

ECONOMIC OVERVIEW

Are we there yet?

August 2025



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A NOTE FROM KELLY

Are we there yet?

The near-term economic outlook has weakened slightly since May. Growth in 2025 is projected at 2.4%. Lower interest rates and strong export returns are continuing to support demand. But uncertainty associated with the trade war, ongoing cost of living pressures and the still slow passthrough of past OCR cuts into household budgets have been weighing on activity.

The target for returning the Budget to surplus remains 2028/29 and so government spending is unlikely to be a key driver of growth. We suspect any unexpected tax windfalls will be spent in Budget 2026 rather than saved. There's a non-trivial risk that credit rating agencies might stop giving us the benefit of the doubt, increasing the stakes for fiscal management in coming years.

Globally, the outlook is less dire than feared back in May, largely because worst-case scenarios have so far been avoided. The US tariff framework now looks clearer. New Zealand's 15% tariff is disappointing but manageable and it remains the case that the country that will be hurt most by tariffs is the US itself. Despite the volatility, exporters have weathered the storm, and in many cases are successfully passing on tariff costs to their customers.

Inflation will remain elevated through the next six months, but with significant spare capacity in the economy, there's a reasonable expectation that inflation will ease in 2026. The timing and degree of that decline remain uncertain. Very low outcomes are unlikely at this stage.

The Reserve Bank is expected to cut the Official Cash Rate to 3% in August, but the picture beyond that is less clear. It's probable that 3% will mark the low point in the current cycle provided that activity picks up as expected. The speed and strength of the recovery will determine whether further policy support is needed. For now, we continue to ask ourselves: "Are we there yet?"



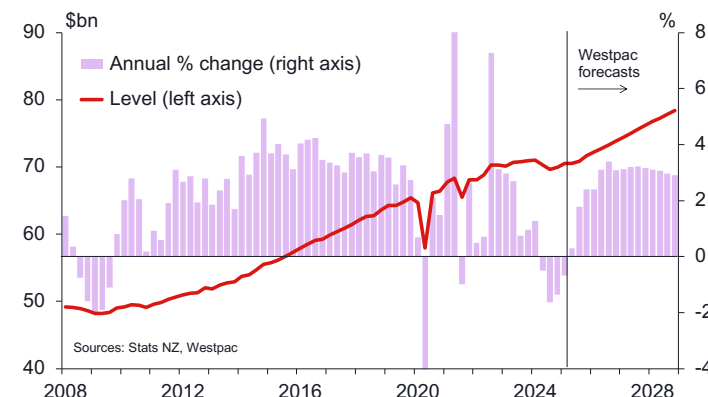
OVERVIEW

Full impact of interest rate cuts yet to hit the economy's bloodstream.

- Economic growth has slowed in the middle part of 2025 as continued financial pressures and increased economic uncertainty have weighed on demand.
- Economic growth is expected to rise from 2.4% this year to 3.1% in 2026.
- The RBNZ has already cut the OCR by 225bps, and we expect another 25bp cut at the August policy meeting. While the passthrough of those reductions has been gradual to date, they will provide a sizeable boost to households' disposable incomes and demand more generally over the next 6 to 12 months.
- Strength in commodity export prices is also boosting incomes and spending in rural regions.
- Unemployment has risen to 5.2% and some further softening in the labour market is expected in the near term. However, the labour market should strengthen over the year ahead as economic growth accelerates.
- Since our last update in May, the risk of a full-blown global trade war has receded. While global economic growth is running a little slower than in recent years, demand for our commodity exports remains robust.
- Inflation has been pushing higher and will threaten the top of the RBNZ's target band later this year. Inflation is expected to drop back next year, but domestic inflation is set to remain above historic averages.

“While the passthrough of interest rate cuts has been gradual to date, they will provide a sizeable boost to demand over the next 6 to 12 months.”

Quarterly GDP



Key economic forecasts (Dec quarters)

	2024	2025f	2026f	2027f
GDP growth (% year)*	-1.3	2.4	3.1	3.2
Inflation (% year end)	2.2	3.0	2.0	2.1
Unemployment rate (%)	5.1	5.3	4.6	4.2
House prices (% year end)	-1.1	3.6	6.1	5.1
Official Cash Rate (%)	4.25	3.00	3.25	3.75

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

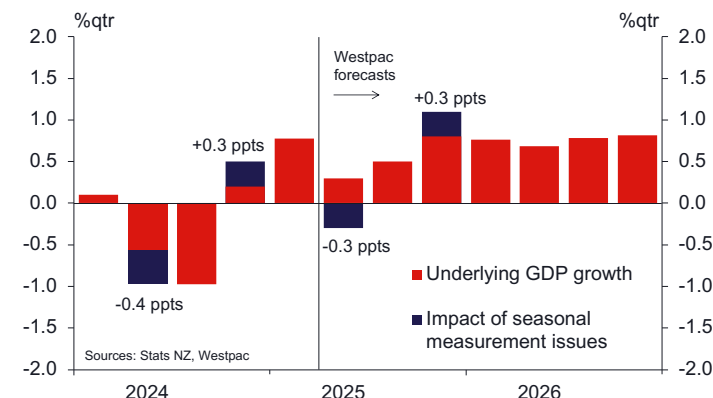
RECENT ECONOMIC DEVELOPMENTS

Bumps in the road.

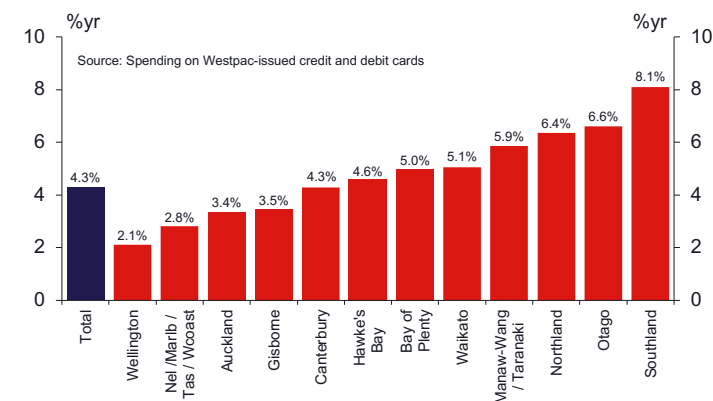
- Economic growth has taken a step down in the middle part of the year, and both household demand and business sector conditions are soft. There's also been a pullback in goods exports following earlier gains.
- In addition to the cooling in underlying growth, statistical issues are clouding the picture of how the economy is tracking. In the wake of the pandemic, there have been changes in the normal quarter-to-quarter swings in economic activity, especially in more seasonal industries like tourism. As a result, seasonally adjusted estimates of GDP growth are likely to be understated in the June quarter (we expect growth will be reported as flat), while reported growth in the December quarter is likely to be overstated.
- Smoothing through that statistical volatility, our 'nowcast' estimate of economic activity (which draws on a range of economic data) indicates that growth likely slowed to a below trend rate of around 0.2% in the June quarter.
- Growth is set to trend higher later this year as the full effects of interest rate reductions ripple through the economy. Conditions are likely to remain uneven across the country. Stronger export returns mean that rural regions, especially those with large dairying sectors, are seeing strong growth in incomes and spending. Urban regions will be slower to improve.

“Growth is set to trend higher through the back part of the year, with rural regions continuing to outshine urban areas.”

Quarterly GDP growth



Spending growth by region (three months to June vs same time last year)



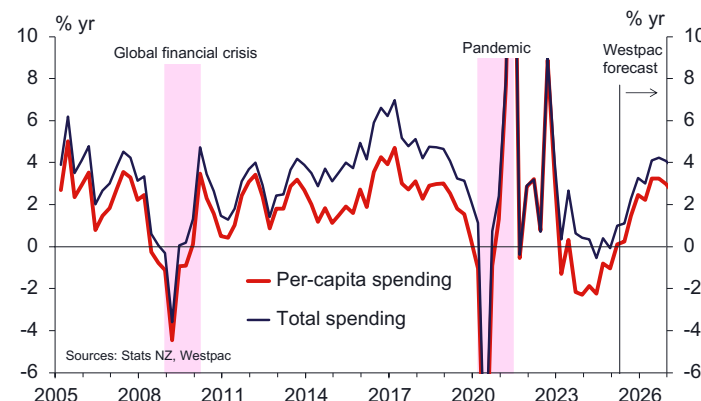
HOUSEHOLDS

Waiting to exhale.

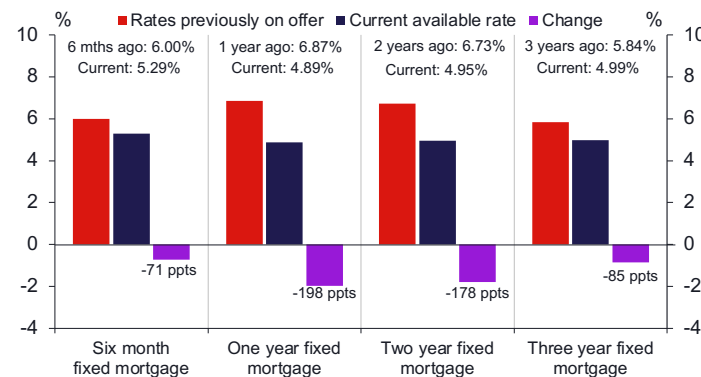
- Pressures on households' finances are high as the labour market has cooled and cost of living pressures have mounted. Increases in costs for household essentials like food and energy have been difficult on households. Hence spending appetites remain modest, especially for discretionary items.
- However, it's a mixed picture across the economy. In regions like Canterbury, Otago and Southland, strong commodity prices are boosting incomes, sentiment and spending. In contrast, spending is softer in metro regions like Wellington, consistent with the downturn in parts of the service sector.
- As we have noted previously, households – especially those with mortgages that are refinancing – should see their financial situation improve over the next year. For instance, the one-year fixed mortgage rate is around 200bps lower than a year ago. Around half of all mortgages will come up for repricing over the next six months and borrowers could see large reductions in their borrowing costs. We estimate that almost half of the expected impact of the past year's OCR easing is yet to passthrough to households.
- Not all of the fall in borrowing costs will be spent; some will be saved and some households will pay down their mortgages faster. Even so, lower borrowing costs will help to boost spending over the coming year. That said, at least for a while, conditions will remain challenging for some households given the downturn in the labour market over the past year.

“With large numbers of borrowers now rolling on to much lower interest rates, many households will see a long awaited improvement in their disposable incomes.”

Household spending growth



How much relief could borrowers see?



Source: RBNZ data for borrowers with over 20% equity. Current rates on offer from Westpac as at 5 August 2025.

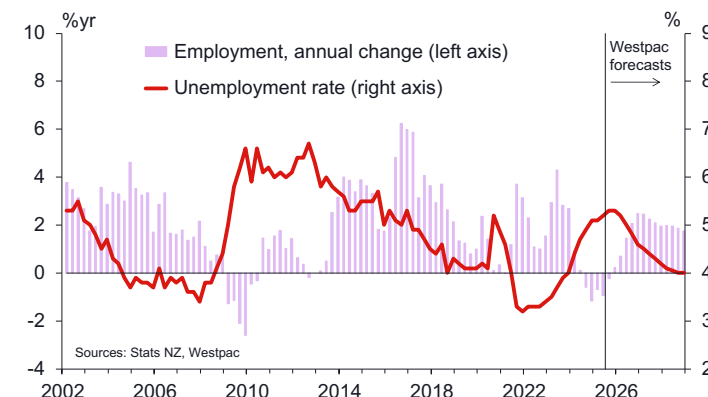
LABOUR AND MIGRATION

Near-term softness in the jobs market as it lags the broader cycle.

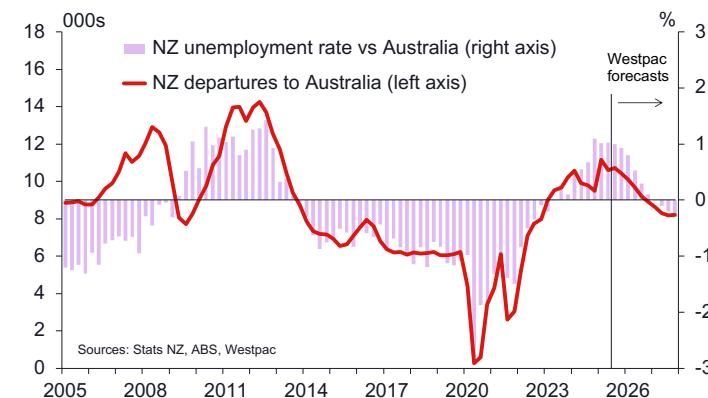
- The labour market remains soft, with the unemployment rate reaching 5.2% in the June quarter. While activity has started to pick up from its lows in recent quarters, it's likely that some firms are still finding themselves overstaffed relative to the amount of work they have on. The number of job advertisements remains well below pre-Covid trends.
- As the economy regains momentum, we expect the labour market to follow, albeit with a lag. As such, the rise in the unemployment rate may have a little further to run – we expect it to peak at 5.3% by the end of this year, before declining over 2026 and 2027. We see the labour market improving more slowly relative to our May forecasts as GDP growth this year is weaker.
- Net migration remains modestly positive, although revised data shows that it has slowed by more than initially reported. Foreign arrivals have steadied at around pre-Covid levels, while a substantial number of New Zealanders are still heading for the more vibrant Australian jobs market.
- We expect a net inflow of around 17,000 people for this year. For next year we expect this to rise to a net inflow of 37,000, based on a relative improvement in job prospects in New Zealand compared to Australia, and an up-front boost to arrivals of around 10,000 under the Parent Boost Visa.

“While activity has picked up from its lows, demand for workers remains soft and it's likely that some firms are still finding themselves overstaffed.”

Employment growth and unemployment rate



Migration by New Zealanders to Australia



HOUSING

Rising demand met with rising supply and stable prices.

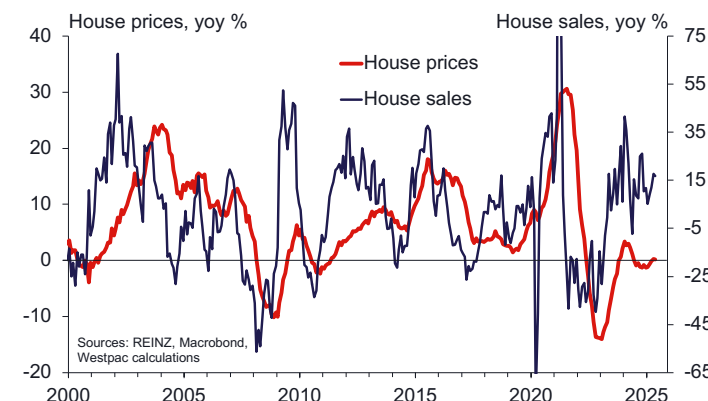
- House sales have continued to strengthen with growth now running around 17%y/y – somewhat above the long-term average growth rate. However, prices have been relatively stable in 2025 and are up around 1%ytd.
- Increased demand for housing has driven house sales as interest rates have fallen. The weak labour market has likely leaned against the impact of lower interest rates to some extent. The key segments of strongest demand have been from investors and existing owners trading up.
- Prices have been capped by an increase in the number of homes available for sale. Existing owners who had been on the sidelines in recent years have been bringing properties to market and construction has remained at a relatively high level compared to history. Population growth has also slowed.

We expect around 3-4% house price growth in 2025, 6% in 2026.

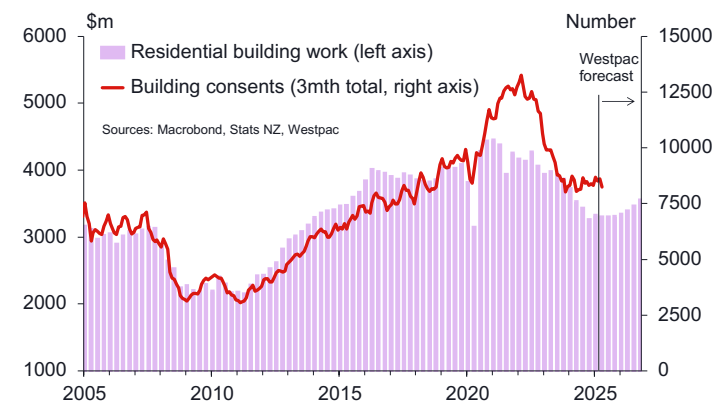
- We have moderated expectations for price growth this year. Prices should continue to rise in H2 2025 but be strongest in Q4.
- Ongoing low interest rates and an eventual pick-up in the labour market are expected to see prices pick up – especially as ongoing sales erode unsold inventory.
- It's likely the fortunes of the labour market will determine risks around our view.

“The housing market is unusually well-balanced as supply has picked to meet increased demand as interest rates have fallen.”

House prices versus number of sales



Residential building and dwelling consent numbers



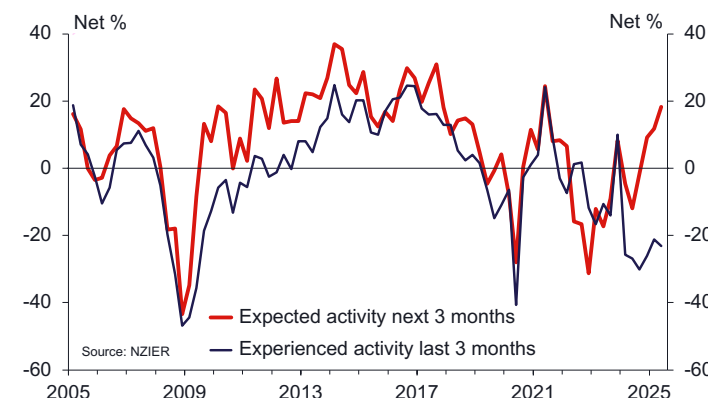
BUSINESS CONDITIONS

Conditions still tough, but businesses are planning ahead.

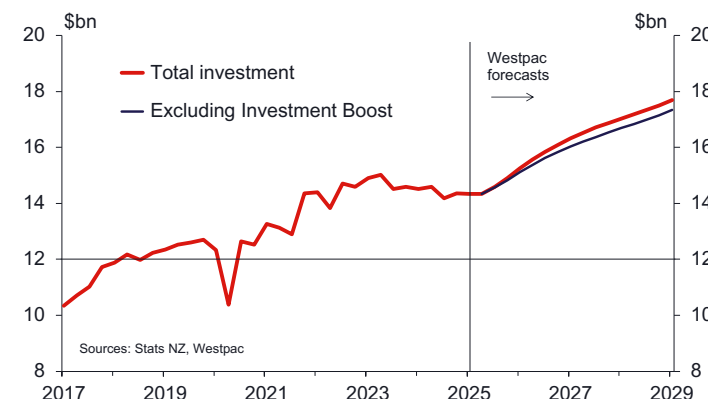
- After a lift in activity in the early part of this year, recent indicators have softened, though not to the same degree as last year. Firms remain upbeat about their prospects for the months ahead, even as they acknowledge the current situation remains tough.
- Imports of capital equipment rose strongly in the December and March quarters, though they pulled back somewhat in the June quarter. It's likely that the replacement cycle and advances in technology are driving the need to lift the pace of investment, despite current subdued conditions.
- At the May Budget the Government announced the Investment Boost scheme, allowing accelerated depreciation on all new business assets. We've adopted Treasury's estimate that this scheme will lift the level of GDP by around 0.5% after five years, on top of our existing investment forecasts.
- We expect the pickup in investment to be led initially by sectors with links to agriculture, with confidence running high on the back of strong export prices. For more domestically-focused sectors, such as construction, the upturn is likely to be more gradual. Residential building consents appear to have reached a base, but a material increase in homebuilding isn't likely until next year. Commercial construction looks firmer, though demand is mixed across segments.

“Conditions are tough for many businesses now, but are expected to improve as lower interest rates and the Investment Boost policy support investment.”

Business sentiment



Business investment, quarterly



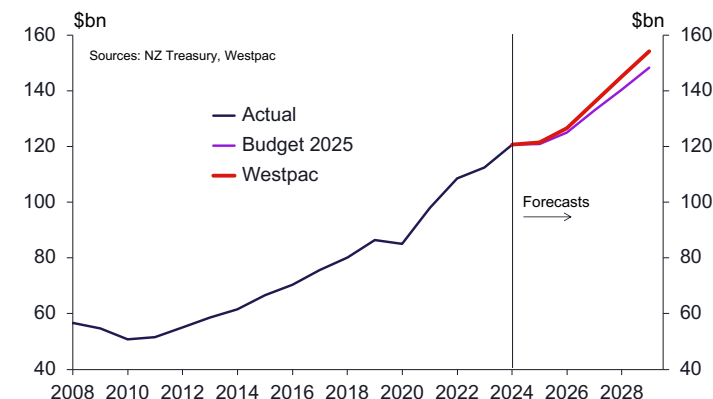
FISCAL

Tax revenue may offer the Government options.

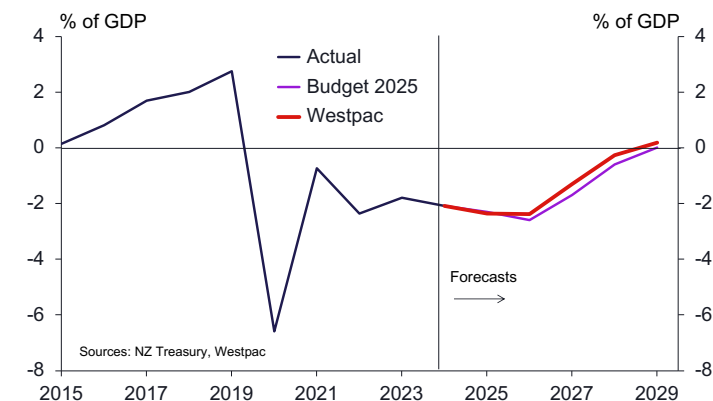
- We expect that the Government's discretionary spending in 2025/26 will follow the path set out in Budget 2025. Meanwhile, our economic forecast implies that tax revenue this year will slightly outperform the Budget forecasts. As a result, we expect an OBEGALx deficit of 2.4% of GDP – similar to last year.
- Our medium-term fiscal forecasts are anchored by an assumption that government policy will be calibrated to deliver a small OBEGALx surplus in 2028/29. Our forecasts contain a more positive outlook for the terms of trade and a higher rate of trend inflation than the Budget forecasts, leading to faster growth in the tax base. As a result, we estimate that the Government will collect additional tax revenue of around \$15bn over the four years to 2028/29.
- We have assumed that around \$10bn of that revenue will be fed back into the economy through higher discretionary spending from Budget 2026 onwards. It is possible that some or all of that revenue could be deployed in the form of tax reductions instead. Our forecasts also build in higher capital spending.
- As a result, we expect a small (0.2% of GDP) OBEGALx surplus in 2028/29. Net debt should peak at around 44% of GDP in 2026/27, but is unlikely to fall below the Government's target of 40% of GDP until the early 2030s.
- Any material slippage in the fiscal outlook would increase the already non-negligible risk of a sovereign ratings downgrade from one or more agencies.

“A recovering economy and high export prices will see tax revenue exceed Budget forecasts. This will allow OBEGALx to return to surplus in 2028/29 even with more spending or modest tax cuts.”

Core Crown tax revenue



Operating balance (OBEGALx), % of GDP



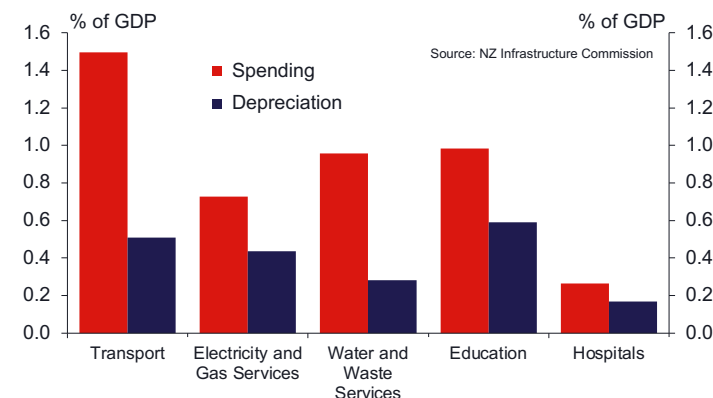
INFRASTRUCTURE

Funding pressures mounting as demand grows.

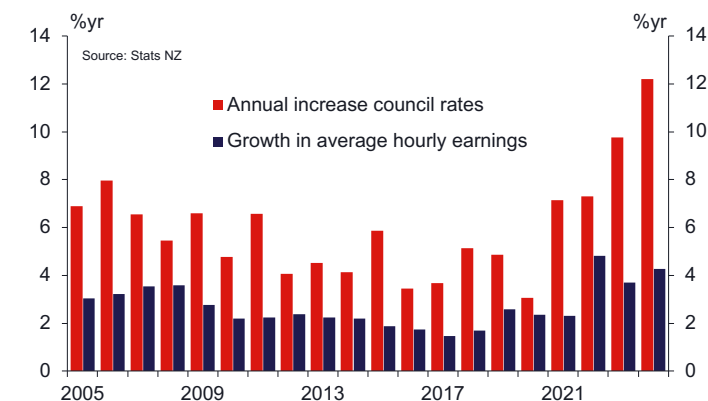
- Infrastructure spending has increased rapidly in recent years, and with a growing population and economy, continued investment will be needed. There is a significant pipeline of work planned, including large amounts of spending on roading and water networks, as well as investment in buildings like schools and hospitals. This work will be spread across the country.
- However, as discussed in the **NZ Infrastructure Commission's recent report**, as a nation we face significant challenges in relation to the provision and funding of infrastructure, with pressure on both central and local government finances.
- Local council rates have already risen significantly in recent years, climbing by an average of 9% per annum since 2021. Those increases have raised concerns about housing affordability and pressured household finances.
- A significant amount of spending is required just to keep up with depreciation, and in some cases renewal spending has fallen behind depreciation rates.
- In addition, our aging population implies the proportion of working age people will trend down over time, amplifying longer term funding challenges.
- Infrastructure providers have been looking at alternative funding approaches such as user pays models or public-private partnerships to fund projects.

“Providing and paying for infrastructure will be an increasing challenge, with growing demand for assets, rising build and maintenance costs, and an aging population.”

Spending on infrastructure and depreciation



Increases in council rates vs wage growth



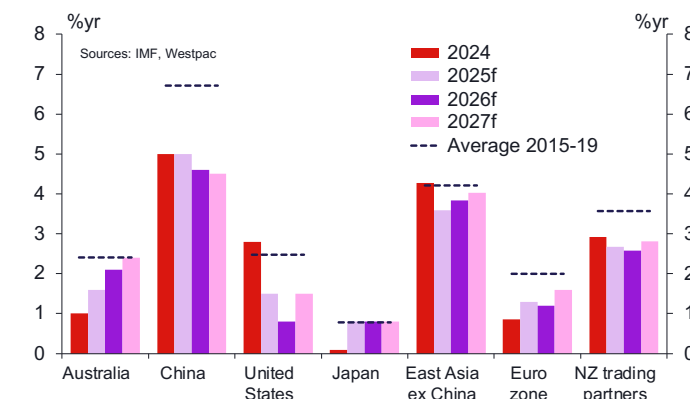
GLOBAL OUTLOOK

Trading partner growth still decent, but subpar.

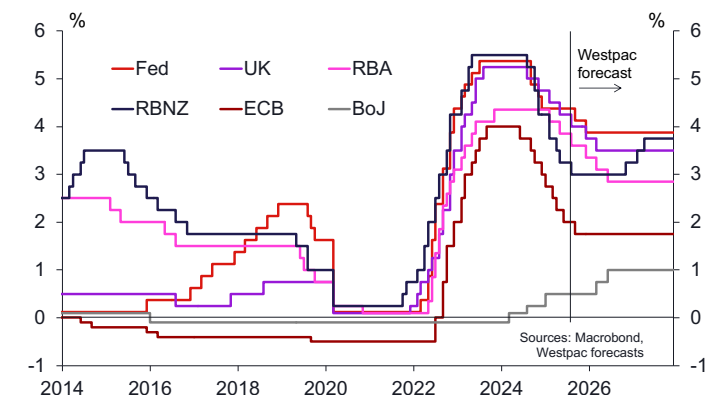
- There has been little change to our global economic forecasts in recent months, with US tariff policy evolving mostly in line with our expectations. However, earlier downside risks to the outlook appear to have diminished, with a full-blown trade war – including retaliatory tariffs – now much less likely.
- On a trade-weighted basis, we expect the economies of New Zealand’s key trading partners to grow 2.7% this year, 2.6% in 2026 and 2.8% in 2027. These growth rates are about 1pp below the average seen in the years prior to the pandemic, mostly due to slower growth in the US and China.
- In the US, slower growth owes to the expected impact of tariff policy, as the direct upward impacts on inflation will somewhat constrain the Fed’s ability to respond to softer economic conditions. At the margin, New Zealand’s 15% tariff (previously 10%) will make it more challenging to grow exports to the US.
- In China, slower growth reflects deeper structural factors. Importantly, our forecasts for China continue to assume that domestic fiscal and monetary policy is able to successfully mitigate the negative impacts of US tariff policy.
- In Australia, where inflation is now back at target levels, growth is expected to accelerate towards average levels with the RBA forecast to reduce its cash rate by a further 75bps over coming months.

“The risk of a full-blown global trade war has receded. The global economic outlook remains supportive for exporters, albeit with growth a little slower than in recent years.”

Trading partner growth



Global central bank policy rates



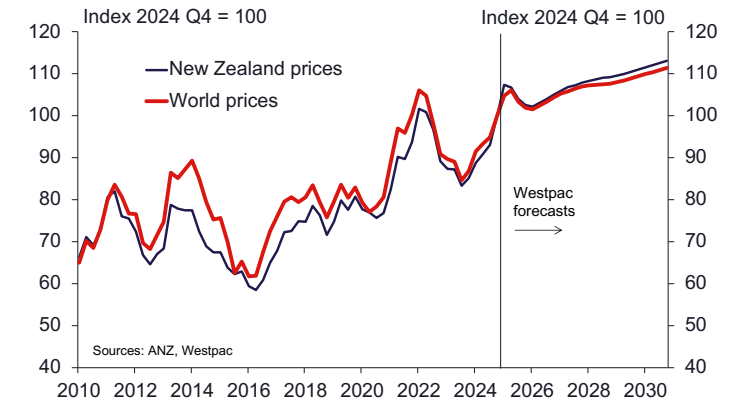
AGRICULTURE

Agricultural export prices to stay high but increase more slowly.

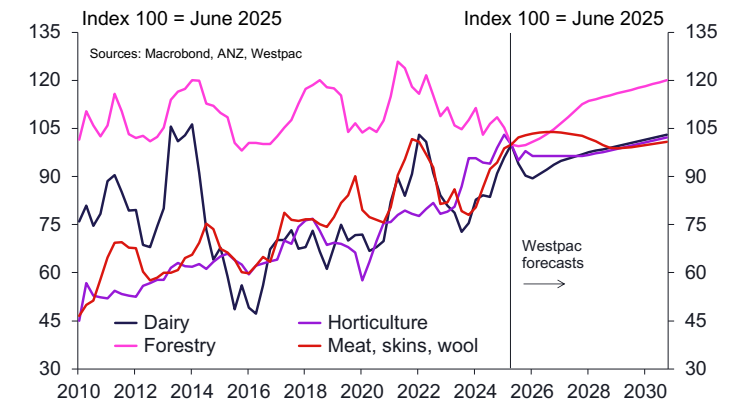
- We expect a farmgate milk price of \$10.00/kg for the current season even given a decline in dairy prices during 2025/26 as global production expands. Higher dairy prices are motivating foreign producers to increase output.
- Beef prices are likely to continue rising and remain elevated due to supply limitations. Stock is constrained in the US, Brazil, and China, and it will take time for herds to rebuild.
- Lamb prices are expected to remain elevated due to limited production in New Zealand, Australia, and the UK. There is greater risk of a reversal in lamb prices as high prices may undermine demand in the UK and EU. US tariffs could limit export prices into the US market.
- Prices for kiwifruit and apples are expected to remain high over the next year, as strong growth in demand continues to outpace an ongoing lift in production. Orchard gate returns should also increase due to productivity improvements and consistent quality enhancements.
- Export log prices are projected to rise slightly in the coming year as China's summer construction slowdown ends and government efforts to revive the sluggish property market gradually begin to take effect.
- Increased US tariffs are not expected to significantly affect overall export returns, but could be material for more competitive segments, such as wine.

“Agricultural commodity prices to rise further, but the pace of gains is likely to moderate.”

Commodity prices – World and NZ dollar denominated



Commodity prices by category



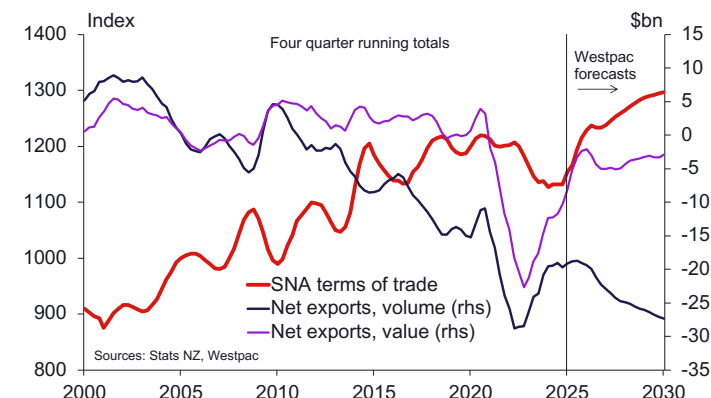
BALANCE OF PAYMENTS

Current account deficit to narrow to around four and a half percent of GDP.

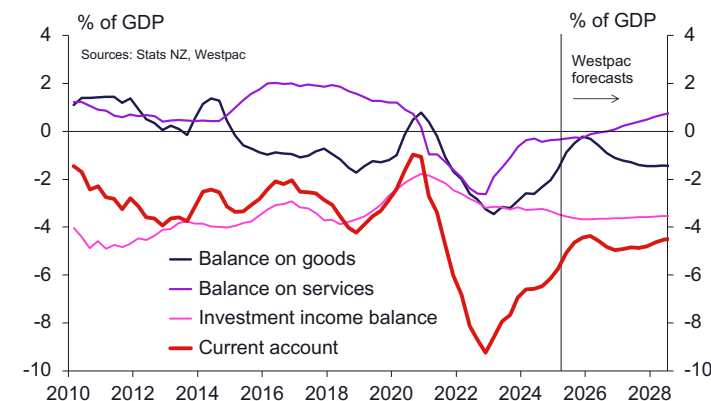
- The current account deficit is set to decline to around four and a half percent of GDP this year, down from 6% of GDP last year – a smaller improvement than forecast in May.
- In the March quarter, goods imports rose more than expected and services exports fell short of expectations. Meanwhile, indicators for the June quarter point to a pullback in the volume of goods exports.
- With domestic demand currently subdued and strong export commodity prices continuing to underpin export values, we expect that the merchandise trade deficit will be almost eliminated this year. However, the trade deficit will likely widen again in 2026 as improving domestic demand – especially investment spending – begins to boost imports.
- Offsetting a likely widening of the goods deficit, we expect the services balance to gradually move into surplus. We expect this improvement to be driven by an ongoing slow recovery in international tourist arrivals – likely to return to 2019 levels sometime in 2028 – and growth in exports of business services.
- In the near-term, the persistence of the current account deficit above pre-pandemic levels owes to ongoing fiscal deficits. A more aggressive reduction of the fiscal deficit, (which might allow for slightly lower interest rates if inflation falls more quickly), might deliver a lower exchange rate and a smaller current account deficit.

“While the current account deficit is narrowing, it seems likely that it will remain wider than pre-pandemic levels.”

Terms of trade and net exports



Current account balance



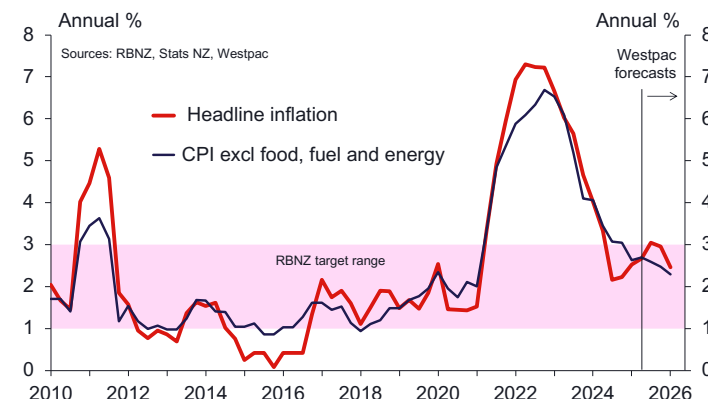
INFLATION

Inflation 'contained,' but not 'low'.

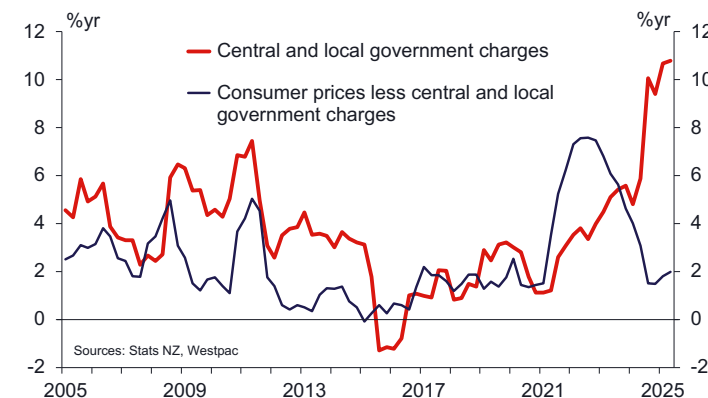
- Consumer price inflation rose to 2.7% in the year to June, up from 2.5% in the year to March. Inflation has been boosted by large increases in food prices, as well as continued increases in administered cost like council rates and electricity charges. Under the surface, core inflation remains contained, but is not low, with most measures lingering above 2%.
- Inflation is set to rise to around 3% through the latter part of 2025. As well as higher food prices, prices for imported goods like furnishings are no longer falling like they did last year.
- Inflation is expected to drop back toward 2% over 2026 as recent increases in food prices ease. At the same time, inflation in interest rate-sensitive parts of the domestic economy has been cooling, with softness in service sector prices and wages, as well as an easing in housing costs. However, large increases in administered costs will keep non-tradables inflation above long-run averages.
- Significant two-sided risks for inflation remain. On the downside, softness in domestic demand could have a larger dampening impact on prices for services and retail goods. On the upside, increases in administered costs could be even larger than we've assumed (those costs have contributed to non-tradables running hotter than the RBNZ has forecast for much of the past few years).

“Domestic inflation is likely to linger above historic averages due continuing large increases in administered charges like council rates and electricity charges.”

Headline and core inflation



Government charges and other consumer prices



MONETARY POLICY

We are at the fine-tuning stage of the easing cycle.

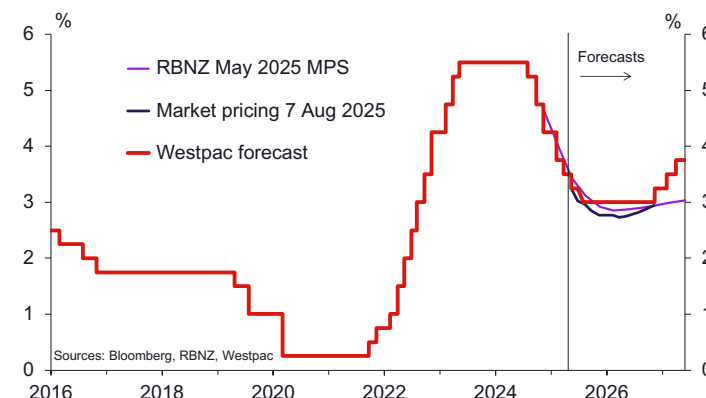
- Significant monetary easing has already occurred, which has taken interest rates to modestly stimulatory levels. The lags from when lower interest rates impact the economy are long and are likely to have their most tangible effects in the next 6-12 months.
- Inflation has picked up and now threatens the top of the RBNZ's 1-3% target range. While the more interest rate-sensitive components of inflation have moderated, there continue to be large increases in administered costs (like council rates) and food prices have risen.
- The economy has significant excess capacity, which provides confidence that inflation will moderate given time. But there seems a low probability of an inflation rate materially lower than 2% given current policy settings.
- It's most likely that the OCR will trough at 3%. The last 25bp cut is expected at the August meeting. An easing bias is likely to be in place for a while.

Risks are two-sided.

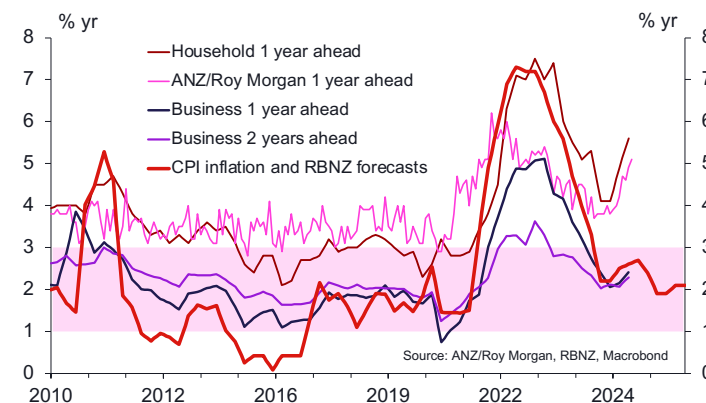
- Interest rates might rise earlier than end-2026 should the economy recover more strongly and inflation not fall.
- A deeper easing cycle could occur should the global economy underperform, or if consumers and businesses delay spending and investment.

“The cut to 3% looks very likely, but further cuts from here will be more cautious while inflation remains high and the economic outlook unclear.”

Official Cash Rate forecasts



Household and business inflation expectations



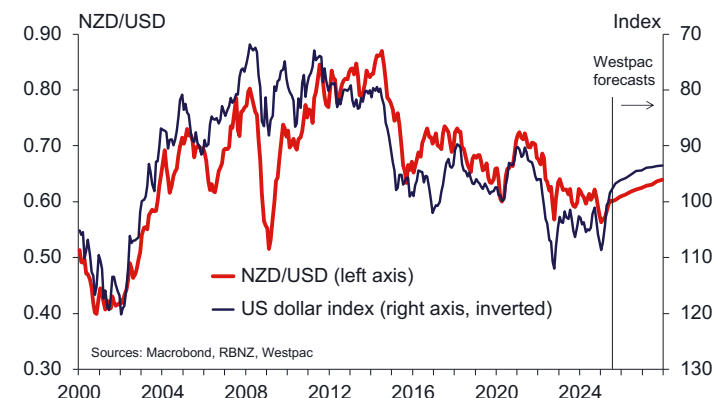
FOREIGN EXCHANGE

Moderate upside seen for NZD as the USD softens.

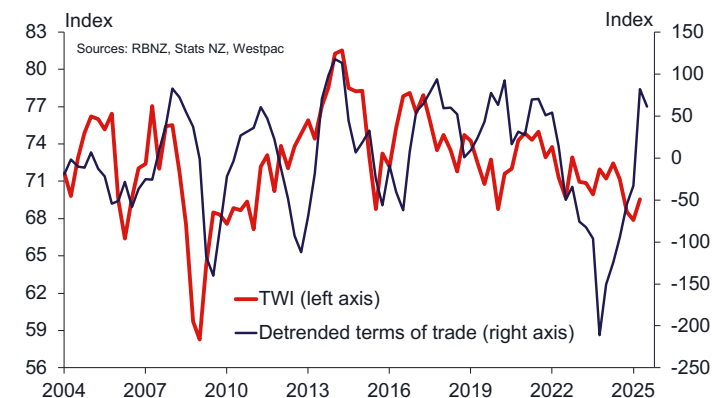
- We expect the New Zealand dollar to move broadly sideways on a trade-weighted basis over the year ahead. Against a generally softer US dollar, we see scope for a rise in NZD/USD, but not to the same degree as some of the other major currencies.
- High export commodity prices and the approaching end of the RBNZ's easing cycle are supportive factors for the currency, weighed against New Zealand's large 'twin deficits' and the gradual pace of the economy's recovery so far.
- The US dollar has continued to lose its lustre over the course of this year, dulled by uncertainty over US trade and fiscal policy. The successful passage of Trump's "One Big Beautiful Bill" and renewed threats of higher tariffs provided some brief support to the USD in July. However, we expect its downward trend to resume as we see more evidence of the US economy slowing from its previously strong growth pace.
- We expect the NZD to lose some ground against the AUD, even with relative interest rates set to turn in the NZD's favour by mid-2026 as the RBA delivers further rate cuts. The Australian economy stands to benefit more if China's domestic policies successfully mitigate the negative impacts of US tariffs. And at the margin, the 15% tariff rate on our exports into the US puts us at a small competitive disadvantage against Australia's 10% rate.

"We expect the New Zealand dollar to make gains against a generally softening US dollar, but to underperform many of the other major currencies."

NZD/USD and US dollar index

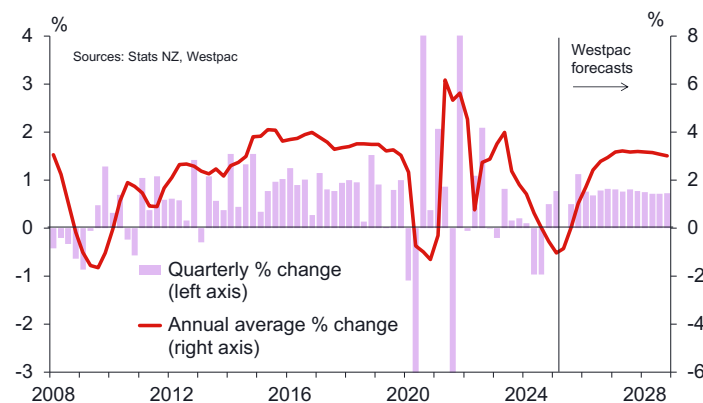


Trade Weighted Index vs terms of trade

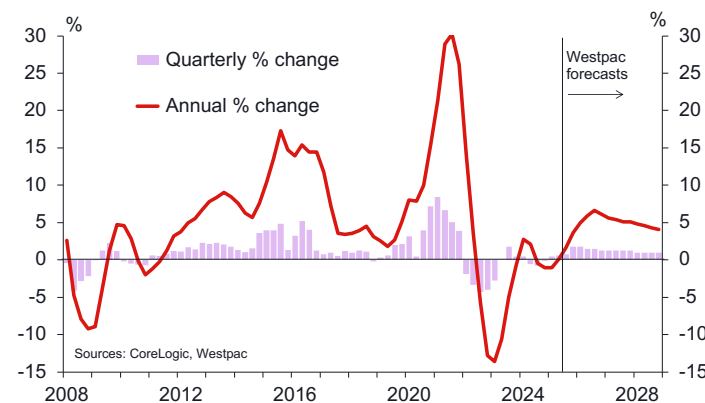


THE ECONOMY IN EIGHT CHARTS

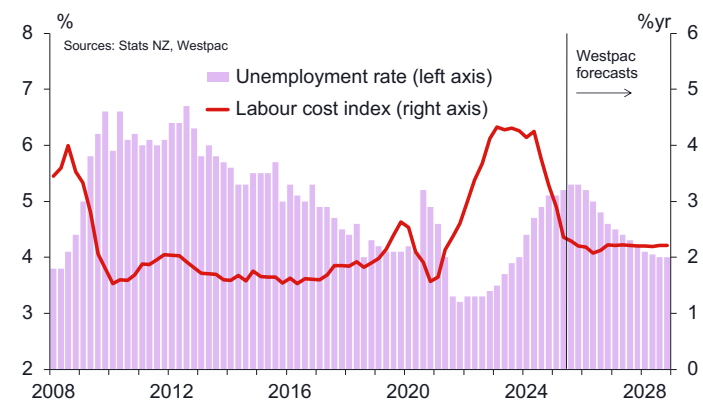
GDP growth



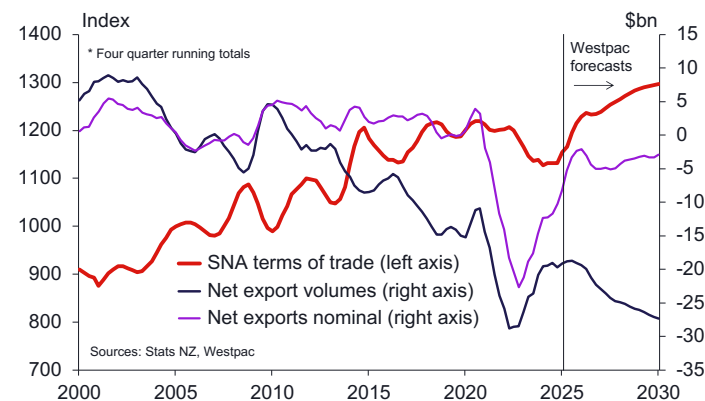
House prices



Employment and wage growth

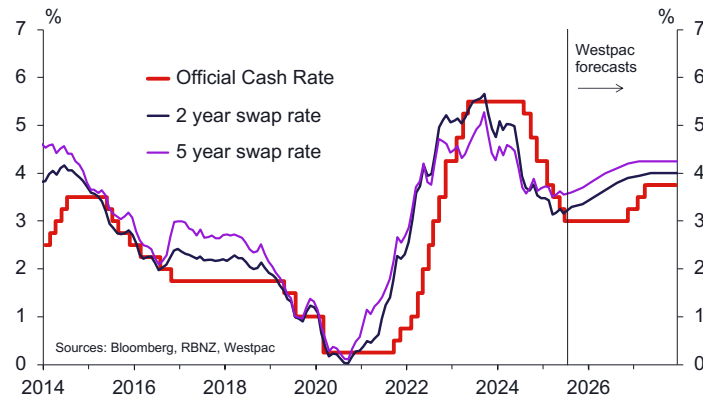


Terms of trade and net exports*

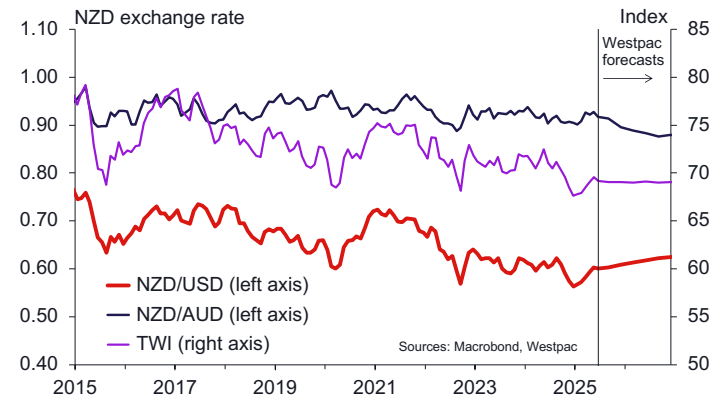


THE ECONOMY IN EIGHT CHARTS CONT.

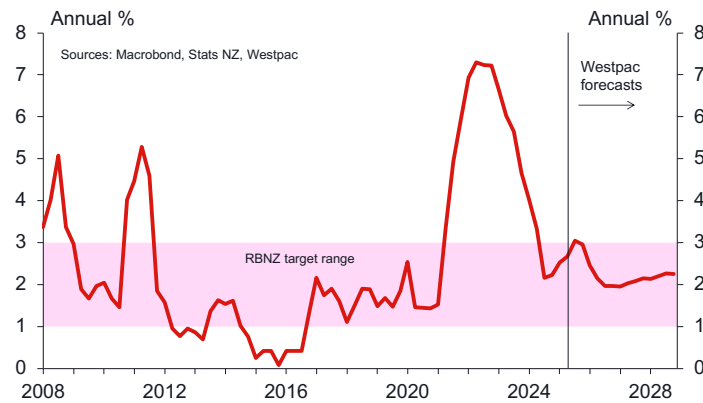
Official Cash Rate, 2-year and 5-year swap rates



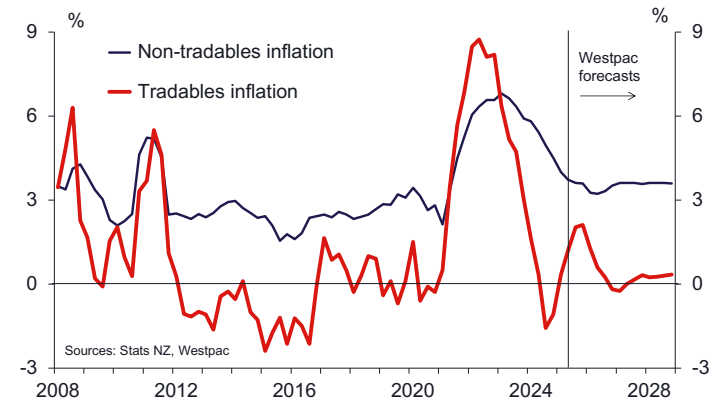
Exchange rates



Consumer price inflation



Inflation components



ECONOMIC AND FINANCIAL FORECASTS

New Zealand forecasts

Economic indicators	Quarterly % change				Annual % change			
	Mar-25	Jun-25	Sep-25	Dec-25	2024	2025	2026	2027
GDP	0.8	0.0	0.5	1.1	-1.3	2.4	3.1	3.2
GDP (annual average)	-	-	-	-	-0.6	1.0	2.9	3.2
Consumer price index	0.9	0.5	1.0	0.5	2.2	3.0	2.0	2.1
Employment change	0.0	-0.1	0.0	0.2	-1.2	0.2	2.5	1.9
Unemployment rate	5.1	5.2	5.3	5.3	5.1	5.3	4.6	4.2
Labour cost index (all sectors)	0.5	0.6	0.6	0.5	3.3	2.2	2.2	2.2
Current account balance (% of GDP)	-5.7	-5.1	-4.6	-4.5	-6.1	-4.5	-5.0	-4.8
Terms of trade	1.9	8.0	-0.9	-1.4	13.7	7.5	0.7	1.4
House price index	0.4	0.6	0.8	1.8	-1.1	3.6	6.1	5.1
Financial forecasts	End of quarter				End of year			
	Mar-25	Jun-25	Sep-25	Dec-25	2024	2025	2026	2027
90 day bank bill	3.86	3.38	3.10	3.10	4.45	3.10	3.45	3.85
2 year swap	3.46	3.18	3.30	3.35	3.64	3.35	3.90	4.00
5 year swap	3.71	3.56	3.60	3.70	3.73	3.70	4.20	4.25
10 year bond	4.63	4.57	4.65	4.70	4.51	4.70	4.90	4.95
TWI	67.8	69.1	69.0	69.0	69.5	69.0	69.1	68.9
NZD/USD	0.57	0.59	0.60	0.61	0.59	0.61	0.62	0.64
NZD/AUD	0.90	0.93	0.91	0.90	0.91	0.90	0.88	0.88
NZD/EUR	0.54	0.52	0.51	0.51	0.55	0.51	0.52	0.53
NZD/GBP	0.45	0.44	0.44	0.44	0.46	0.44	0.46	0.46

ECONOMIC AND FINANCIAL FORECASTS CONT.

New Zealand forecasts

Fiscal indicators	June years						
	2023	2024	2025	2026	2027	2028	2029
Core Crown tax revenue (\$bn)	123	133	134	141	149	159	168
- % of GDP	32.1	30.7	31.7	30.9	30.9	31.3	31.7
Core Crown spending (\$bn)	128	139	142	151	154	160	167
- % of GDP	34.3	31.8	33.0	32.5	32.6	31.5	30.5
OBEGALx (i.e., excluding ACC) (\$bn)	-7.2	-8.8	-10.3	-11.0	-6.4	-1.4	1.0
- % of GDP	-1.8	-2.1	-2.4	-2.4	-1.3	-0.3	0.2
Net core Crown debt (\$bn)	155	175	186	199	216	226	233
- % of GDP	38.7	41.7	42.5	43.3	44.4	43.9	43.0

International economic forecasts

Real GDP (calendar years)	Annual average % change					
	2022	2023	2024	2025f	2026f	2027f
Australia	4.1	2.1	1.0	1.6	2.1	2.4
China	3.1	5.4	5.0	5.0	4.6	4.5
United States	2.5	2.9	2.8	1.5	0.8	1.5
Japan	0.9	1.5	0.1	0.8	0.8	0.8
East Asia ex China	4.6	3.3	4.3	3.6	3.8	4.0
India	7.6	9.2	6.5	6.3	6.4	6.3
Euro zone	3.5	0.4	0.9	1.3	1.2	1.6
United Kingdom	4.8	0.4	1.1	1.2	1.2	1.5
NZ trading partners	3.4	3.1	2.9	2.7	2.6	2.8
World	3.6	3.5	3.3	3.0	3.0	3.2

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
Mar-25	2.5	3.75	3.86	3.46	3.71	106.7	67.8	0.57	0.90	0.45	0.54	4.13	86.6
Jun-25	2.7	3.25	3.38	3.18	3.56	99.7	69.1	0.59	0.93	0.44	0.52	4.29	85.6
Sep-25	3.0	3.00	3.10	3.30	3.60	96.7	69.0	0.60	0.91	0.44	0.51	4.31	86.2
Dec-25	3.0	3.00	3.10	3.35	3.70	96.2	69.0	0.61	0.90	0.44	0.51	4.32	85.9
Mar-26	2.5	3.00	3.10	3.50	3.85	95.7	69.0	0.61	0.89	0.45	0.52	4.32	85.2
Jun-26	2.1	3.00	3.10	3.65	4.00	95.2	69.1	0.62	0.88	0.45	0.52	4.33	84.7
Sep-26	2.0	3.00	3.20	3.80	4.10	94.5	69.0	0.62	0.88	0.46	0.52	4.32	84.6
Dec-26	2.0	3.25	3.45	3.90	4.20	94.4	69.1	0.62	0.88	0.46	0.52	4.31	84.3
Mar-27	2.0	3.50	3.70	3.95	4.25	93.9	69.0	0.63	0.88	0.46	0.52	4.28	84.3
Jun-27	2.0	3.75	3.85	4.00	4.25	93.8	68.8	0.63	0.88	0.46	0.52	4.23	83.9
Sep-27	2.1	3.75	3.85	4.00	4.25	93.6	68.9	0.64	0.88	0.46	0.53	4.20	84.0
Dec-27	2.1	3.75	3.85	4.00	4.25	93.5	68.9	0.64	0.88	0.46	0.53	4.15	83.7

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