AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 8 August 2022

Editorial: RBA Statement on Monetary Policy - risky forecasts.

Australia: Westpac-MI Consumer Sentiment, business survey.

NZ: Q3 RBNZ inflation expectations, card spending, housing updates, manufacturing PMI.

China: CPI, PPI.

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Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 5 AUGUST 2022.

WESTPAC INSTITUTIONAL BANK

RBA Statement on Monetary Policy – risky forecasts

The Reserve Bank has released its August Statement on Monetary Policy.

As foreshadowed in the Governor's Statement following the August Board meeting the Bank has lowered its growth forecasts and substantially lifted its inflation forecasts since the May Statement on Monetary Policy.

Note that the forecast period has been extended from June 2024 to December 2024.

GDP growth has been lowered in each of the forecast years, 2022: 3.2% (4.2% in May); 2023: 1.8% (2.0% in May); 2024: 1.7% (from 2.0% in May to June 2024).

Headline Inflation has been lifted: 2022: 7.8% (5.9% in May); 2023: 4.3% (3.1% in May); 2024: 3.0% (from 2.9% in May to June 2024)

Trimmed Mean Inflation has been lifted: 6.0% (from 4.6% in May); 3.8% (from 3.1% in May); 3.0% (from 2.9% in May to June 2024).

Unemployment Rate: 2022: 3.4% (from 3.7% in May); 2023: 3.5% (from 3.6% in May); 4.0% (from 3.6% in May).

The forecasts are based on a Trade Weighted Index for the AUD at 63, the same as in May although against the USD there has been a cut from USD0.71 to USD0.69.

The oil price (Brent) is forecast to hold at USD 94bbl ($101bbl in May) and hold there over the forecast period. That assumption does put some upward bias into the inflation forecasts given that most inflation forecasts assume a lower oil price over the forecast period.

But the assumptions around the cash rate are significantly different. In May the Bank used a profile of the cash rate reaching 1.75% by December 2022 and 2.5% by December 2023.

The forecasts in August are based on the cash rate reaching around 3% by December 2022 and "declining a little" by December 2024.

Use of a higher cash rate profile might explain the downgrade in the growth forecasts in 2023 and 2024 but these downgrades are quite minimal (1.8% from 2.0%).

But of most interest is the acceptance that, unlike in May, headline inflation stays well above the top of the target band in 2023, and only just makes it in 2024.

Contrast these forecasts with Westpac's forecasts that assume the cash rate reaches 3.1% by end 2022 and peaks at 3.35% by February 2023. As with the Bank we think the rate will hold throughout 2023 at this higher level but can be cut by 100 basis points in 2024.

That higher rate profile causes growth in 2023 to slow more sharply to 1% from 4.4% in 2022 compared to the Bank's profile of 3.2% to 1.8% (a more gentle slowdown than expected in May – 4.2% to 2.0%) despite a higher expected rate profile.

In our profile the unemployment rate is expected to lift from 3% to 5% over 2023 and 2024 compared to the Bank's forecast of 3.4% to 4.0% over the two year period.

But our much weaker growth profile in 2023 allows the prospect of inflation falling back to near 3% in 2023 – indicating that the Bank would have succeeded in its inflation objective albeit at a greater cost to economic growth in the short term.

It also allows for the prospect of rate cuts in 2024, whereas the Bank's forecast of 4.3% inflation by end 2023 precludes that prospect.

The key reason why we insist that a sharper slow down in demand is required in 2023 is that a much stronger set of demand conditions (we forecast consumer spending growth of 1.2% in 2023 compared to the Bank's 2.4%) runs the risk of resilient high inflationary expectations.

The Statement refers on a number of occasions to the risks around inflation expectations: "one uncertainty affecting the outlook for inflation is the possibility that inflation expectations and general inflation psychology shift, and lead to the higher inflation being more persistent." (Overview).

The RBA assess that: "medium-term inflation expectations remain well anchored".

However, we think there has already been a significant shift. The section in the SOMP on inflationary expectations shows that trade unions' expectations for the 5 to 10 year period have lifted from 2-2.5% to 3.5% while unions' one year expectations have lifted from less than 2% to 6%.

But it is also firms' expectations that count in this cycle. If firms believe that they have ample scope to raise prices they will do so and be more flexible with wage demands. The SOMP refers on a number of occasions to firms acknowledging more scope to raise prices.

A key determinant of that assessment will be firms' assessments of the state of demand and the preparedness of the central bank to use policy to slow that demand.

A forecast of 1.8% growth and 4.3% headline inflation in 2023 looks to be risking firms being emboldened to continue raising prices with demand conditions solid and the central bank prepared to be very patient in its inflation objective - apparently favouring the prospect of keeping the economy on an "even keel" rather than addressing the paramount need to bring inflationary expectations back into line.

We would like to have seen inflation and growth forecasts more consistent with a central bank that is determined to reach its inflation objectives over a shorter time period than 2½ years.

Our peak rate forecast of 3.35% is higher than the forecast of 3% used in the Bank's forecasts. We believe a 3% cash rate would have a more debilitating impact on the economy than the Bank is forecasting but not sufficient to achieve the 3% inflation target by end 2023.

That target/forecast of 3% inflation by end 2023 should be adopted by the Bank and if a significantly higher terminal cash rate would, in their view, be required to reach that goal then they should use that rate in the forecasts. That does not mean that the rate needs to be rapidly pushed through the assessed "neutral" and into the contractionary setting, but it may mean that the Bank expects it to take more time to reach its higher peak.

It does not "feel" right that the Bank should be taking the cash rate forecast from the market / analysts and forecasting a mild slowdown and the need for 2½ years to reach even the top of the target band.

It would be much more satisfactory to see a set of forecasts that indicated a much weaker demand climate in 2023 and a significantly more rapid achievement of the inflation target.

From our perspective we believe that outcome would be achieved with a terminal rate of 3.35%, 35 basis points higher than the rate used in the RBA forecasts.

Arguably, the Bank believes a much higher rate would be required to achieve the objective. If so, we would have liked to have seen that rate used in the forecasts with the forecasts signalling the intention to get back to the top of the band by 2023.

Such an approach would give the Bank the best chance of managing this difficult task of returning inflationary expectations to more normal levels and deflating the current "inflationary psychology" which is now at risk of taking hold.

Bill Evans, Chief Economist

50bp rate hikes were seen in Australia and the UK this week, with both central banks also signalling that additional tightening is likely to be required in the months ahead. However, the economic situation faced by these two nations differs greatly, as do the risks.

In explaining their decision to raise the cash rate by another 50bps at the August meeting, the RBA highlighted that inflation had been stronger than anticipated (the 2022 forecast for headline inflation revised up from 5.9%yr in May to 7.75%yr in August's projections) and could prove more persistent (annual inflation is now seen at 4.0%yr in 2023, and to only be back at the top of the 2-3%yr target range by end-2024). As discussed by Chief Economist Bill Evans after Tuesday's decision, the RBA continue to view the activity and labour market impact of tighter policy and the loss of real income as manageable. In short, growth in 2022 is now seen at 3.25% instead of 4.25% (inclusive of the 0.5% 'miss' for Q1 GDP which was released after the RBA's May forecasts) and 1.75% in 2023 and 2024, just a touch lower than the prior 2.0%yr forecast. Moreover, the unemployment rate is only expected to rise to 4.0% through 2023 and 2024, effectively keeping the labour force fully employed over the period.

To our mind, the language and forecasts included in the August decision statement support our call for another 50bp hike in September and 25bp increases in October through February, taking the cash rate to a peak of 3.35% at February 2023. We expect growth and the labour market will prove stronger in 2022 than the RBA currently forecast, but anticipate inflation to be broadly in line with their expectation. Looking further ahead however, we see a marked deterioration in growth in 2023 (to 1.0%yr) and a much larger rise in the unemployment rate over 2023 and 2024 to around 5.0%. As a result, we believe 100bps of easing will be required through 2024 to bring GDP growth back to 2.0%yr and to stabilise the labour market. Note, a full view of the RBA's baseline forecasts and assessment of risks is available in the just released August Statement on Monetary Policy. A detailed exploration of our own views on Australia and the world will also be released today in the August edition of Westpac's Market Outlook on Westpac IQ.

Data released for Australia this week was mixed but consistent with our overall view of the economy. Retail sales volumes continued to show strength in Q2 despite large price gains, activity up 1.4% on Q1 which itself saw a 1.2% gain. The trade surplus also beat expectations in June, widening to $17.7bn as exports jumped 5.1% on gains for commodity prices and volumes as well as improved tourism activity. Against these positives, the correction in house prices was shown to have deepened and broadened across the country in July, capital city prices falling another 1.4%; and housing finance approvals weakened sharply in June, more than reversing the surprise gain of May. While dwelling approvals held up in June, it is likely just a matter of time before weakening demand for housing hits the construction pipeline.

Turning then to New Zealand. The Q2 labour market data showed unemployment and underutilisation at-or-near historic lows despite a second consecutive quarter of no employment growth. More significant for inflation and the stance of policy however was a material upside surprise for private sector wage growth, up 1.3% in the quarter and 3.4%yr – the latter the fastest pace since early 2009. The breadth of wage gains was also notable in Q2. On the back of these results, our New Zealand team has revised up its peak for the cash rate to 4.0% by the end of 2022.

For the US this week, the data has been mixed. The ISM services survey provided a positive surprise on activity in the sector, particularly relative to the S&P Global services PMI which reported a contractionary reading. Also taken as a positive for the outlook was another material step down in the price sub-index of both the manufacturing and services ISMs, these results implying a working though of global supply disruptions and dissipating inflation pressures.

Also acting against inflation in the US is the rebalancing of their labour market. At the moment, this is occurring at the margin through a moderate deceleration in employment growth. However, given the recent weakness in activity as well as the mounting impact of historic inflation on real household income and tight financial conditions, US labour market slack is likely to become significant over the coming 12 to 18 months. As it impacts activity and inflation, we expect the market to price in a cutting cycle which we believe will commence at the end of 2023 and continue through 2024.

Over in the UK, the Bank of England followed the lead of the FOMC and other major central banks by deciding to raise the bank rate by an outsized 50bps from 1.25% to 1.75%, their first move of such scale in this tightening cycle. Additionally, the Committee intends to begin quantitative tightening in September via GBP40bn of asset sales and by letting GBP40bn of maturing securities run off the portfolio over 12 months. Neither outcome surprised the market, and so the focus of participants was on the Committee's updated projections. These paint a bleak picture for the UK's economic outlook.

Inflation is now expected to peak at 13.1%yr in Q4 2022 (prev. 10.25%yr) and to persist at a more elevated level throughout 2023 (9.5%yr at Q3; prev. 5.9%yr) before declining towards the 2.0%yr target by Q3 2024. This higher profile for inflation and a weakening labour market has led to a materially lower outlook for activity growth as higher prices erode household real post-tax income by 8% over 2022 and 2023. Overall, the Committee now anticipate the UK to enter recession in Q4 2022, with output to decline in each quarter thereafter until the end of 2023, marking annual GDP growth at -1.5% in 2023 and -0.25% in 2024.

The Bank of England now find themselves in a tight bind between inflation and growth risks, but given the severity of the inflation challenge and concerns over inflation expectations, it is clear that they are willing to accept weakness in activity. We now expect the Bank of England to raise the bank rate by 50bp in September before slowing to a 25bp pace in November and December to reach a peak of 2.75% by year end. Given this aggressive contractionary stance, we believe 175bp of rate cuts will prove necessary from Q3 2023 to Q4 2024 to correct the growth trend as inflation returns to target. Risks remain to the upside for inflation and may require holding the peak bank rate of 2.75% through to end-2023 or into early-2024 at the expense of further weakness in activity.

Week ahead & data wrap

Running to stand still

The latest labour market surveys were something of a mixed bag, with flat employment but surging wage growth. That certainly leaves the results open to different interpretations. Our view is that it points to an economy that is running up against capacity constraints, with strong demand being channelled into both higher prices and wages.

The unemployment rate rose slightly to 3.3% in the June quarter. That went against expectations of a dip to 3.1%, although the difference is small enough to put it well within the realm of 'noise'. Unemployment remains at a very low level – the previous reading of 3.2% was the lowest in the history of the survey going back to 1986.

The other downside surprise for us was that there was zero employment growth for the third quarter in a row. That was accompanied by a further drop in the labour force participation rate. This illustrates another tension in the New Zealand labour market – with the migration tap having been largely turned off in recent times, the prime working-age population is ageing and shrinking. All of the growth has been in the over-65s, who have a much lower participation rate (although high by world standards).

As a result, the New Zealand economy appears to be hitting the wall in terms of employment growth. That might seem strange when we still have more than 90,000 people actively looking for work, and we know that businesses across the board are crying out for more workers.

The reality is that even in a booming economy, there will always be some level of unemployment at any point in time. This may be people who are between jobs and are in the process of searching, or it may be people who have the wrong skills or are in the wrong location relative to where the demand is. The structure and regulation of the labour market can have a big impact on where that 'baseline' level of unemployment lies, but even in the best circumstances it's going to be some way above zero.

It may be that New Zealand is finding where that floor lies. While there is a great deal of hiring going on, businesses are tending to attract people from the existing pool of workers, with no net growth in the number of jobs. Instead, all of the heat in the labour market is coming through in pay rates.

The Labour Cost Index rose by 1.1% in the June quarter, lifting the annual rate of increase to 3.4%. That was the fastest pace we've seen since early 2009 – though more to the point, it's approaching the highs that we saw in the overheated years before the Global Financial Crisis.

The details of the LCI also show that pay increases are becoming more widespread. Two-thirds of all jobs received a pay increase in the last year, the highest proportion going back to 1991. And over a quarter of jobs saw a pay increase of more than 5% (though that includes minimum-wage roles which received a 6% increase in the June quarter).

It's also worth noting the reasons that employers cite for giving pay rises. Cost of living adjustments are no more or less common than usual. Instead, the lift in wage rates has been around the growing need to match market rates and retain staff. In other words, wage inflation has been due to the demand-pull of intense competition for a fixed pool of workers, not the cost-push of rising living costs.

While the LCI is commonly cited as a measure of wage growth, it is actually intended as a pure price measure of labour costs. It excludes pay increases that are related to worker productivity, or to changes in the composition of jobs.

For an indication of what workers are actually receiving in hand, we prefer the average hourly earnings measure from the Quarterly Employment Survey. This measure was up 6.4% on a year ago, the fastest rate of growth since 1990. This still implies that workers have taken a hit on the cost of living, with consumer prices up 7.3% over the same time. But the shortfall was less than expected, and the gap is closing.

On balance, the labour market data suggests to us that demand-side forces are playing an even stronger role in inflation than we thought. And that in turn implies that more of the burden of adjustment lies with the Reserve Bank.

We now expect the Official Cash Rate to reach a peak of 4.00% for this cycle. That can be achieved through 50 basis point hikes at each of the three remaining review dates this year. There is a risk that the tightening stretches out into the early part of next year, although we think that by then there will be a substantial body of evidence that the domestic and global economies are slowing.

Curiously, this means that we've traded places with financial markets, which not that long ago had been pricing in a peak OCR of more than 4%. However, recession concerns have dominated global markets in recent weeks, driving market interest rates sharply lower, and the New Zealand market has followed along. The market is now pricing a peak OCR of around 3.75% by the end of this year, turning to rate cuts from August next year. We think that's far too early for the RBNZ to be turning tail, when the inflation problem that it faces is increasingly coming from more persistent sources.

Michael Gordon, Acting Chief Economist NZ

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 1	Jun building permits	–0.5%	–2.3%	–5.0%
Wed 3	GlobalDairyTrade auction prices (WMP)	–5.1%	–6.1%	–2.0%
	Q2 unemployment rate	3.2%	3.3%	3.1%
	Q2 employment	0.0%	0.0%	0.5%
	Q2 LCI wage inflation (pvte, ord. time)	0.7%	1.3%	1.0%
	Jul ANZ commodity prices	–0.4%	–2.2%	–

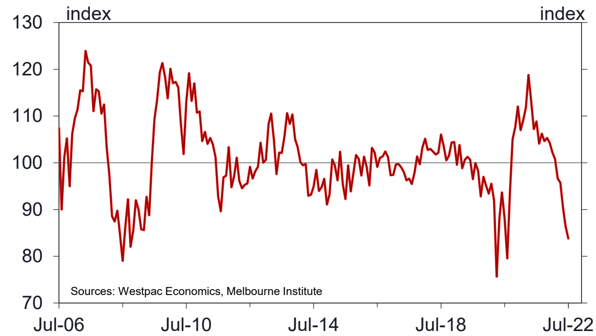
Aus Jul Westpac-MI Consumer Sentiment

Aug 9, Last: 83.8

Consumer Sentiment fell another 3% to 83.8 in July, a seventh consecutive monthly decline. The 2022 sentiment slump is now on a par with lead-ins to previous major disruptions to the Australian economy, both in terms of index levels and the size of the decline.

Interest rate and inflation concerns are the dominant concern and are likely to feature again in August with the RBA putting through another 50bp rate hike – its third 50bp move in three months and the fourth hike since April – and official ABS figures confirming headline inflation tracking above 6%yr. That said, local petrol prices have fallen back significantly over the last month, the average pump price down 34¢ to $1.58/litre. That particular improvement may be drowned out sentiment-wise by the accelerating correction in house prices now showing through clearly.

Consumer Sentiment Index



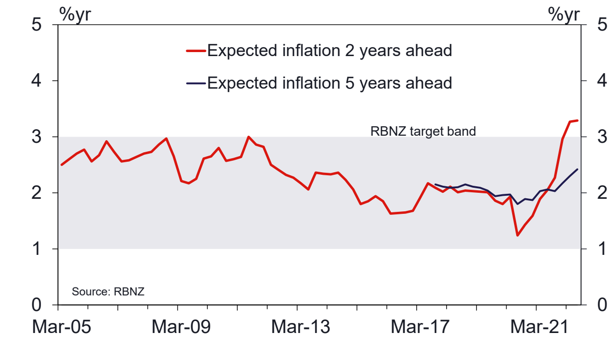
NZ Q3 RBNZ survey of expectations

Aug 8, Two-year ahead inflation expectations, Last: 3.29%

The RBNZ's latest survey of inflation expectations came hot on the heels of the 32-year high in inflation that was reached in the June quarter. With that in mind, we expect the August survey will show that expectations for inflation over the coming year remain elevated.

The bigger focus for the RBNZ will be on expectations at longer horizons (2 or more years ahead). If expectations at those horizons push higher, that would stoke concerns about more enduring inflation and wage pressures, and that would reinforce the case for further rate hikes. However, we think that recent developments actually point towards expectations remaining fairly steady. While still elevated, inflation looks to have peaked and prices for petrol are now falling. In addition, the OCR is now pushing into tight territory and the global economy is softening.

RBNZ survey of expectations



NZ Jul retail card spending

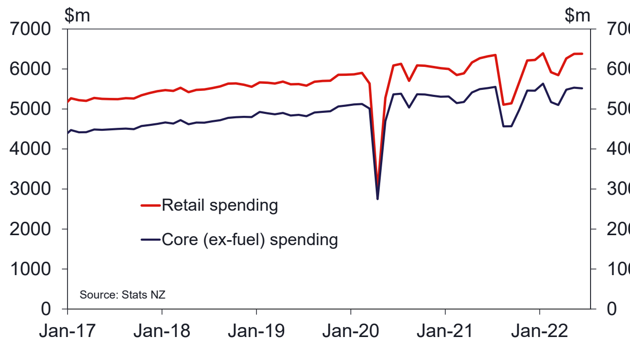
Aug 9, Last: +0.1%, Westpac: +0.3%

Retail spending effectively stalled in June, rising by just 0.1%. That muted rise came against a backdrop of large fuel price increases. That constrained spending in other areas, with spending in ex-fuel categories dropping by 0.3%.

We're forecasting a small rise in spending levels in July. Lower petrol prices are helping to support spending in other areas. We've also seen hospitality spending picking up as international tourist numbers have started to rise (albeit from low levels).

Continued increases in retail prices and borrowing costs are providing a brake on spending growth. Importantly, the strong price rises in recent months means that, although nominal spending has been resilient, the actual volume of goods that consumers can afford is being squeezed.

NZ retail card spending



NZ Jul REINZ house sales and prices

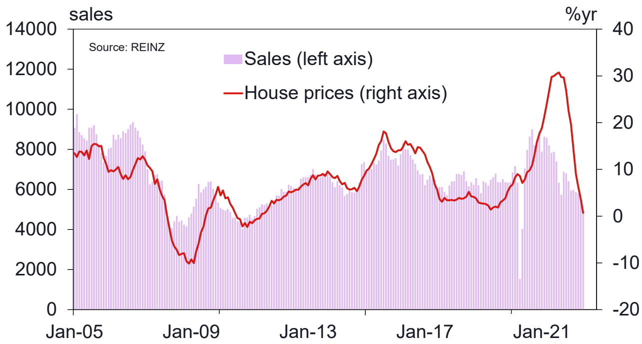
Aug 11 (TBC), Sales last: -12.6% m/m, -38.1% y/y
Prices last: -0.9% m/m, +0.7% y/y

The REINZ house price index recorded its seventh consecutive decline in June, putting it down almost 7% from its peak. Prices have fallen particularly sharply in Auckland and Wellington, but the decline has been widespread.

House sales have plunged from their highs and are now below pre-Covid levels. While the pace of new listings has been steady, homes are taking longer to sell and the stock of available properties is climbing. A fresh lurch lower in sales in recent months suggests more price weakness to come in the near term.

Adding to the near-term pressure on prices, fixed-term mortgage rates rose further in July. However, this will likely mark their peak. Global concerns about the risk of recession have led to a sharp fall in wholesale interest rates in recent weeks, and mortgage rates have started to follow.

REINZ house prices and sales



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Sun 07					
Chn	Jul foreign reserves $bn	3071.27	3051.30	–	Little need for authorities to be active in the market in H2.
	Jul trade balance USDbn	97.94	89.07	–	Trade has been a key support throughout COVID-zero shock.
Mon 08					
NZ	Q3 RBNZ inflation expectations	3.3%	–	–	Expectations elevated, but not expected to rise materially.
Jpn	Jun current account balance ¥bn	128.4	–711.6	–	Seasonal factors and strong import value to drive deficit.
Eur	Aug Sentix investor confidence	–26.4	–26.4	–	Confidence remains weak given growth uncertainty.
Tue 09					
Aus	Aug WBC–MI Consumer Sentiment	83.8	–	–	Confidence crushed by surging inflation and rate hikes.
	Jul NAB business survey	13	–	–	Conditions above trend but confidence has evaporated.
NZ	Jul card spending	0.1%	–	0.3%	Muted spending growth in the face of strong price increases.
Chn	Jul new loans, CNYbn	2806.3	1200.0	–	Credit momentum healthy…
	Jul M2 money supply %yr	11.4%	11.4%	–	… thanks to authorities support and influence.
US	Jul NFIB small business optimism	89.5	89.5	–	Inflation and labour challenges are front of mind.
	Q2 productivity	–7.3%	–4.5%	–	Challenging productivity outlook for rest of 2022.
Wed 10					
Chn	Jul PPI %yr	6.1%	4.9%	–	Producer inflation easing as commodity prices reverse…
	Jul CPI %yr	2.5%	2.9%	–	… soft household demand limiting consumer inflation.
US	Jul CPI	1.3%	0.2%	0.3%	Base effects unfavourable in coming months.
	Jun wholesale inventories	1.9%	1.9%	–	Final estimate.
	Fedspeak	–	–	–	Evans and Kashkari.
Thu 11					
Aus	Aug MI inflation expectations	6.3%	–	–	Moved higher, in recognition of lift in actual inflation.
NZ	Jul REINZ house sales %yr	–38.1%	–	–	Expected release date. Sales continue to slide…
	Jul REINZ house prices %yr	0.7%	–	–	… foreshadowing further price weakness ahead.
	Jun net migration	–828	–	–	Balance starting to improve as the border has reopened.
US	Jul PPI	1.1%	0.3%	–	PPI slowly cooling as supply issues are worked through.
	Initial jobless claims	260k	–	–	Gradually lifting from historic lows.
Fri 12					
NZ	Jul manufacturing PMI	49.7	–	–	Slipped below 50 for the first time since lockdowns ended.
	Jul food price index	1.2%	–	1.2%	Seasonal increase in vegetable prices.
Eur	Jun industrial production	0.8%	0.0%	–	Supply issues are a headwind to production.
UK	Q2 GDP	0.8%	–0.1%	–	Growth to slow appreciably through 2022 and 2023.
	Jun trade balance £bn	–9747	–	–	Deficit to remain wide on import strength.
US	Jul import price index	0.2%	–0.9%	–	Import prices remain elevated.
	Aug Uni. of Michigan sentiment	51.5	52.0	–	Consumers feeling the heat from inflation and rates.
	Fedspeak	–	–	–	Daly.

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

Forecasts

Interest rate forecasts

Australia	Latest (5 Aug)	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Cash	1.85	2.35	3.10	3.35	3.35	3.35	3.35	3.10
90 Day BBSW	2.18	3.05	3.55	3.55	3.55	3.55	3.38	3.13
3 Year Swap	3.14	3.30	3.25	3.20	3.10	2.90	2.80	2.75
3 Year Bond	2.79	2.95	3.00	3.00	2.90	2.70	2.60	2.55
10 Year Bond	3.08	3.20	3.40	3.30	3.10	2.90	2.65	2.50
10 Year Spread to US (bps)	39	40	40	40	40	40	35	30
US								
Fed Funds	2.375	2.875	3.375	3.375	3.375	3.375	3.125	2.875
US 10 Year Bond	2.69	2.80	3.00	2.90	2.70	2.50	2.30	2.20
New Zealand								
Cash	2.50	3.00	4.00	4.00	4.00	4.00	4.00	4.00
90 day bill	3.24	3.70	4.10	4.10	4.10	4.10	4.10	4.10
2 year swap	3.76	3.80	3.70	3.60	3.50	3.40	3.25	3.10
10 Year Bond	3.36	3.50	3.40	3.30	3.20	3.10	3.05	3.00
10 Year spread to US	67	70	40	40	50	60	75	80

Exchange rate forecasts

Australia	Latest (5 Aug	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
AUD/USD	0.6961	0.71	0.73	0.75	0.76	0.77	0.78	0.78
NZD/USD	0.6297	0.64	0.66	0.68	0.69	0.70	0.71	0.71
USD/JPY	132.59	132	132	130	127	125	123	121
EUR/USD	1.0247	1.05	1.09	1.11	1.13	1.14	1.15	1.16
GBP/USD	1.2159	1.23	1.26	1.28	1.30	1.32	1.34	1.35
USD/CNY	6.7504	6.70	6.60	6.50	6.40	6.30	6.20	6.15
AUD/NZD	1.1054	1.11	1.11	1.10	1.10	1.10	1.10	1.10

Australian economic growth forecasts

	2021	2022				2023		Calendar years			
% change	**Q4**	**Q1**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**2020**	**2021**	**2022f**	**2023f**
GDP % qtr	3.6	0.8	2.0	1.0	0.6	0.4	0.2	–	–	–	–
%yr end	4.4	3.3	4.5	7.5	4.4	4.0	2.2	-0.7	4.4	4.4	1.0
Unemployment rate %	4.7	4.1	3.8	3.3	3.0	3.1	3.4	6.8	4.7	3.0	4.2
CPI % qtr	1.3	2.1	1.8	1.0	2.5	1.0	0.7	–	–	–	–
Annual change	3.5	5.1	6.1	6.3	7.6	6.4	5.2	0.9	3.5	7.6	3.1
CPI trimmed mean %qtr	1.0	1.5	1.5	1.5	1.2	0.8	0.7	–	–	–	–
%yr end	2.6	3.7	4.9	5.5	5.8	5.0	4.2	1.2	2.6	5.8	3.0

New Zealand economic growth forecasts

	2021	2022				2023		Calendar years			
% change	**Q4**	**Q1**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**2020**	**2021**	**2022f**	**2023f**
GDP % qtr	3.0	-0.2	1.0	0.7	1.2	0.8	0.6	–	–	–	–
Annual avg change	5.6	5.1	1.0	2.2	2.1	2.7	3.6	-2.1	5.6	2.1	3.3
Unemployment rate %	3.2	3.2	3.3	3.3	3.4	3.5	3.6	4.9	3.2	3.4	3.8
CPI % qtr	1.4	1.8	1.7	1.6	0.1	1.0	0.8	–	–	–	–
Annual change	5.9	6.9	7.3	6.6	5.2	4.4	3.4	1.4	5.9	5.2	3.3

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