Week beginning 19 May 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

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United Kingdom: CPI, retail sales, consumer confidence.

United States: Atlanta Fed conference, home sales, leading index.

Global: S&P Global PMIs.

Information contained in this report current as at 16 May 2025

Everybody, breathe...

Luci Ellis
Chief Economist, Westpac Group

Once again, the US administration has shown that its initial announcements are usually ambit claims. These claims are rolled back to something less self-destructive, so long as the other party is willing to offer something in return. It is all part of the deal 'process', as well as something of a dominance display.

Trade between the US and China was never going to come to a sudden stop, except by accident. That would have been too damaging to both parties. Neither was the US in a position to demand that its allies break trade ties with China – a question that we have been asked several times in recent months.

For these reasons, we have maintained the view that the US would not fall into a serious recession, though it would take a noticeable hit to growth; that China would manage to reach its 5% growth target for 2025; and that the RBA did not need to and would not panic. It is early days, but so far these core assessments have been borne out.

Some of the initial market reaction therefore proved overblown. To be fair, though, this was partly because pricing needs to reflect the whole range of possibilities, including the downside scenarios that now look less likely. It is only after those uncertainties are largely resolved that we see pricing converging to be in line with a base-case view. Once again, it is worth keeping one's head and not overreacting to short-term fluctuations. This will be particularly relevant in the coming months. Trade and other data flow will be unusually volatile as the rush to beat the tariffs and the payback slump afterwards work their ways through, making it hard to see underlying trends.

The reduction in trade uncertainties supports the reduction in other uncertainties. While it is not clear where US–China tariffs will settle after the 90-day pause, it seems more likely that it will be close to (or even lower than) where they are now, not the three-digit trade-stopping rates that were previously announced. This means a smaller hit to growth in China from the trade war, and thus a smaller task for the Chinese authorities to achieve their 5% growth target for 2025. We can therefore be a bit more confident that the task will be achieved and our base-case view for China will also come to fruition.

There is still a longer-term partial disentanglement to come. A complete decoupling into separate trade spheres is too self-destructive to be realistic, at least in the short term, and no longer looks to be a material risk. Plenty of Western companies and governments might nonetheless decide that they do not want to be quite so dependent on China as a single source of supply of key inputs, whether that be specific minerals or ingredients for pharmaceuticals, and so on.

This cuts both ways, though. Given the recent behaviour of the Trump administration on the USMCA trade deal, rule of law and defence issues, plenty of European and Canadian companies and governments may well be coming to the view that they also do not want to be quite so dependent on US providers of defence systems, cloud computing services and other specialised exports that the US has dominated up to now. Certainly there were a few mutterings along these lines related to me by our offshore customers in recent months.

Implications for Australia

Australia was always a small target for the Trump administration's trade policy. A 10% tariff rate is entirely survivable, especially when the exchange rate of the destination country is at least that much overvalued. The Trump administration has proven that it will indeed do deals, as well as negotiating with itself to offer unilateral concessions like the original 90-day pause and the electronics carve-out. There is nonetheless an argument it might be better to avoid drawing attention to ourselves by attempting to get carve-outs that other countries are not getting.

"There is, however, a role Australia can play by telling our own story."

Australia tried hiding behind a tariff wall for decades. It was not the path to prosperity, as it turned out. It certainly did not create a vibrant manufacturing sector that could compete on the world stage. Manufacturing exports did eventually blossom – some even called it a boom – but only in the 1990s and early 2000s after the tariff wall was dismantled. While the boom in iron ore and LNG exports since the mid-2000s has squeezed manufacturing's share of Australia's total export volumes, at around 6½% it is still noticeably higher than in the late 1970s and early 1980s.

There are certainly protections that other countries have used to develop their manufacturing sectors as they begin to engage with the rest of the world. As well as the more obvious policies such as subsidies and tariffs, these include keeping one's exchange rate low by building up foreign exchange reserves. But these are tactics of poor countries growing richer. There is no real evidence that the same tactics work for countries that are already rich, as Australia's 20th century experience showed. If only the US administration understood this.

Cliff Notes: the promise of detail

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

In Australia, Westpac-MI Consumer Sentiment rose 2.2% to 92.1% in May, representing a partial rebound from a subdued result in April that partly captured President Trump's 'Liberation Day'. There have been many developments on the global trade front since – especially the latest de-escalation between the US and China which came just after our latest survey – which, combined with the calm attitude of financial markets, have supported sentiment. This was clearly captured in views on 'family finances vs a year ago' which rebounded +7.0% and, to a lesser extent, the year-ahead outlook for economic conditions, up +2.8%.

Consumers are accordingly less downbeat on whether it is 'time to buy a major household item', up +3.5%; however, that the sub-index remains 25% below its long-run average emphasises the weak starting point for the nascent recovery in consumer spending after a prolonged period of real income declines over 2023/24. On that front, the latest wages data struck a more positive tone for households, with the wage price index rising 0.9% (3.4%yr) in Q1. This was slightly firmer than expected and came as a result of wage increases delivered to aged care and childcare workers.

Households also remain positive on the labour market outlook, a view that was certainly given justification by the latest labour force survey. Following a couple of months of softer outcomes, employment surprised materially to the upside with an +89k surge. This also came alongside a significant rebound in the labour force, seeing the employment-to-population ratio and participation rate bounce back toward their historic highs. Meanwhile, the unemployment rate was little changed at its current year-average of 4.1%. Broadly, labour demand and supply still look to be moving broadly in tandem, allowing measures of labour market slack to hold steady.

Overall, this week's data does not change our view that the RBA will deliver a 25bp rate cut at its policy meeting next week, but it will be interesting to see refreshed staff forecasts and the Board's framing of risks around the domestic and global outlook. We note that the latest NAB business survey highlighted businesses were broadly unphased by the US' tariff uproar, supporting the view that Australia remains well placed to weather this period of global uncertainty. And, as far as the latest US-China trade deal is concerned, this week's essay from Chief Economist Luci Ellis discusses the implications in more depth.

Offshore, investors were focussed on the short-term trade deal agreed between the US and China. Tariffs imposed on Chinese exports were reduced to 30% (combining a 10% reciprocal rate and 20% tariff for fentanyl supply), while China will tariff US goods by 10%. These rates will be in place for 90 days from 12 May during which time the leaders of both countries will seek to negotiate a more permanent trade agreement. Industry tariffs also remain in effect for Chinese imports to the US, as is the case for other nations.

On the data front, the US CPI printed below expectations at 2.3%yr in April, the lowest rate since February 2021. Annual core inflation held steady at 2.8%. The detail of the April report was mixed, food prices edging higher as energy posted a partial rebound (a 0.7% gain after March's 2.4% decline). Within the core basket, goods prices edged higher again (up 0.1% in the month and over the year). Services inflation meanwhile remained robust at 0.3%, 3.6%yr (ex energy). Shelter inflation (primarily rents) continues to track materially above average, a consequence of limited supply; but medical care services also saw an outsized gain 0.5% compared to its current annual pace of 3.1%yr. Overall, ahead of the impact of tariffs, the baseline for inflation in the US looks to have been inflation modestly above target, primarily as a result of constrained supply.

> **"This is not a trend that the FOMC can easily influence; but as tariffs also impact, it will give the FOMC cause to be cautious over inflation expectations and risks."**

FOMC members who spoke this week certainly supported a 'wait and see' approach to monetary policy. Although, it has to be noted, they are assessing the labour market as closely as inflation. We maintain our call for two rate cuts towards the end of 2025 and an on-hold stance through 2026 while awaiting a clearer read on the net effect of US domestic and trade policy.

In the UK meanwhile, the latest labour market data gave justification for the Bank of England to continue to ease through 2025. The three-month average pace of employment growth slowed to 112k in March, down from 206k in February; and the unemployment rate edged up from 4.4% to 4.5%. Annual growth in average weekly earnings decelerated from a revised 5.9%yr ex-bonus to 5.6%yr (3-month average basis). This deceleration in wages aligns with other survey indicators which indicate wage growth is unlikely to be a source of inflationary pressure over the coming year.

While there may be greater concern over US growth these days, for both the UK and Euro Area, the outlook is becoming brighter. UK GDP growth was strong as expected in Q1, gaining 0.7%, 1.3%yr. This is despite soft private consumption (0.2%) and a contraction in government spending (-0.5%), more than offset by a surge in business investment (2.9%) as export growth outpaced imports (3.5% versus 2.1%). The second release for Q1 Euro Area growth confirmed robust moment, quarterly growth edged down from 0.4% to 0.3% but the annual rate unchanged at 1.2%yr – around trend.

The balance of growth prospects between the US, UK, Europe and, further afield, Asia will have a material bearing on the outlook for financial markets. Current trends point to persistent downward pressure on the US dollar, as discussed recently in our May Market Outlook.

Economic data nothing to trumpet about yet, but the turn is coming

Satish Ranchold
Senior Economist

To quote a great New Zealander "It won't happen overnight… but it will happen." That seems like an apt description of New Zealand's position in its monetary policy cycle and the current trends in economic data.

Since late last year, the RBNZ has delivered a significant easing in monetary conditions. The OCR has been cut by 200 bps since August, and were forecasting it will fall to a low of 3% over the coming months.

The resulting drop in borrowing costs has helped to lift sentiment in the economy, especially in the business sector where confidence has risen to firm levels. We've also seen a pick-up in some activity indicators like the PMIs, along with a stabilisation in building consents.

Lower borrowing rates have also helped to boost the housing market. Improved affordability has seen increased demand from first home buyers and other owner occupiers. We've also seen investors returning to the market (though they remain a smaller presence than they were in the years prior to the pandemic). Combined, that's seen house sales trending back towards average levels.

House price growth has remained gradual to date, with the lift in buyer activity matched by a rise in the number of homes available for sale. Even so, the past six months have seen modest-but-steady increases in house prices, and April actually saw a small acceleration in the rate of price growth to 0.4% mth (vs. rates of around 0.2% in previous months). We expect the housing market will continue gradually strengthening over the coming months, with house price growth to lift back to average rates of around 6% per annum over the coming year or so.

But despite the firming in those areas, the overall pace of economic growth has remained gradual through the first half of 2025. That's in large part due to softness in household demand. Growth in retail spending has flattened off a bit in recent months, with particular softness in discretionary spending categories like hospitality and household durables.

The labour market remains soft in recent months – which will be an ongoing handbrake on spending attitudes for a while. Households are also dealing with continued increases in living costs (on that latter point, Stats NZ's latest prices update showed that food price inflation has picked up again, rising to 3.7% in the year to April) while wage growth continues to moderate.

Crucially, it's early days in the household sector recovery with many borrowers yet to feel the full impact of interest rate reductions. Total interest costs for households have started to fall as borrowers transition from the higher interest rates of a year ago. But this refinancing process still has a long way to go. To the extent that borrowers are choosing relatively more expensive shorter-term rates in anticipation of further rate cuts, then the flow through of lower interest rates will be delayed – but not cancelled.

However, as we discuss in our latest Economic Overview, that picture is now changing with the easing in interest rates starting to hit the economy's bloodstream. Around half of all mortgages will come up for repricing over the next six months, giving many borrowers the chance to refix at substantially lower rates. For instance, over the past year the one-year mortgage rate has fallen 207 bps, while the two-year rate has fallen 150bps since 2023. Those are some of the largest falls in mortgage rates seen over the past 30 years, and for a household with an average mortgage it could put around $400 month back into their wallets.

As increasing numbers of mortgages come up for refixing, we expect to see household demand turning higher from midyear. Over time the resulting increase in demand will also help to support a lift in business investment spending and construction activity.

The delayed pass through of interest rate cuts will also be important for the RBNZ when considering how much further the OCR needs to fall. When we revised our OCR forecast down last week, a key concern was the strength of the global backdrop. While uncertainties remain, the recent cooling in trade tensions between the US, China and other nations are encouraging signs that a sharp and disruptive downturn in global growth may be avoided. Back home, inflation is set to rise back towards the top of the RBNZ's target band with a peak of 2.8% expected by the end of the year. Given those shifting risks, and with a large amount of stimulus already working its way through the economy, the RBNZ faces a delicate balancing act. Larger cuts now could mean the RBNZ has to raise rates faster and further longer term.

A floor in the migration cycle.

Migration has taken a sizeable step down over the past year, dropping to a net inflow of 26,000 people in the year to March. However, in part the slowdown over the past year reflects a normalisation of post-pandemic disruptions which have had a long tail.

Taking a closer look at the monthly movements of people across the border, it looks like the migration cycle has reached a floor. The number of returning New Zealanders has been gradually trending higher since mid-2024. There's also been a modest lift in arrivals from other nations, which remains comfortably above pre-pandemic averages. On the departures side of the equation, both the number of New Zealanders and others leaving our shore has flattened off over the past year. There has been some commentary that New Zealand's more productive workers are fleeing our shores as the average age of outward migrants has increased. We suspect that's overblown as the average age of outward migrants has been rising for a few years and of course we had a large influx of older migrants enter the country in recent years, some of which who will be leaving again now.

We expect annual net migration will lift to 35,000 this year and 40,000 next year. Relative job prospects will be a key determinant here. The Australian jobs market remains more vibrant compared to New Zealand, with the unemployment rate holding at around 4%, but we expect this to soften in the year ahead.

Budget 2025

The coming week will see the release of the Government's 2025 Budget. The Minister of Finance has already stated that the Budget will reaffirm the medium-term fiscal strategy outlined in the HYEFU. A weaker outlook for trading partner growth will weigh on forecast tax revenues, but the impact should be largely offset by the Minister's decision to reduce this year's operating allowance, together with other savings initiatives. As a result, consistent with the Minister's comments, we expect the Government will continue to forecast a return to surplus in 2028/29 (based on its preferred OBEGALx measure).

While deficits from 2025/26 onwards will likely slightly exceed the HYEFU forecast, this year's deficit is on track to print slightly below expectations and NZDM are on track to overfund relative to the HYEFU forecast. As a result, on net, overall revisions to the outlook for the operating balance will likely not be a driver of large changes to the outlook for the government borrowing programme.

There is more uncertainty about the Government's plans for capex: in particular, how much of foreshadowed new spending on defence will be met within existing unallocated capital allowances, as opposed to additional borrowing. On balance, we think that the cumulative four-year financing requirement will likely be around $4bn larger than forecast in the HYEFU, with the programme for 2025/26 likely unchanged given the overfunding in 2024/25.

The sustained spending restraint that is likely to be depicted in the Budget will require significant discipline and ongoing tough choices. That said, it is possible that the economy – and tax revenues – could surprise to the upside, allowing an easier return to surplus.

AUS: RBA Policy Decision (%)

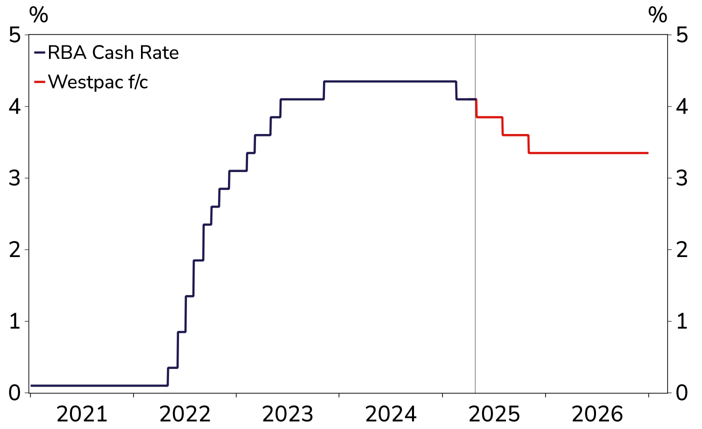
May 20, Last: 4.10, Westpac f/c: 3.85
Market f/c: 3.85, Range: 3.60 to 3.85

Westpac anticipates the RBA Monetary Policy Board will deliver a 25bp rate cut at its May policy meeting, taking the cash rate from 4.10% to 3.85%.

All measures of inflation are now firmly within the RBA's 2-3% target band. Policy settings are still weighing on the consumer, as evinced by pessimistic sentiment and slow growth in spending. As such, some further easing in these restrictive settings is warranted, particularly given the more unsettled and threatening global backdrop.

The staff's updated forecasts, alongside the Board's framing of risks to the domestic and global outlook, will be a key focus.

RBA to cut cash rate by 25bps in May



Source: RBA, Macrobond, Westpac Economics

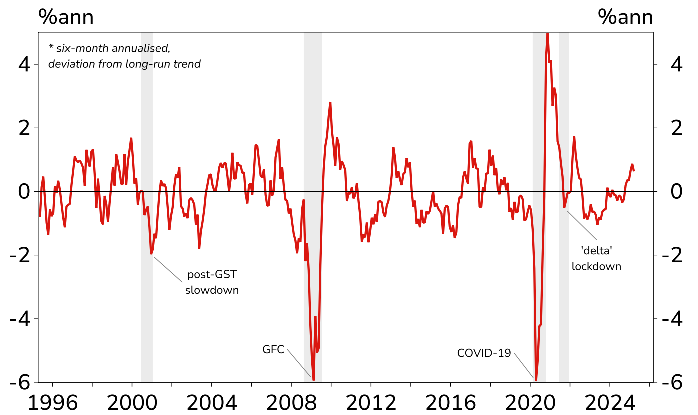
AUS: Apr Westpac-MI Leading Index (%ann'd)

May 21, Last: 0.6

The Leading Index growth rate slowed to 0.6% in Mar from 0.9% in Feb. The softening looks to be part of a sustained shift as trade disruptions start to impact. Recall that the headline measure is a six-month annualised growth rate. Hence, even sharp monthly developments take time to move momentum.

The Apr update will see a mixed bag of component updates. Equity markets posted a partial rebound from the Feb-Mar sell-off (ASX200 +3.6%), with a partial rebound in commodity prices (+0.4% in AUD terms) and consumer sentiment-based measures as well. However, US industrial production dipped and domestic measures of dwelling approvals and hours worked were both on the soft side. Importantly, several components saw solid gains in the second half of 2024 that are now 'cycling' out of six-month growth rates.

Westpac-MI Leading Index



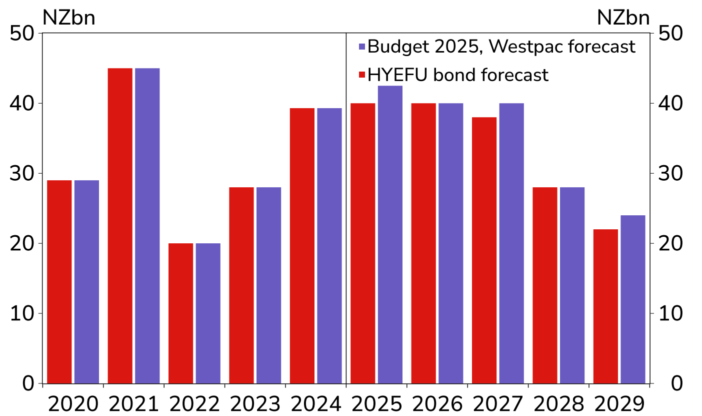
Source: Westpac-MI, Macrobond

NZ: Budget 2025

May 22

Downward revisions to trading partner growth forecasts mean that the Treasury's forecasts for GDP growth and tax revenue are expected to be revised down in Budget 2025. However, with the Minister of Finance indicating that new spending will be cut to the lowest level since 2015, Budget 2025 is expected to reaffirm the Government's intention to achieve an OBEGALx surplus by 2028/29. However, cumulative deficits over the period will still likely be higher than forecast in December's HYEFU. And together with a lift in capital spending, this points to the likelihood of a modest increase in the bond financing programme (about $4bn) despite the overfunding of this year's deficit.

NZGB financing programme



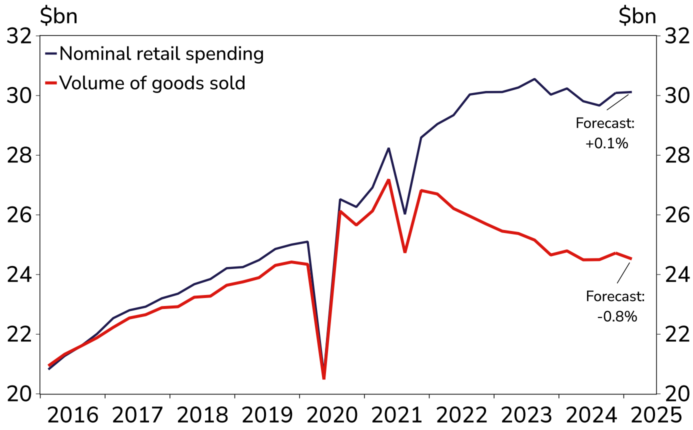
Source: , Macrobond, Westpac Economics

NZ: Q1 Real Retail Sales (%qtr)

May 23, Last: 0.9, Westpac f/c: –0.8

Increased spending on household durables boosted retail sales in the final quarter of last year. However, that momentum has not been sustained in the early part of 2025, with monthly nominal retail sales flat-to-down in recent months. Combined with increases in retail prices, we expect the March quarter retail sales report will show that the volume of goods sold fell 0.8% in the early part of this year, with a 1.1% fall in 'core' spending (which excludes the volatile vehicle and fuel categories). We expect spending will firm over the latter part of the year as the impact of interest rate reductions ripples through the economy.

Retail spending remains sluggish



Source: Stats NZ, 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 19							
NZ	Apr	BusinessNZ PSI	index	49.1	–	–	Up from mid-2024 lows but remains subdued.
	Q1	PPI	%qtr	–0.1	–	–	Likely boosted by a resurgence in electricity prices.
Chn	Apr	Retail Sales	ytd %yr	4.6	5.0	–	Consumption still weak versus pre-pandemic average …
	Apr	Industrial Production	ytd %yr	6.5	6.4	–	… but trade talks have lowered downside risks from tariffs …
	Apr	Fixed Asset Investment	ytd %yr	4.2	4.3	–	… leaving China still well positioned to hit its growth target.
Eur	Apr	CPI	%ann	2.2	2.2	–	Final estimate to provide more colour around services up-tick.
US	Apr	Leading Index	%mth	–0.7	–0.8	–	Remains comfortably above recession threshold.
		Fedspeak	–	–	–	–	Atlanta Fed Financial Markets Conference over May 18-22.
Tue 20							
Aus	May	RBA Policy Decision	%	4.10	3.85	3.85	Rate cut fully priced in; focus on framing of risks.
US		Fedspeak	–	–	–	–	Atlanta Fed Financial Markets Conference over May 18-22.
Wed 21							
Aus	Apr	Westpac–MI Leading Index	%ann'd	0.6	–	–	Tariff shock starting to roll through.
NZ	Apr	Trade Balance	$mn	970	–	1,120	Strong dairy exports should drive another surplus
Eur	May	Consumer Confidence	index	–16.7	–15.5	–	Weakening but not collapsing, unlike in the US.
UK	Apr	CPI	%ann	2.6	–	–	Gradually approaching target, but services still high.
US		Fedspeak	–	–	–	–	Atlanta Fed Financial Markets Conference over May 18-22.
Thu 22							
Aus		RBA Deputy Governor	–	–	–	–	Hauser speaking at the Lowy Institute at 6.30pm AEST.
NZ		Budget 2025	–	–	–	–	Spending restrained to hit OBEGALx surplus in '28/29.
Jpn	Mar	Core Machinery Orders	%mth	4.3	–1.6	–	Business investment robust through the start of the year.
	May	Jibun Bank Manufacturing PMI	index	48.7	–	–	Manufacturers are circumspect on demand outlook …
	May	Jibun Bank Services PMI	index	52.4	–	–	… while services provides a floor under activity.
Eur	May	HCOB Manufacturing PMI	index	49.0	49.4	–	European firms are holding up relatively well …
	May	HCOB Services PMI	index	50.1	50.6	–	… despite the uncertainty brought about by tariffs …
	May	IFO Business Climate Survey	index	86.9	87.5	–	… expectations are little-changed versus last year.
UK	May	S&P Global Manufacturing PMI	index	45.4	–	–	Highlighting downside risk to manufacturing …
	May	S&P Global Services PMI	index	49.0	–	–	… though sudden services slump might prove temporary.
US	Apr	Chicago Fed Activity Index	%mth	–0.03	–	–	Consistent with around-trend growth.
		Initial Jobless Claims	000s	229	–	–	No signs of significant layoffs.
	May	Kansas City Fed	index	–4	–	–	Outlook less negative following US-China trade deal …
	May	S&P Global Manufacturing PMI	index	50.2	–	–	… but conditions on the ground still somewhat shaky …
	May	S&P Global Services PMI	index	50.8	–	–	… while services provides some level of underlying support.
	Apr	Existing Home Sales	%mth	–5.9	3.2	–	High mortgage rates restrain sales activity.
		Fedspeak	–	–	–	–	Williams.
Fri 23							
NZ	Q1	Real Retail Sales	%qtr	0.9	0.0	–0.8	Discretionary spending weak in early 2025.
Jpn	Apr	CPI	%ann	3.6	3.5	–	Roll-back of energy subsidies are impacting.
UK	May	Gfk Consumer Sentiment	index	–23	–	–	Not particularly flustered by tariff volatility.
	Apr	Retail Sales	%mth	0.4	–	–	Continues to track a positive uptrend.
US	Apr	New Home Sales	%mth	–7.4	–3.3	–	High mortgage rates restrain sales activity.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (16 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	3.80	3.90	3.70	3.45	3.50	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.55	3.35	3.40	3.50	3.65	3.80	3.85	3.90	3.95	4.00
3 Year Bond	3.63	3.40	3.45	3.55	3.70	3.85	3.90	3.95	3.95	4.00
10 Year Bond	4.48	4.35	4.40	4.45	4.50	4.55	4.60	4.70	4.80	4.80
10 Year Spread to US (bps)	6	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	4.42	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	3.34	3.15	3.10	3.10	3.10	3.10	3.20	3.45	3.70	3.85
2 Year Swap	3.15	3.10	3.15	3.30	3.50	3.65	3.80	3.90	3.95	4.00
10 Year Bond	4.57	4.55	4.60	4.70	4.75	4.80	4.85	4.90	4.95	4.95
10 Year Spread to US (bps)	15	25	25	30	30	30	25	20	15	15

Exchange rate forecasts

	Latest (16 May)	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27
AUD/USD	0.6422	0.64	0.65	0.67	0.68	0.69	0.70	0.71	0.72	0.72
NZD/USD	0.5901	0.59	0.59	0.59	0.60	0.61	0.61	0.62	0.62	0.63
USD/JPY	145.37	144	143	141	139	137	136	135	134	133
EUR/USD	1.1197	1.12	1.13	1.14	1.15	1.15	1.16	1.16	1.16	1.16
GBP/USD	1.3309	1.32	1.33	1.33	1.34	1.34	1.35	1.35	1.36	1.36
USD/CNY	7.2007	7.25	7.20	7.15	7.10	7.05	7.00	6.95	6.90	6.80
AUD/NZD	1.0882	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	0.9	0.8	0.7	0.6	0.8	0.8	–	–	–	–
%yr end	3.6	3.2	3.4	3.4	3.2	3.1	3.0	2.9	3.2	3.1	3.2	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	0.6	0.7	0.9	0.8	0.7	–	–	–	–
Annual avg change	0.1	-0.5	-1.1	-0.8	0.2	1.1	2.2	2.8	1.8	-0.5	1.1	3.0
Unemployment rate %	4.8	5.1	5.1	5.3	5.3	5.2	5.0	4.8	4.0	5.1	5.2	4.4
CPI %qtr	0.6	0.5	0.9	0.3	0.8	0.7	0.5	0.4	–	–	–	–
Annual change	2.2	2.2	2.5	2.4	2.7	2.8	2.4	2.5	4.7	2.2	2.8	2.2

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

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