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## Middle-East peace and the Fed's family fight

- The US-Iran agreement has seen oil prices move to their lowest level since the Iran war commenced; but it remains to be seen if the deal holds.
- Global growth eased in Q1. The energy price shock will continue to weigh on growth in coming quarters while the tightening in monetary policy will also be a headwind. The AI boom is providing an offset but also adding to inflationary pressures.
- Fed communications moved hawkish. We still expect the fed funds rate to remain unchanged through to end 2027, but any further upside inflation surprises will tip the Fed over to hikes.

Our forecasts for global growth are little changed this month – we see growth at 3.1% in 2026 and a little higher in 2027 at 3.2% (previously 3.1%).

Global growth moderated in Q1 and while the energy shock, and rise in interest rates, will weigh on growth, it should hold at a reasonable level. This in part reflects support from the ongoing AI boom. We again revised up Other East Asia growth as the tech cycle continues to beat expectations – particularly for Taiwan (where GDP is growing by over 14% yoy) and it is starting to show in South Korea which is experiencing a terms-of-trade boost from the steep rise in memory prices. Hi-tech production is also becoming an increasingly important growth driver for China as domestic demand remains weak.

The rise in energy and AI related prices is driving up measures of producer price inflation. Core inflation across advanced economies (data to April) has yet to see a notable lift but pass through typically takes time to evolve.

Our forecasts already assumed that the Strait of Hormuz would soon reopen, and that oil prices would decline over the rest of the year, but that they would remain above pre-War levels. However, If the deal holds it would signify a major reduction in negative tail risks.

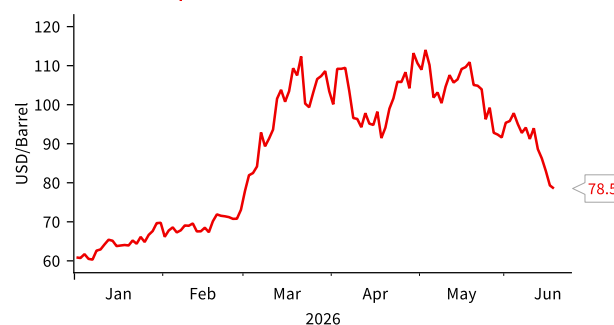
The European Central Bank (ECB) and Bank of Japan (BoJ) raised their policy rate this month. The Bank of Canada (BoC), and Bank of England (BoE) remained on hold, as did the US Federal Reserve (Fed). However, looking forward the Fed is split between members wanting a rate increase and those wanting to stay on hold. If inflation starts to ease soon from here, as we and the Fed expect, then the hold camp may win out. But the tolerance for any further upside inflation surprises is probably exhausted and inflation outcomes from here above Fed expectations will likely trigger rate rises.

### Key Economic Forecasts (year average % change)

	2025		2026		2027	
US	2.1		2.1		2.0	(0.1)
Euro-zone	1.5		0.5	(-0.3)	1.2	
Japan	1.1		0.6		0.8	(0.1)
UK	1.4		0.9		0.8	
Canada	1.9	(0.2)	0.5	(-0.7)	1.6	(-0.1)
China	5.0		4.7		4.3	
India	7.6	(0.1)	6.7	(0.4)	6.5	
Latin America	2.4		1.9	(0.3)	2.2	
Other East Asia	4.3		4.8	(0.3)	3.8	(0.1)
NZ	0.2		1.6	(-0.1)	2.2	(0.2)
<b>Global</b>	<b>3.4</b>		<b>3.1</b>		<b>3.2</b>	<b>(0.1)</b>
Major trading partners	3.8		3.7	(0.1)	3.4	(0.1)

### Oil prices fall to post Iran war low on deal

Brent crude oil price

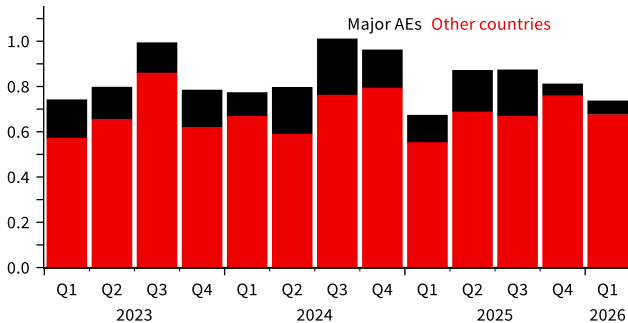


Source: National Australia Bank, Macrobond Financial AB, Macrobond

## A modest growth slowdown

**There has been a modest slowdown in global growth** since Q3 2025. With only a few countries yet to report Q1 GDP, our global GDP proxy indicates quarterly growth was the slowest in a year, although still within the range of recent years.

World GDP growth - contributions to qoq growth (ppts)



Source: National Australia Bank, Macrobond. Major AEs are US, Euro-zone, Japan, UK, Canada.

**The slowdown was led by the major advanced economies**, with US growth moderating and GDP declining in the Euro-zone and Canada. However, US growth is tracking higher in Q2 while the Euro-zone weakness is exaggerated by the noisy Ireland data. Similarly, the advance GDP indicator for April points to a Q2 rebound for Canada. Elsewhere, Q1 was supported by stronger China growth but India's economy showed signs of moderating as did East Asia (ex-China & Japan).

**The agreement between the US and Iran to extend April's ceasefire by 60 days and for a reopening of the Strait of Hormuz has seen oil prices fall** to their lowest level since the Iran war started. However, as the sporadic attacks since the April ceasefire suggest, reopening may not be smooth with a risk the agreement breaks down.

Our assumption has been that the peak in oil prices would be in Q2 before gradually declining over the rest of the year down to around \$US80/barrel. We retain this assumption - damage to Gulf infrastructure and the need to replenish depleted inventories is likely to keep oil, gas (and derivative products) prices above pre-war levels.

**Still elevated energy prices and the rise in interest rates will weigh on growth.** The S&P Global composite PMI declined sharply in March and, while it has partly recovered, it remains below its pre-war level, even with the manufacturing PMI being boosted by precautionary stockpiling. While chemical and refined petroleum production has been impacted in Asia, overall industrial production has held up.

The moderation in energy prices that has occurred, as well as some Government fiscal measures, the buffer provided by healthy corporate profits in the major advanced economies, and the ongoing tech (AI) boom suggests that **the easing in global growth over our forecast horizon should be modest.** This is particularly so for Asian economies, and the US, who are at the centre of the AI related manufacturing production and investment cycle (see discussion below). The expected easing over 2026/2027 is not just an energy/monetary policy story - growth in China is expected

to resume its trend downward path and to normalise, from its recent elevated level, in India.

**We expect global growth of 3.1% in 2026 (unchanged) and 3.2% (previously 3.1) in 2027**, down from 3.4% in 2025.

**Risks are two-sided around the outlook.** On the upside, the boost to global activity from the tech cycle may be greater than we are factoring in. On the downside, if the Iran-US agreement were to fall over, with shipping through the Strait of Hormuz being highly constrained, then eventually the adjustment to reduced supply will move away from inventory rundown and more to demand destruction (through higher prices).

**Trade risks remain an issue.** That said, the recent [USTR proposal](#) for tariffs of 10-12.5% on 60 countries (and 25% on [Brazil](#)) is more of an effort to rebuild the tariff structure partially invalidated by the US Supreme Court. Global Trade Alert [estimates](#) that recent US tariff announcements would leave the average tariff rate little changed (post the s122 tariff expiry on 24 July) but still well below its level at the start of the year. That said, there are still s232 (sectoral) and [s301](#) investigations underway. US, Canada and Mexico are also holding negotiations over the USMCA even as the US President threatens not to renew the agreement. The EU is also [considering trade measures](#) which could lead to retaliation from China.

## Energy prices still flowing through

**Pass-through to consumer inflation of the rise in energy prices is still running. However, monthly inflation is easing:** US CPI rose 0.5% mom in May versus 0.9% in March, and the Euro-zone 0.1% following 0.8%. UK inflation was unchanged in May (2.8% yoy), but pipeline pressure (input PPI 7.7%) makes this a timing story. Japan's subsidies limited the first-round impacts, which is likely to continue given Japan's recent mini-budget - primarily focused on extending fuel subsidies.

The impact on emerging market inflation is diverse, reflecting policy responses to the war. India and Indonesia have suppressed inflation, delaying the adjustment, thanks largely to petrol subsidies. Each recorded annual inflation of 3.9% and 3.1% respectively in May. The Philippines, where no petrol subsidies have been introduced, shows the unfiltered result: CPI peaked at 7.2% yoy before easing to 6.8% in May, well above 2.4% seen in February.

**Early signs of second-round effects are emerging, particularly in the Euro-zone. However, it is still too soon to draw strong conclusions.** Second-round effects build with duration, not just shock size, and the conditions for deeper pass-through are in place across most advanced economies, a concern increasingly reflected in central bank communications over the past fortnight.

Not all of China's PPI surge is what it seems. The rise from -0.9% yoy in February to +3.9% in May closely tracks commodity prices, making it largely another manifestation of the energy shock. Consumer goods PPI remains near zero, with weak domestic demand continuing to weigh on prices in the channel most relevant to global goods. The exception is electronics and semiconductors, where cost pressure reaches

consumers globally. **China is not yet exporting inflation, but its deflationary role is becoming more uneven.**

## Rate rises and a split Fed

**Central bank meetings this week and last have affirmed the shift towards tighter policy settings** following the Iran war, due to the resulting lift in inflation and the need to anchor inflation expectations.

**The ECB and the BoJ are the first of the major central banks to act, raising rates this month.** They started from a position where the policy rate was either clearly below neutral (BoJ) or at the low end of its estimated range (ECB). ECB projections are for above target inflation across a range of oil price scenarios and, given its mandate being limited to price stability, a tighter policy setting is called for even with risks around the growth outlook. We expect a follow up hike in September. The BoJ is also signalling a further tightening in policy with the main issue being whether it is moving quickly enough away from an accommodative setting given capacity constraints and inflationary pressures.

In contrast, an effective policy tightening for both the US Fed and BoE has so far been delivered via expectations of future rate cuts being replaced by the possibility that the next move could be to take the policy rate higher.

Indeed, while the **Fed kept rates on hold at its June meeting, its communications were hawkish. We keep our view that the Fed will be on hold through to 2027, but this is dependent on inflation moderating at least in line with Fed expectations from here.**

The Fed removed its previous easing bias – as expected. The surprise was in Fed member projections. Nine of the 18 member forecasts (which did not include new Fed Chair Warsh) - see a hike by end year, compared to none in March. Most of the remaining members see rates on hold. Moreover, the statement ended with “The Committee will deliver price stability”, indicating the focus is now on the inflation side of the dual mandate.

An inflation focus is made easier by recent improvement in labour market data – even if indicators are still mixed. Signs of labour market deterioration might challenge this, but we (and the Fed) no longer see this as the most likely scenario given recent job gains and still solid growth in the economy.

The only dovish element, relative to some expectations, was that the median Fed view of neutral was unchanged at 3.1%. However, many members see it as higher, and the relevance of long run neutral to current policy settings, while a major AI investment boom is washing through the economy, is unclear. Warsh avoided drawing a firm conclusion on how restrictive policy is right now, saying it’s ‘uneven’.

The Fed member projections for core PCE inflation were revised up throughout the forecast horizon, particularly in 2026 (2.7% to 3.3%) and 2027 (2.2% to 2.5%). This implies trend lower monthly reads through to 2028. The decline in oil prices – post the US-Iran deal – also suggests that one of the upside risks around the inflation outlook has eased.

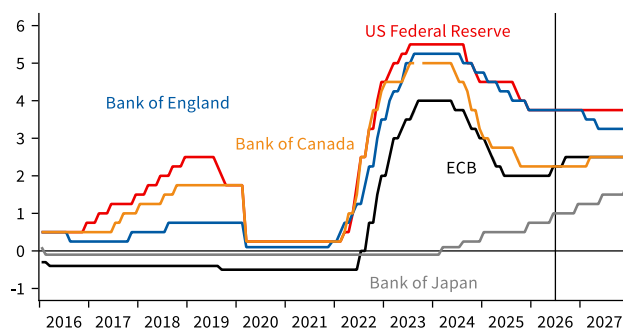
While the Fed projections moved in a hawkish direction, the Committee is evenly split between those wanting to remain on hold or to hike. Complicating the assessment is the new Chair, and his aversion of providing any guidance on how the FOMC is leaning.

As we also expect inflation to ease – driven by fading tariff impacts, moderate wage growth (particularly given solid productivity growth) and weakness in housing rents, we see the Fed staying on hold. However, patience for high inflation – and looking through supply driven shocks – is clearly wearing thin, and any further upside inflation surprises from here would probably trigger rate hikes.

The **BoE** kept rates steady at 3.75% in what it terms as an ‘activist hold’, signalling it is closely watching for second-round effects. The vote shifted to 7:2 from 8:1, but the majority on the MPC signalled tighter financial conditions and lower than forecast inflation calls for unchanged rates, in line with our own view through to 2027.

For the **BoC**, there is clear slack in the economy and concerns over the growth outlook remain. Core inflation measures are around the BoC’s inflation target. This leaves the BoC on hold but, given inflation risks, signalling a readiness to move in either direction. The next likely change is a rate increase in 2027 if the economy recovers over 2026 as we expect.

Central bank policy rates (%)



Source: National Australia Bank, Refinitiv. For ECB deposit rate is shown.

## AI capex: the view from Asia

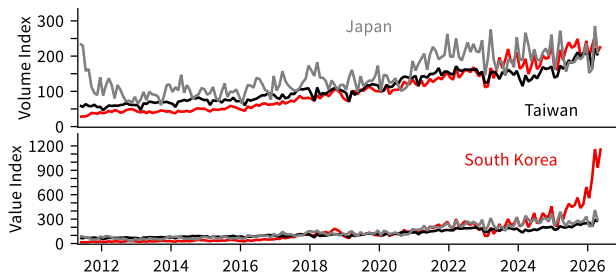
A common metric for gauging the AI capex cycle is observing its impact on US business investment. Whilst the impact is clearly visible, this only captures one node: domestic demand from US hyperscalers. To assess the cycle's global scale and durability, another lens is trade data from the Asian economies at the centre of the AI supply chains.

The demand side is anchored in the US. The four largest US technology companies (Amazon, Alphabet, Meta and Microsoft) are expected to spend around US\$720bn collectively on capital expenditure in 2026 as per Q1 earnings reports. The vast majority is directed at AI data centre infrastructure, with three of the four (Amazon being the exception) reporting compute demand in excess of available supply.

These inputs are sourced through a supply chain mainly split across three Asian economies, each playing a distinct role.

Taiwan manufactures the advanced chips at the heart of AI hardware. Export orders for electronic products have surged to successive records this year, as data centre builders placed orders well ahead of delivery. South Korea supplies the memory chips: semiconductor exports have risen sharply, driven by intense competition among hyperscalers to secure high-bandwidth memory, a chip architecture specifically designed for AI workloads. Japan produces the precision equipment and materials without which neither Taiwan nor Korea could run their production lines at current scale. Its machinery export data confirms investment in new capacity is still accelerating.

**AI supply chain: export volumes and values**



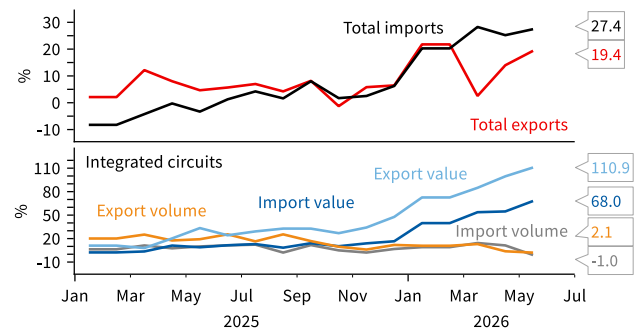
Source: National Australia Bank, Bank of Korea (BOK), Taiwan Ministry of Finance, Japanese Ministry of Finance (MOF), Macrobond  
 Note: Series are volumes for Semi-Conductors (South Korea), Parts of Electronic Product (Taiwan) and Semi-Conductor Machinery (Japan) from respective international trade series in domestic currency.

The picture from both sides of the supply chain is consistent: the cycle remains in expansion, supply-constrained rather than demand-constrained, and shows no sign of turning.

The chart above shows exports from these countries adjusted and unadjusted for inflation (i.e. volumes and values). Taiwan and Japan's lines track closely: the expansion is mainly physical, not a major repricing event. Korea is a different story. Its value index has surged several factors beyond the scale of the others, driven by an extraordinary price premium as hyperscalers compete for scarce supply. With all 2026 capacity already allocated and Samsung's CFO warning the supply gap will be more severe in 2027, the price premium supporting Korea's export values is unlikely to compress this year.

China plays a distinct role. It is simultaneously a consumer and producer within its own AI infrastructure stack, building in parallel to the Western buildout rather than supplying it directly. Electronic integrated circuit trade is surging on both sides, with export values up over 100% year-on-year. China adds a second source of demand to the global supply chain, but the opacity of its data makes the size difficult to measure with confidence.

**China trade - total & integrated circuits (yoy%)**



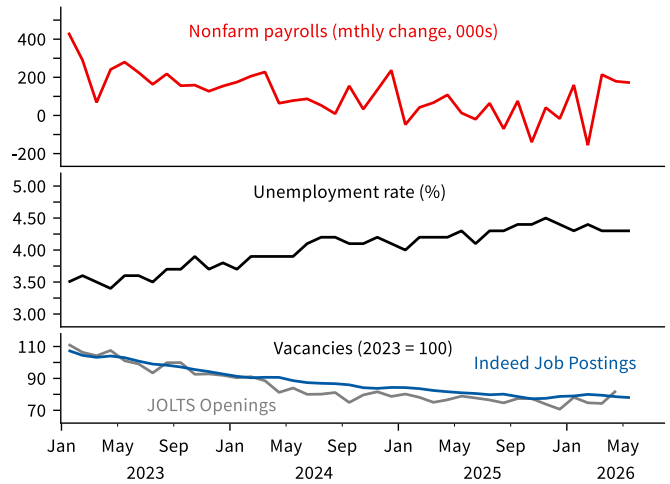
Source: National Australia Bank, China General Administration of Customs (GAC), Macrobond

## Country quick take

### United States

- Early indicators point to stronger Q2 GDP growth. With OBBBA tax cut impacts fading, real wage declines are a headwind but consumer spending is holding up and tech investment growth will support growth.
- A limited **budget reconciliation** bill was passed this month. The President has requested a further bill to fund extra defence spending but support from Congress is uncertain.
- The labour market remains broadly stable and will be supported by solid economic growth. Jobs growth has strengthened but is narrowly based, the unemployment rate little changed and other indicators are mixed.
- CPI inflation was 4.2% in May, largely on higher gasoline prices, but core inflation is also up. Moderate wage growth and fading tariff impacts should bring inflation down.
- The Fed left rates unchanged in June, but the FOMC is split - we expect it to stay on hold but any further upwards inflation surprises will likely trigger rate hikes.

### US labour market indicators

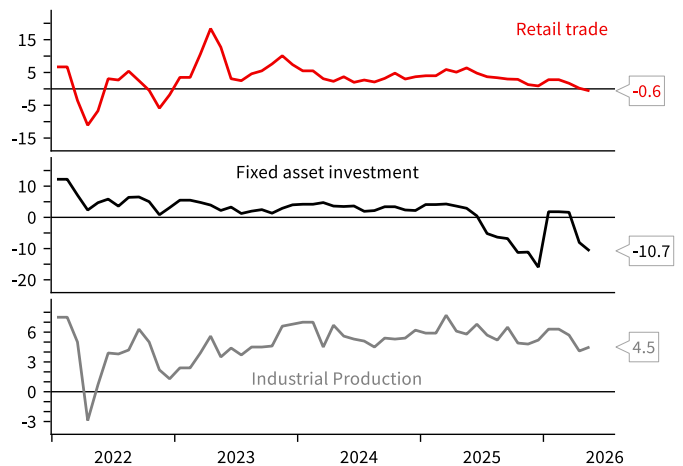


Source: National Australia Bank, U.S. Bureau of Labor Statistics (BLS), Indeed Hiring Lab, Macrobond

### China

- Domestic demand indicators for China were weak in May, pointing to slower GDP growth in Q2. Nominal retail sales in yoy terms were negative (the first time since 1990 outside COVID disruptions), with headwinds from a weak labour market and housing market downturn.
- Industrial production was slightly stronger (4.5% yoy) in May with high tech continuing to be an important driver (15.1% yoy). The risk of rising trade barriers remains.
- Industrial production is linked to trade where exports are growing strongly – up 19% yoy but with a large price element (commodity and tech prices) and large shifts by component.
- PPI inflation continued its upswing in May, but the consumer goods component remains subdued – highlighting ongoing deflationary pressures.
- GDP growth of 4.7% is expected for 2026 (the mid-point of the Government’s growth target).

### China monthly activity indicators (yoy%)

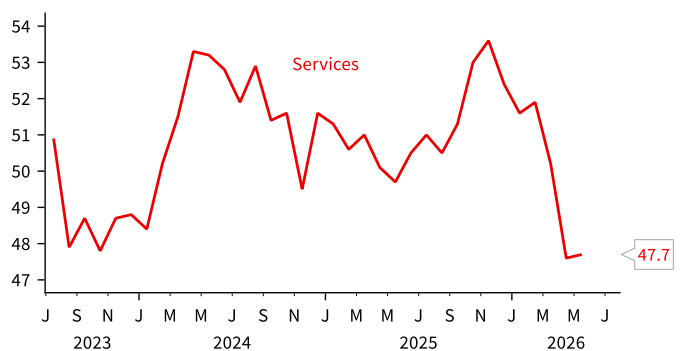


Source: National Australia Bank, China National Bureau of Statistics (NBS), Macrobond, Account in-house. Scale truncated for COVID extremes

### Euro-zone

- Initial estimates of EZ Q1 GDP of just 0.1% qoq were revised down to -0.2% qoq, thanks to an unexpected downward revision to Irish GDP from -2.1% to -12.1%. This following a frontloading of pharmaceutical exports in 2025.
- Excluding Ireland, EZ GDP was 0.26% in Q1 versus 0.4% in Q4. Germany 0.3%, Spain 0.6%, France -0.1%, Italy 0.3%.
- The Irish drag will fade and exports excluding Ireland look healthy at 0.3 ppts. A sharp slide in German inventories proved a net drag but should also rebound.
- However, the slump in the service sector PMI to 47.7 portends soft household consumption, which as warned won’t be aided by lower real incomes. While unemployment in aggregate remains low and consumers did use savings to pick up the pace of EV purchases as fuel prices rose, we do not see households using savings to supplement spending.
- Inflation has risen from 1.7% to 3.2%; but gains from here will be less marked. ECB to hike 25bps again in Sep to 2.5%.

### Euro Zone - S&P Global Services PMI

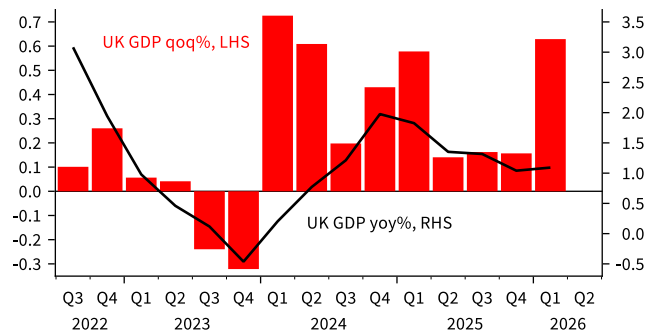


Source: National Australia Bank, Account in-house

**UK**

- Q1 GDP rebounded, as expected, as 2025 headwinds eased. As forewarned however, residual seasonality with strong Q1 GDP then fading as the year progresses, looks to be an issue (see chart).
- April monthly GDP fell 0.1%. Flat growth in May and June could still deliver a 0.2% in Q2, but the combination of lower real incomes, a circa 15% to 20% delayed jump in utility prices and the ongoing increasing tax burden will weigh on consumption. Services PMI has recently fallen.
- Falling bond yields on the US-Iran deal, underline UK energy import dependence and will be welcome.
- However, political uncertainty beckons with an expected change of PM coming in the summer and with it, higher spending commitments, funded by tax increases and possible higher borrowing.
- We continue to see the BoE on hold into 2027. A weak labour market is helping contain second round effects.

**UK GDP Growth**

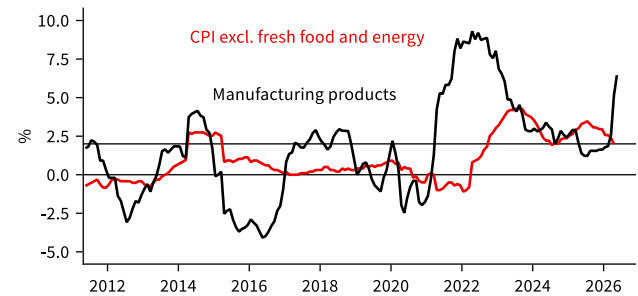


Source: National Australia Bank, Macrobond, 80% weight on services, 20% on manufacturing surveys

**Japan**

- CPI inflation remains contained for now due to government subsidies, but the pace of corporate price rises is accelerating.
- The labour market tightened further in May, reinforcing the signal being given by broader indicators showing a demand constrained economy.
- Recent fiscal policy decisions have been stimulatory. A ¥3.1tn mini budget (≈US\$19.5bn, ≈0.45% of GDP) finalised 4 June primarily extended petrol subsidies and is entirely deficit-financed. Reports suggest that the Government is considering a two-year reduction in the VAT on food from 8% to 1%, with a likely start date of April next year; by itself this would cost ~0.6-0.7% of GDP.
- The BoJ’s hike to 1%, accompanied by a cautious stance to further hikes and ongoing JGB purchases wasn’t a surprise but plays to the notion it is behind the curve and will keep downward pressure on the JPY.

**Japan prices**

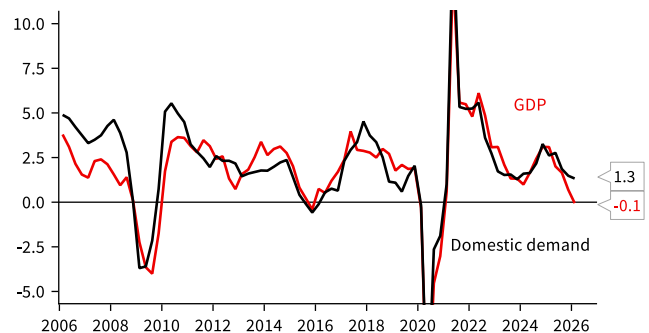


Source: National Australia Bank, Japanese Statistics Bureau, Ministry of Internal Affairs & Communications, Bank of Japan (BOJ), Macrobond  
Note: Chemical & related products is a subindex of manufacturing products.

**Canada**

- Q1 GDP contracted 0.1% annualised, but the recession label is misleading: per-capita activity holds up as population growth slows, leaving Canada in cyclical weakness rather than genuine downturn.
- The labour market remains soft. May employment jumped 88k and unemployment fell to 6.6% (-0.3ppts), but this barely reverses four months of declines.
- A BoC hold across 2026 remains the central case, with a hike expected in Q1 2027. The BoC held at 2.25% for a fifth time on 10 June, citing two competing risks: a weak growth backdrop that argues for patience, and energy-driven inflation that argues for vigilance.
- May CPI (due 22/6) will test this narrative, but Canadian underlying inflation has been easing to date throughout the Iran war.

**Canada activity (yoy%)**



Source: National Australia Bank, Statistics Canada, Macrobond

# Central Bank Monitor

	Inflation and output gap indicators			Central bank rates			
	Core inflation*	Unemployment	GDP	Policy rate**	NAB forecasts		
					bias	next meetings***	year-end forecast
<b>US Federal Reserve</b>	3.3% 	4.3% 	2.6% 	3.75% 	hold	29 Jul 3.75 16 Sep 3.75	end 2026 3.75 end 2027 3.75
The FOMC is split - we expect it remain on hold but this assumes inflation soon moderates at least in line with expectations - any further upwards inflation surprises will likely trigger rate hikes.							
<b>European Central Bank</b>	2.5% 	6.2% 	0.3% 	2.25% 	tightening	23 Jul 2.25 10 Sep 2.50	end 2026 2.50 end 2027 2.50
With EZ monetary policy settings at the lower end of neutral and inflation set to rise to a little over 3% in coming months, we see the ECB following up its June hike with a further 25bps rise in September.							
<b>Bank of Japan</b>	1.1% 	2.5% 	0.3% 	1.00% 	tightening	31 Jul 1.00 18 Sep 1.00	end 2026 1.25 end 2027 1.75
Further tightening expected by the BoJ as it moves the policy rate towards neutral, given positive output gap, strong wages growth & flow through of higher energy costs. Will be a gradual process.							
<b>Bank of England</b>	2.6% 	4.9% 	1.1% 	3.75% 	hold	30 Jul 3.75 17 Sep 3.75	end 2026 3.75 end 2027 3.25
With inflation set to hold above target for an extended period, concerns over inflation scarring and 2nd round effects, the BoE is now on 'active hold.' We are skeptical on rate hikes. We continue to see rate cuts in 2027.							
<b>Bank of Canada</b>	2.0% 	6.6% 	-0.1% 	2.25% 	hold	15 Jul 2.25 2 Sep 2.25	end 2026 2.25 end 2027 2.50
Labour market slack, growth concerns and around target core inflation will keep the BoC on hold this year even as energy prices push up headline inflation. A move higher in 2027 is likely if growth recovers as expected.							
<b>Reserve Bank of New Zealand</b>	2.5% 	5.3% 	1.5% 	2.25% 	tightening	8 Jul 2.50 2 Sep 2.75	end 2026 3.25 end 2027 4.00
In order to get inflation under control we expect the RBNZ to hike rates at each meeting until the OCR reaches an above natural 4.00%.							
<b>People's Bank of China</b>	1.1% 		5.0% 	1.40% 	easing	na	end 2026 1.30 end 2027
The end to PPI disinflation, on rising energy costs, reduces immediate pressure for PBoC action; we expect 1 rate cut later in the year but risk is they do none.							

\* Core based headline ex food and energy, except Japan (also excludes alcoholic beverages), UK (also excludes alcoholic beverages & tobacco), NZ (RBNZ's factoral model), Canada, Aust. (qly TRIM measure). US PCE measure used, CPI for all others

\*\* For federal funds rate the top of the target range is shown \*\*\* For meetings spanning two days, the final day is shown

Note: number at top of each chart is latest observation (yoy change for GDP and inflation, level for unemployment. rate and policy rate). 15yrs of data shown.

## Economic Forecast Detail - Advanced Economies

	2025				2026				2027			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>United States</b>												
<b>GDP</b>												
qoq%	-0.2	0.9	1.1	0.1	0.4	0.7	0.5	0.5	0.5	0.5	0.5	0.5
qoq, annualised %	-0.6	3.8	4.4	0.5	1.6	2.7	1.9	1.9	2.0	2.0	1.9	1.8
yoy%	2.0	2.1	2.3	2.0	2.6	2.3	1.7	2.0	2.1	1.9	1.9	1.9
year-average				2.1				2.1				2.0
<b>PCE deflator</b>												
Headline - yoy%	2.6	2.4	2.7	2.8	3.1	3.9	3.8	3.5	2.9	2.1	2.0	2.1
Core												
qoq%	0.8	0.6	0.7	0.7	1.1	0.9	0.7	0.6	0.6	0.6	0.6	0.5
yoy%	2.8	2.7	2.9	2.9	3.1	3.4	3.4	3.3	2.8	2.5	2.4	2.3
<b>Unemployment rate</b>												
qly average %	4.1	4.2	4.3	4.4	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.2
<b>Fed funds rate</b>												
Top of target band (%)	4.50	4.50	4.25	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
<b>Euro-zone</b>												
<b>GDP</b>												
qoq%	0.7	0.1	0.3	0.2	-0.2	0.3	0.3	0.2	0.3	0.4	0.4	0.4
yoy%	1.7	1.6	1.4	1.2	0.3	0.5	0.5	0.6	1.1	1.2	1.3	1.4
year-average				1.5				0.5				1.2
Policy rate (%)	2.50	2.00	2.00	2.00	2.00	2.25	2.50	2.50	2.50	2.50	2.50	2.50
<b>United Kingdom</b>												
<b>GDP</b>												
qoq%	0.6	0.1	0.2	0.2	0.6	0.0	0.0	0.1	0.4	0.2	0.2	0.2
yoy%	1.8	1.4	1.3	1.0	1.1	1.0	0.8	0.7	0.6	0.7	0.9	1.0
year-average				1.4				0.9				0.8
Policy rate (%)	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.50	3.25	3.25	3.25
<b>Japan</b>												
<b>GDP</b>												
qoq%	0.5	0.3	-0.7	0.3	0.3	0.1	0.2	0.1	0.2	0.2	0.2	0.2
yoy%	1.5	1.8	0.5	0.4	0.3	0.2	1.0	1.0	0.8	0.8	0.8	0.7
year-average				1.1				0.6				0.8
Policy rate (%)	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75
<b>Canada</b>												
<b>GDP</b>												
qoq%	0.7	-0.2	0.5	-0.2	0.0	0.4	0.3	0.4	0.4	0.4	0.4	0.4
yoy%	3.1	2.0	1.7	0.7	-0.1	0.6	0.4	1.0	1.5	1.5	1.7	1.7
year-average				1.9				0.5				1.6
Policy rate (%)	2.75	2.75	2.50	2.25	2.25	2.25	2.25	2.25	2.50	2.50	2.50	2.50

Source: NAB Economics and Markets Research

## FX Forecasts

	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
AUD/USD	0.71	0.72	0.73	0.74	0.73	0.72	0.72	0.72	0.71
NZD/USD	0.59	0.61	0.63	0.64	0.63	0.63	0.63	0.63	0.62
USD/JPY	156	153	152	150	149	146	144	142	140
EUR/USD	1.18	1.19	1.20	1.21	1.20	1.20	1.19	1.18	1.18
GBP/USD	1.33	1.34	1.33	1.36	1.35	1.35	1.35	1.36	1.36
USD/CHF	0.78	0.78	0.77	0.76	0.77	0.77	0.78	0.78	0.78
USD/CAD	1.37	1.36	1.35	1.34	1.35	1.37	1.37	1.36	1.36
USD/CNY	6.75	6.70	6.60	6.50	6.40	6.40	6.40	6.43	6.45

Australian Cross Rates									
	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
AUD/NZD	1.20	1.18	1.16	1.15	1.15	1.14	1.14	1.14	1.14
AUD/JPY	111	110	111	111	109	105	104	102	99
AUD/EUR	0.60	0.61	0.61	0.61	0.61	0.60	0.61	0.61	0.60
AUD/GBP	0.53	0.54	0.55	0.54	0.54	0.53	0.53	0.53	0.52
AUD/CHF	0.56	0.56	0.56	0.57	0.56	0.56	0.56	0.56	0.56
AUD/CAD	0.97	0.98	0.99	0.99	0.99	0.99	0.99	0.98	0.97
AUD/CNY	4.79	4.82	4.82	4.81	4.67	4.61	4.61	4.63	4.58

[Global FX Strategist](#) provides details on our FX views

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