



March 2026

WESTPAC MARKET OUTLOOK

Your monthly report on Australia and the global economy.

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Westpac Market Outlook is a monthly publication produced by Westpac Economics.

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This issue was finalised on 13 March 2026.

Middle East energy shock



This edition of Market Outlook is going to press almost exactly two weeks since the US and Israel launched strikes on Iran. The situation is highly dynamic and uncertain. For markets and economies, the main focus is on damage to the region's critical energy infrastructure, the closure of the Strait of Hormuz and the risk of further escalation. Crude and other energy prices have spiked and are tracking an extremely volatile path day to day.

The conflict has triggered a sell-off in equities, a rise in bond yields and an appreciation of the US dollar. However, the moves have been relatively mild ones in the scheme of things. This appears to be coming from the 'TACO' – Trump Always Chickens Out – working assumption that has prevailed since last year's 'liberation day' tariff turmoil.

The scope for a swift TACO-style reversal may be more limited for the current conflict. That said, the US administration has shown a clear desire to avoid a drawn-out campaign, especially one that might lead to the dreaded quagmires that have dogged US interventions in the past. [Page 9](#) sets out several scenarios including the 'base case' we are using for our forecasts – a one month conflict followed by a one month normalisation that results in a relatively mild and mostly temporary shock to growth and inflation.

All of this points to a more uncertain and volatile environment with lower growth and higher inflation. This presents major challenges for central banks. Their assessments will likely be similar to ours but judging what constitutes the 'path of least regret' for policy will depend on how decisions were being framed prior to the shock, assessments of relative exposures, and the balance of risks around both inflation and growth.

For the RBA, the recent focus has been on returning inflation to target, with some lift in rates required to bring growth more into line with its (downbeat) assessment of the economy's supply capacity. Risk-wise, the upside threat to inflation, and especially inflation expectations, will be the over-riding concern. Hence, we now expect an additional 25bp rate hike at the RBA's March meeting, ahead of the hike already forecast for May, bringing the cash rate back to its previous peak of 4.35%.

Australia: The Australian economy ended 2025 on a strong note, growing by 0.8% in the December quarter and 2.6%yr. This was the fastest year-ended pace since the March quarter 2023, albeit still well below previous peaks and coming off two very weak years. The National Accounts reinforced the view that the economy is in a cyclical upswing that is broadening.

Commodities: The crisis in Iran has created major disruptions for commodities, with the spread of conflict to Gulf states and the closure of the Strait of Hormuz to shipping seeing sharp spikes in crude (+41%) and LNG (+56%) prices since our February report. There are significant uncertainties regarding the length of the disruptions, but for now we expect a near term resolution limiting the spike in crude to around US\$110/bbl with a June quarter average of US\$90/bbl and an end-June estimate of US\$85/bbl. While short-lived, this shock is not insignificant, lifting our 2026 average by 20% to US\$79/bbl.

Global FX Markets: US dollar strength has been limited amid recent stress, highlighting the potential negatives for the entire developed world. Absent extreme stress, the US dollar's trend depreciation is expected to begin again soon.

New Zealand: The New Zealand economy showed growth momentum in 2025 and into early 2026 despite volatility in the quarterly data. The Middle East conflict and rising oil prices have introduced new challenges, but even with inflation expected to run at the top of the RBNZ's target range, the existing degree of spare capacity in the economy means the RBNZ is not under immediate pressure to start normalising policy settings.

United States: Recent developments highlight the delicate balancing act ahead for the FOMC. The February jobs report re-wrote labour market expectations. While the joint US/Israel strike on Iran has sparked fears of yet another inflation threat.

China: China's economy faces a myriad of risks as 2026 begins. Domestically, the housing sector is deep in recession and the consumer extremely cautious. Offshore, China's access to energy is threatened, and global growth at risk.

Asia: Concerns over Japan's bond market and Prime Minister Takaichi's fiscal package overlook major improvements in Japan's fiscal and economic fundamentals. Despite a large stimulus, Japan's primary deficit is smaller than peers', debt-to-GDP is falling, and sustained inflation is now eroding nominal debt. Fears around excess JGB supply are overstated given gradual BoJ tapering, domestic investor dominance and issuance flexibility. As a result, JGB risk premia should fade, with 10-year yields drifting back toward 2.0%.

Europe & UK: Against the backdrop of rising energy prices, the ECB is expected to remain cautious, monitoring inflation risks, while the BoE is likely to delay further rate cuts until the end of the year, when inflationary pressures become clearer.

Conflict's duration is critical ...

Luci Ellis

Chief Economist, Westpac Group

The key near-term issue for global markets is how long (and how completely) the Strait of Hormuz is blocked.

Our scenario analysis suggests an extended closure could lift oil prices above \$150/bbl for a time; our base case (see p9) is less extreme than this. The implications of an extended closure for the global economy – especially emerging and low-income economies – are sufficiently dire that governments can be expected to act to prevent it. Responses could include military action by currently uninvolved nations, de-escalation by the current parties, release of strategic reserves and normalisation of Russian supply, among other things. Any resolution is likely to take at least a few weeks and possibly months, given the Iranian regime regards the situation as existential.

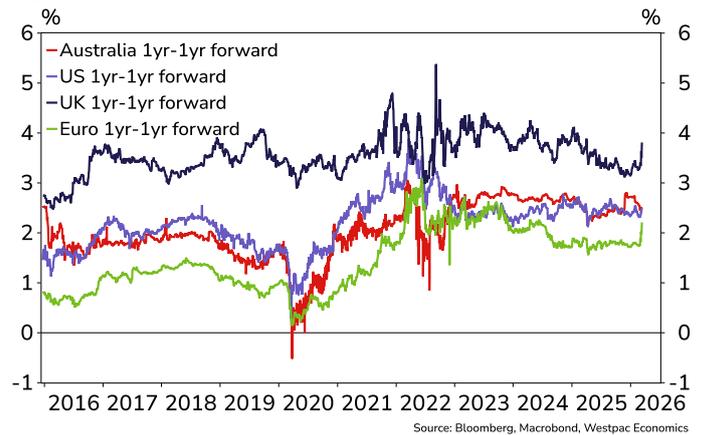
In the meantime, oil prices will spike headline inflation measures around the world. This will reverse quickly once oil prices normalise, though the damage to Qatari gas infrastructure could mean higher global gas prices in some markets for a while longer. In line with this, inflation breakevens including the current year have risen. The picture for 1yr-1yr forwards and other measures of market (headline) inflation expectations is more mixed, up modestly in Europe and the UK and flat to down in the US and Australia.

Central banks understand this dynamic and will not in the first instance treat this as a lasting shock that lifts core as well as headline inflation. Nor are they likely to want to cut policy rates in the midst of the shock, though. Central banks that are still on rate-cutting paths, such as the Bank of England, are likely to pause. The US FOMC is an exception. The US has plenty of its own oil and has already announced it will deploy its strategic reserve. The US labour market also weakened unexpectedly in February. As such, we have a somewhat higher conviction to our call for a June Fed funds rate cut.

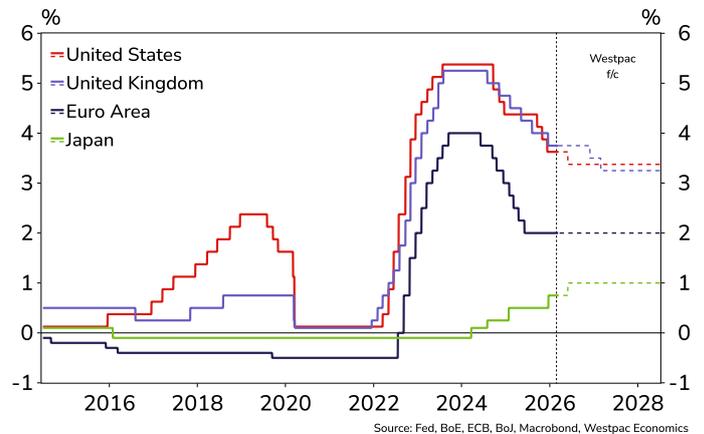
Typically, 'risk off' events such as a war send 'safe haven' flows into US assets, leading the USD to appreciate. DXY is up about 2% over the past month, reversing almost all of this year's sell-off. However, the safe-haven dynamic has been muted compared with past episodes of geopolitical stress, especially for the CNY and AUD, which have appreciated against the USD over the month. Reactions in equity markets and US Treasuries have taken a more conventional form, initially selling off then recovering and now moving with the ebb and flow of news on the conflict. All up though, the impacts have been mild to date.

Australia has been something of an outlier in global markets following the RBA's early return to rate hiking and recent shift in outlook discussed on the next page. Reactions to the war have likewise mostly gone in the other direction to those in many peer markets. As noted, the AUD – normally viewed

1-year-1-year forward Breakeven Inflation



Major Central Bank Policy Rates



USD Exchange Rates



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... but the RBA will be even more hawkish

as a particularly ‘risk off’ currency – has appreciated rather than depreciated in recent weeks. Bond yields have also spiked rather than declining in line with Treasuries. 10-year yields briefly reached 5% intraday and 3-year bond yields are also up significantly. Unlike some peer economies, inflation breakevens beyond the one-year horizon have been flat to down. The shift is more about the policy outlook, with real long yields lifting more in Australia than in peer economies since February 28.

The RBA is now expected to hike rates 25bp in both March and May. This is a change from our previous view of a single hike in May with further hikes as a risk only. The expected peak cash rate is now 4.35%. The effect of higher oil prices on headline inflation is large but temporary. The RBA Monetary Policy Board will nevertheless feel compelled to react, especially given consumer inflation expectations have already lifted and the hit to confidence and financial markets has so far not been severe.

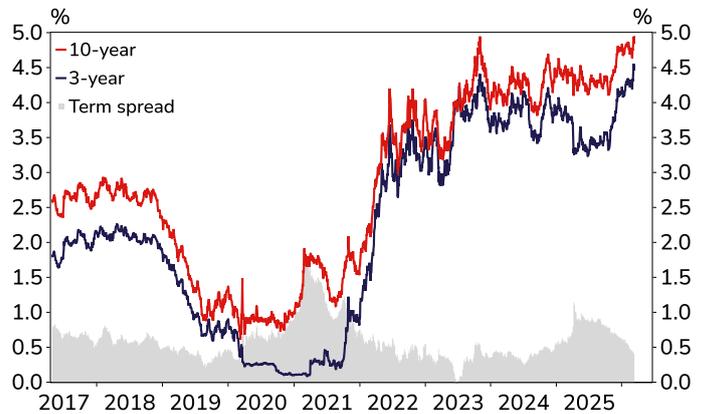
Recent communication has also influenced this change of view. The RBA has not changed its pessimistic assessment of growth in supply capacity following the national accounts, even though data revisions, consumption and unit labour costs paint a more benign picture. It has also signalled a willingness to respond to the spike in headline inflation to head off a sustained rise in inflation expectations. This is despite expectations remaining anchored in recent years in the face of more lasting shocks.

The February minutes also indicated that the RBA believes all of the exchange rate appreciation this year has been due to the changed domestic interest rate outlook. It has not allowed for any additional disinflationary effect from the USD sell-off. We think this puts downside risk into imported inflation relative to the RBA’s expectations, although this is unlikely to be discernible until late this year at the earliest.

There are good arguments for staying on hold until May given the likely temporary nature of the shock and the possibility of more extreme market instability near term. Market participants should allow for the possibility that the RBA opts to wait until May. Similarly, a swift and clear resolution of the conflict (and normalisation in energy prices) and/or a clear and sudden loss of momentum domestically could mean that the expected March hike is not followed by another one in May. Again, this is not our base case, but we will keep the possibility under review.

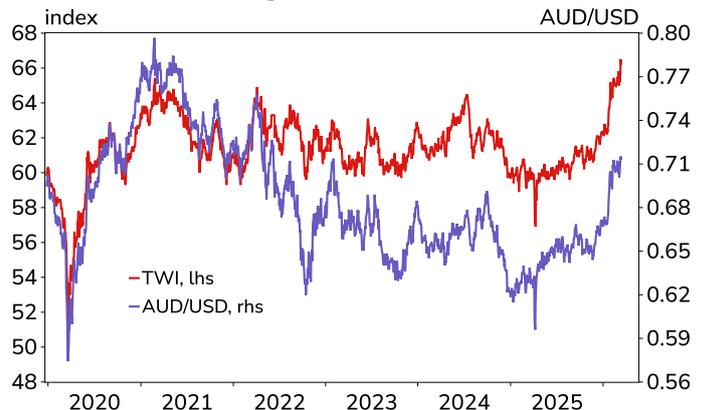
There is a great deal of uncertainty around the near-term path. But by the end of next year, underlying inflation should be close to the 2½% target midpoint and unemployment noticeably higher. It will also be clearer that supply capacity growth is above 2% and that labour market slack is building, including outside the formal labour force. We have therefore also shifted our expectations of the subsequent cuts to the cash rate, to November and December 2027 and February 2028 (was November 2027 and February 2028).

Australian Government Bond Yields



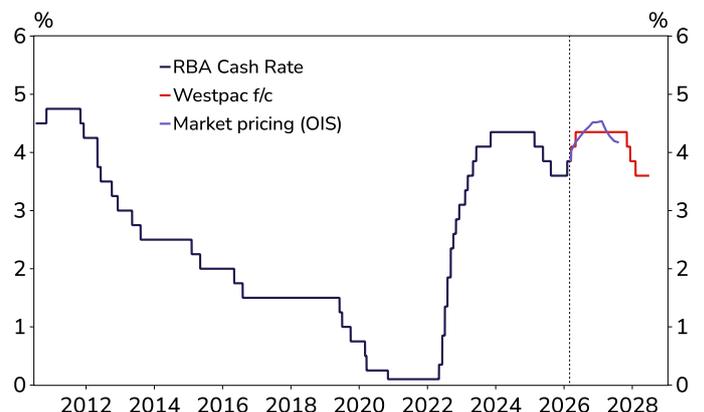
Source: Bloomberg, Macrobond, Westpac Economics

Australian dollar – spot USD rate and TWI



Source: Macrobond, Westpac Economics

RBA Cash Rate



Source: RBA, Macrobond, Westpac Economics

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Economy finished 2025 on a strong note ...

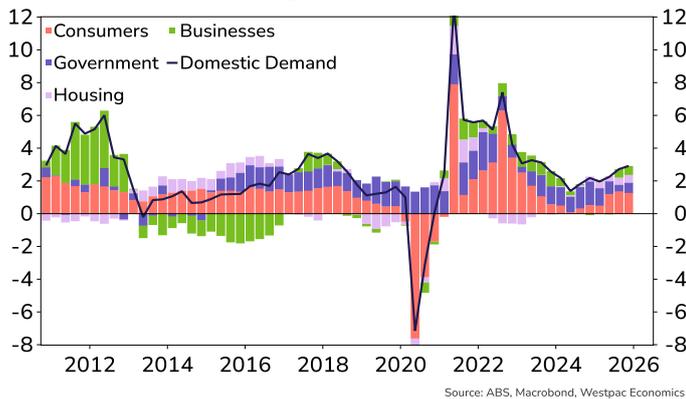
Pat Bustamante
Senior Economist

The Australian economy ended 2025 on a strong note, growing by 0.8% in the December quarter and 2.6%yr. This was the fastest year-ended pace since the March quarter 2023, albeit still well below previous peaks and coming off two very weak years. The National Accounts reinforced the view that the economy is in a cyclical upswing that is broadening.

That said, there were some caveats to this read. Consumer spending slowed in the December quarter and over the second half of 2025, even as overall domestic demand strengthened. The slowdown was material, with six-month annualised growth easing from 3.2% in the first half of 2025 to just 1.7% in the second half. Some of the softness in Q4 was due to changes in electricity rebates, abnormally mild weather and an unwinding pull-forward in vehicle spend, with our data also suggesting international spending by consumers may be being under-estimated. However, more recent partial indicators, including the Westpac-DataX Card Tracker Index and the Westpac-DataX Consumer Panel, suggest consumption growth has been slower in early 2026.

Domestic demand growth

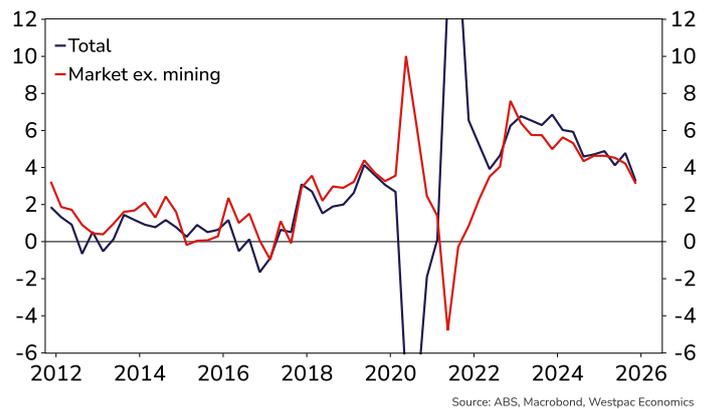
Contributions to year-ended growth



Domestic demand grew 0.5%qtr in Q4, or roughly 2% in annualised terms, suggesting the demand impulse across the wider economy is already converging on the RBA's estimate of near-term potential. We continue to view this estimate as overly pessimistic. Supporting our view, productivity growth has largely normalised, leading to a significant moderation in the economy's cost base (unit labour costs) to around 3.2%yr in Q4. This is around the pace seen in 2019 when underlying inflation was running below 2.0%yr.

Unit labour costs by sector

Year-ended percentage change



Going forward the pace of domestic demand will be impacted by some re-tightening in monetary conditions, with the RBA seeking to return inflation to target and continuing to operate on the assumption that demand growth faces a 2% 'speed-limit'. Complicating the outlook further, the economy is also now being hit by a large global supply-side shock centred on energy.

Flashback to 2022? Yes, but with key differences

The global prices of energy commodities have spiked after the US and Israel launched attacks on Iran on February 28. Disruptions to shipping through the Strait of Hormuz have brought flows to a standstill, forcing Gulf oil exporters to scale back production. As a result of the oil supply crunch, prices briefly surged to levels last seen in 2022 during Russia's invasion of Ukraine.

The US President has signalled that the conflict will end soon, while the G7 has agreed to increase supply from strategic reserves, easing some of the immediate pressure on energy prices. While spot oil prices have retraced somewhat, they remain roughly 50% above pre-conflict levels.

We set out our main working assumptions on how this shock will unfold on [p9](#). A key assumption is that the conflict will be relatively short-lived. This, and some other factors, mean spillover effects to other energy commodities are expected to be more muted than those seen at the onset of the Russia-Ukraine war. Thermal coal prices have risen, but by less than in 2022, while there has been no pass-through to Australia's domestic gas prices this time as the East coast is now well supplied with gas and a domestic price cap enforced by the Federal government would place a limit on any increase in prices going forward.

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... but 2026 brings headwinds ...

A modest, fuel-led inflation pulse

Overall, our baseline for the scenario is estimated to add 0.8ppts to annual CPI inflation, lifting it to 4.6%yr by the June quarter 2026, with the boost dissipating to 0.5ppt by the end of 2026 as the disruptions to global energy markets subsides. The impact is concentrated in higher fuel prices, with a small spillover to other components of the CPI basket, including electricity prices (see below for further discussion on energy intensity levels and spillovers).

From energy shock to growth slowdown

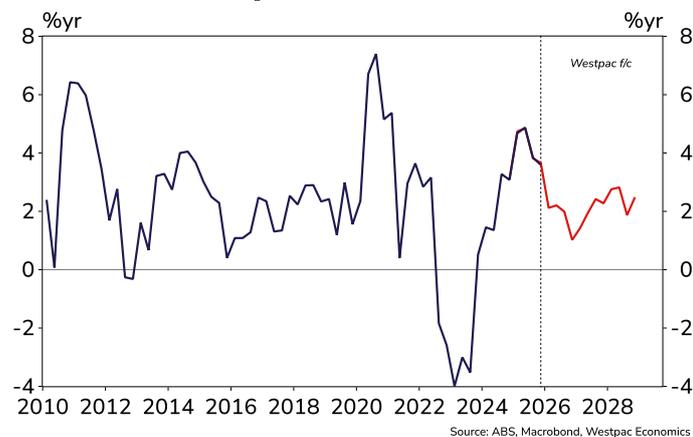
An energy supply shock is unambiguously negative for global growth. It means that a given level of output can only be produced at higher prices, reducing real incomes and purchasing power. Historically, the net impact of energy supply shocks has usually been negative for growth, with the medium-term drag on activity typically outweighing the initial lift to inflation.

This reflects not only the direct cost effects, but also broader second-round effects on consumer and business confidence. Higher uncertainty, lower real incomes and weaker household and business sentiment amplify the slowdown, weighing on consumption, investment, and trade over time.

Real income under pressure, households to lean on savings

Our modelling suggests the near-term impact on activity is negative, operating primarily through consumption. Higher headline inflation acts as a drag on real household disposable income, lowering income growth by around 0.75ppts over the year to the June quarter 2026 and around 0.5ppts over calendar 2026. As the global shock dissipates, real income growth is expected to return to its baseline pace of around 2–2.5%yr in 2027.

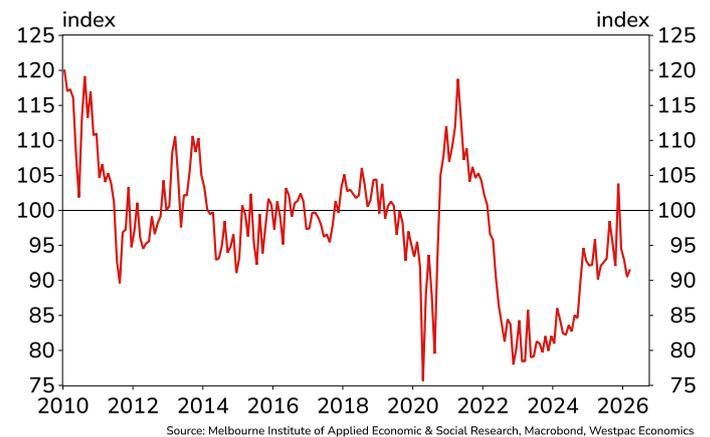
Real household disposable incomes



We expect part of this shock to be absorbed through lower household saving. The household saving ratio is expected to fall to around 6% in 2026 and remain broadly stable through 2027. However, this smoothing is incomplete, and we ultimately expect consumption growth to slow to around 2.0%yr in 2026, down from close to the 2.5%yr expected prior to the Middle East conflict and the 2.4%yr recorded in 2025.

Despite heightened energy price concerns the impact on confidence has so far been relatively muted, especially compared to earlier shocks such as last year's 'Liberation Day' tariff announcements in the US. If consumer sentiment remains resilient, households may be more inclined to draw on savings to smooth consumption. There are clear downside risks, though, especially if the conflict lasts longer.

Consumer Sentiment Index



Business winners, losers and transmission channels

The impact of the energy price shock across the business sector will be very mixed. Energy exporters, particularly those that able to maintain supply, receive a clear positive income boost as the impact of higher prices more than offsets 'demand destruction' effects. That will have positive spillovers for government tax receipts and resource royalties.

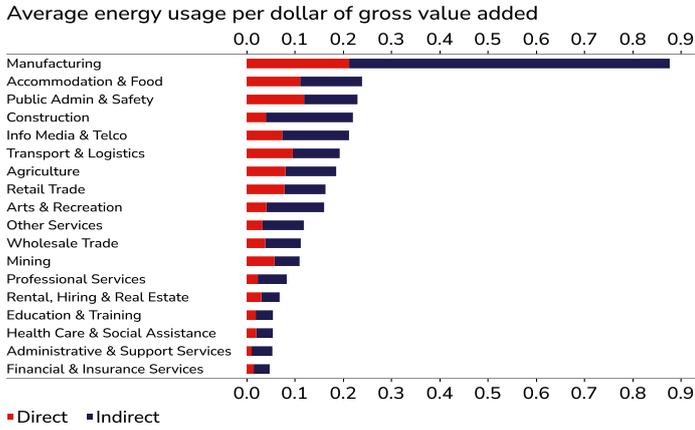
However, outside the resource sector, the effects are mostly negative, uneven and highly industry-specific. We can get some insight on this from the structural relationships set out in the ABS input-output tables. These show that, directly, energy accounts for a higher share of inputs for the utilities, agriculture and manufacturing industries. However, the story changes significantly when we also consider the indirect usage of energy through supply chains.

To illustrate this we create energy intensity gauges across different industries that show how much direct and indirect energy is used per unit of output.

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... and renewed upside inflation risks

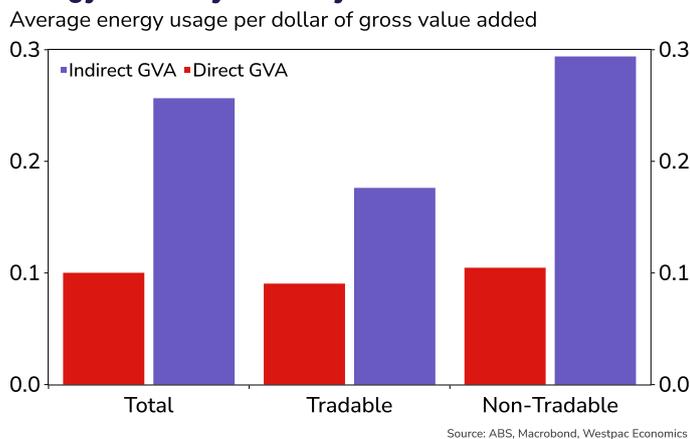
Energy intensity levels by sector



These show a sizeable impact from indirect usage, which in many cases significantly exceeds direct effects. For example, direct energy use in construction is relatively low. However, once energy embodied in steel, cement, transport and other intermediate inputs is taken into account, total energy intensity exceeds five times direct usage. Overall, for every \$1 of value added the sector needs to spend 22 cents on energy. This makes construction one of the economy's most powerful transmission channels for energy price shocks.

In the non-tradable sector, where prices are determined by domestic conditions, producing one dollar of output requires roughly 40 cents of energy inputs, of which around 30 cents comes indirectly through upstream industries. In the tradable sector, energy use is lower: about 27 cents per dollar of output, with around 17 cents attributable to indirect energy exposure. In both cases, indirect channels dominate.

Energy intensity levels by sectors



Why risks are contained – for now

However, the important point here is that this exercise is based on a wide definition of energy including not just fuel but also the cost of domestic electricity and gas. As discussed, we expect the current situation in the Middle East to have a major impact on fuel prices but a relatively muted impact on domestic gas and electricity prices compared to the experience in 2022. If this remains the case, the structural relationships in the input-output tables imply that the overall impact on industries should be more limited, with effects concentrated in sectors with high direct fuel use rather than energy more generally.

However, if the shock starts to feed more widely into electricity and gas costs, the indirect channel becomes much more powerful, and the economic impact would grow materially, including the flow-ons to both activity and inflation.

In the coming week we will publish further work examining these transmission channels in more detail, including mapping energy exposure to CPI expenditure classes to assess the potential implications for headline and core inflation.

What if consumers think its 2022 all over again?

Inflation expectations and wage dynamics will also be critical in shaping the shock. If services and labour-intensive sectors begin pricing in higher wages to offset cost-of-living pressures, the inflation shock risks becoming broader-based and more persistent.

The fact that the economy entered this period with limited spare capacity increases the likelihood of this outcome. As detailed on [p5](#), our changed interest rate outlook which now has an additional 25bp hike in March, is partly on the basis that the RBA will look to head off these risks.

Implications for our outlook

We have updated our forecasts to incorporate the December National Accounts, a further rate hike, and the impact of higher energy costs on the economy.

Taken together, these developments point to a weaker growth impulse through 2026 alongside higher inflation. We now expect household consumption to grow at around 2.0%yr, with GDP growth also tracking around 2.0%yr – down from 2.6%yr in 2025. Growth is then expected to rebound to around 2.3%yr in 2027 as the effects of the oil price shock fade.

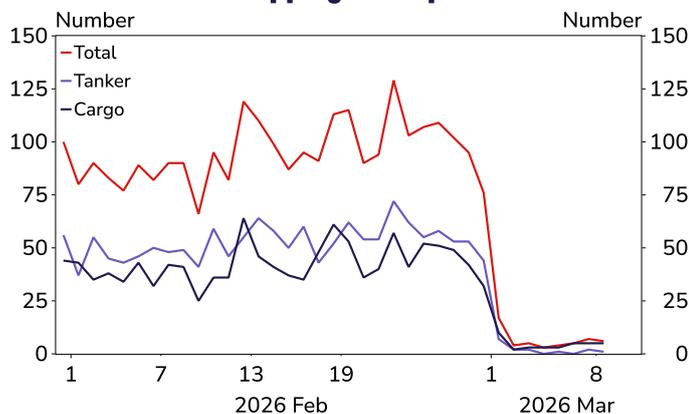
Higher energy prices have led to upward revisions to our terms of trade. We have also adjusted our import and export profiles to reflect a near-term slowdown in international trade and travel as fuel prices rise, followed by a pick-up as the impact of the shock dissipates in the second half of 2026.

Energy shock, elevated risks ...

Sian Fenner
Head of Business & Industry Economics

The US/Israel–Iran conflict, which began in late February, has disrupted global energy markets with the all-important Strait of Hormuz officially closed due to heightened security risks and surging insurance costs. The Strait typically carries around 25% of global seaborne oil trade and 20% of LNG exports. The IEA estimates that around 8mb/d of global supply has been disrupted, making this as one of the largest oil supply disruptions on record.

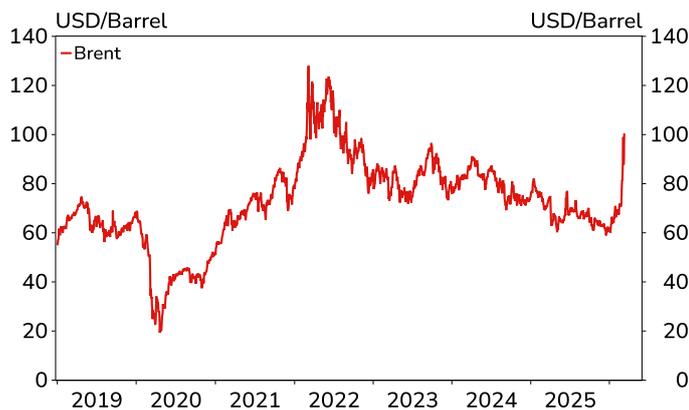
Strait of Hormuz Shipping Chokepoint



Source: IMF, Macrobond, Westpac Economics

Since the start of the conflict Brent crude prices have spiked above US\$100/bbl and while oil prices have since eased to US\$93 after comments from President Trump signalling a desire to avoid a prolonged disruption, volatility remains elevated, with markets still pricing a supply risk premium of around US\$25/bbl. Benchmark gas prices have jumped by more with the Japanese LNG price surging to around US\$16mmbtu, reflecting concerns over LNG supply, particularly from Qatar.

Crude Oil (Brent)



Source: CME Group, Macrobond, Westpac Economics

This underscores the ongoing uncertainty over shipping flows through the Strait and the duration of the conflict. Against this backdrop, we outline our baseline and an alternative scenario for energy prices and the broader economic implications using the Oxford Economics Model.

Oils prices to lift to around \$110 in Q2

It is highly uncertain how long the conflict will last and whether any eventual truce proves durable enough to allow production and shipping to normalise quickly. Our baseline assumes the conflict lasts around one month but that it takes at least a further month for shipping through the Strait of Hormuz to normalise given the risks of sporadic attacks and elevated insurance costs even after hostilities ease.

This is expected to reduce global oil supply by over 4mbpd on average in Q2. Only Saudi Arabia and the UAE have operational crude pipelines that can partially bypass the Strait with available capacity at around 1.6-5.5 mbpd. Meanwhile, smaller Gulf producers, including Kuwait, face temporary production 'shut-ins' as storage capacity is exhausted. Indeed, UAE and Kuwait have already announced some temporary production 'shut-ins', highlighting that the longer the conflict continues the greater the disruption to global oil supply.

While the current disruption to global oil supply is significant, global oil inventories were ample heading into the current conflict, with world stocks at around 8.2bn barrels, and the IEA has announced plans to release 400m barrels of strategic reserves, although the timing and pace of those releases remain uncertain.

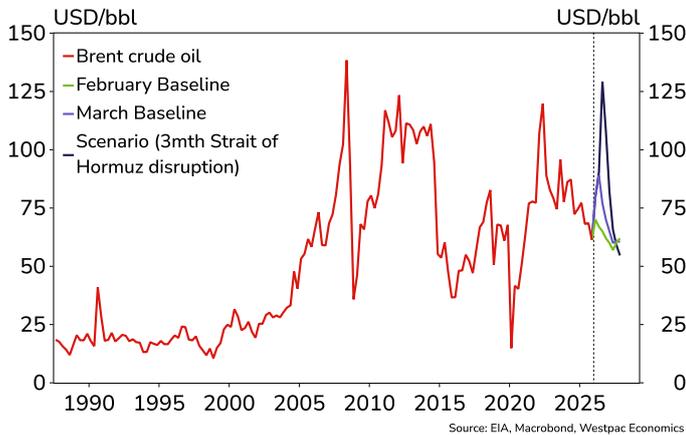
These buffers limit the downside risk to supply but do not eliminate it. Combined with a persistent supply risk premium, this is expected to keep Brent elevated, averaging around US\$90/bbl in Q2, nearly US\$20 above our February Market Outlook forecast, with prices expect to climb briefly to around US\$110.

The shock to gas markets is expected to be larger. Qatar, which accounts for around 20-25% of global LNG exports, has no viable alternative route to the Strait, and operations at Ras Laffan, the world's largest LNG facility, have been temporarily suspended. Consistent with the IEA assessment we assume a drop in global LNG supply of over 200mcm/day. As a result, we expect Japanese LNG gas prices to rise to average around US\$19.5mmbtu, nearly US\$8 above our February Market outlook forecasts in Q2.

Both oil and gas prices are expected to ease as the risk premium fades and supply conditions normalise but remain above our February forecasts through the rest of 2026

... duration is the key uncertainty ...

Oil price scenarios

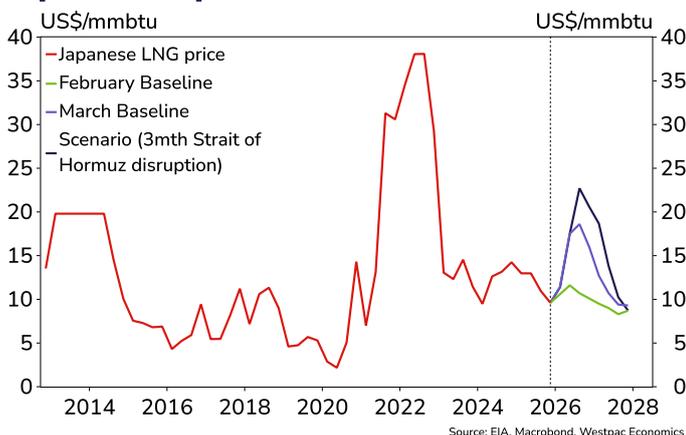


with prices averaging US\$70/bbl and US\$16mmbtu in Q4. Our baseline assumes that the path for gas and oil prices will converge back towards the pre-conflict path by around mid-2027, with oil prices then drifting modestly lower as supply and demand balances improve.

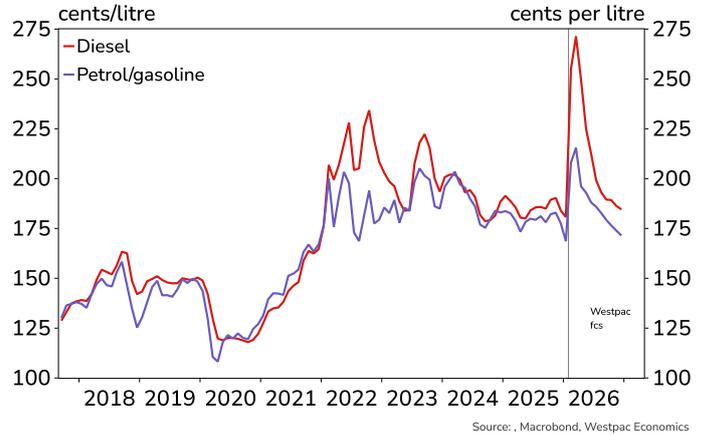
Impact on growth and inflation

Higher oil prices feed rapidly into headline CPI via fuel and transport costs, and indirectly via energy-intensive products such as fertilisers, freight and manufacturing. Already national petrol prices have risen since the start of the conflict. Singapore refinery margins on Gasoline10, the key benchmark for Australian wholesale petrol and diesel prices, recently increased to around US\$30/bbl, its highest in four years. This suggests petrol and diesel prices are likely to rise by more than the direct pass-through from higher crude oil prices alone. As a result, we expect retail petrol and diesel prices to average around \$2.02/litre and \$2.50/litre respectively in Q2. Fertiliser prices such as Urea are also up sharply and some airlines have already announced price increases due to the rise in jet fuel.

Japanese LNG price scenarios



Australian pump prices for auto fuel



In Australia, we expect the peak impact of higher energy prices on annual headline inflation in Q2, lifting it by around 0.8ppts to 4.6%yr. While inflation is expected to ease thereafter, headline CPI is still likely to be around 0.6ppts higher in Q4 2026 than it would have been otherwise.

The impact on trimmed mean inflation is considerably smaller. However, we do expect some second-round effects from higher energy costs, adding around 0.2ppts to trimmed mean inflation in the second half of 2026.

Based on the Oxford Economics Model, the impact of higher energy prices lowers Australia's 2026 GDP growth by around 0.1ppt as higher inflation lowers household disposable income and spending and weakens investment. These effects are only partially offset by higher coal and LNG prices, which support export incomes.

Globally, the model estimates that higher energy prices trim global GDP growth by around 0.1ppt in 2026, with the largest effects concentrated in the Middle East and energy importing regions such as Europe. For Australia and New Zealand, weaker global demand modestly weighs on exports, with lower imports providing only a partial offset.

In New Zealand, the same shock transmits more forcefully. Higher oil prices represent a negative terms of trade and income shock, with no offsetting energy export gains, pushing CPI around 1.5ppts higher at its peak in Q2 and leaving GDP around 0.3ppts lower under comparable assumptions.

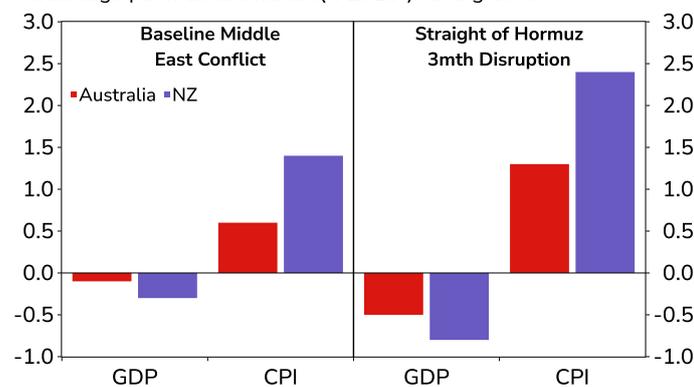
Note that all of these estimates reflect the modelled impact of higher energy prices in isolation. Our final forecasts incorporate a broader set of moving parts, which can act in offsetting directions and influence the final economic outcomes.

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... adverse scenario sees oil prices at \$130 in Q2

Model estimates of Middle East Conflict impact

Percentage point difference to Q4 2026 yr end growth



Source: ABS, Macrobond, Westpac Economics

An alternative scenario amid heightened uncertainty

A key determinant of the economic impact of the conflict is its duration, and there remains a material risk of a more extensive and prolonged disruption than assumed in our baseline. To capture this risk, we have [updated our alternative scenario](#), which assumes the conflict persists for three months with no permanent damage to oil and LNG production and freight facilities.

Under this scenario, oil prices could average US\$130/bbl in Q2, with prices close to, or above US\$200/bbl possible at the peak. Japanese LNG prices would also rise sharply and remain elevated for longer, averaging around US\$20mmbtu in Q4 2026. Such an outcome would trigger a broad surge in energy intensive costs, including transport, freight and logistics, amplifying inflationary pressures across the global economy. A sustained period of elevated energy costs would also increase the likelihood that higher prices spill into wages and broader pricing behaviour, making inflation more persistent.

Under this three month disruption scenario, CPI lifts by around 1.3ppts above our baseline by end 2026 with the Trimmed Mean remaining above the RBA's 2–3% inflation target range until Q2 2027. A larger and more persistent squeeze on real household incomes lowers growth over the year to Q4 2026 by around 0.5ppts.

In NZ, CPI could be 2.4ppts higher at the peak than our current forecast, with core inflation above the upper part the RBNZ's target band for an extended period and GDP growth around 0.8ppts lower by end-2026.

Central banks have traditionally looked through the first-round inflation effects of temporary supply shocks such as higher energy prices. However, in the post pandemic world central banks may be less willing to dismiss large energy shocks,

particularly where there is a risk that inflation expectations could shift higher against a backdrop of existing inflationary pressures.

In Australia, this unwillingness is already reflected in our updated base case, which now sees two further rate hikes in March and May compared to our previous forecast of just one more move in May. The slightly front-loaded tightening may give the RBA a bit more scope to remain on hold later, even if headline inflation rises more sharply under this scenario (noting that this scenario also has a more protracted growth slowdown that will weigh more heavily on inflation once the initial pulse has passed).

A crucial consideration here is the extent to which global energy market disruptions start feeding into domestic electricity and gas prices. As discussed on p6, this channel is expected to be fairly muted, especially compared to the energy shock following Russia's invasion of Ukraine. That reflects both caps on domestic gas prices and other factors that we expect to mute spillover effects from global gas and coal prices to local prices. A more prolonged conflict would clearly challenge these views.

In New Zealand, the policy challenge is more acute. Persistently higher inflation, combined with a lower starting point for interest rates, raises the risk that inflation pressures become more entrenched. Under this scenario, the model estimates, based on a simple Taylor rule, that the RBNZ could raise rates by a further 50bps in 2027 to contain ongoing core inflation pressures.

This scenario assumes no significant damage to oil and LNG production and freight facilities. A permanent loss of supply would prolong the cost to the real economy. It would also add to the risk of a sell-off in financial markets that would not only amplify the negative shock to the global economy but complicate the policy response.

Energy shock ...

Justin Smirk

Senior Economist, Westpac Group

The crisis in Iran has created major disruptions for commodities, with the spread of conflict to Gulf states and the closure of the Strait of Hormuz to shipping seeing sharp spikes in crude (+41%) and LNG (+56%) prices since our February report. It is not just energy supplies that have been disrupted. Aluminium surged 13% as supplies from the Gulf have been cut due to disruptions – smelting costs are such a big driver of the cost of aluminium that it is often described as ‘solid electricity’. There are significant uncertainties regarding the length of the disruptions, but for now we expect a near term resolution limiting the spike in crude to around US\$110/bbl with a June quarter average of US\$90/bbl and an end-June estimate of US\$85/bbl. While short-lived, this shock is not insignificant, lifting our 2026 average by 20% to US\$79/bbl.

Crude and LNG the focus of the month

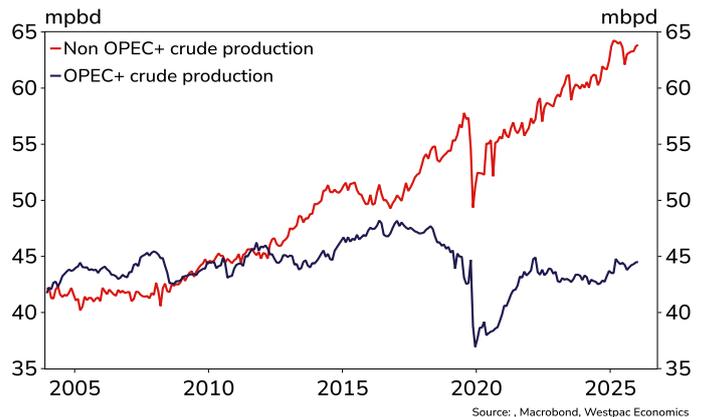
The conflict began with US and Israel air strikes on Iran on February 28. Since then the Strait of Hormuz has been effectively closed to 15 million barrels per day (mbpd) of crude and product exports, equal to 15% of global demand. Some cargoes, including shipments from Iran to China, are reported to have run the gauntlet. But near term, crude supply is likely to worsen as Gulf states start to shut in production. Kuwait has already shut in some production as it reached the limits of its storage capacity while major storage facilities in Saudi Arabia and the UAE are also filling fast, with more pessimistic estimates suggesting storage limits could be reached in less than three weeks. Meanwhile, Iraqi crude production has already collapsed by 70% to just 1.3mbpd. Shutting in wells risks longer term damage to reservoir pressure and incurs higher restart costs thus extending supply risks.

As set out on [p9](#), our assumed scenario here is that the conflict lasts around a month with a further month before shipping from the Gulf normalises. That pushes near term oil prices to US\$110/bbl and possibly higher. It is going to be a volatile ride.

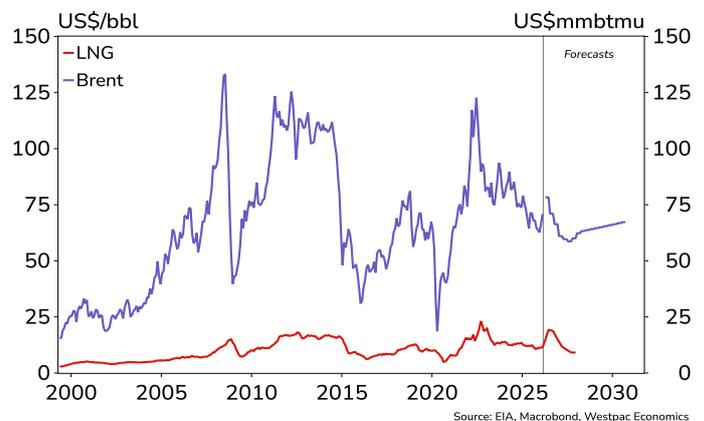
Heading into this conflict, global oil inventories were ample at around 8.2bn barrels and the IEA plans to release 400mn barrels from strategic reserves. However, there are significant uncertainties around the timing and pace of these releases. The US is set to release 172mn barrels from its SPR, from a total of 359mn barrels but there are doubts about just how much of this reserve will become available before the structural integrity of the salt caverns the crude is stored in is threatened.

Our June quarter average has been lifted 34% to US\$90/bbl with an end June estimate of US\$85/bbl.

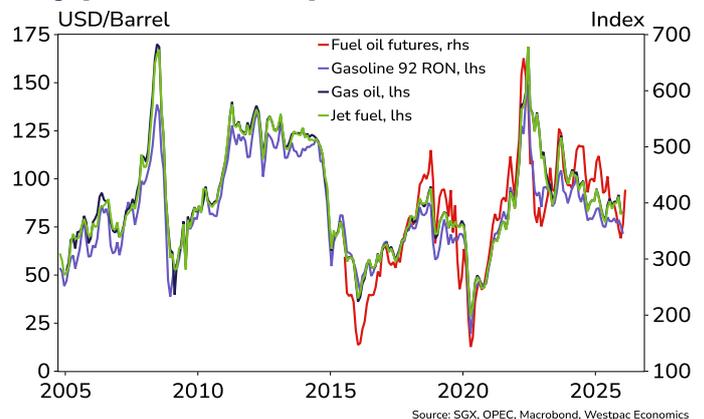
OPEC production is where the hit occurs



Brent Crude remains the benchmark for LNG



Singapore refined fuel prices



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... having uneven impacts

The conflict also has a significant impact on the supplies of refined products with the crack (refining margin) for Singapore gasoline widening significantly. Our estimates have this around US\$25/bbl for the next few months compared to US\$11/bbl before the crisis. With even greater disruptions for diesel and jet fuel supplies, and lower inventories, the crack for Singapore gasoil has been pencilled in at ~US\$50/bbl compared to under US\$20/bbl before the crisis.

LNG supplies, particularly to Asia, have been significantly disrupted. Qatar accounts for ~25% of global trade in LNG and has no viable alternative to exporting via the Strait. Exports at Ras Laffan, the world's largest LNG facility, have been temporarily suspended. The IEA has assumed a drop in global LNG supply of over 200mcm/day. And as the focus of this supply is to Asia we expect to see a bigger impact on prices in the region and a widening of the normal relationship with Brent. Already we have seen the increase in JKL LNG futures jump 93% since February 16 vs a 45% increase in Brent over the same period. Accordingly, we are expecting this wider margin to last for most of this year, albeit with some eventual narrowing. We now have a June quarter average of around US\$19.5mmbtu for LNG, nearly US\$8 or 55% higher than our February estimate.

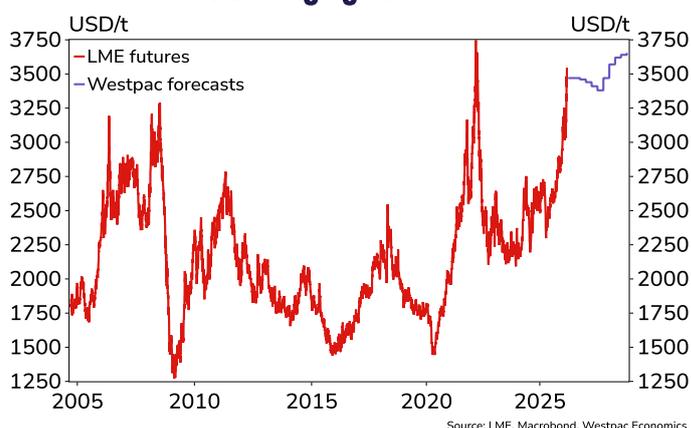
Iran conflict also hitting coal and aluminium

After oil and gas, aluminium and thermal coal are the next most exposed to Middle East conflict risk. Aluminium faces potential supply disruptions and higher energy input costs (aluminium is often described as 'solid electricity') lifting the cost of production, while thermal coal is, at the margin, a substitute for gas in electricity generation.

More generally, we expect a higher near-term energy risk premium to persist, supporting prices. Around 650kt of aluminium supply has already been disrupted, and if shipping through the Strait of Hormuz remains blocked for the next few weeks, risks of further smelter curtailments leave near-term LME aluminium price risks skewed to the upside. We have lifted our 2026 and 2027 aluminium forecast to \$3,400/t from \$3,400 last month. For alumina, weaker aluminium demand will exacerbate near-term oversupply so we see near term downside risk while still expecting some improvement from late 2026 as supply is rationalised.

As noted, the Iranian conflict has pushed up Brent, European gas and seaborne LNG. In addition, Newcastle thermal coal jumped 15% in the month so we have raised our near term peak in Newcastle coal by ~20% to US\$145/t, reflecting higher gas prices and tight supplies. For the medium-term, we continue to expect declining demand for coal resulting in prices trending back toward the cost curve and have pencilled in US\$120/t by end 2026 with the average for year up 9% to US\$129/t

Aluminium holds the high ground



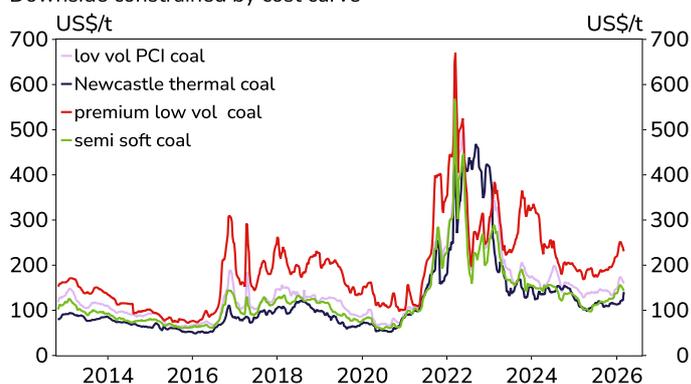
Impact more mixed for other commodities

Copper prices have lifted a touch, supported by supply-side concerns after contractor protests disrupted worker transport at some Codelco operations. However, any gains are being capped as inventories continued to build. SHFE stocks rose to a fresh record high and LME inventories also increasing, with global copper inventories nearing an all-time high.

Iron ore prices have also firmed, supported by robust Chinese demand signals. China's January–February iron ore imports reached a record 210mt, up 10%yr following on from record imports in 2025. Prices have firmed a little with the 62% index around US\$107/t, up 7% from February. Price support also came from expectations of further Chinese fiscal stimulus, with authorities flagging record fiscal spending and bond issuance this year. However, port stockpiles in China remain at record highs, tempering the outlook while Chinese steel production continues to trend lower.

Australian coal prices

Downside constrained by cost curve



US dollar capped ...

Elliot Clarke
Head of International Economics

The US dollar unsurprisingly rallied over the past month amid fears of escalating conflict in the Middle East and the implications for global energy prices and supply. Intriguingly though, the dollar's appreciation was limited in scale and narrowly focused against the countries expected to be most affected by disruption, namely Europe, the UK and Japan.

From 96.9 as our last Market Outlook went to print on 13 February, the US dollar DXY index rallied to a peak of 99.7 on 3 March. That level was re-tested on 9 March, but since then the index has fallen back below 99.0, now 98.9.

Underlying the movement in the index was a quick decline in EUR/USD from above USD1.18 at the end of February to near USD1.15 on 3 March, again re-tested on the 9th. Sterling's decline began a little sooner and extended from almost USD1.36 to USD1.325 on 3 March, a level not seen since. Currently euro and sterling are at USD1.16 and USD1.34.

Ahead, we expect both currencies to appreciate further, though considerable volatility and a flatter trend are likely in the near term. Euro is seen holding below USD1.17 until June and then tracking higher to USD1.22 by September 2027, after which the currency is forecast to hold around that level to end-2028. Sterling is similarly expected to mark time until June, then rise to USD1.41 at end-2027.

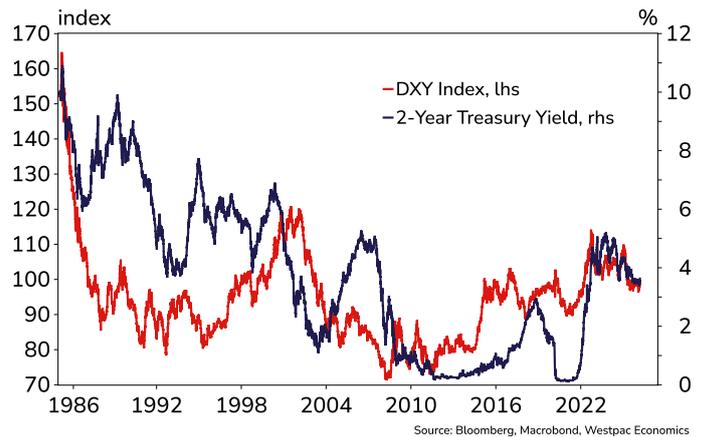
The risks to these baseline forecasts are to the downside for euro and sterling in the near term, but should skew up as risk related to energy disruption recede. Over time too, the growth fundamentals for the US will also be seen to be at greater risk, as fiscal and capacity constraints and elevated term interest rates weigh.

In contrast to the risk posed by tariffs, the instability created by Middle East conflict is a positive for Canada, increasing the demand for, and price of, its energy products. It is not surprising then that the Canadian dollar has appreciated against the US dollar since hostilities commenced, USD/CAD falling from CAD1.37 to near CAD1.355 currently.

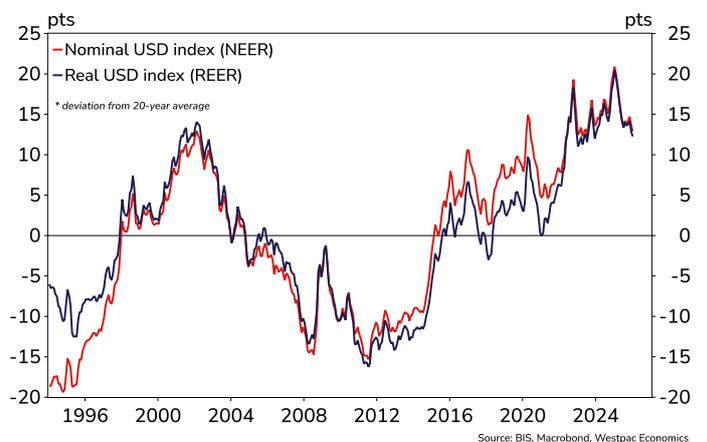
We had already expected the Canadian dollar to appreciate over the next two years, with USD/CAD falling from CAD1.36 to CAD1.35 end-2026 and CAD1.32 by end-2027, then CAD1.29 in 2028. Current circumstances could see a portion of that move brought forward but, by itself, is unlikely to extend it, given it will offer support to the terms of trade but not necessarily real activity or the labour market.

Across in Asia, risk aversion has been limited to major oil importers. Japan's yen has been one of the hardest hit, USD/JPY rising from JPY156 at the end of February to JPY158.50 today.

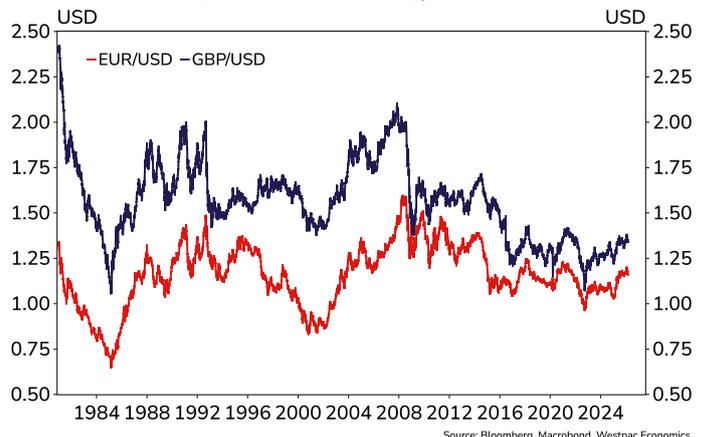
USD safehaven status in question



USD risks to downside



Euro and Sterling exposed to energy



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... absent extreme stress

At this level, the yen is near its weakest level versus the US dollar post-pandemic – also the low back to the mid-1980's.

Partial recovery towards pre-pandemic levels was expected to take a number of years, only occurring as real economic momentum and inflation at target prove sustainable. The rise in the price of energy imports will help keep headline inflation at or above target in the near-term, but it is a risk to growth for the months ahead if not quickly resolved. We therefore see the conflict as a potential negative risk to the downtrend forecast for USD/JPY, from JPY158.50 currently to JPY154 at end-2026, JPY146 come end-2027 and JPY138 by end-2028. Importantly, at the end-2028 level, the yen will still be approximately 27% below its end-2019 level, prior to the pandemic.

India and the rupee are also facing considerable risks from high energy prices in addition to political and financial market uncertainty. USD/INR was already at the extreme of the historic range, but has risen more in recent days to INR92 – 21% above the 10-year average.

Like Japan's yen, the Indian rupee's forecast partial recovery is prone to risks. Our baseline expectation remains for USD/INR to edge lower in coming years, to INR90 at end-2026, INR88 by end-2027, then INR85 at end-2028 – still 12% above the 10-year average.

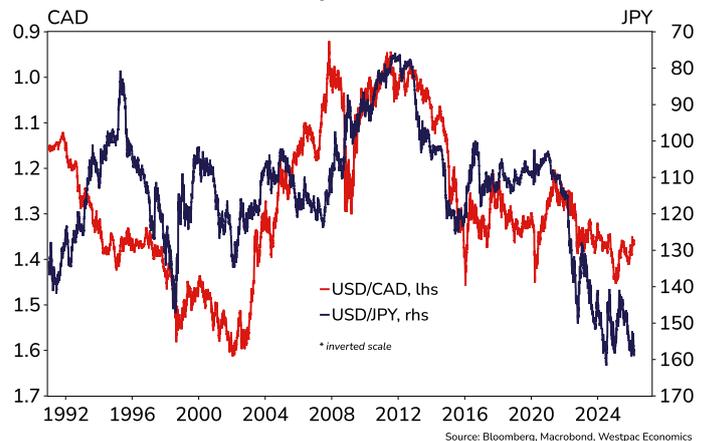
Many others in developed Asia are positioned to weather the storm with limited side effect, however. Chief of these is China's renminbi which has been largely unperturbed by developments in the Middle East, USD/CNY only briefly edging up then continuing to trend lower in recent days to CNY6.87 from CNY7.35 in October last year.

Despite the lingering uncertainties over authorities intentions and growth, plus the implications of high energy prices, this trend is expected to continue as the returns from trade and capital inflows benefit.

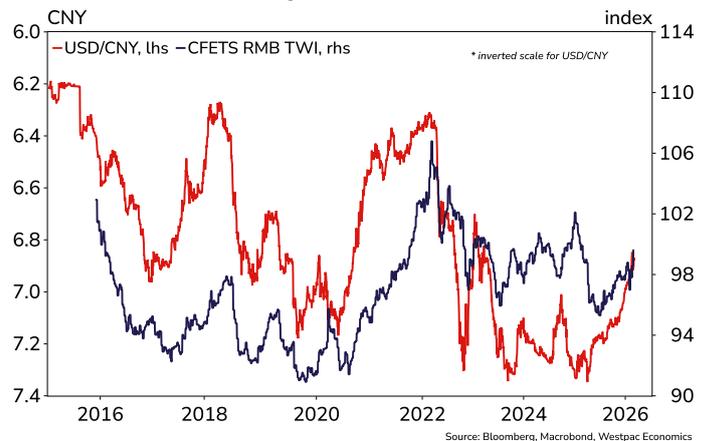
From CNY6.87 today, we see USD/CNY falling to CNY6.70 by end-2026, then CNY6.40 at end-2027, and CNY6.35 come end-2028. Such an outturn would see the the renminbi back near its highs from early-2022, at the edge of the historic range.

In time, there is room for further gains, but this will require strength in China's domestic economy and external demand as well as a favourable political environment. This is also the case for the Singaporean and Taiwanese dollars which should continue to benefit from growth in global trade as well as the region's ongoing economic development.

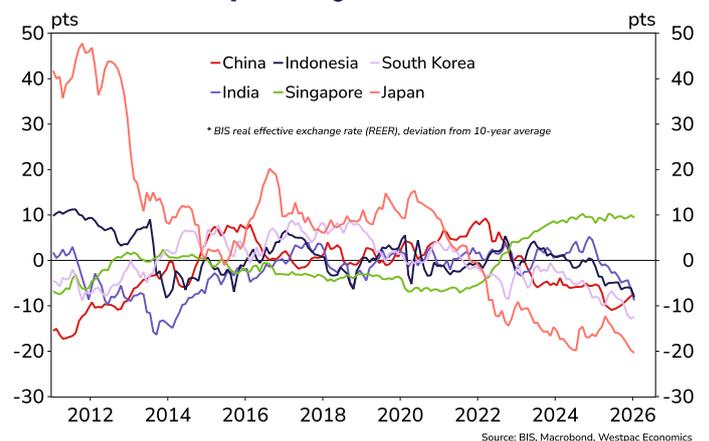
Concern over CAD to slowly abate



Renminbi to sustain rally



Asia's outlook still promising



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Domestic economy has momentum ...

Michael Gordon
Senior Economist

The Middle East conflict and the resulting surge in oil prices have presented a fresh headwind to an economy that was otherwise starting to gain some momentum. This shock also means inflation is likely to run on the uncomfortably high side of the RBNZ's target for longer. But the potential drag on growth and starting point of substantial spare capacity for the economy will also play a role in the RBNZ's thinking in the months ahead. December remains our expectation for the first OCR hike, later than what markets are pricing in.

The New Zealand economy looks to have grown by around 1.6% over 2025, which would mark the first year of per-capita gains since 2022. This point has perhaps been lost amid the volatility in the reported data: four of the last five quarters of GDP have seen moves of 1% or more in both directions, due to a mix of seasonal distortions, shifts in the timing of activity between quarters, and just plain noisy data. For those same reasons, the December quarter GDP (to be released on 19 March) is likely to appear more subdued compared to the 1.1% bounce in the September quarter – we are forecasting a 0.4% rise.

Higher-frequency indicators are painting a clearer picture of the economy's momentum. There has been a notable pickup across several measures in late 2025 and into early 2026, including the PMI surveys, traffic counts, job advertisements, and spending on Westpac-issued cards. Notably, while business confidence has eased off in the last couple of months, it remains at a high level, with the fall being driven more by a recognition that an improving economy means the next move in interest rates will be up.

Indeed, interest rates and the New Zealand dollar had risen significantly in the wake of the RBNZ's November *Monetary*

Policy Statement, as the market eyed the prospect of OCR hikes in the second half of 2026. These moves were exacerbated by the relative lack of guidance from the RBNZ, given the gap of almost three months between the November and February policy reviews. (The RBNZ has announced that it will return to an 8-meetings-a-year schedule from 2027, albeit still with a two-month gap over the summer period.)

The February MPS proved to be a bit more dovish than we anticipated, and noticeably less hawkish than market pricing. The RBNZ explicitly noted that its forecasts were based on the first OCR hike occurring at the end of 2026, in line with the view that we have held for many months. However, the RBNZ was much more conservative about the medium-term outlook, with only a further 50bps of tightening projected over the next couple of years, returning to an assumed 'neutral' OCR of 3%.

In contrast, we expect a more extended series of rate hikes over 2027 and early 2028. This is based on both our view that the range of the neutral OCR is higher than the RBNZ assumes, and that continued stimulatory policy over 2026 ultimately means the OCR will have to spend some time above neutral in later years. We expect that the New Zealand economy's negative output gap will have closed by early 2027, supported by the low level of interest rates and ongoing strength in commodity export prices.

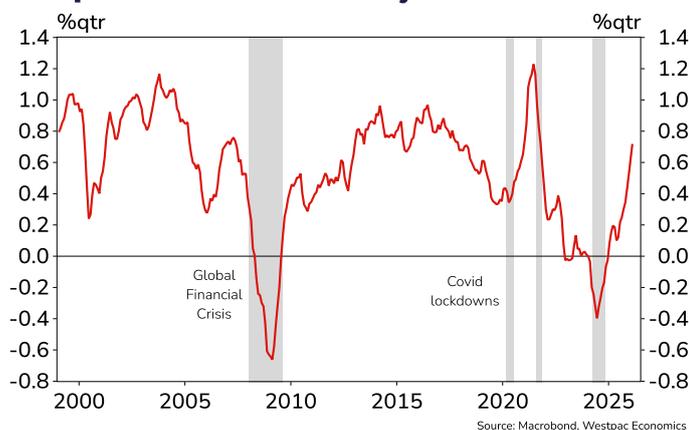
The potential 'spanner in the works' for this outlook is of course the escalating conflict in the Middle East.

The situation is evolving quickly, and any scenarios we develop around its economic impact could be outdated within days. But based on what has already occurred it is reasonable to expect some setback for the New Zealand economy stemming from higher energy prices, disruptions to trade and tourism, and a hit to business and consumer confidence. Accordingly, we have revised down our forecast of GDP growth over 2026, from 3.3% to 2.8%, with a correspondingly slower narrowing of the output gap and a higher unemployment rate track.

The jump in oil prices will also mean higher inflation, at least in the short term. We now expect annual inflation to ease off from 3.1% to 2.8% in the March quarter, but then to return above 3% in the June and September quarters, ending the year at 2.8%. There are of course risks on both sides of these forecasts, depending on how severe and protracted the conflict turns out to be.

Financial market pricing for OCR hikes has been pulled forward since the war broke out. At the time of writing, markets had almost fully priced in a hike by September, with a more than 50% chance of another hike priced for December.

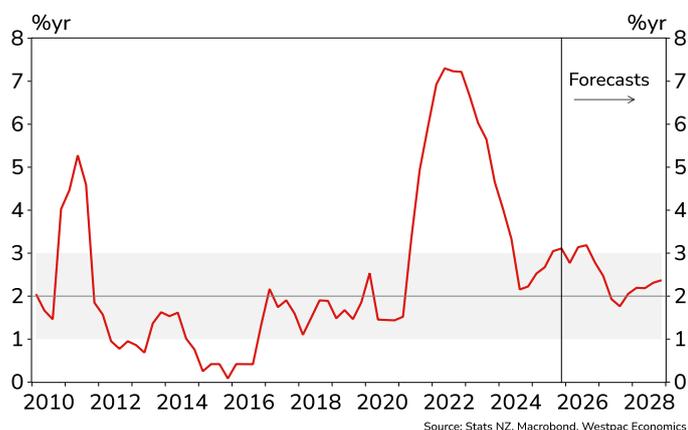
Westpac GDP Nowcast monthly indicator



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... but RBNZ will stay its hand on rate hikes

CPI inflation forecasts



We believe this is a misreading of the RBNZ's reaction function, whether this proves to be a temporary shock or a more prolonged one. The RBNZ does not mechanically respond to the current inflation rate and higher interest rates now would not prevent the oil-related rise in prices that is already in train.

However, earlier interest rate hikes would likely compound any downturn in activity stemming from the increase in oil prices, ultimately reducing demand-driven inflation over the medium term.

There is also the more direct effect that as the conflict settles down and oil prices drop back again, the inflation rate will be temporarily dragged lower. We have revised down our inflation forecast for 2027 from 2.5% to 2.1%.

The main concern for the RBNZ would be if the rise in oil prices led to a sustained shift in inflation expectations and price-setting behaviour. But that is less of a risk given our starting point, with the New Zealand economy already having substantial spare capacity and higher than normal levels of unemployment, which will limit the scope for price increases to feed off each other.

As set out on [page 9](#), our central forecasts are based on a limited period of disruption from the closure of the Strait of Hormuz. A more protracted closure could have a much more severe impact on activity here. New Zealand has relatively low onshore reserves of petroleum products, instead relying on agreements to buy from offshore refineries – which assumes that they have product to sell. In recent days the Government has established a Ministerial group to oversee fuel security, signalling that it has clearly identified this as a vulnerability if the situation in the Middle East drags on.

	2025								2026			
Monthly data	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
REINZ house sales %mth	1.5	1.1	-2.3	-3.9	2.1	-3.0	-2.0	6.2	0.3	0.1	-6.2	-
Residential building consents %mth	12.0	-15.7	11.4	-5.2	5.4	6.0	7.3	-0.8	2.7	-4.6	1.9	-
Electronic card transactions %mth	-1.4	0.0	-0.1	0.5	0.2	0.6	-0.5	0.2	1.3	-0.3	-1.1	-
Private sector credit %yr	2.9	3.0	3.0	3.2	3.5	3.8	4.2	4.6	4.4	4.6	4.6	-
Commodity prices %mth	-0.4	0.0	1.9	-2.4	-1.8	0.7	-1.1	-0.3	-1.6	-2.1	2.0	4.2
Trade balance \$m	-178	12	-254	-517	-351	-81	302	-216	-325	-277	-186	-
Quarterly data	Q3:23	Q4:23	Q1:24	Q2:24	Q3:24	Q4:24	Q1:25	Q2:25	Q3:25	Q4:25		
Westpac McDermott Miller Consumer Confidence	80.2	88.9	93.2	82.2	90.8	97.5	89.2	91.2	90.9	96.5		
Quarterly Survey of Business Opinion	-13	9	-27	-25	-29	-27	-22	-21	-15	-3		
Unemployment rate %	4.0	4.0	4.4	4.7	4.9	5.1	5.1	5.2	5.3	5.4		
CPI %yr	5.6	4.7	4.0	3.3	2.2	2.2	2.5	2.7	3.0	3.1		
Real GDP %yr	2.6	2.2	1.8	1.1	0.5	-0.3	-0.9	-1.2	-0.5	-		
Current account balance % of GDP	-7.1	-6.3	-5.7	-5.5	-5.2	-4.7	-4.2	-3.7	-3.5	-		

Sources: Government agencies, Bloomberg, Macrobond, Westpac Economics. Some data omitted from certain series due to Lunar New Year distortions. *4qma

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The world needs a strong ...

Elliot Clarke

Head of International Economics

China's economy faces a myriad of risks as we move into the new year. Domestically, the housing sector is deep in recession and the consumer extremely cautious. Offshore, China's access to energy has been threatened and clouds are beginning to gather over global growth and consequently future export opportunities. It is fitting then that authorities downshifted their growth expectations from 5.0% in 2025 to 4.5-5.0% in 2026, although we suspect that without urgent pro-active stimulus, the new target will prove out of reach.

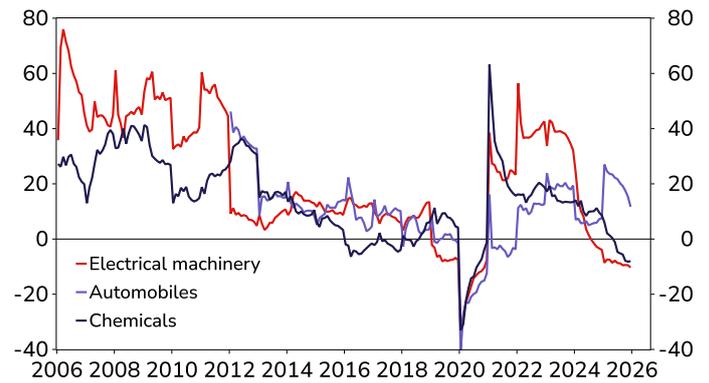
Starting with the domestic scene, having contracted approximately 40% since end-2021 while the economy grew 20%, property investment has considerable upside. However, after four years of consistent decline, a trigger is needed to reset confidence and justify households (and businesses) committing to acquire dwellings. It is important to note too that authorities have already provided considerable support by lowering interest rates (the weighted average mortgage rate has been cut 250bps since end-2021), increasing liquidity (the Reserve Requirement Ratio has been reduced by 350bps from mid-2021), dramatically lowering deposit requirements for owner-occupiers and investors across the nation, and allowing corporates and financial entities to buy properties. Still, to turn the property sector, pro-active policy at scale is required.

This is also the case for personal consumption. Labour market data is extremely limited for China but the consistent weakness seen in the NBS PMI employment indexes versus history is telling, especially in contrast to the rapid growth of high-tech manufacturing capacity over the past five years. This is the downside of implementing highly efficient new production: robots and automated systems reduce the need for human workers, particularly those with limited skill sets. The majority of the benefit of trade thus flows to profits and taxes and then on to households and related businesses. However, in China currently, this is yet to occur as industry doubles down on investment in anticipation of future demand, while Chinese equities slowly retrace losses suffered since mid-2021, and the nation's tax system remains immature.

To aid employment, sentiment and activity growth, arguably additional government payments are not only necessary for households but also for local authorities and domestically-focused businesses – to entice pent-up demand for equipment and construction investment. This would be the quickest way to lift employment growth and, ideally helped by additional support for the housing and equity markets, buoy confidence in future wealth prospects. Authorities not only need to emphasise that consumption's share of the economy will trend up, they also need to catalyse the development today.

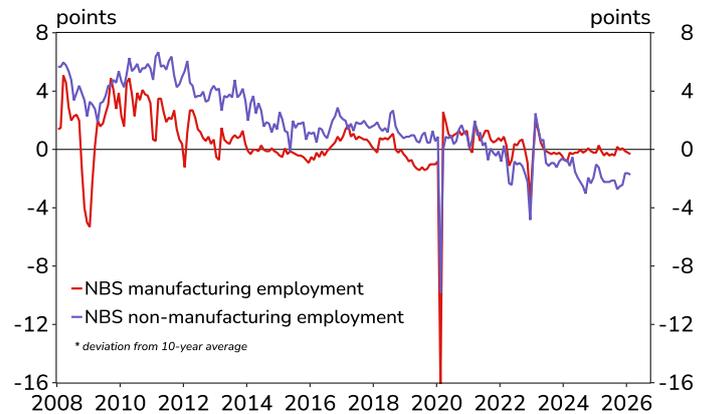
High-tech investment has provided capacity ...

Fixed Asset Investment by Sector (%ytd)



Source: NBS, Macrobond, Westpac Economics

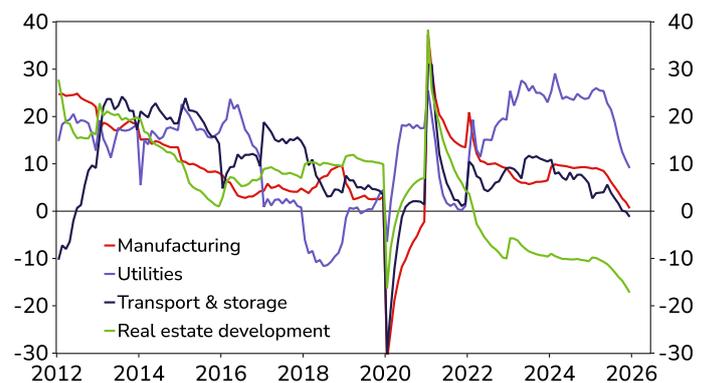
... but not jobs



Source: CFLP, Macrobond, Westpac Economics

The property market has to turn to aid activity ...

Fixed Asset Investment by Industry (%ytd)



Source: NBS, Macrobond, Westpac Economics

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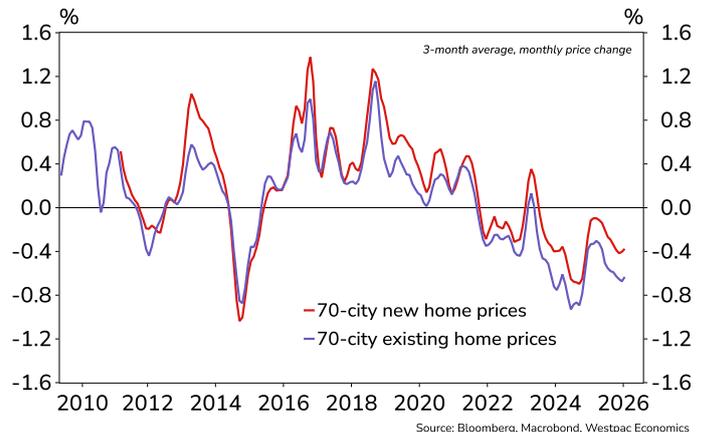
... and connected China

Turning to foreign developments, the pre-eminent risk for China is no longer the impact of US tariffs but rather the potential loss of energy supply. The majority of China's energy needs are met domestically thanks to strong growth in renewables and its domestic coal supply. However, China imports more than half of its petroleum and other liquid fuel needs and around a third of natural gas consumed, according to the US Energy Information Administration. Apart from supply from Russia, China is most exposed to Middle East production.

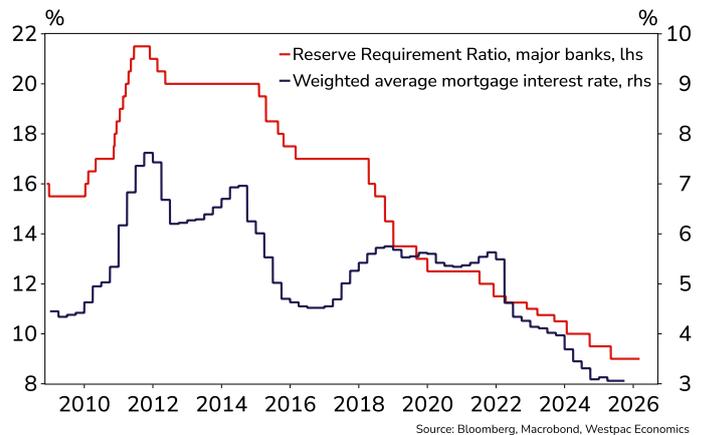
That said, China is also one of the best-placed nations to ride out energy supply disruptions thanks to existing stockpiles and an ability to reduce exports of refined products to protect domestic supply. Still, if conflict in the Middle East escalates, or merely persists for a month or three (see [page 9](#)), supply issues could impede China's growth. The US looking the other way on supply from Russia for both China and India could be a solution, which would also help balance global demand and supply, though this would likely have other geopolitical implications. China also needs to make sure the nations it is building economic and political relationships with through Asia and Latin America are looked after. Doing so will bolster the export opportunities for its local industry which, as set out above, are critical to generating the income to fund current and future domestic investment.

Speaking of export opportunities, 2025 was a spectacular success for trade, the monthly good surplus averaging USD99bn and ending the year at USD114bn, a pace sustained in early-2026. Still, the monthly goods surplus is likely nearing an upper threshold, having widened from USD68bn in 2023 to USD83bn in 2024 (+22%) to USD99bn last year (+19%) while the global economy grew little more than 3%. More can likely be done to reduce China's import needs, benefiting China's trade surplus. But the pace of growth is unsustainable overall, particularly if the emerging nations that have driven China's export growth in recent years are to remain on China's side. Simply put, they need lasting trade opportunities too.

... and put a floor under wealth



Policy must be pro-active



	2025												2026		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb			
Monthly data %yr															
Headline CPI %yr	-0.1	-0.1	-0.1	0.1	0	-0.4	-0.3	0.2	0.7	0.8	0.2	1.3			
M2 money supply %yr	7	8	7.9	8.3	8.8	8.8	8.4	8.2	8.0	8.5	9.0	-			
Manufacturing PMI (official)	50.5	49.0	49.5	49.7	49.3	49.4	49.8	49.0	49.2	50.1	49.3	49.0			
Fixed asset investment ytd %yr	4.2	4.0	3.7	2.8	1.6	0.5	-0.5	-1.7	-2.6	-3.8	-	-			
Industrial production %yr	7.7	6.1	5.8	6.8	5.7	5.2	6.5	4.9	4.8	5.2	-	-			
Exports %yr	12.2	8.0	4.6	5.8	7.1	4.3	8.2	-1.2	5.9	6.6	10.0	39.6			
Imports %yr	-4.3	-0.3	-3.3	1.2	4.2	1.4	7.4	0.9	1.9	5.7	25.6	13.8			
Trade balance USDbn	101.9	95.9	102.7	114.2	97.5	101.6	90.2	89.9	111.6	114.1	122.6	91.0			
Quarterly data	Sep-24			Dec-24			Mar-25			Jun-25			Sep-25		Dec-25
Real GDP %yr	4.6			5.4			5.4			5.2			4.8		4.5
Nominal GDP %yr	4.0			4.6			4.6			3.9			3.7		3.9

Sources: Government agencies, Bloomberg, Macrobond, Westpac Economics. Some data omitted from certain series due to Lunar New Year distortions. *4qma

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The FOMC's delicate balancing act ...

Elliot Clarke
Head of International Economics

Developments in recent weeks highlight the delicate balancing act ahead for the FOMC. The adverse February jobs report re-wrote expectations for the labour market. Meanwhile, the joint US/Israel strike on Iran and consequent extreme volatility in energy prices has sparked fears of yet another inflation threat. Tariffs may have taken a back seat of late, but they also remain a risk to US inflation and, perhaps more significantly, activity growth into the medium term.

In February, 92k jobs were reportedly lost in the US, in stark contrast to the sanguine consensus expectation for a 55k gain. Growth over the prior two months was also revised down 69k. As a result, the 3-month average is now just +6k compared to +50k in January, and the 12-month average is +13k versus +89k the year prior. Hope that a nascent lift in job creation since October could turn into a sustainable up-trend has proved fleeting with downside risks now a concern amongst policy makers and market participants.

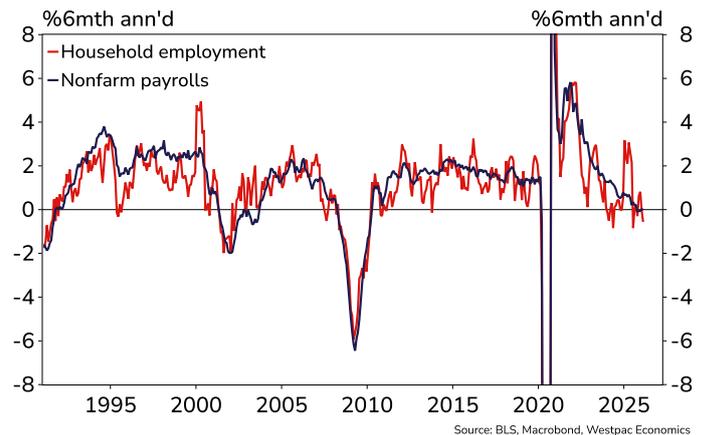
Labour demand is not the only issue though. The February employment report also included annual revisions to the household survey which removed half of the previously reported increase in the participation rate and employment-to-population ratio since the pandemic. Given current immigration restrictions, this revision points to labour supply being structurally constrained in the US, creating challenges for skills matching and hence wage pressures. On the latter, the 3.8%yr gain in average hourly earnings in February is notable given the past year of little-to-no growth in labour demand. Persistent soft readings for the ISM employment indexes and anecdotes from the Beige Book also suggest that weak labour demand and restricted supply will persist near-term.

While the soft labour market has impacted sentiment, as yet there is little evidence of the loss of momentum in employment materially affecting spending, with annual personal consumption growth having only slowed to trend, not below. The most recent retail sales data does imply a further deceleration over December and January, but month-to-month movements can be misleading.

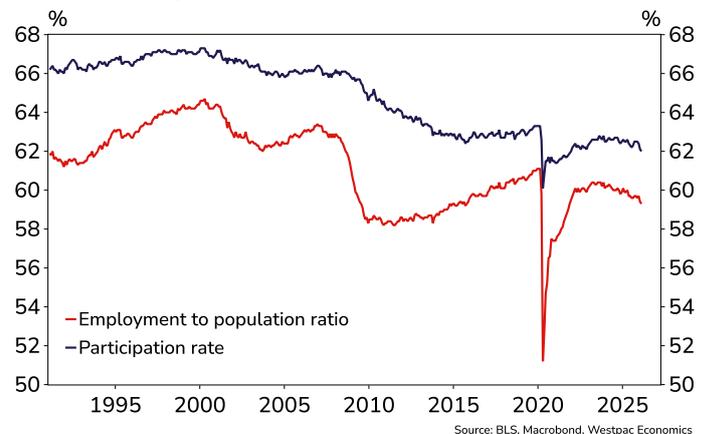
Of course, this data pre-dates the military operation in the Middle East which has seen the price of Brent oil rise from US\$60/bbl in early-January to an intra-day peak of US\$119.50 this week, then below US\$80 briefly, now US\$89. With its strategic reserves, domestic production, and ability to alter sanctions on Russian crude, the US has the capacity to mitigate the hit to supply from the conflict. A release of reserves and the removal of a temporary restriction on Russian oil supplies to India have already been announced. Further steps may be taken.

But as a result, at least in March, US consumers will

Labour demand has stalled ...

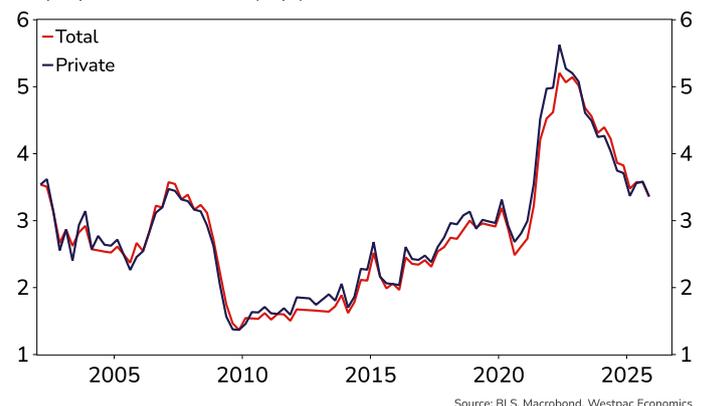


... and supply is constrained



Wage growth biased up, so too inflation

Employment Cost Index (%yr)



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... gets trickier

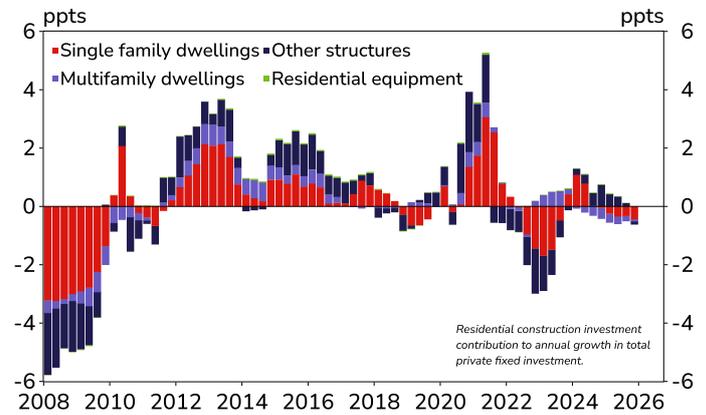
experience a material step up in the cost of gasoline. Thereafter, the price shock is likely to also flow through transport services and potentially other parts of the economy where tariffs have already compressed profit margins. These secondary effects will make it that much more difficult for the FOMC to bring headline inflation back down to target over the coming year.

Also worthy of note, a loss of tariff revenue, higher energy inflation, increased military spending and domestic capacity constraints are collectively expected to result in an up-trend in Treasury yields and the market rates they inform. This could unnerve investors, businesses and households if paired with a further loss of momentum, restricting the outlook for investment and threatening accumulated wealth. These uncertainties not only have the capacity to adversely impact the economy in the near term, but also well into the future. Indeed, the hit to investment could prove open-ended absent a change of direction around trade and industrial policy.

What is the FOMC to make of current circumstances? At the March meeting, we expect they will remain on hold and note the significant upside risks to inflation but also the downside risks for activity, should the conflict and market ructions persist. They will also be attuned to the evolution of financial conditions: while highly unlikely before the March meeting, a rapid increase in term interest rates, for example, would warrant a much more dovish assessment when setting the policy rate.

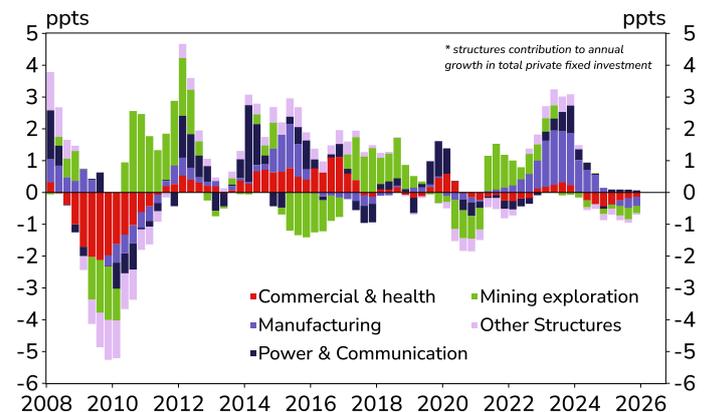
We expect the up-trend in term interest rates to play out slowly, and so continue to hold one further cut by the FOMC this cycle, most likely in June. This expectation is based more on the recent labour market data and related anecdotes than expectations of a material deterioration in demand due to developments in the Middle East. The Q4 GDP disappointment aside, we have only edged down our GDP forecast for 2026 and 2027 as a result of the conflict. Inflation risks are set to remain dominant, but not pressing, in our view.

Housing investment under pressure



Source: BEA, Macrobond, Westpac Economics

US firms refraining from expansion



Source: BEA, Macrobond, Westpac Economics

	2025										2026		
Monthly data	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
PCE deflator %yr	2.4	2.3	2.5	2.6	2.6	2.7	2.8	2.7	2.8	2.9	-	-	
Unemployment rate %	4.2	4.2	4.3	4.1	4.3	4.3	4.4	4.4	4.5	4.4	4.3	4.4	
Nonfarm payrolls chg '000	67	108	13	-20	64	-70	76	-140	41	-17	126	-92	
House prices* %yr	4.1	3.4	2.8	2.1	1.8	1.6	1.4	1.4	1.4	1.4	-	-	
Durables orders core 3mth %saar	6.5	-6.9	2.6	-0.9	8.4	4.0	10.9	9.8	9.8	8.8	-	-	
ISM manufacturing composite	48.9	48.8	48.6	49.0	48.4	48.9	48.9	48.8	48.0	47.9	52.6	52.4	
ISM non-manufacturing composite	50.8	51.6	50.2	50.8	50.5	51.9	50.4	52.0	52.4	53.8	53.8	56.1	
Personal spending 3mth %saar	3.3	5.7	4.7	3.6	5.1	7.3	6.6	5.8	5.0	5.2	-	-	
UoM Consumer Sentiment	57.0	52.2	52.2	60.7	61.7	58.2	55.1	53.6	51.0	52.9	56.4	56.6	
Trade balance USDbn	-136.0	-60.1	-70.6	-57.7	-73.9	-55.2	-47.7	-28.7	-53.0	-70.3	-	-	
Quarterly data	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-25(f)							
Real GDP % saar		1.9		-0.6		3.8		4.4		1.4		3.0	
Current account USDbn		-312.0		-439.8		-249.2		-226.4		-		-	

Sources: Government agencies, Bloomberg, *S&P Case-Shiller 20-city measure.

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No need to fear the ...

Illiana Jain
Economist

While the focus now is on developments in the Middle East, much of the domestic concern in Japan recently has been around the bond market and the impact of Prime Minister Sanae Takaichi's fiscal package. These concerns overlook some of the fundamental shifts in the Japanese economy that will allow the government to sustain greater spending.

To start, it is worth putting the ¥17.1trn package (~10% of GDP) into context. Japan's primary deficit is 1.4% of GDP – far lower than that of peers like the US, which is around 3%. Japan has also made more progress in reducing its debt-to-GDP ratio since the pandemic than other major economies, again in more specific contrast to the US where this ratio has increased despite a strongly growing economy. Compared to peers, Japan has managed its fiscal position well. With inflation sustaining a 2%+ pace, nominal debt will also now be deflated for the first time in decades.

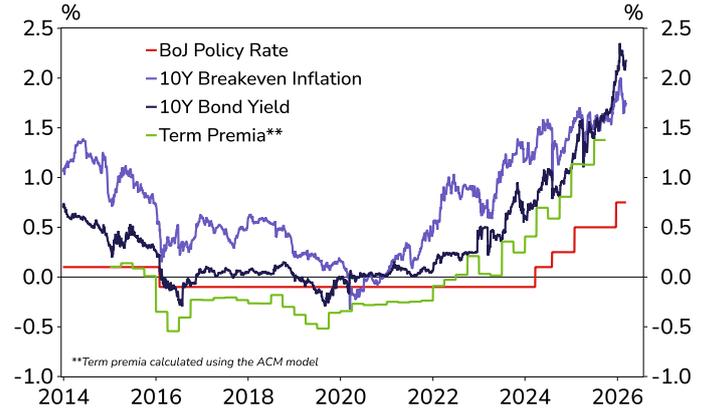
Some may point to Japan's 1% real GDP growth as evidence that it cannot grow its way out of debt, but this overlooks the role a declining population is playing in this. Adjusting for demographics, per-capita GDP grew by 4.2% in 2024, broadly in line with the US, the UK, South Korea and Australia. With government spending largely tied to population growth rather than headline GDP, modest aggregate growth need not imply deteriorating fiscal dynamics. While population ageing does place upward pressure on social spending, this is likely to be partially offset by a rising labour participation rate.

Crucially, debt dynamics also benefit from low interest costs. Interest payments remain around 1% of GDP, while nominal GDP growth – what matters for debt sustainability – has averaged around 4% over the past two years. In this environment, debt-to-GDP can stabilise even with modest fiscal deficits, provided per-capita growth remains robust.

There is also upside for revenue going forward. The labour market is tight as ever, with labour force participation hitting 64.1%, the highest since December 1992, supported by an increase in participation of women and seniors – female labour force participation is at a record high of 56.7%. As we have previously discussed, this trend is unlikely to dissipate with Japan's population continuing to age and shrink. A larger labour force alongside greater nominal wage increases should help support income tax revenues.

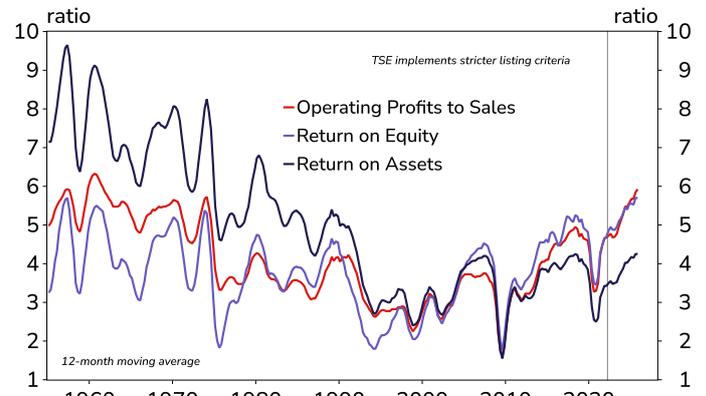
Also assisting revenue growth will be the impact corporate governance reforms have had on profitability. Over the last three years, the Tokyo Stock Exchange requirements have forced firms to unwind cross-shareholdings and improve capital efficiency which has seen the return on equity climb to an average of 5.5% in the year to September 2025, compared to an average of

Risk sentiment driving the 10Y yield



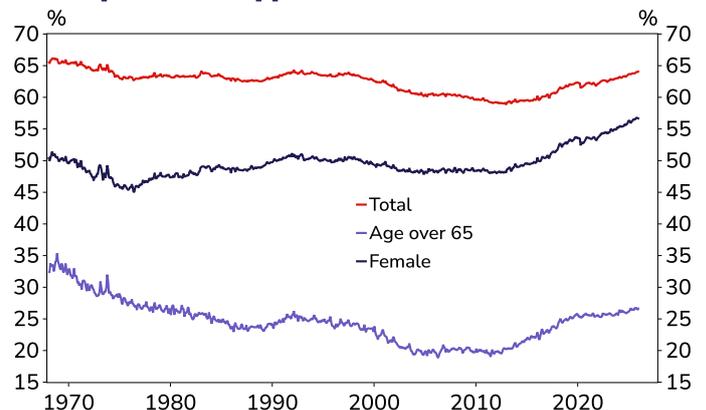
Source: BOJ, Macrobond, Westpac Economics

Better capex to aid earnings



Source: MOF, Macrobond, Westpac Economics

Participation to support tax revenues



Source: SBJ, Macrobond, Westpac Economics

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... yield in Japan

3.4% over 1990–2019 and 4.0% over 1960–90. Combined with a shift in price-setting behaviour and strong export earnings, corporate profits have reached levels unseen since before the ‘Lost Decades’. The benefits of these corporate reforms are likely to support profitability and hence corporate tax revenue going forward.

While external risks are significant, around not just energy but also China’s competitive position in autos and semiconductor manufacturing, these reforms should also help enhance adaptability. Firms are now allocating capital to research and development rather than maintaining inefficient conglomerate structures.

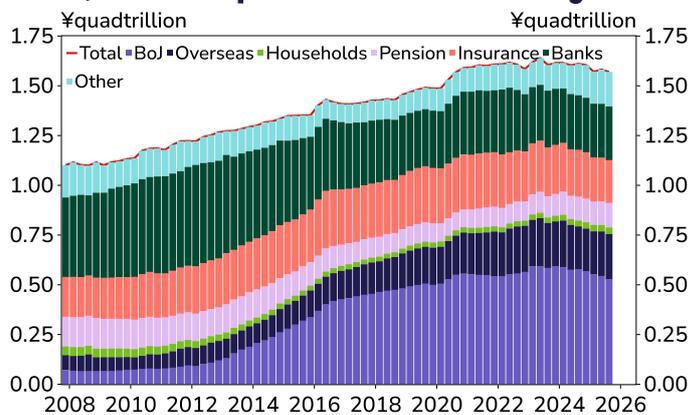
Alongside serviceability concerns, investors have also expressed concern around the potential for excess supply of Japanese Government Bonds (JGBs) as the Bank of Japan slows its purchases of bonds. However, these risks are overstated.

For one, the BoJ has been vocal about reducing its holdings in a way that “avoid[s] inducing destabilizing effects on the financial markets”. This isn’t just rhetoric. The BoJ tapered its pace of purchases in July 2025 from ¥400bn to ¥200bn and has, on numerous occasions, affirmed that “In the case of a rapid rise in long-term interest rates, it will make nimble responses by, for example, increasing the amount of JGB purchases...”. Note as well that the current purchase pace is not insignificant at around ¥2.9trn a month (which annualises to around ¥36trn a year) against the Ministry of Finance’s (MoF) planned ¥190trn of issuance through FY2025 (ending in March 2026). The MoF also has flexibility on the duration of issuance, offering another way to contain market volatility and an unwanted tightening of financial conditions.

Circling back to the serviceability issue – interest cost concerns also miss the mark for another reason. Interest costs as a share of GDP remain low in Japan compared to peers and, given the BoJ owns around half of outstanding JGBs, almost half of the Government’s initial interest outlay flow back to the government, making them fiscally neutral. The pace of the BoJ’s balance sheet normalisation will be gradual and only as market conditions warrant, and so this interest cost offset is set to remain in place for the foreseeable future.

The portion of the bond market not held by the BoJ is mostly held by domestic investors, with foreign ownership sitting at 14%, compared to 23% in the US and 31% in the UK. This insulates against risks of foreign capital flight in times of uncertainty making comparisons between Takaichi and Truss unjust. Domestic players tend to hold JGBs to match liabilities, particularly important for Japan’s large life insurance sector, and regulatory requirements. The MoF has proven nimble in its flexibility to match issuance tenors to demand to accommodate preferences.

Lifers, banks and pensions dominate holdings



Source: BOJ, Macrobond, Westpac Economics

In the near term, our Strategy team continues to expect that Japan is unlikely to export as much capital to offshore bonds and will continue to purchase JGBs. Further information on this will come in April as the investment intentions of Japan’s mega life insurers are made public.

Given these factors, we anticipate the premium markets are pricing into JGBs will fade with time returning the 10-year government bond yield to 2.0%, roughly 100bps above the terminal policy rate. This is still at the high end of global cash to 10-year curve spreads, but not egregiously so. We see this adjustment unfolding over the next year, as markets continue to focus on supply dynamics and political noise even as Japan’s underlying fiscal and macro fundamentals remain supportive.

A more complicated job ...

Mantas Vanagas
Senior Economist

The full economic impact of the Middle East conflict remains uncertain, hinging on its duration, breadth and intensity. The most pronounced channel through which major economies will be affected is the energy market – elevated prices poised to simultaneously stoke inflation and dampen growth. This represents a challenge for monetary policy makers, forcing them to balance risks to price stability and growth.

Central banks are likely to draw parallels with 2022, when Russia’s invasion of Ukraine lifted energy prices to unprecedented heights. A crucial lesson from that episode is that so-called ‘transitory’ inflation shocks do not always fade away easily on their own. Once entrenched in the price setting mechanisms, they can prove particularly stubborn.

As inflation risks stemming from the conflict are clearly to the upside, the RBA is arguably better placed to react given it is in the midst of re-tightening policy – inflation risks already being given priority over growth ones. In contrast, the ECB has been maintaining a neutral posture since the middle of last year, while the BoE has been actively easing. Next week’s policy meetings will be critical for European policy makers to communicate how they intend to navigate this highly dynamic economic shock.

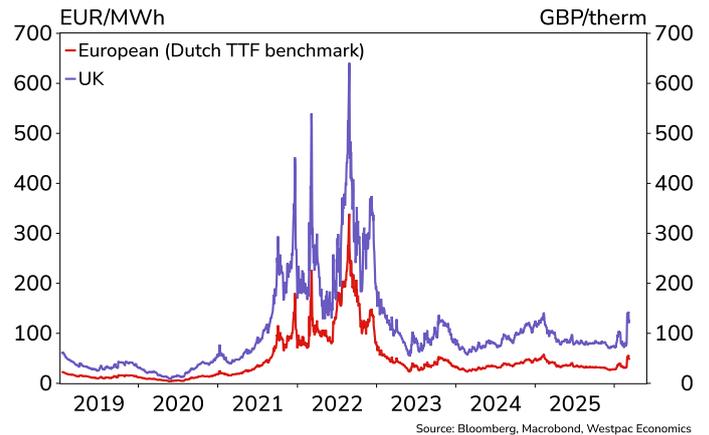
ECB President Christine Lagarde has repeatedly asserted that the euro area’s monetary policy is in a good place – a confident assessment drawn largely from the region’s inflation outlook. The central bank’s latest projections from December have headline inflation remaining just below 2% this year and next, with a return to the policy target in 2028.

The ECB will also unveil new projections next week, although it is unlikely to fully incorporate the most recent surge in oil and gas prices in its baseline given the in-house lags in producing forecasts. The ECB may opt to tweak its modelling framework or add an overlay to take them into account, especially as its standard assessments include risks surrounding energy prices.

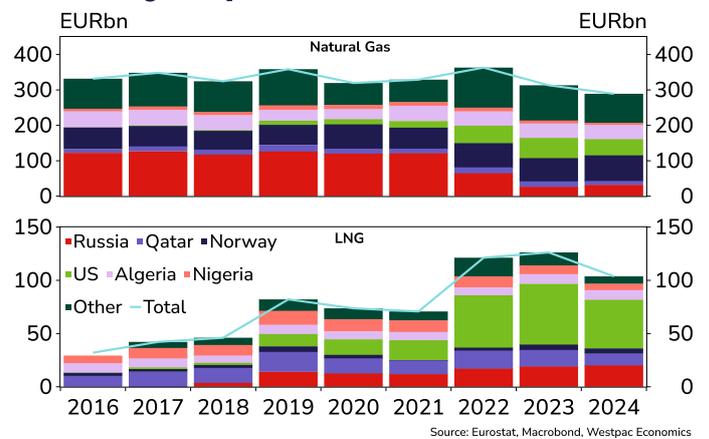
Our baseline analysis suggests that euro area GDP growth should be reduced by a couple of tenths of a percentage point. Inflation, on our estimates, could reach approximately 2.5%yr this year – noticeably above the ECB’s latest 1.9% forecast, yet still a fraction of the 8.4% peak in 2022, when gas prices soared 7–8 times higher just as global supply chain disruptions were doing something similar to freight rates.

An important consideration, though, is that Europe’s energy landscape has shifted dramatically since 2022. Prior to the Ukraine war, Russian pipeline gas dominated the energy mix, supplying over one-third of European imports. By 2024,

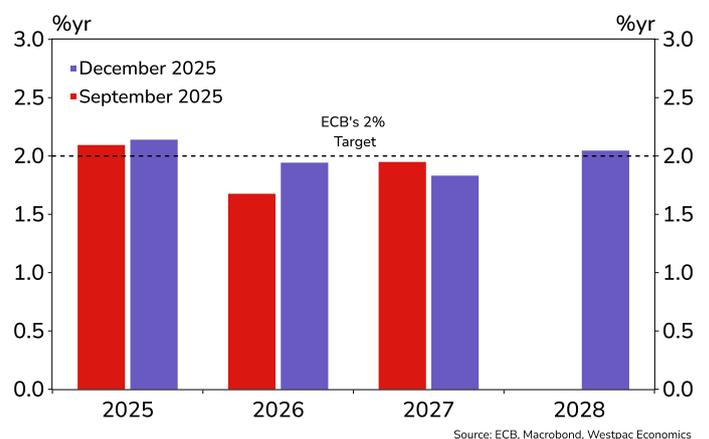
Wholesale gas prices



Euro area gas imports



ECB Inflation Forecasts



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... for European policy makers

that share has dropped to roughly 10%, with LNG imports – especially from the US – filling the gap. LNG shipments from Qatar, which have been halted due to the closure of the Strait of Hormuz, accounted for about 10% of total inflows in 2024, suggesting a more limited overall impact compared to the loss of Russian supplies in 2022, especially if Qatari gas is able to come back online (noting that Russia's did not).

The broader economic backdrop is also markedly different.

In 2022, inflation was turbocharged by post-pandemic supply disruptions overlaid with fiscal stimulus and surging demand coming out of COVID, all of which compounded the energy shock (and vice versa).

In contrast, while the euro area economy appeared steadier as 2026 began, it now faces significant downside risks.

Against this backdrop, the energy price shock shifts the risk balance for ECB policy. However, unlike market pricing – which has pencilled in almost two 25bp hikes by December – we do not anticipate an imminent policy response.

Instead we expect that, following next week's meeting, the ECB's communication will underscore its vigilance regarding broader inflation pressures and expectations, and its readiness to act should risks materialise. However, should the conflict persist, policy tightening to prevent inflationary momentum spreading to other CPI categories becomes more likely.

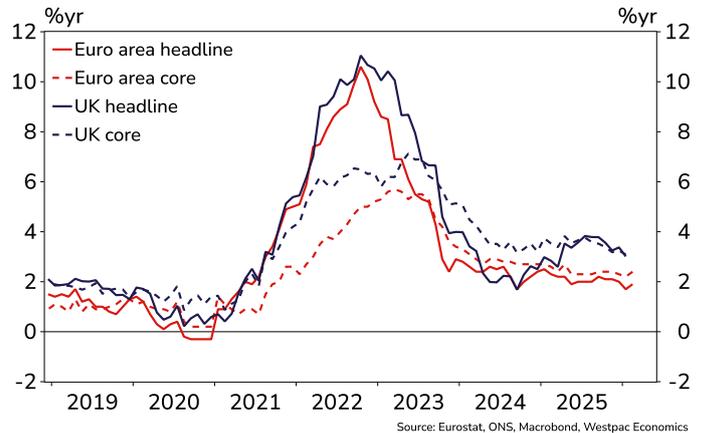
Across the Channel, the UK's situation differs in several respects. At the February BoE meeting, the bank rate was kept unchanged, but only just, with a razor-thin 5–4 vote. While January's CPI showed a slightly smaller decline than the BoE had forecast, GDP and labour market readings were softer, signalling that, prior to the Middle East conflict, a 25bp Bank Rate cut in March was a likely scenario.

The UK's economic fallout from the conflict closely mirrors that of the euro area, with GDP growth expected to be trimmed only slightly this year. Reflecting this, we have revised our 2026 GDP forecast down by 0.1ppt to 0.8%yr. On the inflation side, soaring oil prices are evidently being transmitted to petrol and diesel costs with little-to-no lag.

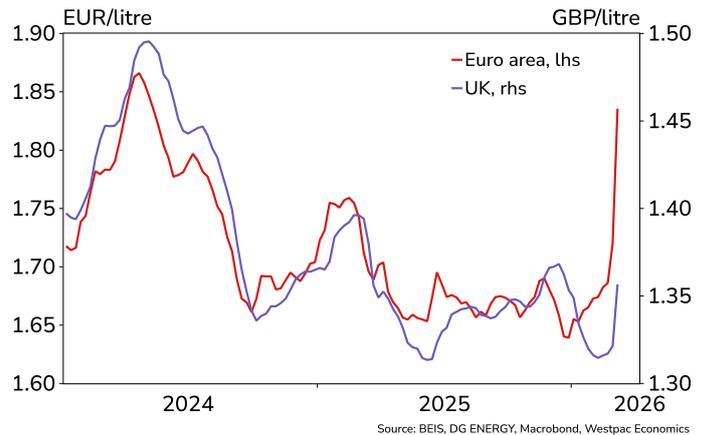
Where the UK stands out is in the regulation of household utility bills by Ofgem, which sets a quarterly energy price cap based on the prior three months' futures prices. The cap for April is set to lower household energy costs by around 7%. The next adjustment, due in July, will reflect market prices between mid-February and mid-May.

This regulatory mechanism should allow UK inflation is to keep easing through Q2, albeit more slowly than the BoE anticipated in February. We suspect it will then climb higher in the second half of the year, owing to higher fuel costs and utility prices.

Euro area and UK inflation



Petrol price at pump



While this slows the transmission to consumer inflation, it implies that the energy impact might be longer lasting. As a result, the BoE is likely to tread cautiously with monetary policy easing this year, waiting for greater clarity on inflationary pressures.

Accordingly, we now expect the BoE to remain on hold until later this year. The precise timing of the next cut will hinge on the eventual trajectory of energy prices, but for now, we do not anticipate further monetary policy easing before November, when the full inflationary impact of the shock should be much clearer.

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Australia

Interest rate forecasts

	Latest (Mar 13)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Cash	3.85	4.10	4.35	4.35	4.35	4.35	4.35	4.35	3.85	3.60	3.60
90 Day BBSW	4.18	4.30	4.40	4.40	4.40	4.45	4.45	4.30	3.80	3.70	3.70
3 Year Swap	4.54	4.45	4.45	4.45	4.40	4.35	4.25	4.10	3.95	3.80	3.60
3 Year Bond	4.55	4.45	4.45	4.45	4.40	4.35	4.25	4.10	3.95	3.80	3.60
10 Year Bond	4.94	4.95	4.95	4.90	4.85	4.80	4.75	4.75	4.70	4.70	4.70
10 Year Spread to US (bps)	68	75	65	55	45	35	25	20	10	5	0

Currency forecasts

	Latest (Mar 13)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
AUD vs											
USD	0.7062	0.72	0.72	0.72	0.73	0.73	0.74	0.74	0.74	0.73	0.73
JPY	112.56	114	112	112	112	111	111	110	108	105	104
EUR	0.6137	0.62	0.62	0.61	0.61	0.61	0.61	0.61	0.61	0.60	0.60
NZD	1.2090	1.22	1.22	1.18	1.18	1.14	1.12	1.11	1.10	1.10	1.10
CAD	0.9633	0.98	0.98	0.97	0.98	0.98	0.99	0.98	0.98	0.96	0.95
GBP	0.5294	0.54	0.53	0.53	0.53	0.53	0.53	0.53	0.52	0.52	0.52
CHF	0.5555	0.56	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
DKK	4.5863	4.64	4.60	4.56	4.58	4.54	4.57	4.53	4.53	4.49	4.49
SEK	6.5297	6.68	6.63	6.57	6.61	6.55	6.59	6.53	6.53	6.47	6.47
NOK	6.8609	6.94	6.88	6.82	6.86	6.80	6.84	6.78	6.78	6.72	6.72
ZAR	11.85	12.0	12.0	12.0	12.1	12.1	12.1	12.1	12.1	12.2	12.2
SGD	0.9035	0.91	0.91	0.91	0.92	0.92	0.93	0.93	0.93	0.92	0.92
HKD	5.5280	5.63	5.62	5.61	5.68	5.66	5.74	5.74	5.74	5.66	5.66
PHP	42.05	42.5	42.1	41.8	42.0	41.6	41.4	40.7	40.0	39.4	39.4
THB	22.73	22.8	22.6	22.5	22.6	22.5	22.6	22.3	22.3	22.0	22.0
MYR	2.7749	2.84	2.84	2.81	2.85	2.81	2.85	2.85	2.81	2.77	2.77
CNY	4.8637	4.93	4.93	4.90	4.89	4.82	4.81	4.77	4.74	4.64	4.64
IDR	11964	11952	11808	11664	11680	11534	11544	11396	11248	11096	11096
TWD	22.58	22.5	22.1	21.7	21.7	21.3	21.2	21.0	20.9	20.6	20.6
KRW	1053	1058	1051	1037	1037	1022	1021	1006	992	978	978
INR	65.22	66.2	65.5	64.8	65.7	65.0	65.9	65.1	65.1	63.5	63.5

Australia

Activity forecasts

%qtr / %yr end	2025		2026				2027		Calendar years			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	2025	2026f	2027f	2028f
Household consumption	0.5	0.5	0.6	0.2	0.6	0.7	0.6	0.6	2.5	2.1	2.6	3.1
Dwelling investment	1.8	0.6	1.4	1.6	1.7	1.7	1.7	1.5	5.3	6.6	5.5	3.9
Business investment *	3.4	1.0	0.9	0.9	1.1	1.1	1.1	1.1	4.3	4.1	4.6	4.6
Private demand *	1.2	0.7	0.8	0.5	0.8	0.9	0.8	0.8	3.2	3.0	3.3	3.5
Public demand *	1.1	0.9	0.8	0.7	0.5	0.6	0.6	0.6	1.6	2.6	2.5	2.6
Domestic demand	1.2	0.8	0.8	0.5	0.8	0.8	0.7	0.7	2.8	2.9	3.0	3.2
Stock contribution	-0.5	0.4	-0.2	0.0	-0.0	0.0	-0.0	-0.1	0.2	-0.1	-0.1	0.1
GNE	0.6	1.2	0.6	0.6	0.7	0.8	0.7	0.7	2.9	2.8	2.9	3.3
Exports	1.0	1.5	0.4	0.4	0.4	0.5	0.6	0.7	4.7	1.7	2.5	2.4
Imports	1.5	2.6	1.3	1.3	1.3	1.3	1.2	1.2	6.6	5.3	4.9	4.5
Net exports contribution	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.4	-0.8	-0.6	-0.5
Real GDP %qtr / %yr avg	0.4	0.9	0.4	0.4	0.6	0.6	0.6	0.6	2.0	2.2	2.3	2.7
%yr end	2.1	2.4	2.4	2.0	2.3	2.0	2.2	2.4	2.4	2.0	2.3	2.8
Nominal GDP %qtr / %yr avg	1.9	1.8	3.0	1.5	1.6	0.5	0.6	0.7	4.7	7.8	3.4	3.6
%yr end	5.4	6.0	7.7	8.5	8.2	6.8	4.3	3.5	6.0	6.8	3.1	3.4
Real household disp. income	0.8	1.0	0.3	0.1	0.6	0.1	0.7	0.6	3.7	1.0	2.3	2.5

Other macroeconomic variables

% change	2025		2026				2027		Calendar years			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	2025	2026f	2027f	2028f
Employment %qtr **	0.1	0.3	0.5	0.4	0.3	0.3	0.5	0.4	-	-	-	-
%yr end **	1.4	1.2	1.4	1.3	1.5	1.5	1.5	1.5	1.2	1.5	1.7	1.9
Unemployment rate % **	4.3	4.2	4.1	4.2	4.3	4.4	4.5	4.5	4.2	4.4	4.5	4.4
Wages (WPI) (sa) %qtr	0.8	0.8	0.8	0.7	0.7	0.8	0.7	0.8	-	-	-	-
%yr end	3.3	3.4	3.3	3.1	3.0	3.0	3.0	3.1	3.4	3.0	3.0	3.4
Headline CPI %qtr	1.3	0.6	1.2	1.3	0.9	0.4	0.5	0.5	-	-	-	-
%yr end	3.2	3.6	3.9	4.6	4.1	3.9	3.2	2.3	3.6	3.9	2.3	2.7
Trimmed Mean CPI %qtr	1.0	0.9	0.9	0.8	0.9	0.8	0.7	0.6	-	-	-	-
%yr end	3.0	3.4	3.5	3.6	3.5	3.4	3.2	3.0	3.4	3.4	2.6	2.6
Current account \$bn, qtr	-18.3	-21.1	-18.9	-18.7	-18.5	-22.3	-25.6	-27.3	-	-	-	-
% of GDP	-2.6	-2.9	-2.5	-2.4	-2.4	-2.9	-3.3	-3.5	-2.9	-2.9	-3.6	-3.6
Terms of trade %yr avg	-3.3	-2.3	0.1	2.5	4.4	6.1	4.3	2.0	-2.3	6.1	-3.5	-3.5
Population %yr end	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.5	1.4	1.4	1.4

Calendar year changes are annual through-the-year percentage changes unless otherwise specified.

* Business investment, private and public demand are adjusted to exclude the effect of private sector purchases of public sector assets. ** Quarter-averages.

Macroeconomic variables – recent history

Monthly data	2025									2026		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Employment '000 chg	88.9	-9.9	-2.8	30.8	-14.4	12.5	38.2	-30.3	68.5	17.8	-	-
Unemployment rate %	4.1	4.1	4.3	4.3	4.2	4.4	4.3	4.3	4.1	4.1	-	-
Westpac-MI Consumer Sentiment	90.1	92.1	92.6	93.1	98.5	95.4	92.1	103.8	94.5	92.9	90.5	91.6
Household spending %mth	0.0	1.2	0.3	0.4	0.0	0.3	1.4	1.0	-0.5	0.3	-	-
Dwelling approvals %mth	-5.1	3.1	14.0	-9.4	-4.3	12.2	-7.1	15.9	-14.9	-7.2	-	-
Private sector credit %mth	0.7	0.6	0.6	0.7	0.6	0.6	0.7	0.6	0.8	0.5	-	-
Trade in goods balance AUDbn	4.5	1.7	4.6	6.4	0.8	3.4	4.5	2.2	3.4	2.6	-	-

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New Zealand

Interest rate forecasts

	Latest (Mar 13)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
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	2.52	2.45	2.45	2.50	2.90	3.40	3.75	4.00	4.25	4.45	4.45
2 Year Swap	3.33	3.30	3.60	3.85	4.10	4.30	4.40	4.40	4.40	4.35	4.30
10 Year Bond	4.66	4.75	4.80	4.95	4.95	5.05	5.10	5.10	5.10	5.10	5.10
10 Year Spread to US	41	55	50	60	55	60	60	55	50	45	40
10 Year Spread to Aust	-28	-20	-15	5	10	25	35	35	40	40	40

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest (Mar 13)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
NZD vs											
USD	0.5841	0.59	0.59	0.61	0.62	0.64	0.66	0.67	0.67	0.67	0.67
JPY	93.11	93	92	94	95	97	99	99	98	96	95
EUR	0.5077	0.51	0.50	0.52	0.52	0.53	0.55	0.55	0.55	0.55	0.55
AUD	0.8271	0.82	0.82	0.84	0.85	0.87	0.89	0.90	0.91	0.91	0.91
CAD	0.7968	0.80	0.80	0.82	0.83	0.85	0.88	0.89	0.88	0.87	0.87
GBP	0.4378	0.44	0.44	0.45	0.45	0.46	0.47	0.48	0.48	0.47	0.47
CNY	4.0229	4.05	4.04	4.13	4.15	4.21	4.29	4.31	4.29	4.23	4.23

Sources: Bloomberg, Westpac Economics.

Activity forecasts

% change	2025		2026			2027			Calendar years			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	2025f	2026f	2027f	2028f
Private consumption	0.1	0.5	0.7	0.8	0.9	0.9	0.9	0.9	1.7	2.5	3.6	3.4
Government consumption	1.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3	1.9	1.5	1.4	2.2
Residential investment	3.8	-1.1	1.5	3.0	3.0	3.0	3.0	1.8	-4.1	6.5	9.9	4.1
Business investment	3.6	-1.7	2.3	2.1	1.8	1.6	1.4	1.2	1.1	5.5	5.8	3.8
Stocks (ppt contribution)	-0.5	0.9	0.3	-0.2	0.0	0.0	0.3	-0.3	-0.1	0.7	0.0	-0.2
GNE	0.9	0.8	1.2	0.9	1.0	1.0	1.3	0.6	1.1	3.9	3.9	3.1
Exports	3.3	0.9	0.4	0.0	0.4	0.6	0.7	0.8	2.7	2.7	2.4	2.7
Imports	2.5	2.3	1.8	1.7	1.3	1.4	1.2	1.0	3.2	6.1	5.0	3.5
GDP (production)	1.1	0.4	0.8	0.4	0.8	0.8	1.1	0.5	0.3	2.3	3.1	2.8
Employment annual %	-0.7	0.2	0.5	1.1	1.7	1.9	2.5	2.6	0.2	1.9	2.5	1.9
Unemployment rate % s.a.	5.3	5.4	5.4	5.3	5.2	5.0	4.8	4.7	5.4	5.0	4.5	4.1
LCI, all sect incl o/t, ann %	2.1	2.0	2.0	1.9	2.2	2.4	2.4	2.3	2.0	2.4	2.2	2.1
CPI annual %	3.0	3.1	2.8	3.1	3.2	2.8	2.5	1.9	3.1	2.8	2.1	2.4
Current account % of GDP	-3.5	-3.4	-3.4	-3.5	-3.7	-3.8	-3.7	-3.6	-3.4	-3.8	-3.4	-3.6
Terms of trade annual %	5.1	4.2	3.9	1.7	3.6	3.8	5.3	5.0	4.2	3.8	3.6	0.1

Sources: Statistics NZ, Westpac Economics.

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Commodity prices

End of period	Latest (Mar 13)	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
Australian commodities index#	409	415	422	408	393	383	376	371	366	362	357
Bulk commodities index#	387	390	360	340	340	340	340	350	350	350	350
iron ore fines TSI @ 62% US\$/t	107	92	86	83	84	85	85	86	86	87	87
Premium low vol met coal (US\$/t)	220	225	220	200	201	203	204	205	207	208	210
Newcastle spot thermal coal (US\$/t)	139	145	135	120	121	121	122	123	124	124	125
crude oil (US\$/bbl) Brent ICE	96	85	75	69	65	59	60	58	61	63	63
LNG in Japan US\$mmbtu	16.84	19.3	18.7	15.0	11.7	10.4	9.1	9.2	8.7	9.2	9.5
gold (US\$/oz)	5,182	5,200	5,600	5,550	5,500	5,400	5,300	5,200	5,000	4,750	4,500
Base metals index#	258	258	259	261	261	257	252	247	258	265	267
copper (US\$/t)	12,974	12,950	13,000	13,150	13,250	13,150	13,000	12,700	13,380	13,830	13,930
aluminium (US\$/t)	3,479	3,450	3,480	3,470	3,460	3,430	3,400	3,380	3,510	3,600	3,620
nickel (US\$/t)	17,499	17,500	17,700	18,000	17,750	17,250	16,500	15,840	16,400	16,760	16,840
zinc (US\$/t)	3,298	3,300	3,350	3,330	3,250	3,150	3,000	2,910	3,000	3,070	3,080
lead (US\$/t)	1,912	1,930	1,940	1,950	1,930	1,800	1,750	1,680	1,740	1,780	1,790
Rural commodities index#	139	136	135	131	126	118	118	115	120	123	124
NZ commodities index ##	394	403	403	405	407	411	414	416	418	420	420
dairy price index ##	332	342	342	342	345	349	353	357	359	368	368
whole milk powder USD/t	3,863	3,600	3,600	3,600	3,650	3,700	3,740	3,770	3,810	3,850	3,850
skim milk powder USD/t	3,243	2,800	2,750	2,700	2,720	2,750	2,780	2,810	2,830	2,860	2,860
lamb price index ##	656	658	653	650	648	647	643	643	640	632	632
beef price index ##	391	393	395	397	398	398	398	397	396	382	382
forestry price index ##	148	148	149	151	153	155	158	160	161	164	164

Annual averages	levels				%change			
	2025	2026(f)	2027(f)	2028(f)	2025	2026(f)	2027(f)	2028(f)
Australian commodities index#	324	410	381	358	4.1	26.7	-7.1	-6.0
Bulk commodities index#	378	379	347	355	-12.6	0.2	-8.4	2.5
iron ore fines @ 62% USD/t	102	93	85	87	-6.9	-8.8	-8.8	2.8
LNG in Japan \$mmbtu	11.8	16.1	10.6	9	-9.6	36.5	-34.1	-13.3
ave coking coal price (US\$/t)	166	183	176	181	-19.6	10.4	-3.5	2.8
ave thermal price (US\$/t)	119	129	119	122	-12.1	8.4	-8.0	2.4
iron ore fines contracts (US¢ dltu)	143	133	118	120	-12.2	-6.9	-11.2	1.9
Premium low vol met coal (US\$/t)	188	221	203	187	-21.7	17.3	-8.2	-8.0
crude oil (US\$/bbl) Brent ICE	67	79	61	62	-13.2	17.9	-22.4	1.5
gold (US\$/oz)	3,470	5,300	5,380	4,663	44.0	52.7	1.5	-13.3
Base metals index#	208	258	255	262	3.1	23.8	-1.2	2.7
copper (US\$/t)	10,000	13,000	13,100	13,700	8.7	30.0	0.8	4.6
aluminium (US\$/t)	2,600	3,400	3,400	3,600	8.3	30.8	0.0	5.9
nickel (US\$/t)	15,300	17,600	17,000	16,600	-9.5	15.0	-3.4	-2.4
zinc (US\$/t)	2,900	3,300	3,100	3,000	3.6	13.8	-6.1	-3.2
lead (US\$/t)	2,000	1,900	1,800	1,800	-4.8	-5.0	-5.3	0.0
Rural commodities index#	120	134	119	121	-5.0	11.3	-10.6	1.3
NZ commodities index ##	390	401	412	419	9.2	2.7	2.8	1.7
dairy price index ##	348	338	351	361	9.7	-2.8	3.8	2.9
whole milk powder USD/t	3,902	3,638	3,697	3,854	13.5	-6.8	1.6	4.3
skim milk powder USD/t	2,702	2,848	2,753	2,865	0.6	5.4	-3.3	4.0
lamb price index ##	587	656	646	630	27.0	11.7	-1.5	-2.4
beef price index ##	337	393	398	394	19.1	16.4	1.3	-0.8
forestry price index ##	152	149	156	162	-4.9	-1.8	5.1	3.5

Chain weighted index: weights are Australian export shares. * Australian export prices fob - ABS 5432.0 Merchandise Trade Exports. ** WCFI - Westpac commodities futures index. *** Weekly averages except for the Bulks Index. ^ AWEX market prices. Sources for all tables: Westpac Economics, Bloomberg ## ANZ NZ commodity price index ^^ GlobalDairyTrade

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United States

Interest rate forecasts

	Latest (Mar 13)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Fed Funds*	3.625	3.625	3.375	3.375	3.375	3.375	3.375	3.375	3.375	3.375	3.375
10 Year Bond	4.26	4.20	4.30	4.35	4.40	4.45	4.50	4.55	4.60	4.65	4.70

Sources: Bloomberg, Westpac Economics. * +12.5bps from the Fed Funds lower bound (overnight reverse repo rate).

Currency forecasts

	Latest (Mar 13)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
USD vs											
DXY index	99.77	99.0	98.2	97.4	96.6	95.8	94.9	94.1	93.7	93.9	93.6
JPY	159.39	158	156	155	154	152	150	148	146	144	142
EUR	1.1505	1.16	1.17	1.18	1.19	1.20	1.21	1.22	1.22	1.22	1.22
AUD	0.7062	0.72	0.72	0.72	0.73	0.73	0.74	0.74	0.74	0.73	0.73
NZD	0.5841	0.59	0.59	0.61	0.62	0.64	0.66	0.67	0.67	0.67	0.67
CAD	1.3643	1.36	1.36	1.35	1.35	1.34	1.34	1.33	1.32	1.31	1.30
GBP	1.3341	1.34	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.41
CHF	0.7867	0.78	0.77	0.76	0.75	0.75	0.74	0.74	0.74	0.75	0.75
ZAR	16.79	16.6	16.6	16.6	16.5	16.5	16.4	16.4	16.4	16.7	16.7
SGD	1.2794	1.27	1.26	1.26	1.26	1.26	1.26	1.26	1.25	1.25	1.25
HKD	7.8284	7.82	7.80	7.79	7.78	7.76	7.75	7.75	7.75	7.75	7.75
PHP	59.53	59.0	58.5	58.0	57.5	57.0	56.0	55.0	54.0	54.0	54.0
THB	32.20	31.6	31.4	31.2	31.0	30.8	30.6	30.2	30.1	30.1	30.1
MYR	3.9293	3.95	3.95	3.90	3.90	3.85	3.85	3.85	3.80	3.80	3.80
CNY	6.8861	6.85	6.85	6.80	6.70	6.60	6.50	6.45	6.40	6.35	6.35
IDR	16941	16600	16400	16200	16000	15800	15600	15400	15200	15200	15200
TWD	31.97	31.2	30.7	30.2	29.7	29.2	28.7	28.4	28.2	28.2	28.2
KRW	1491	1470	1460	1440	1420	1400	1380	1360	1340	1340	1340
INR	92.34	92.0	91.0	90.0	90.0	89.0	89.0	88.0	88.0	87.0	87.0

Activity forecasts

% annualised, s/adj	2025				2026				Calendar years			
	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2025	2026f	2027f	2028f
Private consumption	0.6	2.5	3.5	2.4	1.6	2.0	2.0	2.0	2.7	2.2	2.1	2.1
Dwelling investment	-1.0	-5.1	-7.1	-1.5	0.8	1.2	1.6	1.6	-2.2	-0.8	1.8	2.3
Business investment	9.5	7.3	3.2	3.7	2.9	3.5	3.8	3.8	4.2	3.6	3.5	3.3
Public demand	-1.0	-0.1	2.2	-5.1	0.8	0.4	0.4	0.4	1.2	-0.4	0.4	0.4
Domestic final demand	1.5	2.5	2.9	1.2	1.6	2.0	2.0	2.0	2.5	1.9	2.0	2.0
Inventories contribution ppt	0.7	-0.4	-0.4	-0.1	-0.3	0.6	0.6	0.5	-0.1	0.5	-0.2	0.0
Net exports contribution ppt	-1.8	-0.1	0.5	0.5	1.7	0.2	-0.3	-0.3	-0.5	-0.4	-0.1	-0.3
GDP	-0.6	3.8	4.4	1.4	3.0	2.1	1.8	1.8	2.2	2.5	1.8	1.8
%yr annual chg	2.0	2.1	2.3	2.2	3.2	2.7	2.1	1.8	-	-	-	-

Other macroeconomic variables

Non-farm payrolls mth avg	68	56	11	-30	45	60	60	70	26	59	90	120
Unemployment rate %	4.1	4.2	4.3	4.4	4.5	4.5	4.6	4.6	4.4	4.6	4.5	4.5
CPI headline %yr	2.7	2.4	2.9	2.7	2.9	3.2	3.1	2.9	2.7	2.9	2.4	2.3
PCE deflator, core %yr	2.8	2.7	2.9	2.9	2.7	2.7	2.6	2.5	2.8	2.5	2.3	2.2

Sources: Official agencies, Factset, Westpac Economics.

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Europe & the United Kingdom

Interest rate forecasts

	Latest (Mar 13)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Euro Area											
ECB Deposit Rate	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
10 Year Bund	2.96	2.85	2.90	2.85	2.85	2.85	2.85	2.85	2.90	2.95	3.00
10 Year Spread to US	-130	-135	-140	-150	-155	-160	-165	-170	-170	-170	-170
United Kingdom											
BoE Bank Rate	3.75	3.75	3.75	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25
10 Year Gilt	4.77	4.65	4.65	4.65	4.65	4.70	4.70	4.70	4.70	4.70	4.75
10 Year Spread to US	52	45	35	30	25	25	20	15	10	5	5

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest (Mar 13)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
euro vs											
USD	1.1505	1.16	1.17	1.18	1.19	1.20	1.21	1.22	1.22	1.22	1.22
JPY	183.39	183	183	183	183	182	182	181	178	175	173
GBP	0.8624	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.86	0.86
CHF	0.9051	0.90	0.90	0.90	0.90	0.90	0.90	0.91	0.91	0.91	0.91
DKK	7.4721	7.47	7.47	7.47	7.47	7.47	7.47	7.47	7.47	7.47	7.47
SEK	10.77	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8
NOK	11.18	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2
sterling vs											
USD	1.3341	1.34	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.41
JPY	212.65	212	211	211	211	210	209	207	206	202	200
CHF	1.0495	1.04	1.04	1.03	1.03	1.03	1.03	1.04	1.05	1.05	1.06
AUD	0.5293	0.54	0.53	0.53	0.53	0.53	0.53	0.53	0.52	0.52	0.52

Sources: Bloomberg, Westpac Economics.

Activity forecasts

Annual average % chg	2022	2023	2024	2025	2026f	2027f	2028f
Euro area GDP	3.7	0.5	0.9	1.5	1.0	1.4	1.6
<i>private consumption</i>	5.3	0.6	1.3	1.5	1.3	1.3	1.4
<i>fixed investment</i>	2.2	2.7	-2.6	3.1	1.7	2.3	2.5
<i>government consumption</i>	1.3	1.5	2.3	1.6	2.2	2.1	1.9
<i>net exports contribution ppt</i>	-0.1	0.3	0.3	-0.6	-0.3	-0.1	-0.2
Germany GDP	1.9	-0.7	-0.5	0.4	0.9	1.6	1.7
France GDP	2.8	1.6	1.1	0.9	0.9	1.1	1.3
Italy GDP	5.0	1.0	0.6	0.7	0.8	0.9	1.0
Spain GDP	6.4	2.5	3.5	2.8	2.2	2.0	2.1
Netherlands GDP	5.0	-0.6	1.1	1.9	1.3	1.4	1.6
United Kingdom GDP	5.1	0.3	1.1	1.3	0.8	1.3	1.6

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Asia

China activity forecasts

Calendar years	2021	2022	2023	2024	2025	2026f	2027f	2028f
Real GDP	8.6	3.1	5.4	5.0	5.0	4.6	4.5	4.3
Consumer prices %yr	1.5	1.8	-0.3	0.1	0.1	0.9	1.3	1.7
Producer prices %yr	10.3	-0.7	-2.7	-2.3	-2.6	-0.9	1.0	1.5
Industrial production (IVA)	9.6	3.6	4.6	5.8	5.9	5.0	4.6	4.4
Retail sales	12.5	-0.2	7.2	3.5	4.1	4.4	4.6	4.8
Money supply M2 %yr	9.0	11.8	9.7	7.3	8.0	7.8	7.6	7.5
Fixed asset investment	4.9	5.1	3.0	3.2	-1.0	3.6	4.0	4.5
Exports %yr	20.9	-9.9	-2.3	10.7	5.1	2.9	2.7	2.4
Imports %yr	19.5	-7.5	0.2	0.9	0.0	1.5	1.5	1.2

Source: Macrobond, Bloomberg. Year-to-date growth unless otherwise noted.

Chinese interest rates & monetary policy

	Latest (Mar 13)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Required reserve ratio %*	9.00	9.00	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Loan Prime Rate, 1-year	3.00	3.00	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80

* For major banks.

Japanese interest rates & monetary policy

	Latest (Mar 13)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Policy Rate	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10 Year Bond Yield	2.21	2.20	2.15	2.10	2.05	2.00	1.95	1.90	1.85	1.85	1.80

Currency forecasts

	Latest (Mar 13)	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
JPY	159.39	158	156	155	154	152	150	148	146	144	142
SGD	1.2794	1.27	1.26	1.26	1.26	1.26	1.26	1.26	1.25	1.25	1.25
HKD	7.8284	7.82	7.80	7.79	7.78	7.76	7.75	7.75	7.75	7.75	7.75
PHP	59.53	59.0	58.5	58.0	57.5	57.0	56.0	55.0	54.0	54.0	54.0
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MYR	3.9293	3.95	3.95	3.90	3.90	3.85	3.85	3.85	3.80	3.80	3.80
CNY	6.8861	6.85	6.85	6.80	6.70	6.60	6.50	6.45	6.40	6.35	6.35
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TWD	31.97	31.2	30.7	30.2	29.7	29.2	28.7	28.4	28.2	28.2	28.2
KRW	1491	1470	1460	1440	1420	1400	1380	1360	1340	1340	1340
INR	92.34	92.0	91.0	90.0	90.0	89.0	89.0	88.0	88.0	87.0	87.0

Source: Bloomberg, Westpac Economics.

Worldwide

Economic growth forecasts (year average)

Real GDP %ann	2021	2022	2023	2024	2025f	2026f	2027f	2028f
World	6.6	3.8	3.5	3.3	3.4	3.2	3.2	3.3
United States	6.2	2.5	2.9	2.8	2.2	2.5	1.8	1.7
Japan	2.7	1.0	1.2	0.1	1.2	0.6	0.8	0.9
Euro zone	6.4	3.7	0.5	0.9	1.5	1.0	1.4	1.6
Group of 3	5.8	2.8	1.8	1.8	1.8	1.7	1.5	1.6
United Kingdom	8.5	5.1	0.3	1.1	1.3	0.8	1.3	1.6
Canada	6.0	4.2	1.5	1.6	1.7	1.2	1.8	2.0
Australia	5.4	4.2	2.1	1.0	2.0	2.2	2.3	2.7
New Zealand	5.7	2.9	1.8	-0.6	0.3	2.3	3.1	2.8
OECD total	6.1	3.2	1.9	1.8	1.7	1.8	1.6	1.6
China	8.4	3.1	5.4	5.0	5.0	4.6	4.5	4.4
Korea	4.6	2.7	1.6	2.0	1.0	2.0	2.0	1.9
Taiwan	6.7	2.7	1.1	4.8	8.7	4.9	3.0	3.0
Hong Kong	6.5	-3.7	3.2	2.5	3.5	2.9	2.5	2.3
Singapore	9.8	4.1	1.8	4.4	5.0	3.6	2.6	2.5
Indonesia	3.7	5.3	5.0	5.0	5.0	5.0	5.2	5.2
Thailand	1.5	2.6	2.0	2.5	2.4	1.9	2.4	2.5
Malaysia	3.3	9.0	3.5	5.1	5.2	4.4	4.4	4.3
Philippines	5.7	7.6	5.5	5.7	4.4	5.0	5.5	5.7
Vietnam	2.6	8.5	5.1	7.1	8.0	7.2	7.2	7.0
East Asia	7.1	3.6	4.7	4.8	4.9	4.5	4.4	4.3
East Asia ex China	4.4	4.6	3.4	4.3	4.6	4.2	4.1	4.1
NIEs*	6.0	2.3	1.6	3.2	4.0	3.2	2.4	2.3
India	9.7	7.6	9.2	6.5	7.2	6.4	6.5	6.3
Russia	5.9	-1.4	4.1	4.3	0.6	1.0	1.2	1.4
Brazil	4.8	3.0	3.2	3.4	2.3	1.5	2.0	2.1
South Africa	4.9	2.1	0.8	0.5	1.1	1.2	1.5	1.7
Mexico	6.0	3.7	3.4	1.4	1.0	1.5	2.0	2.1
Argentina	10.4	6.0	-1.9	-1.3	4.5	4.0	4.0	3.8
Chile	11.3	2.2	0.5	2.6	2.5	2.0	2.3	2.3
Middle East	2.8	2.8	2.8	2.9	2.9	2.9	2.9	2.9
C & E Europe	9.0	4.2	3.0	2.9	2.8	2.9	3.1	3.4
Africa	3.8	4.4	3.7	4.1	4.1	4.4	4.5	4.5
Emerging ex-East Asia	6.7	3.7	4.3	4.5	4.2	4.0	4.2	4.1
Other countries	6.7	4.8	4.7	1.6	2.5	2.8	3.1	3.5
World	6.6	3.8	3.5	3.3	3.4	3.2	3.2	3.3

#Regional and global groupings are weighted using PPP exchange rates updated to reflect ICP 2011 benchmark revisions.* "NIEs" signifies "Newly Industrialised Economies" as defined by the IMF, viz: Republic of Korea, Hong Kong SAR, Taiwan Province of China, and Singapore.



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