AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 24 April 2023

Editorial: Reserve Bank Review represents significant progress although some challenges remain.

Aus: Q1 CPI, private credit, ANZAC Day public holiday.

NZ: employment indicator, business and consumer confidence.

China: official PMIs, industrial profits.

Eurozone: Q1 GDP.

US: Q1 GDP, PCE deflator, ECI, housing and manufacturing updates, personal income and spending.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 21 APRIL 2023.

WESTPAC INSTITUTIONAL BANK

Reserve Bank Review represents significant progress although some challenges remain

The much anticipated Review of the Reserve Bank has recommended sweeping changes to the operation and structure of the Bank.

There are some very significant improvements to the operating model for the Reserve Bank that are recommended in the Review.

These include establishing separate Boards to cover monetary policy and corporate governance; removing the ability of the Treasurer to override RBA decisions; removing the RBA's ability to directly control bank lending decisions; ensuring the Treasury secretary sits on the Board in a non-political capacity; and calling for more clarity around the way the Council of Financial Regulators operates, particularly with respect to macroprudential policy.

Separating the Board responsibilities between governance and monetary policy highlights the importance to the nation of a well researched approach to setting interest rates.

The Review recommends a tightening of the wording around the Bank's key policy objectives and gives equal weighting to inflation and full employment.

It has appropriately recommended that the wording around inflation – "on average over the cycle" should be tightened to set a specific objective path back to the middle of the 2–3% target range.

It must be noted that the Bank already sets out that path in its forecast tables in the quarterly Statement on Monetary Policy (SOMP).

For example, in the February SOMP the target timing is clearly set out as June 2025.

The new arrangements are likely to ensure that the Board is forced to defend that timing. Certainly the current timing seems to be a less ambitious objective than other central banks who are planning to reach their targets earlier. Defending a less ambitious target will be a welcome discipline under the new arrangements.

The Governor's defence, and part of his justification that rates in Australia do not need to go as high as in comparable systems such as US; Canada; and New Zealand, is that he is more mindful of protecting the employment gains over the last year. That is an indirect way of noting the dual mandate around inflation and employment.

But that approach of "protecting the employment gains where possible" is likely to be tightened significantly under the recommended arrangements. Under the Review an explanation of the expected path back to full employment will be required.

That raises a number of issues – firstly, the point definition of the full employment rate and secondly the well understood challenge in policy of having only one instrument (the cash rate) and two quantitative objectives – inflation and full employment.

Inflation targeting evolved from the empirical observation that economies which attained stable inflation were able to operate closer to maximum capacity – indirectly achieving the full employment goal without having to adopt a quantitative employment target at the first stage. No doubt the Bank's forecasts are likely to indicate that achieving the inflation target will eventually allow the achievement of full employment in the steady state but the path of the unemployment rate in the near term will be difficult to balance as the Bank pursues its specific inflation target.

It is proposed that Board meetings be cut back from eleven per year to eight and every Board meeting is followed by a press conference.

If the objective is to improve communication and the understanding of the monetary policy process this is not an unambiguous improvement. While the press conference will allow the direct questions along the lines of what we observe at the FOMC press conferences, which is an advantage, the trade off will be that we will only receive eight Board Minutes per year. The Board Minutes have become a rich source of information allowing an understanding of the evolution of policy. Receiving those Minutes on a less frequent basis will be a disappointment. But there is certainly merit in the observation in the Review that fewer meetings will allow more time to respond to developments.

The structure of the Monetary Policy Board is proposed as nine members, including the Governor; the Deputy Governor; and the Secretary of the Treasury. Other Board members will be selected on the basis of their understanding of various aspects of the decision process including macro economics; financial markets; the labour market; wages/inflation; industry policy and fiscal policy.

It is planned that these members will be much more closely linked in with the Reserve Bank, spending, on average, around one day per week, at the Bank, while still retaining their current employment. If that one day guideline is to be a condition of membership it will probably preclude the CEO's who have held Board positions in the past given the demands on their time. It will also exclude anyone practising in the financial system, given obvious conflicts; and may lean heavily on those people such as academics and retirees who are not conflicted and can find the necessary time to spend at the Bank. That will have the obvious disadvantage of not being able to bring people with current relevant practical experience to the table.

The model has a huge advantage in that the impressive research resources of the Bank's staff will have much more direct access to Board members. This is emphasised in the Review where specialist advisory committees including staff are proposed. With the Bank's two representatives on the Board likely to find their influence being diluted relative to the current arrangements it is critical that the Australian people continue to get the best use of the Bank's impressive research resources for the policy process.

It will be very important to get a balanced make up of the Monetary Policy Board. The record of the so called "Shadow Monetary Policy Committee" which seemed to consistently adopt a hawkish bias serves as an important warning around the risks of biasing a committee too far towards one particular group such as academics.

With the decision process in the Monetary Policy Board now being subject to a vote it is disappointing that dissenting voters do not have the responsibility to set out the reasons for their dissent. That is a time honoured practice at the FOMC and provides additional insights into the decision making process. Under the current proposal only the "unattributed" vote count will be reported. Independent Board members will have the flexibility to speak out and the responsibility to make at least one speech per year. This arrangement seems somewhat haphazard and would be better handled with dissenting reports being required.

The Review recommends a closer alignment between fiscal and monetary policy. We expect that will be welcomed at the Bank.

A recent study by respected modeller Chris Murphy at the ANU calculated that inflation, which printed 7.8% in 2022, would have been 3ppts lower if fiscal and monetary policy had not been excessively expansionary over the COVID period. He attributed 2.4ppts to fiscal policy and, only, 0.6ppts to monetary policy. This example, while extreme, highlights the challenges faced by the Bank in achieving its targets when other policy instruments are operating in a different direction.

Bill Evans, Chief Economist, Westpac Group

Monetary policy remained centre stage across the world this week, but particularly in Australia as the RBA Review and April Board meeting minutes were released.

The April RBA meeting minutes highlight the Board's preference for optionality. As detailed by Chief Economist Bill Evans, the "case for an increase is much stronger than was the case for the April meeting", with the Board members noting: "the forecasts produced by the staff in February had inflation returning to target range only by mid-2025 and that it would be inconsistent with the Board's mandate for it to tolerate a slower return to target"; these "forecasts were conditioned on monetary policy being tightened a little further". The Board also raised some new risks, in particular: that the current strength in population growth "could put significant pressure on Australia's existing capital stock, especially housing, which would in turn manifest in higher consumer prices"; and there was "increased risk of larger wage increases in parts of the economy, including the public sector". Also critical to the decision in May will be next week's Q1 CPI report. Westpac remains of the view that, while moderating, another high annual inflation print in Q1 warrants one further 25bp hike in May to 3.85% after which the cash rate will be left on hold until early-2024 to quell lingering risks.

Subsequent to the minutes, the Government commissioned RBA Review was publicly released and commented on by RBA Governor Lowe. 'An RBA fit for the Future' "analyses the RBA's performance over the past 30 years and makes recommendations on the monetary policy framework, governance, leadership and culture of the RBA". Many of the recommendations are significant, albeit with the detail and timing still to be worked through. Chief Economist Bill Evans' note discusses the implications for policy setting.

Ahead of Australia's Q1 CPI next week, New Zealand's latest update (pleasingly) disappointed market and RBNZ expectations for a second-consecutive quarter, printing at 1.2%, 6.7%yr (from 7.2%yr at December). Individual items showed considerable volatility. But measures of underlying momentum steadied or eased back in Q1. Our NZ economics team remains of the view that inflation won't be back below 3.0%yr until the second half of 2024. The RBNZ is therefore seen hiking by 25bps at the May meeting to a cycle peak of 5.50% to be held until mid-2024.

Of the data from further afield, China's Q1 GDP release and associated partial data was most significant. At 2.2%, the Q1 gain was strong but broadly in line with expectations. However, Q4 2022's outcome was revised up from 0.0% to 0.6%, seeing the annual rate at 4.5%yr at March 2023 versus the market's expectation of 4.0%. We remain of the view that GDP growth will continue to outperform during 2023, coming in above 6.0%yr – a rate materially above authorities' guidance and current market estimates. The primary support for this view from the March data round is the building strength in consumer spending, year-to-date retail sales growth jumping from 3.5%yr in February to 5.8%yr in March. Although property investment disappointed, likely as a result of the limited pipeline of work to be done on existing projects, residential property sales created confidence in the outlook for 2023 and beyond, year-to-date growth accelerating from 3.5%yr in February to 7.1%yr in March. That new home prices look to have based and are now rising points to further near-term momentum in activity, particularly given the robust health of household wealth and income.

In our view, the momentum apparent in China's domestic economy along with their exposure to Asia will well and truly offset the negative influence of weakening developed-world demand, setting China apart from other major economies in 2023 and beyond.

Turning to the US, data has been light this week and concentrated on housing. Starts and permits remained volatile in March as they were caught between tight financial conditions and a lack of new housing supply. Existing home sales meanwhile disappointed falling 2.4%, although it remains unclear whether demand or supply is the prime influence.

Arguably of greatest significance for US monetary policy however was the release of the latest Beige Book, covering conditions across the 12 Federal Reserve districts. Broadly this update suggests the US economy is stagnating and that labour market slack is building, weighing on wage growth and easing risks related to inflation. Also critical for policy into 2024, "Several Districts noted that banks tightened lending standards amid increased uncertainty and concerns about liquidity".

Together with the sanguine inflation data received last week, these observations point to little need for further action by the FOMC to tame inflation. The economy arguably instead needs an extended period of stable contractionary policy to allow remaining inflation risks to abate and consumer expectations to reset without heightened fears over economic activity. However, we also need to be aware of the mindset of FOMC members, many of whom continue to reference a need for a further marginal increase in the policy rate, which the market is taking to mean another 25bp hike at or before the June meeting. Whereas FOMC members argue policy will then remain on hold for a lengthy period, the market has approximately 75bps of rate cuts priced by January 2024. This view speaks to the downside risks that are building for activity given the already contractionary stance of monetary policy and the tightening of financial conditions occurring through the US banking system.

Week ahead & data wrap

Early signs of slow thaw in inflation.

Inflation was weaker than we and other analysts expected in the early part of this year. Crucially, it has fallen well short of the Reserve Bank of New Zealand's forecasts for a second quarter. This still leaves us with a picture of strong price pressures, including strong domestic inflation. However, inflation has now peaked and signs that rate hikes are weighing on demand are mounting. Against this backdrop, we expect only one more 25bp rate hike from the RBNZ, but interest rates will need to remain high for some time yet.

Consumer prices rose by 1.2% in the March quarter. That was lower than our forecast and saw the annual inflation rate dropping from 7.2% at the end of last year to 6.7% now. That's the lowest annual inflation has been since the end of 2021.

Importantly, inflation has now fallen well short of the RBNZ's forecasts for the past two quarters. Indeed, the RBNZ forecast that annual inflation would rise to 7.3%.

Inflation can be thrown around by big swings in a small number of items. And that certainly was the case in recent months (for instance, food prices were up 11% over the past year). But what's more important is the underlying trend in prices. And here's where things get interesting. Underlying inflation pressures are still running hot. After strong growth in recent years, capacity in the economy – especially in the labour market – has become increasingly stretched. That's seen businesses operating costs rising by around 12% over the past year, with wage costs up around 6% over the same period. The impact of those strong cost pressures has been seen most clearly in the domestically oriented components of inflation (sometimes referred to as non-tradables) which are continuing to rise at a rapid pace – up 1.7% in March and 6.8% over the past year.

Crucially, however, while those prices remain strong, they aren't accelerating. Measures of 'core' inflation, which smooth through the quarter-to-quarter swings in prices, continue to track around 6% and some measures are easing.

The past quarter also saw widespread falls in the prices of many imported durable items, like furnishings and appliances. That's consistent with the feedback were getting from many retailers, who are telling us that demand for durable items has been waning.

Similarly, increases in the cost of purchasing a newly built home (which drove much of the rise in overall inflation over the past year) have slowed sharply. That likely reflects weaker demand for new builds and falling house prices as interest rates have pushed higher.

This stabilisation in underlying inflation pressures is a key development for the RBNZ. Interest rates have been rising for over 18 months now. But as we've highlighted before, it takes time for those rate hikes to be reflected in household demand.

However, we are now firmly in the sweet spot where interest rate rises should be having an impact on inflation. While widespread mortgage rate fixing in the New Zealand market has delayed the impact of interest rate increases, a large number of mortgages have now rolled on to higher interest rates. In fact, accounting for the extent of mortgage rate fixing, the average 'effective' interest rate on residential mortgages has already increased by around 100 bps since early 2022. Looking ahead, the coming year will see around 50% of all mortgages repricing on to much higher interest rates. That will see the average mortgage rate rising by a further 160 bps over the year ahead, which will further dampen demand, the labour market and wage growth, and ultimately domestic inflation.

What does all this mean for the RBNZ?

Inflation is still uncomfortably high, and we don't expect that it will be back below 3% until the latter half of 2024. We continue to expect that the RBNZ will deliver another 25bp hike in the OCR at its May policy meeting. That would take the cash rate to 5.50%. Interest rates will need to remain high for some time yet, and the RBNZ is likely to maintain a hawkish stance in order to avoid an unwanted drop in borrowing rates.

However, with inflation falling well short of the RBNZ's forecasts, the chances of the central bank needing to take the OCR above 5.50% have fallen.

The RBNZ will still be keeping a close eye on some key factors that could boost inflation over the coming year. That includes the strength of the labour market, as well as potential increases in fiscal spending and spending on post-cyclone reconstruction (the next major updates on all of these issues will be released ahead of the RBNZ's May policy meeting). However, the large downside surprise in consumer price inflation will help to balance the RBNZ's concerns about the potential inflationary impacts of those other factors.

Satish Ranchhod, Senior Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 17	Mar BusinessNZ PSI	55.8	54.4	–
	Mar food price index	1.5%	0.8%	1.1%
Tue 18	Mar REINZ house sales %yr	–28.5%	–15.0%	–
	Mar REINZ house prices %yr	–14.2%	–13.1%	–
Wed 19	GlobalDairyTrade auction (WMP)	–5.2%	1.0%	–1.0%
Thu 20	Q1 CPI	1.4%	1.2%	1.5%
	Q1 CPI %yr	7.2%	6.7%	6.9%

DATA PREVIEWS

Aus Q1 Consumer Price Inflation

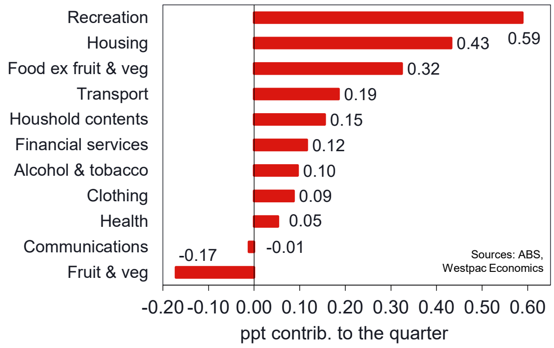
Apr 26, Last: 1.9%, WBC f/c: 1.4%
Mkt f/c: 1.3%, Range: 1.2% to 1.7%

The December quarter CPI rose 1.9% with annual inflation lifting to 7.8%, the fastest since March 1990. The Trimmed Mean lifted 1.7% with the annual pace increasing to 6.9%, the fastest pace since December 1988 and above the RBA's forecast of 6.5%yr. The most significant contributions came from domestic holiday travel & accommodation, electricity, and international holiday travel.

The March quarter CPI is forecast at 1.4% taking the annual pace down 0.8ppt to 7.0%. The step down is due to an ongoing moderation in inflation for food, a seasonal decline in clothing & footwear, a further moderation in dwellings and household contents & services inflation, as well as falling prices for auto fuel and audio visual & computing equipment.

The Trimmed Mean is forecast to lift 1.4% in March with the annual pace set to moderate to 6.7%, down from 6.9% for December, which we see as the peak for the cycle.

Contributions 2023Q1 CPI 1.4%qtr print



Aus Mar private sector credit

Apr 28, Last: 0.3%, WBC f/c: 0.3%
Mkt f/c: 0.3%, Range: 0.2% to 0.5%

The appetite for credit has diminished significantly as sharply higher interest rates impact, reducing borrowing capacity.

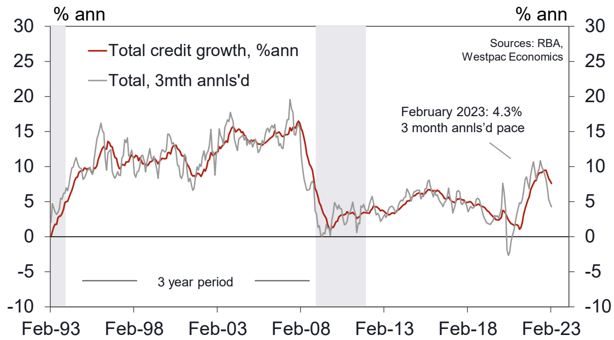
The monthly pace of credit growth has slowed progressively, from a high of 0.9% for April and May to be at 0.3% for February.

For March, we anticipate another reading of 0.3%, which would see annual growth slow from 7.6% to 7.3%%, while the 3 month annualised pace will be only 4.2%, down from 10.8% in mid-2022.

Housing credit grew by a modest 4.1% annualised in the three months to February, less than half the pace at the start of 2022. New lending for February was 33% lower than in January 2022.

Business credit grew by 5% annualised in the 3 months to February, down from over 19% last June, an unsustainable pace boosted by the reopening.

Credit: growth pulse slows to 4.3% – a 2 year low



NZ Apr ANZBO business confidence

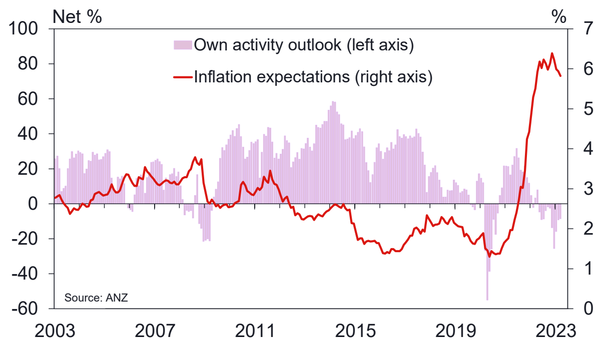
Apr 27, Last: -43.4

The results of the March business activity survey were "less bad" with confidence up and inflation gauges nudging down. However, that still left us with a pretty grim outlook, with the majority of businesses still expecting that trading conditions would deteriorate over the coming months.

We expect that the April confidence survey will continue to highlight weakness in business sentiment. However, it is a mixed picture across the economy – while retailers and those in the construction sector are reporting softer conditions, businesses in sectors like hospitality are reporting firmer activity (in part, supported by the ongoing recovery in international tourism).

The survey's cost and pricing gauges will be closely watched. While those gauges have softened in recent months, they continue to point to strong inflation pressures.

NZ business confidence



NZ Mar monthly employment indicator

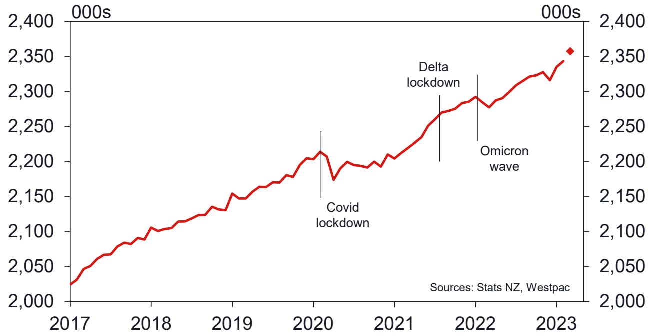
Apr 28, Last: 0.4%, Westpac f/c: 0.6%

The monthly employment indicator is drawn from income tax data. This makes it a fairly comprehensive record of the number of people in work, and helps to fill a gap in what is otherwise mostly quarterly data on the labour market.

Aside from a wobble at the end of last year, this indicator has shown consistent moderate growth in the number of filled jobs over the last year. The weekly snapshots provided by Stats NZ suggest that if anything the pace of growth has picked up in recent weeks. We've pencilled in a 0.6% rise for March, which would see annual growth accelerate to around 3.5%.

This pickup may well reflect the fact that there are more people around to hire – migrant inflows have surged to record levels in recent months, as the reopening of our border has unleashed a pent-up demand to travel here.

NZ monthly filled jobs



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.

For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 24					
Ger	Apr IFO business climate survey	–	–	–	Confidence in the outlook is growing.
US	Mar Chicago Fed activity index	–0.19	–	–	Broadly reflecting a downbeat economic outlook.
	Apr Dallas Fed index	–15.7	–	–	Regional investment detail points to sustained weakness.
Tue 25					
Aus/NZ	ANZAC Day	–	–	–	Public holiday; markets closed.
US	Feb FHFA house prices	0.2%	–	–	Housing market will remain under lasting pressure…
	Feb S&P/CS home price index	–0.43%	–0.40%	–	… as house prices edge lower…
	Mar new home sales	1.1%	–1.6%	–	… and sales volumes hold at a subdued level.
	Apr consumer confidence index	104.2	104.1	–	Up-trend in confidence to depend on labour market outlook.
	Apr Richmond Fed index	–5	–	–	Regional investment detail points to sustained weakness.
Wed 26					
Aus	Q1 CPI	1.9%	1.3%	1.4%	Moderating food inflation, seasonal falls in clothing plus…
	Q1 CPI %yr	7.8%	6.9	7.0%	…a housing correction are offsetting rising utilities and rents…
	Q1 CPI trimmed mean	1.7%	1.4%	1.4%	…while childcare remains a significant risk. Nevertheless, …
	Q1 CPI trimmed mean %yr	6.9%	6.7%	6.7%	…it appears that inflationary pressures peaked at end 2022.
NZ	Mar trade balance $mn	–714	–	–850	Imports starting to lose steam on weaker domestic demand.
US	Mar wholesale inventories	0.1%	–	–	Inventories at risk given uncertainty over activity outlook.
	Mar durable goods orders	–1.0%	0.7%	–	Weak headline and core orders pointing to subdued demand.
Thu 27					
Aus	Q1 export price index	–0.9%	–2.6%	–2.6%	Lower global commodity prices.
	Q1 import price index	1.8%	0.5%	0.6%	Global goods inflation dissipating, lower energy prices.
NZ	Apr ANZ business confidence	–43.4	–	–	Overall conditions subdued, but mixed across the economy.
Chn	Mar industrial profits %yr ytd	–22.9%	–	–	Profit growth will take time to pick-up.
Eur	Apr consumer confidence	–	–	–	Inflation and rates weighing on confidence recovery…
	Apr economic confidence	99.3	–	–	… across both consumers and businesses.
US	Initial jobless claims	–	–	–	Likely to remain low versus history.
	Q1 GDP, annualised	2.6%	2.0%	2.2%	A positive start to 2023 to reverse quickly.
	Mar pending home sales	0.8%	1.0%	–	Off recent lows but prolonged recovery not yet in sight.
	Apr Kansas City Fed index	0	–	–	Regional investment detail points to sustained weakness.
Fri 28					
Aus	Mar private sector credit	0.3%	0.3%	0.3%	Slowed appreciably in face of sharply higher rates.
	Q1 PPI	0.7%	–	–	Falling goods & energy prices to drive a moderation.
NZ	Apr ANZ consumer confidence	77.7	–	–	Set to remain low due to ongoing financial pressures.
	Mar employment indicator	0.4%	–	0.6%	Hiring picking up as migrant worker inflows resume.
Jpn	Mar industrial production	4.6%	0.5%	–	Global slowdown to increasingly weigh on output growth.
Eur	Q1 GDP	0.0%	–	0.1%	Growth to remain weak in H1 2023.
UK	Apr Nationwide house prices	–0.8%	–	–	Price correction remains well entrenched.
US	Q1 employment cost index	1.0%	1.1%	1.0%	A crucial update on wage pressures.
	Mar personal income	0.3%	0.2%	–	Wage growth losing momentum…
	Mar personal spending	0.2%	–0.1%	–	… and being offset by above-target inflation.
	Mar PCE deflator	0.3%	0.1%	–	Attention remains focused on service inflation pulse.
	Apr Chicago PMI	43.8	43.5	–	Economic conditions clearly subdued.
	Apr Uni. of Michigan sentiment	63.5	–	–	Final estimate.
Sun 30					
Chn	Apr manufacturing PMI	51.9	51.5	–	Manufacturing in robust health…
	Apr non-manufacturing PMI	58.2	–	–	… and services strong post COVID-zero.

Forecasts

Interest rate forecasts

Australia	Latest (21 Apr)	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	3.69	3.95	3.95	3.97	3.72	3.47	3.22	2.97
3 Year Swap	3.56	3.65	3.60	3.50	3.40	3.20	3.00	2.90
3 Year Bond	3.15	3.30	3.25	3.15	3.10	2.95	2.80	2.70
10 Year Bond	3.49	3.40	3.30	3.20	3.00	2.80	2.70	2.50
10 Year Spread to US (bps)	-4	-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	3.54	3.50	3.40	3.30	3.10	2.90	2.80	2.60
New Zealand								
Cash	5.25	5.50	5.50	5.50	5.50	5.25	4.75	4.25
90 day bill	5.56	5.60	5.60	5.60	5.50	5.05	4.55	4.25
2 year swap	5.04	5.10	4.80	4.50	4.20	3.90	3.70	3.50
10 Year Bond	4.17	4.20	4.10	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 (21 Apr)	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
AUD/USD	0.6738	0.69	0.72	0.74	0.75	0.76	0.76	0.77
NZD/USD	0.6170	0.64	0.66	0.67	0.68	0.68	0.68	0.68
USD/JPY	134.13	130	129	128	127	126	125	124
EUR/USD	1.0964	1.10	1.11	1.12	1.13	1.14	1.15	1.16
GBP/USD	1.2433	1.23	1.24	1.25	1.26	1.27	1.28	1.29
USD/CNY	6.8742	6.70	6.60	6.50	6.40	6.30	6.20	6.10
AUD/NZD	1.0920	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	3.5	3.9	4.5	4.7	3.5	4.5	5.0
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	1.4	1.1	0.7	0.7	–	–	–	–
annual chg	6.1	7.3	7.8	7.0	6.3	5.2	4.0	3.5	7.8	4.0	3.1
Trimmed mean	1.6	1.9	1.7	1.4	1.0	0.6	0.7	–	–	–	–
annual chg	5.0	6.1	6.9	6.7	6.1	4.7	3.7	2.6	6.9	3.7	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	1.2	1.0	1.7	0.5	–	–	–	–
Annual change	7.3	7.2	7.2	6.7	5.9	5.5	4.5	5.9	7.2	4.5	2.7

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