AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 24 July 2023

Editorial: Inflation is moderating thanks to government rebates, but there is uncertainty about how much of the moderation is fundamental.

Australia: Q2 CPI, retail sales.

NZ: monthly employment indicator, trade balance, consumer confidence.

China: industrial profits.

Eurozone: ECB policy decision.

US: FOMC policy decision, Q2 GDP, Q2 ECI, house prices and sales, personal income and spending, PCE.

Global: S&P Global PMIs.

Key economic & financial forecasts.

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

WESTPAC INSTITUTIONAL BANK

Inflation is moderating thanks to government rebates, but there is uncertainty about how much of the moderation is fundamental

The March quarter CPI suggested we have seen the peak in inflation. Rising 1.4% in the quarter annual inflation ease back from 7.8%yr, the fastest pace since March 1990, to 7.0%yr. The six month annualised pace was 6.5%yr, down from 7.8%yr in December and the recent peak of 7.9%yr at June 2022. This moderation was not just in headline inflation but also in the core measures. The Trimmed Mean rose 1.2% in the March quarter, taking the annual rate back to 6.6%yr from 6.9%yr with the six month annualised pace down to 5.9%yr from the recent peak of 7.4%yr in December.

The more modest rise in the Trimmed Mean highlighted a disinflationary force, particularly for goods, that is greater than we had thought. While services inflation is holding up, and is likely to prevent inflation falling back within the band in 2023 (and even in 2024 as per our current forecasts), it is not enough to prevent goods disinflation taking the annual pace of headline inflation back towards to the top of the band by the second half of 2024.

This moderation continued to be seen in the Monthly CPI Indicator where the annual pace has moderated from 6.3%yr in March to 5.6%yr in May. Again this moderation has not just been in the headline measure with the annual pace of the Monthly Indicator Trimmed Mean easing back to 6.5%yr in March to 6.1%yr in May. We still have a long way to go to get inflation back within the target band, and there many risks along the way that could prevent this from occurring but for now the data has been consistent with our forecast for core inflation to be around 4.0%yr by end 2023 (4.1%yr to be exact) and around 3.0%yr by end 2023 (3.3%yr to be exact).

We are expecting this moderation to continue in the June quarter. However, as we have noted in our **June Quarter CPI Preview**, there are factors that make us wary of being too complacent and assuming the battle against inflation has been won. In particular, the impact of government rebates and subsidies for energy and childcare are holding back the significant inflationary pressure from these categories.

Westpac is forecasting a 1.1% rise in the June quarter taking the annual pace down 0.7ppt to 6.3%yr from 7.0%yr. We believe that December was the peak for annual inflation in this cycle and the pace is expected to continue to moderate from here.

The biggest reason for a further step down from the 1.9%qtr print in Q4, and the 1.4% print in Q1, is the moderation in housing costs from a 1.9% rise in March to a 0.9% rise in June, with the contribution falling 0.24ppt to 0.22ppt. The moderation in housing inflation is due to state government rebates driving down electricity prices in the quarter. The contribution from utilities falls from 0.22ppt in March to –0.05ppt in June. This more than offsets the acceleration in rent inflation.

There is also the usual seasonal moderation in health costs as families cross the expenditure threshold for the Pharmaceuticals Benefits Scheme. The contribution from health falls from 0.24ppt in March to 0.04ppt in June. March also saw the usual annual increase in education prices which contributed 0.25ppt to the CPI. This increase won't occur again until the March quarter of 2024.

The Trimmed Mean is forecast to lift 1.1% in June, a moderation from the gains in March (1.2%), December (1.7%) and September (1.9%). The annual pace for the Trimmed Mean is set to moderate from 6.6%yr to 6.0%yr. We see the 6.9%yr pace in December 2022 as the peak in that measure in core inflation.

The Monthly CPI Indicator is turning out to be a very helpful guide to the components of the CPI and we have used the data from the April and May surveys to fine tune our forecasts. Used carefully to take into account timing issues of the various components, the Monthly CPI Indicator is an incredibly rich source of information that has helped to significantly improve our forecasting process for the quarterly CPI. However, despite the additional information provided by the Monthly CPI Indicator there are still many significant unknowns we have to estimate for the month of June.

Overall, the June quarter CPI is set to confirm that inflationary pressures peaked in late 2022 and continues to moderate as we move through 2023. However, it will also continue to highlight that core inflation remains significantly above the top of the RBA's target band and that it is not likely to return to being within the band any time soon.

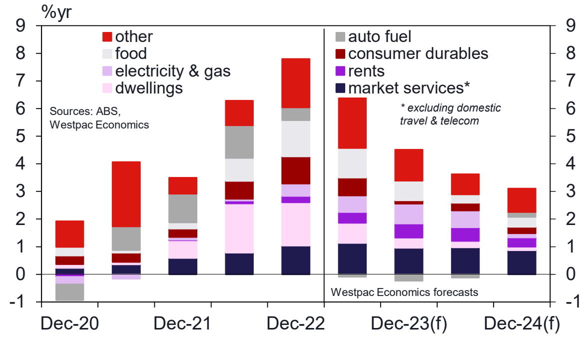
Looking forward we see further moderation in inflation with the CPI lifting 0.9% in the September quarter then 0.8% in the December quarter. This will see headline inflation ease back to 5.4%yr in September and then to 4.3%yr in December, with the six month annualised pace (for the seasonally adjusted CPI) printing 4.3%yr in September and 3.6%yr in December.

Moderation food inflation and falling clothing and household goods prices are partly behind this moderation, along with a moderation in new dwelling price inflation with auto fuel also making a negative contribution over the next few quarters. However, the impact of the energy and childcare rebates are significant, and yet it is extremely hard to quantify the net impact of these rebates. We will have a better idea post the June CPI but for now we have pencilled in a 14% increase in power bills in September followed by a further 5% increase in December. It is possible we will see a smaller increase in September due to the rebates but if this does occur, it will result in a larger increase in power bills in 2024 unless the rebates are repeated again that year.

The September quarter will also see the child care rebate lifted from 71% to 91% for eligible families. That represents a 37% fall in out of pocket costs for eligible families assuming there is no increase in the underlying cost of childcare. However, there have been reports in the press of child care fees lifting in-line with the increase in the rebates with many parents not seeing any meaningful reduction in child care costs. We have pencilled in a 17% decline in child care in the September quarter but accept that recent anecdotes suggest the fall may be somewhat smaller than that.

Justin Smirk, Senior Economist (Westpac Group)

Contributions to annual inflation



THE WEEK THAT WAS

The July RBA meeting minutes presented a detailed account of the Board's deliberations and their assessment of risks. The case presented for raising the cash rate was familiar, centred on the strength of the labour market and upside risks to both wages and inflation. On the arguments to leave the cash rate unchanged – the Board's eventual decision – it was emphasised that policy was "clearly restrictive" and that the full effect of this stance is still to be seen. That said, highlighting the scale and breadth of inflation risks, the Board again emphasised as they concluded that "some further tightening of monetary policy may be required". This week's June labour force survey and next week's Q2 CPI report will prove critical to the RBA's August deliberations.

A mark of the economy's resilience under intense interest rate pressures, the June labour force survey provided yet another robust and well-rounded update on the labour market. Of note, the average pace of employment growth remains virtually unchanged from last year – when Australia's reopening 'burst' was in full flight – and the unemployment rate now sits just 0.04ppts above the cycle low observed in October 2022. The detail also indicates recent job growth has been of high quality.

On inflation, taking into consideration the signal from the April and May monthly CPI indicators, we expect the Q2 CPI report to show inflation materially below peak but still a long way from target. With the labour market tight and unease over inflation expectations lingering, we believe hikes in August and September to a cash rate peak of 4.60% and a length pause to May 2024 is justified. For a detailed view of our Q2 CPI forecast and the likely risks, refer to our Q2 CPI preview on Westpac IQ.

Offshore, the focus was on China's June data round, European prices, and US' partial indicators.

The week started with sound 0.8%qtr growth in GDP for Q2 in China, resulting in robust growth over the first half of 3%, 6% annualised. In any other year, this would be an achievement; but, being the first 6 months after COVID-zero, the market deemed it lacklustre. Issues with seasonality and/or a desire to smooth the annual result to compensate for base effect volatility also saw the annual rate come in well below the market's expectation at 6.3%. The timing of growth through the year now means a year-average gain at or above 5.5% is highly unlikely absent very aggressive stimulus early in Q3. We now forecast year-average growth of 5.2% in 2023 and 5.5% in 2024.

Looking at the partial data for June, industrial production grew 3.8%ytd with chips and EVs adding strength. While in the near term the data is likely to remain volatile given global uncertainties, June's outcomes should provide businesses with confidence in China's resilience and the growth opportunities before it in Asia.

Fixed asset investment grew modestly at 3.8%ytd as the property market's woes continued, property investment falling 7.9%ytd. New home sales growth also slowed from 11.9%ytd in May to 3.7%ytd in June. Retail sales meanwhile point to consumers also becoming more hesitant to spend day-to-day, year-over-year growth to June at 3.1% compared to the year-to-date result of 8.2%. Important to recognise for both property investment and consumption is that households have the capacity to spend but are being held back by a lack of confidence. The provision of additional modest stimulus, sooner than later, should reset their expectations. Our full analysis can be found here.

Over in Europe, inflation continues to force central banks' hand. Europe's HCIP decelerated to 5.5%yr in June from 6.1%yr. The easing came as a result of negative contributions from energy (-0.6ppts) and transport (-0.1ppts), and falling contributions from housing, water, electricity, and other fuels (0.6ppts from 0.9ppts). However, demand-side components such as restaurants and hotels, recreation and culture as well as furnishing remain robust. Consequently, core inflation, which the European Central Bank pays close attention to, accelerated to 5.5%yr.

Highlighting the tough task before the ECB in taming above-target inflation, core inflation has exceeded 5%yr since December 2022, and currently around 86% of the CPI basket remains above the 2% target. This points to a risk emerging, not only in Europe, of inflation settling outside the target band. The ECB is set to continue with its planned hike for July. However, another weak reading alongside easing core inflation may allow for a more sanguine view of inflation from the September meeting.

In the UK meanwhile, headline inflation eased to 7.9%yr in June, undershooting expectations of a 8.3%yr increase. This came as a result of a declining contribution from the transport segment, with all other components still buoyant. Underlying figures also point to breadth in inflation pressures, with an unchanged 89% of the CPI basket still growing faster than the 2% target in June versus May. Within the CPI basket, services inflation remains the pre-eminent risk, having accelerated to 7.3%yr – the fourth consecutive lift – with travel and recreation mostly to blame. Given the survey detail, the BoE is unlikely to view this print optimistically, leading to debate over another 50bp hike in August, despite market pricing having eased since the CPI release.

Finally to the US, partial indicators suggest risks to activity are starting to materialise. Retail sales rose 0.2%mth in June, bringing the 3-month average annualised figure to flat. Industrial production came in weaker, declining 0.5%mth, with the weakness among all industry groups except computers and natural gas. Housing also reflected signs of weakness as June's permits and starts data reversed some of the strength seen in May. Multi-family homes drove the decline for both permits and starts, reflecting hesitancy from builders to commence large projects. Permits point to weakness in the construction industry overall, a concerning outlook given the market is already suffering from a lack of supply, pressuring rents and home prices higher.

Week ahead & data wrap

New Zealand inflation down, but definitely not out.

Inflation in New Zealand has slowed from the eye-watering rates of over 7% that we saw last year. However, while inflation is 'lower', it is not 'low' by any stretch of the imagination. Underlying price pressures remain strong, and inflation is set to linger at elevated levels for an extended period. As a result, we continue to forecast that the RBNZ will need to raise the OCR again.

Consumer prices rose by 1.1% in the June quarter. That saw the annual inflation rate dropping to 6.0%, down from 6.7% in the year to March and well below the peak of 7.3% that we reached last year.

At first blush, the June quarter inflation result was close to our own forecast and the RBNZ's expectation. However, digging into the details of the latest inflation report, there were actually a number of red flags for the central bank. The most important of those was the continued strength in domestic inflation (aka non-tradable prices). The RBNZ pays particular attention to non-tradables inflation given its close connection to the strength of domestic economic conditions, and they had expected it to fall from 6.8% in the year to March to 6.3% now. But instead, non-tradables inflation has actually held at higher levels than the RBNZ expected, nudging down only slightly to a still strong level of 6.6% in the year to June. That's despite the sharp rise in interest rates since the RBNZ began raising the OCR more than 18 months ago.

Looking more closely at those domestic inflation pressures, there has been particular strength in the prices of services, which are up an average of 6.1% over the past year. That's consistent with the ongoing tightness in the labour market and related strength in wage growth. We expect those conditions will see domestic inflation remaining elevated well into the new year.

And we're not just seeing strength in the domestic components of inflation. Excluding the volatile food and fuel categories, prices for imported goods have also continued to rise at a rapid pace, increasing 6.5% over the past 12 months. That's despite an easing in supply chain pressures, and it points to ongoing firmness in households spending appetites.

Putting this altogether leaves us with a picture of simmering underlying price pressures. That's been reflected in the various measures of core inflation which are continuing to run at levels of around 6% – well outside the RBNZ's 1% to 3% target band. Notably, the RBNZ's own 'sectoral factor model' of core inflation is yet to show any signs of easing, having remained stubbornly high at 5.8% for three quarters now. (Core inflation measures smooth through the quarter-to-quarter swings in the prices of volatile items like petrol, and instead track the broader trend in prices.)

In their most recent policy update, the RBNZ signalled that they expected to keep the OCR at the current level of 5.50% for some time, noting that they viewed the risks around the inflation outlook as being "*broadly balanced*." However, with non-tradables inflation surprising to the upside, and price and wage pressures remaining strong, the RBNZ may have a tougher task ahead of itself than it had anticipated.

We actually expect that headline inflation will fall over the remainder of this year. As in other regions, New Zealand's current high levels of inflation are in part a hangover from the disruptions to global supply chains and the related cost increases we saw in the wake of the pandemic. However, with the impact of those factors fading, imported inflation is set to continue easing.

But the current high levels of inflation aren't just a result of supply-side cost pressures. What really lit a fire under inflation over the past couple of years has been the strength of domestic demand. That's meant many local businesses were able to pass on at least some of the increases in their operating costs into output prices. And that is very important for the Reserve Bank because if demand remains firm, inflation is likely to linger at high levels even as cost pressures continue easing.

On this front, we're actually seeing mixed indications regarding the strength of domestic demand. GDP growth has cooled following the sharp rise in interest rates over the past year. And a significant tightening in financial conditions still lies ahead for many households as they roll on to higher fixed mortgage rates.

But while activity is cooling, that's a slowdown after strong growth in recent years. For now, the level of economic activity remains elevated, and the labour market is still stretched. The related firmness in demand and wage growth means that we are continuing to see strong price growth in some parts of the economy. On top of that, there are signs that the economic cycle may still have some legs, such as the turnaround in net migration and related indications that the housing market may be heating up again.

Inflation has already lingered above the RBNZ's target band for over two years now, and the RBNZ's own forecast show it remaining above 3% until the latter part of next year (meaning more than three years away from target). However, with domestic inflation stronger than expected and pricing pressures remaining 'sticky', there's a risk that inflation could take even longer to drop back. As a result, we continue to forecast that the RBNZ will need to raise the OCR again.

Satish Ranchhod, Senior Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 17	Jun BusinessNZ PSI	53.3	50.1	–
Wed 19	Q2 CPI %qtr	1.2%	1.1%	0.9%
	Q2 CPI %yr	6.7%	6.0%	5.9%

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Aus June Quarter CPI %qtr

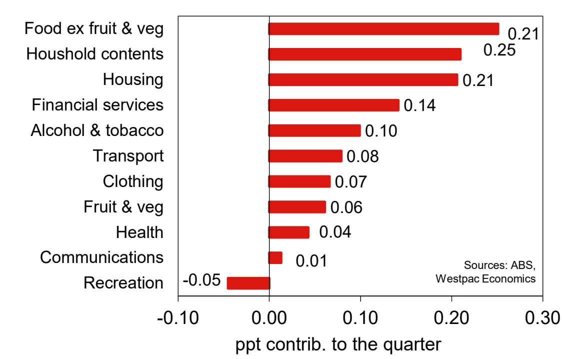
Jul 26, Last: 1.4%, WBC f/c: 1.1%
Mkt f/c: 1.0%, Range: 0.6% to 1.4%

The March quarter CPI rose 1.4% as per the Westpac forecast (market median was 1.3%); the Trimmed Mean was softer than expected lifting 1.2%. Annual inflation eased back to 7.0%yr from 7.8%yr which was the fastest pace since March 1990. It is increasingly clear that the December quarter 2022 was the peak in current inflationary cycle.

Westpac is forecasting a 1.1% rise in the June quarter, taking the annual pace down to 6.3%yr. Power rebates are holding down inflation while goods prices continue to rise. The contribution from utilities falls from 0.22ppt in March to –0.05ppt in June. The Trimmed Mean is forecast to lift 1.1% in June, a moderation from the gains in March (1.2%), December (1.7%) and September (1.9%).

For June Monthly CPI Indicator, we are forecasting 1.0%mth/5.8%yr. For further information see our **June Quarter CPI Preview**.

Contributions 2023Q2 CPI 1.1%qtr print



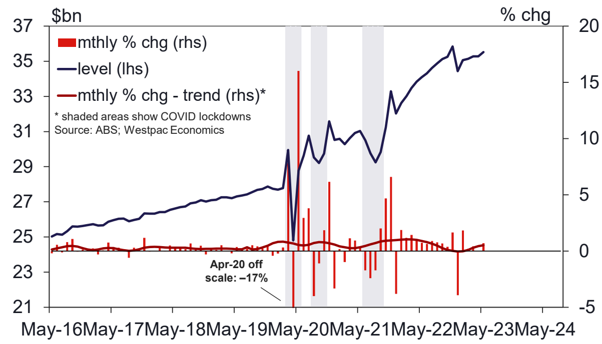
Aus June retail trade

Jul 28, Last: 0.7%, WBC f/c: –0.2%
Mkt f/c: flat, Range: –0.3% to 0.5%

Retail sales posted a surprisingly firm 0.7% rise in May following tepid gains over the previous three months – sales flat in April, up 0.4% in March and 0.2% in Feb – and a sharp 2.2% around the turn of the year. The May detail was less convincing with the much of it likely due to rising prices rather than volumes, and the rise mostly centred on 'small ticket' discretionary categories and led by online sales, which look to have seen a temporary lift due to specific sales events.

Our **Westpac Card Tracker** suggests retail spending saw a broad-based decline in the June month. Accordingly, we expect the official figures to show a 0.2% decline in June with some downside risks in the mix. Note that this is the preliminary retail release which only includes the top-line results for monthly nominal retail sales. The final report on August 3 will include the full detail including estimates for Q2 real retail sales – an important partial for the Q2 GDP.

Monthly retail sales



NZ June monthly employment indicator

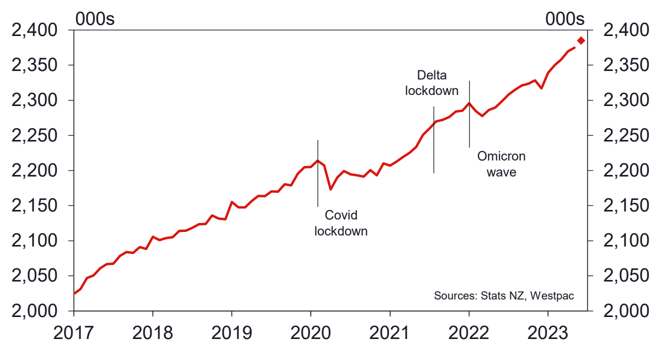
Jul 28, Last: +0.2%, Westpac f/c: +0.4%

The monthly employment indicator is drawn from income tax data, making it a fairly comprehensive record of the number of people in work. Helpfully, this fills a gap in what is otherwise mostly quarterly data on the labour market.

So far in 2023, despite the slowdown in activity, jobs growth has remained very robust. This is no doubt in part because there are more people around to hire – migrant inflows have surged since the reopening of the border, allowing employers to fill longstanding vacancies.

The weekly snapshots provided by Stats NZ suggest that the uptrend has likely continued in June. If confirmed, that would point to the likelihood of another solid lift in the household survey measure of employment (due 2 August), and so at best a modest lift in the unemployment rate.

NZ monthly filled jobs



US July FOMC meeting

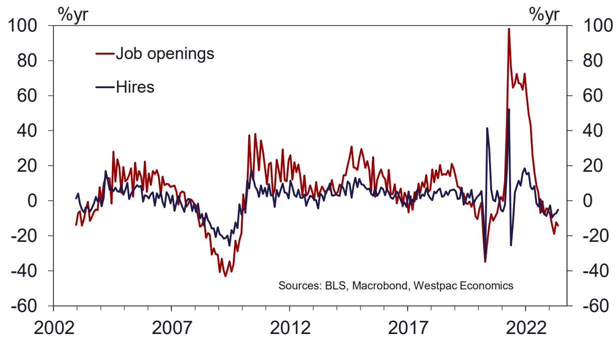
Jul 25-26: Last: 5.125%, Mkt f/c: 5.375%, WBC: 5.375%

Since the FOMC's last meeting, we have begun to see much clearer evidence of an entrenched downturn in inflation. The 2.0%yr medium-term target is still a way off, but there is a clear path to get there by sometime in 2024 on current trends.

While certainly not time for rate cuts, soon it will be appropriate to enter a sustained pause to fully assess not only the upside risks for inflation but also the downside risks for growth.

We see the 25bp hike forecast for the July meeting as the last for this cycle. Chair Powell won't be in a position to confirm this at the press conference, but is likely to emphasise the data dependent nature of policy. From here, another modest inflation print and further deceleration in employment growth before the September meeting should confirm 5.375% as the peak.

Demand pressures are fading



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For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 24					
NZ	Jun trade balance $mn	46	–	-450	Meat commodity prices slumped over June.
Jpn	Jul Nikkei manufacturing PMI	49.8	–	–	EV production to brighten prospects for manufacturing.
	Jul Nikkei services PMI	54.0	–	–	Demand producing optimism for services.
Eur	Jul HCOB manufacturing PMI	43.4	–	–	German weakness dragging on manufacturing sentiment...
	Jul HCOB services PMI	52.0	–	–	... services at risk of following soon.
UK	Jul S&P Global manufacturing PMI	46.5	–	–	Pessimism to remain for manufacturing while...
	Jul S&P Global services PMI	53.7	–	–	... services show resilience.
US	Jun Chicago Fed activity index	-0.15	–	–	Seeping pessimism slowing activity
	Jul S&P Global manufacturing PMI	46.3	46.1	–	The US is likely to experience similar outcomes...
	Jul S&P Global services PMI	54.4	54.1	–	... though risks for services are greater.
Tue 25					
Ger	Jul IFO business climate survey	88.5	88	–	Pessimism in manufacturing will weigh.
US	May FHFA house prices	0.7%	0.6%	–	Prices have found their floor...
	May S&P/CS home price index	0.9%	0.7%	–	... as inventories dry up.
	Jul consumer confidence index	109.7	112.0	–	Renewed confidence as FOMC slows hikes.
	Jul Richmond Fed index	-7	-10	–	Manufacturing hit by demand and uncertainty.
Wed 26					
Aus	Q2 CPI %qtr	1.4%	1.0%	1.1%	Power rebates holding back inflation while food prices...
	Q2 CPI %yr	7.0%	6.3%	6.3%	... continue to rise. Inflation peaked in late 2022 but it is...
	Q2 trimmed mean %qtr	1.2%	1.1%	1.1%	... uncertain just how disinflationary clothing & household...
	Q2 trimmed mean %yr	6.6%	6.0%	6.0%	... goods will be. The Monthly Indicator is a rich source of data...
	June Monthly CPI Indicator %yr	5.6%	5.5%	5.8%	... but survey timing means it has to be used with caution.
US	Jun new home sales	12.2%	-5.4%	–	Prices have found a floor; lack of existing supply a positive.
	FOMC policy decision, midpoint	5.125%	5.375%	5.375%	Likely to prove last hike of cycle before lengthy pause.
Thu 27					
Aus	Q2 import price index	-4.2%	-0.8%	-0.8%	Some downward pressure on world prices.
	Q2 export price index	1.6%	-6.7%	-7.2%	Sharply lower commodity prices in Q2, -9.3%.
Chn	Jun industrial profits %yr	-12.6%	–	–	Losses to continue as expenses go up
Eur	ECB policy decision, deposit rate	3.50%	3.75%	3.75%	Strong underlying inflation prompts further action.
US	Q2 GDP, annualised	2.0%	1.8%	1.9%	Growth subsides as consumer spending moderates.
	Jun durable goods orders	1.8%	1.0%	–	Weaker business sentiment to dampen demand.
	Jun wholesale inventories	0.0%	–	–	Slowly stagnating as businesses hold back new orders.
	Initial jobless claims	228k	–	–	Volatility keeping pundits on toes over outlook.
	Jun pending home sales	-2.7%	0.3%	–	Supply a more critical factor than rates.
	Jul Kansas City Fed index	-12	–	–	Blank backlogs bludgeon manufacturing.
Fri 28					
Aus	Q2 PPI	1.0%	–	–	Is the improvement in supply chains still flowing through?
	Jun retail sales	0.7%	0.0%	-0.2%	Consumers responding to cost-of-living and int. rate pressures.
NZ	Jul ANZ consumer confidence	85.5	–	–	Still low with ongoing pressure on household finances.
	Jun employment indicator	0.2%	–	0.4%	Weekly data hint that jobs growth remains robust.
Jpn	BoJ policy decision	-0.10%	-0.10%	-0.10%	Rates and YCC to remain unchanged.
Eur	Jul consumer confidence	-15.1	–	–	Consumers down as rate hikes weigh in...
	Jul economic confidence	95.3	–	–	... businesses feeling much the same.
UK	Jul Nationwide house prices	0.1%	–	–	High rates dissuade new borrowing for housing.
US	Q2 employment cost index	1.2%	1.1%	–	Little signs of slack point to higher wages ahead.
	Jun personal income	0.4%	0.5%	–	Strong wages growth supporting incomes gains overall...
	Jun personal spending	0.1%	0.4%	–	... allowing spending momentum to hold up.
	Jun PCE deflator	0.1%	0.2%	–	PCE outcomes likely to match CPI result...
	Jun core PCE deflator	0.3%	0.2%	–	... though technical differences a marginal upside risk for core.

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Forecasts

Interest rate forecasts

Australia	Latest (21 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	4.36	4.80	4.80	4.63	4.38	4.13	3.88
3 Year Swap	4.31	4.30	4.15	4.00	3.80	3.60	3.50
3 Year Bond	3.97	4.00	3.85	3.75	3.55	3.40	3.30
10 Year Bond	4.04	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	5.125	4.625	4.125	3.625
US 10 Year Bond	3.85	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	5.66	5.85	5.85	5.85	5.55	5.05	4.75
2 year swap	5.54	5.30	5.00	4.70	4.40	4.20	4.00
10 Year Bond	4.59	4.60	4.40	4.20	4.00	3.90	3.80
10 Year spread to US	74	90	90	90	90	90	90

Exchange rate forecasts

Australia	Latest (21 Jul)	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
AUD/USD	0.6779	0.69	0.69	0.71	0.72	0.73	0.74
NZD/USD	0.6225	0.62	0.62	0.63	0.64	0.65	0.66
USD/JPY	140.12	138	136	134	132	130	128
EUR/USD	1.1140	1.11	1.12	1.12	1.13	1.14	1.15
GBP/USD	1.2884	1.28	1.28	1.29	1.29	1.30	1.30
USD/CNY	7.1701	7.10	7.00	6.80	6.70	6.60	6.50
AUD/NZD	1.0890	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	4.0	4.2	4.8	4.7	3.5	4.0	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	0.9	0.8	0.9	0.9	–	–	–	–
annual chg	7.8	7.0	6.3	5.4	4.3	3.8	3.5	3.5	7.8	4.3	3.2
Trimmed mean	1.7	1.2	1.1	0.8	0.9	0.8	1.0	–	–	–	–
annual chg	6.9	6.6	6.0	4.9	4.1	3.7	3.7	2.7	6.9	4.1	3.3

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	0.9	2.0	0.6	0.6	0.6	–	–	–	–
Annual change	7.2	6.7	5.9	5.7	4.9	4.3	4.0	5.9	7.2	4.9	2.9

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