



Week beginning 19 October 2026

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: 'Cost-Plus' costs.

The Week That Was: Getting the balance right.

Focus on New Zealand: Downward revisions to 2027 outlook.

For the week ahead:

Australia: 2025-26 national accounts, RBA's Hauser and Kent speaking.

New Zealand: Q3 CPI, performance services index, trade balance.

China: Q3 GDP, retail sales, industrial production, fixed asset investment.

Japan: CPI, PMIs.

Euro Area: ZEW survey, consumer confidence, PMIs.

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

United States: Housing market data, leading index, Kansas City Fed manufacturing, PMIs.

Information contained in this report current as at 16 October 2026.

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.

‘Cost-Plus’ costs



Luci Ellis
Chief Economist, Westpac Group

- The recent tendency of some firms to bundle into prices card-acceptance costs that had previously been surcharged – and then some, in some cases – demonstrates a ‘cost-plus’ approach to pricing. To the extent they can pass on these costs through to prices, it suggests that demand was strong enough to bear it. The RBA will take this as a signal that demand is still outstripping supply.
- This is mostly a story about non-labour costs. Base wages growth has been moderate for some years, though the above-average increase in award wages this year will add a little. Not all firms will seek to pass these cost increases on, but some will, including because they have limited scope to absorb the cost increase into margins.
- A cost-plus mentality has drawbacks, including that it limits the imagination away from finding alternative, efficiency-improving responses. It also accords with recent academic research suggesting that firms form expectations and set prices according to what is happening in their own industry and experience, while putting little weight on economy-wide inflation or central bank credibility. This is an unpleasant message for many consumers or anyone in an interest-sensitive sector when supply shocks abound.

The recent banning of card surcharges has caused considerable upset this month, even though it is a reversion to historical and international practice. The card schemes used to impose “no-surcharge” rules, until the RBA banned these in 2003, and many other countries [still have](#) them. The turnaround represents the RBA throwing in the towel on its longstanding effort to use price incentives to get people to choose low-cost payment methods. Surcharges no longer made sense in a largely cashless economy. In any case, [least-cost routing](#) puts the power to choose lower-cost methods in the hands of the merchants who actually bear the cost.

In most cases, firms will simply roll the surcharge into the sticker price, leaving the total cost to the consumer unchanged, just more transparent. We also understand that some large retailers have absorbed the cost – if they were surcharging in the first place, which many did not. (The RBA [estimated](#) that around 16% of businesses imposed surcharges.) Inevitably, though, some firms have lifted their prices by more than any reasonable estimate of the merchant service fee that the surcharge was meant to cover. And because this is Australia, of course takeaway coffee has been the centre of consumer discontent.

Higher prices for one’s caffeine fix was unlikely to be the main instigator of this month’s slump in consumer sentiment. Petrol

Forecast changes

- A full update to our forecasts was published in our October [Market Outlook](#) on Thursday 15 October.

prices are typically more salient for cost-of-living concerns, and the before-and-after picture on the RBA announcement that week shows that higher interest rates also contributed to the decline.

In some senses, though, the post-surge prices and the RBA’s decisions are linked: businesses passing on increased costs into their own prices – and expecting to be able to make that increase stick – is exactly the kind of inflationary environment the RBA is leaning against. Firms have been subjected to an array of non-labour cost escalations, from pandemic-era supply chain issues to electricity to fuel to water to building supplies. And IT equipment prices, which for decades were a reliable source of cost reductions, are nowadays flat to up. Passing these costs on, leaving margins intact, demonstrates that demand is not weak enough to prevent this, and signals that firms’ inflationary expectations might be higher than the RBA desires. The RBA will take this as a sign that demand is still outstripping supply.

“Entrenched expectations that cost increases can and should be passed on are precisely what tight monetary policy is leaning against, but only indirectly.”

This is mostly a story about non-labour costs. While the Fair Work Commission did hand down an above-average increase in award wages this year and this was probably passed through to prices in hospitality and other labour-intensive sectors, base wages growth has been moderate for some years. Business surveys point to non-labour cost escalation being the real issue lately. This is why we were puzzled by the passage in the [RBA minutes](#) this week suggesting that cost pressures reported in business surveys might imply that the unemployment rate consistent with inflation at target (the NAIRU) has risen. It is a convenient belief, though, if unemployment is starting to overshoot your forecasts, as the [latest labour market data](#) have done compared with the RBA’s August forecasts.

Not all firms can pass on cost increases. Most small firms do not have the market power, though coffee may be an exception because convenience induces a kind of local market power. And as noted above, large firms with everyday-low-price strategies will instead try to find savings elsewhere in the supply chain.

Still, some firms will seek to pass these cost increases on. Some observers might see this as corporate greed, but another way to frame this strategy is simply as a ‘cost-plus’ mentality.

It turns out that cost-plus pricing is especially common in areas where regulators determine the price – [water](#) and other utilities being examples where costs and prices have escalated a lot in recent years.

There are limits to firms' ability to absorb costs, too. The failures of so many building firms a few years ago, squeezed between post-pandemic cost escalation, delivery delays and fixed-price contracts, were a case in point. Normally, there is a contractual response, and it need not end in insolvency. The episode does illustrate, however, that it is unrealistic to expect firms never to pass cost increases through to prices.

The cost-plus mentality does have its drawbacks. It limits the imagination away from finding responses that might save costs elsewhere to absorb the cost hike, and in so doing, boost efficiency. It was equally limiting in times of soft demand: in the years before the pandemic, many firms professed a belief that, because they couldn't get price increases to stick, they could not possibly accept cost increases, including in wages. Thus, Australia ended up with wages growth too low to be consistent with inflation at target, and the peculiar spectacle of a central bank governor complaining that wages growth was too low. And if labour remains cheap, why invest to economise on it and thereby boost productivity?

A cost-plus mentality also amplifies the pass-through of supply shocks. This is not quite the same thing as the 'inflation expectations' seen in standard economic models of inflation, but it is related. The stronger the tendency towards cost-plus pricing, the worse the inflation response to a supply shock. This is also true when inflation expectations are high, but the distinction matters. The recent academic literature includes some [fascinating empirical evidence](#) from New Zealand that suggests that beliefs about current and future overall inflation have little bearing on many firms' pricing decisions. As [related work](#) using French data shows, firms' pricing choices are shaped less by economy-wide inflation developments than by what is happening to their costs and in their industry.

That adds up to economy-wide behaviour that looks a lot like firms (in aggregate) setting prices according to expected inflation (in aggregate), but under the hood something quite different is going on. If firms' beliefs about future economy-wide inflation do not matter much in their pricing decisions, then neither does the credibility of a central bank's commitment to return inflation to target. The mechanism to get inflation down then must be simply to weaken demand enough to convince firms that cost-plus will not fly in the market. This is an unpleasant message for many consumers or anyone in an interest-sensitive sector when supply shocks abound. It does, however, imply that if supply shocks fade or even self-correct, so will high inflation. If and when that happens, tight monetary policy can be unwound.

The deeper question is whether cost-plus price dynamics can be reduced. That is more likely to be a question for regulators than for central banks.

Cliff Notes: getting the balance right

Elliot Clarke, Head of International Economics

Ryan Wells, Economist

Illiana Jain, Economist

Australia's key data release this week was the [September Labour Force Survey](#). Employment surprised to the downside, -39.3k. However, a 0.2ppt decline in labour force participation from August's near-historic high largely offset. The unemployment rate therefore held at 4.7% after August was revised up.

Residual seasonality may be in the mix. Regardless, the take home point from the update is that the labour market is continuing to ease as employment growth runs below working-age population growth. We expect the unemployment rate to grind higher into 2027 as tighter financial conditions and cost-of-living pressures restrict activity growth to a below-trend pace. Although, our forecast peak is near at 4.8%, due by Q2 2027.

This update on the labour market complicates the communication challenge for the RBA. The [September minutes](#) were firmly on the hawkish side, with the discussion focussing on materialising upside risks to inflation. But, with the unemployment rate now through the RBA's NAIRU assumption of 4.6%, Governor Bullock's "a little tight" descriptor for the labour market is becoming harder to defend. Still, with a clear focus on inflation risks – which also led us to revise up our near-term CPI forecasts in the [October Market Outlook](#) – we still expect a 25bp rate hike at the November meeting.

Over in the US, the headline CPI rose 0.6% as expected in September, taking the annual rate up to 3.7%yr. Energy prices were a key contributor (5.2%, 20.4%yr), while core inflation was a touch above consensus in the month at 0.3% (2.6%yr). Within the core components, core goods prices gained 0.3% after being broadly unchanged over the past 6 months (0.7%yr). Core services meanwhile rose 0.4% (3.1%yr) on a 0.4% increase in shelter (3.2%yr), a 0.6% gain for transport services and a 0.3% increase in medical care services (2.7%yr and 2.5%yr respectively). Further, the subsequent release of the PPI pointed to continued upstream price pressures, with the headline and core measures up 6.3%yr and 5.0%yr respectively. The latest [Beige Book](#) provided colour on these developments, firms across multiple districts citing tariffs, insurance and commodity prices as ongoing sources of cost pressure. Guiding on the risks, many respondents expect further price increases as contracts/hedges roll off.

Given their telegraphed concerns over inflation, there is enough signal in these reports to warrant a follow-up hike at the October FOMC meeting. Though it seems Committee members believe they are near the end of the tightening cycle and so have time on their side. This week, Daly and Bowman both showed patience in assessing the trend, with no clear

bias towards an October or December decision. Williams stated he believes one more hike would prove sufficient in this cycle given known information. And Waller also showed confidence, highlighting that elevated long-term yields are doing some of the FOMC's work, restricting demand in interest rate sensitive sectors. We hold a similar view, anticipating that one more hike by year end and a little time will bring inflation near the 2.0%yr medium-term target. However, as discussed in this month's [Market Outlook](#), capacity pressures are likely to see inflation consistently above target, rather than below, in coming years – particularly if, as we suspect, capacity in the housing sector remains tight. This will mean the FOMC have to remain modestly restrictive over the forecast horizon and will also bias up long-term yields.

In Asia, there was one release that stood out, China's trade account. At USD133.5bn, the September result was a whisker inside January 2025's record high of USD137.9bn. More impressively, throughout 2025 and 2026 year-to-date the surplus has now averaged USD100.9bn, almost 3 times the average of 2019, prior to the pandemic. The geographic breadth of export growth is as impressive as the headline annual gain of 36.3%yr, even more so given the ongoing strength in Chinese investment in neighbouring nations' production chains. In time, both trade and income receipts from offshore investment should buoy the renminbi, although for now continued outbound foreign investment should moderate the pace of gains against other nations in the region, and likely versus the US dollar.

Another key trend assessed in October's [Market Outlook](#) is the evolution of producer prices across Asia, and the likelihood of the disinflationary benefit the west has received in recent decades continuing. Historically, labour cost arbitrage was one of the key drivers of declining goods prices. While still possible, we expect the next phase of manufacturing development to instead be driven by capital, technology and energy. Many end users and the manufacturers undertaking production are also increasingly prioritising resilience, security and specialisation over cost minimisation. It is therefore more probably future supply-chain developments will help contain rising costs through productivity than drive sustained price declines for the goods bought by consumers and businesses.

Downward revisions to 2027 outlook



Darren Gibbs
Senior Economist

This week we have updated our New Zealand economic outlook for the next year, in particular reflecting the latest developments in the energy market and key financial variables (long-term interest rates and the exchange rate).

After last week's marking down of our forecast for through-year GDP growth in 2026 to 2.5%yr, this week we have reduced our forecast of growth in 2027 by 0.3ppts to 2.7%yr. This downward revision reflects a less positive assessment of the outlooks for consumption and investment (including residential investment) considering the more elevated path assumed for energy prices and a higher near-term track for long-term interest rates (as discussed in our [updated Market Outlook](#), published earlier this week).

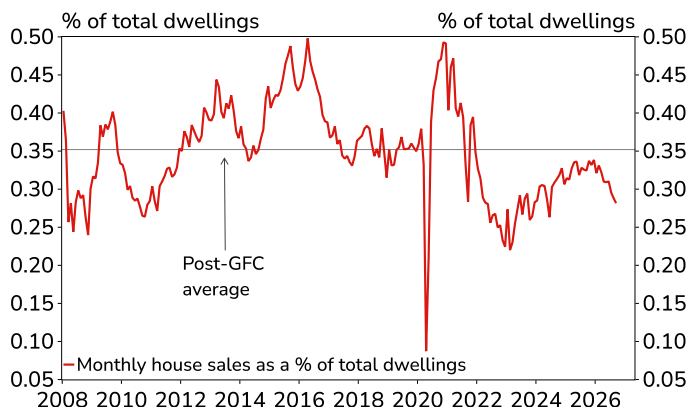
A partial offset to weaker growth in domestic demand is provided by a slightly more positive outlook for exports (particularly exports of manufactured goods and tourism inflows) because of a downward revision to our expectations for the NZ dollar. We now expect NZD/USD to end this year around current levels at 0.56 – 3c lower than expected previously – before appreciating to around 0.64 over the course of 2027 as interest rate differentials with the US gradually close and as the USD appreciates. We think that the low value of the NZ dollar – in trade-weighted terms now at a 17-year low – helps to explain the recent strong performance in the previously moribund manufacturing sector, as well as tourist inflows from key markets such as Australia.

Last week we raised our forecast for CPI inflation at year end to 4.3%yr, largely on account of recent developments in global energy prices (although the weak NZ dollar has compounded the effect). This week we have slightly revised up our forecast for inflation for the first half of 2027. But because energy prices are assumed to decline in 2027 from what is now a higher starting level, our 2027 year-end forecast for inflation has nudged down 0.1ppts to 1.6%yr. Needless to say, forecasts of headline inflation, in particular, are subject to significant revision given the uncertain outlook for the Middle East conflict and uncertainty about how that will be reflected in global energy prices.

Ahead of next week's very important Q3 CPI report – which could prove decisive – we have made no changes to our forecast for the RBNZ's policy settings. So, for now we continue to think that despite the higher near-term inflation outlook the RBNZ will stick with the strategy communicated in the September Monetary Policy Statement, i.e. that at the vv28 October meeting it will pause to assess the impact of this year's 50bps of policy tightening, before considering a further upward adjustment in December.

Turning to this week's data, the news from the housing market remained decidedly downbeat. House sales fell a further 4% in September – the seventh consecutive month of decline – to be 12% lower than a year earlier. With the stock of listings at an 11-year high, the median selling time remains elevated. And so unsurprisingly, house prices fell for a fourth consecutive month and are now down 1.6%yr. Prices remain especially soft in the North Island, with prices down more than 3%yr in Auckland and more than 4%yr in Wellington. Given upward pressures on mortgage rates, broader strength in the economy – including a stronger labour market – will likely be required to reverse this trend. On that score, MBIE's measure of online job advertisements was little changed in September, continuing the flat trend since the beginning of this year.

Monthly house sales



Source: REINZ, Stats NZ, Macrobond, Westpac Economics

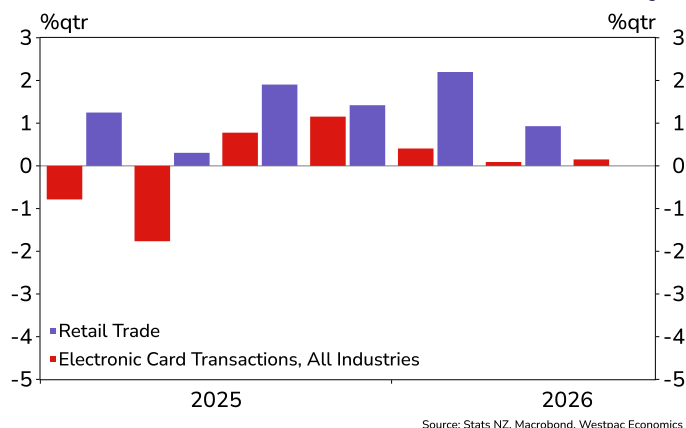
In other news, retail spending, as measured by electronic card payments, decreased 0.4% m/m in September following an unrevised 0.9% decline in August. This was a weaker result than we had expected based on the recent sawtooth pattern and our own internal data. We should treat these data with some suspicion given that for quite a while now the Stats NZ series seems not to have reflected the spending seen through banks' own card spending networks, perhaps suggesting changes in the payments arena may be leaving the official sector data behind.

Even so, unsurprisingly, with petrol prices rebounding late in the month, spending on fuel increased 2.9% m/m. However, core spending, which excludes spending on fuel and vehicles, fell 0.7% m/m. While spending on consumables (groceries) increased modestly in September, this was at the expense of spending on 'nice to haves'. Spending on hospitality suffered a

further 2.3%^{mt} fall following a 1.9%^{mt} decline in August, and spending on apparel replicated the 2.0%^{mt} decline reported in August. Spending on durable goods also fell slightly in September (-0.4%^{mt}).

Despite the weak outcome for the August and September months, retail spending over the September quarter still eked out a minor 0.1% gain, while core spending increased 0.4%. Given higher prices, at face value this points to a weak quarter for volumes (next week's CPI report will cast more light on pricing behaviour during the quarter). It is worth noting that total retail spending, as will be depicted in the official quarterly retail sales survey released next month, could point to somewhat stronger growth. Purchases of big-ticket items that often are bought on credit – such as cars, furniture and appliances – are underrepresented in the electronic card spending survey.

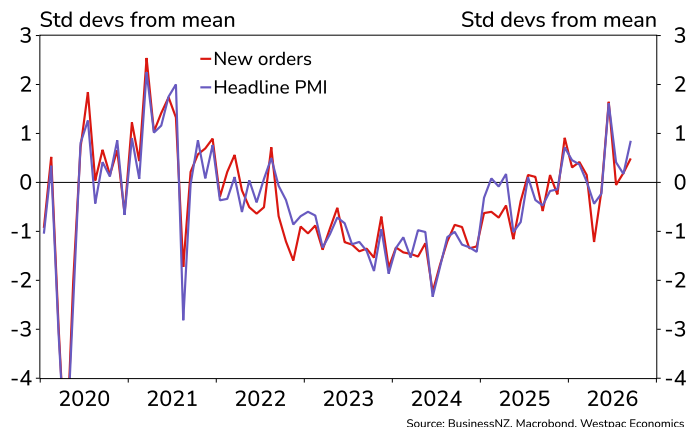
Electronic card transactions vs retail trade survey



Given subdued domestic demand, local hospitality businesses have relied on foreign visitors to drive growth in spending. And the good news is that visitor arrivals increased to a new post-Covid high in August to be up 8%^{yr}. Arrivals of Chinese citizens have grown by almost a third to sit near pre-Covid levels in recent months, while arrivals of US citizens grew 17%^{yr}. However, the Middle East conflict has impacted long-haul arrivals from Europe (UK arrivals are down 8%^{yr}). Meanwhile, inflows of migrants remain at modest levels, totalling around 20,000 in the year to August – about half what might be expected on average over the cycle.

News from the manufacturing sector remained positive in September, with the BusinessNZ Manufacturing PMI rising to a 3-month high of 56.5 in September. Improvement was seen across all subcomponents of the index, with the new orders index rising 1.8pts to 57.0. We think that the recovery in manufacturing this year owes much to the weakness of the NZ dollar – especially against the Australian dollar – and activity associated with a strong domestic primary sector and an emerging recovery in domestic residential construction activity.

BusinessNZ manufacturing index



Last but certainly not least, ahead of next week's all-important Q3 CPI, the Selected Prices report for September was firmer than expected. That was mainly due to larger than expected increases in airfares and holiday accommodation costs, which offset softer than expected food prices.

Accounting for the September prices data, we've left our [forecast for Q3 inflation](#) at 0.7%. That would see the annual inflation rate dropping back to 3.7%, down from 4.1% in the year to June. Underlying that move has been a moderation in fuel prices after they rocketed higher in the wake of the Middle East war. That's balanced against increases in council rates, building costs and food prices.

Our forecast is lower than the RBNZ's September MPS forecast for a 0.8% rise (+3.9%^{yr}). However, with some large swings in volatile items like fuel, the RBNZ will likely focus on measures of core inflation. Core inflation was already at firm levels in the June quarter, with key measures sitting in the upper part of the RBNZ's target band. We expect that they will take another step higher in September, to sit around 3%. Upside surprises in core inflation would be an important development for the RBNZ ahead of the October OCR review, as this could suggest that the lower NZD and higher oil prices are boosting underlying price pressures by more and sooner than they may have expected.

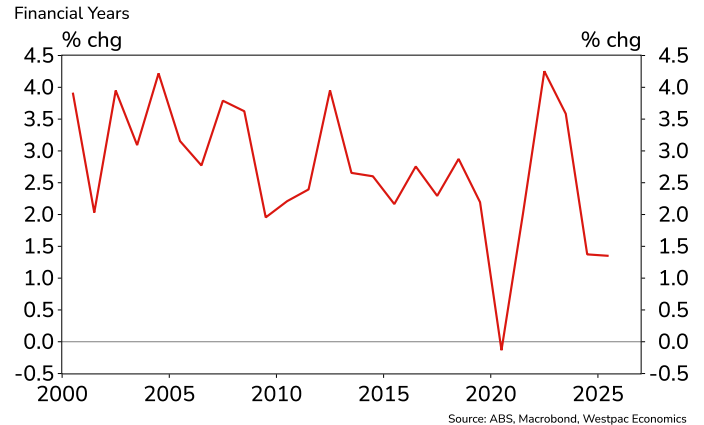
AUS: 2025-26 National Accounts

Oct 23, Current Estimate: 2.3%

The Q2 national accounts showed GDP growth slowing in the first half of 2026 but still coming in at a respectable 2.3%yr in annual average terms (i.e. year to June 2026 vs the year to June 2025), up from 1.4% in 2024-25.

The annual national accounts will provide new 'benchmark' estimates of income, expenditure, production and balance sheets and additional detail on sectors, industries, net additions to the capital stock and productivity growth. The incorporation of new information sources can also result in significant revisions to previously-published estimates with these changing flowing through to quarterly GDP estimates when the Q3 figures are released on Dec 2.

Gross Domestic Product



NZ: Q3 Consumer Prices Index (%)

Oct 22, Quarterly, Last: 1.5, Westpac f/c: 0.7

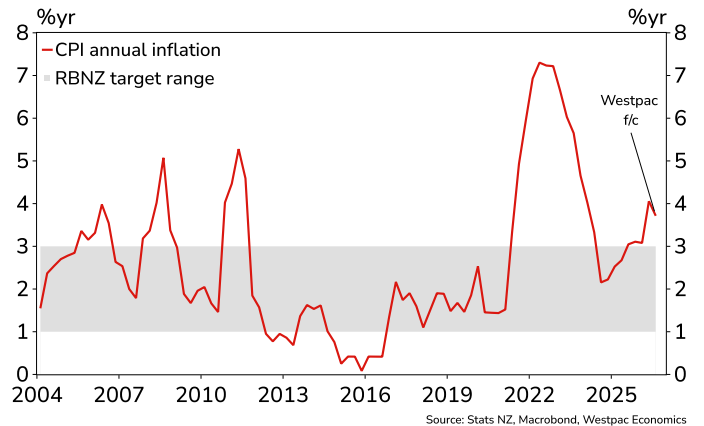
Oct 22, Annual, Last: 4.1, Westpac f/c: 3.7, RBNZ f/c: 3.9

We estimate that New Zealand consumer prices rose by 0.7% in the September quarter, with a moderation in fuel costs balanced against increases in council rates, building costs and food prices.

The annual inflation rate is expected to drop back to 3.7% (down from 4.1% in the year to June). Measures of core inflation are expected to remain firm, with some closely watched measures expected to rise to the top of the RBNZ's target band.

Our forecast is a little below the RBNZ's last published forecast for 3.9% annual inflation. [Read our full CPI preview.](#)

NZ consumer prices



China Q3 GDP (%yr)

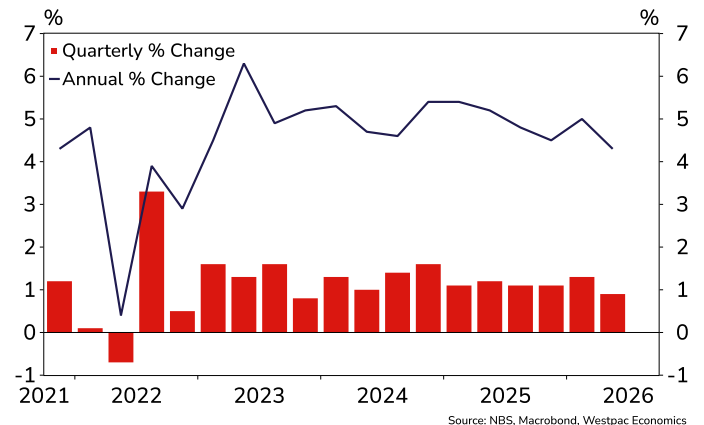
Oct 19, Last: 4.3, Westpac f/c: 4.3

Market f/c: 4.4, Range: 4.0 to 4.5

Q3 is likely to produce a very similar outcome to Q2, with quarterly growth of around 1.0% holding the annual rate at 4.3%yr. Year-to-date, growth will remain around 4.7%ytd thanks to the Q1 result.

The detail and partial data for September will again highlight the weak state of the consumer and domestic-oriented businesses, but also the incredible strength of exports. With the trade surplus back at record highs, there are limits to the contribution possible from net exports hence, necessitating a strengthening of domestic demand if aggregate growth is to continue at the rate authorities intend into 2027. Expect additional stimulus through the turn of the year.

Growth needs support



What to watch

For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Sun 18						
US	Fedspeak	–	–	–	–	Fed's External Communications Blackout
Aus	RBA Speak	–	–	–	–	Interview with RBA's Kent (pre-recorded), 11:00am AEDT.
Mon 19						
Aus	RBA Speak	–	–	–	–	Fireside chat with RBA's Kent, 10:05am AEDT.
NZ	Sep Performance Services Index	index	51.2	–	–	Improving, but has underperformed the manufacturing sector.
	Sep Trade Balance	\$m	–1349	–	–1955	Off-season export lull; import volumes and prices rising.
Chn	Q3 GDP	%ann	4.3	4.4	4.3	Growth remains below authorities' ambitions ...
	Sep Retail Sales	ytd %yr	1.1	–	–	... as household demand remains the missing ingredient ...
	Sep Industrial Production	ytd %yr	5.3	–	–	... though export demand is supporting output ...
	Sep Fixed Asset Investment	ytd %yr	–7.2	–7.3	–	... while confidence weighs on investment.
UK	Oct Rightmove House Prices	%mth	0.7	–	–	Housing demand remains rate sensitive.
US	Oct NAHB Housing Market	index	32.0	31.0	–	Builders remain cautious on affordability pressures.
Tue 20						
Eur	Oct ZEW Survey Of Expectations	index	25.8	–	–	Confidence will test Europe's resilience narrative.
UK	Aug ILO Unemployment Rate	%	4.9	5.0	–	Labour market conditions have eased gradually.
US	Sep Housing Starts	%mth	–2.6	2.3	–	Housing affordability continues to constrain demand..
	Sep Building Permits	%mth	–2.1	–1.7	–	... with new supply yet to keep pace...
	Sep Pending Home Sales	%mth	0.3	0.0	–	... leaving turnover under pressure.
Wed 21						
Aus	RBA Speak	–	–	–	–	Appearance by RBA's Hauser, 9:30am AEDT.
UK	Sep CPI	%ann	3.1	3.3	–	Inflation pressures are stoking expectations for a BoE hike.
	Sep Public Sector Borrowing	£bn	18.3	–	–	Fiscal pressures remain in focus.
Thur 22						
NZ	Q3 CPI	%qtr	1.5	0.8	0.7	Fuel prices eased from earlier highs, dampening overall inflation.
	Q3 CPI	%ann	4.1	3.9	3.7	Headline inflation to ease in Q3, core measures firm around 3%.
Kor	Bank Of Korea Policy Decision	%	3.0	3.0	–	Tech is creating excess capacity in the economy.
Eur	Oct Consumer Confidence	index	–16.5	–	–	Household demand has yet to show clear downside risks.
US	Initial Jobless Claims	000s	199	200	–	Labour market resilience remains a key support ...
	Sep Leading Index	pts	–0.1	–0.2	–	... though growth momentum is moderating.
	Oct Kansas City Fed Manufacturing	index	14	–	–	Manufacturing conditions remain uneven
Fri 23						
Aus	FY26 2025–26 National Accounts	%ann avg	1.4	–	–	Will provide new 'benchmark' estimates.
Jpn	Sep CPI	%ann	1.9	2.1	–	Inflation has re-accelerated in recent months.
	Oct S&P Global Manufacturing PMI	index	54.1	–	–	Factory activity continues to lack conviction ...
	Oct S&P Global Services PMI	index	51.3	–	–	... while services provide the main support.
Eur	Oct S&P Global Manufacturing PMI	index	52.9	–	–	Activity continues to show surprising resilience ...
	Oct S&P Global Services PMI	index	53.0	–	–	... despite ongoing energy market uncertainty.
UK	Oct GfK Consumer Sentiment	index	–13	–	–	Confidence has struggled to sustain improvement.
	Sep Retail Sales	%mth	0.5	–	–	Spending has yet to materially weaken.
	Oct S&P Global Manufacturing PMI	index	51.9	–	–	Activity remains constrained by higher energy costs ...
	Oct S&P Global Services PMI	index	52.1	–	–	... though consumers have proven more resilient.
US	Oct S&P Global Manufacturing PMI	index	55.9	55.5	–	Tech infrastructure investment continues to offset weakness.
	Oct S&P Global Services PMI	index	58.8	57.9	–	Consumption growth is slowing into 2027
	Oct Uni. Of Michigan Sentiment	index	46.3	46.3	–	Final estimate.

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Economic & financial forecasts

Interest rate forecasts

Australia	Latest (16 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	4.76	4.95	4.95	4.80	4.55	4.30	4.10	3.95	3.95	3.95
3 Year Swap	4.86	4.90	4.85	4.75	4.65	4.55	4.45	4.35	4.30	4.25
3 Year Bond	4.85	4.90	4.85	4.75	4.65	4.55	4.45	4.35	4.30	4.25
10 Year Bond	5.23	5.20	5.15	5.10	5.05	5.05	5.00	5.00	5.00	5.00
10 Year Spread to US (bps)	14	15	15	15	15	10	0	-5	-10	-15
United States										
Fed Funds	3.875	4.125	4.125	4.125	4.125	4.125	3.875	3.625	3.625	3.625
US 10 Year Bond	5.09	5.05	5.00	4.95	4.90	4.95	5.00	5.05	5.10	5.15
New Zealand										
Cash	2.75	3.00	3.50	3.75	4.00	4.00	4.00	4.00	3.75	3.75
90 Day Bill	3.26	3.40	3.75	4.00	4.20	4.20	4.20	4.15	3.95	3.95
2 Year Swap	4.07	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 (bps)	-9	-5	0	5	15	10	5	0	-5	-10

Exchange rate forecasts

	Latest (16 Oct)	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
AUD/USD	0.6946	0.72	0.72	0.73	0.73	0.73	0.73	0.72	0.72	0.72
NZD/USD	0.5653	0.56	0.58	0.61	0.63	0.64	0.64	0.64	0.65	0.65
USD/JPY	157.83	156	154	153	152	151	150	149	148	146
EUR/USD	1.1230	1.14	1.16	1.18	1.20	1.21	1.22	1.22	1.21	1.21
GBP/USD	1.3303	1.34	1.35	1.36	1.38	1.39	1.40	1.41	1.41	1.40
USD/CNY	6.6891	6.65	6.60	6.50	6.45	6.40	6.35	6.35	6.30	6.30
AUD/NZD	1.2288	1.27	1.24	1.20	1.16	1.15	1.13	1.12	1.12	1.11

Australian economic forecasts

	2026				2027				Calendar years			
% change	Q1	Q2	Q3(f)	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)	2025	2026(f)	2027(f)	2028(f)
GDP %qtr	0.3	0.4	0.5	0.2	0.4	0.3	0.4	0.5	-	-	-	-
%yr end	2.5	2.1	2.2	1.5	1.6	1.5	1.4	1.6	2.6	1.5	1.6	2.4
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) (sa) %qtr	0.8	0.8	1.0	0.8	0.8	0.8	0.8	0.8	-	-	-	-
%yr end	3.2	3.2	3.4	3.4	3.4	3.4	3.2	3.2	3.4	3.4	3.2	3.4
Headline CPI %qtr	1.4	0.6	1.3	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

New Zealand economic forecasts

	2026				2027				Calendar years			
% Change	Q1	Q2(f)	Q3(f)	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)	2025	2026(f)	2027(f)	2028(f)
GDP %qtr	0.9	0.2	0.6	0.7	0.9	0.5	0.6	0.7	-	-	-	-
Annual avg change	0.9	1.7	2.1	2.4	2.4	2.5	2.6	2.6	0.3	2.4	2.6	3.0
Unemployment rate %	5.4	5.6	5.5	5.5	5.4	5.3	5.2	5.0	5.4	5.5	5.0	4.4
CPI %qtr	0.9	1.5	0.7	1.2	0.5	0.4	0.5	0.2	-	-	-	-
Annual change	3.1	4.1	3.7	4.3	3.9	2.7	2.6	1.6	3.1	4.3	1.6	1.9

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