

AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 3 April 2023

Editorial: RBA Board to pause next week.

RBA: policy decision, Governor Lowe speaking, Financial Stability Review – half yearly update.

Aus: housing updates (prices, finance, dwelling approvals), trade balance.

NZ: RBNZ policy decision.

China: Caixin PMIs, foreign reserves.

US: non-farm payrolls, unemployment rate, ISMs, trade balance, factory orders.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 31 MARCH 2023.

WESTPAC INSTITUTIONAL BANK



RBA Board to pause next week

The Reserve Bank Board meets next week on April 4.

We confirm the forecast we released on March 17 that the Board will decide to pause at the April meeting.

That move is unlikely to see the end of the tightening cycle since we expect a final 25 basis point increase at the May Board meeting.

The Minutes from the March Board meeting included the unusual: "Members agreed to reconsider the case for a pause at the following meeting, recognising that pausing would allow additional time to assess the outlook for the economy."

Signalling aspects of the decision process at the upcoming meeting is something I have not seen in previous Board Minutes. This approach indicates that there is arguably a preference for pausing.

And note that this "preference" was revealed prior to the developments in the global banking system. The Board meeting was on March 7 and the authorities took control of Silicon Valley Bank on March 10.

Some argue that the decision by the Federal Open Market Committee to still lift the Federal Funds Rate by 25 basis points on March 22 indicated that central banks were looking through the financial sector disruptions to focus specifically on inflation.

But it is important to compare the starting point of the two central banks.

Before the banking sector disruptions, the FOMC was favouring a 50 basis point increase in contrast to the RBA Board that was considering a pause at the next meeting.

In response to the financial sector developments the FOMC scaled the increase back to 25 basis points and changed the guidance from "ongoing increases in the target range will be appropriate" to "some additional policy firming may be appropriate".

This was a significant change in stance from the FOMC and would have had an impact on the Board's thinking.

We also ask ourselves why there was such a turnaround between the February and March Board meetings.

Recall that the Minutes to the February meeting sent a clear message to markets to expect two consecutive rate increases; "further increases in interest are likely to be needed over the months ahead."

The December quarter national accounts would have shocked the Board. Domestic demand stagnated in the December quarter largely due to a slowdown in consumer spending growth from 1% in the September quarter to 0.3% in the December quarter. Dwelling investment and new business investment both contracted, while the 0.5% growth in the quarter was entirely due to a boost from net exports.

Quarterly growth in the Wage Price Index surprised to the downside indicating to the Governor that "lower risk of a cycle in which prices and wages chase one another."

The Board also derived some encouragement that inflation had peaked from the January Inflation Report where annual inflation slowed from 7.8% to 7.4%, including a fall of 0.4% in the month of January.

The Governor responded with, "The monthly CPI indicator suggests that inflation has peaked in Australia."

While we think the Governor has a preference for pausing, the Board Minutes set out a path for the decision at the April meeting; "they agreed that upcoming releases on employment, inflation, retail trade, and business surveys would provide important additional information, as would developments in the global economy."

The February Employment Report was strong with new jobs printing 64,600 and the unemployment rate falling from 3.7% to 3.5% (a fall of 0.13% to the second decimal point from 3.67% to 3.54%).

This result would not have come as a major surprise to the RBA. The Governor pointed out to the House of Representatives Economics Committee that seasonality issues in January were significant and 100,000 respondents were reported by the ABS to have been outside the workforce in January but had secured jobs for February.

The NAB Survey of Business Conditions showed a sharp fall of 10 points to -4 in Business Confidence - firmly in pessimistic territory. Business Conditions held firm at +17 but clearly off the highs of September 2022 when they reached +24.

The February Retail Sales Report showed a muted increase of 0.2%. Following the 4% fall in December, and the partial rebound of 1.9% in January, this means that retail sales over the three months from December are 1.5% down on the previous three months. Our Card Tracker is pointing to a likely fall in real retail sales in the March quarter.

The February CPI Indicator rose 0.2% in February following the fall of 0.4% in January. Annual inflation fell from 7.4% in January to 6.8% in February. We now see downside risks to our current forecast for headline inflation in the March quarter.

Overall, these domestic data points do not provide a sufficiently convincing case for a Board whose prior, we believe, is to pause in April to change course.

Note that the global economy also figures in the Board's check list. While markets have stabilised the clear risk of credit tightening in the US and Europe as US regional banks deal with increased regulation and deposit instability in both US and Europe lowers the outlook for global growth.

Given these issues the appropriate policy for the Board is to pause to await clearer information.

When central banks are faced with high inflation the priority must be to move policy into contractionary territory. The Board acknowledges that policy is now contractionary so the urgency to move policy at every meeting passes.

The RBA Board, with more meetings per year than any other central bank, can now take that break.

By the May meeting the Board will have the benefit of refreshed forecasts from the staff, including the time required to return to the 2-3% target zone for inflation which we think is likely to remain at a distant mid-2025.

But of most importance will be a refreshed measure of underlying inflation - the Trimmed Mean. The monthly Indicators do not provide a measure of the Trimmed Mean. It was the surprise lift in the Trimmed Mean Inflation rate from the expected 6.5% to 6.9% in the December quarter that prompted the hawkish response in the February Minutes.

Westpac is forecasting the Trimmed Mean inflation to slow from 6.9% to 6.5%.

In an economy with full employment that is still too high and we expect a final 0.25% lift in the cash rate will be required.

Much better to make that decision with the benefit of a true indication of the inflation challenge along with the other benefits of another month of data, including around global developments, than needing to move in April.

Conclusion

We confirm our forecast from March 17 that the RBA Board will pause in April prior to one final move in May.

Bill Evans, Chief Economist (WestpacGroup)

Softer updates around the Australian consumer and inflation have strengthened the case for a pause at next week's April RBA policy meeting. Global market sentiment meanwhile improved over the week as concerns over US and European banks eased.

Australian [retail sales](#) posted an as expected gain of 0.2% in February after a turbulent two months. The lift in nominal spending across department stores, clothing and food-related retail more than offset the flat result in household goods and weakness in 'other retail' items. Looking through recent volatility, it becomes clear the nominal retail trend is weakening, with sales down 1.5% on a rolling three-month basis. Should this subdued trend persist into March, nominal retail sales in Q1 are likely to be little changed from Q4; and, given the elevated rate of inflation amongst retail components, retail sales volumes are poised to contract materially in the quarter.

Following a 0.4% decline in January, the [Monthly CPI Indicator](#) surprised to the downside again in February, a modest 0.2% rise in the month lowering the annual rate of inflation from 7.4% to 6.8%, well below the consensus estimate of 7.2%. Compared to the average monthly increase of 0.9% over the last three months of 2022, a moderation in the pace of inflation has clearly materialised. At this stage, the deceleration in annual inflation between January and February looks to be relatively broad-based, with easing evident across food (6.8% vs. 7.4%); housing (9.9% vs. 10.4%); transportation (5.6% vs. 6.1%) and household contents/services (6.6% vs. 6.8%). The main surprise in the month came from holiday travel which notably fell 14.6% in February after a 7.2% decline in January. Consequently, annual inflation in the broader recreation category has more than halved over the last two months, from 14.4% to 6.4%.

As outlined by [Chief Economist Bill Evans](#), the recent data flow complements earlier updates on the labour market and business confidence, putting forward a strong case for the RBA to pause at the April Board meeting. The RBA will also benefit from the fact that their meeting schedule has largely avoided the intense periods of uncertainty around the banking sector, with global sentiment having steadily improved over the course of this week (see below), allowing the Board to remain focussed on domestic developments. That said, we continue to expect the Q1 CPI release to report uncomfortably high underlying inflation, warranting a final 25bp rate hike at the May Board meeting. Policy should then remain on hold over the remainder of 2023 as inflation continues its gradual descent. 150bps of rate cuts are then expected through 2024 and 2025 to return policy to a near-neutral setting.

Offshore, data was of limited significance this week. In the US, the Dallas and Richmond Fed business surveys remained weak in March, while the trade deficit held wide in February. Another modest decline was also seen in S&P CoreLogic CS 20-city house prices in January (-0.4%), slowing the annual rate of growth from 4.6% to 2.6%. The volume of pending homes sales meanwhile surprised by holding up in February after January's jump higher (respectively 0.8% and 8.1%); however, versus a year ago, they remain 21% lower. Notably, despite recent market volatility and lingering uncertainty over the banking sector, Conference Board consumer confidence improved slightly in March, remaining well above its lows of 2020-21 and 2022 but also a long way from prior peak levels. Expectations were the driving force in March, offsetting a small decline in current conditions. Arguably this is due to a combination of the robust health of the US labour market and a 10-year yield (and consequently 30-year mortgage rate) off peak levels. Note the main US data release for this week is still to come, with the February PCE data due this evening.

Over the week, FOMC members' perspective on the outlook is unchanged, their focus remaining on the need for a sustained period of contractionary policy to quell inflation risks. Developments around the banking sector have generally been constructive, with Silicon Valley Bank bought by First Citizens Bank and the market increasingly of the view that, if necessary, authorities will provide further support. Market pricing for the FOMC is split, with a roughly 50% chance of another 25bp hike by the FOMC in May, but then three-to-four 25bp rate cuts priced by January 2024. Recognising the risks with regards to inflation but also [the material credit tightening underway](#), we believe the prudent course for the FOMC is to remain on hold from May 2023 until March 2024 then cut back towards neutral through to mid-2025.

Week ahead & data wrap

RBNZ to leave the door open

We expect the Reserve Bank of New Zealand will raise the Official Cash Rate by 25 basis points at Wednesday's monetary policy review. The bigger question is what the central bank signals going forward. We expect the RBNZ will acknowledge recent downside developments, including the volatility in the global banking system. Even so, they will continue to emphasise the strength in inflation pressures and leave the door open for further hikes.

At the RBNZ's last policy review in February, the Monetary Policy Committee hiked the cash rate by 50bps to 4.75%. The MPC also indicated that it expected the cash rate would need to continue rising over the months ahead, with the OCR projected to peak at 5.50%.

In the weeks since the February policy statement, however, the economic landscape has become a lot rockier. Internationally, financial markets have been jolted by the collapse of several regional banks in the US and Credit Suisse Bank in Europe. The resulting concerns about the health of the global banking system and a potential tightening in credit conditions saw expectations for policy rates here and abroad pared back sharply.

While markets have calmed again, the nervousness surrounding the banking system hasn't completely dissipated. And although financial institutions in New Zealand remain in good health, the RBNZ will be keeping a close eye on developments offshore and the potential for a turn in global sentiment. If that were to occur, it would weigh on global growth. It would also make it harder and costlier for New Zealand to access funds from overseas.

Closer to home, there's been relatively limited economic news since the February policy decision. However, the one big piece of data that we've had was GDP, and that was a shocker. Economic output fell by 0.6% in the December quarter. That was a sharper decline than we and other analysts expected. The result was also well below the RBNZ's forecast for a 0.7% rise in activity over the quarter.

Importantly, it wasn't just the December quarter that has turned out softer than expected – estimates of activity through the middle part of 2022 were also revised down. Putting that altogether, it's turned out that GDP is running almost two percent below what the RBNZ was expecting in its February Monetary Policy Statement.

That still leaves us with a picture of an economy that is highly stretched, with elevated levels of demand and high levels of employment. Crucially, however, the economy is not nearly as stretched as the RBNZ thought. That matters for how much of a slowdown – and exactly how much further interest rates need to rise – to bring inflation back under control.

We estimate that the GDP surprise alone would knock about 50 basis points off the peak of the RBNZ's rates profile. That would still make a 25bp hike at the April review a reasonable prospect, but casts some doubt about the need for further moves. Consistent with those developments, we revised down our forecast for the peak in the cash rate to 5.00% a few weeks back.

However, since that time, we've had a speech from RBNZ Chief Economist Paul Conway which discussed how the RBNZ views the current state of inflation pressures. That speech – which was released following the weaker than expected GDP result and volatility in financial markets – remained hawkish. It made it clear that inflation is far too high and the RBNZ remains concerned about the risk that inflation remains strong for longer. Mr Conway went on to note that *"We are incredibly determined to get inflation and inflation expectations back to target."*

Given that very clear hawkish bias, we expect that next week's policy statement will continue to highlight the RBNZ's ongoing concerns about inflation. We also expect the RBNZ will leave the door open for further rate hikes.

How far the OCR ultimately rises will depend on how economic conditions play out over the coming months. For now, inflation remains red hot, with consumer prices up 7.2% over the past year and businesses operating costs up 8% over the same period.

But as we've noted previously, monetary policy acts with long lags. And while rates have been rising for more than 18 months now, much of the impact of that tightening still lies ahead of us. In fact, given the prevalence of mortgage rate fixing in the New Zealand market, most of the impact of rate hikes to date won't be felt until later part of this year.

However, the dampening impact of rate hikes is starting to become more obvious. House prices have already fallen 17% across the country since the start of the tightening cycle. In addition, conditions in the residential construction sector are turning down rapidly. While building activity remains elevated for now, monthly consent issuance has fallen 30% over the past year and many businesses that we've spoken to in the sector are reporting a sharp decline in forward orders. Similarly, we've heard a growing number of anecdotes of softening demand in the retail sector, especially among sellers of durable items like furnishings.

As the full impact of rate hikes is felt, we expect both economic activity and the labour market will weaken materially over the year ahead, and those conditions will see inflation easing back. But until the RBNZ gets clear confirmation that the economy is slowing, it will continue to emphasise the potential for further rate hikes. And regardless of where the OCR peaks in this cycle, interest rates will likely need to stay high for some time, until inflation is clearly back on a path towards the 1-3% target range.

Satish Ranchhod, Senior Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Tue 21	Feb employment indicators	0.8%	0.4%	0.2%
Wed 22	Q1 Westpac-MM employment conf.	108.0	109.5	-
Thu 23	Feb building permits	-5.2%	-9.0%	3.0%
	Mar ANZ business confidence	-43.3	-43.4	-
Fri 24	Mar ANZ consumer confidence	79.8	77.7	-

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.

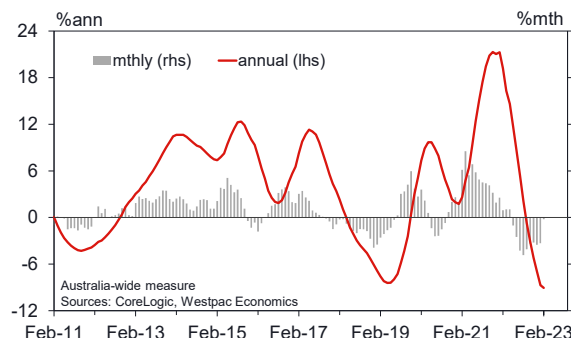
Aus Mar CoreLogic home value index

Apr 3, Last: -0.1%, WBC f/c: 0.7%

The CoreLogic home value index, covering the eight major capital cities, was surprisingly stable in Feb posting a slight -0.1% mth decline after seven straight months of falls in the 1-1.6% range. All major capital cities experienced a slowing in price declines in Feb, Sydney even managing to post a slight gain.

The CoreLogic daily index shows this stabilisation has given way to a positive gain in March, prices across the major capital cities tracking a 0.7% rise for the month led by an impressive 1.4% lift in Sydney. While there are some clear positives in the mix – a lift in migration inflows and super-tight rental vacancy rates – there are still good reasons to be wary of the price lift. Interest rates are weighing heavily on affordability and buyer sentiment, and have yet to peak, and the full impact of rate rises on wider economic activity has yet to emerge. Price gains are also coming off an exceptionally 'thin' market, sales and new listings around 2019 levels and the number of properties on market near 13yr lows.

Australian dwelling prices



Aus Feb housing finance approvals

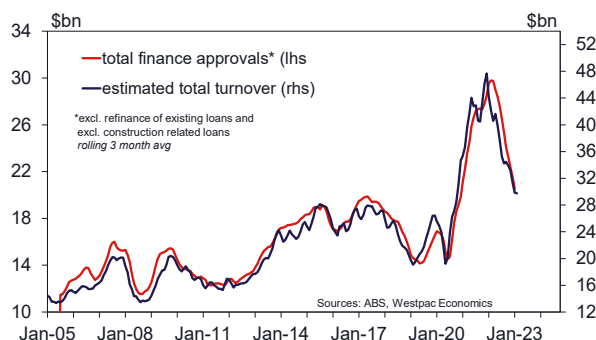
Apr 3, Last: -5.3%, WBC f/c: -1.0%
Mkt f/c: -1.8%, Range: -5.0% to +3.0%

Housing finance approvals recorded another sizeable decline in Jan, a 5.3% drop taking the total value of approvals 29.7% below their level at the start of last year. All major segments and states recorded falls.

The pace of monthly falls is likely to moderate significantly in Feb with the total value of turnover stabilising in early 2023. Prices were steady in Feb, the number of sales also lifting a touch through the first two months of the year.

The total value of new finance approvals is expected to show a 1% decline overall, with weak construction-related lending seeing a slightly bigger 1.2% decline for owner occupier loans compared to investors (-0.6%).

New finance approvals vs value of sales



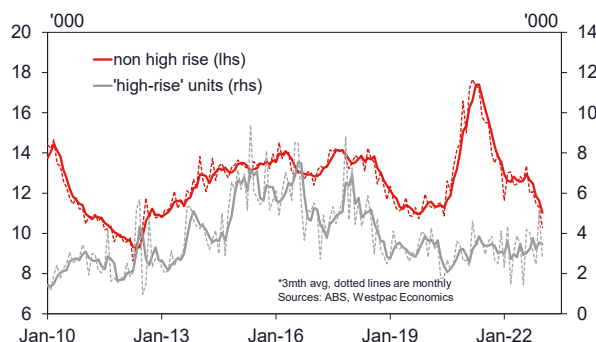
Aus Feb dwelling approvals

Apr 3, Last: -27.6%, WBC f/c: -2%
Mkt f/c: +10%, Range: -2% to +27%

Dwelling approvals posted a sharp decline in Jan, an unwinding spike in high rise approvals combining with a sharp fall in non-high rise segments – both moves likely amplified by seasonal adjustment over the summer low period.

Needless to say, the volatility over Dec-Jan makes the Feb update a difficult one to pick particularly with a significant underlying trend weakness also in the mix. HIA figures on new home sales suggest there are more declines to come for non high rise segments, despite a modest up-tick in Feb. High rise approvals also look to have returned to a more reasonable (i.e. weak) level in Jan. Assuming the latter holds steady, total approvals are likely to show a further moderate decline – we expect a 2% fall overall.

Dwelling approvals: high rise vs non high rise



Aus RBA policy decision

Apr 4, Last: 3.60%, WBC f/c: 3.60%
Mkt f/c: 3.60%, Range: 3.60% to 3.85%

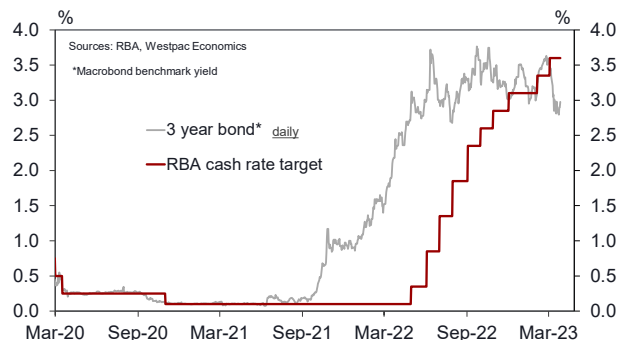
At the April Board meeting, Westpac anticipates that the RBA will keep the cash rate on hold at 3.60%.

In the minutes to the March meeting, the Board agreed to reconsider the case for a pause in April. Since then, the data flow - on balance - supports the case for such a move, particularly the drop in annual inflation (on the monthly indicator) and soft retail sales, however the labour market remains tight.

Additionally, the RBA's meeting schedule has largely avoided the intense periods of uncertainty around the global banking sector. With concerns on this front easing over the course of this week, the Board can remain cognisant of risks but focused on domestic developments.

That said, we do not expect a pause in April to mark the end of the tightening cycle. We continue to forecast one final 25bp rate hike will follow at the May Board meeting. For more detail, see page 2.

RBA cash rate and 3 year bonds



Aus Feb trade balance, \$bn

Apr 6, Last: 11.7, WBC f/c: 12.6
Mkt f/c: 11.3, Range: 10.2 to 13.0

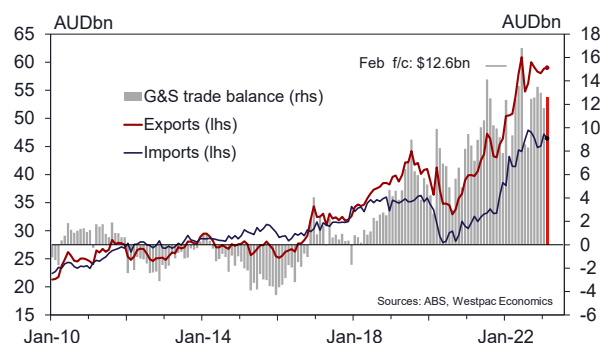
Australia continues to record a sizeable trade surplus each month - with a cumulative outcome of \$140bn for 2022.

The 2023 year is off to a strong start with an \$11.7bn surplus for January and an anticipated \$12.6bn result for February - with the improvement to be driven by an expected pull-back in imports.

The import bill is forecast to narrow by -1.5%, down \$0.7bn. Imports of transport goods leapt 29%, +\$1.7bn, in January on a bunching of shipments ahead of Lunar New Year as supply disruptions eased. A partial reversal is likely in February.

Export earnings are expected to edge higher, up by 0.3%, \$0.2bn, led by services. The upward trend in service exports (and service imports) continues after the reopening of the national border during the first half of 2022. Goods exports are expected to be little changed in the month, both volumes and prices.

Australia's trade balance



NZ Q1 NZIER Quarterly Survey of Business Opinion

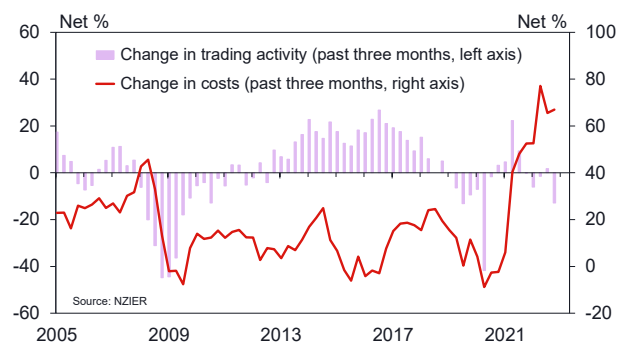
Apr 4, Domestic Trading Activity (past 3mths) last: -12.9

At the end of last year, businesses reported that trading activity had started to soften, and some firms had seen a fall in forward orders. Even so, most businesses still reported ongoing pressure on operating costs and output prices.

We'll be watching the March survey for signs of a further softening in activity. Economic conditions have generally remained firm in recent weeks. However, we are hearing increasing anecdotes from businesses that demand is cooling. Those comments have mainly been centred on the construction sector but are becoming more widespread.

Against that backdrop, we'll also be keeping a close eye on the survey's cost and pricing gauges. While we don't expect further increases, any easing in inflation pressures is likely to be fairly modest at this stage.

NZ Quarterly Survey of Business Opinion



NZ GlobalDairyTrade auction, whole milk powder prices

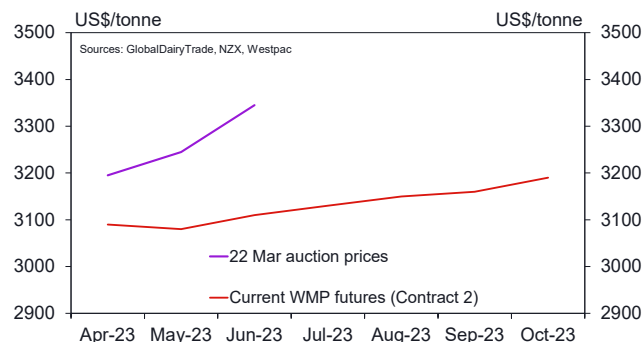
Apr 5, Last: 1.5%, Westpac: -3.0%

We expect whole milk powder prices (WMP) to fall by 3% at the upcoming auction. Our pick is similar to futures market pricing and last week's mini (GDT pulse) auction result.

Over the year, we expect that rebounding Chinese dairy demand and disruptions to New Zealand supply following recent storms will lead global dairy prices higher.

But for now, some key buyers are well-supplied and we anticipate that as they work through these stocks, prices will remain soft.

Whole milk powder prices



NZ RBNZ Apr Monetary Policy Review

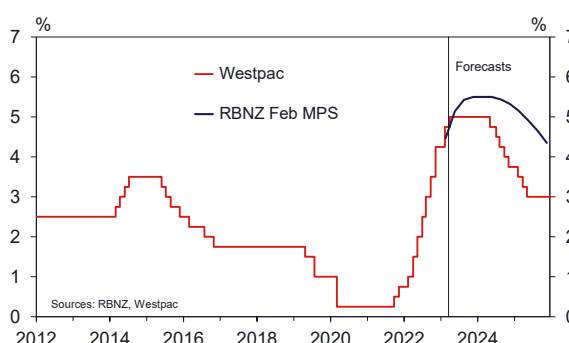
Apr 5, Last: 4.75%, Westpac f/c: 5.00%, Market f/c: 5.00%

We expect the Reserve Bank to lift the Official Cash Rate by 25 basis points to 5.00% next week.

Monetary policy has now moved into what the Reserve Bank considers to be 'contractionary' territory. But given the scale of the challenge, it will still be a long and uncomfortable wait until we see inflation back in the target range. And the anticipated slowing of the economy in response to higher interest rates lies largely in the realm of the forecasts; the actual data has stayed fairly robust so far.

For these reasons, the RBNZ is likely to continue to emphasise the potential for further rate hikes. The extent to which they actually deliver on that will depend on how the economy plays out in the coming months.

RBNZ Official Cash Rate



US Mar employment report

Apr 7: non-farm payrolls, Last: 311k, Mkt f/c: 240k, WBC: 270k
Apr 7: unemployment rate, Last: 3.6%, Mkt f/c: 3.6%, WBC: 3.6%

Non-farm payrolls continued to surprise to the upside in February, with 311k new jobs created in the month and only marginal revisions to the two months prior.

However, the trend in the household employment series is materially weaker, raising questions over the quality of jobs being created, and more importantly highlighting that many US consumers now need multiple jobs to fund their lives.

This constraint on discretionary capacity is unlikely to be offset by hourly wage gains which remain well below the pace of inflation and on a clear downtrend.

The labour market is becoming consistent with a low inflation environment, albeit slowly.

Job openings have lost momentum



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 03					
Aus	Mar CoreLogic home value index	-0.1%	-	0.7%	Steady Feb followed by surprise Sydney-led rise in March.
	Feb dwelling approvals	-27.6%	10.0%	-2.0%	Choppy Dec-Jan conceals underlying down-trend.
	Feb housing finance	-5.3%	-1.8%	-1.0%	Pace of monthly falls likely to moderate significantly ...
	Feb investor finance	-6.0%	-	-0.6%	... as prices and turnover volumes stabilise ...
	Feb owner occupier finance	-4.9%	-	-1.2%	... weak construction-related activity to weigh on own-occ.
	Mar MI inflation gauge %yr	6.3%	-	-	Provides a general view of risk.
Jpn	Q1 Tankan large manufacturers index	7	3	-	Domestic and global headwinds mounting on manufacturers.
	Mar Nikkei manufacturing PMI	48.6	-	-	Final estimate.
Chn	Mar Caixin manufacturing PMI	51.6	51.4	-	Continued strength on support from reopening.
Eur	Mar S&P Global manufacturing PMI	47.1	47.1	-	Final estimate.
UK	Mar S&P Global manufacturing PMI	48.0	-	-	Final estimate.
US	Mar S&P Global manufacturing PMI	49.3	-	-	Partial support from easing costs and supply pressures...
	Mar ISM manufacturing	47.7	47.5	-	... but the outlook remains challenging.
	Feb construction spending	-0.1%	0.0%	-	Softening demand weighing on construction.
Tue 04					
Aus	RBA policy decision	3.60%	3.60%	3.60%	Temporary pause before a final 25bp hike in May. See textbox.
NZ	Q1 Qtly Survey of Business Opinion	-12.9	-	-	Trading conditions soft, inflation pressures elevated.
US	Feb factory orders	-1.6%	-0.5%	-	Weakness in new orders indicating...
	Feb durable goods orders	-1.0%	-	-	... a generally subdued capex outlook.
	Feb JOLTS job openings	10824k	-	-	Flattening trend reflects lasting strength in labor demand.
	Fedspeak	-	-	-	Mester.
Wed 05					
Aus	RBA Governor Lowe	-	-	-	Address to National Press Club in Sydney, 12:30pm AEST.
NZ	GlobalDairyTrade auction (WMP)	1.5%	-	-3.0%	Buyers still working through existing stock piles.
	RBNZ policy decision	4.75%	5.00%	5.00%	RBNZ to leave the door open for further hikes.
Jpn	Mar Nikkei services PMI	54.2	-	-	Final estimate.
Eur	Mar S&P Global services PMI	55.6	55.6	-	Final estimate.
UK	Mar S&P Global services PMI	52.8	-	-	Final estimate.
US	Feb trade balance \$bn	-68.3	-68.5	-	Deficit should gradually narrow as consumer spend softens.
	Mar S&P Global services PMI	53.8	-	-	S&P has rebounded to be broadly in line with ISM...
	Mar ISM non-manufacturing	55.1	54.6	-	... with conditions in the service sector robust.
Thu 06					
Aus	Feb trade balance \$bn	11.7	11.3	12.6	Imports a partial unwind of 29% spike in transport goods.
	RBA Financial Stability Review	-	-	-	Half-yearly update.
NZ	Mar ANZ commodity prices	1.3%	-	-	Has been boosted by gains in meat and forestry prices.
Chn	Mar Caixin services PMI	55.0	55.0	-	Continued strength, supported by reopening.
US	Initial jobless claims	198k	-	-	To remain at a relatively low level, at least for now.
	Fedspeak	-	-	-	Bullard.
Fri 07					
Aus/NZ	Good Friday	-	-	-	Public holiday, markets closed.
Jpn	Feb household spending %yr	-0.3%	4.6%	-	Labour market and incomes supportive.
Chn	Mar foreign reserves \$bn	3133	-	-	Little pressure on reserves.
US	Mar non-farm payrolls	311k	240k	270k	Divergence between payrolls and household employment..
	Mar unemployment rate	3.6%	3.6%	3.6%	... points to many needing multiple jobs to pay bills...
	Mar average hourly earnings %mth	0.2%	0.3%	0.3%	... and also raises questions over job quality and wage g'th.

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 (31 Mar)	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Cash	3.60	3.85	3.85	3.85	3.60	3.35	3.10	2.85
90 Day BBSW	3.72	3.95	3.95	3.97	3.72	3.47	3.22	2.97
3 Year Swap	3.41	3.65	3.60	3.50	3.40	3.20	3.00	2.90
3 Year Bond	2.95	3.20	3.20	3.15	3.10	2.95	2.80	2.70
10 Year Bond	3.31	3.60	3.40	3.20	3.00	2.80	2.70	2.50
10 Year Spread to US (bps)	-24	-10	-10	-10	-10	-10	-10	-10
US								
Fed Funds	4.875	4.875	4.875	4.875	4.375	3.875	3.375	2.875
US 10 Year Bond	3.55	3.70	3.50	3.30	3.10	2.90	2.80	2.60
New Zealand								
Cash	4.75	5.00	5.00	5.00	5.00	4.75	4.25	3.75
90 day bill	5.23	5.10	5.10	5.10	5.00	4.55	4.05	3.75
2 year swap	5.00	4.90	4.60	4.30	4.00	3.70	3.55	3.40
10 Year Bond	4.20	4.40	4.20	4.00	3.85	3.70	3.60	3.50
10 Year spread to US	65	70	70	70	75	80	80	90

Exchange rate forecasts

Australia	Latest (31 Mar)	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
AUD/USD	0.6719	0.69	0.72	0.74	0.75	0.76	0.76	0.77
NZD/USD	0.6267	0.64	0.66	0.67	0.68	0.68	0.68	0.68
USD/JPY	132.73	131	130	129	128	127	126	124
EUR/USD	1.0908	1.09	1.10	1.11	1.12	1.13	1.14	1.15
GBP/USD	1.2401	1.22	1.23	1.24	1.25	1.26	1.27	1.28
USD/CNY	6.8587	6.70	6.60	6.50	6.40	6.30	6.20	6.10
AUD/NZD	1.0685	1.08	1.09	1.10	1.11	1.13	1.13	1.13

Australian economic growth forecasts

	2022			2023				Calendar years			
% change	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2021	2022	2023f	2024f
GDP % qtr	0.9	0.7	0.5	0.4	0.2	0.1	0.2	-	-	-	-
%yr end	3.1	5.9	2.7	2.5	1.8	1.2	1.0	4.6	2.7	1.0	1.5
Unemployment rate %	3.8	3.5	3.5	3.6	3.6	3.9	4.6	4.7	3.5	4.6	5.1
Wages (WPI)	0.8	1.1	0.8	0.8	1.0	1.0	1.0	-	-	-	-
annual chg	2.6	3.2	3.3	3.5	3.8	3.7	4.0	2.4	3.3	4.0	3.2
CPI Headline	1.8	1.8	1.9	1.3	1.1	0.8	0.7	-	-	-	-
annual chg	6.1	7.3	7.8	6.9	6.2	5.1	3.9	3.5	7.8	3.9	3.0
Trimmed mean	1.6	1.9	1.7	1.4	0.9	0.6	0.7	-	-	-	-
annual chg	5.0	6.1	6.9	6.6	5.9	4.6	3.6	2.6	6.9	3.6	3.1

New Zealand economic growth forecasts

	2022			2023				Calendar years			
% change	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2021	2022	2023f	2024f
GDP % qtr	1.6	1.7	-0.6	0.2	0.2	0.2	-0.2	-	-	-	-
Annual avg change	1.1	2.7	2.4	2.9	3.2	1.6	1.1	6.0	2.4	1.1	-0.5
Unemployment rate %	3.3	3.3	3.4	3.5	3.6	3.8	4.0	3.2	3.4	4.0	5.1
CPI % qtr	1.7	2.2	1.4	1.3	1.3	1.9	0.4	-	-	-	-
Annual change	7.3	7.2	7.2	6.7	6.4	6.2	5.1	5.9	7.2	5.1	2.9



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