

Markets Research

What to Watch



Week of 5 May 2025

Past Week [\(jump to section\)](#)

- Australian Q1 CPI data was a tenth above consensus but in line with the RBA's forecast
- US GDP data showed the economy did slow in Q1 but a surge in imports means domestic demand was more resilient than the -0.3% headline outcome suggests.
- The BoJ held rates as expected, but caution on the inflation outlook saw the yen underperform.
- NAB's FX strategists published updated forecasts

Week ahead [\(jump to section\)](#)

- Following the federal election tomorrow (3 May), it is a quiet week in prospect on the data calendar and there is nothing slated from the RBA. Bank earnings from WBC, NAB and ANZ are also out during the week.
- In **NZ**, labour market data for Q1 headlines on Wednesday. BNZ expects it to show further loosening in the labour market.
- In the **US**, the FOMC is set to hold on Wednesday as it weighs uncertainty and a slower growth but higher inflation backdrop. Data include the services ISM, and earnings season continues.
- In the **UK**, the BoE is expected to cut rates by 25bp to 4.25%. Bailey and Pill both speak (separately) the following day.
- In **Europe**, final PMIs are Tuesday in a slow week for data. Norway and Sweden are both expected on hold on Wednesday.
- In **China**, data include the Caixin services PMI (Monday) and April trade data (Friday).

Important Events Preview [\(jump to section\)](#)

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Key Markets

	Latest	% change	
		week	YTD
Cash rates			
RBA Cash Rate	4.10		
US Fed Funds	4.50		
RBNZ Cash Rate	3.50		
Rates			
AU BBSY 3m	3.91	-5.4	-55.2
AU 3y swap	3.24	-4.4	-54.5
AU 3yr yield	3.32	-0.5	-50.2
AU 10yr yield	4.21	-2.5	-15.1
US 10yr yield	4.22	-1.2	-34.6
AU-US 10yr spread	-1.2	-1.2	19.5
Commodities			
Iron ore	96	-1.9	-3.3
Coal (thermal)	97.5	3.9	-22.2
Brent oil	62.4	-5.2	-14.8
Gold	3254.5	-2.0	24.0
FX			
AUD/USD	0.6414	0.3	3.7
USD (DXY)	99.99	0.5	-7.8
AUD/NZD	1.0810	-0.7	2.3
AUD crosses			
AUD/JPY	93.17	-1.4	4.4
AUD/CNY	4.6643	0.0	-3.2
AUD/EUR	0.5672	-0.7	5.4
AUD/GBP	0.4817	-0.2	2.7
Equities			
ASX 200	8230.7	3.3	0.9
ASX Resources	5072.1	0.9	-1.6
ASX Financials	8889.0	3.1	3.2
US S&P 500	5604.1	2.2	-4.7

Source: Bloomberg

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Week in Review

Locally, Q1 CPI was a tenth above consensus at 0.7% q/q for the policy relevant trimmed mean measure. Strong health inflation was the proximate culprit, but the result was in line with the RBA's February forecast. There is ongoing disinflation across the breadth of market services categories and housing components have cooled from their mid 2024 pace. That remains encouraging as the RBA's assessment of domestic inflation pressures evolves. ([AUS: Q1 trimmed mean a tenth above consensus but in line with RBA forecast](#)). Data today showed flat retail volumes in Q1, consistent with some downside risk to the RBA's near-term consumption forecasts ([AUS: Retail volumes flat in Q1, downside risks to consumption](#)).

US data flow has been heavy, even ahead of payrolls tonight. Q1 GDP was -0.3% saar. The GDP adding up comprised a historically unprecedented 5.3ppt drag from net exports as import surged. Those imports theoretically should show up in consumption, investment, or inventory accumulation. There was a large 2ppt boost from inventories, helped by pharmaceutical stockpiling, and a surge in computing equipment imports was reflected in investment. But the negative print overstates the US slowdown. Volatility and measurement challenges in trade and inventories data point to either revisions, or payback in Q2. Private domestic final demand was much stronger at 3.0% saar.

In Europe, the EZ managed to eke out 0.4% q/q growth in Q1, above the 0.2% consensus and an acceleration from the prior quarter. That is unlikely to sustain and some support came from export demand (the surge in US imports had to come from somewhere. Note Irish growth of 3.2% in the quarter and 13.3% over the year).

The BoJ yesterday held rates steady as expected, but language in the statement had a cautious undertone with the Bank noting "risks to prices skewed to downside for fy2025, 2026." The yen underperformed, down almost 2% yesterday and down more than 1% against the dollar over the week.

Earlier today NAB's FX Strategy team [published updated FX forecasts](#), now seeing a good chance AUD/USD will hit 0.70 by year end (previously 0.67) and as high as 0.75 in 2026. An anticipated significant extension of the US dollar weakness that unfolded in March and April, aided by an expected resumption of Fed policy easing in H2 2026 and anticipated ongoing US capital outflows, is the primary driver of the upgraded AUD/USD forecasts.

At the same time, against the backdrop of downgraded global growth expectations emanating from the Trump 2.0 administration's tariff broadsides, they struggle to foresee any significant relief, this year at least, from the big hits AUD has taken on various cross rates during March and April, notably versus the EUR, CHF, JPY and GBP.

Week Ahead

There is little of note on the **Australian** data calendar next week. Data flow is limited to second tier building approvals and monthly household spending indicator outcomes. There is nothing scheduled from the RBA until their May 19-20 meeting. Instead, the results of tomorrow's (May 3) federal election will be the focus. Major banks are also reporting, with WBC (Monday), NAB (Wednesday) and ANZ (Thursday).

Q1 labour market statistics on Wednesday are the key **NZ** data release. BNZ anticipate the combination of indicators from the Household Labour Force Survey (HLFS), Quarterly Employment Survey (QES), and Labour Cost Index (LCI) to describe further loosening in the labour market. Also on Wednesday is the RBNZ's Financial Stability Report.

Globally, focus is on central banks, with the FOMC and BoE next week, and the usual focus on swings in trade and broader US policy expectations.

In the **US**, the FOMC meets on Wednesday and is set to hold rates as it weighs a slower growth outlook against inflation concerns. There are no new projections, but Powell's commentary will be watched closely with markets 60% priced for a June cut. Also look out for commentary from other FOMC participants later in the week, including a panel with Williams and Waller at the Hoover Monetary Policy Conference Friday.

It is a quieter data calendar in prospect after a stacked past week, with Services ISM (Monday) and jobless claims (Thursday). Full trade data for March will also be parsed for more detail on what drove the earlier reported import surge. Earnings season continues, but most of the big US names have already reported.

The **BoE** meets Wednesday where consensus sees a 25bp cut, which is fully priced by markets. Governor Bailey and Chief Economist Pill both speak (separately) the following day.

In **Europe**, outside of final PMIs (Monday) it is light on the data calendar. There are a couple of ECB speakers on the docket, including Schnabel on Friday. The Norwegian and Swedish central banks both meet Wednesday, and are expected to hold rates steady.

In **China**, the Caixin services PMI is Monday, credit data is due some time in the week from Friday, and trade data for April is Friday. That could show early signs of export declines, though shipments to the US only fell sharply late in the month.

Important Events Preview

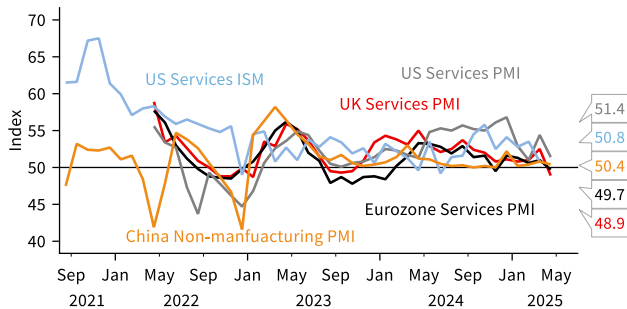
Selection of key data. Full calendar below.

Monday 5

US Services ISM (April)

The earlier services PMI fell back in April but remains above the ISM reading. Markets will be sensitive to indications of economic momentum in the less trade-exposed services economy in April.

Global Services PMIs



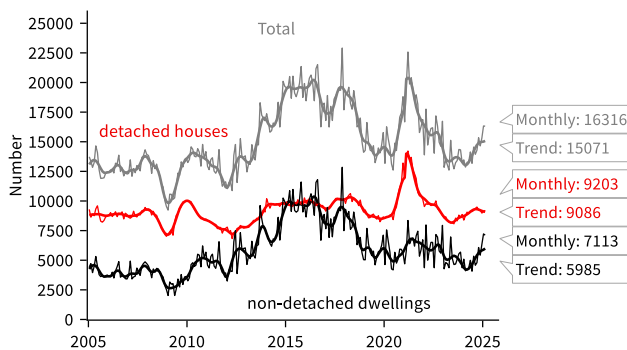
Source: National Australia Bank, Institute for Supply Management (ISM), China Federation of Logistics & Purchasing, Account in-house, Bloomberg, Macrobond

Tuesday 6

AU Building approvals

Building approvals have trended high recently, led by a rebound in apartments and townhouses. We pencil in a decline in March, with cyclone impacts possible in Queensland.

Private Dwelling Approvals



Monthly, latest: 02/2025, published: 2/04/2025
Source: National Australia Bank, Australian Bureau of Statistics

CH Caixin services PMI

The past week's official services PMI dropped from 50.3 to 50.1 with signs of spillover from tariffs. A national Statistics Bureau spokesperson noting that the decline was led by maritime transport and capital market services. The Caixin Services PMI provides an alternate read.

US US trade balance

The final release may be more interesting than usual after the March advanced release showed a further surge in imports. The final numbers provide a more granular

breakdown. The import surge through Q1 was driven by pharma and computing equipment, categories that are not subject to the broad-based tariffs or full China tariffs, but the advanced March read suggested a surge in consumption goods. This data will clarify what and where from.

Wednesday 7

NZ Employment (Q1)

BNZ forecast HLFS employment to be flat in Q1, which would see employment 0.6% lower than a year ago. This would see the unemployment rate rise to 5.3% from 5.1% in Q4, assuming minimal downward movement in the participation rate albeit rounding to flat at 71.0%.

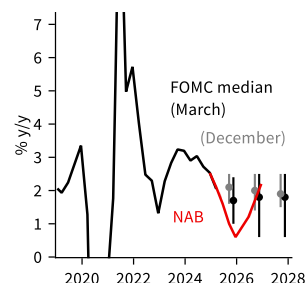
BNZ remain of the view that the unemployment rate will peak higher than the RBNZ projects, although Q1 labour market forecasts are broadly similar to what the RBNZ projected in its February 2025 MPS. The bank forecast flat employment in the quarter also, but with an expected tick down in the participation rate sees an unemployment rate of 5.2%.

A softer labour market is putting downward pressure on wage growth. BNZ expect wage inflation to continue trending lower and forecast a 0.5% q/q increase in private sector LCI, taking the annual inflation rate down to 2.7%, a tenth below the RBNZ's forecast.

US FOMC Meeting

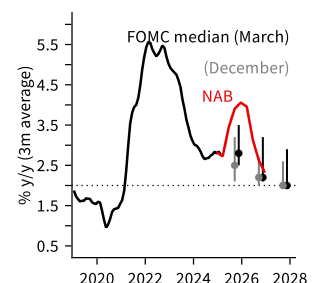
The FOMC will be on hold in May as FOMC officials continue to wait on more clarity about the outlook for both the labour market and employment. Expect Powell in the press conference to downplay the negative Q1 GDP print and point to still robust private final sales to domestic purchasers, and while a surprise in tonight Payrolls could shift the categorisation somewhat, the still resilient hard data on the labour market. There are only 2bp of cuts priced for Wednesday, but the commentary will be important given markets price around a 60% chance of a cut at the follow up meeting in June. There are no new projections at this meeting.

US GDP



Source: National Australia Bank, Federal Reserve, U.S. Bureau of Economic Analysis (BEA), Macrobond

US Core PCE



Source: National Australia Bank, Federal Reserve, U.S. Bureau of Economic Analysis (BEA), Macrobond

Thursday 8

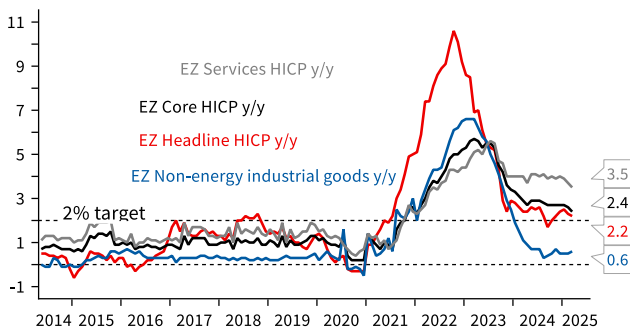
SW Riksbank

NO Norges Bank

UK Bank of England

We have long forecast the BoE to deliver the second cut of this year and fourth in this cycle at the 8 May meeting. That will take Bank Rate down to 4.25%. In line with the Feb meeting when rates were last cut, we expect meetings such as this when new forecasts are published and when MPC members agree on the direction that dove Dhingra will once again be joined by former hawk Mann in calling for a larger 50bps reduction. Indeed, we think there is a high chance a third member joins them. Markets fully price a 25bp cut. While we see the BoE waiting until Aug to ease again, we acknowledge the risks are rising the BoE moves to ease policy restriction more swiftly with a further 25bp cut in Jun as well as Aug. A short-term rise in inflation argues against a 50bps cut in May.

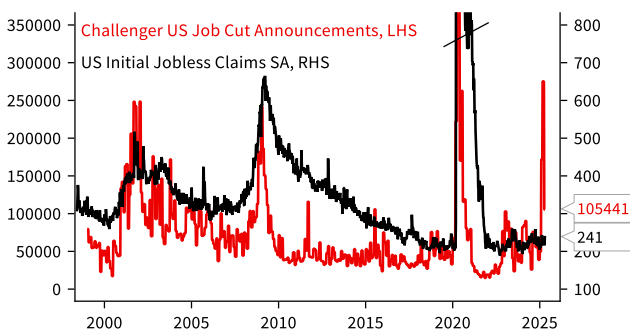
UK CPI



US Jobless claims

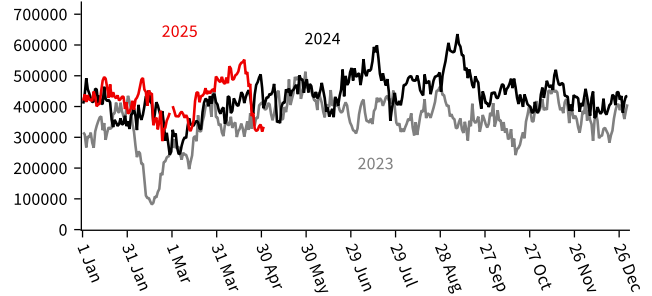
Jobless claims will continue to be watched for any signs of higher layoffs. The 18k increase last week to 241k can be largely attributed to the timing of holidays in New York. But Challenger job cuts remain elevated and there was a larger leap in continuing claims for the prior week that bears watching.

US Jobless Claims and Job Cuts



Container ship tonnage

Departures from China to US (15 day rolling average)



US/EZ Hoover Monetary Policy Conference

From the FOMC, Williams and Waller both speak on a panel. ECB's Schnabel is also set to speak.

Saturday 10

CH CPI & PPI

Friday 9

UK BoE's Bailey and Pill

CA Employment (April)

CH Trade Balance (April)

China trade data will likely show a fall in exports in April, but timely data suggests it wasn't until into the second half of the month that shipments fell sharply.

Weekly Calendar of Economic Releases

Date	Time	Country	Event	Period	Consensus	NAB	Previous
Monday, 5 May	11:00 AM	AU	Melbourne Institute Inflation MoM	Apr	--		0.7%
	12:00 AM	US	ISM Services Index	Apr	50.15		50.8
Tuesday, 6 May	11:30 AM	AU	Building Approvals MoM	Mar	-1.5%		-0.3%
	11:45 AM	CH	Caixin China PMI Services	Apr	51.75		51.9
	4:45 PM	FR	Industrial Production MoM	Mar	0.3%		0.7%
	5:50 PM	FR	HCOB France Services PMI	Apr F	46.80		46.8
	5:50 PM	FR	HCOB France Composite PMI	Apr F	--		47.3
	6:30 PM	UK	S&P Global UK Services PMI	Apr F	--		48.9
	10:30 PM	US	Trade Balance	Mar	-122.00		-122.66
Wednesday, 7 May	7:00 AM	NZ	RBNZ Publishes Financial Stability Report	--	--		--
	8:45 AM	NZ	Unemployment Rate	1Q	5.3%		5.1%
	8:45 AM	NZ	Employment Change QoQ	1Q	0.1%		-0.1%
	4:00 PM	GE	Factory Orders MoM	Mar	2.1%		0.0%
	9:00 PM	US	MBA Mortgage Applications	May 2	--		-4.2%
	4:00 AM	US	FOMC Rate Decision (Upper Bound)	May 7	4.50		4.50
Thursday, 8 May	4:00 PM	GE	Industrial Production SA MoM	Mar	1.0%		-1.3%
	5:30 PM	SW	Riksbank Policy Rate	May 8	2.25		2.3
	6:00 PM	NO	Deposit Rates	May 8	--		4.5
	9:00 PM	UK	Bank of England Bank Rate	May 8	4.3%		4.5%
	10:30 PM	US	Initial Jobless Claims	May 3	223.00		241.0
	12:00 AM	CA	Bank of Canada Releases Financial Stability Report	--	--		--
	12:00 AM	US	Wholesale Inventories MoM	Mar F	0.6%		0.5%
Friday, 9 May	6:40 PM	UK	BOE's Bailey Speaks	--	--		--
	8:15 PM	US	Fed's Williams Gives Keynote Address in Reykjavik	--	--		--
	8:45 PM	US	Fed's Barr Gives Speech on AI and the Labor Market	--	--		--
	9:15 PM	UK	BOE's Pill Speaks	--	--		--
	10:30 PM	US	Fed's Kugler Gives Speech on Maximum Employment	--	--		--
	10:30 PM	CA	Net Change in Employment	Apr	25.00		-32.6
	10:30 PM	CA	Unemployment Rate	Apr	6.7%		6.7%
	--	CH	Exports YoY	Apr	-0.1%		12.4%
	--	CH	Trade Balance	Apr	88.80		102.64
	--	CH	(09 May - 15 May) Money Supply M2 YoY	Apr	--		7.0%
	12:00 AM	US	Fed's Goolsbee Gives Remarks at Fed Listens Event	--	--		--
	1:30 AM	US	Fed's Williams, Waller on Panel at Hoover	--	--		--
Saturday, 10 May	9:45 AM	US	Fed's Musalem, Hammack, Cook on Panel at Hoover	--	--		--
	9:45 AM	EC	ECB's Schnabel Speaks on Panel at Hoover	--	--		--
	11:30 AM	CH	PPI YoY	Apr	--		-2.5%
	11:30 AM	CH	CPI YoY	Apr	--		-0.1%
Upcoming Central Bank Interest Rate Announcements							Current
	May 20	Australia, RBA					4.10
	May 8	UK, BOE					4.50
	May 7	US, Federal Reserve (Upper Bound)					4.50
	May 28	New Zealand, RBNZ					4.00
	Jun 4	Canada, BoC					2.75
	Jun 5	Europe, ECB					2.25
	Jun 17	Japan, BoJ					0.50

Sydney Time. Dates reflect 24 hours from 7am

Forecasts Table

For NAB Economics Latest Forecast Update, see: [The Forward View – April 2025: Calm before the storm](#)

Australian Economic Forecasts

		2024				2025				2026			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP													
Household Consumption		0.5	-0.2	-0.1	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.4	0.4
Dwelling Investment		0.7	0.6	1.5	-0.4	-0.2	-0.1	-0.5	-1.0	-0.5	-0.5	-0.1	0.3
Underlying Bus. Investment		-1.1	-0.2	-0.8	0.0	0.0	-0.1	-0.7	-0.2	0.2	0.4	0.2	0.4
Public Final Demand		1.0	1.0	2.7	0.9	1.0	0.7	0.8	0.6	0.6	0.6	0.6	0.6
Domestic Final Demand		0.5	0.3	0.7	0.5	0.5	0.5	0.4	0.5	0.5	0.6	0.5	0.5
(% y/y)		2.3	1.5	1.7	2.1	2.1	2.3	2.0	1.9	2.0	2.0	2.1	2.2
Inventories	(contr)	0.7	-0.3	-0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Exports	(contr)	-1.2	0.1	0.1	0.2	-0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0
Gross Domestic Product		0.2	0.2	0.3	0.6	0.4	0.6	0.5	0.5	0.6	0.6	0.5	0.6
(% y/y)		1.1	1.0	0.8	1.3	1.5	1.9	2.0	2.0	2.1	2.2	2.2	2.3
Labour Market													
Employment		0.3	0.7	0.8	0.6	0.4	0.5	0.3	0.3	0.4	0.5	0.4	0.3
Unemployment Rate	(%)	3.9	4.1	4.1	4.0	4.1	4.2	4.3	4.4	4.4	4.3	4.3	4.3
WPI Wages		0.8	0.9	0.9	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
(% y/y)		4.0	4.1	3.6	3.2	3.3	3.3	3.2	3.4	3.4	3.3	3.3	3.2
Inflation													
CPI Trimmed Mean		1.0	0.9	0.8	0.5	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
(% y/y)		4.0	4.0	3.6	3.3	2.9	2.7	2.5	2.5	2.5	2.5	2.5	2.5
CPI Headline		1.0	1.0	0.2	0.2	0.9	0.6	0.6	0.6	1.0	0.6	0.6	0.6
(% y/y)		3.6	3.8	2.8	2.4	2.4	2.0	2.4	2.8	2.8	2.8	2.8	2.8

Source: ABS, NAB Economics. Quarterly percent change unless specified

Exchange Rate Forecasts

	1-May	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Majors						
AUD/USD	0.641	0.66	0.68	0.70	0.72	0.73
NZD/USD	0.59	0.61	0.63	0.65	0.67	0.68
USD/JPY	145.2	138	130	125	120	119
EUR/USD	1.13	1.18	1.24	1.23	1.25	1.26
GBP/USD	1.33	1.37	1.43	1.41	1.44	1.45
USD/CNY	7.27	7.25	7.15	7.00	6.90	6.80
USD/CAD	1.38	1.36	1.33	1.30	1.28	1.28
USD/CHF	0.83	0.79	0.74	0.75	0.74	0.73

Global GDP

	2024	2025	2026
Australia	1.0	1.8	2.2
United States	2.8	1.3	1.5
Eurozone	0.8	0.9	1.3
United Kingdom	1.1	0.9	0.9
Japan	0.1	1.0	0.5
China	5.0	4.1	3.9
India	6.3	6.0	6.2
New Zealand	-0.5	0.8	2.7
World	3.3	2.7	2.8

Australian Cross Rates

AUD/NZD	1.08	1.08	1.08	1.08	1.07	1.07
AUD/JPY	93.2	91	88	88	86	87
AUD/EUR	0.57	0.56	0.55	0.57	0.58	0.58
AUD/GBP	0.48	0.48	0.48	0.50	0.50	0.50
AUD/CNY	4.66	4.79	4.86	4.90	4.97	4.96
AUD/CAD	0.89	0.90	0.90	0.91	0.92	0.93
AUD/CHF	0.53	0.52	0.50	0.52	0.54	0.53

Interest Rate Forecasts

	1-May	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Australian Rates						
RBA cash rate	4.10	3.60	3.10	2.85	2.60	2.60
3 month bill rate	3.86	3.44	3.14	2.80	2.71	2.71
3 Year Swap Rate	3.24	3.25	3.05	2.95	2.85	2.95
10 Year Swap Rate	4.08	4.10	4.15	3.90	3.95	3.95
Offshore Policy Rates						
US Fed funds	4.50	4.50	4.00	3.75	3.50	3.25
RBNZ OCR	3.50	3.25	2.75	2.75	2.75	2.75
10-year Bond Yields						
Australia	4.21	4.20	4.25	4.00	4.05	4.05
United States	4.22	4.25	4.25	4.00	4.00	4.00
New Zealand	4.44	4.45	4.45	4.30	4.30	4.30

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