ECONOMIC OVERVIEW

Picking up speed.

February 2026

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A NOTE FROM KELLY

Picking up speed.

The economic news in the last couple of months of 2025 took a decided turn for the better. Previously, there were real concerns that the economy might not be responding sufficiently to lower interest rates, strong commodity returns and an accommodative exchange rate. Since then we have seen business and consumer confidence take decisive steps higher. And data confirms that growth in the September quarter period was in fact relatively strong – in defiance to the negative perceptions of the time – albeit following a weak June quarter. While the unemployment rate ticked higher in the December quarter, it reflected an increased pull of workers into the workforce as quarterly employment growth was the strongest since early 2023.

Interest rates remain low and export returns solid. Fiscal easing, reduced tariff concerns and an emerging AI investment boom is supporting global growth, leaving more room for New Zealand activity to strengthen. The key now is the extent to which firms invest and hire, driving a virtuous cycle.

Inflation is currently high but is likely to subside a bit. Even though the economy is picking up speed, it's coming from a low base so pricing pressures should remain in check. Food and petrol prices likely won't rise by the same extent in 2026 that they did in 2025, so declining headline inflation will give the RBNZ time to assess the durability and sustainability of the strength of the economy. The OCR can begin to return towards more neutral levels from later in 2026 and move progressively higher over 2027. The exchange rate should find a firmer footing as confidence around the economic recovery grows.

Plenty of risks remain around this relatively positive backdrop. Geopolitical risk remains high and the 2026 election could mean growth takes a hiatus mid-year. Tightening would be delayed and the exchange rate weaker in that scenario. Things should be clearer in mid-2026.

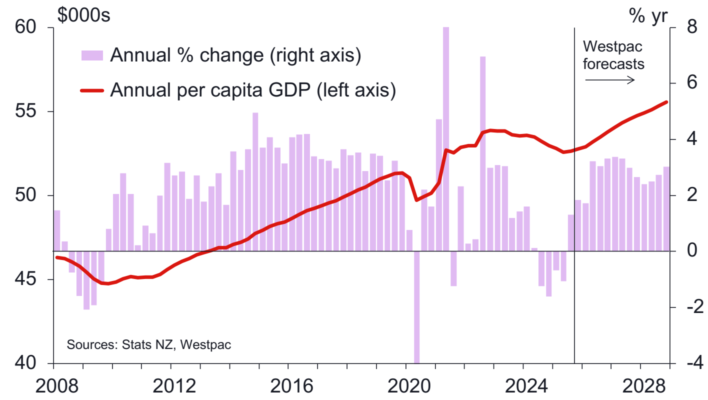
OVERVIEW

> "After a rocky few years, the New Zealand economy looks to be on firmer footing in 2026."

A stronger 2026 looks in prospect – hopefully!

- After growing an estimated 1.8% over 2025, we expect economic activity will lift by 3.3% in 2026 and 2.7% in 2027. Growth was unexpectedly strong in the second half of 2025 and should continue through 2026 and 2027. Business and consumer confidence has accordingly lifted. Jobs growth should follow resulting in unemployment gradually falling from 5.4% to around 4.7% by the end of 2026 and to 4.4% over 2027.
- Economic growth continues to be supported by firm export commodity prices, a supportive exchange rate and importantly the now-low level of short term interest rates. Resilient global growth, despite simmering geopolitical tensions, is providing a tailwind to externally-orientated sectors.
- The RBNZ's now quite stimulatory stance is still working its way through the economy. Average borrowing costs are set to continue falling over 2026 and marginal funding costs for new borrowers will remain low. Hence we expect domestically-orientated sectors to increasingly catch up this year.
- Inflation remains high and core inflation remains above 2%. As spare capacity remains for now, the RBNZ has time before reversing the OCR cuts made after August last year. We expect the RBNZ to start raising the OCR towards more neutral levels from late 2026 as spare capacity is eroded and as core inflation pressures flatten off above the midpoint of the RBNZ's 1-3% target range.

GDP



Key economic forecasts*

	2024	2025f	2026f	2027f
GDP growth (% year)	-1.6	1.8	3.3	2.7
Inflation (% year end)	2.2	3.1	2.3	2.5
Unemployment rate (%)	5.1	5.4	4.7	4.4
House prices (% year end)	-1.0	-0.1	4.0	5.0
Official Cash Rate (%)	4.25	2.25	2.50	4.00

* Growth rates are December quarters compared to same quarter previous year.

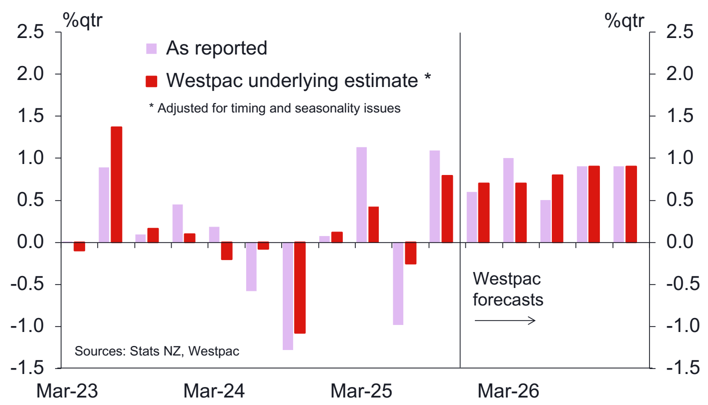
RECENT ECONOMIC DEVELOPMENTS

> "The tone of New Zealand's economic data has improved in recent months, at the same time that global sentiment appears to have shaken off the US tariff shock."

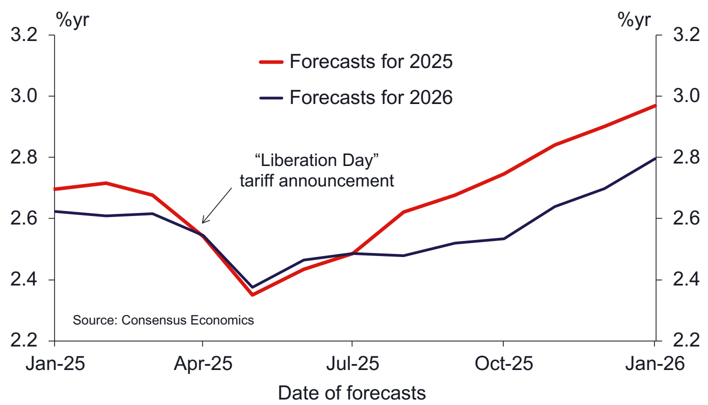
Coming up trumps.

- GDP rose by 1.1% in the September quarter, well ahead of forecasts, following a 1% drop in the June quarter. We've identified some issues with timing and seasonality that have exaggerated the volatility in the quarterly GDP figures. But it's likely that there is also some inherent noise in the GDP data, which underscores the importance of looking at a broad range of indicators.
- There's been a noticeable improvement in the tone of the economic data in recent months, in contrast to the apparent soft patch through mid-2025. The ongoing strength in business confidence through the last year is now being matched by a pickup in activity.
- The improving tone in the New Zealand data has come at the same time that the market has been positively reassessing the state of the global economy. Growth among our major trading partners looks to have been stronger over 2025 than was expected even before the US tariff announcement, and forecasts for 2026 have been upgraded as well.
- The more positive global environment has helped to drive demand for our agricultural exports, and international travel continues to rebound towards pre-Covid levels. That has benefited some regions of the country more than others – generally the South Island has been faring better than the North to date.

Quarterly GDP growth



Market forecasts of NZ trading partner growth



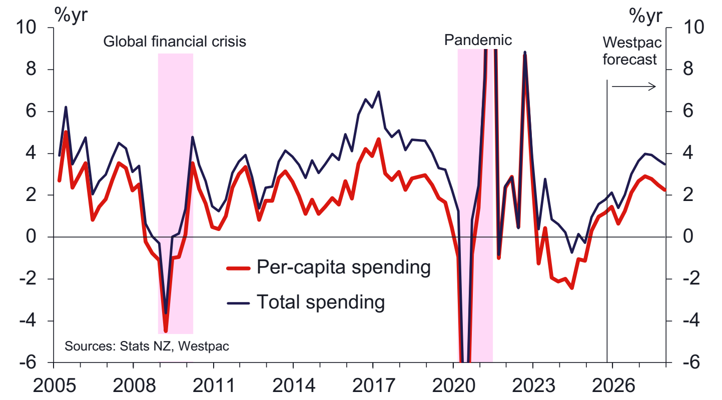
HOUSEHOLDS

> "Consumer confidence has picked up and spending is starting to rise. Spending growth will continue to firm as the labour market improves, but that will take time."

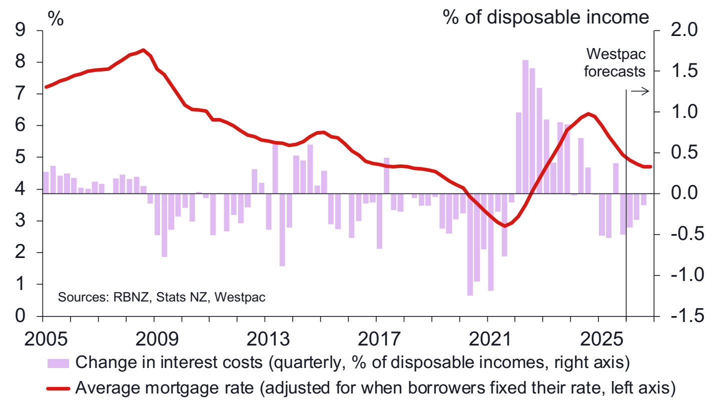
A recovery in spending is taking shape, but is likely to be gradual in the near term.

- Following sluggish growth over the past couple of years, household spending has started to turn higher in recent months. That's been supported by large falls in borrowing costs over the past year and a related lift in consumer confidence.
- While the RBNZ's easing cycle has come to an close, average household borrowing costs are set to continue dropping as borrowers roll off the higher fixed mortgage rates that were on offer in recent years and on to lower ones. One-year fixed mortgage rates are around 80bps lower than this time last year, and the two-year mortgage rate is around 200bps lower than in 2024. Even as RBNZ OCR increases get closer, borrowing costs will remain low.
- The recovery in spending is likely to remain gradual in the near term as the labour market and wage growth will take time to reflect the economic upturn. However, the labour market is expected to firm over the course of this year as economic growth picks up, and that will support an acceleration in per capita spending.
- Low levels of population growth will also be a dampener on spending growth over the course of this year. However, population growth will gradually pick up as improving New Zealand labour market conditions reduce the incentives for people to leave.

Household spending growth



Household spending on interest costs



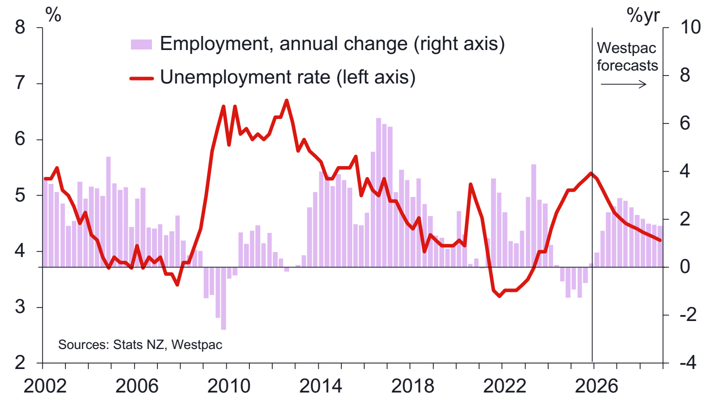
LABOUR AND MIGRATION

> "We expect the unemployment rate to drop below 5% in the second half of this year, though that would still point to a degree of slack and limited pressure on wages."

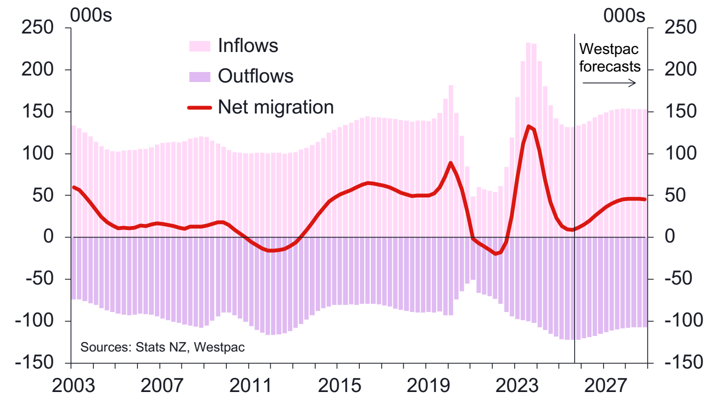
Unemployment rate set to turn lower in 2026, wage growth subdued.

- The labour market was starting to find its footing again at the end of 2025. Business confidence surveys and job advertisements pointed to a lift in hiring intentions, and the number of jobs filled has turned higher in the last couple of months. Rising labour market participation meant that the unemployment rate ticked up to 5.4% in the December quarter, but we expect that this will mark the peak for the cycle.
- As activity picks up, we expect the unemployment rate to drop below 5% in the second half of this year, with more gradual progress over 2027 as the pace of GDP growth slows. That would still imply a substantial degree of slack in the labour market over that time, which in turn suggests limited upward pressure on wage growth beyond cost-of-living increases.
- Net migration slowed to around 10,000 people over the last year. Although departures of New Zealanders remain above average – reflecting stronger job prospects in Australia and elsewhere – revised data shows that they were not as high as originally reported and appear to have passed their peak.
- We expect net migration to lift to around 30,000 people this year, as improving economic conditions make New Zealand more attractive for both locals and migrant workers, along with a lift in arrivals under the Parent Boost Visa.

Employment growth and unemployment rate



Migration flows, annual total



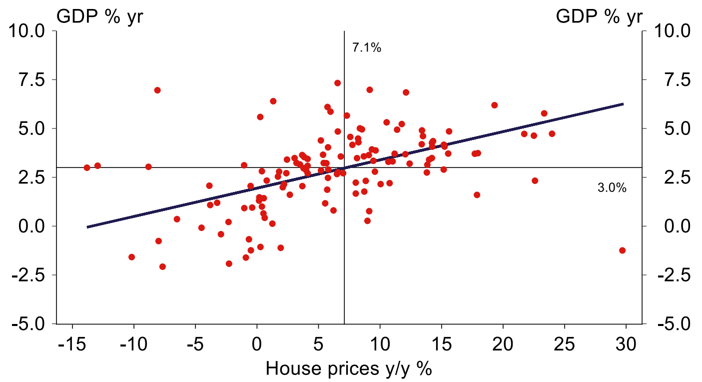
HOUSING

> "House prices should grind higher as the economy and labour market strengthen."

Rising demand but ample supply.

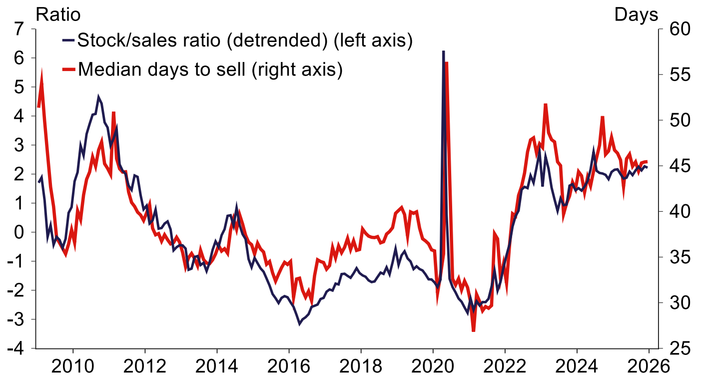
- While house sales are back around average levels, momentum in house prices remains limited, with nationwide prices down 0.4% over the past year.
- Demand for housing has remained solid, led by increasing demand from first home buyers and property investors (though in the case of investors, buyer interest has been tempered by the possibility of tax changes following this year's election). Demand remains stronger in areas of the country showing stronger income and population growth, especially the South Island.
- Housing credit has been steadily rising, reflecting progressively lower mortgage rates and easing RBNZ loan-to-value restrictions.
- GDP is expected to be noticeably above trend in 2026, which would normally drive above-average house price growth. The unemployment rate will fall, boosting incomes and helping housing demand in the major urban areas.
- But we expect a much more muted than usual reaction in house prices to the broader economic recovery, as significant stock is available for sale. Increases in planned residential building also imply a robust supply of new houses through 2026 and 2027. In addition, population growth has been muted.
- We see house prices rising by around 4% in 2026 and 5% in 2027 as demand gradually catches up with housing supply.

GDP growth vs house price growth



Sources: Macrobond, REINZ, RBNZ, Stats NZ, Westpac

Housing stock/sales vs days to sell



Sources: Macrobond, REINZ, Realestate.co.nz, Westpac

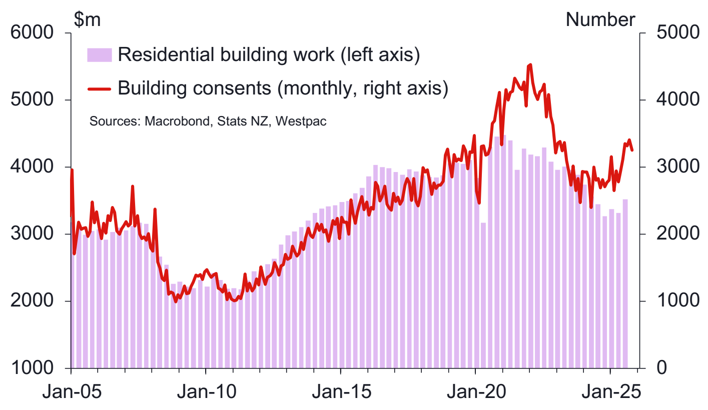
CONSTRUCTION

> "An upswing in the residential building cycle is taking shape, while commercial building activity remains more muted."

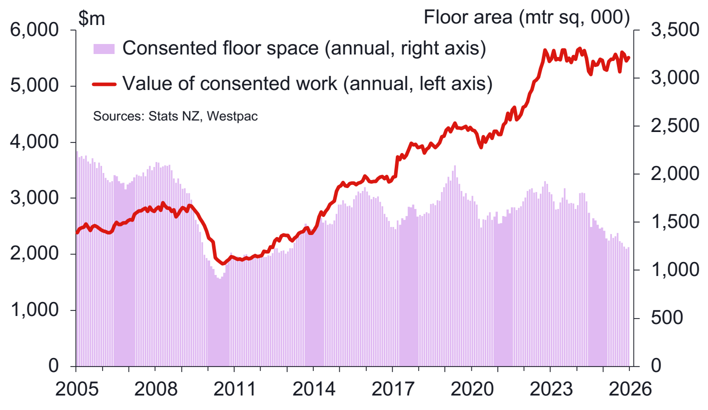
Residential recovery taking shape, commercial work softer.

- The residential building cycle is moving into a new phase. Following a sharp fall in activity over the past few years, the number of planned projects has begun rising again, with dwelling consent numbers climbing to a two-year high in December. That's been encouraged by the fall in interest rates over the past year. Much of the lift in planned work has been in Auckland and Canterbury, but there have also been increases in Wellington, Otago and Southland.
- Residential building activity is expected to begin turning higher from the middle part of this year. However, we don't expect a return to the boom times that we saw in the wake of the pandemic. Population growth remains low and there have been sizeable increases in the housing stock over the past few years. Those factors are still weighing on house price growth and will also be a dampener on the pace of homebuilding.
- Commercial building activity dropped back over the past year, and the amount of planned work has been tracking sideways in recent months. With sluggish economic growth over the past year, occupier demand has been subdued. That's seen a rise in vacancy rates and related downward pressure on rents.
- While developers are currently cautious about bringing projects to market, lower interest rates are expected to support a lift in new development activity over the year ahead. Trends are expected to remain mixed across segments.

Residential building and consents



Commercial building



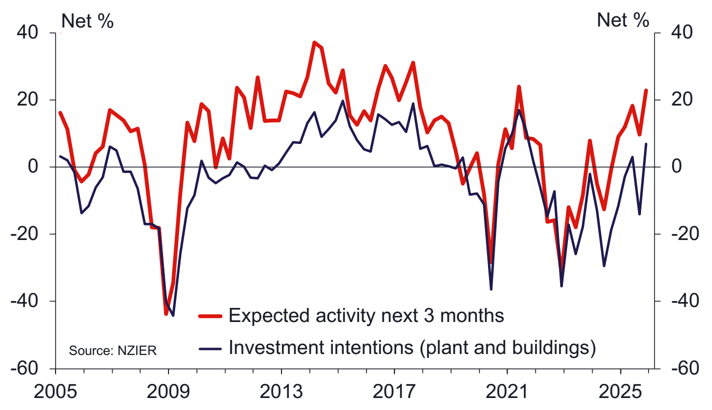
BUSINESS CONDITIONS

> "Growing confidence among businesses about the economic outlook is now being accompanied by better results."

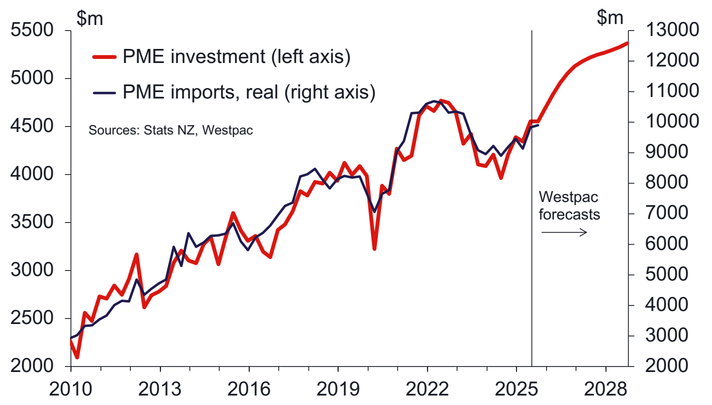
Rising confidence about the outlook for the year ahead.

- Surveys of business confidence rose to multi-year highs at the end of 2025, as the economy's recovery continued to take shape. Importantly, this growing confidence in the outlook is now being accompanied by better results, with activity reported to be ahead of last year on balance.
- An upturn in business investment is now well advanced, despite the subdued economic conditions over the last year. In part this reflects a necessary part of the replacement cycle, with falling funding costs also providing support. We expect the Government's 'Investment Boost' accelerated depreciation scheme will have more of an impact over 2026, given the typical lags associated with investment decisions.
- We expect the growth in business investment to be particularly strong in sectors linked to agriculture, with confidence running high on the back of strong export prices. Software investment is expected to pick up in the coming years, although the likely degree of uptake of AI in New Zealand is uncertain.

Business sentiment



Plant and machinery investment



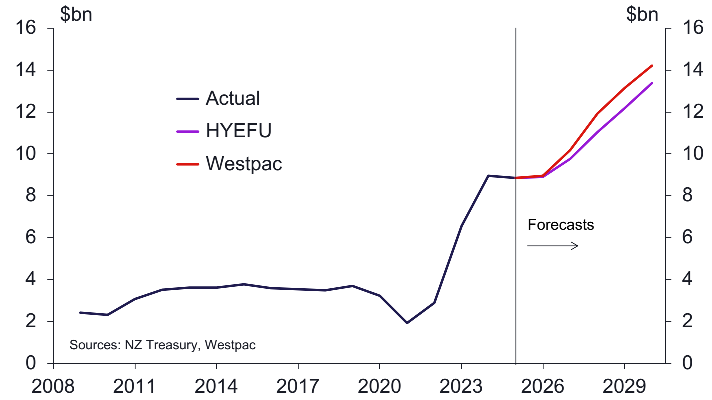
FISCAL

> "Achieving a fiscal surplus this decade will require discipline. But much harder decisions will be required to deal with the fiscal impact of an aging population."

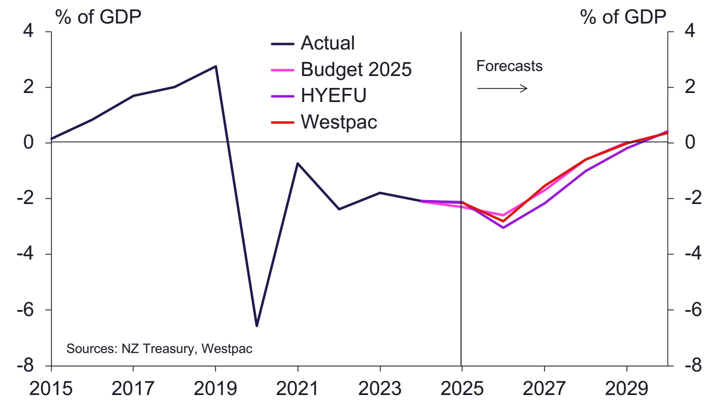
The road to surplus remains a long one.

- The HYEFU portrayed a weaker fiscal outlook than in Budget 2025, with the timing of the first OBEGALx surplus pushed back to 2029/30. We expect the current year's deficit to print close to the HYEFU forecast of 3% of GDP.
- Budget 2026 will be subject to a tight operating allowance of $2.4bn and a capital allowance of $3.5bn. With more than half of the former already pre-committed, any significant new initiatives will need to be funded by savings.
- Our forecast of above-trend GDP growth – together with strong commodity prices – should result in tax revenues that slightly exceed HYEFU forecasts, especially from 2027/28. However, our outlook for interest rates means that we also expect the Government's financing costs to exceed the HYEFU forecast.
- From Budget 2027 onwards we assume that any upside surprise in revenues will be recycled back into the economy through greater spending, so that an OBEGALx surplus will be achieved no sooner than 2029/30.
- Current polling continues to suggest that this year's General Election is likely to be a tight contest. A change of government could result in different priorities for the level and mix of spending and revenue, the budget balance and debt.
- As the Treasury continues to highlight, beyond this decade New Zealand faces significant long-term fiscal challenges due to an aging population.

Financing costs



Operating balance (OBEGALx), % of GDP



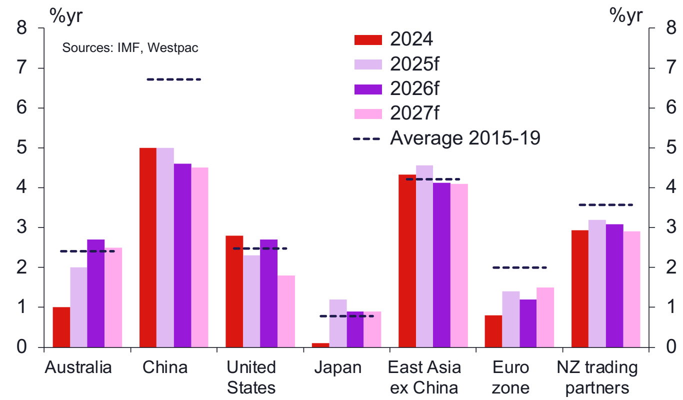
GLOBAL OUTLOOK

> "Despite headwinds from tariff-induced and other uncertainties, trading partner growth remains robust, supporting export demand and prices."

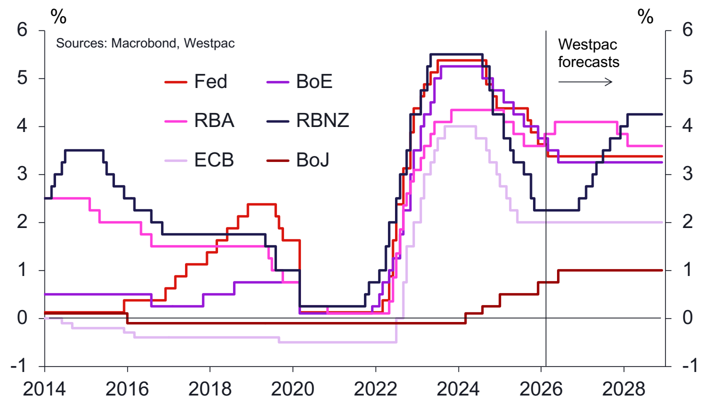
The global environment remains constructive for exporters.

- Despite headwinds from the uncertainty and supply chain disruptions caused by changing US tariff policy, together with other geopolitical uncertainties in Europe and the Middle East, market GDP growth forecasts have been revised up in recent months to end last year above pre-tariff levels.
- Stimulatory fiscal policy, AI-related investment, and easy global financial conditions (including record narrow credit spreads, rising equity markets and the lagged impact of monetary easing) are all supporting growth.
- We estimate New Zealand's largest trading partners grew 3.2% over 2025 on a trade weighted basis. Looking ahead, we expect conditions to remain broadly supportive. We forecast trading partner growth of 3.1% in 2026 and 2.9% in 2027 and 2028. These growth rates are a little below the pre-Covid average, reflecting the slowdown in growth in China.
- Amongst the major economies, monetary easing cycles are close to drawing to a close in the US and the UK and we see the ECB as now on hold. China will likely continue to pursue more expansionary monetary and fiscal policy to lean against the negative impact of US tariffs and weakness in the property sector.
- By contrast, coming from low levels, Japan is likely to tighten policy a little further as it responds to above-target inflation. Further tightening is expected in Australia, with the extent depending on upcoming activity and inflation data.

Trading partner growth



Global central bank policy rates



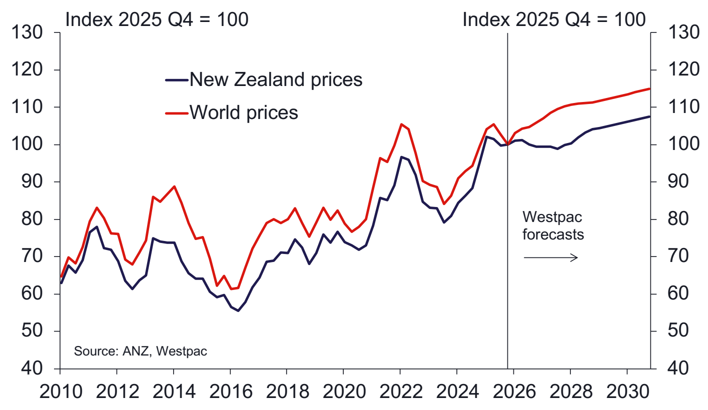
AGRICULTURE

> "Sustained strong commodity prices will continue to propel economic activity in rural regions over the coming year."

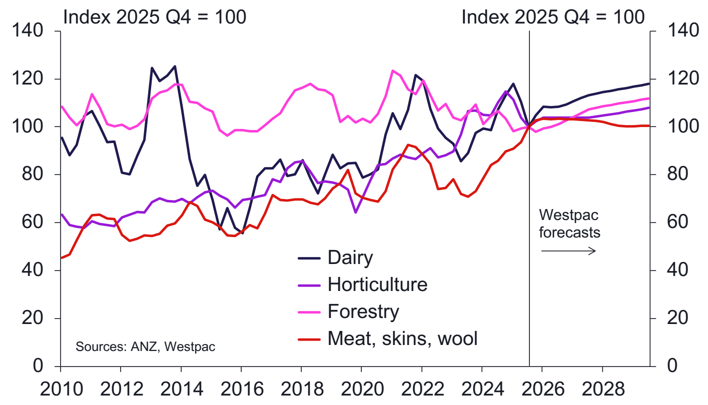
Agricultural export prices are in their happy place.

- Conducive supply and demand conditions set to keep commodity prices elevated over the coming year.
- We have nudged up our farmgate milk price forecast to $9.40/kg for the current season. Global production remains ample, but has plateaued in the last few months. The recent rebound in dairy prices is notable and we will be watching to see if it can be sustained in the face of still-strong milk production.
- Beef and lamb export prices are set to remain elevated off the back of still-constrained supply and strength of demand in key export markets. Key issues are how quickly the US beef herd rebuilds, the resilience of US consumer beef demand and the extent that ongoing weakness in the Chinese market and pockets of resistance in the key UK and EU markets limit lamb price gains.
- Meanwhile, kiwifruit and apple export prices are likely to remain at elevated levels, reflecting the strength of demand in EU, US and Asian markets. However, price gains are likely to slow over the coming year as production in New Zealand continues to recover.
- Log prices may edge slightly higher over the coming year. Demand from China continues to go sideways and is unlikely to go materially higher in the foreseeable future. India may provide some impetus in this regard following the signing of an FTA, which includes a phase-down of tariffs on logs.

Commodity prices – World and NZ dollar denominated



Commodity prices by category



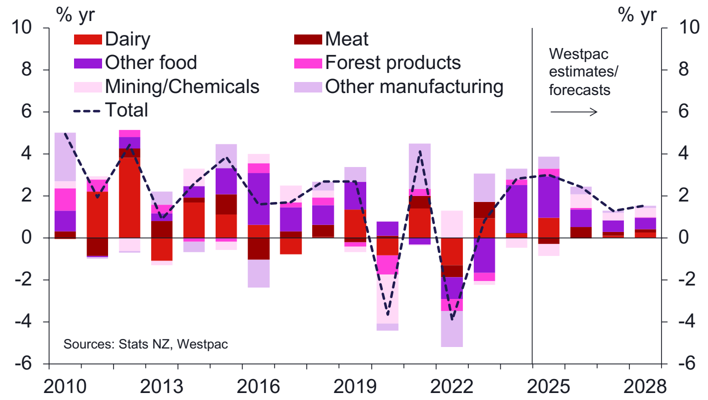
EXPORTS AND BALANCE OF PAYMENTS

> "Strong growth in exports has helped to narrow the external deficit. While a higher NZ dollar will be a drag, firm global demand and prices should narrow the deficit a little further."

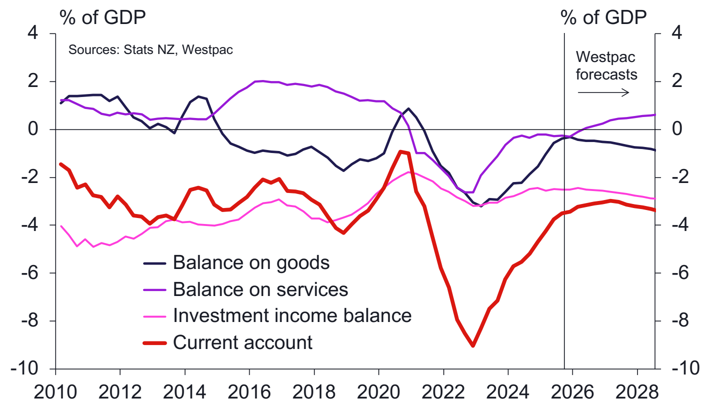
Strong export performance is narrowing the external deficit.

- Resilient trading partner growth, a competitive exchange rate, strong commodity prices and favourable weather saw the export sector grow strongly over the second half of last year. This has helped to lift overall activity at a time when domestic demand has remained comparatively subdued.
- We estimate that the volume of goods exports grew 3.0% in 2025, driven by a rise in dairy exports, solid growth in the horticulture sector and an encouraging lift in exports of metal and machinery products after many years of little growth. Meat volumes have fallen, but values have been boosted by high prices.
- Following a period of slower growth, international tourist arrivals also appear to have regained momentum over the second half of last year. Combined with ongoing growth in exports of business services, this should see the services balance move back into surplus this year for the first time since 2020.
- Looking ahead, while strengthening domestic demand will act to boost imports, and a rebound in the NZ dollar will moderate growth in exports and add to demand for imports, we still see scope for the current account deficit – presently 3.5% of GDP – to narrow a little further over the next year or so.
- At 3.0-3.5% of GDP – similar to pre-pandemic levels – the current account deficit will not pose a threat to New Zealand's credit rating. Ratings agencies will remain focused on the credibility of the Government's fiscal trajectory.

Goods exports – contributions to growth



Current account balance, % of GDP



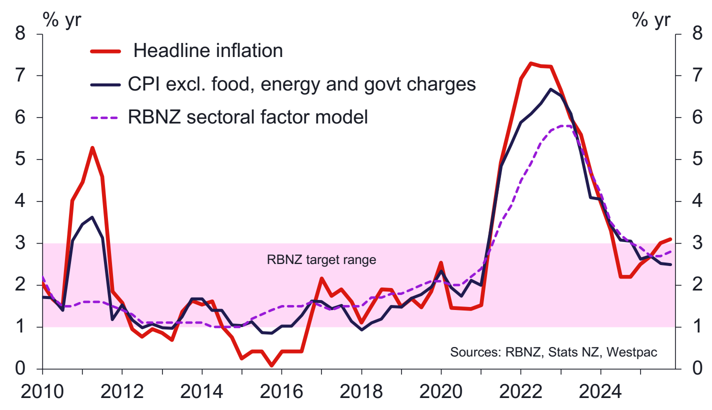
INFLATION

> "The earlier decline in core inflation has come to a halt. And with economic activity now turning higher, underlying price pressures are likely to persist through 2026."

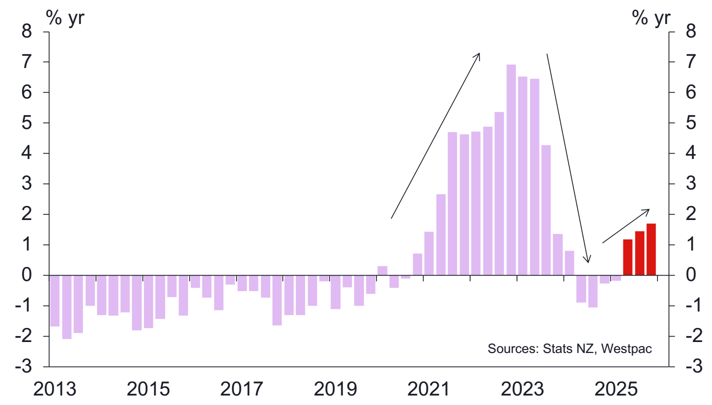
Inflation to linger above 2%.

- Inflation surprised to the upside in the year to December, rising to 3.1% - above the top of the RBNZ's target band.
- Inflation is expected to drop back over 2026 as earlier large increases in the prices of volatile items like food and petrol moderate. However, rather than falling to low levels, inflation is set to linger above 2% over the coming year.
- We have continued to see large increases in a range of administered costs, like council rates, electricity charges and health insurance. There are likely to be further large increases in these and other areas, limiting the downside for overall inflation.
- Importantly, price pressures are not limited to some specific volatile items or administered costs. Recent months have seen increases in the prices for a range of imported retail goods. In addition, the earlier easing in service sector inflation has also levelled off. Those developments have meant that the decline in core inflation seen over the past year has now come to a halt, with most measures remaining in the upper part of the RBNZ's target band.
- With economic activity now starting to turn higher, those underlying price pressures are likely to persist through 2026. We've also seen a lift in some measures of inflation expectations, as well as gauges of businesses' cost and pricing intentions. Firms with pricing power may seek to restore margins.

Headline and core inflation



Tradables inflation excluding food and fuel costs



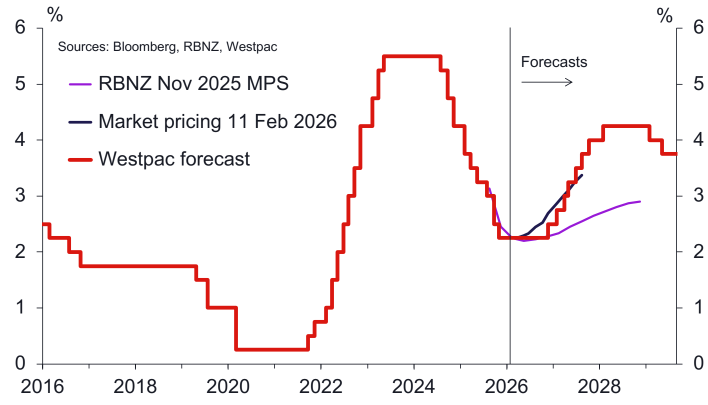
MONETARY POLICY

> "The RBNZ has time to assess the durability of the recovery, but the time taken to gain confidence in 2026 will imply an eventual tightening above neutral levels by 2028."

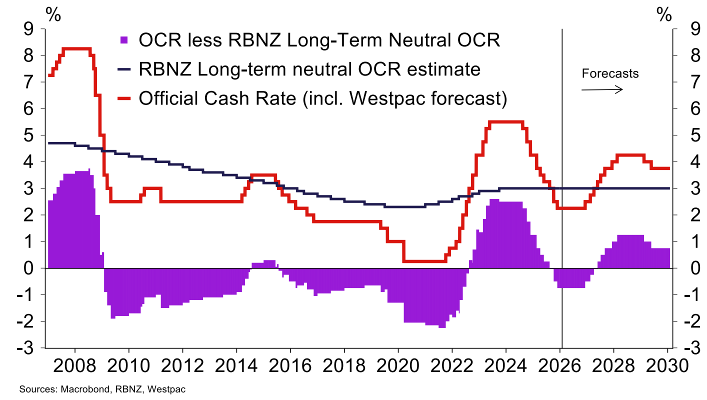
The OCR should rise above neutral levels in 2027/28.

- Despite the growth outlook looking quite promising for 2026, uncertainty remains about the strength and durability of the recovery.
- Notwithstanding strong growth in H2 2025, significant economic slack remains, which should see a declining trend in underlying inflation over 2026. At the same time, a moderation in food and petrol prices should see headline inflation dropping back, which will hopefully manage inflation expectations risks.
- Nonetheless, the high starting point for headline inflation and core inflation implies no real chance of OCR cuts and a time limit for the current very stimulatory 2.25% OCR.
- By late 2026 it will be clear that the economy has been growing at an above-trend pace for some time, with an associated building of medium-term inflation pressures. We expect the output gap to close by early 2027.
- The OCR will begin to rise in late 2026, with the pace of policy tightening increasing in 2027 to return interest rates to neutral levels more quickly.
- The OCR will likely rise above neutral (which we estimate to be 3.75%) in late 2027. The time taken in 2026 to gain confidence about the recovery implies a need for slightly restrictive conditions over 2028. An OCR peak of 4.25% looks likely to remain in place over 2028 before returning to neutral in 2029.

Official Cash Rate forecasts



OCR and long term neutral rate estimates



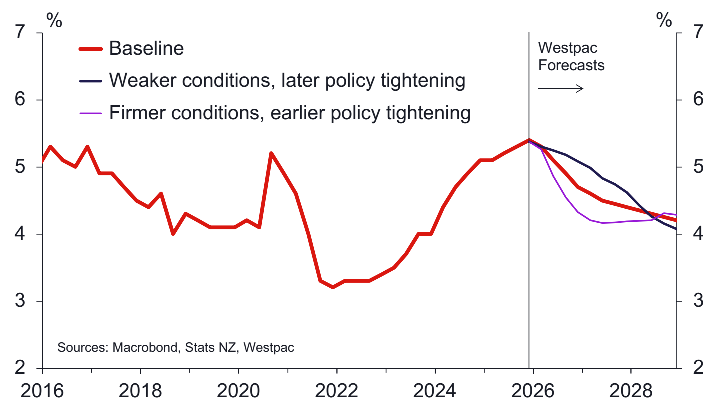
MONETARY POLICY SCENARIOS

> "The strength and durability of the nascent economic recovery will be key in determining when, and by how much, the OCR rises in 2026 and 2027."

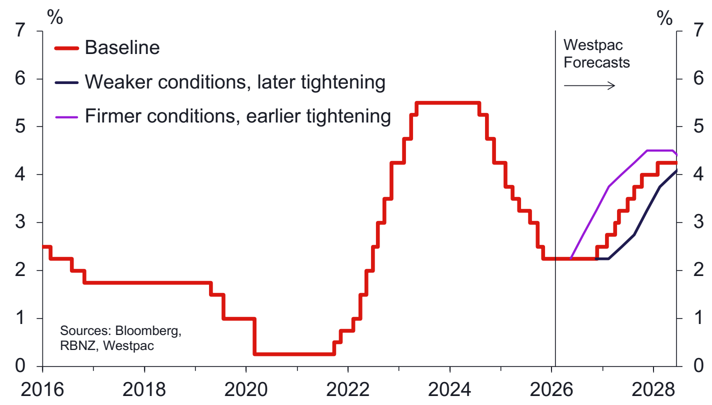
How quickly will excess capacity be eroded?

- The RBNZ will drive its assessment of when and by how much to raise the OCR based on its view of what is required to ensure that inflation moves "towards 2%" over a 12-18 month horizon.
- The RBNZ views an OCR of 2.25% as stimulatory, hence the bias will be to raise the OCR to the 3.0-3.5% range at some point.
- The speed at which excess capacity is eroded will be critical in determining how long the RBNZ keeps the OCR at stimulatory levels. Given headline and core inflation are currently above the 2% target mid-point, upside surprises to growth will likely generate a quicker response than downside surprises.
- Should something such as election uncertainty or global events cause the economy to sag in mid-2026 – as occurred in both 2024 and 2025 – then a delayed start to the tightening cycle would be likely, pushing the first move back into 2027.
- The first tightening could be brought forward to September – or possibly even July – if economic growth outperformed and the unemployment rate appeared to be dropping quickly. If core inflation remained close to 3% in mid-2026 then the risk of earlier tightening would be significantly more likely, even if the recovery was proceeding more slowly than had been hoped.

Unemployment rate forecasts



Official Cash Rate forecasts



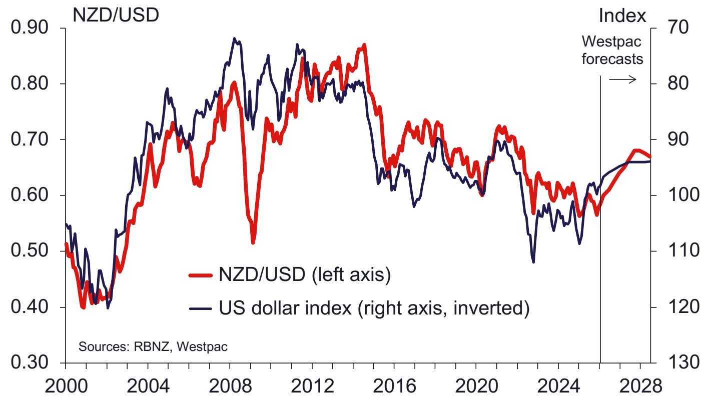
FOREIGN EXCHANGE

> "A weaker US dollar and improving New Zealand economic data have provided support to the NZ dollar. We expect further NZ dollar appreciation."

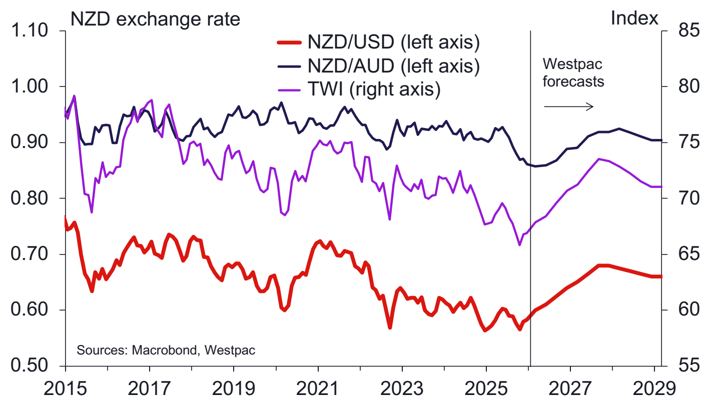
NZ dollar now on a stronger trajectory.

- The US dollar, which had been trading well above its long-term average, has come under downward pressure in recent months, reflecting investor concerns about US economic policy, challenges to the Fed's independence, and concerns of reduced official support for a 'strong US dollar' policy.
- The weaker US dollar has helped to drive a rebound in the NZD/USD exchange rate from below 0.56 to above 0.60. Also contributing has been the improving local economic data flow, which has caused interest rate markets to bring forward the timing of expected OCR hikes in New Zealand.
- Given the recent weakening of the US dollar and our increasing confidence in New Zealand's economic outlook, we have lifted our forecast for the NZ dollar. We now expect the NZD/USD to end this year at 0.64, rising further to 0.68 by the end of 2027 as the RBNZ's policy rate moves into contractionary territory and above that seen in other advanced economy markets.
- With the RBA also tightening policy this year, we expect a more gradual rise in the NZD against the AUD. We expect the NZD/AUD to rise to 0.89 by the end of this year, with a further rise to 0.92 by the end of 2027.
- The NZ dollar should find a firmer footing against other major trading partner currencies as confidence on the strength and durability of the domestic economic recovery rises and the proximity to OCR increases nears.

NZD/USD and US dollar index

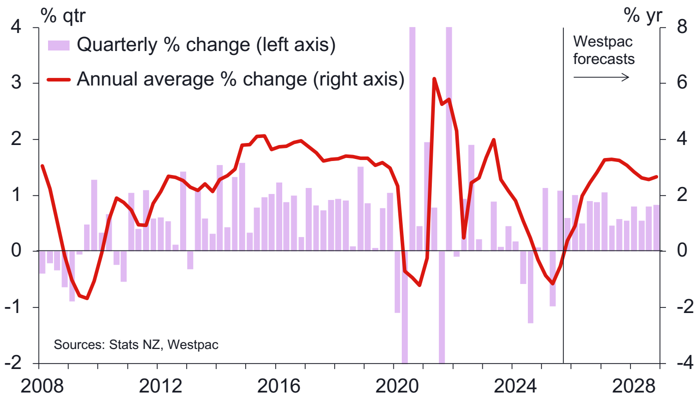


Exchange rates

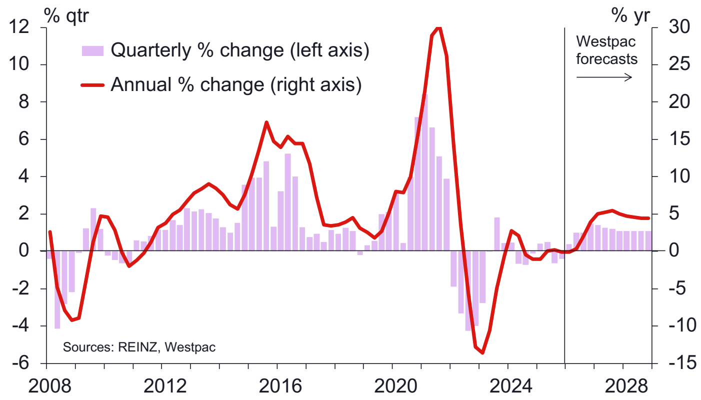


THE ECONOMY IN EIGHT CHARTS

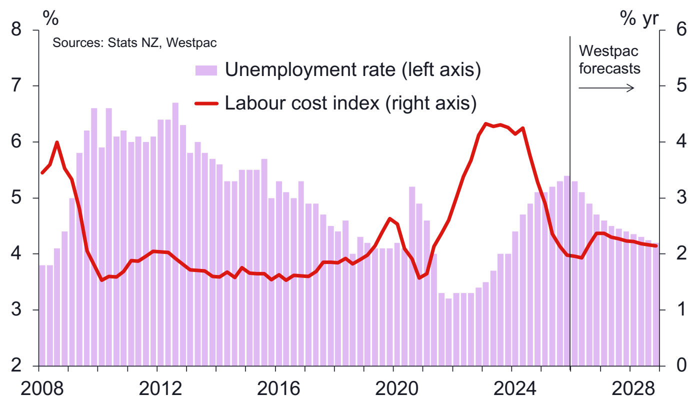
GDP growth



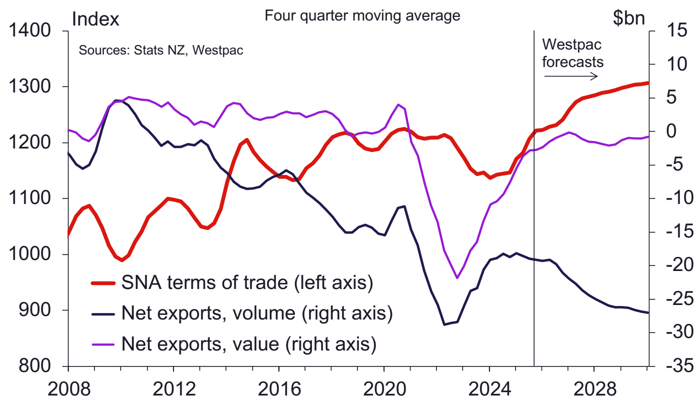
House prices



Unemployment and wage growth

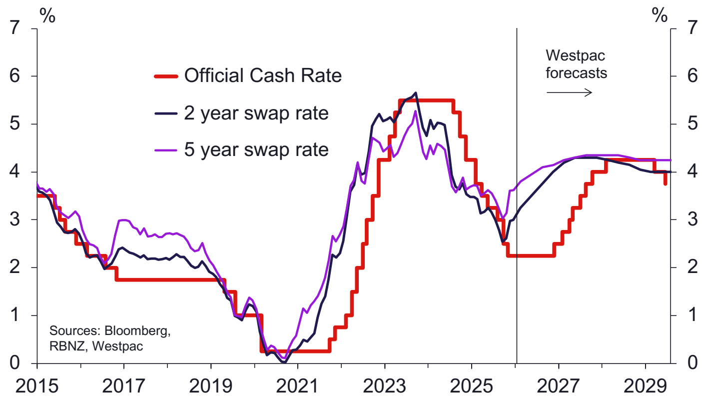


Terms of trade and net exports

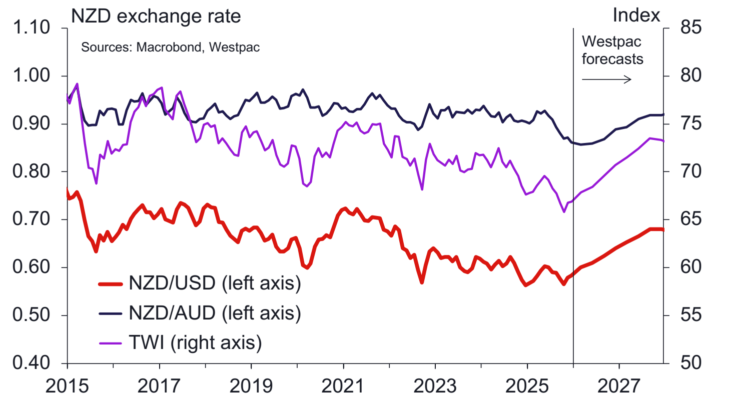


THE ECONOMY IN EIGHT CHARTS CONT.

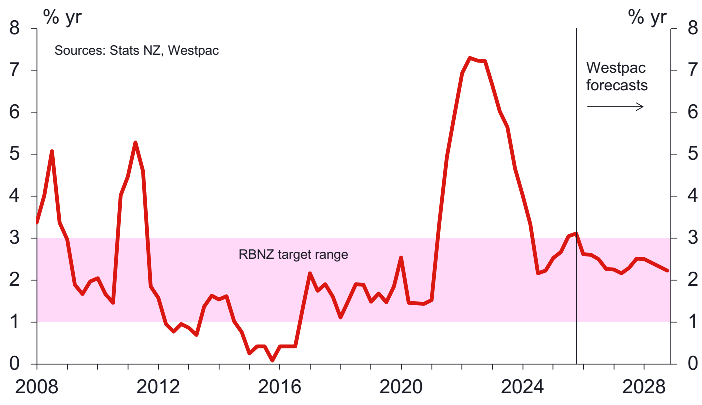
Official Cash Rate, 2-year and 5-year swap rates



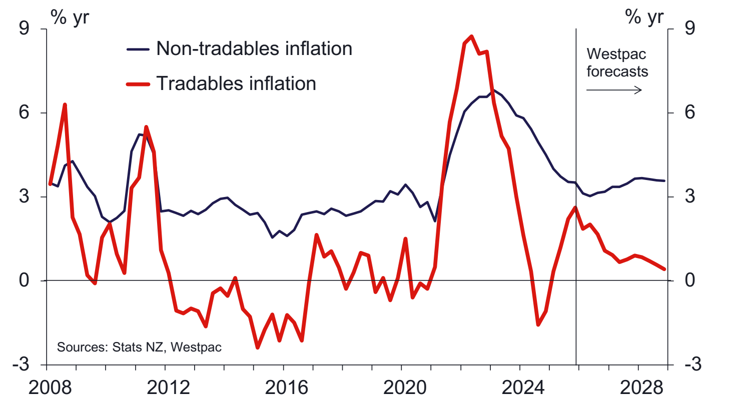
Exchange rates



Consumer price inflation



Inflation components



ECONOMIC AND FINANCIAL FORECASTS

New Zealand forecasts

Economic indicators	Quarterly % change				Annual % change			
	Sep-25	Dec-25	Mar-26f	Jun-26f	2024	2025	2026f	2027f
GDP	1.1	0.6(f)	1.0	0.5	-1.6	1.8(f)	3.3	2.7
GDP (annual average)	-	-	-	-	-0.3	0.4(f)	2.8	3.1
Consumer price index	1.0	0.6	0.5	0.5	2.2	3.1	2.3	2.5
Employment change	0.0	0.5	0.3	0.7	-1.3	0.2	2.6	2.2
Unemployment rate	5.3	5.4	5.3	5.1	5.1	5.4	4.7	4.4
Labour cost index (all sectors)	0.4	0.4	0.5	0.6	3.3	2.0	2.4	2.2
Current account balance (% of GDP)	-3.5	-3.4(f)	-3.2	-3.1	-4.7	-3.4(f)	-2.9	-3.3
Terms of trade	-0.5	-3.0(f)	1.9	2.9	8.9	0.2(f)	5.9	1.1
House price index	-0.6	-0.4	0.4	1.0	-1.0	-0.1	4.0	5.0
Financial forecasts	**End of quarter**				**End of year**			
	Sep-25	Dec-25	Mar-26f	Jun-26f	2024	2025	2026f	2027f
90 day bank bill	3.10	2.52	2.35	2.35	4.45	2.52	2.70	4.20
2 year swap	2.99	2.71	3.25	3.50	3.64	2.71	4.00	4.30
5 year swap	3.40	3.27	3.80	3.95	3.73	3.27	4.15	4.35
10 year bond	4.42	4.27	4.70	4.75	4.50	4.27	4.85	5.00
TWI	68.4	66.4	67.9	68.4	69.5	66.4	70.7	73.3
NZD/USD	0.59	0.57	0.60	0.61	0.59	0.57	0.64	0.68
NZD/AUD	0.91	0.87	0.86	0.86	0.91	0.87	0.89	0.92
NZD/EUR	0.51	0.49	0.50	0.51	0.55	0.49	0.53	0.56
NZD/GBP	0.44	0.43	0.44	0.44	0.46	0.43	0.46	0.48

ECONOMIC AND FINANCIAL FORECASTS CONT.

New Zealand forecasts

Fiscal indicators	June years						
	2024	**2025**	**2026f**	**2027f**	**2028f**	**2029f**	**2030f**
Core Crown tax revenue ($bn)	133	134	138	148	157	167	177
- % of GDP	30.7	31.7	30.8	30.3	30.9	31.3	31.8
Core Crown spending ($bn)	139	142	149	154	160	167	175
- % of GDP	31.7	33.0	32.6	32.6	31.5	30.7	30.0
OBEGALx (i.e., excluding ACC) ($bn)	-8.8	-9.3	-12.8	-7.5	-3.4	-0.4	1.8
- % of GDP	-2.1	-2.1	-2.8	-1.5	-0.7	-0.1	0.3
Net core Crown debt ($bn)	175	182	196	217	230	241	248
- % of GDP	41.7	41.9	42.9	44.4	44.8	44.4	43.5

International economic forecasts

Real GDP (calendar years)	Annual average % change					
	2023	**2024**	**2025f**	**2026f**	**2027f**	**2028f**
Australia	2.1	1.0	2.0	2.7	2.5	2.6
China	5.4	5.0	5.0	4.6	4.5	4.4
United States	2.9	2.8	2.3	2.7	1.8	1.7
Japan	1.2	0.1	1.2	0.9	0.9	0.8
East Asia ex China	3.4	4.3	4.6	4.1	4.1	4.1
India	9.2	6.5	7.2	6.8	6.5	6.3
Euro zone	0.6	0.8	1.5	1.3	1.5	1.6
United Kingdom	0.3	1.1	1.4	1.0	1.5	1.6
NZ trading partners	**3.1**	**2.9**	**3.2**	**3.1**	**2.9**	**2.9**
World	**3.5**	**3.3**	**3.4**	**3.4**	**3.3**	**3.3**

ECONOMIC AND FINANCIAL FORECASTS CONT.

Interest rates and exchange rates

	CPI	Interest rates				Exchange rates							
	Annual %	OCR	90-day bill	2 year swap	5 year swap	USD Index	NZ TWI	NZD/USD	NZD/AUD	NZD/GBP	NZD/EUR	NZD/CNY	NZD/JPY
Dec-25	3.1	2.25	2.52	2.71	3.27	99.0	66.4	0.57	0.87	0.43	0.49	4.07	88.4
Mar-26f	2.6	2.25	2.35	3.25	3.80	96.7	67.9	0.60	0.86	0.44	0.50	4.14	90.6
Jun-26f	2.6	2.25	2.35	3.50	3.95	95.9	68.4	0.61	0.86	0.44	0.51	4.18	90.9
Sep-26f	2.5	2.25	2.40	3.75	4.10	95.4	69.6	0.63	0.87	0.45	0.52	4.25	91.9
Dec-26f	2.3	2.50	2.70	4.00	4.15	94.8	70.7	0.64	0.89	0.46	0.53	4.29	92.8
Mar-27f	2.3	2.75	3.20	4.20	4.25	94.4	71.5	0.65	0.89	0.47	0.54	4.31	94.0
Jun-27f	2.2	3.25	3.65	4.30	4.30	94.0	72.4	0.67	0.91	0.48	0.55	4.32	95.1
Sep-27f	2.3	3.75	3.90	4.30	4.35	94.0	73.5	0.68	0.92	0.48	0.56	4.39	96.6
Dec-27f	2.5	4.00	4.20	4.30	4.35	94.0	73.3	0.68	0.92	0.48	0.56	4.35	95.9
Mar-28f	2.5	4.25	4.35	4.25	4.35	94.1	72.8	0.68	0.92	0.48	0.56	4.29	94.5
Jun-28f	2.4	4.25	4.35	4.20	4.35	94.0	72.3	0.67	0.92	0.48	0.55	4.25	93.1
Sep-28f	2.3	4.25	4.35	4.15	4.30	93.8	71.5	0.67	0.91	0.48	0.55	4.19	91.8

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