

Research Markets Outlook

21 July 2025

Green Light for August Easing

- Q2 CPI surprisingly low
- Consistent with rate cut(s)
- Food and energy price hikes still hurting
- A major impediment to consumer spending growth
- Annual inflation to peak in Q3

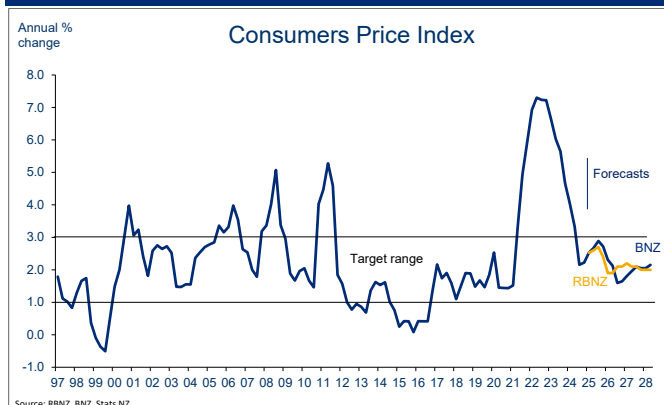
Any fear that today's CPI outturn (0.5% for the quarter, 2.7% for the year) might convince the RBNZ to keep its finger on the pause button should have been shattered by the news that prices rose "just" 0.5% in the June quarter. We think an August cut is now as close to a done deal as can be the case.

Back in May when the Bank produced its Monetary Policy Statement it was also forecasting a 0.5% increase in the quarter. This produced a modelled rate track where the cash rate fell to 2.85% i.e. more chance of two rate cuts than one.

But there is more to it than that. When the RBNZ delivered its July Monetary Policy Review it acknowledged inflationary pressures had risen but that that such pressure would likely be temporary. Consequently, the green light was given to an August rate cut. With those inflationary risks failing to eventuate that green light is now burning even more brightly.

We headed into today's announcement with the view it would be highly unlikely we would change our expectation that rates would fall in August but we were worried that a strong CPI might call into question our expectation for a further rate cut thereafter. As it turned out it did quite the opposite. So, for now, at least, we will stick with our expectation of rate cuts in both August and October.

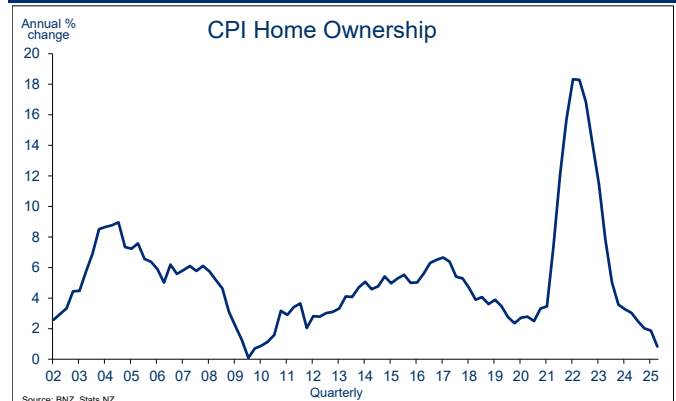
Inflation remarkably well-behaved



Importantly, it now looks a little less likely that annual inflation will push through 3.0%, and a lot less likely that it might stay there. Were it to do so this could well push inflation expectations higher and have the RBNZ having to defend inflation moving outside of its target range.

Thematically, the most interesting aspect of today's CPI was the downward pressure on prices which are related to weakness in the residential property sector. Central to this was the fact that the cost of home ownership (otherwise known as building costs) fell 0.1% in the quarter to be up just 0.8% for the year. The last time annual building cost inflation was this low was in the depths of the GFC and, before that, the 1998/1999 recession. Weak building costs also flowed through to property maintenance which experienced 1.4% annual inflation.

Home ownership inflation disappearing



It should therefore be no surprise to hear that there is also annual deflation for furniture, furnishings and floor coverings, household textiles and household appliances. Softening in the housing market will also be playing its part in seeing insurance inflation subsiding to an annual 6.0% from a peak of 14.0% a year earlier. The quarterly increase of just 0.7% suggests the annual rate will drop much further yet.

Rental inflation is also in decline with prices up 0.8% for the quarter, 3.2% for the year. We were actually surprised that rents rose as much as they did, given that Stats NZ's monthly indicator suggests a lower movement. But the trend is still down, and anecdotal evidence implies it will remain firmly so for a few more quarters yet.

Rent inflation in retreat

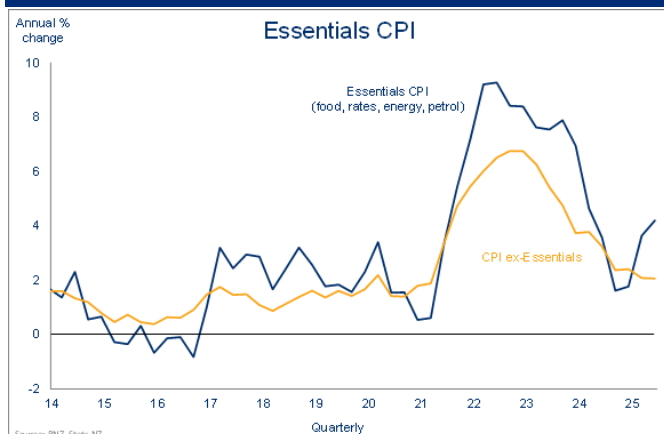


In contrast, the really worrying aspect of today's release is that the cost of essentials is rising far faster than the remainder of the CPI. There are a lot of ways that you can cut this but we reckon the things that are most essential are:

- food
- accommodation and
- energy (electricity, gas and petrol).

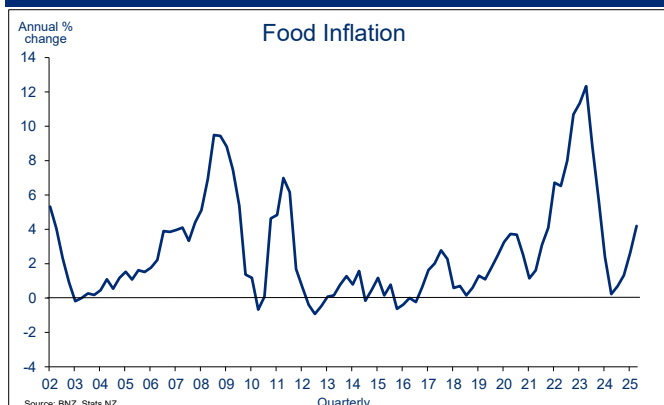
Our very back-of-the-envelope "essentials index" shows the cost of essentials rising at around twice the pace of the remainder of the CPI.

The essential problem



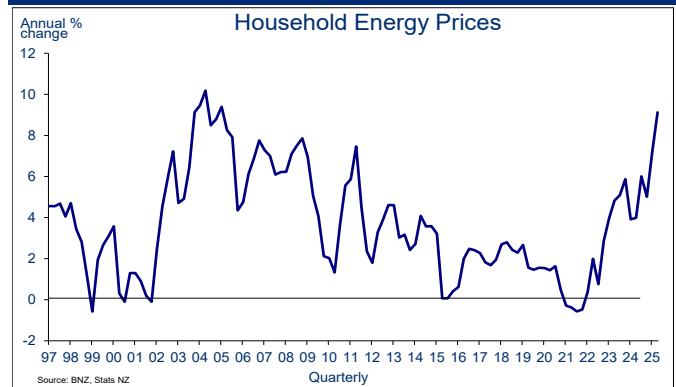
For us, by far and away the biggest concern is that food price inflation has accelerated to an annual 4.2% following a 1.6% quarterly increase.

You've got to eat



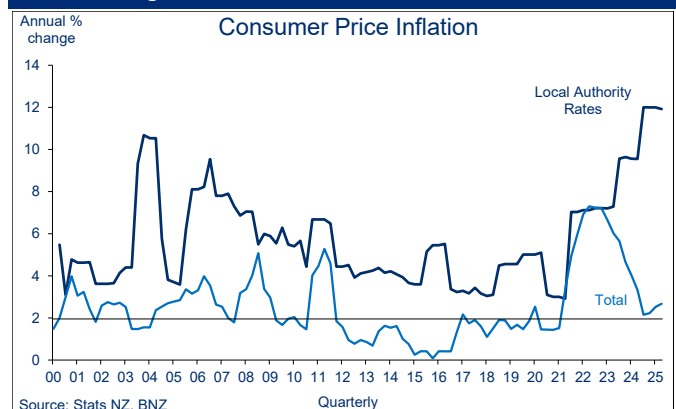
As if this wasn't bad enough, and just in time for winter, household energy costs rose 4.7% in the quarter to be up 9.1% on year earlier levels. And there's more to come.

Energy prices shocking



To cap things off, rates rose an annual 11.9% and you can look forward to an, on average, rates increase of around 8.0% in the current quarter.

Never-ending rates increases



The reason we mention all this is not only to highlight the plight of a large proportion of the population but to also highlight the significant headwinds to any chance of an acceleration in growth in New Zealand. If GDP is to pick up meaningfully then household consumption has to rise. With effective real disposable incomes under so much pressure there is very little chance of an increase in real spending.

Our "flash" forecast is for prices to rise 0.8% in the quarter taking the annual to 2.9%. We also acknowledge that there is some upside risk to this. But the good news is that we believe that will be the peak with annual inflation back near the mid-point of the RBNZ's target band by this time next year.

A key assumption that we have made is that food price inflation will soon abate. New Zealand commodity price inflation is already past its peak and this is normally a forerunner to domestic prices, particularly for food. Indeed, there is even a chance that food prices outright fall.

We are also assuming petrol prices drift lower.

Moreover, overlaying all this, the substantial negative output gap that remains in the New Zealand economy should continue to put downward pressure on non-tradables inflation.

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Global Watch

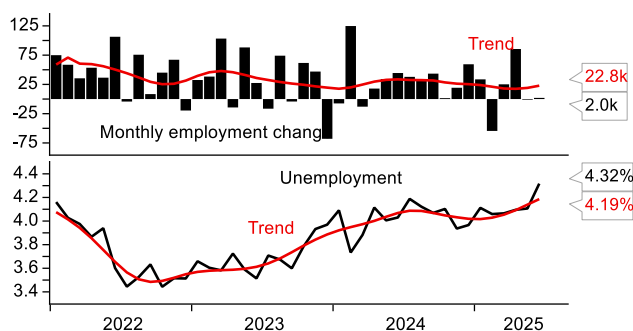
- Quiet week in the economic calendar
- Global PMIs to show activity pulse for July
- ECB decision, widely expected to hold

Week in Review

Internationally, it was US June prices data in focus for signs of tariff impacts. The takeaway is the tariff impacts are real, and they are beginning to flow through to US consumers. Some signs of margin pressure in the PPI and goods import prices that didn't rise much despite the weaker US dollar leave open the likelihood some of the incidence will ultimately be shared. Despite the clear signs of tariff passthrough, both core CPI and PPI were modestly below expectations, with offsets elsewhere suggesting easing inflation pressures outside of tariff impacts.

Australia's unemployment rate rose 2 tenths to 4.3% in June, the highest since November 2021. This comes after months of remarkably little change. The June outcome supports the assessment, based on a range of broader indicators, that the labour market has shown some gradual cooling over the past several months. The RBA forecast the unemployment rate to plateau at 4.3% from Q4 in the May SoMP. Our colleagues at NAB forecast 4.4% at the end of the year.

Australian Employment



Source: National Australia Bank, ABS

Week Ahead

The US has a quiet week in prospect, at least as far as the data and Fed calendar is concerned. Data flow is second tier and includes housing market data, preliminary PMIs and durable goods. The FOMC is in communications blackout ahead of the July meeting next week, meaning Chair Powell's scheduled welcome remarks Tuesday should prove free of anything policy relevant. Earnings season continues, with the highlights of a long list due this week including Alphabet, Tesla and IBM.

US President Trump visits Scotland, and the EU-China summit takes place in Beijing on Thursday. European Commission President Ursula von der Leyen and European

Council President Antonio Costa are scheduled to meet President Xi Jinping and Premier Li Qiang. On tariff watch, Trump has said he will send letters to more than 150 countries notifying them their tariff rates could be 10% or 15%, but the 1 August date remains the next substantive line in the sand.

The ECB meets Wednesday. With 200bp of cuts already delivered and policy characterised as in a 'good position' at the lower end of neutral estimates, a hold is widely expected. Also from the ECB is the Q2 bank lending survey (Tuesday). On the data side, global PMIs are in focus (Thursday).

In Australia, there is a lull in the data calendar ahead of Q2 CPI on 31 July. Instead, the spotlight turns back to the RBA with Minutes from the July meeting. Discussion of the disagreement about timing if not direction could prove interesting. The RBA's Bullock gives the annual speech to the Anika Foundation on Thursday. Any shift in assessment given June employment data will be in focus.

Elsewhere, UK retail sales and Tokyo CPI are both Friday.

Selected Economic Events Preview

Tuesday 22

AU RBA July Minutes

The Minutes have rarely added much new in the era of post-meeting press conferences, and the July meeting Minutes are likely to prove similar. The discussion is likely to reflect the 'disagreement about timing rather than direction' framing Bullock presented. There is some possibility that the decision to publish unattributed votes has flow on implications for how competing assessments are framed. The RBA has tended to use 'members noted' or similar language, whereas Central Banks that provide votes are more likely to qualify with how widely assessments were shared.

EZ ECB Q2 Bank Lending Survey

The decline in ECB rates to a 2% Deposit Rate should continue to support demand for house purchase loans. However, current global economic uncertainty likely means no discernible improvement in business loan demand, offset perhaps at the margin by the prospect of the German-led pickup in defence spending.

US Fed Chair Powell

Scheduled to give welcome remarks at regulatory conference but the FOMC is in blackout period so expect no policy remarks.

Wednesday 23**EZ ECB Jul Meeting (hold)**

NAB and financial markets expect the ECB to hold rates steady at this meeting. Rates have been cut eight times and by 200bps to a 2% Deposit Rate and the ECB has now brought headline inflation successfully down to target. Policy is also now at the lower end of what the ECB considers neutral (range seen 1.75%-2.75%) and where officials have variously stated that policy is in a 'good position.' Still, NAB believe exchange rate gains will allow the ECB to ease again in September to 1.75%.

Thursday 24**AU RBA's Bullock**

Governor Bullock gives the annual Anika Foundation Speech. Interest will be in how much comfort about the near-term trajectory for policy the RBA gained from June employment data. Bullock did seem to imply an oddly

strong interpretation of how constrained she should be in sharing her and the RBA staff's assessments publicly without prior discussion with the Monetary Policy Board. This speech will be the first test of that.

EZ, UK, JN, US PMIs (preliminary July)

In Europe, manufacturing activity has been improving in recent months and may move back up above the 50 boom/bust level. The UK lags its peers by some margin but is performing better in services.

US Weekly Jobless Claims, Regional Fed Surveys**Friday 25****JN Tokyo CPI (June)****UK Retail Sales (June)****US Durable Goods (June)**

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

A combination of weak activity data and signs of a pickup in headline inflation have been insufficient for the market to materially reprice the outlook for RBNZ monetary policy. Subdued manufacturing and service sector PMIs – both remained in contractionary territory in June - have corroborated the sharp decline seen in the previous month and suggest weak economic activity in the June quarter. Meanwhile annual headline CPI picked up to 2.7% in Q2 and looks set to test the top of the Bank's target band, through H2 2025.

The RBNZ acknowledged at the July Monetary Policy Review that inflation is expected to approach the top of the target band in Q2 and Q3. However, this didn't prevent the Bank from reintroducing an easing bias. It expects the pickup to be transitory given the weak economic backdrop and elevated spare productive capacity which is likely to contribute to inflation returning towards 2% over the medium term. Core CPI measures are benign.

Market pricing for the terminal Official Cash Rate (OCR) declined towards 2.8% in the aftermath of the CPI data this morning, which closely aligns with the 2.85% trough in the RBNZ's modelled OCR path, from the May Statement. However, market pricing for the RBNZ has been broadly stable over the past month and the lack of variation has contributed to range bound NZ fixed income markets. We continue to think there is modest downside risks for front end rates and room for the 2y/10y curve, which reached 95bp last week, to extend the recent steepening move.

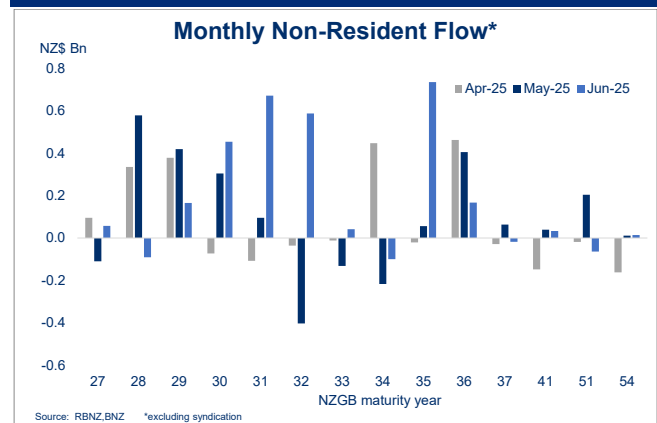
Terminal OCR pricing stable over the past month



Non-resident investors have continued to accumulate NZ government bonds (NZGB) at a steady rate. The latest data covering the period to the end of June reveals total holdings increased to NZ\$111 billion. This is a record in

notional terms and represents about 63% of the NZGB market when the RBNZ's large scale asset purchase programme holdings are excluded. The total doesn't include the tap of the May-2031, which took place earlier in the month, where offshore investors were allocated NZ\$4 billion.

Solid non-resident NZ government bond demand



Granular analysis of individual bond lines reveals consistent demand in the front end and belly of the yield curve. This segment offers the relatively high carry within global developed bond markets. Non-resident investors have also accumulated 10-year NZGBs. The above chart also reveals the lack of demand at the longer end of the curve, reflecting global trends of investor caution, towards this curve segment.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.26	3.26 - 3.30
NZ 2yr swap (%)	3.20	3.14 - 3.29
NZ 5yr swap (%)	3.60	3.52 - 3.66
NZ 10yr swap (%)	4.14	4.01 - 4.17
2s10s swap curve (bps)	94	86 - 95
NZ 10yr swap-govt (bps)	-46	-47 - -44
NZ 10yr govt (%)	4.60	4.50 - 4.60
US 10yr govt (%)	4.42	4.19 - 4.49
NZ-US 10yr (bps)	18	11 - 27
NZ-AU 2yr swap (bps)	-7	-20 - 8
NZ-AU 10yr govt (bps)	26	19 - 41

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

Last week the USD was broadly stronger, supported by US economic data. NZD/USD fell 0.8% to 0.5960. Net NZD cross movements were modest, all contained within plus or minus 0.4%. NZD/JPY lifted to a 5-month high ahead of Japan's weekend Upper House election. NZD/AUD recovered after a weak Australian labour market report.

US economic activity data released during the week mainly surprised to the upside. These included retail sales, jobless claims, two Fed regional manufacturing surveys, and consumer sentiment. The data conveyed a picture of some lingering consumer resilience, even if spending growth is running much weaker than last year, and a resilient labour market. With US equity markets extending to fresh record highs, there didn't seem to be much concern about the direction of the economy under the cloud of policy uncertainty. US inflation data provided further evidence that increased tariffs were feeding through into higher inflation, although it was still early in the process.

These data supported the USD, resulting in dollar indices recovering further, after poor performance during the first half of the year. The market sees slightly less scope for the Fed to ease policy this year, with less than two full rate cuts priced, even with Fed Governor Waller making a strong case for a July rate cut.

The downtrend in NZD/AUD, that followed the RBA's surprising decision to not cut rates earlier this month, came to an abrupt halt, after Australia's labour market report showed an unexpected two-tenths lift in the unemployment rate to 4.3%. The data reinforced market expectations that the RBA would cut 25bps at its next meeting in August. After taking a peek below 0.91, NZD/AUD recovered to end the week at 0.9160. We remain neutral on this cross rate through the rest of the year, seeing a range-trading environment.

The near-term outlook for NZD/USD remains threatened by the overhanging 1-August deadline for trade negotiations, ahead of higher tariffs that are due to come into force. US trade deals with the EU, Japan and India have yet to be negotiated and the current tea leaves point to much higher tariff rates than currently faced. If Trump pushes for an EU tariff as high as 20%, as the FT reported at the end of last week, then that raises the chance of EU retaliation, and escalating tariff rates.

As we noted last week, for NZD/USD to resume its upward trend, the cloud over where the US lands on tariffs needs to be cleared and preferably with an average tariff rate that isn't much higher than the current rate. Another step up in tariffs would be negative for global growth and thereby negative for the NZD.

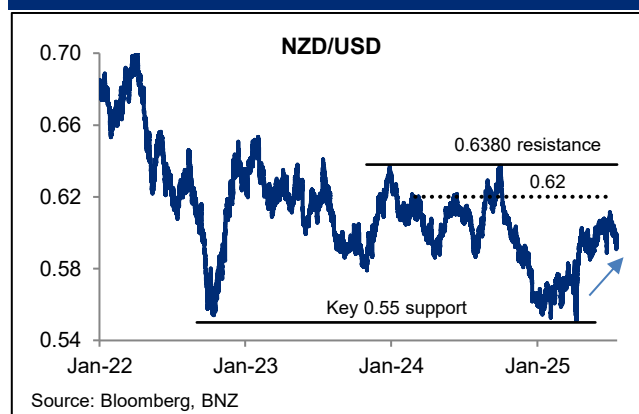
Thinking about cyclical forces for the USD, we don't see the recent run of positive US economic surprises as sustainable. As Fed Governor Waller's speech last week noted, the labour market may not be as strong as headline growth in payroll suggests. Private sector job creation is weakening and there are increased downside risks to the labour market. While the market has recently pared back the scope for easier Fed policy, and this has been one of the factors supporting the USD in July, it wouldn't take much to see a reversal of that move.

Last week's price action saw some NZD support come in just over 0.59, but we continue to think that 0.5820-0.5850 is a more crucial support area.

The result of Japan's Upper House election yesterday was the ruling LDP/Komeito coalition losing its majority. The outcome will result in months of political uncertainty, and the fate of PM Ishiba hangs in the balance. Political uncertainty will likely keep the BoJ on the sidelines against the backdrop of inflation remaining high. JPY has been weakening ahead of the election, going against our forecasts, and with JPY likely to remain under pressure under policy paralysis, at some stage we'll need to revise higher our NZD/JPY projections.

The global economic calendar is light this week with global PMI data and an ECB meeting where policy should remain on hold.

NZD weaker in July, testing the upward trend



Cross Rates and Recent Ranges

	Current	Last 3-weeks range*
NZD/USD	0.5972	0.5980 - 0.6120
NZD/AUD	0.9166	0.9130 - 0.9290
NZD/GBP	0.4449	0.4400 - 0.4470
NZD/EUR	0.5134	0.5110 - 0.5200
NZD/JPY	88.35	87.00 - 88.60

*Indicative range over last 3 weeks, rounded figures

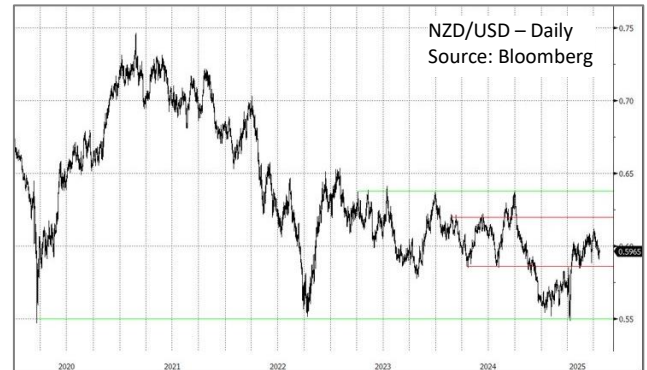
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Technicals

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 0.5820-0.5850 as the first support zone, resistance around 0.62.



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.

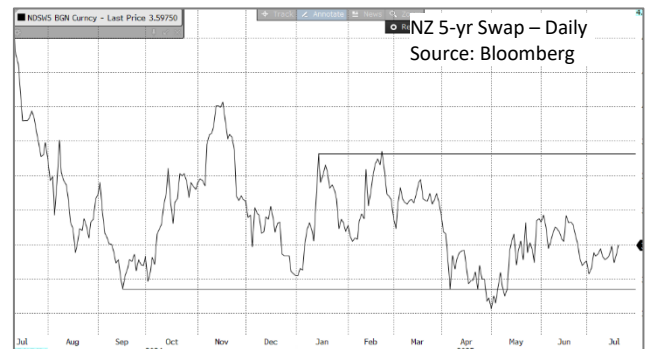
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NZ 5-year Swap Rate

Outlook: Neutral
 ST Resistance: 3.85
 ST Support: 3.47

5-year swap remained steady for another week. It does however appear to be making 'lower highs' for the calendar year.

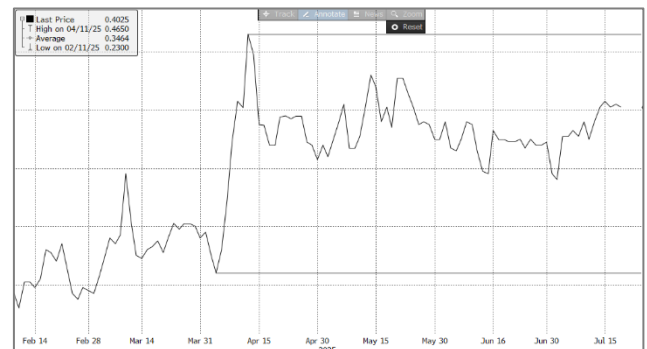


NZ 2-year - 5-year Swap Spread (yield curve)

Outlook: Neutral
 ST Resistance: 0.47
 ST Support: 0.26

2x5 year swap spread remained relatively steady last week. There may be some resistance higher towards +43bp that we will be watching closely.

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Quarterly Forecasts

Forecasts as at 21 July 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.)	0.5	0.8	-0.2	0.5	0.7	0.8	0.8	0.6	0.6	0.5
Retail trade (real s.a.)	1.0	0.8	0.1	0.8	1.2	1.1	0.9	0.8	0.7	0.7
Current account (ann, % GDP)	-6.1	-5.7	-5.2	-4.9	-4.7	-4.6	-4.6	-4.7	-4.7	-4.6
CPI (q/q)	0.5	0.9	0.5	0.8	0.4	0.5	0.4	0.3	0.5	0.6
Employment	-0.2	0.1	-0.2	0.3	0.6	0.7	0.7	0.6	0.5	0.5
Unemployment rate %	5.1	5.1	5.3	5.4	5.4	5.3	5.1	5.0	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	3.2	3.0	2.5	2.2	2.3	2.5	2.7	2.9	2.9
CPI (y/y)	2.2	2.5	2.7	2.9	2.7	2.3	2.2	1.6	1.7	1.8
GDP (production s.a., y/y)	-1.3	-0.7	0.1	1.6	1.8	1.8	2.9	3.0	3.0	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
Jun	3.33	3.38	3.85	4.55	3.19	3.57	4.10	4.30	4.35	0.19
Forecasts										
Sep	3.00	2.90	3.65	4.50	3.00	3.40	4.10	4.10	4.30	0.20
Dec	2.75	2.90	3.65	4.50	3.05	3.45	4.15	3.70	4.25	0.25
2026 Mar	2.75	2.90	3.75	4.40	3.30	3.55	4.05	3.60	4.10	0.30
Jun	2.75	2.90	3.90	4.40	3.55	3.75	4.10	3.45	4.00	0.35
Sep	2.75	3.05	4.00	4.40	3.85	3.95	4.20	3.20	4.00	0.40
Dec	3.00	3.40	4.10	4.45	4.00	4.10	4.30	3.10	4.00	0.45

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.59	0.65	1.16	1.34	148
Sep-25	0.63	0.68	1.24	1.43	130
Dec-25	0.65	0.70	1.23	1.41	125
Mar-26	0.67	0.72	1.25	1.44	120
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
Jun-27	0.70	0.75	1.25	1.44	115

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.59	0.91	0.51	0.44	88.1	68.8
Sep-25	0.63	0.93	0.51	0.44	81.9	71.0
Dec-25	0.65	0.93	0.53	0.46	81.3	72.3
Mar-26	0.67	0.93	0.54	0.47	80.4	73.4
Jun-26	0.68	0.93	0.54	0.47	80.9	73.9
Sep-26	0.68	0.93	0.54	0.47	80.2	73.7
Dec-26	0.68	0.93	0.53	0.46	79.6	73.6
Mar-27	0.69	0.93	0.55	0.48	80.0	74.5
Jun-27	0.70	0.93	0.56	0.49	80.5	75.3

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 21 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	2.2	2.8	1.0	0.0	1.9	2.8	2.4
Government Consumption	2.7	2.0	-0.7	-0.5	-0.1	0.8	-0.1	0.0	-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	1.6	3.2	-0.7	-1.1	0.8	3.2	2.4
Exports	5.6	8.6	2.7	1.3	3.9	11.4	4.1	1.7	3.3	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	1.5	2.9	2.0	-0.5	1.0	2.7	2.4
GDP (production)	3.5	1.4	-1.1	1.3	2.9	1.8	-0.6	0.7	2.7	2.4
GDP - annual % change (q/q)	3.0	1.3	-0.7	1.8	2.6	1.0	-1.3	1.8	3.0	2.3
Output Gap (ann avg, % dev)	2.0	1.0	-1.0	-1.4	-0.5	1.2	-0.5	-1.4	-0.6	-0.3
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	2.3	1.8	4.7	2.2	2.7	1.6	2.1
Employment	2.9	0.9	-0.7	1.4	2.3	2.7	-1.2	0.8	2.5	1.9
Unemployment Rate %	3.5	4.4	5.1	5.3	4.9	4.0	5.1	5.4	4.9	4.8
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	-0.2	1.3	0.4	-1.1	-0.2	1.3	0.4	0.3
Unit Labour Costs (ann av %)	5.5	7.0	4.7	2.3	2.9	7.5	5.0	2.7	2.8	2.9
House Prices (stratified, mth)	-12.8	2.8	-0.6	3.7	5.7	0.6	-0.9	3.2	5.0	5.4
External Balance										
Current Account - \$bn	-33.8	-27.6	-24.7	-20.9	-22.1	-28.6	-26.2	-21.1	-22.3	-21.3
Current Account - % of GDP	-8.6	-6.6	-5.7	-4.6	-4.6	-6.9	-6.1	-4.7	-4.7	-4.3
Government Accounts - June Yr, % of GDP										
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-7.2	-8.8	-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	74.5	72.0	68.5	72.3	73.6	74.7
Overnight Cash Rate (end qtr)	4.75	5.50	3.75	2.75	3.25	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		Median	Fcast	Last
Tuesday 22 July				EC	HCOB Eurozone Services PMI Jul P	50.6	50.5
NZ	Trade Balance NZD Jun		1235m	UK	S&P Global UK Manufacturing PMI Jul P	48	47.7
NZ	Vehicle Registrations Jun			UK	S&P Global UK Services PMI Jul P	53	52.8
AU	RBA Minutes of July Policy Meeting			UK	CBI Trends Total Orders Jul	-27	-33
EC	ECB Bank Lending Survey			UK	CBI Trends Selling Prices Jul	20	19
UK	BOE's Bailey Speaks			Friday 25 July			
Wednesday 23 July				EC	ECB Deposit Facility Rate 24-Jul	2.00%	2.00%
US	Philadelphia Fed Non-Manufacturing Activity Jul		-25	US	Initial Jobless Claims 19-Jul	225k	221k
US	Fed's Powell & Bowman Speak			US	Initial Claims 4-Wk Moving Avg 19-Jul		229.50k
US	Richmond Fed Manufact. Index Jul	-2	-7	US	Continuing Claims 12-Jul	1960k	1956k
US	Richmond Fed Business Conditions Jul		-16	US	Chicago Fed Nat Activity Index Jun	-0.15	-0.28
AU	Westpac Leading Index MoM Jun		-0.06%	EC	ECB's Lagarde Speaks		
JN	BOJ's Uchida Speaks			US	S&P Global US Manufacturing PMI Jul P	52.5	52.9
NZ	New Residential Lending YoY Jun			US	S&P Global US Services PMI Jul P	53	52.9
Thursday 24 July				US	New Home Sales Jun	650k	623k
EC	Consumer Confidence Jul P	-15	-15.3	UK	GfK Consumer Confidence Jul	-20	-18
US	Existing Home Sales Jun	4.00m	4.03m	JN	Tokyo CPI YoY Jul	3.00%	3.10%
AU	S&P Global Australia PMI Mfg Jul P		50.6	UK	Retail Sales Inc Auto Fuel MoM Jun	1.10%	-2.70%
AU	S&P Global Australia PMI Services Jul P		51.8	GE	IFO Expectations Jul	91.4	90.7
JN	S&P Global Japan PMI Mfg Jul P		50.1	EC	ECB Survey of Professional Forecasters		
JN	S&P Global Japan PMI Services Jul P		51.7	Saturday 26 July			
NZ	RBNZ's Conway Speaks			US	Durable Goods Orders Jun P	-10.30%	16.40%
AU	RBA's Bullock Speaks			US	Kansas City Fed Services Activity Jul		3
GE	GfK Consumer Confidence Aug	-19.1	-20.3	Sunday 27 July			
EC	HCOB Eurozone Manufacturing PMI Jul P	49.8	49.5	CH	Industrial Profits YoY Jun		-9.10%

Historical Data

Today Week Ago Month Ago Year Ago

CASH AND BANK BILLS

Call	3.25	3.25	3.25	5.50
1mth	3.35	3.36	3.33	5.59
2mth	3.30	3.32	3.31	5.57
3mth	3.26	3.28	3.30	5.55
6mth	3.23	3.24	3.29	5.36

GOVERNMENT STOCK

04/27	3.29	3.25	3.41	4.20
05/30	3.89	3.85	3.96	4.16
05/32	4.26	4.23	4.30	4.31
05/35	4.60	4.56	4.58	4.46
04/37	4.82	4.77	4.78	4.58
05/41	5.08	5.03	5.03	4.75
05/54	5.30	5.25	5.28	4.81

GLOBAL CREDIT INDICES (ITRXX)

Nth America 5Y	51	51	55	49
Europe 5Y	54	55	60	53

Today Week Ago Month Ago Year Ago

SWAP RATES

2 years	3.20	3.17	3.28	4.36
3 years	3.32	3.30	3.40	4.10
4 years	3.46	3.43	3.53	4.01
5 years	3.60	3.57	3.65	3.99
10 years	4.14	4.10	4.13	4.17

FOREIGN EXCHANGE

NZD/USD	0.5971	0.5972	0.5977	0.5979
NZD/AUD	0.9161	0.9123	0.9252	0.9001
NZD/JPY	88.52	88.21	87.34	93.88
NZD/EUR	0.5129	0.5120	0.5163	0.5489
NZD/GBP	0.4445	0.4448	0.4419	0.4623
NZD/CAD	0.8184	0.8185	0.8209	0.8225
TWI	69.0	69.0	68.6	70.6

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