Week beginning 8 December 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Swing up, you won't hit a wall.

The Week That Was: The state of the nation.

Focus on New Zealand: After the dust settled.

For the week ahead:

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New Zealand: Retail card spending, net migration.

Japan: Final Q3 GDP, current account, industrial production.

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United States: FOMC policy decision, job openings, trade balance, NFIB business sentiment.

Information contained in this report current as at 5 December 2025

Swing up, you won't hit a wall

Luci Ellis
Chief Economist, Westpac Group

- **The September quarter national accounts confirmed what we had already flagged in our forecasts and 'Westpac-Now' nowcast of activity: that growth in private sector demand is picking up, finally. Rising household incomes have eased cost-of-living pressures somewhat and supported spending. Business investment also picked up in the latest quarter, which is a positive for future capacity.**
- **Contrary to some views, we do not regard activity growth at this rate as being necessarily inflationary. Estimates of growth in the capacity of Australia's economy around 2% look too low. Such assumptions are vulnerable to small surprises in population, participation or productivity. The risks on these are all on the upside.**
- **There are, however, reasons to be cautious about the current inflation environment. As with all inflation releases, there are some categories running well above the overall inflation rate, and some well below. However, the high outcomes recently are dominated by categories where policies of government at various levels determine prices. For many of these categories, high inflation rates are locked in for the next few years. The RBA's mandate to hit its 2½% inflation target would mean keeping the rest of the economy weak and market-sector inflation low, to offset this policy-driven inflation. Surely there is a better way.**

The September quarter national accounts confirmed that an upswing in private sector demand is underway. This was previously flagged by our 'Westpac-Now' nowcast estimate, in turn driven by the upswing in our Westpac–DataX Card Tracker and, for business investment, the ABS Capex survey.

For some observers, though, what is good is bad. Stronger growth in activity is seen in these quarters as outstripping the growth rate of Australia's supply capacity – so-called 'potential output'. With the economy also seen as having little to no spare capacity in absolute terms, the conclusion is then that demand pressures imply faster inflation. According to this view, the upswing will soon hit a wall of higher inflation and interest rates.

We simply have a different view about supply capacity. As highlighted in the lead-up to the national accounts, we think trend growth is more like 2¼%yr than the RBA's assumption of 2%. Even higher numbers are achievable if the productivity benefits of AI become evident in coming years.

There are a number of ways to estimate trend growth in supply capacity but most of them boil down to adding trend growth in labour productivity to trend growth in labour supply.

We have discussed the RBA's 0.7%yr near-term estimate of trend productivity growth elsewhere, but for the sake of argument, let's take that as a base-case minimum. To get 2% for potential output growth, that means trend labour supply growth of 1.3%. Is this realistic? Consider that even if the RBA's assumption about overall population growth of 1.2%yr over 2027 is correct, working-age population will grow faster; new migrants to Australia are disproportionately young adults without children. The gap between working-age and total population varies over time and on current data is unusually high. Over recent decades it has averaged at least 0.1–0.2 percentage points. So, suppose trend working-age population growth is 1.3–1.4%yr.

How this translates into trend growth in labour supply depends on trends in labour force participation and average hours. Back in September, Westpac Economics colleague Ryan Wells and I highlighted that there is an upward trend in labour force participation in Australia and many other advanced economies. The RBA has since acknowledged this in its November Statement on Monetary Policy. Average hours per working person are trending downwards as part-time work becomes more common. The net of the two trends looks to be a wash, or at worst a gentle downtrend around 0.1%pt per year.

> **"A genuine cyclical upswing in private sector spending is underway."**

You can then see how the RBA gets its 2%yr estimate of potential output growth. Assume 0.7%yr productivity plus 1.3–1.4%yr growth in working-age population, minus up to 0.1%pt for the net of participation and average hours, implying 1.3%yr trend growth in labour supply.

You can also see how vulnerable the RBA's conclusion is to small misses, and that all these risks are in the one direction. Population growth of 1.2%yr is 0.4%pt lower than the latest official data and would be lower than at any time in the past two decades. Our own forecast for 2027 is 1.35%. Working-age population is currently estimated to be growing at a 2% pace, though we expect the ABS will revise this down as the estimated resident population figures come in. Even allowing for some narrowing in the current gap between the growth rates of total and working-age population, labour supply growth in the 1.5–1.6%yr range is entirely plausible. Add in the more positive view of productivity growth implied by this week's national accounts, and it is easy to get a trend growth estimate more in the 2¼–2½%yr range than the 2% advocated by the productivity pessimists.

The September quarter and new October monthly inflation data did nothing to counteract the more pessimistic view of supply capacity, to be fair. While the October headline result, at 3.8%, was not a surprise to Westpac Economics (we had nowcast 3.9%), it was a surprise to market consensus.

One should avoid the temptation of dismissing an uncomfortable result with words to the effect of "if you exclude all the things that are increasing a lot, inflation is actually ok". That said, there are reasons to believe that recent inflation outcomes are not suggesting that strong demand is pushing up inflation at present. Rather, much of the strength has been driven by government policy.

One way to look at this question is to consider the categories of the CPI that recorded the highest inflation – say, 5%yr or more. Some of these – beef & veal (10.4%yr), lamb & goat (14.3%yr) and coffee, tea & cocoa (16.5%yr) – are obviously supply shocks that will not continue at that pace forever. They could even fall, as the price of eggs has been for the past six months now that the flock numbers have recovered after a wave of bird flu over 2023–24. Other categories are known volatiles that tell us little about underlying trends (domestic travel, clothing & footwear).

More worrisome, though, is the preponderance of policy-driven categories. From the well-known unwind of electricity rebates (electricity up 37.4%yr) to the NSW pricing decision for Sydney Water discussed last week, to local government property rates & charges (6.2%yr), policy-controlled prices dominated the top of the distribution. Tobacco, child care, school education, postal and medical & hospital charges all exceeded 5%yr as well. About the only non-policy ongoing inflation at these rates was Audio, Visual & Computing Media & Services (9.8%yr). And I just don't think Foxtel and Xbox (the only announced price increases we could find where the timing matches the 5.4% spike in the month of August) are going to increase their charges every year on that scale.

So we have a bit of an issue in that most of the high inflation is in sectors that are insulated from monetary policy. The RBA can still achieve its inflation target in this environment, but only by squeezing the market sector of the economy with tight policy to offset high administered price inflation with sub-target inflation elsewhere. Given that Australian households' real incomes per person have been static for half a decade, this is an unsatisfactory way to run an economy. There must be a better way to keep inflation under control than to keep the boot continuously on the neck of the Australian consumer. And there is, but it requires governments at all levels to take charge of their own contribution to inflation.

Nothing about this situation will change this month, of course. The RBA is aware that some of the recent pick-up in inflation is temporary but will be cautious given their view of potential output growth. It will therefore remain emphatically on hold this month and for much of next year.

If we are right about supply capacity, inflation will moderate – at least in the market sector – over the course of 2026, leaving room for the two cuts we still have pencilled in (May and August as the base case). Given the RBA's beliefs about potential output, this will not be its expectation. It might therefore seek to further dampen expectations of future cuts. The risk to our base case is quite obviously that the RBA stays on hold for longer. If we are right about supply capacity, though, the Australian economy will not hit the wall of capacity constraints. And that means the RBA risks keeping interest rates too high for too long.

Cliff Notes: the state of the nation

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

In Australia, Q3 GDP fell short of expectations, rising just 0.4% (2.1%yr). However, much of the disappointment was tied to a run-down of inventories, masking a much stronger showing for domestic demand, up 1.2% (2.6%yr). The public sector added to growth via consumption and investment, although the scale of support offered through both channels is easing as cost-of-living relief measures wind up and existing infrastructure projects progress.

New business investment was in the spotlight in the private sector, surging 3.4% (3.8%yr). Data centres and aircraft were key drivers, but there are some early hints of a broadening in the investment pulse across both consumer and business-facing sub-sectors. This trend has positive implications for supply capacity and productivity which are explored in more detail by Chief Economist Luci Ellis in this week's essay.

Consumer spending was also a key contributor, lifting 0.5% (2.5%yr), spot on our expectation. This was mostly driven by spending on essentials, including electricity and superannuation fees – the latter owing to Q3's superannuation guarantee increase. Although discretionary spending was a touch softer, both our internal data and recent ABS data point to a pick-up in this category into year end. Going forward, one of the key risks is the fading of the tailwinds associated with easing inflation, interest rate reductions and tax cuts for disposable incomes and spending.

The boost to wealth from rising house prices is also important to keep in mind, the Cotality index surging another 1.0% (7.1%yr) in November. Recent gains have been driven by lower cost tiers of the market, suggesting affordability remains a constraint but that households continue to adjust expectations to transact. Dwelling approvals have largely moved sideways this year, but the pipeline remains robust and should go some way to alleviating tight supply in coming years. For our in-depth view of the housing market, see the latest Housing Pulse.

Before moving offshore, a final note on trade. Partial data released earlier this week showed the current account balance widened slightly in Q3, from –$16.2bn to –$16.6bn, chiefly driven by a larger trade surplus, a trend that looks to have persisted in the goods balance into October. In real terms, the external sector subtracted 0.1ppts from GDP in Q3. This speaks to the longer-run structural headwinds for 'traditional' commodity export channels; however, that does not preclude burgeoning areas of opportunity gaining scale – services exports of software licensing being an example.

In the US, the ISM Services PMI rose 0.2pts to 52.6pts in November, although that still leaves all sub-components excluding prices well below their ten-year pre-COVID average. There were notable increases in the backlog of orders (+8.3pts), imports (+5.2pts), inventories (+3.9pts) and supplier deliveries (+3.3pts), while new orders (-3.3pts) and prices (-4.6pts) both exhibited falls. The sizeable fall in the prices component primarily reflected declines in gasoline prices. The manufacturing PMI meanwhile declined 0.5pts to 48.2pts, reflecting falls in new orders (-2pts), employment (-2pts), supplier deliveries (-4.9pts) and the order backlog (-3.9pts). The prices component increased by 0.5pts to 58.5pts but remains well off its highs. All told, both surveys point to sub-par momentum, but not aggregate contraction.

In Europe meanwhile, the flash estimate for November indicated prices fell 0.3% in the month, reflecting falling energy costs. In annual terms, inflation accelerated to 2.2%, backed by a 3.5% gain in services prices. Looking ahead, there are some downside risks to the headline component following a decline in wholesale gas prices. In a speech this week, ECB President Lagarde noted that underlying inflation pressures are consistent with achieving the inflation target, but that risks to the outlook remain two-sided.

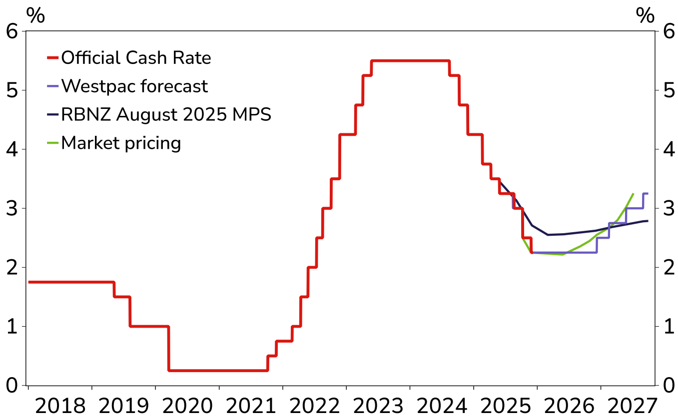
After the dust settled

Satish Ranchhod
Senior Economist

It's been an exciting time in New Zealand interest rate markets in the wake of the RBNZ's November policy meeting. Markets have responded to the RBNZ's message that further OCR cuts are unlikely and pushed up short-term rates. That signals upward pressure on borrowing rates in both mortgage and wholesale markets.

Prior to the RBNZ's November policy statement, markets were pricing in some chance of the OCR falling to 2% by the middle of 2026 and then a very gradual rising trend after that. This would have meant the OCR would remain below 2.5% until mid-2027. However, with the RBNZ signalling that the hurdle for further rate cuts is high, market pricing has swung around sharply. At the time of writing only 3bps of easing was priced in over the coming months. And looking further ahead, a hike in the OCR to 2.50% is fully priced in by the end of 2026, with several further increases expected over 2027. Since the RBNZ meeting, benchmark wholesale interest rate swap rates have increased by 15-30 basis points, with longer maturity rates rising by more than shorter maturities.

RBNZ Official Cash Rate



Source: RBNZ, Macrobond, Westpac Economics

That rise in wholesale borrowing costs has [implications for retail mortgage rates](). Typically banks pitch retail mortgage rates at a margin above their funding costs. And wholesale swap rates are a key component of those funding costs. This means that as wholesale rates rise, the likelihood of retail interest rates increasing (including mortgage rates) also rises.

It's also notable that the margin between retail rates and wholesale rates is as narrow as we have seen since the start of 2024. And margins are a lot narrower than the average seen since 2010. Margins were a lot lower during the Covid period in 2021- 23. However, that was likely due to the concessionary financing offered by the RBNZ as part of its Covid response, which temporarily reduced bank funding costs and allowed narrower funding spreads.

This suggests that it is longer-term mortgage rates that might be under the most pressure to rise. This makes sense given it has been longer-term wholesale rates that have reacted the most to the RBNZ's less dovish stance.

The outlook for interest rates remains cloudy. It's important to note that while the RBNZ was signalling a high hurdle for further OCR cuts, there was certainly no signal of OCR increases in the immediate future. We continue to forecast a gradually improving trend in the economy. However, it will take some time for above-trend growth to absorb spare capacity in the economy, allowing policy settings to remain supportive so long as inflation remains contained. Should that forecast be borne out by the data, then wholesale interest rates might not rise much further and there would not be further upward pressure on retail mortgage rates.

In the meantime, it's also possible the RBNZ could find an avenue to make some public comment on evolving financial conditions. We doubt the RBNZ intended to materially tighten financial conditions. The RBNZ could comment explicitly to that effect, which could assuage concerns in wholesale markets that a normalisation of the OCR might be coming sooner than previously expected. This may also help to cap wholesale rates and ease the tightening in financial conditions.

Further signs activity is firming, boosting expectations for September quarter GDP growth.

The pressure on borrowing costs is notable given the [increasing numbers of fixed rate mortgages that are now coming up for repricing](). We've already seen around 40% of mortgages coming up for refixing over the past six months, and a further 32% will be rolling over in the next six months. That's important, as even though the RBNZ's cutting cycle has likely come to an end, when borrowers go to refix their mortgages, many will be rolling on to much lower rates. For instance, over the past year the one-year mortgage rate has fallen by nearly 130bps, while the two-year rate is around 250bps lower than in 2023.

Accounting for when borrowers fixed their mortgages (rather than the rates currently on offer), the average 'effective' mortgage rate that borrowers are actually paying has already fallen from 6.39% in Oct 2024 to 5.36% in September 2025 (down 103bps). We expect further falls over the months ahead.

That drop in mortgage costs has been slowly feeding through to a lift in household disposable incomes, and we're starting to see early signs that this is boosting spending appetites. For instance, we saw a sizeable lift in spending on Westpac-issued cards over November, including a lift in discretionary spending areas like furnishings and apparel.

Notably, spending growth is becoming increasingly widespread across the country. We're still seeing the strongest spending growth in rural regions in the south, where the impact of strong commodity export prices has been the largest. However, spending is now also picking up in other regions, including Auckland and Wellington. That's an important change from earlier this year. We expect to see spending appetites continuing to firm into the near year.

And it's not just retail spending that has been picking up. We've also seen encouraging signs emerging in the building sector, including a stronger than expected 2.8% rise in residential building in the September quarter. The sharp fall in home building over the past few years now looks like it has been arrested, and the number of new projects being consented has started to trend higher in recent months. That bodes favourably for home building activity over the year ahead (though we still expect the recovery will be gradual, reflecting factors such as the softness in house prices and sizeable increases in the housing stock over the past few years).

Even with signs that demand in the economy is firming, there still clearly some caution among businesses. Talking to businesses in recent weeks, while firms are no longer shedding staff, they're reluctant to take on new workers at this stage. Similarly, businesses are hesitant about committing to significant capital expenditure. That's been clearly evident in the non-residential building sector, with a continued drop in the amount of work being completed and a further fall in planned projects.

Another area where we've recently seen some softness emerging is in the dairy sector, with a 4.3% drop in prices in the latest GlobalDairyTrade auction – the eighth consecutive fall – including a 2.4% fall in whole milk powder prices. We recently revised down our forecast milk payout for this season to $9.30/kg, lower than the $9.50/kg midpoint of Fonterra's projected range. However, even with recent declines, prices remain at healthy levels and sentiment in rural regions is still very positive.

With signs that economic activity is turning higher, our forecast for September quarter GDP growth is now tracking at 0.6%, up from 0.4% previously and higher than the RBNZ's MPS forecast (which was also 0.4%). We'll finalise our pick once the last set of indicators is published next Thursday, ahead of the GDP release on 18 December.

Fiscal accounts preview.

Finally, this week we published our preview of the Half-Year Economic and Financial Update (HYEFU), which the Treasury will publish on 16 December. The HYEFU will provide an update on the state of the Government's books (including a first forecast for 2029/30) while the accompanying Budget Policy Statement will outline the Government's priorities for Budget 2026. The deficit for the 2024/25 fiscal year was smaller than forecast in Budget 2025, especially in cash terms, providing a positive starting point for this year's funding needs. Since then, outcomes over the first third of the 2025/26 fiscal year have been mixed relative to Budget forecasts. The operating deficit (OBEGALx) is slightly wider than forecast due to a small tax shortfall but the core Crown residual cash deficit is smaller than forecast due to lower-than-expected net capital outlays. We expect that the HYEFU forecast for the full-year OBEGALx deficit in 2025/26 will slightly exceed the Budget 2025 forecast, but that the Government's funding needs will be no higher than forecast. As a result, we think it is likely that NZDM will confirm the $38bn bond issuance programme for this year that was forecast in Budget 2025 (T-bill/ECP issuance will be less than forecast in Budget 2025). We don't have much cause to expect sizeable revisions to the Treasury's economic and fiscal forecasts beyond the current year, and so forecast bond issuance in the out years is also likely to be close to the Budget forecast.

AUS: RBA Policy Decision (%)

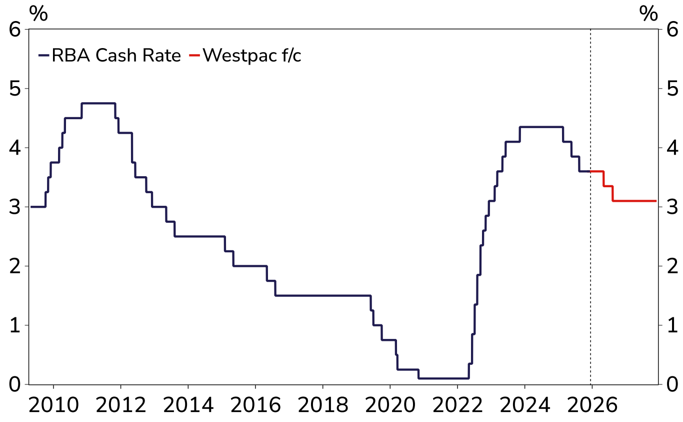
Dec 9, Last: 3.60, Westpac f/c: 3.60
Market f/c: 3.60, Range 3.60 to 3.60

The Q3 National Accounts confirmed private sector demand is finally gaining traction. Meanwhile, the first full monthly CPI printed at 3.8%yr, surprising many to the upside, but not us. Recently, the categories with the strongest increases have been concentrated in areas where government policies largely determine prices. As Chief Economist Luci Ellis notes on page 2, there must be a better way to manage inflation than keeping relentless pressure on consumers.

Nothing about this situation will change this month, so we expect the RBA to remain on hold at its December meeting.

If our view on supply capacity proves correct, inflation should ease through 2026, creating scope for rate cuts in May and August next year.

RBA to leave rates unchanged in December



Source: RBA, Macrobond, Westpac Economics

AUS: Nov Labour Force – Employment Change (000s)

Dec 11, Last: 42.2, Westpac f/c: 20.0
Market f/c: 20.0, Range: 10.0 to 40.0

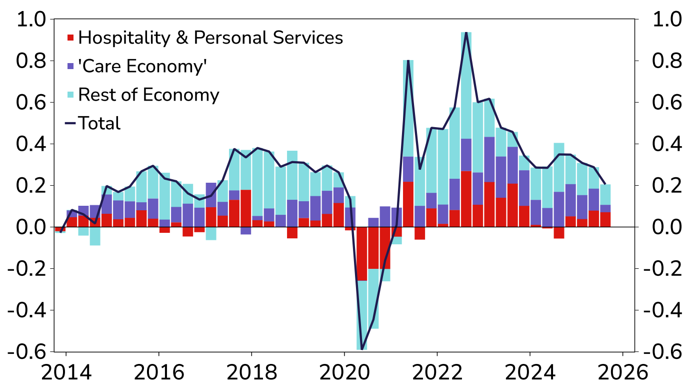
Employment was firmer than expected in October after a weaker showing in September. The 42.2k gain left the three-month average growth pace at around 1.5%yr, around ½ppt below the pace six months ago.

The Q3 Labour Account confirmed that this gradual slowdown in jobs growth is occuring amid a rebalancing across industries – the 'jobs-rich' care economy is returning back to more sustainable rates of growth after an intense hiring effort over recent years, while the market sector stages a steady recovery.

For November, we have pencilled in a lift in employment of 20k, which would be enough to see the employment-to-population ease slightly at the margin.

Care economy contribution is easing

Contributions to year-ended employment growth (000s)



Source: ABS, Macrobond, Westpac Economics

AUS: Nov Labour Force – Unemployment Rate (%)

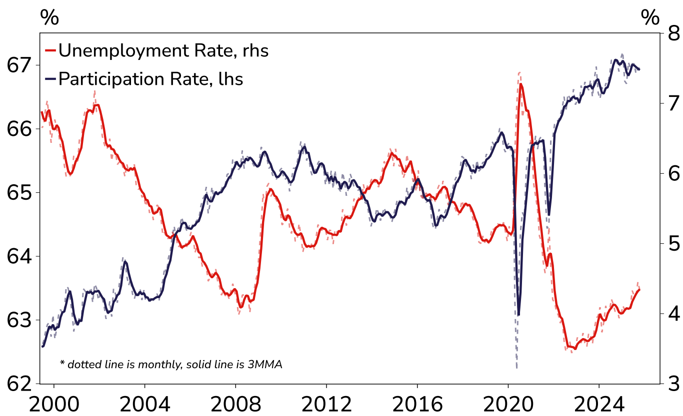
Dec 11, Last: 4.3, Westpac f/c: 4.4
Market f/c: 4.4, Range: 4.2 to 4.4

The stronger showing in labour demand was met with a stable picture around labour supply, with the participation rate holding steady at 67.0%. This saw the unemployment rate fall 0.1ppt, from a 'thin' 4.5% (4.45%) in September to a 'fat' 4.3% (4.34) in October. On a three-month average basis, the unemployment rate remains locked in a clear, gradual uptrend.

The whiplash over the past two months has been driven by the cyclically sensitive youth cohort. We have seen large jumps in the unemployment rate in this segment, and it has foreshadowed a broader uptick in adult unemployment of late.

For November, we think the participation rate will hold broadly steady, which would see the unemployment rate – which is already close to the rounding barrier – lift to 4.4%.

Unemployment rate trending higher



Source: ABS, Macrobond, Westpac Economics

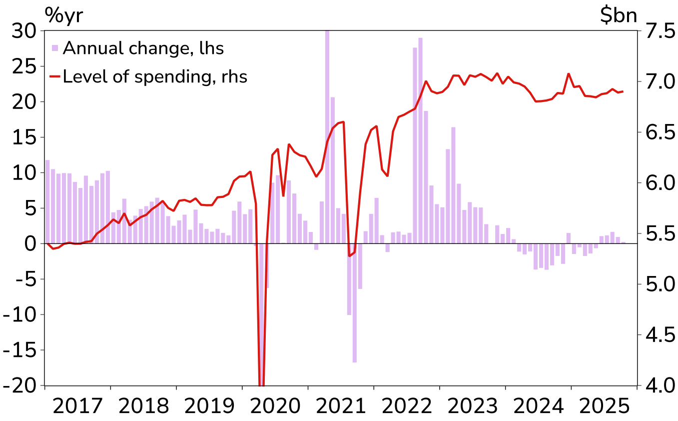
Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known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

NZ: Nov Retail Card Spending (%mth)

Dec 12, Last: 0.2, Westpac f/c: 0.6

Retail spending levels rose 0.2% in October. However, that gain was almost entirely related to increased spending on groceries. Under the surface, there's been a disappointing lack of momentum in discretionary spending areas. We expect spending will take a step higher in November and have pencilled in a 0.6% rise. Some of that is related to higher fuel prices, but we also expect a 0.3% rise in core (ex-fuel) categories. Our own data on spending on Westpac issued cards points to a pick-up in discretionary spending in November. Notably, that rise has become increasingly widespread geographically with lower interest rates helping to boost spending across the nation.

NZ retail card spending



Source: Stats NZ, Macrobond, Westpac Economics

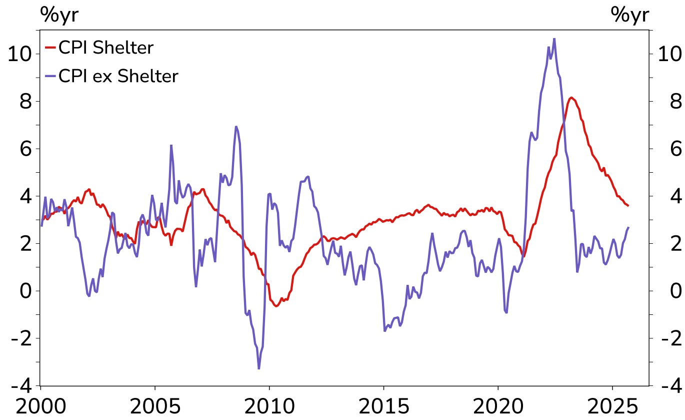
US: FOMC Policy Decision (%)

Dec 10-11, %, Last: 3.875, WBC f/c: 3.625, Mkt f/c: 3.625

Communication from FOMC members since the last meeting has generally been non-committal on a near-term cut, and the data available broadly constructive. Still, the market has priced another cut in full at the December meeting.

Likely debating amongst themselves whether another cut was apppropriate now, in January or March, the Committee is likely to take this opportunity to deliver the next 25bps of easing. With the data as it is, it will be billed as a risk management decision, with further easing to be timed to match the evolution of the economy and risks. We see one further cut in H1 2026, most likely by March. Thereafter, near neutral policy and inflation above target will warrant policy remain on hold.

Capacity and tariffs supporting inflation



Source: BLS, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 08							
Jpn	Q3	GDP	%qtr	–0.4	–0.5	–	Final estimate.
	Oct	Current Account Balance	¥bn	4483	3150	–	Current account surplus expected to narrow from record high.
Eur	Dec	Sentix Investor Confidence	index	–7.4	–	–	Investor confidence wallowing in pessimism as …
Ger	Oct	Industrial Production	%mth	1.3	–	–	… manufacturing activity fails to gain much traction in H2.
Tue 09							
Aus	Nov	NAB Business Conditions	index	9	–	–	Businesses more optimistic as the consumer sentiment firms.
		RBA Policy Decision	%	3.60	3.60	3.60	Monetary policy on hold as the RBA assess inflation outlook.
US	Nov	NFIB Small Business Optimism	index	98.2	98.2	–	Weak demand weighing on small business sentiment.
	Oct	JOLTS Job Openings	000s	–	–	–	Sept and Oct results due following shutdown delay.
Wed 10							
NZ	Oct	Net Migration	no.	1800	–	–	Watching for signs the cycle has troughed.
Chn	Nov	PPI	%ann	–2.1	–2.0	–	In deflation for over two years but pace of decline easing.
	Nov	CPI	%ann	0.2	0.8	–	Expected to lift on account of a smaller drop in food prices.
US	Q3	Employment Cost Index	%qtr	0.9	0.9	–	Pace of growth has gradually slowed from a peak of 1.3%qtr.
	Nov	Monthly Budget Statement	$bn	–284.4	–	–	Some lost spending from the shutdown will not be recovered.
		FOMC Policy Decision	%	3.875	3.625	3.625	Widely expected to bring a 'risk management' cut.
Thu 11							
Aus	Nov	Employment Change	000s	42.2	20.0	20.0	Jobs growth gradually slowing as care economy normalises.
	Nov	Unemployment Rate	%	4.3	4.4	4.4	Expected to round up from a ‘fat’ 4.3% (4.34%) in October.
US		Initial Jobless Claims	000s	191	–	–	Holidays distorted the weekly figure.
	Sep	Trade Balance	$bn	–59.6	–66.6	–	Bumping around 2023 average levels.
Can		BoC Policy Decision	%	2.25	2.25	–	Markets pricing in an extended pause as govt props economy.
Fri 12							
NZ	Nov	Manufacturing PMI	index	51.4	–	–	Business conditions gradually firming, including orders.
	Nov	Retail Card Spending	%mth	0.2	–	0.6	Signs of a pick up in discretionary spending.
Jpn	Oct	Industrial Production	%mth	1.4	–	–	Final estimate.
UK	Oct	Trade Balance	£bn	–1094	–	–	Trade deficit narrowing since February.
	Oct	Monthly GDP	%mth	–0.1	0.1	–	First glimpse into Q4 after Q3 growth missed expectations.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (5 Dec)	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27
Cash	3.60	3.60	3.60	3.35	3.10	3.10	3.10	3.10	3.10	3.10
90 Day BBSW	3.68	3.65	3.50	3.25	3.15	3.15	3.20	3.20	3.20	3.20
3 Year Swap	4.02	3.55	3.50	3.50	3.60	3.70	3.80	3.90	3.95	4.00
3 Year Bond	4.02	3.60	3.55	3.55	3.65	3.75	3.85	3.90	3.95	4.00
10 Year Bond	4.68	4.35	4.35	4.40	4.45	4.50	4.55	4.60	4.60	4.60
10 Year Spread to US (bps)	60	20	20	20	15	10	10	10	5	0
United States										
Fed Funds	3.875	3.625	3.375	3.375	3.375	3.375	3.375	3.375	3.375	3.375
US 10 Year Bond	4.08	4.15	4.15	4.20	4.30	4.40	4.45	4.50	4.55	4.60
New Zealand										
Cash	2.25	2.25	2.25	2.25	2.25	2.50	2.75	3.00	3.25	3.50
90 Day Bill	2.47	2.35	2.35	2.35	2.40	2.70	2.95	3.20	3.40	3.70
2 Year Swap	2.89	2.85	3.05	3.20	3.40	3.60	3.75	3.85	3.95	4.00
10 Year Bond	4.31	4.30	4.35	4.40	4.55	4.70	4.85	4.90	4.95	4.95
10 Year Spread to US (bps)	23	15	20	20	25	30	40	40	40	35

Exchange rate forecasts

	Latest (5 Dec)	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27
AUD/USD	0.6617	0.66	0.67	0.69	0.70	0.71	0.72	0.72	0.73	0.73
NZD/USD	0.5761	0.57	0.57	0.59	0.60	0.61	0.62	0.63	0.64	0.65
USD/JPY	155.04	153	152	151	150	148	146	144	142	140
EUR/USD	1.1654	1.16	1.17	1.18	1.19	1.19	1.20	1.20	1.21	1.21
GBP/USD	1.3333	1.33	1.33	1.34	1.35	1.36	1.37	1.37	1.38	1.38
USD/CNY	7.0701	7.10	7.05	7.00	6.95	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.1473	1.16	1.17	1.16	1.16	1.16	1.15	1.14	1.13	1.12

Australian economic forecasts*

	2025				2026				Calendar years			
% Change	**Q1**	**Q2**	**Q3**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2024**	**2025f**	**2026f**	**2027f**
GDP %qtr	0.4	0.7	0.4	0.6	0.6	0.6	0.6	0.6	–	–	–	–
%yr end	1.4	2.0	2.1	2.2	2.4	2.2	2.4	2.4	1.4	2.2	2.4	2.5
Unemployment rate %	4.1	4.2	4.3	4.4	4.5	4.5	4.6	4.6	4.0	4.5	4.6	4.4
Wages (WPI) %qtr	1.0	0.8	0.8	0.8	0.8	0.7	0.7	0.8	–	–	–	–
%yr end	3.5	3.4	3.4	3.4	3.2	3.1	3.0	3.0	3.2	3.4	3.0	3.1
CPI Headline %qtr	0.9	0.7	1.3	0.6	0.9	0.8	0.7	0.5	–	–	–	–
%yr end	2.4	2.1	3.2	3.6	3.6	3.6	2.9	2.8	2.4	3.6	2.8	2.6
CPI Trimmed Mean %qtr	0.7	0.7	1.0	0.7	0.6	0.6	0.5	0.6	–	–	–	–
%yr end	2.9	2.7	3.0	3.1	3.0	2.9	2.4	2.3	3.3	3.1	2.3	2.6

GDP forecasts currently under review following the Q3 National Accounts.

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	0.8	0.6	0.3	0.8	1.2	–	–	–	–
Annual avg change	-1.1	-1.1	-0.4	0.4	0.7	1.4	1.8	2.2	-0.6	0.4	2.2	3.4
Unemployment rate %	5.1	5.2	5.3	5.4	5.4	5.3	5.1	4.9	5.1	5.4	4.9	4.3
CPI %qtr	0.9	0.5	1.0	0.3	0.4	0.4	0.9	0.5	–	–	–	–
Annual change	2.5	2.7	3.0	2.8	2.2	2.1	2.0	2.2	2.2	2.8	2.2	2.1

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