



**October 2026**

# **WESTPAC MARKET OUTLOOK**

Your monthly report on Australia and the global economy.

# WESTPAC MARKET OUTLOOK

## October 2026

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# Wearing thin



Markets have had little respite over the past month. Hopes of a lasting US–Iran agreement have faded and intermittent attacks on shipping have kept Brent oil prices in triple digits. Workarounds have allowed a meaningful share of crude to continue flowing but these arrangements are slower and costlier, while depleted inventories leave little room to absorb another shock and a range of disruptions to refining and shipping are also impacting downstream energy costs. Bond markets have been just as restless, with continued lifts in government bond yields across much of the globe and more sharply in the US.

Notably, oil is no longer doing the heavy lifting for yields. The rise has been concentrated in real yields, with the Fed's September hike – and its signal of more to come – acting as something of a trigger. In the US, fiscal concerns have been more of a sub-plot, though the Treasury's efforts to hold down long yields have arguably only drawn more attention to them.

In our view, markets are getting ahead of themselves on monetary policy offshore. We expect just one more hike from the Fed rather than the three the market currently has priced, with stretched housing affordability posing risks to both consumption and inflation. Central banks in Europe, the UK and Canada are also likely to bide their time after a final move. Europe is weathering the energy shock better than feared and has far more fiscal room to respond than the US – one reason we still see the US dollar trending lower over the next two years.

The RBA hiked again in September and looks set to follow up in November, taking the cash rate to a new cycle high. Some of the risks the Board flagged have crystallised, but the minutes also reveal a tendency to reach for the more hawkish read of the data, in addition to the familiar downbeat take on supply capacity. Our base case assumes no return to full-scale conflict, but with energy buffers depleted, bond markets less forgiving and the RBA already leaning hawkish, the margin for error – for markets and policymakers alike – is starting to 'wear thin'.

**Australia:** After a soft but better than expected first half, the Australian economy is facing into more challenges as another round of disruptions from global energy markets combine with further interest rate rises and a deepening housing downturn. The demand mix should see capacity pressures continue to ease but with significant risks on either side.

**Middle East:** Low inventories and higher shipping costs will keep oil and fuel prices elevated, with Brent futures forecast to average US\$101/bbl in Q4 before easing to US\$77/bbl by Q4 2027 as supply recovers. Risks are two-sided: escalation could push Brent towards US\$150/bbl, while an early US–Iran agreement could see a faster normalisation in supply.

**Commodities:** Most commodities rose in September, with many of the themes that drove moves across August remaining in place. Japanese LNG and Brent oil recorded strong gains amid Middle East tensions. Copper and aluminium extended recent gains while iron ore was supported by higher freight and production costs. Gold fell after the Fed's September rate hike.

**Global FX Markets:** In late September and early-October the DXY index popped higher to near 103, a high back to early-2025. Underlying the move are expectations that inflation will prove persistent globally as well as a belief that the US' tech sector leaves it best positioned to weather the storm.

**New Zealand:** Higher fuel costs and a weaker exchange rate have lifted the short-term inflation outlook while the economy has continued to grow through the Iran war. Growth looks set to continue to be buoyed by strong commodity prices and a supportive exchange rate. However, downside risks are growing from higher energy costs and long-term interest rates.

**United States:** The US housing market remains under considerable pressure. Prices continue to edge up, supporting wealth. But up-and-coming main street consumers are struggling with affordability and availability, posing enduring risks for both consumption growth and inflation.

**China:** With each month that passes, the risk of disappointing authorities' 4.5-5.0% ambition grows. While the Government is right to take a targeted approach to support, it must quickly multiply its scale if downside risks are to be kept at bay.

**Asia:** For much of the past twenty years, Asia has been a source of disinflation for the world. But a combination of ageing populations, rising labour costs, increasing electricity demand and technology sector developments imply Asia may provide less support to global disinflation over the decade ahead.

**Europe & UK:** The euro has come under considerable pressure during the past month. That said, the European economy continues to tick along nicely while inflation risks remain manageable, allowing the ECB to be measured in their response.

# Many factors lifting global bond yields ...

Luci Ellis

Chief Economist, Westpac Group

The main development affecting global markets this month has been the sharp lift in selected bond yields, especially in the US and France. Since the previous *Market Outlook* was published, 10-year benchmarks have risen 27bps for US Treasuries, to be well above the 5% threshold, and 40bps for French bonds. The latter move contrasts with German bunds, which have seen little change in yields at that tenor over the month, though they are up more than 60bps year to date.

Several factors are behind the latest rise, with no single cause dominating. For some of these factors, the underlying conditions had been in evidence for some time, but recent events focused attention on them. The rise has been primarily a story of real yields: longer-run inflation expectations implied by both breakevens and swaps have not increased that much.

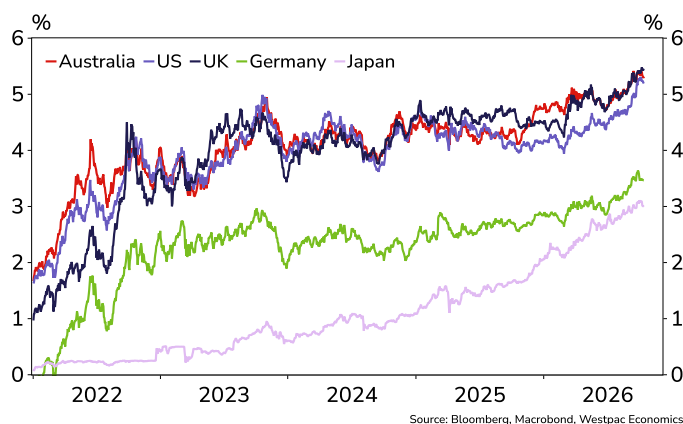
For much of the year, fluctuations in oil prices – and thus the near-term inflation outlook – fed into market views of central bank policy, and longer yields as well. More recently, though, this correlation has broken down. Shifts in expectations about central bank policy have remained important for bond pricing, as evident in the concentration of the increase in real yields.

The FOMC's decision to increase the Fed funds rate, and flag in the 'dot plots' that at least one more hike was likely, seems to have been something of a trigger event for repricing, not only for US yields. Also salient were the various actions taken by the US Treasury to suppress long yields and improve the US government's debt-servicing position. These efforts had little lasting effect and yields are now higher, and higher relative to peers, than before. But they may have served to draw attention to the growing issues around US fiscal sustainability. High supply of debt from hyperscaler firms to fund the AI / data centre boom has also likely pressured yields at the margin.

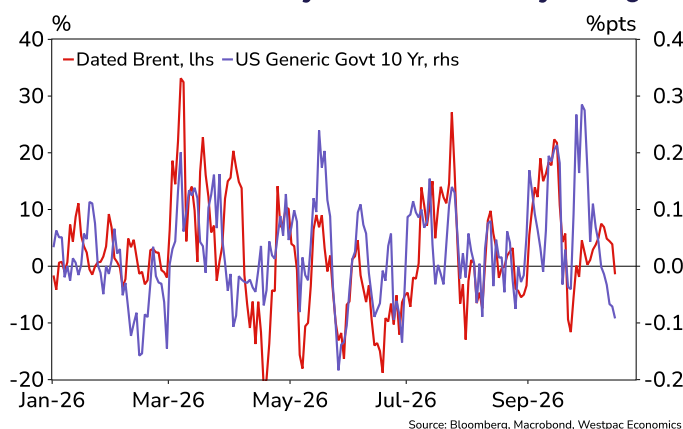
That said, fiscal concerns are unlikely to have been the main issue driving the lift in US yields. The slope of the US yield curve is noticeably flatter than at the beginning of the year; in other words, short yields have risen even more than the 10-year yield, signifying tighter expected monetary policy lifting yields across the curve. Another lens on this shift is that 2-year and other short-dated yields have increased more than estimates of risk-neutral rate, such as that from the NY Fed.

Fiscal concerns have been more salient in the case of France, where spreads to bunds have widened from around 70bps at the beginning of the year to nearly 140bps currently, wider than Greece or Italy, with about 40bps of the widening occurring in the past month. Contagion to other euro area sovereigns has been limited, with spreads widening around 22bps over the month for Greece, Italy and Belgium, and 13bps for Spain.

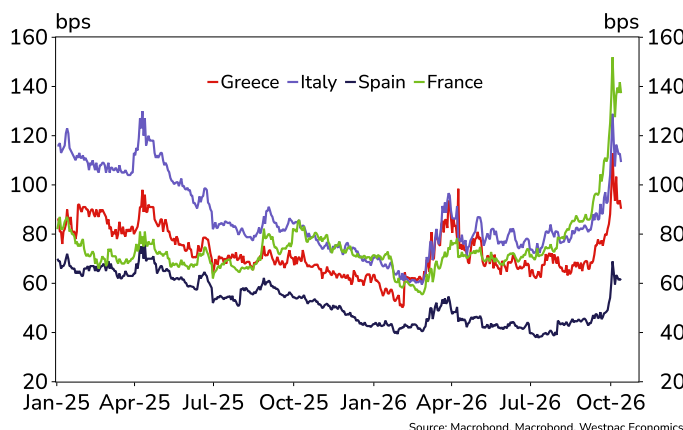
## Global 10-Year Bond Yields



## Dated Brent and US 10-year Yields: Weekly changes



## Government Bond Yields 10 Year Spread to Bunds



## ... and RBA policy rates outlook

In Australia, the RBA hiked the cash rate again at its late September meeting, and a further hike at the November meeting looks likely. This would take the cash rate to 4.85%, a new cycle high.

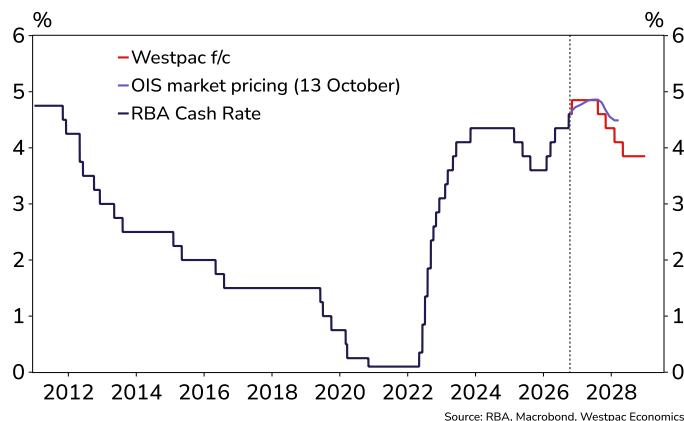
While the forecasts the RBA published in August did not support further rate hikes, in September these forecasts were characterised as resting on several things going right and certain risks not emerging. Some of these risks, including a re-escalation of the war in the Middle East and thus energy prices, have since crystallised. The post-meeting communication and minutes also pointed to the July CPI result being above expectations, as was June quarter GDP growth “at the margin”.

The RBA is also wary about pressure on both construction costs and retail prices of IT goods arising from the AI/data centre boom. No weight is put on the possibility that this new investment and technology might add to productivity or the capital stock, and so supply capacity, even with a lag. Indeed, the post-meeting minutes highlighted the financial stability risks if valuations in this area should disappoint “even if the technology were ultimately successful”, as if the latter was not yet clear. This language points to a generally downbeat view of Australian supply capacity that also emerges in its discussion of productivity trends. Although its position piece in the August 2025 *Statement on Monetary Policy* indicated that lower trend growth in productivity had no implications for inflation or monetary policy, more recent statements imply that it does.

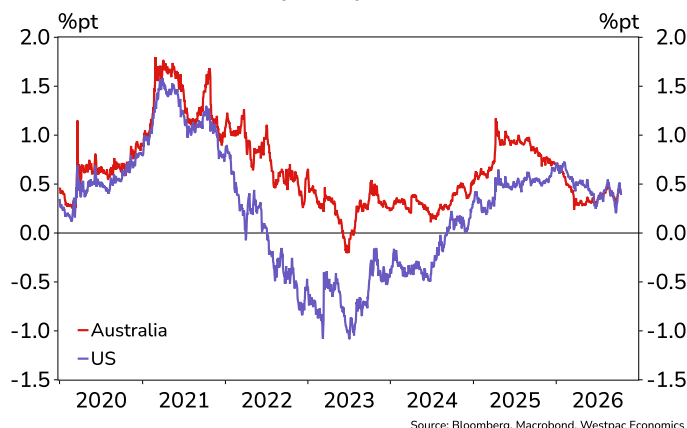
More broadly, the minutes for the September meeting revealed a tendency to contemplate more hawkish interpretations of data and outcomes. For example, the minutes dismissed evidence of the labour market easing a bit more than was forecast by pointing to the changes to the survey arrangements. At the same time, the minutes contemplated that the rate of unemployment consistent with inflation being at target might have risen, even though wages growth has marginally undershot the RBA’s forecasts and the cost pressures cited by its business liaison contacts are mostly non-labour costs. The minutes also included an extended discussion of the possibility that the global neutral interest rate might have increased recently. If true, this would imply that financial conditions were less restrictive. This conclusion would be hard to square with yield curves that have flattened since the beginning of the year and other central bank estimates of the term premium having increased, both of which suggest tighter financial conditions.

That said, the RBA will find it hard to look past inflation outcomes in the second half of year that is likely to remain sticky. We anticipate trimmed mean inflation to record quarterly outcomes of around 0.9%qtr in Q3 and Q4, remaining around the current 3½%yr pulse. The Monetary Policy Board will want to see clear evidence of inflation coming down before withdrawing policy restrictiveness, so we continue to pencil in August as the likely date for start of the rate-cutting phase.

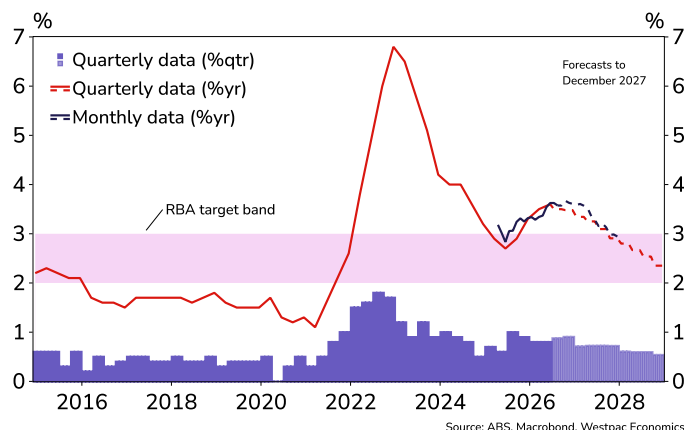
### RBA Cash Rate



### Yield Curve Slope (10yr – 2yr)



### Trimmed Mean Inflation



# More challenges near term ...

Matthew Hassan, Head of Australian Macro-Forecasting

After posting a soft but better than expected first half, the Australian economy is facing into more challenges near term as another round of disruptions from global energy markets combine with a further rise in interest rates and a deepening housing downturn. Against this, business investment is in the midst of a sustained ramp-up led by a large and growing pipeline of data centre and energy investment projects. Elsewhere, public demand is growing at a slower pace and new dwelling investment is likely to moderate but both are expected to still see positive growth. Overall, the demand mix should see capacity pressures continue to ease but with significant risks on either side.

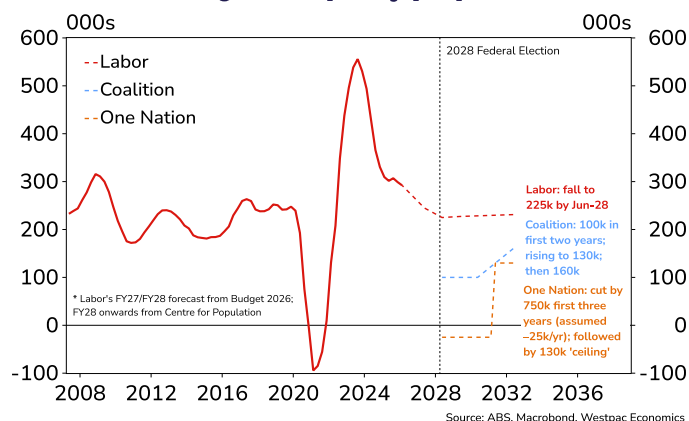
## Shifting political winds

Some of these risks are now in the wider policy space. The political landscape has changed materially since the 2025 Federal Election with opinion polls showing a sustained swing against the Labor government and a marked rise in support for One Nation that raises the prospect of a three-horse race in the next election, the outcome of which could be very hard to predict (we may get a preview of this with next month's Victorian state election). While the next Federal election is still a long way off – not due until well into 2028 – the shift does appear to be having some bearing on policy. For example, the government's choice not to reinstate the temporary halving in fuel excise tax that was deployed when fuel prices first spiked back in March suggests it is less inclined towards providing broad based cost-of-living support that might make it harder to bring inflation back down.

Migration policy is shaping more clearly as a battleground. A suite of changes announced by the government in mid-September and which came into effect in October, are already expected to slow working holidaymaker and foreign student arrivals, moderating total net overseas migration from around 300k current to 225k by 2028, trimming population growth from around 1.4%yr to 1.2%yr. For its part, the main Liberal-National opposition party has proposed to reduce net migration to 100k in the first two years of government, before increasing to 130k and 160k in the two years following – which would likely see total population growth slow to around 0.7-0.8%yr initially. One Nation has proposed a period of 'net negative' migration, lowering net migration by 250k a year over the first three years of government before considering a 'ceiling' of 130k per year thereafter. This would see population growth slow to around 0.2-0.3%yr initially.

While none of these policies are on the table for this year or next, the direction of travel is clear with a risk that the current government moves further towards curbing migrant

## Net overseas migration: policy proposals



inflows. Slower population growth basically maps one-to-one to GDP growth although the specific flow-on impacts to areas like housing and labour markets are more complex and will depend on the population mix and how the demand and supply effects balance out. For the record, we have trimmed our own population growth forecasts in the 2028 out-year, from 1.4%yr to 1.2%yr with a related tweak to our GDP growth forecast for that year.

## Consumer sentiment-spending gap

Near term challenges continue to centre on the consumer. Here, the latest updates show sentiment again plumbing historical lows but more mixed messages around spending which is still holding up better than might be expected based on a simple read on the consumer mood.

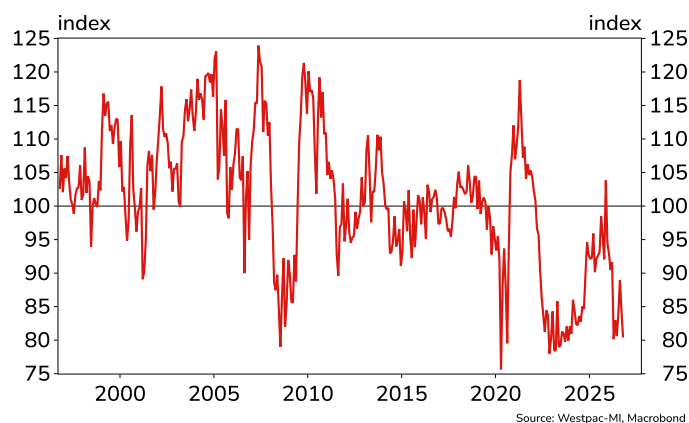
Certainly that mood remains deeply negative. The **Westpac–Melbourne Institute Consumer Sentiment Index** dropped 4.7% to 80.4 in October, putting the month amongst the forty worst reads since the began in the early 1970s, following two others reads in this group back in April and June and another eight recorded in 2022–23. Altogether this marks the worst period of recurring extremely weak sentiment since the disastrous recession in the early 1990s.

This has been difficult to square with the soft rather than outright weak picture on consumer spending through most of this year. Even when real spending was recording more material per capita declines back in 2023-24, these were somewhat milder than what might have been expected given the weakness in sentiment at the time.

We explored this more fully in our August [Red Book](#). Some of the disconnect may be a by-product of high inflation which 'hits different' sentiment-wise. Cost of living pressures, ▶

# ... centred on uneven consumer, housing downturn ...

## Consumer Sentiment Index

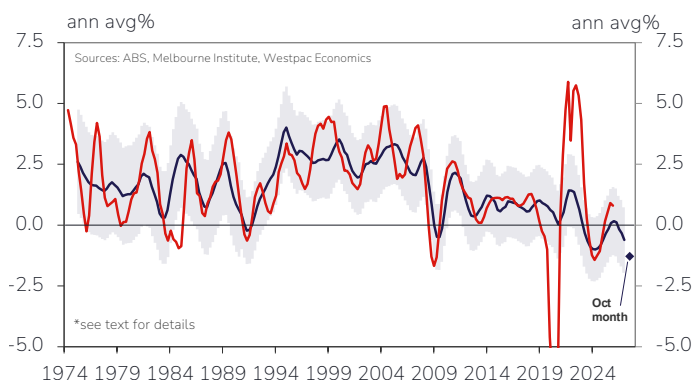


which are the central issue for consumers at the moment, represent a broad-based but shallower squeeze rather than the deeper shocks that typically come when big economic downturns hit. Labour markets appear to be an important point of distinction – despite the weakness in sentiment, consumers have been relatively unperturbed about the jobs outlook in recent years. Adding consumers' unemployment expectations to sentiment measures significantly improves its 'fit' as a predictor of per capita spending.

There other aspect that helps to reconcile the sentiment-spending gap is the detailed picture across segments. There may be one economy but there is not a single consumer. Instead both sentiment and spending outcomes reflect the average across a range of often quite varied conditions in different consumer segments.

This shows through in the dispersion of sentiment across sub-groups. The chart right shows the current distribution of index reads across the 100-odd sub-groups we regularly track with some selected groups called out. If the range seems wide its because it is – measures of spread over the last two years

## Modified consumer sentiment vs spending



have been 50-60% wider than the average over the previous three decades. Exactly why is not completely clear but the observations point to a more fractured consumer with multiple fault lines – including across states, metro/regional areas, voter groups, labour force status, income levels and housing tenures.

Spending-wise, one of the clearest emerging fault lines is across age groups. Here, there look to be three main 'blocs' – 18-34 year olds (mainly millennials'); 35-54 year olds (mainly 'gen X'); and those aged over 55 (dominated by the 'baby boomers').

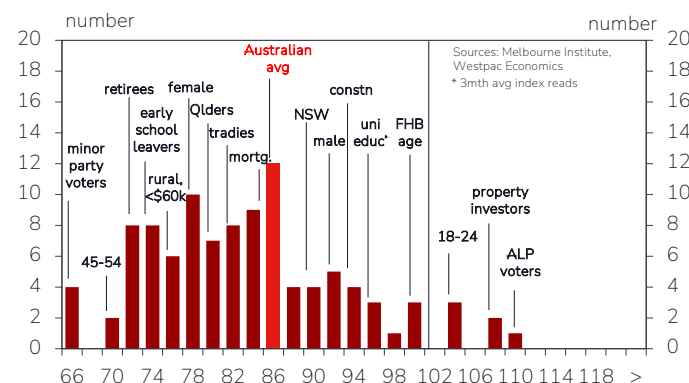
Demographically, the 55+ age group is both the largest and the fastest-growing – our estimates suggest it now makes up about 45% of all households, up 8.5pts compared to 2020. It is also seeing significant financial shifts with the cohort coming through carrying materially larger superannuation holdings (reflecting a variety of factors including a longer period of compulsory contributions that have earned compounding returns) and more housing wealth. Again, our rough estimates suggest average household wealth in this group is around \$2.5m up over \$800k since 2020 (reflecting both the aforementioned demographic shifts and valuation changes).

At the same time, the group has low debt levels – it is largely untouched by interest rate increases and probably benefits slightly insofar as this lifts interest income both directly and indirectly via super holdings.

For 18-34 year olds, incomes are more important than balance sheets, meaning inflation poses more of a constraint. For 35-54 year olds, income is less of a constraint but high debt levels poses a big challenge as rate rises increase servicing costs.

All of which is to say that it should come as little surprise that spending by the 55+ age group has been running stronger than the other age groups. Breakdowns from our **Westpac Consumer Panel** show average non fuel spend has been rising at a 5% annual pace over the last six months amongst those

## Consumer sentiment: sub-groups



## ... wealth effects an uncertain swing factor

aged 55+. That compares to a more sedate 2.7-2.9% pace across the other age groups, which given the current pace of inflation, implies small declines in real, inflation-adjusted terms.

These demographic contrasts also account for the observed strength in key bellwether spending categories like new vehicle purchases. The total number of new car purchases by consumers is up close to 4%yr, led by strong growth in EVs. Notably, industry figures suggest the purchase of used cars is down sharply, by close to 9%yr (used car sales are not well covered in the statistics and largely bypass official ABS measures because they are mainly transfers between households rather than a new addition).

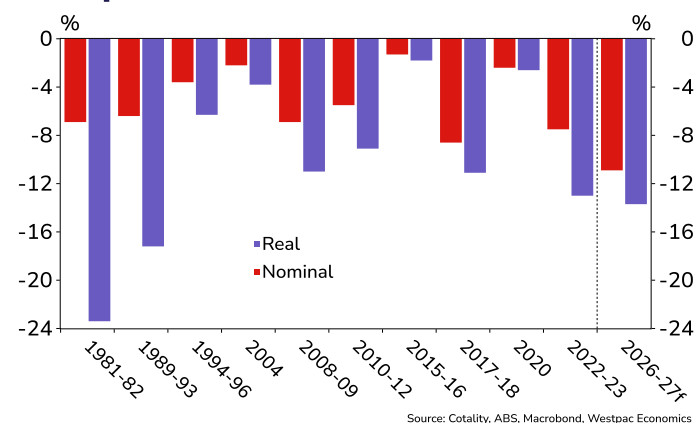
Pulling these clues together, at least some of the resilience in spending looks to be a form of 'wealth effect' where balance sheet considerations are more important than the real purchasing power of incomes. While the impact of employment, wages, inflation and interest rate changes will still likely be the dominant driver of shifts in spending growth, the nature of this wealth effect and how it evolves from here could be a key swing factor.

### Housing downturn deepens

And where that swing factor may start to turn is in response to a deepening downturn in Australia's housing market. The combined impact of interest rate rises and major changes to housing-related tax policy announced in the Federal budget is continuing to weigh heavily. We have been flagging for some time that uncertainty could see a more significant 'air pocket' emerge with very thin trading conditions and a sharper move lower in prices. That risk is crystallising with turnover already down 20% and prices off 8%.

With the September interest rate rise and an expected hike in November still to come, more weakness is likely near term. We revised our house price forecasts lower with a decline of around 8% now expected for calendar 2026, with a peak-to-trough decline of just over 10%.

### House price corrections



### Dwelling price forecasts

|           | avg <sup>^</sup> | 2023 | 2024 | 2025 | 2026f | 2027f |
|-----------|------------------|------|------|------|-------|-------|
| Sydney    | 3.7              | 11.3 | 2.8  | 6.5  | -12   | 1     |
| Melbourne | 2.4              | 4.2  | -2.0 | 5.3  | -8    | 4     |
| Brisbane  | 7.7              | 13.5 | 11.4 | 14.9 | -4    | 2     |
| Perth     | 7.2              | 16.2 | 18.4 | 17.6 | -2    | 3     |
| Adelaide  | 7.6              | 8.8  | 13.6 | 8.6  | -2    | 3     |
| Australia | 4.6              | 10.1 | 5.1  | 8.9  | -8    | 2     |

<sup>^</sup> avg last 10yrs

Source: Cotality, Westpac Economics

This constitutes a more material housing downturn. The peak to trough fall is set to be biggest since the beginning of the national price measures in 1980, although prices in real, inflation-adjusted terms recorded larger falls during the early-1990s and early-1980s recessions with capital city measures also suggesting there were larger real price falls during the recessions in the mid-1970s and early 1960s.

It also points to a bigger housing-related drag on growth. As discussed previously, the main channels are through new dwelling investment, turnover and wealth effects. New dwelling investment is still carrying solid momentum (the number of dwelling under construction up 10% over the year to June) but is expected to see a slightly more pronounced slowing. Turnover is also expected to be slightly weaker. However, it is the wealth effects from price declines that is the area to watch. Our rough estimates suggest this will account for most of the -0.8ppts on annual GDP growth over the year to June 2027. The emphasis here though is on 'rough'. Wealth effects have seeming disappeared for long periods and their precise timing is very unclear, e.g. how should the drag from the current downturn be viewed against what were presumably strong positives coming off the much larger preceding gains? Some of this could be due to 'asymmetric' behaviour, with effects playing out very differently when there wealth is rising or falling.

On balance, we expect the impact to see consumer spending 'muddle through' rather than fall back to the weaker growth seen during the more intense cost of living and interest rate shocks in 2023-24. This partly reflects the indirect support coming from growth more generally – the AI-related investment boom, which we have covered at length in previous reports, a key factor helping to hold GDP growth up around 1.5%yr and prevent a more material weakening in labour market conditions. For the consumer though this will continue to feel like a struggle with growth flat in per capita terms and a shakier picture around housing that will play out very differently for some segments.

# Oil and fuel prices push higher ...

**Sian Fenner**, Head of Business & Industry Economics  
**Justin Smirk**, Senior Economist  
**Luka Belobajdic**, Economist

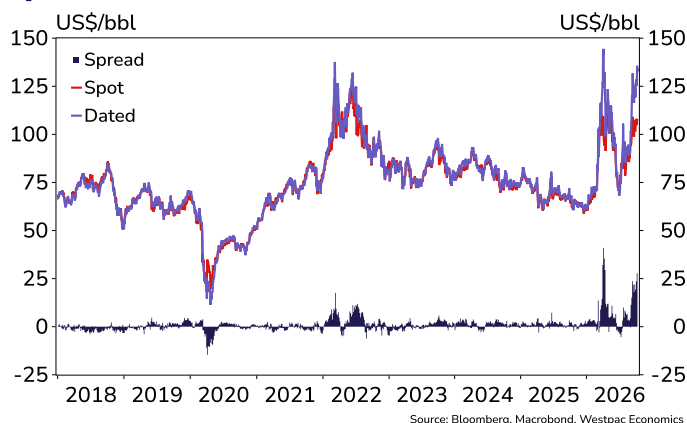
Low inventories and higher shipping costs will keep oil and fuel prices elevated, with Brent futures forecast to average US\$101/bbl in Q4 before easing to US\$77/bbl by Q4 2027 as supply recovers. Refined fuels and LNG prices should ease more slowly. Risks are two-sided: escalation could push Brent towards US\$150/bbl, while an early US-Iran agreement could see a faster normalisation in supply with prices returning close to pre-conflict levels by end-2027.

Brent crude is back above US\$100/bbl on fading confidence in a lasting US-Iran agreement and intermittent attacks on shipping. Buffers remain depleted, with the IEA estimating global observed inventories were 507mb lower at the end of August than at the start of the conflict.

This comes despite crude exports through the Strait of Hormuz recovering to around 70% to 90% of pre-conflict levels in late September. Saudi and UAE exports through the Yanbu and Fujairah pipelines continue, with the East-West pipeline back to normal after the early September attacks. Tanker crossings have risen, although transponders remain switched off, leaving visible transit at 1% to 4% of pre-conflict levels, while cargo transfers in the Gulf of Oman have increased.

However, these workarounds are slower and more costly. Ship-to-ship transfers can take 5 to 10 days, US escorts cause delays and some tankers are taking longer routes. Fewer ships are also available, with many redeployed to other markets. Higher insurance premiums are adding to costs, with Gulf-to-China tanker rates above US\$0.9mn a day, around 15x higher than a year ago. With prompt barrels scarce, the gap between physical and futures prices widened again, with Dated Brent around US\$136/bbl in early October against US\$101/bbl for front-month futures.

## Spot and Dated Brent

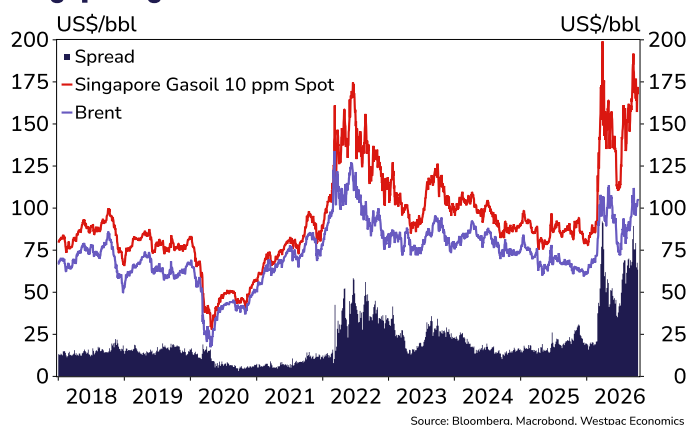


## Refined prices have risen more than crude

Refined product markets were already tight going into the conflict. Reduced Gulf supply, exacerbated by Ukrainian strikes on Russian refineries, has added to that tightness. Together with higher shipping costs and rising Dated Brent prices, Singapore Gasoil 10ppm (diesel) has roughly doubled since the Strait closed, compared with around 40% for crude futures.

Consequently, Singapore gasoil crack spread widened to an average of around US\$36.1/bbl in early October, from US\$17.5/bbl across 2025. Alongside the government's excise tax cut returning to normal, this has lifted national diesel and petrol prices to around A\$2.83/L and A\$2.41/L.

## Singapore gasoil crack remains elevated



## Outlook

We do not see a lasting US-Iran agreement until at least mid-2027. In the meantime, we assume there will not be a return to full-scale military intervention. However, periodic Iranian attacks on ships and facilities are expected to continue, as will the US blockade of Iranian exports, keeping a supply risk premium in place. We look for Brent futures to average around US\$101/bbl in Q4, then ease gradually as demand from refiners and governments to rebuild stocks partly offsets recovering supply. As the premium fades and the market moves into surplus in late 2027, we forecast Brent at around US\$77/bbl in Q4 2027, easing towards US\$70/bbl in 2028 as Middle East production fully recovers.

## Oil balance to gradually improve over 2027

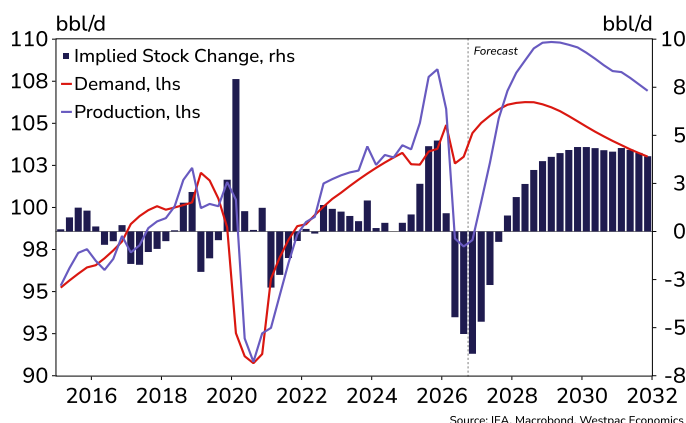
Global oil supply is expected to rise by 4.0mb/d (4.0%) to 103.7mb/d in 2027, following a 6.1% fall in 2026. Most of this reflects a gradual recovery in Gulf output, with Houthi attacks on Red Sea shipping keeping Saudi production below its

## ... as supply still tight ...

pre-conflict level until H2 2027. Meanwhile, we look for UAE production to continue to improve over 2027 and lift above pre-conflict levels from 2028, as it is no longer constrained by OPEC quotas. We do not expect a meaningful return of Iranian oil until an agreement is reached, and damage sustained during the conflict means production will take time to recover.

We expect global oil demand to be 103.7mb/d in 2026, 0.8mb/d (0.7%) higher than in 2025, and to rise a further 1.9mb/d (1.8%) to 105.6mb/d in 2027. Chinese crude imports will continue to recover over the coming months as refiners restock ahead of Lunar New Year, but we expect only a gradual return to pre-conflict levels, as the electrification of transport limits the recovery in Chinese demand. Globally, demand for diesel and jet fuel recovers as transport and aviation activity picks up, although some demand destruction and efficiency gains are expected to be permanent. The conflict has also highlighted strategic vulnerabilities, particularly across Asia, so we expect a push to rebuild reserves adding around 0.5% to demand over 2027.

### Oil Production and Demand



### Fuel prices to ease more slowly than crude

Refined product supply is expected to recover more slowly than crude, with Gulf refinery runs not returning to pre-war levels until at least late 2027. Outside the Gulf, there has been some constructive news. The US has lifted sanctions on Russian diesel until April 2027, with Russia saying it will supply more than 4Mt over the coming months, while China has lifted its ban on refined product exports. However, we are cautious about how much this will add to the market in the short term. Much of the Russian supply is headed to the US and will depend on Russia's ability to restore refining and export capacity, while doubts remain over the Russia-Ukraine energy ceasefire announced by President Trump. China still manages exports through quotas, which are likely to increase only gradually as domestic stocks are rebuilt. Refinery runs should lift ahead of Lunar New Year, but any increase in exports will take time to reach regional markets.

With product supply recovering slowly and depleted inventories being rebuilt, Singapore gasoil crack is likely to stay above its long-run average even as Brent eases, narrowing from US\$71/bbl in Q4 to US\$27/bbl by Q4 2027. With Singapore Gas 10ppm prices, shipping and insurance costs to remain elevated and easing only gradually in 2027, we forecast Australian diesel to retail at an average of 274¢/L in Q4, easing to 200¢/L in Q4 2027, and petrol at 230¢/L and 187¢/L respectively.

### LNG prices supported through 2027

Japanese LNG prices surged 15.2% in September, averaging US\$25.4/mmbtu as supply disruptions in Qatar and the Strait of Hormuz tightened markets and intensified competition. Our Q4 forecast for Japanese LNG is now US\$24.5/mmbtu and we expect the market to remain structurally tight, with supply recovery likely to be gradual and prices not returning to pre-conflict levels until 2028. Still, Australia's domestic gas market should remain insulated due to the current gas reservation arrangements.

### Risks around our oil price outlook are two-sided

Talks are still ongoing in the background, with the US and Iran exchanging proposals to reopen the Strait, but the gap between them remains wide. The conflict has also expanded to the Red Sea and, with inventories sharply drawn down, there is a smaller buffer to absorb a further shock.

Using the Oxford Economics model, we assess an escalation scenario, where energy markets face a deeper and more persistent disruption as the conflict in the Middle East intensifies. In this case, Brent futures rise to around US\$150/bbl in H1 2027, only dipping to below US\$100/bbl in Q2 2028. We also consider an early resolution scenario, where shipping and Gulf supply normalise faster, returning Brent to near pre-conflict levels by end-2027.

### Escalation scenario

In the escalation scenario we assume:

**Talks stall and the conflict escalates:** the gap between the US and Iran proves too wide and the US resumes strikes after the midterms. Iran responds with attacks on shipping and Gulf energy infrastructure, damaging export, storage and refining facilities. A lasting agreement is not reached until 2028.

**Export routes are disrupted:** more frequent attacks curtail dark crossings of the Strait and ship-to-ship transfers in the Gulf of Oman. Houthi attacks also cut off Saudi alternative routes, forcing Gulf producers to cut output and Middle East crude exports sharply lower. New routes and shipping arrangements eventually support a recovery in Gulf flows, but trade patterns take time to adjust.

**Product supply fails to recover:** The Russia-Ukraine energy ceasefire does not hold and strikes on Russian refineries

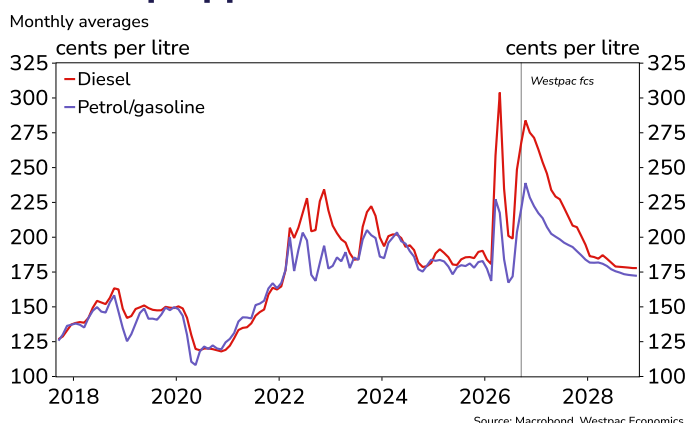
## ... and risks remain

continue, limiting how much diesel Russia can export, even with the US sanctions waiver extended. China also reintroduces its export ban to protect domestic supply.

**Oil prices lift to around US\$150/bbl in H1 2027:** With little buffer to absorb the supply loss, competition for physical delivery intensifies, with physical prices well above futures as prompt barrels remain scarce. Higher prices support supply growth outside OPEC and drive demand destruction, alongside further emergency stock releases, but a deeper and more prolonged global deficit remains. Brent stays above US\$100/bbl until mid-2028 as governments rebuild reserves.

The Singapore gasoil crack widens and, with freight and insurance costs also higher, Australian diesel and petrol prices average around 247 cpl and 231 cpl at end 2027. Japanese LNG also remains elevated around US\$23.2/MMBtu in Q4 2027, \$9.1 above our baseline.

### Australian pump prices for auto fuel



### Early resolution scenario

In the early resolution scenario we assume:

**A durable agreement:** The US and Iran agree terms to reopen the Strait by the end of year, and, unlike the June interim deal, the agreement holds, with progress towards a permanent settlement in early 2027. Attacks on shipping cease and the US blockade is lifted, allowing Iranian oil back into the market, initially from storage. Vessels are quickly repositioned to the Gulf, with freight and war-risk insurance easing from early 2027 rather than mid-year.

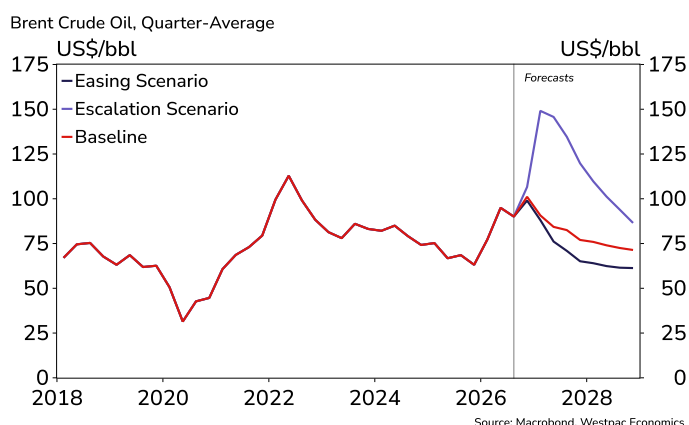
**A faster recovery in supply:** With export routes secure, Gulf production and damaged refinery and export capacity recover sooner than in the baseline. Outside the Gulf, the US extends its waiver on Russian diesel beyond April 2027 and China raises export quotas as domestic stocks are rebuilt.

**Demand settles below pre-conflict trend:** Some demand destruction and efficiency gains persist, particularly in China. With inventories rebuilding faster, government restocking is smaller and more gradual than in the baseline.

**Prices fall quickly, but restocking provides a floor:** Brent futures ease to around US\$88/bbl in Q1 2027 as the premium for prompt physical barrels unwinds. As the market moves into balance, Brent eases to around US\$65/bbl by Q4 2027, close to pre-conflict levels.

Refined product prices ease faster on lower freight costs with the Singapore gasoil crack narrowing. Australian diesel and petrol prices fall to around 182 cpl and 170 cpl by Q4 2027. Gas markets also ease, although damage to Qatar's gas facility means export capacity recovers gradually. Japanese LNG falls to around US\$11.9/MMBtu by end-2027, \$2.1 below our baseline.

### Oil Price Scenarios



### Economic impact

In the escalation scenario, higher fuel costs flow through to transport, food and other energy-intensive goods such as plastics and fertilisers. Australian headline CPI remains above 4.5% for much of 2027, with underlying inflation remaining sticky at above 3% until late 2028. The RBA faces a difficult trade off between much higher inflation and a significant hit to activity, as households cut discretionary spending and businesses defer investment. Higher LNG export earnings provide only a moderate offset. In the early resolution scenario, headline inflation is around 0.1ppt below the baseline in 2027.

New Zealand is more exposed in both scenarios, with food and energy a larger share of its CPI and no offsetting energy exports. Headline inflation is around 1ppt higher in the escalation scenario in Q1 2027.

# Recent trends remain firmly in place ...

Justin Smirk, Senior Economist  
Luka Belobrajdic, Economist

Most commodities rose in September, with many of the themes that drove moves across August remaining in place. Our broadest commodities index increased 5.6%*mth*, led by coking coal, which rose 22.3% on ongoing supply tightness following the Shanxi mine explosion. Japanese LNG (+15.2%*mth*) and Brent oil (+14.9%*mth*) also recorded strong gains amid persistent Middle East tensions, while thermal coal rose 11.7%*mth*. Copper (+1.3%*mth*) and aluminium (+1.0%*mth*) extended their recent gains, while iron ore managed a meagre advance (+0.7%*mth*), supported by higher freight and production costs. Gold fell 2.1%*mth* following the Fed's September rate hike, while lithium was the weakest performer, with spodumene prices down 4.8%*mth* amid renewed oversupply concerns.

## India increasingly the swing factor for coal

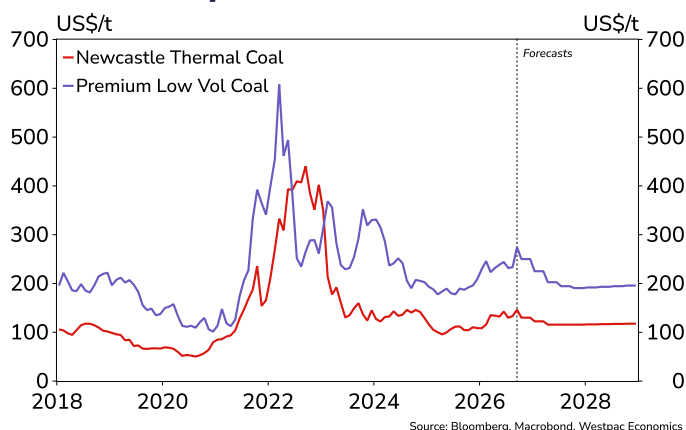
Newcastle thermal coal prices rose 11.7%*mth* in September, averaging US\$146/t over the month. LNG markets continue to support the relative cost competitiveness of thermal coal, while China has also re-emerged as a stronger seaborne buyer, reflecting tighter domestic supply following the Shanxi mining disaster. El Niño has contributed to hotter conditions and a weaker monsoon season, boosting electricity demand while weighing heavily on hydro generation. Against this backdrop, we now expect Newcastle thermal coal to average US\$130/t in the December quarter before easing towards US\$116/t through 2027 as global energy prices recede.

Queensland premium low-vol coking coal prices led gains across the commodities complex in September, rising 22.3%*mth* to average US\$275.8/t. The increase reflects strong Chinese demand, with buying accelerating ahead of the peak steelmaking season, compounded by domestic supply shortages following the Shanxi mining disaster. The resulting supply loss was initially expected to be offset by increased Mongolian imports. However, diesel shortages have constrained local coal production. Looking ahead, the normalisation of Mongolian exports and weaker Chinese steelmaker margins are expected to limit demand for seaborne cargoes, although India should provide some offset as the country emerges from its monsoon season and steel production lifts. As a result, we forecast premium low-vol coking coal prices to remain elevated in the December quarter, averaging US\$250/t before moderating through 2027.

## Cost pressures place a floor under iron ore prices

Iron ore prices (62% Fe index) rose 0.7%*mth* in September to average US\$98.3/t, largely reflecting ongoing pressure from elevated freight and energy costs. Shipping futures from Western Australia to Qingdao continued to rise with the September average sitting 91% above the 2025 average.

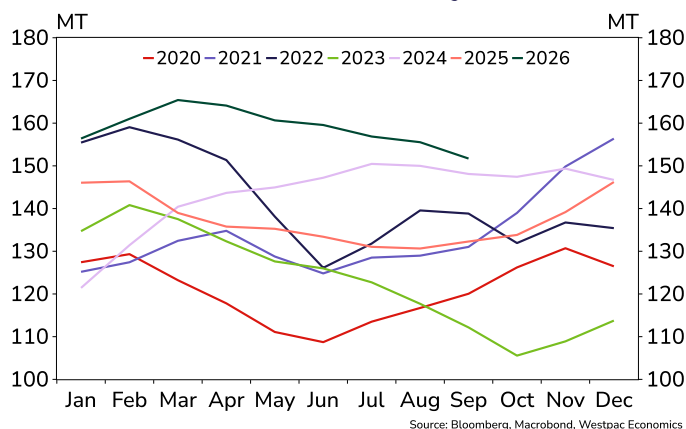
## Australian coal prices



## Shipping Futures, C5, West Australia - Qingdao



## China Iron Ore Total Ports Inventory



## ... with energy markets leading the gains

Evidence of cost pressures is becoming increasingly apparent with Wood Mackenzie estimating the 90th percentile cost of production now sits at US\$79.8/t -- 5.7% above 2025 levels. That said, major headwinds facing iron ore remain firmly in place. Seaborne supply continues to expand while at the same time, the Shanxi mining disaster has kept coking coal markets particularly tight, further compressing steelmaker margins. China's domestic economy also presents limited upside, with urban fixed asset investment down 7.2%ytd in August and iron ore inventories at Chinese ports remaining historically elevated. We expect the 62% Fe index to average US\$95/t in the December quarter.

The medium-term outlook is becoming increasingly challenging. Supply-side pressures are building as new low-cost output from Simandou enters the market. Persistently high inventories in China and softer global steel demand, as major economies contend with elevated energy costs, are expected to place further downward pressure on prices. The ongoing structural decline in Chinese steel production is also eroding underlying demand. We therefore expect iron ore prices to soften further, averaging around US\$83/t in the December quarter of 2027 as surplus conditions become more evident.

### Gulf disruptions continue to support aluminium

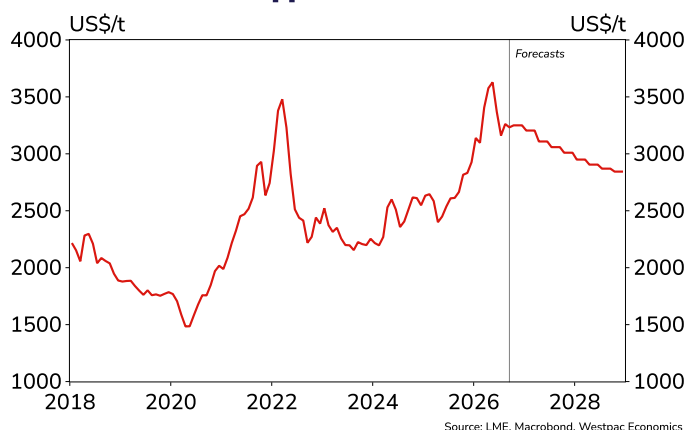
Aluminium prices rose 1.0%mt in September, averaging US\$3,284.2/t. Continued disruption to Gulf smelting capacity has maintained upward pressure on the market, with the Gulf region accounting for around 9% of global smelting capacity and a larger share of global trade. While limited volumes of metal are beginning to emerge from the Middle East, difficulties securing sufficient alumina feedstock continue to constrain production. As a result, IAI statistics indicate GCC production in August remained 42.6%yr below August 2025 levels. Given the time- and capital-intensive nature of restarting Gulf smelting capacity, we expect market tightness to persist through the remainder of 2026. Additional near-term support is likely to come from China where aluminium output increased by just 3.1%yr in August, offsetting only around half of lost GCC production, with growth constrained by China's capacity replacement policy.

Against this backdrop, we expect aluminium prices to maintain strength across the remainder of the year. However, we do not anticipate a full return of the war premium, with higher prices incentivising capacity restarts across Western economies and South-East Asia, while Chinese demand remains subdued. As a result, we forecast prices to average US\$3,250/t in the December quarter. Thereafter, prices are expected to ease as supply stabilises, Gulf producers restore production, and new Indonesian smelting capacity backed by Chinese investment comes online.

### Chinese policy fuels lithium oversupply fears

Markets were spooked by renewed concerns around lithium oversupply in September after China froze approvals for

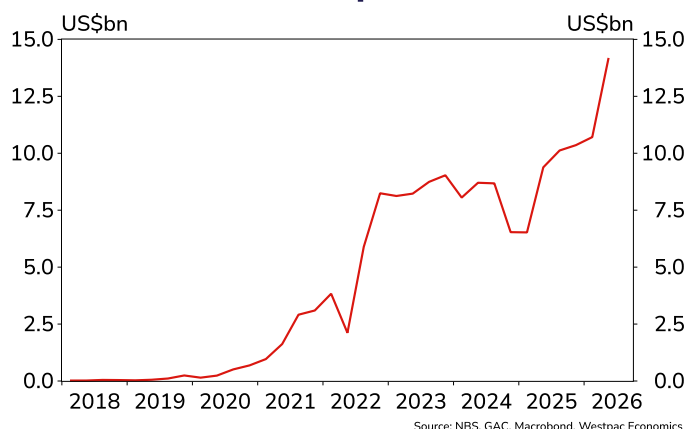
### Aluminium will be supported in the near-term



greenfield power and battery energy storage system factories that had yet to break ground. The move reflects growing concerns around excess capacity in the sector and forms part of Beijing's broader anti-involution agenda. Sentiment was further subdued by increased focus on the potential restart of the Jianxiawo mine, which accounts for around 3-4% of global lithium supply at full capacity and remains suspended pending environmental approvals. Subsequently, Spodumene (6% FOB Australia) prices fell 4.8%mt in September to average US\$2,007/t.

Despite this, the near-term outlook remains constructive. Demand should remain supported by lean downstream inventories and continued investment in energy storage solutions following the recent energy shock. Additional growth is likely to come from accelerating EV adoption, with lower-cost Chinese EVs continuing to gain market share. Over the medium to longer term, additional supply, particularly from Australia, is expected to weigh on prices. Further, recent tax changes in China, which impose a consumption tax on lithium-ion batteries while exempting sodium-ion and solid-state batteries until end-2028, may encourage some substitution away from lithium at the margin. Nevertheless, lithium is expected to remain the dominant battery chemistry.

### Chinese Electric Vehicle Exports



# US dollar strength ...

**Elliot Clarke**  
Head of International Economics

After struggling to break up through 100 over the past four months, in late September and early-October the DXY index popped higher to near 103, a high back to early-2025. Underlying the move are expectations that inflation will prove persistent globally, requiring an extended period of higher rates as well as a belief that the US tech sector leaves it best positioned to weather the storm.

It is important to note at the top that available data does not support a view that the US/Rest-of-World divide has grown. US GDP growth certainly remains above average and the Europe/UK below, but this has been the case throughout 2026.

Moreover, Europe and UK have shown greater-than-anticipated resilience of late, and growth in both jurisdictions is expected to strengthen as the US slows into 2027. Also relevant for DXY, Canada looks to be on a similar path to Europe, despite the ill effects of US trade policy.

Participants also expect a run of rate hikes in each jurisdiction through the remainder of 2026 and in 2027. We believe these expectations are unlikely to come to pass, though our cross-market view is proportion to the market's – i.e. we see each central bank biding their time after a final hike in coming months, allowing the currently restrictive stance of policy to take effect over time.

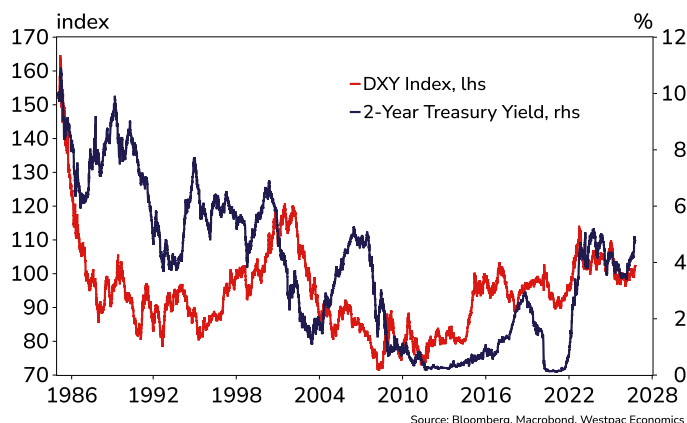
At the long end of the curve meanwhile, yields are certainly in the US dollar's favour. While this is in part due to the strong expectations for US growth, it also has to do with growing anxiety over the US' fiscal position, unpredictable policy and key global investors reconsidering the scale of their exposure to US government debt.

None of these latter factors are a positive for the US dollar today, and the risk is the US becomes more of an outlier on each front as greater co-ordination delivers a windfall for sentiment and growth across Europe and Canada.

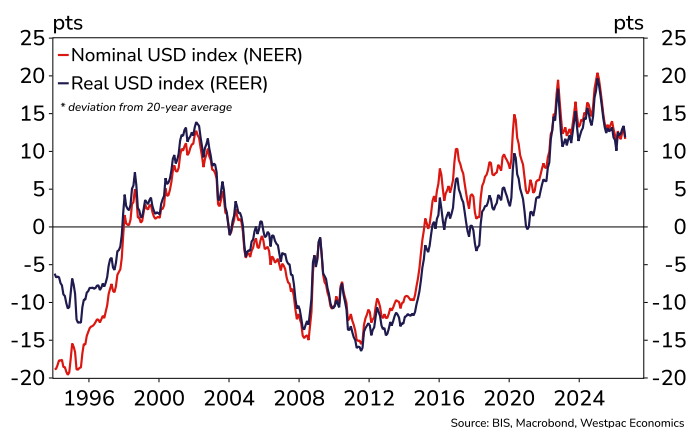
As such, we continue to believe the US dollar will broadly move lower over the coming 24 months, though it could take until early-2027 for the turn to become definitively evident. From EUR/USD1.12 today, we forecast the euro to rise to USD1.14 at year end, then USD1.21 in December 2027 and USD1.22 in June 2028.

Sterling is expected to follow, from USD1.32 today to USD1.34 at end-2026, then USD1.39 by end-2027 and USD1.41 come June 2028.

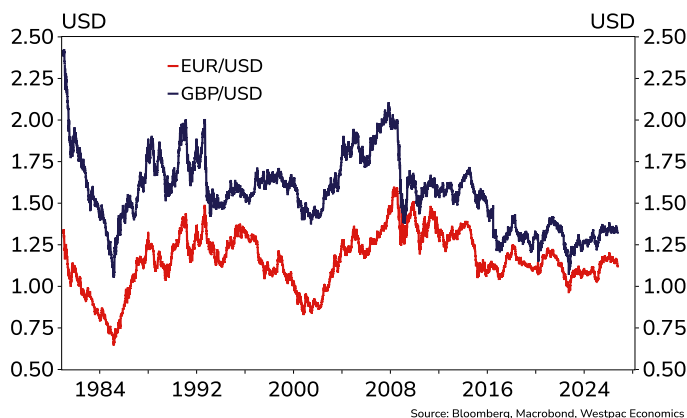
## USD demand to prove short lived



## Valuation remains stretched



## Euro and UK risks to recede



## ... likely to prove short lived

The Canadian dollar is also anticipated to appreciate over the forecast period, USD/CAD falling from CAD1.42 today to CAD1.34 by end-2027 and CAD1.32 mid-2028.

Along with sustained modest gains for yen (see below), this should see the DXY index at 95.1 by end-2027, then 94.5 around the middle of 2028.

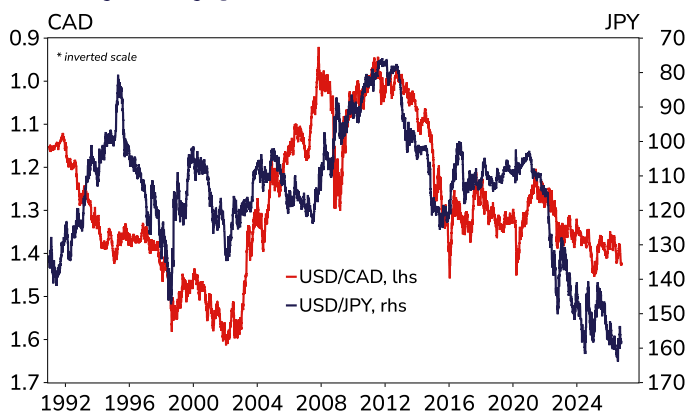
Turning to Asia, the yen remains in focus. Growth in Japan is solid and inflation around target, warranting a continued gradual normalisation of the policy rate. It is clear though that the Bank of Japan is not progressing at the pace market participants desire, and so pressure remains on the currency. As we have often highlighted, returns from trade and investment also continue to hold the yen back, despite improving profitability for Japanese listed companies and a broadly stable rate differential.

We expect these negative factors to abate and risks against yen to dissipate, but only slowly. Consequently, we only forecast USD/JPY to fall from JPY158 currently to around JPY146 come end-2028. Into the medium-term, we expect to see further gains, at some stage at a much more rapid pace. Note, our end-2028 forecast of JPY146 is 32% above the average of the decade prior to the pandemic, providing significant scope for rapid yen gains if sentiment improves.

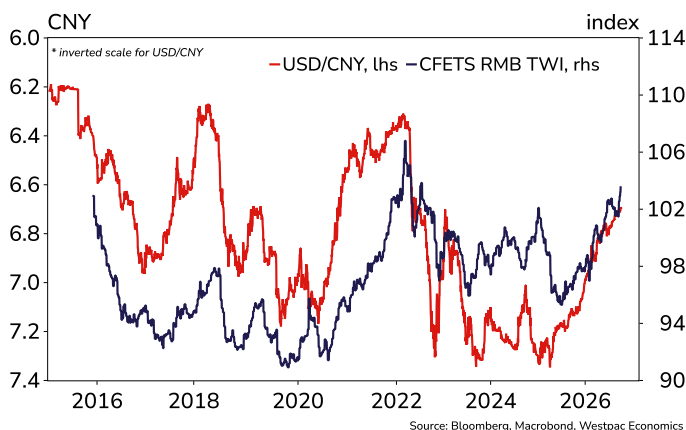
On to China, where investors are increasingly anticipating additional stimulus and also recognising the global opportunity before Chinese industry. As detailed on page 18, recent efforts to support the economy have been highly targeted, though they point to a broader push by authorities coming in late-2026 and early next year. The current initiatives also give support to the idea that the Central Government intends to increasingly allow the private sector and effective state-linked entities to deploy capital and scale on their own terms, albeit still within the country's long-term master plan centred on technology and other high value-add industry.

For China, the returns from trade have already been extensive, but there is scope for decades more to come. Still, the coming years are more likely to see development in sync with local neighbours such as Vietnam, Korea and Indonesia, mitigating large-scale bilateral appreciation within the region. Instead, it is currency trading against the US dollar that will highlight performance and expectations for the future. While we expect most of the region's currencies to appreciate materially against the US dollar through end-2028, the timing is likely to differ. Singapore's dollar has already run up, limiting further gains. China's renminbi is likely next in line to appreciate materially against the US dollar, followed by the won and Taiwan's dollar. India's rupee and Indonesia's rupiah are examples of currencies within the region likely to gain with a delay, particularly while energy prices remain elevated.

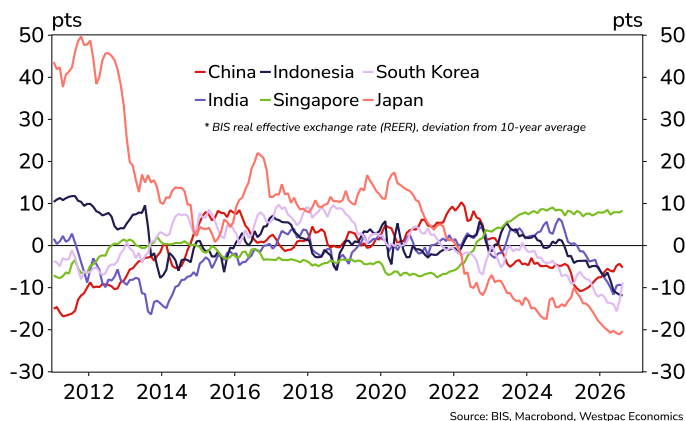
### JPY may finally get a bid



### Renminbi next to break out



### Asia's outlook promising



# Growth continued through the Middle East conflict ...

**Kelly Eckhold**  
Chief Economist NZ

Since the September Market Outlook, we have seen significant increases in global energy prices, a further fall in the New Zealand dollar and increases in long term interest rates. These developments have prompted us revise our macroeconomic outlook for 2026 and 2027 which now incorporate a less favourable mix of higher inflation and weaker growth. We continue to expect the economy to grow above trend, although with higher-for-longer inflation that justifies higher policy rates from the RBNZ. The New Zealand dollar seems weak and downside risks are growing should the economy falter or if the USD continues to shift higher. The General Election is on 7 November, and polls suggest that this remains a tight race. Whichever bloc wins, we expect complex coalition negotiations that may take some time to resolve.

Data on economic activity confirmed that the economy continued to grow through the Iran-war-impacted June quarter, registering the expected 0.2% growth rate. This was a pleasing result considering our earlier concerns that the economy might have gone backwards as energy prices and economic uncertainty spiked. In addition, historical revisions to GDP showed stronger growth in the pre-war quarters so that annual growth was notably stronger than thought at 2.6%yr. This means that the NZ economy has been running ahead of its potential growth rate – estimated at around 1.6%yr by the RBNZ for the year to June 2026. Concerns of a widening output gap through 2026 appear to have been unfounded.

That is not to say that the economy is in rude health. The general perception of economic conditions by consumers and businesses is that times are tough. The dissonance between the data and the perception reflects the still narrow nature of drivers propelling the economy forward. Unusually, it is not the housing market and related sectors such as household consumption that is generating much of the growth. Rather, it is the agricultural sector, exporters and tourism that are experiencing strong conditions. This explains the wide dispersion of economic indicators around the economy as evidenced by much stronger conditions in the North vs the South Islands. We continue to see strong export prices and have revised up our forecast milk price for the 2026/27 season to \$9.75/kg/ms and made an opening estimate of the 2027/28 milk price of \$9.50/kg/ms. These are strong returns that will underpin demand and investment in the agricultural sector in the years ahead.

We are seeing signs that lower interest rates are supporting growth in interest sensitive sectors. For example, in the June quarter the construction sector delivered its strongest contribution to growth since 2023. We are also seeing signs of strengthening employment growth including in the North Island where urban areas predominate. However, the overall

mix of growth remains relatively narrow which means many sectors – especially the services sector – are missing out on growth at this stage of the economic recovery.

The narrow nature of the recovery means that the economy remains vulnerable to shocks and setbacks. The last month or so has seen several negative shocks that are challenging the recovery. A couple seem especially relevant: renewed hostilities in the Middle East and a rise in petrol prices to new highs; and a rise in global long term interest rates that are adding to the tightening in financial conditions caused by the RBNZ's OCR increases since July 2026.

Thus far, businesses and households are showing much better resilience to higher energy costs than shown early in the conflict when petrol prices were close to current levels. We have seen some decline in business and consumer confidence, but the declines appear modest and remain consistent with ongoing economic growth in the second half of 2026. The question is how long that resilience will last?

We have reviewed our economic forecasts to account for changes seen since late August when we last reviewed our forecasts. The biggest changes concern the short-term inflation outlook where higher fuel prices should flow through to the CPI in the December quarter, adding more than 0.5% to our prior estimate of inflation for the 2026 calendar year. That means headline CPI inflation will end 2026 over 4% which is an uncomfortable – but unavoidable – prospect for the RBNZ. The weaker exchange rate will also add to inflation through mid-2027 with the TWI down 4-5% since late August.

A key question is what impact will stronger near-term price pressures have on the medium-term inflation outlook, which the RBNZ will be most focused on? Business and consumer surveys released in the last month showed no sign of rising inflation expectations or increased business pricing pressures. This suggests that most players in the economy see the energy shock as a short-term disruption that will not persistently lift inflation. At this juncture it certainly seems likely that headline inflation will remain either above or in the top part of the RBNZ's 1-3% target range through most of 2027. But we have little evidence to date that core inflation pressures will be similarly lifted. We will review the Q3 CPI data next week for signs of broader passthrough. In the June quarter we were pleasantly surprised that core inflation measures remained contained.

It may well be that the still significant level of excess capacity in the economy and the narrowness of growth can conspire to keep broader inflation pressures under control. We have trimmed our growth forecasts over the Q4 2026-Q2 2027

## ... although downside risks are rising

period to reflect these economic headwinds. We continue to see solid growth that remains above the still poor potential growth rate of the economy. But it is certainly the case that absent other positive drivers, growth will be weaker than previously thought. This should help constrain inflation pressures all else equal.

Another area of the economy that has continued to surprise to the downside is the housing market which has not met even our modest expectations for a stabilisation in prices through the second half of 2026. Unusually, despite low interest rates house prices are if anything falling more quickly as the year goes on. House sales are weakening and the time to sell a house is lengthening. We have revised down our house price expectations for 2026 and 2027 to a fall of 1.4%yr in 2026 and a rise of just 1.75% in 2027. Weaker housing market conditions likely mean consumption and residential investment will be constrained leaving more of the burden for growth on the external sector.

All this leaves us wondering if the RBNZ has enough to go on to shift its strategy communicated in September. Given perceived downside risks to activity, despite the uncomfortable near-term inflation outlook, it indicated a preference to slow the pace of OCR increases by pausing at its October meeting before raising the OCR to 3% in December. Our sense is that the strategy will remain in place unless the CPI data next week shows signs of building core inflation pressures.

Markets have priced in a relatively high chance of hikes in both October and December (around 33bps of hikes across the two meetings). At times, pricing appears to have been highly correlated with similar shifts in foreign markets as global oil

prices increased over September (although pricing has been relatively stable of late). There will no doubt be a vigorous debate within the MPC over how to balance the opposing risks to inflation and growth. We suspect they will hold the September course in the end.

The exchange rate has been particularly weak in the last six weeks. The US dollar has been stronger than expected and the repricing of global interest rates higher increasingly singles countries with relatively low interest rates, such as New Zealand. Should NZ growth falter to the extent that interest rate differentials can't narrow then the NZ dollar could easily weaken further as investors vote with their feet.

Another issue is the forthcoming 7 November election and the associated uncertainty given that polling is tight and policy divergences significant, especially between smaller parties who will need to be coaxed into a coalition with one of the larger parties. Fiscal risks already seem prominent in the fiscal plans of both the National and Labour party. Deals done to create a coalition likely increase those risks with the potential to undermine the NZ dollar further post-election. It certainly seems the case that markets have a strong focus on fiscal sustainability right now.

|                                              | 2025  |       |       | 2026  |       |       |       |       |       |       |      |     |
|----------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|-----|
| Monthly data                                 | Oct   | Nov   | Dec   | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug  | Sep |
| REINZ house sales %mth                       | 6.3   | 0.1   | 0.6   | -5.1  | 4.0   | -2.3  | -1.0  | -3.7  | -0.4  | -3.0  | -1.7 | -   |
| Residential building consents %mth           | -0.9  | 2.5   | -4.3  | 2.5   | 2.2   | -0.8  | 12.6  | -5.1  | -3.6  | -4.5  | 5.6  | -   |
| Electronic card transactions %mth            | 0.2   | 1.3   | -0.1  | -1.1  | 1.4   | 0.7   | -1.3  | 1.6   | -1.4  | 1.2   | -0.9 | -   |
| Private sector credit %yr                    | 4.6   | 4.4   | 4.6   | 4.6   | 4.7   | 4.9   | 4.7   | 4.8   | 4.9   | 4.9   | 4.8  | -   |
| Commodity prices %mth                        | -0.3  | -1.6  | -2.2  | 2.0   | 4.2   | 4.2   | -0.8  | 0.8   | -1.1  | -4.0  | -0.4 | 0.6 |
| Trade balance \$mn                           | -271  | -374  | -210  | -349  | -923  | -380  | 162   | -1123 | -767  | -1331 | -101 | -   |
| Quarterly data                               | Q2:24 | Q3:24 | Q4:24 | Q1:25 | Q2:25 | Q3:25 | Q4:25 | Q1:26 | Q2:26 | Q3:26 |      |     |
| Westpac McDermott Miller Consumer Confidence | 82.2  | 90.8  | 97.5  | 89.2  | 91.2  | 90.9  | 96.5  | 94.7  | 80.4  | 89.5  |      |     |
| Quarterly Survey of Business Opinion         | -26   | -29   | -27   | -22   | -21   | -15   | -3    | 0     | 1     | -1    |      |     |
| Unemployment rate %                          | 4.7   | 4.9   | 5.1   | 5.2   | 5.2   | 5.3   | 5.4   | 5.4   | 5.6   | -     |      |     |
| CPI %yr                                      | 3.3   | 2.2   | 2.2   | 2.5   | 2.7   | 3.0   | 3.1   | 3.1   | 4.1   | -     |      |     |
| Real GDP %yr                                 | 1.1   | 0.4   | -0.3  | -0.9  | -1.1  | -0.5  | 0.3   | 0.9   | 1.7   | -     |      |     |
| Current account balance % of GDP             | -5.5  | -5.3  | -4.9  | -4.4  | -3.6  | -3.1  | -3.0  | -3.0  | -3.2  | -     |      |     |

Sources: Government agencies, Bloomberg, Macrobond, Westpac Economics. Some data omitted from certain series due to Lunar New Year distortions. \*4qma

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.

# The timing of an upturn ...

Elliot Clarke

Head of International Economics

There has been little change in China's key narratives year-to-date. The trade surplus remains near record highs, buoyed by demand for green technology. Offsetting external strength, however, has been a moribund consumer, deteriorating business investment and continued month-on-month declines for housing activity.

With each month that passes, the risk of disappointing authorities' 4.5-5.0% ambition grows. In our view, while the Government is right to take a targeted approach to support for the economy, it must quickly multiply the scale and breadth of support if downside risks for 2027 and 2028 are to be kept at bay.

September's endeavour with housing is a case in point. Late in the month, authorities announced mortgage subsidies. Under the policy, first-home buyers are to receive an annualised 1 percentage point reduction in the loan principal for up to 5 years. However, the policy only applies to homes of up to 120 square metres with a maximum value of 1.5mn yuan.

Industry data from Proptech Innovations reported by Bloomberg suggest new home sales were up 15% from a year ago during October's National Day celebrations, but sales were still 9% below the same period in 2024.

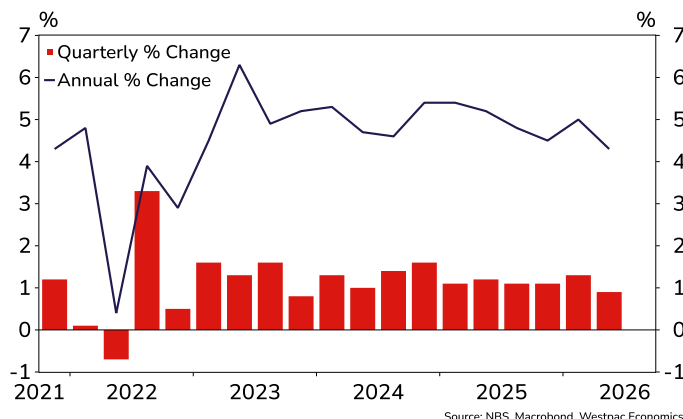
After more than 4 years of declining prices, sales and new construction, targeting this small sub-set of buyers is best interpreted as a first step towards broader support, allowing young buyers to get in ahead of the pack.

A similar scenario has been playing out in China's equity market, with several rounds of buying by state-linked institutional investors building a floor for Chinese shares this year while changes to these investors' long-term investment mandates lock in sustained buying over the years ahead. Hot IPOs have also been allowed to run, arguably in part to highlight the opportunity China's tech industry has before it to scale and, in time, deliver significant wealth gains.

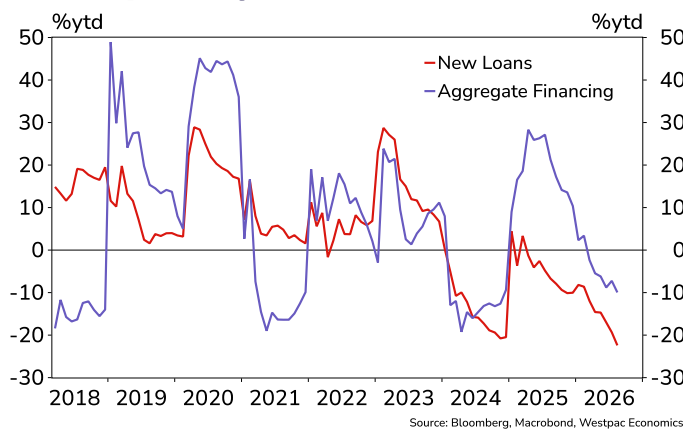
Suggesting further support is coming, also included in the late-September stimulus initiative was support for targeted lending by the banks for technology innovation and equipment upgrades, along with infrastructure finance. While open to all businesses, these initiatives seek to protect supply for small companies to avoid past issues with credit rationing. Increasingly then, Chinese businesses of all sizes are positioned to take advantage of growth opportunities.

In the very near term, the scaling of these private enterprises is likely to prove a support for sentiment and market valuations more so than employment. To quickly boost household

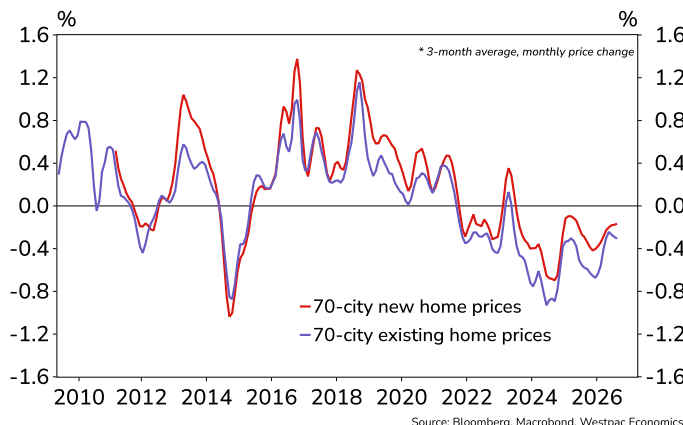
## Growth target at risk into year end



## Credit impulse negative



## Wealth needs additional support



# ... remains in authorities' hands

incomes, local government enterprises (who are major employers directly and indirectly) need to be incentivised to spend. The reason this is the case is that these entities are typically tasked with the lion share of infrastructure and non-residential construction in their jurisdictions. They also have strong ties to the residential construction sector, so an upturn in their spending benefits each regional economy broadly.

Central authorities have not been ignoring the need for support amongst local governments and related entities. But the support offered to date has focused on terming out existing debt and lowering the rates at which they borrow, principally through guarantees from higher levels of Government.

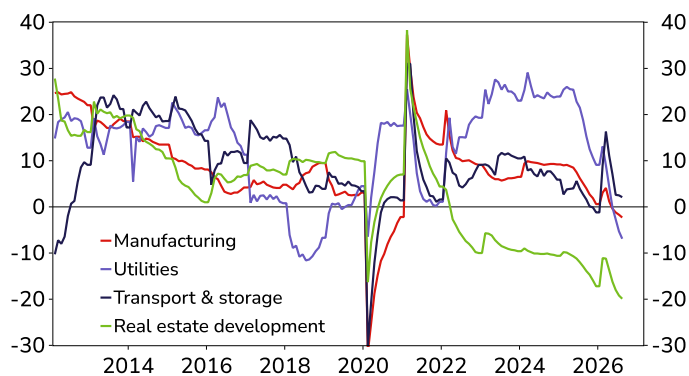
There are indications this first wave of support has been successful in materially improving regional government and related entities cash flow. Additional low-rate special purpose issuance, when it arrives, therefore has scope to offer significant support to investment across the nation. The pipeline of projects built up during 5 years of weak public investment means an uptick in capital expenditure should be productive for the national economy and secured by strong financial foundations.

The benefit of living through an entrenched period of disinflation is that the yield curve flattens at a low level. This development offers Chinese public and private issuers an opportunity to lock in long-term capital at highly attractive rates. At the current juncture, this is a significant advantage to the West who are facing heightened inflations risks and fiscal uncertainty. While many harbour concerns on the latter point for China too, the control Chinese authorities have over outbound foreign investment means a greater share of domestic capital is captive to local opportunities than is the case across open developed markets.

All told, the hold-up for a broadening of growth across China's economy is therefore confidence. When this occurs, however, is up to the Central Government.

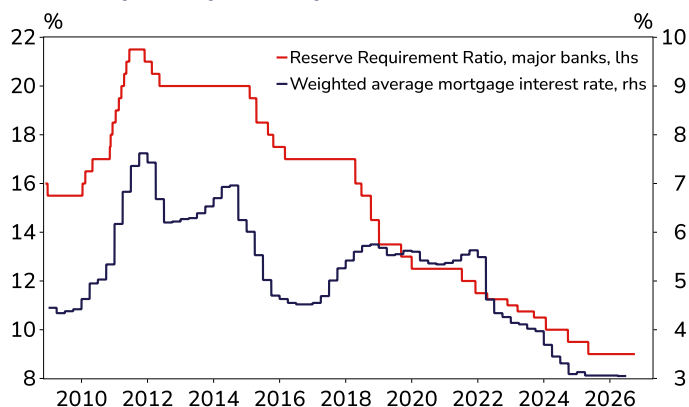
## As does investment

Fixed Asset Investment by Industry (%ytd)



Source: NBS, Macrobond, Westpac Economics

## Monetary policy already accommodative



Source: Bloomberg, Macrobond, Westpac Economics

|                                | 2025   |       |       | 2026   |      |      |        |       |       |        |       |       |
|--------------------------------|--------|-------|-------|--------|------|------|--------|-------|-------|--------|-------|-------|
| Monthly data %yr               | Oct    | Nov   | Dec   | Jan    | Feb  | Mar  | Apr    | May   | Jun   | Jul    | Aug   | Sep   |
| Headline CPI %yr               | 0.2    | 0.7   | 0.8   | 0.2    | 1.3  | 1    | 1.2    | 1.2   | 1     | 0.5    | 0.8   | 0.9   |
| M2 money supply %yr            | 8.2    | 8     | 8.5   | 9      | 9    | 8.5  | 8.6    | 8.6   | 8     | 7.7    | 7.5   | 7.2   |
| Manufacturing PMI (official)   | 49.0   | 49.2  | 50.1  | 49.3   | 49.0 | 50.4 | 50.3   | 50.0  | 50.3  | 49.2   | 49.8  | 50.1  |
| Fixed asset investment ytd %yr | -1.7   | -2.6  | -3.8  | -3.8   | 1.8  | 1.7  | -1.6   | -4.1  | -5.7  | -6.7   | -7.2  | -     |
| Industrial production %yr      | 4.9    | 4.8   | 5.2   | 5.2    | 6.3  | 5.7  | 4.1    | 4.5   | 5.3   | 4.5    | 5.2   | -     |
| Exports %yr                    | -1.3   | 5.8   | 6.4   | 10.0   | 39.6 | 2.5  | 14.0   | 19.2  | 26.9  | 23.9   | 25.0  | 36.3  |
| Imports %yr                    | 1.8    | 2.6   | 6.4   | 26.9   | 14.7 | 28.4 | 25.3   | 27.4  | 35.8  | 27.5   | 28.2  | 31.0  |
| Trade balance USDbn            | 88.0   | 109.9 | 111.9 | 120.0  | 89.2 | 49.8 | 84.4   | 105.0 | 125.5 | 112.5  | 119.1 | 133.5 |
| Quarterly data                 | Mar-25 |       |       | Jun-25 |      |      | Sep-25 |       |       | Dec-25 |       |       |
| Real GDP %yr                   | 5.4    |       |       | 5.2    |      |      | 4.8    |       |       | 4.5    |       |       |
| Nominal GDP %yr                | 4.6    |       |       | 3.9    |      |      | 3.7    |       |       | 3.9    |       |       |

Sources: Government agencies, Bloomberg, Macrobond, Westpac Economics. Some data omitted from certain series due to Lunar New Year distortions. \*4qma

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.

# US housing poses risks ...

**Elliot Clarke**

Head of International Economics

**The US housing market remains under considerable pressure. Prices continue to edge up, supporting aggregate wealth. But up-and-coming main street consumers are struggling with affordability and availability, posing enduring risks for both consumption growth and inflation.**

Traditionally, when considering the implications of housing for consumption, the focus is on aggregate wealth. In the US currently, despite record levels for long-term interest rates including the 30-year mortgage rate, house prices have continued to edge higher, the S&P Case-Shiller 20-city index up 2.5%yr as of July. Together with strong gains for equity markets, this puts asset rich US consumers in an extremely strong position to maintain discretionary consumption.

Real personal consumption growth has been choppy, however, ranging between -0.1% and 0.6% year-to-date, leaving annual growth near average levels at September – a poor result given wealth's upturn. Clearly this is a consequence of developments in the Middle East and Russia which have pushed oil and diesel prices back near the top of the historic range. A more pressing and persistent risk to the US consumer story hence is the challenge the marginal home buyer faces.

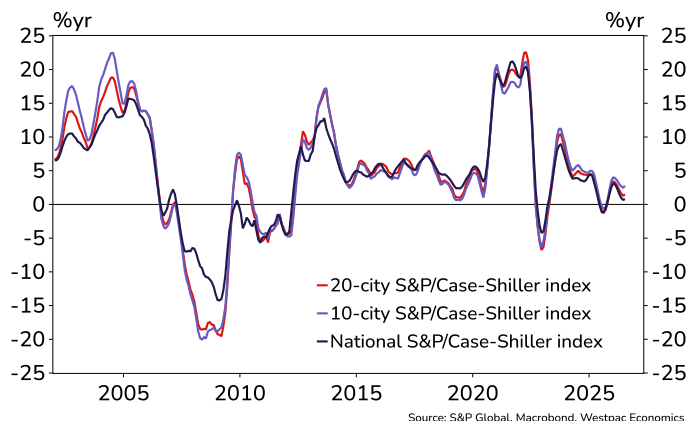
Since the beginning of 2022, the effective mortgage rate paid by all levered US households has risen from a low of around 3.3% to 4.3%. For the current marginal first-time buyer or upgrader, however, the current 30-year mortgage rate is almost twice as high at 7.50%. Housing affordability is therefore aggressively limiting both the number of buyers and the quantum of housing able to be purchased. Moreover, those who are successful purchasing face a highly-restrictive financial position for the coming 5-10 years, with interest expense making up the vast majority of initial mortgage payments toward a 30-year loan.

If, as has been the case over the past few years, nominal wage gains struggle to match inflation for essential household items, the discretionary consumption capacity of new entrants to the housing market and upgraders will remain limited.

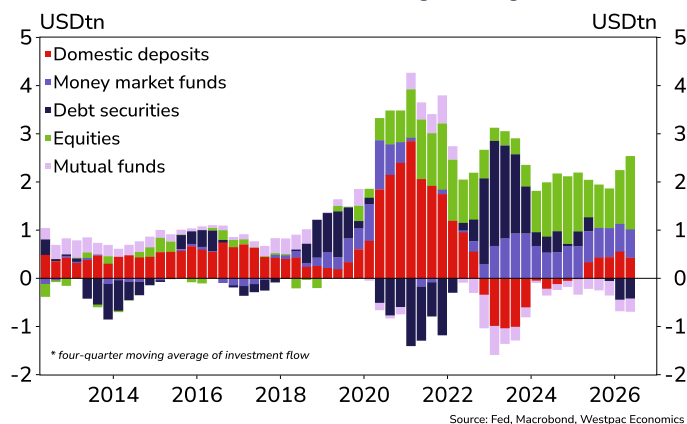
The status quo and anticipated outlook for housing leads us to believe that consumption growth will slow into 2027 and remain below trend in 2028. Though continued gains for tech infrastructure are likely to offset, holding GDP growth around trend – supporting the labour market and consequently precluding a broadening of weakness in consumer spending.

Also worthy of note are the implications for housing costs from the current trend in sales and construction. Through the first half of 2026, housing starts were at their lowest level

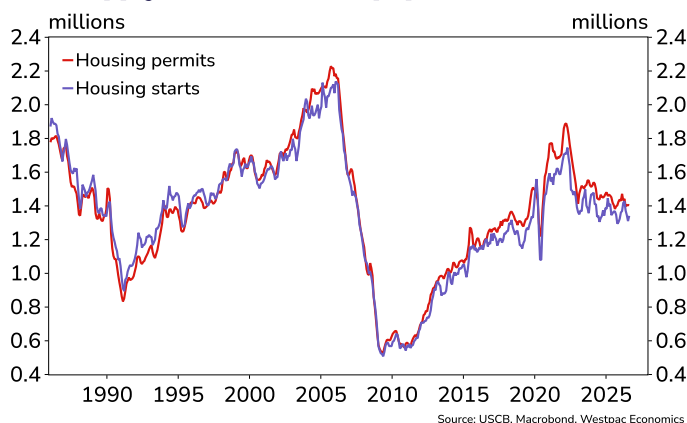
## House prices still aiding wealth



## Consumer financial assets also growing



## New supply insufficient for population



## ... to growth and inflation

in five years. Indeed, new supply over the period was broadly consistent with that achieved in the 1990's when the population was approximately 25% smaller than today. Building permit data also implies this imbalance is set to persist.

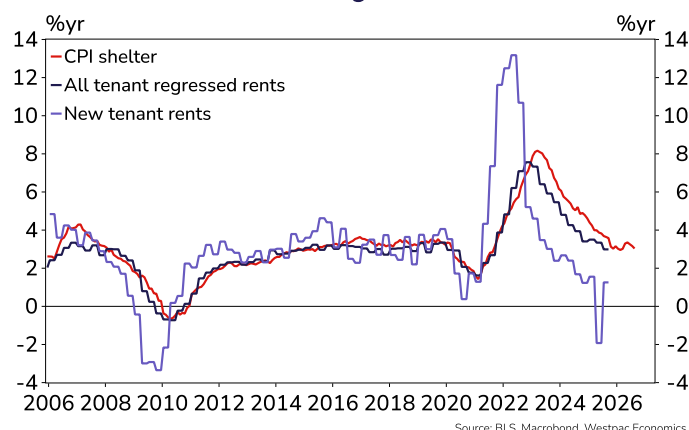
While rent inflation has slowed back towards average levels over the past two years, it is therefore unlikely to underperform hence. More probable is that, if the labour market remains in robust health, the shelter component will strengthen again. This is particularly likely in major cities where the demand and supply imbalance is most acute.

For the FOMC, this is a worrying predicament given shelter inflation makes up roughly 15%/35% of the PCE/CPI basket respectively. With the effect of tariffs and a likely modest decline in the US dollar to mitigate any disinflation from offshore, any strengthening in domestic US inflation will make sustainably achieving 2.0%yr inflation extremely challenging.

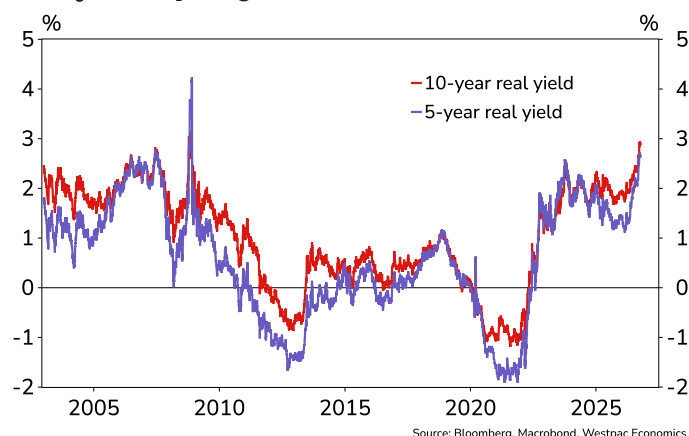
Hence, while we expect the FOMC will be able to reverse September's hike and the follow-up decision we forecast by end-2026 come early-2028, the Committee will then have to remain on hold at a modestly restrictive rate of 3.875%. This should limit US dollar depreciation over the forecast period, if downside risks for activity growth do not materialise; but it also means long-term yields are likely to remain elevated.

We see current market pricing for the FOMC as overextended, with three hikes priced by end-2027 compared to our forecast of a single additional move. If we are correct, the 10-year yield can retreat back below 5.00% for a time, though likely only marginally. Come 2028, a combination of persist upside inflation risks relative to target and mounting fiscal uncertainty heading into the 2028 US Presidential election is likely to see the 10-year consistently above the 5.00% level. Such an occurrence would limit new investment in real assets and further entrench domestic inflationary momentum.

### Shelter inflation bottoming out



### Real yields up on growth and fiscal risk



|                                 | 2025   |       | 2026   |       |        |       |        |       |        |        |           |      |
|---------------------------------|--------|-------|--------|-------|--------|-------|--------|-------|--------|--------|-----------|------|
| Monthly data                    | Nov    | Dec   | Jan    | Feb   | Mar    | Apr   | May    | Jun   | Jul    | Aug    | Sep       | Oct  |
| PCE deflator %yr                | 2.7    | 2.8   | 2.7    | 2.8   | 3.4    | 3.6   | 3.8    | 3.5   | 3.4    | 3.4    | –         | –    |
| Unemployment rate %             | 4.5    | 4.4   | 4.3    | 4.4   | 4.3    | 4.3   | 4.3    | 4.2   | 4.1    | 4.1    | 4.2       | –    |
| Nonfarm payrolls chg '000       | 41     | –17   | 160    | –156  | 214    | 148   | 63     | 31    | –10    | 133    | 29        | –    |
| House prices* %yr               | 1.5    | 1.5   | 1.3    | 1.0   | 1.0    | 1.2   | 1.7    | 2.1   | 2.5    | –      | –         | –    |
| Durables orders core 3mth %saar | 9.8    | 8.9   | 5.5    | 8.5   | 22.0   | 20.6  | 22.2   | 12.4  | 18.1   | 16.5   | –         | –    |
| ISM manufacturing composite     | 48.0   | 47.9  | 52.6   | 52.4  | 52.7   | 52.7  | 54.0   | 53.3  | 55.6   | 54.6   | 54.5      | –    |
| ISM non-manufacturing composite | 52.4   | 53.8  | 53.8   | 56.1  | 54.0   | 53.6  | 54.5   | 54.0  | 54.1   | 55.4   | 54.9      | –    |
| Personal spending 3mth %saar    | 4.7    | 4.0   | 3.6    | 4.4   | 6.9    | 9.2   | 10.1   | 7.6   | 4.9    | 5.2    | –         | –    |
| UoM Consumer Sentiment          | 51.0   | 52.9  | 56.4   | 56.6  | 53.3   | 49.8  | 44.8   | 49.5  | 55.2   | 51.7   | 48.1      | 46.3 |
| Trade balance USDbn             | –63.9  | –76.1 | –52.7  | –52.5 | –53.7  | –52.9 | –75.8  | –71.2 | –92.8  | –105.6 | –         | –    |
| Quarterly data                  | Jun–25 |       | Sep–25 |       | Dec–25 |       | Mar–26 |       | Jun–26 |        | Sep–26(f) |      |
| Real GDP % saar                 | 3.8    |       | 4.4    |       | 0.5    |       | 2.1    |       | 1.5    |        | 3.1       |      |
| Current account USDbn           | –254.9 |       | –262.9 |       | –221.1 |       | –212.6 |       | –246.0 |        | –         |      |

Sources: Government agencies, Bloomberg, \*S&P Case-Shiller 20-city measure.

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.

# Is Asia's goods price disinflation ...

**Illiana Jain**  
Economist

For much of the past twenty years, Asia has been a source of disinflation for the world. The integration of China into global manufacturing, the offshoring of production to other low-cost economies and relentless improvements in technology have all helped. As a result, periods of elevated domestic inflation were often offset by falling or flat imported goods prices, allowing central banks to tolerate stronger services inflation.

Today though, a combination of ageing populations, rising labour costs, increasing electricity demand and developments within the technology sector imply Asia may provide less support to global disinflation over the decade ahead.

Historically, labour cost arbitrage was one of the key drivers of lower goods prices. Production was repeatedly shifted towards lower-cost labour markets, with much of the world's manufacturing increasingly concentrated in North Asia. However, working-age populations in economies such as Japan, South Korea, Taiwan and China are now either stagnant or declining, and economic development has pushed labour costs higher. These trends are consistent with the broader argument advanced by Goodhart and Pradhan – that the enormous labour supply shock stemming from China, which helped suppress global inflation over recent decades, is fading.

The next phase of manufacturing development looks likely to instead be driven by capital, technology and energy rather than low-cost labour, and is likely to be more fragmented. Future supply-chain development is therefore more likely to help contain rising costs than drive sustained price declines for goods.

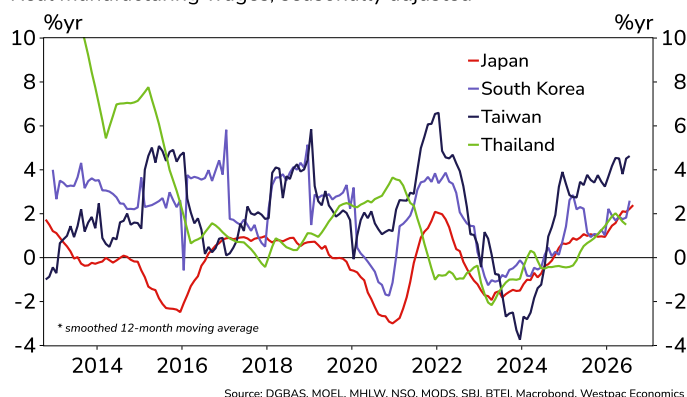
Digging deeper into these factors, technology is becoming a less reliable source of disinflation. Asia sits at the centre of the global AI supply chain through firms such as TSMC, Samsung and SK Hynix, which produce advanced semiconductors and memory chips critical to AI infrastructure. Unlike previous technology cycles, these firms are operating in an environment characterised by strong demand and limited supply, allowing greater discretion over pricing. SK Hynix's net profit, for example, increased from ₩19.8tn to ₩42.9tn, a rise of 117% year-on-year.

At the same time, increasing critical mineral and other input costs together with large investment requirements are lifting production costs and the required return on investment.

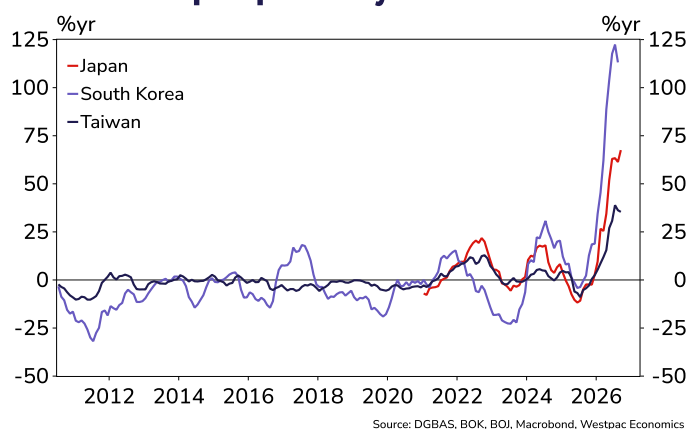
These factors increasingly look to be structural, with producers competing on performance and capability rather than price and growth in end demand extremely strong. This means technology may no longer be a source of disinflation/ deflation globally, but instead a contributor to end user inflation.

## Asia's labour-cost advantage is fading

Real manufacturing wages, seasonally adjusted

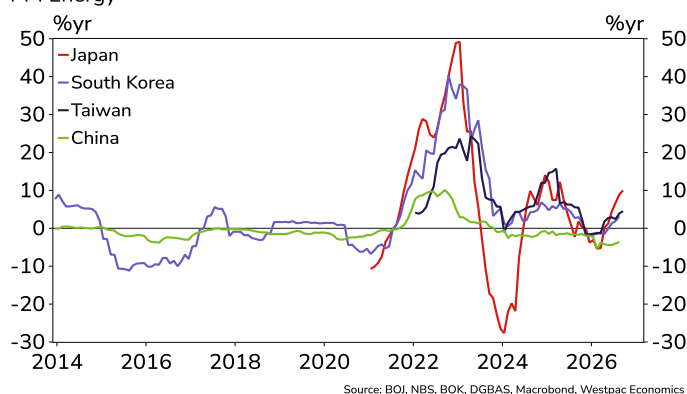


## Electronics export prices skyrocket



## The AI boom is lifting energy demand

PPI Energy



## ... over?

The AI build-out is also fostering energy demand, adding to economy-wide inflationary pressures. Semiconductor fabrication plants, data centres and AI infrastructure are extremely electricity intensive. This is also the case for the large-scale data-centre investment evident across the Asian region and world.

Developments in China, however, highlight that disinflation remains a possibility for some manufactured goods. Simply, where capacity has been expanded ahead of demand, such as for automobiles, the trend for output prices is still flat to down. If capacity is expanded ahead of demand in more sub-sectors, world prices can grow more modestly, or potentially decline, depending on end user appetite and competition.

For aggregate global inflation though, we need to recognise the growing complexity and breadth of the global production chain and technology's use in everyday life.

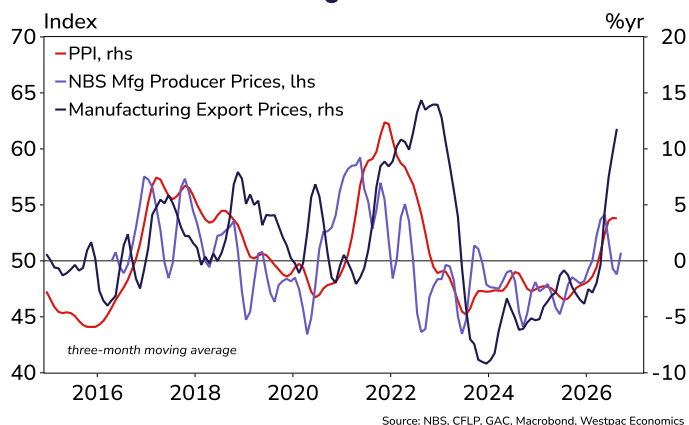
Today, China is not the dominant supplier across all of technology. South Korea's leadership in memory chips and Taiwan's dominance in advanced semiconductors are examples. The consequence for the developed world is that it is not just production costs in one location that matter, but rather across the full logistic chain.

It is also important to highlight that many end users and the manufacturers undertaking production are increasingly prioritising resilience, security and specialisation alongside cost minimisation. This limits their ability to move production in pursuit of lower wages and construction costs, reducing the potential for future disinflation/deflation, all else equal.

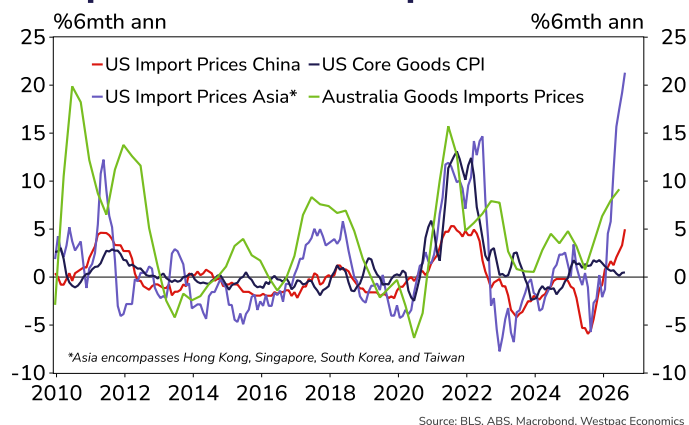
For developed-market central banks, the implications may prove significant. If Asia provides less support to global disinflation, imported goods will contribute less to returning inflation to target. Achieving inflation mandates in those circumstances will require tighter control of domestic inflationary pressures, particularly services.

An interesting end note to ponder over the coming year(s) is the potential benefit of AI driven productivity. In time, this may help to not only foster disinflation across production, but also international logistics and local service sectors. Each nation is likely to experience a different outcome on this front, with early adopters best placed to efficiently plan and implement adoption and receive a windfall.

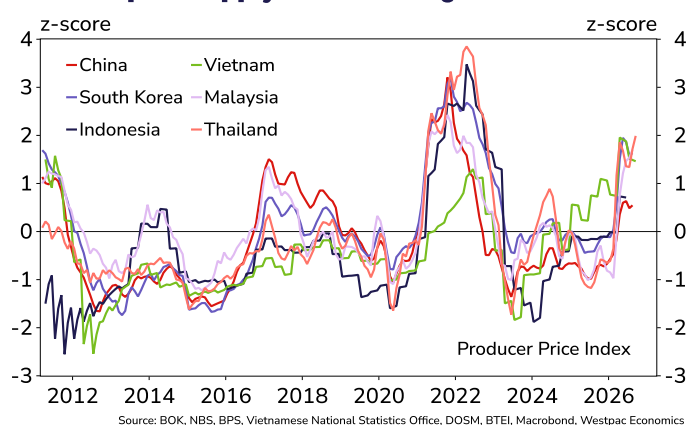
### China's deflation is losing influence



### Asian prices add risk to developed markets



### The cheapest supply chain no longer wins



# Concerns over Europe's outlook ...

**Elliot Clarke**

Head of International Economics

The euro has come under considerable pressure during the past month owing to fears over the potential implications of high prices and threats to global supply for oil, gas and diesel. That said, the European economy continues to tick along nicely while inflation risks remain manageable, allowing the ECB to be measured in their response.

At the time of September's meeting, the ECB staff projections pointed to a quick turn in growth, from 0.9% in 2026 back to 1.4% in 2027 and 1.5% in 2028 (both near-trend outcomes) as inflation returns to target. This was an upward revision compared to the forecasts presented 3 months earlier, built on greater-than-expected resilience in the economy despite mounting global energy risks.

Since the meeting, the data has broadly continued to point to underlying strength, with the unemployment rate stable near record lows, real incomes and sentiment holding up, and construction activity outperforming. Retail sales growth remains choppy and sub-par, but we are yet to see clear evidence of downside risks crystallising for household spending.

Against this sanguine baseline view, the ECB's revised alternative forecasts point to a large shock being necessary to jolt GDP growth materially lower in 2027. An oil price circa USD100 and gas price of EUR75 per MWh through Q4 2026 and a slow abating of risks through 2027 would still result in GDP growth of 1.1% in 2027 and then 1.4% in 2028 on the ECB's modelling.

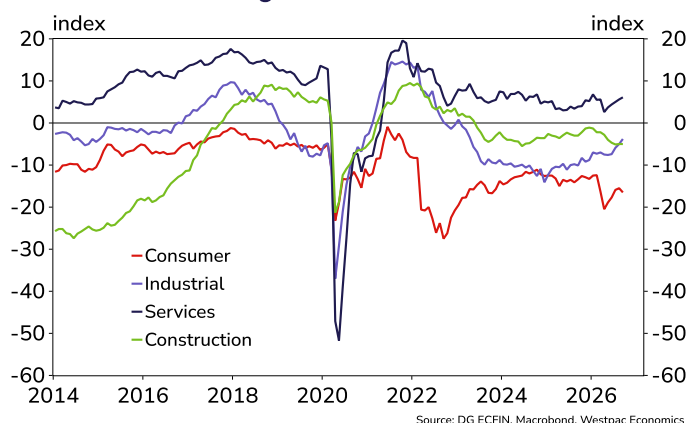
An oil price of USD130 and gas price of EUR130 per MWh in Q4 2026 with persistent strength through 2027 is instead necessary to see GDP growth slow from 0.8% in 2026 to 0.4% in 2027 before a recovery to 1.4% in 2028, as the energy shock recedes.

The point to take from these scenarios is that historic data and the relationships they represent suggest the Euro Area is likely to perform well through this period of heightened uncertainty.

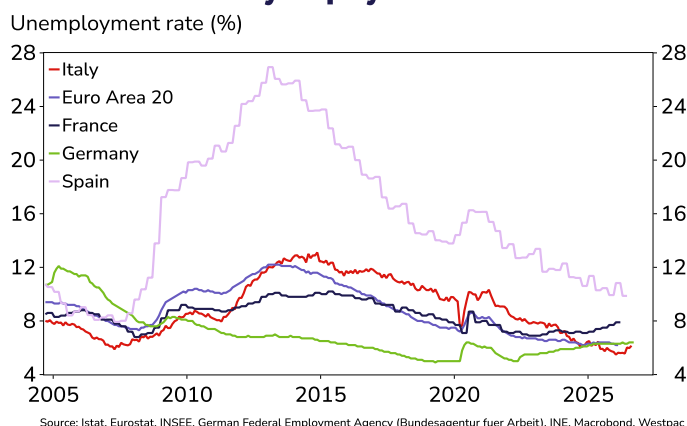
Moreover, once risks recede, upside opportunities are probable, particularly if the trade relationship with Asia and the associated inflow of financial capital to the continent strengthens further.

An influx of investment into manufacturing by global players could also spark secondary waves of investment across manufacturing as well as related infrastructure and services provision. Come 2028 and beyond, upside risks related to the region's defence and resource independence should also present.

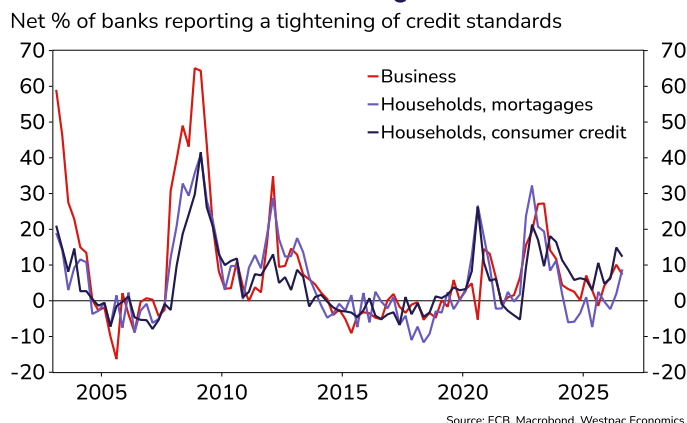
## Confidence showing resilience



## Labour markets fully employed



## Credit standards have been tightened



## ... are overdone

Thinking more broadly about the risks ahead, while the Euro Area may not have the upside potential of the US vis à vis data centre development for the training of models and pursuit of generative AI, their major corporations are ready and able to adopt US and/or Asian models to improve efficiency and speed up research and development.

For Europe, the opportunity set is arguably concentrated in pharmaceuticals, other medical goods and high-tech componentry related to telecommunications and transit – all sectors with strong growth opportunities.

To the downside, risks are focused on the functioning of the financial sector and the provision of credit. The latest release for the ECB's Bank Lending Survey is due late this month. But, as discussed in September's Market Outlook, the prior release from July points to a measured but sustained tightening of financial conditions over and above the impact of policy decisions.

For households in particular, Q2 saw a second consecutive quarter of credit standard tightening for mortgages across the Continent, principally due to heightened risk perceptions and reduced risk tolerance amongst the banks. Demand for mortgages unsurprisingly fell for a second quarter in a row, and respondents foresaw a further reduction in Q3. A more broad-based tightening of standards was meanwhile evident for consumer credit.

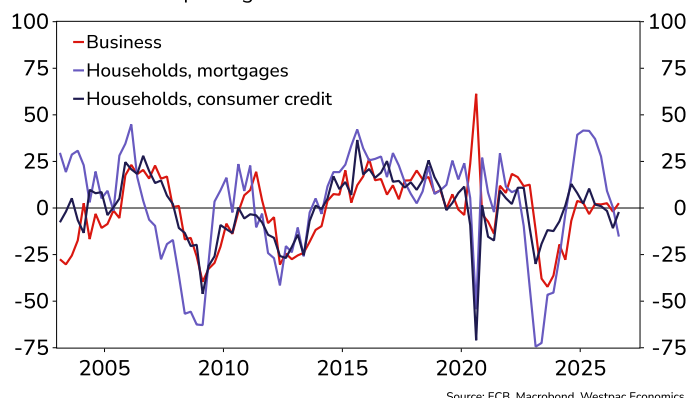
A moderate tightening of credit standards was also apparent for businesses. Though, new business investment grew through 2024–26 as credit standards were tightened quarter-on-quarter, suggesting the impact on business investment of current decision making will prove modest.

Importantly though, if this key downside risk (or others) manifest, the Euro Area public sector has capacity to react, far more so than US authorities. This is because Euro Area yields are materially lower than in the US, and their fiscal calculus is much more manageable.

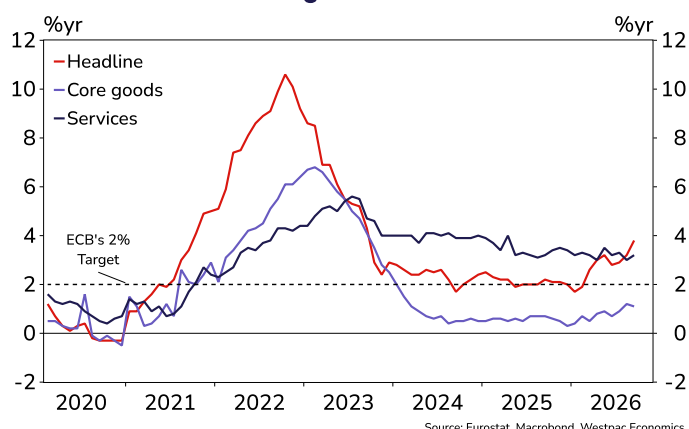
Highlighting the scale of difference, the 10-year German yield is currently at 3.5% while the US 10-year trades near 5.2% – the German yield up around 30bps versus 80bps in the US. As of 2025, the Euro Area's general government fiscal balance was also a deficit of 3.0 per cent of GDP, less than half the US' 6.8 per cent of GDP deficit on the IMF's April Fiscal Monitor's figures. Into the long run, this difference will provide a meaningful boost to both growth across the continent and the euro's prospects.

### Loan demand mixed

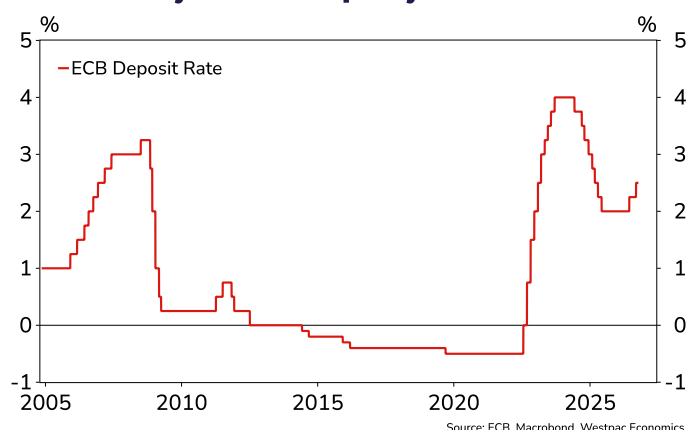
Net % of banks reporting an increase in demand



### Inflation to tend to target ...



### ... with mildly restrictive policy



# Australia

## Interest rate forecasts

|                            | Latest (15 Oct) | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 | Sep-28 | Dec-28 |
|----------------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Cash                       | 4.60            | 4.85   | 4.85   | 4.85   | 4.60   | 4.35   | 4.10   | 3.85   | 3.85   | 3.85   |
| 90 Day BBSW                | 4.77            | 4.95   | 4.95   | 4.80   | 4.55   | 4.30   | 4.10   | 3.95   | 3.95   | 3.95   |
| 3 Year Swap                | 4.93            | 4.90   | 4.85   | 4.75   | 4.65   | 4.55   | 4.45   | 4.35   | 4.30   | 4.25   |
| 3 Year Bond                | 4.91            | 4.90   | 4.85   | 4.75   | 4.65   | 4.55   | 4.45   | 4.35   | 4.30   | 4.25   |
| 10 Year Bond               | 5.32            | 5.20   | 5.15   | 5.10   | 5.05   | 5.05   | 5.00   | 5.00   | 5.00   | 5.00   |
| 10 Year Spread to US (bps) | 13              | 15     | 15     | 15     | 15     | 10     | 0      | -5     | -10    | -15    |

## Currency forecasts

|               | Latest (15 Oct) | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 | Sep-28 | Dec-28 |
|---------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>AUD vs</b> |                 |        |        |        |        |        |        |        |        |        |
| USD           | 0.6969          | 0.72   | 0.72   | 0.73   | 0.73   | 0.73   | 0.73   | 0.72   | 0.72   | 0.72   |
| JPY           | 110.25          | 112    | 111    | 112    | 111    | 110    | 109    | 108    | 107    | 106    |
| EUR           | 0.6248          | 0.63   | 0.62   | 0.62   | 0.61   | 0.60   | 0.60   | 0.59   | 0.60   | 0.60   |
| NZD           | 1.2466          | 1.27   | 1.24   | 1.20   | 1.16   | 1.15   | 1.13   | 1.12   | 1.12   | 1.11   |
| CAD           | 0.9926          | 0.99   | 0.99   | 0.99   | 0.99   | 0.98   | 0.97   | 0.96   | 0.96   | 0.96   |
|               |                 |        |        |        |        |        |        |        |        |        |
| GBP           | 0.5284          | 0.53   | 0.53   | 0.54   | 0.53   | 0.53   | 0.52   | 0.51   | 0.51   | 0.52   |
| CHF           | 0.5815          | 0.58   | 0.57   | 0.56   | 0.55   | 0.55   | 0.54   | 0.54   | 0.54   | 0.54   |
| DKK           | 4.6700          | 4.70   | 4.64   | 4.63   | 4.55   | 4.51   | 4.45   | 4.44   | 4.47   | 4.47   |
| SEK           | 6.9901          | 7.10   | 7.08   | 7.12   | 7.06   | 7.03   | 6.96   | 6.95   | 7.03   | 7.03   |
| NOK           | 6.6376          | 6.75   | 6.72   | 6.76   | 6.70   | 6.68   | 6.61   | 6.59   | 6.68   | 6.68   |
| ZAR           | 11.57           | 11.7   | 11.8   | 11.8   | 11.8   | 11.8   | 11.9   | 11.9   | 11.9   | 11.9   |
|               |                 |        |        |        |        |        |        |        |        |        |
| SGD           | 0.8955          | 0.91   | 0.91   | 0.92   | 0.92   | 0.92   | 0.91   | 0.91   | 0.91   | 0.91   |
| HKD           | 5.4699          | 5.61   | 5.63   | 5.70   | 5.69   | 5.69   | 5.65   | 5.63   | 5.62   | 5.61   |
| PHP           | 44.07           | 44.4   | 44.3   | 44.5   | 44.2   | 43.8   | 43.2   | 42.7   | 42.4   | 42.4   |
| THB           | 23.42           | 23.6   | 23.4   | 23.4   | 23.0   | 22.6   | 22.1   | 21.9   | 21.7   | 21.7   |
| MYR           | 2.8618          | 2.90   | 2.88   | 2.88   | 2.85   | 2.81   | 2.80   | 2.75   | 2.75   | 2.75   |
| CNY           | 4.6664          | 4.76   | 4.75   | 4.75   | 4.71   | 4.67   | 4.61   | 4.60   | 4.56   | 4.56   |
| IDR           | 12476           | 12602  | 12528  | 12556  | 12410  | 12264  | 12052  | 11874  | 11729  | 11729  |
| TWD           | 22.42           | 22.6   | 22.3   | 22.3   | 21.9   | 21.5   | 21.1   | 20.6   | 20.4   | 20.4   |
| KRW           | 935             | 959    | 961    | 971    | 967    | 964    | 955    | 948    | 945    | 945    |
| INR           | 66.71           | 68.0   | 67.7   | 67.9   | 67.2   | 66.4   | 65.3   | 64.4   | 63.7   | 63.0   |

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.

# Australia

## Activity forecasts

|                                | 2026       |            |            |            | 2027       |            |            |            | Calendar years |            |            |            |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|----------------|------------|------------|------------|
| %qtr / %yr end                 | Q1         | Q2(f)      | Q3(f)      | Q4(f)      | Q1(f)      | Q2(f)      | Q3(f)      | Q4(f)      | 2025           | 2026(f)    | 2027(f)    | 2028(f)    |
| Household consumption          | 0.4        | 0.4        | 0.8        | 0.2        | 0.3        | 0.5        | 0.5        | 0.6        | 2.5            | 1.8        | 1.8        | 2.7        |
| Dwelling investment            | 1.5        | 1.6        | 1.2        | 0.2        | -0.1       | 0.5        | 0.6        | 0.7        | 5.2            | 4.5        | 1.8        | 5.1        |
| Business investment *          | 6.2        | -0.5       | 5.9        | 2.1        | 4.1        | 1.4        | 1.6        | 1.3        | 4.5            | 14.3       | 8.7        | 4.9        |
| Private demand *               | 1.4        | 0.3        | 1.4        | 0.6        | 1.0        | 0.6        | 0.7        | 0.7        | 3.2            | 3.7        | 3.1        | 3.3        |
| Public demand *                | -0.5       | 0.2        | 0.7        | 0.7        | 0.6        | 0.6        | 0.6        | 0.6        | 2.4            | 1.1        | 2.5        | 2.6        |
| Domestic demand                | 0.9        | 0.3        | 1.2        | 0.6        | 0.9        | 0.6        | 0.7        | 0.7        | 3.0            | 3.0        | 2.9        | 3.1        |
| Stock contribution             | -0.1       | -0.1       | -0.0       | -0.1       | 0.0        | 0.0        | -0.1       | 0.0        | 0.1            | -0.2       | -0.1       | 0.1        |
| GNE                            | 0.8        | 0.2        | 1.2        | 0.5        | 0.9        | 0.6        | 0.6        | 0.7        | 3.1            | 2.7        | 2.8        | 3.2        |
| Exports                        | -1.1       | 0.8        | 0.5        | 0.8        | 0.4        | 0.7        | 0.7        | 0.6        | 5.2            | 1.1        | 2.4        | 2.4        |
| Imports                        | 2.0        | 0.5        | 3.2        | 2.0        | 2.5        | 1.8        | 1.3        | 1.5        | 6.8            | 7.8        | 7.3        | 5.5        |
| Net exports contribution       | -0.7       | 0.1        | -0.7       | -0.3       | -0.5       | -0.3       | -0.2       | -0.2       | -0.3           | -1.6       | -1.2       | -0.8       |
| <b>Real GDP %qtr / %yr avg</b> | <b>0.3</b> | <b>0.4</b> | <b>0.5</b> | <b>0.2</b> | <b>0.4</b> | <b>0.3</b> | <b>0.4</b> | <b>0.5</b> | <b>2.0</b>     | <b>2.1</b> | <b>1.5</b> | <b>2.1</b> |
| <b>%yr end</b>                 | <b>2.5</b> | <b>2.1</b> | <b>2.2</b> | <b>1.5</b> | <b>1.6</b> | <b>1.5</b> | <b>1.4</b> | <b>1.6</b> | <b>2.6</b>     | <b>1.5</b> | <b>1.6</b> | <b>2.4</b> |
| Nominal GDP %qtr / %yr avg     | 0.6        | 0.8        | 2.1        | 1.0        | 0.4        | 0.6        | 0.8        | 0.8        | 4.8            | 5.2        | 3.5        | 4.1        |
| %yr end                        | 5.4        | 5.3        | 5.5        | 4.5        | 4.4        | 4.2        | 2.8        | 2.6        | 6.2            | 4.5        | 2.6        | 4.9        |
| Real household disp. income    | -0.3       | 0.6        | 1.5        | -1.3       | 0.5        | 1.0        | 1.2        | 0.0        | 4.0            | 0.5        | 2.8        | 3.5        |

## Other macroeconomic variables

|                           | 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) |
| Employment %qtr **        | 0.5   | 0.2   | 0.6   | 0.3   | 0.4   | 0.4   | 0.4   | 0.4   | -              | -       | -       | -       |
| %yr end **                | 1.5   | 1.1   | 1.5   | 1.7   | 1.5   | 1.7   | 1.6   | 1.7   | 1.1            | 1.7     | 1.7     | 2.2     |
| Unemployment rate % **    | 4.2   | 4.4   | 4.6   | 4.7   | 4.7   | 4.8   | 4.8   | 4.7   | 4.3            | 4.7     | 4.7     | 4.5     |
| Wages (WPI) %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   | 1.3   | 0.4   | 0.5   | 1.0   | 0.5   | -              | -       | -       | -       |
| %yr end                   | 4.1   | 3.9   | 3.9   | 4.6   | 3.6   | 3.4   | 3.2   | 2.4   | 3.6            | 4.6     | 2.4     | 2.3     |
| Trimmed Mean CPI %qtr     | 0.8   | 0.8   | 0.9   | 0.9   | 0.7   | 0.7   | 0.7   | 0.7   | -              | -       | -       | -       |
| %yr end                   | 3.5   | 3.6   | 3.5   | 3.5   | 3.3   | 3.3   | 3.1   | 2.9   | 3.3            | 3.5     | 2.9     | 2.4     |
| Current account \$bn, qtr | -25.4 | -27.2 | -29.1 | -33.8 | -39.5 | -42.0 | -43.6 | -43.7 | -              | -       | -       | -       |
| % of GDP                  | -3.5  | -3.7  | -3.8  | -4.4  | -5.1  | -5.4  | -5.6  | -5.6  | -3.1           | -4.4    | -5.6    | -5.2    |
| Terms of trade %yr avg    | -1.2  | -0.6  | -0.4  | -0.3  | -1.4  | -1.9  | -3.1  | -3.7  | -2.5           | -0.3    | -3.7    | -1.2    |
| Population growth %yr end | 1.4   | 1.4   | 1.4   | 1.4   | 1.4   | 1.3   | 1.3   | 1.3   | 1.5            | 1.4     | 1.3     | 1.2     |

Calendar year changes are annual through-the-year percentage changes unless otherwise specified.

\* Business investment, private and public demand are adjusted to exclude the effect of private sector purchases of public sector assets. \*\* Quarter-averages.

## Macroeconomic variables – recent history

|                               | 2025  |       |       |      | 2026  |       |      |      |       |      |      |      |
|-------------------------------|-------|-------|-------|------|-------|-------|------|------|-------|------|------|------|
| Monthly data                  | Nov   | Dec   | Jan   | Feb  | Mar   | Apr   | May  | Jun  | Jul   | Aug  | Sep  | Oct  |
| CPI %yr                       | 3.4   | 3.8   | 3.8   | 3.7  | 4.6   | 4.2   | 4.0  | 3.8  | 3.5   | 4.0  | -    | -    |
| Employment '000 chg           | -41.3 | 57.8  | 34.1  | 21.6 | 20.9  | -37.6 | 35.7 | 78.3 | -15.9 | 39.5 | -    | -    |
| Unemployment rate %           | 4.3   | 4.1   | 4.1   | 4.3  | 4.3   | 4.5   | 4.4  | 4.4  | 4.5   | 4.6  | -    | -    |
| Westpac-MI Consumer Sentiment | 103.8 | 94.5  | 92.9  | 90.5 | 91.6  | 80.2  | 83.0 | 80.6 | 83.9  | 89.0 | 84.4 | 80.4 |
| Household spending %mth       | 1.0   | -0.4  | 0.3   | 0.3  | 1.7   | -1.0  | 1.2  | 0.9  | 1.1   | 0.0  | -    | -    |
| Dwelling approvals %mth       | 15.4  | -15.5 | -13.5 | 44.3 | -13.4 | 1.3   | -1.4 | 6.9  | -1.9  | -6.1 | -    | -    |
| Private sector credit %mth    | 0.7   | 0.8   | 0.5   | 0.7  | 0.7   | 0.7   | 0.8  | 0.8  | 0.6   | 0.6  | -    | -    |
| Trade in goods balance AUDbn  | 2.3   | 3.2   | 2.5   | 5.2  | -2.1  | 1.3   | -2.8 | 2.0  | 1.4   | 0.5  | -    | -    |

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.

# New Zealand

## Interest rate forecasts

|                        | Latest (15 Oct) | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 | Sep-28 | Dec-28 |
|------------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Cash                   | 2.75            | 3.00   | 3.50   | 3.75   | 4.00   | 4.00   | 4.00   | 4.00   | 3.75   | 3.75   |
| 90 Day Bill            | 3.23            | 3.40   | 3.75   | 4.00   | 4.20   | 4.20   | 4.20   | 4.15   | 3.95   | 3.95   |
| 2 Year Swap            | 4.00            | 3.95   | 4.10   | 4.25   | 4.20   | 4.20   | 4.15   | 4.15   | 4.10   | 4.10   |
| 10 Year Bond           | 4.99            | 5.00   | 5.00   | 5.00   | 5.05   | 5.05   | 5.05   | 5.05   | 5.05   | 5.05   |
| 10 Year Spread to US   | -20             | -5     | 0      | 5      | 15     | 10     | 5      | 0      | -5     | -10    |
| 10 Year Spread to Aust | -33             | -20    | -15    | -10    | 0      | 0      | 5      | 5      | 5      | 5      |

Sources: Bloomberg, Westpac Economics.

## Currency forecasts

|               | Latest (15 Oct) | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 | Sep-28 | Dec-28 |
|---------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>NZD vs</b> |                 |        |        |        |        |        |        |        |        |        |
| USD           | 0.5590          | 0.56   | 0.58   | 0.61   | 0.63   | 0.64   | 0.64   | 0.64   | 0.65   | 0.65   |
| JPY           | 88.41           | 88     | 89     | 93     | 96     | 96     | 96     | 96     | 96     | 95     |
| EUR           | 0.5012          | 0.49   | 0.50   | 0.52   | 0.53   | 0.53   | 0.52   | 0.53   | 0.53   | 0.54   |
| AUD           | 0.8022          | 0.79   | 0.81   | 0.84   | 0.86   | 0.87   | 0.88   | 0.89   | 0.89   | 0.90   |
| CAD           | 0.7961          | 0.78   | 0.79   | 0.83   | 0.85   | 0.85   | 0.85   | 0.85   | 0.85   | 0.86   |
| GBP           | 0.4238          | 0.42   | 0.43   | 0.45   | 0.46   | 0.46   | 0.46   | 0.46   | 0.46   | 0.46   |
| CNY           | 3.7444          | 3.75   | 3.83   | 3.97   | 4.06   | 4.07   | 4.06   | 4.09   | 4.08   | 4.10   |

Sources: Bloomberg, Westpac Economics.

## Activity forecasts

|                               | 2026 |      |      |      | 2027 |      |      |      | Calendar years |       |       |       |
|-------------------------------|------|------|------|------|------|------|------|------|----------------|-------|-------|-------|
| % change                      | Q1   | Q2f  | Q3f  | Q4f  | Q1f  | Q2f  | Q3f  | Q4f  | 2025           | 2026f | 2027f | 2028f |
| Private consumption           | 0.6  | 0.0  | 0.5  | 0.6  | 0.7  | 0.9  | 1.0  | 1.0  | 1.0            | 1.3   | 2.9   | 3.9   |
| Government consumption        | 0.9  | -1.7 | 0.3  | 0.3  | 0.3  | 0.3  | 0.6  | 0.5  | 2.4            | 2.3   | 0.9   | 2.2   |
| Residential investment        | -1.6 | 4.4  | 3.0  | 3.5  | 3.5  | 2.5  | 2.0  | 1.8  | -5.3           | 5.4   | 12.5  | 5.5   |
| Business investment           | 4.2  | 0.3  | 0.8  | 1.5  | 1.6  | 1.4  | 1.1  | 0.9  | 0.5            | 4.6   | 5.1   | 4.1   |
| Stocks (ppt contribution)     | 0.0  | -0.4 | 0.3  | 0.0  | 0.2  | 0.0  | 0.1  | -0.1 | -0.1           | 0.4   | 0.3   | -0.1  |
| GNE                           | 1.1  | -0.4 | 0.9  | 0.9  | 1.1  | 0.9  | 1.0  | 0.9  | 0.7            | 2.8   | 3.6   | 3.6   |
| Exports                       | 2.2  | 3.3  | -0.4 | 0.0  | 0.8  | 0.8  | 0.8  | 0.7  | 4.3            | 5.7   | 2.8   | 2.7   |
| Imports                       | 3.3  | -0.8 | 0.3  | 0.5  | 1.3  | 2.3  | 2.1  | 1.4  | 3.7            | 5.3   | 4.3   | 4.8   |
| GDP (production)              | 0.9  | 0.2  | 0.6  | 0.7  | 0.9  | 0.5  | 0.6  | 0.7  | 0.3            | 2.4   | 2.6   | 3.0   |
| Employment annual %           | 0.5  | 1.2  | 1.7  | 1.8  | 2.2  | 2.3  | 2.4  | 2.5  | 0.2            | 1.8   | 2.5   | 2.4   |
| Unemployment rate % s.a.      | 5.4  | 5.6  | 5.5  | 5.5  | 5.4  | 5.3  | 5.2  | 5.0  | 5.4            | 5.5   | 5.0   | 4.4   |
| LCI, all sect incl o/t, ann % | 2.0  | 2.0  | 2.2  | 2.3  | 2.4  | 2.3  | 2.3  | 2.3  | 2.0            | 2.3   | 2.3   | 2.4   |
| CPI annual %                  | 3.1  | 4.1  | 3.7  | 4.3  | 3.9  | 2.7  | 2.6  | 1.6  | 3.1            | 4.3   | 1.6   | 1.9   |
| Current account % of GDP      | -3.0 | -3.2 | -3.8 | -4.3 | -4.5 | -4.7 | -4.9 | -4.6 | -3.0           | -4.3  | -4.6  | -4.1  |
| Terms of trade annual %       | 1.9  | -6.1 | -5.9 | -9.3 | -4.5 | 1.5  | 2.8  | 8.1  | 3.3            | -9.3  | 8.1   | 2.9   |

Sources: Statistics NZ, 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.

# Commodity prices

| Quarter average                      | Latest (15 Oct) | Dec-26     | Mar-27     | Jun-27     | Sep-27     | Dec-27     | Mar-28     | Jun-28     | Sep-28     | Dec-28     |
|--------------------------------------|-----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Australian commodities index#        | 423             | 423        | 403        | 373        | 359        | 350        | 346        | 345        | 345        | 345        |
| <b>Bulk commodities index#</b>       | <b>401</b>      | <b>386</b> | <b>357</b> | <b>333</b> | <b>328</b> | <b>328</b> | <b>330</b> | <b>332</b> | <b>334</b> | <b>336</b> |
| iron ore finesTSI @ 62% US\$/t       | 92              | 95         | 88         | 84         | 83         | 83         | 84         | 85         | 85         | 86         |
| Premium low vol met coal (US\$/t)    | 266             | 250        | 225        | 203        | 195        | 191        | 192        | 193        | 194        | 196        |
| Newcastle spot thermal coal (US\$/t) | 150             | 130        | 122        | 116        | 116        | 116        | 116        | 117        | 117        | 118        |
| crude oil (US\$/bbl) Brent           | 103             | 101        | 91         | 84         | 83         | 77         | 76         | 74         | 73         | 71         |
| LNG in Japan US\$mmbtu               | 25.9            | 24.5       | 23.5       | 19.0       | 16.0       | 14.0       | 12.8       | 12.4       | 12.0       | 11.7       |
| gold (US\$/oz)                       | 4,149           | 4,350      | 4,250      | 4,100      | 4,050      | 4,000      | 4,010      | 4,040      | 4,070      | 4,090      |
| <b>Base metals index#</b>            | <b>271</b>      | <b>275</b> | <b>264</b> | <b>254</b> | <b>250</b> | <b>248</b> | <b>245</b> | <b>243</b> | <b>241</b> | <b>240</b> |
| copper (US\$/t)                      | 14,535          | 14,750     | 13,800     | 13,100     | 12,970     | 12,900     | 12,850     | 12,820     | 12,790     | 12,770     |
| aluminium (US\$/t)                   | 3,090           | 3,250      | 3,200      | 3,110      | 3,060      | 3,010      | 2,950      | 2,910      | 2,870      | 2,840      |
| nickel (US\$/t)                      | 15,494          | 16,250     | 16,590     | 16,860     | 16,980     | 17,060     | 17,150     | 17,230     | 17,320     | 17,410     |
| zinc (US\$/t)                        | 3,813           | 3,910      | 3,830      | 3,640      | 3,450      | 3,320      | 3,190      | 3,110      | 3,050      | 3,010      |
| lead (US\$/t)                        | 1,845           | 1,870      | 1,880      | 1,890      | 1,910      | 1,920      | 1,890      | 1,870      | 1,860      | 1,850      |
| <b>Rural commodities index#</b>      | <b>152</b>      | <b>153</b> | <b>151</b> | <b>147</b> | <b>142</b> | <b>138</b> | <b>137</b> | <b>135</b> | <b>133</b> | <b>132</b> |
| <b>NZ commodities index ##</b>       | <b>390</b>      | <b>392</b> | <b>397</b> | <b>398</b> | <b>400</b> | <b>402</b> | <b>403</b> | <b>403</b> | <b>404</b> | <b>405</b> |
| dairy price index ##                 | 319             | 324        | 329        | 331        | 334        | 339        | 342        | 344        | 345        | 347        |
| whole milk powder USD/t              | 3,605           | 3,650      | 3,730      | 3,780      | 3,830      | 3,880      | 3,920      | 3,960      | 4,000      | 4,040      |
| skim milk powder USD/t               | 3,847           | 3,770      | 3,640      | 3,540      | 3,530      | 3,580      | 3,620      | 3,660      | 3,690      | 3,730      |
| lamb price index ##                  | 686             | 681        | 678        | 674        | 670        | 666        | 660        | 652        | 644        | 636        |
| beef price index ##                  | 397             | 402        | 416        | 417        | 417        | 417        | 415        | 413        | 410        | 408        |
| forestry price index ##              | 168             | 159        | 160        | 160        | 160        | 161        | 161        | 162        | 163        | 164        |

|                                      | levels     |            |            |            | % change     |             |              |             |
|--------------------------------------|------------|------------|------------|------------|--------------|-------------|--------------|-------------|
| Annual averages                      | 2025       | 2026(f)    | 2027(f)    | 2028(f)    | 2025         | 2026(f)     | 2027(f)      | 2028(f)     |
| Australian commodities index#        | 324        | 411        | 372        | 345        | 4.1          | 27.0        | -9.6         | -7.1        |
| <b>Bulk commodities index#</b>       | <b>378</b> | <b>396</b> | <b>337</b> | <b>333</b> | <b>-12.7</b> | <b>4.9</b>  | <b>-15.1</b> | <b>-1.1</b> |
| iron ore finesTSI @ 62% US\$/t       | 102        | 101        | 85         | 85         | -6.8         | -0.4        | -16.6        | 0.3         |
| Premium low vol met coal (US\$/t)    | 189        | 241        | 203        | 194        | -22.5        | 28.0        | -15.8        | -4.6        |
| Newcastle spot thermal coal (US\$/t) | 106        | 131        | 117        | 117        | -21.6        | 22.8        | -10.0        | -0.4        |
| crude oil (US\$/bbl) Brent           | 68         | 91         | 84         | 73         | -14.6        | 32.8        | -7.9         | -12.2       |
| LNG in Japan US\$mmbtu               | 12.3       | 19.4       | 18.1       | 12.2       | 3.1          | 57.9        | -6.5         | -32.4       |
| gold (US\$/oz)                       | 3,440      | 4,500      | 4,100      | 4,050      | 43.9         | 30.8        | -8.9         | -1.2        |
| <b>Base metals index#</b>            | <b>208</b> | <b>265</b> | <b>254</b> | <b>242</b> | <b>3.0</b>   | <b>27.4</b> | <b>-4.2</b>  | <b>-4.7</b> |
| copper (US\$/t)                      | 9,960      | 13,770     | 13,190     | 12,810     | 8.6          | 38.3        | -4.2         | -2.9        |
| aluminium (US\$/t)                   | 2,630      | 3,310      | 3,100      | 2,890      | 8.2          | 25.9        | -6.3         | -6.8        |
| nickel (US\$/t)                      | 15,200     | 17,100     | 16,870     | 17,280     | -9.9         | 12.5        | -1.3         | 2.4         |
| zinc (US\$/t)                        | 2,860      | 3,610      | 3,560      | 3,090      | 2.5          | 26.2        | -1.4         | -13.2       |
| lead (US\$/t)                        | 1,970      | 1,910      | 1,900      | 1,870      | -5.3         | -3.0        | -0.5         | -1.6        |
| <b>Rural commodities index#</b>      | <b>138</b> | <b>147</b> | <b>144</b> | <b>134</b> | <b>8.3</b>   | <b>6.4</b>  | <b>-1.9</b>  | <b>-6.9</b> |
| <b>NZ commodities index ##</b>       | <b>390</b> | <b>396</b> | <b>399</b> | <b>404</b> | <b>9.2</b>   | <b>1.5</b>  | <b>0.8</b>   | <b>1.1</b>  |
| dairy price index ##                 | 348        | 327        | 333        | 344        | 9.7          | -6.2        | 2.1          | 3.3         |
| whole milk powder USD/t              | 3902       | 3623       | 3804       | 3982       | 13.5         | -7.1        | 5.0          | 4.7         |
| skim milk powder USD/t               | 2702       | 3399       | 3572       | 3676       | 0.7          | 25.8        | 5.1          | 2.9         |
| lamb price index ##                  | 587        | 671        | 672        | 648        | 27.0         | 14.4        | 0.1          | -3.6        |
| beef price index ##                  | 337        | 424        | 416        | 411        | 19.1         | 25.6        | -1.7         | -1.2        |
| forestry price index ##              | 152        | 160        | 160        | 162        | -4.9         | 5.5         | 0.1          | 1.4         |

# Chain weighted index: weights are Australian export shares. \* Australian export prices fob – ABS 5432.0 Merchandise Trade Exports. \*\* WCFI – Westpac commodities futures index. \*\*\* Latest figures are weekly averages. ^ AWEX market prices. Sources for all tables: Westpac Economics, Bloomberg ##ANZ NZ commodity price index ^^ GlobalDairyTrade

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.

# United States

## Interest rate forecasts

|              | Latest (15 Oct) | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 | Sep-28 | Dec-28 |
|--------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Fed Funds*   | 3.875           | 4.125  | 4.125  | 4.125  | 4.125  | 4.125  | 3.875  | 3.625  | 3.625  | 3.625  |
| 10 Year Bond | 5.19            | 5.05   | 5.00   | 4.95   | 4.90   | 4.95   | 5.00   | 5.05   | 5.10   | 5.15   |

Sources: Bloomberg, Westpac Economics. \* +12.5bps from the Fed Funds lower bound (overnight reverse repo rate).

## Currency forecasts

|               | Latest (15 Oct) | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 | Sep-28 | Dec-28 |
|---------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>USD vs</b> |                 |        |        |        |        |        |        |        |        |        |
| DXY index     | 102.55          | 100.4  | 98.9   | 97.5   | 96.0   | 95.2   | 94.3   | 94.1   | 94.6   | 94.5   |
| JPY           | 158.20          | 156    | 154    | 153    | 152    | 151    | 150    | 149    | 148    | 146    |
| EUR           | 1.1155          | 1.14   | 1.16   | 1.18   | 1.20   | 1.21   | 1.22   | 1.22   | 1.21   | 1.21   |
| AUD           | 0.6969          | 0.72   | 0.72   | 0.73   | 0.73   | 0.73   | 0.73   | 0.72   | 0.72   | 0.72   |
| NZD           | 0.5590          | 0.56   | 0.58   | 0.61   | 0.63   | 0.64   | 0.64   | 0.64   | 0.65   | 0.65   |
| CAD           | 1.4245          | 1.38   | 1.37   | 1.36   | 1.35   | 1.34   | 1.33   | 1.32   | 1.32   | 1.32   |
|               |                 |        |        |        |        |        |        |        |        |        |
| GBP           | 1.3190          | 1.34   | 1.35   | 1.36   | 1.38   | 1.39   | 1.40   | 1.41   | 1.41   | 1.40   |
| CHF           | 0.8344          | 0.81   | 0.79   | 0.77   | 0.76   | 0.75   | 0.75   | 0.75   | 0.75   | 0.75   |
| ZAR           | 16.60           | 16.4   | 16.3   | 16.2   | 16.2   | 16.2   | 16.4   | 16.4   | 16.4   | 16.4   |
|               |                 |        |        |        |        |        |        |        |        |        |
| SGD           | 1.2850          | 1.27   | 1.27   | 1.26   | 1.26   | 1.25   | 1.25   | 1.25   | 1.25   | 1.25   |
| HKD           | 7.8487          | 7.83   | 7.82   | 7.81   | 7.80   | 7.79   | 7.78   | 7.77   | 7.76   | 7.75   |
| PHP           | 62.87           | 62.0   | 61.5   | 61.0   | 60.5   | 60.0   | 59.5   | 59.0   | 58.5   | 58.5   |
| THB           | 33.61           | 33.0   | 32.5   | 32.0   | 31.5   | 31.0   | 30.5   | 30.2   | 30.0   | 30.0   |
| MYR           | 4.0833          | 4.05   | 4.00   | 3.95   | 3.90   | 3.85   | 3.85   | 3.80   | 3.80   | 3.80   |
| CNY           | 6.6961          | 6.65   | 6.60   | 6.50   | 6.45   | 6.40   | 6.35   | 6.35   | 6.30   | 6.30   |
| IDR           | 17903           | 17600  | 17400  | 17200  | 17000  | 16800  | 16600  | 16400  | 16200  | 16200  |
| TWD           | 32.17           | 31.5   | 31.0   | 30.5   | 30.0   | 29.5   | 29.0   | 28.5   | 28.2   | 28.2   |
| KRW           | 1342            | 1340   | 1335   | 1330   | 1325   | 1320   | 1315   | 1310   | 1305   | 1305   |
| INR           | 95.16           | 95.0   | 94.0   | 93.0   | 92.0   | 91.0   | 90.0   | 89.0   | 88.0   | 87.0   |

## Activity forecasts

|                              | 2026 |      |       |       | 2027  |       |       |       | Calendar years |         |         |         |
|------------------------------|------|------|-------|-------|-------|-------|-------|-------|----------------|---------|---------|---------|
| % annualised, s/adj          | Q1   | Q2   | Q3(f) | Q4(f) | Q1(f) | Q2(f) | Q3(f) | Q4(f) | 2025           | 2026(f) | 2027(f) | 2028(f) |
| Private consumption          | 0.7  | 3.8  | 2.1   | 1.6   | 1.7   | 1.7   | 2.1   | 2.1   | 2.6            | 2.2     | 1.9     | 2.0     |
| Dwelling investment          | -7.6 | 2.8  | 0.0   | 0.8   | 0.8   | 1.2   | 1.6   | 2.0   | -2.2           | -3.3    | 1.0     | 2.0     |
| Business investment          | 9.9  | 9.0  | 7.0   | 6.5   | 5.0   | 4.6   | 4.7   | 4.7   | 5.4            | 6.8     | 5.6     | 4.7     |
| Public demand                | 4.7  | -0.1 | 0.4   | 0.4   | 0.4   | 0.4   | 0.4   | 0.4   | 1.6            | 0.5     | 0.4     | 0.4     |
| Domestic final demand        | 2.4  | 3.9  | 2.5   | 2.1   | 2.0   | 2.0   | 2.2   | 2.2   | 2.7            | 2.4     | 2.2     | 2.2     |
| Inventories contribution ppt | -0.8 | -0.1 | 0.2   | 0.2   | 0.2   | 0.3   | 0.0   | 0.0   | -0.2           | 0.2     | 0.0     | 0.1     |
| Net exports contribution ppt | 1.4  | -0.2 | -0.6  | -0.6  | -0.7  | -0.5  | -0.5  | -0.5  | 0.3            | -0.6    | -0.5    | -0.5    |
| GDP                          | 2.5  | 2.2  | 3.1   | 1.9   | 1.6   | 1.7   | 1.8   | 1.8   | 2.3            | 2.3     | 1.9     | 1.9     |
| %yr annual chg               | 2.6  | 2.2  | 2.0   | 2.4   | 2.2   | 2.1   | 1.7   | 1.7   | -              | -       | -       | -       |

## Other macroeconomic variables

|                           |     |     |     |     |     |     |     |     |     |     |     |     |
|---------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Non-farm payrolls mth avg | 43  | 97  | 43  | 90  | 80  | 90  | 100 | 105 | 26  | 68  | 94  | 115 |
| Unemployment rate %       | 4.3 | 4.3 | 4.1 | 4.3 | 4.3 | 4.4 | 4.5 | 4.5 | 4.3 | 4.2 | 4.4 | 4.5 |
| CPI headline %yr          | 2.7 | 3.9 | 3.5 | 3.2 | 2.9 | 2.3 | 2.3 | 2.2 | 2.7 | 3.4 | 2.4 | 2.2 |
| PCE deflator, core %yr    | 3.1 | 3.3 | 3.1 | 3.0 | 2.7 | 2.4 | 2.3 | 2.2 | 2.8 | 3.1 | 2.4 | 2.2 |

Sources: Official agencies, Factset, Westpac Economics.

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# Europe & the United Kingdom

## Interest rate forecasts

|                       | Latest (15 Oct) | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 | Sep-28 | Dec-28 |
|-----------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Euro Area</b>      |                 |        |        |        |        |        |        |        |        |        |
| ECB Deposit Rate      | 2.50            | 2.75   | 2.75   | 2.75   | 2.75   | 2.75   | 2.50   | 2.25   | 2.25   | 2.25   |
| 10 Year Bund          | 3.47            | 3.45   | 3.40   | 3.35   | 3.30   | 3.25   | 3.25   | 3.25   | 3.25   | 3.25   |
| 10 Year Spread to US  | -172            | -160   | -160   | -160   | -160   | -170   | -175   | -180   | -185   | -190   |
| <b>United Kingdom</b> |                 |        |        |        |        |        |        |        |        |        |
| BoE Bank Rate         | 3.75            | 4.00   | 4.00   | 4.00   | 4.00   | 3.75   | 3.50   | 3.25   | 3.25   | 3.25   |
| 10 Year Gilt          | 5.42            | 5.35   | 5.25   | 5.15   | 5.05   | 5.00   | 5.00   | 5.00   | 5.00   | 5.00   |
| 10 Year Spread to US  | 24              | 30     | 25     | 20     | 15     | 5      | 0      | -5     | -10    | -15    |

Sources: Bloomberg, Westpac Economics.

## Currency forecasts

|                    | Latest (15 Oct) | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 | Sep-28 | Dec-28 |
|--------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>euro vs</b>     |                 |        |        |        |        |        |        |        |        |        |
| USD                | 1.1155          | 1.14   | 1.16   | 1.18   | 1.20   | 1.21   | 1.22   | 1.22   | 1.21   | 1.21   |
| JPY                | 176.47          | 178    | 179    | 181    | 182    | 183    | 183    | 182    | 179    | 177    |
| GBP                | 0.8457          | 0.85   | 0.86   | 0.87   | 0.87   | 0.87   | 0.87   | 0.87   | 0.86   | 0.86   |
| CHF                | 0.9308          | 0.92   | 0.92   | 0.91   | 0.91   | 0.91   | 0.91   | 0.91   | 0.90   | 0.90   |
| DKK                | 7.4753          | 7.48   | 7.48   | 7.48   | 7.48   | 7.48   | 7.48   | 7.48   | 7.48   | 7.48   |
| SEK                | 11.19           | 11.3   | 11.4   | 11.5   | 11.6   | 11.7   | 11.7   | 11.7   | 11.8   | 11.8   |
| NOK                | 10.62           | 10.7   | 10.8   | 10.9   | 11.0   | 11.1   | 11.1   | 11.1   | 11.2   | 11.2   |
| <b>sterling vs</b> |                 |        |        |        |        |        |        |        |        |        |
| USD                | 1.3190          | 1.34   | 1.35   | 1.36   | 1.38   | 1.39   | 1.40   | 1.41   | 1.41   | 1.40   |
| JPY                | 208.65          | 209    | 208    | 208    | 210    | 210    | 210    | 210    | 209    | 204    |
| CHF                | 1.1006          | 1.09   | 1.07   | 1.05   | 1.05   | 1.04   | 1.04   | 1.05   | 1.05   | 1.05   |
| AUD                | 0.5283          | 0.53   | 0.53   | 0.54   | 0.53   | 0.53   | 0.52   | 0.51   | 0.51   | 0.52   |

Sources: Bloomberg, Westpac Economics.

## Activity forecasts

| Annual average % chg                | 2022 | 2023 | 2024 | 2025 | 2026(f) | 2027(f) | 2028(f) |
|-------------------------------------|------|------|------|------|---------|---------|---------|
| Euro area GDP                       | 3.7  | 0.5  | 1.1  | 1.3  | 0.9     | 1.2     | 1.5     |
| <i>private consumption</i>          | 5.3  | 0.7  | 1.5  | 1.4  | 1.0     | 1.1     | 1.4     |
| <i>fixed investment</i>             | 2.4  | 2.8  | -2.0 | 2.9  | 0.7     | 1.7     | 2.3     |
| <i>government consumption</i>       | 1.2  | 1.2  | 2.7  | 1.5  | 2.0     | 2.0     | 2.0     |
| <i>net exports contribution ppt</i> | -0.1 | 0.3  | 0.3  | -0.6 | 0.1     | 0.1     | -0.3    |
| Germany GDP                         | 2.0  | -0.8 | 0.0  | 0.3  | 1.0     | 1.2     | 1.7     |
| France GDP                          | 2.8  | 1.8  | 1.4  | 0.9  | 0.4     | 0.8     | 1.2     |
| Italy GDP                           | 5.0  | 1.0  | 0.6  | 0.7  | 0.9     | 0.7     | 1.0     |
| Spain GDP                           | 6.4  | 2.5  | 3.5  | 2.8  | 2.5     | 2.0     | 2.1     |
| Netherlands GDP                     | 5.0  | -0.6 | 1.1  | 1.6  | 1.3     | 1.2     | 1.6     |
| United Kingdom GDP                  | 5.1  | 0.3  | 1.0  | 1.4  | 1.2     | 1.0     | 1.5     |

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# Asia

## China activity forecasts

| Calendar years              | 2021 | 2022 | 2023 | 2024 | 2025 | 2026(f) | 2027(f) | 2028(f) |
|-----------------------------|------|------|------|------|------|---------|---------|---------|
| Real GDP                    | 8.6  | 3.1  | 5.4  | 5.0  | 5.0  | 4.7     | 4.6     | 4.4     |
| Consumer prices %yr         | 1.5  | 1.8  | -0.3 | 0.1  | 0.1  | 1.2     | 1.3     | 1.4     |
| Producer prices %yr         | 10.3 | -0.7 | -2.7 | -2.3 | -2.6 | 2.2     | 1.2     | 1.5     |
| Industrial production (IVA) | 9.6  | 3.6  | 4.6  | 5.8  | 5.9  | 5.3     | 5.0     | 4.8     |
| Retail sales                | 12.5 | -0.2 | 7.2  | 3.5  | 3.7  | 1.6     | 3.4     | 4.0     |
| Money supply M2 %yr         | 9.0  | 11.8 | 9.7  | 7.3  | 8.0  | 7.8     | 7.6     | 7.4     |
| Fixed asset investment      | 4.9  | 5.1  | 3.0  | 3.2  | -1.4 | -4.0    | 4.0     | 4.5     |
| Exports %yr                 | 20.9 | -9.9 | -2.3 | 10.7 | 5.4  | 17.0    | 7.0     | 5.0     |
| Imports %yr                 | 19.5 | -7.5 | 0.2  | 0.9  | 0.3  | 21.0    | 6.0     | 4.0     |

Source: Macrobond, Bloomberg. Year-to-date growth unless otherwise noted.

## Chinese interest rates & monetary policy

|                           | Latest (15 Oct) | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 | Sep-28 | Dec-28 |
|---------------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Required reserve ratio %* | 9.00            | 8.50   | 8.50   | 8.50   | 8.50   | 8.50   | 8.50   | 8.50   | 8.50   | 8.50   |
| Loan Prime Rate, 1-year   | 3.00            | 2.80   | 2.80   | 2.80   | 2.80   | 2.80   | 2.80   | 2.80   | 2.80   | 2.80   |

\* For major banks.

## Japanese interest rates & monetary policy

|                    | Latest (15 Oct) | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 | Sep-28 | Dec-28 |
|--------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Policy Rate        | 1.25            | 1.50   | 1.50   | 1.50   | 1.50   | 1.50   | 1.50   | 1.50   | 1.50   | 1.50   |
| 10 Year Bond Yield | 3.00            | 2.90   | 2.85   | 2.80   | 2.75   | 2.70   | 2.65   | 2.60   | 2.55   | 2.50   |

## Currency forecasts

|     | Latest (15 Oct) | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 | Sep-28 | Dec-28 |
|-----|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| JPY | 158.20          | 156    | 154    | 153    | 152    | 151    | 150    | 149    | 148    | 146    |
| SGD | 1.2850          | 1.27   | 1.27   | 1.26   | 1.26   | 1.25   | 1.25   | 1.25   | 1.25   | 1.25   |
| HKD | 7.8487          | 7.83   | 7.82   | 7.81   | 7.80   | 7.79   | 7.78   | 7.77   | 7.76   | 7.75   |
| PHP | 62.87           | 62.0   | 61.5   | 61.0   | 60.5   | 60.0   | 59.50  | 59.00  | 58.50  | 58.50  |
| THB | 33.61           | 33.0   | 32.5   | 32.0   | 31.5   | 31.0   | 30.5   | 30.2   | 30.0   | 30.0   |
| MYR | 4.0833          | 4.05   | 4.00   | 3.95   | 3.90   | 3.85   | 3.85   | 3.80   | 3.80   | 3.80   |
| CNY | 6.6961          | 6.65   | 6.60   | 6.50   | 6.45   | 6.40   | 6.35   | 6.35   | 6.30   | 6.30   |
| IDR | 17903           | 17600  | 17400  | 17200  | 17000  | 16800  | 16600  | 16400  | 16200  | 16200  |
| TWD | 32.17           | 31.5   | 31.0   | 30.5   | 30.0   | 29.5   | 29.0   | 28.5   | 28.2   | 28.2   |
| KRW | 1342            | 1340   | 1335   | 1330   | 1325   | 1320   | 1315   | 1310   | 1305   | 1305   |
| INR | 95.16           | 95.0   | 94.0   | 93.0   | 92.0   | 91.0   | 90.0   | 89.0   | 88.0   | 87.0   |

Source: Bloomberg, 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.

# Worldwide

## Economic growth forecasts (year average) #

| Real GDP %ann                | 2021       | 2022       | 2023       | 2024       | 2025       | 2026(f)    | 2027(f)    | 2028(f)    |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>World</b>                 | <b>6.7</b> | <b>3.8</b> | <b>3.3</b> | <b>3.4</b> | <b>3.4</b> | <b>3.4</b> | <b>3.3</b> | <b>3.3</b> |
| United States                | 6.2        | 2.5        | 2.9        | 2.8        | 2.1        | 2.3        | 1.9        | 1.9        |
| Japan                        | 3.6        | 1.3        | 0.7        | -0.2       | 1.1        | 0.7        | 0.8        | 0.9        |
| Euro zone                    | 6.4        | 3.7        | 0.5        | 0.9        | 1.3        | 0.9        | 1.2        | 1.5        |
| <b>Group of 3</b>            | <b>5.9</b> | <b>2.8</b> | <b>1.8</b> | <b>1.7</b> | <b>1.7</b> | <b>1.6</b> | <b>1.5</b> | <b>1.6</b> |
| United Kingdom               | 8.5        | 5.1        | 0.3        | 1.0        | 1.3        | 1.2        | 1.0        | 1.5        |
| Canada                       | 6.0        | 4.7        | 2.0        | 2.0        | 1.9        | 0.9        | 1.6        | 1.8        |
| Australia                    | 5.4        | 4.2        | 2.1        | 1.0        | 2.0        | 2.1        | 1.5        | 2.1        |
| New Zealand                  | 5.5        | 2.6        | 2.2        | -0.3       | 0.3        | 1.9        | 2.6        | 3.2        |
| <b>OECD total</b>            | <b>6.2</b> | <b>3.2</b> | <b>1.9</b> | <b>1.8</b> | <b>1.7</b> | <b>1.7</b> | <b>1.5</b> | <b>1.7</b> |
| China                        | 8.4        | 3.1        | 5.4        | 5.0        | 5.0        | 4.7        | 4.6        | 4.4        |
| Korea                        | 4.6        | 2.7        | 1.6        | 2.0        | 1.0        | 3.5        | 2.5        | 2.2        |
| Taiwan                       | 6.7        | 2.7        | 1.1        | 5.3        | 8.8        | 11.0       | 5.0        | 4.0        |
| Hong Kong                    | 6.5        | -3.7       | 3.2        | 2.6        | 3.6        | 4.0        | 3.0        | 2.6        |
| Singapore                    | 10.1       | 4.0        | 1.5        | 5.3        | 5.0        | 5.0        | 3.0        | 2.5        |
| Indonesia                    | 3.7        | 5.3        | 5.0        | 5.0        | 5.1        | 5.2        | 5.2        | 5.2        |
| Thailand                     | 1.6        | 2.7        | 2.2        | 2.9        | 2.4        | 2.1        | 2.1        | 2.2        |
| Malaysia                     | 3.3        | 9.0        | 3.5        | 5.1        | 5.2        | 5.0        | 4.8        | 4.6        |
| Philippines                  | 5.7        | 7.6        | 5.5        | 5.7        | 4.4        | 3.1        | 4.5        | 5.0        |
| Vietnam                      | 2.6        | 8.5        | 5.1        | 7.0        | 8.0        | 8.1        | 7.8        | 7.5        |
| <b>East Asia</b>             | <b>7.1</b> | <b>3.6</b> | <b>4.7</b> | <b>4.8</b> | <b>4.9</b> | <b>4.9</b> | <b>4.5</b> | <b>4.4</b> |
| East Asia ex China           | 4.4        | 4.6        | 3.4        | 4.5        | 4.7        | 5.4        | 4.4        | 4.2        |
| <b>NIEs*</b>                 | <b>6.1</b> | <b>2.3</b> | <b>1.6</b> | <b>3.4</b> | <b>4.1</b> | <b>6.1</b> | <b>3.4</b> | <b>2.9</b> |
| India                        | 9.7        | 7.6        | 7.2        | 7.1        | 7.6        | 7.1        | 7.0        | 6.6        |
| Russia                       | 5.9        | -1.4       | 4.1        | 4.9        | 1.0        | 0.6        | 0.9        | 1.1        |
| Brazil                       | 4.8        | 3.0        | 3.2        | 3.4        | 2.3        | 1.9        | 1.9        | 2.1        |
| South Africa                 | 4.9        | 2.1        | 0.8        | 0.5        | 1.1        | 1.0        | 1.3        | 1.5        |
| Mexico                       | 6.0        | 3.7        | 3.1        | 1.4        | 0.6        | 1.6        | 2.2        | 2.1        |
| Argentina                    | 10.4       | 6.0        | -1.9       | -1.3       | 4.4        | 3.5        | 4.0        | 3.8        |
| Chile                        | 11.3       | 2.2        | 0.5        | 2.6        | 2.3        | 2.4        | 2.6        | 2.3        |
| Middle East                  | 2.8        | 2.8        | 2.8        | 2.9        | 2.9        | 2.9        | 2.9        | 2.9        |
| C & E Europe                 | 9.1        | 4.3        | 3.0        | 3.2        | 3.0        | 3.1        | 3.5        | 3.7        |
| Africa                       | 3.9        | 4.4        | 3.8        | 4.2        | 4.5        | 4.3        | 4.4        | 4.5        |
| <b>Emerging ex-East Asia</b> | <b>6.8</b> | <b>3.7</b> | <b>3.7</b> | <b>4.7</b> | <b>4.4</b> | <b>4.2</b> | <b>4.3</b> | <b>4.3</b> |
| <b>Other countries</b>       | <b>6.7</b> | <b>5.2</b> | <b>4.9</b> | <b>2.0</b> | <b>2.3</b> | <b>2.8</b> | <b>3.0</b> | <b>3.1</b> |
| <b>World</b>                 | <b>6.7</b> | <b>3.8</b> | <b>3.3</b> | <b>3.4</b> | <b>3.4</b> | <b>3.4</b> | <b>3.3</b> | <b>3.3</b> |

#Regional and global groupings are weighted using PPP exchange rates updated to reflect ICP 2011 benchmark revisions.\* "NIEs" signifies "Newly Industrialised Economies" as defined by the IMF, viz; Republic of Korea, Hong Kong SAR, Taiwan Province of China, and Singapore.

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