

Research Markets Outlook

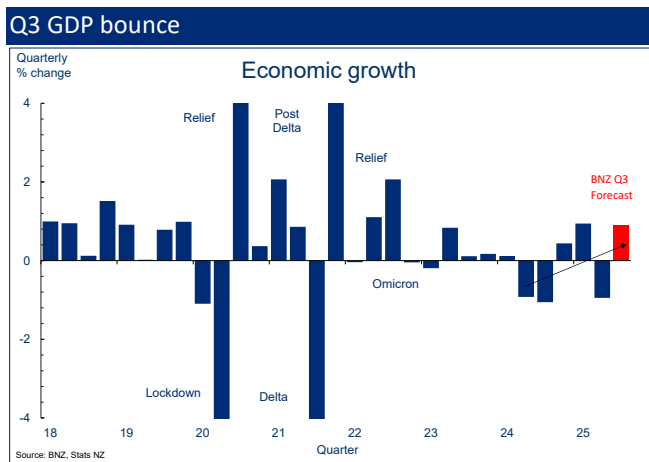
15 December 2025

The Pre-Christmas Blockbuster

- Decent bounce in Q3 GDP expected
- PMI/PSI remind trading conditions difficult for many
- HYEFU: a challenging road back to surplus
- Selected prices to inform on Q4 CPI
- Current account deficit still narrowing, for now
- Dairy prices expected to decline again
- RBNZ Governor to speak again

The week before Christmas is traditionally an economic information blockbuster. This year is no different. Q3 GDP and the Government's Half Year Economic and Fiscal Update (HYEFU) are the main events but there is a heap of other goodies under the tree to inspect as well.

Economic momentum has turned positive in the second half of 2025. We expect a decent 0.9% q/q bounce in Q3 GDP on Thursday, albeit with some idiosyncratic increases associated with meat processing and major plant restarts.



The expected strong quarterly growth needs to be seen in the context of Q2's 0.9% drop. Neither Q2's drop nor Q3's expected bounce look reflective of the underlying trend.

Through the quarterly noise, some forward momentum looks to be underway. We estimate annual GDP growth lifted to 1.3% in Q3, in what would be its first positive result since the first quarter of last year.

GDP estimates have progressively been nudged higher over recent weeks, as partial data have printed positively.

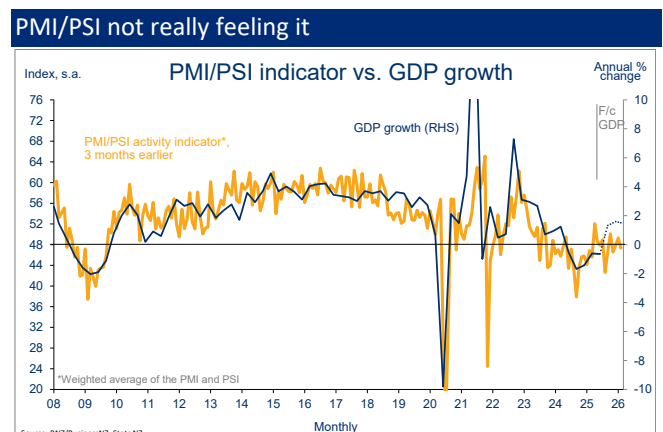
The consensus for quarterly Q3 GDP growth has settled at 0.8%, with a range of 0.6% to 1.1%.

Q3 GDP looks odds-on to come in stronger than the 0.4% estimated by the RBNZ in its November MPS. The Bank's own KiwiGDP nowcast for Q3 sat at 0.8% last week.

Following recent material moves, financial markets already appear to have discounted a stronger GDP outcome relative to RBNZ forecasts. A stronger-than-Bank outcome need not necessarily result in the market building in even earlier interest rate hikes than they already have.

The quarterly outcome, revisions to historical data (including the usual annual benchmarking at this time of year), and resulting re-estimates of potential growth will all matter for estimates of the output gap and assessments of medium-term inflation pressure and policy.

Q4 momentum is important to monitor too. Today's weak November Performance of Services Index (PSI) reading of 46.9 is a reminder that many still face difficult trading conditions. Combined with last Friday's moderately positive Performance of Manufacturing Index (PMI), the composite activity indicator questions the pace of growth folk (including us) are forecasting into the New Year.



GDP can outperform this indicator in the near term, given a pickup in other sectors like construction and some primary industries. But it would be remiss to not note its warning in an underlying sense. Unless the relationship has changed, gains in the combined PMI and PSI indicator look

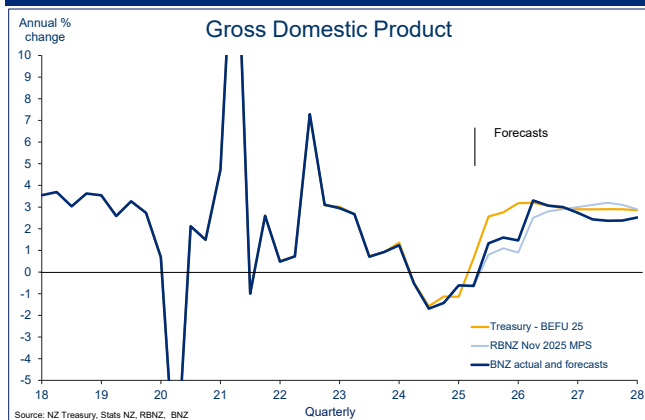
necessary to be consistent with the sorts of economic growth that we (and the RBNZ) are forecasting in 2026.

HYEFU

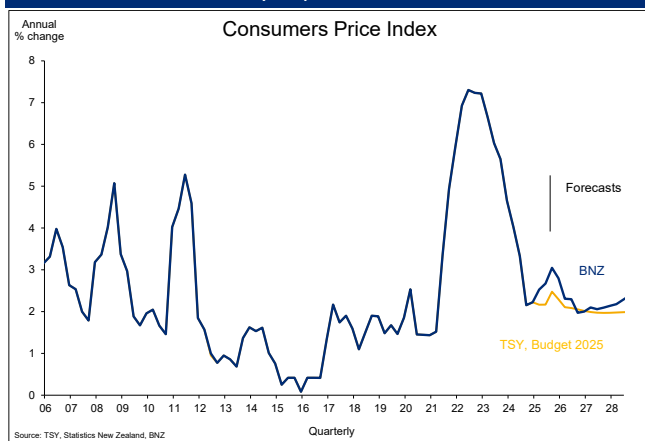
The Government's HYEFU is scheduled for release tomorrow at 1pm. The economy has generally underperformed Treasury's Budget forecasts. However, nominal GDP, which is more important for the tax base, has been close to Budget projections largely thanks to higher CPI inflation and terms of trade than Treasury forecast.

Core Crown tax revenue in the first four months of FY 2025/26 has been coming in a bit under (\$0.6b) Treasury expectations, indicating upward pressure on the FY 2025/26 fiscal deficit (OBEGALx) and funding requirements, other things constant.

Economy underperforms Budget 2025 forecasts



Inflation above Treasury expectations



Over the same period, the cash deficit has been tracking smaller than forecast, but it looks largely timing related so not likely to persist. However, the cash deficit in FY 2024/25 was meaningfully smaller (\$4.0b) than Treasury forecast indicating, even with some timing issues, incrementally less funding pressures into FY 2025/26, other things constant.

The latter has seen net core Crown debt tracking lower than Treasury forecasts. As at the end of October 2025, net

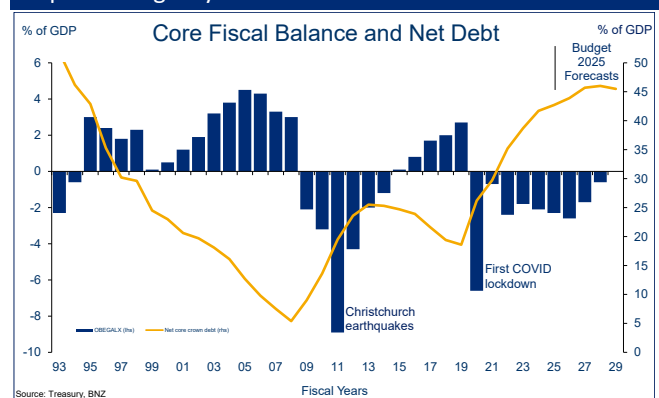
core Crown debt was \$186.5b (42.8% of GDP) which was \$4.5b lower than Treasury forecast. A lower starting position will follow through to HYEFU forecasts of net core Crown debt. They are expected to remain above 40% of GDP and start bending down later in the forecast period (that will now extend out to FY 2029/30, as an additional forecast year is typically added at HYEU).

Finance Minister Willis has confirmed that the operating allowance for Budget 2026 will be \$2.4b, unchanged from previous guidance (and higher than the \$1.3b operating allowance in FY2025/26).

The upward and downward influences on the Government's borrowing requirements discussed above doesn't suggest reason for a major change in projected gross issuance. Risk would seem to be on both sides, perhaps tilted a bit more upwards to more issuance than downwards if we had to pick a side. But there are many moving parts. There are a wide range of factors than can impact the Government's borrowing programme over time. They can change abruptly making forecast accuracy difficult.

Whether the Budget projections of a fiscal surplus in FY2028/29 can be maintained will depend on Treasury's economic forecasts, associated tax revenues, and the Government's spending intentions over the forecast period. Achieving OBEGALx surplus in FY 2028/29 still looks challenging. We wouldn't be surprised to see the forecast surplus delayed a year to FY2029/30.

Surplus a long way off



Beyond the HYEFU figures, the Budget Policy Statement will be worth a look for its insight into the Government's priorities for Budget 2026 as well as an update on the Government's long-term fiscal objectives.

Selected prices

November's Selected Prices are due for release tomorrow morning and will give the latest insight into their various segments of Q4 CPI.

We expect food prices to fall 0.3% m/m, largely from a seasonal drop in fruit and vegetable prices. Annual rent inflation is already at its lowest level since 2010 and is

expected to continue easing. Stats NZ is resuming the publication of the flow measure of rents, which we expect to reveal ongoing downward pressure on new rents. Domestic and international airfare prices are forecast to bounce and fuel prices are expected to show a modest lift.

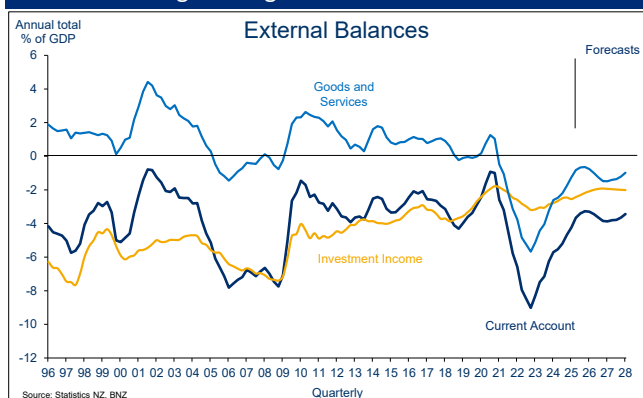
The sum of all monthly price components will be assessed against our current 0.3% q/q and 2.8% y/y forecast for Q4 CPI. This is a tick higher than RBNZ's forecast of 0.2% q/q and 2.7% y/y in its November MPS.

Balance of payments and trade

Q3 balance of payments data is due out on Wednesday. We forecast the current account deficit to be 3.4% of GDP in the year to September 2025, smaller than the 3.7% annual deficit recorded a quarter earlier and extending a material narrowing over the past three years. Market consensus also sits at 3.4%.

Our forecast of a smaller deficit follows from our expectations of a narrowing goods deficit (on the back of strong primary sector export returns), a growing travel surplus as international tourism slowly recovers, and a narrowing investment income balance helped by lower debt servicing costs.

Trend narrowing nearing an end



Wednesday morning's GDT dairy auction is expected to show another price decline. Exceptionally strong milk production in major global exporting regions has been putting significant downward pressure on dairy prices. The balance of indicators suggests another clear price decline at this event adding to the downside risk to milk price forecasts we highlighted again last week.

Friday's overseas trade data is forecast to show a merchandise annual trade deficit of around \$2b in November. This would extend the trend narrowing that

has been in place for the past two and a half years. We suspect that this trend will soon run out of puff as lower dairy prices and higher imports start to weigh on the external deficit through 2026.

Other releases

There are three confidence surveys due during the week.

Q4 WMM consumer confidence is out on Wednesday. It was subdued at 90.9 in Q3. We wouldn't be surprised to see confidence lift in Q4, as it typically does in summer. But underlying confidence will be more important to assess as consumers weigh up elevated prices, some hints of improvement in the labour market, and recent moves in interest rates.

ANZ's consumer and business confidence surveys are both due for release on Friday. ANZ's consumer confidence index pushed up to 98.4 in November. Christmas cheer usually adds a bit more support in December, but will consumers sense any fundamental relief from the headwinds that have kept confidence subdued all year?

Business confidence rose to 67.1 in November, an 11-year high. Firms' own activity expectations also pushed up to 53.1 and support our expectation of further economic recovery ahead. It would not surprise if businesses remained firmly optimistic for the year ahead in December. The bigger question is how much of the optimism will translate into actual activity during the 2026 election year?

REINZ's November housing report may be published at some stage during the week as well. If so, beyond some seasonal improvement, we'd expect more of the same with minimal change in house prices compared to a year earlier and middling sales activity.

Lastly, the RBNZ is to publish its decisions on the key capital settings for deposit takers at 8.45am on Wednesday on its website. A media briefing by Governor Breman is reportedly to follow at 11am. It is important to note that the RBNZ has previously said that the proposals under review are not expected to translate into significant changes for the economy. A further publication with additional material will occur in February 2026.

We would like to wish you all – our readers – a happy and safe festive season and we look forward to connecting with you again in the New Year. This will be our last Markets Outlook for 2025. Our first 2026 issue will be on 12 January.

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Global Watch

- **BoE expected to cut 25bps**
- **ECB seen on hold**
- **BoJ likely to hike 25bps**
- **US November payrolls and CPI in focus**

Week in Review

The RBA unanimously decided to leave the cash rate unchanged at 3.6%, which was in line with consensus. However, the tone shifted to a more hawkish stance. The statement highlighted that risks to inflation are now tilted to the upside and during the press conference, RBA Governor Bullock remarked “the question is, is it just an extended hold from here or is it possibility of a rate rise”.

In contrast, the FOMC cut rates by 25bps, though the decision came with three dissents (Goolsbee and Schmid favouring a hold and Miran preferring a 50bp cut). The median dot plot was unchanged from September, continuing to show one more cut by the end of next year. Overall, the decision was seen as less hawkish than feared.

Elsewhere, the ECB’s Schnabel (considered a hawk) said she was “rather comfortable” with expectations that the next move will be a hike, albeit not anytime soon. The BoC kept rates on hold at 2.25%, with Governor Macklem noting that recent stronger data hasn’t fundamentally changed their view and rates are “about the right level.”

Week Ahead

Globally, the BoE, ECB and BoJ all meet, and there are some key US data releases that could be pivotal for the Fed in terms of the rate trajectory at the start of 2026.

In the US, payrolls (Tuesday) and CPI (Thursday) are the highlights. Retail sales is also released, and there are plenty of Fed speakers on the roster, including Waller and Williams.

In Europe, the ECB will leave rates on hold, but there is plenty of interest in the tone of the meeting as market pricing now leaning towards the next move being a hike. While this might be some way off, this is a theme reverberating through markets and for those central banks seen as having finished their easing for now.

That’s not the case for the UK, where our colleagues at NAB and the consensus see the BoE cutting rates by 25bps to 3.75% on Thursday. Wage and CPI data earlier in the week will also be in focus.

The BoJ rounds out the week with an expected 25bps hike to 0.75% on Friday. There are no new forecasts at this meeting to guide the path forward, but focus will be on Ueda’s press conference. Japan CPI is seen down a tenth to 2.9% on Friday.

In Australia, the data flow has all but ended for the year, save Consumer Confidence numbers (Tuesday) and private sector credit data (Friday). The federal government’s mid-year budget update is expected at some point in the week ahead. Treasurer Chalmers has already confirmed the electricity rebates will end as scheduled, setting up a large (~30bp) upward contribution to CPI in January.

Key Event Previews

Monday

CH Monthly Activity indicators

China activity data for November include Retail Sales, Industrial Production, and Fixed Asset Investment

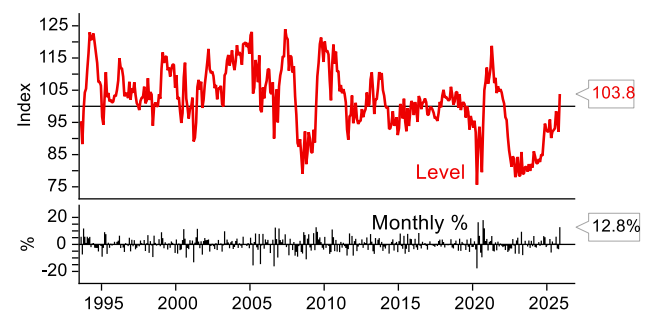
US Empire Manf. (Dec). Fed’s Miran, Williams Speeches

Tuesday

AU Westpac-MI Consumer Confidence (Dec)

Consumer sentiment rose by a sharp 12.8% in November. A monthly gain of that magnitude is difficult to take at face value, so it will be interesting if it sustains this month.

Consumer Sentiment



Source: National Australia Bank, Melbourne Institute of Applied Economic & Social Research, Macrobond

UK Average Weekly Earnings, Unemployment (Oct)

UK wage settlements have been easing lower with the BoE focus on private sector regular (non-bonus) earnings easing to 4.2% in Sep. NAB expect continued declines over coming months to below 4% that will help the BoE in delivering rate cuts. The unemployment rate is forecast to rise again to a new cycle high of 5.1%.

EZ, UK, US Manf/Services PMIs (preliminary Dec)

In Manufacturing activity, the US retains its lead with a reading of 52.2 versus the EZ and UK that coalesce around the 50 breakeven. It is the Services sector that has broadly stepped-up pace recently with the US at 54.1 and the EZ close by at 53.6. The UK lags at just above 50.

EZ ZEW Analyst Survey (Dec)

US Payrolls (Nov), Retail sales (Oct)

Delayed US labour market reports for October and November will be instrumental for the Fed and markets. While there will be no unemployment rate release for October, evidence of further softness in job creation will lead to some repricing of a January US rate cut, given widespread expectations of a pause. Fed Chair Powell noted last week that job creation, "may actually be negative." The consensus looks for 50k NFP jobs and for the unemployment rate to nudge up to 4.5% in November.

Wednesday**UK CPI (Nov)**

After peaking at 3.8% in September, which was 2/10 below the BoE forecast at the time, headline inflation looks set to ease to 3.5% in November. While the December print could see prices being a little more stubborn, the picture should clear after the end of Q1, 2026 with a sharper drop towards 2.5%. The BoE is aware of this and so a 0.1% rise in the core to 3.5% and 0.2% on services inflation to 4.7% - thanks to airfares and hotel accommodation (some of this base effects), which should be temporary, ought to not cause too much concern at the BoE.

EZ ECB final November HICP, Q3 Labour Costs**US Fed Williams and Bostic Speak****Thursday****UK BoE Rate Meeting (cut 25bps)**

With the Budget out of the way, CPI starting to retreat and private sector labour costs more contained, NAB and the consensus look for a 25bp cut to 3.75%. NAB expect the decision to be either 6:3 or 7:2 in favour. There will be no new forecasts or a press conference. The BoE will remain cautious on additional easing. NAB sees two further cuts in 2026 to 3.25%.

EZ ECB Rate Meeting (Unch at 2%)

While the ECB will keep rates on hold at this meeting (Deposit Rate at 2%), there is much interest in the tone of the meeting given some hawkish remarks from Executive Board Member Schnabel and broader market speculation that for some central banks, the next move will be a hike. Expect some pushback from the doves in the ECB's language, as risks remain from disinflation in 2026. Still, the services sector has picked up and there will be an air of optimism from the ECB. Growth forecasts and HICP for 2026 are likely to be raised.

SW Swedish Riksbank Policy Meeting (Unch at 1.75%)**NO Norges Bank Policy Meeting (Unch at 4%)****US CPI (Nov)**

November CPI is the first CPI print in almost two months. October collection was interrupted by the shutdown, meaning there will be only a few components included for October.

Friday**JN BoJ Policy Meeting (Hike 25bps to 0.75%)**

It has been touch and go whether the BoJ would hike in December or January, but recent comments from BoJ Governor Ueda suggest the stars are finally aligning for a move this week. The Q4 Tankan report will need to play ball. Presuming the BoJ follows-through, the focus will be on comments regarding the pace of future hikes and the terminal rate.

UK GfK Consumer Confidence (Dec), Retail Sales (Nov)**EZ Consumer Confidence (Dec), ECB Wage Tracker****US Univ Mich Consumer Sentiment (Dec final), Existing Home Sales (Nov)**

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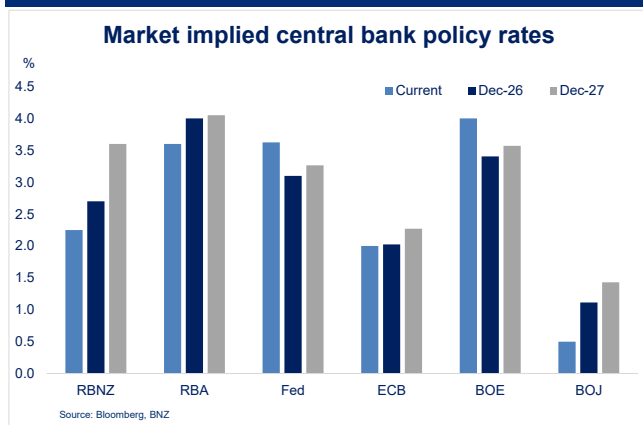
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

The sharp selloff in NZ rates continued through the initial stages of last week before the market found some stability after softer than expected labour market data in Australia. The belly of the curve absorbed the brunt of the selloff, with the 2y/5y curve extending to +63bp, which matches the cyclical peak from earlier in the month. The steepness in this curve segment likely reflects where flows have been most impactful, and with the market appearing to be better balanced at current levels, there is room for the curve to flatten. The 2y/5y curve looks significantly stretched relative to its beta to 2-year rates across multiple lookback windows.

As previously noted, we think the NZ rates market has overshot on the topside driven by the unwinding of speculative positions. The chart below shows the extent of RBNZ hikes priced compared with other central banks. Recent data has generally been surprising positively relative to the consensus estimate increasing our confidence in the economic recovery. That said, the move higher in rates is tightening financial conditions and creating upward pressure on mortgage rates. Mortgage spreads to wholesale rates have compressed to levels that prevailed during the pandemic when banks had access to cheap funding via alternative monetary policy tools. We think the repricing in NZ rates has discounted a strong Q3 GDP print this week, which is expected to outstrip the RBNZ's 0.4% q/q projection, from the Monetary Policy Statement.

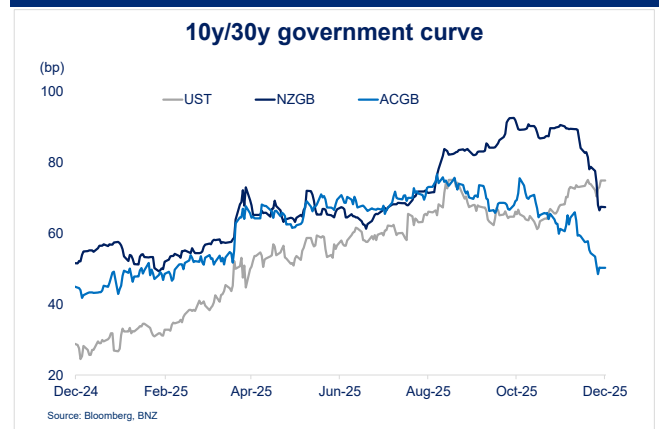
Hiking cycle priced for the RBNZ



Global central banks will remain in focus in the week ahead with decisions from the Bank of England, European Central Bank and the Bank of Japan. With a wider lens, pricing in money markets suggests the synchronised easing cycle for advanced economy central banks is largely complete. Central bankers are pausing to assess how previous easing is impacting growth and inflation. The key exception is the US Federal Reserve where the market is pricing around 55bp of easing in 2026. Further cuts could be constrained if accommodative fiscal policy, in conjunction with previous

easing, leads to a reacceleration in the labour market next year. The November nonfarm payrolls report will be a key driver for global rates markets this week.

10y/30y curve



The long end of the NZ government bond curve has significantly outperformed in the recent selloff. The NZGB 10y/30y curve peaked at 94bp and has flattened to 67bp. The flattening looks to have overextended relative to the level of 10-year NZGB yields. After limited issuance in the first three months of the fiscal year, NZ Debt Management (NZDM) have increased tendering into the 30-year curve segment since October. This suggests a pickup in indicated investor demand. Recent tenders for the two longest NZGB maturities have performed strongly.

NZDM will provide an update on the bond programme tomorrow. We don't expect any material change for 2025/26. There is flexibility to absorb an increase if required, given the issuance progress in the first half of the fiscal year. The market will be also focused on any details of the remaining tap syndication that was announced alongside the Budget in May.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	2.48	2.41 - 2.50
NZ 2yr swap (%)	3.11	2.58 - 3.12
NZ 5yr swap (%)	3.74	3.11 - 3.75
NZ 10yr swap (%)	4.22	3.71 - 4.23
2s10s swap curve (bps)	112	105 - 119
NZ 10yr swap-govt (bps)	-32	-43 - -30
NZ 10yr govt (%)	4.54	4.15 - 4.52
US 10yr govt (%)	4.18	3.96 - 4.21
NZ-US 10yr (bps)	36	-2 - 36
NZ-AU 2yr swap (bps)	-92	-108 - -92
NZ-AU 10yr govt (bps)	-19	-42 - -19
*Indicative range over last 4 weeks		

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Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

The NZD appreciated for a third consecutive week, rising 0.5% to just above 0.58 after reaching a two-month high of 0.5831. This occurred against a backdrop of a third straight weekly decline for the USD, which weakened further following the Fed's widely anticipated rate cut. Movements in NZD cross rates were modest, although the yen notably continued to underperform, pushing NZD/JPY to its highest level this year.

As we approach year-end, the USD remains broadly weaker. We have previously highlighted that seasonal factors tend to favour a weak USD and a stronger NZD in December, and this pattern is holding true for this year. At the end of last week, the NZD/USD was less than a cent from our year-end target of 0.59, a level that seemed unattainable only a few weeks ago.

We continue to hold a constructive outlook for NZD/USD into 2026. Historically, Fed easing cycles are USD-negative, and among major central banks, only the Fed and the BoE are expected to continue easing monetary policy in 2026. Additionally, the aggressive RBNZ easing cycle has significantly weighed on NZD performance over the past eighteen months. We are confident that New Zealand's easing cycle has ended, and throughout 2026, we expect the market to increasingly focus on the timing and scale of potential RBNZ rate hikes. However, any recovery in NZD/USD will likely be limited by persistent negative NZ-US short-term rate spreads.

Last week, the Fed lowered rates for the third consecutive meeting, yet the top of the Fed Funds target range remains at 3.75%, well above New Zealand's policy rate. Although Chair Powell's comments were not as hawkish as markets had feared, we agree with market expectations of two additional Fed rate cuts next year. While NZ-US rate spreads will continue to weigh on the NZD's performance, this will be offset by supportive global liquidity conditions and easier US fiscal policy next year, both of which are conducive to global growth and favourable for the NZD.

The RBA's move to a hawkish policy stance has led markets to price in the possibility of a tightening cycle beginning as early as February. Although softer employment growth in November did not provide clear evidence for tighter policy, upcoming inflation and labour market reports will be critical ahead of the February decision.

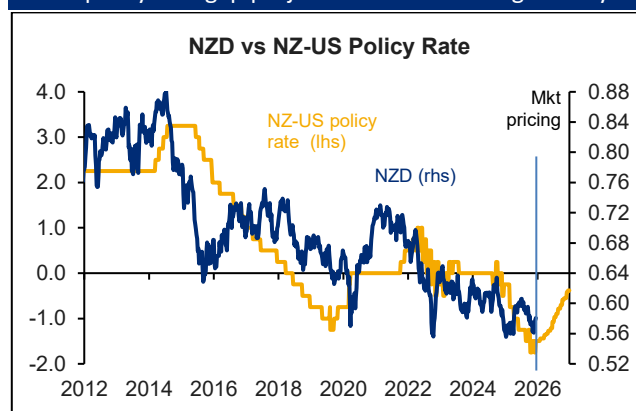
We see limited potential for a meaningful recovery in NZD/AUD, given expectations that the RBA will likely raise rates before the RBNZ and the historically low NZ-Australian rate spreads. The greater risk remains further downside in the cross rate.

The upcoming week is packed with events that could trigger currency volatility before markets quieten for the Christmas break. The BoE, ECB, and BoJ are all scheduled to deliver policy updates, with a strong possibility that the BoE will cut rates, the BoJ will hike rates, and the ECB will leave policy unchanged. As these decisions are largely priced in, attention will turn to the policy outlooks for 2026.

In New Zealand, Q3 GDP figures are expected to show a strong rebound following the 0.9% contraction in Q2, likely exceeding the RBNZ's MPS estimate of 0.4% q/q. The other noticeable domestic data release will be the November monthly CPI indicators. The government's half-year fiscal update typically does not elicit a currency reaction.

The US employment report, scheduled for tomorrow night, is the most significant global economic release, with markets expecting soft data to justify further Fed rate cuts next year. Other notable releases this week include US CPI and retail sales, CPI data for Canada, UK, and Japan, UK labour market figures, China's monthly activity indicators, and global PMIs.

NZ-US policy rate gap projected to close through next year



Cross Rates and Recent Ranges

	Last wk		
	Current	% chg	Last 3-wks range*
NZD/USD	0.5808	0.5%	0.5610 - 0.5830
NZD/AUD	0.8748	0.3%	0.8670 - 0.8770
NZD/CAD	0.7997	0.1%	0.7900 - 0.8070
NZD/GBP	0.4342	0.2%	0.4250 - 0.4360
NZD/EUR	0.4946	-0.3%	0.4840 - 0.4980
NZD/JPY	90.54	0.8%	87.20 - 90.90

*Indicative range over last 3 weeks, rounded

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Technicals

NZD/USD

Outlook: Trading range
 ST Resistance: 0.58 (ahead of 0.60)
 ST Support: 0.56 (ahead of 0.55)

No change. After its recent recovery, some early resistance could come in between 0.58 and the 200-day moving average of 0.5860, ahead of 0.60.



NZD/AUD

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

No change. Key support is around 0.86, near the October low, while resistance is far away at 0.8950.



NZ 5-year Swap Rate

Outlook: Higher
 ST Resistance: 3.87
 ST Support: 2.69

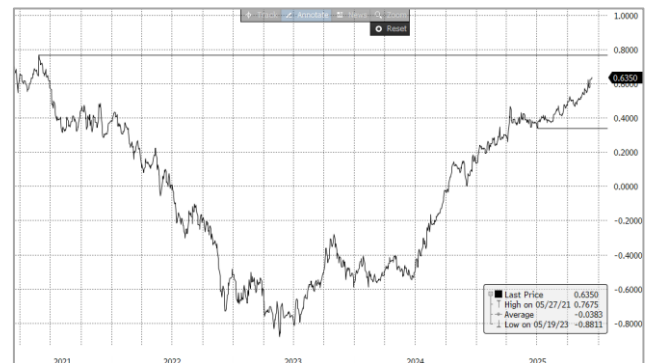
5-year swap saw another considerable move higher last week, closing above our resistance level and target of 3.69%. We now see this as new support while resistance comes in at 3.87%.



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

Outlook: Higher
 ST Resistance: 0.76
 ST Support: 0.26

2x5 swap curve steepened last week to close at a new high for this cycle.



NZ 2yr 5yrSwap Spread – Daily
 Source: Bloomberg

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Quarterly Forecasts

Forecasts as at 15 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	0.9	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	-3.4	-3.3	-3.3	-3.4	-3.6	-3.8	-3.9
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 %)	3.3	3.2	3.3	3.2	2.5	2.7	2.7	2.8	3.0	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	1.0	1.3	1.2	3.0	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	3.65	4.45	2.80	3.40	4.05	3.75	4.15	0.30
2026 Mar	2.25	2.40	3.65	4.55	2.80	3.40	4.15	3.60	4.25	0.30
Jun	2.25	2.40	3.65	4.60	2.85	3.40	4.20	3.45	4.30	0.30
Sep	2.25	2.40	3.80	4.65	3.20	3.55	4.25	3.20	4.35	0.30
Dec	2.25	2.55	4.05	4.70	3.60	3.85	4.35	3.10	4.40	0.30

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.58	0.66	1.17	1.34	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	0.58	0.87	0.49	0.43	90.4	67.0
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	68.1
Jun-26	0.62	0.87	0.51	0.46	86.4	69.3
Sept-26	0.63	0.88	0.51	0.46	85.1	69.9
Dec-26	0.63	0.89	0.52	0.46	85.1	69.9
Mar-27	0.63	0.90	0.52	0.46	85.1	70.1
Jun-27	0.62	0.90	0.52	0.46	83.7	69.2

TWI Weights

16.2% 17.8% 9.2% 4.0% 4.7%

Source for all tables: Stats NZ, Bloomberg, Reuters, RBNZ, BNZ

Annual Forecasts

Forecasts as at 15 December 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	2.2	2.7	0.9	-0.3	1.9	2.6	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	1.5	6.7	-0.4	-5.1	-0.5	6.5	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	1.9	3.2	-1.0	-1.2	1.2	3.2	2.5
Exports	5.7	8.6	3.3	4.0	4.9	11.5	4.7	3.5	5.3	3.7
Imports	4.2	-1.4	1.5	4.8	5.1	-0.7	1.6	3.3	5.6	3.4
Real Expenditure GDP	4.0	1.3	-0.7	1.3	3.0	1.8	-0.4	1.0	2.7	2.5
GDP (production)	3.5	1.4	-1.1	0.9	3.0	1.8	-0.6	0.4	2.7	2.5
<i>GDP - annual % change (q/q)</i>	<i>3.0</i>	<i>1.2</i>	<i>-0.6</i>	<i>1.2</i>	<i>2.7</i>	<i>0.9</i>	<i>-1.4</i>	<i>1.3</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	454	479	412	427	448	473	495
Prices and Employment - annual % change										
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
External Balance										
Current Account - \$bn	-32.6	-23.8	-18.3	-14.9	-18.5	-25.8	-20.0	-14.6	-18.1	-18.0
Current Account - % of GDP	-8.3	-5.7	-4.2	-3.3	-3.9	-6.3	-4.7	-3.3	-3.8	-3.6
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	0.60	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	68.1	70.1	72.0	68.5	67.6	69.9	69.3
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	3.65	4.25	4.50	3.90	3.65	4.05	4.20
10-year Govt Bond	4.35	4.60	4.50	4.55	4.70	4.65	4.45	4.45	4.70	4.70
2-year Swap	5.15	4.91	3.35	2.80	3.90	4.93	3.53	2.80	3.60	4.00
5-year Swap	4.50	4.40	3.65	3.40	4.10	4.43	3.63	3.40	3.85	4.20
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	0.30	0.30	0.65	0.05	0.30	0.30	0.30
⁽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 15 December				NZ Current Account GDP Ratio YTD 3Q	-3.40%	-3.40%	-3.70%
JN Tankan Large Mfg Index 4Q	15		14	JN Trade Balance Nov	¥72.6b		-¥226.1b
CH Retail Sales YoY Nov	2.90%	2.90%		JN Core Machine Orders MoM Oct	-1.80%		4.20%
CH Industrial Production YoY Nov	5.00%	4.90%		UK CPI YoY Nov	3.50%		3.60%
CH Fixed Assets Ex Rural YTD YoY Nov	-2.30%	-1.70%		UK CPI Core YoY Nov	3.40%		3.40%
CH Surveyed Jobless Rate Nov	5.10%	5.10%		UK CPI Services YoY Nov	4.50%		4.50%
AU RBA's Brischetto Speaks				GE IFO Expectations Dec	90.5		90.6
EC Industrial Production SA MoM Oct	0.80%	0.20%		EC CPI YoY Nov F	2.20%		2.20%
Tuesday 16 December				EC CPI Core YoY Nov F	2.40%		2.40%
US Empire Manufacturing Dec	10		18.7	EC Labour Costs YoY 3Q			3.60%
US Fed's Miran & Williams Speak				Thursday 18 December			
US NAHB Housing Market Index Dec	39		38	US Fed's Waller, Williams & Bostic Speak			
NZ Selected Monthly Price Indexes Nov				NZ GDP SA QoQ 3Q	0.80%	0.90%	-0.90%
NZ Food Prices MoM Nov		-0.30%		NZ GDP YoY 3Q	1.30%	1.30%	-0.60%
AU S&P Global Australia PMI Mfg Dec P		51.6		NO Deposit Rates 18-Dec	4.00%		4.00%
AU S&P Global Australia PMI Services Dec P		52.8		SW Riksbank Policy Rate 18-Dec	1.75%		1.75%
AU RBA's Jones Speaks				Friday 19 December			
NZ Westpac Consumer Conf SA MoM Dec		12.80%		UK BoE Bank Rate 18-Dec	3.75%		4.00%
NZ Government Half Year Fiscal Update				EC ECB Deposit Facility Rate 18-Dec	2.00%		2.00%
UK Private Earnings ex-Bonus 3M/YoY Oct	3.80%	4.20%		US Initial Jobless Claims 13-Dec	225k		236k
UK ILO Unemployment Rate 3Mths Oct	5.10%	5.00%		US Continuing Claims 6-Dec	1938k		1838k
UK Payrolled Employees Monthly Change Nov	-20k	-32k		US CPI YoY Nov	3.10%		
EC HCOB Eurozone Manufacturing PMI Dec P	49.9	49.6		US Core CPI YoY Nov	3.00%		
EC HCOB Eurozone Services PMI Dec P	53.3	53.6		EC ECB's Lagarde, Rehn & Others Speak			
UK S&P Global UK Manufacturing PMI Dec P	50.4	50.2		NZ ANZ Consumer Confidence Index Dec			98.4
UK S&P Global UK Services PMI Dec P	51.7	51.3		NZ Trade Balance NZD Nov			-1542m
GE ZEW Survey Expectations Dec	39	38.5		NZ Natl CPI YoY Nov	2.90%		3.00%
Wednesday 17 December				NZ ANZ Business Confidence Dec			67.1
EC ECB's Villeroy Speaks				UK GfK Consumer Confidence Dec	-17		-19
US Change in Nonfarm Payrolls Nov	50k			AU Private Sector Credit MoM Nov			0.70%
US Av Weekly Hours All Employees Nov	34.2			JN BOJ Target Rate 19-Dec	0.75%		0.50%
US Unemployment Rate Nov	4.50%			JN BOJ's Ueda Speaks			
US Retail Sales Advance MoM Oct	0.10%	0.20%		GE GfK Consumer Confidence Jan	-23		-23.2
US Retail Sales Control Group Oct	0.40%	-0.10%		UK Retail Sales Inc Auto Fuel MoM Nov	0.40%		-1.10%
NZ Dairy GDT Auction				EC ECB Wage Tracker			
US S&P Global US Manufacturing PMI Dec P	52	52.2		Saturday 20 December			
US S&P Global US Services PMI Dec P	54	54.1		EC Consumer Confidence Dec P	-14.1		-14.2
US Business Inventories Sep	0.10%	0.00%		US Existing Home Sales Nov	4.15m		4.10m
NZ RBNZ Review of Capital Settings				US U. of Mich. Sentiment Dec F	53.5		53.3
NZ Westpac Consumer Confidence 4Q		90.9		US Kansas City Fed Services Activity Dec			-7

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	2.25	2.25	2.50	4.25	2 years	3.11	3.00	2.63	3.61
1mth	2.41	2.41	2.50	4.37	3 years	3.39	3.25	2.83	3.59
2mth	2.45	2.45	2.50	4.38	4 years	3.59	3.45	3.01	3.63
3mth	2.48	2.49	2.49	4.26	5 years	3.75	3.61	3.17	3.70
6mth	2.54	2.52	2.51	4.04	10 years	4.23	4.13	3.77	4.04
GOVERNMENT STOCK					FOREIGN EXCHANGE				
04/27	2.85	2.76	2.61	3.76	NZD/USD	0.5793	0.5776	0.5658	0.5782
05/30	3.85	3.73	3.33	4.06	NZD/AUD	0.8723	0.8720	0.8712	0.9075
05/32	4.22	4.12	3.78	4.32	NZD/JPY	90.30	90.06	87.82	89.12
05/35	4.52	4.44	4.18	4.53	NZD/EUR	0.4937	0.4963	0.4881	0.5500
04/37	4.69	4.63	4.43	4.70	NZD/GBP	0.4332	0.4336	0.4301	0.4559
05/41	4.96	4.94	4.79	4.91	NZD/CAD	0.7979	0.8004	0.7951	0.8234
05/54	5.19	5.21	5.07	5.08	TWI	67.0	66.9	65.9	68.7
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	51	51	54	48					
Europe 5Y	52	53	55	54					

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