waits a few more months to gauge the extent of pass through of tariffs to prices. The dot plot will also be updated with a lot of focus on whether the median still points to two cuts in 2025 or shifts to one cut. Juneteenth (Thursday) is a holiday meaning markets will be closed, and Friday will also likely see thin trading. The most important piece of data is Retail Sales (Tuesday), while Senate budget discussions also resume.

In Europe, the BoE (Thursday) is expected to be on hold as too the Norgesbank (Thursday), while the Riksbank (Wednesday) and SNB (Thursday) are both expected to cut rates. Datawise, UK CPI (Wednesday) is the focal point given the sharper than expected rise last month.

In China, the monthly activity indicators of Retail Sales and Industrial Production (Monday) is the highlight amid uncertainty around the pace of activity. Across the sea in Japan, the BoJ (Tuesday) is expected to be on hold amid tariff uncertainty, though core inflation pressures keep a hike later in 2025 a possibility with CPI (Friday) also out.

In Australia, Employment for May (Thursday) headlines. Our colleagues at NAB pencil in 30k jobs and for the unemployment rate to be unchanged at 4.1%.

Selected Economic Events Preview

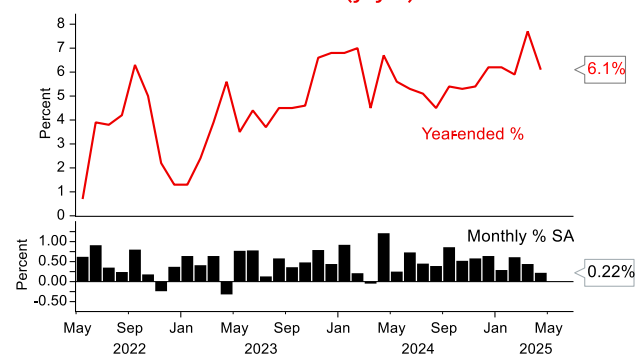
Monday 16

CH Retail Sales, Industrial Production, FAI (May)

The recent PMIs for May provided a mixed read on the Chinese economy. The Caixin Manufacturing PMI undershot expectations at 48.3 (vs. 50.7 expected) and the Official Manufacturing PMI met expectations at 49.5.

Consensus looks for still solid momentum in the activity numbers. For Industrial Production consensus is for 6.0% y/y from 6.1%, but it is worth noting there has been a slowing in the implied monthly growth rates. For Retail Sales consensus is 4.9% y/y from 5.1%.

China - Industrial Production (y/y %)



Source: National Australia Bank, China National Bureau of Statistics (NBS), Macrobond

US Empire Fed Manufacturing (Jun)

Tuesday 17

EZ German ZEW (Jun)

JN BoJ Meeting (hold)

The BoJ is expected to be on hold given the uncertainty around tariffs. With core inflation elevated at 3.0% y/y, should tariff certainty emerge then a move in 2025 is clearly possible.

There will also be focus on the QT plan, especially in the context of the 30–40-year part of the curve with auction metrics for these tenors being particularly soft recently.

US Retail Sales (May), Industrial Production (May), Senate budget debate

Retail Sales are expected to be mixed, though the consensus is for the Core Control Measure to rise 0.3% m/m from -0.2%. Meanwhile, Industrial Production is

expected to be flat. The US Senate is also expected to resume debate on the 'big beautiful budget bill'

Wednesday 18

AU Treasurer's speech on 2nd term agenda

Australian Treasurer Chalmers is speaking at the National Press Club on "Our Second Term Economic Agenda". While not market moving, the event will garner a lot of interest around superannuation reforms.

JN Trade Balance (May), Machine Orders (Apr)

EZ final-CPI (May)

Consensus for Core CPI is 2.3% y/y, same as the flash.

SW Riksbank (cut)

A 25bp cut to 2.0% is widely expected.

UK CPI (May)

Rising clothing prices after April's declines and a reversal of Easter travel prices, given this year's late Easter should see headline inflation dip back from 3.5% y/y to 3.3%. Core CPI is expected to ease a little to 3.5%, from 3.8%, while services prices could see a more impressive slide from 5.4% in April to 4.8%. To the extent these outcomes are realised, it should be reinforced by increased conviction within markets that the BoE will cut rates in August and November.

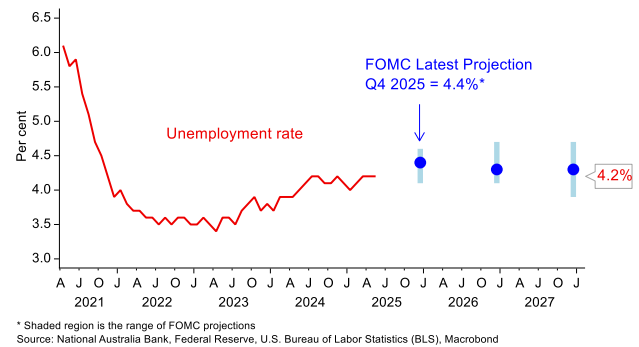
US FOMC (hold), Housing Starts (May), Jobless Claims

The US Fed is widely expected to hold rates, though the recent run of softer than expected inflation data may see a less hawkish tone. However, with FOMC Minutes from the May meeting noting business contacts were lifting prices, it will take another few months for the Fed to be more assured on the inflation front.

The dotplot will also be updated. Under focus will be whether the median 2025 dot still shows two cuts, or whether this will be pared to one cut. The dots for the unemployment rate or inflation will continue to be difficult to interpret, giving a lack of clarity on underlying tariff and other policy assumptions.

Jobless Claims are also out, having been brought forward due to Thursday's Juneteenth Holiday.

US Unemployment Rate vs. Fed Projections



Thursday 19

AU Unemployment/Employment (May)

Employment is for May with the added complication being the reference week (starting May 4) may capture some of the hiring associated with the Federal Election that was held on 3 May. NAB expects a 30k rise in employment and for the unemployment rate to hold steady at 4.1% (consensus 20k/4.1%).

UK BoE (hold)

Markets expect the BoE to sit on its hands at this meeting and NAB have long had that view. There are no new forecasts released.

NO Norgesbank (hold)

SZ SNB (cut)

US Public Holiday (Juneteenth)

The Juneteenth Federal Holiday will see cash equity and bond markets closed. With the holiday, trade on Friday may also be light if people take a super long weekend.

Friday 20

CH Loan Prime Rates

No change expected to the Loan Prime Rates.

JN CPI

Core CPI is expected to rise further to 3.2% y/y from 3.0%. Elevated inflation will continue to pressure the BoJ to hike rates despite ongoing tariff uncertainty.

UK Retail Sales (May)

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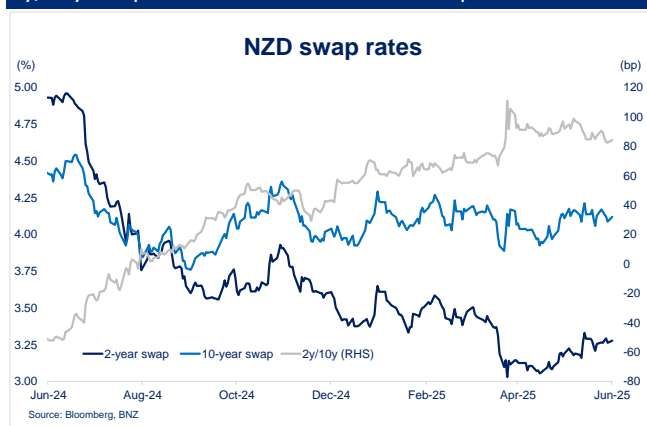
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ rates moved lower through the course of last week, led by the longer end of the curve, which resulted in a flatter curve. Although the partial indicators for Q1 GDP contributed to an upward revision to our forecast, ahead of the release on Thursday, higher frequency activity indicators were very soft. Both the manufacturing and services PMI had significant declines. The GDP-weighted composite fell to 44.3, its weakest level in 11 months and well into contractionary territory.

The 2y/10y swap curve flattened towards 80bp, the lowest level in more than two months. The front end of the curve was stable - the market has been unwilling to challenge terminal pricing near 2.95% - despite the weak PMI data. Meanwhile, yields on the longer end of the curve declined in line with offshore markets, amid a pickup in investor risk aversion, as the conflict in the Middle East escalated.

2y/10y swap curve flattened towards 80bp



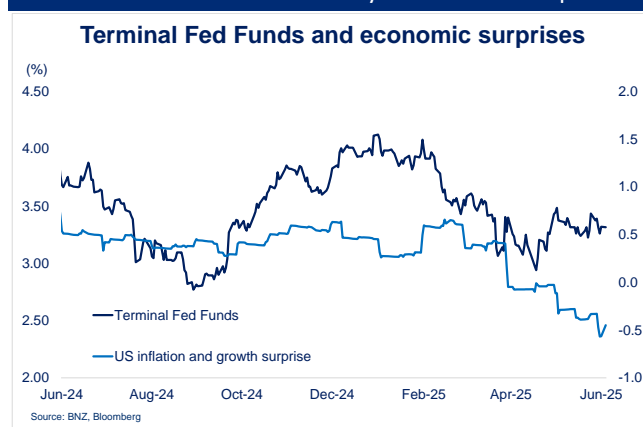
Cross-market spreads against Australia remain elevated in the context of the previous year. The market is pricing the terminal RBA policy rate near 3.0%, only marginally above the OCR trough, despite significant divergence in the respective economic backdrops. The three-year NZGB-ACGB spread looks attractive to fade at current levels near 28bp. This position offers more than 3bp carry and roll per month given the relatively steep NZGB curve.

Alongside Q1 GDP data, inflation partials for the month of May will be closely monitored in the week ahead. Market pricing continues to imply a ~20% chance of a 25bp rate cut by the RBNZ at the July Policy Review, despite the very weak PMI readings. In addition to the focus on geopolitical developments, several major central banks have monetary policy meetings, including the Federal Reserve.

US economic data has been surprising to the downside in recent weeks, but the market has been reluctant to push terminal Fed Funds pricing materially lower. There is 50bp of easing priced for the Fed in 2025 and a cumulative

110bp by the end of next year. May readings for CPI and PPI undershot consensus estimates and imply a 0.1% monthly increase in the core PCE deflator, the Fed's preferred inflation measure. Inflation data has yet to be impacted by the higher tariff regime, though higher goods prices are expected to flow through in coming months.

Limited Fed Funds Rate sensitivity to economic surprises



The Fed is unanimously expected to leave rates unchanged at the FOMC. Although there are signs of an economic slowdown, uncertainty over the US administration's trade and tax policies suggest the central bank will remain patient. It will likely take several months of price data to convince officials that tariff-related risks to inflation aren't impacting expectations.

The market will be looking for clues about future policy in the accompanying statement and updated forecasts. Focus will centre on the 'dot plot', and whether the median policy maker still expects to cut rates twice in 2025, or if this will be pared to one.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.30	3.27 - 3.36
NZ 2yr swap (%)	3.28	3.11 - 3.37
NZ 5yr swap (%)	3.64	3.52 - 3.76
NZ 10yr swap (%)	4.13	4.03 - 4.25
2s10s swap curve (bps)	85	83 - 93
NZ 10yr swap-govt (bps)	-48	-53 - -42
NZ 10yr govt (%)	4.60	4.56 - 4.68
US 10yr govt (%)	4.40	4.31 - 4.62
NZ-US 10yr (bps)	20	7 - 23
NZ-AU 2yr swap (bps)	4	-32 - 7
NZ-AU 10yr govt (bps)	37	15 - 39
*Indicative range over last 4 weeks		

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Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

Last week the NZD traded a range of less than 1 cent, but it ended the week on a soft note after Israel launched an attack on Iran and Iran retaliated. NZD/USD closed the week flat, just under 0.6020. The AUD followed the same path and NZD/AUD was unchanged for the week at 0.9270. The NZD and AUD underperformed, and so other NZD crosses were all weaker, the largest move being a 1.3% fall in NZD/EUR to 0.5210.

The largest move in currencies last week came after Israel launched an attack on Iran, targeting its nuclear facilities to stall the country's progress in developing nuclear weapons. The risk-off move sent the NZD and AUD on a weaker trajectory, with the NZD briefly trading just below 0.60 on Friday night after it had stretched up towards 0.6070 just ahead of the attack.

The price action illustrated that the NZD and AUD remain vulnerable to significant global risk-off events. There was also further evidence that the USD's safe-haven credentials are weaker, with only a small bounce off three-year lows as the missiles were flying. USD indices ended lower for the week against the other major currencies, as weaker domestic forces for the USD impacted more than geopolitical forces.

The Israel-Iran conflict can continue longer, but our bet would be that it represents only a temporary headwind for the NZD and will soon fade as an influence on the currency. History shows that geopolitical impacts on currencies fade fairly quickly most of the time. The upward trend in NZD/USD this year remains intact. That said, the market will be paying close attention to developments in the Middle East in the week ahead, alongside other top tier releases this week and with another eye on US-global trade war developments.

In other news last week, the two-day trade negotiations between the US and China ended in London with a framework for implementing the agreement from last month's Geneva meeting. No real progress was made and the status quo on tariffs remains, so the outcome was disappointing from that perspective, but was basically market-neutral for the NZD.

US inflation data were weaker than expected, with the CPI ex food and energy, up 0.1% compared to the consensus estimate of 0.3%. PPI data were also on the soft side. The direct impact of tariffs on goods has so far been limited but this might simply reflect the lag between higher tariffs and price increases. The weaker data were USD-negative before Israel-Iran developments took over and supported the currency.

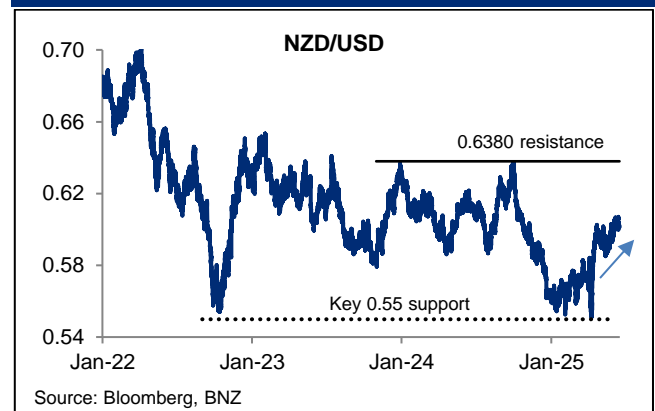
The week ended with two full rate cuts priced by the Fed this year, ahead of the Fed's policy update this week, early Thursday morning NZ time. While US inflation prints have

recently been on the softer side of expectations and the unemployment rate has been steady at 4.2%, the Fed awaits the impact of higher tariffs on both variables, with high enough uncertainty to keep the central bank on the sidelines. The Fed will want to keep its options open regarding the next easing in policy and will remain data dependent.

There are also policy updates by the BoJ and BoE this week, with neither of them expected to change rates, with focus being on the tone of the policy outlook – the prospect of higher Japanese rates and lower UK rates later in the year, respectively.

On the economic calendar, top tier data include China activity data for May, Australia's employment report, US retail sales, and CPI data for the UK and Japan – for the UK the data comes ahead of the policy meeting and for Japan the data comes after. In NZ there will be interest in monthly pricing indicators to firm up Q2 CPI estimates, while Q1 GDP is expected to show another 0.7% q/q increase, much stronger than many believed just over a week ago, including the RBNZ, following the release of partial indicators.

NZD upward trend intact



Cross Rates and Recent Ranges

	Current	Last 3-weeks range*
NZD/USD	0.6014	0.5920 - 0.6080
NZD/AUD	0.9277	0.9220 - 0.9320
NZD/GBP	0.4435	0.4390 - 0.4490
NZD/EUR	0.5217	0.5200 - 0.5310
NZD/JPY	86.62	85.20 - 87.90

*Indicative range over last 3 weeks, rounded figures

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Technicals

NZD/USD

Outlook: Upside Risk
 ST Resistance: 0.62 (ahead of 0.6380)
 ST Support: 0.5820 (ahead of 0.55)

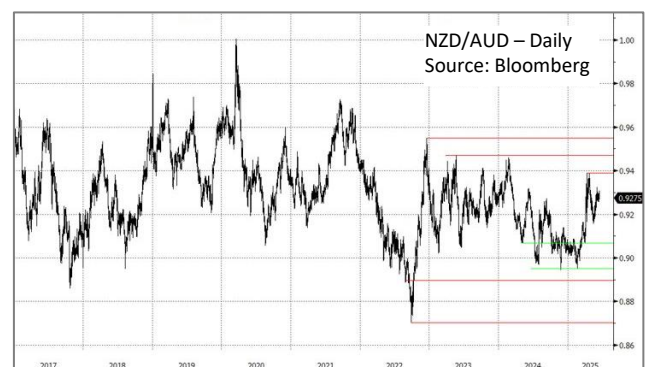
We see the next resistance level around 0.62. The 0.55 mark remains the key support level, but some earlier support might come around 0.5850.



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.



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NZ 5-year Swap Rate

Outlook: Neutral
 ST Resistance: 3.85
 ST Support: 3.47

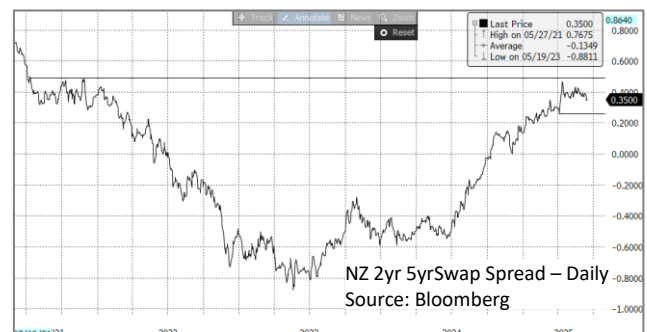
5-year swap continued last week without any sense of directionality and remained at similar levels seen since early May.



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

Outlook: Neutral
 ST Resistance: 0.50
 ST Support: 0.25

2x5 year swap spread flattened slightly last week but remains rangebound for the time being.



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Quarterly Forecasts

Forecasts as at 16 June 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	0.7	0.4	0.5	0.7	0.8	0.8	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	-5.8	-5.0	-4.6	-4.3	-4.1	-4.3	-4.4	-4.5	-4.5
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	0.0	0.3	0.6	0.7	0.7	0.6	0.5	0.5
Unemployment rate %	5.1	5.1	5.2	5.3	5.3	5.2	5.1	4.9	4.9	4.9
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	-0.8	0.7	2.3	2.3	2.4	2.8	3.0	2.9	2.6

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	3.60	4.60	3.00	3.40	4.20	4.35	4.40	0.20
Sep	2.75	2.90	3.60	4.50	3.00	3.40	4.10	4.10	4.30	0.20
Dec	2.75	2.90	3.65	4.45	3.15	3.50	4.10	3.70	4.25	0.20
2026 Mar	2.75	2.90	3.75	4.35	3.40	3.60	4.00	3.60	4.10	0.25
Jun	2.75	2.90	3.90	4.25	3.70	3.80	3.95	3.45	4.00	0.25
Sep	2.75	3.30	4.00	4.30	3.95	4.00	4.10	3.20	4.00	0.30
Dec	3.25	3.55	4.05	4.30	4.10	4.10	4.15	3.10	4.00	0.30

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.60	0.65	1.15	1.36	145
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	0.93	0.52	0.44	87.0	69.5
Jun-25	0.61	0.92	0.52	0.45	84.2	70.4
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	72.6
Mar-26	0.65	0.93	0.53	0.46	81.3	72.6
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 16 June 2025	March Years					December Years				
	Actuals		2025	2026	2027	Actuals		2025	2026	
	2023	2024				2022	2023			
GDP - annual average % change										
Private Consumption	3.4	1.0	0.3	2.5	2.8	4.2	1.0	0.2	1.9	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	-5.0	0.2	6.5	4.2	-0.1	-4.6	-2.1	6.3
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	-0.5	2.2	3.2	4.5	-0.8	-0.8	1.5	3.3
Exports	5.6	8.6	2.6	2.5	3.9	-0.8	11.4	4.2	2.4	3.7
Imports	4.4	-1.3	2.3	3.7	4.9	4.6	-0.6	2.4	2.7	5.0
Real Expenditure GDP	3.9	1.4	-0.6	1.8	2.8	3.2	1.9	-0.1	1.1	2.8
GDP (production)	3.5	1.4	-1.0	1.9	2.8	2.9	1.8	-0.5	1.1	2.8
<i>GDP - annual % change (q/q)</i>	<i>3.0</i>	<i>1.4</i>	<i>-0.8</i>	<i>2.4</i>	<i>2.6</i>	<i>3.1</i>	<i>0.9</i>	<i>-1.1</i>	<i>2.3</i>	<i>2.9</i>
Output Gap (ann avg, % dev)	2.0	1.0	-1.0	-0.7	0.1	1.9	1.2	-0.6	-0.9	-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	1.6	2.3	1.7	2.8	-1.2	1.0	2.5
Unemployment Rate %	3.4	4.4	5.1	5.2	4.9	3.4	4.0	5.1	5.3	4.9
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	-0.1	1.7	0.4	0.7	-1.2	-0.1	1.6	0.5
Unit Labour Costs (ann av %)	5.7	7.1	4.6	1.9	2.9	6.0	7.6	4.9	2.4	2.7
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	-24.8	-18.7	-21.2	-35.6	-28.6	-26.4	-19.3	-21.0
Current Account - % of GDP	-8.6	-6.6	-5.8	-4.1	-4.5	-9.2	-6.9	-6.2	-4.3	-4.5
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	72.6	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	3.75	4.05	4.30	4.50	3.90	3.65	4.05
10-year Govt Bond	4.35	4.60	4.50	4.35	4.30	4.25	4.65	4.45	4.45	4.30
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	3.60	4.15	4.62	4.43	3.63	3.50	4.10
US 10-year Bonds	3.65	4.20	4.25	4.10	4.00	3.60	4.00	4.40	4.25	4.00
NZ-US 10-year Spread	0.70	0.40	0.25	0.25	0.30	0.65	0.65	0.05	0.20	0.30
⁽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 16 June				UK CPI Services YoY May	4.80%		5.40%
CH Retail Sales YoY May	4.90%		5.10%	SW Riksbank Policy Rate 18-Jun	2.00%		2.25%
CH Industrial Production YoY May	6.00%		6.10%	EC CPI YoY May F	1.90%		2.20%
CH Fixed Assets Ex Rural YTD YoY May	4.00%		4.00%	EC CPI Core YoY May F	2.30%		2.30%
CH Surveyed Jobless Rate May	5.10%		5.10%	Thursday 19 June			
EC ECB's Nagel & Cipollone Speak				US Housing Starts May	1359k		1361k
EC Labour Costs YoY 1Q			3.70%	US Initial Jobless Claims 14-Jun	245k		248k
Tuesday 17 June				US Continuing Claims 7/06/2025	1925k		1956k
US Empire Manufacturing Jun	-6.3		-9.2	EC ECB's Lagarde, Lane & Others Speak			
EC ECB's Nagel Speaks				US FOMC Rate Decision (Upper Bound) 18-Jun	4.50%		4.50%
NZ Food Prices MoM May			0.80%	NZ GDP SA QoQ 1Q	0.70%	0.70%	0.70%
NZ Selected Monthly Price Indexes May				NZ GDP YoY 1Q	-0.80%	-0.80%	-1.10%
GE ZEW Survey Expectations Jun	35		25.2	AU Employment Change May	20.0k	30.0k	89.0k
JN BOJ Target Rate 17-Jun	0.50%		0.50%	AU Unemployment Rate May	4.10%	4.10%	4.10%
Wednesday 18 June				SZ SNB Policy Rate 19-Jun	0.00%		0.25%
US Retail Sales Advance MoM May	-0.60%		0.10%	NO Deposit Rates 19-Jun	4.50%		4.50%
US Retail Sales Control Group May	0.30%		-0.20%	UK BoE Bank Rate 19-Jun	4.25%		4.25%
US New York Fed Services Business Activity Jun			-16.2	Friday 20 June			
US Industrial Production MoM May	0.00%		0.00%	NZ Public Holiday, Matariki			
US Business Inventories Apr	0.00%		0.10%	UK GfK Consumer Confidence Jun	-20		-20
US NAHB Housing Market Index Jun	36		34	JN Natl CPI Ex Fresh Food, Energy YoY May	3.20%		3.00%
EC ECB's Villeroy, Centeno & Others Speak				CH 1-Year Loan Prime Rate 20-Jun	3.00%		3.00%
NZ Dairy GDT Auction				CH 5-Year Loan Prime Rate 20-Jun	3.50%		3.50%
NZ Westpac Consumer Confidence 2Q			89.2	UK Retail Sales Inc Auto Fuel MoM May	-0.50%		1.20%
NZ Current Account GDP Ratio YTD 1Q	-5.80%	-5.80%	-6.20%	JN BOJ's Ueda Speaks			
JN Trade Balance May	¥897.8b		¥115.6b	EC ECB Publishes Economic Bulletin			
JN Core Machine Orders MoM Apr	-9.50%		13.00%	Saturday 21 June			
AU Westpac Leading Index MoM May			-0.01%	US Philadelphia Fed Business Outlook Jun	-1		-4
UK CPI YoY May	3.30%		3.50%	CA Retail Sales MoM Apr	0.50%		0.80%
UK CPI Core YoY May	3.50%		3.80%	EC Consumer Confidence Jun P	-14.6		-15.2

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	3.25	3.25	3.50	5.50	2 years	3.28	3.27	3.23	4.93
1mth	3.34	3.36	3.44	5.60	3 years	3.40	3.39	3.36	4.64
2mth	3.32	3.34	3.38	5.60	4 years	3.52	3.52	3.50	4.48
3mth	3.30	3.31	3.33	5.61	5 years	3.64	3.66	3.64	4.39
6mth	3.29	3.27	3.24	5.58	10 years	4.13	4.17	4.18	4.41
GOVERNMENT STOCK					FOREIGN EXCHANGE				
04/27	3.41	3.41	3.37	4.56	NZD/USD	0.6010	0.6047	0.5931	0.6132
05/30	3.92	3.96	3.98	4.44	NZD/AUD	0.9267	0.9279	0.9185	0.9273
05/32	4.26	4.33	4.36	4.53	NZD/JPY	86.91	87.42	85.91	96.72
05/35	4.55	4.65	4.68	4.64	NZD/EUR	0.5212	0.5295	0.5276	0.5712
04/37	4.75	4.86	4.90	4.75	NZD/GBP	0.4437	0.4463	0.4439	0.4826
05/41	5.02	5.11	5.14	4.88	NZD/CAD	0.8167	0.8284	0.8274	0.8415
05/54	5.27	5.35	5.37	4.91	TWI	69.5	69.9	68.8	72.3
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	56	54	55	53					
Europe 5Y	58	56	57	63					

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