Week beginning 30 June 2025

# AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

## In this week's edition:

**Economic Insight:** RBA cut likely in July, but no shoo-in.

**The Week That Was:** Australian inflation risks abate.

**Focus on New Zealand:** Market biding time as next RBNZ meeting draws nearer.

## For the week ahead:

**Australia:** Private sector credit, house prices, dwelling approvals, retail sales, household spending.

**New Zealand:** Monthly employment indicator, business sentiment surveys, building consents.

**Japan:** Industrial production, Q2 Tankan survey, household spending.

**China:** Official and Caixin PMI surveys.

**Europe:** ECB forum on central banking, HICP, unemployment rate.

**United Kingdom:** Q1 GDP(final).

**United States:** Non-farm payrolls, ISM surveys, factory orders, construction spending, JOLTS, Fedspeak.

Information contained in this report current as at 27 June 2025

# RBA cut likely in July, but no shoo-in

**Luci Ellis**
Chief Economist, Westpac Group

- **We now expect the next RBA rate cut to be in July rather than August, but this is not the shoo-in the market seems to think it is.**
- **The RBA has sometimes defied market pricing if offshore risks are being over-weighted, but now is the time to bring forward a move it knows it will likely make soon anyway.**
- **The RBA's outlook is still shaped by concerns about the tight labour market, slow economy-wide productivity growth and the pricing implications of recovering demand. Thus we expect non-committal, even grudging, language in the post-meeting communication.**
- **We continue to expect a terminal rate of 2.85% (three further cuts after the upcoming one), but the RBA is unlikely to give any forward guidance in that vein.**

The next RBA rate cut is now expected to be in July rather than August, but this is not the shoo-in that markets seem to think it is. Yes, the May monthly CPI indicator came in below even the low number that we expected. That helps bring forward inflation's return to the 2.5% target midpoint and keep it there, which is what the RBA is trying to achieve. The detail around housing and market services was also a promising sign that core inflation is seeing a sustained moderation. But the June quarterly inflation numbers are still likely to print on the high side, so some caution on the inflation outlook is likely and warranted.

One month's data ordinarily wouldn't – and shouldn't – determine the RBA's forecast and decision-making. We also note the Governor's particular caution about the monthly CPI indicator expressed in the May post-meeting media conference. This was an explicit steer that the RBA's thinking in May was that it did not plan to do back-to-back cuts but would wait for the quarterly CPI ahead of its August meeting. And they still might do that, but it is harder to justify now.

Moving more quickly than the 'cautious and predictable' path flagged in May implies that the RBA's forecasts need to shift. The May SMP showed a forecast for trimmed mean inflation flat as a pancake at 2.6% as far as the forecasts went, never touching the 2.5% midpoint. No model produces a forecast like that. It was more of a message than a true forecast.

That message was that they are still worried about domestic inflation pressures. They think the labour market is still too tight – and productivity growth too weak – to move quickly. Last week's labour force and today's job vacancies data would have reinforced this view. Neither is the RBA planning to bring monetary policy to an expansionary stance – this point was also explicitly mentioned in the Minutes.

That 2.6% forecast was the RBA saying it thought it would end up cutting by less than the market was pricing in May, the path on which the RBA's forecasts were based. Discussion of a 50 basis point cut at the May meeting was just that – discussion. Recall that the Board also discussed keeping the cash rate on hold.

We expect that the inflation evidence will overtake the RBA's thesis of domestic tightness over time. But we do not think they are going to start singing from an entirely different song sheet just yet. It would be an extraordinary pivot to let go of an analysis of the economy that it has held on to for so long – even in the face of widespread criticism – without any prior communication. And it would be inconsistent with the RBA's recent pattern of taking a couple of quarters and a bit of counter-arguing before it comes back from a view that is well outside market consensus. (Though with more than a week to go until the next Board meeting still, perhaps an event will be rustled up beforehand.)

Rather, what we are about to see is an RBA that was planning to cut rates soon anyway deciding it may as well get on with it rather than make a contestable argument for further delay.

Note that this is not just about validating market pricing. The RBA is not the Fed: it is less worried about 'surprising the market', as we saw in May 2023. If it really did not think it should cut the cash rate soon, it would not be swayed by the market. Indeed, the RBA has form for not cutting rates when markets are pricing a cut, especially if market pricing is keying off assumed negative implications of shocks from offshore that the RBA thinks are overdone. There is an element of that situation currently, a point alluded to in the Deputy Governor's remarks in late May.

In short, only because the RBA sees itself on a path of cutting rates soon will it decide to validate market pricing and get on with the next cut at its July meeting. But this is not the timing it previously thought it would be on. Given the lingering uncertainties and the RBA's concerns about a tight labour market, expect its post-meeting language to be non-committal, even a little grudging about the decision to cut.

We still think there are three further cuts after the next one (terminal rate 2.85%), but the timing will depend on the RBA's post-meeting tone. As flagged when we first added the third and fourth cuts to our call, the risks are that they come sooner than February and May next year.

# Cliff Notes: Australian inflation risks abate

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

**In Australia, the main event this week was May's CPI Indicator which surprised materially to the downside, headline prices falling 0.4% in the month and annual inflation decelerating to 2.1%yr, near the bottom of the RBA's target band. The housing category was a primary source of disinflation, energy rebates continuing to suppress gains in electricity prices while price discounting by project home builders saw no change in dwelling prices overall. A outsized seasonal fall for holiday travel and accommodation prices was also at play, so too a surprise fall in the cost of insurance.**

As a result, on a trimmed mean basis, inflation gapped lower to 2.4%yr in May from 2.8%yr in April. While the monthly indicator is only a partial read on inflation, and the comprehensive quarterly update is still likely to show underlying inflation in the upper half of the RBA's target band for Q2 overall, price momentum and associated risks are clearly abating.

Chief Economist Luci Ellis subsequently announced a change to Westpac Economics' RBA rate call, with the next rate cut now expected in July instead of August. With the RBA already in the middle of a rate cutting cycle and inflationary pressure and risks receding ahead of expectations, it is becoming increasingly difficult to justify a delay.

Note though, this does not mean the RBA is ready to rapidly deliver the full cycle of cuts we and the market are forecasting to a terminal rate around 2.85%. Holding concerns over the lack of productivity growth economy wide and also remaining confident in the strength of the labour market (on display again in this week's job vacancies data), the RBA is likely to bide their time before cutting again after the July decision. Arguably additional cuts will only be fast tracked if conditions warrant, i.e. the labour market suddenly deteriorates and/or the global outlook darkens materially, threatening Australia's nascent recovery in consumer spending.

Before moving offshore, a note on the domestic manufacturing sector. The latest instalment of the Westpac-ACCI Survey of Industrial Trends found the gradual recovery in manufacturing conditions remains intact, the Actual Composite remaining in expansionary territory at 51.6 in Q2. Perhaps the most promising development was a surge in optimism in future conditions, evinced by the Expected Composite lifting to 59.3. This not only reflects a greater degree of confidence around the economic recovery overall but also an improving outlook for profitability, aided by easing unit cost pressures. Still, capacity constraints and the availability of skilled labour will remain significant headwinds.

Offshore, the market has primarily focused on developments in the Middle East. Thankfully, after the US' strike at the weekend and Iran's limited retaliation against a US military base in Qatar, a ceasefire has held between Israel and Iran. With global oil supply unaffected and negotiations to be held, the price of oil has snapped back to levels seen prior to Israel's initial strike on Iran in mid-June, having surged circa 20% in between. While uncertainty remains elevated, the financial cost for households and businesses across the West and Asia has been negligible.

It is not surprising then that policy makers generally remain favourably disposed to the outlook, both with respect to activity growth and inflation. Chair Powell's remarks before Congress this week were a case in point. Chair Powell believes the FOMC does not need to be in a hurry "because the economy is still strong". Still, he believes the FOMC will start easing policy "sooner rather than later" if tariff-related inflationary pressures prove contained. The FOMC's Bowman and Goolsbee signalled a greater degree of comfort in the inflation outlook by being open to a cut as soon as July. However, Daly, Barkin and Collins showed a preference for additional time to assess. With Chair Powell seemingly of a similar view to the latter group, a September timing for the next cut still seems most probable absent a raft of rapid trade deals that remove the tariff threat and/or a marked deterioration in the labour market in June – this report is due next Thursday, ahead of the 4th of July long weekend.

Also flagged in the second day of Chair Powell's testimony before Congress is a proposed reduction in the enhanced supplementary leverage ratio which would lower major bank capital requirements and allow them to choose to hold more Treasuries, if they wish. Under the planned change, holding companies' capital requirement would be lowered to 3.5-4.5% from 5% while banking subsidiaries' requirement would be lowered to the same 3.5-4.5% range from 6% currently. A 60-day public comment period will run before the change is confirmed. If the change goes ahead, it is expected to improve liquidity and make the US Treasury market more resilient to shocks. A material reduction in yields is unlikely, however, particularly if the US budget deficit and the Federal Government's funding needs continue to grow. Research by the Federal Reserve Bank of Boston provides context on the likely implications of the change for the Treasury market.

The data released this week has been secondary in nature and provided little clear signal. The one release to call out is the third estimate of Q1 US GDP. This is not typically a release that warrants attention. But, in this instance, it does. Leading to the headline revision from -0.2% annualised growth to

-0.5% was a near two-third cut to services consumption growth in the quarter, from 1.7% annualised to just 0.6%. Services export growth was also materially revised, from -2.1% annualised to -9.7%, although this deterioration was offset by a larger downward revision to import growth. These outcomes highlight the hit to US growth from political uncertainty, particularly with respect to trade policy and migration. Services spending has been a cornerstone for US GDP growth in recent years. If weakness now takes hold, it will be difficult for the US to sustainably achieve growth at trend let alone outperform as it has done in the recent past.

# Market biding time as next RBNZ meeting draws nearer

Darren Gibbs
Senior Economist

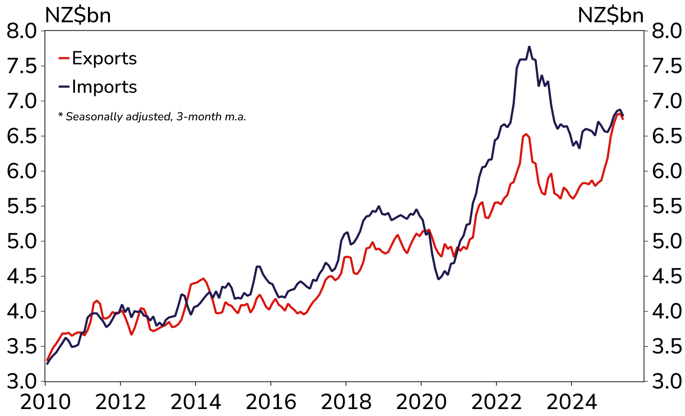
**Over the past week New Zealand's financial markets have continued to be mostly driven by developments offshore, with little direction offered by a sparsely populated domestic diary. That said, the front of the Kiwi interest rate curve has remained well anchored by an expectation that the RBNZ's MPC will most likely sit out the next meeting on 9 July, before most likely reducing the OCR at the subsequent meeting in August. This remains Westpac's expectation too.**

Reflecting on the previous week's release of the March quarter National Accounts, we have tweaked our estimate of GDP growth for the June quarter. While the 0.8%q/q growth reported in the March quarter was stronger than expected, the breadth of growth was narrower than expected. Meanwhile, indicators for the June quarter have weakened somewhat over the past month or so and migration data has pointed to slower population growth than previously assumed. So, with GDP growth also tending to exhibit negative residual seasonality in the June quarter – a legacy of the difficulty of seasonally adjusting data after the pandemic disruptions – we have decided to lower our estimate for June quarter growth to 0.3%q/q from 0.6%q/q previously. We continue to expect through-year growth of around 2.7% this year, with the continued pass-through of lower interest rates and high commodity prices expected to see growth broaden over the second half of the year.

Turning to local economic news, a merchandise trade surplus of $1.24bn was reported for May. This was only slightly less than we had expected but follows a small downward revision to the estimated surplus for April. Both exports and imports were a little weaker than we had expected. Based on data for the first two months of the June quarter and given our estimate that average prices have moved higher, merchandise export volumes seem on track for around a 2%q/q decline following growth of 3.6%q/q in the March quarter. This will contribute to slower growth in overall GDP in the June quarter.

The surpluses seen over the past few months are due to primary sector exports hitting their seasonal peaks for the year – the trade account has been roughly balanced over the past few months after removing such seasonal effects. Nonetheless, this represents a sharp improvement from the situation a year ago, reflecting a strong lift in export revenue amidst subdued demand for imports. Over the three months to May, exports were almost 16% higher than the same period last year. This is due to mostly price-driven growth in exports of milk powder, butter and cheese (26.4%y/y) and meat (23.5%y/y) and largely volume-driven growth in exports of fruit (35.9%y/y) and logs (16.6%y/y). Indeed, these four categories alone – which make up 61% of total exports – account for 94% of the total growth over the period.

### Rising export revenue is closing the trade deficit

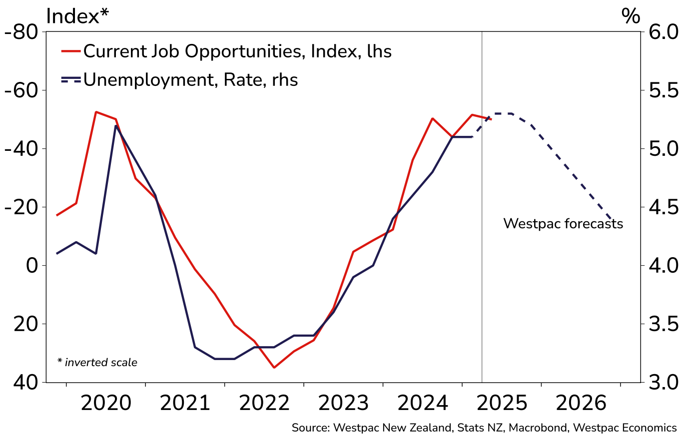



Source: Stats NZ, Macrobond, Westpac Economics

By contrast, reflecting the subdued state of domestic demand, imports rose just 1.7%y/y over the three months to May. And imports in the month of May were especially soft, printing more than 7% lower than a year earlier. Imports of general consumer goods fell 3.4%y/y in May – the first year-on-year decline since September – while imports of motor vehicles remained weak, falling almost 10%y/y. Imports of machinery and plant were unchanged from a year earlier but imports of transport equipment more than halved due to the relative absence of large aircraft arrivals.

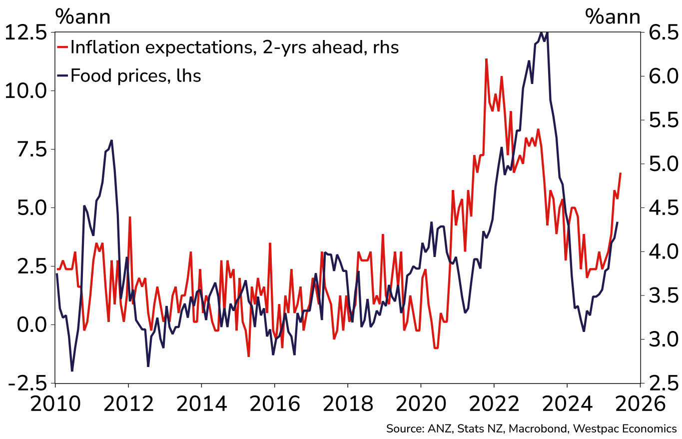
The news coming from the labour market has remained relatively downbeat. The Westpac-McDermott Miller Employment Confidence Index rose by 0.5pts to 88.8 in the June quarter. A level below 100 indicates that there are more households who are pessimistic about the outlook than those who are optimistic. The index has been essentially unchanged over the last year and remains close to the lows seen after the first Covid lockdown in 2020. A perceived lack of job opportunities remains the key concern for New Zealand households. The results of the survey are broadly in line with our view that labour market conditions will remain soft for a while yet, even with economic activity now picking up from last year's sharp downturn. We expect the unemployment rate to peak at 5.3% in the middle part of this year.

### Perceived job opportunities vs. unemployment rate




Finally, on a more positive note, the ANZ's consumer confidence survey rebounded 6 pts to 98.8 in June and so continues to track the choppy uptrend evident in Westpac's own recently released quarterly survey. The improvement was driven by an 8pt lift in the forward-looking components of the index, whereas the index measuring current conditions reported only a modest 3pt lift. Importantly, households continued to report increased concern about the inflation outlook, with the 2-year ahead measure of inflation expectations rising to a near 2-year high of 4.9%. The recent rebound in food price inflation may explain at least some of the recent uptrend, while households may also perceive US tariffs as adding to the outlook for inflation in New Zealand. Expectations regarding annual growth in house prices were unchanged at 3.6%.

### Food prices and consumer inflation expectations




Turning to the week ahead, the focus locally will be on the ANZ and QSBO business surveys, released on Monday and Tuesday respectively. The latter, especially, is closely followed by the RBNZ, reflecting its long history and the rich suite of demand, capacity and pricing indicators. The previous QSBO survey was taken prior to the announcement of the "Liberation Day" tariffs, but also before the OCR cuts in April and May. Next week we will also receive data on building consents, house prices and employment, together with government financial data for the 11 months to May. The employment data will be of particular interest, with high frequency indicators suggesting that some further labour shedding may have taken place in recent months. Finally, the latest full GDT dairy auction also holds some interest considering the price declines seen in recent auctions, including this week's pulse auction.

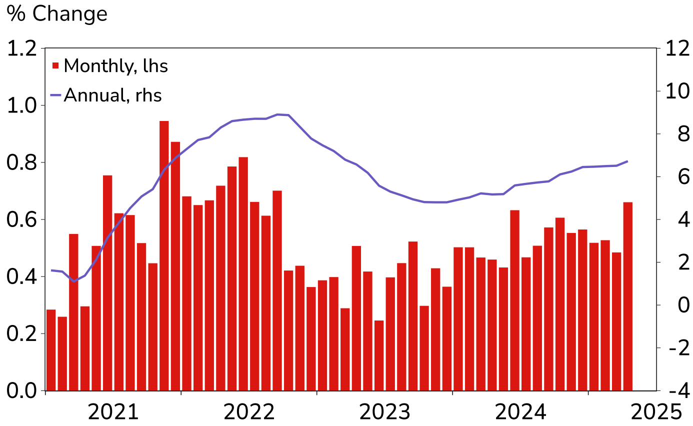
## AUS: May Private Sector Credit (%mth)

**Jun 30, Last: 0.7, Westpac f/c: 0.5**
**Mkt f/c: 0.6, Range: 0.4 to 0.7**

Private sector credit surprised on the upside in April, reporting the steepest increase in two and a half years at 0.7%mth. Residential credit, the largest component, continued growing at 0.5%mth, in line with the six-month average pace. The more volatile business credit reported a top-of-the-recent-range 1.0%mth increase after posting 0.4%mth in March.

We expect that the household credit growth remained broadly unchanged in May. While house prices seem to be getting a boost from the RBA interest rate cuts, housing market turnover has been weaker lately. Additionally, we think that business credit is unlikely to sustain the pace seen in April and will ease somewhat. This should be enough to push the pace of total private sector credit growth down back to 0.5%mth.

### Higher monthly growth unlikely to be maintained




Source: RBA, Macrobond, Westpac Economics

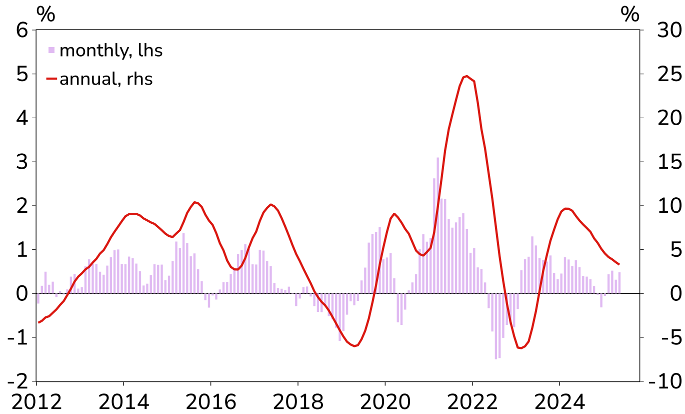
## AUS: Jun Cotality Home Value Index (%mth)

**Jul 1, Last: 0.5, Westpac f/c: 0.6**

The Cotality home value index (formerly CoreLogic) posted a solid 0.5% gain in May, to be up 1.7% since the RBA began easing interest rates in February. Annual price growth moderated to 2.6%yr.

Daily measures point to another solid gain in June, tracking a 0.6% rise for the full month but on the cusp or rounding up to 0.7%. All major capital cities look to have posted solid gains.

### RBA rate cuts providing some support




Source: Cotality, Macrobond, Westpac Economics

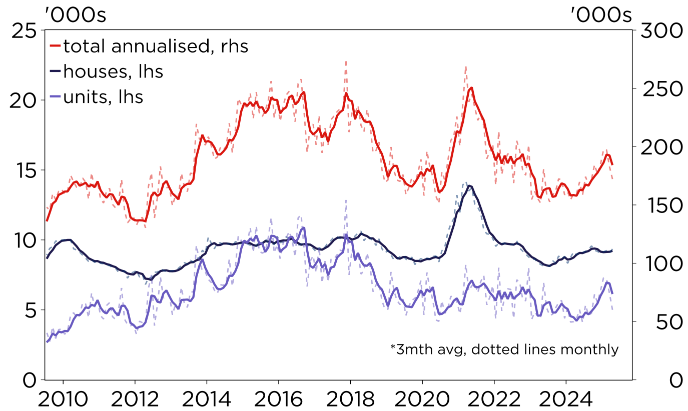
## AUS: May Dwelling Approvals (%mth)

**Jul 2, Last: –5.7, Westpac f/c: 2.0**
**Mkt f/c: 4.0, Range: 0.9 to 10.0**

Dwelling approvals fell –5.7% in April following a –7.1% decline in March. Weakness has been centred on private unit approvals which have dropped back 30% over just the past three months having driven much of the upturn in total approvals since early 2024. Detached house approvals have been steadier. Note that despite the pull-back, total dwellings approvals are still tracking in line with our forecast for 2025 on an annualised basis.

With unit approvals now back near the levels prevailing prior to last year's pick up the downside here now looks to be limited. Meanwhile a lift in new home sales suggests private detached house approvals have gained some momentum. On balance we expect June approvals to show a 2% gain for the month.

### Gains looking more moderate




Source: ABS, Macrobond, Westpac Economics

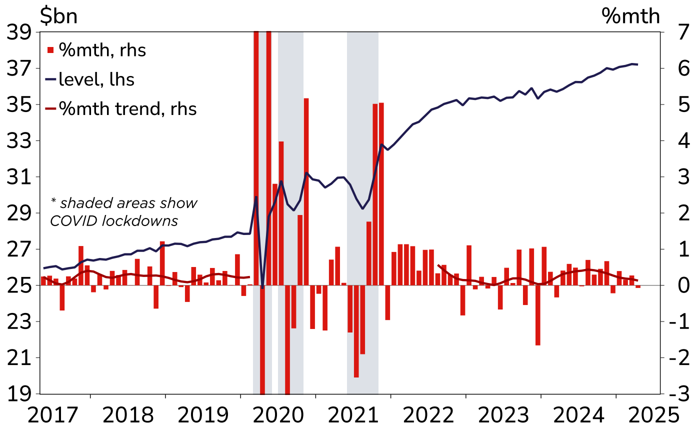
## AUS: May Retail Trade (%mth)

**Jul 2, Last: –0.1, Westpac f/c: 0.6**
**Mkt f/c: 0.5, Range: -0.7 to 0.9**

Retail turnover dipped 0.1% in April, ending a run of gains for the year to date but with annual growth holding at 3.8%yr. The weakness was centred on clothing & footwear and department stores and came despite a strong post-Cyclone rebound in Qld (1.4%mth). Excluding Qld, retail sales were down -0.5%mth.

We suspect the April weakness partly relates to holiday disruptions with Easter occurring in April rather than March this year and followed by the ANZAC Day public holiday a week later. Our **Westpac-DataX Card Tracker** showed a solid rebound in the May month that has extended into June (see here). We expect the official retail sales figures to post a robust 0.6% gain in May with risks of a stronger number.

### Nominal retail trade



Source: ABS, Macrobond, Westpac Economics

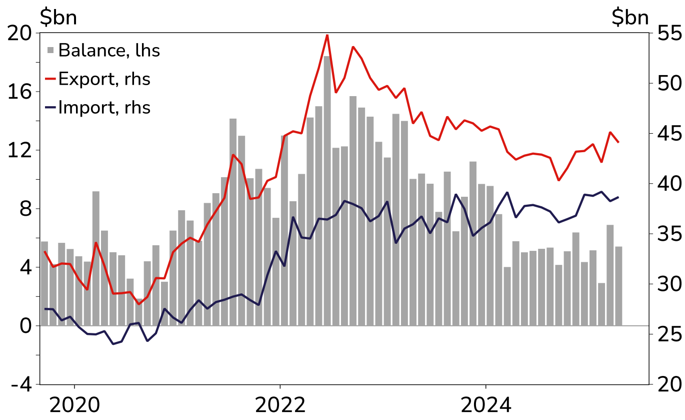
## AUS: May Goods Trade Balance ($bn)

**Jul 3, Last: 5.4, Westpac f/c: 4.8**
**Mkt f/c: 5.0, Range: 4.7 to 6.5**

Last month, the goods trade figures showed that the trade surplus in April decreased from a thirteen-month-high of $6.9bn to $5.4bn. Lower commodity and gold exports were the main drivers, leaving the total exports falling 2.4%mth.

We believe that the monthly figures for May will show another deterioration in the goods trade balance to $4.8bn. The risks to agricultural exports are skewed to the downside, and exports of major commodities seem to have been weaker. Indeed, the latest data from major ports showed that iron ore shipments were higher in May, but a steep decline in coal exports as well as a drop in LNG outflows are likely offset them, leading to an overall decline in total exports. Meanwhile, imports are likely to increase slightly.

### Exports likely to ease further



Source: ABS, Macrobond, Westpac Economics

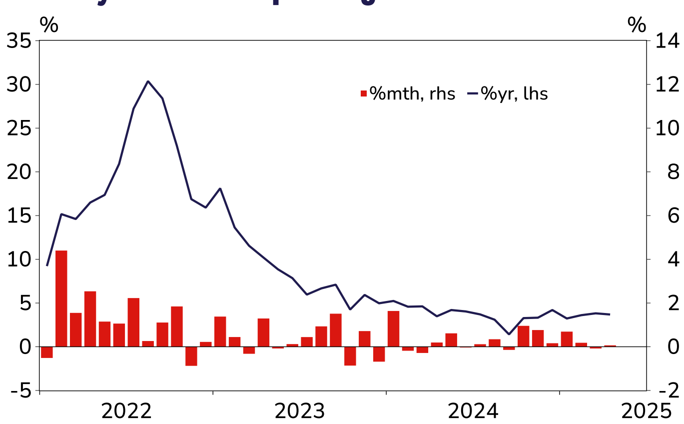
## AUS: May Household Spending Indicator (%mth)

**Jul 4, Last: 0.1, Westpac f/c: 0.8**
**Mkt f/c: 0.5, Range: 0.1 to 0.8**

The nominal household spending indicator nudged 0.1%mth higher in April after a 0.1% dip in March. As with retail sales, the flat two months reflects disruptions from weather events in March and holiday effects in April. These will drop out of the picture in May.

As noted, our **Westpac-DataX Card Tracker** rebounded in May (see here). New vehicle sales also look to have posted a solid bounce back in the month (the spending indicator includes this measure as well). Overall, May looks set to post a robust gain, likely in the order of +0.8%mth.

### Monthly household spending indicator



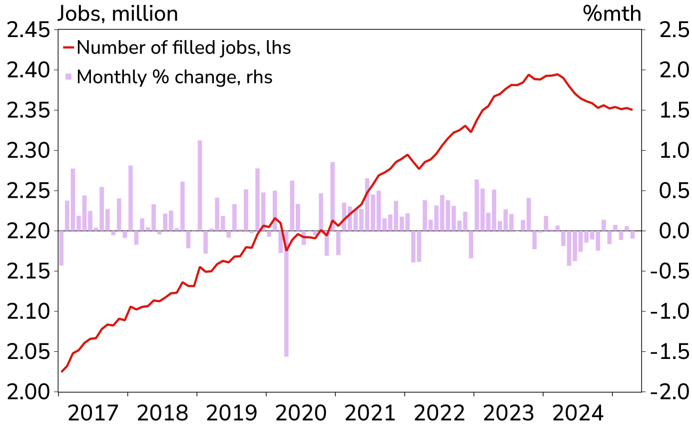
Source: ABS, Macrobond, Westpac Economics

## NZ: May Monthly Employment Indicator (%mth)

**Jun 30, Last: –0.1, Westpac f/c: –0.2**

The New Zealand labour market remains subdued, with the Monthly Employment Indicator effectively flat over the last several months. April saw a 0.1% decline, which is likely to be revised down further given the historic tendency of this series, and the weekly snapshots provided by Stats NZ suggest a further decline in May. Despite the economy returning to growth in the last two quarters, hiring demand remains weak and we suspect that many businesses are still finding themselves overstaffed as a result of holding on to workers during the downturn.

### Monthly Employment Indicator



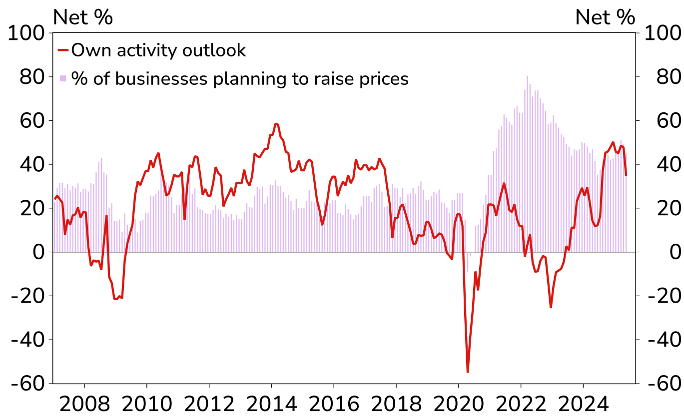
Source: Stats NZ, Macrobond, Westpac Economics

## NZ: Jun ANZ Business Confidence

**Jun 30, Last: 36.6**

Business confidence was down substantially in May, but has clearly been thrown around by Trump's tariff announcements and the market reactions to them – responses in the second half of the month were more positive than in the first half (and similarly were weaker in the second half of April than in the first). The June survey came against the backdrop of some concessions on tariffs as well as a growing sense of acceptance in global markets. The indicators of cost and price pressures on New Zealand firms will also be of interest.

### Business sentiment dipped on US tariffs



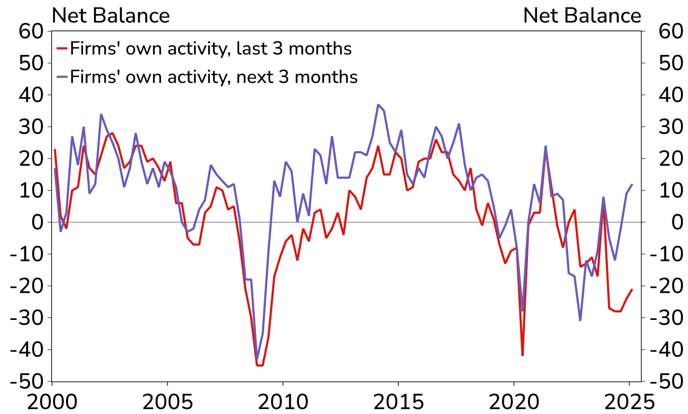
Source: ANZ, Macrobond, Westpac Economics

## NZ: Q2 NZIER Survey of Business Opinion

**Jul 1, General Business Confidence – Last: +22.9**

The last few surveys have shown a marked divergence between firms' high hopes for the quarter ahead, versus ongoing weak results for the quarter just finished. As an indicator of GDP, it's actually the expectations that have been closer to the mark, so it will be interesting to see if that optimism has been sustained. Some of the high-frequency activity data has softened again recently, and Trump's tariff announcement in April has added another layer of uncertainty. Both the activity and inflation measures in the QSBO appear to have been quite influential on the RBNZ over the last year, and this week's survey could again be key in determining their tone at the 9 July OCR review.

### QSBO past vs expected activity



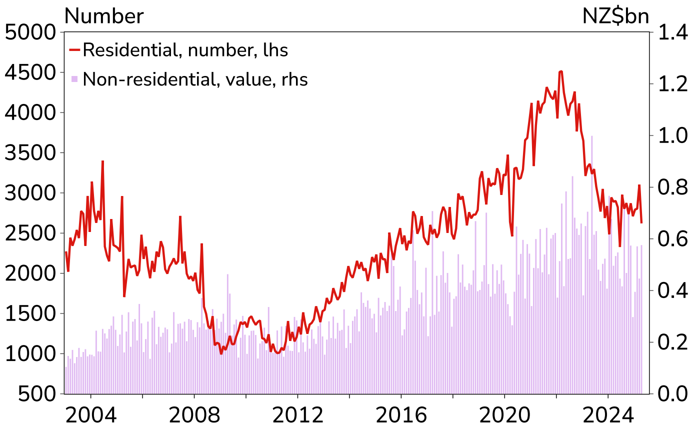
Source: NZIER, Stats NZ, Macrobond, Westpac Economics

## NZ: May Building Consents (%mth)

**Jul 1, Last –15.6%, Westpac f/c: +5.0**

The number of residential building consents dropped 16% in April, with that fall centred on the 'lumpy' multi-unit categories. We expect a return to trend in May and are forecasting a 5% rise. Smoothing through such month-to-month volatility, annual residential 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 starting to turn higher through the latter part of the year. 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

## US: June Employment Report

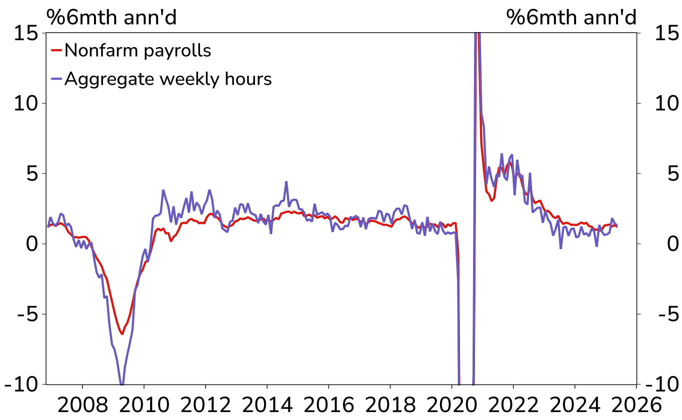
**Jul 3, Payrolls, Last: 139k, WBC f/c: 130k, Mkt f/c: 120k**
**Jul 3, U/E Rate, Last: 4.2%, WBC f/c: 4.3%, Mkt f/c: 4.3%**

The BLS reported a solid 139k nonfarm payroll gain for May. However, 95k of May's gain was netted out by revisions to the prior two months, leaving a net change of just 44k.

Increasingly the US labour market is looking as though it is stalling out and susceptible to downside risks. Come June, we expect a similar nonfarm payrolls result to May and also believe the unemployment rate is likely to edge up to 4.3%.

Over the remainder of 2025, weak growth in employment is expected to see the unemployment rate trend up. However, assuming trade deals are agreed and fiscal concerns managed, a peak rate just below 5.0% is most probable. This would constrain recovery, but is unlikely to trigger recession.

### US labour market susceptible to downside risks




Source: BLS, Macrobond, Westpac Economics

# What to watch

| | For | Data/Event | Unit | Last | Market f/c | Westpac f/c | Risk/Comment |
|---|---|---|---|---|---|---|---|
| **Mon 30** | | | | | | | |
| **Aus** | Jun | MI Inflation Gauge | %yr | 2.6 | – | – | Gauge is back within 2-3% inflation target. |
| | May | Private Sector Credit | %mth | 0.7 | 0.6 | 0.5 | Higher growth seen in April is unlikley to be sustained. |
| **NZ** | Jun | ANZ Business Confidence | index | 36.6 | – | – | Recent moves reflect rapidly-changing tariff news. |
| | May | Employment Indicator | %mth | –0.1 | – | –0.2 | Renewed softness seen in the weekly snapshots. |
| **Jpn** | May | Industrial Production | %mth | –1.1 | 3.5 | – | Bounce back expected following April's softness. |
| **Chn** | Jun | NBS Manufacturing PMI | index | 49.5 | 49.6 | – | Due to tick higher trade tensions with the US eases… |
| | Jun | NBS Non-Manufacturing PMI | index | 50.3 | 50.3 | – | …though services may remain plagued by holiday effects. |
| **UK** | Q1 | GDP | %qtr | 0.7 | – | – | Final estimate, likely to confirm the initial reading. |
| **US** | Jun | Chicago PMI | index | 40.5 | 43.0 | – | Weak new orders remain a drag on manufacturing activity… |
| | Jun | Dallas Fed Manufacturing Survey | index | –15.3 | –14.0 | – | …though prices paid is rising at a slower pace. |
| | | Fedspeak | – | – | – | – | Chicago and Atlanta Fed Presidents Goolsbee and Bostic. |
| **Tue 1** | | | | | | | |
| **Aus** | Jun | Cotality Home Value Index | %mth | 0.5 | – | 0.6 | Daily measures point to another solid gain in June. |
| **NZ** | Q2 | NZIER Survey of Business Opinion | index | 22.9 | – | – | Early indicator of Q2 economic activity. |
| | May | Building Permits | %mth | –15.6 | – | 5.0 | Bounce after last month's fall in multi-unit consents. |
| **Jpn** | Q2 | Tankan Large Manufacturers | index | 12 | 10 | – | In a tight 11-14pts range since Q4 2023. |
| **Chn** | Jun | Caixin Manufacturing PMI | index | 48.3 | 49.1 | – | The unofficial read is also poised for a modest rise. |
| **Eur** | | ECB Forum on Central Banking | – | – | – | – | Panel with Powell, Bailey, Lagarde, Ueda and Rhee. |
| | Jun | HICP | %yr | 1.9 | – | – | Services inflation at lowest level since March 2022. |
| **US** | Jun | ISM Manufacturing PMI | index | 48.5 | 48.8 | – | Regional surveys suggest a modest pickup. |
| | May | Construction Spending | %mth | –0.4 | –0.1 | – | New building and renovation activity both remain subdued. |
| | May | JOLTS Job Openings | 000s | 7391 | – | – | Labour demands remains broadly steady. |
| **World** | Jun | Global Manufacturing PMIs | index | – | – | – | Final estimates for Japan, Eurozone, UK and US. |
| **Wed 2** | | | | | | | |
| **Aus** | May | Dwelling Approvals | %mth | –5.7 | 4.0 | 2.0 | Limitd downside in unit approvals, houses gaining momentum. |
| | May | Retail Sales | %mth | –0.1 | 0.5 | 0.6 | Our Card Tracker points to a rebound in May. |
| **Eur** | May | Unemployment Rate | % | 6.2 | – | – | Back at record low. |
| **US** | Jun | ADP Employment Change | 000s | 37 | 110 | – | Rebound likely following the softest gain in two years. |
| **Thu 3** | | | | | | | |
| **Aus** | May | Goods Trade Balance | AUDbn | 5.4 | 5.0 | 4.8 | Weaker exports to drive a further deterioration. |
| **NZ** | Jun | ANZ Commodity Prices | %mth | 1.9 | – | –1.0 | Dairy prices eased, partly offset by stronger lamb. |
| **Chn** | Jun | Caixin Services PMI | index | 51.1 | 51.0 | – | Firmly anchored in expansion. |
| **US** | May | Trade Balance | US$bn | –61.6 | –69.8 | – | Deficit has narrowed sharply, signalling end of front loading. |
| | Jun | Nonfarm Payrolls | 000s | 139 | 120 | 130 | US jobs growth looks healthy… |
| | Jun | Unemployment Rate | % | 4.2 | 4.3 | 4.3 | …but is unlikely to keep pace with labour force expansions… |
| | Jun | Average Hourly Earnings | %mth | 0.4 | 0.3 | – | …thus limiting upward pressure on wages growth. |
| | | Initial Jobless Claims | 000s | 236 | – | – | Lift seen in recent weeks unlikely to turn into material gains. |
| | May | Factory Orders | %mth | –3.7 | 7.8 | – | Likely to stage a strong comeback. |
| | Jun | ISM Services PMI | index | 49.9 | 50.8 | – | Set to re-enter expansion territory after a brief dip. |
| | | Fedspeak | – | – | – | – | Atlanta Fed President Bostic speaking on monetary policy. |
| **World** | Jun | Global Services PMI | index | – | – | – | Final estimates for Japan, Eurozone, UK and US. |
| **Fri 4** | | | | | | | |
| **Aus** | May | Household Spending | %mth | 0.1 | 0.5 | 0.8 | A rebound after weather disruptions and holiday distortions. |
| **Jpn** | May | Household Spending | %yr | –0.1 | 1.3 | – | Unexpected decline in April driven by cost-of-living pressures. |
| **US** | | Independence Day | – | – | – | – | Markets closed. |

# Economic & financial forecasts

## Interest rate forecasts

| Australia | Latest (27 June) | 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 | 3.61 | 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 | 4.14 | 4.30 | 4.35 | 4.40 | 4.45 | 4.55 | 4.60 | 4.65 | 4.70 |
| 10 Year Spread to US (bps) | -12 | –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 | 4.26 | 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 | 3.28 | 3.10 | 3.10 | 3.10 | 3.10 | 3.20 | 3.45 | 3.70 | 3.85 |
| 2 Year Swap | 3.18 | 3.30 | 3.35 | 3.50 | 3.65 | 3.80 | 3.90 | 3.95 | 4.00 |
| 10 Year Bond | 4.53 | 4.65 | 4.70 | 4.75 | 4.80 | 4.85 | 4.90 | 4.95 | 4.95 |
| 10 Year Spread to US (bps) | 27 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 10 |

## Exchange rate forecasts

| | Latest (27 June) | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 |
|---|---|---|---|---|---|---|---|---|---|
| AUD/USD | 0.6542 | 0.66 | 0.68 | 0.69 | 0.70 | 0.71 | 0.71 | 0.72 | 0.72 |
| NZD/USD | 0.6061 | 0.60 | 0.61 | 0.61 | 0.62 | 0.62 | 0.62 | 0.63 | 0.63 |
| USD/JPY | 144.51 | 143 | 141 | 139 | 137 | 136 | 135 | 134 | 133 |
| EUR/USD | 1.1687 | 1.15 | 1.16 | 1.17 | 1.18 | 1.18 | 1.18 | 1.18 | 1.18 |
| GBP/USD | 1.3726 | 1.36 | 1.36 | 1.37 | 1.37 | 1.37 | 1.37 | 1.38 | 1.38 |
| USD/CNY | 7.1716 | 7.15 | 7.10 | 7.05 | 7.00 | 6.95 | 6.90 | 6.85 | 6.80 |
| AUD/NZD | 1.0798 | 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 | 0.9 | 0.9 | 0.6 | 0.6 | 0.8 | 0.7 | 0.5 | – | – | – | – |
| %yr end | 2.4 | 2.3 | 3.0 | 3.4 | 3.1 | 2.9 | 2.7 | 2.6 | 2.4 | 3.4 | 2.6 | 2.6 |
| CPI Trimmed Mean %qtr | 0.7 | 0.7 | 0.7 | 0.6 | 0.5 | 0.6 | 0.6 | 0.6 | – | – | – | – |
| %yr end | 2.9 | 2.7 | 2.6 | 2.6 | 2.5 | 2.4 | 2.3 | 2.3 | 3.3 | 2.6 | 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 | 0.8 | 0.3 | 0.7 | 0.9 | 0.8 | 0.7 | 0.7 | 0.7 | – | – | – | – |
| Annual avg change | -1.1 | -0.8 | 0.2 | 1.3 | 2.1 | 2.7 | 2.9 | 2.9 | -0.6 | 1.3 | 2.9 | 2.8 |
| 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 | 0.6 | 0.8 | 0.5 | 0.5 | 0.4 | 0.9 | 0.4 | – | – | – | – |
| Annual change | 2.5 | 2.8 | 3.0 | 2.9 | 2.5 | 2.2 | 2.3 | 2.2 | 2.2 | 2.9 | 2.2 | 2.0 |

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