Week beginning 26 May 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

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For the week ahead:

Australia: Monthly CPI indicator, construction work done, capex, dwelling approvals, retail trade.

New Zealand: RBNZ policy decision, monthly employment indicator, building permits.

China: Industrial profits.

Japan: Jobless rate, Tokyo CPI, industrial production.

Europe: ECB President Lagarde speaks, consumer confidence, economic confidence.

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Information contained in this report current as at 23 May 2025

RBA's 'confident' 25bps rate cut – job done but uncertainties high

Luci Ellis
Chief Economist, Westpac Group

As we expected and the market was pricing, the RBA cut the cash rate target by 25bps at its May Monetary Policy Board meeting. This brings the cash rate target to 3.85%, which the media release described as "somewhat less restrictive", but nonetheless still at least a bit restrictive. The commentary at the media conference also showed a more dovish tone than what we heard in February and even April.

In the post-meeting statement and media conference, the Governor and Board noted that "underlying inflation is now expected to be around the midpoint of the 2–3 per cent range throughout much of the forecast period". Inflation has tracked downwards broadly as both we and the RBA expected since the previous cut in February. Although the Governor expressed caution about using such shorter-run measures, it is noteworthy that trimmed mean inflation was already running at an annual rate of 2½% (the midpoint of the target) over the most recent two quarters.

In its April post-meeting statement, the Board said that it "needs to be confident that this progress [in getting inflation down] will continue so that inflation returns to the midpoint of the target band on a sustainable basis". The further progress on inflation since then, in line with expectations, has allowed the rhetoric to shift to highlighting that inflation is now on target, and the policy challenge is to keep it there in the face of considerable uncertainty. In the media conference, the Governor described the moves as encouraging.

Indeed, with inflation inside the target range, and at its midpoint on some metrics, it would have been hard to construct a case to hold the cash rate unchanged at a clearly restrictive level. The domestic inflation story was, on its own, enough to warrant this rate cut, a fact acknowledged by the Governor in the media conference. Also, in the media conference, the Governor noted in response to a question that the case to hold was discussed but quickly dismissed.

At the same time, the RBA has no need to rush or to accelerate the pace of easing. At the new level of 3.85%, it is not that far from most estimates of the 'neutral' level that neither weighs on nor stimulates the economy; the RBA does not seem to have revised its estimate of neutral since February, judging by the material in the Statement on Monetary Policy (SMP). And while it is possible that it will end up needing to provide support to the economy with expansionary policy, rather than simply being less restrictive, we are not there yet. In the media conference, Governor Bullock highlighted that the Board has scope to move a lot should that be necessary.

Offshore risks were key in the RBA's change of view. The current "roller-coaster" trade war is seen as weighing on both global and domestic growth. That said, one of the key judgements in the RBA's forecasts is that, like Westpac, it assesses that the Chinese authorities have a "high appetite" to achieve the 5% growth target for 2025, and thus that the Chinese economy will slow only modestly. (The RBA's forecast is just shy of the target at 4.8%.)

It is also noteworthy that the RBA now regards recent trade developments as disinflationary for Australia (as do we). Back in April, the Board said that "Inflation... could move in either direction" because of the trade war. The possibility of higher inflation is now said to arise only if the trade dispute induces significant supply-chain disruption – an outcome that looks less likely now following the recent US–China interim deal.

> **"At the new level of 3.85%, it is not that far from most estimates of the 'neutral' level..."**

In the end, the inflation forecasts were only scaled back slightly, with the trimmed mean outlook shifting from flat at 2.7% to flat at 2.6% for the entire forecast period. The Board now describes this as underlying inflation returning to and remaining sustainably around the midpoint of the 2–3% target rate.

One area that the RBA had previously pointed to as a reason for not being confident that inflation can be sustained at current levels is the tightness of the labour market. While it still highlighted indicators that suggested remaining tightness, the forecasts for unemployment have been lifted slightly, while those for employment and wages growth have been reduced slightly.

Documents released under Freedom of Information show that, as at March this year, the RBA's models were implying that the NAIRU was 4.69%, only marginally down from the 4.75% estimate these models produced at the time of the February 2025 SMP. This is noticeably above the average estimate of the market economists that the RBA itself polls, and slightly above the maximum estimate reported in its survey. The May SMP noted that its assessment of the location of full employment was unchanged, but both there and in the media conference, it was acknowledged that they could be overestimating the NAIRU and underestimating full employment. This contributed to some downward judgement in their inflation and wages growth forecasts.

While the staff are clearly grappling with the possibility they have been underestimating full employment, much of the analysis released in March centred on a 'straw-man' alternative hypothesis of a 4% NAIRU. Yet a NAIRU of 4¼% (in line with average estimate of market economists) would be enough to overturn the RBA's concerns that the labour market is still too tight. Of course, the Governor would counter that they look at a broader range of metrics than just the unemployment rate relative to NAIRU estimates when assessing where the labour market is relative to full employment. In the end, though, their inflation models require a NAIRU estimate, so their inflation outlook hinges on the realism of those estimates.

The refreshed forecasts also significantly downgraded the RBA's view on consumption. As we had previously highlighted, the RBA was well out of consensus in its bullish 2.6% forecast for growth in household consumption as at February. This was reduced to 1.9% in the current forecasts, though part of this is the near-term effect of Cyclone Alfred and there is some payback on the downgrade later on. In the media conference, Governor Bullock acknowledged that consumption growth had picked up more slowly than expected and that households were "being a little bit cautious" – a signal that has been evident for some time in Westpac's Card Tracker and the Westpac–DataX Consumer Panel.

This month also marked the beginning of the RBA's new system for implementing monetary policy. The media release accordingly no longer included an announcement of the exchange settlement funds rate, the rate that the RBA pays banks and others on deposits with the RBA.

Overall, this is a much less hawkish set of communication than February, or even April, and recalibrates the RBA away from its outlier view on the tightness of the domestic economy. We see no reason to adjust our base-case view that the cash rate will be cut twice more this year (in August and November), taking it to 3.35% by year-end. This is contingent on underlying inflation trends remaining steady and no further downside shocks from abroad. As highlighted in the SMP scenario and in the Governor's media conference, the Board has scope to cut further to support the economy should that become necessary. And as we noted when we locked in our call for this meeting on 24 April, the risks are all on the downside.

Cliff Notes: RBA increasingly confident on inflation risks

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

As widely expected, the RBA delivered a 25bp rate cut on Tuesday, bringing the cash rate to 3.85%. In contrast to the relatively hawkish cut of February, the latest move was framed as a "confident cut" by Governor Bullock – recognition that inflation has since been confirmed in the target band and, on an underlying basis, is "expected to be around the midpoint" through to June 2027.

Further justifying the shift in tone in the RBA's post-meeting communications was the change in the balance of risks since February. On the domestic front, the Board note that "the pick-up [in household consumption] will be a little slower than was expected three months ago", a trend evident in card activity data for some time; although, lingering labour market tightness continues to limit their concern over the activity outlook. Offshore, the growth outlook is abnormally uncertain, and the RBA recognises this could contribute "to a weaker outlook for growth, employment and inflation in Australia".

As discussed by Chief Economist Luci Ellis in a video update midweek, Governor Bullock stated that the domestic factors – lower inflation and downside risks to consumption – were enough to warrant May's rate cut, but that the global backdrop strengthened the case further. That the Board considered a 50bp rate cut emphasises policy makers are willing to deliver further relief if/when the data and risks warrant. If the labour market remains in robust health and global risks do not crystalise, a 25bp cut in August and November seems the most probable path for policy, bringing the cash rate to a broadly neutral 3.35% by year end.

Offshore, it was a quiet week on the data front.

China's April data round was on the soft side. Retail sales growth rose to only 4.7%ytd against the market's expectation of a 5.0%ytd gain. Growth by sub-component was variable but broad based – only petroleum and autos went backwards over the past year, and arguably only as a result of price declines. Fixed asset investment was also sub-par (4.0% ytd) and heavily concentrated amongst state-backed firms – private investment essentially unchanged from 2024 (0.2%ytd). Industrial production meanwhile showed continued strength (6.4% ytd), led by growth in semiconductors and electric vehicles.

Continuing the steady flow of policy support, Chinese authorities this week cut the 1-year and 5-year Loan Prime Rates by 10bps to 3.0% and 3.5% respectively having already lowered the Reserve Requirement Ratio early in the month. Authorities remain committed to their 5.0% growth target for 2025, but are likely to wait and see the outcomes of trade negotiations with the US before deciding the next steps for stimulus. The 90-day truce with the US will provide additional near-term support for GDP growth, keeping the growth target within reach without aggressive stimulus.

Further afield, April CPI readings showed a re-acceleration in inflation in the UK and Canada. Annual UK headline inflation rose to 3.5%yr in April, the first reading above 3.0% since March 2024. Energy prices were the main driver as subsidies roll off. Transport (3.3%yr) and recreation & culture (3.1% yr) also contributed meaningfully. Abstracting from food and energy, core inflation rose to 3.8%yr in April from 3.4%yr in March.

In Canada meanwhile, headline inflation eased to 1.7%yr, largely due to falling gasoline prices after the removal of the consumer carbon tax on April 1. However, trimmed mean core inflation rose from 2.8%yr to 3.1%yr, surprising market participants.

"a 25bp cut in August and November seems the most probable path for policy..."

For these nations' central banks, balancing upside inflation risks and growth concerns will remain a challenge. With limited fiscal capacity and monetary policy still restrictive, the Bank of England is likely to prioritise growth over inflation in the near term. In contrast, with greater fiscal flexibility and accommodative monetary policy, the Bank of Canada is expected to remain more focused on inflation expectations and risks. In its last statement, the BoC alluded to this noting "Monetary policy cannot offset the impacts of a trade war. What it can and must do is ensure that higher prices do not lead to ongoing inflation."

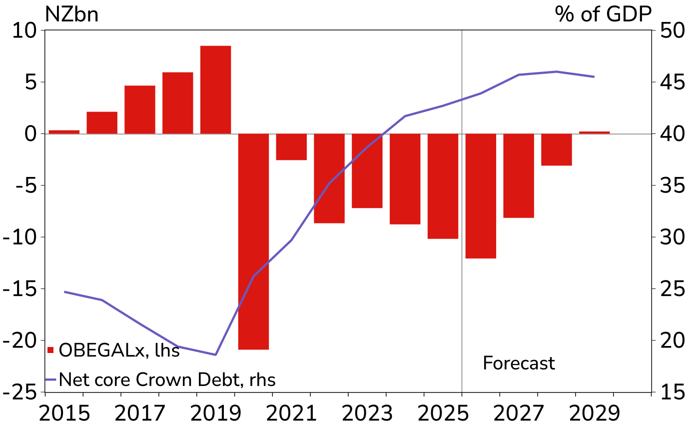
As a final note, overnight President Trump's tax bill passed the House in a 215-214 vote after a week of negotiations. Passage through the Senate is likely to prove much more challenging and may also see changes to the bill that are unpalatable for the House. The administration still has 7 months to pass the bill through Congress before the temporary tax cuts currently in effect lapse. However, the debt ceiling, which the current bill also looks to address, will become a binding constraint again in August or September. More broadly, every week that slips past debating these issues is one less the Administration and the House majority has to craft and debate the deregulation initiatives financial markets expect from this Administration. If such measures are not forthcoming, an additional risk to medium-term US growth prospects may be priced by markets.

Budget delivers no surprises; attention now turns to the RBNZ

Darren Gibbs Senior Economist
Kelly Eckhold Chief Economist NZ

The key domestic focus for local markets over the past week was the tabling of [Budget 2025](). At the macro level the Budget provided no great surprises, with the profile for the operating balance and debt about as expected given the guidance given by the Minister in pre-Budget speeches. Specifically, despite coming off a more favourable starting point than had been expected at the time of the December update, the path for the operating balance is less favourable in Budget 2025. While the Government still projects a surplus in 2028/29 on its favoured OBEGALx measure, accumulated deficits across the period are expected to be around $7bn larger than forecast previously.

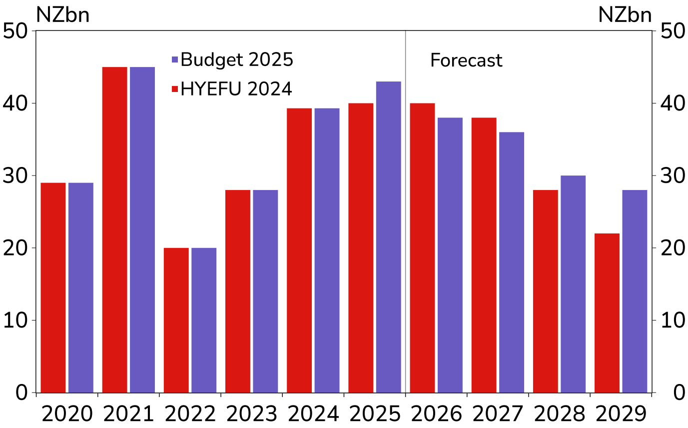
Operating balance & net Core Crown debt



Source: , NZ Treasury, Macrobond, Westpac Economics

With the Government on-track to issue around $3bn more bonds this year than forecast in December, the revisions to the outlook for the operating balance mean that the Government has raised its forecast for debt issuance over the next four years by $4bn, matching our expectations. The increase in issuance was even more backloaded than we had expected, however, with forecast issuance in the coming two years reduced by $2bn compared with the December update. The new profile implies that net Core Crown debt will rise to a peak of 46.0% of GDP in 2027/28, before declining to 45.4% of GDP in 2028/29. The Government aims to move debt back inside a 20-40% range over time, but such levels seem unlikely to be seen this decade (indeed, not even in an upside economic scenario that was contained in the Budget documentation).

NZGB financing programme



Source: , Macrobond, Westpac Economics

As we had expected, downward revisions to the outlook for trading partner growth have weighed on the Treasury's forecast for tax revenue. In addition, the centrepiece of the Budget 2025 announcements was an accelerated depreciation policy ("Investment Boost") to encourage the bringing forward of investment spending. This tax credit will cost the Government $6.7bn over a four-year period. These revenue losses have been partly mitigated by the Government's decision to limit this year's operating allowance for new spending to just $1.3bn and by substantial savings stemming from recent changes in pay equity legislation and reduced Government contributions to KiwiSaver.

On the day, the local bond market was pleased to see that the recent trend of large upward revisions to the bond programme had not continued in Budget 2025. But looking ahead, the risks around the bond programme still appear one-sided. While we view the "Investment Boost" policy positively, the Government's willingness to redeploy any savings on expenditure does suggest little appetite to pursue more aggressive fiscal consolidation. And that appetite certainly won't grow in Budget 2026, with a General Election due later in the year. There are also questions regarding whether the uncommitted capital spending allowances in Budget 2025 will be sufficient to finance the capital spending outlined in the Government's Defence Capability Plan, while also providing for other investment priorities. Finally, a change in Government at next year's General Election could lead to a change in fiscal strategy. We note that recent comments made by spokespeople have offered contradictory positions regarding the Opposition's stance on fiscal policy.

We don't think that Budget 2025 will have too many implications for the RBNZ, notwithstanding the Treasury's claim that the disinflationary impact of the Budget 2025 package would generate a 30bps decline in short-term interest rates. The Treasury's estimate of the first-round "fiscal impulse" associated with the Government's spending and revenue remains negative, although at the margin slightly less negative than forecast previously. Forthcoming changes to the KiwiSaver programme to encourage greater employee and employer contributions will probably be viewed as likely to lead to slightly slower growth in consumer spending for some people – mostly those for which KiwiSaver is there primary form of saving – while also encouraging firms to offer smaller-than-otherwise wage increases during the transition.

Turning to next week's RBNZ meeting, we expect the RBNZ to cut the OCR by 25bp to 3.25% and signal a data dependent easing bias looking ahead. We see the RBNZ's OCR profile being revised down by around 20bp to around 2.9% by the end of 2025. A broadly flat profile beyond 2025 seems likely. The very short-term assumption for Q3 2025 is likely to leave the RBNZ the option to cut the OCR in either of July or August. Arithmetically, a 3.1% OCR projection for Q3 would split the difference between the two meetings and signal the intention to assess the next move carefully with reference to emerging data and global developments.

We don't see either an unchanged OCR or a 50bp cut as likely outcomes and put around 5% probabilities on each (although there is debate among the team on whether one is slightly more likely than the other).

The RBNZ will likely emphasize the uncertainty and downside risks associated with global economic developments. We expect the RBNZ to present an alternative scenario based on an outlook where the world steps back to global tariffs closer to those presented by the US authorities on "Liberation Day" with some escalation on some bilateral tariff rates (although not to the full extent reached in the aftermath of April 8). We expect this scenario to assume at least a degree of retaliation – although not to the extremes assumed by the Reserve Bank of Australia in their Statement on Monetary Policy this week.

This downside scenario may also feature heightened uncertainty over a longer period. The implication would be downward adjustments to investment and consumption and a higher unemployment rate. The presented scenario may not include an implied OCR profile but might focus on the implications for key variables such as GDP growth, the unemployment rate and CPI inflation. It's hard to be definitive on the size of the scenario shock, but it will likely leave the implication that in a downside scenario the OCR could move down towards 2-2.5%.

The RBNZ's commentary will likely emphasize that it is navigating difficult waters between an uncomfortably high short term inflation outlook and downside medium term growth and inflation risks. We expect them to signal a data dependent easing bias that leaves open the option to pause in future meetings. The Summary Record of Meeting is likely to reflect a potentially vigorous debate on the weight the MPC should put on the uncomfortably high near-term inflation outlook versus hopes for lower inflation in 2026 and beyond. Some members are likely to argue for a much slower and more data dependent pace of easing going forward.

AUS: Apr Monthly CPI Indicator (%yr)

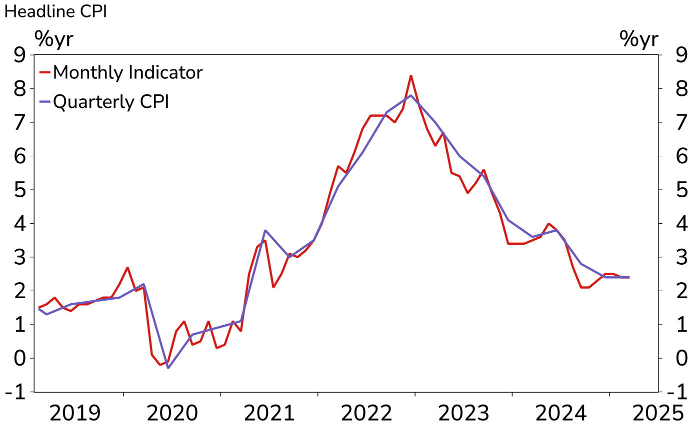
May 28, Last: 2.4 Westpac f/c: 1.9
Market f/c: 2.3, Range: 1.9 to 2.6

The March Monthly CPI lifted 0.6% in the month holding the annual pace flat at 2.4%yr, matching the annual pace of the quarterly CPI.

Westpac is forecasting a 0.3% rise in the April Monthly CPI Indicator which will take the annual pace down to 1.9%yr.

Being the first month of the quarter April provides an update on quarterly prices for clothing & footwear, maintenance of dwellings and furniture & household equipment. The first month of the quarter focuses on goods prices so we have to wait for the second and third month of the quarter to get the quarterly updates on services.

Consumer Price Index



Source: ABS, Macrobond, Westpac Economics

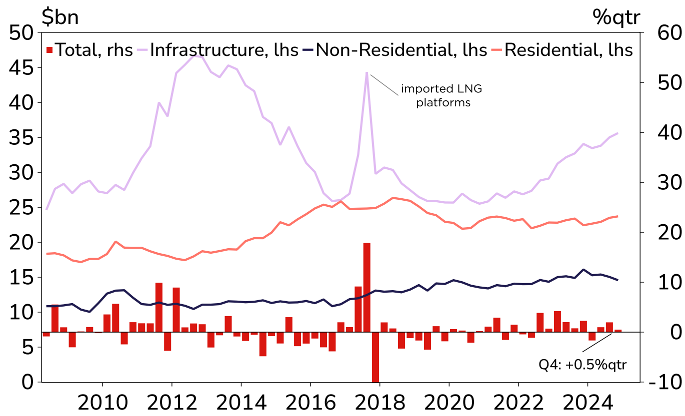
AUS: Q1 Construction Work Done (%qtr)

May 28, Last: 0.5, Westpac f/c: 0.6
Market f/c: 0.6, Range: –0.5 to 1.0

Calendar 2024 was truly a tale of two halves with construction activity staging a recovery in the second half of the year, following declines in activity over the first half. Construction activity ended the year 1.8% higher, growing 0.5% in the December quarter. Over the December quarter growth was driven by engineering construction (+1.8%qtr), with residential construction also showing some further signs of recovery, lifting 0.9%qtr. This was offset by falls in non-residential building (–3.1%qtr).

We expect construction activity lifted further over Q1 2025, driven by gains in engineering and residential construction as the sector continues to work through the elevated pipeline of work yet to be done. However, the pace of this recovery was impacted by weather events, including Cyclone Alfred.

Construction activity continues to recover



Source: ABS, Macrobond, Westpac Economics

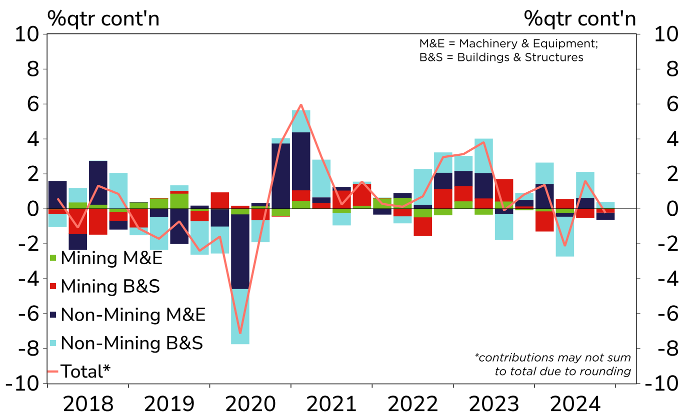
AUS: Q1 Private CAPEX and 2025/26 plans (%qtr)

May 29, Last: –0.2, Westpac f/c: 0.5
Market f/c: 0.5, Range: –1.0 to 1.2

Private capex fell by 0.2%qtr in Q4 as both mining (-0.6%qtr) and non-mining (-0.1%qtr) dropped. Monthly indicators of how capex might have evolved over Q1 are mixed, with capital goods imports falling and business surveys reporting lower investment intentions, but business credit growth remaining relatively firm. Overall, we think that capex growth will recover in Q1 to 0.5%qtr, slightly above the longer-term average growth. It would leave the annual pace falling to -0.4%yr.

Last quarter, the Estimate 1 of the capex plans for 2025/26 was lower than expected, and we think that the Estimate 2 will accentuate the weakness, mostly due to high global uncertainty. We expect unadjusted capex plans of $155bn next financial year. The Estimate 6 of the 2024/25 plan should be around $186bn.

Contributions to Capex Growth



Source: ABS, Macrobond, Westpac Economics

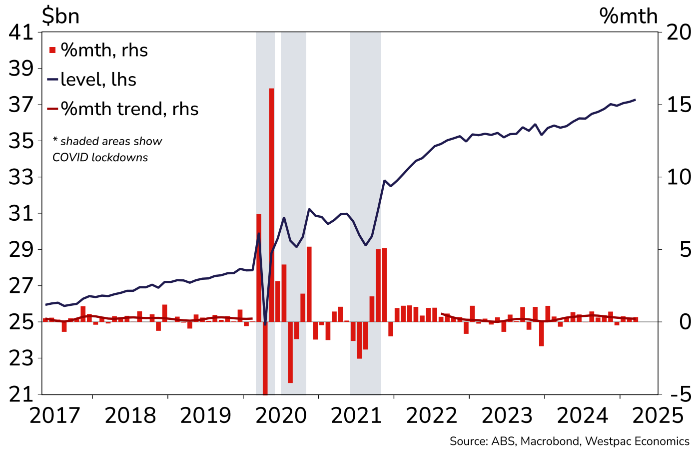
AUS: Apr Retail Trade (%mth)

May 30, Last: 0.3, Westpac f/c: 0.1
Mkt f/c: 0.3, Range: 0.1 to 0.6

Retail sales rose 0.3% in March, led by food categories. Cyclone Alfred related disruptions were a factor in Qld. Excluding Qld, retail sales were up 0.5%.

Weather-related disruptions will drop out of the picture in April but these are likely to be replaced by holiday-related volatility. Our Westpac card data showed the late timing of Easter this year, which saw the ANZAC Day public holiday a week later, had a more pronounced and prolonged effect on activity (see here). The ABS seasonal adjustment process attempts to correct for these kinds of shifts but can struggle when there is only limited guidance from precedents. On balance we expect official retail sales to rise just 0.1% in April with a material risk of a contraction.

Recovery underway, but moving gradually



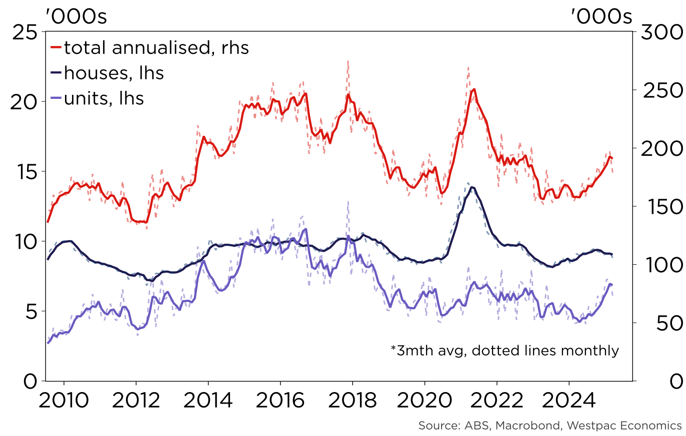
AUS: Apr Dwelling Approvals (%mth)

May 30, Last: –8.8, Westpac f/c: –1.0
Mkt f/c: 2.8, Range: –1.0 to 9.2

Dwelling approvals recorded a sharp 8.8% drop in March, unwinding most of the stronger than expected gains in previous months. The result confirms our assessment that the strength, concentrated in the 'units' segment, was unlikely to be sustained. Note that even with the March fall, approvals are still tracking above where we expect them to land for 2025 as a whole.

The Apr update should be on the softer side again. New home sales suggest private sector house approvals will remain subdued. While more uncertain, we suspect there is some further small unwind to come for unit approvals as well. Public holidays may also see some temporary delays to approvals processing, the proximity of Easter and ANZAC day holidays likely encouraging many to take additional leave in April.

Uptrend to remain on course



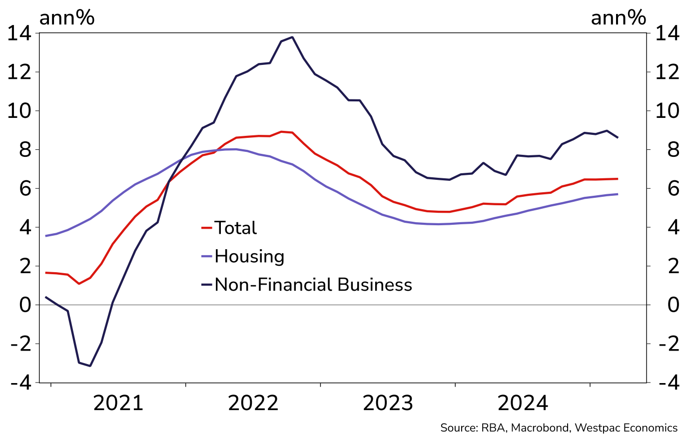
AUS: Apr Private Sector Credit (%mth)

May 30, Last: 0.5, Westpac f/c: 0.4
Mkt f/c: 0.5, Range: 0.3 to 0.6

In March, private sector credit continued to grow by 0.5%mth, in line with the average pace in the last twelve months. However, growth to two decimal places was 0.45%, close to rounding down to 0.4%mth.

We expect that growth will tick lower in April to 0.4%mth, which would be the lowest reading in eleven months. Given lower new housing finance approvals in Q1, we think that housing credit growth will ease to 0.4%mth. Lower consumer confidence in April should translate into slower personal credit growth. Business lending grew at a slower pace in March and a recovery in April seems unlikely, given a spike in global un-certainty after the 'Liberation Day' increase in tariffs in the US.

Private Sector Credit

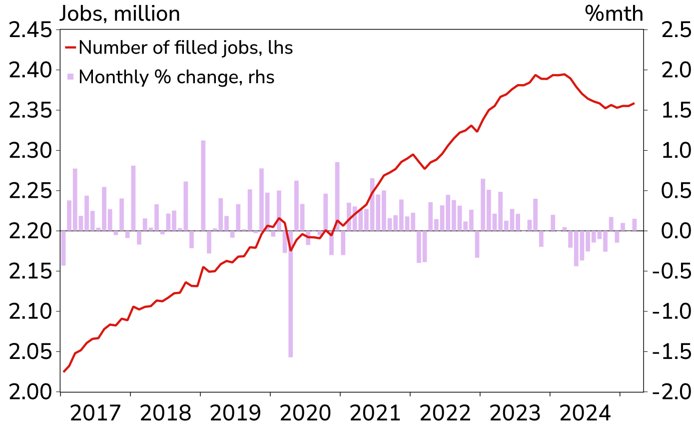


NZ: Apr Monthly Employment Indicator (%mth)

May 28, Last: 0.2, Westpac f/c: –0.2

The Monthly Employment Indicator has shown a broadly sideways trend in filled jobs in recent months, following a substantial fall through mid-2024. While there was a modest rise in March, this series tends to be overstated on its initial release; we expect it will be revised closer to flat. The weekly snapshots provided by Stats NZ have been noticeably softer for April, though it's not clear yet whether this was affected by the timing of public holidays – with Easter Monday and Anzac Day falling in the same week this year, many people took the opportunity for an extended break.

Employment has been flat in recent months



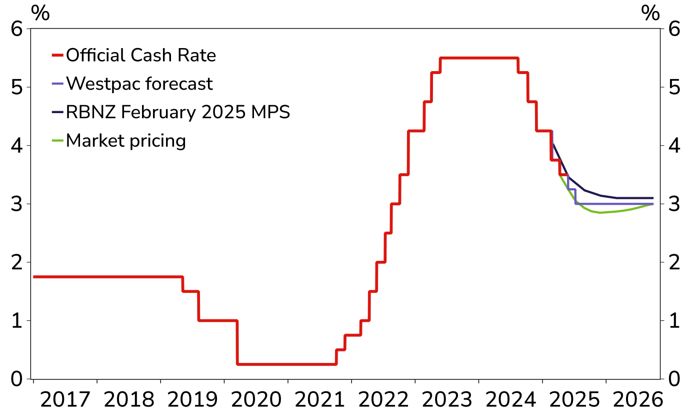
Source: Stats NZ, Macrobond, Westpac Economics

NZ: RBNZ May Monetary Policy Statement (%)

May 28, Official Cash Rate - Last: 3.50, Westpac f/c: 3.25, Market 3.25

We expect the RBNZ will cut the OCR by 25bp to 3.25% at the upcoming May Monetary Policy Statement. We also expect that the accompanying OCR profile will be revised down by around 20bp to around 2.9% by the end of 2025. Beyond this meeting a data dependent easing bias seems likely, and the RBNZ may be open to a pause in July depending on how conditions evolve. Consistent with that, we expect to see evidence of increased debate among MPC members, particularly in relation to the amount of weight placed on high near-term inflation and rising expectations, versus lower medium-term forecasts. Global developments will be a key area of concern, and we expect downside and upside scenarios to be canvassed.

RBNZ expected to cut another 25bps



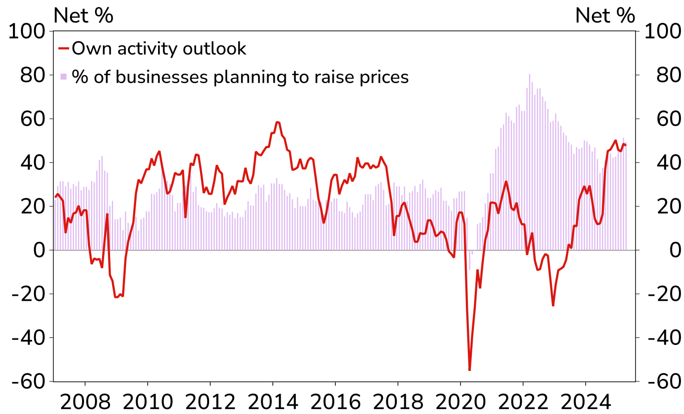
Source: RBNZ, Macrobond, Westpac Economics

NZ: May ANZ Business Confidence

May 29, Last: 49.3

Business confidence slipped a little in April but remained at high levels in the wake of the US "Liberation Day" tariff announcement. Responses in the second half of the month were noticeably weaker, though that was a relatively small subset and coincided with the most negative commentary and market reaction to the tariffs. The May survey will have allowed for a more considered response to events, including the pause on some tariff increases and a rebound in equity prices and market sentiment. We'll also be watching the measures of how activity is tracking compared to a year ago, and whether firms are facing more pressure on their costs and prices.

Business sentiment holding at high levels



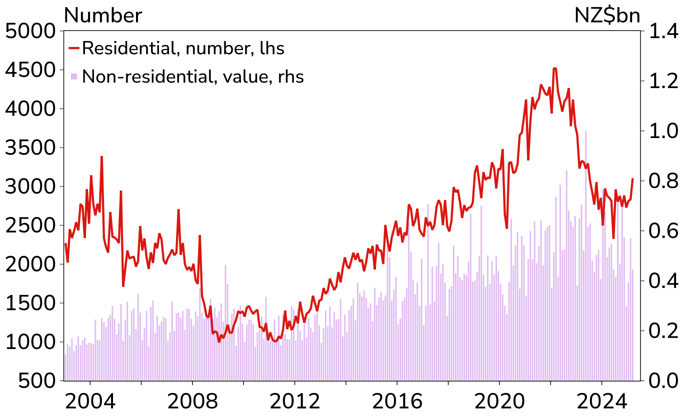
Source: ANZ, Macrobond, Westpac Economics

NZ: Apr Building Consents (%mth)

May 30, Last: 9.6, Westpac f/c: –10

We expect a 10% drop in residential building consents in April, reversing March's surge in apartment and other multi-unit numbers. Smoothing through such month-to-month volatility, the longer-term trend in consent numbers has flattened off. Annual consent issuance has been running at around 33,000 to 34,000 for close to a year now. We expect that consent issuance will remain around those levels for the next few months before beginning to turn higher through the latter part of the year as the impact of lower interest rates ripples through the housing market. Conditions in the non-residential sector remain mixed, with businesses still cautious about significant new capital expenditure for now. We've also seen a drop off in the number of Government related projects.

Building consents trending sideways



Source: Stats NZ, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 26							
US	-	Memorial Day	–	–	–	–	US Public Holiday
Tue 27							
Chn	Apr	Industrial Profits	%ann	2.6	–	–	Lower production growth likely impacted profits.
Eur	May	Consumer Confidence	index	–15.2	–	–	Final estimate, flash reading reported an impoverishment.
	May	Economic Confidence	index	93.6	94.2	–	In contrast to May PMIs, expected to improve.
		ECB Speak	–	–	–	–	ECB President Christine Lagarde scheduled to speak in Berlin.
US		Fed Speak	–	–	–	–	Minneapolis Fed President Kashakri speaks in Japan.
	Apr	Durable Goods Orders	%mth	7.5	–8.2	–	Monthly volatility driven by aircraft orders.
	May	Consumer Confidence	index	86.0	87.0	–	Signs of stabilization after a sharp decline.
	Mar	FHFA House Price Index	%mth	0.10	–	–	House prices maintain upward trend...
	Mar	S&P/Cs Home Price Index	%mth	0.40	0.35	–	...despite high uncertainty
	May	Dallas Fed Manufacturing Activity	index	–35.8	–	–	A survey of business executives in Texas area.
Wed 28							
Aus	Apr	Monthly CPI	%ann	2.4	2.3	1.9	First month of the quarter focused on goods prices.
	Q1	Construction Work Done	%qtr	0.5	0.6	0.6	Strong project pipeline to feed through to activity.
NZ	Apr	Employment indicator	%mth	0.2	–	–0.2	Public holidays may have been a drag this month.
		RBNZ Policy Decision	%	3.50	3.25	3.25	RBNZ set to become increasingly data-dependent.
US		Fed Speak	–	–	–	–	Regional Fed Presidents Kashakri and Williams speak in Japan.
	May	Richmond Fed Manufacturing Index	index	–13	–	–	Manufacturing sentiment after the initial tariff shock.
		FOMC minutes	–	–	–	–	Fed releases minutes of the 7-May policy meeting.
Thu 29							
Aus	Q1	Private New Capital Expenditure	%qtr	–0.2	0.5	0.5	Growth to recover, but remain relatively subdued.
	May	ANZ Business Confidence	index	49.3	–	–	More time to consider the impact of US tariffs.
NZ	May	ANZ Business Confidence	index	49.3	–	–	More time to consider the impact of US tariffs.
US		Fed Speak	–	–	–	–	Regional Fed Presidents Barkin, Goolsbee and Daly.
	Q1	GDP	%ann'd	–0.3	–0.3	–	Second estimate is likely to confirm GDP drop in Q1.
	Apr	Pending Home Sales	%mth	6.1	–1.1	–	Reaction to higher uncertainty in April.
		Initial Jobless Claims	000s	227	–	–	Remained stable so far.
Fri 30							
Aus	Apr	Dwelling Approvals	%mth	–8.8	2.8	–1.0	Still tracking above where we expect them to land for 2025.
	Apr	Retail Sales	%mth	0.3	0.3	0.1	Weather disruptions drop out; holiday volatility drops in.
	Apr	Private Sector Credit	%mth	0.5	0.5	0.4	Slower housing credit growth, NFC borrowing uncertain
NZ	May	ANZ Consumer Confidence	index	98.3	–	–	Gradually trending higher from earlier low levels.
	Apr	Building Permits	%mth	9.6	–	–10.0	Pull-back after last month's surge in multi-units.
Jpn	Apr	Jobless Rate	%	2.5	2.5	–	Labour market conditions remain little changed.
	May	Tokyo CPI	%ann	3.4	3.4	–	A leading indicator for a national CPI.
	Apr	Industrial Production	%mth	0.2	–1.5	–	Payback after two stronger months.
US	Apr	Personal Income	%mth	0.5	0.3	–	Income growth remains relatively robust...
	Apr	Personal Spending	%mth	0.7	0.2	–	...supporting consumer spending
	Apr	PCE Deflator	%mth	0	0.1	–	Inflation easing towards the target...
	Apr	Core PCE Deflator	%mth	0	0.1	–	...but tariffs might have impacted certain categories.
	May	U of Michigan Consumer Confidence	index	50.8	50.8	–	Final estimate.
	May	Chicago PMI	index	44.6	45.0	–	Weak sentiment to persist in May.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (23 May)	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27
Cash	3.85	3.85	3.60	3.35	3.35	3.35	3.35	3.35	3.35	3.35
90 Day BBSW	3.72	3.90	3.70	3.45	3.50	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.41	3.35	3.40	3.50	3.65	3.80	3.85	3.90	3.95	4.00
3 Year Bond	3.49	3.40	3.45	3.55	3.70	3.85	3.90	3.95	3.95	4.00
10 Year Bond	4.45	4.35	4.40	4.45	4.50	4.55	4.60	4.70	4.80	4.80
10 Year Spread to US (bps)	-9	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	4.53	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	3.28	3.15	3.10	3.10	3.10	3.10	3.20	3.45	3.70	3.85
2 Year Swap	3.19	3.10	3.15	3.30	3.50	3.65	3.80	3.90	3.95	4.00
10 Year Bond	4.66	4.55	4.60	4.70	4.75	4.80	4.85	4.90	4.95	4.95
10 Year Spread to US (bps)	13	25	25	30	30	30	25	20	15	15

Exchange rate forecasts

	Latest (23 May)	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27
AUD/USD	0.6438	0.64	0.65	0.67	0.68	0.69	0.70	0.71	0.72	0.72
NZD/USD	0.5919	0.59	0.59	0.59	0.60	0.61	0.61	0.62	0.62	0.63
USD/JPY	143.48	144	143	141	139	137	136	135	134	133
EUR/USD	1.1319	1.12	1.13	1.14	1.15	1.15	1.16	1.16	1.16	1.16
GBP/USD	1.3451	1.32	1.33	1.33	1.34	1.34	1.35	1.35	1.36	1.36
USD/CNY	7.2006	7.25	7.20	7.15	7.10	7.05	7.00	6.95	6.90	6.80
AUD/NZD	1.0876	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	4.3	3.2	3.1	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	0.4	0.8	0.7	0.6	0.4	–	–	–	–
Annual change	2.2	2.2	2.5	2.5	2.7	2.8	2.5	2.5	4.7	2.2	2.8	2.3

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

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