Week beginning 2 February 2026

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Uncomfortably high inflation means RBA to hike in Feb.

The Week That Was: Challenging circumstances.

Focus on New Zealand: A tale of two antipodean economies.

For the week ahead:

Australia: RBA policy decision, Bullock testimony, house prices, dwelling approvals, trade balance.

New Zealand: Q4 labour market data, building permits.

China: PMIs.

Eurozone: ECB policy decision, HICP inflation, retail sales.

United Kingdom: BoE policy decision

United States: ISMs, payrolls, unemployment rate, job openings, UoM consumer sentiment.

Information contained in this report current as at 30 January 2026.

Uncomfortably high inflation means RBA to hike in Feb

Luci Ellis
Chief Economist, Westpac Group

- **When the economy is close to full employment and full capacity utilisation, it is hard to know which side of the line it is on. Inflation outcomes are the best guide in this situation. This is one reason why inflation gets the 'casting vote' at the RBA's February meeting. With trimmed mean as the clearest signal of the underlying inflation trend, the 0.9%qtr, 3.4%yr quarterly result in the December quarter implies that the RBA is likely to raise rates at the February meeting.**
- **Looking beyond the next meeting, Australia's inflation outlook got murkier in recent weeks. A higher starting point is implied by the September and December quarter price data, a stronger labour market and a clear upswing in consumer spending. Further out, though, higher market pricing for interest rates and a noticeably higher exchange rate should dampen the forecast trajectory relative to the November SMP round. The RBA's judgement on how these factors balance out will be key to the rates outlook beyond the next meeting.**
- **A cash rate increase next week might not necessarily be followed up with a sequence of moves. Nobody doubted that a cash rate in the 4s last year was restrictive, and the amount of disinflation required from here is not large. Expect a 'wait-and-see' stance, with a clear willingness to follow up to be communicated following the meeting.**

As we highlighted last week, it really shouldn't be that the RBA decision comes down to one number. With the other data finely balanced, though, the quarterly inflation print gets the casting vote. This week's data voted for a rate hike. This means that we now expect the RBA to raise the cash rate at its February meeting. September quarter's high reading could be looked through on the grounds that some of the pick-up was temporary. This was also our view. Two higher-than-desired quarters are harder to look through, however, even allowing for the uncertainties involved in the new CPI collection.

After preparing the ground in recent weeks for a rate hike, we believe the RBA Monetary Policy Board will follow through on these warnings with a 0.25ppt increase in the cash rate to 3.85%.

There is still a small chance they hold (though it would be a split decision), and we expect the Board to debate the merits of holding versus raising the cash rate at the meeting. We are mindful of the messaging via the media that the RBA would hike if trimmed mean inflation remained above its 2–3% target *and was drifting further away from the desired midpoint* (our emphasis). The run of quarterly data might not quite meet the second part of that test, though the case can be made that it does. There are also arguments to be cautious given that the new monthly collection has made the inflation data harder to interpret.

But with market and public expectations already primed, the Board is likely to see little reason to wait. The key quarterly trimmed mean inflation rate higher than Westpac expected, at 0.9%qtr, 3.4%yr. This is too high for the RBA's comfort, even though it is a little lower than the September quarter result. Its November forecast was for quarterly-basis trimmed mean inflation to print at 3.2%yr. Other measures of underlying inflation were likewise too high.

The monthly data was a bit more of a mixed bag. Seasonally adjusted headline inflation was in line with our year-ended view (3.7%yr). Housing-related inflation was more benign than expected in December, with both rent inflation and home-building inflation below our year-ended forecasts. Rent inflation continues to moderate, and the run of monthly data on home-building costs looks like inflation in that category might have peaked.

Some other categories were above our expectations, though, and while the misses were small, they were enough to push the trimmed mean – both monthly and quarterly – higher than our calculations implied. The result was also clearly above what the RBA would have needed to see to hit their November forecast.

Looking beyond the next meeting, Australia's inflation outlook got murkier in recent weeks. A higher starting point is implied by the September and December quarter data, stronger labour market and clear upswing in consumer spending. Further out, though, higher market pricing for interest rates and a noticeably higher exchange rate should dampen the forecast trajectory relative to the November SMP round, steepening a downward slope in the inflation forecasts.

"December quarter inflation had the casting vote and voted 'Yes, hike'."

Whether the RBA actually incorporates this downside is another matter. The RBA has recently been working on the basis that the Australian economy is trapped in the slow lane, hemmed in by slow-growing supply. As we have previously highlighted, this working assumption rests on further assumptions about productivity growth and population growth that are both on the low side of reasonable estimates. Today's data will only solidify the RBA's view, and we expect renewed emphasis on this narrative in the next Statement on Monetary Policy.

We do not, however, assume this necessarily means a sequence of back-to-back hikes. An increase in the cash rate next week will put policy in an unambiguously restrictive position, a point on which there has been some debate recently. It would mean the cash rate is only half a point below its 2023 peak. And with measures of underlying inflation in the bottom half of the 3s, the amount of disinflation needed to get back to the 2½% target midpoint is relatively modest.

If inflation remains uncomfortably high in coming quarters, the Board will act again. There is thus a scenario that sees further hikes, but it is not our base case. Inflation is above target, but not so high that monetary policy needs to be as restrictive as it was in 2023. It is possible that the RBA remains wedded to a view that trend growth in supply capacity is only 2%, and upgrades its labour market, wages growth and inflation forecasts in the February forecast round in light of the stronger consumer spending already in evidence. However, we think the RBA is alert to the possibility that its capacity view is too pessimistic. It is therefore unlikely to move precipitously ahead of seeing continued high inflation pressures in the data.

Our base case is a scenario that is in our view more likely: that coming quarterly inflation prints show modest but progressive moderation. There might be a range of factors pushing up demand and so pricing pressure for a time, including remaining impetus from public demand, tech-related investment, lagged wealth effects on consumer spending and a stronger housing construction sector. Against that, some – but by no means all – of the recent lift in inflation has been driven by policy measures that are mostly temporary. The significant appreciation of the Australian dollar over the past month, if it sustains as we expect, will also dampen inflation further out, probably by more than a single rate hike would. The near-term rates outlook in this base case scenario is therefore for a single hike followed by an extended pause.

The RBA is likely to hold policy a bit restrictive until it is confident inflation is well on the way to the target midpoint. It will want to see some evidence of this in the data, not move purely on the basis of a forecast. Our base case therefore involves an unwind in the restrictive stance of policy, but not for some time. We have pencilled in two rate cuts, in November 2027 and February 2028. This timing is provisional ahead of the RBA decision and further information on its thinking around supply capacity and the exchange rate.

Rate cuts that far out will not affect growth and inflation until 2028 at the earliest. The economic outlook for 2026 is now stronger than previously forecast, given the higher starting points for growth, inflation and the labour market. As the effects of tighter monetary policy (and a higher exchange rate) take hold, the outlook for 2027 is softer relative to 2026. The detailed economic forecasts are under review and will be revised to incorporate these shifts.

Cliff Notes: challenging circumstances

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

In Australia, all eyes were on the Q4 CPI print ahead of next week's RBA decision. In the event, inflation printed above our expectations on both a headline and trimmed mean basis, rising 0.6%qtr / 3.6%yr and 0.9%qtr / 3.4%yr respectively. There were a number of subplots in the detail: strong seasonal demand for domestic holiday travel (9.6%yr), rising gold and silver prices boosting accessories (11.4%yr), and rebate-driven volatility in electricity prices (21.5%yr). Policy changes and administered price increases also buoyed inflation across childcare, education, water rates and property charges. There was some evidence of disinflation too, mainly in home-building costs and rents where inflation looks to have peaked. Overall though, it appears services inflation remains 'sticky' well above target (4.1%yr) and that goods inflation is no longer providing a disinflationary offset (3.4%yr).

Following the CPI report, Chief Economist Luci Ellis issued a change of rate call, with Westpac now anticipating the RBA to lift the cash rate by 25bps to 3.85% at next week's meeting. The RBA laid the groundwork for such a move in their communications over recent months in case of an upside surprise; and with two disappointing quarterly prints now received, there is little reason wait. How the policy outlook will evolve beyond February is set to depend on the response to the change in policy expectations and the economy's capacity, particularly labour market participation. The RBA's updated forecasts will shed more light on their baseline expectations and view of key risks; they are likely to continue to hold a relatively conservative view on supply and a cautious approach to communicating on the policy outlook.

The latest NAB business survey meanwhile reported a solid finish to 2025, the conditions and confidence indexes edging higher in December, consistent with other evidence of strengthening consumer demand. That said, the future path for inflation and interest rates is a clear threat to confidence in early-2026. Worthy of note too, perspectives differ across industries. In our latest Quarterly Agriculture Report, we discuss prospects for farm GDP following a bumper 2025.

In the US, the FOMC maintained its monetary policy stance at the January meeting as expected in a 10-2 vote, with Miran and Waller preferring to cut the fed funds rate by 25bps. The Committee's assessment of the economy was positive for growth (characterising it as "solid") notwithstanding weakness in housing; sanguine on the labour market ("the unemployment rate has shown some signs of stabilization") despite job gains having "remained low"; and cautious on inflation ("remains somewhat elevated").

The characterisation of risks was balanced, the statement simply noting that "Uncertainty about the economic outlook remains elevated", the "Committee is attentive to the risks to both sides of its dual mandate" and "prepared to adjust the stance of monetary policy as appropriate". In the press conference, Chair Powell made it clear that policy will be determined on a meeting-by-meeting basis on incoming data and did not show material concern over the potential evolution of conditions. Instead, risks were judged to have diminished.

> **"The FOMC maintained its monetary policy stance at the January meeting as expected in a 10-2 vote"**

Recent weakness in the US dollar was a key topic during the Q&A. Chair Powell made clear market movements do not dictate monetary policy, nor does the FOMC seek to manage the currency, with full employment and inflation-at-target their mandated focus. Chair Powell did not comment on recent tensions between the Administration and the Federal Reserve but took the opportunity to affirm the long-standing success of central bank independence and monetary / fiscal collaboration globally.

We expect one further cut from the FOMC in March to mitigate the lingering downside risks the labour market faces. But if activity growth proves stronger than expected at the beginning of 2026, the FOMC may skew their focus towards inflation risks, holding off on a further reduction in the fed funds rate.

Further north, the Bank of Canada also kept rates steady at 2.25%, maintaining an accommodative stance to support the economy as it navigates excess capacity and trade uncertainty. Governor Macklem noted that the "current policy rate remains appropriate, conditional on the economy evolving broadly in line with the [forecast] outlook …The Canadian economy is adjusting to the structural headwinds of US protectionism…[and] uncertainty makes it difficult to predict the timing or direction of the next change in the policy rate." We anticipate the Council will keep policy accommodative while headwinds persist.

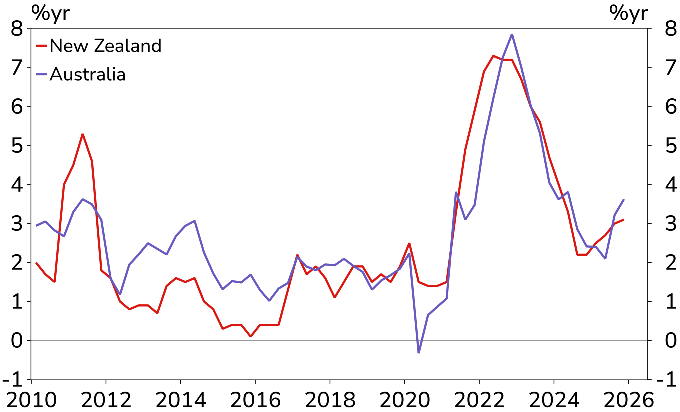
A tale of two antipodean economies

Satish Ranchhod
Senior Economist

Inflation surprised to the upside in both New Zealand and Australia in the latter part of 2025, with core inflation running hotter than expected on both sides of the Tasman. The related abrupt change in expectations for an increase in the RBA cash rate has prompted questions from customers about whether interest rate hikes from the RBNZ can also be expected in the near term. We continue to think that the RBNZ will remain on hold until the latter part of 2026 as there are important cyclical differences between the normally highly correlated Australasian economies right now.

One relevant factor is that while inflation has increased in both countries, inflation in New Zealand remains better contained than in Australia. For example New Zealand's headline inflation rate was just over the top of the RBNZ's target range at 3.1% in the year to December, whereas in Australia, headline inflation was 3.6%. Core inflation has also been a bit more moderate in New Zealand, though the earlier decline in the various measures of underlying inflation has been arrested. For example, New Zealand's trimmed mean inflation rose to 2.7% from 2.4% previously. In contrast, in Australia trimmed mean inflation rose to 3.4%yr – outside of the RBA's target range. Hence on inflation grounds alone there appears less pressure on the RBNZ to tighten quickly.

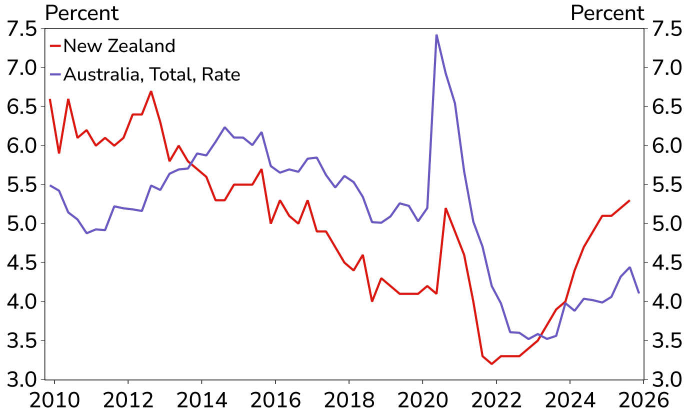
Headline inflation - New Zealand and Australia



Source: Stats NZ, ABS, Macrobond, Westpac Economics

Another key difference is in the relative position of the Australasian labour markets. The New Zealand unemployment rate is cyclically high right now at 5.3%. However, in Australia the unemployment rate is significantly lower at 4.1%. It certainly seems to be the case that the New Zealand labour market, while stabilising recently, remains on much weaker footing than in Australia. Wage growth in New Zealand is accordingly relatively weaker and yet to show signs of turning higher.

Unemployment rates - New Zealand and Australia



Source: ABS, Stats NZ, Macrobond, Westpac Economics

There are some clear signs emerging in New Zealand of improving economic momentum. For example, recent business surveys such as the QSBO and PMIs have pointed to an improvement in trading conditions and business confidence as we've entered 2026. Consumer confidence has lifted in New Zealand and retail spending has firmed, while planned residential construction work has also taken a sizeable step higher. Per capita GDP growth is rising more strongly recently in New Zealand compared to Australia.

However, that improvement in New Zealand's economic momentum comes from a much weaker base than in Australia. The RBNZ estimated in their November *Monetary Policy Statement* that the output gap was a large 2% of GDP in mid-2025, whereas in Australia the RBA was unsure if the Australian output gap was even negative at all. It will take time for excess capacity in New Zealand to be eroded which gives the RBNZ time compared to the RBA Board.

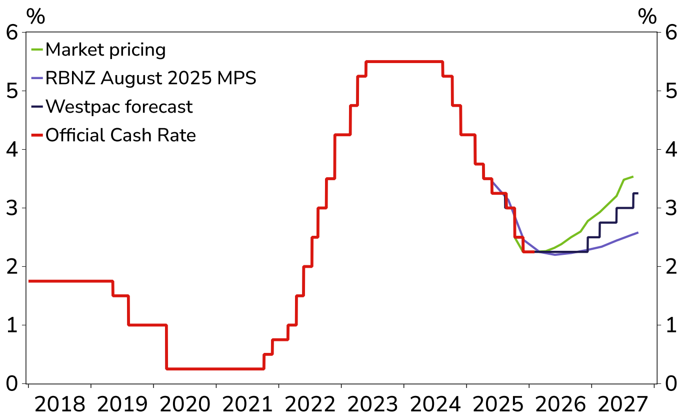
In large part, these differences reflect the more gradual approach the RBA took to policy tightening than the RBNZ in the wake of the pandemic. That's meant that economic activity and the jobs market in Australia have been more resilient.

We are currently reviewing our forecasts ahead of our February *Economic Overview*. We continue to expect the RBNZ will start to raise the OCR in the latter part of this year and have pencilled in the first hike in December. However, the tone of recent data has clearly increased the chances of earlier OCR hikes.

Given the greater than expected strength in inflation and firming in economic activity, it's likely the RBNZ will be bringing forward their forecasts of when the OCR will start to rise when they release their updated economic projections on 18 February.

But while the economic outlook has strengthened, it doesn't seem to have improved to the extent where a higher OCR in the first half of 2026 is on the cards. The still-high level of spare capacity, including the high unemployment rate, allow the RBNZ time to look at new data to assess the sustainability of the recovery we now see starting.

RBNZ Official Cash Rate



Source: RBNZ, Macrobond, Westpac Economics

Economic conditions continuing to firm.

Turning to recent economic data, news over the past week generally reinforced the picture of the New Zealand economy continuing to firm through the latter part of 2025 and early 2026, though the recovery is still uneven.

Starting off with the labour market, the number of filled jobs held steady in December after a solid 0.5% rise in November. The variation across the two months looks to be largely a timing issue related to employment in the education sector. More importantly, the underlying trend appears to be that employment was stabilising towards the end of last year and even picking up in some sectors.

Consistent with those signs of stabilisation, we expect the December quarter labour market surveys (out this Wednesday) will show that the unemployment rate is at, or at least very close to a peak. We're forecasting a 0.3% rise in employment over the December quarter (consistent with Stats NZ's monthly updates). That would broadly match the rise in the working-age population over the quarter, leaving the unemployment rate unchanged at 5.3%. While that stabilisation is encouraging, the existing slack in the labour market means wage growth is set to remain modest for some time.

Other recent data also pointed to a firming in economic conditions. Although the latest ANZ business outlook survey did drop a little this week, that followed a sizeable step higher over the past few months. The gauges of recent activity, expected trading conditions and hiring intentions are all still at healthy levels. Similarly, consumer confidence took another step higher in January, including a further (albeit modest) lift in the number of households who think it's a good time to make a major purchase.

This week's trade data for December added to the run of indicators painting the economy in a positive light. Merchandise exports grew almost 15%y/y, led by strong growth in exports of dairy products, meat and metals (including precious metals). While much of this growth can be explained by higher commodity prices, our estimates suggest that export volumes have continued to build on the 3.8%q/q growth recorded in the September quarter. In a similar vein, strengthening economic activity contributed to a near 15%y/y lift in import spending in December, led by growth in intermediate imports. The data also pointed to improving domestic demand, with imports of capital equipment again posting strong growth.

While US dollar weakness is the main driver, the recent improvement in the New Zealand economy – as also reflected in market's bringing forward of the expected timing of RBNZ rate hikes – has contributed to the rebound in the NZ dollar since the November lows. Therefore, in combination with revisions to our global FX forecasts, we have raised our forecast for the NZ dollar at March quarter end to 0.60 from 0.57 previously. From that higher starting point we expect a gentle appreciation of the NZ dollar to around 0.63 by year end, which will also lead to a modest rise in the NZ dollar on some crosses (we see NZD/AUD firming slightly to 0.88 by year end).

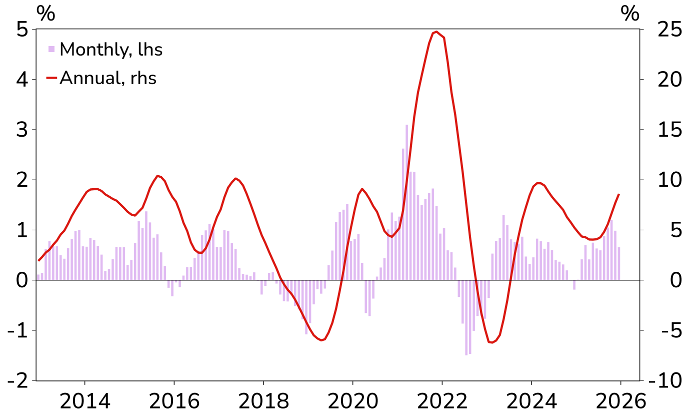
AUS: Jan Cotality Home Value Index (%mth)

Feb 2, Last: 0.5, Westpac f/c: 0.9

The Cotality home value index rose 0.5% in Dec with a further slowing in monthly momentum. Prices rose 8.2% over calendar 2025. The end-of-year slowdown was most pronounced in the Sydney and Melbourne market, albeit accentuated by seasonal variation.

Daily measures point to a firmer 0.9% rise for the January month, the detail again pointing to slower gains in Sydney and Melbourne and much stronger growth continuing in Brisbane, Adelaide and Perth. All of this should be taken with a large grain of salt with January figures much less reliable due to the housing market's holiday shutdown – auctions for example only resume from mid-February.

Smaller capitals driving housing price gains



Source: Cotality Australia, Macrobond, Westpac Economics

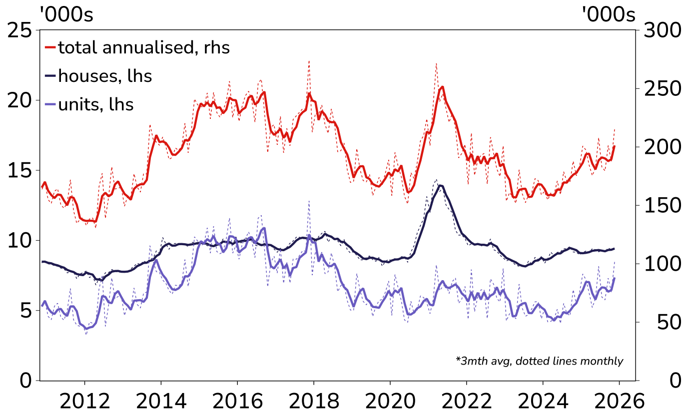
AUS: Dec Dwelling Approvals (%mth)

Feb 3, Last: 15.2, Westpac f/c: –4.0
Market f/c: –6.4, Range: –9.0 to flat

Total dwelling approvals surged 15.2%mth in November, lifting the annual pace to 20%yr and marking the highest monthly level since early 2022. Private unit approvals drove the strength (+34%mth) with detached home approvals broadly steady.

December will almost certainly see some retracement from what is typically a choppy monthly profile for units. If two thirds of the November high-rise gain unwinds and we get some slight positive traction on non-high-rise, total approvals would be down about 3% in the month. Naturally, there are large risks around this, due both to volatility and the housing market's off season in December-January that can see seasonal adjustment amplify swings in the raw data.

Approvals ascent re-emerges



Source: ABS, Macrobond, Westpac Economics

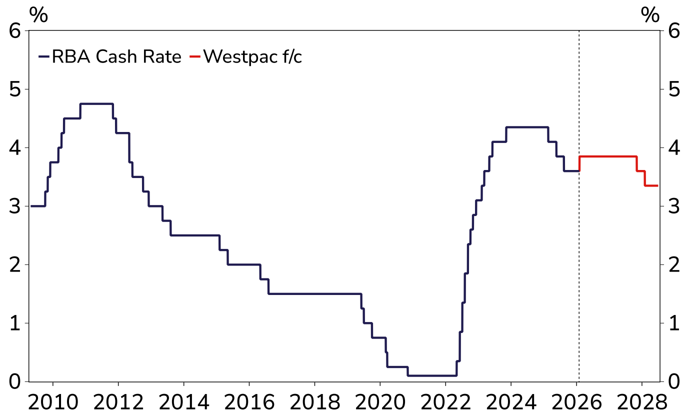
AUS: Feb RBA Policy Decision (%)

Feb 3, Last: 3.60, Westpac f/c: 3.85
Market f/c: 3.85, Range: 3.60 to 3.85

Westpac expects the RBA MPB to lift the official cash rate target 25bps at its February meeting, taking it from 3.6% to 3.85%. Having already voiced concern about a recent lift in inflation to above the 2-3% target band, the Bank is likely to hike after a December CPI report that suggests the lift is lingering (underling inflation coming in at 3.4%yr).

The RBA's SMP will include a full update of its forecasts, incorporating recent inflation figures but also information pointing to stronger consumer spending and a steady labour market. Note that the 'conditioning assumptions' used for interest rate and exchange rate paths in these forecasts will be materially different compared to November with the market now pricing in two rate cuts in 2026 compared to the best part of two cuts back three months ago.

RBA to hike in February



Source: RBA, Macrobond, Westpac Economics

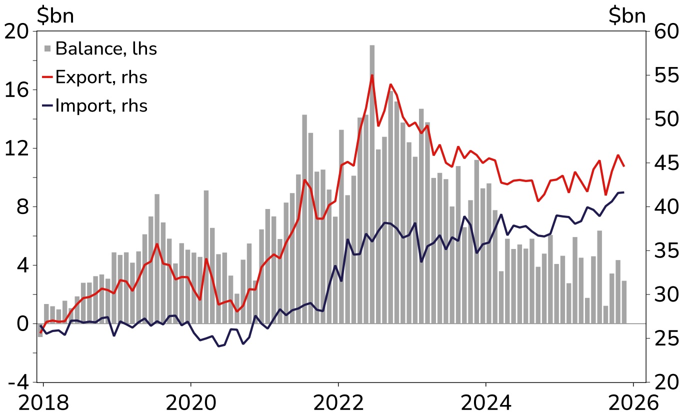
AUS: December Goods Trade Balance ($bn)

Feb 8 Last: 2.9, Westpac f/c: 2.6
Market f/c: 3.5, Range: 2.6 to 4.0

The goods trade balance eased to $2.9bn in November, as weaker commodity exports led to a decline in overall exports, while import values remained largely unchanged.

For December, we expect a further modest narrowing of the headline trade surplus. Among major commodity exports, iron ore and LNG exports appear to have been broadly flat, while coal exports are likely to have declined, partly due to significant price effects. However, we believe that the combination of rural goods outflows and continued strength in gold exports – as prices remain on an upward trend – is likely to offset this weakness, resulting in little overall change in exports. We may see some increase in total imports, driven by stronger inflows of consumer goods. Capital goods imports should also at least stabilise, following significant declines over the previous two months.

More volatility in goods trade to be expected



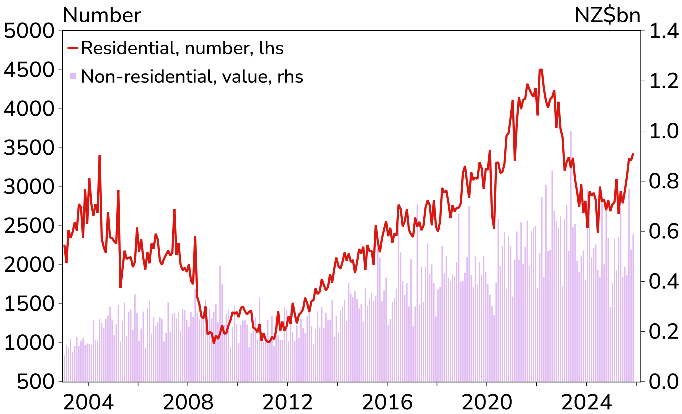
Source: ABS, Macrobond, Westpac Economics

NZ: Dec Building Consents (%mth)

Feb 3, Last 2.8

The trend in residential building consent numbers has turned around since mid-2025. Developers have been bringing an increasing number of new projects to market, with lower interest rates expected to support a lift in demand over the coming year. With an increasing proportion of consents related to multi-unit medium density developments (which are often issued in batches), the monthly consent figures can be 'choppy'. However, we expect the December figures will show a further rise in the annual total taking it near a two year high. In contrast, the amount of planned non-residential activity has been tracking sideways with businesses still cautious about significant capital expenditure at this stage.

Building consents picking up



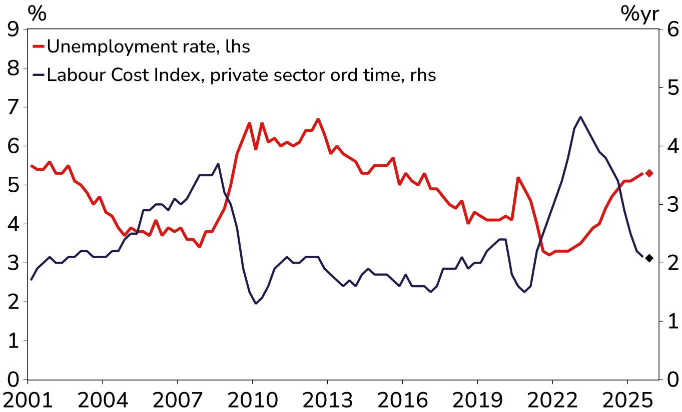
Source: Stats NZ, Macrobond, Westpac Economics

NZ: Q4 Labour Market Surveys

Feb 4, Unemployment Rate, Last: 5.3%, Westpac f/c: 5.3%
Feb 4, LCI Private Sector, Last: +0.4%, Westpac f/c: +0.5%

We expect the unemployment rate to remain at 5.3% for the December quarter. Higher-frequency indicators have pointed to a modest lift in jobs in recent months, enough to match the growth in the working-age population. While this will likely mark the peak in the unemployment rate for this cycle, we expect the improvement to be gradual over the next year, and the existing slack in the labour market means that wage pressures are likely to remain contained for some time.

Labour market indicators



Source: Stats NZ, Macrobond, Westpac Economics

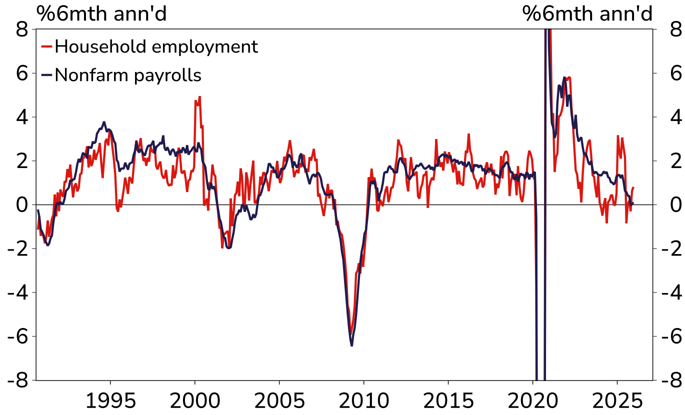
US: Jan Employment Report

Feb 6, Payrolls, Last: 50k, WBC f/c: 78k, Market f/c: 78k
Feb 6, U/E Rate, Last: 4.4%, WBC f/c: 4.4%, Market f/c: 4.4%

Nonfarm payrolls has essentially stalled over the past six months as labour demand abated and supply was restrained by decelerating population growth. In the short term, employment growth is likely to remain relatively weak and susceptible to a downside surprise.

Over the course of 2026, employment growth should stabilise at a low but positive rate, seeing the unemployment rate edge up towards 5.0%, assuming constant participation. A more abrupt rise is possible but not probable given recent data. Without such a shock, the FOMC is unlikely to cut more than once more over the coming year.

Jobs growth has stalled



Source: BLS, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 02							
Aus	Jan	Cotality Home Value Index	%mth	0.5	–	0.9	Daily measures point to a firmer 0.9% rise for the January.
	Jan	MI Inflation Gauge	%ann	3.5	–	–	Lifting since mid-2025 to be at the highest level since Apr-24.
	Jan	ANZ–Indeed Job Ads	%mth	–0.5	–	–	Continues to trend lower but the pace of decline has eased.
US	Jan	ISM Manufacturing PMI	index	47.9	48.3	–	Demand indicators are still in contraction.
		Fedspeak	–	–	–	–	Bostic is scheduled to speak.
Wrld	Jan	S&P Global Manufacturing PMI	index	51.6	–	–	Final estimate for Japan, Eurozone, UK and US.
Tue 03							
Aus	Dec	Dwelling Approvals	%mth	15.2	–6.4	–4.0	Typically a choppy monthly profile for units.
		RBA Policy Decision	%	3.60	3.85	3.85	Likely to hike after a firm December CPI report.
NZ	Dec	Building Permits	%mth	2.8	–	–	Annual total continuing to trend higher.
Chn	Jan	RatingDog Manufacturing PMI	index	50.1	50	–	Survey focuses on small export-oriented businesses.
US	Dec	JOLTS Job Openings	000s	7146	7100	–	Job openings continue to fall while layoff rates hold steady.
		Fedspeak	–	–	–	–	Fedspeak from Barkin and Bowman .
Wed 04							
Aus		RBA Speak	–	–	–	–	RBA's Jones fireside chat at 4:00pm AEDT.
NZ	Q4	Unemployment Rate	%	5.3	5.3	5.3	Unemployment has likely reached its peak for this cycle ...
	Q4	Employment	%qtr	0.0	0.3	0.3	... with job numbers starting to stabilise in late 2025.
	Q4	LCI Wage Inflation (Pvte, Ord Time)	%qtr	0.5	0.5	0.5	Existing slack means that wage pressures are muted.
	Jan	ANZ Commodity Prices	%mth	–2.1	–	3.0	Strong rebound in dairy, further gains in meat and wool.
Chn	Jan	RatingDog Services PMI	index	52	51.5	–	Pace of expansion has been easing since August.
Eur	Jan	HICP	%yr	1.9	–	–	Core inflation persisting at 2.3-2.4%yr for eight months.
US	Jan	ADP Employment Change	000s	41	48	–	Signals a measured softening in the labour market.
	Jan	ISM Non–Manufacturing	index	54.4	53.5		Index in ten straight months of expansion.
Wrld	Jan	S&P Global Services PMI	index	53.9	–	–	Final estimate for Japan, Eurozone, UK and US.
Thu 05							
Aus	Dec	Trade Balance	$bn	2.9	3.5	2.6	Volatile gold exports and imports likely to distort the picture.
UK		BoE Policy Decision	%	3.75	3.75	3.75	Expected to stay on hold as inflation risks linger.
Eur		ECB Policy Decision (Deposit Rate)	%	2.00	2.00	2.00	Downside risks for growth building; infl. dips below target.
	Dec	Retail Sales	%mth	0.2	–	–	Non-food sales driving the increase.
US		Initial Jobless Claims	000s	209	–	–	Hinting at some stabilisation in labour market conditions.
		Fedspeak	–	–	–	–	Fedspeak from Bostic.
Fri 06							
Aus		RBA Speak	–	–	–	–	Governor Bullock parliamentary testimony, 9:30am AEDT.
NZ		Waitangi Day	–	–	–	–	Markets closed.
Jpn	Dec	Household Spending	%mth	2.9	0.1	–	Effect of fiscal stimulus package to show up from January.
Ger	Dec	Industrial Production	%mth	0.8	–	–	Auto manufacturing helps to drive a third straight increase.
US	Jan	Nonfarm Payrolls	000s	50	78	78	Employment growth susceptible to downside risks.
	Jan	Average Hourly Earnings	%mth	0.3	0.3	–	Growing in line with recent trends.
	Jan	Unemployment Rate	%	4.4	4.4	4.4	Weak labour demand and supply to leave unemployment flat.
	Feb	Uni. Of Michigan Sentiment	index	56.4	55.5	–	Still –20%yr lower amid pressures on purchasing power ...
	Dec	Consumer Credit	$bn	4.229	–	–	... while job worries is curbing appetite for debt.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (30 Jan)	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28
Cash	3.60	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.60	3.35	3.35
90 Day BBSW	3.83	3.90	3.90	3.90	3.90	3.95	3.95	3.80	3.55	3.45	3.45
3 Year Swap	4.26	4.20	4.15	4.05	3.95	3.85	3.75	3.65	3.60	3.55	3.50
3 Year Bond	4.28	4.20	4.15	4.05	3.95	3.85	3.75	3.65	3.60	3.55	3.50
10 Year Bond	4.82	4.75	4.75	4.75	4.75	4.75	4.70	4.65	4.60	4.60	4.60
10 Year Spread to US (bps)	55	50	45	40	35	30	20	10	0	-5	-10
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	4.27	4.25	4.30	4.35	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	2.51	2.35	2.35	2.40	2.70	2.95	3.20	3.40	3.70	3.85	3.85
2 Year Swap	3.14	3.05	3.20	3.40	3.60	3.75	3.85	3.95	4.00	4.00	4.00
10 Year Bond	4.60	4.60	4.65	4.75	4.75	4.90	4.90	4.95	4.95	4.95	4.95
10 Year Spread to US (bps)	43	35	35	40	35	45	40	40	35	30	25

Exchange rate forecasts

	Latest (30 Jan)	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28
AUD/USD	0.7009	0.70	0.71	0.72	0.72	0.73	0.73	0.74	0.74	0.73	0.73
NZD/USD	0.6062	0.60	0.61	0.63	0.63	0.64	0.65	0.66	0.66	0.66	0.66
USD/JPY	153.86	151	149	147	145	144	143	142	141	140	139
EUR/USD	1.1926	1.19	1.20	1.20	1.21	1.21	1.22	1.22	1.21	1.21	1.21
GBP/USD	1.3756	1.37	1.38	1.38	1.39	1.39	1.40	1.41	1.41	1.40	1.40
USD/CNY	6.9493	6.90	6.85	6.80	6.70	6.60	6.50	6.45	6.40	6.35	6.35
AUD/NZD	1.1576	1.16	1.16	1.14	1.14	1.14	1.12	1.12	1.12	1.11	1.11

Australian economic forecasts

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

***** *Forecasts currently under review after Q4 CPI*

New Zealand economic forecasts

	2025		2026				2027		Calendar years			
% Change	**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	0.6	0.4	0.4	0.8	0.5	0.4	0.4	–	–	–	–
Annual change	3.0	3.1	2.5	2.4	2.2	2.1	2.1	2.1	2.2	3.1	2.1	2.1

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