

Research Markets Outlook

25 August 2025

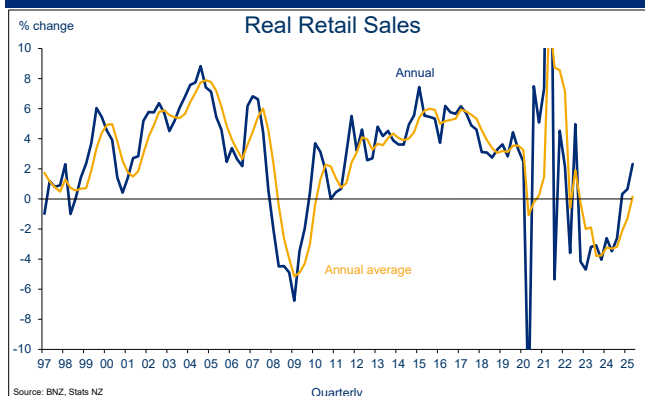
Retail sales strength surprises

- Retail sales volumes jump 0.5%
- Calling into question weak Q2 GDP expectations
- Good news for domestic manufacturers
- But what's up with the boom in electrical goods?
- South Island stars again

We have been strongly of the view that the economy shrunk in the June Quarter. Just about every indicator we have been looking at screamed contraction. That's why we have been forecasting a -0.2% outturn. And we became even more comfortable with this expectation when the RBNZ, in its August MPS, published an even weaker -0.3% projection.

Much of our angst about the weakness in the economy stems from our view that households are really struggling from cost pressures. This is resulting in downward pressure on real disposable incomes and, hence, a drop in the volume of spending, particularly in non-essential items. Today's data put a spanner in those thoughts with total retail sales rising 0.5% for the quarter to be up 2.3% on year earlier levels.

Up, up and away?



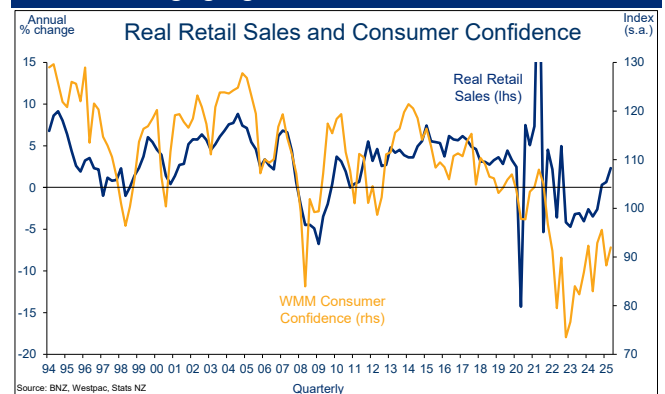
So the question is: are today's data anomalous or are they really an indication that momentum is building in the economy? We're not altogether sure but think probably a bit of both.

To put these data into context, the average increase in spending over the last three quarters is approaching 0.8%. This means household spending is expanding at an above average pace! It certainly doesn't feel like that.

That said, there are a few reasons why sales might have picked up:

- Falling interest rates may be supporting the sale of durable goods
- There is good evidence rural sector income growth and strong tourism into Queenstown is playing a role
- Consumer confidence has been edging higher albeit from deep lows
- Consumers are continuing to spend out of savings
- Falling fuel prices have freed up cash for spending elsewhere

Confidence edging higher



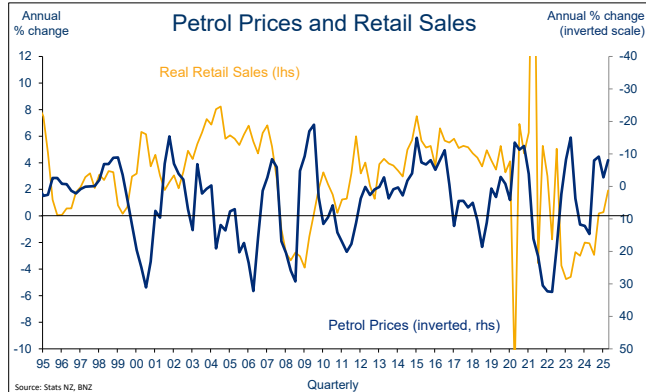
The regional split needs to be treated very carefully because of data anomalies but it should come of no surprise that, in dollar terms, spending in Otago was up 11.4% on year earlier levels. The increase for the whole of the South Island was 4.7%. In stark contrast, Auckland spending rose 2.3%, Wellington 0.5%, and lagging the field was Gisborne at -4.4%.

The impact of falling fuel prices should not be underestimated. There is a reasonable inverse correlation between petrol prices and the volume of consumer spending. Spending on fuel in the June quarter 2025 was 8.7% below year earlier levels. Volumes were down a little but, more importantly, prices were down 7.4%.

There is one spending category that sticks out like the proverbial, nonetheless, and we'd like to understand this a little bit more. In the June quarter the increase in spending on electrical appliances was 4.6% to be up 15.2% on year

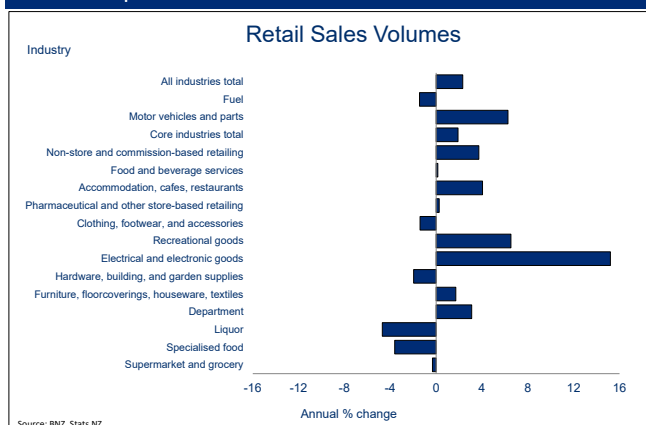
earlier levels. The quarterly move accounted for around 70% of the total increase in ex-auto spending. Over the last year the contribution climbs to 81%. And, yet, spending on electrical appliances only represents 11% of total ex-auto sales.

Falling fuel prices a boon



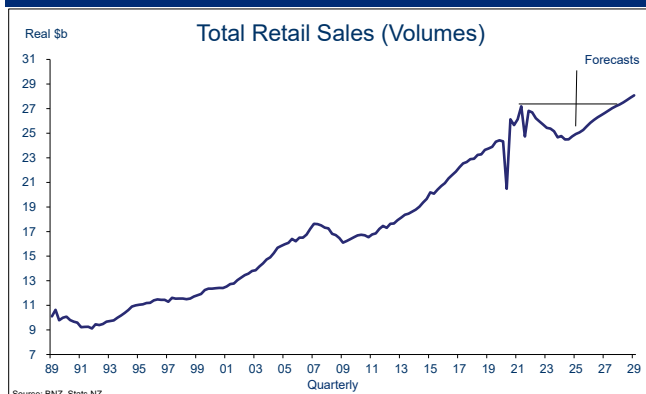
This doesn't detract from the fact that the aggregate of all other ex-auto spending still rose but by only 0.2% for the quarter and 0.4% for the year.

Electrical sparks



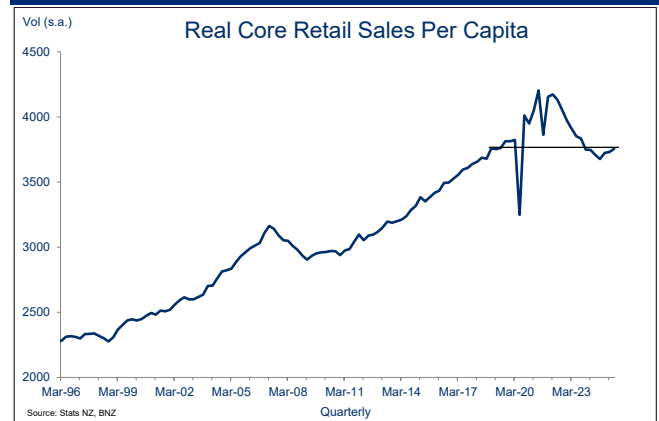
Of course, before we get too carried away, we should note that levels of activity matter as much as change. While momentum may be in the "right" direction, it's still going to take until mid-2027 before sales volumes hit their 2021 peak.

More work to be done



And on a core per capita basis sales are still no higher than where they were back in 2018.

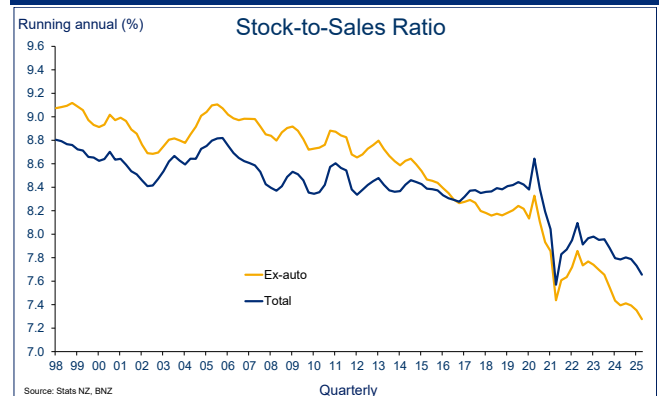
Gone nowhere fast



With margins under pressure, it's no wonder many retailers are still feeling the pinch even if some sales momentum is evident.

All that said, the numbers are the numbers. And today's retail sales figures provide more evidence there may be life in the old economy yet. Indeed, it may well be that the sales data explain why the recent Performance of Manufacturing Index jumped back into expansionary territory in July. It can also be seen within the retail data that not only are sales ticking higher but a declining stock-to-sales ratio indicates any continuation of the trend may well see manufacturing orders pushed higher.

Stocks in decline



As noted earlier, today's data put upward pressure on our Q2 GDP expectations, but we'll wait to see a few more partial indicators before we make any move. We also note that the private consumption component of the National Accounts includes housing and household utilities which has been weak of later. Additionally, tourism spending which is incorporated in the retail trade data is excluded from private consumption. Nonetheless, there is certainly something in the retail release for the hawks albeit more so with respect to the cyclical end point for rates than the Bank's next move in October.

The other thing that the hawks might focus on is the RBNZ's confirmation today that it intends easing capital requirements. We haven't done a thorough analysis of this yet but any easing in capital requirements is an easing in monetary conditions meaning there will be less work for interest rates to do. We will ponder the implications for monetary policy in the week ahead.

Meanwhile, we'll get two more partials that will directly affect our expectations for future household spending. The state of the labour market is key, and we'll get the July employment indicators update on Thursday. We wouldn't be surprised to see a small increase in the month to be consistent with our current expectation that the recent decline in household labour force numbers employed may

come to an end in the September quarter. But, whatever the number, the overall message from the labour market will be one of weakness.

The latest ANZ consumer confidence reading will be released on Friday. To the extent the latest easing by the Reserve Bank is incorporated into household sentiment, we think confidence should continue its broad upward trend.

Completing the week's key data is Thursday's ANZ Business Opinion survey. We will be hoping the activity indicator continues to portend growth ahead and that inflation expectations are contained. A pick up in employment expectations wouldn't go amiss either.

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Global Watch

- Fed speakers in focus including Williams and Waller
- US core PCE seen at 0.3% m/m
- Australian and German CPI data due

Week in Review

There were large moves across financial markets in response to US Fed Chair Powell's address at Jackson Hole on Friday night. Powell signalled the Fed may cut rates in September rate cut by stating, "with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance." This triggered gains in equity markets and a rally in treasuries. The USD dropped 1% and reversed earlier gains as the market had cautiously anticipated a more neutral speech.

Prior to Powell's speech, USD strength had also reflected US S&P PMIs which surprised to the upside: manufacturing at 53.3 (vs. 49.7 expected) and services at 55.4 (vs. 54.2 expected). European PMIs continue to underperform with the composite at 51.1 vs. the US composite at 55.4.

There were more signs of economic momentum in Australia. Consumer confidence rose 5.7% m/m to its highest since February 2022. Renters saw the largest rise, while on a state basis NSW has the most confident consumers.

Week Ahead

In Australia, the July CPI Indicator (Wednesday) dominates what is a reasonably quiet calendar. Our colleagues at NAB expect headline at 2.3% from 1.9%, supported by electricity base effects. That will also support the annual trimmed mean measure, seen at 2.3% from 2.1%. Ahead of GDP data next week are Q2 GDP partials for Capex and Construction Work Done. From the RBA are the August Minutes, which are unlikely to attract too much interest.

Fed speakers will remain in focus this week. NY's Williams (Tuesday 11:15am NZT) and Governor Waller (Friday 10am NZT) the pick of the calendar so far.

In the US data flow, Personal income and Spending data on Friday, including the core PCE inflation measure, is the key data release. Also out during the week is the Conference Board consumer confidence measure on Tuesday, and the second estimate of GDP (Thursday).

Focus also remains on the tail end of corporate earnings, with Nvidia before the open on Wednesday. On tariff policy, note that the 50% tariff on India is scheduled to take effect on 27 August, and the 'de minimis' tariff exemption (which allows low-value imports to enter duty free) ends on Friday.

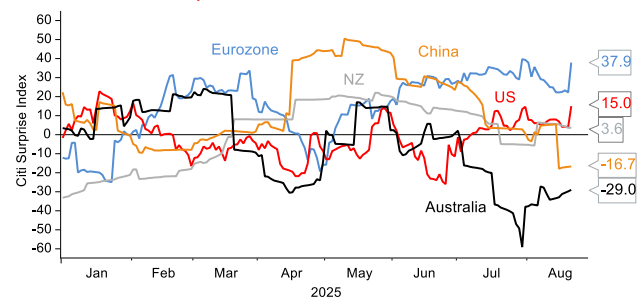
It is quiet in both the UK and Eurozone, with nothing of note in the data calendar save preliminary August CPIs for France and Germany on Friday, ahead of the eurozone

wide numbers next week. The UK also has a public holiday on Monday.

It is similarly quiet in China, with industrial profits on Wednesday likely to show manufacturers profits remain under pressure. Earnings (and any guidance) on Friday from Alibaba and BYD may though give some guide to China's recent anti-involution drive.

In Japan, Tokyo CPI for August and July labour market data is Friday.

Citi Economic Surprise Indexes*



* The surprise indices measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases have been worse than expected.
Source: National Australia Bank, Macrobond

Selected Economic Events Preview

Monday 25

UK Public Holiday (markets closed)

US Fed's Williams and Logan

Tuesday 26

AU RBA August Minutes

The Minutes for the RBA's August meeting shouldn't prove market moving, given the SoMP and press conference have already detailed the RBA's updated thinking.

US Conference Board Consumer Confidence, Durables, Fed's Barkin

Consumer Confidence measures in the US are off their April troughs but remain well below Q1 levels.

Wednesday 27

AU July CPI Indicator

NAB forecast headline at 2.3% (from 1.9%) and annual trimmed mean at 2.3% (from 2.1%).

The key driver is base effects in electricity (explained below). Some strength in travel with strong demand alongside sporting events is also expected to support.

As for broader inflation indications, the July month is goods heavy and contains few indicators of market services components.

The RBA forecast trimmed mean outcomes around 0.64% q/q in Q3 and Q4 in the August SoMP. That is in line with NAB's forecasts.

Electricity subsidies were increased in Q3 2024, meaning large, measured price declines last July and August. NAB expect measured electricity inflation will go from -6% y/y in June to +26% y/y in July (from subtracting 10bp from headline inflation to adding 45bp). That will also see the annual trimmed mean measure move back up towards the full quarterly measure.

AU Q2 Construction Work Done

The first of the GDP investment partials ahead of Q2 GDP next week. NAB expect a lift in Dwelling construction activity to support a 1.5% q/q rise in Construction Work Done.

US Earnings – Nvidia

Thursday 28

AU Q2 Capex

NAB expect underlying business investment will rise by around 1% q/q in Q2 and pencil in a similar increase in Private Capex. That would follow small gains in each of the past two quarters. Business investment growth has slowed as the impact of tax and pandemic-related stimulus

has faded. That said, despite a small decline in Q1, machinery & equipment investment remains well above pre-pandemic levels.

EU Defence ministers meet

US Q2 GDP revisions, Jobless Claims, Fed's Waller

Friday 29

AU Private Credit stats

EZ Germany & France preliminary August CPI

JN Tokyo August CPI, Retail Sales, Unemployment

US Personal Income & Spending, Chicago PMI

Consensus for the core PCE outcome is 0.3% m/m and 2.9% y/y from 2.8%, based on CPI and PPI detail. The headline is seen at 0.2% and 2.6%.

The release also contains an update on spending and income. Early forecasts see personal income 0.4% m/m higher and real spending up 0.3% after last month's 0.1% outcome, which would be in line with Q3 consumption growth sustaining near its Q2 pace a bit below 1.5% saar.

US University of Michigan Sentiment (Final)

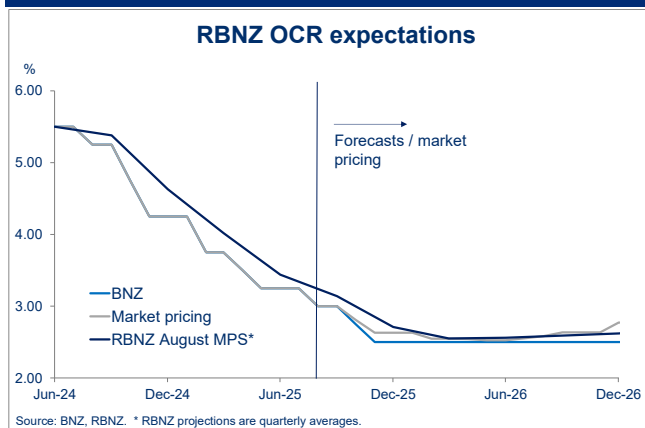
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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ front end and intermediate swap rates fell to fresh cycle lows following the dovish pivot from the RBNZ at the Monetary Policy Statement (MPS) last week. Although the 25bp reduction to 3.0% was widely anticipated, two of the six Monetary Policy Committee members dissented, preferring a larger 50bp rate cut. This marked a significant change in stance after the easing cycle paused in July. The central bank outlined that if medium-term inflation pressures continue to ease as expected, there is scope to lower the OCR further.

RBNZ's modelled OCR track revised lower

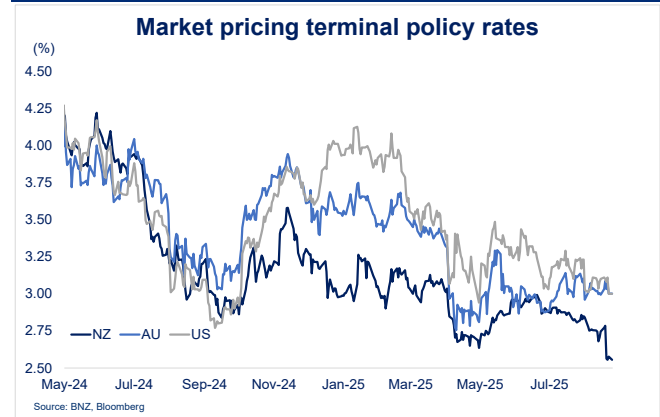


The RBNZ's modelled OCR track was revised significantly lower. The projected terminal rate is 2.55% in Q1 2026, which is 30bp below the forecast trough from the May MPS. The change in tone reflects ongoing subdued economic activity. Updated forecasts for the output gap are more negative, and will persist for longer, compared with May. This is expected to weigh on inflation, which is forecast to return to the midpoint of the target band in 2026, after peaking near 3.0% in Q3.

The RBNZ outlined a clear easing bias. The modelled OCR track is broadly consistent with two further 25bp cuts this year, assuming the economy evolves in line with the Bank's forecasts. The overnight index swap market is pricing around 17bp of easing for the next meeting and a terminal Cash Rate near 2.55%. Monthly activity and employment data, inflation partials for August, June quarter GDP and the Quarterly Survey of Business Opinion are the main economic releases ahead of the October Policy Review. Q3 CPI won't be available until after the meeting.

2-year swap rates have traded to fresh multi-year lows below 3.0% in the aftermath the RBNZ decision. There is room for the market to firm up pricing for 25bp cuts at the next two meetings which would be associated with further modest downside in 2-year rates towards 2.80%. But with a wider lens, the RBNZ easing cycle is likely reaching the final stages and is well discounted by market pricing. Risks for 2-year rates appear increasingly balanced at current levels.

Terminal OCR diverges from AU and US policy rates



The dovish RBNZ has contributed to both a steeper NZ yield curve, and a further narrowing in cross market spreads, against key comparison markets like Australia and the US. Market pricing for the terminal OCR has increasingly diverged with the Reserve Bank of Australia and the US Federal Reserve (Fed). Fed Chair Powell opened the door for a September rate cut, in a widely watched address at the Jackson Hole economic symposium. He noted downside risks to employment are rising and that it is reasonable to expect a short-lived impact on prices from tariffs. Terminal Fed funds pricing declined to 3.0%.

NZ's divergent macro backdrop, along with a relatively steep yield curve, has supported strong demand for NZ fixed income. Non-resident holdings of NZ government bonds (NZGB) increased to NZ\$116 billion in July, a fresh record, and a NZ\$5 billion increase during the month. The increase incorporates allocations from the tap syndication of the May-2031 maturity. Recent NZGB outperformance has seen yields trade below or near flat relative to Australian out to 10-year bond maturities. We think the spread compression has likely run its course.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.03	3.02 - 3.20
NZ 2yr swap (%)	2.90	2.90 - 3.19
NZ 5yr swap (%)	3.32	3.32 - 3.59
NZ 10yr swap (%)	3.87	3.87 - 4.12
2s10s swap curve (bps)	97	89 - 100
NZ 10yr swap-govt (bps)	-47	-50 - -44
NZ 10yr govt (%)	4.34	4.38 - 4.57
US 10yr govt (%)	4.25	4.18 - 4.43
NZ-US 10yr (bps)	8	5 - 25
NZ-AU 2yr swap (bps)	-32	-33 - -9
NZ-AU 10yr govt (bps)	2	2 - 26

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

Last week, the NZD underperformed following a dovish pivot by the RBNZ. However, the impact was softened by a similarly dovish shift from Fed Chair Powell at Jackson Hole, which limited the weekly decline in NZD/USD to less than 1%. The NZD weakened against all key crosses, falling between 0.7% and 1.2%, with NZD/EUR reaching its lowest level in 15 years.

A dovish pivot by the RBNZ at the August MPS drove the NZD below its four-month trading range of 0.5850-0.6120. We have been noting 0.5820-0.5850 as a range of support and the currency only edged slightly below the bottom, falling to a low of 0.5800 before closing the week just under 0.5870.

The RBNZ's 25bps cut to the OCR, lowering it to 3%, came as no surprise, but the dovish turn itself was unexpected. Notably, two of the six MPC members voted for a larger 50bps cut, and the rate track was revised down by 30bps, setting a new low of 2.55%. The weak performance of the economy in Q2 unsettled the RBNZ, which now appears more aware of the extent of NZ's economic challenges, an issue we have highlighted for some time.

BNZ Economics has added another 25bps cut to its projected rate track, now anticipating further 25bps cuts at both the October and November meetings, which would bring the OCR down to a cycle low of 2.5%. In response to the RBNZ's unexpected pivot and the prospect of lower NZ rates, we reduced our near-term NZD/USD projections by a cent, lowering the 2025 year-end target to 0.6150 from 0.6250. The anticipated recovery still depends on the US Fed delivering at least 50bps of cuts this year, alongside the medium-term negative structural forces affecting the USD that we have discussed previously.

On that note, Fed Chair Powell surprised markets with his dovish remarks at Jackson Hole on Friday night, opening the door to a possible September rate cut by stating, "with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance." As a result, the USD dropped 1% on the DXY index, reversing earlier gains, as the market had cautiously anticipated a more neutral speech. Prior to Powell's comments, USD strength had also reflected stronger-than-expected PMI data, showing no signs that the economy was suffering under higher tariffs.

The market is currently pricing in two full rate cuts by the Fed this year and more significant easing next year. As noted previously, Fed easing cycles have historically been USD-negative.

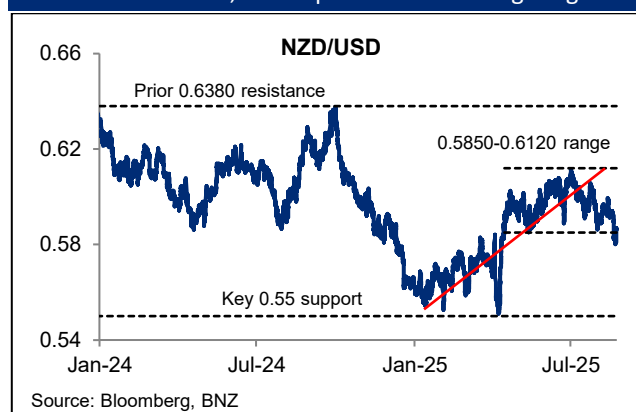
With most of the downward adjustment in the NZD likely already priced in, we find it difficult to be overly bearish on the currency and see limited downside risk from the lower end of the multi-month range. Our medium-term

projections remain unchanged; in fact, the lower the New Zealand OCR drops, the sooner it may need to rise in the next tightening cycle. Based on last week's price action, we lower the near-term support level to 0.5800, while 0.6120 remains the technical resistance level.

With NZ's OCR expected to fall as much as 85bps below the Australian cash rate in the coming months, the NZD/AUD cross is likely to struggle and is expected to settle around 0.90-0.91 over the next few quarters. Consequently, there is a risk of the cross dipping below 0.90 at some point, potentially testing last year's lows just under 0.8950. For NZD/EUR, our central projection for the remainder of the year remains flat at 0.50, suggesting an effective new range of 0.48-0.52.

Looking ahead to this week's economic calendar, after today's NZ retail sales data, business and consumer confidence figures will be released later in the week. Key global releases to watch include Australian monthly CPI, German CPI, and the US core PCE deflator.

NZD hits low of 0.58, below prior 4-mth trading range



Cross Rates and Recent Ranges

		Last wk	
	Current	% chg	Last 3-wks range*
NZD/USD	0.5869	-0.9%	0.5800 - 0.6000
NZD/AUD	0.9038	-0.7%	0.9030 - 0.9150
NZD/CAD	0.8113	-0.9%	0.8070 - 0.8250
NZD/GBP	0.4341	-0.7%	0.4310 - 0.4460
NZD/EUR	0.5006	-1.1%	0.4990 - 0.5120
NZD/JPY	86.21	-1.1%	85.60 - 88.40
*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: 0.5800 (ahead of 0.55)

After last week's price action, which saw the NZD break below the 4-month trading range, support is lowered to 0.5800, while resistance remains at 0.6120



NZD/AUD

Outlook: Trading range
 ST Resistance: 0.92 (ahead of 0.9390)
 ST Support: 0.8950 (ahead of 0.89)

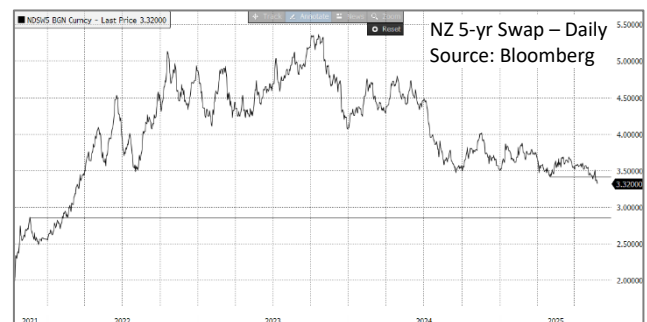
After last week's break, we lower support to 0.8950 and resistance to 0.92.



NZ 5-year Swap Rate

Outlook: Lower
 ST Resistance: 3.40
 ST Support: 2.85

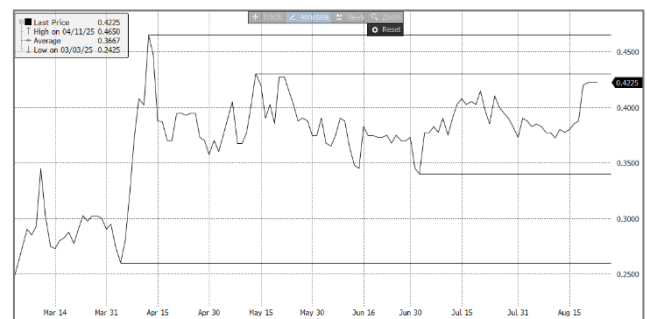
5-year swap has broken support post last week's dovish RBNZ. This opens a wide new range but our outlook changes to targeting a lower rate.



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

Outlook: Neutral
 ST Resistance: 0.47
 ST Support: 0.26

2x5 year swap spread steeped last week and sits around +42bp. Should it struggle to break any higher we would feel confident defining new resistance at +43bp.



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Quarterly Forecasts

Forecasts as at 25 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	0.7	0.6	0.6
Retail trade (real s.a.)	1.0	0.8	0.5	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	2.7

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	2.75	3.55	4.50	2.85	3.30	4.10	4.10	4.30	0.20
Dec	2.50	2.65	3.45	4.50	2.80	3.25	4.15	3.70	4.25	0.25
2026 Mar	2.50	2.65	3.45	4.40	2.85	3.25	4.05	3.60	4.10	0.30
Jun	2.50	2.65	3.60	4.40	3.10	3.45	4.10	3.45	4.00	0.35
Sep	2.50	2.65	3.75	4.40	3.45	3.70	4.20	3.20	4.00	0.40
Dec	2.50	2.80	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	0.58	0.64	1.17	1.35	147
Sep-25	0.60	0.66	1.20	1.36	142
Dec-25	0.62	0.68	1.23	1.38	138
Mar-26	0.64	0.71	1.24	1.39	130
Jun-26	0.65	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	0.58	0.91	0.50	0.43	85.8	67.6
Sep-25	0.60	0.91	0.50	0.44	84.8	68.5
Dec-25	0.62	0.91	0.50	0.45	84.6	69.4
Mar-26	0.64	0.90	0.52	0.46	83.2	71.0
Jun-26	0.65	0.90	0.52	0.46	83.2	71.4
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 25 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	2.1	2.8	1.0	0.0	1.8	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	1.5	3.3	-0.7	-1.1	0.7	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	1.5	3.0	2.0	-0.5	1.0	2.8	2.5
GDP (production)	3.5	1.4	-1.1	1.3	2.9	1.8	-0.6	0.7	2.7	2.5
GDP - annual % change (q/q)	3.0	1.3	-0.7	1.9	2.7	1.0	-1.3	1.8	3.0	2.4
Output Gap (ann avg, % dev)	2.0	1.0	-1.0	-1.3	-0.4	1.2	-0.5	-1.4	-0.6	-0.2
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	1.2	0.5	-1.1	-0.2	1.2	0.5	0.4
Unit Labour Costs (ann av %)	5.5	7.0	4.7	2.4	2.8	7.5	5.0	2.7	2.7	2.8
House Prices (stratified, mth)	-12.8	2.8	-0.6	1.0	4.6	0.6	-0.9	0.8	4.4	4.3
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	0.64	0.68	0.62	0.57	0.62	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	0.90	0.92	0.93	0.91	0.91	0.92	0.92
NZD/GBP	0.51	0.48	0.44	0.46	0.47	0.49	0.45	0.45	0.46	0.48
NZD/EUR	0.58	0.56	0.53	0.52	0.54	0.57	0.55	0.50	0.52	0.55
NZD/YEN	83.0	91.1	85.4	83.2	84.3	89.5	88.4	84.6	84.4	83.6
TWI	71.0	71.2	67.9	71.0	73.7	72.0	68.5	69.4	72.9	73.9
Overnight Cash Rate (end qtr)	4.75	5.50	3.75	2.50	2.75	5.50	4.25	2.50	2.50	4.00
90-day Bank Bill Rate	5.16	5.64	3.60	2.65	3.30	5.63	4.26	2.65	2.80	4.15
5-year Govt Bond	4.40	4.60	4.00	3.45	4.10	4.50	3.90	3.45	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	2.85	4.00	4.93	3.53	2.80	4.00	4.00
5-year Swap	4.50	4.40	3.65	3.25	4.15	4.43	3.63	3.25	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 25 August					EC	ECB Account of July Decision				
GE	IFO Expectations Aug	90.5		90.7	Friday 29 August					
Tuesday 26 August					US	GDP Annualized QoQ 2Q S	3.10%		3.00%	
US	Chicago Fed Nat Activity Index Jul	-0.11		-0.1	US	Initial Jobless Claims 23/08/2025	230k		235k	
US	New Home Sales Jul	630k		627k	US	Continuing Claims 16/08/2025	1965k		1972k	
US	Fed's Williams, Logan & Barkin Speak				US	Pending Home Sales MoM Jul	-0.20%		-0.80%	
AU	RBA Minutes of Aug. Policy Meeting				NZ	ANZ Consumer Confidence Index Aug			94.7	
EC	ECB's Villeroy Speaks				US	Fed's Waller Speaks				
Wednesday 27 August					JN	Jobless Rate Jul	2.50%		2.50%	
US	Philadelphia Fed Non-Manufacturing Activity Aug			-10.3	JN	Tokyo CPI Ex-Fresh Food, Energy YoY Aug	3.00%		3.10%	
US	Durable Goods Orders Jul P	-3.90%		-9.40%	JN	Industrial Production MoM Jul P	-1.20%		2.10%	
US	Richmond Fed Manufact. Index Aug			-20	JN	Retail Sales MoM Jul	-0.20%		0.90%	
US	Conf. Board Consumer Confidence Aug	96.5		97.2	AU	Private Sector Credit MoM Jul	0.60%	0.50%	0.60%	
US	Dallas Fed Services Activity Aug			2	GE	Unemployment Claims Rate SA Aug	6.30%		6.30%	
AU	Westpac Leading Index MoM Jul			-0.03%	EC	ECB's Guindos Speaks				
AU	CPI YoY Jul	2.30%	2.30%	1.90%	Saturday 30 August					
AU	CPI Trimmed Mean YoY Jul		2.30%	2.10%	GE	CPI YoY Aug P	2.10%		2.00%	
CH	Industrial Profits YoY Jul			-4.30%	US	Personal Income Jul	0.40%		0.30%	
AU	CPI Trimmed Mean YoY Jul			2.10%	US	Real Personal Spending Jul	0.30%		0.10%	
AU	Construction Work Done 2Q	1.00%	1.50%	0.00%	US	PCE Price Index MoM Jul	0.20%		0.30%	
US	Fed's Barkin Speaks				US	PCE Price Index YoY Jul	2.60%		2.60%	
GE	GfK Consumer Confidence Sep	-21.4		-21.5	US	Core PCE Price Index MoM Jul	0.30%		0.30%	
Thursday 28 August					US	Core PCE Price Index YoY Jul	2.90%		2.80%	
NZ	Filled Jobs SA MoM Jul			0.10%	US	MNI Chicago PMI Aug	46		47.1	
NZ	ANZ Business Confidence Aug			47.8	US	U. of Mich. Sentiment Aug F	58.6		58.6	
AU	Private Capital Expenditure 2Q	0.80%	1.00%	-0.10%	US	Kansas City Fed Services Activity Aug			-5	
JN	BOJ's Nakagawa Speaks				Sunday 31 August					
EC	ECB's Rehn Speaks				CH	Manufacturing PMI Aug	49.5		49.3	
EC	Consumer Confidence Aug F			-15.5	CH	Non-manufacturing PMI Aug	50.2		50.1	
EC	Economic Confidence Aug	96		95.8						

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	3.00	3.25	3.25	5.25	2 years	2.90	3.07	3.17	3.84
1mth	3.10	3.14	3.30	5.36	3 years	3.04	3.19	3.30	3.64
2mth	3.07	3.14	3.22	5.29	4 years	3.18	3.32	3.43	3.60
3mth	3.03	3.14	3.20	5.22	5 years	3.32	3.45	3.57	3.62
6mth	2.96	3.12	3.17	4.95	10 years	3.87	3.98	4.09	3.89
GOVERNMENT STOCK					FOREIGN EXCHANGE				
04/27	3.04	3.17	3.29	3.76	NZD/USD	0.5868	0.5922	0.5970	0.6204
05/30	3.64	3.73	3.87	3.86	NZD/AUD	0.9038	0.9123	0.9155	0.9162
05/32	4.03	4.11	4.24	4.07	NZD/JPY	86.19	87.57	88.67	89.65
05/35	4.38	4.45	4.57	4.23	NZD/EUR	0.5005	0.5079	0.5151	0.5558
04/37	4.61	4.67	4.80	4.38	NZD/GBP	0.4340	0.4386	0.4470	0.4704
05/41	4.92	4.96	5.06	4.54	NZD/CAD	0.8113	0.8173	0.8201	0.8366
05/54	5.19	5.19	5.29	4.62	TWI	67.8	68.6	69.1	71.2
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	49	50	50	49					
Europe 5Y	51	52	53	52					

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