



Week beginning 27 April 2026

# AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

## In this week's edition:

**Economic Insight:** It Depends on What You are Trying to Achieve.

**The Week That Was:** Middle East conflict seemingly at an impasse.

**Focus on New Zealand:** A matter of balance.

## For the week ahead:

**Australia:** ANZAC Day public holiday, Q1 CPI, Cotality home value index, private credit.

**New Zealand:** ANZAC Day public holiday, employment indicator, ANZ business and consumer confidence.

**Japan:** BoJ policy decision, industrial production, jobless rate.

**Euro area:** ECB policy decision, CPI, GDP, unemployment rate.

**UK:** BoE policy decision.

**United States:** FOMC policy decision, PCE deflator, personal income and spending, ISM manufacturing.

**Canada:** BoC Policy decision.

Information contained in this report current as at 24 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.

# It Depends on What You are Trying to Achieve



**Luci Ellis**  
Chief Economist, Westpac Group

- **Pre-budget speculation has tended to start from the presumption that more revenue is needed. The justification is sometimes the perceived need to fund spending priorities that are assumed – perhaps erroneously – to be rising. In other quarters, minimising the deficit or government debt appears to be the objective. Whatever the objective, it should be scrutinised not assumed.**
- **Speculation about changes to the capital gains tax (CGT) regime highlight the potential to increase revenue, but there is no guarantee of this. For example, switching back to the pre-1999 regime or the simplified version of it we have previously suggested will only boost revenue if asset price growth exceeds 5%.**
- **There are many possible objectives that fiscal systems – tax and spending – can address, often different objectives in different parts of the system. “Boost revenue” is not the only possible goal, and tweaking the tax system is not the only solution to a policy objective.**

Speculation is building as budget night approaches. While the government must deal with the immediate issues in front of it stemming from the Middle East conflict, many observers are focused on the maxim “never let a good crisis go to waste” and hoping for broader reforms – usually the same ones they were advocating before the conflict erupted. The question of what the budget should do rests, however, on the deeper question of what problems the government is trying to solve.

For example, recent discussion has been focused on an assumed need for extra revenue. Tax reforms are dissected for how much more they might raise, while [revenue windfalls from higher commodity prices](#) are downplayed. Underlying this view are other presumptions – seemingly widespread across different levels of government and the bureaucracy – that “people expect more from government nowadays” and that governments should strive to meet those expectations. Absent from these discussions are the questions of whether the government’s effort and resources are being deployed effectively, and whether it can stop doing some things altogether.

A related presumption underlying the search for more revenue is the belief that population ageing is shrinking the workforce, even though this is [not true in Australia and most other advanced economies outside North America](#).

A separate pathway to the search for more revenue comes from a different premise: that the federal fiscal position is weak and large revenue measures (and/or spending cuts)

must be found to reduce the deficit significantly. It is good to have strong public finances. It keeps government borrowing costs low and leaves plenty of space to spend in a crisis. Yet the presumption that government finances are parlous and in need of repair sits oddly with Australia’s actual federal fiscal position, which is stronger than many of its peers.

Take the recent speculation about removing the CGT discount. It has been touted as a revenue-raising measure, but there is no guarantee of this. One could consider moving back to the pre-1999 system of adjusting the gain for growth in CPI and applying the full marginal rate to the remainder. Alternatively, one could consider the [simplified version we suggested in 2023](#), where the adjustment is 2.5% per year the asset is held – the midpoint of the RBA’s inflation target – regardless of actual inflation over the holding period.

## “Speculation about tax reform in the upcoming federal budget abounds.”

Applying a full marginal rate to an adjusted return still taxes mobile capital more lightly than other income, as economic theory would suggest. It has an advantage over the current system of not privileging capital gains-producing assets over income-producing assets at the margin. Because assets that can be leveraged are especially advantaged by the current system, switching back to the pre-1999 system or our simplified alternative would also promote financial stability. It would increase the effective tax rate on capital gains during booms in real asset prices, and our simplified proposal would also lean against periods of high CPI inflation.

What it will not do, though, is necessarily boost revenue. If asset prices rise by less than 5% per year, revenue is lower. For example, a 4% rise, less 2.5% deduction, means tax is paid on 1½% of capital gains. The current system of half the marginal rate on the full gain would be the equivalent of taxing 2% of gains if asset prices rose 4%/yr. Revenue is only higher than the current scheme if asset prices rise by more than 5%. And even in that case, the increase in revenue might only be small once people have adjusted to the change and the other possible design decisions associated with it, such as grandfathering and limits on the number and type of assets eligible for the discount.

Absent from the current discourse is any discussion of the proper role and size of government, or the level of government that is best placed to take on the functions required. As Westpac Economics colleague Pat Bustamante has [previously shown](#), the size of government in Australia has increased ▶

substantially over the past decade. When private demand indirectly induced by public spending is included (think legal work for construction companies working on public infrastructure projects), the footprint of public demand has risen from 27% to 35% of GDP over the past decade.

Much of this expansion is desirable. We should want to care for disabled and elderly Australians properly and have high-quality childcare available at an affordable price. That takes resources, and private markets alone are unlikely to deliver enough of these services. Likewise, with population growth running around 1½%, both pre-pandemic and currently, we will always need more public infrastructure. Both types of spending also have positive spillovers. Social care spending allows those who were providing informal care to enter paid employment. And done well, infrastructure spending can boost skills and productivity and open up new opportunities through better logistics.

The question of what should or will happen in the budget boils down to which of the many possible objectives government wants to prioritise. Is it addressing the growing income tax burden in a system of fixed tax brackets, or minimising the deficit, or making the tax system more responsive to the economic cycle, or providing more services to meet the public's expectations, or doing so more efficiently? What about national and economic security? The budget is a complex beast and different design decisions can address different objectives. This is not like monetary policy, where there is only one instrument and at most two objectives, inflation and full employment, which are in any case correlated at least some of the time.

Global economic and geopolitical developments pose challenges, while new technology and an expanding, ageing workforce create opportunities. We should not assume that tweaking the tax system is the answer to every issue. Your fiscal priorities should relate to your public policy objectives.

### **Forecast changes**

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

# Cliff Notes: Middle East conflict seemingly at an impasse

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**Elliot Clarke**, Head of International Economics  
**Illiana Jain**, Economist

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**Regarding the Middle East conflict, the week began with the expectation of a second round of in-person talks between the US and Iran. The start of the negotiations was initially pushed from Tuesday to Wednesday; but President Trump then announced on Truth Social that the meeting had been postponed at the request of Pakistani and Iranian officials to allow time for a "unified proposal" to be developed to be put to the US. Thankfully, having been stretched by both sides at the weekend, the expiring two-week ceasefire was extended indefinitely.**

Since Wednesday, there has been no concrete evidence of progress towards a deal, the Iranians seemingly refusing to come to the table while the US' blockade remains in place, and the US refusing to end the blockade until a deal is agreed. Both sides have halted and seized ships within their area of operations, but this has not triggered a ceasefire breach – although it must be noted that President Trump overnight ordered the US Navy to strike any vessel laying mines in the Strait of Hormuz, making clear the risk of further military conflict.

With no clear way out of the stalemate, or timeline for formal talks, the price of Brent oil has rebounded back to around USD106 having (very briefly) fallen as low as USD86 late last week. The longer the impasse persists, the greater the chance of a sustained period of high oil prices and refinery margins, with all costs eventually met by businesses and households across the world.

Central banks remain focused on the degree and persistence of price passthrough to domestic consumer inflation, the risk being that inflation persists well above target into 2027 on second-round effects and an uplift in inflation expectations. ECB President Lagarde this week noted that the staff currently view conditions in the Euro Area as between their baseline and adverse projections from the last meeting, and will act "as the situation demands" ahead. Next week's run of central bank meetings across the northern hemisphere will provide a more detailed view on the balance of risks and the implications for monetary policy across the developed world.

In the US meanwhile, President Trump's pick for the next FOMC Chair, Kevin Warsh, appeared before the Senate Banking Committee as part of the confirmation process. Warsh again made clear he believes several aspects of the FOMC's communications and processes should change, but also showed a clear commitment to central bank independence. The next steps in Warsh's confirmation remains highly uncertain, with Republican Senator Tillis refusing to approve the appointment at the Committee stage until the Department of Justice close their investigation into the Federal Reserve

and Chair Powell. If Senator Tillis holds out until year end, the Administration may face an additional challenge in 2027 as their Senate majority is at risk in the mid-term election. Chair Powell will remain in place in the interim, giving the FOMC continuity and capacity to manage the US economy.

On data front this week, US retail sales rose 1.7% in March, beating expectations. The control group, which feeds into GDP, also surprised to the upside, 0.7%. For the quarter overall, however, the consumer pulse has been weak, and record-low confidence points to downside risks for Q2. The outlook for US business investment is also increasingly uncertain.

Across the pond, the UK unemployment rate fell from 5.2% in January to 4.9% in February, though this reflected a decline in participation. Despite the softer labour market print, wages still rose 3.8%yr in February. A spike in energy prices also saw inflation rise 0.7% in March and 3.3% over the year. While the headlines focus on energy prices, sticky services inflation also remains an issue for the UK, 4.5%yr.

[Our latest Market Outlook](#) provides an in-depth view of the outlook for the US, Europe, China and global financial markets.

# A matter of balance



**Satish Ranchhod**  
Senior Economist

The conflict in the Middle East has cast a long shadow across the New Zealand economy, with a softening in demand, rising costs and winding back of plans for hiring. Inflation is already at elevated levels and it's set to take a large step higher over the next few months. All of this leaves the RBNZ with a particularly challenging balancing act. But while there are questions about how quickly the RBNZ will adjust the OCR, the direction of those movements will be upwards.

## Curtain raiser

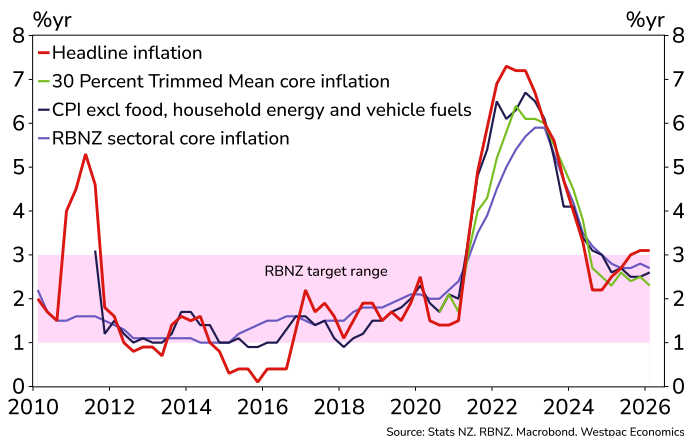
The latest CPI report showed that, even before the full impact of the recent oil price shock has been felt, [New Zealand inflation](#) was running hotter than we or the RBNZ expected. Consumer prices rose 0.9% in the March quarter. That saw the annual inflation rate remaining unchanged at 3.1%, above both our forecast and the RBNZ's April expectations.

The March quarter did see a large seasonal increase in food prices (1.5%). More important, however, were the large increases in transport costs. The sharp rise in global oil prices since late February left petrol prices up 3.5% over the quarter, with diesel prices up 11%. Notably, we also saw the early stages of spillovers from those high fuel prices into other costs, with domestic airfares up 9% over the quarter.

Looking under the surface, the various measures of core inflation provided some mixed messages on how strong the underlying inflation pulse has been. Some closely-watched measures of core inflation remain elevated. For instance, CPI ex-fuel and food came in at 3.0%yr (vs 2.9% previously). Similarly, the RBNZ's sectoral measure of core inflation held firm at 2.7%yr in the March quarter. However, other measures of core inflation, such as the trimmed mean and weighted median measures or those measures that exclude government charges, have been softer.

While not every measure of core inflation is running red hot, what stands out is that inflation in New Zealand hasn't fallen to 'low' levels over the past year. That's despite weak growth and a soft labour market. Part of the reason for that is because we have continued to see large increases in administered costs (like council rates and electricity charges) that aren't very responsive to changes in interest rates. But we are also seeing pressures in some other areas. This lingering firmness in overall inflation is significant for the RBNZ, highlighting the limited headroom they had even before the recent oil price shock.

## Consumer prices and core inflation



## The worst is yet to come

The March quarter inflation result was really just the curtain raiser. Inflation is set to rise sharply through the middle part of this year as the full impact of recent oil price rises ripples through the economy. We also expect to see continued firmness in administered prices, like council rates and electricity charges.

However, the outlook for inflation is much cloudier when we look at price pressures in more cyclical parts of the economy. That was highlighted in the latest [Quarterly Survey of Business Opinion](#), and in our own [recent discussions with businesses across the country](#).

Businesses have highlighted significant pressure on operating costs. And that pressure has not been limited to fuel and transport prices, with more widespread disruptions to supply chains. In some cases, like in the building sector, the reported increases in materials costs have been large.

At the same time, businesses have reported that much of the firming in economic momentum that we saw in the early part of the year has now been derailed. Economic confidence has dropped sharply over the past month, and the dampening impacts of the Middle East conflict on demand are becoming more visible. We've already seen tourist operators reporting an increase in cancelled bookings, and businesses across the country are reporting softness in discretionary spending as households grapple with rising costs for essentials.

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Looking ahead, businesses across the economy are bracing themselves for softer trading conditions over the next few months. That's seen them winding back their plans for capex and hiring.

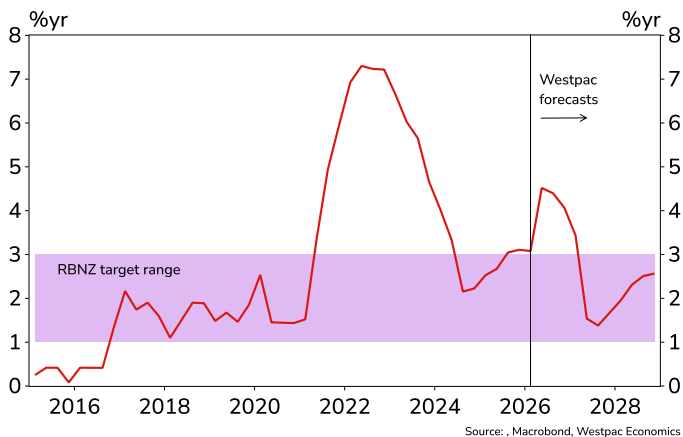
That softness in demand is raising questions about whether businesses can pass increases in operating costs through to output prices. At this stage, that passthrough has not been complete, with many businesses reporting increased pressure on margins. But that can't continue indefinitely. Many businesses have already seen their margins being squeezed for several years now, and they are now facing further (and in some cases very large) increases in operating costs. Against that backdrop, while softness in demand might limit the extent of output price rises over the coming months, inflation still looks set to take a sizeable step higher.

Putting that mix of soft demand and significant increases in operating costs together, we now expect that inflation will rise to 4.5% in mid-2026 (up from our previous forecast for 4.3%/yr). Further ahead, inflation is expected to ease only gradually, slowing to 4.1% by the end of this year.

Headline inflation is expected to slow materially over 2027 as the impact of earlier oil price increases dissipates. However, core inflation is expected to remain elevated this year, and is expected to ease back towards the mid-point of the RBNZ's target band only gradually over 2027, rather than falling to low levels.

The outlook for inflation remains murky, particularly beyond the current quarter. Crucially, the outlook will be highly dependent on the evolution of tensions in the Middle East and the related (potentially large) moves in oil prices. But even if tensions in the Middle East were to dissipate quickly, the associated disruptions to supply chains and pressure on operating costs would still take some time to ease.

## CPI inflation forecasts



## Balancing act

All of this leaves the RBNZ with a particularly challenging balancing act. The RBNZ can't offset the rise in oil prices that's already occurred by hiking the OCR now. However, business surveys are pointing to a broadening lift in price pressures, and the RBNZ can't ignore the risk that the current oil-related rise in operating costs evolves into a more widespread and protracted lift in inflation. The past few years have shown just how corrosive and long-lasting the effects of high inflation can be for the economy, and the RBNZ is loath to see those sorts of pressures taking hold again.

Earlier interest rate hikes might help limit the risk that we see a more sustained rise in inflation. However, the RBNZ is also very mindful that higher interest rates now would weigh on economic activity at a time when the labour market is already soft.

This isn't an easy trade-off for the RBNZ. Balancing those concerns, we expect that the RBNZ will begin a series of increases in the Official Cash Rate from September, earlier than they previously signalled in their last published forecasts from February (which pre-dated the Middle East conflict). We expect the OCR will rise from the current low of 2.25% to 3.50% in early 2027. While that would be a relatively fast rise in the OCR, it would only take the OCR back around 'neutral' levels from the RBNZ's perspective at a time when inflation has been persistently above 3%.

Further ahead, the outlook is less certain. As a result, we expect that interest rates will continue to rise, but at a more gradual pace.

Market pricing for the OCR has been pulled forward in recent weeks and is now consistent with the first hike coming in July. We certainly wouldn't rule out an earlier start to the tightening cycle, given the significant rise in cost pressures. However, we think the RBNZ will prefer to wait to see how pricing behaviour in the economy is shaping up. While we will have a number of business surveys and monthly prices updates by the time of the July policy meeting, we won't have the full June quarter CPI report until after that meeting. (In contrast to the monthly price updates from Stats NZ, the quarterly CPI report has broader coverage including a range of discretionary spending categories. That update will help to illustrate how the balance between higher costs and softer demand is evolving in terms of overall pricing pressures.) The RBNZ will also want to see how spending and the labour market are evolving, both of which will be important for determining how persistent the strength in inflation will be.

## Fiscal pressures

The other news of note this week was Moody's decision to attach a negative outlook to New Zealand's sovereign credit rating. The current top-tier "Aaa" rating – shared with just ten other countries – has been in place since October 2002 and is a notch higher than the rating currently assigned by both Standard and Poor's and Fitch (the latter also moved its rating to a negative outlook last month). It is worth noting that Moody's

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base model assigns a rating one notch lower, with the current Aaa rating reflecting a one-notch uplift based on an assessment that the recent weakening of fiscal metrics would improve over time. This week's action clearly indicates that Moody's are considering removing that uplift. Specifically, Moody's stated: "The negative outlook reflects our assessment that risks to New Zealand's fiscal trajectory have increased..." due to "...the potential for a combination of tighter monetary policy, slower short-term growth and increased debt servicing costs".

Following this ratings action, the Minister of Finance, Nicola Willis, held a press briefing at which she also outlined some economic scenarios that the Treasury had produced during its preparations for the upcoming Budget on 28 May. Willis stated that the ratings action reinforced the Government's decision to resist the temptation to "splash the cash" in reaction to the current oil shock. Importantly, she reaffirmed that the operating allowance for new initiatives in the upcoming Budget will be held at a relatively frugal \$2.4bn. This will necessitate savings and reprioritisations to fund the targeted relief that the Government has already provided to lower income workers and some other groups, as well as the other pressures on operating spending that flow from higher fuel prices.

Unsurprisingly, the information presented by Willis showed that an upgrade to the outlook for growth and employment had been the base case prior to the Middle East conflict. More surprisingly, the least severe post-war scenario presented – one based on crude oil remaining around \$110/bbl in the near-term – was associated with a growth outlook that was similar to that presented in the Half-Year update in December. This scenario, which Willis seemed to indicate might be most representative of the current outlook, would likely still lead to a modest deterioration in the near-term fiscal outlook due to increases in spending that sit outside the spending allowance, such as benefit costs (which are indexed to the CPI) and debt servicing. However, it would probably not generate a repeat of the very large upgrades to the borrowing programme that have been seen at various times in recent years.

We will publish our preview of Budget 2026 after we have seen the Government's financial accounts for April (released 12 May). Willis indicated that the Treasury had finalised its economic forecasts this week and that Cabinet would make final Budget decisions in around a fortnight.

## AUS: Q1 Headline CPI (%qtr)

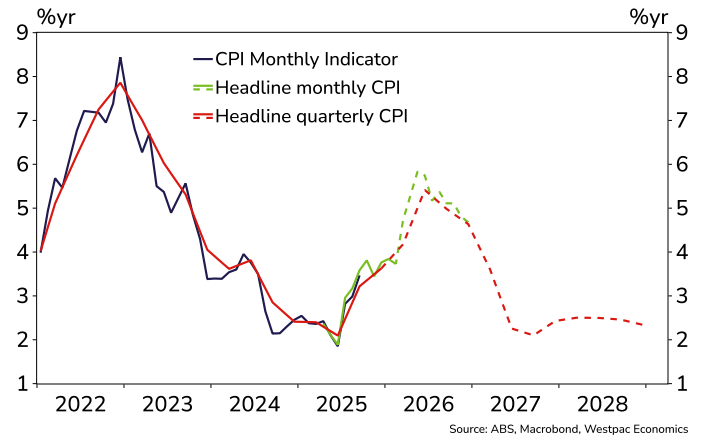
**Apr 29, Last: 0.6, Westpac f/c: 1.5**  
**Market f/c: 1.4, Range: 1.1 to 1.6**

Westpac is estimating a 1.5%qtr/4.2%yr gain in the March quarter CPI. At two decimal places our estimate is a solid 1.48% so we see the risks as balanced.

The Middle East conflict is the largest energy shock since the oil crises of the 1970s/80s. It started February 28 so its impact was only felt through March, mostly via auto fuel. As such we expect a much broader impact in the June quarter and through the second half of the year. For more details on the scenario underpinning these projections, and our latest thoughts on the risks, please refer to the [April Market Outlook](#).

For a detailed breakdown of our June quarter estimates, and the monthly estimates to May, see our [Inflation Outlook Bulletin](#).

## Headline inflation in three series



## AUS: Q1 Trimmed Mean CPI (%qtr)

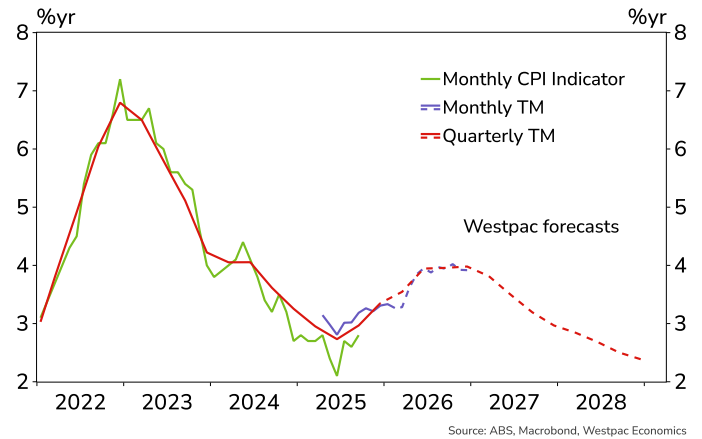
**Apr 29, Last: 0.9, Westpac f/c: 0.9**  
**Market f/c: 0.9, Range: 0.8 to 1.0**

Core inflation is not immune to the Middle East Crisis. While the impact is likely to be more significant through the second half of the year we are expecting a 0.93% increase in the March quarter, matching the 0.90% December quarter gain. The annual pace is expected to lift modestly to 3.5%yr from 3.4%yr.

The March quarter is a prelude to the step up in the pace with a 1.0% increase in the June and September quarters and the annual pace peaking at 4.0%yr in the second half of the year.

The ABS are [publishing](#) the quarterly underlying inflation measures consistent with the historical price collection frequency. Replicating this process represents a small downside risk to our estimate.

## Trimmed Mean inflation in three series



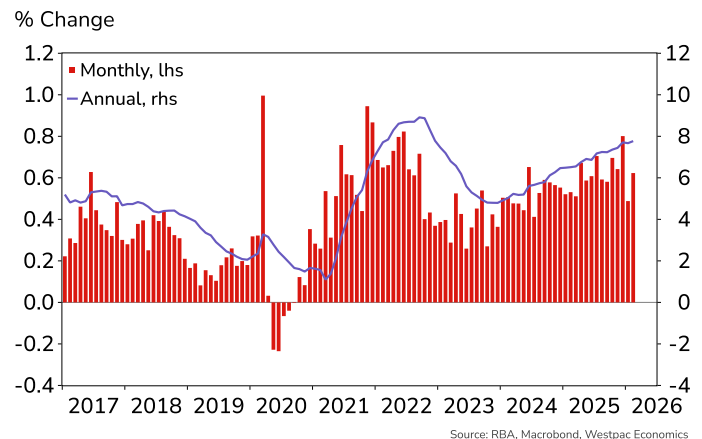
## AUS: Mar Private Sector Credit (%mth)

**Apr 30, Last: 0.6 Westpac f/c: 0.5**  
**Market f/c: 0.6, Range: 0.5 to 0.7**

Private sector credit rose 0.8%*mth* in December, eased to 0.5%*mth* in January, and then steadied at 0.6%*mth* in February, in line with the two-year average.

For March, headline growth is expected to moderate to 0.5%*mth*. The effects of the RBA's cash rate increases in February and March are likely to emerge with a lag, although interest rate expectations rose earlier. In addition, the global energy price shock associated with the war in the Middle East is placing further pressure on household budgets and disrupting business activity. With both consumer sentiment and business confidence falling sharply in March, credit growth is likely to face increasing downward pressure, amid heightened economic uncertainty.

## Private Sector Credit Growth



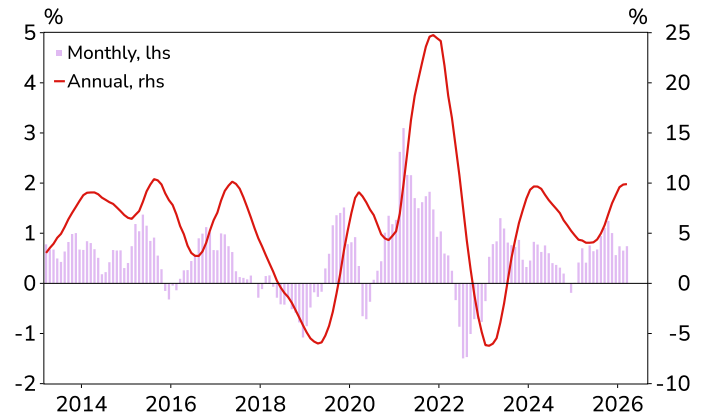
## AUS: Apr Cotality Home Value Index (%mth)

May 1, Last: 0.6, Westpac f/c: 0.3

The Cotality home value index rose 0.6% in March, following similar gains over the previous three months, annual growth holding broadly steady at 9.3%yr. The detail continued to show slight price declines in Sydney and Melbourne, where turnover also looks to be pulling back, but relatively strong price gains in Brisbane, Adelaide and Perth where turnover remains firmer.

The daily measure points to a slower 0.3% rise for the April month with slightly more pronounced declines in Sydney and Melbourne and price gains moderating a touch in the mid-sized capitals.

## Cotality home value index

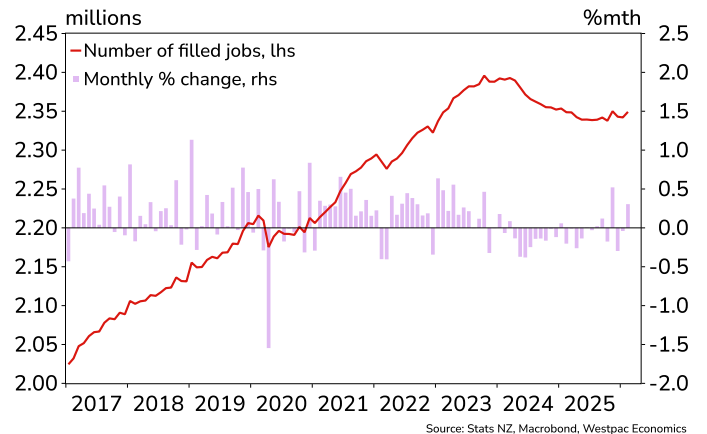


## NZ: Mar Monthly Employment Indicator (%mth)

Apr 28, Last: 0.3, Westpac f/c: flat

The February MEI added to the evidence that the New Zealand economy was regaining momentum prior to the Iran war. The number of filled jobs rose by 0.3%, although this is likely to be revised down a little in subsequent releases; the broader picture is one of a stabilisation in jobs in recent months after declining through 2024-25. The weekly snapshots provided by Stats NZ are now running about in line with a year ago, which suggests a flattish outcome for the March month. We'll be watching these figures closely for any signs that the uncertainty stemming from the Iran war is prompting businesses to put off hiring decisions.

## Monthly Employment Indicator

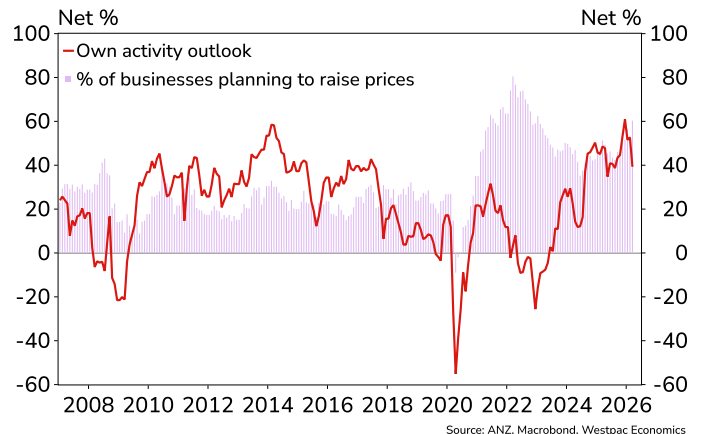


## NZ: Apr ANZ Business Confidence (index)

Apr 30, Last: 32.5

The first business survey since the beginning of the Iran war saw a sharp drop in confidence, with late-March responses turning significantly weaker than earlier ones as the gravity of the situation became clearer. That sets the stage for an April survey that's likely to look quite ugly on the whole, even if there is some improvement within the month as the 8 April ceasefire helped to bring fuel prices down from their highs. Firms' inflation expectations and pricing intentions are likely to take a further step up, but the measures of wage growth and hiring intentions will also be an important consideration as to whether we see a sustained rise in inflation beyond the initial spike.

## Business confidence high prior to Iran conflict

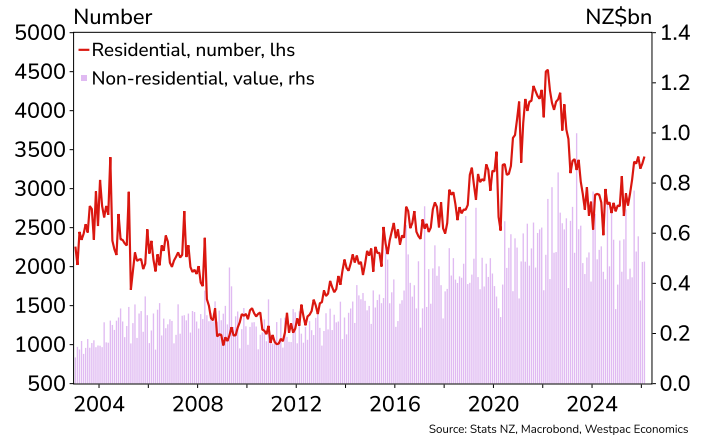


## NZ: Mar Building Consents (%mth)

May 1, Last: 2.7, Westpac f/c: flat

Since late 2025, dwelling consent numbers have taken a step higher, and we expect that issuance will remain firm in March. That would see annual consent numbers climbing to around 37,800 – its highest level since 2023. Developers have been bringing new projects to market, supported by last year's reductions in interest costs and the earlier easing in cost pressures. However, those gains pre-date the recent conflict in the Middle East. Builders are now reporting significant increases in materials costs and pressure on interest rates is mounting. That's likely to see fewer new projects coming to market over the coming months, and some planned work may not proceed. Commercial consent numbers have been mixed across segments to date. But across all segments, the risks are now tilted towards greater caution in businesses' plans for capex in the near term.

## Building consents picking up



## US: FOMC Policy Decision (%)

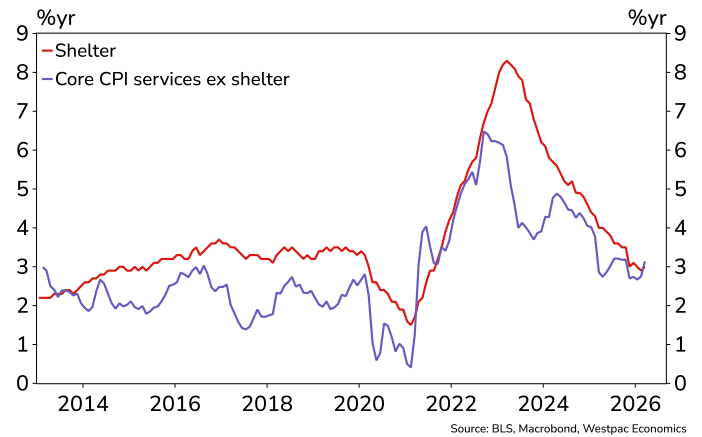
Apr 28-29, Last: 3.625, Market f/c: 3.625, Westpac f/c: 3.625

The FOMC received a reprieve from downside risks to the economy over the past month as nonfarm payrolls growth turned up after an extended period of weakness.

The deceleration in GDP growth evident in Q4 and expected in Q1 notwithstanding (see below), the focus of FOMC risk analysis is likely to be the threat of elevated inflation. The latest CPI report was favourable, with inflationary pressures concentrated in energy prices and core inflation benign. However, if a deal between the US and Iran is not forthcoming, this situation could change rapidly.

We expect the Committee to note concerns over passthrough, but to hold a balanced view overall, waiting for data to show the evolution of risks in coming months.

## Passthrough risk the near-term concern



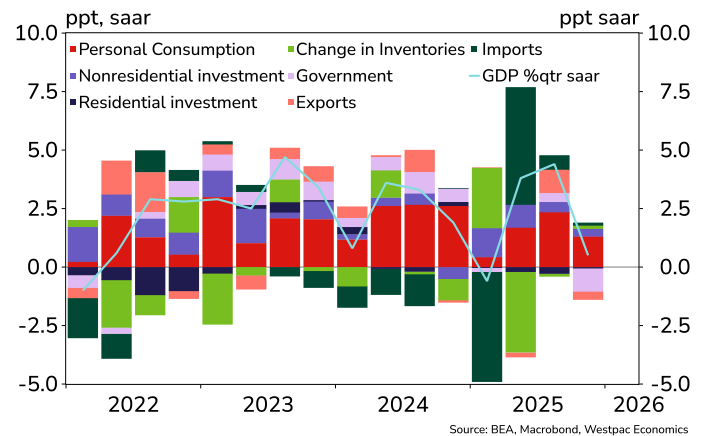
## US: Q1 GDP (%ann'd)

Apr 30, Last: 0.5, Market f/c: 2.0, Westpac f/c: 1.0

US GDP decelerated abruptly at the end of 2025 following strong growth through mid year, and under the weight of the Federal Government shutdown and tariff uncertainty. Partial data for Q1 2026 point to another poor result as the new year begins.

In part this looks to be due to net exports subtracting materially from growth in the three months to March. Though housing investment seems to be contracting, and household consumption and business investment growth is below trend. With consumer sentiment at record lows, US GDP growth is susceptible to remaining below trend through Q2 and Q3, potentially seeing additional slack build in the labour market.

## United States contributions to GDP



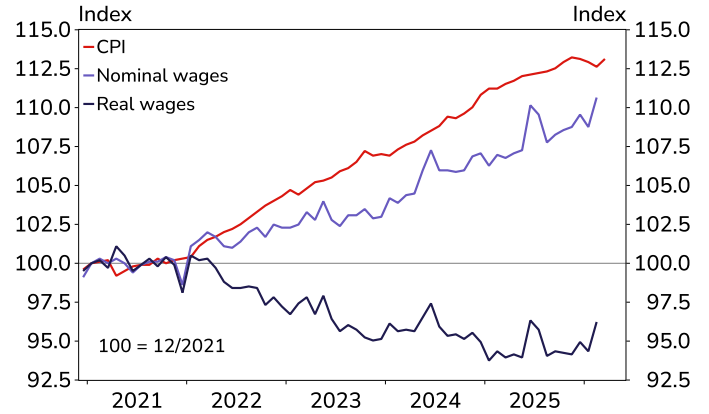
## Japan: BoJ Policy Decision (%)

Apr 27, Last: 0.75, Market f/c: 0.75, Westpac f/c: 0.75

We anticipate the Bank of Japan will remain on hold at its April meeting but signal that further rate rises are on the horizon. A fresh set of forecasts should show inflation is on track to be higher given higher costs of energy and still elevated food prices.

The Policy Board is focused on creating the right conditions for domestically-driven inflation. They will want to be patient to ensure financial conditions remain sufficiently accommodative for the corporate sector to continue to raise wages and invest while balancing the impact a weak yen has on domestic inflation. We continue to anticipate a June hike.

## Real wage gains still key for BoJ



# What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
<b>Mon 27</b>							
Aus		ANZAC Day	–	–	–	–	Public holiday in lieu for NSW, ACT, WA. Markets still open.
NZ		ANZAC Day	–	–	–	–	Public holiday in lieu. Markets closed.
US	Apr	Dallas Fed Manufacturing	index	–0.2	–	–	Volatile, but pointed to neutral conditions before Iran impacts.
<b>Tue 28</b>							
NZ	Mar	Employment Indicator	%mth	0.3	–	flat	Jobs market was stabilising prior to Iran conflict.
Jpn	Mar	Jobless Rate	%	2.6	2.6	–	Labour market is softening marginally.
	Apr	BoJ Policy Decision	%	0.75	0.75	0.75	Assessing outlook for now, but rate hike on the table in June.
US	Feb	S&P/CS Home Price Index	%mth	0.16	–	–	Stabilising but on fragile footing as confidence falters.
	Apr	Richmond Fed Manufacturing	index	0	–	–	Volatile, but pointed to neutral conditions before Iran impacts.
	Apr	Conf. Board Consumer Confidence	index	91.8	89.3	–	To retest recent lows as consumers feel effects from conflict.
<b>Wed 29</b>							
Aus	Mar	Monthly CPI	%ann	3.7	4.8	4.7	A 35% increase in auto fuel lifts the CPI 1.3% in the month...
	Q1	CPI	%qtr	0.6	1.4	1.5	... lifting the auto fuel contribution to 0.3ppt for the quarter...
	Q1	Trimmed Mean CPI	%qtr	0.9	0.9	0.9	... while underlying inflation momentum remains solid.
Eur	Apr	Economic Confidence	index	96.6	95.8	–	At risk of slumping, after nudging sideways for three years.
US	Mar	Durable Goods Orders	%mth	–1.3	0.5	–	Investment pulse was already slowing prior to US-Iran.
	Mar	Housing Starts	%mth	7.2	–	–	Cost pressures will challenge homebuilding sector ...
	Mar	Building Permits	%mth	–4.7	–	–	... and potentially make some projects less viable.
	Apr	FOMC Policy Decision	%	3.625	3.625	3.625	On hold this year, absent a deterioration in the labour market.
Can	Apr	BoC Policy Decision	%	2.25	–	–	Prolonged pause as downside risks to activity are assessed.
<b>Thu 30</b>							
Aus	Mar	Private Sector Credit	%mth	0.6	0.6	0.5	Economic uncertainty to add downward pressure.
	Q1	Export Price Index	%qtr	3.2	–	–	Terms of trade set to deteriorate as commodity price lift ...
	Q1	Import Price Index	%qtr	0.9	–	–	... will be in the shadows of a fuel import price surge.
NZ	Apr	ANZ Business Confidence	index	32.5	–	–	The April survey will bear the full brunt of the Iran conflict.
Jpn	Mar	Industrial Production	%mth	–2.0	1.1	–	Factory output was on a more solid footing early this year.
Chn	Apr	NBS Manufacturing PMI	index	50.4	50.1	–	Wash-up after Lunar New Year was more constructive ...
	Apr	NBS Non-Manufacturing PMI	index	50.1	49.9	–	... mirroring activity data pointing to good health in early 2026.
	Apr	RatingDog Manufacturing PMI	index	50.8	51.0	–	Opportunities for export-orientated firms in green technology.
Eur	Apr	CPI	%ann	2.5	2.9	–	Preliminary read won't offer great detail on breadth.
	Q1	GDP	%qtr	0.2	0.2	–	Growth coming from a relatively soft starting point.
	Mar	Unemployment Rate	%	6.2	6.2	–	Labour market still in relatively good health.
	Apr	ECB Policy Decision (Deposit Rate)	%	2.00	2.00	2.00	Some degree of tightening warranted, but later this year.
UK	Apr	BoE Policy Decision	%	3.75	–	3.75	Abrupt shift from cutting to pausing, and hikes later on.
US	Mar	PCE Deflator	%mth	0.4	0.7	–	Inflation pressures were already present in the US, which ...
	Mar	Personal Income	%mth	–0.1	0.4	–	... with a softer labour market, weighs on real incomes ...
	Mar	Personal Spending	%mth	0.5	0.9	–	... forcing consumers to dip into savings or pull-back spending.
		Initial Jobless Claims	000s	214	–	–	No major signs of job losses, although job creation is weak ...
	Q1	Employment Cost Index	%qtr	0.7	0.8	–	... as evinced by the gradual easing in wages growth.
	Q1	GDP	%ann'd	0.5	2.0	–	Growth pulse entering 2026 on a weak footing.
<b>Fri 01</b>							
Aus	Apr	Cotality Home Value Index	%mth	0.6	–	–	
	Q1	PPI	%qtr	0.8	–	–	Breadth of upstream price pressures in focus.
NZ	Apr	ANZ Consumer Confidence	index	91.3	–	–	Cost of living pressures weighing on confidence.
	Mar	Building Permits	%mth	2.7	–	flat	Monthly consent numbers firm ahead of Middle East conflict.
Jpn	Apr	Tokyo CPI	%ann	1.4	1.6	–	Core measure will guide on pass-through of oil price shock.
US	Apr	ISM Manufacturing	index	52.7	53.3	–	Long-awaited signs of growth at risk of being short-lived.
World	Apr	S&P Global Manufacturing PMI	index	–	–	–	Final estimate for Japan, UK, US.

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# Economic & financial forecasts

## Interest rate forecasts

Australia	Latest (24 Apr)	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	4.36	4.80	4.90	4.90	4.95	4.95	4.95	4.80	4.55	4.30
3 Year Swap	4.69	4.80	4.75	4.70	4.65	4.60	4.50	4.40	4.30	4.20
3 Year Bond	4.71	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)	67	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	4.33	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	2.60	2.50	2.95	3.40	3.75	4.00	4.25	4.45	4.45	4.45
2 Year Swap	3.51	3.75	4.05	4.30	4.40	4.40	4.40	4.35	4.30	4.25
10 Year Bond	4.72	4.85	4.95	5.00	5.05	5.10	5.10	5.10	5.10	5.10
10 Year Spread to US (bps)	40	50	55	55	55	55	50	45	40	35

## Exchange rate forecasts

	Latest (24 Apr)	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
AUD/USD	0.7121	0.72	0.72	0.73	0.73	0.74	0.74	0.74	0.73	0.73
NZD/USD	0.5856	0.59	0.61	0.62	0.64	0.66	0.67	0.67	0.67	0.67
USD/JPY	159.75	158	156	154	152	150	148	146	144	142
EUR/USD	1.1679	1.18	1.18	1.19	1.20	1.21	1.22	1.22	1.22	1.22
GBP/USD	1.3460	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.41
USD/CNY	6.8364	6.80	6.75	6.70	6.60	6.50	6.45	6.40	6.35	6.35
AUD/NZD	1.2173	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
GDP %qtr	0.5	0.8	0.5	0.2	0.1	0.2	0.3	0.4	-	-	-	-
%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
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

\* Quarter-average.

## 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	0.9	1.9	0.9	0.3	0.3	0.1	-	-	-	-
Annual change	3.0	3.1	3.1	4.5	4.4	4.1	3.4	1.5	2.2	3.1	4.1	1.7

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