Week beginning 17 August 2026

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: RBA holds at 4.35%, narrows risk of hikes.

The Week That Was: A cautious turn.

Focus on New Zealand: Political drama and mixed data.

For the week ahead:

Australia: Labour force survey, Q2 WPI, Westpac-MI Consumer Sentiment, inflation expectations.

New Zealand: Retail card spending, food price index, Q2 PPI, trade balance, performance services index.

Japan: Q2 GDP, CPI, industrial production, core machinery orders.

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

Euro Area: ZEW survey of expectations.

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

United States: Leading index, import price index, industrial production, FOMC meeting minutes.

Global: S&P Global manufacturing and services PMIs.

Information contained in this report current as at 14 August 2026.

RBA holds at 4.35%, narrows risk of hikes

Luci Ellis
Chief Economist, Westpac Group

As widely expected, the RBA Monetary Policy Board (MPB) kept the cash rate on hold at 4.35% at its August meeting. The accompanying statement highlighted that the MPB is prepared to increase the cash rate from here, if upside risks to inflation materialise. This is more specific and narrower language than in May, when it was stated that the cash rate would be increased "if needed".

The RBA has evidently concluded that the base case is that rates are on hold. Headline and trimmed mean inflation have both come in lower than the RBA expected in May, and the labour market and housing market are both weaker than it expected. Pass-through of higher energy prices came in quickly and in size – as we flagged at the time. But as we noted in our change of rate call, this pass-through has since tapered off, undershooting the RBA's expectations.

This decision is a hold of a different character to June's meeting, where a hike was not even contemplated because the MPB was in "wait and see" mode ahead of the Q2 CPI. This month's decision involved consideration of a hike, but the base case forecasts, which show inflation below the target midpoint by 2028, did not really support such a decision.

Softer inflation and labour market outcomes have strengthened the assessment that monetary policy is somewhat restrictive, a judgement the RBA had less confidence about earlier in the year. Still, the RBA is looking for a period of below-trend growth, and ultimately some spare capacity to build up, to engineer the reduction in inflation. Currently its forecasts show the economy to be on track to deliver that outcome.

The MPB is not yet ready to rule out rate hikes, however, because it assesses that inflation risks are skewed to the upside. It is particularly concerned that pass-through from energy prices to other prices might continue, even though it has eased off a bit sooner than originally expected. Further escalation in the Middle East conflict might result in higher energy prices than forecast, and/or more pass-through. These are similar considerations to the ones that led us to flag that there was still some chance that the RBA hikes again this cycle, even though that is no longer our base case.

The RBA still assesses the labour market to be somewhat tight, although it has eased recently. However, some of the measures the RBA typically relies on for this assessment have been affected by changes to the Labour Force Survey; measures that do not involve this survey such as capacity utilisation and business difficulty finding suitable labour provide a clearer easing signal. The SMP highlights underemployment as supporting the assessment that the labour market is still tight. As we have previously noted, other measures of underemployment published by the ABS have increased more sharply than the headline measure. The RBA's evolving assessment of labour market conditions will be a key driver of its inflation outlook, arguably more so than the housing market, which is also being affected by changes to taxation arrangements.

The RBA's underlying analysis that capacity pressures are boosting inflation and constraining output growth remains in place. Although the RBA's assessment of potential output growth is a little higher than in recent quarters, the revision was driven solely by a revised outlook for population growth. The RBA's downbeat assumptions about trend productivity growth have not changed, despite extensive language in the SMP highlighting the boom in AI and data centre investment, which has been stronger than its forecasts recognised in May.

"RBA on hold as expected, recognising the data has broken against its hawkish narrative."

Curiously, the SMP highlighted the inflationary risks posed by the AI boom pressuring construction capacity at home and semiconductor-related inflation globally, despite not factoring in any positive productivity spillover from the resulting investment. While productivity benefits would be expected to come through with a lag, how long this was expected to take was not addressed. We also find it curious that the SMP and Governor highlighted the contention for construction labour and other resources this involves, but the effects of this are only barely evident in its GDP forecasts. This implies a view that data centre construction must be crowding out other construction.

We continue to expect the RBA to remain on hold through to mid next year. However, it will be a "hawkish hold" with the MPB slow to relax given its view that upside inflation risks predominate. While we believe that investors should allow for some risk of a hike later this year, it is not our base case. There are clearly upside risks to inflation, as the RBA has highlighted, but in our view downside risks as well.

Forecast changes

- **A full update to our forecasts has been published in our Market Oulook publication today, August 14.**

Cliff Notes: a cautious turn

Elliot Clarke, Head of International Economics

This week the RBA took centre stage in Australia deciding unanimously to keep the cash rate unchanged for a second consecutive meeting. As detailed by Chief Economist Luci Ellis, the accompanying statement highlighted that the MPB is prepared to increase the cash rate from here, if upside risks to inflation materialise. This is more specific and narrower language than in May, when it stated that the cash rate would be increased "if needed".

Headline and trimmed mean inflation have both come in lower than the RBA expected in May, and the labour market and housing market are both weaker than it anticipated. These outcomes have strengthened their assessment that monetary policy is somewhat restrictive, likely sufficiently so to bring inflation below the target range mid-point by 2028. Inflation risks are still regarded as skewed to the upside, however, and the labour market tight. So, we expect the RBA's communications to maintain a hawkish tone while they remain on hold through late-2026 and early-2027. By August 2027 though, we believe a period of below-trend growth, an unemployment rate above the full employment level and a trend deceleration in annual inflation will be enough to warrant the first of three 25bp rate cuts, to be followed up in November 2027 and February 2028. Until this relief is given, the consumer is likely to remain cautious on spending and housing, topics assessed in depth in our latest Red Book.

On the data front, the July NAB business survey captured businesses' reaction to the breakdown of the US/Iran Memorandum of Understanding and the brief spike in Brent oil above USD100 per barrel. Business conditions continued to show resilience (+1pt to 4), but confidence remained sub-par, registering a second-consecutive reading of -6 – 11pts below its long-run average and within the bottom 10% of outcomes recorded since 1997. Input cost increases are materially affecting business profitability, particularly in sectors where weak and/or fragile demand is limiting the ability of firms to pass costs on. The survey's gauge of profitability remained only modestly below its long-run average, and the employment index in line. That said, forward orders showed a 3pt decline in July to -3 highlights a need to monitor risks closely.

Offshore, US inflation data was in focus. Again, it proved benign, headline prices rising 0.1% and 0.2% excluding food and energy. While annual headline inflation is still a multiple of the FOMC's 2.0%yr target (3.4%yr in July), core inflation has moderated all the way back to 2.5%yr. And recent monthly outcomes suggest further progress is in train. Since December 2025, core goods prices have essentially been flat. Core services inflation has meanwhile averaged 0.3% per month over the period with an outsized contribution from shelter. Indeed, 6-month annualised inflation excluding food, energy and shelter was just 1.6% in July compared to 2.4% for the traditional ex food and energy measure. There is little the FOMC can do about shelter inflation in the short to medium-term, and inflation across the rest of the basket is clearly not suggesting a hike(s) is necessary now or in coming months.

Last Friday's nonfarm payrolls report also argues in favour of restraint by the FOMC, the employment gauge surprising to the downside in July (-23k) following a -103k revision to the prior two months. Household survey employment was weaker still, with 87k fewer people reporting they are employed in the month, continuing the trend of the past 6 months (an average monthly decline of 153k). Declining participation continues to mask the deterioration in household employment. Had participation not fallen 1.2ppts since January 2025, the unemployment rate would be through 5.0%. Average hourly earnings are increasingly reflecting labour market slack, rising just 0.1% in the month, slowing the annual pace to 3.2%.

All told, we expect the US economy to continue to show resilience, growing around trend in 2026–28. But the household sector is set to remain under considerable pressure, with excess capacity likely to build in the labour market and the ability to unlock housing wealth constrained by borrowing costs and uncertainty. A complete update of our global analysis and forecasts will be made available in our August Market Outlook today on Westpac IQ.

Political drama and mixed data

Darren Gibbs
Senior Economist

While much of the focus remains on developments offshore, over the past week market participants have also had to digest both further domestic political drama and the release of several local economic indicators.

Beginning with political developments, the National Party is continuing to poll well below its 2023 General Election result, suggesting that several of the party's MPs are at risk of losing their seats at the next General Election on 7 November. So perhaps unsurprisingly, media speculation about a possible change in the party's leadership – citing sources within the party – resurfaced over the weekend. This led Prime Minister Christopher Luxon to call an impromptu caucus meeting on Wednesday, calling MPs back to Wellington despite parliament being in recess.

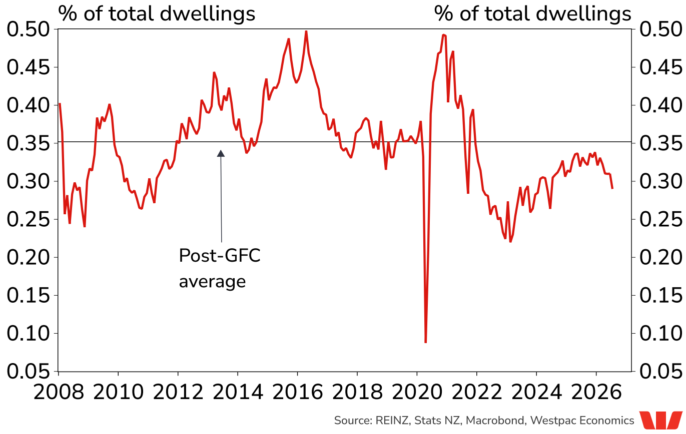
Following a three-hour meeting, Luxon held a very short press conference at which he confirmed that he had survived a no confidence motion. This follows him surviving an earlier confidence motion back in April (on that occasion, initiated by Luxon himself following widespread media reporting of dissatisfaction within the party caucus). Later in the day it emerged that one minister, Chris Penk, had challenged Luxon for the leadership. Penk has since been sacked from the Cabinet and has announced that he will no longer be standing for re-election.

With the next General Election now less than 90 days away, polling continues to show a tight race. Crucially, another well-respected poll released this week (the 1News-Verian poll) suggests that the Opportunity Party will – for the first time – achieve the 5% vote threshold that will allow it to enter parliament. Moreover, the same polling suggested that it could well be the "kingmaker" after the election. Given that the National Party has indicated an unwillingness to work with it, the Opportunity Party's rise increases the likelihood of a change of government.

It will be interesting to see how this week's developments impact polling over coming weeks, with political infighting usually punished by potential voters. It is worth noting that measures of headline business confidence have historically been weaker when a left-of-centre government is in power, so it would not be surprising to see a slip in sentiment over the next month or so (even more so given the ongoing Middle East conflict).

Turning to this week's economic data, news from the housing market remained soft in July. House sales fell 4.6% – their fifth straight monthly decline. Sales are now at their lowest level in two years. The median time to sell extended to around 47 days, thus remaining much longer than the historic average. Meanwhile, the REINZ house price index was unchanged for the month and was down 0.4% on a year ago. Conditions remain stronger in the south, with prices up on a year ago in Canterbury, Otago and Southland. However, Auckland prices were down 1.7% on a year ago, while Wellington was down 4.4%. Fixed-term mortgage rates have continued to rise since the start of this year, in anticipation of the next RBNZ tightening cycle (which is now in motion). This will continue to weigh on the housing market, leaning against any improvement in incomes as the economy gets back on its feet.

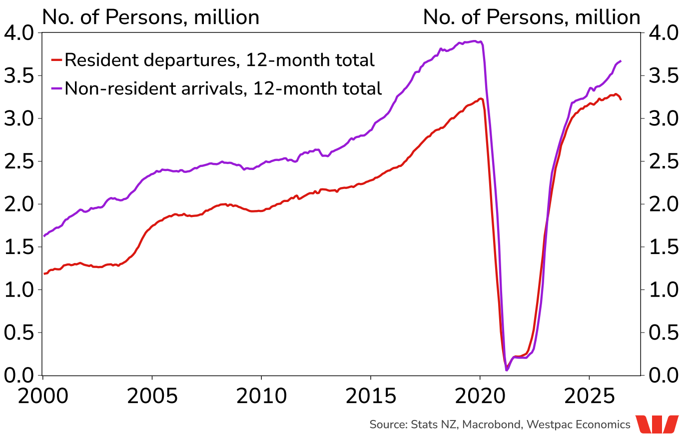
Monthly house sales



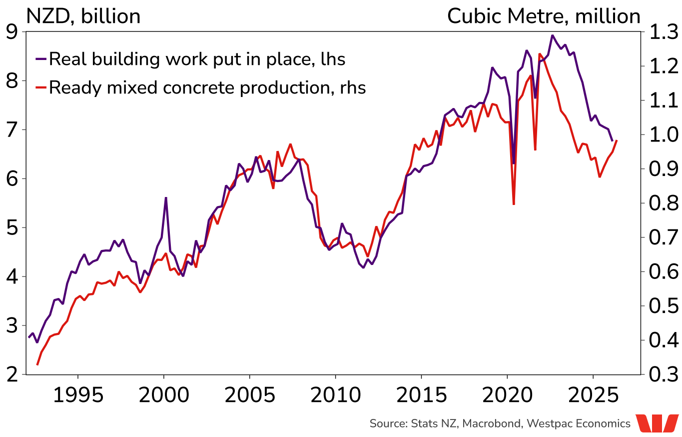
The subdued activity being seen in the housing market is also a reflection of slow population growth. The estimated net migrant inflow in the year to June was just 17,600 – little more than half the average pace experienced over the past two decades. The net inflow has increased marginally over the past year, mostly due to a 5% decline in migrant departures. Looking ahead, given the expected cyclical improvement in the New Zealand economy over the next 12 months, and the expected weakening of the Australian labour market, a further reduction in migrant outflows should contribute to a gradual strengthening in population growth, providing some support to the housing market in time.

In other news, short-term foreign visitor arrivals were down fractionally in June but still 8% higher than a year earlier. Annual growth in total arrivals hides some quite divergent performance across New Zealand's major source markets, however. Arrivals from Australia – the largest market – were up 16%yr and are now well above pre-pandemic levels, doubtless helped by the significant fall in the NZD/AUD cross over the past year. The recent strong performance of the Chinese market also continued, with arrivals up 33%yr (now around 88% of pre-pandemic levels). By contrast, arrivals from the US and Canada were down around 8%yr. Less surprisingly, arrivals from Germany and the UK were down over 9%yr, likely reflecting both the undesirably of transiting via the key Middle East hubs as well as the large increase in long-haul airfares. Meanwhile, the Middle East conflict also appears to be impacting the travel habits of New Zealanders, with outbound travel falling for a third consecutive month in June to sit slightly below its year-earlier level.

Tourism flows



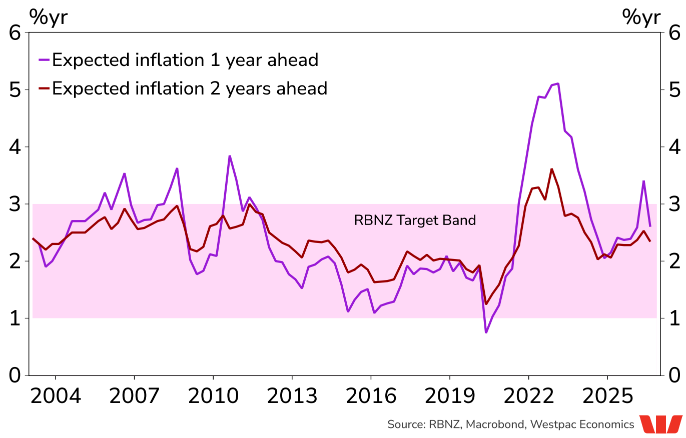
Concrete poured vs real building work



The Business NZ manufacturing index fell 5.8pts to 54.3 in July – roughly halfway between its sharply contrasting May and June readings. The sharpest decline was seen in the new orders index, which fell 10.8pts to 53.3 – just above its May reading. By contrast, the production index remained quite resilient, falling just 1.9pts to 57.3. We think that the manufacturing sector is continuing to benefit from strong conditions in the primary food sector and the beginnings of an upturn in the construction sector. Indeed, further signs of the latter were evident in concrete production data for the June quarter. At the nationwide level, production increased 3.7% during the quarter to be 12.4% higher than a year earlier. In common with many other macroeconomic statistics, the South Island regions stood out as relatively strong, with growth of 25%yr in Canterbury and 20%yr in Otago/Southland.

Turning to inflation, the RBNZ's September survey of professional forecasters and selected businesspeople pointed to a welcome decline in expectations over the next couple of years. Expectations for inflation one year ahead fell to 2.60%, down sharply from 3.41% last quarter. Similarly, the closely watched measure of inflation in two years' time fell to 2.34%, down from 2.53% previously. We did see a small rise in expectations for longer term inflation (five and ten years ahead), but those increases are well within the normal quarter-to-quarter volatility we typically see. Meanwhile, in a similar vein, the RBNZ's household survey reported that the median one-year ahead inflation expectation had declined by 0.5pts to 4.5%, while the two-year ahead expectation fell 0.6pts to 3.4%. At the margin these results might ease the RBNZ's concerns about the potential for second-round inflation impacts.

RBNZ Survey of Expectations



Finally, after trending sideways for most of this year, Westpac's indicator suggests that spending levels took a step higher in July, with per-person spending on Westpac issued credit and debit cards rising 2% over the month. Helping to support July's lift in spending were falls in fuel prices, with the savings there supporting a near 3% lift in spending on groceries. We also saw sizeable increases in some categories of discretionary spending – spending in restaurants was up 5% and spending on other entertainment was up 2%. That lift coincided with the FIFA World Cup. Stats NZ will release its more comprehensive measure of electronic card spending over the coming week.

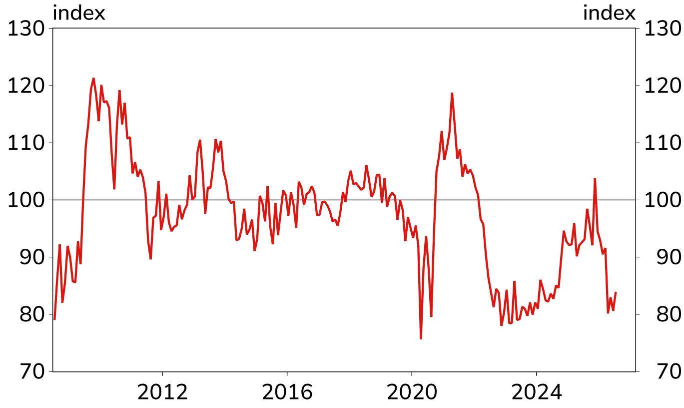
AUS: Westpac-MI Consumer Sentiment

Aug 18, Last: 83.9

Consumer sentiment rose 4.1% to 83.9 in July. Despite the gain, sentiment remains deeply pessimistic, ranking in the bottom 10% of outcomes over the survey's 50-year history. The improvement appears to reflect growing confidence that the worst-case scenarios around energy prices, interest rates and the labour market are not materialising, although cost-of-living pressures continue to weigh heavily on households.

Developments over the past month have been mixed. An unsettled situation in the Middle East has contributed to higher fuel prices following the expiry of the fuel excise discount, with the national average retail pump price now back above $2.00/L. Offsetting this, the RBA kept rates on hold in August and signalled it was a little less worried about inflation following the softer Q2 CPI print. Sentiment may also see some influence from a broadening downturn in housing markets.

Consumer Sentiment Index



Source: Melbourne Institute of Applied Economic & Social Research, Macrobond, Westpac Economics

AUS: Q2 Wage Price Index (%qtr)

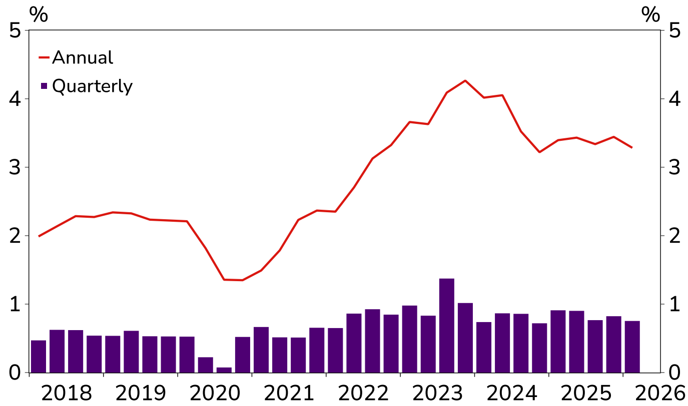
Aug 19, Last: 0.8, Westpac f/c: 0.8
Market f/c: 0.8, Range: 0.8 to 1.0

The Wage Price Index (WPI) rose 0.8% in Q1 2026, in line with Westpac's forecast and the market consensus.
Growth in private sector wages continued to moderate, annual growth now at its slowest pace so far in the cycle (3.2%yr). Meanwhile, growth in public sector wages eased back following some larger gains over last year that were due to state-based enterprise agreements and an increased in aged care wages.

We expect a similar result for Q2 2026, a 0.8% increase that should see the annual pace tick down from 3.3%yr to 3.2%yr

Further ahead, the Fair Work Commission's 2026 Annual Wage Review handed down a larger-than-expected increase in award wages of 4.75%. That will come into effect in Q3, which we expect will raise the WPI pace back around the 3½%yr mark.

Wage Price Index



Source: ABS, Macrobond, Westpac Economics

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

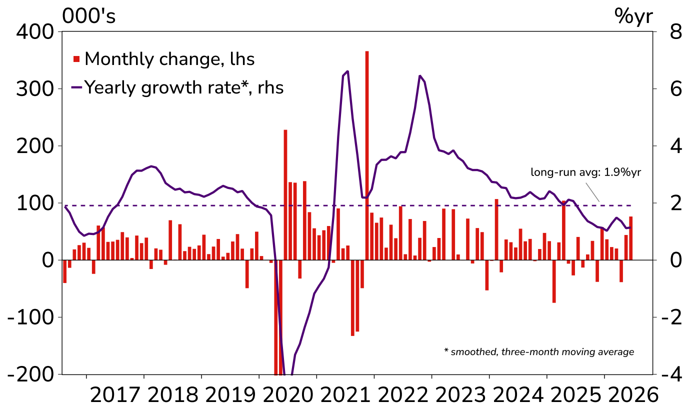
Aug 20, Last: 76.3, Westpac f/c: 15.0
Market f/c: 13.5, Range: –15.0 to 25.0

Employment surprised to the upside in June, jumping +76.3k following a couple of volatile readings over April (–38.6k) and May (+44.0k), matched by a sizeable lift in labour supply.

On a three-month average basis, employment growth is running at an annual pace of 1.1%yr, well below the long-run average (1.9%yr) and the current pace of working age population growth (1.8%yr). High inflation, recent interest rate rises and lingering uncertainty makes for a challenging hiring environment, as evinced by recent business surveys

For July, we have pencilled in a lift in employment of 15k. We recommend watching the employment-to-population ratio on the day, as it will be subject to less noise around population projections. Please see **our preview** for more detail.

Employment growth



Source: ABS, Macrobond, Westpac Economics

AUS: Jul Labour Force – Unemployment Rate (%)

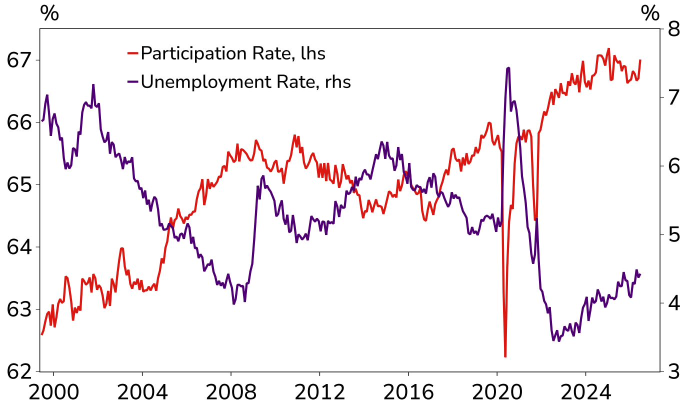
Aug 20, Last: 4.4, Westpac f/c: 4.4
Market f/c: 4.4, Range: 4.3 to 4.5

The participation rate bounced 0.3ppt higher to 67.0% in June, and since the increase in employment was driven by new entrants into the labour force, the unemployment rate held steady at 4.4%, though at the second decimal place it edged slightly higher (4.37% to 4.43%).

Explaining at least some of this surprise, the ABS noted that in May, there was a larger group of individuals who already had a job lined up but just hadn't started working, where come June they moved into the labour force and started work.

For July, we expect the participation rate to tick down to 66.9% while the unemployment rate holds broadly steady at 4.4%. As discussed in our preview, the recent sharp jump in underemployment may be a signal of more slack to come.

Participation and unemployment rates



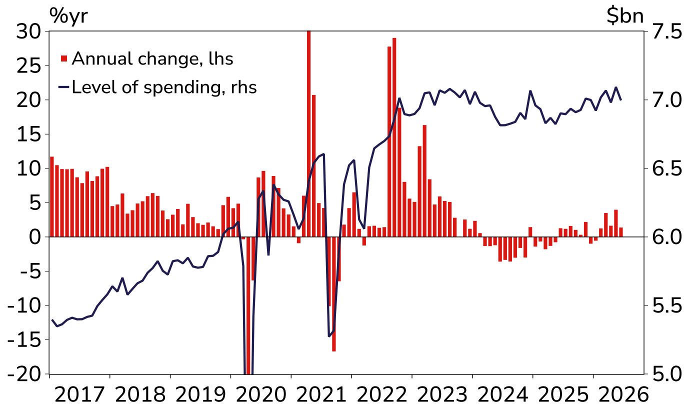
Source: ABS, Macrobond, Westpac Economics

NZ: Jul Retail Card Spending (%mth)

Aug 17, Last: -1.4, Westpac f/c: 0.3

Retail spending fell 1.4% in June, reversing the step higher that we saw in May. June's fall in spending was in part due to the fall in fuel prices, with spending on fuel down 1.7%. However, while lower fuel prices did put money back into households' pockets, spending was also down in most other areas. We're expecting moderate growth of 0.4% in July. That's in part due to the continued easing in petrol prices. Core (ex-fuel) spending is likely to record a larger 0.7% gain, including a pick-up in hospitality spending which was boosted by FIFA World Cup celebrations.

NZ retail card spending



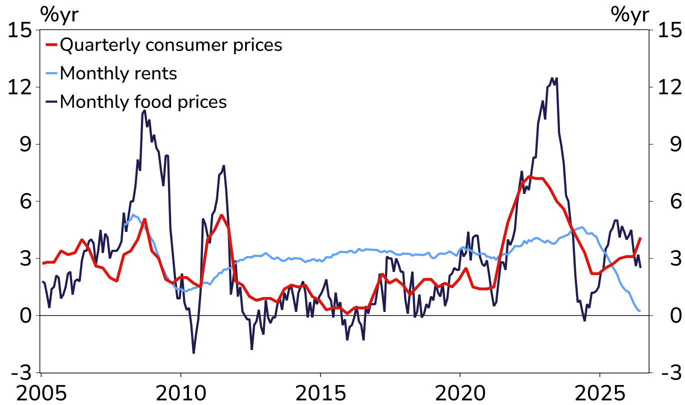
Source: Stats NZ, Macrobond, Westpac Economics

NZ: Jul Selected Consumer Prices (%mth)

Aug 17

Stats NZ's monthly Selected Prices update provides information on around 50% of the full CPI basket, including some of the more volatile components. Looking at some of the big groups, we expect the July update will show a 5% fall in fuel prices. We also expect further softness in housing rents, which have essentially shown no growth for a year. On the upside, we expect a 1% rise in food prices related to the seasonal rise in the price of fresh fruit. Overall, this month's release is expected to leave us with a picture of headline inflation tracking close to 4% and core at firm levels. The key areas of uncertainty are the travel categories, which have been volatile in the wake of the war in the Middle East.

NZ selected consumer prices



Source: Stats NZ, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 17							
NZ	Jul	Performance Services Index	index	50.6	–	–	Services have underperformed so far this year.
	Jul	Selected Price Indices – Food	%mth	0.6	–	1.1	Seasonal lift in prices for fresh fruit.
	Jul	Selected Price Indices – Rents	%mth	0.1	–	0.0	No sign that softness is dissipating.
	Jul	Retail Card Spending	%mth	–1.4	–	–	Core spending picking up as fuel prices edged back.
Jpn	Q2	GDP	%qtr	0.5	0.5	–	Firmer domestic demand to support growth.
	Jun	Industrial Production	%mth	1.3	–	–	Final estimate.
Chn	Jul	Retail Sales	ytd %yr	1.3	1.4	–	Activity indicators will likely show an economy that...
	Jul	Industrial Production	ytd %yr	5.4	5.3	–	...continues to lose momentum as policymakers fail to offer...
	Jul	Fixed Asset Investment	ytd %yr	–5.7	–6.2	–	...new stimulus, putting 2026 growth target at risk.
US	Aug	Fed Empire State Manufacturing	index	15.6	10	–	A bumpy up trend since early–2025 remains intact.
	Aug	NAHB Housing Market	index	34	33	–	Homebuilder sentiment expected to reach a 2026 low.
Tue 18							
Aus	Aug	Westpac–MI Consumer Sentiment	index	83.9	–	–	Steady rates, higher fuel, housing downturn, all in play.
		RBA Speak	–	–	–	–	RBA's Jones–Fireside Chat
Eur	Aug	ZEW Survey Of Expectations	index	23.4	–	–	Sitting at a five month high as reform spur hope for growth.
UK	Jun	ILO Unemployment Rate	%	4.9	4.7	–	Stabilising after coming off early–2026 peak.
US	Jul	Import Price Index	%mth	0.3	0.1	–	Prices for consumer goods firmed partly offset by energy costs.
	Jul	Housing Starts	%mth	19.0	–5.7	–	Partial unwind expected following June boost...
	Jul	Building Permits	%mth	–2.6	–0.2	–	...while permits expected to record third consecutive decline.
	Jul	Industrial Production	%mth	0.1	0.3	–	Rising production sees capacity pressures increase.
Wed 19							
Aus	Q2	WPI	%qtr	0.8	0.8	0.8	Higher than expected FWC decision to lift wages.
		RBA Speak	–	–	–	–	RBA's Hauser Fireside Chat, 12:45pm AEST.
NZ	Q2	PPI	%qtr	0.8	–	–	Will reflect higher fuel prices.
Jpn	Jun	Core Machinery Orders	%mth	–12.4	7.8	–	To partly reverse following last month's contraction.
UK	Jul	CPI	%ann	2.6	3.0	–	Services to moderate as energy pressures persist.
US		FOMC Meeting Minutes	–	–	–	–	Minutes for the July Committee meeting.
Thur 20							
Aus	Aug	MI Inflation Expectations	%ann	4.7	–	–	Could see an increase given the end of the fuel excise cut.
	Jul	Employment Change	000s	76.3	13.5	15.0	Watch employment-to-population to dampen noise...
	Jul	Unemployment Rate	%	4.4	4.4	4.4	...as participation rate ticks lower keep the UR steady.
US	Aug	Philly Fed Manufacturing	index	41.4	25.0	–	At a near five year high.
		Initial Jobless Claims	000s	209	210	–	Down trend resumes after early–May–to–mid–June up trend.
	Jul	Leading Index	pts	–0.2	0.1	–	Consumers are the key headwind to economic growth.
Fri 21							
NZ	Jul	Trade Balance	$m	23	–	–	Exports likely to decline from exceptional June level
Jpn	Jul	CPI	%ann	1.6	2.0	–	Price pressures broaden beyond food and energy costs.
	Aug	S&P Global Manufacturing PMI	index	54.5	–	–	Activity buoyed by steepest rise in new orders in four years...
	Aug	S&P Global Services PMI	index	51.2	–	–	...while cost and capacity pressures remain at odds in services.
Eur	Aug	S&P Global Manufacturing PMI	index	51.9	51.6	–	Production sees fastest rise since post–Covid related surge...
	Aug	S&P Global Services PMI	index	51.7	51.5	–	...with services activity rebounding into expansion.
UK	Aug	GfK Consumer Sentiment	index	–17	–18	–	Yet to recover from Middle East led deterioration.
	Jul	Retail Sales	%mth	1.0	–	–	World Cup overrides sour sentiment to lift spending.
	Aug	S&P Global Manufacturing PMI	index	51.9	51.8	–	Input price inflation eased considerably...
	Aug	S&P Global Services PMI	index	52.1	51.8	–	...as services activity returned to expansion in July.
US	Aug	S&P Global Manufacturing PMI	index	53.9	53.7	–	Rising at a milder pace due to supply chain disruptions...
	Aug	S&P Global Services PMI	index	54.6	53.9	–	...while outlook for services improves bolstering job creations.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (14 Aug)	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	4.51	4.46	4.46	4.46	4.26	4.01	3.76	3.61	3.71	3.70	3.70
3 Year Swap	4.49	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	4.98	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)	34	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	4.64	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	2.95	3.00	3.40	3.75	4.00	4.20	4.20	4.20	4.15	3.95	3.95
2 Year Swap	3.60	3.70	3.95	4.10	4.25	4.20	4.20	4.15	4.15	4.10	4.10
10 Year Bond	4.64	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)	0	5	15	25	45	45	40	35	30	25	20

Exchange rate forecasts

	Latest (14 Aug)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
AUD/USD	0.7062	0.71	0.72	0.72	0.73	0.73	0.73	0.73	0.72	0.72	0.72
NZD/USD	0.5856	0.59	0.60	0.62	0.64	0.65	0.66	0.66	0.66	0.66	0.66
USD/JPY	159.46	162	160	160	158	156	154	152	150	148	146
EUR/USD	1.1533	1.16	1.17	1.18	1.19	1.20	1.21	1.22	1.22	1.21	1.21
GBP/USD	1.3489	1.35	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.40
USD/CNY	6.7449	6.75	6.70	6.60	6.50	6.45	6.40	6.35	6.35	6.30	6.30
AUD/NZD	1.2069	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	0.2	0.2	0.3	0.4	0.4	0.4	0.4	–	–	–	–
%yr end	2.4	1.7	1.5	1.0	1.1	1.3	1.4	1.5	2.6	1.0	1.5	2.5
Unemployment rate %	4.2	4.4	4.6	4.8	4.9	4.9	4.8	4.8	4.3	4.8	4.8	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	1.1	0.8	0.6	0.6	0.8	0.5	–	–	–	–
%yr end	4.1	3.9	3.7	3.9	3.1	3.2	2.9	2.6	3.6	3.9	2.6	2.4
Trimmed Mean CPI %qtr	0.8	0.8	0.8	0.8	0.8	0.7	0.6	0.6	–	–	–	–
%yr end	3.5	3.6	3.5	3.3	3.2	3.1	2.9	2.7	3.3	3.3	2.7	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 %	5.4	5.6	5.5	5.4	5.3	5.2	5.1	4.9	5.4	5.4	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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