

Research Markets Outlook

28 July 2025

Q2 Labour Market Preview

- Labour market looks softer than RBNZ forecast
- Filled jobs imply employment fell in Q2
- Slowing labour supply may limit lift in unemployment
- Annual wage inflation easing
- Business and consumer confidence updates due

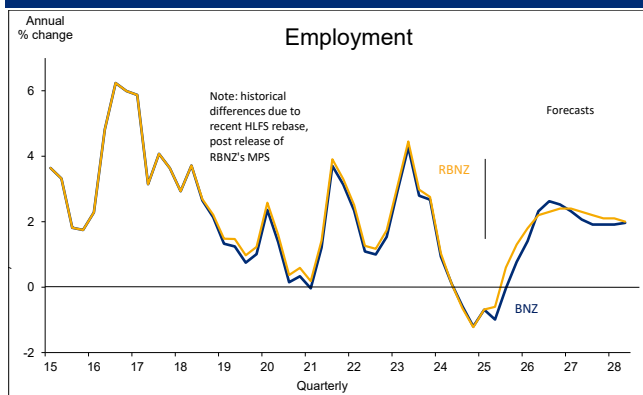
After last week's Q2 CPI, which RBNZ Chief Economist Conway confirmed in a speech came in close to the RBNZ's expectations, attention turns to the labour market as the next major domestic data print.

We expect the combination of next Wednesday's Q2 Household Labour Force Survey (HLFS), Quarterly Employment Survey (QES), and Labour Cost Index (LCI) to portray a weak labour market. Labour demand looks soft, while expansion in labour supply appears to have slowed.

The background to the Q2 labour market reports is that SEEK job ads and filled jobs have been trending lower, and the PMI and PSI employment indicators have been downbeat. Businesses' reports of labour being easier to find have continued, although there are some signs the degree of ease has reduced.

With all that in mind, we forecast a 0.2% q/q dip in Q2 HLFS employment. This would see the unemployment rate nudge up to 5.3%, assuming the labour force participation rate extends its drift downward, to 70.6%.

Employment seen lower than a year ago



Our Q2 unemployment rate forecast is a tick higher than the RBNZ's 5.2% forecast in its May MPS. We see weaker employment growth than the RBNZ's 0.2% q/q and a lower participation rate compared to the RBNZ's flat expectation.

We have long seen the labour market at risk of tracking on the weaker side of RBNZ forecasts. This quarter employment looks like coming in under the Bank's expectations. But even if that occurs, the extent that it shows up in the likes of the unemployment rate depends on the supply side.

Net migration has been tracking lower than the RBNZ expected and if the participation rate were to also dip against the Bank's expectation, employment would only have to hold steady to give a chance that the unemployment rate prints below the RBNZ's expectation.

Conversely, if employment is as weak as we think but the participation rate does not dip, the unemployment rate could be materially higher than the RBNZ has forecast.

We see the risk around our forecasts as broadly balanced, but always wary of the potential for a surprise HLFS outcome. While picking noisy quarterly outturns is fraught with difficulty, it looks clear that the number of people employed will be fewer than a year earlier. We expect employment to be down 1.0% on a year ago (the RBNZ forecast -0.6%).

Today's filled job numbers were soft. Yes, filled jobs edged 0.1% higher in the month of June but fell 0.3% in Q2 overall. Revisions were again downward, which has tended to be the case over recent months and a reason to treat June's small gain with a bit of caution. Filled jobs don't always map one-for-one with official employment, but their decline in Q2 seems supportive of our HLFS view.

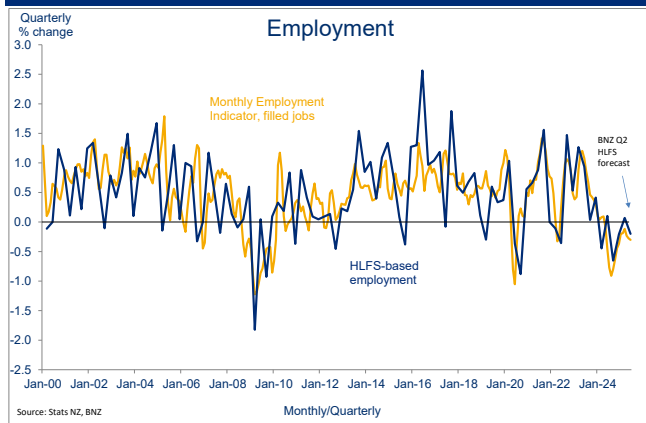
The primary sector remains a bright spot. Primary sector filled jobs rose 0.9% m/m, accounting for 27% of the total jobs lift in the month. Filled jobs in the sector were up 1.2% on a year ago, compared to a 0.5% y/y dip in service industry jobs and a 4.1% y/y drop in the goods-producing sector.

Overall, filled jobs remain weak. And even with the smallest of gains in June, the starting point heading into Q3 is subdued. It suggests more downside risk than upside risk to our early thoughts on Q3 employment growth, which already sits a bit below the RBNZ's May forecasts.

None of this is supportive of household spending, which remains critical to a broader economic recovery. Weak employment is a headwind on its own but comes with a kicker of raising concerns around job security. Combined

with above average inflation in some essential items like food and electricity, it is another factor threatening the timing and extent of the pickup in household spending that many are forecasting.

Fewer jobs



Wage inflation is forecast to ease. In the May MPS, the RBNZ forecast the private-sector Labour Cost Index to rise 0.6% q/q and 2.3% y/y. We are in line with that as a trend easing in annual wage inflation continues. This measure of annual wage inflation was 2.6% in Q1 and 3.8% a year before that.

All this is consistent with easing medium term inflation pressures. RBNZ's Conway also reiterated last week that the Bank intends to cut rates if medium term price pressures ease as expected. We expect the suite of labour market data to give another tick to further monetary easing in August.

ANZ's July business confidence survey is scheduled for release on Wednesday. We wouldn't be surprised to see its forward-looking activity, employment, and investment indicators remain firmly optimistic. The bigger questions remain if, when, or how much of the recent optimism shows up in economic outcomes. Still not to any great extent yet, it would seem, judging by a range of activity and employment indicators to date.

We continue to monitor firms' expectations to gauge the balance of things like:

- above average positivity in the agriculture sector supported by strong revenue (today's Federated Farmers survey shows a net 33% of farmers say current economic conditions are good – an eight year high).
- positive influence from the Government Budget's investment boost depreciation change.
- lower interest rates.
- the drag from offshore uncertainty and trade disruption as ongoing tariff news rolls in. There was positive news over the weekend with a US-EU trade deal agreed. Although, with the EU facing 15% tariffs on most exports to the US it raises the possibility that

level may be the benchmark for others as the latest deadline, on Friday, approaches.

- concern around the domestic demand outlook as spending indicators remain weak.

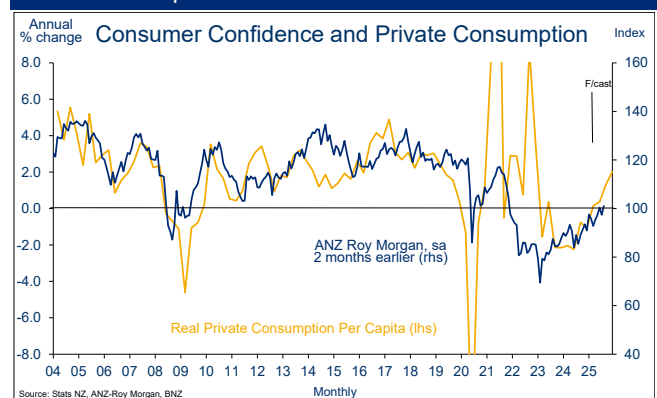
Investment has been generally weak as uncertainty and demand concerns appear to have dominated. But we saw some hints of pick up in imported capital equipment in last week's June trade data. It was only one month, amid subdued broader trends, but such things are worth keeping an eye on.

Inflation indicators from the business survey will be worth a look too. Particularly inflation expectations as these have maintained a close relationship to CPI inflation. Inflation expectations were steady in June at 2.71%.

The outlook for domestic demand remains very important to the broader economic outlook. Updates on consumer confidence and building consents this Friday will give some perspective on this.

ANZ-RM consumer confidence was 98.8 in June and just over 100 on a seasonally adjusted basis. Seasonal patterns are marginally less confidence suppressive in July than June offering some hope for improvement in this week's headline figure for July. But a weak labour market and higher prices for some essential items remain headwinds. The latter are likely part of why consumers' inflation expectations lifted to 4.9% in June.

Confidence required



Based on historical relationships, a material lift in confidence is still required to be consistent with the pickup in household spending that the RBNZ (and we) are forecasting over the coming 12 months. The longer it takes for consumer confidence to improve the more likely it is that household spending will disappoint forecasts.

Residential building consents have been very volatile over recent months so picking Friday's June number after May's +10.4% m/m is fraught with danger. However, the running annual number of consents has stabilised around 33k to 34k over the past 12 months. Something similar is expected in the year to June and it might just edge above

year earlier levels, which would be a first for the annual total since January 2023.

Credit aggregates for June are due out on Thursday afternoon. Household lending growth has been subdued but accelerating a little with more activity in the housing market compared to a year ago. Agriculture lending has dipped as farmers have used stronger incomes to repay debt. Business lending growth has been subdued.

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Global Watch

- **Extremely full global economic calendar**
- **FOMC, BoC and BoJ all seen on hold**
- **Q2 GDP and inflation data for the US and euro area**
- **Australia Q2 CPI data also in focus**

Week in Review

Global risk sentiment remained positive, supported by a US-Japan trade announcement. The deal places a 15% tariff on Japanese exports to the US, while Japan agreed to make investments worth 10% of Japan's GDP into the US. Over the weekend, a US-EU trade deal was announced, with similar terms as the Japan deal. Note August 1 is the US' self-imposed deadline for negotiations for all trading partners, except for China which is August 12, and this date also looks like it will be extended.

The intense pressure on US Fed Chair Powell also appeared to ease slightly with US Treasury Secretary Bessent stating he saw no reason for Powell to resign: *"There's nothing that tells me that he should step down right now"* and *"His term ends in May. If he wants to see that through, I think he should. If he wants to leave early, I think he should"*.

RBA commentary dominated the week with Governor Bullock's remarks taken as slightly hawkish. Key to the interpretation was the Governor's assessment that the May SoMP's conclusion of *"some tightness in the labour market"* remained. June's lift in the unemployment rate to 4.3% was also largely downplayed. Overall, one got the impression from the Governor that an August rate cut is not a done deal, and that the RBA is waiting on Q2 CPI.

Week Ahead

In Australia, Q2 CPI (Wednesday) looms large, and we won't have to wait long to glean how the RBA may interpret it with Deputy Governor Hauser in a fireside chat on Thursday. Our colleagues at NAB look for a trimmed mean print of 0.7% q/q and 2.7% y/y. Also out in Australia are Retail Sales, Building Approvals, Credit (all Thursday), along with Dwelling Prices (Friday).

Non-data wise it is an extremely full calendar. Central banks dominate with the FOMC (Wednesday), BoC (Tuesday) and BoJ (Thursday). All are expected to be on hold. The US' self-imposed tariff deadline is August 1 (Friday), though trade talks are scheduled with China (Monday). Earnings are also top of mind with Microsoft, Meta (Wednesday) and Amazon, Apple (Thursday).

As for the dataflow, the US has a busy week with Q2 GDP (Wednesday), PCE (Thursday), Payrolls and the ISM Manufacturing (Friday). Consensus sees Q2 GDP at 2.4% quarterly annualised and for the unemployment rate to reverse last month's surprise fall. While the FOMC

(Wednesday) is widely expected to be on hold, NAB wouldn't be surprised to see one or two dissents.

Europe also has Q2 GDP (Wednesday) and CPI figures (Friday). The UK in contrast is relatively quiet with no top-tier data. In China, the PMIs (Thursday) are the most significant data piece.

Selected Economic Events Preview

Monday 28

CH/US Trade talks in Stockholm

US and Chinese officials meet in Stockholm to discuss extending the US' August 12 deadline for negotiating a trade deal. US Treasury Secretary Bessent previously stated: *"I think trade is in a very good place with China"* and *"we'll be working out what is likely an extension"*.

US Debt auctions: 2yr \$69bn, 5yr \$70bn

Tuesday 29

US Goods Trade Balance (Jun), JOLTs (Jun)

Job Openings are expected to fall back to 7550k. Also out is the Goods Trade Balance and Inventories, which will be the last data points before Q2 GDP on Wednesday.

US Auctions: 2yr \$30bn (FRN) 7yr \$44bn

Wednesday 30

AU CPI (Q2)

NAB is forecasting a Q2 Trimmed Mean print of 0.7% q/q and 2.7% y/y (also the consensus). This would be one-tenth above the RBA May SoMP forecast of 0.6/2.6%. As for Headline NAB expect this to be 0.8% q/q and 2.2% y/y.

While NAB think a trimmed mean print of 0.7% q/q is consistent with the RBA cutting rates in August, details will matter, especially with the RBA Board having emphasised the mid-point of the 2-3% target. NAB expects cuts in August, November and February to 3.1%

As for items to be watchful for, NAB are looking closely at: new dwelling CPI which is the main driver of why most forecasters pencil in trimmed mean a little above the RBA May SoMP forecast; travel/accommodation with reports of discounting; and other financial services.

EZ Q2 GDP Advanced, ECB Wage Tracker

CA BoC meeting (hold)

US Q2 GDP Advanced, ADP Employment (Jul)

Consensus looks for a Q2 GDP print of 2.4% quarterly annualised, from -0.5%. The widely followed Atlanta Fed GDP Now estimate for Q2 likewise sits at 2.4%. Also out is ADP Employment ahead of Friday's Payrolls with the consensus sitting at 80k from -33k.

US FOMC (hold), Treasury's refunding announcement

The US Fed is expected to be on hold, though markets will be watchful for any dissents from Governors Waller and Bowman given their recent comments supporting a July rate cut. NAB expect the Fed Chair to be non-committal on a September rate cut and expect him to emphasise they are looking at the inflation data closely.

US Earnings – Microsoft, Meta, HSBC**Thursday 31****AU RBA's Hauser, Retail Sales (Jun), Building Approvals (Jun), Credit (Jun)**

RBA Deputy Governor Hauser is speaking in a fireside chat at the Barrenjoey Economic Forum. Hauser's remarks will come one day after the Q2 CPI and will be closely watched, especially if the Q2 trimmed mean measure prints higher than the RBA's May SoMP forecast.

As for Retail Sales for June, NAB's transactions data suggests a strong rise in the month, and they have pencilled in a 1.0% m/m increase. Note this will be the last publication of retail trade with the ABS moving to the Monthly Household Spending Indicator. Published alongside the monthly retail figures will be quarterly volumes, which NAB see increasing 0.2% q/q.

Also out are the second tier Building Approvals and Credit data, both for June.

JN BoJ meeting (hold), Retail Sales (Jun)

While the BoJ is expected to keep policy on hold at this meeting, a rate hike by the end of the year is increasingly being priced by markets. This has been driven by greater trade certainty following the US-Japan trade deal.

CH Official PMIs (Jul)

To some extent this month's PMIs will be less market moving given signs of China moving ahead with larger scale stimulus. One example being the Yarlung Tsangpo megadam, the announcement of which helped drive iron ore prices higher last week.

EZ CPIs for Germany, France and Italy (Jul)

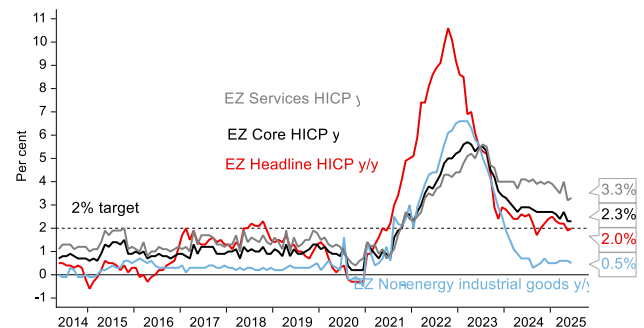
Country level CPI data comes before the main Euro area measure on Friday. Note Spain's CPI is Wednesday.

US PCE, ECI (Q2), Jobless Claims

For PCE, much will already be known from Wednesday's Q2 GDP data. Instead, the focus is more likely to be the pace of personal spending in the month of June where consensus is for 0.4% m/m. Also out is the Employment Cost Index (ECI) with consensus at 0.8% q/q from 0.9%. Jobless Claims meanwhile are expected to remain low, after having fallen back to 217k.

US Earnings – Apple, Amazon, Samsung**Friday 1****AU Dwelling Prices (Jul), PPI (Q2)****JN Jobless Rate (Jun)****CH S&P Global PMI (formally Caixin PMI)****EZ CPI (Jul), Final-Manufacturing PMI**

For CPI much will be known given Spain, Germany, France and Italy all report numbers prior to Friday. NAB think EZ inflation will continue to ease over the next two months. July preliminary data should reveal headline HICP easing to 1.8% y/y from 2%, core HICP declining 1/10th to 2.2% y/y, while services prices also decline 1/10th to 3.2% y/y. This will allow some re-pricing towards a Sep easing that was removed following the ECB's hawkish press conference.

Euro area CPI

Source: National Australia Bank, Bloomberg

US Payrolls (Jul), ISM Manufacturing (Jul), Michigan

The unemployment rate is under the most focus given last month's unexpected decline. Consensus sees a one-tenth lift to 4.2% from 4.1%. As for headline Payrolls, this is expected to be 109k from 147k. Average Hourly Earnings is expected to be 3.8% y/y from 3.7%.

The ISM Manufacturing is also out with consensus looking for a small rise to 49.5 from 49.0. As always, the new orders and prices indexes will be in focus. The University of Michigan Consumer Sentiment is likely to take a backseat given falling response rates and high partisanship.

US Tariff deadline

August 1 is the US' self-imposed tariff deadline. So far agreements have been made with the EU, Japan, UK, Vietnam, Indonesia and Philippines. Markets will be particularly watchful for Canada, Mexico, and South Korea. For countries who have not come to an agreement, the US has said it will impose a tariff level. Note China's August 12 deadline is likely to be extended earlier in the week during trade talks in Stockholm.

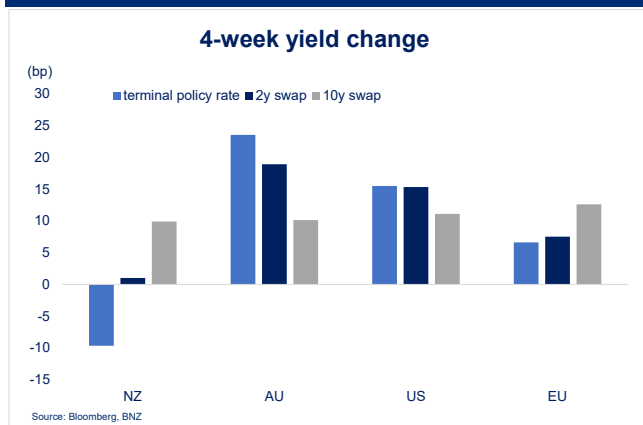
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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ swap rates continue to consolidate with small absolute moves last week in the absence of first-tier domestic economic data to alter the outlook for RBNZ monetary policy, or other global catalysts. NZ front end rates have outperformed on a cross-market basis over the past four weeks, amid soft domestic activity data and a modest undershoot in Q2 CPI, relative to consensus expectations. Pricing for the terminal Official Cash Rate has drifted lower to 2.80%, and there are still downside risks, given the subdued economic recovery.

NZ front end outperformance

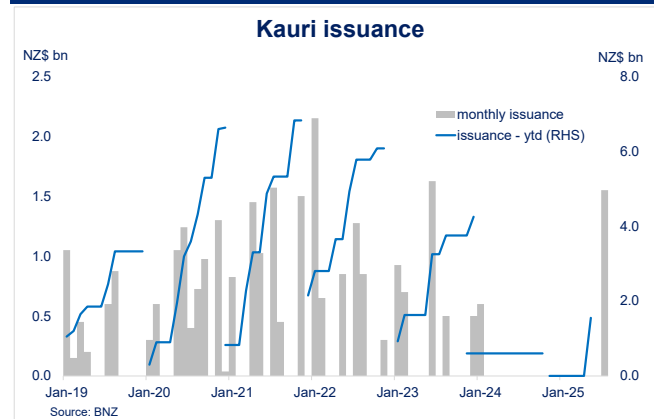


Although global central banks, including the RBNZ, have an asymmetric bias towards a further easing in monetary policy, recent commentary from global policy makers has tilted hawkish at the margin. The European Central Bank left rates unchanged at 2.0% last week, in line with expectations. However, a Bloomberg report attributed to Bank officials, raised questions about the degree of support within the Governing Council, for further easing.

A speech by Reserve Bank of Australia Governor Bullock pointed to some tightness in the labour market, and was hawkish at the margin, suggesting an August rate cut is not a foregone conclusion, despite being fully discounted by the market. Pricing for the terminal RBA policy has rebounded to 3.1%, reversing the decline, after the soft employment data.

NZ rates will be driven by offshore developments in the week ahead. There is a range of first-tier economic releases and risk events. Key releases include Q2 GDP and inflation data in the US and euro area, US labour market reports and Q2 CPI in Australia. The Federal Reserve and Bank of Japan are expected to leave rates unchanged.

Kauri issuance returns in July



Kauri market activity has picked up in July after a period with no deals that extends back to the beginning of 2024. The NZ\$600 million World Bank seven-year deal marked a reopening of the Kauri market. The deal priced at ~10bp over the 2032 NZ Government Bond setting a record for the tightest Kauri spread ever. This transaction was followed by the Export Development Canada NZ\$950 million 5-year Kauri last week.

Both deals had allocations of close to 80% to domestic bank balance sheets. After a dearth of issuance, investors were likely attracted by diversification benefits, despite the tight spread to government. There was limited impact on the NZ swap market given the offsetting hedging flows between the issuer and investors. Given comparison pricing in other currencies, it is unlikely the recent deals will precede a large-scale recovery in Kauri issuance.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.19	3.19 - 3.30
NZ 2yr swap (%)	3.19	3.11 - 3.26
NZ 5yr swap (%)	3.59	3.51 - 3.65
NZ 10yr swap (%)	4.12	4.01 - 4.17
2s10s swap curve (bps)	93	90 - 98
NZ 10yr swap-govt (bps)	-49	-50 - -44
NZ 10yr govt (%)	4.61	4.50 - 4.60
US 10yr govt (%)	4.39	4.19 - 4.49
NZ-US 10yr (bps)	22	11 - 27
NZ-AU 2yr swap (bps)	-15	-20 - 6
NZ-AU 10yr govt (bps)	27	19 - 39

*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 weaker, helping NZD/USD appreciate 0.9% to around 0.6015, recovering the loss over the prior week. Net NZD cross movements were small, the biggest movers being 0.7% gains against CAD and GBP.

Risk appetite improved last week, boosted by new US trade deals. Our risk appetite index rose to 75%, its highest level since February, supported by a VIX index that fell below 15 and further compression in high yield credit spreads, which now sit in the 97th percentile in terms of stretching to historical lows.

New US trade deals announced last week included those with Indonesia, the Philippines, and with Australia (specific to beef market access for US exporters), but the most notable one was with Japan. This deal places a 15% tariff on Japanese exports to the US, including the auto sector, and Japan agreed to make investments into America, worth 10% of Japan's GDP. During the weekend, a US-EU trade deal was announced, with similar terms as the US-Japan deal.

Furthermore, reduced US-China trade tensions are evident and no further increase in tariffs on China appears imminent, with potential for a meeting between presidents Trump and Xi later in the year. Early this week, US Treasury Secretary Bessent will be meeting Chinese counterparts for a third round of trade talks, with a view towards extending the trade truce and widening discussions.

Against the backdrop of all this news, the USD was broadly weaker as risk appetite increased and this supported the NZD. Also of note, USD/CNY fell to its lowest level since November (just above 7.15, before reversing a little), another supportive factor for the NZD.

The NZD remains within a well-established trading range of 0.5850-0.61 on daily closes since mid-April. We have previously noted that event risk around the 1-August trade deal deadline needed to be overcome before considering the potential for the NZD to recover further this year. However, that 1-August date is now less important, given the concluded US trade deals with the EU and Japan. South Korea and Taiwan trade agreements are the last outstanding ones in terms of key US trading partners. Countries like NZ and Australia are likely to face 15% tariffs, higher than the current 10% rate.

In the end, the average US tariff rate is likely to settle just over 15%, which will add to US inflation and is negative for global growth, but at the same time reduces uncertainty about the outlook and avoids the worst-case scenario of even higher tariffs.

While tempting to declare the path clear for a resumption of the downward trend in the USD and upward trend in the

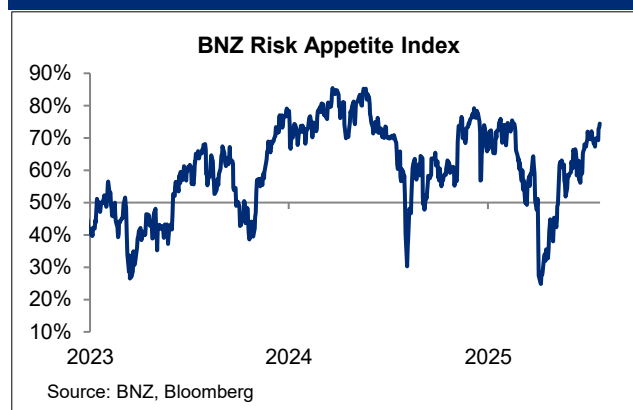
NZD, it is worth noting that seasonal factors work against this view. Historically, August has been the worst month for the NZD, as risk appetite tends to fall. A 5% gain for the NZD last August was an exception to the rule. For now, we'll suggest that the recent trading range holds.

In the week ahead there is an abundance of top-tier global economic data as well as policy meetings of the Fed, Bank of Canada and BoJ. The market prices in little chance of rate changes from all three central banks.

For the Fed, there will be some interest in whether Chair Powell opens the door for a possible rate cut in September, a meeting for which the market sees a better than even chance of a 25bps cut. Two Fed Governors could dissent, which would be a rare event, and give more fuel for Trump to criticise Chair Powell. Ahead of the meeting, the Fed will be able to incorporate new information on consumer confidence, and Q2 GDP and PCE deflators, while key data on non-farm payrolls, the unemployment rate, employment cost index and ISM manufacturing will come after the policy meeting.

Other key global releases include euro area GDP and CPI, Australia CPI and retail sales, and China PMI data. Domestically, the ANZ NZ business outlook survey and consumer confidence are released.

BNZ risk appetite index recovers to a 5-month high



Cross Rates and Recent Ranges

	Current	Last 3-weeks range*
NZD/USD	0.6016	0.5910 - 0.6060
NZD/AUD	0.9149	0.9100 - 0.9240
NZD/GBP	0.4478	0.4400 - 0.4480
NZD/EUR	0.5115	0.5080 - 0.5170
NZD/JPY	88.86	87.40 - 88.90

*Indicative range over last 3 weeks, rounded figures

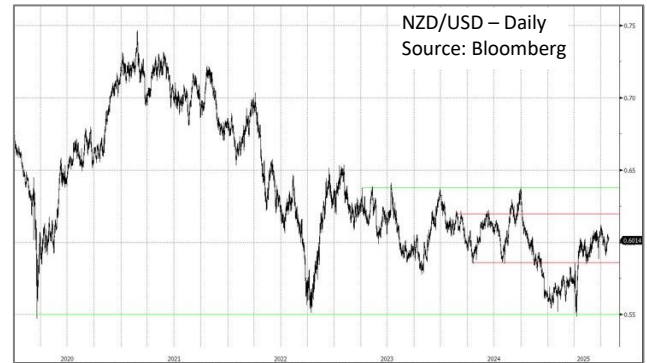
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Technicals

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.

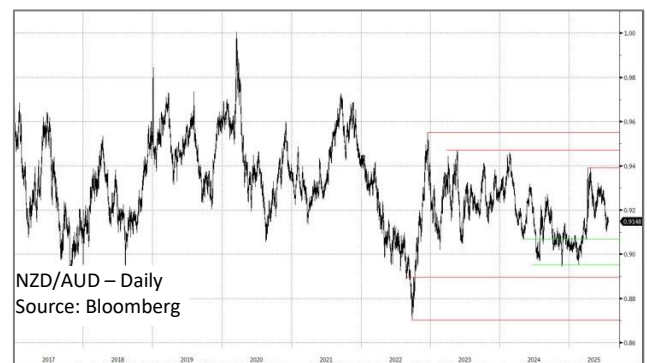


NZD/AUD

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 seems to have found a 3.60/3.50 range this month to remain contained. The 'lower-highs' theme sees a downward sloping trend emerge.

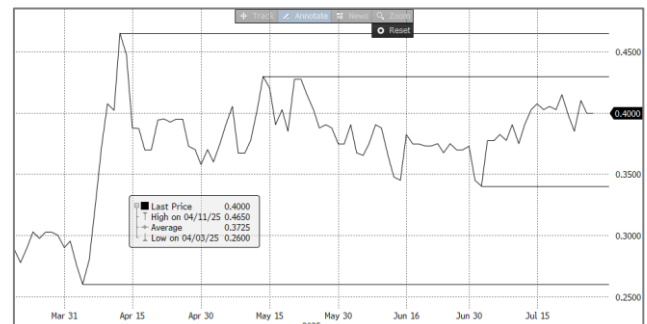


NZ 2-year - 5-year Swap Spread (yield curve)

Outlook: Neutral
 ST Resistance: 0.47
 ST Support: 0.26

2x5 year swap spread is marginally flatter on the week. We see a potentially tighter range of 43/34bp emerging, however will look for most time to pass for confirmation.

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Quarterly Forecasts

Forecasts as at 28 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	-5.3	-5.1	-4.9	-4.9	-4.9	-4.9	-4.9	-4.8
CPI (q/q)	0.5	0.9	0.5	0.9	0.3	0.4	0.5	0.4	0.3	0.5
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	3.0	2.7	2.2	2.1	1.7	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	0.60	0.66	1.18	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	0.60	0.92	0.51	0.45	89.0	69.3
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 28 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	1.1	3.9	11.4	4.1	1.5	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	2.2	1.8	4.7	2.2	2.7	1.7	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	-22.1	-22.9	-28.6	-26.2	-22.1	-23.2	-22.2
Current Account - % of GDP	-8.6	-6.6	-5.7	-4.9	-4.8	-6.9	-6.1	-4.9	-4.9	-4.5
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
Monday 28 July				Thursday (continued)			
EC ECB's Escriva Speaks				NZ Household Credit YoY Jun			
Wednesday 30 July				JN BOJ Target Rate 31-Jul	0.50%		0.50%
US Advance Goods Imports MoM SA Jun			0.00%	JN BOJ's Ueda Speaks			
US Advance Goods Exports MoM SA Jun			-5.20%	EC Unemployment Rate Jun	6.30%		6.30%
US JOLTS Job Openings Jun	7550k		7769k	Friday 01 August			
US Conf. Board Consumer Confidence Jul	96		93	GE CPI YoY Jul P	2.00%		2.00%
US Dallas Fed Services Activity Jul			-4.4	US Employment Cost Index 2Q	0.80%		0.90%
NZ ANZ Business Confidence Jul			46.3	US Personal Income Jun	0.20%		-0.40%
AU CPI QoQ 2Q	0.80%	0.80%	0.90%	US Personal Spending Jun	0.40%		-0.10%
AU CPI YoY 2Q	2.20%	2.20%	2.40%	US Core PCE Price Index MoM Jun	0.30%		0.20%
AU CPI Trimmed Mean QoQ 2Q	0.70%	0.70%	0.70%	US Core PCE Price Index YoY Jun	2.70%		2.70%
AU CPI Trimmed Mean YoY 2Q	2.70%	2.70%	2.90%	US Initial Jobless Claims 26-Jul	223k		217k
EC ECB Wage Tracker				US Continuing Claims 19-Jul	1954k		1955k
EC Economic Confidence Jul	94.5		94	US MNI Chicago PMI Jul	42		40.4
EC GDP SA QoQ 2Q A	0.00%		0.60%	AU Cotality Home Value MoM Jul			0.60%
Thursday 31 July				NZ ANZ Consumer Confidence Index Jul			98.8
US ADP Employment Change Jul	80k		-33k	NZ Building Permits MoM Jun			10.40%
US GDP Annualized QoQ 2Q A	2.40%		-0.50%	JN Jobless Rate Jun	2.50%		2.50%
CA BOC Rate Decision 30/07/2025	2.75%		2.75%	AU PPI QoQ 2Q			0.90%
US Pending Home Sales MoM Jun	0.30%		1.80%	CH S&P Global China PMI Mfg Jul	50.2		50.4
US FOMC Rate Decision (Upper Bound) 30-Jul	4.50%		4.50%	EC HCOB Eurozone Manufacturing PMI Jul F	49.8		49.8
AU RBA's Hauser Speaks				EC CPI Estimate YoY Jul P	1.90%		2.00%
JN Retail Sales MoM Jun	0.50%		-0.60%	EC CPI Core YoY Jul P	2.30%		2.30%
JN Industrial Production MoM Jun P	-0.70%		-0.10%	Saturday 02 August			
CH Manufacturing PMI Jul	49.7		49.7	US Change in Nonfarm Payrolls Jul	109k		147k
CH Non-manufacturing PMI Jul	50.3		50.5	US Average Hourly Earnings YoY Jul	3.8%		3.7%
AU Building Approvals MoM Jun	1.80%	0.00%	3.20%	US Unemployment Rate Jul	4.20%		4.10%
AU Retail Sales MoM Jun	0.40%	1.00%	0.20%	US ISM Manufacturing Jul	49.5		49
AU Retail Sales Ex Inflation QoQ 2Q	0.10%	0.20%	0.00%	US Construction Spending MoM Jun	0.00%		-0.30%
AU Private Sector Credit MoM Jun	0.50%	0.50%	0.50%	US U. of Mich. Sentiment Jul F	61.8		61.8

Historical Data

Today Week Ago Month Ago Year Ago

CASH AND BANK BILLS

Call	3.25	3.25	3.25	5.50
1mth	3.31	3.35	3.33	5.54
2mth	3.23	3.28	3.31	5.50
3mth	3.19	3.24	3.29	5.46
6mth	3.16	3.22	3.27	5.28

GOVERNMENT STOCK

04/27	3.31	3.25	3.31	4.09
05/30	3.88	3.85	3.86	4.08
05/32	4.26	4.23	4.22	4.26
05/35	4.60	4.57	4.54	4.43
04/37	4.82	4.79	4.72	4.58
05/41	5.10	5.06	4.97	4.76
05/54	5.32	5.28	5.21	4.84

GLOBAL CREDIT INDICES (ITRXX)

Nth America 5Y	50	51	51	52
Europe 5Y	53	54	55	55

Today Week Ago Month Ago Year Ago

SWAP RATES

2 years	3.19	3.14	3.19	4.19
3 years	3.32	3.27	3.31	3.94
4 years	3.45	3.41	3.44	3.86
5 years	3.59	3.56	3.57	3.86
10 years	4.12	4.12	4.08	4.07

FOREIGN EXCHANGE

NZD/USD	0.6023	0.5968	0.6096	0.5876
NZD/AUD	0.9160	0.9145	0.9263	0.8972
NZD/JPY	88.94	87.95	87.80	90.50
NZD/EUR	0.5119	0.5103	0.5172	0.5430
NZD/GBP	0.4479	0.4423	0.4439	0.4569
NZD/CAD	0.8250	0.8165	0.8296	0.8140
TWI	69.3	68.9	69.7	69.3

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