## Week beginning 23 November 2026

# AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

## In this week's edition:

**Economic Insight:** The economy is 'Plucked'?

**The Week That Was:** Risks mount.

**Focus on New Zealand:** Sunny side up.

## For the week ahead:

**Australia:** CPI, Q3 private capex, Q3 construction work done.

**New Zealand:** Q3 retail sales, consumer confidence.

**China:** Industrial profits.

**Japan:** Tokyo CPI.

**Korea:** BoK policy decision.

**Euro Area:** Economic confidence, M3 money supply.

**United States:** Q3 GDP, PCE deflator, personal income and spending, new home sales, Thanksgiving.

**Global:** S&P Global Manufacturing and Services PMIs.

Information contained in this report current as at 20 November 2026.

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# Is the economy 'plucked'?



**Luci Ellis**
Chief Economist, Westpac Group

- **Unemployment and output both show a common pattern of downturns being short, sharp and irregular, while the subsequent recoveries and expansions are longer and slower. The eminent economist Milton Friedman likened this pattern to plucking on a string. The causes are unclear, though there are some plausible candidates.**
- **If we take the "plucking" pattern seriously, there are clear policy implications. Standard models used by central banks do not allow for this pattern and therefore systematically overstate how often capacity is tight. And when a downturn does occur, the "plucking" view argues for forceful stabilisation policy.**
- **We believe the current slow upward grind in unemployment in Australia is a different phenomenon and expect slow growth rather than a sharp downturn. If people start thinking current inflation pressures demand a 1980s-style "Volcker disinflation", though, it could just end up plucking the economy.**

Look at a graph of the unemployment rate for almost any western economy, and you will notice a few things. The big increases are sharp and sudden, while the subsequent recoveries are slow and last longer. The timing of those upward spikes is irregular, with no obvious pattern. The height of the spike in unemployment is a good predictor of how far the rate declines in the recovery that follows. By contrast, neither the length of an expansion phase of declining unemployment, nor the size of the decline predict the size of the next downturn.

This pattern is a far cry from the notion of a business cycle, where output and unemployment oscillate round some average or trend. There is something different about downturns. They are not just like expansions but a bit slower. The eminent economist Milton Friedman described this as a "plucking" model. The economy, he suggested, was a bit like a guitar string. Most of the time it stayed close to the fretboard. There is a physical maximum amount of production possible at any one time. Occasionally, though, the economy could be plucked away from that maximum, with output falling and unemployment rising sharply.

Remarkably, the mainstream macroeconomic literature that central banks rely on has engaged little with this feature of the data. Forecasting models used by the RBA and its peers do not produce this pattern. Some authors have looked at "plucking"-type models, though. Their analysis confirmed that downturns predict the size of the following expansion, but the reverse is not true. Expansions do not "die of old age" by building up imbalances. Australia went for 30 years without a proper downturn: it turns out that this is entirely possible provided nothing bad enough happens.

These authors further argue that the maximum production level during expansions is buffeted by small shocks, some temporary, others positive and permanent – think new technologies and ways of doing things, or a policy change that encourages workforce participation. Downturns, by contrast, are triggered by large shocks that are usually temporary and arrive at irregular intervals. Some argue that it is best to think of economies as having three phases: normal expansions, which can continue for long periods; shorter-lived downturns; and subsequent recovery phases where growth can outstrip normal rates and unemployment declines, but at a slower pace than it rose.

> **"Downturns are usually short, sharp and arrive at irregular intervals; expansions are longer and slower."**

Some downturns do not end in full recovery, however. This observation links to another strand of research showing that the output losses associated with financial crises and wars are not fully recovered. The experience after the Global Financial Crisis shows this pattern in a number of advanced economies. Standard models would interpret this as slower growth in potential output, perhaps feeding the Australian tradition of hand-wringing about insufficient productivity or reform.

While the pattern in the data is clear, the causes of "plucking" are far from settled, with some authors seeing boom–bust dynamics as inherent in the economic system rather than driven by shocks. Some recent papers – including preliminary RBA work – look to certain frictions in the labour market for an explanation. These include search frictions, which arise because workers and firms sometimes require time to find a good match with each other. Another at least partial explanation is that workers resist absolute wage cuts but accept falls in purchasing power when dollar wages are constant in the face of positive inflation.

An objection to this line of research is the finding by some BIS researchers that the plucking pattern is clearer in countries with more flexible labour markets – mostly English-speaking ones. The literature focusing on labour market frictions also does not explain where the originating pluck comes from,

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only why the data have the dynamics they do when those shocks occur. Something must be causing the "pluck" shock, if indeed it is a shock. The BIS paper suggests one possibility: the authors find that output in the manufacturing and trade sectors shows a clearer pluck pattern than construction. Construction downturns tend to linger, perhaps because of their connections to indebtedness and financial crises.

If we take seriously the patterns in the data showing asymmetric downturns and the plucking pattern Friedman described, there are clear policy implications. Currently, the models underlying central bank forecasts are symmetric by construction. They therefore systematically understate spare capacity during expansions. They will find a positive output gap ahead of a downturn, even when there was no evidence of overheating at the time. This oversight risks policy mistakes. The asymmetric nature of downturns also means that the benefits of macroeconomic stabilisation policy are mostly about cushioning downturns and hastening recoveries. In normal times, the benefits will be small.

We also note that the RBA paper mentioned above hypothesised a short-run NAIRU and a long-run NAIRU that are both pushed around by actual unemployment in a path-dependent pattern. This is an argument for "holding on to the employment gains" that may have been missed by people whose mental model of the economy is fully symmetric, without any plucking.

The plucking model started from empirical observations about large downturns. The kind of slow grind upwards in unemployment seen in Australia in the 2010s and in the past couple of years does not fit this pattern. It is a qualitatively different phenomenon requiring other explanations, including perhaps the path-dependent drag upwards of the feasible unemployment rate by the actual unemployment rate.

It is these kinds of considerations that underlie our current forecast for slow growth and not a downturn, even though this week's labour market data were concerning. A further 25 basis points or so of rate increases is unlikely to be the thing that causes a severe downturn. Typically, downturns are not just slower expansions but are qualitatively different phases that require a trigger.

The one thing that makes me nervous is that the plucking literature finds that every downturn is different. The famous opening line to Tolstoy's Anna Karenina, "Happy families are all alike; every unhappy family is unhappy in its own way," would seem to apply to economies as well. And in at least one case, a forceful tightening of monetary policy was the trigger for a downturn. The so-called "Volcker disinflation" brought US inflation under control in the early 1980s. That episode is widely regarded as a success, despite the output costs. In the current circumstances, some policymakers and commentators might be tempted to believe that the same medicine is needed; nobody wants inflation expectations to become entrenched, after all. However, as RBA Board member Ian Ross has noted, the institutions of the 1970s that produced wage–price spirals are no longer operative. So there is no guarantee that a similar approach nowadays would be necessary or as effective.

Watch out then, if the discourse turns to arguments that countries "need a recession" to get inflation under control. A Volcker-style policy could just end up plucking the economy.

### *Forecast changes*

- We have upgraded our WPI forecast following this week's data release, with our year-end forecast now 3.4%yr.
- We have also upgraded our near-term unemployment rate, with a year-end forecast of 4.9%.

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# Cliff Notes: risks mount

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

Australia's labour market disappointed again in October, employment falling 43.5k following September's 36.4k decline. On a three-month average basis, job gains over the year have now slowed to 1.1%yr, materially below current growth in the working-age population, 1.7%yr. As a result, the unemployment rate rose to a new post-pandemic high of 4.9% despite the participation rate falling another 0.2ppts to 66.6%.

While employment growth's descent initially reflected softer momentum in hiring, now we are seeing evidence of a material increase in redundancies. Most affected workers look to have remained in employment to date, but persistent job shedding raises the risk of a faster and more persistent uptrend in the unemployment rate, potentially above our baseline peak forecast of 5.2% (at mid-2027) and most certainly before the late-2028 peak of 5.1% the RBA expects.

As such, the robust 1.1% (3.5%yr) rise in the Q3 Wage Price Index warrants close scrutiny. The Q3 increase was skewed towards those on awards and enterprise arrangements – pay outcomes directly tied to the Fair Work Commission's decision and collective bargaining. Individual arrangements meanwhile, the most responsive to current and expected labour market conditions, accounted for their smallest share of a Q3 wage increase since 2019. Business survey detail also suggests labour cost growth will normalise quickly after the award increase.

Deteriorating economic conditions are also increasingly evident in housing. The Westpac Housing Sentiment Index fell 2.2% to 83.2 in November, among the weakest readings since 2005. Interestingly, there remains considerable latent demand: almost 13% of consumers intend to purchase a home over the next year, and relatively few plan to sell. For now, though, weak sentiment, high interest rates and expectations of further price declines are keeping would-be buyers on the sidelines. These factors also pose risks to the broader growth story.

In the US, abstracting from the Anthropic IPO, the outlook for inflation remained the critical theme. The October FOMC minutes highlighted that inflation is currently being supported by tariffs and energy prices as well as the AI buildout, with "several [members] judg[ing] that price pressures were increasingly extending beyond industries directly affected by data center construction". Participants "assessed that medium- and longer-term inflation expectations continued to be consistent with the Committee's 2 percent objective", although persistent above-target inflation is a threat to the status quo, and perceived risks are skewed to the upside. FOMC members who spoke throughout the week also kept the focus on price risks, and called for the FOMC to act swiftly. Governor Waller again proposed a 50bp hike in December; others seemingly favour a 25bp hike at the December and January meetings, as Westpac forecasts, and continuing to tighten further in 2027 if necessary.

Very clearly, the labour market and activity growth are not of concern for US policy makers. Retail sales gave further justification for this view this week, the control group surprising to the upside with a 0.6% gain in October after a material upward revision to September (0.5%). That said, housing is under considerable pressure, pending home sales falling 17.1% over the past year, and housing starts back at 2019 levels despite a 9.9% rebound in October. Persistent weakness in this sector will, in time, have implications for both consumption and investment.

> **"Australia's labour market delivered a second consecutive shock in October, pushing annual employment growth well below working-age population growth."**

China's October data round was the other key international development of the week. Again, it provided a call for pro-active stimulus in scale. In the month, annual retail sales growth almost stalled at 0.4%yr and the decline in fixed asset investment broadened outside property, with capital expenditure now down 8.1% across the economy year-to-date. Industrial production again highlighted that its output to satiate global demand which is holding up aggregate growth; though, even here, momentum softened in October, annual growth in production slowing from 5.5%yr to 4.8%yr. It is not only activity that remains under pressure, but also wealth, with new / existing home prices 0.15% / 0.24% lower in the month. As we continue to emphasise, to prove effective, stimulus needs to affect change in both activity and wealth and do so in a sustainable manner.

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# Sunny side up



**Darren Gibbs**
Senior Economist

**This week we published** our final Economic Overview for 2026**. Titled "Sunny side up", the report shows that New Zealand's economic recovery is continuing. Activity expanded by 2.6% in the year to June, and recent indicators point to further moderate growth. Overall, GDP is forecast to grow by 2.8% in both 2027 and 2028. But this remains a two-speed recovery: export-facing industries and regional centres are enjoying stronger incomes, while households and businesses tied to the major metropolitan centres are still contending with high inflation, a soft labour market and a subdued housing market.**

The global backdrop remains broadly supportive. On an export-weighted basis, New Zealand's trading partners are forecast to grow by 3.1% in 2026, 2.9% in 2027 and 2.8% in 2028. Stronger growth in the United States and East Asia outside China, helped by the continuing artificial intelligence investment buildout, is offsetting some of the drag from higher energy prices. The central assumption underpinning these forecasts is that a Middle East agreement eventually restores safe passage through the Strait of Hormuz, allowing Brent crude to fall towards US$77 a barrel in late 2027 and US$71 in late 2028.

Against that backdrop, the external sector is the clear bright spot. Merchandise export volumes are estimated to have risen by more than 4% this year, with dairy, meat and horticulture joined by stronger output of manufactured metals, machinery and equipment. Favourable growing conditions, high world prices and a low New Zealand dollar have driven this growth. Services exports are performing even more strongly and are on track to grow by around 9% this year. Foreign visitor arrivals continue to recover strongly, with Australians and Chinese accounting for about two-thirds of the increase seen this year. In 12-month rolling terms, visitor numbers are expected to soon move above their 2019 peak, while other services exports will likely continue their longer-run outperformance.

Agriculture is expected to remain a major source of strength. Farmgate returns are expected to stay elevated despite high energy and shipping costs and an expected modest appreciation in the New Zealand dollar. Meat export prices should remain high in real terms over the next couple of years, with beef supported by firm US demand. Kiwifruit and apple prices are also expected to remain strong, while log prices should be broadly stable to slightly firmer in 2027. Dairy prices – at least powders – appear to have received an additional lift from El Niño-related drought risk and strong global demand for protein. We have raised our forecast milk price for the current season by 50 cents to $10.25 per kilogram of milk solids – still ahead of Fonterra's own forecast, which was revised up to a $10.10 midpoint this week. We have also lifted our 2027/28 season forecast to $9.75, reflecting a more gradual expected rise in the New Zealand dollar than foreseen previously.

At this point, the strength offshore has not yet translated into an equally convincing recovery for households. Average household earnings grew only 2.9% in the year to June, while high inflation pushed real wage growth into negative territory. Real per capita household spending was flat over the year, and weak house prices have limited growth in household wealth. Spending should improve gradually during 2027 as export income circulates through the economy, employment recovers and inflation eases. Even so, the strongest gains are likely to remain in regions directly exposed to agriculture and tourism.

The labour market has been unusually slow to respond to improving GDP. Unemployment has climbed to an 11-year high of 5.7%, and employment growth has failed to keep pace with population growth. The pattern is best described as "low-fire, low-hire": firms avoided the scale of layoffs that might normally accompany a downturn but may now have enough staff to accommodate the early stages of a recovery without immediately stepping up recruitment. Employment appears to have begun turning higher and hiring intentions have recovered, but unemployment is unlikely to decline materially until next year. We expect it to ease to 5.1% by the end of 2027 and 4.5% in 2028.

Housing remains a restraint. National house prices have fallen about 1.7% this year, sales have weakened and properties are taking longer to sell. Adjusted for inflation, house prices are on course for a fourth consecutive annual decline, and we expect them to fall by around 33% between the 2021 peak and the end of 2027. That adjustment is improving affordability and supporting first-home buyers, but it also encourages existing owners to save rather than spend. As with other economic indicators, regional differences remain pronounced, with areas benefiting from agricultural and tourism income outperforming the major centres.

Residential construction should nevertheless rise during 2027, supported by a pipeline of more than 40,000 consented homes, much of it medium-density development in Auckland and Canterbury. The durability of that upswing is uncertain, however, because financing costs, building costs and weak house prices remain significant obstacles. Commercial construction is closer to finding a floor, although office and retail development is likely to stay subdued for a while given elevated vacancy rates.

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Business investment has been more resilient. Capital equipment spending rose strongly in the June quarter, and imports point to further gains despite higher freight costs and a weaker currency. Confidence rebounded after the initial shock from the Middle East conflict and has held up despite renewed oil price pressure. Investment will remain uneven, but cash-rich agricultural businesses are well placed, and computing equipment and software are contributing to growth.

Inflation is the main complication. Consumer prices rose 3.7% in the year to September and annual inflation is expected to reach 4.3% in December. Higher global oil prices have played an important role, but the problem is broader than fuel. Core inflation measures remain around 3%, operating costs are elevated and firms' pricing intentions have strengthened. Headline inflation should fall as energy prices ease and could temporarily dip below 2% in 2028, but underlying inflation is expected to decline much more slowly.

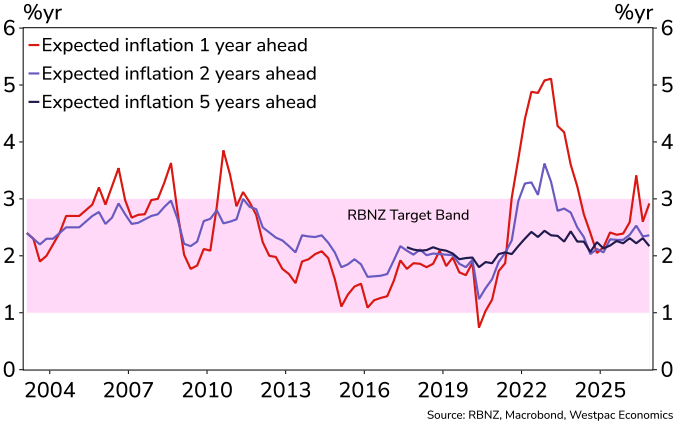
That persistence means the RBNZ will likely need to tighten policy by more than it currently forecasts. The OCR is expected to reach 3% by year-end, but we think the neutral rate may be closer to 3.75%, in contrast to the RBNZ's 3% to 3.5% estimate. As growth strengthens and core inflation proves sticky, we expect the OCR to peak at 4% in September 2027 and remain there for about a year. Medium- and long-term interest rates are therefore likely to settle above the unusually low levels seen in the decade before the pandemic.

Finally, fiscal conditions should improve as stronger nominal activity and above-target inflation lift tax revenue. However, spending pressures and higher debt-servicing costs will be difficult to avoid. We expect the operating balance before gains and losses, excluding ACC (OBEGALx), to return to surplus in 2028/29, while net core Crown debt peaks near 43.7% of GDP in 2027/28. The unresolved election adds uncertainty, however; the forecasts assume no major near-term change in policy direction.

Turning to this week's key economic news, RBNZ Governor Anna Breman and fellow MPC member Prasanna Gai spoke to audiences in New Zealand and Australia respectively. We thought that Breman's comments were reasonably balanced. On the hawkish side, Breman noted that some indicators of economic activity had been stronger than expected. Perhaps of greater note, she also said that this month's partial October CPI data (discussed below) indicated that indirect impacts from the fuel price shock might be growing following a more muted than expected impact in the September quarter. On the dovish side, she noted subdued domestic demand, which she said was making it difficult for firms to pass on higher costs. She also referred to weak labour market data (including weak wage growth) and the stability seen in medium-term inflation expectations (also discussed below). Following the October review Breman had commented that the chances of a December rate hike were "high".

In our view, Gai's commentary leaned more on the dovish side. He reiterated his concerns about the implications for NZ of a bursting of the AI bubble and described recent inflation and inflation expectations data as "quiescent". In response to a question, he indicated that he considered that news since the October meeting had validated his decision to vote for a pause at that meeting. The general tone of Gai's commentary suggested it would not be a surprise if he voted to extend the pause at next month's meeting. Even if he were to vote for a hike, it seems likely that Gai would regard this as simply a tentative step towards the roughly 3.25% neutral rate that the Bank projected in the September Monetary Policy Statement.

**RBNZ Survey of Expectations**




Source: RBNZ, Macrobond, Westpac Economics

On the data front, the partial CPI data for October pointed to weaker than expected food price inflation but firmer than expected increases in travel costs. The latter was probably responsible for Breman's comments above, but given the month-to-month volatility of this data we would be hesitant to read too much into one month's outcome. These opposing impacts netted out and so the outcome was consistent with our forecast for a lift in annual inflation to 4.3% in the December quarter. Meanwhile, the RBNZ's long-running survey of professional forecasters reported a lift in year-ahead inflation expectations. However, encouragingly, the closely watched 2-year-ahead measure was little changed at 2.36%. Moreover, 5-year-ahead and 10-year-ahead expectations – which had been singled out for special attention by RBNZ Chief Economist Conway in a recent speech – fell to 2.17% and 2.13% respectively. In both cases, these were the lowest readings in almost two years. Finally, encouragingly, the BusinessNZ services PMI continued its gradual trend improvement in October, rising to a 3-year high of 51.7.

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## AUS: October CPI (%mth)

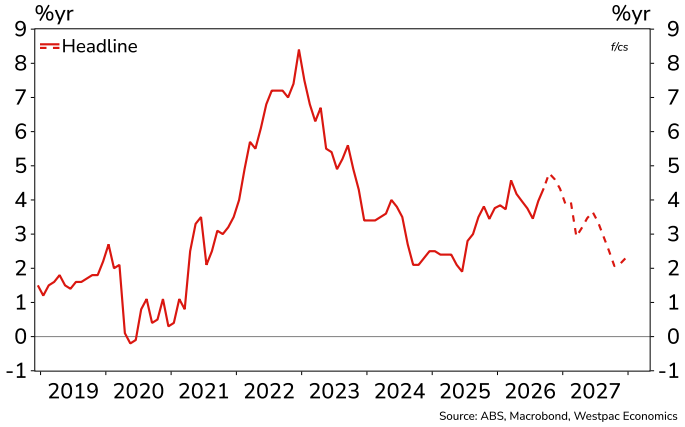
**November 25, Last: 0.8%, Westpac f/c: 0.4%**
**Mkt f/c: 0.4%, Range : 0.3 to 0.6**

We expect the October CPI to rise 0.41%mth with the annual pace lifting from 4.3%yr to 4.8%yr, the fastest pace in the short history. Westpac expects this to be the peak in current acceleration in annual inflation. Our seasonally adjusted CPI estimate lifts 0.7%mth, a small step up from the 0.6% increase in September, highighting the seasonal softness in the month.

Transport makes the largest contribution (+0.35ppts), almost entirely due to auto fuel, with smaller contributions from clothing & footwear (+0.06ppts), household goods & services (+0.05ppts) and meals out & takeaway (+0.04ppts). The main offsets are recreation & culture (–0.18ppts) with fruit & vegetables, utilities and others providing marginal offsets.

For more details please see "*October CPI Preview*".

### Monthly inflation indicators




Source: ABS, Macrobond, Westpac Economics

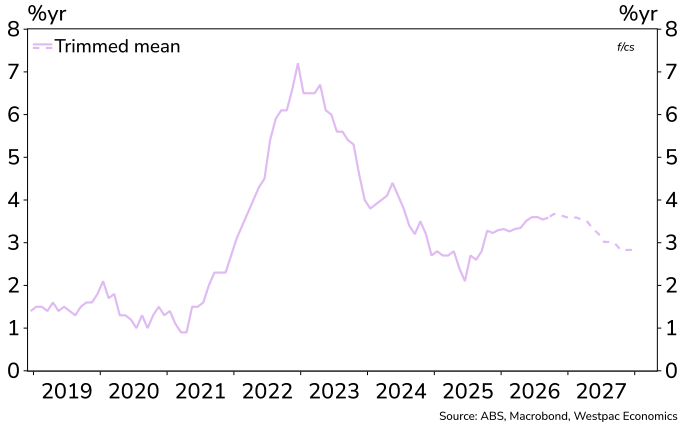
## AUS: October Trimmed Mean (%mth)

**November 25, Last: 0.2%, Westpac f/c: 0.4%**
**Mkt f/c: 0.4%, Range : 0.3 to 0.5**

Our October Trimmed Mean estimate is 0.42%mth, a step up from 0.3% in September, taking the annual pace to 3.7%yr from 3.6%yr and lifting the six month annualised pace to 4.2%yr, from 4.0%yr, which is also the fastest pace in the short history of the series. Rents and dwellings continue to underpin the TM estimates.

We see risks as slightly tilted to the upside. Our estimates allow for a greater degree of price resetting in areas such as meals out & takeaway and personal and household services, but this adjustment proves broader than our assumptions. Fuel levy surcharges are another source of upside risk, including increases by Woolworths and Australia Post. The key downside risk remains housing, particularly new dwelling prices, which surprised to the downside in recent months.

### Monthly inflation indicators




Source: ABS, Macrobond, Westpac Economics

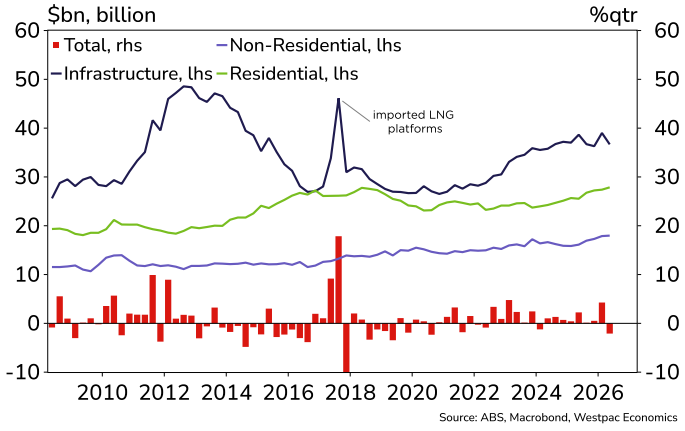
## AUS: Q3 Construction Work Done (%qtr)

**Nov 25, Last: –2.1%, WBC f/c: 0.8%**
**Mkt f/c: 0.7%, Range: –1.0% to 3.3%**

Construction activity declined 2.1%qtr in Q2 2026. Outside of mining-related volatility, activity remained solid, driven by residential building (+1.7%qtr), private non-residential building (+2.3%qtr, including data centres) and electricity-related construction (+7.5%qtr in nominal terms).

We expect this positive momentum to have carried into Q3 2026, with further solid gains in residential building, private non-residential building and private engineering construction, particularly electricity-related projects. Public infrastructure investment will offset some of this strength, with the drag that began last year continuing as major projects reach completion.

### Construction activity maintains a solid trend




Source: ABS, Macrobond, Westpac Economics

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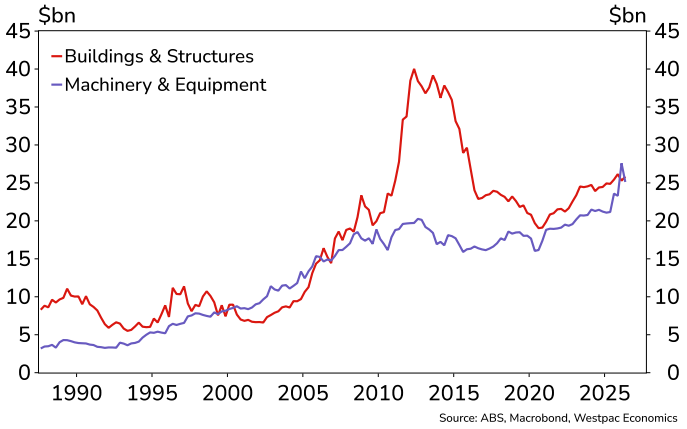
## AUS: Q3 Private CAPEX (%qtr)

**Nov 26, Last: –3.6%, WBC f/c: 10.0%**
**Mkt f/c: 4.5%, Range: 2.0% to 10.0%**

Private capex declined 3.6%qtr in Q2 2026 as data centre-related machinery and equipment investment pulled back sharply. With nominal ADP equipment imports surging 83%qtr to another record high, we expect a sizeable rebound in the Q3 figures. Buildings and structures should also find support as the broader strength in private non-residential approvals through the first half of 2026 works through the pipeline. Overall, we expect private capex to grow a strong 10.0%qtr in Q3, with data centres again leading the charge.

Est 3 for 2026/27 capex plans, after our adjustment, is consistent with impressive nominal growth of 17.9%yr and real growth of 15.3%yr. We expect Est 4 unadjusted plans for 2026/27 to come in at $221bn, a 15.5% increase on a year ago, indicative of the scale of investment yet to occur.

### Private Capex



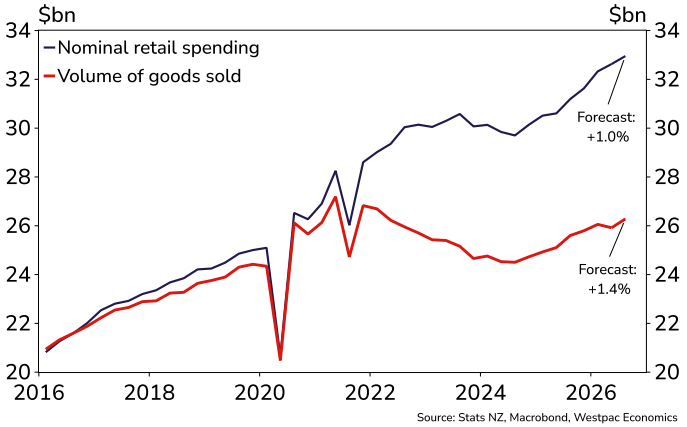

Source: ABS, Macrobond, Westpac Economics

## NZ: Q3 retail spending (%qtr)

**Nov 23, Last: -0.5, Westpac: 1.4**

The June quarter saw a larger than expected 0.5% fall in retail spending, with high fuel prices squeezing households' spending power. However, even with the drag from high fuel prices, core spending (excl. fuels and vehicles) remained resilient, rising by 0.7%. With fuel prices dropping through much of the September quarter, we expect overall spending levels will lift by 1.4%. Importantly, with lower fuel prices putting money back into households' pockets, that's likely to be underpinned by firm gains in core spending categories.

### Retail spending




Source: Stats NZ, Macrobond, Westpac Economics

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# What to watch

| | For | Data/Event | Unit | Last | Market f/c | Westpac f/c | Risk/Comment |
|---|---|---|---|---|---|---|---|
| **Mon 23** | | | | | | | |
| **NZ** | Q3 | Real Retail Sales | %qtr | –0.5 | 0.4 | 1.4 | Fall in fuel prices helping to support spending more generally. |
| **Eur** | Nov | S&P Global Manufacturing PMI | index | 52.7 | – | – | Manufacturing and services expansion a sign of resilience … |
| | Nov | S&P Global Services PMI | index | 51.4 | – | – | … though France continues to disappoint among the 'Big 4'. |
| **UK** | Nov | S&P Global Manufacturing PMI | index | 52.8 | – | – | The UK shares a similar degree of resilience in activity … |
| | Nov | S&P Global Services PMI | index | 52.8 | – | – | … but upward pressures on costs risks higher inflation. |
| **US** | Oct | Chicago Fed Activity | index | 0.07 | – | – | Activity is running above trend, as evinced by solid output … |
| | Nov | S&P Global Manufacturing PMI | index | 54.9 | 54.5 | – | … and orders across both manufacturing and services … |
| | Nov | S&P Global Services PMI | index | 56.1 | 55.7 | – | … pointing to upside risks to both inflation and interest rates. |
| **Tue 24** | | | | | | | |
| **Jpn** | Nov | S&P Global Manufacturing PMI | index | 53.3 | – | – | Manufacturing cooling from recent bout of strength … |
| | Nov | S&P Global Services PMI | index | 51.7 | – | – | … while services activity remains modestly positive. |
| **Ger** | Nov | IFO Business Climate Survey | index | 90.2 | – | – | At a three–year high, but still weak versus pre–pandemic. |
| **US** | Sep | FHFA House Prices | %mth | 0.3 | 0.2 | – | Prices continue to edge up, supporting aggregate wealth … |
| | Sep | S&P/CS Home Price Index | %mth | 0.27 | 0.20 | – | … but main street consumers struggle with affordability … |
| | Nov | Conf. Board Consumer Confidence | index | 91.7 | 92.1 | – | … and so sentiment remains around multi–year lows. |
| | Nov | Richmond Fed Manufacturing | index | –2 | – | – | Has cooled since mid–year, a contrast to other robust regions. |
| **Wed 25** | | | | | | | |
| **Aus** | Oct | Headline CPI | %ann | 4.3 | 4.8 | 4.8 | The annual pace to lift to its highest level in its short history. |
| | Oct | Trimmed Mean CPI | %ann | 3.6 | 3.6 | 3.7 | Risks remain tiled to the upside. |
| | Q3 | Construction Work Done | %qtr | –2.1 | 0.7 | 0.8 | Public infrastructure investment continues to drag, |
| | | RBA Head of Domestic Markets | – | – | – | – | Speaking at securitisation conference, 10:50am AEDT. |
| **US** | Oct | Personal Income | %mth | 0.2 | 0.3 | – | Inflation has largely netted out wage gains recently … |
| | Oct | Personal Spending | %mth | 0.5 | 0.4 | – | … leaving real consumption growth flat–to–subdued. |
| | Oct | PCE Deflator | %mth | 0.5 | 0.3 | – | Fedspeakers highlight hot inflation, need for further rate hikes. |
| | | Initial Jobless Claims | 000s | 203 | 200 | – | Still at relatively low levels versus history. |
| | Oct | Durable Goods Orders | %mth | 1.9 | 0.5 | – | Orders growth solid and broadly–based. |
| | Q3 | GDP | %ann'd | 3.4 | 3.5 | – | Second estimate could growth's composition revised. |
| | Oct | New Home Sales | %mth | –0.6 | –5.3 | – | Availability constraints pose enduring risks for inflation. |
| | | Federal Reserve's Beige Book | – | – | – | – | Qualitative update on conditions across the regions. |
| **Thu 26** | | | | | | | |
| **Aus** | Q3 | Private New Capital Expenditure | %qtr | –3.6 | 4.5 | 10.0 | Datacentre related investment to stage a sizeable rebound in Q3. |
| **Kor** | Nov | Bank Of Korea Policy Decision | % | 3.00 | 3.25 | – | Rate hike likely after October's 'hawkish hold'. |
| **Eur** | Oct | M3 Money Supply | %ann | 3.5 | – | – | Credit conditions are clearly restrictive. |
| **US** | | Thanksgiving | – | – | – | – | Markets closed. |
| **Fri 27** | | | | | | | |
| **NZ** | Nov | ANZ Consumer Confidence | index | 96.2 | – | – | RBNZ pause and lower fuel price could provide a modest boost. |
| | | General election – final vote count | – | – | – | – | Confirmed results and seat count, likely to remain very close. |
| **Jpn** | Nov | Tokyo CPI | %ann | 2.8 | 3.1 | – | Sustainable inflation will see further rate hikes, in time. |
| **Chn** | Oct | Industrial Profits | %ann | 14.4 | – | – | Profit gains largely concentrated in high–tech sectors. |
| **Eur** | Nov | EC Economic Confidence | index | 96.9 | – | – | Industry sentiment improving, but consumers/services jittery. |
| **US** | Oct | Wholesale Inventories | %mth | 0.7 | – | – | Inventory rebuild running at a very solid pace. |
| | | Black Friday | – | – | – | – | Markets close early. |

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# Economic & financial forecasts

## Interest rate forecasts

| Australia | Latest (20 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 | 4.92 | 4.96 | 4.96 | 4.81 | 4.56 | 4.31 | 4.11 | 3.96 | 3.95 | 3.95 |
| 3 Year Swap | 4.56 | 4.75 | 4.70 | 4.65 | 4.60 | 4.50 | 4.40 | 4.35 | 4.30 | 4.25 |
| 3 Year Bond | 4.55 | 4.75 | 4.70 | 4.65 | 4.60 | 4.50 | 4.40 | 4.35 | 4.30 | 4.25 |
| 10 Year Bond | 4.95 | 5.00 | 4.95 | 4.90 | 4.95 | 4.95 | 5.00 | 5.00 | 5.00 | 5.00 |
| 10 Year Spread to US (bps) | –6 | 5 | 5 | 5 | 5 | 0 | 0 | –5 | –10 | –15 |
| **United States** | | | | | | | | | | |
| Fed Funds | 3.875 | 4.125 | 4.375 | 4.375 | 4.375 | 4.375 | 4.125 | 3.875 | 3.875 | 3.875 |
| US 10 Year Bond | 5.0179 | 4.95 | 4.90 | 4.85 | 4.90 | 4.95 | 5.00 | 5.05 | 5.10 | 5.15 |
| **New Zealand** | | | | | | | | | | |
| Cash | 2.75 | 3.00 | 3.50 | 3.75 | 4.00 | 4.00 | 4.00 | 4.00 | 3.75 | 3.75 |
| 90 Day Bill | 3.22 | 3.40 | 3.75 | 4.00 | 4.20 | 4.20 | 4.20 | 4.15 | 3.95 | 3.95 |
| 2 Year Swap | 3.78 | 3.95 | 4.10 | 4.25 | 4.20 | 4.20 | 4.15 | 4.15 | 4.10 | 4.10 |
| 10 Year Bond | 4.80 | 4.80 | 4.85 | 4.95 | 5.05 | 5.05 | 5.05 | 5.05 | 5.05 | 5.05 |
| 10 Year Spread to US (bps) | –25 | –15 | –5 | 10 | 15 | 10 | 5 | 0 | –5 | –10 |

## Exchange rate forecasts

| | Latest (20 Nov) | Dec–26 | Mar–27 | Jun–27 | Sep–27 | Dec–27 | Mar–28 | Jun–28 | Sep–28 | Dec–28 |
|---|---|---|---|---|---|---|---|---|---|---|
| AUD/USD | 0.6683 | 0.70 | 0.70 | 0.71 | 0.71 | 0.71 | 0.72 | 0.72 | 0.72 | 0.72 |
| NZD/USD | 0.5483 | 0.56 | 0.58 | 0.60 | 0.61 | 0.62 | 0.62 | 0.63 | 0.63 | 0.64 |
| USD/JPY | 159.17 | 157 | 157 | 156 | 155 | 154 | 153 | 151 | 149 | 147 |
| EUR/USD | 1.0978 | 1.13 | 1.14 | 1.15 | 1.16 | 1.17 | 1.18 | 1.19 | 1.20 | 1.21 |
| GBP/USD | 1.3106 | 1.34 | 1.35 | 1.36 | 1.37 | 1.38 | 1.39 | 1.40 | 1.41 | 1.41 |
| USD/CNY | 6.6715 | 6.65 | 6.60 | 6.50 | 6.45 | 6.40 | 6.35 | 6.35 | 6.30 | 6.30 |
| AUD/NZD | 1.2128 | 1.24 | 1.22 | 1.19 | 1.16 | 1.15 | 1.15 | 1.15 | 1.14 | 1.14 |

## Australian economic forecasts

| | 2026 | | | | 2027 | | | | Calendar years | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| % change | Q1 | Q2 | Q3(f) | Q4(f) | Q1(f) | Q2(f) | Q3(f) | Q4(f) | 2025 | 2026(f) | 2027(f) | 2028(f) |
| GDP %qtr | 0.3 | 0.4 | 0.5 | 0.2 | 0.3 | 0.2 | 0.3 | 0.3 | – | – | – | – |
| %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 |
| Unemployment rate % | 4.2 | 4.5 | 4.6 | 4.9 | 5.0 | 5.2 | 5.2 | 5.1 | 4.2 | 4.9 | 5.1 | 4.7 |
| Wages (WPI) (sa) %qtr | 0.8 | 0.7 | 1.1 | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | – | – | – | – |
| %yr end | 3.3 | 3.2 | 3.5 | 3.4 | 3.3 | 3.2 | 3.0 | 3.0 | 3.5 | 3.4 | 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 |

## New Zealand economic forecasts

| | 2026 | | | | 2027 | | | | Calendar years | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| % Change | Q1 | Q2 | Q3f | Q4f | Q1f | Q2f | Q3f | Q4f | 2025 | 2026f | 2027f | 2028f |
| GDP %qtr | 0.9 | 0.2 | 0.6 | 0.8 | 1.0 | 0.5 | 0.6 | 0.7 | – | – | – | – |
| Annual avg change | 0.9 | 1.7 | 2.1 | 2.4 | 2.5 | 2.6 | 2.7 | 2.7 | 0.3 | 2.4 | 2.7 | 2.7 |
| Unemployment rate % | 5.4 | 5.6 | 5.7 | 5.7 | 5.6 | 5.5 | 5.3 | 5.1 | 5.4 | 5.7 | 5.1 | 4.5 |
| CPI %qtr | 0.9 | 1.5 | 0.7 | 1.2 | 0.4 | 0.4 | 0.6 | 0.4 | – | – | – | – |
| Annual change | 3.1 | 4.1 | 3.7 | 4.3 | 3.8 | 2.6 | 2.6 | 1.7 | 3.1 | 4.3 | 1.7 | 1.7 |

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