Week beginning 3 August 2026

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Hawkish hold expected in August; Four shock doctrines.

The Week That Was: A long-awaited reprieve.

Focus on New Zealand: Holding the line, but momentum is hard to find.

For the week ahead:

Australia: Household spending indicator, goods trade balance, NSW Bank Holiday.

New Zealand: Labour force statistics, labour cost index, ANZ commodity prices, building permits.

Japan: Household spending data.

China: RatingDog PMIs, trade balance.

Euro Area: Retail sales, PPI.

United States: ISM manufacturing and services PMI, nonfarm payrolls, JOLTS.

Information contained in this report current as at 31 July 2026.

Hawkish hold expected in August

Luci Ellis
Chief Economist, Westpac Group

We no longer expect rate hikes by the RBA this year. Inflation has been more benign than we feared and the RBA forecast. The substantial pass-through of higher energy costs seen in the early phase of the Middle East conflict has not been followed up in recent months. This is welcome – we took no pleasure in our prior hawkish view on pass-through, and so monetary policy.

There is still a risk of a hike in November if inflation picks up again in Q3. But that is not our base case. Meanwhile the timing of the eventual unwind of the recent hikes (August 2027 start) has not been shifted by the latest data, but we will continue to assess new information. With a lower peak, though, we are now pencilling three cuts rather than four as previously. The end-point of that cutting phase is now 25bps lower, which we think is appropriate given the emerging evidence on trend growth in labour supply capacity, noted below.

Ever since the June meeting's pause, RBA communication has been signalling that they think they are not finished hiking rates. Inflation is too high and while the economy is slowing, that is – as the Governor noted in Tuesday's Q&A – "part of the plan". We therefore expect the communication of the RBA to stay hawkish and not rule out further hikes, similar to the language in June.

But it all depended on the inflation outlook, and the Q2 data show this has broken the other way, below our (and the RBA's) expectations. In particular, market services inflation and the all-important housing-related components both came in below expectations. If underlying inflation had been in line with our (and the market's) forecasts, a rate hike in August would have been more clearly on the table at the next Monetary Policy Board meeting. Although we still expect the Board will debate the case for a hike, things have not turned out in a way that supports the case for one.

Even if inflation had turned out as forecast, there would have been arguments made against a hike in the Board room. The labour market has turned out a bit softer than the RBA expected, with the participation and unemployment rates both higher in the June quarter than the RBA forecast in May. Revisions to history for underemployment could also be view-changing for the RBA. But our read of the communication and RBA forecasts was that below-expectation inflation was needed to rule out the hike, which is what we got.

In addition, as we highlighted last week, the downbeat view about potential growth in supply capacity might not be shared by all Board members. Treasury's forecasts for labour force participation and assumptions on trend productivity growth are both notably higher than the RBA's. Had inflation turned out differently today, a split vote on a hike would have been quite likely.

"Downside surprise on inflation removes case for rate hike in August."

As we have been noting for some time, we think the RBA has been overly bearish on the trend growth in supply capacity. This is one of the reasons why our end-point for underlying inflation was below the RBA's, even though we had been slightly to the upside of their May forecasts in the near term. The more benign inflation data calls the RBA's supply view into question even sooner than we had believed.

Along with the downstream impact on the cutting cycle, in this week's publication we have made some minor changes to our financial forecasts in light of our change in view on the cash rate. Given our base case view that the Fed is on hold for an extended period, we expect this week's lift in US Treasury yields to unwind in coming quarters. But because of the longstanding fiscal risks and structural supply constraints we have previously identified in the US, an upward drift in Treasury yields thereafter is expected. Impact on the exchange rate outlook from our change in view is not material, noting that near-term rates differentials have moved by less than our view has.

Forecast changes

- **We have amended our RBA cash rate view and now expect the Monetary Policy Board will hold the cash rate at 4.35% through 2026.**
- **The Australia inflation forecasts incorporate the June quarter CPI result. The broader profile is under review and will be confirmed in an upcoming bulletin.**

Four shock doctrines

- **Supply shocks complicate the already difficult task of assessing the supply–demand balance underlying monetary policy decisions. If estimates of current slack or trend growth in capacity are inaccurate, so will be the interpretation of the size and impact of a supply shock.**
- **Some general principles about shocks are useful for analysis. First, many "supply shocks" are policy shocks within the control of some decisionmaker, and thus specific to that decisionmaker. Second, other people have agency to respond to the shock, usually to mitigate it but occasionally exacerbating it.**
- **Third, buffers of inventories or spare capacity absorb supply shocks, making them less visible. Without economic slack, supply shocks might seem more frequent even if they are not.**
- **Fourth, temporary shocks can have lasting effects. This is especially relevant for geopolitical policymakers, but recent research suggests central banks need to allow for the possibility that a period of tight policy worsens supply capacity over the longer term**.

The RBA's hawkish tone in recent months stems from its assessment that demand is currently outstripping supply. It is trying to engineer a period of below-trend growth so that demand comes back into line with supply. How far it thinks it needs to go with that slowdown in turn depends on how fast it thinks Australia can grow without hitting capacity constraints. However, this is one of those situations where you do not know exactly where you are, or how fast you can go before hitting the skids. The data are uncertain, supply capacity can only be estimated not directly observed, and you just have to do the best you can with the available data.

This uncertainty matters even more when supply shocks occur. You can only see the movements in quantity and prices, which capture the combined effect of the shock and the trend growth in supply capacity, conditional on the pre-shock starting point. You don't know how big the shock was, and if your estimates of the trend or the starting point are off, you will mis-attribute some of the resulting moves in price or quantity.

For example, a downbeat view of trend will lead you to attribute less of the weakness in quantity to the shock, and more to underlying supply capacity growth being slow. In this environment it is all too easy to either underestimate spare capacity or to overestimate the sensitivity of prices to shocks of this kind.

Extracting trend from shock and signal from noise is a perennial issue for any forecaster. If supply shocks have become more frequent or larger, though, forecasting becomes even harder. In that situation, it helps to think more deeply about the shocks themselves. There are principles that can help with this, some of which suggest a need to step outside traditional models developed decades ago and incorporate more recent research.

Many shocks are a choice

First, the really big adverse supply shocks of recent years are mostly policy shocks. Russia invading Ukraine was a choice. The US imposing tariffs was a choice, as was attacking Iran. And while the pandemic was caused by a virus, most of the economic impact was driven by policy choices around control measures.

Because they are policy shocks, their size and shape are determined by the costs and constraints they impose on the policymakers who unleash them. Thus Trump blinked when the market fallout from tariffs reached a threshold and tends to stop attacking Iran when oil prices rise high enough. If a policy choice imposes a large cost on the community, it is only because the decisionmakers believe that the alternative is worse (think the casualties of an uncontrolled pandemic, but also the loss of face and power from an invasion-turned-quagmire). In other words, you can stop punching yourself in the face anytime you like, so you will only keep punching if the pain is less than the benefit of looking tough.

> **"Shocks make it hard to know where you are."**

Another implication of these being policy shocks is that their nature and frequency often depend on politics and personality. That means changing the personalities changes the shocks. For example, current trade disputes and other fractures in the US–European relationship should not be assumed to continue beyond 2028, though they still could.

Others can respond

Second, other people do not stand still. People can respond to shocks, and they will do so in ways that mitigate the impact on them. This is why second-round thinking is so important, as we have emphasised in a range of contexts.

Most of the time, responses that mitigate the impact on the individual reduce the overall impact as well. Much catastrophising about particular shocks is therefore overdone. However, sometimes people make things worse, as the panic buying of toilet paper in the pandemic and petrol more recently has shown. It is these adverse, compounding feedback loops that policymakers worry about most.

Shocks are perennial, symptoms differ

Third, economic slack is a buffer that absorbs supply shocks and makes them less visible. Supply shocks might not be more frequent, just more obvious. When economies no longer have significant spare capacity, even relatively small supply shocks become more visible in quantities and prices.

Consider a typical supply disruption – a flood or a train derailment affecting a mine, for example. Even if the repairs take a while, it is often the case that the disruption is not evident in economy-wide production or export data. Other facilities had enough spare capacity, or inventories were large enough, to fill the gap. And if there are spare resources in construction and related labour, the repairs are done quickly.

When supply and demand are in balance, though, small supply shocks cannot always be buffered. The inventories and other idle resources just aren't there to make up the gap. Then you are more likely to see the shock in economy-wide quantities and prices. Thus it is not clear whether we have more supply shocks, or just more visible ones.

As noted last week in a labour market context, for example, extra labour supply when there is already labour market slack means more unemployment, not more employment. At full employment, though, extra labour supply boosts employment (the quantity). Whether it also boosts unemployment depends on how much demand moved at the same time.

Effects can linger beyond the shock

Fourth, temporary shocks can have lasting effects. For example, even if energy prices return to something like pre-war levels over time, every person who bought an EV in response to high petrol prices will dampen demand – and so prices – in a lasting way. Indeed, one of the constraints for the Iranian government in the current conflict is the risk that the rest of the world protects its energy security by permanently decoupling from Middle East oil supply. This is why, as we have noted previously, blocking the Strait of Hormuz is a time-limited source of leverage for Iran. Similarly, one can only disrupt relationships with allies (or customers) for so long until they start finding ways to do without you for good. It has also been known for some time that wars and crises lower output permanently.

These lasting effects are not always the ones people anticipate. Recall how worried people were about the scarring effects of job losses in the pandemic. But while it didn't happen that time, forecasters need to be alert to the possibility that cyclical developments have lasting path-dependent effects. There is an emerging literature on this possibility, including from central banks (see here and here). According to this work, the full-employment level of employment and productivity could both be dragged down by overly tight policy, and a mildly 'hot' economy might actually help more than a weak economy hurts; this is an aspect of "holding onto the employment gains" that has been underplayed in much of the debate. Standard models do not allow for this, and it makes policy decisions even more fraught than widely believed.

Cliff Notes: a long-awaited reprieve

Elliot Clarke, Head of International Economics
Ryan Wells, Economist
Illiana Jain, Economist

In Australia, the much-anticipated Q2 CPI report came in below our and the market's expectation. Headline inflation rose 0.6% in Q2, less than half of Q1's 1.4% gain. This largely reflects a shrinking contribution from auto fuel prices, the temporary halving of the fuel excise tax and falling global oil prices the key drivers. Importantly, underlying trimmed mean inflation also surprised to the downside, the RBA's preferred quarterly measure up 0.8% (3.6%yr) in Q2, 0.2ppts below their May Statement on Monetary Policy forecast. Two areas that policymakers and analysts were closely watching was housing and market services. Encouragingly, prices in these sectors are now rising at a much less alarming pace, alleviating fears over rapid and/or exaggerated pass-through.

Following the CPI release, Chief Economist Luci Ellis announced that Westpac Economics no longer expects additional rate hikes in 2026, though the Monetary Policy Board (MPB) is likely to hold on to a hawkish posture until risks fully subside. Absent an adverse price risk(s) materialising in the near term, at 4.35% the cash rate is appropriately restrictive to ensure inflation will sustainably return to the midpoint of the target range over the forecast period while prior gains for employment are retained. This capacity will provide the economy with a greater ability to weather future supply shocks, a topic taken up by Chief Economist Luci Ellis in this week's essay.

Offshore, the FOMC left rates unchanged at their July meeting. Activity was characterised as solid, aided by strong investment and productivity growth, and the labour market broadly balanced. Inflation remains well above target, however, and the Committee is clearly focused on whether recent energy and semiconductor price shocks hold broader significance. Unnerving market participants on the day, it appears the FOMC is not in a rush to determine whether the current stance of policy is appropriate to bring inflation back to target, or indeed if it is better to allow the market to balance expectations and risks by itself. Several months of data and discussion are likely necessary to determine the next step based on economic data alone. However, it is entirely possible risks to inflation, or to the long end of the yield curve, will push the FOMC to a decision sooner. Policy will be live at coming meetings, particularly in September and October, with an on-hold decision most likely, but by a very narrow margin.

US data and the actions of the White House are likely to pose challenges for market participants and the FOMC as they seek to distinguish the most probable path and material risks for the economy through year end. Q2 GDP growth slowed more than expected to 1.5% annualised, although the underlying detail was constructive – consumer spending rebounding strongly after a weak Q1 while business investment held on to its buoyant momentum. A surge in imports offset this momentum, however, highlighting the extent of the US' reliance on the global production chain. June PCE data provided further reassurance on inflation, core PCE slowing to 0.1% in June. But energy prices remain a significant threat, Brent oil whipsawed between USD82 and USD97 this week as the US and Iran halted then resumed military strikes, and the Houthis and Iran-linked groups in Iraq sought to disrupt energy trade in the region. Communication between the US and Iran is only occurring through intermediaries and their positions on key issues remain far apart.

Policymakers at the Bank of England unsurprisingly continued to highlight risks stemming from the Middle East as they voted to remain on hold in a split decision, the minority of three favouring a 25bp hike. That said, recent data have increased confidence that the domestic disinflation process remains intact, the recent downside surprise for inflation, slower wage growth and softer labour market conditions cited as evidence supportive of a sustainable return to trend. Updated forecasts lowered the inflation profile while modestly upgrading growth expectations, leaving the BoE comfortable remaining on hold for now, albeit with a need to carefully assess the evolving spectrum of risks meeting by meeting.

Holding the line, but momentum is hard to find

Michael Gordon, Senior Economist
Paul Clark, Industry Economist

The indications are that the New Zealand economy has held its ground through this year's oil shock, though it has struggled to build on the momentum that was growing through late 2025 and early 2026. The agricultural sector remains a leading light for the economy, though with an eye to the risks stemming from supply-side disruptions and the weather.

Next Wednesday's labour market surveys are expected to show that the economy continues to operate with a substantial amount of spare capacity. The final input to our forecast was this week's Monthly Employment Indicator (MEI), which showed a 0.1% increase in filled jobs in June. This measure tends to be overstated on the first release, so we'd put this down as more of a flat outcome (the 0.3% increase in May was revised down to 0.2%).

The MEI is drawn from income tax data, so it provides a fairly comprehensive record of the number of jobs. While there are some conceptual differences between this and the quarterly HLFS (most importantly the distinction between jobs and workers), any major differences between the two will most likely reflect sampling error in the household survey.

The MEI points to around a 0.1% rise in employment over the June quarter. That's not enough to keep up with the growth in the working-age population (an already-reported 0.3% rise for the quarter), which suggests that we'll see some combination of higher unemployment and lower participation. We expect the unemployment rate to tick up to 5.4%, matching the cycle high that was reached at the end of last year. For more details see our June quarter labour market preview.

The other notable data release this week was ANZ's business outlook survey. There was a solid lift in business confidence in July, almost returning to its pre-conflict levels. (There were similar results in their consumer confidence survey.) However, the speed at which things have been evolving in the Middle East means that even relatively frequent indicators may struggle to remain timely. Later responses during the month were less optimistic than earlier ones, as the resumption of hostilities in early July saw world oil prices surge higher again (though unusually, local prices at the pump barely moved over the month).

Inflation expectations and pricing intentions fell in July (again more so in the early part of the month). For the RBNZ, they can perhaps take comfort in signs that businesses are viewing the oil price shock symmetrically, rather than using recent movements as an opportunity to ratchet up their own prices. On the other hand, inflation perceptions were already elevated before the Iran conflict and have been so for some time – something that was underscored by last week's inflation figures, with measures of core inflation remaining in the upper half of the RBNZ's target range. The case for removing some of last year's policy stimulus remains intact, but we think the RBNZ can continue at a gradual data-dependent pace.

Making hay while the sun shines

This week we released our latest Agri Bites report, highlighting that New Zealand's agricultural sector is well positioned for the year ahead, with favourable commodity prices across most categories. While geopolitical and climate risks have increased uncertainty, global supply constraints and resilient demand are expected to keep farmgate and export returns elevated over the coming year.

The principal near-term risk is the Middle East conflict, which has increased volatility in energy, freight and fertiliser markets. Although supply chains remain operational, higher fuel and input costs could raise farm expenses and reduce some of the benefit of strong commodity prices. Fertiliser markets remain exposed to sanctions, trade restrictions and shipping disruptions, although stronger urea supply has helped to contain price increases.

Climate conditions are another source of uncertainty. Forecasts point to an increasing likelihood of a strong El Niño developing through summer 2026/27, raising the risk of dry conditions across northern and eastern New Zealand. While current soil moisture and feed levels are favourable, prolonged dryness could reduce production across the dairy, livestock and horticulture sectors.

The prognosis for commodity prices is mixed and extends to the impact that the predicted "super El Niño" event could have on agricultural output worldwide. In the case of dairy, New Zealand is a major supplier, and past droughts have often led to a significant rise in world prices (making them strongly revenue-positive for those regions not affected by drought). For sheep and beef, however, drought tends to mean early destocking and a glut of supply that pushes prices down in the near term.

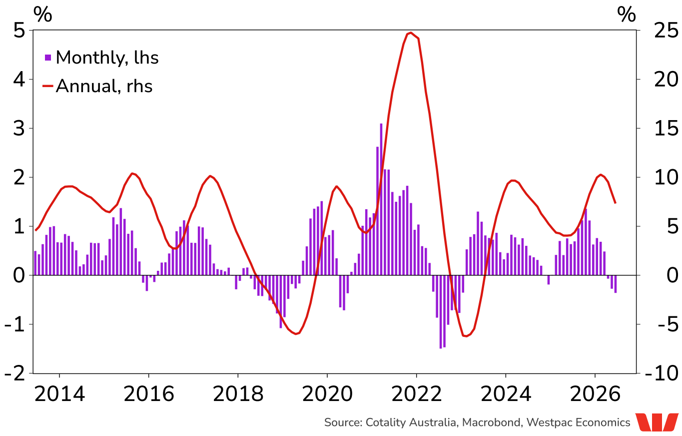
AUS: Jul Cotality Home Value Index (%mth)

Aug 3, Last: –0.4, Westpac f/c: –1.0

The Cotality home value index fell 0.4% in June following a 0.3% decline in May and a 0.1% dip in April. The cumulative 0.7% fall over the quarter is the biggest quarterly decline since the 2022-23 correction. Annual growth has slowed to 7.3%yr.

The July update is set to show a significant deterioration with a larger and more broadly-based decline. The daily measure points to a 1% fall nationally with monthly falls accelerating to 1.5% in Sydney and 1.2% in Melbourne. Declines are now showing through in Brisbane and Adelaide as well with momentum stalling flat in Perth. Turnover is likely to have pulled back sharply as well reflecting both higher interest rates and the tax policy changes introduced in the May Federal budget.

Cotality home value index



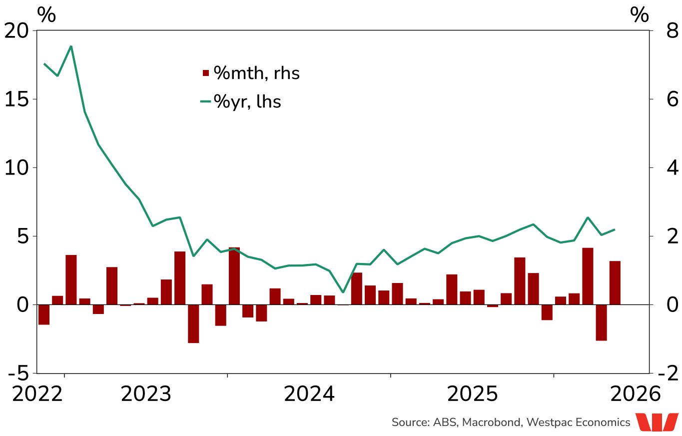
AUS: Jun Household Spending Indicator (%mth)

Aug 4, Last: 1.3, Westpac f/c: 0.1
Mkt f/c: 0.2, Range: -0.4 to 1.2

The monthly household spending indicator rose 1.3%mth in May, more than reversing April's –1.1%mth fall. Annual growth strengthened to 5.5%yr. The detail showed services and discretionary categories leading the gain.

June is expected to be a flatter month, with our Westpac-DataX Card Tracker pointing to a small 0.1% uptick. That would still leave nominal activity up 1%qtr in Q2, in line with the 1%qtr gain in Q1 but down from the 1.6%qtr average recorded over the second half of 2025. The June update will also include estimates of real household spending for Q2. The Q2 CPI detail suggests prices rose around 0.5%qtr for the goods and services covered by the spending indicator, pointing to a real spending increase of around 0.5%qtr, down slightly from Q1's 0.7%qtr.

Monthly household spending indicator



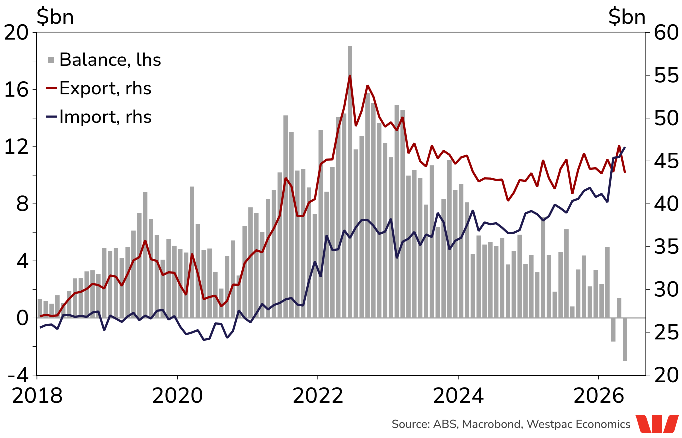
AUS: Jun Goods Trade Balance ($bn)

Aug 6, Last: -3.0, Westpac f/c: -1.8
Mkt f/c: -1.0, Range: -2.6 to +1.3

After the goods trade deficit widened to $3bn in May, the June data are likely to show an improvement. However, we expect the recovery to be modest, with the deficit narrowing to $1.8bn.

The major drivers are likely to be mixed. Among key commodities, LNG exports appear to have surged, although this is likely to be offset by lower iron ore export earnings. On the import side, we will be watching ADP and fuel inflows closely. ADP imports will provide a signal on how data-centre investment developed at the end of Q2. Fuel imports stabilised in May and are likely to decline in June given lower oil prices. Volatile gold flows may complicate the picture. Gold prices fell notably in June, and after both inflows and outflows fell by close to a third in May, we expect a further decline this month.

Goods trade balance

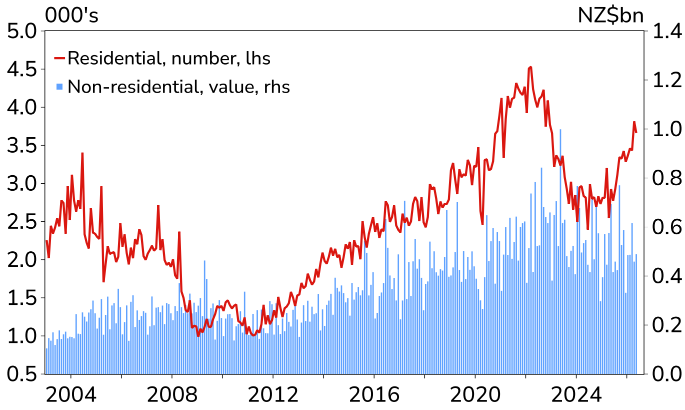


NZ: Jun Building Consents (%mth)

Aug 3, Last: -4.0, Westpac f/c: -5.0

Dwelling consent numbers slipped back in May, following a step higher in the previous month. We're expecting another modest easing in June, as large swings in the volatile medium density categories normalise. However, stepping back from the month-to-month swings, the annual total is continuing to rise. In fact, we expect it will lift above 40,000 for the first time since 2023. But while that points to a firming in homebuilding activity through the back half of the year, there are questions about whether that momentum will be sustained. Build costs have been rising, as have interest rates. At the same time, the market for existing housing remains soft. In the non-residential space, we expect the overall value of planned work will remain steady.

Building consents



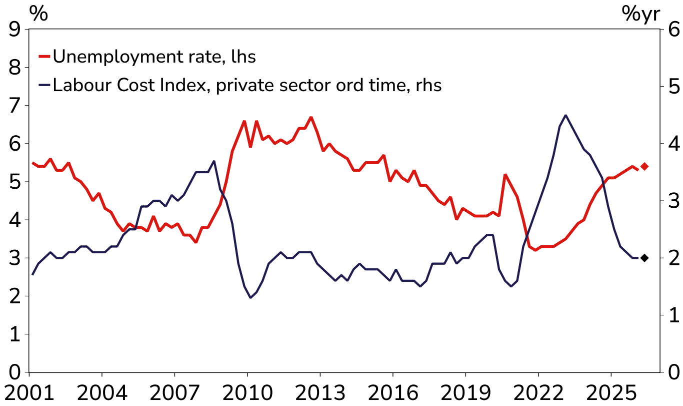
Source: Stats NZ, Macrobond, Westpac Economics

NZ: Q2 Labour Market Surveys (%)

Aug 5, Unemployment Rate, Last: 5.3, Westpac f/c: 5.4
Aug 5, LCI Private Sector, Last: 0.5, Westpac f/c: 0.6

We expect the unemployment rate to tick up to 5.4% for the June quarter, following a slight fall to 5.3% in the March quarter that was unexpected and not really reflective of the otherwise soft details. Jobs growth has held its ground through the Middle East conflict, but not enough to keep pace with population growth, which points to some combination of higher unemployment and lower participation. Wage growth is likely to remain subdued, given the existing slack in the labour market. Our picks are in line with the RBNZ's May Monetary Policy Statement forecasts.

Labour market indicators



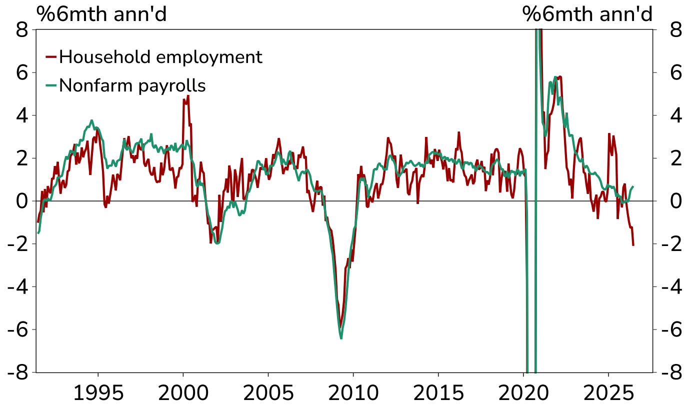
Source: Stats NZ, Macrobond, Westpac Economics

US: Jul Employment Report

Aug 7, payrolls Last: 57k, Mkt f/c: 88k, WBC f/c: 75k
Aug 7, U/E rate, Last: 4.2%, Mkt f/c: 4.2%, WBC f/c: 4.3%

Nonfarm payrolls surprised to the downside in June, registering a gain of just 57k after April and May were revised down by a cumulative 74k. Year-to-date, nonfarm payroll growth remains very healthy, sitting at the top end of estimates of new labour supply. However, June runs counter to the view held by some participants that the US labour market is re-tightening. A stronger argument against this view is that the household survey continues to point to outright job losses, with reduced participation holding the unemployment rate down. As we move through July and the remainder of the year, we expect the signals from the two surveys to draw closer together, broadly suggesting the labour market is marking time, with risks skewed to the downside.

Jobs measures differ markedly



Source: BLS, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 03							
Aus	Jul	MI Inflation Gauge	%ann	3.9	–	–	Provides a very general gauge on inflation pressures.
		NSW Bank Holiday	–	–	–	–	ASX open, bond markets closed.
NZ	Jun	Building Permits	%mth	–4.0	–	–	Annual consents to reach 40,000 for the first time since 2023.
Chn	Jul	RatingDog Manufacturing PMI	index	51.7	52.0	–	Export-oriented manufacturers faring well as trade booms.
US	Jul	ISM Manufacturing	index	53.3	54.0	–	Regional surveys point to continued expansion.
	Jun	Construction Spending	%mth	0.1	0.2	–	High rates weigh broadly; data centres buck the wider trend.
World	Jun	S&P Global Manufacturing PMI	index	–	–	–	Final estimate for Japan, Eurozone, UK and US.
Tue 04							
Aus	Jul	ANZ–Indeed Job Ads	%mth	–0.2	–	–	Suggests labour demand is broadly steady.
	Jun	Household Spending Indicator	%mth	1.3	0.1	0.1	Spending indicator points to softer pace through Q2
US	Jun	Trade Balance	US$bn	–77.6	–73.0	–	Another round of tariff-related volatility incoming.
	Jun	Factory Orders	%mth	–1.3	0.4	–	Outside of noisy transport orders, strength is broadly based ...
	Jun	Durable Goods Orders	%mth	0.3	–	–	... across metal, machinery, computer and electronic goods.
	Jun	JOLTS Job Openings	000s	7594	7250	–	Falling participation rate leaving more vacancies unfilled.
Wed 05							
NZ	Q2	Employment	%qtr	0.2	0.1	–	Jobs market holding up in the face of the oil price shock...
	Q2	Unemployment Rate	%	5.3	5.4	–	...but not enough to prevent a further rise in unemployment.
	Q2	LCI Wage Inflation (Pvte, Ord. Time)	%qtr	0.5	0.6	–	Wage pressures remain muted given existing slack.
	Jul	ANZ Commodity Prices	%mth	–1.0	–	–	Falls in dairy, beef, wool, aluminium prices.
Chn	Jul	RatingDog Services PMI	index	54.1	53.7	–	Points to a much rosier picture than official PMIs suggest.
Eur	Jun	PPI	%ann	5.9	–	–	Higher energy costs clearly manifesting in upstream prices.
US	Jul	ADP Employment Change	000s	98	75	–	Broadly consistent with revised trend in payrolls data.
	Jul	ISM Services	index	54.0	54.3	–	Activity buoyant amid healthy orders, employment recovery.
World	Jun	S&P Global Services PMI	index	–	–	–	Final estimate for Japan, Eurozone, UK and US.
Thu 06							
Aus	Jun	Goods Trade Balance	$bn	–3.0	–1.0	–1.8	Remain in deficit, despite the expected improvement
Eur	Jun	Retail Sales	%mth	0.2	0.1	–	Consumer in good standing to weather headwinds.
US	Q2	Productivity	%ann	0.3	0.7	–	Holding to a solid trend.
	Wkly	Initial Jobless Claims	000s	197	–	–	Remains at a relatively low level.
	Jun	Wholesale Inventories	%mth	0.3	–	–	Final estimate.
Fri 07							
Jpn	Jun	Household Spending	%ann	–0.4	1.0	–	Points to downside risks around the consumer.
Chn	Jul	Foreign Reserves	US$bn	3416.3	–	–	Authorities have ample liquidity.
	Jul	Trade Balance	US$bn	125.62	113.7	–	Trade a saving grace as domestic demand struggles to refire.
US	Jul	Nonfarm Payrolls	000s	57	88	75	Payrolls data has been incredibly noisy over recent months ...
	Jul	Unemployment Rate	%	4.2	4.2	4.3	... the household survey meanwhile points to downside risks ...
	Jul	Average Hourly Earnings	%mth	0.3	0.3	–	... with falling participation the only thing keeping U/E stable.
	Jun	Consumer Credit	$bn	–0.182	–	–	Slower consumper spending gives leeway to pay down debt.
	Jul	NY Fed 1-Yr Inflation Expectations	%ann	3.67	–	–	May remain elevated as gasoline prices start to lift again.
		Fedspeak	–	–	–	–	Barkin.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (31 Jul)	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28
Cash	4.35	4.35	4.35	4.35	4.35	4.10	3.85	3.60	3.60	3.60	3.60
90 Day BBSW	4.50	4.45	4.45	4.45	4.25	4.00	3.75	3.60	3.70	3.70	3.70
3 Year Swap	4.48	4.50	4.45	4.40	4.30	4.20	4.10	4.05	4.00	3.95	3.90
3 Year Bond	4.49	4.50	4.45	4.40	4.30	4.20	4.10	4.05	4.00	3.95	3.90
10 Year Bond	4.95	4.95	4.85	4.75	4.65	4.65	4.65	4.65	4.65	4.65	4.65
10 Year Spread to US (bps)	28	30	25	20	10	5	0	-5	-10	-15	-20
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	4.66	4.65	4.60	4.55	4.55	4.60	4.65	4.70	4.75	4.80	4.85
New Zealand											
Cash	2.50	2.75	3.00	3.50	3.75	4.00	4.00	4.00	4.00	3.75	3.75
90 Day Bill	2.94	3.00	3.40	3.75	4.00	4.20	4.20	4.20	4.15	3.95	3.95
2 Year Swap	3.68	3.70	3.95	4.10	4.25	4.20	4.20	4.15	4.15	4.10	4.10
10 Year Bond	4.68	4.55	4.65	4.80	5.00	5.05	5.05	5.05	5.05	5.05	5.05
10 Year Spread to US (bps)	3	5	15	25	45	45	40	35	30	25	20

Exchange rate forecasts

	Latest (31 Jul)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
AUD/USD	0.7029	0.71	0.72	0.72	0.73	0.73	0.73	0.73	0.72	0.72	0.72
NZD/USD	0.5872	0.59	0.60	0.62	0.64	0.65	0.66	0.66	0.66	0.66	0.66
USD/JPY	160.65	162	160	159	158	156	154	152	150	148	146
EUR/USD	1.1507	1.16	1.17	1.18	1.19	1.20	1.21	1.22	1.22	1.21	1.21
GBP/USD	1.3447	1.35	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.40
USD/CNY	6.7476	6.75	6.70	6.60	6.50	6.45	6.40	6.35	6.35	6.30	6.30
AUD/NZD	1.1978	1.20	1.19	1.16	1.14	1.12	1.11	1.10	1.10	1.10	1.10

Australian economic forecasts

	2026				2027				Calendar years			
% change	**Q1**	**Q2(f)**	**Q3(f)**	**Q4(f)**	**Q1(f)**	**Q2(f)**	**Q3(f)**	**Q4(f)**	**2025**	**2026(f)**	**2027(f)**	**2028(f)**
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	0.6	1.3	1.0	0.7	0.6	0.9	0.5	–	–	–	–
%yr end	4.1	3.9	3.9	4.3	3.7	3.7	3.3	2.8	3.6	4.3	2.8	2.6
Trimmed Mean CPI %qtr	0.8	0.8	1.0	0.8	0.8	0.7	0.7	0.7	–	–	–	–
%yr end	3.5	3.6	3.6	3.5	3.4	3.3	3.0	2.8	3.4	3.5	2.8	2.4

New Zealand economic forecasts

	2026				2027				Calendar years			
% Change	**Q1**	**Q2(f)**	**Q3(f)**	**Q4(f)**	**Q1(f)**	**Q2(f)**	**Q3(f)**	**Q4(f)**	**2025**	**2026(f)**	**2027(f)**	**2028(f)**
GDP %qtr	0.8	–0.1	0.6	0.7	1.0	0.5	0.6	0.7	–	–	–	–
Annual avg change	0.8	1.6	1.8	1.9	2.0	2.1	2.4	2.6	0.3	1.9	2.6	3.2
Unemployment rate %	5.3	5.4	5.4	5.3	5.2	5.1	5.0	4.9	5.4	5.3	4.9	4.4
CPI %qtr	0.9	1.5	0.7	0.4	0.5	0.2	0.7	0.4	–	–	–	–
Annual change	3.1	4.1	3.7	3.5	3.1	1.8	1.9	1.9	3.1	3.5	1.9	2.0

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