



Week beginning 18 May 2026

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Budget delivers downpayment on reform agenda.

The Week That Was: Beyond the horizon.

Focus on New Zealand: Under the pump.

For the week ahead:

Australia: Westpac-MI Consumer Sentiment, RBA minutes, labour force survey.

New Zealand: Q1 real retail sales, Q1 PPI, trade balance, retail card spending.

Japan: Q1 GDP, CPI.

China: retail sales, industrial production, fixed asset investment.

Euro area: CPI, consumer confidence.

United Kingdom: CPI, unemployment rate, retail sales, consumer sentiment.

United States: FOMC minutes, regional manufacturing surveys, housing starts, UoM consumer sentiment.

Global: S&P Global PMIs.

Information contained in this report current as at 15 May 2026.

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Budget delivers downpayment on reform agenda



Luci Ellis
Chief Economist, Westpac Group

The seeds for this Budget were planted in late last year, when the government convened a series of economic reform roundtables. Since then, it has consistently framed reform as central to lifting productivity and increasing the economy's speed limit. It has also focused on intergenerational equity and ensuring more Australians can enter the housing market.

The Middle East conflict has, if anything, accelerated that agenda. It has broadened from a productivity focus to encompass energy and fuel security, reinforcing economic resilience as a core policy objective.

Swathe of reforms adds up to material total

Measures to boost housing supply and level the playing field are meaningful, particularly on tax settings. Concessional capital gains tax (CGT) has long been recognised as encouraging leveraged investment in rental properties, particularly in the way it interacts with negative gearing. Reforming this part of the tax system had previously been considered too controversial. Despite that, this year's budget tackles both CGT and negative gearing, as well as taxation of trusts, and does so in a way that still encourages new construction.

The Budget papers anticipate that these reforms will enable an additional 75,000 Australians to buy their own home over the next decade and support the construction of up to 30,000 new homes over the same period; this is modest relative to the roughly 11 million dwellings in Australia, with more than 160,000 added each year. The grandfathering of existing holdings means that the implications for the housing market will be drawn out. In the short term, the interest rate environment will be a more consequential influence.

The government has also progressed its productivity reform agenda. Announced measures address the myriad of little things that hold the economy back, rather than a few headline-grabbers. Importantly, and appropriately, the government did not claim the tax reforms as productivity measures. The net impact of the productivity measures adds up to potentially significant change. Red-tape reductions and harmonisation of regulation across states and territories feature prominently, including national licencing of key occupations; this follows previous efforts to create an automatic mutual recognition regime, which Queensland did not sign up to. The Budget also announces funding to support previously announced reforms, for example streamlining environmental assessments.

A range of other small measures complement the productivity agenda by encouraging new businesses. These include reforms to R&D tax incentives, loss carry-back for small businesses and refunds of tax losses for early-stage start-up firms. While it received less coverage on budget night, the savings mooted in the NDIS also add up to a significant reform, if they can be realised.

Most of the tax and productivity measures will have a slow-burn impact on the economy. Fuel security is a shorter-term priority, which the government has address with a range of initiatives to secure fuel supply and increase local inventory holdings. Here, too, though, there are longer-term measures working in the same direction. These include making the tax breaks for EVs permanent and regulatory measures and funding for charging infrastructure to encourage electrification of other parts of the transport system.

Do the measures take pressure off demand?

This year's budget occurs in the context of an economy that was already contending with high inflation. Boosting demand further would have made the RBA's inflation-control task even harder. The budget does have a positive fiscal impact – the headline deficit increases across years in FY2026 and FY2027 – but it is moderate. Expressed as a per cent to GDP, the underlying cash deficit is flat at 1.0% between FY2026 and FY2029, before narrowing to 0.7% in FY2030. Estimates of the structural deficit show gradual improvement both in the forward estimates and through the medium-term forecasts.

This bottom-line result stems from the fact that the policy decisions are adding to the underlying cash deficit by considerably less than the economic environment is reducing it. In the short run, the cycle is helping the budget bottom line. Revenues have increased relative to the expectations at MYEFO as higher energy and other commodity prices have boosted corporate tax revenue. FY2026 and FY2027 also see positive parameter variations, dominated by higher receipts.

Further out in the forward estimates, policy decisions are expected to reduce spending relative to the MYEFO projections. The principal save comes from recently announced reforms to the NDIS. By contrast, spending continues to rise across health, education and childcare, with limited evidence of system-wide review into whether outcomes are improving in line with resources or whether NDIS-style savings can be achieved.

Cliff Notes: beyond the horizon

Elliot Clarke, Head of International Economics

Illiana Jain, Economist

Ryan Wells, Economist

The 2026/27 Federal Budget was the main event in Australia this week. Our [bulletin](#) provides a detailed view of the Government's fiscal position, policy measures and economic expectations over the forward estimates. Compared to the projections from MYEFO, the budget bottom line has improved owing to commodity price windfalls, with the deficit now expected to hold steady around 1.0% of GDP. Larger improvements in the Government's finances are anticipated in the outer years as the Government's major saving measures deliver. Of particular note is the clamp-down on NDIS spending announced in April, which is expected to relieve budget pressure from payment cost inflation and help keep Federal net debt low versus other OECD countries.

The tax reform proposed in the Budget was also consequential and broad-based, impacting negative gearing, the capital gains tax discount and discretionary trusts. [Our conversation with Chief Economist Luci Ellis](#) explores these proposed changes and the other key measures for households. Budget night also saw a number of initiatives put forward for [business](#) and [SMEs](#), alongside a range of reforms that should help foster productivity growth in the long run. While meaningful, these measures are not expected to materially add or detract from the fiscal impulse over the next couple of years, thereby having little impact on the RBA's policy calculus.

Our [Q1 Westpac-DataX Consumer Panel](#) meanwhile showed that consumers are having to reduce savings and discretionary consumption to absorb the spike in fuel and electricity prices (the latter now due to the roll-off of government rebates). Mortgage holders are well placed in aggregate to weather the shock from the Middle East and interest rate rises; but the distribution of buffers is varied, leaving some more exposed. Wages growth remains robust and is only slowing gradually, offering support to consumer demand without posing an immediate threat to inflation. That said, the pass-through of non-labour input cost inflation was a key message in this week's [NAB business survey](#), giving the RBA cause to remain cautious of inflation's potential persistence.

Last Friday in the US, nonfarm payrolls beat expectations, rising 115k in April with only a small -16k revision to the previous two months. This left the three-month average at 48k, consistent with labour demand and supply being in balance. The unemployment rate remained steady at 4.3% as the participation rate edged down 0.1ppts. On a multi-month view, the labour market can be characterised as a 'low hire, low fire' environment, a sentiment echoed by FOMC member Schmid this week. This backdrop should result in moderate wage growth over the coming year.

The April CPI then came in as expected at 0.6%, 3.8%yr. The headline outcome reflected a further 5.4% gain for gasoline prices after March's 21.2% surge. An outsized 0.6% increase in the shelter component was also observed, reportedly biased up by a delayed sample reset following the government shutdown late last year. Abstracting from these two effects, underlying inflation was modest in the month. Energy was also a major contributor to import prices in April, up 1.9% (0.7% ex-petroleum) to be 4.2% higher over the year. Seeing as the US is an energy product exporter, export prices have also strengthened of late, up 3.3% in April to be up 8.8%yr. US consumers look to be weathering the surge in energy prices well so far, headline and control group retail sales up 0.5% in April, a solid gain.

“Tax refunds have supported spending of late, and established households continue to benefit from fixed interest rates and wealth gains”

China's price data was also stronger than expected in April because of energy prices. Consumer inflation lifted to 1.2%yr, while producer prices were up 2.8%yr. Producer price gains were concentrated in the most energy-intensive sectors such as metals, while sectors more vulnerable to excess capacity saw price declines. While recent data has been encouraging for China's deflationary cycle, it is worth noting that it's the supply-side driving the outcomes, not demand. Further fiscal support will be required to sustainably lift China out of deflation.

Of course, the main event in China this week was not a data release but instead the meeting between President Xi and President Trump. While limited in terms of the detail, the outcomes were productive. The US has reportedly agreed to reduce its controls over China's access to technology; and in return, China will buy more commodities from the US. A "Board of Trade" is also to be set up to allow trade disputes to be resolved through bilateral negotiation. President Trump also reportedly emphasised the need for China to help bring the conflict in the Middle East to an end and re-open the Strait of Hormuz. Whether progress is seen on that front is an open question. President Xi has been invited to Washington in September to continue in-person discussions.

Under the pump

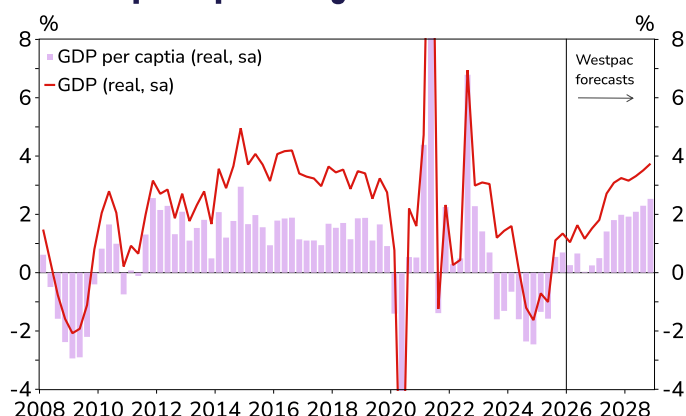


Kelly Eckhold
Chief Economist NZ

The New Zealand economy has entered a far more challenging phase than expected earlier in the year. Momentum that had been building through late-2025 and early-2026 has been disrupted by the Iran conflict, which has delivered a sharp energy price shock, lifted inflation pressures and renewed uncertainty for households, businesses and policymakers alike. While a recession is not our central expectation, the outlook now points to another year of subdued growth, elevated inflation and a delicate balancing act for monetary and fiscal policy.

At the heart of the shift in outlook is the surge in global oil and refined fuel prices following the prolonged disruption in the Middle East. Real petrol and diesel prices in New Zealand are at multi-decade highs. Even if the conflict were to ease suddenly, damage to infrastructure and strained refinery capacity mean fuel costs are likely to remain elevated for some time. The result is a broad-based cost shock that is filtering through transport, production and distribution channels, weighing on spending power and lifting inflation well above comfortable levels. That said, this week's selected prices data for April showed weaker inflation pressures than we had pencilled in. Hence there is some modest downside risks to our June quarter CPI pick of 4.4% y/y. Food and fuel prices didn't rise by quite as much as anticipated.

Total and per capita GDP growth



Economic growth has slowed as these pressures intensify. We now expect GDP growth of around 1.5% over 2026, a disappointing outcome given the more optimistic view we held in early 2026. Higher living costs are eroding real household incomes, while uncertainty is encouraging both households

and firms to delay discretionary spending and investment decisions. The services sector, retail trade and hospitality are bearing the brunt of this adjustment, reflecting their sensitivity to household budgets. Tourism, which had been recovering strongly, is also expected to pause as higher airfares and global uncertainty dampen long-haul travel demand.

This week's manufacturing PMI survey showed a modest pull back of the aggregate index to around 50.5 and a sharper decline in the new orders component to 48.2. On balance, these results look broadly consistent with our view that we will see a small decline in GDP in the June quarter. Early days on that assessment though.

Households are facing a renewed squeeze on finances. Fuel prices have risen by more than 30% since the conflict began, compounding earlier increases in essentials such as food, electricity and insurance. At the same time, the labour market remains soft. Unemployment, while dipping marginally in early-2026, is expected to rise again to around 5.6% as firms respond cautiously to weaker demand and higher costs. Wage growth will hopefully remain muted relative to inflation but will limit households' ability to absorb the shock.

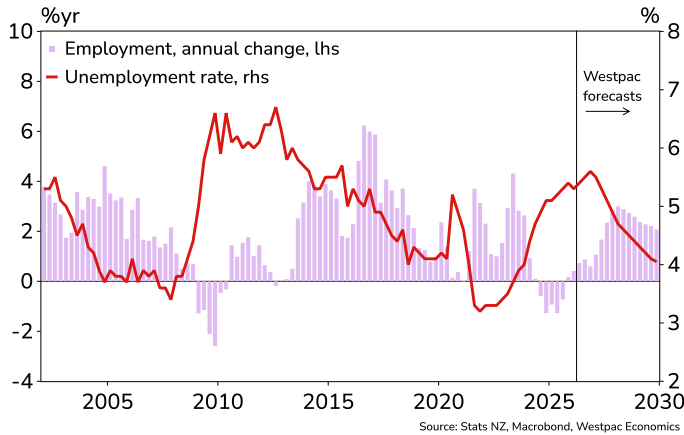
Interest rate dynamics add another layer of strain. Over the past two years many borrowers benefited from falling mortgage rates, but that easing phase is ending. Mortgage rates have begun to edge higher again, meaning households refinancing loans will see smaller reductions in repayments, and eventually gradual increases. Together, higher living costs, a soft jobs market and less interest-rate relief point to a sharp slowdown in household spending through the remainder of this year, before conditions gradually improve as cost pressures ease.

The labour market story is one of fragility rather than collapse. Prior to the Iran conflict, signs were emerging that employment growth was stabilising. However, hiring intentions have since weakened as firms grapple with higher input costs and uncertain demand. We now expect to see little employment growth in 2026, with unemployment peaking later this year. While there may be isolated pockets of skill shortages, overall labour market slack will restrain wage bargaining power, preventing a rapid acceleration in wage inflation despite rising living costs. Right now, we see few signs of a discontinuous labour market reaction to the war. Weekly filled jobs trends are tracking typical seasonal patterns while job advertisements for April fell just 1.7%.

Housing, which had shown tentative signs of recovery early in the year, has been knocked off course. Low interest rates,

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Unemployment rate and annual employment growth



improving confidence and a stabilising labour market had supported modest house price gains in the first quarter. These supports have largely evaporated. We now expect flat to slightly declining house prices over 2026 as confidence weakens and the prospect of higher interest rates re-emerges. Strong net migration will provide some underlying demand, but it is unlikely to offset the broader drag from weaker incomes and sentiment. Data this week confirmed that view with a 0.4% fall in house prices in April – albeit with a small fall in the average time to sell a home.

In the construction sector, recent momentum is unlikely to be sustained. Residential building activity is set to lift modestly in the near term as earlier consent approvals translate into work on the ground. However, rising fuel and materials costs, higher financing costs and elevated uncertainty are expected to curb new project initiation as we move into 2027. Commercial construction remains subdued, with office and industrial projects holding steady but little evidence of renewed expansion, particularly in retail and hospitality-related developments.

Business investment decisions are being deferred rather than abandoned. Surveys suggest firms have become more cautious, scaling back near-term capital expenditure plans while uncertainty around the conflict persists. Encouragingly, capital imports were strong in early-2026, indicating that momentum had been building prior to the shock. Over time, postponed investment — particularly in areas such as IT and software linked to the AI investment cycle — is likely to resume once conditions stabilise and confidence returns.

As we set out in more detail in [our preview of Budget 2026](#) this week, the fiscal outlook has also been impacted by the Middle East conflict. Higher inflation and interest rates are set to place upward pressure on government spending, particularly on social assistance and debt servicing, while weaker economic activity is weighing on revenue growth. As a result, the Treasury is likely to forecast a further lift the Government's borrowing requirement in Budget 2026 (perhaps \$7-9bn across the four-year forecast horizon). While an operating surplus in the final year of the forecast period remains possible, achieving it will require sustained

fiscal discipline. Even greater discipline will be required if the Government is to achieve its goal of a surplus a year earlier in 2028/29. And credible progress towards fiscal consolidation will be required if Moody's and Fitch are to remove the negative outlook that they have placed on New Zealand's sovereign credit rating.

The primary sector remains a relative bright spot. Export commodity prices are expected to stay elevated, supported by strong global protein demand and a supportive exchange rate. Higher energy, fertiliser and feed costs will squeeze margins in the near term, but prolonged price pressures offshore increase the likelihood of these costs being passed through to export prices. Dairy incomes are expected to remain resilient, helping to support rural regions and partially offset weakness elsewhere in the economy.

New Zealand's balance of payments looks set to deteriorate temporarily as higher fuel prices lift the import bill. At the same time, services exports — especially tourism — are set to slow. We expect the current account deficit to widen in the near term before narrowing again in 2027 as energy prices ease and tourism activity recovers.

Inflation is the central challenge. Headline inflation is expected to rise into the mid-4% range and remain above 3% until mid-2027. The energy price shock has spilled into a much broader range of costs, and ongoing increases in administered prices are reinforcing underlying inflation pressures. While economic slack should limit the extent of second-round effects, the risk remains that businesses begin to embed higher inflation expectations into pricing behaviour.

For monetary policy, this environment presents an uncomfortable trade-off. The 2.25% OCR was set assuming a much more benign inflation outlook. The OCR now looks too low given the scale of the coming cost and inflation shock. We expect the Reserve Bank to begin lifting the OCR to 3% and more neutral levels, most likely from September, but with the potential for a start as early as this month given it seems clear the key question is when not if the OCR needs to rise. How far and how fast the OCR ultimately rises will depend critically on the duration of the conflict and the persistence of inflation pressures.

Overall, the economy is navigating rocky waters. Growth is subdued, inflation is uncomfortably high, and confidence has taken a hit. However, there are grounds for cautious optimism once energy prices ease and uncertainty recede.

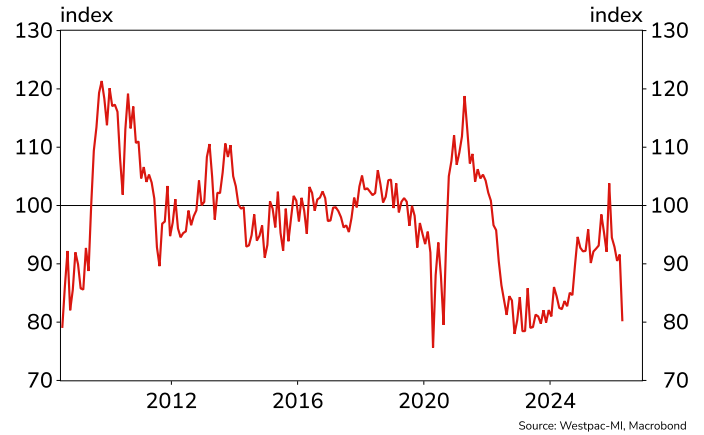
AUS: May Westpac-MI Consumer Sentiment (index)

May 19, Last: 80.1

Consumer sentiment fell heavily in April, declining 12.5% to 80.1 from 91.6 in March. Consumers are being hit by another 'cost of living' shock as a spike in fuel prices combines with rising interest rates. The April sentiment drop was the biggest monthly decline since COVID. At 80, the Index is back near historical lows, albeit above the extremes seen during the pandemic and the recessions of the early 1990s and 1980s.

The May survey is in the field over the week ending May 16. It will capture reactions to the Federal budget and the RBA's latest 25bp rate increase. Local fuel prices have declined materially (~30 ¢ /litre since the April survey) due to the temporary halving of fuel excise tax and waiving of GST. This is despite no meaningful progress towards restoring supply out of the Middle East. Housing-related sentiment will be of particular interest given the major tax changes in the budget.

Consumer Sentiment Index



AUS: Apr Labour Force – Employment Change (000s)

May 21, Last: 14.9, Westpac f/c: 10.0
Market f/c: 17.5, Range: 10.0 to 28.0

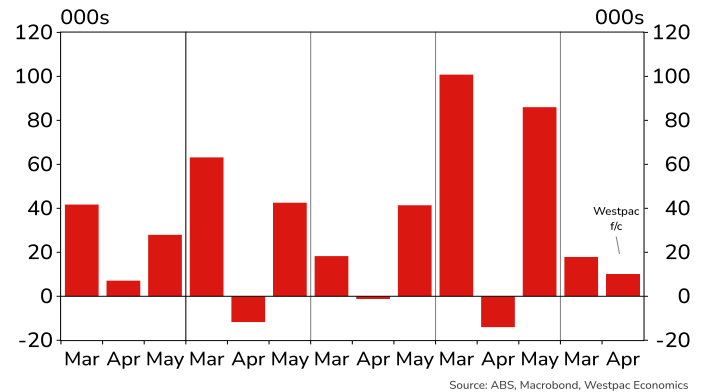
The March Labour Force Survey (LFS) showed that the overall labour market was in decent shape. Employment grew by +17.9k in March, lifting the annual growth pace up to 1.5%yr on a three-month average basis.

While it is still too early to detect any material shifts in the labour market stemming from the Middle East conflict or recent interest rate rises, we have pencilled in only a modest lift in employment for April, up 10k.

This captures some downside risk associated with the timing of the survey and Easter holidays. Our [preview](#) walks through this in more depth, but in short, this month's survey completely overlaps both Good Friday and Easter Monday – a 'seasonal abnormality' that could over-emphasise seasonal weakness.

Employment Change in 'Full Overlap' Years

Years April LFS Covers Good Friday & Easter Monday



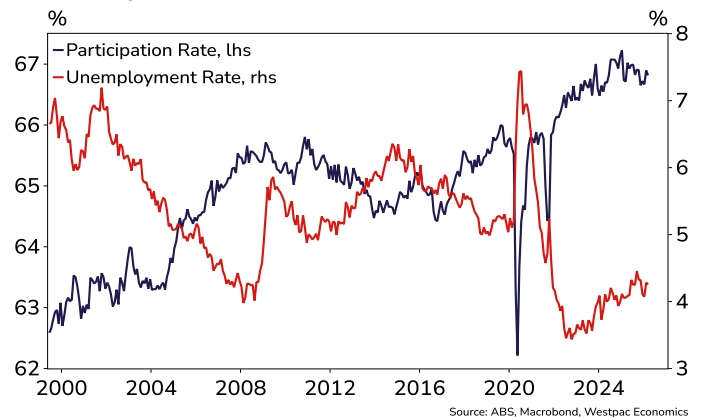
AUS: Apr Labour Force – Unemployment Rate (%)

May 21, Last: 4.3, Westpac f/c: 4.3
Market f/c: 4.3, Range: 4.2 to 4.4

Last month's labour market data challenged the RBA's earlier assessment that "the labour market has tightened a little recently". The fall in the unemployment rate to 4.1% around the turn of the year proved temporary, as it lifted back to 4.3% in February and held at that level in March.

For April, we think the participation rate and unemployment rate will hold steady at 66.8% and 4.3% respectively. As far as the RBA is concerned, the most immediate and pressing concern is inflation, so this round of labour market data (given there is no major surprise) is unlikely to shift the policy calculus materially.

Unemployment and participation rates



AUS: Q1 Westpac Now (%qtr)

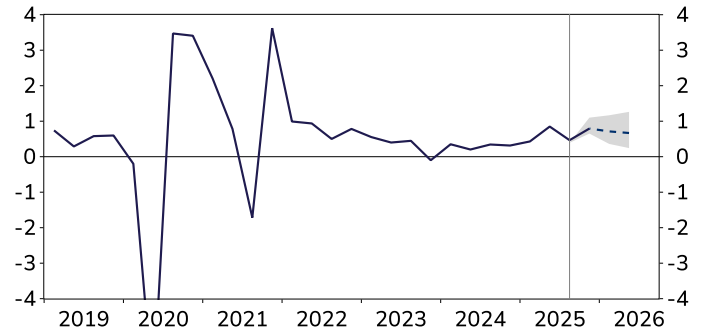
May 22, Last: 0.6

Westpac-Now points to moderating GDP growth of around 0.6%qtr in Q1 2026 (range: 0.55–0.75%qtr). The second estimate showed that monthly activity levels edged lower in March after moving sideways through January and February. Overall, activity was flat across the March quarter, ending an upswing that began in May 2025, even before the recent tightening in monetary policy could take effect.

We expect our final estimate for Q1 2026 to continue to suggest that activity eased into the first half of 2026. The sharp falls in consumer and business confidence that were largely looked through in our second estimate are likely to weigh on the growth impulse going forward.

Quarterly GDP Growth*

Quarterly % growth. Axis truncated for covid.



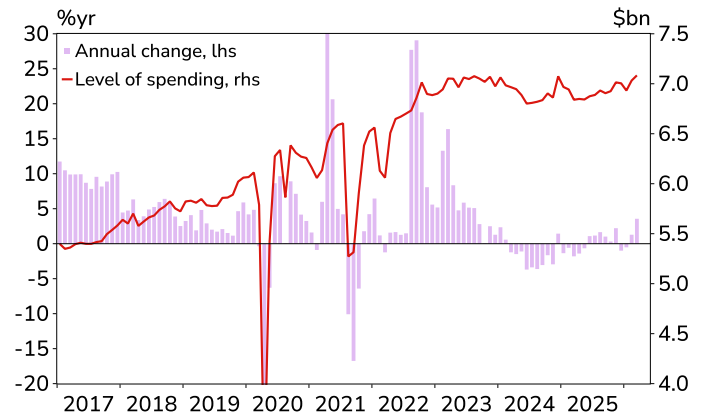
Source: ABS, Macrobond, Westpac Economics
*Dotted line show Westpac-Now central estimates. Quarter ahead (or Q4 2025) relies on actual Westpac-MAI to January 2026. Beyond the quarter ahead, estimates rely on projections of the Westpac-MAI generated using internal model dynamics. Confidence intervals reflect empirical out of sample forecasting errors.

NZ: Apr Retail Card Spending (%mth)

May 19, Last: 0.7, Westpac f/c: 1.2

We expect the April spending update will show that nominal retail spending was up 1.2% over the past month. That's mainly due to the 15% rise in fuel costs over the past month, along with increased spending on groceries. However, spending in discretionary areas like apparel and hospitality is expected to be more muted. The fuel price spike is squeezing households' purchasing power, and households are winding back their discretionary spending. Of note, travel related spending (like airfares) has fallen sharply. However, much of that spending is not included in 'retail' spending categories. It is, however, captured in the 'total' spending category, which we expect will be down around 2% this month.

NZ retail card spending



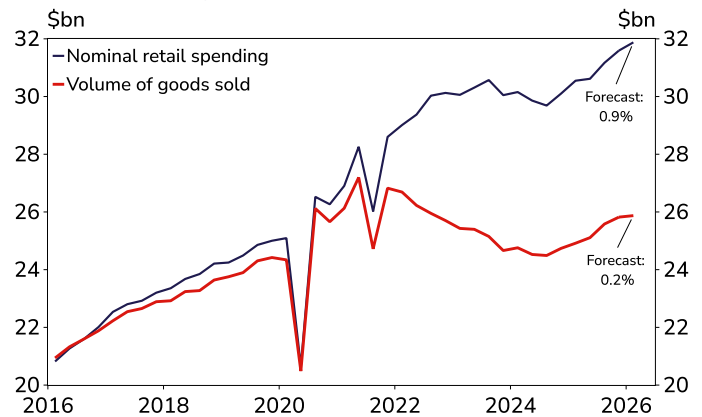
Source: Stats NZ, Macrobond, Westpac Economics

NZ: Q1 Retail Trade Survey (%qtr)

May 22, Volumes, Last: 0.9, Westpac f/c: 0.2

The March quarter is expected to see a muted 0.2% rise in real retail sales. The latter part of March saw fuel prices rising sharply, and that has been a drag on spending. But we've also seen price rises in other areas like food. As a result, we expect a firmer 0.9% rise in nominal spending. One key area of uncertainty is vehicle spending, which can be lumpy on a quarter-to-quarter basis. Distributors reported a lift in sales of EVs late in the month, though we expect that will be balanced out by lower sales for combustion engine vehicles.

Retail spending



Source: Stats NZ, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 18							
NZ	Apr	BusinessNZ PSI	index	46	–	–	Has been soft, even prior to the Iran conflict.
Chn	Apr	Retail Sales	ytd %yr	2.4	–	–	Tentative signs of a stabilisation in consumer demand but ...
	Apr	Industrial Production	ytd %yr	6.1	–	–	... trade's contribution to growth has further to run as ...
	Apr	Fixed Asset Investment	ytd %yr	1.7	1.7	–	... green technology demand accelerates in light of US–Iran.
Tue 19							
Aus		RBA Assist' Governor (Economic)	–	–	–	–	Hunter speaking at Bloomberg Forum, 9:30am AEST.
	May	RBA Minutes	–	–	–	–	To provide more colour on the Board's deliberations.
	May	Westpac–MI Consumer Sentiment	index	80.1	–	–	Will provide a read post Federal budget and 25bp rate hike.
NZ	Apr	Retail Card Spending	%mth	0.7	–	1.2	Increased spending on essentials.
Jpn	Q1	GDP	%qtr	0.3	0.4	–	Heading into the global energy shock with GDP near–stagnant.
UK	Mar	ILO Unemployment Rate	%	4.9	4.9	–	Dip in unemployment rate may prove short–lived.
US	Apr	Pending Home Sales	%mth	1.5	1.6	–	Early guide to established home sales, which is low and stable.
Wed 20							
Eur	Apr	CPI	%ann	3.0	3.0	–	Final estimate to provide full component detail.
UK	Apr	CPI	%ann	3.3	3.0	–	Inflation centred on fuel; core inflation broadly stable, for now.
US	Apr	FOMC Meeting Minutes	–	–	–	–	More colour on the balanced baseline and risk outlook.
		Fedspeak	–	–	–	–	Paulson.
Thu 21							
Aus	Apr	Employment Change	000s	17.9	17.5	10	Still too early to see weakness from Middle East or recent ...
	Apr	Unemployment Rate	%	4.3	4.3	4.3	... rate rises, but April 'abnormal seasonality' could surprise.
NZ	Apr	Trade Balance	\$mn	698	–	845	A seasonal surplus, weighed down by higher fuel imports.
Jpn	May	S&P Global Manufacturing PMI	index	55.1	–	–	Pull–forward of output and new orders before conflict impacts ...
	May	S&P Global Services PMI	index	51.0	–	–	... services activity is delicately positioned.
Eur	May	S&P Global Manufacturing PMI	index	52.2	51.5	–	European manufacturing resilient for similar reasons ...
	May	S&P Global Services PMI	index	47.6	48.0	–	... but the gap lower in services is a concerning signal.
	May	Consumer Confidence	index	–20.6	–20.0	–	Starting to probe pandemic–era lows as inflation lifts.
UK	May	S&P Global Manufacturing PMI	index	53.7	53.1	–	Orders brought forward to get ahead of price lifts ...
	May	S&P Global Services PMI	index	52.7	51.8	–	... but firmer services activity certainly a welcome sign.
US		Initial Jobless Claims	000s	211	–	–	Still at a very low level versus history.
	May	Phily Fed Manufacturing	index	26.7	15.0	–	Phily's momentum is enviable, but is at clear risk of easing ...
	May	Kansas City Fed Manufacturing	index	10	–	–	... as headwinds start to materialise across the nation.
	Apr	Housing Starts	%mth	10.8	–5.5	–	Sense of caution underlies the monthly volatile data as ...
	Apr	Building Permits	%mth	–11.4	2.7	–	... permit issuance slows amid high new home inventory.
	May	S&P Global Manufacturing PMI	index	54.5	53.6	–	Industry remains on a solid footing, like the ISM, but ...
	May	S&P Global Services PMI	index	51.0	51.3	–	... momentum in services at risk if consumer weakens.
Fri 22							
Aus	Q1	Westpac–Now	%qtr	0.6	–	0.6	Final estimate will provide a near complete read on Q1 activity.
NZ	Q1	Real Retail Sales	%qtr	0.9	0.5	0.2	Price rises weighing on volumes growth.
Jpn	Apr	CPI	%ann	1.5	1.6	–	Focus is on trend excl. food and energy for now.
Ger	May	IFO Business Climate Survey	index	84.4	84.6	–	Will souring expectations bleed into current situation view?
UK	May	GfK Consumer Sentiment	index	–25	–27	–	Falling, but not 'collapsing' like in some other countries ...
	Apr	Retail Sales	%mth	0.7	–	–	... aiding growth in retail sales, even after excluding petrol.
US	May	Uni. Of Michigan Sentiment	index	48.2	48.2	–	Final estimate will provide full reaction to recent updates.

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Economic & financial forecasts

Interest rate forecasts

	Latest (15 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	2.66	2.50	2.95	3.40	3.75	4.00	4.25	4.45	4.45	4.45
2 Year Swap	3.61	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)	23	50	55	55	55	55	50	45	40	35

Exchange rate forecasts

	Latest (15 May)	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
AUD/USD	0.7171	0.72	0.72	0.73	0.73	0.74	0.74	0.74	0.73	0.73
NZD/USD	0.5905	0.59	0.59	0.62	0.64	0.66	0.67	0.67	0.67	0.67
USD/JPY	158.55	157	156	154	152	150	148	146	144	142
EUR/USD	1.1646	1.18	1.18	1.19	1.20	1.21	1.22	1.22	1.22	1.22
GBP/USD	1.3354	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.41
USD/CNY	6.7999	6.80	6.75	6.70	6.60	6.50	6.45	6.40	6.35	6.35
AUD/NZD	1.2217	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	2025	2026f	2027f	2028f
GDP %qtr	0.9	0.2	0.8	-0.3	0.4	0.6	1.1	0.6	-	-	-	-
Annual avg change	-0.6	0.2	0.6	1.2	1.3	1.3	1.6	1.8	0.2	1.3	2.7	3.4
Unemployment rate %	5.3	5.4	5.3	5.4	5.5	5.6	5.5	5.3	5.4	5.6	4.9	4.4
CPI %qtr	1.0	0.6	0.9	1.8	1.2	0.4	0.5	0.0	-	-	-	-
Annual change	3.0	3.1	3.1	4.4	4.5	4.4	4.0	2.1	3.1	4.4	1.6	2.1

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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