

Research Markets Outlook

13 October 2025

Trade tension, growth struggles, and CPI preview

- **US-China trade tensions flare again**
- **PMI/PSI warn of growth struggling to gain traction**
- **Slow population growth reflects low net migration**
- **Fiscal deficit smaller than Budget forecasts**
- **September prices could tweak our 3.0% pick for Q3 CPI**

The tariff threat rollercoaster is back. Over the weekend, US President Trump said he would impose an additional 100% tariff on China (taking new tariffs to 130%) as well as export controls on 'any and all critical software'. The additional tariffs would come into effect on 1 November. The President acknowledged that he could retreat from the huge escalation if China backed down from threatened restrictions on rare earth exports.

The latest developments represent a rapid re-escalation in trade tension between the two economic giants. Global financial markets reacted negatively on Friday night. This morning Trump seemed to try and assuage markets saying, 'Don't worry about China, it will all be fine!'. We will see where things land, but ongoing trade uncertainty is another headwind to global growth. It is not helpful to NZ.

This morning's Performance of Services Index (PSI) and Friday's Performance of Manufacturing Index (PMI) were both uninspiring in September. Yes, their Q3 averages were marginally better than their Q2 equivalents but their combined activity indicator warns of economic growth struggling to gain traction.

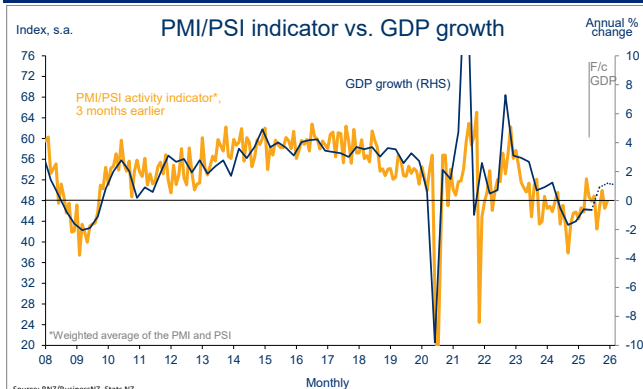
The subdued PMI and PSI see us nudge down our near-term growth and employment forecasts, after previously highlighting downside risk if these and other indicators did not show sufficient improvement. This also follows from some weaker indicators from last week's QSBO, including some paring in businesses' growth expectations, weak reported employment, and a slump in investment intentions.

Our estimate for Q3 GDP now sits at 0.5% (from 0.7%). This is likely still a touch above the RBNZ, given the Bank's 0.3% projection in the August MPS and last week's description of Q3 activity as 'recovered modestly'.

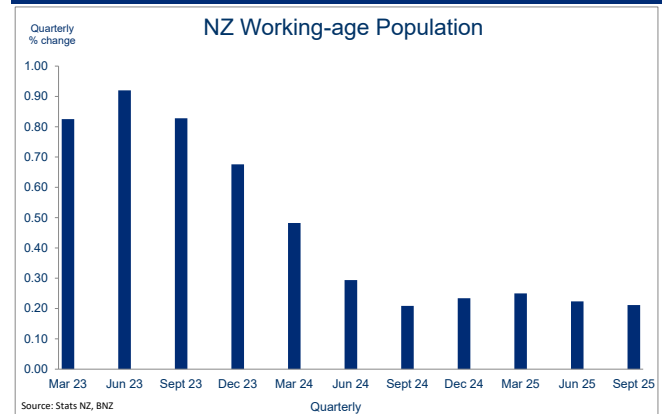
Even with subdued PMI and PSI indicators in Q3, it does not look like the output gap has widened. Indeed, the QSBO tightness indicators suggested the gap might have narrowed somewhat. This suggests supply side expansion has been subdued.

Slow population growth is part of that, reflecting low net inward migration. Last week's data saw estimates of the working age population in Q2 revised down by 11,200 people and Q3 growth estimated at 0.2% q/q. That is the slowest quarterly growth in the working age population since September 2012 excluding the Covid disrupted period. This morning's migration figures show subdued net inflow of people into NZ in the year to August and recent estimates were revised lower again.

Struggling for momentum



Working age population growth slow



The associated modest growth in the labour force means that weaker employment growth is not expected to translate into a meaningfully higher unemployment rate than we were already forecasting.

We remain believers in NZ's economic recovery with very strong export returns and lower interest rates key supports. We still anticipate growth in the second half of 2025 given some technical bounce back from what looked like an excessively weak Q2 and a range of other indicators showing improvement.

The RBNZ cut the OCR 50bps at last week's MPR, putting more weight on prolonged spare capacity and the risk that precaution by households and business persists while putting less weight on other factors. We see this as the Bank's 50bp cut building in some downside risk protection.

In discussing the alternative option of cutting 25bps last week and a signal of more in November, the Bank noted that it 'could be sufficient' to deliver on its targets. That suggests a 25bp cut last week was a real possibility.

Following the RBNZ decision, we maintained our expectation of a 25bp cut in the OCR in November such that our projected low in the cash rate is 2.25%.

The easing cycle feels mature. However, even with some downside protection built in by the RBNZ, we must keep an open mind to how low the cash rate may ultimately need to go.

More uncertainty from the latest trade tensions offshore is an example of the fluid nature of developments at the present time. The latest tensions could see yet more caution from domestic businesses and households, especially if tensions were to persist or escalate.

If domestic activity were to disappoint on the downside and keep the output gap wide or wider for longer, it would increase the chance the cash rate pushes lower than currently anticipated.

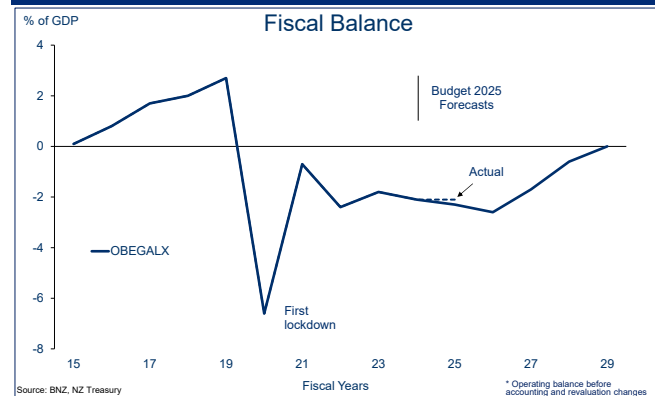
Government accounts

The 2024/25 Government Financial Statements were released last week. The OBEGALx fiscal deficit was 2.1% of GDP, the same as the previous fiscal year but smaller than the 2.3% forecast in the Budget. The Core Crown cash deficit was \$4b smaller than forecast, helping stabilising net core Crown debt at 41.8% of GDP.

A smaller than projected cash deficit helps ease the Government's borrowing requirement at the margin. How meaningful that will ultimately be depends on its persistence. We will get a better feel of the recent rate run when fiscal outcomes for the three months to September are released early in November.

The date for the Government's Half Year Economic and Fiscal Update has also been released. Put that one in your diary for 16 December.

Smaller than Budget forecast



Q3 CPI preview

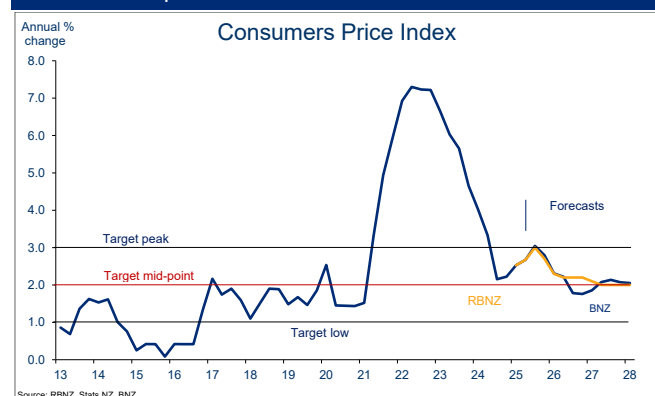
Q3 CPI is due for release next Monday. We currently expect the CPI to lift 1.0% q/q that would see annual inflation rise to 3.0%, from Q2's 2.7%.

The lift in annual inflation is expected to be driven by tradeables with its annual inflation lifting to 2.2% from 1.2%, while we see non-tradeables annual inflation easing marginally from 3.7% to 3.6%.

In the details for the quarter, food, household energy, and local authority rates are expected to contribute around 80% to the overall expected 1.0% quarterly price gain.

An outcome near our expectations is unlikely to add any material worry to the RBNZ as our 3.0% annual inflation expectation matches the RBNZ's August MPS projection, albeit that the Bank projected 0.9% for the quarter.

CPI seen at top of band in Q3



The RBNZ reiterated its 3.0% expectation for Q3 at last week's Monetary Policy Review. While noting a 'material possibility' that annual inflation was outside the target band, the Bank took comfort in its expectation that headline inflation heads toward the target mid-point in the first half of 2026.

Our Q3 CPI estimate will be finalised after this Thursday's Selected Price Indexes for September. We don't forecast all the monthly components but expect food prices to lift

0.4% m/m which would see annual food price inflation remain elevated at 5.0%.

Fuel prices are expected to bounce in the month. Material electricity and gas price increases to date have already set the base for another firm increase in average prices in Q3 relative to Q2.

On the softer side, we expect annual rent inflation to ease to its lowest level since 2011 in September partly reflecting some of the demand consequences of low net migration.

Any material deviations from our priors in the monthly prices could tweak our Q3 CPI estimates ahead of next Monday's release.

In setting the base for the next quarter, the September monthly figures have a bit more potential to alter thoughts for Q4. We expect annual inflation to fall from its Q3 peak, but we already see risk of it lingering near the top of the band in Q4 with our current forecast at 2.8%.

Besides the price data this week we also get September electronic card transactions data tomorrow, the RBNZ's Chief Economist Paul Conway speaks the following day, and presumably the REINZ housing report for September at some stage during the week.

We suspect electronic card spending may rise again in September, building on its modest improvement in July and August. If so, it would be supportive of some economic growth occurring in Q3.

RBNZ's Conway is speaking at the Citi Australia & New Zealand Investment Conference 2025 on lessons from monetary and fiscal policy during COVID-19. The speech, a bulletin article, and an analytical note will be published on the RBNZ website at 11:45am (NZT) Wednesday.

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Global Watch

- **Focus back on China-US trade tensions**
- **US government shutdown continues**
- **Key US economic data will not be released**
- **Labour market data due for Australia and the UK**

Week in Review

On Friday, President Trump said China would face an additional 100% tariff, effective 1 November and that the US would impose “export controls on any and all critical software”. Risk sentiment took a major dive as the US-China trade détente abruptly ended, with the S&P 500 closing the session down 2.7%. Trump later told reporters that he could retreat from the new tariffs and that it was still possible he could meet Xi later this month.

The global data calendar has been light, with politics in the driver’s seat. China returned from Golden Week holidays, and early reports of holiday spending were only lukewarm. The Commerce Ministry said spending at key retailers and restaurants was just 3.3% higher than a year earlier.

Week Ahead

In the US, the government shutdown rolls on, likely delaying the scheduled data flow and leaving the market searching for catalysts. In the absence of hard data, the qualitative view in the Fed’s Beige Book (Thursday) will be one focus.

The NYT reports the BLS has begun calling some employees back to produce the CPI report, but the timing of the release remains unclear. Retail Sales, PPI and weekly jobless claims were scheduled for Thursday and Import Prices Friday, all unlikely to be released on time.

Globally, the IMF-World Bank annual conference in Washington is another focus. The IMF World Economic Outlook is published Tuesday, and there is a full calendar of policymaker’s speaking engagements through the week that is further bolstered by the US National Association of Business Economists conference in Philadelphia. Highlights include Powell (Tuesday) and Lagarde (Thursday).

The data calendar is quiet in Europe, leaving focus on French politics and the full roster of ECB commentary alongside the IMF-WB conference. Final CPI is Friday, the German ZEW Survey is Tuesday.

In the UK, labour market data (Tuesday) will be watched for further deceleration in what remains uncomfortably rapid pay growth. Payrolled employment has been falling recently, and the unemployment rate is at 4.7%. Monthly GDP for August (Thursday) is seen little better than the 0.0% m/m outcome recorded in July.

China sees Trade data (Monday) and Japan releases Industrial Production (Tuesday).

Australian employment is Thursday. Our colleagues at NAB expect employment growth of 20k in September and lean to a 4.3% on unemployment. The September RBA Minutes are Tuesday, and Hunter (Wednesday), Bullock (Thursday) and Kent (Thursday) speak during the week.

Key Event Previews

Monday

US Columbus Day

Equity markets are open; bond markets are closed.

CH August Trade

China trade data for September is expected to continue the theme of resilience in overall export demand even as the share of exports to the US has fallen.

Tuesday

AU NAB Business Survey

Business conditions rose 2 points in August to sit around their long run average level.

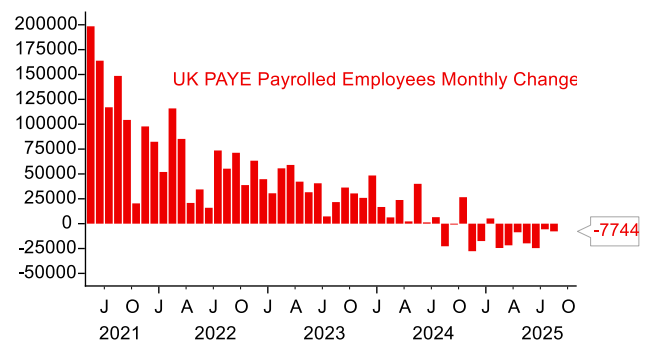
AU RBA Minutes

The minutes are released for the September meeting, when the RBA was unanimously on hold as expected.

UK Labour Market

UK wage settlements have been decelerating with headline regular (ex-bonus) earnings easing to 4.8% 3M y/y, while private sector earnings have pulled back to 4.7% 3M y/y. Both are at cycle lows and should ease again in the August data. Headline earnings including bonuses are seen unchanged at 4.7%, though the BoE focuses more on ex-bonus measures. Unemployment is expected to be unchanged at 4.7%, but where the risk is 4.8%. The number of payrolled employees has declined for nine of the last ten months.

Payrolled Employees



Source: National Australia Bank, Bloomberg, Macrobond

Wednesday**CH CPI & PPI**

PPI deflation is expected to slow from its August pace of 2.9% y/y. CPI is seen at -0.2% y/y after at -0.4% y/y in August, with travel prices ahead of the Golden week holidays providing some support.

US September CPI

Reports suggest employees have been recalled to help prepare the report, but a delay still looks likely.

US Beige Book

The August Beige Book reported flat to declining consumer spending, at odds with more resilience in the hard data. Amid concerns about fragility in the labour market a key focus will be whether hesitancy to hire continued and whether narrow reports of increased layoffs broaden.

Thursday**AU Employment**

Australian employment is Thursday. Trend employment growth has slowed this year even as private demand has

picked up as exceptional employment gains in health and care industries have moderated. NAB expect employment growth of 20k in September, and lean to a 4.3% on unemployment, but it is essentially a coin toss between 4.2% and 4.3% (it was 4.24% in August). The data is unlikely to be soft enough to make the November meeting live, given NAB's expectation for a material inflation surprise to be confirmed in Q3 data on 29 October.

UK Monthly GDP

Monthly GDP for August is likely to be around zero, as it was in July, plus or minus a tenth, with 3M/3M rising by 0.3%.

US PPI, Retail Sales

Data release subject to the government re-opening.

Friday**US Import Prices**

Data release subject to the government re-opening.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

Last week there were two key forces that impacted fixed interest markets, the RBNZ's policy update and the end of the US-China trade war détente. The impact of the former has already largely washed through, but the renewed trade war escalation has the scope to create some choppy market conditions over coming weeks.

Last week, the domestic rates market was always going to look spicy with finely balanced pricing ahead of the RBNZ Monetary Policy Review. In the event, the RBNZ opted for a larger 50bps cut to the OCR to 2.5%, compared to OIS pricing that was slightly leaning towards a 25bps cut, as per the view of the majority of economists.

Of interest, it wasn't the larger than expected 0.9% contraction in Q2 GDP that was the decisive factor. The RBNZ recognised the figure was dragged down by the seasonal balancing item and growth would show a bounce-back in Q3. The Bank noted little change to its assessment of current spare capacity. Reading between the lines, it doesn't seem that the RBNZ's medium-term inflation forecasts were changed by much.

While recent data didn't drive the upscaled easing, the decision reflected a risk assessment regarding the outlook. The RBNZ kept the door open to further easing, and a strong consensus has developed that a 25bps cut in November to 2.25% would likely be an end to the easing cycle. BNZ Economics agrees with this assessment.

Looking at current pricing, a 25bps cut in November is essentially priced, while the market now prices a terminal rate of 2.12%, reflecting a chance that the easing cycle is extended into early 2026.

On BNZ's view that the OCR will bottom at 2.25% and tighter monetary policy can be expected to begin from early 2027, the 2-year swap rate is likely to form a base near the current level before ultimately heading higher next year. As mortgage holders take a view that the bottom in rates is looming, a period of real-money payside pressure should develop later in the year.

Our view extends to further along the swap curve, with the 5-year swap rate expected to enter a consolidation phase. History shows that 2-year and 5-year swap rates tend to bottom at the same time.

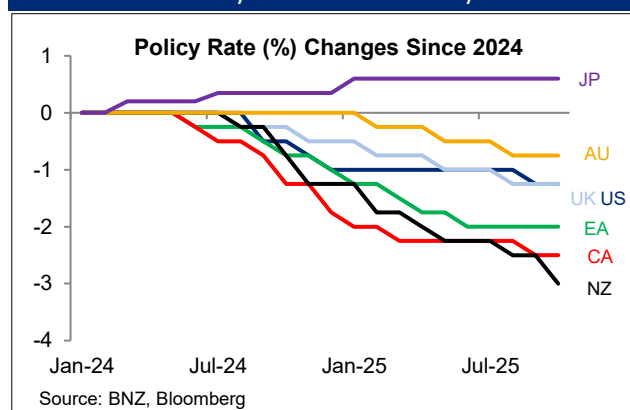
Since the global monetary policy easing cycle began in 2024, the RBNZ has eased by more than other major central banks, with a cumulative fall in the policy rate of 300bps, against 250bps for the Bank of Canada, 200bps for the ECB, 125bps for the US Fed and BoE and 75bps for the RBA.

This is reflected in historically low NZ-global rate spreads across the curve, not just at the short end. On our view of

only one more 25bps rate cut in NZ and that being fully priced, we'd expect to see some stabilisation in NZ-global rate spreads.

President Trump's curveball on Friday has elevated uncertainty about how long-term interest rates might perform over coming weeks. The initial reaction to imposing an additional 100% tariff on China has been a plunge in risk sentiment that has supported safe-haven assets like Treasuries. There is room for negotiation by both parties to de-escalate the renewed US-China trade tensions but who knows when and where we ultimately land. During the Liberation Day chaos, the US 10-year Treasury traded a low of 3.85% and that level will be on the radar during any renewed bout of volatility. Lingering uncertainty could keep a lid on NZ longer term rates. With the short end of the NZ curve now probably well anchored by RBNZ policy expectations, the near-term risk is one of a flatter curve.

RBNZ has cut rates by more than other key central banks



Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	2.55	2.55 - 2.96
NZ 2yr sw ap (%)	2.55	2.53 - 2.87
NZ 5yr sw ap (%)	3.04	3.02 - 3.30
NZ 10yr sw ap (%)	3.62	3.61 - 3.84
2s10s sw ap curve (bps)	108	96 - 113
NZ 10yr sw ap-govt (bps)	-46	-50 - -46
NZ 10yr govt (%)	4.08	4.06 - 4.31
US 10yr govt (%)	4.03	3.99 - 4.20
NZ-US 10yr (bps)	5	-1 - 24
NZ-AU 2yr sw ap (bps)	-90	-93 - -48
NZ-AU 10yr govt (bps)	-28	-28 - 5

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

Last week, the USD strengthened broadly, driven by renewed political risks in Japan and Europe that prompted some market participants to reassess their outlook for the greenback. Although Friday saw some market turbulence following the sudden end to the US-China trade détente, this development did not significantly alter the overall picture. The Japanese yen was the clear underperformer, reacting sharply to the selection of Takaichi as the new LDP leader a week prior. The AUD suffered the most after tensions between the US and China escalated. Meanwhile, the NZD weakened in response to the RBNZ's dovish policy update. By week's end, NZD/USD had fallen 1.9% to a fresh six-month low of 0.5720. NZD/JPY rose 0.6%, while NZD/AUD edged slightly higher, bouncing back from a new multi-year low. The NZD also hit new multi-month lows against the CAD, EUR and GBP.

Several factors drove currency movements last week, including the RBNZ's dovish policy announcement, heightened market reaction to renewed political instability in Japan, and the collapse of the US-China trade détente after China extended export controls on rare earths and President Trump countered by threatening a 100% tariff on Chinese imports starting 1 November. In Europe, the French PM resumed office after a brief period of uncertainty following his resignation.

In NZ, with the market finely balanced in expecting either a 25bps or 50bps rate cut by the RBNZ last week, there was always going to be a kneejerk market reaction. In the event, the RBNZ cut the OCR by 50bps to 2.5% and left the door open for further easing, if required. This was about as dovish as one could have realistically expected.

The NZD's reaction was encouraging; while there was an initial negative knee-jerk response, the currency quickly rebounded. However, the renewed escalation in the US-China trade war pushed the NZD down to a fresh six-month low of 0.5720 by the week's end.

This price action suggests that the NZD has already priced in a significant amount of negative news, at least from domestic sources. The end of the easing cycle appears near, and a 25bps cut at the November meeting, already fully priced in, could mark the conclusion of rate cuts. In recent months, domestic factors have had an unusually pronounced impact on the NZD, outweighing global influences. Looking ahead, global developments are likely to resume as the key drivers for the NZD.

With uncertainty surrounding the outcome of the US-China trade dispute, the NZD may experience volatile trading conditions in the coming weeks. There is potential for both sides to negotiate and ease tensions, but risk sentiment could also deteriorate further. The new week has started

positively after President Trump posted on social media, "Don't worry about China...the U.S.A wants to help China, not hurt it!!!"

Earlier this year, we identified 0.55 as a key support level for the NZD. Following the Liberation Day chaos in early April, the currency only briefly dipped below this level. We continue to view 0.55 as a crucial threshold and hope it will not be tested again in the coming weeks amid heightened uncertainty.

In terms of our published currency projections, fair to say that we have already flagged downside risk, which had only incorporated an OCR falling to a low of 2.5%. BNZ Economics now projects a low of 2.25%. We will need to factor this into our forecasts as well as incorporate other new information, which is ostensibly NZD-negative, namely the stronger-for-longer US economy and the trade war escalation.

Currently, there is downside risk to all major currency pairs against the US dollar, which reduces the need to revise NZD cross rates. The yen has been the most surprising, with persistent weakness due to a BoJ hesitant to tighten policy and now heightened political instability. The AUD remains the most vulnerable major currency to the US-China trade conflict, as demonstrated by Friday's market moves. Nevertheless, as noted in our recent NZD/AUD update, with NZ-Australian short-term rate spreads likely to stay near historical lows for some time, the cross rate faces formidable headwinds. The RBNZ's more dovish stance has increased the risk of falling below the 2022 low, and there is little technical support below 0.87.

In the coming week, we will closely monitor headlines on tariffs and President Trump's social media updates. The US government shutdown means that key economic data—including CPI, PPI, and retail sales—will not be released this week. Globally, important releases include labour market data from the UK and Australia. Domestically, following this morning's PSI release, card spending and monthly CPI indices are also due this week.

Cross Rates and Recent Ranges

	Last wk		
	Current	% chg	Last 3-wks range*
NZD/USD	0.5740	-1.9%	0.5720 - 0.5870
NZD/AUD	0.8824	0.0%	0.8740 - 0.8900
NZD/CAD	0.8028	-1.5%	0.8010 - 0.8160
NZD/GBP	0.4300	-1.0%	0.4280 - 0.4340
NZD/EUR	0.4943	-0.9%	0.4920 - 0.5000
NZD/JPY	87.12	0.6%	85.30 - 88.60

*Indicative range over last 3 weeks, rounded

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Technicals

NZD/USD

Outlook: Downside risk
 ST Resistance: 0.6000 (ahead of 0.6120)
 ST Support: 0.56 (ahead of 0.55)

With downward momentum continuing, we've lowered support to 0.56, while 0.55 remains a more solid and critical support level.

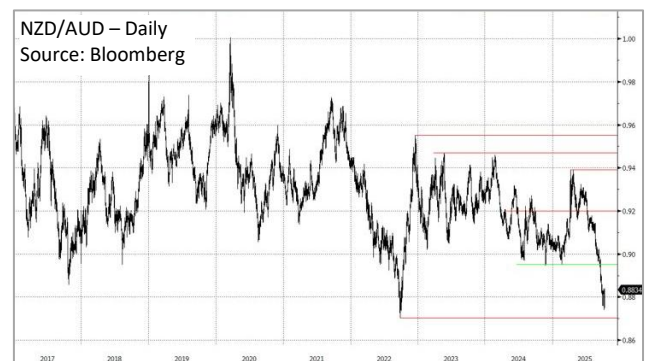


NZD/AUD

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

The 0.87 mark, close to the 2022 low, represents a key support level. A break below that would open up significant downside risk.

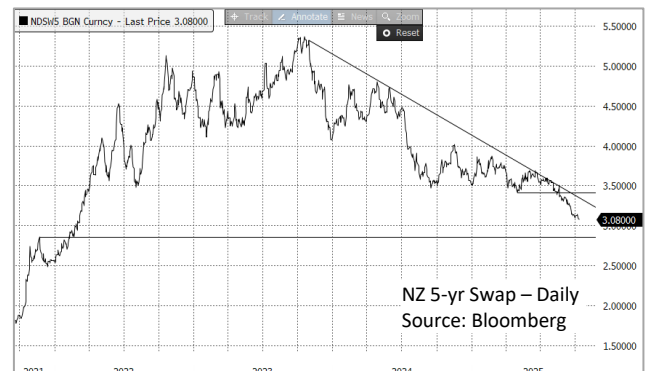
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NZ 5-year Swap Rate

Outlook: Lower
 ST Resistance: 3.40
 ST Support: 2.85

5-year swap continues its trend lower following the 50bp cut from the RBNZ last week.



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

Outlook: Higher
 ST Resistance: 0.76
 ST Support: 0.26

2x5 swap spread ended roughly unchanged on the week after initially steepening on the RBNZ OCR and then flattening back down.

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Quarterly Forecasts

Forecasts as at 13 October 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	0.5	0.7	0.8	0.8	0.7	0.6	0.6
Retail trade (real s.a.)	1.0	0.8	0.5	0.8	1.2	1.1	0.9	0.8	0.7	0.7
Current account (ann, % GDP)	-4.7	-4.2	-3.7	-3.6	-3.4	-3.3	-3.2	-3.1	-3.1	-3.1
CPI (q/q)	0.5	0.9	0.5	1.0	0.3	0.5	0.5	0.6	0.3	0.6
Employment	-0.2	0.0	-0.1	0.1	0.5	0.7	0.7	0.6	0.5	0.5
Unemployment rate %	5.1	5.1	5.2	5.3	5.3	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	2.8	2.3	2.2	1.8	1.8	1.9
GDP (production s.a., y/y)	-1.4	-0.6	-0.6	0.9	1.2	1.1	2.9	3.1	3.0	2.7

Interest Rates

Historical data - qtr average

Forecast data - end quarter

	Cash	Government Stock			Swaps			US Rates		Spread
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	SOFR	US 10 yr	NZ-US
		Bank Bills						3 month		Ten year
2024 Mar	5.50	5.66	4.44	4.68	4.92	4.40	4.45	5.30	4.15	0.53
Jun	5.50	5.63	4.56	4.74	5.01	4.53	4.60	5.35	4.45	0.30
Sep	5.33	5.30	3.96	4.31	4.05	3.80	4.05	5.05	3.95	0.37
Dec	4.42	4.44	4.00	4.47	3.65	3.74	4.10	4.50	4.30	0.19
2025 Mar	3.92	3.84	3.99	4.58	3.47	3.71	4.15	4.30	4.45	0.13
Jun	3.33	3.38	3.85	4.55	3.19	3.57	4.10	4.30	4.35	0.19
Sep	3.08	3.09	3.67	4.42	2.99	3.40	3.95	4.20	4.25	0.17
Forecasts										
Dec	2.25	2.40	3.25	4.20	2.50	2.95	3.75	3.50	4.25	0.00
2026 Mar	2.25	2.40	3.30	4.20	2.60	3.00	3.75	3.45	4.10	0.10
Jun	2.25	2.40	3.45	4.20	2.85	3.20	3.80	3.25	4.00	0.20
Sep	2.25	2.40	3.75	4.30	3.25	3.50	3.90	3.00	4.00	0.30
Dec	2.25	2.55	3.95	4.35	3.65	3.75	4.00	2.95	4.00	0.35

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.57	0.65	1.16	1.33	152
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	0.57	0.88	0.49	0.43	87.1	66.6
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 13 October 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	2.6	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	1.0	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	2.2	4.2	11.5	4.7	2.3	4.0	3.7
Imports	4.2	-1.4	1.5	4.3	4.9	-0.7	1.6	3.0	5.3	3.4
Real Expenditure GDP	4.0	1.3	-0.7	1.1	3.0	1.8	-0.4	0.9	2.6	2.5
GDP (production)	3.5	1.4	-1.1	0.6	2.9	1.8	-0.6	0.2	2.5	2.5
GDP - annual % change (q/q)	3.0	1.2	-0.6	1.1	2.7	0.9	-1.4	1.2	3.0	2.4
Output Gap (ann avg, % dev)	11.8	10.3	8.4	7.7	8.7	10.6	8.8	7.8	8.5	9.0
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	2.3	1.9	4.7	2.2	2.8	1.8	2.1
Employment	2.9	0.9	-0.7	1.2	2.3	2.7	-1.2	0.5	2.5	1.9
Unemployment Rate %	3.5	4.4	5.1	5.1	4.7	4.0	5.1	5.3	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	-4.2	-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	-2.1	-2.6	-1.7					
Net Core Crown Debt (ex NZS) (Treasury forecasts)	38.7	41.8	41.8	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	2.25	2.50	5.50	4.25	2.25	2.25	4.00
90-day Bank Bill Rate	5.16	5.64	3.60	2.40	3.05	5.63	4.26	2.40	2.55	4.15
5-year Govt Bond	4.40	4.60	4.00	3.30	4.10	4.50	3.90	3.25	3.95	4.10
10-year Govt Bond	4.35	4.60	4.50	4.20	4.40	4.65	4.45	4.20	4.35	4.50
2-year Swap	5.15	4.91	3.35	2.60	3.90	4.93	3.53	2.50	3.65	4.00
5-year Swap	4.50	4.40	3.65	3.00	3.95	4.43	3.63	2.95	3.75	4.10
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	0.10	0.40	0.65	0.05	-0.05	0.35	0.50
⁽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 13 October				AU RBA's Bullock & Kent Speak			
CH Exports YoY Sep	6.60%		4.40%	NZ Selected Monthly Price Indexes Sep			
CH Imports YoY Sep	1.80%		1.30%	NZ Food Prices MoM Sep			0.30%
Tuesday 14 October				AU Employment Change Sep	20.0k	20.0k	-5.4k
UK BOE's Greene & Mann Speak				AU Unemployment Rate Sep	4.30%	4.30%	4.20%
US Fed's Paulson Speaks				UK Monthly GDP (MoM) Aug	0.10%		0.00%
NZ Card Spending Total MoM Sep			0.40%	UK Monthly GDP (3M/3M) Aug	0.30%		0.20%
AU NAB Business Confidence Sep			4	UK Industrial Production MoM Aug	0.20%		-0.90%
AU RBA Minutes of Sep Policy Meeting				UK Trade Balance GBP/Mn Aug	£5000m		£5260m
UK Private Earnings ex Bonus 3M/YoY Aug	4.50%		4.70%	EC Trade Balance SA Aug			5.3b
UK ILO Unemployment Rate 3Mths Aug	4.70%		4.70%	Friday 17 October			
UK Payrolled Employees Mnthly Chng Sep	-10k		-8k	US Continuing Claims 4-Oct	1925k		1926k
EC ECB's Cipollone Speaks				US Retail Sales Advance MoM Sep	0.40%		0.60%
GE ZEW Survey Expectations Oct	41.6		37.3	US PPI Ex Food and Energy YoY Sep	2.70%		2.80%
US NFIB Small Business Optimism Sep	100.6		100.8	US New York Fed Services Business Activity Oct			-19.4
Wednesday 15 October				US Philadelphia Fed Business Outlook Oct	10		23.2
UK BOE's Bailey, Taylor & Ramsden Speak				US Initial Jobless Claims 11-Oct	230k		
US Fed's Powell, Bowman & Others Speak				US Fed's Waller, Barr & Others Speak			
EC ECB's Villeroy, Makhoul & Others Speak				EC ECB's Lagarde, Lane & Others Speak			
NZ RBNZ's Conway Speaks				US Business Inventories Aug	0.10%		0.20%
AU RBA's Hunter Speaks				US NAHB Housing Market Index Oct	33		32
CH PPI YoY Sep	-2.30%		-2.90%	UK BOE's Mann, Greene & Pill Speak			
CH CPI YoY Sep	-0.20%		-0.40%	Saturday 18 October			
JN Industrial Production MoM Aug F			-1.20%	UK BOE's Greene & Breeden Speak			
EC Industrial Production SA MoM Aug	-1.80%		0.30%	US Housing Starts Sep	1320k		1307k
Thursday 16 October				US Import Price Index MoM Sep	0.10%		0.30%
US Empire Manufacturing Oct	-1.7		-8.7	US Fed's Musalem Speaks			
US Fed's Miran, Waller & Schmid Speak				EC ECB's Lagarde, Rehn & Nagel Speak			
EC ECB's Rehn, Villeroy & Guindos Speak				Sunday 19 October			
UK BOE's Breeden Speaks				EC ECB's Cipollone & Nagel Speak			
US Fed Releases Beige Book				UK BOE's Bailey Speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	2.50	3.00	3.00	4.75	2 years	2.55	2.64	2.87	3.76
1mth	2.65	2.84	3.06	4.88	3 years	2.72	2.81	3.01	3.71
2mth	2.60	2.78	3.02	4.77	4 years	2.88	2.98	3.16	3.75
3mth	2.55	2.77	2.96	4.65	5 years	3.04	3.14	3.30	3.82
6mth	2.53	2.70	2.92	4.42	10 years	3.62	3.74	3.84	4.14
GOVERNMENT STOCK					FOREIGN EXCHANGE				
04/27	2.64	2.73	2.97	3.88	NZD/USD	0.5742	0.5843	0.5971	0.6096
05/30	3.31	3.38	3.57	4.15	NZD/AUD	0.8826	0.8829	0.8953	0.9064
05/32	3.74	3.81	3.95	4.34	NZD/JPY	87.21	87.83	88.00	91.29
05/35	4.14	4.23	4.32	4.54	NZD/EUR	0.4947	0.4988	0.5077	0.5588
04/37	4.39	4.49	4.54	4.70	NZD/GBP	0.4302	0.4332	0.4391	0.4668
05/41	4.76	4.83	4.86	4.89	NZD/CAD	0.8036	0.8146	0.8226	0.8409
05/54	5.08	5.13	5.17	5.04	TWI	66.6	67.2	68.4	70.2
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	57	51	47	52					
Europe 5Y	59	56	50	56					

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