



Week beginning 2 March 2026

# AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

## In this week's edition:

**Economic Insight:** You Will Comply with the AI.

**The Week That Was:** Capacity is key.

**Focus on New Zealand:** The "houseless" recovery?

## For the week ahead:

**Australia:** Q4 GDP and partials, dwelling approvals, household spending indicator, goods trade balance.

**New Zealand:** Employment indicator, building permits, volume of building work, terms of trade.

**Japan:** Jobless rate.

**China:** PMIs.

**Eurozone:** Q4 GDP, unemployment rate, retail sales, HICP.

**United States:** Nonfarm payrolls, ADP employment, weekly jobless claims, ISM surveys.

Information contained in this report current as at 27 February 2026.

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# You Will Comply with the AI



**Luci Ellis**  
Chief Economist, Westpac Group

- **Breathless commentary on the job-destroying effects of AI partly reflects how quickly the technology is changing, making its implications hard to assess. But it also misses important nuances: when assessing the job impacts, it assumes jobs are made up of disconnected tasks.**
- **Academic research points to better ways to think about the issue. One recent paper suggests that firms will automate tasks where AI can achieve current output quality, and not those where it does not. Worker time is freed up as some tasks are automated, and reallocated to other tasks, increasing the quality of output for these tasks. This raises the quality bar for automating them later, and could make human labour more valuable, not less.**
- **Some tasks will be ripe for automation, because they require significant effort just to achieve bare-minimum quality. Compliance-related tasks are a good example of this, provided the regulators allow it. The result could be a better-quality product from the perspective of customers. But new issues arise, including compliance issues raised by the technology, and the possibility that regulatory expectations rise as automation makes compliance cheaper.**

From breathless essays to suspiciously AI-style social media posts, the (potentially disruptive) effects of AI are front of mind for many people. The disruption narrative has become so much part of the zeitgeist that “software developer who lost his job to AI and now has no health insurance” was the backstory for a patient in a recent episode of Grey’s Anatomy.

One reason for the angst is that things are moving so quickly that the humans are struggling to make sense of things. Reasoning models are only a year and a half old, after all. The capabilities of the leading models leapt ahead in just the past three months. Any intuitions you had about AI’s impact based on what the models could do six months ago are obsolete. Add in the policy and geopolitical chaos of the Trump administration, and it is no wonder that investors throw up their hands and sell.

Aside from its own speed of development, one of the things that make it hard to assess the implications of AI is that people are using a simplistic ‘bag of tasks’ view of work. If too many of your tasks are automated rather than augmented by AI, goes the thinking, then your job is at risk.

A better approach was suggested in a [recent paper](#) by two University of Toronto professors, Joshua Gans and Avi Goldfarb. Instead of a bag of disconnected tasks, they model

production as a set of tasks with varying quality. The quality of the final output is the product of each task’s quality, that is, multiplying quality across tasks. If any task has zero quality, the whole output has zero quality. (These are known as “O-ring” models of production, after the parts failure that was the proximate cause of the Challenger disaster.)

In this setup, firms will automate tasks that the technology can produce to the required quality and reallocate the human effort to the remaining tasks. Worker time is reallocated rather than ‘saved’ in the form of layoffs, because there is a return to improving the quality of the non-automated tasks. It is this variable quality of tasks and output that the ‘bag of tasks’ literature ignores. A concrete example of this time reallocation effect comes from a [recent speech](#) by Fed Governor Chris Waller. He noted that AI-based coding tools reduced time spent on routine tasks. Developers at the Fed can instead focus on enhancing security and quality of the end product. This has also been our experience: faster coding means more time for thinking and writing.

**“AI can speed up the drudge work and allow humans to redirect effort to higher-value tasks.”**

Gans and Goldfarb’s model has some interesting implications beyond the lack of layoffs. Once some tasks are automated, it becomes harder to automate the remaining tasks, because they are now being done to a higher quality than before. This means that automation will not be a smooth process but could happen in fits and starts. It could also make human labour more valuable than before, by focusing it on remaining high-value tasks. The barrier to automating everything might therefore be higher than people realise, and the question of what gets automated when depends on what was automated first.

The O-ring model also allows for some useful extensions that the Gans and Goldfarb paper does not mention (and for which the mathematical workings will be available on request). In the standard O-ring model, zero effort on a task translates to zero quality, but any time spent on a task produces positive quality and thus positive final output. Consider the case where significant effort must be spent on a task to reach even zero quality. An example of this might be the effort involved in achieving and demonstrating compliance with legal or regulatory requirements. Expending positive but less than this minimum threshold effort still results in the zero-quality output disaster of a finding of non-compliance.

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If one task involves this fixed-effort ‘compliance tax’ and the others do not, it will be one of the tasks firms seek to automate first, because it frees up much more time to do other things than automating the other tasks would. Again, the ‘bag of tasks’ view misses this possibility.

The issue then becomes: will the regulators permit automation of compliance activities or demonstrating that compliance? Is it enough for an AI to check against a list or rules, or are costly manual sign-offs needed for accountability? Will regulators who are themselves taking a cautious approach to the new technologies be over-cautious? And will automation just shift compliance tasks to other forms, such as managing vendor risk, or ensuring model results are explainable and that the systems do not hallucinate? Another complication is that different regulators could take different stances on this issue.

A further wrinkle arises if effort is required to meet bare compliance, but there is also a ceiling beyond which further effort on the compliance task is fruitless. Think of a five-star or ‘fully compliant’ rating, but no sixth star to shoot for. If the manual effort to comply is large enough, the firm will choose to automate even if that means going from five-star to bare pass, if that raises the quality of other activities enough.

That choice will be most attractive if the over-compliance is insurance rather than an expression of risk appetite. If manual effort has uncertain outcomes, firms will choose to over-comply to avoid occasional non-compliant outcomes. An aspect of this uncertainty, as Westpac has [previously highlighted](#) in its submission to the productivity roundtable process, is that regulators in Australia tend not to confirm that what the entity is doing complies, but rather, wait for those moments of non-compliance and enact consequences. Over-compliance is the natural response to this regulatory approach; a more reliable, less-manual process might not need as large a buffer. If automated outcomes are more reliable and certain as well as faster and cheaper, then the firm may rationally choose not to over-comply the way it did when everything was done manually. Firms will need to ask themselves: are they over-complying to ensure reliability of the process, or is it part of the brand and culture that they want to retain?

Regulators might not be pleased to see regulated entities remaining compliant, but no longer five-star. They will need to ask themselves if their assessment criteria emphasise process rather than outcome. On the other hand, once real-time automated data checking becomes possible, periodic manual sampling will seem inadequate. The bar on compliance could inexorably rise as compliance becomes faster and cheaper. The reliability and explainability of the regulated entities’ processes will also matter.

So you probably will comply using the AI, and you will certainly want to, given the payoff of freeing up time for other things. Key questions for Australia’s future technology adoption and productivity growth are: what other issues does it raise, and will the various regulators agree to the change?

# Cliff Notes: capacity is key

Elliot Clarke, Head of International Economics

Illiana Jain, Economist

The [January CPI](#) came in above expectations, prices rising 0.4% in the month and 3.8%yr (WBC 3.6%yr; consensus 3.7%yr). On a seasonally adjusted basis, price growth was a touch firmer at 0.5%. Electricity, garments and footwear were the key supports in the month. A portion of this strength was netted out of the core inflation calculation, however, the trimmed mean gaining 0.3% in the month as expected to be up 3.4%yr. We view the detail of this release as [consistent with our existing forecast](#) for the March quarter, which is 0.9%, 3.5%yr for trimmed mean inflation and 1.1%, 3.8%yr for the headline measure.

This week's investment partials point to some modest downside risks for next week's Q4 GDP. However, the longer-term view is favourable. [Construction activity](#) highlighted the rotation underway from public to private investment. And, inclusive of construction and equipment spending, [private CAPEX](#) surprised on the upside, growing 7.8% over the year to December. Underlying the headline CAPEX result, investment in buildings and structures rose robustly in the quarter and had breadth across non-mining industries, but it was offset by a pull-back in spending on data-centre related equipment. Excluding the impact of data-centre CAPEX, non-mining investment in machinery and equipment increased a healthy 3.0% in the quarter. CAPEX plans point to the current growth pace being maintained through the remainder of FY2026 for a 7.6%yr inflation-adjusted gain. The first estimate for FY2027 implies growth will continue beyond June too.

A full preview for next week's Q4 GDP report will be released later today on Westpac IQ. And, for an in-depth view of Australia's businesses, refer to the latest [Westpac Quarterly Business Snapshot](#). Meanwhile, [Chief Economist Luci Ellis'](#) focus this week has been AI's effect on job specification, productivity and labour demand.

In the US, last Friday the Supreme Court struck down US President Donald Trump's use of the International Emergency Economic Powers Act to institute country-specific tariffs. Whether refunds will be required is still to be determined. But, to shore up future revenue collection, President Trump immediately instituted a 10% global tariff under Section 122 of the 1974 Trade Act and threatened to lift the rate to 15%. Note though, this avenue is only available for up to 150 days without Congressional approval – an immense challenge right before the mid-term elections. The net effect is a temporary marginal increase in the US' effective tariff rate, but with some countries experiencing a more material increase (or decrease) depending on their starting position. President Trump intends to hold individual nations to agreed deals and industry tariffs remain valid. For some countries though,

holding to their agreed deal will put them at a disadvantage. So far, leaders of countries impacted have largely kept quiet, taking time to assess the implications.

**“This week's investment partials point to some modest downside risk for next week's Q4 GDP.”**

Also received late last week, US GDP surprised to the downside in Q4, activity rising 1.4% annualised against a 2.8% expectation. Personal consumption gained 2.4% annualised, however, in line with the historic trend, and non-residential investment maintained a moderate pace of growth, 3.7% annualised. Offsetting was another decline in residential investment, -1.5% annualised, and government consumption falling 5.1% annualised because of the shutdown – Federal Government spending plunged 16.6% annualised. Despite the disappointment, we remain of the view that the US' underlying pulse is consistent with momentum at or above trend through 2026, fuelled by a tight labour market and robust nominal wage gains. However, we remain mindful of the downside risks posed by cost-of-living pressures – nominal personal spending increased by 0.4% in December, but real spending lifted just 0.1%.

Over in Japan, Prime Minister Takaichi appointed two new members to the Bank of Japan's policy board, Ayano Sato and Toichiro Asada. Both are considered to be dovish but replace members who have exercised caution on further rate increases, seeing the Board become only marginally more dovish. In a speech this week, member Hajime Takata did not comment on the new appointments but did note the BoJ can step in in times of excessive bond market volatility. [We hold the view](#) that while there may be volatility in the short term, fundamentals point to the 10-year bond yield falling to 2.0% over time. On monetary policy, Takata said little on the policy outlook, noting only that the Board is not on a pre-set path and highlighting the importance of the currency to inflation.

# The “houseless” recovery?



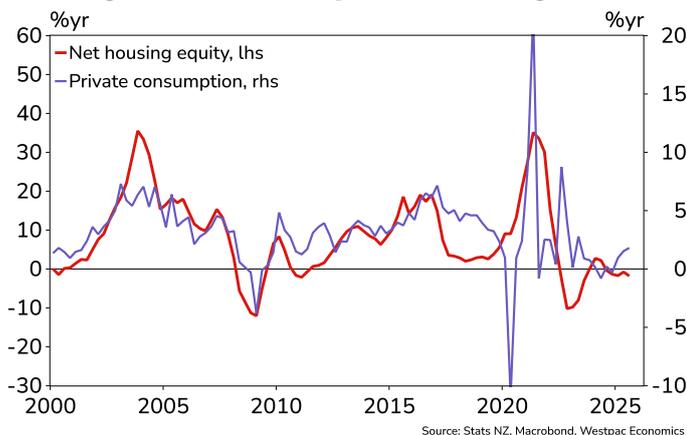
**Michael Gordon**  
Senior Economist

In presenting our latest quarterly [Economic Overview](#), the most common piece of feedback has been a degree of scepticism about our view that the New Zealand economy can recover without a meaningful take-off in house prices. This scepticism is understandable, as it would be something of a break from history. But there is a plausible mechanism for how this could happen, and indeed the evidence arguably suggests that we’re already on that path, though it’s still early days.

What the sceptics have in mind is the “housing wealth effect”, where people tend to be more willing to spend when the value of their houses is rising. That doesn’t necessarily mean that they are using the house as an ATM (and these days, loan-to-value restrictions may limit their ability to do so). Rather, they’re more inclined to spend out of their incomes if they believe that the house is doing the saving for them.

We’ve noted in the past that there has historically been a strong relationship between housing wealth and household spending in New Zealand, and arguably stronger here than in other developed economies. But the relationship doesn’t hold all of the time, and especially not in more recent years, as Covid and the subsequent policy responses have led to significant volatility in both house prices and consumption.

## Annual growth in consumption vs housing wealth

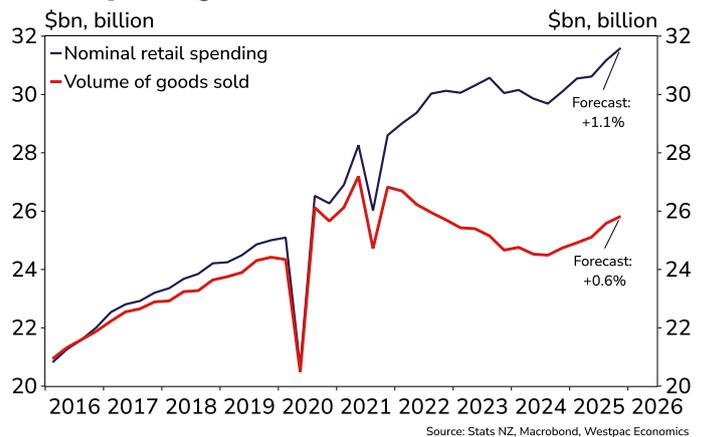


The housing wealth effect is considered to be an important channel of transmission for monetary policy: lowering interest rates drives up house prices, which leads to more household spending, which boosts activity and employment, which ultimately leads to higher inflation (and vice versa). So, the lack of a house price response over the last couple of years,

through what appears to be a now-completed easing cycle, is quite unusual.

That doesn’t mean that monetary policy hasn’t been getting traction though. This week we saw that retail sales volumes rose by 0.9% in the December quarter, ahead of the 0.6% increase that we expected. After having consistently fallen through 2022-24, real retail spending has now risen for five straight quarters. Retail spending in dollar terms has actually risen quite strongly since the Covid shock, but the post-Covid inflation surge means that people have been getting much less bang for their buck.

## Retail spending



Incidentally, the quarterly retail trade survey has also consistently outstripped the monthly card spending figures over those last five quarters. The implication would be that debit and credit cards have been falling as a share of retail spending, and it’s not at all clear why that would be case. Nor is it clear that it’s even true. In [our latest Retail Pulse](#) we reported that spending on Westpac-issued cards was up about 6% on a year ago in January, and other banks who report their card spending figures had similar results. Yet the figures published by Stats NZ were down slightly on a year ago.

It may be that certain payment methods are not being fully captured, such as buy-now-pay-later or prepaid cards. The mix of spending by sector provides some support for this: the card share of spending has been steady for supermarkets, while it has been falling rapidly for several years in areas such as clothing and fuel. So, while we value the timeliness of the monthly card spending figures, we may need to put an asterisk against it in terms of coverage.

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While the lift in spending to date has been encouraging, can we really be confident that it will carry on without the backing of the housing wealth effect? We're forecasting just a 4% rise in house prices over 2026, and even that would put us at the higher end of market forecasts. The RBNZ assumed that house prices would be flat for 2026 in its February *Monetary Policy Statement*.

The more recent economics literature offers a solution. There is growing support for the idea that what we call the housing wealth effect is actually an income-expectations effect. When people expect a rise in their future incomes, they tend to both spend more and to bid house prices higher. The magnitude of the effect on house prices will depend on how responsive the supply side is – historically New Zealand's housing supply has been fairly unresponsive, but there are signs that this is improving.

The challenge for us is that we can't directly observe people's income expectations – so in the past we've used house prices as a proxy. That has generally served us well for the purposes of forecasting household spending, without necessarily requiring a causal relationship. That proxy may not serve us as well in the future, if the efforts to improve the responsiveness of the housing supply bear fruit.

All of this is not to say that housing wealth effects don't exist. But their impact may be in amplifying the economic cycle, rather than being an essential driver of it. We feel that our household spending forecasts have been suitably tempered to match our view on house prices – spending growth of 3-4% over the year ahead is quite achievable in the early stages of a recovery, when the economy still has substantial spare capacity to be used up.

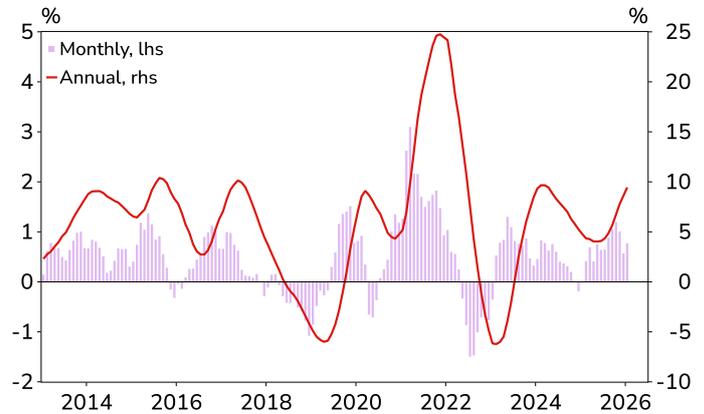
**AUS: Feb Cotality Home Value Index (%mth)**

Mar 2, Last: 0.7, Westpac f/c: 0.7

The Cotality home value index for the eight major capital cities rose 0.7% in Jan, following a 0.4% lift in Dec and monthly gains of 0.9-1.2% through Aug-Nov. A more hawkish rate outlook has checked market momentum, though the extent of the slowdown remains unclear amid 'thin' trading conditions over the summer period. Even so, the underlying detail points to a slowdown in Sydney and Melbourne while the smaller capitals run ahead.

For February, the daily data points to a 0.7% rise. The details show a further slowdown in Sydney and Melbourne which look to be running close to flat. Brisbane, Adelaide and Perth continue to show much stronger momentum, running between a 1.4-2.6% pace.

**Cotality home value index**



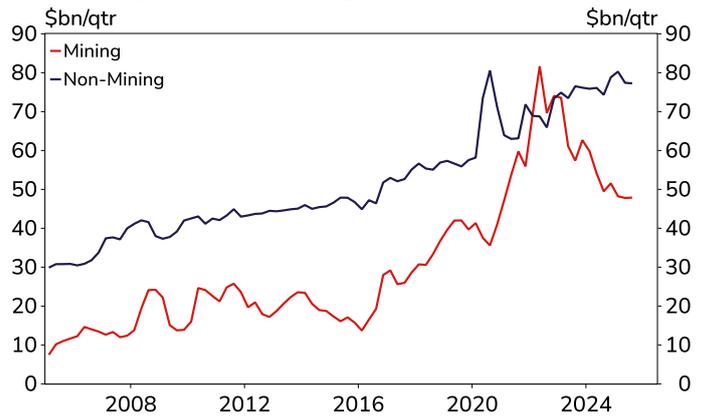
Source: Cotality Australia, Macrobond, Westpac Economics

**AUS: Q4 Company Profits (%qtr)**

Mar 2, Last: 0.0, Westpac f/c: 1.8  
Market f/c: 2.0, Range: -0.1 to 4.0

Headline company profits were flat in Q3, with non-mining profits falling by 0.2% qtr, offset by a 0.2% increase in mining profits. In year-ended terms, non-mining profits have been steadily increasing, rising by 4.0% yr in Q3, in line with the pickup in private demand. Mining profits have fallen by 3.2% yr as prices for key commodities eased, though they remain elevated. Company profits are expected to have grown by 1.8% in Q4. This increase is expected to be driven by both the mining and non-mining sectors. Further increases in gold export values are expected to support mining profits in Q4. Meanwhile, the non-mining sector is expected to contribute to overall profit growth on the back of a firmer consumer. The Westpac Business Cashflow Gauge was flat in the December quarter, following a solid increase in Q3, and has risen by around 1% over the past year.

**Company profits to strengthen in Q4**



Source: ABS, Macrobond, Westpac Economics

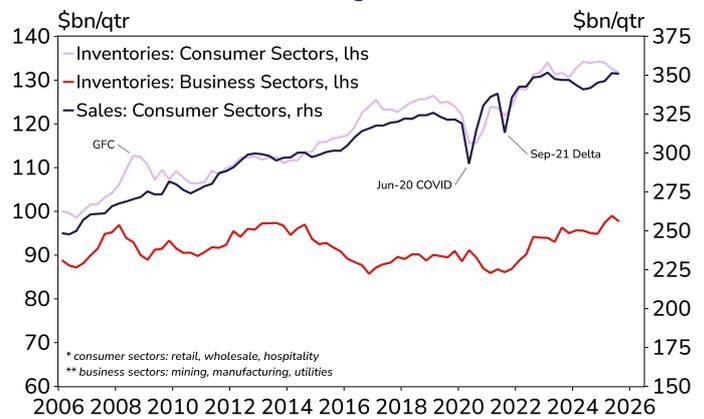
**AUS: Q4 Inventories (%qtr)**

Mar 2, Last: -0.9, Westpac f/c: 0.0  
Market f/c: -0.1, Range: -0.9 to 0.6

Westpac expects non-farm business inventories were flat in Q4. The pickup in domestic demand was met by a rundown in inventories in consumer-facing industries, as well as higher consumption and intermediate imports. This was partly offset by the mining sector, which appears to have begun rebuilding inventories after drawing them down by almost 5.0% last quarter.

Elsewhere, public inventories are expected to have increased following the rundown in the previous quarter. Overall, we expect total inventories (non-farm, farm and public) to contribute around 0.1ppt to economic growth in Q4 2025.

**Consumer sector is running down inventories**



Source: ABS, Macrobond, Westpac Economics

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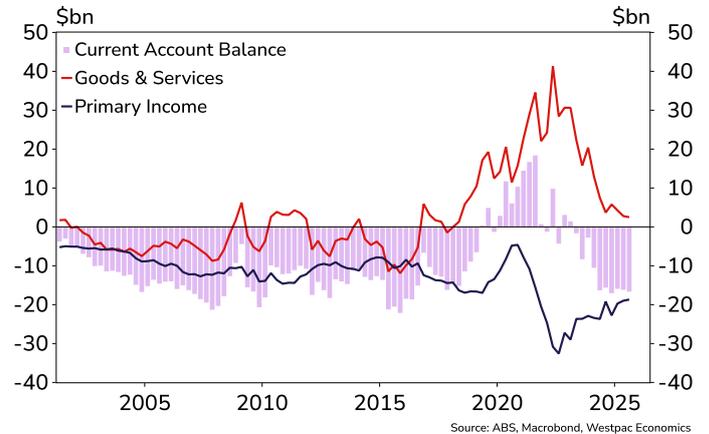
## AUS: Q4 Current account balance (\$bn)

**Mar 3, Last: -16.6, Westpac f/c: -18.0**  
**Market f/c: -16.5, Range: -19.0 to -15.0**

The current account balance has remained largely unchanged in recent quarters, as a declining trade surplus was offset by improvements in the primary income balance. We expect this pattern to shift in the December quarter, with the current account deficit widening to around -\$18.0bn from -\$16.6bn in the September quarter.

The data are likely to show a further narrowing of the trade surplus, with both goods and services balances contributing negatively. We anticipate an increase in the primary income deficit, as returns on domestic foreign-owned assets are expected to rise. Economic recovery and a higher inflation environment are likely to support higher returns on direct investment, while increased interest rates will probably lead to greater returns on portfolio investment.

## Current account balance



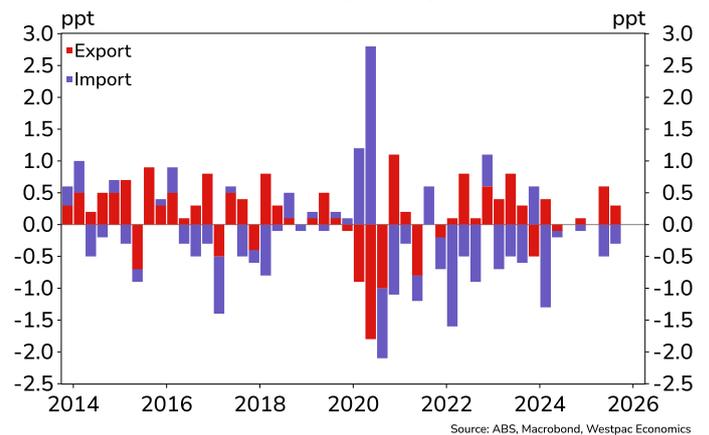
## AUS: Q4 Net Exports (ppt cont'n)

**Mar 3, Last: -0.1, Westpac f/c: 0.0**  
**Market f/c: -0.3, Range: -0.6 to 0.2**

We expect net exports to be neutral for growth in the December quarter, as increases in exports and imports are likely to offset each other. Major commodity exports appear to have increased significantly, led by iron ore and LNG, while coal shipments are expected to fall somewhat. Manufacturing goods should support real export growth, and rural goods also seem to have had a solid quarter. Overall, goods export growth should be strong, close to 3.0%qtr, but we anticipate a negative contribution from services exports, particularly as education services are likely to decline due to falling student numbers.

On the imports side, strong domestic demand growth most likely supported robust inflows of goods and services, particularly in the consumer and intermediate goods categories. Falling machinery and equipment capex signals a likely decrease in capital goods imports. Gold import volumes appear to have risen very sharply.

## Contributions to quarterly GDP growth



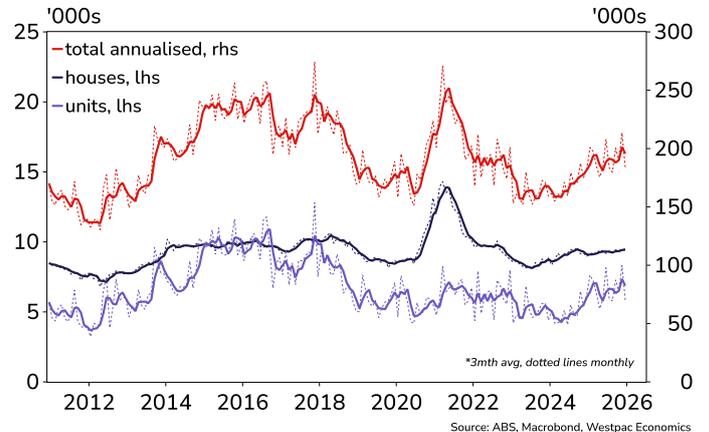
## AUS: Jan Dwelling Approvals (%mth)

**Mar 3, Last: -14.9, Westpac f/c: 4.5**  
**Mkt f/c: 5.0, Range: 3.7 to 10.0**

Total dwelling approvals fell -14.9% in December, with November revised lower to 13.1%. Private unit approvals were again the key swing factor, dropping -29.8% mth, while private detached home approvals rose a modest 0.4%. There were 195.7k dwellings approved in 2025, the highest calendar year total in the post-COVID period.

January is likely to see some payback. HIA data point to a solid lift in new home sales during the month. While the units component remains difficult to interpret given its lumpy nature, it is likely to rebound following December's weakness. Overall, we are pencilling in a 4.5% lift in dwelling approvals.

## Approvals ascent re-emerges



## AUS: Q4 GDP (%qtr)

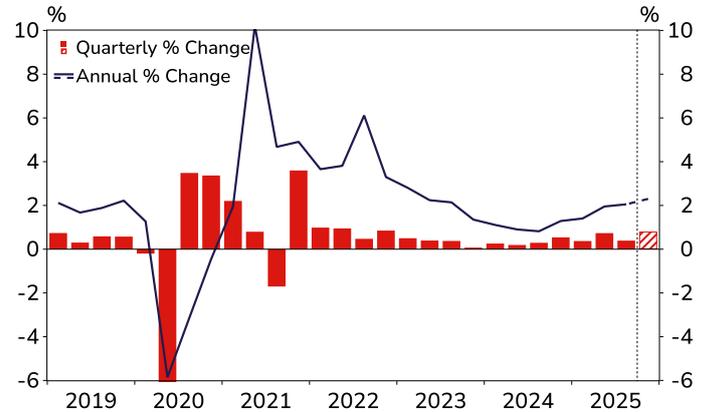
**Mar 4, Last: 0.4, Westpac f/c: 0.8**  
**Mkt f/c: 0.6, Range: 0.5 to 0.9**

Westpac expects Australia's economic recovery continued in Q4, with GDP forecast to grow by 0.8% in the quarter and 2.3% over the year.

The handover from public to private demand now appears largely complete, with the private sector set to contribute a larger share to growth in 2025. Abstracting from some of the December-quarter volatility, the economy appears to be growing broadly in line with its long-run potential.

Our arithmetic for domestic demand is: consumer spending +1.0%qtr, housing investment +0.7%qtr, new business investment +0.2%qtr and new public demand +0.4%qtr. See our full preview [here](#).

## Q4 GDP forecast: 0.8%qtr, 2.3%yr



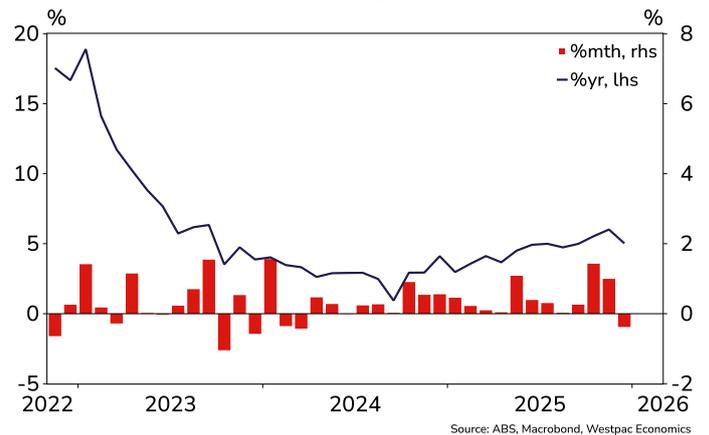
## AUS: Jan Household Spending Indicator (%mth)

**Mar 5, Last: -0.4, Westpac f/c: 0.2**  
**Mkt f/c: 0.4, Range: 0.0 to 0.8**

The ABS monthly household spending surprised to the upside in October, The household spending indicator fell -0.4% in December, following solid gains of 1.0% and 1.4% the two months prior. This marked the first fall since mid-2024, seeing the annual pace ease to 5%yr.

For January we expect a slight recovery in household spending, lifting 0.2% over the month and 4.8% through the year. Though, seasonal volatility will likely continue to mar the estimate this month. Our **Westpac-DataX MHSI card index** suggests most categories saw an uplift in spending partly offset by weakness in transport and restaurant & hotels spending.

## Monthly household spending indicator



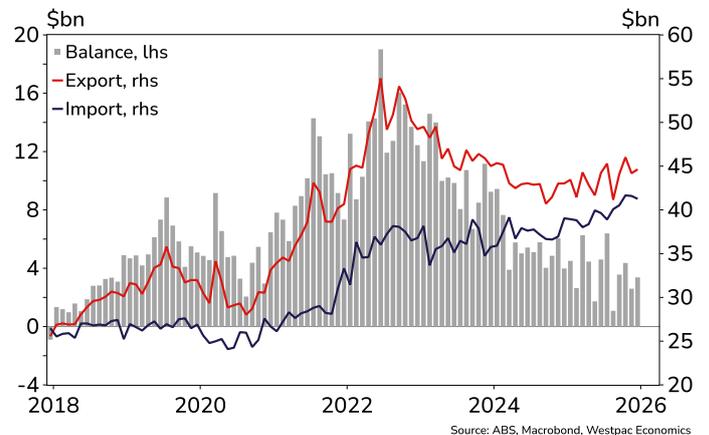
## AUS: Jan Goods Trade Balance (\$bn)

**Mar 5, Last: 3.4, Westpac f/c: 4.2**  
**Mkt f/c: 3.8, Range: 3.1 to 5.0**

The monthly goods trade surplus recovered to \$3.4bn in December from \$2.6bn in November, as both a slight increase in exports and a modest decrease in imports provided support. We expect a similar trend to persist in January, with exports moving another step higher and imports remaining broadly stable. This should see the headline balance rise to \$4.2bn.

Looking at the details, we anticipate a moderation in rural goods exports and gold shipments after strong results in recent months, but these should be offset by higher major commodities exports. On the import side, somewhat weaker consumer goods imports are likely to be balanced by a recovery in capital goods shipments.

## Goods trade balance

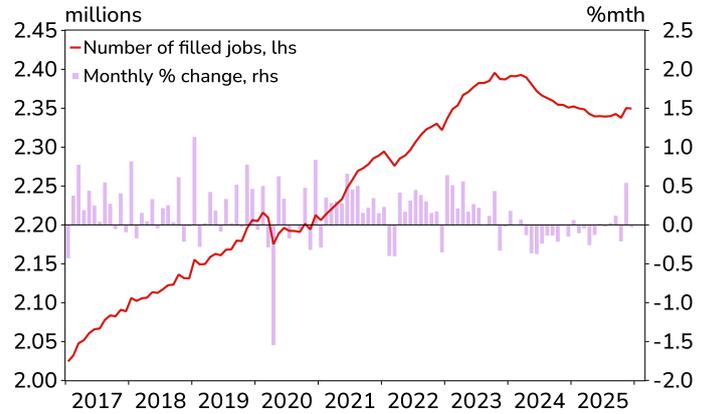


## NZ: Jan Monthly Employment Indicator (%mth)

Mar 2, Last: 0.0, Westpac f/c: 0.2

The MEI was flat in December after a 0.5% jump in November (but a 0.2% fall in October). Allowing for the volatility that sometimes occurs in these figures over year-end – mostly relating to the education sector – there does appear to be a modest upward trend emerging in the jobs figures. However, this series typically gets revised down from its initial release, so at this stage we'd describe it as stabilising rather than rising. The weekly snapshots provided by Stats NZ suggest a broadly flat result for January, though we expect the initial print to be more like +0.2%.

## Monthly Employment Indicator

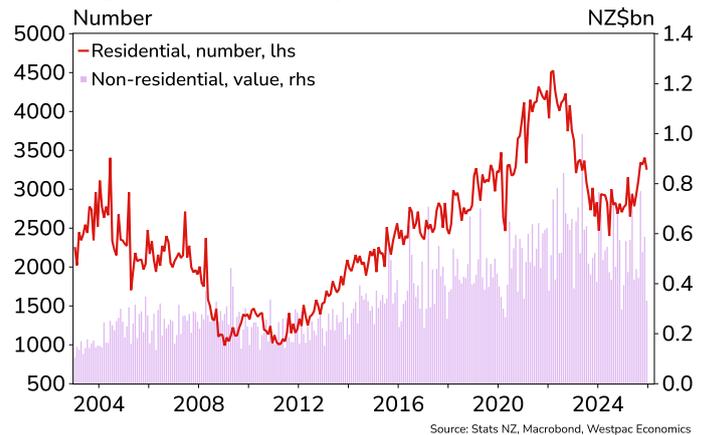


## NZ: Jan Building Consents (%mth)

Mar 3, last -4.9, Westpac f/c: Flat

Despite a modest easing in December, residential consent numbers have been trending higher in recent months, with last year's fall in borrowing costs supporting new development activity. We're forecasting that consents will remain at firm levels in January. That would see the total number of homes consented over the past 12 months rising to a fresh two year high. On the non-residential front, commercial consents have been tracking sideways with businesses still cautious about significant capital expenditure at this stage.

## Building consents picking up

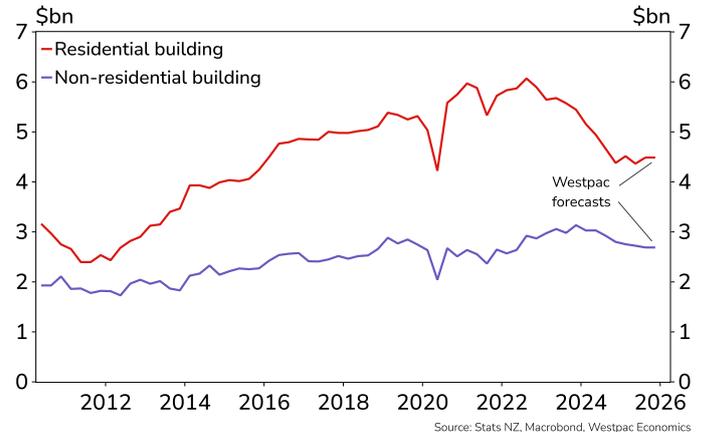


## NZ: Q4 Building work put in place (%qtr)

Mar 5, Last: 1.5, Westpac f/c: -0.3

Total building activity rose 1.5% over the September quarter, with a 2.8% lift in residential building work offsetting a sharper than expected 1.3% fall in non-residential building work completed. We're forecasting overall building activity will be close to flat in the December quarter. Residential building work has started to turn higher, but that recovery remains gradual at this stage. At the same time, non-residential investment has continued to trend down following earlier softness in economic conditions.

## Pipeline of building work continues to run down



## US: Feb employment report

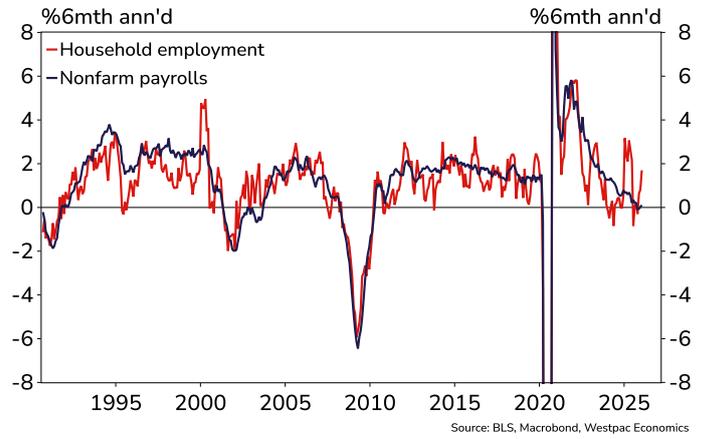
Mar 6, payrolls, Last: 130k, WBC f/c: 85k, Mkt f/c: 60k  
 Mar 6, U/E rate, Last: 4.3%, WBC f/c: 4.3%, Mkt f/c: 4.3%

Nonfarm payrolls found a base in late-2025 and have since regained momentum. Broadly speaking, month-on-month job creation is still only consistent with the labour market marking time. But, importantly, its inconsistent with a material risk of a marked deterioration in conditions hence.

If activity growth holds around trend through 2026 as we expect, the unemployment rate should remain historically low and stable, particularly with new entrants constrained by low population growth.

In such an environment, wage growth should remain robust, helping sustain discretionary spending despite elevated consumer inflation.

## Jobs growth has found a base



# What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
<b>Mon 02</b>							
Aus	Feb	CoreLogic Home Value Index	%mth	0.7	-	0.7	Divergent theme persists between smaller and larger capitals.
	Feb	MI Inflation Gauge	%ann	3.6	-	-	Continues to move higher.
	Q4	Company Profits	%qtr	0.0	2.0	1.8	Mining and non-mining to contribute to profit growth in Q4.
	Q4	Inventories	%qtr	-0.9	-0.1	0.0	Expect total inventories to contribute 0.1ppts to growth.
		RBA Speak	-	-	-	-	RBA's Hunter speaking in the Norges Bank conference.
NZ	Jan	Employment Indicator	%mth	0.0	-	0.2	Job market is stabilising rather than growing at this stage.
US	Feb	ISM Manufacturing PMI	index	52.6	51.8	51.8	Manufacturing sentiment turned positive in January.
<b>Tue 03</b>							
Aus		RBA Speak	-	-	-	-	RBA's Bullock speaking at the AFR Business Summit.
	Q4	Current Account Balance	\$bn	-16.6	-16.5	-18.0	Lower trade surplus & higher primary income deficit expected.
	Q4	Net exports contribution	ppt	-0.1	-0.3	0.0	Higher exports and imports expected to offset each other.
	Jan	Dwelling Approvals	%mth	-14.9	5.0	4.5	Will partly recover last month's sharp fall.
NZ	Jan	Building Permits	%mth	-4.6	-	0.0	Annual total continuing to climb.
Jpn	Jan	Jobless Rate	%	2.6	2.6	-	Expected to hold steady for its sixth consecutive month.
Eur	Feb	HICP	%yr	1.7	1.7	-	Focus on core prices, with energy prices driving headline down.
US		Fed Speak	-	-	-	-	Williams and Kashkari.
<b>Wed 04</b>							
Aus	Q4	GDP	%qtr	0.4	0.6	0.8	Handover from public to private demand appears complete.
NZ	Q4	Terms Of Trade	index	-2.1	-0.3	-0.9	Lower dairy prices (since reversed) will be a drag on Q4.
	Feb	ANZ Commodity Prices	%mth	2.0	-	5.0	Sharp rebound in dairy prices; meat and wool also up.
Chn	Feb	Manufacturing PMI	index	49.3	49.1	-	Official PMIs consistent with ongoing contraction...
	Feb	Non-Manufacturing PMI	index	49.4	49.8	-	...in both manufacturing and services sectors...
	Feb	RatingDog China PMI Composite	index	51.6	-	-	...while the private sectors PMIs signal stronger momentum.
Eur	Jan	Unemployment Rate	%	6.2	-	-	At historical lows.
US		Fed Speak	-	-	-	-	RBA's Hunter speaking in the Norges Bank conference.
	Feb	ADP Employment Change	000s	22	42	-	Insights into the official payroll change.
	Feb	ISM Services PMI	index	53.8	53.2	-	Improvement late in 2025 persisting in 2026.
<b>Thu 05</b>							
Aus	Jan	Trade Balance	\$bn	3.4	3.8	4.2	Major commodities set to drive exports higher.
	Jan	Household Spending Indicator	%mth	-0.4	0.4	0.2	A modest lift following the first fall in 1.5 years.
NZ	Q4	Volume of Building Work	%qtr	1.5	1.9	-0.3	Residential work has found a base, commercial still soft.
Eur	Jan	Retail Sales	%mth	-0.5	0.2	-	January data after a bigger than expected drop in Dec.
US	Mar	Fed Beige Book	-	-	-	-	Anecdotal economic information from key business contacts.
	Jan	Import Price Index	%mth	0.1	-	-	Details might give some more colour on tariff impacts.
	Q4	Productivity	%ann	4.9	1.6	-	Slower Q4 GDP growth will see productivity slowing too.
		Initial Jobless Claims	000s	212	-	-	Remain low and stable.
<b>Fri 06</b>							
Eur	Q4	GDP	%qtr	0.3	0.3	-	Final estimate.
US	Feb	Nonfarm Payrolls	000s	130	60	85	Found a base in late-2025 and ...
	Feb	Unemployment Rate	%mth	4.3	4.3	4.3	...is inconsistent with a marked deterioration in conditions...
	Feb	Average Hourly Earnings	%	0.4	0.3	-	... and helping to keep wage growth robust.

# Economic & financial forecasts

## Interest rate forecasts

Australia	Latest (27 Feb)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Cash	3.85	3.85	4.10	4.10	4.10	4.10	4.10	4.10	3.85	3.60	3.60
90 Day BBSW	3.99	4.05	4.15	4.15	4.15	4.20	4.20	4.05	3.80	3.70	3.70
3 Year Swap	4.23	4.25	4.20	4.10	4.00	3.90	3.80	3.70	3.60	3.55	3.50
3 Year Bond	4.22	4.25	4.20	4.10	4.00	3.90	3.80	3.70	3.60	3.55	3.50
10 Year Bond	4.65	4.75	4.80	4.80	4.80	4.75	4.70	4.65	4.60	4.60	4.60
10 Year Spread to US (bps)	65	55	50	45	40	30	20	10	0	-5	-10
<b>United States</b>											
Fed Funds	3.625	3.625	3.375	3.375	3.375	3.375	3.375	3.375	3.375	3.375	3.375
US 10 Year Bond	4.00	4.20	4.30	4.35	4.40	4.45	4.50	4.55	4.60	4.65	4.70
<b>New Zealand</b>											
Cash	2.25	2.25	2.25	2.25	2.50	3.00	3.50	3.75	4.00	4.25	4.25
90 Day Bill	2.49	2.35	2.35	2.40	2.75	3.30	3.65	3.90	4.15	4.35	4.35
2 Year Swap	2.95	3.25	3.50	3.75	4.00	4.20	4.30	4.30	4.30	4.25	4.20
10 Year Bond	4.33	4.70	4.75	4.85	4.85	4.95	5.00	5.00	5.00	5.00	5
10 Year Spread to US (bps)	33	45	45	50	45	50	50	45	40	35	30

## Exchange rate forecasts

	Latest (27 Feb)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
AUD/USD	0.7119	0.70	0.71	0.72	0.72	0.73	0.73	0.74	0.74	0.73	0.73
NZD/USD	0.5989	0.59	0.60	0.62	0.63	0.65	0.67	0.68	0.68	0.68	0.67
USD/JPY	155.76	151	149	147	145	144	143	142	141	140	139
EUR/USD	1.1804	1.19	1.20	1.20	1.21	1.21	1.22	1.22	1.21	1.21	1.21
GBP/USD	1.3493	1.37	1.38	1.38	1.39	1.39	1.40	1.41	1.41	1.40	1.40
USD/CNY	6.8551	6.90	6.85	6.80	6.70	6.60	6.50	6.45	6.40	6.35	6.35
AUD/NZD	1.1887	1.18	1.18	1.17	1.14	1.12	1.10	1.09	1.09	1.08	1.09

## Australian economic forecasts

% Change	2025		2026				2027		Calendar years			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	2025f	2026f	2027f	2028f
GDP %qtr	0.4	0.8	0.6	0.6	0.6	0.6	0.6	0.6	-	-	-	-
%yr end	2.1	2.3	2.5	2.4	2.6	2.4	2.4	2.4	2.3	2.4	2.4	2.6
Unemployment rate %	4.3	4.2	4.1	4.2	4.4	4.5	4.5	4.5	4.2	4.5	4.5	4.4
Wages (WPI) %qtr	0.8	0.8	0.8	0.7	0.7	0.8	0.7	0.8	-	-	-	-
%yr end	3.4	3.4	3.3	3.1	3.0	3.0	3.0	3.1	3.4	3.0	3.0	3.4
CPI Headline %qtr	1.3	0.6	1.1	0.7	1.0	0.5	0.6	0.5	-	-	-	-
%yr end	3.2	3.6	3.8	3.8	3.4	3.3	2.8	2.6	3.6	3.3	2.6	2.7
CPI Trimmed Mean %qtr	1.0	0.9	0.9	0.7	0.8	0.7	0.7	0.6	-	-	-	-
%yr end	3.0	3.4	3.5	3.5	3.4	3.2	2.9	2.8	3.4	3.2	2.6	2.5

## New Zealand economic forecasts

% Change	2025		2026				2027		Calendar years			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	2025f	2026f	2027f	2028f
GDP %qtr	1.1	0.6	1.0	0.5	0.9	0.9	1.1	0.5	-	-	-	-
Annual avg change	-0.5	0.4	0.9	2.0	2.5	2.8	3.3	3.3	-0.3	0.4	2.8	3.1
Unemployment rate %	5.3	5.4	5.3	5.1	4.9	4.7	4.6	4.5	5.1	5.4	4.7	4.4
CPI %qtr	1.0	0.6	0.5	0.5	0.9	0.4	0.4	0.4	-	-	-	-
Annual change	3.0	3.1	2.6	2.6	2.5	2.3	2.3	2.2	2.2	3.1	2.3	2.5

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