AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 7 November 2022

Editorial: RBA's SoMP lowers growth outlook, but inflation forecasts are troubling.

RBA: Deputy Governor Bullock speaking.

Australia: Westpac–MI Consumer Sentiment, business survey.

NZ: Q4 inflation expectations, card spending, house sales and prices, manufacturing PMI.

China: CPI, PPI, trade balance, foreign reserves.

UK: Q3 GDP, trade balance.

US: CPI, consumer credit, small business optimism, UoM consumer sentiment.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 4 NOVEMBER 2022.

WESTPAC INSTITUTIONAL BANK

RBA's SoMP lowers growth outlook, but inflation forecasts are troubling

The Reserve Bank has released its November Statement on Monetary Policy (SoMP).

The highlight of these Statements is the Bank's revised forecasts for growth, unemployment and inflation.

These forecasts are based on a path for the cash rate broadly in line with expectations derived from surveys of professional economists and financial market pricing (most likely a straight arithmetic average). Exchange rates and oil prices are also assumed to be unchanged through the forecast period.

This approach to cash rate assumptions can lead to some tensions. The forecasts are based on what the market and analysts expect for the policy instrument rather than what the Bank expects it needs to do. The risk with such an approach is that the Bank's forecasts are consistent with market pricing but may not be consistent with the Bank's own objectives. There is some evidence of this conundrum in the revised inflation outlook.

Forecasts are provided out to December 2024.

Due to the surprise lift in inflation in the September quarter inflation report, the Bank has raised its forecast for headline inflation in 2022 from 7.8% in the August SoMP to 8%. The forecast for inflation in 2023 has been lifted from 4.3% to 4.7% while 2024 has been lifted from 3% to 3.2%.

That means that the Bank is now forecasting inflation in 2023 to be much nearer 5% than the 4% we saw in August while it is clearly making the statement that it expects inflation will remain outside the 2–3% target range for three years. It is very rare for the RBA's 'out year' inflation forecast to be above its target range – the only other instances being when major tax changes were set to boost the CPI (the carbon tax in 2011 and the GST in 2000).

Psychologically, a 'near 5%' forecast rise for 2023 may lift expectations for both business and households, particularly with wage negotiations that are currently taking place. Negotiations may also be influenced by further progress in the proposed changes, which the government is now close to legislating, that would allow for industry-wide bargaining.

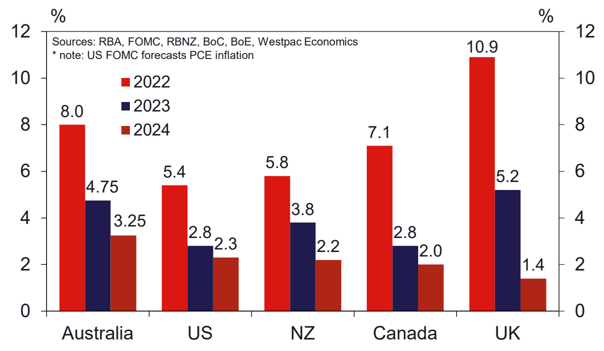
It is worth comparing the RBA's forecasts with those of its central bank peers. The 4.7% for 2023 is well above the RBA's 2-3% target. And while central banks in other developed economies are also expecting to miss their targets in 2023, they are plotting a clearer return to target in 2024.

The figure above shows the most recent inflation forecasts from other central banks in developed economies (noting that the RBNZ is likely to lift its forecast for 2022 and 2023 by around 0.2ppts when it updates its forecasts later this month due to a sharper than expected increase in September quarter inflation rise).

The figure clearly demonstrates that – at least in eyes of central banks – Australia's inflation picture is not more benign than in other developed economies. Inflation is also still rising in Australia (up from 7.3% in the September quarter), whereas most other developed economies are forecasting lower inflation by end 2022.

Other central banks are taking a more aggressive approach to rate rises. Markets and central bank guidance indicate that even for economies like Canada, New Zealand and the UK, which have higher household debt exposures to short term interest rates, the terminal policy rate is likely to settle at least 1ppt above the RBA's likely terminal rate.

Central bank inflation forecasts



The inflation forecasts for 2024 are particularly interesting: Canada (2.0%); New Zealand (2.2%); the UK (1.4%); and the US (2.3%).

These central banks are forecasting a much more emphatic return to target in 2024 than the RBA's forecast.

The more cautious approach from the RBA raises the prospect of further entrenching a 'high inflation' psychology as businesses and households may doubt the RBA's commitment to returning inflation to the target zone. The Governor's statement that the Bank is aiming to return inflation to the target band "while keeping the economy on an even keel" contrasts with other central banks who accept the economic slowdown as the cost of containing inflation.

The Bank's growth forecasts are more in line with the likely economic cost of containing inflation.

The forecast growth rates have been lowered from the August numbers, particularly for 2023. Growth is forecast at 2.9% in 2022 (down from 3.2% in August); 1.4% in 2023 (down from 1.8%); and 1.6% in 2024 (down from 1.7%).

The major source of the downward revisions is household spending which was revised down from 2.4% growth in 2023 to 1.3% – in line with our forecast of 1.2% growth.

These overall growth numbers are getting closer to Westpac's forecasts in the out years (1.0% in 2023 and 2.0% in 2024). Our faster growth rate in 2024 relies on the RBA being in a position to cut rates by 100bps in 2024. If the RBA's inflation forecasts prove to be correct, it will be difficult to justify rate cuts as inflation will still be outside the target zone and the unemployment rate steady.

We expect the RBA will need to lift the cash rate to 3.85% in 2023 in the face of strong inflation with the last cut likely during the first half of the year (May).

Despite lower growth, the forecasts maintain that the unemployment rate will only rise from 3.5% (revised up from 3.4%) to 4.3% by end 2024 (lifted from the August forecasts of 4.0%). With slower growth in 2023 we expect that the unemployment rate will lift to 5.2% by end 2024.

Forecast wages growth in 2023 has been lifted from 3.6% to 3.9%, still benign but more in line with our own forecast of 4.5% reflecting the tight labour markets which are likely to persist through 2023.

The Overview section of the Statement does not provide any further insights into the decision process at the November Board meeting. It reiterates the points: that interest rates had already been increased significantly in a short period of time; that the effect is yet to be seen; that slowing the pace of tightening would allow more time to assess; that drawing out policy adjustments also helps to keep public attention focused for a longer period on the Board's resolve; and that the more frequent meeting schedule allows for smaller incremental changes. Going forward, all options are options on the table including moving in larger steps if necessary or even pausing for a period – the emphasis clearly being that policy is not on a pre-set path.

Conclusion

The revised forecasts in the Statement on Monetary Policy highlight the RBA Board's current expectation that it will not return inflation to the target zone until 2025 at the earliest. This contrasts with the more aggressive approaches of other central banks. The risk is that a 'high inflation' psychology emerges and is allowed to be sustained for longer, potentially making the challenge of bringing inflation back to target more difficult than necessary.

We agree with the downward revisions in the growth outlook for 2023, particularly with respect to household spending, but we expect the unemployment rate to increase further than indicated in the RBA's forecasts.

We remain comfortable with our call that the cash rate will increase to 3.85% by May next year, relying on steady 25bp moves.

The rate cuts we expect for 2024 are consistent with the very weak growth outlook for 2023 and 2024, which the Bank is close to franking, but the Bank's inflation forecasts would make it very difficult to deliver given inflation would be expected to hold outside the target zone.

Bill Evans, Chief Economist

THE WEEK THAT WAS

The past week has seen a flurry of central bank communications as the RBA, FOMC and BoE all met to deliberate on policy. Evident in their decisions and commentary is a growing divergence in expectations around inflation and the risks to the policy outlook.

Despite the much stronger than expected Q3 CPI report, the RBA delivered only a 25bp hike at its November meeting. However, their revised forecasts for inflation in 2022 and 2023 (from 7.8% to 8.0% for 2022 and 4.3% to 4.75% for 2023) highlight the current strength of price pressures in Australia and their expected persistence. Consequently, we remain confident in our peak of 3.85%, with 25bp increases to be delivered in December, February, March and May.

Following the RBA's decision, Chief Economist Bill Evans provided a detailed analysis of the outcome as well as the implications and risks. Note, as we go to press, the RBA's latest Statement on Monetary Policy has also just been released, giving full detail on their own expectations regarding the outlook and risks.

This week's Australian data flow meanwhile largely focused on housing. CoreLogic's 8 capital city measure reported a 1.1% fall for October, leaving prices 6.6% below their peak level. The pace of price declines slowed in Sydney and Melbourne, but accelerated in Brisbane. Adelaide and Perth continue to show resilience, although prices are also beginning to slip there. Dwelling approvals meanwhile saw a material 5.8% decline in September following a number of upside surprises, with the weakness broad based. Ahead, further significant declines are expected, with affordability; the cost and availability of inputs; and general economic uncertainty all set to weigh on activity. This deterioration in new activity will feed through to GDP as well as the demand for housing credit. Note, at September, housing finance approvals were 26% below their peak of early 2022.

This week we also received an update on Australia's trade position. September's report was a positive surprise for exports which gained 7% on resilience in commodities and another strong showing for services. However, imports also faired better than expected. While the Q3 surplus of $30bn is another strong result, it is down from $44bn in Q2. Factoring in our expectations for price changes, this points to net exports' contribution to GDP growth swinging from +1.0ppts in Q2 to –0.75ppts in Q3.

Before moving further afield, it is also worth highlighting that New Zealand's labour market showed resounding strength this week, with the unemployment rate remaining near its record low in Q3 as employment grew rapidly. Wages also showed strong momentum, the labour cost index gaining 1.1% in Q3 to be 3.7% higher over the year. These results argue for an outsized 75bp increase in the cash rate at the RBNZ's November review, in line with Westpac's existing expectation. A peak of 5.0% is seen for the cash rate in 2023.

Turning to the UK. After a few tumultuous weeks in politics and markets, the Bank of England delivered a 75bp rate hike in November, raising the bank rate to 3.0%. While this represents strong progress towards tackling inflation, the Committee's rhetoric and projections surrounding the economic and policy outlook has clearly shifted into more 'dovish' territory. Indeed, based on the market–implied path for the bank rate, the UK economy is expected to remain in a deep and prolonged recession through to H1 2024, coinciding with still elevated consumer inflation and a material weakening in the labour market, with the unemployment rate expected to almost reach 6%.

Reflecting on this, Governor Bailey emphasised in the press conference that market pricing has gone too far. A subsequent scenario analysis involving fixed policy at the current rate of 3.0%, albeit still bleak, produced a shallower recession and an inflation rate closer to the 2% target. On balance, inflation is still far too high and interest rates must rise further, but a slowing in the pace of rate hikes is very likely. Hence, we expect only 100bps of tightening remains in the cycle, bringing the bank rate to a peak of 4.0% by March 2023.

Finally then to the US. Already fully priced, the FOMC's decision to raise by 75bps in November was looked through, with participants instead focused on the detail and tone of the Committee's guidance. The take home point from the statement and press conference is that, while the FOMC is close to throttling back on the pace of rate hikes (our baseline expectation is for a 50bp hike in December and 25bps in January), with inflation risks still skewed upward, the FOMC believe they have more work to do before the hiking cycle concludes.

While we believe inflation will continue to decelerate through 2023, there is a question as to how patient the FOMC is willing to be in assessing the cumulative economic effect of policy tightening. Also critical will be how market participants price expectations for growth and inflation into nominal and real yields.

Clear from Chair Powell's remarks is that the Committee is intent on maintaining tight financial conditions until the risks around inflation subside. This requires real yields to remain materially above zero. Implicit here is that, if real yields decline in the months ahead, the FOMC may look to continue tightening towards mid–2023 beyond our current peak of 4.625% at January/February 2023. Rate cuts are expected to remain off the FOMC's agenda until 2024.

The risk for the US is clearly that this tight stance of policy leads to recession and/or a prolonged period of sub–trend growth, even after rates begin to decline in 2024. Our growth forecasts and expectations are laid out for the US and the world in our just released November Market Outlook on Westpac IQ.

Week ahead & data wrap

New Zealand's labour market remains extremely tight. Unemployment remains very low, and wage growth is picking up sharply, emphasising that our inflation problem is increasingly a home-grown one.

The unemployment rate remained at 3.3% in the September quarter, close to the record low of 3.2% that it set in December and March. On the face of it, that was a little weaker than the drop to 3.2% that we and the market were forecasting.

What wasn't a surprise was that jobs growth actually regained some momentum. Indeed, that turned out even stronger than we expected – employment was up 1.3% for the quarter, following three straight quarters of zero growth.

However, that growth was quite narrowly focused on one group: employment among 15-19 year olds rose by 8% in just one quarter, and the participation rate for this age group rose to its highest since 2007. We also saw a strong rise in the number of people working while studying, and a bounce in the share of part-time workers.

A lift in youth employment is certainly not unwelcome. But it highlights how few avenues that employers have left to find new workers. Students working part-time may well be helping to fill the gap in areas like hospitality, which have suffered from the absence of the migrant and working-holiday visa crowds in the last couple of years. But labour shortages are a feature across all sectors, all regions, and all skill levels. More often than not, finding the people with the right skills will mean luring them away from another employer.

The result is that the strong demand for workers is largely being channelled into pay rates rather than employment. The Labour Cost Index (LCI) rose by 1.1% in the September quarter, lifting the annual rate to 3.7%, the highest since 2008. Private sector labour costs are running hotter than the public sector – up 3.9% vs. 3.1% for the year. The unadjusted analytical measure of the LCI, which excludes pay rises related to promotion or experiences, is running stronger than this, up 5.3% on a year ago (and 5.6% for the private sector).

The Quarterly Employment Survey (QES) measure of average hourly earnings is even stronger again. Private sector pay rates were up 2.6% for the quarter, lifting the annual rate to 8.5% – exceeding the previous high of 7.7% in 1990, which is as far back as the survey goes. We should take this result with a small grain of salt, as it can be quite variable from quarter to quarter. But it is clear that not only is the QES measure outpacing the LCI, but the gap between the two is widening.

Why is this happening? One reason could be due to job title inflation. The LCI measures pay rates by job role. But some employers are having to hire or promote people into more senior positions – with higher salary ranges – in order to be able to pay what's needed to attract or retain them. This may be an attractive option for employers, because it's easier to scale it back once the economy does cool down.

So the question of which wage measure to focus on is really horses for courses. If you're interested in wage growth on a like-for-like basis, the headline LCI is best. If you're thinking about the overall pressure for pay rises that an individual firm is facing, use the analytical LCI. And if you want to gauge what workers are actually getting in hand (before tax, and bracket creep), the QES is the best measure, as it also captures the effects of people moving into higher-paying roles or industries.

The QES measure also suggests that the average worker is now starting to claw back some of the rises in the cost of living, whereas until recently that hadn't been the case. That broadly matches how the Covid pandemic has played out. At first it was largely a productivity shock to the economy, as supply chains gummed up and worker absences increased. In these conditions, we would expect real (inflation-adjusted) wages to fall. But we're hearing much less from firms about supply chain issues these days; the overwhelming issue now is labour shortages. And that is a recipe for rising real wages.

The Reserve Bank was already braced for some very strong wage growth over the coming quarters, but this week's results either matched or exceeded those forecasts. That reinforces that the RBNZ faces a significant challenge in bringing inflation under control. There's a clear risk of a self-perpetuating upward spiral in wages and prices, in the absence of the circuit-breaker that higher interest rates provide. Any thoughts of the monetary policy cycle being 'mature' or 'well advanced' need to be put into the context of the scale of the RBNZ's task.

We continue to expect a 75 basis point increase in the OCR at the next review on 23 November. It seems that 50 or 75 basis points are likely to be the options on the table, as was the case in the October review. What tips us towards a larger move this time is the strong readings on inflation and wages in the last few weeks, as well as the unusual three-month gap until the next scheduled policy review in February.

Michael Gordon, Acting Chief Economist NZ

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Tue 1	Sep building permits	-1.6%	3.8%	-5.0%
Wed 2	GlobalDairyTrade auction (WMP)	-4.4%	-3.4%	-2.0%
	Q3 employment	0.0%	1.3%	0.6%
	Q3 unemployment rate	3.3%	3.3%	3.2%
	Q3 LCI wage inflation (pvte, ord. time)	1.3%	1.1%	1.0%
Thu 3	Oct ANZ commodity prices	-0.6%	-3.4%	–

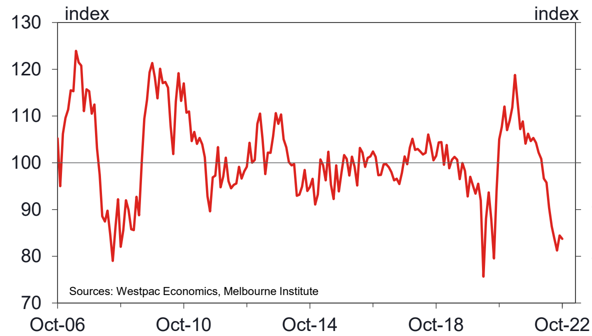
Aus Nov Westpac–MI Consumer Sentiment

Nov 8, Last: 83.7

Consumer Sentiment edged 0.9% lower in Oct to remain near historical lows at 83.7 – sustained lower readings in the past only ever seen in the depths of recession. The most striking aspect of the Oct survey though was a sharp turnaround in responses over the course of the survey week, the RBA's surprise move – raising rates by 25bps instead of a widely expected 50bp increase – preventing what would otherwise have been an extremely weak Oct read, sentiment across the 'post-RBA' sample actually up 5% vs Sep.

Its unclear if that 'mini-rally' will carry into Nov. While the RBA opted for another 25bp rate increase at its Nov meeting, this time the move was in line with consensus expectations. Meanwhile the inflation challenge is looking more formidable with the Q3 CPI showing a bigger and broader price lift, the Budget forecasts highlighting a prospective 50%+ rise in retail electricity costs and the RBA now forecasting headline inflation to only slow back to 4¾% in 2023.

Consumer Sentiment Index



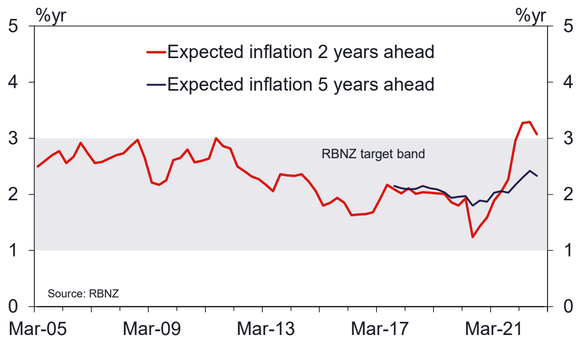
NZ Q4 RBNZ survey of expectations

Nov 8, Two-year ahead inflation expectations, Last: 3.07%

The risk of a wage-price spiral is a significant concern for the RBNZ given the current strong and widespread inflation pressures. Key to this is whether inflation expectations remain well anchored.

The November survey is likely to show that expectations for inflation remain elevated at both short and longer-term horizons. Importantly, there is a risk that inflation expectations over longer horizons (two or more years ahead) could push upwards. Despite interest rate increases over the past year, we are not seeing signs that inflation pressures are abating. In fact, recent labour market data signals that those pressures have become more intense. Consistent with that, forecasts for inflation have been revised upwards in recent weeks.

RBNZ survey of expectations



NZ Oct retail card spending

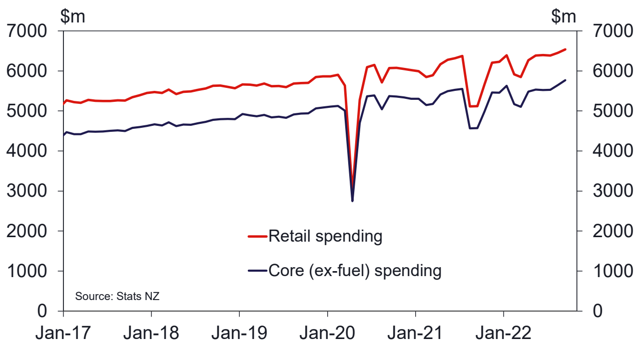
Nov 9, Last: +1.4%, Westpac: +0.2%

Retail spending was stronger than expected in September. In large part, that's a result of increased spending in the hospitality sector, which has been boosted by the reopening of the borders and the return of international visitors.

We're forecasting that spending levels will rise modestly in October. Spending is being supported by the last of the Government's temporary 'Cost of living' payments to households. We've also seen continued gains in the hospitality sector and a fall in petrol prices.

Providing some offset to the aforementioned tailwinds, rising consumer prices and higher interest rates are eroding households' spending power. That's been a particular drag on durables spending. We expect the dampening impact of those factors will become increasingly pronounced over the year ahead.

NZ retail card spending



NZ Oct REINZ house sales and prices

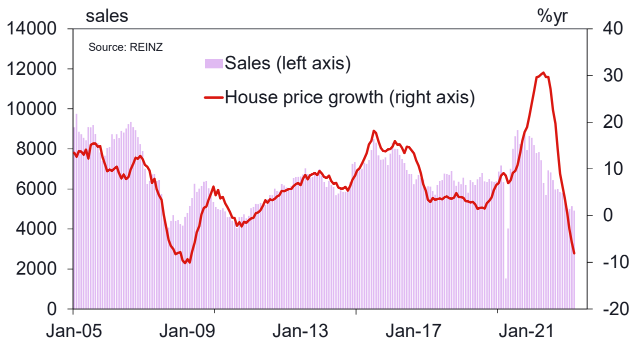
Nov 11 (TBC), Sales last: -4.1% m/m, -10.9% y/y
Prices last: -1.6% m/m, -8.1% y/y

The correction in New Zealand's housing market continues at pace, with prices down by 11% since last November. That has only taken them back to where they were in April last year, highlighting the ferocity of the price rise over 2020 and 2021.

Higher interest rates have been the key driver of the correction, and they point to further price declines to come. Fixed-term mortgage rates eased slightly in August and September, but rebounded to reach new highs in October.

There are signs of house sales flattening out in recent months, albeit at very low levels. The supply of unsold homes on the market also looks to be stabilising, though this is largely due to a drop in new listings, as falling prices have kept potential sellers away from the market.

REINZ house prices and sales



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 07					
Aus	Oct ANZ job ads	–0.5%	–	–	Still at a very high level.
Chn	Oct foreign reserves USDbn	3028.96	3029.50	–	Authorities focused on stability on trade-weighted basis.
	Oct trade balance USDbn	87.7	96.0	–	Weaker global economy a risk to trade into year-end.
Eur	Nov Sentix investor confidence	–38.3	–	–	Collapsed confidence undermines Europe's resilience to date.
Tue 08					
Aus	Nov WBC–MI Consumer Sentiment	83.7	–	–	Mini-rally post Oct 25bp rate hike. Will this feature again?
	Oct NAB business survey	25	–	–	Sep, conditions up & elevated at +25. Oct, any signs of slowing?
NZ	Q4 RBNZ inflation expectations (2yrs)	3.1%	–	–	Set to remain elevated.
Jpn	Sep household spending %yr	5.1%	2.7%	–	Weak real spending capacity limiting the consumer rebound.
Eur	Sep retail sales	–0.3%	–	–	Negative so far this year; broadly-based across the region.
US	Sep consumer credit	32.2	32.0	–	High rates to weigh over the coming year.
	Oct NFIB small business optimism	92.1	91.5	–	Consolidating but fragile given uncertainties.
	Fedspeak	–	–	–	Collins, Mester, Barkin.
Wed 09					
Aus	RBA Deputy Governor Bullock	–	–	–	Speaking on the economic outlook at ABE, Sydney, 8:05pm.
NZ	Oct card spending	1.4%	–	0.2%	Lift in tourist spending offsetting higher borrowing costs.
Jpn	Sep current account balance ¥bn	58.9	275.0	–	Opportunities in Asia; developed-world demand a risk.
Chn	Oct PPI %yr	0.9%	–1.6%	–	Upstream price pressures continue to decelerate…
	Oct CPI %yr	2.8%	2.4%	–	… while consumer inflation remains relatively benign.
	Oct new loans, CNYbn	2473.8	800.0	–	Credit gains to continue…
	Oct M2 money supply %yr	12.1%	12.0%	–	… on authorities' encouragement.
US	Sep wholesale inventories	0.8%	0.8%	–	Final estimate.
	Fedspeak	–	–	–	Williams, Barkin.
Thu 10					
Aus	Nov MI inflation expectations	5.4%	–	–	Elevated and well above target band, mirroring actual inflation.
US	Oct CPI	0.4%	0.7%	0.7%	Close attention on momentum in core; critical update.
	Initial jobless claims	217k	–	–	Likely to remain at low levels, at least for time being.
	Fedspeak	–	–	–	Waller, Logan, Mester, George.
Fri 11					
NZ	Oct manufacturing PMI	52.0	–	–	Continues to point to moderate activity.
	Oct food price index	0.4%	–	–0.4%	Seasonal fall in vegetable prices.
	Oct REINZ house sales %yr	–10.9%	–	–	Signs of sales flattening out, albeit at low levels.
	Oct REINZ house prices %yr	–8.1%	–	–	Rising interest rates point to further price declines to come.
UK	Q3 GDP	0.2%	–	–	Sustained period of negative growth ahead.
	Sep trade balance £bn	–7080	–	–	Deficit to remain wide for now.
US	Nov Uni. of Michigan sentiment	59.9	59.6	–	Consumers still feeling the heat from inflation and rates.

Forecasts

Interest rate forecasts

Australia	Latest (4 Nov)	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Cash	2.85	3.10	3.60	3.85	3.85	3.85	3.60	3.35
90 Day BBSW	3.06	3.55	3.97	4.05	4.05	3.97	3.72	3.47
3 Year Swap	4.09	3.90	4.00	3.85	3.70	3.60	3.55	3.50
3 Year Bond	3.42	3.55	3.70	3.60	3.50	3.40	3.35	3.30
10 Year Bond	3.90	3.80	3.80	3.60	3.40	3.20	3.00	2.90
10 Year Spread to US (bps)	-25	-20	-20	-20	-20	-20	-10	0
US								
Fed Funds	3.875	4.375	4.625	4.625	4.625	4.625	4.375	3.875
US 10 Year Bond	4.15	4.00	4.00	3.80	3.60	3.40	3.10	2.90
New Zealand								
Cash	3.50	4.25	4.75	5.00	5.00	5.00	5.00	5.00
90 day bill	4.17	4.55	5.00	5.10	5.10	5.10	5.10	4.80
2 year swap	5.20	5.00	4.90	4.80	4.60	4.40	4.15	3.90
10 Year Bond	4.59	4.50	4.50	4.30	4.20	4.00	3.80	3.70
10 Year spread to US	44	50	50	50	60	60	70	80

Exchange rate forecasts

Australia	Latest (4 Nov)	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
AUD/USD	0.6289	0.65	0.66	0.67	0.69	0.72	0.73	0.74
NZD/USD	0.5773	0.58	0.59	0.60	0.62	0.65	0.66	0.66
USD/JPY	148.17	147	145	143	140	136	133	130
EUR/USD	0.9750	1.00	1.01	1.02	1.04	1.07	1.09	1.10
GBP/USD	1.1162	1.13	1.14	1.16	1.18	1.20	1.22	1.24
USD/CNY	7.3019	7.20	7.00	6.80	6.60	6.50	6.40	6.30
AUD/NZD	1.0899	1.12	1.12	1.12	1.11	1.11	1.11	1.12

Australian economic growth forecasts

	2021	2022				2023		Calendar years			
% change	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	2020	2021	2022f	2023f
GDP % qtr	3.9	0.7	0.9	1.1	0.6	0.3	0.2	–	–	–	–
%yr end	4.5	3.3	3.6	6.7	3.4	3.0	2.2	-0.7	4.5	3.4	1.0
Unemployment rate %	4.7	4.0	3.8	3.5	3.3	3.4	3.8	6.8	4.7	3.3	4.5
Wages (WPI)	0.7	0.7	0.7	1.1	1.2	1.1	1.0	–	–	–	–
annual chg	2.3	2.4	2.6	3.1	3.7	4.2	4.4	1.4	2.3	3.7	4.5
CPI Headline*	1.3	2.1	1.8	1.8	1.9	1.2	0.9	–	–	–	–
annual chg*	3.5	5.1	6.1	7.3	7.9	6.9	6.0	0.9	3.5	7.9	4.1
Trimmed mean*	1.1	1.5	1.6	1.8	1.8	1.2	1.0	–	–	–	–
annual chg*	2.6	3.8	4.9	6.1	6.8	6.5	5.9	1.2	2.6	6.8	3.8

New Zealand economic growth forecasts

	2021	2022				2023		Calendar years			
% change	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	2020	2021	2022f	2023f
GDP % qtr	3.0	-0.2	1.7	0.4	0.6	0.6	0.5	–	–	–	–
Annual avg change	5.5	4.9	1.0	2.4	2.2	2.8	3.2	-2.1	5.5	2.2	2.2
Unemployment rate %	3.2	3.2	3.3	3.3	3.3	3.5	3.6	4.9	3.2	3.3	3.8
CPI % qtr	1.4	1.8	1.7	2.2	0.5	1.3	0.9	–	–	–	–
Annual change	5.9	6.9	7.3	7.2	6.2	5.7	4.9	1.4	5.9	6.2	4.1

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