

Research Markets Outlook

11 August 2025

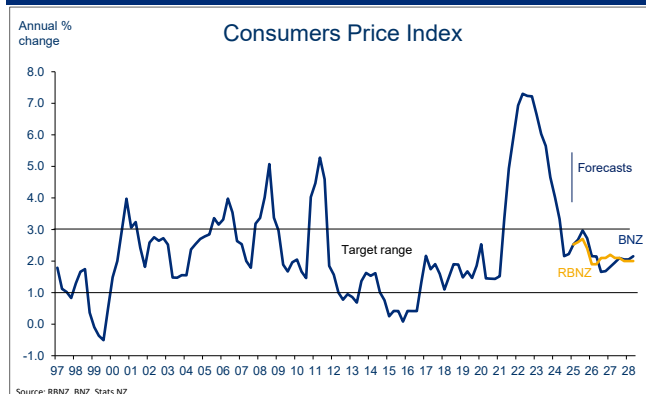
August MPS Preview

- Rate cut a done deal
- We'd argue for more than one
- PMI and PSI to shape the discourse
- Medium term inflation the key
- Selected price indices to shape near term views

In its July Monetary Policy Review the RBNZ stated that "If medium-term inflation pressures continue to ease as projected, the Committee expects to lower the Official Cash Rate further". In our opinion this condition has been satisfied meaning a 25-basis point cut to 3.0% at the August 20 Monetary Policy Statement (MPS) is a given.

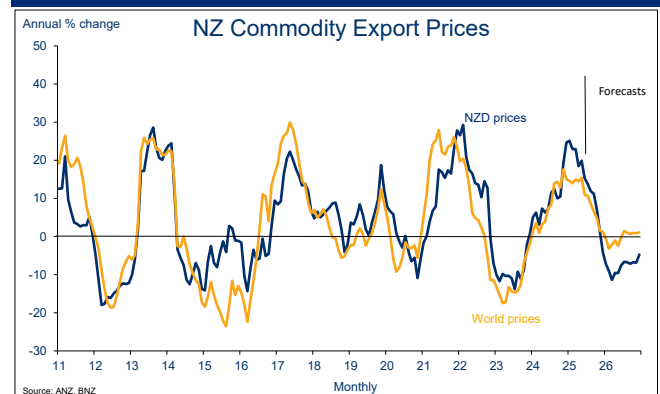
We still think near term inflation will be higher than the Reserve Bank assumed when it put together its May MPS, which was the last time we got to see the Bank's full set of forecasts. But, equally, we believe the upswing will be transitory and the medium-term outlook for inflation is probably even weaker than the Bank had assumed.

On track



To start with, the surprise in near term inflation is largely commodity price related which in New Zealand's case shows up most clearly in food price inflation. While there is no immediate sign of any respite for domestic consumers on this front, there is strengthening evidence that New Zealand commodity prices have peaked. Already the pace of commodity price inflation is falling, and we expect more easing in the months ahead. Indeed, there is even a chance of outright price declines.

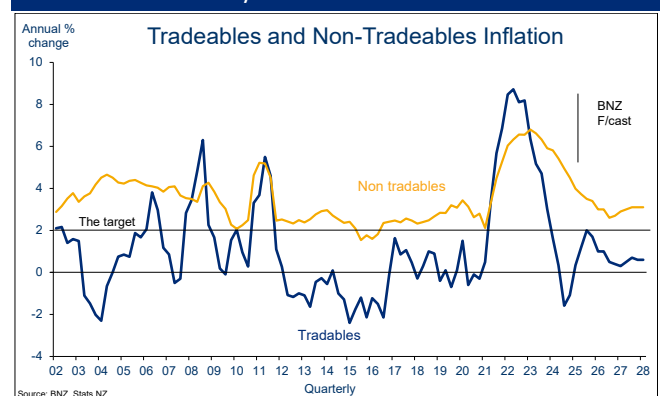
Commodity price pressures dissipate



At the same time, we expect the New Zealand dollar to begin appreciating as the US economy slows and New Zealand's relative interest rate settings look more appealing to investors. This will put further downward pressure on tradables goods prices.

Weak demand for these goods will also help the disinflationary process.

Tradables drive the cycle



Overlaying this, the latest labour market data suggest spare capacity in the economy is continuing to grow. While the headline unemployment rate was no worse than the RBNZ anticipated, a lot of the rest was. In particular, employment growth was negative, the employment rate fell, and the underutilisation rate jumped. Indeed, by our estimates, all 13 of the indicators the RBNZ used to measure deviations from maximum sustainable employment were on the weak side of the ledger.

Rounding things off, Labour Cost Index wage inflation, at an annual 2.3%, was bang on RBNZ forecasts, and consistent with the Bank achieving its medium-term inflation objectives.

There was a chance rising inflation expectations could derail the RBNZ's easing strategy but the broader suite of inflation expectations data over the last few weeks has not been threatening. Importantly, the key RBNZ survey data show expectations to be well contained.

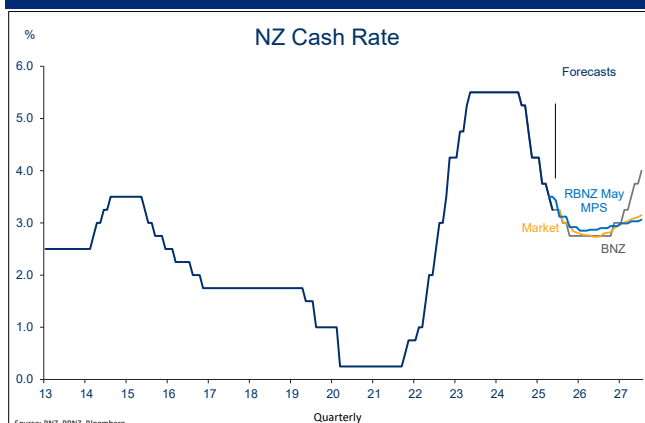
If there is any concern it could emanate from rising household inflation expectations, as per the ANZ survey. But, really, with "essentials" inflation continuing to be heady, it's not surprising inherently adaptive household expectations have pushed higher.

The other potential obstacle to further easing is the fact that global growth expectations are being revised higher as Trump's tariffs become more moderate than first feared. But we don't think this is sufficient to offset all the deflationary influences especially when some of that growth may be being derived from the heightened redirection of lower priced products coming out of China, specifically, and Asia, more generally.

For us the key outstanding question is: how much further might rates go after the cut to 3.0%? In our opinion, one more nudge to 2.75% is a minimum requirement. But will the RBNZ go so far as to bake this in the cake, or will they prefer to appear ambivalent with a focus on the data prints ahead?

Our expectation is that the Bank will print a rate track not dissimilar to what it printed back in May, namely with a decent chance of a cut to 2.75%. We can see the argument for taking a more cautious approach especially if the Committee feels it does not want to push an incoming new Governor into a corner. Equally, an admission that even more work than a 2.75% low might be required is plausible. While 2.75% is our central forecast for the low, we think the odds of 2.5% are marginally higher than a 3.0% stall.

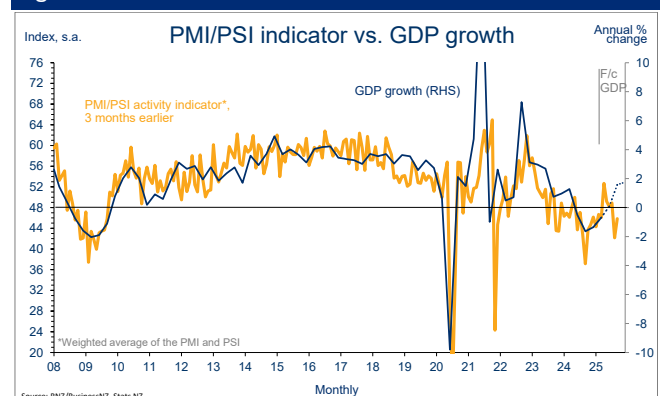
At least two more cuts?



It's difficult for us to have a strong conviction on the final track because data released between now and the MPS meeting could have a significant bearing on the outcome. We think the key releases to watch out for are the BNZ-Business New Zealand PMI (Friday 15th August) and its sibling PSI (Monday 18th).

To be consistent with the sort of economic growth we are forecasting, which is not wildly different to the RBNZ's expectations, the combined PMI/PSI activity indicator needs to climb to around 53, which is miles above the 45.8 reported in June.

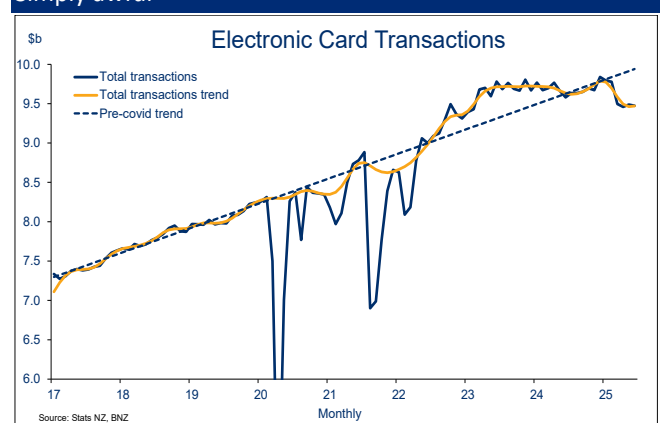
Big bounce needed



The PMI production indicator was a sub-par 48.6 in June. The headline index was similar at 48.8. As for the PSI, its equivalents were 44.5 and 47.3 respectively. If there is no meaningful bounce in these readings it will increase the likelihood of more than one OCR cut.

There are other activity data to be mindful of in the week ahead. On Wednesday we get July Electronic Card Transactions. Household spending has been moribund for some time now. This is reflected in the fact that nominal total card transactions have not risen at all for almost three years. With household consumption representing around 60% of expenditure on GDP, series such as the ECT will need to start showing signs of life soon if recovery projections are to be realised.

Simply awful



Rounding out the real economy indicators, keep an eye out for: the ANZ Truckometer and Q2 Ready Mixed Concrete numbers on Tuesday; and migration and travel data on Friday.

On the price front we get the RBNZ Household Inflation expectations data on Thursday. More importantly, Selected Price Indices for July are released on Friday. Being the first month of the quarter they will have a disproportionate impact on this quarter's CPI. At the moment we are forecasting a 0.9% increase in the Q3 CPI which will take the annual reading to 3.0%. Between them, we are expecting the food group and housing and household utilities to contribute 0.7 of that 0.9 increase.

In the food group a seasonal increase in fruit and vegetable prices and ongoing hikes in meat, poultry and fish prices are the main culprits. Consistent with this, we are assuming food prices rose 0.6% for the month.

Q3 is also when the annual local authority rates hike comes in the post. We are expecting an average increase

across the country of around 8.0% but, unfortunately, the monthly data won't provide any clues on this.

We will get some insight into the annoyingly impactful accommodation services group. A significant jump in domestic accommodation services prices is the normal seasonal response for July usually accompanied by a large hike in domestic airfares.

We'll also be interested to see how much falling rents for new rental agreements are feeding through into the stock measure which is incorporated into the CPI. Our base assumption is that rents will rise 0.2% in the month.

Come what may, we again stress that while the short-term price data will be interesting it is the medium term that matters for the RBNZ.

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Global Watch

- **US CPI in focus for evidence of tariff impacts**
- **UK and Japan Q2 GDP seen at 0.1% q/q**
- **RBA expected to cut 25bps**
- **US and China retail sales out too**

Week in Review

Offshore, speculation on who the next US Fed Chair would be intensified. In the end we are no clearer with President Trump instead opting to nominate Stephen Miran as Fed Governor to serve the remaining term of Kugler, ending on 31 January. President Trump will have ample time to evaluate who he wants to be Fed Chair with the names in circulation still being Governor Waller, Kevin Warsh and Kevin Hassett. Miran is expected to advocate for cuts, making at least two cuts in 2025 more probable.

The BoE met, cutting rates in a split 5-4 decision. The BoE's latest forecasts saw inflation rising to a peak of 4.0% in September, and even in 2026 it is higher than their prior forecasts at 2.7%. The outcome highlights how central banks are now becoming more wary about inflation.

Australian data flow has been relatively quiet. Household spending, according to the Monthly Household Spending Indicator, picked up in Q2 with the ABS' volumes estimate up a very solid 0.7% q/q. That quarterly print is stronger than our NAB colleagues' forecast for Q2 household consumption of 0.3% q/q, though with the caveat that the indicator covers only 60% of household consumption.

Week Ahead

All focus will be on the US data flow with CPI (Tuesday), PPI (Thursday) and Retail Sales (Friday). The CPI will be watched closely for tariff impacts on prices, though greater tariff impacts might still be ahead with the reporting season noting firms had been waiting for clarity around tariffs before adjusting prices widely. How consumers are reacting will also be important with retail sales one measure of that.

On trade, the US-China Geneva accord expires on 12 August, though it is widely expected to be extended before then.

In Europe, the summer holiday season remains in full swing with a quiet calendar apart from the German ZEW (Tuesday). Across the channel in the UK are the key labour market data (Tuesday) and GDP/Industrial Production (Thursday).

China has the key monthly activity indicators of Retail Sales/Industrial Production/Investment (Friday). Aggregate Financing figures are due anytime in the week.

In Australia, the RBA (Tuesday) is widely expected to cut rates by 25bps to 3.60%, after Governor Bullock guided markets to watch Q2 CPI, which came in line with the

RBA's May SoMP forecasts. NAB continues to see the RBA cutting rates in August, November and February, bringing the cash rate down to 3.10% which they broadly see as neutral.

On the data front, there is the WPI (Wednesday) and Unemployment/Employment (Thursday). NAB expect WPI growth of 0.8% q/q and for the unemployment rate to tick back down to 4.2% from 4.3%.

Selected Economic Events Preview

Monday 11

JN Public Holiday (Mountain Day)

Tuesday 12

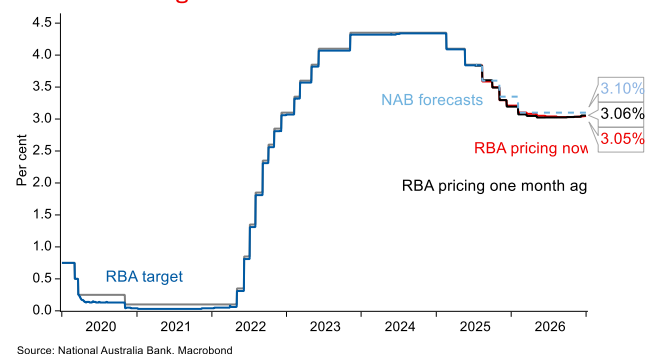
AU RBA Meeting (cut 25bps), SoMP, Presser

NAB expects the RBA to cut rates by 25bps to 3.60% from 3.85%. The overwhelming consensus is for a cut and NAB also expect a unanimous decision. As for SoMP forecasts, NAB see little change in these with inflation, growth and unemployment broadly meeting the RBA's prior May SoMP forecasts.

Key for markets assuming the cash rate is cut to 3.60%, is whether the RBA now assesses policy to be in the realms of neutral. This is likely.

With policy set to be in the wide realms of neutral, it is possible Governor Bullock sounds a little hawkish, or at least not guiding towards back-to-back rate cuts. NAB continues to see the RBA cutting rates again in November and February, bringing the cash rate down to 3.10%.

RBA Cash Pricing



AU NAB Business Survey (Jul)

The NAB Business Survey is out before the RBA decision. Over the past year the survey has picked up margin compression with firms having trouble passing on elevated cost growth to the end client. That no doubt has been one driver for the moderation in consumer inflation.

EZ German ZEW (Aug)

UK Unemployment/Wages (Jun)

UK wage settlements have been slowing more meaningfully recently. Headline regular earnings eased to 5% 3M y/y in May, with private sector earnings at 4.9%. The BoE survey finds employers expect to pay around 3.6% over the coming year. A decline in the ONS measure to 4.7% or so will still leave them too high for some BoE hawks, but it will be a further step in the right direction. Unemployment has already risen to 4.7%. The BoE will be alert to a further rise.

US/CH Trade détente expiry

12 August is when the US-China Geneva agreement expires, though it is widely expected that this would have been extended earlier in the week.

US CPI (Jul), NFIB Survey (Jul), Fed's Barkin

The CPI is for July and will be keenly watched for tariff impacts. Consensus sees Core CPI at 0.3% m/m and 3.0% y/y. The larger tariff impacts will probably not be felt until August/September with firms now only gaining some clarity on the degree of reciprocal tariffs.

The current profit reporting season has noted firms on the whole were waiting for greater clarity on final tariff rates before adjusting prices.

Wednesday 13

AU WPI (Q2), CBA reports

NAB expects the Wage Price Index for Q2 to rise 0.8% q/q and 3.3% y/y. Last quarter did see a larger 0.9% rise, though this was mostly boosted by administered wage rises in aged and childcare and by a shift in the timing of public sector pay rises.

Australia's earnings season also kicks up with the major banks reporting this week. First up is CBA.

US Fed's Bostic and Goolsbee

Thursday 14

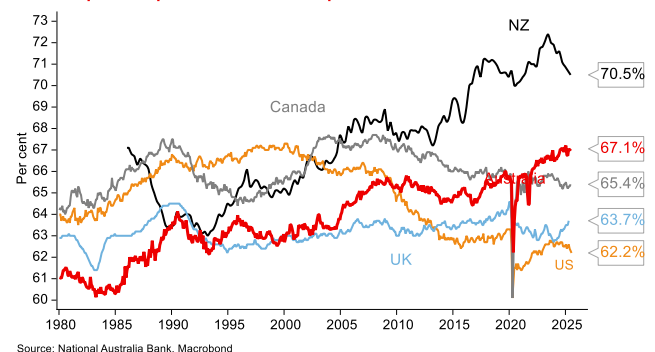
AU Unemployment/Employment (Jul), WBC reports

NAB expects the unemployment rate to tick back down one-tenth to 4.2% from 4.3% (consensus 4.2%). Last month's two-tenths rise was driven by sample volatility (the rise almost entirely came from sample rotation). Cross checking the data suggests little deterioration in June with the Job Seeker rate broadly steady in contrast to the unemployment rate.

For employment NAB see 23k jobs (consensus 25k) which is broadly where trend growth is. NAB also expect the participation rate to tick down by one-tenth 67.0% from

67.1%. It also worth noting for risks that the participation rate has started to fall in several countries – the ageing of the population being one factor.

Global participation rate comparisons



Source: National Australia Bank, Macrobond

UK GDP, Industrial Production

Preliminary UK GDP for Q2 should show a marked slowdown from Q1. Anecdotal evidence supports the BoE forecast of 0.1% q/q.

EZ Q2 GDP-second read

NO Norges Bank Rate Decision (hold)

US PPI (Jul), Initial Jobless Claims, Fed's Barkin

The PPI alongside Wednesday's CPI will enable a greater mapping to the Fed's preferred PCE measure of inflation. Consensus for PPI excl. Food and Energy stands at 0.2% mm and 2.9% y/y. Continuing Jobless Claims will be watched closely given their rise over the past few months.

Friday 15

CH Retail Sales (Jul), Industrial Production (Jul)

Annual growth rates are expected to tick back down after their sharp rise in June. Retail Sales is expected to ease to 4.6% y/y from 4.8% and Industrial production to 6.0% y/y from 6.8%. Also released in the data deluge is Fixed Asset Investment, Surveyed Jobless Rate and Home Prices.

JN GDP, Industrial Production

Consensus GDP at 0.1% q/q, up only slightly from last quarter's 0.0%.

US Retail Sales (Jul), Industrial Production (Jul), Empire Manufacturing Survey, Uni Mich. Survey

Consensus for Core Retail Sales is for a 0.3% m/m rise from 0.5%. Meanwhile the University of Michigan Consumer Sentiment Survey should not be followed closely given the very low response rates recently.

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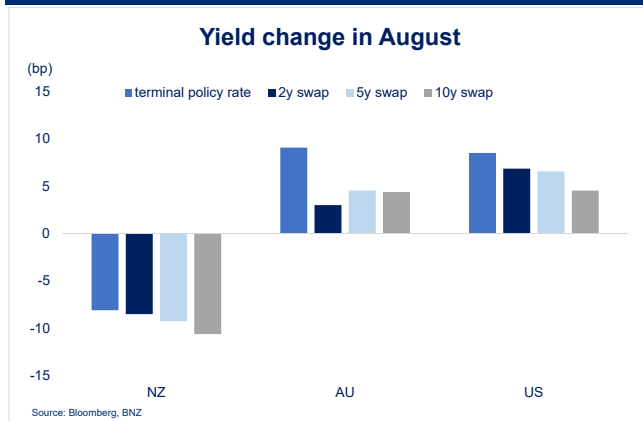
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

2-year NZ swap rates have approached the April low, near 3.0%, but the range base has held for now. June quarter labour market data didn't provide a sufficient surprise, relative to consensus expectations, to provide additional downward momentum to rates. However, underlying details within the report were weak, and align with other measures of soft economic activity. Higher frequency activity indicators, like the PMIs, will be closely monitored ahead of the Monetary Policy Statement next week.

Although there has been a steady decline in 2-year swap rates since the recent peak in June, the yield curve impact has been mixed. The 2y/10y curve steepened initially, but has since retraced from nearly +100bp, even as 2-year rates declined towards the cycle low. We have a curve steepening bias aligned to an expectation of further falls in front end rates. Weak economic activity and a benign inflation backdrop skews risks for the terminal Official Cash Rate (OCR), currently near 2.75%, towards the downside.

NZ cross market outperformance

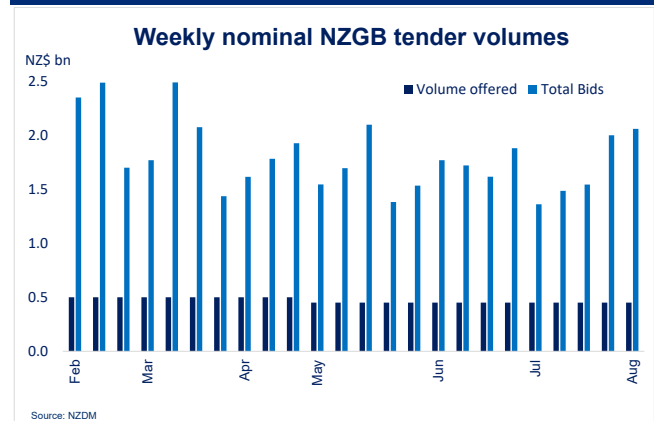


NZ fixed income has outperformed on a cross-market basis against comparison markets like Australia and the US during August. The primary driver has been changing expectations for the path of central bank policy rates. In NZ terminal OCR pricing has drifted lower, while there has been a retracement for the Reserve Bank of Australia and US Federal Reserve terminal policy rates, relative to the recent lows. NZ's high real yields, steep yield curve and divergent macro backdrop are factors that are likely to keep cross markets spreads tight for now.

NZ Government Bonds (NZGB) have attracted solid demand from investors in the weekly tenders. Total bids in the nominal bond auctions have averaged close to NZ\$1.7

billion, for the NZ\$450 million of bonds offered, since the new fiscal year began on July 1. NZ Debt Management's (NZDM) 2025/26 funding programme is off to a solid start after the NZ\$6 billion tap of the May-31 line in early July, and we don't expect another nominal syndication till later in the calendar year, most likely in November.

Solid demand for NZGBs in the weekly tenders



NZDM commenced a repurchase programme for the May-26 nominal bond last week, which was announced alongside the Budget in May. This aligns with previous buybacks of bonds nearing maturity, which are aimed at supporting market function, smoothing cash flows, and to enable investors to recycle holdings further out the yield curve. A total of NZ\$250 million of bonds were repurchased. The ongoing programme is dependent on NZDM's portfolio requirements and market conditions.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.15	3.14 - 3.30
NZ 2yr swap (%)	3.07	3.05 - 3.20
NZ 5yr swap (%)	3.45	3.43 - 3.60
NZ 10yr swap (%)	3.97	3.95 - 4.15
2s10s swap curve (bps)	90	89 - 96
NZ 10yr swap-govt (bps)	-44	-50 - -44
NZ 10yr govt (%)	4.41	4.42 - 4.58
US 10yr govt (%)	4.28	4.18 - 4.49
NZ-US 10yr (bps)	13	11 - 25
NZ-AU 2yr swap (bps)	-21	-23 - -7
NZ-AU 10yr govt (bps)	17	15 - 26
*Indicative range over last 4 weeks		

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Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

Last week, the USD declined against most major currencies. The GBP outperformed following a hawkish policy update, which included upward revisions to inflation forecasts and a narrow 25bps rate cut vote by the MPC—a move that had been almost fully priced. NZD/USD rose 0.6% to just above 0.5950, and NZD/JPY climbed 0.8% to around 88, as the yen underperformed. Aside from a 0.7% fall in NZD/GBP, movements in other NZD cross rates were minor.

Currency markets have continued their familiar oscillating up-and-down weekly pattern, with key trading ranges remaining in play. The NZD benefited from a broadly weaker USD last week, allowing a modest recovery but still remaining well within the 0.5850–0.6120 range that has persisted since mid-April.

The NZD's strength came despite lower NZ-global rate spreads, as NZ rates fell to multi-month lows amidst growing confidence that the RBNZ will deliver two more rate cuts this cycle. While the rise in the unemployment rate to 5.2% was slightly less than anticipated, NZ's labour market data signalled further loosening, including declines in both employment and hours worked.

Although US rates actually rose during the week, growing conviction emerged that the Fed will begin its easing cycle next month. Trump appointed his close economic advisor Miran to serve as a temporary Governor, who would likely support a rate cut in September if confirmed by the Senate in time. Fed Presidents Daly and Kashkari also shifted their stance, now backing a near-term rate cut. Although they are non-voters, their changed views underscore the significant influence that recent downward revisions to US payrolls have had on expectations for rate cuts. Historically, the USD tends to weaken during Fed rate-cutting cycles.

Last week we published a note revising our FX projections. Recent developments have tempered our confidence in the pace of the USD's projected decline over the coming year. We therefore adjusted our major FX forecasts against the USD downward, including revising our year-end target for the NZD from 0.65 to 0.6250.

Thus, we now see 0.65 as a stretch target rather than a central projection. We have previously noted strong resistance just under 0.64, which was a key resistance level for much of 2023-24. Our short-term view is that the 0.5850-0.6120 range can hold for a while longer.

We outlined several recent events that could challenge our view of a weaker USD. Nevertheless, we continue to project a broad USD downturn extending into next year.

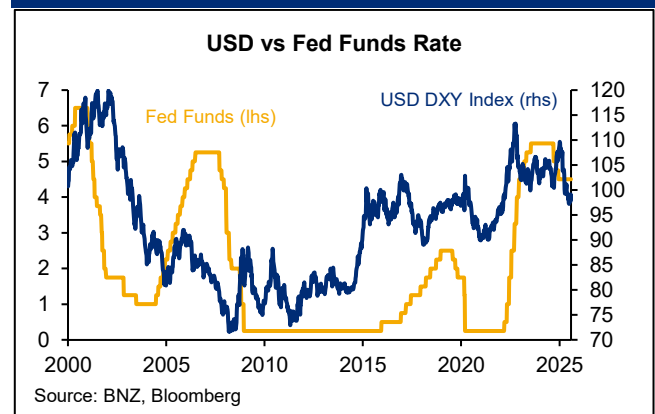
The most significant revision concerns the yen, where tariff and political uncertainties have provided the Bank of Japan

with justification to delay policy normalisation, such as raising rates. As a result, real rates remain deeply negative, with inflation continuing to exceed 3%. NZD/JPY has been revised higher, although we still forecast a medium-term downside bias, albeit less pronounced than before.

Other NZD cross rate profiles have either been little changed or revised slightly lower, reflecting NZ's underwhelming economic recovery so far, including a small contraction in GDP likely to be recorded for Q2. The NZD is also weighed down by NZ's tariff rate setting of 15%, which is higher than peers such as Australia and the UK, and above the 10% baseline rate applied to many other nations. For instance, NZ exporters will be less competitive than those from Chile and Argentina when exporting wine and beef products to the US.

In the week ahead there are several top-tier global economic releases. US CPI and PPI inflation data will be watched closely for further signs of upward impacts from tariffs. US retail sales, China monthly activity data, Q2 GDP data for the UK and Japan are released as well. In Australia, the RBA is widely expected to deliver a 25bps rate cut, while wages and employment data follow later in the week. In NZ, the key report is the monthly CPI indices.

US easing cycles are USD-negative



Cross Rates and Recent Ranges

	Last wk		
	Current	% chg	Last 3-wks range*
NZD/USD	0.5959	0.6%	0.5860 - 0.6060
NZD/AUD	0.9134	-0.2%	0.9110 - 0.9190
NZD/CAD	0.8195	0.4%	0.8120 - 0.8260
NZD/GBP	0.4431	-0.7%	0.4410 - 0.4490
NZD/EUR	0.5117	0.1%	0.5080 - 0.5190
NZD/JPY	87.93	0.8%	86.70 - 89.10

*Indicative range over last 3 weeks, rounded

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Technicals

NZD/USD

Outlook: Trading range
 ST Resistance: 0.6120 (ahead of 0.62)
 ST Support: 0.5820 (ahead of 0.55)

0.5820-0.5850 remains the support range with resistance at 0.6120.



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.



NZ 5-year Swap Rate

Outlook: Neutral
 ST Resistance: 3.85
 ST Support: 3.41

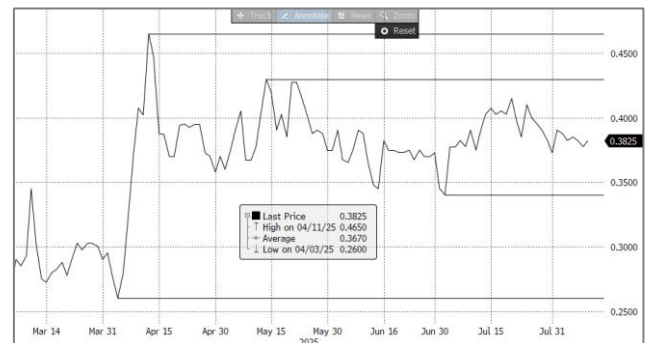
5-year swap broke lower through our support at 3.47, however we will watch closely to see if it can break the low from the end of April.



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

Outlook: Neutral
 ST Resistance: 0.47
 ST Support: 0.26

2x5 year swap spread remained steady on the week with no directional momentum.



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Quarterly Forecasts

Forecasts as at 11 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	-4.8	-4.7	-4.7	-4.6	-4.6
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	0.0	-0.1	0.3	0.6	0.7	0.7	0.6	0.5	0.5
Unemployment rate %	5.1	5.1	5.2	5.3	5.2	5.1	5.0	4.8	4.8	4.7
Pr. avg hourly earnings (ann %)	4.0	3.8	4.6	4.1	3.4	4.1	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	1.34	148
Sep-25	0.61	0.66	1.20	1.36	142
Dec-25	0.63	0.68	1.23	1.38	138
Mar-26	0.65	0.71	1.24	1.39	130
Jun-26	0.66	0.72	1.26	1.41	128
Sep-26	0.67	0.73	1.27	1.44	126
Dec-26	0.67	0.73	1.28	1.45	126
Mar-27	0.68	0.74	1.26	1.45	124
Jun-27	0.69	0.75	1.25	1.44	121

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.59	0.91	0.51	0.44	87.8	68.8
Sep-25	0.61	0.92	0.51	0.45	86.6	69.9
Dec-25	0.63	0.92	0.51	0.45	85.9	70.5
Mar-26	0.65	0.92	0.53	0.47	84.8	72.3
Jun-26	0.66	0.92	0.53	0.47	84.8	72.8
Sep-26	0.67	0.92	0.53	0.47	84.4	73.1
Dec-26	0.67	0.92	0.52	0.46	84.4	72.9
Mar-27	0.68	0.92	0.54	0.47	84.3	73.7
Jun-27	0.69	0.92	0.55	0.48	83.5	74.5

TWI Weights

15.6% 18.4% 9.2% 3.9% 5.5%

Source for all tables: Stats NZ, Bloomberg, Reuters, RBNZ, BNZ

Annual Forecasts

Forecasts as at 11 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
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	1.5	2.3	2.7	-1.2	0.8	2.5	1.9
Unemployment Rate %	3.5	4.4	5.1	5.1	4.7	4.0	5.1	5.2	4.8	4.7
Wages - ave. hr. ord. time earnings (private sector)	8.2	4.8	3.8	4.1	3.3	6.6	4.0	3.4	3.4	3.2
Productivity (ann av %)	1.4	-1.0	-0.2	1.1	0.4	-1.1	-0.2	1.2	0.4	0.3
Unit Labour Costs (ann av %)	5.5	7.0	4.7	2.4	2.9	7.5	5.0	2.8	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	-22.0	-22.0	-28.6	-26.2	-22.2	-22.0	-21.7
Current Account - % of GDP	-8.6	-6.6	-5.7	-4.8	-4.6	-6.9	-6.1	-4.9	-4.6	-4.4
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	0.65	0.68	0.62	0.57	0.63	0.67	0.68
USD/JPY	134	150	149	130	124	144	154	138	126	123
EUR/USD	1.07	1.09	1.08	1.24	1.26	1.09	1.05	1.23	1.28	1.23
NZD/AUD	0.93	0.93	0.91	0.92	0.92	0.93	0.91	0.92	0.92	0.92
NZD/GBP	0.51	0.48	0.44	0.47	0.47	0.49	0.45	0.45	0.46	0.48
NZD/EUR	0.58	0.56	0.53	0.53	0.54	0.57	0.55	0.51	0.52	0.55
NZD/YEN	83.0	91.1	85.4	84.8	84.3	89.5	88.4	85.9	84.4	83.6
TWI	71.0	71.2	67.9	72.3	73.7	72.0	68.5	70.5	72.9	73.9
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
Tuesday 12 August				NO Deposit Rates 14-Aug	4.25%		4.25%
NZ Ready-mixed Concrete Production Q2				EC GDP SA QoQ 2Q S	0.10%		0.10%
UK BRC Sales Like-For-Like YoY Jul	2.00%		2.70%	EC Industrial Production SA MoM Jun	-1.00%		1.70%
AU NAB Business Confidence Jul			5	EC Employment YoY 2Q P			0.70%
AU RBA Cash Rate Target 12-Aug	3.60%	3.60%	3.85%	Friday 15 August			
UK Private Earnings ex Bonus 3M/YoY Jun	4.80%		4.90%	US PPI Ex Food and Energy MoM Jul	0.20%		0.00%
UK ILO Unemployment Rate 3Mths Jun	4.70%		4.70%	US PPI Ex Food and Energy YoY Jul	2.90%		2.60%
UK Payrolled Employees Mnthly Chnge Jul	-18k		-41k	US Initial Jobless Claims 9-Aug	225k		226k
GE ZEW Survey Expectations Aug	39.5		52.7	US Continuing Claims 2-Aug	1965k		1974k
US NFIB Small Business Optimism Jul	98.9		98.6	US Fed's Barkin Speaks			
Wednesday 13 August				NZ BusinessNZ Manufacturing PMI Jul			48.8
US CPI Ex Food and Energy MoM Jul	0.30%		0.20%	NZ Selected Monthly Price Indexes Jul			
US CPI Ex Food and Energy YoY Jul	3.00%		2.90%	NZ Food Prices MoM Jul			1.20%
US Fed's Barkin & Schmid Speak				NZ Net Migration SA Jun			1530
NZ Card Spending Total MoM Jul			-0.20%	JN GDP SA QoQ 2Q P	0.10%		0.00%
AU Wage Price Index QoQ 2Q	0.80%	0.80%	0.90%	CH Used Home Prices MoM Jul			-0.61%
AU Wage Price Index YoY 2Q	3.30%	3.30%	3.40%	CH Retail Sales YoY Jul	4.60%		4.80%
AU Home Loans Value QoQ 2Q	2.00%		-1.60%	CH Industrial Production YoY Jul	6.00%		6.80%
Thursday 14 August				CH Fixed Assets Ex Rural YTD YoY Jul	2.70%		2.80%
US Fed's Barkin, Goolsbee & Bostic Speak				CH Surveyed Jobless Rate Jul	5.10%		5.00%
AU Employment Change Jul	25.0k	23.0k	2.0k	Saturday 16 August			
AU Unemployment Rate Jul	4.20%	4.20%	4.30%	US Retail Sales Advance MoM Jul	0.50%		0.60%
NZ Household Inflation Expectations Q3				US Retail Sales Ex Auto MoM Jul	0.30%		0.50%
UK GDP QoQ 2Q P	0.10%		0.70%	US Retail Sales Control Group Jul	0.40%		0.50%
UK Monthly GDP (MoM) Jun	0.20%		-0.10%	US Empire Manufacturing Aug	0		5.5
UK Industrial Production MoM Jun	0.50%		-0.90%	US Manufacturing (SIC) Production Jul	0.00%		0.10%
UK Manufacturing Production MoM Jun	0.50%		-1.00%	US Business Inventories Jun	0.20%		0.00%
UK Trade Balance GBP/Mn Jun	-£5950m		-£5699m	US U. of Mich. Sentiment Aug P	62		61.7

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	3.07	3.10	3.17	4.01
1mth	3.21	3.24	3.36	5.44	3 years	3.19	3.23	3.30	3.81
2mth	3.19	3.20	3.32	5.44	4 years	3.32	3.36	3.43	3.77
3mth	3.15	3.15	3.28	5.36	5 years	3.45	3.49	3.57	3.78
6mth	3.12	3.13	3.24	5.11	10 years	3.97	4.02	4.10	4.02
GOVERNMENT STOCK					FOREIGN EXCHANGE				
04/27	3.16	3.20	3.25	3.90	NZD/USD	0.5951	0.5908	0.5972	0.6019
05/30	3.72	3.77	3.85	3.97	NZD/AUD	0.9127	0.9135	0.9123	0.9137
05/32	4.08	4.14	4.23	4.15	NZD/JPY	87.92	86.89	88.21	88.59
05/35	4.40	4.47	4.56	4.32	NZD/EUR	0.5110	0.5105	0.5120	0.5505
04/37	4.63	4.70	4.77	4.44	NZD/GBP	0.4427	0.4447	0.4448	0.4714
05/41	4.91	4.97	5.03	4.61	NZD/CAD	0.8186	0.8139	0.8185	0.8272
05/54	5.14	5.18	5.25	4.69	TWI	68.8	68.6	69.0	70.4
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	51	52	51	60					
Europe 5Y	53	56	55	61					

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