AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 10 July 2023

Editorial: July pause still consistent with 4.6% terminal rate.

RBA: Governor Lowe speaking.

Australia: Westpac–MI Consumer Sentiment, business survey, overseas arrivals.

NZ: RBNZ policy decision, retail card spending, house sales and prices.

China: CPI, PPI, trade balance.

Eurozone: industrial production, trade balance.

UK: unemployment rate, monthly GDP, trade balance.

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

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 7 JULY 2023.

WESTPAC INSTITUTIONAL BANK

July pause still consistent with 4.6% terminal rate

The Reserve Bank Board held the cash rate steady at 4.1% at its July meeting. The reason given in the Governor's decision statement was: "to provide some time to assess the impact of the increase in interest rates to date and the economic outlook". This is the same wording used following the decision to pause in April.

Note the recent pattern: a taper in October (0.25% from the previous 0.5%'s); increases in November and December; a pause in January (when there was no meeting); increases in February and March; a pause in April; increases in May and June; and a pause again in July.

October, January, April and July are the months immediately preceding the quarterly inflation report and the Statement on Monetary Policy, which sees the staff update its forecasts for the Board.

Reference to "the economic outlook" in the decision statement is related to the Board awaiting the staff's revised forecasts that will be available for the meeting in August.

Of most interest in those forecasts will be the outlook for inflation and wages given that the Governor has already indicated his concerns that risks to the inflation outlook have moved to the upside while wage pressures appear to be mounting in the enterprise bargaining sector. Furthermore, the forecast link between wages and prices may start to reflect the 7.9% jump in unit labour costs we have seen in the last year. Theoretically this means that for any given view on wages, the outlook for inflation needs to be lifted.

Recall that the forecasts are based on the average of market pricing and the Consensus of market economists' forecasts. At the moment, financial markets are forecasting a terminal rate of around 4.6% by early 2024 while market economists are generally in agreement that the cash rate will increase by 25 basis points in August with around half expecting a follow–up move in September.

Markets and economists' forecasts may change by the time of the Board meeting, particularly in light of the next inflation report. But based on current pricing, the forecasts the Bank will provide will be conditional on those further rate increases. If the staff wanted to lean against the implied rate profile it would, presumably, adopt forecasts that implied an 'over–achievement' of policy objectives.

How could that 'over–achievement' be represented? It would be difficult given that, by most standards, the Bank's current forecasts are implying an 'under–achievement' – inflation only reaching the top of the 2–3% target range by mid–2025. The risk with such an approach is that when you are consistently well above the top of the band, targeting the middle of the band has much more credibility.

Given concerns around unit labour costs, evidence of rising wage expectations and sticky core inflation it seems unlikely that the Bank will be able to credibly lower its current inflation profile from the May forecasts.

One test will be whether the forecasts, which will be extended to end 2025, anticipate inflation reaching the middle of the band or still remaining above that centre point by the new forecast horizon. Recall that the recently completed Review of the RBA recommended that inflation be targeted to the middle of the band.

Overall, for now, it appears that the revised forecasts will imply that the policy task will still be achieved but under the assumption of the higher rates implied by the economists and market pricing.

Westpac lifted its forecast for the terminal rate to 4.6% following what appeared to be a clear rebalancing of the Board's reaction function at the June Board meeting – placing more emphasis on containing inflation pressures and wage/price expectations and less on protecting the employment and growth gains since the pandemic. In line with that adjustment in the rate outlook we lowered our growth forecasts to 0.6% from 1.0% (2023) and 1.0% from 1.5% (2024).

The reprioritisation of their reaction function continues to be emphasised in the Governor's decision statement, which abandoned the concept that had been used in previous statements – "The Board is seeking to keep the economy on an even keel …" – in favour of a more cautious: "The Board is still expecting the economy to grow …".

Westpac had expected the Board to raise rates again in July, reflecting this assessed change in its reaction function and the data–flow, which has included evidence of an ongoing tight labour market; emerging wage pressures; sticky underlying inflation; and a sustained upswing in the housing market.

Of most significance was the Deputy Governor defining the Bank's measure of full employment as 4.5% – the rate required to achieve the inflation target – which is a long way from the 3.55% that printed in May.

The decision by the Board to pause pending further data does not change the assessment that further tightening is required, including our expectation that the terminal rate will need to reach 4.6%. Notably, the line that "Some further tightening of monetary policy may be required …" was repeated in the Governor's statement, having been omitted in the minutes to the June meeting but included in the June decision statement.

This guidance compared with the April Statement following that pause, "Some further tightening of monetary policy may well be needed…" – arguably a slightly more hawkish spin although, understandably, from a 3.6% starting point for the cash rate compared to the current 4.1%. And recall that the April Board meeting was followed by consecutive increases in both May and June.

The language does not preclude rate increases of 0.25% in both August and September, which is now our call (adjusted slightly from July and August).

But unlike the pattern we have seen so far this year we do not expect a follow–up hike in November after the pause we expect in October.

Our forecasts suggest progress on bringing down inflation, and evidence of some easing in labour market conditions and of an economy stagnating in the second half of 2023 will allow the Board to remain on hold after September. The opportunity to ease policy will eventually come once the Board is confident that a sustained return to low inflation has been achieved.

We confirm our call that, following the hikes in August and September, rates will remain on hold until May next year when conditions will allow the Board to begin easing.

Bill Evans, Chief Economist (WestpacGroup)

Seeing need for time to assess the outlook after a cumulative 400bps of tightening since last May, the RBA decided to leave the cash rate unchanged in July. As discussed by Chief Economist Bill Evans, this outcome reflects a clear preference from the Board to base their next decision on updated staff forecasts and the quarterly inflation report. We do not believe this decision will give way to a prolonged pause. Instead, in August, the Board will be faced with another elevated read on inflation. We expect the headline and trimmed mean inflation measures to print at 6.3%yr and 6.1%yr respectively in Q2, more than twice the top-end of the RBA's 2–3% medium-term inflation target.

With Governor Lowe having recently cited persistent upside risks to inflation, we believe such an outcome will lead the RBA to act in August and September, resulting in a 4.60% cash rate in September which we see as the peak. The economic consequences of such a contractionary policy stance are, in our view, material, with GDP growth to slow to just 0.6%yr in 2023 and remain well below trend in 2024 at 1.0%yr. A series of rate cuts from May 2024 through late-2025 will be required to return GDP growth to trend. For more detail on Australia's outlook, see our latest edition of Market Outlook.

Despite the anticipated further tightening and weak outlook for activity, this week's housing market updates were generally constructive. CoreLogic's home value index managed to post another broad-based gain in June, at least in part thanks to weak turnover. The rise in housing finance approvals in May further highlighted borrowers interest in the market; but, whether this uptrend can be sustained given elevated and rising interest rates remains an open question. A sizeable pipeline of work is currently holding up housing construction but, abstracting for high-rise volatility, dwelling approvals' weak trend suggests housing construction activity will decline over the coming year. Housing supply is therefore likely to remain constrained to end-2024 and beyond, supporting the level of both prices and rents.

Offshore, the US was in focus this week. The FOMC minutes emphasised that June's pause came as members sought to assess the lagged impact of tightening thus far. The decision was unanimous, though Fedspeak suggests some members were in favour of a hike – overnight Dallas Fed President Logan opined that it would have been "entirely appropriate to raise the federal funds target range at the FOMC's June meeting".

The revised dot plot from the June meeting suggests only two members of the Committee are comfortable to leave the fed funds rate where it is, with the median expectation being two more hikes this year. However, apparent in the minute's Committee discussion is the high degree of uncertainty clouding the outlook. As an example, while nonfarm payrolls continue to show strong momentum, averaging 339k per month the past year, other measures of employment are much softer. In particular, household employment has averaged 202k and job openings have declined by 2mn positions since March 2022, albeit from a stellar peak of 12mn.

Other forward-looking indicators of activity and employment are troubled by month-to-month volatility. The ISM services survey is a case in point. Both the headline and employment measures were robust in June, respectively 53.9 and 53.1. However, over the past year, they have each traded wide ranges, 49.2–54.0 for employment and 49.2–56.4 for activity. Also, at its current level, the activity measure is 2.8pts below the average of the 5 years preceding the pandemic. On that basis, it is unsurprising that the price measures from the ISM surveys continue to retreat, pointing to a sustained downtrend in inflation.

The ISM manufacturing survey meanwhile was unquestionably weak in June, deteriorating to 46.0, a full 8pts below the 5-year pre-pandemic average. Further, June's weakness was broad based, as production, employment, export orders and prices all deteriorated. All manufacturing sub-indices are now in contractionary territory. While there was an improvement in new orders in the month, the sub-index is almost 11pts below its 5-year pre-COVID average.

Of the other US data to hand, new factory orders rose a modest 0.3%mth, though ex-transportation, factory orders slipped 0.5%mth. The strong 3.8%mth jump in transportation reflects broad global trends: an uptick in car manufacturing as manufacturers seek to fulfill a backlog of existing orders; and the ramping up of EV production. Residential construction spending meanwhile grew 2.1%mth in April, driving a 0.9%mth increase in total spending. Increased demand for housing and limited inventory warrant continued growth in residential construction.

Out late last Friday, China's official NBS PMIs are also worthy of note. Both the services and manufacturing PMIs were in line with the market's downbeat expectations at 53.2 and 49.0 and so were taken as further evidence of downside risks to the outlook. However, contrasted against the above outcomes for the US as well as China's pre-pandemic experience, these outcomes actually speak of resilience – the NBS manufacturing survey being just 1.5pts below the average of the 5 years to 2019 against the US ISM's –8pts. In stark contrast to the US data, Chinese manufacturing also continues to expand capacity, fixed asset investment in May up 6%yr year-to-date. Within the sector, value add is also on the rise, high-tech sector investment growing 15%yr year-to-date.

Those in the market anticipating a surge in policy measures from Chinese authorities are therefore likely to be disappointed as progress towards the Central Government's long-term ambitions continue to be made. Instead a multi-faceted but passive approach is likely to incentivise local government authorities, SOEs and the private sector to move the economy forward.

Week ahead & data wrap

In New Zealand, Wednesday's RBNZ monetary policy review will be the focus for the market during a holiday-shortened week (the local market is closed on Friday for the Matariki holiday). We expect the Reserve Bank to leave the OCR at 5.50% and the broad stance of policy as communicated in the post-meeting statement is also likely to be unchanged.

In the May *Monetary Policy Statement* the RBNZ gave the market a strong steer that it expected that no further increases in the OCR would be required during the present cycle, and that now is the time to "watch, worry and wait". Importantly, in signalling this 'end of cycle' stance, the RBNZ was also at pains to emphasize that there was no case to expect any cuts to the OCR for a good while yet. Indeed, the RBNZ's forecasts indicated that the first easing in policy would need to wait until late next year.

The data flow since May will likely have given comfort to the RBNZ that its on-hold stance is appropriate – at least for now. The key piece of information was the release of March quarter GDP which pointed to a level of activity that came in close to Westpac's own forecasts but weaker than the RBNZ had expected. Hence from the Reserve Bank's perspective, the economy started the year in a slightly less overheated position than might have been feared when they produced their May *Statement*. Given the RBNZ's previous strident on-hold stance, this data alone will probably be enough to convince it to keep the OCR steady this time around.

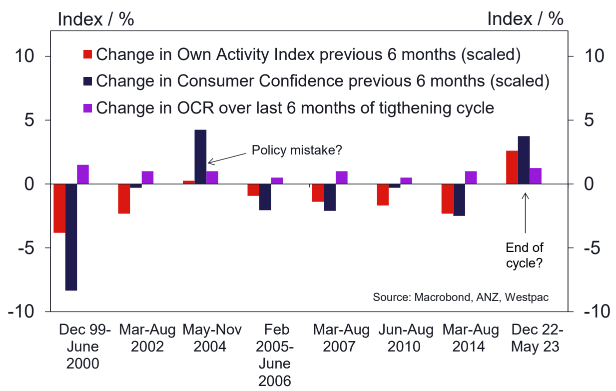
Other recent developments paint a mixed picture of the risks for future inflation and interest rates. Some downside risks for domestic inflation and interest rates are accumulating in the form of the weaker than expected bounce back of the Chinese economy, with implications for export demand (reflecting this, in June Westpac revised down its forecast of the farmgate milk price). Many indicators of interest rate-sensitive domestic demand seem consistent with a cooling economy. For example, the sluggishness of retail sector is as one should expect given the interest rate increases that we have already seen. Overall household spending has continued to rise in nominal terms – in part due to spending by New Zealander's travelling abroad. However, new figures released this week indicated a decline in the buffer provided by household savings and a house price-driven reduction in household wealth, which might weigh on households' willingness to spend going forward. Other information this week has pointed to an ongoing slowdown in construction – dwelling consents in May were 11% lower than a year earlier – and a growing shortfall of corporate tax compared with the Treasury's expectations.

On the other side of the ledger, global central banks are generally finding inflation to be more resilient than anticipated and have upgraded their view of the likely peak in policy rates. The RBNZ will be aware of the risks of repeating the mistake of drawing the tightening cycle to an end too early and having to change tack should the economy and inflation prove more resilient. Some domestic indicators are consistent with lingering economic resilience. In particular, the labour market has not cracked yet – while migration has surged, jobs growth is still outstripping increases in the population. Consumer and business confidence looks to have found a base with the latter seeming quite strong if the top of the tightening cycle is really in place. The housing market has also found a bottom probably somewhat sooner than the RBNZ probably had factored in. Whilst measures of inflation expectations have fallen, the high proportion of firms reporting cost and selling price pressures remains concerning. Not surprisingly therefore, market pricing still reflects a risk of a further increase in the OCR this year (and Westpac retains its call for a 25-point increase in August).

It's likely – and in our view desirable – that the RBNZ will provide only a brief commentary to accompany next week's decision. Saying too much would raise the risk of misinterpretation and might lead markets to price in rate cuts or increases that the RBNZ won't want to endorse right now. The main message we might expect to see is that the future direction of interest rates is data-dependent, so as to leave room for the RBNZ to shift tack should upside (or downside) risks to the inflation profile accumulate. We think that this "data-dependent" message may have gotten a bit lost in the 'on-hold' messaging at the May *Statement*.

Darren Gibbs, Senior Economist

Confidence at the end of tightening cycles



Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 3	May building permits	-2.6%	-2.2%	5.0%
Tue 4	Q2 NZIER Survey of Business Opinion	-63.2	-59.2	–
Wed 5	GlobalDairyTrade auction (WMP)	0.0%	-0.7 %	-4.0%
	Jun ANZ commodity prices	0.4%	-2.3%	–

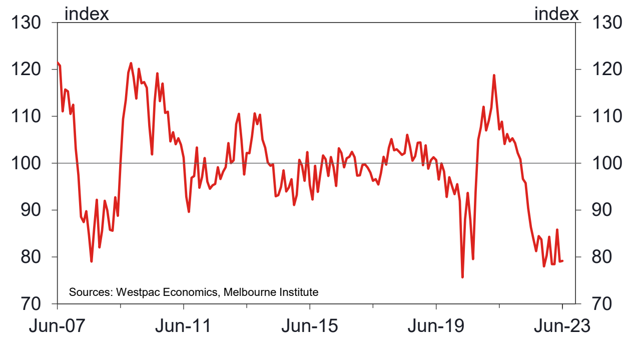
Aus Jul Westpac–MI Consumer Sentiment

Jul 11, Last: 79.2

Consumer sentiment rose 0.2% to 79.2 in June, holding around the very weak, recessionary levels seen since mid–2022. Rising interest rates and cost of living pressures continue to weigh heavily, June seeing a further rate rise from the RBA that came as a surprise for most commentators.

The RBA Board's decision to leave rates on hold in July should see some 'relief rally' lift in sentiment. Notably, responses over the June survey week showed a significant lift early on that unwound sharply following the RBA decision. Sentiment also posted a strong 9.4% gain back in April, the last time the RBA opted to pause the rate hike cycle. However, any gain in July will be tempered by the Bank's clear tightening bias. Other factors that may influence sentiment include: clearer signs that inflation has passed its peak in Australia; and a continued lift in dwelling prices.

Consumer Sentiment Index



Aus Jun overseas arrivals and departures, preliminary

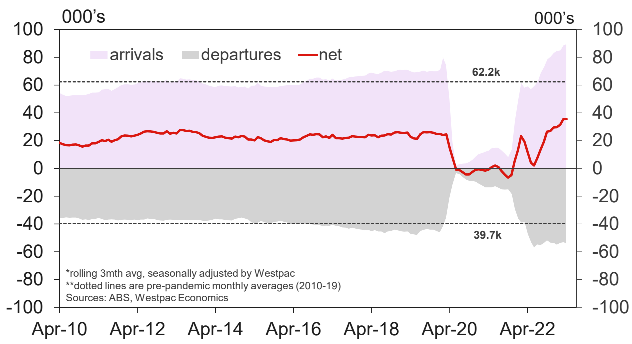
Jul 12, Arrivals, Last: 1300.1k
Jul 12, Departures, Last: 1366.7k

Following on from an unexpectedly strong pace of growth over the course of last year, the recovery in overseas arrivals and departures has begun to consolidate to a more manageable but still robust pace.

Permanent and long–term travel, which tends to be a better (albeit still limited) indicator of net migration flows, is continuing to exhibit strength, with net arrivals in this category tracking monthly gains of +35k/mth on a three–month average basis. The visa detail is also constructive, suggesting that the recovery in net overseas migration is continuing to track a strong pace.

Another dynamic that remains at play is the recovery in travel from China since their reopening from COVID–19. There is some evidence that momentum is beginning to gather, particular in longer–term categories of travel, but progress on this front is certainly lagging the broader recovery to date.

Permanent & long-term travel



RBNZ Jul Monetary Policy Review

Jul 12, Last: 5.50%, Westpac f/c: 5.50%, Market f/c: 5.50%

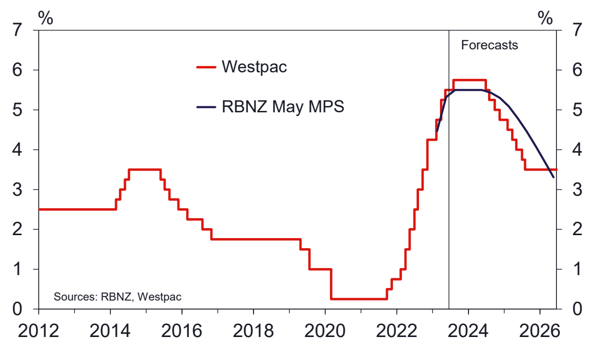
We expect the Reserve Bank to leave the Official Cash Rate unchanged at 5.50%.

In its May Monetary Policy Statement the RBNZ gave markets a strong steer that it expected that no further increases in the OCR would be required, and that now is the time to "watch, worry and wait".

The data flow since May will likely have given comfort to the RBNZ that its on–hold stance is appropriate for now. The key piece of information was March quarter GDP, which showed that the economy started the year in a slightly less overheated position than believed.

The main message we might expect to see is that the future direction of interest rates is data–dependent, so as to leave room for the RBNZ to shift tack should upside (or downside) risks to the inflation profile accumulate. We think that this 'data–dependent' message may have gotten a bit lost in the on–hold messaging in May.

RBNZ Official Cash Rate



NZ Jun REINZ house sales and prices

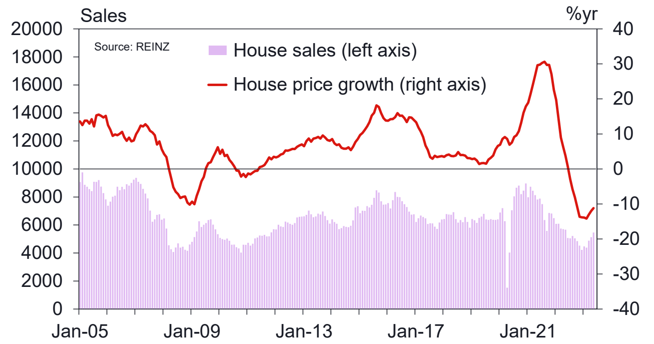
Jul 13 (tbc), Sales last: +2.5% m/m, –0.4% y/y
Prices last: +0.2% m/m, –11.2% y/y

The New Zealand housing market has been stabilising in recent months, as the forces that have weighed against the market over the past couple of years have started to turn.

House sales, while still well below average, are up about 30% from the lows that they reached at the end of last year. The REINZ house price index has flattened out and has even risen marginally in the last three months, after a cumulative 17% decline from late 2021 to early 2023.

The prospect of a peak in the interest rate cycle is likely to have brought some potential buyers off the sidelines. However, recent weeks have seen further increases in mortgage rates at the front end of the curve as funding costs have risen.

REINZ house prices and sales



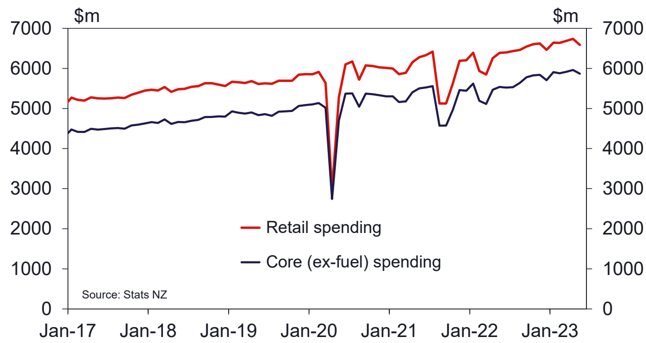
NZ Jun retail card spending

July 13, Last: –1.7%, Westpac f/c: +0.8%

Retail sales fell 1.7% in May. The weakness in spending was widespread, including sizeable falls in spending on household durables (like furnishings) and hospitality. Those falls highlight the mounting pressure on households' finances, with continued increases in the cost of living and interest rates.

We're forecasting a 0.8% rise in retail spending in June. However, much of that rise is due to a surge in fuel sales towards the end of the month as motorists rushed to avoid the rise in fuel taxes. Under the surface, we expect a modest 0.4% rise in core (ex–fuel) categories, with financial pressures continuing to dampen spending even as population growth surges.

NZ monthly retail card spending



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 10					
Jpn	May current account balance ¥bn	1895.1	1865.8	–	Narrowing trade deficit offset by strong primary income.
Chn	Jun CPI %yr	0.2%	0.2%	–	Managed prices and capacity limiting inflation.
	Jun PPI %yr	–4.6%	–5.0%	–	Producer prices coming off highs.
	Jun M2 money supply %yr	11.6%	11.2%	–	Looser financial conditions and liquidity…
	Jun new loans, CNYbn	1363	2250	–	… allowing better access to credit.
Eur	Jul Sentix investor confidence	–17	–	–	Investors aren't feeling good about outlook.
US	May wholesale inventories (final)	–0.1%	–0.1%	–	Inventories slide as firms become more uncertain.
	May consumer credit $bn	23.0	20.5	–	High rates limit credit growth.
	Fedspeak	–	–	–	Barr, Daly, Mester, Bostic.
Tue 11					
Aus	Jul Westpac–MI Consumer Sentiment	79.2	–	–	RBA's July pause should see a 'relief rally' in sentiment.
	Jun NAB business survey	8	–	–	Downturn reportedly accelerated in May, conditions –7pts to +8.
Eur	Jul ZEW survey of expectations	–10	–	–	Outlook expectations to weaken.
UK	May ILO unemployment rate	3.8%	–	–	No clear signs of slack emerging yet.
US	Jun NFIB small business optimism	89.4	89.9	–	Tight conditions and uncertainty limiting optimism.
Wed 12					
Aus	RBA Governor Lowe speech	–	–	–	"The Reserve Bank Review and Monetary Policy", at 1:10pm.
	Jun overseas arrivals, preliminary	1300.1k	–	–	China to provide further scope for recovery, in time.
NZ	RBNZ policy decision	5.50%	5.50%	5.50%	On hold for now, with future moves being data-dependent.
	May net migration	5785	–	–	Inflows still strong, but foreign departures jumped in April.
Jpn	May core machinery orders	5.5%	1.0%	–	Rebound in orders coming up.
US	Jun CPI	0.1%	0.3%	0.3%	Shelter keeping prices sticky.
	Fedspeak	–	–	–	Barkin, Kashkari, Bostic, Mester.
	Federal Reserve's Beige Book	–	–	–	Update on conditions across the 12 Fed districts.
Can	Bank of Canada policy decision	4.75%	5.00%	–	Sticky core inflation and excess demand prompt another hike.
Thu 13					
Aus	Jul MI inflation expectations	5.2%	–	–	Expectations remain elevated but off recent highs.
NZ	Jun manufacturing PMI	48.9	–	–	Activity and orders likely to remain subdued.
	Jun food price index	0.3%	–	1.6%	Continued shortages of some fresh produce.
	Jun retail card spending	–1.7%	–	0.8%	Boosted from fuel spending, core spending modest.
	Jun REINZ house sales %yr	–0.4%	–	–	Date TBC. House sales have picked up from their lows…
	Jun REINZ house prices %yr	–11.2%	–	–	… and prices appear to have stabilised in recent months.
Chn	Jun trade balance US$bn	65.8	74.0	–	Pull-back in imports to widen surplus.
Eur	May industrial production	1.0%	–	–	Germany weighing down Euro Area industrial production.
UK	May monthly GDP	0.2%	–	–	Resilient consumers drive growth.
	May trade balance £bn	–1.5	–	–	Weaker exports to widen deficit.
US	Jun PPI	–0.3%	0.2%	–	Price growth weak coming off 2022 highs.
	Initial jobless claims	248k	–	–	Labour market indicators show little sign of slack.
Fri 14					
NZ	Matariki public holiday	–	–	–	Markets closed.
Jpn	May industrial production (final)	–1.6%	–	–	Activity to rebound as optimism emerges among producers.
Eur	May trade balance €bn	–7.1	–	–	Weaker exports to see deficit widen.
US	Jun import price index	–0.6%	–0.1%	–	Rapidly decelerating from elevated level.
	Jul Uni. of Michigan sentiment	64.4	65.5	–	Inflation expectations the focus.
	Fedspeak	–	–	–	Waller.

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 (7 Jul)	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Cash	4.10	4.60	4.60	4.60	4.35	4.10	3.85
90 Day BBSW	4.28	4.80	4.80	4.63	4.38	4.13	3.88
3 Year Swap	4.54	4.30	4.15	4.00	3.80	3.60	3.50
3 Year Bond	4.21	4.00	3.85	3.75	3.55	3.40	3.30
10 Year Bond	4.22	3.90	3.70	3.50	3.30	3.20	3.10
10 Year Spread to US (bps)	19	20	20	20	20	20	20
US							
Fed Funds	5.125	5.375	5.375	4.875	4.375	3.875	3.375
US 10 Year Bond	4.03	3.70	3.50	3.30	3.10	3.00	2.90
New Zealand							
Cash	5.50	5.75	5.75	5.75	5.75	5.25	4.75
90 day bill	5.70	5.85	5.85	5.85	5.55	5.05	4.75
2 year swap	5.69	5.30	5.00	4.70	4.40	4.20	4.00
10 Year Bond	4.81	4.60	4.40	4.20	4.00	3.90	3.80
10 Year spread to US	78	90	90	90	90	90	90

Exchange rate forecasts

Australia	Latest (7 Jul)	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
AUD/USD	0.6630	0.69	0.69	0.71	0.72	0.73	0.74
NZD/USD	0.6167	0.62	0.62	0.63	0.64	0.65	0.66
USD/JPY	143.95	140	138	136	133	130	128
EUR/USD	1.0891	1.10	1.11	1.12	1.13	1.14	1.15
GBP/USD	1.2743	1.27	1.27	1.28	1.28	1.29	1.29
USD/CNY	7.2490	7.10	7.00	6.80	6.70	6.60	6.50
AUD/NZD	1.0750	1.11	1.11	1.13	1.13	1.12	1.12

Australian economic growth forecasts

	2022	2023				2024		Calendar years			
% change	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	2021	2022	2023f	2024f
GDP % qtr	0.6	0.2	0.1	0.2	0.1	-0.2	0.2	–	–	–	–
%yr end	2.6	2.3	1.5	1.1	0.6	0.2	0.3	4.6	2.6	0.6	1.0
Unemployment rate %	3.5	3.6	3.6	3.7	4.2	4.8	5.0	4.7	3.5	4.2	5.3
Wages (WPI)	0.8	0.8	1.0	1.1	1.2	0.8	0.7	–	–	–	–
annual chg	3.4	3.7	3.8	3.8	4.1	4.1	3.8	2.3	3.4	4.1	3.3
CPI Headline	1.9	1.4	1.1	0.7	1.0	0.9	0.9	–	–	–	–
annual chg	7.8	7.0	6.3	5.1	4.2	3.7	3.5	3.5	7.8	4.2	3.2
Trimmed mean	1.7	1.2	1.2	0.7	1.0	0.8	1.0	–	–	–	–
annual chg	6.9	6.6	6.1	4.8	4.1	3.7	3.5	2.7	6.9	4.1	3.2

New Zealand economic growth forecasts

	2022	2023				2024		Calendar years			
% change	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	2021	2022	2023f	2024f
GDP % qtr	-0.7	-0.1	0.5	0.5	0.1	0.0	0.0	–	–	–	–
Annual avg change	2.7	2.9	3.0	1.5	1.2	0.9	0.8	6.0	2.7	1.2	0.5
Unemployment rate %	3.4	3.4	3.5	3.7	3.9	4.2	4.5	3.2	3.4	3.9	4.9
CPI % qtr	1.4	1.2	1.0	1.9	0.5	0.6	0.6	–	–	–	–
Annual change	7.2	6.7	5.9	5.6	4.7	4.0	3.7	5.9	7.2	4.7	2.9

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