April 2026

WESTPAC MARKET OUTLOOK

Your monthly report on Australia and the global economy.

WESTPAC MARKET OUTLOOK April 2026

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

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This issue was finalised on 17 April 2026.

Ceasefires and blockades

It has now been 48 days since the US–Israel war on Iran began and the Strait of Hormuz has been effectively closed. On March 30 we revised our baseline assumptions for the conflict which has extended beyond our initial four-week assessment and now looks likely to run for the best part of eight weeks with a more gradual normalisation. Developments since then have been broadly in line with our refreshed baseline assumptions.

The two-week ceasefire announced on April 7 has seen markets become much more sanguine on the prospect of a negotiated resolution. This has sustained despite the wide differences on critical issues, little substantive progress on the diplomatic front, both parties blockading the strait and oil prices still 35% above pre-conflict levels. The rebound in US and some Asian sharemarkets to pre-conflict highs is particularly noteworthy. The USD DXY index has also depreciated back to February levels with 'risk-on' currencies like the AUD again testing multi-year highs.

This is not to say that markets are overlooking the inflationary consequences of such a massive disruption to global energy supply. Bond yields remain elevated and are still well above pre-conflict levels, reflecting a material shift in the central bank policy calculus. Markets are no longer pricing in rate cuts from the US FOMC this year either – in line with our own view – although the weaker starting point for activity and the labour market means the possibility of some easing cannot be discounted. For Europe and the UK, expectations have swung from rate cuts to hikes given the materially larger risk of higher fuel costs transmitting throughout their economies.

The RBA stands out in that it was already raising rates before the conflict began, responding to a locally-driven lift in inflation. Now, with trimmed mean inflation expected to peak at around 4%yr later this year, the RBA will feel compelled to continue tightening policy further to lean against the pass-through of higher fuel costs into other prices and prevent a sustained rise in wider inflation expectations. We expect the RBA to deliver three more 25bp rate hikes in May, June and August, taking the cash rate well into restrictive territory.

Australia: The Australian economy is heading for an abrupt slowdown in 2026 as the energy supply shock impacts and a more persistent and problematic rise in inflation draws interest rate rises from the RBA. The bottom line is a very difficult year for the economy: trimmed mean inflation lifting to 4% by year-end, GDP growth stalling to just 1%yr and the unemployment rate rising towards 5%.

Middle East: We consider a 'ceasefire' scenario, with a higher initial reopening of the Strait at around 30% of pre-conflict shipping capacity. In such a scenario, production still takes significant time to normalise and shipping remains constrained – supply does not return to near normal levels until mid-2027. Even with this relatively stronger recovery earlier than in our base case, the damage has been done.

Commodities: Prices had a mixed March. Crude oil was broadly unchanged over the month, while LNG rose 9%. Aluminium and metallurgical coal gained 4% and 5% respectively while gold fell 7% and iron ore was flat. We now expect Brent to average US$105/bbl in the June quarter, before easing back to around US$75/bbl by year end.

Global FX Markets: Last month we highlighted that US dollar gains had been capped. Since then, despite several risk-off events emanating from the Middle East, this has remained the case. And, on murmurs of a resumption of negotiations, it has edged lower against an array of currencies.

New Zealand: The New Zealand economy has shown signs of building momentum before the conflict. As the length and severity of the conflict has become clearer, storm clouds have formed over the outlook. A period of weak growth and high inflation beckons, with the Reserve Bank noting an intention to act forcefully should signs of persistent inflation accumulate.

United States: Headlines tied to the US continue to focus on President Trump's Middle East actions. Abstracting from this news storm, data suggest the US economy slowed below trend ahead of the conflict, leaving it at risk of stalling.

China: China's economy has begun 2026 in good health despite the conflict in the Middle East. In time, recent developments are likely to prove a net positive for China, spurring greater demand for green technology across developed and developing markets.

Asia: Asia faces outsized vulnerability to the conflict due to its heavy reliance on energy imports and large agricultural workforces. Resilient currencies and the AI/semiconductor boom, should offer meaningful growth opportunities.

Europe & UK: The region is particularly sensitive to global energy prices. Petrol prices in the euro area are substantially higher than in other major economies, including Australia. Household utilities also bias up consumer inflation.

Markets try to fade geopolitical risks …

Luci Ellis
Chief Economist, Westpac Group

The key factor for global growth, inflation and markets remains traffic through the Strait of Hormuz. Our baseline forecasts continue to assume a more-or-less full closure of the Strait for eight weeks, followed by a slow reopening. As part of that normalisation, we would need to see a recovery in traffic back into the Persian Gulf, as well as the departure of ships already there. While actual events may differ in the details, we believe this is the appropriate baseline for now. The parties to the conflict have shown some willingness to negotiate, and Iranian attacks on its neighbours have eased considerably since about April 10.

Financial markets have tended to take a 'glass half full' view of developments in the conflict, reacting strongly to positive news such as the ceasefire announcement in early April, but fading the bad news. Equity markets are mostly back to their pre-war highs, and the ramp-up in long bond yields has partly unwound.

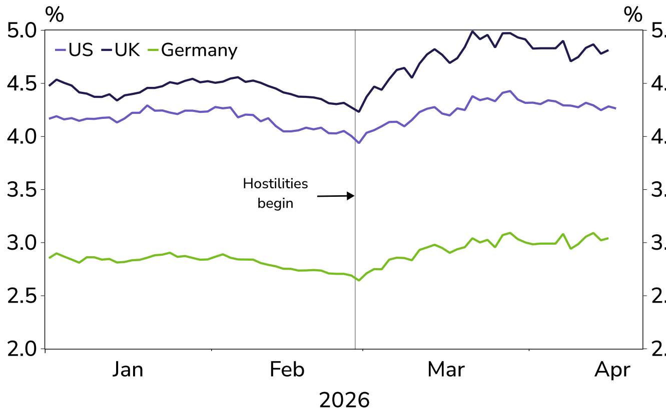
The shock to energy and other commodity prices is simultaneously inflationary and contractionary, an especially difficult combination for central banks to navigate. Markets initially focused more on the impact to inflation than growth: pricing for some major central banks' policy rates has at times implied multiple hikes, though this has been pared back since peaks in late March, partly in response to push-back from senior central bank officials. Pricing for RBA, Fed and ECB policy rates in December 2026 has pulled back roughly 25bp since their respective peaks, and roughly 50bps for the UK and Canada.

This still leaves roughly one 25bp rate hike priced in for the Bank of England and Bank of Canada, and two for the ECB and RBA. Prior to the war, markets were pricing the equivalent of roughly three 25bp cuts to the Federal funds rate, more than we thought reasonable given the underlying inflationary pressures in the US. These have now been almost fully priced out, consistent with our view that the Fed is on hold for now.

FX markets have also shown the tendency to fade geopolitical risk where possible. While the war has clearly been a 'risk-off' event, even at its trough, the AUD depreciated relatively little relative to past global risk events. At press time, it was already back around its pre-war peak levels against the USD.

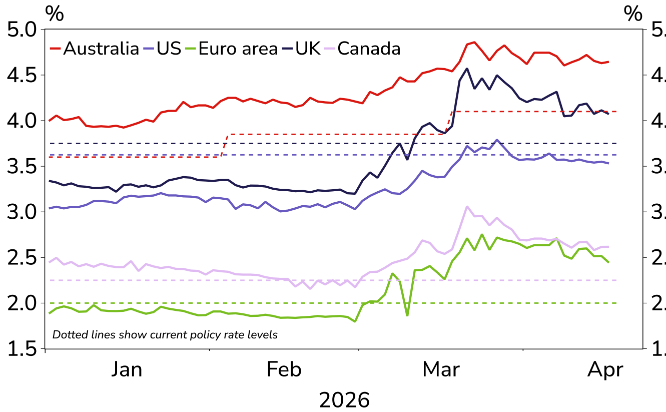
Despite this, the RBA has repeatedly emphasised in its communication that it believes that the AUD's appreciation is entirely the result of the domestic rates outlook: it gives no weight to the idea that there has been a separate, secular sell-off in USD. While the latter could imply some additional disinflation risks that the RBA has not allowed for, they would likely only emerge in 2027 and would be swamped by the near-term shock to inflation coming from higher fuel prices.

Global 10-year bond yields



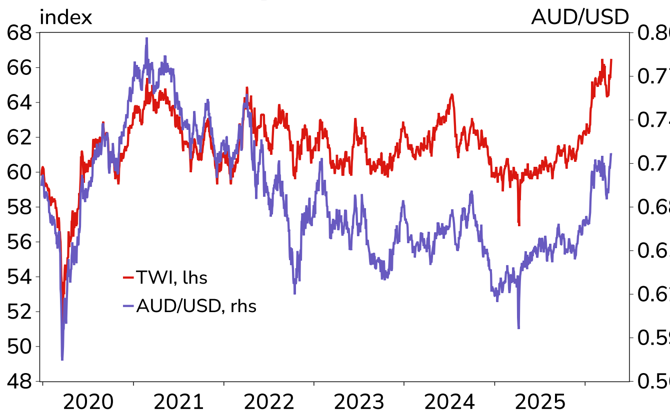
Source: Bloomberg, Macrobond, Westpac Economics

Market-implied policy rates for December 2026



Source: Bloomberg, Macrobond, Westpac Economics

Australian dollar – spot USD rate and TWI



Source: Bloomberg, Macrobond, Westpac Economics

… while inflation is front of mind for RBA

In contrast to some of its peers, the RBA has done nothing to push back on hawkish market pricing for policy rates. This is partly because it was already hiking the cash rate before the war broke out. Inflation had bounced back above the RBA's 2–3% target range in the second half of last year. The inflationary pressure stemming from the energy prices and downstream costs adds to the imperative to get inflation down. A majority of the RBA's Monetary Policy Board (MPB) therefore voted to hike the cash rate in March, ahead of the trajectory that we had expected before the war broke out.

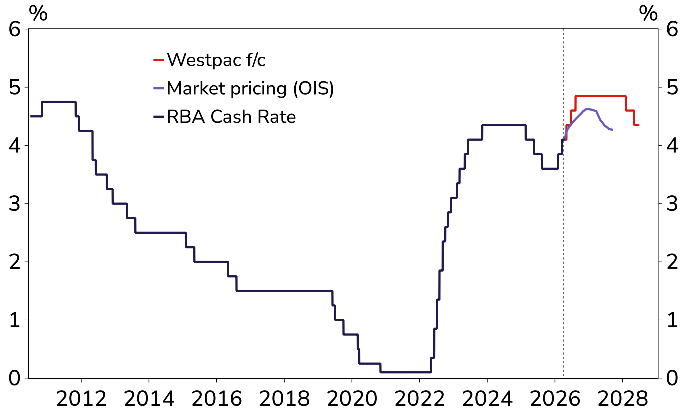
In the RBA's view, the Australian economy has little to no spare capacity. The labour market took a pause from its earlier gradual softening around the turn of the year. While the softening has resumed in the past couple of months, the unemployment rate remains at a level that the RBA believes is tighter than full employment. The RBA has also stuck to its view that productivity growth will trend at a slow 0.7% rate, taking no signal from the positive signs on this front in recent national accounts data. Consequently it believes that the economy can only grow by around 2% before sparking further inflationary pressures.

The size and pace of further RBA tightening turns on the balance between the adverse income shock from higher energy prices and their downstream effect on other prices. We have been concerned at how quickly higher fuel costs are being reflected in a broad range of other prices, and believe that the RBA is getting similar messages from its liaison program and business surveys. Unless and until its sees clear signs of a deterioration in domestic spending or the labour market, cash rate increases will be front-loaded. We continue to expect a further hike in May, with follow-ups in June and August; the risks around this view are two-sided. The timing of the eventual cuts is less certain, but we continue to expect that the RBA will be cautious about cutting rates given its recent experience.

Market participants appear to have absorbed the relatively hawkish stance of the RBA. An increase in headline inflation for the coming year is inevitable everywhere, and evident in inflation expectations as implied by both bond market breakeven rates and inflation swaps. Yet the 1yr–1yr forward rates implied by swaps have remained more anchored here than in the UK or Europe. While this might partly be a judgement about the weight of the subsequent unwind in fuel prices in headline CPI, it also suggests that market participants believe the RBA is less likely to look through the initial shock and likely to attempt to bring inflation back to target faster than its peers.

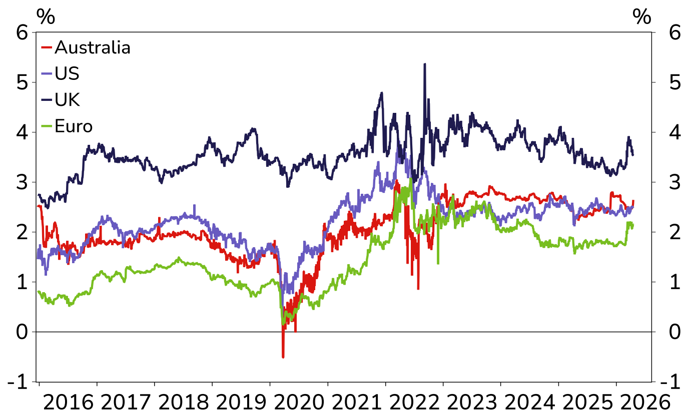
The more hawkish path implied by the RBA than major peer central banks is also reflected in the longer end of the yield curve. Real 10-year yields ratcheted up earlier in the year both in absolute terms and relative to peers, particularly the US. They also initially increased by more when war broke out, though this divergence has unwound since late March.

RBA Cash Rate



Source: RBA, Macrobond, Westpac Economics

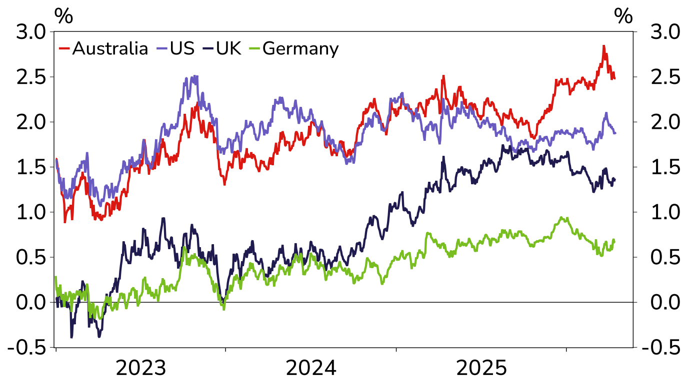
1-year-1-year forward Breakeven Inflation



Source: Bloomberg, Macrobond, Westpac Economics

Global Real Interest Rates

10-Year Inflation-Linked Bonds



Source: Bloomberg, Macrobond, Westpac Economics

All eyes on the consumer …

Matthew Hassan
Head of Australian Macro-forecasting

After a relatively strong finish to 2025, the Australian economy is heading for an abrupt slowdown in 2026. Much of this is already in train – as set out in our last report, the re-tightening in monetary conditions in the first few months is now combining with a large global supply shock centred on energy that is set to see some combination of higher inflation and weaker growth. That shock now looks set to be bigger and more persistent. We updated our forecasts late last month, moving to an assumed path that sees the Strait of Hormuz shut for eight weeks instead of four, and a more gradual six-month normalisation process for global energy supply. Notably, the revised path points to a more persistent and problematic rise in inflation locally with the RBA now expected to respond with two more 25bp rate hikes beyond the expected 25bp move in May, aimed at preventing a sustained rise in inflation expectations. The bottom line is a very difficult year for the economy: trimmed mean inflation lifting to 4% by year-end, GDP growth stalling to just 1%yr and the unemployment rate rising towards 5%.

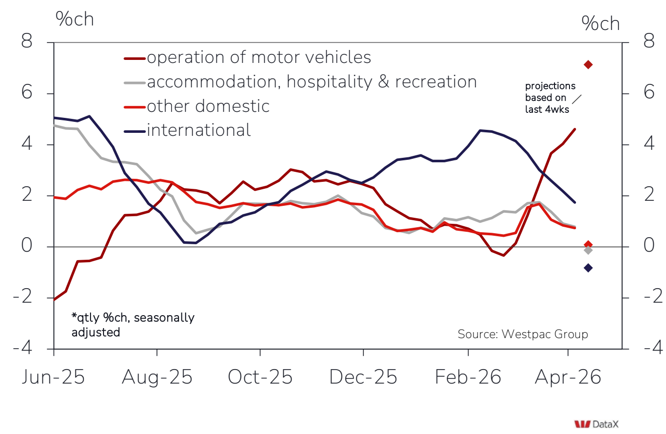
Needless to say, the situation remains highly uncertain in the Middle East. While our revised assumptions still look reasonable as we go to press, we will need to continue monitoring developments closely in coming weeks and months. To help understand the macroeconomic risks around our baseline we have set out some alternative scenarios and their consequences in more detail on px. One that we are paying particularly close attention to is the risk that global energy supply remains moderately impaired throughout 2027. Separately, a fire at a refinery in Victoria that accounts for around 5% of Australia's fuel supply will clearly exacerbate local shortages as well, although the scale of this disruption is still uncertain.

Westpac Card data shows clear weakening

Locally, households are at the forefront of the energy shock. Latest indicators show the spike in fuel prices is starting to squeeze incomes and discretionary spend, while a sharp fall in sentiment suggests there is more belt tightening to come.

Our **Westpac–DataX Card Tracker** is once again proving its worth. The measure monitors credit and debit card activity across the Westpac system with weekly reads available up to April 11. Over the six weeks since the beginning of Iran conflict, the average value of card transactions has been 0.3% higher than the six weeks prior. However, all of this has been due to a sharp 12% surge in fuel spend, 1.6ppts of which is from an initial rise in fuel transaction volumes as consumers brought forward purchases. Excluding fuel, the average value of activity has been 0.6% lower.

Westpac-DataX Card Tracker: fuel vs non fuel activity



Note that there had already been some slowing in activity through January and February, partly reflecting the shifting interest rate backdrop. For the March quarter as a whole, the value of card activity is up 1.2%qtr, a clear moderation on the average 2%qtr rise over the previous three quarters, with growth excluding fuel slower still at 0.9%qtr.

This likely represents a stalling in real, inflation-adjusted terms. That said, official ABS estimates of real consumer spending (due June 3) are likely to still show a positive result due to areas that are not well covered by the card data (changes to electricity rebates and vehicle sales in particular).

The full force of the shock will become more apparent as we roll into the June quarter. This is expected to see annual headline CPI inflation push above 5% with a 1.7% increase in the June quarter alone. With interest rate rises in the mix as well, real disposable income (after tax and interest) will contract materially. Consumers will likely reduce their savings rates as well but even allowing for this cushioning effect, real spending is expected to flat-line in the quarter, implying a 0.5% decline in per capita terms, similar but not quite as large as the string of per capita spending declines seen during the height of the 'cost of living' crisis in 2023–24.

Consumer sentiment crashes

That is broadly consistent with the picture from consumer sentiment. The **Westpac–Melbourne Institute Consumer Sentiment Index** fell heavily in April, declining 12.5% to 80.1. The move takes the Index back towards historical lows, albeit above the extremes seen at the onset of the pandemic and during the recessions of the early 1990s and 1980s.

… as energy shock impacts …

The biggest falls were across components tracking assessments of current conditions although these remained a touch above the levels seen in 2022–24. However, consumers' near-term expectations also deteriorated sharply, suggesting they are bracing for more difficulties. Notably, most consumers – over 80% – expect mortgage interest rates to rise over the next year.

Notably, the shock is having a deeper impact on consumers' labour market expectations than the 2022–24 'cost of living' crisis. The **Westpac–Melbourne Institute Unemployment Expectations Index** jumped 9.7% to 147.8 in April (higher reads mean more consumers expect unemployment to rise). This is the worst read on job expectations since August 2020, one of the darkest moments of the COVID pandemic just before the Federal government significantly expanded its JobKeeper policy to prevent widespread job losses. While the index is still well below previous cycle peaks, which have been in the 160–180 range, the shift should be monitored closely. While the signal is not always a reliable guide to actual labour market outcomes, changes in consumers' sense of job security can still have a direct impact on their behaviour – the purchase of 'big ticket' durable items in particular but also house purchase decisions.

Business confidence also impacted

The energy shock is also reverberating through Australia's business sector. The March NAB Business Survey, which was in the field towards the end of the month, showed a steep fall in business confidence, down –29pts from a neutral reading in February (see here for more). This was the largest monthly decline since the onset of the COVID pandemic, and steeper than falls recorded at the height of the GFC.

The detail shows that while business conditions were steady, costs are starting to surge and already putting some pressure on profitability with a degree of pass-through to final prices as well. That said, labour demand looks steady for now.

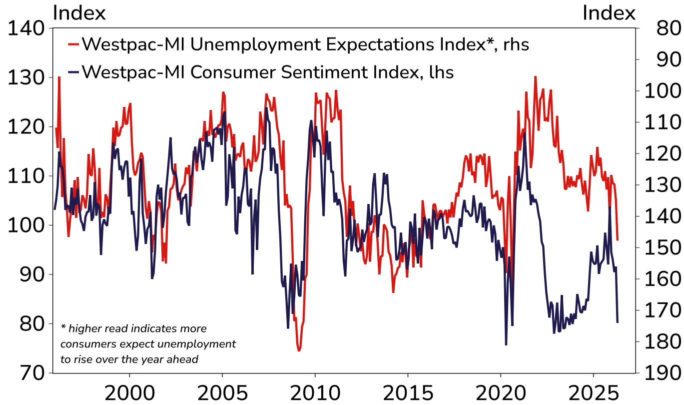
Economy-wide signal evolving slowly

Our **Westpac-Now** nowcast combines available measures into a timely gauge of economy-wide momentum. The latest reads suggest GDP growth has already moderated a touch to 0.6% in the March quarter. However the full effect of recent interest rate changes and the energy price shock have yet to really impact preliminary estimates for the June and September quarters. Within the framework of this measure, the sharp falls in sentiment need to be corroborated by other indicators to shift the wider signal (see here).

Both monetary and fiscal policy measures in play

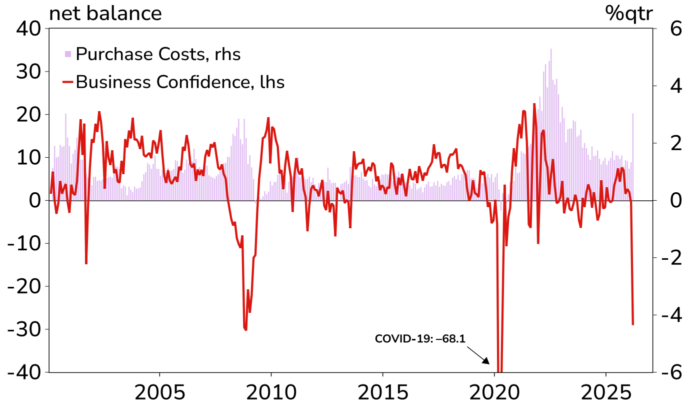
Even timely measures of activity and sentiment are only just starting to capture the energy shock impacts. And as the card data highlights, there is likely to be significant volatility in some of these measures as the situation evolves and policy responds. A key part of this will be the response from central banks with a further interest rate tightening from the RBA

Consumer sentiment and unemployment expectations



Source: Melbourne Institute of Applied Economic & Social Research, Macrobond, Westpac Economics

Business confidence and purchase costs



Source: NAB, Macrobond, Westpac Economics

expected to weigh again in coming months. The temporary halving in fuel excise tax (and state government decision to temporarily exempt fuel from GST), provision of concessional loans to impacted businesses and diplomatic representation by the Government to shore-up our fuel imports and supply, will also likely be followed by other fiscal measures, with the Federal budget on May 12 set to be a centrepiece.

Through all of this it should also be remembered that Australia's position as a net energy exporter means there will also be positives for our economy, flowing through our commodity export sector. The boost from this and higher inflation to tax revenues also gives governments more room to provide fiscal support measures than many countries have.

On monetary policy, the RBA's greater concern will be evidence of a more rapid pass-through of costs to prices, including in areas that are less heavily impacted by higher fuel costs. There have been numerous anecdotal reports of both temporary fuel levies and more permanent price changes being made.

... and policy and downstream prices respond

In the building space, there is firmer evidence of adjustments coming from price notification announcements. The chart below shows a simple average of these price adjustments where the size of changes (or range) has been given and the number of announcements across two major suppliers. The March and June quarters have seen over 300 products re-priced with an average increase of 12.6%. That is about double the number of notifications and well above the 5.5% average we were seeing through 2025 but less widespread than the adjustments through 2022. Of course, these very crude measures should be treated with caution – they are not nearly as systematic as the ABS price measures with no weighting being applied. Nevertheless they may be an early indicator that pricing behaviour and expectations are shifting. The RBA will no doubt be collecting more thorough and systematically measured evidence as part of its liaison round ahead of the May policy decision and Statement of Monetary Policy forecast updates.

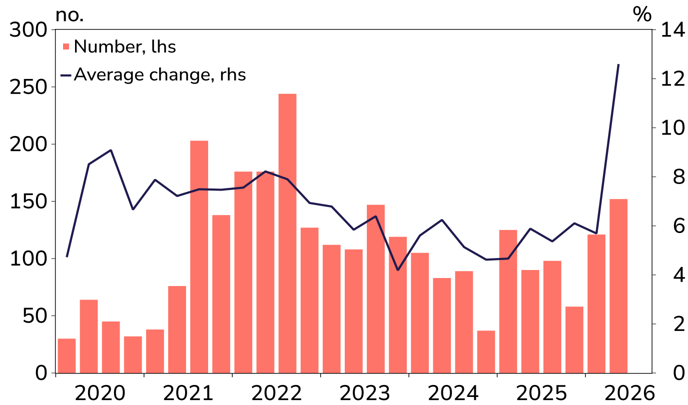
Oil price shocks in the past

While we wait for these developments to play out and the impacts to show through, what can we tell from history? There are of course precedents we can look to for energy shocks although, as always, there are limitations on the guidance these provide.

There have been six substantive energy price shocks since the early 1970s, relating to: the oil embargo in 1973; the Iranian revolution in 1979; the Iran–Iraq war in the early 1980s; Iraq's invasion of Kuwait in 1990; Hurricane Katrina in 2005; and Russia's invasion of Ukraine in 2022. All of these had different scales, profiles and contexts. Comparisons over longer time horizons also need to allow for the changing structure of our economy, including a significant reduction in energy intensity, the shrinking of fuel in total consumer spend and higher generalised inflation prior to the 1990s.

Amongst these, the 1970s shocks saw bigger fuel price rises with the 1979 shock the largest in real terms. Consumer sentiment dropped by a touch more through these periods

Building product price notifications



Source: Tradelink and Reece, Macrobond, Westpac Economics

compared to the fall recorded this month, consumption growth slowing by 2.5–3ppts with the wider economy ultimately entering recessions in the mid-1970s and early 1980s.

Energy shocks since then have been milder (particularly when viewed in real, inflation adjusted terms). There are again extenuating circumstances that limit their relevance to 2026: the invasion of Kuwait came just as the economy was moving into a deep recession for mostly unrelated reasons; the fuel price spike associated with Hurricane Katrina was very short lived; and the 2022 spike was in the context of a much larger and more pervasive shock to global supply chains coming out of COVID and an associated rapid tightening in monetary policy.

Consumption growth slowed sharply through all of these episodes but it is unclear how much of this was a direct consequence of energy price effects. Notably, the spending detail shows growth in fuel spend slowed by much more than non-fuel spend in real terms in 1990 and 2015 but by considerably less in 2022 (suggesting wider cost pressures and interest rate changes were the more substantive driver of that slowdown).

Energy price shocks: historical episodes

Peak to trough change	Oil embargo	Iran revolution	Iran–Iraq war	Iraq invasion of Kuwait	Hurricane Katrina	Russian invasion of Ukraine	Iran war
	1973	1978	1980	1990	2005	2022	2026
Automotive fuel, %chg							
– nominal	51	83	31	24	29	23	28
– real	8	55	17	21	24	14	23
Consumer sentiment, %chg	–13	–15	–4	0	–9	–19	–12
Consumption, real per capita, ppt change in annual growth							
Total	–2.9	–2.4	–0.1	–2.5	–1.2	–4.0	n.a.
– operation of vehicles	n.a.	–0.6	–6.8	–4.9	–7.5	–0.7	n.a.
– total excl. operation of vehicles	n.a.	–2.7	0.0	–2.4	–0.8	–4.3	n.a.

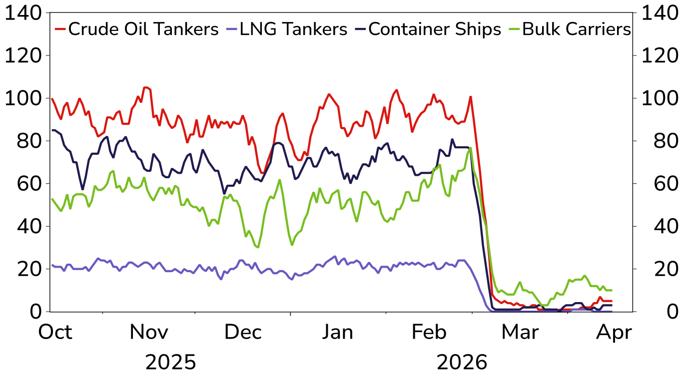
An alternative path under a truce scenario …

Sian Fenner
Head of Business & Industry Economics

A two-week ceasefire was agreed on 7 April, with a key stipulation being the immediate reopening of the Strait of Hormuz. This has not happened. In fact, following the failure to reach a broader agreement, the US moved to blockade vessels entering or leaving Iranian ports. This has meant that no crude or LPG carriers have transited the Strait over the past week. The loss of mostly Iranian oil, around 1.6mb/d destined to China, further exacerbates what the IEA has called the largest global oil supply disruption in history.

Strait of Hormuz, Outbound Vessels

Vessel Crossings, 7-Day Rolling Total, West to East



Source: Bloomberg, Macrobond, Westpac Economics

Encouragingly, outright hostilities have not restarted and negotiations are ongoing with talks of a further two-week extension of the ceasefire. However, as we have previously highlighted, any meaningful recovery in energy supply is dependent not only on the length of the conflict but how long it will take for production and shipping to return to normal. Shipping companies need time to re-establish vessel rotations and contractual delivery arrangements across energy and upstream industrial inputs. Oil production for several Gulf states also needs to recover given the estimated 10mb/d of shut-in production and damage to some facilities. To achieve any meaningful increase in physical oil flows will require a sustained improvement in security conditions and confidence.

We continue to monitor shipping movements and signs of any improved confidence among shipping and energy participants. However, as things currently stand the ceasefire, including any extension, does not materially change the near-term path. Our central case remains one where there is a gradual reopening of the Strait from May, with flows initially recovering to around 20% of capacity initially and only returning to near-normal levels in late 2026.

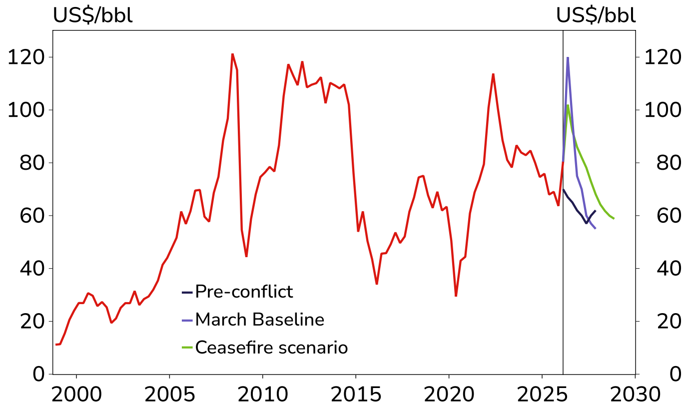
That said, the ceasefire has reduced the probability of severe escalation and given the extreme degree of uncertainty there are multiple plausible paths on both sides of our central case. We have published [several scenario iterations] since the conflict began that have looked at the impact of more extended disruptions. But there is also a path where meaningful progress around the ceasefire, coupled with the US continuing to clear mines, allows the system to begin preparing for reopening with shipping operators starting to reposition vessels. This could see some of the precautionary delays that have built up across the system start to unwind earlier than we currently have pencilled in.

Higher reopening but slower normalisation

In this scenario, we consider a higher initial reopening of the Strait. Supply–demand balance remains the key dynamic component, with persistent imbalances influencing realised prices. As with the base case and alternative scenarios, the physical supply path is built up from production shut-ins and flows through the Strait, with the transmission of higher oil prices to global energy demand captured via the globally integrated Oxford Economics model.

In this scenario, reopening begins at around 30% of pre-conflict shipping capacity. Brent crude spot prices shift lower, largely reflects an unwinding of the supply risk premium. Indeed, we saw this following the announcement of the ceasefire, when the June Brent contract hit a low of US$90.40, down from the high at US$111.80 in the lead up. This has already led us to lower our Q2 Brent crude spot price to an average US$105/bbl versus US$120 previously. In this scenario we would expect prices to peak slightly lower at closer to US$100/bbl.

Brent Crude Spot Oil price scenarios



Source: EIA, Macrobond, Westpac Economics

... but damage already done

However, oil prices for physical delivery, which matter for businesses and consumers, remain elevated at around US$15 above the spot price, as it will still take time for physical supply to return to normal and reach destinations. Refined oil will also remain at a premium until flows from the Middle East reach Asian refineries and inventories begin to rebuild.

Moreover, a higher starting point to the reopening does not necessarily mean that a full restoration of flows will happen sooner. Indeed, production will take weeks and in some cases months to return to normal, shipping through the Strait remains constrained. As such, after an initial improvement, normalisation become slower and more uneven. In this scenario, supply does not return to near normal levels until mid-2027.

Meanwhile, the conflict has also highlighted the vulnerability of a number of countries, particularly across Asia which has been more exposed both due to their dependency on Middle East oil imports and more limited strategic reserves. This reinforces the case for building resilience against future oil supply shocks. While the timing of any response remains uncertain, and is unlikely to be even, we include a more decisive, policy driven push to rebuild reserves from mid 2027, lifting demand across most advanced and Asian economies by the equivalent of around 0.5%. This is materially higher than the historical average pace of reserve builds and provides some price support in the medium term.

Prices elevated for longer ...

As such while spot oil prices are lower than in our base case in the near term, they do not fall back as quickly further out as the underlying physical demand and supply shortfall is not fully resolved. Brent oil prices are on average US$15.50/bbl higher in 2027 than in our central case, ending 2027 at US$68/bbl. In this scenario, Australian diesel and petrol prices continue to ease over 2027 but not only remain above pre-conflict levels but also slightly higher at $1.71/l and $1.67 by the end of the year.

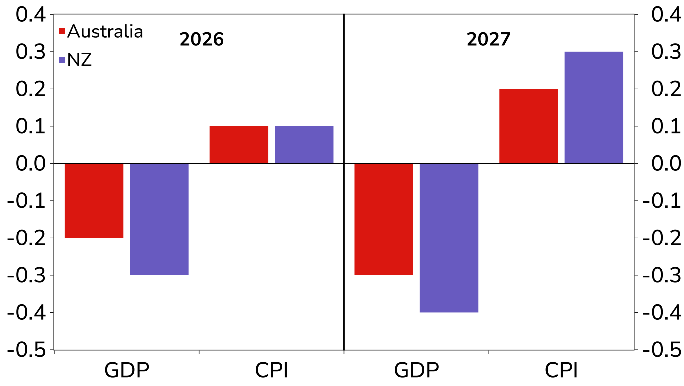
As before, the impact on gas prices remains larger. The initial improvement followed by a slower and more uneven normalisation sees Japanese LNG prices broadly unchanged in Q2 at around US$26mmbtu. Natural gas prices do drift marginally lower by year end to under US$20 but with the case remaining that there is no viable route that bypasses the Strait, and the damage on Qatar's Ras Laffan LNG plant potentially taking up to five years to fully repair, prices remain elevated. In Q4 2027, prices average US$14mmbtu, nearly US$4 higher than in our baseline.

... and more pressure on prices and growth

In this scenario, of a relatively stronger recovery early, but more persistent constraint on energy supplies, Australian and New Zealand headline inflation is a modest 0.1ppt higher at end 2026. However, higher energy prices and costs for fertilisers, plastics and chemicals sees Australian CPI lift a further 0.2ppt in Q4 2027. As discussed previously the impact of higher gas prices will be fairly muted, particularly compared to the energy shock following Russia's invasion of Ukraine given the limited transmission to electricity prices as caps on domestic gas prices are now in place. The Trimmed Mean inflation also 0.1ppt higher than in our base case, leaving it firmly above 3% with GDP 0.3ppt lower in Q4 2027 reflecting a larger and more persistent squeeze on real household incomes.

Middle East ceasefire scenario

Percentage point difference to Q4 yr end growth



Source: ABS, Macrobond, Westpac Economics

In New Zealand, the same shock transmits somewhat more forcefully as higher oil prices represent a negative terms-of trade and income shock. Moreover, unlike in Australia electricity prices respond to higher LNG prices. Overall, headline inflation in Q4 2027 is 0.3ppt higher than in the base case with core inflation, excluding energy and food prices, up 0.2ppt higher than otherwise.

Overall, even in a scenario where there is a relatively stronger recovery earlier than in our base case, the damage has been done. We have already adjusted our outlook for the Australian economy significantly lower reflecting both higher borrowing and input costs with real GDP slowing to just 1% in 2026 and remaining subdued at 1.6% in 2027.

Note: These estimates reflect the modelled impact of higher energy and commodity prices in isolation. Final forecasts incorporate a broader set of interacting forces, which may offset or amplify these effects.

A fragile ceasefire eases the pressure on crude oil …

Justin Smirk
Senior Economist
Luka Belobrajdic
Economist

Commodities had a mixed March as the conflict in the Gulf of Arabia unfolded. Our overall index is down 2.5% since our March report. Crude oil retraced to around US$94/bbl, broadly unchanged over the month, while Asian LNG rose a further 9%. Aluminium and metallurgical coal gained 4% and 5%, respectively. In contrast, gold fell 7%, while iron ore was flat at US$107/t. Since the last report, we have shifted to a more severe conflict scenario, assuming a two-month blockage of the Strait of Hormuz. Under this assumption, we now expect Brent to average US$105/bbl in the June quarter, before easing back to around US$75/bbl by year end.

Oil prices eases but risks skewed to upside

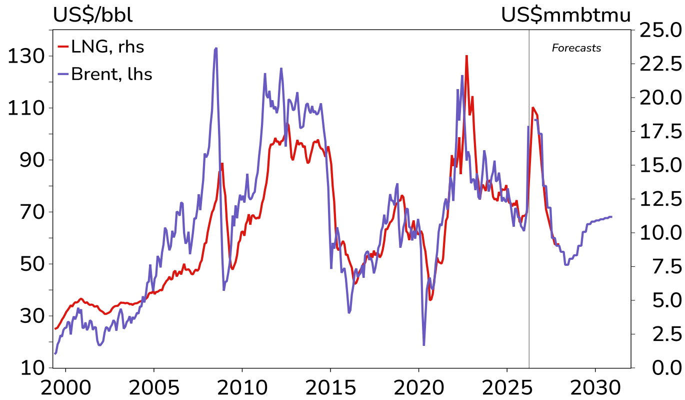
A fragile ceasefire in the Middle East has reduced immediate escalation risks but uncertainty remains high. While there have been steps towards a renewed US–Iran dialogue, progress has been tentative and limited to date. Intermittent vessel transits through the Strait of Hormuz fall well short of restoring the roughly 20mbpd of crude flows that existed pre-conflict. Supply conditions remain tight due to production shut-ins, infrastructure damage and ongoing shipping dislocation, with many vessels continuing to avoid the Strait, creating persistent logistical backlogs. Although global inventories (~8.4bn barrels) provide some buffer, draws outside the Gulf, around 200mb in March, highlight growing downstream stress.

Our baseline assumes the Strait remains largely closed through April, followed by only partial reopening. We expect throughput to recover to around 20% of normal capacity by May, with flows normalising towards end-2026 as security and insurance risks linger. Brent prices are now expected to average around US$105/bbl in Q2 2026, around 33% above our March forecast, before easing as geopolitical risks unwind and high prices drive demand destruction. Dated Brent briefly reached US$145/bbl in early April and our economic modelling places greater weight on this physical crude price rather than financial market pricing. As such, we have trimmed our Q2 estimates to be more in line with financial market pricing, and instead capture more of the economic impact of tighter conditions through wider refining margins, particularly for diesel and jet fuel. Brent is forecast to ease to US$75/bbl by Q4 2026, with further moderation through early 2028 as supply and shipping conditions normalise.

LNG supply constraints boosting Asian prices

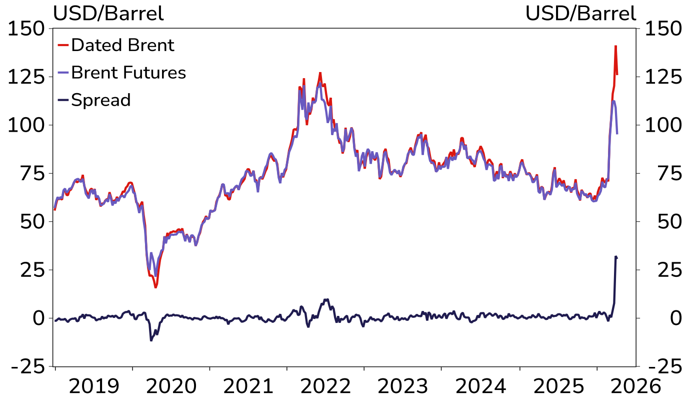
LNG markets remain acutely exposed to the conflict, with an estimated 300mcm/day - around one-fifth of global supply - lost from Qatar and the UAE. Ras Laffan in Qatar, the world's largest LNG export complex, has been offline since early March, while global storage levels were already depleted coming out

Both crude and LNG hit by Strait closure



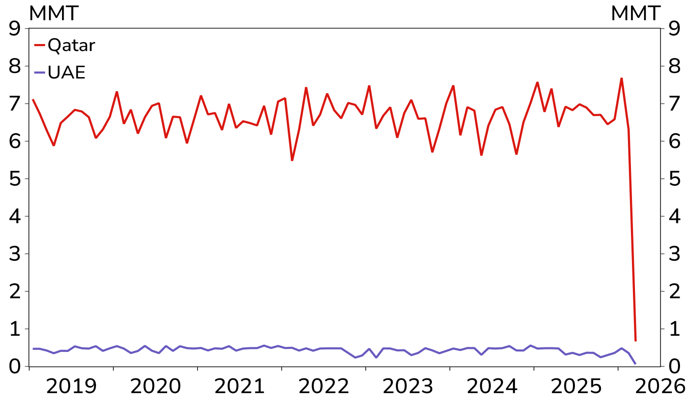
Source: EIA, Macrobond, Westpac Economics

Dated Brent and Brent futures



Source: CME Group, Macrobond, Westpac Economics

Monthly LNG Exports



Source: Bloomberg, Macrobond, Westpac Economics

... while gold is set to retest US$5,000

of the Northern Hemisphere heating season. Asia is particularly vulnerable, with an estimated 80–90% of LNG volumes transiting the Strait of Hormuz destined for Asian markets, driving sharp increases in Japanese LNG prices. We continue to expect Japanese LNG prices to peak around US$26/mmbtu in the September quarter and while prices remain elevated into the December quarter they are expected to ease back to just under US$20/mmbtu. Given the scale of infrastructure damage and the lack of viable alternative export routes, LNG prices are not expected to return to the pre-conflict level until mid-2027.

Iron Ore

Iron ore continues to find near term support from higher freight and operating costs related to the energy shock, with freight accounting for an estimated 15–30% of delivered costs. It has also been supported by resilient steel output in China. The medium-term outlook is increasingly challenged, however, with surplus conditions expected to emerge. Supply side pressures are building, led by new low-cost supply from Simandou and historically high iron ore inventories at Chinese ports.

At the same time, global steel demand is softening as major economies face energy-related cost pressures. Increased use of steel scrap and a structural decline in Chinese steel production continue to erode underlying demand, with growth in India and South-East Asia providing only a partial offset.

Adding to the downside risk, an apparent near-term resolution of industrial tensions between China Mineral Resources Group and BHP has also removed a source of temporary support. Together, these dynamics point to rising downside risk over the medium term so we continue to expect the 62%fe index to soften, averaging around US$92/t in the June quarter, before declining further to approximately US$83/t by December.

Gold consolidating before a push

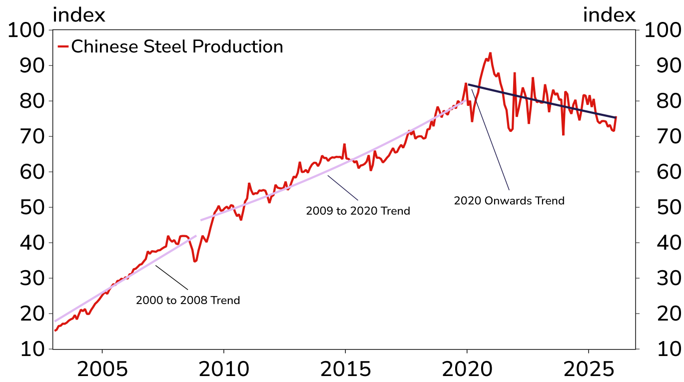
Gold has been under pressure in recent weeks as markets focused on the inflationary impact of higher oil prices and the prospect that central banks may keep policy tighter for longer. A rapid rise in US real yields alongside renewed USD strength has weighed on bullion, prompting a notable retracement from the all time high reached in late January.

We expect consolidation to persist over coming weeks. Gold has already corrected materially and speculative positioning has been flushed out. A period of range trading, with easing volatility, should allow a base to form and encourage longer-term investors to gradually rebuild positions.

Geopolitical risks tend to have an uneven and often short lived impact on gold, with near term safe haven rallies typically fading as markets adjust. More durable support usually comes through second round effects, including shifts in the growth inflation mix, policy responses and strengthening strategic demand as investors diversify. If geopolitical disruptions

Chinese steel production peaked in 2020

Since peaking steel production has been trending down



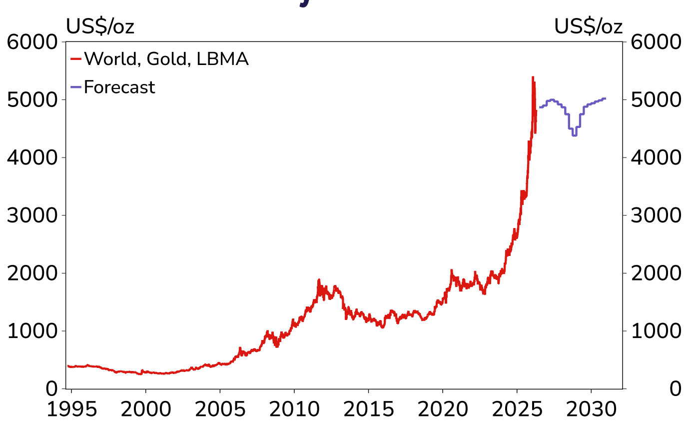
Source: World Steel Association, Macrobond, Westpac Economics

persist and energy prices remain elevated, the combination of higher inflation and weaker growth, alongside the risk of renewed fiscal and monetary stimulus, would present upside risks for gold. Persistent geopolitical uncertainty also underpins overall demand.

Concerns about central bank selling resurfaced following recent price weakness and headlines around Turkey. While some central banks may sell modest amounts at times, there is little evidence of a structural shift away from gold. We continue to expect official sector net purchases to be broadly in line with recent trends.

Headline risks remain as markets re-price geopolitical and macro developments. Nevertheless, positioning is cleaner, long term investors remain under invested, and diversification demand is rising so we expect to see a new high in gold.

Gold continues the rally from 2024



Source: LBMA, FTSE Russell, Macrobond, Westpac Economics

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

US dollar increasingly ...

Elliot Clarke
Head of International Economics

Last month we highlighted that US dollar gains in the lead-up to March Market Outlook had been narrow and capped around 100 for the DXY index. Since then, despite a material escalation in the Middle East conflict, the nascent ceasefire being threatened by a complete breakdown of negotiations between the US and Iran, and the US subsequently blockading Iranian ports, the US dollar has continued to struggle for upward momentum. Indeed, on rumours of a resumption of negotiations, the past few days have seen it edge lower against numerous currencies across developed and developing markets.

In our view, there is a degree of hope in current market pricing. That said, typically the market impact of a crisis such as this begins to unwind long before a formal peace agreement is disclosed. And, in this particular instance, the short-term workarounds for supply and the intent shown by world leaders excluding the US to restore shipping capacity are also helping alleviate anxiety over downside risks.

While certainly not a panacea for the conflict's ill effects, if we are right in expecting a slow-but-steady resumption of shipping through the Strait of Hormuz in coming weeks, which continues to year end, then the US dollar is likely to weaken further, to the benefit of currencies most affected by the crisis (Euro and Sterling being developed world examples) and of nations set to benefit from improving global growth opportunities – China being the obvious example, particularly given their market share for equipment related to renewable energy and the green transition more broadly.

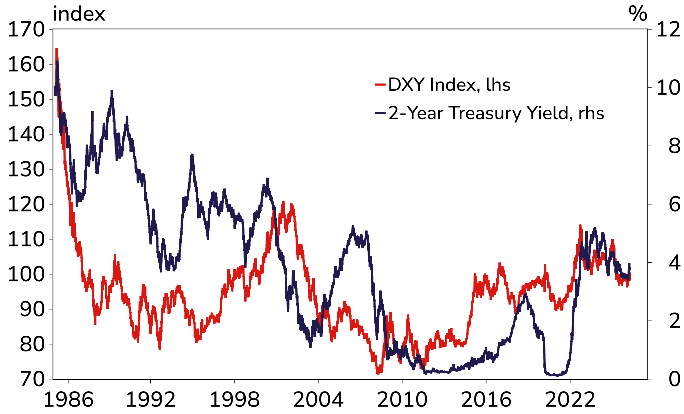
Our base case to June 2028 is largely unchanged from last month for the US dollar, the DXY index projected to fall from 98.2 today to 96.8 at end-2026, then 94.0 come end-2027, where it is forecast to settle. Gains for Euro and Sterling are key contributors, respectively rising from USD1.18 and USD1.35 at present up to USD1.22 and USD1.41 by end-2027.

Starting from such weak levels, the anticipated gains for Japan's Yen and Canada's dollar are also powerful supports for the US dollar downtrend. We expect USD/JPY to fall from JPY159 currently to JPY142 by mid-2028, as USD/CAD declines from CAD1.37 to CAD1.30.

If second-round inflation risks can be managed effectively without a material hit to economic growth or the labour market, then these currencies could experience sustained opportunities to outperform our base expectation further out.

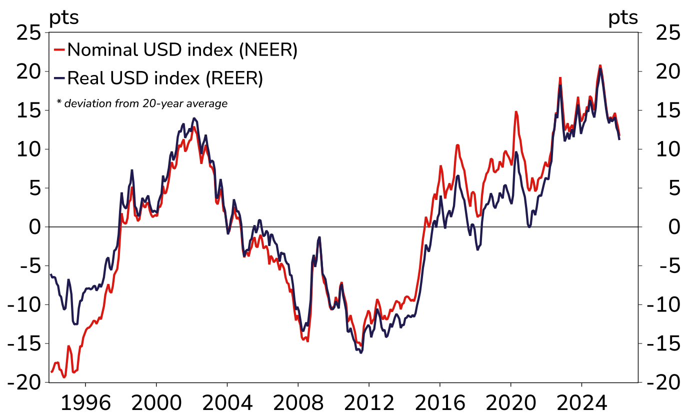
It is not just core developed world currencies that are set to benefit from this turn, however. China's Renminbi has been remarkably resilient during the crisis, only edging up from

USD safehaven status in question



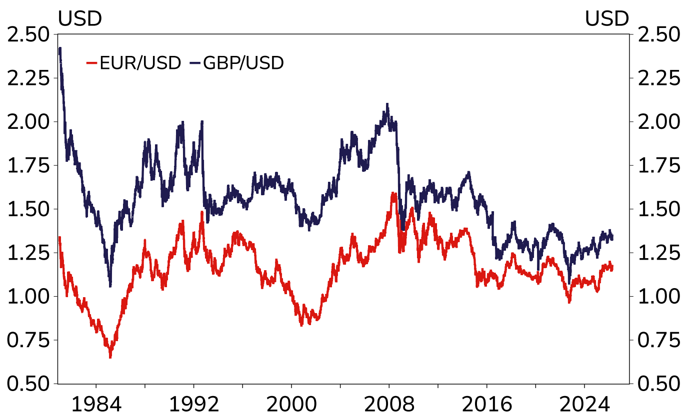
Source: Bloomberg, Macrobond, Westpac Economics

USD risks to downside



Source: BIS, Macrobond, Westpac Economics

Euro and Sterling exposed to energy



Source: Bloomberg, Macrobond, Westpac Economics

… lacks support

around CNY6.85 at end-February to a high of CNY6.91 during March, then steadily moving lower to CNY6.82. This makes sense given China's strategic energy reserves and access to Russian and Iranian oil, among other relationships. But, once the scale and depth of China's manufacturing base across green technologies is taken into consideration, and the acute need for these goods recognised by the world ex-US, this appreciation seems likely to only be the start. To mid-2028, we therefore look for USD/CNY to fall to CNY6.35, and suspect the risks are skewed in one direction, in the Renminbi's favour.

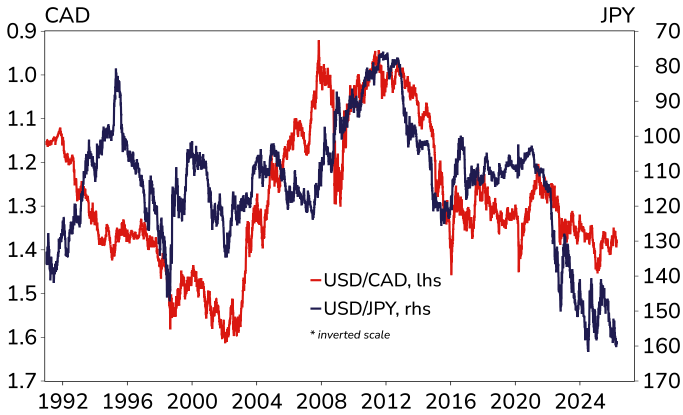
While China's Renminbi is likely to outperform many other US dollar bilaterals over the period, seeing a rise in the currency on a trade-weighted basis, this appreciation is unlikely to upset the nation's competitive advantage. The rest of Asia in particular are likely to use the technology and know-how imported from China to improve their own capacity and lower production costs, aiding their economic performance and attractiveness to foreign capital. Each of the currencies of the region have their own starting points – Singapore's dollar is strong, Indonesia's Rupiah weak as examples – and domestic narratives to play out. But, over the course of two years, all are likely to gain against the US dollar and, to a lesser extent, other cornerstone currencies of the global system, such as Euro and Sterling.

While the uncertainty created by the Middle East conflict leaves us unsure as to when, we increasingly believe that historic safe-havens could find themselves under growing pressure over the forecast period as investors and businesses recognise the scale and breadth of developing market opportunities. These are broad across both manufacturing and service industries – along with core and technological infrastructure – and have very long runways ahead.

For the US dollar in particular, we see a heightened susceptibility, with this global outturn to follow an extended period of US' outperformance and as US geopolitical and fiscal decision making is debated at length across the globe.

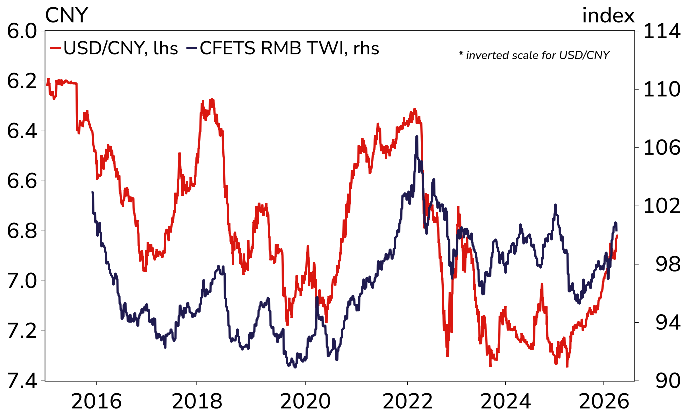
Our current baseline forecast takes the US dollar DXY index near its 20-year average of 90.6, and so we will wait to see how developments break over coming weeks before considering the scale of further downward pressure the US dollar may face. For now we merely highlight that the average of the past 20 years muddies two eras, early-2015 to now when the DXY oscillated around today's level, and mid-2006 to mid-2014 when it instead averaged 80.2, 18% below spot. Coming years may well see a very different FX environment to that experienced post-pandemic.

Concern over CAD to slowly abate



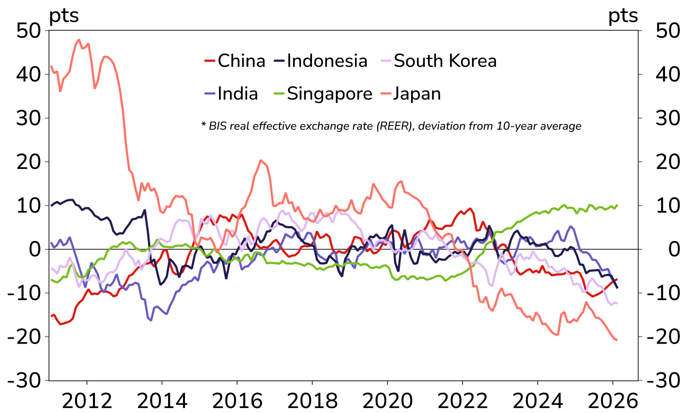
Source: Bloomberg, Macrobond, Westpac Economics

Renminbi to sustain rally



Source: Bloomberg, Macrobond, Westpac Economics

Asia's outlook still promising



Source: BIS, Macrobond, Westpac Economics

War uncertainties are impacting the economy …

Kelly Eckhold
Chief Economist NZ

Views on the likely duration and the severity of the war have waxed and waned over the month as markets wavered between very negative and more optimistic scenarios. The reality remains cloudy and the prospects of a long bumpy road ahead remain the base case. The RBNZ channelled themes of uncertainty and the prospect of potentially longer-lived inflationary impacts, by delivering a 'hawkish hold' in April. We brought forward our view of when the OCR will begin to normalise and have further fine-tuned how the overall tightening cycle may evolve.

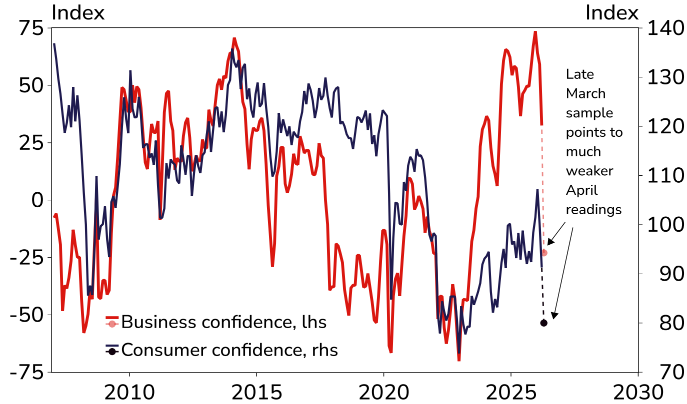
The Iran war and its impacts on New Zealand remained front and centre this month. It is very well understood that the impact will critically depend on the size and duration of the disruption to global energy supply. And we have seen the full gamut of possibilities on how the war could impact on New Zealand. Businesses and consumers have taken an initial pessimistic view of how the war will impact the operating environment. The questions now are whether those views will be borne out and just how far off course will inflation be knocked and for how long.

Fortunately, a hastily arranged cease-fire "deal" has allowed breathing space for further negotiations towards a permanent truce to occur. Unfortunately, initial negotiations failed, leading to the US countering the Iranian plan to restrict maritime traffic with their own blockade of Iranian traffic. This is especially unfortunate since it seems the bulk of tanker traffic exiting the Gulf since hostilities commenced has been Iranian sourced oil. The reality of the situation and the wide disparity between opposing parties' views on the 'deal' does not bode well for a quick resolution. Hence, as we stand today, nothing has really changed in terms of New Zealand's medium-term fuel security situation as no meaningful increase in tanker flows out the Persian Gulf is occurring.

The upshot is that New Zealand's fuel security position remains adequate for now but uncertain looking beyond the next month or so. The Government is working on additional storage options and is fine-tuning plans for the hopefully unlikely situation where interventions to allocate scarce fuel stocks become necessary. But businesses and consumers remain on edge, which will likely hamper economic activity for at least the next few months.

Against this backdrop of uncertainty, the RBNZ has adopted a more hawkish tone in recent weeks as the prospect of inflation peaking over 4% becomes more tangible. The RBNZ MPC seems to have separated into a couple of camps: a more hawkish group that sees an argument for a proactive approach to lean against potentially persistent inflation pressures with a higher OCR from perhaps May or July; and a more dovish camp

Business and Consumer confidence



Source: ANZ, Macrobond, Westpac Economics

that is happier to take more time to assess given the possibility that the activity implications of the oil shock could dampen inflation over the medium term. That latter group might perhaps be happier to wait until later in the year before beginning to raise rates, but even among this group there seems no appetite for OCR cuts. Hence, the issue now for the MPC is when, not if, to tighten. And that tightening might come as soon as May, although we are opting for September right now.

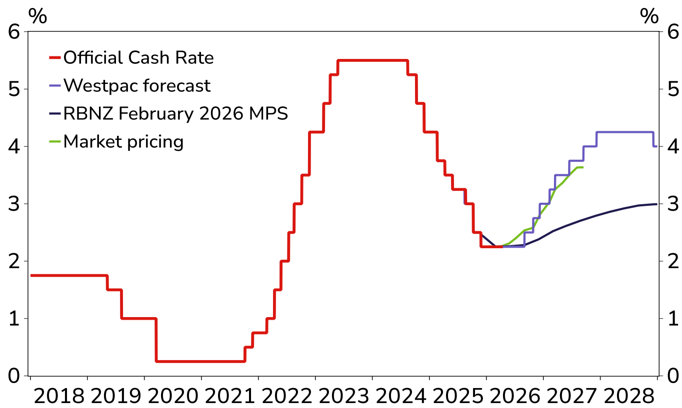
One interesting message from the RBNZ's communications is that they see the economy as having gathered momentum following a slightly disappointing December quarter. Hence, the RBNZ retains optimism that economic momentum will not be unduly undermined by the war given the assumption that it will be over relatively soon. Certainly, some of the data recently seemed to support that optimism given that the Business NZ PMI for March showed resilience by falling only modestly, the ANZ's Heavy Traffic Index – a measure of commercial traffic flows – was resilient in March and migration and tourism data showed strong momentum. We also notice that weekly filled jobs trends continued to track in line with year earlier levels through March, suggesting that any job shedding due to the war has not started. Our card spending data shows that total spending stalled in March, but there has been a decided swing from spending on discretionary items to petrol.

This more hawkish take from the MPC prompted us to bring forward when we expect OCR increases to begin, from December to September 2026. We expect 25bp interest rate hikes at each meeting from then until the OCR reaches 3.5% – at which point the OCR will be firmly in the neutral zone from the RBNZ's perspective. After that, the outlook is cloudier and we expect a more gradual pace of tightening, with OCR increases only at Monetary Policy Statements. We

… and the RBNZ seems set to act decisively

continue to expect that the OCR will peak at 4.25% (above our assessment of neutral, which remains at 3.75%). However, that peak is now expected to be reached in December 2027 - two meetings earlier than we previously assumed. The OCR is expected to remain at that level through 2028 before returning to 3.75% in 2029.

RBNZ Official Cash Rate



Source: RBNZ, Macrobond, Westpac Economics

There is a lot of uncertainty about how the economic outlook will play out for obvious reasons. Hence, we think that it is easier to break down the entire interest rate cycle into two components: the initial move of the OCR from stimulatory levels to the neutral zone; and then what happens from there. For now, we suspect it will be easier to get a handle on the first part of the cycle. And indeed, the bar to start lifting the OCR towards neutral levels is likely a lot lower than moving the OCR above neutral and beyond.

The key focus for the MPC seems to be what the high-frequency data can tell them about the peak in inflation, but especially how persistent inflation pressures are likely to be. Top of mind are indicators of inflation expectations (especially medium-term expectations), firm pricing behaviour and wage growth trends. The reality is that little will be learned about wage setting trends for some time – and indeed stronger wage growth if in the offing is more likely a 2027 than a 2026 story. So, the focus should be on what we can learn from the monthly inflation expectations surveys, the Quarterly Survey of Business Opinion and monthly Selected Price Indices to see if there are signs of broad and potentially persistent inflation pressures.

Looking ahead, Governor Breman has noted that further MPC reforms are forthcoming soon. This could at least include more details on individual members' views. Named votes might also be possible – although the time taken perhaps indicates some push-back against transparency somewhere in the system. We hope not and continue to advocate for named votes and a discussion from each MPC member about the rationale for their advice. These reforms will nicely complement the steps forward already taken.

	2025								2026		
Monthly data	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
REINZ house sales %mth	1.3	–2.1	–4.0	2.5	–2.8	–1.7	6.3	0.6	1.1	–5.1	2.8	–
Residential building consents %mth	–16.1	10.9	–5.2	5.5	6.1	7.4	–0.7	2.7	–4.5	2.0	2.7	–
Electronic card transactions %mth	0.0	–0.1	0.5	0.2	0.6	–0.4	0.3	1.3	–0.2	–1.1	1.4	–
Private sector credit %yr	3.0	3.0	3.2	3.5	3.8	4.2	4.6	4.4	4.6	4.6	4.7	–
Commodity prices %mth	0.0	1.9	–2.4	–1.8	0.7	–1.1	–0.3	–1.6	–2.1	2.0	4.2	4.1
Trade balance $mn	19	–250	–521	–360	–98	278	–225	–362	–206	–336	–851	–

Quarterly data	**Q4:23**	**Q1:24**	**Q2:24**	**Q3:24**	**Q4:24**	**Q1:25**	**Q2:25**	**Q3:25**	**Q4:25**	**Q1:26**
Westpac McDermott Miller Consumer Confidence	88.9	93.2	82.2	90.8	97.5	89.2	91.2	90.9	96.5	94.7
Quarterly Survey of Business Opinion	9	–27	–25	–29	–27	–22	–21	–15	–3	–
Unemployment rate %	4.0	4.4	4.7	4.9	5.1	5.1	5.2	5.3	5.4	–
CPI %yr	4.7	4.0	3.3	2.2	2.2	2.5	2.7	3.0	3.1	–
Real GDP %yr	2.2	1.8	1.1	0.5	–0.3	–0.9	–1.1	–0.6	0.2	–
Current account balance % of GDP	–6.3	–5.7	–5.5	–5.2	–4.7	–4.2	–3.7	–3.5	–3.7	–

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

China set to benefit …

Elliot Clarke
Head of International Economics

China's economy has begun 2026 in good health despite the conflict in the Middle East, registering annual GDP growth of 5.0% in Q1. In time, recent developments are likely to prove a net positive for China, spurring greater demand for green technology across developed and developing markets.

Not only were the March readings for the official NBS manufacturing and services PMI's favourable, registering increases to 50.4 and 50.1, but the partial data through February and March showed the beginning of a long-awaited stabilisation in consumer demand and turn for housing investment, retail sales growth beating estimates in February at 2.8%ytd (although growth slowed again in March to 2.4%ytd) and the decline in property investment almost halving from –17.2%ytd in December to –11.2%ytd in March. The latter result is particularly welcome given construction activity has declined almost 40% since end-2021.

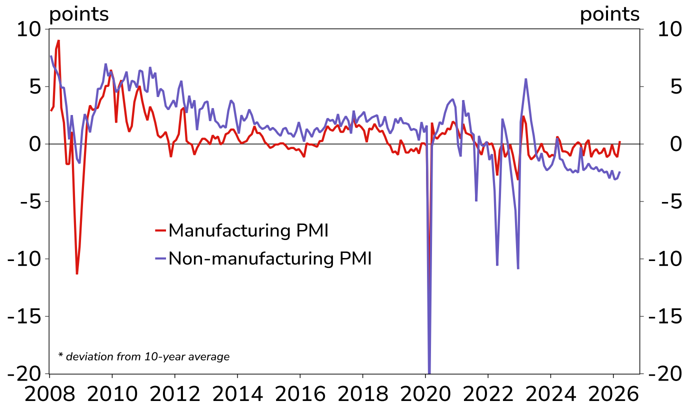
In the short term, an end to the sharp decline in property investment will add meaningfully to economic growth given the sector still makes up circa 15% of the aggregate economy. In the medium to long-term though, not only will investment activity need to expand sustainably, but wealth have to follow. As yet, there is no evidence of price growth, with new and existing home prices falling a further 0.2% in March.

We remain circumspect on the rate at which retail sales growth will accelerate from here near term, anticipating it is unlikely to return to trend, let alone outperform, until pro-active fiscal policy comes into effect. Authorities signalled an intention to act at the March NPC, but detail has been scarce since.

It is potentially the case that the Government wants clean air for reforms, which the Middle East conflict and the upcoming May meeting between President Xi and President Trump precludes for now. Though authorities may also feel the domestic economy has been given additional time to find its own path without intervention. The response of consumers and businesses across developed and developing markets to the current surge in energy prices will almost surely be an acceleration in demand for renewable energy products and electric vehicles, which China is globally dominant in and has ample spare capacity to produce and ship.

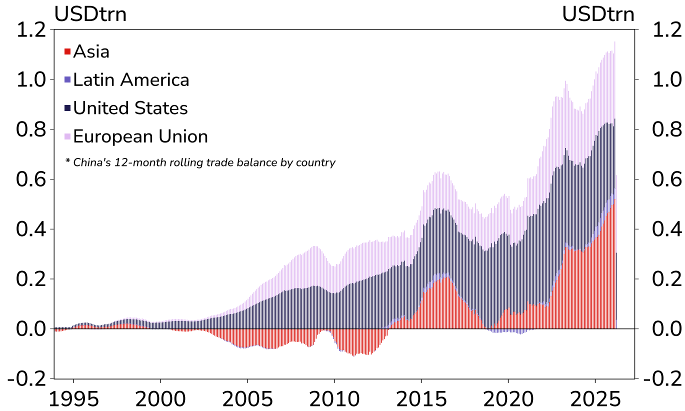
Even without a further material improvement in domestic demand, the short-term downside risks for Chinese GDP growth are receding thanks to this catalyst. Note too, the positive impulse is likely to prove lasting as geopolitical uncertainty over energy supply produces a national imperative to reduce reliance on the Middle East, particularly amongst south-east Asia, Latin America and Africa, where Chinese firms are experiencing particularly rapid demand growth.

Industry resilient to oil shock



Source: CFLP, Macrobond, Westpac Economics

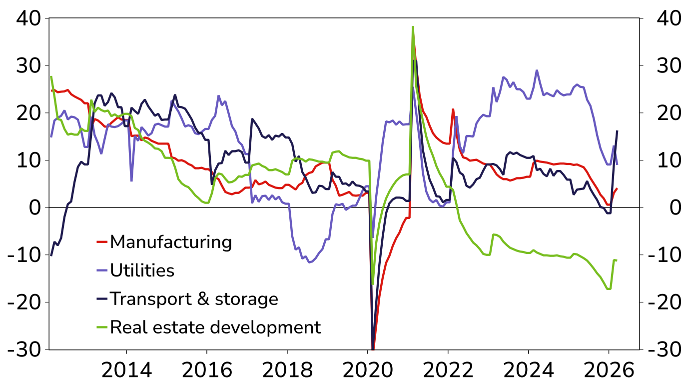
Trade surplus to widen



Source: GAC, Macrobond, Westpac Economics

Property contraction coming to end?

Fixed Asset Investment by Industry (%ytd)



Source: NBS, Macrobond, Westpac Economics

... from global unrest

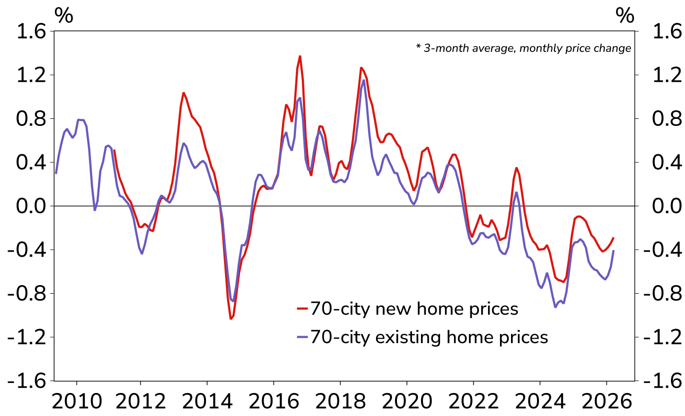
Indeed, the learnings from this crisis, and what is expected to be a favourable result from the May meeting between President Xi and President Trump, could also skew long-term risks for Chinese growth and sentiment to the upside. This is not to say that 5.0% growth is probable for 2026–2028, but rather that growth is increasingly likely to stabilise around 4.5% instead of 4.0%.

Attaining annual growth of 5.0% over successive years would require material gains for trade, industrial investment and property construction and household consumption. The latter would necessitate a dramatic turn in actual and expected wealth and sentiment, however. While not impossible, given the poor starting point on both fronts, this is best considered a low probability and long-coming upside risk.

Sooner than later though, the favourable shift in global opportunities and risks for China is likely to support stronger demand in Chinese financial instruments. Yields and credit spreads will remain compressed, enticing additional real economy investment, and equities should see sustained inflows of new capital.

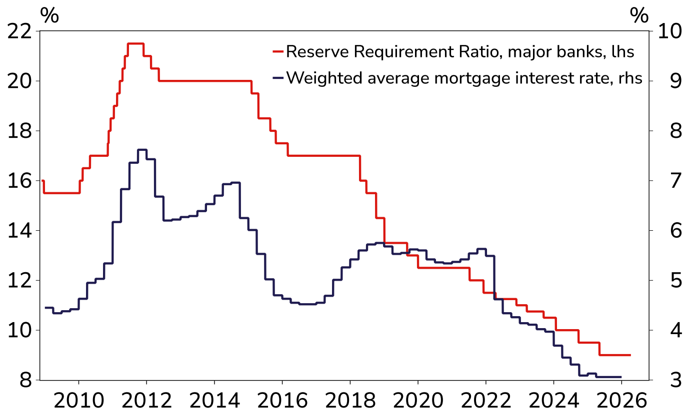
Paired with continued strength in the trade balance and the returns from offshore investments currently being made by Chinese firms, demand for the renminbi will grow in depth and breadth. Given the diversity of Chinese interests across the globe, currency gains are expected on a trade-weighted basis, but will be most acute bilaterally versus the US dollar – the only currency Chinese entities look to be reducing their exposure to. Importantly, trade-weighted currency gains are likely to be proportional to China's competitiveness opportunities, and so should not materially narrow the current account.

Wealth needs support



Source: Bloomberg, Macrobond, Westpac Economics

Pro-active policy crucial



Source: Bloomberg, Macrobond, Westpac Economics

	2025									2026		
Monthly data %yr	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Headline CPI %yr	-0.1	-0.1	0.1	0	-0.4	-0.3	0.2	0.7	0.8	0.2	1.3	1.0
M2 money supply %yr	8.0	7.9	8.3	8.8	8.8	8.4	8.2	8.0	8.5	9.0	9.0	8.5
Manufacturing PMI (official)	49.0	49.5	49.7	49.3	49.4	49.8	49.0	49.2	50.1	49.3	49.0	50.4
Fixed asset investment ytd %yr	4.0	3.7	2.8	1.6	0.5	-0.5	-1.7	-2.6	-3.8	-3.8	1.8	1.7
Industrial production %yr	6.1	5.8	6.8	5.7	5.2	6.5	4.9	4.8	5.2	5.2	6.3	5.7
Exports %yr	8.0	4.6	5.7	7.0	4.2	8.2	-1.3	5.8	6.5	10.0	39.6	2.5
Imports %yr	-0.3	-3.3	1.3	4.2	1.5	7.6	1.1	1.8	5.6	25.6	13.8	27.8
Trade balance USDbn	95.8	102.7	113.9	97.5	101.3	89.7	89.4	111.6	114.1	122.6	91.0	51.1

Quarterly data	Dec–24	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26
Real GDP %yr	5.4	5.4	5.2	4.8	4.5	5.0
Nominal GDP %yr	4.6	4.6	3.9	3.7	3.9	4.9

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

An adverse turn …

Elliot Clarke
Head of International Economics

Headlines tied to the US economy continue to focus on President Trump's Middle East actions and the consequences for global energy prices. Abstracting from this news storm, however, the message from available economic data is the US economy slowed below trend ahead of the conflict, leaving the economy at risk of stalling, at least briefly.

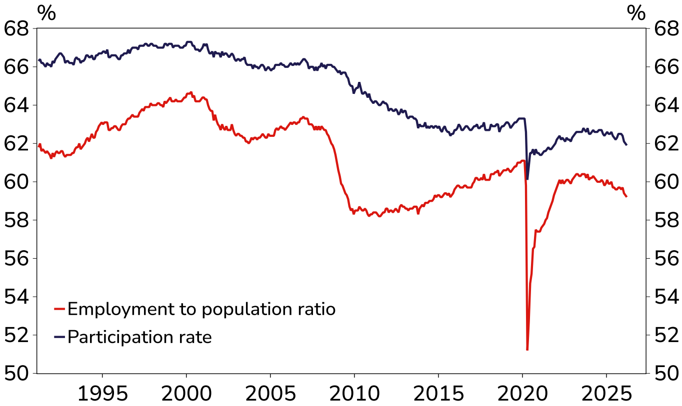
In understanding the US' current state and outlook, it is best to assess recent data chronologically. First estimated at 1.4% annualised, Q4 GDP growth has since been revised to just 0.5%. Underlying the headline revisions, personal consumption growth throttled back from a near-trend 2.4% to a sub-par 1.9%, and business investment from an already-weak 3.7% annualised to 2.4%, as residential investment contracted 1.7% annualised.

Come January and February 2026, personal consumption expenditure was essentially flat and core goods order growth slowed to less than a third of Q4's pace. We do not have reliable data to back the assertion, but it is hard to believe the recent rise in the US 10-year yield and pass-through to the 30-year mortgage rate won't put additional pressure on residential construction. The current Atlanta Fed GDPNow estimate of 1.3% annualised therefore seems likely to slip through April before the formal Q1 GDP result is released by the BEA.

Another step down in momentum, perhaps outright contraction, come Q2 is clearly a risk. The only data to hand for April is the University of Michigan's consumer sentiment survey. Worryingly, the headline index fell to its weakest read on record at 47.6 – an impressive feat considering the survey dates back to 1978 and has averaged 83.8 since, 43% above April's read. Notably, both current conditions and expectations are at all-time lows, and this is despite nonfarm payrolls having bounced back in March and equity markets, in aggregate, showing resilience.

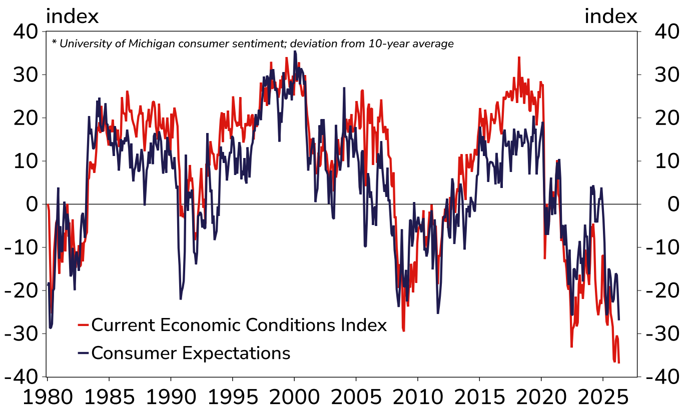
While nonfarm payrolls have averaged a gain of 68k the past three months, this follows the average loss of 8k jobs per month through the second half of 2025 and material downward revisions to historical estimates prior to that. Household employment outcomes have also been materially weaker over the period. The unemployment rate is essentially unchanged since Q2 2025, but the participation rate has fallen almost 0.7ppts over the period, implying an unemployment rate of 5.0% on a constant participation basis. While not an alarming level historically, relative to the average of the past five years, it implies a marked turn in job creation and building downside risks for activity. This is corroborated by the 1.5ppt decline in the household savings rate since April 2025.

Labour market slack is building



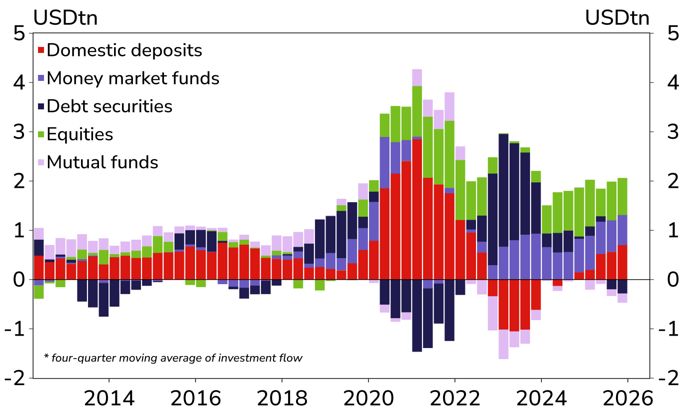
Source: BLS, Macrobond, Westpac Economics

Confidence is at its lows



Source: University of Michigan, Macrobond, Westpac Economics

Wealth being accumulated not spent



Source: Fed, Macrobond, Westpac Economics

... in the making

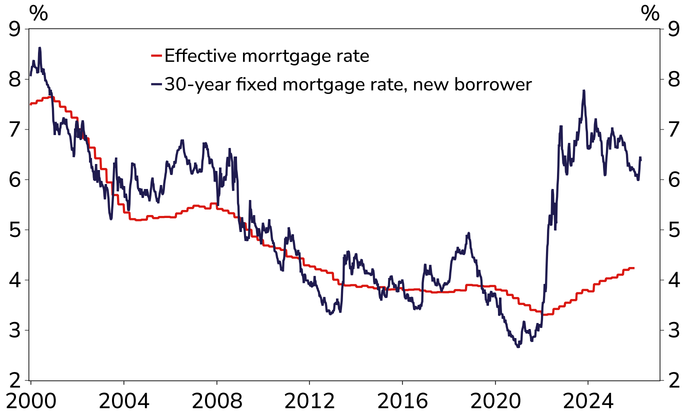
Providing a potential offset is record household wealth. Still, with sentiment as it is, and wealth needing to be liquidated or leveraged to be spent, any wealth effect for consumption is likely to take considerable time to materialise. Furthermore, whereas in the past, the use of wealth by higher-income households could have been complemented by tax breaks and/or cash support for those on lower-incomes, US fiscal authorities no longer have capacity outside of recession.

Taken together, current income and wealth dynamics in the US not only suggest growth is at risk of stalling out mid-year, but also that it could remain weak for an extended period. Thankfully, the FOMC remains equipped with the capacity to support the economy should risks to activity become dominant.

As such, it will be important to assess how the FOMC incorporates upcoming inflation detail into their risk calculations. We expect they will be heartened that the Middle East conflict only impacted headline inflation in March, a 10.9% increase in energy prices tripling the total monthly CPI gain to 0.9%, while core inflation printed a benign 0.2% (core goods prices up 0.1%, and services 0.2%). Although we still believe capacity constraints across the US economy are likely to hold annual core inflation around the 2.6%yr registered in March throughout 2026, this deviation from target is not material enough to preclude further easing if downside risks for the labour market crystallise come Q2 or Q3.

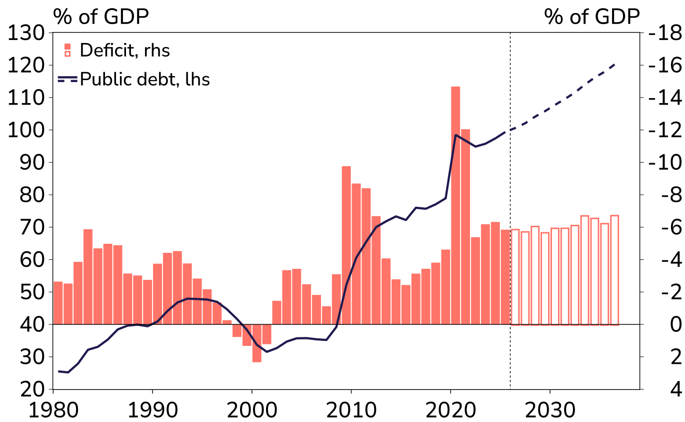
In contrast to the UK and Europe (and Australia and New Zealand), the chance of a policy rate increase is also slim to non-existent in the US. The outlook for short-end rates should therefore limit gains in term yields to a modest upward drift, a function of gradual portfolio reallocation away from US dollar assets and the edging higher of the US fiscal deficit and government debt.

Rates to hold back housing



Source: BEA, Freddie Mac, Macrobond, Westpac Economics

Debt and deficit a constraint



Source: CBO, Macrobond, Westpac Economics

	2025								2026			
Monthly data	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**
PCE deflator %yr	2.5	2.6	2.6	2.7	2.8	2.7	2.8	2.9	2.8	2.8	-	-
Unemployment rate %	4.3	4.1	4.3	4.3	4.4	4.4	4.5	4.4	4.3	4.4	4.3	-
Nonfarm payrolls chg '000	13	-20	64	-70	76	-140	41	-17	160	-133	178	-
House prices* %yr	2.8	2.1	1.8	1.6	1.4	1.3	1.5	1.4	1.2	-	-	-
Durables orders core 3mth %saar	2.6	-0.9	8.4	4.0	10.9	9.8	9.8	8.9	5.5	4.7	-	-
ISM manufacturing composite	48.6	49.0	48.4	48.9	48.9	48.8	48.0	47.9	52.6	52.4	52.7	-
ISM non–manufacturing composite	50.2	50.8	50.5	51.9	50.4	52.0	52.4	53.8	53.8	56.1	54.0	-
Personal spending 3mth %saar	4.7	3.6	5.1	7.3	6.6	5.5	4.5	4.7	4.3	4.9	-	-
UoM Consumer Sentiment	52.2	60.7	61.7	58.2	55.1	53.6	51.0	52.9	56.4	56.6	53.3	47.6
Trade balance USDbn	-70.6	-57.6	-74.2	-56.0	-49.2	-31.1	-56.0	-72.9	-54.7	-57.3	-	-

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	0.5	0.8
Current account USDbn	-312.0	-438.3	-247.8	-239.1	-190.7	–

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

Energy, food and a ...

Illiana Jain
Economist

Asia is disproportionately impacted by the Middle East conflict because it imports most of its energy from the region and is also more reliant on agriculture. Though agriculture accounts for a small share of GDP, it employs a large share of Asia's labour force, 20-40% in India and parts of ASEAN. Agricultural labour is not easily redeployed given geographic and education constraints. As a result, adverse shocks to agriculture translate quickly into household income losses and weaker domestic demand.

The timing of this energy shock further compounds its impact. Asia is entering this episode with monetary policy having only just normalised after 2022-23's inflation cycle. Further, household balance sheets, particularly in rural areas, are also yet to fully recover from pandemic-era income losses. This may see a rapid pass-through from higher input costs to activity.

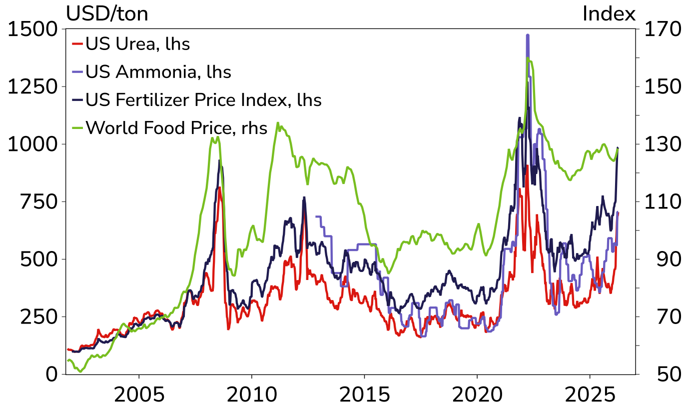
The conflict has also seen the price of fertilizer precursors surge and supply questioned, causing distress among farmers. Given the large agricultural employment share, higher input costs and potential supply shortages threaten incomes for a substantial portion of the population, particularly across India, Thailand, the Philippines, and Indonesia. At the same time, food accounts for a disproportionately large share of household spending in Asia, impacting discretionary spending capacity more than in developed economies.

Even if energy price growth does subside quickly, anecdotal evidence suggests farmers are considering decreasing harvest sizes to reduce their fertiliser usage. This in turn could see food shortages over a number of seasons, turning a transitory shock into an enduring one. In economies where rural credit is used in scale, sustained income pressure also raises the risk of rising delinquencies and a change in lending conditions amplifying the initial shock.

Food and energy accounts for an outsized share of CPI baskets across Asia. India is the most impacted with food and energy encompassing 40% of the CPI basket compared to the US' 17%. The share is even higher for the rural inflation measure. This composition leaves central banks facing a difficult trade-off between supporting growth and anchoring inflation expectations.

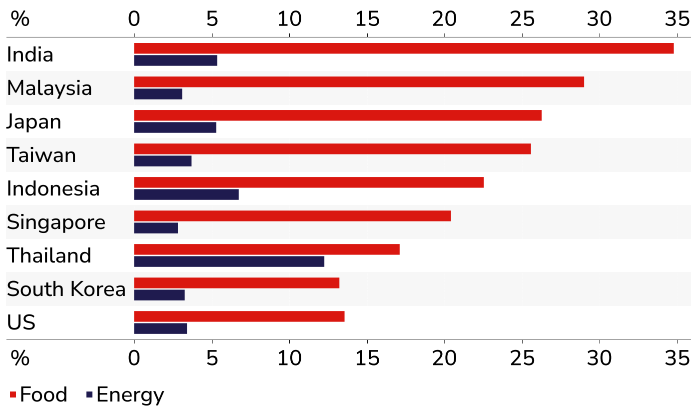
We anticipate they will likely prioritise managing inflation expectations and pause the normalisation of policy. Early evidence of this bias can be seen in Singapore, where the Monetary Authority of Singapore has steepened the appreciation path of the SGD — a pre-emptive tightening, despite slowing growth. The longer the effects of the conflict are felt, the greater the risk of outright contractionary policy.

Risks to food prices tilted up



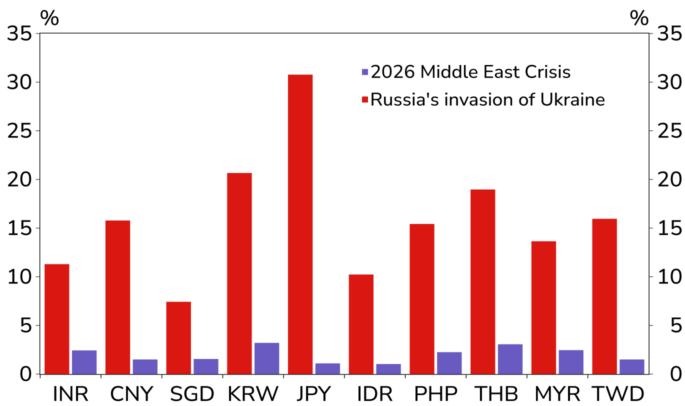
Source: FAO, Bloomberg, Green Markets, Macrobond, Westpac Economics

Asia's CPI basket carries a high share of food



Source: MODS, SBJ, MoS&PI, BPS, DOSM, SingStat, DGBAS, BLS, BTEI, Macrobond, Westpac Economics

Trough to peak depreciation of Asian currencies



Source: Bloomberg, Macrobond, Westpac Economics

... fragmenting Asia

That said, there is plenty of opportunity ahead for Asia.

Asian currencies have held up better than expected in the current risk-off environment. This partly reflects a moderation in broad USD strength, alongside the structural strength in CNY stemming from demand for green investment supporting the trade surplus. This in turn has prompted to Chinese authorities' to cap USD/CNY fixing. By stabilising the renminbi, China has helped bolster confidence in the region overall. During Russia's invasion of Ukraine, major Asian currencies experienced average peak-to-trough depreciations of around 15%; in the current episode, the average move has been closer to 3%. Though there has been considerable variation, with the Korean won and Thai baht among the weakest performers, reflecting their relatively high exposure to energy and food imports and, in South Korea's case, a high degree of equity market volatility.

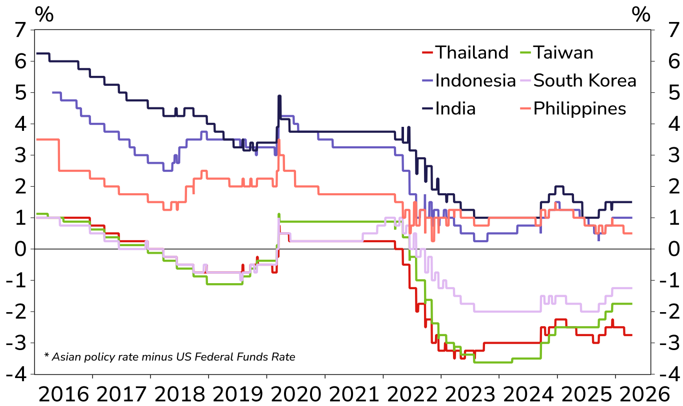
Also supporting growth in the region is the global AI boom and a shot in the arm for green technology demand. Semiconductors demand and investment related to these factors has not slowed, and is continuing to drive growth across northeast Asia.

However, these growth drivers are unevenly distributed. The resilience provided by the AI, green technology and semiconductor cycle is concentrated in Northeast Asia, where export-oriented manufacturing and technology supply chains dominate. In contrast, much of South and Southeast Asia remains more exposed to domestic demand. This divergence suggests that regional growth outcomes are likely to widen further, with technology-intensive economies outperforming as agriculture-dependent economies face continued pressure from higher prices and constrained policy options.

Asia's growth opportunity is therefore strong overall, but fragmented, and there remains multiple sources of vulnerability. Our base case for the Middle East conflict and global economy lays out a constructive period of supply normalisation to year end. As long as this transpires, then the downside risks apparent for the region will fade, and the growth drivers concentrated currently in the northeast should broaden through tertiary and primary industry.

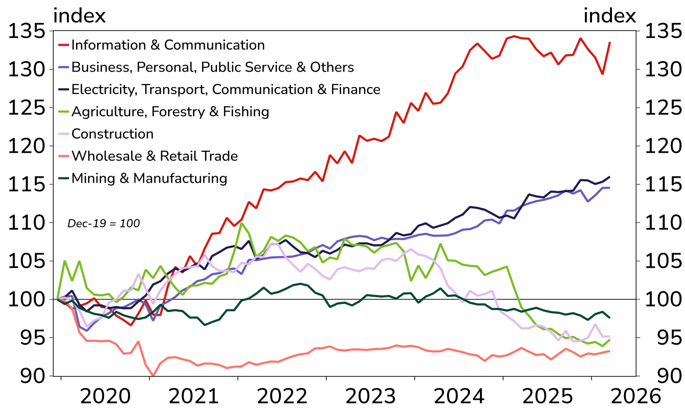
Still, at least for the next few months, it will be important to closely assess the impact of price and supply shocks on those most susceptible to them, and whether policymakers across the region see a need to react forcefully. A shock on either front could destabilise confidence in the real economy and financial markets, precluding benefit from apparent growth opportunities bearing fruit.

Asia at neutral settings but for how long



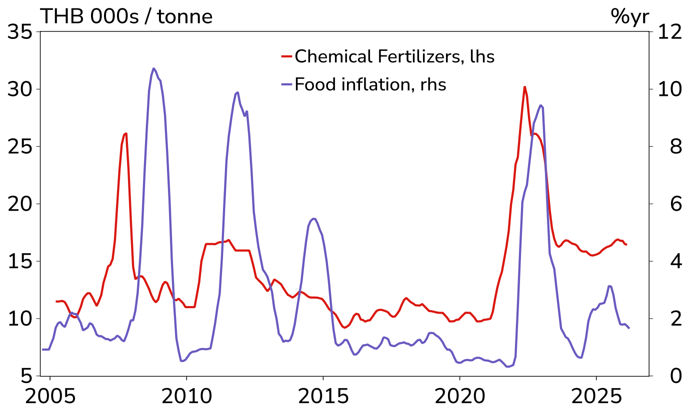
Source: Fed, BOT, CBC, BOK, BSP, BI, RBI, Macrobond, Westpac Economics

South Korea's two-speed labour market



Source: MODS, Macrobond, Westpac Economics

Thai fertiliser and food prices



Source: OAE, BTEI, Macrobond, Westpac Economics

To hike or not to hike ...

Mantas Vanagas
Senior Economist

The major economies of Europe are particularly sensitive to global energy prices. Petrol prices in the euro area are substantially higher than in other major economies, including Australia. And, once household utilities are taken into account, energy represents a larger share of household budgets, and thus a higher weight for consumer inflation.

Over the past week, a ceasefire has held between US/Israel and Iran alongside a modest pick up in shipping through the Strait of Hormuz, despite the US' blockade of Iranian ports. If further negotiations lead to a formal peace agreement, the resumption of energy trade could progress more quickly than our broadly unchanged baseline assumes. Yet, with the full scale of damage still to be assessed and considerable disruption evident across global supply chains, there remains considerable 'known unknowns' for Europe's short-term inflation pulse and medium-term expectations.

Following its March policy meeting, the ECB updated its baseline economic projections and also published a set of stress scenarios to provide colour on the Governing Council's initial thoughts on the impact of the Middle East conflict on the Euro Area's economy and policy outlook.

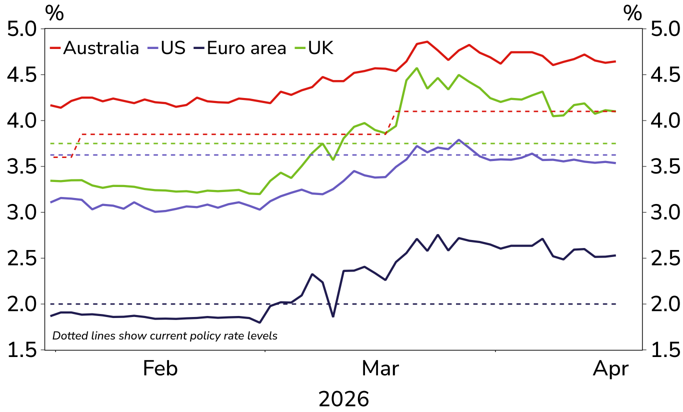
Under the 'adverse' scenario, the ECB assumed a blockade of the Strait of Hormuz in Q2 2026, disrupting 40% of oil and LNG flows. Commodity prices surge and financial market uncertainty rises temporarily. But with the region's energy infrastructure assumed to remain largely intact, supply recovers quickly once restrictions are lifted in Q3 2026.

The 'severe' scenario assumed a more prolonged and intense disruption, however, with 60% of flows affected and military action damaging energy infrastructure. Supply restoration is delayed, beginning only in Q1 2027 and proceeding gradually thereafter. Under such conditions, financial market uncertainty is also more pronounced and persistent.

Oil and European gas prices are currently only moderately above the ECB's baseline assumptions – a Brent oil price of almost US$90/bbl and gas price of €50/MWh.

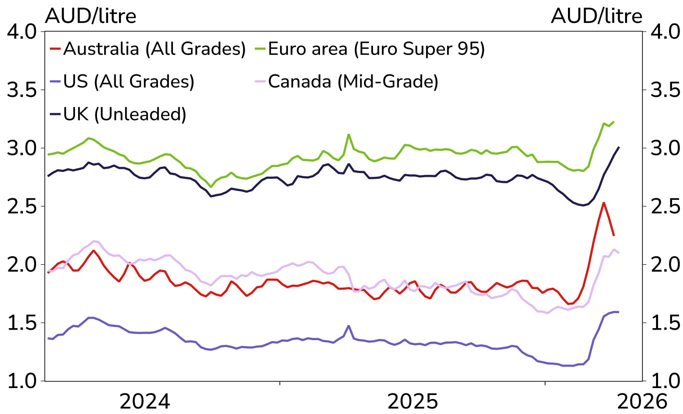
However, elements of both stress scenarios are apparent in present circumstances in the Middle East. With shipping flows through the Strait of Hormuz still negligible, the Q2 assumption of 60% of traffic under the adverse scenario – equivalent to a 40% disruption – is beginning to look like a stretch target. If little progress is made in coming weeks, traffic will have to surge back to pre-war levels in June for the quarter average to be close to 60%.

Market-implied policy rates for December 2026



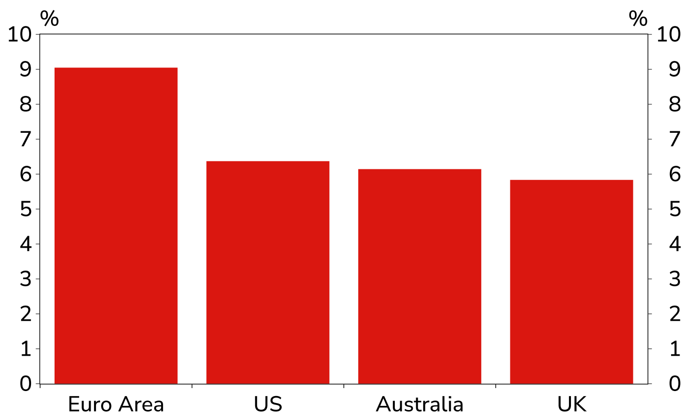
Source: Bloomberg, Macrobond, Westpac Economics

Petrol prices



Source: EIA, BEIS, DG ENERGY, NRCan, Macrobond, Westpac Economics

Energy weight in CPI basket



Source: ABS, Eurostat, ONS, BLS, Macrobond, Westpac Economics

… to remain an open question

The degree of infrastructure damage could also be closer to the severe scenario's assumptions. Indeed, ECB President Lagarde highlighted concern on this front, warning that "too much has already been damaged, and there is no way it can be restored in the matter of months".

Hence, euro area inflationary pressures may exceed the ECB's baseline inflation projections in coming months and the recovery could still prove materially slower than this scenario assume, raising the risk of second-round price effects and unsettled expectations.

In her speech at the ECB Watchers Conference on 25 March, President Lagarde outlined how the central bank would navigate such shocks. She noted that policy should look through a supply shock that is limited in size and short lived. By contrast, the response should be "appropriately forceful" if inflation is expected to deviate significantly or persistently from target. Between these extremes, "some measured adjustment of policy could be warranted".

While circumstances are fluid, we think the current situation is likely to fall into this intermediate category warranting a 25bp hike at the June meeting when the staff's forecasts are next updated. We anticipate another hike in Q3 provided some degree of supply restrictions persists beyond June, as per our current baseline.

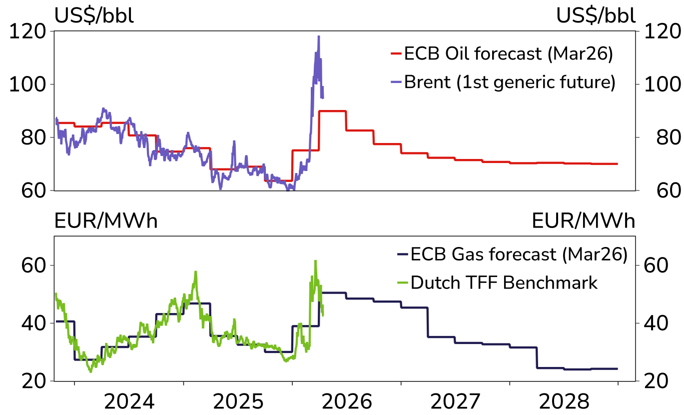
Meanwhile in the UK, an abrupt shift in the policy outlook has occurred, from a rate cutting cycle before the war to an expectation of successive hikes over the coming months, fuelled by even the most (previously) dovish MPC members voting to keep policy rates unchanged in March.

Year-ended inflation will probably continue falling in the near-term thanks to base effects and regulated household energy prices smoothing the price shock. However, the inflation pulse will then turn, peaking near 4.0%yr, twice the policy target.

The smoothing influence of regulated prices also buys the BoE time to assess underlying price dynamics and second-round price risks. An update of forecasts at the next meeting, scheduled for 30 April, and guidance provided by the MPC will set expectations for subsequent policy deliberations.

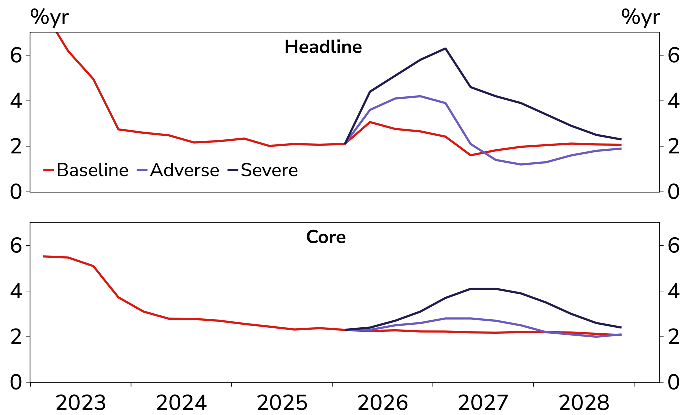
Some MPC members may conclude that a shift from an easing cycle to a prolonged pause is sufficient to restrain momentum and ward off update inflation risks. Though, in our view, the more probable path is at least one hike in Q2 and a clear message that the policy stance will shift as current momentum and risks dictate. A second hike in Q3 is, at this stage, best considered a 50/50 proposition.

ECB forecast assumptions



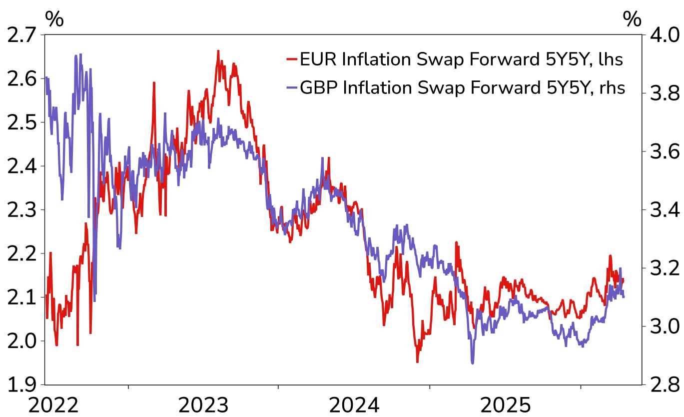
Source: ECB, Macrobond, Westpac Economics

ECB HICP inflation scenarios



Source: ECB, Macrobond, Westpac Economics

Medium-term inflation expectations



Source: , Macrobond, Westpac Economics

Australia

Interest rate forecasts

	Latest (Apr 17)	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28
Cash	4.10	4.60	4.85	4.85	4.85	4.85	4.85	4.85	4.60	4.35
90 Day BBSW	4.32	4.80	4.90	4.90	4.95	4.95	4.95	4.80	4.55	4.30
3 Year Swap	4.63	4.80	4.75	4.70	4.65	4.60	4.50	4.40	4.30	4.20
3 Year Bond	4.65	4.80	4.75	4.70	4.65	4.60	4.50	4.40	4.30	4.20
10 Year Bond	5.00	5.00	5.05	5.05	5.05	5.05	5.00	4.95	4.90	4.90
10 Year Spread to US (bps)	69	65	65	60	55	50	40	30	20	15

Currency forecasts

	Latest (Apr 17)	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
AUD vs										
USD	0.7164	0.72	0.72	0.73	0.73	0.74	0.74	0.74	0.73	0.73
JPY	114.00	114	112	112	111	111	110	108	105	104
EUR	0.6079	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.60	0.60
NZD	1.2159	1.22	1.18	1.18	1.14	1.12	1.11	1.10	1.10	1.10
CAD	0.9814	0.99	0.98	0.98	0.98	0.99	0.98	0.98	0.96	0.95
GBP	0.5295	0.53	0.53	0.53	0.53	0.53	0.53	0.52	0.52	0.52
CHF	0.5611	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
DKK	4.5427	4.56	4.56	4.58	4.55	4.57	4.53	4.53	4.49	4.49
SEK	6.5834	6.61	6.61	6.64	6.59	6.62	6.57	6.57	6.51	6.51
NOK	6.7044	6.73	6.73	6.76	6.71	6.74	6.69	6.69	6.62	6.62
ZAR	11.75	11.8	11.8	11.9	11.9	11.9	11.9	11.9	12.0	12.0
SGD	0.9118	0.91	0.91	0.92	0.92	0.93	0.93	0.93	0.92	0.92
HKD	5.6067	5.62	5.61	5.68	5.66	5.74	5.74	5.74	5.66	5.66
PHP	43.09	42.5	42.1	42.3	42.0	42.2	41.4	40.7	39.4	39.4
THB	22.94	22.8	22.6	22.8	22.6	22.8	22.6	22.3	22.0	22.0
MYR	2.8349	2.84	2.84	2.85	2.85	2.85	2.85	2.85	2.77	2.77
CNY	4.8833	4.90	4.86	4.89	4.82	4.81	4.77	4.74	4.64	4.64
IDR	12278	12240	12096	12118	12045	12136	12062	11988	11680	11680
TWD	22.61	22.5	22.1	22.0	21.7	21.6	21.2	21.0	20.6	20.6
KRW	1060	1058	1051	1051	1037	1036	1021	1006	978	978
INR	66.81	66.2	65.5	65.7	65.0	65.9	65.1	65.1	63.5	63.5

Australia

Activity forecasts

	2025		2026				2027		Calendar years			
%qtr / %yr end	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**2025**	**2026f**	**2027f**	**2028f**
Household consumption	0.5	0.3	0.6	0.0	0.2	0.4	0.5	0.5	2.4	1.2	2.1	3.3
Dwelling investment	2.0	0.6	1.4	1.3	1.0	0.9	0.8	0.8	5.5	4.7	3.2	5.5
Business investment *	3.8	0.5	0.9	0.3	0.4	0.3	0.3	0.4	4.4	1.8	2.0	3.5
Private demand *	1.3	0.4	0.7	0.2	0.3	0.4	0.5	0.5	3.2	1.7	2.2	3.5
Public demand *	1.3	0.8	0.8	0.7	0.5	0.5	0.6	0.6	2.1	2.5	2.4	2.6
Domestic demand	1.3	0.5	0.8	0.3	0.4	0.4	0.5	0.5	2.9	1.9	2.3	3.3
Stock contribution	–0.5	0.4	–0.2	0.0	0.0	0.0	0.0	–0.1	0.1	–0.2	–0.1	0.1
GNE	0.8	0.9	0.6	0.4	0.3	0.4	0.5	0.5	3.0	1.8	2.2	3.3
Exports	1.4	1.4	0.4	0.4	0.4	0.4	0.6	0.7	5.2	1.6	2.5	2.4
Imports	2.0	1.8	1.0	1.2	1.3	1.4	1.2	1.2	6.7	4.9	5.1	4.5
Net exports contribution	–0.1	–0.1	–0.1	–0.2	–0.2	–0.2	–0.1	–0.1	–0.3	–0.8	–0.6	–0.5
Real GDP %qtr / %yr avg	**0.5**	**0.8**	**0.5**	**0.2**	**0.1**	**0.2**	**0.3**	**0.4**	**2.0**	**1.8**	**1.2**	**2.4**
%yr end	**2.1**	**2.6**	**2.6**	**1.9**	**1.6**	**1.0**	**0.9**	**1.1**	**2.6**	**1.0**	**1.6**	**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	0.0
%yr end	5.4	6.0	7.7	8.5	8.2	6.8	4.3	3.5	6.0	6.8	3.1	0.0
Real household disp. income	0.8	1.0	–0.6	–0.8	0.0	0.2	0.4	1.0	3.7	–1.2	2.3	3.4

Other macroeconomic variables

	2025		2026				2027		Calendar years			
% change	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**2025**	**2026f**	**2027f**	**2028f**
Employment %qtr **	0.2	0.2	0.7	0.3	0.2	0.1	0.4	0.5	–	–	–	–
%yr end **	1.4	1.1	1.5	1.4	1.4	1.3	1.1	1.3	1.1	1.3	1.7	2.3
Unemployment rate % **	4.3	4.3	4.2	4.4	4.6	4.9	5.0	4.9	4.3	4.9	4.9	4.5
Wages (WPI) (sa) %qtr	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.8	–	–	–	–
%yr end	3.3	3.4	3.3	3.2	3.2	3.2	3.2	3.2	3.4	3.2	3.0	3.4
Headline CPI %qtr	1.3	0.6	1.5	1.9	0.9	0.3	0.5	0.6	–	–	–	–
%yr end	3.2	3.6	4.2	5.4	5.0	4.6	3.6	2.3	3.6	4.6	2.4	2.3
Trimmed Mean CPI %qtr	1.0	0.9	0.9	1.0	1.0	0.9	0.8	0.7	–	–	–	–
%yr end	3.0	3.4	3.5	3.9	4.0	4.0	3.8	3.5	3.4	4.0	3.0	2.4
Current account $bn, qtr	–18.3	–21.1	–18.9	–20.5	–23.3	–27.1	–29.7	–31.1	–	–	–	–
% of GDP	–2.6	–2.9	–2.5	–2.7	–3.0	–3.5	–3.9	–4.0	–2.6	–3.5	–4.2	–4.0
Terms of trade %yr avg	–3.3	–2.3	0.0	2.0	3.1	4.0	1.8	-0.4	–2.3	4.0	–4.0	–2.5
Population %yr end	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.6	1.5	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

	2025								2026			
Monthly data	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**
CPI %yr	2.1	1.9	3.0	3.2	3.6	3.8	3.4	3.8	3.8	3.7	–	–
Employment '000 chg	–5.9	–5.0	35.2	–13.7	11.2	34.2	–34.6	64.3	25.6	49.7	17.9	–
Unemployment rate %	4.1	4.3	4.3	4.3	4.5	4.3	4.3	4.1	4.1	4.3	4.3	–
Westpac-MI Consumer Sentiment	92.1	92.6	93.1	98.5	95.4	92.1	103.8	94.5	92.9	90.5	91.6	80.2
Household spending %mth	1.1	0.3	0.4	0.0	0.3	1.3	1.0	–0.5	0.3	0.3	–	–
Dwelling approvals %mth	3.3	13.6	–8.5	–4.3	11.7	–6.8	14.9	–14.2	–7.2	29.7	–	–
Private sector credit %mth	0.6	0.6	0.7	0.6	0.6	0.7	0.6	0.8	0.5	0.6	–	–
Trade in goods balance AUDbn	1.8	4.7	6.4	0.9	3.5	4.6	2.3	3.4	2.3	5.7	–	–

New Zealand

Interest rate forecasts

	Latest	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28
Cash	2.25	2.25	2.50	3.00	3.50	3.75	4.00	4.25	4.25	4.25
90 Day Bill	2.54	2.50	2.95	3.40	3.75	4.00	4.25	4.45	4.45	4.45
2 Year Swap	3.44	3.75	4.05	4.30	4.40	4.40	4.40	4.35	4.30	4.25
10 Year Bond	4.68	4.85	4.95	5.00	5.05	5.10	5.10	5.10	5.10	5.10
10 Year Spread to US	36	50	55	55	55	55	50	45	40	35
10 Year Spread to Aust	-33	-15	-10	-5	0	5	10	15	20	20

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28
NZD vs										
USD	0.5892	0.59	0.61	0.62	0.64	0.66	0.67	0.67	0.67	0.67
JPY	93.76	93	95	95	97	99	99	98	96	95
EUR	0.5000	0.50	0.52	0.52	0.53	0.55	0.55	0.55	0.55	0.55
AUD	0.8225	0.82	0.84	0.85	0.87	0.89	0.90	0.91	0.91	0.91
CAD	0.8072	0.81	0.83	0.83	0.85	0.88	0.89	0.88	0.87	0.87
GBP	0.4355	0.44	0.45	0.45	0.46	0.47	0.48	0.48	0.47	0.47
CNY	4.0195	4.01	4.10	4.15	4.21	4.29	4.31	4.29	4.23	4.23

Sources: Bloomberg, Westpac Economics.

Activity forecasts

	2025		2026				2027		Calendar years			
% change	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**2025**	**2026f**	**2027f**	**2028f**
Private consumption	0.1	–0.1	0.5	–0.6	0.3	1.5	1.4	1.4	1.4	0.6	4.7	4.3
Government consumption	1.4	2.2	–1.1	0.2	0.3	0.3	0.3	0.3	2.4	1.7	1.4	2.2
Residential investment	1.1	–0.1	1.5	1.0	1.0	1.0	2.0	3.0	–6.0	2.7	8.3	10.5
Business investment	2.9	–3.1	3.7	–0.3	1.6	2.2	2.5	2.0	0.4	3.6	7.3	4.0
Stocks (ppt contribution)	–0.5	0.8	0.3	–0.3	0.0	–0.1	0.2	0.0	–0.1	0.6	0.0	–0.1
GNE	0.6	0.5	1.1	–0.6	0.6	1.2	1.6	1.3	0.8	2.1	4.7	4.0
Exports	3.0	0.1	0.5	–0.3	–0.4	0.2	1.0	1.1	2.7	2.4	2.1	2.7
Imports	2.3	1.0	2.1	–1.1	0.1	1.2	1.8	2.7	3.4	2.8	6.3	5.2
GDP (production)	0.9	0.2	0.8	–0.4	0.5	1.0	1.4	0.8	0.2	1.5	3.5	3.3
Employment annual %	–0.7	0.2	0.5	0.6	1.0	1.2	1.9	2.8	0.2	1.2	3.1	2.0
Unemployment rate % s.a.	5.3	5.4	5.4	5.6	5.6	5.4	5.1	4.9	5.4	5.4	4.6	4.2
LCI, all sect incl o/t, ann %	2.1	2.0	2.0	1.9	2.2	2.3	2.3	2.2	2.0	2.3	2.2	2.3
CPI annual %	3.0	3.1	2.8	4.3	4.2	3.9	3.5	1.6	3.1	3.9	1.7	2.6
Current account % of GDP	–3.5	–3.7	–3.9	–4.1	–4.3	–4.3	–4.1	–4.0	–3.7	–4.3	–4.0	–4.2
Terms of trade annual %	5.2	3.5	0.8	–3.3	0.0	1.2	5.3	6.3	3.5	1.2	5.0	0.4

Sources: Statistics NZ, Westpac Economics.

Commodity prices

End of period	Latest (Apr 17)	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28
Australian commodities index#	402	421	425	405	389	380	370	362	353	347
Bulk commodities index#	**387**	**400**	**360**	**340**	**340**	**340**	**340**	**340**	**350**	**350**
iron ore finesTSI @ 62% US$/t	108	92	86	83	84	85	85	86	86	87
Premium low vol met coal (US$/t)	232	230	220	200	201	203	204	205	207	208
Newcastle spot thermal coal (US$/t)	141	150	135	120	121	121	122	123	124	124
crude oil (US$/bbl) Brent	96	105	90	75	70	55	58	53	48	54
LNG in Japan US$mmbtu	17.45	26.0	25.3	18.9	15.0	13.7	10.6	9.9	9.7	9.0
gold (US$/oz)	4,815	4,850	4,930	5,000	5,000	4,950	4,900	4,850	4,700	4,400
Base metals index#	**265**	**265**	**269**	**273**	**273**	**269**	**263**	**248**	**233**	**249**
copper (US$/t)	13,210	13,150	13,250	13,350	13,350	13,250	13,150	12,360	11,540	13,030
aluminium (US$/t)	3,637	3,650	3,800	4,000	4,000	3,850	3,650	3,500	3,350	3,300
nickel (US$/t)	18,024	17,800	17,900	17,950	17,950	17,850	17,550	17,000	16,000	15,750
zinc (US$/t)	3,388	3,370	3,380	3,390	3,390	3,380	3,360	3,080	2,800	3,030
lead (US$/t)	1,932	1,930	1,940	1,940	1,940	1,900	1,800	1,610	1,430	1,560
Rural commodities index#	**141**	**139**	**142**	**143**	**142**	**137**	**133**	**128**	**117**	**129**
NZ commodities index ##	**410**	**407**	**413**	**412**	**410**	**410**	**412**	**414**	**415**	**416**
dairy price index ##	352	342	342	342	345	349	353	357	359	361
whole milk powder USD/t	3,687	3,450	3,420	3,400	3,500	3,600	3,670	3,750	3,790	3,830
skim milk powder USD/t	3,381	3,000	2,970	2,950	3,000	3,050	3,100	3,150	3,180	3,210
lamb price index ##	631	656	679	651	633	622	621	620	617	612
beef price index ##	391	407	427	413	404	398	398	397	396	395
forestry price index ##	153	153	153	153	154	154	154	154	155	156

	levels				% change			
Annual averages	**2025**	**2026f**	**2027f**	**2028f**	**2025**	**2026f**	**2027f**	**2028f**
Australian commodities index#	**324**	**412**	**375**	**350**	**4.1**	**27.3**	**–8.9**	**–6.7**
Bulk commodities index#	**378**	**378**	**345**	**354**	**–12.7**	**0.1**	**–8.8**	**2.5**
iron ore fines @ 62% USD/t	102	93	85	87	–6.9	–8.8	–8.8	2.8
LNG in Japan $mmbtu	11.8	20.5	13.0	9	–9.6	74.3	–36.5	–28.2
ave coking coal price (US$/t)	166	181	174	179	–19.6	9.6	–4.3	2.9
ave thermal price (US$/t)	119	130	119	121	–12.1	9.2	–9.1	2.4
iron ore fines contracts (US¢ dltu)	143	137	120	123	–12.2	–4.1	–12.0	1.8
Premium low vol met coal (US$/t)	188	223	203	184	–21.7	18.4	–9.1	–9.5
crude oil (US$/bbl) Brent ICE	67	92	61	53	–13.2	36.6	–33.7	–12.9
gold (US$/oz)	3,470	4,910	4,940	4,541	44.0	41.5	0.6	–8.1
Base metals index#	**208**	**262**	**264**	**245**	**3.1**	**25.7**	**0.8**	**–7.4**
copper (US$/t)	10,000	13,100	13,100	12,800	8.7	31.0	0.0	–2.3
aluminium (US$/t)	2,600	3,600	3,800	3,300	8.3	38.5	5.6	–13.2
nickel (US$/t)	15,300	17,700	17,700	16,100	–9.5	15.7	0.0	–9.0
zinc (US$/t)	2,900	3,300	3,300	3,000	3.6	13.8	0.0	–9.1
lead (US$/t)	2,000	1,900	1,800	1,500	–4.8	–5.0	–5.3	–16.7
Rural commodities index#	**120**	**139**	**135**	**125**	**–5.0**	**16.0**	**–2.7**	**–7.4**
NZ commodities index ##	**390**	**407**	**411**	**416**	**9.2**	**4.2**	**1.2**	**1.2**
dairy price index ##	348	339	351	361	9.7	–2.7	3.6	2.9
whole milk powder USD/t	3,902	3,509	3,594	3,829	13.5	–10.1	2.4	6.5
skim milk powder USD/t	2,702	3,020	3,054	3,216	0.6	11.7	1.1	5.3
lamb price index ##	587	657	626	609	27.0	11.8	–4.6	–2.7
beef price index ##	337	408	400	394	19.1	20.9	–1.9	–1.4
forestry price index ##	152	152	154	156	–4.9	0.5	1.1	1.1

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

United States

Interest rate forecasts

	Latest (Apr 17)	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Fed Funds*	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625
10 Year Bond	4.31	4.35	4.40	4.45	4.50	4.55	4.60	4.65	4.70	4.75

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

Currency forecasts

	Latest (Apr 17)	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28
USD vs										
DXY index	98.22	98.0	97.7	96.8	95.9	95.1	94.3	94.0	94.1	93.9
JPY	159.11	158	156	154	152	150	148	146	144	142
EUR	1.1786	1.18	1.18	1.19	1.20	1.21	1.22	1.22	1.22	1.22
AUD	0.7164	0.72	0.72	0.73	0.73	0.74	0.74	0.74	0.73	0.73
NZD	0.5892	0.59	0.61	0.62	0.64	0.66	0.67	0.67	0.67	0.67
CAD	1.3699	1.37	1.36	1.35	1.34	1.34	1.33	1.32	1.31	1.30
GBP	1.3532	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.41
CHF	0.7831	0.77	0.76	0.75	0.75	0.74	0.74	0.74	0.75	0.75
ZAR	16.40	16.4	16.4	16.2	16.2	16.1	16.1	16.1	16.5	16.5
SGD	1.2726	1.27	1.26	1.26	1.26	1.26	1.26	1.25	1.25	1.25
HKD	7.8253	7.80	7.79	7.78	7.76	7.75	7.75	7.75	7.75	7.75
PHP	60.00	59.0	58.5	58.0	57.5	57.0	56.0	55.0	54.0	54.0
THB	32.02	31.6	31.4	31.2	31.0	30.8	30.6	30.2	30.1	30.1
MYR	3.9541	3.95	3.95	3.90	3.90	3.85	3.85	3.85	3.80	3.80
CNY	6.8227	6.80	6.75	6.70	6.60	6.50	6.45	6.40	6.35	6.35
IDR	17139	17000	16800	16600	16500	16400	16300	16200	16000	16000
TWD	31.55	31.2	30.7	30.2	29.7	29.2	28.7	28.4	28.2	28.2
KRW	1480	1470	1460	1440	1420	1400	1380	1360	1340	1340
INR	93.20	92.0	91.0	90.0	89.0	89.0	88.0	88.0	87.0	87.0

Activity forecasts

	2025				2026				Calendar years			
% annualised, s/adj	**Q1**	**Q2**	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2025**	**2026f**	**2027f**	**2028f**
Private consumption	0.6	2.5	3.5	1.9	1.1	1.3	1.7	1.7	2.6	1.8	1.9	2.1
Dwelling investment	–1.0	–5.1	–7.1	–1.7	0.8	0.0	0.0	0.8	–2.2	–1.3	0.9	2.0
Business investment	9.5	7.3	3.2	2.4	2.0	1.7	2.4	3.1	4.1	2.6	3.0	3.4
Public demand	–1.0	–0.1	2.2	–5.6	0.0	0.4	0.4	0.4	1.1	–0.7	0.4	0.4
Domestic final demand	1.5	2.5	2.9	0.6	1.1	1.2	1.5	1.7	2.4	1.4	1.8	2.0
Inventories contribution ppt	0.7	–0.4	–0.4	–0.1	–0.8	0.1	0.1	0.1	–0.1	0.1	0.0	0.0
Net exports contribution ppt	–1.8	–0.1	0.5	0.4	1.6	0.2	–0.3	–0.4	–0.3	0.3	–0.3	–0.3
GDP	–0.6	3.8	4.4	0.5	0.8	1.0	1.3	1.5	2.1	1.5	1.6	1.8
%yr annual chg	2.0	2.1	2.3	2.0	2.4	1.6	0.9	1.1	–	–	–	–

Other macroeconomic variables

Non–farm payrolls mth avg	68	56	11	–30	44	60	60	70	26	59	90	120
Unemployment rate %	4.1	4.2	4.3	4.4	4.3	4.5	4.6	4.7	4.4	4.7	4.8	4.7
CPI headline %yr	2.7	2.4	2.9	2.7	2.7	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	2.9	2.9	2.7	2.5	2.8	2.5	2.3	2.2

Sources: Official agencies, Factset, Westpac Economics.

Europe & the United Kingdom

Interest rate forecasts

	Latest (Apr 17)	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	2.25	2.50	2.50	2.50	2.50	2.25	2.00	2.00	2.00
10 Year Bund	3.03	3.10	3.10	3.10	3.05	3.00	2.95	2.90	2.90	2.90
10 Year Spread to US	–128	–125	–130	–135	–145	–155	–165	–175	–180	–185
United Kingdom										
BoE Bank Rate	3.75	4.00	4.25	4.25	4.25	4.00	3.75	3.50	3.50	3.50
10 Year Gilt	4.85	4.90	4.95	4.95	4.95	4.90	4.85	4.80	4.75	4.75
10 Year Spread to US	54	55	55	50	45	35	25	15	5	0

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest (Apr 17)	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28
euro vs										
USD	1.1786	1.18	1.18	1.19	1.20	1.21	1.22	1.22	1.22	1.22
JPY	187.53	186	184	183	182	182	181	178	175	173
GBP	0.8710	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.86	0.86
CHF	0.9230	0.91	0.90	0.90	0.90	0.90	0.91	0.91	0.91	0.91
DKK	7.4730	7.47	7.47	7.47	7.47	7.47	7.47	7.47	7.47	7.47
SEK	10.83	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8
NOK	11.03	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
sterling vs										
USD	1.3532	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.41
JPY	215.31	214	212	211	210	209	207	206	202	200
CHF	1.0597	1.04	1.03	1.03	1.03	1.03	1.04	1.05	1.05	1.06
AUD	0.5295	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	0.8	1.3	1.6
private consumption	5.3	0.6	1.3	1.5	1.1	1.2	1.4
fixed investment	2.2	2.7	–2.6	3.1	1.5	2.2	2.5
government consumption	1.3	1.5	2.3	1.6	2.2	2.1	1.9
net exports contribution ppt	–0.1	0.3	0.3	–0.6	–0.4	–0.1	–0.2
Germany GDP	1.9	–0.7	–0.5	0.4	0.6	1.4	1.7
France GDP	2.8	1.6	1.1	0.9	0.9	1.0	1.3
Italy GDP	5.0	1.0	0.6	0.7	0.6	0.8	1.0
Spain GDP	6.4	2.5	3.5	2.8	2.1	2.0	2.1
Netherlands GDP	5.0	–0.6	1.1	1.9	1.3	1.3	1.6
United Kingdom GDP	5.1	0.3	1.1	1.4	0.7	1.2	1.5

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	4.7	4.6	4.4
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	0.3	0.8	1.5
Industrial production (IVA)	9.6	3.6	4.6	5.8	5.9	5.0	4.8	4.6
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	3.0	2.8	2.5
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 (Apr 17)	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Required reserve ratio %*	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	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 (Apr 17)	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Policy Rate	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10 Year Bond Yield	2.41	2.20	2.15	2.10	2.05	2.00	1.95	1.90	1.85	1.80

Currency forecasts

	Latest (Apr 17)	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28
JPY	159.11	158	156	154	152	150	148	146	144	142
SGD	1.2726	1.27	1.26	1.26	1.26	1.26	1.26	1.25	1.25	1.25
HKD	7.8253	7.80	7.79	7.78	7.76	7.75	7.75	7.75	7.75	7.75
PHP	60.00	59.0	58.5	58.0	57.5	57.0	56.0	55.0	54.00	54.00
THB	32.02	31.6	31.4	31.2	31.0	30.8	30.6	30.2	30.1	30.1
MYR	3.9541	3.95	3.95	3.90	3.90	3.85	3.85	3.85	3.80	3.80
CNY	6.8227	6.80	6.75	6.70	6.60	6.50	6.45	6.40	6.35	6.35
IDR	17139	17000	16800	16600	16500	16400	16300	16200	16000	16000
TWD	31.55	31.2	30.7	30.2	29.7	29.2	28.7	28.4	28.2	28.2
KRW	1480	1470	1460	1440	1420	1400	1380	1360	1340	1340
INR	93.20	92.0	91.0	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	6.7	3.8	3.3	3.4	3.4	3.1	3.2	3.3
United States	6.2	2.5	2.9	2.8	2.1	1.5	1.6	1.8
Japan	3.6	1.3	0.7	–0.2	1.2	0.6	0.8	0.9
Euro zone	6.4	3.7	0.5	0.9	1.5	0.8	1.3	1.6
Group of 3	5.9	**2.8**	1.8	1.7	1.8	1.1	1.4	1.6
United Kingdom	8.5	5.1	0.3	1.1	1.4	0.7	1.2	1.5
Canada	6.0	4.7	2.0	2.0	1.7	1.2	1.8	2.0
Australia	5.4	4.2	2.1	1.0	2.0	1.8	1.2	2.4
New Zealand	5.5	2.6	2.2	–0.3	0.2	1.5	3.5	3.3
OECD total	6.2	**3.2**	1.9	1.8	1.7	1.3	1.5	1.7
China	8.4	3.1	5.4	5.0	5.0	4.7	4.6	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	5.3	8.7	5.5	4.0	3.0
Hong Kong	6.5	–3.7	3.2	2.6	3.5	2.9	2.5	2.3
Singapore	10.1	4.0	1.5	5.3	5.0	3.3	2.6	2.5
Indonesia	3.7	5.3	5.0	5.0	5.1	5.0	5.2	5.2
Thailand	1.6	2.7	2.2	2.9	2.4	1.6	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	4.5	5.5	5.9
Vietnam	2.6	8.5	5.1	7.0	8.0	6.9	7.0	7.2
East Asia	7.1	3.6	4.7	4.8	4.9	4.5	4.5	4.3
East Asia ex China	4.4	4.6	3.4	4.5	4.7	4.2	4.2	4.1
NIEs*	6.1	**2.3**	1.6	3.4	4.0	3.3	2.7	2.3
India	9.7	7.6	7.2	7.1	7.6	6.5	6.7	6.6
Russia	5.9	–1.4	4.1	4.9	1.0	1.1	1.1	1.4
Brazil	4.8	3.0	3.2	3.4	2.3	1.6	1.9	2.1
South Africa	4.9	2.1	0.8	0.5	1.1	1.0	1.3	1.5
Mexico	6.0	3.7	3.1	1.4	0.6	1.6	2.2	2.1
Argentina	10.4	6.0	–1.9	–1.3	4.4	3.5	4.0	3.8
Chile	11.3	2.2	0.5	2.6	2.3	2.4	2.6	2.3
Middle East	2.8	2.8	2.8	2.9	2.9	2.9	2.9	2.9
C & E Europe	9.1	4.3	3.0	3.2	3.0	3.1	3.5	3.7
Africa	3.9	4.4	3.8	4.2	4.5	4.3	4.4	4.5
Emerging ex–East Asia	6.8	3.7	3.7	4.7	4.4	4.0	4.3	4.3
Other countries	6.7	**5.2**	4.9	2.0	2.3	2.8	3.0	3.1
World	6.7	**3.8**	3.3	3.4	3.4	3.1	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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