Research

# Markets Outlook

14 July 2025

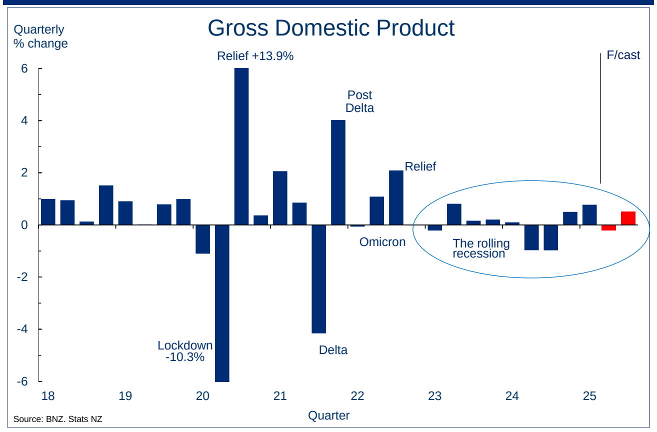
## Turning to inflation

- **Real economy indicators grim**
- **But are they disinflationary?**
- **Not to start with, but eventually yes**
- **We predict a 0.8% increase in Q2 CPI**
- **Delivering more pain for households**

The last few days have seen a number of high frequency activity indicators support our view that not only did the economy stall in the June quarter but it is also struggling to gain momentum going into Q3.

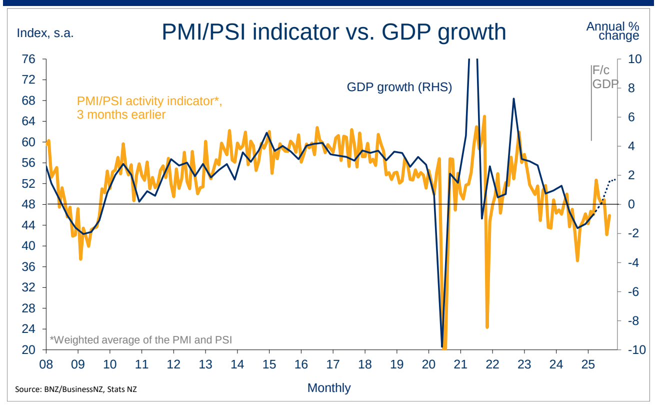
Indeed, so poor have these indicators been that we have lowered our expectation for Q2 GDP to -0.2%, from zero, and have made exactly the same adjustment for Q2 employment.

Clunk!



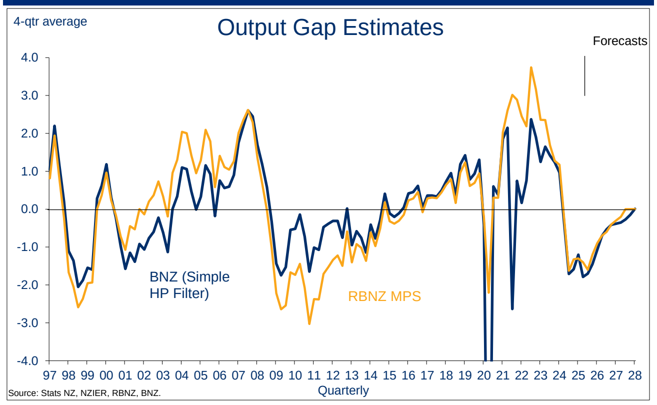

Key to our view is the ongoing weakness in both the PSI and PMI. While both nudged higher in the month of June they still, in combination, are consistent with an economy in recession. Both will need to push progressively higher if economic growth is to push towards the 2.5%+ rates of expansion that many folk are forecasting for the latter part of this year and into next.

Still submerged



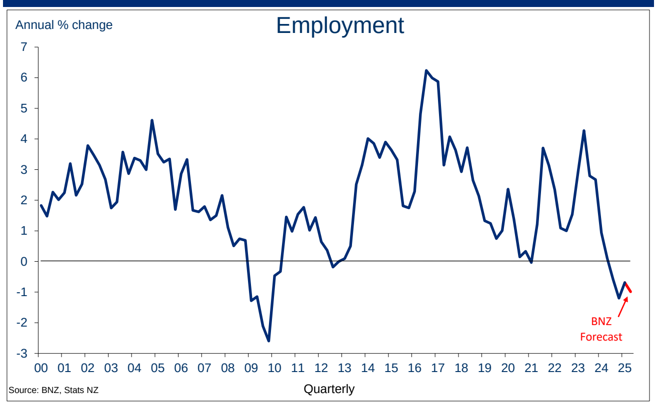

The important thing here is that growth needs to accelerate in order for it to close the output gap and remove the disinflationary pulse this implies for the economy. The "good" news is that the Reserve Bank thinks potential growth for 2025 is only 1.7% so any growth above this will start doing the trick.

The deflation gap



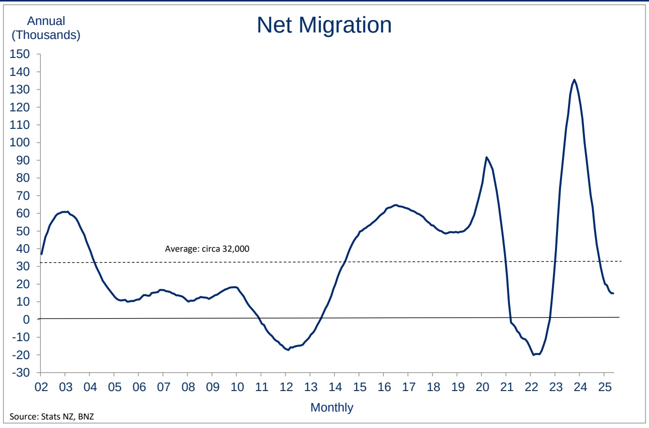

Employment growth typically lags GDP. And both the PSI and PMI suggest that businesses are more likely shedding rather than hiring workers at the moment. This also tallies with the recent monthly employment data which shows jobs filled to be in decline. The combination of these factors is why we have made a downward nudge to our employment expectations (and upward nudge to our unemployment forecasts).

Employment struggling



As if all this wasn't miserable enough, we also learnt last week that net migration continues to slip. On an annual basis the net inflow in the year to May 2025 was just 14800, miles below the 80,300 for the year to May 2024, and the lowest annual reading (excluding COVID) since 2013.

Weak net migration




Lower population growth means lower spending growth and less demand for housing. It also means less supply of labour but, with the demand for labour faltering, this is less of a problem than would have been the case if there was widespread difficulty in finding labour.

Electronic Cards Transactions would have been influenced by the weakness in population growth. They also support our weak Q2 GDP expectations in that today's data show spending in the retail industries fell 0.7% for the quarter, in nominal seasonally adjusted terms. If there was any solace it was that retail spending crept up 0.5% for the month providing some hope that Q3 spending activity will be above that of Q2.

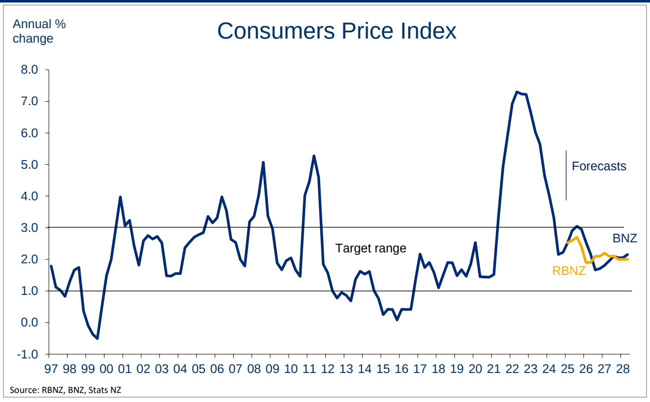
The sum of the real economy data released over the last week or so provides strong supportive evidence for the RBNZ's recent dovish tilt. The Monetary Policy Committee seems to recognise, as do we, that while GDP data for the six months ended March were stronger than many expected, the June quarter outturn is likely to reset the level of GDP broadly back to what was expected when the Reserve Bank produced its May Monetary Policy Statement which, recall, included at least one more rate cut.

It's one thing for activity to be faltering but the Reserve Bank needs to be convinced that inflation will remain subdued alongside it. We think ultimately inflation will be well-behaved but, more immediately, the pressure is upward.

Over the course of the coming week attention will turn away from the recent real economy data and turn to consumer price inflation. Monday July 21 sees the release of the June quarter CPI. At the time of writing, we are forecasting a 0.8% increase for the quarter taking annual inflation to an uncomfortable 2.9%. This is a decent jump above the RBNZ's published pick of 0.5%/2.6% respectively.

In theory, that should make the RBNZ very nervous but in its July Monetary Policy Review, in which it appeared to give a green light to an August rate cut, the Bank openly acknowledged that it was already aware annual inflation might head to around 3.0% but it was not too worried because it thinks the price pressures leading to the jump will moderate in 2026. This is a view we share.

Inflation headed for 3.0%




As for the June quarter itself, the cost of household energy (predominantly electricity prices) and food will account for around 60% of the total lift in prices. The extent of the increase in food prices, which is largely commodity price driven, has surprised us. We think it will have surprised the Reserve Bank too. There is likely to be further upward pressure from this source in Q3 but with commodity prices seemingly having peaked, an outright reversal of some of these price increases could well occur further down the track.

For now, though, don't underestimate the effect of these price increase on the household sector. All inflation is not equal. We estimate food prices rose 1.5% in the quarter and energy prices 5.1%. These are costs that the average person cannot easily avoid so they generate a direct erosion of spending on other goods and services. Next quarter local authority rates increases will similarly clobber spending power.

The nature of these price moves is more reason to believe real household spending will struggle to take off any time soon.

On Thursday we get the selected price indices for the month of June. Any surprises here could result in a last-minute revision to our Q2 CPI estimates. The data also provide a base for almost half of the CPI for the September quarter.

We won't bore you with all the assumptions we have made for the monthly figures but note the following key assumptions, which if disproven might have us pushing through a revision:

- Food prices are assumed to have risen 0.7% for the month. It would take a substantial deviation from this to affect our Q2 food price pick.
- We are plumping for a 0.2% increase in the rent index.
- We have assumed another 2.3% increase in electricity prices which would make it three such monthly increases in a row.
- There is huge volatility in monthly airfares and the cost of overseas accommodation prepaid in New Zealand. The chances of getting these horribly wrong are high.

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# Global Watch

- **Trump's trade policies likely to dominate headlines**
- **US inflation data in focus for evidence of tariff impacts**
- **China Q2 GDP seen at 0.9% q/q**
- **Labour market data due for Australia and the UK**

## Week in Review

The RBA surprised market pricing and most economists by keeping rates on hold at 3.85%. Governor Bullock in the press conference downplayed the overtly dovish messaging from May and instead prosecuted a message of caution and gradualism. It was the first meeting unattributed votes were published, and there were 3 dissenters in favour of easing. Bullock emphasised disagreement was about timing, rather than direction. Our colleagues at NAB continue to see cuts to 3.1%, with cuts in August and November, and now in February.

Elsewhere the focus has been on tariff developments. Trump has been sending letters informing countries of their new tariff rates. Most countries face higher tariff rates near the initial April 2 levels. Over the weekend, Trump added the EU and Mexico at 30%. On a positive note, the July 9 end to the pause on reciprocal tariffs has been punted to 1 August to allow slightly more time for trade negotiations.

Sectoral tariffs were announced at 50% on copper, and a ratchet over 12-18 months towards an eventual 200% for pharmaceuticals was mooted.

## Week Ahead

A re-escalation in tariff headlines characterised last week and will remain a focus this coming week.

On the data side, US inflation data is in focus for evidence of where tariffs are showing up. June CPI is Tuesday, where the consensus is 0.3% for the (ex-food and energy) core. PPI (Wednesday) fills out the picture for PCE implications. Import prices (Thursday) should be watched for evidence exporters are absorbing some of the impact. An update on the consumer comes via Retail Sales (Thursday) and UMich Consumer Sentiment on Friday.

In Australia, employment data on Thursday is the focus following consumer confidence numbers on Tuesday. NAB expect +20k and for the unemployment rate to continue tracking sideways at 4.1%.

China Q2 GDP is expected to be supported by the mid-May trade truce, the consumer trade in program, and public investment but still only manage a gain near 1% q/q. Also look out for headlines around policy support ahead of the Politburo meeting later this month.

The UK gets CPI for June on Wednesday, with the near-term trend toward higher y/y readings. UK earnings data is Thursday, after a decent drop last month it could move sideways. The broader direction is clear though and towards a generally softer labour market. Chancellor Reeves and BoE Governor Bailey deliver Mansion House speeches Tuesday.

Elsewhere, the Euro area data calendar is quiet, leaving trade discussion in focus. Japan gets national CPI data on Friday.

## Selected Economic Events Preview

**Tuesday 15**

**AU Consumer Confidence**
The June Westpac-Melbourne Institute Consumer Sentiment measure rose 0.5% to 92.6. Expect commentary to reflect the pre-and post RBA subsamples.

**CH Q2 GDP, June activity**
Export volumes have held up as declines in exports to the US have largely been replaced by higher exports elsewhere. Consumption has also received support from the trade-in scheme for consumer durables. As a result, the Q2 data may well do enough keep the pressure off policy makers to step up support for now.

**US CPI**
Inflation data is yet to show material upward pressure on prices from tariffs and the FOMC minutes highlighted considerable uncertainty about the "timing, size, and duration of these effects". Goods being sold at retailers are imported several months before. Powell has said the Committee expects to see more evidence of firmer goods prices 'over the course of the summer' and Richmond's Barkin has highlighted commentary from business contacts that tariff increases in April and May may be more evident in July and August prices.

Analyst forecasts for core CPI are clustered around 0.2% and 0.3%, with early tariff impacts through goods pressure balancing against broadly benign price pressures elsewhere.

**UK Chancellor Reeves, BoE's Bailey**
Chancellor Reeves is expected to unveil strands of HM Treasury's Financial Services Growth & Competitiveness Strategy that promises deregulation, as well as unveil changes to the pensions system. BoE's Bailey also speaks at the same Mansion House event.

**Wednesday 16**

**UK CPI**
UK headline inflation likely has not peaked yet after basing out at 1.7% in Sep 2024 and since rising to 3.4%. NAB look for a rise in Jun to 3.5%, with a peak a couple of tenths higher in the coming months. Core CPI is expected to remain unchanged at 3.5%, while services prices will also remain at 4.7%, with modest upside risks.

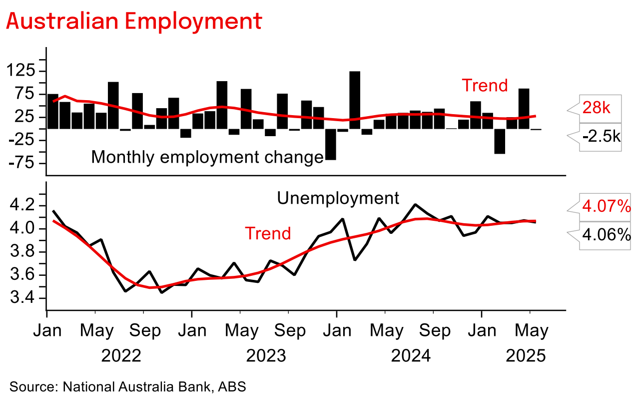
**US PPI, Beige Book**
The June inflation round continues in the US, with PPI filling out the detail for the Fed's preferred PCE gauge, but the detail also in focus for signs of pipeline pressures emerging from tariffs.

**Thursday 17**

**AU Employment**
NAB expect employment growth of +20k and for the unemployment rate to remain at 4.1%. Note though the labour force subsamples flag the risk of a higher unemployment rate.

Monthly employment gains have been volatile lately, ranging from -54k to +88k over the past 4 months, despite that, the unemployment rate has been remarkably stable, and has tracked below the RBA's 4.2% Q2 forecast.

NAB's base case remains for a modest rise in the unemployment rate looking forward, but not for a sharp deterioration.




**UK Employment and Earnings**
Private sector regular earnings – the measure the BoE focusses on – fell from 5.5% to 5.1% in April. NAB look for a more muted sideways move, perhaps a tenth lower for June, but where earnings will continue to moderate in coming months as the labour market loosens further. Unemployment rose to 4.6% in April and could tick up to 4.7% in May. Financial markets will be sensitive to any more protracted labour market softness.

**US Retail Sales, Import Prices, Jobless Claims**
Retail sales dipped in May, driven by a decline in car purchases, a drag that is not expected to persist in June. Even so, the consensus looks for a reasonably modest 0.1% m/m rise. The core control group measure is seen at 0.3%, leaving Q2 consumption growth tracking near 1.5% saar.

Import prices are also worth a look, measured on a pre-tariff basis. Data to May was yet to show any signs of tariffs being borne by exporters, but Japan export price data for autos is one indicator that may suggest otherwise. Some FOMC members are increasingly open to the prospect end price impacts may be more muted than earlier anticipated. Evidence of import price declines would help.

**Friday 18**

**JN CPI**
In the June CPI, lower energy costs will be measured against evidence of higher labour costs supporting services prices. The headline is seen 2 tenths lower at 3.3% but the ex-fresh food an energy number seen steady at 3.3%. Ongoing trade uncertainty and upcoming elections (July 22) complicate BoJ policy normalisation.

**US UMich Consumer Sentiment**
Sentiment was off its lows at 60.7 in June. A further modest rise is expected in preliminary July data, but it remains well below its levels late last year.

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# Fixed Interest Market

**Reuters: BNZL, BNZM Bloomberg: BNZ**

While the global focus last week was on President Trump's latest tariff threats, closer to home there was keen interest in the RBA and RBNZ policy meetings. Both delivered the same rates-on-hold outcomes but with different market reactions. The RBA's decision went against widespread expectations for a 25bps cut. Of note, RBA policy shocks could become more common, largely due to the new board voting structure that makes rate moves less predictable. Governor Bullock emphasised that the decision to hold was about timing rather than direction.

The RBNZ left the OCR unchanged at 3.25%, the first pause in the easing cycle since it began in August last year. The minutes revealed some robust debate on whether to cut again or hold policy steady, with the consensus of the committee opting to hold. The door was opened to a rate cut in August, with an explicit easing bias reintroduced into the press release.

Higher Australian rates after the shock RBA decision imparted some temporary upward pressure to NZ rates, but in the washout, domestic forces prevailed and NZ's 2-year swap rate closed the week down 2bps to 3.17%. In fact, NZGB swap rates showed little net movement for the week. NZ-Australian rate spreads were notably lower, with the 2-year swap spread down to minus 14bps, below the rate prevailing before the RBNZ's hawkish cut in late May. The OIS market prices more than a 70% chance of a 25bps rate cut at the next meeting in August and about 40bps of further rate cuts in aggregate, thus a high chance of at least one more rate cut in the cycle and a better than even chance of two cuts.

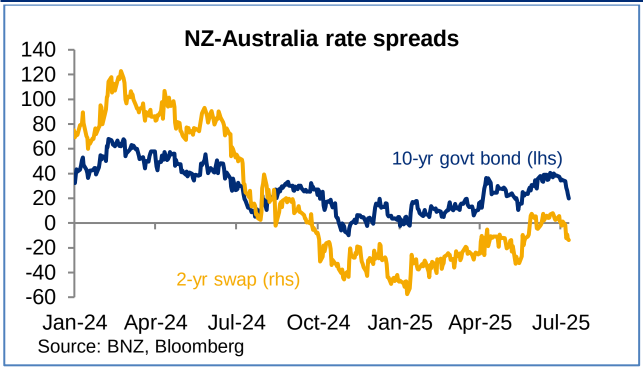
BNZ Economics didn't change its view of another 25bps cut in August, followed by another 25bps cut in October. Fair to say though, as the easing cycle nears its final stages, the RBNZ will be taking a meeting-by-meeting approach, and the Bank could easily opt to skip the October meeting and deliver a final easing in November. The 2-year swap rate is close to the middle of its trading range of the past few months. Based on our OCR projections, there is small downside risk for short-end rates, but limited to the extent that we are near the end of the easing cycle.

With short-term rates underpinned by domestic monetary policy, the curve will be more influenced by long-term rates, driven by global forces. As we noted last week, the trend in long-term rates has been remarkably flat, driven by directionless trading in the US-10-year Treasury yield. That directionless trading continued last week, with the 10-year Treasury yield closing the week mid-range around 4.4%. While tariff threats are keeping the market on edge, due to the risk of higher inflation, extra supply of 10-year and 30-year notes was easily absorbed by the market, suggesting that fear about the direction of US fiscal policy wasn't a prevailing theme last week.

There was also muted reaction to President Trump's threat of higher tariffs, with a rollout of higher rates that many countries will face from 1-August not perturbing the market, even though the rates announced were close to those of Liberation Day in most cases. At face value, the average US import tariff will rise considerably from 1-August, although the market likely still sees plenty of scope for countries to negotiate these lower over coming weeks. Higher US import tariffs mean greater fiscal revenue but also higher inflationary pressure, the net result of which we see as keeping upward pressure bond rates and sustaining steep curves.

In the week ahead, US CPI data for June should surely show more impact of higher tariffs on inflation, with the market expecting headline and core increases of 0.3% m/m. Another surprise to the downside would increase political pressure on the Fed to ease policy and some in the market might question prevailing assumptions about the inflationary impact of tariffs.

NZ-Australia rate spreads fall, post RBA last week



Source: BNZ, Bloomberg

Current rates and 1-month range

| | Current | Last 3-weeks range* |
|---|---|---|
| NZ 90d bank bills (%) | 3.29 | 3.26 - 3.30 |
| NZ 2yr sw ap (%) | 3.17 | 3.16 - 3.29 |
| NZ 5yr sw ap (%) | 3.56 | 3.52 - 3.66 |
| NZ 10yr sw ap (%) | 4.09 | 4.01 - 4.17 |
| 2s10s sw ap curve (bps) | 92 | 85 - 94 |
| NZ 10yr sw ap-govt (bps) | -44 | -47 - -44 |
| NZ 10yr govt (%) | 4.53 | 4.48 - 4.61 |
| US 10yr govt (%) | 4.41 | 4.19 - 4.43 |
| NZ-US 10yr (bps) | 12 | 17 - 27 |
| NZ-AU 2yr sw ap (bps) | -14 | -14 - 8 |
| NZ-AU 10yr govt (bps) | 20 | 20 - 40 |

*Indicative range over last 3 w eeks

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# Foreign Exchange Market

**Reuters pg BNZWFWDS Bloomberg pg BNZ9**

Last week the USD was broadly stronger as President Trump threatened higher tariff rates for many countries from 1-August. There was some correlation with the higher country tariff rate threatened and currency performance, with notable underperformance for JPY, KRW and BRL. With currency markets trading cautiously, the NZD also underperformed, falling 0.8% to just over 0.60. The AUD was an outlier, being the only key major to gain against the USD, with support after the RBA shocked the market by not delivering a widely expected rate cut. NZD/AUD fell 1.3% to 0.9130.

Market focus was on tariffs last week. On a positive note, higher tariff rates will now not be implemented until 1-August, giving slightly more time for trade negotiations compared to the prior 9-July deadline. On a negative note, Trump started to post on social media the letters he was sending to countries informing them of their new tariff rates. And most countries will face higher tariff rates, close to the punitive rates announced on Liberation Day. Some key US trading partners will face even higher rates. Notable "losers" include Japan and South Korea facing a 25% tariff, Canada at 35% for non-USMCA compliant goods, and Brazil at 50%. Over the weekend, Trump added the EU and Mexico at 30%.

Trump also threatened to impose an additional 10% tariff on any country aligning themselves with "the Anti-American policies of BRICS". On separate sector tariffs, copper imports will be tariffed at 50%, and pharmaceuticals are "going to be tariffed at a very, very, high rate, like 200%" but the latter wouldn't come in for another 12-18 months.

If these higher tariffs stick, then the outcome would be a much higher average US import tariff rate ahead than previously assumed. As well as adding to US inflation pressures, higher tariffs would be detrimental to global growth prospects.

The new 1-August deadline for country trade negotiations adds another couple of weeks of policy uncertainty. For the NZD to resume its upward trend – perhaps better phrased as the USD to resume its downward trend – the risk event around where the US lands on country-level tariffs needs to be cleared. This sets the scene for the NZD to trade cautiously through the rest of the month, with another possible temporary lurch down closer to 1 August if trade negotiations for important large nations come down to the wire.

The key risk for the NZD relative to our positive forecasts is that the current consensus of the average US tariff rate not increasing much from the current rate is challenged. The higher the average tariff rate settles, the likely greater impact on US and global growth fortunes ahead, and thereby the greater the possible negative impact for the NZD. We see the near-term support zone for the NZD around 0.5820-0.5850.

The other key news items last week were the RBNZ and RBA policy meetings. The RBNZ left the OCR unchanged at 3.25%, the first pause in the easing cycle since it began in August last year, as expected. The door was opened to a rate cut in August, with an explicit easing bias reintroduced into the press release. The RBA shocked the market, keeping policy steady against high expectations of a 25bps cut. Governor Bullock emphasised that the decision to hold was about timing rather than direction.

Despite that RBA messaging, the impact on Australian rates and the AUD was significant. The NZ-Australia 2-year rate differential fell 14bps, driving NZD/AUD down by a full cent. Given the RBA's decision was more about timing, it doesn't change our outlook for a range-trading cross rate through the rest of the year and into next year.

NZD/JPY continues to trend higher and has reached a level not seen since early this year. Higher threatened tariffs for Japan came as a shock and complicates the outlook ahead of the country's 20-July Upper House election. The tariff announcement won't help the leading LDP party's chance in the election, injecting some political uncertainty into the mix. A poor showing by the ruling LDP party in the election could result in an even weaker JPY. Needless to say, the near-term outlook for JPY is highly uncertain, with diverging scenarios.

In the week ahead, focus will remain on Trump's tariff policies. Unlike last week, there are plenty of top-tier global economic releases in the week ahead, with US CPI and PPI inflation and retail sales data. CPI data are also released for Japan, Canada and the UK. China sees Q2 GDP and monthly activity indicators for June. Australian and UK labour market reports will also be of interest.

**Cross Rates and Recent Ranges**

| | Current | Last 3-weeks range* |
|---|---|---|
| NZD/USD | 0.6003 | 0.5980 - 0.6120 |
| NZD/AUD | 0.9143 | 0.9130 - 0.9290 |
| NZD/GBP | 0.4450 | 0.4400 - 0.4470 |
| NZD/EUR | 0.5143 | 0.5110 - 0.5200 |
| NZD/JPY | 88.35 | 87.00 - 88.60 |

*Indicative range over last 3 weeks, rounded figures

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# Technicals

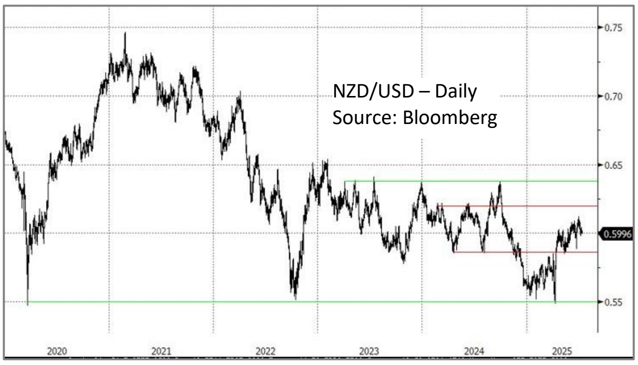
**NZD/USD**

Outlook: Trading range

ST Resistance: 0.62 (ahead of 0.6380)

ST Support: 0.5820 (ahead of 0.55)

We see 0.5820-0.5850 as the first support zone, resistance around 0.62.




**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.

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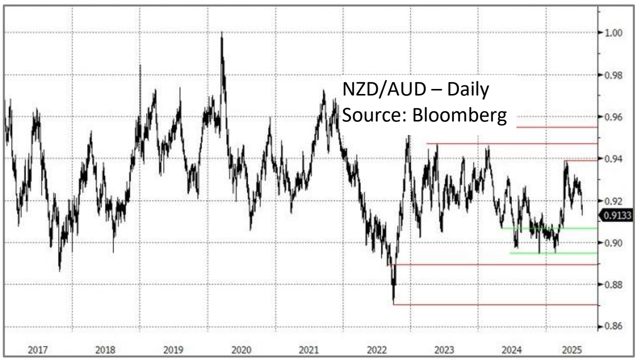



**NZ 5-year Swap Rate**

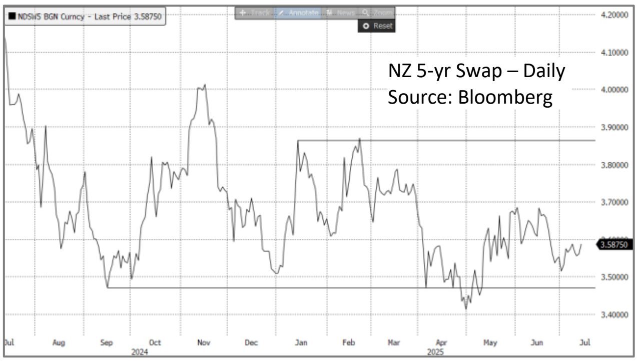
NZ 5-year Swap Rate

Outlook: Neutral

ST Resistance: 3.85

ST Support: 3.47

Whilst last week provided many opportunities for 5y swap to challenge out levels, it again failed to make any meaningful move



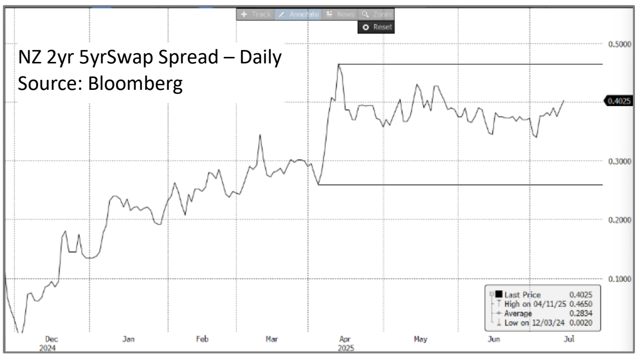

**NZ 2-year - 5-year Swap Spread (yield curve)**

Outlook: Neutral

ST Resistance: 0.47

ST Support: 0.26

2x5 year swap spread steepened slightly last week but remains far from resistance.

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# Quarterly Forecasts

**Forecasts as at 14 July 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 | -0.2 | 0.5 | 0.7 | 0.8 | 0.8 | 0.6 | 0.6 | 0.5 |
| **Retail trade (real s.a.)** | 1.0 | 0.8 | 0.1 | 0.8 | 1.2 | 1.1 | 0.9 | 0.8 | 0.7 | 0.7 |
| **Current account (ann, % GDP)** | -6.1 | -5.7 | -5.2 | -4.9 | -4.7 | -4.6 | -4.6 | -4.7 | -4.7 | -4.6 |
| **CPI (q/q)** | 0.5 | 0.9 | 0.8 | 0.8 | 0.5 | 0.5 | 0.4 | 0.3 | 0.5 | 0.6 |
| **Employment** | -0.2 | 0.1 | -0.2 | 0.3 | 0.6 | 0.7 | 0.7 | 0.6 | 0.5 | 0.5 |
| **Unemployment rate %** | 5.1 | 5.1 | 5.3 | 5.4 | 5.4 | 5.3 | 5.1 | 5.0 | 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 | 2.9 | 3.0 | 3.0 | 2.5 | 2.2 | 1.7 | 1.7 | 1.8 |
| **GDP (production s.a., y/y)** | -1.3 | -0.7 | 0.1 | 1.6 | 1.8 | 1.8 | 2.9 | 3.0 | 3.0 | 2.6 |

## Interest Rates

| Historical data - qtr average | | Government Stock | | | Swaps | | | US Rates | | Spread |
|---|---|---|---|---|---|---|---|---|---|---|
| Forecast data - end quarter | **Cash** | **90 Day Bank Bills** | **5 Year** | **10 Year** | **2 Year** | **5 Year** | **10 Year** | **SOFR 3 month** | **US 10 yr** | **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 |
| **Jun** | 3.33 | 3.38 | 3.85 | 4.55 | 3.19 | 3.57 | 4.10 | 4.30 | 4.35 | 0.19 |
| Forecasts | | | | | | | | | | |
| **Sep** | 3.00 | 2.90 | 3.65 | 4.50 | 3.00 | 3.40 | 4.10 | 4.10 | 4.30 | 0.20 |
| **Dec** | 2.75 | 2.90 | 3.65 | 4.50 | 3.05 | 3.45 | 4.15 | 3.70 | 4.25 | 0.25 |
| **2026 Mar** | 2.75 | 2.90 | 3.75 | 4.40 | 3.30 | 3.55 | 4.05 | 3.60 | 4.10 | 0.30 |
| **Jun** | 2.75 | 2.90 | 3.90 | 4.40 | 3.55 | 3.75 | 4.10 | 3.45 | 4.00 | 0.35 |
| **Sep** | 2.75 | 3.05 | 4.00 | 4.40 | 3.85 | 3.95 | 4.20 | 3.20 | 4.00 | 0.40 |
| **Dec** | 3.00 | 3.40 | 4.10 | 4.45 | 4.00 | 4.10 | 4.30 | 3.10 | 4.00 | 0.45 |

## Exchange Rates (End Period)

| | USD Forecasts | | | | | NZD Forecasts | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **NZD/USD** | **AUD/USD** | **EUR/USD** | **GBP/USD** | **USD/JPY** | **NZD/USD** | **NZD/AUD** | **NZD/EUR** | **NZD/GBP** | **NZD/JPY** | **TWI-17** |
| **Current** | 0.60 | 0.66 | 1.17 | 1.35 | 147 | 0.60 | 0.91 | 0.51 | 0.44 | 88.5 | 69.1 |
| **Sep-25** | 0.63 | 0.68 | 1.24 | 1.43 | 130 | 0.63 | 0.93 | 0.51 | 0.44 | 81.9 | 71.0 |
| **Dec-25** | 0.65 | 0.70 | 1.23 | 1.41 | 125 | 0.65 | 0.93 | 0.53 | 0.46 | 81.3 | 72.3 |
| **Mar-26** | 0.67 | 0.72 | 1.25 | 1.44 | 120 | 0.67 | 0.93 | 0.54 | 0.47 | 80.4 | 73.4 |
| **Jun-26** | 0.68 | 0.73 | 1.26 | 1.45 | 119 | 0.68 | 0.93 | 0.54 | 0.47 | 80.9 | 73.9 |
| **Sep-26** | 0.68 | 0.73 | 1.27 | 1.46 | 118 | 0.68 | 0.93 | 0.54 | 0.47 | 80.2 | 73.7 |
| **Dec-26** | 0.68 | 0.73 | 1.28 | 1.47 | 117 | 0.68 | 0.93 | 0.53 | 0.46 | 79.6 | 73.6 |
| **Mar-27** | 0.69 | 0.74 | 1.26 | 1.45 | 116 | 0.69 | 0.93 | 0.55 | 0.48 | 80.0 | 74.5 |
| **Jun-27** | 0.70 | 0.75 | 1.25 | 1.44 | 115 | 0.70 | 0.93 | 0.56 | 0.49 | 80.5 | 75.3 |
| | | | | | | **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 14 July 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 | 1.0 | 0.2 | 2.2 | 2.8 | 1.0 | 0.0 | 1.9 | 2.8 | 2.4 |
| Government Consumption | 2.7 | 2.0 | -0.7 | -0.5 | -0.1 | 0.8 | -0.1 | 0.0 | -0.6 | 0.4 |
| Total Investment | 3.3 | -1.1 | -5.3 | 0.4 | 6.5 | -0.1 | -5.1 | -1.6 | 6.2 | 4.1 |
| Stocks - ppts cont'n to growth | 0.3 | -1.5 | 0.2 | 0.6 | 0.1 | -1.4 | 0.2 | 0.3 | 0.3 | 0.0 |
| GNE | 3.7 | -0.9 | -1.0 | 1.6 | 3.2 | -0.7 | -1.1 | 0.8 | 3.2 | 2.4 |
| Exports | 5.6 | 8.6 | 2.7 | 1.3 | 3.9 | 11.4 | 4.1 | 1.7 | 3.3 | 3.8 |
| Imports | 4.5 | -1.3 | 1.7 | 3.0 | 4.8 | -0.5 | 1.9 | 2.0 | 4.9 | 3.4 |
| Real Expenditure GDP | 3.9 | 1.5 | -0.9 | 1.5 | 2.9 | 2.0 | -0.5 | 1.0 | 2.7 | 2.4 |
| **GDP (production)** | **3.5** | **1.4** | **-1.1** | **1.3** | **2.9** | **1.8** | **-0.6** | **0.7** | **2.7** | **2.4** |
| *GDP - annual % change (q/q)* | *3.0* | *1.3* | *-0.7* | *1.8* | *2.6* | *1.0* | *-1.3* | *1.8* | *3.0* | *2.3* |
| Output Gap (ann avg, % dev) | 2.0 | 1.0 | -1.0 | -1.4 | -0.5 | 1.2 | -0.5 | -1.4 | -0.6 | -0.3 |
| Nominal Expenditure GDP - $bn | 394 | 418 | 431 | 456 | 479 | 413 | 427 | 450 | 474 | 495 |
| ***Prices and Employment -*** annual % change | | | | | | | | | | |
| CPI | 6.7 | 4.0 | 2.5 | 2.5 | 1.8 | 4.7 | 2.2 | 3.0 | 1.7 | 2.1 |
| Employment | 2.9 | 0.9 | -0.7 | 1.4 | 2.3 | 2.7 | -1.2 | 0.8 | 2.5 | 1.9 |
| Unemployment Rate % | 3.5 | 4.4 | 5.1 | 5.3 | 4.9 | 4.0 | 5.1 | 5.4 | 4.9 | 4.8 |
| Wages - ave. hr. ord. time earnings (private sector) | 8.2 | 4.8 | 3.8 | 3.0 | 3.3 | 6.6 | 4.0 | 2.3 | 3.4 | 3.2 |
| Productivity (ann av %) | 1.4 | -1.0 | -0.2 | 1.3 | 0.4 | -1.1 | -0.2 | 1.3 | 0.4 | 0.3 |
| Unit Labour Costs (ann av %) | 5.5 | 7.0 | 4.7 | 2.3 | 2.9 | 7.5 | 5.0 | 2.7 | 2.8 | 2.9 |
| House Prices (stratified, mth) | -12.8 | 2.8 | -0.6 | 3.9 | 6.2 | 0.6 | -0.9 | 3.4 | 5.1 | 5.0 |
| ***External Balance*** | | | | | | | | | | |
| Current Account - $bn | -33.8 | -27.6 | -24.7 | -20.9 | -22.1 | -28.6 | -26.2 | -21.1 | -22.3 | -21.3 |
| Current Account - % of GDP | -8.6 | -6.6 | -5.7 | -4.6 | -4.6 | -6.9 | -6.1 | -4.7 | -4.7 | -4.3 |
| ***Government Accounts*** - June Yr, % of GDP | | | | | | | | | | |
| OBEGAL ex ACC (core op. balance) (Treasury forecasts) | -7.2 | -8.8 | -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 | 0.62 | 0.57 | 0.65 | 0.68 | 0.69 |
| USD/JPY | 134 | 150 | 149 | 120 | 116 | 144 | 154 | 125 | 117 | 116 |
| EUR/USD | 1.07 | 1.09 | 1.08 | 1.25 | 1.26 | 1.09 | 1.05 | 1.23 | 1.28 | 1.23 |
| NZD/AUD | 0.93 | 0.93 | 0.91 | 0.93 | 0.93 | 0.93 | 0.91 | 0.93 | 0.93 | 0.93 |
| NZD/GBP | 0.51 | 0.48 | 0.44 | 0.47 | 0.48 | 0.49 | 0.45 | 0.46 | 0.46 | 0.49 |
| NZD/EUR | 0.58 | 0.56 | 0.53 | 0.54 | 0.55 | 0.57 | 0.55 | 0.53 | 0.53 | 0.56 |
| NZD/YEN | 83.0 | 91.1 | 85.4 | 80.4 | 80.0 | 89.5 | 88.4 | 81.3 | 79.6 | 80.0 |
| TWI | 71.0 | 71.2 | 67.9 | 73.4 | 74.5 | 72.0 | 68.5 | 72.3 | 73.6 | 74.7 |
| Overnight Cash Rate (end qtr) | 4.75 | 5.50 | 3.75 | 2.75 | 3.50 | 5.50 | 4.25 | 2.75 | 3.00 | 4.00 |
| 90-day Bank Bill Rate | 5.16 | 5.64 | 3.60 | 2.90 | 3.90 | 5.63 | 4.26 | 2.90 | 3.40 | 4.15 |
| 5-year Govt Bond | 4.40 | 4.60 | 4.00 | 3.75 | 4.10 | 4.50 | 3.90 | 3.65 | 4.10 | 4.05 |
| 10-year Govt Bond | 4.35 | 4.60 | 4.50 | 4.40 | 4.50 | 4.65 | 4.45 | 4.50 | 4.45 | 4.60 |
| 2-year Swap | 5.15 | 4.91 | 3.35 | 3.30 | 4.00 | 4.93 | 3.53 | 3.05 | 4.00 | 4.00 |
| 5-year Swap | 4.50 | 4.40 | 3.65 | 3.55 | 4.15 | 4.43 | 3.63 | 3.45 | 4.10 | 4.20 |
| US 10-year Bonds | 3.65 | 4.20 | 4.25 | 4.10 | 4.00 | 4.00 | 4.40 | 4.25 | 4.00 | 4.00 |
| NZ-US 10-year Spread | 0.70 | 0.40 | 0.25 | 0.30 | 0.50 | 0.65 | 0.05 | 0.25 | 0.45 | 0.60 |

(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 14 July** | | | |
| CH | Exports YoY Jun | 5.00% | | 4.80% |
| CH | Imports YoY Jun | 0.30% | | -3.40% |
| EC | ECB's Vujcic Speaks | | | |
| | **Tuesday 15 July** | | | |
| EC | ECB's Cipollone Speaks | | | |
| UK | BRC Sales Like-For-Like YoY Jun | 1.00% | | 0.60% |
| AU | Westpac Consumer Conf Index Jul | | | 92.6 |
| CH | Used Home Prices MoM Jun | | | -0.50% |
| CH | GDP SA QoQ 2Q | 0.90% | | 1.20% |
| CH | Retail Sales YoY Jun | 5.20% | | 6.40% |
| CH | Industrial Production YoY Jun | 5.60% | | 5.80% |
| CH | Fixed Assets Ex Rural YTD YoY Jun | 3.60% | | 3.70% |
| CH | Surveyed Jobless Rate Jun | 5.00% | | 5.00% |
| GE | ZEW Survey Expectations Jul | 50.7 | | 47.5 |
| EC | Industrial Production SA MoM May | 0.70% | | -2.40% |
| | **Wednesday 16 July** | | | |
| US | Empire Manufacturing Jul | -9.6 | | -16 |
| US | CPI Ex Food and Energy MoM Jun | 0.30% | | 0.10% |
| US | CPI Ex Food and Energy YoY Jun | 2.90% | | 2.80% |
| US | Fed's Bowman, Barr & Others Speak | | | |
| NZ | Dairy GDT Auction | | | |
| UK | BOE's Bailey Speaks | | | |
| UK | CPI YoY Jun | 3.40% | | 3.40% |
| UK | CPI Core YoY Jun | 3.50% | | 3.50% |
| UK | CPI Services YoY Jun | 4.50% | | 4.70% |
| EC | Trade Balance SA May | 13.0b | | 14.0b |
| | **Thursday 17 July** | | | |
| US | Fed's Barkin, Williams & Others Speak | | | |

| | | Median | Fcast | Last |
|---|---|---|---|---|
| US | PPI Ex Food and Energy MoM Jun | 0.20% | | 0.10% |
| US | PPI Ex Food and Energy YoY Jun | 2.70% | | 3.00% |
| US | New York Fed Services Business Activity Jul | | | -13.2 |
| US | Manufacturing (SIC) Production Jun | 0.00% | | 0.10% |
| US | Fed Releases Beige Book | | | |
| NZ | Selected Monthly Price Indexes Jun | | | |
| NZ | Food Prices MoM Jun | | | 0.50% |
| JN | Trade Balance Jun | ¥350.3b | | -¥638.6b |
| AU | Employment Change Jun | 20.0k | 20.0k | -2.5k |
| AU | Unemployment Rate Jun | 4.10% | 4.10% | 4.10% |
| UK | Private Earnings ex Bonus 3M/YoY May | 4.80% | | 5.10% |
| UK | ILO Unemployment Rate 3Mths May | 4.60% | | 4.60% |
| UK | Payrolled Employees Monthly Change Jun | -41k | | -109k |
| | **Friday 18 July** | | | |
| US | Retail Sales Advance MoM Jun | 0.10% | | -0.90% |
| US | Retail Sales Control Group Jun | 0.30% | | 0.40% |
| US | Initial Jobless Claims Jul-12 | 233k | | 227k |
| US | Continuing Claims Jul-05 | 1965k | | 1965k |
| US | Philadelphia Fed Business Outlook Jul | -1 | | -4 |
| US | Import Price Index MoM Jun | 0.30% | | 0.00% |
| US | Fed's Kugler, Waller & Others Speak | | | |
| US | Business Inventories May | 0.00% | | 0.00% |
| US | NAHB Housing Market Index Jul | 33 | | 32 |
| JN | Natl CPI YoY Jun | 3.30% | | 3.50% |
| GE | PPI YoY Jun | -1.30% | | -1.20% |
| | **Saturday 19 July** | | | |
| US | Housing Starts Jun | 1295k | | 1256k |
| US | U. of Mich. Sentiment Jul P | 61.4 | | 60.7 |

# Historical Data

| | Today | Week Ago | Month Ago | Year Ago |
|---|---|---|---|---|
| **CASH AND BANK BILLS** | | | | |
| Call | 3.25 | 3.25 | 3.25 | 5.50 |
| 1mth | 3.36 | 3.33 | 3.34 | 5.61 |
| 2mth | 3.33 | 3.30 | 3.32 | 5.59 |
| 3mth | 3.29 | 3.27 | 3.30 | 5.56 |
| 6mth | 3.25 | 3.27 | 3.28 | 5.39 |
| **GOVERNMENT STOCK** | | | | |
| 04/27 | 3.25 | 3.27 | 3.43 | 4.27 |
| 05/30 | 3.84 | 3.84 | 3.98 | 4.23 |
| 05/32 | 4.20 | 4.20 | 4.32 | 4.36 |
| 05/35 | 4.52 | 4.52 | 4.63 | 4.50 |
| 04/37 | 4.73 | 4.72 | 4.83 | 4.62 |
| 05/41 | 4.99 | 4.97 | 5.10 | 4.78 |
| 05/54 | 5.21 | 5.20 | 5.34 | 4.84 |
| **GLOBAL CREDIT INDICES (ITRXX)** | | | | |
| Nth America 5Y | 51 | 51 | 54 | 49 |
| Europe 5Y | 54 | 54 | 56 | 51 |

| | Today | Week Ago | Month Ago | Year Ago |
|---|---|---|---|---|
| **SWAP RATES** | | | | |
| 2 years | 3.19 | 3.18 | 3.30 | 4.44 |
| 3 years | 3.32 | 3.29 | 3.42 | 4.18 |
| 4 years | 3.45 | 3.42 | 3.55 | 4.09 |
| 5 years | 3.59 | 3.55 | 3.67 | 4.06 |
| 10 years | 4.13 | 4.06 | 4.17 | 4.23 |
| **FOREIGN EXCHANGE** | | | | |
| NZD/USD | 0.6005 | 0.5995 | 0.6061 | 0.6075 |
| NZD/AUD | 0.9145 | 0.9235 | 0.9289 | 0.8987 |
| NZD/JPY | 88.39 | 87.54 | 87.69 | 96.02 |
| NZD/EUR | 0.5145 | 0.5120 | 0.5242 | 0.5576 |
| NZD/GBP | 0.4451 | 0.4407 | 0.4464 | 0.4685 |
| NZD/CAD | 0.8226 | 0.8202 | 0.8223 | 0.8312 |
| TWI | 69.2 | 69.1 | 69.8 | 71.5 |

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