



Week beginning 20 April 2026

# AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

## In this week's edition:

**Economic Insight:** Drawing a line on just drawing a line.

**The Week That Was:** Conflict in the Middle East to cast a long shadow.

**Focus on New Zealand:** Oil shock begins to surface in data.

**Forecast Update:** Our latest forecast updates are detailed in our April Market Outlook.

## For the week ahead:

**Australia:** Westpac-MI Leading Index.

**New Zealand:** Q1 CPI, NZIER Survey of Business Opinion and Q1 trade balance.

**United States:** Retail sales, initial jobless claims, University of Michigan Sentiment.

**Euro area:** ZEW Survey of Expectations, consumer confidence, President Lagarde speaks.

**UK:** Unemployment rate, CPI, GfK consumer sentiment.

**Japan:** CPI.

**World:** Manufacturing and services PMI.

Information contained in this report current as at 17 April 2026.

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

# Draw a line on just drawing a line



**Luci Ellis**  
Chief Economist, Westpac Group

- **You know times are uncertain when institutions start publishing scenarios alongside their normal forecasts. Two principles underlie good scenarios. First, the narrative underlying the scenario must hang together – no assuming people do things that are either individually irrational or infeasible. Second, the scenario must allow people to respond to the initial shock – avoid just drawing a price line on a graph and assuming people cannot adjust their behaviour.**
- **There is a tension, though, between the need to be realistic and a desire to highlight vulnerabilities or contemplate worst-case scenarios. There is a legitimate role for worst-case thinking, but it must be handled with care. Recall that even though our forecasts last year were less alarmist than many in the wake of Liberation Day, actual outcomes were even better than we had expected.**
- **The real value of scenarios is teasing out downstream effects and delayed responses. Sometimes the responses to temporary shocks can have lasting effects. From EV purchases to defence budgets, these could be especially important coming out of the current conflict. All the more reason to avoid just drawing a line and assuming that is the outcome.**

In times as uncertain as these, you want to be able to articulate more than one possible future state of the world. That is where scenario analysis comes in. Indeed, when institutions start publishing scenarios, you can take it as a sign that things are unusually uncertain. The RBA used scenarios extensively during the pandemic. And while the IMF did not give scenarios any prominence in its [previous](#) full *World Economic Outlook* report in October, it did [this week](#). Similarly, we have published [several scenario iterations](#) over the past six weeks and will provide an update later today in our Market Outlook report.

Using scenarios rather than simple uncertainty ranges or a description of risks is especially useful when the possible future states of the world are qualitatively different from the base case, and when the level of conviction about that base case is low. There is nothing wrong with a scenario that is only a little different from the base case, but it is not that interesting or informative.

Two key principles underlie good scenario analysis. First, the premise of the scenario needs to be well-grounded. The narrative motivating the initial impetus must hang together. It must be logically consistent and represent both the interests and the constraints of the actors within the system. In other

words, scenarios should not assume that people do things that are either bonkers or infeasible. Individually rational behaviour that is harmful in aggregate, such as panic-buying toilet paper or conducting fire-sales of loss-making assets, should of course be allowed for, but make sure the action is indeed individually rational.

Second, the methods used in developing the scenario need to go beyond first-round thinking. You need to allow for other people to react. A good scenario cannot be just a one-off shock where nothing else changes. Sometimes it takes time for people to adjust to the new situation, so the reaction occurs with a lag. Teasing these reactions out is the value-add of the scenario.

There is a tension, though, between the need to be realistic and a desire to highlight vulnerabilities or contemplate worst-case scenarios. Sometimes a lack of realism is used to guard against a potential failure of imagination. There is a legitimate role for this approach when stress testing, for example. However, unrealistic assumptions in forecast-flavoured scenarios leave your forecasts open to misinterpretation. We have seen an example of this issue this week, where the IMF's worst-case 'severe' scenario, which implies a global recession, has sparked unhelpful talk of recession here in Australia.

**“Scenario analysis is essential in uncertain times, but it must be well-grounded, not just drawing an arbitrary line on a graph.”**

Part of the issue is that the IMF's less-bad 'adverse' scenario (which assumes oil prices average USD100/bbl this year before moderating to USD75 next year) and worst-case 'severe' scenario (which assumes oil prices stay around USD125/bbl from the outbreak of the conflict all the way through to end-2027) are both 'top-down' scenarios that appear to start from an assumed path for oil prices. Unlike our own scenario work, they do not explicitly model loss of supply from the Middle East and work out what prices need to do to clear the global market. By effectively just drawing a line on a graph for oil prices, the scenarios assume away any scope for other producers to respond. This is not an issue in the near term, but the longer the assumption is maintained, the less realistic it is. High prices will spur non-OPEC producers such as the US and Canada to boost production. It takes time to get that expansion running, but eventually prices will start to ease.

Because it assumes high prices right through 2027, the ‘severe’ scenario is most challenged by this issue. This is not to say that the IMF should not have published that scenario, but it is important to understand the context and what it was trying to achieve in doing so.

When developing scenarios, you also need to avoid the trap of thinking only of downside risks. Part of the problem is that downside risks usually come from identifiable events. It is easy to construct a plausible narrative for a scenario starting from “this particular bad thing happened”. But as one of my old bosses used to remind us, sometimes you should also consider the risk everything just turns out a little bit better than expected.

As our [April Market Outlook](#) goes to publication later today, it is helpful to recall last [April's edition](#). The ‘Liberation Day’ tariffs had been announced a fortnight previously, and many voices in the market were predicting global or US recessions. At the time we took a more moderate view, based on the principles noted above. Firstly, continuing with very high tariff rates would have been an act of economic self-harm. While it was hard to bet on the Trump administration acting rationally in a context of ‘flood the zone’ headlines and intemperate social media posts, self-interest is still the best assumption. If there is nothing preventing someone from stopping punching themselves in the face, they will stop punching.

Secondly – and this was a key judgement in our forecast last year – other countries had agency and could respond. In particular, China had scope to stimulate, and this would also cushion growth in Australia. In that context, we note that the latest Chinese GDP growth has again [surprised on the upside](#) relative to market expectations.

It turns out that even we were too bearish a year ago: the global economy did much better than expected, and global trade kept expanding with barely a hiccup. Other factors, including a tech boom, turned out to be more important than expected. Trade patterns were also re-routed around the highest tariffs, and of course the US government de-escalated, as is proving to be its pattern.

These principles also hold for other kinds of scenarios. Whenever you read a prediction of doom concerning, say, adoption of a new technology, ask yourself what is preventing people from responding to ameliorate the bad thing. What prevents macroeconomic policymakers from easing, for example, or the tax system from redistributing unequal gains? While occasionally decision-makers decide that a bad thing is good actually, holding that position is itself fragile.

Where scenarios can really add value is when they highlight a lasting effect from a temporary shock. Whether it is the person who buys an EV in response to current high petrol prices and reduces their petrol consumption permanently, or the government that reassesses its defence spending, behavioural responses can change longer-term demand trends, and so the prices that prevail further out. Normalisation after a shock does not always take you back to where you were. That is another reason why it is so important to avoid just drawing a line on a graph and calling it a scenario, ignoring system-wide effects.

### **Forecast changes**

- **A full update to our forecasts was published in our Market Outlook publication on April 17.**

# Cliff Notes: conflict in the Middle East to cast a long shadow

Elliot Clarke, Head of International Economics  
Ryan Wells, Economist

**[Our Westpac-MI Consumer Sentiment Index](#) posted its largest fall since COVID-19, down 12.5% to a deeply pessimistic reading of 80.1. The impact from the surge in fuel prices was acute, leading to a more pronounced deterioration in the sub-indexes tracking current conditions – namely ‘family finances vs a year ago’ (–16.7%) and ‘time to buy a major household item’ (–15.0%). There were also significant hits to the year-ahead outlook for family finances (–13.9%) and the economy (–12.4%), suggesting households are bracing for enduring pressure.**

The tone of the March [NAB business survey](#) was no better, business confidence collapsing 29pts from a neutral reading in February. This came alongside a notable lift in purchase cost pressures, up 1.7ppts to a quarterly pace of 3.0%. That final producer prices lifted +0.4ppts emphasises the rapid pass-through of surging fuel costs, but also that businesses are currently absorbing most of the increase in costs via margins, impacting profitability. The readings for current trading conditions and employment were positive, enabling business conditions to hold around its long-run average. This suggests the underlying health of the economy can be maintained if risks subside quickly.

This week we also received the March Labour Force Survey. It showed the Australian labour market was in good health prior to the Middle East conflict and the RBA’s most recent rate hike. Employment growth continued to strengthen from its trough in March, from 1.0%yr to 1.5%yr on a three-month average basis, reflecting the economy’s momentum through the second half of 2025 and into 2026. The unemployment rate has also held at 4.3% over the past two months, a similar level to the second half of last year. It now looks increasingly like the 4.1% prints at the turn of the year were due to temporary weakness in participation, not a sustained re-tightening.

However, given the hit to business confidence and the expectation of further policy tightening, the Middle East conflict looks set to cast a long shadow over the labour market. We expect a combination of lower average hours worked and slower employment growth, seeing the unemployment rate lift to 5.0% in early 2027. Tracking industries most exposed to the fuel shock will provide an initial take on the scale of the impact. Manufacturing, construction, transport/logistics and travel/tourism are the sectors to watch.

Offshore, an abrupt end to the first round of in-person talks between the US and Iran and the US’ Navy’s subsequent blockade of Iranian ports and associated vessels was the main point of conversation for markets this week. The market’s take has been sanguine, the price of Brent oil retreating

below US\$100 and global equities rallying back to historic highs during the week. Comments made by both sides imply negotiations are ongoing and another round of in-person talks will occur before the two-week ceasefire ends in coming days. There is also the option to extend the ceasefire, if necessary.

Effectively cut off from global shipping, Iran’s need for a deal is clear. But this is also the case for the US economy, University of Michigan consumer sentiment fell to a record low this week, 43% below the average of the survey since 1978. Price pressures are currently limited to first-order effects, headline CPI inflation printing at 0.9% against a core reading of just 0.2% in March. Should the conflict persist, it is highly likely second-round effects will permeate through the US economy, materially increasing the likelihood of inflation holding well above target and term interest rates trending higher. FOMC members who spoke this week all showed confidence in the underlying health of the US economy but also concern over the potential for an lasting imbalance between growth and inflation.

In contrast, [China’s economy showed strength this week](#), annual GDP growth accelerated from 4.5%yr in Q4 2025 to 5.0%yr in Q1, matching the full-year outcome for 2025. From the monthly partial data, China’s Q1 momentum was principally due to the strength of exporters and associated investment, both of which are likely to receive a lasting boost from increased demand for green technology given the Middle East’s impact on energy prices and supply. There is reason for guarded optimism over the outlook for property investment as well, the year-to-date decline having moderated from -17%ytd at December to -11%ytd in February and March. Still equivalent to circa 15% of GDP, an end to the sharp construction declines of recent years would provide a material boost to aggregate growth through 2026.

External demand and investment’s support for GDP masks the still-troubled state of consumer demand. Having surprised to the upside in February at 2.8%ytd, in March retail sales growth slowed once again to 2.4%ytd. While not a disastrous outcome by any means, it is less than half the average pace of the past five years post pandemic, a historically weak period for household demand growth. Policy makers have been clear in their intent to provide additional support to households but are yet to action plans. And, while equities have risen through the year, house prices continue to decline, weighing on wealth and sentiment. Without broadening the growth pulse, aggregate momentum will remain susceptible to slipping towards, or through, 4.0% in coming years, even with a significant benefit from global demand for green technology.

A full update of our expectations and assessment of risks for the global economy and markets will be made available today in the April edition of Market Outlook on Westpac IQ.

# Oil shock begins to surface in data

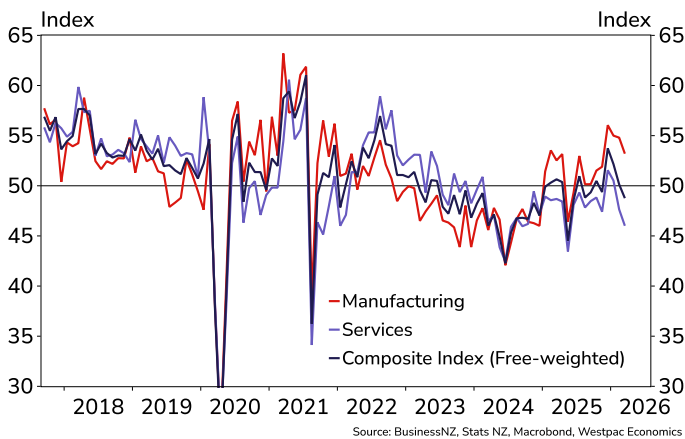


**Darren Gibbs**  
Senior Economist

The past week has delivered some further insight on the early impact of the Middle East conflict on the New Zealand economy. Unsurprisingly, that data points to some marked changes in spending patterns and clear upward pressure on prices for energy products. Even greater impacts are certain to be evident over coming months as the shock transmits through the economy.

On Monday, BusinessNZ reported that its Performance of Services Index had declined 1.6pts in March to a 10-month low of 46.0. All five subindexes fell below 50, with the activity/sales index falling to 44.6 and the new orders/business index falling to 45.7. The employment index also fell to the lowest level since October 2024. Separately, MBIE reported a modest decline in job ads in March. However, for now, the level of advertising remains more than 10% higher than a year earlier, and we are also yet to see any sign of labour shedding in the weekly filled jobs data collected from tax records. Meanwhile, more than two-thirds of the comments submitted by respondents to the BusinessNZ survey were said to be negative, with many – especially in industries dealing with discretionary spending – unsurprisingly citing the impacts of the Middle East crisis.

## BusinessNZ PMIs

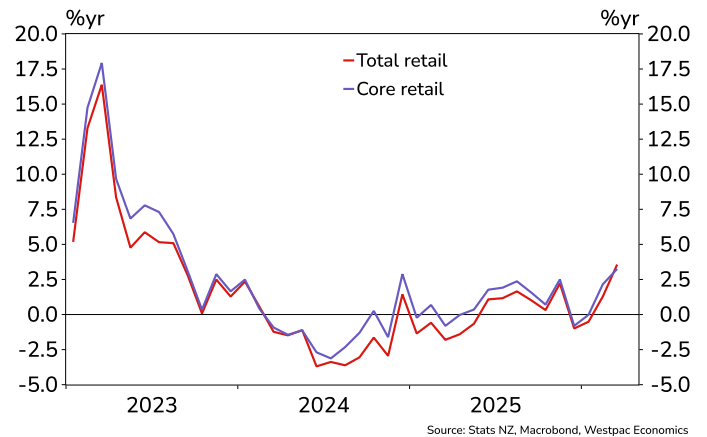


Later in the week [news from the retail sector](#) provided no major surprises. Consumer spending, as measured by electronic card payments, increased 0.7%*m/m* in March. Unsurprisingly, with petrol prices surging almost 19% during the month, spending on fuel increased over 17%. By contrast, core spending – which excludes spending on fuel and vehicles – fell a modest 0.1%*m/m*. Within the core measure, while spending on consumables (groceries) and durables grew, this

was more than offset by a decline in spending on apparel and hospitality. These data were broadly in line with the trends that were evident in [Westpac's own card spending data](#), which we had published earlier in the week.

Given the outcome for March, retail spending over the March quarter grew 1.0%. This was the strongest quarter since the December 2024 quarter, consistent with our view that the economy's forward momentum had improved at the start of this year. But looking ahead, high fuel prices will continue to siphon money out of households' pockets. At the same time, they will add to costs of production for a variety of other goods and services and will continue to significantly undermine consumer confidence. Overtime, these costs will also weigh on the strong growth in tourist arrivals that has helped retailers to weather a time of relatively subdued domestic spending. We continue to anticipate that consumer spending volumes will decline slightly in the current quarter, even as the value of spending is sustained by higher prices.

## Electronic card spending in retail stores

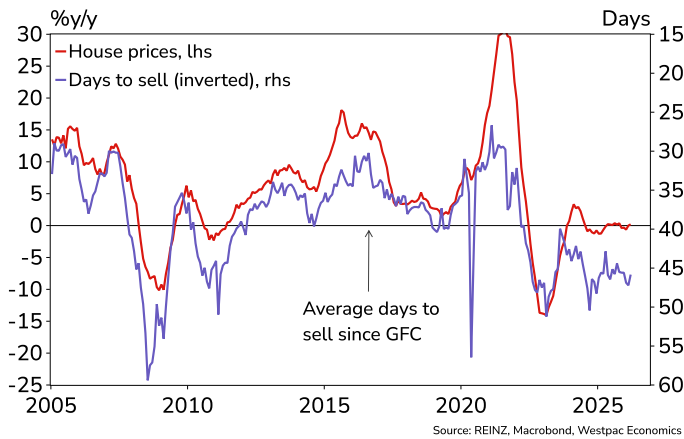


[News from the housing market](#) also provided no major surprises. Sales were down around 4% in March, reversing a 5% rise in February, and have been effectively moving sideways over the last year. The average time to sell shortened compared to February but has also remained within a narrow range and remains longer than usual. The REINZ house price index ticked up slightly in March following a 0.6% rise in February. Prices have now largely reversed the declines that we saw over the second half of 2025 and were up 0.2% from a year earlier. Conditions vary across the country, with prices trending higher in the South Island while the North Island has been more stagnant. Of course, the Middle East conflict has cast a

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fresh shadow of uncertainty over the economic outlook. It was unlikely that we would see an impact on the housing market as early as March, but in the months ahead we'll be watching for signs of a softening that would support our current forecast of a 1% fall in prices over this year. (Anecdotal evidence suggests greater caution amongst buyers in recent weeks.)

### House prices and days to sell

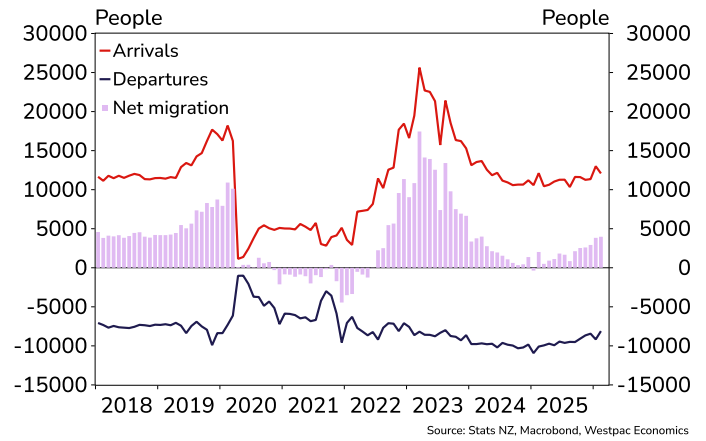


Another sector that is likely to be challenged by the Middle East conflict is the tourism industry. Increased prices for flights and sharply lower consumer confidence are likely to be weighing on forward bookings, especially from long-haul countries, and this should become evident as the year progresses. However, the recent trend has been very favourable, with arrivals in February increasing for an eighth consecutive month. A notable feature of the latest data was a further improvement in arrivals from China, which until recently had continued to track far below pre-pandemic levels. Thanks to the timing of the Lunar New Year, arrivals from China was more than triple that seen in February last year. But taking the January/February period as one to remove the impact of the floating holiday timing, arrivals were still up more than 50% and just 5% below the level seen in 2019. Helpfully, this comes at a time when there appears to be some slowing in arrivals from some other markets, notably the US and South Korea.

The inflow of longer-term arrivals – new residents and those on working, educational and other visas – has also shown some signs of lifting of late. Keeping in mind that more recent observations are subject to revision, the number of migrant arrivals in February was estimated to be around 2,000 greater than the low point seen in August last year whilst the number of departures was around 3,000 less than last January's highpoint. The net inflow of 3,600 was the largest since March 2024 and the inflow for the year to February – just over 25,000 – was over 7,000 more than the preceding year. At least in part the strengthening trend is further evidence of the improved

economic conditions that were developing in New Zealand prior to the Middle East conflict. Changes to visa policy have likely also contributed to the pickup in inflows.

### Monthly migration flows, seasonally adjusted



Finally, the release of the Selected Prices Indexes for March has allowed us to finalise [our forecast for next week's March quarter CPI](#) report. As expected, the price of petrol increased 19% in March and the price of diesel surged 42%. However, food and some other travel-related prices such as airfares came in slightly weaker than expected. As a result, we have revised down our forecast for the CPI to 0.7%, which would see annual inflation ease back to 2.8% from 3.1% in the December quarter. Higher prices for food and petrol should make the most significant contributions, although tradable prices overall are expected to rise just 0.2% over the quarter and 2.1% over the year. Non-tradables prices are forecast to increase 0.8% over the quarter, lowering annual inflation to 3.3%. Meanwhile measures of core inflation, such as the trimmed mean and the ex-fuel and energy CPI, are expected to remain in the top half of the RBNZ's target range.

Our forecast is a little lower than the updated 3.0% forecast released by the RBNZ at its 8 April Monetary Policy Review. Assuming the CPI prints close to our expectations, the RBNZ will only take modest comfort given what lies ahead. The impact of the oil shock will become more evident when the June quarter CPI is released in July, and perhaps earlier in the monthly Selected Prices Indexes that will be released prior to the CPI. We currently estimate that annual CPI inflation will rise to 4.3% in the June quarter, although much will depend on how petrol prices evolve over coming weeks.

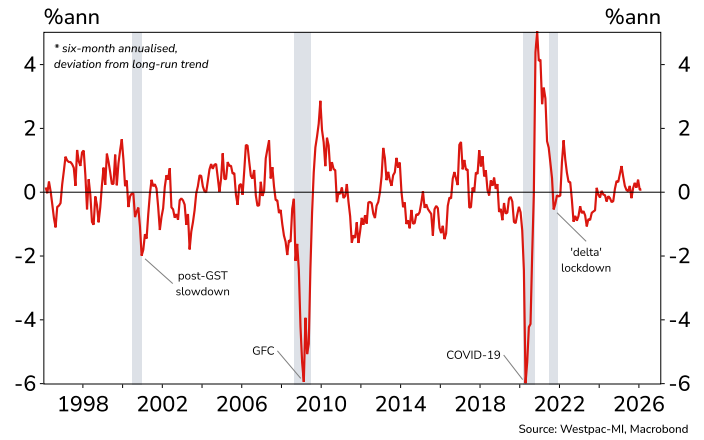
## AUS: Mar Westpac-MI Leading Index

Apr 22, Last: +0.08%

The Leading Index growth rate held at +0.08% in February, unchanged from January but down from more firmly positive reads late last year.

The March read will again see a very mixed bag of component updates. The global energy shock has hit sentiment measures and financial markets hard. Both the Westpac-MI Consumer Expectations Index and the Westpac-MI Unemployment Expectations Index deteriorated by 10% in the latest month, the S&P/ASX200 dropping 7.8% month to month and the yield spread narrowing further. However, commodity prices firmed (up 2.1% in AUD terms) and total hours worked rose 0.5% while dwelling approvals posted a big 30% rebound from very weak reads in Dec-Jan. The net effect is hard to judge but may be more neutral than weak.

## Westpac-MI Leading Index

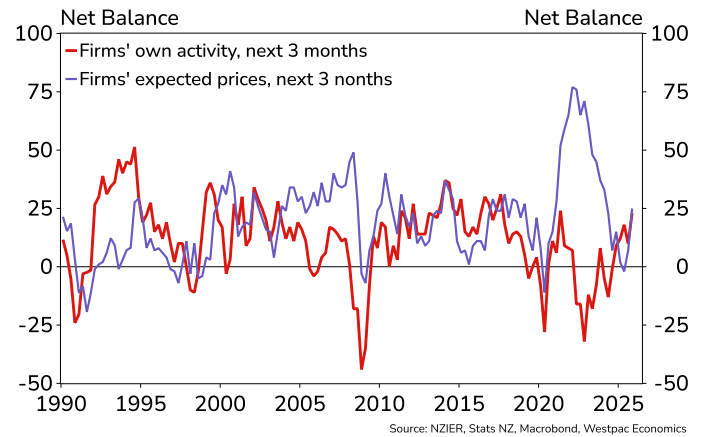


## NZ: Q1 NZIER Survey of Business Opinion (index)

Apr 21, General business confidence last: 39.5

The December quarter QSBO showed a more upbeat attitude among businesses than we've seen for some time, with both actual and expected activity picking up, and demand for workers responding accordingly. The March quarter survey will be a different matter though, coming in the wake of the Iran war, and later responses are likely to be significantly more downbeat than earlier ones. The pricing measures of the survey will show the hit from the surge in fuel costs, but more important will be firms' willingness to pass this on into their own prices. This particular measure seems to have been instrumental in kicking off both tightening and easing phases by the RBNZ in recent years.

## Quarterly Survey of Business Opinion

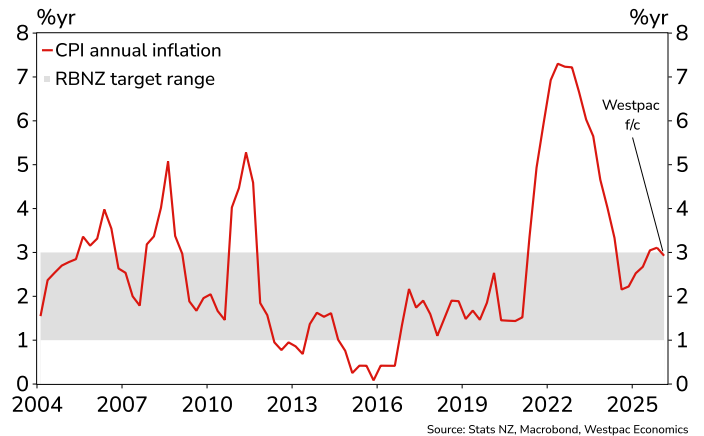


## NZ: Q1 Consumer Prices (%)

Apr 21, Quarterly last: 0.6, Westpac f/c: 0.7  
Annual last: 3.1, Westpac f/c: 2.8, RBNZ f/c: 3.0

We estimate that New Zealand consumer prices rose by 0.7% in the March quarter, underpinned by higher prices for food and petrol. The annual inflation rate is expected to dip from 3.1% to 2.8%, slightly below the RBNZ's forecast of 3.0% (updated at its April Monetary Policy Review). Under the surface, core inflation is expected to remain at firm levels. While the annual inflation rate is set to soften a little in March, this will be just a temporary reprieve. Inflation is set to rise sharply through the middle part of the year in response to the recent rise in oil prices and related increases in other costs. We expect inflation will rise to around 4.3% mid-year.

## Inflation at top of the range before Iran war



# What to watch

|               | For | Data/Event                       | Unit   | Last  | Market f/c | Westpac f/c | Risk/Comment  |
|---------------|-----|----------------------------------|--------|-------|------------|-------------|---|
| <b>Mon 20</b> |     |                                  |        |       |            |             |   |
| NZ            | Mar | Trade Balance                    | \$mn   | -257  | -          | 388         | Higher fuel prices will likely weigh in April.                    |
| <b>Tue 21</b> |     |                                  |        |       |            |             |   |
| NZ            | Q1  | NZIER Survey of Business Opinion | index  | 39.5  | -          | -           | Early indicator of business activity, pricing pressures.          |
|               | Q1  | CPI                              | %qtr   | 0.6   | 0.8        | 0.7         | Boost from food and fuel prices.                                  |
|               | Q1  | CPI                              | %ann   | 3.1   | 2.9        | 2.8         | Temporary easing, set to rise sharply mid-year.                   |
| Eur           | Apr | ZEW Survey Of Expectations       | index  | -8.5  | -          | -           | Middle East undoubtedly weighing on investor confidence.          |
| UK            | Feb | ILO Unemployment Rate            | %      | 5.2   | 5.2        | -           | Labour market already weakening before Middle East shock.         |
| US            | Mar | Retail Sales                     | %mth   | 0.6   | 1.3        | -           | Evaporating confidence keeps consumer on weaker footing.          |
|               | Feb | Business Inventories             | %mth   | -0.1  | 0.3        | -           | Inventory restocking slowing amid shaky consumer outlook.         |
|               | Mar | Pending Home Sales               | %mth   | 1.8   | 0.8        | -           | Early guide to established home sales, which is low and stable..  |
| <b>Wed 22</b> |     |                                  |        |       |            |             |   |
| Aus           | Mar | Westpac-MI Leading Index         | %ann'd | 0.08  | -          | -           | Interest rate hikes and Middle East impacts soon to be felt.      |
| Eur           | Apr | Consumer Confidence              | index  | -16.3 | -17.3      | -           | Sunk to a two-and-a-half year low on Middle East crisis.          |
|               |     | ECB President Lagarde            | -      | -     | -          | -           | Speaking on global challenges at LSE, 3:30am AEST.                |
| UK            | Mar | CPI                              | %ann   | 3.0   | 3.3        | -           | Set to pop materially higher on oil; focus on core.               |
| <b>Thu 23</b> |     |                                  |        |       |            |             |   |
| Jpn           | Apr | S&P Global Manufacturing PMI     | index  | 51.6  | -          | -           | Expanding at a slower rate, uncertainty starting to weigh ...     |
|               | Apr | S&P Global Services PMI          | index  | 53.4  | -          | -           | ... services activity is otherwise robust, providing some offset. |
| Eur           | Apr | S&P Global Manufacturing PMI     | index  | 51.6  | 50.1       | -           | Uptrend in manufacturing at risk of being arrested ...            |
|               | Apr | S&P Global Services PMI          | index  | 50.2  | 49.5       | -           | ... health of consumer will be key for services.                  |
| UK            | Apr | S&P Global Manufacturing PMI     | index  | 51.0  | 49.8       | -           | UK on more uneven footing, with mfg growth modest ...             |
|               | Apr | S&P Global Services PMI          | index  | 50.5  | 50.0       | -           | ... and services activity slowing toward break-even.              |
| US            | Mar | Chicago Fed Activity             | index  | -0.11 | -          | -           | Likely to suggest below-trend growth for time being.              |
|               |     | Initial Jobless Claims           | 000s   | 207   | 210        | -           | Still quite low, not indicative of widespread firing.             |
|               | Apr | S&P Global Manufacturing PMI     | index  | 52.3  | 52.8       | -           | Industry on a solid footing, similar to the ISM, but ...          |
|               | Apr | S&P Global Services PMI          | index  | 49.8  | 50.0       | -           | ... a weaker consumer does not bode well for services.            |
|               | Apr | Kansas City Fed Manufacturing    | index  | 11    | -          | -           | Performing relatively well compared to other regions.             |
| <b>Fri 24</b> |     |                                  |        |       |            |             |   |
| Jpn           | Mar | CPI                              | %ann   | 1.3   | 1.4        | -           | Ueda strikes a cautious tone, monitor data before reacting.       |
| Ger           | Apr | IFO Business Climate Survey      | index  | 86.4  | 86.6       | -           | Will souring expectations bleed into current situation view?      |
| UK            | Apr | GfK Consumer Sentiment           | index  | -21   | -25        | -           | Confidence weakening but not unravelling frantically.             |
|               | Mar | Retail Sales                     | %mth   | -0.4  | -0.3       | -           | Watch core sales (ex fuel) for early signs of pressure.           |
| US            | Apr | Uni. Of Michigan Sentiment       | index  | 47.6  | 48.3       | -           | Final estimate will provide full read on US-Iran reaction.        |

# Economic & financial forecasts

## Interest rate forecasts

|                            | Latest (17 Apr) | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 |
|----------------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Australia</b>           |                 |        |        |        |        |        |        |        |        |        |
| 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     |
| <b>United States</b>       |                 |        |        |        |        |        |        |        |        |        |
| Fed Funds                  | 3.625           | 3.625  | 3.625  | 3.625  | 3.625  | 3.625  | 3.625  | 3.625  | 3.625  | 3.625  |
| US 10 Year Bond            | 4.31            | 4.35   | 4.40   | 4.45   | 4.50   | 4.55   | 4.60   | 4.65   | 4.70   | 4.75   |
| <b>New Zealand</b>         |                 |        |        |        |        |        |        |        |        |        |
| 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 (bps) | 36              | 50     | 55     | 55     | 55     | 55     | 50     | 45     | 40     | 35     |

## Exchange rate forecasts

|         | Latest (17 Apr) | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 |
|---------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| AUD/USD | 0.7164          | 0.72   | 0.72   | 0.73   | 0.73   | 0.74   | 0.74   | 0.74   | 0.73   | 0.73   |
| NZD/USD | 0.5892          | 0.59   | 0.61   | 0.62   | 0.64   | 0.66   | 0.67   | 0.67   | 0.67   | 0.67   |
| USD/JPY | 159.11          | 158    | 156    | 154    | 152    | 150    | 148    | 146    | 144    | 142    |
| EUR/USD | 1.1786          | 1.18   | 1.18   | 1.19   | 1.20   | 1.21   | 1.22   | 1.22   | 1.22   | 1.22   |
| GBP/USD | 1.3532          | 1.35   | 1.36   | 1.37   | 1.38   | 1.39   | 1.40   | 1.41   | 1.41   | 1.41   |
| USD/CNY | 6.8227          | 6.80   | 6.75   | 6.70   | 6.60   | 6.50   | 6.45   | 6.40   | 6.35   | 6.35   |
| AUD/NZD | 1.2159          | 1.22   | 1.18   | 1.18   | 1.14   | 1.12   | 1.11   | 1.10   | 1.10   | 1.10   |

## Australian economic forecasts

|                        | 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   |

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

## New Zealand economic forecasts

|                     | 2025 |     | 2026 |      | 2027 |     |     |     | Calendar years |      |       |       |
|---------------------|------|-----|------|------|------|-----|-----|-----|----------------|------|-------|-------|
| % Change            | Q3   | Q4  | Q1f  | Q2f  | Q3f  | Q4f | Q1f | Q2f | 2024           | 2025 | 2026f | 2027f |
| GDP %qtr            | 0.9  | 0.2 | 0.8  | -0.4 | 0.5  | 1.0 | 1.4 | 0.8 | -              | -    | -     | -     |
| Annual avg change   | -0.6 | 0.2 | 0.6  | 1.2  | 1.3  | 1.5 | 1.9 | 2.4 | -0.3           | 0.2  | 1.5   | 3.5   |
| Unemployment rate % | 5.3  | 5.4 | 5.4  | 5.6  | 5.6  | 5.4 | 5.1 | 4.9 | 5.1            | 5.4  | 5.4   | 4.6   |
| CPI %qtr            | 1.0  | 0.6 | 0.7  | 1.9  | 1.0  | 0.3 | 0.3 | 0.1 | -              | -    | -     | -     |
| Annual change       | 3.0  | 3.1 | 2.8  | 4.3  | 4.2  | 3.9 | 3.5 | 1.6 | 2.2            | 3.1  | 3.9   | 1.7   |

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



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