



June 2026

WESTPAC MARKET OUTLOOK

Your monthly report on Australia and the global economy.

WESTPAC MARKET OUTLOOK

June 2026

Australia	3
Financial markets: Global rates view starts to lift	4
Australian economy: Slowing growth and structural shifts	6
The World	
Middle east: Buffers that have driven prices lower will fade	8
Commodities: Energy commodities soften on peace deal hopes	10
Global FX: US dollar depreciation remains likely	12
New Zealand: The RBNZ is edging towards a tightening cycle	14
China: Stimulus remains necessary	16
United States: Inflation warrants monitoring	18
Asia Structural forces are weighing in on Asian currencies	20
Europe & UK Growth is slowing	22
Summary forecast tables	
Australia – financial	24
Australia – economic	25
New Zealand	26
Commodity prices	27
United States	28
Europe	29
Asia	30
Global growth	31



 westpaciq.com.au

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

Internet: www.westpac.com.au
Email: economics@westpac.com.au

This issue was finalised on 12 June 2026.

NB: Quarterly forecasts for commodities on [page 27](#) are now reported on a quarter-average basis. Forecasts on an end-of-quarter basis will be made available the week after Market Outlook is published.

Closure?



The situation in the Middle East is again tilting towards a resolution. While developments are erratic and the Strait of Hormuz is still effectively closed, recent comments from both the US and Iran suggest a formal deal is in the works. Of course, this is no guarantee. We have been here before, multiple times now, making it hard to trust even the most basic claims. For their part, financial markets are continuing to take a sanguine view, pricing in the prospect of a relatively swift resolution and putting less weight on the risk of a more drawn-out or more severe conflict.

Brent crude oil is now trading near the lower end of its conflict-era range, around US\$90/bbl. It is too early to be sure whether recent progress will prove lasting but we have revised our oil price forecasts to incorporate a lower 'war risk premium' and a less tight supply-demand balance in global energy markets. Our base case still sees only a gradual normalisation in shipping through the Strait of Hormuz and Gulf oil production, meaning oil prices are unlikely to return sustainably to pre-conflict levels until late-2027. However, a lower near-term peak has at least tempered some concerns over upside risks to near-term inflation.

That should give policymakers a little more room to pause and assess, but whether they do depends on starting points, exposure and recent data flow. For the Fed, we think this will encourage an extended hold with the recent shift in expectations towards rate hikes looking premature given the soft underlying health of the consumer and the degree of financial tightening that is already coming via higher yields. Europe is more exposed to upside inflation risks, leading the ECB to deliver its first rate hike after a year on hold; but with uncertainty elevated, the central case is still for a cautious approach rather than an aggressive follow-through.

The RBA also looks set to pause in June, having already raised the cash rate three times to wring-out earlier domestically-driven inflation pressures. However, we think input cost inflation and the threat of broad-based pass-through still makes the case for further rate hikes in August and September. While market conviction that the conflict is nearing an end is giving central banks scope to tread cautiously, whether we actually get closure remains to be seen.

Australia: The National Accounts showed that Australia's economy expanded just 0.3% over Q1 2026 and 2.5% in year ended terms, the softest quarterly growth rate since Q2 2024. It implies that the underlying growth impulse was softening even before the conflict in the Middle East and interest rate hikes had really started to impact the economy.

Middle East: Brent crude oil prices have fallen below US\$100/bbl despite the Strait of Hormuz remaining closed. We think current pricing is too optimistic. Even with an MOU, shipping through the Strait and Gulf oil production will take time to normalise. At the same time, temporary buffers cushioning the supply shock will fade.

Commodities: Our broadest commodities index fell 0.8% in May, but the detail was mixed. Energy commodities and gold softened, while iron ore and base metals were firmer. We have revised our crude oil forecasts lower, with Brent now expected to average US\$87/bbl in the September quarter.

Global FX Markets: The past month, market participants have experienced fear and uncertainty over how long the Middle East stand-off could persist for. Still, the DXY index only briefly broke 100, 1% above the top of last month's range.

New Zealand: The RBNZ is slowly shifting towards starting a hiking cycle and is signalling a cautious move higher in the OCR "in coming meetings". Markets have settled on a view that the OCR will end this year at 3%. The jury remains out on the exact start date for the first hike: markets seem confident of July while we are not so sure, given that solid evidence of rising core inflation, wages or inflation expectations may not be evident by then.

United States: The narrative surrounding the US economy has shifted over the past month, with inflation once again taking centre stage as the key risk following several months of acute concern over the labour market.

China: China's economy has remained out of the spotlight of late. At mid-year, China continues to achieve broad success with exports while domestic consumer-centric sectors languish.

Asia: Asian currencies are weakening despite strong domestic growth, as structural external pressures dominate. Import controls, capital outflows, and import-intensive growth models are weighing on balances across India, Korea, and Japan. For investors, this highlights a growing disconnect between fundamentals and FX.

Europe & UK: Euro area Q1 GDP was revised down, largely due to a sharp contraction in Ireland, masking steady underlying growth of 0.2%qtr. Momentum is weakening, but inflation remains the ECB's priority, prompting a 25bp hike, with additional tightening likely in the coming months.

Global rates view starts to lift ...

Luci Ellis
Chief Economist, Westpac Group

Developments in the Middle East remain fluid. Markets continue to price a more benign future for oil prices than the base case forecast we published last month. Part of this reflects optimism about an early end to the disruption of the Strait of Hormuz, and part reflects greater adaptation (higher US oil exports, more Chinese draw-down of reserves) than we had previously factored in. There is a limit to how far inventories can decline, but this has not yet been reached.

Given this more benign outlook for energy prices, market-based measures of longer-term inflation expectations have moderated over the past month: 10-year break-even rates implied by bond pricing are down 10–20bps, and 1yr–1yr forward inflation implied by swap rates are flat to down as well.

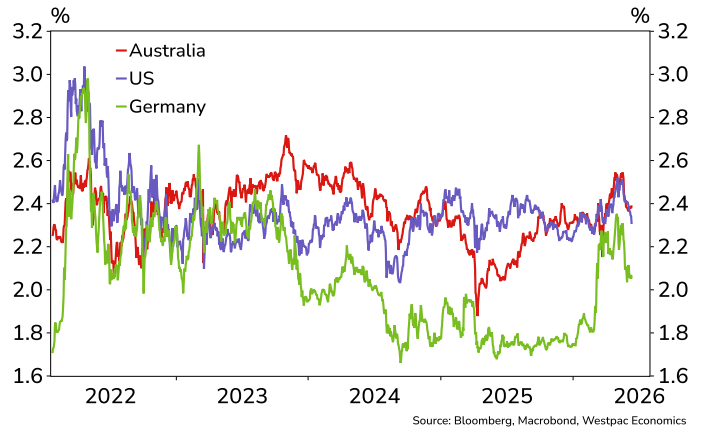
Market inflation expectations nonetheless remain somewhat above their pre-conflict levels and central banks are starting to respond to the higher inflation risks that market pricing is reflecting. After previously communicating that they could wait to see the extent of second-round inflation from the energy shock, some central banks have started raising policy rates (ECB) or are expected to do so in coming months (BoE, RBNZ).

The outlook for Federal Reserve policy is more finely balanced. The US labour market has regained some momentum in recent months, quashing fears that near-term policy support would be needed. Arguments that fast productivity growth driven by AI would allow interest rates to decline have also lost some credence lately. Higher fuel prices have focused attention on inflation pressures, as have domestic capacity pressures in the context of the AI-centred boom in capital expenditure.

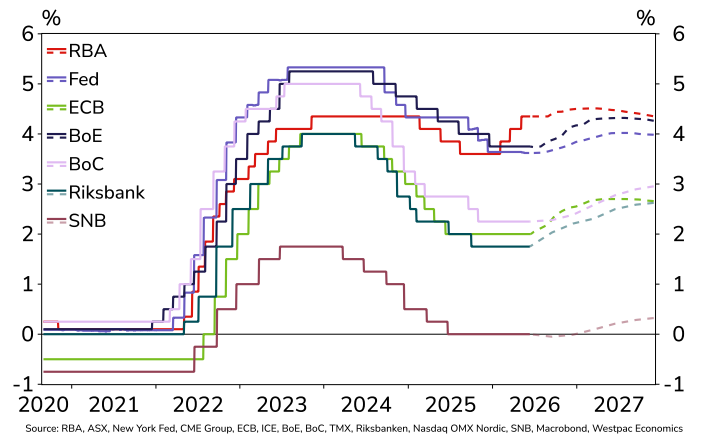
We have long viewed the US as being more capacity-constrained and structurally subject to domestic inflation pressures than is widely recognised. We therefore regarded the cuts in the Fed funds rate that were priced in earlier in the year as being unrealistic. The rate hike that has recently been essentially fully priced in also seems premature, though. Like the Bank of Canada but for different reasons, we think an extended period of on-hold policy is the appropriate base case for US monetary policy.

Shifts in market pricing of central bank policy since the last *Market Outlook* was published highlight the diversity of experience across major markets. Market expectations for policy rates for the end of this year have narrowed 10–20bps for Australia, euro area and UK, but widened 20bps for the US. These differing shifts in policy expectations are being reflected across the yield curve. Spreads on Australian bonds relative to US equivalents have narrowed over the past month, though they remain wider than before the conflict.

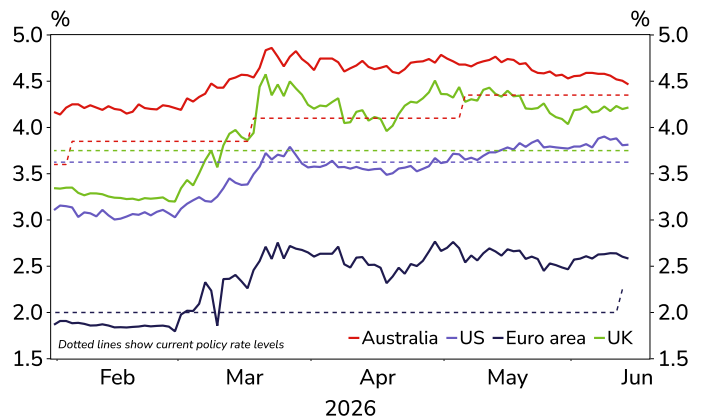
10-Year Breakeven Inflation



Central Bank Policy Rates (Market Expectations)



Market-implied policy rates for December 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.

... while trade-offs worsen for RBA

At the margin, narrower spreads mean AUD-denominated assets are not quite as attractive relative to assets denominated in other currencies. This has reduced the support the AUD exchange rate has received from yield differentials. Signs of this might be evident in recent days, with AUD depreciating noticeably in response to the latest flare-up in hostilities in the Persian Gulf, more so than following some of the previous ones.

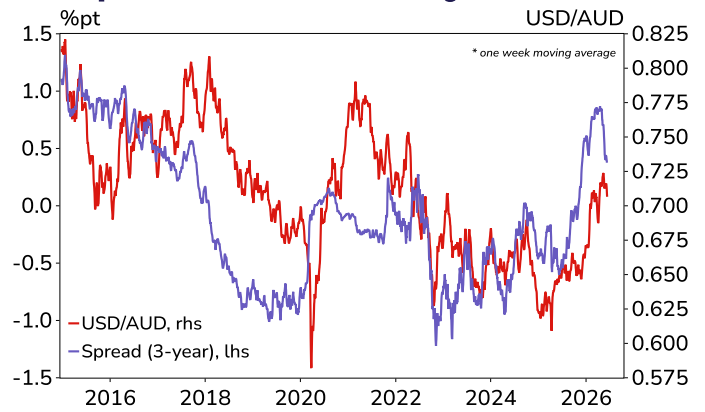
The RBA faces a difficult set of trade-offs in its near-term monetary policy decisions. As well as the more benign developments in energy prices and the conflict more broadly, some domestic data releases have been softer than generally expected. Consumer spending looks to have stalled, tax changes have induced uncertainty in the housing market, and sentiment surveys have weakened. Weak GDP reads are likely in coming quarters. Market pricing of the policy outlook in Australia has narrowed a little over the past month in response to this data flow. At the time of the last *Market Outlook*, OIS pricing implied one-and-a-bit 25bp hikes. At the time of publication, a single hike was only partly priced in.

At the same time, Australia started the year with inflation too high, and the second-round inflation response to higher energy prices is becoming more evident in the data. While the RBA has already tightened policy in response to the lift in inflation that pre-dated the Middle East conflict, business surveys and other information point to strong and front-loaded pass-through of higher energy prices to other prices. Contention for resources to construct the pipeline of data centres – an investment boom largely impervious to interest rates – will add to cost pressures.

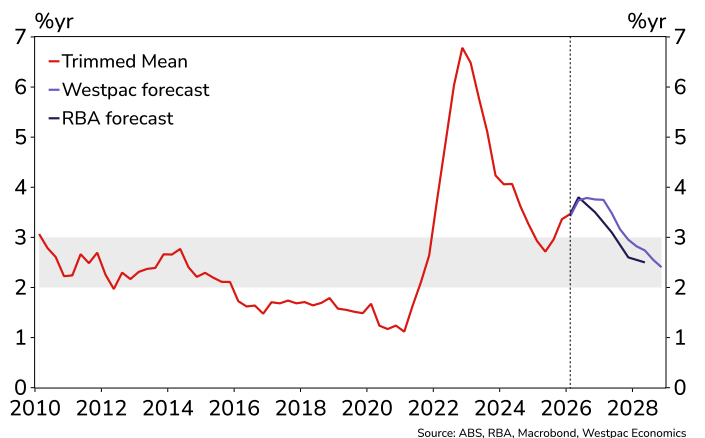
We [continue to expect](#) that the RBA will pause at its June meeting as it assesses the data flow. However, we believe it will remain focused on getting inflation back down to target and will be less swayed by some of this softer data than some observers might assume. Indeed, it is likely that it views the softer data as being a necessary part of the transmission of restrictive monetary policy. Trimmed mean inflation is drifting up, and even after revising the outlook for the somewhat better oil price trajectory, our base-case forecast peaks at 3.8% and remains higher than the RBA's May forecasts through the rest of this year. Pass-through is starting to become evident in categories such as home-building costs, dining out and postal and courier services.

Because our [inflation forecast](#) is above the RBA's most recent published forecast, it implies that the Monetary Policy Board will receive an upside surprise in coming months. This implies further rate hikes as the second-round inflation impact of the energy price shock emerge. Given the weaker outlook for the household sector, risks are skewed to the downside, in the sense that zero or one hike from here is much more likely than three hikes. We still regard our two-hike track as the most appropriate base case view, given the inflation outlook.

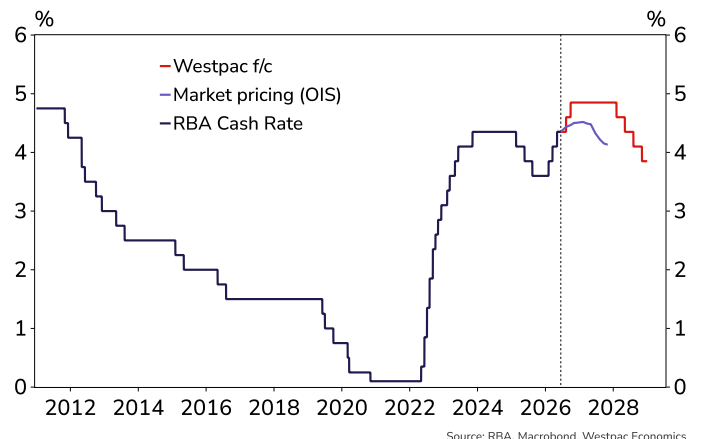
Yield Spread and Bilateral Exchange Rate



Trimmed Mean Inflation



RBA Cash Rate



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.

Slowing growth ...

Pat Bustamante
Senior Economist

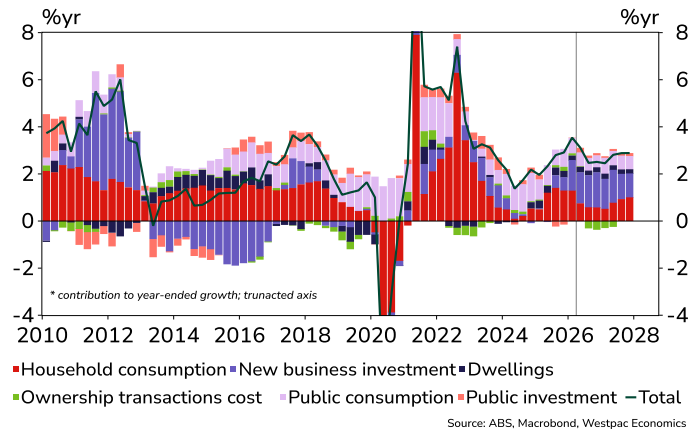
The [National Accounts](#) showed that Australia's economy expanded just 0.3% over Q1 2026 and 2.5% in year ended terms, the softest quarterly growth rate since Q2 2024. This was a material step down from the 0.9%qtr recorded in Q4 2025, but consistent with [Westpac-Now](#), which flagged this loss of momentum well ahead of the release of Q1 partial economic indicators. It implies that the underlying growth impulse was softening even before the conflict in the Middle East and interest rate hikes had really started to impact the economy. Public demand, household spending and housing-related components of demand have all eased. Private business investment – notably [data centres](#) – carried growth in the quarter, even allowing for the high import intensity of this activity.

Looking ahead, we expect household spending to remain soft. The [Westpac-DataX Card Tracker](#) suggests that non fuel spending has stalled over first two months of Q2 2026, with the only growth in total nominal spend coming from spending on fuel. The familiar trio of bracket creep, rising prices (especially fuel-related), and higher interest rates are again weighing on incomes and purchasing power. Consumer spending is unambiguously weak heading into the second half of 2026. Housing-related activity is also likely to remain a drag, particularly 'ownership transfer costs' related to the scale of turnover in the market, which already weakened in Q1.

This slowdown is occurring in the context of some significant, more medium-term structural shifts. While the public investment boom is largely over, as major transport projects complete, a new investment boom is emerging in data centres and – relatedly – electricity infrastructure. A shifting global landscape is also changing how Australia engages with the global economy, as the government seeks to increase economic security and bolster our defence capabilities. These trends are investment-intensive, mutually reinforcing – particularly the AI build out and investment in renewable energy generation and distribution – and set within a highly ambitious timeframe. For example, [we estimate](#) the total pipeline for data centre investment to be around \$155bn over the next decade, which is coming on top of an already large pipeline of investment associated with the energy transition, a significant build leading into the 2032 Brisbane Olympics and a sustained rise in defence spending.

This shift will require resources to move between sectors of the economy, and is likely to add to price pressures in some sectors of the economy. As with the mining investment boom, higher interest rates are often part of the mechanism that induces resources to redeploy, especially as the expanding sectors will be relatively insensitive to interest rates. This will

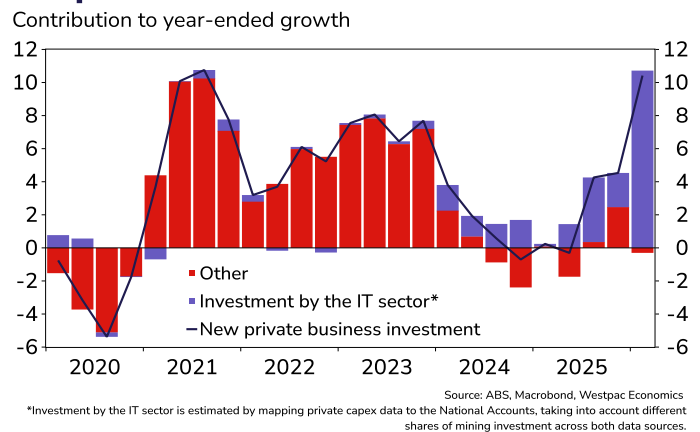
Domestic demand



inevitably make conditions tougher in consumer-facing and other interest-sensitive sectors. The household consumption share of the nominal economy has already fallen by around 5ppts since the pandemic. This likely has further to run in an environment of higher interest rates.

These shifts inform our latest forecasts. We had already factored in a sustained pick-up in business investment by the structurally-driven industries, which underpinned our top of consensus investment profile. However, the data centre build-out now appears to be larger and more front-loaded than even we expected. Even though quarterly growth rates are unlikely to maintain the pace seen in Q1, given the evolving outlook for energy and investment, we have upgraded new business investment forecasts for 2026 and 2027 to 11.7%yr and 7.3%yr, from 7.5%yr and 1.9%yr, respectively.

New private business investment

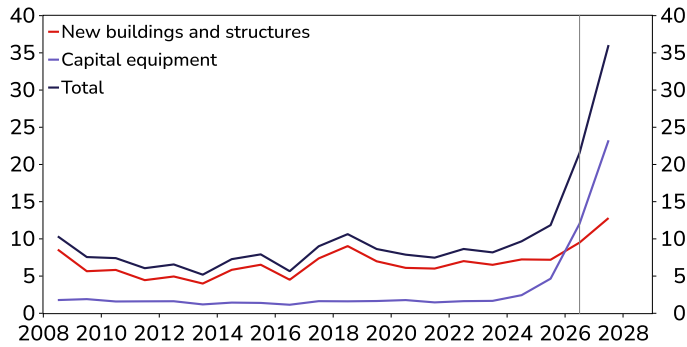


Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known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

... and structural shifts

Private capex long term expectations

IT industry, realisation ratio adjusted, \$bn, reals*



Source: ABS, Macrobond, Westpac Economics

*Expectations to the end of FY2027 are adjusted using the average realisation ratio recorded over the past six years at the asset level. Nominal estimates are deflated using Westpac forecast deflator for the different asset types.

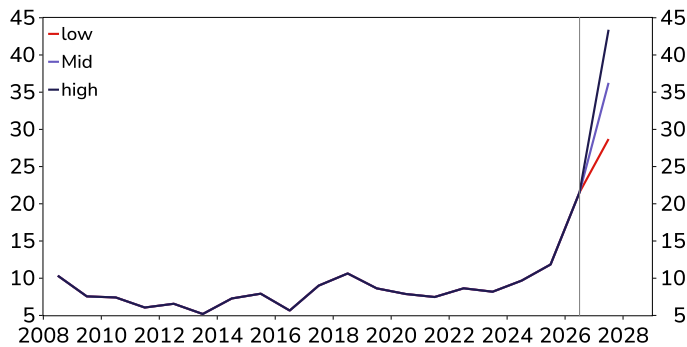
Against this, higher interest rates and tax policy changes are now expected to drive a sharper near-term fall in housing activity. Westpac has already seen a 20% fall in investor loan applications in the weeks since the changes were announced, and we expect broader housing market turnover to fall by around 20% by the end of 2026. As discussed, lower turnover reduces transfer-related activity, and we expect this to directly detract 0.1ppts and 0.2ppts from GDP growth in Q2 and Q3 respectively, down from the flat contribution previously expected.

Finally, the starting point for the consumer is slightly weaker than expected, and we are anticipating a further squeeze in household incomes in Q2 and beyond. As such, we expect household consumption to grow by a soft 1.2%yr and 2.0%yr in 2026 and 2027, respectively. This will likely see per capita consumption fall 0.3% in 2026, recovering in 2027 to be about flat over the two years.

This means GDP will only grow 0.7%yr in 2026, down from the 1.0%yr previously expected. This would be the weakest year ended growth over a calendar year since 2020 and,

Private capex long term expectations

IT industry, realisation ratio adjusted, \$bn, reals*



Source: ABS, Macrobond, Westpac Economics

*Expectations to the end of FY2027 are adjusted by high, average and low realisation ratios recorded over the past six years at the asset level. Nominal estimates are deflated using Westpac forecast deflator for the different asset types.

outside of COVID, since the early 1990s recession. The quarterly prints in Q2 and Q3 are likely to be very low, as the full impact from the energy shock coincides with slow underlying growth in demand and lumpiness in the profiles for data centre investment and fuel-related inventories.

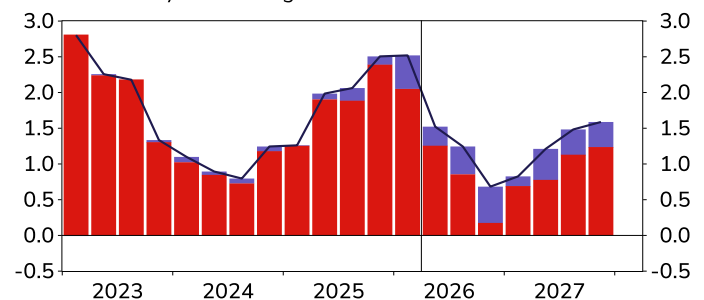
Even if GDP prints a couple of flat or even slightly negative quarters, we would not regard this as a sign of recession. Actual recessions are rarely in doubt and are associated with large and sustained rises in unemployment rates, not the gradual upward drift and stabilisation we are forecasting (noting that this is partly due to an ongoing upward trend in participation and labour supply). Both we and the US NBER's 'Business Cycle Dating Committee' would regard labour market signals as more compelling indicators of a major downturn. And with employment growth forecast to lift gradually from 1.1%yr in 2025 to 1.5%yr in 2026 and 1.7%yr in 2027, supported by structurally driven industries, the near-term growth outlook is better characterised as a period of soggy growth, not a downturn or recession.

For the sectors getting squeezed by inflation and interest rates and to make space for strong investment, though, it might feel considerably worse than the top-line data would imply. GDP per person is likely to decline over much of the forecast horizon.

Beyond 2026, we expect GDP to recover and expand at 1.5%yr, as the drag on incomes from elevated inflation dissipates, picking up to around 2.6%yr by 2028 as easing inflation eventually allows the RBA to remove restrictive monetary policy.

Real GDP Growth

Contribution to year-ended growth



Source: ABS, Macrobond, Westpac Economics

*Investment by the IT sector is estimated by mapping private capex data to the National Accounts, taking into account different shares of mining investment across both data sources. Contribution to growth take into account the high import intensity of data centre investment and the spillover impacts on related parts of the economy (including logistics and construction services).

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.

Buffers that have driven prices lower will fade ...

Sian Fenner
Head of Business & Industry Economics

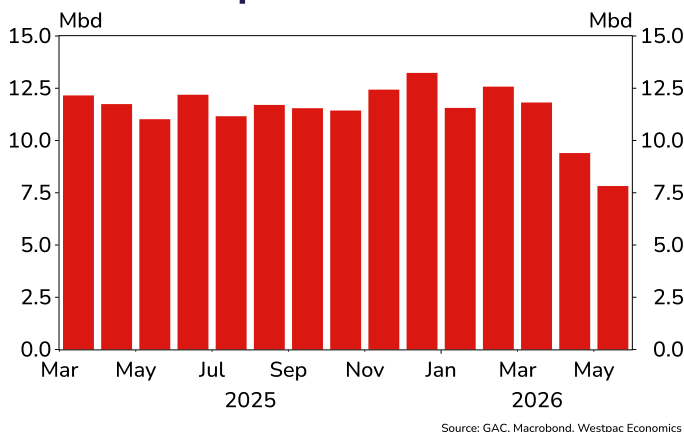
Brent crude oil prices have fallen below US\$100/bbl despite the Strait of Hormuz remaining closed. We think current pricing is too optimistic. Even with an MOU, shipping through the Strait and Gulf oil production will take time to normalise. At the same time, temporary buffers cushioning the supply shock will fade. We expect dated Brent to rise from current levels to an average of US\$97/bbl in Q3. We expect prices to average US\$68/bbl in Q4 2027.

Since our last update, both spot and dated Brent crude have trended lower, falling below US\$100/bbl in early June for the first time since the conflict. This has brought the average price for the quarter to date to around US\$101/bbl and US\$112/bbl respectively, around US\$10 lower than our forecast.

We see two main drivers behind this undershoot, both of which we expect to fade over the coming months.

Firstly, supply risk premia has eased: Since the ceasefire, markets have continued to price in a reopening of the Strait and normalisation in Gulf production. This has yet to materialise. The recent escalation in US–Iran clashes and confrontation between Iran–Israel underscore that the US and Iran remain some way from reaching a lasting and credible agreement. Despite this, expectations around the duration of the disruption remain broadly positive.

China Crude Oil Imports



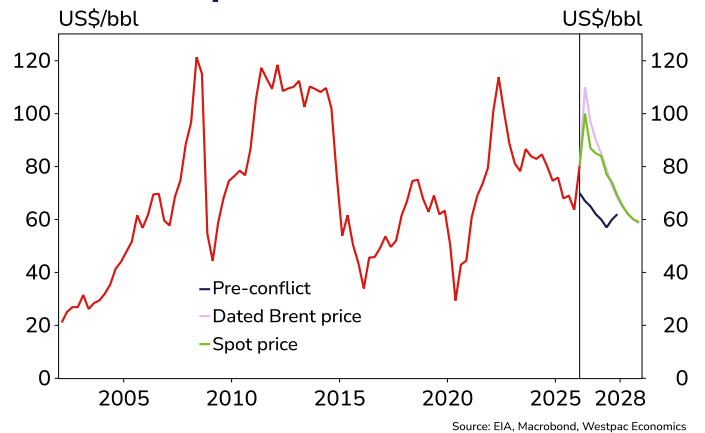
Second, **temporary buffers** have cushioned the immediate impact of the supply shock. IEA members agreed to release around 400mb of oil from emergency reserves, with the US, through its Strategic Petroleum Reserve, accounting for nearly half. At the same time, US exports of crude and refined products have increased sharply, rising from around 3.9mb/d to around 6.9mb/d.

Demand has also been weaker than expected. Notably, Chinese crude imports have fallen sharply over the past two months and were down nearly 30% on the year in May, to less than 8mbd. There has also been a pullback in refinery demand, particularly for jet fuel in the Middle East and Asia, as airlines have scaled back routes. Together, these factors have cushioned the 11 mb/d shortfall in Gulf oil production, once rerouting of Saudi and UAE flows via pipelines is taken into account.

Pricing too optimistic and volatility to rise

We have lowered our Q2 dated Brent forecast by US\$15/bbl. Despite this downgrade, we think current pricing is too optimistic and this is reflected in smaller adjustments in H2. Indeed, we expect dated Brent prices to average US\$97/bbl in Q3, higher than current levels, with the cost of securing physical barrels driving the premium of dated over spot prices to widen back towards around US\$10/bbl. Moreover, reflecting our assessment of ongoing constraints on Gulf production, including storage, transport capacity and well flow rates leading to weaker inventory buffers ahead, we continue to forecast Brent crude prices to average US\$68/bbl in Q4 2027.

Brent Crude Oil price



Still, prices in the coming weeks and months are likely to be more volatile. The eventual signing of a memorandum of understanding between the US and Iran is likely to lead to a sharp initial fall in prices. Several empty tankers sitting outside the Strait could move cargoes quickly, reinforcing this initial easing in prices.

But we expect this initial optimism to be pared back and prices to push higher as it becomes evident that the return of Gulf oil production will take some time and inventory buffers fade.

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.

... with energy supply shock to persist in 2027

Supply normalisation will still take time

Despite the absence of a formal agreement and the Strait still officially closed, we have maintained our assumption that traffic improves to around 10–15% of pre-conflict levels by end of June. While official tracking data indicates that shipping traffic exiting the Strait at around 1% of pre-conflict levels as of 10th June, there are reports of vessels transiting without AIS transmission. This is not unusual, having been observed during the Houthi attacks in the Red Sea, where vessels turned off transponders to reduce exposure to risk, distorting measured shipping flows.

[Bloomberg](#) reports also point to increased flows, with Iraq and other Gulf producers offering crude from ports inside the Gulf, alongside ship-to-ship transfers. Taken together, this supports our assumption of a modest lift in volumes by end June. Nonetheless, we still expect flows will not return to normal until mid-2027. As previously highlighted, even if the Strait were to fully reopen tomorrow, a return to normal traffic flows would take time, reflecting vessel repositioning, contract realignment and elevated insurance costs.

Oil fields will also need to be restarted following weeks of shut-ins due to storage constraints. Only once storage becomes available can fields be brought back online. Even then, rebuilding pressure will take time. Any physical damage to refining, export and storage infrastructure will also need to be repaired before Gulf production can be fully restored.

Demand to pick up from recent lows

We expect demand to pick up over H2 from Q2's lows, particularly in China, even as some demand destruction is likely to prove permanent. This reflects evidence of consumers switching to hybrids and EVs, alongside efficiency gains as businesses adjust to higher prices.

At the same time, the conflict has highlighted the vulnerability of countries, particularly across Asia, and we continue to expect a policy-driven push to rebuild reserves from mid-2027.

Given these demand and supply dynamics, we expect inventory buffers to fall close to critical levels in the coming months. Global stocks, which started the year at elevated levels of around 8.2bn barrels, are now being drawn down rapidly.

The IEA estimates global inventories have already seen large declines in recent months, with further significant draws expected through Q2 and Q3. It will take time for these buffers to be rebuilt, which will keep prices above pre-conflict levels through to the end of 2027.

LNG gas prices still above pre-conflict levels

We have made only modest revisions to our Japanese LNG price projections, with recent gas price outcomes coming in broadly as expected. However, we have allowed for some recalibration reflecting our lower oil price forecasts.

Overall, with no viable route that bypasses the Strait, and with damage to Qatar's Ras Laffan LNG plant potentially taking up to five years to fully repair, prices are still expected to remain above pre-conflict levels through to the end of 2027. We expect prices to average around US\$13/mmbtu in Q4 2027, around US\$2 above pre-conflict levels.

Acute pressure on other prices remains

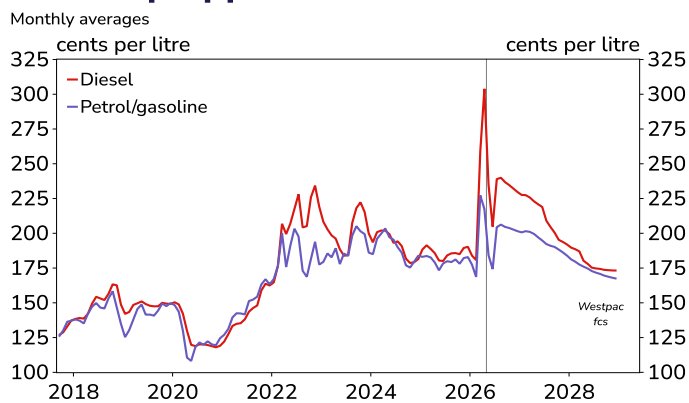
Demand and supply balances across refined products and energy-intensive goods such as fertilisers, chemicals, polymers and metals remain extremely tight, with global supply chain pressures rising.

Ongoing disruptions to Gulf crude supply, combined with Ukraine attacks on Russian refineries, will keep refined product inventories in Asia constrained. This is expected to see the spread between Brent crude and Singapore Gas10, the key benchmark for Australian petrol and diesel prices, remain wide at over US\$40/bbl.

Alongside the end of the fuel excise tax cut in July, we expect diesel and petrol prices to remain above pre-conflict levels, reaching around \$2.32/l and \$2.07/l by year-end.

Meanwhile, despite the modest downgrade to our oil price forecasts, we now see fertiliser prices not only peaking at higher levels but remaining elevated for longer, reflecting tight energy inputs and constrained production. The World Bank fertiliser index is expected to rise by around 35% this year.

Australian pump prices for auto fuel



Energy commodities soften on peace deal hopes ...

Luka Belobrajdic
Economist

May was a tale of two halves, with our broadest commodities index declining 0.8%*q* over the month. Energy commodities led the weakness, with expectations of an imminent agreement between the US and Iran capping gains. Brent crude eased 0.5%*q*, while Japanese LNG declined 1.4%*q* and Newcastle thermal coal fell 2.4%*q*. Gold also softened, down 2.5%*q* as markets priced in a higher global rate outlook. In contrast, bulk and base commodities were firmer, with iron ore rising 1.0%*q*, while aluminium and copper recorded gains of 2.2%*q* and 5.6%*q*, respectively. Reflecting market resilience, we have revised our crude oil forecasts lower, with a September quarter average Brent price of US\$87/*q*, 13% below our previous update.

Note all prices in the following text are quarter averages.

Oil prices fall, but volatility remains

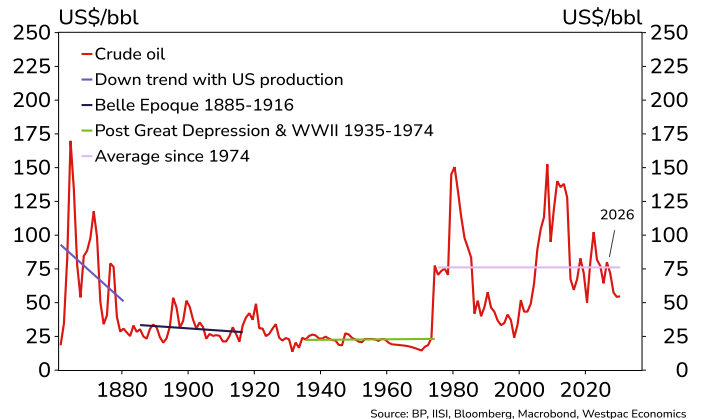
The Middle East conflict continues under a fragile ceasefire, with expectations of an imminent resolution capping further price gains. Brent eased below US\$100/*q* in the final week of May, having reached a local peak of US\$114/*q* earlier in the month. Dated Brent remains at a modest premium, although this has narrowed from earlier extremes. Our analysis continues to place greater weight on these physical prices, which reflect ongoing tightness in underlying market conditions. Supply remains constrained by production shut ins, infrastructure damage and persistent shipping dislocation, with many vessels avoiding the Strait of Hormuz. Cumulative supply losses from Gulf producers now exceed 1 billion barrels, with more than 14mb/*d* currently shut in. Partial relief has come from increased Atlantic basin supply, rerouting of Saudi and UAE exports, softer Chinese demand, and global inventory drawdowns totalling 117mb in April.

While inventories provide some buffer, they remain finite, implying ongoing competition for available barrels. We continue to expect shipping through the Strait of Hormuz to remain around 10% of pre conflict levels in June, normalising by mid 2027. We therefore expect Brent to average US\$87/*q* in Q3 2026, 13% below our previous update, although we expect prices to remain highly volatile over the quarter, driven by shifting headlines around the Middle East and tightening global inventories. Prices are forecast to ease further to an average of US\$85/*q* in Q4 2026 and moderate through 2028 as supply and shipping conditions normalise and demand adjusts.

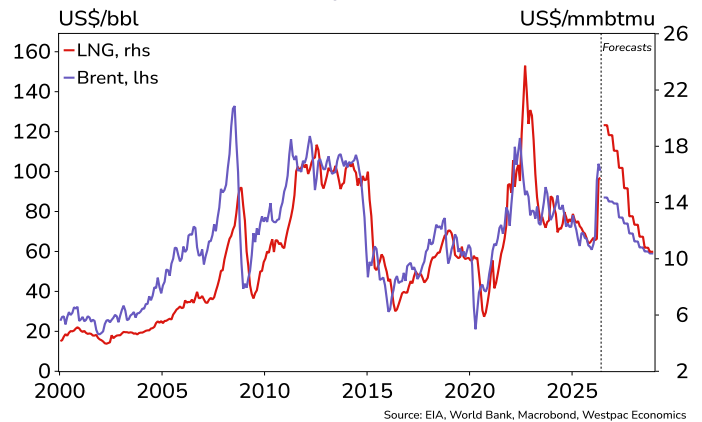
LNG markets remain tight

LNG markets remain acutely exposed to the conflict, with around 300mcm/*d* – approximately one fifth of global supply – disrupted from Qatar and the UAE. Ras Laffan in Qatar, the

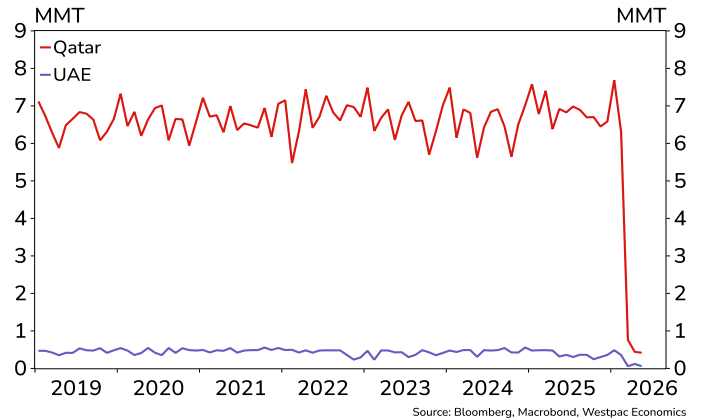
Crude oil in 2026 US dollars



Both crude and LNG hit by the closure of the Strait



Monthly LNG Exports



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.

... gold tumbles as global inflation expectations rise

world's largest LNG export complex, has remained offline since early March, with the IEA noting that repairs could take years, while storage levels were already depleted exiting the Northern Hemisphere heating season. Asia remains highly exposed, with 80–90% of LNG volumes transiting the Strait of Hormuz destined for the region. While prices remain elevated, gains have been tempered by ceasefire optimism and limited fuel switching across Japan and South Korea.

Reflecting these offsets, we have revised lower our expected peak in Japanese LNG prices to an average of US\$19.5/ mmbtu in the September quarter. Given infrastructure damage and limited alternative export capacity, LNG markets are expected to remain tight, with prices unlikely to return to pre conflict levels until 2028. Domestically, however, the Australian gas market remains relatively insulated. A domestic gas reservation scheme, requiring exporters to supply the equivalent of 20% of gas exports to the Australian market as announced in the FY2027 Federal Budget, alongside broader regulatory pressure, is expected to keep domestic prices contained.

Coal rises as Shanxi mine explosion tightens supply

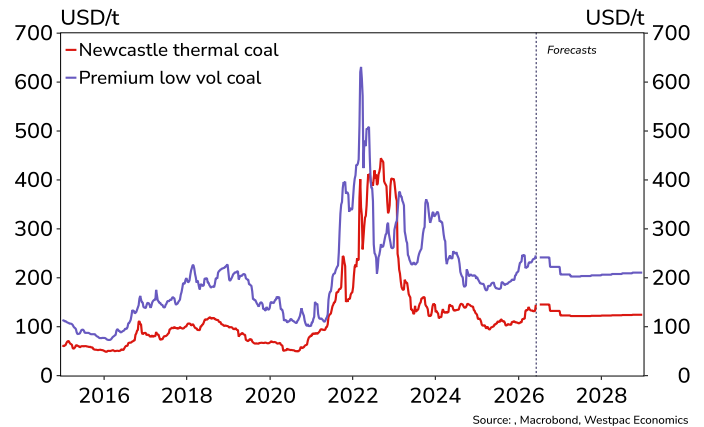
In coal markets, a major gas explosion at a coking coal mine in Shanxi province resulted in 82 fatalities, prompting widespread inspections and production suspensions across coal mining operations in China. This has supported coal prices, with gains extending into early June. Thermal coal continues to be supported by shifting energy policy dynamics, with countries prioritising energy security over emissions targets. Japan, South Korea and Taiwan have increased coal procurement as a hedge against LNG disruptions, while additional support stems from reduced Indonesian domestic supply and a forecast super El Niño event lifting cooling demand in the Northern Hemisphere. We expect Newcastle thermal coal prices to peak in the September quarter of 2026 at US\$145/t, before easing toward US\$120/t throughout 2027 as demand normalises.

Metallurgical coal prices are also expected to rise, supported by the Shanxi disruption and delays to Australian premium mid vol cargo deliveries between April and June, which have shifted the market from surplus to shortage. This tightness is unlikely to be fully offset by softer demand from Indian steelmakers, with prices expected to peak at US\$242/t in the September quarter of 2026 before moderating.

Gold struggles against rising yields

Gold has corrected sharply from its January highs, erasing most gains through 2026. This reflects the ongoing Middle East conflict, with markets increasingly focused on the inflationary implications of sustained higher oil prices and the likelihood that central banks will have to accelerate rate hiking cycles. As a non yielding asset, gold has faced a notable rotation as higher real yields have proven more attractive, with safe haven

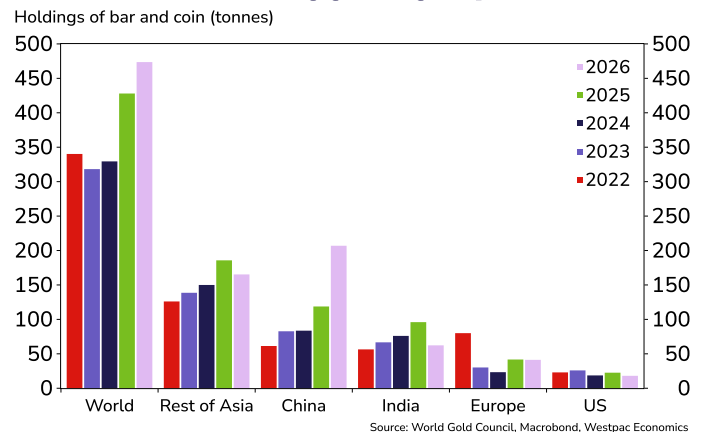
Australian coal prices



demand insufficient to offset this dynamic. Additional pressure from profit taking and some central bank selling has also weighed on prices.

As a result of recent dynamics, we have downgraded our outlook, with the September quarter average now expected at US\$4,600/oz. Some support is likely to emerge should progress toward resolution of the conflict materialise. A period of lower volatility and easing real yields would provide scope for prices to stabilise and encourage a gradual return of longer term investors. Further support may also arise around the US midterm elections, where safe haven demand could strengthen. We therefore expect modest gains through the remainder of 2026, followed by a period of consolidation in early 2027 as brownfield expansion in existing operations lifts supply in response to recent high prices. Over the longer term, structural support is expected to persist, driven by ongoing Asian demand and continued central bank purchases as a hedge against geopolitical and policy risks.

Asian demand is driving global gold prices



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

US dollar depreciation ...

Elliot Clarke
Head of International Economics

Over the past month, market participants have experienced persistant fear and uncertainty over how long the Middle East stand-off may last for. The past fortnight has also seen a number of kinetic actions, the most notable being missile barrages between Israel and Iran and US 'defensive' strikes on Iranian military installations in response to the downing of an Apache helicopter and a lack of progress in talks.

Still, the DXY index only briefly broke the 100 level, 1% percent higher than the top end of last month's tight range. The limited appreciation in the US dollar this month is also telling given it comes as expectations over the future of US AI industry and space exploration and associated capital inflows reached new heights. US inflation expectations have also firmed, leading to the pricing of one or more hikes by the FOMC over the coming year.

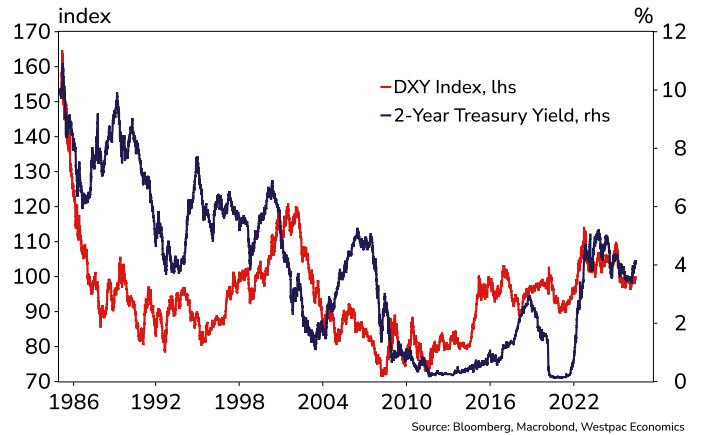
As discussed on [page 18](#), we believe the FOMC will instead choose to bide their time and await further information on the spectrum of risks the economy faces. Indeed, in our view, the most probable course for the Committee is an extended pause to end-2028. We note though that here we assume the long-end of the yield curve edges higher, mitigating inflationary risks and keeping expectations anchored.

Lingering uncertainty over inflation in other jurisdictions is expected to balance relative assessments of the interest rate outlook, giving little-to-no direct impetus for the US dollar over the forecast period. The growth outlook meanwhile should favour the world over the US, particularly Asia.

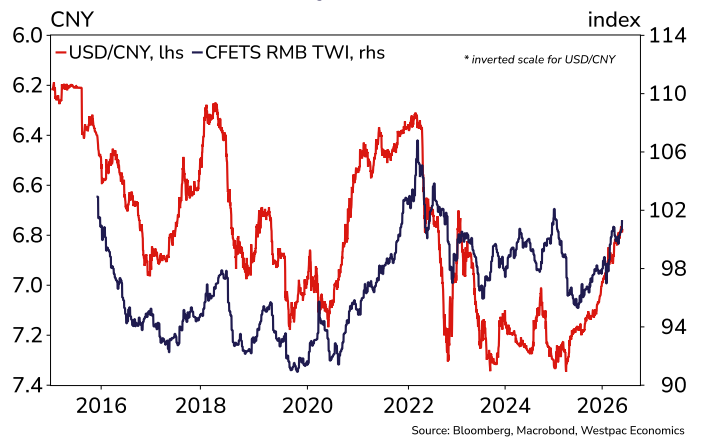
Hence, we continue to forecast a smooth downtrend in the US dollar over the next two years as concerns over the Middle East recede, US trade policy uncertainty generally remains a sideshow, and investors instead focus on burgeoning growth opportunities. The measured pace of the US dollar depreciation is intended to highlight that risks will remain two sided throughout, and investors' assumptions held lightly.

Overall, the DXY index is forecast to fall from 99.8 today to 97.7 by end-2026 and then 94.3 come end-2027, a level it is expected to remain near through 2028. Versus history, this level sits modestly above the 20-year average of the index, implying some downside risk for the currency (90.7). Although, given the positive atmospherics around US technology and lingering spectre of geopolitical risk, to breach that level would arguably require the crystalising of downside risks for the US as the rest of world outperforms. Such an outturn is certainly possible, but definitely not probable based on the information to hand.

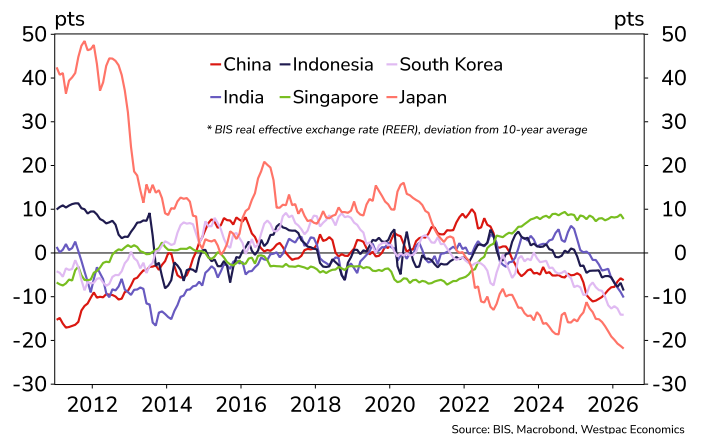
USD demand limited



Renminbi to sustain rally



Asia's outlook still promising



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.

... remains likely, in fits and starts

By currency, driving the US dollar downtrend in the near term are gains for euro and sterling, followed by a partial recovery in yen and Canada's dollar.

Taking each bilateral in turn. Euro is forecast to appreciate from USD1.16 today to USD1.18 at end-2026 then USD1.22 by end-2027. Sterling should follow suit, rising from USD1.34 today to USD1.36 at year's end then USD1.40 in 18 months time. Of late, data in both jurisdictions have soured somewhat, but we expect a turn soon, as energy price risks recede and with financial conditions expansionary. In both Europe and the UK, there is need for business and public investment, and pent-up discretionary demand exists amongst consumers. The euro area has a materially higher chance of an upturn in momentum sustaining into the medium-term.

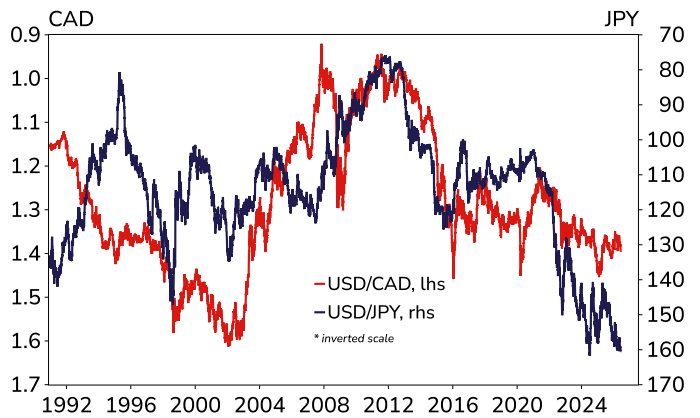
Canada is similarly positioned to the euro area, albeit with the benefit of being an energy exporter but facing greater risk vis a vis US trade policy. USD/CAD is first expected to decline from CAD1.40 to CAD1.36 at end-2026, then to CAD1.33 by end-2027.

Japan's yen is likely to take a similar path, although its extraordinarily weak starting point offers the potential for outsized gains if conditions are right. We suspect this will not end up being the case, and so have largely held the yen to appreciate in line with the DXY index trend through 2026 and 2027, USD/JPY falling from JPY160 currently to JPY156 at year's end then JPY148 by the close of 2027. At that point, USD/JPY will still be 36% above the average of 2019, leaving in place the prospect of further yen appreciation into the medium term.

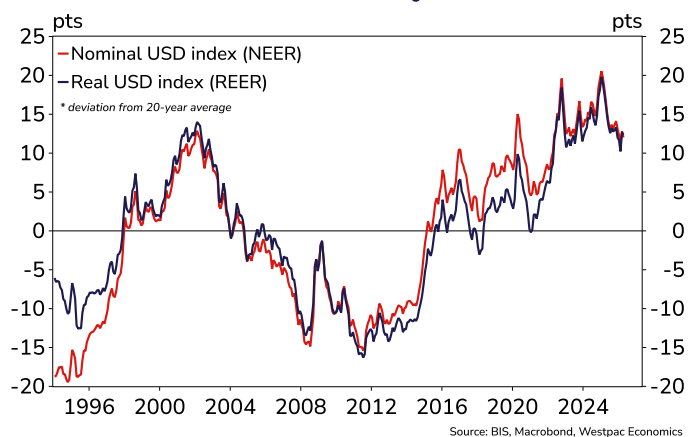
China's renminbi is more likely to find fertile conditions for appreciation in the medium to long-term than the yen. This is despite the lows of the past decade being in sight by the end of the forecast period, with USD/CNY to decline from CNY6.77 today to CNY6.30 at end-2028.

The circumstances being experienced by China's economy currently – strength in net exports and weakness in domestic demand – is supportive of continued appreciation, particularly if authorities look to encourage the use of the renminbi in trade over the US dollar and capital outflows are largely restricted to investments by Chinese corporates in neighbouring nations, with profits repatriated. The pace of appreciation is likely to remain slow, however, to give time for exporters to find efficiency and productivity improvements to mitigate any loss of competitiveness, and to also temper the currency effect via Asia-wide appreciation versus the US dollar and other major developed currencies.

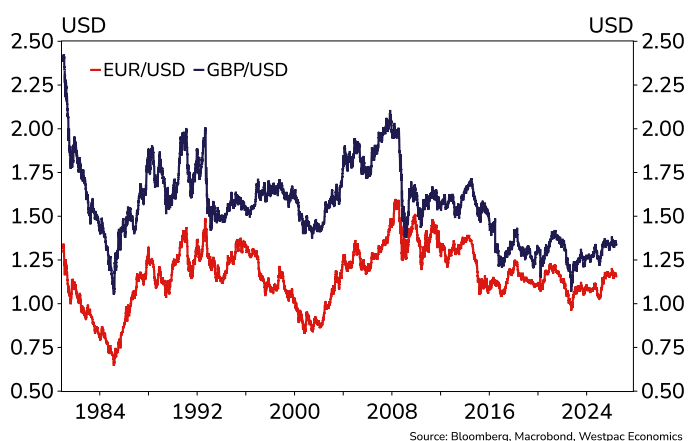
JPY aided by authorities



USD still elevated versus history



Euro and UK risks to recede



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.

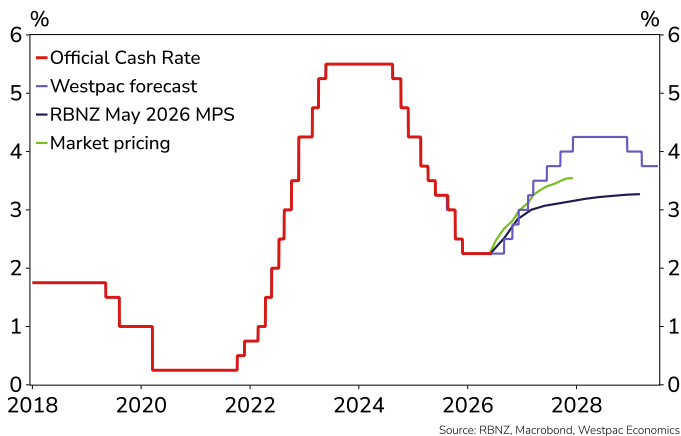
The RBNZ is edging towards a tightening cycle ...

Kelly Eckhold
Chief Economist NZ

The Reserve Bank delivered a hawkish hold at their May meeting, reflecting a much stronger inflation outlook that lifted their expected trajectory for the OCR. There are clear signs of division among the MPC, with the external members calling for a hike while internal members are searching for more tangible evidence of rising and durable core inflation pressures. OCR rises look likely before the end of 2026 as we expect, but the starting date remains up for debate. The exchange rate will remain weak until the RBNZ shows intent to move interest rates much closer to 4% than currently seems the case.

The RBNZ surprised markets by delivering a much more hawkish message in its May Monetary Policy Statement than markets anticipated. While the OCR was left unchanged as widely expected, the decision was a close-run affair as all three external MPC members broke from the view of the internal members and voted for an OCR hike in May. It took the casting vote of the RBNZ Governor to break the deadlock. Hence it really was closer to a 50:50 chance of the OCR being raised even though markets were only pricing a 10-15% chance. The RBNZ also brought forward their OCR forecast profile to reflect a strong likelihood of three OCR increases by year-end and a solid chance of an increase at the next meeting in July. The RBNZ's estimate of the terminal OCR increased from 3.0% to around 3.3%.

RBNZ Official Cash Rate

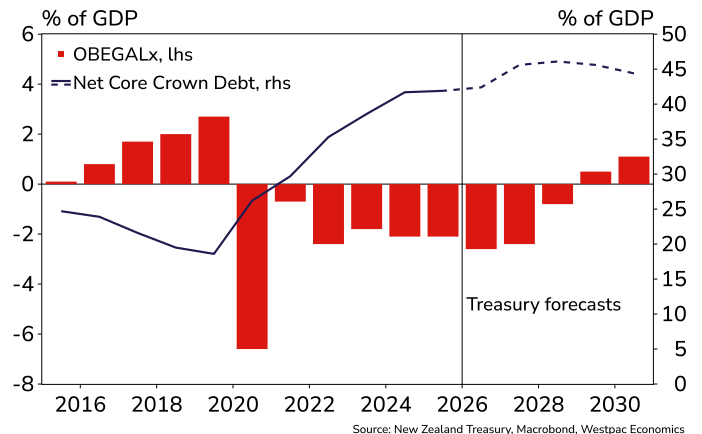


Market participants have quickly moved to shore up their views that the OCR will be increased in July and that it will end 2026 at 3%. Comments from the RBNZ suggesting a consensus around the need to lift the OCR support that perspective, even though there are differences within the MPC around exactly when to start the interest rate normalisation process.

Economic data released in the last month has confirmed that the economy is adjusting to the large cost shock implied by the Iran conflict. Oil and refined fuels prices have declined over the last month as the sometimes-shaky ceasefire has generally held, and negotiations have progressed (while being similarly shaky). These less destructive trends in markets have seen domestic fuel prices fall and helped lift consumer and business sentiment somewhat. However, it remains the case that growth in the second quarter of 2026 looks very flat compared to a still generally robust March quarter. Both the RBNZ's and our GDP Nowcasts suggest flat growth in the June quarter after accounting for residual seasonal variation. Inflation pressures continue to look quite strong, although it remains unclear about the extent of second-round price pressures, wage pressures and increases in long-term inflation expectations.

Budget 2026 saw the Government pull a couple of rabbits out of the hat that enabled the forecasts to show an earlier return to surplus (now seen as possible in 2028/29) and a reduced borrowing requirement (\$6bn lower over the forecast horizon compared to that indicated in the HYEYFU). Two factors contributed to this outcome: firstly, the Government anticipates a quick end to Middle Eastern hostilities and hence better than feared growth and inflation outcomes; and secondly, the medium-term trends for the terms of trade were seen as favourable, driven by strong export prices and well contained import prices. Hence the path of nominal GDP growth and the forecast tax take proved resilient compared to expectations, delivering the better forecast fiscal bottom line.

Budget 2026 forecasts



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.

... but maybe not in July as widely anticipated

The bond market and credit rating agencies generally cheered the prospect of less bond issuance and a lower profile for Net Crown debt. Certainly, it now seems a reasonable prospect that the looming credit rating downgrade that had been threatened by agencies may now be forestalled for another year – although the outcome of the election and the future direction of fiscal policy will be the final arbiter here.

Looking forward, the direction for interest rates and the exchange rate will be dominated by the path the RBNZ takes from here. OCR hikes are coming; the question really is when not if. As noted earlier, markets are supremely confident that the MPC will coalesce around a 25bp hike to 2.5% at the July review, followed up by two further hikes by end 2026. We are less confident than markets on when the RBNZ will begin to hike and remain of the view that a September start is more likely than July. The issue for us is: what evidence will become available by July to bring the reticent internal MPC members over to the other side of the table? It seems clear enough that those voting for a hike in May will continue to vote for a hike in July. But the non-hikers contend they are looking for evidence of increasing core inflation, wages and long-term inflation expectations. There are few sources of that evidence that will be available by July. And indeed, it may well be that the strongest evidence for persistent inflation pressures will be the progress of the war and peace negotiations by the July meeting. If energy prices fall noticeably then tightening may be delayed, and if they rise a lot then the case for further delay may become untenable.

The stronger evidence will come after the July meeting when the June quarter CPI with its wealth of core inflation indicators will be released, along with August's labour market reports on wage trends and the RBNZ's long-term inflation expectations surveys. If tangible evidence is required then late July and August will be when it is in hand. And we are conscious that the reference to tightening "in future meetings" can as easily refer to a July as to a September start. Hence that is where we are placing our chips for now.

The fortunes of the exchange rate will also be inextricably linked to the stance the RBNZ takes. The New Zealand dollar rose in the wake of the RBNZ's hawkish hold but has subsequently fallen back as markets have priced out some of the OCR rises expected for 2027 especially. We think the NZD/USD will continue to move inversely to the USD and will ultimately rise as the USD falls. However, it likely won't be until the RBNZ resolves to commit to returning the OCR much closer to the 3.5-4.5% range seen in peer markets such as Australia and the US before a broader lift in the exchange rate can occur. While the RBNZ remains tentative about their tightening cycle, prospects for a substantive broad appreciation seem modest, and the risks of further depreciation can't be ruled out.

Monthly data	2025					2026						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
REINZ house sales %mth	-4.0	2.5	-2.8	-1.7	6.3	0.4	0.9	-5.2	4.4	-3.1	-2.7	-
Residential building consents %mth	-5.5	5.4	6.4	7.6	-0.6	3.1	-4.3	2.4	2.8	-0.8	10.9	-
Electronic card transactions %mth	0.4	0.2	0.6	-0.4	0.3	1.2	-0.2	-1.1	1.4	0.7	-1.3	-
Private sector credit %yr	3.2	3.5	3.8	4.2	4.6	4.4	4.6	4.6	4.7	4.9	4.7	-
Commodity prices %mth	-2.4	-1.8	0.7	-1.1	-0.3	-1.6	-2.1	2.0	4.2	4.2	-0.8	0.7
Trade balance \$mn	-554	-394	-125	256	-249	-338	-154	-266	-788	-294	411	-

Quarterly data	Q4:23	Q1:24	Q2:24	Q3:24	Q4:24	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26
	Westpac McDermott Miller Consumer Confidence	88.9	93.2	82.2	90.8	97.5	89.2	91.2	90.9	96.5
Quarterly Survey of Business Opinion	9	-27	-25	-29	-27	-22	-21	-15	-3	0
Unemployment rate %	4.0	4.4	4.7	4.9	5.1	5.1	5.2	5.3	5.4	5.3
CPI %yr	4.7	4.0	3.3	2.2	2.2	2.5	2.7	3.0	3.1	3.1
Real GDP %yr	2.2	1.8	1.1	0.5	-0.3	-0.9	-1.1	-0.6	0.2	-
Current account balance % of GDP	-6.3	-5.7	-5.5	-5.2	-4.7	-4.2	-3.7	-3.5	-3.7	-

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

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.

Stimulus remains necessary ...

Elliot Clarke

Head of International Economics

China's economy has remained out of the spotlight of late, with the Presidential Summit in the rear-view mirror and available data offering little new signal on the economic and financial market outlook. At mid-year, China continues to achieve broad success with exports while domestic consumer-centric sectors languish. There is clearly a need for active stimulus, yet authorities continue to hold back.

Having narrowed sharply in March to USD51bn, China's trade surplus snapped back to USD85bn in April and US105bn in May. The average for the year-to-date is now USD91bn, inside of 2025's USD99bn, but still almost triple 2019's USD35bn – prior to the pandemic.

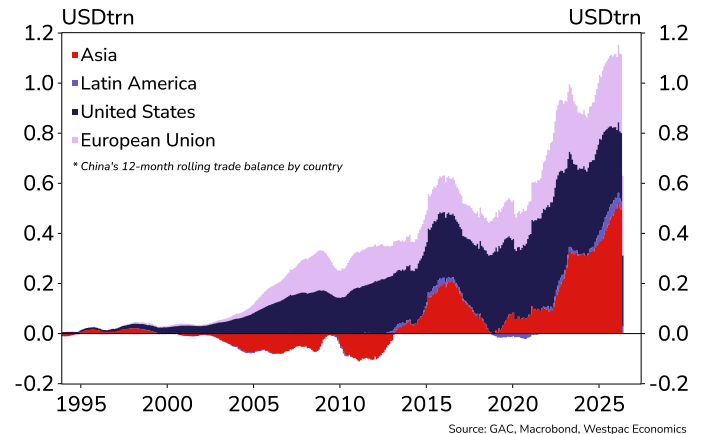
As we often highlight, China not only has the know-how to develop goods in high demand across the world, but also the capacity to scale production. May's 19% annual growth in exports is arguably outsized, but high single-digit gains are possible, if not probable, on average in coming years. Importantly, Chinese production is also increasingly satiating domestic demand, restricting annual growth in manufactured imports, and widening the surplus year-on-year.

In contrast to the rest of the world, the consumer inflation consequence of the Middle East conflict has been limited for China, and is likely to remain that way given authorities' control over the domestic production base and available capacity. In May, annual headline CPI inflation held steady at 1.2%yr even as producer prices jolted up to 3.9%yr from 0.5%yr in March. Limiting cost increases for consumers aids discretionary spending capacity and will also allow authorities to keep financial conditions loose.

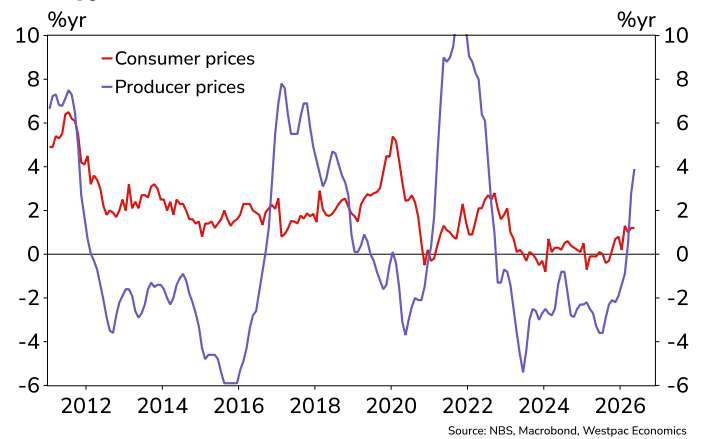
This approach is only if beneficial if confidence also supports greater domestic spending, however. Currently, it does not. Highlighting this impediment, annual retail sales growth was just 0.2%yr in April, the weakest result since the aftermath of the pandemic. New home prices also continued to fall, and the year-to-date decline in property investment remained in double digits.

Total fixed asset investment also surprised to the downside in the month, year-to-date growth contracting 1.6%. A loss of momentum in utilities and transport and mixed fortunes across the manufacturing sub-sectors allowed the headline contraction to occur, though it was education and health, along with property, that drove the decline. The broadening weakness across fixed asset investment is not only a material concern for the current outlook but also the long-run, as limits on capacity could deter the next wave of research & development, curtailing opportunities for productivity and efficiency gains. These are the very forces that have led to China's recent trade success, ▶

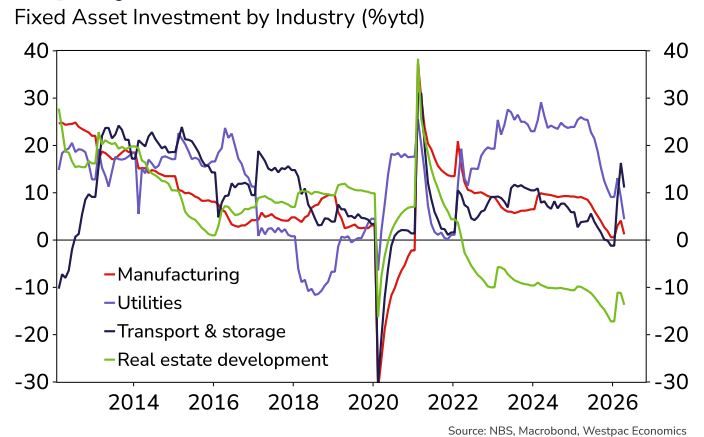
Trade surplus riding high



Energy price shock limited for consumers



Property remains in a terrible state



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.

... but absent

and also offer the foundation for a re-rating of Chinese equities and consequently household wealth.

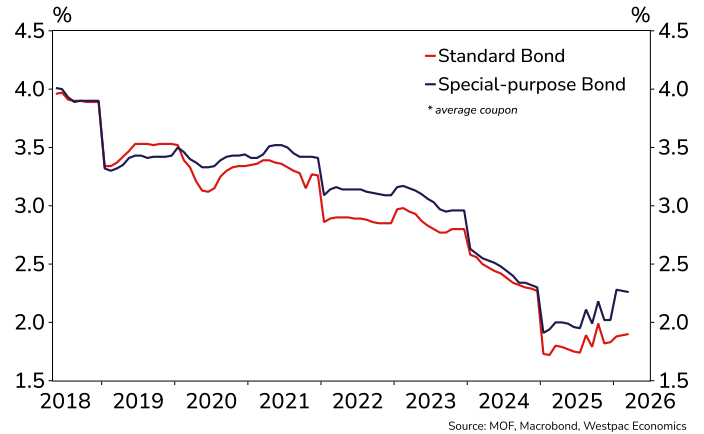
Chinese authorities must heal confidence, encourage discretionary spending and domestic investment and sustainably build wealth if the national income earned through trade is to permeate through the economy and benefit all – including the government’s revenue base. Promoting this circularity also offers China an opportunity to build out and diversify its financial system, with the potential added benefit of further strengthening their capacity and growth potential by enticing capital inflows on a net basis.

If authorities miss this opportunity to reset confidence and build out China’s financial infrastructure, the marginal benefits of trade will dwindle and the economy risks losing out to foreign investment, as Japan and South Korea have experienced before.

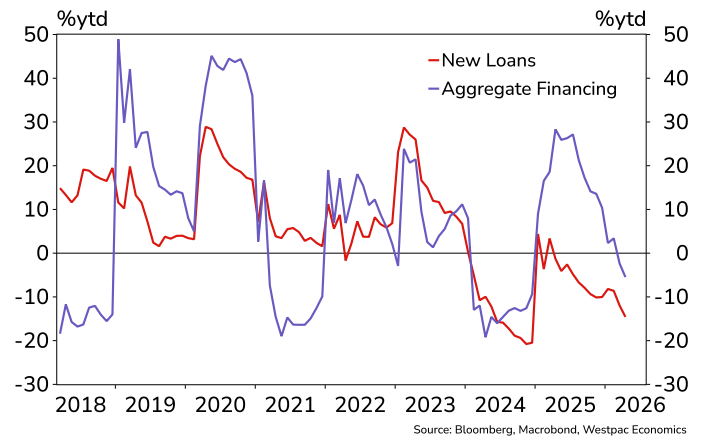
Countries such as Vietnam and Indonesia not only stand ready to absorb investment by Chinese businesses looking to improve their cost base and expand into new markets, but also through financial flows from the West. China cannot be dis-intermediated in large scale but, at the margin, can lose out.

While believing strongly in the short and medium-term trade outlook for China, we increasingly find ourselves concerned over the potential downside risks to the growth outlook, with a slide to a circa 4.0% pace instead of the 4.5%+ growth currently forecast a distinct possibility if authorities fail to act swiftly. This momentum would be extremely difficult to recover if lost, particularly as it would further entrench weak consumer and business sentiment.

Cost of funds attractive ...



... for a turn in credit



	2025					2026						
Monthly data %yr	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Headline CPI %yr	0.1	0.0	-0.4	-0.3	0.2	0.7	0.8	0.2	1.3	1.0	1.2	1.2
M2 money supply %yr	8.3	8.8	8.8	8.4	8.2	8.0	8.5	9.0	9.0	8.5	8.6	-
Manufacturing PMI (official)	49.7	49.3	49.4	49.8	49.0	49.2	50.1	49.3	49.0	50.4	50.3	50.0
Fixed asset investment ytd %yr	2.8	1.6	0.5	-0.5	-1.7	-2.6	-3.8	-3.8	1.8	1.7	-1.6	-
Industrial production %yr	6.8	5.7	5.2	6.5	4.9	4.8	5.2	5.2	6.3	5.7	4.1	-
Exports %yr	5.7	7.0	4.2	8.2	-1.3	5.8	6.5	10.0	39.6	2.5	14.1	19.4
Imports %yr	1.3	4.2	1.6	8.0	1.6	2.4	5.9	26.0	14.0	28.1	25.3	27.5
Trade balance USDbn	113.8	97.4	101.1	88.9	88.3	110.4	113.2	121.8	90.5	50.6	84.8	105.4
Quarterly data	Dec-24		Mar-25		Jun-25		Sep-25		Dec-25		Mar-26	
Real GDP %yr	5.4		5.4		5.2		4.8		4.5		5.0	
Nominal GDP %yr	4.6		4.6		3.9		3.7		3.9		4.9	

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

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.

Inflation warrants ...

Elliot Clarke
Head of International Economics

The narrative surrounding the US economy has shifted over the past month, with inflation once again taking centre stage as the key risk following several months of acute concern over the labour market. This reversion has occurred owing to labour market resilience instead of definitive upside price threats. Markets now expect one or more rate hikes within 12 months. In our view though, the data suggests a steady hand remains the best course of action for the FOMC.

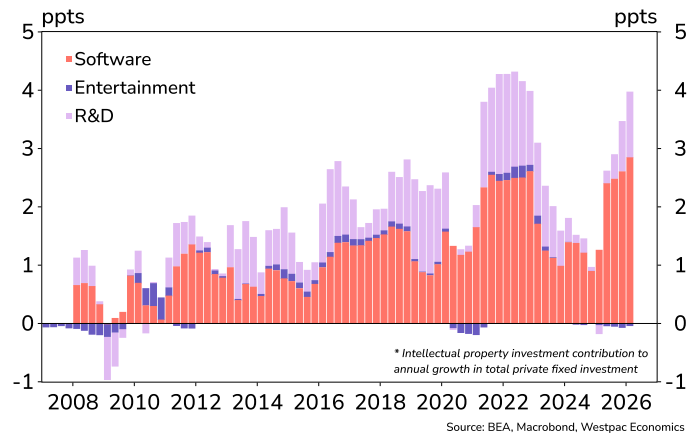
US nonfarm payrolls surprised materially to the upside in May, gaining 172k against a circa 90k expectation. The prior two months were also revised up by 93k, leaving the 3-month average at 188k compared to April's initial estimate of 48k. The unemployment rate and participation rate were unchanged in the month, however, at 4.3% and 61.8% respectively. While the household survey recorded a 149k employment gain in May, this followed the loss of 475k jobs over February to April. Looking through the nonfarm payrolls industry detail, there is evidence of lasting support from AI-related construction, but also potentially a temporary lift from the World Cup, which is about to begin.

Qualitative measures of the labour market sit between the establishment and household survey results. In June, the ISM manufacturing and service PMI employment indexes were sub-par and little changed. The latest Beige Book from the Federal Reserve also pointed to "little to no change [in employment] across eleven [of twelve] Districts". "Wage growth generally remained modest to moderate and largely in line with inflation". The May update for average hourly earnings augers with this view, up 0.3% and 3.4%yr.

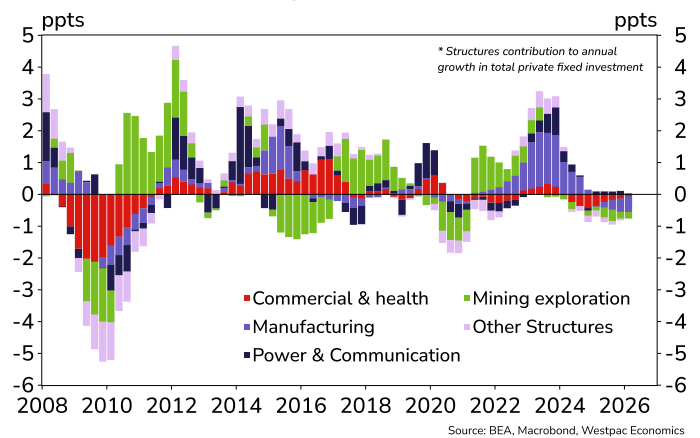
A stable to growing level of employment precludes the FOMC from being actively concerned over downside risks for activity, particularly while household wealth continues to grow. But equally there is no concrete evidence of price risks that need to be defended against either.

Underlying the current above-target annual rate for headline inflation of 4.2%yr is a near 20% cumulative gain for energy prices through March, April and May. While additional pressure will likely come, core inflation has remained benign to date. Had it not been for a catch-up adjustment to shelter in April following sampling issues post 2025's government shutdown, the core result of 0.4% would have been close to March's 0.2% which, on an annualised basis, is within 0.5ppts of the medium-term 2.0% target. Core inflation also printed at 0.2% in March and May. Margin compression looks to be a choice at present to guard against a loss of demand amongst consumers and other businesses. From the Beige Book, "Non-labor input costs continued to rise faster than selling prices".

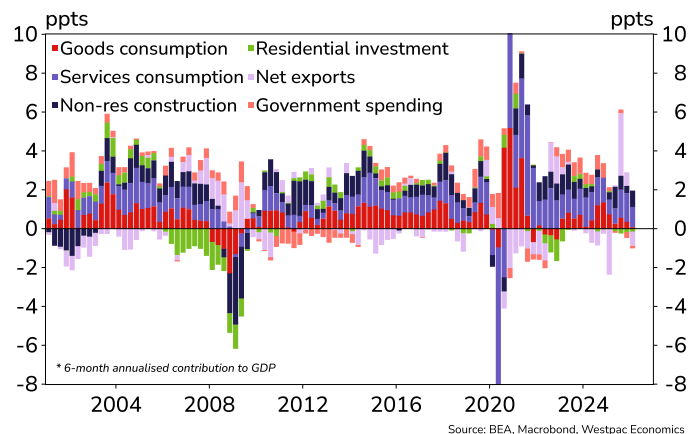
Tech driving US growth



Other US firms holding back



Consumer demand brittle



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.

... monitoring not alarm

Market participants are also in awe of the incredible strength of AI infrastructure investment and the anticipated future profit boom. But these gains are only being captured by a minority of households – and the returns cashed in by fewer still.

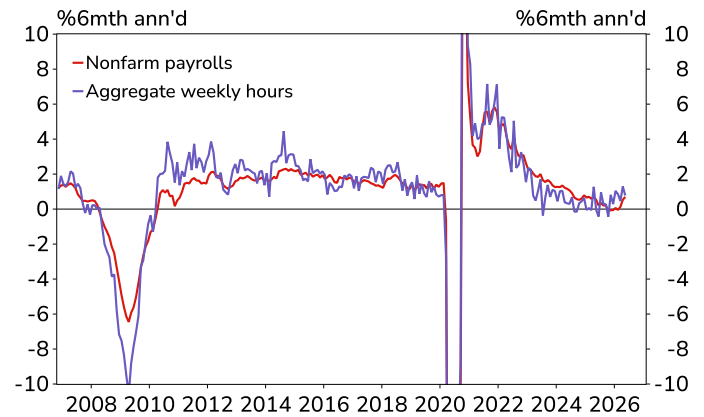
Household consumption instead remains dependent on aggregate income gains which, at best, are keeping pace with inflation, and narrowing increases in housing wealth. On the latter, under the weight of historically high mortgage rates, 20-city S&P/Cotality Case–Shiller house prices declined for a second consecutive month in March, having previously been little changed over the year to January.

It is little wonder then that real household consumption growth was almost a full percentage point below trend in Q1 2026 and, in April, began Q2 at an even weaker 1.2% annualised pace. The persistent weakness in University of Michigan consumer sentiment indicates the trend in household demand is likely to remain soft through Q2 and Q3.

Given these circumstances, there is little–to–no reason for acute concern over consumer inflation. All the more so given the high and rising market yields evident in the US – with flow–on consequences for mortgage rates and small/medium–sized business borrowing costs. If these yields remain where they are, or rise further, as fiscal uncertainty and inflation risks persist, the inflation pulse will slowly decelerate back towards target. It may not get back to 2.0%yr precisely, but such an outturn is likely to prove good enough through the final years of President Trump’s second term.

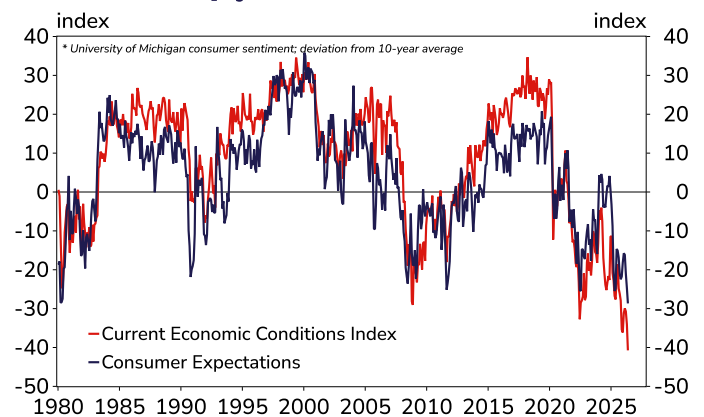
In closing, it is important to recognise long–term yields are unlikely to give back the increases made so far this year until there is a significant fiscal adjustment, or US economic growth falls materially below trend and is expected to remain there. Neither possibility seems likely in the foreseeable future.

Labour market resilient, not strong



Source: BLS, Macrobond, Westpac Economics

Consumers deeply concerned



Source: University of Michigan, Macrobond, Westpac Economics

Monthly data	2025						2026					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
PCE deflator %yr	2.6	2.6	2.7	2.8	2.7	2.8	2.9	2.9	2.9	3.5	3.8	–
Unemployment rate %	4.1	4.3	4.3	4.4	4.4	4.5	4.4	4.3	4.4	4.3	4.3	4.3
Nonfarm payrolls chg '000	–20	64	–70	76	–140	41	–17	160	–156	214	179	172
House prices* %yr	2.1	1.8	1.6	1.4	1.4	1.5	1.5	1.2	0.9	0.8	–	–
Durables orders core 3mth %saar	–0.9	8.4	4.0	10.9	9.8	9.8	8.9	5.5	8.5	22.0	18.9	–
ISM manufacturing composite	49.0	48.4	48.9	48.9	48.8	48.0	47.9	52.6	52.4	52.7	52.7	54.0
ISM non–manufacturing composite	50.8	50.5	51.9	50.4	52.0	52.4	53.8	53.8	56.1	54.0	53.6	54.5
Personal spending 3mth %saar	3.6	5.1	7.3	6.6	5.5	4.5	4.7	4.2	5.7	8.1	9.0	–
UoM Consumer Sentiment	60.7	61.7	58.2	55.1	53.6	51.0	52.9	56.4	56.6	53.3	49.8	44.8
Trade balance USDbn	–58.7	–75.1	–59.6	–59.4	–37.4	–63.9	–76.1	–54.2	–55.0	–56.6	–55.9	–

Quarterly data	2025			2026		
	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26(f)
Real GDP % saar	–0.6	3.8	4.4	0.5	1.6	2.8
Current account USDbn	–438.3	–247.8	–239.1	–190.7	–	–

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

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.

Structural forces are weighing on Asian currencies ...

Illiana Jain
Economist

Across Asia, strong domestic growth narratives and resilient equity markets are increasingly failing to translate into currency strength. A common thread is emerging – structural pressures on external balances are dominating the FX outlook. Whether because of high import demand for production and/or consumption or rising outbound investment, many Asian economies are experiencing persistent current account weakness. The result is a growing decoupling between domestic economic performance and currency outcomes.

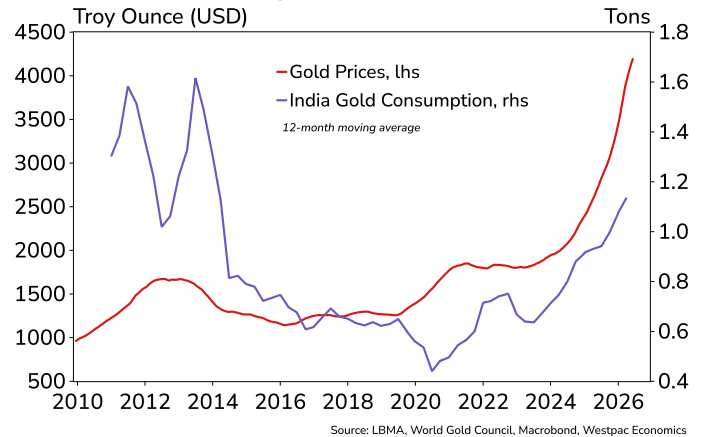
These dynamics are already evident in commodity markets. In India and Malaysia, policymakers have taken steps to curb gold imports. Gold imports account for a meaningful share of the current account in both economies, leaving currencies exposed during periods of strong demand. While not fully responsible, gold prices have fallen around 7% since these policies were put into place. Import controls serve multiple purposes. In some instances, not only do they reduce pressure on the external balance, they also support fiscal positions at a time when governments are contending with elevated subsidy costs, particularly for energy or food.

India's external position also illustrates the tension between rapid economic development and currency vulnerability. Structurally, India's export base has shifted towards services, with telecommunications and IT-enabled sectors forming a key pillar of the current account. The INR5.3trn surplus in services largely offsets the INR8.4trn goods deficit. Developed-world offshoring trends have supported this transition in recent decades as firms shifted operations to lower-cost centres such as India and the Philippines.

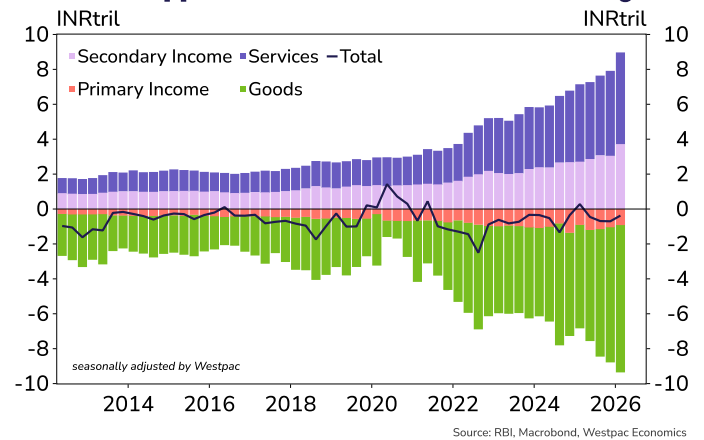
The rise of AI complicates the outlook. In the near term, automation risks displacing some of the lower-value roles that have historically underpinned services exports, posing a potential drag on the current account. But, over a longer horizon, the same forces could expand the scope for remote work and digital service delivery. India is well placed to support the world's need for such services through its young and adaptable population – India has a median age of 29 while Australia's is 39.

Yet these long-term structural positives sit alongside a more persistent constraint. India's development model remains highly import-intensive. Energy imports, particularly oil, account for a significant share of total imports, while capital goods imports are in strong demand to build out capacity. As a result, periods of strong domestic demand are often accompanied by widening current account deficits, exacerbating external pressure on the currency. This dynamic

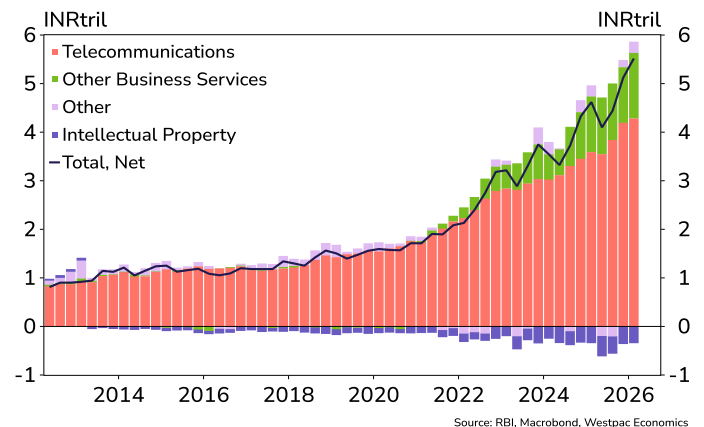
Import controls likely to curb gold prices



Services support current account, for how long?



Telecom is the backbone of India's services sector



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.

... even as the growth outlook looks promising

is unlikely to fade, even in the long run. India's reliance on imported energy is entrenched, and it is unlikely that India will increase its domestic production of high-tech manufacturing to the degree of its northeast Asian peers. As such, significant downward pressure will remain on the rupee, limiting its recovery as the US dollar trends lower.

A similar decoupling is visible in South Korea, where currency performance has diverged from equity market strength. While the KOSPI has risen 103% since January 2025, the won has depreciated by 5.5% against the greenback, reflecting a shift in capital flow dynamics. Retail investors are increasingly allocating capital offshore, often on an unhedged basis, driven by both expectations of currency weakness and concerns around concentration risk in the domestic equity market given the KOSPI remains heavily skewed towards a small number of large firms. At the same time, Korean corporates have become more outward-looking with firms are now more inclined to invest abroad.

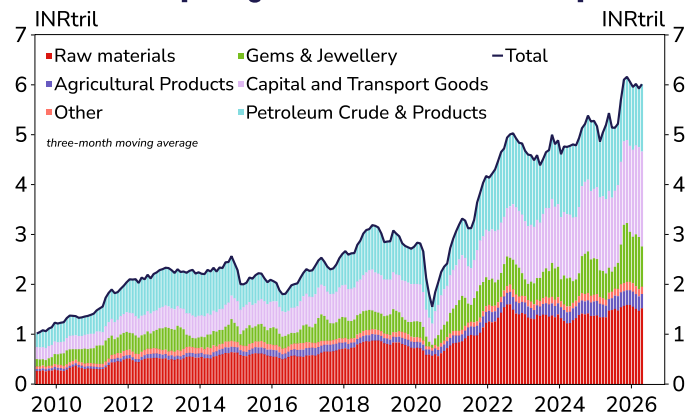
As a result, the historical relationship between equity performance and the won has deteriorated. External factors have reinforced this shift, particularly geopolitical uncertainty which has contributed to a general increase in portfolio flow volatility across Asia. Also of note, the inflows that have occurred have increasingly been hedged, limiting their positive currency impact.

Japan represents a more entrenched version of this theme. Persistent outward investment has long been a feature of Japan's external position, exerting sustained downward pressure on the yen. While there are pockets of support, these remain marginal. The post-pandemic rebound in inbound tourism has delivered a meaningful boost to the services balance in recent years. This development has only provided minor intermittent support to the currency, such is the scale of industrial activity and investment. Looking to the medium term, Japan's ageing population is set to constrain labour supply, particularly in sectors such as hospitality. In many cases, businesses already face capacity constraints. While automation and robotics offer potential relief, these solutions are not yet scalable at the pace required.

Policy settings and social context may further limit potential upside for the region's currencies. In Japan in particular, the surge in tourism has not been met favourably by all locals, and immigration settings continue to constrain labour supply. Tourism can therefore provide support at the margin, but it is unlikely to offset the broader structural forces driving yen weakness.

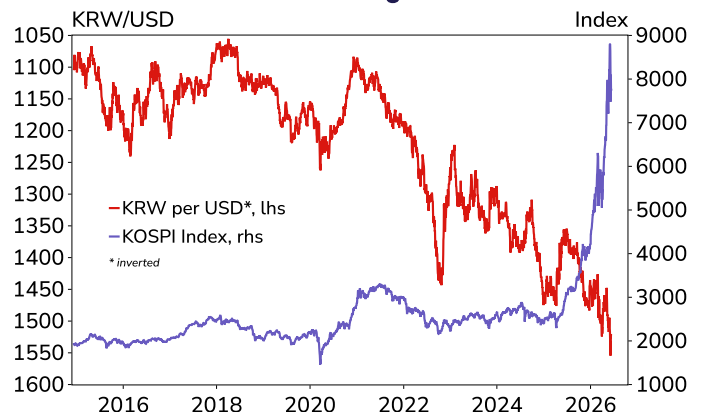
The common thread across Asia is therefore that currencies are no longer being primarily driven by domestic growth outcomes, with the structure of external balances and recurring capital flows also a material, and at times dominating, influence. In India, strong growth continues

Petrol and capital goods dominate Indian imports



Source: MoC&I, Macrobond, Westpac Economics

KOSPI and won don't move together



Source: Macrobond, KRX, Macrobond, Westpac Economics

to pull in goods imports faster than services exports can offset. In Korea, outbound investment and hedged inflows are weakening the traditional link between equities and the currency. Meanwhile in Japan, entrenched investment trends continue to dominate cyclical improvements in the services balance. These are forces authorities will struggle to rein in with cyclical policies such as import controls.

Absent structural change, currency weakness is likely to persist across much of the region despite solid growth and resilient domestic fundamentals. For investors, this reinforces the need to look beyond headline economic outcomes and focus intently on the underlying capital and trade flow dynamics.

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.

Growth is slowing ...

Mantas Vanagas
Senior Economist

The unexpected downward revision to Q1 euro area GDP last week has raised concerns that the economy may be moving towards a technical recession. Even before the full effects of the global energy price shock have passed through the economy, headline growth declined to -0.2% qtr – the weakest outcome since the peak of the pandemic in 2020. On a year-ended basis, growth slowed to 0.3% yr, down from a peak of 1.7% yr in early 2025.

However, the detail suggests the underlying picture may be less concerning. The revision was almost entirely driven by a 12.1% qtr decline in Ireland's GDP, subtracting around 0.5ppts from overall euro area growth. Irish activity data are known to be volatile, reflecting the operations of multinational firms that service the broader European market from Ireland. In this instance, the movement appears to reflect pharmaceutical exports to the US, which rose sharply ahead of the increase in US import tariffs, and are now unwinding. The Irish statistics authority indicates that output associated with multinational corporations contracted by more than 27% in Q1, while domestic sectors expanded by 0.4% qtr.

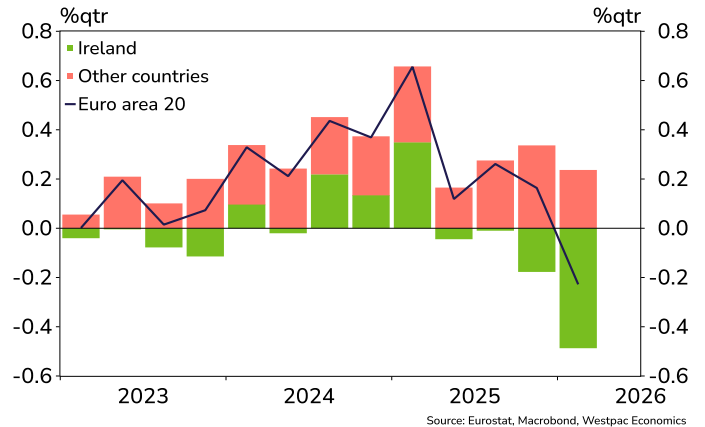
Excluding Ireland, euro area GDP increased by 0.2% qtr in Q1. This is only slightly below the 0.3% qtr pace recorded in the previous two quarters and is broadly consistent with potential growth of around 1.0% yr.

Across the major member states, Germany and Italy recorded growth of 0.3% qtr, which is comparatively firm relative to recent norms. Germany achieved this despite a further decline in industrial production of 0.6% qtr in Q1. In Italy, growth was supported in part by spending by foreign visitors during the Winter Olympics. Spain continued to outperform, with GDP rising by 0.6% qtr – a solid pace, though slightly below the 0.8% qtr average of recent years. Spain is also benefiting from relatively strong population growth of around 1% yr, compared with around 1.5% yr in Australia and close to zero in other large European economies.

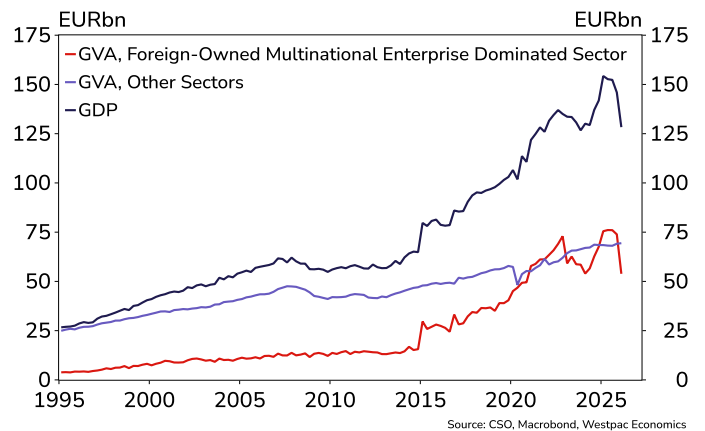
Turning to Q2, business surveys point to a clear loss of momentum. The composite euro area PMI moved into contractionary territory in April and May, and so far is consistent with a further decline of around 0.2% qtr in activity. However, surveys can overstate weakness around turning points and, as such, we expect euro area GDP to move broadly sideways over the quarter.

While slowing growth momentum is clearly a major concern for policymakers in the euro area, inflation pressures still appear to be the primary focus. This was evident in yesterday's ECB policy announcement, which was in line with both our expectations and market pricing, the Governing Council

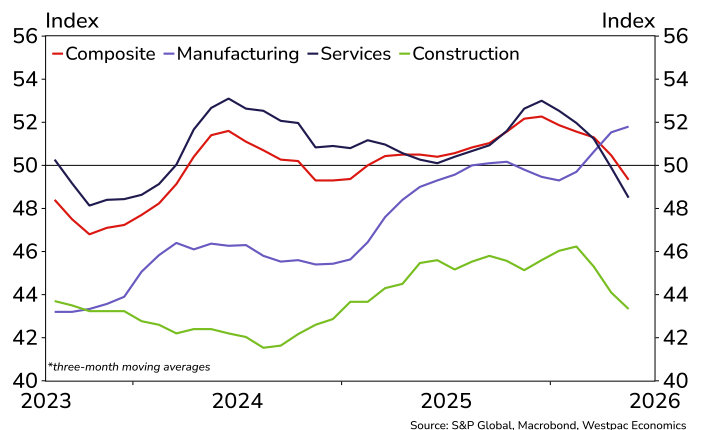
Euro area GDP growth



Ireland's real GDP



Euro area PMIs*



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.

... inflationary pressures key for the ECB

delivering a 25bp increase across all three policy rates. The policy statement made clear that the move was a response to inflationary pressures stemming from the war in the Middle East, which, looking ahead, will depend on “the intensity and duration of the energy price shock, as well as the scale of its indirect and second-round effects”.

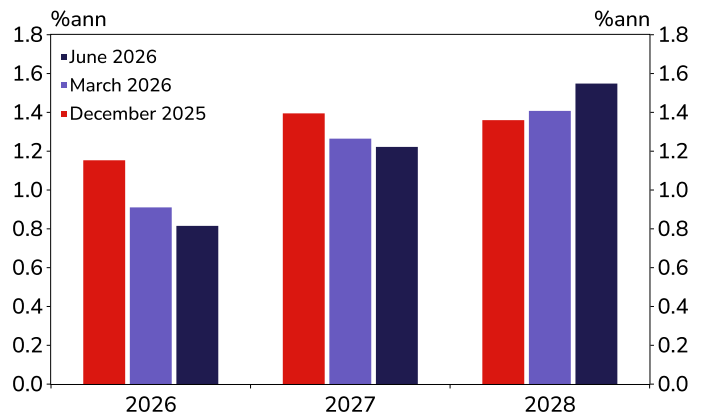
The ECB’s new economic projections, which included an updated baseline, two stress scenarios and a milder scenario, illustrate the range of possible effects the conflict could have on the euro area. The baseline projects GDP growth of 0.8%yr this year and 1.2%yr next year, with both estimates revised 0.1ppt lower. That said, the estimates do not incorporate the sharp downward revision to Q1 2026 GDP discussed above, implying the 2026 growth estimate is likely overstated. Meanwhile, the adverse and severe stress scenarios point to the risk of materially weaker growth in the near term, with the economy slipping into a technical recession in both cases.

On inflation, the adverse and severe scenarios show headline HICP inflation peaking at 4.1%yr and 6.3%yr respectively, little changed from the March projections. The more notable shift was in the baseline outlook, which now sees inflation peaking at 3.4%yr, up from 3.1%yr previously, and remaining elevated for longer. Higher energy prices, reflecting an upward revision to the oil price assumption, accounted for part of this change, but stronger inflation in services and core goods appear to play a larger role, echoing Lagarde’s comments that inflationary momentum is broadening beyond energy.

Lagarde also emphasised that policy tightening was warranted across all scenarios, including the milder one, which sees inflation falling back below target in Q2 next year. But, looking ahead, she stopped short of providing a clear signal on the likelihood of further rate hikes. The policy statement also indicated the ECB will continue to follow its established “data dependent and meeting-by-meeting” approach to policymaking.

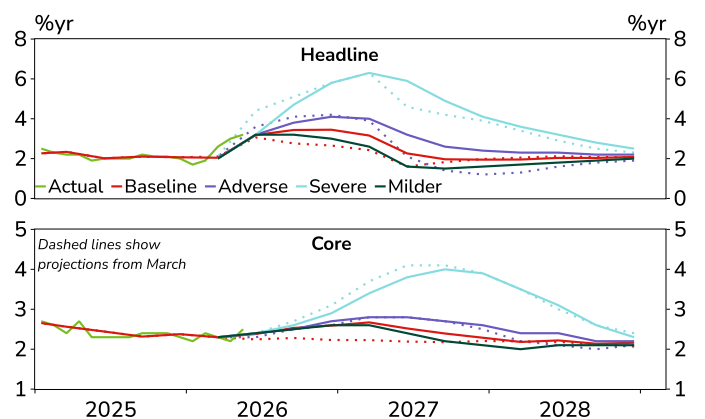
Lagarde did, however, refer back to the framework set out in her March speech, where she argued that measured monetary tightening may be warranted when inflation overshoots materially but not persistently. We think this characterisation implies more than one 25bp increase and, given the perceived broadening of inflationary momentum, we continue to expect the ECB to raise rates further. The timing remains uncertain, but the September meeting, when the central bank will next update its economic projections, appears a reasonable base case.

ECB GDP growth forecasts



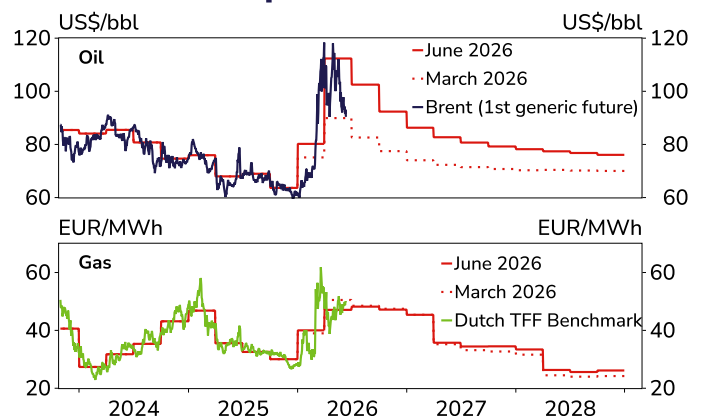
Source: ECB, Macrobond, Westpac Economics

ECB HICP inflation scenarios



Source: ECB, Eurostat, Macrobond, Westpac Economics

ECB forecast assumptions



Source: ECB, Macrobond, Westpac Economics

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

Australia

Interest rate forecasts

	Latest (12 Jun)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Cash	4.35	4.85	4.85	4.85	4.85	4.85	4.85	4.60	4.35	4.10	3.85
90 Day BBSW	4.47	4.90	4.90	4.95	4.95	4.95	4.80	4.55	4.30	4.05	3.95
3 Year Swap	4.43	4.65	4.65	4.60	4.50	4.40	4.30	4.20	4.10	4.00	3.90
3 Year Bond	4.44	4.65	4.65	4.60	4.50	4.40	4.30	4.20	4.10	4.00	3.90
10 Year Bond	4.82	4.90	4.90	4.90	4.85	4.85	4.85	4.85	4.85	4.90	4.95
10 Year Spread to US (bps)	35	40	40	35	30	25	20	15	10	10	10

Currency forecasts

	Latest (12 Jun)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
AUD vs											
USD	0.7044	0.72	0.73	0.73	0.74	0.74	0.74	0.73	0.73	0.73	0.73
JPY	112.84	114	114	113	112	111	110	107	105	104	102
EUR	0.6089	0.62	0.62	0.62	0.62	0.61	0.61	0.60	0.60	0.60	0.60
NZD	1.2090	1.22	1.22	1.19	1.16	1.14	1.12	1.11	1.11	1.11	1.11
CAD	0.9844	0.99	0.99	0.99	0.99	0.98	0.98	0.97	0.97	0.96	0.96
GBP	0.5253	0.53	0.54	0.54	0.54	0.53	0.53	0.52	0.52	0.52	0.52
CHF	0.5604	0.57	0.57	0.57	0.56	0.56	0.55	0.55	0.55	0.55	0.55
DKK	4.5504	4.60	4.62	4.62	4.61	4.57	4.53	4.52	4.49	4.50	4.51
SEK	6.6580	6.77	6.83	6.85	6.87	6.84	6.81	6.81	6.76	6.79	6.79
NOK	6.6913	6.80	6.86	6.88	6.90	6.87	6.84	6.84	6.79	6.82	6.83
ZAR	11.48	11.6	11.7	11.7	11.8	11.8	11.8	11.8	11.8	11.8	11.8
SGD	0.9049	0.91	0.92	0.93	0.93	0.93	0.93	0.92	0.92	0.91	0.91
HKD	5.5192	5.63	5.70	5.73	5.76	5.74	5.74	5.70	5.66	5.66	5.66
PHP	42.96	43.6	43.8	43.4	42.9	42.2	41.4	40.4	39.4	39.4	39.4
THB	23.09	23.2	23.1	23.0	22.9	22.7	22.5	22.2	21.9	21.9	21.9
MYR	2.8567	2.88	2.88	2.87	2.89	2.85	2.85	2.83	2.77	2.77	2.77
CNY	4.7623	4.86	4.89	4.85	4.81	4.77	4.74	4.67	4.64	4.60	4.60
IDR	12671	12600	12410	12346	12284	12136	12062	11905	11753	11733	11733
TWD	22.27	22.5	22.4	22.2	22.0	21.6	21.2	20.9	20.6	20.6	20.6
KRW	1071	1058	1066	1058	1051	1036	1021	999	978	975	975
INR	67.00	68.4	69.0	69.1	68.8	68.1	67.3	66.1	65.0	64.2	63.5

Australia

Activity forecasts

%qtr / %yr end	2026				2027				Calendar years			
	Q1	Q2(f)	Q3(f)	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)	2025	2026(f)	2027(f)	2028(f)
Household consumption	0.5	0.0	0.2	0.4	0.4	0.5	0.5	0.6	2.5	1.1	2.0	3.3
Dwelling investment	0.7	1.3	1.0	0.9	0.8	0.8	0.9	0.7	5.1	4.0	3.2	5.5
Business investment *	5.7	0.3	3.8	1.5	3.7	1.1	1.3	1.1	4.5	11.7	7.3	4.5
Private demand *	1.3	0.1	0.6	0.6	1.1	0.6	0.7	0.7	3.2	2.7	3.1	3.7
Public demand *	0.1	0.8	0.6	0.6	0.6	0.6	0.6	0.6	2.1	2.1	2.4	2.6
Domestic demand	1.0	0.3	0.6	0.6	0.9	0.6	0.7	0.6	2.9	2.5	2.9	3.4
Stock contribution	0.0	-0.1	-0.1	0.0	0.0	-0.1	0.0	0.0	0.1	-0.2	-0.1	0.1
GNE	0.9	0.2	0.5	0.6	0.9	0.6	0.6	0.7	3.0	2.3	2.8	3.4
Exports	-1.1	0.7	0.4	0.4	0.6	0.7	0.6	0.6	5.2	0.4	2.5	2.4
Imports	2.1	1.2	2.2	1.9	2.6	1.7	1.6	1.5	6.7	7.6	7.6	5.5
Net exports contribution	-0.8	-0.1	-0.4	-0.4	-0.5	-0.3	-0.3	-0.2	-0.3	-1.7	-1.3	-0.9
Real GDP %qtr / %yr avg	0.3	0.0	0.1	0.3	0.4	0.4	0.4	0.4	2.0	1.5	1.3	2.2
%yr end	2.5	1.6	1.3	0.7	0.9	1.2	1.4	1.5	2.5	0.7	1.5	2.6
Nominal GDP %qtr / %yr avg	0.6	1.1	1.4	0.5	0.3	0.5	0.9	0.8	4.7	5.0	2.8	4.4
%yr end	5.3	5.7	5.2	3.7	3.4	2.8	2.3	2.6	6.1	3.7	2.6	5.0
Real household disp. income	-0.2	-0.7	1.2	-1.7	0.5	0.8	1.4	-0.5	3.8	-1.5	2.2	3.5

Other macroeconomic variables

% change	2026				2027				Calendar years			
	Q1	Q2(f)	Q3(f)	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)	2025	2026(f)	2027(f)	2028(f)
Employment %qtr **	0.6	0.2	0.4	0.2	0.4	0.5	0.5	0.4	-	-	-	-
%yr end **	1.6	1.2	1.4	1.5	1.2	1.5	1.6	1.7	1.1	1.5	1.7	2.2
Unemployment rate % **	4.2	4.4	4.6	4.9	5.0	4.9	4.9	4.9	4.3	4.9	4.9	4.5
Wages (WPI) (sa) %qtr	0.8	0.8	1.0	0.8	0.8	0.8	0.8	0.8	-	-	-	-
%yr end	3.3	3.2	3.4	3.4	3.4	3.4	3.2	3.2	3.4	3.4	3.2	3.4
Headline CPI %qtr	1.4	1.0	1.5	0.7	0.7	0.7	0.8	0.5	-	-	-	-
%yr end	4.1	4.4	4.6	4.7	4.0	3.7	3.0	2.8	3.6	4.7	2.8	2.2
Trimmed Mean CPI %qtr	0.8	1.0	1.1	0.9	0.8	0.7	0.7	0.7	-	-	-	-
%yr end	3.4	3.7	3.8	3.8	3.7	3.5	3.2	3.0	3.4	3.8	3.0	2.4
Current account \$bn, qtr	-27.1	-25.9	-23.7	-29.4	-35.4	-39.7	-41.8	-42.0	-	-	-	-
% of GDP	-3.7	-3.5	-3.1	-3.9	-4.6	-5.2	-5.4	-5.4	-3.1	-3.9	-5.4	-5.0
Terms of trade %yr avg	-1.2	0.1	1.1	1.8	0.9	-1.2	-4.1	-6.1	-2.5	1.8	-6.1	-1.9
Population %yr end	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.6	1.5	1.4	1.4

Calendar year changes are annual through-the-year percentage changes unless otherwise specified.

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

Macroeconomic variables – recent history

Monthly data	2025					2026						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
CPI %yr	3.0	3.2	3.6	3.8	3.4	3.8	3.8	3.7	4.6	4.2	-	-
Employment '000 chg	34.0	-12.9	9.2	33.9	-38.9	57.8	39.7	28.8	23.3	-18.6	-	-
Unemployment rate %	4.3	4.3	4.4	4.3	4.3	4.1	4.1	4.3	4.3	4.5	-	-
Westpac-MI Consumer Sentiment	93.1	98.5	95.4	92.1	103.8	94.5	92.9	90.5	91.6	80.2	83.0	80.6
Household spending %mth	0.4	0.0	0.3	1.4	0.9	-0.5	0.2	0.3	1.6	-1.1	-	-
Dwelling approvals %mth	-7.8	-4.7	11.8	-6.3	14.9	-14.4	-7.1	31.3	-10.5	-3.4	-	-
Private sector credit %mth	0.7	0.6	0.6	0.7	0.7	0.8	0.5	0.6	0.7	0.7	-	-
Trade in goods balance AUDbn	6.2	0.8	3.4	4.4	2.2	3.4	2.5	5.0	-1.0	1.8	-	-

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.

New Zealand

Interest rate forecasts

	Latest (12 Jun)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Cash	2.25	2.50	3.00	3.50	3.75	4.00	4.25	4.25	4.25	4.25	4.00
90 Day Bill	2.69	2.95	3.40	3.75	4.00	4.25	4.45	4.45	4.45	4.40	4.15
2 Year Swap	3.43	3.85	4.15	4.30	4.40	4.40	4.35	4.30	4.25	4.20	4.15
10 Year Bond	4.48	4.65	4.80	4.95	5.05	5.10	5.10	5.10	5.10	5.05	5.05
10 Year Spread to US	1	15	30	40	50	50	45	40	35	25	20
10 Year Spread to Aust	-34	-25	-10	5	20	25	25	25	25	15	10

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest (12 Jun)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
NZD vs											
USD	0.5826	0.59	0.60	0.62	0.64	0.65	0.66	0.66	0.66	0.66	0.66
JPY	93.33	93	94	95	97	98	98	96	95	94	92
EUR	0.5036	0.50	0.51	0.52	0.53	0.54	0.54	0.54	0.54	0.54	0.55
AUD	0.8271	0.82	0.82	0.84	0.86	0.88	0.89	0.90	0.90	0.90	0.90
CAD	0.8142	0.81	0.82	0.84	0.85	0.86	0.88	0.87	0.87	0.87	0.87
GBP	0.4344	0.44	0.44	0.45	0.46	0.47	0.47	0.47	0.47	0.47	0.47
CNY	3.9517	3.98	4.02	4.09	4.16	4.19	4.22	4.19	4.19	4.16	4.16

Sources: Bloomberg, Westpac Economics.

Activity forecasts

% change	2026				2027				Calendar years			
	Q1(f)	Q2(f)	Q3(f)	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)	2025	2026(f)	2027(f)	2028(f)
Private consumption	0.8	-0.3	0.2	0.7	1.0	1.1	1.2	1.2	1.4	0.9	3.3	4.4
Government consumption	-1.1	0.2	0.3	0.3	0.3	0.3	0.6	0.5	2.4	1.7	1.4	2.2
Residential investment	-2.2	3.0	3.0	1.0	0.5	0.5	2.0	2.5	-6.0	5.3	5.5	8.7
Business investment	3.6	-1.3	0.8	1.8	2.3	1.8	1.0	0.8	0.4	2.9	5.9	4.1
Stocks (ppt contribution)	0.7	-0.3	0.0	-0.1	0.2	0.0	0.1	-0.1	-0.1	0.6	0.0	-0.1
GNE	1.4	-0.5	0.5	0.7	1.2	1.0	1.1	1.0	0.8	2.1	3.5	4.1
Exports	2.6	-0.3	-0.4	0.2	1.0	1.1	1.1	0.8	2.7	2.5	2.3	3.2
Imports	4.2	-1.0	0.0	0.7	1.4	2.4	2.2	1.5	3.4	2.8	5.1	5.2
GDP (production)	1.0	-0.3	0.4	0.6	1.1	0.6	0.8	0.8	0.2	1.5	2.7	3.4
Employment annual %	0.4	0.7	0.9	0.6	1.1	1.7	2.3	2.9	0.2	0.6	2.9	2.6
Unemployment rate % s.a.	5.3	5.4	5.5	5.6	5.5	5.3	5.1	4.9	5.4	5.6	4.9	4.4
LCI, all sect incl o/t, ann %	2.0	1.9	2.2	2.5	2.5	2.5	2.4	2.3	2.0	2.5	2.3	2.3
CPI annual %	3.1	4.4	4.5	4.4	4.0	2.1	1.6	1.6	3.1	4.4	1.6	2.1
Current account % of GDP	-3.7	-3.9	-4.3	-4.4	-4.5	-4.6	-4.7	-4.6	-3.7	-4.4	-4.6	-4.0
Terms of trade annual %	3.5	-3.1	-1.0	-1.8	-0.8	2.5	2.4	4.7	3.5	-1.8	4.7	3.0

Sources: Statistics NZ, Westpac Economics.

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

Commodity prices

Quarter average	Latest (12 Jun)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Australian commodities index#	410	426	414	397	383	376	366	363	359	356	356
Bulk commodities index#	414	412	385	357	342	341	343	345	347	350	352
iron ore fines TSI @ 62% US\$/t	105	102	97	90	84	83	84	84	85	85	86
Premium low vol met coal (US\$/t)	246	242	222	207	203	204	205	206	208	209	211
Newcastle spot thermal coal (US\$/t)	145	145	132	123	122	122	122	123	123	124	125
crude oil (US\$/bbl) Brent	95	87	85	84	77	74	69	65	62	60	59
LNG in Japan US\$mmbtu	18.7	19.5	18.8	17.7	16.5	15.0	13.0	12.4	11.6	10.8	10.5
gold (US\$/oz)	4,442	4,600	4,630	4,570	4,540	4,570	4,600	4,630	4,660	4,700	4,730
Base metals index#	278	272	277	278	275	269	259	249	242	238	235
copper (US\$/t)	13,828	13,510	13,630	13,590	13,520	13,420	12,960	12,590	12,300	12,100	12,000
aluminium (US\$/t)	3,735	3,750	3,950	4,020	3,920	3,740	3,570	3,420	3,340	3,290	3,240
nickel (US\$/t)	18,743	18,520	18,220	18,020	17,820	17,620	17,120	16,230	15,730	15,530	15,220
zinc (US\$/t)	3,573	3,490	3,500	3,500	3,480	3,460	3,240	3,060	2,930	2,840	2,790
lead (US\$/t)	2,005	1,970	1,960	1,960	1,930	1,850	1,780	1,710	1,670	1,630	1,620
Rural commodities index#	144	143	143	142	137	130	125	119	115	111	110
NZ commodities index ##	410	407	403	401	402	405	409	411	412	412	413
dairy price index ##	339	330	325	327	332	338	344	348	350	351	353
whole milk powder USD/t	3,706	3,610	3,530	3,530	3,580	3,640	3,720	3,770	3,810	3,850	3,890
skim milk powder USD/t	3,457	3,310	3,160	3,110	3,140	3,180	3,230	3,270	3,300	3,330	3,370
lamb price index ##	658	671	664	637	625	622	620	618	614	606	599
beef price index ##	400	422	417	406	398	398	397	396	395	394	393
forestry price index ##	166	158	159	159	159	160	160	160	161	162	163

Annual averages	Levels				% change			
	2025	2026(f)	2027(f)	2028(f)	2025	2026(f)	2027(f)	2028(f)
Australian commodities index#	324	414	384	350	4.2	27.7	-7.1	-8.9
Bulk commodities index#	378	397	350	353	-12.7	5.0	-11.8	0.9
iron ore fines @ 62% USD/t	102	103	85	85	-6.9	0.8	-17.2	-0.2
LNG in Japan \$mmbtu	11.9	19.0	15.5	11	-8.8	60.2	-18.3	-28.2
ave coking coal price (US\$/t)	166	180	174	179	-19.6	8.7	-3.6	2.9
ave thermal price (US\$/t)	119	130	119	121	-12.1	9.1	-9.0	2.4
iron ore fines contracts (US¢ dltu)	143	142	125	121	-12.2	-0.5	-12.1	-2.7
Premium low vol met coal (US\$/t)	188	224	203	184	-21.7	19.0	-9.5	-9.5
crude oil (US\$/bbl) Brent ICE	67	93	75	60	-13.1	38.7	-19.1	-19.8
gold (US\$/oz)	3,470	4,870	4,940	4,492	44.0	40.3	1.4	-9.1
Base metals index#	208	264	264	235	3.1	26.5	0.1	-11.1
copper (US\$/t)	10,000	13,100	13,100	12,000	8.7	31.0	0.0	-8.4
aluminium (US\$/t)	2,600	3,600	3,800	3,300	8.3	38.5	5.6	-13.2
nickel (US\$/t)	15,300	18,200	17,700	15,900	-9.5	19.0	-2.7	-10.2
zinc (US\$/t)	2,900	3,400	3,300	2,800	3.6	17.2	-2.9	-15.2
lead (US\$/t)	2,000	1,900	1,800	1,400	-4.8	-5.0	-5.3	-22.2
Rural commodities index#	120	143	139	121	-5.0	19.4	-3.3	-12.5
NZ commodities index ##	390	403	404	412	9.2	3.4	0.2	2.0
dairy price index ##	348	331	335	350	9.7	-5.1	1.3	4.6
whole milk powder USD/t	3902	3616	3617	3829	13.5	-7.3	0.0	5.9
skim milk powder USD/t	2702	3220	3165	3319	0.7	19.2	-1.7	4.8
lamb price index ##	587	658	626	609	27.0	12.1	-4.9	-2.7
beef price index ##	337	408	400	394	19.1	20.8	-1.9	-1.4
forestry price index ##	152	157	159	162	-4.9	3.9	1.2	1.4

Chain weighted index; weights are Australian export shares. * Australian export prices fob - ABS 5432.0 Merchandise Trade Exports. ** WCFI - Westpac commodities futures index. *** Weekly averages except for the Bulks Index. ^ AWEX market prices. Sources for all tables: Westpac Economics, Bloomberg ## ANZ NZ commodity price index ^^ GlobalDairyTrade

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.

United States

Interest rate forecasts

	Latest (12 Jun)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Fed Funds*	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625
10 Year Bond	4.47	4.50	4.50	4.55	4.55	4.60	4.65	4.70	4.75	4.80	4.85

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

Currency forecasts

	Latest (12 Jun)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
USD vs											
DXY index	99.76	98.7	97.7	96.9	95.9	95.1	94.3	94.3	94.2	94.2	94.1
JPY	160.21	158	156	154	152	150	148	146	144	142	140
EUR	1.1569	1.17	1.18	1.19	1.20	1.21	1.22	1.22	1.22	1.21	1.21
AUD	0.7044	0.72	0.73	0.73	0.74	0.74	0.74	0.73	0.73	0.73	0.73
NZD	0.5826	0.59	0.60	0.62	0.64	0.65	0.66	0.66	0.66	0.66	0.66
CAD	1.3976	1.38	1.36	1.35	1.34	1.33	1.33	1.32	1.32	1.32	1.32
GBP	1.3410	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.40	1.40
CHF	0.7956	0.79	0.78	0.77	0.76	0.75	0.75	0.75	0.75	0.75	0.75
ZAR	16.30	16.1	16.0	16.0	15.9	15.9	15.9	16.1	16.2	16.2	16.2
SGD	1.2847	1.27	1.26	1.26	1.26	1.26	1.25	1.25	1.25	1.25	1.25
HKD	7.8358	7.82	7.81	7.80	7.78	7.76	7.75	7.75	7.75	7.75	7.75
PHP	61.36	60.5	60.0	59.0	58.0	57.0	56.0	55.0	54.0	54.0	54.0
THB	32.78	32.2	31.6	31.3	31.0	30.7	30.4	30.2	30.0	30.0	30.0
MYR	4.0552	4.00	3.95	3.90	3.90	3.85	3.85	3.85	3.80	3.80	3.80
CNY	6.7746	6.75	6.70	6.60	6.50	6.45	6.40	6.35	6.35	6.30	6.30
IDR	17989	17500	17000	16800	16600	16400	16300	16200	16100	16072	16072
TWD	31.62	31.2	30.7	30.2	29.7	29.2	28.7	28.4	28.2	28.2	28.2
KRW	1521	1470	1460	1440	1420	1400	1380	1360	1340	1336	1336
INR	95.76	95.0	94.5	94.0	93.0	92.0	91.0	90.0	89.0	88.0	87.0

Activity forecasts

	2026				2027				Calendar years			
	Q1	Q2(f)	Q3(f)	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)	2025	2026(f)	2027(f)	2028(f)
% annualised, s/adj												
Private consumption	1.4	1.6	1.2	1.3	1.9	2.0	2.1	2.1	2.6	1.8	1.8	2.1
Dwelling investment	-6.2	0.0	0.0	0.8	0.8	1.2	1.6	2.0	-2.2	-3.1	0.9	2.0
Business investment	10.1	8.3	5.6	5.6	5.3	4.8	4.7	4.7	4.1	6.4	5.4	4.7
Public demand	4.4	2.0	0.4	0.4	0.4	0.4	0.4	0.4	1.1	0.7	0.5	0.4
Domestic final demand	2.9	2.6	1.7	1.8	2.2	2.2	2.2	2.2	2.4	2.2	2.1	2.2
Inventories contribution ppt	-0.8	0.1	0.1	0.1	0.1	0.0	0.0	0.0	-0.1	0.1	0.0	0.1
Net exports contribution ppt	1.3	-0.1	-0.7	-0.7	-0.4	-0.5	-0.4	-0.5	0.4	-0.7	-0.5	-0.5
GDP	1.6	2.8	1.3	1.5	1.9	1.9	1.8	1.8	2.1	2.0	1.8	1.9
%yr annual chg	2.6	2.3	1.6	1.8	1.9	1.6	1.8	1.8	-	-	-	-

Other macroeconomic variables

Non-farm payrolls mth avg	43	150	100	100	105	105	110	110	26	98	108	120
Unemployment rate %	4.3	4.4	4.4	4.5	4.5	4.5	4.5	4.5	4.3	4.4	4.5	4.5
CPI headline %yr	2.7	4.0	3.8	3.6	3.4	2.3	2.3	2.3	2.7	3.5	2.6	2.3
PCE deflator, core %yr	3.1	3.4	3.3	3.2	2.6	2.9	2.3	2.2	2.8	3.3	2.5	2.2

Sources: Official agencies, Factset, Westpac Economics.

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

Europe & the United Kingdom

Interest rate forecasts

	Latest (12 Jun)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Euro Area											
ECB Deposit Rate	2.25	2.50	2.50	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.00
10 Year Bund	3.03	3.00	3.00	3.00	2.95	2.95	2.95	2.95	2.95	2.95	2.95
10 Year Spread to US	-144	-150	-150	-155	-160	-165	-170	-175	-180	-185	-190
United Kingdom											
BoE Bank Rate	3.75	4.00	4.00	4.00	4.00	3.75	3.50	3.50	3.50	3.50	3.50
10 Year Gilt	4.91	4.90	4.85	4.85	4.80	4.80	4.80	4.80	4.80	4.80	4.80
10 Year Spread to US	44	40	35	30	25	20	15	10	5	0	-5

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest (12 Jun)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
euro vs											
USD	1.1569	1.17	1.18	1.19	1.20	1.21	1.22	1.22	1.22	1.21	1.21
JPY	185.33	185	184	183	182	182	181	177	175	172	170
GBP	0.8628	0.87	0.87	0.87	0.87	0.87	0.87	0.86	0.86	0.86	0.87
CHF	0.9205	0.92	0.92	0.92	0.91	0.91	0.91	0.91	0.91	0.91	0.91
DKK	7.4740	7.47	7.47	7.47	7.47	7.47	7.47	7.47	7.47	7.47	7.47
SEK	10.94	11.0	11.0	11.1	11.1	11.2	11.2	11.3	11.3	11.3	11.3
NOK	10.99	11.0	11.1	11.1	11.2	11.2	11.3	11.3	11.3	11.3	11.3
sterling vs											
USD	1.3410	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.40	1.40
JPY	214.82	213	212	211	210	209	207	205	202	199	196
CHF	1.0669	1.07	1.06	1.05	1.05	1.04	1.04	1.05	1.06	1.05	1.05
AUD	0.5252	0.53	0.54	0.54	0.54	0.53	0.53	0.52	0.52	0.52	0.52

Sources: Bloomberg, Westpac Economics.

Activity forecasts

Annual average % chg	2022	2023	2024	2025	2026(f)	2027(f)	2028(f)
Euro area GDP	3.7	0.6	0.9	1.5	0.2	1.1	1.5
<i>private consumption</i>	5.3	0.6	1.3	1.5	0.8	1.2	1.4
<i>fixed investment</i>	2.2	2.8	-2.6	3.1	0.6	1.3	2.1
<i>government consumption</i>	1.3	1.5	2.3	1.4	2.3	2.1	1.9
<i>net exports contribution ppt</i>	-0.1	0.3	0.3	-0.5	-0.7	-0.1	-0.3
Germany GDP	1.9	-0.7	-0.5	0.3	0.6	1.1	1.7
France GDP	2.8	1.9	1.4	0.9	0.5	0.8	1.2
Italy GDP	5.0	1.0	0.6	0.7	0.7	0.7	1.0
Spain GDP	6.4	2.5	3.5	2.8	2.2	1.9	2.1
Netherlands GDP	5.0	-0.6	1.1	1.8	0.8	1.1	1.6
United Kingdom GDP	5.1	0.3	1.0	1.4	1.1	1.1	1.5

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.

Asia

China activity forecasts

Calendar years	2021	2022	2023	2024	2025	2026(f)	2027(f)	2028(f)
Real GDP	8.6	3.1	5.4	5.0	5.0	4.7	4.6	4.4
Consumer prices %yr	1.5	1.8	-0.3	0.1	0.1	1.2	1.3	1.6
Producer prices %yr	10.3	-0.7	-2.7	-2.3	-2.6	2.0	1.2	1.5
Industrial production (IVA)	9.6	3.6	4.6	5.8	5.9	5.5	5.0	4.8
Retail sales	12.5	-0.2	7.2	3.5	3.7	4.0	4.2	4.4
Money supply M2 %yr	9.0	11.8	9.7	7.3	8.0	7.8	7.6	7.4
Fixed asset investment	4.9	5.1	3.0	3.2	-1.4	3.0	3.8	4.3
Exports %yr	20.9	-9.9	-2.3	10.7	5.2	5.0	4.0	3.5
Imports %yr	19.5	-7.5	0.2	0.9	-0.1	6.0	3.0	2.5

Source: Macrobond, Bloomberg. Year-to-date growth unless otherwise noted.

Chinese interest rates & monetary policy

	Latest (12 Jun)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Required reserve ratio %*	9.00	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Loan Prime Rate, 1-year	3.00	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80

* For major banks.

Japanese interest rates & monetary policy

	Latest (12 Jun)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Policy Rate	0.75	1.00	1.25	1.25	1.50	1.50	1.50	1.50	1.50	1.50	1.50
10 Year Bond Yield	2.65	2.75	2.80	2.65	2.50	2.45	2.40	2.35	2.30	2.30	2.30

Currency forecasts

	Latest (12 Jun)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
JPY	160.21	158	156	154	152	150	148	146	144	142	140
SGD	1.2847	1.27	1.26	1.26	1.26	1.26	1.25	1.25	1.25	1.25	1.25
HKD	7.8358	7.82	7.81	7.80	7.78	7.76	7.75	7.75	7.75	7.75	7.75
PHP	61.36	60.5	60.0	59.0	58.0	57.0	56.00	55.00	54.00	53.95	53.95
THB	32.78	32.2	31.6	31.3	31.0	30.7	30.4	30.2	30.0	30.0	30.0
MYR	4.0552	4.00	3.95	3.90	3.90	3.85	3.85	3.85	3.80	3.80	3.80
CNY	6.7746	6.75	6.70	6.60	6.50	6.45	6.40	6.35	6.35	6.30	6.30
IDR	17989	17500	17000	16800	16600	16400	16300	16200	16100	16072	16072
TWD	31.62	31.2	30.7	30.2	29.7	29.2	28.7	28.4	28.2	28.2	28.2
KRW	1521	1470	1460	1440	1420	1400	1380	1360	1340	1336	1336
INR	95.76	95.0	94.5	94.0	93.0	92.0	91.0	90.0	89.0	88.0	87.0

Source: Bloomberg, Westpac Economics.

Worldwide

Economic growth forecasts (year average)

Real GDP %ann	2021	2022	2023	2024	2025	2026(f)	2027(f)	2028(f)
World	6.7	3.8	3.3	3.4	3.4	3.1	3.3	3.3
United States	6.2	2.5	2.9	2.8	2.1	2.1	1.8	1.9
Japan	3.6	1.3	0.7	-0.2	1.1	0.6	0.8	0.9
Euro zone	6.4	3.7	0.5	0.9	1.5	0.2	1.1	1.5
Group of 3	5.9	2.8	1.8	1.7	1.8	1.2	1.4	1.6
United Kingdom	8.5	5.1	0.3	1.0	1.4	1.1	1.1	1.5
Canada	6.0	4.7	2.0	2.0	1.9	1.2	1.8	2.0
Australia	5.4	4.2	2.1	1.0	2.0	1.7	1.3	2.3
New Zealand	5.5	2.6	2.2	-0.3	0.2	1.5	2.7	3.4
OECD total	6.2	3.2	1.9	1.8	1.7	1.6	1.5	1.7
China	8.4	3.1	5.4	5.0	5.0	4.7	4.6	4.4
Korea	4.6	2.7	1.6	2.0	1.0	2.4	2.2	2.1
Taiwan	6.7	2.7	1.1	5.3	8.8	8.0	4.0	3.0
Hong Kong	6.5	-3.7	3.2	2.6	3.6	3.2	2.5	2.3
Singapore	10.1	4.0	1.5	5.3	5.0	3.3	2.6	2.5
Indonesia	3.7	5.3	5.0	5.0	5.1	5.0	5.1	5.2
Thailand	1.6	2.7	2.2	2.9	2.4	1.7	2.3	2.6
Malaysia	3.3	9.0	3.5	5.1	5.2	4.4	4.4	4.3
Philippines	5.7	7.6	5.5	5.7	4.4	4.2	5.2	5.9
Vietnam	2.6	8.5	5.1	7.0	8.0	7.0	7.0	6.9
East Asia	7.1	3.6	4.7	4.8	4.9	4.6	4.5	4.3
East Asia ex China	4.4	4.6	3.4	4.5	4.7	4.5	4.2	4.1
NIEs*	6.1	2.3	1.6	3.4	4.1	4.3	2.8	2.4
India	9.7	7.6	7.2	7.1	7.6	6.5	6.7	6.6
Russia	5.9	-1.4	4.1	4.9	1.0	1.0	1.2	1.4
Brazil	4.8	3.0	3.2	3.4	2.3	1.8	1.9	2.1
South Africa	4.9	2.1	0.8	0.5	1.1	1.0	1.3	1.5
Mexico	6.0	3.7	3.1	1.4	0.6	1.6	2.2	2.1
Argentina	10.4	6.0	-1.9	-1.3	4.4	3.5	4.0	3.8
Chile	11.3	2.2	0.5	2.6	2.3	2.4	2.6	2.3
Middle East	2.8	2.8	2.8	2.9	2.9	2.9	2.9	2.9
C & E Europe	9.1	4.3	3.0	3.2	3.0	3.1	3.5	3.7
Africa	3.9	4.4	3.8	4.2	4.5	4.3	4.4	4.5
Emerging ex-East Asia	6.8	3.7	3.7	4.7	4.4	4.1	4.3	4.3
Other countries	6.7	5.2	4.9	2.0	2.3	2.8	3.0	3.1
World	6.7	3.8	3.3	3.4	3.4	3.1	3.3	3.3

#Regional and global groupings are weighted using PPP exchange rates updated to reflect ICP 2011 benchmark revisions.* "NIEs" signifies "Newly Industrialised Economies" as defined by the IMF, viz; Republic of Korea, Hong Kong SAR, Taiwan Province of China, and Singapore.

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.



Corporate Directory

Westpac Economics / Australia

Sydney

Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis

Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan

Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke

Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner

Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk

Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante

Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas

Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells

Economist
E: ryan.wells@westpac.com.au

Illiana Jain

Economist
E: illiana.jain@westpac.com.au

Neha Sharma

Economist
E: neha.sharma1@westpac.com.au

Luka Belobrajdic

Economist
E: luka.belobrajdic@westpac.com.au

Westpac Economics / New Zealand

Auckland

Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold

Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon

Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs

Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod

Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark

Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva

1 Thomson Street
Suva, Fiji

Shamal Chand

Senior Economist
E: shamal.chand@westpac.com.au



©2026 Westpac Banking Corporation ABN 33 007 457 141 (including where acting under any of its Westpac, St George, Bank of Melbourne or BankSA brands, collectively, “Westpac”). References to the “Westpac Group” are to Westpac and its subsidiaries and includes the directors, employees and representatives of Westpac and its subsidiaries.

Things you should know

We respect your privacy: You can view the [New Zealand Privacy Policy here](#), or the Australian [Group Privacy Statement here](#). Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

This information, unless specifically indicated otherwise, is under copyright of the Westpac Group. None of the material, nor its contents, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without the prior written permission of the Westpac Group.

Disclaimer

This information has been prepared by Westpac and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision.

This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward looking statements. The words “believe”, “anticipate”, “expect”, “intend”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

Conflicts of Interest: In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously

with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

Author(s) disclaimer and declaration: The author(s) confirms that (a) no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material; (b) this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate; (c) to the best of the author’s knowledge, they are not in receipt of inside information and this material does not contain inside information; and (d) no other part of the Westpac Group has made any attempt to influence this material.

Further important information regarding sustainability related content: This material may contain statements relating to environmental, social and governance (ESG) topics. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics, modelling, data, scenarios, reporting and analysis on which the statements rely. In particular, these areas are rapidly evolving and maturing, and there are variations in approaches and common standards and practice, as well as uncertainty around future related policy and legislation. Some material may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. There is a risk that the analysis, estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes to differ materially from those expressed or implied. The ESG-related statements in this material do not constitute advice, nor are they guarantees or predictions of future performance, and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of the statements). You should seek your own independent advice.

Additional country disclosures:

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). You can access [Westpac’s Financial Services Guide here](#) or request a copy from your Westpac point of contact. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac (“WNZL”). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at www.westpac.co.nz.

Singapore: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore.

Disclaimer continues overleaf ▶

Fiji: Unless otherwise specified, the products and services for Westpac Fiji are available from www.westpac.com.fj © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia and registered as a branch in Fiji. The liability of its members is limited.

Papua New Guinea: Unless otherwise specified, the products and services for Westpac PNG are available from www.westpac.com.pg © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia. Westpac is represented in Papua New Guinea by Westpac Bank - PNG - Limited. The liability of its members is limited.

U.S.: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ("WCM"), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ("the Exchange Act") and member of the Financial Industry Regulatory Authority ("FINRA"). In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WCM other than as provided for in certain legal agreements between Westpac and WCM and obligations of WCM do not represent liabilities of Westpac.

This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

UK: The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586).

The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2) of the Order); (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

European Economic Area ("EEA"): This material may be distributed to you by either: (i) Westpac directly, or (ii) Westpac Europe GmbH ("WEG") under a sub-licensing arrangement. WEG has not edited or otherwise modified the content of this material. WEG is authorised in Germany by the Federal Financial Supervision Authority ("BaFin") and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ("Deutsche Bundesbank"). WEG is registered with the commercial register ("Handelsregister") of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac. Any product or service made available by WEG does not represent an offer from Westpac or any of its subsidiaries (other than WEG). All disclaimers set out with respect to Westpac apply equally to WEG.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found [here](#). Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.