Research

Markets Outlook

23 June 2025

Tensions and Trade

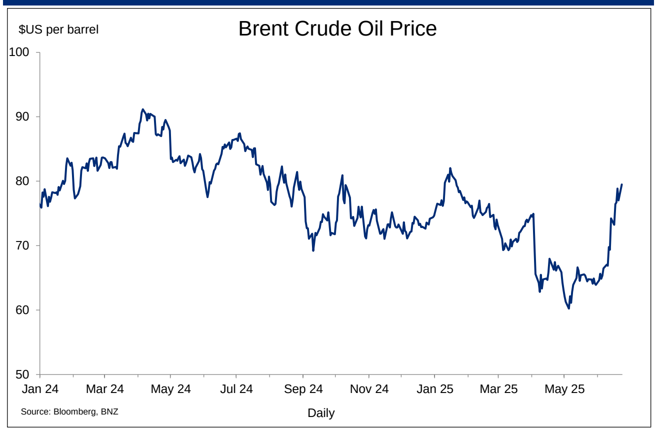
• Exports driving trade balance aggressively narrower
• Middle East tension in focus
• Oil prices higher, but within range of past year
• Risk to inflation, terms of trade, growth
• Q2 growth already struggling, an offset to Q1

There has been further escalation in Middle East tension over the weekend. The US bombed Iranian nuclear facilities, in what the UN Secretary-General described as a dangerous escalation in a region already on the edge – and a direct threat to international peace and security.

The global economy is already fragile. Trump's 'reciprocal' tariff pause is due to expire early next month. And now we have additional military tension. While it is difficult to know what happens next in the Middle East, immediate consequences of more uncertainty have markets braced for risk off and higher oil prices.

Brent crude oil prices closed last week around $US77 bbl, about 16% higher than before Israel attacked Iran. A further knee-jerk higher toward US$80 bbl occurred this morning, with attention on the Strait of Hormuz and the threat of its closure.

Higher



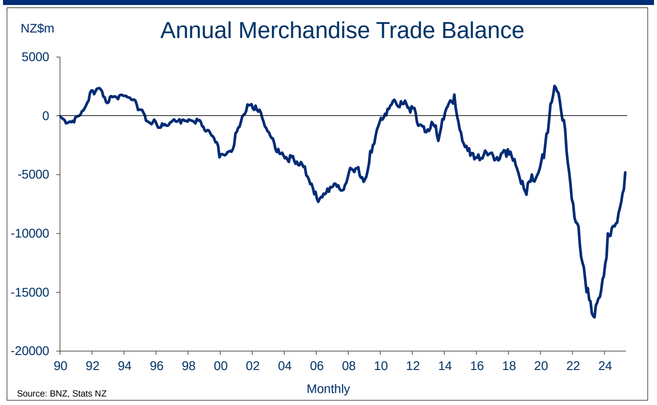
For NZ, if the oil price lift were to persist or extend, it threatens a lift in the cost of imports, a hit to the terms of trade, and trade balance. It would put upward pressure on inflation and potentially inflation expectations. This could heighted the chance that the RBNZ opts to hold. None of which would be good for growth. The risks need to be monitored carefully.

Domestically, after last week's data torrent, it is barely a trickle this week covering merchandise trade, consumer confidence, and new residential lending.

On Wednesday, merchandise trade figures are expected to highlight the improvement in the external accounts to May. We forecast the annual trade deficit to narrow to around $3.8b. That would be smaller than the $4.8b annual deficit in the previous month and significantly reduced from the $17.1b peak of two years earlier.

This rapid narrowing in the annual trade deficit has been driven by strength in export prices, along with some lift in volumes. Dairy, meat, and horticulture produce like kiwifruit have been tracking well above year earlier levels. We expect more of the same in May, with strong export growth in the month compared to a year ago.

Trade deficit narrowly rapidly

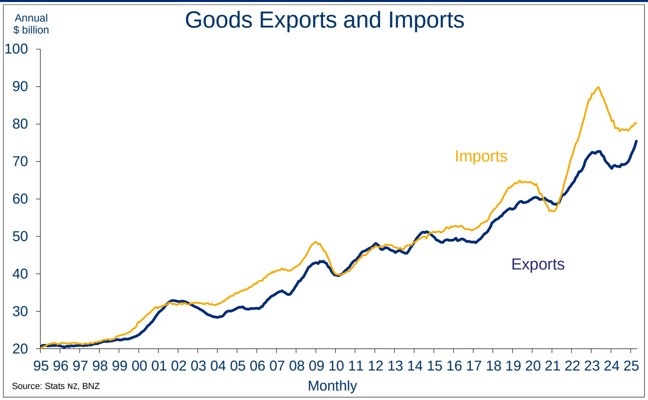


Import growth in May is expected to be comparatively more subdued, reflecting what looks to have been generally timid domestic demand conditions.

The general strength in export values is heavily associated with current revenues flowing to many rural areas. Some focus is on how much and when the stronger cashflows to the primary sector might feed through into the wider economy. We continue to see signs of primary producers exercising a variety of options in this regard.

Recent farm saving and spending indicators suggest many farmers are opting to reduce debt and build savings. While this may lessen the short-term economic impulse from this season's higher revenue, it would seem a prudent approach to managing income volatility and significant uncertainty offshore that adds to resilience should the commodity cycle turn down.

Exports lift

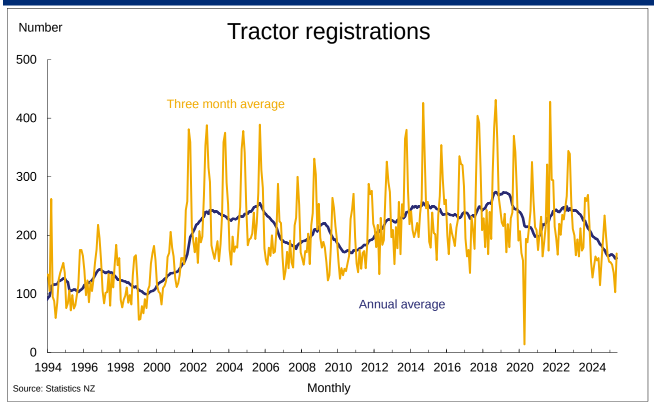


There are clear signs of debt repayment taking place, with agriculture debt around 1.5% lower than a year ago. There are also signs of rebuilding buffers, with agriculture deposits rising 6.2% over the past 12 months.

There are also indications of farmers lifting spending. Higher export returns, positive confidence, and new depreciation rules are likely to support farm spending ahead, but data to date suggest caution is being exercised.

Take tractor registrations for example. The 160 monthly average registrations in the year to April 2025 was the lowest 12-month total since 2001. But there appears to be a turn occurring. Tractor registrations in May rose above year earlier levels. And we have heard plenty of anecdotes of increased farmer expenditure, and attendees seemed chipper at the recent National Fieldays. But it is important to put any increases in the context of recent history.

Farm spending coming off a low base



Similar uplifts off low base stories exist for the likes of operating expenses, fertiliser import volumes, the number of farm sales, and farm building consents. Encouragingly, most farm spending indicators we monitor are starting to nudge above year earlier levels.

Recall that price driven increases in export revenues are removed for real economic growth calculations. The impact of commodity price strength on real GDP is an indirect one, effectively when the higher nominal incomes are spent. Signs of increased spending is a positive for growth.

A higher ratio of export prices to import prices (the terms of trade) along with the lagged effect of lower interest rates are two important factors why we still see the economy managing some growth this year.

Last week's GDP data confirmed decent growth in the first quarter of the year. But timely indicators suggest there has been a sharp slowdown since then. The economy looks to have struggled to grow at all in Q2. One concerning aspect of the indicated growth slowdown is that it is happening despite the positive tailwinds from higher export income and the lagged influence of lower interest rates.

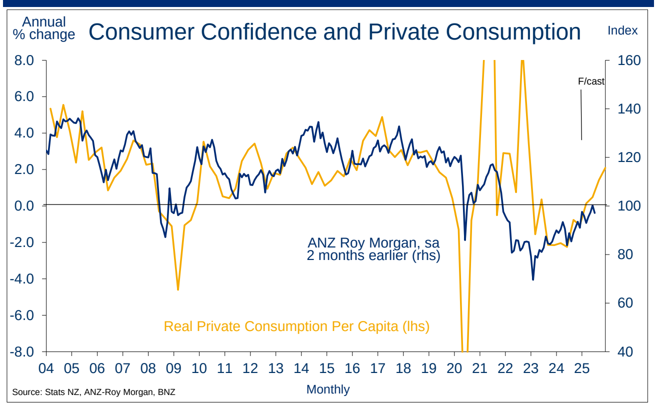
This trajectory is important to monitor, along with its implication for a heavily negative output gap and influence on core inflation over the medium term. Q2 looks like undershooting RBNZ expectations. Factoring that in with last week's Q1 upside surprise to the Bank, along with downward revisions, the level of GDP in Q2 is close to the RBNZ's May projections.

A critical part of monitoring the economy's trajectory and pressure on resources will be in upcoming confidence surveys, chiefly the QSBO on 1 July. But also, the ANZ's business confidence survey on 30 June and consumer confidence this Friday (27 June).

Friday's ANZ-RM consumer confidence is for June. The index was 92.9 in May. Based on historical relationships, confidence needs to lift substantially over coming months to be consistent with the pickup in household spending we forecast later this year. Consumers' inflation expectations will also be worth a look. Last month they halted a prior run upwards in edging down to 4.6% from 4.7%. Consumer inflation expectations tend to be biased upward and are volatile, but the RBNZ keeps an eye on them, thus so do we.

The only other data out this week is new residential lending for May on Friday afternoon. They look likely to remain firmly above year earlier levels, consistent with reasonable turnover activity in the housing market.

Consumer confidence lacking



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Global Watch

- **Focus remains on developments in the Middle East**
- **Global PMIs to give latest activity pulse check**
- **US core PCE seen at 0.1% m/m**
- **Fed Chair Powell speaks to lawmakers**

Week in Review

Geopolitical tensions escalated after the US attacked Iranian nuclear sites over the weekend. Trump has threatened more attacks if Iran does not ‘make peace’ while Iran has said it reserves all options to defend ‘its sovereignty, interest and people’.

The June US FOMC meeting came and went without much fanfare. The Fed has made it clear that they are waiting a few more months to gauge potential tariff impacts. The FOMC dot plot for 2025 remained at two cuts, though with a hawkish distribution with seven seeing no cuts in 2025 (up from four in March). The dot plot further out was also nudged higher: median 3.6% for 2026 (from 3.4%) and 3.4% for 2027 (from 3.1%).

In Australia, the Unemployment Rate for May stayed at 4.1% as widely expected. It has been averaging 4.0-4.1% since March 2024 with such stability suggesting little rationale to cut rates below neutral. Our colleagues at NAB still expect a July rate cut and terminal at 3.1% by November which they see as neutral.

Week Ahead

For the US, Fed Chair Powell has congressional testimony (House Tuesday, Senate Wednesday) amid calls by President Trump to cut rates by 250bps. The June dot plot showed the committee is fairly divided on rates for 2025; seven members saw no change, two members are at 1 cut, eight members for 2 cuts, and two members at 3 cuts. Jobless Claims (Thursday) and PCE (Friday) are the pick of the data.

In Europe it is quiet. ECB Chief Economist Lane is speaking (Tuesday) and the German IFO is also out. The UK sees BoE Governor Bailey before the House of Lords, while several other MPC members are giving speeches.

In China, Industrial Profits (Friday) is the only notable data piece. The Standing Committee on the 14th National People’s Congress is also meeting (Tuesday to Friday), though it is unclear whether any economic measures will be discussed.

Japan has the Tokyo CPI (Friday) along with the BoJ Minutes (Wednesday).

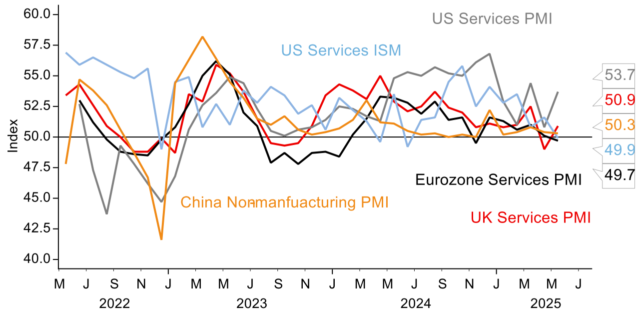
In Australia, the Monthly CPI Indicator (Wednesday) and Job Vacancies (Thursday) headline. For the CPI Indicator, NAB pencil in 2.2% y/y.

Selected Economic Events Preview

Monday 23

EZ PMIs (Jun)
The PMIs not only will be closely watched for the absolute level of activity, but also for relative performance of the EZ to the US, and whether US economic exceptionalism is fading – the PMIs so far do not support that story with the US Services PMI at 53.7 vs EZ Services PMI at 49.7.

Global Services PMIs



Source: National Australia Bank, Institute for Supply Management (ISM), China Federation of Logistics & Purchasing, Accountinghouse, Bloomberg, Macrobond

US PMIs (Jun), Existing Home Sales, Fed speak
There is a lot of Fed speak out, including Bowman, Goolsbee, Willliams and Kugler. Note with Powell’s time as Fed chair nearing its end (mid-2026), expect focus to shift to what the broader committee thinks, as well as any front runners for the next Fed Chair.

Tuesday 24

AU QLD State Budget, NSW State Budget

CH National People’s Congress (through to June 27)
Potentially important for markets is that the Committee will be reviewing the central government’s final accounts for 2024 and a report on the development of new quality productive forces.

GE German IFO (Jun)

EZ ECB’s Lane (at Barclays-CEPR Monetary Forum)

EZ/US NATO Summit (through to June 25)
Top of discussion is defence spending with NATO proposing countries lift defence spending to a target of 5% of GDP (3.5% on direct defence, and a commitment of 1.5% to wider security spending). Focus too on developments in Ukraine/Russia and Israel/Iran.

The present spending target is for members to spend at least 2% of GDP on defence. According to NATO data, the median spent on defence is now 2.1% of GDP. The lift in defence spending to a 5% target is far from guaranteed with such a rise pressuring deficits and the funding needed to underpin the European social-welfare state.

UK BoE's Bailey, Greene, Ramsden, and Breeden

US Fed's Powell, Conference Board Confidence
Fed Chair Powell gives his semi-Annual Testimony. First up is the House Committee on Financial Services.

CA CPI (May)

Wednesday 25

JN BoJ Minutes (from Jun)

AU Monthly CPI Indicator (May)
The Monthly CPI Indicator is for May and being the mid-month of the quarter has a better coverage of the services side of the CPI basket. NAB expect the May CPI indicator to fall to 2.2% y/y from 2.4%. Travel prices fall seasonally in May but NAB expect a larger fall than a year ago due to base effects around the shifting timing of Easter, and this is also expected to drive a sharp drop in the annual trimmed mean measure (2.4% y/y from 2.8%).

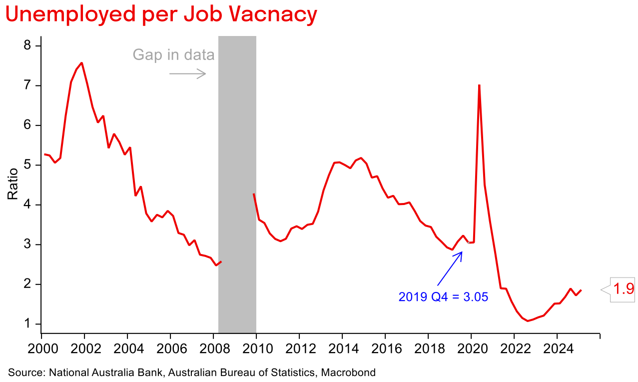
Following the data, NAB will firm up their expectations for the full quarterly CPI, where they currently see the risk a tenth higher than the RBA's forecast for trimmed mean inflation of 0.6% q/q and 2.6% y/y.

US Fed's Powell, New Home Sales, 5yr $70bn Note Auction
Fed Chair Powell returns to give his Testimony to the Senate Banking Committee.

Thursday 26

AU Job Vacancies (May)
While job vacancies to date have fallen back 30.7% from their May 2022 peak, the total number of vacancies is still 44.5% higher than prior to the pandemic.

An alternative way to express job vacancies is in terms of those unemployed. On that basis, the unemployment to job vacancy ratio currently stands at 1.9x, and although up from its pandemic low of 1.0, is still a lot lower than the 3.1x it was prior to the pandemic.



EZ EU Leaders Summit

US Trade, Jobless Claims, 3rd-read-Q1 GDP, Durables, 7yr $44bn Note Auction
Jobless Claims likely the pick given their recent move higher, even if historically it is not that high. Consensus is for no change at 245k. Outside of that is a third-and-final-read on Q1 GDP (consensus is for -0.2% quarter annualised) and Durables (May) where the early consensus is for core durables to be flat.

Friday 27

CH Industrial Profits (May)
Industrial Profits are being challenged amid heightened competition and the fallout from US trade tensions. It is worth noting that manufacturing profits for automobiles is currently negative.

EZ Confidence measures

JN Tokyo (Jun), Unemployment (May), Retail (May)
Tokyo CPI is for June with the core measure expected unchanged at 3.3% y/y. Well above target inflation will continue to pressure the BoJ to lift rates further, despite ongoing trade headwinds.

US PCE (May), Fed speak, Final-Uni. Mich.
Following the recent CPI/PPI, consensus for Core PCE inflation is 0.1% m/m and 2.6% y/y. With Fed officials still hearing reports of firms lifting prices in response to tariffs, it will take a few more months' worth of data to gain further clarity. As such expect more focus on the Personal Spending side with consensus at 0.1% m/m. There is plenty of Fed speak including Williams, Hammack and Cook.

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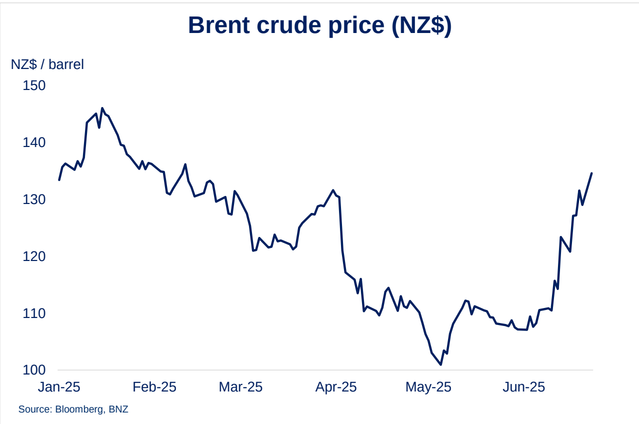
Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg: BNZ

NZ rates markets lacked a directional bias last week, amid mixed implications for RBNZ policy from domestic data. The significant deterioration in the manufacturing and services PMIs, suggest the economy is struggling for traction in the June quarter, after a solid 0.8% quarterly expansion in Q1. Inflation partials for May were stronger than expected, and we have revised up our Q2 CPI forecast to 0.8% q/q, above the RBNZ's 0.5% projection.

The escalation in the Middle East conflict, after the US attacked Iranian nuclear sites, contributed to a further spike in oil prices. The lasting market reaction will depend on how the conflict develops and if Iran retaliates by blocking the Strait of Hormuz. The uncertain macro backdrop from US economic policies, combined with rising geopolitical tensions, present a complex backdrop for the RBNZ's policy deliberations in July.

Oil prices surge on rising geopolitical risks

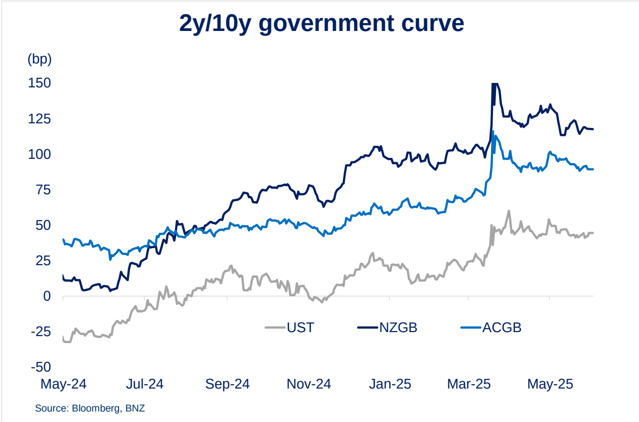


Market pricing for the terminal Official Cash Rate (OCR) has edged higher to 3.0%, and is well above the 2.65% low, reached at the end of April. Terminal pricing is around 15bp above the trough in the RBNZ's modelled OCR track from the May Monetary Policy Statement. The final, and most important, domestic release ahead of the July Policy Review is the Quarterly Survey of Business Opinion next Tuesday. There are limited domestic catalysts for NZ rates in the week ahead.

NZ Government bonds have continued to attract strong demand from non-resident investors. The latest holdings data, released last week, revealed offshore accounts added NZ$1.6 billion in May, taking the total to NZ$108 billion. The steep NZGB yield curve offers the highest FX-hedged yield across developed market bonds and has been a factor supporting allocations. NZ Debt Management may provide further details for the May-2031 tap syndication, in the July tender schedule, on Wednesday. We think a launch of the transaction next month is likely.

The Federal Reserve has left rates on hold for the fourth consecutive meeting. It kept the upper bound for the Fed Funds Rate at 4.5%, which was unanimously expected by economists, and in line with market pricing. Fed Policy makers have reduced their estimates for growth, lifted inflation projections and are waiting for greater clarity on how the administration's policies will affect inflation and the economy. The dot plot revealed a clear split within the FOMC, between those that expect to cut rates by 50bp this year, and others that expect to leave rates unchanged.

UST curve has room to steepen further



US front-end yields remain high relative to fundamental developments - growth and inflation data have surprised to the downside - and are distorted by tariff-induced inflation risks. The market is pricing a 3.25% terminal Fed Funds Rate which is above the FOMC's projection for the longer-term policy rate. The 2y/10y treasury curve is still below its historical average, and has room to steepen further, as the market anticipates an eventual Fed pivot.

Current rates and 1-month range

	Current	Last 4-weeks range*
NZ 90d bank bills (%)	3.29	3.27 - 3.32
NZ 2yr swap (%)	3.25	3.14 - 3.37
NZ 5yr swap (%)	3.62	3.55 - 3.76
NZ 10yr swap (%)	4.09	4.03 - 4.24
2s10s swap curve (bps)	84	83 - 91
NZ 10yr swap-govt (bps)	-46	-50 - -42
NZ 10yr govt (%)	4.55	4.56 - 4.63
US 10yr govt (%)	4.38	4.31 - 4.54
NZ-US 10yr (bps)	17	7 - 23
NZ-AU 2yr swap (bps)	3	-12 - 7
NZ-AU 10yr govt (bps)	36	23 - 41

*Indicative range over last 4 weeks

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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Last week, the USD was broadly stronger in the face of increasing geopolitical risk in the Middle East, with the US becoming more involved in the regional conflict. NZD/USD fell less than 1% to just below 0.5970 and the NZD was mixed on the crosses, but with modest movements overall. The new week has begun with further modest USD strength and NZD weakness after the US bombed nuclear sites in Iran.

Risks around tariffs and US fiscal policy have been put to one side for now, with the market more focused on developments in the Middle East, including direct involvement by the US through its surgical bombing of three nuclear sites in Iran on Sunday. The US involvement adds another layer of uncertainty to financial market developments over coming weeks, to add to the uncertainty around tariffs.

Iran's response to the attacks will be crucial. If it chooses to disrupt shipping through the Strait of Hormuz – through which a quarter of the world's seaborne oil trade flows – then the response of oil prices would be much greater than seen to date, threatening global growth and inducing a much larger fall in risk assets like the NZD. A tepid Iranian response would likely see the conflict fizzle out in coming weeks, resulting in a bounce-back in risk assets.

Technically, we see the first NZD support level around 0.5820, although a pessimistic scenario, which sees oil prices over USD100 per barrel, would likely see that breached. But the long-standing key 0.55 support level should be seen as a worst-case scenario. On a more optimistic note, a quick passing of this current episode of weaker risk sentiment could result in the NZD recovering towards the recent highs just below 0.61.

The Fed's policy update last week was in line with market expectations, with the policy target range remaining 4.25-4.5%. Chair Powell reiterated the committee is awaiting greater clarity on how the government's policies will affect inflation and activity. As per the direction that the consensus has been moving in, growth forecasts were revised lower and inflation forecasts were revised higher. While still projecting rate cuts, committee members see less scope for easier policy through the next two years.

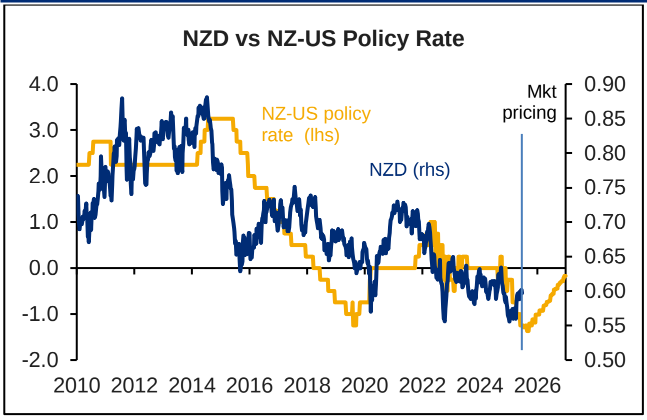
Governor Waller was first to kick off the post-meeting public speaking round by Fed officials and said the Fed could lower interest rates as soon as next month. We think his view is very much a minority one on the committee. His recent dovish tilt plays to a view that he wants to be appointed as the next Fed chair. For NZD/USD the most important point to note is that the market sees more chance of two rate cuts in the US than NZ over the rest of the year and more chance of the US easing policy further next year. This means the current negative interest rate gap for NZ-US short rates will ultimately close, resulting in a current NZD headwind morphing into a tailwind through the passage of time.

NZ GDP rose 0.8% q/q in Q1, stronger than the RBNZ's May forecast. Furthermore, NZ monthly inflation data released for May were stronger than expected, leading us to revise up our Q2 CPI estimate to 0.8% q/q and 2.9% y/y. Adding in the recent lift in oil prices, we now see inflation with a 3-handle over the second half of the year, which can only add upside pressure to inflation expectations and raises the chance of the RBNZ pausing the easing cycle in July. The data supported the case for a narrowing of the interest rate gap between NZ and US short rates and a stronger NZD/USD exchange rate, once global risks fade.

In the week ahead, focus will remain on developments in the Middle East. The looming expiry of the pause of reciprocal tariffs is also looming, due 9 July. Trump wanted Congress to pass his big, beautiful bill before 4 July. Thus, there is a lot of event risk concentrated over the next couple of weeks.

On the economic calendar, this week sees global PMIs, US consumer confidence, and US PCE deflators. Fed speakers will be out in force and Chair Powell gives testimony to lawmakers. The domestic economic calendar is light, with the next key release being the NZIER's QSBO on 1 July.

NZ-US policy rate gap projected to close, and support NZD



Cross Rates and Recent Ranges

	Current	Last 3-weeks range*
NZD/USD	0.5945	0.5950 - 0.6090
NZD/AUD	0.9245	0.9230 - 0.9320
NZD/GBP	0.4434	0.4430 - 0.4500
NZD/EUR	0.5189	0.5170 - 0.5310
NZD/JPY	87.22	85.50 - 88.00

*Indicative range over last 3 weeks, rounded figures

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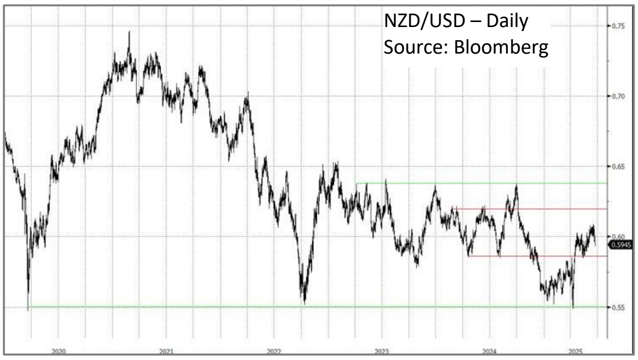
Technicals

NZD/USD

Outlook: Trading range
ST Resistance: 0.62 (ahead of 0.6380)
ST Support: 0.5820 (ahead of 0.55)

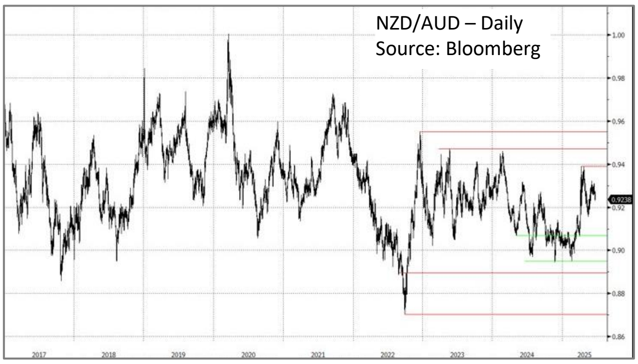
We see the next resistance level around 0.62. The 0.55 mark remains the key support level, but some earlier support might come around 0.5820.


NZD/USD – Daily
Source: Bloomberg

NZD/AUD

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

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


NZD/AUD – Daily
Source: Bloomberg

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NZ 5-year Swap Rate

Outlook: Neutral
ST Resistance: 3.85
ST Support: 3.47

5-year swap was roughly unchanged last week, we remain neutral.


NZ 5-yr Swap – Daily
Source: Bloomberg

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

Outlook: Neutral
ST Resistance: 0.50
ST Support: 0.25

2x5 year swap spread remained unchanged on the week.


NZ 2yr 5yrSwap Spread – Daily
Source: Bloomberg

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Quarterly Forecasts

Forecasts as at 23 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.)	0.5	0.8	0.0	0.5	0.7	0.8	0.8	0.6	0.6	0.5
Retail trade (real s.a.)	1.0	0.8	0.4	0.8	1.2	1.1	0.9	0.8	0.7	0.7
Current account (ann, % GDP)	-6.1	-5.7	-5.0	-4.6	-4.3	-4.1	-4.2	-4.4	-4.5	-4.5
CPI (q/q)	0.5	0.9	0.8	0.8	0.5	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 %)	3.3	3.2	2.8	2.4	2.1	2.1	2.5	2.7	2.9	2.9
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 90 Day Bank Bills	5 Year	10 Year	Swaps 2 Year	5 Year	10 Year	US Rates SOFR 3 month	US 10 yr	Spread NZ-US 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	4.50	3.15	3.50	4.15	3.70	4.25	0.25
2026 Mar	2.75	2.90	3.80	4.40	3.40	3.65	4.05	3.60	4.10	0.30
Jun	2.75	2.90	3.95	4.40	3.70	3.85	4.10	3.45	4.00	0.35
Sep	2.75	3.30	4.05	4.40	3.95	4.05	4.20	3.20	4.00	0.40
Dec	3.25	3.55	4.05	4.45	4.00	4.10	4.30	3.10	4.00	0.45

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.60	0.64	1.15	1.34	146
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	0.52	0.44	87.3	69.2
Jun-25	0.61	0.92	0.52	0.45	84.2	70.4
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	72.6
Mar-26	0.65	0.93	0.53	0.46	81.3	72.6
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 23 June 2025	March Years Actuals 2023	2024	2025	2026	2027	December Years Actuals 2022	2023	2024	2025	2026
GDP - annual average % change										
Private Consumption	3.4	1.0	0.2	2.3	2.8	4.2	1.0	0.0	1.9	2.8
Government Consumption	2.7	2.0	-0.7	-0.4	-0.1	5.2	0.8	-0.1	0.1	-0.6
Total Investment	3.3	-1.1	-5.3	0.7	6.5	4.2	-0.1	-5.1	-1.4	6.2
Stocks - ppts cont'n to growth	0.3	-1.5	0.2	0.6	0.1	0.0	-1.4	0.2	0.3	0.3
GNE	3.7	-0.9	-1.0	1.7	3.2	4.5	-0.7	-1.1	0.9	3.3
Exports	5.6	8.6	2.7	2.3	3.9	-0.8	11.4	4.1	2.4	3.5
Imports	4.5	-1.3	1.7	3.6	4.8	4.7	-0.5	1.9	2.4	5.1
Real Expenditure GDP	3.9	1.5	-0.9	1.8	2.8	3.2	2.0	-0.5	1.2	2.7
GDP (production)	**3.5**	**1.4**	**-1.1**	**1.5**	**2.9**	**2.9**	**1.8**	**-0.6**	**0.8**	**2.7**
GDP - annual % change (q/q)	*3.0*	*1.4*	*-0.8*	*2.4*	*2.6*	*3.1*	*0.9*	*-1.1*	*2.3*	*2.9*
Output Gap (ann avg, % dev)	2.0	1.0	-1.0	-1.2	-0.3	1.9	1.2	-0.5	-1.3	-0.5
Nominal Expenditure GDP - $bn	394	418	431	456	480	386	413	427	450	474
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	3.8	6.3	-13.8	0.6	-0.9	3.4	5.2
External Balance										
Current Account - $bn	-33.8	-27.6	-24.7	-18.6	-21.1	-35.6	-28.6	-26.2	-19.2	-20.9
Current Account - % of GDP	-8.6	-6.6	-5.7	-4.1	-4.5	-9.2	-6.9	-6.1	-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	8.3	7.5					
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	72.6	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	3.80	4.05	4.30	4.50	3.90	3.65	4.05
10-year Govt Bond	4.35	4.60	4.50	4.40	4.50	4.25	4.65	4.45	4.50	4.45
2-year Swap	5.15	4.91	3.35	3.40	4.00	5.21	4.93	3.53	3.15	4.00
5-year Swap	4.50	4.40	3.65	3.65	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	0.30	0.50	0.65	0.65	0.05	0.25	0.45

(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
	Monday 23 June			
US	Fed's Waller Speaks			
EC	HCOB EZ Manufacturing PMI Jun P	49.8		49.4
EC	HCOB Eurozone Services PMI Jun P	50		49.7
UK	S&P Global UK Manufacturing PMI Jun P	46.9		46.4
UK	S&P Global UK Services PMI Jun P	51.3		50.9
	Tuesday 24 June			
EC	ECB's Lagarde, Nagel & Guindos Speak			
US	S&P Global US Manufacturing PMI Jun P	51		52
US	S&P Global US Services PMI Jun P	52.9		53.7
US	Fed's Williams, Bowman & Others Speak			
US	Existing Home Sales May	3.95m		4.00m
GE	IFO Expectations Jun	90		88.9
UK	BOE's Bailey & Greene Speak			
	Wednesday 25 June			
EC	ECB's Lagarde, Lane & Kazimir Speak			
US	Philadelphia Fed Non-Manufacturing Activity Jun			-41.9
US	Current Account Balance 1Q	-$445.5b		-$303.9b
CA	CPI YoY May	1.7%		1.7%
US	S&P CoreLogic CS US HPI YoY NSA Apr			3.37%
US	Fed's Powell, Williams & Others Speak			
UK	BOE's Bailey, Pill & Others Speak			
US	Richmond Fed Manufact. Index Jun	-10		-9
US	Richmond Fed Business Conditions Jun			-18
US	Conf. Board Consumer Confidence Jun	99.8		98
NZ	Trade Balance NZD May			1426m
JN	BOJ Summary of Opinions (June MPM)			
JN	BOJ's Tamura Speaks			
AU	CPI YoY May	2.30%	2.20%	2.40%
AU	CPI Trimmed Mean YoY May		2.40%	2.80%
AU	Job Vacancies QoQ May			-4.50%

		Median	Fcast	Last
	Thursday 26 June			
US	Fed's Powell Speaks			
US	New Home Sales May	693k		743k
GE	GfK Consumer Confidence Jul	-19.2		-19.9
UK	BOE's Bailey & Breeden Speak			
EC	ECB's Guindos & Schnabel Speak			
	Friday 27 June			
US	GDP Annualized QoQ 1Q T	-0.20%		-0.20%
US	Chicago Fed Nat Activity Index May	-0.3		-0.25
US	Durables Ex Transportation May P	0.00%		0.20%
US	Initial Jobless Claims 21-Jun	245k		245k
US	Continuing Claims 14-Jun	1945k		1945k
US	Fed's Barkin, Williams & Others Speak			
US	Pending Home Sales MoM May	0.00%		-6.30%
EC	ECB's Lagarde, Villeroy & Rehn Speak			
NZ	ANZ Consumer Confidence Index Jun			92.9
JN	Jobless Rate May	2.50%		2.50%
JN	Tokyo CPI Ex-Fresh Food, Energy YoY Jun	3.30%		3.30%
JN	Retail Sales MoM May	0.30%		0.70%
CH	Industrial Profits YoY May			3.00%
NZ	New Residential Lending YoY May			
EC	Consumer Confidence Jun F			-15.3
EC	Economic Confidence Jun	95		94.8
	Saturday 28 June			
US	Personal Spending May	0.10%		0.20%
US	Core PCE Price Index MoM May	0.10%		0.10%
US	Core PCE Price Index YoY May	2.60%		2.50%
US	Fed's Hammack & Cook Speak			
US	U. of Mich. Sentiment Jun F	60.3		60.5
US	Kansas City Fed Services Activity Jun			11
	Sunday 29 June			
EC	ECB's Schnabel Speaks			

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	3.25	3.25	3.50	5.50
1mth	3.33	3.34	3.38	5.60
2mth	3.31	3.32	3.33	5.61
3mth	3.30	3.30	3.27	5.62
6mth	3.29	3.28	3.22	5.58
GOVERNMENT STOCK				
04/27	3.41	3.43	3.33	4.58
05/30	3.96	3.98	3.91	4.44
05/32	4.31	4.32	4.29	4.52
05/35	4.59	4.63	4.62	4.64
04/37	4.78	4.83	4.87	4.76
05/41	5.03	5.10	5.14	4.90
05/54	5.28	5.34	5.38	4.94
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	56	54	60	53
Europe 5Y	59	56	61	60

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	3.26	3.30	3.18	4.92
3 years	3.39	3.42	3.31	4.62
4 years	3.52	3.55	3.45	4.47
5 years	3.63	3.67	3.59	4.39
10 years	4.10	4.17	4.13	4.41
FOREIGN EXCHANGE				
NZD/USD	0.5948	0.6061	0.5999	0.6125
NZD/AUD	0.9242	0.9289	0.9250	0.9201
NZD/JPY	87.10	87.69	85.70	97.76
NZD/EUR	0.5177	0.5242	0.5269	0.5706
NZD/GBP	0.4430	0.4464	0.4423	0.4828
NZD/CAD	0.8176	0.8223	0.8241	0.8364
TWI	69.1	69.8	69.4	72.4

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