



Week beginning 15 September 2025

# AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

## In this week's edition:

**Economic Insight:** Australian economy accelerates as consumer spending lifts.

**The Week That Was:** Participants look through inflation.

**Focus on New Zealand:** From high to low.

## For the week ahead:

**Australia:** Q3 Westpac-ACCI survey, Westpac-MI Leading Index, labour force survey.

**New Zealand:** Q2 GDP and current account, Q3 consumer confidence, REINZ house prices and sales.

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

**Japan:** BoJ policy decision, CPI, core machine orders.

**Euro Area:** Trade balance, industrial production, HICP inflation, ZEW confidence survey.

**United Kingdom:** BoE policy decision, CPI, labour market data, GfK consumer confidence.

**United States:** FOMC policy decision, retail sales, industrial production, housing starts, Fed surveys.

Information contained in this report current as at 12 September 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.

# Australian economy accelerates as consumer spending lifts



Pat Bustamante  
Senior Economist, Westpac Group

**The Australian economy grew a solid 0.6%qtr in the June quarter 2025 and 1.8% in year-ended terms. This was the first time since the March quarter 2023 that GDP per capita increased in year-ended terms. Other measures of living standards also showed signs of improving after falling over the past two years.**

Stronger than expected consumer spending underpinned the upside surprise to growth across the economy. Household consumption grew an impressive 0.9%qtr – the strongest increase since the December quarter 2022. Further, it was the first time in two years that consumption per person grew on a year-ended basis.

While consumers had a tentative start to the year, this turned in the June quarter, a shift that coincides with improving consumer sentiment. It's becoming more apparent that households are increasingly spending their improving incomes, which rose 4.1%yr over the year to the June quarter – the strongest pace since 2011 outside of the COVID period. Tax relief and interest rate cuts are now supporting growth in disposable income, while disinflation means price rises are not eroding purchasing power the way they were in 2022 and 2023.

That said, there were some unusual features in the quarter: retailers discounting more heavily, inventories run down but profits also falling (despite the lift in sales volumes). The quarter reportedly saw a bigger than usual response to End of Financial Year sales. There may have been some tariff-related shifts as well. There was a sizeable lift in consumer goods imports (+3.9%qtr), driven by vehicles, clothing and other leisure goods which may have been delayed deliveries due to exporters redirecting supplies to the US earlier in the year in order to beat tariff increases.

This may explain why spending on goods (clothing, cars, sporting equipment) grew 1.0%qtr – the strongest quarter since June quarter 2018 outside of COVID – slightly outpacing the 0.8%qtr growth in services.

Despite growing a touch slower than goods, at 0.8%qtr demand for services was also solid. The proximity of Easter to Anzac Day meant an unusually high number of households took holidays over that period, boosting spending on discretionary services. Figures up to August from our **Westpac Card Tracker** suggests this effect has unwound.

The unusually high number of individuals taking holidays may also explain some other areas of softness. The June quarter saw a smaller than expected lift in housing construction (+0.4%qtr, 4.8%yr) despite a still elevated project pipeline.

While the consumer looks to have awakened, some other key expenditure components remain subdued. New business investment declined in the quarter with capex intentions suggesting the softness will continue in the near term. 'Intellectual property products' (covering software, R&D, the creation of copyrighted material and mineral exploration) was the only major private investment segment to record a lift in Q2.

Meanwhile we have now clearly passed the peak in terms of the contribution public spending will make to economic growth. Public investment has fallen around 7.0% over the past three quarters. This is having a negative impact on downstream industries such as professional construction services and the rental, real estate and hiring industries.

## Slightly faster recovery, risks more balanced

Public demand drove most of the growth in the economy and jobs over 2023 and 2024. Given this, there was always a risk that a more pronounced slowdown in public spending would see the underlying growth impulse more sluggish, and a weaker labour market. The June quarter National Accounts suggest these risks are receding as growth in consumer spending moves on to a firmer footing. Indeed, ABS revisions to household consumption suggests spending was softer than initially estimated back in 2023 and the early part of 2024, but since then the recovery has been firmer. This has more than offset the slowdown in public investment, which has seen new public demand fall by 0.2% over the past six months.

While there are one-offs at play, underlying momentum to consumer spending looks a little stronger. 'Positive feedback loops' are forming a little more quickly with household disposable income rising, stronger gains in household net worth and consumers becoming more optimistic about the future. As such, we have lifted our household consumption growth profile 0.2ppts higher in both 2025 and 2026 to 2.2%yr and 2.6%yr, respectively, and left calendar 2027 unchanged at 2.8%yr. This should see consumption per person increase by around 0.8%yr in 2025, the first annual increase in three years. Per capita consumption is expected to grow around 1.2%yr in 2026 and 1.5%yr in 2027, improving but still slightly below the 20-year pre-pandemic average of 1.8%yr.

Against this, it's become clearer that business investment is taking longer to pick up, the latest surveyed private CAPEX expectations suggesting this sluggishness will continue into the 2025-26 financial year. In addition, we have pushed out the boost from a further pick up in investment in energy generation and transmission given uncertainty around

approvals and reported delays in some large-scale renewable projects. The combined effect has lowered our new business investment forecasts by 0.7ppts to 1.6%yr in 2025, by 0.5ppts to 4.1%yr in 2026, and by 0.2ppts to 4.7%yr in 2027.

We have left our profile for new public demand broadly unchanged after accounting for the recent falls in public infrastructure – that is, we are not expecting to see a ‘payback’ though stronger growth in future quarters. We expect new public demand to grow just 1.3%yr in 2025, 2.6%yr in 2026 and 2.5%yr in 2027. This is well down on the average annual growth of 5.0% since 2020 and 3.5%yr in the pre-pandemic decade.

Putting this all together, our GDP forecasts have been revised 0.2ppts higher in 2025 and 2026 to 1.9%yr and 2.4%yr, respectively. Forecasts for 2027 remain unchanged at 2.6%yr.

Notably, there are now some upside risks to the outlook. Growth could accelerate more quickly if consumer spending continues to power ahead, perhaps supported by stronger than expected population growth, and if businesses in consumer-facing sectors respond more quickly with increases in investment and employment. On the other hand, a further slowdown in public demand which spills over into the labour market could see the recovery in household spending stall, further delaying the expected recovery in private business investment.

## What about the supply side and inflation?

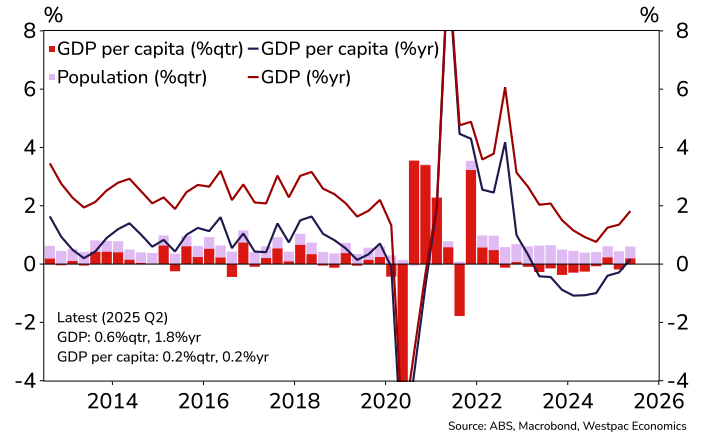
The Q2 National and Labour Accounts showed productivity growth is normalising as the drag from mining and the expansion in the non-market sector fades. Outside of these sectors, productivity in the market (ex-mining) sector is running at 0.9%yr – in line with the pre-pandemic decade average. The market ex-mining (or ‘domestically-oriented market’) sector accounts for around 70% of hours worked across the economy and is the primary driver of underlying domestic inflationary pressures.

This is seeing growth in the economy’s cost base (or unit labour costs) moderate. For the domestically-oriented market sector, this has slowed to around 3.8%yr – in line with 2019 levels and down from a high of 7.7%yr recorded in Q4 2022.

The weak demand environment has also meant that businesses have not been able to fully pass on higher costs to final consumers. With labour costs rising, this has seen an increase in the share of income going to labour. The share in the domestically-oriented market sector is approaching the peaks seen during the terms of trade boom in the 2000s, when labour market conditions were extremely tight.

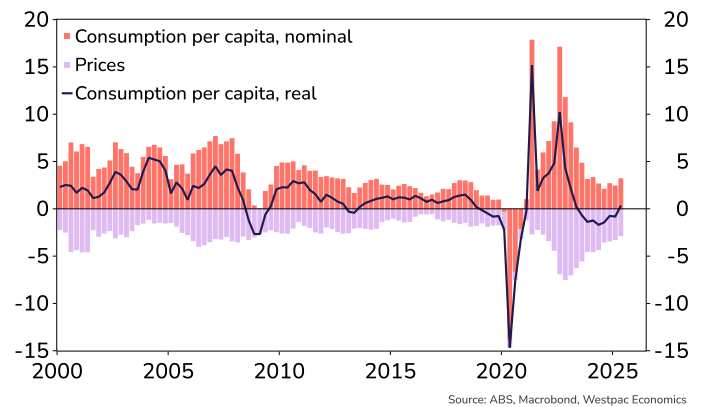
Moderating growth in the economy’s cost base coupled with a reduced ability to pass on costs in higher prices is, from a central bank’s perspective, a sweet spot. It means costs are coming down and demand is soft enough so that these lower costs are passed on, reducing inflationary pressures.

## GDP per capita no longer declining year-on-year



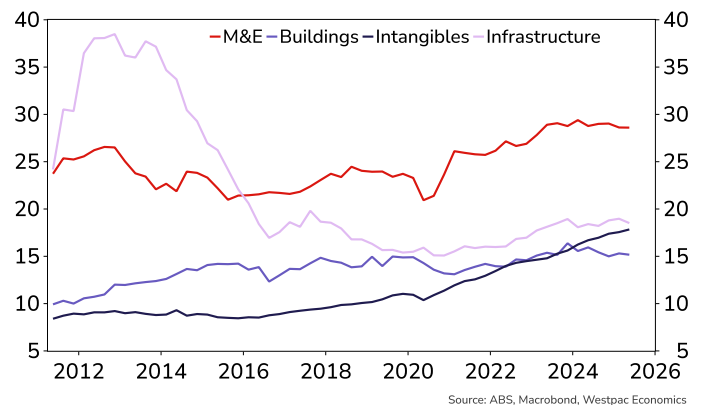
## Growth in per capita consumption turns positive

Contribution to Annual % Change

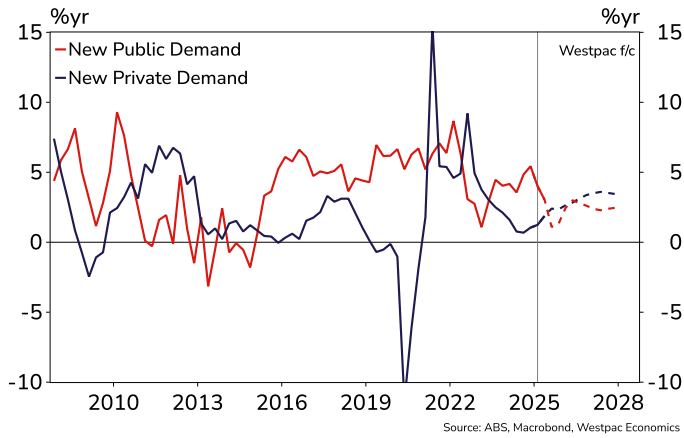


## Investment in intangibles continues to lift

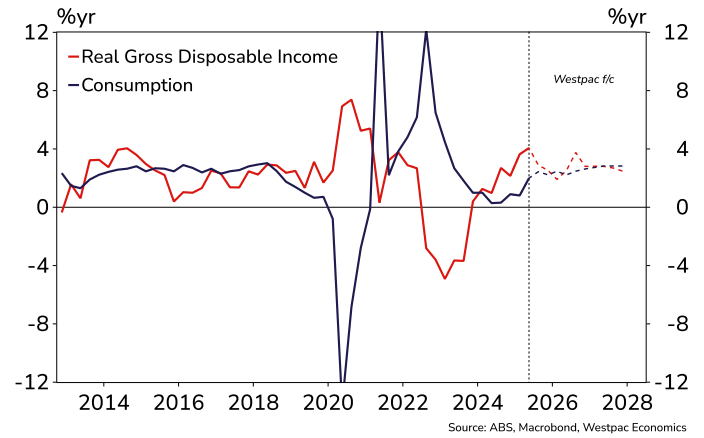
Investment by Asset (\$bn)



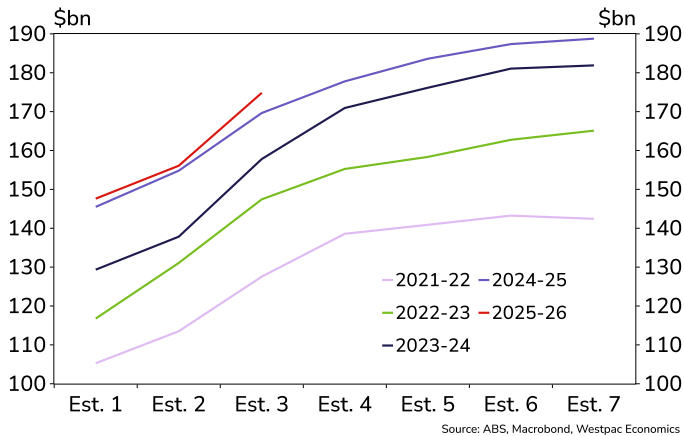
## Risk of a 'shaky handover' receding



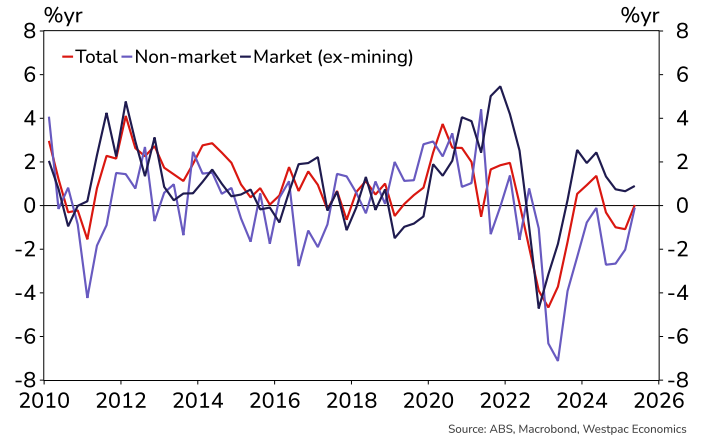
## Incomes and consumption recovering, gradually



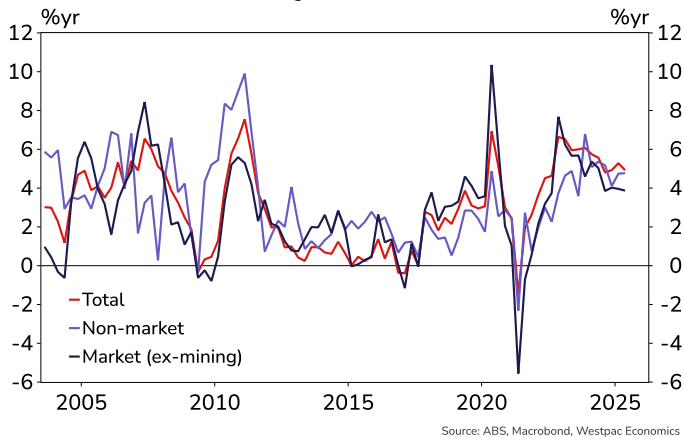
## Total capex spending plans



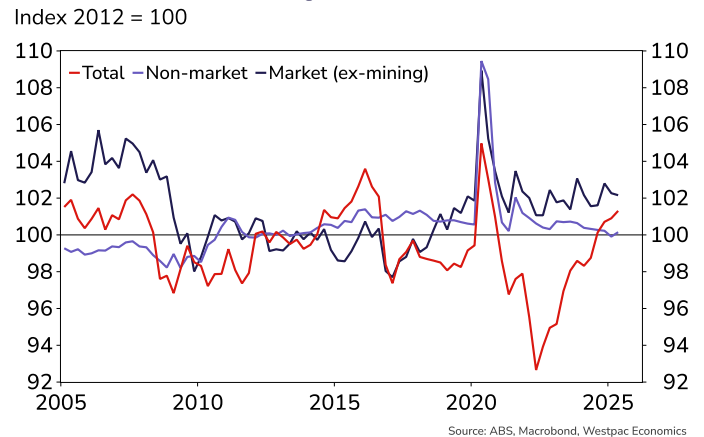
## Productivity continues to normalise



## Growth in the economy's cost base moderates



## Real unit labour costs grow



# Cliff Notes: participants look through inflation

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

After coming tantalisingly close to the optimist / pessimist threshold last month, [Westpac-MI Consumer Sentiment](#) shed 3.1% in September to 95.4, a level consistent with a degree of economic unease. Results were mixed across the components. On the positive side, views on family finances – both the current assessment and year-ahead expectations – rose to the highest level in over 3½ years, providing another clear sign of reduced cost-of-living pressures. However, the one-year and five-year economic outlooks both deteriorated, down –8.9% and –5.9% respectively, although both sub-indexes are still slightly above average. The same cannot be said for ‘time to buy a major household item’ which fell 3.4% to be 21% below its long-run average.

Against the backdrop of last week’s National Accounts – which showcased a consumer-led bounce in economic activity into mid-year – this latest sentiment reading casts some doubt over the sustainability of the acceleration in household spending growth. We know at least part of the mid-year lift was due to abnormal seasonality and end-of-year sales events. Recent [card activity](#) data meanwhile points to a more gradual recovery, in line with a steady lift in GDP growth to 1.9%yr by year-end and towards trend in 2026. Our forecasts for Australia and the world are discussed in detail in our latest edition of Market Outlook, due for release today on [Westpac IQ](#).

Before moving offshore, a final note on businesses. The latest [NAB business survey](#) reported a mixed batch of results in August: conditions up 2pts to +7 while confidence retreated 3pts to +4. On balance, the headline outcomes remain broadly consistent with the gradual recovery in growth suggested above and are corroborated by the survey detail for profitability and trading conditions. The lift in the often-volatile capex sub-component is also an encouraging leading signal for business investment, though a firming of confidence is likely necessary before a more meaningful acceleration can be seen.

Outside of Australia, market participants have this week remained focused on the debate over the health of the US labour market. August’s nonfarm payrolls print was another weak outcome, with just 22k new jobs reported in the month and the June / July estimates reduced by 21k, leaving the 3-month average broadly unchanged at 29k. While well below the 168k average gain of 2024 (excluding the just released annual revision; see below), as population growth has slowed abruptly in 2025 the current pace is only at the bottom of the St Louis Fed’s most recent breakeven range for employment (32k-82k new jobs needed per month to balance labour demand and supply). The unemployment rate edging up from 4.2% to 4.3% in August with a 0.1ppt increase in participation also points to job creation stalling versus a material contraction.

That said, the 911k downward revision to the level of nonfarm payrolls at March 2025, which implies monthly job creation over the prior year was half the initial estimate, raises the risk that current employment is also materially weaker than the published data suggests. In real time though, we are unable to gauge to what degree. Meanwhile, US inflation remains stuck well above target.

Headline consumer prices rose 0.4% in August, lifting annual inflation to 2.9%. The rate of core inflation instead held at 3.1%yr, or 3.6% on an annualised basis. Within the detail was further evidence of the slow passthrough of tariffs, core goods inflation printing at 1.1% on a 6-month annualised basis compared to 0% at the turn of the year, or around 3% annualised if only the last three months are focused on. As a result of capacity constraints, services inflation also showed strength, services prices ex-energy rising 3.6% over the year and 2.9% on a 6-month annualised basis.

Looking ahead, both goods and services inflation are likely to hold up. Regarding the continued passthrough of tariffs, while the PPI surprised to the downside, this looks to be due to the margins of wholesalers and retailers partially absorbing the initial impact of tariffs. US businesses cannot wear this cost indefinitely, particularly as the burden accumulates – the US effective tariff rate doubled in August.

**"The pace of recovery in Australia is yet to be locked in. In the US, participants clearly hope the FOMC is willing to look through above-target inflation and focus instead on the risks to employment."**

Next week the FOMC will adjudicate once again on the stance of monetary policy. A 25bp rate cut is widely expected, but more important will be any change to their economic forecasts and guidance on risks. Market participants clearly desire the FOMC to look through current above-target inflation and protect against downside risks for employment and activity. But views expressed ahead of the meeting from members imply a greater degree of concern over inflation’s path back to target – a view which we believe is justified, as discussed in our September Westpac Market Outlook.

Continuing with monetary policy, as expected the ECB Governing Council left the stance of monetary policy

unchanged at its September meeting. The decision was based on economic projections which are largely unchanged from June. Economic growth in 2025 was revised higher to 1.2%, but the 2026 figure was nudged lower to 1.0%, a touch below our and consensus' forecasts, and growth in 2027 was left unchanged at 1.3%. HICP inflation is now expected to be 0.1ppt higher in 2025 and 2026, at 2.1%yr and 1.7%yr respectively. But, instead of returning to 2% in 2027, inflation now stays just below target at 1.9%.

In the press conference, President Lagarde celebrated the resilience of the euro area economy in the first half of 2025. She also noted the risks to growth have become more balanced, largely due to the EU-US trade agreement. On the inflation front, Lagarde discounted the importance of below-target inflation in 2027 and continued to emphasize that the euro area economy is in a good place. Having retained their forward guidance – “we will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance” – she emphasised in the press conference that ECB policy is not on a pre-determined path, with the Governing Council prepared to act as necessary to keep the economy on track. Even a small additional disinflationary impulse is likely to lead to additional easing, albeit just one more cut to the bottom of the ECB's estimate of the neutral range.



# From high to low



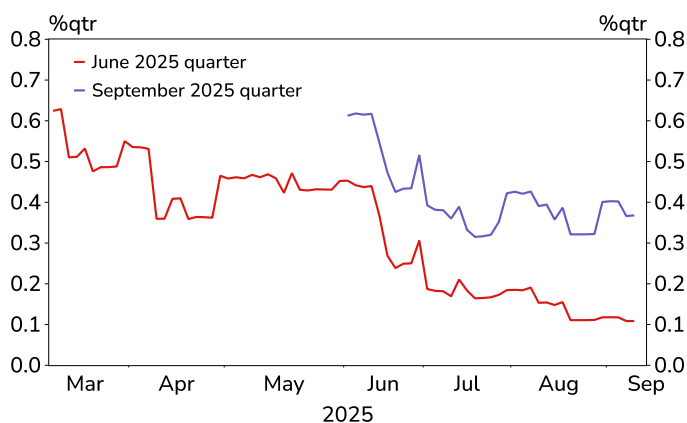
Michael Gordon  
Senior Economist

**Next week brings the final data points for the June quarter, with the balance of payments on Wednesday and GDP on Thursday. The latter is likely to show a slowdown compared to the strong start to the year, but we warn that seasonal distortions will mean that the headline result will overstate the case. From here, the attention will turn to whether the economy has been able to regain its momentum again.**

For the balance of payments, we expect a narrowing in the current account deficit to 4.7% of GDP for the year to June. [International trade figures released earlier this month](#) have already revealed an improvement in the goods and services balance on an annual basis, so the remaining details will be around the investment income flows. Note that the quarterly trade figures don't factor into our GDP forecast – there was a sharp fall in export volumes and a rise in import volumes compared to last quarter, but a lot of the volatility in these categories tends to reflect the buildup or rundown of inventories, rather than changes in production.

One thing to note is that Stats NZ has revealed a sizeable downward revision to the country's import bill for the last few years. Since the likes of Temu entered the New Zealand market in 2023, there has been a surge in the number of parcel deliveries from overseas. But until now, Stats NZ had not accounted for the fact that the average value of each parcel has been much lower. With better information now on the value of these imports, these revisions will reduce the reported current account deficit by around 0.5ppts of GDP.

## New Zealand GDP nowcast



Source: Macrobond, Westpac Economics

Turning to the GDP release, we expect a 0.4% fall in GDP for the June quarter. There is ample evidence that the New Zealand economy lost some momentum again in recent months, after a strong start to the year which saw a 0.8% lift in March quarter GDP. Our GDP Nowcast model, which captures the balance of a wide range of high-frequency indicators, ended at 0.1% growth for the June quarter, down from earlier estimates of around 0.4%.

[However, as we detailed in our preview](#), the decline that we expect for the quarter is entirely due to some residual seasonality that has crept into the GDP calculations. We estimate that this currently detracts around 0.5 percentage points from growth in June quarters (and adds about the same amount to growth in December quarters).

It's not entirely clear why this seasonality issue has emerged. It appears to stem from an increase in the weightings of industries with large seasonal patterns, such as dairying. This in turn has imparted a greater seasonal pattern to total GDP, which the adjustment process hasn't caught up with yet. So it's something that we may have to contend with in the quarterly releases for another few years – unless Stats NZ makes some changes in the GDP calculations to compensate for it.

A negative result shouldn't come as a surprise to the market, as this seasonal distortion is by now well recognised. The Reserve Bank estimated a 0.3% fall in its August *Monetary Policy Statement*, and other market forecasts are in the same ballpark.

Looking beyond this issue, what will the June quarter figures tell us? We're expecting a mixed picture, with strong conditions for the agricultural sector on the back of rising export prices, and some modest signs of households benefiting from the fall in mortgage rates. But overall, we're yet to see a sustained return to trend growth.

Once the June quarter reports are out of the way, the market's attention will turn to whether the economy can regain its footing again. It's still early days in terms of September quarter indicators, but we're seeing some reasonably positive growth signals in areas like agriculture, electricity and retailing. So far, we think that things are tracking stronger than the 0.3% rise in GDP that the RBNZ assumed in its August statement.

The high-frequency data this week was mixed. The ANZ Truckometer, a measure of traffic volumes, saw a rise in light vehicles but a dip in heavy vehicles in August. Both measures are ahead of their year-ago levels. Migration in July continued

its recent trend of small positive net balances, with some tentative signs that departures are coming off their highs. Overseas tourist numbers were up in seasonally adjusted terms in July.

The manufacturing PMI edged below the 50 mark in August. This measure has generally been stronger in 2025 than it was in 2024, but it has been choppy in recent months. Finally, retail card spending rose by 0.7% in August, ahead of our estimate of a 0.3% rise. Consumer spending has shown a bit more momentum again in recent months, notwithstanding that some of the rise in nominal spending will reflect a re-acceleration in prices for some categories like food.

## Housing market update

One factor that may have held consumer spending back this year is the lack of a 'wealth effect' from rising house prices, despite the ongoing fall in interest rates. This week we provided [an update on our outlook for the housing market](#), in light of the developments to date.

House sales have increased over the past year, and the median time to sell has been stable to falling. Housing-related credit demand continues to lift, growing 5.1% in the year to July. Investors and existing owner-occupiers have led growth in credit demand. There are signs that more marginal borrowers are being drawn into the market as lending to borrowers on lower incomes appears to be rising, as is lending on properties at higher loan-to-value ratios.

However, new housing demand has been balanced by increased supply – including that provided by new construction – so that the inventory of unsold homes has remained at around a decade high. Given the balance in the market, there has been little need for buyers to bid prices higher. The REINZ house price index is basically unchanged for the year to date.

As a result, our previous forecast of a 3.6% rise in prices this year is now looking out of reach. Lower interest rates should eventually support increased demand, but it will take time for momentum to shift. With the RBNZ's recent dovish pivot likely to support housing market sentiment into year end, we forecast small positive increases in house prices over the final three months of 2025. This will mean prices will rise by around 0.6% for the year.

Looking ahead to 2026, we expect a gradual lift in momentum to deliver house price growth of around 5.4%. Demand for both owner-occupier and investor housing should strengthen as the broadening economic recovery – and crucially an upturn in the labour market – encourages the formation of new households, including migrant households. Over time, this should eat into the current stock of unsold inventory and so reduce the current downward pressure on real house prices.



## AUS: Q3 Westpac-ACCI Business Survey

Sep 16, Last: 51.6

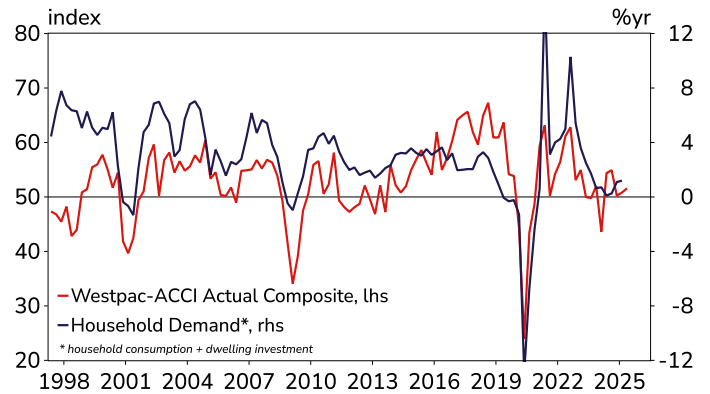
The Westpac-ACCI Survey of Industrial Trends is Australia's longest running business survey dating from 1966, providing a timely update on manufacturing and insights into economy-wide trends.

The Q2 survey reported an improvement in manufacturing conditions, with the Westpac-ACCI Actual Composite rose to 51.6, into expansionary territory. Underlying this, new orders lifted slightly and output remained positive. This was against a backdrop of easing but still-elevated cost pressures, alongside lingering difficulties in sourcing labour.

How these trends evolve moving into the second half of the year will be of key interest, especially as it relates to gauging the risks around the economic recovery.

## Manufacturing & the Business Cycle

Westpac-ACCI Composite & Household Demand



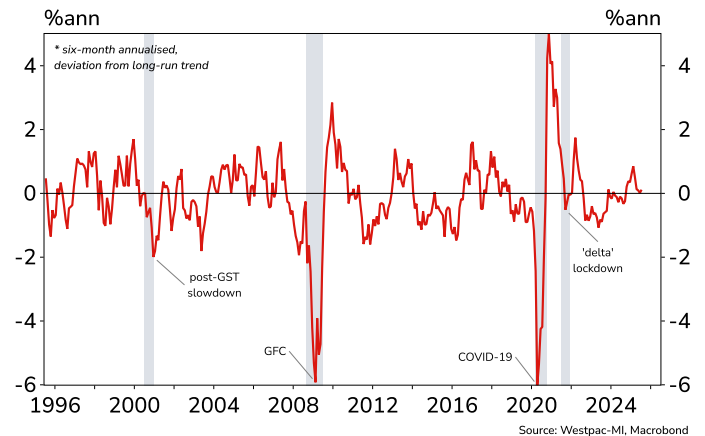
## AUS: Aug Westpac-MI Leading Index

Sep 17, Last: 0.12%

The Leading Index growth rate ticked up to 0.12% in July from 0.01% in June. Despite the small improvement, the Index was still consistent with sluggish growth momentum carrying through the second half of 2025 and into early 2026.

The Aug read will include another mixed batch of component updates, the result set to be the net of opposing forces. On the positive side: the ASX200 rose a further 2.6% to be up nearly 10% over the last six months (the base being 'liberation day' lows); and commodity prices rose 1.9% in AUD terms. Against this: the Westpac-MI Consumer Expectations Index retraced, falling -4.5%; the Westpac-MI Unemployment Expectations Index deteriorated 4.6%; and dwelling approvals fell back -8.2% from a spike last month.

## Westpac-MI Leading Index



## AUS: Aug Labour Force – Employment Change (000s)

Sep 18, Last: 24.5, Westpac f/c: 15.0

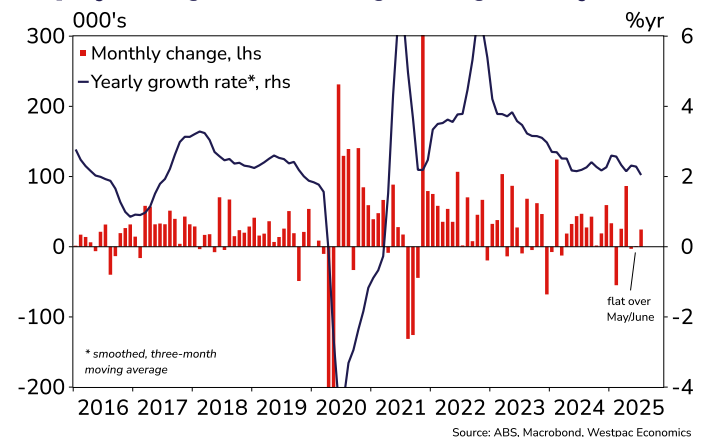
Market f/c: 22.0, Range: 9.5 to 32.5

July's data confirmed that the labour market is re-entering a period of gradual softening, similar to that seen a year ago.

Employment growth has eased to a three-month average pace of 2.0%yr – not 'weak' by any means, but is starting to trend in that direction. Underlying this, employment growth in the care economy is easing from its rollicking pace, while earlier weakness in the market sector slowly abates.

For August, we have pencilled in a lift of +15k, consistent with a continued gradual softening. Given the slower pace of modelled population growth in the survey though, such a move would not see the employment-to-population ratio move materially from its current level of 64.2%.

## Employment growth slowing down gradually



## AUS: Aug Labour Force – Unemployment Rate (%)

Sep 18, Last: 4.2, Westpac f/c: 4.3

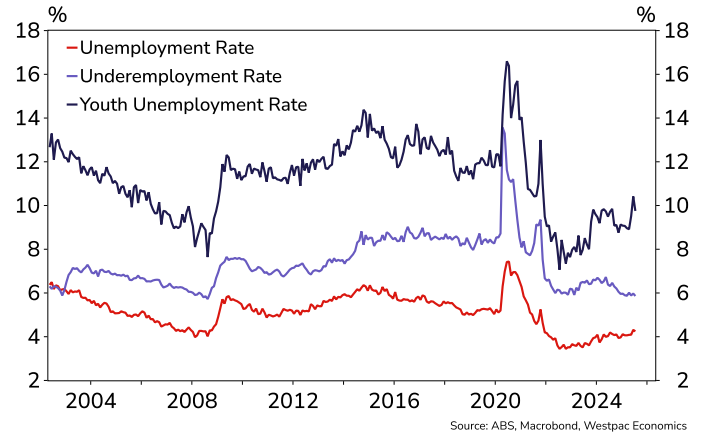
Market f/c: 4.2, Range: 4.2 to 4.3

As we suspected, June's surge in unemployment incorporated a little bit of 'noise' around the youth cohort, which partially unwound in July. This left the total unemployment rate at 4.2%, more clearly staging an uptrend from around the 4.0% mark late last year.

With participation holding steady at 67.0%, we expect the unemployment rate will lift back up to 4.3% in August.

The key tension still in the data is the apparent strengthening (i.e. falling) in underemployment relative to unemployment – something that will continue to be watched closely.

## Unemployment rate lifts, driven by youth

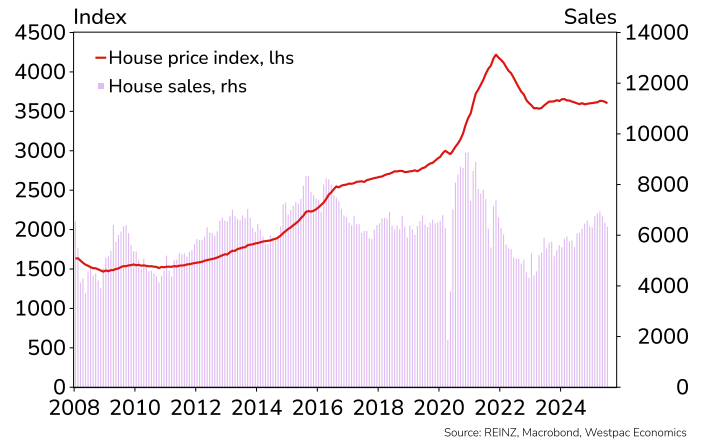


## NZ: Aug REINZ House Prices and Sales (%ann)

Sep 15 (TBC), Prices Last: 0.1; Sales Last: 4.0

July was another subdued month for the New Zealand housing market, with prices and sales edging lower. While lower mortgage rates have helped to spur higher levels of activity compared to a year ago, demand is being matched by an ample supply of homes hitting the market. As a result, there has been little upward pressure on sale prices. Performance has varied across the country however, with the more dairying-intensive regions tending to fare best, while the main centres of Auckland and Wellington have softened.

## REINZ house sales and prices

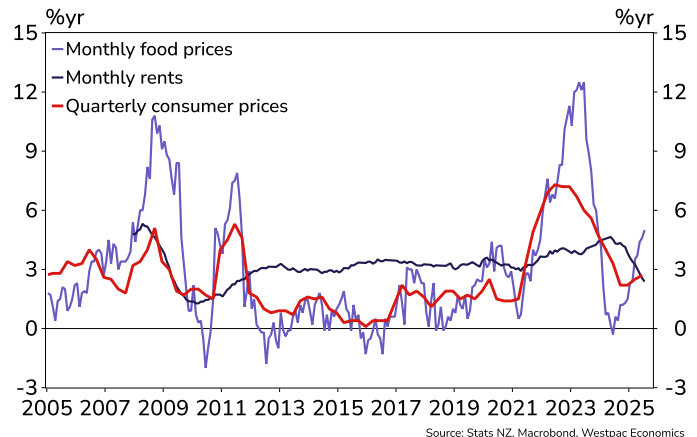


## NZ: Aug Selected Price Indices

Sep 16

Headline inflation is pushing higher again, and the August prices update will be closely watched to assess just how far inflation will rise. Much of the lift now in train is due to higher food prices (around 20% of the CPI), and we're forecasting a further 0.2% rise. We'll also be watching to see if there are continued increases in household energy prices after recent large rises (we expect they will be more limited this month). On the downside, the key area to watch are household rents (close to 10% of the CPI) which have been very subdued recently. We've pencilled in a muted rise of 0.1%.

## NZ selected consumer prices

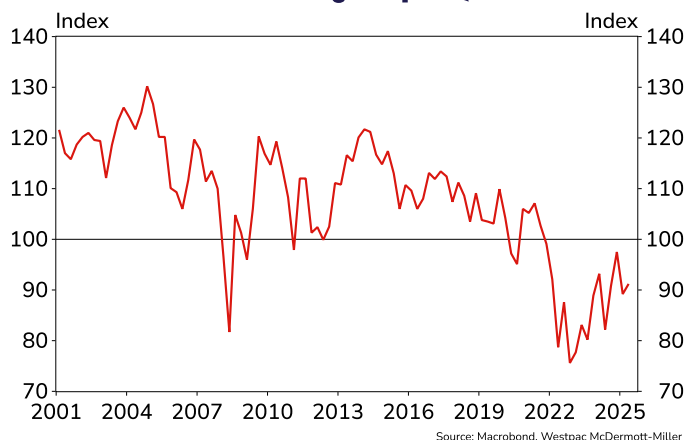


## NZ: Q3 Westpac-McDermott Miller Consumer Confidence

Sep 17, Last: 91.2

The Westpac-McDermott Miller Consumer Confidence index rose two points in June, taking it to a level of 91.2. That was a fairly modest rise after the sharp fall in the previous quarter, and left consumer confidence a fair bit below average levels. Our latest survey was in the field in the early weeks of September. Recent months have seen a downturn in economic conditions, along with renewed cost of living concerns and signs of softness in the labour market. On the upside, interest rates have continued to fall.

## Consumer confidence edged up in Q2

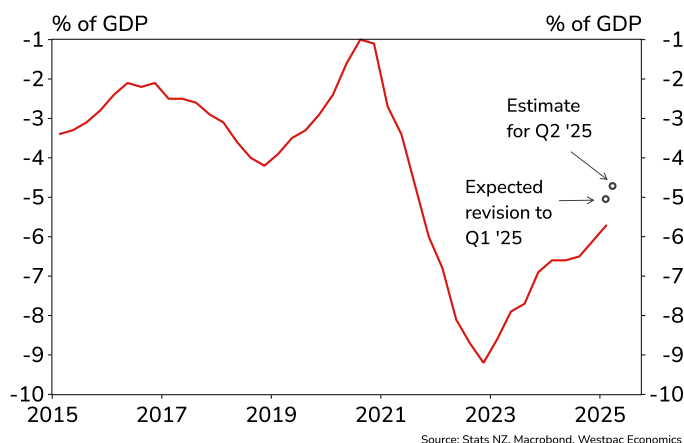


## NZ: Q2 Current Account Balance (% of GDP)

Sep 17, Last: -5.7, Westpac f/c: -4.7

This quarter's release will include benchmark revisions to historical data, as well as the first estimate of developments in Q2. Stats NZ have already released data indicating a large downward revision to goods imports and a small upward revision to net exports of services. This data suggests that the deficit for the year to Q1 2025 will be revised down 0.6ppts to 5.1% of GDP, although revisions to investment income flows will also have a bearing. Assuming that investment income revisions are minor, we expect the annual current account deficit to narrow further to a 4-year low of 4.7% of GDP in Q2. This will be driven by a smaller merchandise trade deficit, on the back of lofty export commodity prices.

## Current account deficit to narrow

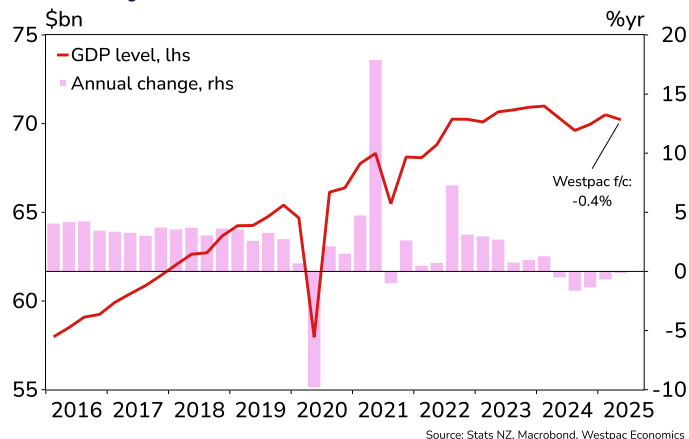


## NZ: Q2 GDP (%qtr)

Sep 18, Last: 0.8, Westpac: -0.4, Mkt: -0.4

We're expecting a 0.4% fall in GDP for the June quarter. However, all of this decline is due to some residual seasonality that has crept into the GDP calculations – we estimate that this is currently knocking about 0.5ppts off growth in June quarters, while adding about the same amount in December quarters. Looking beyond this distortion, we expect a mixed growth picture, with evidence that the economy has lost some momentum compared to the strong start to this year.

## GDP hit by seasonal distortions in Q2



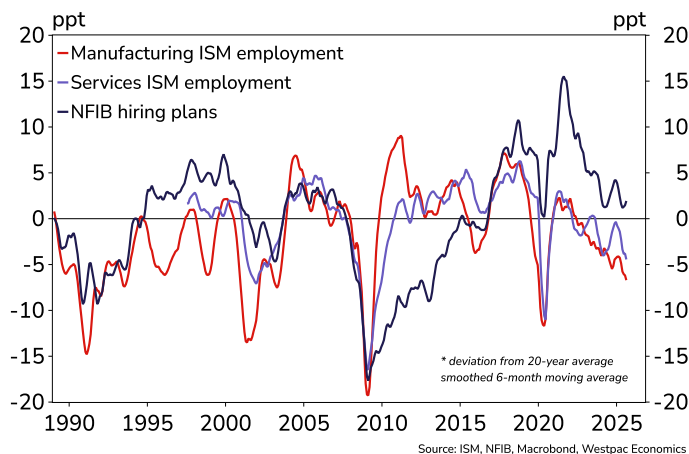
## US: Sep FOMC Meeting (%)

Sep 16-17, Last: 4.375, WBC f/c: 4.125, Mkt f/c: 4.125

The September FOMC meeting is expected to be pivotal for US monetary policy expectations. Given the recent deterioration in the US labour market, a 25bp cut next week is widely expected. The focus of participants' assessment is instead likely to be on revisions to forecasts and the Committee's view on risks to the outlook.

A greater focus on the labour market and the potential for a further deterioration in job creation will give support to the market's current expectation of around 150bps of cumulative easing through end-2026. However, more weight towards current inflation and the uncertain path ahead will go against traders' hopes. We expect the FOMC to aim for balance to buy time to assess.

## Labour market risks one sided

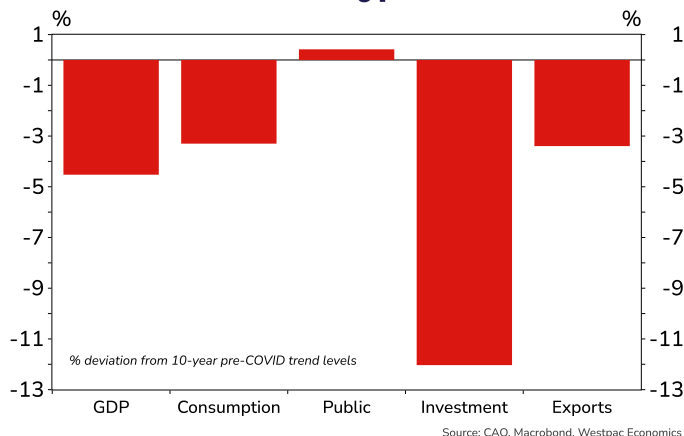


## JAPAN: Sep BoJ Meeting (%)

Sep 18-19, Last: 0.50, WBC f/c: 0.50, Mkt f/c: 0.50

The Bank of Japan is expected to keep policy unchanged at its September meeting, while offering an updated assessment of the balance of risks in light of recent data. Japan's economy expanded by 0.5% in Q2 2025, marking a solid start to FY25 (ending March 2026). Inflation remains elevated, with Tokyo's core CPI for August registering 3.0%, underscoring persistent price pressures—particularly from food. Recent communications suggest that a further rate hike in 2025 remains a possibility, contingent on continued economic progress. While the GDP figures offer some grounds for optimism, weak investment is likely to prompt the BoJ to maintain a neutral stance.

## Investment continues to lag pre-COVID trend



# What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
<b>Mon 15</b>							
NZ	Aug	REINZ House Prices	%yr	0.1	–	–	Due this week. House price trends remain subdued ...
	Aug	REINZ House Sales	%yr	4.0	–	–	... even as lower mortgage rates spur higher turnover.
	Aug	BusinessNZ PSI	index	48.9	–	–	Improved in the last two months but still weak.
Chn	Aug	Retail Sales	ytd %yr	4.8	4.7	–	July data revealed a rapid slowdown in economic activity ...
	Aug	Industrial Production	ytd %yr	6.3	6.2	–	... while the weakness may have been heightened by weather ...
	Aug	Fixed Asset Investment	ytd %yr	1.6	1.5	–	... calls for additional stimulus are growing louder.
Eur	Jul	Trade Balance	€bn	2.8	–	–	External sector under pressure in propping the economy.
US	Sep	Fed Empire State Manufact survey	index	11.9	4.3	–	Nine month high but sentiment on future conditions fades.
<b>Tue 16</b>							
Aus		RBA Speak	–	–	–	–	RBA's Hunter fireside chat in Sydney, 9:50am AEST.
NZ	Aug	Selected Price Indices – Food	%mth	0.7	–	0.2	Continued gains in most areas.
	Aug	Selected Price Indices – Rents	%mth	0.1	–	0.1	The rental market remains very soft.
Eur	Sep	ZEW Survey Of Expectations	index	25.1	–	–	Certainty of a 15% tariff sank investor confidence ...
	Jul	Industrial Production	%mth	–1.3	0.5	–	... and will likely be a drag on industrial output going forward.
UK	Jul	ILO Unemployment Rate	%	4.7	–	–	Upward run since mid-2022 takes it to a four year high.
US	Aug	Retail Sales	%mth	0.5	0.2	–	Sustainability of the uplift questionable as sentiment slumps.
	Aug	Import Price Index	%mth	0.4	–0.3	–	Index will be keenly watched; data is exclusive of tariffs.
	Jul	Business Inventories	%mth	0.2	0.2	–	Inventories holding in a range of 1.38–1.40 months of sales.
	Sep	NAHB Housing Market	index	32	33	–	Builders' use of sales incentives hits post-COVID high.
	Aug	Industrial Production	%mth	–0.1	0.0	–	Flat result expected.
<b>Wed 17</b>							
Aus	Aug	Westpac–MI Leading Index	%mth	0.12	–	–	Mixed batch of component updates, with opposing forces.
		RBA Speak	–	–	–	–	RBA's Jones fireside chat in Melbourne, 11:30am AEST.
NZ	Q3	Westpac–MM Consumer Conf.	index	91.2	–	–	Has lingered at below average levels in 2025 to date.
	Q2	Current Account Balance	% of GDP	–5.7	–4.8	–4.7	Revisions likely to help narrow the deficit to a 4-year low.
Eur	Aug	HICP Inflation	%yr	2.1	2.1	–	Final estimate.
UK	Aug	CPI Inflation	%yr	3.8	–	–	Inflation expectations at risk of slipping anchor.
US	Aug	Housing Starts	%mth	5.2	–4.1	–	Multifamily units have driven recent gains ...
	Aug	Building Permits	%mth	–2.2	0.6	–	... though they can swing widely month-to-month.
		FOMC Policy Decision	%	4.375	4.125	4.125	Given the labour market deterioration, a 25bp cut is expected.
Can		BoC Policy Decision	%	2.75	2.50	–	Slowing activity and labour market to set stage for rate cut.
<b>Thu 18</b>							
Aus	Aug	Employment Change	000s	24.5	22.0	15.0	Growth consistent with continued gradual softening.
	Aug	Unemployment Rate	%	4.2	4.2	4.3	Gradual uptrend from around 4.0% late last year.
NZ	Q2	GDP	%qtr	0.8	–0.4	–0.4	Residual seasonality will overstate weakness.
	Jul	Core Machinery Orders	%mth	3.0	–1.7	–	A fall expected, following an unexpected rise last month.
UK		BoE Policy Decision	%	4.00	4.00	–	Testing times amid a cooling jobs market but rising inflation.
US		Initial Jobless Claims	000s	263	–	–	Seasonally adjusted series is trending higher.
	Sep	Philly Fed Business confidence	index	–0.3	3.0	–	Soft relative to the long-term average of 9pts.
<b>Fri 19</b>							
NZ	Aug	Trade Balance	\$mn	–578	–	–1685	Deficit to widen sharply as primary exports hit seasonal lull.
Jpn	Aug	CPI	%yr	3.1	2.8	–	Core inflation expected to slow but remain above target.
	Sep	BoJ Policy Decision	%	0.50	0.50	0.50	Policymakers to provide a neutral assessment on the outlook.
UK	Sep	Gfk Consumer Sentiment	index	–17	–	–	Sentiment on economic situation key driver of pessimism.
	Aug	Retail Sales	%mth	0.6	–	–	Improvements look to have largely plateaued since late-2024.

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# Economic & financial forecasts

## Interest rate forecasts

Australia	Latest (12 Sep)	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Cash	3.60	3.35	3.10	2.85	2.85	2.85	2.85	2.85	2.85	2.85
90 Day BBSW	3.58	3.30	3.05	2.95	2.95	2.95	2.95	2.95	2.95	2.95
3 Year Swap	3.35	3.40	3.45	3.50	3.60	3.70	3.80	3.90	3.95	4.00
3 Year Bond	3.43	3.45	3.50	3.55	3.65	3.75	3.85	3.90	3.95	4.00
10 Year Bond	4.20	4.35	4.45	4.55	4.6	4.65	4.7	4.75	4.8	4.85
10 Year Spread to US (bps)	18	15	15	15	10	5	0	-5	-5	-5
<b>United States</b>										
Fed Funds	4.375	4.125	3.875	3.875	3.875	3.875	3.875	3.875	3.875	3.875
US 10 Year Bond	4.03	4.20	4.30	4.40	4.50	4.60	4.70	4.80	4.85	4.90
<b>New Zealand</b>										
Cash	3.00	2.50	2.50	2.50	2.50	2.75	3.00	3.25	3.50	3.75
90 Day Bill	2.98	2.60	2.60	2.60	2.70	2.95	3.20	3.45	3.70	3.85
2 Year Swap	2.85	3.00	3.20	3.35	3.55	3.70	3.80	3.95	4.00	4.00
10 Year Bond	4.26	4.45	4.60	4.70	4.80	4.85	4.90	4.95	4.95	4.95
10 Year Spread to US (bps)	24	25	30	30	30	25	20	15	10	5

## Exchange rate forecasts

	Latest (12 Sep)	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
AUD/USD	0.6664	0.68	0.69	0.70	0.71	0.71	0.72	0.72	0.73	0.73
NZD/USD	0.5977	0.61	0.61	0.62	0.62	0.62	0.63	0.63	0.64	0.64
USD/JPY	147.21	145	143	141	139	137	135	133	132	131
EUR/USD	1.1732	1.18	1.19	1.19	1.2	1.2	1.21	1.21	1.21	1.21
GBP/USD	1.3574	1.36	1.36	1.37	1.37	1.37	1.37	1.38	1.38	1.38
USD/CNY	7.1185	7.10	7.05	7.00	6.95	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.1151	1.12	1.13	1.13	1.14	1.14	1.14	1.14	1.14	1.14

## Australian economic forecasts

	2025				2026				Calendar years			
% Change	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2024	2025f	2026f	2027f
GDP %qtr	0.3	0.6	0.5	0.6	0.6	0.6	0.6	0.6	-	-	-	-
%yr end	1.4	1.8	1.9	1.9	2.2	2.2	2.4	2.4	1.3	1.9	2.4	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	1.1	0.2	0.6	0.8	0.6	0.5	-	-	-	-
%yr end	2.4	2.1	2.9	2.9	2.6	2.8	2.3	2.6	2.4	2.9	2.6	2.5
CPI Trimmed Mean %qtr	0.7	0.6	0.7	0.4	0.6	0.5	0.5	0.7	-	-	-	-
%yr end	2.9	2.7	2.5	2.4	2.3	2.2	2.1	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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