October 2025

# WESTPAC MARKET OUTLOOK

Your monthly report on Australia and the global economy.

# WESTPAC MARKET OUTLOOK October 2025



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Westpac Market Outlook is a monthly publication produced by Westpac Economics.

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This issue was finalised on 16 October 2025.

**NB:** Australian activity forecasts on page 24 now includes annual through-the-year percent changes.

# Shaken, not stirred

The uneasy calm that has emerged since around mid-year has become a little uneasier over the last month. The main causes have been a re-escalation of US-China trade tensions and a US Federal Government shutdown that has also led to the temporary suspension of key economic data releases. Market reactions have so far been muted, the prevailing wisdom being that neither of these developments will prove consequential. We broadly concur, although that this is the reaction to the US President threatening an additional 100% tariff on Chinese imports from November 1 speaks volumes about where we have got to in 2025. And there are some aspects of the financial market response that are pointing to growing unease – sharemarkets, bond markets and the USD may have been unfazed but several barometers of risk have risen, most notably gold but also Bitcoin and the VIX 'fear index'.

Policy-wise, the last month has seen the FOMC cut rates by 25bps as expected with more easing is likely in the months ahead, although we continue to see a more challenging inflation environment and an extended policy pause in 2026. Other central banks have started to follow their own separate paths as economic and inflation performances diverge. In Australia, the RBA is delivering a more gradual easing with a November move to be determined by the near term data flow, including a labour market update due shortly after we go to press and the September quarter CPI update due near the end of the month. In New Zealand, a faltering recovery has led the RBNZ to accelerate policy easing, cutting rates by 50bps at its October meeting with more easing expected in November.

There are many other 'sub-plots' covered in this month's report, including: more pockets of political instability in Europe; supply and demand machinations in commodity markets; a massive AI-driven boost to semiconductor demand feeding into manufacturing activity across East Asia; and some added colour on Australia's consumer recovery and the transition from public to private demand driven growth. However, the main overarching theme is still of less restrictive monetary policy settings driving a recovery in private demand that is running into significant turbulence and uncertainty relating to global trade and geopolitics.

**Australia:** Our updated forecasts released last month had a firmer recovery in private sector spending led by the Aussie consumer. The flow of data since then has been consistent with this view but risks remain, particularly as the drivers of growth continue to rebalance away from 'jobs plentiful' public spending towards private demand. Meanwhile, the RBA will likely need to cut rates further but is currently in 'wait-and-see' mode ahead of critical data releases.

**Commodities**: Commodity prices rose solidly in September, with Westpac's broad index up 4%. Gold led the gains, surging 11% supported by safe-haven demand and central bank buying. Copper rose 8% on improving global manufacturing sentiment, while crude oil eased nearly 4% amid mixed demand signals. We've revised our end-2025 iron ore forecast up to US$97/t while Brent was revised down to US$58/bbl.

**Global FX Markets:** Within days of our last edition, the US dollar DXY index reached a cycle low of 96.6. It has since rebounded to 99.2. Notably, 2pts of that appreciation was seen in just a few days after the Government shutdown and US-China trade tensions flared.

**New Zealand:** Signs of much weaker growth in the middle of the year and still subdued start to the second half have seen the RBNZ frontload the stimulus previously forecast in August and deliver a 2.5% OCR at its October meeting. Further easing looks likely in November and a 2–2.25% year-end OCR beckons along with a weaker New Zealand dollar.

**United States:** The past month started well as the FOMC cut by 25bps to 4.125%. But since 1 October, risks to the outlook have continued to mount as the Government shut down and US-China tensions flared again.

**China:** China is facing a wave of uncertainty currently as the market assesses the latest barrage of trade restrictions from the White House, whether Presidents Xi and Trump will meet, and what additional policy support the upcoming 15th Five-Year Plan may bring. In our view, the main downside risks still centre on China's household sector.

**Asia:** The AI boom has seen electronics exports across Asia outpace growth in non-electronics exports by a considerable margin, underscoring just how critical Asia is in the development of new AI-related capability.

**Europe & UK:** Against the backdrop of persistent fiscal challenges, the rise of populist political parties in major European countries will be testing the continent's ability to make hard economic decisions, which might translate into lower longer term growth. However, resilient institutions, including the pan-European ones, as well as market forces should keep major European economies on track towards stronger growth.

# Fed flying blind …

**Luci Ellis**
Chief Economist, Westpac Group

**Markets have been largely unperturbed by the US government shutdown but the broader pattern of market pricing suggests that investors continue to seek to diversify out of US-heavy portfolios. The shutdown is also clouding the picture just when the Fed needs a clear view of the labour market most. Domestically, the RBA will likely need to cut rates further but is currently in 'wait-and-see' mode before critical data.**

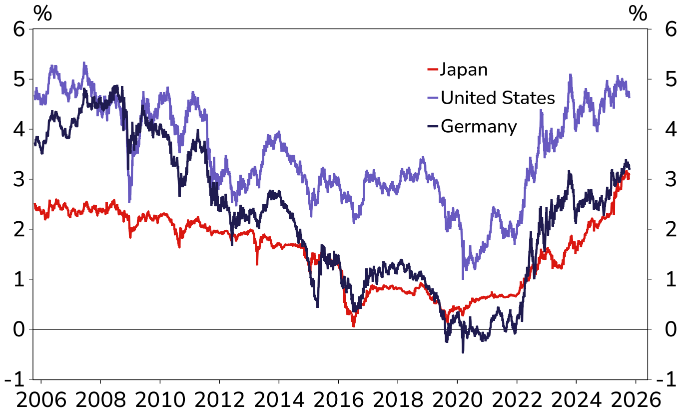
## Risk appetite collides with USD pivot

The shutdown of the US federal government will have almost no lasting effect on US GDP. Disputes around passing a budget are typically resolved in quick time and with back-pay. They are far less disruptive and worrisome for financial markes than debt-ceiling brinkmanship, though the damage is just as self-inflicted. The resulting dearth of official labour market data is, however, making the Federal Reserve's decision more difficult at the very moment that these data are most needed.

The Fed will at least have September CPI data ahead of the next FOMC meeting. This release should provide more information on the impact of US tariffs at their revised rates. So far, it appears that domestic US businesses are absorbing some but not all of the cost uplift into their margins. This might point to a more dovish tilt to monetary policy calculus, especially in an environment of pressure from the Trump administration to keep rates low. However, labour supply issues stemming from both deportations and longer-term demographic constraints are likely to see more persistent domestic inflation pressures than is generally recognised. As such we expect the Fed to cut once more, by 25bp, ahead of an extended pause. If the shutdown does impact the economy, an additional two cuts could be seen in early 2026. This 'risk' view is still inside of market expectations, so if either of our views do play out, the associated repricing could be abrupt.

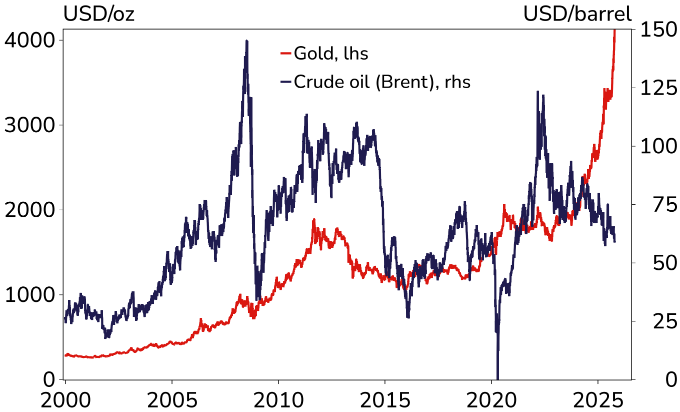
Markets have been largely unperturbed by these developments. Equity prices remain above pre-Liberation Day levels and risk spreads on corporate bonds remain tight. There has, however, been a notable further rally in the price of gold, which is often viewed as a barometer of risk perceptions in financial markets, as well as crypto assets. Oil prices, by contrast, have continued to trend down over the year, suggesting financial markets are reflecting US-specific concerns rather than general geopolitical or inflation nervousness. Together with a small lift in US bond yields in recent weeks, leaving the spread between 10-year and 30-year paper still higher than in recent years, this suggests that market participants remain concerned about US fiscal prospects and the overvalued USD, and are seeking alternative

### 30-Year Yields



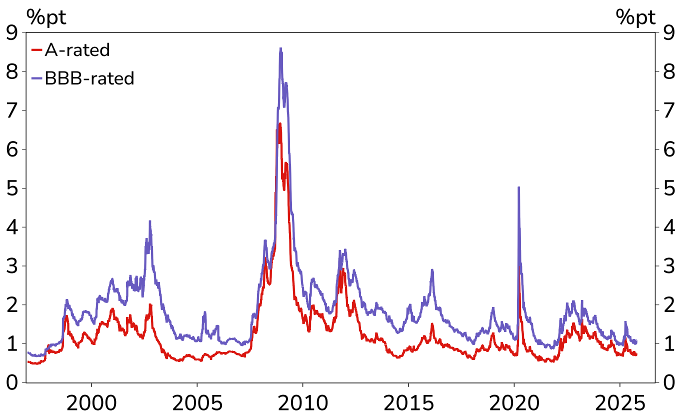

Source: Macrobond, U.S. Treasury, Westpac Economics

### Oil and Gold




Source: LBMA, CME Group, Macrobond, Westpac Economics

### US: Corporate Bond Spreads (5-year)




Source: Macrobond, U.S. Treasury, Macrobond, Westpac Economics

# ... while RBA swims in the data flow

'safe assets'. That said, the USD has rallied in recent weeks and on a real effective basis is only 6% down on its January peak.

Elsewhere, central banks remain on their own policy tracks determined by their own domestic inflation developments. The ECB is close to the end of its rate-cutting cycle; the Bank of Japan is in rate-hike mode; while the RBNZ has stepped up the pace of easing in the face of signs of economic weakness. Fiscal outlooks have shifted pricing in these markets too, with the more expansionary fiscal views of Japan's incoming prime minister pushing yields up and the yen down recently.

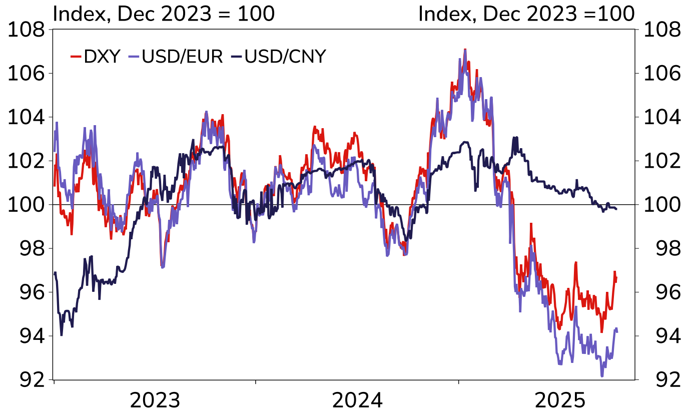
## Domestic policy in wait-and-see mode for now

The RBA kept the cash rate on hold following its September meeting. In the post-meeting communication, it cited recovering private sector demand, an assessment that labour market conditions are stable, and the possibility that inflation might remain persistent in some areas. While underlying inflation measures have been within the 2–3% target range for some months, the RBA has apparently taken signal from the upside surprises recently, including the August CPI indicator. That release did imply that the result for the September quarter as whole would be stronger than earlier thought, although the implications for subsequent quarters are less clear-cut. We continue to expect underlying (trimmed mean) inflation to fall below the midpoint of the target range sometime in 2026, as we see little impetus to domestic inflation coming from labour costs given subdued wages growth and decent productivity growth in market-sector industries.

There is still enough data to come before the November meeting to shift the balance of risks to a cut at that meeting. However, either a resilient labour market print or an even stronger September quarter underlying inflation outcome would be enough to stay the RBA's hand. If that occurs, the situation could nonetheless resemble that in late 2023, when an upside surprise in September quarter inflation was followed by a downside surprise in the December quarter. In a similar vein, we could see expectations of further cuts emerge again, particularly if – as the Governor recently flagged in Senate testimony – the unemployment rate continues to drift up.

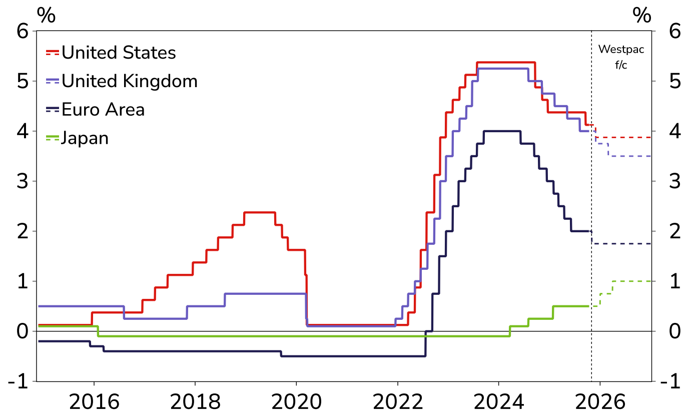
The RBA communications schedule has half a dozen speeches between now and the November meeting that will be opportunities for it to provide guidance on some of its key forecast judgements (though these all pre-date the release of the September quarter CPI). If the RBA does hold in November, though, our conviction that they end up cutting in February rises, as does our expectation that the trough will be 2.85% rather than something higher. The more the RBA hesitates in the face of uncertainty, the more likely it is that domestic inflation pressures surprise it on the downside next year, and trimmed mean inflation turns out more like the Westpac Economics forecast than the August RBA one.

### USD Exchange Rates



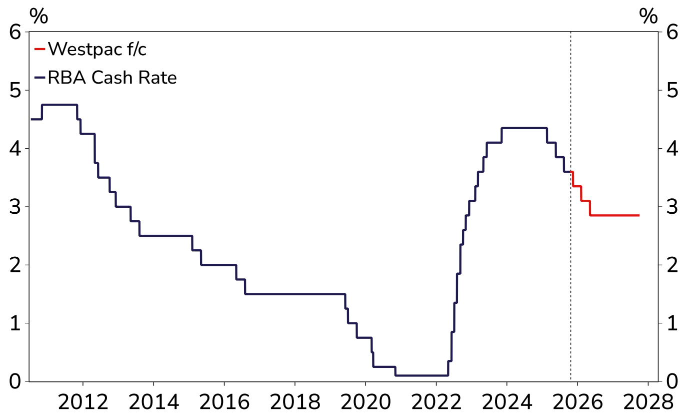

Source: Macrobond, Westpac Economics

### Major Central Bank Policy Rates




Source: RBA, Fed, BoE, ECB, BOJ, BOK, Macrobond, Westpac Economics

### RBA Cash Rate




Source: RBA, Macrobond, Westpac Economics

# Consumer-led recovery firms …

**Pat Bustamante**
Senior Economist

**The updated forecasts presented in our September market outlook had a firmer recovery in private sector spending led by the Aussie consumer. The flow of data over the past month has been consistent with this but risks remain, particularly as the drivers of growth continue to rebalance away from 'jobs plentiful' public spending towards private demand.**

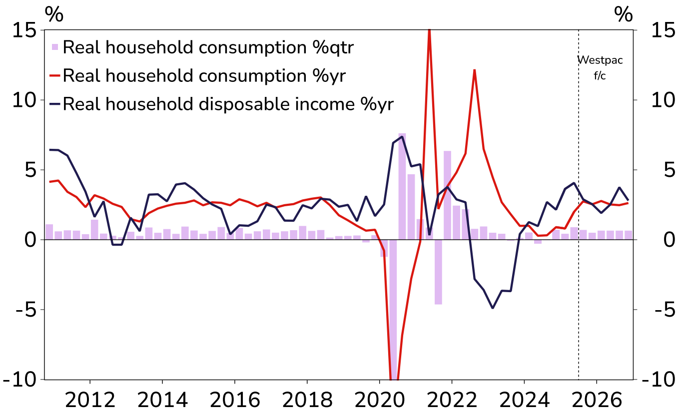
After one of the largest negative income shocks on record the Aussie consumer looks to be making up for lost time. This is not overly surprising: large tax cuts last year; lower interest rates; and moderating inflation have all combined to see the purchasing power of household disposable income stabilise and indeed grow. The Federal government has also committed to two future rounds of smaller tax cuts. The boost to household wealth coming from higher house prices may also be starting to influence spending and saving patterns.

What has been somewhat surprising is the time taken for consumers to boost spending on the back of improving real incomes. Recent National Accounts data showed the shift became more decisive in the June quarter with consumption spending posting a robust 0.9%qtr gain – the strongest increase since Q4 2022. While some of the strength was driven by one-offs (including the unwinding of electricity rebates in WA and Qld, larger than usual EOFY discounting and sales, and some 'catch-up' following adverse weather events earlier in year), much of the spending burst looks to have carried over into the September quarter 2025. Internal Westpac data points to another reasonably solid quarter for consumer spending (we will release a full analysis of this data in the weeks to come).

While the picture has yet to be fully confirmed by other partial data the evidence is enough for us to revise our Q3 2025 consumption forecast up to 0.7%qtr from our previous estimate of 0.4%qtr.

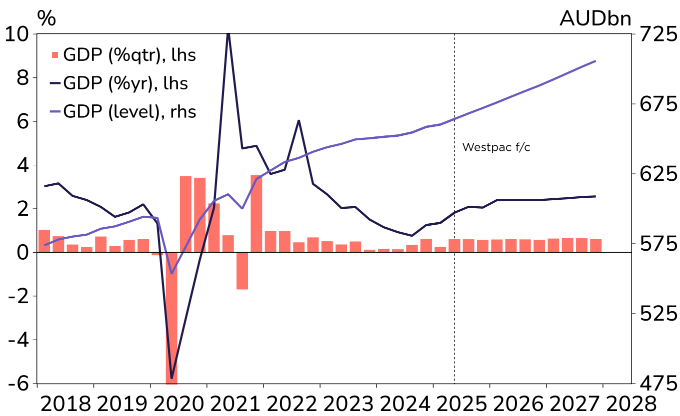
The firmer Aussie consumer is also having an impact elsewhere in the economy. Business conditions have stabilised and improved slightly to be back around long-run average levels. We are also seeing survey measures of capital expenditure improve to around long-run average levels. This is consistent with the pick-up in capital imports over the first two months of Q3 2025, which looks to be driven by equipment for data centres and industrial transport. We have also seen the imports of intermediate goods start to grow after going backwards from February to June 2025.

## Incomes and consumption recovering



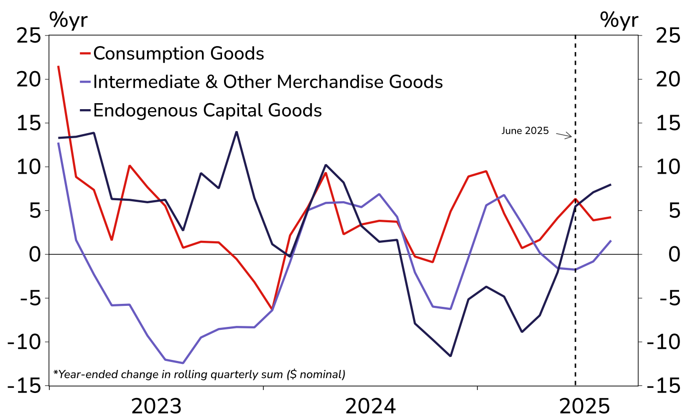

Source: ABS, Macrobond, Westpac Economics

## Economic recovery firms




Source: ABS, Macrobond, Westpac Economics

## Imports




Source: ABS, Macrobond, Westpac Economics

# … but downside risks remain …

Meanwhile, rate cuts are also clearly having an impact on other interest rate sensitive parts of the economy, most notably housing. In established markets, price growth has accelerated and broadened as higher demand has been met with low listing levels. Dwelling investment had a strong start to the year with a long-awaited recovery now underway. However, a pull-back in dwelling approvals and starts in recent months has taken away some of the upside risk to positive momentum.

## The consumption burst may be short lived

While the pick-up in consumption spending looks to have carried into the September quarter, the pace of growth going forward remains uncertain. Notably, consumer sentiment has fallen 6.5% over the two months to October, returning to pessimistic levels. This may see a return to more cautious spending, particularly if the slide continues. Here, evolving labour market conditions could be particularly important.

## Will the labour market disconnect?

A surprising feature of the economic landscape in recent years has been the robust growth in jobs and employment which has been sustained despite an extended period of slow economic growth since 2023.

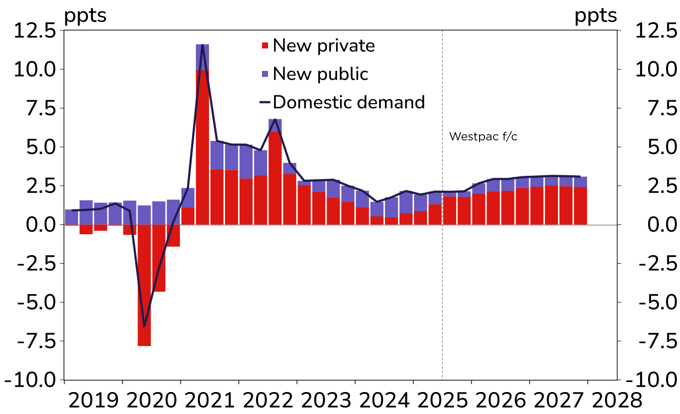
The expansion in public sector spending on highly subsidised social and health services (including on the NDIS) goes a long way to explaining this apparent conundrum – the economic growth we've recorded has almost exclusively been driven by public spending, which is very 'jobs plentiful'. As we have previously noted, this expansion has also contributed to the recent weakness in labour productivity (see here), a temporary effect that has already started to normalise (see here).

As the drivers of growth rebalance away from public toward private spending, growth in the economy will become less 'jobs intensive'. And while the pick-up in private demand is expected to more than offset the slowdown in public demand in GDP terms, there are downside risks to the extent that this shift sees a material slowing in labour markets.

We can go some way towards sizing this risk using ABS Input Output tables (which trace economic flows between industries) and the industry detail from the ABS Labour Accounts. These show that around 70% of public demand flows to the non-market sector (public administration, education and health), which is very labour intensive. The equivalent figure for private demand is only around 8%, with a greater share of spending flowing to manufacturing and rental/real estate services, both of which are much less labour intensive.

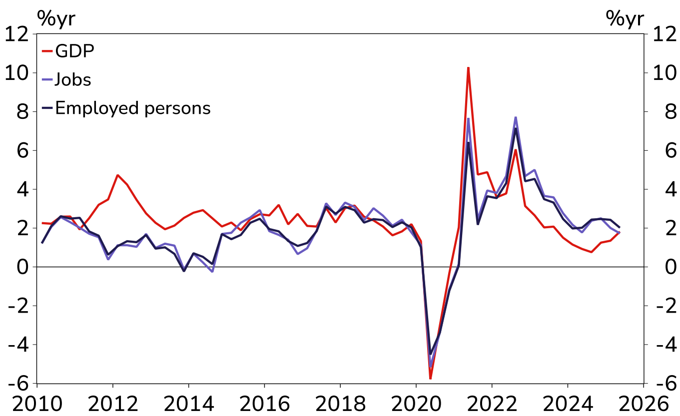
Indeed, based on these flows and average labour intensity levels, we find that a 1ppt decline in the contribution of public demand to growth in GDP would require private demand to make an offsetting 1.4ppt increased contribution to growth in GDP to ensure that jobs and employment growth remains unchanged.

### Contribution to growth in domestic demand



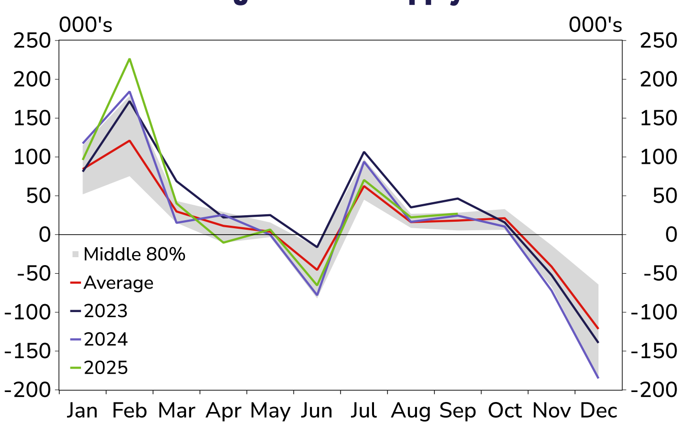

Source: , Macrobond, Westpac Economics

### Economic actvity and jobs




Source: ABS, Macrobond, Westpac Economics

### Net arrivals adding to labour supply




Source: ABS, Macrobond, Westpac Economics

# ... particularly if period of ‘jobless growth’ persists

Applying this rule of thumb to our forecasts suggests that we could see jobs growth slow to around 1.0%yr over 2025 – the slowest rate since Q1 2017, outside of the pandemic period.

When combined with expected growth in the working aged population of around 1.75%yr over 2025 (which has been running stronger than overall population growth due to the age profile of net migrant flows), we could see the unemployment rate increase to around 4.75% in early 2026 – reaching a slightly higher peak a touch earlier than our forecast peak of 4.5% in Q2 2026.

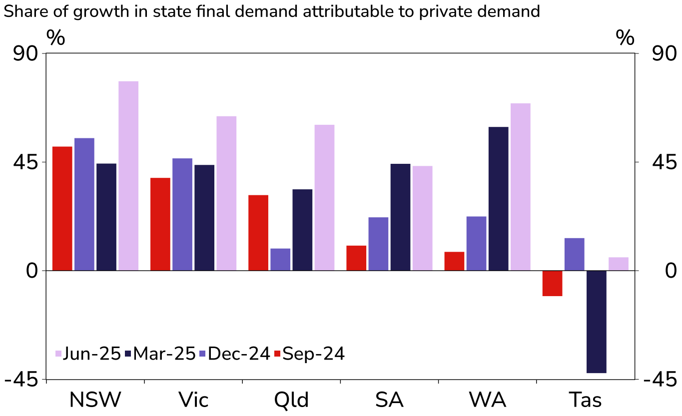
In practice we may not see such a big jump as businesses may look to make adjustments elsewhere (like through hours worked) rather than with headcount, and labour supply may also adjust to evolving conditions. It should also be noted that Input-Output tables capture average flows between industries. The marginal flows driving growth year to year can have quite different linkages. We therefore treat this higher peak as a risk rather than a base-case in our forecasts.

Even so, the more general switch from job-rich to job-light growth has already started to happen. Over 2025 we have seen a pick-up in economic growth just as jobs and employment growth has slowed. In Q2 2025 alone, jobs grew by just 0.6%yr in six-month annualised terms (the slowest since Q2 2016 outside of the pandemic) coming down from 3.4%yr in Q3 2023, while growth across the economy accelerated from 1.0%yr to 1.7%yr over the same period.

In addition, we also previously noted that states further along in this rebalancing (including NSW and WA) have recorded sharper slowdowns in labour market conditions (see here). In NSW in particular, employment growth is running at 0.5%yr – the slowest rate since May 2017 outside of the COVID period.

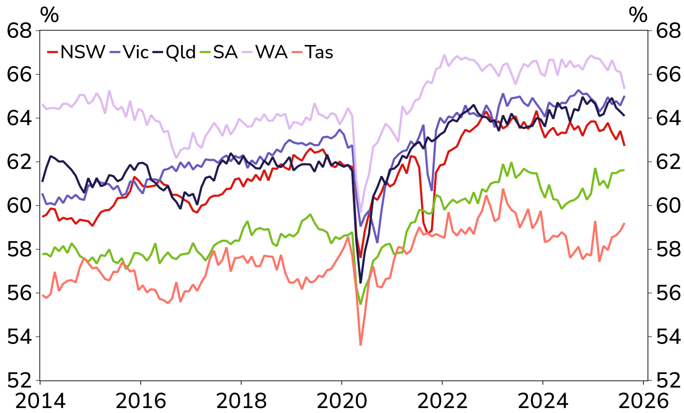
## Contributions from private sector are lifting

Share of growth in state final demand attributable to private demand




Source: ABS, Macrobond, Westpac Economics

## Employment-to-population ratios




Source: ABS, Macrobond, Westpac Economics

Some of this weakness has been masked by participation rates, which have fallen the most in the states where employment growth has eased the most. We would still regard this as signalling latent increases in labour market slack, given that demographic trends have resulted in a multi-decade upward trend in Australia’s participation rate (see here). 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 bottom line though is that if the gradual slowdown in labour markets becomes more abrupt then the consumer-led recovery could easily falter, requiring more rate cuts down the track.

# Gold continues its rally ...

**Justin Smirk**
Senior Economist, Westpac Group

**September was a solid month for commodity prices with Westpac's broadest index rising 4%. Leading the gains was gold, which surged 11% to be 46% higher over the year, driven by safe-haven demand, central bank buying and shifting rate expectations. Copper also delivered a strong performance, rising 8% in month and 13% over the year, supported by improving sentiment around global manufacturing and supply constraints. In contrast, crude oil softened, falling nearly 4% amid mixed signals on demand and rising inventories. Reflecting recent resilience and supply-side developments, we have revised up our end-2025 forecast for iron ore to US$97/t while Brent was revised down to US$58/bbl.**

## China threatens BHP

Media sources suggested China's CMRG may have imposed a ban on imports of BHP's Jimblebar iron ore. There was little information on this restriction but some pointed to BHP's softer August shipments as a sign. However, BHP previously flagged the September quarter as maintenance-intensive with key infrastructure undergoing overhaul so operational factors may have been behind this shipment performance.

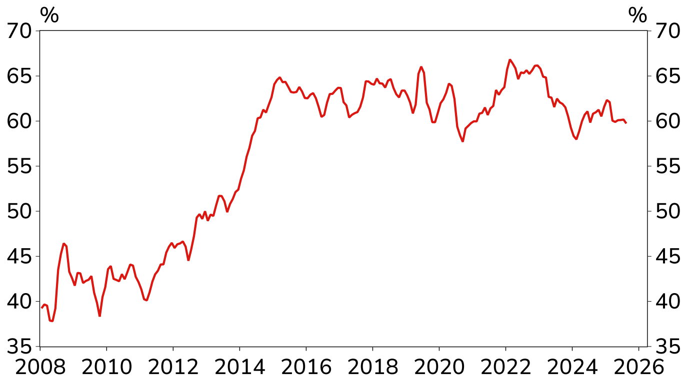
Through September there appeared to be no material change in BHP's shipments with exports from Port Hedland stable while the company's deliveries into China were normalising. This was also consistent with iron ore pricing data, with BHP's Newman fines continuing to trade in line with Rio Tinto's Pilbara Blend fines. If the ban on BHP's iron ore products was enforced you would expect to see BHP ores trading at a significant discount to Rio Tinto's ores while the company would also being facing short-term challenges redirecting cargoes due to its significant share of the Chinese market.

Nevertheless, in the medium term the seaborne iron ore trade should rebalance. Chinese buyers can secure an alternative supply, potentially driving up prices for non-BHP brands. Meanwhile, BHP will have to redirect cargoes to other markets, as occurred during China's earlier soft ban on Australian metallurgical coal. This rebalancing process may involve pricing and freight frictions but history suggests it is manageable and, in the end, results in only minor disruptions.

The continuing strength in iron ore has been somewhat surprising. We had expected the usual wet season fall in prices with speculation of talks to cut Chinese steel production likely adding further downward pressure on prices. Instead, prices now look well supported heading into the last quarter of the year as high-cost producers (India is a good example) withdrawing from the market.

### Australian Share of Chinese Iron Ore Imports

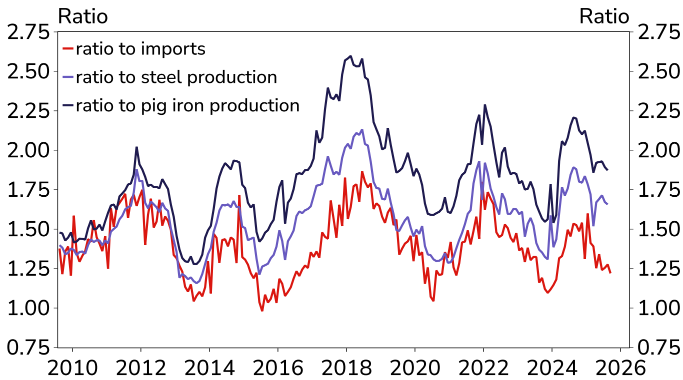
Seasonally Adjusted by Westpac




Source: Macrobond, Westpac Economics

### China iron ore port inventories

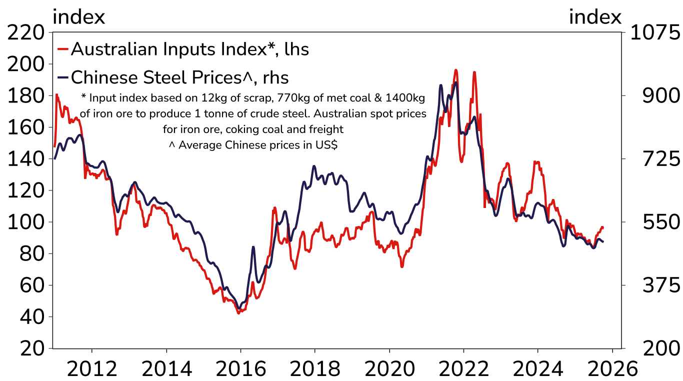
Compared to demand inventories are relatively high but not extreme




Source: Macrobond, Westpac Economics

### Chinese Steel Input and Output Prices

Prices appear to have found a base for now




Source: Macrobond, Westpac Economics

# ... while iron ore remains well supported

Iron ore inventories at ports are not extreme but prices are running ahead of Chinese steel prices. As such, we lifted our year end forecast to US$97/t but still expect prices to moderate from here. This higher starting point for 2026 lifts our year average forecast for the year to US$87/t from US$85/t while the consensus on Bloomberg is US$91/t.

## Thermal coal supported in 2026

Thermal coal prices saw a modest recovery through the September quarter with the spot price at Newcastle returning to the US$105–110/t range. This rebound was driven by increased demand due to the Northern Hemisphere heatwaves, which boosted electricity demand to run air conditioners, and ongoing weather-related supply disruptions.

Looking ahead, near-term restocking demand, persistent cost pressures and China's efforts to curb domestic overproduction all provide some degree of downside protection for prices. As such, we have adopted a cautiously optimistic stance on thermal coal and upgraded our 2026 forecast Newcastle fob for 2026 year end, and year average, to around US$110/t.

## EVs will see auto fuel demand peak in 2027

Road fuels account for over 40% of global oil demand, making them the single largest demand segment for petroleum products. Over the next few years consumption is expected to rise, driven by socio-economic growth and ongoing urbanisation. However, structural shifts in transport, including the rapid adoption of new drivetrains, shared mobility, autonomous services, and fuel efficiency improvements, are set to challenge this trajectory.

According to BloombergNEF's base-case Economic Transition Scenario, global road fuel demand is projected to decline by 48% by 2050 compared to 2024 levels. However, demand is expected to peak in 2029 at around 44.4mbpd, which is 2.1mbpd higher than 2024. This is two years later than previously forecast, largely due to slower-than-expected US electric vehicle adoption. Demand from passenger vehicles is expected to peak in 2027, while truck-related fuel consumption peaks later in 2030. This reflects the slower penetration of alternative drive-trains in the heavy-duty segment.

BloombergNEF estimates that growth in electric vehicle sales will increasingly displace conventional fuel demand. Oil use avoided by zero-tailpipe emission vehicles is expected to reach nearly 5mbpd by 2030, up from just under 2mbpd in 2024. By 2040, this figure rises to 19mbpd; equivalent to the current daily oil intake of the United States.

## Copper fundamentals continue to firm

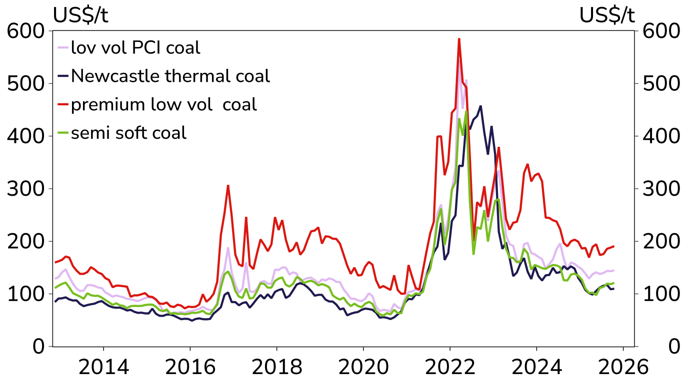
Copper remains a favoured commodity. In recent months, significant and material supply disruptions occurred at several of the world's largest mines. Alongside other global supply interruptions, these mine disruptions have resulted in lower copper supply estimates. For 2025, supply is now expected to decline by approximately 2% (or 0.5Mt), while the 2026 supply has been reduced by around 4% (or 0.9Mt).

From the demand side, concerns persist about the impact of tariffs on global growth and thus copper consumption. While US tariffs led to metal being rerouted to the US, contributing to a big rise in stockpiles there, demand form China's grid and appliances sectors surprised to the upside. As a result, the outlook for global copper demand has been upgraded for 2025 and 2026.

A combination of stronger-than-expected demand and substantial supply-side disruptions accelerated the expected transition into market deficit. We now expect a deficit of around 900kt in 2026. Reflecting this tighter market balance, we have lifted our copper price forecasts for 2026.

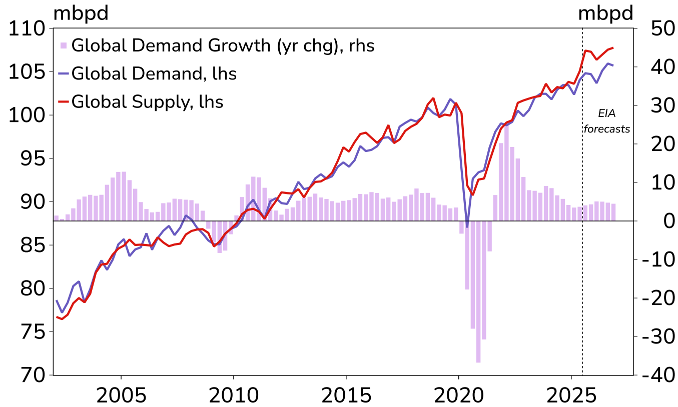
## Australian coal prices

Downside constrained by cost curve




Source: Macrobond, Westpac Economics

## Crude oil supply & demand




Source: EIA, Macrobond, Westpac Economics

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.

# Recent US dollar gains ...

**Elliot Clarke**
Head of International Economics

**Within a week of our last Market Outlook, the US dollar DXY index reached a cycle low of 96.6 then turned higher, trending up to a local high of 99.5, now around 99.0. Notably, 2pts of that appreciation was seen in just a few days after the US Federal Government shutdown and US/China trade tensions flared again.**

We expect the US dollar to recommence its downtrend in coming months. But trading is likely to be volatile and gains for key bilaterals limited as long as current uncertainties persist.

Considering the newsflow, the US dollar's appreciation over the month has certainly not come as a result of stronger expectations for growth. Clearly an open-ended government shutdown is a negative for household consumption and business investment and, ahead of these developments, both of these components were already soft and susceptible to downside risks.

The most recent escalation in trade tensions between the US and China, and we might add the almost complete lack of fresh US data owing to the suspension of releases during the shutdown, also makes it difficult for the FOMC to act near term given their need to balance inflation and activity risks.

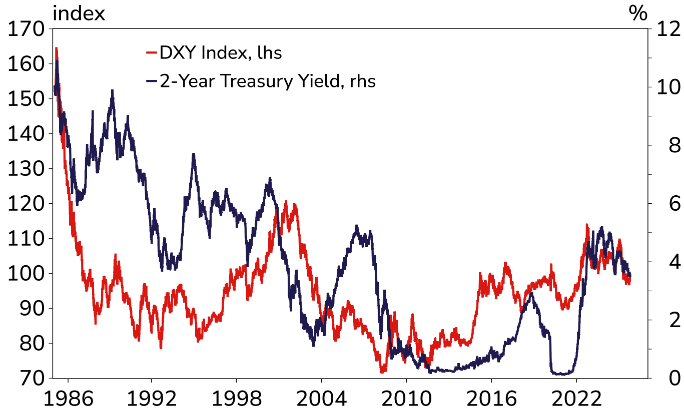
Developments in Europe and Asia ex-Japan have also been contrary to US dollar strength, both regions continuing to experience robust activity growth with little-to-no concern over inflation and dissipating downside risks (France's political instability being mostly a side issue at present).

Japan is likely to offer more sustained support for the US dollar, however, with Sanae Takaichi taking over as Prime Minister believed by many to be a precursor for easier monetary policy and therefore a weaker Yen. Note though that the most recent strength in the US dollar did not result in new highs for USD/JPY. And so, for our baseline profile, we hold USD/JPY to be capped by its most recent peak of JPY153 over the next 12 months rather than projecting another run at JPY160 (further detail below).

Taking a detailed look through the key bilateral rates that make up the DXY index: EUR/USD and GBP/USD are expected to see the strongest appreciation over the forecast period, respectively rising from USD1.16 and USD1.33 to USD1.21 and USD1.38 by September 2027. For both currencies, that equates to a near 4% cumulative appreciation over two years – a solid rather than rapid ascent.

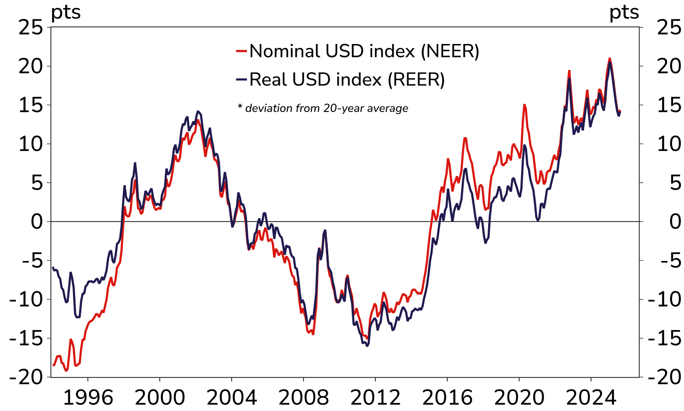
Yen is expected to rise by more, with USD/JPY to fall by close to 8% from JPY152 today to JPY140 at December 2027. However, if realised, these gains for Yen would still leave the currency 35% below its end-2019 level against the US dollar

## US prime factor of global markets



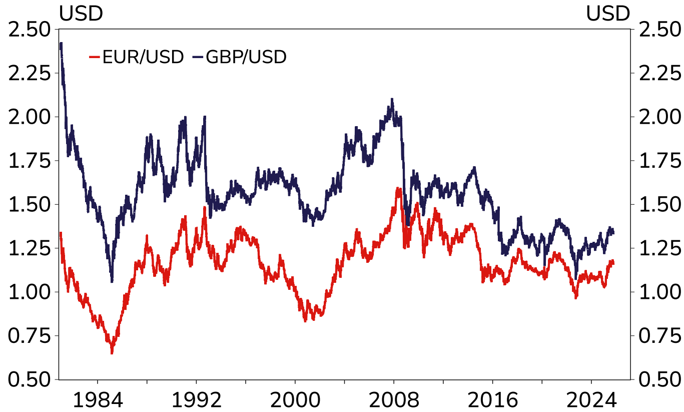

Source: Bloomberg, Macrobond, Westpac Economics

## USD valuation experiencing a reset




Source: BIS, Macrobond, Westpac Economics

## Euro now in favour, Sterling also benefitting




Source: Bloomberg, Macrobond, Westpac Economics

# … are unlikely to continue

compared to a deviation of just a few percentage points for most other pairs. The high inflationary period post-pandemic certainly helped Japan escape below-target inflation but the economy's low growth rate, declining population and strong competition from the rest of Asia for international investment will see the Yen remain extremely weak for an extended period.

Arguably, the most probable cause for a significant upside surprise in Yen is the crystallising of downside risks for the US economy. Such a turn would narrow the interest rate differential between the US and Japan much more quickly and sustainably than developments in Japan ever could.

Singapore is a strong counterpoint to the Yen, USD/SGD currently trading near decade lows circa SGD1.30 and likely to move lower still over the next two years – to SGD1.26 on our baseline view.

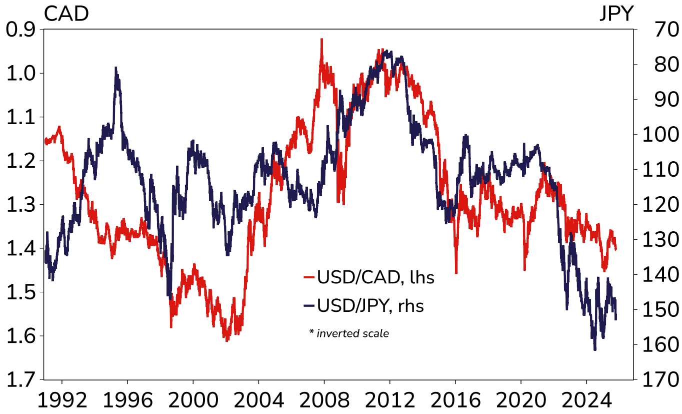
Sitting at the heart of Asia, Singapore has the capacity to not only benefit from investment and consumption within its own borders but also amongst its neighbours – both by locals and travellers to the region. It is also prized as a store of wealth and capital awaiting new investment opportunities. While capital will inevitably flow out across the region as new opportunities arise, these transactions are likely to be offset from a currency perspective by additional inflows of new capital to the city. Singapore's dollar is therefore likely to show resilient strength over the coming years.

The rest of Asia is on a comparably strong footing, set to benefit from its ongoing economic development and investment by China, South Korea and the West. But recognition of this fact in US dollar bilateral rates is likely to take time and, as for Yen, potentially benefit more from lower US dollar interest rates than the region's own growth opportunities.

Arguably the Renminbi is best placed given how China has weathered the uncertainties of the past year and with the nation's authorities expected to accelerate support for the economy. From CNY7.14 today, we look for the Renminbi to outperform the DXY trend to CNY6.50 at end-2027.

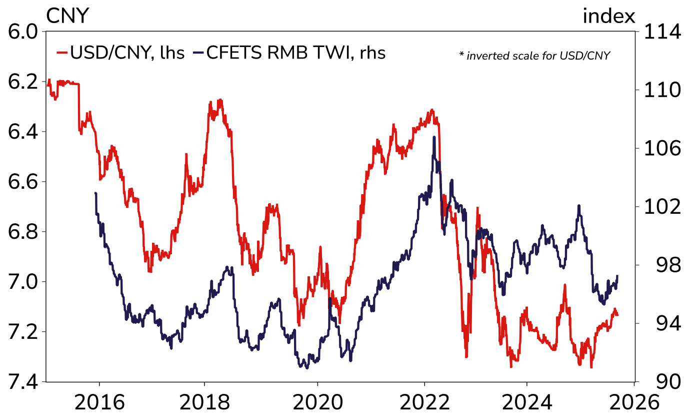
India's Rupee is also expected to outperform. However, the starting point here is an extremely weak level of INR89, and the appreciation to INR77 would still leave USD/INR materially above its pre-pandemic level. The Rupee's susceptibility to risks is also considerably higher given the breadth of local and global uncertainties the nation faces and external funding requirements.

## Concern over CAD to slowly abate



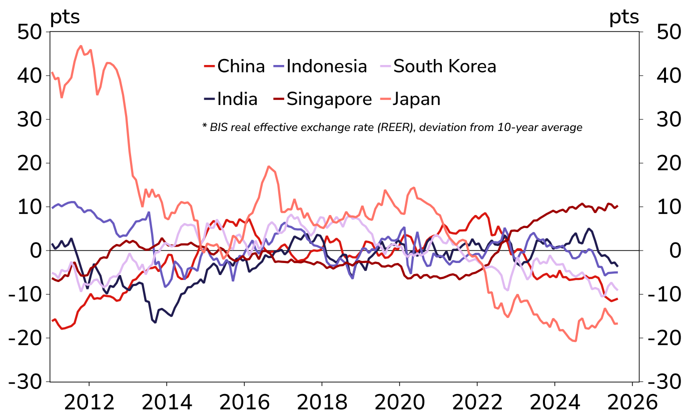

Source: Bloomberg, Macrobond, Westpac Economics

## Renminbi to sustain rally




Source: Bloomberg, Macrobond, Westpac Economics

## Asia's outlook promising




Source: BIS, Macrobond, Westpac Economics

# Growth falters in mid-2025 ...

**Kelly Eckhold**
Chief Economist

**The New Zealand economy faltered in the middle of 2025, revealing the vulnerabilities of the narrowly-based growth seen earlier in the year. The RBNZ accordingly front-loaded the easing foreshadowed at its August meeting, immediately moving the OCR to 2.5% with a 50bp cut. For now, the doves on the MPC rule the roost, although now clearly stimulatory conditions are likely to lay the groundwork for economic recovery and interest rate normalisation in 2026. The big question is: when will the recovery kick in?**

Since the beginning of the year, most analysts have been on the lookout for signs that the rapid series of RBNZ interest rate cuts since August 2024 and golden run of strong export commodity prices were beginning to boost demand. Earlier in the year the signs looked good with GDP growth outperforming pessimists' expectations and indications that increased primary sector incomes were helping to boost regional economies. The expectation was that by mid-year growth would be close to trend, with trend to above-trend growth a possibility for the second half of 2025 and into 2026.

Recent months have seen those hopes eroded, leading the RBNZ to pivot from slowing to restarting the pace of easing. In the last month, hopes of even a flat June quarter growth outcome were dashed by extremely weak GDP data which came in well below even the most pessimistic estimates at –0.9%qtr, a result that was 0.5ppts below our own forecast. That data, combined with more timely monthly indicators of activity, suggested the narrowly-based recovery experienced in early 2025 had evaporated, raising questions about how strong growth would be in the second half of 2025. The data indicated that the services sector was failing to fire and add to growth. And without the support of that broad sector's circa 70% of GDP, it is hard to generate consistent trend, let alone above trend growth.

In August, the RBNZ plainly indicated that they did not see a need for additional excess capacity with two MPC members already wanting to frontload easing. Hence, following the weak June quarter GDP data, we led analysts in forecasting a 50bp cut to the OCR to 2.5% at the October Monetary Policy Review (MPR) and reduced our year-end target for the OCR to 2.25%.

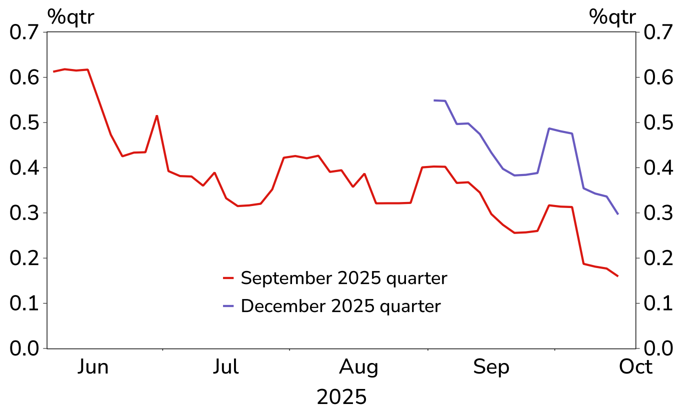
The RBNZ clearly delivered on those expectations, and in so doing delivered a dovish shock to a market that was a little less than 50:50 priced for the larger 50bp cut. The decision was made by consensus, so no vote was required. This means that the members who voted for a 25bp cut in August shifted to the 50bp camp in October while the new MPC member also shared the more dovish view.

We felt that these sorts of dynamics would play out given the run of the data strongly supported the position of the MPC doves, that the new MPC member Hayley Gourley was most likely to vote with the consensus for now, and that the soon to depart Governor Hawkesby would take his cue from those MPC members remaining after November.

As expected, the RBNZ emphasised the signs of significant excess capacity in the economy evident in the June quarter GDP data and subsequent September quarter NZIER Quarterly Survey of Business Opinion (QSBO) survey, which gave them comfort that medium-term inflation will be well under control.

Additionally, beyond the June quarter, the RBNZ seemed less optimistic about the strength of growth momentum in the second half of 2025 and noted that "*... economic activity recovered modestly in the September quarter.*" This is interesting and consistent with the message of our GDP Nowcast indicator which has been stable to declining in recent weeks and took a step down when indicators included in the QSBO were incorporated.

## New Zealand GDP nowcast




Source: Macrobond, Westpac Economics

Guidance for the future indicated that further easing seems likely in November – and perhaps beyond given the reference to future "reductions" in the OCR in the media release. The degree of guidance is equivocal, and hence further easing will be data dependent. But the language in the final sentence of the Media Release tells us a November easing is more likely than not, consistent with our forecasts:

*"The Committee remains open to further* ***reductions*** *[our emphasis] in the OCR as required for inflation to settle sustainably near the 2 percent target mid-point in the medium term."*

# ... causing the RBNZ to put its foot on the gas

We continue to see a further 25bp reduction in the OCR at the 26 November meeting. It is possible that a case could be made for both no change or a 50bp cut in November, depending on the data flow between now and then. The no-change option would come into play should the short-term indicators improve markedly between now and late November.

The RBNZ noted in the statement of record that they see the transmission mechanism as still working but needing more time. They also noted that indicators of activity recovered "modestly" in the September quarter, which tells us that they would need to see data that is a lot stronger before thinking about no change in the OCR in November. A much higher than expected Q3 CPI reading might also prompt a reassessment.

The 50bp option looks more interesting and seems a higher probability should data disappoint. There is also the issue of the long gap between the November and February meetings. If there remains some doubt about the economy's forward momentum, it is possible that the MPC will elect to insure against the possibility of continued below-trend growth performance over the summer trading period.

Looking ahead to the 26 November MPS, the key domestic economic indicators to watch are: the **Q3 CPI** (released 20 October, WBC 3.1%y/y, RBNZ 3.0% y/y) and **October Selected Prices** (17 November); the **Q3 labour market surveys** (released 5 November, Unemployment rate 5.3% WBC and RBNZ); the **Q4 RBNZ Survey of Expectations** (released 11 November), **Q4 RBNZ Survey of Household Expectations** (17 November) and the **Q4 RBNZ Survey of Business Expectations** (released 18 November).

The RBNZ will also pay close attention to developments in the BusinessNZ PMIs, consumer spending, the housing market and migration, ANZ Business and Consumer surveys (out in mid-October to mid-November) to better gauge growth momentum in H2 2025.

Developments in New Zealand's key commodity exports and the exchange rate will also be important in gauging the extent to which international conditions are impacting the New Zealand economy.

Needless to say 2026 is shaping up to be an interesting year. We currently anticipate the easing cycle will be complete by Christmas 2025 and the RBNZ will be on hold for around 12 months before beginning to normalise the OCR. We continue to see a neutral OCR at 3.75%, hence an OCR of 2-2.25% is firmly stimulatory and should begin to show tangible impacts.

The timing of the 2026 election – likely to occur in September to November 2026 – could be consequential as the RBNZ may not want to embark on a tightening cycle during an election campaign. Hence if the economy appears to be recovering robustly by mid-year then an earlier start to policy normalisation might be contemplated. We expect long term interest rates to increasingly reflect an expectation of a move in the OCR towards 3-4% as 2026 wears on.

However, there is a lot of water to go under the bridge before we reach that point. In the interim, markets are likely to be flirting with the idea of another 25-50bp cut in the OCR in the next 3-6 months. While-ever growth momentum remains weak and New Zealand interest rates low there will continue to be downward pressure on the New Zealand dollar – especially on the non-USD cross rates such as the Australian dollar, Euro and UK Sterling where interest rates are higher and there is relatively little additional policy easing being expected.

| | 2024 | | | 2025 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Monthly data** | **Oct** | **Nov** | **Dec** | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** |
| REINZ house sales %mth | 3.0 | 1.8 | –3.5 | –1.0 | 7.4 | 1.6 | 1.2 | –2.5 | –2.2 | 0.3 | –3.5 | –3.1 |
| Residential building consents %mth | –5.4 | 4.9 | –5.4 | 3.0 | 0.6 | 10.1 | –14.6 | 10.8 | –5.5 | 5.3 | 5.8 | – |
| Electronic card transactions %mth | 0.8 | –0.1 | 2.9 | –1.9 | 0.1 | –1.4 | –0.1 | –0.1 | 0.5 | 0.2 | 0.6 | –0.5 |
| Private sector credit %yr | 2.6 | 3.1 | 3.1 | 3.2 | 3.0 | 2.9 | 3.0 | 3.0 | 3.2 | 3.5 | 3.8 | – |
| Commodity prices %mth | 1.4 | 2.9 | 0.1 | 1.8 | 3.0 | –0.4 | 0.0 | 1.9 | –2.4 | –1.8 | 0.7 | –1.1 |
| Trade balance $m | –515 | –310 | –316 | 117 | –244 | –171 | 15 | –258 | –521 | –327 | 24 | – |

| **Quarterly data** | **Q2:23** | **Q3:23** | **Q4:23** | **Q1:24** | **Q2:24** | **Q3:24** | **Q4:24** | **Q1:25** | **Q2:25** | **Q3:25** |
|---|---|---|---|---|---|---|---|---|---|---|
| Westpac McDermott Miller Consumer Confidence | 83.1 | 80.2 | 88.9 | 93.2 | 82.2 | 90.8 | 97.5 | 89.2 | 91.2 | 90.9 |
| Quarterly Survey of Business Opinion | –10 | –16 | 6 | –28 | –26 | –28 | –25 | –22 | –22 | –14 |
| Unemployment rate % | 3.7 | 3.9 | 4.0 | 4.4 | 4.7 | 4.9 | 5.1 | 5.1 | 5.2 | – |
| CPI %yr | 6.0 | 5.6 | 4.7 | 4.0 | 3.3 | 2.2 | 2.2 | 2.5 | 2.7 | – |
| Real GDP %yr | 4.0 | 2.3 | 1.8 | 1.4 | 0.6 | 0.0 | –0.6 | –1.1 | –1.1 | – |
| Current account balance % of GDP | –7.5 | –7.1 | –6.3 | –5.7 | –5.5 | –5.2 | –4.7 | –4.2 | –3.7 | – |

Sources: Government agencies, Bloomberg, Macrobond, Westpac Economics. Some data omitted from certain series due to Lunar New Year distortions. *4qma

# Downside risks are domestic ...

**Elliot Clarke**
Head of International Economics

**China is facing a wave of uncertainty this month as the market assesses the latest barrage of trade restrictions from the White House, whether Presidents Xi and Trump will meet, and what additional policy support the upcoming 15th Five-Year Plan may bring.**

In our view, China's outlook is unlikely to come under significant additional pressure from the latest set of US policy measures. Indeed, it is possible the announcements are mere posturing ahead of a late-October meeting between the two leaders. Even if sustained, China's economy is well insulated from the US threats.

The additional port fees imposed by the US on China-linked ships, and reciprocal Chinese fees on US-linked ships, are costs that will inevitably be borne by US households and businesses – China's dominant position in global shipping and ship building affords pricing power.

Chinese firms have also shown an ability to maximise the productivity of available resources, hence the additional limits on 'critical software' are also unlikely to result in a lasting headwind. Indeed, in China's history, necessity and scarcity have often acted as catalysts for technological innovation and progress.

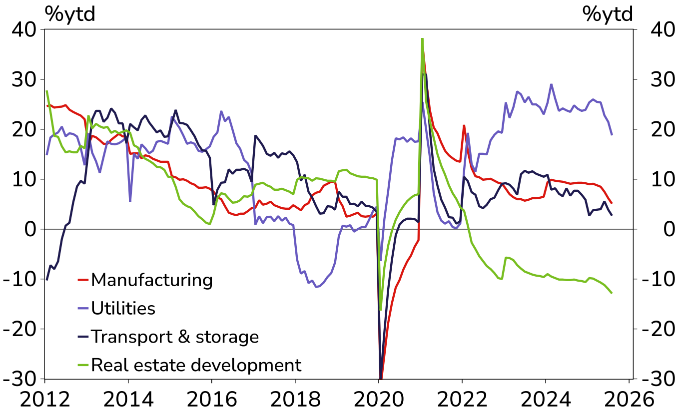
While an additional 100% tariff on Chinese goods imported to the US would take us back to the worst point in tariff 'negotiations' post Liberation Day, as was the case during the initial stress, a reduction in Chinese imports from the US can net out the drag on exports from any reduction in US demand and hold up China's surplus.

Absent a broadening of US tariffs to neighbouring Asian nations, in time China will also have an opportunity to work around US tariffs by further expanding its production network across the region. Note, the reach China already has in certain sectors and its intention to strengthen this advantage further was clear in the detail of the refreshed rare earth controls. Simply, where Chinese technology is relied upon, China has a say in neighbouring nations' actions.

The downside risks to China's outlook therefore largely remain concentrated in household demand.

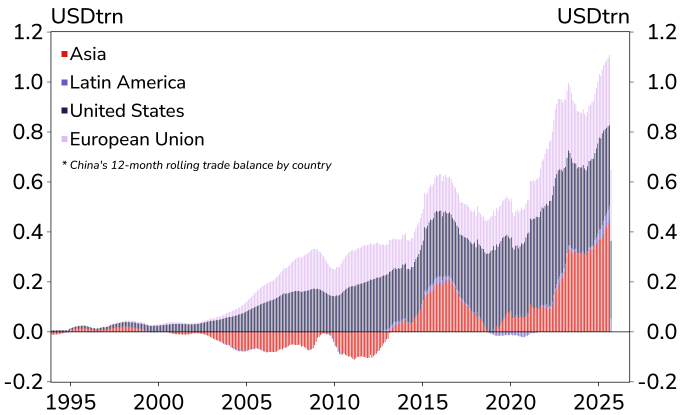
Despite a slew of measures to support the property sector, at September investment was still down 12.9%ytd and down more than a third from its peak. House prices also continue to contract at pace. And, on the most recent data, while growth in retail sales is certainly not terrible, it lacks the impetus necessary to offset the slowing underway in business investment as capacity expansion across the high-tech sectors matures.

## Market regards excess capacity as an issue



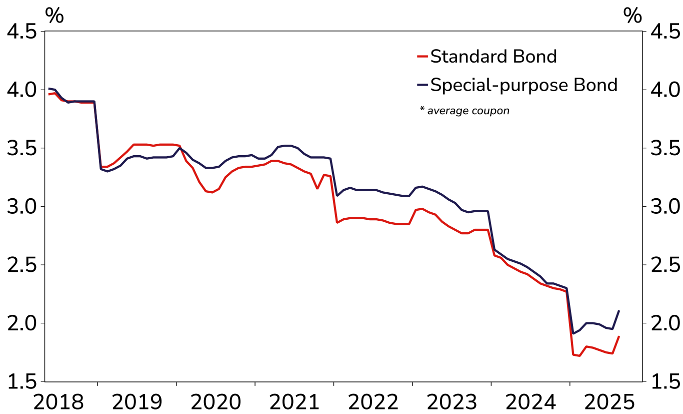

Source: NBS, Macrobond, Westpac Economics

## But trade allowing China to grow into it




Source: GAC, Macrobond, Westpac Economics

## Cost of funds attractive for productive investment




Source: MOF, Macrobond, Westpac Economics

# ... not external

As such, it is critical that the detail of the next Five-Year plan to 2030 shows an intent and plan to empower the consumer and provide opportunities to increase household incomes in a sustainable manner. Only when confidence is restored will individuals and businesses be willing to reduce savings and take on leverage.

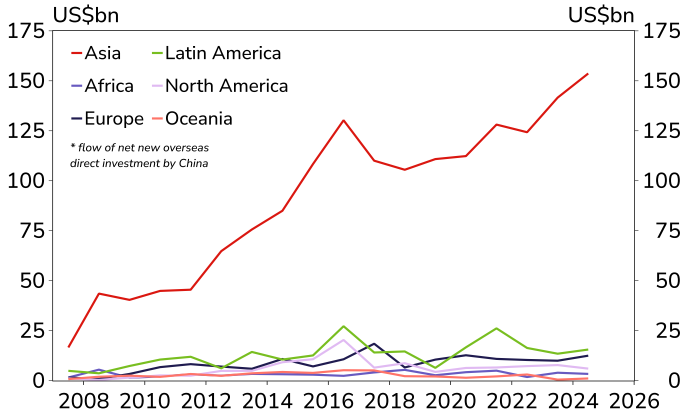
Our current expectation for GDP growth of around 4.5% in 2026 and 2027 is conditional on this upturn eventuating. Without it, there is downside risk for growth towards 4.0% or below.

Beyond our forecast horizon, the reliance of aggregate growth on household demand and associated business investment will only grow. This is why it is critical the Government also build momentum and resilience in household wealth, preferably with a focus on liquid equities and debt securities not illiquid leveraged property. Sustained gains for wealth will encourage households to not only reduce the flow of new savings, but also to dissave from their extraordinary stockpiles. This is particularly likely if households believe they will have a 'safety net' in retirement and therefore do not have to hold as high a cash balance 'just in case'.

To drive this growth in wealth and free up capacity for the public sector to invest in essential services, there is also a need for this Five Year plan to incentivise corporate profitability, maximise the net return on trade, and to broaden the Government's revenue take.

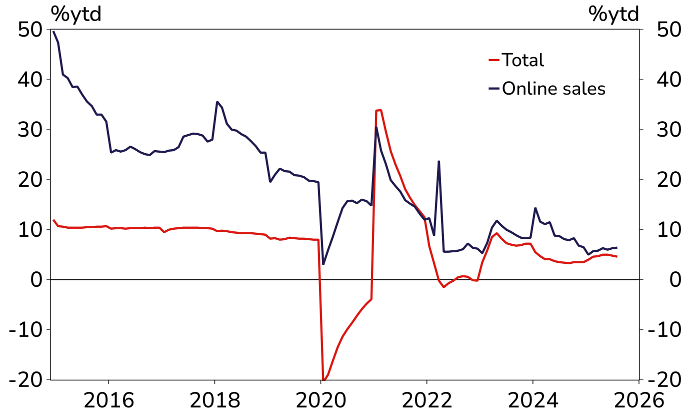
This combination will allow authorities to disperse the gains of economic development and to have confidence that the balance between government revenue and spending can be maintained throughout most of the cycle. Having spent considerable time relieving the debt stress of regional authorities, a loss of capacity at the central level due to a rapid increase in debt amid stress would be a significant negative for the medium-term outlook, particularly as term premiums across the developed world rise.

## China to continue investing in Asia




Source: MOFCOM, Macrobond, Westpac Economics

## Consumer demand must strengthen




Source: NBS, Macrobond, Westpac Economics

| | 2024 | | | 2025 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Monthly data %yr | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep |
| Headline CPI %yr | 0.3 | 0.2 | 0.1 | 0.5 | –0.7 | –0.1 | –0.1 | –0.1 | 0.1 | 0.0 | –0.4 | – |
| M2 money supply %yr | 7.5 | 7.1 | 7.3 | 7 | 7 | 7 | 8 | 7.9 | 8.3 | 8.8 | 8.8 | – |
| Manufacturing PMI (official) | 50.1 | 50.3 | 50.1 | 49.1 | 50.2 | 50.5 | 49 | 49.5 | 49.7 | 49.3 | 49.4 | 49.8 |
| Fixed asset investment ytd %yr | 3.4 | 3.3 | 3.2 | 3.2 | 4.1 | 4.2 | 4 | 3.7 | 2.8 | 1.6 | 0.5 | – |
| Industrial production %yr | 5.3 | 5.4 | 6.2 | 6.2 | 5.9 | 7.7 | 6.1 | 5.8 | 6.8 | 5.7 | 5.2 | – |
| Exports %yr | 12.6 | 6.6 | 10.7 | 5.9 | –3.1 | 12.2 | 8.1 | 4.7 | 5.8 | 7.2 | 4.4 | 8.3 |
| Imports %yr | –2.3 | –4 | 0.9 | –16.3 | 1.6 | –4.3 | –0.3 | –3.4 | 1.1 | 4.1 | 1.3 | 7.4 |
| Trade balance USDbn | 95.7 | 97.3 | 105.2 | 138.1 | 31.3 | 102.2 | 96.0 | 103.1 | 114.6 | 98.2 | 102.3 | 90.5 |

| Quarterly data | Mar–24 | Jun–24 | Sep–24 | Dec–24 | Mar–25 | Jun–25 |
|---|---|---|---|---|---|---|
| Real GDP %yr | 5.3 | 4.7 | 4.6 | 5.4 | 5.4 | 5.2 |
| Nominal GDP %yr | 4.2 | 4.0 | 4.1 | 4.6 | 4.6 | 3.9 |

Sources: Government agencies, Bloomberg, Macrobond, Westpac Economics. Some data omitted from certain series due to Lunar New Year distortions. *4qma

# Fears continue to mount ...

**Elliot Clarke**
Head of International Economics

**The past month started well for the US, with the FOMC cutting the fed funds rate by 25bps to 4.125% at the September meeting and providing a sanguine outlook on both growth and inflation. But since 1 October, risks to the outlook have continued to mount as the Federal Government entered another shutdown and US-China trade tensions flared again.**

On a median basis, the FOMC's updated September meeting forecasts were sanguine and consistent with monetary policy proving effective. GDP growth is now only expected to be below trend in 2025 then at trend through 2026-2028. The unemployment rate is consequently forecast to peak at just 4.5% in late-2025 before edging lower through 2026-2028. Supporting these outcomes is a return to a broadly neutral policy setting of 3.1% by end-2027, with 75bps of the full 125bps of cuts seen by end-2025.

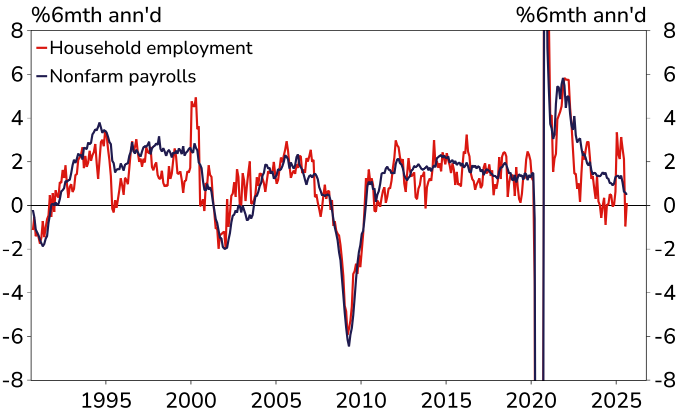
Inflation is not expected to hinder the FOMC's ability to manage demand risks, with PCE inflation forecast to abate from around 3.0% at end-2025 to 2.1% at the close of 2027. While the return of inflation to the medium-term target over the forecast period is 'by design', taken together, the activity and inflation forecasts signal a view that the tariff effect on inflation is a one-off and services inflation will continue to abate. We see greater risk on both fronts.

Note though, the Committee's views pre-date 1 October. Since then, the risks the US faces have grown exponentially. The biggest immediate concern from the Federal government shutdown is a lack of new data on the US economy, with key data releases now delayed until further notice. The cause of the data delay is a material concern for activity: all workers whose positions are partly or entirely funded by the Federal Government have been furloughed since 1 October and will largely remain without pay until the shutdown ends.

Ordinarily a shutdown lasts just a few days and is rectified with a long extension to the Government's spending authority. In this instance though, two weeks in there is no sign of negotiations even commencing between Republicans and Democrats let alone a draft agreement. Instead, Republicans are threatening Democrats with wide-spread redundancies across the public service which would make a temporary reduction in household income permanent if realised.

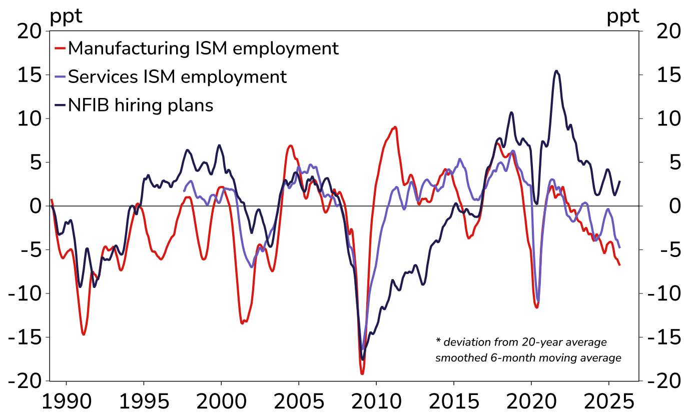
Following the US tariff 'whiplash' of April through September, the shutdown is not only a threat to the immediate pulse of consumer demand, but also to business investment. From the Beige Book and regional Federal Reserve surveys, outside of the AI complex, businesses are clearly delaying investment in new capacity and even spending on maintenance and

## Jobs growth is stalling out



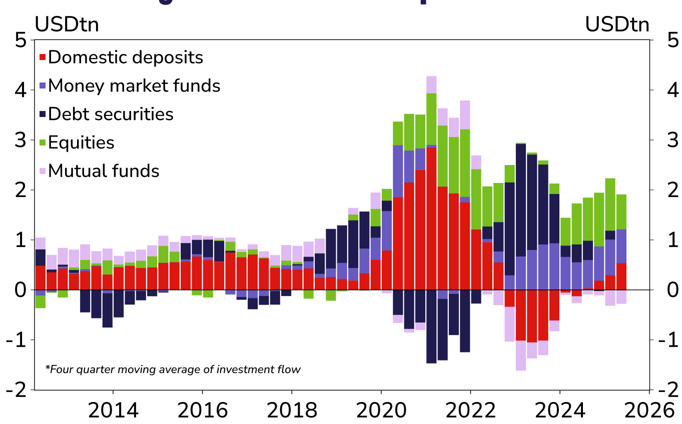

Source: BLS, Macrobond, Westpac Economics

## Risks to labour market one way




Source: ISM, NFIB, Macrobond, Westpac Economics

## Wealth being accumulated not spent




Source: Fed, Macrobond, Westpac Economics

# ... for the US economy

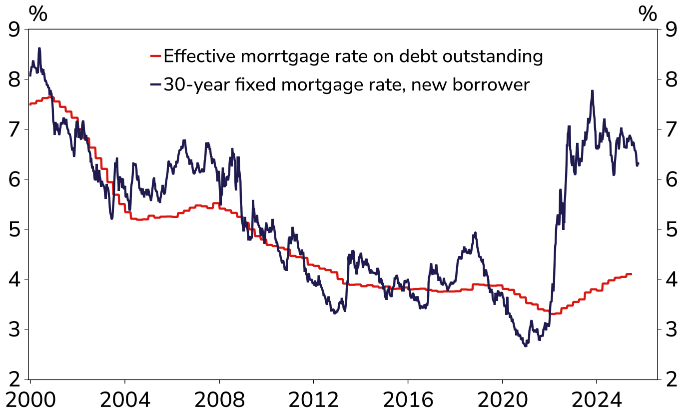
efficiency measures. This puts the medium term outlook for US capacity and productivity at risk. Meanwhile US housing activity is also being held back by elevated long term interest rates and the uncertainty around employment.

A number of additional trade threats have also come to light in the past fortnight. President Trump imposed additional port fees on Chinese ships bringing goods to the US, China responding in kind against shipping lines with significant US ties, and the US administration consequently threatening an additional 100% tariff on Chinese imports from 1 November.

The other major development for the US on the trade front has been China's decision to further restrict access to rare earths and technology related to extraction and processing. This is a decision that comes in response to limits on Chinese access to US markets and technology, including "critical software", and puts at risk US technological development, particularly for AI and defence. It is entirely possible that these developments are merely posturing ahead of a final deal – a Presidential meeting is mooted for late October – but we must be mindful of the risks as they stand. As such, on the data to hand, we see just one more cut by the FOMC as most appropriate. But an additional two cuts in H1 2026 are clearly a risk if the above uncertainties persist.

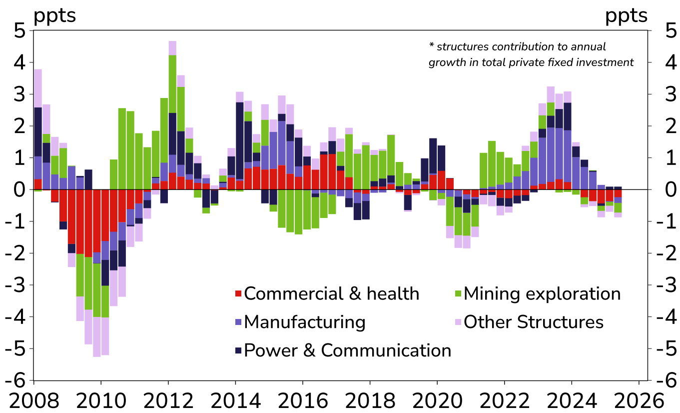
As a final point, we need to highlight that the above restrictions for investment and capacity are a lasting threat for US and global yields. While downside risks to activity will be reacted to by the FOMC and result in a lower fed funds rate, the market will also take into consideration the differential between actual and target inflation and associated risks, likely biasing up term interest rates. Fiscal policy is also a clear risk to the upside for US and global yields.

## Interest costs a constraint for new buyers




Source: BEA, Freddie Mac, Macrobond, Westpac Economics

## Firms refraining from capacity expansion




Source: BEA, Macrobond, Westpac Economics

| | 2024 | | | 2025 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Monthly data** | **Oct** | **Nov** | **Dec** | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** |
| PCE deflator %yr | 2.5 | 2.6 | 2.7 | 2.6 | 2.7 | 2.4 | 2.3 | 2.5 | 2.6 | 2.6 | 2.7 | – |
| Unemployment rate % | 4.1 | 4.2 | 4.1 | 4 | 4.1 | 4.2 | 4.2 | 4.2 | 4.1 | 4.2 | 4.3 | – |
| Nonfarm payrolls chg '000 | 44 | 261 | 323 | 111 | 102 | 120 | 158 | 19 | –13 | 79 | 22 | – |
| House prices* %yr | 4.2 | 4.3 | 4.5 | 4.7 | 4.5 | 4.1 | 3.4 | 2.8 | 2.2 | 1.8 | – | – |
| Durables orders core 3mth %saar | 0.1 | 3.1 | 0.6 | 14.5 | 6.9 | 6.5 | –6.9 | 2.6 | –0.9 | 8.9 | 3.5 | – |
| ISM manufacturing composite | 46.9 | 48.4 | 49.2 | 50.9 | 50.3 | 49.0 | 48.7 | 48.5 | 49.0 | 48.0 | 48.7 | 49.1 |
| ISM non–manufacturing composite | 55.8 | 52.5 | 54.1 | 52.8 | 53.5 | 50.8 | 51.6 | 49.9 | 50.8 | 50.1 | 52.0 | 50.0 |
| Personal spending 3mth %saar | 5.7 | 6.4 | 7.5 | 4.8 | 4.1 | 3.3 | 5.7 | 4.7 | 3.6 | 4.6 | 7.1 | – |
| UoM Consumer Sentiment | 70.5 | 71.8 | 74.0 | 71.7 | 64.7 | 57.0 | 52.2 | 52.2 | 60.7 | 61.7 | 58.2 | 55.1 |
| Trade balance USDbn | –74.3 | –79.8 | –96.9 | –128.8 | –120.3 | –136.4 | –60.2 | –71.1 | –59.1 | –78.3 | – | – |

| **Quarterly data** | **Jun–24** | **Sep–24** | **Dec–24** | **Mar–25** | **Jun–25** | **Sep–25(f)** |
|---|---|---|---|---|---|---|
| Real GDP % saar | 3.0 | 3.1 | 2.5 | –0.5 | 3.3 | 3.1 |
| Current account USDbn | –286.3 | –326.2 | –312.0 | –450.2 | – | – |

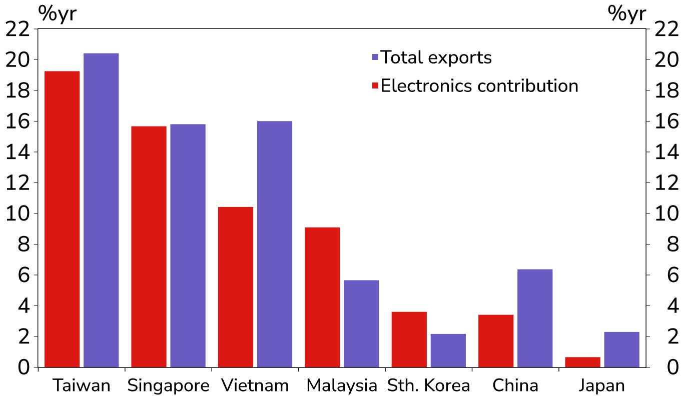
Sources: Government agencies, Bloomberg, *S&P Case–Shiller 20–city measure.

# Asia is at the heart of …

**Illiana Jain**
Economist

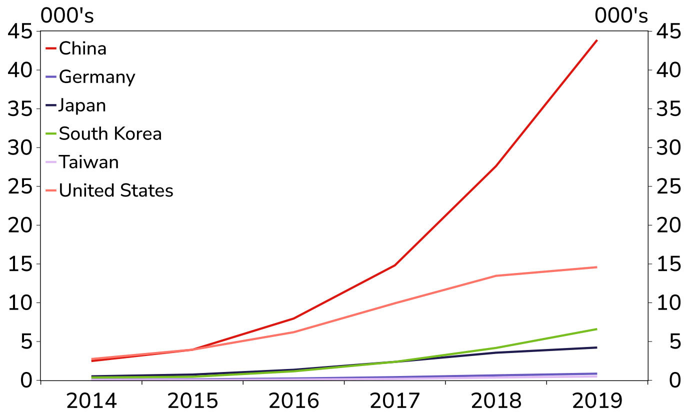
- The AI boom has seen growth in electronics exports across Asia outpace growth in non-electronics exports by a considerable margin, underscoring just how critical the region is in the development of new AI-related capability.
- Even as Asia faces headwinds from US tariffs, its position as a producer of core inputs at a time of rapid expansion in tech demand will help support growth and investment.
- Wood Mackenzie estimates that the five largest 'AI hyperscalers' in the US (the providers of extreme scale computing capacity) increased spending on data centres by 33% in 2024 and are tracking a further 50% increase in 2025 to ~$300bn. This is likely being mirrored by similar spending across other juristrictions. While much of this spend will be on energy, a large portion will be on semiconductors, the backbone of AI computing.
- Asia is also becoming more prominent in the design phase of AI technology. In particular, the large number of AI-related patents filed in China speaks to its determination to become a global leader in this space.
- Data to 2019 show China's AI-related patent submissions rose four-fold in just three years, surging well ahead of the US. Data to 2023 show total ICT submissions have risen a further 6% in China since then with a 4% rise in South Korea but falls elsewhere. Note that while counts are indicative, quality is key with citation rates and patent coverage important indicators.
- The idea that US innovation is years ahead of its peers is clearly being challenged. China has already released multiple AI models including DeepSeek's R1 which pioneered a major improvement in performance and establishing it as a credible rival to OpenAI's ChatGPT.
- Asia dominates the manufacturing stage of semiconductor production. A joint report by the Boston Consulting Group and the Semiconductor Industry Association (BCG-SIA) from 2021 showed that even four years ago Asia was already accounting for 70-80% of the fabrication and assembly. The report also highlighted just how sophisticated and complex the semiconductor design and manufacturing process is.
- Much of the 'front end' manufacturing occurs in northeast Asia. However, increased collaboration with China, Taiwan, Japan and Korea (including information sharing and foreign direct investment) has seen ASEAN become more prominent in the latter 'back end' stages of production (explaining its high share of US imports).

## Growth in exports for select economies for August



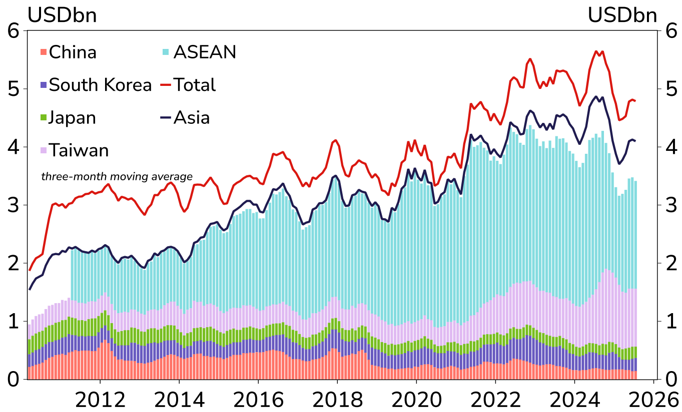

Source: Taiwan Ministry of Finance, KCS, SingStat, MOF, DOSM, BNM, General Department of Customs, GAC, Macrobond, Westpac Economics

## Patents related to AI submitted




Source: , Macrobond, Westpac Economics

## US imports of semiconductors by country

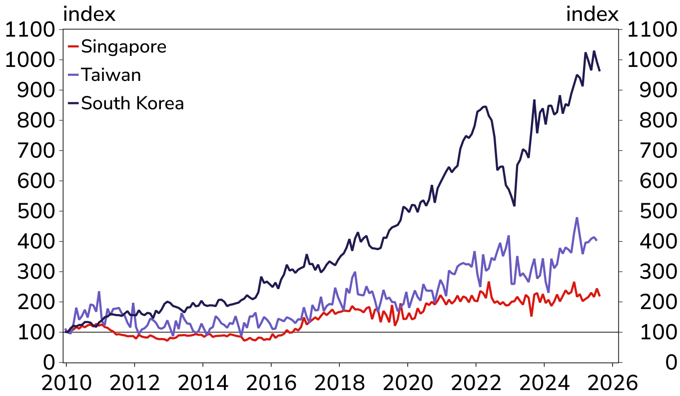



Source: USCB, Macrobond, Westpac Economics

# … the global AI scale-up

- These developments are leading to an even more deeply interconnected supply chain within Asia that leverages the low cost base across ASEAN and allows northeast Asia to specialise in higher tech manufacturing and more advanced chips. The closer integration also allows manufacturers to adapt more swiftly to changes in geopolitics by rerouting trade through different hubs across Asia.
- With the innovation driven by research and development hubs in China, Taiwan, South Korea and Japan, and the supply chain stretching across much of Asia, many Asian-based tech companies are well placed to catch up with US companies' most advanced capabilities in coming years.
- Indeed, US producers may well struggle given restrictive trade policies and a less conducive environment for both research (much of which is led by universities) and for attracting highly skilled workers from around the world.

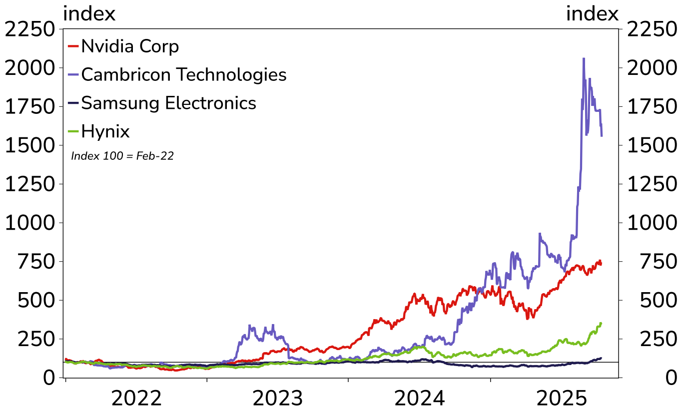
## Production picks up across Asia




Source: SEAJ, WSTS, MOTIE, Taiwan Ministry of Economic Affairs, SingStat, Taiwan Ministry of Finance, KOSTAT, Macrobond, Westpac Economics

- Chinese chipmakers such as Cambricon Technologies – often described as China's Nvidia – are reportedly close to developing high end chips that match Nvidia's in terms of performance. If so, this would allow China to become increasingly self-reliant for scaling AI capacity.
- It should also see the rest of the world benefit from greater capacity and more diverse solutions, likely at cheaper price points.
- That said, prospects are clearly being clouded by rising geopolitical tensions between the US and China. On top of economic considerations, both countries see computing technology as a key strategic area for security. Trade disruptions and uncertainty are becoming more significant.
- These tensions could become more complex for Asia. Despite increased integration, semiconductor production remains a complex, globally distributed process.

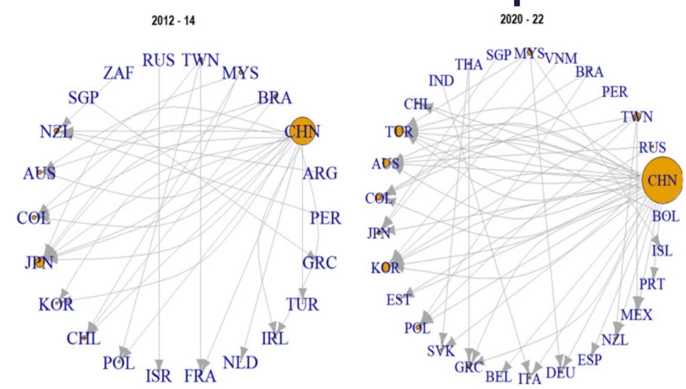
## Market cap for chip companies across Asia




Source: WFE, KRXBloomberg, Macrobond, Westpac Economics

- As this [recent OECD paper] notes, the "analysis of crosscountry linkages within the semiconductor value chain reveals a high concentration of critical inputs in specific regions, the specialisation of economies in certain segments and growing trade dependencies" with "stronger international collaboration and knowledge sharing … essential to address vulnerabilities and manage potential supply chain disruptions". Notably, the BCG-SIA report estimated in 2021 that it would cost ~US$1trn for the US to become fully self-sufficient in semiconductor manufacturing.
- The global AI race is no longer just about who builds the best models – it is about who leads in innovation, who can maintain and optimise supply chains, and who can implement at scale. Asia is looking increasingly capable on all of these fronts.

## Semiconductor value chain: trade dependencies




Note: Each arrow represents one dependency at the economy-product level. Node sizes represent degree centrality, indicating the number of direct connections each node has.
Source: OECD calculations based on UN Comtrade database.

# Rising populist wave ...

**Mantas Vanagas**
Senior Economist

**The chaotic nature of US economic policy-making and the self-inflicted damage caused by tariffs led to the fading of the US exceptionalism narrative earlier this year. Many investors responded by looking to reduce their exposure to US markets. After the initial TINA stage, attention shifted to Europe, the only market comparable in size and depth.**

Given anaemic economic growth in recent years and ongoing security threats from the east, Europe appeared attractively priced for significant gains – provided its structural challenges are addressed. Mario Draghi's report on the future of EU competitiveness, coupled with Germany's substantial shift towards higher fiscal spending to invest in infrastructure and defence, boosted financial market confidence that Europe was committed to progress. However, the continent's complex political environment remains a major obstacle to convincing investors that it can be sustained going forward.

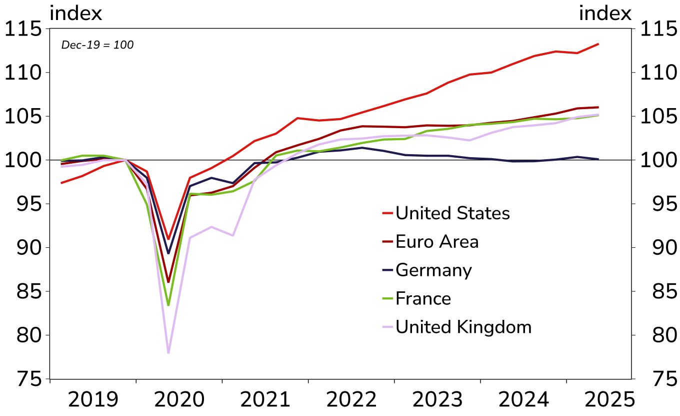
Recent developments in France highlight these challenges. Sebastien Lecornu, the fifth French Prime Minister in twenty-one months, resigned after just 27 days in office. Last-minute efforts by Lecornu rallied enough support for the National Assembly to continue, narrowly avoiding a situation where the President would have been forced to call a snap general election barely a year since the previous vote. Polls indicate the far-right National Rally would have benefitted most from a new election. Its leader, Marine Le Pen, is positioning the party as a source of stability that is ready to govern, if given an opportunity.

The President has reappointed Lecornu as Prime Minister to lead the effort to pass the 2026 budget – a true test of the government's ability to function amid mounting fiscal pressures. On current trends, French deficits will remain above 5% of GDP, far exceeding the EU's 3% target, unless spending cuts are implemented. France's government expenditure as a percentage of GDP is currently the highest in the EU. In this political environment, achieving fiscal discipline will be particularly challenging. For example, Lecornu managed to secure Socialist party support, which is crucial for his government to survive, only by agreeing to suspend pension reform – a flagship Macron policy which raises the retirement age – until the 2027 Presidential Election. The move will add to budget pressures, requiring offsetting savings elsewhere.

Financial markets are monitoring these events closely. Recently, the French 10yr spread to Bunds reached its highest level since January. Last month, Fitch downgraded France to a single A+ rating, and while S&P Global maintains an AA- rating, their negative outlook indicates a possible downgrade.

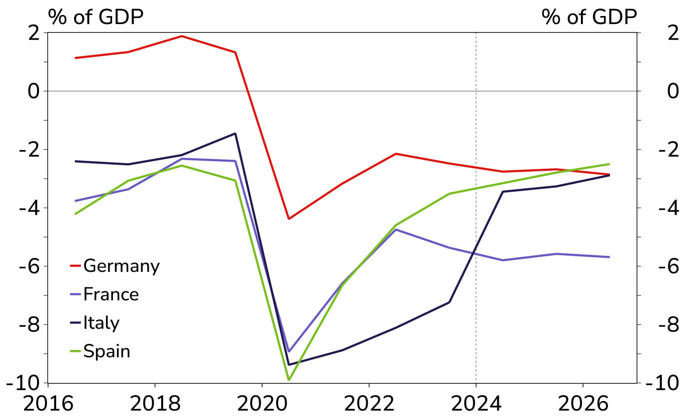
The rise of right-wing parties is not limited to France. In Germany, the far-right Alternative for Germany (AfD), a

## GDP Comparison



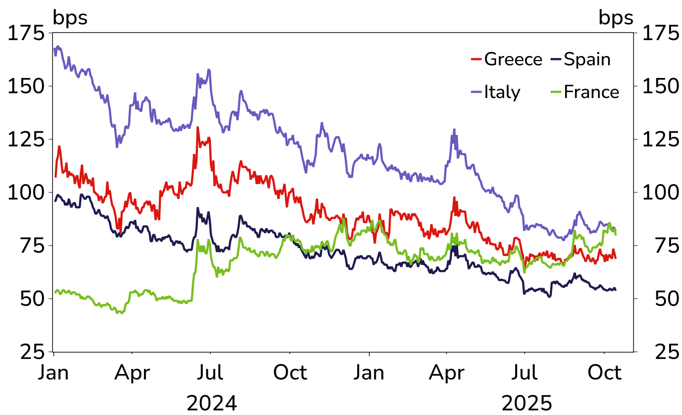

Source: ABS, BEA, ONS, Eurostat, Stats NZ, DESTATIS, INSEE, Macrobond, Westpac Economics

## General government budget balance




Source: DG ECFIN, Macrobond, Westpac Economics

## Government bond yields 10Y spread to Bunds




Source: Macrobond, Macrobond, Westpac Economics

# … might test Europe's growth revival

Eurosceptic populist party, has surged in opinion polls. Last month's local elections in North Rhine-Westphalia, Germany's most populous state, saw the AfD secure 14.5% of votes – below the 21% it received in the February federal elections, but nearly 10ppts higher than five years ago. North Rhine-Westphalia has traditionally been a stronghold for the Social Democrats (SPD), the left-wing junior coalition partner to Chancellor Friedrich Merz's Christian Democrats (CDU).

These dynamics are unlikely to improve near term. The Chancellor recently acknowledged that Germany's generous welfare state is unsustainable while the largest euro area economy struggles to grow. Accordingly, the proposed 2026 budget includes substantial welfare cuts.

In the context of the debt-funded programme for defence and infrastructure announced earlier this year, shifting policy priorities are fuelling political tensions. The SPD has already signalled strong opposition to the proposed cuts. If the German economy does not begin to recover sustainably, conditions could further strengthen the AfD's position.

The UK faces similar challenges. The Labour government is struggling to reinvigorate the economy, which is forcing it into difficult choices between facing financial market pressures and further spending cuts or tax increases.

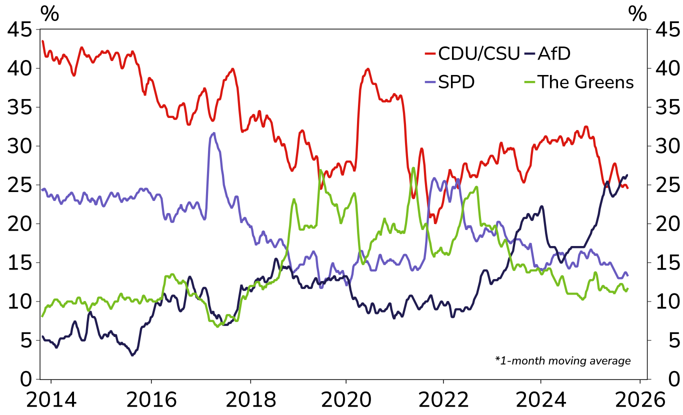
The next UK budget announcement at the end of November is looking to be a major test, with weaker economic growth leaving a £20-30bn fiscal hole for the Chancellor of the Exchequer to plug. In the meantime, the right-wing Reform UK party is gaining ground with polls now showing it as the most popular party in the country.

Much of its rise is driven by public concern over high immigration, which now ranks above the economy as the UK's most important issue. While the first-past-the-post electoral system does not always convert broad public support into parliamentary seats, model estimates suggest Reform UK would win a general election by a significant margin if held now.

Europe's economic outlook remains closely linked to its complex political landscape. Persistent fiscal challenges and the rise of populist parties will test the continent's ability to make difficult decisions, potentially resulting in slower long-term growth. Nonetheless, resilient institutions – including pan-European bodies – and market forces are likely to prove effective in keeping major European economies on the right path.

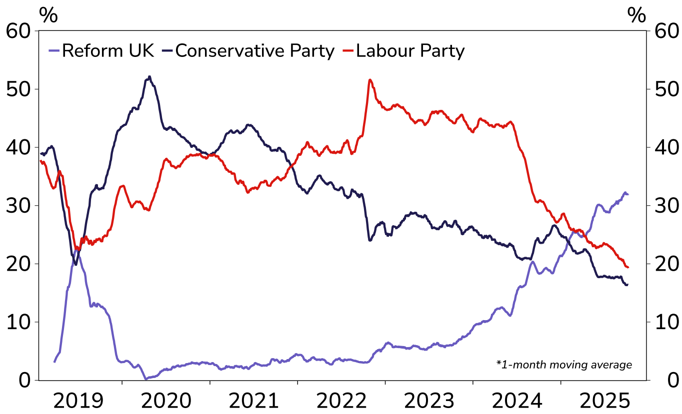
Over time, this should give investors enough confidence for Europe to compete with the AI-centric US and Asia for equity flows and, for debt securities, as a real alternative to the US.

## Political party support in Germany



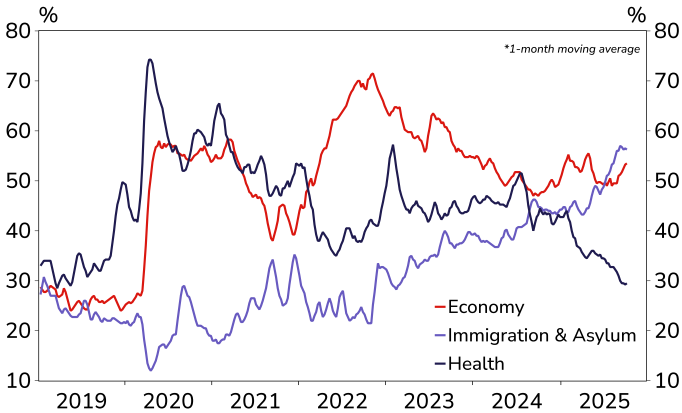

Source: Wahlrecht.de, Macrobond, Westpac Economics

## Political party support in the UK




Source: Europe Elects, Macrobond, Westpac Economics

## Most important issue facing the UK




Source: YouGov, Macrobond, Westpac Economics

# Australia

## Interest rate forecasts

| | Latest (15 Oct) | 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 | 3.56 | 3.30 | 3.05 | 2.95 | 2.95 | 2.95 | 2.95 | 2.95 | 2.95 | 2.95 |
| 3 Year Swap | 3.47 | 3.40 | 3.45 | 3.50 | 3.60 | 3.70 | 3.80 | 3.90 | 3.95 | 4.00 |
| 3 Year Bond | 3.47 | 3.45 | 3.50 | 3.55 | 3.65 | 3.75 | 3.85 | 3.90 | 3.95 | 4.00 |
| 10 Year Bond | 4.25 | 4.30 | 4.35 | 4.40 | 4.45 | 4.50 | 4.55 | 4.60 | 4.60 | 4.65 |
| 10 Year Spread to US (bps) | 22 | 15 | 15 | 15 | 15 | 10 | 5 | 0 | –5 | –5 |

## Currency forecasts

| | Latest (15 Oct) | Dec–25 | Mar–26 | Jun–26 | Sep–26 | Dec–26 | Mar–27 | Jun–27 | Sep–27 | Dec–27 |
|---|---|---|---|---|---|---|---|---|---|---|
| AUD vs | | | | | | | | | | |
| USD | 0.6489 | 0.67 | 0.68 | 0.69 | 0.70 | 0.71 | 0.72 | 0.72 | 0.73 | 0.73 |
| JPY | 98.51 | 101 | 102 | 104 | 104 | 104 | 104 | 104 | 103 | 102 |
| EUR | 0.5591 | 0.57 | 0.57 | 0.58 | 0.59 | 0.59 | 0.60 | 0.60 | 0.60 | 0.60 |
| NZD | 1.1354 | 1.15 | 1.16 | 1.17 | 1.17 | 1.16 | 1.15 | 1.14 | 1.13 | 1.12 |
| CAD | 0.9110 | 0.93 | 0.94 | 0.95 | 0.96 | 0.96 | 0.96 | 0.96 | 0.96 | 0.96 |
| | | | | | | | | | | |
| GBP | 0.4871 | 0.49 | 0.50 | 0.51 | 0.51 | 0.52 | 0.52 | 0.52 | 0.53 | 0.53 |
| CHF | 0.5199 | 0.53 | 0.54 | 0.55 | 0.56 | 0.56 | 0.56 | 0.57 | 0.57 | 0.57 |
| DKK | 4.1756 | 4.24 | 4.29 | 4.36 | 4.40 | 4.44 | 4.46 | 4.47 | 4.49 | 4.51 |
| SEK | 6.1827 | 6.29 | 6.35 | 6.46 | 6.52 | 6.57 | 6.61 | 6.62 | 6.65 | 6.67 |
| NOK | 6.5874 | 6.70 | 6.76 | 6.88 | 6.94 | 7.00 | 7.04 | 7.06 | 7.08 | 7.11 |
| ZAR | 11.28 | 11.4 | 11.5 | 11.6 | 11.7 | 11.8 | 11.8 | 11.9 | 11.9 | 12.0 |
| | | | | | | | | | | |
| SGD | 0.8425 | 0.86 | 0.86 | 0.88 | 0.89 | 0.90 | 0.91 | 0.91 | 0.91 | 0.92 |
| HKD | 5.0444 | 5.18 | 5.25 | 5.36 | 5.43 | 5.49 | 5.54 | 5.58 | 5.62 | 5.66 |
| PHP | 37.60 | 38.0 | 37.8 | 38.0 | 38.2 | 38.2 | 38.3 | 38.2 | 38.1 | 38.3 |
| THB | 21.22 | 21.3 | 21.3 | 21.5 | 21.7 | 21.8 | 21.9 | 21.7 | 21.8 | 22.0 |
| MYR | 2.7284 | 2.79 | 2.80 | 2.83 | 2.84 | 2.83 | 2.82 | 2.81 | 2.79 | 2.81 |
| CNY | 4.6328 | 4.72 | 4.76 | 4.83 | 4.87 | 4.89 | 4.86 | 4.82 | 4.79 | 4.75 |
| IDR | 10774 | 10906 | 10935 | 11040 | 10990 | 10903 | 10797 | 10656 | 10585 | 10658 |
| TWD | 19.98 | 20.1 | 20.1 | 20.3 | 20.3 | 20.4 | 20.5 | 20.6 | 20.7 | 20.8 |
| KRW | 927 | 924 | 925 | 932 | 938 | 942 | 947 | 950 | 953 | 960 |
| INR | 57.26 | 58.5 | 58.7 | 59.3 | 59.5 | 58.8 | 57.9 | 56.9 | 56.6 | 56.2 |

# Australia

## Activity forecasts

| | 2025 | | | | 2026 | | | | Calendar years | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **%qtr / %yr end** | Q1 | Q2 | Q3f | Q4f | Q1f | Q2f | Q3f | Q4f | **2024** | **2025f** | **2026f** | **2027f** |
| Household consumption | 0.4 | 0.9 | 0.7 | 0.5 | 0.7 | 0.7 | 0.7 | 0.7 | 0.9 | 2.5 | 2.6 | 2.8 |
| Dwelling investment | 2.1 | 0.4 | 1.4 | 1.2 | 1.3 | 1.6 | 1.7 | 1.7 | 3.5 | 5.1 | 6.5 | 5.5 |
| Business investment * | 0.3 | –0.4 | 0.9 | 0.9 | 0.8 | 0.9 | 1.2 | 1.2 | 0.4 | 1.6 | 4.1 | 4.7 |
| Private demand * | 0.5 | 0.6 | 0.8 | 0.6 | 0.8 | 0.8 | 0.9 | 0.9 | 1.0 | 2.6 | 3.4 | 3.4 |
| Public demand * | –0.3 | 0.2 | 0.7 | 0.7 | 0.8 | 0.7 | 0.5 | 0.6 | 5.4 | 1.3 | 2.6 | 2.5 |
| Domestic demand | 0.3 | 0.5 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 2.3 | 2.2 | 3.2 | 3.2 |
| Stock contribution | 0.3 | –0.1 | –0.1 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 |
| GNE | 0.5 | 0.4 | 0.7 | 0.6 | 0.8 | 0.8 | 0.8 | 0.8 | 2.4 | 2.3 | 3.3 | 3.2 |
| Exports | –0.7 | 1.7 | 0.1 | 0.3 | 0.4 | 0.4 | 0.4 | 0.5 | 1.4 | 1.5 | 1.7 | 2.5 |
| Imports | 0.1 | 1.4 | 0.5 | 0.5 | 1.3 | 1.3 | 1.3 | 1.3 | 6.2 | 2.5 | 5.3 | 4.9 |
| Net exports contribution | –0.2 | 0.1 | –0.1 | 0.0 | –0.2 | –0.2 | –0.2 | –0.2 | –1.0 | –0.2 | –0.8 | –0.5 |
| **Real GDP %qtr / %yr avg** | **0.3** | **0.6** | **0.6** | **0.6** | **0.6** | **0.6** | **0.6** | **0.6** | **1.0** | **1.8** | **2.4** | **2.5** |
| **%yr end** | **1.4** | **1.8** | **2.1** | **2.1** | **2.4** | **2.4** | **2.4** | **2.4** | **1.3** | **2.1** | **2.4** | **2.6** |
| Nominal GDP %qtr / %yr avg | 1.4 | 1.3 | 1.2 | 1.0 | 0.9 | 1.0 | 1.0 | 1.1 | 3.8 | 4.8 | 4.1 | 4.4 |
| %yr end | 3.7 | 4.7 | 5.6 | 5.0 | 4.4 | 4.0 | 3.9 | 4.0 | 3.6 | 5.0 | 4.0 | 4.6 |
| Real household disp. income | 1.5 | 0.0 | 0.5 | 0.5 | 0.9 | 0.6 | 1.8 | –0.5 | 2.2 | 2.5 | 2.8 | 2.5 |

## Other macroeconomic variables

| | 2025 | | | | 2026 | | | | Calendar years | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| % change | Q1 | Q2f | Q3f | Q4f | Q1f | Q2f | Q3f | Q4f | **2024** | **2025f** | **2026f** | **2027f** |
| Employment %qtr ** | 0.3 | 0.6 | 0.2 | 0.2 | 0.3 | 0.2 | 0.4 | 0.4 | – | – | – | – |
| %yr end ** | 2.2 | 2.2 | 1.6 | 1.3 | 1.3 | 1.0 | 1.2 | 1.3 | 2.2 | 1.3 | 1.3 | 1.8 |
| 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) (sa) %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 |
| Headline CPI %qtr | 0.9 | 0.7 | 1.1 | 0.2 | 0.7 | 0.8 | 0.6 | 0.5 | – | – | – | – |
| %yr end | 2.4 | 2.1 | 3.0 | 3.0 | 2.8 | 2.9 | 2.4 | 2.6 | 2.4 | 3.0 | 2.6 | 2.5 |
| Trimmed Mean CPI %qtr | 0.7 | 0.6 | 0.8 | 0.5 | 0.6 | 0.5 | 0.6 | 0.6 | – | – | – | – |
| %yr end | 2.9 | 2.7 | 2.7 | 2.6 | 2.5 | 2.4 | 2.2 | 2.3 | 3.2 | 2.6 | 2.3 | 2.5 |
| Current account $bn, qtr | –14.1 | –13.7 | –10.0 | –8.2 | –9.6 | –10.9 | –11.5 | –12.0 | – | – | – | – |
| % of GDP | –2.0 | –1.9 | –1.4 | –1.1 | –1.3 | –1.5 | –1.5 | –1.6 | –2.3 | –1.1 | –1.6 | –1.8 |
| Terms of trade %yr avg | –4.1 | –3.8 | –2.4 | –0.9 | 0.3 | 1.2 | 0.5 | –0.1 | –4.8 | –0.9 | –0.1 | 0.2 |
| Population %yr end | 1.6 | 1.5 | 1.5 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.7 | 1.4 | 1.4 | 1.3 |

Calendar year changes are annual through–the–year percentage changes unless otherwise specified.
* Business investment, private and public demand are adjusted to exclude the effect of private sector purchases of public sector assets. ** Quarter–averages.

## Macroeconomic variables – recent history

| | 2024 | | 2025 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Monthly data | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct |
| Employment '000 chg | 14.4 | 60.0 | 30.2 | –61.7 | 20.1 | 89.8 | 1.2 | 2.1 | 26.5 | –5.4 | – | – |
| Unemployment rate % | 3.9 | 4.0 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4.3 | 4.2 | 4.2 | – | – |
| Westpac–MI Consumer Sentiment | 94.6 | 92.8 | 92.1 | 92.2 | 95.9 | 90.1 | 92.1 | 92.6 | 93.1 | 98.5 | 95.4 | 92.1 |
| Household spending %mth | 0.7 | 0.2 | 0.7 | 0.2 | 0.1 | 0.0 | 1.0 | 0.5 | 0.4 | 0.1 | – | – |
| Dwelling approvals %mth | –3.0 | 0.7 | 7.7 | –0.4 | –6.0 | –4.8 | 2.4 | 14.0 | –10.0 | –6.0 | – | – |
| Private sector credit %mth | 0.6 | 0.6 | 0.5 | 0.6 | 0.5 | 0.7 | 0.6 | 0.6 | 0.7 | 0.6 | – | – |
| Trade in goods balance AUDbn | 6.2 | 4.2 | 4.5 | 2.5 | 5.8 | 4.6 | 1.8 | 4.5 | 6.6 | 1.8 | – | – |

# New Zealand

## Interest rate forecasts

| | Latest (15 Oct) | Dec–25 | Mar–26 | Jun–26 | Sep–26 | Dec–26 | Mar–27 | Jun–27 | Sep–27 | Dec–27 |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash | 2.50 | 2.25 | 2.25 | 2.25 | 2.25 | 2.50 | 2.75 | 3.00 | 3.25 | 3.50 |
| 90 Day Bill | 2.55 | 2.35 | 2.35 | 2.35 | 2.45 | 2.70 | 2.95 | 3.20 | 3.45 | 3.70 |
| 2 Year Swap | 2.52 | 2.70 | 2.90 | 3.15 | 3.35 | 3.55 | 3.70 | 3.85 | 3.95 | 4.00 |
| 10 Year Bond | 4.06 | 4.15 | 4.30 | 4.45 | 4.55 | 4.70 | 4.85 | 4.90 | 4.95 | 4.95 |
| 10 Year Spread to US | 2 | 0 | 10 | 20 | 25 | 30 | 35 | 30 | 30 | 25 |
| 10 Year Spread to Aust | –19 | –15 | –5 | 5 | 10 | 20 | 30 | 30 | 35 | 30 |

Sources: Bloomberg, Westpac Economics.

## Currency forecasts

| | Latest (15 Oct) | Dec–25 | Mar–26 | Jun–26 | Sep–26 | Dec–26 | Mar–27 | Jun–27 | Sep–27 | Dec–27 |
|---|---|---|---|---|---|---|---|---|---|---|
| **NZD vs** | | | | | | | | | | |
| USD | 0.5715 | 0.58 | 0.58 | 0.59 | 0.60 | 0.61 | 0.62 | 0.63 | 0.64 | 0.65 |
| JPY | 86.76 | 88 | 88 | 89 | 89 | 90 | 91 | 91 | 91 | 91 |
| EUR | 0.4924 | 0.50 | 0.49 | 0.50 | 0.51 | 0.51 | 0.52 | 0.52 | 0.53 | 0.54 |
| AUD | 0.8807 | 0.87 | 0.86 | 0.86 | 0.86 | 0.86 | 0.87 | 0.88 | 0.88 | 0.89 |
| CAD | 0.8023 | 0.81 | 0.81 | 0.81 | 0.82 | 0.83 | 0.84 | 0.84 | 0.85 | 0.86 |
| GBP | 0.4290 | 0.43 | 0.43 | 0.43 | 0.44 | 0.45 | 0.45 | 0.46 | 0.46 | 0.47 |
| CNY | 4.0793 | 4.12 | 4.09 | 4.13 | 4.17 | 4.21 | 4.22 | 4.22 | 4.22 | 4.23 |

Sources: Bloomberg, Westpac Economics.

## Activity forecasts

| | 2025 | | | | 2026 | | | | Calendar years | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **% change** | **Q1** | **Q2f** | **Q3f** | **Q4f** | **Q1f** | **Q2f** | **Q3f** | **Q4f** | **2024** | **2025f** | **2026f** | **2027f** |
| Private consumption | 1.3 | 0.4 | 0.4 | 0.8 | 1.0 | 1.1 | 1.1 | 1.1 | –0.3 | 2.0 | 3.5 | 4.0 |
| Government consumption | 1.5 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.5 | 0.4 | 2.1 | 0.3 | 2.1 |
| Residential investment | 3.3 | –1.9 | 0.0 | 0.2 | 0.8 | 1.5 | 2.3 | 2.5 | –11.5 | –4.8 | 3.5 | 9.9 |
| Business investment | 0.6 | –0.9 | 1.1 | 2.1 | 2.3 | 2.0 | 1.8 | 1.6 | –2.2 | 0.6 | 7.2 | 5.9 |
| Stocks (ppt contribution) | –0.3 | 0.5 | 0.2 | 0.5 | –0.1 | –0.4 | –0.1 | 0.3 | 0.2 | 0.3 | 0.3 | –0.1 |
| GNE | 0.6 | 0.5 | 0.6 | 1.3 | 1.0 | 0.7 | 1.0 | 1.4 | –1.2 | 1.5 | 3.8 | 4.1 |
| Exports | –0.4 | –1.2 | 0.7 | 0.7 | 0.8 | 0.6 | 0.7 | 0.7 | 4.7 | 1.4 | 2.6 | 2.7 |
| Imports | 0.5 | 0.6 | 0.4 | 1.8 | 1.7 | 1.7 | 1.4 | 1.5 | 1.6 | 2.3 | 5.8 | 5.0 |
| GDP (production) | 0.9 | –0.9 | 0.6 | 1.0 | 0.7 | 0.4 | 0.8 | 1.2 | –0.6 | 0.4 | 2.5 | 3.5 |
| Employment annual % | –0.7 | –0.9 | –0.2 | 0.2 | 0.7 | 1.4 | 2.0 | 2.5 | –1.2 | 0.2 | 2.5 | 2.0 |
| Unemployment rate % s.a. | 5.1 | 5.2 | 5.3 | 5.3 | 5.2 | 5.0 | 4.8 | 4.6 | 5.1 | 5.3 | 4.6 | 4.2 |
| LCI, all sect incl o/t, ann % | 2.9 | 2.4 | 2.3 | 2.2 | 2.2 | 2.1 | 2.1 | 2.2 | 3.3 | 2.2 | 2.2 | 2.2 |
| CPI annual % | 2.5 | 2.7 | 3.1 | 3.0 | 2.5 | 2.2 | 2.0 | 2.0 | 2.2 | 3.0 | 2.0 | 2.1 |
| Current account % of GDP | –4.2 | –3.7 | –3.5 | –3.6 | –3.6 | –3.8 | –4.0 | –4.1 | –4.7 | –3.6 | –4.1 | –4.1 |
| Terms of trade annual % | 10.3 | 12.2 | 10.0 | 6.4 | 4.9 | 1.0 | 0.9 | 1.4 | 13.7 | 6.4 | 1.4 | 1.0 |

Sources: Statistics NZ, Westpac Economics.

# Commodity prices

| End of period | Latest (15 Oct) | Dec–25 | Mar–26 | Jun–26 | Sep–26 | Dec–26 | Mar–27 | Jun–27 | Sep–27 | Dec–27 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australian commodities index# | 349 | 342 | 332 | 330 | 329 | 330 | 332 | 335 | 336 | 335 |
| **Bulk commodities index#** | **379** | **370** | **350** | **340** | **340** | **340** | **340** | **340** | **340** | **350** |
| iron ore finesTSI @ 62% US$/t | 106 | 97 | 90 | 86 | 84 | 83 | 84 | 85 | 85 | 86 |
| Premium low vol met coal (US$/t) | 190 | 190 | 192 | 192 | 196 | 198 | 199 | 201 | 202 | 203 |
| Newcastle spot thermal coal (US$/t) | 109 | 110 | 107 | 107 | 108 | 108 | 109 | 110 | 110 | 111 |
| crude oil (US$/bbl) Brent ICE | 63 | 58 | 59 | 60 | 62 | 65 | 67 | 70 | 71 | 72 |
| LNG in Japan US$mmbtu | 11.63 | 11.5 | 9.7 | 9.7 | 9.6 | 9.6 | 9.8 | 9.7 | 9.8 | 9.9 |
| gold (US$/oz) | 4,092 | 4,100 | 4,130 | 4,150 | 4,180 | 4,200 | 4,230 | 4,230 | 4,200 | 4,100 |
| **Base metals index#** | **218** | **219** | **219** | **218** | **217** | **214** | **220** | **230** | **233** | **236** |
| copper (US$/t) | 10,688 | 10,700 | 10,700 | 10,650 | 10,600 | 10,500 | 10,870 | 11,430 | 11,620 | 11,810 |
| aluminium (US$/t) | 2,574 | 2,600 | 2,630 | 2,650 | 2,680 | 2,650 | 2,720 | 2,830 | 2,860 | 2,900 |
| nickel (US$/t) | 15,157 | 15,300 | 15,300 | 15,100 | 15,000 | 14,750 | 15,110 | 15,640 | 15,820 | 15,990 |
| zinc (US$/t) | 3,019 | 3,000 | 2,950 | 2,850 | 2,750 | 2,700 | 2,670 | 2,740 | 2,760 | 2,780 |
| lead (US$/t) | 1,981 | 1,980 | 1,960 | 1,940 | 1,930 | 1,920 | 1,960 | 2,020 | 2,040 | 2,060 |
| **Rural commodities index#** | **119** | **123** | **124** | **125** | **127** | **126** | **124** | **130** | **132** | **134** |
| **NZ commodities index ##** | | **379** | **380** | **383** | **387** | **391** | **394** | **396** | **398** | **400** |
| dairy price index ## | | 330 | 328 | 333 | 338 | 344 | 348 | 351 | 353 | 356 |
| whole milk powder USD/t | | 3,700 | 3,770 | 3,850 | 3,920 | 4,000 | 4,030 | 4,060 | 4,090 | 4,120 |
| skim milk powder USD/t | | 2,550 | 2,570 | 2,600 | 2,650 | 2,700 | 2,720 | 2,740 | 2,760 | 2,780 |
| lamb price index ## | | 595 | 595 | 593 | 588 | 583 | 579 | 576 | 573 | 570 |
| beef price index ## | | 325 | 328 | 331 | 333 | 335 | 336 | 335 | 334 | 333 |
| forestry price index ## | | 153 | 154 | 156 | 158 | 161 | 163 | 166 | 169 | 172 |

| | levels | | | | %change | | | |
|---|---|---|---|---|---|---|---|---|
| Annual averages | 2024 | 2025(f) | 2026(f) | 2027(f) | 2024 | 2025(f) | 2026(f) | 2027(f) |
| **Australian commodities index#** | **311** | **322** | **332** | **334** | **–3.4** | **3.6** | **2.9** | **0.7** |
| **Bulk commodities index#** | **433** | **375** | **345** | **343** | **–13.4** | **–13.4** | **–7.9** | **–0.5** |
| iron ore fines @ 62% USD/t | 109 | 101 | 87 | 85 | –8.5 | –7.8 | –14.2 | –2.2 |
| LNG in Japan $mmbtu | 13.0 | 12.0 | 10.0 | 9.8 | –10.7 | –7.8 | –16.8 | –2.1 |
| ave coking coal price (US$/t) | 206 | 162 | 161 | 166 | –4.1 | –21.4 | –0.9 | 3.2 |
| ave thermal price (US$/t) | 136 | 119 | 110 | 112 | –27.6 | –12.8 | –7.4 | 1.9 |
| iron ore fines contracts (US¢ dltu) | 163 | 142 | 128 | 122 | 1.3 | –12.4 | –10.2 | –4.6 |
| Premium low vol met coal (US$/t) | 241 | 186 | 194 | 201 | –18.6 | –22.8 | 4.3 | 3.7 |
| crude oil (US$/bbl) Brent ICE | 78 | 67 | 61 | 69 | –1.7 | –13.6 | –8.6 | 13.0 |
| gold (US$/oz) | 2,410 | 3,450 | 4,150 | 4,200 | 22.8 | 43.2 | 20.4 | 1.0 |
| **Base metals index#** | **210** | **212** | **217** | **228** | **–1.0** | **1.2** | **2.3** | **4.8** |
| copper (US$/t) | 9,200 | 9,800 | 10,600 | 11,300 | 8.1 | 6.5 | 8.2 | 6.6 |
| aluminium (US$/t) | 2,700 | 2,800 | 2,600 | 2,800 | –1.4 | 3.7 | –7.1 | 7.7 |
| nickel (US$/t) | 16,900 | 15,300 | 15,100 | 15,500 | –21.8 | –9.5 | –1.3 | 2.6 |
| zinc (US$/t) | 2,800 | 2,800 | 2,800 | 2,700 | 5.6 | 0.0 | 0.0 | –3.6 |
| lead (US$/t) | 2,100 | 2,000 | 1,900 | 2,000 | –1.4 | –4.8 | –5.0 | 5.3 |
| **Rural commodities index#** | **126** | **120** | **124** | **128** | **–10.3** | **–5.1** | **3.1** | **3.9** |
| **NZ commodities index ##** | **357** | **390** | **385** | **397** | **8.4** | **9.1** | **–1.2** | **3.1** |
| dairy price index ## | 318 | 351 | 336 | 352 | 10.9 | 10.7 | –4.4 | 4.8 |
| whole milk powder USD/t | 3,439 | 3,970 | 3,856 | 4,063 | 11.6 | 15.4 | –2.9 | 5.4 |
| skim milk powder USD/t | 2,686 | 2,713 | 2,615 | 2,743 | 1.8 | 1.0 | –3.6 | 4.9 |
| lamb price index ## | 439 | 561 | 591 | 576 | –4.6 | 27.7 | 5.3 | –2.5 |
| beef price index ## | 283 | 324 | 331 | 335 | 4.4 | 14.4 | 2.0 | 1.2 |
| forestry price index ## | 159 | 152 | 157 | 168 | –0.1 | –4.6 | 3.4 | 6.5 |

# Chain weighted index: weights are Australian export shares. * Australian export prices fob – ABS 5432.0 Merchandise Trade Exports. ** WCFI – Westpac commodities futures index. *** Weekly averages except for the Bulks Index. ^ AWEX market prices. Sources for all tables: Westpac Economics, Bloomberg ##ANZ NZ commodity price index ^^ GlobalDairyTrade

# United States

## Interest rate forecasts

| | Latest (15 Oct) | Dec–25 | Mar–26 | Jun–26 | Sep–26 | Dec–26 | Mar–27 | Jun–27 | Sep–27 | Dec–27 |
|---|---|---|---|---|---|---|---|---|---|---|
| Fed Funds* | 4.125 | 3.875 | 3.875 | 3.875 | 3.875 | 3.875 | 3.875 | 3.875 | 3.875 | 3.875 |
| 10 Year Bond | 4.03 | 4.15 | 4.20 | 4.25 | 4.30 | 4.40 | 4.50 | 4.60 | 4.65 | 4.70 |

Sources: Bloomberg, Westpac Economics. * +12.5bps from the Fed Funds lower bound (overnight reverse repo rate).

## Currency forecasts

| | Latest (15 Oct) | Dec–25 | Mar–26 | Jun–26 | Sep–26 | Dec–26 | Mar–27 | Jun–27 | Sep–27 | Dec–27 |
|---|---|---|---|---|---|---|---|---|---|---|
| USD vs | | | | | | | | | | |
| DXY index | 99.05 | 98.4 | 97.9 | 97.4 | 96.8 | 96.4 | 95.9 | 95.3 | 94.8 | 94.4 |
| JPY | 151.79 | 152 | 151 | 150 | 149 | 148 | 146 | 144 | 142 | 140 |
| EUR | 1.1606 | 1.17 | 1.18 | 1.18 | 1.19 | 1.19 | 1.20 | 1.20 | 1.21 | 1.21 |
| AUD | 0.6489 | 0.67 | 0.68 | 0.69 | 0.70 | 0.71 | 0.72 | 0.72 | 0.73 | 0.73 |
| NZD | 0.5715 | 0.58 | 0.58 | 0.59 | 0.60 | 0.61 | 0.62 | 0.63 | 0.64 | 0.65 |
| CAD | 1.4039 | 1.39 | 1.39 | 1.38 | 1.37 | 1.36 | 1.35 | 1.34 | 1.33 | 1.32 |
| | | | | | | | | | | |
| GBP | 1.3321 | 1.34 | 1.35 | 1.36 | 1.36 | 1.37 | 1.37 | 1.37 | 1.38 | 1.38 |
| CHF | 0.8012 | 0.80 | 0.80 | 0.80 | 0.79 | 0.79 | 0.79 | 0.79 | 0.79 | 0.79 |
| ZAR | 17.38 | 17.2 | 17.0 | 16.9 | 16.7 | 16.6 | 16.6 | 16.5 | 16.4 | 16.4 |
| | | | | | | | | | | |
| SGD | 1.2984 | 1.29 | 1.28 | 1.28 | 1.27 | 1.27 | 1.27 | 1.27 | 1.26 | 1.26 |
| HKD | 7.7736 | 7.79 | 7.78 | 7.77 | 7.76 | 7.75 | 7.75 | 7.75 | 7.75 | 7.75 |
| PHP | 58.24 | 57.1 | 56.0 | 55.0 | 54.5 | 54.0 | 53.5 | 53.0 | 52.5 | 52.5 |
| THB | 32.70 | 32.0 | 31.6 | 31.2 | 31.0 | 30.8 | 30.6 | 30.2 | 30.1 | 30.1 |
| MYR | 4.2337 | 4.19 | 4.15 | 4.10 | 4.05 | 4.00 | 3.95 | 3.90 | 3.85 | 3.85 |
| CNY | 7.1372 | 7.10 | 7.05 | 7.00 | 6.95 | 6.90 | 6.80 | 6.70 | 6.60 | 6.50 |
| IDR | 16603 | 16400 | 16200 | 16000 | 15700 | 15400 | 15100 | 14800 | 14600 | 14600 |
| TWD | 30.77 | 30.2 | 29.8 | 29.4 | 29.0 | 28.8 | 28.7 | 28.6 | 28.5 | 28.5 |
| KRW | 1428 | 1390 | 1370 | 1350 | 1340 | 1330 | 1325 | 1320 | 1315 | 1315 |
| INR | 88.80 | 88.0 | 87.0 | 86.0 | 85.0 | 83.0 | 81.0 | 79.0 | 78.0 | 77.0 |

## Activity forecasts

| | 2025 | | | | 2026 | | | | Calendar years | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| % annualised, s/adj | Q1 | Q2 | Q3f | Q4f | Q1f | Q2f | Q3f | Q4f | 2024 | 2025f | 2026f | 2027f |
| Private consumption | 0.5 | 1.6 | 1.1 | 1.2 | 1.3 | 1.6 | 1.6 | 1.8 | 2.8 | 2.0 | 1.4 | 1.8 |
| Dwelling investment | –1.3 | –4.7 | 1.6 | 0.0 | 0.8 | 1.2 | 1.6 | 1.6 | 4.2 | –0.8 | 0.6 | 1.6 |
| Business investment | 10.3 | 5.7 | 1.7 | 1.5 | 1.2 | 1.6 | 2.3 | 2.7 | 3.6 | 4.1 | 1.9 | 2.6 |
| Public demand | –0.6 | –0.2 | 0.8 | 0.8 | 0.8 | 0.4 | 0.4 | 0.4 | 3.4 | 1.4 | 0.6 | 0.4 |
| Domestic final demand | 1.6 | 1.7 | 1.1 | 1.1 | 1.2 | 1.4 | 1.5 | 1.7 | 3.0 | 2.1 | 1.3 | 1.7 |
| Inventories contribution ppt | 2.6 | –3.3 | 2.2 | –0.3 | 0.0 | –0.2 | 0.0 | 0.0 | –0.2 | 0.3 | 0.0 | 0.1 |
| Net exports contribution ppt | –5.2 | 5.6 | –0.3 | –0.3 | –0.6 | –0.3 | –0.4 | –0.3 | –0.5 | –0.1 | –0.4 | –0.1 |
| GDP | –0.5 | 3.3 | 3.1 | 0.5 | 0.6 | 1.0 | 1.2 | 1.5 | 2.8 | 1.9 | 1.3 | 1.6 |
| %yr annual chg | 2.0 | 2.1 | 2.1 | 1.6 | 1.9 | 1.3 | 0.8 | 1.1 | – | – | – | – |

## Other macroeconomic variables

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Non–farm payrolls mth avg | 174 | 93 | 25 | 15 | 0 | 40 | 70 | 90 | 161 | 101 | 60 | 115 |
| Unemployment rate % | 4.1 | 4.2 | 4.4 | 4.6 | 4.8 | 4.9 | 5.0 | 5.0 | 4.0 | 4.3 | 4.8 | 4.9 |
| CPI headline %yr | 2.7 | 2.6 | 3.0 | 3.2 | 3.2 | 3.0 | 2.8 | 2.5 | 3.0 | 2.9 | 2.9 | 2.5 |
| PCE deflator, core %yr | 2.8 | 2.7 | 3.0 | 3.1 | 3.1 | 2.9 | 2.7 | 2.4 | 2.8 | 2.9 | 2.8 | 2.3 |

Sources: Official agencies, Factset, Westpac Economics.

# Europe & the United Kingdom

## Interest rate forecasts

| | Latest (15 Oct) | Dec–25 | Mar–26 | Jun–26 | Sep–26 | Dec–26 | Mar–27 | Jun–27 | Sep–27 | Dec–27 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Euro Area** | | | | | | | | | | |
| ECB Deposit Rate | 2.00 | 2.00 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 |
| 10 Year Bund | 2.61 | 2.70 | 2.75 | 2.85 | 2.90 | 2.95 | 3.00 | 3.05 | 3.10 | 3.15 |
| 10 Year Spread to US | –142 | –145 | –145 | –140 | –140 | –145 | –150 | –155 | –155 | –155 |
| **United Kingdom** | | | | | | | | | | |
| BoE Bank Rate | 4.00 | 4.00 | 3.75 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 |
| 10 Year Gilt | 4.59 | 4.70 | 4.75 | 4.80 | 4.80 | 4.90 | 4.95 | 5.00 | 5.00 | 5.05 |
| 10 Year Spread to US | 56 | 55 | 55 | 55 | 50 | 50 | 45 | 40 | 35 | 35 |

Sources: Bloomberg, Westpac Economics.

## Currency forecasts

| | Latest (15 Oct) | Dec–25 | Mar–26 | Jun–26 | Sep–26 | Dec–26 | Mar–27 | Jun–27 | Sep–27 | Dec–27 |
|---|---|---|---|---|---|---|---|---|---|---|
| **euro vs** | | | | | | | | | | |
| USD | 1.1606 | 1.17 | 1.18 | 1.18 | 1.19 | 1.19 | 1.20 | 1.20 | 1.21 | 1.21 |
| JPY | 176.18 | 178 | 178 | 177 | 177 | 176 | 175 | 173 | 171 | 169 |
| GBP | 0.8713 | 0.87 | 0.87 | 0.87 | 0.87 | 0.87 | 0.87 | 0.87 | 0.88 | 0.88 |
| CHF | 0.9298 | 0.94 | 0.94 | 0.94 | 0.94 | 0.95 | 0.94 | 0.95 | 0.95 | 0.95 |
| DKK | 7.4684 | 7.47 | 7.47 | 7.47 | 7.47 | 7.47 | 7.47 | 7.47 | 7.47 | 7.47 |
| SEK | 11.06 | 11.1 | 11.1 | 11.1 | 11.1 | 11.1 | 11.1 | 11.1 | 11.1 | 11.1 |
| NOK | 11.78 | 11.8 | 11.8 | 11.8 | 11.8 | 11.8 | 11.8 | 11.8 | 11.8 | 11.8 |
| **sterling vs** | | | | | | | | | | |
| USD | 1.3321 | 1.34 | 1.35 | 1.36 | 1.36 | 1.37 | 1.37 | 1.37 | 1.38 | 1.38 |
| JPY | 202.21 | 204 | 204 | 204 | 203 | 201 | 200 | 198 | 196 | 193 |
| CHF | 1.0672 | 1.08 | 1.08 | 1.08 | 1.08 | 1.08 | 1.08 | 1.08 | 1.08 | 1.09 |
| AUD | 0.4871 | 0.49 | 0.50 | 0.51 | 0.51 | 0.52 | 0.52 | 0.52 | 0.53 | 0.53 |

Sources: Bloomberg, Westpac Economics.

## Activity forecasts

| Annual average % chg | 2021 | 2022 | 2023 | 2024 | 2025f | 2026f | 2027f |
|---|---|---|---|---|---|---|---|
| Euro area GDP | 6.3 | 3.7 | 0.5 | 0.8 | 1.4 | 1.1 | 1.5 |
| *private consumption* | 4.6 | 5.3 | 0.5 | 1.2 | 1.3 | 1.3 | 1.4 |
| *fixed investment* | 3.7 | 2.1 | 2.0 | –2.1 | 2.1 | 1.1 | 2.4 |
| *government consumption* | 4.3 | 1.3 | 1.5 | 2.3 | 1.6 | 1.9 | 2.3 |
| *net exports contribution ppt* | 1.4 | 0.0 | 0.3 | 0.4 | –0.3 | 0.0 | –0.2 |
| Germany GDP | 3.9 | 1.9 | –0.7 | –0.5 | 0.3 | 1.2 | 1.9 |
| France GDP | 6.8 | 2.8 | 1.6 | 1.1 | 0.7 | 0.9 | 1.4 |
| Italy GDP | 8.8 | 5.0 | 1.1 | 0.5 | 0.6 | 0.8 | 0.9 |
| Spain GDP | 6.7 | 6.4 | 2.5 | 3.5 | 2.9 | 2.0 | 1.8 |
| Netherlands GDP | 6.2 | 5.0 | –0.6 | 1.1 | 1.5 | 1.1 | 1.4 |
| United Kingdom GDP | 8.5 | 5.1 | 0.3 | 1.1 | 1.5 | 1.1 | 1.5 |

# Asia

## China activity forecasts

| Calendar years | 2020 | 2021 | 2022 | 2023 | 2024 | 2025f | 2026f | 2027f |
|---|---|---|---|---|---|---|---|---|
| Real GDP | 2.3 | 8.6 | 3.1 | 5.4 | 5.0 | 5.0 | 4.6 | 4.5 |
| Consumer prices %yr | 0.2 | 1.5 | 1.8 | –0.3 | 0.1 | 0.2 | 1.1 | 1.5 |
| Producer prices %yr | –0.4 | 10.3 | –0.7 | –2.7 | –2.3 | –2.2 | 0.4 | 1.0 |
| Industrial production (IVA) | 2.8 | 9.6 | 3.6 | 4.6 | 5.8 | 5.4 | 4.5 | 4.2 |
| Retail sales | –3.9 | 12.5 | –0.2 | 7.2 | 3.5 | 5.0 | 5.2 | 5.0 |
| Money supply M2 %yr | 10.1 | 9.0 | 11.8 | 9.7 | 7.3 | 8.3 | 7.7 | 7.5 |
| Fixed asset investment | 2.9 | 4.9 | 5.1 | 3.0 | 3.2 | 3.0 | 4.5 | 4.5 |
| Exports %yr | 18.1 | 20.9 | –9.9 | –2.3 | 10.7 | 4.0 | 2.0 | 2.5 |
| Imports %yr | 6.5 | 19.5 | –7.5 | 0.2 | 0.9 | 0.0 | 1.0 | 1.5 |

Source: Macrobond, Bloomberg. Year–to–date growth unless otherwise noted.

## Chinese interest rates & monetary policy

| | Latest (15 Oct) | Dec–25 | Mar–26 | Jun–26 | Sep–26 | Dec–26 | Mar–27 | Jun–27 | Sep–27 | Dec–27 |
|---|---|---|---|---|---|---|---|---|---|---|
| Required reserve ratio %* | 9.00 | 8.75 | 8.75 | 8.75 | 8.75 | 8.75 | 8.75 | 8.75 | 9.00 | 9.00 |
| Loan Prime Rate, 1–year | 3.00 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 |

* For major banks.

## Japanese interest rates & monetary policy

| | Latest (15 Oct) | Dec–25 | Mar–26 | Jun–26 | Sep–26 | Dec–26 | Mar–27 | Jun–27 | Sep–27 | Dec–27 |
|---|---|---|---|---|---|---|---|---|---|---|
| Policy Rate | 0.50 | 0.50 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 10 Year Bond Yield | 1.65 | 1.60 | 1.60 | 1.65 | 1.70 | 1.75 | 1.75 | 1.80 | 1.80 | 1.80 |

## Currency forecasts

| | Latest (15 Oct) | Dec–25 | Mar–26 | Jun–26 | Sep–26 | Dec–26 | Mar–27 | Jun–27 | Sep–27 | Dec–27 |
|---|---|---|---|---|---|---|---|---|---|---|
| JPY | 151.79 | 152 | 151 | 150 | 149 | 148 | 146 | 144 | 142 | 140 |
| SGD | 1.2984 | 1.29 | 1.28 | 1.28 | 1.27 | 1.27 | 1.27 | 1.27 | 1.26 | 1.26 |
| HKD | 7.7736 | 7.79 | 7.78 | 7.77 | 7.76 | 7.75 | 7.75 | 7.75 | 7.75 | 7.75 |
| PHP | 58.24 | 57.1 | 56.0 | 55.0 | 54.5 | 54.0 | 53.5 | 53.0 | 52.50 | 52.50 |
| THB | 32.70 | 32.0 | 31.6 | 31.2 | 31.0 | 30.8 | 30.6 | 30.2 | 30.1 | 30.1 |
| MYR | 4.2337 | 4.19 | 4.15 | 4.10 | 4.05 | 4.00 | 3.95 | 3.90 | 3.85 | 3.85 |
| CNY | 7.1372 | 7.10 | 7.05 | 7.00 | 6.95 | 6.90 | 6.80 | 6.70 | 6.60 | 6.50 |
| IDR | 16603 | 16400 | 16200 | 16000 | 15700 | 15400 | 15100 | 14800 | 14600 | 14600 |
| TWD | 30.77 | 30.2 | 29.8 | 29.4 | 29.0 | 28.8 | 28.7 | 28.6 | 28.5 | 28.5 |
| KRW | 1428 | 1390 | 1370 | 1350 | 1340 | 1330 | 1325 | 1320 | 1315 | 1315 |
| INR | 88.80 | 88.0 | 87.0 | 86.0 | 85.0 | 83.0 | 81.0 | 79.0 | 78.0 | 77.0 |

Source: Bloomberg, Westpac Economics.

# Worldwide

## Economic growth forecasts (year average) #

| Real GDP %ann | 2020 | 2021 | 2022 | 2023 | 2024 | 2025f | 2026f | 2027f |
|---|---|---|---|---|---|---|---|---|
| World | –2.7 | 6.6 | 3.6 | 3.5 | 3.3 | 3.2 | 3.1 | 3.2 |
| United States | –2.2 | 6.1 | 2.5 | 2.9 | 2.8 | 1.9 | 1.3 | 1.6 |
| Japan | –4.2 | 2.7 | 0.9 | 1.5 | 0.1 | 0.9 | 0.8 | 0.8 |
| Euro zone | –6.0 | 6.3 | 3.5 | 0.4 | 0.9 | 1.4 | 1.1 | 1.5 |
| Group of 3 | –3.9 | **5.8** | 2.7 | 1.8 | 1.8 | 1.6 | 1.2 | 1.4 |
| United Kingdom | –10.3 | 8.6 | 4.8 | 0.4 | 1.1 | 1.5 | 1.1 | 1.5 |
| Canada | –5.0 | 6.0 | 4.2 | 1.5 | 1.5 | 1.3 | 1.2 | 1.8 |
| Australia | –2.0 | 5.4 | 4.1 | 2.1 | 1.0 | 1.7 | 2.3 | 2.5 |
| New Zealand | –1.3 | 5.7 | 2.9 | 1.8 | –0.6 | 0.4 | 2.5 | 3.5 |
| OECD total | –4.2 | **6.1** | 3.1 | 1.9 | 1.7 | 1.5 | 1.3 | 1.5 |
| China | 2.3 | 8.4 | 3.1 | 5.4 | 5.0 | 5.0 | 4.6 | 4.5 |
| Korea | –0.7 | 4.6 | 2.7 | 1.4 | 2.0 | 1.0 | 1.8 | 1.9 |
| Taiwan | 3.4 | 6.7 | 2.7 | 1.1 | 4.3 | 4.7 | 2.5 | 2.7 |
| Hong Kong | –6.5 | 6.5 | –3.7 | 3.2 | 2.5 | 2.5 | 2.2 | 2.2 |
| Singapore | –3.8 | 9.8 | 4.1 | 1.8 | 4.4 | 2.5 | 2.0 | 2.5 |
| Indonesia | –2.1 | 3.7 | 5.3 | 5.0 | 5.0 | 4.8 | 4.9 | 5.2 |
| Thailand | –6.1 | 1.5 | 2.6 | 2.0 | 2.5 | 2.1 | 2.1 | 2.5 |
| Malaysia | –5.5 | 3.3 | 8.9 | 3.6 | 5.1 | 4.2 | 4.2 | 4.4 |
| Philippines | –9.5 | 5.7 | 7.6 | 5.5 | 5.7 | 5.6 | 5.7 | 5.8 |
| Vietnam | 2.9 | 2.6 | 8.5 | 5.1 | 7.1 | 7.0 | 6.5 | 6.4 |
| East Asia | 0.9 | 7.1 | 3.6 | 4.7 | 4.8 | 4.7 | 4.3 | 4.3 |
| East Asia ex China | –2.2 | 4.4 | 4.6 | 3.3 | 4.3 | 3.9 | 3.8 | 4.0 |
| NIEs* | –0.5 | **6.0** | 2.3 | 1.5 | 3.0 | 2.4 | 2.1 | 2.2 |
| India | –5.8 | 9.7 | 7.6 | 9.2 | 6.5 | 6.7 | 6.4 | 6.3 |
| Russia | –2.7 | 5.9 | –1.4 | 4.1 | 4.1 | 1.2 | 1.2 | 1.2 |
| Brazil | –3.3 | 4.8 | 3.0 | 3.2 | 3.4 | 2.2 | 1.8 | 2.2 |
| South Africa | –6.2 | 5.0 | 1.9 | 0.7 | 0.6 | 1.0 | 1.3 | 1.6 |
| Mexico | –8.4 | 6.0 | 3.7 | 3.3 | 1.5 | –0.3 | 1.4 | 2.1 |
| Argentina | –9.9 | 10.4 | 5.3 | –1.6 | –1.7 | 5.5 | 4.5 | 4.0 |
| Chile | –6.1 | 11.3 | 2.2 | 0.5 | 2.6 | 2.0 | 2.2 | 2.3 |
| CIS^ | –34.0 | 23.0 | –6.4 | –8.4 | 10.0 | 11.0 | 11.0 | 11.0 |
| Middle East | 3.2 | 2.8 | 2.8 | 2.8 | 2.9 | 2.9 | 2.9 | 2.9 |
| C & E Europe | –5.5 | 9.0 | 4.2 | 3.2 | 2.9 | 2.5 | 3.0 | 3.4 |
| Africa | –1.5 | 4.7 | 4.1 | 3.6 | 4.0 | 3.8 | 4.2 | 4.3 |
| Emerging ex–East Asia | –3.7 | 6.9 | 3.7 | 4.3 | 4.2 | 4.0 | 4.0 | 4.1 |
| Other countries | 1.4 | **5.9** | 4.3 | 3.6 | 2.9 | 2.4 | 3.0 | 3.3 |
| World | –2.7 | **6.6** | 3.6 | 3.5 | 3.3 | 3.2 | 3.1 | 3.2 |

#Regional and global groupings are weighted using PPP exchange rates updated to reflect ICP 2011 benchmark revisions.* "NIEs" signifies "Newly Industrialised Economies" as defined by the IMF, viz; Republic of Korea, Hong Kong SAR, Taiwan Province of China, and Singapore. ^ CIS is the Commonwealth of Independent States, including Mongolia. Sources: IMF, Westpac Economics.

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