



Week beginning 7 July 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Timing and tactics.

The Week That Was: Budget constraints.

Focus on New Zealand: Time for a cup of tea.

For the week ahead:

Australia: RBA policy decision, RBA Deputy Governor Hauser speaks, NAB business conditions survey.

New Zealand: RBNZ policy decision, net migration, manufacturing PMI.

China: CPI, PPI, money supply, new loans, foreign reserves.

United States: FOMC minutes, initial jobless claims.

Japan: Current account balance.

Eurozone: Sentix investor confidence, retail sales, German industrial production.

Information contained in this report current as at 4 July 2025

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

Timing and tactics



Luci Ellis
Chief Economist, Westpac Group

- **Boiled down to its essence, the RBA's near-term policy decision rests on whether the five weeks after next week's meeting would change anything. If not, just get on with it next week. This was the rationale for our change of call last week.**
- **The story is less clear-cut further out. Front-loading further rate cuts would imply a fundamentally different view of the economy than the RBA has recently articulated.**
- **The Australian situation is part of a broader shift whereby domestic variation now dominates global common shocks as a determinant of monetary policy setting. This implies that short-run shifts in bond pricing and exchange rates can be expected, sometimes running counter to expected longer-run trends.**

One of my longstanding bosses at the RBA (he knows who he is) had a superlative ability to get to the essence of an issue. When all those around him were debating the minutiae, he would bring it all together, often with a pithy question.

Monetary policy is complicated. The world is complex and uncertain. In the end, though, all that complexity needs to be boiled down to a decision about what to do with the cash rate. Sometimes it helps to channel my old boss and frame the issue as a pithy question. Back in May, the question was: could you really write a Board paper with a compelling case to hold? Having written a few in my time, it was clear that the answer to this question is "no". That judgement solidified the call for a rate cut in May.

This time around, the question boils down to, "could you front a media conference and explain why you decided to wait another five weeks to cut rates, when it was just a choice between now and August?" Again, the answer is likely to be "no". To be fair, there are arguments to wait (for quarterly CPI, new forecasts and so on). That is why we do not regard a cut in July as a shoo-in. Given how sensitive the RBA has been to arguments about lingering inflation pressures, it could be that the case to wait wins the day in the Board room.

The arguments to wait are not compelling, though, so we do not think that case should win the day. Nothing the RBA will learn in the subsequent five weeks will change the decision to cut. And explaining to the assembled mainstream media that you hesitated because (in essence) unemployment is "too low" and employment growth is "too strong" to do so will not land well with that audience.

Inflation is in the target range, with downwards momentum now evident. Ordinarily, the monthly CPI indicator should

not tip the balance; the RBA's own language does suggest they put far more weight on the full suite of quarterly data. As highlighted last week, though, a large enough downside surprise in one month can still tell you enough about the quarterly result that even a small upward surprise to the month-three data will not change. Sometimes, as it did with the May data, it can confirm the suspected downwards momentum. Key components of domestic inflation – rents, home-building, insurance and personal services – all [surprised on the downside](#). Some of these components are still only measured quarterly and so are locked in for the June quarter read.

Likewise, another monthly labour force release and the last-ever retail sales number will not change the current view on the economy. More information is usually better, but not always by enough to be worth waiting for.

A decision to cut in July is one of timing and tactics, not whether to cut at all. The RBA has shown itself willing to "surprise the market" when the question is whether to move or not. The May 2023 hike was a good example of this. But if the question is now or in five weeks' time, the juice is not worth the squeeze. Just get on with it.

Tactics versus strategy

The story changes when we consider the path after the next cut. Backing up a July cut with another in August seems like more of a stretch than shifting an obvious August cut to an almost-as-obvious July cut. To do so would require a qualitatively different view of the economy and the inflation outlook than the RBA has recently articulated.

This is why we [suggested last week](#) that the RBA's post-meeting communication will be quite circumspect. One possible way to frame their message might be that, having now cut three times, it is prudent to wait a few months see how lower rates are flowing through the economy before deciding how much more is needed. This would leave open the possibility of further cuts but push back on an August timing. Given current market pricing, some would regard such messaging as "hawkish".

There is a tension here, though. With inflation now clearly inside the target range and the forward view still heading down, it is questionable why monetary policy needs to be restrictive at all now. Given monetary policy affects the economy with a lag, leaving policy restrictive when inflation is already so close to target risks pushing it below the target midpoint and perhaps below the target range altogether.

The RBA's read of the labour market is important here. The offset to the risk of an inflation undershoot is its view that the labour market is still tighter than is consistent with full employment. [Documents](#) released under Freedom of Information showed that, early this year, the RBA was clearly considering whether this assessment was too pessimistic, and a lower unemployment rate was sustainable. However, the work was clearly unfinished at the time of release and was pushing back on alternative hypotheses. The careful, evidence-based approach the RBA staff bring to their work means that the RBA does not come to a view lightly. Nor does it change its view lightly – or quickly. (This is not a criticism!)

For this reason, while we expect further rate cuts from here, their timing will depend on the RBA's evolving view of the economy. Until we hear more about how the RBA's view of the inflation outlook is shifting, we see little reason to move the timing of those subsequent rate cuts forward. (That means we currently expect the next cut later this year, in November, and two more in the first half of 2026). Such a shift could still be needed down the track, however.

And we all (don't) go down together

The Australian situation is part of a broader shift in strategies for monetary policy setting. In recent years, the story has all been about the common global inflation shock following the pandemic and then Russia's invasion of Ukraine. Different countries were exposed to different extents; consider the inflation differential between Germany and Switzerland in recent years because of their differing exposures to hydrocarbon-based energy prices. By and large, though, most countries faced the same challenge: first, to get inflation down; and second, to remove the restrictive stance of monetary policy once it was clear that inflation would turn to target and stay there. The story is no longer so uniform, though. Even the supposedly common shock of the Trump administration's tariff policy is playing out differently in different regions.

As Westpac Economics colleague Illiana Jain highlighted in her [write-up of the Sintra Panel](#) this week, as circumstances diverge across economies, so too do the strategies of monetary policymakers. This implies that short-run shifts in bond pricing and exchange rates can be expected. In some cases, this could run counter to expected longer-run trends.

Cliff Notes: budget constraints

Elliot Clarke, Head of International Economics
Illiana Jain, Economist

The [Cotality home value index](#) rose another 0.6% in June, leaving prices up 2.3% since mid-February 2025, when the RBA delivered the first rate cut for this cycle. Gains by city were tightly bunched, from 0.5% in Melbourne and Adelaide to 0.8% in Perth. RBA rate cuts have clearly provided significant support over the period, daily data showing 1ppt of the gains have occurred in the two weeks immediately after each RBA rate cut. Importantly, the uptrend in prices and auction clearance rates is continuing as turnover lifts, pointing to robust demand and confidence. [Private credit data](#) implies demand is coming from both owner-occupiers and investors, credit for each subset up 0.5% in May and respectively 5.7% and 6.1% over the year. Westpac expects further price gains as the RBA returns the cash rate to a neutral setting by May 2026.

Bolstering expectations for a sustained uptrend in prices, the near-term supply of new housing remains limited. [Total dwelling approvals](#) rose 3.2% in May. However, this result follows a 12% decline January to April and a 23% gain in the prior 12 months, leaving the level of approvals just 6.5% higher than a year ago and well below our estimate of underlying demand. Through the first half of 2025, approvals have lacked direction across the states, though affordability favours greater momentum in SA, WA and Qld. For further detail on the outlook for housing, see [Westpac's June Housing Pulse](#). And, on the broader outlook for Australia's state economies, our latest edition of [Coast-to-Coast](#).

While the outlook has firmed, discretionary consumer demand remains weak, [retail sales](#) were up just 0.2% in the month, slowing annual growth to 3.3%. A rebound in clothing & footwear and department store sales drove May's increase, partly offset by a second-consecutive decline in food retailing. The broader household spending indicator is due later today.

Offshore, US nonfarm payrolls beat expectations at the margin, with 147k new jobs reported in the month and 16k added to the count for the prior two months. Nonfarm payrolls 3-month change is little changed at 150k, consistent with balance between labour demand and supply. Household employment is weaker, rising just 93k in June and averaging -47k over the past 3 months. However, another 0.1ppt decline in participation in June (after a 0.2ppt reduction in May) edged the unemployment rate down to 4.1%. An unchanged participation rate over May and June would have instead left the unemployment rate near 4.4%.

The ISM surveys continue to point to downside risks for the US labour market through the remainder of the year. In June, the ISM manufacturing employment index fell back near its

recent lows to 45.0 even with production broadly unchanged. The ISM services employment index was also well below its 5-year average at 47.2 in June. Thankfully for the US economy, initial claims holding near historic lows suggests downside risks are limited to reduced to job creation not outright jobless.

Chair Powell consequently remains in wait-and-see mode with monetary policy, continuing to believe the US economy remains in robust health and the inflationary impact of tariffs are yet to be seen. This was a key takeaway from the [ECB's Sintra Conference policy panel](#) which also included representation from the leaders of the European Central Bank, Bank of England, Bank of Japan and Bank of Korea.

Fiscal policy developments over the past week are unlikely to sway the FOMC's views. President Trump's 'Big Beautiful Bill' passed the House 218-214 overnight after being approved by the Senate earlier in the week 51-50 and will now be signed into law. Supporting household discretionary income, the bill extends Trump's tax cuts from his first term beyond the current year-end expiry. The final version of the bill also includes a temporary 5-year increase in the state and local tax deduction to \$40,000 after which it will revert to \$10,000. However, lower taxes over future years are to be partly funded by reductions to Medicaid, food stamp and college loan funding as well as the end of clean energy tax breaks introduced by the Biden administration, including the \$7,500 consumer tax credit for electric vehicles. The bill is therefore likely to have little-to-no net impact on aggregate consumer spending.

Regarding tariffs, a deal was agreed with Vietnam this week following successful conclusions to negotiations with the UK and China over the past month. Still, the agreed 20% tariff on US imports from Vietnam (40% for transhipped goods, i.e. where goods are transited through Vietnam's ports to avoid a higher tariff) is a step up from the 10% placeholder tariff instituted by President Trump for 90 days until 9 July. Of more concern though is the limited headway achieved by other nations in negotiations, particularly for key trading partners including Canada, Japan and South Korea. By September, we should have a clearer view of the scale and persistence of the tariffs' inflationary impact, allowing the FOMC to ease cautiously into year end. But in July, they are set to remain on hold and noncommittal. As an aside, amid global trade uncertainty, [Australian trade flows](#) remain highly volatile month-to-month, the trade surplus narrowing sharply from \$4.9bn in April to \$2.2bn in May, its lowest level in nearly five years.

For China, the terms of Vietnam's deal with the US are inconsequential. While some Chinese firms have been transiting shipments through Vietnam, this is only a temporary

strategy while the China/US deal was agreed and, more importantly, strategic investment in Vietnam and other emerging Asian economies is undertaken. Over the long run, Chinese firms are intent on diversifying their production base across the region to minimise their cost-of-production and maximise export opportunities and political linkages throughout the world. This means Chinese firms operating in neighbouring nations will increasingly seek to add meaningful economic value there and consequently the US tariff for these nations will apply to the output. Profit will then be repatriated back to China and production there limited to high-value-add goods. As attested to by China's trade surplus over the past few years and the current official NBS PMI readings, which are historically consistent with GDP growth circa 5-6%, this strategy of mutual economic development has already shown considerable success and will continue to compound. The primary risk for China is instead that these trade gains do not filter through to the average consumer, and the hoped-for recovery in consumer spending and housing does not eventuate. External and domestic growth drivers are necessary for China to achieve its development ambitions in the medium-to-long term.

Lastly, Japan's Tankan survey this week highlighted the lingering threat Japanese manufacturers face from US trade policy, the diffusion index for medium and small manufacturers forecast to fall 4 and 3 points respectively in the September quarter, having edged down 1pt between March and June. Large manufacturers greater flexibility is arguably behind their neutral expectation for the current period. Interestingly, Japan's services sector is more concerned over the outlook than manufacturers, a 6-8 point fall forecast across small-to-large enterprises by September following broadly unchanged conditions March to June.

While investment intentions are up amongst large and medium-sized enterprises, growth in investment by small firms is subdued. Profitability for FY2025 (ending March 2026) is expected to decline by 5.7%, led by manufacturing. Output prices, an indicator of domestic inflation, meanwhile held steady at around 3.0%, remaining aligned with the Bank of Japan's 2.0% target. Firms anticipate ongoing labour shortages; but, with uncertainty clouding the outlook, still plan to increase their intake of new graduates by 4.3% this year after FY2024's 14% rise. This points more towards a persistent skills mismatch than an outright labour shortfall. Domestic economic conditions may therefore become less supportive of further rate hikes, a risk the BoJ is attentive to.

Time for a cup of tea



Kelly Eckhold
Chief Economist NZ

The RBNZ will likely leave the OCR unchanged at next week's meeting and take a wait-and-see attitude to the outlook. While we expect the RBNZ to retain the easing bias it showed in its May Monetary Policy Statement, we don't expect the RBNZ will give a strong guide on the timing on when it might cut the OCR further. CPI data due later in July should provide a firmer guide.

In May, the RBNZ cut rates as expected, but didn't give a firm steer on the likely decision that would be reached at the July meeting. Indeed, the Governor in subsequent media events indicated the Monetary Policy Committee (MPC) had no bias in terms of what might occur at this meeting. The Governor affirmed the RBNZ maintained a modestly dovish bias on the medium-term direction of the OCR. The RBNZ's forecasts indicated one further 25bp cut – likely in late 2025 – and some chance of a further cut in 2026 depending on how events unfolded, especially globally. It certainly looked like the RBNZ MPC was ready to take a break and “have a cup of tea” to use ex-New Zealand Prime Minister David Lange's famous January 1988 quote, and start moving in a much slower, more deliberate and data-dependent fashion.

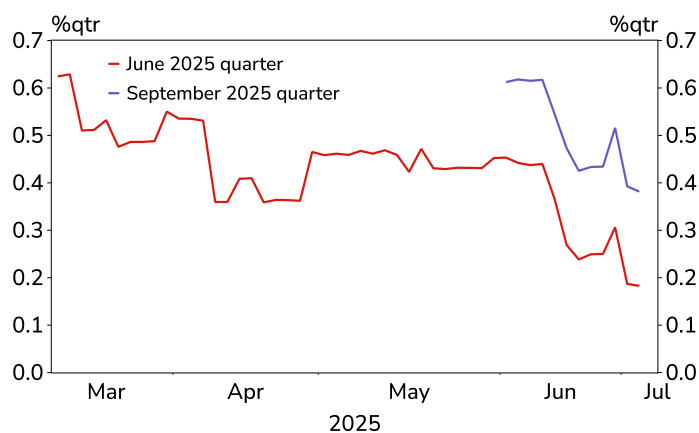
Since May, we have seen some highly divergent data that reinforce that the way ahead for interest rates is unclear. This is why we expect the RBNZ to continue to give the market room to determine for itself, based on data released up until the August Monetary Policy Statement, whether a cut to 3% will happen in August, be delayed until later in the year, or be cancelled altogether. We don't expect a statement that locks in an August cut or an August pause. And we certainly don't expect the RBNZ to formally call time on the easing cycle just yet – even though that could well be what ultimately happens.

On the activity front the divergences in the data are especially prominent. Q1 2025 GDP growth was stronger than expected at 0.8%q/q versus the 0.4%q/q the RBNZ expected back in May. While there were downward revisions to past quarters' growth, the GDP report implied that the economy was displaying stronger economic momentum and a slightly lower level of excess capacity than previously appreciated.

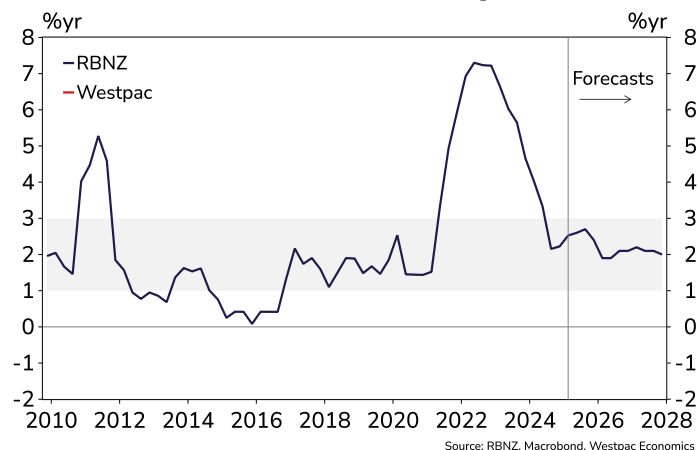
Balancing this better news though are signs that Q2 didn't go so well. High frequency activity indicators for the May month (PMIs, filled jobs, house prices and days to sell, consumer spending, business confidence) look consistent with weaker activity in Q2. Nowcasts have accordingly been revised down in recent weeks. That said, the RBNZ already has soft expectations for growth in Q2 and Q3, reflecting the expected

impact of uncertainty about the global outlook on domestic households and businesses (0.3% and 0.2% respectively). Our own Q2 forecast is for 0.3%q/q growth.

New Zealand GDP nowcast



Annual CPI forecasts - RBNZ vs Westpac

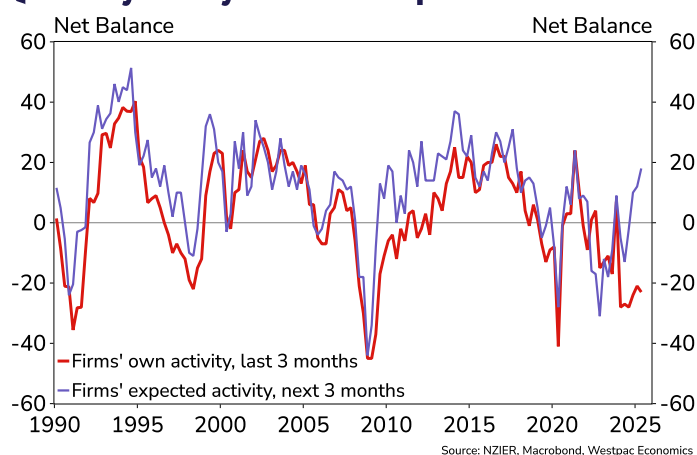


Nowhere is the divergence in views about the current position of the economy more evident than in the mixed messages from the business surveys. The June quarter NZIER Quarterly Survey of Business Opinion is a case in point as it showed that businesses were both downbeat on the current situation but also optimistic about the future. Firms perceive they experienced weak activity in Q2 even as optimism about the future improved from what was already relatively optimistic

levels. It's very much in the eye of the beholder which of these indicators best represents the underlying activity outlook – although recent experience suggests that the more positive forward-looking indicator has been closer to the mark.

We can see this in terms of attitudes to employment and the extent of spare capacity in the labour market. Recent trends in filled jobs have been on a weakening, albeit volatile trend. Comparing business surveys, we can see the monthly ANZ survey pointing to positive attitudes to hiring whereas the NZIER survey looks cyclically weak. Perhaps some of the difference reflects the NZIER survey missing the agricultural sector, where employment trends have been stronger.

Quarterly Survey of Business Opinion

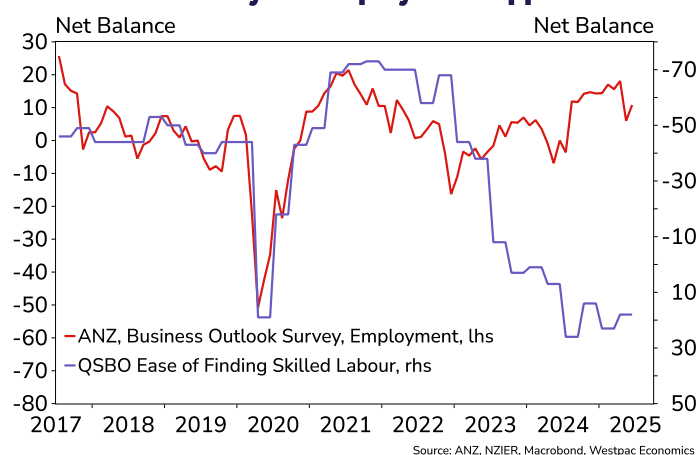


The upshot of all this is that the RBNZ will likely note that economic activity was stronger than expected in the first quarter of 2025, but that activity indicators since then have pointed to the slowdown foreshadowed in its May forecasts. We doubt it will judge recent economic momentum as materially weaker than previously expected, but it may well point to risks that such evidence might accumulate in coming months.

The other news has been a reduction in uncertainty about the global growth and trade environment since the May Monetary Policy Statement. High on the MPC's mind in May was global uncertainty and the potential for weak global growth, leading to a fall in New Zealand's terms of trade. More recently, the outlook has improved as the US has progressed trade negotiations. The risks of very high and retaliatory tariffs look lower than in early April. And of course, the US Congress has passed the One Big Beautiful Bill Act, which should significantly reduce uncertainty about the US fiscal stance for the immediate future. Importantly, risks to global security coming from Middle East tensions look at least a bit lower. This improved global macro backdrop has meant that the US equity market is now at a record high (at least in US dollar terms) and consensus forecasts for global growth have increased in the last six weeks (while still lower than pre-April levels). These factors should go some way to assuage the MPC's concerns about downside risks to New Zealand from the global environment.

Perhaps though the biggest factor that may reduce the MPC's appetite for further and front-loaded policy easing is the near-term inflation outlook. The monthly selected price indices suggest higher inflation than the RBNZ anticipated in May when it forecasted a 0.5%q/q and 2/6%y/y CPI outcome for the June quarter. Since late May we have revised up our own CPI forecast from 0.4%q/q to 0.6%q/q, especially reflecting strong food prices. It's likely the RBNZ will have made a similar-sized adjustment. Our forecast suggests that annual headline inflation will rise to 3.0% in Q3 and be at 2.9% in Q4 2025. Meanwhile, inflation expectations continued to track higher in the June ANZ consumer survey.

NZ Business Surveys of Employment Appetites



We think the RBNZ will note this uncomfortable near-term inflation outlook, while still retaining confidence that medium-term inflation will recede through 2026. But we see the RBNZ expressing uncertainty around how high and for how long the peak in inflation will last, as well as about how it might impact inflation expectations. It's likely that the key in determining the timing of when (or if) the next 25bp rate cut occurs will be the relative weight the RBNZ places on the degree of concern about the near-term activity outlook versus the short-term inflation picture. Given the single mandate the MPC is working to, we assume a greater weight will be placed on the inflation outlook. The RBNZ may have a better idea about underlying inflation momentum after the release of the Q2 CPI on 21 July.

Looking at alternative scenarios, a hawkish scenario would be one where the RBNZ said nothing about the potential for further easing. We don't think the RBNZ will want to call time on the easing cycle just yet. But if the RBNZ were not to mention the potential for future easing at all, this would likely be interpreted as a hawkish signal by the market. A dovish scenario would be one where the RBNZ plays down concern about the near-term inflation outlook and instead expresses comfort with the medium-term inflation outlook. In this scenario, the RBNZ would likely place more emphasis on the weaker short-term activity outlook and leave the impression that further policy easing is more likely than not at the August meeting provided that upcoming data meets expectations.

AUS: RBA Policy Decision (%)

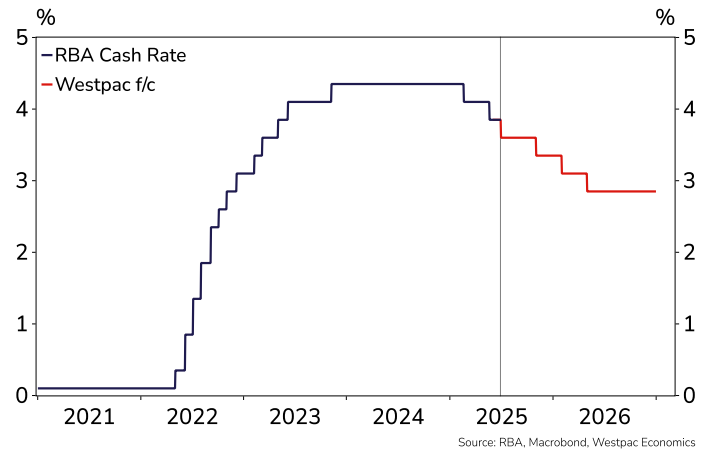
Jul 8, Last: 3.85, Westpac f/c: 3.60
Market f/c: 3.60, Range: 3.60 to 3.85

Westpac anticipates the RBA Monetary Policy Board will deliver a 25bp rate cut at its July policy meeting, taking the cash rate from 3.85% to 3.60%.

We do not think the decision will be the 'slam dunk' markets are anticipating, though. While the May CPI Indicator was better than expected, underlying inflation will likely remain in the top half of the target band in the full Q2 CPI data. The RBA's forecasts clearly flag some lingering concern over inflation pressures, so the post-meeting language is expected to be non-committal and perhaps even a little grudging about the decision to cut.

For more detail, please see [here](#).

RBA to deliver a back-to-back rate cut in July

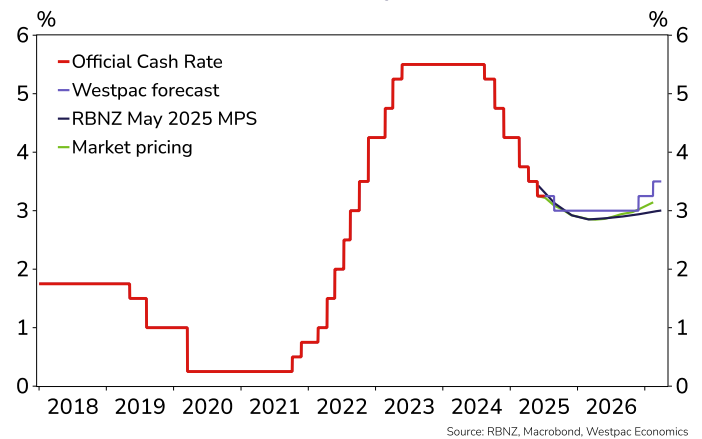


NZ: RBNZ Official Cash Rate Review

Jul 9, last: 3.25%, Westpac f/c: 3.25%, Market: 3.25%

The RBNZ will likely leave the OCR unchanged at its July meeting and take a wait-and-see attitude to the outlook for the OCR. While we expect it to retain the easing bias it showed in its May Monetary Policy Statement communications, we don't expect that it will give a strong guide on the timing of when it might cut the OCR further. Instead, we expect the RBNZ will give the market room to determine for itself, based on data released up until the August Monetary Policy Statement, whether a cut to 3% will happen in August, be delayed until later in the year, or be cancelled altogether.

RBNZ expected to hold in July



What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 7							
Aus	Jun	ANZ-Indeed Job Ads	%mth	-1.2	-	-	Tracking broadly flat for a year, reflects labour market strength.
Chn	Jun	Foreign Reserves	US\$bn	3285	3313	-	Ample and able to withstand external risks.
Eur	Jul	Sentix Investor Confidence	index	0.2	1.0	-	Positive but only marginally so; highly sensitive to trade risks.
	May	Retail Sales	%mth	0.1	-0.8	-	Growth pulse steadily marches higher.
Ger	May	Industrial Production	%mth	-1.4	-0.5	-	Factory output remains lacklustre as headwinds linger.
Tue 8							
Aus	Jun	NAB Business Conditions	index	0	-	-	Highlights risks of a slow recovery in private demand.
		RBA Policy Decision	%	3.85	3.60	3.60	In store for a back-to-back rate cut, but no 'slam dunk'.
Jpn	May	Current Account Balance	¥bn	2258	2936.9	-	Surplus remains elevated from higher investment returns.
US	Jun	NFIB Small Business Optimism	index	98.8	98.7	-	Sentiment is rising, but so too uncertainty.
	Jun	NY Fed 1-Yr Inflation Expectations	%ann	3.2	-	-	Above-average, but 'Liberation Day' spike mostly abated.
	May	Consumer Credit	US\$bn	17.9	10.5	-	Borrowing behaviour more erratic amid policy shifts.
Wed 9							
Aus		RBA Deputy Governor Hauser	-	-	-	-	Speaking at Australian Conference of Economists, 9am AEST.
NZ		RBNZ Policy Decision	%	3.25	3.25	3.25	Likely to retain an easing bias but noncommittal on timing.
Chn	Jun	CPI	%ann	-0.1	flat	-	Discounting and excess capacity drives prices lower ...
	Jun	PPI	%ann	-3.3	-3.2	-	... but spending is difficult to entice amid uncertainties.
	Jun	New YTD Loans	CNYbn	10682	12745.6	-	Authorities eager to lift credit growth and kick-start ...
	Jun	M2 Money Supply	%ann	7.9	8.3	-	... a consumer recovery. Data due July 9-15.
US	May	Wholesale Inventories	%mth	-0.3	-0.3	-	Final estimate.
	Jun	FOMC Minutes	-	-	-	-	Assessment on the balance of risks is key.
Thu 10							
NZ	May	Net Migration	no.	1810	-	-	Has been steady at low but positive levels.
US	Wkly	Initial Jobless Claims	000s	233	-	-	Firms slowing hiring; no sign of significant layoffs yet.
		Fedspeak	-	-	-	-	Daly.
Fri 11							
NZ	Jun	Manufacturing PMI	index	47.5	-	-	Slumped again in May after a solid pickup in early 2025.
UK	May	Monthly GDP	%mth	-0.3	-	-	Growth pulse slowing after a strong start to the year.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (4 July)	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	3.57	3.65	3.45	3.20	3.00	3.00	3.05	3.05	3.05
3 Year Swap	3.25	3.40	3.50	3.65	3.80	3.85	3.90	3.95	4.00
3 Year Bond	3.35	3.45	3.55	3.70	3.85	3.90	3.95	4.00	4.00
10 Year Bond	4.205	4.30	4.35	4.40	4.45	4.55	4.60	4.65	4.70
10 Year Spread to US (bps)	-14	-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	4.348	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	3.20	3.30	3.35	3.50	3.65	3.80	3.90	3.95	4.00
10 Year Bond	4.57	4.65	4.70	4.75	4.80	4.85	4.90	4.95	4.95
10 Year Spread to US (bps)	22	15	15	15	15	15	15	15	10

Exchange rate forecasts

	Latest (4 July)	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
AUD/USD	0.6568	0.66	0.68	0.69	0.70	0.71	0.71	0.72	0.72
NZD/USD	0.6070	0.60	0.61	0.61	0.62	0.62	0.62	0.63	0.63
USD/JPY	144.48	143	141	139	137	136	135	134	133
EUR/USD	1.1772	1.15	1.16	1.17	1.18	1.18	1.18	1.18	1.18
GBP/USD	1.3660	1.36	1.36	1.37	1.37	1.37	1.37	1.38	1.38
USD/CNY	7.1651	7.15	7.10	7.05	7.00	6.95	6.90	6.85	6.80
AUD/NZD	1.0822	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

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.



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