Research
Markets Outlook

15 September 2025

Recession deepens

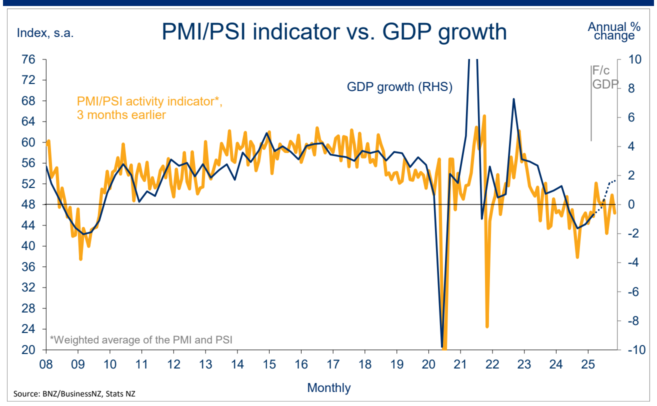
- **Q2 GDP expected to contract 0.5%**
- **Manufacturers woes a feature**
- **PMI and PSI caution recovery may be delayed**
- **Weak growth portends lower inflation, eventually**
- **Softening dairy prices to moderate external account improvement**

After a relatively slow period for New Zealand data releases, we now face into a veritable plethora of announcements. That said, most of the news in the week ahead will reflect where New Zealand has come from.

What's more important is where we are now and where we are headed. In that regard today's Performance of Services Index (PSI) and Friday's Performance of Manufacturing (PMI) equivalent are key inputs into our understanding as to whether the economy is gaining some momentum.

Unfortunately, momentum is in scarce supply. The combined PMI/PSI Index indicates that the economy is still contracting and that the labour market continues to soften. The PMI at least had positive messages in its expanding forward orders alongside an inventory run down but the PSI was just plain miserable in delivering its 18th consecutive sub 50 reading.

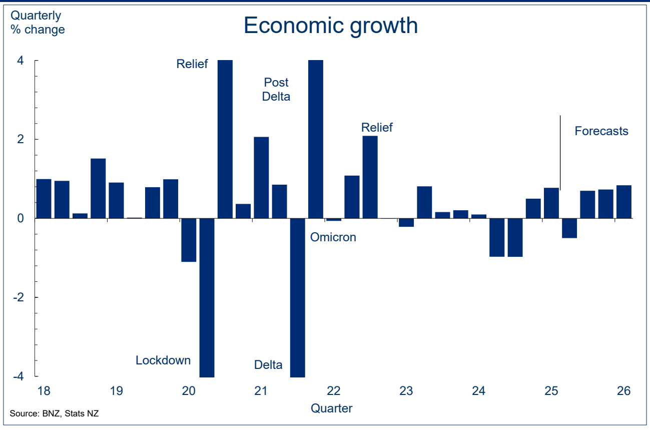
Slower for longer?



To be fair, the broad trend in these indices is still to the better but the levels are inconsistent with our expectation that the economy bounces through the latter part of this year and into next. We continue to warn there is a risk we are overly optimistic with our projections for growth. We still believe the combination of easing monetary policy and strong commodity prices will produce an economic recovery but it might take a bit longer than we are currently expecting.

And then there's the starting point for any such recovery, which looks increasingly problematic. On Thursday we get, at long last, the GDP report for Q2. Our expectation is that the economy contracted 0.5% for the quarter leaving activity 0.2% below where it stood a year ago. Importantly, this is below the RBNZ's expectation of a 0.3% contraction.

Uh oh!



The single biggest contribution to the fall is likely to come from the manufacturing sector which is struggling with a combination of rising input prices (particularly energy), weak demand, and ongoing competition from offshore producers.

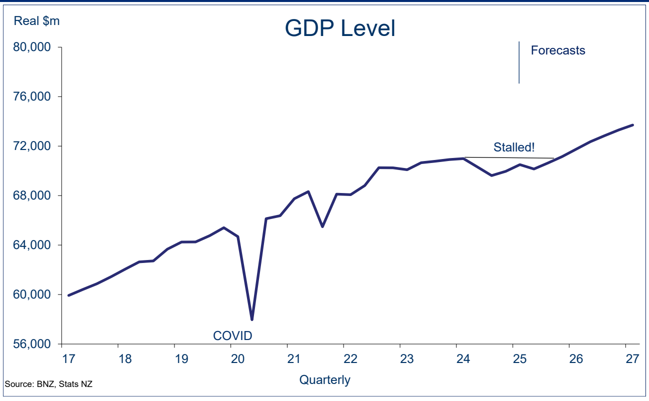
Ongoing weakness in construction, government and forestry and logging are unhelpful too.

Also unhelpful will be the negative contribution from the balancing item. This is largely a technical feature of the national accounts which is both hard to explain and make sense of. It's "real" but cannot be ascribed to any given sector. The good news is that the balancing item averages to around zero over any twelve month period so this quarter's expected -0.3% contribution will be reversed at some point.

We are also quick to note, notwithstanding our concerns that we might be being a tad optimistic about future growth, that we estimate GDP bounced 0.7% in Q3.

Many are quick to conclude that this means we avoid a technical recession. We prefer to think of recessions in a different way. By our calculations, real GDP will get back to its past peak, recorded in Q1, 2024, in the fourth quarter of this year. And the unemployment rate is unlikely to start falling until around the same time. That's when we'll feel that the current ongoing recession is done and dusted.

A long time between drinks



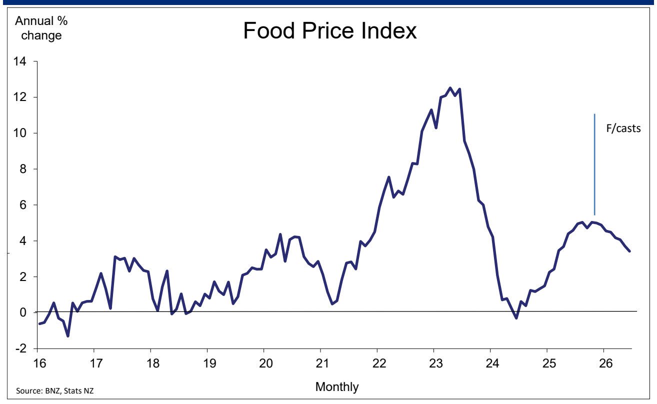
If we are right about the GDP outturn then it will be consistent with the Reserve Bank continuing to ease at its next two meetings.

Of course, it's inflation that matters most to the RBNZ. But if growth remains weak, spare capacity remains plentiful and future price pressures are suppressed.

That's all for the future, though. Near term inflation continues to rise. We are currently forecasting a 0.9% increase for the CPI in Q3 taking the annual to 3.0%. We'll be able to refine this forecast following Tuesday's Selected Price Indices for August.

We don't forecast all the component parts of this release but we have assumed food prices rise 0.3% for the month. If we are right then it will help confirm our suspicion annual food price inflation has peaked at 5.0%. We believe moderation in food price inflation will be a key driver of reduced headline inflation in the year ahead.

Food price inflation peaking



Already putting downward pressure on CPI inflation is the rental market. Annual rental inflation has already fallen from a peak of 4.6% to 2.4% in July. We expect this to fall to 2.1% in the August reading and then to sub 2.0% for a while thereafter.

By most measures, those signing a new rental agreement will be able to get accommodation for a lower price than a year ago but the Stats NZ measure of rents looks at the total stock for which prices are much more sticky.

Other key assumptions behind our forecasts are:

- A sharp seasonal fall in the price of domestic accommodation services and
- A modest drop in fuel prices

On Wednesday Q2 Balance of Payments data are released. Thanks to a combination of revisions and a rapidly improving trade balance, we expect the current account deficit to fall to 4.8% of GDP from a previously printed 5.7% for Q1. While rating agencies will like the fact that the deficit is in decline, and should return to its lowest level since September 2021, they will be unimpressed that we will still have both a current account and trade deficit at a time when New Zealand's terms of trade has just hit a record high. This is a clear warning that New Zealand may have structural issues in its external accounts.

We'll get an update on the goods trade accounts with the release of the August merchandise trade data on Friday. We expect export growth to have modestly outstripped import growth leading to a further modest improvement in the trade balance.

As already noted, the improvement in the terms of trade has been a boon for the current account and the New Zealand economy generally. A significant part of that support has come from the dairy sector. Unfortunately, the peak in dairy prices now seems to be behind us. We expect to get further confirmation of this in Wednesday's GDT auction, which is expected to reveal a further, potentially meaningful, drop in prices.

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Global Watch

- **Fed widely expected to restart easing cycle**
- **BoC also likely to cut 25bps**
- **BoE and BoJ seen on hold**
- **Retail sales for the US, UK and China**

Week in Review

US inflation data reaffirmed expectations for the Fed to embark on a new round of easing this week with the market also increasing expectations for two more 25bps rate cuts over the remaining two FOMC meetings in 2025.

After a small wobble early in the month, Chinese equities are breaking higher on the back of expectations of more supportive policies from Beijing, in conjunction with AI optimism.

In Australia, the NAB Business Survey showed a 2pt increase in conditions and a 3pt drop in confidence. Both confidence and conditions are around their long run average levels, and the August survey supports the view that the outlook for businesses continues to improve.

Week Ahead

Internationally, it is all about central banks:

- The FOMC (Wednesday) is widely expected to cut 25bp, with the focus on the balance of risks, any dissents and the new dots.
- The Bank of Japan (Friday) is seen on hold. October, alongside updated forecasts, is a risk for the next move up, but the political backdrop looks on track to delay that further.
- The Bank of England (Thursday) is seen on hold with no new forecasts.
- The Bank of Canada (Wednesday) could cut after weak labour market data that should be enough to overcome concerns about tariff-induced inflation.

Also on the US calendar is Retail Sales, along with import prices and industrial production, on Tuesday. Trump makes a state visit to the UK on Wednesday and Thursday.

In the UK, labour market data (Tuesday) and CPI (Wednesday) come ahead of the BoE.

In Europe, following the ECB meeting last week officials are out in force. President Lagarde gives opening remarks at a conference Wednesday and appears again Thursday. Also of note are de Guindos (on growth and inflation) and Schnabel on Thursday and Nagel (on the German economy). An informal meeting of EU finance ministers and central bank chiefs takes place Friday. On the data side is the ZEW survey (Tuesday) and the ECB's Wage tracker.

Japan CPI is on Friday and trade data is on Wednesday.

In China, year-ended growth rates for Retail Sales and Industrial Production (Monday) are seen little changed from their July pace. Ahead of the 22 Sep China Loan Prime Rate announcements, be on the lookout for a possible new 7-day reverse repo rate below the last (1.40%).

In Australia, August unemployment is a toss-up between 4.2% and 4.3%. Our colleagues at NAB pencil in 25k for the notoriously volatile employment outcome. Also, during the week are appearances from Assistant Governors Brad Jones (Financial System) and Sarah Hunter (Economic).

Selected Economic Events Preview

Monday 15

CH Retail Sales, Industrial Production (August)
August PMI data were mixed, with soft construction but an improvement in both the official and RatingDog services Indexes. Even so, the consensus looks for retail sales to pick up only a tenth from its subdued July pace to 3.8% y/y as the tailwind from the trade-in programme fades. Industrial production is also seen broadly steady at 5.6% y/y from 5.7%.

Tuesday 16

AU RBA's Hunter
The RBA's Assistant Governor (Economic) Sarah Hunter gives a 'fireside chat' at the 2025 Australian Finance Industry Association conference. Interest will be in her reaction to Q2 GDP (particularly the consumer) and July Monthly CPI indicator, which were both (marginally) on the strong side of their August assessment.

UK Labour Market
Still-elevated wages growth, at 4.8% y/y for annual regular pay growth in the private sector, has remained a source of concern for the BoE even as the unemployment rate has trended higher, at 4.7% in the three months to June.

US Retail Sales, Import Prices & Industrial Production
Retail Sales will give an update on consumer momentum, which has looked firmer in the past couple of months after some post liberation day weakness in April and May. Price pressures continue to find their way through to consumer prices and are a headwind to underlying sales, while slow car sales could weigh on the headline.

Wednesday 17

AU RBA's Jones
Fireside Chat with Assistant Governor (Financial System) Brad Jones, at the Intersekt 2025 Conference.

CA Bank of Canada
The current policy rate at 2.75% is within the range of neutral estimates and policymakers have been concerned about tariff-induced inflation risk, but the labour market is soft enough to support further easing. NAB expect another 50bp of cuts from the BoC this cycle.

US FOMC
The FOMC has seen enough weakness in the labour market to adjust policy from what are currently assessed to be moderately restrictive settings. A 25bp cut this week is likely to be followed by at least one more this year.

The main things to watch are

- **Dissents**: Dovish and Hawkish are possible, Miran is on track to be confirmed in time for the meeting.
- **End 2025 median**: How much have the hawks shifted? In June, 7 participants saw policy unchanged through the end of the year.
- **End 2026 median**: It was 3.6% in June. That will move lower 25-50bp lower but is unlikely to endorse market pricing.
- **Balance of risks**: Risk to unemployment is ‘weighted to the upside’ but how much has inflation risk become more balanced?

We also get new 2028 projections this meeting. Uncertainty about who will be on the Board of Governors remains but is unlikely to be consequential for the decision this week. Senate Republicans plan to vote to confirm Stephen Miran on Monday night. The Trump administration has appealed the temporary halt on Lisa Cook’s firing, asking for a ruling by 15 September.

UK CPI (August)
In its August forecast the BoE projected the headline rate steady at 3.8% y/y and services inflation falling back to 4.8% y/y from 5.0% after a boost last month from airfares.

EZ ECB’s Lagarde, Final CPI

Thursday 18

AU Unemployment (August)
NAB expect unemployment at 4.3% in August. The unemployment rate was 4.24% in July. NAB expect an employment gain of +25k (consensus +23k/4.2%).

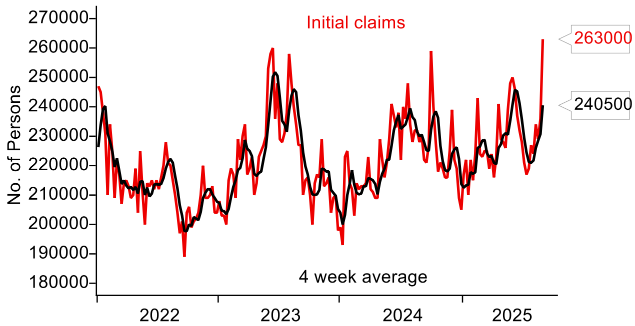
The step higher in the unemployment rate since May likely reflects some catch up for previous understatement, rather than a renewed trend weaker, consistent with stability in a range of leading indicators.

The RBA in August forecast the unemployment rate steady at 4.3% and is sensitive to labour market outcomes. They also revised down their wages growth forecasts and stepped further away from their assessment the labour market remains a little tighter than is consistent with full employment.

UK Bank of England
The BoE is widely expected to hold as it contends with a murky, but cooling picture on the labour market but still stubborn inflation. There are no new forecasts this meeting, and inflation and labour market readings are both due in the days ahead of the meeting but are more likely to influence the path forward rather than make September live. Governor Bailey said earlier this month that while Bank Rate "*will continue to be downwards gradually over time*" risks on inflation mean there is “*now considerably more doubt about exactly when and how quickly we can make those further steps.*”

US Initial Claims
Should get more focus than usual after the recent jump to 263k. Difficulty seasonally adjusting around Labour Day and a concentrated, large spike in Texas, where there was a filing deadline from earlier storm related impacts, are good reasons to discount the jump. Failure to convincingly reverse that rise would feed labour market concerns.

Weekly initial jobless claims



Source: National Australia Bank, U.S. Department of Labor, Macrobond

Friday 19

JN Bank of Japan, CPI
The BoJ will hold in September with no new forecasts. The data backdrop calls for some further normalisation in interest rates, but the political backdrop remains a complicating factor. It remains unclear who will succeed PM Ishiba.

CPI is seen at 2.8% y/y from 3.1%, weighed by higher electricity subsidies. Ex-fresh food and energy is expected to remain elevated at 3.3% from 3.4%.

UK Retail Sales (August)

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Fixed Interest Market

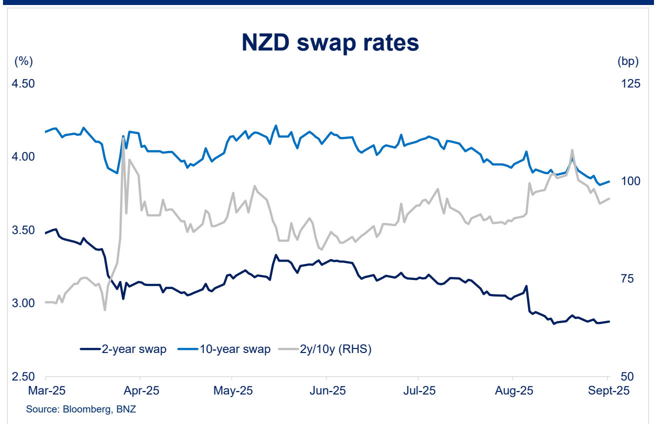
Reuters: BNZL, BNZM Bloomberg: BNZ

Front end NZ rates have been stable, in the absence of economic data or other catalysts to challenge expectations for the easing cycle and terminal Official Cash Rate (OCR). There is 23bp of easing priced for the October Policy Review, and a cumulative 41bp by the November meeting, which closely aligns with the RBNZ's guidance in August. This stability has contributed to volatility in the shape of the curve as longer maturities reflected movements in global fixed income markets.

A contraction in June quarter GDP is widely anticipated. Our forecast of -0.5% is marginally below the RBNZ's -0.3% projection from the August Monetary Policy Statement (MPS). More timely PMI data for August is consistent with the economy still struggling to gain traction. The GDP weighted index declined to 47.9, well below the 52.8 long term mean that would be consistent with trend like economic activity. Soft activity data, with its implications for medium-term inflation pressures, is again skewing the risks towards the downside for short end rates.

The NZD 2y/10y swap curve, which traded to 110bp earlier this month, has retraced back below 95bp, as global rates markets rallied following the weaker than expected US labour market data. This curve flattening bias extended over the past week, which is partially a function of position squaring, in what had become a consensus position. Investors held steepeners, aligned with the synchronised easing cycle by central banks, and in anticipation of further increases in term premium.

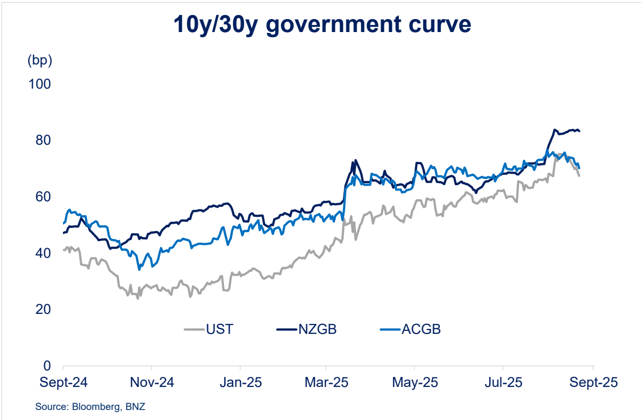
NZD 2y/10y curve driven by the long end



After the recent flattening theme in global fixed income, the 10y/30y NZ government bond curve stands out. This spread increased to an all-time high - albeit NZ only issued the first 30-year government bond in 2021 – in the aftermath of the RBNZ MPS and has remained stable. This contrasts with comparison markets, like Australian government bonds (ACGB) and US treasuries (UST), which have reversed off the recent highs.

Supply is not a factor - there has only been NZ$50 million tendered into the two longest nominal NZGB maturities this fiscal year. Primary issuance volumes reflect in part, limited demand from investors, which is a component in the selection of the bond lines for the tenders. Non-resident holdings of these bonds have been steady. We think there is room for a tactical flattening, with the historic beta to ACGB and UST, suggesting the NZGB 10y/30y curve should be around 10bp flatter.

NZGB 10y/30y curve steep relative to peers



NZ Debt Management (NZDM) issued NZ$2 billion of the new 20 September 2050 inflation-indexed bond (IIB) in the syndication last week. The transaction attracted strong demand from investors. Orders totalled NZ$4.4 billion and the deal priced at the tight end of initial price guidance. Most of the transaction was allocated to asset managers and more than 50% were domiciled in NZ. NZDM have issued a cumulative total of ~NZ$12 billion since July and are well ahead of the pro-rated issuance requirement, for the NZ$38 billion 2025/26 borrowing programme.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	2.98	-0.01 - 3.15
NZ 2yr swap (%)	2.87	2.84 - 3.12
NZ 5yr swap (%)	3.28	3.25 - 3.51
NZ 10yr swap (%)	3.81	3.78 - 4.04
2s10s swap curve (bps)	94	94 - 108
NZ 10yr swap-govt (bps)	-48	-50 - -44
NZ 10yr govt (%)	4.29	4.29 - 4.45
US 10yr govt (%)	4.06	3.99 - 4.35
NZ-US 10yr (bps)	23	5 - 27
NZ-AU 2yr swap (bps)	-47	-47 - -14
NZ-AU 10yr govt (bps)	8	4 - 20

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The NZD and AUD demonstrated notable strength last week amid sustained high levels of risk appetite. NZD/USD climbed by over 1% to 0.5955. Although NZD/AUD edged lower, the NZD gained between 0.7% and 1.3% against other key cross rates.

Last week, AUD/USD decisively broke above technical resistance at 0.66, reaching a ten-month high of 0.6669. Besides the favourable risk environment, investors appeared to take notice of the recent surge in iron ore prices, which rose to their highest levels in nearly a year, albeit with much of the rally occurring during July.

The NZD benefited from the AUD's momentum, with the kiwi reaching as high as 0.5980. NZD is now trading comfortably above levels seen before the RBNZ's dovish pivot in August (just below 0.59) and well above the 0.5800 low following that monetary policy update. NZD/AUD is trading at seven-month lows near 0.8950.

In 2024, NZD/AUD traded just under 0.8950 on three separate occasions, establishing that level as key support. For those with a medium-term outlook, we view sub-0.8950 as an attractive buying opportunity, even though modestly lower levels could be tested. Historically, dips below 0.90 have tended to be short-lived, though our central projections for the cross rate through mid-next year remain somewhat subdued, tracking close to 0.90.

US inflation data released last week were not strong enough to hinder an almost certain Fed rate cut this week (early Thursday, NZ time). PPI data came in well below expectations, while annual core CPI inflation held steady at 3.1%. A 25 basis points cut is fully priced in, with a small possibility of a larger 50bps move. As we have noted previously, Fed easing cycles tend to be USD-negative, and this one is expected to follow suit. While Chair Powell may not endorse the nearly three full rate cuts priced in for this year, the restart of the Fed's easing cycle supports our positive NZD/USD outlook heading into year-end.

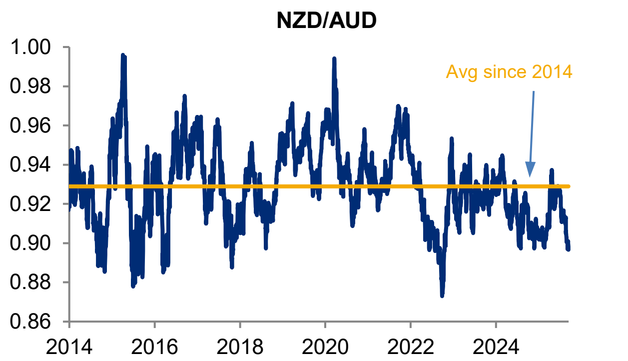
Later Thursday morning, markets will contend with what is expected to be a weak Q2 NZ GDP reading, with major bank economists closely clustered between minus 0.3% and minus 0.5%. Owing to unusual seasonal factors, this likely understates the true performance of the NZ economy, and our estimates indicate a solid rebound in Q3. Any short-term weakness in the NZD following the release should be considered temporary. Other NZ data releases this week include monthly CPI indicators for August and a significant expected narrowing of the current account deficit, which could reach its lowest level in nearly four years (around 4.75% of GDP).

Technically, there is NZD support at 0.5800 and it's also worth noting the 200-day moving average, which has been steady around 0.5835 since early August. One might see resistance at 0.60, ahead of the year-to-date high of 0.6120. If the AUD can continue its break higher, then that would add a tailwind to the performance of the NZD. We are also closely monitoring USD/CNY, which has been trending down to fresh year-to-date lows. A stronger yuan would support our view of a stronger NZD heading into year-end. A common theme here is that USD performance remains vulnerable.

Elsewhere on the economic calendar this week, a clear majority of analysts expect the Bank of Canada to cut rates again in response to recent weak activity data, while the Bank of Japan is seen as highly unlikely to tighten policy amid ongoing domestic political uncertainty.

Major global economic releases this week include CPI figures for the UK, Canada, and Japan, UK labour market statistics, US retail sales, and Australia's employment report, all following China's monthly activity data released today.

NZD/AUD trading at historically low level



Source: BNZ, Bloomberg

Cross Rates and Recent Ranges

	Current	Last wk %chg	Last 3-wks range*
NZD/USD	0.5950	1.1%	0.5820 - 0.5980
NZD/AUD	0.8956	-0.3%	0.8950 - 0.9050
NZD/CAD	0.8237	1.2%	0.8060 - 0.8270
NZD/GBP	0.4392	0.7%	0.4330 - 0.4410
NZD/EUR	0.5071	0.9%	0.5010 - 0.5100
NZD/JPY	87.85	1.3%	86.00 - 88.10

*Indicative range over last 3 w eeks, rounded

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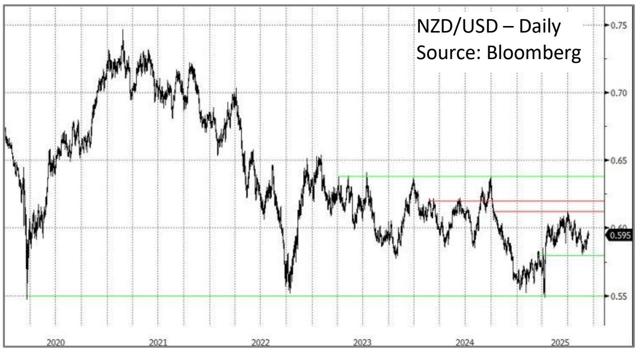
Technicals

NZD/USD

Outlook:	Trading range
ST Resistance:	0.6000 (ahead of 0.6120)
ST Support:	0.5800 (ahead of 0.55)

Support remains at 0.5800, although also note the relatively steady 200-day moving average of 0.5835. Initial resistance at 0.6000, ahead of 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, key support remains at 0.8950. A clear break of that would bring the extreme 2022 low near 0.87 into play.

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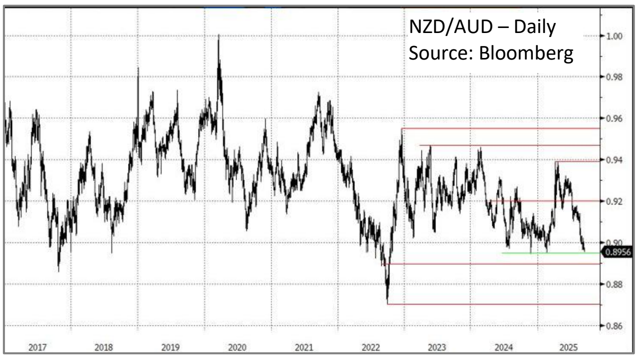
NZD/AUD – Daily
Source: Bloomberg

NZ 5-year Swap Rate

Outlook:	Lower
ST Resistance:	3.40
ST Support:	2.85

5-year swap continues to trade below the break of 3.40, favour lower yields.


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 looks to be in the middle of a range consisting of 35 – 48 bps, expect that to hold for the time being.

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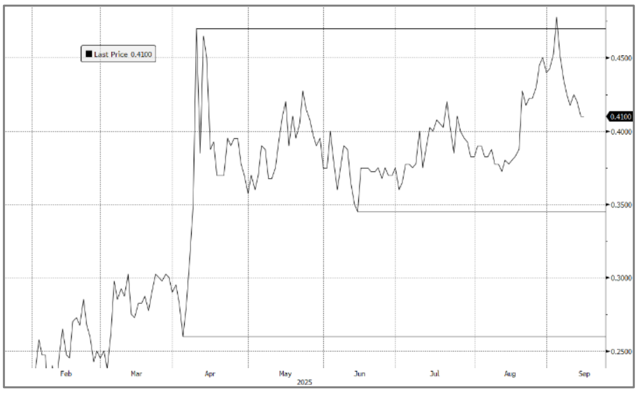
NZ 2yr 5yrSwap Spread – Daily
Source: Bloomberg

Quarterly Forecasts

Forecasts as at 15 September 2025

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts (shaded)

	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	-0.5	0.7	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	-4.6	-4.6	-4.5	-4.4	-4.4	-4.4
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	-0.2	1.5	1.7	1.8	3.1	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	0.60	0.66	1.17	1.36	148	0.60	0.90	0.51	0.44	87.9	68.4
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	73.0
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 15 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	2.8	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	3.2	-0.7	-1.1	0.8	3.2	2.5
Exports	5.6	8.6	2.7	1.1	4.2	11.4	4.1	1.5	3.7	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	3.0	2.0	-0.5	0.9	2.7	2.5
GDP (production)	**3.5**	**1.4**	**-1.1**	**1.2**	**3.0**	**1.8**	**-0.6**	**0.6**	**2.8**	**2.5**
GDP - annual % change (q/q)	*3.0*	*1.3*	*-0.7*	*1.8*	*2.7*	*1.0*	*-1.3*	*1.7*	*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	1.0	0.5	-1.1	-0.2	1.1	0.5	0.4
Unit Labour Costs (ann av %)	5.5	7.0	4.7	2.6	2.7	7.5	5.0	2.9	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	-21.2	-20.9	-28.6	-26.2	-20.9	-20.7	-21.1
Current Account - % of GDP	-8.6	-6.6	-5.7	-4.6	-4.4	-6.9	-6.1	-4.6	-4.4	-4.3
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	73.0	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 15 September			
CH	Retail Sales YoY Aug	3.80%		3.70%
CH	Industrial Production YoY Aug	5.60%		5.70%
CH	Fixed Assets Ex Rural YTD YoY Aug	1.50%		1.60%
CH	Surveyed Jobless Rate Aug	5.20%		5.20%
EC	Trade Balance SA Jul	12.0b		2.8b
EC	ECB's Schnabel Speaks			
	Tuesday 16 September			
US	Empire Manufacturing Sep	5		11.9
EC	ECB's Lagarde & Escriva Speak			
NZ	Selected Monthly Price Indexes Aug			
NZ	Food Prices MoM Aug			0.70%
AU	RBA's Hunter Speaks			
UK	Private Earnings ex Bonus 3M/YoY Jul	4.70%		4.80%
UK	ILO Unemployment Rate 3Mths Jul	4.70%		4.70%
GE	ZEW Survey Expectations Sep	26.3		34.7
EC	Labour Costs YoY 2Q			3.40%
EC	Industrial Production SA MoM Jul	0.30%		-1.30%
	Wednesday 17 September			
US	Retail Sales Advance MoM Aug	0.30%		0.50%
US	Retail Sales Control Group Aug	0.40%		0.50%
US	Import Price Index MoM Aug	-0.20%		0.40%
US	Industrial Production MoM Aug	-0.10%		-0.10%
US	NAHB Housing Market Index Sep	33		32
US	Dairy GDT Auction			
NZ	Westpac Consumer Confidence 3Q			91.2
NZ	Current Account GDP Ratio YTD 2Q	-4.80%	-4.80%	-5.70%
JN	Trade Balance Aug	-¥510.8b		-¥118.4b
AU	Westpac Leading Index MoM Aug			0.14%

		Median	Fcast	Last
AU	RBA's Jones Speaks			
UK	CPI YoY Aug	3.80%		3.80%
UK	CPI Services YoY Aug	4.80%		5.00%
EC	ECB's Lagarde, Muller & Others Speak			
EC	ECB Wage Tracker (TBC)			
	Thursday 18 September			
US	Housing Starts Aug	1365k		1428k
CA	BoC Rate Decision 17-Sept	2.50%		2.75%
EC	ECB's Lagarde, Schnabel & Others Speak			
US	FOMC Rate Decision (Upper Bound) 17-Sept	4.25%		4.50%
NZ	GDP SA QoQ 2Q	-0.30%	-0.50%	0.80%
NZ	GDP YoY 2Q	0.00%	-0.20%	-0.70%
AU	Employment Change Aug	21.0k	25.0k	24.5k
AU	Unemployment Rate Aug	4.20%	4.30%	4.20%
UK	BoE Bank Rate 18-Sept	4.00%		4.00%
	Friday 19 September			
US	Initial Jobless Claims 13-Sept	240k		263k
US	Continuing Claims 6/09/2025	1948k		1939k
US	Philadelphia Fed Business Outlook Sep	1.5		-0.3
EC	ECB's Nagel Speaks			
NZ	Trade Balance NZD Aug			-578m
UK	GfK Consumer Confidence Sep	-18		-17
JN	Natl CPI YoY Aug	2.80%		3.10%
JN	Natl CPI Ex Fresh Food, Energy YoY Aug	3.30%		3.40%
UK	Retail Sales Inc Auto Fuel MoM Aug	0.40%		0.60%
JN	BOJ's Ueda Speaks			
JN	BOJ Target Rate 19-Sept	0.50%		0.50%
	Saturday 20 September			
US	Fed's Daly Speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	3.00	3.00	3.25	5.25
1mth	3.08	3.10	3.14	5.28
2mth	3.03	3.02	3.14	5.17
3mth	2.98	3.00	3.14	5.05
6mth	2.93	2.93	3.12	4.80
GOVERNMENT STOCK				
04/27	2.96	2.95	3.17	3.61
05/30	3.54	3.57	3.73	3.75
05/32	3.92	3.97	4.11	3.96
05/35	4.28	4.35	4.45	4.14
04/37	4.51	4.58	4.67	4.33
05/41	4.83	4.91	4.96	4.51
05/54	5.14	5.22	5.19	4.62
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	48	50	50	49
Europe 5Y	51	53	52	54

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	2.87	2.88	3.07	3.60
3 years	3.00	3.01	3.19	3.45
4 years	3.14	3.16	3.32	3.43
5 years	3.28	3.30	3.45	3.47
10 years	3.81	3.86	3.98	3.76
FOREIGN EXCHANGE				
NZD/USD	0.5950	0.5940	0.5922	0.6202
NZD/AUD	0.8954	0.9011	0.9123	0.9186
NZD/JPY	87.85	87.60	87.57	87.19
NZD/EUR	0.5071	0.5050	0.5079	0.5571
NZD/GBP	0.4391	0.4385	0.4386	0.4693
NZD/CAD	0.8237	0.8198	0.8173	0.8425
TWI	68.4	68.3	68.6	70.9

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