Week beginning 2 June 2025

# AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

## In this week's edition:

**Economic Insight:** Population growth downswings and their consequences.

**The Week That Was:** Learning to live with uncertainty.

**Focus on New Zealand:** RBNZ slowing its roll.

## For the week ahead:

**RBA:** May minutes, RBA Assistant Governor (Economic) speaking.

**Australia:** Q1 GDP and partials, house prices, goods trade balance, household spending.

**New Zealand:** terms of trade, commodity prices, building work.

**China:** Caixin PMIs.

**Europe:** ECB policy decision, CPI, unemployment rate, retail sales.

**United States:** nonfarm payrolls, unemployment rate, ISMs, trade balance, factory orders.

Information contained in this report current as at 30 May 2025

# Population growth downswings and their consequences

**Luci Ellis**
Chief Economist, Westpac Group

**Five years on, some pandemic effects are still washing through. The surge in population growth following the reopening of Australia's international borders is now unwinding, as was widely predicted. However, this unwind has happened a bit faster than leading indicators previously implied. Current RBA assumptions and our own population forecasts also imply that population growth will run a little slower this year and next than the 2010s average. While the difference might seem quantitatively small relative to all the other sources of uncertainty currently, it has implications for near-term labour market developments. It also takes some demand pressures off the housing market.**

This slowdown in population growth was to be expected, given how much of the initial increase was catch-up. After the borders reopened, students returned seemingly all at once, especially after China's borders reopened in early 2023. Though quantitatively smaller than the bounce-back in resident student numbers, there were also backlogs of people who had been approved as permanent residents before 2020 but had not arrived before the pandemic hit, as well as people who applied while the borders were shut and could not physically arrive to be counted in the population, even if their applications had been processed. Overall population growth peaked just above 2.5%yr in Q3 2023. Once those backlogs had worked through though, the rate of growth eased.

This pattern of a surge in growth and correction is evident in many peer economies, including some that did not close their borders as tightly. Canada, New Zealand, the United Kingdom and Germany all saw qualitatively similar cycles in population growth, with Canada's being even bigger than Australia's, and Germany's peaking at a slower rate but still high relative to its own history.

While the downswing has been widely expected, the pace of decline in the growth rate has been surprising. Until recently, we had been expecting population growth to finish 2024 at around a 2%yr pace, or even a little above that if the leading indicators of overseas arrivals and departures were to be believed. The RBA's February SMP forecasts also rested on an assumed population growth rate for 2024 of 2%yr.

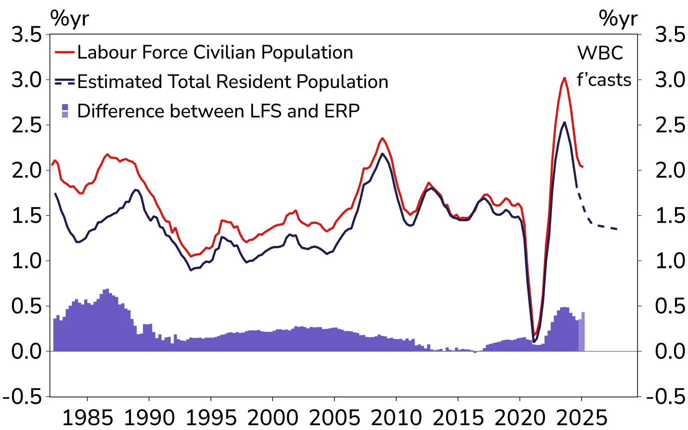
The official data on resident population numbers are quite lagged relative to other data – getting these data correctly disaggregated by state and territory of residence is hard. As noted previously, when the latest data (for September quarter 2024) were released in March, the annual growth rate had already declined to 1.8%. Both we and the RBA are now working on an assumption of 1.7%yr growth for calendar year 2024. (The RBA did not discuss this change in the SMP, marking its 2024 estimate to the latest data while leaving its 2025 and 2026 growth assumptions unchanged.)

It is not clear why the leading indicators gave a stronger steer or why the slowdown has been sharper than earlier thought. An apparent slowdown in processing times for some classes of visa application might have something to do with it, as might increased departures of long-term but non-permanent residents.

For working-age population growth (those aged 15 years and over) to outpace total population growth (including children) by more than usual, as it has, the increase in resident population must have been skewed to adults. Given the catch-up in population was skewed to young adult students, most of whom meet the '12 months in 16' test to be in scope for the Labour Force Survey (LFS), the gap seems relatively straightforward to explain. Other contributing factors might include the slower pace of natural increase since the pandemic; the number of young people turning 15 outnumbers births currently. Whatever the driver, though, as the population surge has unwound, so has the gap between the two measures.

Yet if the data for working-age civilian population from the LFS are to be believed, the decline in population growth is becoming less steep more recently. The gap between this measure and our forecasts for resident population increases again in the latest two quarters.

## Total and Working-age Civilian Population Growth




Source: ABS, Macrobond, Westpac Economics

To be fair, the ABS has to publish the labour force population numbers without the benefit of the official Estimated Resident Population (ERP) data for the latest periods. It therefore must use projections, and these can be revised. This has several implications for interpreting near-term labour market developments. First, regardless of whether the LFS or ERP trend is correct, population growth is lower now than a year ago. Even if trend labour force participation is still rising (as we believe), this means that employment growth will not have to run so hard to keep pace.

Second, there is a good chance that LFS estimates of working-age civilian population will be revised when the ABS re-benchmarks these data. Employment growth and other LFS measures that key off the population growth estimates would therefore also be revised. Indeed, the growth of the working-age population over 2024 was already revised from 2.4% to 2.1% following quarterly re-benchmarking to official population estimates in February. In these circumstances, observers are much less likely to get a bad steer from the current data by focusing on ratio measures that are robust to changes in estimated population growth. These include the employment-to-population ratio and the participation rate, as well as the unemployment rate and other measures of underutilisation. (The RBA discussed this issue back in 2012, the last time large swings in population growth skewed the LFS data.)

Third, and again regardless of whether the LFS estimate or our forecasts are correct, fewer net new residents implies less pressure on housing markets. It was no wonder that rent inflation surged over the same period and housing prices got a second wind in many cities despite high interest rates. Even the most flexible building industry (which Australia does not have) would have struggled to suddenly pivot and build 30–40% more homes to accommodate all the extra population. As population growth slows, so does demand for additional housing. This implies that rent inflation should slow further, as we expect. It also implies that the boost to established housing prices coming from lower interest rates could be less than usual this time around.

It is also worth noting that state-level population growth can vary considerably from the national total. For example, over the year to the September quarter, Victoria (2.1%yr), Queensland (2.0%yr) and WA (2.5%yr) all saw population growth run ahead of the national pace, while it lagged in NSW (1.4%) and the smaller states and territories. A key difference is that NSW had negative net interstate migration, while for Victoria this figure was close to zero, after being noticeably negative during the period of lockdowns and noticeably positive in the 2010s. These relativities can also shift quickly, as Western Australians know all too well.

The upshot is that, while we often think of demographic variables as slow-moving, they need not be. In the aftermath of the pandemic, these implications warrant careful monitoring.

# Cliff Notes: learning to live with uncertainty

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

**In Australia, the April Monthly CPI Indicator rose 0.8% in the month, leaving annual headline inflation steady at 2.4% – around the mid-point of the RBA's target band. Being the first month of the quarter, the main updates of interest were on durable goods which are surveyed only once per quarter. There were a few upside surprises here relative to Westpac's forecast, particularly around footwear, textiles and household contents. The monthly trimmed mean estimate consequently ticked up from 2.7%yr to 2.8%yr, posing some upside risk to our Q2 CPI forecast. As this indicator only provides a 'partial' look at inflation, the next two months' releases are necessary to get a full view.**

In the run-up to Q1 GDP next week, we also received two partial indicators of investment.

Construction activity was weaker than expected, holding flat in the quarter to be up 3.5% over the year to March. The main disappointment was the 'lumpy' infrastructure segment, down 1.0% in Q1 despite a healthy project pipeline of public sector and renewable initiatives. It was nonetheless encouraging to see residential construction hold to its uptrend, though the current rate of construction is still falling well short of the demands from a growing population. Thankfully, cost pressures look to be easing, suggesting the intense capacity constraints that plagued the sector over recent years are starting to abate.

Private CAPEX also subsequently disappointed, the –0.1% decline in Q1 bringing the annual pace down into negative territory at –0.5%yr. The non-mining sector was the chief culprit behind the weak print (–0.9%), reflecting a broad-based pull-back in equipment spending; the mining sector provided an offset (+1.9%). 2025-26 CAPEX plans continue to capture a subdued outlook for investment, but there hasn't been a material response to the volatility in the global outlook brought about by President Trump's trade actions. As detailed in our recent Quarterly Business Snapshot, Australian businesses are well placed overall; and, as discussed in talking about trade, resilient to current global trade uncertainty.

Our Q1 GDP preview will be published later today on Westpac IQ.

Offshore, the US was again the focus in a quiet week for data.

The FOMC's May meeting minutes showed FOMC members remain confident in the underlying health of the US economy, with economic activity and labour market conditions both characterised as "solid". Inflation was meanwhile described as "somewhat elevated" and the "significant uncertainties" for inflation and expectations from trade and migration policies called out. There was only limited discussion of the different activity scenarios constructed by staff, and FOMC members views also highlighted the high degree of uncertainty currently present. Staff projections for inflation lifted, but members also noted "significant uncertainty surrounded those effects". The committee is well aware of the difficult task in managing the dual mandate, noting that "Participants emphasized the importance of ensuring that longer-term inflation expectations remained well anchored… [and that] the Committee might face difficult trade-offs if inflation proves to be more persistent while the outlook for growth and employment weaken."

**"Overall, the minutes gave little away in forward guidance or a reaction function to tariff-related impacts on the economy."**

The FOMC is clearly in 'wait and see' mode, which seems appropriate given the uncertainty around bilateral trade negotiations; the potential for tariffs to again be lifted by President Trump; and now the uncertainty over the legal standing of the tariffs themselves, which is to be decided through the appeals process after the US Court of International Trade this week determined President Trump had exceeded his authority with the bilateral tariffs of Liberation Day and those related to fentanyl. President Trump and the administration believe they will win on appeal and President Trump continues to argue the FOMC should lower interest rates without delay, as made clear by reports after the first meeting for this term between President Trump and FOMC Chair Powell this week.

Closer to home, the Reserve Bank of New Zealand cut their overnight cash rate by 25bps to 3.25% in a 5-1 vote. The decision was accompanied by a fresh set of forecasts which showed a lower central expectation for GDP growth. They also showed inflation is expected to peak at 2.7% in the September quarter and decelerate to 1.9% by early 2026. Governor Hawkesby noted the RBNZ would begin the next meeting with "no bias", insinuating they are not on a pre-set path and will focus on the data between now and then. Most notably, the projected OCR was revised down with the low point for policy rate now 2.85% from 3.10% previously. In light of these views and recent data, our New Zealand colleagues have revised the timing of their call, now expecting the next cut to come in August instead of July.

# RBNZ slowing its roll

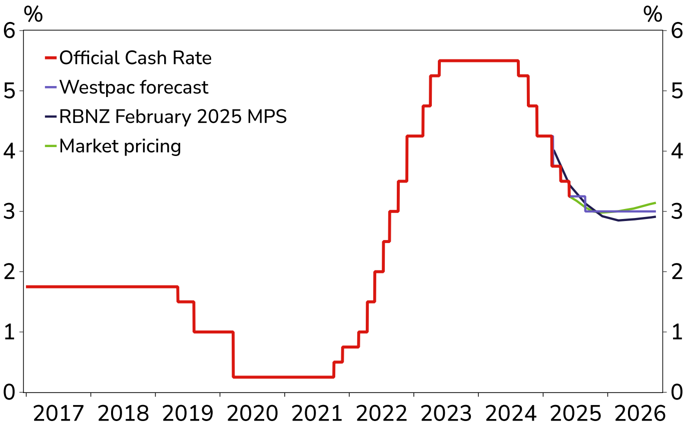
**Michael Gordon**
Senior Economist

**As was widely expected and fully priced by the market, the RBNZ announced a further 25bps reduction in the OCR to 3.25% this week. While the RBNZ downgraded its economic forecasts compared to February, and emphasised the high degree of uncertainty around global conditions, there was a surprising amount of caution around the timing and extent of further OCR cuts. We now think that the policy committee will take a pause at its 9 July meeting, with the next rate cut more likely to come at the August MPS.**

The most surprising aspect of the OCR decision is that it was reached by a split vote, only the second time this has happened since the Monetary Policy Committee was established (their standard procedure is to seek a consensus, with a vote taken only as a last resort). One member voted to leave the OCR unchanged, seeking to consolidate inflation expectations near the target midpoint and allowing more time to judge the impact of US policy uncertainty on household and business behaviour.

It's entirely reasonable to expect a greater range of views as policy nears the end of a cycle, and it becomes less obvious what or when the next move should be. Indeed, as we noted in our MPS preview, we thought that the Summary Record of Meeting would show more evidence of debate among the MPC about how much weight should be placed on the uncomfortably high near-term inflation outlook versus hopes for lower inflation in 2026 and beyond.

## RBNZ Official Cash Rate




Source: RBNZ, Macrobond, Westpac Economics

RBNZ Governor Hawkesby noted that the split vote reflected a consensus regarding the medium-term OCR projection, but differences in view regarding the timing of how to get there. Those OCR projections showed a low point of 2.85% by early next year, compared to the February MPS track which settled at 3.1%. The profile implies another 25bp cut in the September quarter (with a close inspection suggesting this is more likely to occur at the August meeting than in July), and the possibility of one further cut in this cycle.

Hawkesby also noted the committee has "no bias" regarding the outcome of the July meeting, and that a July cut was "not a done deal". This is consistent with the OCR no longer being above the 'neutral-ish' range that the RBNZ was angling towards, making the next move less obvious and more data-dependent.

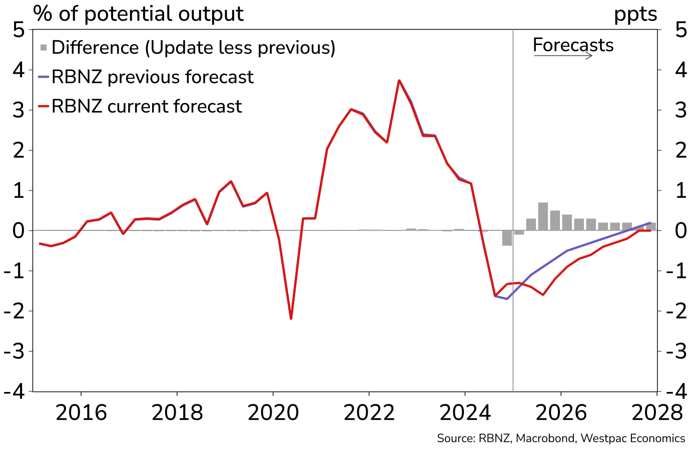
There's plenty of water to go under the bridge in the next few months, both domestically and internationally. We suspect that it will be easier to make the case for another easing in August than July, given the pending negotiation dates set by the US authorities on trade agreements, as well as the timing of the Q2 CPI release.

## RBNZ has lowered its growth forecasts, but inflation concerns linger.

The RBNZ has reduced its near-term growth forecasts quite noticeably. GDP is expected to grow by just 0.2-0.4% per quarter in the first three quarters of this year, before accelerating to 0.9% growth in the December quarter. This profile reflects an allowance for some seasonality that has crept into the GDP figures, as we've discussed in our reviews of the data. But smoothing through this, their forecast of 1.8% annual growth over 2025 is down substantially from the 2.4% that they expected in February.

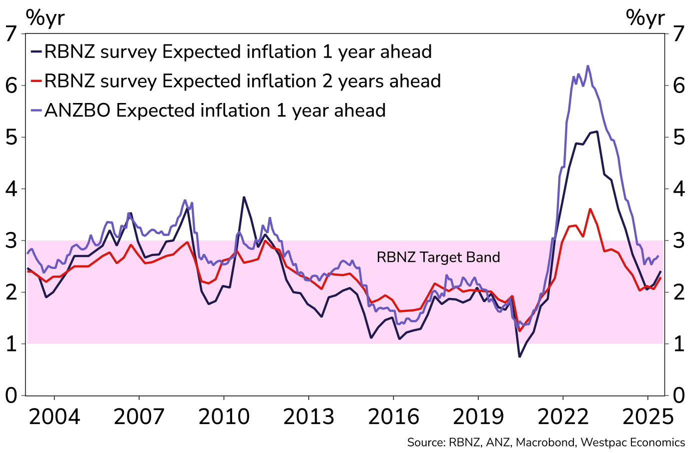
A key reason for this is the weaker outlook for global growth as a result of increased trade protectionism. The RBNZ has revised down its forecasts for global GDP growth in 2025 by 0.5ppts (year total basis). The related reductions in demand and increases in economic uncertainty are expected to be a drag on investment appetites. We haven't lowered our world growth forecasts to the same degree – we've tended to be more positive than most on China's ability to stimulate its domestic economy to counter some of the effects of tariffs.

## RBNZ output gap forecasts




The RBNZ forecasts that annual CPI inflation will peak at 2.7% in the September quarter, before dipping as low as 1.9% by early next year. However, the MPC noted that inflation expectations are lingering on the higher side of the target midpoint and have picked up again on many measures. Evidence these are falling back will likely be important in making the hawks on the MPC more comfortable with getting back on the easing track.

## Inflation expectations




## Uncertainty is the only constant.

Discussion of uncertainty around the economic outlook was prominent throughout the MPS. The RBNZ noted that the risks surrounding the economic outlook are "heightened", reflecting some uncertainty about whether the global trade shock will ultimately prove to be a net negative demand shock (thus disinflationary) or net negative supply shock (thus inflationary).

To illustrate these risks, the RBNZ published two alternative scenarios. The downside demand scenario portrays a decline in the OCR to 2.55%. The supply shock scenario continues to forecast a decline in the OCR to 2.9%, but then a lift in the OCR to 3.5% later in the forecast period.

Notably, the RBNZ didn't explore a scenario where the impact of the tariffs turns out to be less than in their central view – though they did acknowledge that that is in the range of possibilities that "uncertainty" implies. To that end, any evidence of whether US tariff policy is actually having an impact on New Zealand businesses' investment decisions or households' precautionary saving could be critical to future OCR decisions.

**"We now think that the policy committee will take a pause at its 9 July meeting, with the next rate cut more likely to come at the August MPS."**

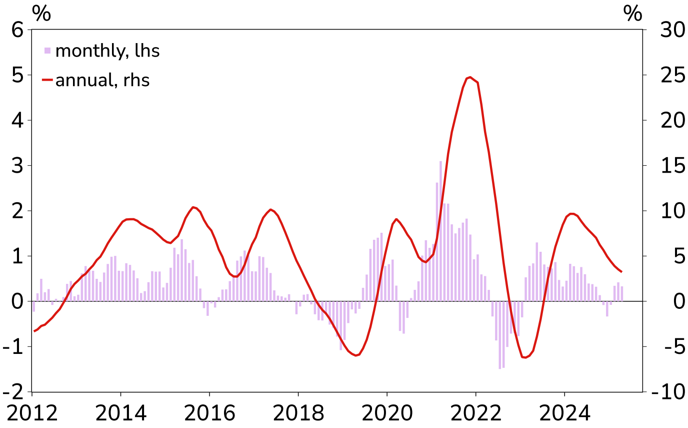
## AUS: May Cotality Home Value Index (%mth)

**Jun 2, Last: 0.2, Westpac f/c: 0.5**

The Cotality home value index (formerly CoreLogic) rose 0.2% in Apr, following a 0.3% gain in Feb and a 0.4% increase in Mar, leaving annual growth around 2.6%yr. The gains reverse a 1% decline over Nov-Jan. While the RBA's Feb rate cut has been pivotal, the shift is being accentuated by seasonality.

The RBA's May rate cut has provided some additional support with auction markets firming and daily price measures showing a further quickening. The month looks set to see a 0.5% rise in prices nationally. Notably performances have become more tightly clustered across states, with this pattern continuing in May – all five major capital cities are tracking price gains in the 0.5-0.7%mth range.

### RBA rate cuts providing some support




Source: CoreLogic Australia, Macrobond, Westpac Economics

## AUS: Q1 Company Profits (%qtr)

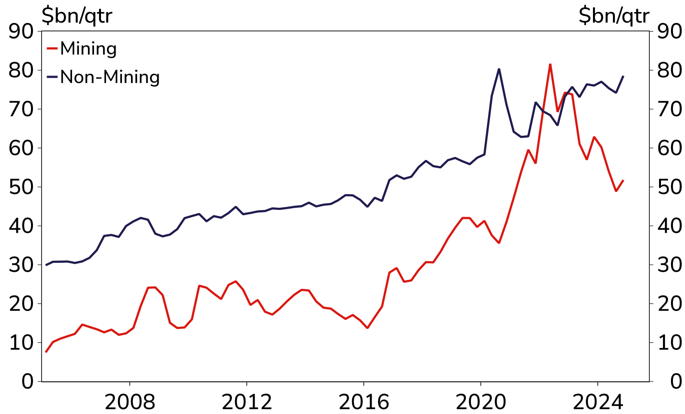
**Jun 3, Last: 5.9, Westpac f/c: 1.8**
**Market f/c: 1.3, Range: –3.0 to 3.5**

Company profits outside the agriculture sector are expected to have increased 1.8%qtr, but remain 3.3% lower in annual terms.

The gain is expected to be driven by the mining sector with the export of non-monetary gold increasing a whopping 43% over Q1, offsetting the softness in commodity prices. This will be the second consecutive quarter the mining sector has contributed to growth in business profits, after three consecutive quarters of sharp falls.

The non-mining sector is also expected to contribute positively. The Westpac Business Cashflow Gauge showed an improvement of around 0.4% in Q1, following a 0.3% lift in Q4. The modest lift in the Cashflow Gauge underscores the patchy and gradual nature of economic recovery still underway.

### Mining to drive profit growth in Q1




Source: ABS, Macrobond, Westpac Economics

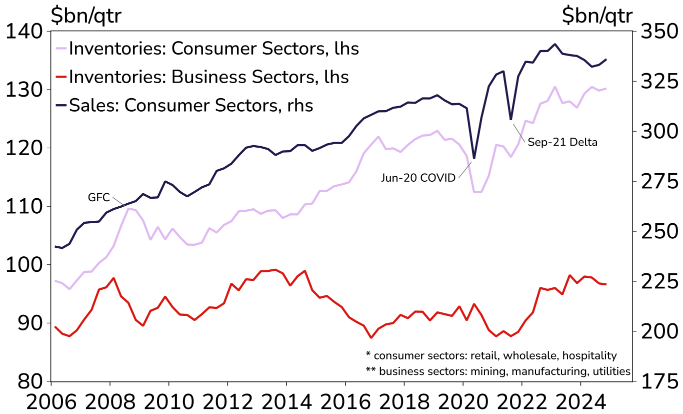
## AUS: Q1 Inventories (%qtr)

**Jun 3, Last: 0.1, Westpac f/c: –0.7**
**Market f/c: 0.2, Range: –0.4 to 0.6**

Westpac expects non-farm business inventories fell –0.7% in Q1, detracting 0.2ppt from economic growth over the first quarter of 2025. This was mainly driven by the mining industry, which used existing inventories to meet the spike in external demand (particularly non-monetary gold) recorded in the March quarter. This will come on the back of a 0.1%qtr increase in non-farm business inventories in Q4.

More broadly, we expect public inventories to be run down (particularly medicines, vaccines and other health products) following three consecutive quarters of increases. Overall, we expect total inventories (non-farm, farm and public) to detract 0.3ppt from growth in economic activity over the first quarter of 2025.

### Spike in exports to see inventories fall




Source: ABS, Macrobond, Westpac Economics

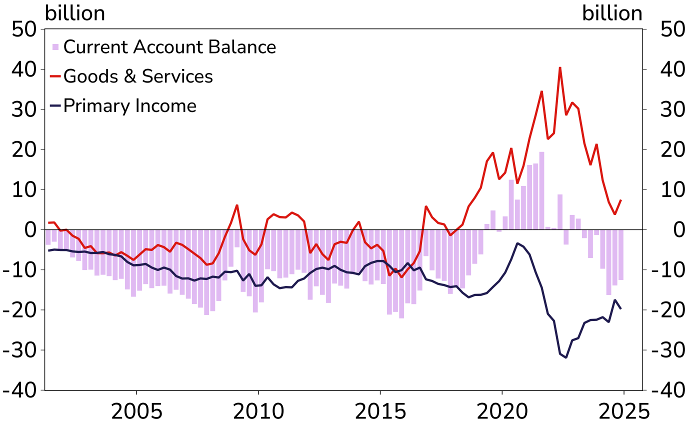
## AUS: Q1 Current Account Balance ($bn)

**Jun 3, Last: –12.5, Westpac f/c: –14.0**
**Market f/c: –12.5 Range: –6.9 to –14.9**

The current account balance looks set to reverse the improvements seen in the prior couple of quarters . We think that the deficit will widen from $12.5bn in Q4 to $14.0 in Q1, a very similar level to that seen in the September quarter.

The worsening of the balance will mainly reflect lower goods trade surplus, which has fallen by around $1.5bn. We think that services balance will be only a touch worse. We also pencilled in a slightly bigger primary income deficit as income inflows is likely to have suffered more from higher global policy uncertainty vs income outflows from the domestic economy which tend to be more stable.

### Current Account



Source: ABS, Macrobond, Westpac Economics

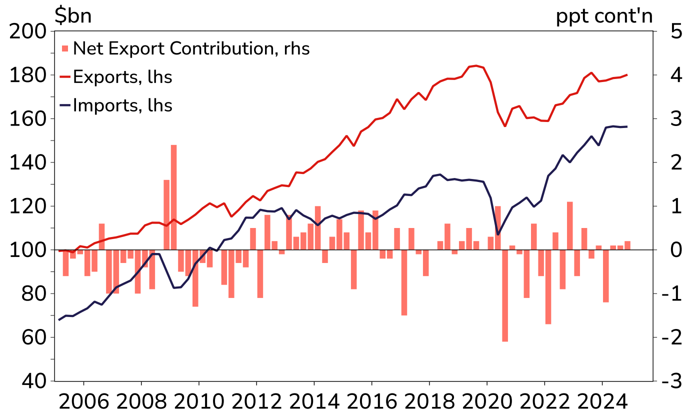
## AUS: Q1 Net Exports (ppt cont'n)

**Jun 3, Last: 0.2, Westpac f/c: 0.4**
**Market f/c: 0, Range: –0.3 to 0.2**

Net exports are expected to add 0.4ppt to GDP growth in Q1. Although the nominal goods trade surplus eased slightly, on the price-adjusted basis, export seem to have picked up, while imports fell. As a result, goods trade seems likely to have supported growth in Q1, mirroring the pattern seen in other major economies where strong exports growth ahead of tariff increases in the US boosted growth.

The impact from services trade seems less certain.  We expect services exports to continue growing - for example, student visa numbers imply an increase in education exports, with student arrival numbers increasing to a record high in February, while short-term visitor data are consistent with higher tourism. On the other hand, services imports fell 2.5%qtr in the December quarter, and we expect some recovery.

### Net exports contribution to growth



Source: ABS, Macrobond, Westpac Economics

## AUS: Q1 GDP (%qtr)

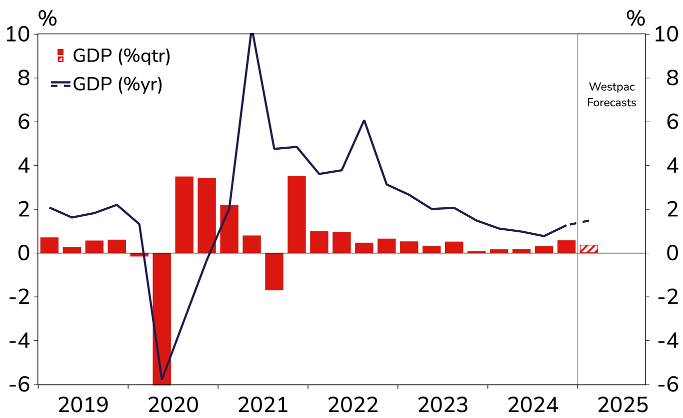
**Jun 4, Last: 0.6, Westpac f/c: 0.4**
**Market f/c: 0.4, Range: 0.2 to 0.7**

Westpac expects that the pace of economic growth slowed over the first few months of the year, with Q1 GDP forecast to have grown by 0.4% (1.5%yr).

While domestic demand was likely impacted by the natural disasters which occurred late in the quarter (forecast 0.3%qtr, 1.8%yr), this was partially offset by a bring forward of external demand as businesses looked to fill orders before 'liberation day'. In other words, the National Accounts will be a reasonable reflection of underlying growth impulse in the Australian economy.

For full detail, please see our Q1 GDP preview.

### Q1 GDP forecast: 0.4%qtr, 1.5%yr



Source: ABS, Macrobond, Westpac Economics

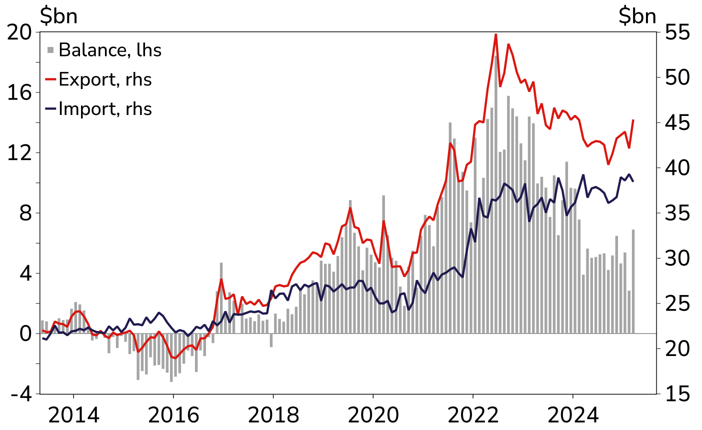
## AUS: Apr Goods Trade Balance ($bn)

**Jun 5, Last: 6.9, Westpac f/c: 7.6**
**Mkt f/c: 6.0, Range: 4.5 to 7.1**

In March,  the goods trade surplus widened to $6.9bn, the highest level in more than a year. Exports surged 7.6%mth, thanks to much higher commodity outflows to China and other major economies. Meanwhile, a 2.2%mth drop in imports also supported the trade balance.

For April, we expect a further widening of the trade surplus to $7.6bn. Growth in commodity exports might be more muted in comparison to March, but we expect a recovery in agricultural exports. Given the sharp increase in tariffs in early April, exports to the US might will be under downward pressure, although high prices should keep gold exports strong. We think that imports will ease also supporting the headline balance.

### Goods trade surplus




Source: ABS, Macrobond, Westpac Economics

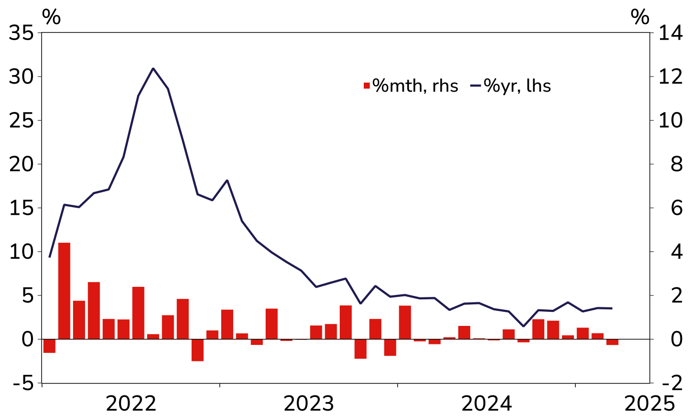
## AUS: Apr Household Spending Indicator (%mth)

**Jun 5, Last: –0.3, Westpac f/c: –0.2**
**Mkt f/c: 0.2, Range: -0.1 to 4.1**

The household spending indicator of nominal spending fell -0.3%mth in Mar, the first monthly decline since Sep last year, the annual growth pace easing to 3.5%yr. Services spend led the decline with goods spending up, albeit only slightly.

April looks like another soft month with significant holiday-related disruptions in the mix (the later than usual timing of Easter that saw the ANZAC Day public holiday the week after). Our [Westpac Card Tracker] index has been very volatile through the month and into early May. Vehicle sales, which are incorporated into the ABS measure, also look to have posted a 3.5% decline in the Apr month. It is still uncertain how these measures map to the spending indicator (which continues to be labelled 'experimental') but another small monthly decline, in the order of –0.2% looks likely.

### Monthly household spending indicator



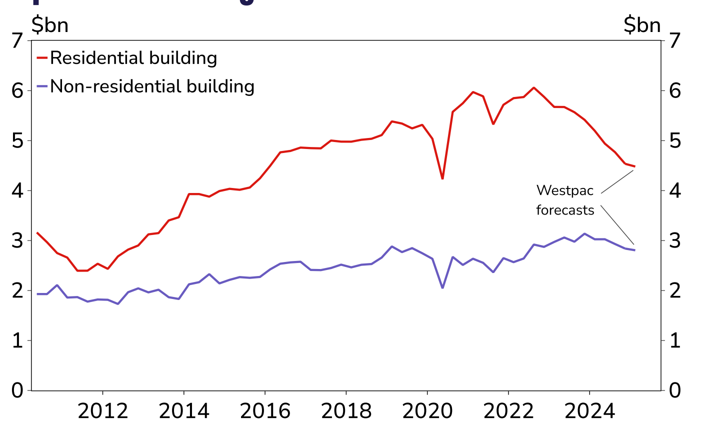

Source: ABS, Macrobond, Westpac Economics

## NZ: Q1 Building Work Put in Place (%qtr)

**Jun 4, Last: –4.4, Westpac f/c: –1.2**

Construction activity fell another 4% in the December quarter, with falls in both residential and commercial activity. That followed two straight years of decline. We expect further declines in both areas in the March quarter as a result of earlier high interest rates, as well as subdued economic activity and low confidence over the past few years. As is often the case, we could see some volatility in the lumpy non-residential construction categories. But smoothing through such quarterly noise, most indicators suggest that conditions in the construction sector have remained subdued in the early part of the year.

### Pipeline of building work continues to run down




Source: Stats NZ, Macrobond, Westpac Economics

## US: May Employment Report

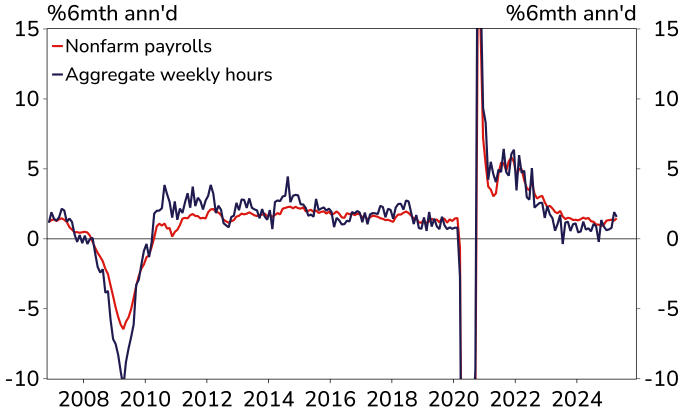
**Jun 6, Payrolls, Last: 177k, WBC f/c: 150k, Mkt f/c: 130k**
**Jun 6, U/E rate, Last: 4.2%, WBC f/c: 4.2%, Mkt f/c: 4.2%**

Amid considerable uncertainty over trade, the US labour market remains in good health. In April, 177k new jobs were created, though this gain was partly offset by –58k in back revisions to February and March.

Consistent with the nonfarm payrolls outcome, the unemployment rate was unchanged in the month at 4.2%, signalling balance between labour demand and supply.

In May, a similar outcome is likely. We expect circa 150k jobs to be created in the month, but also that revisions are likely to net out some of this gain. The unemployment rate is again likely to be unchanged. In the months ahead, a further deterioration in conditions is likely if uncertainty is not reduced.

### The US labour market is showing resilience



Source: BLS, Macrobond, Westpac Economics

# What to watch

| | For | Data/Event | Unit | Last | Market f/c | Westpac f/c | Risk/Comment |
|---|---|---|---|---|---|---|---|
| **Mon 2** | | | | | | | |
| **Aus** | May | Cotality Home Value Index | %mth | 0.2 | – | 0.5 | RBA interest rate cuts providing support. |
| | May | MI Inflation Gauge | %yr | 3.3 | – | – | Rising solidly since February. |
| | May | ANZ-Indeed Job Ads | %mth | 0.5 | – | – | Overall stable, but some swings across states and sectors. |
| **NZ** | | King's Birthday | – | – | – | – | Markets closed. |
| **US** | May | ISM Manufacturing | index | 48.7 | 49.2 | – | Slowly weakening as new export orders decline. |
| | Apr | Construction Spending | %mth | –0.5 | 0.4 | – | Uncertainty weighing on building commitments. |
| | | Fedspeak | – | – | – | – | Waller, Logan, Goolsbee. |
| **World** | May | S&P Global Manufacturing PMI | index | – | – | – | Final estimate for Japan, Europe, UK and US. |
| **Tue 3** | | | | | | | |
| **Aus** | Q1 | Company Profits | %qtr | 5.9 | 1.3 | 1.8 | Mining sector driving an increase in corporate profits … |
| | Q1 | Inventories | %qtr | 0.1 | 0.2 | –0.7 | … and a fall in inventories. |
| | Q1 | Current Account Balance | $bn | –12.5 | –12.5 | –14 | Deficit widening back to the levels seen in September quarter. |
| | Q1 | Net Exports Contribution | ppts | 0.2 | 0.0 | 0.4 | Net exports to support GDP growth |
| | May | RBA Minutes | – | – | – | – | To offer more insights around the balance of risks. |
| | | RBA Assistant Governor (Economic) | – | – | – | – | Hunter speaking at ESA lunch in Brisbane, 1:05pm AEST. |
| **NZ** | Q1 | Terms Of Trade | %qtr | 3.1 | 3.5 | 6.3 | New highs due to a sharp lift in commodity export prices |
| **Chn** | May | Caixin Manufacturing PMI | index | 50.4 | 50.8 | – | An improvement expected amid temporary tariff relief. |
| **Eur** | May | HICP | %yr | 2.2 | – | – | Temporary holiday boost to prices to drop out … |
| | Apr | Unemployment Rate | % | 6.2 | – | – | … meanwhile, unemployment holds at record lows. |
| **US** | Apr | Factory Orders | %mth | 3.4 | –3.1 | – | Has risen for three consecutive months. |
| | Apr | JOLTS Job Openings | 000s | 7192 | 7100 | – | Labour demand softening, though layoffs remain low. |
| | Jun | Federal Reserve's Beige Book | – | – | – | – | An update on economic conditions across the regions. |
| | | Fedspeak | – | – | – | – | Goolsbee, Logan. |
| **Wed 4** | | | | | | | |
| **Aus** | Q1 | GDP | %qtr | 0.6 | 0.4 | 0.4 | Quarterly pace expected to ease in Q1 on the back of weak … |
| | Q1 | GDP | %yr | 1.3 | 1.5 | 1.5 | … domestic demand impacted by natural disasters. |
| **US** | May | ISM Services | index | 51.6 | 52.0 | – | Regional surveys signal downside risks to services activity. |
| | May | ADP Employment Change | 000s | 62 | 110 | – | Private sector hiring slowing since late-2024. |
| **Can** | | BoC Policy Decision | % | 2.75 | 2.50 | – | Labour market troubles eclipse inflation risks. |
| **World** | May | S&P Global Services PMI | index | – | – | – | Final estimate for Japan, Europe, UK and US. |
| **Thu 5** | | | | | | | |
| **Aus** | Apr | Goods Trade Balance | $bn | 6.9 | 6.0 | 7.6 | Stronger exports to drive an improvement in trade balance. |
| | Apr | Household Spending | %mth | –0.3 | 0.2 | –0.2 | Holiday-related disruptions, weak vehicle sales. |
| **NZ** | May | ANZ Commodity Prices | %mth | 0.0 | – | – | Agri prices offset lower log and aluminium prices |
| | Q1 | Building Work Volumes | %qtr | –4.4 | –0.8 | –1.2 | Continued falls in residential and commercial activity. |
| **Chn** | May | Caixin Services PMI | index | 50.7 | 51.0 | – | National holiday to spark services activity. |
| **Eur** | | ECB Policy Decision (Deposit Rate) | % | 2.25 | 2.00 | – | A 25bp cut almost fully priced in. |
| **US** | Apr | Trade Balance | US$bn | –140.5 | –117.3 | – | Trade flows should start to normalise after a record deficit. |
| | | Initial Jobless Claims | 000s | 240 | – | – | Slowly rising, material increase unlikely. |
| | | Fedspeak | – | – | – | – | Kugler, Harker. |
| **Fri 6** | | | | | | | |
| **Jpn** | Apr | Household Spending | %yr | 2.1 | 1.4 | – | Spending firming. |
| **Eur** | Apr | Retail Sales | %mth | –0.1 | – | – | The recent uptrend has flattened. |
| | Q1 | GDP | %qtr | 0.3 | 0.4 | – | Final estimate. |
| **US** | May | Nonfarm Payrolls | 000s | 177 | 130 | 150 | The US labour market remains in good health. |
| | May | Unemployment Rate | % | 4.2 | 4.2 | 4.2 | Jobs growth should be sufficient to keep the unemployment … |
| | May | Average Hourly Earnings | %mth | 0.2 | 0.3 | – | … and earnings growth stable. |
| | Apr | Consumer Credit | $bn | 10.2 | – | – | Credit broadly stable despite deep consumer pessimism. |

# Economic & financial forecasts

## Interest rate forecasts

| Australia | Latest (30 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 | 3.73 | 3.90 | 3.70 | 3.45 | 3.50 | 3.50 | 3.55 | 3.55 | 3.55 | 3.55 |
| 3 Year Swap | 3.30 | 3.35 | 3.40 | 3.50 | 3.65 | 3.80 | 3.85 | 3.90 | 3.95 | 4.00 |
| 3 Year Bond | 3.36 | 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) | 13 | 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 | 4.43 | 4.30 | 4.35 | 4.40 | 4.45 | 4.50 | 4.60 | 4.70 | 4.80 | 4.80 |
| **New Zealand** | | | | | | | | | | |
| Cash | 3.25 | 3.25 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.25 | 3.50 | 3.75 |
| 90 Day Bill | 3.32 | 3.25 | 3.10 | 3.10 | 3.10 | 3.10 | 3.20 | 3.45 | 3.70 | 3.85 |
| 2 Year Swap | 3.30 | 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) | 14 | 25 | 25 | 30 | 30 | 30 | 25 | 20 | 15 | 15 |

## Exchange rate forecasts

| | Latest (30 May) | Jun–25 | Sep–25 | Dec–25 | Mar–26 | Jun–26 | Sep–26 | Dec–26 | Mar–27 | Jun–27 |
|---|---|---|---|---|---|---|---|---|---|---|
| AUD/USD | 0.6433 | 0.64 | 0.65 | 0.67 | 0.68 | 0.69 | 0.70 | 0.71 | 0.72 | 0.72 |
| NZD/USD | 0.5979 | 0.59 | 0.59 | 0.59 | 0.60 | 0.61 | 0.61 | 0.62 | 0.62 | 0.63 |
| USD/JPY | 143.94 | 144 | 143 | 141 | 139 | 137 | 136 | 135 | 134 | 133 |
| EUR/USD | 1.1342 | 1.12 | 1.13 | 1.14 | 1.15 | 1.15 | 1.16 | 1.16 | 1.16 | 1.16 |
| GBP/USD | 1.3472 | 1.32 | 1.33 | 1.33 | 1.34 | 1.34 | 1.35 | 1.35 | 1.36 | 1.36 |
| USD/CNY | 7.1913 | 7.25 | 7.20 | 7.15 | 7.10 | 7.05 | 7.00 | 6.95 | 6.90 | 6.80 |
| AUD/NZD | 1.0766 | 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 |

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