Week beginning 12 May 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Opportunities amidst the chaos.

The Week That Was: Opportunities in trade.

Focus on New Zealand: Pencilling in an extra OCR cut to 3% while risks persist.

For the week ahead:

Australia: Westpac-MI Consumer Sentiment, wage price index, labour force survey, housing finance.

New Zealand: retail card spending, house prices and sales, selected price indices, inflation expectations.

Japan: Q1 GDP, industrial production, current account balance.

Europe: industrial production, trade balance.

United Kingdom: Q1 GDP, unemployment rate, wages, trade balance.

United States: CPI, retail sales, industrial production, UoM consumer sentiment.

Information contained in this report current as at 9 May 2025

Opportunities amidst the chaos

Luci Ellis
Chief Economist, Westpac Group

Tariffs, policy chaos, deportations – even challenges to the rule of law. So much of the Trump administration's agenda represents an act of economic self-harm for the US. No wonder US consumer sentiment has plummeted in the past few months. Some of that sense of gloom even leaked into other countries such as Australia, though to a much lesser extent. Certainly, global economic growth will take at least some hit because of the US's travails. Yet for countries other than the US – including Australia – the current situation also presents opportunities, not all of which have been fully appreciated.

The first opportunity stems from the overvaluation of the USD, which is still more than 15% above standard estimates of inflation-adjusted fair value against its trading partners, including the AUD. An overvalued currency means an uncompetitive economy. This opens up opportunities for firms in other countries, either to sell into the US market or to bid business away from US competitors at home or in third-country markets. While tariffs override this advantage for goods sold into the US market, the same is not true for services.

Recent comments about tariffing foreign-made films might suggest that services imports more broadly could soon face similar imposts. However, it is unlikely to be practically feasible to tariff much services trade. Try as it might, the Trump administration will not be able to tax Americans' spending on overseas holidays – at least not without some severe intervention in global card payment systems, and I don't want to give them ideas.

Nor will it be feasible to tax the burgeoning trade in software, miscellaneous consulting and other business services. Professional services and software licencing are both large export industries for Australia, each generating more than $7½ billion in export revenue in 2024. Within the former, consulting, accounting & auditing and legal services each generated around $1 billion of export revenue. To put these in perspective, $7½ billion annual export revenue is more than Australia's 2024 exports of copper metal, or aluminium, pharmaceuticals, alcoholic beverages, wool, rice or barley – and not much less than last year's wheat exports.

Not all of these services exports go to the US, but it is the largest single destination for both of these broad services categories. While ever the USD remains overvalued, consultants, auditors and all those other providers of professional services will be able to undercut their American competitors for work in the US and elsewhere, whether by traveling or working remotely. And unlike say, manufactured exports, it will be easy to pivot when that overvaluation eventually unwinds.

The second opportunity stems from the revulsion-and-reallocation phase in global asset management. As we have previously discussed, the fading of the 'US exceptionalism' narrative means that asset managers globally are deciding that they want to be a bit less long US assets. This process had already started before 'Liberation Day', with US equity markets selling off and European equities rising, especially defence companies, over February and March. So far, Europe has been the main beneficiary of this asset reallocation. This is unsurprising given that European and UK-domiciled asset managers are such a large fraction of the global industry.

Australian-domiciled asset managers will nonetheless be contemplating the same issues. Aggregate data on Australia's international investment position show that US equities were around 55% of portfolio equity assets in 2024, and US debt securities were more than a third of portfolio debt assets. (The share of US investors in Australia's portfolio liabilities is noticeably smaller for both asset classes.)

> **"Amidst all the Trump-induced chaos and uncertainty, there are opportunities for other countries."**

This revulsion and reallocation process need not be a case of bringing assets home. It is simply that reallocating out of the US means reallocating into something else, and that something else can be more diversified and include Australian assets, regardless of the location of the end investor. Some of that reallocation will mean more capital, or at least cheaper capital than otherwise, for needed investment in the climate transition, in infrastructure and other areas.

A third opportunity, perhaps related to the second, centres on the defence industry. With the US under Trump looking like a less reliable defence partner and wanting its allies to provide for more of their defence themselves, Europe and other aligned nations such as Canada are looking to re-arm. In doing so, they are looking for alternatives to US equipment.

Again, this is more of an opportunity for Europe, noting that it already has extensive defence and aerospace sectors and other manufacturing industry that can be retooled. Here too, though, Australia can capitalise on this opportunity and is already doing so. We have already noted the offshore interest in Australia's JORN (Jindalee Operational Radar Network) over-the-horizon radar technology. We are hearing from a range of clients that this interest has broadened to other countries and products.

Australia has a significant defence equipment industry and provides overflow production capability for a range of overseas customers. Several offshore-headquartered defence technology firms already have operations here, building equipment for European military forces.

The broader point here is that other countries are not the US and are not constrained to behave in the same way. People adapt to events beyond their control, including the policy gyrations of other countries' governments. To be fair, the constant renegotiation and uncertainty around some of the Trump administration's policies makes it difficult to plan and make investment decisions involving the US. Even so, the currently overvalued USD, asset reallocation and defence pivot are all shifts that are robust to the daily headlines.

Cliff Notes: opportunities in trade

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

In Australia, the latest instalment of the household spending indicator, which covers around 60% of the consumer basket, provided another soft read on the consumer spending pulse. The indicator suggests nominal spending fell –0.3% in March, knocking the quarterly growth pace down to 1.0% which, after accounting for inflation, left real spending flat over the first three months of the year. Although this data is still considered experimental, the signal it provides matches other official ABS data, retail sales volumes flatlining over the same period, and clear signs of weakness within Westpac's own panel data and card spending insights, as discussed in detail in the Westpac Red Book.

There are still some crucial unknowns when it comes to the full wash-up for household consumption, particularly as it relates to services spending. But the dataflow thus far is clearly pointing to downside risks for Q1 consumption and GDP growth, due in roughly four weeks' time. Balancing these risks, a positive contribution from net exports is likely amid extensive tariff front-running prior to 'Liberation Day'.

While immediate and medium-to-long term trade risks remain for the global economy, this week's essay by Chief Economist Luci Ellis highlights that enduring opportunities are present for countries like Australia. Detailed below, this week also witnessed the first steps towards a hoped-for end to US trade hostility, with a trade 'framework' agreed between the US and UK.

Next week, labour market data will be in the spotlight domestically with the release of the Q1 Wage Price Index and April Labour Force Survey. Any further indication of easing labour market conditions will be closely scrutinised in the context of moderating inflation and heightened global uncertainty – dynamics that Westpac and the market believe will support a 25bp rate cut from the RBA at its May 19-20 policy meeting.

Offshore, the focus was the US and the UK.

The FOMC kept rates steady at its May meeting as they await further clarity on trade policy. Notable in the meeting communications is that the FOMC remain sanguine on the immediate outlook for growth and the labour market, emphasising for economic activity that annualised domestic demand growth (which omits net export's contribution) was around trend at +2.4% in Q1 against GDP's –0.3% print (net exports sizeable contraction in Q1 the result of tariff front running by business). On the outlook though, the committee "judges that the risks of higher unemployment and higher inflation have risen".

In the press conference, Chair Powell went on to outline that, in determining the appropriate stance of policy, the deviation from target for both inflation and unemployment and the risks to each trajectory will jointly determine the Committee's action at each meeting. Westpac continues to forecast just 50bps of cuts in the second half of 2025 and stability through 2026 as inflation and associated risks linger.

"The market continues to call for more easing, with at least 100bps of cuts priced by mid-2026."

Subsequently in the UK, the Bank of England cut Bank Rate by 25bps to 4.25% as inflation eased and slack builds in the economy. The detail of the vote revealed a wide range of views on the outlook – two members voted to leave policy unchanged, two to cut by 50bps, while five supported the 25bp cut. The committee's language about their policy stance remained largely unchanged, continuing to emphasise "a gradual and careful approach to the further withdrawal of monetary policy restraint".

While previous increases in energy prices are expected to push headline UK inflation to 3.5%yr later this year, "progress on disinflation in domestic price and wage pressures is generally continuing". The BoE's updated inflation projections showed downward revisions, with inflation now anticipated to reach 2%yr in Q1 2027, three quarters earlier in comparison to the February forecast. And, although the GDP growth this year was revised significantly higher, to 1.1%yr, the change mostly reflected a steeper increase in Q1 2025, with growth in 2026 now expected to be 0.3ppts lower at 1.2%yr – a rate below the BoE's estimate of supply growth, suggesting weakness in demand will continue to act against remaining inflation pressures.

Uncertainty from global trade policies were also considered. Governor Bailey welcomed emerging news that the US and UK had reached a trade deal (see below). However, he also pointed out that the UK is a very open economy, so it will be impacted through tariffs imposed on other economies. Bank of England analysis suggests that, over the three-year forecast horizon, tariffs are likely to lower UK GDP by around 0.3%. The estimated impact on inflation is inconclusive, affected by exchange rate movements, the health of global demand, global supply chain disruptions and US export prices.

To the deal struck on US/UK trade. Admittedly it is considered a trade 'framework' not a 'full and comprehensive' agreement as promised previously by US President Donald Trump.

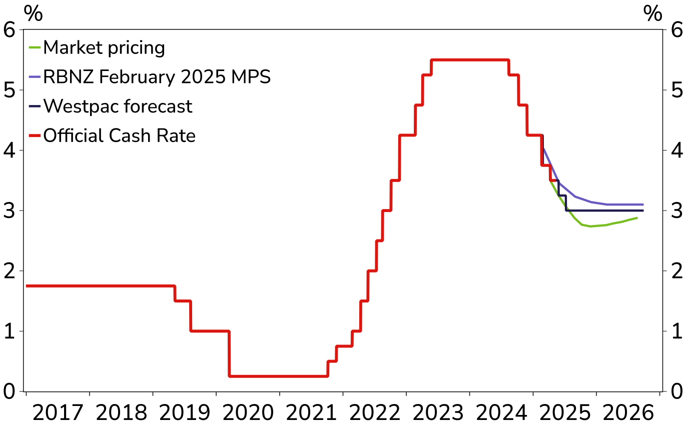
Nonetheless, it has been cheered by markets who hope it is the first of many steps towards an end to the heightened uncertainty over global trade.

Under the framework, the UK will give the US improved access to UK agriculture (beef and ethanol were noted in particular) and will purchase more aircraft from Boeing. In return, the first 100,000 cars exported from the UK to the US each year will be tariffed at 10% rather than 25%. The UK communications on the deal also referenced the tariff on UK steel and aluminium exports to the US being reduced from 25% to zero, but the US communications referenced only "an alternative arrangement". Pharmaceutical exports from the UK to the US will also reportedly receive preferential treatment, though details are still to be agreed. There is no change to the UK's digital service tax or food safety rules, and UK goods not specified under the agreement will still face a 10% tariff in the US. We expect to see more limited agreements in coming weeks. Whether negotiations continue to build towards comprehensive arrangements remains an open question.

Pencilling in an extra OCR cut to 3% while risks persist

Kelly Eckhold
Chief Economist

RBNZ OCR



Source: RBNZ, Macrobond, Westpac Economics

Next Tuesday we will be releasing updated economic forecasts in our May *Economic Overview*. These forecasts will update for the evolution of the economy since February as well as making a first cut at quantifying the downside risks to the domestic economy stemming from the potentially weaker and more uncertain global trade environment. It's entirely unclear what state the global the economy will be in 3-6 months from now and what that could mean here in New Zealand. Some weakness in global trading partner growth looks inevitable but the extent of that weakness and the ultimate impact on New Zealand is totally up for grabs.

We have tried to balance between two scenarios: a baseline scenario of a continued economic recovery, and an alternative scenario of a decent sized global downturn that slows the domestic recovery. That latter scenario, if realised, would imply further cuts to the OCR into what would be quite stimulatory territory (remembering our view of the neutral OCR remains at 3.75%).

In practice, we don't think the RBNZ will be able to see its way through the fog of war by July or even August. Hence, it's likely they will continue to cut the OCR beyond the 3.25% trough in the OCR we previously forecast. We have pencilled in an additional 25bp cut to 3% in July (noting that August is also a real possibility) to reflect that the RBNZ will likely continue to perceive downside risks for a while after May.

The baseline view – continued recovery

The New Zealand economy continued its slow-but-steady recovery up until the trade shock hit. Data in April generally confirmed the view that growth was continuing – albeit with some normal month-to-month volatility. Consumer confidence picked up, business confidence remained robust, the manufacturing and composite PMIs remained in expansionary territory, while activity in the housing market has continued to gradually rise. Economic indicators haven't all been positive, however. For instance, consumer spending took a step back in March. At the same time, labour market conditions have been more mixed – the March quarter saw a modest gain in employment and the unemployment rate remained unchanged at 5.1%, but wage growth continued to cool, and the number of hours worked declined.

This picture of gradually improving economic activity has been in line with our expectations from earlier this year. Given that inflation pressures show no signs of undershooting the RBNZ's 2% target mid-point, it's likely we would have been nearing the end of the easing cycle in the absence of current trade shock.

Interest rates have fallen a long way and are delivering significant stimulus that's just hitting the bloodstream right now. The RBNZ delivered the expected 25bp cut to 3.5% at its April meeting as had been signalled in the February Monetary Policy Statement. That brings the total amount of OCR cuts delivered this cycle to 200bps. With large numbers of borrowers due to re-fix their mortgages over the next few months, the associated cuts in mortgage costs will generate a significant increase in monthly disposable income for many households. In fact, for the average household with a mortgage, that fall in their minimum repayments would be equivalent to roughly 4% of their annual income. That compares favourably with other periods of monetary easing in the last 30 years. Indeed, it was only the large reduction seen in the wake of the Global Financial Crisis that has been larger.

Lower interest rates have come at a time when commodity markets are delivering the key NZ primary sector a boom in incomes that's helping underpin growth. Spending in the regions where the primary sector and tourism gains have a higher weight shows strength compared to the major urban areas.

The downside risks

But nevertheless, growth remains narrowly based and remains vulnerable to a setback. Concerns that such a setback could be upon us have arrived now, with threats to the global outlook coming from record high levels of trade policy uncertainty amidst the wildly fluctuating trade policy and tariff outlook. The direct impact of New Zealand's 10% tariff is unwelcome but, in the end, manageable. It's the possible indirect effects that are of greater importance.

Markets will remain alert for the potential that the uncertain operating environment is impinging on the nascent recovery in consumption and investment. Businesses indicated some risks here in the ANZ's April business confidence survey where firms that responded later in April took a much more pessimistic view on the outlook for investment and employment than those who answered earlier in the month.

But critical will be the extent to which weaker global growth reduces the terms of trade that's contributing to the recovery thus far. News to date has been encouraging. Export prices haven't fallen and, by and large, orders have not been cancelled. While damage has been done in some areas (for example, for some local manufacturers with facilities based in Asia but exporting to the United States), opportunities beckon for others. For example, suppliers of beef and dairy products to China may see increased demand, replacing highly-tariffed exports from the US.

The behaviour of the exchange rate will be critical in managing the damage done by the indirect tariff effects. The volatility in the exchange rate in the last month is testament to the uncertainty on the outlook. The NZD/USD exchange rate fell below 55 cents in early April on the tariff announcements but recovered to just above 60 cents as sentiment regarding the US dollar soured and as better news emerged on the tariff front. On a trade weighted basis, the NZD has traded in a 6% range in the last month. While our forecast is for the NZD to track around current levels versus the USD for the remainder of this year, there is a risk of further weakness and volatility. We see further trend weakness in the NZD on a trade weighted basis around a volatile path as views wax and wane on the US dollar and global uncertainty.

We have considered a downside scenario for the global economy that is perhaps around a quarter of the intensity seen during the GFC, which would slow growth and push inflation somewhat lower in New Zealand. That scenario is less positive than our baseline view in that the total downgrade to trading partner growth is larger with a greater impact on Chinese and Asian trading partner growth. We would expect such a scenario to be more negative for New Zealand's terms of trade (which we marked down 5 percentage points) and would likely have more pronounced confidence and uncertainty impacts on the most cyclical elements of the economy – consumption and investment. Inflation would head towards 1.5% for a while, even though the exchange rate would fall. That downside scenario is realistic, but by no means certain, both in terms of likelihood and its composition. But we think it gives a realistic scalar in terms of the impact on the economy.

The starting point for inflation is still uncomfortably high for the RBNZ. For various reasons, domestic inflation continues to fall more slowly than expected given past weakness in the economy. While we see cyclical elements of inflation moving lower, there are plenty of other sources of inflation that are more persistent – for example in less competitive parts of the economy including in areas dominated by central and local government. On its own, that persistence in domestic inflation pressures would not argue for further cuts into more stimulatory territory, especially when compounded by the rise in prices for food and other commodities.

The implications for monetary policy now

We should consider and put some weight on the downside risks for global growth. It's those risks that markets have responded to recently and which the RBNZ MPC will likely act on when cutting the OCR a further 25bp at their May meeting.

We had thought that the easing cycle would be over by mid-2025. But trade uncertainty is likely to persist for longer than that, which means the downside risks will be with us until at least August and possibly longer. A corollary is that once reaching this new lower trough, the OCR could remain there for longer. Given a General Election is likely in late 2026 it seems prudent to assume at this point the tightening cycle might begin at the end of 2026 as opposed to mid-2026 as previously assumed. We also note that Treasury and the Minister of Finance have been vocal in suggesting that interest rates should be cut in the event of the downside risks crystallising. It's likely the interim RBNZ Governor and the MPC will have that in mind when determining the best path forward.

It's by no means clear that the downside risks will eventuate, but we expect the RBNZ to continue to move methodically in the easing direction while those downside risks remain. A move in the OCR to 3% now seems likely by August. We don't expect a lurch lower - it would take tangible signs of a more significant impact on the NZ economy and critically the inflation outlook to cause the MPC to move more quickly. It will be important to ensure the MPC's actions now don't necessitate the need for an aggressive rise in interest rates down the track should conditions not prove as weak as feared by markets. Policy is likely stimulatory now.

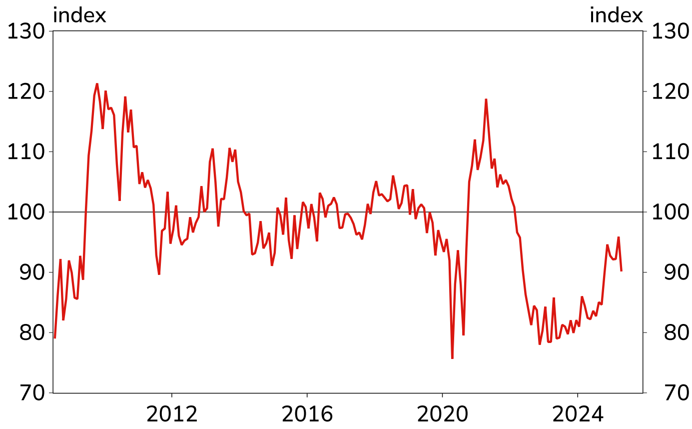
AUS: May Westpac-MI Consumer Sentiment (index)

May 13, Last: 90.1

Consumer sentiment fell 6% in April amid deepening unease about developments abroad. In particular, the 'reciprocal tariffs' announced by US President Trump in the middle of the survey week triggered a sharp deterioration, sentiment amongst those surveyed post announcement down nearly 10% vs March.

The May survey is in the field over the week ended May 10. A recovery in financial markets and somewhat calmer tariff situation may see some of these drags dissipate. The survey will also capture reactions to the Federal election which saw a much more decisive result than polls had been suggesting. That said, sentiment responses to elections differ across voter groups, often with little or no net effect to aggregate measures.

Consumer Sentiment Index



Source: Westpac-MI, Macrobond

AUS: Q1 Wage Price Index (%qtr)

May 14, Last: 0.7, Westpac f/c: 0.8
Market f/c: 0.8, Range: 0.7 to 1.0

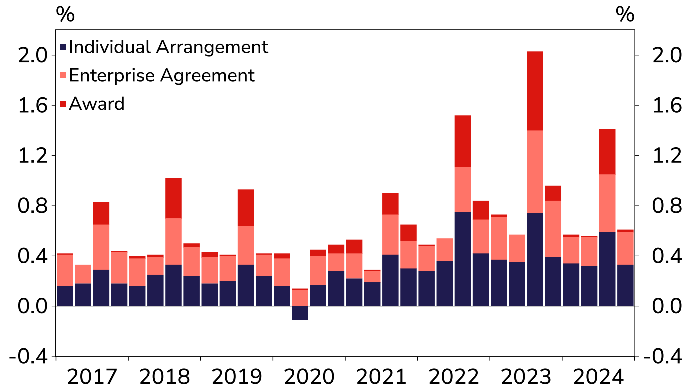
The WPI rose 0.7% in the December quarter, softer than Westpac, RBA and market consensus expectations. Wage inflation continued to moderate with the annual pace down to 3.2%yr from 3.6%yr in September, 4.1%yr in June and the peak of 4.2%yr in December 2023.

Comparing December 2024 to December 2023, the contributions from Enterprise Bargaining, Individual Arrangements and Awards/Minimum Wage contributions all softened.

Our March quarter WPI near–cast is 0.8%qtr which holds the annual place flat at 3.2%yr. However, it is possible there has been a further moderation in wage outcomes for Individual Arrangements point to downside risks to our estimate.

Contributions to Quarterly WPI Growth

By pay setting arrangement in ppt in original terms



Source: ABS, Macrobond, Westpac Economics

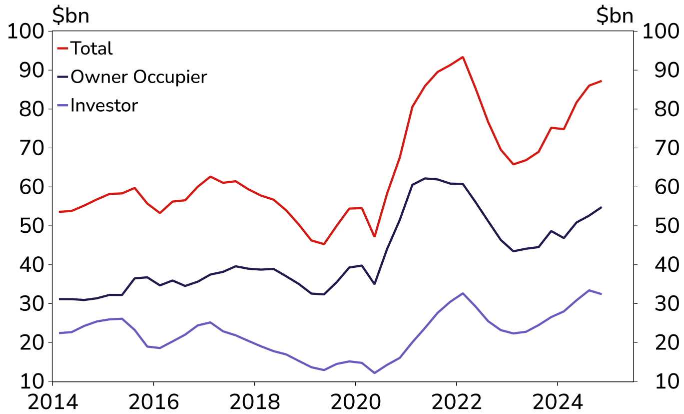
AUS: Q1 Housing Finance Approvals (%qtr)

May 14, Last: 1.4, Westpac f/c: –1.5
Market f/c: flat, Range: –3.5 to 2.0

ABS housing finance updates have moved to a quarterly release cycle with a few other slight definitional changes also being implemented. The total value of approvals rose 1.4%qtr in Q4, though annual growth slowed to 16%yr. The rise was led by owner occupier loans with investor loans declining for the first time in almost two years.

The Q1 update is expected to be on the soft side. While the RBA's Feb rate cut lifted buyer sentiment and saw prices firm a little in the quarter, transaction volumes look to be down in the quarter. Against this, construction-related activity looks to be more positive judging by a solid 3.8% gain in dwelling approvals. On balance, we expect the total value of finance approvals to be down 1.5%qtr.

Housing Finance Approvals



Source: ABS, Macrobond, Westpac Economics

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

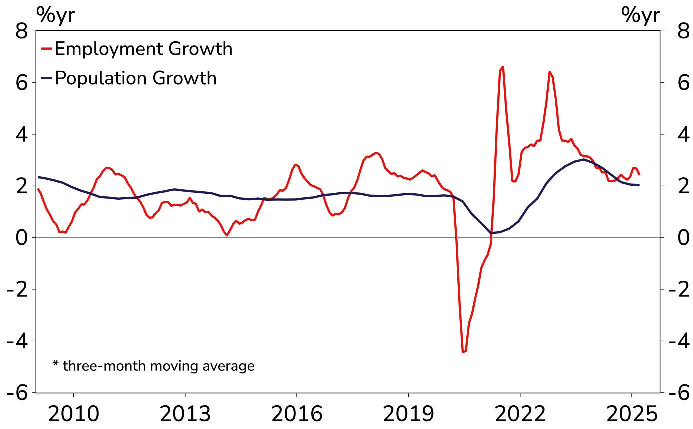
May 15, Last: 32.2, Westpac f/c: 20
Market f/c: 22.5, Range: 15 to 40

The March Labour Force Survey (LFS) was a bit of a mixed bag. Employment rose +32k, which is a solid gain in isolation, but coming off a much larger decline the month prior (–57k), employment held broadly flat over Q1 2025.

Some of this weakness looks to be a consequence of weaker population growth, as the monthly swings in employment have tracked in line with the pull-back in labour force participation from its recent peak.

For April, we have pencilled in a +20k lift in employment. With population growth slowing, such a gain could still see the employment-to-population hold steady.

Population growth easing



Source: ABS, Macrobond, Westpac Economics

AUS: Apr Labour Force – Unemployment Rate (%)

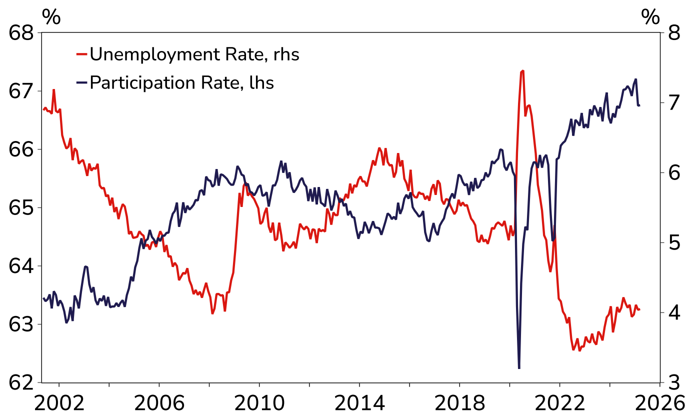
May 15, Last: 4.1, Westpac f/c: 4.1
Market f/c: 4.1, Range: 4.1 to 4.2

The main focus of recent reads in the LFS has been the sudden pull-back in labour force participation, from peaking at 67.2% in January to holding around 66.7-8%.

This suggests a cyclical downtrend in participation may be forming, as the need for additional labour supply to combat cost-of-living pressures fades with falling inflation. The unemployment rate has held remarkably steady despite these big swings over recent months, holding around 4.0%, while underemployment continues to trend lower.

We think the participation and unemployment rate will continue to hold steady in April, at 66.8% and 4.1% respectively.

Participation gapped lower, unemployment steady



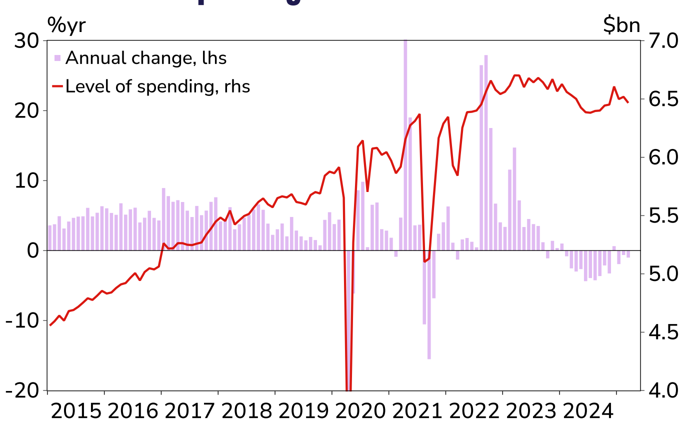
Source: ABS, Macrobond, Westpac Economics

NZ: Apr Retail Card Spending (%mth)

May 14, Last: –0.8, Westpac f/c: +0.2

Retail spending fell 0.8% in March with weakness spread across discretionary spending categories, like furnishing and apparel. That was despite falls in petrol prices putting money back into people's pockets. We expect spending levels will push higher again in April. However, for now the recovery remains gradual. In addition, poor weather over the past month is likely to have been a drag on hospitality spending. We expect the recovery will gain pace over the coming months as increasing numbers of borrowers roll on to lower mortgage rates.

NZ retail card spending



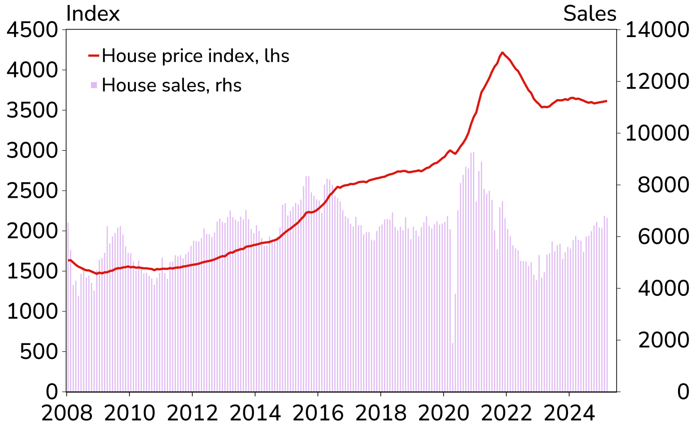
Source: Stats NZ, Macrobond, Westpac Economics

NZ: Apr REINZ House Prices and Sales (%ann)

May 15 (TBC), Prices Last: –0.7; Sales Last: 12.8

The housing market continued to gradually pick up in the early part of this year. The REINZ house price index has risen, albeit marginally, for the last five months straight, and loan demand has risen strongly. The close proximity of Easter and ANZAC Day may have ended up weighing on activity in April, but otherwise we expect sales to maintain their upward trend. As the stock of unsold homes on the market is worked through, we expect to see further upward pressure on prices over 2025.

NZ housing market picking up gradually



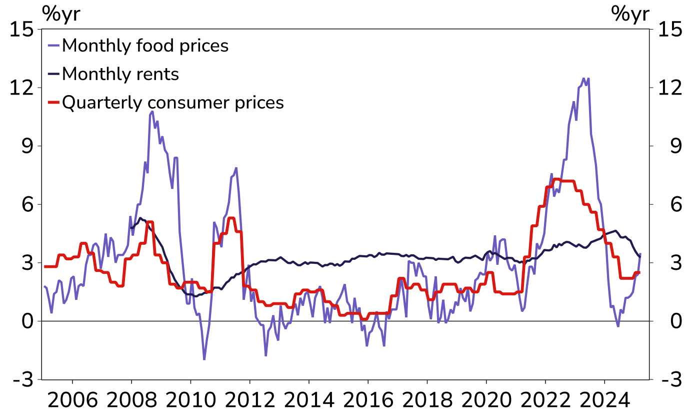
Source: REINZ, Macrobond, Westpac Economics

NZ: Apr Selected Price Indices

May 15

Stats NZ's monthly price data covers around 45% of the CPI. In terms of the big categories, we expect that food prices will be broadly flat with continued increases in grocery prices balanced against the usual seasonal fall in produce prices. Strength in food prices is upside risk to overall inflation over the coming months. On the domestic front, we're watching for continued softness in hospitality prices and only modest gains in rents. That would be consistent with a continued gradual easing in non-tradables inflation through the middle part of the year.

NZ selected consumer prices



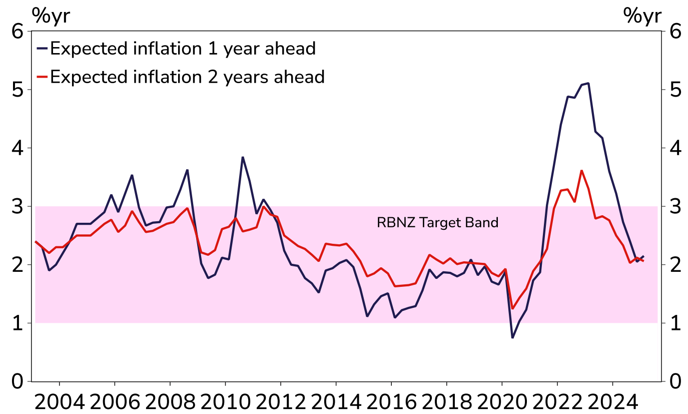
Source: Stats NZ, Macrobond, Westpac Economics

NZ: Q2 RBNZ Survey of Expectations (%ann)

16 May, Expected Inflation 2yrs Ahead, Last: 2.06

Inflation expectations remained well contained in the RBNZ's previous Survey of Expectations. Since the last survey, annual inflation has picked up from 2.2% to 2.5%. In addition, this will be the first survey since the US Liberation Day announcements. Those developments suggest some upside risk for near term inflation expectations. However, the bigger focus for the RBNZ concerns whether longer term expectations have been impacted, which we expect will remain close to 2%.

Inflation expectations within the target range



Source: RBNZ, Macrobond, Westpac Economics

US: Apr CPI (%mth)

May 13, Last: –0.1, WBC f/c: 0.3%, Mkt f/c: 0.3

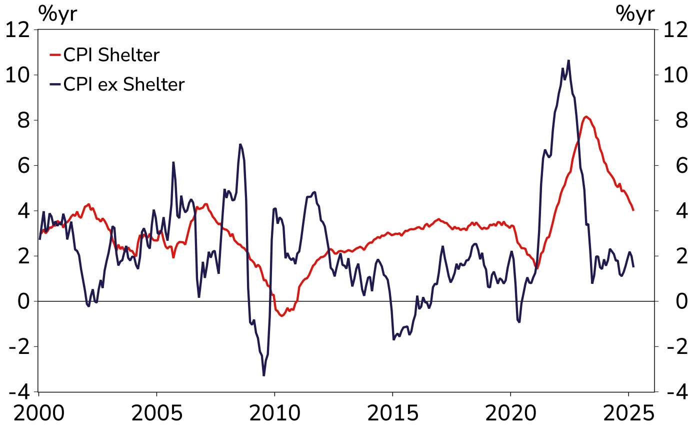
Energy weighed on headline inflation in March; though, excluding energy and food, inflation was still benign, core prices rising just 0.1% in the month.

Pleasingly, inflation was absent across the consumer basket. Shelter inflation was even back near its historic average.

Absent an immediate about face from the White House on tariffs, this situation will change dramatically in coming months. April is too early to see the full effect, but goods inflation may show evidence of firms trying to manage margins and additional costs related to expedited shipping.

Looking through 2025 to 2026, it is important to highlight that, while the impact of tariffs will pass, one way or another, limited capacity will continue to hold up inflation indefinitely.

Capacity is the US' primary inflation concern



Source: BLS, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 12							
Jpn	Mar	Current Account Balance	¥bn	4061	3787	–	Surplus to persist on foreign investment returns.
US		Fedspeak	–	–	–	–	Kugler.
Tue 13							
Aus	May	Westpac–MI Consumer Sentiment	index	90.1	–	–	Federal election response and tariff reactions in focus.
	Apr	NAB Business Conditions	index	4	–	–	Little-changed thus far, but uncertainty might start to show.
Eur	May	ZEW Survey Of Expectations	index	–18.5	–	–	Trade and fiscal policy see sentiment seesaw.
UK	Mar	ILO Unemployment Rate	%	4.4	–	–	The labour market is showing signs of slack …
	Mar	Average Weekly Earnings	%yr	5.6	–	–	… surveys suggest wage growth too will ease.
US	Apr	NFIB Small Business Optimism	index	97.4	94.7	–	Increasing costs dampen outlook for small businesses.
	Apr	CPI	%mth	–0.1	0.3	0.3	April too early to see the full effect of tariffs.
Wed 14							
Aus	Q1	Wage Price Index	%qtr	0.7	0.8	0.8	Individual Arrangements present dowside risk to our estimate.
	Q1	Housing Finance Approvals	%qtr	1.4	flat	–1.5	Lower transaction volumes points to softer outcome.
NZ	Apr	Retail Card Spending	%mth	–0.8	–	0.3	The pace of the recovery remains gradual.
	Mar	Net Migration	no.	5430	–	–	Balance is stabilising, Feb was boosted by students.
US		Fedspeak	–	–	–	–	Waller, Jefferson, Daly.
Thu 15							
Aus	May	MI Inflation Expectations	%ann	4.2	–	–	Expectations remain anchored.
	Apr	Employment Change	000s	32.2	22.5	20	Employment barely grew over Q1 …
	Apr	Unemployment Rate	%	4.1	4.1	4.1	… while the unemployment rate held steady.
NZ	Apr	REINZ House Prices	%yr	–0.7	–	–	Expected date. Prices are gradually picking up …
	Apr	REINZ House Sales	%yr	12.8	–	–	… though public holidays may weigh on April activity.
	Apr	Food Price Index	%mth	0.5	–	0.0	Seasonal fall in produce prices, grocery prices rising.
	Apr	Housing Rents	%mth	0.3	–	0.2	Rental growth has been modest.
Eur	Q1	GDP	%qtr	0.4	–	–	Second estimate to provide more colour.
	Mar	Industrial Production	%mth	1.1	–	–	Uncertainty around demand will weigh on production.
UK	Q1	GDP	%qtr	0.1	–	–	Monthly data points to a solid turnout for Q1 …
	Mar	Trade Balance	£bn	–1956	–	–	… with solid exports doing some of the heavy lifting.
US	Apr	Retail Sales	%mth	1.5	0.0	–	Consumers pre-purchase ahead of tariff-induced price hikes.
	Apr	PPI	%mth	–0.4	0.3	–	Still too early to see the impacts of tariffs.
	Apr	Industrial Production	%mth	–0.3	0.3	–	Factory output treading water …
	May	Fed Empire State	index	–8.1	–8.0	–	… as manufacturing sentiment plummets …
	May	Phily Fed	index	–26.4	–9.6	–	… across the regions.
		Initial Jobless Claims	000s	228	–	–	Ticked up slightly, but still very low.
		FOMC Chair Powell	–	–	–	–	Speaking on the central bank's monetary policy review.
Fri 16							
NZ	Apr	Manufacturing PMI	index	53.2	–	–	Solid lift so far in 2025.
	Q2	RBNZ Inflation Expectations	%ann	2.1	–	–	Close to 2%, but upside risk from global tensions.
Jpn	Q1	GDP	%qtr	0.6	–0.1	–	Drag from imports to hamper growth.
	Mar	Industrial Production	%mth	–1.1	–	–	Final estimate; under pressure from a foggy trade outlook.
Eur	Mar	Trade Balance	€bn	21.0	–	–	Strong exports ahead of tariffs will see a wide trade surplus.
US	Apr	Housing Starts	%mth	–11.4	3.3	–	Elevated lending costs and uncertainty making housing …
	Apr	Building Permits	%mth	0.5	0.0	–	… projects an unattractive bet for builders.
	May	Uni. of Michigan Sentiment	index	52.2	53.0	–	Confidence plummets, inflation expectations skyrocket.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (9 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	3.82	3.90	3.70	3.45	3.50	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.33	3.35	3.40	3.50	3.65	3.80	3.85	3.90	3.95	4.00
3 Year Bond	3.41	3.40	3.45	3.55	3.70	3.85	3.90	3.95	3.95	4.00
10 Year Bond	4.29	4.35	4.40	4.45	4.50	4.55	4.60	4.70	4.80	4.80
10 Year Spread to US (bps)	-8	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	4.37	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	3.00	3.00	3.00	3.00	3.00	3.25	3.50	3.75
90 Day Bill	3.37	3.15	3.10	3.10	3.10	3.10	3.20	3.45	3.70	3.85
2 Year Swap	3.11	3.10	3.15	3.30	3.50	3.65	3.80	3.90	3.95	4.00
10 Year Bond	4.53	4.55	4.60	4.70	4.75	4.80	4.85	4.90	4.95	4.95
10 Year Spread to US (bps)	16	25	25	30	30	30	25	20	15	15

Exchange rate forecasts

	Latest (9 May)	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27
AUD/USD	0.6398	0.64	0.65	0.67	0.68	0.69	0.70	0.71	0.72	0.72
NZD/USD	0.5903	0.59	0.59	0.59	0.60	0.61	0.61	0.62	0.62	0.63
USD/JPY	145.94	144	143	141	139	137	136	135	134	133
EUR/USD	1.1228	1.12	1.13	1.14	1.15	1.15	1.16	1.16	1.16	1.16
GBP/USD	1.3242	1.32	1.33	1.33	1.34	1.34	1.35	1.35	1.36	1.36
USD/CNY	7.2427	7.25	7.20	7.15	7.10	7.05	7.00	6.95	6.90	6.80
AUD/NZD	1.0838	1.08	1.10	1.13	1.13	1.13	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	0.9	0.8	0.8	0.8	0.8	0.8	–	–	–	–
%yr end	2.8	2.4	2.4	2.2	2.8	3.4	3.3	3.2	4.1	2.4	3.4	2.8
CPI Trimmed Mean %qtr	0.8	0.5	0.7	0.6	0.7	0.7	0.6	0.6	–	–	–	–
%yr end	3.6	3.3	2.9	2.7	2.6	2.8	2.7	2.7	4.2	3.3	2.8	2.5

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.