



Week beginning 25 August 2025

# AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

## In this week's edition:

**Economic Insight:** What if we have it all backwards?

**The Week That Was:** A promising trend.

**Focus on New Zealand:** There's more where that came from.

## For the week ahead:

**Australia:** Westpac-MI leading index, monthly CPI indicator, construction work done, capex, private credit.

**New Zealand:** Real retail sales, employment indicator, ANZ business and consumer confidence.

**Japan:** Jobless rate, Tokyo CPI, industrial production.

**China:** Industrial profits.

**Euro Area:** European Commission confidence survey, IFO business climate survey.

**United States:** Personal income and spending, CB consumer confidence, regional Fed surveys.

Information contained in this report current as at 22 August 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.

# What if we have it all backwards?



**Luci Ellis**  
Chief Economist, Westpac Group

- Traditionally, economic theory has assumed that monetary policy is 'neutral' in the long run. That is, it can affect inflation, and short-run fluctuations in growth and the labour market but it has no implications for growth or unemployment in the long run. In Australia, the standard discourse also assumes that productivity growth is more or less fixed, or else determined by government policy. And until recently, it was assumed in many quarters that weak productivity growth meant that demand had to be constrained – by monetary and other policies – to match the weak growth in supply.
- What if we have it all backwards? A growing body of research suggests that tight monetary policy can in fact reduce long-run growth. One way this might happen is that by slowing demand, tight monetary policy reduces the incentive to invest, and thus the future capital stock and future productivity. This is on top of the 'scarring' effects on workers that we normally think of as long-run effects of recessions.
- We should not pick only on monetary policy here. Policies that reduce the incentive to invest in the right labour Skills and Smarts or labour-saving Stock of capital reduce future productivity growth. More broadly, we need to remember that Skills and Stocks are stocks, not flows. Short-run changes to the stock of something – whether a workforce, a capital stock or a housing stock – can have long-lasting effects on economic outcomes.

This week's Productivity Roundtable (together with the pre-roundtable roundtables that preceded it) responds to growing concerns about slow growth in productivity and thus potential growth. There are many ways to boost potential growth: the Treasury 'Three Ps' of Population, Participation and Productivity. Recall that only the latter two unambiguously boost living standards, along with Price: what we get for what we sell to the world relative to how much we pay for the things we buy from the world. The recent downward revisions to the RBA's assumptions about potential growth look to be equally split between a slowdown in trend growth in labour productivity (from 1.0%yr to 0.7%yr) and a slower rate of population growth (1.2–1.3%) compared with the 1.5–1.6%yr rates typical in the years before the pandemic.

Recall also that labour productivity comes from labour Skills, the Stock of capital, and the Smarts involved in putting the two together (multifactor productivity). Any of the deeper drivers of productivity – be it the level of competition,

regulation, technology or tax – work through one or more of these three aspects of productivity.

It has [long been known](#) that deep downturns stemming from wars and financial crises have long-running effects on future growth potential. Destruction of capital, or lack of funding for investment both weigh on the capital stock. This is on top of the long-recognised effects of deep downturns on the labour market – the 'scarring' effect of long-term unemployment, or of entering the labour market at the wrong moment.

More recently, it has been [recognised](#) that this kind of path dependence does not only apply to the deep downturns borne out of crisis. Some [research finds](#) that downswings in the business cycle more generally do not end with a strong cyclical bounce-back to the prior trend. It can be a slow grind, never quite getting back to the previous path.

A growing body of research (for example, [here](#), [here](#), [here](#) and [here](#)) also suggests that tight monetary policy affects potential growth and productivity. One way this can happen is by influencing investment decisions, which would add to the capital stock. While studies do not typically find that the level of interest rates helps predict investment directly, it does affect the level of demand. This in turn affects investment because there has to be a market for the output to make the investment worthwhile. A separate but related mechanism involves the re-allocation of capital to the most productive uses.

**“Slow productivity growth is now recognised as not requiring tight monetary policy to keep demand in check.”**

We can see, then, why an extended period of weak demand is so toxic: by discouraging current investment or shifts of capital into the most productive uses, it reduces the capacity to meet future demand. The fires of recession (and plain old soggy growth) are not cleansing – they are just destructive. Unfortunately, the same literature generally finds that loose monetary policy does not directly add to capacity in the long-run, though a short-run boost to productivity from reallocation is implied by some models.

This is why the RBA's pivot to no longer believing that weak productivity growth requires it to tamp down demand is so

consequential – and so welcome. That change of heart avoids what could have become a significant policy error.

We should not only pick on monetary policy here. Other policies might also contribute to a low productivity growth malaise. Consider the skilled migration program. While it is widely admired as being targeted on skills shortages and effective in its operations, an issue arises where a skill shortage is defined to be any moment where you cannot find the right person at the current wage. If you can obtain an essentially infinite supply of people with the necessary skills from offshore at the current wage rate, why try to entice the local worker with a somewhat higher wage? And more to the point, why train local workers, or invest in labour-saving capital when you can always get someone from offshore at the current wage rate?

This suggests that it would help to set the bar for defining a skills shortage higher than the current wage rate. That would let local market forces take some of the adjustment. It would also ensure that firms sometimes have an incentive to invest in labour-saving technology – the Stock of capital – or better processes – the Smarts around how labour and capital combine.

The broader point here is that policy discussions need to allow for long-running consequences coming from things that are a stock – a quantity at a point in time like the number of workers with a particular skill, or the number of homes – rather than a flow, such as the amount of consumer spending in a quarter. The Stock of capital and the Skills of workers are stocks of this kind. The Smarts of the way we design our business processes are also long-lasting. Flows, by contrast, are inherently more ephemeral.

Getting things wrong with the stocks is far more consequential than the problems that many current policy proposals are designed to fix.

# Cliff Notes: a promising trend

Elliot Clarke, Head of International Economics  
Ryan Wells, Economist

For Australia, the only data release of note this week was the [August Westpac-MI Consumer Sentiment Survey](#). It did not disappoint though, the headline index surging 5.7% to 98.5, the closest it has been to outright 'optimism' in 3½ years. This bounce in confidence follows the RBA's 3rd rate cut of the year and the sustainable return of inflation to the middle of the target range. In the underlying detail, assessments of current family finances vs last year rose a solid 6.2%, while the analogous measure for the year ahead increased 5.4%. Consumers' spending intentions – which are a consequence not only of current conditions but also the cumulative change in cost-of-living since the pandemic – are steadily improving but still a long way from 'normal' levels, 'time to buy a major household item' 22pts below its long-run average despite a 4.2% gain in August.

While official and [Westpac estimates](#) of consumer spending firmed through Q2, the sustainability of these gains are yet to be tested beyond the end-of-financial-year sales. Typically though, persistent improvements in sentiment and a robust labour market boost spending over time. Such an expectation is incorporated into our forecast recovery in GDP growth to 1.7%yr by end-2025 and 2.2%yr at end-2026. Our latest [Quarterly Business Snapshot](#) provides an assessment of how Australian firms are faring currently. Looking out to the medium and long term, this week's essay by [Westpac Chief Economist Luci Ellis](#) considers the path dependency of long-run activity and productivity growth.

Turning to New Zealand, [the RBNZ](#) delivered a 25bp rate cut at their August meeting as expected, but the accompanying communications were very dovish. Near-term growth prospects have been revised down, the RBNZ's 2025 view now 1.6%yr compared to Westpac's 2.4%yr. However, an additional 1.5 rate cuts into year-end are, along with policy easing to date, still expected to support a robust recovery from 2026. As a consequence, the unemployment rate is expected to peak near the current level and then decline through 2026 and 2027. Our NZ economics team now expect another 2 cuts this year, while remaining of the view that higher interest rates will ultimately prove necessary to manage inflation risks from late-2026.

In the northern hemisphere, the event of the week is still to come – Chair Powell's address the Kansas City Federal Reserve's Jackson Hole Symposium. Market participants will put considerable effort into parsing his remarks for any guide on the path ahead for US monetary policy. That said, Chair Powell is unlikely to stray too far from the consensus opinion of the FOMC as outlined in the July FOMC minutes, particularly with a number of key data points due between now and the September meeting.

The [July meeting minutes](#) had a clear focus on inflation. "Participants judged that considerable uncertainty remained about the timing, magnitude, and persistence of the effects of this year's increase in tariffs". Though, members were clear on who is paying the price, with "a few participants [describing] a mix of strategies as being undertaken to avoid fully passing on tariff costs to customers... [including] negotiating with or switching suppliers, changing production processes, lowering profit margins, exerting more wage discipline, or exploiting cost-saving efficiency measures such as automation and new technologies." "Regarding inflation persistence, a few participants emphasized that they expected higher tariffs to lead only to a one-time increase.... [but a] few [other] participants remarked that tariff-related factors, including supply chain disruptions, could lead to stubbornly elevated inflation and that it may be difficult to disentangle tariff-related price increases from changes in underlying trend inflation."

On the labour market, the Committee remains sanguine, "participants observ[ing] that the unemployment rate remained low and that employment was at or near estimates of maximum employment". "Several participants noted that the low and stable unemployment rate reflected a combination of low hiring and low layoffs."

On the policy outlook then, a "majority of participants judged the upside risk to inflation as the greater of these two risks". "Almost all participants agreed that, with the labor market still solid and current monetary policy moderately or modestly restrictive, the Committee was well positioned to respond in a timely way to potential economic developments."

# There's more where that came from



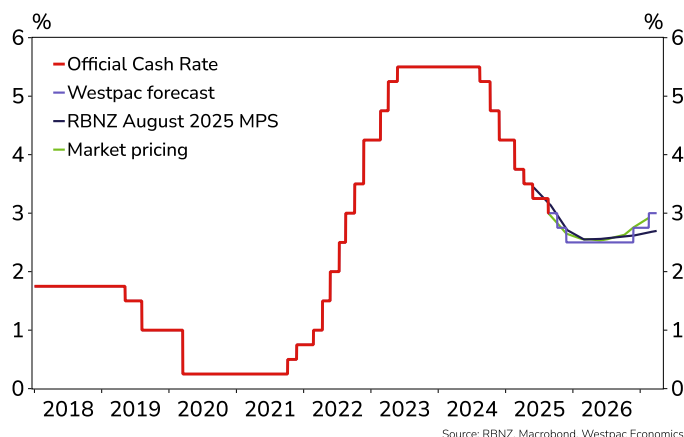
**Satish Ranchhod**  
Senior Economist NZ

As we had expected, the RBNZ cut the Official Cash Rate 25bps to 3.00% at its August policy meeting. However, the MPC also made an unexpected and sizeable downward revision to its projections for the OCR over the coming year. Given the RBNZ's clear intent, we now expect two further rate cuts this year, which would take the OCR to 2.50% (previously we forecast 3% would be the low point).

## This is what it sounds like when doves fly.

As was widely expected and almost fully priced by the market, the RBNZ announced a further 25bps reduction in the OCR to 3.00% at its August policy meeting. However, in a dovish surprise to markets, two of the six committee members voted for a 50bps cut, and the projected low point for the OCR was pulled down by 30bps to 2.55% (versus 2.85% in their previous forecasts) – a larger reduction than markets had anticipated.

### RBNZ Official Cash Rate



The downward revision to the RBNZ's interest rate projections came despite an upward revision to its near-term inflation forecast. The RBNZ now expects that inflation will rise back up to 3% in the September quarter. And we think there is a risk it will rise even further – we're forecasting annual inflation to rise to 3.1% for both the September and December quarters.

That rise in inflation is certainly unwelcome news for the RBNZ (and of course, households). But importantly, it is expected to be temporary. Much of the rise in inflation currently in train is a result of higher food prices. And with at least some of that related to constrained supply, inflation in some categories will likely drop back again next year.

Near-term increases in inflation, especially those related to temporary supply disruptions or volatile categories, aren't the focus for monetary policy. The RBNZ can't offset a lift in food prices that's already occurred. Instead, they are focused on whether inflation is likely to remain contained over the longer term. And on this front, the RBNZ is balancing up several concerns.

First are the risks for inflation expectations. Expectations for inflation over the coming year have been pushing higher, especially among households who have been squeezed by the rising cost of essentials. However, expectations for inflation at longer horizons have been more stable and remain contained within the 1 to 3% target range.

This gives the RBNZ some breathing room to look through the current rise in inflation and instead focus on the prospect that spare capacity in the economy might linger longer than desired, adding downside risks to medium-term inflation. That's despite the significant easing in borrowing costs over the past year. The RBNZ is conscious that the full impact of rate cuts to date is yet to be felt, but is still concerned about the lack of momentum in some areas.

Of note, the RBNZ has recognised the recent weakness in house prices and so made a sizeable downward revision to its forecast for house price growth. The RBNZ has highlighted the importance of house prices in relation to prospects for an uplift in residential investment (the forecast for which has also been revised down). Softness in house prices is also expected to be a drag on household spending, with New Zealanders holding a significant proportion of their wealth in housing assets. Looking at households more generally, the RBNZ also noted the weak state of the labour market and continued pressure on household finances from rises in administered prices (such as council rates and utility prices) as being further drags on spending appetites.

A lack of momentum in the business sector was also highlighted, with subdued domestic trading conditions and uncertainty about global conditions thought to be acting as a drag on business spending.

With that softness in activity, the RBNZ's forecasts for longer-term inflation remain benign, even with the revised projections now incorporating a move into stimulatory territory for monetary policy. This reflects a weaker starting point for the economy (the RBNZ estimates a 0.3%q/q contraction in the June quarter), which means that the negative output gap and rise in the unemployment rate are expected to be more persistent than forecast previously. The record of meeting

highlighted that “non-tradables inflation excluding central and local government charges is consistent with inflation at or below the target mid-point. Some members suggested that this may represent a downside risk to medium-term inflation.”

## Updated OCR forecast – two more 25bp rate cuts this year.

Relative to the more measured approach in July when the OCR was left on hold, the August Monetary Policy Statement signalled a clear shift in strategy from the RBNZ. Concerns about a lack of momentum in domestic demand and related softness in the medium-term inflation outlook are clearly front of mind for the RBNZ.

The RBNZ’s formal projection for the low point of the OCR was lowered by 30bps to 2.55%. In a subsequent interview, the Governor described the projected path as consistent with 25bp policy easings at each of this year’s two remaining meetings (8 October and 26 November). While this baseline forecast is conditional on incoming data meeting expectations, the RBNZ likely won’t move away from this insurance strategy unless it suddenly becomes comfortable that the economy is on track to grow at rates that will eliminate the current spare capacity. And on this front, it’s unlikely that the June quarter GDP report (out 18 September, ahead of the next policy meeting in October) will show signs of recovery back to trend. The more forward-looking measures contained within the September quarter QSBO business survey (released 7 October) will likely respond positively to the RBNZ’s latest messaging, but this is something that the RBNZ will welcome. The August Selected Price Indexes (16 September) will provide some further indication of whether annual CPI inflation will surpass 3% in the September quarter but won’t cast any light on the medium-term inflation outlook.

Against that backdrop, given the clear intent of the RBNZ, we’ve revised our own forecast for the OCR. We now forecast two more 25bp rate cuts at both the October and November policy meetings. That would take the OCR to 2.50%.

There are risks on both sides. On the downside, we certainly are hearing about softness in some key parts of the economy, including the retail, hospitality and construction sectors. But at the same time, we’re less sanguine than the RBNZ about the longer-term inflation outlook, especially given the likelihood of continued large increases in administered costs, like rates and electricity prices (a risk that the RBNZ itself has acknowledged). However, it will take time for that longer-term outlook to play out.

Crucially, one of the big lessons of the past few years is that interest rate changes work. And with big reductions in interest rates already and more to come, the current softness in house prices is likely to give way to a stronger period over the coming year (as the RBNZ also forecasts). Fixed-term mortgage rates had already been moving down ahead of the RBNZ’s policy announcement.

Given those concerns, we continue to expect that interest rates will rise from at least the end of 2026, but we will review the timing further in coming months as we get a better sense of how the economy is likely to respond to more supportive monetary policy.

## White gold.

While overall GDP growth has been subdued, the New Zealand economy has been very two-speed over the past year. Firmness in commodity export earnings has boosted incomes and demand in rural regions, with dairying regions in the south at the front of the pack. On this front, Fonterra has lifted its farmgate forecast for FY25 to \$10.15/kg. The forecast payout for FY26 has been maintained at \$10/kg. However, the range around that figure has narrowed, with the risks no longer seen as skewed to the downside. Fonterra has also agreed to sell its consumer business to Lactalis, and has indicated that shareholders could receive a tax-free capital return of around \$2/share (probably late next year). This equates to a payout of just over \$3bn or about 0.7% of GDP. Future dividends will be slightly lower as a result of the sale, however.

## Making power while the sun shines.

New Zealand will need to dramatically upscale its electricity generation capacity in coming years, with solar set to play a starring role. Solar is clean, adaptable, and increasingly cost-effective, with falling capital costs and minimal operating expenses. It also boosts energy self-sufficiency and resilience, and offers co-investment opportunities for landowners and businesses, including Māori and Iwi.

As industry economist Paul Clark has recently highlighted, [we think the outlook for solar is promising](#). MBIE projects a ten-fold increase in solar generation by 2050, making it comparable to geothermal and wind. However, challenges remain. Regulatory reform is needed to encourage investment, and solar’s intermittency needs to be managed. Battery costs, though declining, still pose a barrier, and community opposition to solar farms is a concern.

Despite these hurdles, solar power could reshape New Zealand’s energy future, offering lower costs, reduced emissions, and more reliable energy.



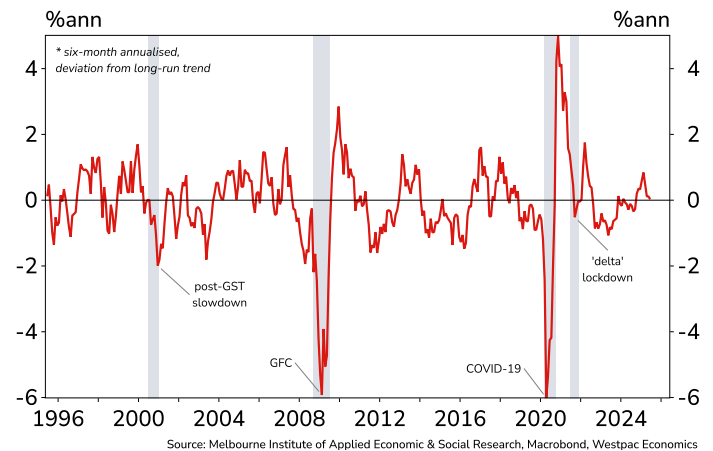
## AUS: Jul Westpac-MI Leading Index

Aug 27, Last: 0.03%

The Leading Index growth rate slowed back to 0.03% in June, basically in line with long run trends. The recovery that was gaining traction through the second half of 2024 essentially stalled in the first half of 2025.

The July update should be more positive. Several components have posted notable gains over last month: the Westpac-MI Consumer Expectations Index up 6.1%; dwelling approvals up 11.9%; and the ASX200 up 2.3%. While others have been more mixed, that should be enough for the headline measure to generate some more positive traction.

## Westpac-MI Leading Index



## AUS: Jul Monthly CPI Indicator (%yr)

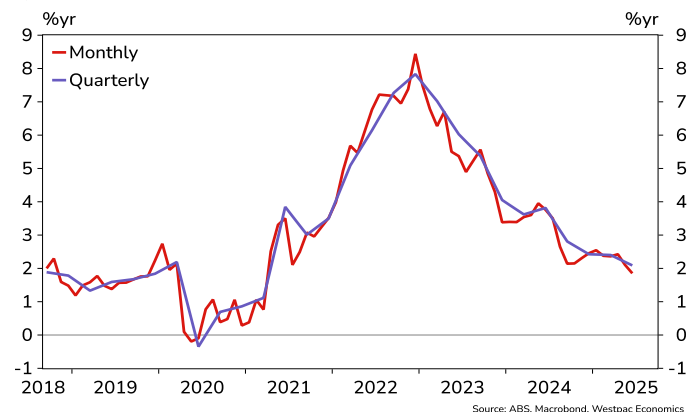
August 27, Last: 1.9, Westpac f/c: 2.3  
Market f/c: 2.3, Range: 2.0 to 2.7

The Monthly CPI Indicator gained 0.2%<sub>mt</sub>/1.9%<sub>yr</sub> in June, softer than market consensus and Westpac's expectation. The big surprise was a -0.4% fall in electricity prices which the ABS noted was due to retailers in some capital cities decreasing supply and usage charges or increasing discounts for market offer plans. From the data provided by the ABS energy bills before rebates fell -0.8% in June so the boost from the unwinding of the rebates was also surprisingly small.

Westpac is forecasting the July Monthly CPI indicator to rise 0.5% which, with base effects, sees the annual pace lift from 1.9% to 2.3%. We believe the risks lie to the upside due to the nexus on an increase in DMO electricity bills and the unwinding of the power rebates. See our Monthly CPI Indicator Preview.

## Consumer Price Index

Quarterly CPI vs. Monthly CPI Indicator



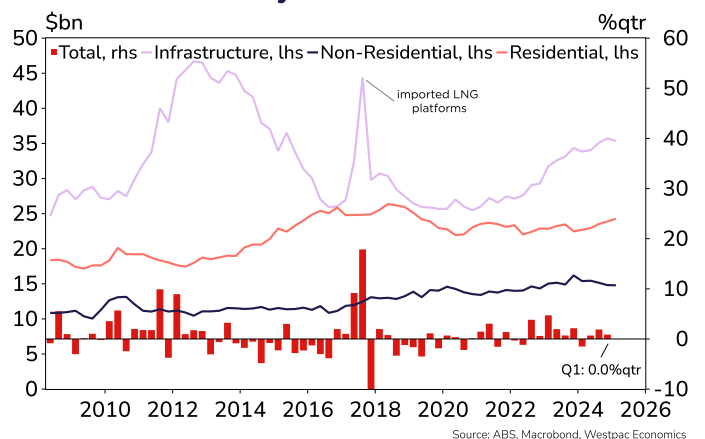
## AUS: Q2 Construction Work Done (%qtr)

August 27, Last: flat, Westpac f/c: 0.5  
Mkt f/c: 1.0, Range: 0.5 to 1.0

Construction activity was flat over Q1 and 3.5% higher in annual terms. Engineering construction unexpectedly fell during the quarter, driven by the public sector. The fall was offset by further gains in resi construction (both new dwellings and renovations), while non-resi building construction stabilised.

We expect engineering construction to recover and retrace some of last quarter's fall. Going forward we see engineering construction remaining elevated as the pipeline of projects is worked through but expect growth to moderate significantly. This is consistent with plans in state budgets and recent ABS downward revisions to growth in public engineering construction. We also expect resi construction to continue to expand as approvals tick higher and flow into activity, while non-resi building construction is expected to stabilise.

## Construction activity continues to recover



## AUS: Q2 Private CAPEX and 2025/26 plans (%qtr)

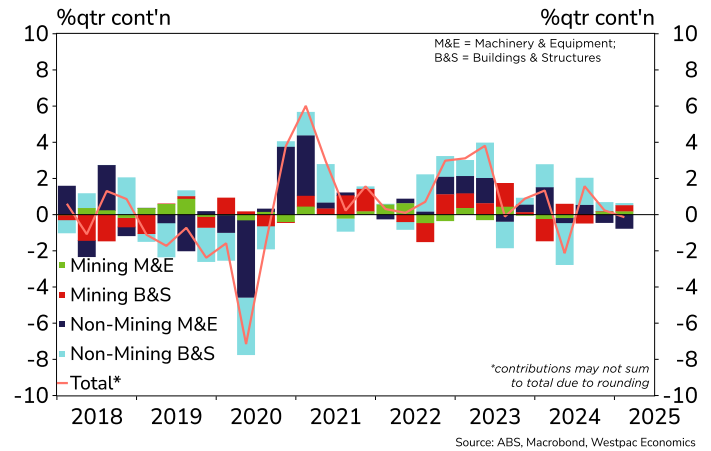
August 28, Last: -0.1, Westpac f/c: 0.8

Mkt f/c: 0.9, Range: -0.5 to 2.0

Private capex fell by 0.1%qtr in Q1 driven by falls in machinery & equipment (-1.3%qtr), with buildings & structures (+0.9%qtr) providing a partial offset. Partial monthly indicators suggest capex firmed in Q2 with endogenous imports of capital goods increasing after falling over the past few quarters, business surveys reporting improved investment intentions, and business credit growth accelerating. Overall, we think that capex will grow 0.8%qtr, slightly above the longer-term average growth.

Last quarter, capex Estimate 2 for the 2025/26 financial year was disappointing and we think that Estimate 3 will accentuate the weakness, mostly due to high global uncertainty. We expect unadjusted capex plans of \$170bn next financial year – broadly in line with Estimate 3 for the 2024/25 financial year. If realised, this would be well down on the recent average annual increase in estimates of around 7% over the past 5 years.

## Contributions to Capex Growth



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

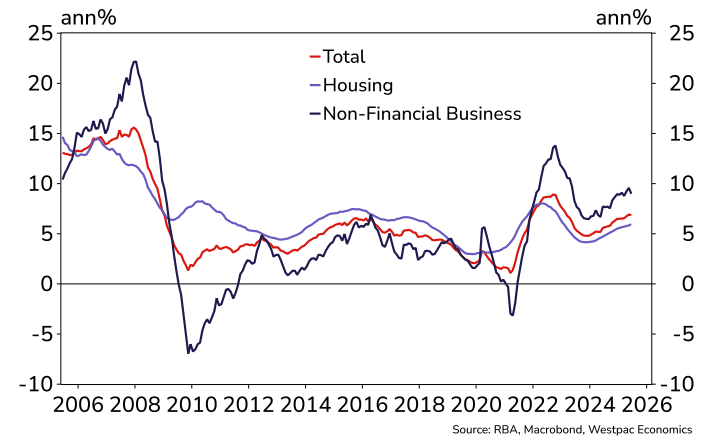
Aug 29, Last: 0.6, Westpac f/c: 0.6

Mkt f/c: 0.6, Range: 0.4 to 0.6

The latest private sector credit figures for June were slightly stronger than expected, with headline growth at 0.6%mth, unchanged from the upwardly revised result in May. We believe that this growth rate, which exceeds the 0.5% average monthly pace in the first quarter, will be maintained in July.

While housing credit growth recorded 0.5%mth for a tenth consecutive month in June, we believe upside risks are increasing. House prices have responded positively to the RBA interest rate cuts, and households are becoming more optimistic about purchasing a home. At the same time, business credit growth should remain firm, consistent with recent trends. In June, other personal credit posted a 0.8%mth rise, the largest increase since late 2007; given the typically volatile nature of this component, we might expect some payback in July.

## Private sector credit growth

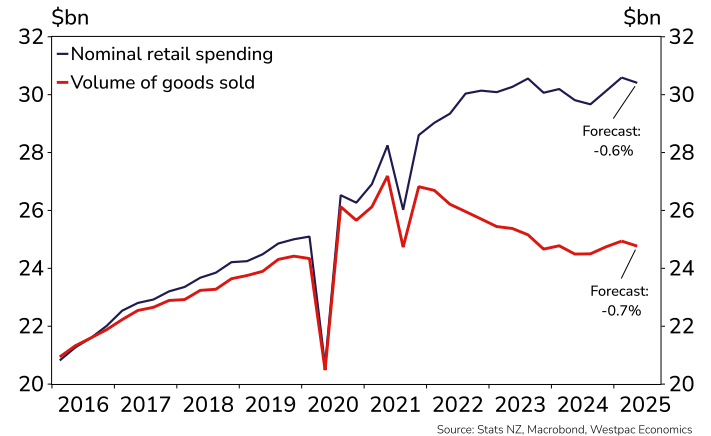


## NZ: Q2 Retail Spending (%qtr)

Aug 25, volumes – last: 0.8, Westpac f/c: -0.7

After solid increases in the past two quarters, retail spending appears to have hit an air pocket in recent months. We're forecasting that the June quarter update will show that the volume of goods sold fell 0.7%. In part, that's due to a pullback in the lumpy vehicle spending category after its strong rise last quarter. However, spending in other discretionary categories has been soggy in recent months. Nominal spending levels have been more resilient, but much of that is due to higher prices for essentials like food. The longer-term trend in spending remains subdued for now.

## Retail spending remains sluggish



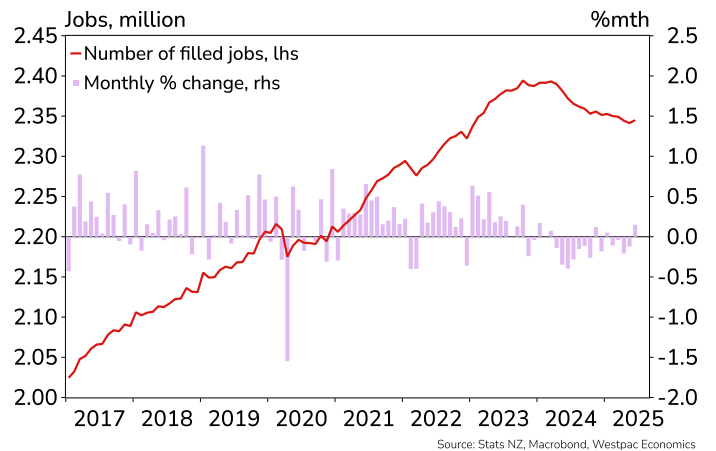


## NZ: Jul Monthly Employment Indicator (%mth)

Aug 28, Last: 0.1, Westpac f/c: 0.2

The Monthly Employment Indicator (MEI) is drawn from income tax data, making it a comprehensive record of the number of people in work. However, it tends to be overstated on the first release due to incomplete information at the end of the month. We suspect the reported 0.1% rise in filled jobs for June will be revised to a small negative, continuing the soft trend of recent months. The weekly snapshots provided by Stats NZ have shown some signs of stabilisation more recently, suggesting a flat result for July in seasonally adjusted terms – though we expect the initial print to be closer to a 0.2% rise.

## Monthly Employment Indicator

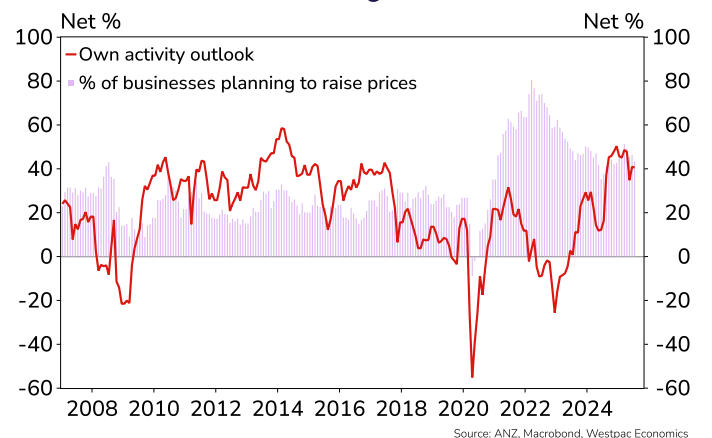


## NZ: Aug ANZ Business Confidence

Aug 28, Last: 47.8

Business confidence has remained high throughout this year, with a small dip after the initial shock of the “Liberation Day” tariffs which has since been partially unwound. Despite this continued optimism about the outlook, current conditions remain tough. Firms on balance are now reporting stronger activity than a year ago, but this is a low bar given the marked downturn that we saw in mid-2024. The agriculture sector has been the standout, reflecting the strong export prices for dairy and meat this year. We’ll also be keeping an eye on the inflation gauges in the survey: firms continue to report significant cost pressures, and their pricing intentions remain above average.

## Business confidence still high after US tariffs



# What to watch

For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
<b>Mon 25</b>						
NZ	Q2 Real Retail Sales	%qtr	0.8	-0.3	-0.7	Softness spread across discretionary categories.
Ger	Aug IFO Business Climate Survey	index	88.6	88.5	-	Efforts to boost investment lifting business sentiment.
US	Jul Chicago Fed Activity Index	index	-0.1	-	-	Production indicators improving; labour market ones worsen.
	Jul New Home Sales	%mth	0.6	0.2	-	Rising inventories; can satisfy almost 10 months of sales.
	Aug Dallas Fed Manufacturing Survey	index	0.9	-	-	Has regained three-quarters of its tariff related loss.
<b>Tue 26</b>						
Aus	RBA Minutes	-	-	-	-	Will give additional colour around Board deliberations.
US	Jul Durable Goods Orders	%mth	-9.4	-4.0	-	Another fall on the cards.
	Jun FHFA House Prices	%mth	-0.2	-	-	Housing affordability a key pressure on home prices ...
	Jun S&P/Cs Home Price Index	%mth	-0.3	-	-	... as builders turn to aggressive markdowns to attract buyers.
	Aug Richmond Fed Manufacturing	index	-20	-	-	Softening activity in the region at odds with trend elsewhere.
	Aug Consumer Confidence	index	97.2	96.4	-	The improvement in consumer confidence looks to be stalling.
<b>Wed 27</b>						
Aus	Jul Westpac-MI Leading Index	%ann'd	0.0	-	-	Recovery stalled flat in H1 2025; July should be promising.
	Jul Monthly CPI Indicator	%ann	1.9	2.3	2.3	Base effects to push annual pace higher, risks skew upward.
	Q2 Construction Work Done	%qtr	0.0	1.0	0.5	Rise in approvals will drive a lift in resi construction activity.
Chn	Jul Industrial Profits	%ann	-4.3	-	-	Profits look to be under pressure.
<b>Thu 28</b>						
Aus	Q2 Private New Capital Expenditure	%qtr	-0.1	0.9	0.8	Partial monthly indicators suggest capex firmed in Q2.
NZ	Jul Employment Indicator	%mth	0.1	-	0.2	Some signs of stabilising, but overstated on the first release.
	Aug ANZ Business Confidence	index	47.8	-	-	Confidence has generally remained high through tariff turmoil.
Eur	Aug EC Consumer Confidence	index	-15.5	-	-	Final estimate.
	Aug EC Economic Confidence	index	95.8	-	-	Moving sideways for the better part of 1.5 years.
US	Q2 GDP	%ann'd	3.0	3.1	-	Second estimate.
	Wkly Initial Jobless Claims	000s	235	-	-	Closely watched for signs of strain in the labour market
	Jul Pending Home Sales	%mth	-0.8	0.2	-	Lead indicator of existing home sales.
	Aug Kansas City Fed Manufacturing	index	1	-	-	Index turns positive for the first time since late-2022.
<b>Fri 29</b>						
Aus	Jul Private Sector Credit	%mth	0.6	0.6	0.6	Upside risks increasing for housing credit.
NZ	Aug ANZ Consumer Confidence	index	94.7	-	-	Rising inflation and a soft jobs market weighing on sentiment.
Jpn	Jul Jobless Rate	%	2.5	2.5	-	Labour market is tight and expected to support wage gains.
	Aug Tokyo CPI	%ann	2.9	2.6	-	High rice prices another challenge for the BoJ.
	Jul Industrial Production	%mth	2.1	-1.2	-	Tariff impact starting to show with car exports to US falling.
US	Jul Personal Income	%mth	0.3	0.5	-	Pace of wages growth is expected to pick-up ...
	Jul Personal Spending	%mth	0.3	0.5	-	... which looks to be partly supporting a lift in spending ...
	Jul PCE Deflator	%mth	0.3	0.2	-	... as inflation remains at benign levels.
	Aug Chicago PMI	index	47.1	45.2	-	Activity gauge has seen large swings month-to-month.
	Aug Uni. of Michigan Sentiment	index	58.6	58.6	-	Final estimate.
	Fedspeak	-	-	-	-	Waller speaks on monetary policy.

# Economic & financial forecasts

## Interest rate forecasts

Australia	Latest (22 Aug)	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
Cash	3.60	3.60	3.35	3.10	2.85	2.85	2.85	2.85	2.85
90 Day BBSW	3.56	3.55	3.30	3.05	2.95	2.95	2.95	2.95	2.95
3 Year Swap	3.32	3.35	3.45	3.60	3.70	3.80	3.85	3.90	3.95
3 Year Bond	3.41	3.40	3.50	3.65	3.75	3.85	3.90	3.95	3.95
10 Year Bond	4.31	4.25	4.30	4.35	4.45	4.55	4.60	4.65	4.70
10 Year Spread to US (bps)	-2	-10	-10	-15	-15	-15	-15	-15	-15
<b>United States</b>									
Fed Funds	4.375	4.125	3.875	3.875	3.875	3.875	3.875	3.875	3.875
US 10 Year Bond	4.33	4.35	4.40	4.50	4.60	4.70	4.75	4.80	4.85
<b>New Zealand</b>									
Cash	3.00	3.00	2.50	2.50	2.50	2.50	2.75	3.00	3.25
90 Day Bill	3.03	2.80	2.60	2.60	2.60	2.70	2.95	3.20	3.45
2 Year Swap	2.94	2.90	3.00	3.20	3.35	3.55	3.70	3.80	3.95
10 Year Bond	4.38	4.40	4.50	4.60	4.70	4.80	4.85	4.90	4.95
10 Year Spread to US (bps)	6	5	10	10	10	10	10	10	10

## Exchange rate forecasts

	Latest (22 Aug)	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
AUD/USD	0.6418	0.66	0.68	0.69	0.70	0.71	0.71	0.72	0.72
NZD/USD	0.5806	0.60	0.61	0.61	0.62	0.62	0.62	0.63	0.63
USD/JPY	148.77	146	144	142	140	138	136	134	133
EUR/USD	1.1584	1.17	1.18	1.19	1.19	1.20	1.20	1.21	1.21
GBP/USD	1.3393	1.35	1.36	1.36	1.37	1.37	1.37	1.37	1.38
USD/CNY	7.1851	7.15	7.10	7.05	7.00	6.95	6.90	6.80	6.70
AUD/NZD	1.1054	1.10	1.12	1.13	1.13	1.14	1.14	1.14	1.14

## Australian economic 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	4.2	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	0.7	0.8	0.8	0.6	0.8	–	–	–	–
%yr end	3.4	3.4	3.3	3.2	3.0	3.0	2.9	3.0	3.2	3.2	3.0	3.1
CPI Headline %qtr	0.9	0.7	0.8	0.5	0.6	0.8	0.6	0.5	–	–	–	–
%yr end	2.4	2.1	2.7	2.9	2.6	2.7	2.5	2.6	2.4	2.9	2.6	2.6
CPI Trimmed Mean %qtr	0.7	0.6	0.6	0.6	0.6	0.5	0.5	0.7	–	–	–	–
%yr end	2.9	2.7	2.4	2.4	2.3	2.2	2.2	2.3	3.2	2.4	2.3	2.5

## New Zealand economic forecasts

	2025				2026				Calendar years			
% Change	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2024	2025f	2026f	2027f
GDP %qtr	0.8	0.0	0.5	1.1	0.8	0.7	0.8	0.8	–	–	–	–
Annual avg change	-1.1	-0.9	0.0	1.0	1.7	2.4	2.8	2.9	-0.6	1.0	2.9	3.2
Unemployment rate %	5.1	5.2	5.3	5.3	5.2	5.0	4.8	4.6	5.1	5.3	4.6	4.2
CPI %qtr	0.9	0.5	1.1	0.5	0.5	0.2	0.8	0.4	–	–	–	–
Annual change	2.5	2.7	3.1	3.1	2.6	2.3	2.0	2.0	2.2	3.1	2.0	2.1

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