Week beginning 15 June 2026

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

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United States: FOMC policy decision, retail sales, import price index, industrial production, housing starts.

Information contained in this report current as at 12 June 2026.

RBA & inflation: June hold, rate hikes still ahead

Luci Ellis, Chief Economist, Westpac Group
Neha Sharma, Economist

- **We affirm our existing expectation that the RBA Monetary Policy Board (MPB) will hold the cash rate steady at its June meeting next week. Although inflation remains above target, the previous three rate increases have given the MPB time to assess cross-cutting trends of weak consumers and housing markets versus high inflation pressures and a secular boom in data centres and related investment. The recent run of inflation and labour market data has been a bit mixed, supporting the case for a pause.**
- **We update our inflation forecasts below, ahead of the release of our June Market Outlook publication later today. A lower peak for oil, and thus petrol and diesel, prices lowers the peak for headline inflation from 5.0% to 4.7%. Trimmed mean inflation is revised marginally lower across Q2, Q3 and Q4, lowering the peak in the year-ended rate from 4.0%yr to 3.8%yr. We continue to see significant pass-through from higher fuel costs into some other prices. In addition, the larger-than-expected increase in award wages will add a little to some market services components of the CPI, where labour costs are particularly important and many workers are on awards.**
- **This slightly lower track for underlying inflation is still higher than the RBA's own forecasts. If we are right about the inflation profile from here, the RBA will be surprised on the upside. We therefore retain our view that further rate hikes will occur in the following meetings (August and September). This is consistent with the RBA's priority to get inflation down. While ever inflation trends are this far away from the 2.5% target midpoint and showing little tendency to decline, the MPB will regard soft outcomes for the consumer and housing sectors as being a necessary part of the transmission of monetary policy.**
- **The risks are clearly on the downside, though, in the sense that zero or one further hike is much more likely than three hikes. A more extended pause would be associated with a smaller overall hiking cycle.**

While markets are increasingly pricing a faster resolution, our base case for the reopening of the Strait of Hormuz and Gulf oil supply normalisation remains broadly unchanged. We continue to assume shipping rises to around 10% of normal levels by end-June, with full normalisation not occurring until mid-2027.

Q2 average Brent spot and dated prices are tracking below our baseline assumptions of US$110 and US$125 respectively, reflecting a decline in supply risk premia following the ceasefire and a less tight crude balance than anticipated. Stronger-than-expected US exports and weaker Chinese import demand have provided a near-term buffer, though prices have remained volatile amid shifting headlines.

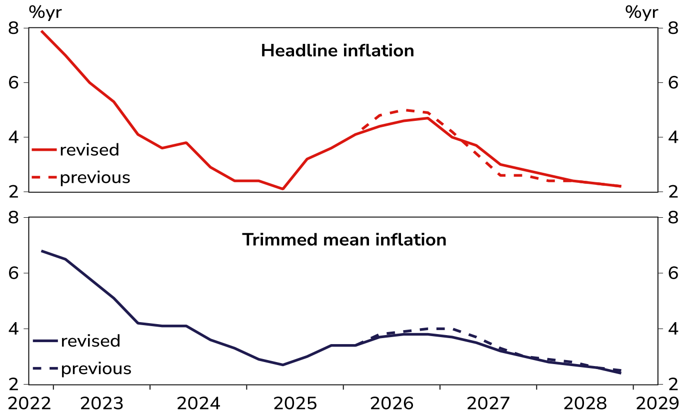
We have lowered our price assumptions through Q2–Q4 2026, with the largest downgrade in Q3 (–US$13/bbl) and a smaller adjustment in Q4, while leaving 2027 broadly unchanged. Prices are likely to fall, potentially below US$90/bbl, on confirmation of a deal and the resumption of shipping, before it becomes evident that the pace of normalisation in traffic and Gulf production will be gradual. The Q2 buffer from US exports is unlikely to persist, while some recovery in Chinese demand is expected. Beyond 2026, we continue to assume a gradual normalisation in shipping and production, alongside a rebuild in global strategic reserves from H2 2027.

Petrol and diesel price assumptions have been revised materially lower across Q2–Q4 2026, reflecting the softer oil price backdrop. The largest adjustments occur in Q3, where petrol is down around 20c/l and diesel close to 100c/l, averaging $2.05/l and $2.39/l respectively.

Following on from these revisions, we have lowered the near-term inflation profile which is partly offset by a stronger wages outlook feeding into market services.

Headline inflation is expected to reach 4.4%yr in Q2 and peak later at 4.7%yr in Q4 (previously 5.0%yr in Q3). Base effects see a more gradual easing thereafter in year-ended terms, with inflation reaching 2.8%yr by end-2027 and 2.2%yr by end-2028.

Inflation forecast revisions



Trimmed mean inflation has also been revised lower, reaching 3.7%yr in Q2 before peaking at 3.8%yr in Q3 and holding through Q4 (down from 4.0%yr). The quarterly path for the remainder of 2026 is 1.0%, 1.1% and 0.9% – the H2 2026 profile sits slightly above that implied by the RBA's May Statement on Monetary Policy forecasts. Trimmed mean inflation is expected to return to the RBA's target band by end-2027 (3.0%yr) and ease to 2.4%yr by end-2028.

While the near-term profile is lower, the risk of second-round effects from higher fuel costs to broader prices remains. Current policy measures are dampening the pass-through, but with most of these set to expire by the end of June, the bulk of the impact from higher freight costs still lies ahead. Additionally, the impact of higher fertiliser costs will likely feed through in the second half of this year with industry surveys showing growers are scaling back planting schedules in response to higher input costs. Drier weather conditions, with the risk of a more severe El Niño, also adds upside pressure.

They key downside risks to our profile stem from weaker consumer demand that limits firms' ability to pass through higher costs and a faster-than-expected normalisation of shipping through the Strait of Hormuz.

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.

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 suggest that the pass-through of higher energy prices to other prices has been significant and front-loaded. 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 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 RBA 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.

CPI forecasts Item	Mar-26 Actual % qtr	contrib	Jun-26 forecast % qtr	contrib
Food	1.0	0.18	1.2	0.22
of which, fruit & vegetables	1.7	0.03	5.9	0.12
Alcohol & tobacco	1.3	0.09	0.7	0.05
of which, Tobacco	1.1	0.02	1.7	0.03
Clothing & footwear	2.3	0.07	1.8	0.06
Housing	2.9	0.65	0.7	0.16
of which, Rents	0.9	0.06	0.8	0.05
of which, House purchases	0.9	0.07	1.5	0.11
of which, Utilities	12.1	0.55	-0.4	-0.02
H/hold contents & services	-0.3	-0.02	0.8	0.06
Health	2.2	0.15	2.4	0.17
of which, Pharmaceuticals	3.6	0.03	-0.8	-0.01
Transportation	2.0	0.23	-0.8	-0.10
of which , car prices	1.0	0.03	-0.1	0.00
of which, auto fuel	5.2	0.18	-2.4	-0.08
Communication	0.0	0.00	0.4	0.01
Recreation	-1.3	-0.16	2.1	0.26
of which, audio visual & computing	1.1	0.02	0.7	0.01
of which, holiday travel	-3.8	-0.23	3.9	0.24
Education	3.0	0.14	0.5	0.03
Financial & insurance services	1.0	0.06	1.0	0.05
CPI: All groups	**1.4**	**–**	**1.0**	**–**
CPI: All groups % year	**4.1**	**–**	**4.4**	**–**

Forecast changes

- **A full update to our forecasts was published in our Market Oulook publication on June 12.**

Cliff Notes: stuck in the moment

Elliot Clarke, Head of International Economics
Mantas Vanagas, Senior Economist
Ryan Wells & Illiana Jain, Economists

Our latest Westpac-MI Consumer Sentiment Survey proves the tense backdrop of elevated inflation, restrictive interest rates and heightened economic and political uncertainty is weighing heavily on the consumer mood. The headline index fell 2.9% to 80.6 in May, leaving sentiment stuck near pandemic-era lows. Cost-of-living pressures are the chief concern: 'family finances vs a year ago' and 'family finances next 12 months' down 7.5% and 8.5% respectively, reversing April's reprieve and leaving both measures circa 20% below historical averages. This tone is hardly surprising given inflation expectations are holding around 5½%yr, 3ppts above the RBA's target range mid-point.

"the threat of broad-based passthrough still makes the case for further rate hikes"

It is notable that RBA Governor Bullock has characterised the three rate hikes delivered earlier this year as necessary to deal with the domestic inflation risks present before the Middle East conflict began, and that this "gives space" for the RBA to see how the conflict plays out. Markets are increasingly adopting a sanguine view on the conflict despite a run of military strikes, seeing Brent oil generally trade between US$90 and US$95 per barrel over the past week, with the lower limit of that range tested overnight after President Trump announced a deal would be signed in coming days (more below). While the RBA is set to pause in June, input cost inflation and the threat of broad-based passthrough still makes the case for further rate hikes in August and September

Over two-thirds of respondents to the consumer sentiment survey also expect a further increase in mortgage rates over the next year. The threat of an additional squeeze on households' real incomes makes for a pessimistic assessment on the near-term economic outlook amongst consumers, a viewpoint shared by business. The latest NAB business survey showed that business confidence remained very weak in May, though a moderation in cost pressures lifted the collective mood slightly. Business conditions are reportedly stalling as profit margins are squeezed by higher costs. This is consistent with our view for GDP growth to hold below the pace of population growth through 2026. Our detailed forecasts will be published later today in our June Market Outlook on WestpacIQ.

In the US, May non-farm payrolls materially beat expectations, gaining 172k against a circa 90k expectation, with 93k in back revisions to March and April. These results left the 3-month average at 188k, three times April's initial 48k. The unemployment rate and participation rate were unchanged, however, at 4.3% and 61.8%. Average hourly earnings were also benign at 0.3%, 3.4%yr. Headline US CPI inflation then printed in line with expectations at an elevated 0.5% in May, principally due to a 3.9%mth jump in energy prices. But core inflation has printed at 0.2% for four of the past six months (including May), and the monthly average is 0.25%, suggesting underlying inflation in the US is only modestly above the 2.0%yr medium-term target. While the market has been flirting with the idea of impending rate hikes by the FOMC, these data points instead suggest the best course is for the Committee to remain on hold.

An extended period of on-hold policy is also likely to be seen in Canada. Having left the policy rate unchanged in June, the Bank of Canada highlighted that the Middle East conflict and US trade policy are lingering risks for inflation, but Canadian GDP is weak, having disappointed in Q1 at -0.1%, and employment stalled on a multi-month basis. A recovery in growth in coming quarters is still expected to leave Canada with excess supply, allowing the initial impacts of the current energy shock to be looked through, unless evidence of secondary effects materialise.

In contrast, the ECB is now officially back in tightening mode. The Governing Council delivered an expected 25bp increase at their June meeting. In the press conference, President Lagarde indicated that policymakers had little doubt about the need to tighten policy, with the decision taken unanimously and no alternative options considered. The policy statement was explicit that this shift is 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 illustrated the range of possible effects the war could have on the economy. The baseline projects GDP growth of 0.8%yr this year and 1.2%yr next year, 0.1ppts lower than the last update. The adverse and severe stress scenarios instead point to materially weaker growth in the near term, with the economy slipping into a technical recession in both cases. On inflation, the baseline outlook now sees inflation peaking at 3.4%yr, up from 3.1%yr previously, and remaining elevated for longer. The adverse and severe scenarios showed headline HICP inflation peaking at 4.1%yr and 6.3%yr respectively, little changed from the March projections. Looking ahead, President Lagarde's comments confirm that inflationary momentum is broadening, suggesting a single 25bp hike is unlikely to be sufficient. So, we expect another hike, most likely in September when the ECB will next update its projections.

In closing, it is worth highlighting the state of the Middle East conflict. The past week has been eventful to say the least. Last weekend, Iran and Israel hit one another with several barrages of missiles. The US requested the hostilities cease, and both Iran and Israel acquiesced. But an Iranian drone then hit a US Apache helicopter patrolling the Strait of Hormuz, seeing the US retaliate with force against numerous Iranian military assets. Iran then responded, and the US followed up with further attacks. A reported request from Iran to cease the attack saw President Trump cease fire on Thursday only to again threaten to hit Iran "VERY HARD" on Friday and to take control of Iran's oil production facilities. Within hours though, President Trump announced that an agreement had been reached and would be signed off in coming days, leading to a re-opening of the Strait. Brent crude currently trades around US$90, having initially broke through that level. Participants are clearly hopeful this update will prove accurate and herald at least a temporary end to the conflict.

A promising start

Michael Gordon
Senior Economist

While there weren't many new developments this week, we did get the last batch of data needed to finalise our forecast of next Thursday's GDP release. In recent months there's been a steady stream of data suggesting that the New Zealand economy was regaining some momentum in the early part of this year, but this is the first time we'll get the complete picture.

As we detailed in our preview, we're now expecting a 1% rise for the March quarter, up from our earlier pick of 0.8%. Agriculture, retailing and tourism were the known points of strength; what this week's data also revealed was a strong lift in manufacturing output, wholesale trade and professional services. Construction remains the biggest weak spot, with a pickup in building consents over the last year not yet translating into a higher level of activity.

This seemingly positive result comes with two caveats though. The first is that seasonal distortions mean the reported result will overstate the underlying pace of growth. We showed in our analysis last year how the methods used to calculate GDP result in a 'balancing item' that in recent years has been both unusually large and strongly seasonal. This currently has its greatest impact on March quarters, contributing around 0.4ppts to the reported growth rate.

The balancing item itself is not a problem – it's an inevitable product of the 'chain-linking' method used to update the sectoral weights of GDP over time, and it exists in other countries' figures as well. But it's usually less intrusive – for instance, in Australia it generally accounts for no more than plus or minus 0.2ppts of quarterly growth, and more significantly, it doesn't have a predictable pattern.

Stats NZ produced a recent article exploring this issue further, and in particular the options of direct seasonal adjustment (add the sectors, then adjust the total) versus indirect adjustment (adjust, then add). Direct adjustment is the method currently used for New Zealand's GDP data; we've proposed that switching to indirect adjustment would reduce the influence of the balancing item and make the figures easier to interpret.

Stats NZ notes that international standards allow for either method, and neither of them is superior to the other in every circumstance. Indirect adjustment will reduce the volatility of quarterly GDP at some times, but could increase it at other times. There are also differences in how well each method can deal with major shocks, especially the Covid lockdown and border closure where the effects on activity were both very large and spread unevenly across sectors.

Our view is that interpretability, rather than volatility, should be the deciding factor here. Sectoral activity data is inherently volatile, whether that's due to genuine variation in the economy or just sampling error. The balancing item provides an additional source of volatility, which may add to the existing volatility at times, and dampen it at other times. But in both cases, a large balancing item makes the GDP figures harder to interpret because a significant share of the growth in the economy can't be attributed to any sector. In that respect, we still favour indirect adjustment as it reduces the influence of the balancing item.

Under indirect adjustment, our forecasts would work out as a 0.6% rise in GDP for the March quarter, up from a 0.3% rise in the December quarter. While not raging away, it's an encouraging sign that the economy was heading in the right direction – at least up until the Iran conflict. While that kicked off at the end of February, it's probably too soon for this to have had an impact on activity here in the March month. So it's the indicators for the June quarter that we really need to watch, and there certainly have been some signs of a loss of momentum.

While the GDP report suffers from being dated, it's really the only major data release ahead of the RBNZ's policy review on 8 July. Given the Committee's extremely close decision in May, could these figures be enough to tip the balance of voting?

We suspect not. The RBNZ's forecast in its May policy statement was in line with our pick of a 1% rise for the quarter, so it would probably take a large surprise in either direction to change any of their minds. That said, given that interest rate markets are already 90% priced for an OCR hike in July, the risks around the GDP release may be skewed to the downside – a weaker than expected result could cast some doubt on whether the RBNZ would move that soon, rather than waiting for the flood of inflation-related data that will come between the July and September reviews.

AUS: RBA Policy Decision (%)

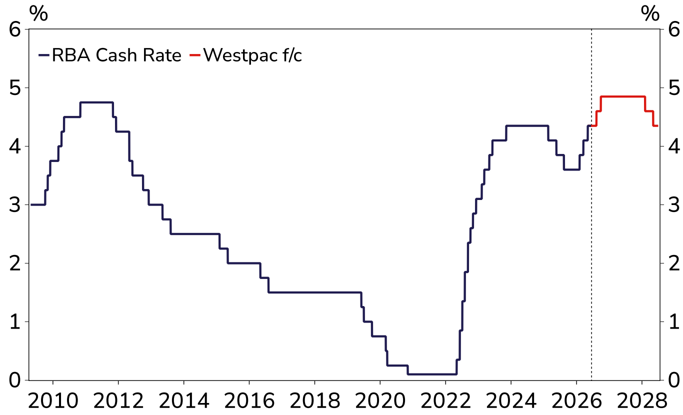
Jun 16, Last: 4.35, Westpac f/c: 4.35
Market f/c: 4.35, Range: 4.35

Westpac expects the RBA Monetary Policy Board (MPB) will leave the cash rate unchanged at 4.35% at its June meeting.

Governor Bullock characterised the three rate hikes so far as dealing with the high inflation issue that already existed before the conflict in the Middle East started, and that this "gives space" for the MPB to see how the conflict plays out.

The April CPI came in slightly below our expectations on a headline basis, giving the MPB some space to pause in June. However, the MPB won't have much time to catch its breath – growing evidence of pass-through of upstream costs will compell the RBA raise the cash rate further in the second half of the year. For more detail, see Page 2.

RBA to hold in June



Source: RBA, Macrobond, Westpac Economics

AUS: Q2 Westpac-ACCI Business Survey

Jun 16, Actual Composite, Last: 59.3

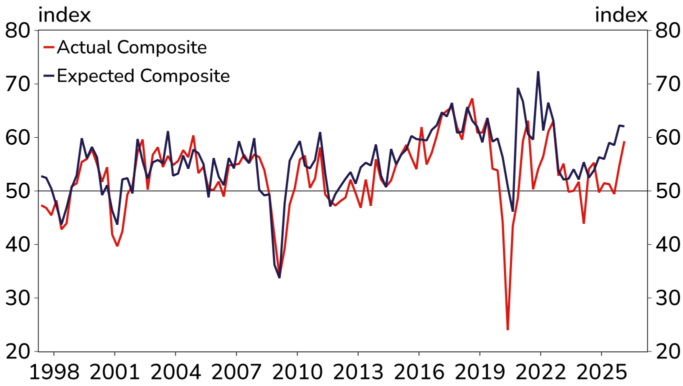
Momentum in Australia's manufacturing sector accelerated in early 2026. The Westpac-ACCI Actual Composite lifted to a fresh cycle high of 59.3 in Q1 from 54.7 in Q4, its strongest result since September 2023.

However, these results were recorded before the Middle East conflict started to unfold, which threatens to unwind much of the long-awaited improvement in conditions given manufacturing's acute exposure to higher fuel prices.

The Q2 reading will provide deeper insights into how demand conditions are faring, the scale of cost pressures manufacturers are facing, and the degree to which it is being passed through in the form of higher prices.

Westpac-ACCI Composite Indexes

Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

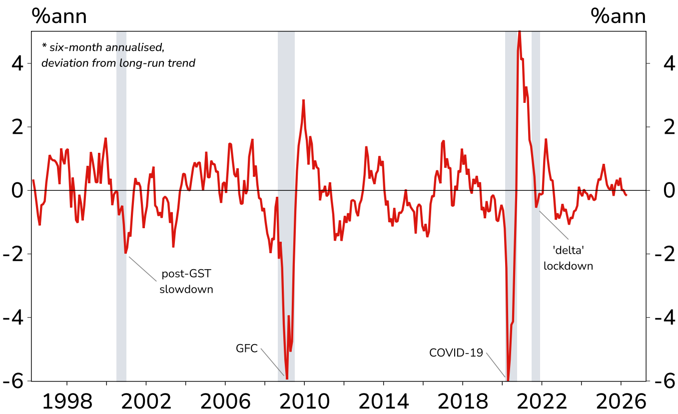
AUS: May Westpac-MI Leading Index

May 27, Last: –0.17%

The Leading Index growth rate declined to –0.17% in April from –0.11% in March, pointing to below-trend growth momentum through the second half of 2026 and into early 2027. While the pulse is still not overly weak, the soft signal is becoming more persistent with this marking the first back-to-back below trend read since late 2024.

The May update is likely to be mostly soft as well. It will include soft monthly updates for several components, including the Westpac-MI Consumer Expectations Index (–2.8%), dwelling approvals (–3.4%), and the yield spread (narrowing further after the RBA's May rate hike). Financial market components have been steadier though with total hours worked posting a solid 0.8% gain.

Westpac-MI Leading Index



Source: Westpac-MI, Macrobond

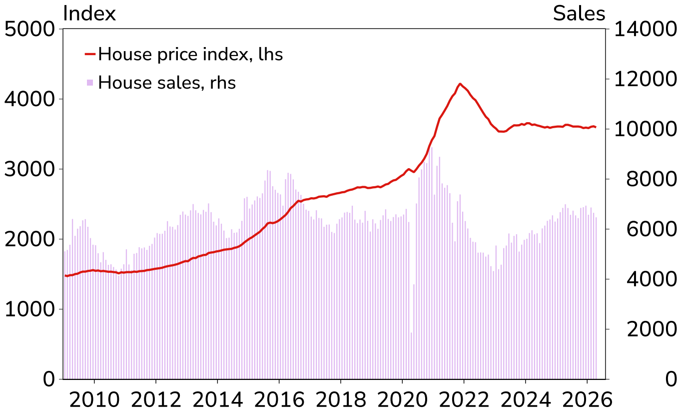
Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known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

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

Jun 15, Sales last: -7.9, Prices last: -0.9

The housing market softened again in April, with sales falling about 3% in seasonally adjusted terms and prices dipping lower. While there were signs of the market emerging from hibernation earlier in the year as the economy started to gain momentum, the Iran conflict has removed much of that support. Sharply weaker consumer confidence, weaker employment prospects, and the potential for OCR hikes to come sooner and faster, imply a much weaker outlook for the housing market. We expect a 1% fall in prices over 2026, with the weakness most apparent through the middle part of the year.

REINZ house sales and prices



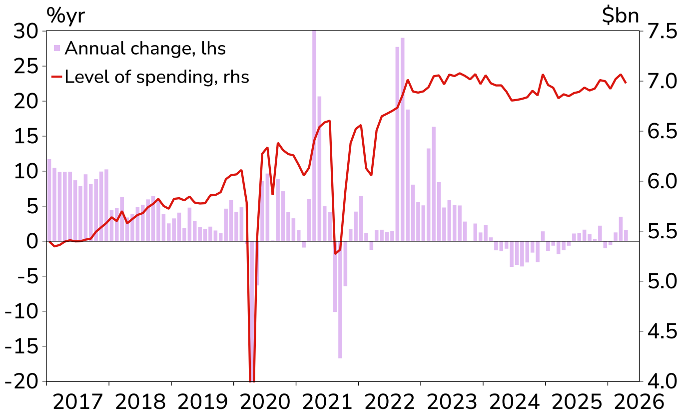
Source: REINZ, Macrobond, Westpac Economics

NZ: May Retail Card Spending (%mth)

Jun 15, Last: -1.3, Westpac f/c: 0.4

Retail spending fell sharply in April. While some of that drop may have been due to swings related to public holidays, high fuel costs will also have been a drag on discretionary spending. With an easing in fuel costs more recently, we expect a modest bounce in spending in May. However, smoothing through such month-to-month swings, the recent trend in retail spending is looking flat in the face of ongoing cost of living pressures.

NZ retail card spending



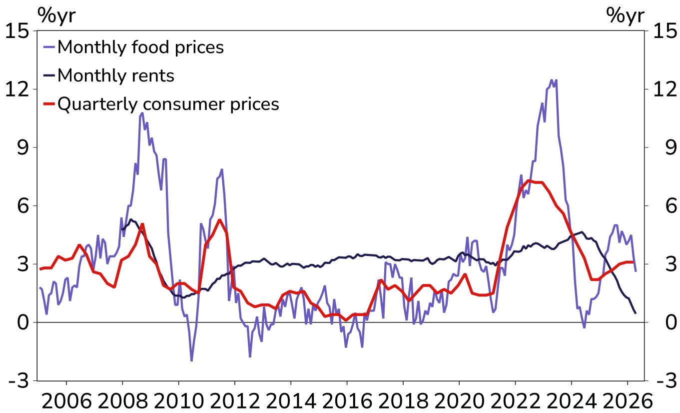
Source: Stats NZ, Macrobond, Westpac Economics

NZ: May Selected Consumer Prices (%mth)

Jun 16

The Selected Prices provides a monthly update on around half of the CPI basket and will be closely watched ahead of the RBNZ's line-call July OCR meeting. The previous month's release was a bit softer than expected, with much of the surprise centred on volatile categories, like food and fuel. Since that time fuel prices have eased, though they remain elevated. We will be watching for signs that higher production costs are pushing up output prices more generally. However, any such increases are likely to be more pronounced in the second half of the year. In the meantime, soft demand is likely to be a brake on price rises.

NZ selected consumer prices



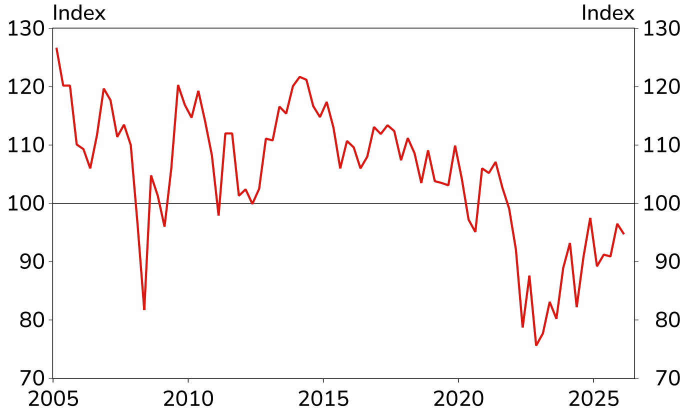
Source: Stats NZ, Macrobond, Westpac Economics

NZ: Q2 Westpac-McDermott Miller Consumer Confidence (index)

Jun 17, Last: 94.7

Consumer confidence dropped back in the March quarter, but only modestly. Our previous survey was conducted in the first two weeks of March – the same time as the war in the Middle East broke out. Against that backdrop, households had become more nervous about the economic outlook. Our latest survey was in the field in the first two weeks of June. Recent weeks have seen the global backdrop remaining rocky, while concerns about domestic inflation and activity have mounted.

Consumer confidence



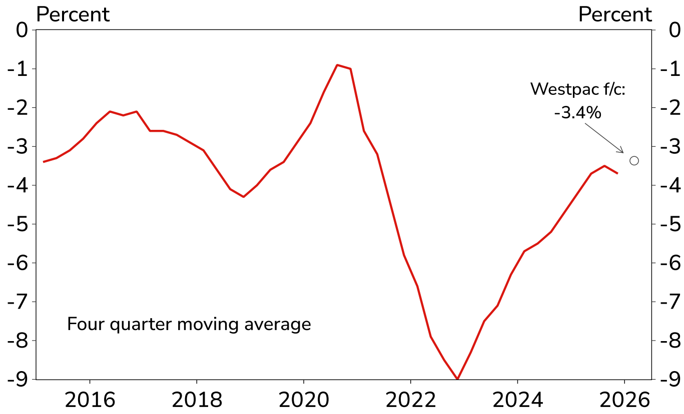
Source: Westpac New Zealand, Macrobond, Westpac Economics

NZ: Q1 Current Account Balance (% of GDP)

Jun 17, Last: -3.7, Westpac f/c: -3.7, Market f/c: -3.7

We expect that the current account deficit – measured on a 12-month annual basis – remained steady at 3.7% of GDP in the March quarter. The merchandise trade deficit is likely to have widened by a couple of tenths due to strong growth in imports. However, the services deficit is likely to have continued to narrow, in large part due to strong growth in tourist arrivals and thus spending. This will likely represent the low point for the current account deficit, with sharply higher fuel prices driving the trade deficit wider from the June quarter.

Current account balance, % of GDP



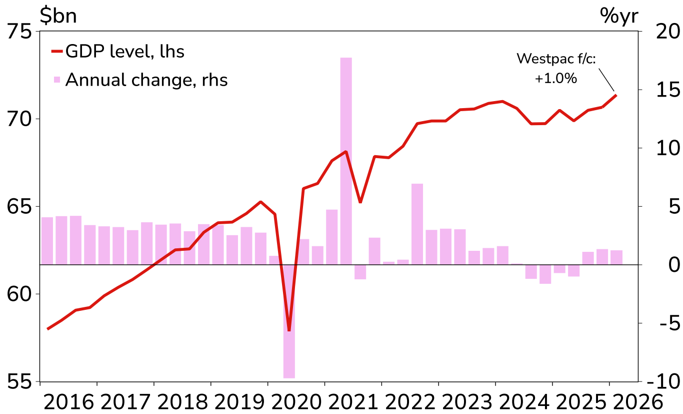
Source: Stats NZ, ABS, Macrobond, Westpac Economics

NZ: Q1 GDP (%qtr)

Jun 18, Last: 0.2, Westpac f/c: 1.0, Market f/c: 0.9

We expect a 1% rise in GDP for the March quarter. Seasonal distortions in the way that GDP is calculated mean the reported result will be overstated by around 0.4ppts, but the underlying details still point to an economy that was regaining momentum in late 2025 and early 2026, prior to the Iran conflict. While this is one of the few major data releases ahead of the RBNZ's July policy review, we think it's unlikely that it will tip the balance of the committee one way or another, given their apparent focus on forward-looking indicators of inflation pressures.

NZ quarterly GDP



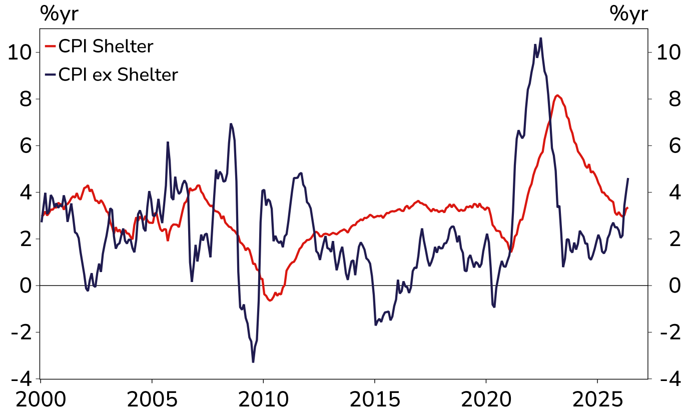
Source: Stats NZ, Macrobond, Westpac Economics

US: June FOMC meeting

Jun 16-17, Last: 3.625%, Mkt f/c: 3.625%, WBC f/c: 3.625%

The FOMC's June meeting will be the first with Kevin Warsh as Chair. Participants are certain there will be no change in the fed funds rate at this meeting, but will be paying very close attention to how Chair Warsh and the Committee convey the risks ahead through the press conference and updated forecasts/statement respectively.
Up to two rate hikes were recently priced by the market for the coming 12 months, though the probability of such an outturn has receeded since core CPI inflation printed at 0.2% in May and President Trump announced that a deal has been reached with Iran. Obviously considerable risk remains, but if these developments prove to be accurate signals, the Committee is likely to remain on hold through 2026-2028.

Inflation detail requires careful study



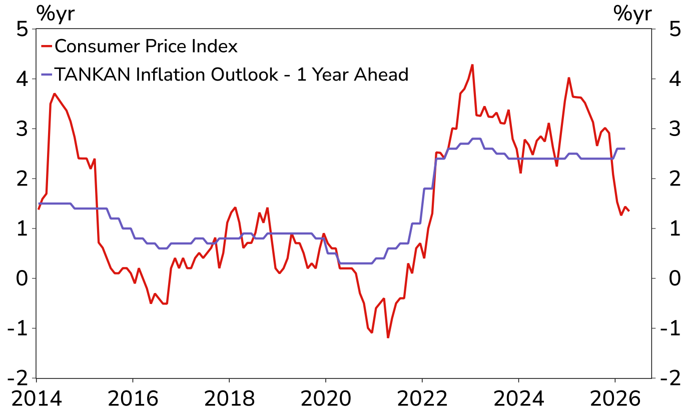
Source: BLS, Macrobond, Westpac Economics

JAPAN: June BoJ meeting

Jun 15-16, Last: 0.75%, Mkt f/c: 1.0%, WBC f/c: 1.0%

The Bank of Japan is expected to raise its policy rate by 25bps to 1.0%. The Board is likely to point to further evidence of sustained domestic inflation, with services inflation holding above 1% and recent Financial Statements Statistics of Corporations data indicating firmer investment. A more durable inflation regime and improving supply-side capacity — supported by corporate reform and fiscal policy — suggest a gradual lift in the economy's potential. We now anticipate the terminal rate to reach 1.5%. We also expect some guidance toward further rate increases, although Governor Ueda's absence may limit how explicit that signalling is. The Board will also review the bond tapering plan. We expect little change to the existing path. Despite recent volatility, auction outcomes have been sound and volatility in yields appears more reflective of geopolitical factors than supply concerns. Higher yields are also improving the domestic appeal of JGBs, with some pension funds reportedly increasing allocations.

Japan's inflation expectations anchored



Source: SBJ, BOJ, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 15							
NZ	May	REINZ House Prices	%yr	–0.9	–	–	Iran conflict has undermined household confidence and…
	May	REINZ House Sales	%yr	–7.9	–	–	…raised the prospect of earlier and faster OCR hikes.
	May	Performance Services Index	index	48.9	–	–	Businesses have reported soft trading conditions.
	May	Retail Card Spending	%mth	–1.3	–	0.4	Modest bounce as fuel costs have eased.
Eur	Apr	Industrial Production	%mth	0.2	0.3	–	Will likely come under pressure from rising costs …
	Apr	Trade Balance	€bn	3.5	–	–	… as tariffs and FX moves narrow the trade surplus.
US	Jun	Fed Empire State Manufacturing	index	19.6	12.5	–	Energy costs to likely weigh on manufacturing conditions…
	May	Industrial Production	%mth	0.7	0.2	–	… with survey data hinting to a soft read on output.
	Jun	NAHB Housing Market	index	37	36	–	Homebuilder confidence largely stagnant in 2026.
Tue 16							
Aus	Jun	RBA Policy Decision	%	4.35	4.35	4.35	Pause and assess in June, but further rate hikes still likely.
NZ	May	Selected Price Indices - Food	%mth	0.0	–	0.6	Boosted by seasonal lift in fresh vegetable prices.
	May	Selected Price Indices - Rents	%mth	0.0	–	0.0	Rents subdued with large numbers of homes available.
Jpn	Jun	BoJ Policy Decision	%	0.75	1.00	1.00	Sustained domestic inflation driving the BoJ's decision to hike.
Chn	May	Retail Sales	ytd %yr	1.9	–	–	The domestic economy is likely to continue to struggle
	May	Fixed Asset Investment	ytd %yr	–1.6	–2.3	–	… as the weakness in investment sets to deepen …
	May	Industrial Production	ytd %yr	5.6	–	–	… with only external demand to support production.
Eur	Jun	ZEW Survey Of Expectations	index	–9.1	–	–	Sentiment looks to have bottomed out but remains fragile.
US	May	Import Price Index	%mth	1.9	–	–	April saw the strongest monthly rise since March 2022.
	May	Housing Starts	%mth	–2.8	–2.2	–	Despite declines, broader trend looks firm for now …
	May	Building Permits	%mth	4.4	–0.2	–	… but the pipeline for activity looks to be slowing.
Wed 17							
Aus	May	Westpac–MI Leading Index	%ann'd	–0.17	–	–	Showing clearer loss of momentum.
NZ	Q2	Westpac–MM Consumer Conf.	index	94.7	–	–	Surveyed in the first two weeks of June.
	Q1	Current Account Balance	% of GDP	–3.7	–3.7	–3.7	Deficit steady in Q1; fuel import costs to lift deficit in Q2
Jpn	Apr	Core Machinery Orders	%mth	–9.4	0.9	–	Recent months have been volatile owing to manufacturing.
Eur	May	HICP inflation	%ann	3.2	3.2	–	Final estimate.
UK	May	CPI	%ann	2.8	–	–	Signs of pass-through did not come in April.
US	May	Retail Sales	%mth	0.5	0.5	–	To remain solid, partly bolstered by fuel prices.
	May	Pending Home Sales	%mth	1.4	–	–	Gradually picking up despite affordability pressures.
		FOMC Policy Decision	%	3.625	3.625	3.625	The first FOMC meeting with Kevin Warsh as Chair.
Thu 18							
NZ	Q1	GDP	%qtr	0.2	0.8	1.0	Seasonally overstated, but the underlying picture is solid.
UK	Apr	ILO Unemployment Rate	%	5.0	–	–	Has been volatile recently; easing likely to continue.
	Jun	BoE Policy Decision	%	3.75	3.75	–	On hold for now before likley policy tightening in H2 2026.
US		Initial Jobless Claims	000s	229	–	–	Picking up since mid-May on a 4 week moving average basis.
	May	Leading Index	pts	0.1	–	–	Consumers continue to hold a pessimistic view on outlook.
Fri 19							
NZ	May	Trade Balance	$m	1920	–	420	Surplus to shrink as higher fuel prices drive imports higher
Jpn	May	CPI	%ann	1.4	1.5	–	Inflation risks building despite softer Tokyo CPI read.
UK	Jun	GfK Consumer Sentiment	index	–23	–	–	Sentiment has plunged to a 2.5 year low …
	May	Retail Sales	%mth	–1.3	–	–	… with fewer purchases of fuel seeing spending volumes.

Economic & financial forecasts

Interest rate forecasts

Australia	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
United States											
Fed Funds	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625
US 10 Year Bond	4.47	4.50	4.50	4.55	4.55	4.60	4.65	4.70	4.75	4.80	4.85
New Zealand											
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	4.4	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 (bps)	1	15	30	40	50	50	45	40	35	25	20

Exchange 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
AUD/USD	0.7044	0.72	0.73	0.73	0.74	0.74	0.74	0.73	0.73	0.73	0.73
NZD/USD	0.5826	0.59	0.60	0.62	0.64	0.65	0.66	0.66	0.66	0.66	0.66
USD/JPY	160.21	158	156	154	152	150	148	146	144	142	140
EUR/USD	1.1569	1.17	1.18	1.19	1.20	1.21	1.22	1.22	1.22	1.21	1.21
GBP/USD	1.3410	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.40	1.40
USD/CNY	6.7746	6.75	6.70	6.60	6.50	6.45	6.40	6.35	6.35	6.30	6.30
AUD/NZD	1.2090	1.22	1.22	1.19	1.16	1.14	1.12	1.11	1.11	1.11	1.11

Australian economic forecasts *

	2026				2027				Calendar years			
% change	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2025	2026f	2027f	2028f
GDP %qtr	0.3	0.0	0.1	0.3	0.4	0.4	0.4	0.4	–	–	–	–
%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
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

** Forecasts and history are not up to date. Full forecast update will be released with our Market Outlook publication on June 12.*

New Zealand economic forecasts

	2026				2027				Calendar years			
% Change	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2025	2026f	2027f	2028f
GDP %qtr	1.0	–0.3	0.4	0.6	1.1	0.6	0.8	0.8	–	–	–	–
Annual avg change	0.6	1.3	1.4	1.5	1.7	1.9	2.3	2.7	0.2	1.5	2.7	3.4
Unemployment rate %	5.3	5.4	5.5	5.6	5.5	5.3	5.1	4.9	5.4	5.6	4.9	4.4
CPI %qtr	0.9	1.8	1.2	0.4	0.5	0.0	0.6	0.4	–	–	–	–
Annual change	3.1	4.4	4.5	4.4	4.0	2.1	1.6	1.6	3.1	4.4	1.6	2.1

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

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