

Research Markets Outlook

4 August 2025

NZ faces higher US tariff; labour market soft

- US lifts tariff on goods from NZ to 15%
- A headwind for exporters
- But don't overlook world growth forecasts edging up
- Q2 labour market data expected to be soft
- Inflation expectations data due

The latest spin of the US tariff roulette wheel occurred last week with a host of new rates foisted upon different countries to be implemented later this week.

NZ goods sold into the US are set to face a 15% tariff. This is a lift from the 10% that was put in place earlier this year. In addition to a higher rate, another adverse factor this time around is the fact that NZ goods will now no longer be facing the lowest possible tariff rate into the US.

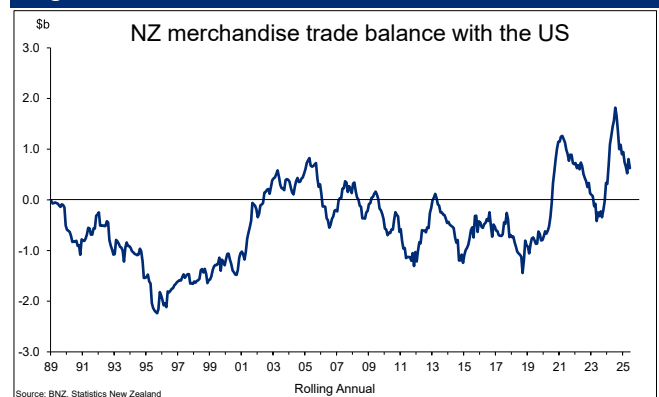
Importantly, Australia will continue to face a 10% tariff rate, which is the minimum the US has set across countries. This means NZ exports will be less competitive than before when selling goods into the US, relative to Australia. This matters for the likes of meat, NZ's biggest export category to the US (mainly frozen beef, and lamb), as Australia also exports a significant amount of meat to the US. It doesn't necessarily mean NZ export prices will fall, rather that they are likely to be lower than they otherwise would be absent the latest change.

While there are exceptions, EU goods exports to the US face a general 15% tariff. This matches the rate NZ goods will face heading into the US. This will disappoint those who had hoped NZ would keep its previously announced advantage over the EU. It will impact NZ exporters competing with the EU in the US market with wine a particular concern.

Like it or not, the rationale for the US imposing different tariff rates on different countries appears to be a function of one's trade balance with the US. In general:

- run a trade deficit with the US and face a 10% rate.
- run a modest trade surplus with the US and/or do a deal and face a tariff of around 15%.
- run a large trade surplus with the US and/or don't do a deal and receive a higher tariff rate.

NZ goods trade balance with the US



NZ ran a small trade surplus with the US last year. However, that is not typically the case. NZ has recorded an annual trade deficit with the US in 27 of the past 37 years. The sum over that period is a \$17.1b deficit. Diplomatic efforts are underway to negotiate a lower NZ tariff. But so far to no avail and the chances seem limited.

The impact of the tariff changes will vary by product, partly depending on the rates that NZ competitors face into the US and how much is absorbed by the US importer. Some margin pressure on NZ exporters is likely. Any economic hit would be lessened by diversion of trade to other markets, while it's also possible that those with competitors facing higher tariffs into the US than NZ may see opportunity for margin expansion.

At a macro level, the increased US tariff on NZ goods exports could be expected to have an adverse impact at the margin providing another headwind at a time when the NZ economy is already struggling to gain momentum.

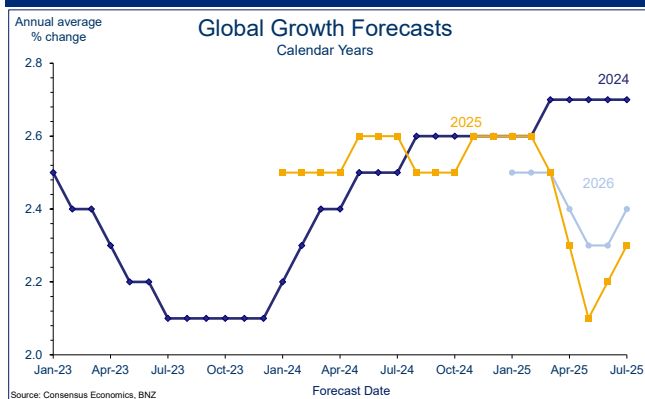
Across countries, the average US tariff is now sitting at around 18%, up from near 2% before President Trump took office this term. Even though the overall average change in US tariffs last week was small, a limited move in the average glosses over some material changes in the detail that will cause yet more disruption and effort for folk to get their heads around.

The RBNZ has been clear that it sees rising tariffs and global uncertainty as mostly a demand shock, from an NZ

perspective, that reduces medium-term inflation pressure. This, and the lift in the NZ tariff rate specifically, incrementally supports the case for further monetary easing.

It hasn't all been negative on the global front, though. Consensus forecasts for world growth have recently been creeping back upwards. While we remain cautious on the global outlook, not-so-weak global growth forecasts and some supply side concerns have had us contemplating nudging some primary product price forecasts higher. We may still do so, although any lift would be tempered by last week's tariff announcement and the risk that it arrests recently improving world growth expectations. The NZD wobbling around, and currently under, USD 0.60, is another support relative to expectations of appreciation.

World growth forecasts have bounced off their low



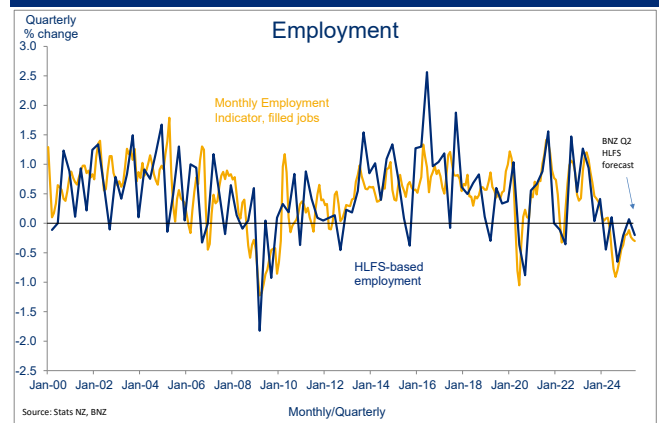
Astonishingly, the tariff news was arguably not even the most troubling coming out of the US late last week. President Trump's firing of the Bureau of Labor Statistics Chief reportedly for publishing a poor jobs report is as disturbing as it is shocking. Some see this as threatening to undermine the integrity of US economic data. It certainly isn't a good look.

Turning to the domestic data in the week ahead, most attention will be on Wednesday's Q2 labour market figures. We expect they will portray a weak labour market. We provided a full preview last week ([see here](#)) so give a summary here.

We forecast a 0.2% q/q dip in Q2 employment. Employment intentions have been positive but filled job outcomes have been weak. A dip in employment, as we forecast, would see the unemployment rate nudge up to 5.3%, assuming the labour force participation rate extends its drift downward, to 70.6%.

Our view is broadly in line with market consensus but suggests a softer labour market than the RBNZ published in its May MPS. In that document the Bank forecast employment growth of +0.2% q/q, an unemployment rate of 5.2% and a flat participation rate at 70.8%.

Employment indicators weak



On wages, our 0.6% q/q forecast for the private-sector Labour Cost Index is the same as that forecast by the RBNZ although a tick higher than consensus. We don't have a major issue with the consensus view as it fits with our broad thinking that wage inflation is easing. A quarterly move as we forecast would see annual wage inflation continuing to fall, to 2.3% in Q2 from 2.6% in Q1.

We will also keep an eye on the likes of QES filled jobs, QES paid hours, and HLFS hours worked as a loose guide to activity in the quarter. We expect them to be subdued.

World prices for NZ's major primary products have been edging down from recent highs, according to ANZ's commodity price index. We expect tomorrow's July update to follow suit, with a dip of around 1.4% m/m. Lower dairy prices in the month are anticipated to more than offset a firm lift in aluminium prices. NZD denominated prices are expected to ease by a similar amount in the month but to still be up about 14% on a year ago.

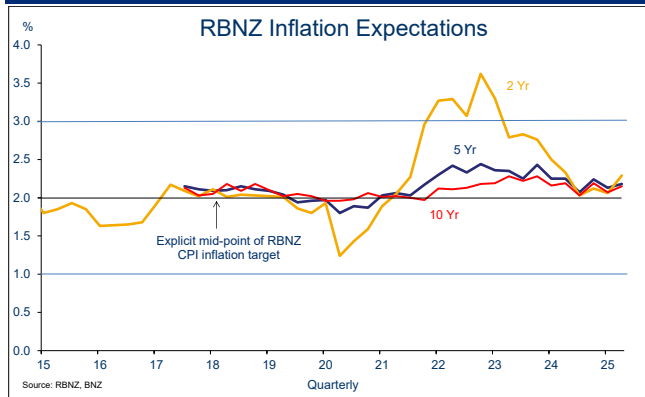
The very latest on dairy prices will be seen at the early Wednesday morning GDT auction. The balance of indicators looks more positive than negative. Wholemilk powder prices look likely to rise, while an increase in butter volumes being offered at this event may see prices pullback further from their recent record. Overall GDT prices often dip at this time of year so even a small gain, as we expect, would be a seasonally strong result.

Last, but not least, the RBNZ's Survey of Expectations is scheduled for release on Thursday. The 2, 5, and 10-year ahead readings were 2.29%, 2.18%, and 2.15% respectively in Q2. They have been well behaved and close to the middle of the RBNZ's target band, although expectations did inch marginally higher last quarter. Another nudge upward would be in the wrong direction for the RBNZ.

The Bank pays attention to its inflation expectations components so they are worth monitoring. However, it is interesting that the Bank noted in a research paper published this morning that 'when explaining and

forecasting domestic or non-tradables inflation, modelled measures of price-setting behaviour perform better than survey-based measures.’ That said, the Bank says it is best to consider all measures.

Inflation expectations



Focus will be on whether inflation expectations edge higher as headline inflation increases. This was not the case in the year-ahead inflation expectations in the ANZ business survey last week.

The steadiness in business expectations is important to note given consumer inflation expectations continued to edge higher, to 5.1%, in last week's July ANZ consumer confidence survey. Consumer inflation expectations tend to be biased upwards, but the lift over recent months is disconcerting.

The recent increase might reflect recent material price gains in some essential items like food and electricity rather than widespread price pressures. And the hit to household disposable incomes will likely see less spending elsewhere than otherwise would be the case generating some disinflationary pressure in other areas. Moreover, weakness in the labour market and associated wage pressures are reducing the chance of inflation persistence.

Even so, the recent lift in consumer inflation expectations will be disconcerting and awkward for the RBNZ and will not go unnoticed. Some of that discomfort might be assuaged if this week's inflation expectations stay well-behaved.

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Global Watch

- Quiet week in the economic calendar
- BoE expected to cut 25bps
- US ISM services survey due
- China services PMI likely to remain subdued

Week in Review

The US Fed kept rates on hold with two dissenters. Fed Chair Powell came across as less dovish by giving no hints on September and stating it is “*still quite early days*” in assessing tariff impacts. As for US data, nonfarm payrolls increased by 73k in July compared with the 104k consensus. Combined with large downward revisions of 258k, weak job growth sends a strong signal that the labour market is weakening.

US Q2 GDP printed at 3.0% quarterly annualised vs. 2.6% expected. Europe also had GDP figures that beat marginally (0.1% q/q vs. 0.0 consensus) though US outperformance is clear with the annual y/y rate being 2.0% vs. 1.4% in Europe. US President Trump also published final tariff rates for trading partners. Australia is at 10% and NZ at 15%.

Australian Q2 CPI gave a green light to an RBA August interest rate cut. The trimmed mean measure rose 0.6% q/q vs. 0.7% expected and RBA Deputy Governor Hauser noted the data was “*very much as we had expected*”. Accordingly, the RBA is still likely to be ‘cautious and gradual’ in easing policy. Our colleagues at NAB continue to see the RBA cutting rates in August, November and February, bringing the cash rate down to 3.10% which they see as broadly neutral.

Week Ahead

Offshore all focus will be on the fallout from US President Trump’s finalisation of tariff rates. It is also widely expected the US and China will further extend their negotiation timeline by another 90 days. Outside of tariffs, the BoE (Thursday) is expected to cut rates.

As for the data, it is quiet with the Northern hemisphere summer holiday season in full flight. The US has the ISM Services (Tuesday) and Productivity (Thursday). There is a smattering of Fed speakers, but NAB expect the schedule to fill out given there are clear divergences on the FOMC.

Europe goes quiet, but not before the BoE meets (Thursday) where economists and markets expect a 25bp cut. Datawise it is a desert with only the final-PMIs (Tuesday) of any note.

China has its S&P Global Services PMI (Tuesday; formally Caixin PMI) where another soft outcome is likely. The Trade Balance (Thursday) is also likely to garner attention.

In Australia, the only top-tier piece of data is the Monthly Household Spending Indicator (Tuesday) which should see strong growth given the blockbuster retail number. NAB expects a 0.9% m/m increase. Such an outcome would see annual spending lift to 5.0% y/y.

Selected Economic Events Preview

Monday 4

AU NSW Bank Holiday, MI Inflation Gauge (Jul)

Bank employees in NSW are out on a holiday so expect thinner than usual markets. The second-tier Melbourne Institute Inflation Gauge is also out which has seen a much lower pace of inflation to the official ABS Monthly Inflation Indicator.

EZ Sentix Investor Confidence (Aug)

US Factory Orders (Jun), Durables (Jun)

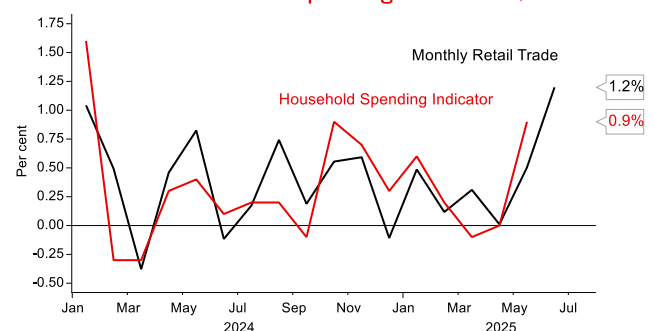
Tuesday 5

AU Household Spending Indicator (Jun)

NAB expect the Monthly Household Spending Indicator to rise 0.9% m/m, which would be in line with NAB’s internal transactions data (consensus 0.8%). Such an outcome would see the annual rate lift to 5.0% y/y and reinforce NAB’s expectation that the economy picked up momentum in June and May, underpinning their forecasts for modestly better GDP outcomes in H2 vs. H1 2025.

Note the ABS’s Monthly Retail Trade for June rose 1.2% m/m. This was the last Retail Trade publication, with the ABS moving to the Monthly Household Spending Indicator.

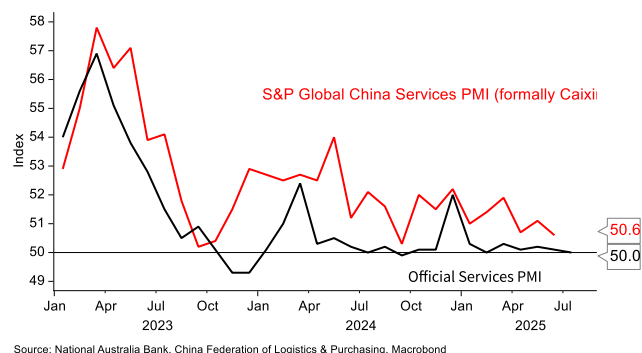
Retail Sales vs. Household Spending Indicator m/m



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

JN BoJ Minutes (from June)**CH S&P Global Services PMI (Jul) (formally Caixin)**

It is worth noting the official services PMI (which is a subset of the non-manufacturing PMI) was 50.0 in July from 50.1. Overall conditions remain subdued in the Chinese services sector.

China Services PMI - Caixin and Official**EZ/UK Final-Services PMIs****US ISM Services (Jul), Trade Balance (Jun)**

Consensus sees the ISM Services lifting to 51.5 from 50.8. As always, the trends in the Prices Paid and the New Orders Indexes will be watched closely.

US Debt auctions: 3yr \$58bn**US Earnings – AMD, BP, Aramco****Wednesday 6****JN Labour Cash Earnings (Jun)****EZ Retail Sales (Jun), German Factory Orders (Jun)**

Consensus for retail sales sees a 0.3% m/m rise after last month's -0.7%.

US Debt auctions: 10yr \$42bn**US Earnings – Disney, Novo Nordisk****Thursday 7****AU Goods Trade Balance (Jun)**

NAB expect the Goods Trade Balance to lift to \$4.2bn in June from \$2.2bn previously (consensus \$3.3bn), as a surge in imports seen in May unwinds and LNG volumes pick up after some plants were in maintenance.

CH Trade Balance (Jul)

China's trade has been remarkably resilient to all the US induced trade and tariff uncertainty. Part of the explanation is that exports have surged to other areas of the world, including ASEAN, Latin America and more recently Africa.

UK BoE Meeting (cut)

Markets expect a 25bp rate cut to 4% on Thursday. While inflation has moved higher, the BoE expects it to soon roll over, aided by a softening labour market. Unemployment has risen to 4.7% from a 3.6% cycle low. Wage growth remains too high but has moderated more markedly recently, which will provide more comfort for most of the MPC to get behind a further easing.

NAB look for a 2-5-2 vote, with two voting for a 50bps cut, five for 25bps and two (Pill, Greene) on hold. The 'cautious and gradual' guidance will remain. The risk is the BoE sounds a little more hawkish given inflation which would reduce pricing for a further cut before year-end. NAB would not expect such a dynamic to last as the economy weakens.

US Productivity, Jobless Claims, NY Fed Inflation Exp., Fed's Bostic

Productivity is expected to surge after the latest weak print, which mirrors the volatility seen in the headline GDP figures from the trade balance. Consensus sees non-farm productivity at 2.0% from -1.5%. Jobless Claims meanwhile are expected to remain low. Even though continuing claims have risen, as a share of the population they remain at very low levels.

US Debt auctions: 30yr \$25bn

Of interest given ongoing interest in the health of demand of the ultra-long end globally.

Friday 8**JN BoP (Jun), BoJ Summary of Opinions (from July)****CA Employment, Unemployment**

Consensus sees the unemployment rate ticking up one tenth to rise to 7.0%. Such an outcome would likely reinforce expectations that the BoC will need to ease policy before the end of the year.

US Fed's Musalem

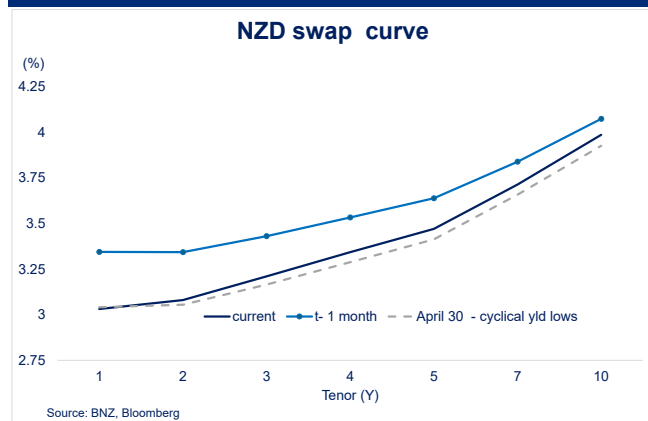
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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ swap rates have continued to move lower, and are approaching the cycle lows reached in April, following significantly weaker than expected US labour market data at the end of last week. There were limited domestic catalysts as market participants look ahead to Q2 labour market data, which is the final first-tier release, ahead of the RBNZ's August 20 Monetary Policy Statement (MPS). Recent domestic activity data has been softer than expected - the Citigroup economic surprise index has steadily declined over the past two months.

NZ swap curve approaching the April yield lows



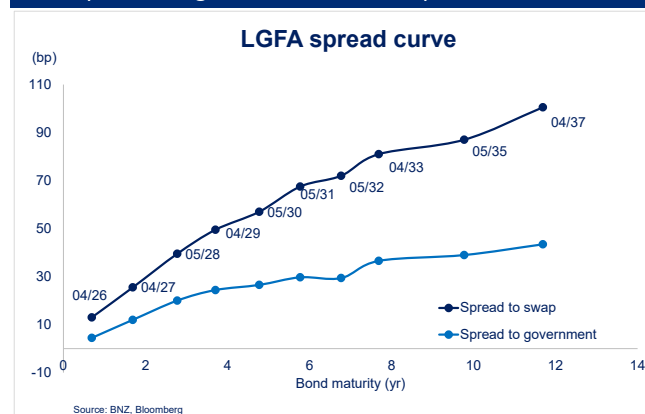
A 25bp rate cut at the August MPS is close to fully discounted by market pricing and the Q2 labour market report on Wednesday is likely to support further easing. Higher frequency indicators are pointing towards ongoing weakness in employment. And taking a broader lens, the subdued economic recovery raises questions if monetary policy is sufficiently stimulatory. Market pricing for the terminal Cash Rate has declined towards 2.80%, the lowest level in three months, and risks for front end rates remain skewed lower.

NZ Local Government Funding Agency (LGFA) will undertake its monthly tender this week which is likely to attract decent demand from market participants, despite tight spreads to the government curve, which are at multi-year lows. The spread tightening has taken place against the backdrop of limited domestic issuance and a broadly positive environment for global credit markets. The recent World Bank Kauri deal priced at the tightest ever spread to NZ government bonds, indicating investor demand for high grade issuance, to provide diversification from NZGBs.

LGFA indicated in its *Statement of Intent* that gross issuance would be NZ\$5.2 billion in FY26 which began on 1 July. Funding is increasingly being diversified into foreign currency issuance. In FY25, LGFA issued around 2.4 billion in NZ dollars via a mixture of monthly tenders and the

syndication of the Apr-2032 line last October. NZD issuance represented approximately 50% of the total, with the remainder coming from foreign currency issuance, a trend that is expected to continue.

LGFA spreads to government and swap curves



5-year LGFA spreads have outperformed relative to global credit spreads in recent months reducing the potential for further compression. However, supply is likely to be limited with several foreign currency markets providing lower funding costs relative to NZ dollars. The medium-term risk is that LGFA's bond programme continues to grow as councils undertake greater infrastructure investment, but the diversified funding base will reduce the impact on NZ spreads.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.19	3.19 - 3.30
NZ 2yr swap (%)	3.10	3.10 - 3.26
NZ 5yr swap (%)	3.49	3.49 - 3.65
NZ 10yr swap (%)	4.01	4.01 - 4.17
2s10s swap curve (bps)	91	89 - 98
NZ 10yr swap-govt (bps)	-46	-50 - -44
NZ 10yr govt (%)	4.47	4.47 - 4.58
US 10yr govt (%)	4.22	4.20 - 4.49
NZ-US 10yr (bps)	25	11 - 25
NZ-AU 2yr swap (bps)	-14	-20 - 1
NZ-AU 10yr govt (bps)	15	15 - 35
*Indicative range over last 4 weeks		

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Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

The US dollar made significant gains last week, extending its recovery from July into early August, until a weaker jobs report caused it to decline. Despite this, the USD recorded broad-based gains, strengthening against all major currencies except the yen. The NZD/USD fell 1.6% to just below 0.5920, and the NZD underperformed, dropping across all key crosses, further impacted by the US raising NZ's baseline tariff rate to 15%. While the NZD's losses against the AUD, EUR, and GBP were limited to within 0.5%, NZD/CAD fell by 1%, and NZD/JPY dropped 1.8%.

In advance of the August 1 deadline, President Trump announced new trade agreements and tariff rates to take effect at the end of the week. According to the Yale Budget Lab, the average effective tariff rate will remain around 18%. The highest tariffs are targeted at the US's largest trading partners—Canada, Mexico, and China—though Canada and Mexico will be partially shielded, as increased rates only apply to goods outside existing free trade agreements. Most other nations will face rates between 10-15%. Notably, NZ's tariff rate was set at 15% due to its trade surplus with the US, which is higher than Australia's and the UK's 10% rate, putting NZ exporters at a disadvantage and contributing to weaker NZD cross rates by week's end.

On the positive side, much of the uncertainty surrounding tariffs has now dissipated, though some rates remain open to negotiation and sector-specific tariffs are yet to be announced. On the negative side, these rates are expected to lead to temporarily higher US inflation, apply disinflationary pressure elsewhere as trade routes shift, and contribute to weaker US and global growth compared to the pre-tariff baseline.

Our risk appetite index plunged 14 points last week, dropping to just over 60% after significantly weaker-than-expected US non-farm payrolls data. Notably, this had a greater impact on the USD than on the NZD, reversing some of the dollar's prior strength earlier in the week. US GDP rebounded by an annualised 3% in Q2 after dropping 0.5% in Q1, though there were clear indications of weaker domestic demand in the first half of the year.

Additionally, the US Federal Reserve left policy unchanged, with a rare double dissent from two Trump-appointed Governors, as anticipated. However, Chair Powell gave no strong hint that rate cuts could come as soon as September. He emphasised that the unemployment rate was now more important for the policy outlook than employment, noting that stricter immigration policies are impacting labour supply. The market largely ignored this on Friday, instead pricing in a high chance of a September rate cut following significant downward revisions to payrolls.

Overall, it was a volatile week for foreign exchange markets, with various factors at play. Of particular

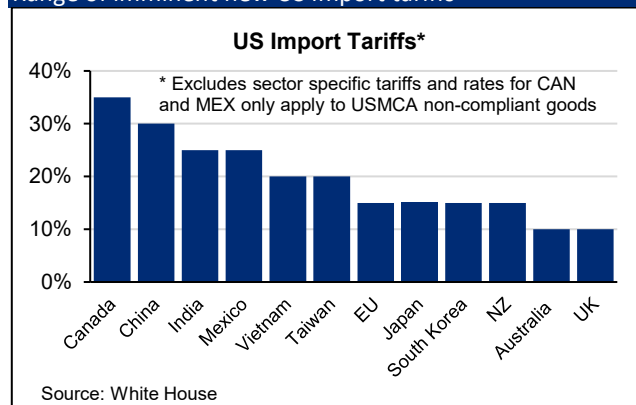
importance for NZD/USD, the 0.5820–0.5850 support zone held, with the NZD bouncing off a low of 0.5857, reinforcing that range. The trading band since mid-April (0.5850–0.61 on daily closes) remains unbroken, and we expect it to persist for a while longer.

NZD/AUD rose after weaker-than-expected Australian Q2 CPI data solidified expectations for a 25bps rate cut at the August meeting, but then fell after NZ's US tariff rate was set at 15%, higher than Australia's 10%. We do not believe the small difference in tariff rates will significantly influence the outlook for the cross rate, and we expect the trading range to continue.

NZD/JPY was affected by opposing forces: it climbed after Bank of Japan Governor Ueda struck a dovish tone following the policy meeting—signalling no urgency to raise rates despite inflation exceeding target—but slipped after risk appetite faded on the back of weak US jobs data. NZD/JPY is now back below its 200-day moving average, after recently hitting a five-month high, and we prefer to play the cross from the short side.

Looking ahead, the calendar is light. NZ labour market data, due Wednesday, is expected to be soft and supportive of the RBNZ easing later this month. The Bank of England is universally expected to deliver a 25bps rate cut. Globally, the only notable data release is the US ISM services survey.

Range of imminent new US import tariffs



Cross Rates and Recent Ranges

	Last wk		
	Current	% chg	Last 3-wks range*
NZD/USD	0.5912	-1.6%	0.5860 - 0.6060
NZD/AUD	0.9135	-0.2%	0.9100 - 0.9190
NZD/CAD	0.8145	-1.0%	0.8110 - 0.8260
NZD/GBP	0.4448	-0.5%	0.4410 - 0.4490
NZD/EUR	0.5099	-0.3%	0.5080 - 0.5190
NZD/JPY	87.05	-1.8%	87.10 - 89.10

*Indicative range over last 3 weeks, rounded

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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)

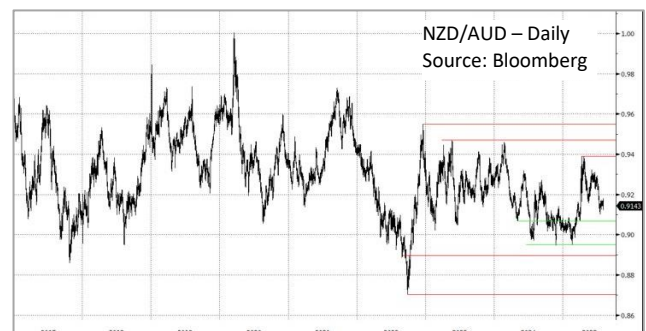
The 0.5820-0.5850 support range has been reinforced, holding in the wake of last week's tremor.



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

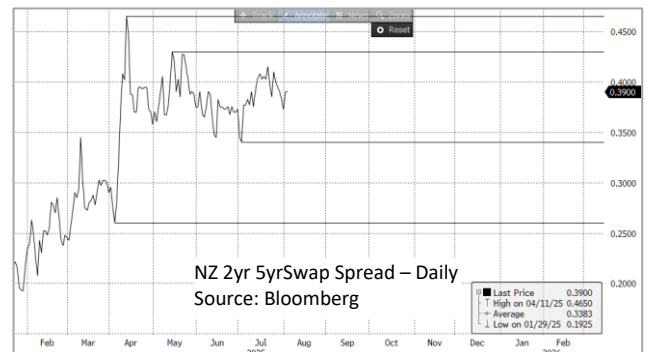
5-year swap sits just above our support following last week's payrolls number. Should it break lower we will reassess all levels, but support may come in at 3.41.



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

Outlook: Neutral
 ST Resistance: 0.47
 ST Support: 0.26

2x5 year swap spread failed to move materially last week. We continue to look for technical direction.



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Quarterly Forecasts

Forecasts as at 4 August 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	3.25	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	3.80	3.95	4.20	3.20	4.00	0.40
Dec	3.00	3.30	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	1.33	147
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	0.45	87.0	68.5
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 4 August 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
<i>GDP - annual % change (q/q)</i>	<i>3.0</i>	<i>1.3</i>	<i>-0.7</i>	<i>1.8</i>	<i>2.6</i>	<i>1.0</i>	<i>-1.3</i>	<i>1.8</i>	<i>3.0</i>	<i>2.3</i>
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)	-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	74.5	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	3.80	5.63	4.26	2.90	3.30	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	3.25	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 04 August				AU Trade Balance Jun	A\$3250m	A\$4200m	A\$2238m
AU Melbourne Institute Inflation YoY Jul			2.40%	NZ 2Yr Inflation Expectation 3Q			2.29%
EC Sentix Investor Confidence Aug	6.9		4.5	GE Industrial Production SA MoM Jun	-0.50%		1.20%
Tuesday 05 August				EC ECB Publishes Economic Bulletin			
US Factory Orders Jun	-4.80%		8.20%	EC ECB's Rehn Speaks			
US Durable Goods Orders Jun F	-9.30%		-9.30%	UK BoE Bank Rate 7-Aug	4.00%		4.25%
AU S&P Global Australia PMI Services Jul F			53.8	CH Exports YoY Jul	5.50%		5.90%
JN BOJ Minutes of June Meeting				CH Imports YoY Jul	-1.00%		1.10%
NZ ANZ Commodity Price MoM Jul			-2.30%	Friday 08 August			
AU ANZ-Indeed Job Advertisements MoM Jul			1.80%	US Nonfarm Productivity 2Q P	2.00%		-1.50%
AU Household Spending MoM Jun	0.80%	0.90%	0.90%	US Initial Jobless Claims 2-Aug	221k		218k
AU Household Spending YoY Jun	4.90%	5.00%	4.20%	US Continuing Claims 26-Jul	1947k		1946k
CH S&P Global China PMI Services Jul	50.4		50.6	EC ECB's Rehn Speak			
EC HCOB Eurozone Services PMI Jul F	51.2		51.2	US Fed's Bostic Speaks			
UK S&P Global UK Services PMI Jul F	51.2		51.2	US Wholesale Trade Sales MoM Jun	0.20%		-0.30%
Wednesday 06 August				US NY Fed 1-Yr Inflation Expectations Jul			3.02%
NZ Totality Home Value MoM Jul			0.20%	JN Household Spending YoY Jun	2.70%		4.70%
US Trade Balance Jun	-\$61.3b		-\$71.5b	JN BoP Current Account Balance Jun	¥1806.1b		¥3436.4b
US S&P Global US Services PMI Jul F	55.1		55.2	JN BOJ Summary of Opinions (July MPM)			
US ISM Services Index Jul	51.5		50.8	JN Eco Watchers Survey Outlook SA Jul	46.5		45.9
NZ Dairy GDT Auction				Saturday 09 August			
NZ Unemployment Rate 2Q	5.30%	5.30%	5.10%	CA Unemployment Rate Jul	7.00%		6.90%
NZ Employment Change QoQ 2Q	-0.10%	-0.20%	0.10%	US Fed's Musalem Speaks			
NZ Pvt Wages Ex Overtime QoQ 2Q	0.50%	0.60%	0.40%	CH PPI YoY Jul	-3.30%		-3.60%
JN Cash Earnings - Same Sample Base YoY Jun	3.70%		2.10%	CH CPI YoY Jul	-0.10%		0.10%
JN Scheduled Full-Time Pay - Same Base YoY Jun	2.50%		2.40%	Sunday 10 August			
GE Factory Orders MoM Jun	1.00%		-1.40%	US Fed's Bowman Speaks			
EC Retail Sales MoM Jun	0.30%		-0.70%				
Thursday 07 August							
US Fed's Cook, Collins & Daly Speak							

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	3.25	3.25	3.25	5.50	2 years	3.09	3.17	3.18	3.96
1mth	3.28	3.30	3.33	5.42	3 years	3.22	3.30	3.29	3.74
2mth	3.24	3.22	3.30	5.38	4 years	3.35	3.43	3.42	3.68
3mth	3.19	3.20	3.27	5.33	5 years	3.48	3.57	3.55	3.69
6mth	3.17	3.17	3.27	5.10	10 years	3.99	4.09	4.06	3.93
GOVERNMENT STOCK					FOREIGN EXCHANGE				
04/27	3.25	3.29	3.27	3.83	NZD/USD	0.5912	0.5970	0.5995	0.5941
05/30	3.82	3.87	3.84	3.85	NZD/AUD	0.9145	0.9155	0.9235	0.9144
05/32	4.19	4.24	4.20	4.05	NZD/JPY	87.02	88.67	87.54	85.65
05/35	4.52	4.57	4.52	4.23	NZD/EUR	0.5099	0.5151	0.5120	0.5423
04/37	4.74	4.80	4.72	4.38	NZD/GBP	0.4451	0.4470	0.4407	0.4650
05/41	5.01	5.06	4.97	4.57	NZD/CAD	0.8146	0.8201	0.8202	0.8212
05/54	5.22	5.29	5.20	4.66	TWI	68.6	69.1	69.1	69.3
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	54	50	51	61					
Europe 5Y	56	53	54	65					

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