Week beginning 17 March 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

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New Zealand: Q4 GDP, trade balance, Westpac–MM consumer confidence, REINZ house prices.

China: Retail sales, industrial production, fixed asset investment.

United Kingdom: Bank of England policy meeting, ILO unemployment rate, wages.

Japan: Bank of Japan policy decision, CPI, machinery orders.

United States: FOMC meeting, retail sales, housing starts and permits.

Information contained in this report current as at 14 March 2025

Caught in the 'net'

Luci Ellis
Chief Economist, Westpac Group

This week we release our Market Outlook for March, updating our economic and financial forecasts. As well as the abrupt shift in market sentiment over the past few weeks, stemming from developments overseas, forecasting has been challenged by the prevalence of forces that are working in opposite directions on the same outcome. The net effect of these opposing forces can go either way, and it is often hard to know which direction will prevail.

The US tariffs are a case in point. They are likely to boost US inflation at the same time as being negative for growth. Which consideration will weigh more in the Federal Reserve's monetary policy decision? You can rely on quantitative analysis to the extent possible, but often there is an element of judgement to these assessments. While it is hard to be sure, given the associated deterioration in market and consumer sentiment, we have – like market pricing – put more weight on the implications for growth and brought forward our expected timing of future Fed rate cuts.

More broadly, we cannot assess the net effect of tariffs and other US policies without also considering how the tariffed countries will react. This was one of the messages from our December/January Market Outlook, as expanded in a note with Westpac economist Illiana Jain. For Australia, the most salient reaction is how China will respond to the tariffs, particularly via domestic stimulus. More recently, countervailing tariffs – though not by Australia – and increased defence spending in Europe all come into the mix as responses to Trump administration policies.

The importance of how others react is also highlighted in the geopolitical sphere. Recent weeks have seen a clear break in how the US is perceived by its longstanding allies, and in the reliance those allies can place on US defence cooperation. We had already factored in the imperative for higher defence spending into our thinking to some degree, including in Europe. This was one of the shifts tilting the balance of global saving versus global investment relative to the pre–pandemic period that informed our house view that the global structure of interest rates is likely to average higher in future than it did in the period between the GFC and the pandemic. Developments in recent weeks reinforce the underpinnings of that view.

On the domestic front, we likewise see opposing forces with uncertain net effects. For consumption growth, we see a pick–up as tax cuts and declining inflation translate into stronger growth in real household incomes. Against those forces, though, population growth is slowing as the post–pandemic catch–up washes through. This could weigh on growth in total consumption even as per capita consumption and sentiment improve.

The unwind from the surge in population growth also complicates assessments of the outlook for the labour market. Recall that if population growth is high, employment growth needs to run very hard to keep pace with rising labour supply, else labour market slack will emerge. In the Australian context, a rising trend in the participation rate has added to this imperative. As the post–pandemic surge in population growth unwinds, that imperative will lessen.

At the same time, though, we know that the boost to employment from the ramp–up in the care economy will end, and employment growth in that sector will normalise. So we have a potential slowing in growth in labour demand at the same time as growth in labour supply (from population growth) is also slowing. The net of these two shifts is uncertain, and it could evolve over time and perhaps even change sign.

On top of the complexities of balancing two shifts in trend with uncertain net effects, any situation where trends are shifting presents measurement issues. A sharply changing growth rate is also one that is hard to measure accurately in real time. Interpreting the data to infer a trend becomes more complicated in this situation. For the labour market, one way to look through these changes in trend is to focus on ratio measures such as employment–to–population or the unemployment rate, rather than employment growth. It remains the case, though, that the dynamics of labour supply will reflect the net of the opposing forces of slowing population growth and a still–rising trend in participation.

There is a broader point here: when considering the effect of a shock, you cannot trace through its effect alone. It is important to factor in the reactions and whether there are other independent (ie not explicit reactions) forces that are offsetting. You also need to hold your assessment of the sign of the net effect lightly and recognise that small changes in relative strengths could flip that sign. This sounds like the general equilibrium thinking economists are trained to do. Most of the time, though, strategic behaviour by conscious actors is a better way to frame the situation.

Importantly, if the net effects of two or more opposing forces flips in sign (or could do so), you need to acknowledge that possibility, rather than getting caught in a narrative favouring one direction. Understanding those forces and how they might evolve can in any case be more useful for your own decision–making than a fixed view of their net effect.

Cliff Notes: fickle sentiment

Elliot Clarke, Head of International Economics
Illiana Jain, Economist
Ryan Wells, Economist

In Australia, the Westpac–MI Consumer Sentiment Index reported another encouraging lift, rising 4% from 92.2 in February to 95.9 in March. Easing cost–of–living pressures and the RBA's decision to cut interest rates in mid–February supported the improvement in sentiment, following a few months of stabilisation around a 'cautiously pessimistic' level. The sub–indexes covering 'family finances vs a year ago' and 'time to buy a major household item' have been the chief laggards in the recovery to date, remaining well below long–run average levels. Constructive developments around inflation and interest rates are starting to turn the tide however, the sub–indexes rising 2.1% and 6.9% respectively in March. Forward–looking indicators are now all above their respective long–run averages which, along with positive views on the labour market, bodes relatively well for the economic outlook.

That said, the latest NAB business survey reminds us that the recovery is likely to be gradual and potentially bumpy. At +4, business conditions remained little changed at a below–average level in February, as firms reported a further deterioration in trading conditions and profitability. Given the persistence of this dynamic, business confidence continues to hover around a broadly neutral level, consistent with the notion that the pick–up in demand is likely to occur at a measured pace. While not fully apparent in the data yet, the fog of heightened trade tensions, coinciding with an upcoming federal election, is likely to keep businesses cautious in the near–term.

Offshore, the balance between growth and inflation is becoming increasingly precarious for central banks.

The US CPI came in below expectations in February, the headline and core measures both up 0.2% in the month and respectively 2.8% and 3.1% over the year. Food and energy inflation was negligible in the month. Within the core basket, shelter inflation eased to 0.3%, although that still equates to a 3.6% annualised rate which is elevated compared to history. Other services were neutral in the month, but inflation in this sub–sector remains stubbornly above target over the year. Core goods inflation also remained positive in the month, prices up 0.2% in February, ahead of the implementation of tariffs.

US trade policy meanwhile continues to escalate risks over the outlook for growth in the US, with President Trump holding fast to the planned full implementation of announced tariffs by 2 April and threatening to increase tariffs against any country who responds to the US' measures. In particular, overnight President Trump threatened to impose a 200% tariff on wine, champagne and other alcoholic beverages from Europe if a proposed European tariff on US whiskey is implemented – itself a retaliation to the US' steel and aluminium tariffs which President Trump brought forward from 2 April to 12 March this week and has vowed no exemptions for. Consumer spending and confidence has been impacted to date, and there are numerous reasons to expect businesses to take a cautious approach to investment hence. Full detail on our US view will appear in the March Market Outlook on Westpac IQ later today.

With the risks to Canadian growth from US trade policy front and centre, the Bank of Canada this week lowered its policy rate by 25bps to 2.75%. While recent data has pointed to stronger–than–expected growth with inflation at target, downside risks are immediate and material. In short, growth is anticipated to be hampered by the tariffs directly through trade and due to deteriorating confidence amongst businesses and consumers. Businesses are reportedly delaying hiring and investment decisions and are also looking to change suppliers and keep more inventory on hand, adding to costs. At the same time, tariff news has also raised inflation expectations which the Bank is paying close attention to. In the press conference, Governor Macklem emphasised the importance of keeping inflation expectations anchored and avoiding second–round effects. On future moves, uncertainty was a key theme with Macklem not ruling out a hike or a recession given the uncertainty surrounding US trade policy.

Finally to Japan, wages data showed a 2.7% increase in base pay in January, led by the manufacturing sector. While nominal wages continue to increase, real wages fell 1.8%yr. RENGO had negotiated a wage increase of 3.6% for FY24 (ending March 2025) and employees have seen their nominal wages increase through this period. However, with inflation slow in abating, real wages have failed to gain, putting household spending at risk. This week, Q4 GDP was revised down to 2.2% annualised from a preliminary reading of 2.8%. The downshift came in part due to downward estimates to households spending which is now flat for Q4.

Still, Bank of Japan officials have continued to signal that rates will rise further, anticipating growth will pick up through the latter part of the year. Adding support to their considerations will be RENGO's announcement of the first estimate of the wage bargaining result. RENGO demanded an increase of 6.0% and this first estimate will mostly cover results from large companies. So far, large manufacturers such as Mitsubishi, Nippon and Toyota among others have reportedly met RENGO's demand. While this is positive news, the focus will be on how small businesses fare, data for which will be released over the next month. The BoJ is likely to remain on hold at its meeting next week waiting to digest more data and the outlook for small businesses first before making their next move. With a fresh set of forecasts and greater clarity around trade risks, their next hike will likely come in May.

Goodbye to 2024, and good riddance

Michael Gordon
Senior Economist

Next week brings the last major economic data release relating to 2024. After a sharp downward lurch in GDP in the June and September quarters, we're expecting a 0.5% lift for the December quarter – though we think that will overstate the true growth impulse at the time. Things are looking better for 2025 though, with more encouraging signs of a genuine return to growth.

Our forecast for the December quarter reflects a mixed performance across sectors. We expect the most positive contribution to come from retailing, with the retail trade survey showing a 0.9% rise in volumes. Hospitality was particularly strong (and this gets upweighted in the GDP calculations), reflecting the strong lift in overseas visitor numbers towards the end of the year. The latter also contributes to our estimate of a 1.5% lift in the transport sector for the quarter.

The other major gain is likely to be in electricity, reversing a large 3.7% drop in the previous quarter. Hydro lake levels were running very low in the September quarter, forcing a shift to more expensive fuels such as coal, and hence reducing the value–added from electricity generation. That situation was remedied in the December quarter – while total generation was lower, the renewables share was very high.

The biggest negative that we see is in the construction sector, where we expect a sixth straight quarter of decline. While the post–Covid surge in building consents peaked in 2022, it has taken some time for the pipeline of consented work to run down. It's likely that we will see a similar lag in the other direction – although consents appear to have stabilised over the last year, we don't expect to see a pickup in building activity until later this year.

Aside from construction, we expect to see modest declines across a broad range of sectors, including manufacturing, wholesale trade, public administration, and business and personal services. Adding up across sectors, we expect to see something close to zero. Our GDP nowcast model has been pointing in this direction for some time – the December estimate closed at –0.14%, following the release of the building work survey last week.

So where does our +0.5% forecast come from? Unfortunately it all stems from technical issues around the seasonal adjustment of the data, which emerged in the previous GDP release at the end of last year. If this issue persists, we estimate that it would add around 0.5 percentage points to growth in December quarters (and detract this much in June quarters).

Of course, we can't be certain that it will persist – Stats NZ recalculates its seasonal adjustments at every release. In that case, December quarter growth could come in below our forecast, but as the product of upward revisions to previous quarters.

Seasonal adjustments only affect the reported timing of activity, not the overall trend. Focusing on the annual growth rate helps to get around this issue – we're forecasting a 1.3% annual decline for the December quarter, which would be a modest improvement from –1.5% in the September quarter.

We're certainly not alone in picking a positive result for the quarter. The Reserve Bank estimated a 0.3% rise in its February Monetary Policy Statement, and market forecasts so far are averaging around 0.4%. But even if our forecast is on the right side of things, it's likely that the details will need careful interpretation.

Whatever the final verdict on 2024 turns out to be, it's becoming clear that this year has made a much stronger start. The first update this week was for card spending at retail stores, which rose by 0.3% in February. Nominal spending saw a marked decline through 2023 and much of 2024 (and it was even softer after accounting for inflation), but has been steadily trending higher for the last seven months.

Importantly, even though interest rates have been falling for several months, most of their impact is yet to be felt. With around half of all mortgages due to reprice over the next six months, borrowers will soon have the opportunity to secure a lower rate. That could see sizeable falls in households' debt servicing costs and boost their disposable incomes. As those lower borrowing costs ripple through the economy, we expect to see a further pick–up in spending over the coming months.

Secondly, the manufacturing PMI rose 2.2pts in February to 53.9. January had been the first reading in two years that was above the 50 mark (indicating positive growth), and February saw further gains. We should note that the PMI has tended to overstate the degree of weakness in the sector over the last couple of years, compared to the quarterly manufacturing survey that goes into GDP. Nevertheless, the direction of change is another positive sign.

The equivalent survey for the services sector will be released next Monday. The PSI also rose above 50 in January (a one–year high in this case), so we will be watching to see if this momentum continues.

Finally, migration remained positive in January, with a net inflow of around 2,400 people. The monthly balance has stabilised over the last year and even picked up a little in recent months. Notably, revisions also showed that around 6,000 fewer people have left the country over the last year than was previously estimated.

The annual balance has now slowed to around 32,000 people, a long way from the peak of 135,000 that was reached in 2023. However, base effects suggest that it is unlikely to decline much further from here – and if that's as low as it gets in this cycle, that would actually be pretty strong. It's certainly an upside risk to think about in terms of the country's need for housing, infrastructure and social services in the years ahead.

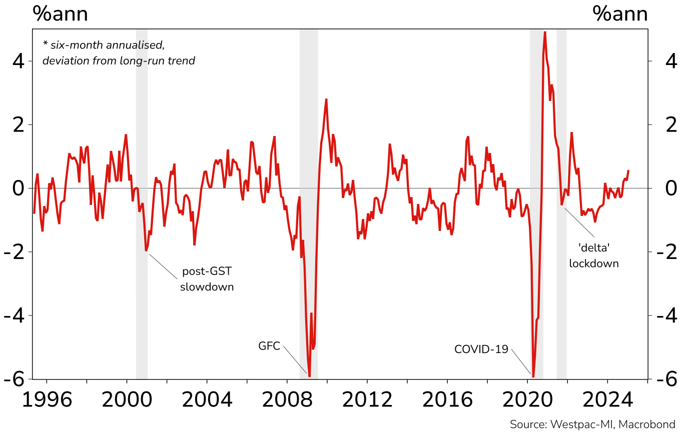
AUS: Feb Westpac–MI Leading Index

Mar 19, Last: +0.58%

The Leading Index growth rate lifted to 0.58% in January, a 2½ year high. While the above trend growth pulse is becoming firmer and more convincing it is still not particularly strong – more consistent with a gradual recovery than a sudden surge.

The February update may see some loss of momentum although component updates have been mixed. On the plus side: consumer expectations improved in March, buoyed by the RBA rate cut, and dwelling approvals posted another robust 6.3% gain. However, against this, global sharemarkets sold off sharply, sparked by a tariff war and rising concerns about US growth, the ASX200 was down 4.2%. Total hours worked also declined 0.4% at the start of the year, coming of a relatively strong run over the second half of 2024.

Westpac-MI Leading Index



AUS: Feb Labour Force – Employment Change (000s)

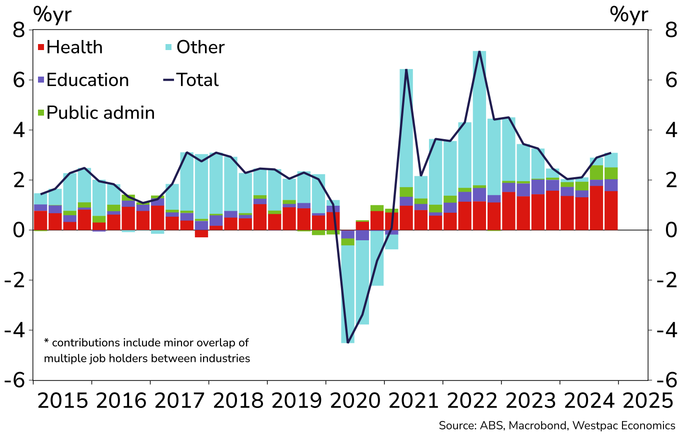
Mar 20, Last: 44, Westpac f/c: 30
Market f/c: 30, Range: 15 to 60

In January, employment once again surprised materially to the upside, beating all expectations with an increase of +44k. On a three–month average basis, annual employment growth is back at 3.0%yr, the same pace seen over a year ago in Dec–23.

The Q4 Labour Account confirmed that the non–market sector, comprising health care, education and public administration, dominated the gains in employment over 2024, although we did see some signs of improvement in the market sector over the course of the year, outcomes were still mixed.

For February, we expect another solid print for employment at +30k, but not as strong as what was seen in January.

Contributions to employment growth



AUS: Feb Labour Force – Unemployment Rate (%)

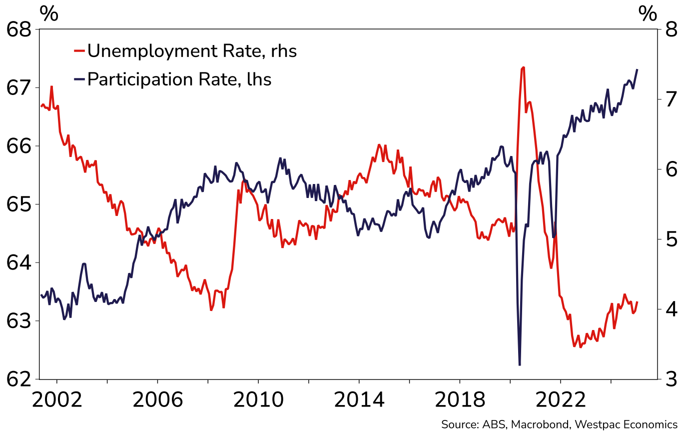
Mar 20, Last: 4.1, Westpac f/c: 4.0
Market f/c: 4.1, Range: 4.0 to 4.2

January is the most seasonal time of year for the labour market and this year was no exception. Once again, we saw a higher–than–usual number of people that were not working in January but already had a job lined up for February, being temporarily classified as 'unemployed' while having an attachment to a job.

This was likely a driver behind the uptick in the unemployment rate for January, from 4.0% to 4.1%. The combination of higher employment and unemployment saw the participation rise to a fresh record high of 67.3%.

We do not expect to see labour supply grow as strongly as in January, and hence expect the participation rate to pare–back to 67.2%. With those people with a job lined up entering employment, the unemployment rate could tick down to 4.0%.

Participation rate up to another record high



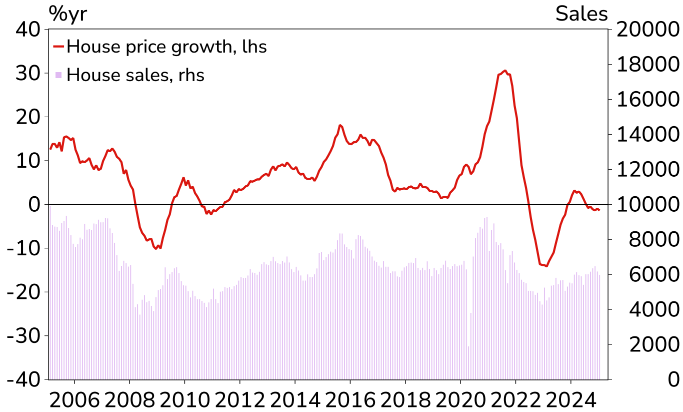
NZ: Feb REINZ House Prices and Sales

18 Mar (TBC), Prices last: –1.4%yr; Sales last: +17.5%yr

As mortgage rates have fallen, we've seen clear signs of a revival in interest among potential buyers. But while house sales are up on the same time a year ago, they have yet to make much of a dent in the backlog of unsold homes on the market.

House prices have risen slightly over the last few months, though they remain down on a year ago. We expect prices to gain some momentum in the months ahead, with a 7% rise over 2025.

Housing market to benefit from lower interest rates



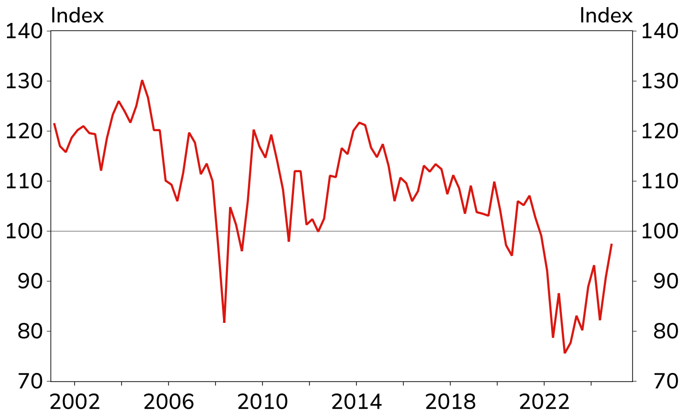
Source: REINZ, Macrobond, Westpac Economics

NZ: Q4 Westpac–McDermott Miller Consumer Confidence Index

19 Mar, Last: 97.5

Our latest consumer confidence survey was in the field March 1–12. At the end of last year, we saw consumer confidence trending upwards as the pressure on household finances eased. Since that time, interest rates have continued to ease and commodity prices have been pushing upwards. However, uncertainty around the global backdrop has increased as the tariff war has heated up.

Consumer confidence picked up in Q4



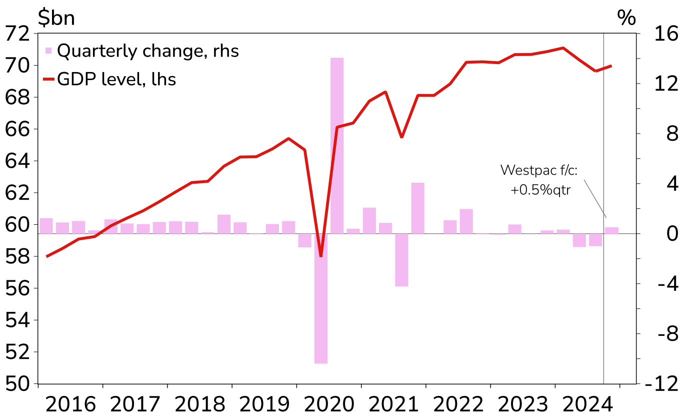
Source: Westpac New Zealand, Macrobond, Westpac Economics

NZ: Q4 GDP

20 Mar, Last: –1.0%, Westpac f/c: +0.5%, Mkt f/c: +0.4%

We expect a 0.5% rise in GDP for the December 2024 quarter, following sharp declines in the two previous quarters. However, this is entirely due to issues that we have identified with the seasonal adjustment of the data; our sector–by–sector forecasts suggest effectively zero growth in activity. Given the potential for revisions to recent history as well, the Q4 figures will need to be read with caution.

Q4 GDP partly unwinding previous declines



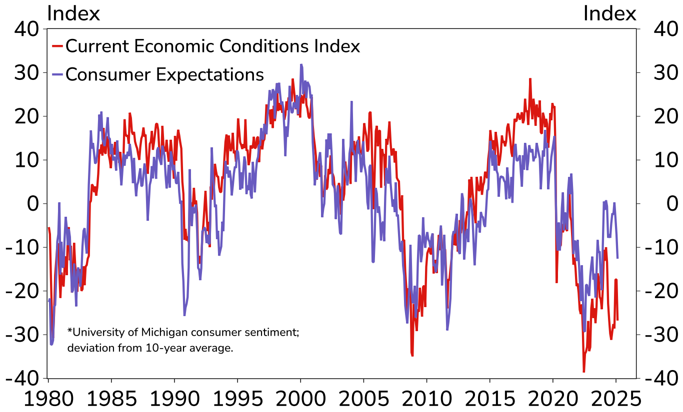
Source: Stats NZ, Macrobond, Westpac Economics

US: March FOMC meeting

Mar 18–19, Last: 4.375%, WBC f/c: 4.375%, Mkt f/c: 4.375%

At their March 2025 meeting, FOMC members will have a lot to discuss. While the labour market remains in robust shape and recent inflation data has been benign, albeit stuck closer to 3.0%yr than 2.0%yr, multiple rounds of trade policy escalation has clouded the growth and inflation outlooks. In addition, the impact of immigration reforms and government efficiency initiatives will not be known for some time. Looking to mid–year and beyond, we expect government policy to weigh materially on growth, bringing it down to a near trend pace, while inflation remains stuck around 3.0%yr. On the latter, the profile depends on the staging of the tariffs and how quickly they are passed to consumers. Capacity constraints are also concerning. We expect the FOMC to have to keep policy contractionary over the forecast period.

Uncertainty weighing on consumer



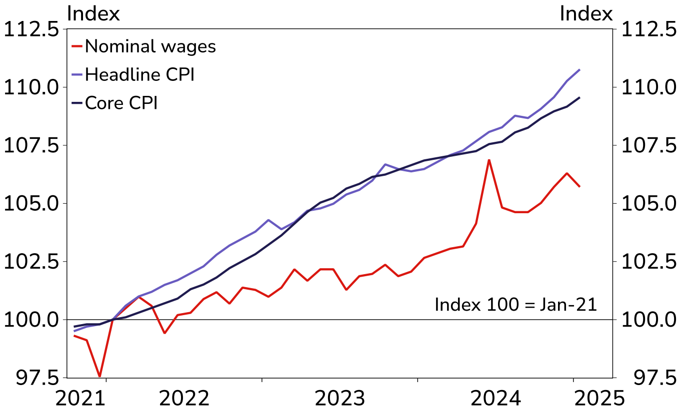
Source: University of Michigan, Macrobond, Westpac Economics

Japan: March BoJ meeting

Mar 18–19, Last: 0.5%, WBC f/c: 0.5%, Mkt f/c: 0.5%

Bank of Japan officials have continued to signal that rates will rise further, anticipating growth will pick up through the latter part of the year. Adding support to their considerations will be RENGO's announcement of a strong first estimate of the wage bargaining result. RENGO demanded an increase of 6.0% and this first estimate will mostly cover results from large companies. While this is positive news, the focus will be on how small businesses fare, data for which will be released over the next month. The BoJ is likely to remain on hold at its meeting next week waiting to digest more data and the outlook for small businesses first before making their next move. With a fresh set of forecasts and greater clarity around trade risks, their next hike will likely come in May.

Wages still have some way to go to catch up



Source: e-Stat, SBJ, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 17							
NZ	Feb	BusinessNZ PSI	index	50.4	–	–	Followed the manufacturing survey above 50 in Jan.
Chn	Feb	Retail Sales	%yr ytd	3.5	3.8	–	Spending likely to bounce on Lunar New Year strength ...
	Feb	Industrial Production	%yr ytd	5.8	5.3	–	... but sustainability of the upturn will require policy support ...
	Feb	Fixed Asset Investment	%yr ytd	3.2	3.2	–	... for consumers/housing, as already flagged by authorities.
US	Feb	Retail Sales	%mth	–0.9	0.7	–	Will provide a better gauge of spending pulse post holidays.
	Mar	Fed Empire State	index	5.7	–2.0	–	Forward–looking indicators of great interest.
	Jan	Business Inventories	%mth	–0.2	0.3	–	Seasonal bump likely, but ratio to sales holding steady.
	Mar	NAHB Housing Market	index	42	42	–	Tariff uncertainty clearly weighing on homebuilder sentiment.
Tue 18							
Aus		RBA Assistant Governor (Economic)	–	–	–	–	Hunter speaking at the AFR Banking Summit, 10:20am AEDT.
NZ	Feb	REINZ House Sales	%yr	17.5	–	–	Due this week. Loan demand is picking up, but...
	Feb	REINZ House Prices	%yr	–1.4	–	–	...prices have remained subdued to date.
Eur	Mar	ZEW Survey Of Expectations	index	24.2	–	–	Tariff whiplash muddies the view on growth prospects.
	Jan	Trade Balance	€bn	14.6	–	–	Pre–tariff surge in US exports likely, as seen in other countries.
US	Feb	Housing Starts	%mth	–9.8	1.0	–	High rates and building costs remain as hurdles ...
	Feb	Building Permits	%mth	–0.6	–1.6	–	... putting downward pressure on wages.
	Feb	Import Price Index	%mth	0.3	–0.1	–	To become a very important indicator over the months ahead.
	Feb	Industrial Production	%mth	0.5	0.2	–	Solid start to 2025; sustainability in question given investment.
Wed 19							
Aus	Feb	Westpac–MI Leading Index	%ann'd	0.58	–	–	
NZ	Q1	Westpac–MM Consumer Conf.	index	97.5	–	–	The latest survey was conducted in early March.
	Q4	Current Account Balance	%of GDP	–6.4	–6.1	–6.1	Improving terms of trade to drive a narrower deficit
Jpn	Jan	Core Machinery Orders	%mth	–1.2	–0.1	–	Solid year–on–year growth a positive sign for investment.
	Mar	BoJ Policy Decision	%	0.50	0.50	0.50	Reaction to RENGO wage negotiations a key focus.
Eur	Feb	CPI	%mth	2.4	–	–	Final estimate to provide more colour on component detail.
US		FOMC Policy Decision	%	4.375	4.375	4.375	Uncertainty begets patience for policy.
Thu 20							
Aus	Feb	Employment Change	000s	44	30	30	Employment growth remained strong heading into 2025 ...
	Feb	Unemployment Rate	%	4.1	4.1	4.0	... shifting seasonal patterns could see U/E tick lower in Feb.
NZ	Q4	GDP	%qtr	–1.0	0.4	0.5	Unwinding factors that drove weakness in Q2–Q3.
UK	Jan	ILO Unemployment Rate	%	4.4	–	–	Data quality an issue, but payrolls point to easing conditions ...
	Jan	Average Weekly Earnings	%yr	6.0	–	–	... but reacceleration in wages growth poses upside risk ...
		BoE Policy Decision	%	4.50	4.50	–	... leading policymakers to be patient with any further easing.
US		Initial Jobless Claims	000s	220	–	–	Not yet indicative of wide–spread job losses.
	Mar	Phily Fed	index	18.1	12.0	–	Forward–looking indicators of great interest.
	Feb	Leading Index	%mth	–0.3	–0.2	–	Various gauges of growth prospects being closely scrutinised.
	Feb	Existing Home Sales	%mth	–4.9	–3.7	–	Noisy data, but weaker sentiment flags downside risks.
Fri 21							
NZ	Feb	Trade Balance	$m	–486	–	280	Seasonal lift in export volumes and improved prices
Jpn	Feb	CPI	%ann	4.0	3.5	–	Authorities slowly becoming confident on sustainable inflation.
Eur	Mar	Consumer Confidence	index	–13.6	–	–	Confidence recovery likely bumpy as global outlook sways...
UK	Mar	Gfk Consumer Sentiment	index	–20	–	–	... but local inflation and policy response just as important.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (14 Mar)	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27
Cash	4.10	3.85	3.60	3.35	3.35	3.35	3.35	3.35	3.35	3.35
90 Day BBSW	4.12	3.90	3.70	3.45	3.50	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.69	3.75	3.80	3.80	3.85	3.90	3.95	4.00	4.00	4.00
3 Year Bond	3.76	3.85	3.90	3.90	3.90	3.95	4.00	4.05	4.00	4.00
10 Year Bond	4.39	4.65	4.70	4.75	4.80	4.80	4.80	4.80	4.90	4.90
10 Year Spread to US (bps)	12	15	10	5	0	0	0	0	0	0
United States										
Fed Funds	4.375	4.375	4.125	3.875	3.875	3.875	3.875	3.875	3.875	3.875
US 10 Year Bond	4.27	4.50	4.60	4.70	4.80	4.80	4.80	4.80	4.90	4.90
New Zealand										
Cash	3.75	3.25	3.25	3.25	3.25	3.50	3.75	3.75	3.75	3.75
90 Day Bill	3.69	3.35	3.35	3.35	3.45	3.70	3.85	3.85	3.85	3.85
2 Year Swap	3.46	3.50	3.65	3.80	3.90	3.95	4.00	4.00	4.00	4.00
10 Year Bond	4.56	4.70	4.85	4.90	5.00	5.00	5.00	4.95	4.95	4.95
10 Year Spread to US (bps)	0	20	25	10	20	20	20	15	5	5

Exchange rate forecasts

	Latest (14 Mar)	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27
AUD/USD	0.6284	0.62	0.64	0.65	0.66	0.67	0.68	0.69	0.7	0.71
NZD/USD	0.5700	0.56	0.56	0.57	0.57	0.58	0.59	0.6	0.61	0.62
USD/JPY	147.93	147	143	140	138	137	136	135	134	133
EUR/USD	1.0851	1.06	1.08	1.09	1.1	1.11	1.12	1.13	1.13	1.14
GBP/USD	1.2949	1.27	1.29	1.3	1.31	1.32	1.33	1.34	1.35	1.35
USD/CNY	7.2432	7.25	7.25	7.2	7.2	7.15	7.1	7	6.9	6.8
AUD/NZD	1.1025	1.12	1.14	1.15	1.15	1.15	1.15	1.15	1.15	1.15

Australian economic growth forecasts

	2024		2025				2026			Calendar years		
% Change	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**2023**	**2024**	**2025f**	**2026f**
GDP %qtr	0.3	0.6	0.5	0.6	0.6	0.5	0.5	0.5	–	–	–	–
%yr end	0.8	1.3	1.6	2.0	2.3	2.2	2.2	2.2	**1.5**	**1.3**	**2.2**	**2.2**
Unemployment rate %	4.1	4.0	4.0	4.2	4.4	4.5	4.5	4.5	3.9	4.0	4.5	4.5
Wages (WPI) %qtr	0.9	0.7	0.8	0.7	0.7	0.7	0.8	0.8	–	–	–	–
%yr end	3.6	3.2	3.2	3.0	2.9	2.9	3.0	3.1	4.2	3.2	2.9	3.3
CPI Headline %qtr	0.2	0.2	0.7	0.9	0.9	0.6	0.6	0.8	–	–	–	–
%yr end	2.8	2.4	2.2	2.0	2.7	3.2	3.1	3.0	4.1	2.4	3.2	2.7
CPI Trimmed Mean %qtr	0.8	0.5	0.5	0.6	0.7	0.7	0.6	0.6	–	–	–	–
%yr end	3.6	3.2	2.7	2.4	2.3	2.5	2.6	2.6	4.2	3.2	2.4	2.5

New Zealand economic growth forecasts

	2024				2025					Calendar years		
% Change	**Q3**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**Q1**	**Q2**	**2023**	**2024f**	**2025f**	**2026f**
GDP %qtr	–1.0	0.5	0.4	0.8	0.5	0.8	0.8	0.7	–	–	–	–
Annual avg change	0.1	–0.5	–1.1	–0.8	0.1	1.1	2.1	2.7	1.8	–0.5	1.1	3.0
Unemployment rate %	4.8	5.1	5.3	5.4	5.4	5.3	5.2	5.0	4.0	5.1	5.3	4.6
CPI %qtr	0.6	0.5	0.6	0.5	1.0	0.5	0.5	0.3	–	–	–	–
Annual change	2.2	2.2	2.2	2.3	2.7	2.6	2.5	2.3	4.7	2.2	2.6	2.0

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