

Research Markets Outlook

22 September 2025

Q3 looks better than Q2

- **Economic weakness warrants monetary easing**
- **Extent depends on pace of recovery**
- **Q3 activity indicators look better than Q2**
- **RBNZ's KiwiGDP currently indicates +0.6% q/q**
- **Export income strength continues**

We thought Q2 GDP was going to be weak and so it proved with last week's data showing a 0.9% q/q contraction. A soft economy supports the case for the RBNZ to take the OCR lower which has long been our forecast.

And as we noted after the GDP release, the outcome was weaker than RBNZ forecast in its August MPS so it would be reasonable to assume that the miss will have the Bank rushing to cut interest rates more aggressively than it has already indicated. It might, but we don't see that as a given.

To be sure, we already thought further rate reduction is required and still do. We're sticking with our central view of two more 25 basis point rate cuts, in October and November, for the time being. We saw the balance of risk to our forecast 2.5% low in the cash rate as to the downside and still do. Q2 GDP weakness has increased that risk, including the possibility of a 50 bp cut in October.

For us, and for monetary policy makers, a key question from here is the pace of recovery. This includes the extent that activity has bounced in Q3 as that quarter nears its end. Our initial pick for Q3 GDP is 0.7% q/q. That would go some way to offsetting a chunk of the downside surprise to the RBNZ from Q2's outcome.

It is back to monitoring the higher frequency and lead indicators. There is a paucity of that on offer this week. However, there has been a few bits and pieces over recent days worthy of comment in the current context. None of it was top tier but a general theme of improvement is notable.

Friday's trade data for August again highlighted the sheer magnitude of export income flowing into the country. Exports in the month were up 22.8% y/y, driven by fruit, dairy, and meat. The export growth was stronger than that implied by high commodity prices indicating a lift in export volumes that will support a bounce in Q3 GDP.

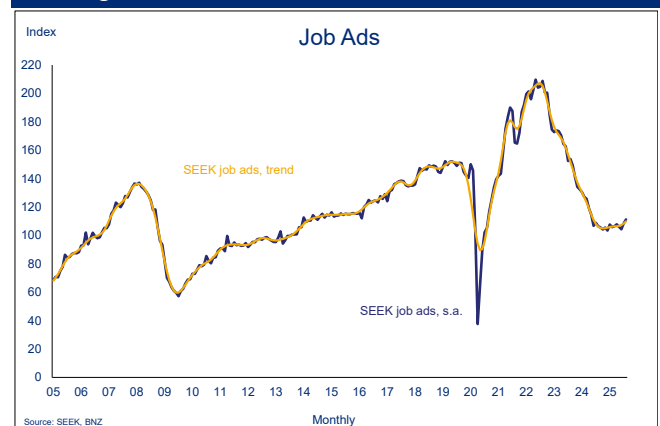
On a smoothed 3-month-average basis, exports were up 12.0% y/y and imports were up 5.2% y/y. The latter is consistent with a pick-up in domestic demand – with

strength appearing in passenger motor car and machinery and plant imports.

Friday's vehicle registrations data also showed some more pep. In the three months to August, total car registrations were up 4.8% y/y, commercial registrations were up 11.0% y/y, and tractor registrations gained 8.7% y/y. Yes, these gains are off a low base but there are clear signs of trend improvement appearing over recent months.

SEEK Job ads for August added to the list of indicators giving a sense of some improvement. Admittedly from a low level, but job ads increased in the month and saw the 3-month trend average post a 1.9% gain over the preceding 3 months. It is consistent with our forecast of some employment growth in Q3.

Some signs of life?



Recent domestic data has not been uniformly improving. August's PMI and PSI were a bit disappointing for sure, although the July/August average across the combined indicator was still higher than its Q2 average.

As one summary of developments since Q2, we were interested to see on Friday the RBNZ's KiwiGDP nowcast first published view for Q3 GDP. It was +0.6%, broadly in line with our initial thoughts for the quarter.

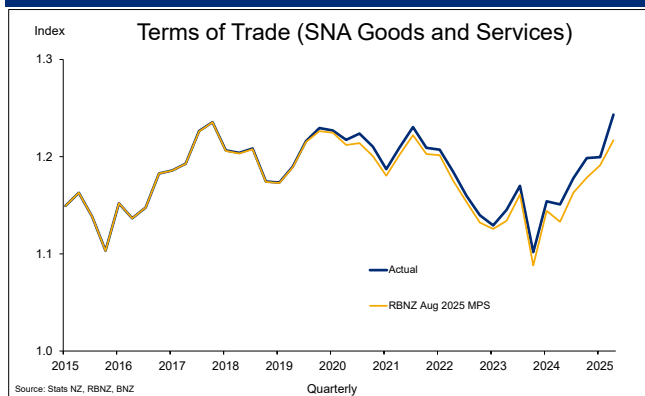
Interesting too that the now available week-to-week KiwiGDP updates through the quarter have been generally on a rising trend. If the RBNZ were to adopt the current estimate for Q3 growth it would offset half of the downside surprise from the Q2 GDP outcome.

We are also wary that the Bank may adjust its estimate of potential growth down a tad too, lessening the downward impact of the Q2 GDP outcome on its assessment of medium-term inflation pressures. And we are cognisant of the upside income surprise to the RBNZ contained in the bowels of last week's GDP data.

The goods and services terms of trade were confirmed as printing well above RBNZ estimates. The August trade figures support ongoing strength in export income either via price or volume, although we are keeping an eye on how far dairy prices ease back from their recent highs.

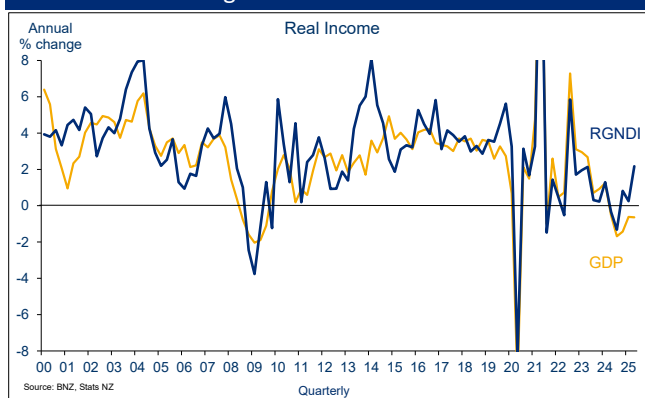
For the terms of trade, last week's data revealed a larger-than-the-Bank-expected quarterly increase in Q2 such that in combination with revisions the terms of trade were 2.2% higher than the RBNZ assumed in its August MPS.

Aggressively higher



This represents substantially more purchasing power than the Bank had assumed in August. The lift in the terms of trade is a key reason why real gross national disposable income (RGNDI) rose 0.9% in Q2 and was up 2.2% on a year ago, despite a decline in real GDP. It is a stronger real income pulse than if one looked at GDP alone. Volatility suggests some care is required when using RGNDI, but its recent strength should not be ignored. The income lift is supporting domestic demand and is expected to continue doing so.

Terms of trade lifting national income



All that said there is still a very real risk that a battle-shy RBNZ suffers sticker shock from the Q2 GDP figures and cuts the cash rate 50 basis points at its October 8 meeting.

The key data release ahead of the October RBNZ meeting is the QSBO due for publication the day before. The QSBO will be very important to assess growth and inflation prospects. We are interested to see if the QSBO supports the idea of a bounce in GDP after Q2's weakness.

The QSBO's resource tightness variables, including those for the labour market, will be important to monitor too. These will give a sense of how much the balance of changes in demand and supply has shifted or not along with implications for medium term inflation pressures.

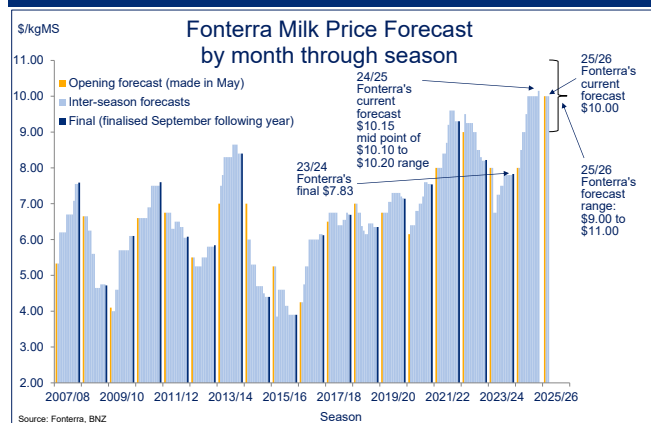
In the meantime, we continue to wait for an announcement on who will be the RBNZ Governor for the period ahead. It feels like an announcement could be made any day now.

Regards the MPC, Hayley Gourley has been appointed to the committee to replace Bob Buckle when his term finishes at the end of this month. Hayley will take part in the October RBNZ meeting. MPC changes add another dimension to the mix of how the committee may assess recent economic developments.

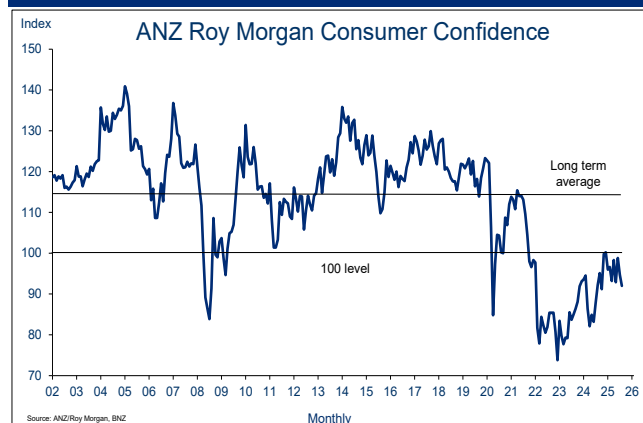
The economic calendar is light this week. There are some points of interest:

- On Wednesday, NZ Treasury's Long-term Fiscal Statement will describe trends and pressures on spending, revenue, the fiscal operating balance, and public debt over coming decades. It will highlight the choices governments face in the context of fiscal pressures from long-term trends such as an ageing population and climate change. It is part of a suite of regular longer-term focused reports.
- On Thursday, Fonterra's annual results will include the co-op's final milk price for the 2024/25 season. We expect that to be very close to the current forecast mid-point of \$10.15. This would affirm a very strong result compared to the previous season's \$7.83. The results also provide the co-op an opportunity to provide an update on the current season's milk price forecast, which currently sits with a wide range of \$9.00 to \$11.00, if it sees fit.
- On Friday, the ANZ consumer confidence index for September is to be released. The index was very subdued in August, at 92.0. We wouldn't be surprised to see confidence remain subdued in September. It seems to be a case of assessing the extent of it and whether the latest monetary easing and signal of more cuts to come has moved the dial or not for consumers in the face of price pressures and still weak labour market conditions.

Fonterra to finalise 24/25 milk price



Confidence lacking



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Global Watch

- **Plenty of Fed and ECB speakers**
- **US core PCE seen at 0.2% m/m**
- **Global PMIs to show latest activity pulse**
- **Australia CPI indicator due for August**

Week in Review

Overseas, the main events were central bank meetings. The US Federal Reserve and Bank of Canada cut rates by 25bp. The median Fed member projection sees a further 50bp of cuts this year, but seven participants see no further easing over same period, so views are split.

Elsewhere, the Bank of England and Bank of Japan made no change to the policy rate. The Bank of Japan, however, announced that it would start sales of its ETF and J-REIT holdings.

On the data front, the key releases were US retail sales where growth was solid, in keeping with the recent resilience in US activity data, and China August activity data which were soft (as the impact of government support unwound).

In Australia, the key data point last week was the labour force release for August. This saw the unemployment rate unchanged at 4.2%, despite a fall in employment of 5.1k and a fall of 0.4% in hours worked in the month.

Our colleagues at NAB still expect RBA cuts in November and February. Should the data flow continue to show a pickup in domestic activity and the unemployment rate remain around 4.2% over coming months, NAB see the risk skewing to only one further cut by the RBA.

Week Ahead

In the US, we get the S&P Global PMIs on Tuesday, and on Thursday Q2 GDP data are revised; this release includes the annual revisions to historical data. The durable goods and advance economic indicator reports, which feed into Q3 GDP tracking, are released Thursday. Also relevant to Q3 GDP, is the August personal income & spending report, on Friday, which includes monthly personal consumption and PCE inflation.

There is a raft of Fed speakers, with a mix of 'doves' and 'hawks' who may provide some further insight into the Fed's thinking. These include Miran – the lone dissent at last week's meeting, Daly, Musalem, Hammack, Barkin, and Williams.

For China, on Monday are the loan prime rate fixings; no change is expected.

In the UK, the main data releases are the S&P Global PMIs on Tuesday, and the Bank of England's Governor (Bailey),

Chief Economist (Pill) and MPC member Greene are speaking.

Similarly, for Europe and Japan, the S&P Global PMIs are the main data releases (Tuesday for Europe, Wednesday for Japan). The ECB's Lane and Nagel are speaking Monday. Japan has Tokyo CPI on Friday, which provides an indication of how the national indicator will move.

In Australia, NAB expect the headline monthly CPI indicator to remain steady at 2.8% y/y in August. The CPI indicator is only a partial indicator of inflation; however, this outcome would be consistent with NAB's forecast of a 0.7% q/q Q3 outcome for trimmed mean inflation.

Selected Economic Events Preview

Monday 22

CH Loan Prime Rates

The 1- and 5-year loan prime rates have been unchanged since May. The loan prime rates tend to move in line with the 7-day reverse repo rate (China's main policy rate) which was left unchanged last week. If recent weakness in activity data continues it may prompt authorities to provide further support.

AU RBA's Bullock will appear before parliament

The RBA's Governor Bullock gives a semi-annual testimony to before the House Economics committee. NAB don't see anything market moving to come out of the appearance. In terms of policy the Governor will reiterate ongoing global uncertainty as well difficulties in assessing the supply side of the economy in real time. The progress on inflation will likely be highlighted though a cautious tone on further cuts while focusing on maintaining "full employment" will likely be a feature.

UK BoE's Bailey and Pill speak

EZ ECB's Nagel, Lane speak

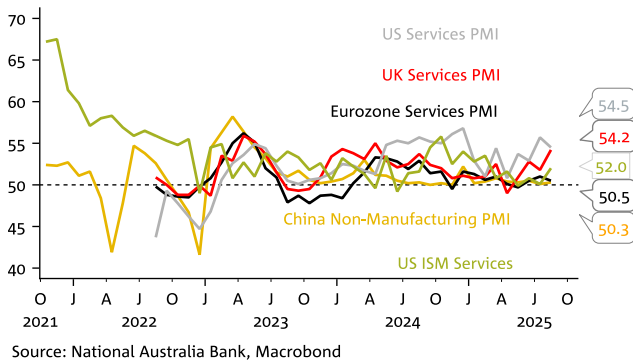
US Fed's Williams, Musalem, Hammack, Barkin speak

Tuesday 23

US, UK, FR, GE, Euro-zone Global PMIs

In Europe, manufacturing activity has improved in recent months, rising back above the 50 boom/bust level in Aug. Manufacturing in the US on this PMI measure is the outperformer, even if on an ISM basis the US lags all but the UK.

In services all countries are expanding, but again the US leads the way, a performance consistent with the improvement in US GDP of late. NAB expect UK's Aug services activity jump to ease back a little.



Wednesday 24

AU CPI (Monthly)

NAB expect the headline CPI indicator to remain steady at 2.8% y/y. Key movers in the month will be a fall in electricity prices as rebates in NSW are reintroduced, though base effects from a year ago will see the y/y rate tick higher. The release will also include updates on inflation for a range of market services – these were relatively benign in Q2 and are expected to remain moderate.

JP Japan manufacturing PMIs

The PMIs for Japan have shown some improvement recently, although the manufacturing PMI remains weak.

US San Francisco Fed Daly speaks

UK BoE's Greene speaks

Thursday 25

AU ABS Job Vacancies for August

These data will provide additional context in a forward-looking sense, to the labour force data released last week. After rising 3% in Q2, the starting point for vacancies is that they remain ~50% higher than pre-pandemic but have fallen around 30% from their Q2 2022 peak. Job ad

based measures have stabilised over recent months and continue to point to ongoing healthy labour demand.

JN Bank of Japan meeting minutes

Minutes from July meeting, not the September meeting.

US Jobless claims, GDP, advanced goods trade balance and wholesale inventories

US Q2 GDP is expected to be unchanged at 3.3% q/q annualised; this release incorporates the annual benchmark revisions which will revise historical data (often the changes are not large but sometimes the revisions do change perceptions of how the economy has been tracking). The trade and inventory release will feed into Q3 GDP growth tracking.

US Fed Williams, Barr and Daly speak

EZ ECB Economic Bulletin

Friday 26

JN Tokyo CPI

The Tokyo provides a good guide as to how the national CPI will move when reported next month.

CA GDP (Monthly)

This release will provide a guide as to whether the Canadian economy has turned the corner, after GDP declined in Q2. In last month's release Stats Canada stated that advance information indicated GDP rose 0.1% m/m in July, but these advance estimates are often revised.

US Core PCE (August) and personal spending & income

Solid August retail sales growth in August suggests US real consumption grew in August, while core PCE inflation is expected to rise by 0.2% m/m, with the y/y rate to be unchanged at 2.9%. The composition will be important, Chair Powell noted last week that services disinflation appears to be continuing.

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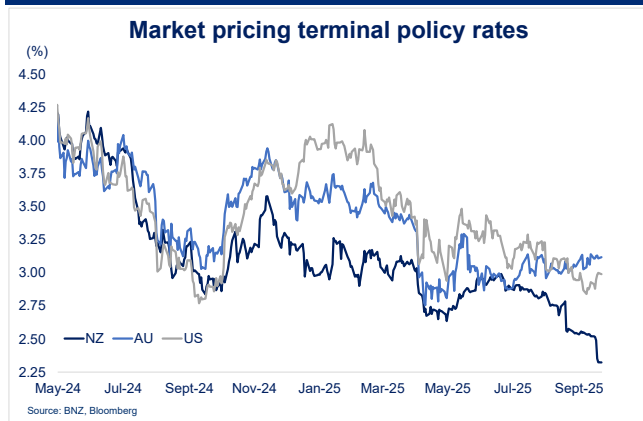
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

Weaker than expected June quarter GDP data was the catalyst for a significant repricing across NZ interest rates last week. Although the data is historic, prone to revision and was influenced by the balancing item, the scope of the downside surprise relative to consensus expectations raised concerns about the contours of the economic recovery. The data increased expectations for near-term easing by the RBNZ. 2- and 5-year swap rates have fallen to fresh lows for the cycle. Market pricing implies a close to 30% chance of a 50bp rate cut at the October Monetary Policy Review (MPR), and a cumulative 59bp of easing for the two remaining meetings this year.

It is a quiet week ahead for domestic data and there are largely second-tier releases in the lead up to the RBNZ's October 8 meeting. The most significant datapoint ahead of the MPR, the Quarterly Survey of Business Opinion, is only released one day prior and could prove pivotal for the rates outlook. While a 25bp rate cut appears locked in, after the dovish pivot at the August Monetary Policy Statement (MPS), the case for a 50bp cut is not clear cut. The RBNZ's nowcast for Q3 GDP has increased to 0.65%, suggesting a reasonable rebound from the weak June quarter, albeit in the context of still subdued activity overall.

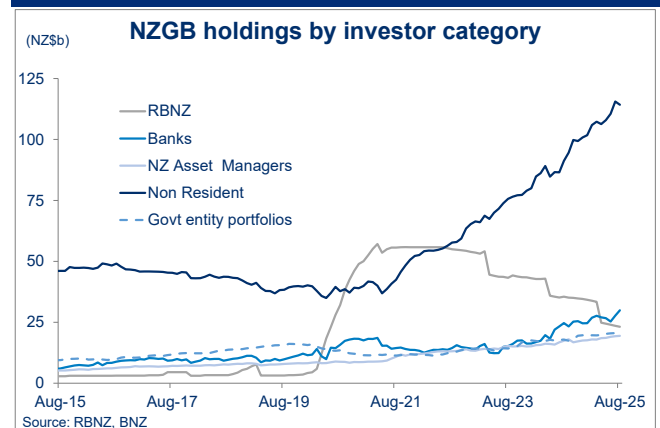
RBNZ terminal pricing diverging from the RBA and Fed



The market implied terminal Official Cash Rate (OCR) has declined to around 2.30%. This is well below the 2.55% trough in the RBNZ's modelled OCR track from the August MPS. The move lower fairly represents the balance of risks in our opinion but appears to have incorporated enough easing for now. We expect a period of consolidation after the recent decline in yields. The divergent central bank policy stance has contributed to a further narrowing in cross market spreads. NZ government bonds (NZGB) are trading below the equivalent maturity Australian government bonds out to 10-years, but don't appear out of line, given the relative central bank policy paths.

The NZGB market ownership structure continues to evolve. Although non-resident holdings dropped marginally in August, this investor category has increased holdings by a total of NZ\$23 billion over the past twelve months. International market participants will continue to be the key marginal investor to absorb the ongoing elevated supply. RBNZ holdings have declined to NZ\$23 billion, aligned with quantitative tightening which began in July 2022, while banks and domestic asset managers holdings have continued to increase.

RBNZ's NZGB footprint continues to decline



Although the RBNZ hold an inventory of non-market NZGBs for the purpose of facilitating repo transactions, the Bank will continue to unwind the Large Scale Asset Purchase portfolio to minimise its footprint in the NZGB market. The programmatic unwind, consisting of maturities and active bond sales to NZ Debt Management, will be completed in 2027. The Liquidity Management Review consultation document, released earlier this month, indicated the RBNZ does not anticipate holding NZGBs to supply settlement cash as the market transitions from abundant to ample.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	2.84	-0.01 - 3.03
NZ 2yr swap (%)	2.66	2.65 - 2.96
NZ 5yr swap (%)	3.14	3.11 - 3.40
NZ 10yr swap (%)	3.72	0.00 - 4.00
2s10s swap curve (bps)	105	94 - 108
NZ 10yr swap-govt (bps)	-48	-50 - -45
NZ 10yr govt (%)	4.20	4.20 - 4.42
US 10yr govt (%)	4.13	3.99 - 4.34
NZ-US 10yr (bps)	7	5 - 27
NZ-AU 2yr swap (bps)	-66	-66 - -28
NZ-AU 10yr govt (bps)	-5	-5 - 9

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

Last week, the NZD significantly underperformed following a sharp market reaction to a disappointing Q2 GDP report. NZD/USD dropped by over 1½% to 0.5860, while NZD/AUD fell 0.8% to 0.8885, reaching a two-year low. Other key NZD crosses declined by between 1% and 2%. Notably, NZD/EUR dipped below 0.50, hitting a fresh 15-year low. The fall in NZD/GBP was limited to 1%, as poor UK fiscal data released at the end of the week weighed on GBP.

Despite being a lagging data release, the market's reaction to NZ Q2 GDP (a much larger than expected contraction of 0.9% q/q) was unusually pronounced. Previous data from the relevant quarter, including steep drops in the PMI and PSI for May, had already painted a bleak picture. As such, the incremental value of the GDP report was questionable, especially given recent volatility caused by instability in seasonal factors since COVID. The report followed an unusually large +0.9% expansion for Q1, which was revised up by one-tenth in this release. Currently, we estimate Q3 GDP will show a solid gain, with a projected increase of 0.7% q/q. The RBNZ's Kiwi-GDP Nowcast for Q3 currently sits at 0.6%.

Mechanically, the weaker GDP result will feed into the RBNZ's model, but the impact on the projected inflation track will depend on other assumptions, such as the extent of a Q3 rebound and any adjustments to potential growth and neutral interest rate estimates. The market now believes this adds weight to the prospect of more RBNZ easing than previously expected. For now, BNZ Economics maintains its forecast for two further 25bps cuts this cycle, in October and November, though risks around this view are one-sided, tilted towards an OCR ultimately falling below 2.5%.

For all the hysteria from some folk around the poor GDP report, it's worth highlighting that based on our projections, annual NZ GDP growth will overtake the US by Q4 this year – with NZ projected at 1.5% y/y and the US at 1.2% y/y. There's a low hurdle rate for NZ growth figures to improve from here, off a weak base. Currency markets are forward-looking so shouldn't get too hung up on historical figures. Our rate projections still show a closing of the gap between NZ and US rates, with the latter falling towards NZ over the coming year as the Fed easing cycle extends, as noted below.

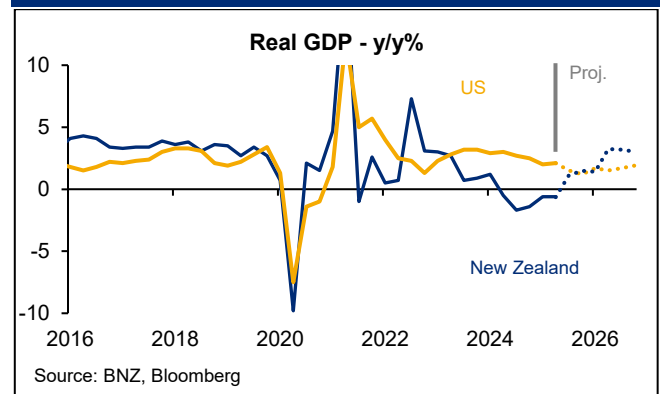
We haven't changed our year-end NZD target of 0.6150, but the increased probability of more than 50bps in additional RBNZ cuts this year introduces new downside risks. Speculation about the extent of further rate cuts is creating near-term headwinds for NZD performance. We still see some technical support at 0.5800, while the 200-day moving average sits just below 0.5840.

As some consolation, the Fed has restarted its easing cycle, cutting its policy rate for the first time this year by 25bps, bringing the top end of the Fed Funds target range to 4.25%. There was only one dissent, with the newly sworn-in Governor Miran—who has refused to resign from his White House position, placing his independence under scrutiny—voting for a larger 50bps cut.

The projections revealed wide-ranging views among committee members regarding the likelihood of further rate cuts. Chair Powell emphasised that downside risks to the labour market were central to the decision to cut rates, and noted the FOMC will adopt a meeting-by-meeting approach. Markets are confidently pricing in a high probability of two more cuts this year, and we concur. Typically, Fed easing cycles are negative for the USD, which provides a counterbalance to prevailing NZD headwinds.

In the coming week, numerous Fed speakers are scheduled to share their views on the US economy and policy, leading up to the release of the August core PCE deflator at the end of the week, which is expected to rise by 0.2% m/m and leave annual inflation at 2.9%. It is otherwise a quiet economic calendar, with global PMIs and Australia's monthly CPI being the other indicators of note.

NZ annual GDP growth to overtake US by Q4'2025



Cross Rates and Recent Ranges

	Current	Last wk % chg	Last 3-wks range*
NZD/USD	0.5868	-1.7%	0.5830 - 0.6010
NZD/AUD	0.8891	-0.8%	0.8870 - 0.9020
NZD/CAD	0.8086	-2.1%	0.8060 - 0.8270
NZD/GBP	0.4356	-1.0%	0.4320 - 0.4410
NZD/EUR	0.4996	-1.8%	0.4980 - 0.5100
NZD/JPY	86.80	-1.5%	86.50 - 88.10

*Indicative range over last 3 w weeks, 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, which held during last week's lurch down, and also note the relatively steady 200-day moving average near 0.5840. Initial resistance at 0.6000, ahead of 0.6120.



NZD/AUD

Outlook: Downside risk
 ST Resistance: 0.8950 (ahead of 0.92)
 ST Support: 0.88 (ahead of 0.87)

Key support of 0.8950 was broken last week and the next key levels are 0.88, ahead of 0.87. We lower resistance to 0.8950.

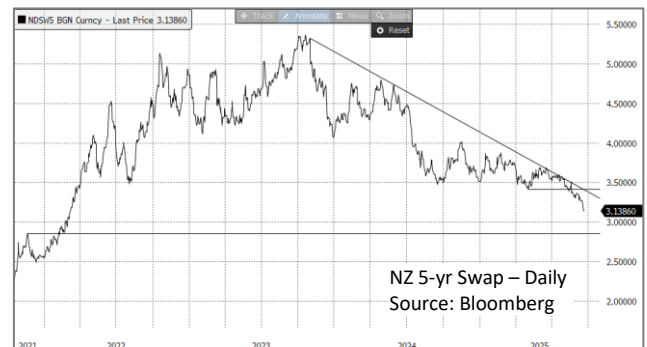


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NZ 5-year Swap Rate

Outlook: Lower
 ST Resistance: 3.40
 ST Support: 2.85

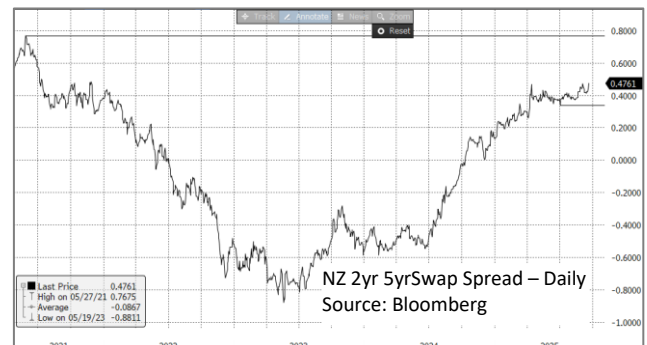
5-year swap continued its trend lower last week on weak GDP data. We continue to favour lower yields.



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

Outlook: Higher
 ST Resistance: 0.76
 ST Support: 0.26

2x5 swap spread broke higher last week though our resistance. We will look for resistance to become support should the spread hold its level. Resistance now appears to come in from 2021 levels at +76bp.



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Quarterly Forecasts

Forecasts as at 22 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.)	0.4	0.9	-0.9	0.7	0.8	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)	-4.7	-4.3	-3.7	-3.6	-3.4	-3.3	-3.1	-3.1	-3.1	-3.1
CPI (q/q)	0.5	0.9	0.5	0.9	0.3	0.5	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)	-1.4	-0.6	-0.6	1.1	1.5	1.4	3.2	3.2	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	4.00	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
Current	0.59	0.66	1.17	1.35	148
Sept-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
Sept-26	0.67	0.73	1.27	1.44	126
Dec-26	0.67	0.73	1.28	1.45	126
Mar-27	0.68	0.74	1.26	1.45	124
Jun-27	0.69	0.75	1.25	1.44	121

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.59	0.89	0.50	0.43	86.7	67.5
Sept-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
Sept-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	73.0
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 22 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	0.9	-0.1	2.5	2.9	0.9	-0.3	2.1	2.9	2.4
Government Consumption	2.7	1.3	0.3	0.4	-0.4	0.1	0.4	1.3	-0.9	0.4
Total Investment	3.3	-1.1	-5.2	1.1	6.5	-0.4	-5.1	-0.8	6.1	4.3
Stocks - ppts cont'n to growth	0.3	-1.5	0.2	0.6	0.2	-1.3	0.2	0.3	0.4	0.0
GNE	3.7	-1.1	-1.1	2.0	3.3	-1.0	-1.2	1.2	3.2	2.5
Exports	5.7	8.6	3.3	2.4	4.3	11.5	4.7	2.5	4.2	3.7
Imports	4.2	-1.4	1.5	4.1	4.8	-0.7	1.6	2.9	5.2	3.4
Real Expenditure GDP	4.0	1.3	-0.7	1.2	3.0	1.8	-0.4	0.9	2.7	2.5
GDP (production)	3.5	1.4	-1.1	0.8	3.1	1.8	-0.6	0.4	2.7	2.5
GDP - annual % change (q/q)	3.0	1.2	-0.6	1.4	2.7	0.9	-1.4	1.5	3.0	2.4
Output Gap (ann avg, % dev)	2.1	1.1	-0.8	-1.4	-0.3	1.3	-0.4	-1.4	-0.5	-0.1
Nominal Expenditure GDP - \$bn	394	417	432	453	478	412	427	448	472	494
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	-0.8	0.8	4.4	4.3
External Balance										
Current Account - \$bn	-32.6	-23.8	-18.3	-15.0	-14.7	-25.8	-20.0	-15.3	-14.6	-14.9
Current Account - % of GDP	-8.3	-5.7	-4.3	-3.3	-3.1	-6.3	-4.7	-3.4	-3.1	-3.0
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	8.4	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		Median	Fcast	Last
Monday 22 September				Thursday (continued)			
CH 1-Year Loan Prime Rate 22 Sept	3.00%		3.00%	UK BOE's Greene Speaks			
CH 5-Year Loan Prime Rate 22 Sept	3.50%		3.50%	US Fed's Daly Speaks			
AU RBA's Bullock Speaks				NZ Fonterra Annual Results			
EC ECB's Escriva Speaks				JN BOJ Minutes of July Meeting			
Tuesday 23 September				AU Job Vacancies QoQ Aug			2.90%
UK BOE's Bailey & Pill Speak				GE GfK Consumer Confidence Oct	-23.2		-23.6
EC ECB's Nagel, Lane & Muller Speak				EC ECB's Kazimir Speaks			
US Fed's Williams, Musalem & Others Speak				EC ECB Publishes Economic Bulletin			
EC Consumer Confidence Sep P	-15		-15.5	Friday 26 September			
AU S&P Global Australia PMI Mfg Sep P			53	US Fed's Williams, Barr & Others Speak			
AU S&P Global Australia PMI Services Sep P			55.8	US BEA Releases Annual Update of National Economic Accounts			
EC HCOB EZ Manufacturing PMI Sep P	50.8		50.7	US GDP Annualized QoQ 2Q T	3.30%		3.30%
EC HCOB EZ Services PMI Sep P	50.5		50.5	US Durable Goods Orders Aug P	-0.30%		-2.80%
UK S&P Global UK Manufacturing PMI Sep P	47.1		47	US Initial Jobless Claims 22 Sept	234k		231k
UK S&P Global UK Services PMI Sep P	53.5		54.2	US Continuing Claims 13 Sept	1938k		1920k
Wednesday 24 September				US Existing Home Sales Aug	3.96m		4.01m
US Philadelphia Fed Non-Manufacturing Activity Sep			-17.5	NZ ANZ Consumer Confidence Index Sep			92
US Fed's Powell, Bowman & Bostic Speak				JN Tokyo CPI Ex-Fresh Food, Energy YoY Sep	2.90%		3.00%
EC ECB's Kocher & Cipollone Speak				EC ECB's Cipollone & Escriva Speak			
US S&P Global US Manufacturing PMI Sep P	51.9		53	Saturday 27 September			
US S&P Global US Services PMI Sep P	53.9		54.5	CA GDP YoY Jul	0.70%		0.90%
US Richmond Fed Manufact. Index Sep	-9		-7	US Personal Income Aug	0.30%		0.40%
JN S&P Global Japan PMI Mfg Sep P			49.7	US Personal Spending Aug	0.50%		0.50%
JN S&P Global Japan PMI Services Sep P			53.1	US Real Personal Spending Aug	0.20%		0.30%
NZ Treasury Long-term Fiscal Statement				US Core PCE Price Index MoM Aug	0.20%		0.30%
AU CPI YoY Aug	2.90%	2.80%	2.80%	US Core PCE Price Index YoY Aug	2.90%		2.90%
AU CPI Trimmed Mean YoY Aug			2.70%	US Fed's Barkin & Bowman Speak			
GE IFO Expectations Sep	92		91.6	CH Industrial Profits YoY Aug			-1.50%
Thursday 25 September				Sunday 28 September			
US New Home Sales Aug	650k		652k	NZ Daylight Savings Begins (+1hr to +13:00 GMT)			

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	3.00	3.00	5.25	2 years	2.67	2.87	2.91	3.65
1mth	2.99	3.06	3.10	5.21	3 years	2.82	3.01	3.05	3.52
2mth	2.91	3.02	3.06	5.09	4 years	2.99	3.16	3.20	3.52
3mth	2.84	2.96	3.01	4.97	5 years	3.14	3.30	3.34	3.57
6mth	2.79	2.92	2.94	4.71	10 years	3.72	3.84	3.89	3.87
GOVERNMENT STOCK					FOREIGN EXCHANGE				
04/27	2.76	2.97	3.02	3.69	NZD/USD	0.5858	0.5971	0.5848	0.6267
05/30	3.39	3.57	3.62	3.87	NZD/AUD	0.8890	0.8953	0.9022	0.9165
05/32	3.81	3.95	4.01	4.09	NZD/JPY	86.66	88.00	86.42	89.99
05/35	4.20	4.32	4.38	4.30	NZD/EUR	0.4987	0.5077	0.5034	0.5640
04/37	4.43	4.54	4.62	4.49	NZD/GBP	0.4350	0.4391	0.4347	0.4695
05/41	4.75	4.86	4.94	4.69	NZD/CAD	0.8075	0.8226	0.8105	0.8486
05/54	5.06	5.17	5.23	4.81	TWI	67.5	68.4	67.8	71.4
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	47	47	50	53					
Europe 5Y	50	50	51	59					

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