

Research Markets Outlook

9 June 2025

Q1 GDP Preview

- **GDP partials generally stronger than expected**
- **Lifting our Q1 GDP pick to 0.7%**
- **Higher than RBNZ has factored in**
- **It would increase the chance of a July OCR pause**
- **But lots of other data and events to watch**

We expect next Thursday's Q1 GDP data to confirm further economic recovery. The output gap still appears wide and there is much uncertainty around the path ahead, but recovery looks as though it continued in the first quarter of the year.

We had already expected a lift in Q1 GDP, but today's data has reinforced that and some. The data were firmer than we had expected across wholesale trade, manufacturing, and selected services.

With the major partial indicators now in, our pick for Q1 GDP has lifted to 0.7% q/q. This is a fair nudge higher than our previous 0.4% estimate. If Q1 growth pans out as we now expect, economic activity would still be 0.8% below year earlier levels. Growth would be coming off a low base, but it is growth, nonetheless.

This morning's data suggests service sector activity expanded firmly overall, including clear quarterly advances in retail and wholesale trade and some professional services. Construction remains soft but at least looks to have stopped its quarterly declines judging by last week's building work put in place data.

Today's manufacturing data saw sales volumes rise 2.4% q/q. The expansion in production didn't look quite as strong once we took account of changes in inventory, but it looks firmly higher. It looks like the strength in the PMI earlier in the year was a clear signal.

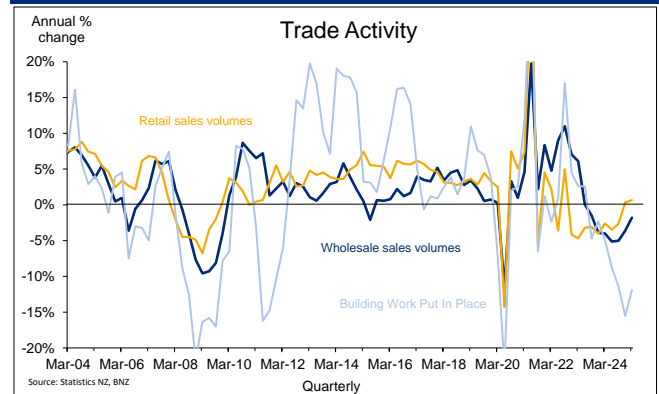
Primary sector activity looks positive on balance. A sharp lift in forestry appears to have occurred and agriculture output looks to have held up in the quarter, albeit that drought conditions for some has added to feed costs which should restrict measures of value added.

As an aside, it is worth remembering that the impact of price changes is removed for real GDP purposes. So, one should not look for a direct growth impact from recent commodity price strength. But there will be indirect impacts as the higher nominal incomes are spent. The

strength might well be evident in sentiment at this week's National Fieldays (the largest agricultural event in the Southern Hemisphere).

Utilities GDP may see a small decline in the quarter, on the back of reduced hydro lake storage for electricity generation during the period. Thursday's MBIE data will help judge our Q1 assessment.

Weak, but turning



If Q1 GDP were to print meaningfully above the RBNZ's 0.4% estimate in its May MPS it would increase the chance of a pause in the OCR cutting cycle in July. As things stand, our forecast for the OCR remains for two further cuts in July and August to a low of 2.75% but the risks of a July pause are certainly increasing.

Other factors are important for the policy outlook too including offshore developments, domestic inflation signals, and timely economic indicators such as the PMI/PSI and the QSBO. We are still keen to observe such things ahead of the RBNZ's July meeting. The timelier activity indicators have been cooling.

The details of the GDP outcome may prove important for the RBNZ. We say this with an eye on the expenditure side of the national accounts.

For Q1, the latest partial indicators suggest private consumption and residential investment both rose around 1% q/q. If that is how the data print next week, they would be meaningfully above the RBNZ's forecasts of 0.2% and -1.9% respectively for these interest rate sensitive components. That may lead the MPC to conclude that it

may be getting a bit more traction than it had previously thought in these areas.

However, these potential upsides need to be weighed against (some related) areas of weakness. Tourist spending looks to have dropped in Q1 (once adjusted for inflation and seasonal factors). Given a level of spending in NZ, indicated by the likes of retail sales, reduced visitor spending means the spending that has been observed was done by locals. Overall demand would also be dampened if government spending eases in the quarter, as we have assumed in line with Treasury's Budget estimates.

And while residential building investment looks to have lifted a bit in Q1, non-residential building was decidedly weak. We judge overall investment near flat in Q1.

International trade indicators were volatile in Q1. Services trade looks like making a strongly negative contribution to quarterly growth, while goods trade appears the exact opposite. The overall trade balance looks like a small net drag on Q1 growth, assuming no major conceptual adjustments are made to goods imports for GDP purposes.

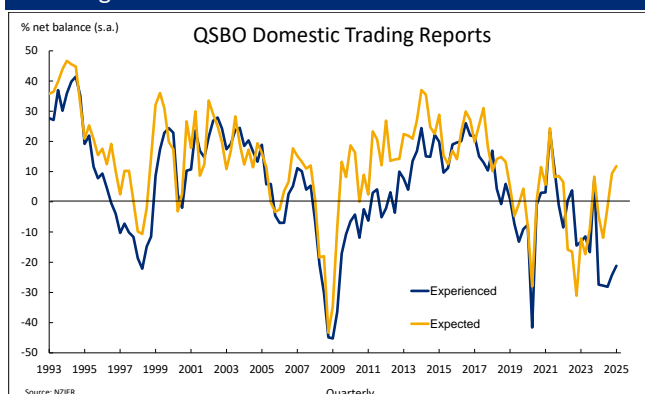
Our expenditure estimate for GDP sits at a comparatively softer 0.5%.

With lots of noise in the GDP component indicators, a top-down look is worth a look too. However, there isn't much clarity there. The Q1 QSBO reported activity was very weak, but expected activity was positive. And in the labour market, while employment managed to eke out a small gain in Q1, HLFS hours worked, QES filled jobs and paid hours all declined. That is partly why we had generally softer service sector activity expectations than was reflected in today's selected services data.

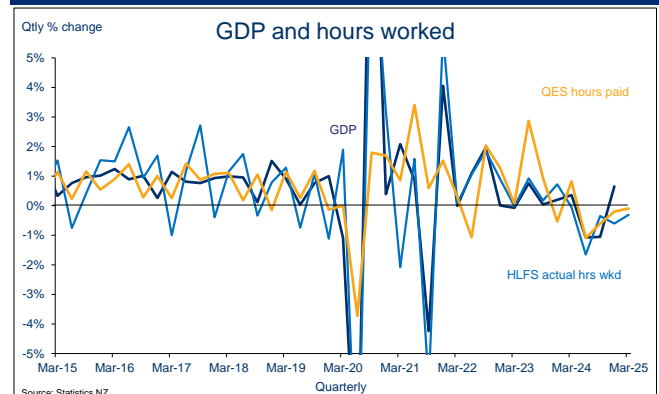
Incidentally, RBNZ Chief Economist Conway talked about the weak labour market in an interview this morning. Describing it as 'definitely in a hole' and the market may be softer than the unemployment rate suggests. We thought the same at the time. The sentiment, and Conway's other comments, were in line with the May MPS. We took no new signal from his comments for near term policy.

The PSI/PMI activity indicator hasn't been outright strong this year, but it has shown some trend improvement from last year and indicates a moderate gain in Q1 GDP.

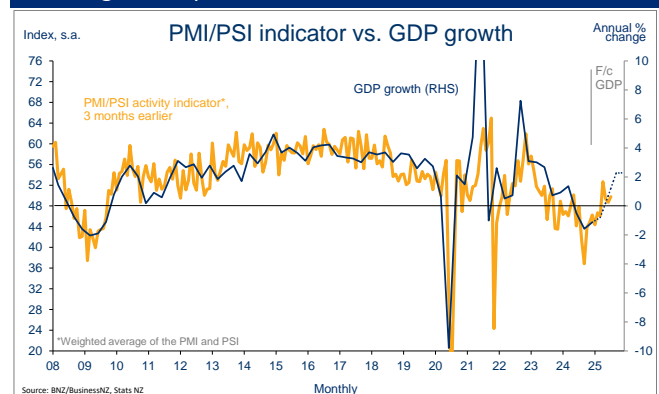
Mixed signals



Less labour input



Further gains required



At the same time, the PMI/PSI needs to lift further to be consistent with our near 2% annual economic growth forecast for this year. May's PMI is due for release on Friday, while the PSI is out next Monday.

The PMI overall has been perky so far this year and remained so in April, at 53.9. Something similar in May would support the notion of manufacturing making a positive contribution to Q2 GDP growth. If so, it would be worth paying attention to given the PMI's lead to today's better looking manufacturing data for Q1.

In contrast, the PSI has been weak overall and sub-50 for three consecutive months, including April's 48.5. This is indicative of the service sector struggling for traction heading into Q2.

Other indicators due this week include:

- May's electronic card transactions on Thursday. These will be difficult to interpret as they follow a holiday-distorted April. Indicators look more positive than negative for May. Any lack of increase following four consecutive monthly declines in total transaction values would suggest downside risk to our estimate for Q2 retail sales and broader household spending. That is important to monitor in the context of Q1 spending looking stronger than the RBNZ expected.
- April's tourist arrivals data are due on Wednesday. Timing of holidays this year will see April's short term visitor numbers significantly higher than last year. But even with an increase in the order of, say 19% y/y,

visitor numbers are expected to remain well below pre-covid levels.

- April's migration figures are released at the same time as the tourism data. We look for more evidence of annual net inflows stabilising and will be interested to see whether the upward trend in the recent month-to-month data continues and/or are materially altered by revisions.

We may also see May's REINZ housing report before the week is done, if not, then next week. Sales activity looked

solid in May. The REINZ house price index often dips in May, but if this year's dip isn't too large there is a reasonable chance the index prints above year earlier levels for the first time since July last year.

On Friday, the RBNZ's GDP nowcast, KiwiGDP, will provide its latest weekly take on estimating Q1 GDP growth following all the partial indicators. It sat at 0.5% (rounded) last week.

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Global Watch

- Focus still on tariff/trade developments
- Core measures for US CPI and PPI seen at 0.3% m/m
- UK labour market data due
- Plenty of ECB speakers

Week in Review

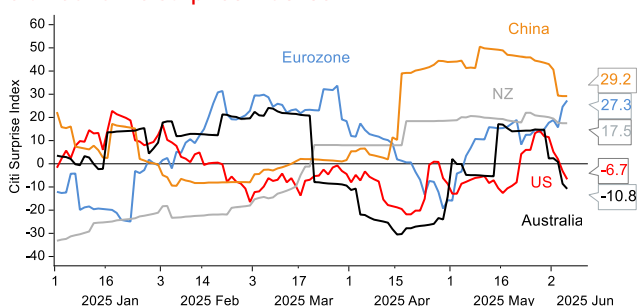
The ECB cut 25bp as expected, but the accompanying commentary leant hawkish and European bonds underperformed. President Lagarde made a point of saying the ECB is 'getting to the end of a policy cycle'. Our colleagues at NAB see one further cut to 1.75% in Sep after a Jul pause.

In Australia, GDP data came in softer than the RBA pencilled in as public demand turned to a headwind in the quarter. GDP rose 0.2% q/q and 1.3% y/y supported by private demand. NAB's assessment remains that growth has not picked up as quickly as expected 6 months ago. Importantly, underlying consumption rose by just 0.2% q/q and will need to strengthen further for overall growth to return to trend. Recent data flow support NAB's view that monetary policy needs to move back to neutral settings of around 3.1% reasonably expeditiously to support what is an only fragile consumer recovery and sustain healthy labour market outcomes. NAB expect cuts in July, August and November.

Week Ahead

Across the globe it is a relatively quiet with most focus still on tariff/trade developments with the US' self-imposed 9 July deadline nearing. Note the US Fed is in blackout, leaving data and headlines to drive. It is also worth noting that over the past few weeks the data flow has picked up relative to expectations in Europe, China and NZ. However, it has turned lower in the US and Australia.

Citi Economic Surprise Indexes*



* The surprise indices measure data surprises relative to market expectations. A positive reading that data releases have been stronger than expected and a negative reading means that data releases have been worse than expected.
Source: National Australia Bank, Macrobond

In the US, the CPI (Wednesday) and PPI (Thursday) will be closely watched for tariff impacts. Retailer anecdotes suggested price increases from mid-May. Whether that is too early to be captured by May data is unclear, and it

could be we have to wait until June to see a greater tariff impact. This will be the last CPI report before the Fed's June FOMC Meeting (19 June). Elsewhere Jobless Claims (Thursday) will garner scrutiny following their greater than expected rise last week. On the bond auction front, the US has \$39bn of 10yr (Wednesday) and \$22yr of 30yr (Thursday).

Across the pond in the Eurozone, it is quiet with no top-tier data apart from the ECB Wage Tracker (Wednesday). A smattering of ECB speakers too, but unlikely to shift thoughts given President Lagarde's recent press conference. The UK though has some important data flow, including Earnings/Unemployment (Tuesday), Monthly GDP (Thursday) and the Chancellor's Spending Review (Wednesday).

In China, the Trade Balance, CPI and PPI (all Monday) will be watched closely for trade impacts and to confirm the disinflationary impulse coming from China due to trade tensions. Aggregate Financing figures are also out anytime in the week. Japan has little in the way of top-tier data.

In Australia, a quiet start with a Monday Public Holiday across all states except for QLD and WA. The NAB Business Survey and the WBC Consumer Sentiment Survey (both Tuesday) are the highlights in what is also a quiet week for data. On the RBA front, the head of domestic markets speaks on "Australia's Bond Market in a Volatile World".

Selected Economic Events Preview

Monday 9

AU Public Holiday in NSW, VIC

JN Final-Q1 GDP, Trade (Apr), Eco Watchers Survey

CH Trade Balance (May), CPI (May), PPI (May)

China's Trade Balance is under focus to see the extent of the impact of US-China trade tensions. Last month saw China's exports to the US fall -21% y/y in April, though overall export growth rose 8.1% y/y. Exports to ASEAN rose strongly and China has been exporting more in a trend sense to not only ASEAN, but also Latin America and Africa. Consensus looks for export growth of 6.0% y/y and for imports -0.8% y/y.

Also important will be the CPI and PPI, with the PMIs to date suggesting tariff dynamics are on net disinflationary. Consensus for PPI is for greater deflation of -3.2% y/y from -2.7%.

US NY Fed Inflation Expectations (May)

Tuesday 10**AU NAB Business Survey, WBC Consumer Confidence**

No hints here on the Business Survey (May) given NAB publish it. Trends in the survey have pointed to some easing in capacity utilisation, while profitability and margins have been challenged amid elevated cost growth.

WBC-MI Consumer Confidence (June) will be under focus given the recent softness seen in April data for Retail Trade (-0.1% m/m) and the Household Spending Indicator (+0.1% m/m). No consensus, last month saw a 2.2% rise.

UK Jobless Claims, Unemployment, Earnings

ONS headline regular (non-bonus) wages for the private sector eased to 5.6% 3m y/y in March and are expected to ease slightly further in April. But that rate remains too high for some BoE MPC members given rising inflation risks. Markets will also be watching for any tick higher in the 4.5% unemployment rate with the BoE forecasting 4.75% for 2025.

US NFIB Survey (May)**Wednesday 11****EZ ECB Wage Tracker****UK Govt. Spending Review**

UK Chancellor Rachel Reeves will outline how much key government departments such as Defence, Housing, and the NHS will get as well as major project spending.

US CPI (May), 10yr Auction (\$39bn)

All eyes on tariff pass through to consumer prices amid retailer anecdotes of price changes from the middle of May. Whether that is too early for CPI for May to reflect or whether we will have to wait for June is uncertain. Consensus looks for Core CPI at 0.3% m/m from 0.2%, bringing the y/y rate to 2.9% from 2.8%.

Thursday 12**AU RBA speech (Jacobs)**

RBA's head of domestic markets gives a speech titled: "Australia's Bond Market in a Volatile World" at the Australian Government Fixed Income Forum in Tokyo.

UK Monthly GDP (Apr), Industrial Production**US PPI (May), Jobless Claims, 30yr Auction (\$22bn)**

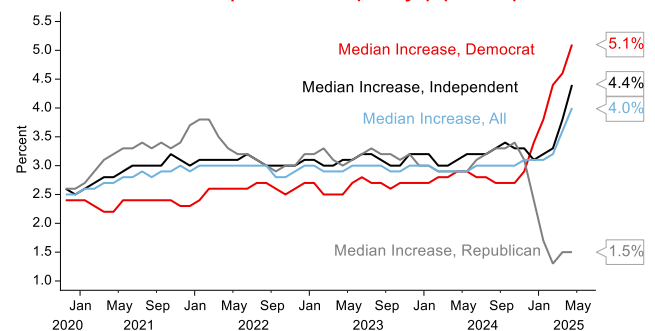
The PPI will be watched closely for tariff impacts, as well as for the relevant categories that are used as an input into the Fed's preferred Core PCE measure. Consensus is for Core PPI to rise 0.3% m/m.

Meanwhile Jobless Claims will be closely watched given the greater than expected rise to 247k, though seasonal adjustment for Memorial Day could have been a factor.

The 30yr bond auction will also be under focus given uncertainty around demand for such lengthy tenors globally.

Friday 13**JN Industrial Production****US Uni. Michigan Consumer Confidence**

Caution remains in how much signal should be taken from the University of Michigan Survey given the political polarisation seen in both the confidence and inflation expectation figures.

Uni Mich. Inflation Expectations (5-10yr) (3mma)

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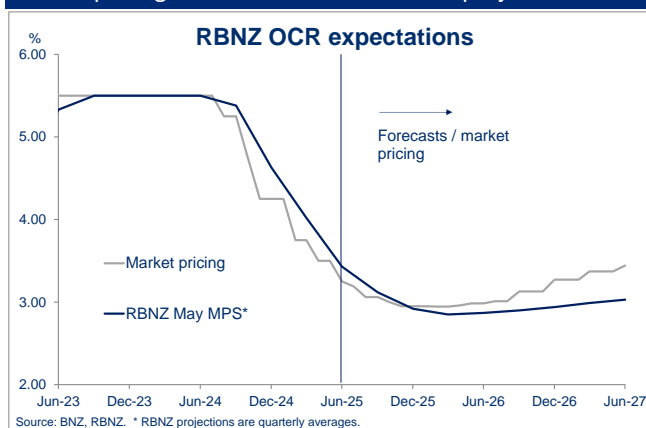
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ front end swap rates are in the process of finding the topside of the range, after the positioning driven move higher following the Monetary Policy Statement (MPS). 2-year rates peaked at 3.35%, 20bp above the level that prevailed ahead of the MPS, and retraced last week with limited domestic data to provide the market with direction. Market pricing for the terminal Official Cash Rate (OCR) is 2.95%, 10bp above pre-MPS levels.

Higher frequency activity indicators, including the manufacturing PMI and electronic card transactions, will be monitored in the week ahead, set against the backdrop of a still subdued economic recovery. The market is pricing a ~25% chance of a 25bp cut at the 9 July Policy Review. Our baseline forecast is for the Bank to reduce the OCR by a further 25bp next month, and the probability implied by the Overnight Index Swap market appears too low.

Market pricing and RBNZ's modelled OCR projection



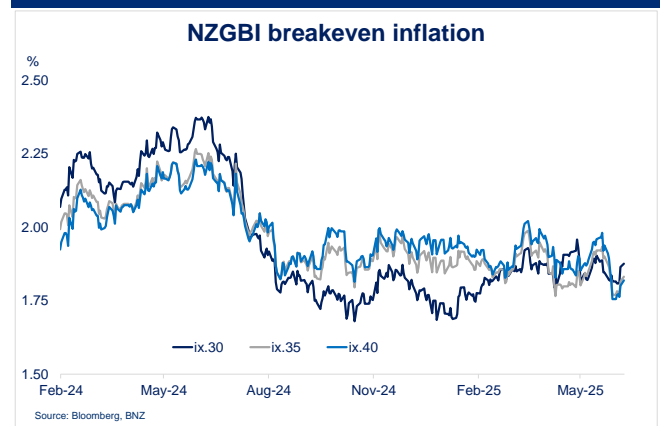
10-year NZ government bonds (NZGB) had a large underperformance relative to swaps over the past week. Bonds had previously been supported by month end demand related to the FTSE World Government Bond Index rebalancing. 10-year NZGB swap spreads had increased towards -40bp into month end, which has been the top end of the trading range through this year and then reversed sharply lower to -50bp. We think 10-year spreads are likely to be range bound in coming weeks.

NZGBs also underperformed on a cross-market basis against Australia. The 10-year NZGB-ACGB spread has widened to 35bp, equalling the 2025 high reached in April, amid the market volatility surrounding 'liberation day'. The 10-year NZGB-ACGB spread appears too high, based on the pricing for the relative central bank policy rates, suggesting the prospect of a tactical narrowing in the near term.

10-year NZGBs offer a ~100bp annualised yield pickup to ACGBs on an FX hedged basis, and relatively high real yields, supporting the case to fade the recent spread widening.

The inflation-indexed-bond (IIB) market has attracted greater attention from investors since NZ Debt Management indicated a new 2050 maturity linker will be syndicated in the 2025/26 fiscal year. The initial announcement, alongside the Budget in May, contributed to a cheapening in long end breakeven inflation (BEI), as the market looks ahead to the supply.

NZ breakeven inflation



BEIs in the 10- to 15-year curve segment fell towards the lowest level in several years during last week, and appear cheap relative to the RBNZ's inflation target, though this also reflects a liquidity premium given the smaller set of investors active in IIBs. We expect the long end BEIs will maintain a premium for the upcoming supply. 5-year BEIs appears to offer some value down towards the recent 1.80% low, with headline CPI forecast to remain in the top end of the central bank's band through this year.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.32	3.27 - 3.38
NZ 2yr swap (%)	3.31	3.08 - 3.37
NZ 5yr swap (%)	3.69	3.45 - 3.76
NZ 10yr swap (%)	4.20	3.97 - 4.25
2s10s swap curve (bps)	89	85 - 99
NZ 10yr swap-govt (bps)	-47	-53 - -42
NZ 10yr govt (%)	4.67	4.54 - 4.68
US 10yr govt (%)	4.51	4.31 - 4.62
NZ-US 10yr (bps)	16	7 - 23
NZ-AU 2yr swap (bps)	0	-33 - 7
NZ-AU 10yr govt (bps)	40	11 - 40

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZFWFDS Bloomberg pg BNZ9

Last week, NZD/USD rose 0.8% to 0.6015, after trading at a fresh 2025 high of 0.6080. This was against a backdrop of broad USD weakness, although the yen was the weakest of the majors and NZD/JPY rose nearly 1½% to just over 87. Other NZD cross movements were modest, with NZD/AUD tracking sideways and small gains against GBP and EUR.

The NZD and AUD outperformed last week in the aftermath of Trump doubling steel and aluminium tariffs to 50%, and support from some mixed US economic data and a détente in the US-China trade war. After some concerns about the progression of US-China trade talks, Presidents Trump and Xi spoke on the phone and agreed to get their respective teams to return to talks. US and Chinese teams will resume trade talks in London today. China has granted temporary export licences to rare-earth suppliers of the top three US automakers.

US economic data were mixed but mostly weighted towards activity being weaker than expected. These included a fall in the ISM services index, soft ADP private payrolls and the highest initial jobless claims since October. There was some relief at the end of the week when the employment report signalled ongoing resilience in the labour market, with the level of non-farm payrolls only slightly weaker than expected, after including downward revisions, and the unemployment rate steady at 4.2%.

In terms of the performance of the NZD, a fresh 2025 high of 0.6080 was traded Thursday night and it made its first weekly close above 0.60 since October last year. The AUD traded a fresh 2025 high of 0.6538, and it hasn't sustained a move above 0.65 this year, with a weekly close of 0.6490. While both currencies are near the top of their respective ranges since mid-April, it is too early to suggest that this phase of consolidation is over.

A key date ahead is 9-July (US time), the end of the 90-day pause in reciprocal tariffs. Ahead of that we will be closely watching US-China trade talks and any US trade deal announcements with other nations. So far, only the UK has signed a US trade deal (strictly speaking, a trade framework that addresses specific trade barriers and sets the stage for further negotiations), and there has been no updated progress on how other trade talks are progressing. The lack of deals is conspicuous by their absence.

Meanwhile, there are regular news stories of fund managers around the world re-weighting their portfolios, reducing exposures to US assets and increasing hedging ratios to reduce exposure to the USD.

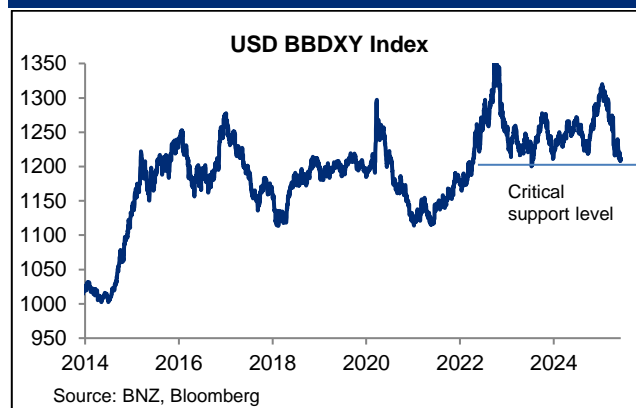
Furthermore, getting some market attention recently has been Section 899 of Trump's "One big, beautiful bill", which imposes taxes on passive income deriving from foreign ownership of US assets on countries that have enacted "unfair foreign taxes". If passed, and if the tax ends up applying to income from US Treasuries as well as dividends from equities, then that would send alarm bells for holders of US assets.

Money flows out of US assets, and hedging against potential USD losses, form part of our narrative that the USD can grind lower, easing the path towards NZD/USD reaching our year-end target of 0.65. Still, around that view there could well be hiccups along the way, and we are not expecting the direction of travel to be in a straight line.

The chart below shows the Bloomberg dollar index and how the USD is currently near a critical support level. Other dollar indices convey a similar message. Further broad USD weakness would ease the path towards a much larger downward correction.

The economic calendar in the week ahead is light, with the top-tier releases being US CPI and PPI data and UK labour market data. It is still too early to see the impact of the tariffs in terms of higher US inflation. Market focus will be directed more towards trade negotiations.

USD index approaches a critical support level



Cross Rates and Recent Ranges

	Current	Last 3-weeks range*
NZD/USD	0.6017	0.5890 - 0.6080
NZD/AUD	0.9266	0.9180 - 0.9320
NZD/GBP	0.4448	0.4390 - 0.4470
NZD/EUR	0.5279	0.5220 - 0.5310
NZD/JPY	87.18	84.60 - 87.30

*Indicative range over last 3 weeks, rounded figures

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Technicals

NZD/USD

Outlook: Upside Risk
 ST Resistance: 0.62 (ahead of 0.6380)
 ST Support: 0.5820 (ahead of 0.55)

No change. With resistance of 0.6030 recently broken the next key level is around 0.62. The 0.55 mark remains the key support level, but some earlier support might come around 0.5820.



NZD/AUD

Outlook: Trading range
 ST Resistance: 0.9390 (ahead of 0.9470)
 ST Support: 0.9070 (ahead of 0.8950)

No change, with initial support and resistance levels at 0.9070/0.9390.



NZ 5-year Swap Rate

Outlook: Neutral
 ST Resistance: 3.85
 ST Support: 3.47

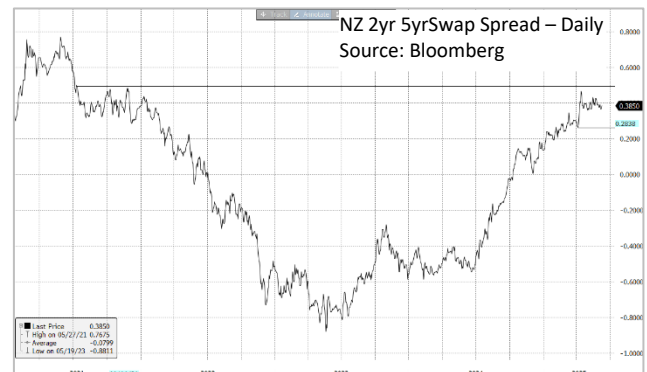
5-year swap opened this week unchanged on the previous week. We remain neutral towards the middle of the range.



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

Outlook: Neutral
 ST Resistance: 0.50
 ST Support: 0.25

2x5 year swap spread is roughly flat to last week's level. We remain neutral.



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Quarterly Forecasts

Forecasts as at 9 June 2025

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
GDP (production s.a.)	0.7	0.7	0.4	0.5	0.7	0.8	0.8	0.6	0.6	0.5
Retail trade (real s.a.)	1.0	0.8	0.6	1.0	1.2	1.1	0.9	0.8	0.7	0.7
Current account (ann, % GDP)	-6.2	-5.7	-5.0	-4.6	-4.3	-4.1	-4.2	-4.4	-4.5	-4.4
CPI (q/q)	0.5	0.9	0.6	0.7	0.4	0.5	0.4	0.4	0.3	0.7
Employment	-0.2	0.1	0.0	0.3	0.6	0.7	0.7	0.6	0.5	0.5
Unemployment rate %	5.1	5.1	5.2	5.3	5.3	5.2	5.1	4.9	4.9	4.9
Pr. avg hourly earnings (ann %)	4.0	3.8	3.5	3.0	2.3	3.0	3.1	3.2	3.4	3.3
Trading partner GDP (ann %)	3.2	3.1	2.5	2.3	2.2	2.5	2.6	2.6	2.7	2.8
CPI (y/y)	2.2	2.5	2.8	2.8	2.6	2.2	2.0	1.8	1.7	1.9
GDP (production s.a., y/y)	-1.1	-0.8	0.7	2.3	2.3	2.4	2.8	3.0	2.9	2.6

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
Forecasts										
Jun	3.25	3.00	3.60	4.60	3.00	3.40	4.20	4.35	4.40	0.20
Sep	2.75	2.90	3.60	4.50	3.00	3.40	4.10	4.10	4.30	0.20
Dec	2.75	2.90	3.65	4.45	3.15	3.50	4.10	3.70	4.25	0.20
2026 Mar	2.75	2.90	3.75	4.35	3.40	3.60	4.00	3.60	4.10	0.25
Jun	2.75	2.90	3.90	4.25	3.70	3.80	3.95	3.45	4.00	0.25
Sep	2.75	3.30	4.00	4.30	3.95	4.00	4.10	3.20	4.00	0.30
Dec	3.25	3.55	4.05	4.30	4.10	4.10	4.15	3.10	4.00	0.30

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.60	0.65	1.14	1.35	145
Jun-25	0.61	0.66	1.18	1.37	138
Sep-25	0.63	0.68	1.24	1.43	130
Dec-25	0.65	0.70	1.23	1.41	125
Mar-26	0.65	0.70	1.23	1.41	125
Jun-26	0.68	0.73	1.26	1.45	119
Sep-26	0.68	0.73	1.27	1.46	118
Dec-26	0.68	0.73	1.28	1.47	117
Mar-27	0.69	0.74	1.26	1.45	116

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.60	0.93	0.53	0.44	87.1	69.6
Jun-25	0.61	0.92	0.52	0.45	84.2	70.3
Sep-25	0.63	0.93	0.51	0.44	81.9	71.2
Dec-25	0.65	0.93	0.53	0.46	81.3	72.5
Mar-26	0.65	0.93	0.53	0.46	81.3	72.5
Jun-26	0.68	0.93	0.54	0.47	80.9	74.1
Sep-26	0.68	0.93	0.54	0.47	80.2	73.9
Dec-26	0.68	0.93	0.53	0.46	79.6	73.7
Mar-27	0.69	0.93	0.55	0.48	80.0	74.6

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 9 June 2025	March Years					December Years				
	Actuals		2025	2026	2027	Actuals		2025	2026	
	2023	2024				2022	2023			
GDP - annual average % change										
Private Consumption	3.4	1.0	0.3	2.5	2.8	4.2	1.0	0.2	1.9	2.9
Government Consumption	2.7	2.0	-0.9	-0.8	-0.1	5.2	0.8	0.0	-0.7	-0.4
Total Investment	3.3	-1.1	-5.0	0.2	6.5	4.2	-0.1	-4.6	-2.1	6.3
Stocks - ppts cont'n to growth	0.3	-1.6	0.4	0.6	0.1	0.0	-1.4	0.2	0.5	0.2
GNE	3.7	-0.9	-0.5	2.2	3.2	4.5	-0.8	-0.8	1.5	3.3
Exports	5.6	8.6	2.6	2.5	3.9	-0.8	11.4	4.2	2.4	3.7
Imports	4.4	-1.3	2.3	3.7	4.9	4.6	-0.6	2.4	2.7	5.0
Real Expenditure GDP	3.9	1.4	-0.6	1.8	2.8	3.2	1.9	-0.1	1.1	2.8
GDP (production)	3.5	1.4	-1.0	1.9	2.8	2.9	1.8	-0.5	1.1	2.8
<i>GDP - annual % change (q/q)</i>	<i>3.0</i>	<i>1.4</i>	<i>-0.8</i>	<i>2.4</i>	<i>2.6</i>	<i>3.1</i>	<i>0.9</i>	<i>-1.1</i>	<i>2.3</i>	<i>2.9</i>
Output Gap (ann avg, % dev)	2.0	1.0	-1.1	-0.8	0.0	1.9	1.2	-0.6	-1.0	-0.1
Nominal Expenditure GDP - \$bn	394	418	430	451	473	386	413	427	445	468
Prices and Employment - annual % change										
CPI	6.7	4.0	2.5	2.2	1.9	7.2	4.7	2.2	2.6	1.7
Employment	3.1	1.0	-0.7	1.6	2.3	1.7	2.8	-1.2	1.0	2.5
Unemployment Rate %	3.4	4.4	5.1	5.2	4.9	3.4	4.0	5.1	5.3	4.9
Wages - ave. hr. ord. time earnings (private sector)	8.2	4.8	3.8	3.0	3.3	8.1	6.6	4.0	2.3	3.4
Productivity (ann av %)	1.3	-1.1	-0.1	1.7	0.4	0.7	-1.2	-0.1	1.6	0.5
Unit Labour Costs (ann av %)	5.7	7.1	4.6	1.9	2.9	6.0	7.6	4.9	2.4	2.7
House Prices (stratified, qtr)	-12.8	2.8	-0.6	7.0	5.4	-13.8	0.6	-0.9	6.8	6.1
External Balance										
Current Account - \$bn	-33.8	-27.6	-24.7	-18.5	-21.0	-35.6	-28.6	-26.4	-19.2	-20.9
Current Account - % of GDP	-8.6	-6.6	-5.7	-4.1	-4.4	-9.2	-6.9	-6.2	-4.3	-4.5
Government Accounts - June Yr, % of GDP										
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-1.8	-2.1	-2.3	-2.6	-1.7					
Net Core Crown Debt (ex NZS) (Treasury forecasts)	38.7	41.7	42.7	43.9	45.7					
Bond Programme - \$bn (Treasury forecasts)	28.0	39.3	43.0	38.0	36.0					
Bond Programme - % of GDP	7.1	9.4	10.0	8.4	7.6					
Financial Variables ⁽¹⁾										
NZD/USD	0.62	0.61	0.57	0.67	0.69	0.63	0.62	0.57	0.65	0.68
USD/JPY	134	150	149	120	116	135	144	154	125	117
EUR/USD	1.07	1.09	1.08	1.25	1.26	1.06	1.09	1.05	1.23	1.28
NZD/AUD	0.93	0.93	0.91	0.93	0.93	0.94	0.93	0.91	0.93	0.93
NZD/GBP	0.51	0.48	0.44	0.47	0.48	0.52	0.49	0.45	0.46	0.46
NZD/EUR	0.58	0.56	0.53	0.54	0.55	0.60	0.57	0.55	0.53	0.53
NZD/YEN	83.0	91.1	85.4	80.4	80.0	85.6	89.5	88.4	81.3	79.6
TWI	71.0	71.2	67.9	73.6	74.6	72.9	72.0	68.5	72.5	73.7
Overnight Cash Rate (end qtr)	4.75	5.50	3.75	2.75	3.50	4.25	5.50	4.25	2.75	3.25
90-day Bank Bill Rate	5.16	5.64	3.60	2.90	4.05	4.55	5.63	4.26	2.90	3.55
5-year Govt Bond	4.40	4.60	4.00	3.75	4.05	4.30	4.50	3.90	3.65	4.05
10-year Govt Bond	4.35	4.60	4.50	4.35	4.30	4.25	4.65	4.45	4.45	4.30
2-year Swap	5.15	4.91	3.35	3.40	4.15	5.21	4.93	3.53	3.15	4.10
5-year Swap	4.50	4.40	3.65	3.60	4.15	4.62	4.43	3.63	3.50	4.10
US 10-year Bonds	3.65	4.20	4.25	4.10	4.00	3.60	4.00	4.40	4.25	4.00
NZ-US 10-year Spread	0.70	0.40	0.25	0.25	0.30	0.65	0.65	0.05	0.20	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 09 June				US	CPI Ex Food and Energy YoY May	2.90%	2.80%
CH	PPI YoY May	-3.20%	-2.70%	NZ	Card Spending Total MoM May		-0.20%
CH	CPI YoY May	-0.20%	-0.10%	UK	Monthly GDP (MoM) Apr	-0.10%	0.20%
CH	Exports YoY May	6.00%	8.10%	UK	Industrial Production MoM Apr	-0.50%	-0.70%
CH	Imports YoY May	-0.80%	-0.20%	UK	Manufacturing Production MoM Apr	-0.70%	-0.80%
JN	Eco Watchers Survey Outlook SA May	44	42.7	UK	Trade Balance GBP/Mn Apr	-£4500m	-£3696m
EC	ECB's Elderson Speaks			AU	RBA's Jacobs Speaks		
Tuesday 10 June				Friday 13 June			
EC	ECB's Escriva, Villeroy & Others Speak			EC	ECB's Guindos & Schnabel Speak		
US	Wholesale Trade Sales MoM Apr	0.20%	0.60%	US	PPI Ex Food and Energy MoM May	0.30%	-0.40%
US	NY Fed 1-Yr Inflation Expectations May		3.63%	US	PPI Ex Food and Energy YoY May	3.10%	3.10%
UK	BRC Sales Like-For-Like YoY May	2.60%	6.80%	US	Initial Jobless Claims 7 June	241k	247k
AU	Westpac Consumer Conf SA MoM Jun		2.20%	US	Continuing Claims 31 May	1910k	1904k
AU	NAB Business Confidence May		-1	NZ	BusinessNZ Manufacturing PMI May		53.9
UK	Private Earnings ex-Bonus 3M/YoY Apr	5.30%	5.60%	US	S&P Global, KPMG and REC UK Report on Jobs		
UK	ILO Unemployment Rate 3Mths Apr	4.60%	4.50%	JN	Industrial Production MoM Apr F		-0.90%
UK	Payrolled Employees Monthly Change May	-25k	-33k	GE	CPI YoY May F	2.10%	2.10%
EC	Sentix Investor Confidence Jun	-5.5	-8.1	UK	BoE/Ipsos Inflation Next 12 Mths May		3.40%
US	NFIB Small Business Optimism May	95.8	95.8	EC	Trade Balance SA Apr	20.0b	27.9b
Wednesday 11 June				EC	Industrial Production SA MoM Apr	-1.60%	2.60%
NZ	Net Migration SA Apr		2480	Saturday 14 June			
EC	ECB Wage Tracker (TBC)			US	U. of Mich. Sentiment Jun P	53.5	52.2
EC	ECB's Lane Speaks			US	U. of Mich. 1 Yr Inflation Jun P	6.50%	6.60%
Thursday 12 June				US	U. of Mich. 5-10 Yr Inflation Jun P	4.20%	4.20%
EC	ECB's Cipollone, Schnabel & Others Speak			EC	ECB's Escriva Speaks		
US	CPI Ex Food and Energy MoM May	0.30%	0.20%				

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS					SWAP RATES				
Call	3.25	3.25	3.50	5.50	2 years	3.30	3.29	3.13	5.08
1mth	3.36	3.36	3.50	5.60	3 years	3.42	3.42	3.25	4.81
2mth	3.34	3.34	3.44	5.61	4 years	3.56	3.54	3.38	4.66
3mth	3.32	3.32	3.37	5.62	5 years	3.69	3.67	3.51	4.59
6mth	3.26	3.29	3.23	5.62	10 years	4.19	4.14	4.03	4.62
GOVERNMENT STOCK					FOREIGN EXCHANGE				
04/27	3.41	3.43	3.28	4.73	NZD/USD	0.6020	0.6035	0.5855	0.6128
05/30	3.95	3.96	3.87	4.59	NZD/AUD	0.9267	0.9290	0.9189	0.9271
05/32	4.30	4.29	4.25	4.67	NZD/JPY	87.14	86.11	86.92	96.23
05/35	4.62	4.56	4.55	4.78	NZD/EUR	0.5281	0.5275	0.5281	0.5692
04/37	4.83	4.77	4.77	4.88	NZD/GBP	0.4448	0.4456	0.4443	0.4814
05/41	5.08	5.03	5.01	4.99	NZD/CAD	0.8246	0.8275	0.8182	0.8431
05/54	5.32	5.26	5.23	5.03	TWI	69.6	69.6	68.9	72.2
GLOBAL CREDIT INDICES (ITRXX)									
Nth America 5Y	54	55	55	50					
Europe 5Y	56	58	58	53					

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