Economics and Markets Research

# Global Forward View

national australia bank

## In this issue


Solid Q3 growth..... 2

Central banks – more rate rises..... 3

US mid-terms – implications..... 4

Country quick take..... 5

Central Bank Monitor..... 7

Economic Forecast Detail - Advanced Economies..... 8

FX Forecasts..... 8


## Stable growth in an unstable world

- **Growth in Q3 was generally as, or stronger than, expected. We again revise up our global growth forecast.**
- **Growth has been remarkably stable over the past 1½ years despite some major shocks (US tariffs, energy supply disruption). AI investment has been an offset but downside risks are rising, including from political push-back.**
- **More rate hikes to come – including the Fed, BoE, ECB and BoJ in December.**

The US, UK, Canada and the euro-zone all saw growth strengthen over Q2/Q3. While Japan saw a flat Q3 outcome but survey indicators suggest the economy remains solid. The pick-up in China GDP growth in Q3 did not carry over into October, with most activity indicators softening.

We have edged up our 2027 global growth forecast on better-than-expected Q3 growth in Europe and Asia (ex-China, Japan, India). The expected dip in global growth in 2026 to 3.2%, and subsequent rebound in 2027 to 3.5%, in large part reflects the anticipated recovery in those Middle East economies heavily impacted by the war.

Outside of this, growth has been remarkably stable (see chart below) although we expect some moderation from here. While oil prices have come off recently, they remain elevated and pass through to prices and activity is likely not complete. Moreover, tighter policy settings and financial conditions will also constrain growth and downside risks to the AI build out are rising. The trend slowing in the Chinese economy and an expected normalisation of growth in India, if realised, will also restrain future growth.

We expect further policy tightening by the major central banks. For the US Fed, we have been anticipating a December rate hike and now also see one in January (both by 25bp). As expected, the Bank of England raised its policy rate this month and we now expect a follow up move in December. The ECB, BoJ and BoC are also expected to further tighten policy. While only a modest further tightening is expected (up to 50bp in each case), the near term risk skews to the upside.

The US mid-terms saw the Democratic party take control of Congress. The ability of the new Congress to make major budget or other changes will be limited by the need for cross-party support given the Senate filibuster and Presidential veto. Political push back on data centres was evident in the campaign and points to growing regulatory barriers.

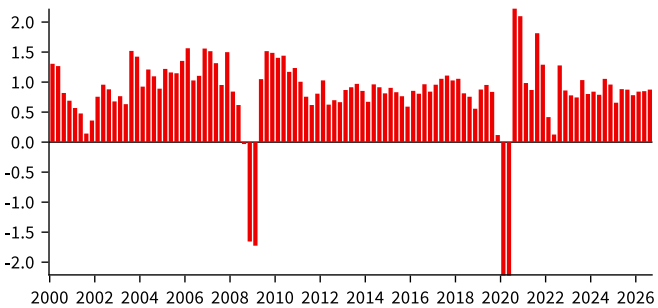
### Key Economic Forecasts (year average % change)

| | 2025 | 2026 | | 2027 | | 2028 | |
|---|---|---|---|---|---|---|---|
| US | 2.0 | 2.4 | | 2.2 | | 2.0 | |
| Euro-zone | 1.3 | 1.1 | (0.1) | 1.3 | (0.1) | 1.3 | |
| Japan | 1.2 | 0.9 | | 0.9 | (-0.1) | 0.8 | |
| UK | 1.2 | 1.6 | (0.1) | 1.1 | (0.1) | 1.2 | |
| Canada | 1.9 | 1.0 | | 1.8 | (0.2) | 1.7 | (0.1) |
| China | 5.0 | 4.6 | | 4.4 | | 4.4 | |
| India | 7.6 | 7.6 | | 6.7 | | 6.6 | |
| Latin America | 2.5 | 1.9 | (-0.1) | 2.2 | (-0.1) | 2.3 | |
| Other East Asia | 4.4 | 5.4 | (0.2) | 4.3 | (0.3) | 4.2 | (0.3) |
| NZ | 0.3 | 2.1 | | 2.3 | | 2.9 | |
| **Global** | **3.5** | **3.2** | | **3.5** | **(0.1)** | **3.4** | **(0.1)** |
| Major trading partners | 3.9 | 3.9 | (0.1) | 3.6 | | 3.6 | |

Note: Other East Asia includes Indonesia, Taiwan, Thailand, Singapore, Hong Kong, Philippines, South Korea and, Malaysia

### Global growth proxy points to stable growth

World GDP growth indicator (qtly %)




Source: National Australia Bank, Macrobond. COVID extremes removed from y-axis. 2026 Q3 includes NAB forecasts for countries yet to report. Note, does not include all countries that are part of annual global forecast, incl.Middle-East and Sub-Saharan Africa.


**Authors: Antony Kelly, Head of International Economics | Gavin Friend, Senior Markets Strategist | Josh Copeland, Economist**

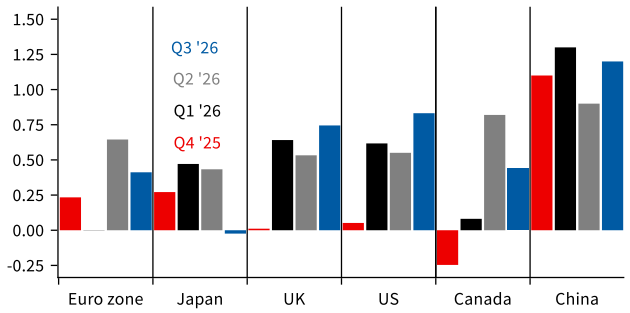


© National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686

# Solid Q3 growth

**Available Q3 GDP data confirm the resilience in global growth**. As we noted last month, China GDP growth rebounded from its soft Q2 print. The US, UK, Canada and the euro-zone all saw stronger growth over Q2/Q3 than in the prior two quarters. This is despite the global energy shock, with growth above what is considered its potential in each case. In Q3, the annualised growth rate of 3.4% qoq for the US was the strongest outcome for a year, while the UK recorded its strongest quarterly growth since early 2024.

Major economy GDP growth (qoq%)

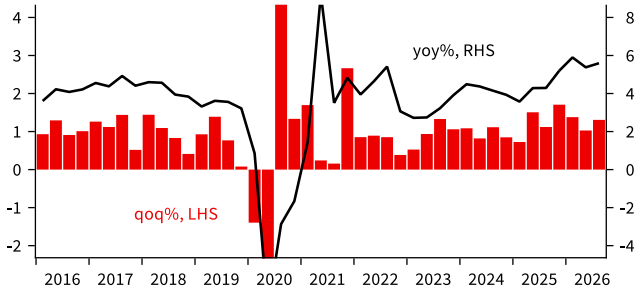



Source: National Australia Bank, Macrobond. Canada Q3 GDP based on July/August monthly GDP outcomes and advance estimate for September.

The only exception was Japan, where growth has slowed, with Q3 GDP basically flat (and slightly lower than expected). Even so, growth over Q2 and Q3 was in line with estimates of potential, and business surveys are more positive.

Q3 strength was also evident in the 'Other East Asia' (ex-Japan and China) economies. Growth in the region has been trending up, assisted by its role in providing inputs into the build out of cloud and AI infrastructure. In the first half of the year there was some moderation in the pace of quarterly growth, but in Q3 growth rebounded. Leading the way (again) was Taiwan, where GDP rose 3.2% qoq (14.2% yoy) while growth also picked up in South Korea and Hong Kong and was generally robust elsewhere.

Non-Jpn/China asia GDP growth (PPP weighted)



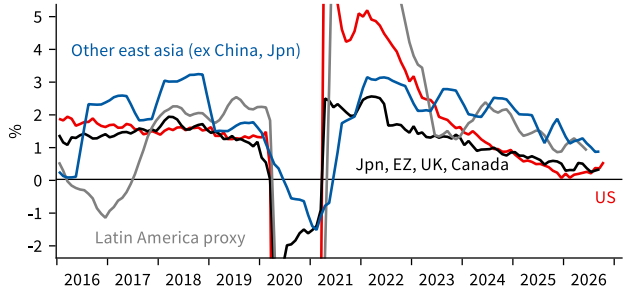

Source: Macrobond. NAB calculations using IMF PPP weights. Countries covered are: Hong Kong, Singapore, Indonesia,Taiwan, Malaysia, South Korea, Philippines, Thailand. Thai Q3 26 GDP is a NAB estimate. COVID extremes truncated on y axis.

The JP Morgan S&P Global Composite PMI took a step down in October, but it remains at a high level by the standard of recent years. However, the S&P Global Business Outlook survey of around 12,000 firms (conducted every four months) for October, pointed to **business confidence at its lowest level in four years**. Cost pressures are a factor and hiring intentions are weak as, according to S&P, businesses look to lower staff costs. Better news from the survey was seen with regards to capex and R&D intentions which improved.

**Business investment has been mixed across countries but with strength evident in the US and parts of Asia**. Canada and the UK have also shown signs of improvement more recently. This is consistent with the strong growth in corporate profits (and the broader resilience in growth and demand). However, according to the Business Outlook survey business expectations of future profits are at multi-year lows, which if realised, might threaten this dynamic.

Employment growth has been on a different track, with **a broad based slow down since 2022. The US has bucked this trend this year, with jobs growth strengthening**, but the trajectory has been less positive elsewhere.

Employment (yoy%)




Source: National Australia Bank, U.S. Bureau of Labor Statistics (BLS), Macrobond. 3 month moving average for Latin America (Brazil, Chile, Mexico) and other East Asia (Hong Kong, Singapore, Indonesia,Taiwan, Malaysia, South Korea, Philippines, Thailand)

How this contrast of investment strength (even if narrowly based) against slowing job gains resolves itself will be important for the outlook. The concentration of investment in capital intensive sectors (tech/AI) may partly explain the divergence. However, US profit growth over the last year has been reasonably broad based and non-AI investment has started to grow again.

If the recent strength in activity leads to stronger employment outcomes, then this will support household activity and help sustain growth. If it does not, then continuing high inflation could see consumption soften and, in time, might lead to a pull-back in investment.

A reduced savings rate has been one mechanism that households have used to absorb rising costs (with Japan the exception). With a renewed downturn in confidence and pressure on share prices weighing on wealth, there is no guarantee this will continue. While oil prices have come down recently, they are still elevated, as are natural gas prices in Europe and Asia.

Because of the tightening in monetary policy and broader financial conditions, the enduring energy shock and an expectation of less fiscal support, **we expect global growth (ex the Middle East) to moderate from its Q2/Q3 pace, although it should remain solid**. Soft October activity data for China suggests the Q3 upturn may fade into Q4.

Upward revisions to our euro-zone, UK and 'Other East Asia' economies forecasts see our **global growth forecast for 2027 nudge up to 3.5% from 3.4%**. Growth in 2027 and 2028 incorporates an expected rebound in the Middle East countries directly impacted by the war; the impact on energy

production in these countries is a major factor in the relatively low global growth, of 3.2%, expected for 2026. This shift is already underway with Saudi oil production back to around its pre-war levels in October.

As already noted, Other East-Asia growth is in large part a reflection in the build out of AI. This has also been an important support for US growth, in part through wealth effects, and looks to have been a factor in the UK's better than expected outcomes.

**A key forecast uncertainty is when AI investment growth will slow down.** While the trend of upward forecast revisions this year, particularly for Other East Asia, points to an underestimation of the strength of AI related activity, the likelihood of a slowdown during our forecast horizon is growing. This is also reflected in market re-pricing of AI related businesses (lower share prices) and debt (higher bond yields) as well as growing political push back on data centre construction, notably in the US.

## Central banks – more rate rises

This month we **adjust our US Fed and Bank of England (BoE) calls to incorporate an extra 25bp rate hike for both**.

For the **US Federal Reserve**, we had been anticipating a 25bp rate rise at the December meeting with a risk of a follow up move in Q1 2027. We think a follow up, 25bp, hike in January (or failing that, March) is now highly likely and so incorporate it into our central forecast.

The shift reflects two months of elevated inflation prints – with September and, based on CPI and PPI data, October core PCE inflation of around 0.3% mom. This will leave annual core PCE inflation at, or close to, 3.3% yoy which would be the highest outcome since late 2023, so not only is inflation too high it is moving in the wrong direction.

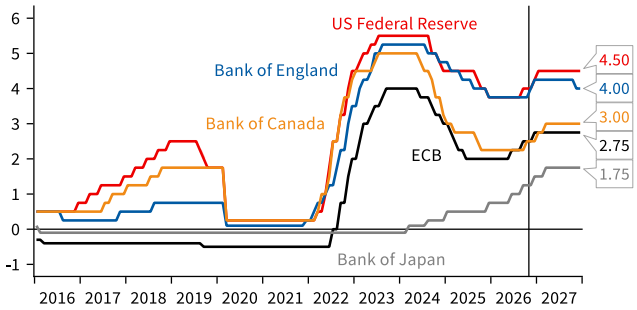
Even with the sharp recent correction, oil prices remain high, raising concerns for the Fed that this could result in a broader based, persistent, increase in inflation (see Vice-Chair Jefferson's speech last week).

At the same time, the labour market remains healthy. While the unemployment rate has been broadly stable since mid-year, jobs growth has broadened out, jobless benefit claims are falling while there are signs vacancies are rising. Moderate wage growth has been one source of comfort to some Fed members that inflation would eventually reset to a lower level – but the strength of growth through Q3 raises the risk that the labour market tightens, and wage growth picks up.

Recent communications by Fed officials also point to rate rises. Indeed, comments by Governor Waller that a 0.30% October CPI or higher would warrant consideration of a 50bp increase, raises the possibility that the Fed could move more quickly than we expect. However, other Fed members appear to favour a more gradual pace of tightening.

If we are right and the Fed increases rates by a total of 50bp by early 2027, the question is, does it go further? Given the persistence of inflation and the increasing sensitivity of members of the Fed to any high inflation prints, this cannot be ruled out - the risks still skew to additional tightening. However, a feature of the September member projections was that no member saw the funds rate moving by more than 75bps to above 4.50% (by end 2027). While we would not be surprised if some members were to raise their expected peak rate in the December projections, this does suggest that a total of 75bp of hikes for this cycle was seen as an appropriate place to pause and assess the impact.

Central bank policy rates (%)




Source: National Australia Bank, Macrobond. Fed funds rate is top of target range. For ECB deposit rate shown.

The **BoE** hiked rates for the first time since the post-pandemic hiking cycle, on 5 November with a 25bps increase to 4%. This understates the effective tightening in policy this year as, prior to the Iran war, two rate cuts were priced and widely anticipated to occur from mid-2026 (but did not, in the event, happen).

Additional tightening comes from the >100bps rise in 10-year gilt yields since the Iran war erupted; 150bps in the two-year. Those moves and market pricing of a further three hikes at least, have seen UK mortgage rates rise to 18-year highs around 6%. However, and despite the BoE confirming there is little evidence of second-round inflation effects, the BoE's voting MPC has shifted to a stance where it believes inflationary pressure already in the pipeline warrants action.

The likelihood that UK CPI rises from its current 3.5% to at least 4.5% in H1 2027 is high. With stronger than expected UK economic growth and a stabilising labour market, the BoE needs reasons ***not*** to hike, believing the chances of pass-through are rising. Absent an end to the Iran war and a more profound decline in energy prices, we see the BoE hiking to 4.25%, with a risk they go to 4.50%, before pausing.

The BoE's reluctance to hike until now might argue for a second hike to wait until the February 2027 meeting and new forecasts, and it is possible that this is the approach they take. However, the broader market rate-repricing that sees the Fed, ECB and others hiking in December, suggests the BoE will do the same, giving it time to then assess energy prices and second-round evidence.

With rates at levels considered restrictive by the Fed and Bank of England (at least relative to what is seen as their long run neutral level), once they gain confidence that inflation will fall back to target, consideration will turn to normalising rates. For the UK – where ongoing fiscal tightening, declining real income growth and higher mortgage costs will weigh on the economy – we expect to see this start at the back end of 2027, with a risk this is delayed to early 2028. For the US we

don't see any move until the back half of 2028, based on our expectation of when inflation will start to get close to target. Our projected policy rates for the other majors only see them being modestly restrictive (ECB), or within the neutral range (Bank of Canada and Bank of Japan) so we don't expect any rate cuts by end 2027.

## US mid-terms – implications

**The US mid-term elections saw the Democratic party retake control of both houses of Congress.** The size of the victory leaves President Trump looking politically diminished and raises the prospect that the Democrats will seek to make meaningful policy changes.

That said, most legislation can be blocked by a Senate filibuster and, if passed by Congress, vetoed by the President. Overcoming a Senate filibuster would require support from some Republican senators given 60 votes are needed, but to make legislation veto proof would require even further cross-party support (a two-thirds majority in both the House and Senate). **This need for significant cross-party support will constrain what is possible**.

Hakeem Jeffries – the likely new speaker of the House – has listed ending Trump tariffs as part of his agenda. However, unless Congress changes existing laws the President still has wide tariff powers. A range of trade investigations are underway – which had been expected to lead to further tariffs. Adding to the **tariff uncertainty**, Section 301 tariffs are being challenged in the Court of International Trade, with a decision expected soon.

Jeffries also wants, among other things, to reverse the administration's Medicaid and SNAP cuts. While Democrats can use the budget reconciliation process to get around the filibuster, any resulting bill remains subject to presidential veto. It is possible that the President may agree to some changes, possibly in exchange for support for his priorities (such as extra defence spending), or because the political costs of a veto are too high. This suggests that large changes in fiscal settings are unlikely, but to the extent political compromises over competing priorities occur, the risk is that they will widen the deficit.

**Even before the new Congress convenes (on 3 January), the current one will need to act to avoid a government shutdown** – the current funding arrangement expires 11 December. In doing so, the current Congress could also include new measures. The Committee for a Responsible Federal Budget has flagged that this could cover items such as defence, tax changes, veterans' benefits and a farm bill. The debt limit is another consideration, as it may need to be raised by as early as mid-2027. One possibility is Republicans try to push through an increase in the debt ceiling for the coming two years, along with increases in military funding as part of a budget reconciliation bill. What's not clear is whether Republicans can unite on this issue.

The Senate coming under Democrat control **lowers the risk to Fed independence**. Even if the administration continues its efforts to remove Governor Cook, any replacement would need to be acceptable to the Democratic-controlled Senate; otherwise, the position could remain vacant.

**One immediate reaction to the election was a large fall in oil prices,** partly reflecting expectations that the likelihood of further escalation had fallen. Nevertheless, the US still maintains a blockade of Iran oil shipments and attacks by Iran on tankers continue. Oil prices remain high and, as has been the case since the conflict began, there is considerable uncertainty about how it will evolve from here.

That said, the scale of the Republican defeat and the pushback from VP Vance suggests President Trump will seek to find an exit route. The prospect of this underpins broader market optimism that energy prices will come lower.

**Data centres also figured prominently during the election campaign**, with a number of candidates for Congress and in state races calling for moratoriums or pauses on new developments. According to Cleanview, around 40% of planned data centre capacity is in states where a pause is in place or one has been pledged by governors-elect. Ballot initiatives have also resulted in greater restrictions or the rejection of proposals facilitating development.

The impact of this move is clear directionally – to constrain data centre development and related activity – but when and by how much is uncertain. In some areas rules may have been tightened or support removed but new construction can still occur. Some jurisdictions may still be welcoming of new projects resulting in investment shifting location rather than stopping.

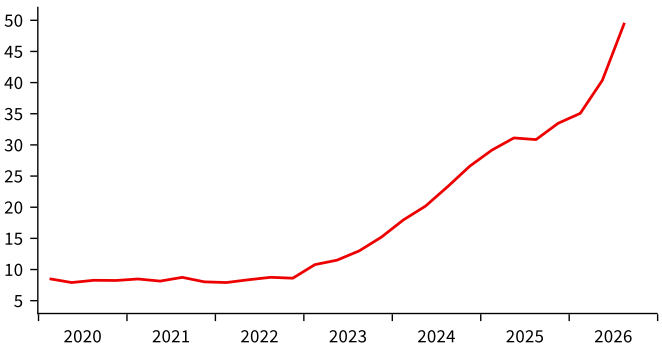
States will be aware that moratoriums could impact jobs and will attempt to find a balance. Democrat support for renewable energy as well as closed-loop water cooling will be part of the solution to the power and water issues that concerned voters. In any event, projects already approved or under construction should, in the main, continue, but increased Federal and state regulatory friction may result in a slower and more prolonged investment cycle. Still, a slowdown in data centre construction remains a downside risk to the growth outlook.

# Country quick take

### United States

- As expected, GDP growth in Q3 was strong (3.4% qoq annualised), driven by household consumption and business investment.
- AI related investment continues to grow strongly, including data centres even as recent market focus and growing political push back raises uncertainty about the outlook.
- Robust growth has seen the labour market strengthen. Non-farm payrolls grew strongly in October. The unemployment rate also edged down to 4.1%; while it has been broadly flat since mid-year jobless claims are trending down.
- Inflation remains elevated; we expect core PCE inflation of 3.4% yoy in Q4, which would be the highest outcome since Q4 2023. We see inflation moderating over 2027 but staying high on continued oil price pass through, AI supply constraints and a healthy labour market.
- Given this the Fed will tighten policy further; we expect 25bp increases in both December and January.

Data Centre Investment (chain prices, USD billion)

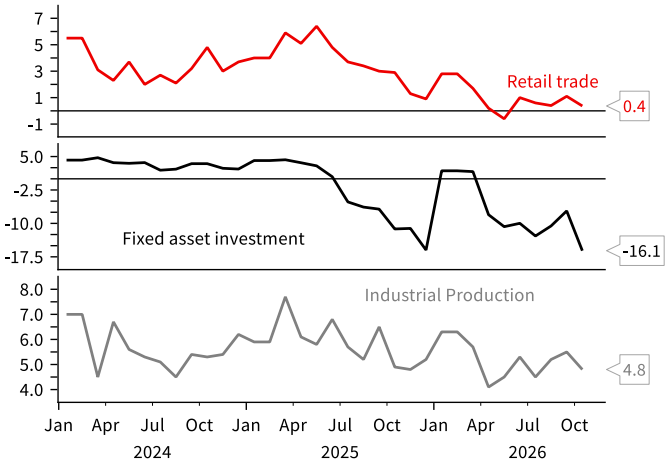



Source: National Australia Bank, U.S. Bureau of Economic Analysis (BEA), Macrobond

### China

- While GDP growth picked up in Q3, any positive momentum has not carried over into Q4. Industrial production, fixed asset investment and retail trade all weakened in October.
- Government efforts to speed up utilisation of existing policy facilities are evident – growth in government bond issuance has turned up, although it may be too early to see the impact of policy measures announced late September and the policy financing tools.
- Hi-tech industrial production remains a key driver – rising 17.6% yoy while other sectors struggle. With domestic demand generally soft, exports are a key driver. Export values grew by 35.2% yoy in October (in $US terms); with volumes also strong (13.0% yoy in September).
- CPI inflation remains low (0.7% mom), but PPI inflation (5.7% yoy in October) reached its highest level since mid-2022, reflecting energy (and downstream product) inflation and strong growth in tech related prices.

China monthly activity indicators (yoy%)

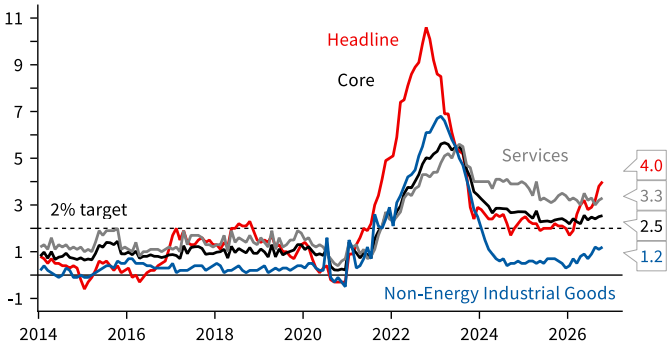



Source: National Australia Bank, China National Bureau of Statistics (NBS), Macrobond, Account in-house. Scale truncated for COVID extremes

### Euro-zone

- EZ growth has been flattered by volatility in Ireland in both Q2 and Q3. Q2's EZ 0.6% outturn and 0.4% in Q3, were both a more modest 0.2% qoq, ex-Ireland. Germany posted growth of 0.2%, France -0.1%, Italy zero, while Spain was reasonable at 0.6%, the same as the Netherlands. Germany, Spain and others will continue to grow, while questions remain on France and to some extent Italy. Annual EZ growth of 1% or so, still shows the EZ muddling through versus above 2% for the US, just below for the UK.
- EZ September trade recorded a EUR10bn deficit, impacted mainly by higher energy imports and lower vehicle and machinery exports. The deficit with China increased, while the surplus with the US fell. Exports to the UK picked up.
- Consumption has held in, despite inflation rising to 4%, eating into disposable income. Inflation will likely push above 4% before peaking in Q1 2027 on base effects, but leaves the ECB having to hike again in December to 2.75%.

Euro-zone HICP inflation (yoy%)

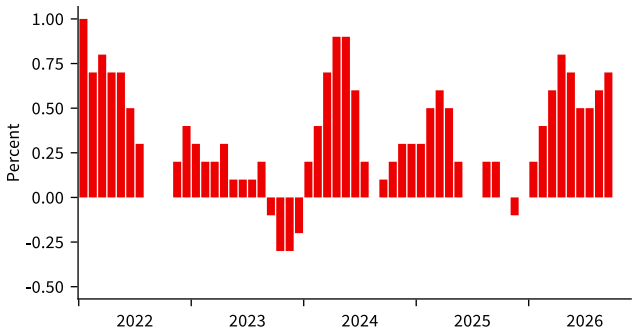



Source: National Australia Bank, Macrobond.

**UK**

- Q3 GDP of 0.7% qoq suggests UK economic growth is more than resilient, with 0.6% in Q1 and 0.5% in Q2. Annual growth may exceed the 1.6% BoE/consensus.
- One driver has been strength in key service sector measures – Info & Comms, Professional, Scientific and Administrative – with the ONS noting AI-related activity. Info & Comms has been the largest driver in 2026, growing 2.1% in Q3. In contrast, Construction shrank.
- Despite ongoing cost-of-living pressures, higher taxation, mortgage rates at 18-year highs and building negative real income growth, consumption has held up.
- Inflation is set to rise from 3.5% to at least 4.5% in H1 2027. The BoE has hiked rates for the first time since 2023 and is signalling inflation in the pipeline warrants more tightening. We've shifted to a December hike to 4.25%, before a pause, with the risk the BoE delays to Feb '27.

UK monthly GDP (3 mthly % change)

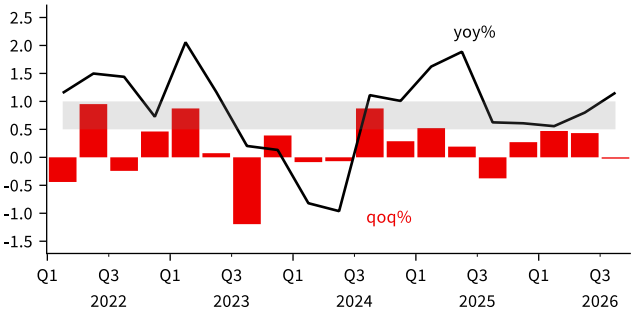



Source: National Australia Bank, U.K. Office for National Statistics (ONS), Account in-house, Macrobond

**Japan**

- The economy did not grow in Q3, with adverse weather a factor. This followed two quarters of strong growth; annual growth (1.2% yoy) is above potential and business surveys remain positive.
- Nominal wage growth remains at multi-decade highs and employees are seeing real wage growth amid a tight labour market. Business surveys point to broader capacity constraints. CPI inflation, both headline and across various core measures, is above 2.0%.
- The temporary cut in the VAT on food has passed the lower house, with the upper house expected to vote in December. FY 27 budget plans will be released the same month; we expect the net impact to be stimulatory.
- With the BoJ's policy rate still considered accommodative, this backdrop calls for policy rate rises. The Bank is indicating that it will do so; we expect a hike in December, and again in March.

Japan, GDP growth (%)

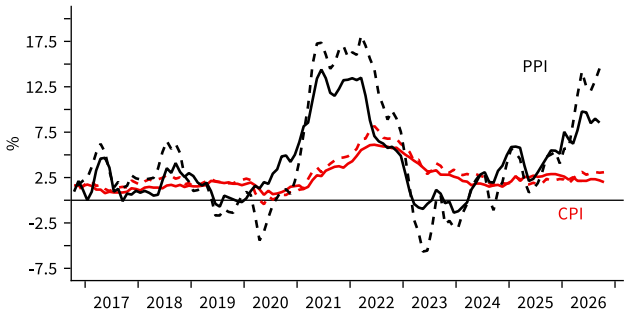



Source: National Australia Bank, Japanese Cabinet Office (CAO), Macrobond. Shaded area shows BoJ estimate of potential (yoy basis)

**Canada**

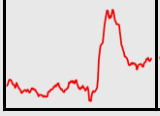
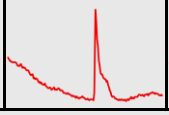
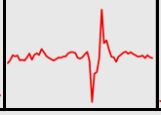
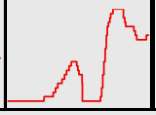
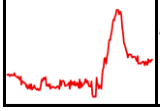
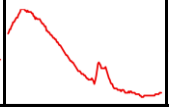
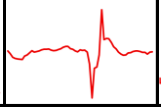
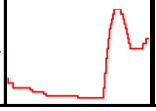
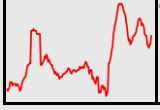
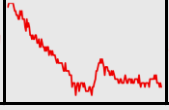
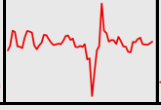
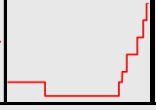
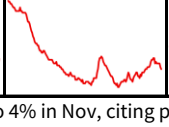
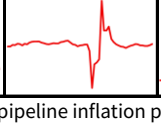
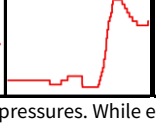
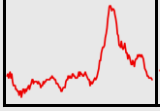
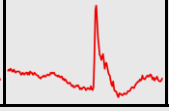
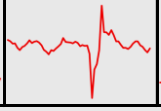
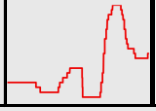
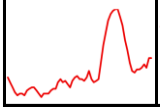
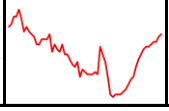
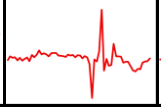
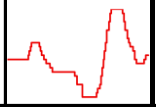
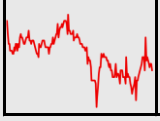
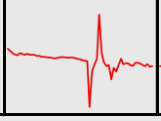
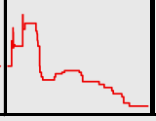
- Recent indicators now suggest GDP growth of around 0.4% qoq for Q3, below Q2's 0.8% rebound, but still an improvement on the technical recession Canada flirted with in the prior two quarters. We've revised up our 2027 growth outlook owing to stronger population growth and higher business investment thanks to recent policy.
- Despite a second consecutive rise in the unemployment rate in October to 6.7% (+0.2ppts), the labour market is in reasonable shape, with the improving economic outlook expected to provide support.
- The BoC's hike in October reflected concerns about the flow-through of energy prices and the likelihood of businesses to begin passing them on (despite having held back to date). We now expect two further hikes by end Q1 2027. This reflects our upward growth revision and BoC's willingness to move pre-emptively to keep inflationary expectations anchored. The risk from energy prices is two-sided, whereas growth and the labour market reflect upside and downside risks respectively.

Underlying price pressures




Source: National Australia Bank, Statistics Canada, Macrobond
Note: Solid and dashed lines reflect core and headline measures respectively.

# Central Bank Monitor

| | Inflation and output gap indicators | | | Central bank rates | | | |
|---|---|---|---|---|---|---|---|
| | | | | NAB forecasts | | | |
| | Core inflation* | Unemployment | GDP | Policy rate** | bias | next meetings*** | year-end forecast |
| **US Federal Reserve** | 3.1%  | 4.1%  | 2.1%  | 4.00%  | tightening | 9 Dec 4.25<br>27 Jan 4.50 | end 2026 4.25<br>end 2027 4.50 |
| | Robust growth, an improving labour market and elevated inflation point to further tightening by the Fed. We expect 25bp increases in the December and January meetings; with the risk of more. | | | | | | |
| **European Central Bank** | 2.5%  | 6.5%  | 1.3%  | 2.50%  | tightening | 17 Dec 2.75<br>4 Feb 2.75 | end 2026 2.75<br>end 2027 2.75 |
| | We see the ECB hiking 25bps to a 2.75% Deposit Rate in Dec; considered entering restrictive territory. The risk of a move to 3% in Q1, 2027 can't be ruled out if the energy hit continues, but the lack of 2nd-round effects says no. | | | | | | |
| **Bank of Japan** | 2.4%  | 2.4%  | 1.2%  | 1.25%  | tightening | 18 Dec 1.50<br>22 Jan 1.50 | end 2026 1.50<br>end 2027 1.75 |
| | The BoJ is flagging further rate rises, given still accommodative policy settings, a postive output gap and ongoing inflationary pressures. We expect the next hike in December with at least one more to follow in 2027. | | | | | | |
| **Bank of England** | 2.8%  | 4.6%  | 1.9%  | 4.00%  | tightening | 17 Dec 4.25<br>4 Feb 4.25 | end 2026 4.25<br>end 2027 4.00 |
| | The BoE hiked to 4% in Nov, citing pipeline inflation pressures. While energy prices (Iran) are key, the BoE is signalling it needs reasons not to hike. We see a Dec hike to 4.25%, with the risk it waits until Feb '27. Cuts to start Q4 2027. | | | | | | |
| **Bank of Canada** | 1.8%  | 6.7%  | 1.1%  | 2.50%  | tightening | 9 Dec 2.50<br>27 Jan 2.75 | end 2026 2.50<br>end 2027 3.00 |
| | We think the BoC's hawkish shift in October points to two further hikes in Q1 next year, but this is finely balanced between a labour market exhibiting slack and upside inflation risks owing to elevated energy prices. | | | | | | |
| **Reserve Bank of New Zealand** | 3.2%  | 5.7%  | 2.6%  | 2.75%  | tightening | 9 Dec 3.00<br>10 Feb 3.25 | end 2026 3.00<br>end 2027 3.75 |
| | We expect the RBNZ to raise its cash rate by 25 bp at each meeting until it reaches 3.75%. | | | | | | |
| **People's Bank of China** | 0.8%  | | 4.5%  | 1.40%  | easing | na | end 2026 1.40<br>end 2027 |
| | We expect the PBoC's policy rate to be on hold through to the end of the year as authorities pursure more targeted support to the economy. | | | | | | |

* Core is excl. food and energy, except Japan (ex fresh food, energy & alcoholic beverages), UK (also ex alcoholic beverages & tobacco), NZ(RBNZ's factoral model), Canada, Aust. (qtly 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 above each chart is latest obvservation (yoy change for GDP and inflation, level for unemploy. rate and policy rate). 15yrs of data shown.

# Economic Forecast Detail - Advanced Economies

| | 2026 | | | | 2027 | | | | 2028 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **United States** | | | | | | | | | | | | |
| ***GDP*** | | | | | | | | | | | | |
| qoq% | 0.6 | 0.6 | 0.8 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| qoq, annualised % | 2.5 | 2.2 | 3.4 | 2.0 | 2.2 | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 | 1.9 | 1.8 |
| yoy% | 2.6 | 2.2 | 2.1 | 2.5 | 2.4 | 2.4 | 2.1 | 2.1 | 2.0 | 2.0 | 2.0 | 1.9 |
| year-average | | | | 2.4 | | | | 2.2 | | | | 2.0 |
| ***PCE deflator*** | | | | | | | | | | | | |
| Headline - yoy% | 3.0 | 3.6 | 3.5 | 4.1 | 3.9 | 3.1 | 3.0 | 2.1 | 1.8 | 1.8 | 1.9 | 1.9 |
| Core | | | | | | | | | | | | |
| qoq% | 1.0 | 0.8 | 0.6 | 0.9 | 0.8 | 0.6 | 0.7 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| yoy% | 3.0 | 3.1 | 3.1 | 3.4 | 3.1 | 3.0 | 3.0 | 2.7 | 2.5 | 2.4 | 2.3 | 2.2 |
| ***Unemployment rate*** | | | | | | | | | | | | |
| qtly average % | 4.3 | 4.3 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4.2 | 4.2 | 4.2 | 4.2 |
| ***Fed funds rate*** | | | | | | | | | | | | |
| Top of target band (%) | 3.75 | 3.75 | 4.00 | 4.25 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.25 | 4.00 |
| **Euro-zone** | | | | | | | | | | | | |
| ***GDP*** | | | | | | | | | | | | |
| qoq% | 0.0 | 0.6 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| yoy% | 0.6 | 1.2 | 1.3 | 1.3 | 1.6 | 1.3 | 1.2 | 1.2 | 1.2 | 1.3 | 1.4 | 1.4 |
| year-average | | | | 1.1 | | | | 1.3 | | | | 1.3 |
| ***Policy rate (%)*** | 2.00 | 2.25 | 2.50 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | | | | |
| **United Kingdom** | | | | | | | | | | | | |
| ***GDP*** | | | | | | | | | | | | |
| qoq% | 0.6 | 0.5 | 0.7 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 |
| yoy% | 0.8 | 1.4 | 1.9 | 2.1 | 1.7 | 1.3 | 0.8 | 0.8 | 0.9 | 1.1 | 1.2 | 1.4 |
| year-average | | | | 1.6 | | | | 1.1 | | | | 1.2 |
| ***Policy rate (%)*** | 3.75 | 3.75 | 3.75 | 4.25 | 4.25 | 4.25 | 4.25 | 4.00 | | | | |
| **Japan** | | | | | | | | | | | | |
| ***GDP*** | | | | | | | | | | | | |
| qoq% | 0.5 | 0.4 | 0.0 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| yoy% | 0.6 | 0.8 | 1.2 | 1.1 | 0.9 | 0.8 | 1.0 | 1.0 | 0.9 | 0.8 | 0.7 | 0.7 |
| year-average | | | | 0.9 | | | | 0.9 | | | | 0.8 |
| ***Policy rate (%)*** | 0.75 | 1.00 | 1.25 | 1.50 | 1.75 | 1.75 | 1.75 | 1.75 | | | | |
| **Canada** | | | | | | | | | | | | |
| ***GDP*** | | | | | | | | | | | | |
| qoq% | 0.1 | 0.8 | 0.4 | 0.2 | 0.6 | 0.4 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| yoy% | 0.1 | 1.1 | 1.1 | 1.6 | 2.1 | 1.7 | 1.7 | 1.9 | 1.7 | 1.7 | 1.6 | 1.6 |
| year-average | | | | 1.0 | | | | 1.8 | | | | 1.7 |
| ***Policy rate (%)*** | 2.25 | 2.25 | 2.25 | 2.50 | 3.00 | 3.00 | 3.00 | 3.00 | | | | |

Source: NAB Economics and Markets Research

# FX Forecasts

| | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 | Mar-28 | Jun-28 | Sep-28 | Dec-28 |
|---|---|---|---|---|---|---|---|---|---|
| **AUD/USD** | 0.71 | 0.70 | 0.69 | 0.68 | 0.67 | 0.68 | 0.69 | 0.70 | 0.70 |
| **NZD/USD** | 0.58 | 0.58 | 0.58 | 0.59 | 0.59 | 0.60 | 0.61 | 0.62 | 0.62 |
| **USD/JPY** | 155.0 | 153.0 | 151.0 | 150.0 | 149.0 | 148.0 | 147.0 | 146.0 | 145.0 |
| **EUR/USD** | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.14 | 1.14 | 1.14 | 1.14 |
| **GBP/USD** | 1.33 | 1.32 | 1.31 | 1.31 | 1.31 | 1.30 | 1.30 | 1.30 | 1.30 |
| **USD/CHF** | 0.83 | 0.83 | 0.83 | 0.83 | 0.83 | 0.83 | 0.83 | 0.83 | 0.83 |
| **USD/CAD** | 1.38 | 1.39 | 1.38 | 1.38 | 1.39 | 1.36 | 1.35 | 1.34 | 1.34 |
| **USD/CNY** | 6.60 | 6.50 | 6.40 | 6.40 | 6.40 | 6.43 | 6.45 | 6.45 | 6.45 |
| | | | | | | | | | |
| **Australian Cross Rates** | | | | | | | | | |
| **AUD/NZD** | 1.23 | 1.22 | 1.19 | 1.15 | 1.14 | 1.13 | 1.13 | 1.13 | 1.13 |
| **AUD/JPY** | 110 | 107 | 104 | 102 | 100 | 101 | 101 | 102 | 102 |
| **AUD/EUR** | 0.62 | 0.61 | 0.60 | 0.59 | 0.58 | 0.60 | 0.61 | 0.61 | 0.61 |
| **AUD/GBP** | 0.53 | 0.53 | 0.53 | 0.52 | 0.51 | 0.52 | 0.53 | 0.54 | 0.54 |
| **AUD/CHF** | 0.59 | 0.58 | 0.57 | 0.56 | 0.55 | 0.57 | 0.58 | 0.58 | 0.58 |
| **AUD/CAD** | 0.98 | 0.97 | 0.95 | 0.94 | 0.93 | 0.92 | 0.93 | 0.94 | 0.94 |
| **AUD/CNY** | 4.69 | 4.55 | 4.42 | 4.35 | 4.29 | 4.37 | 4.45 | 4.52 | 4.52 |

Global FX Strategist provides details on our FX views

# Economics and Markets Research Contacts


**Sally Auld**
Chief Economist
+61 422 224 752
sally.auld@nab.com.au

**Teisha Bonner**
Executive Assistant
+61 452 093 086
teisha.bonner@nab.com.au

**Barbara Leong**
Research Assistant
+61 429 127 590
barbara.leong@nab.com.au


## Economics

### Australian Economics


**Gareth Spence**
Head of Australian Economics
+61 422 081 046
gareth.spence@nab.com.au

**Taylor Nugent**
Senior Economist
+61 452 671 752
taylor.nugent@nab.com.au

**Jessie Cameron**
Economist
+61 491 380 013
jessie.cameron@nab.com.au

**Michael Hayes**
Economist
+61 411 186 777
michael.hayes@nab.com.au


### International Economics


**Tony Kelly**
Head of International Economics
+61 477 746 237
antony.kelly@nab.com.au

**Gavin Friend**
Senior Markets Strategist
+44 207 710 1588
gavin.friend@eu.nabgroup.com

**Josh Copeland**
Economist
+61 484 239 255
josh.copeland@nab.com.au


### Behavioural Economics


**Dean Pearson**
Head of Behavioural Economics
+61 457 517 342
Dean.pearson@nab.com.au

**Robert De Iure**
Senior Economist
+61 477 723 769
robert.de.iure@nab.com.au


### Economics Analytics


**Brien McDonald**
Senior Economist
+61 455 052 520
brien.mcdonald@nab.com.au

**Thao Nguyen**
Senior Data Analyst
+61 451 203 008
thao.nguyen5@nab.com.au


## Markets Research


**Skye Masters**
Head of Markets Research
+61 467 767 604
skye.masters@nab.com.au

**Jacob Jones**
Strategist
+61 2 7226 8217
jacob.jones@nab.com.au


### Credit Strategy


**Peter Fullerton**
Head of Credit Strategy
+61 400 237 416
peter.fullerton@nab.com.au


### FX Strategy


**Ray Attrill**
Head of FX Strategy
+61 2 9293 7170
ray.attrill@nab.com.au

**Rodrigo Catril**
Senior FX Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au


### Rates Strategy


**Kenneth Crompton**
Head of Rates Strategy
+61 439 411 709
kenneth.crompton@nab.com.au

**Gregorius Steven**
Rates Strategist
+61 2 7209 8133
gregorius.steven@nab.com.au


### Commodity Strategy


**Vince Carse**
Commodities Strategist
+61 3 7035 7039
vince.carse@nab.com.au



## Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs.

Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click here to view our disclaimer and terms of use.