Research
Markets Outlook

8 September 2025

Smaller deficit likely

- **Trade data looks net negative for Q2 GDP**
- **Last major Q2 GDP partials due this week**
- **Trade revisions to narrow current account deficit**
- **Likely welcomed by rating agencies**
- **PMI/PSI to give their guidance on August activity**

Last week's international trade data made for some interesting reading. We saw five key takeaways.

First, less goods exports and more goods imports confirmed our priors that net international trade is highly likely to be a net drag on Q2 GDP. Services trade was more mixed but not enough to change the general message from goods trade.

Second, annual inflation in trade prices eased in Q2 across exports of goods and imports of goods and services. The exception was a push higher in exports of services prices. The signal here is that tradeable inflation is on the wane, which fits with our thinking that CPI annual tradeable inflation will peak in Q3 then ease over the year hence.

Third, NZ's merchandise terms of trade rose strongly to a record high representing a significant increase in the purchasing power of the country's exports and another indicator supporting our view that the annual current account deficit continued to narrow in Q2.

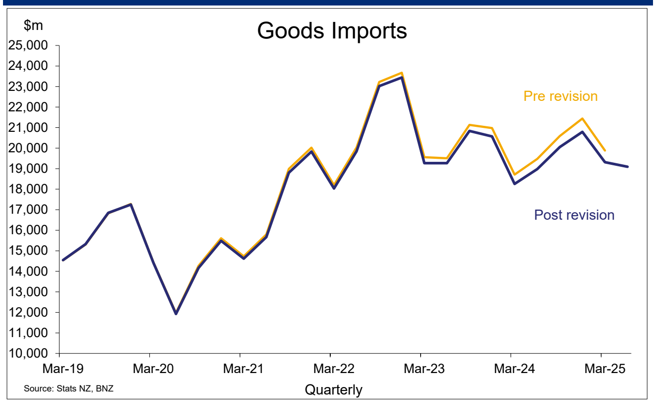
Fourth, there was an implied drop in real tourism expenditure and a lift in NZ household spending offshore. This adds more weight to the notion that the recent upside surprise in Q2 retail sales was driven by locals.

And fifth, there were material revisions, some extending back a number of years. The circa $800m upwards revision to exports of services in the year to March 2025 was hefty enough, but it was dwarfed by the $2.25b downward revision to goods imports over the same period as Stats NZ made methodological changes to how it estimates the value of imported low value goods.

The revisions are important to consider as they could have implications for interpreting next week's Q2 GDP outcome.

As a result of the change to import values, we suspect there will be a similar sized downward revision to household spending when GDP is released. If so, the import/household spending changes shouldn't materially alter GDP as they will broadly net off. But there are other factors to contemplate.

Revised lower



A downward revision to household spending, if it were to occur, would lower the profile of domestic demand. That would be of interest to the RBNZ. Even if Q2 private consumption increases a touch more than the RBNZ expects, as is our current forecast, the revisions may mean that the level of domestic spending undershoots the Bank's forecast. That would be a dovish development at the margin.

However, we shouldn't jump to conclusions. The upward revision to exports of services will add to GDP and act to narrow estimates of the output gap at the margin. The implications for the output gap and RBNZ policy from all the trade revisions is ambiguous. However, with all the changes it can only add to the error bound around the possible Q2 GDP outcome.

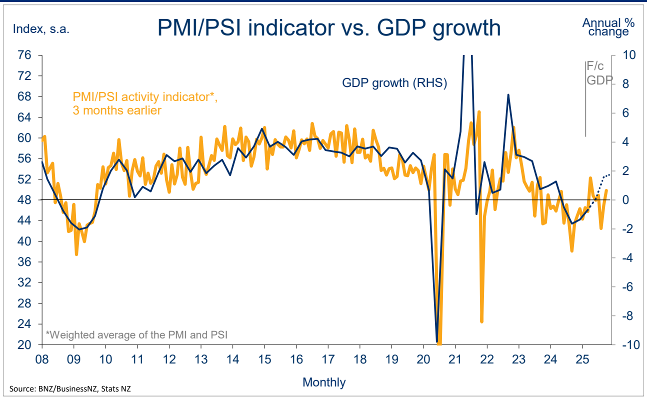
The last of the major Q2 GDP partial indicators are scheduled for release tomorrow. We expect these to infer modest gains in wholesale trade and service sector activity, and a decline in manufacturing activity. We will then look to finalise our Q2 GDP pick which currently sits at -0.2% q/q. For reference, the RBNZ estimated a 0.3% contraction for that quarter in its August MPS when the Bank's KiwiGDP nowcast was also -0.3%. Now its -0.1%. GDP itself is due for release next Thursday, 18 September.

What is clear from the Q2 trade data, and revisions, is that they will act to reduce the current account deficit. All considered, our pick for the annual deficit in Q2 now sits at 4.8% of GDP. If that is anywhere near correct, it would represent a significant narrowing from the 5.7% of GDP previously published for the annual deficit in Q1. The Q2 data are due out next Wednesday.

A narrower deficit will be seen as a positive by rating agencies. Indeed, last week S&P were reported as being comfortable with NZ's stable sovereign rating outlook as long as there's a reasonable chance that both the elevated fiscal deficit and the elevated current account deficit normalise over the course of the next couple of years.

The week ahead also has a smattering of monthly indicators to monitor. We will be most interested in Friday's PMI and next Monday's PSI to see if July's movement in the right direction continued in August or not. The combined PMI/PSI activity index needs to lift further to be consistent with the modest pickup in economic growth we are forecasting.

Further improvement needed



We suspect electronic card transactions at retail outlets rose again in August, building on the modest improvement in July. This would add to signs of recovery into Q3.

Wednesday brings international migration and travel data for July. Annual net migration was broadly stable in June, around 13,700. We look for more of the same in July subject to any material revisions. Lower net migration has slowed growth in the labour force and domestic demand, including for housing.

July short-term visitor arrivals are seen well above year earlier levels. But even with an increase in the order of, say 6% y/y, visitor numbers are expected to remain well below pre-Covid levels. This remains a material drag on economic activity and the external accounts compared to pre-Covid times.

RBNZ Governor Hawkesby speaks on Thursday to the Financial Services Council's annual conference. He will discuss the August MPS and the Capital Review consultation. The RBNZ has said no new information will be provided regarding economic conditions or the August MPS. There will be a Q&A session.

Finally, we continue to keep an eye on the weather. Earth Sciences NZ noted last week it now sees a 60% chance of a La Niña this Spring. In the past, NZ agriculture production has sometimes strengthened during La Niña conditions (often when it is a mild event), but production has also been dented too (including during stronger La Niña conditions).

The chance of La Niña is yet another reason to keep monitoring hydro lake levels which have already dropped to around 72% of normal for this time of year from over 100% of normal two months ago. Lower than normal hydro lake levels tend to be a direct drag on value added in the utilities sector with flow on influences to the extent it maintains upward pressure on energy prices.

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Global Watch

- **US CPI and PPI; core measures for both seen at 0.3% m/m**
- **Benchmark revision to US payrolls due**
- **ECB decision, widely expected to hold**
- **China CPI expected to slip back into deflation**

Week in Review

US nonfarm payrolls increased by 22k in August, well below the consensus estimate. In addition, there were modest downward revisions to previous months totalling 21k. The weaker than expected US labour market data clears the way for the Fed to reduce its policy rate at the September FOMC.

Australia Q2 GDP data lifted 0.6% q/q and showed that the soft start to 2025 belied what was a firming underlying trend. Households have clearly responded to the improved real income picture and discretionary categories were the driver of strength in Q2. July household spending rose 0.5% m/m, suggesting the improved underlying trend continued into Q3.

Our colleagues at NAB continue to expect the RBA to ease policy in November and February, as it moves policy to a broadly neutral stance of 3.1%. Policy normalisation is now reasonably well progressed, and GDP data will increase the RBA's confidence that consumption will be a support for growth. Given uncertainty about how restrictive policy remains, and amid some upside risks to inflation, namely from shelter categories, there is little urgency to adjust policy quickly while the labour market remains resilient.

Week Ahead

In the US, attention turns back to inflation with PPI (Wednesday) and CPI (Thursday). There will also be some interest in just how large downward revisions will be in the preliminary benchmark revision to March 2025 payrolls, due Tuesday. The FOMC is in pre-meeting blackout ahead of the 17 September decision.

In Europe, the ECB headlines what is otherwise a quiet data calendar. With a good prospect inflation falls below target in 2026 and the immediate growth outlook still weak, there is a case for another cut in the deposit rate. It might take until October or December though, with markets expecting a hold on Wednesday. New forecasts and Lagarde's press conference will be in focus for how high the bar is to another adjustment.

On the political calendar, the vote of confidence on French Prime Minister Francois Bayrou's proposed budget measures is set for Monday. European Commission President Ursula von der Leyen delivers an annual State of the Union address to the European Parliament on Wednesday.

Japanese financial markets will be in focus to start the week after Prime Minster Ishiba said he will step down. However, the uncertain political backdrop remains a hurdle to near-term hikes from the BoJ.

In the UK, monthly GDP data for July is Friday, and follows an upside surprise 0.4% m/m gain in June. BoE's Breeden appears with Bank of France's Villeroy on Wednesday.

In China, Trade data is Monday, CPI and PPI are Wednesday, and aggregate financing data is due in the week from Tuesday. The Standing Committee of the 14th National People's Congress, China's top legislature, will hold its 17th session in Beijing from Monday 8 September through the 12th.

In Australia, the domestic calendar goes quiet in the week ahead. The NAB Business Survey and Westpac-Melbourne Institute Consumer Confidence are both Tuesday. RBA Assistant Governor Brad Jones speaks on a panel at FINSIA's The Regulators event on Friday.

Selected Economic Events Preview

Monday 8

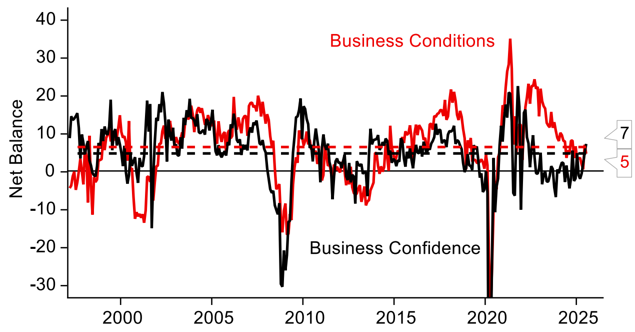
CH Trade (August)
So far, aggregate Chinese exports have been resilient to tariff impacts, even as shipments to the US have more noticeably fallen back. Expectations are for export growth to slow from its July pace of 7.2% y/y.

Tuesday 9

AU Consumer Confidence & NAB Business Survey
The NAB Business Survey showed a further improvement in confidence in July, while conditions steadied near its long run average.

Consumer confidence jumped 6% in July to 98.5, its highest in 3 years and only a little below its long run average. There has been a noticeable improvement in perceptions of family finances.

NAB Business Survey



Source: National Australia Bank, National Australia Bank, Macrobond

Wednesday 10

CH CPI & PPI
China's CPI is expected to slip back into deflation in August, from 0.0% y/y in July, weighed by food prices. The core measure has trended higher recently, up to 0.8% y/y in July, but services inflation is lower than a year ago and the increase has been driven by goods components like cars, furniture, and household appliances that have been boosted by the government's trade in scheme. Underlying price pressure remains soft. PPI deflation is expected to moderate from -3.6% in July on a combination of higher commodity prices and favourable base effects.

US PPI
The PPI comes ahead of the more informative CPI this month and the core measure is seen at 0.3% m/m after a sharp upside surprise in the prior month.

Thursday 11

EZ ECB September meeting
Markets are expecting a hold from the ECB's September meeting. Immediate growth prospects are still weak and face an additional headwind from this month's US tariff increase. Combined with the prospect of an appreciating euro, lower energy prices and some deflationary pressure from a re-routing of China goods to Europe, taking inflation below the ECB's 2% target, NAB anticipate one further (25bp) rate cut. Updated projections are also released. The previous forecasts showed inflation dipping below 2% in 2026, though was downplayed as a temporary, energy-driven dynamic.

US CPI
It is downside risks to the labour market, rather than the extent of short-term inflation pressure, that is capturing the immediate imagination of Fed Chair Powell. But until and unless spare capacity is evident in the hard data, inflation dynamics can't be fully dismissed. Pipeline goods pressures remain elevated and should continue to support CPI outcomes in the near term, but breadth will also be key. Services inflation was stronger in July data, and Chicago's Goolsbee for one has said "*that makes me a little uneasy, because that's very unlikely to be caused by tariffs.*"

Friday 12

US University of Michigan Consumer Sentiment

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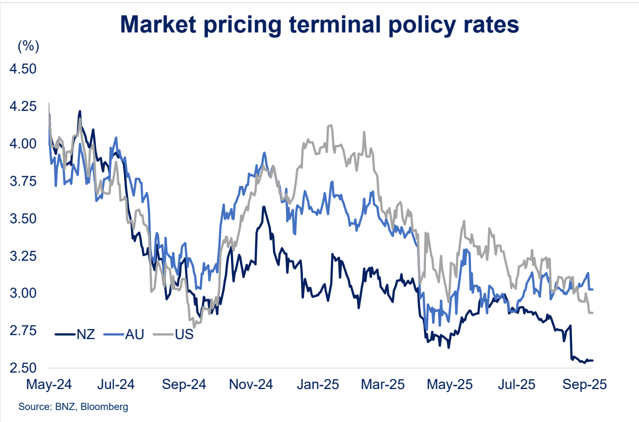
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ swap rates remain close to the recent yield lows, set against a supportive backdrop for global fixed income, with the market anticipating the US Federal Reserve restarting its easing cycle at the September FOMC. After revisions, US non-farm payroll growth has averaged 29k over the past three months and sends a strong signal that the labour market is weakening. Market pricing broadly aligns with a sequence of 25bp rate cuts at the three remaining meetings this year, and a terminal Fed Funds Rate of 2.90%, by late 2026.

After the sharp decline following the RBNZ's dovish pivot at the August Monetary Policy statement, market pricing for the terminal Official Cash Rate is little changed near 2.55%. There is limited first-tier domestic economic data or other catalysts in the week ahead to challenge RBNZ pricing. However, the manufacturing PMI on Friday, along with its services counterpart next week, will be monitored after staging a modest recovery in July, albeit to levels that point to still weak economic activity.

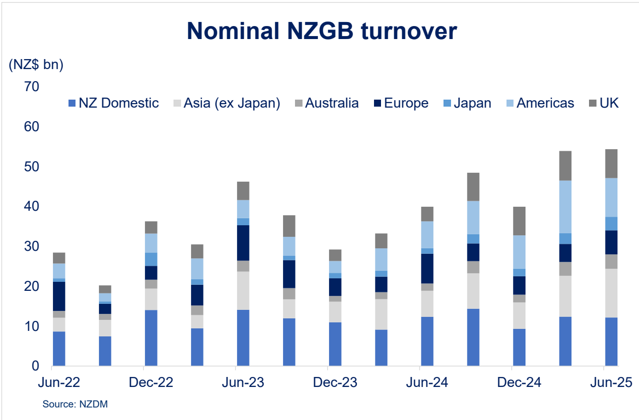
Terminal policy rate pricing for the RBNZ, Fed and RBA



Wider NZ-US terminal rates have been reflected further out the yield curve. The 10-year NZ Government bond (NZGB) spread against US treasuries (UST) has increased towards 30bp, which corresponds with the top end of the trading range for the past few months, and is not far below the 40bp 2025 peak reached in April. The move wider in the 10-year NZGB-UST spread, has overshot modestly, relative to the beta to the change in respective central bank pricing. NZGBs offer higher real yields, and a steeper curve compared with treasuries, which is likely to attract investor interest after the recent spread widening.

NZ Debt Management (NZDM) launched the syndication of the new 20 September 2050 inflation-indexed bond (IIB) this morning which was anticipated by the market. Initial price guidance was set as a +28bp to +36bp margin to the Sep-2040 IIB. Our estimate of fair value is close to the midpoint of this range. The transaction has been capped at NZ$2 billion and is expected to find demand from domestic and non-resident investors. The new line will enter the IIB benchmark at the end of the month, which should create follow up demand for the new line, from investors with low tracking error mandates. The weekly bond tender has been cancelled which is typical when a syndicated transaction is undertaken.

NZGB secondary market turnover increasing



NZDM has released secondary market turnover data for the period covering the June quarter. Turnover, which is reported by the eight primary NZGB dealers, has continued to increase for nominal securities. The pickup in trading activity is partly a function of the significant increase in outstanding bonds. The higher turnover, compared with the same quarter last year, was broadly distributed across regions. Activity was concentrated in the belly and near-10-year tenors, which is where the bulk of the recent primary issuance has been concentrated.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.01	-0.01 - 3.16
NZ 2yr swap (%)	2.87	2.85 - 3.12
NZ 5yr swap (%)	3.30	3.30 - 3.51
NZ 10yr swap (%)	3.87	3.86 - 4.04
2s10s swap curve (bps)	100	92 - 108
NZ 10yr swap-govt (bps)	-48	-50 - -44
NZ 10yr govt (%)	4.35	4.35 - 4.45
US 10yr govt (%)	4.07	4.06 - 4.35
NZ-US 10yr (bps)	27	5 - 27
NZ-AU 2yr swap (bps)	-42	-43 - -14
NZ-AU 10yr govt (bps)	1	1 - 20

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week concluded with modest movements in currency markets. NZD/USD traded within a range of less than one cent and closed the week flat, holding just below 0.59. Among the crosses, the most notable shift was a 0.6% gain against the Canadian dollar, following a weak employment report from Canada that increased the likelihood of another rate cut in the near future. NZD/AUD reached a seven-month low of 0.8963 before ending the week down 0.3% at 0.8990. The new week began with NZD/JPY moving higher, as the resignation of Japan's Prime Minister Ishiba over the weekend led to a weaker yen.

Currency volatility remains subdued. Market attention last week focused on labour market data from the US, where a series of soft reports increased expectations that the Federal Reserve will soon restart its easing cycle. The US JOLTS report, employment components of the ISM manufacturing and services surveys, initial jobless claims, Challenger's job survey, ADP private payrolls, and both the official business and household labour market reports all delivered a consistent message—the US labour market is easing, demand for labour remains weak, and the rise in unemployment is only modest, largely due to reduced immigration curbing labour supply.

The market now considers it a certainty that the Federal Reserve will resume its easing cycle next week, with the question shifting to the scale of the cut, either 25 or 50 basis points, and the potential for further reductions later this year and into next year. As noted previously, a key prerequisite for our stronger NZD/USD projections is that the Fed cuts rates at least twice this year, and that economic data provide sufficient confidence for the easing cycle to extend into next year.

Another standout from last week was the stronger ISM services survey. The headline index climbed to 52.0 in August, business activity rose to 55.0, a five-month high, and new orders surged by nearly six points to 56.0, the highest reading since October. These figures align with other data showing US growth picking up in the third quarter, with the economy performing better than expected. This appears contradictory to the clear signs of a weaker labour market. Our baseline expectation is that any apparent improvement in third-quarter growth will be temporary. Weaker US economic activity data into year-end will be necessary to achieve our year-end NZD/USD target of 0.6150.

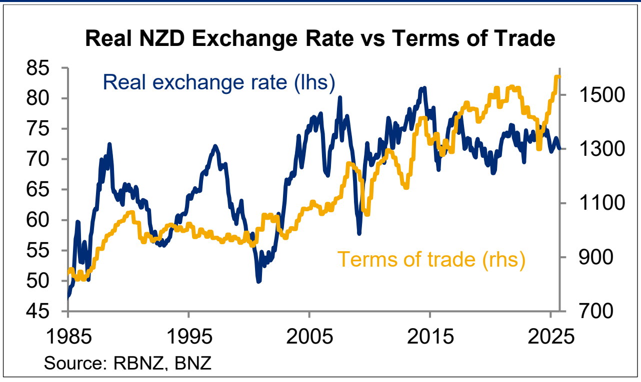
We remain confident that the recent decline in NZD/USD to 0.5800 marks the bottom of a new trading range. Two weeks ago, NZD briefly traded below its 200-day moving average, which has remained steady around 0.5835 since early August. We currently see the path of least resistance as leading to a stronger NZD over the coming months.

Also noteworthy last week, NZ's terms of trade rose by 4.1% in the second quarter, reaching a fresh record high. Commodity export prices are flirting with multi-year highs, driven by strong dairy, meat, and horticulture prices. Dairy farmers are set to receive a record milk payout this season, with next season expected to be similarly robust, adding around 1% to nominal GDP. NZ's merchandise trade values are currently growing at an annual rate of about 11%, compared to 3% for imports, resulting in a strong boost to the country's trade balance. Over the past couple of years, New Zealand's merchandise trade deficit has narrowed from $17 billion to $4 billion.

Despite the stronger fundamentals of higher commodity prices and improving external accounts, the NZD has received little support over the past couple of years due to USD-centric factors. However, this dynamic could shift at some point.

Looking ahead to the coming week, attention will turn to US inflation data, with CPI and PPI reports due. Markets anticipate the core CPI will rise by 0.3% month-on-month and 3.1% year-on-year, but higher inflation is not expected to impede a September rate cut. The Bureau of Labor Statistics will also release revisions to non-farm payrolls for the year ending March 2025, which are expected to be significantly lower (last year's revision was minus 598,000), likely drawing interest from President Trump. Elsewhere, the European Central Bank is widely expected to hold policy steady for a second consecutive meeting.

NZD unresponsive to much stronger NZ terms of trade



Cross Rates and Recent Ranges

	Current	Last wk %chg	Last 3-wks range*
NZD/USD	0.5887	-0.1%	0.5800 - 0.6000
NZD/AUD	0.8980	-0.3%	0.8990 - 0.9140
NZD/CAD	0.8144	0.6%	0.8060 - 0.8250
NZD/GBP	0.4359	-0.1%	0.4310 - 0.4430
NZD/EUR	0.5026	-0.3%	0.4980 - 0.5120
NZD/JPY	87.22	0.2%	85.60 - 88.40

*Indicative range over last 3 w eeks, rounded

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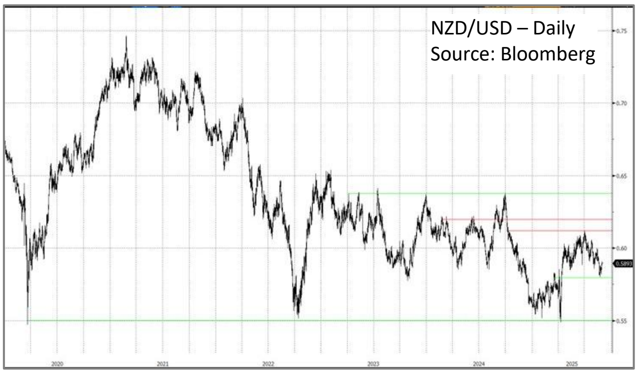
Technicals

NZD/USD

Outlook:	Trading range
ST Resistance:	0.6120 (ahead of 0.62)
ST Support:	0.5800 (ahead of 0.55)

No change, with support at 0.5800 reaffirmed, while resistance remains at 0.6120.


NZD/USD – Daily
Source: Bloomberg

NZD/AUD

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

Against a backdrop of a falling cross rate, support remains at 0.8950, with resistance at 0.92.

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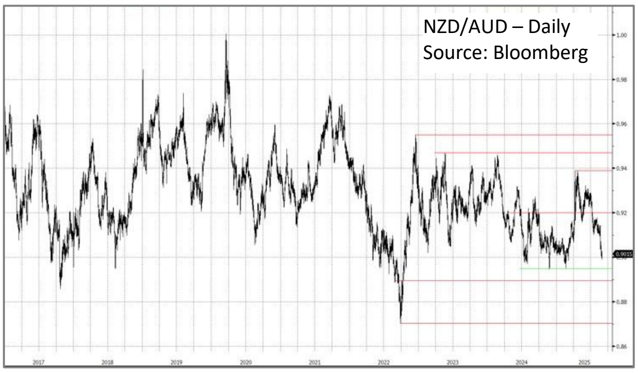
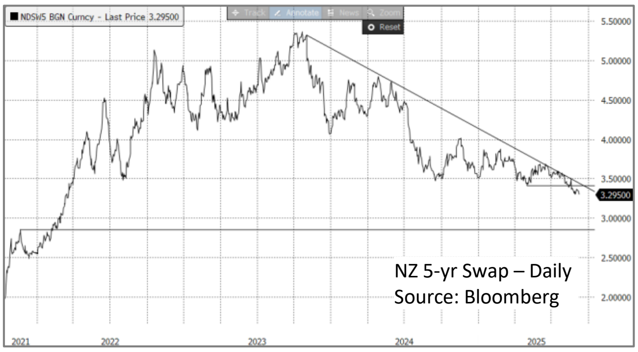

NZD/AUD – Daily
Source: Bloomberg

NZ 5-year Swap Rate

Outlook:	Lower
ST Resistance:	3.40
ST Support:	2.85

5-year swap ticked slightly lower last week, we like this trend to continue.


NZ 5-yr Swap – Daily
Source: Bloomberg

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

Outlook:	Lower
ST Resistance:	0.47
ST Support:	0.26

2x5 year swap spread threatened to break our resistance but ultimately failed to continue momentum.

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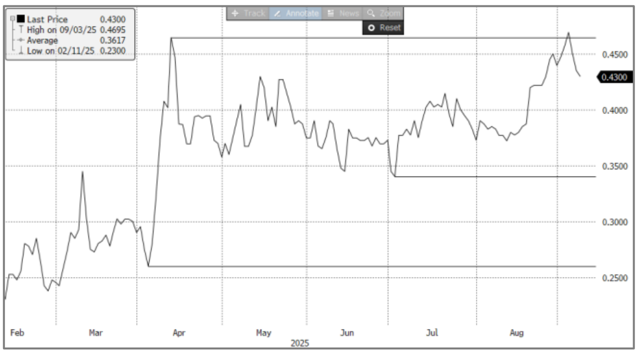
NZ 2yr 5yrSwap Spread – Daily
Source: Bloomberg

Quarterly Forecasts

Forecasts as at 8 September 2025

Key Economic Forecasts

Quarterly % change unless otherwise specified — Forecasts

	Dec-24	Mar-25	Jun-25	Sept-25	Dec-25	Mar-26	Jun-26	Sept-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	-4.8	-4.7	-4.7	-4.7	-4.6	-4.5	-4.5	-4.5
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	2.6	2.3	2.4	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: 90 Day Bank Bills	5 Year	10 Year	Swaps: 2 Year	5 Year	10 Year	US Rates: SOFR 3 month	US 10 yr	Spread: NZ-US 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	4.00	4.30	0.20
Dec	2.50	2.65	3.45	4.50	2.80	3.25	4.15	3.60	4.25	0.25
2026 Mar	2.50	2.65	3.45	4.40	2.85	3.25	4.05	3.50	4.10	0.30
Jun	2.50	2.65	3.60	4.40	3.10	3.45	4.10	3.35	4.00	0.35
Sep	2.50	2.65	3.75	4.40	3.45	3.70	4.20	3.10	4.00	0.40
Dec	2.50	2.80	4.10	4.45	4.00	4.10	4.30	3.00	4.00	0.45

Exchange Rates (End Period)

	USD Forecasts: NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY	NZD Forecasts: NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.59	0.66	1.17	1.35	149	0.59	0.90	0.50	0.44	87.4	68.0
Sept-25	0.60	0.66	1.20	1.36	142	0.60	0.91	0.50	0.44	84.8	68.5
Dec-25	0.62	0.68	1.23	1.38	138	0.62	0.91	0.50	0.45	84.6	69.4
Mar-26	0.64	0.71	1.24	1.39	130	0.64	0.90	0.52	0.46	83.2	71.0
Jun-26	0.65	0.72	1.26	1.41	128	0.65	0.90	0.52	0.46	83.2	71.4
Sept-26	0.67	0.73	1.27	1.44	126	0.67	0.92	0.53	0.47	84.4	73.1
Dec-26	0.67	0.73	1.28	1.45	126	0.67	0.92	0.52	0.46	84.4	72.9
Mar-27	0.68	0.74	1.26	1.45	124	0.68	0.92	0.54	0.47	84.3	73.7
Jun-27	0.69	0.75	1.25	1.44	121	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 8 September 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	2.5	2.9	1.0	0.0	2.1	2.9	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	0.0	6.5	-0.1	-5.1	-1.9	6.0	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	1.7	3.3	-0.7	-1.1	0.8	3.2	2.5
Exports	5.6	8.6	2.7	0.9	4.1	11.4	4.1	1.4	3.4	3.8
Imports	4.5	-1.3	1.7	3.4	4.8	-0.5	1.9	2.3	5.0	3.4
Real Expenditure GDP	3.9	1.5	-0.9	1.4	2.9	2.0	-0.5	0.9	2.7	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	-21.5	-21.3	-28.6	-26.2	-21.1	-21.2	-21.6
Current Account - % of GDP	-8.6	-6.6	-5.7	-4.7	-4.5	-6.9	-6.1	-4.7	-4.5	-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
	Monday 08 September			
JN	Eco Watchers Survey Outlook SA Aug	47.5		47.3
GE	Industrial Production SA MoM Jul	1.00%		-1.90%
GE	Trade Balance SA Jul	15.5b		14.9b
EC	Sentix Investor Confidence Sep	-2		-3.7
CH	Exports YoY Aug	5.50%		7.20%
CH	Imports YoY Aug	3.40%		4.10%
	Tuesday 09 September			
US	NY Fed 1-Yr Inflation Expectations Aug			3.09%
EC	ECB's Villeroy & Nagel Speak			
NZ	Mfg Activity Volume QoQ 2Q			2.40%
UK	BRC Sales Like-For-Like YoY Aug	2.00%		1.80%
AU	Westpac Consumer Conf SA MoM Sep			5.70%
AU	Westpac Consumer Conf Index Sep			98.5
AU	NAB Business Confidence Aug			7
AU	NAB Business Conditions Aug			5
US	NFIB Small Business Optimism Aug	100.5		100.3
	Wednesday 10 September			
US	BLS Prelim Benchmark Revision to Establishment Survey Data			
EC	ECB's Villeroy Speaks			
UK	BOE's Breeden Speaks			
NZ	Net Migration SA Jul			1670
NZ	Business Financial Data Q2			
CH	CPI YoY Aug	-0.20%		0.00%
CH	PPI YoY Aug	-2.90%		-3.60%
	Thursday 11 September			
US	PPI Ex Food and Energy MoM Aug	0.30%		0.90%
US	PPI Ex Food and Energy YoY Aug	3.50%		3.70%
US	Wholesale Trade Sales MoM Jul	0.10%		0.30%
NZ	RBNZ's Hawkesby Speaks			
	Friday 12 September			
EC	ECB Deposit Facility Rate 11/09/2025	2.00%		2.00%
US	CPI Ex Food and Energy MoM Aug	0.30%		0.30%
US	CPI Ex Food and Energy YoY Aug	3.10%		3.10%
US	Initial Jobless Claims 6/09/2025	234k		237k
US	Continuing Claims 30/08/2025	1950k		1940k
EC	ECB's Lagarde,Rehn & Others Speak			
NZ	BusinessNZ Manufacturing PMI Aug			52.8
NZ	Card Spending Total MoM Aug			0.60%
AU	RBA's Jones Speaks			
UK	Monthly GDP (MoM) Jul	0.00%		0.40%
UK	Industrial Production MoM Jul	0.00%		0.70%
UK	Manufacturing Production MoM Jul	0.10%		0.50%
UK	Trade Balance GBP/Mn Jul	-£4200m		-£5015m
UK	BoE/Ipsos Inflation Next 12 Mths Aug			3.20%
	Saturday 13 September			
US	U. of Mich. Sentiment Sep P	58		58.2

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	3.00	3.00	3.25	5.25
1mth	3.10	3.10	3.19	5.36
2mth	3.02	3.05	3.17	5.20
3mth	3.00	3.00	3.14	5.12
6mth	2.93	2.92	3.13	4.87
GOVERNMENT STOCK				
04/27	2.98	2.98	3.16	3.78
05/30	3.61	3.60	3.72	3.92
05/32	4.02	4.01	4.09	4.13
05/35	4.40	4.37	4.41	4.30
04/37	4.63	4.61	4.64	4.47
05/41	4.96	4.93	4.92	4.65
05/54	5.27	5.23	5.14	4.74
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	50	51	51	52
Europe 5Y	54	56	53	55

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	2.87	2.88	3.05	3.78
3 years	3.01	3.02	3.17	3.62
4 years	3.15	3.17	3.30	3.60
5 years	3.30	3.32	3.43	3.63
10 years	3.86	3.89	3.95	3.91
FOREIGN EXCHANGE				
NZD/USD	0.5887	0.5900	0.5938	0.6145
NZD/AUD	0.8987	0.9007	0.9117	0.9227
NZD/JPY	87.25	86.85	87.97	87.97
NZD/EUR	0.5027	0.5040	0.5113	0.5568
NZD/GBP	0.4364	0.4357	0.4421	0.4700
NZD/CAD	0.8147	0.8114	0.8182	0.8331
TWI	68.0	68.1	68.7	70.8

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