

Research Markets Outlook

29 September 2025

October MPR Preview

- **OCR reduction next week a done deal**
- **We see 25bp cut in October, 2.50% by year end**
- **Risk of more, depending on economic recovery**
- **QSBO key release ahead of October decision**
- **New RBNZ Governor announced, starts December**

The RBNZ seems certain to cut the OCR at its October Monetary Policy Review (MPR) next Wednesday. At its August MPS the Bank said "Further data on the speed of New Zealand's economic recovery will influence the future path of the OCR. If medium-term inflation pressures continue to ease as expected, there is scope to lower the OCR further."

We think the balance of information since the August MPS has been consistent with medium-term inflation pressures continuing to ease and warrants further monetary easing. The key questions at this juncture are how much further and how fast?

The -0.9% q/q Q2 GDP outturn was much weaker than the -0.3% pick of the RBNZ. This caused a flurry of excitement that the Bank may cut 50 basis points at the October meeting. We are not convinced that will be the outcome at this point, although it is a clear risk.

An important consideration is how much activity has bounced back in Q3. This will help judge where the level of economic activity sits today and its implications for medium term inflation. Broadly speaking we think GDP in Q3 will surprise the RBNZ to the upside by a similar amount that it surprised on the downside in Q2.

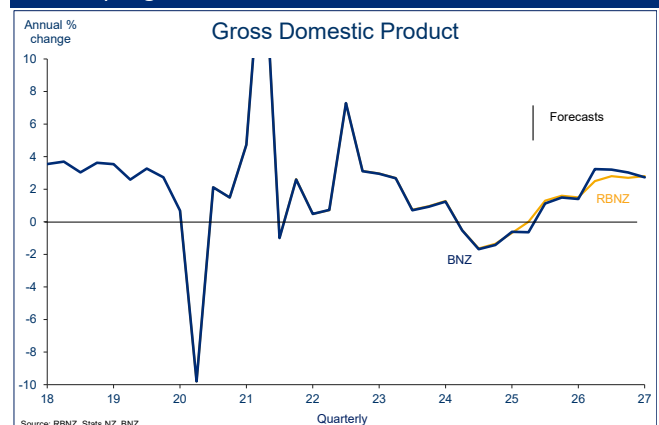
The main reason for this is that we expect a significant bounce in manufacturing activity. Amongst other things: Methanex restarted some of its plant in July; Tiwai Point aluminium smelter restarted a pot in mid-June; meat processing jumped from a very weak Q2; and the PMI has edged higher. Secondly, we are wary of seasonal adjustment and measurement issues. We do not expect the -0.4% growth contribution from the balancing item in Q2 to be repeated in Q3.

Additionally, it is likely that the combination of Q2's weak outturn and the fact that net migration is proving to be much weaker than the RBNZ expected, will result in the Bank lowering its potential growth expectations. This

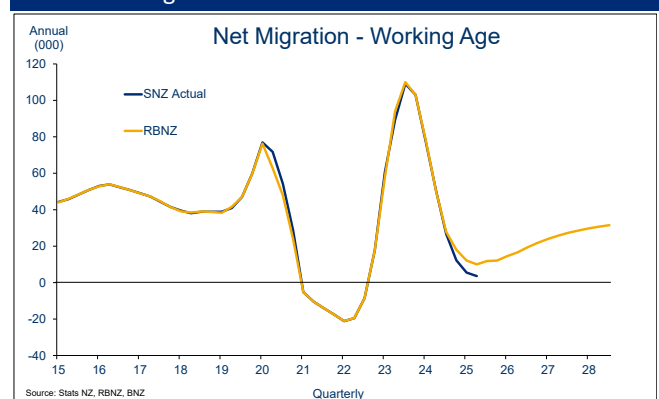
would mean inflationary pressures appear at slower rates of growth.

Our Q3 GDP forecast sits at 0.7% q/q compared with a 0.3% pick from the RBNZ. The Bank may well be thinking along similar lines if it takes guidance from its current KiwiGDP nowcast. The latter ticked up to 0.7% last week continuing its trend upward drift for the quarter. A result like that would see annual GDP growth lift to 1.1% in Q3, from -0.6% in Q2, rapidly closing in on the Bank's current estimate of potential growth with economic recovery in its infancy.

Q2 slump big deal or not?



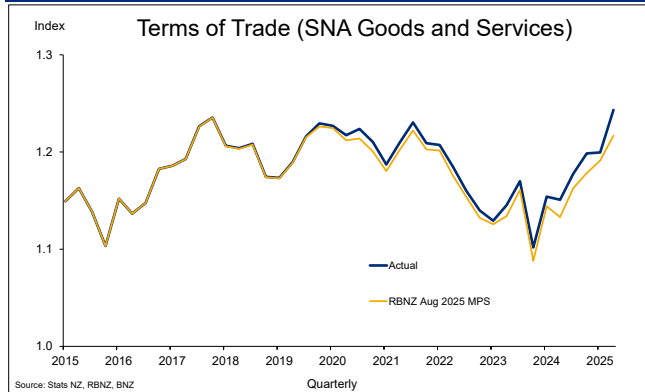
Undershooting



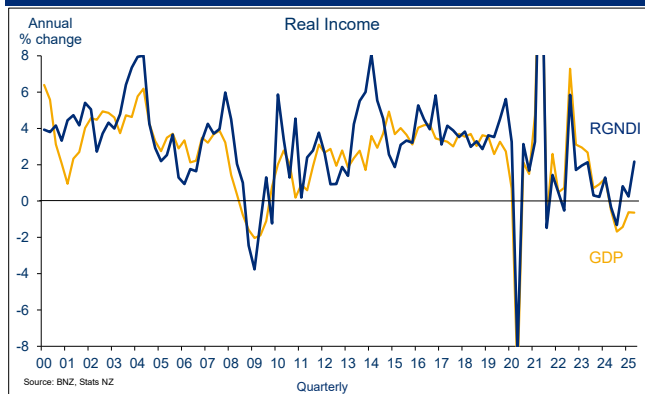
A record terms of trade is adding significant oomph to the export sector. This represents a material increase in real income and with the terms of trade significantly larger than was expected by the central bank.

Real gross national income rose 2.2% y/y in Q2, despite real GDP falling 0.6% over that period. That reflects an enormous surge of revenue flowing into the export sector. A surge that has continued into Q3 judging by the 22.8% y/y gain in August merchandise exports.

Upside surprise



Income higher



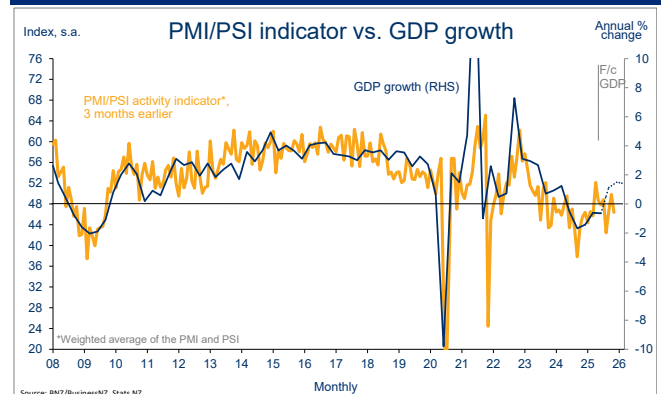
Generally, there appears to be some recovery occurring post Q2 judging by high frequency indicators like electronic card transactions, meat and milk production, vehicle registrations, merchandise trade, and job ads.

These timely assessments and summary indicators like KiwiGDP are important. The RBNZ has put more emphasis on lead indicators of late. A point reiterated by the Bank in this morning's press release on progress made on the post-Covid recommendations for monetary policy. It noted 'expanded our use of high-frequency data for more timely and granular monitoring'.

Not all progress has been in a straight line, neither would one expect it to be. For example, the PMI and PSI were a bit disappointing in August. However, their July/August average did show improvement on their Q2 average. The PMI/PSI indicators keep us wary on the pace of recovery ahead.

Consumer and employee confidence remain weak, although that is not surprising given the labour market usually lags economic recovery.

Downside risk remains here



Today's filled jobs played to that theme. The 0.2% m/m gain in August looked positive but the what-has-been-typical downward revisions were meaningful this month. Both June and July previously estimated gains were revised to flat. Cumulatively this suggests risk to our modest forecast gain in Q3 HLFS employment has tilted to the downside, although filled jobs still look to be most consistent with a Q3 HLFS employment at least as strong as the RBNZ's August MPS flat expectation.

Pulling together the combination of a weak Q2 GDP, an expected bounce in Q3, and potential growth likely being nudged lower means the net difference on medium term inflation pressures relative to the RBNZ's expectations may well be quite muted.

The market appears to have come to a similar conclusion recently paring the odds of a 50-basis point cut in October, albeit with pricing still consistent with around a 20-25% chance of such a result. That seems about fair to us.

All that said there is a very real risk that a battle-shy Reserve Bank suffers sticker shock from the Q2 GDP outcome and is not willing to wait for the Q3 GDP outturn to be published in December, so does cut the cash rate 50 basis points at its October meeting.

At the August meeting, two of the six MPC members voted for 50, although importantly they were comfortable with the guidance toward a 2.50% terminal rate. If the same two members still favour a 50-point cut, it is a head start to getting enough members to support that option.

Changes to the committee add another dimension this time around. Hayley Gourley will be a new external member on the MPC for the October meeting, replacing Bob Buckle when his term finishes tomorrow. It creates some uncertainty about the Bank's reaction function but ultimately the outlook for the economy and inflation will be the key determinant of policy ahead.

We're sticking with our central view of two more 25 basis point rate cuts, in October and November, for the time being. We want more information on likely growth prospects and inflation pressures before considering any shift. This is principally the QSBO. Clearly if we were to

shift it will be towards a more dovish stance. As we have said before, the balance of risk around our 2.50% forecast low point for the OCR is to the downside.

Next Tuesday's QSBO is the final bit of key domestic data before the RBNZ decision the following day. We will be most interested in the activity indicators as timely guidance to activity in the second half of 2025 and the survey's range of tightness variables to assess resource use pressures and their implications for medium term inflation. Pricing indicators in this survey have been soft and will be monitored for any change. We will also be interested to see if investment and employment intentions maintain their recent positivity.

We are also monitoring currency movements, with the NZD recently under downwards pressure despite strong terms of trade. A lower NZD represents an easing in financial conditions such that if it were to be sustained the OCR would not need to be lowered as much as otherwise, everything else constant. The NZ TWI currently sits at 66.8, which is nearly 2% below that assumed by the RBNZ in its August projections. If sustained on its own this would add around 0.2ppt to annual inflation over the coming year.

A lower currency also increases the risk of headline inflation lingering near 3% for more than a quarter, especially as it is coinciding with a push higher in crude oil prices. This combination has put upside risk around our Q4 CPI pick of 2.7%, assuming we are correct with the 3.0% we have on the board for Q3. The RBNZ also forecast annual inflation of 3.0% and 2.7% in Q3 and Q4.

The RBNZ has, rightly in our view, looked through higher expected near-term inflation as it is seen as being transitory. However, if higher near-term inflation were to linger for a while it would raise the chance of filtering into inflation expectations and becomes less easy to look through.

New RBNZ Governor announced

Dr Anna Breman, the First Deputy Governor of Sweden's Riksbank, was announced last week by Minister of Finance Nicola Willis as the new Governor of the RBNZ. Dr Breman

will start on 1 December for a 5-year term. This means Dr Breman's first scheduled MPC meeting will be next February. There is a bit of time to get more acquainted with the idiosyncrasies of the New Zealand economy.

At last week's press conference, Dr Breman did not talk about current policy but noted the challenging global environment and said that the 'RBNZ will be laser focused on low, stable inflation' and 'won't get strong growth without low, stable inflation'. It all sounded very orthodox. We see no clear implications for the broad direction of monetary policy.

Christian Hawksby will remain RBNZ Governor until 30 November before leaving the Bank as Dr Breman starts. This means more change at the MPC, over and above the new Governor starting. There has been no guidance yet on any additional internal member to be added to the MPC. Any new member would be on recommendation of the RBNZ Board and appointed by the Minister of Finance.

Minimal data this week

The rest of this week is skinny on data with only ANZ's business survey tomorrow and building consents for August on Wednesday.

Forward-looking indicators in the ANZ business confidence survey have been firmly optimistic for most of 2025. The activity and employment indicators eased marginally in August to draw nearer to our growth and employment forecasts. Agriculture is likely to remain a standout.

Residential building consents have been very volatile recently. Stepping back from month-to-month noise, the running annual number of consents has stabilised around 33k to 34k.

doug_steel@bnz.co.nz

Global Watch

- Payrolls in focus ahead of Fed's October meeting
- US ISM manufacturing and services surveys due
- Euro area CPI expected to lift slightly
- RBA widely seen on hold

Week in Review

In Australia, the detail of the August CPI indicator was ugly. Our colleagues at NAB now expect Q3 trimmed mean inflation at 0.9%-1.0% q/q, 0.3ppt higher than the RBA's August forecast.

The headline numbers were not the story, coming in only marginally higher than consensus (3.0% vs. 2.9% y/y). The detail in services components was much more instructive. Market services prices had been running at a benign pace over recent quarters. They are going to be hot in Q3, muddying the RBA's assessment of the supply and demand balance in the economy and shifting their assessment of the balance of risks as they look forward.

NAB now see the RBA on hold at 3.60% until May 2026 as it will take some time for the RBA to rebuild confidence in the inflation trajectory.

US real personal spending was stronger than expected in August, increasing 0.4% m/m. Previous months were also revised higher. The consecutive gains in personal spending add to evidence of solid activity in the current quarter though the medium-term outlook will be tied to the labour market's resilience.

Week Ahead

Focus for the US will be on a looming government shutdown, with current funding to expire at 11:59pm 30 September. The CBO estimated a 35-day shutdown in Trump's first term knocked 0.3ppt off growth, though much of the lost activity was ultimately made up. Disruption to government services could include economic data. The shutdown could affect the BLS, like in 2013 when payrolls releases were delayed. A flurry of tariff announcements from Trump are set to begin 1 October.

Assuming no interruptions, Payrolls data on Friday (the final one before the Fed's 29 October meeting) is the main release. The FOMC is focussed on labour market fragility and slow net hiring. Unemployment rose to 4.3% in August, and the consensus expects it to remain there this month and a 50k payroll gain. Ahead of that is JOLTs and ADP data, and ISMs.

In Europe, preliminary CPI data is published Wednesday. The usual run of country level data in the lead up includes France, Italy, Germany on Tuesday and Spain on Monday. Final PMIs are released during the week as well as confidence measures on Monday, alongside a full roster of ECB speakers that includes President Lagarde on Tuesday.

In Japan, the Q3 Tankan Survey is Tuesday. Also note the upcoming LDP leadership contest, set for Saturday 4 October.

China's Golden Week holiday period begins Wednesday. Indicators of the health of holiday consumption spending will be a focus. Before that, official and RatingDog (formerly Caixin) PMIs are out Monday.

The RBA will be on hold Tuesday. There are no new forecasts this meeting. Expect Governor Bullock in the Q&A to acknowledge upside risk on inflation but defer to the full CPI ahead of the November meeting for confirmation. Also from the RBA is the Financial Stability Review on Thursday.

A range of monthly data for August are also released during the week. Monthly Household Spending for August (Thursday) could be up 0.3% m/m. The goods trade balance (also Thursday) is likely to narrow a little after widening in July.

Selected Economic Events Preview

Monday 29

EZ EU Consumer, Economic Confidence Survey (Sep)

EZ, US, UK ECB Lane, Fed's Hammack, BoE's Ramsden
Policymakers participate in a policy panel at an ECB and Cleveland Fed conference in Frankfurt.

EZ ECB's Schnabel, Nagel speeches Frankfurt

Tuesday 30

AU RBA Meeting (hold at 3.60%), Building approvals

The RBA will be on hold at 3.6%. The data flow since August would have had be particularly weak to make the September meeting live. Ahead of the CPI data last week, Governor Bullock speaking Wednesday said *"Since the August meeting, domestic data have been broadly in line with our expectations, or, if anything, slightly stronger."*

Expect Bullock to repeat that message in the press conference with respect to activity and labour market data but also to acknowledge upside risk on inflation and signs of strength in services components. Even so, she will likely defer to the full CPI ahead of the November meeting for confirmation.

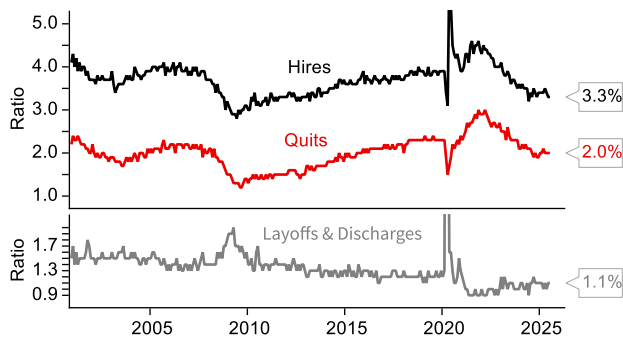
NAB expects Q3 underlying inflation data to be sufficiently strong that the RBA remains on hold for some time until it rebuilds confidence in the trajectory for inflation, pencilling in a cut in May 2025.

EZ France, Italy, Germany preliminary Sep Inflation

US JOLTS Job Openings, Quits, Hirings (Aug), Conf Board US Consumer Confidence (Sep)

JOLTS data resumed softer openings in July but have yet to decline to new cycle lows. That may come in this August report. Quits and hiring levels have both moved sideways. Consumer confidence has stabilised just below mid-range levels after improving from the April tariff-related weakness.

JOLTS turnover rates



Source: National Australia Bank, U.S. Bureau of Labor Statistics (BLS), Macrobond

JN Industrial Production

CH Official and RatingDog PMIs

Official China manufacturing, non-manufacturing and RatingDog (formerly Caixin SME) manufacturing activity retained their softer tone in August. The bright spot was RatingDog (SME) services activity, which built on its recent gains, accelerating to 53, its highest for a year.

Wednesday 1

JN Tankan Survey

EZ ECB Preliminary Sep HICP Inflation

Euro Zone HICP inflation has remained around the ECB's 2% target level for the last couple of months, while core and services measures have continued to soften. However, NAB anticipate up to four months of more elevated prices thanks to base effects in oil prices. This should lift headline HICP to 2.3% or 2.4% from September out to the end of the year. These won't last but alongside a tenth or two higher in core prices, it will underpin the view of unchanged ECB rates. A potential offset comes from further EUR strength and weaker economic activity as a result of US tariffs and re-routed China exports.

UK, EZ, US Manufacturing ISM, Final PMIs (Sep)

US manufacturing activity as depicted by the ISM has been below 50 for some months, in contrast to the PMI version which sat at 52 in September according to preliminary data.

In Europe, preliminary manufacturing PMIs softened in both Germany and France. In the UK, manufacturing activity remains suitably softer than its peers.

US ADP Private Payrolls (Sep)

Thursday 2

AU Household Spending, RBA Financial Stability Review, Goods Trade Balance (Aug)

NAB expect Household Spending to be 0.3% m/m higher in August, in line with consensus, as strength in Q2 durable goods retailing normalises and as the boost to hospitality spending in July rolls off to leave what should remain a solid underlying trend in Q3 consumption.

US Challenger Job Cuts (Sep), Initial Jobless Claims, Factory Orders, Durable Goods (Final, Aug)

Friday 3

UK, EZ, US Services ISM, final PMIs (Sep)

European services continued to accelerate in September according to preliminary data (to 51.4), thanks to strength in Germany which accelerated to 52.5 from 49.3. The UK's outperformance of late has been reined in according to preliminary data.

UK BoE's Bailey Speech

US Payrolls (Sep)

The consensus looks for a 50k non-farm payrolls gain after 22k in August. The unemployment rate rose to 4.3% in August, and the consensus expects it to remain there this month. The FOMC is laser focussed on labour market fragility and slow net hiring. A slowdown in both labour supply and labour demand have so far resulted in an only modest lift in the unemployment rate.

Important for the path forward for the FOMC from here, the median FOMC projection in September anticipated a further rise in the unemployment rate this year, to average 4.5% in Q4.

matt_brunt@bnz.co.nz

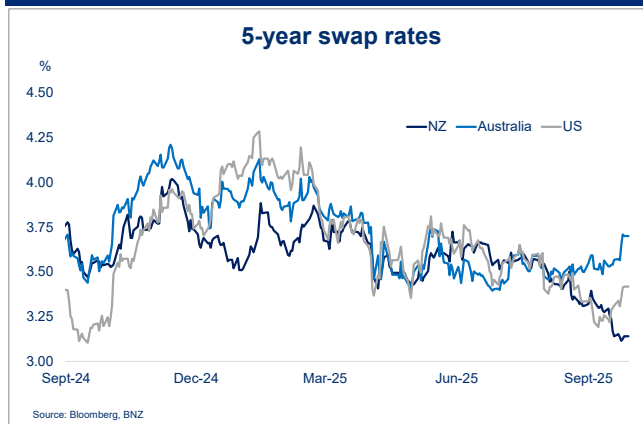
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ fixed income has continued to outperform on a cross-market basis with spreads tightening further against comparison markets like Australia and the US. NZ swap rates were little changed last week while US rates moved higher aligned with economic data which provided evidence of solid activity in the current quarter. Although recent US data has pointed to resilience - the Citigroup economic surprise index has moved further into positive territory - labour market data for August will be pivotal for the rates outlook. Consecutive weaker than expected US non-farm payroll reports have contributed to a shift in the perceived balance of risks for the Federal Reserve.

In Australia, the market pared expectations for easing by the central bank after a stronger than expected monthly CPI reading. The data was consistent with a significant upside surprise relative to the Reserve Bank of Australia's (RBA) forecasts in August. Ahead of CPI, the market was pricing a 25bp cut by the November meeting, but this has been reduced to a ~50% chance. The terminal policy rate has increased to 3.30%, which is thought to be above the RBA's estimate for neutral. Rates are unanimously expected to remain steady at 3.60% tomorrow.

NZ outperformance relative to US and Australia

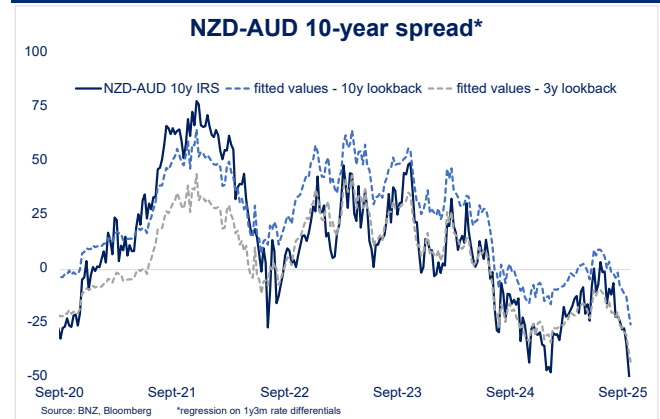


The market continues to price a nearly 25% chance of a 50bp cut by the RBNZ in October and cumulative 59bp of easing, for the two remaining meetings this year. We think a 25bp cut is more likely than 50bp in October. However, if activity and tightness indicators are sufficiently weak in the Quarterly Survey of Business Opinion, raising concerns about the recovery and medium-term inflation, they could tip the balance. Market pricing for the terminal Official Cash Rate appears to be finding a base near 2.30%.

We don't think there are any clear implications for the near- and medium-term monetary policy outlook from the announcement of Dr Anna Breman as the new RBNZ Governor. She will start her new role on 1 December and

the RBNZ easing cycle could well be complete by that point. In addition, Hayley Gourley will join as an external member on the Committee in time for the October meeting. The changes create some uncertainty about the Bank's reaction function, but ultimately the outlook for the economy and inflation will be the key determinant of the rates outlook.

NZD-AUD spread tight relative to monetary policy drivers



2- and 5-year NZD swap rate spreads against Australia were close to flat as recently as July but have fallen to almost -80bp. 10-year spreads have declined to -60bp. The spread contraction reflects the divergent outlook for RBNZ and RBA monetary policy, but there are some signs of an overshoot. We use a regression of the 10-year NZ swap rate spread against Australia on the 1-year forward 3-month spread to capture relative monetary policy dynamics. For each of the windows we investigate (3-, 5- and 10-year), 10-year cross market spreads have tightened by more than can be explained by our approximation of the relative RBNZ and RBA monetary policy stance.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	2.82	2.82 - 3.02
NZ 2yr swap (%)	2.68	2.65 - 2.92
NZ 5yr swap (%)	3.14	3.11 - 3.40
NZ 10yr swap (%)	3.73	0.00 - 4.00
2s10s swap curve (bps)	105	94 - 107
NZ 10yr swap-govt (bps)	-50	-50 - -46
NZ 10yr govt (%)	4.23	4.22 - 4.42
US 10yr govt (%)	4.18	3.99 - 4.30
NZ-US 10yr (bps)	5	5 - 27
NZ-AU 2yr swap (bps)	-79	-80 - -38
NZ-AU 10yr govt (bps)	-16	-16 - 7
*Indicative range over last 4 weeks		

stuart_ritson@bnz.co.nz

Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

Last week was another challenging one for the NZD, which fell around 1½% to 0.5775, breaking below the key support level of 0.58. While the USD was broadly stronger, European currencies only showed modest weekly losses. The NZD declined against all major currencies, with NZD/EUR and NZD/AUD hitting fresh multi-year lows. The latter was partly due to the market reducing expectations of RBA rate cuts in response to stronger-than-expected monthly CPI data.

The USD was well-supported last week following stronger-than-expected US economic data releases, resulting in modestly higher US rates. Citigroup's US economic surprise index rose sharply, nearing its early September high, which was the highest level this year. US Q2 GDP was revised up to an annualised 3.8%, driven by an upward revision to consumer spending. Stronger durable goods orders and trade data contributed to the Atlanta Fed's GDPNow estimate for Q3 rising to 3.9%, suggesting that growth in the current quarter has been just as strong. Initial jobless claims data have fallen back to levels indicating no obvious concern about the health of the labour market. The clear message is that the US economy continues to grow at a respectable pace, despite prevailing heightened policy uncertainty.

The market still prices a high chance of two more Fed rate cuts this year – with about 40bps priced in – but it is becoming increasingly questionable whether the US economy needs the support of further rate cuts, given the backdrop of above-target inflation, with the core PCE deflator, the Fed's preferred target, steady at 2.9% y/y in August.

In our last weekly report, we focused on current NZD headwinds from domestic sources, following the poor Q2 NZ GDP report and rising speculation that NZ's OCR will end up lower than the 2.5% rate we currently project. We can now add NZD headwinds from a stronger-for-longer USD, in the face of surprising US economic strength and the possibility that Fed rate cuts won't meet current market expectations.

Against these two forces, the NZD has made a clear break below its 200-day moving average of 0.5840 and the previous support level of 0.58. In searching for the next key technical support level, there is nothing to grab onto until the 0.55-0.56 area, which the NZD consistently probed earlier this year in the run-up to Liberation Day and its aftermath.

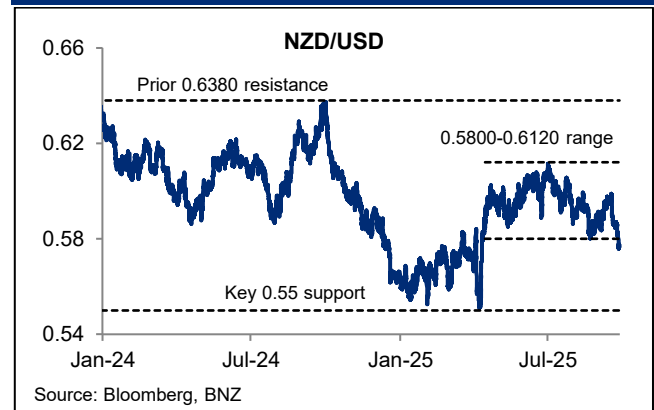
That said, from a fundamental point of view, we think the NZD looks cheap and see limited further downside risk. We don't believe the NZ economy is as weak as the Q2 data portrayed, and this should become evident in data over the coming months. The market gives no credit to NZ's record terms of trade and sharply improving external balance. We also see plenty of scope for US economic data to deteriorate from here.

As the final quarter of the year approaches, our current 0.6150 year-end projection is looking more like a stretch target than a central forecast, highlighting clear downside risk. Achieving that target will require some or all of the following: (1) NZ's data flow improving and the RBNZ not being tempted into a jumbo 50bps rate cut next week, (2) US economic data taking a turn for the worse, and/or (3) USD selling returning for whatever reason, one being Trump getting a favourable ruling from the Supreme Court allowing him to fire Fed Governor Cook, escalating concerns about Fed independence.

In the week ahead, the ANZ NZ business outlook survey is released tomorrow. The RBA meets, and the market attributes close to zero chance of any policy adjustment, but the market will be alert to any hints on the timing of the next possible rate cut and any comments on last week's monthly CPI report, which suggested a hiccup towards the Bank meeting its underlying inflation target.

On the global economic calendar, the focus will be on the US employment report at the end of the week, a key determinant of whether the Fed cuts rates again as soon as the next meeting in late October. However, a US government shutdown, a high possibility, would delay this release. US ISM manufacturing and services reports are also due, and elsewhere, China PMIs and euro area CPI data will be of some interest.

Key support at 0.58 broken; big gap to next support level



Cross Rates and Recent Ranges

	Last wk		
	Current	% chg	Last 3-wks range*
NZD/USD	0.5777	-1.4%	0.5750 - 0.6010
NZD/AUD	0.8818	-0.7%	0.8810 - 0.9020
NZD/CAD	0.8050	-0.2%	0.8030 - 0.8270
NZD/GBP	0.4313	-0.9%	0.4300 - 0.4410
NZD/EUR	0.4935	-1.0%	0.4930 - 0.5100
NZD/JPY	86.34	-0.4%	86.20 - 88.10

*Indicative range over last 3 weeks, rounded

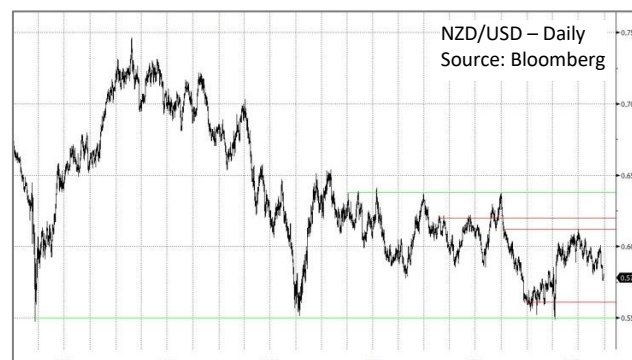
jason.k.wong@bnz.co.nz

Technicals

NZD/USD

Outlook: Downside risk
 ST Resistance: 0.6000 (ahead of 0.6120)
 ST Support: 0.5600 (ahead of 0.55)

With previous support at 0.58 broken, there is nothing to grab onto until the 0.55-0.56 area, which the NZD consistently probed earlier this year in the run-up to Liberation Day and its aftermath.



NZD/AUD

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

There is strong downside momentum and the next support level is 0.88, ahead of 0.87.



jason.k.wong@bnz.co.nz

NZ 5-year Swap Rate

Outlook: Lower
 ST Resistance: 3.40
 ST Support: 2.85

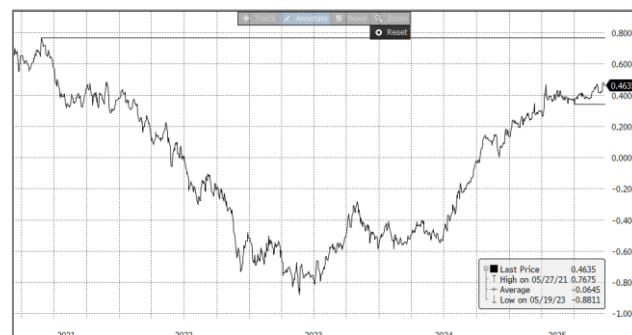
5-year swap rallied again last week and now sits near the middle of our range.



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

Outlook: Higher
 ST Resistance: 0.76
 ST Support: 0.26

2x5 swap spread remained roughly unchanged last week. We favour continued steepening.



NZ 2yr 5yrSwap Spread – Daily
 Source: Bloomberg

matthew.herbert@bnz.co.nz

Quarterly Forecasts

Forecasts as at 29 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	0.58	0.65	1.17	1.34	150
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	0.58	0.88	0.49	0.43	86.3	66.8
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 29 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	0.7	0.6	-1.1	-0.3	0.9	0.5	0.4
Unit Labour Costs (ann av %)	5.5	7.0	4.7	2.9	2.7	7.5	5.1	3.1	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 29 September				NZ Building Permits MoM Aug			5.40%
EC ECB's Muller, Nagel & Others Speak				JN Tankan Large Mfg Index 3Q	14		13
EC Consumer Confidence Sep F			-14.9	EC CPI Estimate YoY Sep P	2.20%		2.00%
EC Economic Confidence Sep	95.3		95.2	EC CPI Core YoY Sep P	2.30%		2.30%
Tuesday 30 September				Thursday 02 October			
US Fed's Waller, Hammack & Others Speak				EC ECB's Nagel Speaks			
EC ECB's Lane & Rehn Speak				US ADP Employment Change Sep	50k		54k
UK BOE's Ramsden Speaks				US ISM Manufacturing Sep	49		48.7
US Pending Home Sales MoM Aug	0.00%		-0.40%	US Construction Spending MoM Aug	-0.10%		-0.10%
JN BOJ Summary of Opinions (Sept. MPM)				AU RBA-Financial Stability Review			
JN Industrial Production MoM Aug P	-0.80%		-1.20%	AU Trade Balance Aug	A\$6200m	A\$6000m	A\$7310m
JN Retail Sales MoM Aug	1.20%		-1.60%	AU Household Spending MoM Aug	0.30%	0.30%	0.50%
NZ ANZ Business Confidence Sep			49.7	AU Household Spending YoY Aug	5.20%		5.10%
AU Building Approvals MoM Aug	2.60%	3.00%	-8.20%	EC Unemployment Rate Aug	6.20%		6.20%
CH Manufacturing PMI Sep	49.6		49.4	Friday 03 October			
CH Non-manufacturing PMI Sep	50.2		50.3	US Initial Jobless Claims 27-Sept	225k		218k
AU Private Sector Credit MoM Aug	0.60%	0.60%	0.70%	US Continuing Claims 20-Sept	1930k		1926k
CH RatingDog China PMI Mfg Sep	50.2		50.5	EC ECB's Lagarde, Makhlouf & Others Speak			
CH RatingDog China PMI Services Sep	52.6		53.0	US Factory Orders Aug	1.40%		-1.30%
AU RBA Cash Rate Target 20-Sept	3.60%	3.60%	3.60%	US Durable Goods Orders Aug F	2.90%		2.90%
Wednesday 01 October				US Fed's Logan & Williams Speak			
EC ECB's Lagarde, Cipollone & Others Speak				JN Jobless Rate Aug	2.40%		2.30%
UK BOE's Mann, Lombardelli & Breeden Speak				Saturday 04 October			
GE CPI YoY Sep P	2.30%		2.20%	US Change in Nonfarm Payrolls Sep	50k		22k
US Fed's Collins, Goolsbee & Logan Speak				US Unemployment Rate Sep	4.30%		4.30%
US MNI Chicago PMI Sep	43.3		41.5	US Av Weekly Hours All Employees Sep	34.2		34.2
US JOLTS Job Openings Aug	7170k		7181k	UK BOE's Bailey Speaks			
US Conf. Board Consumer Conf Sep	96		97.4	EC ECB's Schnabel Speaks			
AU Cotality Home Value MoM Sep			0.80%	US ISM Services Index Sep	51.7		52.0
US Dallas Fed Services Activity Sep			6.8	US Fed's Jefferson Speaks			

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	2.68	2.68	2.88	3.57
1mth	2.96	2.98	3.10	5.10	3 years	2.83	2.83	3.02	3.46
2mth	2.92	2.91	3.05	4.99	4 years	2.99	3.00	3.17	3.48
3mth	2.80	2.84	3.00	4.87	5 years	3.14	3.15	3.32	3.55
6mth	2.79	2.79	2.92	4.61	10 years	3.73	3.74	3.89	3.88
GOVERNMENT STOCK					FOREIGN EXCHANGE				
04/27	2.75	2.77	2.98	3.66	NZD/USD	0.5781	0.5868	0.5900	0.6349
05/30	3.40	3.42	3.60	3.89	NZD/AUD	0.8820	0.8891	0.9007	0.9183
05/32	3.83	3.84	4.01	4.12	NZD/JPY	86.40	86.67	86.85	91.18
05/35	4.23	4.23	4.37	4.34	NZD/EUR	0.4940	0.4972	0.5040	0.5702
04/37	4.46	4.46	4.61	4.53	NZD/GBP	0.4315	0.4343	0.4357	0.4747
05/41	4.79	4.79	4.93	4.74	NZD/CAD	0.8053	0.8108	0.8114	0.8587
05/54	5.09	5.09	5.23	4.86	TWI	66.8	67.4	68.1	71.9
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	53	52	51	53					
Europe 5Y	56	56	56	59					

Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Matt Brunt
Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Mike Jones
BNZ Chief Economist

Main Offices

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

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

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

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.