Research

Markets Outlook

7 July 2025

Eyes on RBNZ

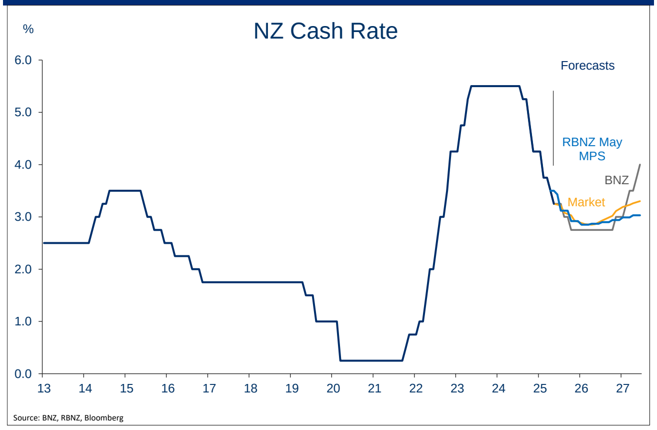
- **We still think the economy needs lower rates**
- **But RBNZ likely to hold this week**
- **Q2 GDP indicators continue to deteriorate**
- **PMI/PSI June data due, post May softness**
- **Replenished hydro lake levels a positive**
- **Migration and travel data to monitor**

Domestic focus this week will be on Wednesday's RBNZ Monetary Policy Review. We put out our full preview last week. Here we summarise and continue the discussion.

We continue to believe the economy requires lower interest rates ahead and we still forecast a 2.75% OCR low point. However, we feel picking the July meeting outcome is a bit of a lottery given the difficulty in reconciling messaging from the RBNZ post the May MPS and the projected rate track. It makes judging the Bank's reaction function to the run of data about as murky as it can be.

Last week, we moved to expect no change in the OCR at this week's meeting. That is not to say we don't still think there is a chance of, and indeed a strong case for, a 25bp OCR cut this week from its current 3.25%. But we reached the conclusion that it will be hard for the RBNZ to cut at this meeting given that post the May MPS it suggested market pricing would be a key driver of its decision. The market is currently pricing little chance of a cut on Wednesday.

OCR to edge a bit lower yet, but not this week?



With the MPR not accompanied by updated forecasts and offering only a few paragraphs of explanation for the decision it is going to be difficult for the Bank to provide clarity as to where to next.

To recap the key reasons why we think the RBNZ should still seriously contemplate easing at this meeting and why we think the OCR will ultimately push a bit lower:

- Inflation is forecast to fall below 2% in the second half of 2026. Medium term inflation is important.
- NZ export commodity price inflation is past its peak and heading lower.
- Lower global growth may also drive other commodity prices, including oil, lower.
- OPEC+'s decision over the weekend to increase production by more than expected will weigh on oil prices.
- Output prices from China could fall.
- A stronger NZD would constrain domestic prices.
- QSBO pricing intentions are very weak.
- The labour market remains weak and will likely end up weaker than the RBNZ forecasts.
- A wide output gap.
- Downward revisions to GDP offset some of Q1's strength and a very poor run of indicators through Q2 suggest the level of GDP by the end of Q2 will be thereabouts where the RBNZ had assumed but with momentum awful.

Reinforcing the last point, note that last Friday the RBNZ's own KiwiGDP nowcast estimate for Q2 GDP fell further. It now rounds to -0.1%. This extends and quickens a downtrend in the estimate for Q2 growth.

This adds to our thoughts that the RBNZ is now likely to be thinking Q2 GDP growth is weaker than the 0.3% pace forecast in its May MPS. Could it yet be enough to spook the MPC into continuing its easing cycle on Wednesday? Probably not, but the rapid loss of momentum adds to the case that further rate cuts will be required in due course.

To summarise the key reasons we think the RBNZ will pause this week:

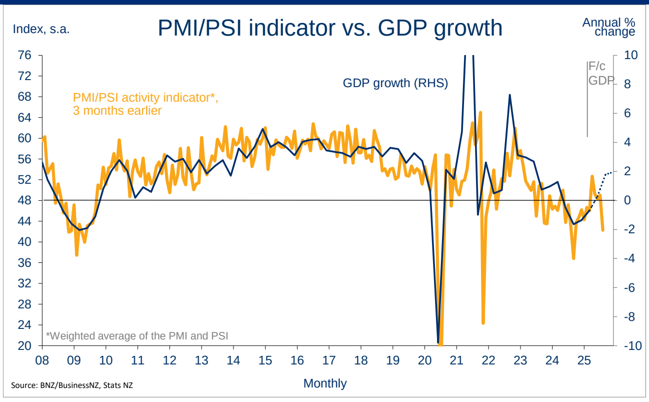
- Guidance from market pricing that the RBNZ said it would pay attention too.
- Indicators suggest near term inflation will peak at 3% in Q3 and Q4, higher than RBNZ forecast.
- Risk of inflation expectations following headline inflation higher.

- Risk of inflation from geopolitical tensions.
- An MPC member voted to hold rates unchanged last time.
- Q1 GDP grew faster than the RBNZ expected, with stronger than expected domestic demand components.
- Business surveys are optimistic that growth will pick up to more than 3% per annum in the not-too-distant future.
- Trump's decision on the paused tariffs comes less than 24 hours after the RBNZ meeting this week, which might provide reason for the Bank to wait. More generally, trade uncertainty has eased from May MPS levels. But as Trump sends out letters outlining tariffs to several countries there remains considerable uncertainty, including around how those countries will respond.

Besides the RBNZ meeting, there is a smattering of data on the calendar this week to monitor too.

We have most interest in Friday's PMI for June. It will be closely watched following its plunge to 47.5 in May. The PMI drop raised alarm that the economy was struggling to maintain any momentum after reasonable growth in Q1. June's number will give guidance on how the manufacturing sector finished off the second quarter.

What after May misery?



Along with the PMI, next Monday's PSI for June will be of interest for the same reason. The combined PMI/PSI weakness in May was a key reason for us downgrading our Q2 GDP growth forecasts to zero with the balance of risks still to the downside. Failure of the combined PMI/PSI index to bounce in June would keep significant downward pressure on. Indeed, the combined index would need to bounce a long way to be consistent with growth rates that folk, including us and the RBNZ, are forecasting this year.

It is not all doom and gloom. A positive for growth heading into Q3 has been a recent recovery in hydro lake levels. They have edged just above average for the time of year, having been below 80% of average only a few months ago. Not only does this help security of electricity supply this winter, lower wholesale spot power prices and support value added in the utilities sector, it also has flow on effects with some major energy users recently restarting production. This will help lift manufacturing activity and GDP into the second half of 2025.

On Thursday May's international migration and travel data are released.

Tourist arrival numbers were up nearly 19% y/y in April, boosted by the timing of Easter, ANZAC day, and school holidays. We don't expect annual growth in May to be anything like that, perhaps something closer to 6%. While that offers support to tourism spending in Q2, such an outcome would keep visitor numbers well shy of pre-covid levels (at around 87%). It is still fundamentally a big hole.

Net migration inflows still look to be stabilising, but they remain difficult to trust as each data release has tended to bring downward revisions. The latest has seen annual net migration inflows slow to around 21,300 in the year to April 2025. Our interest in May's figures will be as much in any revisions to the previous figures as it will be in the provisional estimates for the latest month. Lower net migration will have implications for demand, including for housing, and supply via the labour market.

On the latter, note that Q2 working age population estimates are scheduled for released on Wednesday morning. These will set the base for the Q2 Household Labour Force Survey that is due out on 6 August. The recently revised lower net migration inflows are expected to keep working age population growth estimates modest.

We still think the labour market is weakening, but slower working age population growth and the possibility of further easing in the labour force participation rate could limit the extent that the unemployment rate pushes upward. Recent employment indicators have been weak.

Finally, for the record, we note last week's revisions to the Household Labour Force Survey on account of rebasing to the 2023 Census.

As expected, these revisions moved the levels of the likes of the labour force and employment (both downward) but had trivial impact on recent growth rates or headline ratios like the unemployment rate. The unemployment rate in Q1 2025 is still estimated at 5.1%. We doubt the overall HLFS revisions will have a material influence on the RBNZ's assessment of current cyclical pressures.

One small positive is that the level shift downward in estimated employment (and similar size shift in estimates of hours worked) implies productivity might not have been quite as dire as it has looked from 2018 onwards.

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Global Watch

- **Market focus on 9 July deadline for trade deals**
- **RBA decision, expected to cut 25bps**
- **China PPI/CPI likely to show continued deflation**

Week in Review

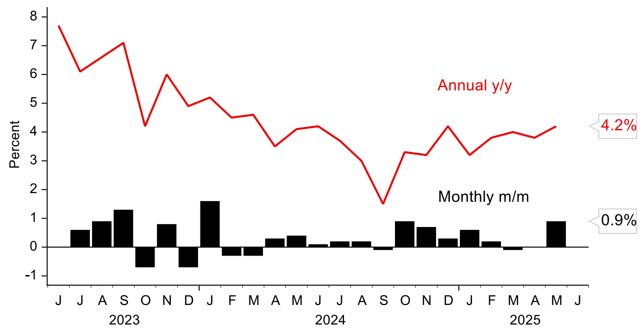
For a change, geopolitical tensions were not a large driver of markets last week. Mixed reads on US labour market indicators caused some volatility in rates markets. In the end payrolls beat expectations and the unemployment rate fell a tenth to 4.1%. The data overall reinforces the view that the US Fed can afford to wait to assess the impact of tariffs on inflation.

Across the pond in the UK, initial uncertainty over the tenure of the Chancellor of the Exchequer saw Gilt yields rocket, before partly unwinding as the PM expressed confidence in the Chancellor and her pledge to abide by fiscal rules. In the context of European countries pledging to lift military spending at a time of already high budget deficits, it is expected budgetary issues will be one factor in keeping yields elevated and curves steeper.

Equity markets have been relatively calm with the S&P500 making its first fresh record high since February.

In Australia, the Household Spending Indicator rebounded more than expected at 0.9% m/m. There had been some uncertainty around the health of the consumer in May following a lack of a bounce in Wednesday's retail sales, which rose just 0.2% m/m. A few banks shifted their RBA call following retail sales with it now almost unanimous that the RBA is set to cut rates at its July meeting.

Australian Household Spending Indicator



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

Week Ahead

Globally, trade tensions dominate with the US' self-imposed deadline of July 9 (Wednesday) for trade deals looming. US President Trump has indicated he will start sending US deemed tariff rates to countries where deals have not been negotiated, with tariff payments to start from August 1. For deals that are negotiated, the details will matter, particularly in regard to transhipment rates and domestic content rules.

In the US, the NFIB Small Business Survey (Tuesday), NY Fed Inflation Expectations (Tuesday), FOMC Minutes (Wednesday) and Jobless Claims (Thursday) are the highlights of the second-tier data.

Europe is also very quiet. The only significant piece of data is UK Monthly GDP (Friday). In China, the PPI/CPI (Wednesday) will likely show continued deflation, and Aggregate Financing figures are due anytime in the week.

In Australia, all eyes are on the RBA Meeting (Tuesday). Our colleagues at NAB expect the RBA to cut rates by 25bps in what they think will be a decision between holding or cutting by 25bps. NAB do not think a 50bp cut will be on the table as it was at the May meeting.

Selected Economic Events Preview

Monday 7

JN Labour Cash Earnings (May)

EZ Retail Sales (May), GE Industrial Production (May)
German Industrial Production is seen at -0.2% m/m. The Euro-area wide retail sales are also expected to fall 0.6% m/m after last month's 0.1% rise.

Tuesday 8

AU RBA Meeting (cut 25bps)
NAB expects the RBA to cut rates by 25bps to 3.60% from 3.85%. The overwhelming consensus is for a 25bps cut. Less dovish guidance is expected given the RBA is unlikely to want to sound pre-committed. The policy rate at 3.60% would be within the range of the RBA staff's wide neutral estimates.

As for the decision itself, NAB think the RBA Monetary Policy Board will be deciding between holding rates and cutting by 25bps. Given some de-escalation of global trade tensions and the rebound seen in equity markets, they do not think a 50bp cut will be on the table as it was back at the May meeting.

Inflation data (from the Monthly CPI Indicator) looks to have come broadly in line with the RBA's Q2 forecasts. One reason for the RBA to hold at this meeting would be to wait for the full Q2 CPI. While NAB are still finalising their forecasts, they are broadly in line with the RBA's trimmed mean forecast for Q2 of 0.6% q/q and 2.6% y/y. NAB see little value in the RBA waiting until August to change rates.

The labour market remains resilient. The unemployment rate has been broadly steady at 4.1% and is again set to undershoot the RBA's forecast of 4.2% for Q2 2025.

NAB continue to expect the RBA to cut rates at the July meeting, and then again in August and November, bringing the cash rate down to 3.10% which they assess as broadly neutral. With some concerns around the consumer being allayed and the labour market being tight, NAB see little rationale to cutting below neutral.

AU NAB Business Survey (Jun)
Over the past year the survey has picked up margin compression with firms having trouble passing on elevated cost growth to the end client. That no doubt has been one driver for the moderation in consumer inflation.

JN Trade balance (May)

US NFIB Business Optimism (Jun); NY Inflation Exp.

Wednesday 9

AU RBA's Hauser speak
RBA Deputy Governor is speaking on "*What Has Australian Macroeconomic Thought Achieved in the Past Century – and Where Can it Contribute in the Next?*" at 11.00am NZT. Given the Governor's press conference the previous day, NAB do not expect the speech to be market moving.

CH CPI/PPI (Jun), Aggregate Financing (Jun, anytime)
Deflation is still expected for the PPI at -3.2% y/y from -3.3%. CPI inflation is expected at -0.1% y/y. The recent PMIs highlighted a deflationary environment for firms: "*services companies opted to continue absorbing cost increases in June and cut their output charges for a fifth successive month. Anecdotal evidence suggested that intense market competition had underpinned the latest reduction in selling prices*".

Aggregate Financing figures are also due anytime this week.

US Tariff deadline day, FOMC Minutes
July 9 is the US' self-imposed deadline for trade deals (bar China). US President Trump has indicated he will start sending US deemed tariff rates to countries where deals have not been negotiated, with tariff payments to start from August 1. For deals that are negotiated, the details will matter, particularly in regard to transhipment rates and domestic content rules.

The FOMC Minutes are unlikely to shed new light given extensive commentary by most members over the past few weeks. Note Governor Waller and Bowman were open to a July cut, but no other member has broached the subject. The most recent Payrolls report emphasises that the Fed can afford to wait to have greater clarity on the impact of tariffs on inflation.

Thursday 10

US Jobless Claims, Fed speak
Initial Jobless Claims have started to tick down after a rise earlier in the year. Worth watching continuing claims though which remain elevated in levels, but not that elevated as a share of the population. There are also two Fed speakers, Musalem and Daly.

Friday 11

EZ Final-CPIs (Jun), Germany's tax-break package
Germany and France have final-CPIs for June.

UK Monthly GDP, Trade Balance, Industrial Production
After Q1's above forecast 0.7% GDP outturn, April's -0.3% brought things back down to earth. The BoE forecasts 0.1% for Q2 and alongside anecdotal evidence such as the slump in retail sales, monthly GDP in May should be no more than +0.1% m/m.

CA Employment
Consensus looks for the unemployment rate to tick up to 7.1% from 7.0%.

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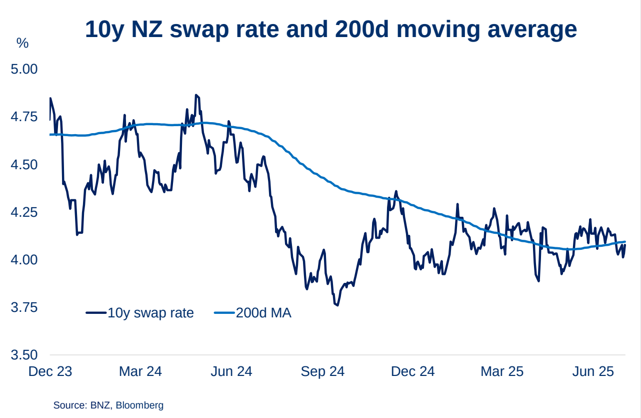
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

The focus for domestic rates markets is the RBNZ Monetary Policy Review on Wednesday. Although the Bank could easily justify a further 25bp reduction in the Official Cash Rate, economists are widely anticipating a pause, and the market is only pricing a small chance of a cut. Assuming rates are left on hold, we would anticipate a signal in the accompanying record of meeting about the potential to ease further if required, to align with its modelled OCR track from May, and to avoid a premature tightening in financial conditions.

Trendless 10-year yields



Although NZ 10-year swap rates have had to contend with mixed domestic economic data and heightened policy uncertainty amid trade tensions and geopolitical risks, what is striking is the absence of a sustained trend. 10-year yields have oscillated in a wide range through this year. However, the 200-day moving average of the 10-year yield, which benefits from smoothing out the sentiment swings, is unchanged over the past three months.

The lack of trend is not isolated to NZ. 10-year rates in Australia and the US have similar dynamics. Unsurprisingly, the performance of a simple trend strategy based on 12-week momentum applied to 10-year developed market swap rates, is experiencing a significant drawdown. In fact, since the strategy equity curve peaked in late 2022, the drawdown has been the largest in more than 20-years.

There was significant demand from investors in the syndicated tap of the May-2031 government bond (NZGB) last week. New Zealand Debt Management (NZDM) issued an additional NZ$6 billion, which was at the top end of the indicated volume range and takes the total outstanding to NZ$18 billion. The book size at final price guidance exceeded NZ$31 billion, easily the largest ever level of bids for a NZGB syndication. The additional issuance was priced at a spread of 21bp to the May-2030 maturity representing a small concession to prevailing market levels.

Investor breakdown for May-2031 tap syndication

Investor Location

Asia	14%
Australia	17%
Europe/UK	30%
New Zealand	30%
North America	10%

Investor Type

Asset Manager/ Central Bank	54%
Bank - Balance Sheet	25%
Bank - Trading Book	8%
Hedge Fund	13%

Source: NZDM

Bank balance sheets made up a quarter of the allocations, given the relatively short maturity of the tapped line. But asset managers and central banks took the majority of the issue at 54%. Non-resident investors (70%) were also strongly represented in the allocations with this part of the yield curve offering the highest carry and roll amongst developed market sovereigns.

This transaction early in the fiscal year provides NZDM with some flexibility, set against the backdrop of a relatively large NZ$38 billion funding task. The next NZGB syndication is expected to be the previously announced Sep-2050 inflation indexed bond, possibly in September, to align with the maturity of the shortest linker line. The next nominal syndication is unlikely to come before the final quarter of the calendar year.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.28	3.28 - 3.32
NZ 2yr swap (%)	3.19	3.16 - 3.31
NZ 5yr swap (%)	3.57	3.52 - 3.69
NZ 10yr swap (%)	4.08	4.01 - 4.20
2s10s swap curve (bps)	89	84 - 89
NZ 10yr swap-govt (bps)	-46	-50 - -45
NZ 10yr govt (%)	4.54	0.00 - 0.00
US 10yr govt (%)	4.35	4.19 - 4.52
NZ-US 10yr (bps)	19	14 - 27
NZ-AU 2yr swap (bps)	1	-5 - 8
NZ-AU 10yr govt (bps)	35	33 - 41

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week net currency movements were modest, with a lack of key drivers and the week shortened by the US Independence Day holiday. NZD/USD was flat around 0.6060 after posting a fresh eight-month high of 0.6120 early in the week. All NZD cross movements were contained to within plus or minus ½%.

After ending June on a weak note, USD indices weakened to fresh three-year lows to kick off July, before the currency regained some poise. The NZD, AUD, EUR and GBP recorded fresh highs for the year. Fair to say then that the USD downtrend, that began mid-January, remains well embedded. The USD DXY index fell for a six consecutive month in June.

Of note last week, GBP came under pressure, as UK Chancellor Reeves, a champion of fiscal discipline, was under significant pressure after a welfare reform bill was modified at the last minute, which will increase the deficit by £5bn. Her job remained secure after PM Starmer supported her, meaning that a sharp fall in GBP ended up being partially reversed. The episode was a reminder of nerves around fiscal policy, with increasing market focus on the size of deficits and debt burdens. President Trump passed his big, beautiful, bill, which independent estimates suggest could raise accumulated deficits by $3.4 trillion over the next ten years. This was well anticipated by the market, and it is fair to say that some of the 10.7% fall in the USD DXY index in the first six months of the year can be attributed to the direction of US policy, including fiscal concerns.

The US reached a trade agreement with Vietnam. The US will lower its reciprocal tariff on imports from Vietnam to 20% and charge a 40% tariff on goods that are transhipped through the country, aimed at hitting Chinese goods that are re-exported from Vietnam. It is one of only two deals made with trading partners (the other one being the US-UK "deal") ahead of end of the 90-day pause in reciprocal tariffs on July 9.

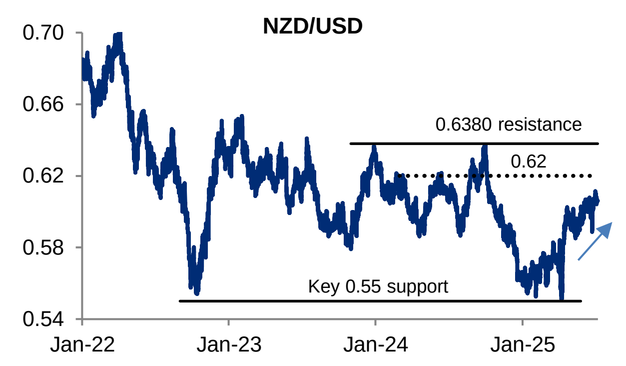
Market focus this week will be on the 9-July deadline. There is significant uncertainty about what will be announced. Feedback from those in the room during EU trade negotiations have relayed three scenarios that the US has sketched out: (1) countries with an "agreement in principle" would keep the 10% tariffs, with possible further tariff relief at a later stage; (2) for countries that failed to reach such an agreement, the tariffs would return to the level announced on Liberation Day until a deal was struck; and (3) higher tariffs would be applied to countries that the US believes are not negotiating in good faith.

On Friday, Trump said new tariffs will apply from 1 August. Traders should have learnt their lesson about over-reacting to tariff news after the Liberation Day shambles, and everything is up for negotiation until 1-August. A clearing of tariff-related event risk is a necessary condition for the upward trend in the NZD to continue over the short-term. We see 0.62 as the next possible resistance level.

In the week ahead the global economic calendar is light, with no top-tier releases. The domestic focus will be on the RBNZ's Monetary Policy Review on Wednesday. Most analysts agree that the OCR will be left unchanged at 3.25%, the first pause in the easing cycle since it began last August. Forecasts won't be updated, and we expect a short policy assessment that keeps the Bank's options open regarding future policy decisions. With the market pricing 40bps of further cuts, a neutral statement would likely come across as hawkish for those expecting a nod toward further easing. On this basis, a bland RBNZ update would be more NZD-positive than negative.

The RBA also gives a policy update, with most economists agreeing that the Bank will cut its policy rate by 25bps to 3.60% tomorrow, which is almost fully priced. Focus will be on the tone of the statement and with the market pricing more than two further cuts this year, many will be looking for dovish snippets to justify that view. We remain neutral on the outlook for the NZD/AUD cross rate. The currency has been tracking closely to our 0.9250 central projection we have in place through the rest of the year.

Upward trend in NZD/USD intact



Source: Bloomberg, BNZ

Cross Rates and Recent Ranges

	Current	Last 3-weeks range*
NZD/USD	0.6062	0.5880 - 0.6120
NZD/AUD	0.9238	0.9220 - 0.9310
NZD/GBP	0.4445	0.4400 - 0.4500
NZD/EUR	0.5145	0.5130 - 0.5260
NZD/JPY	87.56	86.70 - 88.10

*Indicative range over last 3 weeks, rounded figures

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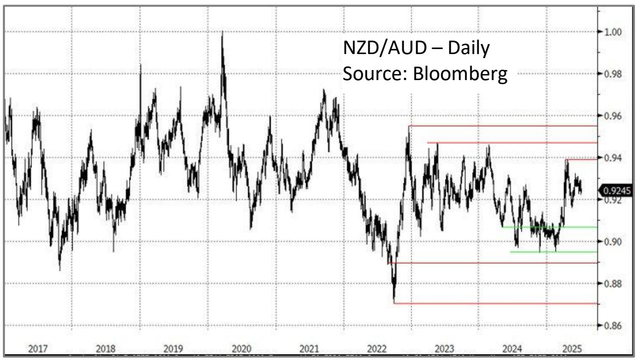
Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.62 (ahead of 0.6380)
ST Support: 0.5820 (ahead of 0.55)

No change. We see the next resistance level around 0.62, ahead of a stronger resistance level of 0.6380. The first support level is 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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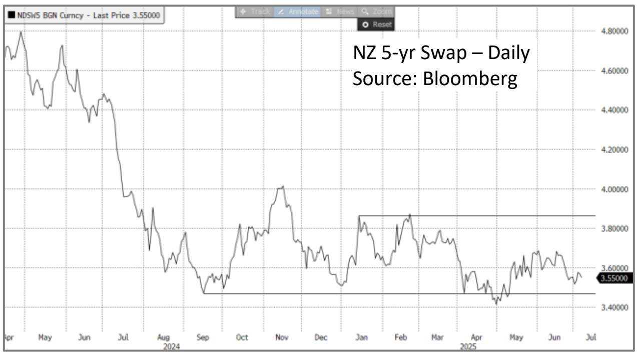
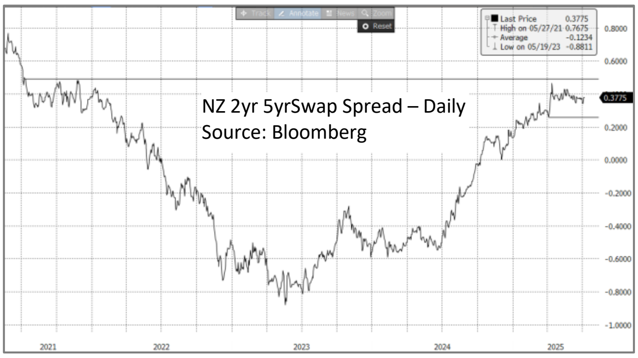
NZ 5-year Swap Rate



Outlook: Neutral
ST Resistance: 3.85
ST Support: 3.47

Another reasonably static week for 5y swap in NZ as global rates too failed to move directionally.

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



Outlook: Neutral
ST Resistance: 0.50
ST Support: 0.25

2x5 year swap spread remains near the middle of the range. We continue to wait for any technical direction.

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Quarterly Forecasts

Forecasts as at 7 July 2025

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts (shaded)

	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
GDP (production s.a.)	0.5	0.8	0.0	0.5	0.7	0.8	0.8	0.6	0.6
Retail trade (real s.a.)	1.0	0.8	0.4	0.8	1.2	1.1	0.9	0.8	0.7
Current account (ann, % GDP)	-6.1	-5.7	-5.2	-4.9	-4.6	-4.5	-4.5	-4.6	-4.6
CPI (q/q)	0.5	0.9	0.8	0.8	0.5	0.5	0.4	0.3	0.5
Employment	-0.2	0.1	0.0	0.3	0.6	0.7	0.7	0.6	0.5
Unemployment rate %	5.1	5.1	5.2	5.3	5.3	5.2	5.1	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
Trading partner GDP (ann %)	3.3	3.2	2.8	2.4	2.1	2.1	2.5	2.7	2.9
CPI (y/y)	2.2	2.5	2.9	3.0	3.0	2.5	2.2	1.7	1.7
GDP (production s.a., y/y)	-1.3	-0.7	0.3	1.8	2.0	2.0	2.9	3.0	3.0

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
2024 Mar	5.50	5.66	4.44	4.68	4.92	4.40	4.45	5.30	4.15
Jun	5.50	5.63	4.56	4.74	5.01	4.53	4.60	5.35	4.45
Sep	5.33	5.30	3.96	4.31	4.05	3.80	4.05	5.05	3.95
Dec	4.42	4.44	4.00	4.47	3.65	3.74	4.10	4.50	4.30
2025 Mar	3.92	3.84	3.99	4.58	3.47	3.71	4.15	4.30	4.45
Jun	3.33	3.38	3.85	4.55	3.19	3.57	4.10	4.30	4.35
Forecasts									
Sep	3.00	2.90	3.65	4.50	3.00	3.40	4.10	4.10	4.30
Dec	2.75	2.90	3.65	4.50	3.05	3.45	4.15	3.70	4.25
2026 Mar	2.75	2.90	3.75	4.40	3.30	3.55	4.05	3.60	4.10
Jun	2.75	2.90	3.90	4.40	3.55	3.75	4.10	3.45	4.00
Sep	2.75	3.05	4.00	4.40	3.85	3.95	4.20	3.20	4.00
Dec	3.00	3.40	4.10	4.45	4.00	4.10	4.30	3.10	4.00

Exchange Rates (End Period)

	USD Forecasts					NZD Forecasts				
	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY
Current	0.61	0.66	1.18	1.37	144	0.61	0.92	0.51	0.44	87.5
Sep-25	0.63	0.68	1.24	1.43	130	0.63	0.93	0.51	0.44	81.9
Dec-25	0.65	0.70	1.23	1.41	125	0.65	0.93	0.53	0.46	81.3
Mar-26	0.67	0.72	1.25	1.44	120	0.67	0.93	0.54	0.47	80.4
Jun-26	0.68	0.73	1.26	1.45	119	0.68	0.93	0.54	0.47	80.9
Sep-26	0.68	0.73	1.27	1.46	118	0.68	0.93	0.54	0.47	80.2
Dec-26	0.68	0.73	1.28	1.47	117	0.68	0.93	0.53	0.46	79.6
Mar-27	0.69	0.74	1.26	1.45	116	0.69	0.93	0.55	0.48	80.0
Jun-27	0.70	0.75	1.25	1.44	115	0.70	0.93	0.56	0.49	80.5
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 7 July 2025	March Years					December Years				
	Actuals			Forecasts		Actuals		Forecasts		
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
GDP - annual average % change										
Private Consumption	3.4	1.0	0.2	2.3	2.8	1.0	0.0	1.9	2.8	2.4
Government Consumption	2.7	2.0	-0.7	-0.4	-0.1	0.8	-0.1	0.1	-0.6	0.4
Total Investment	3.3	-1.1	-5.3	0.4	6.5	-0.1	-5.1	-1.6	6.2	4.1
Stocks - ppts cont'n to growth	0.3	-1.5	0.2	0.6	0.1	-1.4	0.2	0.3	0.3	0.0
GNE	3.7	-0.9	-1.0	1.7	3.2	-0.7	-1.1	0.8	3.2	2.4
Exports	5.6	8.6	2.7	1.8	3.9	11.4	4.1	2.1	3.4	3.8
Imports	4.5	-1.3	1.7	3.0	4.8	-0.5	1.9	2.0	4.9	3.4
Real Expenditure GDP	3.9	1.5	-0.9	1.7	2.9	2.0	-0.5	1.2	2.7	2.4
GDP (production)	**3.5**	**1.4**	**-1.1**	**1.5**	**2.9**	**1.8**	**-0.6**	**0.8**	**2.7**	**2.4**
GDP - annual % change (q/q)	*3.0*	*1.3*	*-0.7*	*2.0*	*2.6*	*1.0*	*-1.3*	*2.0*	*3.0*	*2.3*
Output Gap (ann avg, % dev)	2.0	1.0	-1.0	-1.2	-0.3	1.2	-0.5	-1.3	-0.5	-0.2
Nominal Expenditure GDP - $bn	394	418	431	456	479	413	427	450	474	495
Prices and Employment - annual % change										
CPI	6.7	4.0	2.5	2.5	1.8	4.7	2.2	3.0	1.7	2.1
Employment	2.9	0.9	-0.7	1.6	2.3	2.7	-1.2	1.0	2.5	1.9
Unemployment Rate %	3.5	4.4	5.1	5.2	4.9	4.0	5.1	5.3	4.9	4.9
Wages - ave. hr. ord. time earnings (private sector)	8.2	4.8	3.8	3.0	3.3	6.6	4.0	2.3	3.4	3.2
Productivity (ann av %)	1.4	-1.0	-0.1	1.2	0.4	-1.1	-0.1	1.2	0.4	0.3
Unit Labour Costs (ann av %)	5.5	7.0	4.6	2.4	2.9	7.5	4.9	2.8	2.8	2.9
House Prices (stratified, mth)	-12.8	2.8	-0.6	3.9	6.2	0.6	-0.9	3.4	5.1	5.0
External Balance										
Current Account - $bn	-33.8	-27.6	-24.7	-20.3	-21.6	-28.6	-26.2	-20.6	-21.8	-20.8
Current Account - % of GDP	-8.6	-6.6	-5.7	-4.5	-4.5	-6.9	-6.1	-4.6	-4.6	-4.2
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	8.3	7.5					
Financial Variables (1)										
NZD/USD	0.62	0.61	0.57	0.67	0.69	0.62	0.57	0.65	0.68	0.69
USD/JPY	134	150	149	120	116	144	154	125	117	116
EUR/USD	1.07	1.09	1.08	1.25	1.26	1.09	1.05	1.23	1.28	1.23
NZD/AUD	0.93	0.93	0.91	0.93	0.93	0.93	0.91	0.93	0.93	0.93
NZD/GBP	0.51	0.48	0.44	0.47	0.48	0.49	0.45	0.46	0.46	0.49
NZD/EUR	0.58	0.56	0.53	0.54	0.55	0.57	0.55	0.53	0.53	0.56
NZD/YEN	83.0	91.1	85.4	80.4	80.0	89.5	88.4	81.3	79.6	80.0
TWI	71.0	71.2	67.9	73.4	74.4	72.0	68.5	72.3	73.6	74.7
Overnight Cash Rate (end qtr)	4.75	5.50	3.75	2.75	3.50	5.50	4.25	2.75	3.00	4.00
90-day Bank Bill Rate	5.16	5.64	3.60	2.90	3.90	5.63	4.26	2.90	3.40	4.15
5-year Govt Bond	4.40	4.60	4.00	3.75	4.10	4.50	3.90	3.65	4.10	4.05
10-year Govt Bond	4.35	4.60	4.50	4.40	4.50	4.65	4.45	4.50	4.45	4.60
2-year Swap	5.15	4.91	3.35	3.30	4.00	4.93	3.53	3.05	4.00	4.00
5-year Swap	4.50	4.40	3.65	3.55	4.15	4.43	3.63	3.45	4.10	4.20
US 10-year Bonds	3.65	4.20	4.25	4.10	4.00	4.00	4.40	4.25	4.00	4.00
NZ-US 10-year Spread	0.70	0.40	0.25	0.30	0.50	0.65	0.05	0.25	0.45	0.60

(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 07 July			
JN	Cash Earnings -Same Sample Base YoY May	2.80%		2.60%
JN	Scheduled FT Pay - Same Base YoY May	2.60%		2.50%
AU	ANZ-Indeed Job Ads MoM Jun			-1.20%
GE	Industrial Production SA MoM May	-0.20%		-1.40%
EC	ECB's Nagel Speaks			
EC	Sentix Investor Confidence Jul	1		0.2
EC	Retail Sales MoM May	-0.60%		0.10%
	Tuesday 08 July			
EC	ECB's Holzmann Speaks			
JN	Trade Balance BoP Basis May	-¥517.2b		-¥32.8b
AU	NAB Business Confidence Jun			2
AU	RBA Cash Rate Target Jul-08	3.60%	3.60%	3.85%
JN	Eco Watchers Survey Outlook SA Jun	45.3		44.8
GE	Trade Balance SA May	17.0b		14.5b
US	NFIB Small Business Optimism Jun	98.7		98.8
	Wednesday 09 July			
EC	ECB's Nagel & Guindos Speak			
US	NY Fed 1-Yr Inflation Expectations Jun			3.20%
NZ	Working-Age Population Q2			
AU	RBA's Hauser Speaks			
CH	PPI YoY Jun	-3.20%		-3.30%
CH	CPI YoY Jun	-0.10%		-0.10%
NZ	RBNZ Official Cash Rate Jul-09	3.25%	3.25%	3.25%
	Thursday 10 July			
EC	ECB's Nagel, Cipollone & Villeroy Speak			
US	Wholesale Trade Sales MoM May	0.20%		0.10%
US	FOMC Meeting Minutes Jun-18			
NZ	Net Migration SA May			1810
GE	CPI YoY Jun F	2.00%		2.00%
	Friday 11 July			
US	Initial Jobless Claims Jul-05			233k
US	Initial Claims 4-Wk Moving Avg Jul-05			241.50k
US	Continuing Claims Jun-28			1964k
US	Fed's Musalem & Daly Speak			
UK	BOE's Breeden Speaks			
NZ	BusinessNZ Manufacturing PMI Jun			47.5
UK	Monthly GDP (MoM) May	0.10%		-0.30%
UK	Industrial Production MoM May	0.00%		-0.60%
UK	Manufacturing Production MoM May	-0.10%		-0.90%
UK	Trade Balance GBP/Mn May	-£4700m		-£7026m
EC	ECB's Panetta Speaks			
	Saturday 12 July			
CA	Unemployment Rate Jun	7.10%		7.00%

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	3.25	3.25	3.25	5.50
1mth	3.33	3.33	3.36	5.60
2mth	3.31	3.31	3.34	5.60
3mth	3.28	3.29	3.31	5.60
6mth	3.27	3.27	3.27	5.55
GOVERNMENT STOCK				
04/27	3.28	3.31	3.41	4.59
05/30	3.86	3.86	3.96	4.51
05/32	4.21	4.22	4.33	4.60
05/35	4.54	4.54	4.65	4.71
04/37	4.72	4.72	4.86	4.82
05/41	4.97	4.97	5.11	4.97
05/54	5.20	5.21	5.35	5.02
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	49	51	54	49
Europe 5Y	55	55	56	52

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.17	3.19	3.27	4.84
3 years	3.29	3.31	3.39	4.58
4 years	3.42	3.44	3.52	4.45
5 years	3.55	3.57	3.66	4.38
10 years	4.06	4.08	4.17	4.45
FOREIGN EXCHANGE				
NZD/USD	0.6060	0.6096	0.6047	0.6126
NZD/AUD	0.9239	0.9263	0.9279	0.9092
NZD/JPY	87.55	87.80	87.42	98.50
NZD/EUR	0.5146	0.5172	0.5295	0.5659
NZD/GBP	0.4439	0.4439	0.4463	0.4783
NZD/CAD	0.8238	0.8296	0.8284	0.8352
TWI	69.5	69.7	69.9	72.3

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