

# Research Markets Outlook

18 August 2025

## A step in the right direction

- **RBNZ expected to cut 25bps on Wednesday**
- **PMI/PSI show signs of improvement**
- **Gives hope of recovery, after weak Q2**
- **Monthly prices confirm upside to near-term inflation**
- **Medium-term key for policy**

The RBNZ's Monetary Policy Statement (MPS) on Wednesday commands attention this week. It follows the Bank's July Policy Review where it stated that 'If medium-term inflation pressures continue to ease as projected, the Committee expects to lower the Official Cash Rate further'. As we discussed in our full MPS Preview last week ([see here](#)), in our opinion the condition has been satisfied meaning a 25-basis point cut to 3.0% at this Wednesday's meeting is a given. There is strong market consensus, with all but unanimous expectations for a 25bp cut.

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.

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 easing than a 2.75% low is required is plausible.

The very latest data hasn't swung the balance decisively in either direction. However, it is notable that activity indicators for July are showing a bit more life compared to some truly awful readings through Q2.

At the margin, if the RBNZ were to put a bit more weight on the latest signs of improvement into Q3 it could lead the Bank to be a little more cautious on further easing rhetoric. In contrast, if the RBNZ focused more on the

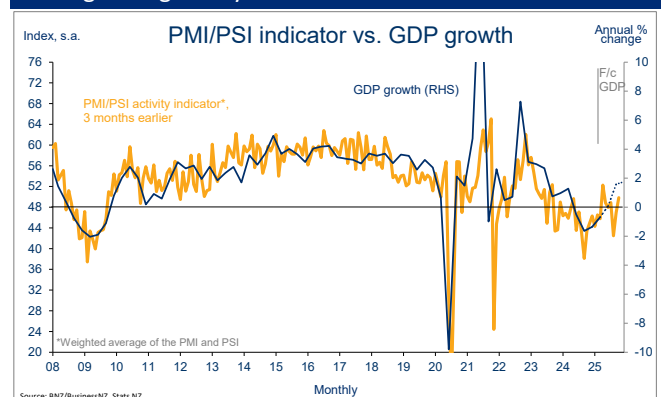
outright level of activity and its implication for medium-term inflation it could lean forward guidance towards doing more relative to its May OCR track.

This morning's Performance of Services Index (PSI) lifted to 48.9 from 47.6 in July. Yes, the PSI is still below the breakeven 50 mark, but it is another nudge upward and is well off its recent low of 44.3 in May. July's Performance of Manufacturing (PMI) released last Friday was more assured, lifting to 52.8 from 49.2.

Combined with recent improvement in electronic card transactions and ANZ's truckometer, the PMI and PSI show some signs of life appearing in the economy heading into Q3 after what we think was contraction in Q2.

To be consistent with the sort of economic growth we are forecasting, which is similar to the RBNZ's expectations, the combined PMI/PSI activity indicator needs to lift to around 53. July's 49.8 is a lot closer to that than was May's 42.5. But further gains are required. The PMI/PSI don't alter the broad outlook, rather they add a bit of hope that the tide might be turning, and expectations of economic recovery can be met. It is important to note that these expectations are conditioned on interest rates being nudged lower.

### Moving the right way



Recent data also confirmed near-term inflation is pushing upwards. July's Selected Price Indexes point to higher inflation in Q3. But no higher than we assumed.

Our Q3 CPI view of 0.9% q/q remains a tick above the RBNZ's May MPS estimate of 0.8% q/q. However, the Bank already acknowledged in July that it expected higher near-

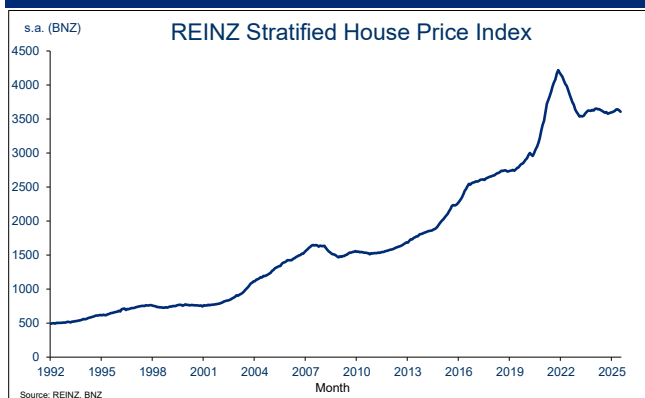
term inflation, so we don't see anything there to prevent the OCR being lowered further. But if higher inflation were to show signs of sticking around, it would be more problematic for the RBNZ. Policy is focused on medium-term inflation.

As we noted last week, if there is any concern it could emanate from rising household inflation expectations. Consistent with a lift in the ANZ survey, mean household inflation expectations also tended to rise in the RBNZ's survey last week (although median expectations were stable at all tenors). But, with "essentials" inflation continuing to be heady, it's not surprising inherently adaptive household expectations have pushed higher.

Another factor we have been highlighting as a headwind for household spending is flat household wealth, which is associated with a subdued housing market.

We saw more of the latter in last week's July REINZ housing market report. While house sales activity was fair to middling, house prices remain soft. Yes, it is winter, but prices have eased on a seasonally adjusted basis over the past two months and are broadly flat compared to a year ago. The RBNZ forecast a different index, but house prices look to be tracking under its expectations. Flat household wealth limits households' propensity to spend and, in the process, creates downward pressure on medium-term inflation.

#### Subdued



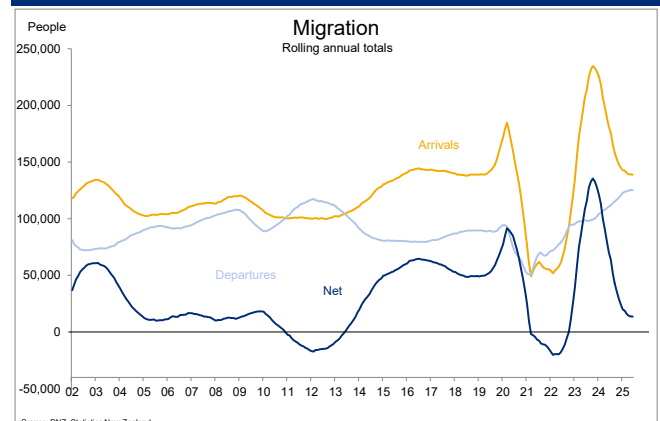
Subdued housing also reflects lower net migration inflows. Last week's June data saw the annual net migrant inflow broadly stable at around 14,000 compared to the previous month. This was in line with our expectations. We expect stability to precede some gradual recovery next year. As it stands, annual net migration is a long way south of the approximate 70,000 net inflow a year ago.

Importantly, working age population continues to track well under the RBNZ's May MPS assumptions. In addition to the influence on the likes of the housing market above, lower net migration also has downward influence on population and potential growth.

Tomorrow's Q2 population estimates should show relatively slow annual growth at a touch under 1%. We

forecast a gradual recovery in population growth next year, contingent on similar moves in net migration.

#### Net stabilising?



Short-term traveller flows also influence spending domestically. Last week's data revealed visitor arrivals were close to expectations, up 0.8% y/y in June and still well shy of pre-Covid levels (87.5% on that metric). In contrast, short-term NZ departures were up 11.8% y/y (105% of the pre-Covid equivalent month). This will account for some of the apparent weakness in domestic spending indicators in June. With risks already to the downside to our Q2 retail sales estimate, we nudge it down to -0.2% q/q.

Data will struggle for attention this week given the RBNZ's MPS. There isn't a lot of it to note:

- The RBNZ's Business Expectations Survey this afternoon will offer another take on business inflation expectations. But as a relatively new survey it will take time to know how to interpret its results. The 2-year ahead expectation for CPI inflation from this survey was 2.54% in the previous quarter.
- Q2 Producer Price Indexes are scheduled for release on Tuesday, although are not closely followed given they come out after the CPI for the quarter. Higher commodity prices and a soft NZD will still be a feature of annual producer price inflation in Q2. Note that while wholesale electricity prices were a touch higher in Q2, they were not as high as a year ago and so will be a mild drag on annual inflation this quarter.
- GDT dairy auction prices look more likely to dip than lift at Wednesday's event, judging by the balance of early indicators.
- Vehicle registrations for July on Thursday will be worth a glance. Another monthly gain in July would add to the growing list of indicators turning for the better into Q3. Commercial and tractor registrations will be monitored for any upward influence from the likes of lower interest rates, the government's depreciation changes, and strong primary sector revenues.

[doug\\_steel@bnz.co.nz](mailto:doug_steel@bnz.co.nz)

# Global Watch

- Global PMIs to give latest activity pulse check
- CPI data for the UK, Japan and Canada
- Fed Chair Powell speaks at Jackson Hole

## Week in Review

The focal point for markets was US CPI, with the core measure rising 0.3% m/m and showing little tariff pass through. PPI data did reveal that businesses were facing higher costs/pricing owing to tariffs, with core PPI rising 0.9% m/m. Quite possibly, the passthrough of tariffs into CPI inflation might simply be delayed.

In Australia, the RBA cut rates as widely expected on Tuesday, though the SoMP and presser were not hawkish. The assumed cash rate path (based on market pricing) was consistent with at target inflation – the staff's August SoMP had trimmed inflation at 2.5% by end 2027 and a cash rate low of 2.9% by end 2026.

Last week's dataflow in Australia did not support the need to rush to a follow up September cut. Our colleagues at NAB see the next cut in November with another in February, taking the cash rate down to 3.1% which they see as broadly neutral. On the dataflow itself, the unemployment rate ticked down a tenth to 4.2% while employment growth was at trend.

## Week Ahead

Offshore, expect focus on two arears: (1) US Fed's Jackson Hole Symposium (from Thursday) and whether Fed Chair Powell (Friday) is supportive of a September interest rate cut; and (2) earnings from Home Depot (Tuesday) and Walmart (Thursday) for how the US consumer is fairing.

As for data flow, in the US it is mostly second tier with Housing Starts/Permits (Tuesday), and the usual Jobless Claims (Thursday). The FOMC Minutes (Wednesday) are unlikely to contain much new information given the plethora of Fed speak since the last meeting. There are also some longer-end debt auctions with 20yrs (Wednesday) and 30yr TIPs (Thursday).

In Europe, the summer holiday season continues, though the Global PMIs (Thursday) are an important data point as are Negotiated Wages (Friday). Markets will not only be interested in the absolute PMIs, but also the relativities with the US still outperforming Europe. Across the channel in the UK is CPI (Wednesday) and Retail Sales (Friday).

China is quiet with the Loan Prime Rates (Wednesday) expected to be unchanged. Japan though is busy with CPI (Friday) under the microscope.

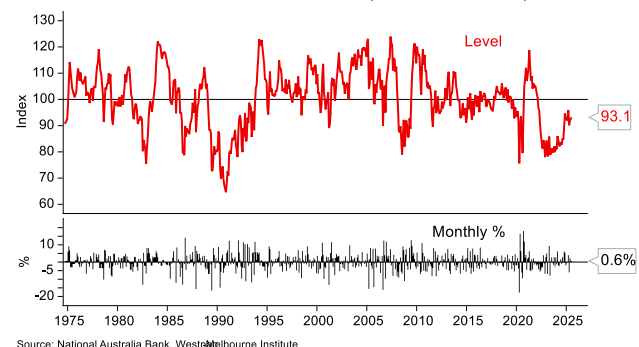
In Australia, it is a quiet week with only the second-tier monthly W-MI Consumer Confidence (Tuesday) of any note. Politics also on the radar with the Australian Treasurer's 'Economic Reform Roundtable'.

## Selected Economic Events Preview

### Tuesday 19

**AU W-MI Consumer Confidence (Aug), BHP earnings**  
NAB expect consumer confidence to lift following the RBA's August interest rate cut and the ongoing rally in equity markets. NAB's high frequency transactions data suggests the pickup in consumer spending seen in May and June continued into July.

#### Australian Consumer Confidence (W-MI Measure)



### AU Economic Reform Roundtable (19-21 August)

The Australian Treasurer is holding an 'Economic Reform Roundtable' aimed at building a consensus on ways to improve "productivity, enhance economic resilience and strengthen budget sustainability". It is unclear whether there will be any concrete developments. Action though is needed - productivity has seen no growth since 2016.

### CA CPI (Jul)

Inflation has picked up in Canada, potentially limiting the BoC's ability to ease policy given soft demand. Consensus sees the core median and trimmed at 3.1% y/y. An upward surprise would likely see rate cut pricing paired.

### US Housing Starts/Permits (Jul), Home Depot earnings

Housing Starts and Permits are likely to remain soft with little growth expected in July. The level of longer-end rates is acting as a handbrake to the industry, alongside input cost uncertainty from tariffs. Consensus has permits at 1387k from 1393k previously.

### Wednesday 20

#### AU RBA's McPhee and Jones

Assistant Governors McPhee and Jones are speaking on a panel talking about 'The Future of Money'. Unlikely to be market moving, but it could contain some snippets for stable coin applications and appetite in Australia.

### JN Trade (Jul)

**CH Loan Prime Rates**

Consensus is for no change with the 1yr rate at 3.00% and 5yr rate 3.50%

**EZ final-CPI (Jul)****UK CPI (Jul)**

Headline inflation is expected to tick up a few tenths in the coming months, rising from June's 3.6% y/y to a 4% peak in September and then decline very gradually through 2026, eventually arriving at the BoE's 2% target in H1, 2027. This week's reading should see the headline rise to 3.7%. Core CPI is likely to remain at 3.7%, while services prices rise 1/10 to 4.8%.

**US FOMC Minutes (from July), Fed's Waller & Bostic, Debt Auction - \$16bn of 20yr years**

The FOMC Minutes are unlikely to be market moving given the plethora of Fed speak recently, especially ahead of Jackson Hole later in the week. Adding to Fed speak will be Waller and Bostic, though their positions are well known. The US will also be auctioning \$16bn of 20yr bonds with longer end appetite still under focus.

**Thursday 21****EZ, UK, JN, US Global PMIs (Aug)**

It is worth noting the resilience of the services sector being seen globally. Despite stability being seen in Europe, the US continues to outperform. As for manufacturing, conditions remain weak, but some trade certainty may help sentiment.

**US Jobless Claims, Philly Fed, Walmart earnings, Debt Auction - \$8bn of 30yr TIPs**

Jobless Claims meanwhile should remain low. The US also is holding a debt auction, this time for TIPs with \$8bn of 30yrs.

**US Fed's Jackson Hole Symposium**

This year's theme is "Labor Markets in Transition: Demographics, Productivity and Macroeconomic Policy". Labour Markets of course are under heightened focus given the recent revisions to payrolls. Despite that, the unemployment rate at 4.2% has been broadly steady. Note that Fed Chair Powell's address is not until Friday.

**Friday 22****JN CPI (Jul)**

Core CPI is expected to remain elevated at 3.4%, which would support views of the BoJ needing to hike rates again this year.

**EZ Negotiated Wages (Q2)****UK Retail Sales (Jul)****US Fed's Powell address to Jackson Hole Symposium**

Fed Chair Powell's address to Jackson Hole will be keenly watched to see whether he is open to a September rate cut given heightened political pressure and what appears a divided FOMC.

[matt\\_brunt@bnz.co.nz](mailto:matt_brunt@bnz.co.nz)

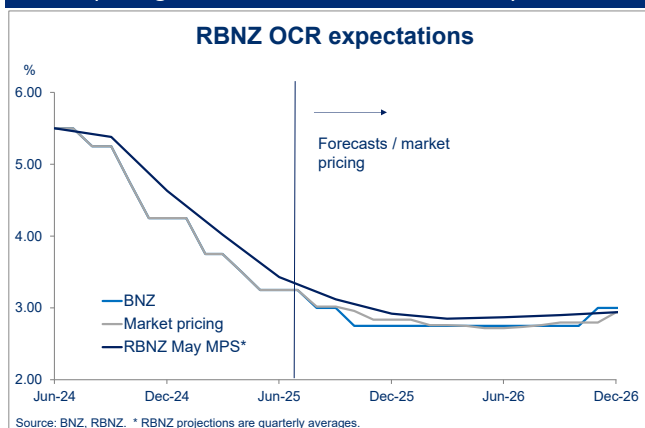
# Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

There were small absolute moves across NZ swap rates last week with domestic activity data, which hinted at a slightly more positive start to Q3, having limited market impact. 2- and 5-year swap rates remain close to the bottom of the trading range, and at the lowest levels in more than three years, as the market looks ahead to the RBNZ Monetary Policy Statement (MPS) on Wednesday. A 25bp reduction in the Official Cash Rate (OCR) is close to fully discounted (~23bp) by market pricing, and the accompanying guidance from the RBNZ will be key for the market's reaction.

The economy has largely evolved in line with the Bank's forecasts in May. Since the July Policy Review, when the RBNZ reinstated its easing bias, market pricing for the terminal OCR has declined by ~15bp to 2.75%. We expect the Bank will signal further easing is possible, conditional on incoming data, which aligns with the modelled OCR track from the May MPS. Domestic macro conditions skew risks towards a lower terminal rate. 2-year swap rates are likely to trade below 3% leading to a steeper 2y/10y curve.

## Market pricing and RBNZ's OCR track from May

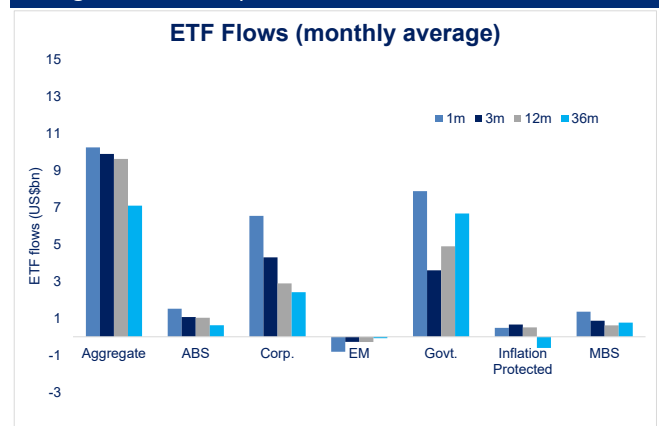


Although macro uncertainty remains elevated, implied volatility has continued to fall, which is supporting demand for credit and carry positions across the fixed income landscape. The CBOE Volatility Index, or VIX, has dropped to the lowest level since December. And the MOVE index, which measures expected yield moves in the US treasury market, has also declined and reached levels last seen in early 2022.

US investment grade corporate bond spreads have compressed to 73bp over US treasuries, which is the tightest level since 1998. The spread tightening has been associated with strong inflows into investment credit funds

as investors increasingly anticipate the Federal Reserve cutting rates in September. The strong fund inflows are being met with low net supply, amid the traditionally quiet issuance period in the Northern Hemisphere summer, suggesting the favourable backdrop can continue.

## Strong flows into corporate credit ETFs



The low volatility environment is also supportive for the performance of carry positions within fixed income. A systematic strategy that takes exposure to the steepest curves, in liquid developed market 10-year swap rates, has performed well recently. The steep NZ yield curve is contributing to demand for NZ government bonds (NZGB), as seen in the weekly tenders, and contributed to a narrowing in cross market spreads. Carry and roll in the front end and belly of the NZGB curve is the amongst the highest for sovereign bond markets.

## Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.15	3.14 - 3.26
NZ 2yr swap (%)	3.06	3.01 - 3.20
NZ 5yr swap (%)	3.44	3.38 - 3.60
NZ 10yr swap (%)	3.97	3.90 - 4.14
2s10s swap curve (bps)	91	89 - 92
NZ 10yr swap-govt (bps)	-49	-50 - -44
NZ 10yr govt (%)	4.45	4.40 - 4.57
US 10yr govt (%)	4.32	4.18 - 4.45
NZ-US 10yr (bps)	14	11 - 25
NZ-AU 2yr swap (bps)	-18	-23 - -7
NZ-AU 10yr govt (bps)	22	15 - 26

\*Indicative range over last 4 weeks

stuart\_ritson@bnz.co.nz



# Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

Last week the NZD traded a range of less than one cent, but NZD/USD fell ½% to 0.5920, against a backdrop of underperformance of commodity currencies. NZD/AUD slipped 0.3% to 0.91 but the NZD showed larger falls on other key crosses, with falls of around 1% or higher against JPY, GBP and EUR.

Currency markets remain directionless, with the NZD's 0.5850-0.6120 range trading environment extending past four months. NZD/USD has oscillated between gains and losses for the past five weeks. Market volatility is suppressed, with the VIX, MOVE and CVIX indices – which measure implied volatility for US equities, US Treasuries and major currencies – all around their lowest levels in about a year.

BNZ's risk appetite index climbed to its highest level this year, yet over the past three months, there has been no correlation between that index and the NZD. Last week, NZ-global rate spreads edged up slightly, but the NZD underperformed. The previous week, NZ-global rate spreads fell while the NZD rose. This illustrates a currency market environment where not much seems to matter and very little is happening.

Last week, US inflation data were mixed. CPI data were close to market expectations and, notably, the pass-through of tariffs into goods prices was less than expected, with core goods prices ex autos rising by just 0.2% m/m. This suggested that firms rather than consumers were absorbing the full force of the tariffs. PPI data did indeed reveal that businesses were facing higher costs/pricing owing to tariffs. Quite possibly, the passthrough of tariffs into CPI inflation might simply be delayed. The net change in US rates for the week was small, with the market attributing a high probability to a 25bps rate cut by the Fed at its next meeting in September. The week ended with 55bps of rate cuts priced for this year, similar to that priced a week earlier.

While inflation figures didn't have much net impact on US monetary policy expectations, some developments gave plenty to worry about in terms of the direction of US policy. Comments by the new head of the US Bureau of Labor Statistics, EJ Antoni suggesting suspension of the monthly job reports further undermined credibility in US institutions, even if his comments were attributed just before he was given the top job.

Furthermore, Trump's move towards an export tax – taking a 15% cut of revenues from Nvidia and AMD's chip sales in China – as a quid pro quo for market access, was a further step towards government interference in markets. Treasury Secretary Bessent said this type of arrangement could apply to other companies/industries. Such export taxes are illegal under the US Constitution and so they are

subject to possible legal challenges, as are the import tariffs imposed using emergency powers.

The market showed no reaction to these developments, but they play to a narrative that the US policy direction is changing considerably under the new Administration – the highest import tariffs in a hundred years, new export taxes, threats to Fed independence, attacking the status quo on statistical publications, imposing policies with dubious legal underpinnings, the list goes on. The jury is out on whether this change in policy direction ought to be USD-negative, but we can't help think that higher risk premia for US assets is deserved. This is a slow-burning issue.

In the week ahead, the domestic focus will be on the RBNZ MPS, where a 25bps cut in the cash rate to 3.0% is universally expected and fully priced. Focus will be on the projections and policy guidance. Comments that challenge the market's view that a further 25bps cut is likely in the not-too-distant future would be seen to be hawkish and NZD-positive, while a nod to a further cut in October or November, would be welcomed by the rates market and be slightly NZD-negative at the margin.

Key global data in the week ahead include global PMIs and CPI inflation data for the UK, Japan, and Canada. The annual Jackson Hole symposium is held later this week, where focus will be on whether Fed Chair Powell opens the door for a September rate cut.

## NZD volatility approaching multi-year lows



## Cross Rates and Recent Ranges

	Current	Last wk % chg	Last 3-wks range*	
NZD/USD	0.5924	-0.5%	0.5860	- 0.6000
NZD/AUD	0.9098	-0.3%	0.9100	- 0.9180
NZD/CAD	0.8183	-0.1%	0.8120	- 0.8250
NZD/GBP	0.4371	-1.3%	0.4360	- 0.4480
NZD/EUR	0.5056	-1.1%	0.5060	- 0.5190
NZD/JPY	87.18	-0.9%	86.70	- 89.00

\*Indicative range over last 3 weeks, rounded

jason.k.wong@bnz.co.nz

# Technicals

## NZD/USD

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

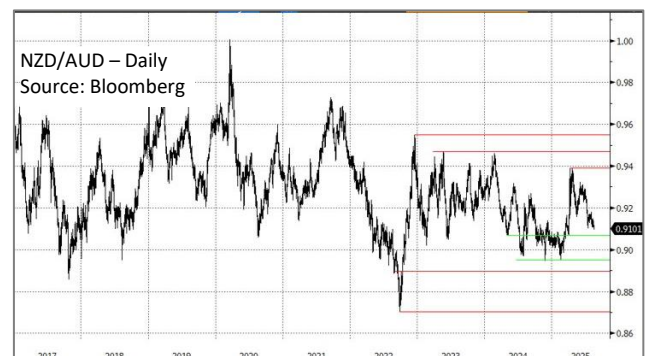
No change, with 0.5820-0.5850 remaining the support range and resistance at 0.6120.



## NZD/AUD

Outlook: Trading range  
 ST Resistance: 0.9390 (ahead of 0.9470)  
 ST Support: 0.9070 (ahead of 0.8950)

The support level of 0.9070 we have been flagging for the past five months is getting close. A break of that would bring 0.8950 into sight.



[jason.k.wong@bnz.co.nz](mailto:jason.k.wong@bnz.co.nz)

## NZ 5-year Swap Rate

Outlook: Neutral  
 ST Resistance: 3.85  
 ST Support: 3.41

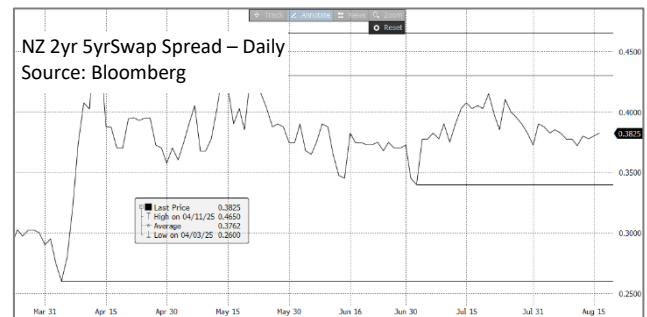
5-year swap tested support again below 3.41 last week but failed to hold the rally. It does appear to be trending lower, but the RBNZ meeting may see us break into a new range.



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

Outlook: Neutral  
 ST Resistance: 0.47  
 ST Support: 0.26

2x5 year swap spread again failed to move materially.



[matthew.herbert@bnz.co.nz](mailto:matthew.herbert@bnz.co.nz)

# Quarterly Forecasts

Forecasts as at 18 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	-0.2	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	1.9	2.9	3.1	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	1.17	1.36	147
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	87.3	68.5
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 18 August 2025	March Years					December Years				
	Actuals			Forecasts		Actuals		Forecasts		
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
<b>GDP - annual average % change</b>										
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	6.7	-0.1	-5.1	-1.6	6.3	4.3
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	3.3	-0.7	-1.1	0.8	3.2	2.5
Exports	5.6	8.6	2.7	1.4	4.1	11.4	4.1	1.7	3.6	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	1.6	3.0	2.0	-0.5	1.0	2.8	2.5
<b>GDP (production)</b>	<b>3.5</b>	<b>1.4</b>	<b>-1.1</b>	<b>1.3</b>	<b>2.9</b>	<b>1.8</b>	<b>-0.6</b>	<b>0.7</b>	<b>2.7</b>	<b>2.4</b>
<i>GDP - annual % change (q/q)</i>	3.0	1.3	-0.7	1.9	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
<b>Prices and Employment - annual % change</b>										
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	1.0	4.6	0.6	-0.9	0.8	4.4	4.3
<b>External Balance</b>										
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
<b>Government Accounts - June Yr, % of GDP</b>										
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					
<b>Financial Variables <sup>(1)</sup></b>										
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
<sup>(1)</sup> 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
<b>Monday 18 August</b>				<b>Thursday 21 August</b>			
NZ RBNZ Business Expectations Survey 3Q				US Fed's Waller & Bostic Speak			
EC Trade Balance SA Jun			16.2b	US FOMC Meeting Minutes 30/07/2025			
<b>Tuesday 19 August</b>				US Fed Releases FOMC Minutes			
US New York Fed Services Business Activity Aug			-9.3	NZ RBNZ at Parliament Select Committee			
US NAHB Housing Market Index Aug	34		33	NZ Trade Balance NZD Jul			142m
US Fed's Bowman Speaks				AU S&P Global Australia PMI Mfg Aug P			51.3
NZ PPI Output QoQ 2Q			2.10%	AU S&P Global Australia PMI Services Aug P			54.1
NZ Population Estimates 2Q				JN S&P Global Japan PMI Mfg Aug P			48.9
AU Westpac Consumer Conf Index Aug			93.1	JN S&P Global Japan PMI Services Aug P			53.6
<b>Wednesday 20 August</b>				EC HCOB EZ Manufacturing PMI Aug P	49.5		49.8
CA CPI Core - Median YoY Jul	3.10%		3.10%	EC HCOB Eurozone Services PMI Aug P	50.8		51
CA CPI Core - Trim YoY Jul	3.10%		3.00%	UK S&P Global UK Manufacturing PMI Aug P	48.3		48
US Housing Starts Jul	1300k		1321k	UK S&P Global UK Services PMI Aug P	52		51.8
US Building Permits Jul	1387k		1393k	<b>Friday 22 August</b>			
NZ Dairy GDT Auction				US Initial Jobless Claims 16/08/2025	225k		224k
US Fed's Bowman Speaks				US Continuing Claims 9/08/2025	1960k		1953k
JN Trade Balance Jul	¥200.0b		¥152.1b	US Philadelphia Fed Business Outlook Aug	6.4		15.9
JN Core Machine Orders MoM Jun	-0.60%		-0.60%	US S&P Global US Manufacturing PMI Aug P	49.8		49.8
CH 1-Year Loan Prime Rate 20/08/2025	3.00%		3.00%	US S&P Global US Services PMI Aug P	54.2		55.7
CH 5-Year Loan Prime Rate 20/08/2025	3.50%		3.50%	EC Consumer Confidence Aug P	-14.9		-14.7
AU RBA's McPhee & Jones Speak				US Existing Home Sales Jul	3.92m		3.93m
NZ RBNZ Official Cash Rate 20/08/2025	3.00%	3.00%	3.25%	UK GfK Consumer Confidence Aug	-19		-19
NZ RBNZ Press Conference				JN Natl CPI Ex Fresh Food, Energy YoY Jul	3.40%		3.40%
UK CPI YoY Jul	3.70%		3.60%	UK Retail Sales Inc Auto Fuel MoM Jul	0.50%		0.90%
UK CPI Core YoY Jul	3.70%		3.70%	EC Negotiated Wages 2Q			2.50%
UK CPI Services YoY Jul	4.80%		4.70%	<b>Saturday 23 August</b>			
EC ECB's Lagarde Speaks				US Fed's Powell Speaks			
EC CPI YoY Jul F	2.00%		2.00%	<b>Sunday 24 August</b>			
EC CPI Core YoY Jul F	2.30%		2.30%	UK BOE's Bailey Speaks			
				EC ECB's Lagarde Speaks			

## Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
<b>CASH AND BANK BILLS</b>					<b>SWAP RATES</b>				
Call	3.25	3.25	3.25	5.25	2 years	3.06	3.05	3.14	3.83
1mth	3.16	3.19	3.35	5.36	3 years	3.18	3.17	3.27	3.63
2mth	3.15	3.17	3.28	5.30	4 years	3.32	3.30	3.41	3.60
3mth	3.15	3.14	3.24	5.24	5 years	3.45	3.43	3.56	3.62
6mth	3.11	3.13	3.22	4.96	10 years	3.98	3.95	4.12	3.91
<b>GOVERNMENT STOCK</b>					<b>FOREIGN EXCHANGE</b>				
04/27	3.15	3.16	3.25	3.75	NZD/USD	0.5923	0.5938	0.5968	0.6113
05/30	3.71	3.72	3.85	3.87	NZD/AUD	0.9102	0.9117	0.9145	0.9081
05/32	4.09	4.09	4.23	4.08	NZD/JPY	87.18	87.97	87.95	89.59
05/35	4.43	4.41	4.57	4.25	NZD/EUR	0.5056	0.5113	0.5103	0.5515
04/37	4.66	4.64	4.79	4.37	NZD/GBP	0.4366	0.4421	0.4423	0.4706
05/41	4.94	4.92	5.06	4.52	NZD/CAD	0.8183	0.8182	0.8165	0.8333
05/54	5.16	5.14	5.28	4.60	TWI	68.4	68.7	68.9	70.2
<b>GLOBAL CREDIT INDICES (ITRXX)</b>									
Nth America 5Y	50	51	51	51					
Europe 5Y	52	53	54	53					

# Contact Details

## BNZ Research

**Stephen Toplis**  
Head of Research

**Doug Steel**  
Senior Economist

**Matt Brunt**  
Economist

**Jason Wong**  
Senior Markets Strategist

**Stuart Ritson**  
Senior Interest Rate Strategist

**Mike Jones**  
BNZ Chief Economist

## Main Offices

**Wellington**  
Level 2, BNZ Place  
1 Whitmore St  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Toll Free: 0800 283 269

**Auckland**  
80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Toll Free: 0800 283 269

**Christchurch**  
111 Cashel Street  
Christchurch 8011  
New Zealand  
Toll Free: 0800 854 854

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