Week beginning 16 September, 2024

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Back to the (slow) grind?

The Week That Was: Nerves show on the outlook.

Focus on New Zealand: Rolling maul, but not rolling over.

For the week ahead:

RBA: RBA Assistant Governor Jones speech.

Australia: Westpac-MI leading index, ACCI-Westpac business survey, labour force survey.

New Zealand: Q2 GDP, Westpac-MM consumer confidence, BusinessNZ PSI.

China: industrial production, retail sales, fixed asset investment.

Japan: Bank of Japan policy decision, CPI.

United Kingdom: BoE policy decision, CPI, GfK consumer sentiment, retail sales.

United States: FOMC policy decision, retail sales, industrial production, housing starts.

Information contained in this report current as at 13 September 2024

Back to the (slow) grind?

Luci Ellis
Chief Economist, Westpac Group

Rising taxation has dragged on household incomes and spending. Even with expanding public demand, this has helped to lower the growth outlook for the next couple of years.

This week we released our refreshed forecasts in our September Market Outlook publication. While the short-run outlook is broadly the same, the balance of risks on growth has changed further out by enough to alter our base case for growth into 2026. This is partly because the mix and timing of demand growth has shifted.

For some time, the narrative has been that tax cuts, lower inflation and an eventual easing in interest rates – a reversal of the 'triple squeeze' – would lift real household income growth enough to support a recovery in consumption, even as population growth normalises. This would in turn help spur investment spending further out. The resulting return to expansion around trend pace would follow a long period of sub-trend growth and, potentially, burgeoning spare capacity. Without a period of above-trend growth to offset this later on, unemployment could rise much higher than desired, and inflation could undershoot the 2–3% target range.

There were several ways this above-trend growth could occur. Monetary policy could end up a bit on the stimulatory side. Business investment could pick up to offset past underspending, catch up to the higher population, and support the transition to renewable energy. Or the combination of government infrastructure spending and the spillover benefits from completed infrastructure could spur additional growth and productivity. But our current thinking is that none of these drivers will be enough to generate above-trend growth in 2026. The drags from elsewhere are too significant.

Recent data suggest that things are turning out somewhat differently to our earlier view. Household income simply is not picking up that quickly. And while it is still early days, the impact of the Stage 3 tax cuts on consumption seems more likely to surprise on the downside than on the upside.

Indeed, the role of taxation is turning out to be more of a negative for private sector demand than we previously thought. Westpac's customer data confirm that the Stage 3 tax cuts have boosted household incomes since July. However, the national accounts data for the June quarter imply that the starting point for household incomes ahead of those tax cuts was weaker, in part due to an unexpectedly strong tax take. Bracket creep will become less of a drag as inflation, and so nominal income growth, eases. But there is more to the tax drag than simple bracket creep, and these other sources of drag could persist even as inflation falls.

Far too much current economic commentary starts from the presumption that the ripple effects from the pandemic are over, but some of them are not. One such ripple effect or catch-up is that, after easing off on tax collections as part of the government's support for the economy during the pandemic, the ATO is now back enforcing in earnest. Strengthening collections is a key priority in its 2024–25 corporate plan. Historically, the ATO is a prominent lead creditor in business and other insolvencies, and this is once again the case. The impact is especially evident for small business. Public statements by companies who lend to small firms, and our own customers in this space, confirm that they are seeing ATO enforcement pick up.

"The balance of risks on growth has changed, altering our base case for growth into 2026."

The ATO itself reports that it has $50 billion in collectable debt on its book. This is a significant potential source of additional revenue compared with overall annual collections of around $600 billion. Not all of this will be the debt of households, so its collection will not necessarily be a drag on household incomes. But at least some of it will be debts of small unincorporated enterprises, which are included in the household sector in the national income accounts.

There is a flavour here of what we saw in 2018–2019, when household income was weak, but the tax take was nonetheless rising disproportionately as a result of better enforcement on deductions and other areas. The result contributed to soft overall demand and inflation continually undershooting the RBA's target despite ultra-low interest rates. There were other things going on in the same direction, but more effective tax collection was part of the story.

The broader story, as in the years just before the pandemic, is the sharp expansion in the public sector. As we reported in the Market Outlook, public demand started rising as a share of the economy in the second half of the 2010s, continued to increase during and since the pandemic, and now stands at a record share of 27.3% of GDP. Related to this, the share of household income going to tax has also risen, reaching a multi-decade high in the second half of 2023. The increased spending reflects, among other things, expanding programs such as the NDIS, as well as the way the cost of the electricity rebates is recorded. The rising tax take is an arithmetic inevitability in a tax system where tax brackets are fixed in dollar terms unless the government actively chooses to change them.

As we saw with the mining investment boom, when one sector squeezes the others out, it takes a while for those other sectors to bounce back as the previously booming sector recedes. The upshot is that even as growth in the public sector slows, we are likely to see growth remain around trend at best over 2025 and 2026. Any spare capacity that builds up over the current period of slow growth would not be absorbed for some years. If that is the case, it seems unlikely that domestic cost pressures would remain elevated.

Cliff Notes: nerves show on the outlook

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

The September Westpac-MI Consumer Sentiment survey once again emphasised the deep pessimism entrenched among Australian households, with the headline index ticking down –0.5% to 84.6. Concerns over the economic outlook are starting to have more of an impact on consumers' attitudes, the sub-indexes tracking views on the economy down –2.6% and –1.0% respectively for the 'one year ahead' and 'five years ahead' measures.

Cost-of-living pressures are not as intense at the margin as they once were; however, 'family finances vs a year ago' and 'family finances next 12 months' remain 16.4pts and 9.7pts below their respective long-run averages.

Increasingly we are seeing a spillover of consumer weakness into the business sector. This was evident in the Q2 national accounts and is echoed by the latest NAB business survey. The business conditions index fell –3pts to +3, leaving the index in a clear downtrend from post-reopening highs. Highlighting the persistence of this trend, August was the 11th consecutive negative reading for forward orders; the employment index is at its lowest level since January 2022. It is not surprising then that business confidence slid from broadly neutral to pessimistic, down 5pts to –4.

Chief Economist Luci Ellis' essay this week focuses on the implications of these developments for the growth outlook.

Offshore, there was plenty of data to guide views on the monetary policy outlook, particularly in the US ahead of next week's FOMC meeting.

The US CPI rose 0.2% in August as expected, and 2.5% over the year. Core inflation was a touch stronger in the month at 0.3%, but in line with expectations for the year at 3.2%yr. Strength in the shelter component again accounted for the marginal upside surprise in core prices; however, market indicators of rents continue to point to a marked deceleration in shelter inflation over the coming year. Car prices were also less weak than in recent months, but goods prices continued to contract overall.

We continue to see CPI ex-shelter as the best gauge of underlying inflation, and consequently the outlook for policy. At August, annual CPI ex-shelter inflation was just 1.2%yr, having held either side of the 2.0%yr target since May 2023. The overall trend in prices should see the FOMC comfortable in reducing rates by 25bps at next week's meeting, then following up with 25bp cuts at the next four meetings (to March 2025). Thereafter, we expect the pace of easing to slow to once per quarter and the fed funds rate to settle at 3.375% at end-2025. For our full analysis of the US and global economic outlook, see September Market Outlook.

The European Central Bank cut rates by another 25bps at their September meeting, as widely expected. Data was characterised as coming in as expected, limiting the need for revisions to their forecasts. Projections for headline inflation remain at 2.5% in 2024, 2.2% in 2025 and 1.9% in 2026. Core inflation was nudged up slightly in 2024 and 2025, reflecting the effect of persistent wage pressures on services inflation; though these pressures are expected to dissipate as labour demand moderates. Projections for activity growth were revised down by 0.1ppt to 0.8%yr in 2024, 1.3%yr in 2025 and 1.5%yr in 2026. In the statement and press conference, President Lagarde affirmed that the ECB was not on a predetermined path. Still, policy remains quite restrictive, and the ECB are confident they will achieve their mandate. We therefore expect another cut by year end and further modest easing in 2025.

In the UK, there were three crucial pieces of data ahead of the Bank of England's meeting next week. First, average weekly earnings decelerated to 5.1%yr in July, from 5.4%yr in June, reflecting easing labour market conditions. Further easing in wages will be welcomed, relieving concerns over a potential structural uplift in wage growth and services inflation, as expressed by BoE Committee member Catherine Mann. Immediate progress continues to be made with services inflation too, now 5.2%yr as of July. In considering the near term policy outlook, while services inflation remains elevated and the headline CPI rose in July, it was on to 2.2%yr, just above the BoE's medium-term target. GDP meanwhile came in flat in July, and the industrial production detail released the same day also disappointed. Overall, the data flow appears to be moving in line with the BoE's views, setting the stage for another cut.

Finally, in China consumer prices lifted by 0.1ppt to 0.6%yr in August. The sub-1%yr reading continues to reflect entrenched weakness in consumer demand and also the impact of China's continuing capacity expansion. Also highlighting the impact of capacity, as well as the recent deterioration in commodity prices, producer prices fell 1.8%yr in August compared to -0.8%yr in July. These price trends will persist as long as Chinese authorities and businesses seek to expand supply ahead of demand, potentially for some years yet.

Rolling maul, but not rolling over

Michael Gordon
Senior Economist

Next Thursday’s GDP report is likely to show a continuation of the New Zealand economy’s “rolling maul” recession, where one quarter of flat or slightly negative growth has merged seamlessly into another. Following the insipid (though better than expected) 0.2% rise in GDP in the March quarter, we expect to see a 0.4% fall for the June quarter.

As we noted in our preview this week, this is a modest upgrade from our earlier forecast of -0.6%, and slightly stronger than the -0.5% that the Reserve Bank expected in its August *Monetary Policy Statement*. This week’s final batch of indicators provided some upside surprises on balance, particularly for the manufacturing sector. Machinery and equipment manufacturing and wood processing both saw a strong lift in sales, along with a rebuilding of inventories that implies that production was even stronger again. We suspect there’s some volatility going on in the quarterly survey, but nevertheless this is what goes into the GDP calculations.

These results were especially surprising given the marked weakness in the BusinessNZ manufacturing PMI over the quarter, which fell as low as 41.4 in the June month. While it has picked up since then – Friday’s report saw it rise from 44.4 in July to 45.8 in August – it remains at levels more consistent with shrinking activity. Manufacturing in New Zealand has strong links with the construction sector, which is facing a prolonged downturn as the pipeline of consented activity runs down.

Aside from manufacturing, the details of the June quarter look to have been generally soft, with the majority of sectors expected to record declines. Consumer spending was weak as households continued to grapple with high interest rates and the rising cost of living, and as the recovery in overseas tourists has stalled at around 80% of pre-Covid levels.

While the June quarter is shaping up as being a particularly weak period for the economy, subsequent data has shown that this probably wasn’t the start of a deeper decline. That will take some of the pressure off the Reserve Bank, which had emphasised the downturn in high-frequency activity indicators in its decision to start cutting the OCR at last month’s review.

The remainder of the data releases this week continued the ‘soft but stabilising’ theme. Retail card spending rose by 0.2% in August, the first increase in seven months. That was a more modest increase than we had expected, given the income tax cuts that took effect at the end of July. Households are still facing a number of headwinds – while concerns about the cost of living and high mortgage rates are easing, the softening labour market means many households are still cautious about their spending.

House sales were about flat in seasonally adjusted terms in August, while prices continued to gradually decline. As fixed-term mortgage rates have dropped sharply in the last couple of months, we’ve seen early signs of a revival in interest among potential buyers. However, we wouldn’t have expected that to translate into more activity just yet – buyers are under no time pressure with a plentiful supply of listings, and sellers only gradually marking their asking prices down to meet the market.

> **“While Q2 indicators point to weakness in the economy, it is not the start of a deeper decline.”**

Net migration remained positive in July, though the monthly pace has now fallen below the pre-Covid average. Foreign arrivals have slowed down from the 2022-23 surge after the country reopened its borders, though they remain higher than normal. Departures of New Zealanders remain high, though there are signs that they may have now peaked. We’re forecasting annual net migration to slow to zero for the 2025 calendar year, reflecting the cooling economy and relatively fewer job opportunities in New Zealand compared to Australia.

In terms of the inflation outlook, we’ve revised down our September quarter CPI forecast from 1.1% to 0.9%, following the selected price indices for August. This release covers around 45% of the CPI, including some of the more volatile components of consumer spending. Food prices saw less of a seasonal increase than we were expecting, fuel prices fell, and there are signs that the pace of rental growth is easing (though this measure tends to evolve very slowly).

On our forecast, annual inflation would fall from 3.3% to 2.4% in the September quarter – well within the target range, but still a touch higher than the RBNZ’s forecast of 2.3%. Of more importance to the RBNZ will be the underlying trends in prices – we expect CPI excluding food and fuel to fall to a three-year low of 3.3%yr, and trimmed mean inflation is set to fall below 3%.

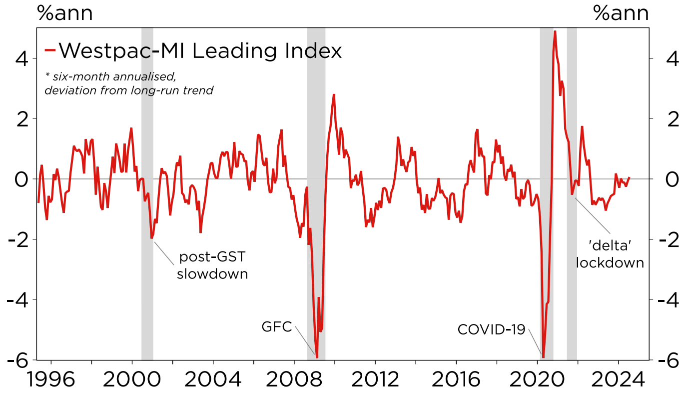
AUS: Westpac-MI Leading Index

Sep 18, Last: +0.06%

The Leading Index rose from –0.08% in June to +0.06% in July. Despite lift into slight positive, the broader picture still looks to be one of stabilisation rather than recovery.

The August read will include a mixed bag of component updates. Across financials, equity markets were about flat but commodity prices continued to slide and the yield spread turned more negative as 10yr bond rates moved below 4%. Sentiment was softer across the consumer but dwelling approvals posted a bounce in the latest month.

Westpac-MI Leading Index



Source: Westpac-MI, Macrobond

AUS: Q3 ACCI-Westpac Business Survey

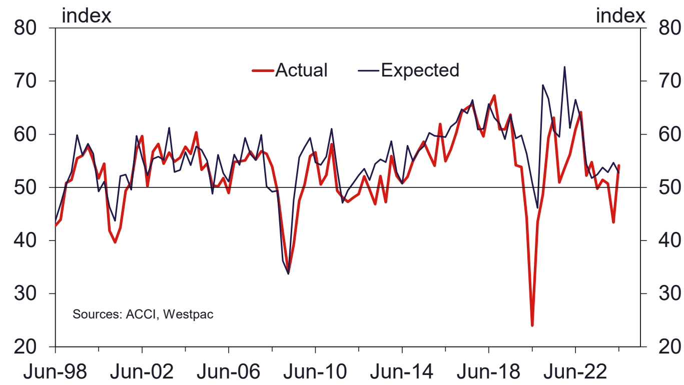
Sep 19, Last: 54.1

The ACCI-Westpac Survey of Industrial Trends for the September quarter, conducted through August into September, will provide a timely update on manufacturing and insights into economy-wide trends.

Conditions within Australia's manufacturing sector, after having deteriorated at the start of the year, rebounded in the June quarter. The previous survey reported a bounce in new orders, an increase in output, and further declines in employment and overtime.

Some of the hallmark challenges facing manufacturers have begun to ease, most notably around labour and material shortages, but concerns around elevated and volatile costs remain front-of-mind.

Manufacturing conditions improved in Q2



AUS: Aug Labour Force – Employment (000's change)

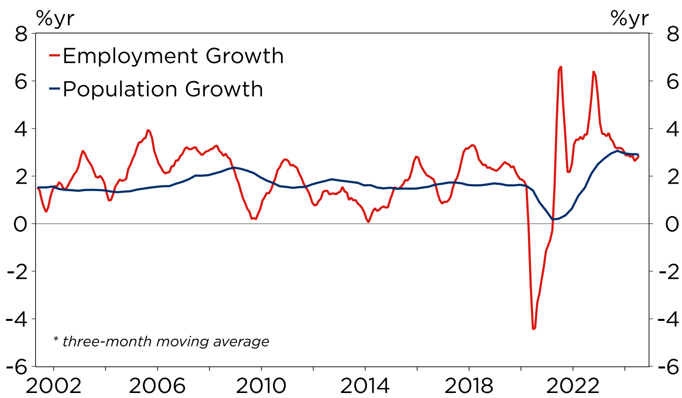
Sep 19, Last: 58.2, Westpac f/c: 35.0
Market f/c: 25.0, Range: 10.0 to 56.6

In July, the level of employment increased by +58.2k (0.4%), marking a continuation of an impressive run of employment gains over the last few months that has seen annual growth in the three-month average rising back to 2.9%yr in July from 2.6%yr in May.

The combination of strong growth in the working age population and rising participation have been key drivers of employment's strength since the reopening from COVID-19. Since June 2022, the labour force has risen by over 1 million and employment has lifted 890k.

For August, we anticipate an around-trend increase in employment of +35k, enough to keep the employment-to-population ratio broadly steady.

Labour market slowly moving into balance



Source: ABS, Macrobond, Westpac Economics

AUS: Aug Labour Force – Unemployment Rate (%)

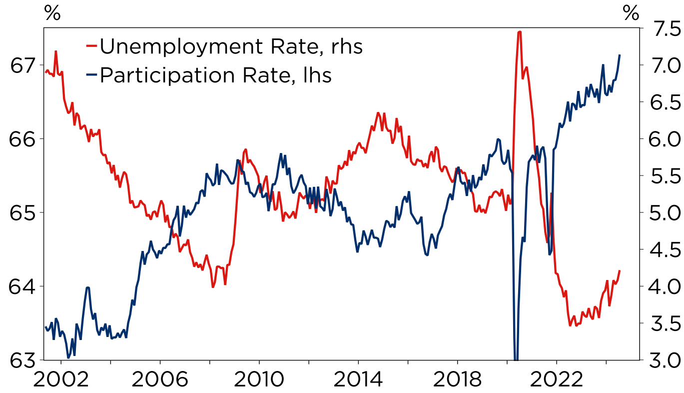
Sep 19, Last: 4.2, Westpac f/c: 4.1
Market f/c: 4.2, Range: 4.1 to 4.3

One of the main surprises in July's data was in relation to labour supply. The participation rate managed to lift to a new cycle high of 67.1% in July, the highest since WWI.

With labour supply outstripping labour demand (employment), the unemployment rate ticked up from 4.1% in June to 4.2% in July. Rising unemployment as a consequence of rising participation is less concerning than an increase in unemployment from the onset of reductions in the level of employment (i.e. firing).

For August, we expect the participation rate to hold steady at 67.1% and for the unemployment rate to tick back down to 4.1%.

Rising participation behind higher unemploy'



Source: ABS, Macrobond, Westpac Economics

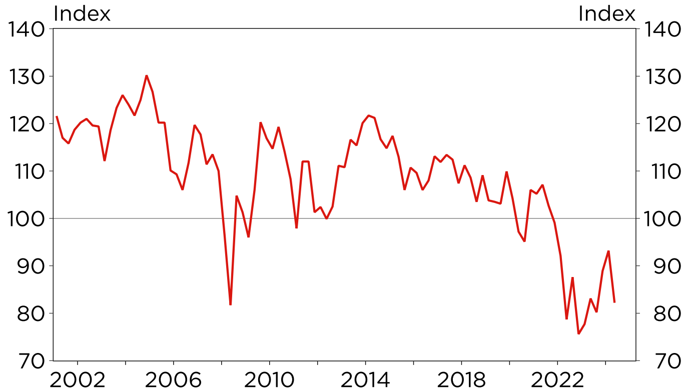
NZ: Q3 WBC McDermott Miller Consumer Confidence

Sep 18, Last: 82.2

The Westpac-McDermott Miller Consumer Confidence Index fell 11 points in June, taking it back to historically low levels. That drop reflected the impact of high interest rates and increases in living costs on households' budgets, as well as nervousness about where the economy is headed over the coming year.

Since June, we've seen inflation cooling and the earlier than expected start of the RBNZ's easing cycle. Stimulus measures like tax cuts are also now being rolled out to households. However, economic growth has remained weak and the labour market has continued to soften.

Consumer confidence slumped back in Q2



Source: Westpac New Zealand, Macrobond, Westpac Economics

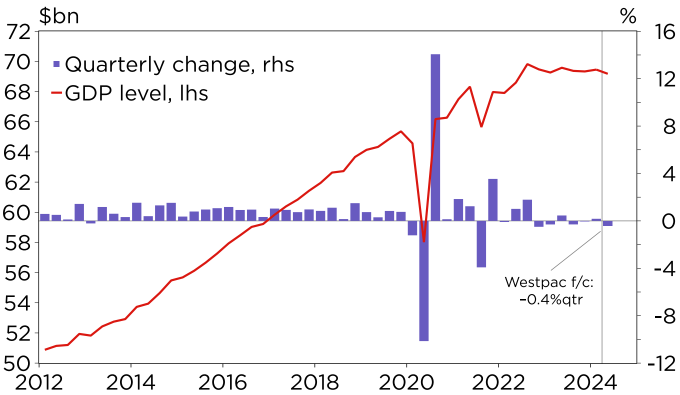
NZ: Q2 GDP

Sep 19, Last: +0.2%, Westpac f/c: -0.4%
Market f/c: -0.3%, Range: -0.4% to 0.1%

We expect a 0.4% fall in June quarter GDP, continuing the "rolling maul" recession of the last two years. Spending in retail and tourism-related sectors has remained soft, and timing issues around tax payments are likely to be a negative for Q2 growth.

Our forecast is slightly above the Reserve Bank's estimate of -0.5%. Monthly activity data was particularly weak at the end of the June quarter, a point that the RBNZ noted in its decision to start cutting the OCR in August. But more recent releases show that this weakness didn't carry through into the next quarter.

NZ economy remains effectively flat



Source: Stats NZ, Macrobond, Westpac Economics

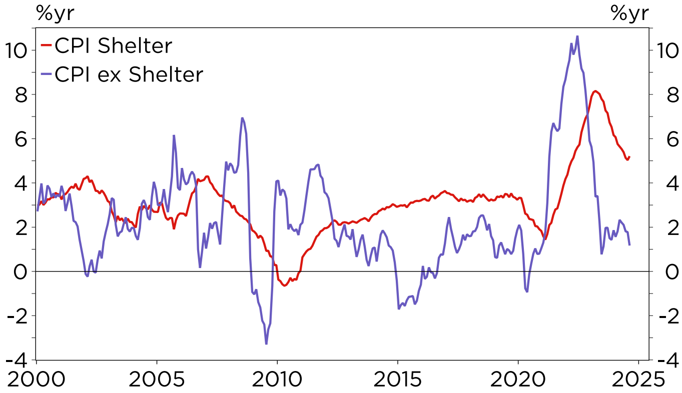
US: September FOMC meeting

Sep 17-18, Last: 5.375%, Westpac f/c: 5.125%
Market f/c: 5.125%, Range: 4.875% to 5.125%

Over the past year, inflation risks have receeded as downside risks to growth surfaced. The FOMC have consequently made clear that policy is too restrictive for current conditions and therefore needs to be adjusted.

Still, in all the guidance offered by FOMC members, is evidence of trust in the underlying health of the economy, both with respect to spending and the labour market. While an outsized 50bp cut may be needed later on, it is not warranted now. Successive 25bp rate cuts will also help bolster confidence on Wall Street and Main Street alike. We expect the low for this cycle of 3.375% to be reached at end-2025 and held through 2026.

Ex shelter, CPI below 2%yr since May '23



Source: BLS, Macrobond, Westpac Economics

What to watch

	For	Data/event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Sat 14							
Chn	Aug	Industrial Production	%yr ytd	5.9	5.8	–	Export demand is keeping production steady.
	Aug	Retail Sales Ytd	%yr ytd	3.5	3.4	–	Weak property prices keep consumers down.
	Aug	Fixed Asset Investment Ytd	%yr ytd	3.6	3.5	–	High-tech manufacturing is taking centre stage.
Mon 16							
NZ	Aug	BusinessNZ PSI	index	44.6	–	–	Tax and interest rate cuts to lift PSI from very weak levels.
Eur	Jul	Trade Balance	€bn	17.5	–	–	Weak export demand will add pressure to the surplus.
US	Sep	Fed Empire State	index	–4.7	–4.0	–	Manufacturing conditions remain cloudy.
Tue 17							
Eur	Sep	Zew Survey Of Expectations	index	17.9	–	–	Rate cuts reviving sentiment slowly but surely.
US	Aug	Retail Sales	%mth	1.0	–0.2	–	Consumer demand expected to slow.
	Aug	Industrial Production	%mth	–0.6	0.1	–	Slowdown in manufacturing expected to weaken IP.
	Jul	Business Inventories	%mth	0.3	0.4	–	On track for a slight gain.
	Sep	NAHB Housing Market	index	39	40	–	Low inventory continues to dissuade buyers.
Wed 18							
Aus	Aug	Westpac-MI Leading Index	%ann'd	0.06	–	–	Picture still looks to be one of stabilisation.
		RBA Assist' Governor (Fin Syst)	–	–	–	–	Jones speaking at Intersekt Festival, 9:20am AEST.
NZ	Sep	GlobalDairyTrade Auction	%chg	–0.4	–	–	Futures prices have picked up again since last auction.
	Q3	Westpac-MM Consumer Confidence	index	82.2	–	–	Economic activity cool, but headwinds easing too.
	Q2	Current Account Balance	% GDP	–6.8	–6.5	–6.4	Revisions to Q1 to contribute to a narrower deficit.
Jpn	Jul	Core Machinery Orders	%mth	2.1	0.7	–	Demand for cars could revive orders.
Eur	Aug	CPI	%yr	2.2	2.2	–	Final estimate will provide colour on components.
UK	Aug	CPI	%yr	2.2	2.2	–	Declines in energy will net off against gains in services.
US	Aug	Housing Starts	%mth	–6.8	5.8	–	High borrowing costs dissuade builders from starting…
	Aug	Building Permits	%mth	–3.3	1.0	–	… new projects. Rate cuts should add confidence ahead.
		FOMC Policy Decision	%	5.375	5.125	5.125	25bp rate cut expected.
Thu 19							
Aus	Aug	Employment Change	000s	58.2	25.0	35.0	Employment growth consistently surprising to upside…
	Aug	Unemployment Rate	%	4.2	4.2	4.1	… in addition to labour supply.
	Q3	ACCI-Westpac Business Survey	index	54.1	–	–	Conditions improved in June, but challenges remain.
NZ	Q2	GDP	%qtr	0.2	–0.3	–0.4	Ongoing softness in household spending.
UK	Sep	BoE Policy Decision	%	5.00	5.00	5.00	Focus will be on the Bank's bond portfolio.
US	Sep	Philly Fed	index	-7.0	2.9	–	Employment is weak consistent with other measures.
		Initial Jobless Claims	000s	230	–	–	To remain low level for now.
	Aug	Leading Index	%mth	–0.6	–0.3	–	Continues to fall but does not signal a recession.
	Aug	Existing Home Sales	%mth	1.3	-1.3	–	Inventory is constraining sales.
Fri 20							
Jpn	Aug	CPI	%yr	2.8	3.0	–	Evidence of demand-driven inflation remains absent…
	Sep	BoJ Policy Meeting	%	0.25	0.25	0.25	… precluding further rate hikes until evidence emerges.
Eur	Sep	Consumer Confidence	index	-13.5	-13.4	–	Real wage increases show lift confidence in time.
UK	Sep	Gfk Consumer Sentiment	index	-13	–	–	Pessimism amongst consumers is fading.
	Aug	Retail Sales	%mth	0.5	–	–	Slight uplift expected with spending focused on services.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (13 Sep)	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Cash	4.35	4.35	4.10	3.85	3.60	3.35	3.35	3.35	3.35	3.35
90 Day BBSW	4.42	4.42	4.19	3.96	3.73	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.45	3.60	3.60	3.55	3.55	3.50	3.50	3.50	3.55	3.60
3 Year Bond	3.44	3.55	3.50	3.45	3.40	3.35	3.30	3.30	3.35	3.40
10 Year Bond	3.83	3.90	3.90	3.90	4.00	4.05	4.05	4.10	4.10	4.15
10 Year Spread to US (bps)	18	15	15	10	10	5	5	5	5	5
United States										
Fed Funds	5.375	4.875	4.375	4.125	3.875	3.625	3.625	3.625	3.625	3.625
US 10 Year Bond	3.65	3.75	3.75	3.80	3.90	4.00	4.00	4.05	4.05	4.10
New Zealand										
Cash	5.25	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75
90 Day Bill	5.10	4.75	4.50	4.25	4.00	3.85	3.85	3.85	3.85	3.85
2 Year Swap	3.70	3.90	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
10 Year Bond	4.12	4.20	4.25	4.30	4.35	4.40	4.40	4.40	4.35	4.35
10 Year Spread to US	48	45	50	50	45	40	40	35	30	25

Exchange rate forecasts

	Latest (13 Sep)	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
AUD/USD	0.6725	0.68	0.69	0.70	0.71	0.72	0.72	0.73	0.73	0.73
NZD/USD	0.6186	0.62	0.63	0.63	0.63	0.64	0.64	0.64	0.64	0.64
USD/JPY	141.01	142	141	140	139	138	137	136	135	134
EUR/USD	1.1084	1.11	1.11	1.12	1.13	1.14	1.14	1.15	1.15	1.15
GBP/USD	1.3147	1.31	1.32	1.32	1.33	1.33	1.34	1.34	1.35	1.35
USD/CNY	7.1061	7.10	7.05	7.00	6.90	6.80	6.70	6.60	6.55	6.50
AUD/NZD	1.0876	1.10	1.10	1.11	1.14	1.13	1.13	1.14	1.14	1.14

Australian economic growth forecasts

	2024				2025				Calendar years			
% Change	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
GDP %qtr **	0.2	0.2	0.6	0.5	0.5	0.5	0.6	0.6	2.0	1.3	2.2	2.4
%yr end **	1.3	1.0	1.2	1.5	1.9	2.2	2.2	2.4	1.6	1.5	2.4	2.4
Unemployment Rate %	3.9	4.1	4.2	4.3	4.4	4.5	4.5	4.6	3.9	4.3	4.6	4.6
Wages (WPI) %qtr	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.7	–	–	–	–
%yr end	4.1	4.1	3.5	3.2	3.0	2.9	2.8	2.9	4.2	3.2	2.9	3.4
CPI Headline %qtr	1.0	1.0	0.3	0.4	0.6	0.9	1.2	0.8	–	–	–	–
%yr end	3.6	3.8	2.9	2.6	2.3	2.2	3.2	3.6	4.1	2.6	3.6	2.8
CPI Trimmed Mean %qtr	1.0	0.8	0.7	0.7	0.7	0.7	0.7	0.8	–	–	–	–
%yr end	4.0	3.9	3.5	3.3	3.0	2.9	2.8	2.9	4.1	3.3	2.9	2.6

New Zealand economic growth forecasts

	2024				2025				Calendar years			
% Change	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
GDP %qtr	0.2	-0.4	-0.2	0.4	0.5	0.5	0.5	0.6	–	–	–	–
Annual avg change	0.2	-0.3	-0.3	-0.2	-0.2	0.3	0.8	1.3	0.6	-0.2	1.3	2.3
Unemployment Rate %	4.4	4.6	5.0	5.3	5.5	5.6	5.6	5.6	4.0	5.3	5.6	4.9
CPI %qtr	0.6	0.4	0.9	0.3	0.5	0.4	0.8	0.5	–	–	–	–
Annual change	4.0	3.3	2.4	2.2	2.1	2.0	2.0	2.2	4.7	2.2	2.2	2.1

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