



**Week beginning 19 January 2026**

# AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

## **In this week's edition:**

**Economic Insight:** Solidarity in the face of Trumped-up charges.

**The Week That Was:** Uncertainty on many fronts.

**Focus on New Zealand:** A hiss and a roar.

## **For the week ahead:**

**Australia:** Labour force statistics, Westpac-MI Leading Index, MI inflation gauge

**New Zealand:** Q4 CPI, BusinessNZ PSI, retail carding spending, net migration.

**Japan:** BoJ policy decision, core machinery orders, CPI, industrial production.

**China:** Q4 GDP, retail sales, industrial production, fixed asset investment.

**Eurozone:** CPI, consumer confidence, ZEW survey of expectations.

**United Kingdom:** CPI, retail sales, unemployment rate, consumer confidence.

**United States:** Leading index, Q3 GDP (final estimate), personal income and spending, PCE deflator.

Information contained in this report current as at 16 January 2026.

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.

# Solidarity in the face of Trumped-up charges



**Luci Ellis**

Chief Economist, Westpac Group

- The US Department of Justice's investigation into and possible criminal charges against Fed Chair Jerome Powell is a whole new level of attempted government coercion of the Fed on monetary policy. Given how ingrained the value of independence is for central bankers, Powell's strongly worded response is both warranted and unsurprising. We expect him to stay in his post until at least the end of his term as chair in May.
- The extraordinary DOJ action has spurred equally extraordinary, yet also unsurprising, support from other central banks and eminent economists. The relationships built over many meetings in Basel and elsewhere would have been a factor in creating the kind of solidarity that made the central bank statement possible.
- Powell's response and broad-based support suggest there is a limit to Trump's ability to coerce the central bank. But with the late January FOMC meeting expected to leave the Fed funds rate unchanged and the next Fed Chair still not announced, the next few weeks could provide to be quite eventful in central banking world.

Over the weekend, the US Federal Reserve received subpoenas related to possible criminal charges against Fed Chair Jerome Powell. Note, no charges have been laid just yet. In response, Powell released a strongly worded [video statement](#), labelling the investigation a 'pretext'. We think this characterisation is completely warranted, given the administration's previous actions. The investigation is just the latest attempt to bully the Fed into conducting monetary policy according to President Trump's wishes, to lower interest rates significantly and boost US demand even as inflation remains above target.

Like Governor Cook before him, we expect Chair Powell to stay in his post until at least the end of his term as chair in May. Although his term on the Board of Governors extends beyond that, typically former Chairs do not remain on the Board once they are no longer Chair. If Powell were to step down from the Board when his term as Chair ends, we would not take that as a signal that the Trump Administration's pressure tactics were working.

Powell's resistance should be no surprise to observers of monetary policymaking. Central bankers truly believe – with much justification – that having 'instrument independence' (operational independence) is essential for good policy. That is, it is appropriate for government or Parliament to decide what the central bank's policy should try to achieve, but it should be up to the central bank to work out how to achieve it. This is

the distinction between 'goal independence' and 'instrument independence' first made in the early 1990s in a [seminal paper](#) by the eminent academic and central banker, the late Stanley Fischer and his coauthor Guy Debelle. As is well known, Debelle went on to become Deputy Governor of the RBA, and gave his later perspective on central bank independence in a [2017 speech](#).

Central bankers also know what happens if operational independence is absent. Not only can they point to the example of the 1970s, but also to the more recent experiences of Argentina and Türkiye. Powell would not want his legacy to be the Fed Chair that folded in the face of political bullying.

Powell's response shows that Fed officials regard the administration as having crossed a line. Politicians will always express views about what they would like central banks to do with monetary policy. And that is their prerogative, no need to be outraged by it. What the current US administration is doing, though, is on a whole other level. Nor is it just about central banks being somehow special. The same principle of operational independence applies to national statistical agencies, though they do not tend to host whole academic conferences to talk about it. The earlier sacking of the head of the Bureau of Labour Statistics needs to be seen as part of the context for Powell's reaction.

**"Powell would not want his legacy to be the Fed Chair that folded in the face of political bullying."**

In another extraordinary turn, late in the evening of 13 January Australian time, a group of central bank governors and the Bank for International Settlements (BIS) released a short statement of solidarity with Chair Powell, emphasising the need for central banks to have operational independence. A separate similar [statement](#) was released by eminent US economists, including the three previous Fed Chairs. The central banks' statement was released on multiple web sites (see [RBA version here](#)) and very likely organised by the BIS and the European Central Bank (ECB); ECB President Lagarde has previously commented publicly in support of the Fed in forthright terms.

RBA Governor Michele Bullock was among the signatories, along with the heads of the ECB, Bank of England and the central banks of Sweden, Denmark, Switzerland, Norway,



Canada, South Korea, Brazil, South Africa and New Zealand. The ECB and RBA versions of the statement both note that other names might be added to the list later; indeed, it seems that the RBNZ was added in a subsequent iteration. The absence of some key countries – including Japan, Mexico and a few other G20 members – is probably not a signal of anything other than a desire to move quickly on the initial statement. Some central bank governors would have wanted to consult with the other members of their board or needed to translate the statement before publishing on their own websites.

The central bank statement should also not be surprising. The need for operational independence of monetary policy is widely viewed as bedrock for central banks more generally, not just the Fed. We should also not underestimate the role of the substantial calendar of meetings of central bankers in building solidarity between them. In this, the role of the BIS is key. It hosts meetings for central bank heads every two months – a significant call on the time of its more far-flung members in the Asian time zone, but a commitment they value and take seriously. On top of this, there are IMF meetings and regional forums where the principal players also interact. These Governors know each other well, so it is no surprise they were willing to support one of their own. It also may have given Powell some moral support to push back in the way he did. Consider also that if he had instead folded under the administration's pressure, he would have had to face his peers at a couple more meetings in Basel before May.

(Full disclosure: I worked for the BIS in Basel for nearly two years over 2007–08, attended countless meetings there and still jump at the opportunity to attend their annual meeting of private sector chief economists.)

Where to from here? This week's events suggest that there is a limit to Trump's ability to coerce the central bank. But this turn of events poisons the well for Powell's successor – an appointment that is yet to be announced. Who would agree to take a position in government service in the US knowing that you might be subjected to trumped-up criminal investigations?

The next few days and weeks could prove to be quite eventful in the central banking world. A decision to hold rates steady at the next FOMC meeting in late January, as is widely expected, could spark a new round of friction. Look also for potential future Fed Chairs to indicate their support for the principle of operational independence, as Kevin Hassett is reported to have already done.

# Cliff Notes: uncertainty on many fronts

Illiana Jain, Economist

Ryan Wells, Economist

In Australia, this week's dataflow kicked off with a strong reading from the [household spending indicator](#), lifting 1.0% (6.3%yr) in November. Gains were broad-based across goods and services, up 0.9% and 1.2% in the month respectively, driven by a combination of concerts, sporting events and Black Friday sales. Our timelier measure of [card activity](#) is consistent with this and suggests official measures of nominal spending could print close to 2% in Q4. However, it does appear that momentum faded in last couple weeks of 2025 and the start of 2026, although given shifting seasonal patterns, it is difficult to make a full assessment of the underlying pulse.

Still, the re-emergence of outright pessimism in the January [Westpac-MI Consumer Sentiment](#) survey provided another reason to be wary of the underlying strength of consumer spending. The headline index slipped 1.7% to 92.9 in January, marking the weakest reading in three months. Consumers have swiftly recalibrated their interest rate expectations in response to higher inflation and more hawkish rhetoric from the RBA – nearly two thirds of consumers anticipate higher mortgage rates over the coming year. This is predominately weighing on households' expectations, especially for family finances and economic conditions for the year ahead, with both sub-indexes falling below January 2025 levels.

That said, assessments of the current situation remain intact, namely the 'family finances vs a year ago' and 'time to buy a major household item' sub-indexes, which are 6.5% and 9.1% higher than January 2025 levels respectively. The labour market has played a key supporting role, although it showed some signs of gradual softening over the second half of last year. This week, it was revealed that the total stock of [job vacancies](#) edged slightly lower into year-end (-0.2%) and the vacancy-to-unemployment ratio (a broad measure of 'slack') continues to move toward more normal levels from an elevated starting point.

Ultimately, prospects for the consumer this year remain uncertain, stemming from various possibilities when it comes to the path for inflation, interest rates and the labour market. In particular, households are clearly concerned about the possibility of rate rises, which if borne out, could hamper the consumer recovery further. Westpac believes that the RBA does not need to tighten policy this year, given relatively more benign inflation pressures across market goods and services ahead and a gradually softening labour market.

Offshore, news was centred around the US.

Markets were squarely focussed on the US Department of Justice's probe into FOMC Chair Powell and the Federal

Reserve, allegedly at US President Trump's urging. The probe follows Chair Powell's comments in the June Congressional hearing alongside the out-of-budget renovations of the Federal Reserve Building. This is being interpreted as an attack on central bank independence and yet another attempt by the US administration to influence monetary policy. Chair Powell made a statement to reaffirm his commitment to remaining apolitical in policymaking, while other central bank heads, including RBA Governor Michele Bullock, co-signed a letter in support of Chair Powell. As [Chief Economist Luci Ellis](#) elaborates, this public support reflects the shared values of these policymakers and the role of institutions like the BIS to build solidarity.

On data, the December CPI surprised to the downside rising 0.3% in the month and 2.7% over 2025. Core goods were flat in the month while food (+3.1%) and core services (3.0%) accounted for most of the increase. Shelter remains the most prominent driver of services inflation, though this should ease over the year given early measures of rent inflation are starting to subside. Still, capacity constraints due to the impact of immigration policy and lacklustre non-AI capital investment adds upside risks to inflation.

Non-farm payrolls for December rose by 50k, lower than November's 56k. The unemployment rate fell to 4.4% though much of this was a result of people leaving the labour market -- the participation rate fell slightly to 62.4%. Overall, the data suggests that the labour market is beginning to soften from a broadly balanced starting point.

The January Beige Book was broadly consistent with the latest data. On the labour market, respondents noted there was "an increase in the usage of temporary workers" and that "When firms were hiring, it was mostly to backfill vacancies rather than create new positions". On prices, tariffs were feeding into cost pressures across all districts but contacts in more consumer-focused industries were "reluctant to pass costs along to price-sensitive customers". With inventories of cheaper, pre-tariff inputs being depleted, many firms will be forced to pass on costs gradually through the course of this year.

We anticipate inflation is likely to remain above target through 2026 while risks to the labour market remain. This should see the FOMC deliver one more cut in March to counterbalance risks to the labour market followed by an extended hawkish pause.

# A hiss and a roar



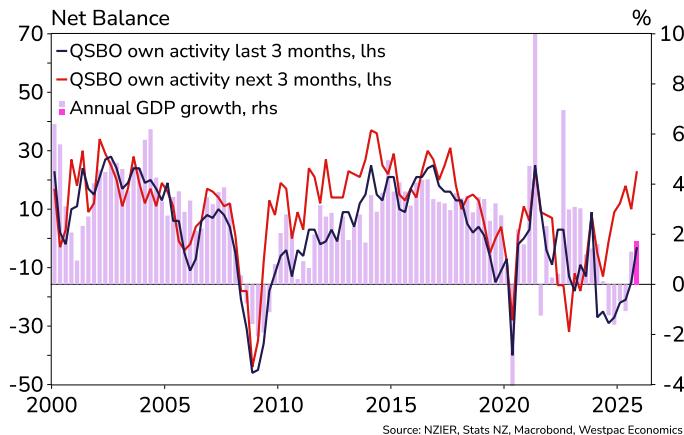
Michael Gordon  
Senior Economist

While the summer holiday period isn't over yet for many Kiwis, the economic data calendar was back in full swing this week. And the tone was generally encouraging: businesses are starting to see a lift in activity, and there are signs that the jobs market is stabilising. One potential dampener is that we're heading into an upturn with inflation already at the top of the RBNZ's target range, but we expect some moderation on that front over the course of this year.

The highlight of the week was the NZIER's Quarterly Survey of Business Opinion, which showed a more upbeat attitude among businesses than we've seen for some time. General business sentiment rose to +39% in December from +17% in September, marking the highest reading since March 2014. In terms of their own performance, a net 23% of firms expected an improvement over the coming quarter, compared to 10% in September.

Notably, the backward-looking measures of the survey, which have been more circumspect in recent quarters compared to the forward-looking ones, also saw a meaningful pickup in the December quarter. The past performance measure has typically been the better leading indicator of GDP growth, though not always and certainly not on a quarter-to-quarter basis. Having said that, the latest reading is consistent with our current forecasts – we expect a 0.5% rise in December quarter GDP, which would lift the annual growth rate to 1.7%.

## QSBO own activity vs GDP growth



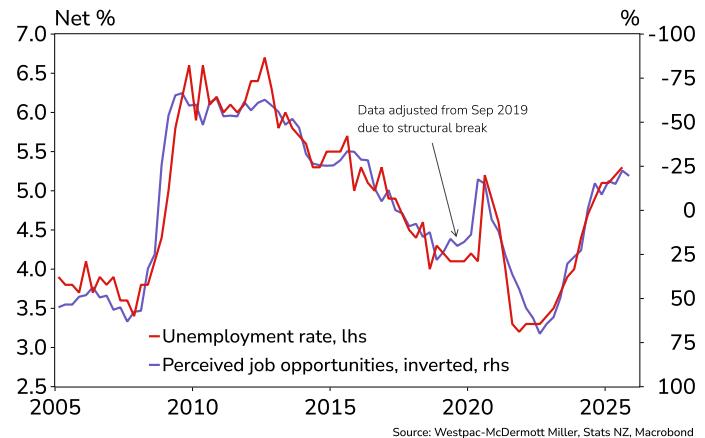
The biggest improvement in the QSBO was seen in the manufacturing sector. That finding was also backed by the monthly BusinessNZ manufacturing PMI, which jumped to a four-year high of 56.1 in December. Unusually, the manufacturing survey has been running much stronger than

the equivalent services sector survey over the last year (the December result will be released on Tuesday).

The QSBO also signalled that the labour market is starting to turn as business activity continues picks up. A net 2% of firms reported an increase in staff numbers, the first positive result in two years. Moreover, hiring intentions for the next quarter rose from 7% to 15%. Firms reported that skilled workers in particular are starting to become hard to find. The MBIE Jobs Online report showed that job advertisements in December were up 10% on a year ago, though they remain well below pre-Covid levels.

The confidence among businesses is being matched to a lesser degree by households. Our latest Westpac-McDermott Miller Employment Confidence Index rose by 3.9 points to 93.8 in December, its highest reading since early 2024. Households were a bit more positive about job prospects and security over the next year, but perceptions of current job opportunities remain very soft. That said, the latter measure did improve slightly in the December survey, and provides some support to our view that the current unemployment rate of 5.3% is at its peak (or at least very close to it).

## Current job opportunities vs unemployment rate



The final word on the labour market this week was the Monthly Employment Indicator (MEI), which reported a 0.3% rise in the number of filled jobs in November – the most positive month since April 2023 (aside from a temporary blip in hiring related to the October 2023 election). The MEI is drawn from income tax data, making it a comprehensive record of the number of people in work, although it has a tendency to be revised down from its initial release due to incomplete



information at the end of the month. We think the November result may end up more like a +0.1% – which would still be an improvement on the sustained fall in jobs that we saw from early 2024 to mid-2025.

Getting positive signals from three different angles – businesses, households, and tax data – gives us more confidence that the pickup in the jobs market is genuine. However, the labour market is typically a lagging element of the economic cycle. So while we expect a return to more consistent GDP growth over 2026, we think the turnaround in the unemployment rate will be more gradual, starting to head lower by the middle of this year.

Another positive development this week was news of a 2.8% rise in residential building consents in November, lifting the 12-month total to just under 36,000 consents – the highest in over a year. While trading conditions in the construction sector remain tough, low interest rates are encouraging developers to bring more projects to market.

Altogether, the signs of improving activity in the New Zealand economy confirm that monetary policy is now well into stimulatory territory. The RBNZ will be feeling comfortable with its shift to an on-hold stance at its November policy review; we think they will be able to maintain the OCR at its current 2.25% until late this year.

The potential spoiler, though, is that we're heading into an upturn with inflation already on the higher side – not what you'd hope to see given the estimated extent of spare capacity in the economy. Some of this is due to idiosyncratic factors, but even the 'core' measures of inflation are not exactly running low.

Following this week's selected monthly prices update, [we've revised up our forecast to a 0.5% increase in the CPI for the December quarter](#). This would see annual inflation hold at 3.0% for a second straight quarter, right at the top of the RBNZ's 1-3% target range. In its November policy statement, the RBNZ expected inflation ease back to 0.2% for the quarter (2.7% annual).

We still expect annual inflation to ease back over the course of this year. Housing-related inflation (rents and new dwelling prices) has eased significantly, and this tends to have a lot of persistence. The degree of slack in the labour market means that wage cost pressures remain modest. And there are signs that food price inflation is cooling again, both here and globally. If we're right, that will remove any pressure on the RBNZ for an early tightening to keep inflation expectations in check and instead allow it to normalise policy gradually based on a forward-looking view of inflation.

## AUS: Dec Labour Force – Employment Change (000s)

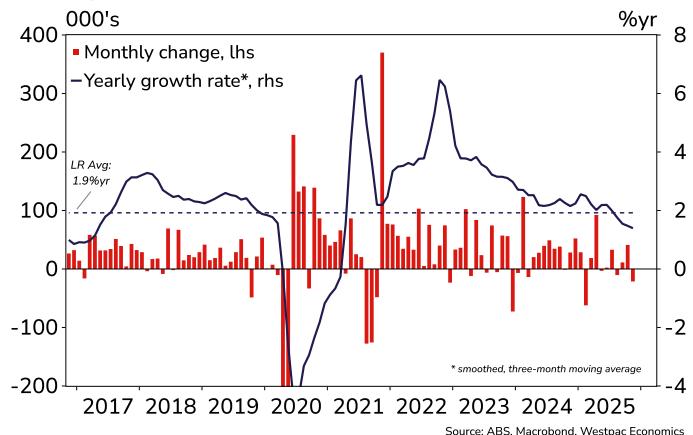
**Jan 22, Last: -21.3, Westpac f/c: 40**  
**Market f/c: 25.6, Range: 18 to 45**

In November, employment surprised to the downside, falling -21.3k. Jobs growth has been on the softer side in recent months – on a three-month average basis, employment is now tracking a 1.4%yr pace, a clearly below-average pace.

A greater degree of volatility over the summer holiday period has been par for the course over recent years, partly relating to changes in leave-taking behaviour since the pandemic which the seasonal adjustment process is still acclimatising to.

Therefore, it will be important to consider these results in the existing context of a labour market that is gradually softening. We have pencilled in a +40k lift in December, a modest bounce-back from a weaker reading in November.

## Employment growth continues to slide lower



## AUS: Dec Labour Force – Unemployment Rate (%)

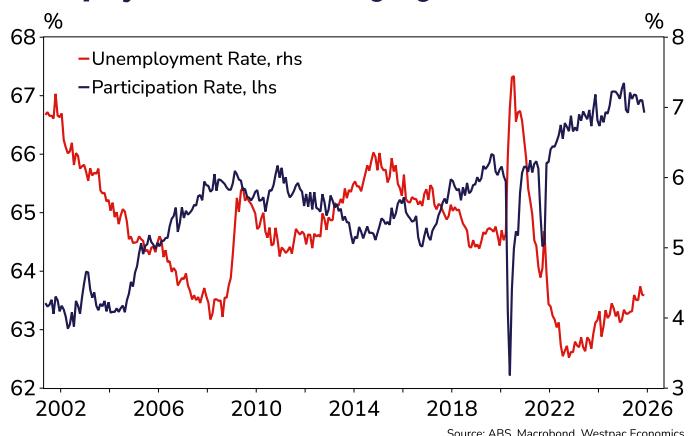
**Jan 22, Last: 4.3, Westpac f/c: 4.4**  
**Market f/c: 4.4, Range: 4.3 to 4.5**

Interestingly, the decline in employment in November was not met with an increase in unemployment; on the contrary, unemployment actually fell by a modest -2.1k.

As a result, the participation rate dropped to 66.7%, effectively 'cushioning' the unemployment rate, which held steady at 4.3% in November. On a three-month average basis, though, the unemployment rate continues to trend steadily higher, currently at 4.4% versus 4.1% six months ago.

We expect the participation rate to make a partial recovery, lifting to 66.8%, which together with the lift in employment, would see the unemployment rate round up to 4.4%, which would represent a 0.4ppt lift over the year.

## Unemployment rate trending higher



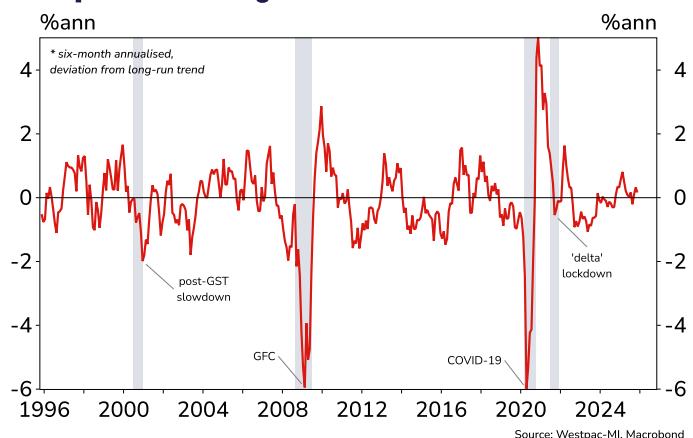
## AUS: Jan Westpac-MI Leading Index

**Jan 21, Last: +0.25%**

The Leading Index growth rate remained slightly positive into year-end, easing a touch to 0.25% from 0.33% in November. While the growth signal was above trend it was not that strong, down on the +0.81% peak seen near the start of 2025.

The January read looks likely to be a mixed affair. On the positive side, dwelling approvals posted a strong 15% surge in the latest month, shoring up what had been a patchy uptrend for most of the year. Against this, sentiment-based measures weakened while other components showed relatively muted moves.

## Westpac-MI Leading Index

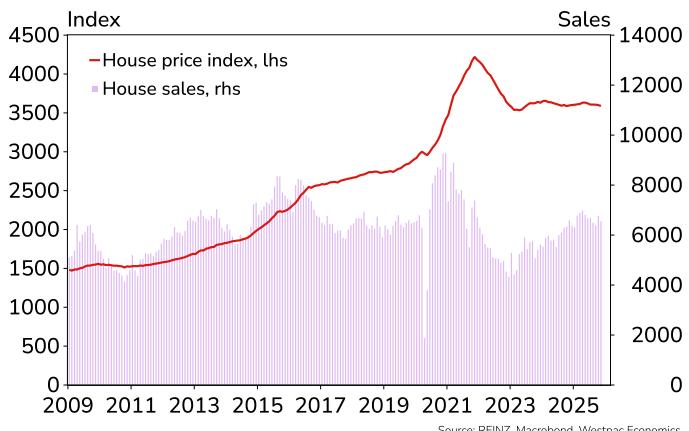


## NZ: Dec REINZ House Sales and Prices

**Jan 21 (TBC), Sales last: -5.7%yr, Prices last: -0.2%yr**

New Zealand's housing market is continuing to tread water. Sales have flattened off in recent months, while prices are tracking sideways on average (but with regional variation). This is notable given the sharp falls in borrowing costs over the past year. However, those falls have occurred at the same time as we've seen a large increase in the number of properties for sale. We're also still seeing relatively firm levels of building (including large numbers of townhouses and other medium-density dwellings), at the same time that population growth has slowed.

## REINZ house sales and prices

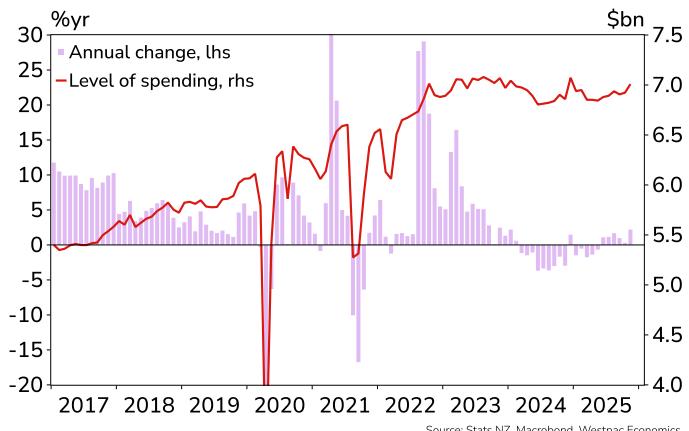


## NZ: Dec Retail Card Spending

**Jan 22, last: +1.2%, Westpac f/c: +0.3%**

Retail spending rose by 1.2% in November, buoyed by the increasing prevalence of holiday sales events like Black Friday as well as the fall in borrowing costs. With borrowers continuing to roll onto lower rates, we're forecasting a further 0.3% rise in the December figures. Under the surface, we expect to see spending picking up in discretionary areas, like hospitality and household furnishings. While falls in borrowing costs are helping to support household spending, the growing prevalence of shopping events in November may impact the normal seasonal pattern in spending. If so, we could see the reported figures for this month coming in on the low side of expectations.

## NZ retail card spending



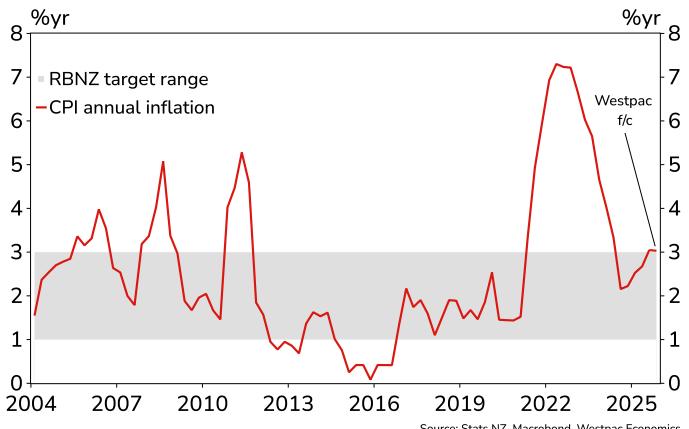
## NZ: Q4 Consumer Price Index

**Jan 23: Last: +1.0%qtr / +3.0%yr**

**Westpac: +0.5% qtr / +3.0%yr, RBNZ: +0.2% qtr / 2.7% yr**

We estimate that New Zealand consumer prices rose by 0.5% in the December quarter. The annual inflation rate is expected to remain at 3.0%. December's lift in consumer prices is mainly due to higher prices for petrol, as well as seasonal increases in travel and accommodation costs. Balanced against those increases has been a seasonal fall in food prices. Under the surface, measures of core inflation have trended down over the past year, with most running at levels of around 2 to 3%. Our forecast is higher than the RBNZ's forecast for a 0.2% quarterly rise and 2.7% annual inflation rate from their November MPS.

## Inflation brushing the top of the target range



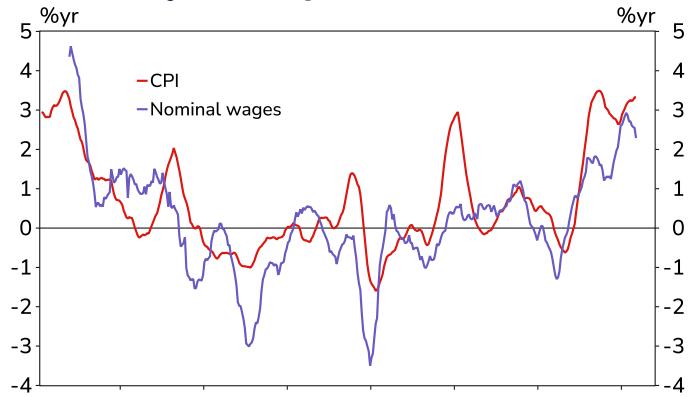
## Japan: Policy rate decision (%)

Jan 23, Last: 0.75%, Westpac f/c: 0.75%, Market f/c: 0.75%

We anticipate that the Bank of Japan will remain on hold as it assesses economic conditions. Recent comments suggests that if economic conditions transpire as anticipated, a further rate hike could occur this year. We believe this could happen as soon as Q2 of 2026, predicated on the virtuous cycle of wages and prices persisting and evidence that demand-side inflationary pressures are coming into play.

A key risk is of course the weakening yen which hit a 12-month high of 159.14 against the greenback this week. Officials have outlined that a weak yen could feed through to imported inflation. This in turn would see consumers exercise caution in their spending, muting demand-driven inflation.

## A virtuous cycle of wages and inflation



Source: SBI, MHLW, Macrobond, Westpac Economics

# What to watch

For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
<b>Mon 19</b>						
Aus	Dec MI Inflation Gauge	%ann	3.2	–	–	Above the target range, but only modestly so.
Jpn	Core Machinery Orders	%mth	7.0	–6.4	–	Signalling a firmer trend for private capex.
	Industrial Production	%mth	–2.6	–	–	Final estimate.
Chn	Q4 GDP	%ann	4.8	4.5	–	China's economy has broadly met expectations in 2025 ...
	Dec Retail Sales	ytd %yr	4.0	–	–	... despite authorities restraint regarding policy support.
	Dec Industrial Production	ytd %yr	6.0	–	–	Manufacturing and trade supported activity in the interim ...
	Dec Fixed Asset Investment	ytd %yr	–2.6	–3.1	–	... but investment in high-growth sectors is taking a breather.
Eur	Dec CPI	%ann	2.0	–	–	Final estimate.
US	Martin Luther King Jr. Day	–	–	–	–	Markets closed.
<b>Tue 20</b>						
NZ	Dec BusinessNZ PSI	index	46.9	–	–	Recent surveys point to a firming in activity.
Eur	Jan ZEW Survey Of Expectations	index	33.7	–	–	Growth prospects looking firmer, from investment and defence.
UK	Nov ILO Unemployment Rate	%	5.1	–	–	Lifted to a new high for the cycle; data quality still a concern.
<b>Wed 21</b>						
Aus	Dec Westpac-MI Leading Index	%ann'd	0.16	–	–	Positive but subdued, indicating some stalling in momentum.
UK	Dec CPI	%ann	3.2	3.3	–	Core inflation resuming a downtrend.
US	Dec Leading Index	%mth	–0.3	–	–	Pointing to some downside risk to the growth outlook.
<b>Thu 22</b>						
Aus	Dec Employment Change	000s	–21.3	25.6	40	Volatility to be expected over the summer holiday period.
	Dec Unemployment Rate	%	4.3	4.4	4.4	Unemployment rate continues to trend higher.
NZ	Dec Retail Card Spending	%mth	1.2	–	0.3	Spending holding up through the holiday shopping season.
	Nov Net Migration	no.	2400	–	–	Looks like the net flow has found a base.
Eur	Jan EC Consumer Confidence	index	–13.1	–	–	Struggled to make any meaningful headway in 2025.
US	Q3 GDP	%ann'd	4.3	4.3	–	Final estimate.
	Nov Personal Income	%mth	–	0.4	–	Income volatile post-shutdown, spending growth slowing ...
	Nov Personal Spending	%mth	–	0.5	–	... delayed figures for October are also set to be published.
	Nov PCE Deflator	%mth	–	0.2	–	Fed's preferred measure of consumer inflation ticking higher.
	Wkly Initial Jobless Claims	000s	–	–	–	Still at low levels versus history.
Jan	Kansas City Fed Manufacturing	index	1	–	–	Regional surveys volatile, but broadly point to soft conditions.
	Jan CPI	index	–	–	–	–
<b>Fri 23</b>						
NZ	Q4 CPI	%qtr	1.0	–	0.5	Inflation running hotter than RBNZ forecasts.
	Q4 CPI	%ann	3.0	–	3.0	Core inflation easing gradually.
Jpn	Jan BoJ Policy Decision	%	0.75	0.75	0.75	Conditions are building for further hikes.
	Dec CPI	%ann	2.9	2.2	–	... as policymakers grow confident on inflation's sustainability.
UK	Jan GfK Consumer Confidence	index	–17	–	–	Confidence barely improved over the course of last year ...
	Dec Retail Sales	%mth	–0.1	–	–	... seeing retail spending hold relatively flat overall.
US	Jan Uni. of Michigan Sentiment	index	54.0	54.0	–	Final estimate.
World	Jan S&P Global PMIs	index	–	–	–	First estimate for Japan, Europe, UK and US.

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# Economic & financial forecasts

## Interest rate forecasts

Australia	Latest (16 Jan)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Cash	3.60	3.60	3.60	3.60	3.60	3.35	3.10	3.10	3.10	3.10	3.10
90 Day BBSW	3.73	3.70	3.70	3.70	3.55	3.30	3.15	3.15	3.20	3.20	3.20
3 Year Swap	4.08	3.90	3.80	3.60	3.50	3.40	3.45	3.50	3.55	3.60	3.65
3 Year Bond	4.112	3.93	3.83	3.63	3.53	3.43	3.48	3.53	3.58	3.63	3.68
10 Year Bond	4.717	4.65	4.60	4.60	4.65	4.65	4.65	4.65	4.65	4.65	4.70
10 Year Spread to US (bps)	55	50	40	30	25	20	15	10	5	0	0
United States											
Fed Funds	3.625	3.375	3.375	3.375	3.375	3.375	3.375	3.375	3.375	3.375	3.375
US 10 Year Bond	4.167	4.15	4.20	4.30	4.40	4.45	4.50	4.55	4.60	4.65	4.70
New Zealand											
Cash	2.25	2.25	2.25	2.25	2.50	2.75	3.00	3.25	3.50	3.75	3.75
90 Day Bill	2.50	2.35	2.35	2.40	2.70	2.95	3.20	3.40	3.70	3.85	3.85
2 Year Swap	2.95	3.05	3.20	3.40	3.60	3.75	3.85	3.95	4.00	4.00	4.00
10 Year Bond	4.45	4.40	4.45	4.55	4.70	4.85	4.90	4.95	4.95	4.95	4.95
10 Year Spread to US (bps)	28	25	25	25	30	40	40	40	35	30	25

## Exchange rate forecasts

	Latest (16 Jan)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
AUD/USD	0.6706	0.67	0.69	0.70	0.71	0.72	0.72	0.73	0.73	0.73	0.73
NZD/USD	0.5747	0.57	0.58	0.59	0.60	0.62	0.63	0.64	0.65	0.65	0.65
USD/JPY	158.27	151	149	147	145	144	142	140	138	136	134
EUR/USD	1.1611	1.17	1.18	1.19	1.19	1.20	1.20	1.21	1.21	1.21	1.21
GBP/USD	1.3389	1.33	1.34	1.35	1.36	1.37	1.37	1.38	1.38	1.39	1.39
USD/CNY	6.9662	7.05	7.00	6.95	6.90	6.80	6.70	6.60	6.50	6.45	6.40
AUD/NZD	1.1648	1.17	1.16	1.16	1.16	1.15	1.14	1.13	1.12	1.12	1.12

## Australian economic forecasts

% Change	2025		2026		2027		Calendar years					
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	2024	2025f	2026f	2027f
GDP %qtr	0.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6	—	—	—	—
%yr end	2.1	2.2	2.4	2.2	2.4	2.4	2.5	2.5	1.3	2.2	2.4	2.5
Unemployment rate %	4.3	4.3	4.4	4.5	4.6	4.6	4.6	4.5	4.0	4.3	4.6	4.4
Wages (WPI) %qtr	0.8	0.8	0.8	0.7	0.7	0.8	0.8	0.8	—	—	—	—
%yr end	3.4	3.4	3.2	3.1	3.0	3.0	3.1	3.1	3.2	3.4	3.0	3.1
CPI Headline %qtr	1.3	0.5	0.8	0.6	0.8	0.4	0.6	0.5	—	—	—	—
%yr end	3.2	3.5	3.3	3.2	2.6	2.6	2.4	2.3	2.4	3.5	2.6	2.6
CPI Trimmed Mean %qtr	1.0	0.7	0.6	0.6	0.6	0.6	0.6	0.5	—	—	—	—
%yr end	3.0	3.1	3.1	3.0	2.5	2.4	2.3	2.3	3.3	3.1	2.4	2.6

## New Zealand economic forecasts

% Change	2025		2026		2027		Calendar years					
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	2024	2025f	2026f	2027f
GDP %qtr	1.1	0.5	0.9	0.4	0.8	0.9	1.1	0.7	—	—	—	—
Annual avg change	-0.5	0.4	0.8	1.8	2.2	2.5	3.0	3.1	-0.3	0.4	2.5	3.4
Unemployment rate %	5.3	5.3	5.3	5.2	5.1	4.9	4.7	4.5	5.1	5.3	4.9	4.3
CPI %qtr	1.0	0.5	0.3	0.5	0.8	0.5	0.4	0.4	—	—	—	—
Annual change	3.0	3.0	2.3	2.2	2.0	2.1	2.2	2.1	2.2	3.0	2.1	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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