Week beginning 22 September 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

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World: PMIs.

Information contained in this report current as at 19 September 2025

Shifting state fortunes a prelude for the Nation?

Pat Bustamante
Senior Economist, Westpac Group

This week we released our Coast to Coast report on the economic performance of the states (link). Growth in demand looks to be firming across all states with the drivers rebalancing away from public toward private sources. This rebalancing will be helped over time by a strong lift in renewables investment which, according to Treasury, could end up being as large as the mining investment boom of the 2000s. In the near term, the transition is having some notable impacts on labour markets: those states further ahead in their rebalancing journey have recorded the sharpest slowdown in employment growth and the largest drops in participation rates. We see this as a sign of things to come with employment growth nationally expected to remain slow but headline labour force measures, such as the unemployment rate, to be relatively stable as labour supply adjusts.

The June quarter National Accounts showed Australia's economic recovery is on a slightly firmer footing. While headline growth surprised to the upside, a key take out was confirmation of a shift in growth drivers, from public to private demand. There remain risks to the outlook, but we now see these as more balanced, as opposed to skewed to the downside. State performances shed some more light on this transition.

In aggregate, conditions across the states are becoming more closely aligned. Compared to last year, growth in state final demand (SFD) has accelerated across NSW (flat to 1.8%yr), SA (1.8%yr to 3.3%yr) and Vic (1.4%yr to 1.7%yr). WA and Qld have eased slightly but remain robust overall, with SFD currently up 2.9%yr and 2.4%yr, respectively. Meanwhile in Tas, SFD growth is positive but volatile, driven by lumpiness in public investment.

The composition of demand growth is also shifting across most states. Over the past year, the private sector has gone from contributing around half of the growth in NSW to almost 80%. There are similar trends in WA (from 10% to 70%), SA (from 10% to 40%), Qld (from 30% to 60%) and a more muted shift in Vic (from 40% to 60%). Tas has been more volatile with no clear trend emerging. Given new private demand accounts for a touch under 70% of total real GDP nationally, this rebalancing still has a little way to go in SA, Qld and Vic.

Without a pickup in private activity, the fall in public infrastructure of around 7% over the past three quarters would have led to a further slowdown in the underlying growth impulse. Not only has there been a pickup in private demand, but this pickup has also been concentrated in those states where public construction activity has pulled back the most. This looks more like good fortune than good planning but underscores the 'soft landing' that is being achieved nationally is playing out even in states that are most at risk of a 'shaky handover' from public to private demand.

Most of the pickup in private demand was driven by the consumer in the June quarter. 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. Quarterly consumption growth was particularly strong in Qld (1.7%qtr) and WA (1.6%qtr), with annual growth running at a healthy pace in the other states including NSW (1.8%yr), Vic (1.7%yr) and SA (1.5%yr). In Qld and WA, several one-offs helped boost consumption, such as the roll-off of state-based electricity rebates, but outside these factors the consumer looks to be firmer.

Renewables investment boom

While the consumer looks to have awoken, businesses are taking longer to boost investment. New business investment declined 0.4%qtr in Q2 and ABS capex expectations suggest investment will remain subdued over the 2026FY.

Despite the weak starting point, we expect to see a modest recovery over the next few years. Firstly, the more cyclical industries (such as retail and construction) are likely to boost investment on the back of the stronger consumer spending. The 'structurally-driven' industries of information media and telecommunications (i.e. data centres), and energy generation, storage and transmission are both starting to see new waves of investment projects come through.

"Those states further ahead in their rebalancing journey have recorded the sharpest slowdown in employment growth... We see this as a sign of things to come""

The Federal government has reiterated its commitment to an 82% renewables energy target by 2030 and over the past few days has set a new emissions reduction target at 62-70% of 2005 levels by 2035 – which would require 90% of electricity to be generated by renewables. According to Treasury modelling, investment in renewables required to hit the Government's target could be as large as the mining investment boom of the 2000s when mining investment increased from around 2% to around 9% of nominal GDP.

We estimate there are around 190 renewable projects (including generation, storage and transmission) pipeline with known costs worth a total of $240bn in new investment. As these projects proceed to the approval and finally to the construction phase, investment activity should increase significantly. Using simple realisation ratios, based on the list of projects under consideration, activity could increase to around 2¾% of GDP by the 2027FY – a record share of the nominal economy. At this stage, the states that look most likely to benefit this are: NSW, Qld, WA and Vic, which account for 31% (or $75bn), 27% ($68bn), 10% ($26bn) and 10% ($24bn) of the renewables pipeline, respectively.

Labour market starting to decouple?

State performances shed some particularly important light on how the transition from public to private growth drivers is playing out for jobs.

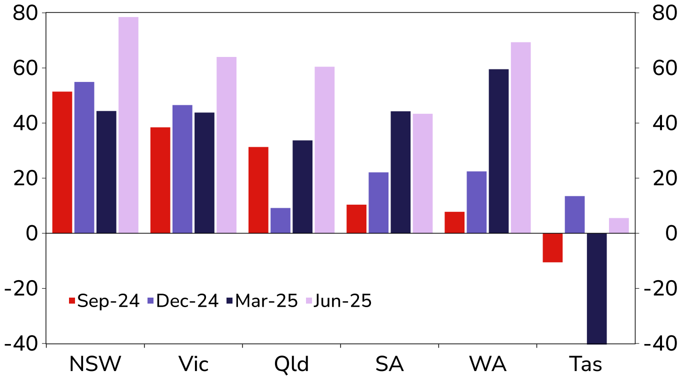
Conditions in the labour market are softening. The August 2025 jobs report showed that employment growth had slowed to a three-month average pace of 1.8%yr, down from 2.5%yr six months ago. The states that are further along the journey of rebalancing from public to private demand have experienced the sharpest slowdowns in employment growth, including NSW, WA, Qld and Vic.

In NSW in particular, employment growth is running at 0.5%yr – the slowest rate since May 2017 outside of the COVID period. This is a risk we have previously flagged – public spending on social services programmes such as the NDIS is more 'job-rich' compared with private demand. This means the rebalancing of growth drivers is likely to come with some build-up of slack in the labour market.

Labour supply may provide a partial offset, though. In the states where employment growth has eased the most, so too have participation rates, masking some of the underlying softness. Case in point: the employment-to-population ratio, which looks through the participation rate effects, shows significant falls of more than 1ppt in NSW and WA over the past year. The extent to which labour supply adjusts to weaker labour demand will be a key dynamic to monitor over the period ahead.

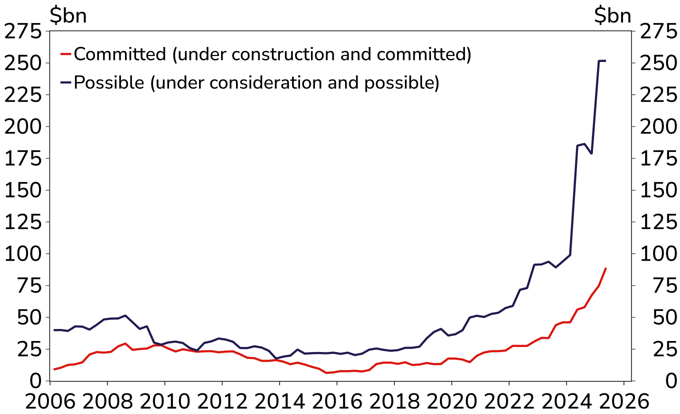
Contributions from private sector are lifting

Share of growth in state final demand attributable to private demand



Source: ABS, Macrobond, Westpac Economics

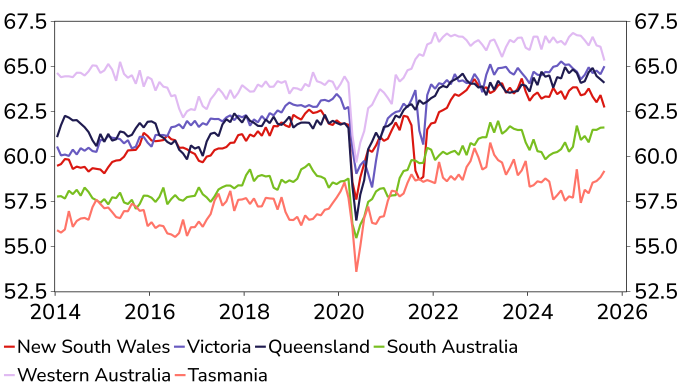
Utilities investment pipeline



Source: Deloitte Access Economics, Macrobond, Westpac Economics

Employment to population ratio across the states

Per cent



Source: ABS, Macrobond, Westpac Economics

Cliff Notes: countering labour market risks

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

In Australia, the August labour force survey validated the judgement that the labour market is softening once again. The three-month average pace of employment growth has decelerated to 1.8%yr, down from 2.5%yr in February. Underlying the headline trend, growth in 'care economy' employment has throttled back from its rollicking pace, while the market sector is slowly recuperating. A fall in participation allowed the unemployment rate to hold steady at 4.2% in August, but an upward drift is likely in coming months. While the downtrend in underemployment is seemingly at odds with the broader trend, this appears to be tied to a shrinking part-time share of total employment growth not an increase in labour utilisation by employers.

The August report is unlikely to shift the calculus for the RBA, with the Bank having already acknowledged that labour market conditions have "eased slightly" in its August decision communications. Westpac continues to expect the next RBA rate cut to be delivered in November, followed by two additional 25bp cuts in the first half of 2026.

"The latest labour force survey disappointed, signalling a continued softening in the pace of employment growth."

Before moving offshore, a final note on the domestic manufacturing sector. The Q3 Westpac-ACCI Survey of Industrial Trends revealed conditions in the sector deteriorated into the second half of the year, the Actual Composite slipping from 51.5 in Q2 to a contractionary read of 48.8 in Q3. This is consistent with private sector demand tracking a gradual but patchy recovery – with falling orders and weak output. Despite this, manufacturers' optimism over the outlook is unwavering – the Expected Composite currently sits at an elevated 58.1. There is a risk these strong expectations are not met, especially if the economic recovery remains sluggish and uneven.

Over in New Zealand, GDP surprised materially to the downside in Q2, declining 0.9% in the quarter to be 0.6% lower over the year (WBC f/c -0.4%, -0.1%yr). Our New Zealand Economics team believe the RBNZ are likely to assess there is too much excess capacity in the economy and consequently accelerate the final stage of the easing cycle to counter the trend. The RBNZ is now forecast to cut by 50bps at their October meeting and a further 25bp in November to 2.25% (previously we expected two 25bp cuts to a low of 2.50%). The trough rate for policy is expansionary, and so momentum should pick up into 2026. Monetary policy will likely need to be rebalanced from late-2026, but the precise timing will depend on the pulse of the economy over the coming 6-12 months.

Further afield, the focus was on major central banks.

The FOMC cut the fed funds rate by 25bps to a mid-point of 4.125% as expected at the September meeting. The guidance in the statement and press conference made clear that risk management is the Committee's priority, while the revised forecasts highlighted the degree of uncertainty that remains over the outlook. On a median basis, the updated forecasts are sanguine and consistent with monetary policy being effective in managing inflation and demand. GDP growth has been revised up. It is now only expected to be below trend in 2025 at 1.6% then at trend through 2026-2028, circa 1.8%. The unemployment rate is consequently forecast to peak at just 4.5% in late-2025 before edging lower through 2026-2028 to the 'longer run' full employment rate of 4.2%. Inflation is not expected to hinder the FOMC's ability to manage demand risks, with PCE inflation forecast to abate from around 3.0% at end-2025 to 2.6% by late-2026 then 2.1% at the close of 2027. While the return of inflation to the medium-term target over the forecast period is 'by design', taken together the activity and inflation forecasts signal the consensus view of the Committee is that tariff's effect on inflation is a one-off and that services inflation will continue to abate. This would allow the fed funds rate to be cut to 3.4% at end-2026 and 3.1% by end-2027 – a broadly neutral rate – on the FOMC's expectation.

We see conflicting risks to the FOMC's forecasts, believing that economic growth and the labour market are likely to come in weaker than the Committee are forecasting for 2025-2027, but also that inflation will show greater persistence. In the absence of recession, this mix is arguably most likely to result in a need to hold to a modestly restrictive stance through the forecast horizon. Whether our current 3.875% low for the cycle or a rate closer to neutral is seen over the coming 12 to 18 months will depend on the trajectory of the respective labour market / inflation trends away / to the FOMC's mandate. Only the data flow will be able to adjudicate on progress and guide on the evolving risk outlook.

North of the border, the Bank of Canada also cut rates by 25bps to 2.50% as tariffs continue to affect activity while inflation pressures abate. The Governing Council assess that "shifts in trade continue to add costs"; how this dynamic impacts activity and inflation will determine future policy steps.

Across the pond, the Bank of England deliberated on the latest labour market and inflation data and decided to hold the bank rate at 4.0% in a 7–2 split decision. The statement suggests the MPC remain attuned to upside inflation risks – both "existing or emerging". The August CPI gave support for this approach, price growth accelerating to 0.3% in the month while the annual figure remained at 3.8%. Services inflation remains stubbornly near 5.0%yr, printing at 4.7%yr in August.

The MPC will continue to take a 'gradual and careful' approach to further easing, with the timing to depend on progress with disinflation and downside risks to activity. We view a one cut per quarter pace as a fair expectation; though, if inflation remains sticky, there is a risk of the November cut being delayed. The MPC also decided to slow the pace of quantitative tightening in their annual review; members now expect to reduce the balance sheet by GBP70bn a year from GBP100bn previously. Of the GBP70bn, around GBP21bn will be through active sales and the rest through bonds maturing. The decision follows volatility in Gilt markets and a similar decision by the Bank of Japan earlier this year.

A final point on China. This week's August data round highlights that, while continuing to experience success with trade and despite burgeoning equity market momentum, consumer-related sub-sectors of China's economy remain weak and susceptible to downside risks. Most notably, new home prices declined again, continuing a 27-month long trend, and property investment's contraction accelerated, now down 12.9%ytd. The year-to-date gain for total fixed asset investment also deteriorated to just 0.5%, well down on 2024's 3.3%. Note, this outcome is only partly due to the moribund state of housing construction; key high-tech manufacturing sectors have pulled back on current investment following rapid expansion over recent years, their focus now turning to the effective and profitable implementation of new capacity. At this stage in China's economic development, continued rapid growth in new manufacturing capacity is unsustainable; equally, the contribution from trade must moderate. As such, it is important October's Plenum deliver a consumer centric five-year plan for 2026-2031, with an immediate focus on ending property price and investment declines and means to fuel confidence over future income growth. Without such steps, GDP growth in the mid 4%'s from 2026 will likely prove unsustainable, as discussed in our September Market Outlook.

A week of surprises

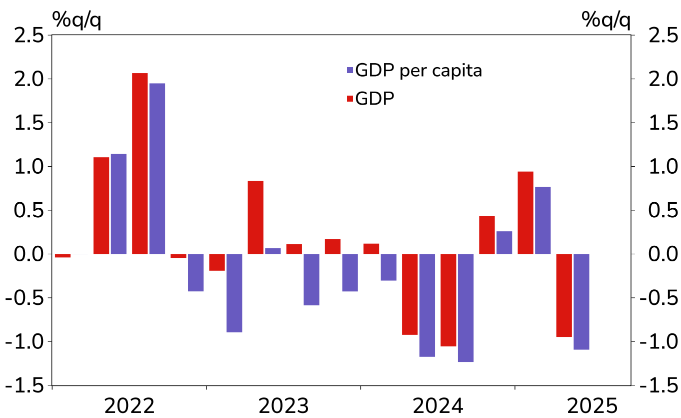
Darren Gibbs
Senior Economist

While the general direction was mostly as expected, the magnitude of movement in some of the key economic data reported over the past week created surprise for both us and the market. Of greatest importance to financial markets was the release of the National Accounts for the June quarter. While somewhat dated, measures of activity in the GDP report play a key role in driving the RBNZ's assessment of both the economy's momentum and the level of activity relative to its non-inflationary capacity (i.e., the output gap).

We had anticipated that Stats NZ would report a -0.4%q/q contraction in activity, with seasonal distortions subtracting from what might have been viewed as a flat economy in underlying terms. The RBNZ and market consensus forecasts were in the same ballpark. But as it turns out, the production-based measure of GDP pointed to a very disappointing 0.9%q/q contraction in activity, leaving output down 0.6%y/y (revisions were minor).

The production-based measure reported a decline in output in 10 of the 16 major industries, led by weakness in the manufacturing and construction sector. Service sector activity was unchanged, but this was a weaker outcome than we had anticipated. The expenditure-based measure of GDP also reported also a 0.9%q/q decline in output in the June quarter. Viewed from this angle, although private consumption grew modestly and inventories made a small positive contribution to growth, there was a decline in both residential investment and business capex and a negative contribution from net exports (exports fell while imports rose).

Real GDP



Source: Stats NZ, Macrobond, Westpac Economics

The unexpectedly sharp decline in GDP in the June quarter left the level of output 0.6ppts lower than the RBNZ had forecast in its August Monetary Policy Statement. As a result, we expect that the RBNZ will conclude that the negative output gap is larger than previously estimated (although not by the full extent of the shortfall). While we expect that the economy returned to growth in the September quarter, our current forecast of 0.6%q/q looks solid enough and is higher than the RBNZ's most recent 0.3% q/q projection.

So where does that leave the RBNZ? Last week, speaking at the Financial Services Council annual conference, RBNZ Governor Christian Hawkesby stated: "While our central projection for the OCR is to fall to around 2.50% by the end of the year, that could occur faster or slower depending on how the economic recovery evolves." This week's data strengthens the argument for moving faster. So while we expect that some rebound in activity will be recorded in the September quarter, this week we adjusted our RBNZ call.

We now expect the RBNZ will reduce the OCR by 50bps to 2.5% at its next meeting on 8 October. And in the absence of a stronger turn around in the data flow than we currently expect, we forecast that the RBNZ will reduce the OCR by a further 25bps to 2.25% at this year's final meeting on 26 November (25bps lower than forecast previously). The pricing of a slightly lower terminal rate is likely to add to the downward pressure on the NZ dollar, and so we have slightly revised down our near-term outlook from that published in this month's Market Outlook. Given US dollar weakness, we expect that the NZ dollar's struggles will be more evident on the crosses. For example, we expect NZD/AUD will end this year around 0.87.

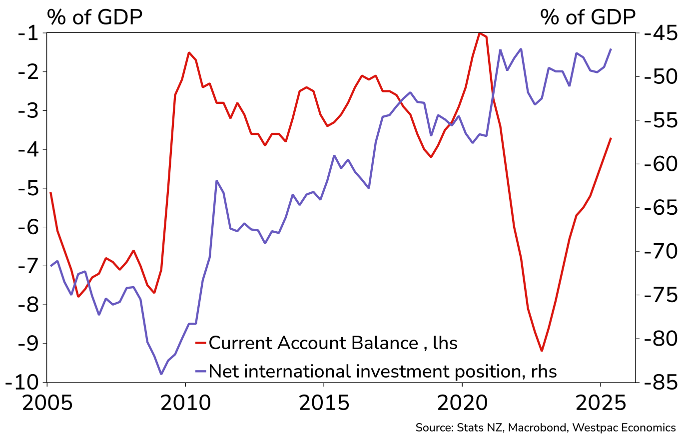
Looking further ahead, at the very least, more stimulatory financial conditions – including a lower than otherwise exchange rate – should provide more certainty that the economy will undergo a more durable recovery over the coming year. These conditions may also have implications for the timing of the eventual policy tightening cycle – something that we will consider when we update our economic forecasts next month – and should support the NZ dollar once a durable recovery is clearly underway.

Moving on, this week's second surprise came with the release of balance of payments data for the June quarter. A sizable positive revision to recent estimates of the current account balance was widely anticipated, as Stats NZ earlier reduced their estimates of the value of direct imports of low value goods (especially in the years since Temu and Shein entered New Zealand). However, the scale of the revision to the current account balance proved far larger than expected.

What had not been signalled by Stats NZ was an even larger positive revision to the investment income balance. Most of that revision owed to an increase in estimated investment income credits – the return on New Zealander's holdings of foreign assets – and was driven by higher than previously estimated returns on portfolio investments. This will include investment income earned by KiwiSaver and investment fund holdings of foreign equities and bonds.

As a result, the current account deficit for the year to March quarter 2025 was revised down to 4.2% of GDP from 5.7% of GDP previously. And given a modest deficit of $0.95bn in the June quarter – $2.2bn smaller than the same quarter a year earlier – the annual deficit narrowed further to 3.7% of GDP. That additional narrowing reflected the continued passthrough of high export commodity prices into the merchandise trade balance. Some further passthrough can be expected in the September quarter. There was no discernible financial market reaction to this news. However, the credit ratings agencies should be pleased that the deficit is now less than half as wide as the peak seen in 2022, and not much wider than it was leading into the pandemic.

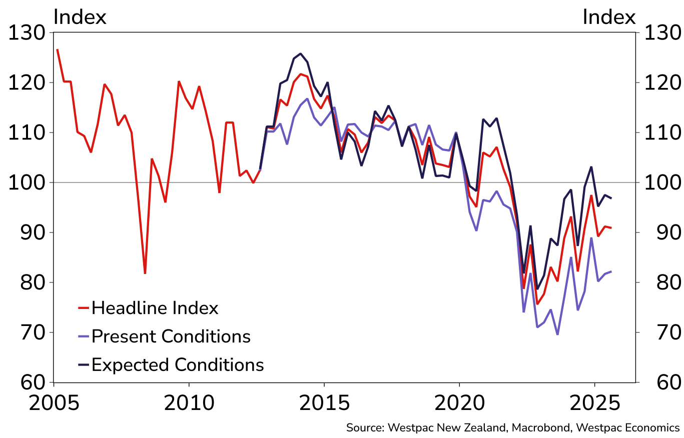
Current account balance and NIIP



Westpac's McDermott-Miller measure of consumer confidence edged down to 90.9 in the September quarter. That was somewhat disappointing considering that the survey was in the field in the weeks immediately following the RBNZ's August rate cut and given the signalling of further rate cuts this year. The still soft state of the labour and housing markets and rising prices for some household essentials are likely weighing on sentiment. The BusinessNZ Performance of Services Index was also somewhat disappointing, especially after last week's improved retail spending report, falling 1.4pts in August to 47.5. This index has now been below 50 for 18 consecutive months, with both the sales and new orders indexes losing ground this month.

Housing market data for August remained flat – albeit no weaker than we expected. REINZ reported a decline in the number of home sales in August which are now about 4% lower than the same month a year earlier (although sales do tend to be slightly understated on first release). Given growth in new listings, the level of sales was insufficient to prevent unsold inventory remaining at a more than 10-year high and the median days-to-sell lengthened fractionally to 46 days – still a historically slow rate of turnover. At the nationwide level prices were essentially steady in August following two prior months of decline and were just 0.4% higher than a year earlier. We view this report as consistent with our recently published housing market update, which predicted little change in house prices this year but some firming in 2026 as the economic recovery broadens and strengthens.

Consumer confidence



Finally, the Selected Prices report for August indicated that there may be slight downside risk to our current forecast for the September quarter CPI. The price of food and dwelling rents – collectively about 30% of the CPI basket – rose 0.3%mth and 0.1%mth respectively, which was in line with our expectations. However, in August there were sizeable (partly seasonal) declines in both international and domestic airfares, and declines in prices for accommodation, which were larger than expected. Given the month-to-month volatility of some of these components we have retained our forecast that annual CPI inflation will rise to 3.1% in the September quarter, but we will review this ahead of the CPI once we have seen the Selected Prices report for September.

AUS: August Monthly CPI Indicator (%yr)

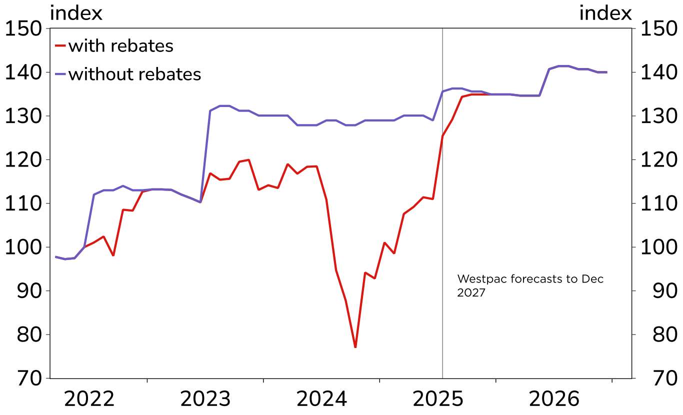
September 24, Last: 2.8, Westpac f/c: 3.1
Market f/c: 2.9, Range: 2.4 to 3.3

The July Monthly CPI Indicator surprised to the upside rising 2.8%yr, above Westpac's near-cast (2.3%yr) and market expectations (2.7%yr). The monthly increase of 0.9% was driven by electricity, new dwellings, and holiday travel.

Electricity prices surged 13% in July due to timing of rebates and annual price reviews. NSW and ACT households faced higher costs in July, this will be reversed in August.

New dwelling prices rose 0.4% in July as builders reduced discounts and lifted prices. Westpac's esimates that the August Monthly CPI will lift 0.1% with the annual rate expected to lift to 3.1%yr due to base effects. There is a high degree of uncertainty, with the recovery in homebuilders' margins is a notable upside risk. See our Monthly CPI Preview.

Electricity prices before and after rebates



Source: , Macrobond, Westpac Economics

AUS: Q3 Job Vacancies (%qtr)

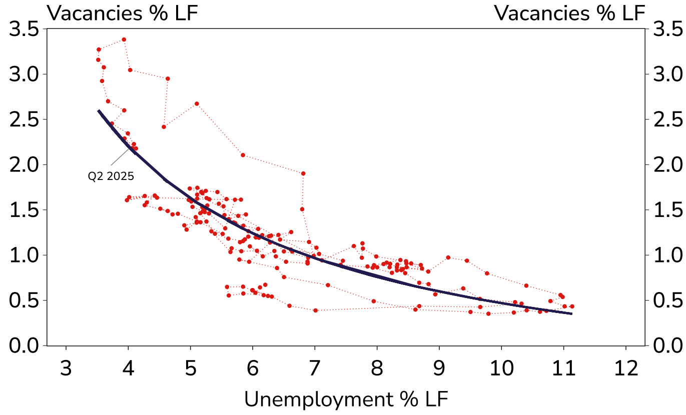
Sep 25, Last: 2.9, Westpac f/c: –0.5

The stock of job vacancies has broadly stabilised over the past year, hovering 40-50% above pre-pandemic levels. Conditions vary greatly across industries, but overall, most continue to report a level of vacancies at a multiple of pre-pandemic levels.

Given where the unemployment rate currently is though, the Australian labour market is currently behaving as you would broadly expect based on historical experience – a relationship known as the Beveridge curve.

Flow-based measures on job ads indicate flows of new ads continue to moderate at pace. Partial stock-based measures lifted however, suggesting recent softness in labour market conditions are seeing fewer existing vacancies being filled. On balance, this points to a modest decline in the ABS measure.

Beveridge Curve



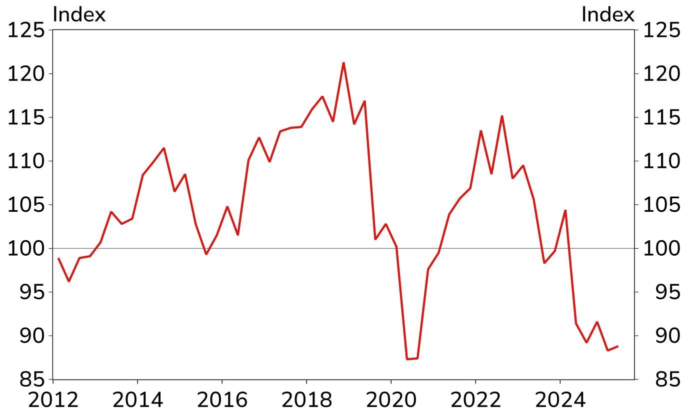
Source: ABS, Macrobond, Westpac Economics

NZ: Q3 Westpac-McDermott Miller Employment Confidence Index

Sep 24, Last: 88.8

The Employment Confidence Index rose by 0.5 points in the June quarter, leaving it essentially unchanged over the last year. A perceived lack of job opportunities remains the key concern for New Zealand households. Expectations for the year ahead were weaker in June, largely offsetting the modest gains seen in the other survey questions. The latest survey was conducted on 1-12 September.

Employment confidence softened in Q1



Source: Westpac New Zealand, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 22							
Aus		RBA Governor Bullock	–	–	–	–	Appearance before House of Representatives, 11:00am AEST.
Eur	Sep	Consumer Confidence	index	–15.5	–	–	Lack of 'spark' casts doubt over consumer recovery.
US	Aug	Chicago Fed Activity Index	%mth	–0.19	–	–	Consistent with below–average growth.
		Fedspeak	–	–	–	–	Williams, Musalem, Hammack.
Tue 23							
Eur	Sep	HCOB Manufacturing PMI	index	50.7	50.8	–	Trending steadily higher into expansionary territory ...
	Sep	HCOB Services PMI	index	50.5	50.9	–	... but growth in services remains patchy and uneven.
UK	Sep	S&P Global Manufacturing PMI	index	47.0	–	–	Fragile demand leaves manufacturing in the doldrums ...
	Sep	S&P Global Services PMI	index	54.2	54.0	–	... services at least providing a meaningful offset.
US	Sep	S&P Global Manufacturing PMI	index	53.0	–	–	Volatile and in contrast to ISM's more downbeat tone ...
	Sep	S&P Global Services PMI	index	54.5	–	–	... but both can agree on services' supportive trend.
	Aug	Existing Home Sales	%mth	2.0	–0.8	–	Buyer appetite crimped by elevated rates and prices.
	Sep	Richmond Fed	index	–7	–	–	Regional conditions are volatile, varied and vulnerable.
Wed 24							
Aus	Aug	Monthly CPI Indicator	%ann	2.8	2.9	3.1	Electricity rebates in NSW & ACT to hold back the increase.
NZ	Q3	Westpac Employment Confidence	index	88.8	–	–	Lingered at low levels through the first half of the year.
Jpn	Sep	S&P Global Manufacturing PMI	index	49.7	–	–	Conditions neutral but sluggish demand is a concern ...
	Sep	S&P Global Services PMI	index	53.1	–	–	... fortunately services remains a key bright spot.
Ger	Sep	IFO Business Climate Survey	index	89.0	89.5	–	More cause for optimism
US	Aug	New Home Sales	%mth	–0.6	0.1	–	Buyer appetite crimped by elevated rates and prices.
	Aug	Advanced Goods Trade Balance	US$bn	–102.8	–95.2	–	Back at pre–Liberation Day levels; trends from here are key.
		Fedspeak	–	–	–	–	Daly.
Thu 25							
Aus	Q3	Job Vacancies	%qtr	2.9	–	–0.5	Flows of new ads are moderating.
US	Q2	GDP	%ann'd	3.3	3.3	–	Final estimate.
	Aug	Durable Goods Orders	%mth	–2.8	-0.5	–	Underlying orders trending higher.
	Aug	Wholesale Inventories	%mth	0.1	–	–	Inventories have built up in excess of sales volumes.
	Sep	Kansas City Fed	index	1	–	–	Regional conditions are volatile, varied and vulnerable.
		Initial Jobless Claims	000s	–	–	–	Clearly stepped higher, but weather disruptions in the mix.
		Fedspeak	–	–	–	–	Goolsbee, Williams, Daly.
Fri 26							
NZ	Sep	ANZ Consumer Confidence	index	92.0	–	–	Financial pressures continue to weigh on sentiment.
Jpn	Sep	Tokyo CPI	%ann	2.6	2.8	–	On the path to sustainable inflation, albeit a bumpy one.
US	Aug	Personal Income	%mth	0.4	0.3	–	Pace of wages growth remains fairly robust ...
	Aug	Personal Spending	%mth	0.5	0.5	–	... supporting growth in personal spending.
	Aug	PCE Deflator	%mth	0.2	0.3	–	Importers largely absorbing tariff costs, for now.
	Sep	Uni. of Michigan Sentiment	index	55.4	56.0	–	Final estimate.
		Fedspeak	–	–	–	–	Barkin, Bowman.
Sat 27							
Chn	Aug	Industrial Profits	%ann	–1.5	–	–	Authorities closely watching aggressive price competition.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (19 Sep)	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27
Cash	3.35	3.35	3.10	2.85	2.85	2.85	2.85	2.85	2.85	2.85
90 Day BBSW	3.5475	3.30	3.05	2.95	2.95	2.95	2.95	2.95	2.95	2.95
3 Year Swap	3.37	3.40	3.45	3.50	3.60	3.70	3.80	3.90	3.95	4.00
3 Year Bond	3.427	3.45	3.50	3.55	3.65	3.75	3.85	3.90	3.95	4.00
10 Year Bond	4.245	4.35	4.45	4.55	4.6	4.65	4.7	4.75	4.8	4.85
10 Year Spread to US (bps)	12	15	15	15	10	5	0	–5	–5	–5
United States										
Fed Funds	4.125	4.125	3.875	3.875	3.875	3.875	3.875	3.875	3.875	3.875
US 10 Year Bond	4.130	4.20	4.30	4.40	4.50	4.60	4.70	4.80	4.85	4.90
New Zealand										
Cash	3.00	2.25	2.25	2.25	2.25	2.50	2.75	3.00	3.25	3.75
90 Day Bill	2.87	2.35	2.35	2.35	2.45	2.70	2.95	3.20	3.45	3.85
2 Year Swap	2.71	2.70	2.90	3.15	3.35	3.55	3.70	3.85	3.95	4.00
10 Year Bond	4.23	4.20	4.30	4.45	4.55	4.70	4.85	4.90	4.95	4.95
10 Year Spread to US (bps)	15	0	0	5	5	10	15	10	10	5

Exchange rate forecasts

	Latest (19 Sep)	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27
AUD/USD	0 .6589	0.68	0.69	0.70	0.71	0.71	0.72	0.72	0.73	0.73
NZD/USD	0.5926	0.59	0.60	0.61	0.62	0.62	0.63	0.64	0.64	0.64
USD/JPY	147.80	145	143	141	139	137	135	133	132	131
EUR/USD	1.1766	1.18	1.19	1.19	1.20	1.20	1.21	1.21	1.21	1.21
GBP/USD	1.3501	1.36	1.36	1.37	1.37	1.37	1.37	1.38	1.38	1.38
USD/CNY	7.1128	7.10	7.05	7.00	6.95	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.1252	1.14	1.14	1.14	1.15	1.15	1.14	1.13	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	0.9	–0.9	0.6	1.0	0.7	0.4	0.8	1.2	–	–	–	–
Annual avg change	–1.1	–1.1	–0.4	0.4	0.8	1.6	2.1	2.5	–0.6	0.4	2.5	3.5
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	3.0	2.5	2.2	2.0	2.0	2.2	3.0	2.0	2.1

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