Week beginning 5 May 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: A loss of momentum?

The Week That Was: Gauging confidence effects.

Focus on New Zealand: Finance Minister signals a tight Budget

For the week ahead:

Australia: Dwelling approvals and household spending indicator.

New Zealand: Q1 labour force statistics, LCI, RBNZ Financial Stability Report.

China: CPI, PPI, foreign reserves and trade balance.

Euro area: Retail sales, PPI, Sentix investor confidence.

United Kingdom: BoE policy decision.

United States: FOMC policy decision, ISM services PMI, consumer credit, Q1 productivity.

Information contained in this report current as at 2 May 2025

A loss of momentum?

Luci Ellis
Chief Economist, Westpac Group

The torrent of tariff-related headlines eased this week, allowing markets to take a bit of a breather and the rest of us to focus on other things. In a world of continuous data flow, it is all too easy to get stuck to a previous view or change it only incrementally. Sometimes, though, we should take a step back and more deeply assess what has changed. This week's CPI data confirmed that the post-pandemic inflation surge is firmly in the rear-view mirror. But have observers, including the RBA, fully absorbed the implications of this change?

Signs of an unchanged mental narrative manifest in many ways. Some might worry about any and all categories of inflation still running above the 2½% target midpoint, as if that were not also true pre-pandemic when overall inflation undershot the RBA's target for years. Others might extrapolate temporary blips into the future, without having a good explanation for why that blip would continue. Still others fret about a 'tight' labour market and 'strong' domestic demand.

It is true that Australia's labour market was tighter than average and did not ease further in the second half of 2024. It is less clear that the latest data support the same characterisation for early 2025. As Westpac Economics colleague Ryan Wells noted at the time, the last two monthly labour force releases were a bit of a mixed bag. Employment was essentially flat, and the participation rate declined. While the latter helped keep the unemployment and underemployment rates low, it was also to be expected as cost of living pressures ease and the additional labour supply to make ends meet becomes less necessary.

Beyond the labour force survey itself, indicators such as job ads and business surveys are easing, and labour market tightness indicators from business surveys have resumed declining after their late-2024 pause. None of this is definitive, but the weight of data is pointing to a possible loss of momentum.

Likewise, it is true that household consumption growth is likely to pick up over the course of the year, as real income growth continues to recover. The crucial question is not whether this pick-up happened at all, though, but rather how large it will be. We are currently forecasting consumption growth over the year to the December quarter 2025 at 1.5%, the same as the median forecast of other market economists. Importantly, the RBA's February forecast, at 2.6%, was noticeably above even the highest private-sector forecast, even after a downward revision from 2.9% in the November 2024 round. When assessing the outlook and its policy implications, then, we need to go beyond detecting whether spending has picked up at all and evaluate how that pick-up compares to our current view.

So far, a range of early indicators would suggest that consumption has not picked up as much as the RBA's current forecast would imply. Card spending measures and the broader ABS Household Spending Indicator got off to a slow start in 2025. Perhaps even more salient, our Westpac DataX Consumer Panel continues to indicate that people are spending less out of the extra income from the tax cuts – just 20 cents per extra dollar of take-home income once the Q1 data are incorporated – than historical experience would suggest. Real (inflation-adjusted) spending per person was broadly flat in the March quarter, according to the Panel. The strength in household deposit growth recently is consistent with households saving much of the extra income, at least for now.

None of these data points are truly definitive; rather, they are more like jigsaw puzzle pieces. Collectively, though, they point to some loss of momentum in the labour market from the surprisingly robust second half of last year, and less of a pick-up in momentum from the consumer than earlier believed.

"As high inflation fades into the rear-view mirror, has everyone noticed the other signs of a slowing in economic momentum?"

A common thread here is the simultaneous loss of momentum in population growth. We have long predicted that the surge after the international borders reopened would roll over, and population growth would normalise. As it has turned out, the slowdown in population growth has been a bit sharper than leading indicators implied. The official data show growth in the estimated resident population already down to 1.8%yr in the September 2024 quarter, from a peak of around 2½%yr a year previously. Both we and the RBA had previously expected 2.0%yr for calendar 2024. Softer labour demand being matched by lower supply, along with relatively subdued increases in consumption growth, could both be consistent with that unwind in population growth continuing into 2025.

These subtler shifts in momentum will of course be swamped by shifts in the outlook coming from recent developments overseas. It will therefore be all too easy to let them slip by and fail to learn from them. It is best, then, to take a breath and examine all those jigsaw puzzle pieces and see how they fit together.

Cliff Notes: gauging confidence effects

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

Australia's Q1 CPI report was this week's main event domestically, The key outcomes were slightly above consensus, the headline measure rising 2.4%yr (0.9%qtr) and the underlying trimmed mean measure 2.9%yr (0.7%qtr). Arguably there is less need to intensely scrutinise the detail now annual inflation is back in the RBA's 2-3%yr target range, but it is worth highlighting the deceleration in market services inflation to 3.3%yr after being stuck at 4.2%yr throughout 2024 as it has been regularly cited by the RBA when discussing the upside risks to inflation. The current pulse is constructive too. On a six-month annualised basis, both headline and trimmed mean inflation are now in the bottom half of the RBA's 2-3% target band, all but locking in a cash rate cut at the May policy meeting in roughly two weeks' time.

As discussed by Chief Economist Luci Ellis in this week's essay, many other indicators also warrant moving towards a neutral monetary policy stance. This includes our Q1 Westpac-DataX Consumer Panel update which revealed that Australians have now saved 80¢ from every extra dollar of income received from the tax cuts. With households opting to rebuild savings buffers – following a lengthy period of declining real per capita disposable income – there is limited scope for a 'strong' rebound in real consumer spending and instead larger downside risks to growth.

On the broader growth outlook, the latest update on trade reported a significant rebound in the goods surplus, up to $6.9bn in March. The data has been incredibly volatile over the past few months; but, overall, Australian goods exporters look to have benefitted from tariff front-running, setting up a positive contribution to GDP from net exports in Q1. For more detail on the industry impacts of tariffs in Australia, see our latest analysis on WestpacIQ.

Offshore, US data made clear the downside risks from the Trump Administration's trade policy.

US GDP disappointed expectations at the margin, declining 0.3% on an annualised basis. A key contributor to this deterioration was household consumption which slowed from a 4.0% annualised pace in Q4 to 1.8% in Q1 2025. This is despite continued robust gains in employment and wage growth. While the latest read for ADP employment points to downside risks for employment, the monthly gain decelerating from 147k to 62k in April, wage growth as measured by the employment cost index remained healthy in Q1, rising another 0.9%.

Coming back to the Q1 GDP detail, the other results were diverse and arguably susceptible to revision. In Q1, government spending declined and dwelling investment stalled, but business investment surged. The pull-forward of imports to get ahead of tariffs (from not only Australia but the world) was clear in the trade detail too, imports growing at a 41% annualised pace against exports' 1.8%. Another way to highlight the significance of the trade effect is to note that, while GDP growth declined from 2.4% annualised to -0.3% in Q1, annualised growth in domestic demand (which omits the impetus from the trade position) was only 0.5ppts lower in Q1 at 2.4% annualised.

Assessed in isolation, this outcome would imply there is no reason to be concerned over domestic demand in the US hence. But this activity and price data pre-dates April's tariff escalation. Consumer and business sentiment has since jolted lower.

"US data made clear the downside risks from the Trump administration trade policy."

On the final release for April, University of Michigan consumer sentiment is almost 30% lower than in December and most certainly due to concern over tariffs – the 1-year view for inflation now 6.5%, more than three times the FOMC's 2.0%yr target. The Conference Board's measure was similarly downbeat, particularly expectations which declined 12.5pts to only 54.4, the lowest level since October 2011. Respondents to this survey also showed acute concern over inflation, their 1-year inflation expectation now 7.0%yr, but also felt tariffs were likely to impact the labour market, the assessment of 'jobs plentiful' minus 'jobs hard to get' down to the second lowest level in this cycle. To date, labour market data has been consistent with a deceleration in employment growth, not outright decline; but, as made clear by the ADP reading above, risks are heavily skewed.

This risk is also evinced by the business surveys. Most notably, the ISM manufacturing employment index is currently almost 10pts below its 20-year average. The various Federal Reserve district business surveys also point to apprehension and concern over the outlook amongst a wide variety of US businesses. Tonight we will receive the April employment report, giving a full view of US labour market dynamics as President Trump's tariffs were announced and implemented.

While of limited interest to markets this week, developments outside the US are worthy of close assessment. In contrast to the deterioration in US economic activity, Euro Area GDP surprised to the upside, rising 0.4% in Q1 to remain 1.2%

higher over the year – a trend pace. Detail is still forthcoming, but European Commission economic sentiment and recent labour market data point to resilience across the region. Ahead, Europe is not only likely to receive financial inflows from those looking to diversify away from the US, but also additional tourism-related activity.

Albeit to a lesser extent, and likely with a lag, the same can be said of Asia. While news reports assessed the headline readings for China's official PMI's this week against the supposed 50 expansion/ contraction divide, manufacturing at 49.0 and services circa 50.4, it is best to instead assess current outcomes against the historic relationship between the PMIs and GDP.

Over the past decade or so, outcomes for the PMIs around the current level have occurred coincident to GDP growth at or above the 2025 target of 5.0%. This is before we take into consideration the stimulus being readied by authorities to support the consumer and housing, or the highly-accommodative stance of monetary policy. Asia more broadly will receive benefit from robust growth in China and India, but also has a strong pipeline of development opportunities before it.

Obviously the more developed an economy, the less power this pipeline has. However, even for a highly developed economy like Japan, the outlook remains constructive.

This week the Bank of Japan met and, unsurprisingly given current US policy uncertainty, left policy unchanged. Yet they still expect any shock to growth to prove modest and temporary, with activity growth forecast to accelerate from a downwardly revised 0.5%yr in FY2025 (from 0.7% in FY2024 and compared to January's 1.1%yr forecast for FY2025) to 1.0%yr in FY2027. Core inflation (ex fresh food and energy) meanwhile is expected to hold either side of the BoJ's 2.0%yr target in FY2025 and FY2026 and achieve it come FY2027. As such, the BoJ's focus remains slowly normalising policy, targeting a policy rate of 1.0%. One 25bp hike remains likely by end-2025, but the last not until 2026.

Finance Minister signals a tight Budget

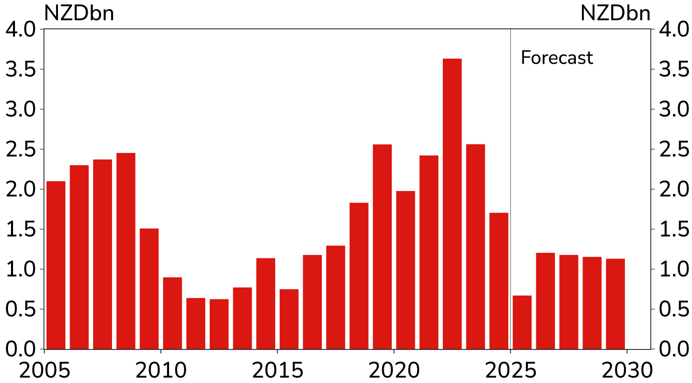
Darren Gibbs
Senior Economist

With Budget 2025 now coming into view, a key focus in New Zealand over the past week was a pre-Budget speech given by the Finance Minister, Nicola Willis. Most importantly for the bond market, the Minister indicated that the Government's fiscal strategy remains unchanged from that communicated late last year in the Half-Year Economic and Fiscal Update (HYEFU). A key component of that strategy is to achieve an operating surplus – measured on an OBEGALx basis – in 2027/28 if possible, although the HYEFU pointed to surplus most probably being achieved a year later in 2028/29.

Prior to the Minister's speech, there had been some possibility the return to surplus would be delayed further in Budget 2025. This is because of downward revisions to the economic outlook associated with the global turmoil created by President Trump's tariff policy. And the Minister stated that the Treasury forecasts in Budget 2025 will indeed project weaker real economic growth in 2025 and 2026 than expected at the time of the HYEFU, reducing tax revenue and so – in the absence of a policy response – delaying the return to surplus. However, rather than accepting that outcome, the Minister announced that she has decided to reduce the size of the Budget 2025 operating allowance – the allowance for new spending or revenue initiatives – to just $1.3bn from the $2.4bn set previously. This will save $4.4bn across the 4-year horizon of the forecasts. According to the Minister, near-final Treasury Budget forecasts indicate that this – in concert with other savings – will preserve a return to surplus in 2028/29.

Working within a $1.3bn operating allowance will not be easy. Indeed, this is the smallest allowance set since 2015, and the smallest since 2012 in real terms. To achieve this, the Minister indicated that new spending initiatives would be strictly limited to the Government's most important priorities: health, education, law and order, defence, and a small number of social investments. She also said that she had found room for modest measures to support business growth and to provide some targeted cost of living relief. Importantly, beyond a small number of exceptions, government departments are not receiving additional funding in the Budget. Meanwhile, following a line-by-line review of previous funding commitments, she indicated that further savings had been found that will also be used to fund the Government's priorities.

New Zealand Budget Real Operating Allowance (2005 prices)

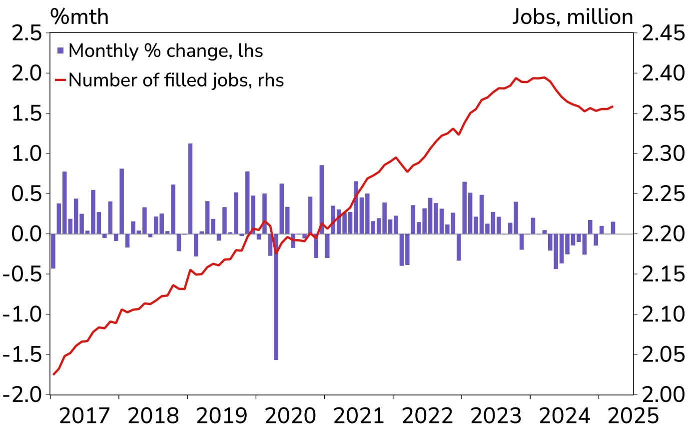


Source: , Macrobond, Westpac Economics, NZ Treasury, Stats NZ

Next week we will publish our preview of Budget 2025, to be presented by the Minister on 22 May. The preview will take account of the release of upcoming Government financial data for the 9 months to March. But at face value – and in contrast to recent fiscal updates – the Minister's speech suggests that changes to the forecast for the operating balance are unlikely to be a major driver of changes to the bond programme at Budget 2025. This leaves open the possibility of small changes to the forecast cash requirement related to the Government's capital investment programme. That said, the Minister spent some time in her speech bemoaning the sharp increase in debt financing costs seen in recent years – now greater than annual core Crown expenses for the Police, Corrections, the Ministry of Justice, Customs and the Defence Force combined. And she reasserted the Government's goal of reducing net Core Crown debt below 40% of GDP and then keeping it below that percentage. This suggests that revisions to the bond programme are most likely to be minor.

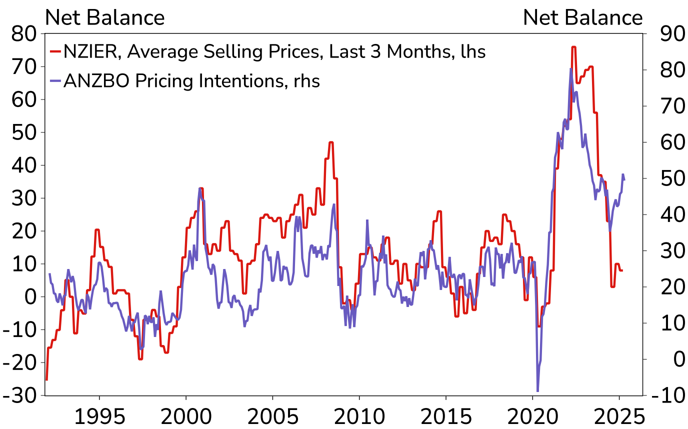
Turning to this week's other local economic news, the Monthly Employment Indicator pointed to a 0.2%m/m lift in filled jobs in March and around a 0.25% lift from 3 months earlier. There remains an urban – rural divide where jobs growth is more evident in the regions where the primary sector and tourism have a bigger impact. But as has become common place, downward revisions to estimates for previous months meant that filled jobs were still down 1.5%y/y. Downward revisions to the March estimate will likely show filled jobs were likely flattish in Q1 for NZ overall. This data has not changed our view regarding the outlook for next week's key Q1 labour market surveys. As my colleague Michael Gordon writes in his preview, given ongoing growth in the working age population and assuming broadly unchanged labour force participation, the unemployment rate will likely rise to 5.3% in Q1, from 5.1% last quarter – a notch higher than the RBNZ forecast in the February Monetary Policy Statement but unchanged from our forecasts. He also expects these surveys to report a further moderation in labour cost growth, which should help drive a further moderation of non-tradables inflation.

Monthly Employment Indicator



Source: Stats NZ, Macrobond, Westpac Economics

ANZ Pricing intentions and NZIER Average prices



Source: NZIER, ANZ, Macrobond, Westpac Economics

The latest ANZ Business Outlook Survey for April showed us that the business sector remained upbeat ahead of the tariff announcements in April. But we got less insight into the impact of developments in US tariff policy as many of the survey responses were received early in the month. While headline business confidence fell a comparatively modest 8.2pts to a still very healthy 49.3, own activity indicators remained steady and encouragingly, a net 11% of firms said that activity had lifted from a year ago, representing a strong lift from the March reading (this measure had also fallen sharply last April). Survey responses taken later in the month suggested that business optimism had significantly reduced, so we will await the May survey to see where confidence has settled. The inflation picture was little changed, with year-ahead inflation expectations sitting at 2.65% and the net proportion of firms intending to lift their prices nudging only slightly lower to a still elevated 49.4%. The latter continues to point to considerably greater inflation pressure than the equivalent indicators in the closely followed QSBO survey.

The news from the construction sector was more positive this week, with dwelling consents rising almost 10%m/m in March. However, much of the growth was in the very bumpy apartment category, where consents increased more than fourfold compared with February. Consents for townhouses also lifted following three soft months. Consents for houses increased a more moderate 4.5%m/m following a 6.3%m/m decline in February, with the March reading almost identical to the average reading over the past 12 months. Looking through the month-to-month volatility, consents are probably still best described as bumping along the bottom. However, as the economic recovery broadens, we expect to see more evidence of an uptrend developing later this year. Meanwhile, consents for non-residential buildings maintained a softer trend, declining 17% in the March quarter compared with a year earlier.

Finally, it also is worth noting that this week Statistics New Zealand announced that it had made an error in the Q1 CPI, by omitting to include the impact of a $25 increase in the annual motor vehicle licensing fee. Had this been included, the CPI would have increased 1.0%q/q/2.6%y/y, rather than the 0.9%q/q/2.5%y/y movement that was reported. Rather than revise the CPI, Statistics New Zealand has decided that the impact of this price change will be included when the Q2 index is released in July. This will slightly lift our near-term inflation outlook, although index-number rounding means that this may not be evident until the second half of this year.

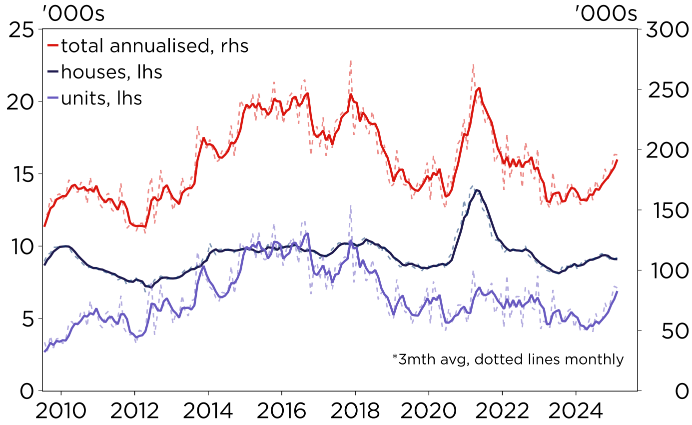
AUS: Mar Dwelling Approvals (%mth)

May 6, Last: –0.3%, Westpac f/c: –1.5%
Mkt f/c: -0.6%, Range: -3.0% to 3.0%

Dwelling approvals dipped -0.3%mth in Feb, coming off a 6.9% lift in Jan. Approvals remain on an upward trajectory that formed in early-2024, the 25.7%yr gain the strongest annual pace since mid-2021.

The Mar update is expected to be on the softer side. Unit approvals drove most of the Jan jump and still look relatively elevated in Feb given the segment is prone to lumpiness and is not well placed to drive sustained gains. Meanwhile, other indicators suggest private detached house approvals have been about flat. On balance we expect the month to show a 1.5% decline that is still consistent with an underlying up-trend. Note that approvals typically have quite a lagged response to interest rate changes.

Uptrend to remain on course



Source: ABS, Macrobond, Westpac Economics

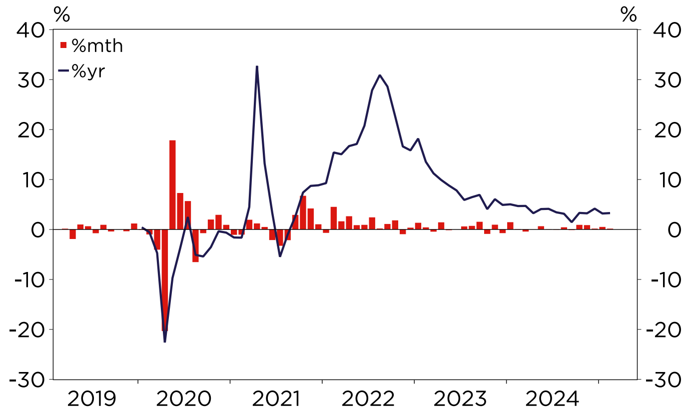
AUS: Feb Household Spending Indicator (%mth)

May 6, Last: 0.2%, Westpac f/c: +0.5%
Mkt f/c: 0.3%, Range: 0% to 0.6%

The household spending indicator of nominal spending increased by 0.2%mth in Feb, following 0.5%mth gain in Jan. Feb marked the fifth consecutive monthly rise, lifting annual growth to 3.3%yr.

March is expected to show a reasonably solid 0.5% gain albeit with some downside risks. Our **Westpac Card Tracker** index showed significant week-to-week impacts from Cyclone Alfred but these largely netted out for the month as a whole saw a solid rise. Vehicle sales, which are incorporated into the ABS measure, also look to have posted a x% gain in the month. While it is still uncertain how these measures map to the spending indicator, and the soft retail sales result hints at some downside risks, we expect the measure to show a 0.5% overall.

Monthly household spending indicator



Source: ABS, Macrobond, Westpac Economics

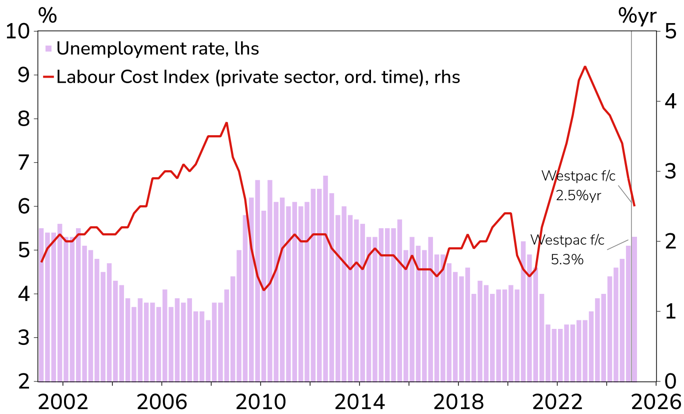
NZ: Q1 Labour Market Surveys

May 7, Unemployment rate – Last: 5.1%, Westpac f/c: 5.3%
Labour Cost Index, private sector – Last: +0.6,% Westpac f/c: +0.4%

We expect a further rise in the unemployment rate to 5.3% in the March quarter, which would be the highest level since 2016. Employment appears to have stabilised in recent months, but this is insufficient to keep up with the growth in the working-age population.

The ongoing slack in the labour market suggests that we should also see a further slowdown in wage growth. We expect a 0.4% rise in the Labour Cost Index for the private sector, with the public sector seeing a somewhat larger increase due to a pay agreement for teachers.

Softening jobs market sees wage growth ease



Source: Stats NZ, Macrobond, Westpac Economics

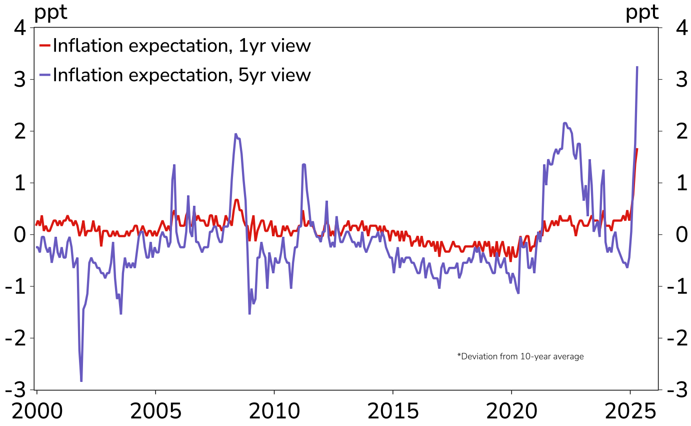
US: May FOMC meeting

May 6–7, Last: 4.375%, WBC f/c: 4.375%, Mkt f/c: 4.375%

The FOMC is set to meet formally for the first time since President Trump's Liberation Day. The Administration has since provided the world with a reprieve from the extreme tariffs first mooted, but initial repricing decisions by US retailers and consumer inflation expectations amongst households back the FOMC guidance that inflation remains their top priority/ risk.

While mindful of the potential ill effects on activity and labour demand of the tariffs, we expect inflation to again be emphasised as the FOMC's focus at the May meeting. No formal update to forecasts will be provided, but qualitative guidance is likely to imply that rate cuts are off the agenda until at least H2 2025. Absent a sudden shock to activity, policy is likely to remain restrictive through the forecast period.

Tariffs are lifting concerns about inflation



Source: University of Michigan, 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.

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 05							
Aus	Apr	MI Inflation Gauge	%yr	2.8	–	–	Easing domestic price growth to balance global concerns.
	Apr	ANZ-Indeed Job Ads	%mth	0.4	–	–	In a stable 114-117pt range over the past seven months.
Eur	May	Sentix Investor Confidence	index	–19.5	–15.0	–	Expectations index back in the negative.
US	Apr	ISM Services PMI	index	50.8	50.2	–	Edging towards contractionary levels.
Tue 06							
Aus	Mar	Dwelling Approvals	%mth	-0.3	–0.6	-1.5	Have been on an upward trajectory since early-2024.
	Mar	Household Spending Indicator	%mth	0.2	0.3	0.5	Feb marked the fifth consecutive monthly rise.
NZ	Apr	ANZ Commodity Prices	%mth	-0.4	–	–	Further gains in meat and dairy prices.
Chn	Apr	Caixin Services PMI	index	51.9	51.8	–	Holding firm at above 50 levels.
Eur	Mar	PPI	%yr	3.0	2.6	–	PPI inflation has seen a further strengthening since late-24.
US	Mar	Trade Balance	US$bn	-122.7	-122.0	–	Monthly deficit since Dec averaging twice its 10yr average.
Wed 07							
NZ		RBNZ Financial Stability Report	–	–	–	–	Six-monthly update, unlikely to be market moving.
	Q1	Unemployment Rate	%	5.1	5.3	5.3	Unemployment rate is expected to tick higher...
	Q1	Employment	%qtr	-0.1	0.1	0.1	...with jobs steady but population still growing.
	Q1	LCI Wage Inflation (Pvte, Ordinary Time)	%qtr	0.6	0.5	0.4	Slack in labour market is easing wage growth.
Chn	Apr	Foreign Reserves	US$bn	3241	–	–	Moving higher reflecting growing trade surplus.
Eur	Mar	Retail Sales	%mth	0.3	–0.1	–	Slowly regaining momentum despite monthly fluctuations.
US		FOMC Policy Decision	%	4.375	4.375	4.375	No policy change as the FOMC assesses the tariff impac.
Thu 08							
UK		BoE Policy Decision	%	4.50	4.25	–	Growth jitters to clash with firmer near-term inflation.
US	Mar	Consumer Credit	$bn	–0.8	10.0	–	To recover following an unexpected pull-back in Feb.
	Q1	Productivity	%yr	1.5	-0.5	–	Productivity set to record first decline since 2022.
	Apr	NY Fed 1-Yr Inflation Expectations	%yr	3.58	–	–	Medium term inflation expectations remain more stable.
	Wkly	Initial Jobless Claims	000s	241	–	–	Increased slightly last week.
Fri 09							
Jpn	Mar	Household Spending	%mth	–0.5	0.5	–	Spending is improving, just not impressively.
Chn	Apr	Trade Balance	US$bn	102.6	88.8	–	Reaction to the escallation of the trade war with the US.
UK		BoE's Bailey Speaks	–	–	–	–	BoE Governor gives the keynote address in Reykjavik.
US		Fedspeak	–	–	–	–	Fed's Williams, Kugler and Barr speak in Reykjavik.
		Fedspeak	–	–	–	–	Different Fed speakers at the monetary policy conferece.
Sat 10							
Chin	Apr	PPI	%mth	–2.5	–	–	Have been broadly stable; negative since 2022.
	Apr	CPI	%yr	–0.1	–	–	Core inflation back in the positive as headline wallows.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (2 May)	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	3.8647	3.90	3.70	3.45	3.50	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.25	3.35	3.40	3.50	3.65	3.80	3.85	3.90	3.95	4.00
3 Year Bond	3.34	3.40	3.45	3.55	3.70	3.85	3.90	3.95	3.95	4.00
10 Year Bond	4.23	4.35	4.40	4.45	4.50	4.55	4.60	4.70	4.80	4.80
10 Year Spread to US (bps)	0	5	5	5	5	5	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	4.23	4.30	4.35	4.40	4.45	4.50	4.60	4.70	4.80	4.80
New Zealand										
Cash	3.50	3.25	3.25	3.25	3.25	3.50	3.75	3.75	3.75	3.75
90 Day Bill	3.40	3.35	3.35	3.35	3.45	3.70	3.85	3.85	3.85	3.85
2 Year Swap	3.10	3.10	3.25	3.50	3.70	3.85	3.95	4.00	4.00	4.00
10 Year Bond	4.50	4.60	4.65	4.70	4.75	4.80	4.85	4.90	4.95	4.95
10 Year Spread to US (bps)	27	30	30	30	30	30	25	20	15	15

Exchange rate forecasts

	Latest (2 May)	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27
AUD/USD	0.6413	0.62	0.63	0.65	0.66	0.67	0.68	0.69	0.70	0.71
NZD/USD	0.5935	0.56	0.56	0.57	0.57	0.58	0.59	0.60	0.61	0.62
USD/JPY	145.27	145	143	141	139	137	136	135	134	133
EUR/USD	1.1308	1.10	1.10	1.11	1.12	1.13	1.14	1.15	1.15	1.15
GBP/USD	1.3309	1.28	1.29	1.30	1.31	1.32	1.33	1.34	1.35	1.35
USD/CNY	7.2714	7.35	7.30	7.25	7.20	7.15	7.10	7.00	6.90	6.80
AUD/NZD	1.0804	1.12	1.12	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	0.4	0.4	0.6	0.5	0.5	0.5	–	–	–	–
%yr end	0.8	1.3	1.5	1.7	2.0	1.9	2.1	2.2	1.5	1.3	1.9	2.2
Unemployment rate %	4.1	4.0	4.1	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	3.0	4.2	3.2	2.9	3.3
CPI Headline %qtr	0.2	0.2	0.7	0.6	0.8	0.8	0.8	0.8	–	–	–	–
%yr end	2.8	2.4	2.2	1.7	2.3	2.9	3.0	3.3	4.1	2.4	2.9	2.8
CPI Trimmed Mean %qtr	0.8	0.5	0.6	0.6	0.7	0.7	0.6	0.6	–	–	–	–
%yr end	3.6	3.2	2.8	2.6	2.5	2.6	2.6	2.7	4.2	3.2	2.6	2.4

New Zealand economic growth forecasts

	2024		2025				2026		Calendar years			
% Change	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**2023**	**2024**	**2025f**	**2026f**
GDP %qtr	-1.1	0.7	0.4	0.4	0.8	1.0	0.8	0.7	–	–	–	–
Annual avg change	0.1	-0.5	-1.1	-0.9	0.1	1.0	2.1	2.8	1.8	-0.5	1.0	3.2
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	0.9	0.2	0.9	0.7	0.5	0.3	–	–	–	–
Annual change	2.2	2.2	2.5	2.4	2.7	2.8	2.3	2.4	4.7	2.2	2.8	2.0

Corporate Directory

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro–Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner
Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Jameson Coombs
Economist
E: jameson.coombs@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au

IQ

westpaciq.com.au

Things you should know

We respect your privacy: You can view our privacy statement at Westpac.com.au. Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

Disclaimer

This information has been prepared by Westpac and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision.

This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward–looking statements. The words “believe”, “anticipate”, “expect”, “intend”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events and future trends identify forward–looking statements. These forward–looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

Conflicts of Interest: In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

Author(s) disclaimer and declaration: The author(s) confirms that (a) no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material; (b) this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate; (c) to the best of the author’s knowledge, they are not in receipt of inside information and this material does not contain inside information; and (d) no other part of the Westpac Group has made any attempt to influence this material.

Further important information regarding sustainability–related content: This material may contain statements relating to environmental, social and governance (ESG) topics. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics, modelling, data, scenarios, reporting and analysis on which the statements rely. In particular, these areas are rapidly evolving and maturing, and there are variations in approaches and common standards and practice, as well as uncertainty around future related policy and legislation. Some material may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. There is a risk that the analysis, estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes to differ materially from those expressed or implied. The ESG–related statements in this material do not constitute advice, nor are they guarantees or predictions of future performance, and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of the statements). You should seek your own independent advice.

Additional country disclosures:

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). You can access Westpac’s Financial Services Guide here or request a copy from your Westpac point of contact. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice.

Note: Luci Ellis, Westpac Chief Economist is a member of the Australian Statistics Advisory Council (ASAC) which is a key advisory body to the Minister and the Australian Bureau of Statistics on statistical services. Luci does not have access to sensitive data/reports in her capacity as a member of ASAC.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit–taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz.

Disclaimer continues overleaf ▶

Singapore: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore.

U.S: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ('WCM'), a wholly–owned subsidiary of Westpac, is a broker–dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WCM other than as provided for in certain legal agreements between Westpac and WCM and obligations of WCM do not represent liabilities of Westpac.

This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a–6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non–U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non–U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non–U.S. securities or related financial instruments may be limited. Non–U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker–dealer under the rules of FINRA, any other U.S. self–regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

UK and EU: The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

Westpac Europe GmbH ("WEG") is authorised in Germany by the Federal Financial Supervision Authority ('BaFin') and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ('Deutsche Bundesbank'). WEG is registered with the commercial register ('Handelsregister') of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub–participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2)of the Order; (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/ or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found here. Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non–independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.