

# Research Markets Outlook

1 December 2025

## More Signs of Economic Recovery

- **MPC members not surprised by market movements**
- **New RBNZ Governor Dr Breman starts today**
- **More signs of economic recovery**
- **We nudge our Q3 GDP pick up to 0.6% q/q**
- **Dairy prices under pressure**

The dust is still settling following the RBNZ's November Monetary Policy Statement. The 25 basis point cut to the OCR to 2.25% last week was expected, but financial markets were clearly surprised by the messaging from the RBNZ of a high hurdle for any further rate reduction.

Markets have rapidly pared their expectations of additional easing and contemplating a hike before the end of next year. This has seen a rise in wholesale interest rates and a bounce in the NZD.

Last week some MPC members, including then Governor Hawkesby, said they have not been surprised by the market reaction. This is important because it suggests that the Bank is comfortable with the market direction, even as it undoes a lot of the recent easing.

One would assume that the MPC member who voted for no change in the OCR last week will be comfortable with the market moves.

The market response has been aggressive. This suggests it has had some difficulty in assessing the RBNZ's reaction function. That is, judging how the Bank might respond in actions and guidance to the evolution of economic information and risks.

All things considered, the Bank has given us no reason to alter our view on the OCR ahead. We see a high hurdle to further OCR cuts. We remain of the view that the OCR is now on hold and will be through 2026 with a first hike in early 2027. The balance of risk is that the first hike comes a bit earlier than we currently have pencilled in. But it all depends on how the economy evolves.

The RBNZ's rate track looks most consistent with a first hike in early 2027. Note RBNZ Assistant Governor Karen Silk has been quoted as saying the central forecasts point to a rate hike 'going into early 2027'. That gives a sense that there is some chance of a hike late in 2026.

That is all a long way off with a lot to monitor in the meantime. This includes market movements from here and

how households and businesses respond to the prospect of the easing cycle being complete.

Another factor in the mix is the new RBNZ Governor, Dr Anna Breman, who starts at the Bank today. We welcome her to New Zealand and to the role!

It remains to be seen what influence Dr Breman will have on the MPC and how her initial thoughts on enhancing transparency will translate into outcomes. There is also a matter of restoring MPC member numbers back from six to seven at some point.

Amid the strong multi day market reaction to the RBNZ's statement, we should not lose sight of the fact that the Bank did publish a rate track with a 2.20% terminal rate. The RBNZ has kept its options open with that and in saying 'future moves in the OCR will depend on how the outlook for medium-term inflation and the economy evolve.'

There have been more signs of economic recovery. If the economic data continues to turn for the better and/or inflation is a bit sticky on the way down, the market will push for an earlier rate hike.

Last week's very strong retail sales growth and buoyant business confidence played to that theme. So did the RBNZ's KiwiGDP nowcast for Q3 that nudged up to 0.8% from 0.6%. That is double the 0.4% pace of growth that the Bank had factored into its November MPS.

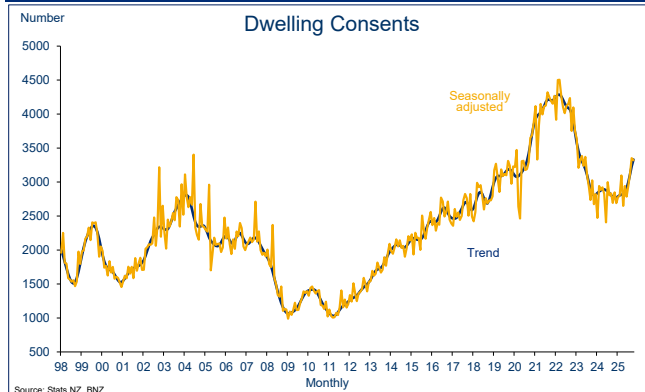
We have nudged our own Q3 GDP estimate up to 0.6% from 0.5% as the strong retail sales outcome added to the prevailing upside risk. We will assess the remaining major GDP 'partials' as they are released over the next two weeks before finalising our GDP pick (GDP is scheduled for release on 18 December).

Q3 external trade and building figures are due this week. We expect tomorrow's International Trade data to indicate solid quarterly volume growth in both total exports and imports and a small positive contribution to GDP growth in the quarter. And Thursday's Q3 Building Work Put In Place volumes would be most consistent with our GDP view if they show a small rise.

This morning's residential building consents strongly supported the notion of underlying improvement. Yes, the number of consents eased 0.9% m/m in October, but the

recent trend remains firmly upward. The number of consents is 23.5% higher than a year ago. Non-residential building consents are not as strong but showing some signs of stabilisation, with their value in the three months to October 3.9% above year earlier levels.

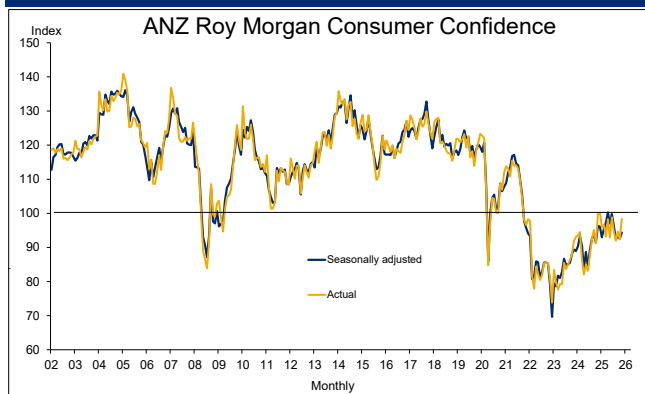
#### Trending higher



Recent data has generally added to our conviction that the economic recovery is well underway. By the same token, we think it will take some time before it broadly feels that way.

Not all economic information has been strong. ANZ's consumer confidence index did rise to 98.4 in November from October's 92.4. However, the increase isn't as strong as it looks, with confidence rising only a smidge more than it usually does at this time of year.

#### Confidence lift mostly seasonal

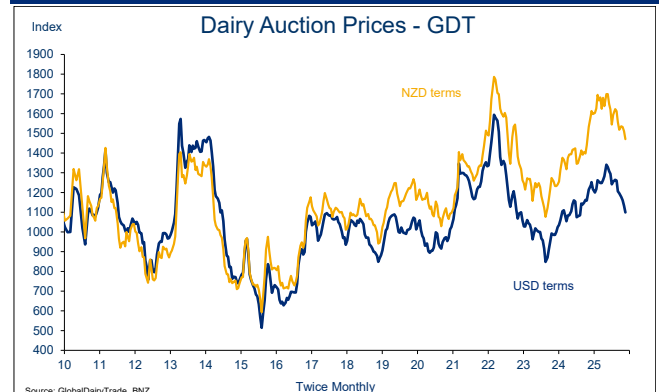


And last Friday's filled jobs data for October were flat. This was a touch on the disappointing side especially as the monthly figures tend to get revised a bit lower in subsequent releases. It suggests some downside risk to our forecast Q4 employment growth and a reminder that the labour market usually turns late in economic cycles.

Dairy prices remain under downward pressure from strong milk production in major exporting nations like the EU, US, and NZ. Fonterra delivers its Q1 business update this Thursday. The co-op already lowered its 2025/26 season milk price forecast midpoint to \$9.50 from \$10.00 last week. We had lowered our own view to \$9.50 the week prior. The balance of risk remains downward.

Early indicators for Wednesday's GDT dairy auction suggest a clear price decline is likely. Current downward price momentum raises the risk that next season's milk price could dip meaningfully below \$9.

#### Dairy prices unwinding

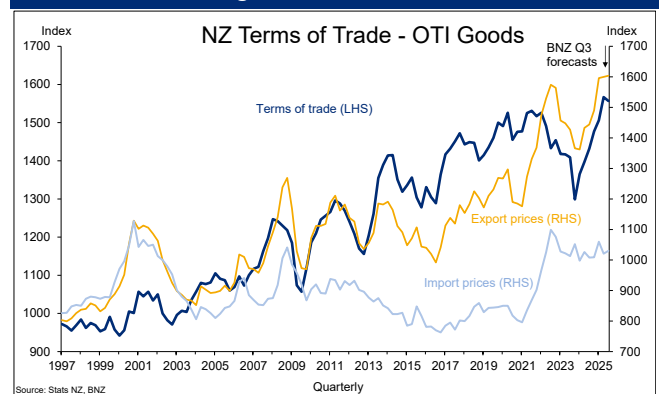


While Fonterra's planned large capital return from its deal with Lactalis will provide a significant cashflow lift to its farmers next year, the short-term weakening in the broader dairy market requires close monitoring.

The meaningful pullback in dairy prices is part of our thinking that the marked reduction in NZ's external deficit over the past 18 months or so will soon end. At the same time, there remains export supportive factors like strong milk production, buoyant meat and kiwifruit returns, a generally subdued NZD, and expectations of more tourism growth over the important summer period.

We expect tomorrow's International Trade data to show the merchandise terms of trade eased 0.7% q/q in Q3 from its record high, as import prices are seen lifting a bit faster than export prices in the quarter. Even if the terms of trade hold up this quarter, the trajectory ahead looks a bit softer as the dip in dairy prices weigh.

#### Terms of trade strong for now



Wednesday's ANZ commodity price indexes are expected to show annual inflation dropping away. Annual inflation in world prices is expected to drop to about zero in November from 4.4% in October. Annual inflation in local currency prices is forecast to halve to 6.0% from 12.0%.

Both measures are expected to turn negative over coming months as lower dairy prices make their presence felt.

The Crown Financial Statements, for the 4 months to October, are to be released on Thursday. They will show how the operating deficit (OBEGALx) is tracking compared to Budget baselines, ahead of the Government's Half Year Economic and Fiscal Update on 16 December.

The deficit was tracking around \$0.5b larger than Budget forecasts in the 3 months to September, as revenue was undershooting Treasury expectations while expenses were broadly in line. The tax data to October will provide another gauge on the economy. We will also be interested in the cash deficit and associated net debt outcomes on Thursday to see if they are still both tracking below Budget forecasts.

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# Global Watch

- **US ISM manufacturing and services surveys due**
- **BoJ Governor Ueda speaks**
- **Euro area CPI data due**
- **Australia Q3 GDP seen at +0.7% q/q**

## Week in Review

In Australia, the new monthly CPI print showed that the broad-based inflation pressures evident in Q3 persisted into October, with risks firmly to the upside of the RBA's November SoMP forecast. Headline CPI rose 3.8% y/y, while the trimmed mean was 3.3% y/y, both well above the RBA's target band. New dwelling costs continued to climb and while market services inflation was mixed in the month, it remains much hotter than in H1 2025 and stronger than historically consistent with inflation at the midpoint of the target.

In the UK, the Autumn Budget raised taxes by £26bn, lifting the tax burden to a record 38% of GDP, mainly via freezing of tax thresholds to fund £16bn in welfare spending. Markets welcomed a larger-than-expected £22bn fiscal buffer and reduced long-end gilt issuance.

In the US, markets have increased expectations for a December FOMC rate cut. This shift follows dovish comments from New York Fed President Williams and softer data, including ADP employment (down ~13.5k per week over the past month), September retail sales rising 0.2% m/m (below consensus), and consumer confidence falling to its lowest since April. At the margin, reports that President Trump is likely to nominate Kevin Hassett (a dovish candidate) as the next Fed Chair have reinforced expectations for easing.

## Week Ahead

Our colleagues at NAB have lifted their Australia Q3 GDP forecast higher to 0.7% q/q (prev. 0.5% q/q), reflecting stronger investment partials. Additional data on inventories (Monday) and trade and government spending (Tuesday) will help firm up the estimate ahead of Wednesday's release. Household consumption looks to have lost some momentum in Q3 but remains solid, although quarterly volatility persists.

US economic data delayed by the shutdown continue to trickle out. This includes the personal income and outlays report (Friday), which provides monthly consumption and PCE inflation (the Fed's preferred measure). Consumption growth has been strong since Q1, growing ahead of income growth, but retail sales for September point to some softening at the end of Q3. The October report does not yet have a release date and it's unclear whether it will be available before the December FOMC meeting.

External communication from Federal Reserve Members is on hold as it enters the blackout period.

The preliminary S&P Global US PMI pointed to continued resilience in the US economy, but the ISM surveys this week have not been as strong and so will provide another guide to how the economy is tracking. Similarly, with the October activity data for China quite weak, the RatingDog PMIs will provide an early indication of whether activity is stabilising. We also get final estimates of the PMIs for the Euro-zone, Japan and UK.

A speech by Governor Ueda may shed light on the BoJ's stance on the timing of its next hike, which remains uncertain as the Bank balances competing forces: perceived political pressure to keep rates on hold, a weak Q3 GDP outcome, and overseas risks (such as deteriorating US-China relation) against the need to normalise policy from historically low levels amid a tight labour market and elevated inflation.

## Key Event Previews

### Monday

#### **AU Inventories (Q3), ANZ-Indeed Job Ads (Nov)**

ANZ-Indeed Job Ads fell 2.2% m/m in October, which was the fourth consecutive monthly decline. While broader labour demand indicators remain mixed, the November print will be key in confirming whether this downtrend persists, signalling an easing in labour demand.

#### **CH RatingDog China Manf PMI (SME, Nov)**

#### **JP Manufacturing PMI (Nov), Capital Spending (Q3), BOJ Governor Ueda Speaks**

The Japan manufacturing PMI has been signalling contraction for most of the year, but other surveys are pointing to recent improvement. The capital spending data will inform revisions to the initial Q3 GDP estimate of a -0.4 q/q decline (but with solid growth in business investment).

#### **EZ, UK Final Manufacturing PMI (Nov)**

EZ and UK manufacturing PMI activity having improved are coalescing around the 50 breakeven.

### **UK BOE's Dhingra Speech**

#### **US Manufacturing ISM, Final Manf PMI (Nov)**

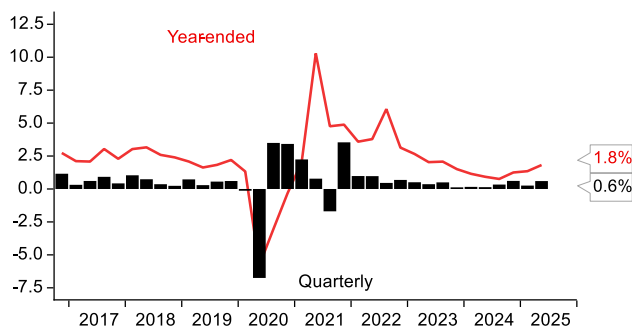
US manufacturing activity continues to outperform its peers, according to the S&P measure that expanded to 51.9 in preliminary October data. This contrasts with the ISM report, which continues to see manufacturing activity contract, broadly flatlining between 48 and 49.5.

**Tuesday****AU Balance of Payments (Q3) and Government Finance Statistics (Q3), Building Approvals (Oct)****EZ ECB Preliminary HICP Inflation (Nov)**

NAB expect to see modest upside pressure back to a 2.2% headline, with a tenth also on core and services measures from food, alcohol & tobacco. The consensus looks for unchanged 2.1%.

**Wednesday****AU GDP (Q3)**

On the back of stronger investment partials, NAB have revised up their Q3 GDP forecast to 0.7% q/q and 2.2% y/y (prev. 0.5% q/q and 1.9% y/y). This is around trend growth and is above the RBA's November SoMP forecast. Additional data for inventories (Monday), trade and public spending (Tuesday) will be released early this week, which will further firm up the estimate ahead of the official GDP release on Wednesday.

**Real GDP Growth**

Source: National Australia Bank, Australian Bureau of Statistics, Macrobond

Partial indicators point to some loss of momentum in household consumption growth in Q3. However, overall spending remains strong, with consumption tracking between 2 to 2.5% y/y, which is well above the pace seen through 2024. Looking ahead, the consumer recovery is expected to continue in Q4, with NAB's spend trend and consumer sentiment pointing to the ongoing durability of the consumer.

The business and dwelling investment partials point to a larger-than-expected contribution to growth in the quarter. This strength is expected to more than offset a slight negative contribution from trade, while inventories are likely to be flat. Government spending is expected to decline further as large infrastructure projects wind down.

**CH RatingDog China Services PMI (SME, Nov)****EZ, UK Final Services PMI (Nov)**

Preliminary EZ services activity for November eased back from October's surge and which was led by Germany. It remains robust.

**US ADP Employment (Nov), ISM Services (Nov)**

The US Service sector PMI continues to lead the pack – less so as seen in the ISM survey.

**UK BOE's Mann Speech****Thursday****AU Trade Balance (Oct)****US Challenger Job Cuts (Nov), Initial Jobless Claims (Nov)****EZ ECB's Lane Speech, Retail Sales (Oct)****Friday****EZ Final Q3 GDP****US Consumer Sentiment (Dec P), Personal income and outlays, PCE inflation (Sep)**

Delayed due to the shutdown but the personal income report will provide a guide on whether the strength in consumption growth continued into September (retail trade data point to some softening). Core PCE is expected to increase by 0.2% m/m.

**EZ ECB's Lane Speech**

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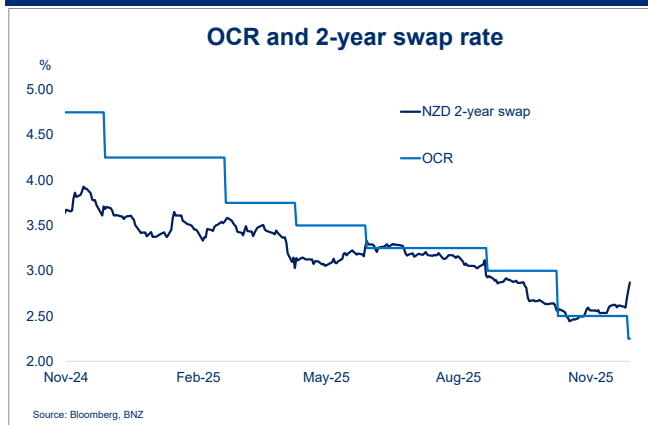
# Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

A hawkish tone accompanying the 25bp cut by the RBNZ at the Monetary Policy Statement (MPS) last week has contributed to a significant positioning-driven selloff across the NZ swap curve. The Bank's decision to reduce the OCR was reached by 5-1 majority. The dissenter preferred to leave rates on hold, which was the alternative option discussed by the Committee. The bank theoretically maintained an easing bias – the trough in its modelled OCR track was reduced to 2.20% in mid-2026 – but the tone of the statement and accompanying economic forecasts suggest the hurdle for additional easing is high.

The RBNZ expects inflation to fall towards 2% by the middle of next year given significant spare capacity in the economy. And risks around the outlook were characterised as balanced in the statement. The Bank expects the easing in policy to support a recovery in economic activity. As noted in the concluding paragraph of the Policy Assessment and in the absence of forward guidance – future moves in the OCR will depend on how the outlook for medium-term inflation and the economy evolve.

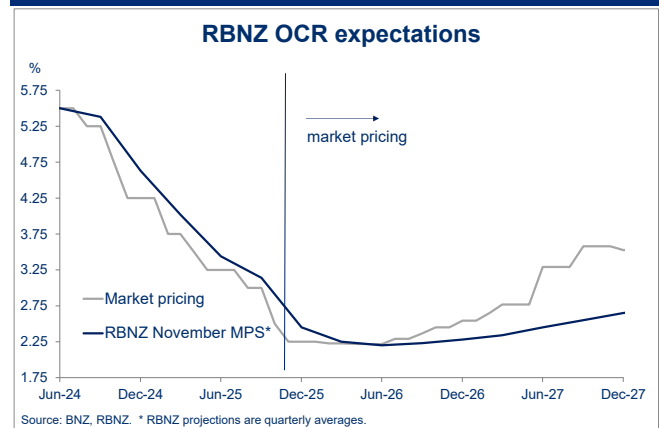
## OCR down, swap rates up



The subsequent move higher in rates has tightened financial conditions. The front end and belly of the swap curve is 25bp to 30bp above levels that prevailed ahead of the October Policy Review, despite the 75bp of easing being delivered by the central bank over the previous two meetings. Recent economic data has been consistent with a pickup in activity but the repricing in interest rates could form a headwind.

There are several first-tier economic releases ahead of the next MPS on 18 February. These include GDP, CPI, labour market data and the Quarterly Survey of Business Opinion. In addition, monthly activity releases headlined by the PMIs will be impactful for the monetary policy outlook, alongside partial inflation readings. Governor Breman, who begins her role today, introduces some uncertainty about the Bank's reaction function, but the incoming data will be key for the interest rate outlook.

## Market implied tightening above modelled OCR track



The market is pricing the beginning of the tightening cycle from late 2026 – there is a full 25bp hike priced by the December – and close to 100bp of hikes by the end of 2027. Some of the lift in short term rates reflects a premium for increased demand for interest rate hedging and the curve is also dislocated by position unwinds. We think the RBNZ will hold rates for longer than is implied by market pricing which is also well above the Bank's modelled OCR track. Once positioning is clearer, we expect a modest pullback in front end rates.

NZ government bonds have outperformed during the move higher in yields. 10-year matched maturity swap (MMS) spreads have exhibited directional bias with the market and have fallen to +37bp, the tightest level in more than a year. With the upward pressure on swap rates likely to ease, we expect MMS spreads to find a base near current levels. Government financial statements for the four months to the end of October are released this week. This will provide guidance on the fiscal dynamics relative to the Budget baseline and reveal potential implications for the bond programme which is updated alongside the Half Year Economic and Fiscal Update on 16 December.

## Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	2.45	2.41 - 2.53
NZ 2yr swap (%)	2.87	2.51 - 2.88
NZ 5yr swap (%)	3.42	3.03 - 3.43
NZ 10yr swap (%)	3.92	3.62 - 3.93
2s10s swap curve (bps)	105	105 - 117
NZ 10yr swap-govt (bps)	-33	-45 - -33
NZ 10yr govt (%)	4.25	4.09 - 4.25
US 10yr govt (%)	4.01	3.96 - 4.16
NZ-US 10yr (bps)	24	-4 - 26
NZ-AU 2yr swap (bps)	-94	-111 - -94
NZ-AU 10yr govt (bps)	-26	-33 - -23
*Indicative range over last 4 weeks		

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# Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

Last week, the NZD stood out as a top performer after the RBNZ signalled an end to the easing cycle. The AUD also performed well, buoyed by a higher monthly inflation report, which led some to predict that the RBA might need to hike as early as the first half of 2026. These moves were intensified by a broadly weaker USD, as markets grew more convinced of a December Fed rate cut. As a result, NZD/USD climbed 2.2% to 0.5735. The NZD also rose 0.7% against the AUD and posted 1-2% gains against other major currencies.

At the November Monetary Policy Statement, the RBNZ cut the OCR by the widely anticipated 25 basis points to 2.25%. The policy update was more hawkish than expected, with the decision put to a vote, resulting in a 5–1 majority, the sole dissenter preferring to keep rates steady. There was no explicit policy bias, and the projected rate track indicated only a slim chance of an additional cut. Governor Hawkesby signalled a high bar for further rate cuts and expressed no surprise at the market's reaction, which included a sharp rise in short-term swap rates and a stronger NZD.

The NZD received additional support from data showing a 1.9% quarter-on-quarter surge in real retail sales in Q3 and from the ANZ survey, which indicated business confidence at its highest level in 11 years.

US economic data released during the week were mostly weaker than expected. ADP private payrolls fell by 13,500 per week in the four weeks ending 8 November, consumer confidence dropped sharply in November, and delayed retail sales data for September pointed to a weak end to the quarter. These data, along with comments from Governor Waller and San Francisco President Daly, increased market conviction that the Fed would deliver a third successive rate cut at the December meeting, contributing to a weaker USD. The previous week's upside break of the 200-day moving average for the USD DXY index was not sustained, negating the prospect of a positive long-term trend for the USD.

Last week, we were feeling glum about our NZD projections and outlined four conditions necessary for the currency to appreciate to our 0.59 year-end target. Some of these have now been met or partially met. We can check off the hawkish RBNZ update, and with a December Fed rate cut now over 80% priced in, that condition is nearly fulfilled. We also suggested that weak US economic data and a rebound in risk appetite would be required. A week later, we can partially tick these boxes, but more follow-through is needed.

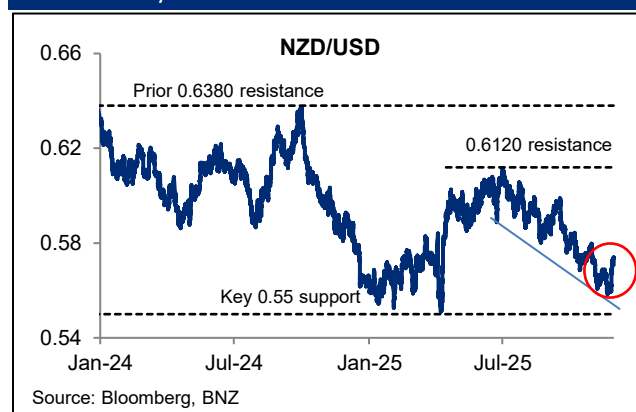
Seasonally, December is typically the best month for the NZD, as the USD generally weakens toward year-end.

Therefore, there is still an opportunity for NZD/USD to reach 0.59. A dovish RBNZ and lower NZ-global rate spreads have been major downward forces on the NZD in recent months. While that pressure has now been extinguished, we acknowledge that persistently low NZ-global rate spreads continue to pose a headwind to any NZD recovery.

This also applies to NZD/AUD. The first monthly Australian CPI report showed the trimmed mean measure up 3.3% year on year, suggesting that underlying inflation remains above RBA forecasts. Some analysts, including our colleagues at NAB, suggest that the RBA may be forced to raise rates as soon as the first half of next year. NZ-Australian short-end rate spreads remain deeply negative, making it difficult to see a recovery in the NZD/AUD cross rate. Should expectations firm that the RBA will tighten policy ahead of the RBNZ, the cross rate could retest its recent low below 0.86 sometime in 2026.

Looking ahead, key releases in the coming week include the US ISM manufacturing and services surveys. Elsewhere, keep an eye on euro area CPI and Australian Q3 GDP. Markets will also closely watch a speech by BoJ Governor Ueda this afternoon for any indication of a rate hike in December or January, or whether he will delay the timing further.

## Out of the abyss?



## Cross Rates and Recent Ranges

	Last wk		
	Current	% chg	Last 3-wks range*
NZD/USD	0.5732	2.2%	0.5580 - 0.5740
NZD/AUD	0.8758	0.7%	0.8590 - 0.8770
NZD/CAD	0.8013	1.3%	0.7860 - 0.8040
NZD/GBP	0.4330	1.1%	0.4250 - 0.4340
NZD/EUR	0.4941	1.5%	0.4840 - 0.4950
NZD/JPY	89.53	2.0%	86.80 - 89.70

\*Indicative range over last 3 w 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)

A decent bounce-back last week leaves support at 0.56 intact, while we see the first line of resistance still far away at around 0.60.



## NZD/AUD

Outlook: Downside risk  
 ST Resistance: 0.8950 (ahead of 0.92)  
 ST Support: 0.86

Recent recovery solidifies support at 0.86 while we see the first line of resistance at 0.8950

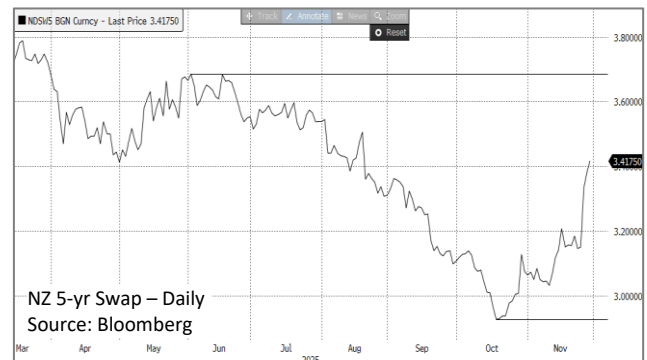
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## NZ 5-year Swap Rate

Outlook: Higher  
 ST Resistance: 3.69  
 ST Support: 2.92

5-year swap broke higher through all resistance last week as the hawkish RBNZ indicated the end of their cutting cycle. This move resets our range, and recent momentum leads us to expect higher rates on a technical basis.



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

Outlook: Higher  
 ST Resistance: 0.76  
 ST Support: 0.26

2x5 swap closed the week slightly flatter on the back of the RBNZ pivot. We would normally expect a bigger flattening however the market seems to pay any dips lower. We maintain our higher bias for now but will watch closely.

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# Quarterly Forecasts

Forecasts as at 1 December 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	0.6	0.7	0.8	0.9	0.7	0.6	0.6
Retail trade (real s.a.)	1.1	0.7	0.7	1.9	0.4	1.1	0.9	0.8	0.7	0.7
Current account (ann, % GDP)	-4.7	-4.2	-3.7	-3.5	-3.4	-3.5	-3.5	-3.6	-3.7	-3.7
CPI (q/q)	0.5	0.9	0.5	1.0	0.3	0.5	0.5	0.7	0.3	0.6
Employment	-0.3	-0.1	-0.2	0.0	0.3	0.5	0.7	0.8	0.7	0.6
Unemployment rate %	5.1	5.1	5.2	5.3	5.3	5.3	5.1	4.9	4.8	4.7
Pr. avg hourly earnings (ann %)	4.0	3.8	4.6	4.1	3.4	4.1	3.2	3.2	3.4	3.3
Trading partner GDP (ann %)	3.2	3.2	3.3	2.9	2.4	2.4	2.5	2.8	2.9	2.9
CPI (y/y)	2.2	2.5	2.7	3.0	2.8	2.3	2.3	2.0	2.0	2.1
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	3.35	4.25	2.60	3.10	3.85	3.75	4.15	0.10
2026 Mar	2.25	2.40	3.35	4.35	2.60	3.10	3.95	3.60	4.25	0.10
Jun	2.25	2.40	3.50	4.40	2.85	3.25	4.00	3.45	4.30	0.10
Sep	2.25	2.40	3.75	4.45	3.20	3.50	4.05	3.20	4.35	0.10
Dec	2.25	2.55	4.00	4.50	3.60	3.80	4.15	3.10	4.40	0.10

## Exchange Rates (End Period)

### USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.57	0.65	1.16	1.32	156
Dec-25	0.59	0.67	1.19	1.35	146
Mar-26	0.60	0.69	1.20	1.35	144
Jun-26	0.62	0.71	1.21	1.36	140
Sept-26	0.63	0.72	1.23	1.38	135
Dec-26	0.63	0.71	1.22	1.37	135
Mar-27	0.63	0.70	1.21	1.36	135
Jun-27	0.62	0.69	1.20	1.35	135

### NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.57	0.88	0.49	0.43	89.5	66.6
Dec-25	0.59	0.88	0.50	0.44	86.1	67.6
Mar-26	0.60	0.87	0.50	0.44	86.4	68.0
Jun-26	0.62	0.87	0.51	0.46	86.4	69.2
Sept-26	0.63	0.88	0.51	0.46	85.1	69.8
Dec-26	0.63	0.89	0.52	0.46	85.1	69.8
Mar-27	0.63	0.90	0.52	0.46	85.1	70.0
Jun-27	0.62	0.90	0.52	0.46	83.7	69.1

### 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 1 December 2025	March Years					December Years				
	Actuals			Forecasts		Actuals		Forecasts		
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
<b>GDP - annual average % change</b>										
Private Consumption	3.4	0.9	-0.1	2.7	2.9	0.9	-0.3	2.2	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	1.3	6.7	-0.4	-5.1	-0.6	6.4	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	2.1	3.3	-1.0	-1.2	1.3	3.3	2.5
Exports	5.7	8.6	3.3	2.4	4.2	11.5	4.7	2.5	4.1	3.7
Imports	4.2	-1.4	1.5	4.9	5.1	-0.7	1.6	3.3	5.7	3.4
Real Expenditure GDP	4.0	1.3	-0.7	1.1	2.9	1.8	-0.4	0.9	2.6	2.5
<b>GDP (production)</b>	<b>3.5</b>	<b>1.4</b>	<b>-1.1</b>	<b>0.7</b>	<b>3.0</b>	<b>1.8</b>	<b>-0.6</b>	<b>0.3</b>	<b>2.6</b>	<b>2.5</b>
<i>GDP - annual % change (q/q)</i>	<i>3.0</i>	<i>1.2</i>	<i>-0.6</i>	<i>1.1</i>	<i>2.7</i>	<i>0.9</i>	<i>-1.4</i>	<i>1.2</i>	<i>3.0</i>	<i>2.4</i>
Output Gap (ann avg, % dev)	2.1	1.1	-0.8	-1.5	-0.4	1.3	-0.4	-1.4	-0.6	-0.2
Nominal Expenditure GDP - \$bn	394	417	432	453	477	412	427	447	472	493
<b>Prices and Employment - annual % change</b>										
CPI	6.7	4.0	2.5	2.3	2.1	4.7	2.2	2.8	2.0	2.1
Employment	2.9	0.9	-0.9	0.6	2.8	2.7	-1.2	-0.1	2.7	2.0
Unemployment Rate %	3.5	4.4	5.1	5.3	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	-0.1	1.0	0.6	-1.1	-0.3	1.1	0.7	0.1
Unit Labour Costs (ann av %)	5.5	7.0	4.6	2.4	2.7	7.5	5.0	2.7	2.4	3.2
House Prices (stratified, mth)	-12.8	2.8	-0.6	0.9	4.6	0.6	-0.8	0.5	4.4	4.3
<b>External Balance</b>										
Current Account - \$bn	-32.6	-23.8	-18.3	-15.6	-17.7	-25.8	-20.0	-15.4	-17.5	-17.4
Current Account - % of GDP	-8.3	-5.7	-4.2	-3.5	-3.7	-6.3	-4.7	-3.4	-3.7	-3.5
<b>Government Accounts - June Yr, % of GDP</b>										
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					
<b>Financial Variables <sup>(1)</sup></b>										
NZD/USD	0.62	0.61	0.57	0.60	0.63	0.62	0.57	0.59	0.63	0.62
USD/JPY	134	150	149	144	135	144	154	146	135	133
EUR/USD	1.07	1.09	1.08	1.20	1.21	1.09	1.05	1.19	1.22	1.20
NZD/AUD	0.93	0.93	0.91	0.87	0.90	0.93	0.91	0.88	0.89	0.90
NZD/GBP	0.51	0.48	0.44	0.44	0.46	0.49	0.45	0.44	0.46	0.47
NZD/EUR	0.58	0.56	0.53	0.50	0.52	0.57	0.55	0.50	0.52	0.52
NZD/YEN	83.0	91.1	85.4	86.4	85.1	89.5	88.4	86.1	85.1	82.5
TWI	71.0	71.2	67.9	68.0	70.0	72.0	68.5	67.6	69.8	69.2
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	3.35	4.20	4.50	3.90	3.35	4.00	4.15
10-year Govt Bond	4.35	4.60	4.50	4.35	4.60	4.65	4.45	4.25	4.50	4.60
2-year Swap	5.15	4.91	3.35	2.60	3.90	4.93	3.53	2.60	3.60	4.00
5-year Swap	4.50	4.40	3.65	3.10	4.05	4.43	3.63	3.10	3.80	4.15
US 10-year Bonds	3.65	4.20	4.25	4.25	4.40	4.00	4.40	4.15	4.40	4.40
NZ-US 10-year Spread	0.70	0.40	0.25	0.10	0.20	0.65	0.05	0.10	0.10	0.20
<sup>(1)</sup> 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
<b>Monday 01 December</b>				<b>Thursday 04 December</b>			
JN Capital Spending YoY 3Q	6.00%		7.60%	NZ Cotality Home Value MoM Nov			0.20%
AU Inventories SA QoQ 3Q	0.00%	0.00%	0.10%	US ADP Employment Change Nov	10k		42k
AU ANZ-Indeed Job Advertisements MoM Nov			-2.20%	EC ECB's Lagarde & Kocher Speak			
JN BOJ's Ueda Speaks				US ISM Services Index Nov	52.0		52.4
CH RatingDog China PMI Mfg Nov	50.5		50.6	UK BOE's Mann Speaks			
EC ECB's Nagel Speaks				NZ Government 4-Month Financial Statements			
<b>Tuesday 02 December</b>				NZ Volume of All Buildings SA QoQ 3Q	0.20%	0.70%	-1.80%
US ISM Manufacturing Nov	49		48.7	AU Trade Balance Oct	A\$4500m		A\$3938m
UK BOE's Dhingra Speaks				AU Household Spending MoM Oct	0.60%		0.20%
NZ MoF Willis at Select Committee				AU Household Spending YoY Oct	4.60%		5.10%
NZ RBNZ Appears at Select Committee				EC Retail Sales MoM Oct	0.00%		-0.10%
NZ Terms of Trade Index QoQ 3Q	0.40%	-0.70%	4.10%	<b>Friday 05 December</b>			
AU Net Exports of GDP 3Q	0		0.1	US Challenger Job Cuts Total Nov			153074
AU BoP Current Account Balance 3Q	-A\$13.2b		-A\$13.7b	UK BOE's Mann Speaks			
AU Building Approvals MoM Oct	-5.00%		12.00%	EC ECB's Lane, Guindos & Cipollone Speak			
US Fed's Powell Speaks				US Initial Jobless Claims 29-Nov	222k		216k
EC Unemployment Rate Oct	6.30%		6.30%	US Continuing Claims 22-Nov	1956k		1960k
EC CPI Estimate YoY Nov P	2.10%		2.10%	US Fed's Bowman Speaks			
EC CPI Core YoY Nov P	2.40%		2.40%	JN Household Spending YoY Oct	1.00%		1.80%
<b>Wednesday 03 December</b>				GE Factory Orders MoM Oct	0.50%		1.10%
EC ECB's Lane & Dolenc Speak				EC GDP SA QoQ 3Q T	0.20%		0.20%
NZ Dairy GDT Auction				<b>Saturday 06 December</b>			
US Fed's Bowman Speaks				CA Unemployment Rate Nov	7.00%		6.90%
NZ ETS Auction of 6.0m NZUs on EEX				US Personal Income Sep	0.30%		
NZ ANZ Commodity Price MoM Nov			-0.30%	US Personal Spending Sep	0.30%		
AU GDP SA QoQ 3Q	0.70%	0.70%	0.60%	US Real Personal Spending Sep	0.10%		
AU GDP YoY 3Q	2.20%	2.20%	1.80%	US Core PCE Price Index MoM Sep	0.20%		
CH RatingDog China PMI Services Nov	52.1		52.6	US Core PCE Price Index YoY Sep	2.80%		
				US U. of Mich. Sentiment Dec P	52		51
				EC ECB's Lane Speaks			

## Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
<b>CASH AND BANK BILLS</b>					<b>SWAP RATES</b>				
Call	2.25	2.50	2.50	4.25	2 years	2.87	2.60	2.56	3.69
1mth	2.39	2.38	2.58	4.38	3 years	3.10	2.81	2.74	3.64
2mth	2.42	2.39	2.51	4.39	4 years	3.27	3.00	2.91	3.66
3mth	2.45	2.41	2.53	4.36	5 years	3.42	3.17	3.07	3.71
6mth	2.50	2.43	2.52	4.11	10 years	3.92	3.77	3.69	4.02
<b>GOVERNMENT STOCK</b>					<b>FOREIGN EXCHANGE</b>				
04/27	2.77	2.60	2.60	3.77	NZD/USD	0.5734	0.5611	0.5707	0.5888
05/30	3.57	3.35	3.27	4.01	NZD/AUD	0.8759	0.8680	0.8730	0.9094
05/32	3.93	3.77	3.69	4.23	NZD/JPY	89.54	88.01	88.00	88.07
05/35	4.25	4.17	4.09	4.42	NZD/EUR	0.4944	0.4871	0.4954	0.5609
04/37	4.47	4.41	4.32	4.59	NZD/GBP	0.4332	0.4281	0.4343	0.4652
05/41	4.81	4.77	4.67	4.79	NZD/CAD	0.8015	0.7914	0.8020	0.8270
05/54	5.09	5.05	4.96	4.95	TWI	66.6	65.5	66.5	69.9
<b>GLOBAL CREDIT INDICES (ITRXX)</b>									
Nth America 5Y	51	53	53	47					
Europe 5Y	53	55	55	56					

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