Week beginning 16 June 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: RBA won't rush, but will cut more next year.

The Week That Was: Necessary relief.

Focus on New Zealand: Growth here and there, but not quite everywhere.

For the week ahead:

Australia: Westpac-MI Leading Index, labour force survey.

New Zealand: Q1 GDP, selected price indices, house prices and sales, Westpac-MM consumer confidence.

Japan: BoJ policy decision, CPI, core machinery orders.

China: retail sales, industrial production, fixed asset investment.

Europe: CPI, ZEW survey of expectations, consumer confidence.

United Kingdom: BoE policy decision, CPI, retail sales, consumer sentiment.

United States: FOMC policy decision, retail sales, import price index, regional manufacturing surveys.

Information contained in this report current as at 13 June 2025

RBA won't rush, but will cut more next year

Luci Ellis
Chief Economist, Westpac Group

We have retained our current expectations for the near-term path for the RBA cash rate: a 25bp cut in August – not July – and another in November. We have added two more 25bp cuts in early 2026 (February and May), though they could be earlier (December and February or February and March) if inflation and the labour market turn out weaker late in 2025 than we currently expect. That would mean RBA cash rate will bottom out at 2.85%, from a peak of 4.35%, and 3.85% currently. We regard the cash rate at 2.85% as being at the lower end of the 'neutral range'.

A few months ago, in February, the RBA was sceptical that it would cut rates at all, beyond removing the 'insurance' against upside risks that it had taken out in November 2023. At its latest (May) meeting it was confident enough in the disinflation so far that it was comfortable with the market pricing for the cash rate.

Let's not get ahead of ourselves, though. The Board described itself as having a preference to move cautiously and predictably. This is code for not wanting to do back-to-back cuts. It also made it clear in the minutes that this was about reducing restrictiveness, not moving quickly back to neutral in the style of the Federal Reserve last year. And the Board is not in the habit of changing policy just because the market is pricing it in.

Nothing that has happened since, including a disappointing GDP number, has been enough to tip the RBA into changing its mind in the near term. Neither is the data flow between now and the next meeting likely to shift the dial on the near-term outlook. The May labour force data out next week is likely to show a labour market that still looks tighter than the RBA's view of full employment. And while the May monthly CPI indicator, to be published on 25 June, is likely to be a low one, the steer from April and May suggests that June quarter CPI is likely to be a bit above what the RBA is forecasting. Given this, the overall data flow will be enough to convince the Board that further reduction in policy restrictiveness is warranted. It will not, however, be enough to induce it to rush that withdrawal of restrictiveness.

Looking forward, though, the arguments in favour of doing more than 50bps more (two cuts) are building. In particular, the outlook for inflation is shifting in the face of slowing population growth and a handover from public to private sector demand growth that is looking shakier.

Recent data has made it clear that population growth is unwinding a bit faster than previously thought. We have assessed that this is enough to have implications for housing costs, particularly rents. Over time, this puts a little more downside into measures of underlying inflation. We are also seeing a bit more downside in some parts of services inflation.

In our view, these and other shifts are enough to take trimmed mean inflation below the midpoint of the target range for a time, starting around the end of this year. We believe that would tip the RBA in favour of cutting the cash rate further. Our previous forecasts did not have trimmed mean inflation going below the 2.5% midpoint of the RBA's 2–3% inflation target. Such a forecast would not have comported with a policy stance involving the real (inflation-adjusted) cash rate as low as a 2.85% nominal cash rate implies. But our current forecasts, as released by Westpac Senior Economic Justin Smirk this morning, are enough to change the policy calculus.

Indeed, if we are right, the RBA might be in for a bit of an 'oh crikey!' moment late this year. A 'shaky handover' from the post-expansion normalisation in the care economy and the completion of a raft of state government infrastructure projects could weigh on both output and employment. The parallels with the late 2010s we have previously highlighted could become even clearer. Consumer spending is tracking weakly, as we expected. We are now starting to see this weigh on business activity. The result is likely to be soggy growth and surprisingly weak wages growth despite apparently low unemployment (and despite the RBA's beliefs about the implications of below-par measured productivity growth). In that case, what at first looked like an inflation trajectory solidly anchored at or above the 2.5% midpoint of the target range will instead look more like our forecasts, drifting below 2.5% for a time.

(We also cannot rule out that the forthcoming update to the Statement on the Conduct of Monetary Policy refines the language on how assiduous the RBA needs to be about hitting the 2.5% midpoint of the target range exactly. When the Governor flagged at last month's media conference that a new agreement was in the works, it did raise the question of why the current agreement needed revision, less than 18 months after it was published. If a new agreement is finalised soon, the current one will be the shortest-lived of any of them other than the 2006 agreement superseded by the change of government in 2007. This could just be an update now that the new Monetary Policy Board is in place. But perhaps the February episode also spurred a 'no, not like that!' reaction in the Government. We will know soon enough.)

As we have previously noted, the risks remain on the downside. It is possible that some of these cuts come a bit faster than the 'cautious' path we currently have pencilled in. This will depend on the evolving data flow, particularly for the labour market and inflation, as well as the RBA's evolving beliefs about what constitutes full employment.

Cliff Notes: necessary relief

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

In Australia, the Westpac-MI Consumer Sentiment index posted a slight increase of 0.5% in June. At 92.6, the headline index remains well above the deep lows over 2022-24, but still some way below the neutral threshold of 100, consistent with a degree of 'cautious pessimism'. Offshore developments are still weighing on consumer's minds, with 77% of respondents recalling news on the topic as 'unfavourable'. While the lower-inflation environment has certainly aided sentiment, the real per capita income decline of recent years means consumers remain hesitant to increase discretionary spending. Indeed, views on family finances versus a year ago and expectations for the year-ahead remain almost 14% and 7% below their respective long-run averages; meanwhile, the 'time to buy a major household item' sub-index is still 19% below its long-run average

It is also notable that the more constructive outlook for inflation has seen consumers become more confident in the prospects for interest rate cuts – a sentiment we share. This week, we revised down our forecasts for inflation, incorporating a faster unwind of population growth in the near-term and downside risks to activity; we now expect underlying (trimmed mean) inflation to fall below the mid-point of the target band for a time. As discussed by Chief Economist Luci Ellis, these developments are likely to see the RBA's policy easing cycle extend into the first half of 2026, seeing the cash rate trough at the lower end of our estimate of the neutral range at 2.85%.

Emphasising the downside risks to activity growth, the latest NAB business survey was weak. The business conditions index, having been trapped in a consistent downtrend for the past three years, fell to 0 in May. This is the weakest reading since the pandemic and suggests private demand may remain on a shaky footing through mid-year. Encouragingly, Australian businesses seem broadly unphased by offshore developments. Although, with the confidence index hovering around a neutral level of 0, the survey is hardly signalling a near-term rally in economic activity.

In the US meanwhile, both the CPI and PPI came in under expectations in May. Headline and core consumer prices rose 0.1% in the month, leaving the annual rates little changed at 2.4%yr for headline and 2.8%yr for core. The downward pressure in the month came from easing energy and services prices, while core goods prices were flat. The PPI also underperformed, rising just 0.1% following an upwardly revised -0.2% result in April. On an annual basis, PPI inflation rose 2.6% while the ex. food and energy measure gained 3.0%. Given how quickly the tariffs were walked back, it isn't surprising there was little evidence of trade policy impacting prices for US consumers and businesses. Weakening consumer demand and an aggressive pull-forward of inventory stocking before May's announcement are additional reasons to suspect that the tariff effect for inflation will be slow to come through, particularly at the consumer level.

Across the pond, UK labour market figures also came in softer than anticipated. The unemployment rate for April ticked up slightly to 4.6% but remains below the BoE's forecast of 4.75% for the year. Wages growth also decelerated to 5.3%yr from a revised 5.6%yr, consistent with other indicators such as the Decision Maker Panel which points to a further deceleration in the year ahead. These developments jar with the recent acceleration in the CPI, making the BoE's task of balancing growth and inflation difficult. Recall that at its last meeting, the committee was split three ways, with the decision to cut only narrowly winning. Another CPI print is due next week, but more than likely it will again point to sustained risks for inflation and consequently the need for a gradual approach to policy easing.

Finally to China. There, prices continued to decline, the CPI down 0.1%yr in May and the PPI 3.3%yr lower. These results reflect the ongoing expansion of excess capacity across the economy and soft consumer demand. Chinese trade data in the week also revealed a moderation in exports growth to 4.8%yr as exports to the US jolted lower; however, imports declining by 3.4%yr, keeping the trade surplus near record levels at USD103bn.

Growth here and there, but not quite everywhere

Michael Gordon
Senior Economist

Next Thursday's GDP report is expected to show some green shoots taking hold in the New Zealand economy in the early part of this year. We're expecting a 0.7% rise for the March quarter, with evidence of broader-based growth than what we saw in the December quarter.

Our 0.7% growth forecast is an upgrade from our previous estimate of 0.4%, following the final batch of sectoral data that was released on Monday. Other market forecasts have also shifted in this direction, and the RBNZ (which forecast a 0.4% rise in its May Monetary Policy Statement) will likely take the same interpretation.

The signs of strength in the sectoral data were something of a surprise for us, as they hadn't been foreshadowed by the higher-frequency data releases up to that point. Our GDP nowcast model ended on an estimate of 0.2%; it had more or less settled at that level after the soft NZIER business survey in April, and subsequent data releases hadn't deviated from this story.

Nevertheless, what we found encouraging in the sectoral data was the breadth of the upturn. While there were a couple of standout contributions that won't necessarily be sustained, we expect that most sectors will report at least some modest growth. That suggests there isn't one single thing driving the recovery, but a range of factors working together.

Firstly, a bit of lower interest rates doing their work. New Zealand's easing cycle is further advanced than most other developed economies, and that interest rate relief is gradually working its way through to households and businesses.

Second, a bit of the improving fortunes of the primary sector. That won't be directly captured in the GDP figures, which measure volumes – agricultural output has been broadly flat in the last couple of quarters. Rather, the effect has been through higher commodity prices boosting farm incomes, which in turn will drive a lift in spending and investment in a broader range of sectors.

There's also a bit of the sustained recovery in international tourism. While overseas visitor spending appears to have been down in the March quarter (compared to a sharp rise in the December quarter), it's an industry with some momentum that has been otherwise lacking in the domestic economy.

And finally, there may be a bit of last year's downturn simply not being as bad as reported. The GDP data can be subject to revisions for several years after the initial release (and on average the revisions to growth have been upward). What's more, as we noted in the previous GDP release, there is some residual seasonality that has crept into the figures, making it harder to be confident about the quarter-to-quarter pattern of growth. There's no doubt that things have slowed compared to a year ago (as evident in the employment figures for instance); the question is around the magnitude.

The usual criticism about the GDP release is that it's a dated measure of how the economy is performing. (The reason we publish GDP nowcasts for two quarters ahead, rather than one, is that much of the 'action' in the June quarter nowcast will have already happened by the time we get the March quarter outcome.) More timely data, including over the past week, has highlighted how the economy's recovery still faces a few headwinds.

The BusinessNZ manufacturing PMI fell sharply to 47.5 in May, from 53.3 in April. The PMI had been notably perkier so far this year, rising above the 50 mark for the first time in two years. That result was borne out in Monday's sectoral data, with the March quarter manufacturing survey (which directly enters the GDP calculations) showing a strong rebound in activity. However, that momentum doesn't appear to have been sustained.

Retail card spending was softer than we expected in May, down by 0.2%. Spending has effectively been tracking sideways for the past three months, even on the 'core' retailing measure, despite falling petrol prices leaving more money in people's pockets to spend elsewhere. We still expect to see a lift in spending over the rest of 2025, as homeowners continue to roll on to lower mortgage rates.

Finally, there was a net inflow of 1,800 migrants in April, broadly in line with our expectations. However, the net inflow over the past year was revised down by about 5,000 people, largely due to some recent arrivals being re-identified as short-term visitors. As a result, we're now below the run rate needed to meet our assumption of a net 35,000 arrivals for this year; we'll review our forecasts in the coming weeks.

Some of the recent data emphasises the uncertainty that remains around the path of the economy this year given global events. Even though we seem set to have seen two quarters of trend to above-trend growth, it may be unwise to extrapolate that performance too far. Time will tell.

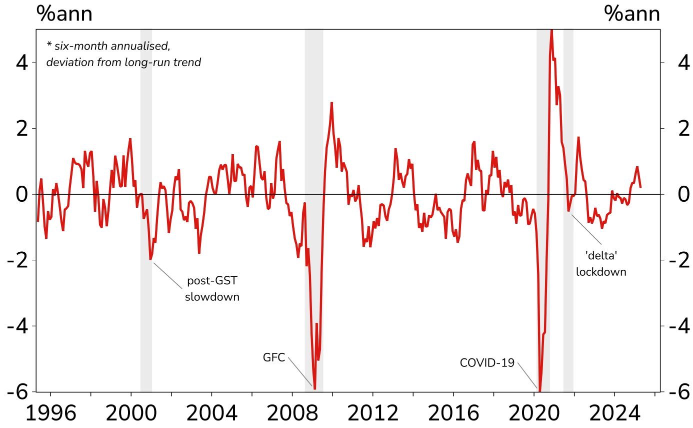
AUS: May Westpac-MI Leading Index (%ann'd)

May 21, Last: 0.2

The Leading Index growth rate slowed to 0.2% in April from 0.5% in March, the above-trend growth pulse that emerged at the start of the year having all but disappeared. The shift reflects heightened uncertainty around global trade and a less supportive commodity price backdrop.

The May read looks likely to be soft again. While the ASX200 posted a solid rise (up 3.8%) most other components softened including notable declines in commodity prices (–1.5% in AUD terms) and dwelling approvals (–5.7%).

Westpac-MI Leading Index



Source: Westpac-MI, Macrobond

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

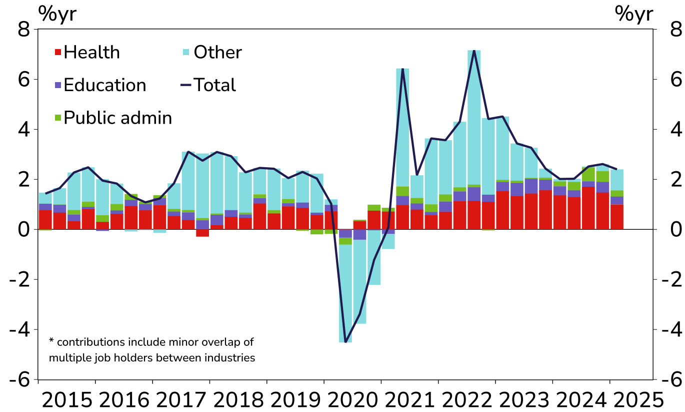
Jun 19, Last: +89, Westpac f/c: +15
Market f/c: +20 Range: –25 to +40

In April, employment surprised materially to the upside – the +89k surge was more than double the top-of-the-range estimate. While quite volatile on a monthly basis, this latest read toned down some of the apparent softness that looked to have emerged over the first few months of the year.

The employment gain was also partly flattered by an outsized increase in modelled population estimates, which are set to be rebenchmarked to the latest official estimates in the upcoming survey. Hence, we recommend keeping a closer eye on the employment-to-population ratio to get a better idea of the current trend in employment conditions.

For May, we have pencilled in a +15k increase in employment, reflecting a pull-back from last month's lumpy gain.

Contributions to employment growth



Source: ABS, Macrobond, Westpac Economics

AUS: May Labour Force – Unemployment Rate (%)

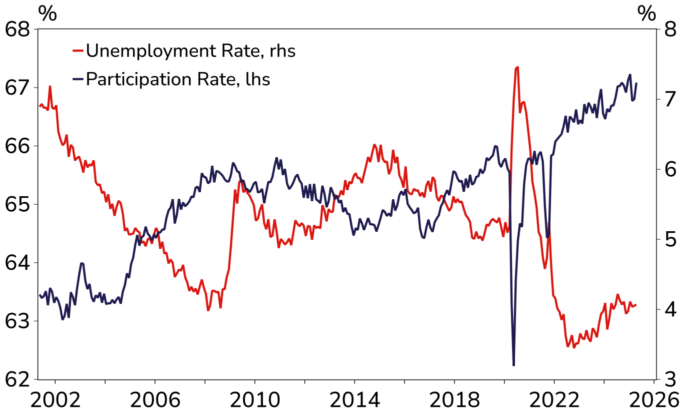
Jun 19, Last: 4.1, Westpac f/c: 4.2
Market f/c: 4.1 Range: 4.1 to 4.2

Most of the volatility in recent surveys can be linked back to labour supply. The latest month saw a rebound in the participation rate back to 67.1% – just shy of record highs. However, with labour demand largely moving in tandem, the unemployment rate has remained stable at 4.1%.

Over the coming months, estimates of underemployment will be closely watched. The latest Labour Account showed a large decline in second jobs across most industries, particularly in the non-market sector. Recent labour force surveys have also highlighted downside risks around average hours.

For May, we expect the participation rate to hold steady at 67.1%. It is a line-ball call for the unemployment rate, but at the margin, we see risks tilted toward rounding up to 4.2%.

Participation remains high, unemployment steady



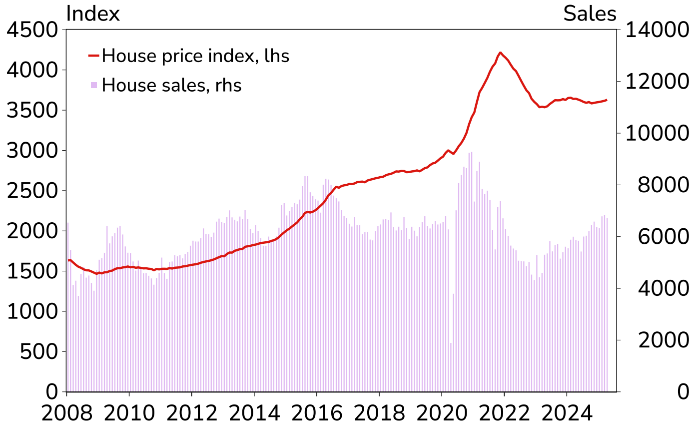
Source: ABS, Macrobond, Westpac Economics

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

Jun 17 (TBC), Prices Last: –0.3; Sales Last: +9.5

Falling mortgage rates have been helping to revive interest among potential homebuyers since late last year. The REINZ report for April showed a 0.4% rise in house prices, still a modest pace but a pickup from the 0.1-0.2% gains in each of the previous five months. Sales have been gradually trending higher over the last two years, and are back to around their long-run average levels. As the stock of unsold homes on the market is worked through, we expect to see further house price gains over 2025.

NZ housing market picking up gradually



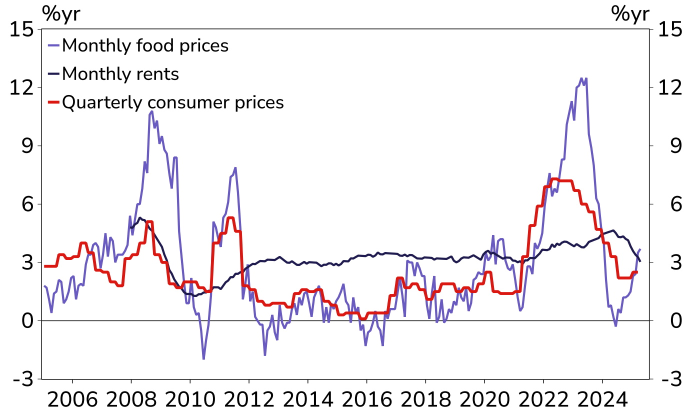
Source: REINZ, Macrobond, Westpac Economics

NZ: May Selected Price Indices

Jun 17

April's update on consumer prices was stronger than expected with continued large increases in food prices and a sharp rise in airfares. Regulated prices such as household energy also recorded solid increases. Some of the gains seen in April were seasonal (e.g. international airfares), and consequently some give back is likely in May. However, we're continuing to see gains in areas like grocery prices, with overall food prices expected to be up another 0.2%. It'll also be worth watching what happens to rents (the largest component of the CPI) which have recorded relatively small increases in recent months.

NZ selected consumer prices



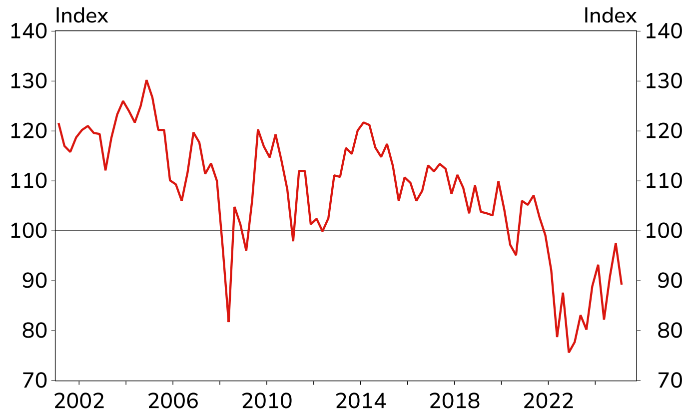
Source: Stats NZ, Macrobond, Westpac Economics

NZ: Q2 Westpac-McDermott Miller Consumer Confidence Index

Jun 18, Last: 89.2

The Westpac-McDermott Miller Consumer Confidence Index fell 8 points in March to a level of 89.2. While consumer confidence has picked up from the lows we saw in recent years, there are a range of concerns that are still worrying New Zealand households, and that's likely to be a brake on spending for a few more months at least. Our latest survey was in the field in the early weeks of June. Recent months have seen mixed economic news, along with continued uncertainty about the impact of US tariffs. We've also seen renewed cost of living concerns as food prices have pushed higher.

Consumer confidence slipped in Q1



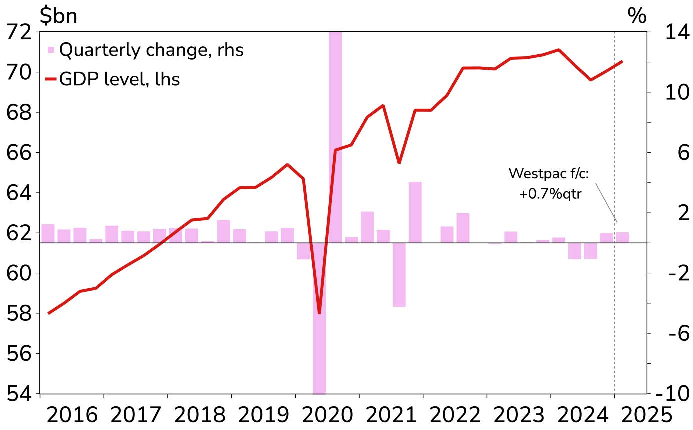
Source: Westpac New Zealand, Macrobond, Westpac Economics

NZ: Q1 GDP (%qtr)

Jun 19, Last: +0.7, Westpac f/c: +0.7, Market f/c: +0.7

We expect a 0.7% rise in GDP for the March quarter, following a similar rise in the December quarter. However, the sectoral details suggest more genuine and broad-based growth this time, whereas the previous quarter's result was driven by some undesirable seasonality that has crept into the GDP figures. The economy is still clawing its way back from a sharp downturn in the middle part of 2024, and activity likely remains below year-ago levels, but the direction of travel is encouraging.

GDP picking up from sharp 2024 slowdown



Source: Stats NZ, Macrobond, Westpac Economics

US: June FOMC Meeting (%)

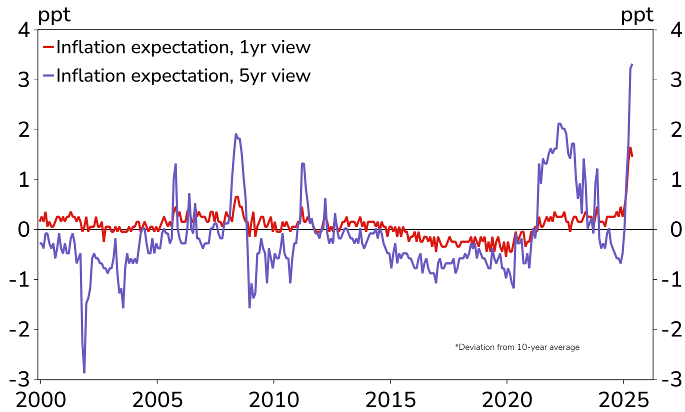
Jun 17-18, Last: 4.375, Westpac f/c: 4.375, Market f/c: 4.375

Guidance from FOMC officials ahead of the June meeting blackout was consistent and clear: they remain confident in the underlying health of the US economy and wary of inflation risks stemming from the introduction of tariffs; this uncertainty is likely to persist for some time.

As a result, the market and economist consensus is for no change in the policy rate at the June meeting. The focus will instead be revisions to the Committee's forecasts and discussion of the likely evolution of risks.

We expect inflation risks to again be a focus and for Chair Powell to re-commit to taking a data-dependent approach with policy. Our forecast for two rate cuts through H2 2025 depends on inflation risks remaining contained and a further deterioration in the underlying growth pulse.

FOMC wary of consumer inflation risks



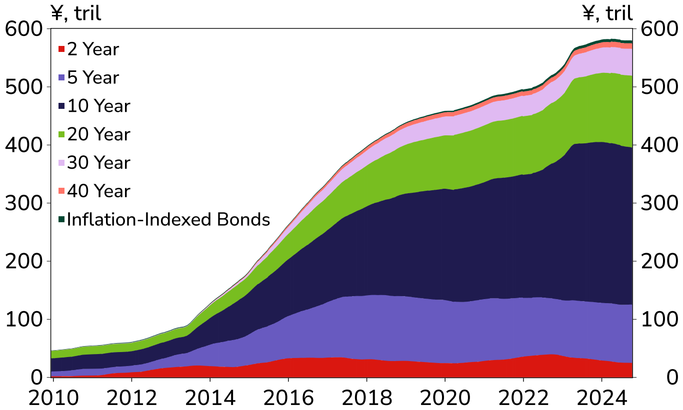
Source: University of Michigan, Macrobond, Westpac Economics

JAPAN: June BoJ Meeting (%)

Jun 17, Last: 0.5, Westpac f/c: 0.5, Market f/c: 0.5

The Bank of Japan is anticipated to hold rates steady at its June meeting next week but focus will be on its plan for tapering asset purchases. Recent auctions on ultralong government bonds have come in weak stoking rumours that the BoJ may walk back on its plan to purchase fewer government bonds. The BoJ remains committed to normalising policy and part of that will be reducing its balance sheet. It is also firmly committed to supporting a functioning market and adjusting the pace of tapering purchases will be part of that. We anticipate there could be some changes to the ultralong end of the market to help stabilise yields there but overall the BoJ will reinforce its commitment to reducing its balance sheet.

BoJ's holdings still expected to decline from here



Source: BOJ, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Mkt f/c	WBC f/c	Risk/Comment
Mon 16							
NZ	May	BusinessNZ PSI	index	48.5	–	–	Has softened again in recent months.
Chn	May	Retail Sales	ytd %yr	4.7	4.8	–	Consumption still weak versus pre–pandemic average.
	May	Industrial Production	ytd %yr	6.4	6.4	–	Prospects for trade resolution alleviate downside risks …
	May	Fixed Asset Investment	ytd %yr	4.0	4.0	–	… China remains well–placed to hit growth target.
US	Jun	Fed Empire State	index	–9.2	–7.0	–	Manufacturing outlook remains soft across the regions.
Tue 17							
NZ	May	REINZ House Prices	%yr	–0.3	–	–	Expected date. Prices are gradually picking up …
	May	REINZ House Sales	%yr	9.5	–	–	… as lower mortgage rates spur higher turnover.
	May	Selected Price Indices – food prices	%mth	0.8	–	0.2	Dairy and other grocery prices continuing to rise.
	May	Selected Price Indices – rents	%mth	0.2	–	0.2	Rental growth has taken a step down this year.
Jpn	Jun	BoJ Policy Decision	%	0.50	0.50	0.50	On hold for now; balance of growth and inflation risks key.
Eur	Jun	ZEW Survey Of Expectations	index	11.6	–	–	Recovered about half the collapse from 'Liberation Day'.
US	May	Retail Sales	%mth	0.1	–0.7	–	Consumers saving rather than spending.
	May	Import Price Index	%mth	0.1	–0.3	–	Underlying prices (excluding tariffs) are little–changed.
	May	Industrial Production	%mth	0.0	0.0	–	Subdued regional manufacturing points to downside risk.
	Apr	Business Inventories	%mth	0.1	0.0	–	Inventory–to–sales ticking down, but both are subdued.
Wed 18							
Aus	May	Westpac–MI Leading Index	%ann'd	0.2	–	–	Underlying components are on the softer side.
NZ	Q2	Westpac–MM Cons. Confidence	index	89.2	–	–	Lost ground earlier in the year, still below average.
	Q1	Current Account Balance	NZ$bn	–7.0	–5.8	–5.8	High export commodity prices are narrowing the deficit.
Jpn	Apr	Core Machinery Orders	%mth	13.0	–9.5	–	Positive for investment, albeit lumpy and subject to revision.
Eur	May	CPI	%ann	2.2	1.9	–	Final estimate to provide more colour on component detail.
UK	May	CPI	%ann	3.5	–	–	Up–tick in services inflation bears close monitoring.
US	Jun	NAHB Housing Market	index	34	36	–	Homebuilders deeply pessimistic; tariff concerns linger.
	May	Housing Starts	%mth	1.6	–0.1	–	Elevated lending costs and uncertainty making housing …
	May	Building Permits	%mth	–4.0	0.6	–	… projects an unattractive bet for builders.
		Initial Jobless Claims	000s	248	–	–	Still low versus history.
	Jun	FOMC Policy Decision	%	4.375	4.375	4.375	Patient as employment and inflation risks are assessed.
Thu 19							
Aus	May	Employment Change	000s	89	20	15	Smaller gain following a bumper April …
	May	Unemployment Rate	%	4.1	4.1	4.2	… risks tilted toward unemployment rate rounding up.
NZ	Q1	GDP	%qtr	0.7	0.7	0.7	Gradual recovery from the sharp 2024 slowdown.
UK		BoE Policy Decision	%	4.25	4.25	4.25	Upside inflation surprise reinforces gradual approach to easing.
US		Juneteenth	–	–	–	–	Markets closed.
Fri 20							
NZ		Matariki public holiday	–	–	–	–	Markets closed.
Jpn	May	CPI	%ann	3.6	3.5	–	BoJ keeping a close eye, but not enough to budge policy yet.
		BoJ Governor Ueda	–	–	–	–	Speaking at National Shinkin Bank Convention, 4:40pm AEST.
Eur	Jun	Consumer Confidence	index	–15.2	–14.9	–	Trade talks offer hope on the future economic landscape.
UK	Jun	Gfk Consumer Sentiment	index	–20	–	–	Surprisingly resilient to external turmoil …
	May	Retail Sales	%mth	1.2	–	–	… as retail spending tracks a positive uptrend.
US	Jun	Phily Fed	index	–4.0	0.0	–	Manufacturing outlook remains soft across the regions.
	May	Leading Index	%mth	–1.0	–0.1	–	Likely to rebound following stock market recovery.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (13 Jun)	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27
Cash	3.85	3.60	3.35	3.10	2.85	2.85	2.85	2.85	2.85
90 Day BBSW	3.72	3.65	3.45	3.20	3.00	3.00	3.05	3.05	3.05
3 Year Swap	3.20	3.40	3.50	3.65	3.80	3.85	3.90	3.95	4.00
3 Year Bond	3.26	3.45	3.55	3.70	3.85	3.90	3.95	4.00	4.00
10 Year Bond	4.12	4.30	4.35	4.40	4.45	4.55	4.60	4.65	4.70
10 Year Spread to US (bps)	-20	-20	-20	-20	-20	-15	-15	-15	-15
United States									
Fed Funds	4.375	4.125	3.875	3.875	3.875	3.875	3.875	3.875	3.875
US 10 Year Bond	4.32	4.50	4.55	4.60	4.65	4.70	4.75	4.80	4.85
New Zealand									
Cash	3.25	3.00	3.00	3.00	3.00	3.00	3.25	3.50	3.75
90 Day Bill	3.30	3.10	3.10	3.10	3.10	3.20	3.45	3.70	3.85
2 Year Swap	3.24	3.30	3.35	3.50	3.65	3.80	3.90	3.95	4.00
10 Year Bond	4.49	4.65	4.70	4.75	4.80	4.85	4.90	4.95	4.95
10 Year Spread to US (bps)	17	15	15	15	15	15	15	15	10

Exchange rate forecasts

	Latest (13 Jun)	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
AUD/USD	0.6481	0.66	0.68	0.69	0.7	0.71	0.71	0.72	0.72
NZD/USD	0.6018	0.60	0.61	0.61	0.62	0.62	0.62	0.63	0.63
USD/JPY	143.12	143	141	139	137	136	135	134	133
EUR/USD	1.1555	1.15	1.16	1.17	1.18	1.18	1.18	1.18	1.18
GBP/USD	1.3575	1.36	1.36	1.37	1.37	1.37	1.37	1.38	1.38
USD/CNY	7.1726	7.15	7.10	7.05	7.00	6.95	6.90	6.85	6.80
AUD/NZD	1.0769	1.10	1.12	1.13	1.13	1.14	1.14	1.14	1.14

Australian economic growth forecasts

	2025				2026				Calendar years			
% Change	**Q1**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2024**	**2025f**	**2026f**	**2027f**
GDP %qtr	0.2	0.6	0.4	0.5	0.5	0.5	0.6	0.6	–	–	–	–
%yr end	1.3	1.7	1.8	1.7	2.0	2.0	2.1	2.2	1.3	1.7	2.2	2.6
Unemployment rate %	4.1	4.1	4.3	4.4	4.4	4.5	4.5	4.5	4.0	4.4	4.5	4.3
Wages (WPI) %qtr	0.9	0.8	0.7	0.6	0.8	0.8	0.7	0.7	–	–	–	–
%yr end	3.4	3.4	3.2	3.1	3.0	2.9	2.9	3.0	3.2	3.1	3.0	3.0
CPI Headline %qtr	0.9	1.0	0.9	0.6	0.6	0.8	0.7	0.5	–	–	–	–
%yr end	2.4	2.4	3.1	3.4	3.1	3.0	2.7	2.7	2.4	3.4	2.7	2.6
CPI Trimmed Mean %qtr	0.7	0.8	0.7	0.5	0.5	0.6	0.6	0.6	–	–	–	–
%yr end	2.9	2.8	2.7	2.7	2.5	2.3	2.2	2.3	3.3	2.7	2.3	2.6

New Zealand economic growth forecasts

	2025				2026				Calendar years			
% Change	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2024**	**2025f**	**2026f**	**2027f**
GDP %qtr	0.7	0.6	0.7	0.9	0.8	0.7	0.7	0.7	–	–	–	–
Annual avg change	-0.8	0.8	2.7	2.9	3.0	3.1	3.0	2.8	-0.5	1.4	3.0	2.7
Unemployment rate %	5.1	5.3	5.3	5.2	5.0	4.8	4.6	4.4	5.1	5.2	4.4	4.1
CPI %qtr	0.9	0.4	0.8	0.7	0.6	0.4	0.9	0.4	–	–	–	–
Annual change	2.5	2.5	2.7	2.8	2.5	2.5	2.6	2.3	2.2	2.8	2.3	2.0

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