November 2026

WESTPAC MARKET OUTLOOK

Your monthly report on Australia and the global economy.

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Taking stock



It has been an action-packed few weeks for markets. The US 2026 mid-term elections saw a repudiation of President Trump with the Democrats now set to take control over both houses of Congress. The outcome and easing Middle East tensions saw Brent crude oil fall from just under US$120/bbl to roughly US$95/bbl, back around the post-Iran-conflict average. The associated easing in inflation fears has supported a continued descent in bond yields and rally in risk sentiment – albeit with significant 'wrinkles' around a high US inflation read and an AI-led pull-back in equity markets that has been compounded by the sudden resignation of NVIDIA's CEO.

Many central banks have already begun re-tightening policy – with the Bank of Canada and Bank of England the latest additions to the pack – but what comes next will differ widely across jurisdictions. In the US, the combination of strong activity and sticky inflation have led FOMC members to more strongly advocate for further tightening. We have added a January hike to the December move already in our forecasts, before a long pause and eventual cuts in 2028.

Europe shares has similar inflation concerns but not so much strength on the growth front. The ECB sees activity near trend and is uncomfortable with inflation at 3.8%yr, so we expect a December hike as insurance. Unlike market pricing though, we think this will be the last, with energy and investment-related price pressures easing through 2027 and scope to ease back towards neutral in 2028. China faces a very different challenge – not too much demand but too little. Industrial strength and technology investment are providing support but we expect policy direction and stimulus will be needed to turn household demand, with this expected to come in 2027 and property the most likely catalyst.

The RBA meanwhile followed its September hike with another in November, but the Governor's call to 'take stock' signals a December pause and we think the hiking phase is now more clearly over. We continue to pencil in a move to cuts in the second half of 2027. While a February hike is not completely out of the question, policy is clearly restrictive and downside risks are crystallising. Reflecting this, we have downgraded our GDP, labour market and housing market forecasts for 2027.

Australia: The housing downturn has been sharper than expected and is set to spill over more materially to the broader economy. The scale of these spillovers should become clearer over coming months, keeping the RBA on hold as downside risks to growth build. Business investment remains a source of resilience, led by data centres and renewables, but rising costs and growing community opposition have seen some projects shelved. Still, the supply-side picture is constructive, with strong investment in the market sector driving capital deepening and productivity gains, albeit uneven ones.

Commodities: The commodities complex was a story of two halves in October, with sharp gains across energy offsetting weakness elsewhere and lifting our broadest commodities index 0.6%mth. Reflecting continued energy-market tightness, we expect Brent to average US$101/bbl in Q4 and have raised our Q4 Japanese LNG forecast to US$27.

Global FX Markets: Of late, risks have favoured the US dollar and FOMC member concerns have been decidedly one-sided towards higher inflation. The DXY has consequently continued to test the upper limit of its 18-month range, but remains inside it.

New Zealand: A busy month has included a tight – and currently inconclusive – general election, a surprise hold by the RBNZ in October and a somewhat disappointing Q3 labour market report. However, the medium-term outlook remains little changed, with a recovering economy and above-target inflation likely to lead to further monetary tightening in coming months.

Pacific: Distance from major markets, small domestic economies and a heavy reliance on imported fuel and food mean global disruptions tend to reach the Pacific at a higher cost. However, most Pacific countries face the latest shock with somewhat better buffers.

United States: Data suggests the US carried strong momentum in to H2 2026. But questions are being asked over the profitability of AI deployment, household real incomes are trending flat to down, and term interest rates continue to weigh.

China: China GDP surprised to the upside in Q3, keeping authorities on track for 2026, but more importantly offering a little more time to accelerate domestic demand in to 2027.

Asia: We expect the BoJ to raise its policy rate by 25bps to 1.50% in December, before gradually taking it to 2.0% through 2027. The case for further tightening rests on the evidence that firms are more willing to raise prices, labour scarcity supports persistent wage growth, which should in turn support spending.

Europe & UK: The ECB left its key policy rates unchanged in October. Another hike is forecast in December. Against market pricing, we expect this will prove the last for the current cycle.

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Global asset market rotation ...

Luci Ellis
Chief Economist, Westpac Group

All major central banks are now in a rate-hiking phase. The stance of policy nonetheless varies considerably across economies, as does the policy outlook.

The Bank of England and Bank of Canada increased their policy rates for the first time this cycle and the RBA a fifth time since the last *Market Outlook*. The pace of increase is generally moderate: the FOMC and RBNZ paused at their latest meetings – the RBNZ unexpectedly so – but both are expected to lift policy rates further. Policy is likely still accommodative in New Zealand and Canada, consistent with the economic and labour market slack evident in these economies. In Australia it is clearly restrictive, as discussed below.

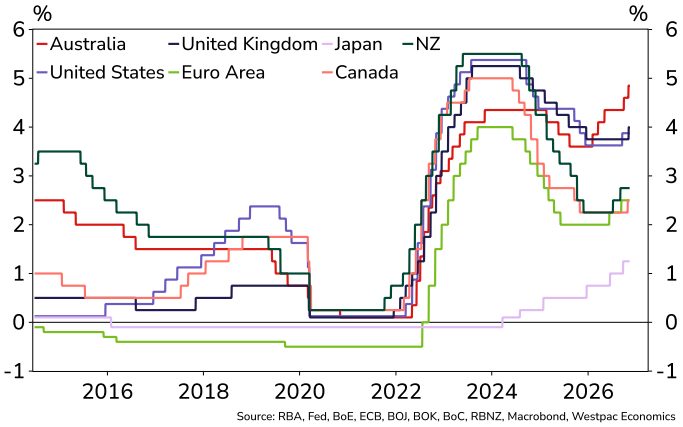
The US is contending with sticky inflation, as evidenced by recent CPI and labour market data. We have long been of the view that the US is likely to be structurally more inflationary than many peers, and concerns about inflation are increasingly coming to the fore in FOMC members' comments. Accordingly we have added another hike in January to our US rates view, on top of the one in December already forecast (see page 20).

The main, but not sole, driver of the pivot to tightening has been the energy price shock. That said, exclusion-based core inflation measures (excluding food and energy) are also above central bank targets. Market pricing of future central bank moves had been sensitive to oil prices and the outlook in the Middle East earlier in the year. That correlation broke down during the bond sell-off, which was mostly a phenomenon of real yields, but seems to have re-emerged in the pricing for policy in 2027.

Spot and daated Brent oil prices have fallen markedly in recent days as tensions have eased and negotiations appear to have restarted. This has not affected very near-term pricing of central bank decisions, and an initial moderation of mid-2027 pricing retraced after the strong US CPI print and some Fed speeches.

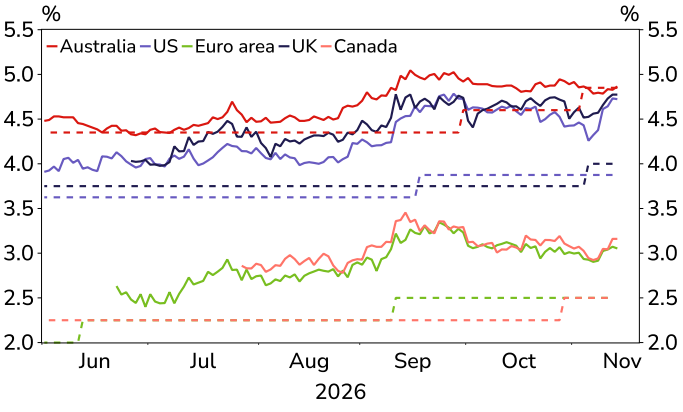
Further along the yield curve, last month's sell-off in bond markets has largely reversed. Unlike the increase in yields, when longer-run market-based measures of inflation expectations relatively stable, the more recent rally has involved some decline in these expectations measures. Most of the adjustment has been front-loaded: the 1-year expectations derived from swaps have declined 45bps for Australia and nearly 60bps for the US since the beginning of November. However, inflation expectations derived for future years have also moderated. The 5-year-5-year forward measures derived from swaps and breakevens have both declined, with the latter noticeably below the 2.5% RBA target midpoint. The same measures for the US have also declined over this period, but by less, and remain further above the Fed's 2% target, consistent with our view about inflation pressures there.

Central bank policy rates



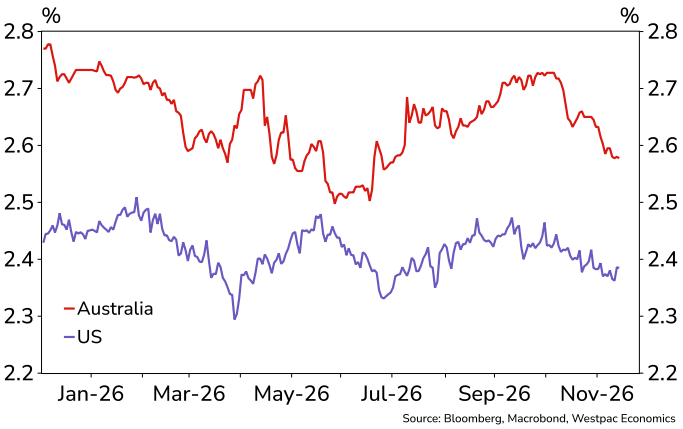
Source: RBA, Fed, BoE, ECB, BOJ, BOK, BoC, RBNZ, Macrobond, Westpac Economics

Market-implied policy rates for June 2027



Source: RBA, BoE, Fed, ECB, BoC, Bloomberg, Macrobond, Westpac Economics

5-Year, 5-Year Forward Inflation Swap Rate



Source: Bloomberg, Macrobond, Westpac Economics

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… while the RBA nears a pause

The rally in long bond markets has occurred at the same time as equity markets have tended to sell off, particularly in the tech sector. Another wave of scepticism around the sustainability of the data centre build-out has formed and found expression in the equity prices of many semiconductor manufacturers and other related firms. One possible trigger for the latest sell-off may have been the release of Anthropic's prospectus ahead of its IPO. As well as the more existential risks flagged in the documents, its stated plans for further data centre investment have concentrated focus on the scale of the data centre and AI boom more broadly, and the enormous funding task involved.

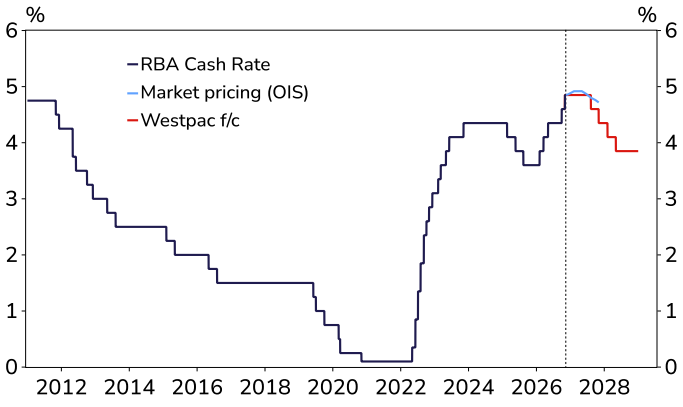
The RBA Monetary Policy Board (MPB) hiked at its November meeting following up the late September hike as expected. As we noted at the time, the MPB was responding to the apparent crystallisation of some of the risks that it had flagged back in August. In particular, the re-emergence of pressures on fuel prices led to fears of a further wave of pass-through of energy costs into the prices of other goods and services. The Q3 outcome for underlying inflation outstripped expectations and Q4 is also likely to be uncomfortably high. With inflation already materially above target, the RBA is worried that inflation expectations could be rising, pointing to liaison and business survey evidence. So far, though, other business surveys suggest that pass-through has been less severe than the original wave of price increases at the outbreak of the Middle East conflict.

In the post-meeting media conference, the Governor flagged that it was a good time to "take stock" of the policy tightening to date. Both we and the market read this as a signal that the MPB would pause at the December meeting. The 6:3 split vote at the meeting also suggests that some external members are more attentive to downside risks than the internal members.

We think the most likely outcome from here is that the RBA has ended its rate-hiking phase, and that a cutting phase will begin in the second half of 2027. There is still a risk of a hike in February, and we believe the MPB will at least discuss the option at that meeting. The staff and senior officials remain sensitive to inflation risks, and have a downbeat view of supply capacity growth. The latter meant that the RBA had to upgrade its forecasts for the labour force participation rate in its However, policy is clearly restrictive, and while there are upside risks to inflation, there are clearly downside risks, too.

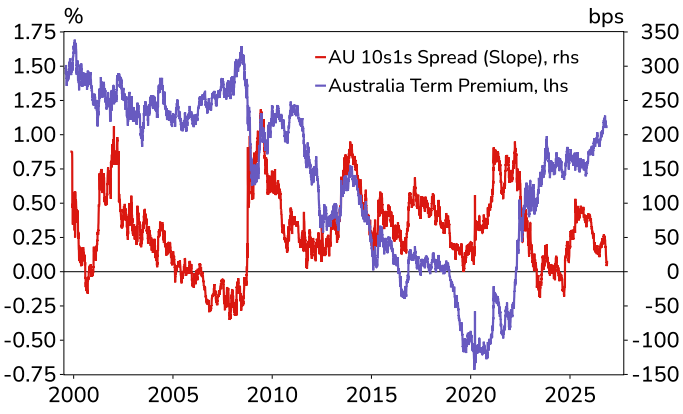
With markets now expecting that the RBA is likely at the end of its hiking phase, while most peers are expected to have 2–3 hikes to go, short-end yield differentials have narrowed. This has been reflected in the AUD exchange rate, which has tended to underperform in recent days. We have tempered our near-term outlook for the AUD, but note that the TWI remains abourt 4% above the 2022–2024 average, and that this appreciation will be contributing to the disinflationary impact of tight policy.

RBA Cash Rate and Expectations



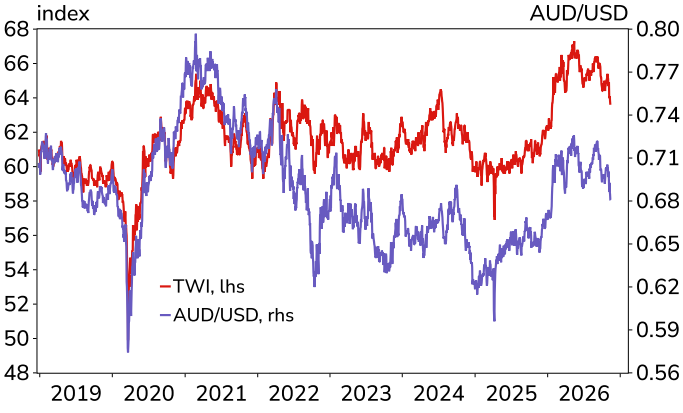
Source: RBA, Macrobond, Westpac Economics

Australian Government Bond Market



Source: AOFM, Bloomberg, Macrobond, Westpac Economics

Australian dollar – spot USD rate and TWI



Source: , Macrobond, Westpac Economics

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Steepest housing downturn in almost 50 years ...

Pat Bustamante, Senior Economist

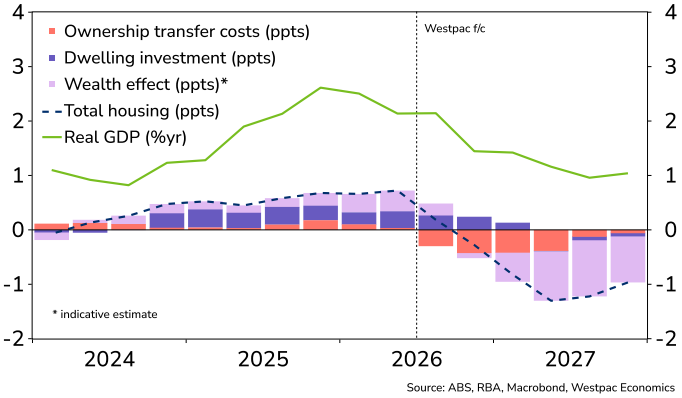
The housing downturn has been sharper than expected and is set to spill over more materially to the broader economy. The scale of these spillovers should become clearer over coming months, keeping the RBA on hold as downside risks to growth build. Business investment remains a source of resilience, led by data centres and renewables, but signs of strain are emerging, with rising costs and growing community opposition seeing some projects shelved. The 2026 Annual National Accounts offered a more constructive supply-side picture, with strong investment across parts of the market sector driving capital deepening and supporting productivity, but this has been uneven.

As set out on page 26, we expect the lift in inflation this year to subside through 2027, with underlying measures easing back from 3.7%yr currently to 2.7%yr by end 2027 and 2.3%yr in 2028. Indeed, the deeper housing downturn and associated spillovers give us greater conviction in this view. The correction is now the largest nominal price decline on records going back to 1980 and appears to have accelerated following the November 25bp RBA rate hike. This is on the back of dismal dwelling finance approvals outcome which showed the value of new loans plunged 15.5%qtr in Q3, the biggest quarterly decline on records going back to 1991.

This downturn has some clear direct effects. The housing sector, covering both real estate transactions and residential construction, accounts for around 5–6% of GDP. The drop in turnover will take about 0.4ppts off GDP growth over calendar 2026 (captured through the "ownership transfer costs" component of expenditure GDP) with the downturn also expected to have a significant drag on dwelling construction heading into 2027.

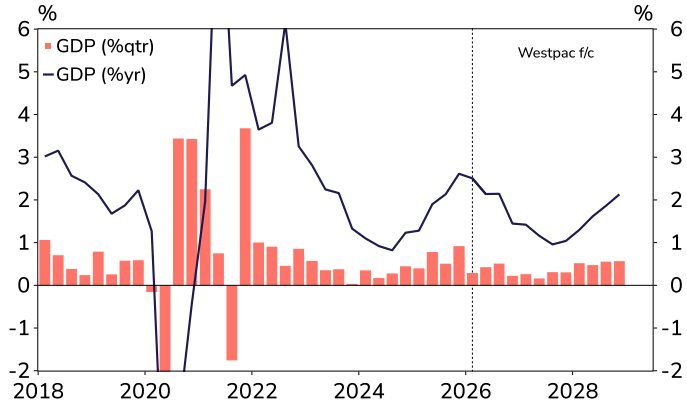
Housing-related drivers of GDP

Contributions to year-ended GDP growth



Source: ABS, RBA, Macrobond, Westpac Economics

GDP forecasts



Source: ABS, Macrobond, Westpac Economics

However, the impact goes well beyond these direct effects. Falling housing wealth will weigh on household spending, while the residential building has strong linkages to the rest of the economy. Residential investment supports activity across manufacturing, transport and professional services; dollar for dollar, we estimate its broader economic impact is around 1.5 times that of consumer spending. The flow on impacts via employment and broader confidence are also substantive.

We have lowered our forecasts for household consumption, ownership transfer costs and dwelling investment. Consumption growth is now expected to trough at 1.1%yr during 2027, from 1.8%yr forecast in our October *Market Outlook*, before recovering to 2.7%yr in 2028. Ownership transfer costs are expected to see a 25%yr decline over 2026, the sharpest decline since the March quarter 1990, even larger than what we saw during the pandemic. New dwelling investment is expected to contract by 1.0%yr in 2027, rather than grow by 2.1%yr as we expected back in October, before recovering by 3.2%yr in 2028, down from 4.9%yr. Together with some flow-on dampening effect on employment, these revisions lower our GDP growth forecast to just 1.0%yr in 2027, from 1.6%yr, and 2.1%yr in 2028, from 2.5%yr.

We do not expect the slowdown to become immediately apparent in the data. Consumer spending looks to have been relatively resilient through the September quarter. Discretionary services spend has been notably firm in particular, with only some of this due to a catch-up on travel and tourism spend disrupted by the Middle East conflict earlier in the year. Household disposable incomes were still relatively well supported through the quarter with some lift coming from tax cuts and the FWC award wage increase. However, our card tracker data suggests discretionary spending momentum has faded noticeable over the first half of the December quarter.

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… to drive a sharp economic slowdown …

The confidence impacts from housing downturn may also be starting to show. While the drop in consumer sentiment back to extreme lows has more to do with rate rises and fuel prices, the weakening in business confidence became more prominent in October with a notably sharp fall in forward orders. While this has not had a flow-on impact on employment and capex expectations to date, these will likely soften if confidence remains negative and the signal from forward order starts to be reflected in wider business conditions.

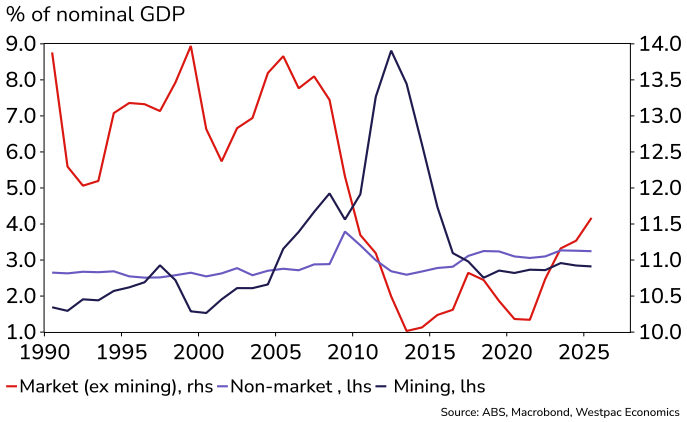
Business investment is still likely to be an important offset, with data centres and renewables supporting activity. But even here, some cracks are starting to emerge. Reports of project delays in NSW and South Australia amid community opposition pose limited risk to projects already underway but could increasingly affect the pipeline of proposed data-centre investment (with the notably cancellation of an IPO for a local operator as well). Sentiment across the AI sector more broadly has also weakened with equity valuations dropping, leadership instability at NVIDIA. Anthropic's 'mega IPO' due November 18 and expected to land at market valuation of ~US$1trn will be an important test of how fundamental the shift in sentiment may have been.

Annual National Accounts

The Annual National Accounts (the 'Annuals') provide updated benchmarks and some useful detail including on investment trends across industries, the capital stock and productivity.

The 2025–26 figures show somewhat firmer economic activity and business investment than previously estimated, particularly in 2024–25. The economy grew by 2.3% in year-average terms, broadly in line with the initial quarterly National Accounts estimate of 2.4%. However, growth in 2024–25 was revised up by 0.3ppts to 1.6%, largely reflecting stronger private business investment. Business investment is now estimated to have increased by 1.1% in 2024–25, compared with the initial estimate of a 0.2% decline. The revisions do not materially alter the broader productivity story, but they do suggest that the economy was growing a little more strongly but with the same degree of inflation in 2025.

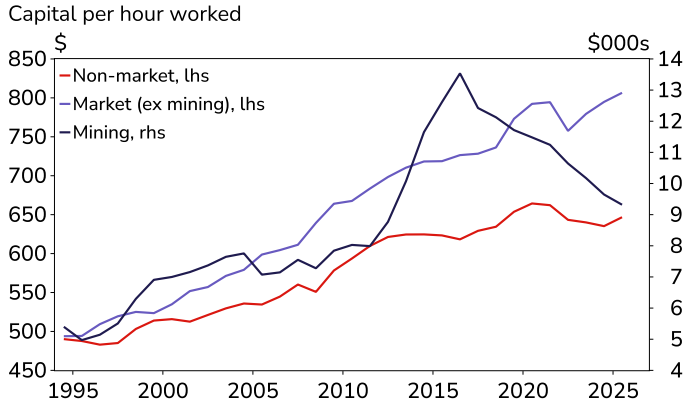
Investment by sector



Source: ABS, Macrobond, Westpac Economics

The Annuals also provide a richer picture of the supply side, including investment by industry and the evolution of the capital stock, details that are not available in the quarterly accounts. These data point to a notable lift in investment in the market (ex-mining) part of the economy, where investment has gone from around 10% of nominal GDP in to just over 11.5%. Outside of this, investment has been softer, particularly in the mining sector.

Capital to labour ratio by sector



Source: ABS, Macrobond, Westpac Economics

Within the market sector, investment by the IT industry, increasingly focused on data centres, has risen to its highest share of nominal GDP since the technology boom of the 1990s. Utilities investment, including renewables and associated infrastructure, is stronger still, at its highest share since 1983, while investment by the professional services industry has reached a record high. Across the non-market sector (including health, education and public administration), investment has also held at a slightly higher share of the economy, driven by the health and public administration (including defence) industries.

The investment upswing is also beginning to translate into capital deepening as industries look to rebuild capital stocks after a period of soft growth. Outside mining, market-sector capital per hour worked is at a record high and well above its pre-pandemic level. That is an encouraging development, particularly given that the sector accounts for 70% of total employment.

There are important divergences beneath the aggregate. Mining continues to experience capital shallowing, as investment has been insufficient to cover wear and tear and capital requirements associated with additional workers. By contrast, the capital stock in the non-market sector appears to have caught up with the surge in employment we have seen since the pandemic, with capital per worker increasing for the first time since the pandemic.

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... as non-mining sector rebuilds capital, productivity

Capital deepening will help support productivity growth across the economy. The Annuals show that productivity in the market sector (excluding mining) continues to grow by around 1% in year-average terms, while mining remains a drag on aggregate productivity (down 0.8% in 2025–26 and almost 30% since 2017).

At the same time, a major recent headwind is easing as the rapid expansion of the non-market sector slows. This matters for aggregate productivity. Productivity growth reflects both gains within industries, through capital deepening, technology and better processes, and the 'reallocation' of resources between industries with different productivity levels.

Measured productivity in the non-market sector is considerably lower than across much of the market sector, partly reflecting measurement issues (output is generally not well measured, particularly when there are quality changes). As employment shifted towards these industries, this compositional effect weighed on aggregate productivity. Our estimates suggest it has reduced the level of aggregate productivity by a significant 1ppt over the past 15 years and almost 0.3ppts over the three years to 2025–26.

What drove growth in market-sector productivity?

It wasn't only capital deepening that drove productivity growth. Multifactor productivity (MFP), which captures how efficiently businesses combine labour and capital through changes in processes, technology, know-how, was the dominant driver of market-sector productivity growth this year. This gives us more conviction that the supply side is normalising, and productivity growth will improve from its recent lows.

At the industry level, some of those recording stronger investment are also beginning to deliver stronger productivity outcomes, although the picture remains uneven.

IT stands out at the positive end of the spectrum, alongside improving outcomes in manufacturing, administrative and support services, and transport. These are also industries where the diffusion of AI and other digital technologies could deliver further productivity gains. Utilities and professional services should also benefit as stronger investment translates into greater capital intensity and efficiency.

At the other end, mining remains a major drag, consistent with the capital shallowing evident in the investment and capital-stock data. Construction is another notable laggard, with productivity continuing to deteriorate despite strong demand from housing, population growth, renewable-energy infrastructure and data-centre projects. Construction productivity fell around 2% in 2025–26 and almost 21% over the 13 years from 2012–13 to 2025–26.

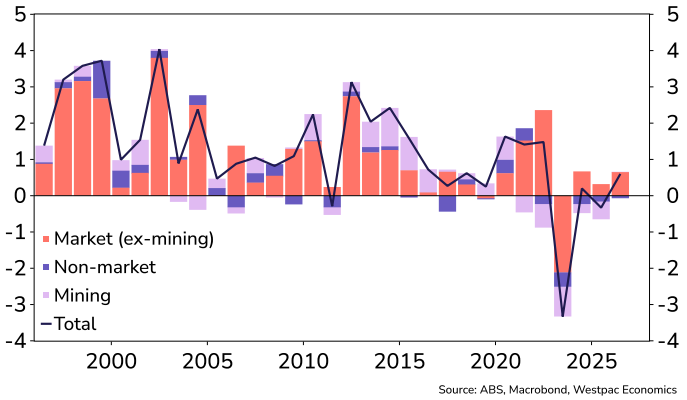
Bottom line

The Annuals provide a more constructive supply-side picture than the aggregate productivity figures alone suggest. Market-sector productivity outside mining continues to advance, the reallocation drag from the expanding non-market sector looks likely to fade, and capital deepening is strengthening across important parts of the economy. The strong MFP outcome in the market sector gives us more conviction that conviction that the supply side is normalising, and productivity growth will improve going ahead.

The critical question is whether the strong investment underway in technology, professional services, electricity and related infrastructure translates into stronger productivity growth as that new capital is put to work. If it does, the improvement in capital intensity evident in the Annuals could mark the beginning of a more durable lift in Australia's productivity performance.

Productivity by sector

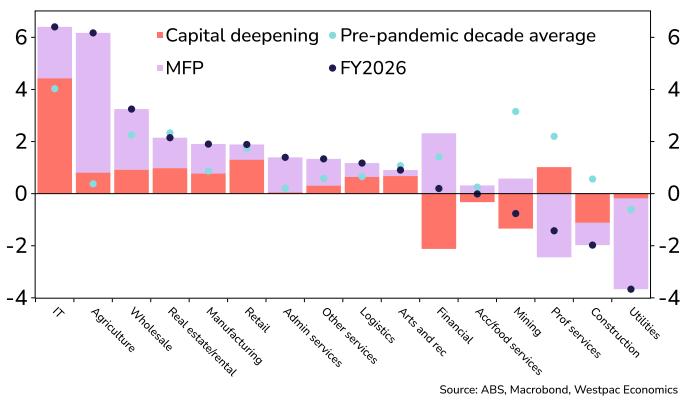
Cont. to year-average % change



Source: ABS, Macrobond, Westpac Economics

Productivity by industries in the market sector

Year-average % change



Source: ABS, Macrobond, Westpac Economics

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Energy commodities push higher ...

Justin Smirk, Senior Economist
Luka Belobrajdic, Economist

The commodities complex was a story of two halves in October, with energy prices rising sharply while most other commodities weakened. Our broadest commodities index gained 0.6%mth, led by Japanese LNG (+12.8%mth), with Brent (+6.1%mth) and thermal coal (+2.9%mth) also higher amid energy-market disruption. Copper edged 0.1%mth lower as AI sentiment weakened, while coking coal (–3.5%mth) reversed recent gains and elevated yields continued to weigh on gold (–5.0%mth). Iron ore extended its slide (–6.1%mth), while aluminium fell 6.5%mth. Lithium was the clear underperformer, with spodumene down 26.1%mth as environmental approval for CATL's Jianxiawo mine renewed oversupply concerns.

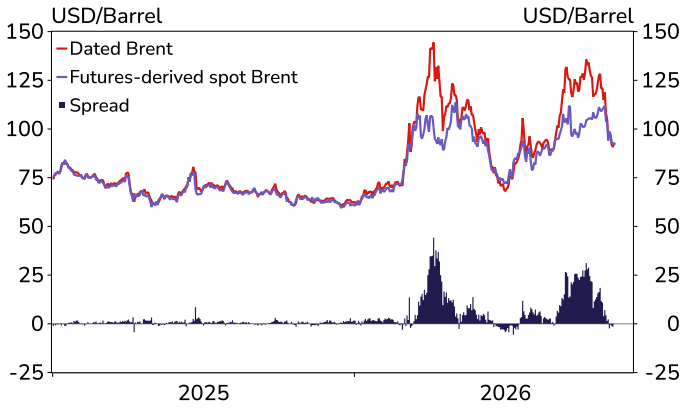
Oil supply returns, risk premium remains

Brent crude rose 6.1%mth in October to average US$106.2/bbl as ongoing strikes and attacks on shipping through the Strait of Hormuz continued to weigh on sentiment. Inventory buffers remain depleted, with the EIA estimating OECD inventories remain 141mb below pre-conflict levels in February. This comes despite reported crude exports from Gulf producers recovering to above 85% of year-ago levels in October. Reflecting improving supply, Dated Brent moved to a discount to the front-month futures contract at the start of November. Futures prices were further subdued following the Republican defeat in the US midterms and market expectations of a less intense US campaign against Iran. Nonetheless, prices remain elevated, with fewer tankers available after vessels were redeployed to other markets, while higher insurance premiums continue to add to costs.

Refined product markets remain tight, with reduced Gulf supply compounded by Ukrainian strikes on Russian refineries. Together with higher shipping costs and elevated Dated Brent prices, Singapore Gasoil 10ppm has roughly doubled since the Strait closed, with the crack spread averaging around US$60.8/bbl in the first week of November.

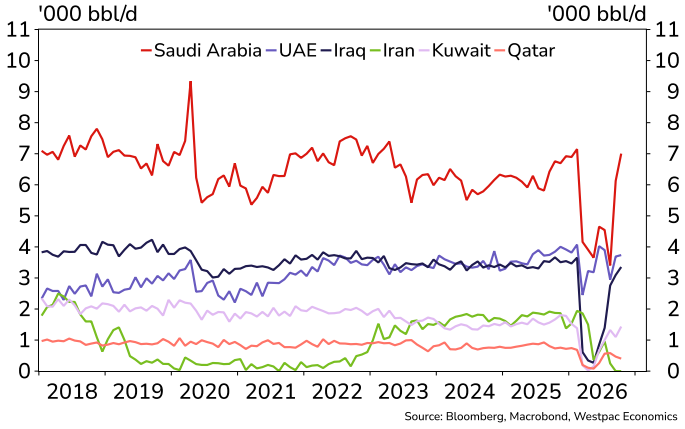
We do not expect a lasting US-Iran agreement until mid-2027. In the meantime, we assume there will not be a return to full-scale military intervention. However, periodic Iranian attacks on ships and facilities are expected to continue, alongside the US blockade of Iranian exports, maintaining a supply risk premium. We expect Brent futures to average around US$101/bbl in Q4, albeit with considerable volatility, before easing gradually as recovering supply is partly offset by demand from refiners and governments rebuilding inventories. As the risk premium fades and the market moves into surplus in late 2027, we forecast Brent at around US$77/bbl in Q4 2027. Refined product supply is expected to recover more slowly than crude. For additional analysis, including our October scenarios for further escalation and an earlier resolution, see here.

Dated Brent and Brent futures



Source: Bloomberg, Macrobond, Westpac Economics

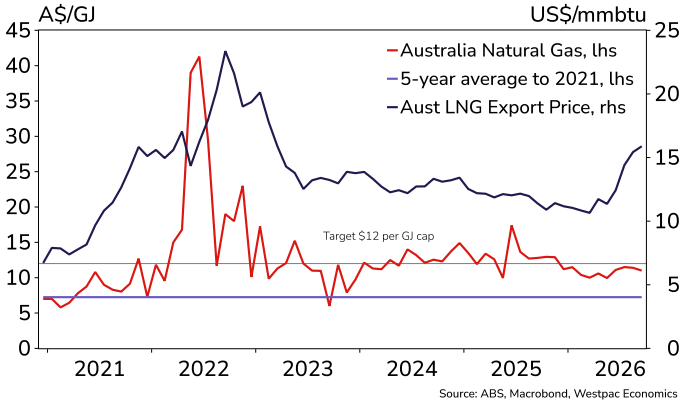
Monthly Oil Exports



Source: Bloomberg, Macrobond, Westpac Economics

Domestic vs Export Gas Prices

Wallumbilla Benchmark Price, Westpac Est. Aust. Export Price



Source: ABS, Macrobond, Westpac Economics

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... while the broader complex struggles to keep pace

Qatar's limited bypass options keep LNG tight

LNG prices continued to climb through October. Damage to the world's largest LNG export complex at Ras Laffan in Qatar and the country's inability to divert flows around the Strait of Hormuz continue to weigh on supply. These constraints have been compounded by stronger competition between Northeast Asia and Europe for flexible Atlantic Basin cargoes ahead of the Northern Hemisphere winter, with European gas storage remaining below seasonal norms. As a result, Japanese LNG prices rose 12.8%mth in October, averaging US$28.6/mmbtu.

Reflecting the continued acute disruption, we have raised our December quarter forecast for Japanese LNG prices to US$27.5/mmbtu. The severity of the Northern Hemisphere winter will be the key risk to the near-term outlook. Supply recovery is expected to remain constrained, with prices unlikely to return to pre-conflict levels until 2028. Domestically, the Australian gas market remains relatively insulated, supported by the FY2027 Federal Budget's domestic gas reservation scheme, with an objective to cap domestic gas prices at around $12/GJ.

Gold caught between yields and haven demand

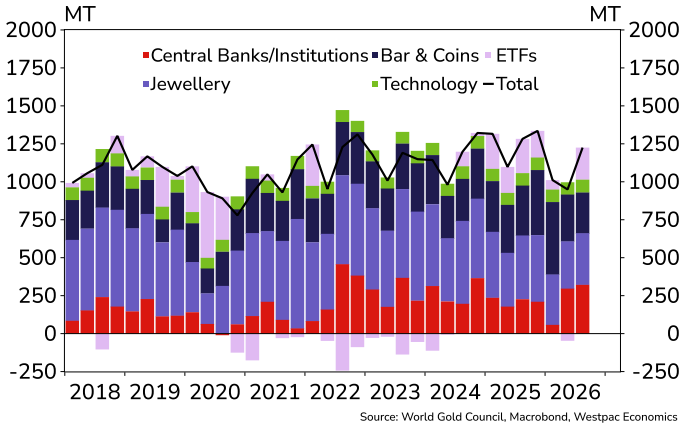
Gold struggled through October, with prices down 5.0%mth to average US$4,105/oz. As a non-yielding asset, gold has faced broader pressure throughout the Middle East conflict as markets weighed the inflationary implications of elevated energy prices and the prospect of further central bank tightening. Despite these headwinds, some pillars of support have emerged. A meaningful bid has developed around US$4,000/oz, with dip-buying supporting a recovery in gold ETF demand. Yields also moved lower at the start of November prior to the US CPI release as safe-haven demand increased against a backdrop of macroeconomic, geopolitical and market uncertainty.

With these supports increasingly evident, we expect modest gains through the remainder of 2026, with a December quarter average of US$4,200/oz. From there, we expect a period of consolidation through 2027 as brownfield expansions at existing operations lift supply in response to recent high prices, while an elevated Fed Funds rate limits upside for non-yielding assets. Over the longer term, structural support should persist, underpinned by growing Asian demand, and central bank buying.

Democrat sweep weighs on copper's bull case

LME copper prices were broadly stable through October, edging 0.1%mth lower to average US$14,478/t. The pace of COMEX inventory accumulation slowed further to 2.9%mth following reports in September that the US Government's decision on Section 232 tariff implementation had stalled amid concerns higher copper prices could add to already elevated manufacturing costs. Supply disruptions in Chile provided more meaningful support, with two fatal accidents at separate operations resulting in production suspensions in

Gold Consumption

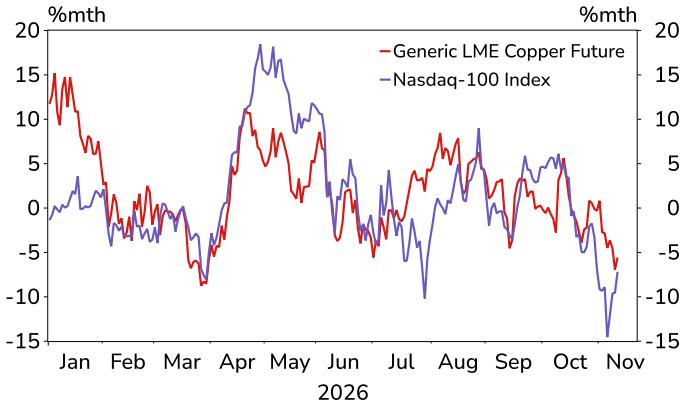


Source: World Gold Council, Macrobond, Westpac Economics

a region already affected by weather disruptions. Alongside broader electrification trends and metal shortages outside the US, these disruptions supported copper through October. However, a weaker macroeconomic outlook amid elevated energy costs and a sharp rotation out of the copper-linked AI trade left prices broadly unchanged over the month.

Several recent sources of support have come under pressure in early November. The key shift has been the Democratic sweep of Congress at the US midterm elections. The initial equity-market reaction saw the AI trade pull back on concerns that a Democrat-controlled Congress could impose greater regulatory constraints on AI-infrastructure investment. Copper's exposure to the AI buildout made it a casualty of the broader sell-off, with LME prices falling sharply at the start of the month. A Democrat controlled Congress has also reduced the perceived risk of more severe Section 232 tariff implementation. Against this backdrop, we have downgraded our near-term LME copper forecast, with prices expected to average US$14,000/t in Q4. Ongoing electrification trends, AI and data-centre investment, and metal shortages outside the US should, however, continue to provide a floor under prices.

Copper has traded in line with market sentiement



Source: Bloomberg, Macrobond, Westpac Economics

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US dollar support ...

Elliot Clarke
Head of International Economics

The past month has seen a wave of risk events favouring the US dollar. Meanwhile, concerns shown by FOMC members have been decidedly one-sided, their clear message being that the question is how many more hikes are needed. The DXY has consequently continued to test the upper limit of its 18-month range, circa 103, but has held to it.

Underlying the DXY's movements are several key narratives. Europe is the first port of call. Since mid-September, euro has fallen from almost USD1.17 to a low near USD1.11. Uncertainty surrounding France's fiscal and economic outlook was part of that turn, however, most of the move aligns to concerns amongst market participants over the persistence of inflation and the resetting of policy rate expectations. Albeit marginal, expected fed fund rate hikes outnumber those for the ECB, entrenching short and long-end rate differentials.

Sterling has held up better than euro, falling from around USD1.36 in September to near USD1.32. But, to our mind, the chances of the sequence of rate hikes priced by the market for the Bank of England is low. After November's policy meeting, Governor Bailey showed caution over the activity outlook and a greater willingness to incorporate the recent drop in oil prices into inflation forecasts than FOMC members have.

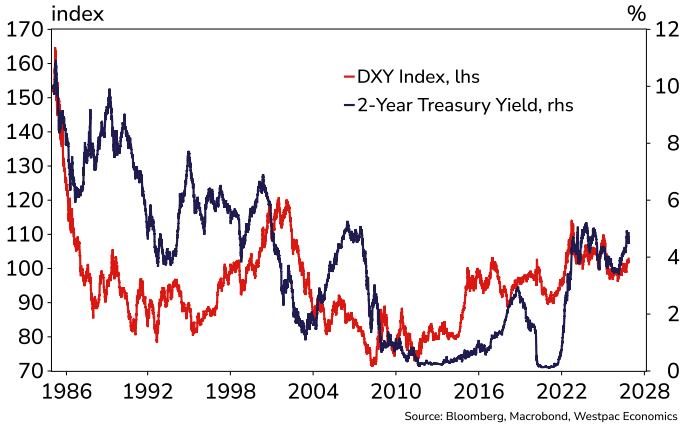
Interest rates are not the only comparable favouring the US dollar; each nation's growth story is also important. While Europe and the UK have recently delivered economic outcomes consistent with a return to trend growth, US data continues to point to momentum in excess of potential. Moreover, as discussed on page 19, the pipeline of AI related investment and funding continues to strengthen, favouring the US.

It is intriguing then that the US dollar has not broken the range of the past 18 months. Based on this performance, lingering downside risks for the US economic outlook and the potential for a more constructive outturn for energy, we remain of the view that the US dollar is likely to recommence its downtrend in mid-2027, once this monetary policy cycle definitively ends.

For euro, a slow (but likely volatile) uptrend is anticipated, from USD1.11 today to USD1.17 at end-2027 then USD1.21 come end-2028. Sterling is similarly forecast to lift from USD1.32 at present to USD1.38 at end-2027 and then USD1.41 by late-2028 – seeing broad stability between euro and sterling. Dissipating global risks over the coming two years should also result in both euro and sterling lifting against the Swiss franc – albeit only at the margin.

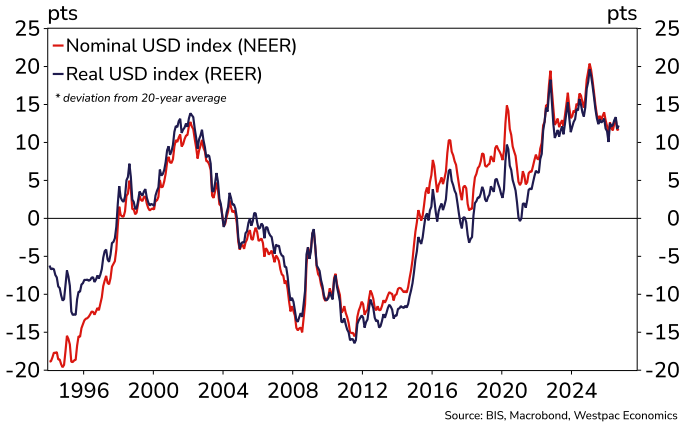
The primary risk to this view is that appreciation against the US dollar comes later. Though, as we are only targeting

USD demand range bound



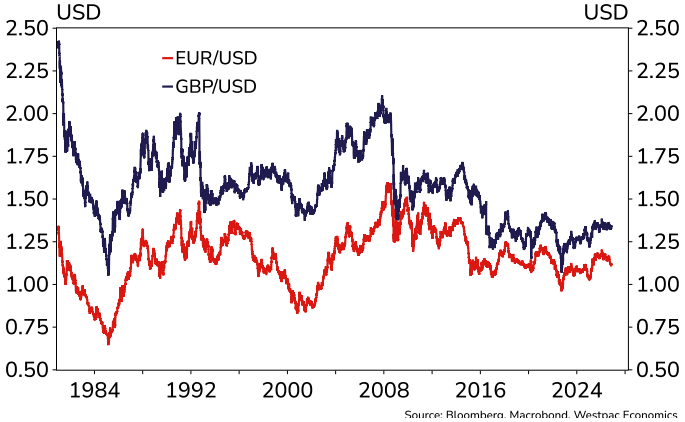
Source: Bloomberg, Macrobond, Westpac Economics

Valuation remains stretched



Source: BIS, Macrobond, Westpac Economics

Euro and UK risks to recede



Source: Bloomberg, Macrobond, Westpac Economics

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... has limits

'around average' levels for the bilateral, further out there is also the likelihood of more sizeable advances for euro and sterling versus both the US dollar and Swiss franc.

Over in Asia, there has been little change in the narrative surrounding Japan. Growth is solid and inflation appears sustainable at or above the Bank of Japan's 2.0%yr medium-term target. Yet the market continues to take every opportunity to doubt the Bank of Japan's resolve in normalising policy. This has resulted in USD/JPY trending back up near JPY160 after each test of a lower level – most recently JPY158.

A reset of investor expectations for the yen seems highly unlikely until the US rate story has turned. Even then, US activity growth will probably also need to ebb, as we forecast, if USD/JPY is to sustainably move away from JPY160 towards USD150. We only see a break of this level in late-2028, with USD/JPY forecast at USD147 at the close of 2028.

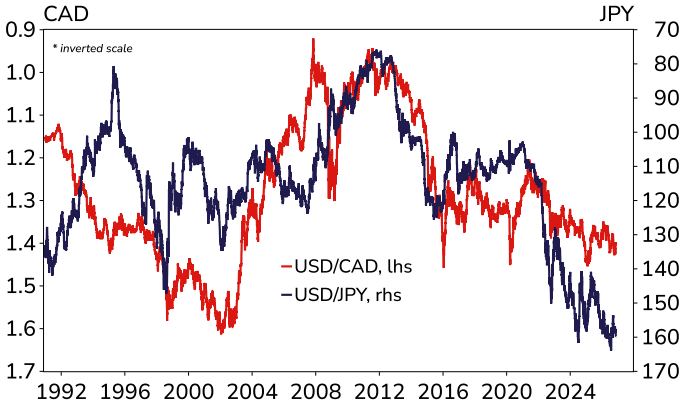
For DXY, the net effect is a shallow downtrend from 103.2 today to 98.2 at end-2027 then 94.7 come late-2028. Conviction on the downtrend through 2027 is lower than previous owing to the above developments in the US growth and interest rate narratives relative to the other nations. However, this is made up for in 2028 on the expectation that each nation's growth track will normalise around trend, cyclical inflation risks abate and central banks rebalance for known risks, easing back towards neutral.

Coming after a lengthy period of US dollar strength, it is important to highlight that our end-2028 level of 94.7 for DXY is still above average relative to its full history. Whereas DXY's 5-year average is 102.3 and the 10-year figure is 98.8, over 20-years the DXY index has instead oscillated around 91, 4.0% below our end-2028 level and 12% under today's spot. Assuming conditions normalise in time, downside risks to the US dollar's dominance are likely to build.

Such an outcome will become more probable if Asia's economic story continues to strengthen, attracting additional capital away from US dollar assets.

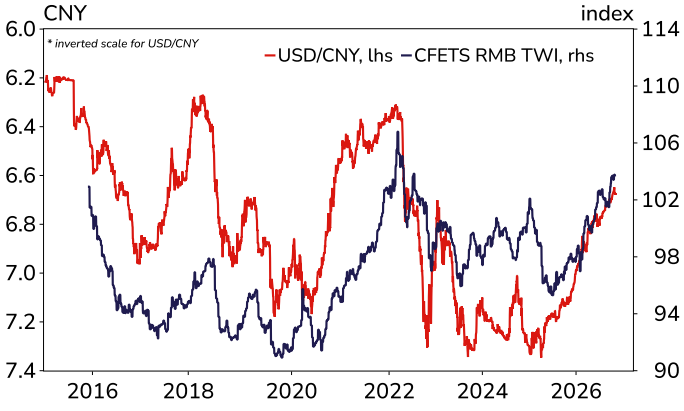
A number of factors have a role to play here. While China's renminbi has already strengthened from around CNY7.00 at the beginning of the year to CNY6.67 currently, a pro-active stimulus initiative of scale would buoy sentiment materially, with flow-on consequences for many others in the region. Similarly, the sustaining of strong growth by developed economies of the region like Singapore and Taiwan and those still on their development path, Vietnam being a prime example, will offer investors a deep and diversified environment to position for long-term growth. The greater the array of alternatives, the more pressure the US dollar will face.

JPY may finally get a bid



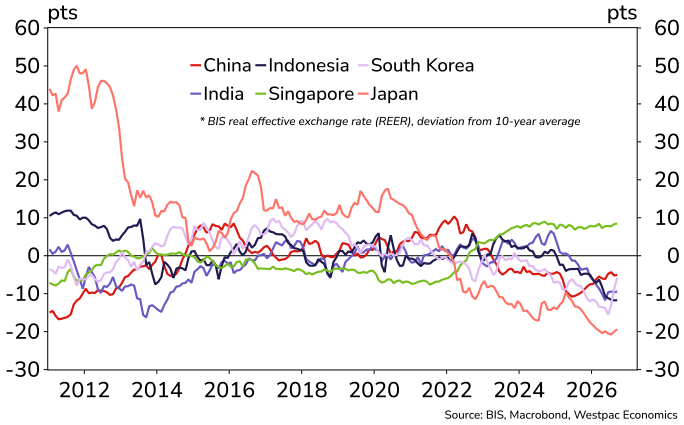
Source: Bloomberg, Macrobond, Westpac Economics

Renminbi breaking up



Source: Bloomberg, Macrobond, Westpac Economics

Asia's outlook promising



Source: BIS, Macrobond, Westpac Economics

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A busy month with some surprises ...

Darren Gibbs
Senior Economist

There have been several significant developments in New Zealand since we released the October edition of our Market Outlook, including a General Election, an RBNZ policy meeting and some surprising economic data.

Starting with the General Election on 7 November, as polls had suggested, this proved to be a very tight contest. Indeed, the ultimate winner of the election will not be known with certainty until the final official results are published on 27 November. The theme of the election was one of fragmentation, with the traditional major parties – National and Labour – recording their lowest combined vote on record.

As we set out in more detail in our post-election report, on election night the centre-right bloc of National, NZ First and ACT won 67 seats. In what is currently expected to be a 131-seat parliament – thus requiring 66 seats to govern – this gives the bloc a one seat majority. The centre-left bloc of Labour, Greens and Te Pāti Māori won 57 seats on election night, while the Opportunity Party – entering parliament for the first time – won seven seats. Relative to 2023, there was a swing away from National both to its coalition partners and to the centre left bloc. Notably, several senior National ministers have not been re-elected, including Finance Minister Nicola Willis.

While the election night count means that the centre-right is in the box seat, there are still around 400,000 special votes to be counted (including around 100,000 overseas votes). Historically, these votes have significantly favoured the centre-left parties, especially the Greens, thus reducing the centre-right's vote share when the final count is completed. If that were to occur again, it is quite possible that a party list seat will transfer from the centre-right (most probably NZ First) to the centre-left (most probably the Greens).

In addition, the National Party's current 42 seat haul – seven seats greater than its normal entitlement based on its party vote share – would decline should it lose one of several seats it currently holds by a narrow margin (e.g., the Wairarapa seat, where the National candidate currently leads by just 139 votes) without a pick-up elsewhere. The loss of an electorate seat by National combined with the transfer of a party-list seat from the centre-right to the centre-left would leave the centre-right with just 65 seats in what would become a 130-seat Parliament. The centre-right would thus need the support of the Opportunity Party to govern – support that that centre-right might seek in any case given the narrowness of even its current majority.

Whilst less likely, it remains mathematically possible that the final vote could deliver a centre-left government, supported by the Opportunity Party. This would occur if NZ First were to a lose a party list seat to the Greens whilst National were to lose two electorate seats (it currently holds the Hamilton East seat by 456 votes). In this situation, the centre-right bloc would control just 64 seats in a 129-seat parliament. Therefore, understandably, both the Prime Minister and the leader of the Labour Party have indicated that substantive coalition negotiations will not take place until the final count is known.

In other news, the RBNZ surprised financial markets at its 28 October meeting by leaving the Official Cash Rate (OCR) unchanged at 2.75%. A 25bp increase had been almost fully priced, and Westpac Economics, along with most forecasters, had expected a hike to 3% (we had changed our view just a week prior to the meeting, in part because we thought the Bank would be reluctant to disappoint market pricing). Instead, the Monetary Policy Committee (MPC) voted 4–3 to hold, implementing the pause that it had originally signalled in September and allowing more time to assess the effects of the 50bps of tightening delivered since July.

The close vote reflected differences over the timing of further tightening rather than disagreement about the broad outlook. All seven MPC members accepted that additional monetary restraint would probably be needed, conditional on how the economy evolved. The three members favouring an immediate increase placed greater weight on elevated core inflation, the increasing breadth of price rises and the risk that the latest fuel and exchange-rate shocks could become embedded in inflation expectations, wage-setting and firms' pricing behaviour. They argued that acting promptly would reduce the danger of having to tighten more aggressively later.

The four-member majority, including Governor Anna Breman, preferred to wait. They emphasised that September-quarter annual inflation, at 3.7%, had been lower than the Bank expected; wage growth remained subdued; inflation expectations were stable; and the indirect effects of higher fuel prices had so far been smaller than assumed. Weak household spending and residential investment were limiting firms' ability to pass higher costs through to customers or rebuild margins. The majority also saw value in observing the delayed impact of the two recent OCR increases before adding further restraint. Global risks also received considerable prominence. The Committee highlighted geopolitical tensions, high energy prices, elevated debt, financial vulnerabilities and uncertainty over whether booming AI investment was justified by economic fundamentals. It was argued that these factors could sustain inflation but could also trigger an abrupt global downturn, reinforcing the case for waiting.

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… but medium-term outlook is little changed

Nevertheless, the decision was not dovish. The Bank expected annual inflation to rise to 4.4% in the December quarter, reflecting elevated fuel prices and a roughly 3% fall in the exchange rate since early September. Core inflation had moved towards the top of the 1–3% target range, while price increases had become more broad-based. The Committee therefore retained a clear tightening bias, stating that a higher OCR was likely, although incoming information could change the appropriate stance in either direction.

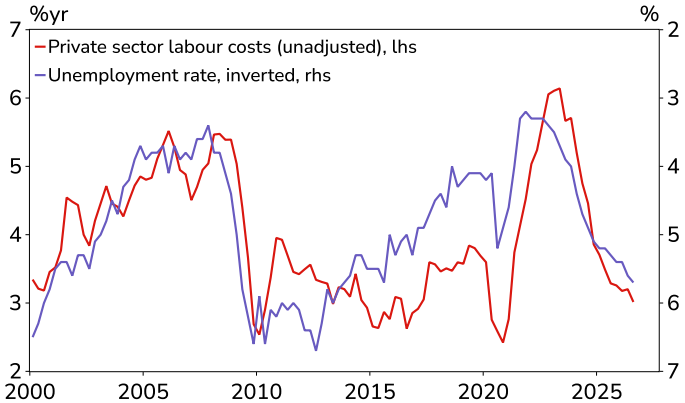
Looking ahead, our baseline forecast remains for a 25bp hike at the RBNZ's next meeting on 9 December. However, as we commented at the time of the October meeting, a rate hike should not be regarded as a done deal. And the likelihood of the RBNZ extending the October pause increased following the release of the labour market reports for the September quarter. The household survey measure of employment unexpectedly fell 0.1%qtr, which together with downward revisions to previous quarters saw annual growth slow to 0.7%yr – just half of the growth forecast by the RBNZ in the September MPS.

We think that underlying momentum in the September quarter is somewhat stronger than suggested by the household survey, with the tax-based Monthly Employment Indicator suggesting modest growth (and similar growth to the household survey over the year as a whole). However, the weak signal was further demonstrated by the unemployment rate, which is less susceptible to the quarter-to-quarter sample volatility seen in the household survey. This rose 0.1ppts to a fresh 11-year high of 5.7%. Moreover, youth unemployment is at levels not seen since the survey first began in 1986.

Wage growth also remained subdued in the September quarter, with the unadjusted private sector Labour Cost Index rising just 2.9%yr – the smallest increase since 2021 (and since 2017, excluding the disruption caused by the pandemic). Together with signs of greater than expected slack in labour market, this result is likely to embolden those members of the RBNZ's MPC that believe that second-round inflation impacts from oil shock are likely to be contained (especially if oil prices sustain their recent decline). That said, this week RBNZ Chief Economist, Paul Conway, said that he would still have voted for a hike in October, even if he had known the Q3 labour survey outcome.

There are a few further important domestic data releases before we get the next RBNZ meeting, including the RBNZ's suite of inflation expectations indicators, consumer and business confidence surveys and monthly partial CPI data for October. Together with developments in the global economy and financial markets – a key focus for some MPC members –

Unemployment rate and private sector wages



Source: Stats NZ, Macrobond, Westpac Economics

	2025		2026									
Monthly data	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**
REINZ house sales %mth	–0.1	0.6	–5.4	4.3	–2.4	–1.1	–3.8	–0.3	–2.9	–0.1	–4.1	–
Residential building consents %mth	2.6	–4.2	2.2	2.5	–0.8	12.6	–5.4	–3.8	–4.7	5.3	–7.9	–
Electronic card transactions %mth	1.1	–0.1	–1.1	1.3	0.6	–1.3	1.6	–1.4	1.1	–1.0	–0.5	–0.7
Private sector credit %yr	4.4	4.6	4.6	4.7	4.9	4.7	4.8	4.9	4.9	4.8	5.0	–
Commodity prices %mth	–1.6	–2.2	2.0	4.2	4.2	–0.8	0.8	–1.1	–4.0	–0.4	0.6	0.6
Trade balance $mn	–379	–216	–352	–918	–376	207	–1113	–764	–1318	–263	–204	–

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	5.7
CPI %yr	3.3	2.2	2.2	2.5	2.7	3.0	3.1	3.1	4.1	3.7
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

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Pacific economies deal with external shocks ...

Shamal Chand, Senior Pacific Economist
Justin Smirk, Senior Economist

Pacific economies are exposed to major external shocks. Distance from major markets, small domestic economies and a heavy reliance on imported fuel and food mean global disruptions tend to reach the Pacific at a higher cost than in larger, wealthier nations. This time is no different. However, robust tourism, remittances and commodity earnings combined with healthy foreign reserves mean most Pacific countries face the latest shock with somewhat better buffers from the start.

Geopolitical focus has shifted

Geopolitical interest in the Pacific has evolved over time. China's growing presence over the past decade saw Australia, New Zealand, the United States and others deepen their engagement in the region across infrastructure, development and security. The headlines may have become quieter, but the strategic interest has not disappeared. Pacific countries sit at the cross road of important sea and communication routes and control vast ocean territories rich in fisheries and potential mineral resources. Governments have generally used this interest to their advantage, maintaining the familiar Pacific position of being **"friends to all and enemies to none"**.

The latest Middle East conflict brings the Pacific's vulnerabilities back into focus. There is limited direct trade exposure, but that hardly makes the region immune. Higher fuel, freight, insurance and shipping costs find their way into the cost of imported food, transport, electricity and the overall cost of doing business. The regional central banks' heavy focus on foreign reserves management, and pegged exchange rate regimes, has provided something of a buffer to the immediate shocks.

Tonga perhaps captures this exposure best. The National Reserve Bank of Tonga Annual Report 2026 noted that global shocks transmit "almost instantly through prices to the local economy". The good news is that Tonga has substantial buffers, with reserves enough to cover 11.5 months of imports.

Tourism is critical for Fiji, and resources for PNG

In Fiji, tourism is doing much of the heavy lifting. Some 762,352 visitors arrived in the first nine months of 2026, 3.7% more than a year earlier, while September recorded a monthly high of 95,970. Australia accounted for nearly half of September arrivals, followed by New Zealand. Foreign reserves provide another cushion, standing at FJ$4.1 billion in September, equivalent to 5.7 months of retained imports.

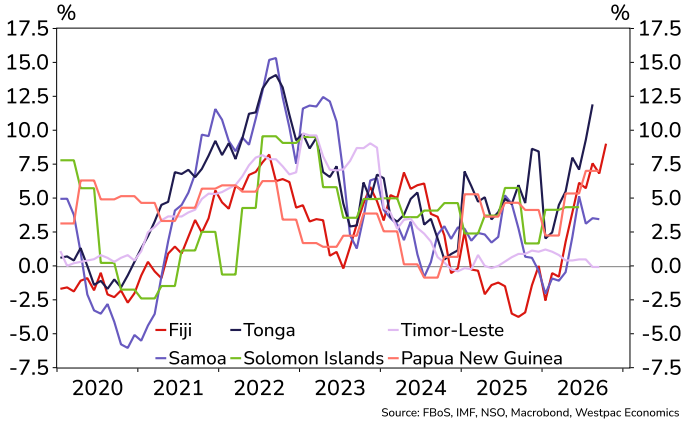
The story is slightly different elsewhere. Samoa continues to receive sizeable tourism and remittance inflows, with July receipts reaching SAT70.6 million and SAT94.2 million respectively. Vanuatu had enough reserves in May to cover 14.6 months of imports, although higher petrol and diesel costs are flowing into transport expenses.

PNG has commodities providing a different cushion. Resource exports support foreign exchange earnings, but households remain exposed to expensive fuel. The government's K1 billion fuel stabilisation package offered some relief before the direct subsidy was phased out in November. Port Moresby's maximum indicative diesel price subsequently moved to K6.69 per litre, a 51% increase after remaining mostly unchanged since March.

Other Pacific economies have their own buffers: gold and fisheries in Solomon Islands, fishing revenues and offshore assets in Kiribati and Tuvalu, the Petroleum Fund in Timor-Leste, and nickel in New Caledonia. But high prices remains the common theme across the small island countries.

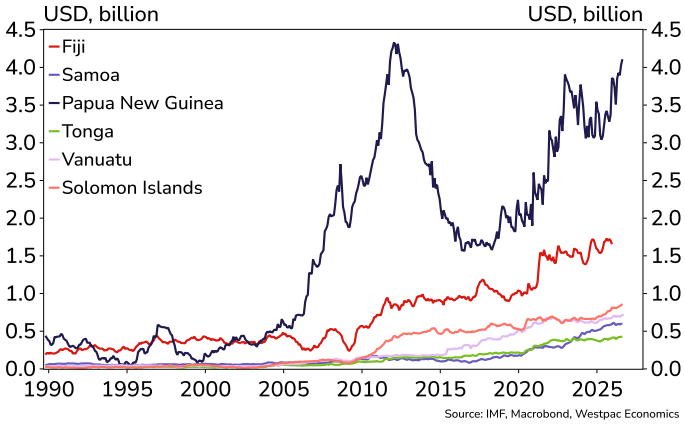
So far, these buffers are holding. The bigger question is how long will they need to? A prolonged period of expensive energy and freight, particularly if tourism and/or commodity prices weaken, would make the next phase more difficult for these small islands. As such, the risks are skewed to the downside.

Pacific inflation swings



Source: FBoS, IMF, NSO, Macrobond, Westpac Economics

Pacific international reserves holding



Source: IMF, Macrobond, Westpac Economics

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… and have stronger COP31 expectations this time

The 31st United Nations Climate Change Conference (COP31) opened in Antalya, Türkiye, on November 9th with a familiar challenge: turning years of climate commitments into tangible action. Türkiye is presiding over the summit, while Australia's Climate Change and Energy Minister, Chris Bowen, is serving as President of Negotiations. For Pacific countries, expectations are high with Australia at the negotiating table.

The Pacific is pushing for immediate action to keep global warming within 1.5°c, accelerate the transition away from fossil fuels, improve access to climate and Loss and Damage finance, and give the oceans a stronger place in climate action. As UN Climate Change Executive Secretary Simon Stiell acknowledged at the opening, global climate progress remains "nowhere near far enough or fair enough."

These priorities were reinforced through the "Taku Pakasoa Declaration", adopted at the Pre-COP31 meetings in Fiji and Tuvalu in October, alongside calls for stronger implementation, better access to finance and greater recognition of the ocean. "Taku Pakasoa" is Tuvaluan and essentially means strength through unity and collective action.

Early opening day moves

The opening days in Antalya have begun to translate some of these priorities into the negotiating agenda, although no major outcome has yet emerged. Discussions on climate finance are under way, while Chris Bowen has initiated work towards a Presidency-initiated, Party-driven COP31 decision intended to provide a focused and practical response to the challenges facing the summit. Countries are being encouraged to shape the political package early, rather than leaving the hardest discussions until the final days.

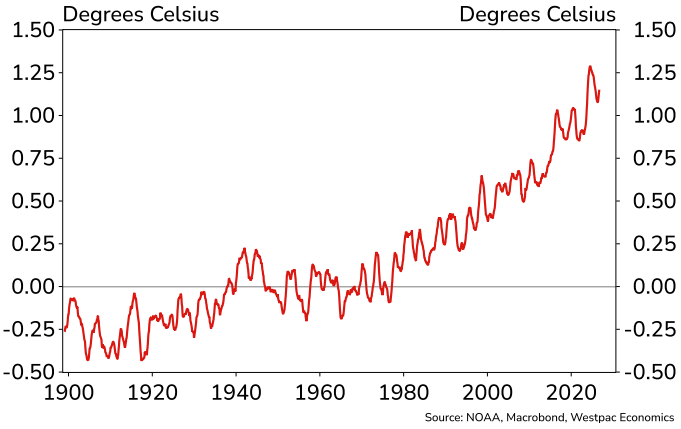
Energy is also moving to the centre of discussions. Brazil presented a roadmap aimed at translating global commitments to transition away from fossil fuels into national plans. Meanwhile, an IEA report, commissioned by Türkiye and Australia, finds that electricity could cost-effectively rise from around 23% of global final energy consumption in 2025 to 33% by 2035. This assessment assumes currently available technologies and broadly pre-2026 energy-shock prices and financing conditions. For import dependent Pacific economies, greater electrification could offer an additional benefit by reducing exposure to volatile global fuel markets.

The climate finance gap

For Pacific leaders, delivery remains the real test. Fiji's Environment and Climate Change Minister, Lynda Tabuya, called for climate finance to reach "the people who really need it" and for the ocean to take "its rightful place in the climate agenda."

The Fund for responding to Loss and Damage illustrates the challenge. US$822.06 million had been pledged by March 2026, but its initial operational funding envelope was only US$250 million.

Global temperature nearing threshold



Source: NOAA, Macrobond, Westpac Economics

The distinction between money pledged and finance actually reaching vulnerable communities remains important.

For the Pacific, success will therefore depend less on headline commitments and more on whether finance becomes easier and faster to access for adaptation, resilience and clean-energy projects domestically.

Australia's test

Australia remains something of a double-edged sword for Pacific climate interests.

It is a major development and climate-finance partner and now has an influential role in the negotiations. Yet Australia also remains a significant fossil-fuel producer and exporter, creating tension with the Pacific's push for a credible pathway to keep 1.5°c within reach.

That makes COP31 an important test of Australian regional leadership. The summit is increasingly moving from debating whether the transition should occur towards how it will be delivered. The fossil-fuel roadmap, electrification push and renewed focus on climate finance are early steps, but they remain processes rather than final outcomes.

For the Pacific, COP31 is not about another declaration of ambition. It is about whether commitments finally translate into outcomes on the ground.

For Australia, the test is whether its influence at the negotiating table can help bridge the gap between Pacific expectations, global commitments and delivery.

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Patience is a virtue ...

Elliot Clarke
Head of International Economics

China GDP surprised to the upside in Q3 2026, quarterly growth accelerating from 0.9% in Q2 to 1.2% in Q3. Annual growth lifted from 4.3% to 4.5% as a result. Though, on a year-to-date basis, growth edged down 0.1ppts to 4.6%.

The Q3 result keeps authorities on track to achieve their 4.5-5.0%ytd ambition for 2026, and also provides a little more time to accelerate domestic demand into 2027. Broad-based stimulus is required because net exports' contribution to growth will likely abate in coming quarters now that the trade surplus is back at record highs, and as many Chinese firms diversify their risks by expanding domestic and offshore production networks contemporaneously.

While annual retail sales growth accelerated from 0.4% to 1.1% in September, the Q3 year-to-date growth pulse of 1.1% is just a quarter of the gain reported a year ago. Automobiles, construction materials and jewellery have been particularly heavy detractors over the past year; however, most of the other sub-categories lack momentum.

As we last detailed two months ago in our September Market Outlook, this is not because households are cash constrained, but rather as sentiment is extremely weak and the outlook for employment and wealth highly uncertain.

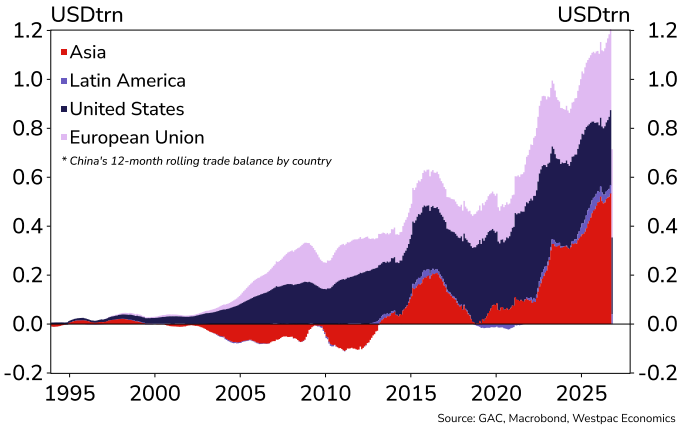
Key for wealth is that house prices for new and established homes continue to decline month-on-month (respectively 0.1% and 0.3% in September), five years into the downturn. Property investment's ongoing decline (–20.6%ytd) makes clear that this persistent weakness in sales and prices is demand driven.

More broadly, total fixed asset investment has been an outright negative for annual GDP growth since April. But a recovery is not beyond either the public or private sector's capacity. Rather, across the economy, entities are waiting for direction and incentive from the Central Government. This is likely to come by early-2027, to offset the loss of support from trade and as downside risks to global growth linger.

Helpfully, industrial production continues to grow at a robust pace, 5.3%ytd, borrowing rates for businesses and households are low, and authorities are beginning to provide banks with additional lending capacity.

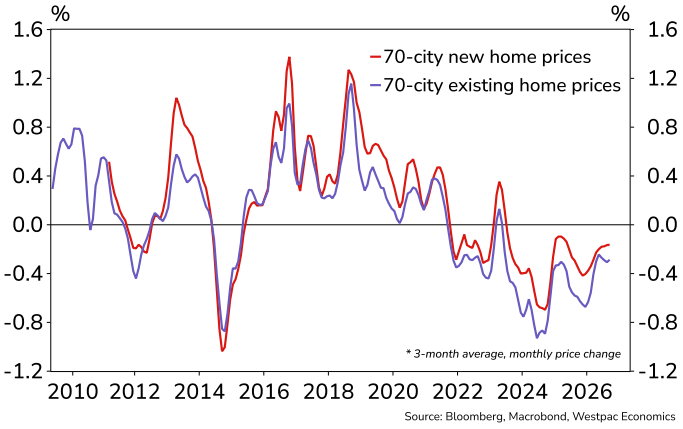
For larger businesses, officials are also reportedly encouraging major institutional investors to increase their structural allocation to domestic equities, building lasting appetite for new equity issuance to fund future waves of real economic capacity and income generation.

Trade surplus at record high



Source: GAC, Macrobond, Westpac Economics

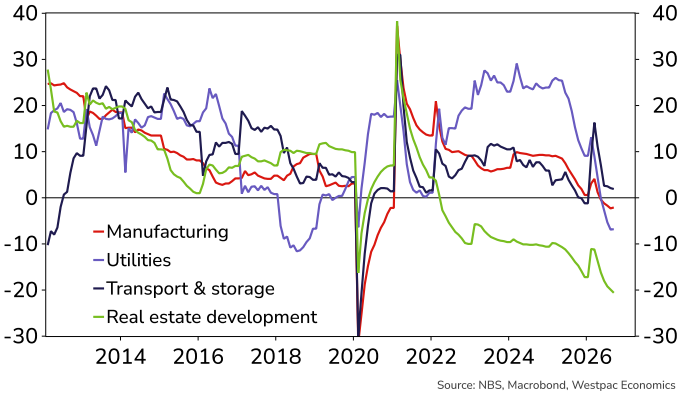
Wealth needs additional support ...



Source: Bloomberg, Macrobond, Westpac Economics

... as does investment

Fixed Asset Investment by Industry (%ytd)



Source: NBS, Macrobond, Westpac Economics

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... but also a risk

China's strong position in global technology should provide firms with the confidence to continue investing ahead of expected demand. This is particularly the case in areas which are in structural uptrends, most notably electric vehicles and other green technology as well as components of high-tech manufacturing and infrastructure – not to mention the race to develop AI.

The consumer is expected to prove much harder to win over to the growth story. The relationship between investment and employment is likely to remain abnormally weak owing to Chinese firms' success with robotics and efficiency.

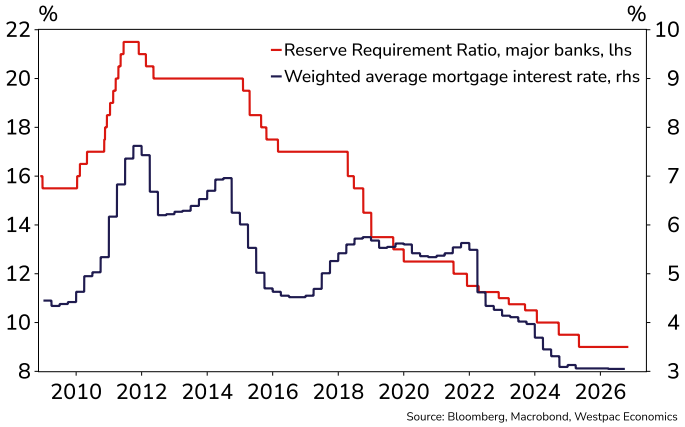
In services, the co-ordination across China's major technology firms for the development and adoption of AI is expected to have a similar effect on employment demand.

The risks on this front are to the downside too. Young workers today are considerably more educated and skilled than in the past, and increasingly beholden to a long work week culture. All else equal, this should lead to high output per marginal worker.

The flow-on benefit to household income from increased labour demand will also potentially be curtailed by Chinese firms' focus on research & development and capacity over reporting and distributing profits. The pall over the market also needs to lift to allow households to realise capital gains from China's industrial success.

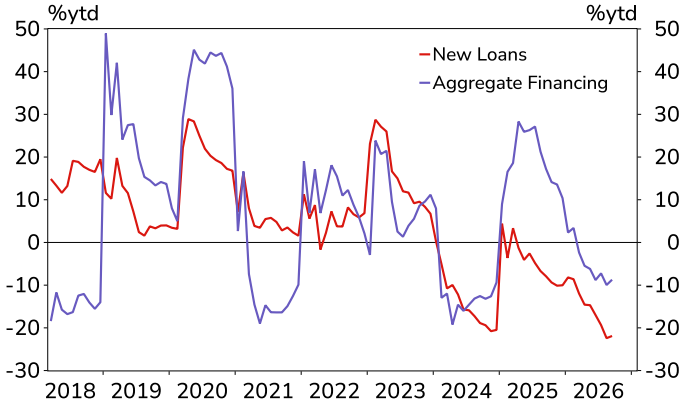
The above means a stimulus-induced recovery in the property sector and real asset investment by local government entities is, once again, most likely to prove the catalyst for a turn in household demand. With a lag, the tightening up of the labour market and a dividend to consumers from past and current industrial development could then with a delay accelerate the trend.

Monetary policy already accommodative



Source: Bloomberg, Macrobond, Westpac Economics

Credit impulse deeply negative



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	1.0	1.2	1.2	1.0	0.5	0.8	0.9
M2 money supply %yr	8.2	8.0	8.5	9.0	9.0	8.5	8.6	8.6	8.0	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	Mar–26	Jun–26
Real GDP %yr	5.4	5.2	4.8	4.5	5.0	4.3
Nominal GDP %yr	4.6	3.9	3.7	3.9	4.9	5.9

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

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AI build out risks justified ...

Elliot Clarke
Head of International Economics

Economic data received over the past month suggests the US economy carried strong momentum into the second half of 2026. That said, of concern for the outlook, questions are being asked over the profitability of AI infrastructure and deployment – a critical contributor of recent economic growth – household real incomes are trending flat to down, and term interest rates continue to weigh on housing investment. An offset to these risks may be forthcoming, however, with the mid-term result a call to President Trump to make a deal with Iran.

Momentum was certainly broad in Q3, the 3.4% annualised gain for GDP benefitting from a 3.8% annualised increase in household consumption, 12.7% growth in non-residential investment as well as a robust increase in government spending. That said, the contribution from business investment was effectively offset by net exports in Q3, as most of the componentry related to AI infrastructure investment is imported.

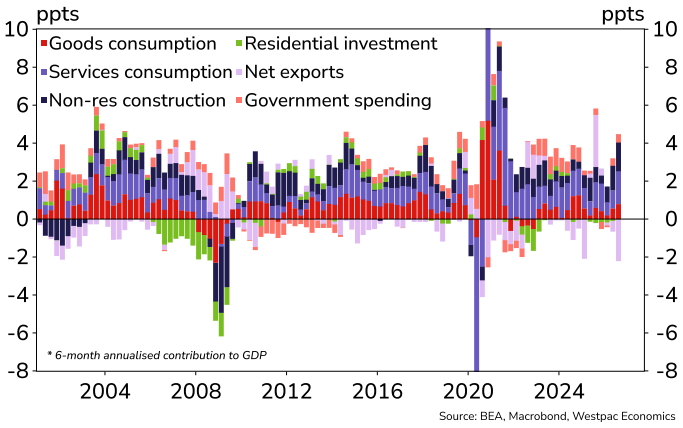
While strong overall, consumer spending lost momentum through the quarter, the September PCE data indicating that – on a real basis – consumption was flat in the month following a robust 0.5% gain in August and reliant on dissaving. Conscious or not, this is clearly a concern for many households, with University of Michigan consumer sentiment holding near historic lows. The pressure on housing activity is also acute, with first-home buyer and upgrader serviceability heavily constrained.

Still, aggregate wealth remains near record highs, and consumers continue to add to their stock of assets. Employment growth also remains positive and the unemployment rate low. For established households too, only the marginal dollar spent on housing investment attracts current elevated interest rates, with the cost of servicing loans contracted in prior years unchanged.

While questions are beginning to be asked over the scalability and profitability of businesses at the vanguard of AI and tech infrastructure, and greater regulation is a risk come 2027 or 2028, financing continues to flow to the sector in scale. Meta, Oracle and Alphabet have all undertaken successful equity and / or debt raisings over the past month; and the much-anticipated Anthropic IPO (expected to be one of the largest ever) is due within weeks.

Rapid infrastructure development is always at risk of delays and a change in sentiment. But the capital being made available to these firms and the urgency the companies are showing over their opportunity set suggests construction activity will continue to grow through 2027 and 2028 and thereafter have a long tail.

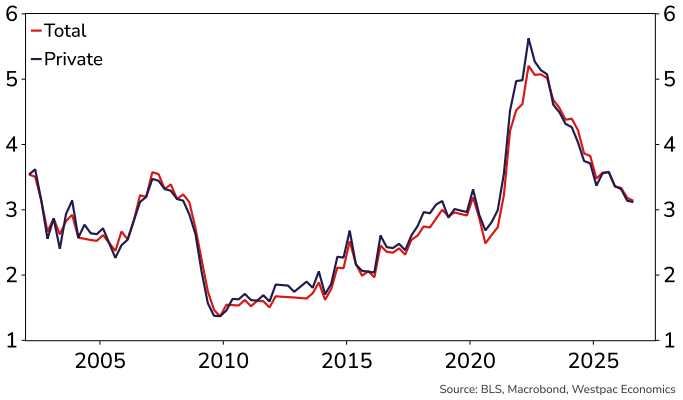
GDP growth had breadth in Q3



Source: BEA, Macrobond, Westpac Economics

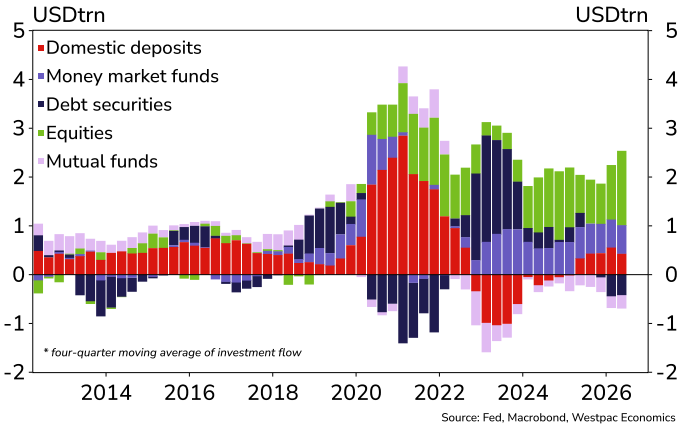
Inflation netting out wage gains

Employment Cost Index (%yr)



Source: BLS, Macrobond, Westpac Economics

But consumer wealth rising



Source: Fed, Macrobond, Westpac Economics

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... come 2028

Ahead of their IPO, Anthropic alone has announced commitments totalling USD895bn related to computing power and infrastructure, up USD100bn since end-September. According to Bloomberg, just USD70bn of the total spend (less than 10%) is slated for construction by September 2027, and USD448bn due through 2030.

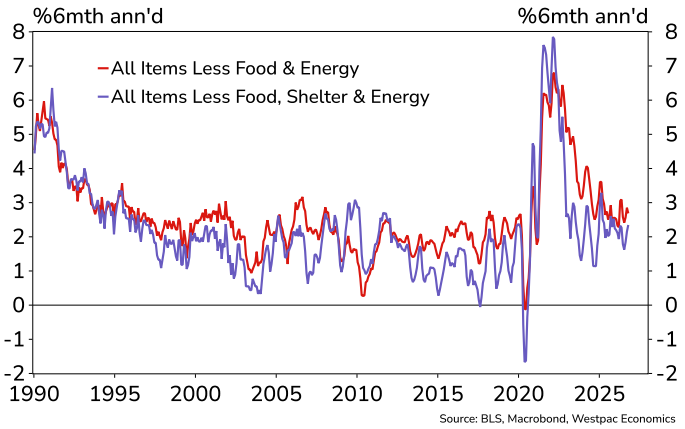
The key questions related to US GDP are therefore not the scale and persistence of AI-related spending, but rather how much will be eaten up by sectoral inflation and, although these are US-based firms, how quickly the investment drive will broaden across borders. Current capacity restrictions for US power and logistics certainly favour a larger share of new investment increasingly being undertaken outside the US. The risk of additional regulation also argues for geographic spread.

So, given recent announcements and the flow of capital, and with the Democrats' win likely to help ease cost-of-living pressures early in the next Congressional term, we have revised up our growth view for the US to 2.4% broadly in line with 2026. But, come 2028, a return to trend growth seems probable, arguably with building downside risks.

While inflation risks are therefore likely to dissipate over the forecast period, in the near term they will remain acute. A December 25bp hike has seemed inevitable since the October on hold decision. And, based on the telegraphed fears of many FOMC members, a further 25bp increase in January has become more probable than not.

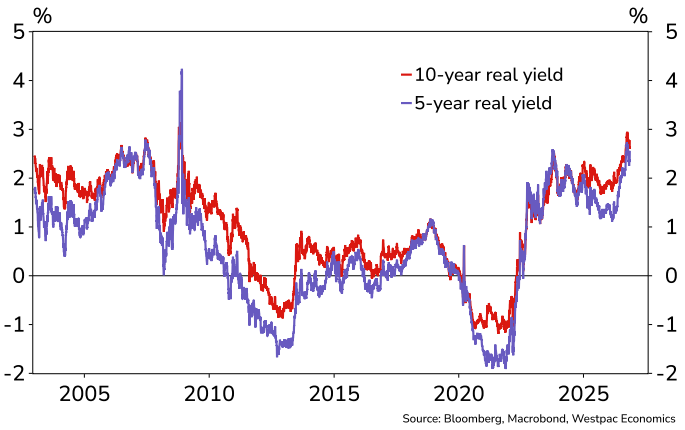
These decisions are responses to the inflation experienced to date and concern over the potential lagged impact of tariff, tech and energy pressures experienced by US firms over the last year. Two hikes would also put off any concerns over lingering risks for expectations. Note though, on our estimates, this will set policy at a modestly restrictive setting, which is not sustainable as growth normalises. So, come 2028, we continue to look for two rate cuts, with the risk of more.

Shelter critical for core inflation pulse



Source: BLS, Macrobond, Westpac Economics

Real yields up on growth and fiscal risk



Source: Bloomberg, Macrobond, Westpac Economics

	2025	2026										
Monthly data	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**
PCE deflator %yr	2.8	2.7	2.8	3.4	3.6	3.8	3.5	3.4	3.4	3.6	–	–
Unemployment rate %	4.4	4.3	4.4	4.3	4.3	4.3	4.2	4.1	4.1	4.2	4.1	–
Nonfarm payrolls chg '000	–17	160	–156	214	148	63	31	–10	186	60	165	–
House prices* %yr	1.5	1.3	1.0	1.0	1.2	1.7	2.1	2.5	2.6	–	–	–
Durables orders core 3mth %saar	8.9	5.5	8.5	22.0	20.6	22.2	12.4	18.1	16.4	11.8	–	–
ISM manufacturing composite	47.9	52.6	52.4	52.7	52.7	54.0	53.3	55.6	54.6	54.5	55.5	–
ISM services composite	53.8	53.8	56.1	54.0	53.6	54.5	54.0	54.1	55.4	54.9	54.5	–
Personal spending 3mth %saar	4.0	3.6	4.4	6.9	9.2	10.1	7.6	5.4	5.8	6.6	–	–
UoM consumer sentiment	52.9	56.4	56.6	53.3	49.8	44.8	49.5	55.2	51.7	48.1	48.0	51.0
Trade balance USDbn	–76.1	–52.7	–52.5	–53.7	–52.9	–75.8	–71.2	–92.8	–105.7	–105.0	–	–

Quarterly data	**Sep–25**	**Dec–25**	**Mar–26**	**Jun–26**	**Sep–26**	**Dec–26(f)**
Real GDP % saar	3.9	0.2	2.5	2.2	3.4	2.4
Current account USDbn	–262.9	–221.1	–212.6	–246.0	–	–

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

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The Bank of Japan's normalisation ...

Illiana Jain
Economist

The Bank of Japan's normalisation cycle has further to run. We expect the BoJ to raise its policy rate by 25bps to 1.50% in December, before gradually taking it to 2.0% through 2027. The case for further tightening is not principally that headline inflation is high. Rather, the evidence increasingly suggests Japan has shifted into an environment where firms are more willing to raise prices, labour scarcity supports persistent wage growth and nominal wage gains should increasingly translate into real incomes and household spending. With inflation anchored at around 2%, a nominal policy rate of 2.0% would also leave real rates around zero, suggesting policy would be closer to neutral than outright restrictive.

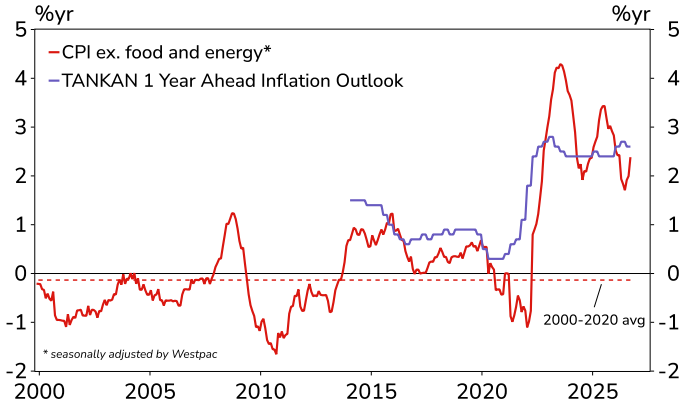
That is increasingly consistent with the BoJ's own assessment. In the October minutes, the BoJ judged underlying inflation to be at a level broadly consistent with its 2% target, while medium-to-long-term inflation expectations are around 2%. More significantly, the discussion has shifted towards the risk of inflation exceeding target. Risks to prices are now skewed to the upside, with firms increasingly willing to raise both wages and prices.

Recent energy-price developments provide an important test of that change in behaviour. Higher crude prices have naturally lifted energy inflation, but the effects are spreading beyond the petrol pump. Higher input costs are increasingly being passed through to a broader range of consumer prices rather than absorbed in firms' margins, while inflation excluding fresh food and energy is expected to remain above 2%. This broader pass-through is important evidence that Japan's inflation psychology has changed. Services inflation has already remained above 1% for almost four years, compared with an average of just 0.3% between 2011 and 2021.

For the BoJ, however, wages remain the critical test of whether 2% inflation can endure. The evidence remains encouraging. Rengo's FY2026 negotiations delivered wage increases of 5.08%, following 5.25% last year. Importantly, the gains have broadened across the economy: SMEs agreed increases averaging 4.84%, little different from the 5.10% delivered by larger firms.

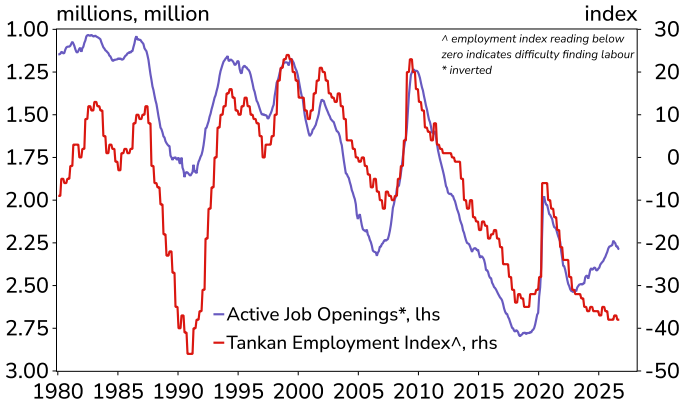
Bonus payments provide another important signal. Summer bonuses increased by around 7%yr, adding to growth in regular earnings. Attention now turns to winter bonuses, due shortly. With corporate profits remaining elevated, another strong outcome would provide an early indication that firms have both the willingness and capacity to deliver sizeable wage increases again in 2027.

Inflation is structurally higher



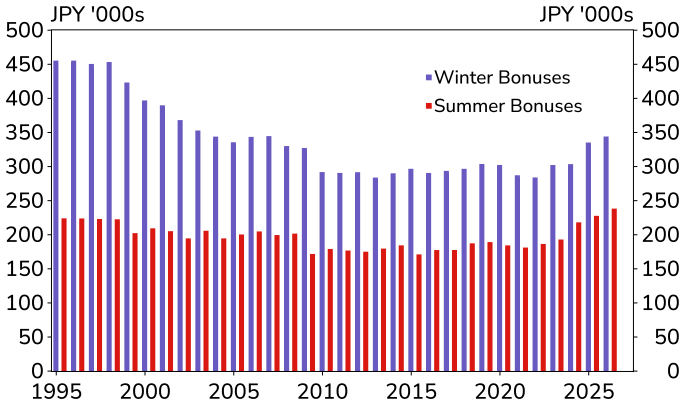
Source: SBJ, BOJ, Macrobond, Westpac Economics

Still a tight labour market



Source: BOJ, MHLW, Macrobond, Westpac Economics

Summer bonuses pave the way for strong wages



Source: MHLW, RENGO, Macrobond, Westpac Economics

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... has further to run

There are already encouraging signs. The BoJ reports hearing from firms that they intend to raise wages at a similar rate next year, while its baseline forecast assumes base-pay increases around the same level as in 2025 and continued nominal wage growth through 2027. The question is increasingly whether these nominal gains can finally translate into sustained gains in household purchasing power.

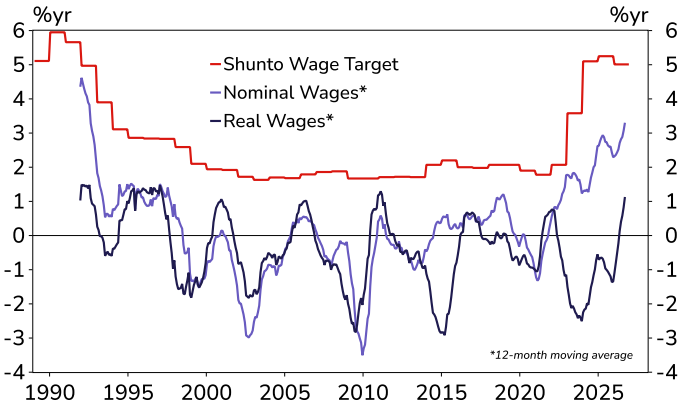
That is also the key link to consumption. Higher energy prices have eroded real incomes, leaving private consumption resilient but lacking momentum despite strong nominal wage growth. This restraint should ease through 2027. As energy pressures fade while wages continue rising, real income growth should strengthen and allow wage gains to feed more clearly into household spending. The BoJ similarly expects the virtuous cycle from income to spending to intensify from FY2027, supporting a return to moderate consumption growth.

Corporate Japan appears well placed to sustain this adjustment. The operating profit-to-sales ratio is around 6.01%, its highest since the 1960s, including 5.5% for manufacturers and 6.2% for services. More importantly, those profits are increasingly being deployed domestically. Governor Ueda recently noted that more than 70% of Japanese firms reported investing more actively at home in 2023-24 than previously, with labour shortages the most commonly cited motivation. Business investment has exceeded its early-1990s peak, while bank lending is growing at more than 5%, the strongest pace in three decades outside 2020.

This combination of strong profitability, investment and persistent labour scarcity reinforces the prospect that higher wages can be sustained without placing undue pressure on firms. It also strengthens the case for further normalisation. At the October meeting, one opinion argued that firms' resilience to higher rates meant the BoJ had entered a new phase in which it should step up the pace towards neutral, while another judged the neutral rate to be considerably above 1%.

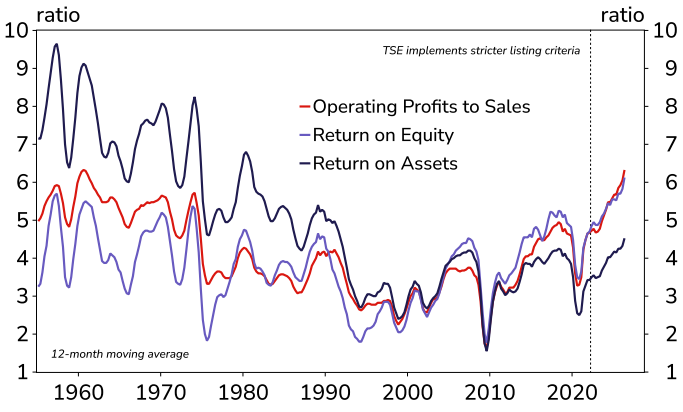
December therefore looks less like the end of the hiking cycle than another step towards neutral. Provided wage growth remains firm, increasingly feeds into real consumption and keeps underlying inflation around 2%, we expect the BoJ of Japan to gradually take the policy rate to 2.0% through 2027.

A monumental lift in wages



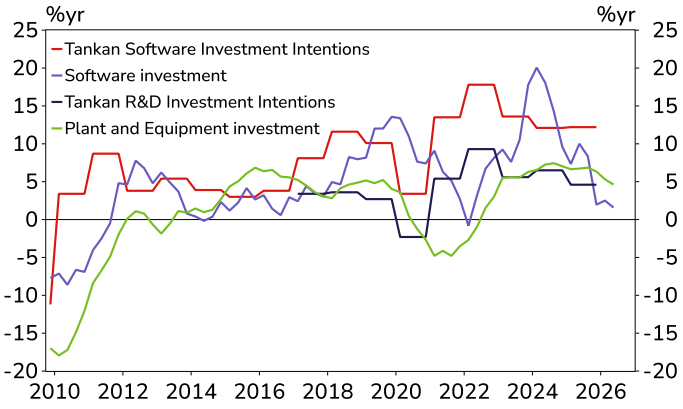
Source: RENGO, MHLW, Macrobond, Westpac Economics

Better capex to aid productivity and wages



Source: MOF, Macrobond, Westpac Economics

Software investment dominates total investment



Source: MOF, BOJ, Macrobond, Westpac Economics

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Cautious optimism ...

Elliot Clarke
Head of International Economics

The ECB left its key policy rates unchanged in October. Another 25bp hike is forecast in December. Against market pricing though, we expect this will prove the last for the current cycle and be reversed in early-2028 once price risks have subsided.

Evident in the communications that accompanied the October decision is a sanguine view of current economic momentum, with activity growth expected to hold near trend and the unemployment rate stable around its historic lows.

While employment and population growth is currently subdued, productivity is gradually picking up. "Over the medium term, a recovery in confidence and real incomes, driven by gradually declining energy prices and a robust labour market, should bolster domestic demand".

"Investment in AI-related activities and government spending on infrastructure and defence should also continue to support growth" and spark optimism over the medium-term outlook.

"Simplifying and harmonising rules across the EU's Single Market, accelerating the energy transition and completing the savings and investments union" also holds promise for business profitability, the public sector's financial position and household wealth and consumer choice.

In contrast to their view on activity, the Council is uncomfortable with the current pace of inflation, its expected trajectory and associated risks.

Highlighted in the decision statement, headline inflation rose to 3.8%yr in September as energy inflation surged to 18.9%yr – diesel and petrol prices reaching new peaks in the month. At the time of the meeting in October, oil prices were back near their cycle highs and persistence in services inflation gave additional cause for concern.

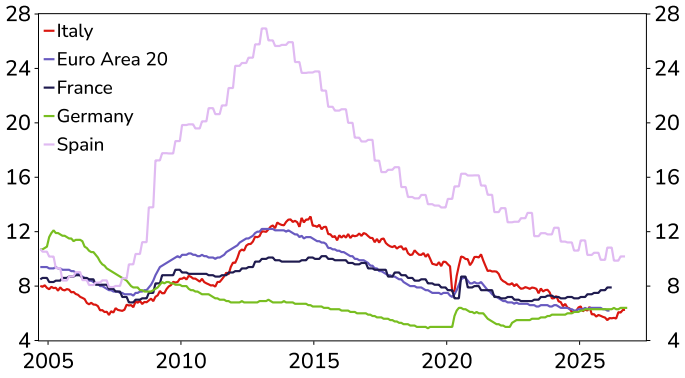
Still, the Council perceived time to be on their side with respect to responding to inflation.

"While the full effects of the energy shock are still unfolding, underlying inflation has remained broadly stable so far and wages do not show a material response". "Financing conditions have [also] tightened", "which is likely to weigh on inflation and growth".

President Lagarde also noted in the press conference that, between the October and December meetings, a significant amount of new economic information will be released, allowing forecasts and risks assessments to be thouroughly tested.

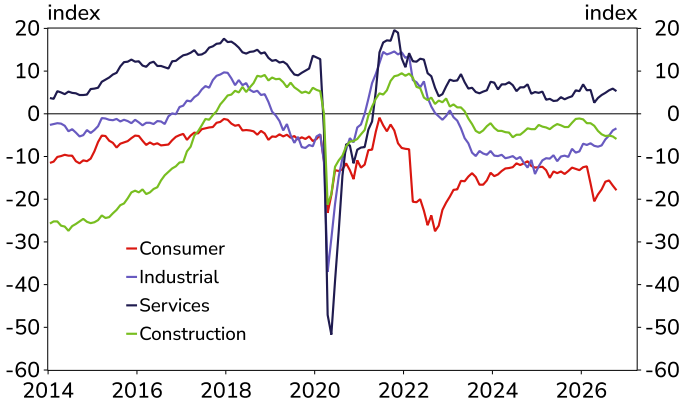
Labour markets fully employed

Unemployment rate (%)



Source: Istat, Eurostat, INSEE, German Federal Employment Agency (Bundesagentur fuer Arbeit), INE, Macrobond, Westpac

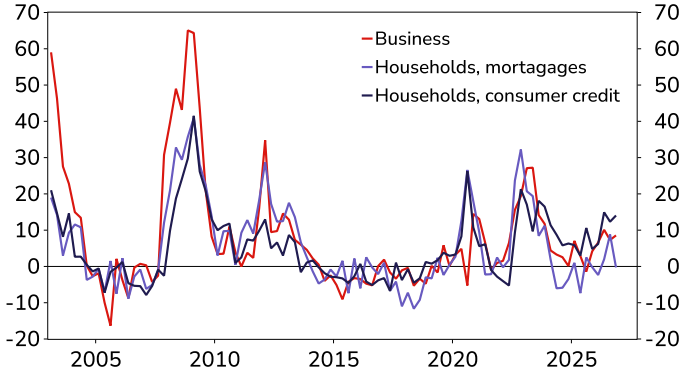
Confidence showing resilience



Source: DG ECFIN, Macrobond, Westpac Economics

Credit standards have been tightened

Net % of banks reporting a tightening of credit standards



Source: ECB, Macrobond, Westpac Economics

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... warranted

During November to date, risks to the energy inflation outlook have materially reduced, the price of Brent oil falling from USD118 at the end of October to USD91 currently.

This abrupt turn largely stems from the market's worst fears regarding the Middle East post the US mid-term election not eventuating as well as a regular flow of anecdotes on indirect communciation between the US and Iran. An active bilateral approach to negotiations should see a further large decline in energy prices, when it occurs. Obviously, this is not a given, but current circumstances offer promise.

Even if progress towards a deal between the US and Iran continues over the next month, however, the Governing Council is likely to take out additional protection against persistent inflation as a result of the underlying health of the economy and as, after this hike, monetary policy will only be marginally contractionary.

In our view though, and against market pricing, another rate hike in Q1/Q2 2027 seems unneccessary at this stage. Over this period, inflation risks related to energy supply should subside at a steady pace. The completion of investment currently being undertaken may also offer an early disinflation dividend, drawing inflation near the 2.0%yr medium-term target. And, with the labour market broadly balanced, there is also little reason for concern over a wage-induced uplift in price pressures.

Looking further ahead, there is reason to believe that, come 2028, the ECB will be able to ease back to a neutral stance despite continued growth at trend.

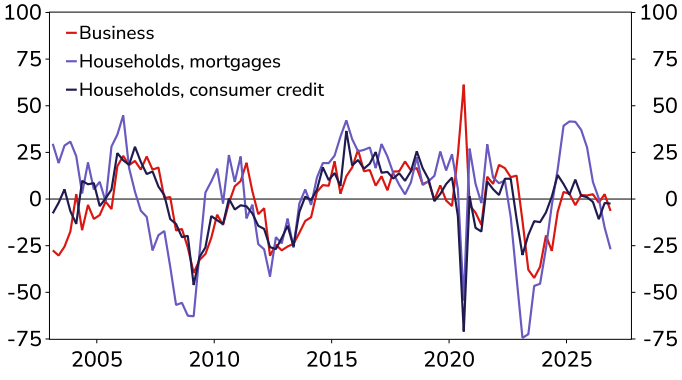
Simply, another 12 months of investment completions should improve the economy's ability to grow without excessive inflation. An uptrend in the euro towards long-run average will also be beneficial vis à vis inflation without placing undue restraint on the region's growth prospects.

The above notwithstanding, there is a need to remain vigilant of alternative paths for the Continent. Of immediate concern aside from the Middle East is the threat posed by Russia's aggression against Ukraine and the effectiveness of Ukrainian forces' counterstrike capability on Russia's energy infrastructure.

Also, while collectively in much better shape than the US, the fiscal position of individual nations, particularly France, requires careful study. Financial conditions have always been critical for the euro area growth outlook. Currently, this is as much the case for the public sector as private enterprise.

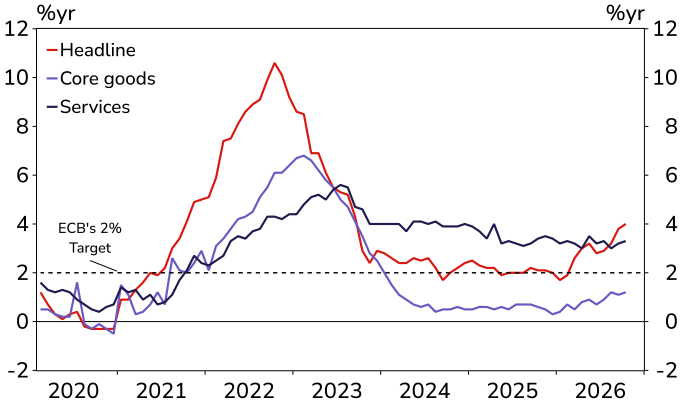
Loan demand turning down

Net % of banks reporting an increase in demand



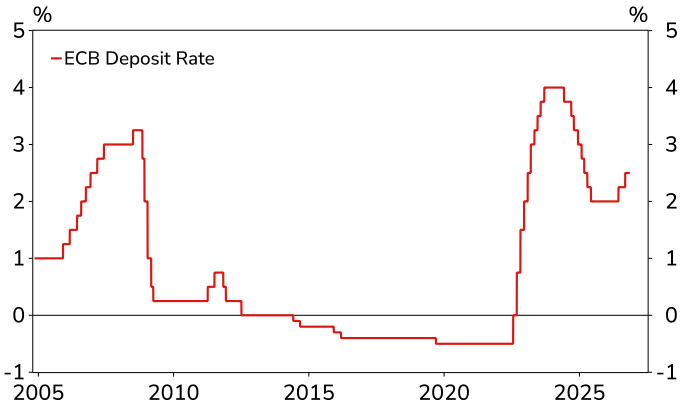
Source: ECB, Macrobond, Westpac Economics

Inflation to tend to target ...



Source: Eurostat, Macrobond, Westpac Economics

... with mildly restrictive policy



Source: ECB, Macrobond, Westpac Economics

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Australia

Interest rate forecasts

	Latest (13 Nov)	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28
Cash	4.85	4.85	4.85	4.85	4.60	4.35	4.10	3.85	3.85	3.85
90 Day BBSW	4.95	4.96	4.96	4.81	4.56	4.31	4.11	3.96	3.95	3.95
3 Year Swap	4.78	4.75	4.70	4.65	4.60	4.50	4.40	4.35	4.30	4.25
3 Year Bond	4.78	4.75	4.70	4.65	4.60	4.50	4.40	4.35	4.30	4.25
10 Year Bond	5.11	5.00	4.95	4.90	4.95	4.95	5.00	5.00	5.00	5.00
10 Year Spread to US (bps)	–2	5	5	5	5	0	0	–5	–10	–15

Currency forecasts

	Latest (13 Nov)	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28
AUD vs										
USD	0.6806	0.70	0.70	0.71	0.71	0.71	0.72	0.72	0.72	0.72
JPY	108.77	110	110	110	110	110	110	109	108	106
EUR	0.6156	0.62	0.62	0.62	0.61	0.61	0.61	0.61	0.60	0.60
NZD	1.2269	1.24	1.22	1.19	1.16	1.15	1.15	1.15	1.14	1.14
CAD	0.9706	0.98	0.98	0.98	0.97	0.97	0.97	0.96	0.96	0.96
GBP	0.5141	0.52	0.52	0.52	0.52	0.52	0.52	0.51	0.51	0.51
CHF	0.5685	0.57	0.57	0.57	0.56	0.56	0.55	0.55	0.54	0.54
DKK	4.6015	4.65	4.61	4.63	4.59	4.57	4.58	4.54	4.50	4.49
SEK	6.8199	6.95	6.92	6.99	6.96	6.96	7.00	6.97	6.94	6.95
NOK	6.5086	6.64	6.61	6.68	6.65	6.65	6.68	6.66	6.63	6.64
ZAR	11.39	11.6	11.6	11.6	11.6	11.7	11.7	11.7	11.7	11.8
SGD	0.8755	0.89	0.89	0.89	0.89	0.89	0.90	0.90	0.90	0.90
HKD	5.3387	5.48	5.47	5.55	5.54	5.55	5.60	5.59	5.60	5.61
PHP	43.47	43.4	43.1	43.3	43.0	42.8	42.8	42.5	42.2	42.3
THB	23.06	23.1	22.8	22.7	22.4	22.1	22.0	21.7	21.7	21.7
MYR	2.7839	2.84	2.80	2.80	2.77	2.75	2.77	2.74	2.74	2.75
CNY	4.5395	4.66	4.62	4.62	4.58	4.56	4.57	4.57	4.55	4.56
IDR	12413	12670	12600	12780	12709	12549	12456	12240	11913	11920
TWD	22.42	22.4	22.1	22.0	21.7	21.4	21.2	20.9	20.6	20.6
KRW	908	938	935	944	941	941	947	943	942	941
INR	64.21	66.5	65.8	66.0	65.3	64.9	64.8	64.1	63.5	63.0

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Australia

Activity forecasts

	2026				2027				Calendar years			
%qtr / %yr end	Q1	Q2	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	0.3	0.3	0.2	0.3	0.5	2.5	1.9	1.3	2.7
Dwelling investment	1.5	1.6	1.2	0.2	–0.6	–1.0	0.1	0.3	5.2	4.5	–1.1	4.1
Business investment *	6.2	–0.5	5.9	2.1	3.9	1.4	1.5	1.3	4.5	14.3	8.4	4.7
Private demand *	1.4	0.3	1.4	0.6	0.8	0.4	0.5	0.6	3.2	3.7	2.4	3.2
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	0.8	0.4	0.6	0.6	3.0	2.9	2.4	3.0
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	0.8	0.4	0.5	0.6	3.1	2.7	2.3	3.1
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	1.7	1.3	1.8	6.8	7.8	7.5	5.9
Net exports contribution	–0.7	0.1	–0.7	–0.3	–0.5	–0.3	–0.2	–0.3	–0.3	–1.6	–1.3	–1.0
Real GDP %qtr / %yr avg	**0.3**	**0.4**	**0.5**	**0.2**	**0.3**	**0.2**	**0.3**	**0.3**	**2.0**	**2.1**	**1.1**	**1.7**
%yr end	**2.5**	**2.1**	**2.1**	**1.4**	**1.4**	**1.2**	**1.0**	**1.0**	**2.6**	**1.4**	**1.0**	**2.1**
Nominal GDP %qtr / %yr avg	0.6	0.8	1.7	1.0	0.5	0.5	0.8	0.7	4.8	4.9	3.3	4.0
%yr end	5.4	5.3	5.1	4.1	4.1	3.8	2.9	2.7	6.2	4.1	2.7	4.7
Real household disp. income	–0.3	0.6	1.3	–1.4	0.4	0.7	1.1	0.1	4.0	0.2	2.3	3.6

Other macroeconomic variables

	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)
Employment %qtr **	0.5	0.2	0.4	0.2	0.3	0.2	0.4	0.5	–	–	–	–
%yr end **	1.5	1.1	1.3	1.3	1.0	1.0	1.1	1.4	1.1	1.3	1.4	2.3
Unemployment rate % **	4.2	4.4	4.6	4.8	5.0	5.2	5.2	5.1	4.2	4.8	5.1	4.7
Wages (WPI) %qtr	0.8	0.8	1.0	0.7	0.7	0.7	0.8	0.8	–	–	–	–
%yr end	3.2	3.2	3.4	3.3	3.3	3.2	3.0	3.0	3.4	3.3	3.0	3.3
Headline CPI %qtr	1.4	0.6	1.3	1.2	0.4	0.5	0.8	0.4	–	–	–	–
%yr end	4.1	3.9	3.9	4.6	3.5	3.4	2.9	2.1	3.6	4.6	2.1	2.2
Trimmed Mean CPI %qtr	0.8	0.8	1.0	0.9	0.7	0.7	0.6	0.6	–	–	–	–
%yr end	3.5	3.6	3.7	3.6	3.5	3.3	2.9	2.7	3.4	3.6	2.7	2.3
Current account $bn, qtr	–25.4	–27.2	–29.1	–33.8	–39.5	–41.8	–43.4	–43.6	–	–	–	–
% of GDP	–3.5	–3.7	–3.9	–4.4	–5.1	–5.4	–5.6	–5.6	–3.1	–4.4	–5.6	–5.3
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	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
CPI %yr	3.8	3.8	3.7	4.6	4.2	4.0	3.8	3.5	4.0	4.3	–	–
Employment '000 chg	57.4	33.6	22.3	21.2	–41.2	34.9	76.4	–17.1	29.3	–39.3	–	–
Unemployment rate %	4.1	4.1	4.3	4.3	4.5	4.4	4.4	4.5	4.7	4.7	–	–
Westpac–MI Consumer Sentiment	94.5	92.9	90.5	91.6	80.2	83.0	80.6	83.9	89.0	84.4	80.4	78.3
Household spending %mth	–0.5	0.3	0.3	1.7	–1.0	1.2	0.8	1.0	–0.1	0.6	–	–
Dwelling approvals %mth	–15.5	–13.5	44.2	–13.6	1.4	–1.3	6.4	–1.7	–5.2	5.1	–	–
Private sector credit %mth	0.8	0.5	0.7	0.7	0.7	0.8	0.8	0.6	0.6	0.6	–	–
Trade in goods balance AUDbn	3.2	2.6	5.2	–2.1	1.5	–2.6	2.3	1.5	0.2	2.8	–	–

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New Zealand

Interest rate forecasts

	Latest (13 Nov)	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	3.20	3.40	3.75	4.00	4.20	4.20	4.20	4.15	3.95	3.95
2 Year Swap	3.79	3.95	4.10	4.25	4.20	4.20	4.15	4.15	4.10	4.10
10 Year Bond	4.71	4.80	4.85	4.95	5.05	5.05	5.05	5.05	5.05	5.05
10 Year Spread to US	–42	–15	–5	10	15	10	5	0	–5	–10
10 Year Spread to Aust	–40	–20	–10	5	10	10	5	5	5	5

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest (13 Nov)	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28
NZD vs										
USD	0.5547	0.56	0.58	0.60	0.61	0.62	0.62	0.63	0.63	0.64
JPY	88.65	88	90	93	95	95	95	95	94	94
EUR	0.5017	0.50	0.51	0.52	0.53	0.53	0.53	0.53	0.53	0.53
AUD	0.8150	0.80	0.82	0.84	0.86	0.87	0.87	0.87	0.88	0.88
CAD	0.7910	0.79	0.80	0.82	0.84	0.84	0.84	0.84	0.84	0.84
GBP	0.4190	0.42	0.43	0.44	0.45	0.45	0.45	0.45	0.45	0.45
CNY	3.7010	3.74	3.80	3.87	3.93	3.96	3.96	3.99	3.98	4.01

Sources: Bloomberg, Westpac Economics.

Activity 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)**
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	–0.2	0.0	0.8	0.8	0.8	0.7	4.3	5.8	2.9	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 %	0.3	0.9	0.7	0.7	1.3	1.6	2.5	2.8	0.1	0.7	2.8	2.7
Unemployment rate % s.a.	5.4	5.6	5.7	5.7	5.6	5.5	5.3	5.1	5.4	5.7	5.1	4.5
LCI, all sect incl o/t, ann %	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.2	2.0	2.1	2.2	2.4
CPI annual %	3.1	4.1	3.7	4.3	3.7	2.5	2.3	1.4	3.1	4.3	1.4	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.

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Commodity prices

Quarter average	Latest (6 Nov)***	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28
Australian commodities index#	424	426	402	367	354	345	340	340	339	340
Bulk commodities index#	**398**	**390**	**357**	**332**	**327**	**327**	**329**	**331**	**333**	**335**
iron ore finesTSI @ 62% US$/t	94	95	88	84	83	83	84	85	85	86
Premium low vol met coal (US$/t)	260	250	225	203	195	191	192	193	194	196
Newcastle spot thermal coal (US$/t)	145	135	122	115	115	115	115	116	116	116
crude oil (US$/bbl) Brent	100	101	91	84	83	77	76	74	73	71
LNG in Japan US$mmbtu	31.6	27.5	25.1	18.8	16.0	14.0	12.8	12.4	12.0	11.7
gold (US$/oz)	4,018	4,200	4,100	3,950	3,900	3,850	3,860	3,890	3,920	3,940
Base metals index#	**267**	**267**	**260**	**254**	**250**	**248**	**245**	**243**	**241**	**240**
copper (US$/t)	14,092	14,000	13,500	13,150	13,010	12,950	12,900	12,870	12,840	12,820
aluminium (US$/t)	3,123	3,230	3,150	3,100	3,050	3,000	2,940	2,900	2,860	2,840
nickel (US$/t)	15,707	16,200	16,500	16,750	16,870	16,950	17,040	17,120	17,210	17,290
zinc (US$/t)	3,834	3,910	3,830	3,640	3,450	3,320	3,190	3,110	3,050	3,010
lead (US$/t)	1,865	1,870	1,880	1,890	1,910	1,920	1,890	1,870	1,860	1,850
Rural commodities index#	**159**	**153**	**151**	**147**	**142**	**138**	**137**	**135**	**133**	**132**
NZ commodities index ##	**393**	**399**	**406**	**398**	**394**	**396**	**397**	**398**	**399**	**399**
dairy price index ##	324	337	346	333	327	331	334	336	337	339
whole milk powder USD/t	3,971	3,920	4,100	3,920	3,830	3,880	3,930	3,980	4,020	4,060
skim milk powder USD/t	4,109	4,040	4,040	3,760	3,630	3,680	3,730	3,780	3,820	3,860
lamb price index ##	686	681	678	674	670	666	660	652	644	636
beef price index ##	397	378	396	397	397	397	396	393	391	389
forestry price index ##	172	164	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**	**412**	**367**	**340**	**4.1**	**27.2**	**–10.8**	**–7.4**
Bulk commodities index#	**378**	**397**	**336**	**332**	**–12.7**	**5.1**	**–15.4**	**–1.2**
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$/t)	106	132	116	116	–21.6	24.1	–11.7	–0.5
crude oil (US$/bbl) Brent	68	91	84	73	–14.6	32.8	–7.9	–12.2
LNG in Japan US$mmbtu	12.3	20.1	18.5	12.2	3.1	64.0	–8.2	–33.7
gold (US$/oz)	3,440	4,470	3,950	3,900	43.9	29.9	–11.6	–1.3
Base metals index#	**208**	**263**	**253**	**242**	**3.0**	**26.4**	**–3.8**	**–4.2**
copper (US$/t)	9,960	13,580	13,150	12,860	8.6	36.3	–3.2	–2.2
aluminium (US$/t)	2,630	3,310	3,070	2,880	8.2	25.9	–7.3	–6.2
nickel (US$/t)	15,200	17,080	16,770	17,160	–9.9	12.4	–1.8	2.3
zinc (US$/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
Rural commodities index#	**138**	**147**	**144**	**134**	**8.3**	**6.4**	**–1.9**	**–6.9**
NZ commodities index ##	**390**	**398**	**398**	**398**	**9.2**	**1.9**	**0.2**	**0.0**
dairy price index ##	348	330	334	336	9.7	–5.3	1.3	0.7
whole milk powder USD/t	3,902	3,690	3,933	3,999	13.5	–5.4	6.6	1.7
skim milk powder USD/t	2,702	3,466	3,778	3,798	0.6	28.3	9.0	0.5
lamb price index ##	587	671	672	648	27.0	14.4	0.1	–3.6
beef price index ##	337	417	397	392	19.1	23.6	–4.8	–1.2
forestry price index ##	152	161	160	162	–4.9	6.2	–0.6	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

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United States

Interest rate forecasts

	Latest (13 Nov)	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28
Fed Funds*	3.875	4.125	4.375	4.375	4.375	4.375	4.125	3.875	3.875	3.875
10 Year Bond	5.13	4.95	4.90	4.85	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 (13 Nov)	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28
USD vs										
DXY index	103.20	101.5	100.7	99.8	99.0	98.2	97.3	96.4	95.2	94.7
JPY	159.82	157	157	156	155	154	153	151	149	147
EUR	1.1055	1.13	1.14	1.15	1.16	1.17	1.18	1.19	1.20	1.21
AUD	0.6806	0.70	0.70	0.71	0.71	0.71	0.72	0.72	0.72	0.72
NZD	0.5547	0.56	0.58	0.60	0.61	0.62	0.62	0.63	0.63	0.64
CAD	1.4261	1.40	1.39	1.38	1.37	1.36	1.35	1.34	1.33	1.32
GBP	1.3239	1.34	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41
CHF	0.8354	0.82	0.81	0.80	0.79	0.78	0.77	0.76	0.75	0.75
ZAR	16.74	16.5	16.5	16.4	16.4	16.4	16.3	16.3	16.3	16.2
SGD	1.2865	1.28	1.27	1.26	1.26	1.25	1.25	1.25	1.25	1.25
HKD	7.8444	7.83	7.82	7.81	7.80	7.79	7.78	7.77	7.76	7.75
PHP	63.69	62.0	61.5	61.0	60.5	60.0	59.5	59.0	58.5	58.4
THB	33.89	33.0	32.5	32.0	31.5	31.0	30.5	30.2	30.0	30.0
MYR	4.0783	4.05	4.00	3.95	3.90	3.85	3.85	3.80	3.80	3.80
CNY	6.6724	6.65	6.60	6.50	6.45	6.40	6.35	6.35	6.30	6.30
IDR	18239	18100	18000	18000	17900	17600	17300	17000	16500	16464
TWD	32.95	32.0	31.5	31.0	30.5	30.0	29.5	29.0	28.5	28.4
KRW	1335	1340	1335	1330	1325	1320	1315	1310	1305	1300
INR	94.05	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**	**Q4(f)**	**Q1(f)**	**Q2(f)**	**Q3(f)**	**Q4(f)**	**2025**	**2026(f)**	**2027(f)**	**2028(f)**
Private consumption	0.7	3.8	3.8	2.9	2.6	2.4	2.4	2.4	2.6	2.5	2.8	2.2
Dwelling investment	–7.6	2.8	–3.3	0.8	0.8	1.2	1.6	2.0	–2.7	–3.2	0.6	2.0
Business investment	9.9	9.0	12.7	6.5	4.9	4.6	4.6	4.7	5.4	7.5	6.3	4.7
Public demand	4.7	–0.1	5.3	0.4	0.4	0.4	0.4	0.4	1.6	1.1	1.0	0.4
Domestic final demand	2.4	3.9	5.2	3.0	2.6	2.4	2.4	2.4	2.7	2.8	3.0	2.3
Inventories contribution ppt	–0.8	–0.1	0.3	0.2	0.2	0.3	–0.1	0.0	–0.2	0.2	0.0	0.1
Net exports contribution ppt	1.4	–0.2	–1.4	–1.4	–1.5	–1.2	–0.5	–0.5	0.3	–1.4	–0.5	–0.5
GDP	2.5	2.2	3.4	2.4	2.3	2.1	2.0	2.0	2.3	2.4	2.4	1.9
%yr annual chg	2.6	2.2	2.1	2.6	2.6	2.5	2.2	2.1	–	–	–	–

Other macroeconomic variables

Non–farm payrolls mth avg	43	97	59	90	80	90	100	105	26	68	94	115
Unemployment rate %	4.3	4.3	4.1	4.2	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	3.7	3.3	2.5	2.4	2.2	2.7	3.5	2.6	2.2
PCE deflator, core %yr	3.0	3.1	3.1	3.2	3.2	2.7	2.4	2.2	2.8	3.1	2.6	2.2

Sources: Official agencies, Factset, Westpac Economics.

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Europe & the United Kingdom

Interest rate forecasts

	Latest (13 Nov)	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28
Euro Area										
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	3.35	3.35	3.30	3.25	3.30	3.25	3.25	3.25	3.25	3.25
10 Year Spread to US	–178	–160	–160	–160	–160	–170	–175	–180	–185	–190
United Kingdom										
BoE Bank Rate	4.00	4.00	4.00	4.00	4.00	3.75	3.50	3.25	3.25	3.25
10 Year Gilt	5.30	5.25	5.15	5.05	5.05	5.00	5.00	5.00	5.00	5.00
10 Year Spread to US	17	30	25	20	15	5	0	–5	–10	–15

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest (13 Nov)	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28
euro vs										
USD	1.1055	1.13	1.14	1.15	1.16	1.17	1.18	1.19	1.20	1.21
JPY	176.68	177	178	178	179	179	180	179	179	177
GBP	0.8350	0.84	0.84	0.84	0.84	0.84	0.85	0.85	0.85	0.85
CHF	0.9236	0.92	0.92	0.92	0.91	0.91	0.90	0.90	0.90	0.90
DKK	7.4752	7.47	7.47	7.47	7.47	7.47	7.47	7.47	7.47	7.47
SEK	11.08	11.2	11.2	11.3	11.3	11.4	11.4	11.5	11.5	11.6
NOK	10.57	10.7	10.7	10.8	10.8	10.9	10.9	11.0	11.0	11.0
sterling vs										
USD	1.3239	1.34	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41
JPY	211.58	210	212	212	212	213	213	211	210	207
CHF	1.1060	1.09	1.09	1.09	1.08	1.08	1.07	1.06	1.05	1.06
AUD	0.5141	0.52	0.52	0.52	0.52	0.52	0.52	0.51	0.51	0.51

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
private consumption	5.3	0.7	1.5	1.4	1.0	1.1	1.4
fixed investment	2.4	2.8	–2.0	2.9	0.7	1.7	2.3
government consumption	1.2	1.2	2.7	1.5	2.0	2.0	2.0
net exports contribution ppt	–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	1.1	1.2	1.4
Producer prices %yr	10.3	–0.7	–2.7	–2.3	–2.6	2.9	1.2	1.5
Industrial production (IVA)	9.6	3.6	4.6	5.8	5.9	5.2	4.9	4.7
Retail sales	12.5	–0.2	7.2	3.5	3.7	1.4	3.4	4.0
Money supply M2 %yr	9.0	11.8	9.7	7.3	8.0	7.7	7.6	7.2
Fixed asset investment	4.9	5.1	3.0	3.2	–1.4	-4.0	3.5	4.5
Exports %yr	20.9	–9.9	–2.3	10.7	5.4	21.0	8.0	5.0
Imports %yr	19.5	–7.5	0.2	0.9	0.3	25.0	7.5	4.0

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

Chinese interest rates & monetary policy

	Latest (13 Nov)	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 (13 Nov)	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	1.75	1.75	2.00	2.00	2.00	2.00	2.00
10 Year Bond Yield	2.81	2.90	2.85	2.80	2.75	2.70	2.65	2.60	2.55	2.50

Currency forecasts

	Latest (13 Nov)	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28
JPY	159.82	157	157	156	155	154	153	151	149	147
SGD	1.2865	1.28	1.27	1.26	1.26	1.25	1.25	1.25	1.25	1.25
HKD	7.8444	7.83	7.82	7.81	7.80	7.79	7.78	7.77	7.76	7.75
PHP	63.69	62.0	61.5	61.0	60.5	60.0	59.50	59.00	58.50	58.44
THB	33.89	33.0	32.5	32.0	31.5	31.0	30.5	30.2	30.0	30.0
MYR	4.0783	4.05	4.00	3.95	3.90	3.85	3.85	3.80	3.80	3.80
CNY	6.6724	6.65	6.60	6.50	6.45	6.40	6.35	6.35	6.30	6.30
IDR	18239	18100	18000	18000	17900	17600	17300	17000	16500	16464
TWD	32.95	32.0	31.5	31.0	30.5	30.0	29.5	29.0	28.5	28.4
KRW	1335	1340	1335	1330	1325	1320	1315	1310	1305	1300
INR	94.05	95.0	94.0	93.0	92.0	91.0	90.0	89.0	88.0	87.0

Source: Bloomberg, Westpac Economics.

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Worldwide

Economic growth forecasts (year average)

Real GDP %ann	2021	2022	2023	2024	2025	2026(f)	2027(f)	2028(f)
World	**6.7**	**3.8**	**3.3**	**3.5**	**3.5**	**3.3**	**3.4**	**3.3**
United States	6.3	2.4	2.9	3.0	2.3	2.4	2.4	1.9
Japan	3.6	1.2	0.9	0.1	1.1	0.7	0.8	0.9
Euro zone	6.4	3.7	0.5	1.2	1.3	0.9	1.2	1.5
Group of 3	**6.0**	**2.8**	**1.8**	**1.9**	**1.8**	**1.6**	**1.8**	**1.6**
United Kingdom	8.5	5.0	0.4	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	1.1	1.7
New Zealand	5.5	2.7	2.2	–0.3	0.3	2.4	2.6	3.0
OECD total	**6.2**	**3.2**	**1.9**	**1.9**	**1.8**	**1.7**	**1.7**	**1.6**
China	8.4	3.1	5.4	5.0	5.0	4.7	4.6	4.4
Korea	4.7	2.9	1.5	2.2	1.1	3.5	2.6	2.2
Taiwan	6.7	2.7	1.1	5.3	8.8	11.2	6.0	4.0
Hong Kong	6.5	–3.7	3.2	2.6	3.6	4.1	3.0	2.6
Singapore	10.1	4.0	1.5	5.3	5.0	5.3	3.5	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	3.6	5.2	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	8.5	8.0	7.8
East Asia	**7.2**	**3.6**	**4.7**	**4.8**	**4.9**	**4.9**	**4.6**	**4.4**
East Asia ex China	4.4	4.7	3.3	4.5	4.7	5.4	4.6	4.3
NIEs*	**6.1**	**2.4**	**1.5**	**3.5**	**4.1**	**6.2**	**3.8**	**2.9**
India	9.7	7.6	7.3	7.2	7.8	7.0	6.9	6.7
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	1.6	2.0
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	1.5	0.5	1.5	1.8	2.2
Argentina	10.4	6.0	–1.9	–1.4	4.5	2.1	3.5	4.2
Chile	11.3	2.1	0.7	2.8	2.5	0.6	2.6	2.4
Middle East	2.8	2.8	2.8	2.9	2.9	0.0	2.9	2.9
C & E Europe	9.3	4.5	3.1	3.6	3.5	3.2	3.1	3.5
Africa	3.9	4.4	3.8	4.2	4.5	4.5	4.5	4.6
Emerging ex–East Asia	**6.8**	3.7	**3.7**	**4.7**	**4.5**	**3.5**	**4.3**	**4.3**
Other countries	**6.8**	**5.1**	**5.0**	**2.1**	**2.3**	**3.4**	**3.0**	**3.1**
World	**6.7**	**3.8**	**3.3**	**3.5**	**3.5**	**3.3**	**3.4**	**3.3**

#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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