



Week beginning 20 October 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Agents of secular stagnation.

The Week That Was: Partial data challenges.

Focus on New Zealand: Economic conditions still soggy.

For the week ahead:

Australia: RBA Governor Bullock and Assistant Governor of Financial Systems speaking.

New Zealand: Q3 CPI, trade balance.

China: Q3 GDP, September activity indicators, plenum for the five-year plan.

Japan: Sep CPI.

United Kingdom: CPI, retail sales, PMIs.

United States: CPI, initial jobless claims, leading index, chicago fed index, kansas city index (may be delayed/cancelled due to the US government shutdown.)

Information contained in this report current as at 17 October 2025

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

Agents of secular stagnation



Luci Ellis
Chief Economist, Westpac Group

- **Like the computer revolution before it, the AI revolution is likely to boost productivity and potential output growth, but this could take a while.**
- **Assuming potential output growth remains as weak in coming years as it was in the 'secular stagnation' era of the first couple of decades this century is justifiable in the short run. Over time, though, some pick-up should be expected, unless one is willing to make some strong assumptions about Australia's economic performance and AI adoption.**
- **Potential output growth and other latent quantities are hard to estimate and even harder to detect changes in real time. Focusing on prices rather than extracting trends from quantities may be more fruitful. The risk is that productivity pessimism breeds policy error.**

We are frequently asked how Australia might boost its productivity growth and so its living standards. We are also frequently asked our view of the implications of genAI and large language models. These questions are mostly about the medium term but the underlying beliefs also have implications for macroeconomic policymaking in the short term.

A little historical background is in order here. Australia, and most of the rest of the Western world, experienced a boom in productivity growth in the late 1990s associated with the adoption of computers and the internet. That episode held two lessons. First, it took time for a new wave of technology to be fully adopted and embedded in business models and processes. That is why it initially seemed that the computer revolution had not boosted productivity – recall leading US economist Bob Solow's 1987 quip that "You can see the computer age everywhere but in the productivity statistics". Second, most of the gains went to the users, not the producers of the new technologies. Indeed, productivity growth was higher in Australia than in the US over the late 1990s, as the then RBA Governor Ian Macfarlane pointed out at the time.

As that wave of technological innovation crested and matured, productivity growth slowed globally. The gains from adoption had been reaped. Moreover, the new technologies introduced in the first couple of decades of this century – specifically social media – were seemingly more likely to distract us than make us more productive. They are also more prone to the network effects that direct the gains to the platform operator rather than the users, limiting the boost to productivity.

Even when the earlier generation of innovations that culminated in what we now know as AI were introduced – machine learning models and data science techniques – the productivity gains were hard to see. Part of the issue is that that generation of technologies was essentially an exercise in combining people with PhDs in physics or maths with computers to generate a machine-learning model to replace, say, an insurance adjuster with a high-school or undergraduate education. A technology that requires rarer skills than the ones it seeks to replace is rarely successful in gaining broad adoption.

It was therefore perhaps not surprising that measured productivity growth slowed around the world starting from the early 2000s. The economics profession was worried about the possibility of 'secular stagnation', and some believed that "diminishing returns in the digital revolution" were causing the slowdown in productivity growth, at least in the US. (There were other, demand-side, causes proposed as well. But the lack of technological innovation did seem to be a large part of the story.)

"The risk is that productivity pessimism breeds policy error."

Roll forward to the last couple of years and we are now starting to see the next generation of machine learning applications – LLMs and other approaches based on transformer architectures. These are more accessible to end-users than their predecessors and hold out more of an opportunity to remodel business models and processes to take advantage of this. For this reason, most observers, including the IMF, expect at least some productivity boost from this new technology wave. Like the previous technology wave from PCs and the internet, this boost could take a while to come through. It might not be as slow as that previous wave, though, given that internet distribution itself speeds adoption.

The RBA's revised assumptions about trend growth in labour productivity, and so potential output growth, released in their August Statement on Monetary Policy and elaborated on in a recent speech by its chief economist, need to be seen in that context. Effectively, what the RBA has done is use a 20-year average of productivity growth as the trend to which actual labour productivity growth is assumed to converge over the next two years. A 20-year horizon for this average cuts out all of the 1990s productivity boom from the calculation: it is a pure 'secular stagnation' era average.

And that might well be the right assumption for the next couple of years. If it takes a few years for AI to boost productivity across the economy, then this will not be clearly evident until the period beyond the RBA's current forecast horizon. But for it to still be the trend rate of labour productivity growth much beyond that, one must believe one of two things. Either one must believe that AI will do nothing to boost overall productivity growth – in which case, sell your Nvidia stock now! (This is of course not investment advice, simply the logical implication of that belief.) Or, one must believe that AI will boost productivity growth elsewhere, but for some reason not in Australia. This seems like a stretch, or at least an argument that needs to be justified explicitly.

The RBA has assured the public that it does not assume that the slower productivity growth assumption applying to the next two years will remain the case over subsequent years, and that it will update its view as the data evolve. Observers are entitled to ask how the RBA proposes to do this, noting the backward-looking nature of many of its models for estimating these 'star' variables, and whether it will be nimble enough in updating its view. We recall the decline in estimated rates of feasible unemployment (the NAIRU) over the 2010s in a range of advanced economies and reflect that these are hard calls to make in real time.

An implication of the RBA's view on growth in productivity, and so potential output, is that for the time being at least, signs of stronger GDP growth will by default be interpreted as demand outstripping supply, and so a reason to keep policy a bit tight. Such an interpretation will be vulnerable to any pick-up in productivity stemming from AI or other technological or structural shifts. It will also be vulnerable to the RBA's apparent assumption that the five-decade upward trend in labour force participation – and so labour supply – is at an end. As Westpac Economics colleague Ryan Wells and I noted last month, we think the trend still has some way to run in Australia.

Given the difficulties of assessing things like potential output growth, a more robust way to judge whether output is running faster than capacity is to watch inflation. Likewise, a pick-up in wages growth is likely to be more of a sign of a tight labour market than whether the rate of wages growth exceeds some rule of thumb based on an assumed rate of trend productivity growth. Without these price-based signals, it is hard for policymakers to be confident that a shift in a quantity-based measure like output is a sign of a shift around trend, or a shift in the trend.

Indeed, while we wouldn't want to make too much of one month's figures, this week's labour market data was entirely consistent with our medium-term view that there is a bit more trend growth in labour supply available than some observers assume. As has so often been the case over the past couple of years, it will again all come down to the quarterly underlying inflation print later this month. And while that print will be a high one, this might not continue in following quarters. The RBA's guiding assumptions make it more prone to productivity pessimism and structural hawkishness that could be repeatedly corrected by lower-than-expected inflation outcomes. It's a heck of a way to manage the economy.

Cliff Notes: partial data challenges

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

In Australia, the [September Labour Force Survey](#) was one of two key data releases in the run-up to the RBA's November decision. The release points to a bit more labour market slack building during the month. Employment printed in line with Westpac's forecast (+15k), extending an easing in the growth pace amid an underlying slowdown in 'care economy' jobs. However, this gain only partially made use of the increase in the size of the labour force as the participation rate lifted back up to its year-average of 67.0%. The unemployment rate consequently jumped from 4.3% to 4.5%, the highest rate since just after the 'delta' outbreak of 2021.

Compared to the RBA's August forecasts, employment is already on a weaker footing, and the unemployment rate now looks likely to overshoot their projections. This lends weight to our view that there is still a good chance the RBA will cut rates in November – a view supported by the swift reaction in market pricing, the chance of a 25bp November cut lifting from 40% to 78%. That said, the Q3 CPI (due October 29) will be the ultimate determinant of the November decision.

In the meantime, the latest [NAB business survey](#) points to an ongoing recovery in economic growth – business conditions holding steady in September around the long-term average, allowing confidence to start moving up from 'neutral' to 'cautiously optimistic'. Our latest [Market Outlook](#) delves into our updated economic growth forecasts and the tension with a softening labour market – 'jobless growth' being a key risk as aggregate activity becomes less reliant on the job-intensive care economy.

In the US, with almost all official data indefinitely delayed due to the government shutdown, the Fed's Beige Book was the key release. Contacts across the districts reported that overall economic activity was perceived to have "changed little on balance since the previous report" but that "consumer spending, particularly on retail goods, inched down in recent weeks". "The outlook for future economic growth varied by District and sector. Sentiment reportedly improved in a few Districts, with some contacts expecting an uptick in demand over the next 6 to 12 months. However, many others continued to expect elevated uncertainty to weigh down activity."

On the labour market, "Employment levels were [viewed as] largely stable in recent weeks", though in "most" districts, more employers "reported lowering head counts through layoffs and attrition, with contacts citing weaker demand, elevated economic uncertainty, and, in some cases, increased investment in artificial intelligence technologies".

Regarding inflation: contacts observed the impact of tariffs on input costs alongside a rise in services like "insurance, health care, and technology solutions"; that said, the degree to which these costs were passed onto consumers differed by district and product sold. The latest threat from President Trump of a further 100% tariff on Chinese goods from 1 November and the introduction of additional US port fees for China-linked ships (and we might add China's in kind retaliation against US-linked ships) highlights that tariff uncertainties are likely to linger for US inflation for an extended period – a reality the FOMC will need to factor in.

For China meanwhile, as the press headlines repeated US / China trade relations fact and rumour, data remained consistent with existing trends, consumer prices falling 0.3%yr and producer prices down 2.3%yr in September. In recent months, price momentum has struggled to pick up despite authorities' "anti-involution" policies – aimed at curbing overproduction. This development not surprising; it will take time for the policies and associated rhetoric to impact the economy. At the consumer level, if inflation is to return sustainably to 2-3%yr, there is also need for fiscal support targeting household demand. Detail on the next wave of support and its likely timing should come next week as China's next Five-Year plan to 2030 is released. Looking further ahead, key themes and forecasts for China, the rest of Asia, Europe and the US can be found in our [October Market Outlook](#).

Economic conditions still soggy



Satish Ranchold
Senior Economist, NZ

The New Zealand economy is still looking sluggish. The latest updates from BusinessNZ showed that both the manufacturing and services sectors continued to contract through September, with softness in orders and the demand for staff. That echoes other recent business surveys and indicators like filled jobs growth and building consents, which have also pointed to limited momentum in economic growth in recent months. RBNZ Chief Economist Paul Conway also noted this week that recent data pointed to a “moderate” improvement in economic momentum in the second half of the year after that shocker of an outcome in the June quarter. Our own Nowcast indicator (which summarises the trend in economic indicators) points to growth in economic output of just 0.2% in the September quarter. That would be a very muted rise after activity contracted 0.9% in the June quarter.

This ongoing weakness in economic data chimes very closely with the feedback we’ve been hearing on the ground when [talking to businesses around the country](#) over the past couple of weeks. Most of those we spoke to told us that business conditions have remained tough in the past few months with the construction and retail sectors being especially weak. Notably, in the retail sector spending levels are up just 1% over the past year. And in the context of continued price gains, that points to very muted per-capita spending.

However, it’s not all bad news. While conditions remain challenging, businesses have told us that they aren’t going backwards like they did over the past year. And in some parts of the country, we’re seeing early signs that those wintry conditions are starting to thaw, with several businesses reporting signs of a modest lift in demand, albeit from a low base.

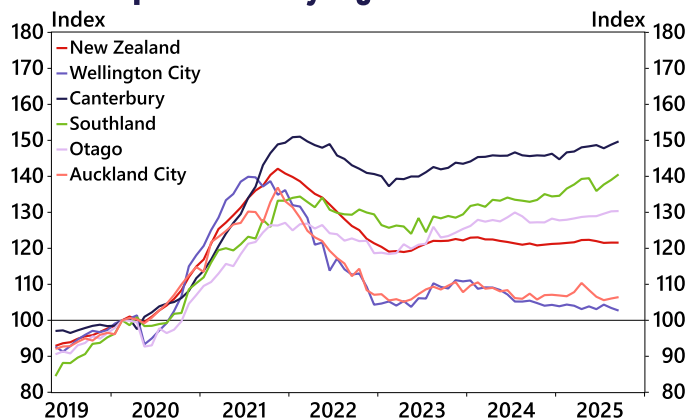
Consistent with that stabilisation in economic conditions, the earlier downturn in the labour market has flattened off. Businesses are still reluctant to take on new staff, with several telling us that they’re waiting to see how the economy performs and job advertisements still at low levels. However, far fewer firms told us that they have been shedding staff than was the case earlier in the year.

Conditions remain very mixed across the country. Rural areas, especially dairy-intensive regions like Otago and Canterbury, are continuing to see firmer conditions. Strong commodity prices have boosted farm incomes, leading to increased spending on capital items like sheds and equipment. That’s helping to lift activity and sentiment in related industries and rural regions more generally.

But while rural regions are starting to warm up, it’s a different picture in some urban centres, most notably Wellington. Ongoing pressure on household finances and related low levels of confidence are continuing to weigh on spending. There’s also been softness in the services sector.

Those differences in regional economic trends are also evident in the housing market. Across the nation as a whole, house prices have been moving sideways for the past couple of years. However, under the surface, prices in our rural regions have been climbing, with Otago up nearly 6% over the past year, and other regions seeing gains of around 2%. It’s a starkly different picture in urban areas, however, with Auckland down 1% and Wellington down 3%.

NZ house price levels by region



Source: REINZ, Stats NZ, RBNZ, Macrobond, Westpac Economics

Temporary rise to the top of the target band

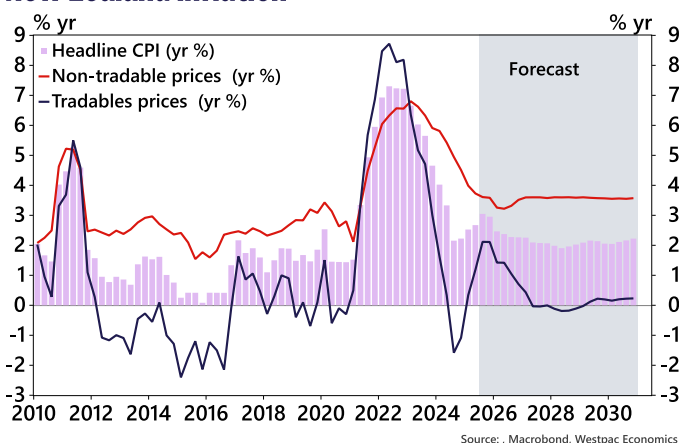
Looking to the week ahead, the highlight will be the September quarter inflation report (out 20 October, 10:45am, [full preview here](#)). We estimate that prices rose 1% over the past quarter. That would see the annual inflation rate rising to 3%, up from 2.7% previously. September’s pickup in inflation has been heavily concentrated in a few specific areas. Most notably, there has been another large 1.8% rise in food prices, along with another large annual increase in local council rates.

But while we are seeing large increases in some specific and often non-market related areas, more notable is weaker price trends in discretionary spending areas and sectors more sensitive to interest rates. Of note are the two big housing categories – housing rents and the cost of purchasing a newly built home, which together account for around 20% of the

CPI and where inflation has dropped to very low levels. That's occurred against a backdrop of muted house price growth, low population growth and increases in supply. More generally, we also expect subdued price rises in a range of discretionary spending areas including clothing and household durables, consistent with continued softness in retail spending.

Our forecast for a 1.0% quarterly rise in consumer prices is a little above the RBNZ's last published forecast for a 0.9% increase. However, we have the same forecast for annual inflation (+3.0%yr). Much of the difference will relate to administered prices, like electricity charges, that have risen sharply since the RBNZ finalised its forecast. A result in line with our forecast is unlikely to be a major surprise to the RBNZ.

New Zealand inflation



The rise in inflation back to the top of the RBNZ's target band raises questions about how far and fast the RBNZ might cut the OCR from here. We're forecasting one more 25bp cut in the OCR at the RBNZ's November meeting, with financial markets pricing in some chance of a further cut to 2%.

While inflation is pushing higher again, much of the current rise is expected to be temporary. As noted above, much of the recent rise in inflation has been heavily concentrated in the food group. There have been particularly large rises for items like milk and butter, along with meat and other items. While prices are likely to continue rising, further increases are likely to be a lot more modest (for instance, we might see butter prices increase, but we're not likely to see another 30% rise as we did over the past year). In fact, over the past month we did see falls in a number of categories.

There have also been some large increases in administered prices, most notably electricity. Again, while we'll get further price rises, they're likely to be more modest than those seen over the past couple of months.

On the more cyclical components, the downturn in rents and construction costs is notable. Neither of those groups will remain at their current low forever, but a significant turnaround over the coming year is looking doubtful. A recovery in home building is still some way off, with the pipeline of new

projects flat and limited price growth. Those conditions aren't supportive of a large pickup in building or significant price rises over the coming year. Similarly in the case of rents, we might see some lift from the current very low levels, but there's been a big increase in supply at the same time as population growth has fallen. That's limiting the upside for rents over the year ahead.

Looking at demand and prices more generally, as a nation we're continuing to operate with a sizeable amount of excess capacity (or in economist-speak "a negative output gap"), with related softness in retail spending. The pass through of interest rate reductions has been gradual to date. But large numbers of borrowers are now rolling on to lower mortgage rates, and that will boost disposable incomes over the next 6 to 12 months. Over time, that will also boost demand and inflation pressures, but that's a lift from subdued levels.

A risk the RBNZ will have in mind, and one noted by RBNZ Chief Economist Paul Conway this week in his remarks during a Bloomberg TV interview, are concerns that headline inflation close to 3% will lead to increasing inflation expectations. We suspect those concerns will be offset by the soft economy, significant excess capacity and still weak labour market. Businesses have noted pressures on operating costs, but soft demand means they haven't been able to pass that through to output prices and wage growth likely remains muted. To the extent that the CPI confirms that we have seen the peak in inflation, it seems possible that even 3% inflation won't hold back further easing while the economy remains weak.

We suspect the RBNZ will be tossing up between a final cut in 2025 of either 25 or 50 basis points. The inflation expectations risks will be important, but signs of economic momentum (or the lack thereof) is likely to be of greater importance. We understand why markets are pricing some chance of a 50bp cut in November and assess the chance of a 50bp cut as lying in the 30-35% range.

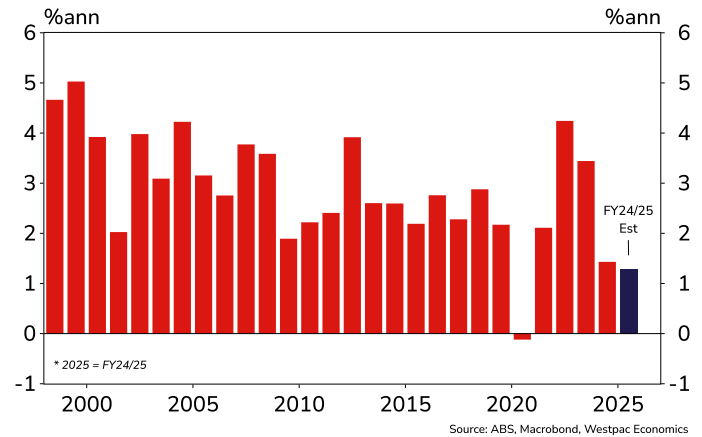
AUS: 2024-25 National Accounts

Oct 24, Current estimate: 1.3%

The Q2 national accounts showed GDP growth lifting in through-the-year terms but still sluggish in annual average terms (i.e. year to June 2025 vs the year to June 2024), coming in at 1.3% compared to 1.4% in 2023-24. Outside of the COVID period, this is the weakest back-to-back years for growth since the early 1990s recession.

The annual national accounts provide new 'benchmark' estimates of income, expenditure, production and balance sheets with more detail on sectors, industries, and aspects such as net additions to the capital stock and productivity growth. The incorporation of new information sources often results in significant revisions to previously-published estimates that will flow through quarterly GDP estimates with the Q3 release on Dec 3.

Annual National Accounts: GDP growth

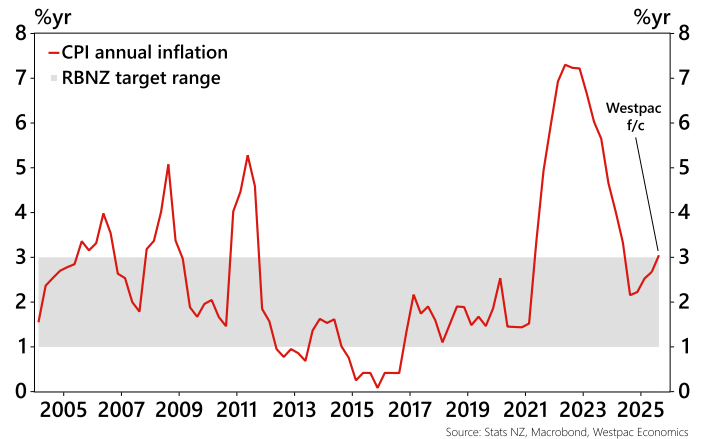


NZ: Q3 Consumer Price Index

Oct 20, %qtr, Last: 0.5, WBC: 1.0, RBNZ: 0.9, Mkt: 0.9 to 1.1
Oct 20, %yr, Last: 2.7, WBC: 3.0, RBNZ: 3.0, Mkt: 2.9 to 3.1

We estimate consumer prices rose by 1.0% in the September quarter. The annual inflation rate is expected to rise to 3.0%, up from 2.7% in the year to June. Our forecast for quarterly inflation is slightly higher than the RBNZ's +0.9% forecast, but we have the same forecast for the annual inflation rate. In addition to a large annual increase in local council rates, the September quarter also saw large increases in food prices and household energy costs. However, inflation in more interest rate-sensitive areas, including housing costs, has been cooling. While large swings in some specific prices are boosting headline inflation, the various measures of core inflation are expected to remain contained in the upper part of the RBNZ's 1-3% target band.

Inflation to brush the top of the target range



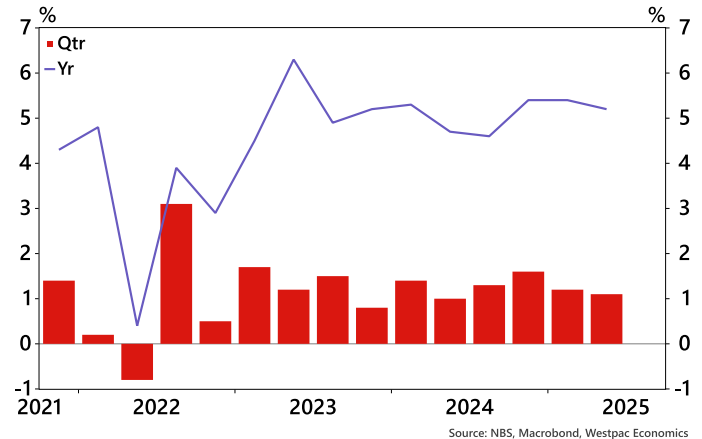
China: Q3 GDP

Oct 20, %ytd, Last: 5.3%, WBC f/c: 5.2%, Mkt f/c: 5.1%

China GDP is expected to edge back towards authorities' 5.0%ytd target for 2025 in Q3. While the trade surplus remains near its record high, growth has abated. Business investment also plateaued in 2025 after the extremely rapid growth of recent years. The consumer significance to growth will continue to increase over the years ahead. The sector's contribution will determine whether GDP growth can be sustained around 4.5-5.0% or will fall back to 4.0%.

Coming at the beginning of the Fourth Plenary Session, which is scheduled to take place 20-23 October, the monthly partial data also holds significance for the market. In particular, the make-up of business growth and the pulse of the consumer will be closely assessed against the detail of the next Five-Year plan to 2030.

China GDP in line with authorities' ambition



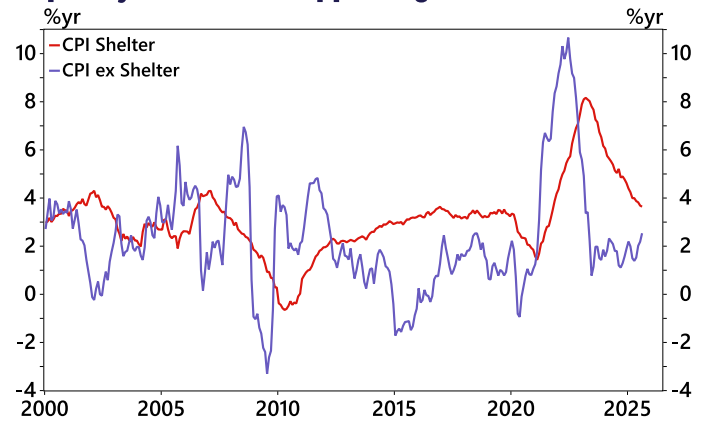
US: Sep CPI

Oct 24, %mth, Last: 0.4%, WBC f/c: 0.4%, Mkt f/c: 0.4%

Delayed by the shutdown but necessary for social security benchmarking on 1 November, the Sep CPI is set for release this week. The result is likely to be very similar to Aug's 0.4% headline and 0.3% core results, leaving annual inflation at 3.1%yr.

The risks vary by component, with shelter arguably likely to come in below the Aug result, but the delayed passthrough of tariffs biasing risks for goods inflation to the upside. In net terms, the higher weight of shelter argues for modest downside risks for the aggregate readings. Also worth a close eye though are the other sub-components of services inflation which have shown evidence of capacity constraints over the past year.

Capacity and tariffs supporting inflation



What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 20							
NZ	Q3	CPI	%qtr	0.5	0.9	1.0	Boost from food prices and council rates.
	Q3	CPI	%ann	2.7	3.0	3.0	Core rates still contained.
Chn	Q3	GDP	%ytd	5.3	5.1	5.2	Growth set to edge closer to authorities' target pace.
	Sep	Retail Sales	ytd %yr	4.6	4.4	–	Downside risks are concentrated in household demand ...
	Sep	Industrial Production	ytd %yr	6.2	6.1	–	... trade is offering support in the interim, but restoring ...
	Sep	Fixed Asset Investment	ytd %yr	0.5	0.0	–	... confidence is critical to ensure growth remains near target.
		Fourth Plenary Session	–	–	–	–	Five-Year Plan to be released.
US	Sep	Leading Index*	%mth	–0.5	–	–	Fragile sentiment and weaker labour market impacting.
Tue 21							
Aus		RBA Assist' Governor (Fin System)	–	–	–	–	Jones participating in a panel in Sydney, 10:45am AEDT.
NZ	Sep	Trade Balance	\$mn	–1185	–	–1485	Exports remain in a seasonal lull; imports ramp up pre-Xmas
Wed 22							
UK	Sep	CPI	%ann	3.8	–	–	Sticky inflation delays further rate cuts until at least 2026.
Thu 23							
Eur	Oct	Consumer Confidence	index	–14.9	–14.5	–	Consumers remain circumspect amid a plethora of risks.
US	Sep	Chicago Fed Activity Index*	%mth	–0.12	–	–	Softer labour market remains a drag on activity.
		Initial Jobless Claims*	000s	–	–	–	Trend softening prior to government shutdown.
	Sep	Existing Home Sales	%mth	–0.2	1.5	–	Homebuyer sentiment crimped by elevated rates and prices.
	Oct	Kansas City Fed	index	4	–	–	Manufacturing conditions remain soft across the regions.
Fri 24							
Aus		RBA Governor Bullock	–	–	–	–	Remarks in Sydney, 11:05am AEDT.
	24/25	Annual National Accounts, GDP	%ann	1.4	–	–	New annual benchmarks can see significant revisions.
Jpn	Sep	CPI	%ann	2.7	2.8	–	On the path to sustainable inflation, albeit a bumpy one.
	Oct	S&P Global Manufacturing PMI	index	48.5	–	–	Manufacturing under pressure as global demand softens ...
	Oct	S&P Global Services PMI	index	53.3	–	–	... although services is providing somewhat of a buffer.
Eur	Oct	HCOB Manufacturing PMI	index	49.8	50.0	–	Clawed back to 'stable' territory, but outlook remains shaky ...
	Oct	HCOB Services PMI	index	51.3	51.5	–	... though services continues to fare relatively well.
UK	Oct	GfK Consumer Sentiment	index	–19	–	–	Sentiment remains delicately poised ...
	Sep	Retail Sales	%mth	0.5	–	–	... and spending lacks a clear 'pulse'.
	Oct	S&P Global Manufacturing PMI	index	46.2	–	–	Manufacturing remains in dire straits ...
	Oct	S&P Global Services PMI	index	50.8	–	–	... and services growth has cooled notably.
US	Sep	CPI	%mth	0.4	0.4	0.4	Risks varied, but a similar print is expected. See preview box.
	Oct	S&P Global Manufacturing PMI	index	52.0	51.8	–	Volatile and in contrast to ISM's more downbeat tone ...
	Oct	S&P Global Services PMI	index	54.2	53.5	–	... across both manufacturing and services.
	Sep	New Home Sales	%mth	20.5	–11.3	–	Homebuyer sentiment crimped by elevated rates and prices.
	Oct	Uni. Of Michigan Sentiment	index	55.0	55.0	–	Final estimate.

* Data releases may be delayed/cancelled due to the US government shutdown.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (17 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	3.50	3.30	3.05	2.95	2.95	2.95	2.95	2.95	2.95	2.95
3 Year Swap	3.30	3.40	3.45	3.50	3.60	3.70	3.80	3.90	3.95	4.00
3 Year Bond	3.31	3.45	3.50	3.55	3.65	3.75	3.85	3.90	3.95	4.00
10 Year Bond	4.09	4.30	4.35	4.40	4.45	4.50	4.55	4.60	4.60	4.65
10 Year Spread to US (bps)	15	15	15	15	15	10	5	0	-5	-5
United States										
Fed Funds	4.125	3.875	3.875	3.875	3.875	3.875	3.875	3.875	3.875	3.875
US 10 Year Bond	3.94	4.15	4.20	4.25	4.30	4.40	4.50	4.60	4.65	4.70
New Zealand										
Cash	2.50	2.25	2.25	2.25	2.25	2.50	2.75	3.00	3.25	3.50
90 Day Bill	2.53	2.35	2.35	2.35	2.45	2.70	2.95	3.20	3.45	3.70
2 Year Swap	2.44	2.70	2.90	3.15	3.35	3.55	3.70	3.85	3.95	4.00
10 Year Bond	3.96	4.15	4.30	4.45	4.55	4.70	4.85	4.90	4.95	4.95
10 Year Spread to US (bps)	2	0	10	20	25	30	35	30	30	25

Exchange rate forecasts

	Latest (17 Oct)	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
AUD/USD	0.6468	0.67	0.68	0.69	0.70	0.71	0.72	0.72	0.73	0.73
NZD/USD	0.5724	0.58	0.58	0.59	0.60	0.61	0.62	0.63	0.64	0.65
USD/JPY	150.04	152	151	150	149	148	146	144	142	140
EUR/USD	1.1709	1.17	1.18	1.18	1.19	1.19	1.20	1.20	1.21	1.21
GBP/USD	1.3449	1.34	1.35	1.36	1.36	1.37	1.37	1.37	1.38	1.38
USD/CNY	7.1235	7.10	7.05	7.00	6.95	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.1292	1.15	1.16	1.17	1.17	1.16	1.15	1.14	1.13	1.12

Australian economic forecasts

	2025				2026				Calendar years			
% Change	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2024	2025f	2026f	2027f
GDP %qtr	0.3	0.6	0.6	0.6	0.6	0.6	0.6	0.6	–	–	–	–
%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
Unemployment rate %	4.1	4.2	4.3	4.4	4.4	4.5	4.5	4.5	4.0	4.4	4.5	4.3
Wages (WPI) %qtr	0.9	0.8	0.7	0.7	0.8	0.8	0.6	0.8	–	–	–	–
%yr end	3.4	3.4	3.3	3.2	3.0	3.0	2.9	3.0	3.2	3.2	3.0	3.1
CPI Headline %qtr	0.9	0.7	1.1	0.2	0.7	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
CPI Trimmed Mean %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

New Zealand economic forecasts

	2025				2026				Calendar years			
% Change	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2024	2025f	2026f	2027f
GDP %qtr	0.9	-0.9	0.6	1.0	0.7	0.4	0.8	1.2	–	–	–	–
Annual avg change	-1.1	-1.1	-0.4	0.4	0.8	1.6	2.1	2.5	-0.6	0.4	2.5	3.5
Unemployment rate %	5.1	5.2	5.3	5.3	5.2	5.0	4.8	4.6	5.1	5.3	4.6	4.2
CPI %qtr	0.9	0.5	1.0	0.5	0.5	0.5	0.9	0.4	–	–	–	–
Annual change	2.5	2.7	3.0	3.0	2.5	2.4	2.3	2.3	2.2	3.0	2.3	2.1

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.



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