November 2024

WESTPAC MARKET OUTLOOK

Your monthly report on Australia and the global economy.

WESTPAC MARKET OUTLOOK November 2024

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Wildcards back in play

Markets have had a lot to absorb over the past month, from Donald Trump's re-election to the ongoing normalisation in global monetary policy. Global equity markets have traded a 4% range, US 10yr bonds have risen nearly 0.4ppts and various currency pairs are still finding their footings as relative prospects are reassessed.

The US FOMC has grown more confident in its ability to return inflation sustainably to target. With the labour market no longer seen as an upside risk to inflation near-term, it is well-placed to pursue rate cuts through to the middle of next year.

While immediate inflation risks seem manageable, Trump's likely extension of tax cuts coupled with the prospect of tariff measures raises a clear risk of resurgent domestic inflationary pressures down the track. In our view, the FOMC easing will take the fed funds rate to a broadly neutral level before a shift back to rate hikes in the second half of 2026. More generally, the US election result amplifies the existing longer run trend towards higher average yields that we have already been noting for some time.

The escalation of US-China trade tensions will be the main wildcard going forward, with the exact implications highly uncertain. For now, Chinese authorities are squarely focused on balancing cyclical stimulus and structural reforms to meet its longer-term growth ambitions. Recent activity data casts some doubt over the extent of policy's immediate effect, underscoring the need for pro-active economic management as risks show few signs of diminishing on their own.

More locally, underlying inflation continues to gradually moderate in Australia, while labour market outcomes remain robust. Both of these dynamics point to a patient policy approach from the RBA that should still see rate cuts kick-off from early next year. Notably, the risks around global trade are less straightforward and more two-sided for Australia than they seem. There is also some home-grown political risk ahead with the Federal election due by mid-2025. However, on balance the medium-term outlook still looks comparatively stable notwithstanding the somewhat bumpier near-term path.

Australia: The decline in inflation remains on track. Despite retaining a hawkish tone, the RBA still looks to be moving towards an easing in policy in 2025. Consumer demand has shown little response to tax cuts to date, although improving sentiment suggests a recovery is gaining some traction. Wages growth has continued to slow despite a tight labour market.

Commodities: Overall, commodity prices were little changed since our last report. However, with disappointment at the scale of the Chinese stimulus package iron ore fell around 3%, thermal coal fell almost 3½% while crude oil lost 7% as US crude production surprised to the high side. Offsetting this was stronger aluminium and met coal prices.

Global FX Markets: Expectations of the growth impact of tax cuts and deregulation under a second Trump administration has supported the US dollar in recent weeks. These positives have to be balanced against the negatives of tariffs and capacity constraints which we see keeping the US dollar in a modest down-trend through 2025 and 2026.

New Zealand: We expect the RBNZ to continue the process of normalising monetary policy settings with a further 50bp cut in the OCR on 27 November. Easier financial conditions are paving the way for a recovery in economic growth in 2025. But given the usual lags, the unemployment rate – now at 4.8% – is still to reach its peak for this cycle.

United States: A return to broadly neutral monetary policy in 2025 seems assured, with current inflation near target and the labour market in balance. At the same time, the re-election of Donald Trump to the Presidency is creating upside risks for both inflation and interest rates from 2026. Risks to growth are two-sided, however.

China: Uncertainty and anxiety are dominant currently. Authorities clearly have a significant, coordinated stimulus agenda in mind, but many worry it is not being implemented quickly enough. Also, the threat of an imminent escalation of trade conflict with the US looms. The risks are manageable, but require pro-active policy.

World: Strong spending has seen debt rise substantially across the developed world, a trend that is likely to persist. While high debt itself is not an issue, rises must be managed to mitigate economic and financial risks. As such, countries need to focus on how growth in debt is managed, ensuring it is used to improve capacity and that economic growth is sustained in a way that helps contain the burden of debt servicing.

US election amplifies trend to higher average yields …

Luci Ellis
Chief Economist, Westpac Group

It is the nature of event risk that, when it is finally realised, it closes off some potential futures and narrows down the remaining possibilities. We were already expecting large US fiscal deficits continuing and – partly because of this – a higher global rate structure on average. The US election result amplifies this trend. Bond yields across the curve now look likely to be higher.

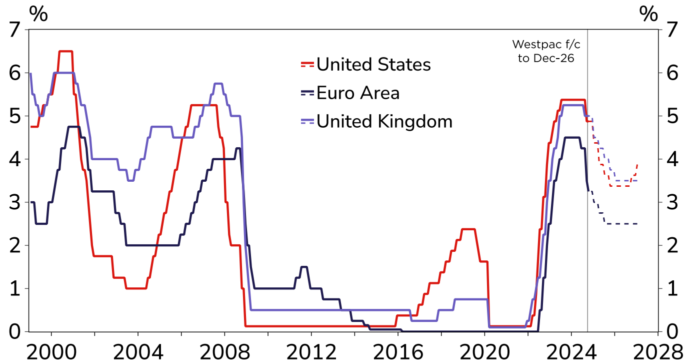
The US government has been running large fiscal deficits, of the order of 6% of GDP, for some years, and this was going to continue regardless of who won the Presidency. At the margin, though, a Trump victory with a clean sweep of Congress is a bit more expansionary (and inflationary) than a Harris win or a split Congress would have been.

Since the inflationary impact of the incoming Trump administration's policies will take a while to come through, we do not think this week's events have any implications for the near-term outlook for Fed policy. The result does, however, validate our long-standing house view that the global rate structure will be higher on average going forward.

As part of that house view, we have for some time forecast that the endpoint of the rate-cutting phase of Fed policy (3.375%) will be above the current FOMC view of neutral (2.9%). The US election results add weight to that view. In addition to the overall fiscal policy stance, the proposed tariffs will lift the price level in the US, boosting measured inflation for a time and raising the relative price of traded goods relative to non-tradeables. Less clear, but at least an upside risk, are the implications for labour supply of the incoming Trump administration's immigration policies. Taking all this together, we now expect the Fed to start hiking rates again in late 2026.

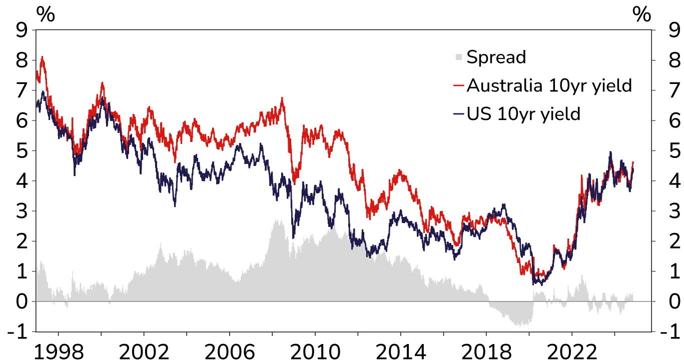
We do not see the same new inflationary impulses forming in Australia, especially given that rising labour force participation here has been a positive for labour supply and is likely to remain so for a while. In addition, the impact of tariffs on China could be indirectly negative for Australia, given China's importance as a destination for our exports. Against that, though, we need to be mindful that China is likely to respond to any negative external shock with additional stimulus targeting the consumer and residential investment, lifting commodity demand. We would also see Australia as one likely destination for all those cheaper manufactured goods that a tariff-bound US no longer demands. This implies some downside risk for the relative price of goods relative to services in Australia, and to inflation more broadly. We have therefore not revised our view on the RBA cash rate in light of Trump's victory. For similar reasons, our view on other central banks' moves are unaffected.

Central banks still on rate-cutting path



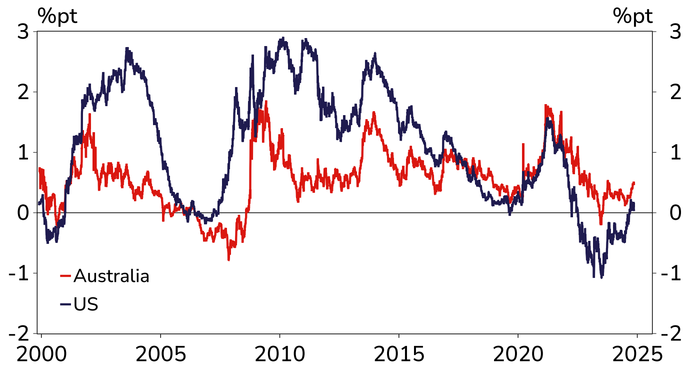
Source: BIS, Macrobond, Westpac Economics

Long yields lift post Trump win



Source: Macrobond, U.S. Treasury, Macrobond, Westpac Economics

Yield Curve Slope (10yr – 2yr) steepens



Source: Bloomberg, Macrobond, Westpac Economics

… but has no implications for near-term policy moves

As expected, the RBA kept the cash rate on hold at 4.35% following its November meeting. The decline in inflation remains on track and the RBA Board views policy as restrictive and working broadly as expected. However, the Board remains concerned that underlying inflation is still above target and quarterly outcomes are declining only slowly. It wants to see inflation sustainably within the 2–3% target range and uses measures of underlying inflation to assess the momentum in this trend. Although it assesses risks around its forecasts as broadly balanced, the RBA Board is more attentive to the upside risks while-ever actual inflation remains above target.

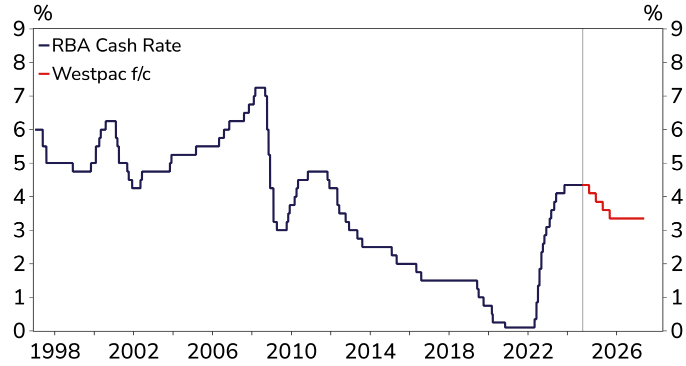
The September quarter inflation outcome was characterised as being consistent with forecasts, even though trimmed mean inflation forecasts have edged down a little from the August round. The end-2026 forecast is now firmly at 2.5%, the midpoint of the band, rather than 2.6% as the RBA previously expected. Forecasts of Wage Price Index growth were also scaled back, and by a bit more than the reduction in the forecast profile for trimmed mean inflation. On the other hand, the RBA's view of the labour market has shifted to be a little more bullish, partly because of their pessimism about productivity.

While there were some elements of the RBA's analysis that seems a little hawkish compared with our own view of the data, we do not see anything in the November decision or discussion that would change our view that the cash rate will start declining slowly from February, but no earlier. In the press conference, the Governor declined to give any guidance on the outlook for the cash rate for the first half of 2025. This contrasts with comments in August, where a near-term cut was ruled out. We suspect that the RBA believes that it will not start cutting until later in 2025. This view could evolve if inflation continues to come in consistent with or below the RBA's forecasts.

The risk scenarios around this base case view remain similar to those described last month. An earlier start to the rate cuts can be ruled out given the RBA's current view of the domestic economy. The downside risk scenario is instead that softer price and labour market outcomes from here could induce a faster pace of cutting compared to our baseline view of one cut per quarter. The upside risk scenario is still one of delay past February should inflation risks persist, and possibly less of a decline in total.

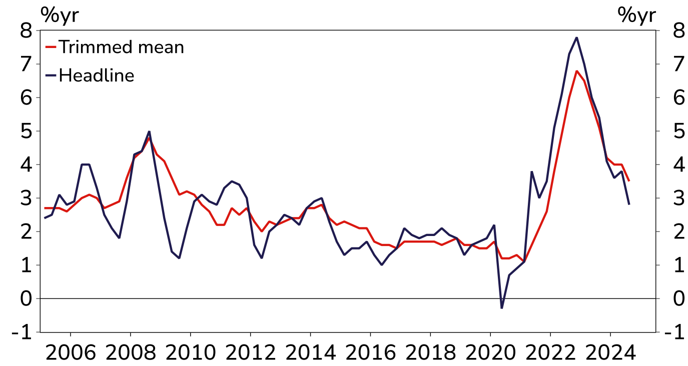
The relative shift in policy rates suggests a stronger US dollar, and so we have flattened the slope of the expected appreciation of the AUD (and NZD) against the USD accordingly. Relative purchasing power tends to be the centre of gravity that exchange rates revert to over the 3–5 year horizon, but it now seems that this will take longer than we previously assumed.

RBA not yet ready to cut



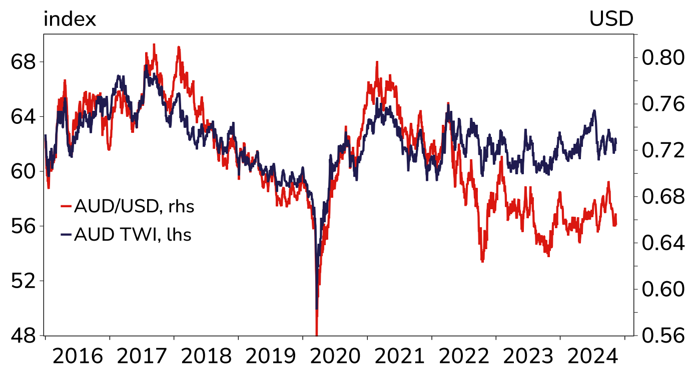
Source: RBA, Macrobond, Westpac Economics

Headline inflation down more than underlying



Source: ABS, Macrobond, Westpac Economics

Trump win boosts USD, for a time



Source: RBA, Macrobond, Westpac Economics

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

Consumer recovery underwhelming ...

Matthew Hassan, Head of Australian Macro-Forecasting
Pat Bustamante, Senior Economist

The flow of data has picked up as we approach the release of the September quarter National Accounts due in early December. Our near-term outlook remains broadly intact, with partial economic indicators suggesting the widely expected recovery in the second half of 2024 has been underwhelming. Tax cuts and moderating inflation are boosting real household incomes, but there are little signs this is flowing into higher spending.

Indeed, the early signs from our **Westpac Consumer Panel** suggest that, as at September, households had spent only 20% of the windfalls from the Stage 3 tax cuts (see here for more). This is consistent with the ABS household spending indicator which rose just 0.2% in nominal terms over the September quarter, and our **Westpac Card Tracker** which suggests this subdued momentum has carried into October (see here for more).

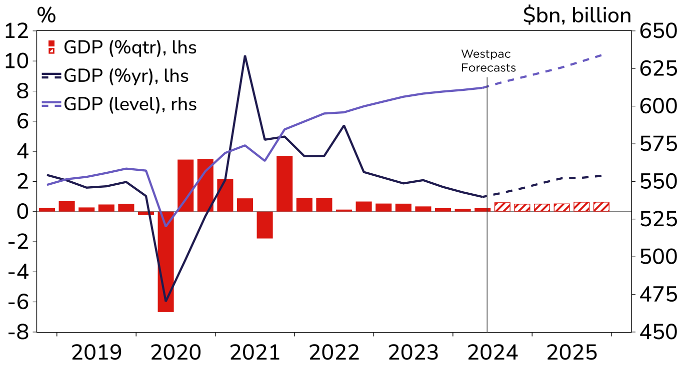
This may change as we head into the end-of-year sales periods. Consumers have tended to focus more of their spending in these sales windows in recent years as they seek out better value for money in an environment of intense cost-of-living pressures.

The lift in consumer sentiment through October-November is also more promising in this regard (see here). That said, much of the improvement is around expectations with components that feed more directly into spending pointing to a stabilisation rather than a lift. Note also that with the response to upcoming sales periods, the performance outside the sales windows is as important as the activity during them (the last two years saw strong sales activity but steep drop-offs in other weeks).

The consumer recovery is expected to become more convincing once the RBA starts its easing cycle next year, but even then we expect the pick up will continue to be gradual. That reflects the weak starting point, a need to stop drawing on and eventually rebuild savings buffers, and the relatively slow recovery in incomes. With respect to this last point, real household disposable income per capita is not expected to return to 2011 levels until the end of 2026.

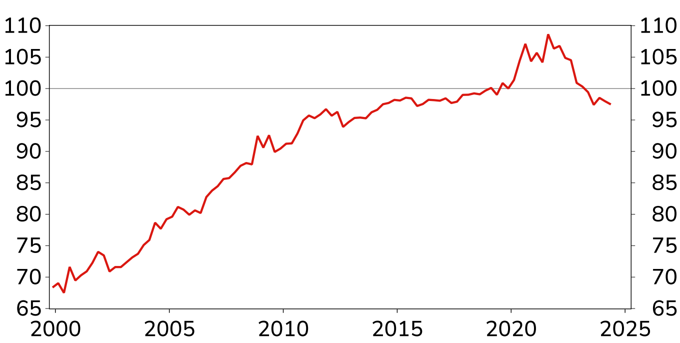
Conditions remain somewhat firmer across the business sector, the continued resilience partly reflecting support from strong population growth. Survey-based measures show conditions were around long-run average levels in the September quarter, holding steady at these levels in October (see here). Business confidence also improved in the latest month, rising to a 21-month high. As with consumers, the improving inflation and interest rate outlook is a support here.

Growth slows to a crawl



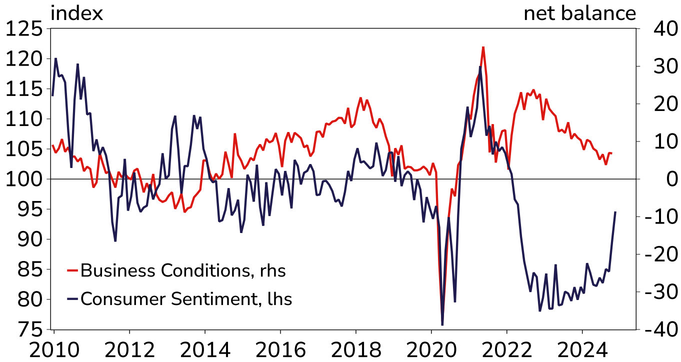
Source: ABS, Macrobond, Westpac Economics

Real income per capita



Source: ABS, Macrobond, Westpac Economics

Consumer sentiment and business conditions



Source: NAB, Westpac-MI, Macrobond

… wage and price inflation continue to slow

Resilient business conditions coupled with above average capacity utilisation has seen business investment grow at solid rates. The 2023-24 Annual national accounts showed that new private business investment grew by 6.6% in 2023-24, to be around 12.5% of the real economy. This is in line with the share recorded in 2006-07, only now the non-mining business sector is the one driving activity with mining investment still subdued. The underlying investment mix has also become more heavily focused on intangibles such as software and R&D, with businesses investing more in intangibles than new commercial buildings for the first ever in 2023-24.

While the annual investment outcome was solid, we know that investment slowed through the year as the weakness in household spending spilled over into the business sector, particularly the consumer-facing industries.

A key unknown is whether businesses will continue to invest or pull back further into the new financial year. Partial indicators are mixed thus far. Survey-based results suggest businesses intend to invest, business credit data also showing relatively solid growth in Q3. However, outside of lumpy capital imports, the underlying trend in capital imports was still soft over the September quarter.

The labour market remains tighter than average, despite the sluggish real economy. The strong employment growth recorded over recent quarters is consistent with the solid growth in labour supply and the expansion in the non-market parts of the economy (health, education, and public administration and safety).

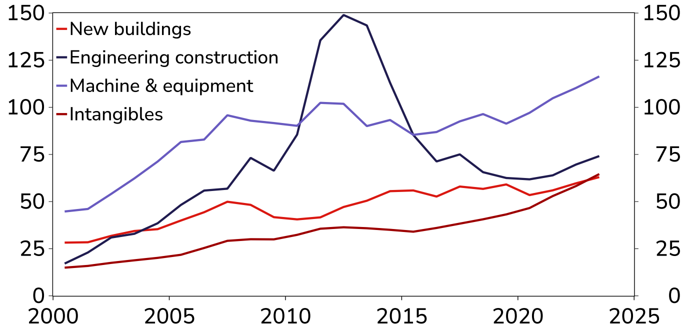
Hours worked grew by around 0.8%qtr in September. This suggests the September national accounts will show another soft outcome for 'aggregate productivity'. As we have been arguing (see here), the non-mining market sector is more relevant for domestic inflationary pressures, and we are likely to see further productivity improvements in this part of the economy.

Wage inflation remains subdued. The wage price index rose 0.8%qtr in September, annual growth dropping to 3.5%yr from 4.1%yr in June, running at a 3.2% annualised pace over the last two quarters. That was slightly below the RBA's implied expectation of a 0.9%qtr gain.

Headline inflation continued to moderate in the September quarter (0.2%qtr and 2.8%yr) driven by a range of Federal and state government cost of living support measures, which temporarily reduce out-of-pocket costs of essentials such as electricity, public transport and car registration fees. Underlying inflation continues to run above the RBA's target band (0.8%qtr and 3.5%yr in September). We expect this too will continue to moderate as supply and demand come into better balance, which should set the scene for the RBA to start easing in 2025.

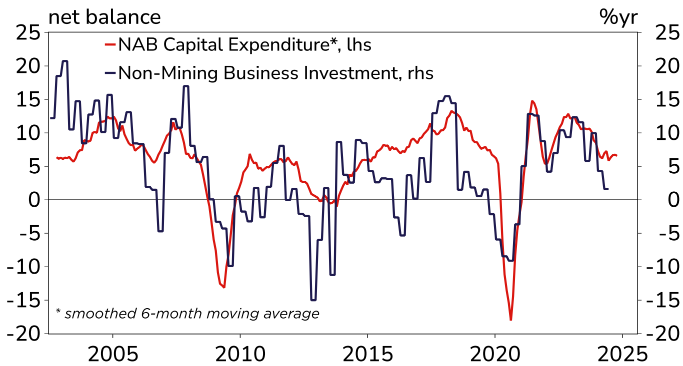
New business investment

$bn per financial year



Source: ABS, Macrobond, Westpac Economics

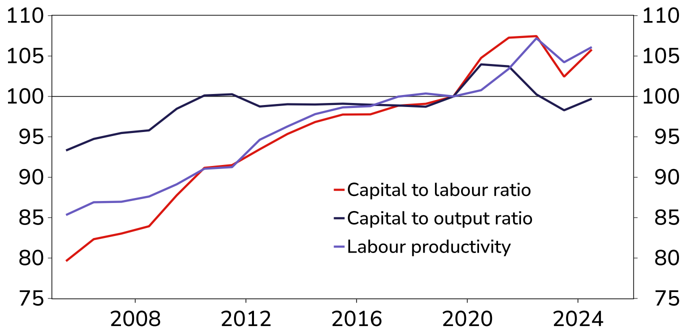
NAB Capex Sub-Index and Business Investment



Source: NAB, ABS, Macrobond, Westpac Economics

Market sector (ex-mining) supply side metrics

Index: 2018-19=100



Source: ABS, Macrobond, Westpac Economics

Bulks & crude soften on disappointing China stimulus ...

Justin Smirk
Senior Economist, Westpac Group

Overall, commodity prices have been little-changed since our last report, with the Westpac Export Price Index flat at 314. Nevertheless, the performance of individual commodities has been mixed. The market was disappointed by the scale of the Chinese stimulus package, resulting in iron ore falling around 3% and thermal coal declining almost 3½%. Crude oil is also down almost 7% as US crude production surprised to the high side while the threat of tariffs on Chinese exports is seen as a negative for demand. Offsetting were stronger aluminium and met coal prices.

Iron ore, soft demand & robust supply

The fundamentals remain weak for iron ore as inventories at Chinese ports continue to rise. In the year to October, inventories are up 38%, or +13% year to date. All up, they are on track to be up 16% in 2024, coming off a 13% fall during 2023. This has seen the ratio of inventories to pig iron production rise to a level not seen since early 2022. In terms of iron ore demand, steel production remains weak with pig iron production down 5% in the year to September, while crude steel production is down 4% over the same period. In addition, Chinese steel exports lifted materially in September to a record monthly high of ~117Mtpa. Rising steel exports tends to reflect softening steel demand in China, particularly when prices in key export markets are soft (albeit with some markets now starting to pick up). Meanwhile iron ore supply remains robust with shipments from traditional markets up around 3% year-to-date while non-traditional market supply remains elevated. In total, iron ore imports into China are up close to 5% in the year to October.

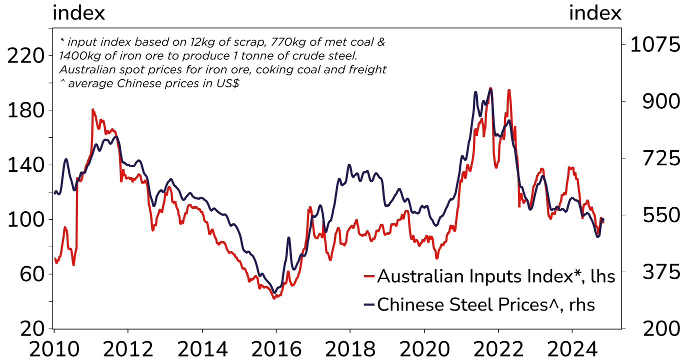
Weekly data suggests Chinese steel production grew through October on seasonally stronger demand. Together with rising steel prices (in part driven by improved expectations from the stimulus packages), the improvement in margins is providing iron ore with some near-term support. However, we believe that the longer term impact of the recent stimulus package is likely to be muted, so any rebounds in steel and iron ore prices are likely to be short lived.

We hold to our year-end forecast of US$95/t then continuing to correct down to US$83/t in the second half of 2025.

Crude oil at the cross roads

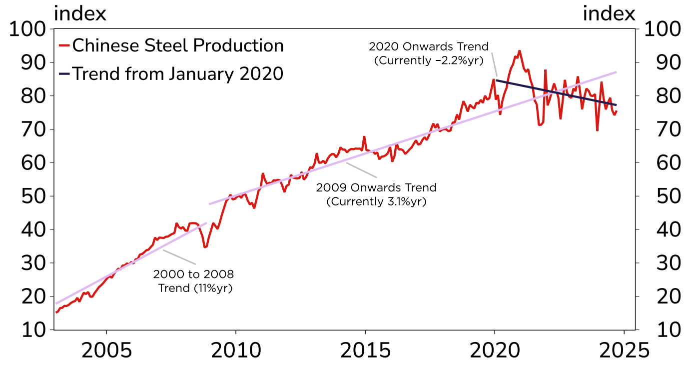
With all the political drama of the US election now behind us, crude oil is now trading with a weaker tone than it did in October. The key overarching theme this year of robust US domestic production has been bolstered by President-elect Trump proposing to sign "a National Emergency Declaration to achieve a massive increase in domestic energy supply" adding

Chinese Steel Input and Output Prices



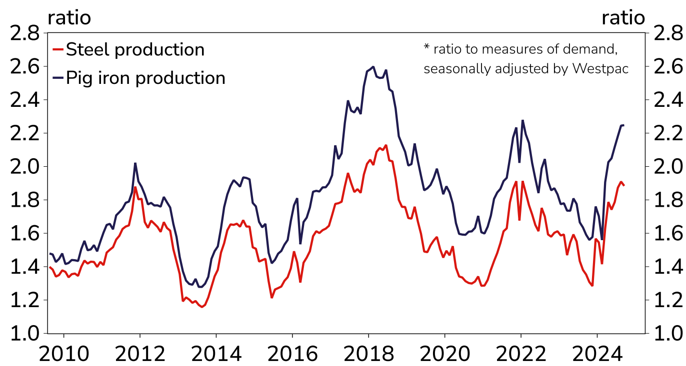
Source: Bloomberg, Macrobond, Westpac Economics

Chinese steel production peaked in 2020



Source: World Steel Association, Macrobond, Westpac Economics

China Iron Ore Port Inventories



Source: Bloomberg, Macrobond, Westpac Economics

... but nevertheless remain quite robust

to his overarching theme of "drill, baby drill". Still, we are cautious about how far to take this. The large public energy companies that control half of the US Lower 48's rigs, and develop much of the best leases in the region, focus on the return on capital/shareholder funds to direct investment. The lower crude prices go, the tighter the margins for US producers and thus the greater the headwinds to production.

In terms of demand, the tariffs proposed by President-elect Trump could slow economic growth and reduce crude demand by as much as 0.5mbpd in 2025, which could lower crude oil prices by between US$5/bbl and US$7/bbl. Also, increased tariffs threaten to expose US industry to cost inflation, which could further squeeze margins for US producers. The previous estimate assumes there are no offsetting risks such as an escalation of the hostilities in the middle east or the attacks on energy infrastructure in the Ukraine-Russia conflict. We also note further pressure on the Iranian regime is likely to slow production by 1.3mbpd, to which there is the potential for maintenance issues affecting Russian and Chinese producers to take more supply out of the system.

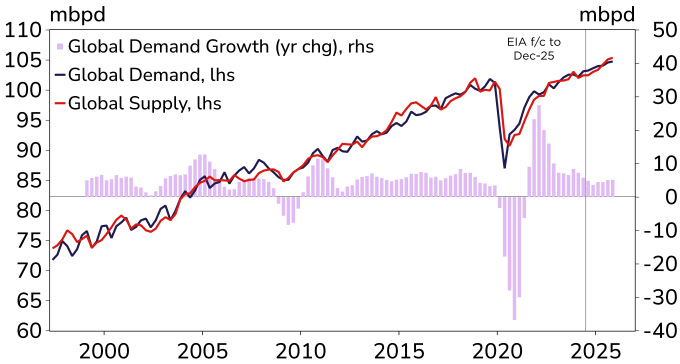
Outlook for thermal coal improves

For premium thermal coal, strong restocking demand from the Asia-Pacific should continue to support prices through to year-end (Westpac forecast is $147/t). While the fundamentals for 2025 remain constructive, a more balanced market and lower gas prices will see prices fall to around US$120/t in 2026.

Looking forward, supply from premium thermal coal producers (excluding Russia) looks to be stable, with some growth from Australia likely to be offset by some easing in Columbia, while South Africa holds steady. The overall outlook for demand is also looking stable – while demand from traditional seaborne markets (Japan, Korea, Taiwan and the EU) are weakening, both Indian and Chinese demand are expected to remain at robust levels. Note for China, domestic supply disruptions are likely to see a lift in coal imports but with little change to overall demand.

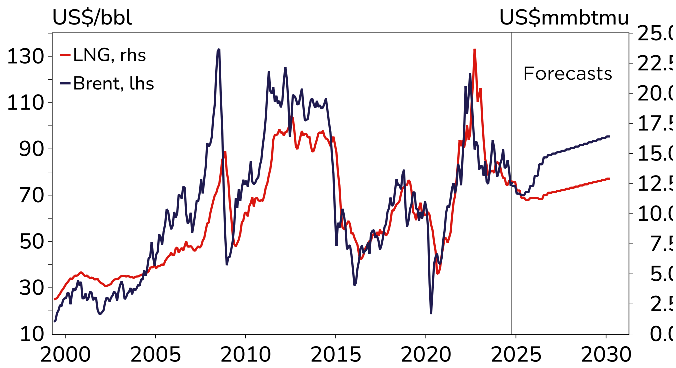
Geopolitical tensions should support gas prices in the first half of 2025 but with some under-performance relative to crude oil as new LNG supply starts to come online. In Europe, coal is comparable to gas cost-wise once allowing for efficiency and emissions costs. But coal remains cheaper across Asia where to date there are few costs associated with carbon emissions. We also note that China's domestic coal price has lifted with the recent stimulus announcements to around CNY860/t. The impact associated with President-elect Trump, US-Russia relations and geopolitical events in the Middle East remain to be seen.

Crude oil supply & demand



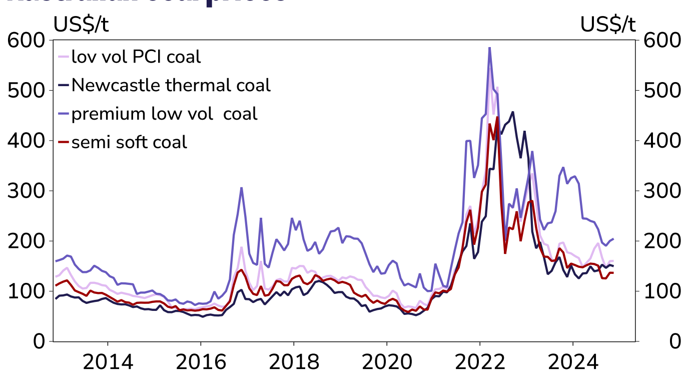
Source: Bloomberg, Macrobond, Westpac Economics

Brent Crude remains the benchmark for LNG



Source: EIA, Macrobond, Westpac Economic

Australian coal prices



Source: Bloomberg, Macrobond, Westpac Economics

For the US dollar, risks are not one sided ...

Elliot Clarke
Head of International Economics

Donald Trump being re-elected to the US Presidency with a Republican majority in both the Senate and House has created excitement amongst FX market participants over the US dollar's prospects.

That said, the fed funds rate is on its way down, and the net impact of tax reform, deregulation and tariffs on US growth is debatable. We see some additional resilience in the US economy and dollar, but still anticipate the currency to hold to a down-trend through both 2025 and 2026.

The initial impact on the US dollar of Trump's re-election to the Presidency was definitive. The week before, firming expectations of a Republican win saw the DXY index jolt higher from its September low of 100.4 to a high of 104.3. A subsequent shift in the polls in favour of the Democrats led to a partial retracement as election week began, only for the currency to whip higher again on the eventual result.

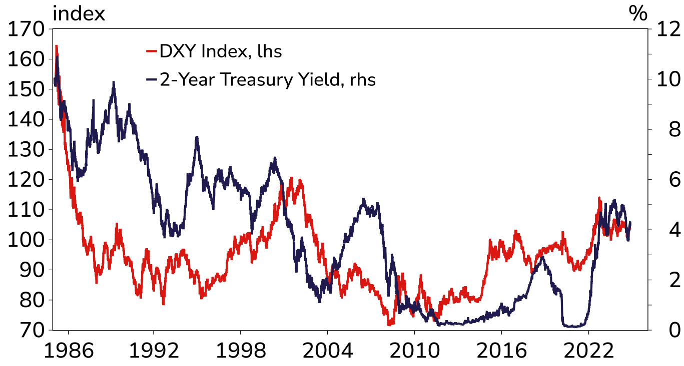
The Republican's clean sweep has since stabilised the US dollar above 105 on a DXY basis. That is even after the FOMC made clear that it still believes it is appropriate to return the fed funds rate to a broadly neutral level, noting the absence of a clear direction on the incoming administration's policy priorities (the inauguration is not until 20 January and President-elect Trump must finalise his Cabinet, advisors and teams before then).

The strengthening of the US dollar is arguably a combination of expectations for higher US growth-inflation-interest rates as well as concerns over the potential ill-effects of US tariffs on the rest of the world. Both perspectives have justification, but also limits.

To begin, it is important to recognise that the US economy is already growing above trend so the starting point for growth comparisons favours the USD. Some near term moderation is also likely given the labour market is softening and that many US households have used up extra savings from the pandemic and are thus more exposed to softening wages and hours worked.

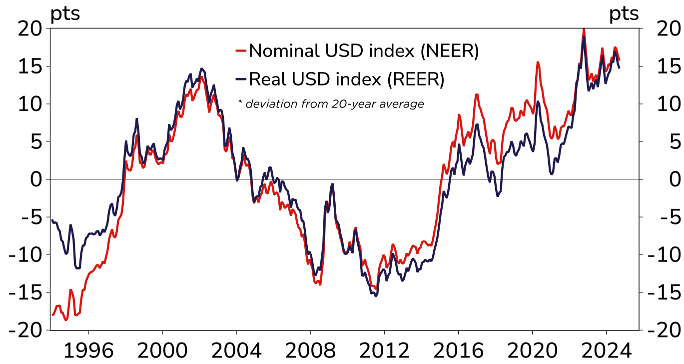
The intended impact of tax cuts, deregulation and tariffs is to stoke investment and reduce imports. But, the principal change planned for household income tax is merely making permanent the existing breaks due to expire. Other mooted measures are of only marginal benefit in aggregate. Against this is the potential impact of wide-ranging tariffs, in effect a new tax on both households and businesses, the effect of which can only be lessened through time if the domestic production base is radically scaled, so too the logistics and utilities that support it.

USD CPI & rates support fading



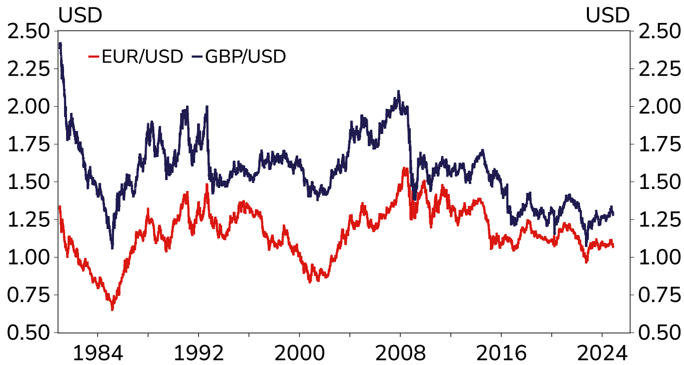
Source: Bloomberg, Macrobond, Westpac Economics

Data still supports robust USD



Source: BIS, Macrobond, Westpac Economics

Europe risks abating



Source: Bloomberg, Macrobond, Westpac Economics

... or fully understood

This would require a marked lift in confidence and a considerable injection of long-term capital, the cost of which is on the rise in the US even with the FOMC returning the fed funds rate to neutral. It would also necessitate the availability of skilled labour, found in short supply even as the population grew robustly the past few years.

The point to take from the above is that the expected acceleration in the US growth pulse that the market is building into FX valuations does not have a strong foundation. Further, it is entirely possible the benefits of new policy passed will be negated by capacity and price pressures.

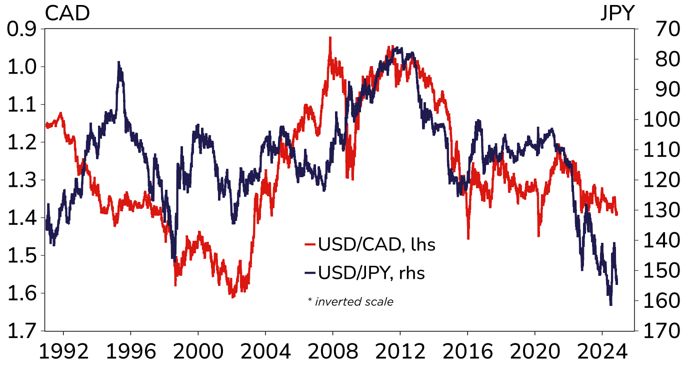
In contrast to the US, Europe's economy has been accelerating of late and, given the need for greater defence spending and energy security, there is a growing need to ramp up government support across the Continent. At the same time, Europe continues to benefit from the global tourism trade, particularly from the US and Asia, while the recent laggard of Euro Area growth (Germany) also stands to benefit from Asia's economic development and potentially some countries, such as China, choosing to lessen their reliance on US goods.

Asia meanwhile, including China, has considerable growth opportunities ahead, particularly with short-term US dollar interest rates normalising. The US may decide to reduce its adoption of renewables but for many emerging markets the green transition is the only way to achieve the power and efficiency necessary to scale their economies to meet the needs of young, growing populations and pursue growth across mining, manufacturing and the service sector.

The above outlook for Asia is also not without uncertainties, and so we have factored in a reticence on the part of US investors to move out of their safe-haven. Still, the passage of time is likely to bring greater confidence in the prospects of non-US markets, at least amongst investors there.

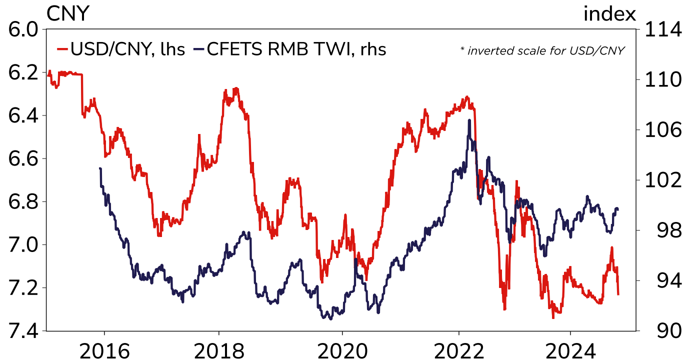
To give perspective on the scale of anticipated moves, we look for DXY to ease into year end from 106 today to 104.3, then to move steadily lower through 2025 and 2026, to around 102 and 101. Movements in the key bilaterals that underpin the DXY index are expected to be proportional, EUR/USD rising from USD1.08 to USD1.10 then USD1.11, and GBP/USD from USD1.30 to USD1.32 in 2025 then USD1.33 by the end of the forecast horizon. USD/CAD is expected to move lower from CAD1.39 to CAD1.35; however, if US oil production is ramped up as President Trump intends and the oil price weakens, USD/CAD could be held up. Inflation and interest rate risks are likely to meanwhile work against Japan's Yen, a decline in USD/JPY to JPY141 by end-2026 to still leave the cross some 30% above its 2019 level.

CAD and Yen may lag



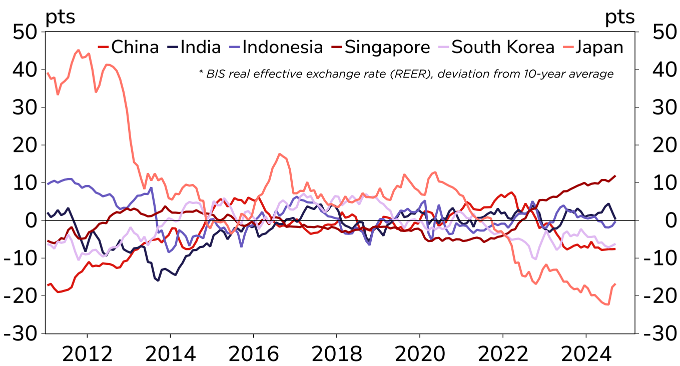
Source: Bloomberg, Macrobond, Westpac Economics

Renminbi TWI broadly stable



Source: Bloomberg, Macrobond, Westpac Economics

Asia's outlook promising



Source: BIS, Macrobond, Westpac Economics

The economic cycle is beginning to turn up …

Kelly Eckhold
Chief Economist NZ

With inflation having fallen back inside the target band and expected to track close to the target midpoint, the RBNZ has begun to move monetary policy back to a neutral setting. That process is likely to continue this month with the RBNZ widely expected to cut the OCR by a further 50bps at the 27 November meeting. Easier financial conditions are paving the way for stronger economic growth next year. But given the usual lags, conditions in the labour market are likely to remain soft for a while.

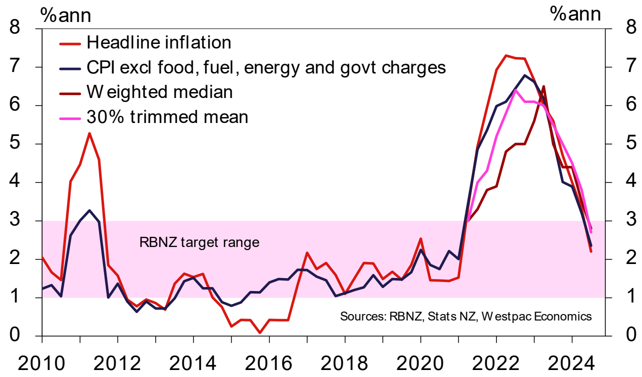
In late October we released [our final New Zealand Economic Overview for this year](), updating our economic and financial forecasts to capture the latest information. Importantly, that included confirmation that CPI inflation had fallen back inside the RBNZ's 1-3% target band in the September quarter, with the 2.2%yr outcome also slightly softer than the forecast made in the August Monetary Policy Statement.

Unsurprisingly, the RBNZ's Governor has welcomed this development, which clears the way for policy settings to continue to track back towards neutral settings over coming meetings. Together with most commentators, we expect the RBNZ to cut the OCR by a further 50bps to 4.25% at the next meeting on 27 November. And provided that the inflation outlook continues to evolve favourably, further policy easing can be expected next year, albeit with the pace likely to slow to more regular 25bp increments. Our revised forecast envisages a 3.5% low-point for the OCR – slightly below our assessment of the neutral rate, but still somewhat above the low-point presently priced by markets.

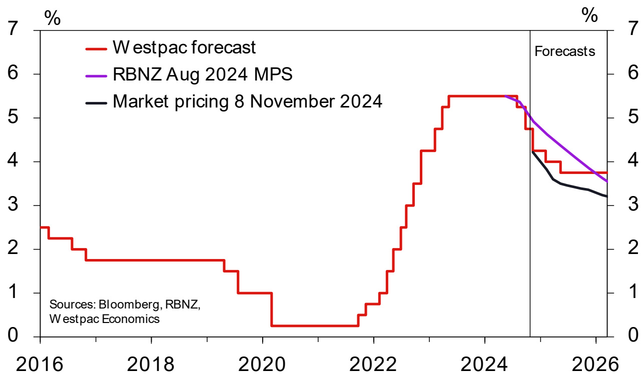
The marked easing of financial conditions since the RBNZ's initial policy pivot back in July has contributed to a significant lift in business expectations about the prospects for economic activity over the year ahead. We too expect the economy to be on a much firmer footing a year from now, with annual GDP growth likely to move up above 2% next year and to close to 3% in 2026. However, while the economy has probably begun to grow in the current quarter – likely following a further modest contraction in the September quarter – growth is expected to remain distinctly sub-trend in the near term. It will take time for lower interest rates to filter through, and so it is perhaps unsurprising that the rebound in consumer confidence has been very modest so far and that the Business NZ PMI indicators are yet to move to levels that would normally be associated with an expanding economy.

Looking ahead, we estimate that around 50% of mortgages will reprice over the next six months, gradually adding support to household finances. Together with the cumulative impact of this year's tax cuts – which so far have had little impact – this should lead to a gradual pick-up in consumer spending.

Inflation is back inside the RBNZ's target band



RBNZ policy headed back to neutral



Lower interest rates already appear to be stimulating a pick-up in the previously moribund housing market, with real estate agents reporting increased foot traffic and slightly higher sales. For the moment, increased buyer activity – including by investors – is being met by a significant inventory of unsold homes, so that house prices appear to be tracking sideways at best. But with further cuts in shorter tenor mortgage rates to come, we expect the housing market to tighten, with prices rising by around 8% next year. Firmer house prices should lend additional support to consumer spending, as will recent improvements in export commodity prices.

Over the past week we learned the labour market is evolving broadly as expected, with slack rising and growth in labour costs slowing. Employment fell 0.5%qtr in the September

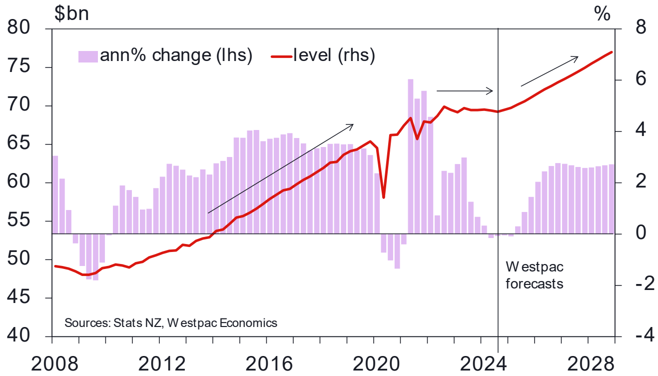
... but labour market slack is likely to build for a while

quarter and the unemployment rate rose to 4.8% – the latter somewhat lower than we had expected in our Economic Overview, with labour force participation amongst youth continuing to decline.

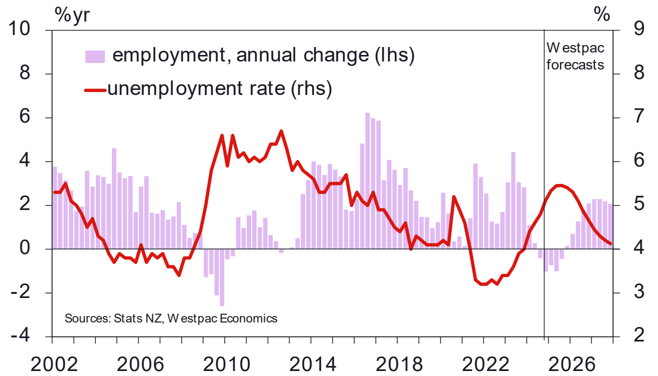
Given the usual lags, demand for labour is likely to remain weak until at least around the middle of next year. So, while low net migrant inflows imply only modest growth in the labour force, the unemployment rate is likely to continue to move higher for a period, before beginning to turn lower. In the meantime, ongoing labour market slack should see a further moderation of growth in labour costs, helping to drive down inflation in the services sector where pockets of higher-than-usual inflation continue to linger.

The risks around our forecasts appear evenly balanced. For example, there is two-sided uncertainty about how quickly and by how much house prices will respond to lower interest rates. The global growth, exchange rate, and commodity price outlook are also subject to complex two-sided uncertainty, with geopolitical tensions and potential US tariffs a source of downside risk to the economy (but also the exchange rate) and synchronised monetary policy easing a source of upside risk.

GDP should regain an upward trend next year



Labour market recovery will lag



	2023		2024									
Monthly data	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**
REINZ house sales %mth	3.7	4.4	–4.6	17.4	–0.4	–1.9	–3.0	–7.8	10.7	0.1	–3.9	–
Residential building consents %mth	–10.2	3.6	–9.7	16.3	–0.3	–2.2	–1.5	–16.8	26.7	–5.2	2.6	–
Electronic card transactions %mth	1.6	–0.6	1.1	–1.3	–1.0	0.9	–1.1	–0.5	0.6	–0.2	0.3	0.4
Private sector credit %yr	2.1	2.2	2.4	2.5	2.7	2.5	3.0	2.7	2.6	2.8	2.8	–
Commodity prices %mth	–1.3	2.4	2.1	3.6	–1.3	0.5	1.1	1.5	–1.7	2.1	1.8	1.4
Trade balance $mn	–854	–887	–391	–834	–342	–964	–1017	–388	–823	–1066	–811	–

Quarterly data	**Q2:22**	**Q3:22**	**Q4:22**	**Q1:23**	**Q2:23**	**Q3:23**	**Q4:23**	**Q1:24**	**Q2:24**	**Q3:24**
Westpac McDermott Miller Consumer Confidence	78.7	87.6	75.6	77.7	83.1	80.2	88.9	93.2	82.2	90.8
Quarterly Survey of Business Opinion	–2	1	–10	–15	–14	–15	12	–25	–27	–31
Unemployment rate %	3.3	3.2	3.4	3.4	3.6	3.9	4.0	4.4	4.6	4.8
CPI %yr	7.3	7.2	7.2	6.7	6.0	5.6	4.7	4.0	3.3	2.2
Real GDP %yr	0.7	2.5	2.4	2.7	3.0	1.3	0.7	0.3	0.3	–
Current account balance % of GDP	–8.2	–8.8	–9.4	–8.7	–8.1	–7.8	–7.1	–6.7	–6.7	–
Nominal GDP %yr	2.5	5.2	5.4	3.9	4.2	4.2				

Sources: Government agencies, Bloomberg, Macrobond, Westpac Economics. Some data omitted from certain series due to Lunar New Year distortions. *4qma

Stimulus to target medium-term ambitions ...

Elliot Clarke
Head of International Economics

Each quarter, GDP and the accompanying monthly partial data top the list of critical updates for China, being key to assessing both the economy's current momentum and outlook.

In this instance however, policy announcements and the US election have diminished the significance of the latest Chinese data, restricting its usefulness to a benchmark for assessing the necessary scale and potential impact of cyclical stimulus and continued structural reform.

On household demand, the September data did not provide any evidence of growing downside risks, but nor did it signal a conducive environment for an immediate rebound. Retail sales growth was essentially unchanged at 3.3% year-to-date (ytd), property sales –24%ytd and property investment –10%ytd – all lows back to end-2022.

Total fixed asset investment also remained weak, up just 3.4%ytd despite persistent strength in investment across high-tech subsectors and infrastructure. Moreover, new loans and aggregate financing were not supportive of a nascent acceleration in investment growth.

Considered policy support in scale is therefore necessary to ward off downside risks and strengthen growth. While this reality is clearly on authorities' minds, they also believe they have time on their side to deliberate the detail and coordinate across the government hierarchy.

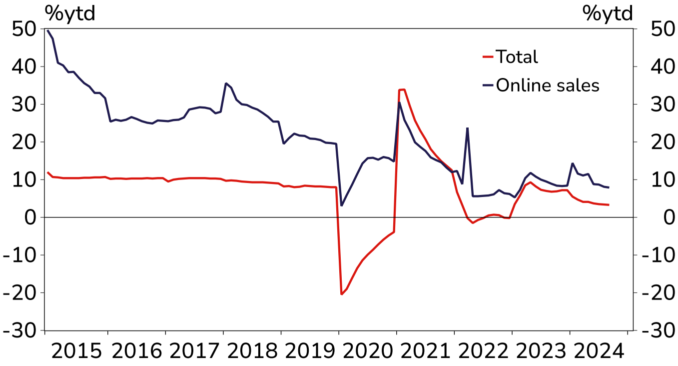
Highlighting this, each of the initiatives announced has had scale, fits into a broad macro narrative, but also is principally a catalyst to spark activity by agents across the economy other than the Central Government.

The most recent communications either side of the November Standing Committee meeting furthermore makes clear this cyclical stimulus continues to be designed and implemented to support the Party's structural development ambitions.

The clearest example of this is the just announced plan to alleviate the debt stress of local governments and thereby free up income and financing capacity for recurring consumption and investment. Under this initiative: an estimated CNY600bn is expected to be saved on interest payments over five years; the borrowing caps of local governments will be raised; while bringing 'hidden debt' on balance sheet will improve confidence in the financial position of related entities.

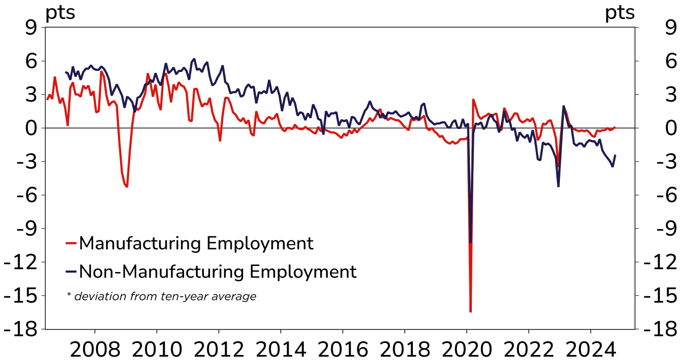
Support for consumers and property has been flagged, but held back for 2025. Two potential reasons why include: 1) authorities are currently focused on capacity and employment creation to provide enduring support for consumption as opposed to a sugar rush; and 2), confidence is necessary to catalyse and sustain spending – cash given to consumers does

Consumer remains cautious on outlook



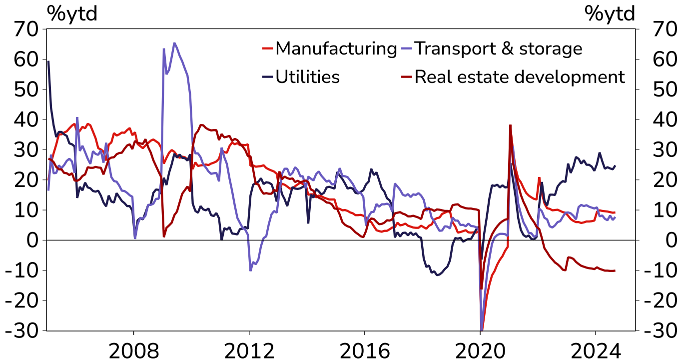
Source: NBS, Macrobond, Westpac Economics

Consumer needs stronger job prospects



Source: CFLP, Macrobond, Westpac Economics

Investment growth to broaden



Source: NBS, Macrobond, Westpac Economics

… while remaining mindful of immediate risks

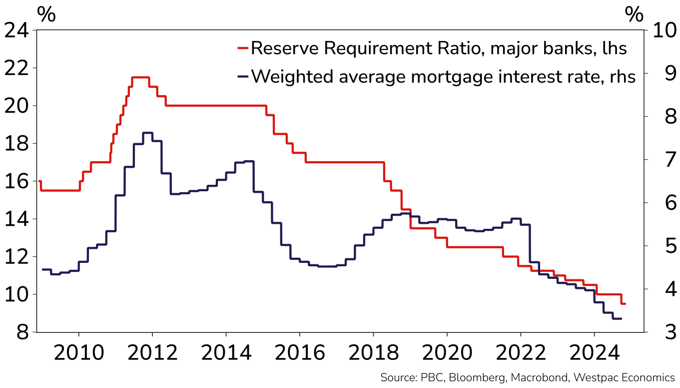
nothing for economic activity if it is permanently saved.

Given these developments, it is most appropriate to believe authorities are seeking to hold growth around 5.0% for a number of years, not to surge growth in the short term. The demand for and price of commodities are therefore likely to receive only incremental support. This is also the case for other goods and service imports from countries like Australia; Chinese authorities' long-standing aim to limit import penetration is a further reason to have modest expectations for returns for countries like Australia from Chinese growth.

That said, it is also clear that China's Government is carefully monitoring the state of the world. If it perceives an imminent threat to China's competitiveness and momentum or anticipates global growth to slow, the focus of stimulus will shift to the clear and present danger. It bears remembering that China's Central Government has ample capacity to provide additional support to the economy – an unusual advantage.

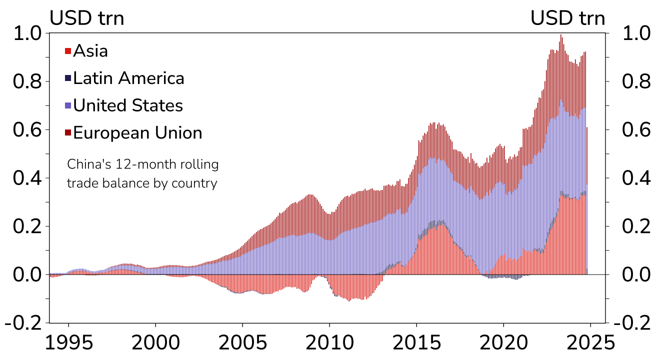
While we are merely days after the US election, with President-elect Trump retaking the White House and the Republican party in control of the House and Senate, there is good reason to expect early-2025 will bring an escalation of US-China trade tensions. How goods trade will be affected is multifaceted, however. Initially, while tariffs can be lifted to deter spending on Chinese goods, the US has next-to-no other options to source many goods. US domestic supply can be lifted in time, but businesses need to have a reason to invest. One possibility is that China and the US will come to an agreement, and Chinese firms will invest in US production. Another is that Chinese firms will develop workarounds through other countries, as has been the case with Vietnam and Mexico to date. The point here is that to fully remove China's access to the US market, the US has to face not only much higher prices, but also significant supply constraints ahead of the 2026 mid-term election. This is likely not a political risk Congress is willing to take, even if President-elect Trump desires it.

Policy supportive, further aid expected



Source: PBC, Bloomberg, Macrobond, Westpac Economics

Asia holds great potential for China



Source: GAC, Macrobond, Westpac Economics

	2023		2024									
Monthly data %yr	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Consumer prices – headline	–0.5	–0.3	–0.8	0.7	0.1	0.3	0.3	0.2	0.5	0.6	0.4	0.3
Money supply M2	10	9.7	8.7	8.7	8.3	7.2	7	6.2	6.3	6.3	6.8	7.5
Manufacturing PMI (official)	49.4	49.0	49.2	49.1	50.8	50.4	49.5	49.5	49.4	49.1	49.8	50.1
Fixed asset investment %ytd	2.9	3.0	3.0	4.2	4.5	4.2	4.0	3.9	3.6	3.4	3.4	–
Industrial production (IVA) %yr	6.6	6.8	6.8	7.0	4.5	6.7	5.6	5.3	5.1	4.5	5.4	–
Exports	0.7	2.1	7.8	5.2	–7.9	1.1	7.4	8.5	7.0	8.7	2.4	12.7
Imports	–0.6	0.3	15.5	–8.0	–1.9	8.3	1.9	–2.4	7.1	0.4	0.3	–2.3
Trade balance USDbn	69.1	74.7	84.0	38.6	57.5	71.4	81.9	98.6	84.8	91.0	81.7	95.7

Quarterly data	Q2:23	Q3:23	Q4:23	Q1:24	Q2:24	Q3:24
Real GDP %yr	6.3	4.9	5.2	5.3	4.7	4.6
Nominal GDP %yr	5.4	3.9	4.2	4.2	4.0	4.0

Sources: Government agencies, Bloomberg, Macrobond, Westpac Economics. Some data omitted from certain series due to Lunar New Year distortions. *4qma

Upside risks to inflation and rates ...

Elliot Clarke
Head of International Economics

November 2024 is proving to be a defining month for the US economy. The labour market was shown to be non-inflationary, and current inflation assessed by FOMC Chair Powell as on track to sustainably return to target, clearing the way for the FOMC to reduce the fed funds rate to a near neutral level in 2025. Of course, November 5 also saw the re-election of Donald Trump to the Presidency, along with a Republican majority in Congress, creating upside risks for the deficit and long-term interest rates, but perhaps not activity growth.

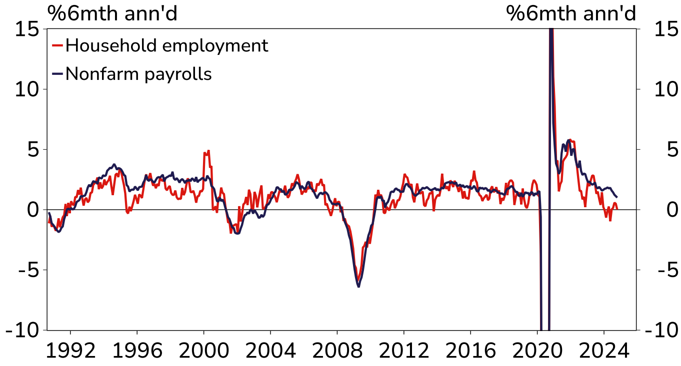
Starting with employment, one data point does not make a trend, but the October print paired with revisions to prior months confirmed the US labour market is now in balance (i.e. non-inflationary). US nonfarm payrolls disappointed in October, printing at just 12k versus a circa 100k expectation. Hurricanes and strikes clearly affected October, but August and September were also revised down by a cumulative 112k, leaving the average for the two months at 150k compared to 207k for the first half of 2024. Speaking to building downside risks, household employment has averaged a gain of just 31k per month through 2024. Had the participation rate not edged lower in October, the unemployment rate would have continued its up-trend, printing at 4.2% versus 4.1%.

These are not, by any means, alarming outcomes. But they do highlight the susceptibility of US economic growth to the cumulative effects of inflation and higher interest rates. With wage growth decelerating in line with inflation, pressure will remain on household finances even in the absence of wide-spread job losses and despite established households continuing to benefit from historically-low 30-year mortgage rates locked in during the pandemic.

The immediate outlook for inflation and interest rates is not a risk to economic activity. As highlighted by Chair Powell at the FOMC's November meeting, non-housing services inflation and goods inflation are consistent with headline inflation at the 2.0%yr medium-term target. Current market agreements on rent increases also point to CPI housing inflation decelerating rapidly to target and remaining there in 2025. The FOMC therefore have the green light to reduce the degree of monetary restraint to a broadly neutral level next year, we believe taking the federal funds rate to 3.375% by September 2025.

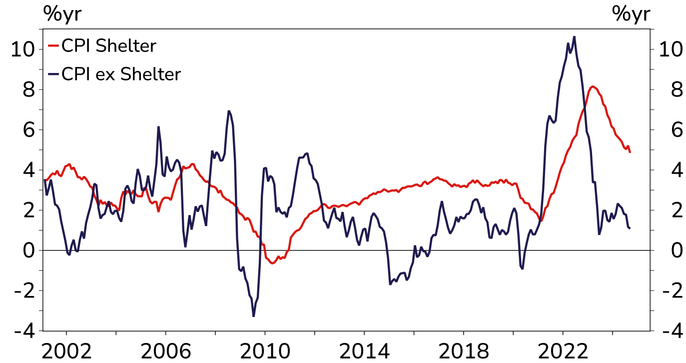
Where there is uncertainty is in the medium term, i.e. from 2026. While President-elect Trump and the Republican-led Congress are highly likely to make the expiring Trump tax cuts permanent by end-2025, this would only preserve the status quo for households – i.e. stop a tax increase. An additional tax cut on top of those legislated to expire would likely prove

Job growth still positive



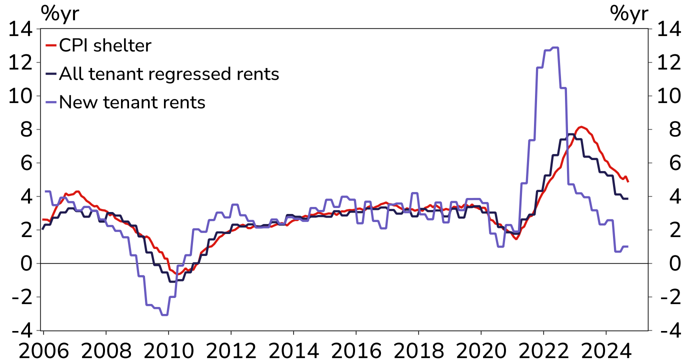
Source: BLS, Macrobond, Westpac Economics

CPI pressures and risks contained



Source: BLS, Macrobond, Westpac Economics

Shelter to decelerate, rent g'th now flat



Source: BLS, Macrobond, Westpac Economics

… but perhaps not GDP growth

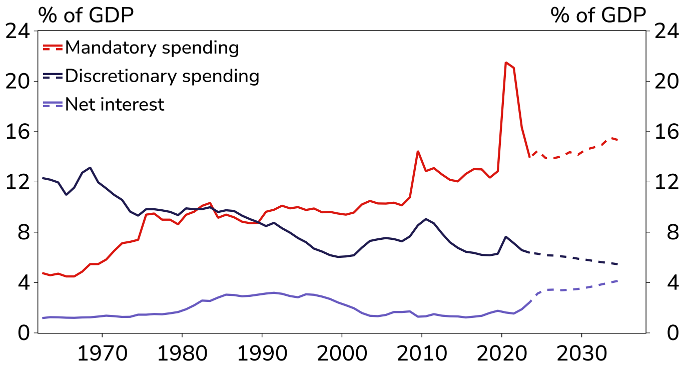
difficult to reach agreement on given the reliance of Federal revenue on household income and as opinions on policy next steps vary greatly. A cut to the corporate tax rate as mooted by President-elect Trump during the campaign could support stronger employment and investment, but only in time and so is not likely to aid activity materially in 2025 or 2026.

Tariffs meanwhile are an outright threat to households from mid-2025, with the potential to almost immediately increase the everyday cost of living for consumers, materially so if the rate and breadth of the tariff proposals is delivered on. An investment response could add to activity and jobs, but again only with a delay. Even if manufacturing investment surged, it is uncertain whether US production could deliver for US consumers in the way that Asian production has.

Principally this is because US investment in new capacity, logistics and utilities has lagged for over a decade. Moreover, the acceleration in spending that took place over the past three years was heavily concentrated in niche areas of manufacturing such as semiconductors and EVs, not output of items consumed every day. This is also true with respect to housing which, as above, has been an outsized contributor to aggregate inflation owing to a lack of suitable supply.

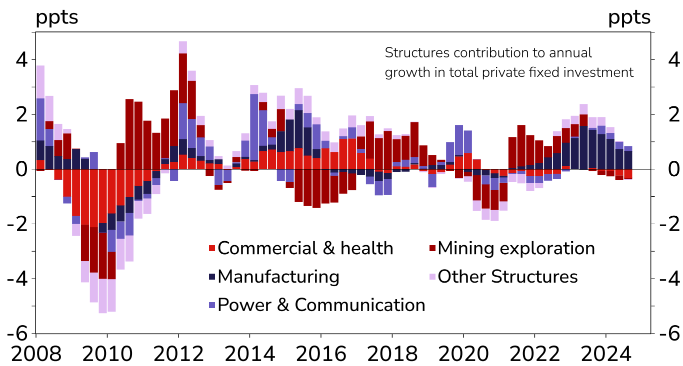
To us, the most likely consequence is that, from the second half of 2026, the FOMC will have to pivot and tighten policy again. We forecast 50bps of tightening over that period to 3.875%. Whether a policy recalibration, as forecast, or an extended tightening cycle is necessary will only become known at the time. Inflation risks, a rising feds funds rate and a deteriorating Federal deficit are also likely to widen the US term premium, tightening financial conditions. By end-2026, we see the US 10 year around 100bps above fed funds at 4.80%, with risks likely tilted up.

US has little discretion over fiscal spending



Source: CBO, Macrobond, Westpac Economics

US investment spending narrow under IRA



Source: BEA, Macrobond, Westpac Economics

	2023		2024									
Monthly data	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**
PCE deflator %yr	2.7	2.6	2.6	2.8	2.7	2.6	2.4	2.5	2.3	2.1	–	–
Unemployment rate %	3.7	3.7	3.9	3.8	3.9	4.0	4.1	4.3	4.2	4.1	4.1	–
Non–farm payrolls chg ‘000	290	256	236	310	108	216	118	144	78	223	12	–
House prices* %yr	6.4	6.8	7.5	7.5	7.2	6.8	6.5	5.9	5.2	–	–	–
Durables orders core 3mth %saar	0.2	1.7	2.2	–1.2	2.3	–3.4	–0.5	–2.5	1.9	2.4	–	–
ISM manufacturing composite	47.1	49.1	47.8	50.3	49.2	48.7	48.5	46.8	47.2	47.2	46.5	–
ISM non–manufacturing composite	50.5	53.4	52.6	51.4	49.4	53.8	48.8	51.4	51.5	54.9	56.0	–
Personal spending 3mth %saar	5.7	5.1	5.6	5.6	6.2	6.0	4.0	5.4	4.6	5.7	–	–
UoM Consumer Sentiment	69.7	79.0	76.9	79.4	77.2	69.1	68.2	66.4	67.9	70.1	70.5	73.0
Trade balance USDbn	–64.9	–66.4	–68.9	–68.0	–74.9	–75.3	–73.0	–78.9	–70.8	–84.4	–	–

Quarterly data	Sep–23	Dec–23	Mar–24	Jun–24	Sep–24	Dec–24(f)
Real GDP % saar	4.4	3.2	1.6	3.0	2.8	2.2
Current account USDbn	–220.7	–221.8	–241.0	–266.8	–	–

Sources: Government agencies, Bloomberg, *S&P Case–Shiller 20–city measure.

Australia has a debt edge as other economies ...

Illiana Jain
Economist, Westpac Group

Since the beginning of the pandemic, debt-to-GDP ratios have risen sharply across the developed world. While the level of debt is less of a concern for these economies given their strong bond markets, how the debt is used is. Debt should be used to boost economic capacity and productivity, from which there is a return. The growth in debt should also be in line with the economy's ability to service it. In the long run, maintaining fiscal discipline and using debt effectively to generate long-term growth is critical for debt sustainability and economic growth. Compared to other developed markets, Australia is well positioned.

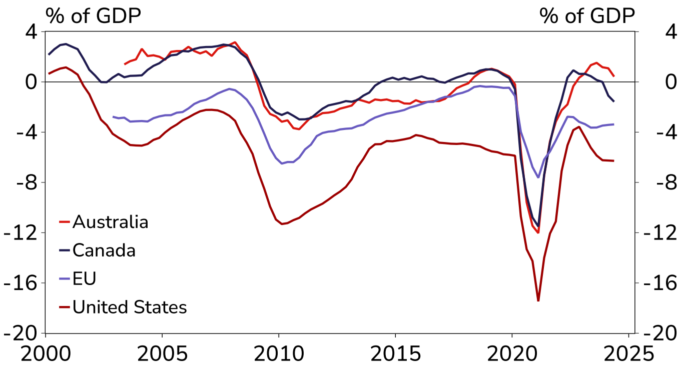
Debt-to-GDP ratios in most major developed markets remain above where they were prior to COVID after hitting record highs in 2020. This can be attributed to the large fiscal supports deployed during the pandemic that were not offset by GDP growth or subsequent fiscal consolidation.

Underlying this trend is a sharp increase in government consumption that has not quite been matched by revenue gains. In the decade-to-date, growth in government consumption in Canada and the EU has already surpassed that seen over the prior decade, at 14% and 10% respectively. The UK is just under 2ppts away from its pre-pandemic increase of 10%, while expenditure growth in the US is already four times higher than the pre-pandemic period at 8%. All this suggests governments are spending freely.

Revenue growth not quite keeping up with expenditure means budget deficits have widened close or to the limit of historic ranges excluding COVID, including in Canada, the EU, the UK and the US. Australia is a striking contrast however, our 26% increase in spending since the start of 2020 lagging an even stronger 52% increase in revenue (noting that all of these measures include the states as well as the Federal government). This increase in revenue reflects the surge in commodity prices through 2022, rapid population growth and associated employment and labour income gains that – with fixed income tax bands – have also resulted in significant bracket 'creep' (i.e. a rising average tax rate). As a result, growth in debt has been much more muted compared to other peer economies, both on an absolute basis and relative to GDP.

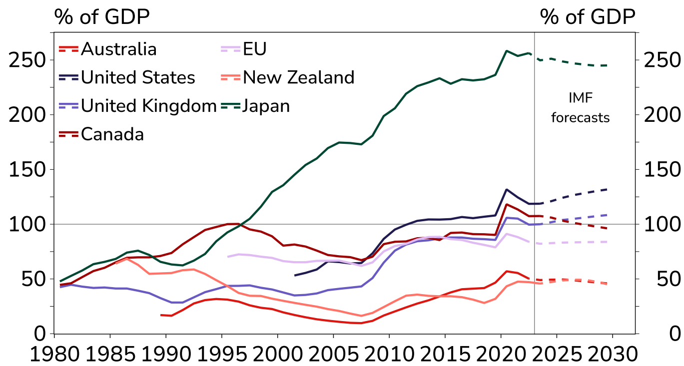
Looking ahead, outright debt levels and debt-to-GDP ratios are set to increase further across developed markets according to the IMF. Our previous analysis shows Europe will not be able to grow out of its debt. Even if the level of debt remained as it is today, limited GDP growth will mean major economies in the EU will not reach the thresholds set by the EU Commission for decades to come.

Australia in the strongest budget position



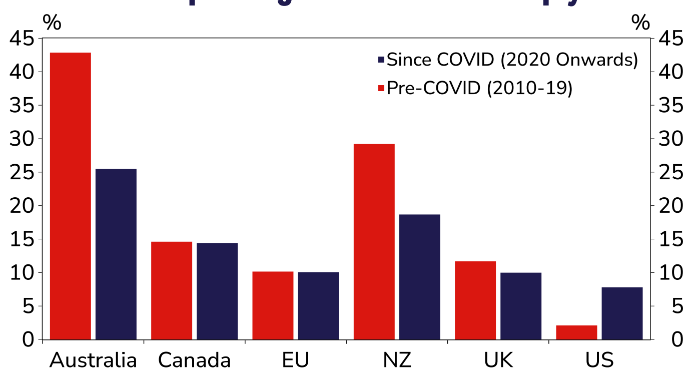
Source: ABS, StatCan, Eurostat, BEA, Macrobond, Westpac Economics

Government debt to grow further



Source: IMF, Macrobond, Westpac Economics

Government spending has increased sharply



Source: ABS, Eurostat, BEA, ONS, StatCan, Stats NZ, Macrobond, Westpac Economics

... navigate post-pandemic fiscal challenges

Analysis from the US Congressional Budget Office and the UK Office of Budget Responsibility also show that debt-to-GDP ratios are expected to increase at a robust pace in coming years as borrowing is increased to pay for spending across the economy and interest costs.

Spending is also expected to increase in Australia to fund the provision of social services. But, unlike in our northern peers, revenue is also expected to be firm – as commodity prices and volumes hold up reasonably well; population growth remains solid albeit tracking a slower pace; and as bracket creep continues to bolster income tax receipts.

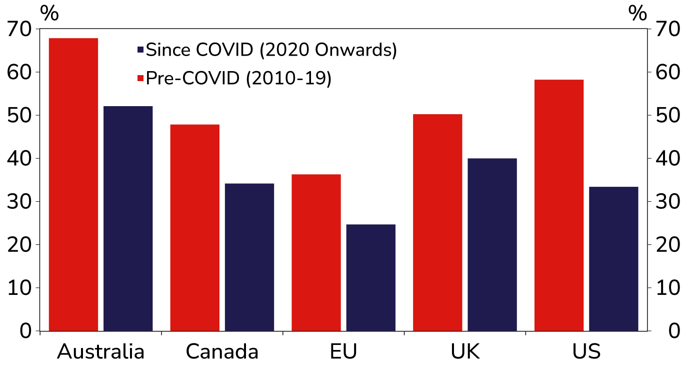
This increase in spending will contribute to a marginal narrowing in Australia's cyclically-adjusted primary deficit. This result is also in line with projections for the EU, Canada and the UK. For the US and Japan however, primary deficits are expected to be closer to –3%. Note that these estimates pre-date the recent UK Budget and, of course, the US Presidential and Congressional elections which have tilted fiscal risks towards even larger deficits.

Despite the favourable debt position Australia finds itself at present, a structural deficit will see debt grow. This will see Australian policymakers also have to consider the economic implications of their spending more closely, especially while interest costs remain high. That said, for Australia this is a medium-term issue. For others, it is immediate.

Overall, fiscal sustainability issues will be of keen interest to policymakers across developed markets, but less so for Australia given our favourable debt position, assuming current trends persist. Increasingly, governments across the northern hemisphere will need to become more mindful of their expenditure, recent examples being France and Italy's fiscal plans. Otherwise they could find themselves not only with an unsustainable primary fiscal deficit but also accelerating interest costs.

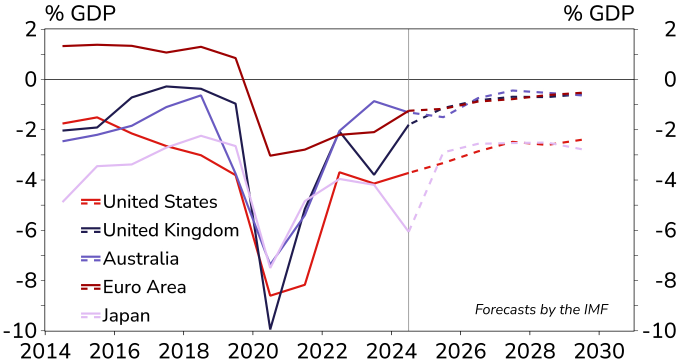
For financial markets, we anticipate Australian debt could become more sought after at least in the medium-term. This favours a narrowing in bond yield spreads between Australia and key developed markets such as the US – from 20bps to 5bps by end-2026 on our forecasts. Though it also has to be said that Australia's proximity to Asia, particularly China, may put a stop to any further narrowing as investors place value in historic safe-havens on the other side of geopolitical developments.

Government revenue strong for now



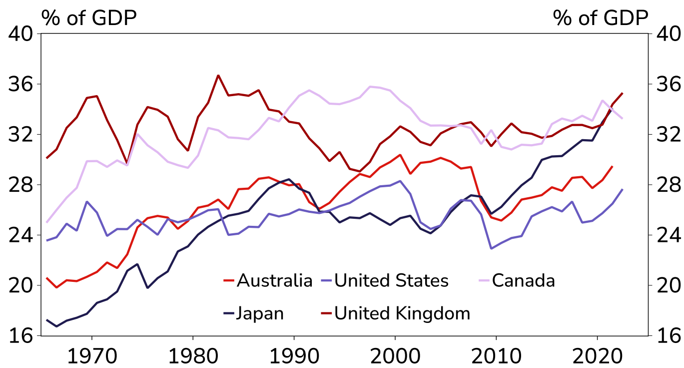
Source: ABS, Eurostat, BEA, ONS, StatCan, New Zealand Treasury, Macrobond, Westpac Economics

Structural deficits to persist for most



Source: IMF, Macrobond, Westpac Economics

Tax revenue provide some support



Source: OECD, Macrobond, Westpac Economics

Australia

Interest rate forecasts

	Latest (13 Nov)	Dec–24	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26
Cash	4.35	4.35	4.10	3.85	3.60	3.35	3.35	3.35	3.35	3.35
90 Day BBSW	4.42	4.42	4.19	3.96	3.73	3.50	3.55	3.55	3.55	3.55
3 Year Swap	4.14	4.00	3.90	3.90	3.80	3.80	3.85	3.90	3.90	4.00
3 Year Bond	4.18	3.95	3.80	3.80	3.65	3.65	3.65	3.70	3.70	3.80
10 Year Bond	4.64	4.50	4.45	4.45	4.50	4.55	4.65	4.75	4.85	4.85
10 Year Spread to US (bps)	22	20	15	15	10	5	5	5	5	5

Currency forecasts

	Latest (13 Nov)	Dec–24	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26
AUD vs										
USD	0.6531	0.67	0.67	0.68	0.69	0.70	0.71	0.71	0.72	0.72
JPY	100.96	102	101	102	103	104	104	102	102	102
EUR	0.6150	0.62	0.61	0.62	0.63	0.64	0.64	0.64	0.65	0.65
NZD	1.1027	1.13	1.14	1.15	1.17	1.18	1.18	1.18	1.18	1.18
CAD	0.9108	0.93	0.92	0.94	0.95	0.96	0.97	0.97	0.97	0.97
GBP	0.5124	0.52	0.51	0.52	0.52	0.53	0.53	0.53	0.54	0.54
CHF	0.5760	0.58	0.58	0.58	0.59	0.60	0.60	0.60	0.61	0.61
DKK	4.5872	4.63	4.58	4.65	4.68	4.75	4.77	4.77	4.84	4.84
SEK	7.1206	7.18	7.12	7.22	7.26	7.37	7.41	7.41	7.51	7.51
NOK	7.2353	7.30	7.23	7.34	7.38	7.48	7.52	7.52	7.63	7.63
ZAR	11.83	12.0	12.0	12.1	12.2	12.2	12.3	12.3	12.4	12.4
SGD	0.8739	0.89	0.88	0.89	0.90	0.91	0.92	0.92	0.92	0.92
HKD	5.0801	5.21	5.19	5.27	5.35	5.43	5.50	5.50	5.58	5.58
PHP	38.54	38.9	38.5	38.8	39.0	39.2	39.4	39.2	39.6	39.6
THB	22.75	22.8	22.4	22.4	22.4	22.4	22.4	22.0	22.0	22.0
MYR	2.9038	2.95	2.91	2.89	2.86	2.84	2.84	2.80	2.84	2.84
CNY	4.7253	4.76	4.72	4.76	4.80	4.83	4.86	4.83	4.86	4.82
IDR	10307	10385	10251	10268	10281	10290	10295	10153	10152	10152
TWD	21.19	21.4	21.3	21.5	21.7	21.8	22.0	21.9	22.0	22.0
KRW	920	931	911	904	897	896	902	895	907	907
INR	55.22	55.9	55.6	56.1	56.6	56.7	56.8	56.1	56.2	55.4

Australia

Activity forecasts*

	2024				2025				Calendar years			
%qtr / %yr avg	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Private consumption	0.6	–0.2	0.6	0.3	0.5	0.5	0.5	0.6	2.0	1.1	1.7	2.2
Dwelling investment	–0.4	0.6	–1.5	–0.8	1.1	1.2	1.3	1.3	1.8	–2.5	1.8	6.4
Business investment *	–0.4	0.1	0.6	0.7	0.8	0.9	1.3	1.3	9.3	2.4	3.3	5.7
Private demand *	0.3	0.0	0.5	0.4	0.6	0.6	0.7	0.7	2.6	1.2	2.1	3.3
Public demand *	0.8	0.8	2.0	0.7	0.7	0.7	0.9	0.7	3.3	3.9	3.6	2.6
Domestic demand	0.5	0.2	0.9	0.4	0.6	0.6	0.8	0.7	2.8	1.9	2.5	3.1
Stock contribution	0.7	–0.3	–0.1	0.2	0.0	0.0	0.0	0.0	–0.9	0.3	0.0	0.2
GNE	1.2	–0.1	0.8	0.6	0.6	0.6	0.8	0.7	1.8	2.2	2.6	3.2
Exports	0.8	0.5	0.4	0.5	0.6	0.6	0.5	0.6	6.7	1.4	2.2	1.9
Imports	6.1	–0.2	1.2	1.0	1.0	1.0	1.1	1.0	6.4	6.2	3.9	5.3
Net exports contribution	–1.1	0.2	–0.2	–0.1	–0.1	–0.1	–0.1	–0.1	0.4	–1.0	–0.3	–0.7
Real GDP %qtr / yr avg	**0.2**	**0.2**	**0.6**	**0.5**	**0.5**	**0.5**	**0.6**	**0.6**	2.0	1.3	2.2	2.4
%yr end	**1.3**	**1.0**	**1.2**	**1.5**	**1.9**	**2.2**	**2.2**	**2.4**	**1.6**	**1.5**	**2.4**	**2.4**
Nominal GDP %qtr	1.2	0.2	0.7	0.6	0.6	0.8	1.2	1.2	–	–	–	–
%yr end	3.7	4.4	3.7	2.6	2.1	2.7	3.2	3.9	5.5	3.6	3.0	4.8

Other macroeconomic variables

	2024				2025				Calendar years			
% change	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Employment (2)	0.4	0.7	1.0	0.6	0.3	0.1	0.0	0.1	–	–	–	–
%yr	2.6	2.4	2.9	2.8	2.6	2.0	1.0	0.5	3.0	2.8	0.5	1.6
Unemployment rate % (2)	3.9	4.1	4.1	4.2	4.3	4.4	4.5	4.6	3.9	4.2	4.6	4.6
Wages (WPI) (sa) (2)	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	–	–	–	–
annual chg	4.1	4.1	3.5	3.2	3.1	3.0	2.9	2.9	4.3	3.2	2.9	3.3
CPI Headline (2)	1.0	1.0	0.2	0.3	0.6	0.9	1.1	0.7	–	–	–	–
annual chg	3.6	3.8	2.8	2.5	2.1	2.0	2.9	3.3	4.1	2.5	3.3	2.8
Trimmed mean	1.0	0.9	0.8	0.6	0.7	0.7	0.7	0.7	–	–	–	–
annual chg	4.0	4.0	3.5	3.3	3.0	2.8	2.6	2.8	4.2	3.3	2.8	2.6
Current account $bn	–6.3	–10.7	–13.9	–11.6	–9.3	–8.6	–8.2	–6.7	–	–	–	–
% of GDP	–0.9	–1.6	–2.0	–1.7	–1.4	–1.2	–1.2	–0.9	0.3	–1.6	–1.2	–1.3
Terms of trade annual chg (1)	–7.2	–3.8	–3.9	–6.1	–4.5	–1.6	1.0	0.9	–6.3	–5.3	–1.1	–1.2

Calendar year changes are (1) period average for GDP, terms of trade, unless otherwise stated (2) through the year for inflation, wages and employment. Unemployment is year end.
* GDP & component forecasts are reviewed following the release of quarterly national accounts.
** Business investment and government spending adjusted to exclude the effect of private sector purchases of public sector assets.

Macroeconomic variables – recent history

	2023	2024									
Monthly data	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Employment '000 chg	–56.9	1.6	113.8	–9.0	29.7	33.9	48.2	48.9	42.6	64.1	–
Unemployment rate %	3.9	4.1	3.7	3.9	4.1	4.0	4.1	4.2	4.1	4.1	–
Westpac–MI Consumer Sentiment	82.1	81.0	86.0	84.4	82.4	82.2	83.6	82.7	85.0	84.6	89.8
Retail trade %mth	–2.3	1.1	0.3	–0.4	0.3	0.5	0.5	0.0	0.7	0.1	–
Dwelling approvals %mth	–6.8	–4.8	2.2	0.4	1.8	6.1	–6.1	10.0	–3.9	4.4	–
Private sector credit %mth	0.4	0.5	0.5	0.4	0.5	0.4	0.6	0.5	0.5	0.5	–
Trade in goods balance AUDbn	10.7	10.1	6.6	4.8	6.0	5.1	5.4	5.6	5.3	4.6	–

New Zealand

Interest rate forecasts

	Latest (13 Nov)	Dec–24	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26
Cash	4.75	4.25	4.00	3.50	3.50	3.50	3.50	3.75	3.75	3.75
90 Day Bill	4.47	4.25	3.80	3.60	3.60	3.60	3.70	3.85	3.85	3.85
2 Year Swap	3.90	3.80	3.80	3.80	3.85	3.95	4.00	4.00	4.00	4.00
10 Year Bond	4.63	4.55	4.55	4.60	4.60	4.70	4.75	4.80	4.85	4.85
10 Year Spread to US	20	25	25	30	20	20	15	10	5	5
10 Year Spread to Aust	–2	5	10	15	10	15	10	5	0	0

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest (13 Nov)	Dec–24	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26
NZD vs										
USD	0.5923	0.59	0.59	0.59	0.59	0.59	0.60	0.60	0.61	0.61
JPY	91.56	90	89	89	88	88	88	86	87	86
EUR	0.5577	0.55	0.54	0.54	0.54	0.54	0.54	0.54	0.55	0.55
AUD	0.9069	0.89	0.88	0.87	0.86	0.85	0.85	0.85	0.85	0.85
CAD	0.8261	0.83	0.81	0.81	0.81	0.81	0.82	0.82	0.82	0.82
GBP	0.4647	0.46	0.45	0.45	0.45	0.45	0.45	0.45	0.46	0.46
CNY	4.2851	4.22	4.16	4.13	4.10	4.10	4.11	4.08	4.12	4.09

Sources: Bloomberg, Westpac Economics.

Activity forecasts

	2024				2025				Calendar years			
% change	**Q1**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2023**	**2024f**	**2025f**	**2026f**
Private consumption	0.5	0.4	0.1	0.2	0.3	0.5	0.8	1.0	0.4	0.9	1.7	4.0
Government consumption	0.2	0.6	–1.0	–0.5	–0.5	0.0	0.4	0.4	–1.4	–0.1	–0.9	2.0
Residential investment	–1.6	–0.8	–1.0	–1.0	–0.5	0.3	1.0	1.1	–5.0	–5.1	–0.9	5.7
Business investment	–0.4	1.1	–2.5	–1.7	–0.9	0.6	1.2	1.5	0.7	–2.8	–1.7	5.5
Stocks (ppt contribution)	1.1	–0.1	1.2	0.3	0.2	0.2	0.0	0.0	–1.3	0.7	1.2	–0.3
GNE	1.3	0.1	0.5	0.0	0.1	0.6	0.8	0.9	–1.8	0.2	1.5	3.7
Exports	0.6	–0.8	0.8	1.4	1.3	0.9	0.8	0.8	11.4	3.9	3.9	3.1
Imports	5.9	–2.0	–2.3	–0.2	0.4	0.9	1.4	1.5	–0.6	0.2	0.6	6.1
GDP (production)	0.1	–0.2	–0.2	0.3	0.4	0.6	0.6	0.7	0.7	0.0	1.5	2.8
Employment annual %	1.1	0.3	–0.4	–1.0	–0.7	–1.0	–0.4	0.2	2.8	–1.0	0.2	2.1
Unemployment rate % s.a.	4.4	4.6	4.8	5.1	5.3	5.4	5.4	5.4	4.0	5.1	5.4	4.6
LCI, all sect incl o/t, ann %	4.1	4.3	3.8	3.5	3.1	2.4	2.3	2.0	4.3	3.5	2.0	1.8
CPI annual %	4.0	3.3	2.2	2.1	1.9	1.8	2.1	2.0	4.7	2.1	2.0	2.1
Current account % of GDP	–6.7	–6.7	–6.3	–5.7	–5.0	–4.2	–3.9	–3.9	–7.1	–5.7	–3.9	–4.5
Terms of trade annual %	–3.7	–1.7	0.9	14.8	10.7	7.9	5.7	0.8	–10.7	14.8	0.8	1.1

Sources: Statistics NZ, Westpac Economics.

Commodity prices

End of period	Latest (10 Oct)***	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
Australian commodities index#	311	306	298	289	285	284	287	290	293	296	298
Bulk commodities index#	**411**	**400**	**390**	**360**	**350**	**350**	**350**	**350**	**350**	**350**	**350**
iron ore finesTSI @ 62% US$/t	102	95	90	85	83	84	84	83	83	84	85
Premium low vol met coal (US$/t)	207	195	185	180	175	170	170	169	168	169	170
Newcastle spot thermal coal (US$/t)	150	147	145	140	137	125	123	120	121	122	122
crude oil (US$/bbl) Brent ICE	73	72	70	70	72	75	80	85	87	88	88
LNG in Japan US$mmbtu	12.74	12.6	11.6	11.2	11.1	11.4	11.3	11.2	11.7	11.7	11.8
gold (US$/oz)	2,669	2,730	2,730	2,700	2,650	2,670	2,690	2,720	2,740	2,760	2,780
Base metals index#	**212**	**215**	**215**	**216**	**216**	**216**	**229**	**242**	**247**	**249**	**250**
copper (US$/t)	9,265	9,500	9,550	9,600	9,650	9,630	10,270	10,910	11,170	11,240	11,320
aluminium (US$/t)	2,942	2,900	2,880	2,850	2,840	2,830	2,980	3,130	3,190	3,210	3,220
nickel (US$/t)	16,027	16,100	16,250	16,500	16,750	16,500	17,610	18,730	19,180	19,310	19,440
zinc (US$/t)	2,964	3,000	3,030	3,020	3,020	3,020	3,170	3,310	3,370	3,390	3,410
lead (US$/t)	2,005	2,010	2,030	2,020	2,020	2,010	2,100	2,180	2,220	2,230	2,240
Rural commodities index#	**124**	**125**	**126**	**126**	**125**	**126**	**135**	**144**	**147**	**148**	**150**
NZ commodities index ##	**364**	**353**	**348**	**348**	**349**	**351**	**355**	**358**	**362**	**366**	**371**
dairy price index ##	319	309	302	300	301	303	305	307	310	312	313
whole milk powder USD/t	3,396	3,350	3,370	3,400	3,430	3,450	3,480	3,500	3,530	3,550	3,580
skim milk powder USD/t	2,753	2,600	2,650	2,700	2,720	2,740	2,760	2,780	2,800	2,820	2,850
lamb price index ##	473	463	466	470	475	480	488	496	504	511	512
beef price index ##	301	284	284	284	284	285	286	286	287	288	308
forestry price index ##	158	159	160	162	164	166	168	170	173	176	171

	levels				% change			
Annual averages	**2023**	**2024(f)**	**2025(f)**	**2026(f)**	**2023**	**2024(f)**	**2025(f)**	**2026(f)**
Australian commodities index#	**323**	**312**	**291**	**291**	**–15.8**	**–3.6**	**–6.6**	**–0.1**
Bulk commodities index#	**500**	**442**	**369**	**349**	**–10.2**	**–11.5**	**–16.6**	**–5.4**
iron ore fines @ 62% USD/t	120	108	86	84	–0.5	–9.3	–20.3	–3.3
LNG in Japan $mmbtu	14.9	13.0	11.4	11.5	–20.0	–12.7	–11.9	0.2
ave coking coal price (US$/t)	215	197	164	149	–10.2	–8.3	–16.8	–9.0
ave thermal price (US$/t)	184	136	139	122	–45.4	–26.0	1.9	–12.2
iron ore fines contracts (US¢ dltu)	160	154	128	123	–7.9	–4.0	–17.0	–3.7
Premium low vol met coal (US$/t)	296	240	180	169	–19.0	–18.8	–25.2	–5.9
crude oil (US$/bbl) Brent ICE	80	79	72	84	–12.4	–1.4	–9.4	17.3
gold (US$/oz)	1,962	2,422	2,692	2,720	8.4	23.4	11.1	1.1
Base metals index#	**212**	**211**	**216**	**238**	**–16.5**	**–0.4**	**2.2**	**10.5**
copper (US$/t)	8,500	9,300	9,600	10,800	–3.7	9.4	3.2	12.5
aluminium (US$/t)	2,700	2,700	2,900	3,100	–30.3	0.0	7.4	6.9
nickel (US$/t)	21,600	17,100	16,500	18,500	–17.6	–20.8	–3.5	12.1
zinc (US$/t)	2,700	2,800	3,000	3,300	–22.2	3.7	7.1	10.0
lead (US$/t)	2,100	2,100	2,000	2,200	–2.5	0.0	–4.8	10.0
Rural commodities index#	**141**	**127**	**127**	**142**	**–17.9**	**–9.5**	**–0.5**	**12.2**
NZ commodities index ##	**330**	**351**	**349**	**360**	**–12.4**	**6.5**	**–0.5**	**3.2**
dairy price index ##	286	310	301	309	–18.8	8.4	–2.8	2.4
whole milk powder USD/t	3,081	3,300	3,400	3,500	–20.8	7.1	3.0	2.9
skim milk powder USD/t	2,640	2,600	2,700	2,800	–30.9	–1.5	3.8	3.7
lamb price index ##	461	452	473	500	–26.2	–1.8	4.6	5.7
beef price index ##	271	278	284	287	–3.2	2.4	2.2	1.0
forestry price index ##	160	159	163	172	–6.9	–0.6	2.7	5.5

Chain weighted index: weights are Australian export shares. * Australian export prices fob – ABS 5432.0 Merchandise Trade Exports. ** WCFI – Westpac commodities futures index. *** Weekly averages except for the Bulks Index. ^ AWEX market prices. Sources for all tables: Westpac Economics, Bloomberg ##ANZ NZ commodity price index ^^ GlobalDairyTrade

United States

Interest rate forecasts

	Latest (13 Nov)	Dec–24	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26
Fed Funds*	4.625	4.375	3.875	3.625	3.375	3.375	3.375	3.375	3.625	3.875
10 Year Bond	4.43	4.30	4.30	4.30	4.40	4.50	4.60	4.70	4.80	4.80

Sources: Bloomberg, Westpac Economics. * +12.5bps from the Fed Funds lower bound (overnight reverse repo rate).

Currency forecasts

	Latest (13 Nov)	Dec–24	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26
USD vs										
DXY index	105.93	104.2	103.3	103.2	102.3	102.2	101.2	101.1	100.8	100.7
JPY	154.58	152	151	150	149	148	146	144	142	141
EUR	1.0620	1.08	1.09	1.09	1.10	1.10	1.11	1.11	1.11	1.11
AUD	0.6531	0.67	0.67	0.68	0.69	0.70	0.71	0.71	0.72	0.72
NZD	0.5923	0.59	0.59	0.59	0.59	0.59	0.60	0.60	0.61	0.61
CAD	1.3945	1.39	1.38	1.38	1.37	1.37	1.36	1.36	1.35	1.35
GBP	1.2746	1.30	1.31	1.31	1.32	1.32	1.33	1.33	1.33	1.33
CHF	0.8818	0.87	0.86	0.86	0.85	0.85	0.85	0.85	0.85	0.85
ZAR	18.11	17.88	17.88	17.75	17.62	17.50	17.37	17.37	17.25	17.25
SGD	1.3382	1.33	1.32	1.31	1.30	1.30	1.29	1.29	1.28	1.28
HKD	7.7779	7.77	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
PHP	58.83	58.00	57.50	57.00	56.50	56.00	55.50	55.20	55.00	55.00
THB	34.83	34.0	33.5	33.0	32.5	32.0	31.5	31.0	30.5	30.5
MYR	4.4385	4.40	4.35	4.25	4.15	4.05	4.00	3.95	3.95	3.95
CNY	7.2348	7.10	7.05	7.00	6.95	6.90	6.85	6.80	6.75	6.70
IDR	15782	15500	15300	15100	14900	14700	14500	14300	14100	14100
TWD	32.44	32.0	31.8	31.6	31.4	31.2	31.0	30.8	30.5	30.5
KRW	1409	1390	1360	1330	1300	1280	1270	1260	1260	1260
INR	84.40	83.50	83.00	82.50	82.00	81.00	80.00	79.00	78.00	77.00

Activity forecasts

	2024				2025			Calendar years			
% annualised, s/adj	**Q1**	**Q2**	**Q3**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**2023**	**2024f**	**2025f**	**2026f**
Private consumption	1.9	2.8	3.7	2.4	2.4	2.4	2.4	2.5	2.7	2.6	2.3
Dwelling investment	13.7	–2.8	–5.2	3.2	3.2	3.6	4.1	–8.3	4.0	2.0	2.5
Business investment	4.5	3.9	3.3	2.9	3.4	3.2	3.2	5.8	3.9	3.2	2.8
Public demand	1.8	3.0	5.0	2.0	2.0	1.6	1.6	3.9	3.3	2.3	2.0
Domestic final demand	2.6	2.8	3.5	2.5	2.5	2.5	2.4	2.8	3.0	2.6	2.3
Inventories contribution ppt	–0.5	0.9	–0.2	–0.2	–0.2	0.0	0.0	–0.4	0.1	0.0	0.0
Net exports contribution ppt	–0.7	–1.0	–0.7	–0.2	–0.3	–0.3	–0.3	0.5	–0.5	–0.2	–0.2
GDP	1.6	3.0	2.8	2.2	2.2	2.3	2.3	2.9	2.7	2.3	2.0
%yr annual chg	2.9	3.0	2.7	2.4	2.5	2.4	2.2	–	–	–	–

Other macroeconomic variables

Non–farm payrolls mth avg	257	192	140	115	90	70	50	245	120	65	130
Unemployment rate %	3.8	4.0	4.2	4.3	4.4	4.4	4.5	3.7	4.2	4.5	4.5
CPI headline %yr	2.5	2.5	2.5	2.3	2.2	2.1	2.0	2.7	2.2	2.1	2.3
PCE deflator, core %yr	2.5	2.5	2.5	2.4	2.3	2.3	2.2	2.4	2.2	2.1	2.3
Current account %GDP	–2.7	–2.7	–2.7	–2.6	–2.6	–2.5	–2.5	–2.4	–2.4	–2.3	–2.3

Sources: Official agencies, Factset, Westpac Economics

Europe & the United Kingdom

Interest rate forecasts

	Latest (13 Nov)	Dec–24	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26
Euro Area										
ECB Deposit Rate	3.25	3.00	2.75	2.50	2.50	2.50	2.50	2.50	2.50	2.50
10 Year Bund	2.36	2.35	2.40	2.50	2.60	2.70	2.80	2.95	3.10	3.15
10 Year Spread to US	–207	–195	–190	–180	–180	–180	–180	–175	–170	–165
United Kingdom										
BoE Bank Rate	4.75	4.75	4.50	4.25	4.00	3.75	3.50	3.50	3.50	3.50
10 Year Gilt	4.50	4.45	4.40	4.40	4.45	4.50	4.60	4.70	4.80	4.80
10 Year Spread to US	7	15	10	10	5	0	0	0	0	0

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest (13 Nov)	Dec–24	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26
euro vs										
USD	1.0620	1.08	1.09	1.09	1.10	1.10	1.11	1.11	1.11	1.11
JPY	164.17	164	165	164	164	163	162	160	158	157
GBP	0.8332	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83
CHF	0.9366	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94
DKK	7.4590	7.46	7.46	7.46	7.46	7.46	7.46	7.46	7.46	7.46
SEK	11.5795	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58
NOK	11.7656	11.76	11.76	11.76	11.76	11.76	11.76	11.76	11.76	11.76
sterling vs										
USD	1.2746	1.30	1.31	1.31	1.32	1.32	1.33	1.33	1.33	1.33
JPY	197.06	198	198	197	197	195	194	192	189	188
CHF	1.1240	1.13	1.13	1.13	1.12	1.12	1.13	1.13	1.13	1.13
AUD	0.5124	0.52	0.51	0.52	0.52	0.53	0.53	0.53	0.54	0.54

Sources: Bloomberg, Westpac Economics.

Activity forecasts

Annual average % chg	2020	2021	2022	2023	2024f	2025f	2026f
Eurozone GDP	–6.1	5.9	3.4	0.4	0.6	1.5	1.5
private consumption	–8.0	3.5	4.0	0.6	0.8	1.3	1.4
fixed investment	–8.4	3.6	3.5	1.0	–2.0	1.5	1.5
government consumption	1.4	3.8	1.2	0.1	1.8	1.0	0.9
net exports contribution ppt	–0.7	1.0	0.3	0.1	0.2	0.3	0.4
Germany GDP	–3.8	3.2	1.8	–0.3	0.1	1.0	1.2
France GDP	–7.5	6.3	2.5	0.9	1.0	1.2	1.2
Italy GDP	–9.0	8.3	4.0	0.9	0.8	1.0	1.0
Spain GDP	–11.2	6.4	5.8	2.5	2.7	2.1	1.6
Netherlands GDP	–3.9	6.2	4.3	0.1	0.5	1.5	1.5
memo: United Kingdom GDP	–10.4	8.7	4.3	0.1	1.0	1.4	1.5

Asia

China activity forecasts

Calendar years	2019	2020	2021	2022	2023	2024f	2025f	2026f
Real GDP	6.0	2.2	8.4	3.0	5.2	5.0	4.8	4.5
Consumer prices	2.9	2.5	0.9	2.0	0.2	0.7	1.4	1.7
Producer prices	–0.5	–0.4	10.3	–0.7	–3.0	–1.5	0.9	1.6
Industrial production (IVA)	5.8	5.1	6.7	3	4.4	5.2	4.5	4.5
Retail sales	8.0	–3.9	12.5	–0.2	7.6	3.8	5.0	5.0
Money supply M2	8.7	10.1	9.0	11.8	11.2	7.2	8.0	8.0
Fixed asset investment	5.4	2.9	4.9	5.1	3.5	4.0	4.5	4.5
Exports %yr	7.9	18.1	20.9	–9.9	–4.6	4.6	3.5	3.5
Imports %yr	16.5	6.5	19.5	–7.5	–5.3	3.0	2.7	2.8

Source: Macrobond

Chinese interest rates & monetary policy

	Latest (13 Nov)	Dec–24	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26
Required reserve ratio %*	9.50	9.25	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Loan Prime Rate, 1–year	3.10	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25

* For major banks.

Currency forecasts

	Latest (13 Nov)	Dec–24	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26
JPY	154.58	152	151	150	149	148	146	144	142	141
SGD	1.3382	1.33	1.32	1.31	1.30	1.30	1.29	1.29	1.28	1.28
HKD	7.7779	7.77	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
PHP	58.83	58.0	57.5	57.0	56.5	56.0	55.5	55.2	55.00	55.00
THB	34.83	34.0	33.5	33.0	32.5	32.0	31.5	31.0	30.5	30.5
MYR	4.4385	4.40	4.35	4.25	4.15	4.05	4.00	3.95	3.95	3.95
CNY	7.2348	7.10	7.05	7.00	6.95	6.90	6.85	6.80	6.75	6.70
IDR	15782	15500	15300	15100	14900	14700	14500	14300	14100	14100
TWD	32.44	32.0	31.8	31.6	31.4	31.2	31.0	30.8	30.5	30.5
KRW	1409	1390	1360	1330	1300	1280	1270	1260	1260	1260
INR	84.40	83.5	83.0	82.5	82.0	81.0	80.0	79.0	78.0	77.0

Source: Bloomberg, Westpac Economics.

Worldwide

Economic growth forecasts (year average)

Real GDP %ann	2019	2020	2021	2022	2023	2024f	2025f	2026f
World	**2.8**	**–2.7**	**6.5**	**3.5**	**3.2**	**3.3**	**3.3**	**3.3**
United States	2.5	–2.2	5.8	1.9	2.9	2.7	2.3	2.0
Japan	–0.4	–4.1	2.6	1.0	1.9	0.1	1.1	0.9
Euro zone	1.6	–6.1	5.9	3.4	0.4	0.6	1.5	1.5
Group of 3	**1.8**	**–3.9**	**5.5**	**2.4**	**1.9**	**1.6**	**1.9**	**1.7**
United Kingdom	1.6	–10.4	8.7	4.3	0.1	1.0	1.4	1.5
Canada	1.9	–5.0	5.3	3.8	1.1	1.1	1.9	2.0
Australia	1.8	–2.1	5.5	3.9	2.0	1.3	2.2	2.4
New Zealand	3.1	–1.4	5.6	2.4	0.7	0.0	1.5	2.8
OECD total	**1.8**	**–4.3**	**5.8**	**2.8**	**1.8**	**1.5**	**1.9**	**1.8**
China	6.0	2.2	8.4	3.0	5.2	5.0	4.8	4.5
Korea	2.2	–0.7	4.3	2.6	1.4	2.4	2.1	2.3
Taiwan	3.1	3.4	6.6	2.6	1.4	4.0	2.7	2.7
Hong Kong	–1.7	–6.5	6.5	–3.7	3.2	2.8	2.6	2.5
Singapore	1.3	–3.9	9.7	3.8	1.1	2.7	2.6	2.6
Indonesia	5.0	–2.1	3.7	5.3	5.0	5.1	5.1	5.1
Thailand	2.1	–6.1	1.5	2.5	1.9	2.6	3.2	3.1
Malaysia	4.4	–5.5	3.3	8.7	3.7	4.9	4.7	4.5
Philippines	6.1	–9.5	5.7	7.6	5.6	5.9	6.0	6.0
Vietnam	7.4	2.9	2.6	8.1	5.0	6.5	6.5	6.5
East Asia	**5.2**	**0.7**	**7.1**	**3.5**	**4.6**	**4.8**	**4.6**	**4.4**
East Asia ex China	3.8	–2.3	4.3	4.5	3.3	4.2	4.1	4.1
NIEs*	**2.0**	**–0.5**	**5.9**	**2.2**	**1.5**	**2.9**	**2.4**	**2.5**
India	3.9	–5.8	9.7	7.0	7.8	7.0	6.8	6.5
Russia	2.2	–2.7	6.0	–1.2	3.6	3.0	1.5	1.5
Brazil	1.2	–3.3	4.8	3.0	2.9	3.0	2.0	2.0
South Africa	0.3	–6.0	4.7	1.9	0.6	0.9	1.2	1.4
Mexico	–0.3	–8.6	5.7	3.9	3.2	2.4	1.4	1.9
Argentina	–2.0	–9.9	10.7	5.0	–1.6	–2.8	5.0	4.5
Chile	0.6	–6.1	11.3	2.1	0.2	2.0	2.5	2.4
CIS^	–1.4	0.1	10.4	–1.6	–0.6	5.9	5.0	6.6
Middle East	1.3	3.2	2.8	2.8	2.8	2.9	2.9	2.9
C & E Europe	–2.4	–4.8	9.0	4.3	3.2	2.5	3.2	3.4
Africa	3.2	–1.6	4.7	4.0	3.4	3.8	4.0	4.0
Emerging ex–East Asia	**1.6**	**–2.6**	**6.5**	**3.6**	**3.9**	**4.1**	**4.0**	**4.0**
Other countries	**6.7**	**–2.9**	**6.9**	**3.4**	**4.9**	**4.0**	**3.5**	**3.5**
World	**2.8**	**–2.7**	**6.5**	**3.5**	**3.2**	**3.3**	**3.3**	**3.3**

#Regional and global groupings are weighted using PPP exchange rates updated to reflect ICP 2011 benchmark revisions.* "NIEs" signifies "Newly Industrialised Economies" as defined by the IMF, viz; Republic of Korea, Hong Kong SAR, Taiwan Province of China, and Singapore. ^ CIS is the Commonwealth of Independent States, including Mongolia. Sources: IMF, Westpac Economics.

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