



Week beginning 27 October 2025

# AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

## In this week's edition:

**Economic Insight:** The rare earth chokehold and its counters.

**The Week That Was:** A rare deal.

**Focus on New Zealand:** 3% inflation not a barrier to another RBNZ rate cut.

## For the week ahead:

**Australia:** Q3 CPI, private sector credit, RBA Governor Bullock speaking.

**New Zealand:** Labour Day, employment indicator, business confidence, RBNZ Acting Governor speaking.

**China:** NBS PMIs, industrial profits.

**Japan:** BoJ policy decision, jobless rate, industrial production, Tokyo CPI.

**Eurozone:** ECB policy decision, Q3 GDP, HICP, unemployment rate, Bank Lending Survey.

**United States:** FOMC policy decision, regional manufacturing surveys, consumer confidence.

**Canada:** BoC policy decision.

Information contained in this report current as at 24 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.

# The rare earth chokehold and its counters



**Luci Ellis**  
Chief Economist, Westpac Group

**If one country has a chokehold over a key commodity or product, buyers of that product will seek counters to that chokehold. This is especially the case for products that are essential to military applications.**

- The Australia–US deal on rare earths needs to be seen in that geopolitical context. The market is not particularly large or remunerative. However, the potential cost of losing access to these minerals means that countries will not want their supply to be monopolised by a single country.
- The rare earths situation highlights some limitations to the logic of comparative advantage driving trade patterns under free trade. Firstly, defence considerations might require countries to invest in industries that a pure comparative advantage calculus would not support. Secondly, comparative advantage is static and says little about the opportunities a country could or should take advantage of in future.
- In jujitsu and other martial arts, you don't only learn how to put someone in an arm lock or a chokehold. Even more important is to learn how to get out of them (especially for female practitioners, who are more likely to need to defend themselves than to attack someone else). Students spend at least as much time learning how to counter an attack as how to perform the attack itself.

This week's US–Australia deal on rare earths investment can be seen as an effort to counter a chokehold, in this case China's dominance of rare earth minerals production. This is not a new issue: China has dominated this industry for more than a decade and banned exports of rare earths to Japan for a period back in 2010. It was obvious that China could put the chokehold on. Indeed, we have [previously highlighted](#) access to rare earth deposits and processing capability as top priorities for Australia's national security agenda. The Australia–US deal has apparently been in the works for some time, though its announcement so soon after China tightened export restrictions can hardly be a coincidence.

The bigger question is why it has taken so long for the US and other western countries to settle on a counter. Perhaps there was a belief that China would not really go through with a full chokehold for long. This would be surprising given that the US was already trying to do the exact same thing to China with advanced semiconductors, and has been since the Biden administration.

Another issue is that – were it not for the national security implications of delegating production of rare earths and

magnets to a single country and potential adversary – the rare earths industry is not particularly attractive. The market is not that large; there is no iron-ore-size mining boom for Australia in this deal, as the RBA has [recently pointed out](#) in relation to critical minerals more broadly.

Moreover, despite their collective name the minerals themselves are not particularly rare. What is rare is the societal willingness to deal with the pollution involved in processing them. (Current processing methods generally involve toxic chemicals and, in some cases, radioactive by-products, thus our earlier call for research to develop cleaner methods.) It would be difficult for other countries to enter this industry and compete on price with (subsidised, state-owned) Chinese processing. Short-term financial incentives push buyers in the direction of the low-cost producer, even if that means that everyone is beholden to a single supplier, handing the latter the means to put on a chokehold in future.

The deep and counterintuitive insight of trade economics is that even if one country is more efficient at producing everything, the world is better off if it concentrates on the things it has a comparative advantage in, that is, where its relative advantage is greatest. Other countries will then produce the things where their absolute disadvantage is least, and thus they have a comparative advantage.

**“The logic of comparative advantage is also only a static lens on a country's advantages.”**

From this perspective of comparative advantage, it is easy to see why China has ended up dominating in critical minerals, especially rare earths. China has a large fraction of the proven deposits of the relevant ores, with more in countries it has close relationships with such as Myanmar. It is also more willing to subject itself to the level of pollution involved in processing these ores than western countries are and can therefore process them much more cheaply. While China may well have absolute cost advantages in other kinds of manufacturing as well, those are areas western countries are willing to engage in. The comparative advantage is therefore with rare earths, even before considering the deliberate policy steps the Chinese authorities took to consolidate that advantage.

The rare earths situation highlights that this insight only goes so far, though. Things can break down if the country that

has the comparative advantage ends up being the monopoly producer of something that is a critical input into other countries' production, and especially into defence applications. The theory showing that free trade is optimal presumes governments do not interfere in companies' trading decisions. In the real world with real geopolitics, governments can choke off sales to an adversary nation.

Thus other considerations, such as national security, sometimes demand that countries invest in industries where they do not have a comparative advantage. One should want to avoid the risk of a future chokehold. The relevance of this risk to energy supply has long been known. It is also worth contemplating where else this consideration might apply, including other basic chemicals and active pharmaceutical ingredients.

The logic of comparative advantage is also only a static lens on a country's advantages. Just because a country has no comparative advantage in a particular industry now does not mean that this will remain true forever. Comparative advantage tells you about the currently most efficient trade patterns. It does not tell you where to invest next to create future advantages and profitable niches. Comparative advantage four years ago would not have told you that Ukraine would now have a world-leading military drone industry. Comparative advantage ten years ago would not have told you that [Australia would now have a \\$7½ billion export industry in software licences](#).

When considering Australia's economic advantages, it is tempting to think only of the fixed, physical advantages such as our mineral resources and land suitable for various types of agriculture. And those are indeed advantages. The real advantage for a modern economy, though, is the ability to pivot and adapt to new circumstances. In that regard, Australia has a highly educated, English-speaking workforce; [good health outcomes supporting labour supply](#); and high-quality, pragmatic policy norms and strong institutions. These support our national capacity to pivot when circumstances demand it, just as we have done [in the past](#).

And while pivoting to a currently dirty, polluting processing industry might seem as incongruous for Australia as taking up jujitsu is for a fifty-something woman, it just might be that our longer-term wellbeing is better for it. Time for some of that quintessentially Australian pragmatism to approve projects quickly, mitigate the pollution risks and get the job done.

## Cliff Notes: a rare deal

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

With no data of note for Australia, the spotlight largely remained on the announced agreement between the US and Australia to jointly fund an expansion of rare earths mining and refining over the next 5-10 years. The intention behind the deal is clear. The US is concerned over China's capacity to control global rare earth supplies and related technology, and so is determined to build out its own supply chain. Australia has suitable natural resources and logistics, and hence a targeted expansion of refined supply is in the best interests of both nations. The initial projects and overall structure of the deal have been well covered in the press throughout the week. [Chief Economist Luci Ellis](#) instead looks at the geopolitical context of the deal and its significance to both military and technological capacity.

Across the Tasman in New Zealand, at 1.0% the [Q3 CPI](#) printed in line with our expectations and just a touch above the RBNZ's forecast. The result leaves annual inflation at 3.0%yr, the top end of the RBNZ's range. Our New Zealand team do not expect the result to spark concern at the RBNZ, however, with the acceleration in inflation from Q2 to Q3 due to non-cyclical elements, specifically food and local council rates. In contrast, price increases for housing and discretionary retail were muted, consistent with the soft tone of recent spending data. Our NZ economics team continue to expect inflation to move towards the middle of the target range in 2026, allowing the RBNZ to continue to ease in the near term in line with activity conditions.

Further afield, markets were attuned to developments in China. Early in the week, [Q3 GDP](#) data came in broadly as expected at 5.2%ytd, putting authorities on target to achieve 5.0% growth for the full year. The monthly partial data for September painted a more sombre picture.

Fixed asset investment fell 0.5%ytd, in part reflecting the impacts of China's anti-involution policies aimed at curbing current oversupply but, in time, continuing to re-direct investment into areas with the highest returns and sustainable profit margins. Retail sale growth also slowed to 3.0%yr, a lack of confidence in the outlook for the labour market and wealth continuing to weigh on discretionary demand.

It was with this backdrop that Chinese authorities confirmed their new five-year plan at the Fourth Plenum. Initial headlines point to authorities remaining focused on technological development and the scaling up of related industry. There is also a focus on the consumer and domestic demand highlighted by "increase[d] efforts to guarantee and improve people's livelihood[s]" and an ambition to "improve the social security system". The call to promote "high-quality

development of the real estate sector" arguably highlights that households not only need more quality housing and community infrastructure to build lives in, but also the ability to accrue wealth sustainably throughout their lifetime. In our view, the focus on lifting domestic demand is necessary if growth is to remain near 5% come 2026 and beyond.

Elsewhere in Asia, Sanae Takaichi became Japan's first female Prime Minister after securing a coalition between her Liberal Democratic Party and the right-leaning Japan Innovation Party. Having been PM Shinzo Abe's protégé, Takaichi is known to be a fiscal expansionist, having previously put forward policies such as scrapping the gasoline tax and providing additional cash and tax credits to households. Recent bond auction results in Japanese bond markets have been weak suggesting markets are unsettled by some of her policies, particularly her affinity for raising issuance to fund additional spending. However, extensive fiscal expansion is unlikely given the minority government. Takaichi's focus on improving the wellbeing of citizens has been received well, her approval rating standing at 71% according to a Yomiuri survey, mirroring that of Abe's first term.

# 3% inflation not a barrier to another RBNZ rate cut



**Satish Ranchold**  
Senior Economist, NZ

Inflation in New Zealand has picked up again, rising to 3% in the year to September. That's up from 2.7% in the year to June and right at the top of the RBNZ's target band.

## Inflation crunchy on the outside ...

The latest pickup in inflation has been heavily centred around a few specific areas ([check out our full chart pack here](#)). That includes a 4.6% increase in food prices, which in part reflects tightness in global supply. We also saw large increases in regulated prices, with electricity costs up 11% and local council rates up an average of 8.8% across the country.

Such price increases are notable for a couple of reasons. First, all those costs relate to essentials, meaning households have limited (if any) ability to substitute their spending to cheaper alternatives. That's a particular concern for households on lower incomes who tend to spend more of their incomes on essentials. Second, prices in all these areas are relatively unresponsive to changes in monetary policy.

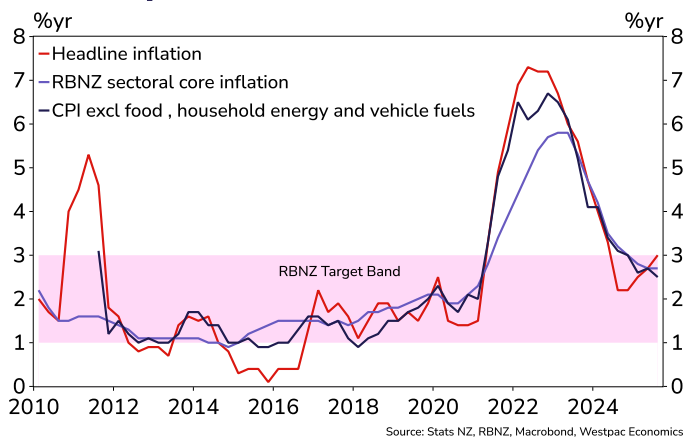
Looking ahead, we are likely to see food price inflation dropping back over the coming year as supply conditions improve. While we will continue to see price rises for some items, such increases are likely to be more modest than over the past year (for instance, we might see butter prices increase, but we're not likely to see another 30% rise). In fact, over the past month we saw falls in several categories.

However, we're less optimistic when it comes to regulated prices, like council rates. The increases we've seen over the past few months are the latest in a series of large increases seen across a range of areas. And with continued pressure on service providers' finances (including local councils), we expect to see further large increases over the next few years.

## ... but soft on the inside.

While we are seeing continued large price increases in some areas, underlying the surface the broader picture of price pressures is a lot better contained. The various measures of core inflation have drifted down below 3% in recent months, and inflation excluding food and regulated prices is running at just over 2%. That reflects the softness in economic conditions over the past year, with the economy continuing to operate with significant spare capacity, including unemployment at 5.2%.

## Consumer prices and core inflation



With softness in domestic demand and weakness in the labour market, price increases in discretionary spending areas have been modest. That includes areas like household furnishings, where retailers have reported weak demand.

There has been particular weakness in housing costs, which account for around 20% of the CPI. In annual terms, rental inflation has fallen to its lowest level since 2019 and construction cost inflation is at its lowest level since 2009. That weakness comes against a backdrop of low population growth and a sharp downturn in building activity. Inflation in both of those areas is expected to remain modest over the year ahead.

## With underlying softness in inflation, the RBNZ is set to cut the OCR again in November.

Subdued price pressures in the discretionary and more cyclical areas of the CPI are significant for the RBNZ. Combined with the expected easing in food prices, overall inflation is expected to drop back to levels comfortably within the RBNZ's target band over the year ahead. That's despite the continued firmness in regulated prices.

With the medium-term inflation outlook contained and the economy still operating with spare capacity, that gives the RBNZ headroom to continue cutting the OCR. We're forecasting one more 25bp rate cut at the November meeting, with the OCR expected to bottom at 2.25%.

Financial markets have fully priced a 25bp cut in November and have priced some chance that the OCR falls even further. ▶

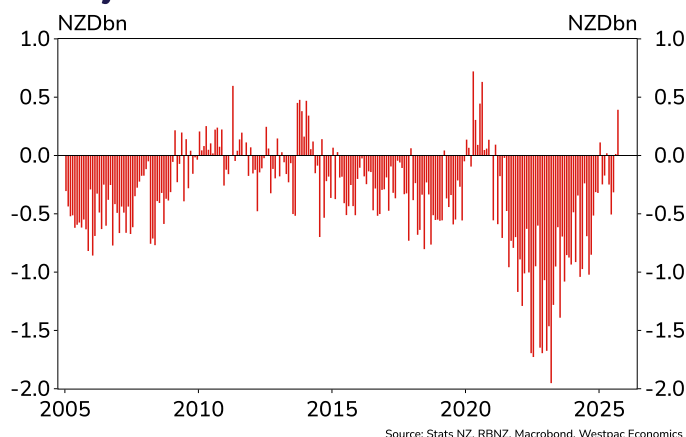
Key to how far the OCR falls will be how the economy responds over the next few months. It's true that domestic activity has been sluggish recently. However, New Zealand has a very high proportion of mortgages that are fixed for a period (around 90%). As a result, while interest rates have been dropping since August 2024, we've only really seen a material fall in households' debt servicing costs since around the middle of this year.

With a large amount of stimulus now hitting the economy's blood stream, we'll be watching for signs that spending is starting to turn as we head into the summer months. We'll also be keeping a close eye on gauges of the job market, with the September quarter labour market update out on 5 November.

## Underlying trade balance continues to improve

The only other significant local data over the past week was the merchandise trade report for September. As expected, seasonal influences – the usual lull in primary exports and pre-Christmas ramp-up in imports – resulted in a trade deficit of \$1.4bn. But after adjusting for seasonal effects, a small surplus of \$0.4bn represented the best outcome since 2014 (excluding the volatility associated with the pandemic lockdowns). Exports of milk powder butter and cheese were 27% higher than a year earlier, making a significant contribution to a 19% rise in overall exports. And while prices fell again at this week's GDT dairy auction, for now prices remain consistent with our forecast of a \$10 kg/ms payout for this season. Imports in September were just 1.6% higher than a year earlier, although this partly reflects base effects associated with large aircraft imports a year earlier. We were encouraged to see a 15% rise in imports of machinery and plant and a more than one-third increase in imports of passenger vehicles (the latter seems to be associated with the arrival of new Chinese EV brands into the country).

## Monthly Trade Balance



## AUS: Q3 CPI (%qtr)

**Oct 29, Last: 0.7, Westpac f/c: 1.1**

**Market f/c: 1.1, Range: 0.7 to 1.2**

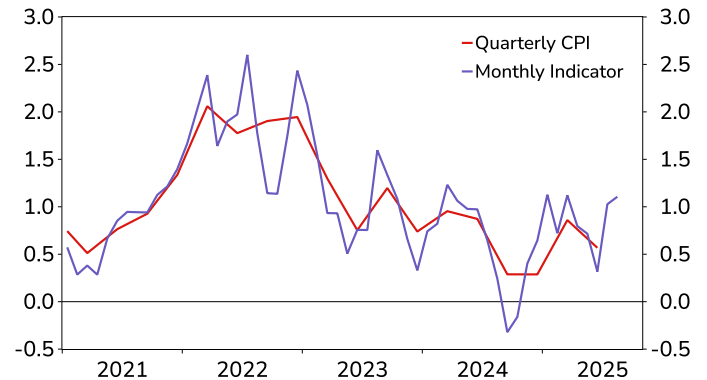
The August CPI (3.0%yr) came in below our expectations (3.1%yr), so while it surprised many in the market (2.9%yr) it was broadly in line with our view. Despite the larger than expected fall in electricity prices, offsetting gains elsewhere meant we could leave our Q3 CPI forecast at 1.1%qtr.

The August Monthly CPI painted a mixed picture, with both stronger and weaker than expected prices. As it's possible to cherry-pick the data to support different narratives, and given the Monthly Indicator's unreliability, we decided to wait for the September quarter CPI before making any profile adjustment.

Our near-cast for the September Monthly CPI Indicator is 0.2%mt/3.1%yr. For further information please refer to our [CPI Preview](#).

## Quarterly and Monthly CPI

Q/Q % Change, Seasonally Adjusted



Source: ABS, Macrobond, Westpac Economics

## AUS: Q3 Trimmed Mean (%qtr)

**Oct 29, Last: 0.6 Westpac f/c: 0.8**

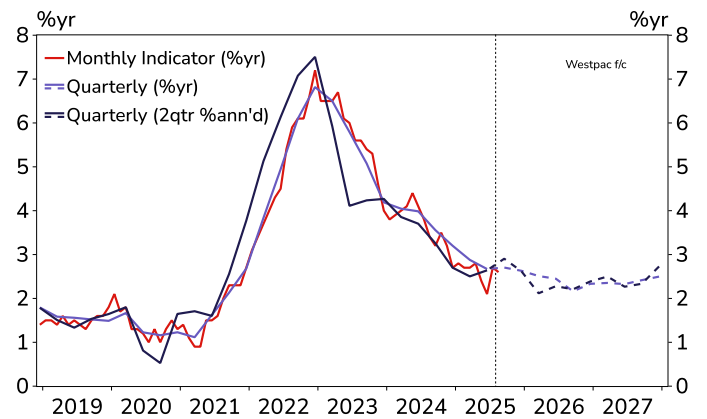
**Market f/c: 0.8, Range: 0.7 to 1.0**

Readers may remember that the Trimmed Mean is calculated from seasonally adjusted contributions, not headline CPI data. For the September quarter, we estimate the trimming boundaries are -0.3% to 1.9%. Key components such as rents and dwelling prices fall well within this range, at 0.9%qtr and 1.0%qtr respectively. As a result, any modest upside surprise in these categories will positively contribute to core inflation.

Our Trimmed Mean estimate is 0.846% at three decimal places. Given there is some upside risk to dwelling prices, this suggests any risk to this estimate lies to the upside.

We estimate the RBA is expecting 0.6%qtr for the next two quarters to get their end year estimate of 2.6%yr.

## Trimmed Mean Inflation



Source: ABS, Macrobond, Westpac Economics

## AUS: Sep Private Sector Credit (%mth)

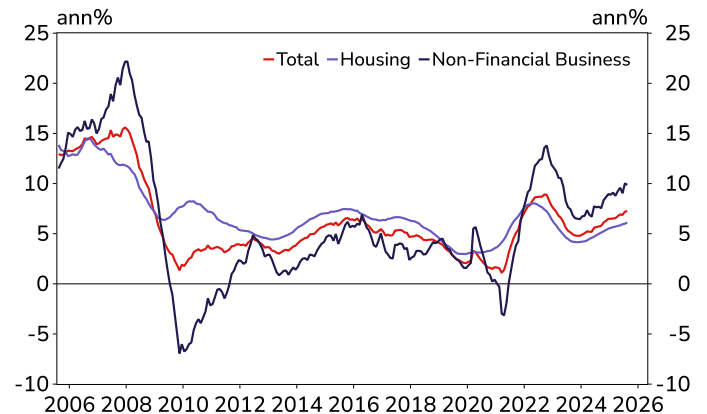
**Oct 31, Last: 0.6, Westpac f/c: 0.6**

**Mkt f/c: 0.6, Range: 0.4 to 0.7**

Having risen steadily at around 0.5%mt in 2024 and into early 2025, private sector credit has accelerated recently, lifting overall growth to 0.6-0.7% per month. Business credit growth has been the main driver, but housing credit, which accounts for nearly two-thirds of total credit, is now contributing more as well. Indeed, in August, it rose by 0.6%mt, up from the 0.5%mt pace recorded in the previous eleven months.

We expect similar dynamics in September, with headline private sector credit growth set to remain at 0.6%mt. House prices maintained firm momentum during that month, and consumer sentiment survey data points to increasing expectations of further gains. Business credit should also remain well supported, particularly if signs of stronger consumer spending begin to encourage business investment in key cyclical sectors.

## Private sector credit growth



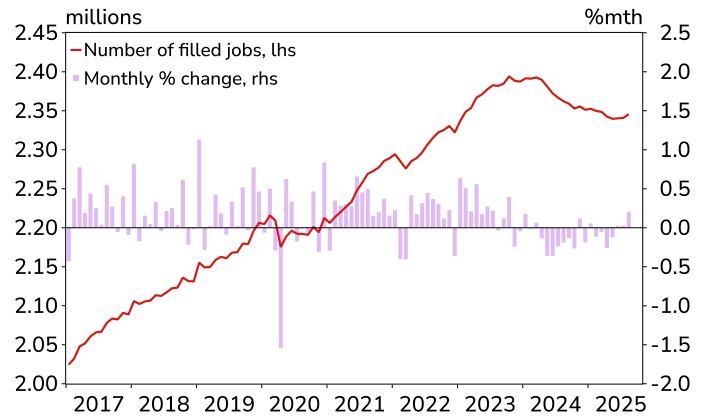
Source: RBA, Macrobond, Westpac Economics

## NZ: Sep Monthly Employment Indicator (%mth)

Oct 28, Last: 0.2, Westpac f/c: 0.2

The Monthly Employment Indicator (MEI) is drawn from income tax data, making it a comprehensive record of the number of people in work. However, it tends to be overstated on the first release – we expect that the 0.2% rise in filled jobs for August will be revised down to a flat outcome, similar to the previous two months. The weekly snapshots provided by Stats NZ have been fairly stable in recent weeks; we expect to see a modest rise for the September month (though again likely to be revised down in future releases). Employment trends have been more positive in areas dominated by the public sector, and in the more farming-oriented parts of the South Island.

## Monthly Employment Indicator

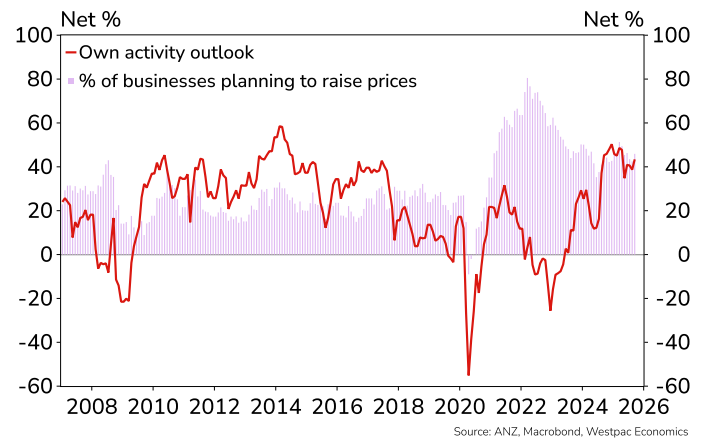


## NZ: Oct ANZBO Business Confidence (index)

Oct 30, Last: 49.6

The September Business Outlook survey showed that firms remain very optimistic about the year ahead. Responses received in the second half of the month, after the very weak Q3 GDP result, were on the softer side but not by a huge amount (and on some measures were still higher than in August). The RBNZ's larger 50bp cut in early October was intended to provide a shot in the arm to household and business confidence, and in that respect we may well see a further lift in the headline measures for October (the consumer confidence survey is also out on the 31st). But the real test will be when we see that translate into an improvement in current trading conditions. In September only a net 5% of firms said that their activity was up on a year ago.

## Business confidence remains high



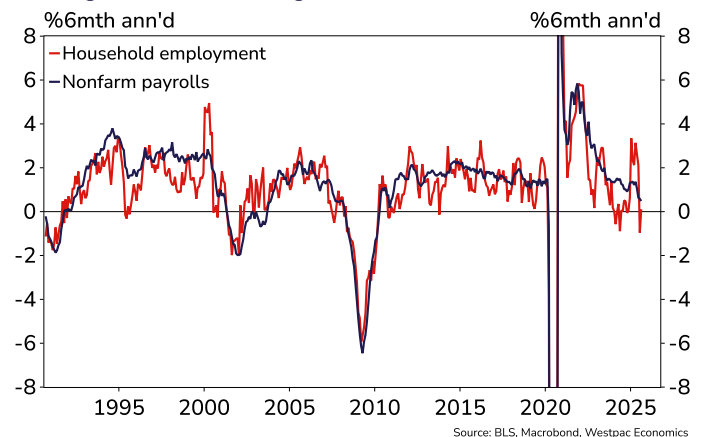
## US: FOMC Policy Decision (%)

Oct 29-30, Last: 4.125, Westpac f/c: 3.875, Market f/c: 3.875

The FOMC will meet in Oct without almost all of their typical data and amid considerable uncertainty with respect to fiscal policy and trade. While constructive on the economy's underlying capacity to grow and mindful of inflation risks, the path of least regret is to provide the economy with additional accommodation, just in case the deceleration in employment growth has picked up pace.

The FOMC will be clear that this does not mean they expect to cut at every meeting for the foreseeable future. They will instead act meeting-by-meeting, assessing the risks as best they can in each instance. We expect growth to remain positive and inflation an issue, so the policy rate should trough above neutral.

## Jobs growth is stalling out

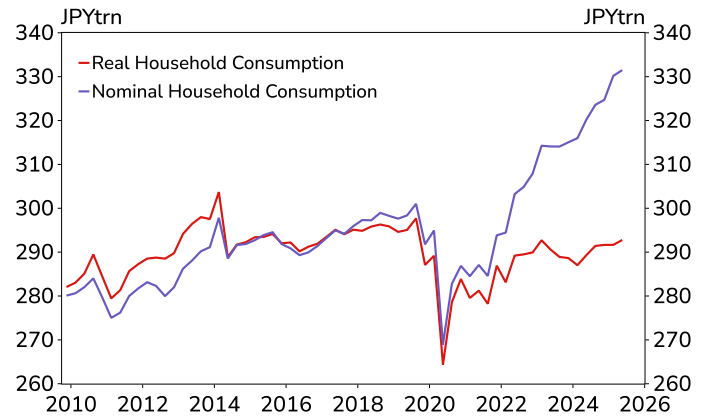


## JAPAN: BoJ Policy Decision (%)

**Oct 31, Last: 0.50, Westpac f/c: 0.50, Market f/c: 0.50**

Despite recent hawkish remarks from some committee members, we expect the Bank of Japan to keep its policy rate unchanged at 0.50%. Recent data suggests increased downside risks to the BoJ's forecasts: wage growth is slowing, and consumer spending remains subdued. The Q3 Tankan survey showed little change from Q2, with firms still cautious about the outlook. Combined with recent market volatility, these factors point to a 'hawkish hold', as the BoJ reiterates its readiness for further rate hikes.

## Real consumption lags behind nominal



# What to watch

|               | For | Data/Event                            | Unit  | Last  | Market f/c | Westpac f/c | Risk/Comment                                                     |
|---------------|-----|---------------------------------------|-------|-------|------------|-------------|------------------------------------------------------------------|
| <b>Mon 27</b> |     |                                       |       |       |            |             |                                                                  |
|               | Aus | RBA Governor Bullock                  | –     | –     | –          | –           | Fireside chat in Sydney, 7:15pm AEDT.                            |
|               | NZ  | Labour Day                            | –     | –     | –          | –           | Markets closed.                                                  |
|               | Chn | Sep Industrial Profits                | %ann  | 20.4  | –          | –           | AI boom continues to support Chinese companies.                  |
|               | Ger | Oct IFO Business Climate Survey       | index | 87.7  | –          | –           | Prospects of further stimulus are helping buoy sentiment.        |
|               | US  | Oct Dallas Fed Manufacturing Activity | index | –8.7  | –          | –           | Manufacturing conditions varied across the regions.              |
| <b>Tue 28</b> |     |                                       |       |       |            |             |                                                                  |
|               | NZ  | Sep Employment Indicator              | %mth  | 0.2   | –          | 0.2         | Weekly snapshots up slightly; Aug likely revised down.           |
|               | Eur | Q3 ECB Bank Lending Survey            | –     | –     | –          | –           | Credit conditions remain accommodative.                          |
|               | US  | Aug S&P/CS Home Price Index           | %mth  | –0.07 | –          | –           | Elevated mortgage rates limits turnover in housing market.       |
|               |     | Oct Richmond Fed Manufact. Sentiment  | index | –17   | –          | –           | Tariff-related costs proving to be a dampener ...                |
|               |     | Oct Conf. Board Consumer Confidence   | index | 94.2  | 93.8       | –           | ... on both producer and consumer sentiment.                     |
| <b>Wed 29</b> |     |                                       |       |       |            |             |                                                                  |
|               | Aus | Sep Monthly CPI Indicator             | %ann  | 3.0   | 3.1        | 3.1         | August partial data painted a mixed picture on inflation ...     |
|               |     | Q3 CPI                                | %qtr  | 0.7   | 1.1        | 1.1         | ... with electricity falling by more than expected ...           |
|               |     | Q3 CPI                                | %ann  | 2.1   | 3.0        | 3.0         | ... while gains across other parts of the basket offset.         |
|               |     | Q3 Trimmed Mean CPI                   | %qtr  | 0.6   | 0.8        | 0.8         | Housing components will be key to underlying inflation ...       |
|               |     | Q3 Trimmed Mean CPI                   | %ann  | 2.7   | 2.7        | 2.7         | ... to which we see upside risk to our current forecast.         |
|               | NZ  | RBNZ Acting Governor Speech           | –     | –     | –          | –           | Hawkesby speaking on central bank independence.                  |
|               |     | RBNZ Director of Fin Mkts Speech      | –     | –     | –          | –           | Richardson speaking on Transmission of OCR cuts.                 |
|               | US  | Oct FOMC Policy Decision              | %     | 4.125 | 3.875      | 3.875       | Rate cut to lean against downside risks while 'flying blind'.    |
| <b>Thu 30</b> |     |                                       |       |       |            |             |                                                                  |
|               | Aus | Q3 Export Price Index                 | %qtr  | –4.5  | –          | –           | Lift in commodity prices will be beneficial for our exports ...  |
|               |     | Q3 Import Price Index                 | %qtr  | –0.8  | –          | –           | ... dynamics around import prices remain somewhat uncertain.     |
|               | NZ  | Oct ANZ Business Confidence           | index | 49.6  | –          | –           | Comes after the GDP shocker but also the 50bp OCR cut.           |
|               | Jpn | Oct BoJ Policy Decision               | %     | 0.50  | 0.50       | 0.50        | Pause to assess conditions.                                      |
|               | Eur | Q3 GDP                                | %qtr  | 0.1   | 0.1        | –           | Some downside risks to growth as confidence wanes across ...     |
|               |     | Sep Unemployment Rate                 | %     | 6.3   | 6.3        | –           | ... the region but structural factors keep labour market tight.  |
|               |     | ECB Policy Decision (Deposit Rate)    | %     | 2.00  | 2.00       | –           | With inflation broadly at target, no policy change expected.     |
|               | Can | BoC Policy Decision                   | %     | 2.50  | 2.25       | –           | Soft growth will motivate a 25bp cut.                            |
| <b>Fri 31</b> |     |                                       |       |       |            |             |                                                                  |
|               | Aus | Q3 PPI                                | %qtr  | 0.7   | –          | –           | Manufacturing still experiencing upstream price pressures.       |
|               |     | Sep Private Sector Credit             | %mth  | 0.6   | 0.6        | 0.6         | Business credit growth lifting, but so too housing.              |
|               | NZ  | Oct ANZ Consumer Confidence           | index | 94.6  | –          | –           | Watching for signs of a boost from lower interest rates.         |
|               |     | RBNZ MPC Member Speech                | –     | –     | –          | –           | Prof. Gai speaking on monetary policy and global uncertainty.    |
|               | Jpn | Sep Jobless Rate                      | %     | 2.6   | 2.5        | –           | Structural forces keep conditions tight.                         |
|               |     | Sep Industrial Production             | %mth  | –1.5  | 1.4        | –           | Global slowdown to weigh on production.                          |
|               | Chn | Oct NBS Manufacturing PMI             | index | 49.8  | 49.6       | –           | Authorities' five-year plan should help boost optimism ...       |
|               |     | Oct NBS Non-Manufacturing PMI         | index | 50.0  | 50.2       | –           | ... across industries but in particular high-tech manufacturing. |
|               | Eur | Oct HICP Inflation                    | %ann  | 2.2   | 2.2        | –           | Stable inflationary pressures.                                   |
|               | US  | Oct Chicago PMI                       | index | 40.6  | 42.0       | –           | Surprised to the downside in September.                          |

US government data releases are delayed indefinitely due to the government shutdown. These releases will be reinstated once publication by agencies is confirmed.

# Economic & financial forecasts

## Interest rate forecasts

| Australia                  | Latest (24 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                | 3.51            | 3.30   | 3.05   | 2.95   | 2.95   | 2.95   | 2.95   | 2.95   | 2.95   | 2.95   |
| 3 Year Swap                | 3.37            | 3.40   | 3.45   | 3.50   | 3.60   | 3.70   | 3.80   | 3.90   | 3.95   | 4.00   |
| 3 Year Bond                | 3.37            | 3.45   | 3.50   | 3.55   | 3.65   | 3.75   | 3.85   | 3.90   | 3.95   | 4.00   |
| 10 Year Bond               | 4.14            | 4.30   | 4.35   | 4.40   | 4.45   | 4.50   | 4.55   | 4.60   | 4.60   | 4.65   |
| 10 Year Spread to US (bps) | 14              | 15     | 15     | 15     | 15     | 10     | 5      | 0      | -5     | -5     |
| <b>United States</b>       |                 |        |        |        |        |        |        |        |        |        |
| 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            | 4.00            | 4.15   | 4.20   | 4.25   | 4.30   | 4.40   | 4.50   | 4.60   | 4.65   | 4.70   |
| <b>New Zealand</b>         |                 |        |        |        |        |        |        |        |        |        |
| Cash                       | 2.50            | 2.25   | 2.25   | 2.25   | 2.25   | 2.50   | 2.75   | 3.00   | 3.25   | 3.50   |
| 90 Day Bill                | 2.52            | 2.35   | 2.35   | 2.35   | 2.45   | 2.70   | 2.95   | 3.20   | 3.45   | 3.70   |
| 2 Year Swap                | 2.50            | 2.70   | 2.90   | 3.15   | 3.35   | 3.55   | 3.70   | 3.85   | 3.95   | 4.00   |
| 10 Year Bond               | 4.01            | 4.15   | 4.30   | 4.45   | 4.55   | 4.70   | 4.85   | 4.90   | 4.95   | 4.95   |
| 10 Year Spread to US (bps) | 1               | 0      | 10     | 20     | 25     | 30     | 35     | 30     | 30     | 25     |

## Exchange rate forecasts

|         | Latest (24 Oct) | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 |
|---------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| AUD/USD | 0.6504          | 0.67   | 0.68   | 0.69   | 0.70   | 0.71   | 0.72   | 0.72   | 0.73   | 0.73   |
| NZD/USD | 0.5751          | 0.58   | 0.58   | 0.59   | 0.60   | 0.61   | 0.62   | 0.63   | 0.64   | 0.65   |
| USD/JPY | 152.79          | 152    | 151    | 150    | 149    | 148    | 146    | 144    | 142    | 140    |
| EUR/USD | 1.1610          | 1.17   | 1.18   | 1.18   | 1.19   | 1.19   | 1.20   | 1.20   | 1.21   | 1.21   |
| GBP/USD | 1.3325          | 1.34   | 1.35   | 1.36   | 1.36   | 1.37   | 1.37   | 1.37   | 1.38   | 1.38   |
| USD/CNY | 7.1243          | 7.10   | 7.05   | 7.00   | 6.95   | 6.90   | 6.80   | 6.70   | 6.60   | 6.50   |
| AUD/NZD | 1.1310          | 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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