Week beginning 21 September 2026

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: A changing investment narrative requires a careful reader; Rate call: tactical timing change to September.

The Week That Was: Seeking to instil trust.

Focus on New Zealand: Economy bags modest growth in Q2; patchy start to Q3.

For the week ahead:

Australia: Labour force survey, RBA speak (Governor, Assistant Governor (Economic), MPB Member).

New Zealand: Westpac-MM employment confidence.

Euro Area: Consumer confidence, IFO business survey, money supply.

United Kingdom: House prices, public sector borrowing.

United States: Durable goods orders, regional manufacturing surveys, home sales, Fedspeak.

Global: S&P Global PMIs.

Information contained in this report current as at 18 September 2026.

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A changing investment narrative requires a careful reader

Luci Ellis
Chief Economist, Westpac Group

- **Strong business investment, autonomous from government or central bank policy, has filled the gap left by slower growth in public demand, and changed the narrative around the growth cycle. This has implications for how we should think about financial conditions, and specifically business credit growth.**
- **Typically, business investment is only loosely correlated with interest rates, and business credit growth is in turn only loosely correlated with new investment. Business balance sheets strengthened in the wake of the pandemic, so there might be scope for further increases in leverage. The pre-pandemic period of low growth, inflation and interest rates is in any case not the relevant period of comparison for where we are now.**
- **If something is essentially impervious to interest rates, then it cannot be an indicator of financial conditions more broadly. There is a difference between a claim that policy is restrictive but needs to be even tighter because of a positive shock, and a claim that policy is not tight at all. These are important considerations for how we should interpret developments in business credit.**

Historically, much of the commentary on the growth cycle in Australia has been policy-driven. The RBA sets the cash rate, which affects housing and mortgage markets, and so consumer spending. Business investment was seen as largely downstream of a consumer-driven domestic demand cycle, on the logic that businesses will not invest if demand is not there.

There were exceptions to this, most notably the rise of China and associated mining investment boom. The pervasive effects of this boom and its unwind were systematically underestimated. Also not fully appreciated at the time was the deadening effect of risk aversion and weak investment appetite in the wake of the GFC. But these factors mostly played out over a longer horizon, and the shorter-run rates–consumer nexus tended to be more in focus.

Another policy-driven narrative became more prominent in recent years, with public demand as the swing variable. Government infrastructure projects and the growth in the care economy were driving growth in domestic demand. Initially we worried that when the infrastructure projects ended and the expansion in the care economy matured, the handover would be 'shaky' and growth momentum would weaken further.

Fortunately, that did not happen. Developments in the private sector, autonomous from domestic policy, have recently become a key driver and filled the gap as public sector demand growth slowed. In many respects, the data centre boom and associated renewables spend is rewriting the narrative, and our recent forecast revisions reflect this.

This shift has several implications for how we should think about financial conditions and specifically how business credit growth fits into any assessment of financial conditions.

First, **business investment is not that correlated with short-term interest rates**. This was true in the post-GFC period of slow growth, when hurdle rates stayed high even though interest rates were unusually low. It will also be true in the upswing. The hyperscalers and other funders that are driving the data centre boom are essentially indifferent to cost. They do not seem to care that they are funding themselves at much wider spreads than similarly rated non-tech firms. Nor do they seem to care about cost to build. They just want to get it done as fast as possible. But if their activities are impervious to interest rates and spreads, they cannot guide views on how the economy is responding to interest rates.

"If something is essentially impervious to interest rates, then it cannot be an indicator of financial conditions more broadly."

Second, **business investment is only loosely correlated with business credit** quarter to quarter or year to year. A stylised description of many businesses' strategies is to use debt funding to acquire assets or other companies, but use retained earnings to fund new investment. Short-run fluctuations in business credit growth might therefore provide weak or misleading signals about investment or activity more broadly. Moreover, if businesses' funding mix changes, even medium-term shifts in business credit growth might have little implication for underlying activity.

Third, **balance sheets matter**. Businesses came out of COVID cashed up, in part because of the fiscal support they received during the pandemic. Business leverage – whether measured as debt relative to financial assets broadly or debt to cash plus deposits – dipped below even the low post-GFC average. It has since returned to that average but might have scope to increase further. This would not necessarily mean credit supply has eased. Rather, the population of borrowers has effectively changed and become stronger.

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Fourth, and related to the previous point, **the comparison period matters**. We must recall that the period between the GFC and the pandemic was the anomaly – low growth, low inflation, low investment – and extremely low interest rates. The global structure of interest rates is likely to be higher now and into the future, because of the AI boom, the US fiscal situation and the end of the post-GFC inflation undershoot. But this is not news, and it is not necessarily a sign of a change in financial conditions more recently.

This point is particularly salient for total credit growth as an indicator of financial conditions. Even a return to inflation around or above target, rather than consistently below as in the 2010s, means that average nominal credit growth rates from that period are not representative of "normal". Nominal growth in the economy was slower, and nominal credit growth is downstream from that. Moreover, many of the factors that made the post-GFC period unusual – the weak risk appetite, regulatory adjustments and balance sheet repair – would be expected to weigh on credit growth especially heavily. There is also a cyclical element here: more (real) credit growth might not be saying anything about credit supply, and so "financial conditions". Rather, stronger growth makes for stronger borrowers that are more willing to demand credit and more qualified to access it.

All of this suggests that observers should be cautious in how they interpret business credit conditions. **If something is essentially impervious to interest rates, then it cannot be an indicator of financial conditions more broadly**. To be fair, the hyperscalers are issuing bonds, not borrowing from the domestic banking system and being recorded in business credit. To the extent that current business investment and credit growth are being driven by the data centre boom's broader spillovers to other sectors, though, that provides almost no signal about the tightness of monetary policy.

This is important given the apparent tendency of some recent RBA and other commentary to conflate a shock with a reason to revise the neutral rate higher. For example, in one recent speech, it was argued that, because AI was a smaller shock for Australia than some other countries (debateable), long yields would rise by less than elsewhere. This in turn would result in a lower exchange rate than otherwise, necessitating *higher* interest rates. But the exchange rate depreciation is part of the transmission of that differential response to different-sized shocks. It is not an independent outcome requiring that interest rates need to be higher, actually. In the face of a positive shock, yes, policy rates would need to be higher than if the shock had not occurred. But being a lesser beneficiary of that shock is not a heads-I-hike-tails-your-rates-go-up double-whammy.

This framing is even more curious, when one considers that the RBA never took any signal from the USD selloff earlier in the year. That selloff had nothing to do with conditions in Australia, but it surely lifted the AUD exchange rate at the margin – at least against some trading partners – and therefore was slightly disinflationary.

The broader lesson here is not that this time is different, but rather "last time" – the period between the GFC and the pandemic – was different. It has also taken a while to normalise from the pandemic itself, especially where balance sheets and financial behaviour are concerned. If we fail to understand this recovery away from the post-GFC era, or the implications of more fleeting shocks for financial behaviour, we risk misconstruing where the economy might be headed and where policy settings need to be to achieve desired outcomes. The strength of business credit does not have the same implications as similarly strong household credit would.

The boom in data centres and renewables is reshaping Australia's economic narrative and needs to be a consideration in policy settings. But care must be taken to avoid overstating its implications for financial conditions. There are many good reasons to think that the long-run average for the global structure of interest rates (and so neutral rates) will be higher in future than pre-pandemic. Current strong growth in business credit is not necessarily one of them.

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Rate call: tactical timing change to September

We shift the timing of the next rate hike to September from November. When we last updated our rate forecasts, we highlighted that "the probability of the September scenario is not zero." We also said we would watch RBA communication closely for signs that the leadership is anxious to move.

That communication has clearly escalated over recent days. In particular, Governor Bullock today flagged that upside risks to inflation appeared to be materialising. Materialisation of those upside risks was the conditionality set in August for further rate hikes, noting that the forecasts published in August did not support further rate hikes.

There were tactical reasons to favour November over September, including that the August CPI will be released the next day and might not align with the hawkish message of the July outcome. (Recall that the RBA has previously said they would focus on the quarterly trimmed mean over the noisy monthly data.) A de-escalation of the conflict in the Middle East, fuel excise tax adjustment or soft labour market report could also lead to awkward optics.

As we highlighted in our note of 8 September, though, "if the internal members felt the situation was more urgent and wanted to get the hike done in September, we believe they could muster a majority of Monetary Policy Board (MPB) votes in favour." Recent rhetoric shows that they will try.

We continue to expect a split vote at the meeting. There are likely to be material differences of view about trend growth in supply capacity. Some of these will be evident in the forthcoming Intergenerational Report. As well as differing views on trend productivity growth, we believe some MPB members will go into the meeting with differing views on trend growth in labour supply (participation rate) and current labour market slack, noting that underemployment has increased materially in recent months.

There is a risk of a follow-up hike. Much depends on the data flow after the meeting. We have not adjusted our view of the timing of eventual rate cuts (currently pencilled in as starting August 2027) but would need to do so if a follow-up hike comes into the base case.

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Cliff Notes: seeking to instil trust

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

As expected, after last week's US CPI confirmed an unwelcome degree of persistence in consumer inflation, the FOMC voted to raise the fed funds rate by 25bps to a mid-point of 3.875%. Updated Committee forecasts were broadly in line with market expectations, with a second hike expected by year end and 8 of 18 contributors to the dot plot anticipating a third hike in 2027. Chair Warsh also focused attention on the risks to the inflation outlook during the press conference.

The Committee's PCE inflation forecasts are little changed since June despite today's rate hike and the additional tightening forecast (from 3.7%yr in 2026 to 2.3%yr in 2027, then 2.1%yr in 2028). This profile implies the FOMC feels a need to act against renewed inflation risks now, but believes policy will prove effective in time. Limiting concern over the implications of tighter policy for activity is the Committee's entrenched belief in the underlying health of the US economy, represented in September's forecasts by GDP growth remaining above trend over the forecast horizon and the unemployment rate holding at a level consistent with full employment.

Westpac is more cautious on downside risks to the US labour market and growth, but only at the margin. We also believe it will take time for headline annual inflation to slow given geopolitical uncertainty and the limited interest rate sensitivity of domestic US inflation, most obvious in the shelter component. Another rate increase by year end should give market participants confidence that policy will prove effective within the forecast window. The Committee is likely to stand ready to deliver a third hike, but this is less than a 50/50 chance on current data, in our view. Rate cuts will not be seen until 2028, however, and they are likely to only reverse the current tightening sequence, with limited spare capacity in the US economy outside the tech sector biasing inflation above 2.0%yr in to the medium term.

In contrast to the FOMC's September decision, in the UK the Bank of England decided to hold Bank Rate at 3.75% in a 6-3 decision. The Committee is cognisant that headline inflation is well above target at 3.1%yr, but holds this as almost entirely due to energy prices, with "little evidence of significant knock-on effects on prices and wages". That said, the longer the conflict persists, the higher the likelihood of secondary inflation effects for the consumer, requiring tighter monetary policy. Also arguing for a measured and careful response to the current inflationary threat is that, absent the crisis, the Bank of England was projected to have been easing through 2026. Monetary policy is therefore tighter than it would have otherwise been, with implications for both inflation and activity. We expect the Committee will decide to hike into year end, but likely only once.

Coming back to Asia, China's August data round (yet) again highlighted the need for urgent pro-active stimulus at scale to restore sentiment and bolster domestic demand. Annual growth in retail sales slowed to just 0.4% in August, while the year-to-date decline in fixed asset investment accelerated from -6.7% to -7.2%, with property investment down 19.9%. New and existing home prices fell another 0.2% and 0.3% in the month, continuing the trend of recent years.

As highlighted in our September Market Outlook, consumers and local businesses in China have the capacity to increase spending, but they are reticent to do so. Confidence must be restored, built on a belief that income and wealth will grow consistently and equitably, not just for those directly connected to the technology trade.

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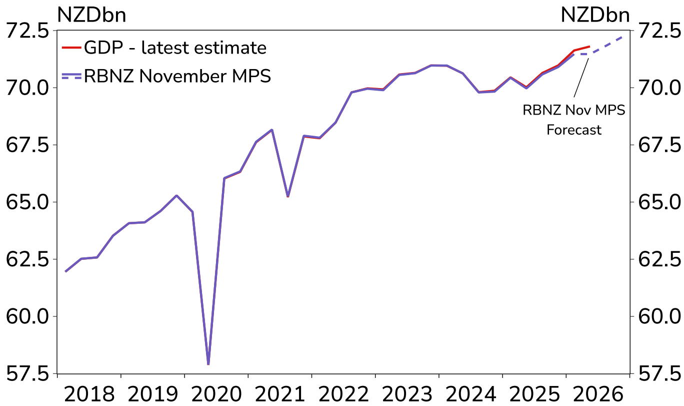
Economy bags modest growth in Q2; patchy start to Q3

Darren Gibbs
Senior Economist

The main domestic focus in New Zealand this week was the release of the June quarter national accounts. Whilst clearly dated, the accounts do provide more complete insight into how the economy was travelling over the outset of the Middle East conflict when oil prices were at their highest levels and uncertainty seemed large. They also help inform views about where the economy was sitting relative to estimates of New Zealand's non-inflationary productive capacity.

As it turns out, the preferred production-based measure of GDP grew 0.2% during the quarter, in line with our more recent expectations (revised higher after the final partial indicators were released). However, growth was firmer than the flat forecast that the RBNZ had made in the September MPS (a forecast made prior to the release of those partial indicators). Combined with modest upward revisions to the previous quarter – mostly due to stronger construction activity – the level of GDP in the June quarter was about 0.5% higher than RBNZ estimated. Typically, a portion of this difference will flow through to the RBNZ's estimate of the output gap, which was thought to be -1.5% of GDP as of the September MPS. So looking through the quarterly volatility, it may be the case that the output gap has been slowly closing over the last year (GDP growth of 2.6% over the year to June exceeds the RBNZ's most recent estimate of potential growth of 1.6%).

GDP running slightly ahead of RBNZ forecasts



Source: Stats NZ, RBNZ, Macrobond, Westpac Economics

In the detail, market-based activity was perhaps a touch weaker than we had expected, but this was offset by some government-influenced components (notably healthcare and public administration) that were firmer. The expenditure-based measure of GDP reported no growth in private consumption during the quarter, with almost all the growth in GDP explained by strong growth in exports – partly due to a rundown in inventories – and an increase in residential construction and business investment. Our post-release First Impressions and chart pack provides more detail on this release.

For the RBNZ, we think that these results may help to assuage some MPC members' concerns about downside risks to growth. But our view remains that the committee will have more of an eye to the evidence on inflation pressures, such as the NZIER business survey on 6 October and the CPI on 22 October, as well as the rapidly shifting picture for oil prices, to determine their next move. Financial conditions have also tightened noticeably in the last week or two as interest rates have increased. These increases are being reflected in higher mortgage rates that might also be an offset to the stronger activity data seen in the minds of at least some MPC members.

In other news, balance of payments data for the June quarter, incorporating annual benchmark revisions, materially lowered the size of the current account deficit over the past year. New estimates point to higher returns earned on New Zealanders' investments abroad and lower returns paid on foreigners' investments in New Zealand. As a result, the current account deficit is now estimated at 3.0% of GDP in the year to March, down from 3.6% of GDP previously. Moving off that revised base, the current account deficit widened to 3.2% of GDP in the year to June. The incremental increase was in line with our expectations. Further widening can be expected in coming quarters as the full impact of higher costs for imported energy and related products feeds into these figures. Even so, credit ratings agencies should remain very comfortable with a deficit that is now only about a third as wide as the peak seen in 2022. The path taken by fiscal policy over coming years is likely to be more consequential for the rating.

Turning to more contemporary news, housing market activity continued to soften in August with sales falling around 2% during the month – the sixth consecutive monthly decline – and now 13% lower than a year earlier. That softness was also evident in the median selling time, which lengthened for a fourth consecutive month to 48 days – well above the historical average and the longest since December 2024. A rise in mortgage interest rates and ongoing economic uncertainty is probably contributing to the sluggishness in sales. In addition, while migrant inflows seem to have picked up a little in August, the annual total of just 20,000 remains low by recent historical standards and so is contributing less to housing demand than in normal times.

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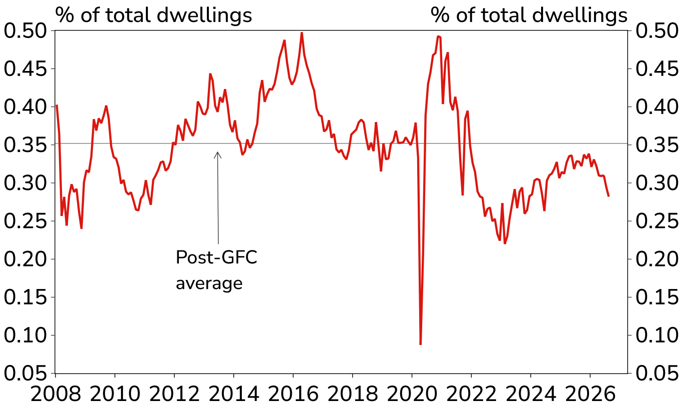
Monthly house sales



Source: REINZ, Stats NZ, Macrobond, Westpac Economics

The lack of urgency amongst buyers was also reflected in selling prices. The REINZ residential price index fell a further 0.3% in August and so was down 0.9% on a year earlier. And so, with consumer price inflation running at around 4%, this means that real house prices have declined by around 5% over the past year. Indeed, measured relative to average labour incomes, house prices are now back at levels last seen in 2016. Prices remain particularly weak in the main metropolitan centres in the North Island, especially in Wellington where they have fallen almost 6% over the past year. By contrast, prices are higher in most South Island centres, especially in the deep south where buoyant rural commodity prices are boosting incomes and the average house price is far below the nationwide average. Chief Economist Kelly Eckhold has spent the last week visiting clients in Otago and Southland – it's certainly the case that the very positive tone evident in the data is also there on the ground.

In a similar vein, retail spending fell 0.9% in August, disappointingly reversing the step higher that we saw in July. As was the case in June quarter, there remains a clear lack of positive momentum in household spending. Looking at the August spending result in more detail, there was a pickup in fuel spending over the month as prices at the pump moved back above $3/litre. However, spending was down in all other categories. For now, a lack of real wage growth due to rising living costs, combined with falling house prices, appears to be offsetting the income flows that are being generated by the strong performance of the primary sector. Consumer confidence also remains below long run average levels. This quarter the Westpac-McDermott Miller consumer confidence index improved 9pts to 89.5, partially reversing the decline seen in the June quarter.

As noted earlier, trade remains a notable bright spot. Merchandise exports increased over 15%yr in August, led by a 23%yr rise in exports of meat. The import side of the ledger suggests a continuation of the strong capex spending seen in Q2 (plant and machinery imports rose 21%yr in August) while vehicle imports increased more than 40%yr. The latter may partly reflect the growth in the rental fleet that is needed to support a tourism sector that continues to perform well despite the Middle East conflict. In July visitor arrivals were over 8% higher than a year earlier, with Australian arrivals rising 7% and Chinese arrivals up more than 24% (the latter rising above its pre-pandemic level for the first time in July).

As far as the data flow is concerned, the Selected Prices Report for August closed out the week and while a little softer than we had expected, mainly reflected weakness in volatile travel and holiday accommodation prices. Food prices were also slightly on the weaker side, whereas the flat result for rents was expected given the recent soft trend. As we note in our full report, while these results might have signalled some modest downside risk to our existing forecast that the CPI will report a 0.7% lift in consumer prices in the September quarter (3.7% yr) – the risks are balanced by the continued creep higher in fuel prices over recent days, with more likely in coming days considering current global product prices. For reference, the RBNZ forecast a 0.8% increase in the CPI for the September quarter (3.9% yr).

Finally, this week we published a note discussing the Labour Party's proposal to restore the RBNZ's dual mandate i.e., require monetary policy to achieve price stability while supporting maximum sustainable employment. Reinstating the dual mandate would necessitate amendments to the Reserve Bank of New Zealand Act 2021 and the issuance of a new Remit by the Minister of Finance. The legislative process could be completed relatively quickly, with the National Party-led Government demonstrating in 2023 that significant mandate changes can be enacted within weeks. For demand-driven economic cycles, we think that a dual mandate would likely have little impact on OCR decisions, as inflation and employment objectives generally move in the same direction. The main difference would emerge during supply shocks, such as that occurring at present, where inflation rises even as economic activity and employment are weakened, forcing policymakers to balance competing objectives. We believe a restored dual mandate could result in a slightly slower return of inflation to target or a slower rise in or slightly lower peak OCR and slightly greater tolerance of temporary inflation overshoots when labour market conditions are weak. That said, a change in government might also bring other macro changes that alter the outlook.

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

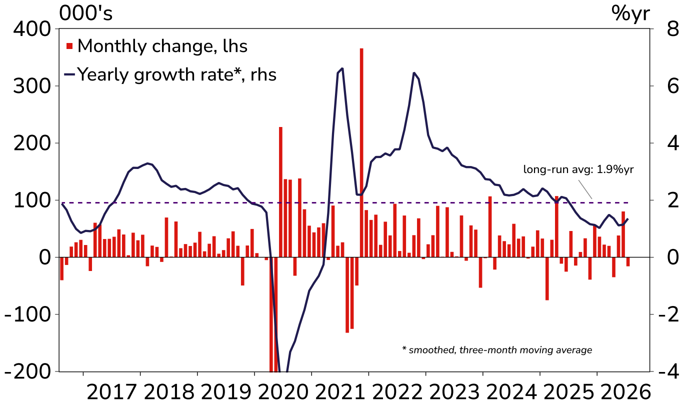
Sep 24, Last: –15.8, Westpac f/c: 30.0
Market f/c: 20.0, Range: 10.0 to 47.0

Employment surprised to the downside in July, declining –15.8k following a couple of robust readings in May (+38.2k) and June (+80.2k). The result was weaker than market expectations and at the bottom end of analysts' individual estimates.

Looking past the month-to-month noise, employment growth had been tracking a relatively robust pace through the first half of this year, following on from the earlier recovery in economic growth.

However, with headwinds building, we anticipate a slowing in the current pace of employment growth through the second half of this year. For August, we have pencilled in a lift of +30k.

Employment growth



Source: ABS, Macrobond, Westpac Economics

AUS: Aug Labour Force – Unemployment Rate (%)

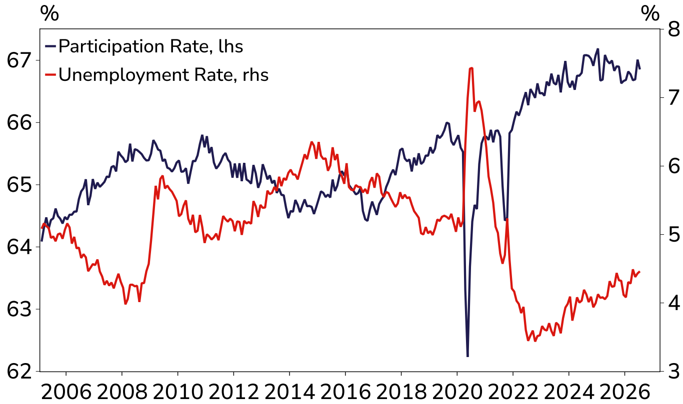
Sep 24, Last: 4.5, Westpac f/c: 4.5
Market f/c: 4.5, Range: 4.4 to 4.5

July's decline in employment was partly offset by a small fall in labour supply, with a 0.1ppt decline in the participation rate leading to a –11.7k reduction in the labour force.

The combination of softer employment and labour force growth in the month meant that the unemployment rate was little changed, ticking just slightly higher from 4.43% to 4.46%, which was enough to round it up from 4.4% to 4.5%.

With participation holding steady at 66.9%, we think the unemployment rate will hold at 4.5% in July.

Unemployment rate is grinding higher



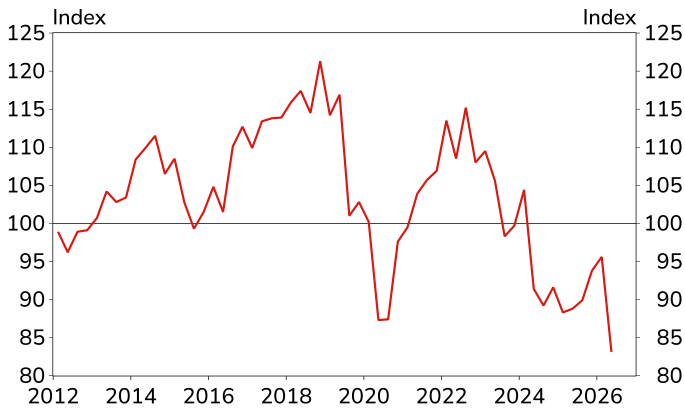
Source: ABS, Macrobond, Westpac Economics

NZ: Q3 Westpac-McDermott Miller Employment Confidence (index)

Sep 22, Last: 83.1

Our Employment Confidence Index fell sharply in the June quarter with the drop in confidence widespread. That fall came against the backdrop of the deepening conflict in the Middle East, with high fuel prices adding to concerns about the economic outlook and the jobs market. Our latest survey was conducted in the first two weeks of September. While tensions in the Middle East have persisted, we have seen an easing in fuel costs since our last survey, along with signs that activity is firming again and continued strength in export earnings. That leaves us with a mixed outlook for labour market conditions.

Employment Confidence Index



Source: Westpac New Zealand, Macrobond, Westpac Economics

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What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 21							
UK	Sep	Rightmove House Prices	%mth	–2.0	–	–	Housing demand still constrained by affordability.
US	Aug	Chicago Fed Activity	index	–0.08	–0,06	–	Activity indicators point to below trend growth.
		Fedspeak	–	–	–	–	Goolsbee.
Tue 22							
Aus		RBA Assist' Governor (Economic)	–	–	–	–	Hunter interview at 5:00am AEST.
		RBA Governor Bullock	–	–	–	–	Fireside Chat at 1:10pm AEST.
		RBA MPB Member	–	–	–	–	Speech by Iain Ross, 5:30pm AEST.
NZ	Q3	Westpac-MM Employment Confidence	index	83.1	–	–	Surveyed between 1-12 September.
Eur	Sep	Consumer Confidence	index	–15.5	–	–	Spending-sentiment disconnect also apparent in Europe.
UK	Aug	Public Sector Borrowing	£bn	1.8	–	–	Fiscal pressures remain in focus.
US	Sep	Richmond Fed Manufacturing	index	4	–	–	Factory conditions remain uneven.
		Fedspeak	–	–	–	–	Williams.
Wed 23							
Eur	Sep	S&P Global Manufacturing PMI	index	52.7	52.3	–	Output growth accelerated to a 4.5yr high in August…
	Sep	S&P Global Services PMI	index	51.6	51.1	–	…with solid resilience in services activity also.
UK	Sep	S&P Global Manufacturing PMI	index	51.7	–	–	Job creation reaches a two-year among those surveyed…
	Sep	S&P Global Services PMI	index	52.5	–	–	…as services expansion gathers momentum.
US	Sep	S&P Global Manufacturing PMI	index	53.9	53.6	–	Output and orders growth are stagnating…
	Sep	S&P Global Services PMI	index	56.5	56.0	–	…meanwhile services sector continues to outperform.
Thur 24							
Aus	Aug	Employment Change	000s	–15.8	20.0	30.0	Headwinds build with emp growth to slow in H2 …
	Aug	Unemployment Rate	%	4.5	4.5	4.5	… as the unemployment rate gradually tracks higher.
Jpn	Sep	S&P Global Manufacturing PMI	index	54.9	–	–	Manufacturing activity remains expansionary though at …
	Sep	S&P Global Services PMI	index	52.5	–	–	… risk as global demand curbs.
Ger	Sep	IFO Business Climate Survey	index	88.8	89	–	Business confidence has continued to improve.
US		Initial Jobless Claims	000s	196	–	–	Labour market resilience will be tested.
	Aug	New Home Sales	%mth	–10.5	1.3	–	Caution among homebuyers as headwinds increase.
	Sep	Kansas City Fed Manufacturing	index	10	–	–	Factory activity remains patchy.
		Fedspeak	–	–	–	–	Williams, Hammack, Paulson.
Fri 25							
Eur	Aug	M3 Money Supply	%ann	3.4	–	–	Broad based tightening in credit conditions apparent.
UK	Sep	GfK Consumer Confidence	index	–14	–16	–	Has recovered from post Middle East conflict slump.
US	Aug	Durable Goods Orders	%mth	1.1	–0.3	–	Business investment momentum remains firm.
	Sep	Uni. Of Michigan Sentiment	index	47.8	47.8	–	Final estimate.
		Fedspeak	–	–	–	–	Williams, Hammack.

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Economic & financial forecasts

Interest rate forecasts

Australia	Latest (18 Sep)	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28
Cash	4.35	4.60	4.60	4.60	4.35	4.10	3.85	3.85	3.85	3.85
90 Day BBSW	4.69	4.70	4.70	4.55	4.30	4.05	3.85	3.95	3.95	3.95
3 Year Swap	4.94	4.65	4.60	4.50	4.40	4.30	4.25	4.20	4.15	4.10
3 Year Bond	4.94	4.65	4.60	4.50	4.40	4.30	4.25	4.20	4.15	4.10
10 Year Bond	5.27	5.20	5.10	5.00	4.90	4.85	4.80	4.80	4.80	4.80
10 Year Spread to US (bps)	33	40	35	30	25	15	5	0	–5	–10
United States										
Fed Funds	3.875	4.125	4.125	4.125	4.125	4.125	3.875	3.625	3.625	3.625
US 10 Year Bond	4.94	4.80	4.75	4.70	4.65	4.70	4.75	4.80	4.85	4.90
New Zealand										
Cash	2.75	3.00	3.50	3.75	4.00	4.00	4.00	4.00	3.75	3.75
90 Day Bill	3.16	3.40	3.75	4.00	4.20	4.20	4.20	4.15	3.95	3.95
2 Year Swap	3.99	3.95	4.10	4.25	4.20	4.20	4.15	4.15	4.10	4.10
10 Year Bond	4.94	4.75	4.90	5.00	5.05	5.05	5.05	5.05	5.05	5.05
10 Year Spread to US (bps)	0	–5	15	30	40	35	30	25	20	15

Exchange rate forecasts

	Latest (18 Sep)	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
AUD/USD	0.7133	0.72	0.72	0.73	0.73	0.73	0.73	0.72	0.72	0.72
NZD/USD	0.5731	0.59	0.61	0.63	0.64	0.65	0.65	0.65	0.65	0.65
USD/JPY	157.06	155	154	153	152	151	150	149	148	146
EUR/USD	1.1488	1.17	1.18	1.19	1.20	1.21	1.22	1.22	1.21	1.21
GBP/USD	1.3371	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.40
USD/CNY	6.6977	6.70	6.60	6.50	6.45	6.40	6.35	6.35	6.30	6.30
AUD/NZD	1.2446	1.22	1.19	1.16	1.14	1.12	1.12	1.11	1.11	1.11

Australian economic forecasts

	2026				2027				Calendar years			
% change	Q1	Q2	Q3(f)	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)	2025	2026(f)	2027(f)	2028(f)
GDP %qtr	0.3	0.4	0.5	0.4	0.4	0.4	0.5	0.5	–	–	–	–
%yr end	2.5	2.1	2.1	1.5	1.7	1.6	1.6	1.7	2.6	1.5	1.7	2.5
Unemployment rate %	4.2	4.4	4.5	4.7	4.7	4.8	4.8	4.7	4.3	4.7	4.7	4.5
Wages (WPI) (sa) %qtr	0.8	0.8	1.0	0.8	0.8	0.8	0.8	0.8	–	–	–	–
%yr end	3.2	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	0.5	0.7	0.6	0.7	0.4	–	–	–	–
%yr end	4.1	3.9	3.9	3.7	3.0	3.0	2.5	2.4	3.6	3.7	2.4	2.3
Trimmed Mean CPI %qtr	0.8	0.8	0.9	0.7	0.8	0.7	0.6	0.6	–	–	–	–
%yr end	3.5	3.6	3.5	3.3	3.2	3.1	2.8	2.7	3.3	3.3	2.7	2.3

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	0.9	0.2	0.6	0.8	1.1	0.5	0.6	0.7	–	–	–	–
Annual avg change	0.9	1.7	2.1	2.4	2.5	2.7	2.8	2.9	0.3	2.4	2.9	3.1
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	0.6	0.4	0.4	0.6	0.3	–	–	–	–
Annual change	3.1	4.1	3.7	3.7	3.2	2.1	2.0	1.7	3.1	3.7	1.7	2.1

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