



Week beginning 11 May 2026

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Rate call tweak: August & September not June & August; Three challenging trends and the opportunities they present for Australian women.

The Week That Was: Dynamic risks.

Focus on New Zealand: All right so far.

For the week ahead:

Australia: 2026/27 Federal Budget, Q1 housing finance approvals, Q1 WPI, NAB business survey.

New Zealand: RBNZ inflation expectations, house prices & sales, selected price indices.

Japan: Household spending, current account balance.

China: CPI, PPI.

Euro area: ZEW survey of expectations, Q1 GDP (second estimate), industrial production.

United Kingdom: Q1 GDP.

United States: CPI, retail sales, NFIB small business optimism, PPI, industrial production, import prices.

Information contained in this report current as at 8 May 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.

Rate call tweak: August & September not June & August



Luci Ellis
Chief Economist, Westpac Group

We still expect two more RBA rate hikes after the one this week. However, as we flagged as a consideration on Tuesday, we now think that the Monetary Policy Board (MPB) will want to pause in June. In the post-meeting media conference, Governor Bullock characterised the three rate hikes so far as dealing with the high inflation issue that already existed before the conflict in the Middle East started, and that this “gives space” for the MPB to see how the conflict plays out. Together with the dissenting vote, we read this as saying that another back-to-back hike in June is no longer a better-than-50% chance. It is not a zero chance, either, but it should not be the base case.

We do not think the MPB will have much time to catch breath, though. Today we publish fresh forecasts in our May Market Outlook, based on a revised timeline for the reopening of the Strait of Hormuz. This includes a revised inflation forecast that, while only a little higher than our previous profile, involves noticeably higher trimmed mean inflation in the second half of 2026 than the RBA’s forecasts.

The RBA acknowledges indications that “higher fuel prices are likely to have second-round effects on prices for goods and services more broadly”. Our assessment is that there will be more of this than the RBA forecasts imply, especially in areas such as home-building costs. It should also be noted that our inflation forecasts are based on our own forecasts for oil and fuel prices, which track somewhat higher than the futures curve that the RBA uses as a technical assumption in its forecasts.

“We adjust the timing of our rates view given the RBA’s language and forecasts.”

Our rates view is, as always, based on our assessment of what the RBA will do if things turn out as we expect, in line with our own forecasts. We therefore retain our view that two further hikes are more likely than one. It will take some time before the need for the additional hikes becomes apparent in the data and spurs a MPB decision, though. Key events between now and the June meeting, including the Federal budget and National Wage Case decision, are unlikely to turn the dial on the RBA forecasts. The RBA’s reaction to the second-round inflation will thus be a bit later than we previously assumed.

We therefore push the timing of these two hikes out to August and September. We think the Q2 and Q3 inflation data will be something of a ‘wake-up call’ on the willingness of firms to pass on increases in non-labour costs into their own prices (though this is something we would be [glad to be wrong](#) about). Subsequent quarters may also show a lack of unwinding of recent downstream price increases as fuel costs ease. The Governor may come to regret stating that passing on costs arising from fuel price increases was “reasonable”, if this is interpreted to mean full pass-through with no reversal later.

This change in our rates view is a tactical change reflecting our assessment of the RBA’s appetite to continue the current pace of tightening in the current uncertainty, coupled with its evidently less stark view about pass-through to other prices. It is not a fundamental shift in our view of the outlook. We will continue to monitor developments in the Middle East and domestic cost pass-through, and adjust our view as appropriate.

Forecast changes

- A full update to our forecasts will be published in our Market Outlook publication on May 8.

Three challenging trends and the opportunities they present for Australian women

- **Three big trends – the ageing population, the rise of AI, and the growing perception that people expect more of government – pose challenges for Australia and government policy.**
- **However, they also present opportunities for Australian women that might not be fully appreciated.**
- **How might the federal budget – and government policy more generally – help ensure that these opportunities are taken?**

Thanks to the Women in Economics Network for the opportunity to speak to you today and share the stage with such accomplished professional colleagues. I am grateful for the important work WEN does. Economics is a science of human behaviour. Our endowments, our priorities and – in some circumstances – our physiology can all matter for our choices and our economic outcomes. If economics does not incorporate those diverse perspectives, it loses the ability to explain human behaviour. A profession that is more balanced across both sexes is critical to getting that diversity of perspectives.

With so much going on in the world, it is all too easy to fixate on immediate problems, ignoring the longer-term issues – and opportunities. Today I want step back and talk about those longer-term trends. I will:

- outline three big trends shaping current and future outcomes
- highlight the opportunities these trends present for Australian women – not just the downsides
- suggest some ways that the federal budget, and government more broadly, might promote those opportunities, rather than focus only on the downsides.

These three trends are:

- The ageing population
- The AI technology revolution – and it is a revolution
- Rising expectations of government – perceived or real

Ageing population, growing workforce

Many in the room will be under the impression that population ageing means a shrinking workforce. I am here to tell you that this is not true. [Work with my Westpac colleague Ryan Wells](#) back in September shows that in most Western economies, the labour force participation rate is in fact rising. In Australia it is on a five-decade up-trend, reaching historical highs in recent years.

Yes, the share of older people in the population is increasing. Population ageing happens because we are living longer, healthier lives. People will make different choices when lifespans lengthen. They will work for longer and retire later.

Part of this stems from policy changes, such as higher pension eligibility ages. But much of it is the choices people make, knowing that they would otherwise need to fund very long retirements, and knowing that they do not need to retire early due to ill-health in the same numbers as previous generations did. Thus participation rates within age groups rise, especially the 55–64 age group. This can be (and for Australia, so far is) enough to offset the rising share of older people.

The reason for this counter-intuitive result is an example of first-round thinking not being enough. We need to account for people's responses changing as circumstances change. Just as Toyota taught us to ask "why" five times to get to the root cause, we must ask, "and then what?" five times to understand how a longer-term trend will play out. Changes in age mix do not happen in isolation. The "and then what" is that participation rates within age groups rise and can more than offset an ageing population mix.

I suspect that people also missed this trend because it is not happening in the United States. US life expectancy has not really increased in the past couple of decades; premature death is much higher than in peers such as Australia and Europe. And so participation of the 55–64 age group, and even the prime-age 25–54 group, in the US lags other advanced economies. The gap is now such that overall participation in Japan is noticeably higher than in the US, despite Japan's population being much older on average.

How this is an opportunity for Australian women

Population ageing does present opportunities for women. First, some of the increase in overall participation stems from still-rising participation by women in the 25–54 age group, not just from older workers. There will always be some jobs – say, furniture removal – where male upper body strength will remain an advantage. As the workforce changes, though, job design will need to evolve to fit those changes, and the changes driven by an ageing workforce and a more female workforce are likely similar.

In addition, as lifespans and working lives lengthen, career breaks for family reasons become less of a setback in the accumulation of retirement savings. Since women are more likely to take such breaks than men, this eases a current disadvantage.

How the federal budget might support this

If government wants to realise the opportunities created by an ageing population and an expanding workforce that is older and more female, it should do everything it can to smooth the path for women to enter the workforce, re-enter the workforce after a break, and stay in the workforce as long as they feel able.

Getting the NDIS on a sustainable footing and back to its core purposes of supporting the severely disabled and reducing family members' caring burden is a singular example of what is needed. The "sandwich generation" task of caring for children and elderly parents simultaneously is a disproportionately borne by women. Well-funded support in schools, with support and training for teachers and parents alike, may support some families with children currently on the NDIS better than a system that creates more life admin by funding appointments with service providers, which parents need to attend with their children.

More broadly, designing every program with the principle of reducing life admin for families should be a red thread through all federal and state initiatives.

Tax and retirement policy could be reshaped to ensure women who took career breaks are not held back by cliff effects and complexity from accumulating the needed retirement savings.

I note also that much of Australia's economic policy apparatus has been built on the false assumption that ageing results in a shrinking workforce. Separately, therefore, budgets, the Intergenerational Review and other policies should be revisited so forecasts and program design can be based on actual trends, not first-round thinking.

AI and the new technology wave

Turning to the AI revolution – I use that word intentionally. The scope and capability of this new general-purpose technology have expanded enormously, with a pace that defies belief. Anything you thought about this technology based on what you knew six months ago is obsolete. There is a lot we do not know about how this will play out. Still, we can think through some implications, again beyond the first round of responses.

How this is an opportunity for Australian women

I see three opportunities from the AI revolution that might specifically benefit women. Firstly, with everything being so new and moving so quickly that almost nobody knows anything, it is easier to step into a field, or back into the workforce after a pause. Seismic breaks in the landscape of work mean past career breaks in a CV should be less of a disadvantage.

Secondly, AI might weaken the hold of what Harvard economics professor Claudia Goldin termed "greedy jobs", those where long, continual hours are expected and frenetic pace early on builds experience and skills that allow career progression later. If agents can instead carry the context and assist with some tasks, "always on" continuity becomes less of an imperative. The jobs may become greedier of cognitive skills and the ability to orchestrate all those agents. Relative to careers that demand sheer "presence" and long, frenetic hours early in your career, though, this should help level the playing field between the two sexes, *provided institutional norms also change.* (I recognise this is a critical assumption.)

Thirdly, granted there is still much uncertainty and debate

about which jobs will remain in demand and which will be less prevalent as this technology percolates. There is, however, good reason to believe that those least prone to full automation include those in-person, so-called 'caring' occupations that have provided so many job opportunities for women.

I note also that Australia is well-placed more broadly to take advantage of this new technology. Contrary to the stereotype of Australia being mostly about resources and financial services, this country has a burgeoning software industry that is already taking advantage of the newest tools. Coming from almost nothing a decade ago, Australia now boasts a software licensing export industry that brought in \$9½ billion of export revenue in 2025. For perspective, this is bigger than aluminium or copper, and almost as big as last year's wheat exports.

I would also note that concerns about unequal returns to the AI boom are less relevant in Australia. Even if all the profits accrue to a few tech firms – a debatable proposition – almost all Australians will have exposure to this upside through their superannuation funds.

How the federal budget might support this

Of course, there was no government program or special initiative to create a software export industry. And this points to what the budget, and government, can and should do in this space – don't get in the way of the good bits or think that it is the government's role to lead and guide in every realm of endeavour.

There are of course privacy, child protection and national security angles to AI tools that warrant intervention and an appropriate regulatory framework. Just don't get in the way of allowing women to lean into this future.

I note reports of government concern that AI might fuel work intensification, which would be creating "greedy jobs" by other means. Before rushing to regulate in this sphere, though, we should check that intensification is a material issue. There is reason to think the opposite might end up being true. As agents become more reliable partners to hand off work to, human cognitive contribution becomes both more important and less time-bound. Just as the assumption that population ageing would shrink the workforce turned out to be wrong, so might the idea that AI necessarily intensifies work beyond an initial period of experimentation.

Growing perception that people expect more of government

The third big trend I want to address today might or might not be real, but it is certainly a growing perception in policy circles: that people expect more of government nowadays, and that governments should therefore deliver on those expectations. We see a rising call for government support in more circumstances. The rapid growth in scope and cost of the NDIS is the canonical example in a traditional area for government involvement. Expanding industry policy shows how the scope of policy can broaden as well as deepen.

Regulation and governance now touch an increasing set of activities, and the nature of that regulation is expanding. Whether it is the number of agencies firms need to seek approval from to build something, or the number of pages in the Income Tax Assessment Act (just one of current 12 volumes has a similar page count to the 1997 version), I am reminded of that well-known feminist philosopher Avril Lavigne's lyric, "why'd you have to go and make things so complicated?" The answer is, of course, that there was always one more thing that someone with the best of intent thought should be added.

The consequences of this belief about public expectations are evident in the rising share of household income being paid in income tax, rising regulatory footprint, and, as with some of the public programs I have already mentioned, a rising life admin burden that falls disproportionately on women.

I also worry that decisions to intervene shape decisions in ways that harm future resilience. If every adverse event is met with a government intervention to cushion the blow, a kind of "learned helplessness" can emerge, for firms and industries as well as individuals.

How this is an opportunity for Australian women

The consequences of this belief are not all bad, though. An area where the footprint of government has expanded to the benefit of women has been greater scope of crisis payments, especially for women and children escaping domestic and family violence. To the extent that this means more women can escape violence in the first place, it is surely a good outcome.

In addition, as I noted earlier, the expansion of the "care economy" and the regulatory footprint more broadly has been positive for women's employment. Especially in a relatively sex-segregated occupational job market like Australia's, health, education and social care roles are disproportionately female-coded. Using the industry of a person's main job to categorise, women and girls make up 48% of total employment, but more than 70% of employment in health, social care and their sub-industries. Public administration and financial services also have above-average female employment shares.

How the federal budget might address this

Still, it would be good if these benefits could be reaped without all the admin, the complexity and the cost of our current system. If there is one thing I would hope for from this and future budgets, it is to take Ms Lavigne's words to heart and make things less complicated.

Every intervention deserves scrutiny on this front. Without advocating specific changes, I instead offer the principle that governments should hesitate and ideally refrain from policies and programs where the answer to any of the following questions is "yes".

- Does the intervention take away choice?
- Does the intervention promote learned helplessness?
- Has the support been overcomplicated?
- Does the intervention involve re-litigation of a safety standard or an evidence base that has already been established elsewhere?

On the last of these, the axiom I have in mind is "if it is safe enough for Europeans, it should be safe enough for Australians". There are some exceptions, such as the need to build differently in a bushfire-prone continent. But from car booster seats to bike helmet laws for adults, Australia has shown a consistent tendency to go further on perceived safety than its European counterparts. Similarly, if evidence reviews by the health authorities of enough peer European nations show that a particular medical intervention is ineffective, we do not need to redo the analysis on smaller Australian datasets to stop performing and funding that intervention here.

Conclusion

To sum up, it is an uncertain world, though nobody ever says things are less uncertain than usual. All the more reason to keep sight of the big trends that will shape our futures even when current volatility is past. The good news is that these trends present opportunities for Australian women, but only if we ensure that other priorities – real or perceived – do not prevent us from making use of these opportunities. Thank you.

Cliff Notes: dynamic risks

Elliot Clarke, Head of International Economics

Illiana Jain, Economist

Ryan Wells, Economist

In an 8-1 vote, the RBA Monetary Policy Board (MPB) delivered its [third consecutive rate hike](#), raising the cash rate by 25bps to its prior peak of 4.35%. The MPB stated that “the conflict in the Middle East has resulted in sharply higher fuel and related commodity prices” and that “this is likely to have second-round effects on prices for goods and services more broadly.” Inflation is now expected “to remain above target for some time”. The MPB are also attune to the risk of “price rises get[ting] built into longer term inflation expectations” in the event of a longer, or more severe, conflict.

In a video update midweek, [Chief Economist Luci Ellis](#) noted that Governor Bullock’s press conference was a bit more dovish than we had anticipated, with the last three hikes framed as giving some space for the MPB to assess how the risks evolve. That said, the staff’s forecasts – which are predicated on an assumption of around one-and-a-half more rate hikes – have underlying inflation peaking at 3.8%yr in Q2 2026 and not returning to target until the end of its forecast horizon at June 2028. Inflation risks are firmly skewed towards a higher peak and potentially a slower return to target. We therefore continue to expect another two rate hikes from the RBA in coming months. But, given Governor Bullock’s somewhat more cautious tone, we admit the case for June is now more finely balanced.

Rate hikes already look to be having an effect on the housing market, with national [dwelling price growth](#) slowing from a monthly pace of 0.6% in January to 0.2% in April. Performance across the capital cities is mixed, with prices down in Sydney and Melbourne prices but still rising in Brisbane, Adelaide and Perth. While a firming uptrend for [dwelling approvals](#) bodes well for supply, cost pressures stemming from the Middle East conflict will likely cause delays and some second thoughts on projects planned but not commenced.

Trends across other parts of the economy are also starting to shift. The ABS’ nominal [household spending indicator](#) bounced 1.6% in March on account of higher fuel costs, mirroring our own consumer [card activity](#) data. Abstracting from price effects, we expect real consumption to gain 0.6% in Q1; however, outside of fuel and electricity (buoyed by the rebate roll-off), the spending pulse looks faint. This speaks to the more challenging economic outlook taking hold across the nation, particularly in [non-mining states](#) where revenue constraints and higher expenses provide less scope for fiscal support.

Before moving offshore, a final note on trade. Unlike the shocks of recent years which benefitted Australia’s net trade position, recent data revealed the nominal [goods trade surplus](#)

[buckled into deficit](#) in March for the first time since 2017. Higher fuel import costs (+37.4%) and volatility in gold played important roles. But the chief culprit behind the surprise was a remarkable surge in data processing machine imports, up \$2.9bn or 300% in the month. While noisy and likely a wash for GDP – being offset by inventories or investment – this is clear evidence of the global AI investment drive reaching Australia’s shores.

Offshore, markets have been pre-occupied by developments in the Middle East. At the beginning of the week, President Trump announced Project Freedom, an initiative to provide safe passage through the Strait of Hormuz to ships stuck in the Persian Gulf. As soon as the operation commenced though, skirmishes were seen between the US and Iranian military. UAE energy infrastructure was also targeted.

The US did not retaliate, however, instead referencing an end to the offensive portion of this war. And, within two days, Project Freedom was suspended indefinitely to make way for further intermediated negotiations. Reports suggest progress has been made, albeit without detail. Iran is arguably coming under greater pressure to make a deal, with China’s Foreign Minister emphasising this week the need for a quick end to the conflict and re-opening of the Strait while meeting Iran’s Foreign Minister. The timing of this development is not a surprise considering President Trump and President Xi are due to meet mid-month.

Data releases were uneventful this week. The ISM services index for April eased slightly to 53.6. The new orders index fell 7.1pts to 53.5, slightly below its 10-year pre-COVID average, and the employment indicator rose 4pts but remained weak versus history. The latest JOLTS job openings data and ADP private payrolls release were broadly consistent with balance between labour demand and supply. For the FOMC, this will keep the focus on inflation risks. Guidance given by FOMC members this week was consistent with this view.

A full update on our expectations for the global economy, Australia and New Zealand is available on [Westpac IQ](#) in our [May Westpac Market Outlook](#).

All right so far



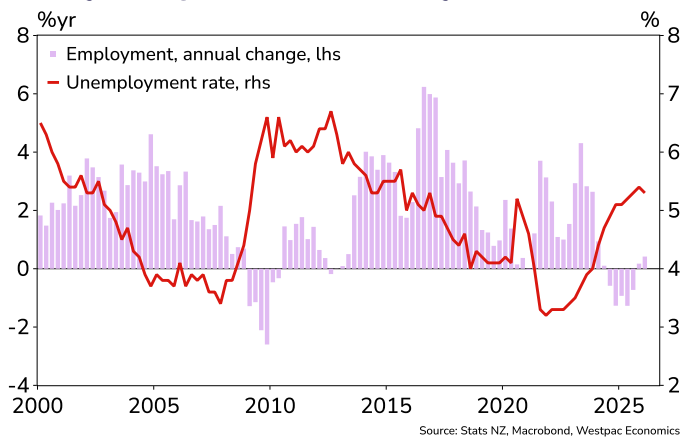
Michael Gordon
Senior Economist

The March quarter labour market surveys continued a refrain that we're probably going to be hearing for a few more months: the New Zealand economy was starting to find its footing again prior to the Iran conflict. Whether subsequent events prove to be a delay to the recovery process, or something more serious, remains to be seen. But it's important to note that New Zealand was coming into this shock with different inflation dynamics to our Australian cousins, with activity only just starting to gain momentum and a significant degree of slack in the labour market.

The Household Labour Force Survey (HLFS) showed the unemployment rate ticking down from 5.4% to 5.3% in the March quarter, its first decline after four straight years of increases. This was better than the flat result that we and the market were expecting, but it was in line with the RBNZ's (now somewhat dated) February *Monetary Policy Statement* forecasts.

The number of people employed rose by 0.2% over the March quarter, following a 0.5% rise in the previous quarter. This was broadly in line with the Monthly Employment Indicator (MEI), a more comprehensive measure that is based on income tax data but does have some definitional differences. The level of employment is now up 0.4% on a year ago – though that's still behind the rate of growth in the working-age population, which was up 1.1% despite the subdued migration trends over the last year.

Employment growth and unemployment rate



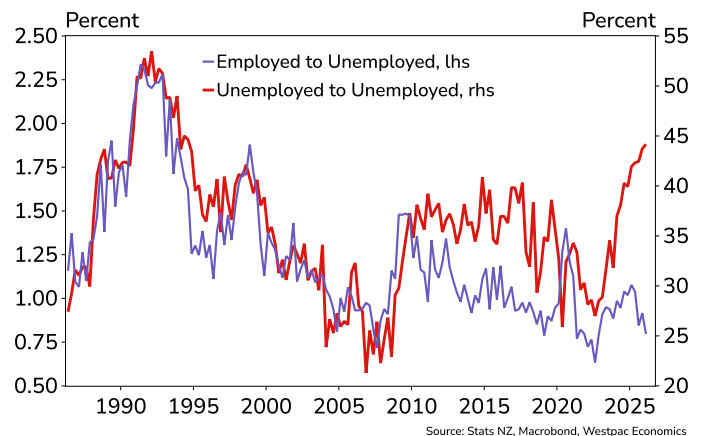
The evidence of a lift in activity was consistent across a range of measures. The HLFS found a 0.8% rise in total hours worked, on top of the 1.2% rise in the December quarter. 'Usual' hours

rose by a more modest 0.4%, indicating that employers are continuing to try to get more out of their existing workers before resorting to hiring again. Meanwhile the business-focused Quarterly Employment Survey (QES) reported a 0.7% rise in full-time equivalent workers and 0.6% gains in filled jobs and paid hours. All of these are supportive of our forecast of a 0.8% rise in March quarter GDP (which we expect will also be boosted by seasonal distortions).

Beneath these generally positive results, there are some clear indications of the unevenness of economic conditions to date. One is that the unemployment rate has broadly levelled out in the South Island over the last two years, while steadily rising in the North Island. The strong returns to the agricultural sector are likely to have been a factor in this divergence, although not the only one.

Another is the quarterly flows between labour force status, which starkly demonstrate the "no-fire, no-hire" jobs market. The rate of job losses, which never rose particularly high during the downturn, has now fallen back to levels that in the past would've been consistent with a tight labour market. But for those who do find themselves out of work, it's harder to get back in than it has been for decades.

Labour force transition rates

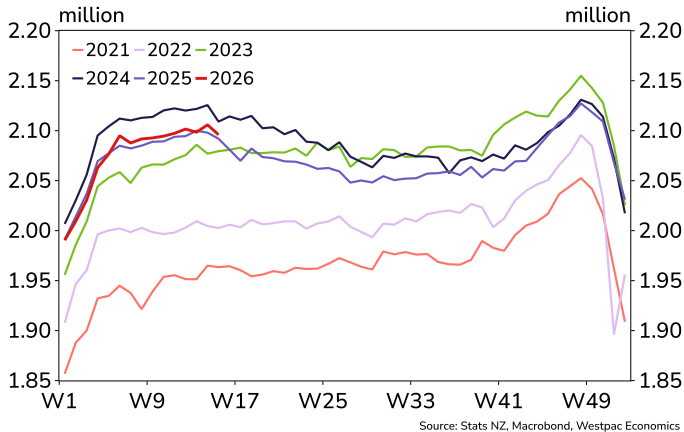


Given the rapid escalation of the conflict in the Middle East, any economic data relating to the March quarter is inevitably going to come across as dated. (The March month is too soon to expect to see a labour market response, as it tends to be one of the more lagging aspects of the economic cycle.) We'll be keeping an eye on higher-frequency data for any signs of emerging stress, such as the weekly filled jobs snapshots

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provided by Stats NZ. The timeliest of these measures, which goes up to the week ended 12 April, suggests that things are holding in so far, with the number of jobs continuing to track slightly above year-ago levels.

Number of filled jobs (20-day lag)



Wage pressures – which are even more of a lagging indicator – remained subdued in the March quarter. The Labour Cost Index (LCI) rose by 0.5% for the quarter, leaving annual growth unchanged at 2.0%. The distribution of pay increases continues to converge on the 2-3% range, compared to the larger increases that had become more common in previous years.

This is unsurprising given the degree of spare capacity in the labour market that has accumulated over the last few years: an unemployment rate of 5.3% is some way above the ‘neutral’ or non-inflationary rate, which we would put in the range of 4-4.5%. This is a crucial difference between now and the post-Covid inflationary surge, where an extremely tight labour market created the conditions for a feedback loop between wage and price inflation.

Given the slightly better than expected starting point for the March quarter, we will be reviewing our near term labour market forecasts in our latest *Economic Overview* next Wednesday.

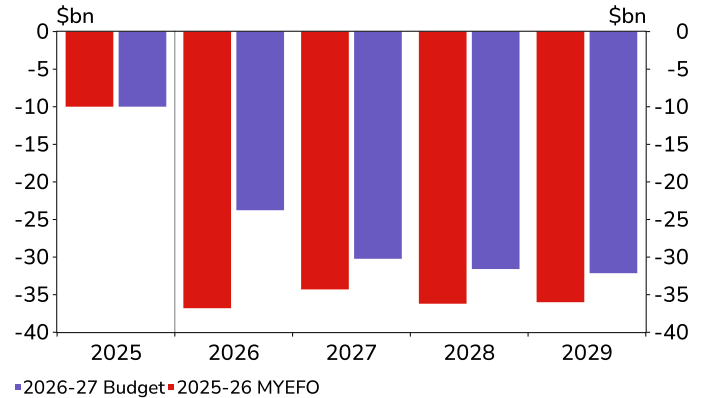
AUS: 2026/27 Federal Budget

May 12

The energy supply shock arising from the Middle East conflict is the dominant influence on next week's Budget. Recent messaging highlights a dual focus on near-term cost-of-living and business support, alongside medium term reforms aimed at strengthening economic resilience and productivity.

Parameter variations, largely driven by higher commodity prices, are expected to deliver a net boost of around \$27bn over the four years to FY2029. Policy decisions are modest, and front loaded, subtracting around \$2bn over the same period. Underlying measures, however, are significant, including increased defence investment, health funding and energy security initiatives. Execution will be critical to avoid a deterioration in the fiscal position, particularly amid ongoing inflation pressures. For more detail, see our full [preview](#).

Underlying cash balance estimates*



Source: ABS, 2025-26 MYEFO, Macrobond, Westpac Economics
*2026-27 Budget are Westpac estimates.

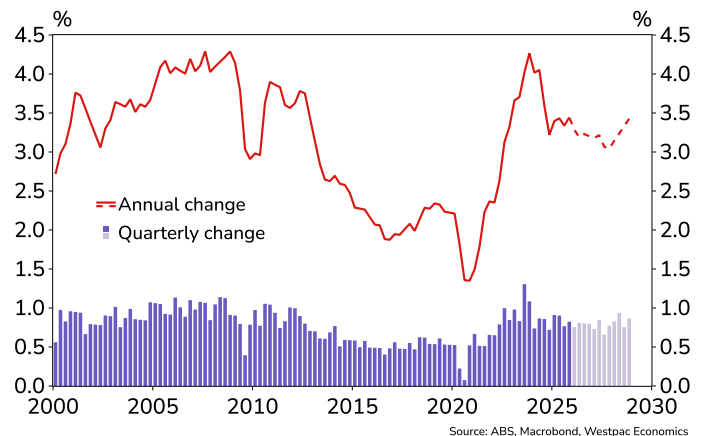
AUS: Q1 Wage Price Index (%qtr)

May 13 Last: 0.8, Westpac f/c: 0.8
Mkt f/c: 0.8, Range: 0.8 to 0.9

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Wage Price Index



Source: ABS, Macrobond, Westpac Economics

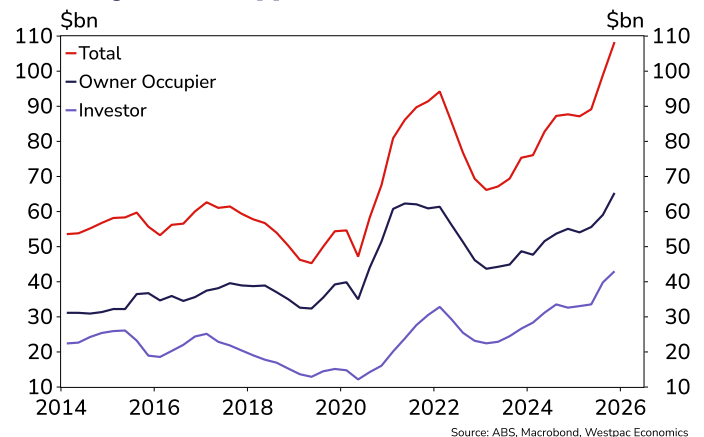
AUS: Q1 Housing Finance Approvals (%qtr)

May 13 Last: 9.5, Westpac f/c: 7.0
Mkt f/c: 0.1, Range: -3.0 to 7.0

The total value of housing finance approvals rose 9.5% in Q4, lifting annual growth to 23.5%yr after upward revisions. Owner-occupiers drove the surge, with first home buyers particularly active following the expanded 5% deposit guarantee scheme. Investor lending was also strong, up 7.9%qtr and 31.8%yr.

The Q1 update is expected to show another robust gain. Credit growth accelerated in early 2026 with another notable step up in investor housing credit growth to 9.6%yr. The expanded First Homebuyer Guarantee scheme is also likely to have had a continued boost. Against this, turnover and price growth in the established softened a touch in Q1. All up, we expect the total value of finance approvals to post a 7% gain.

Dwelling Finance Approvals



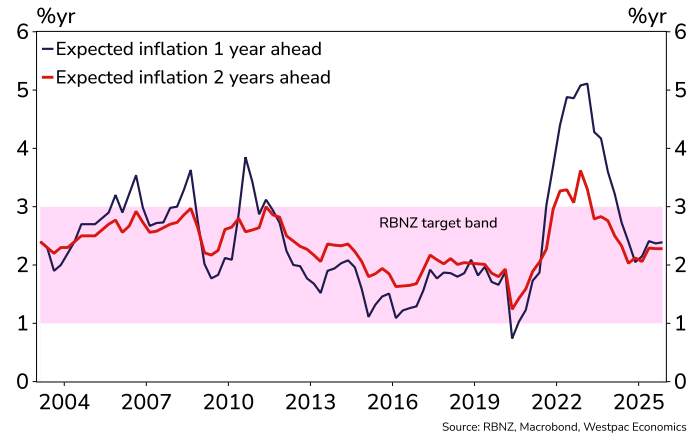
Source: ABS, Macrobond, Westpac Economics

NZ: Q2 RBNZ Survey of Inflation Expectations (%yr)

May 13, Two years ahead last: 2.37

This is one of several surveys the RBNZ will be watching to see if the current uplift in inflation is contributing to a more enduring uplift in pricing pressures. The survey's measures of inflation expectations, including the closely watched two-year ahead measure, had already picked up even before the recent uplift in oil prices. With signs of increasingly widespread cost pressures emerging in recent weeks, the risks are tilted towards another step higher in the latest survey. Other recent surveys of expected inflation and pricing intentions have already taken a step higher.

Inflation expectations within the target range

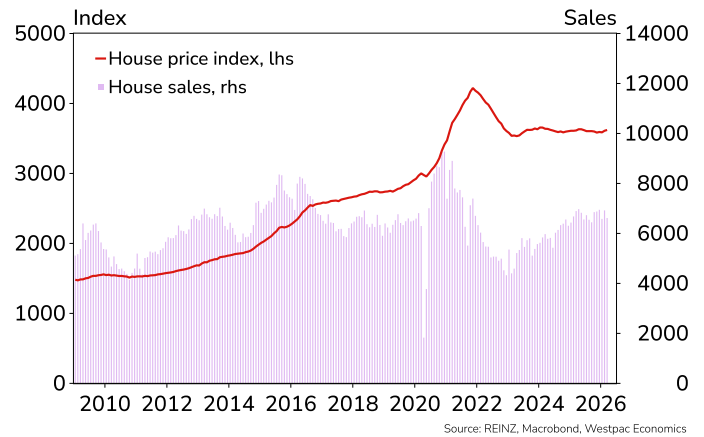


NZ: Apr REINZ House Sales and Prices (%yr)

May 14, Sales last: -0.1, Prices last: 0.2

March proved to be a slightly perkier month for the housing market, with house prices picking up for a second straight month. However, the trend in sales has remained largely sideways, and there are indications of a softening in activity in April (even after accounting for the public holidays during the month). Aside from the uncertainty engendered by the Iran conflict, mortgage rates have been lifting off their lows for several months now. We're forecasting a 1% fall in prices over 2026.

REINZ house sales and prices

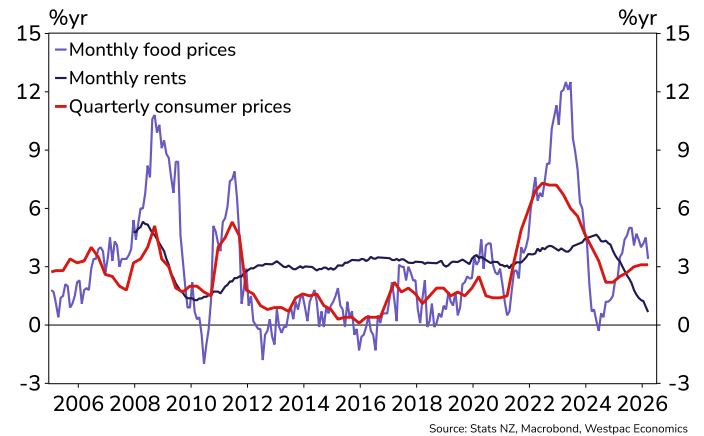


NZ: Apr Monthly Selected Prices (%mth)

May 15

Petrol prices are expected to be up 16%. However, the bigger focus will be on any downstream impacts that are emerging. At this stage, such impacts will most likely be seen in transport related costs, such as airfares. Other related cost increases are likely to become more evident over the next few months. We also expect another firm 2% rise in electricity prices. While such cost increases will be the focus, there could be some softness in areas like holiday accommodation. Housing rents (the single biggest component of the CPI) are also likely to remain soft – we're expecting another flat result (in contrast to the usual seasonal lift). Food prices are expected to be up 0.5%, with the rise in the minimum wage likely to boost hospitality prices modestly.

NZ selected consumer prices



US: Apr CPI (%mth)

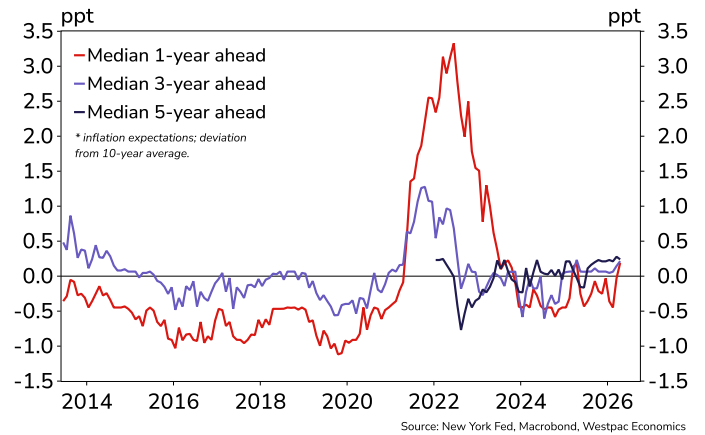
May 12 Last: 0.9, Westpac f/c: 0.8
Mkt f/c: 0.6, Range: 0.4 to 0.7

In March, the first consequences for US consumer inflation from the Middle East conflict became clear as headline prices rose 0.9% in the month. Notably though, there was no evidence of secondary effects, with food prices flat and core inflation benign at 0.2%.

A similar breakdown is likely in April. We forecast a 0.8% gain in headline prices, but only a 0.3% lift excluding food and energy. Secondary passthrough is likely to take time to show itself, particularly given the deceleration in consumer demand growth to a below-trend pace evident over the past year.

Still, along with tight capacity, the margin compression being experienced is an additional reason to believe US inflation will remain above target for the foreseeable future.

Inflation expectations contained



What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 11							
Chn	Apr	CPI	%ann	1.0	0.9	-	Energy costs providing a boost to inflation ...
	Apr	PPI	%ann	0.5	1.8	-	... but spare upstream capacity remains.
US	Apr	Existing Home Sales	%mth	-3.6	2.4	-	Low turnover in established market reflects rate pressures.
Tue 12							
Aus	Apr	NAB Business Conditions	index	6	-	-	Conditions stable despite a collapse in confidence.
		2026/27 Federal Budget	-	-	-	-	Commodity price windfalls will support the bottom-line.
Jpn	Mar	Household Spending	%ann	-1.8	-1.3	-	Households on fragile footing, even before Middle East.
Eur	May	ZEW Survey Of Expectations	index	-20.4	-	-	Views on economic growth have deteriorated materially.
US	Apr	NFIB Small Business Optimism	index	95.8	96.0	-	Small businesses showing concern, but not outright stress yet.
	Apr	CPI	%mth	0.9	0.6	0.8	Energy buoys headline, capacity constraints keep core elevated.
		Fedspeak	-	-	-	-	Goalsbee.
Wed 13							
Aus	Q1	Wage Price Index	%qtr	0.8	0.8	0.8	Individual bargained wages have been moderating.
	Q1	Housing Finance Approvals	%qtr	9.5	0.1	7.0	Investors and FHB schemes to boost lending activity.
NZ	Q2	RBNZ Inflation Expectations	%ann	2.4	-	-	RBNZ will be watching for signs of lift at longer horizons.
Jpn	Mar	Current Account Balance	¥bn	3932.7	3884.9	-	Yen appreciation and financial market volatility at play.
Eur	Q1	GDP	%qtr	0.1	0.1	-	Second estimate will provide more detail around drivers.
	Mar	Industrial Production	%mth	0.4	-	-	Slipping back into contraction as cost pressures lift.
US	Apr	PPI	%mth	0.5	0.5	-	Clear evidence of upstream price pressures coming through.
		Fedspeak	-	-	-	-	Kashkari.
Thu 14							
Aus	May	MI Inflation Expectations	%ann	5.9	-	-	Will the fuel excise cut re-anchor near-term expectations?
NZ	Apr	REINZ House Prices	%yr	0.2	-	-	Sale prices have ticked up in recent months...
		REINZ House Sales	%yr	-0.1	-	-	...but rising mortgage rates likely to weigh on turnover.
	Mar	Net Migration	no.	3970	-	-	Balance turning more positive as departures slow.
UK	Q1	GDP	%ann	0.1	-	-	Growth jump may prove fleeting as war impacts emerge.
US	Apr	Import Price Index	%mth	0.8	1.0	-	Surge centred squarely on petroleum imports.
		Initial Jobless Claims	000s	200	-	-	Still at a very low level versus history.
	Apr	Retail Sales	%mth	1.7	0.5	-	Another step-down in consumer momentum likely in Q2.
	Mar	Business Inventories	%mth	0.4	0.3	-	Inventory-to-sales falling as inventory rebuild persists.
		Fedspeak	-	-	-	-	Hammack.
Fri 15							
NZ	Apr	Manufacturing PMI	index	53.2	-	-	Solid in March but Iran conflict may weigh more heavily now.
	Apr	Selected Price Indices - Food	%mth	-0.6	-	0.5	Modest boost from minimum wages in the hospitality sector.
	Apr	Selected Price Indices - Rents	%mth	0.0	-	0.0	Rental growth weak in the face of ample supply.
US	Apr	Industrial Production	%mth	-0.5	0.2	-	Regional surveys point to a solid month of factory output ...
	May	Fed Empire State Manufacturing	index	11	8	-	... but uncertainty over the outlook is starting to weigh.

Economic & financial forecasts

Interest rate forecasts

	Latest (8 May)	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Australia										
Cash	4.35	4.35	4.85	4.85	4.85	4.85	4.85	4.85	4.60	4.35
90 Day BBSW	4.44	4.55	4.90	4.90	4.95	4.95	4.95	4.80	4.55	4.30
3 Year Swap	4.64	4.75	4.75	4.70	4.65	4.60	4.50	4.40	4.30	4.20
3 Year Bond	4.63	4.75	4.75	4.70	4.65	4.60	4.50	4.40	4.30	4.20
10 Year Bond	4.96	5.00	5.05	5.05	5.05	5.05	5.00	4.95	4.90	4.90
10 Year Spread to US (bps)	57	65	65	60	55	50	40	30	20	15
United States										
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	4.39	4.35	4.40	4.45	4.50	4.55	4.60	4.65	4.70	4.75
New Zealand										
Cash	2.25	2.25	2.50	3.00	3.50	3.75	4.00	4.25	4.25	4.25
90 Day Bill	2.63	2.50	2.95	3.40	3.75	4.00	4.25	4.45	4.45	4.45
2 Year Swap	3.55	3.75	4.05	4.30	4.40	4.40	4.40	4.35	4.30	4.25
10 Year Bond	4.67	4.85	4.95	5.00	5.05	5.10	5.10	5.10	5.10	5.10
10 Year Spread to US (bps)	28	50	55	55	55	55	50	45	40	35

Exchange rate forecasts

	Latest (8 May)	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
AUD/USD	0.7203	0.72	0.72	0.73	0.73	0.74	0.74	0.74	0.73	0.73
NZD/USD	0.5934	0.59	0.59	0.62	0.64	0.66	0.67	0.67	0.67	0.67
USD/JPY	156.89	157	156	154	152	150	148	146	144	142
EUR/USD	1.1730	1.18	1.18	1.19	1.20	1.21	1.22	1.22	1.22	1.22
GBP/USD	1.3552	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.41
USD/CNY	6.8023	6.80	6.75	6.70	6.60	6.50	6.45	6.40	6.35	6.35
AUD/NZD	1.2139	1.22	1.22	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	1.4	1.5	1.4	0.5	0.6	0.6	-	-	-	-
%yr end	3.2	3.6	4.1	4.9	5.0	4.9	4.1	3.2	3.6	4.9	2.5	2.2
Trimmed Mean CPI %qtr	1.0	0.9	0.8	1.1	1.1	1.0	0.8	0.7	-	-	-	-
%yr end	3.0	3.4	3.5	3.9	4.0	4.0	4.0	3.6	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	1.9	2.5	3.7	-	-	-	-
Annual avg change	-0.6	0.2	0.6	1.2	1.3	1.5	1.9	2.4	0.2	1.5	3.5	3.3
Unemployment rate %	5.3	5.4	5.3	5.6	5.6	5.4	5.1	4.9	5.4	5.4	4.6	4.2
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	3.1	4.1	1.7	2.6

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