Week beginning 24 August 2026

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Higher bond yields: not just one thing.

The Week That Was: The foundations of confidence.

Focus on New Zealand: Counting down the days.

For the week ahead:

Australia: RBA minutes, CPI, Q2 private capex, Q2 construction work done, Westpac-MI leading index.

New Zealand: Q2 retail sales, employment indicator.

Japan: CPI, jobless rate.

China: Industrial profits.

Euro Area: Economic confidence, consumer confidence, M3 money supply, IFO business climate survey.

United States: Q2 GDP, personal income and spending, PCE deflator, consumer confidence, new home sales.

Information contained in this report current as at 21 August 2026.

Higher bond yields: not just one thing

Luci Ellis
Chief Economist, Westpac Group

- **Bond yields have been rising in recent weeks, especially at the long end of the maturity spectrum. We have long believed that the global structure of interest rates would have a higher centre of gravity in future than it did in the period between the GFC and the pandemic. The factors often cited for the recent rise in yields – larger government deficits globally, the investment boom from AI – were already behind this judgement.**
- **The question then arises: have we allowed enough for these forces? Getting the direction right is one thing; quantifying the impact is another. In doing so, though, we must take care not to confuse trend and cycle. Some of the recent rise stems from the exceptional demand for funding data centre construction. This effect of the technology wave could last a while, but it is more a cyclical development than a permanent structural one.**
- **For the Australian economy, developments at the long end of the yield curve tend to be less relevant. Most financing happens at the short end of the maturity spectrum, especially for households. But there are borrowers and investors who are affected by long-dated yields, especially governments.**
- **Higher yields mean higher debt-servicing costs, particularly for the US government. Expect more manoeuvres like the US Treasury supporting the yen by selling euros not dollars, as well as the buy-back operation this week. These are merely stop-gaps rather than a lasting solution like genuine fiscal consolidation.**

Westpac Economics has long held the house view that the global structure of interest rates would be higher in the future than it was in the period between the GFC and the pandemic. Central bank policy might influence the short end, but over a longer period, what matters for interest rates globally is the global balance of saving and investment. Pre-pandemic, saving rates were high, thanks in part to official sectors accumulating reserves. Meanwhile, investment was weak. Confidence had been frayed by the crisis, and some governments were in austerity mode. That decade's new technologies did not spark the same kind of productivity-enhancing investment boom as computers and the internet did in the late 1990s and early 2000s. And in any case, banks in North America and Europe were recapitalising and less inclined to lend.

There were good reasons to see that period as an aberration, though, including the very long-term evidence we noted two years ago. As we highlighted at the time, a range of forces have been pushing "neutral" rates higher, along with the structure of interest rates more broadly. These include higher government spending as populations age, as well as the private sector needing to invest in both energy transition and AI. Higher defence spending was also in the mix, especially after Germany changed its constitution last year to allow more deficit spending for this purpose. The general fiscal incontinence of the US government was already evident two years ago and worsened under the current administration. All these factors imply greater bond supply, and so higher yields.

To unpack this further, a bond yield is normally thought of as being the combination of several components that are easier to name than to measure. Nominal government bond yields are composed of (expected) inflation plus real yields, where real yields are normally assumed to reflect expected future (real) policy rates plus a "term premium". The term premium is in principle the compensation investors require for the risk that things turn out differently from their expectations of the other two components, and in practice is a residual grab bag of everything else that might affect demand and supply in the bond market. Corporate bonds add a risk spread to this, reflecting that a company might default but a sovereign issuing in its own currency will never need to.

The higher global structure of interest rates can be seen in all these components. Inflation generally undershot central bank targets in the 2010s; since the pandemic, it has at best been around target, with global supply shocks periodically lifting it above target. Real yields are higher, and with shorter-maturity bonds now paying positive real yields, we are seeing less of the "search for yield" behaviour that compressed both term premia and risk spreads in the 2010s.

"rumblings of investor discontent about the US fiscal position have become evident in yields."

But how much?

It is one thing to say rates will be higher on average. We also need to ask: by how much? This is where the AI boom comes in. The scale of the planned global investment in data centres is nothing short of mind-boggling, and it is creating substantial demand for debt finance. The "hyperscaler" tech firms (Alphabet, Amazon, Meta and Microsoft) used to be enormous cash generators. Now they are responsible for some of the largest debt issuances in the market, including Alphabet's super-sized $A deal this week. Issuance in Australia and other non-US jurisdictions makes sense for these firms. They want to access a diversified pool of investors, and many of the assets they are financing are outside the US, especially now that data centres have become unpopular in many US communities.

The scale of this greater investment call on global savings is one reason to expect longer-dated yields to average even higher in the near term than their range since the pandemic so far.

We must take care, though, to distinguish trend from cycle. This is particularly relevant for the data centre boom, which is likely to be a big thing for the next few years, but settle down as the technology matures and computing capacity expands (and becomes cheaper).

The US government is also making an exceptional call on global saving, and this looks more like a longer-term structural trend than the AI boom does. The US federal government has been running deficits in excess of 4% of GDP for a decade, aside from a brief period in 2022, and more than 6% since the beginning of 2023.

In recent weeks, rumblings of investor discontent about the US fiscal position have become evident in yields. And those hyperscaler bonds, including the $A-denominated ones, are offering a higher yield for companies with similar ratings to the US sovereign. The bonds of governments in better fiscal positions, including Australia's, also start looking attractive. To this we must add that Japan now looks to be becoming a "normal" economy with positive inflation and interest rates, and an undervalued currency that might tempt some investors to bet on an appreciation. While it remains the case that There Is No Alternative to the US Treasury market for depth and liquidity, some diversification out of USD assets is starting to look both more feasible and more attractive.

The other consequences

For the Australian economy, developments at the long end of the yield curve tend to be less relevant than those at the short end. Most financing happens at the short end of the maturity spectrum, especially for households. But some borrowers and investors are affected by long-dated yields, especially governments, and the local firms involved in data centre construction.

Offshore, we can see higher yields constraining policy decisions by the US government and can expect more on this front. The US government's debt-servicing costs are becoming more burdensome as large deficits persist and yields rise. Just in the past few weeks, we have seen some unusual currency interventions by the US Treasury, followed by buy-backs designed to shorten the maturity profile of US government debt and lower the term premium paid. And while we expect the Fed will not fold in the face of pressure to keep rates low, we can well imagine the content of the phone calls between FOMC Chair Warsh and President Trump. Expect more manoeuvres by the US authorities along the lines seen recently. These are merely stop-gaps, though, not lasting solutions like genuine fiscal consolidation.

Cliff Notes: the foundations of confidence

Elliot Clarke, Head of International Economics

After an upside surprise in June, the labour force survey disappointed in July, reporting a loss of 15.8k jobs. This leaves average monthly employment growth year-to-date at 20.8k, above 2025's 12.6k but below the pace needed to keep the unemployment rate unchanged. It is therefore unsurprising that the unemployment rate continued to edge higher, reaching 4.5% in July, 0.4ppts above its level at the turn of the year. Hours worked also disappointed, declining 0.6% in the month to be up just 0.2% over the year. Slowly but surely, slack is forming in the labour market, weighing on activity growth but supporting the disinflationary trend. That trend must be sustained if the next move in the cash rate is to be down as Westpac forecasts, albeit not until next August.

The Q2 wage price index was also favourable for the inflation outlook. As expected, the headline wage price index rose 0.8% in Q2 to be 3.2% higher over the year. Private sector wage growth is now at its weakest since Q4 2021 (0.7%qtr, 3.1%yr). Public sector wage momentum provided an offset in Q2, gaining 0.9%qtr and 3.4%yr. The detail suggests that a larger share of public sector jobs received a wage increase than a year ago (25% versus 20%), but that the average hourly wage increase for those jobs was smaller (3.1% versus 3.5%).

Australian consumers are becoming more aware of labour market risks, with the Westpac-MI consumer sentiment survey unemployment index rising above its long-run average in August. But the cumulative impact of cost-of-living pressures remains the major impediment to confidence: both "family finances versus a year ago" and "family finances next 12 months" stayed below average in August, despite mortgage holders receiving a welcome reprieve from the RBA. And improved comfort around family finances is only the first step towards a recovery in consumer demand. "Time to buy a major household item" remains 24% below average despite a monthly bounce, while "time to buy a dwelling" is similarly 20% below average. We expect a lengthy period of weakness in Australia's economy, with a return to trend activity growth not foreseen until late-2028.

Offshore, attention centred on FOMC messaging. Overall, the July minutes showed a high degree of caution over the inflation outlook, reflecting uncertainty around the Middle East conflict and US economic policy, as well as an expectation that the US economy would maintain its recent momentum. "Most participants anticipated that inflation would step down over the rest of the year as the effects of tariffs and earlier energy price increases wane, but many participants noted the possibility that inflation might be more persistently elevated." In that context, "many participants assessed that policy tightening would likely be necessary if inflation did not decline".

Since the meeting, data has been constructive for the disinflationary trend, and the majority of FOMC members who have spoken have recognised the importance of the Committee's credibility on inflation but also that they have time on their side in assessing conditions.

Turning to Asia, the July China data round underwhelmed yet again. The return from trade is incredible, but retail sales growth has essentially stalled, 0.6%yr, and the decline in fixed asset investment is increasingly broad based, -6.7%ytd. House price declines continue to weigh on household wealth, and domestic equity holdings do not have the scale or breadth to compensate.

Authorities may be keeping quiet on stimulus ahead of the next meeting between President Xi and President Trump, and as the US looks to expand its economic actions against Iran – potentially via third parties with ties to Iran, such as China. But, very clearly, there is an urgent need for stimulus if the 2026 and 2027 growth targets are to be achieved.

Counting down the days

Michael Gordon
Senior Economist

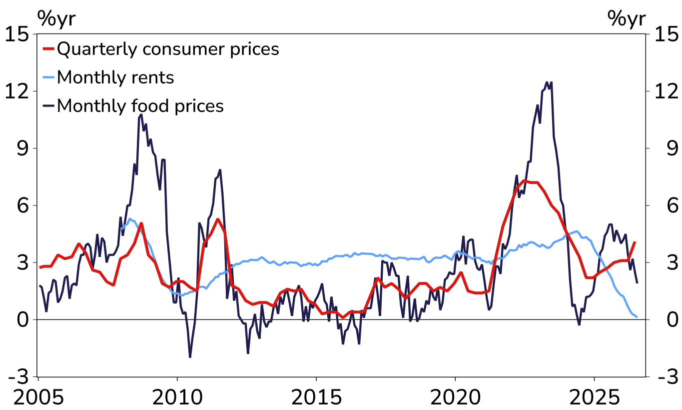
This week saw a handful of data releases, with no decisive signals for the RBNZ as it approaches its 2 September Monetary Policy Statement. Market pricing is firmly in favour of another OCR hike next month, but there is much more uncertainty around what the RBNZ will signal for the remaining meetings this year. We'll be discussing these issues and more in our latest quarterly Economic Overview, released next Wednesday.

The monthly selected prices release, which covers almost half of the quarterly CPI basket, was softer than expected in July. Of particular note was a muted 0.1% rise in food prices for the month, with annual growth slowing to an 18-month low of 1.9%. Meat prices saw their largest monthly fall since 2020, and there were also prices declines for wine and some dairy products.

Outside of food, petrol prices were down 6% over the month, with diesel down 12%. However, the renewed hostilities in the Middle East since July mean that prices at the pump have been higher again over August. There were large increases in domestic and international airfares, both of which experience large seasonal swings, and are likely to ease back next month. However, with global oil prices still elevated, this is one area where we could see ongoing strength.

July also saw another 0.1% fall in housing rents, continuing the weak trend seen over the past year. With weak population growth and ample supply, housing rents are likely to remain subdued for some time. Rents make up just over 10% of the CPI, so they are having a significant dampening effect on overall inflation at the moment.

NZ selected consumer prices



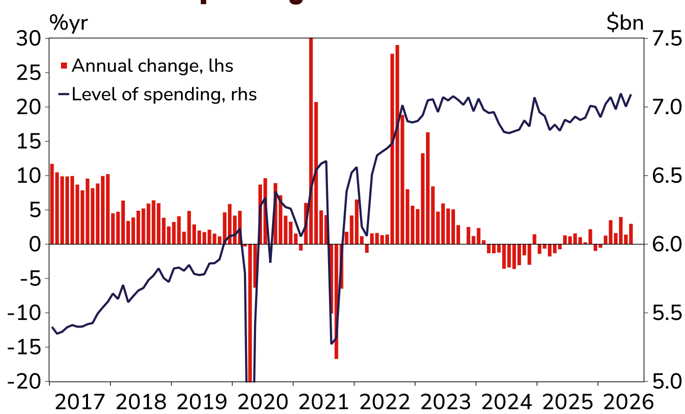
Source: Stats NZ, Macrobond, Westpac Economics

Altogether, the July results signal some downside risk to our existing forecast of a 0.7% rise in consumer prices in the September quarter (which would see annual inflation slow down from 4.1% to 3.7%). However, we're still left with a picture of inflation that's likely to be well above the RBNZ's target range for the remainder of this year, including firm levels of core inflation.

The June quarter producer price index showed a range of cost pressures, with input prices rising 2.9% and output prices up 1.6%. Higher fuel prices were an obvious driver, showing through in a range of industries such as wholesaling, transport and construction. As the June quarter CPI has already shown, though, many firms have limited ability to pass on these cost increases.

Turning to the activity data, card spending at retail stores rose by 1.3% in July, following and equal-sized fall in June. Indeed, these figures have been volatile for several months even after seasonal adjustment – there may have been some changes in the timing of spending that are difficult to account for. Looking through this, spending is up modestly on a year ago, but price increases – especially for fuel – will have accounted for a large part of this. We expect next week's retail trade survey to show a 0.2% fall in sales volumes for the June quarter.

NZ retail card spending



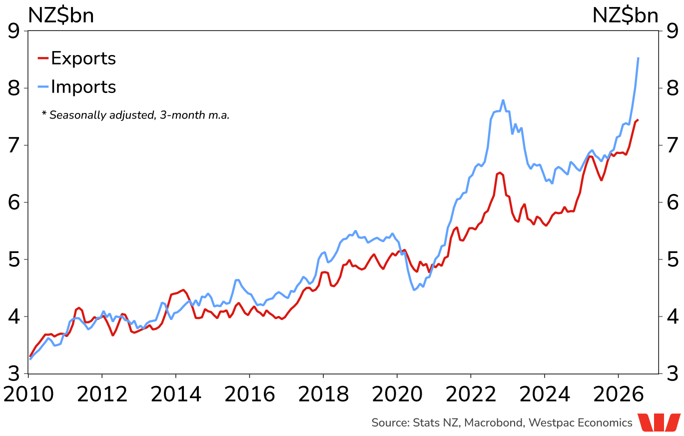
Source: Stats NZ, Macrobond, Westpac Economics

The services PSI was little changed at 50.6 in July, holding just above the zero-growth mark. So far this year the services survey has been more subdued compared to the manufacturing survey, which recorded a solid 54.3 in July after spiking to 60.1 in June. That may reflect their relative exposures to the global market, with strong demand and a favourable exchange rate boosting export-oriented sectors and regions.

The second GlobalDairyTrade auction for August saw a 2.3% rise in dairy prices, led by strong gains in whole milk and skim milk powders. These results had been well signalled by the futures market, which has seen a strong run-up in prices in recent weeks. Longer-dated contracts – covering the New Zealand summer – have risen particularly strongly, suggesting that the market is eyeing the risk that a severe El Niño event could restrict milk production this season. With New Zealand accounting for a large share of internationally-traded dairy products, past droughts have tended to squeeze global prices higher, sometimes resulting in a net boost to industry-wide earnings.

The final release this week was the goods trade data for July, which fell further into deficit in seasonally adjusted terms. Exports remained strong, supported by higher commodity prices. But the country's import bill has surged in the last few months, mostly reflecting the jump in fuel prices. The July figures also included a particularly large diesel shipment, for the purpose of lifting our onshore fuel reserves in response to the Middle East conflict. Outside of fuel, the ongoing growth in imports of capital equipment suggests that firms have remained willing to invest through the war uncertainty.

Merchandise trade



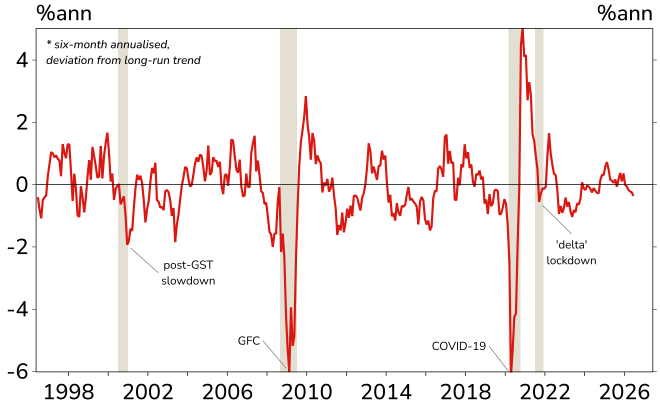
AUS: Jul Westpac-MI Leading Index

Aug 26, Last: –0.36%

The Leading Index growth rate dropped to –0.36% in June from –0.25% in May. The update pointed to a more material loss of momentum although the growth pulse was still not overly weak.

The July read include will again include a mixed bag of monthly updates with equity markets and commodity prices firming, dwelling approvals posting a solid rise and the yield spread and consumer expectations a little more positive but some softer signals emanating from labour market components: consumer unemployment expectations and total hours worked. All up the mix may see a slight improvement in the growth rate signal.

Westpac-MI Leading Index



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

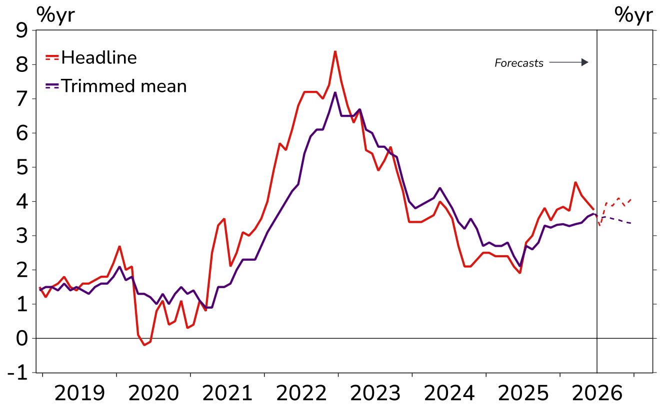
AUS: Jul Monthly CPI (%yr)

Aug 26, Last: 3.8, Westpac f/c: 3.3
Mkt f/c: 3.3, Range: 3.1 to 3.6

The June Monthly CPI was much better than feared, falling for a second consecutive month at –0.1%mth/3.8%yr. The monthly trimmed mean also moderated to 0.3%mth with a slight up tick in the year-ended pace of 3.6%yr.

We expect the July monthly CPI to rise 0.8%mth with the annual pace easing back to 3.3%yr. Holiday travel and auto fuel are the key drivers of the stronger monthly outcome, alongside a pick-up in some domestic market services resulting from the higher minimum wage decision. Electricity will be the main drag in the month. The monthly trimmed mean is forecast to rise 0.4%mth, taking the annual pace to 3.5%yr. For the full preview, see [here].

Headline and Trimmed Mean Inflation



Source: ABS, Macrobond, Westpac Economics

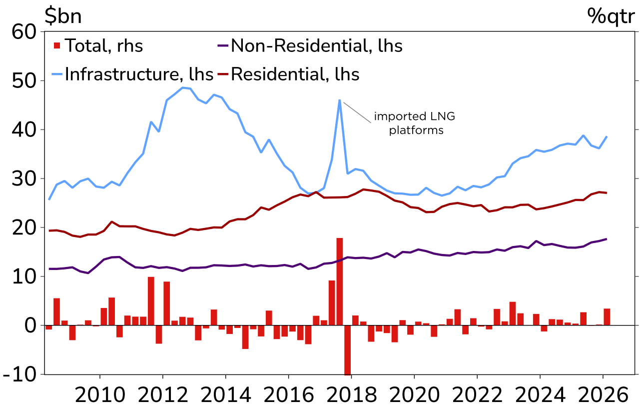
AUS: Q2 Construction Work Done (%qtr)

Aug 26, Last: 3.4, Westpac f/c: –1.0
Market f/c: 0.5, Range: –2.0 to 2.5

Construction activity grew 3.4%qtr in Q1, leaving it 6.3% higher over the year. However, the headline result was boosted by the installation of a floating production unit for the Scarborough Energy Project, much of which would have already been captured in the National Accounts through earlier progress payments. As this temporary spike unwinds, we expect construction activity to fall by around 1.0%qtr in Q2.

Beyond this, underlying trends remain more favourable. Public infrastructure investment is soft as major projects are completed, but residential construction is expected to recover following the unexpected Q1 decline. At the same time, data centre related developments and population-driven demand for commercial floorspace should continue to support non-residential building activity.

Construction activity maintains a solid trend



Source: ABS, Macrobond, Westpac Economics

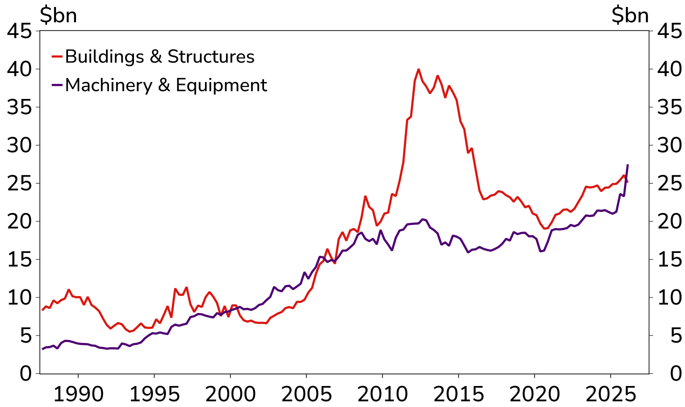
AUS: Q2 Private CAPEX (%qtr)

Aug 27, Last: 6.5, Westpac f/c: 0.0
Market f/c: 0.0, Range: –6.0 to 4.0

Private capex grew a very strong 6.5%qtr in Q1 2026, with investment in machinery and equipment driving much of the increase, primarily led by the IT sector. Capital imports suggest there will be some payback in the machinery and equipment component this quarter following that surge. However, there has also been a significant increase in the construction of commercial buildings with building approvals rising strongly over the June quarter. Overall, this should see private capex hold flat in Q2, while remaining elevated in level terms.

Est 6 for 2025/26 capex plans, after our adjustment, is consistent with robust nominal growth of 11.2%yr and real growth of 10.7%yr. We expect Est 3 unadjusted plans for 2026/27 to come in at $195bn, an 11.5% increase on a year ago, pointing to continued growth in FY27.

Private Capex



Source: ABS, Macrobond, Westpac Economics

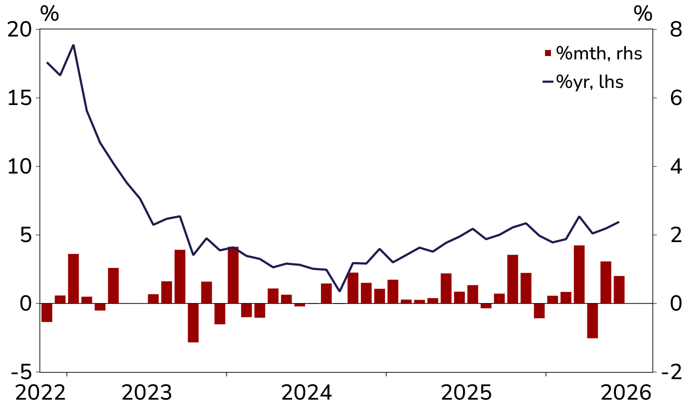
AUS: Jul Household Spending Indicator (%mth)

Aug 27, Last: 0.8, Westpac f/c: –0.5
Mkt f/c: 0.3, Range: –0.5 to 0.7

The household spending indicator rose 0.8%mth in June, beating expectations. The gain followed a choppy run, spending up 1.2%mth in May having fallen 1%mth in April. Annual growth strengthened to 6.0%yr.

Our **Westpac-DataX Card Tracker** maintained solid momentum through July and early August. However, the gains were stronger in parts that are not covered by the ABS HSI (including international transactions). A narrower measure that more closely aligned with the HSI points to a dip in the July month. Vehicle sales (covered by HSI but not the card tracker) also look to have dipped after a strong June quarter. Overall we expect the indicator to show a 0.5% decline with a small downward revision to June also possible.

Monthly household spending indicator



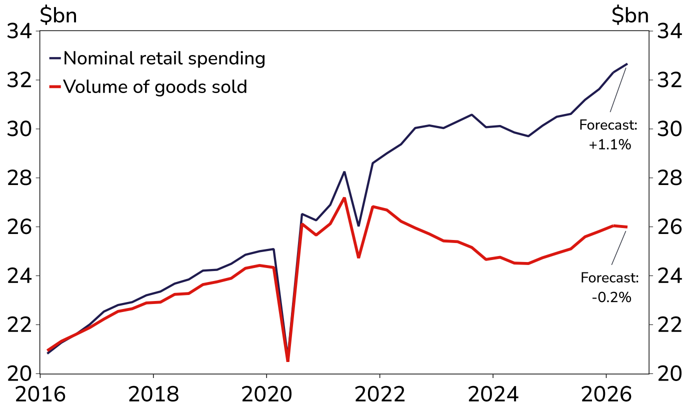
Source: ABS, Macrobond, Westpac Economics

NZ: Q2 Retail Trade Survey (%qtr)

Aug 24, Volumes last: 0.9, Westpac f/c: –0.2

In the early part of this year, we were seeing signs that spending appetites were lifting, with retail sales posting several quarters of solid growth. However, that momentum has taken a knock recently due to the large increase in fuel prices and related uncertainty about the economy outlook. We're forecasting a 1.1% rise in nominal spending over the June quarter. However, with a large rise in prices, volumes are expected to be down 0.2%. Core spending is expected likely to be firmer, with a moderate 0.6% rise forecast.

Retail spending



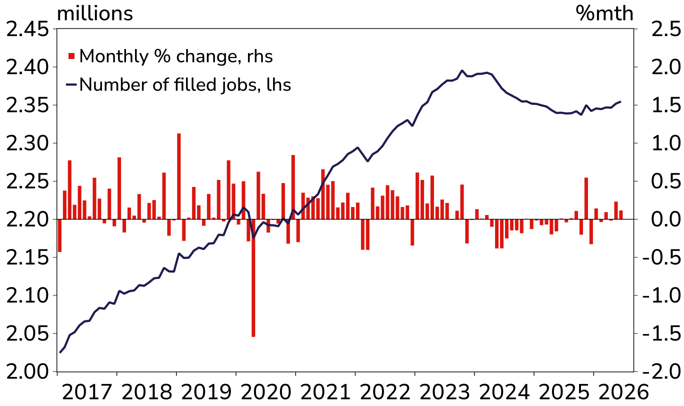
Source: Stats NZ, Macrobond, Westpac Economics

NZ: Jul Monthly Employment Indicator (%mth)

Aug 28, Last: 0.1, Westpac f/c: 0.3

The MEI has continued to tick higher in recent months, showing that the jobs market has held its ground through the Iran conflict and the consequent surge in fuel prices. The weekly snapshots provided by Stats NZ have been running ahead of year-ago levels and suggest another solid result for July – we've pencilled in a 0.3% rise on the initial release, although this measure tends to get revised down a bit in later releases.

Monthly Employment Indicator



Source: Stats NZ, Macrobond, Westpac Economics

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

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 24							
NZ	Q2	Real Retail Sales	%qtr	0.9	0.0	–0.2	High fuel prices weighing on spending.
US	Jul	Chicago Fed Activity Index	index	–0.02	–	–	Indicates underlying growth momentum relative to trend.
Tue 25							
Aus		RBA Minutes	–	–	–	–	Discussion of inflationary pressures in focus.
		RBA Speak	–	–	–	–	Speech by David Jacobs, Head of Domestic Markets, 2:00pm.
Ger	Aug	IFO Business Climate Survey	index	86.6	–	–	Will test whether confidence is stabilising
US	Jun	FHFA House Price Index	%mth	0.3	0.2	–	High interest rates dampening house price growth,
	Jun	S&P/CS Home Price Index	%mth	0.15	0.10	–	Has been around zero lately.
	Jul	Building Permits	%mth	5.0	–	–	Final estimate, ample supply keeping new construction low.
	Jul	New Home Sales	'000	628	620	–	Slow housing market activity.
	Aug	Richmond Fed Manufact. Survey	index	5	7	–	Manufacturing sentiment recovered in recent months.
	Aug	Conf. Board Consumer Confidence	index	90.8	90.2	–	Weakened notably over the last twelve months.
Wed 26							
Aus	Jul	Westpac–MI Leading Index	%ann'd	–0.4	–	–	Mixed monthly data may see an improvement on net in July.
	Jul	Monthly CPI	%ann	3.8	3.3	3.3	Holiday travel and autofuels will support the headline.
	Q2	Construction Work Done	%qtr	3.4	0.5	–1.0	First partials of the Q2 GDP growth.
US	Jul	Personal Income	%mth	0.2	0.2	–	Income growth continues to support spending
	Jul	Personal Spending	%mth	0.4	0.0	–	Can strong Q2 growth be maintained in Q3?
	Jul	PCE Deflator	%mth	–0.1	0.1	–	Inflation pressures are easing gradually...
	Jul	Core PCE Deflator	%mth	0.1	0.2	–	...but core inflation may prove sticky.
	Q2	GDP	%ann'd	1.5	1.5	–	Second est., slower Q2 growth despite higher consumption.
	Jul	Durable Goods Orders	%mth	0.5	0.5	–	AI investment driving underlying demand.
Thur 27							
Aus	Q2	Private New Capital Expenditure	%qtr	6.5	0.0	0.0	Data-centre investment in focus after a surge in Q1.
	Jul	Household Spending Indicator	%mth	0.8	0.3	–0.5	Vehicle sales to detract from the headline after a strong June.
Chn	Jul	Industrial Profits	%ann	15.1	–	–	Weak domestic demand challenging profit growth.
Eur	Jul	M3 Money Supply	%ann	3.3	–	–	Focus on credit conditions after the ECB interest rate hike.
US	Jul	Wholesale Inventories	%mth	0.2	–	–	Inventory adjustment cycle still unfolding.
	Jul	Advance Goods Trade balance	$bn	–101.4	–99.5	–	Goods trade deficit increased recently.
		Initial Jobless Claims	000s	206	208	–	Consistent with broadly balanced supply and demand.
	Aug	Kansas City Fed Manufac. Activity	index	9	–	–	Manufacturing sentiment recovered in recent months.
Fri 28							
NZ	Jul	Employment Indicator	%mth	0.1	–	0.3	Jobs have held their ground through the Iran conflict.
Jpn	Aug	Tokyo CPI	%ann	2.0	1.9	–	Inflation pressures remain firm.
	Jul	Jobless Rate	%	2.5	2.5	–	Labour market conditions remain tight.
Eur	Aug	EC Economic Confidence Index	index	96.9	–	–	Good indicator of how GDP growth impulse is evolving in Q3.
	Aug	EC Consumer Confidence Survey	index	–15.9	–16.0	–	Recovering after the energy price shock.
US	Aug	Chicago PMI	index	57.6	59.0	–	Increased a lot this year despite higher economic uncertaintuy.
	Aug	Uni. Of Michigan Sentiment	index	51.0	51.0	–	Confidence remains very low by historical norms.
		Fedspeak	–	–	–	–	Chair Kevin Warsh's speech at Jackson Hole

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (21 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	4.49	4.46	4.46	4.46	4.26	4.01	3.76	3.61	3.71	3.70	3.70
3 Year Swap	4.56	4.50	4.45	4.40	4.30	4.20	4.10	4.05	4.00	3.95	3.90
3 Year Bond	4.57	4.50	4.45	4.40	4.30	4.20	4.10	4.05	4.00	3.95	3.90
10 Year Bond	5.06	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	4.70	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	2.99	3.00	3.40	3.75	4.00	4.20	4.20	4.20	4.15	3.95	3.95
2 Year Swap	3.66	3.70	3.95	4.10	4.25	4.20	4.20	4.15	4.15	4.10	4.10
10 Year Bond	4.71	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)	1	5	15	25	45	45	40	35	30	25	20

Exchange rate forecasts

	Latest (21 Aug)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
AUD/USD	0.7139	0.71	0.72	0.72	0.73	0.73	0.73	0.73	0.72	0.72	0.72
NZD/USD	0.5941	0.59	0.60	0.62	0.64	0.65	0.66	0.66	0.66	0.66	0.66
USD/JPY	159.03	162	160	160	158	156	154	152	150	148	146
EUR/USD	1.1691	1.16	1.17	1.18	1.19	1.20	1.21	1.22	1.22	1.21	1.21
GBP/USD	1.3643	1.35	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.40
USD/CNY	6.7218	6.75	6.70	6.60	6.50	6.45	6.40	6.35	6.35	6.30	6.30
AUD/NZD	1.1969	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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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

IQ

westpaciq.com.au

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