The Forward View - Global June 2025

Uncertainty remains high ahead of July reciprocal tariffs

NAB Economics

Overview

- **Overall, uncertainty remains the key theme across the global economy** – as trade barriers, fiscal and monetary policy settings and foreign policy relationships are far from settled. **This uncertainty, combined with new tariffs implemented this year, is expected to slow global economic growth.**
- **The risk remains that average tariff rates are ultimately higher than present rates**. Recent US-China talks in London maintained tariffs in place but provided a fast track for critical rare earth mineral exports.
- **The pause on reciprocal tariffs above 10% is due to end on 9 July and there is currently a lack of clarity regarding negotiations, given mixed messages from US officials**. In addition, decisions on sector specific tariffs are yet to be announced.
- **Global oil prices have returned to the levels of late 2024-early 2025 in response to the conflict between Israel and Iran.** Fears are centred on disruptions to global energy supplies – with one-fifth of oil and liquified natural gas shipped through the Strait of Hormuz (between Iran and Oman).
- **Growth in the US economy is expected to slow this year, particularly in the second half, as tariff impacts build**. Growth should improve over 2026 as fiscal and monetary policy become more supportive.
- **Our forecasts for China's growth are unchanged this month – we see China growing by 4.3% in 2025 and 4.0% in 2026.** That said, there remain wide confidence bands around these forecasts – with recent trade developments skewing risks more to the upside. Export volumes have held up stronger than expected, which may reflect trans-shipments via other countries – although this may risk higher US tariffs.
- **Revisions to various forecasts mean that we now see the global economy growing by 3.0% in 2025 (from 2.9% previously) – with India the main upward revision**, as the robust quarterly momentum evident late last year continued into this year. In some cases, such as the Euro-zone and Canada, growth has been boosted by a bring forward in activity ahead of tariffs but this is now unwinding. The outlook for 2026 is marginally softer – at 2.8% (2.9% previously). Consistent with the broad theme of uncertainty, there are wider than normal confidence bands around our forecasts at present.

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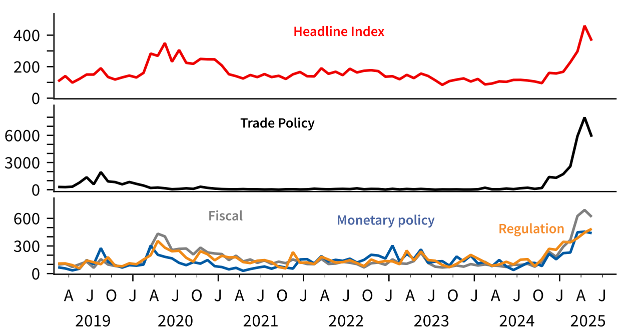
Key Economic Forecasts

	2024	2025		2026	
US	2.8	1.7	(0.1)	1.7	
Euro-zone	0.8	1.2	(0.2)	1.2	(-0.1)
Japan	0.2	1.0	(0.1)	0.7	(0.1)
UK	1.1	1.0	(-0.1)	0.9	
Canada	1.6	1.2		0.9	(-0.1)
China	5.0	4.3		4.0	
India	6.7	6.7	(0.7)	6.1	(-0.1)
Latin America	2.4	2.1	(0.3)	1.7	
Other East Asia	4.0	3.4		3.3	
NZ	-0.5	1.1	(0.3)	2.8	(0.1)
Global	**3.4**	**3.0**	**(0.1)**	**2.8**	**(-0.1)**
Major trading partners	3.5	3.3	(0.1)	3.1	

(Change since May Forward View in brackets)

Economic Policy Uncertainty Index - US



Source: National Australia Bank, Economic Policy Uncertainty, Macrobond

18 June 2025 | Authors: Gerard Burg, Antony Kelly

Global trade, tariffs & other risks

Uncertainty around where US tariffs will eventually settle remains high. There have already been some large swings in global trade as shipments were brought forward, but this is rapidly unwinding.

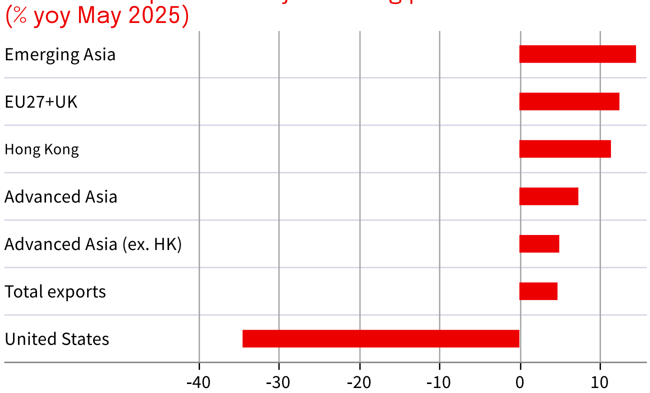
The pause on reciprocal tariffs above 10% is due to end on 9 July (ex. China) but negotiations with other countries are underway which may affect the rates put in place. It is possible that there will be clarity ahead of this deadline as President Trump said the US will send out letters in the coming weeks specifying the terms of any trade deal (on a take it or leave it basis). However, the US Treasury Secretary has indicated that the deadline could be extended for countries negotiating in good faith. The US administration has indicated that it is negotiating with fifteen trading partners (this includes the EU so the country count is larger).

The exception to the 9 July reciprocal tariff deadline is China, where an additional 24ppt tariff is not scheduled to kick-in until mid-August. **US-China talks this month upheld the détente agreed to last month, along with some further de-escalation of non-tariff trade barriers**. While the framework has not been released, it appears to include a (temporary) relaxation of China rare earth export curbs with the US also agreeing to relax some restrictions on exports to China.

China's rare earth export restrictions have impacted the global auto industry (among others). Suzuki and Ford have announced a temporary halt to production of some lines and European car makers are also scrambling to source alternative supplies.

US sector specific tariffs are on a separate track – although their application may be affected by any trade deals – the expectation is that they will deliver further tariff increases. Early this month the US increased the tariff on steel and aluminium imports from 25% to 50% and the President has floated increasing the 25% auto tariff as well. Section 232 reviews are currently underway into other products, such as semi-conductors and other electronic products and pharmaceuticals.

China US$ exports to major trading partners (% yoy May 2025)



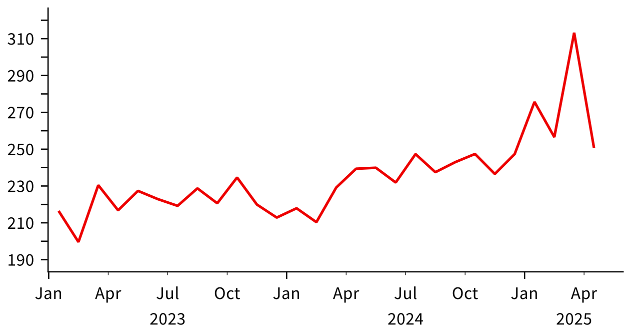
Source: Macrobond, NAB Group Economics

There have been large impacts on global trade already from the actual and prospective changes in US trade policy. As the US tariffs on Chinese imports have come into place there has been a large fall in China's exports to the US. However, total China exports continue to grow. It is too early to see in the data whether the winding back in US-China tariffs in May will stabilise trade or even lead to a temporary rebound ahead of deferred tariffs.

While not the only possible explanation for why China's total exports have held up, this raises the issue of trans-shipping – particularly efforts to disguise China as the origin of US imports. **Even the perception of widespread trans-shipping raises the risk of higher US tariffs** (particularly on the Asia region) or less willingness for the US to agree to negotiate down scheduled reciprocal tariffs.

Outside of China, there was a lift in exports to the US ahead of tariffs, providing a boost to activity, including for the EU, UK and Canada, but this was already unwinding in April. With further tariffs still in prospect there may still be some renewed bring forward of trade activity. For example, US imports from Vietnam (potentially subject to an additional 36% reciprocal tariffs and Taiwan (dominated by electronics which will be impacted by any tariffs imposed following the section 232 semiconductor review) remained elevated in April or were still rising.

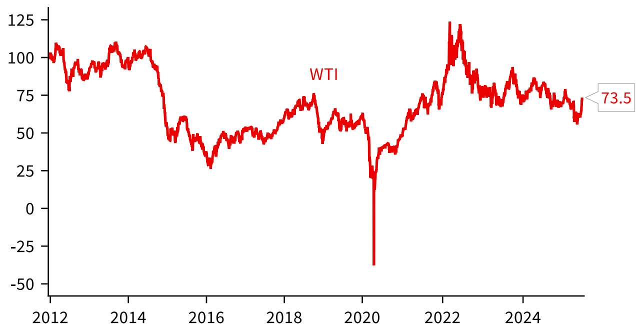
US imports excluding China ($US billion)



Source: National Australia Bank, U.S. Census Bureau, Macrobond

Global oil prices jumped in mid-June, following military conflict between Israel and Iran. Prices had fallen in May to their lowest levels in four years, following the OPEC+ decision to end voluntary production cuts, however the attacks saw oil spike back to the levels seen in late-2024 through early 2025. There have long been fears that a conflict involving Iran could see it block the Strait of Hormuz at the mouth of the Persian Gulf, the narrow waterway that one-fifth of the world's oil and liquefied natural gas is shipped through. Any extended disruption to this energy supply would have a detrimental impact on global economic activity and inflation.

Oil price (US$/bbl)



Source: National Australia Bank, Macrobond

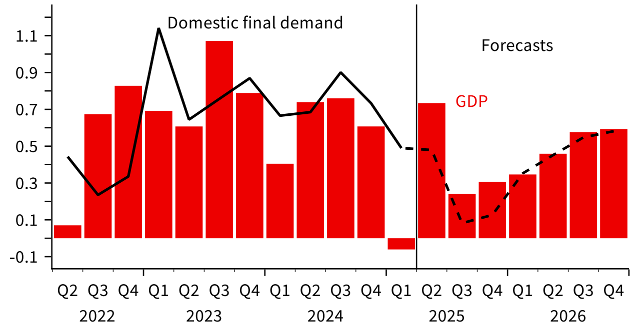
United States

Underlying growth in the US economy looks to have slowed so far this year, and we expect only weak growth in the second half 2025 as tariff impacts build, before an improvement over 2026. Tariffs will push inflation higher even with soft recent inflation readings.

We have revised up our estimate for Q2 GDP to 3.0% qoq annualised (from 2.0%). The small fall in Q1 GDP was likely due to measurement issues, with a surge in imports resulting in a large net trade detraction. April data points to this being reversed in Q2. Import volumes declined 20% mom making a large net trade contribution likely. Consumption growth is also looking stronger than in Q1, but business investment indicators are more mixed. This forecast incorporates a view that data for May/June will be softer, with some support for this coming from a 9% fall in auto sales in May. Business surveys have also softened this year and are at a low level, including business capital expenditure intentions.

Given the GDP measurement issues, domestic final demand (DFD) probably provides a better guide to the underlying strength in the economy. DFD growth eased in Q1 to its slowest pace in around two years (albeit to a still decent 2.0% qoq annualised) and while a similar result in Q2 appears likely, we expect only weak growth in H2 2025.

US economic growth (qoq%)

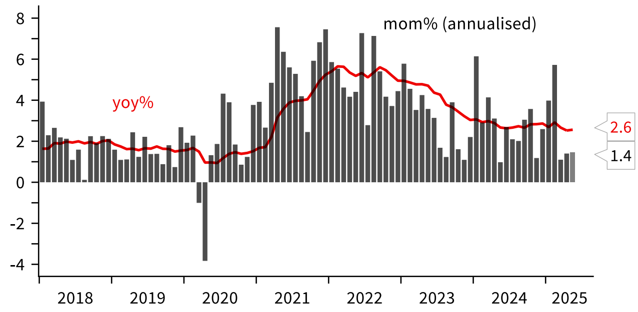


Source: National Australia Bank, Macrobond

The labour market remains healthy, although there are signs of deterioration at the margin. The unemployment rate has remained close to 4% over the last year and employment growth remains solid. However, job vacancy indicators are easing, and a rise in continuing jobless claims indicates that finding a job is becoming more difficult. Initial jobless claims have also risen in recent months.

Recent inflation prints have been relatively benign after being elevated early in the year. Based on May CPI and PPI data, core PCE inflation looks set to be around 0.1% mom for the 3rd consecutive month in May. Even so, this would leave annual core inflation at 2.6% **–** only a bit below where it has been for the last year, although signs of easing in service sector inflation is a positive. **Signs of tariff pass through are mixed** – this may reflect a combination of pass through being delayed till pre-tariff inventories are run-down or businesses (domestic or abroad) absorbing them in their margins, at least until there is more clarity what the final tariff rates will be. **We still expect that tariffs will push inflation higher and see core PCE inflation peaking at 3.3% yoy this year, before moderating in 2026**.

Core PCE inflation



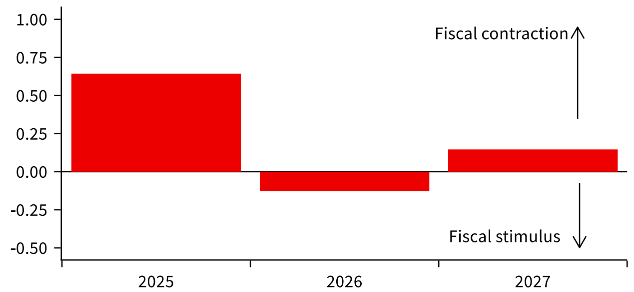
Source: National Australia Bank, U.S. Bureau of Economic Analysis (BEA), Macrobond. May 2025 is an estimate

We expect growth to slow over this year, to 1.2% yoy (revised from 1.0%) in Q4. Tariffs are simply a tax, and unless the burden is borne by exporters overseas, they will act to slow growth. While the extent of pass through is uncertain to consumers, if businesses absorb the costs, this will weigh on activity. Some modelling points to a higher growth drag the lower the pass through to consumers. Uncertainty around policy also creates an incentive to delay investment.

Soft growth is also likely to translate into a weakening in the labour market. We expect the **unemployment rate will rise to around 4½%. Growth should improve in 2026 as both fiscal and monetary policy become more supportive.**

The One Big Beautiful Bill being considered by Congress points to fiscal support in FY 2026. Based on CBO estimates of the bill, and adjusting for tariff revenue, fiscal policy will turn from contractionary to stimulative. Tariffs are a drag now but, as they have not been in place for all of FY 2025, the full year impact is not evident until 2026 – as a result the chart below understates the stimulus Congress may put in place.

Change in Federal Govt Balance (ppts, % GDP)



Source: National Australia Bank. Based on CBO costing of House One Big Beautiful Bill, and NAB calculations to include tariff revenue (CBO costing for tariffs up to 13 May) and adjustment for treatment of student loans. Years are financial years (to September)

The US Federal Reserve (Fed) has indicated that it will move cautiously as it seeks more clarity on the balance of inflation and unemployment risks. With Inflation expected to rise this year, the Fed will lean against the risk of inflation expectations de-anchoring by not fully looking through tariff impacts on inflation.

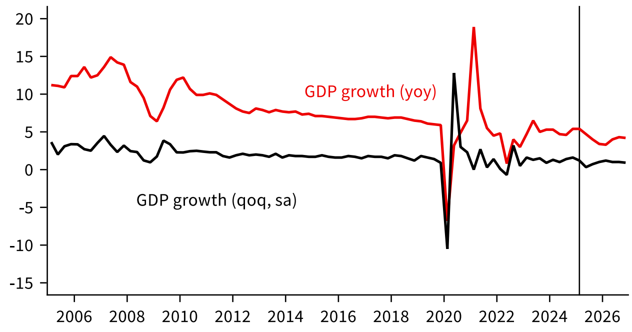
We expect rate cuts to commence at the Fed's October meeting driven by a weakening in the labour market. Once it starts cutting, we think it will move at a relatively slow pace as it seeks to balance the risks to both sides of its mandate. We expect 50bps of cuts in Q4 (including the October cut) followed by a further 75bps over 2026 (taking the fed funds rate target range to 3.00 to 3.25%).

China

China's economic growth was comparatively strong in Q1 – at 5.4% yoy – however activity has been overly reliant on exports since mid-2023. There has been a clear imbalance between domestic demand and the supply side of the economy since the start of the COVID-19 pandemic that authorities have so far been unable to address.

Our forecasts for China's growth are unchanged this month – we see China growing by 4.3% in 2025 and 4.0% in 2026. That said, there remain wide confidence bands around these forecasts – with recent trade developments skewing risks more to the upside.

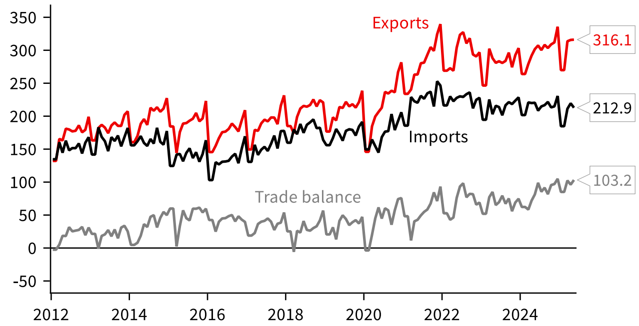
Chinese economic growth (%)



Source: National Australia Bank, Macrobond

China's trade surplus rose to US$103.2 billion in May – the second highest level on record – as export values rose 4.8% yoy and imports fell by 3.4% yoy. The increase in export values came despite a 34% fall in shipments to the United States – although this likely overlooks trans-shipments (that appear as exports to other countries) that are ultimately consumed in the US.

China exports, imports and surplus (US$ billion)

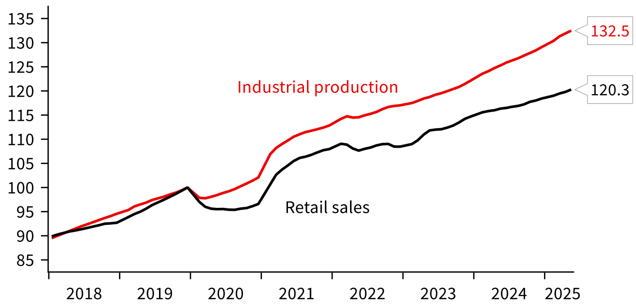


Source: National Australia Bank, Macrobond

Export volumes – which China reports with a month's lag to other trade data – have remained strong, increasing by 13.0% yoy in April (following an 18.2% yoy increase in March). Our forecasts assume a weaker export profile going forward, but should they remain strong, this presents upside risk to our GDP forecast. How authorities respond to any trade drag is also important – given the Government's 5% growth target, there is a risk is that authorities do more and are more proactive than we expect.

The growth in export volumes reflects the domestic supply-demand imbalance. Domestic consumption has lagged industrial production since the start of the pandemic – as a rough proxy, industrial production is almost 33% higher (12mma) in May, when compared with December 2019, while retail sales (an incomplete measure of consumption) was just 20% (12mma) higher.

China supply-demand imbalance (Index Dec-2019 = 100, 12mma)

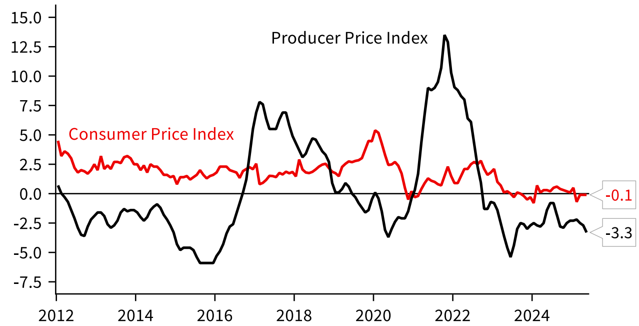


Source: National Australia Bank, Macrobond

Households have suffered a substantial deterioration in wealth since late 2021 – with both house prices and equity indices well down from their peaks, while anecdotally income growth has been modest at best. This highlights the importance of fiscal support – something that Chinese authorities have been reluctant to provide – to reduce household savings and support growth.

In such an environment, inflation has remained subdued. Consumer prices fell by 0.1% yoy in May – the same rate of decline for the past three months – while producer prices fell by 3.3% yoy.

Chinese inflation (% yoy)



Source: National Australia Bank, Macrobond

The People's Bank of China (PBoC) has continued to ease monetary policy – having cut its main policy rate (the 7 day repo rate) by 10 basis points to 1.4% in May. We expect three further cuts of this magnitude over the remainder of the year, along with further easing to the Reserve Requirement Ratio (RRR). As we have noted, we don't expect that this will provide a substantial boost to China's growth, given the weakness in loan demand by both households and businesses. For example, cuts to the RRR in 2024 contributed to a rally in government bond markets, rather than providing a meaningful expansion in lending.

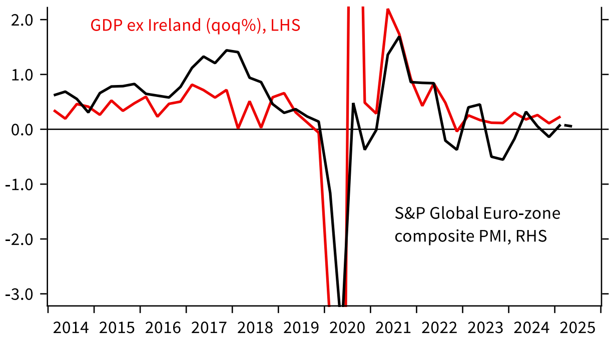
Weak loan demand has persisted. While new credit issuance rose by 26% yoy in the first five months of 2025, this was entirely driven by government bond issuance – which increased by 153% yoy. Bank lending – which fell considerably in 2024 – declined by 0.5% yoy over the same period.

Euro-zone and UK

Both the Euro-zone and UK economies grew at a robust pace in Q1 2025. We expect softer growth over the rest of the year, ahead of an upturn next year, particularly in the Euro-zone due to greater macro policy supports.

There was a large upwards revision to the initial estimate of Euro-zone GDP growth to 0.6% qoq (from 0.3%). However, Q1 growth included a large contribution from Ireland where GDP rose an improbable 9.7% qoq, likely reflecting issues with the treatment of multi-nationals. **On an ex-Ireland basis, growth was a more moderate 0.2%** qoq, and not significantly different to recent quarters. Q1 growth was also supported by a tariff-related bring forward of activity but this started to unwind in April (exports to the US fell 34%, and total exports were down 8%).

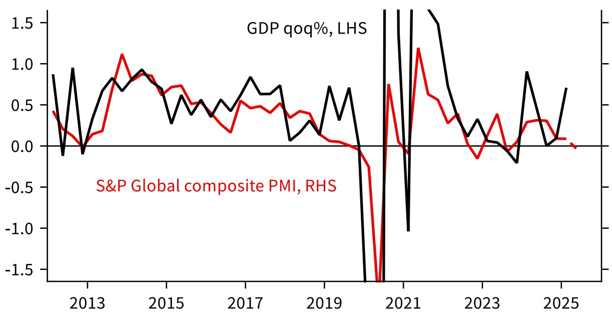
Euro-zone GDP & PMI



Source: National Australia Bank, Macrobond. COVID extremes cut-off y-axis

The Euro-zone manufacturing PMI has been improving this year (even if it still remains at a low level). This may also reflect some tariff-bring forward but it again moved higher in May. However, the services PMI has declined and, overall, the **PMI is only signalling modest growth in Q2 GDP.**

UK GDP and PMI



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

For the UK, April GDP declined by 0.3% mom, setting up much softer growth in Q2. Business surveys are also consistent with softer growth – with the change in UK fiscal policy towards more government spending and higher taxes/charges a factor, including increased national insurance contributions for businesses in April. **CPI inflation has also risen – real household incomes have been growing at a rapid rate but are set to moderate**. The strength in real income growth has not fully translated into household consumption, instead there has been a large lift in the savings rate.

The expected slowdown in global growth due to US tariff policy and the associated uncertainty and negative sentiment impacts will weigh on the Euro-zone and the UK. The relative tariff rates applied to the EU and UK will also be important. The Euro-zone could gain from higher US tariffs on China imports. But if the full reciprocal tariff rate of 20% (instead of the current 10%) were to come into effect then, depending on how other countries fare, it could be disadvantaged. The UK has already reached an agreement with the US – while it left the general tariff rate 10% higher than at the start of the year, it gained some sectoral exemptions and was also excluded (at least till 9 July) from this month's increase in the US steel/aluminium tariff.

Policy measures are more supportive in the Euro-zone than the UK. The European Central Bank (ECB) has lowered rates more quickly than the Bank of England. UK fiscal policy is also expected to be restrictive, while plans to increase spending on defence and, in Germany, infrastructure spending should support Euro-zone growth.

The **ECB** cut rates by another 25bps in the June meeting, taking the deposit rate to 2.0%. **The ECB President stated that the current easing cycle was 'nearing its end'** (but also indicated that there was no pre-set path). While it is possible that they pause at 2.0%, with growth expected to be soft around the middle of the year, and the Euro likely to appreciate further, **another cut is likely. We expect this will occur in September following a pause in July**. The major caveat remains US policy – an escalation of US tariffs would put further pressure on rates as the ECB sees this scenario as negative for both growth and inflation (although for the latter any retaliatory EU tariffs could push the other way).

The **Bank of England is likely to continue to ease policy gradually** as it balances concerns around the economy against a persistent overshoot of its inflation target. While the labour market has weakened, wage growth remains elevated. There are divergent views within the Monetary Policy Committee, with two members in the May meeting arguing for a large cut and two for rates to stay on hold. Growing labour market weakness, which should, over time also constrain wage growth and inflation, will lead the BoE to continue its gradual easing and we expect **two more rate cuts this year**.

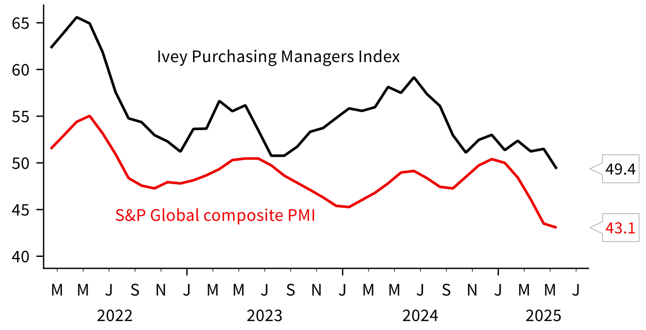
Canada

The Canadian economy grew at a solid pace in Q1 but is expected to weaken over the rest of the year, with 1-2 quarters of negative growth possible. While growth of 0.5% qoq in Q1 was similar to that seen over 2024, domestic final demand was flat, with positive contributions coming from inventories and net exports. This suggests that **there was a bring forward of activity into Q1 ahead of tariffs, but monthly trade data point to this unwinding in Q2**.

Business surveys stabilised in May but remained weak. This may reflect somewhat positive tariff developments – notwithstanding the recent increase in US steel/aluminium tariffs. This includes the 'de-stacking' of various US tariffs announced late April as well as Canada scaling back its retaliatory tariffs on US imports. However, **uncertainty**

remains high with additional US tariffs possible and the Canada tariff wind-back is only for six months.

Canada business surveys (3mth average)



Source: NAB, Richard Ivey School of Business, University of Western Ontario, Macrobond

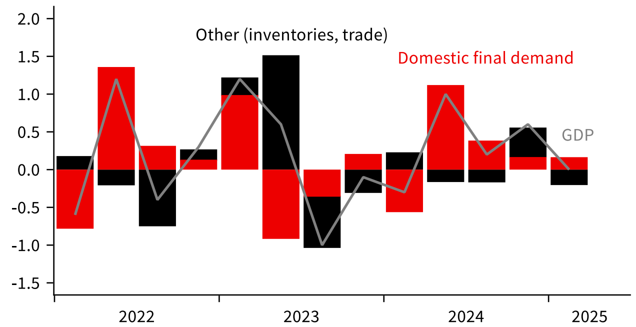
As Canada is highly exposed to the US economy this represents a **very negative environment for business investment**.

The Bank of Canada has been on hold since cutting rates by 2.25ppts between June 2024 and March 2025 but **we expect another 50bps of rate cuts this year, most likely commencing in the September meeting**. Uncertainty around the impact of tariffs is a factor behind the pause, reinforced by a recent upturn in core inflation. However, the labour market is weakening – the unemployment rate hit a new high for this cycle in May (7%), and likely to come under further stress as growth weakens. An opening up of spare capacity should also reduce inflation risks.

Japan

We expect modest economic growth in Japan over the rest of this year with some improvement in 2026, although how US tariff policy unfolds remains a key risk.

GDP - contributions to growth (qoq, ppts)



Source: National Australia Bank, Japanese Cabinet Office (CAO), Macrobond

GDP growth for Q1 was revised up to close to flat (-0.04% qoq from the initial -0.2% estimate)**.** This followed several strong quarters, and the **annual GDP growth rate was a strong 1.7% yoy.** The details were positive overall – while government spending declined, strong growth in private fixed capital expenditure and a decent pickup in private consumption meant that domestic final demand increased at a similar pace to Q4.

We expect business investment growth will moderate this year. The upturn in business investment through 2024 and into 2025 was underpinned by double-digit corporate profit growth over 2024. However, profits declined in Q1 and businesses may also defer investment spending as they wait for clarity on US tariffs – both with respect to Japan but also the broader Asia region (given Japan's close links). Japan is possibly subject to a 24% reciprocal US tariff from 9 July (currently 10%) but with US-Japan trade negotiations underway, the final outcome is unclear.

Consumption growth is likely to be constrained this year. After seeing real income gains for much of 2024, real disposable income fell late in the year and a lift in inflation this year means real wages also fell in early 2025. Consumer confidence also is also low, raising the risk of precautionary savings, although a still healthy labour market, and the ongoing lift in wage growth, should support consumption.

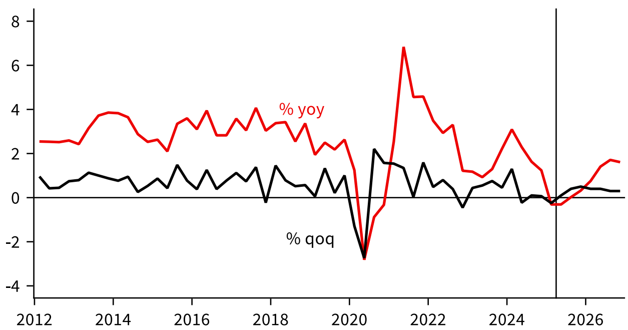
The Government is under pressure to provide support for the economy and is considering a supplementary budget. Fiscal policy settings for 2025 and 2026 – based on IMF estimates – are relatively neutral right now; a very small support package was announced last month and how much a supplementary budget may support the economy is uncertain and will be more of a factor for 2026 growth. Recent rises in bond yields – including in response to comments from officials about Japan's level of debt – may also make the government cautious.

The **Bank of Japan (BoJ)** has been on a very gradually tightening cycle since early 2024. With a current policy rate of 'around 0.50%' policy settings remain stimulative. Concerns around the economic impact of US tariff policy – and associated uncertainty – are likely to make it cautious but could **keep it on hold this year.** Consistent with this cautious approach, the BoJ ,at its June meeting, kept rates on hold and announced a slowdown (from Q2 2026) in the pace at which it is lowering its bond purchase programme (QT). However, inflation is above target and policy settings stimulative, and this may be enough to trigger further policy tightening if the economy holds up as expected**.**

Other East Asia – S. Korea in focus

South Korea's economy contracted in the first quarter of 2025 – down by 0.2% qoq – continuing the sluggish trend in activity since mid-2024. While private consumption was marginally weaker in Q1, investment was the key driver, falling sharply for the second straight quarter. In part, this may reflect the impact of the volatile political climate over this period.

South Korean economic growth (%)

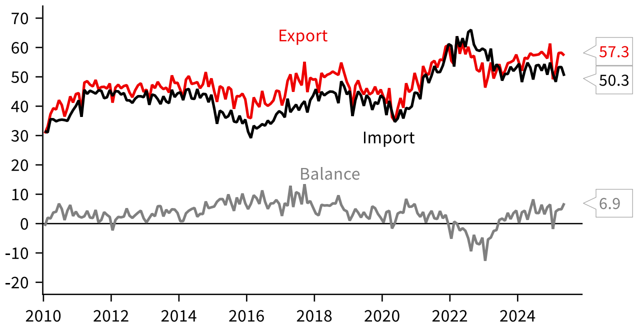


Source: National Australia Bank, Macrobond

South Korea's economy remains highly trade dependent – with exports of goods and services accounting for around 45% of GDP in Q1 2025. That said, growth in goods & services export volumes have been relatively subdued in the past decade – with modest growth following the Global Financial Crisis and a high degree of volatility during the pandemic period. Weaker economic growth prospects in South Korea's two largest export markets – China and the United States – could limit any recovery from this channel, particularly given the uncertainty around US tariffs.

This could negatively impact demand for South Korean manufacturing – and by extension – demand for Australian commodities as inputs into this sector.

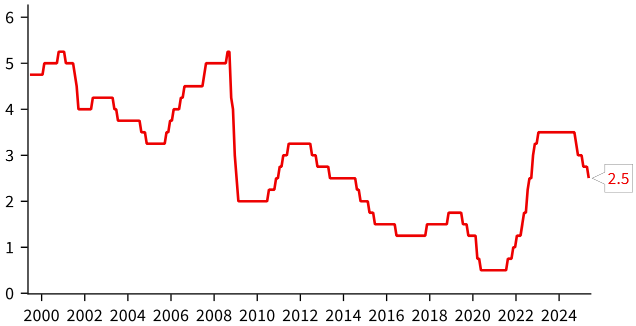
South Korean foreign trade (US$ billion)



Source: National Australia Bank, Macrobond

Inflation in South Korea has remained close to the Bank of Korea's target (of 2%) in recent months, reflecting the subdued domestic demand.

South Korean policy rate (%)



Source: National Australia Bank, Macrobond

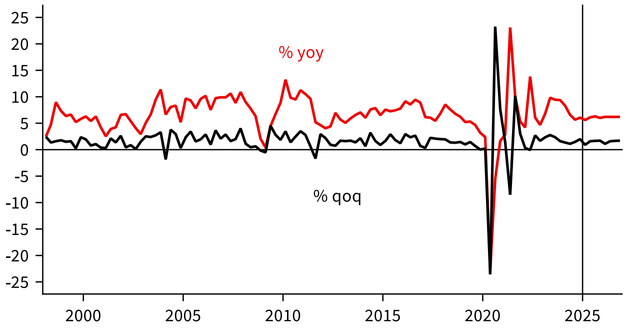
The Bank of Korea commenced its rate cutting cycle in late 2024, and cut the Base Rate by 25 basis points in May to 2.5%. Recent weakness in both consumption and private investment, along with the contained inflation, could see further policy rate cuts in coming months.

India

India's economy grew strongly in Q1 2025 – increasing by 7.4% yoy – well above market expectations, as the robust quarterly momentum evident late last year continued into early 2025. This was in stark contrast with the relatively soft period evident at the start of 2024. A steep decline in import volumes meant that net exports provided the single largest contribution to growth in Q1, along with private consumption and investment.

We have revised our forecast for India's economic growth higher this month – reflecting the strength of growth in Q1. We expect India to grow by 6.7% in 2025 – the same rate as 2024 – compared with our previous forecast of 6.0%.

Indian economic growth (%)

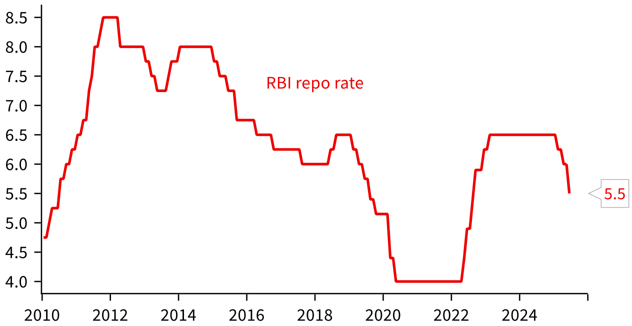


Source: National Australia Bank, Macrobond

Headline inflation – at 3.2% yoy in April – has remained comfortably within the Reserve Bank of India's (RBI) target range (2-6%), although core inflation has been tracking higher since its lows in mid-2024 (albeit still only at 4.1% yoy).

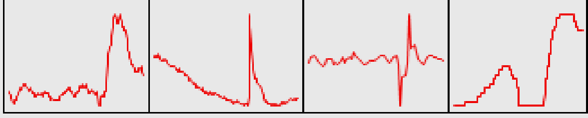
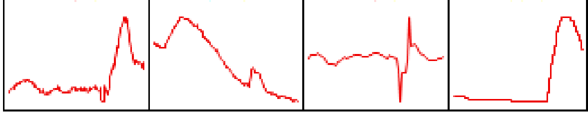
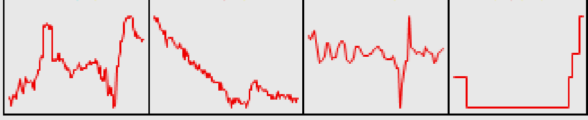
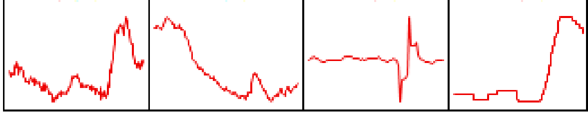
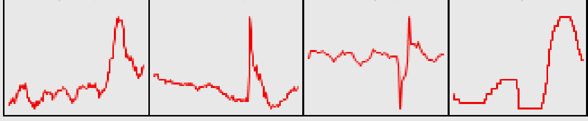
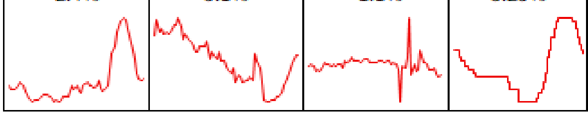
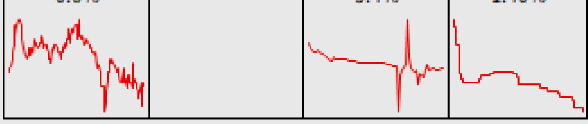
At target inflation, along with the earlier softness in economic activity and concerns around global headwinds, **has prompted the RBI to shift its policy stance from a neutral to an accommodative position**. The RBI surprised markets with the scale of its cut in June – 50 bps to 5.5% – while also cutting the cash reserve ratio, increasing the funds available for banks to lend. This has been widely viewed as the end of the RBI's cutting cycle – with markets not pricing any further cuts in upcoming meetings.

Indian central bank policy rate (%)



Source: National Australia Bank, Reserve Bank of India (RBI), Macrobond

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	2.5%	4.2%	2.1%	4.50%	easing	18 Jun 4.50 30 Jul 4.50	end 2025 4.00 end 2026 3.25
							
	Caught between expected higher inflation and unemployment from tariffs Fed on hold for now, but will likely ease from Q4 as labour market deteriorates						
European Central Bank	2.3%	6.2%	1.5%	2.00%	easing	24 Jul 2.00 11 Sep 1.75	end 2025 1.75
							
	Nearing end of easing cycle subject to tariff developments and fiscal expansion plans being delivered						
Bank of Japan	1.6%	2.5%	1.7%	0.50%	tightening	31 Jul 0.50 19 Sep 0.50	end 2025 0.50
							
	Global concerns will probably keep the BoJ on hold this year, but lift in inflation mean the next move is up						
Bank of England	3.8%	4.6%	1.3%	4.25%	easing	19 Jun 4.25 7 Aug 4.00	end 2025 3.75
							
	Easing to continue but only gradually due to ongoing inflation concerns						
Bank of Canada	3.1%	7.0%	2.3%	2.75%	easing	30 Jul 2.75 17 Sep 2.50	end 2025 2.25
							
	Have been on hold but as the economy deteriorates further cuts are likely						
Reserve Bank of New Zealand	2.4%	5.1%	-1.1%	3.25%	easing	9 Jul 3.00 20 Aug 2.75	end 2025 2.75 end 2026 3.25
							
	Nearing end of rate cutting cycle						
People's Bank of China	0.6%		5.4%	1.40%	easing	na	end 2025 1.10
							
	Further easing likely as China to struggle to meet its growth target and is battling deflation						

* 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 (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 obvservation (yoy change for GDP and inflation, level for unemployment rate and policy rate)

Economic forecast detail - advanced economies

	2025				2026			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
United States								
GDP								
qoq%	-0.1	0.7	0.2	0.3	0.3	0.5	0.6	0.6
yoy%	2.1	2.1	1.5	1.2	1.6	1.4	1.7	2.0
year-average				1.7				1.7
PCE deflator								
Headline - yoy%	2.5	2.3	2.9	3.2	2.9	3.0	2.4	2.1
Core								
qoq%	0.8	0.6	1.1	0.8	0.6	0.5	0.5	0.5
yoy%	2.8	2.6	3.2	3.3	3.1	3.1	2.5	2.2
Unemployment rate								
qtly average %	4.1	4.2	4.3	4.4	4.5	4.5	4.5	4.4
Euro-zone - GDP								
qoq%	0.6	0.0	0.1	0.2	0.3	0.4	0.4	0.5
yoy%	1.5	1.3	1.0	0.9	0.6	1.1	1.4	1.6
year-average				1.2				1.2
United Kingdom - GDP								
qoq%	0.7	0.1	0.1	0.2	0.2	0.3	0.3	0.3
yoy%	1.3	0.9	1.0	1.0	0.6	0.8	1.0	1.2
year-average				1.0				0.9
Japan - GDP								
qoq%	0.0	0.2	0.1	0.2	0.1	0.2	0.2	0.2
yoy%	1.7	0.9	0.8	0.4	0.6	0.6	0.7	0.7
year-average				1.0				0.7
Canada - GDP								
qoq%	0.5	-0.3	-0.1	0.2	0.2	0.4	0.5	0.6
yoy%	2.3	1.4	0.7	0.4	0.0	0.7	1.3	1.7
year-average				1.2				0.9

Source: NAB Group Economics.

FX forecasts

	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
AUD/USD	0.66	0.68	0.70	0.72	0.73	0.73	0.73	0.74	0.75
NZD/USD	0.61	0.63	0.65	0.67	0.68	0.68	0.68	0.69	0.70
USD/JPY	138	130	125	120	119	118	117	116	115
EUR/USD	1.18	1.24	1.23	1.25	1.26	1.27	1.28	1.26	1.25
GBP/USD	1.37	1.43	1.41	1.44	1.45	1.46	1.47	1.45	1.44
USD/CHF	0.79	0.74	0.75	0.74	0.73	0.72	0.72	0.73	0.74
USD/CAD	1.36	1.33	1.30	1.28	1.28	1.28	1.26	1.24	1.22
USD/CNY	7.25	7.15	7.00	6.90	6.80	6.80	6.80	6.80	6.80

Australian Cross Rates									
AUD/NZD	1.08	1.08	1.08	1.07	1.07	1.07	1.07	1.07	1.07
AUD/JPY	91	88	88	86	87	86	85	86	86
AUD/EUR	0.56	0.55	0.57	0.58	0.58	0.57	0.57	0.59	0.60
AUD/GBP	0.48	0.48	0.50	0.50	0.50	0.50	0.50	0.51	0.52
AUD/CHF	0.52	0.50	0.52	0.54	0.53	0.52	0.52	0.54	0.56
AUD/CAD	0.90	0.90	0.91	0.92	0.93	0.93	0.92	0.92	0.92
AUD/CNY	4.79	4.86	4.90	4.97	4.96	4.96	4.96	5.03	5.10

Global FX Strategist provides details on our FX views

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