



Week beginning 1 September 2025

# AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

## In this week's edition:

**Economic Insight:** Is norm-breaking America 'Cooked'?

**The Week That Was:** Inflation receives a jolt.

**Focus on New Zealand:** Discounting boosts retail volumes.

## For the week ahead:

**Australia:** Q2 GDP and partials, house prices, dwelling approvals, household spending, goods trade.

**New Zealand:** Q2 building work, building consents, terms of trade.

**China:** PMIs.

**Euro Area:** HICP inflation, unemployment rate, retail sales.

**United States:** Labor Day, ISMs, Beige Book, nonfarm payrolls, unemployment rate, factory orders.

Information contained in this report current as at 29 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.

# Is norm-breaking America ‘Cooked’?



**Luci Ellis**  
Chief Economist, Westpac Group

- **US President Trump’s attempts to sack Fed Governor Lisa Cook are part of a pattern of norm-breaking behaviour for the administration. While extreme compared with the past, they are also a culmination of decades-long political trends in the US.**
- **It is unlikely that other countries will follow the US example. More likely is that they will tack in the other direction to distinguish themselves from the Trump administration.**
- **As with disruptive personalities in volunteer organisations, the norm-breaking behaviour of the Trump administration is working because others are acquiescing to it. A principled rebuttal from Cook, and CDC head Monarez, could even be the beginnings of a cascade of resistance, if it succeeds.**

Back in April, many investors were still reeling about the Trump administration’s rapid-fire policy announcements and break from earlier norms. It was not just the tariffs: the DOGE goings-on, attacks on universities and rising deportation rates were among the other concerns I heard on my client trip that month. All of these issues contributed to a general feeling that the US was no longer a nation of laws. One investor even commented to me that ‘America is cooked’.

Events of recent weeks have continued in this vein. Trump’s attempt to fire Federal Reserve Governor Lisa Cook is part of a pattern of summary firings designed to give the executive more control over institutions and policy, including the heads of the Bureau of Labor Statistics (BLS) and Center for Disease Control (CDC). Financial market participants have been especially focused on the Cook firing, given the importance of the Fed in the global financial system and the weight traditionally placed on central bank independence. Where the enabling legislation stated that officials served at the pleasure of the President, exits have been confirmed. The Federal Reserve is in a different position legislatively, meaning that Governor Cook has so far resisted dismissal by Truth Social post. (Like Cook, CDC head Susan Monarez has refused to resign.)

The Trump administration’s actions, while much more extreme than the past, represent the culmination of a longer-term pattern in US politics. For the past 30 or so years, we have seen increased partisanship and refusal in some quarters to fully accept the results of Presidential elections – from the constant investigation of Bill Clinton, to ‘hanging chads’, to ‘born in Kenya’, to ‘Russian disinformation’, to ‘stop the

steal’. We have also seen – as previously noted – a decades-long decline in state capacity in the US. Its political system now struggles to take collective action and make difficult choices in the pursuit of the common good. And the Trump administration has not been the first group to attempt to ruin people’s careers based on mere accusations without due process – that is what some of the more egregious so-called ‘cancellations’ were about.

The acquiescence of other US institutions to the Trump administration’s norm-breaking is also an essential part of the current situation. Recall that Congress could take away Trump’s powers to enact tariffs, if it wanted to. This acquiescence, too, has its antecedents in broader social trends. Plenty of volunteer organisations can attest that when one norm-breaking disruptive personality joins, the organisation is so discombobulated by that person’s outrageous behaviour that it fails to set the necessary boundaries against the behaviour. Standing up to the norm-breaker and asserting the need for due process and rule of law is hard. Not all organisations have managed to find the necessary resolve when faced with a disruptive individual or a staff revolt, petition campaign or online pile-on against a person facing allegations without due process.

**“President Trump’s attempt to sack Fed Governor Cook is part of a broader pattern, not only for his administration but an increasingly partisan US. ”**

Markets seem, again, to be shrugging off the latest headline outrages. In any case, it pays not to take social media posts at face value, and to remember that Trump Ambit Claims Often. Surface appearances might be just that, though. Although the spread between very long US bond yields (30-year) and the usual 10-year benchmarks remains within the range of recent history, it has widened noticeably, especially in recent days. Growing concerns about US fiscal sustainability are finding expression in this way.

We see little prospect that these moves will spill over to other countries to be replicated at their central banks. If anything, other countries will increase the emphasis on the importance of central bank independence, to distinguish themselves from what is going on in the US.

For similar reasons, we see little prospect of other major advanced economies going down the route of the Trump administration. We are in fact seeing increased determination to stand as a democratic bloc apart from the US. The 'Coalition of the Willing' European leaders supporting Ukrainian President Zelenskyy at last week's Washington meeting is a case in point, as is Canada's increasing engagement with Nordic nations.

The longer-term question is whether these norm-breaking acts by the Trump Administration will do lasting damage to the US's economic performance and place in the world. This is a question of whether the checks and balances built into US institutions will ensure that they heal themselves in future years. Some of the pivots by the US's western and Asian allies to be more self-reliant on defence will be hard to reverse. (And it's giving President Trump what he wants.) If the experience of Brazil and the Philippines is any guide, though, norm-breaking governments do get voted out, and their legacies tend to fade as successor governments take a more moderate approach.

We also cannot rule out that resistance by Fed Governor Cook and CDC head Monarez could be the beginnings of a preference falsification cascade. First theorised by the economist Timur Kuran, the idea is that people might believe one thing, but do not express it publicly because it does not feel safe to do so. So they think everyone else believes the socially acceptable views publicly expressed even though that is not actually true. Once a few people start stating their true beliefs and 'survive', others join in and reveal their own true beliefs. The previous presumed consensus can crumble quickly under these circumstances.

The independence of Fed policymaking is key to the good functioning of global financial markets. But it may be that there is more at stake in a successful resistance of Trump's attempts to fire Cook and Monarez than the position of the central bank.

# Cliff Notes: inflation receives a jolt

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

The main event for Australia this week was the [Monthly CPI Indicator](#), and it certainly was a striking result. The headline CPI indicator bounced 0.9% in July, driving annual inflation from 2.1%yr to 2.8%yr, near the top of the RBA's target range. That the trimmed mean measure also shot up to 2.7%yr points to a broad-based pick-up in underlying momentum and consequently upside risk to our Q3 CPI forecast.

One month's data does not make a trend, especially as electricity prices drove the result. Underlying July's 13% surge in electricity prices was a combination of state rebate roll-offs, the varied timing of the Commonwealth rebate extension and standard annual price increases. While each dynamic is well understood, their timing is uncertain, hence the relatively subdued reactions to the July report from market participants who continue to expect a 25bp rate cut in November.

In the lead-up to Q2 GDP next week, we also received two partial indicators of investment.

[Construction activity](#) was firmer than expected, bouncing 3.0% in Q2 to be up 4.8% over the year. This was mostly driven by a surge in lumpy mining infrastructure installations, accentuated by the release's accounting treatment that sees projects recorded on completion versus the National Accounts' accrual method (which incorporates activity completed each quarter). Conditions outside of the mining sector remain delicately poised: public work is retreating from peak levels almost as quickly as it attained them; however, a healthy pipeline of electricity generation and distribution projects should provide offsetting support into the medium-term.

[Private CAPEX](#) subsequently disappointed in Q2, a 0.2% gain a long way below the 0.8% consensus expectation. Growth over the past year of 1.7%yr is the result of the building out of essential infrastructure in the non-mining economy – predominately electricity, energy and data assets – while mining investment is 1.0% lower than a year ago. The outlook remains uninspiring, the latest estimate for 2025-26 CAPEX plans pointing to growth in real investment of just 1.2%yr, a touch above FY25's 0.9%yr gain. To combat low productivity and capacity constraints, strong investment is necessary.

Our full Q2 GDP preview will be released today on [Westpac IQ](#), and the ABS' Q2 National Accounts release is due next Wednesday.

Offshore markets spent much of the week digesting insights from last weekend's Jackson Hole Economic Symposium, especially FOMC Chair Powell's remarks on the near-term outlook for policy.

Powell's remarks were balanced and constructive overall, highlighting the full spectrum of risks the US economy faces and that the Committee is well placed to adjust policy gradually to match incoming data. That said, Chair Powell's remarks could be interpreted as putting a greater emphasis on the "rising" downside risks for employment which, to date, have been masked by reduced migration and participation.

Referencing the recently completed five-year review of the Federal Reserve's Monetary Policy Framework, Chair Powell went on to discuss why a tight labour market does not, by itself, signal accelerating inflation and instead needs to be considered in the broader context of the economy and policy. Of course, other potential drivers of inflation also must be taken into consideration. While downside risks to current full employment warrant two cuts from the FOMC by year end, as we and the market forecast, in our view persistent inflationary pressure stemming from capacity constraints are likely to preclude additional easing to a neutral or expansionary setting in 2026, unless labour market slack grows materially.

Turning then to the academic discourse of the Symposium, the evolving state of global labour markets in response to demographic and structural change was the focus. Bank of Japan Governor Kazuo Ueda highlighted the impact of Japan's ageing population, which has tightened the labour market and spurred increased participation from women as well as older men. Tight conditions have also led to greater job mobility among younger workers and consolidation among smaller firms who are struggling to keep up with wage growth. Ueda also noted that investment in labour-saving technology, particularly in services, is expected to enhance productivity going forward.

Similar dynamics were echoed by ECB President Christine Lagarde who observed that, despite fiscal constraint and the legacy of tight monetary policy, labour markets in the Euro Area have continued to tighten. This strength has been partly driven by delayed wage growth which has contained unit labour costs, thereby making labour a more attractive input. Firms have also increased headcount in response to declining average hours worked, with additional labour demand largely being met by rising participation amongst women, older workers, and foreign labour.

A subsequent paper from Nobel laureate Claudia Goldin investigated the drivers of declining fertility rates – a factor with profound implications for labour supply and policy over coming decades in both the developed world and some large developing markets, most notably China.

# Discounting boosts retail volumes

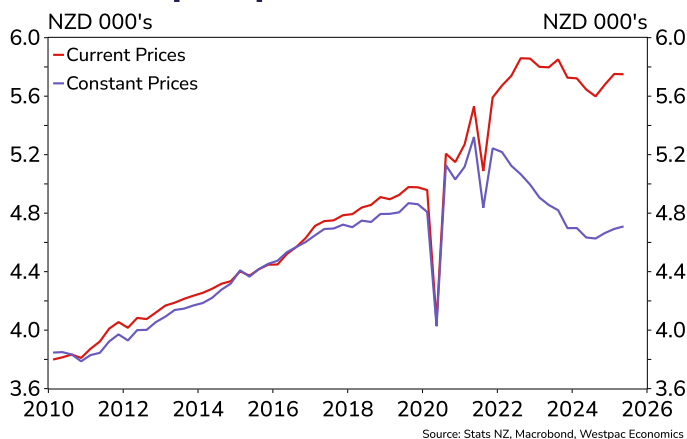


**Darren Gibbs**  
Senior Economist NZ

Following last week's surprising dovish pivot by the RBNZ, the focus this week has turned back to the local data flow, which included the first major indicator to be released ahead of the Q2 national accounts (due 18 September) and the updates on business and consumer sentiment.

As it happens, the week began with another surprise for the market, this time in the form of the Retail Trade Survey for the June quarter. Given soft indications from the monthly Electronic Card Transactions Survey, we and the market were braced for a soft outcome. As it turns out, the nominal value of spending increased just 0.1%q/q in the June quarter, equating to a flat quarter in per capita terms. However, with the retail trade deflator declining despite upward pressure on food prices, the volume of sales rose a quite respectable 0.5%q/q. This contrasted with the decline in volumes that we and others had expected.

## Retail sales, per capita

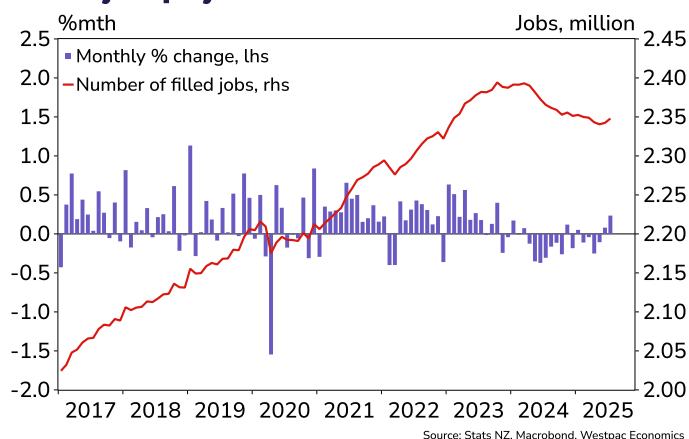


Interestingly, by far the largest contribution to growth in volumes was made by electrical and electronic goods retailing, which increased 4.6%q/q. Indeed, this one sector – which accounts for less than 10% of total sales – explained 80% of the growth in spending during the quarter. Discounting appears to have been a large part of the explanation. After adjusting for seasonal influences, the deflator for this sector fell almost 3%q/q and was down more than 6%y/y. That said, we think that the trend uplift in house sales and the gradual pass-through of lower interest rates probably also acted to encourage greater spending on household durables. While not as strong, spending on furniture and other household goods also grew in the June quarter.

At face value, the retail sales report suggests that the economy may not have been as weak in the June quarter as suggested by last week's updated RBNZ estimates (recall that the Bank estimated a 0.3%q/q decline in GDP, while Westpac estimates a flat quarter – in both cases dampened by residual seasonal effects in the GDP data). That said, at this stage little is known about non-retail consumer spending and about activity in other sectors of the economy. On that score, more will be revealed next week with Stats NZ releasing construction and foreign trade data for the June quarter.

The rest of this week's data contained no real surprises. Stats NZ's Monthly Employment Indicator (MEI) pointed to a 0.2%mt increase in filled jobs in July, in line with our expectations. This measure tends to be overstated on its initial release, and June employment was revised lower (but still rounds up to 0.1%mt). Allowing for likely future revisions, the MEI is tracking consistent with our forecast of a broadly stable level of Household Labour Force Survey (HLFS) employment in the September quarter. And given current weak population growth, this should be sufficient to prevent more than a modest rise in the unemployment rate.

## Monthly Employment Indicator

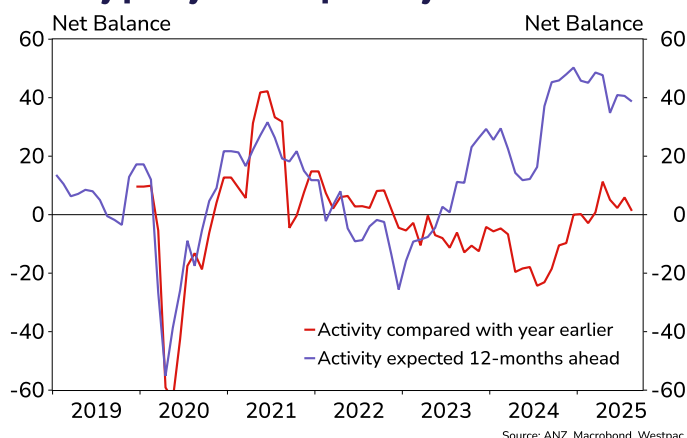


The industry detail also contained no surprises. While the Government has been pruning the bureaucracy, it continues to support growth in front line services. Almost half of the estimated job gains in July occurred in industries dominated by the public sector (especially public administration and safety). And employment in these industries is running around 1% higher than a year earlier. In the private sector, further job losses were evident in the construction sector, but growth was recorded in the agriculture sector, retail trade, finance

sector and professional services. In contrast with the growth seen in the public sector, employment in the private sector has declined around 2% over the past year. Outside of the large urban centres of Auckland and Wellington, jobs trends look noticeably stronger. Jobs growth in most South Island regions has been positive in the last few months.

In other news, the key forward-looking indicators of business confidence and activity were little changed in the August ANZ Business Outlook survey, thus remaining below the cyclical peaks reached late last year but still well above average levels. There was little change in indicators of investment or hiring intentions, which also remain at firmer-than-average levels. It is worth noting that this survey was in the field well before last week's unexpected RBNZ pivot. A little surprisingly, the ANZ commented that there was no generalised improvement in those responses that came in following the RBNZ's meeting. Despite unfettered optimism for the year ahead, firms continued to report that current conditions are tough. A net 1% of firms said that their activity was up on the same time last year, compared to 6% in July – the weakest reading since March.

### Activity past year vs expected year ahead

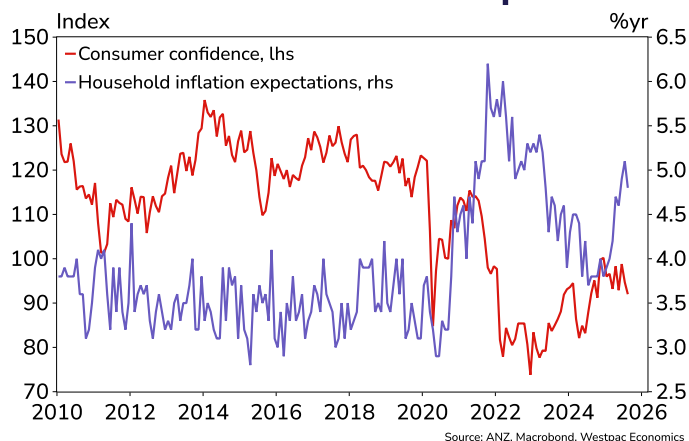


The RBNZ will have been pleased to see the survey's pricing indicators reduce slightly this month – although in the case of pricing intentions they remain very elevated. Firms' year-ahead inflation expectations edged down slightly even though the views of consumers remain relatively high. Firms reported slightly less intense cost pressure, with reported wage growth (2.1%/y) at the slowest pace since the question was first asked in 2022. Muted wage growth will be key in ensuring inflation moves back to 2% from the 3% level that seems likely to be registered in coming reports.

Turning back to the consumer, the ANZ index of consumer confidence posted a 2.9% mth decline in August to a 10-month low. In contrast to business sentiment, consumer sentiment remains below its historic average (as it has for most of the past five years). This month consumers grew more pessimistic about the near-term outlook for the economy, despite their forecast for two-year-ahead inflation dropping back to 4.8% from the two-year high reported of 5.1% seen in the previous

month. Ongoing weakness in the labour market – including the reported increase in the unemployment rate in early August – likely goes some way to explaining the pessimism that continues to pervade the household sector.

### Consumer confidence and inflation expectations



### How is NZ shaping up against Australia?

Finally, this week we released a report looking at [how economic conditions in New Zealand compare to those in Australia](#).

New Zealand's economy is gradually strengthening following significant interest rate cuts. GDP growth is forecast to reach 2.4% in 2025 and 3.1% in 2026, outpacing Australia's expected growth of 2.0% and 2.2% respectively. However, this recovery follows a sharper downturn in New Zealand, which has left its labour market softer than Australia's. Much of the difference in economic conditions reflect differences in monetary policy. The RBNZ's earlier and more aggressive tightening of policy meant that New Zealand experienced a sharper downturn in growth. However, now that inflation has dropped back, the RBNZ has also been able to cut rates faster. The OCR has already been cut 250bps, and we expect two more 25bp cuts before the end of this year. In contrast, the RBA adopted a more gradual approach to both tightening and easing. While this helped support growth and employment earlier, its slower rate cuts – just 75bps so far – mean that interest rates remain mildly restrictive.



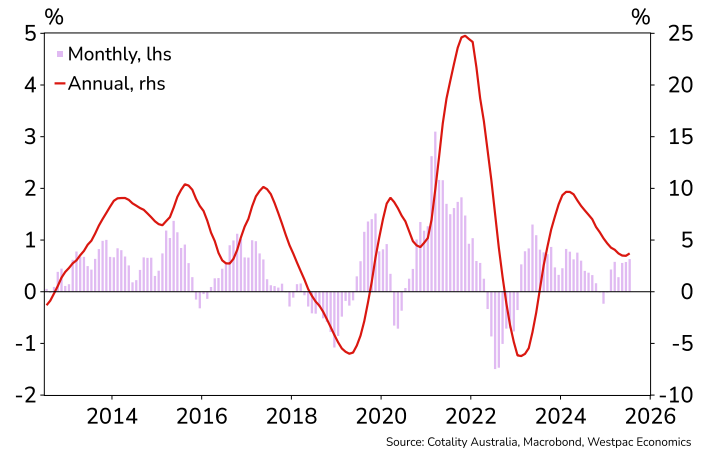
## AUS: Aug Cotality Home Value Index (%mth)

Sep 1, Last: 0.6, Westpac f/c: 0.8

The Cotality home value index (formerly CoreLogic) rose 0.6% in July, matching the pace in the two months prior. Annual growth lifted to 3%yr with clear signs of an upturn forming.

Daily measures point to further slight quickening in August, tracking a 0.8% gain for the month as a whole which would lift the annual pace to 3.5%yr. The detail from daily measures (which only cover the five biggest capital cities) shows Brisbane and Perth outperforming slightly with 1% gains, Sydney and Adelaide in line with the pace nationally and Melbourne underperforming with a modest 0.4% rise.

## Momentum continues into second half of the year



## AUS: Jul Dwelling Approvals (%mth)

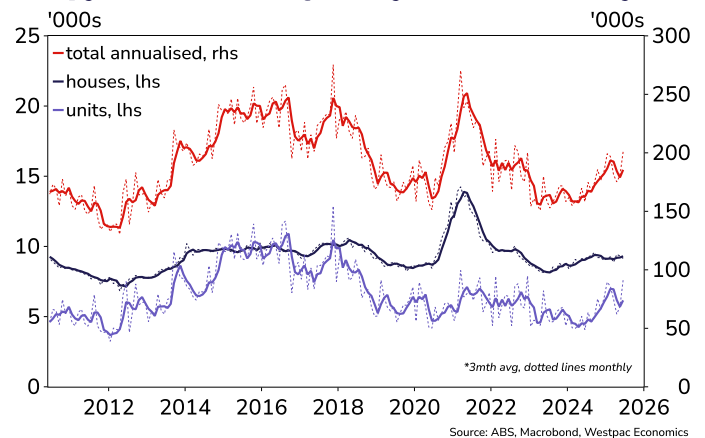
Sep 1, Last: 11.9, Westpac f/c: -4.0

Market f/c: -5.0, Range: -8.0 to 3.0

Dwelling approvals shot up 11.9% in June led by another big jump in unit approvals (up 33% in June) with detached home approvals drifting lower for a second consecutive month. The mix is a warning, with unit approvals tracking a very choppy pattern this year (despite the rally, unit approvals were still down 11% for Q2 vs Q1 qtr). To the extent that we can 'look through' this, the uptrend that formed over late last year appears to have lost its way a little in the first half of 2025.

Some sort of reversal looks inevitable for July. HIA figures on new home sales – often a guide to detached and medium density approvals – softened in the month, suggesting momentum remains flat outside of high-rise. If most of the June surge in high rise unwinds and other segments are flat that would see total approvals down 4% in July.

## Lumpy unit-driven surge likely to unwind in July



## AUS: Q2 Company Profits (%qtr)

Sep 1, Last: -0.5, Westpac f/c: 1.5

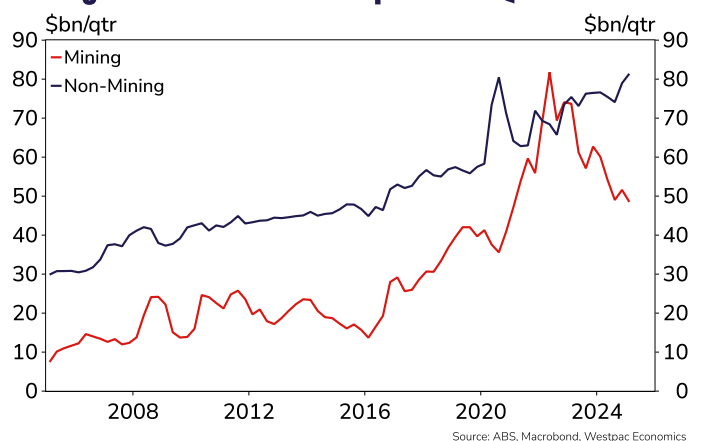
Market f/c: 1.2, Range: -5.0 to 2.5

Company profits outside the agriculture sector are expected to have grown 1.5% in Q2 and 1.8% in annual terms.

The gain is expected to be driven by the mining sector with the export of iron ore surging after falling last quarter due to unfavourable weather events. Despite this increase, we expect mining profits to be almost 10% lower in annual terms, as commodity prices continue to drag on the industry's profits.

The non-mining sector is expected to make a small detraction from overall profit growth. The **Westpac Business Cashflow Gauge** slipped 0.4% in Q2, but it retained most of its gains over recent quarters and was still 1.6% higher than a year ago. The fall in the Cashflow Gauge underscores the patchy and gradual nature of economic recovery still underway.

## Mining rebound set to drive profits in Q2



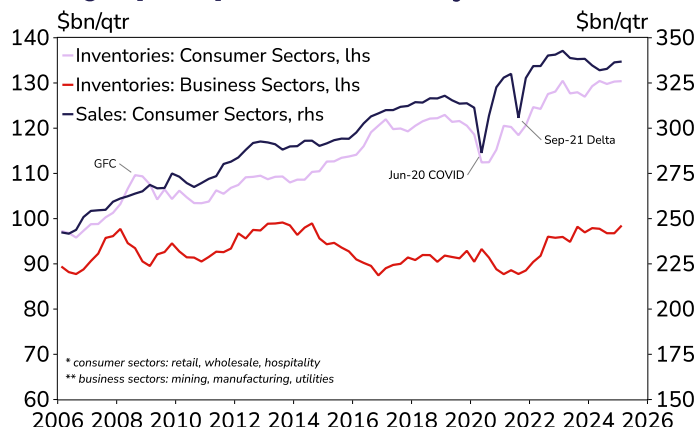
## AUS: Q2 Inventories (%qtr)

Sep 1, Last: 0.8, Westpac f/c: 0.5  
Market f/c: 0.3, Range: -0.5 to 0.8

Westpac expects non-farm business inventories increased 0.5%qtr in Q2, contributing around 0.2ppts to economic growth over the June quarter of 2025. The surge in imports, coupled with lacklustre investment and spending, suggests some of these imports were used to build inventory.

More broadly, we expect public inventories to be run down (particularly medicines, vaccines and other health products) following a build up over the past year. Overall, we expect total inventories (non-farm, farm and public) to make a flat contribution to growth over the June quarter of 2025.

## Strong imports points to inventory rebuild

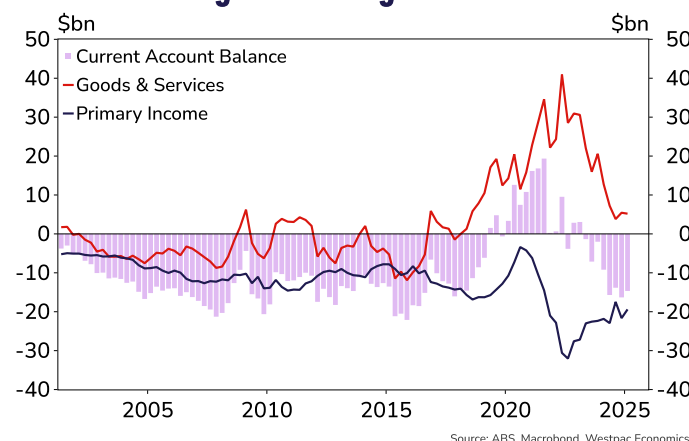


## AUS: Q2 Current Account Balance (\$bn)

Sep 2, Last: -14.7, Westpac f/c: -17.5  
Market f/c: -16.0 Range: -18.7 to -12.0

The current account balance looks set to deteriorate again in the June quarter, after improving in the March quarter. The smaller primary income deficit drove a decline in the overall current account deficit last quarter, from -\$16.3bn to -\$14.7bn. We think that the primary income balance will continue improving. However, the main driver this quarter is likely to be the goods trade balance. Recent data for monthly goods trade flows point a drop in the goods trade surplus, and a notable downward revision to the March quarter surplus. With services trade balance often moving in smaller increments, we think that the figures will show a deterioration in the current account balance to -\$17.5bn, which would be the largest deficit result since 2016.

## Deficit widening on weaker goods trade



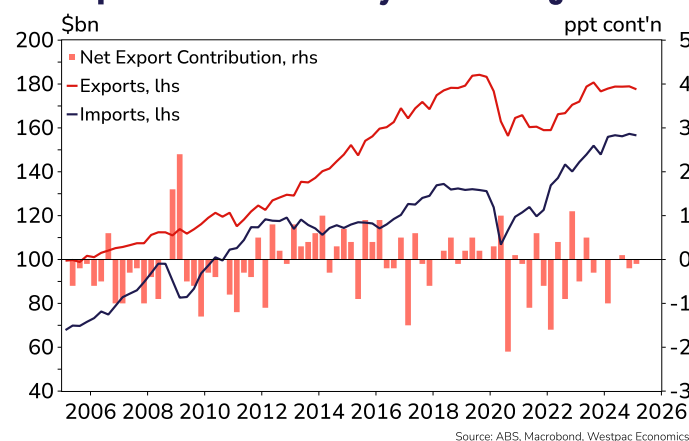
## AUS: Q2 Net Exports (ppt cont'n)

Sep 2, Last: -0.1, Westpac f/c: 0.0  
Market f/c: 0.1, Range: -0.3 to 0.6

Net exports subtracted 0.1ppt from GDP growth in the March quarter, as unfavourable weather events impacted commodity exports, and services exports declined sharply. Commodity exports are likely to recovery this quarter, thanks to much stronger outflows of iron ore. However, other exports outflows are set to be weaker. The impact to GDP growth is likely to be neutralized by stronger imports, particularly capital imports.

We pencilled in relatively small changes in services trade flows, as different indicators such as the number of student visa holders and international passenger numbers seem to be pointing in opposite directions. Overall, we think that net exports most likely will be neutral for GDP growth in Q2.

## Net exports set to be broadly neutral for growth





## AUS: Q2 GDP (%qtr)

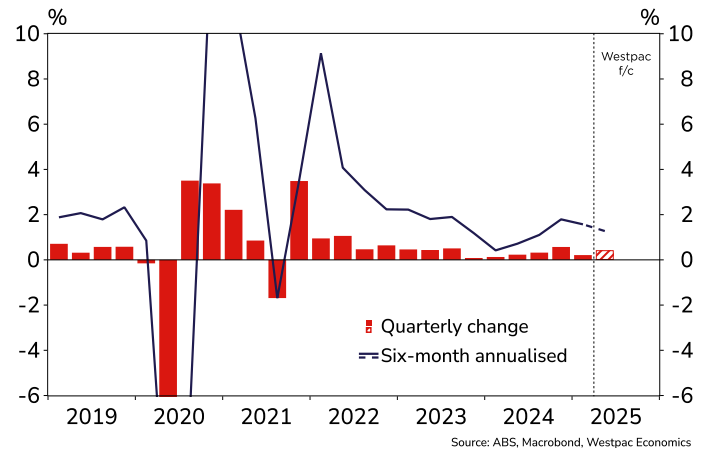
Sep 3, Last: 0.2, Westpac f/c: 0.4  
Market f/c: 0.5, Range: 0.3 to 0.7

Australia's recovery stalled over the first six months of 2025, with the economy expected to have grown 0.4%qtr in Q2 and just 1.3%yr in six-month annualised terms – way below the RBA's updated trend estimate of +2.0%yr

While ever the recovery continues to be fragile and unconvincing, labour market conditions will loosen, and unnecessary slack will build up. The rebalancing of growth from labour-intensive public demand to more capital-intensive private sources of growth will exacerbate these risks.

For more detail, see our [Q2 GDP Preview](#) on Westpac IQ.

## Q2 GDP forecast: 0.4%qtr, 1.5%yr

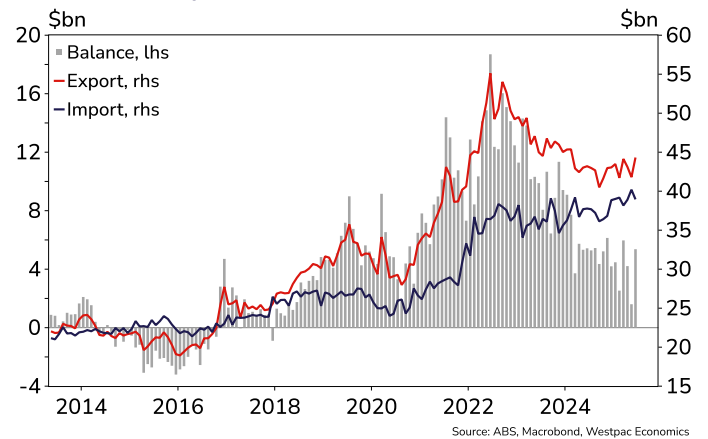


## AUS: Jul Goods Trade Balance (\$bn)

Sep 4, Last: 5.4, Westpac f/c: 4.5  
Market f/c: 4.9, Range: 3.6 to 5.5

Last month, Australia's goods trade surplus recovered from \$1.6bn, the lowest level since 2018, to \$5.4bn, as exports surged 6.0%mt and imports fell 3.1%mt. We think that a period of high volatility in the trade data is likely to be extended in July, with another decline in surplus to around \$4.5bn. Flow of major commodities through parts declined last month, suggesting lower exports of iron ore and LNG. Rural goods exports have eased somewhat in recent months, and that downward trend is likely to be extended. Stronger meat exports represent some upside risks. On the imports side, inflows of consumption and capital goods normalised in June, having peaked in May, but we might see some additional payback coming through in July, which might help to offset some of weaker exports.

## More volatility in goods trade to be expected



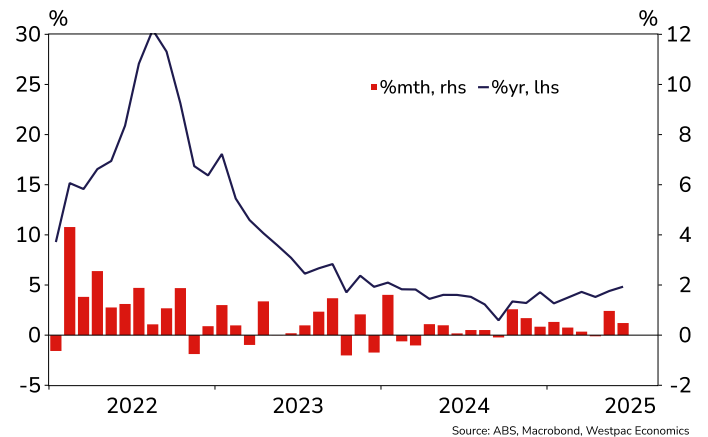
## AUS: Jul Household Spending Indicator (%mt)

Sep 4, Last: 0.5, Westpac f/c: 0.5  
Market f/c: 0.5, Range: 0.0 to 0.8

The ABS monthly household spending indicator (MHSI) rose 0.5%mt in June with the May gain revised up to 1.0%mt. The solid back-to-back increases have lifted annual growth to 4.8%yr – the fastest pace since early-2024.

Our **Westpac-DataX Card Tracker** has been more subdued through June-July but recorded bigger swings over the previous four months with weather events and the later than usual timing of Easter generating significant volatility. That suggests we may see further tweaks to the spending indicator history. For the July month, the quarterly pulse from the card tracker and a solid gain for new vehicle sales suggests the MHSI will post another reasonably solid +0.5%mt gain. Slightly firmer prices may also be contributing to some of the recent momentum.

## Consumer recovery looking a little better shaped

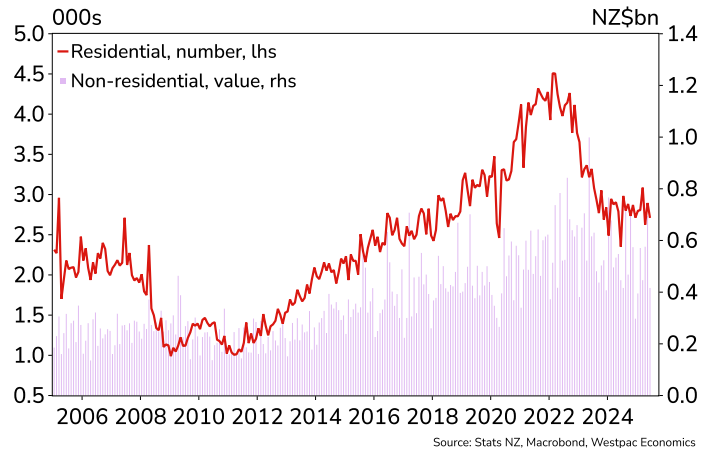


## NZ: Jun Building Consents (%mth)

Sep 1, Last: -6.4, Westpac f/c: 1.0

We're forecasting a modest 1% rise in consent issuance in July. However, more important than the normal monthly swings in consent numbers, the annual total is expected to remain around 34,000, where it has sat for a year now. That's consistent with a stabilisation in home building activity after it trended down over the past year. A turn higher is still some way off. On the non-residential front, softness in public sector projects is continuing, while planned private sector projects are holding up, mainly due to office and industrial projects.

## Building consents trending sideways

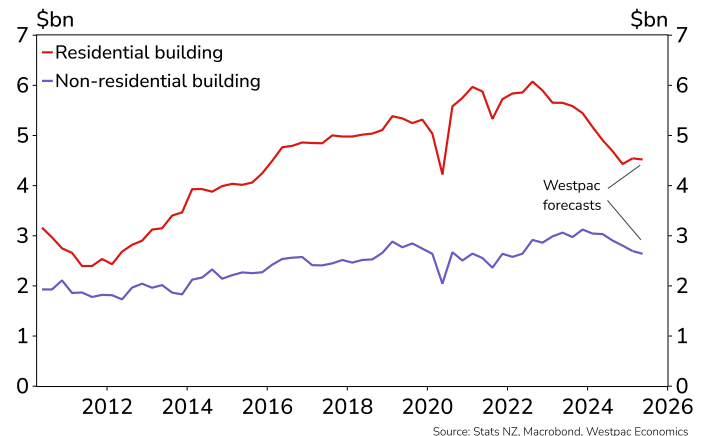


## NZ: Q2 Building Work Put in Place (%qtr)

Sep 4, Last: 0.0, Westpac f/c: -1.2

Total construction activity was flat over the March quarter, with a pickup in residential construction balanced against a drop in the amount of non-residential building work completed. While the current protracted downturn in building is approaching a base, some further softness is likely in the near term. We're forecasting a 1% decline in total construction activity in the June quarter, with a modest decline in residential work and continued softness in non-residential building.

## Pipeline of building work continues to run down



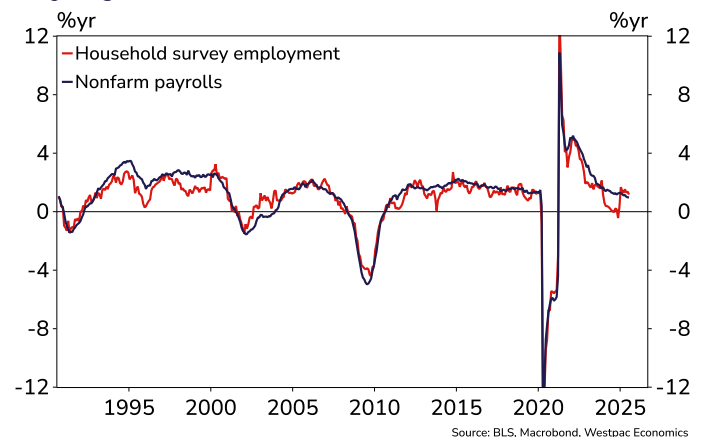
## US: Aug Employment Report

Sep 5, Payrolls, Last: 73k, WBC f/c: 90k, Mkt f/c: 78k  
Sep 5, U/E Rate, Last: 4.2%, WBC f/c: 4.3%, Mkt f/c: 4.3%

The July employment report jolted the market, nonfarm payrolls coming in well below market expectations at 73k despite -258k in back revisions to May and June. As a result, the 3-month average gain fell to just 35k. Household survey employment was weaker still, continuing a trend seen over the past year. If participation had not fallen over the period, the unemployment rate would now be above 4.5%.

While we had been expecting the US labour market to stall out in mid/late 2025, we continue to believe a marked decline in employment and consequent rise in the unemployment rate above 5.0% is unlikely absent another shock. And so we forecast a 90k gain for payrolls in August. Keep a close eye on revisions to gauge downside risks, however.

## US job growth has lost momentum



# What to watch

|               | For | Data/Event                   | Unit   | Last  | Market f/c | Westpac f/c | Risk/Comment  |
|---------------|-----|------------------------------|--------|-------|------------|-------------|---|
| <b>Mon 01</b> |     |                              |        |       |            |             |   |
| <b>Aus</b>    | Aug | Cotality Home Value Index    | %mth   | 0.6   | –          | 0.8         | Daily measures point to a slight quickening in August.        |
|               | Aug | MI Inflation Gauge           | %ann   | 2.9   | –          | –           | Provides a general view around risks.                         |
|               | Q2  | Company Profits              | %qtr   | –0.5  | 1.1        | 1.5         | Mining rebound set to drive profit growth in Q2.              |
|               | Q2  | Inventories                  | %qtr   | 0.8   | 0.2        | 0.5         | Strong import growth signals inventory rebuild.               |
|               | Aug | ANZ–Indeed Job Ads           | %mth   | –1.0  | –          | –           | Pointing to a gradual easing in labour demand.                |
|               | Jul | Dwelling Approvals           | %mth   | 11.9  | –5.1       | –4.0        | Lumpy unit-led surge likely to unwind in July.                |
| <b>NZ</b>     | Jul | Building Permits             | %mth   | –6.4  | –          | 1.0         | Annual consents insurance remains steady around 34,000.       |
| <b>Chn</b>    | Aug | RatingDog Manufacturing PMI  | index  | 49.5  | 49.8       | –           | Manufacturing weathering the storm.                           |
| <b>Eur</b>    | Jul | Unemployment Rate            | %      | 6.2   | –          | –           | Structural factors are keeping the labour market tight.       |
| <b>US</b>     |     | Labor Day                    | –      | –     | –          | –           | Markets closed.   |
| <b>Tue 02</b> |     |                              |        |       |            |             |   |
| <b>Aus</b>    | Q2  | Current Account Balance      | \$bn   | –14.7 | –16.0      | –17.5       | Deficit widening on weaker goods trade.                       |
|               | Q2  | Net Exports Contribution     | ppts   | –0.1  | 0.1        | 0.0         | Net exports set to be broadly neutral for growth.             |
| <b>NZ</b>     | Q2  | Terms Of Trade               | index  | 1.9   | 1.9        | 8.0         | Export prices rising; NZD rebound lowers import costs.        |
| <b>Eur</b>    | Aug | HICP Inflation               | %ann   | 2.0   | 2.1        | –           | Holding at target, but risks remain.                          |
| <b>US</b>     | Aug | ISM Manufacturing PMI        | index  | 48.0  | 48.8       | –           | Manufacturers slowly coming to terms with tariffs.            |
| <b>Wed 03</b> |     |                              |        |       |            |             |   |
| <b>Aus</b>    | Q2  | GDP                          | %qtr   | 0.2   | 0.5        | 0.4         | Recovery stalled over H1 2025, risk of a 'shaky handover' ... |
|               | Q2  | GDP                          | %ann   | 1.3   | 1.7        | 1.5         | ... from public to private demand remains at the fore.        |
|               |     | RBA Governor Bullock         | –      | –     | –          | –           | Shann Memorial Lecture in Perth, 6:00pm AEST.                 |
| <b>NZ</b>     | Aug | ANZ Commodity Prices         | %mth   | –1.8  | –          | 0.4         | Dairy and meat prices have continued to rise.                 |
| <b>Chn</b>    | Aug | RatingDog Services PMI       | index  | 52.6  | 52.5       | –           | Stimulus is supporting the services sector.                   |
| <b>Eur</b>    | Jul | PPI                          | %ann   | 0.6   | –          | –           | Prices remain contained despite tariffs.                      |
| <b>US</b>     | Jul | JOLTS Job Openings           | 000s   | 7437  | –          | –           | Volatile but pointing to a gradual easing in labour demand.   |
|               | Jul | Factory Orders               | %mth   | –4.8  | –1.4       | –           | Weak headline durable goods point to a decline.               |
|               |     | Fedspeak                     | –      | –     | –          | –           | Musalem.  |
|               |     | Federal Reserve's Beige Book | –      | –     | –          | –           | An update on economic conditions across the regions.          |
| <b>Thu 04</b> |     |                              |        |       |            |             |   |
| <b>Aus</b>    | Jul | Trade Balance                | \$bn   | 5.4   | 4.9        | 4.5         | More volatility in trade data to be expected.                 |
|               | Jul | Household Spending Indicator | %mth   | 0.5   | 0.5        | 0.5         | Consumer recovery looking a little better shaped.             |
|               |     | RBA Deputy Governor Hauser   | –      | –     | –          | –           | Interview with Reuters News.                                  |
| <b>NZ</b>     | Q2  | Building Work Put in Place   | %qtr   | 0.0   | –          | –1.2        | Continue to ease, but approaching a base.                     |
| <b>Eur</b>    | Jul | Retail Sales                 | %mth   | 0.3   | –          | –           | Momentum is building as sentiment improves.                   |
| <b>US</b>     |     | Initial Jobless Claims       | 000s   | –     | –          | –           | To remain low for now.  |
|               | Aug | ISM Services                 | index  | 50.1  | 50.5       | –           | Consumers remain surprisingly resilient.                      |
|               | Jul | Trade Balance                | US\$bn | –60.2 | –62.6      | –           | Tariff uncertainty keeps importers in a scarcity mindset.     |
|               |     | Fedspeak                     | –      | –     | –          | –           | Williams.   |
| <b>Fri 05</b> |     |                              |        |       |            |             |   |
| <b>Jpn</b>    | Jul | Household Spending           | %mth   | 1.3   | 2.3        | –           | Real spending recovery continues to lag.                      |
| <b>Eur</b>    | Q2  | GDP                          | %qtr   | 0.1   | –          | –           | Final estimate.   |
| <b>US</b>     | Aug | Nonfarm Payrolls             | 000s   | 73    | 78         | 90          | Despite a strong monthly result anticipated, data on the...   |
|               | Aug | Average Hourly Earnings      | %mth   | 0.3   | 0.3        | 0.3         | ... whole should point to an easing labour market ...         |
|               | Aug | Unemployment Rate            | %      | 4.2   | 4.3        | 4.3         | ... consistent with at-target inflation.                      |
|               |     | Fedspeak                     | –      | –     | –          | –           | Goolsbee.   |

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# Economic & financial forecasts

## Interest rate forecasts

| Australia                  | Latest (29 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                | 3.57            | 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               | 4.29            | 4.25   | 4.30   | 4.35   | 4.45   | 4.55   | 4.60   | 4.65   | 4.70   |
| 10 Year Spread to US (bps) | 8               | -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            | 4.21            | 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                | 3.01            | 2.80   | 2.60   | 2.60   | 2.60   | 2.70   | 2.95   | 3.20   | 3.45   |
| 2 Year Swap                | 2.85            | 2.90   | 3.00   | 3.20   | 3.35   | 3.55   | 3.70   | 3.80   | 3.95   |
| 10 Year Bond               | 4.35            | 4.40   | 4.50   | 4.60   | 4.70   | 4.80   | 4.85   | 4.90   | 4.95   |
| 10 Year Spread to US (bps) | 14              | 5      | 10     | 10     | 10     | 10     | 10     | 10     | 10     |

## Exchange rate forecasts

|         | Latest (29 Aug) | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 |
|---------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|
| AUD/USD | 0.6536          | 0.66   | 0.68   | 0.69   | 0.70   | 0.71   | 0.71   | 0.72   | 0.72   |
| NZD/USD | 0.5889          | 0.60   | 0.61   | 0.61   | 0.62   | 0.62   | 0.62   | 0.63   | 0.63   |
| USD/JPY | 146.99          | 146    | 144    | 142    | 140    | 138    | 136    | 134    | 133    |
| EUR/USD | 1.1664          | 1.17   | 1.18   | 1.19   | 1.19   | 1.20   | 1.20   | 1.21   | 1.21   |
| GBP/USD | 1.3495          | 1.35   | 1.36   | 1.36   | 1.37   | 1.37   | 1.37   | 1.37   | 1.38   |
| USD/CNY | 7.1318          | 7.15   | 7.10   | 7.05   | 7.00   | 6.95   | 6.90   | 6.80   | 6.70   |
| AUD/NZD | 1.1099          | 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  | 0.4 | 0.5 | 0.5 | 0.5  | 0.5 | 0.6 | 0.6 | –              | –     | –     | –     |
| %yr end *             | 1.3  | 1.5 | 1.7 | 1.6 | 1.9  | 2.0 | 2.1 | 2.2 | 1.3            | 1.6   | 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   |

\* Forecasts subject to change post Q2 National Accounts (due September 3)

## 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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