AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 21 November 2022

Editorial: Market is not reacting to the data.

RBA: Governor Lowe speaking.

NZ: RBNZ policy decision, trade balance, real retail sales, consumer confidence.

China: industrial profits.

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INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 18 NOVEMBER 2022.

WESTPAC INSTITUTIONAL BANK

Market is not reacting to the data

It has been interesting to follow market pricing with respect to the expected RBA cash rate by June next year.

Even though market pricing has rates trending a little higher in the second half of 2023 I think that is more about the market giving, say, a 20% chance that the RBA will need to continue raising rates in the second half due to a dangerous resistance of inflation to the extremely likely collapse in economic activity at that time.

The real issue is how far markets expect the cash rate to rise by June next year with economic activity holding much firmer than in the second half and inflation easing but at what pace?

Westpac expects that the inflation pulse will be sufficiently strong in the first half of 2023 for the RBA to see the need for the cash rate to be lifted, for the final time, to 3.85% by May.

Until last week market pricing was a little higher than that target rate but has since pulled back to a target rate of 3.6%.

That 25 basis point pull back can be largely attributed to the market's assessment of comments by Deputy Governor Bullock to a Senate Committee on November 10 (15 basis points) and the lower than expected US inflation print for October (8 basis points).

The Deputy Governor's comments were backed up by the Minutes of the November board meeting.

The Minutes included a comment, "the Board is prepared to keep rates unchanged for a period while it assesses the state of the economy and the inflation outlook."

Further, the description of the interest rate outlook is also moderated, somewhat.

"The Board … expects to increase interest rates further over the period ahead." (November) compared to "likely to require further increases in interest rates over the period ahead." (October)

The concept of "drawing out policy adjustments would also help to keep public attention focussed for a longer period on the Board's resolve to return inflation to target", which figured in the October Minutes is not used in these Minutes - trying to lower the expectations for the peak in the terminal rate, perhaps – as anticipated by the adjustment in market pricing over the previous week.

The Board also provided a somewhat confusing sequence in the Minutes when it praised the concept of stability in policy making.

The Minutes noted the advantage of hiking by 25 basis points in November after having scaled back to 25 basis points in October as "acting consistently would support confidence in the monetary policy framework among financial market participants and the community more broadly."

But that observation was followed by the assertion (as has appeared in earlier Minutes), "The size and timing of future interest rate increases will continue to be determined by the incoming data and the Board's assessment of the outlook for inflation and the labour market."

The Minutes also noted that "the September quarter inflation data were a little above the Bank's forecast". That statement certainly contrasted with our own assessment that the data was significantly higher than ours and the market's forecast (underlying inflation printed an actual of 1.8% against an expected 1.5%).

It also prompted a sizeable upward revision to the Bank's own forecast for underlying inflation in 2022 from 6.0% to 6.5% but did not see a further revision to the 2023 forecast for underlying inflation for 2023.

With the clear evidence from the Report that inflation pressures were becoming even more broadly based (nearly 80% of the components of the CPI basket grew by more than 3% over the year) it was surprising that the underlying inflation forecast for 2023 was not appropriately increased.

So, it does seem somewhat surprising that in the face of the need to lift the underlying inflation forecast for 2022 (Headline inflation was lifted from 4.3% to 4.7% in 2023, largely in response to the government's advice that electricity prices are expected to increase by 56% over the next two years) the rhetoric from the Board and the Deputy Governor took an opposing dovish tilt.

Perhaps that approach was in anticipation that the data associated with the labour market would support a more dovish tilt to the policy outlook – even going so far as some analysts anticipated that the "pause" could occur as early as the December meeting.

But the wages and employment reports were certainly not supportive of an imminent pause.

Wages growth (Wage Price Index) lifted by 1.0% (seasonally adjusted) in the September quarter, the highest quarterly growth recorded since the March quarter 2012, primarily driven by private sector wages which lifted by 1.2%, for an annual rate of increase of 3.4%.

Those receiving a wage increase in the private sector in the September quarter, some 46.4%, saw their wage increase by 4.3%.

While it was anticipated that the driving force behind the result would have been the award sector (a range of 4.6% increase for some awards - 5.2% for the minimum wage/other awards) the dominant driver was "individual bargaining agreements" increases which contributed 57% of the increase compared to awards (15% contribution) and enterprise bargaining (28% contribution).

In level terms the individual bargaining contributed 0.80ppt to the quarterly increase (of the non-seasonally adjusted estimate of wages, which rose by 1.4% in the period), up from in the equivalent quarter in pre Covid periods (0.34ppt September 2019; 0.33ppt September 2018 ; 0.36ppt September 2017).

Finally, we are seeing the slow-moving Wage Price Index capturing some of the effects that we have already seen in business surveys, including the RBA's own liaison.

Westpac expects growth in the Wage Price Index to reach 4.5% in 2023, compared with the RBA's current estimate of 3.9% (revised up from 3.6% before the recent release). Reasonably one would expect that the RBA will be reviewing that forecast for its next Statement on Monetary Policy in February next year.

The Employment Report was released on November 17. It was also a strong report.

Employed people increased by 32,200 and the unemployment rate fell from 3.5% to 3.4% (a 50 year low). Employment had fallen in aggregate by 4,000 over the three previous months (July, August and September) and there were concerns that demand in the labour market was weakening. On the other hand, weak jobs growth could be attributable to restricted supply. One source of that restricted supply would be "own illness or injury or sick leave". In recent months the number of employed people working fewer hours for those reasons had lifted from around 400,000 to a touch more than 780,000. That showed up in restricted hours worked.

In October that number fell back to around 470,000 and hours worked rose by a sharp 2.3% in the month – outcomes which certainly shifted the explanation for the "soft patch" in the jobs market over the previous 3 months from demand to supply.

The Unexpected Reaction of Markets

Despite this fairly clear evidence that the RBA has significantly more work to do, markets have not responded, with the net 25 basis point fall in rates since the Deputy Governor's speech last week holding firm.

We do not think the RBA will see this week's developments in such a way.

The evidence that tight labour markets and very high inflation will extend into 2023 has become clearer.

A central bank, confronted with such developments, which decides to pause can only do so on the basis of clear confidence in their forecasts that inflation is set to ease significantly.

We expect that pre-emptive policy based on forecasts is unlikely to be the preferred option of this central bank and markets should heed that warning.

Westpac continues to expect 25 basis point increases in the cash rate in December; February; March and May for a terminal rate of 3.85% (around 30 basis points above the market's outlook for May).

Bill Evans, Chief Economist

THE WEEK THAT WAS

Critical data for Australia's economy was received this week; elsewhere though, it was the mindset and actions of policy makers that filled the headlines.

Of the data received this week, Australia's October labour force survey was most significant. Against the market's expectation for a 15k increase in employment, 32k jobs were instead created in the month. This was despite activity being restricted by holidays and sick leave as well as the floods, with participation edging down 0.02ppts from 65.55% to 65.53%. As a result of these two outcomes, the unemployment rate declined to 3.4% in October, its lowest level since November 1974. Westpac expects a further marginal decline in the unemployment rate to 3.3% in coming months before employment growth slows below population growth and the unemployment rate begins to trend higher. Note, immigration's revival has already been seen, growth in the working age population lifting from 0.6%yr last December to 1.2%yr in October. Highlighting the continued need for further labour force gains though, growth in hours worked remains ahead of population growth, and underemployment is also near record lows.

It is not surprising then that wage growth in the private sector showed strength in Q3 2022. Underlying the 1.0% gain in the headline Wage Price Index was not only the largest minimum wage/award increase in more than a decade, but also a notable lift in individual bargaining agreements. Hence, private sector wages posted its largest quarterly gain since September 2010, up 1.2% in Q3 to be 3.4% higher than a year ago. Additionally, nearly half of the jobs in the private sector reported an increase in compensation; and of those that did, the average increase was a stellar 4.3% in the quarter. We expect the tightness in the labour market to continue flowing through to strong wage increase over next year, with the headline measure to rise from 3.6%yr in 2022 to 4.5%yr in 2023.

Meanwhile, steady progress in the recovery of overseas travel was evident in the October overseas arrivals and departures release, but it is clear that the pace is slowing. Since the June/July holidays, the seasonally adjusted three-month average growth rate for arrivals has declined from 18.8% in August to 6.2% in October; and for departures, it has fallen from 12.6% to 2.9%. The December/January period will see a strong boost to travel, but the recent easing in travel flows raises questions around the extent to which momentum can be sustained in 2023. The visa detail however remains constructive, with net arrivals of students and temporary workers tracking average monthly gains well above pre-pandemic levels – at around 20k/month and 10k/month respectively. This should, in time, go some way towards alleviating the critical labour undersupply problems Australia currently faces.

The November meeting minutes of the RBA were also received this week. While still highlighting the inflation challenge before Australia, the tone of these minutes was more dovish at the margin, their view on the interest rate outlook moderated to the Board "expects to increase interest rates further over the period ahead" in November from "likely to require further increases in interest rates over the period ahead" in October. Clearly, having raised interest rates aggressively through 2022 and with uncertain lags between policy announcement and effect, the RBA Board seem to increasingly be of the view that the risks to activity as well as inflation need to be monitored, and also believe that "acting consistently" will "support confidence in the monetary policy framework among financial market participants and the community more broadly". While Westpac continues to believe the RBA will need to raise the cash rate to a peak of 3.85%, this is likely to only occur in 25bp increments, with 3.85% reached in May 2023.

Jumping to the US. This week's data was decidedly mixed, with October retail sales ahead of expectations (1.3% for headline and 0.7% for the control group, albeit with part of the strength due to price movements) but the PPI, industrial production and housing data weaker. The focus of market participants was instead the run of Fedspeak delivered through the week. While there was some variation across speakers, the take home point from their messaging was that policy needs to remain restrictive for some time and that we have not yet seen this cycle's peak for the fed funds rate. Arguably this cautious attitude towards the outlook is being evinced because we are yet to see a succession of weaker CPI prints and as the labour market is still historically tight. Until slack increases, the FOMC want to keep financial conditions tight; that requires the market to remain focused on upside risks for inflation and policy. It is unlikely to be a coincidence that this tone was struck just after the US 10 year yield breached the 4.0% level to the downside.

Over in the UK, overnight the Sunak Government delivered a Fiscal Update that stood in stark contrast to its predecessor. The Government's fiscal package involves £55bn of fiscal tightening over the next five years, comprised of £30bn in spending cuts and £25bn of tax hikes, the latter the largest tax increase in three decades. The budget's major profiles were of little surprise to markets though given a broad outline had already been circulating in the media over recent weeks. The OBR's assessment does however emphasise the stark fiscal outlook, with the tax burden set to reach 37.1% of GDP (a post-war record) and net debt to peak at 97.6% of GDP in 2025/26 before easing modestly upon the improvement of economic conditions. Indeed, the economy is expected to remain in recession through to 2024 as historic inflation pressures see UK households face the largest fall in real wages in six decades, declining 7% into 2023/24. Overall, the budget was welcomed as a more appropriate fiscal stance given the high-inflation environment, but risks to the activity outlook are firmly to the downside, raising the possibility of a deeper and more sustained period of negative and/or below-trend growth should inflation pressures persist longer than expected.

Whereas the US and UK's growth prospects into 2023 are weak to very weak, China's momentum looks to be strengthening. In our view, the market was right to discount the weaker-than-expected October activity data – with retail sales hit by lockdown uncertainty in the month and total fixed asset investment resilient despite even weaker conditions for housing – given the significant increase in support for the economy announced at the weekend.

As we highlighted this week, these changes make clear that authorities are now seeking a return to growth for the housing sector and, more importantly, that China is embarking on a progressive domestic re-opening of their economy, with large-scale lockdowns to be avoided from now on. That guidance on the latter comes as case loads reach new highs in many regions signals authorities' intent to seek to live with the virus. It is critical however that these measures restore confidence across the economy. Without that, the robust growth we are forecasting cannot eventuate (3.5% for 2022 and 6.0% in 2023; year-average). While secondary to a domestic re-opening, the market will also continue to assess geopolitical uncertainties and their impact on trade. Meetings held at this week's G20 were constructive, but there needs to be follow through if trade relations with the West are to improve. In the meantime, China is likely to continue investing into expanding their Asian markets which have shown considerable promise of late.

Week ahead & data wrap

As it prepares next week's *Monetary Policy Statement*, the Reserve Bank finds itself facing the real risk of an inflationary spiral – the very situation it had hoped to prevent with its relatively early start on hiking interest rates. But given the momentum in domestic demand, and the cautious initial pace of rate hikes, the economy has become increasingly overheated and the advantage appears to have been lost. Now a much higher level of interest rates will be needed to bring inflation under control.

As we detailed in our CPI review last month, we now expect the Official Cash Rate to reach a peak of 5%, most likely in the early part of next year. With the cash rate at 3.5% today, that implies the RBNZ is still some way from where it needs to be. And with little room for delay, we think that the RBNZ will deliver a larger 75 basis point increase in the OCR this time, taking it up to 4.25%.

Our pick is in line with the majority of local forecasters. Interest rate markets are priced roughly halfway between a 50 point and a 75 point move, so a larger move would see a modest rise in rates on the day. However, the greater interest is likely to be in what the RBNZ signals for the months ahead. It's not certain whether their projected OCR track will go all the way up to 5% this time, but it is likely to be substantially higher than the 4.1% peak that they projected in August.

Since the last OCR review in October, the economic data has been a stream of uncomfortable news on the inflation front. The September quarter CPI showed that price rises are becoming more widespread, and are increasingly being driven by local forces. The annual inflation rate of 7.2% was down a touch from the peak of 7.3% in the previous quarter, but it was well above the RBNZ's forecast of 6.4%.

The CPI release was followed by a sharp rise in surveyed expectations of inflation, particularly for two years ahead which is essentially the medium-term horizon for monetary policy. While those expectations had actually fallen in the previous survey, that now appears to have been a head-fake; high inflation is steadily eroding people's faith in the medium-term inflation target.

Finally, there is now clear evidence that high inflation is feeding into wage-setting. A growing share of workers are getting cost-of-living increases or more, and employers are willing to pay because they believe they can pass it through into their prices. The RBNZ was already braced for some strong wage figures in the coming quarters, but the September quarter results either met or exceeded even those forecasts.

While we're picking a 75 basis point increase next week, we acknowledge that both a 50 point and a 100 point increase are genuine possibilities as well. In our view, there are a few factors that favour a step up from the 50 basis point increases we've seen at the last few reviews.

First, while the size of any one OCR move isn't crucial for the economy, it does serve as a signal of the central bank's intentions: how far it thinks it needs to go, and how committed it is to meeting its inflation target. The relentless rise in prices is clearly rattling people's confidence in a return to low and stable inflation in the years ahead. A show of force by the RBNZ could help to restore that confidence.

The second issue is that the Monetary Policy Committee's schedule means that there is an unusual three-month gap between next week's review and the following one in February. If the RBNZ is seen as being too timid, the opportunity for a course-correction is some time away. Indeed, even a 75 basis point rise next week would be a slowdown from the RBNZ's recent pace – they have effectively been delivering 100 basis points every three months. It's not ideal that scheduling should play such a role, but nevertheless it is a factor.

Finally, and perhaps most importantly, the Committee has already opened the door to a larger move, revealing that it had debated between a 50 and a 75 point increase in its October review (though it settled on the smaller of the two options that time).

What really piqued our interest was that the Committee again invoked the 'stitch in time' argument: a larger increase in the OCR now would reduce the risk of an even higher peak being needed in the future. This is the same reasoning that led the RBNZ to step up the pace from 25 point to 50 point moves in April this year. The case for this approach was actually laid out in a speech last September, but wasn't acted on until months later – a delay that the RBNZ now regrets.

As we detailed in our latest *Economic Overview*, many households will be refixing at substantially higher mortgage rates in the coming months. That might suggest that now is the wrong time to be piling on with further rises in interest rates. But the 'stitch in time' approach is actually the lesser of the evils. If you're worried about whether households can handle mortgage rates with a 6 in front, you would definitely want to get in front of inflation now and head off the risk that those rates could end up at 7% or more down the line.

Michael Gordon, Acting Chief Economist NZ

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 14	Oct BusinessNZ PSI	55.9	57.4	–
Tue 15	Oct REINZ house sales %yr	–10.9%	–34.7%	–
	Oct REINZ house prices %yr	–8.1%	–5.7%	–
	Sep net migration	1343	2176	–

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.

NZ Nov RBNZ Monetary Policy Statement

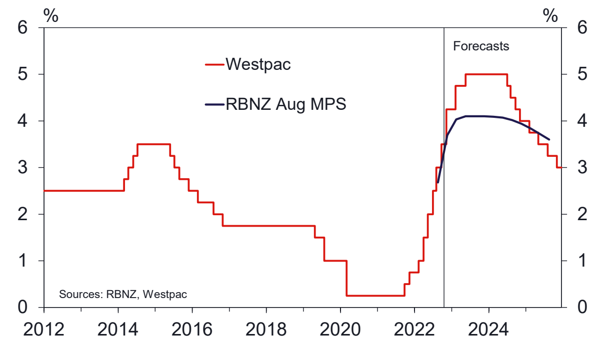
Nov 23, Last: 3.50%, Westpac f/c: 4.25%, Market f/c: 4.25%

We expect the Reserve Bank to raise the Official Cash Rate by 75 basis points to 4.25% at next Wednesday's Monetary Policy Statement.

Recent data has pointed to mounting inflation pressures, raising concerns that the Reserve Bank has fallen behind the pace despite its relatively early start to rate hikes.

We expect the OCR to peak at 5% by early next year. And the Reserve Bank's preferred 'stitch in time' approach means that it will be looking to head off the risk of an even higher peak.

RBNZ Official Cash Rate



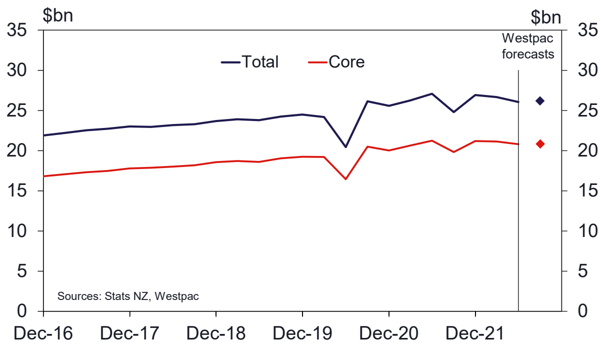
NZ Q3 retail spending (volumes)

Nov 25, Last: -2.3%, Westpac f/c: +0.5%

Retail spending was much weaker than expected in the June quarter, with the volume of goods sold falling by 2.3%. Households have been winding back their spending on items like household durables and motor vehicles. Those are the same categories where spending rose strongly when COVID-19 first arrived on our shores and measures to protect public health prompted a shift away from spending on services.

We're expecting a modest gain of 0.5% in the volume of goods sold in the September quarter. Increases in prices and interest rates are continuing to erode households' spending power, and those factors will be a particular drag on durables spending. Providing an offset to that softness has been the recovery in hospitality spending, which has been boosted by the return of international tourists.

NZ retail spending volumes



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 21					
US	Oct Chicago Fed activity index	0.10	–	–	Growth outlook clearly subdued.
Tue 22					
Aus	RBA Governor Lowe speaking	–	–	–	*Price Stability, the Supply Side and Prosperity*. 6pm AEDT.
NZ	Oct trade balance $mn	–1615	–	–	Export prices have eased, import cost pressures continuing.
Eur	Nov consumer confidence	–27.6	–	–	Consumers are feeling the heat from inflation and rates.
US	Nov Richmond Fed index	–10	–6	–	Regional surveys are broadly reflecting weak conditions.
	Fedspeak	–	–	–	Mester, George and Bullard.
Wed 23					
NZ	RBNZ policy decision	3.50%	4.25%	4.25%	RBNZ to deliver large rate hike due to strength of inflation.
Eur	Nov S&P Global manufacturing PMI	46.4	–	–	Broad–based weakening in demand beginning to take hold…
	Nov S&P Global services PMI	48.6	–	–	… leaving mfg and services in a very fragile state.
UK	Nov S&P Global manufacturing PMI	46.2	–	–	Similar risks are also present in the UK as inflation…
	Nov S&P Global services PMI	48.8	–	–	… continues to restrict real spending capacity.
US	Oct durable goods orders	0.4%	0.4%	–	Core orders pointing to subdued investment spending.
	Initial jobless claims	222k	–	–	Likely to remain at low levels for the time being.
	Nov S&P Global manufacturing PMI	50.4	50.0	–	Mfg activity is soft but fragile…
	Nov S&P Global services PMI	47.8	48.0	–	… S&P points to clearer risks for services.
	Nov Uni. of Michigan sentiment	54.7	55.5	–	Final estimate.
	Oct new home sales	–10.9%	–4.6%	–	Weakness in sales volumes set to persist.
	FOMC November meeting minutes	–	–	–	Focus is on discussion of path for policy for 2022/23.
Thu 24					
Jpn	Nov Nikkei services PMI	53.2	–	–	Easing of COVID–19 restrictions has been a positive…
	Nov Nikkei manufacturing PMI	50.7	–	–	… but softening demand conditions are a key risk ahead.
Ger	Nov IFO business climate survey	84.3	85.0	–	Outlook highly uncertain; set to remain that way.
US	Thanksgiving Day	–	–	–	Public holiday; markets closed.
Fri 25					
NZ	Nov ANZ consumer confidence	85.4	–	–	Set to remain low reflecting mounting financial pressures.
	Q3 real retail sales	–2.3%	–	0.5%	Softness in durables balanced against recovery in hospitality.
Sun 27					
Chn	Oct industrial profits %yr ytd	–2.3%	–	–	Policy support will aid profit growth into 2023.

Forecasts

Interest rate forecasts

Australia	Latest (18 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	3.05	3.55	3.97	4.05	4.05	3.97	3.72	3.47
3 Year Swap	3.73	3.90	4.00	3.85	3.70	3.60	3.55	3.50
3 Year Bond	3.23	3.55	3.70	3.60	3.50	3.40	3.35	3.30
10 Year Bond	3.64	3.80	3.80	3.60	3.40	3.20	3.00	2.90
10 Year Spread to US (bps)	-13	-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	3.77	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	4.20	4.55	5.00	5.10	5.10	5.10	5.10	4.80
2 year swap	4.95	5.00	4.90	4.80	4.60	4.40	4.15	3.90
10 Year Bond	4.19	4.50	4.50	4.30	4.20	4.00	3.80	3.70
10 Year spread to US	42	50	50	50	60	60	70	80

Exchange rate forecasts

Australia	Latest (18 Nov)	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
AUD/USD	0.6709	0.65	0.66	0.67	0.69	0.72	0.73	0.74
NZD/USD	0.6129	0.59	0.60	0.61	0.63	0.65	0.66	0.66
USD/JPY	139.90	147	145	143	140	136	133	130
EUR/USD	1.0369	1.00	1.01	1.02	1.04	1.07	1.09	1.10
GBP/USD	1.1893	1.13	1.14	1.16	1.18	1.20	1.22	1.24
USD/CNY	7.1538	7.20	7.00	6.80	6.60	6.50	6.40	6.30
AUD/NZD	1.0893	1.10	1.10	1.10	1.10	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	3.3	3.9	6.8	4.7	3.3	4.6
Wages (WPI)	0.7	0.7	0.8	1.0	1.1	1.1	1.1	–	–	–	–
annual chg	2.3	2.4	2.6	3.1	3.6	4.1	4.4	1.4	2.3	3.6	4.5
CPI Headline*	1.3	2.1	1.8	1.8	2.1	1.3	0.8	–	–	–	–
annual chg*	3.5	5.1	6.1	7.3	8.1	7.2	6.2	0.9	3.5	8.1	4.1
Trimmed mean*	1.1	1.5	1.6	1.8	1.8	1.1	1.0	–	–	–	–
annual chg*	2.6	3.8	4.9	6.1	6.8	6.4	5.8	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	0.4	0.9	0.1	–	–	–	–
Annual avg change	5.5	4.9	1.0	2.4	2.2	2.7	3.1	-2.1	5.5	2.2	1.9
Unemployment rate %	3.2	3.2	3.3	3.3	3.3	3.4	3.5	4.9	3.2	3.3	3.8
CPI % qtr	1.4	1.8	1.7	2.2	0.8	1.2	0.9	–	–	–	–
Annual change	5.9	6.9	7.3	7.2	6.5	5.9	5.1	1.4	5.9	6.5	3.9

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.

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