AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 21 August 2023

Editorial: It may be a Goldilocks economy for the RBA, but not so much for households.

Australia: no data releases of note.

NZ: Q2 real retail sales, trade balance.

US: Jackson Hole Symposium, house sales, durable goods orders, regional manufacturing surveys

Global: S&P Global PMIs.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 18 AUGUST 2023.

WESTPAC INSTITUTIONAL BANK

EDITORIAL

It may be a Goldilocks economy for the RBA, but not so much for households.

This week provided a significant update on the state of the Australian labour market with the release of the June quarter Wage Price Index (WPI) on Tuesday and followed by the release of the July Labour Force Survey on Thursday. Both came in weaker than expected and so it could be tempting to argue that we are at a turning point when it comes to wage inflation and the labour market's strength.

However, we would argue the current strength has further to run for wages growth, employment and unemployment. We may be getting close to the turning point but this is likely to occur in early 2024 rather than in the second half of this year.

Why are we confident of this?

The WPI measures the change in hourly wage rates, and is the RBA's preferred measure of wage inflation. It rose 0.8% in the June quarter, on par with the previous two quarters but less than market expectations for a 0.9% rise and our own forecast for a 1.0% rise. This saw the annual pace slow from 3.7%yr to 3.6%yr. Our forecast prior to this release was for wage inflation to peak at 4.1%yr at the end of this year.

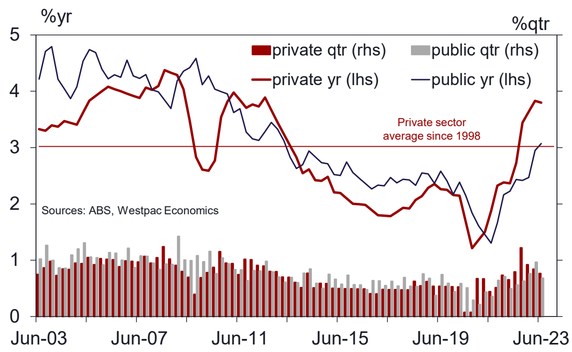
We did see stronger wage gains in WA, up 4.2% in the year on the back of a mining led recovery, while nationally, wages in arts & recreation are growing the fastest of any industry, to be up 4.5% in the year. However in NSW – with the lowest unemployment rate in the nation at 3.3% (it hit a low of 2.9% in June) – wages are up only 3.8%yr, a somewhat disappointing outcome given that context. Nationally, wages grew just 2.8%yr in public administration & safety, 3.2%yr in education & training and 3.3%yr in health care & social assistance. As you can see, there is quite a wide dispersion in wage outcomes despite a 32-year low in the unemployment rate.

Prior to the release of the June WPI we had thought that any possible moderation in private sector wage inflation would be offset by strength in public sector wage outcomes. Private sector wage gains did moderate in June, with annual wage growth flattening out at 3.8% year, but public sector wages did not pick up as expected. Public sector wages lifted 0.7% in June, which was quite a bit softer than the 1.0% print in March with the lift in the annual growth rate from 2.9% to 3.1% the result of base effects, not an acceleration in momentum.

So does this mean we have seen the peak in wage inflation? While we are close we don't think we are there yet. The main reason being the granting of an outsized increase in the minimum wage this year of around 5.9% which has been added to the 15% increase granted for age care workers. This increase is paid from July 1st, so it will appear in the September quarter. In addition, there are a fair number of enterprise agreements, and even individual arrangements, that are linked to the minimum wage or the CPI and will therefore be indexed to those measures in the September quarter.

Last September, the WPI index rose 1.1% on the back of a 4.7% increase in the minimum wage, suggesting the increase this September is likely to be a bit larger even with the current moderation in underlying wage inflation. Incorporating this larger increase in the minimum wage, plus the 15% boost to age care workers, we expect to see the WPI lift 1.3% in the September quarter. The gain could be even larger due to some enterprise agreement wages being index to the WPI or the CPI, which could offset the current moderation in underlying wage inflation. Our earlier forecast for the September quarter WPI was 1.1%qtr.

Public vs. private wages



Nevertheless, even with the upgrade to our September WPI forecast to 1.3%, the underperformance of the WPI to date, plus incorporating the moderation in the underlying wage inflation momentum, has seen us revise down our end-2023 forecast from 4.1%yr to 3.8%yr. Wage inflation is now forecast to peak at 3.9%yr in the September quarter.

Then on Thursday, the July Labour Force Survey provided a much weaker-than-expected snapshot of labour market conditions. Of note, employment was reported to have fallen by nearly 15,000 – much to the surprise of the market (+15,000 forecast) and Westpac (+25,000 forecast). Additionally, the unemployment rate rose by 0.2ppts, from its near-cycle low of 3.5% to 3.7%.

Taking these results at face value would suggest a sudden shift in labour market conditions. This would be quite a curious development given the historically elevated level of job vacancies – having barely moderated since their peak a year ago – and the experience of our international counterparts, which suggests that the current tightness of the labour market further scope to run, as opposed to the sudden start of an active slackening in labour market conditions.

So, this begs the question: why were July's labour force statistics much weaker than anticipated?

The ABS' subsequent media release, accompanying the Labour Force Survey, they explicitly noted that: "July includes the school holidays, and we continue to see some changes around when people take their leave and start or leave a job." The ABS do not often go out of their way to explain the behaviour of data unless it specifically relates to the design of the survey, so it is certainly worth pointing out.

This context provided by the ABS is very similar to what was seen in April, when employment also surprised to the downside (–4.7k) and the unemployment rate rose from 3.5% to 3.7% (as it did in July). At that time, the ABS also noted that the results "may reflect more people taking leave earlier or later than usual, or that some people were unable to, given the high number of vacancies that we're still seeing employers reporting."

April is the only other month in 2023 where a decline in employment was reported; and it just so happens to have been associated with quirks around the timing of the survey and school holidays over Easter. This was then followed by a large increase in May (+76.3k), leaving employment growth at roughly +69k over the two months.

So, it may be the case that within the context of a historically tight labour market and ample job opportunities, there has been a shift in behaviours when it comes to starting new jobs or changing jobs, something which is unable to be adjusted for accurately.

Alternatively, it may simply be the fact that this data is indeed a survey, and therefore subject to monthly volatility, or 'noise'. This has been evident over much of the survey's lifetime, hence the ABS' advocacy to monitor trend measures of employment and unemployment. Indeed, trend employment lifted +27.3k in July and the unemployment rate held at 3.5% – results which are clearly not as concerning as the seasonally adjusted figures which tend to be the focus.

In essence, there is reason to believe that the weakness associated with July's labour force statistics may be overstated. At least at this stage, based on past experience, August's reading will likely provide another chunky read on employment, probably to the upside. Our central case remains that the labour market will soften only gradually – but by all means still remain tight – through to the end of the year, with the unemployment rate reaching a quarter-average of 3.8%.

We should also highlight the ongoing strength in working age population growth. Up 2.8%yr, this is the fastest pace of growth in the history of the series (back to 1979), highlighting just how strong significant the current pace of immigration is. The previous peak growth was 1.7%yr in early 2019 and the all-time peak before 2023 was 2.4%yr in late 2008 (at the peak of the mining boom).

For the RBA, it is a bit of a Goldilocks situation with an economy that is not too hot and yet not too cold. Employment continues to grow and yet wage inflation remains well contained.

However, for households it is a bit more nuanced. The ongoing strength of the labour market is a significant positive as households' confidence in jobs underpins spending decisions. But real wages, that is wages less inflation, continue to lag behind broader expectations and that is a clear dampener on confidence and spending.

And so, we will continue to see the ongoing tension with robust immigration underpinning broader economic growth but little change in the economic fortunes for most Australian households.

Justin Smirk, Senior Economist
Ryan Wells, Economist

Beginning in Australia, the August RBA meeting minutes underscored the Board's growing confidence in charting a 'narrow path' to the inflation target, in step with their decision to leave the cash rate unchanged for a second consecutive month. This was highlighted by a more constructive tone around recent data developments, the Q2 CPI outcome considered "reassuring" and discussions of an emerging "turning point" in labour market conditions being had. While the lingering risks around the inflation and labour market outlooks were acknowledged, it is clear the Board view policy as "working as intended", with "a credible path back to the inflation target with the cash rate staying at its present level." Data must now arguably surpass a much higher hurdle to warrant further rate hikes.

Against that backdrop, the wage price index once again printed on the soft side, rising 0.8% (3.6%yr) over the three months to June, a rate broadly consistent with monetary policy's objectives. Adding further support to the view is the broad-base underlying the moderation in wage inflation, both by sector and bargaining arrangement. A large increase in aggregate wages growth is anticipated in September given the 5.9% increase in the minimum wage; but the Q2 update makes it difficult to argue for a sustained lift in wage inflation beyond Q3.

The July labour force survey subsequently provided an even larger surprise as employment declined 14.6k and the unemployment rate rose from 3.5% to 3.7%. However, the signal from this update is not clear cut, with the ABS providing a partial explanation for the surprise: "July includes the school holidays, and we continue to see some changes around when people take their leave and start or leave their job." At the outset, this context is very similar to April and May, when the survey also exhibited significant volatility. Whether July is a turning point or merely monthly volatility is yet to be determined; but, based on recent experience with the survey, the latter serves as a more consistent explanation, at least at this stage.

Regardless of the minutiae, these updates will likely ease the Board's concerns and give credence to their on-hold policy position. With the cash rate at a sufficiently restrictive level and GDP growth likely to remain well below-trend through 2023 and 2024, inflation's return to target looks more assured, providing scope to begin easing policy in the second half of 2024.

Offshore, it was a fairly busy week.

Across the Tasman, the Reserve Bank of New Zealand kept the OCR steady at 5.50%. This stance is considered sufficiently restrictive to bring inflation back to target. The projections, however, show that rate cuts are now expected to occur further out, from end-2024/early-2025. This change is supported by stronger near-term growth, a better-than-expected rebound in house prices and higher June quarter non-tradeable inflation which has led the RBNZ to upgrade their inflation forecast. The statement also revealed a 25bp rise in the RBNZ's estimate of NZ's 'neutral' rate to 2.25%, suggesting current policy settings are less restrictive than previously believed. We maintain our view for an additional rate hike at the November meeting to 5.75%. The RBNZ put a 40% probability on this additional hike, but view the most likely timing as the first half of 2024.

Moving to the US, the FOMC released its minutes for the July policy meeting. "Almost all" participants were in favour of the 25bp rise. And "most" continued to see "significant upside risks to inflation" while "Some" saw downside risks to activity and employment and a "number" believed that the risks to achieving their aims had become "more two sided". Each subsequent decision on rates will be data dependent, with "further evidence… required… to be confident that inflation… [is] clearly on a path toward the Committee's 2 percent objective".

Clearly on the minds of the Committee is the tension between the economy's resilience to date, highlighted in these minutes by the staff revising away their recession forecast and a stated belief that the housing sector's response to rate rises has peaked, and the long and variable lags with which policy and credit conditions impact -- the latter tight and getting tighter. Occurring after the July meeting, the material rise in term interest rates on both a nominal and real basis should give the FOMC greater comfort over the outlook for inflation, financial conditions becoming more contractionary as a result. We continue to believe that the next move in fed funds is down, but this requires recent trends in inflation, wages and employment to be sustained.

In the UK meanwhile, the ILO unemployment rate ticked up to 4.2% in June from 4.0% in May, above the BoE's projection of 4% for Q2 2023. However, wages ex. bonus rose 7.8%yr, a new high for the cycle. And, including bonuses, wages were up 8.2%yr, well above the Bank of England's estimate of 7.6%yr. The July CPI print was more constructive. Headline CPI printed at 6.8%yr versus June's 7.9%yr, in line with the BoE's projections. Services inflation remained robust rising 7.5%yr, but this was expected by the BoE. The proportion of the CPI basket that grew faster than the 2% target also declined to 86%, the lowest share since March 2022.

While the BoE will be pleased that inflation has not upstaged their forecasts, as has been common in the past, wages pressures remain a worry. Ahead, the BoE will need to determine whether their estimate of the unemployment rate required to bring inflation back to target needs to be upgraded. If unemployment needs to rise further than previously expected, rates will likely need to be higher for longer. This contrasts with current expectations that, once inflation is contained, rate cuts will be swift.

Back in Asia, China's July partial activity data continued recent trends. Fixed asset investment ex. rural was up 3.4%ytd, the resilience as a result of tech manufacturing, utilities, and other infrastructure. Much of the strength, however, came from investments by state-owned enterprises and local government authorities, with private investment –0.5%ytd. Weak private sector investment is a symptom of the poor confidence plaguing China's businesses/consumers and the structural change underway in China's economy – i.e. old large industry shrinking as up-and-coming higher-tech production expands.

Poor consumer confidence also clearly resulted in the lower than expected 7.3%ytd growth in retail sales. This concern won't abate until the labour market strengthens and the property market turns decisively – authorities deciding to suspend the youth unemployment rate to improve its statistical foundations definitely won't help the situation. A dwindling pipeline of uncompleted projects and weak housing sales and starts meanwhile led to an 8.5%ytd fall in property investment. While recent RRR cuts and authorities encouraging banks to lend is helpful in building a base for activity, a rebound requires deposit requirements for home purchases to be eased further and confidence in the broader outlook. The latter can, in time, be fostered by local governments and associated entities sustaining their investment drive.

Japan's Q2 GDP surprised to the upside, rising 1.5%qtr, driven by an increase in net exports which contributed 1.8ppts. This likely came as a result of an uptick in exports of cars as manufacturers clear backlogged orders. Also note the Yen saw a significant depreciation through Q2, making Japanese exports cheaper. Domestic demand remains weak however -- household consumption contributing –0.3ppts to GDP and imports declining. Non-residential investment was also tepid. The Q2 result is a strong start for fiscal 2024 (Japan's fiscal year begins in April), with the Bank of Japan forecasting GDP growth to sit between 1.0% and 1.3% for the year as a whole. That said, the retreat in domestic demand is in line with the Bank's view of simmering growth and the enduring need for accommodative policy. As such, we can expect the BoJ to persist with current policy settings as long as domestic demand lacks capacity to sustain robust momentum in consumer inflation.

Week ahead & data wrap

Higher for longer – risks are rising.

As expected, the RBNZ left the OCR at 5.5%. This “steady as she goes” approach had been well-signalled in recent months, but the interest was in the RBNZ’s assessment of recent data and their implications for future inflation and interest rates. Here the tone was more hawkish than previously communicated. The RBNZ revised up their near-term domestic inflation forecasts and lifted their OCR forecasts to reflect a chance of a further rate hike and a delayed start to policy easing.

The key message from the RBNZ is that the Monetary Policy Committee (MPC) now believes that rates need to be higher for longer to bring inflation back to target. The MPC sees the short-term risks to the OCR as being to the upside – hence the Bank’s update projection for the OCR assumes a 40% chance of a further 25bp rate rise. Over the medium term they see risks to the inflation outlook as balanced, but that is contingent on interest rates remaining higher for longer. The RBNZ indicated that the forecast growth profile (which assumes a small recession in the second half of 2023) is the minimum output pull-back consistent with achieving their inflation goals.

Reinforcing the upwards revision to the RBNZ’s projection for the OCR, the Bank has made a technical change to their assumptions around the longer-run “neutral OCR”, which has been revised up by 25bps to 2.25%.

In many respects the RBNZ’s view on the balance of risks for inflation and interest rates is converging towards our own. That said, Governor Orr has indicated in post *Statement* interviews that he remains “very comfortable” with the current OCR. Hence the MPC still has some ground to travel before they decide to implement the 25-basis point hike in the OCR that we expect in November.

Recent developments have been the key driver of increased concern. The RBNZ now recognises that house prices have bottomed out earlier than expected and that they will rise from here (the RBNZ retains a more conservative view on house prices than Westpac - they see price growth of 3% over 2024 versus our view of an almost 8% increase). The higher June quarter outturn for non-tradables inflation also played a role, as has upward revisions to near term growth and the labour market. All of this we had foreshadowed in recent weeks in our MPS preview and Economic Overview.

The factors pushing up inflation pressures have been balanced by the weaker external outlook. Commodity prices have fallen significantly recently which is weighing on incomes and growth over the forecast horizon.

The risks

The RBNZ importantly has emphasized there are risks in both directions for inflation, but that overall risks were assessed as balanced. The RBNZ has now moved to a more data-dependent approach – once again as we foreshadowed. This is sensible and appropriate given the uncertainties out there and the large OCR increases to date. The Bank sees upside risks to growth and inflation in the near-term, with the unemployment rate now forecast to rise more slowly than in May. Looking towards the medium-term, the Bank emphasises downside risks to the growth and inflation outlook from the weaker external outlook, especially as regards China. This is unsurprising given recent sharp declines in dairy prices. Indeed, current dairy prices appear about 10% weaker than the Bank’s assumed cycle low point and Fonterra has since announced a further 25 cent reduction in their forecast milk payout for 2023/24.

Our view

We continue to see a hike in the OCR to 5.75% in the November 2023 *Monetary Policy Statement*. With that in mind, key indicators to watch, in order of importance, include the September quarter CPI (especially core inflation measures); the September quarter labour market report; business and consumer confidence indicators (and the impact of weaker farm incomes); and house prices.

We have growing concerns on the RBNZ’s monetary policy strategy and risk management approach. Since the December 2022 *Statement*, the Bank indicated a clear strategy of getting the OCR to and keeping it at 5.5% until the September quarter of 2024 before easing. This strategy has not been adjusted to reflect some significant changes in the outlook which add inflation pressure – for example the migration cycle and the expansionary 2023/24 budget. Now, when faced with concerns of more persistent inflation the RBNZ is choosing to extend the on-hold period and are betting that an OCR of 5.5% is sufficiently restrictive to compensate. However, if this judgement is wrong, then New Zealand could be facing a protracted period of strong domestic inflation pressures. In turn, that could feedback back into higher inflation expectations, which would make it harder to eventually bring inflation down.

Given that risk, an alternative strategy would be to raise rates earlier and then ease earlier should negative risks take hold. If there were downside risks to the inflation outlook the approach would be more understandable – but the RBNZ doesn’t currently see the risks this way.

In any case, inflation is so elevated the prospects of an undershoot of the inflation target seem remote. As we noted in our Economic Overview, there is a widening of the distribution of future OCR paths emerging. It will be important for the RBNZ to act early should it become clear that the upside risks to inflation become more dominant.

Kelly Eckhold, Chief Economist NZ

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 14	Jul BusinessNZ PSI	49.6	47.8	–
	Jun net migration	7061	5033	–
Tue 15	Jul REINZ house sales %yr	18.2%	1.6%	–
	Jul REINZ house prices %yr	–8.8%	–6.9%	–
Wed 16	GlobalDairyTrade auction	–8.0%	–7.4%	–5.0%
	RBNZ policy decision	5.50%	5.50%	5.50%
Thu 17	Q2 PPI	0.3%	0.2%	

DATA PREVIEWS

NZ Q2 retail spending (volumes) %qtr

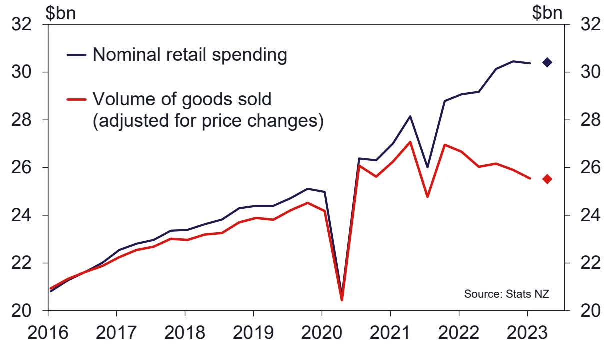
Aug 23, Last: –1.4%, Westpac f/c: –0.1%

Retail spending was weak in the March quarter. While nominal spending levels rose by 0.3%, that lift was entirely due to a sharp rise in prices. The volume of goods that households took home fell by 1.4%.

Spending appetites remained subdued through the June quarter. We're forecasting another muted gain in nominal spending (+0.1%), with the volume of goods sold expected to have fallen 0.1%. Excluding the lumpy fuel and motor vehicle categories, we estimate that the volume of goods sold in 'core' retail categories fell by 1% over the June quarter.

As we've seen in recent quarters, the softness in retail spending reflects that households' purchasing power has been squeezed by both high inflation and interest rate rises.

NZ retail spending



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 21					
NZ	Jul trade balance $mn	9	–	–	Improving a touch as the heat comes out of import demand.
UK	Aug Rightmove house prices	–0.2%	–	–	Rising rates quells new demand for homes.
Tue 22					
US	Jul existing home sales	–3.3%	–0.2%	–	Sales weak and fragile as rates hold back supply.
	Aug Richmond Fed index	–9	–	–	Manufacturing weakness to persist.
	Fedspeak	–	–	–	Goolsbee & Bowman.
Wed 23					
NZ	Q2 real retail sales	–1.4%	–	–0.1%	Cost of living pressures remain a significant drag.
Jpn	Aug Nikkei manufacturing PMI	49.6	–	–	Japanese manufacturers to benefit from Asian demand.
	Aug Nikkei services PMI	53.8	–	–	Weak domestic demand points to risks for services spending.
Eur	Aug HCOB manufacturing PMI	42.7	–	–	Muted demand will drag on manufacturing outlook…
	Aug HCOB services PMI	50.9	–	–	… services faces a similar fate, given the emerging fragility…
	Aug consumer confidence	–15.1	–	–	… in consumer sentiment as a consequence of higher costs.
UK	Aug S&P Global manufacturing PMI	45.3	–	–	Manufacturing sentiment flailing…
	Aug S&P Global services PMI	51.5	–	–	… consumer demand also under pressure.
US	Aug S&P Global manufacturing PMI	49.0	49.0	–	Outlook remains cloudy for manufacturers.
	Aug S&P Global services PMI	52.3	52.0	–	Flow through of rates will see services demand dampen.
	Jul new home sales	–2.5%	1.4%	–	Sales remain fragile as policy stands restrictive.
Thu 24					
Kor	Bank of Korea policy decision	3.50%	3.50%	–	Risks to inflation encourage the BoK to keep policy restrictive.
US	Jul Chicago Fed activity index	–0.32	–	–	Emerging risks will see activity stagnate.
	Jul durable goods orders	4.6%	–4.0%	–	Broader economic weakness starting to materialise.
	Initial jobless claims	239k	–	–	Likely to remain near its lows, for now.
	Aug Kansas City Fed index	–11	–	–	Price detail will be of key importance.
	FOMC Jackson Hole Symposium	–	–	–	24-26 August; Chair Powell to speak on August 25.
Fri 25					
Ger	Aug IFO business climate survey	87.3	86.8	–	German manufacturers remain pessimistic about demand.
US	Aug Uni. of Michigan sentiment	71.2	71.2	–	Final estimate.

Forecasts

Interest rate forecasts

Australia	Latest (18 Aug)	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Cash	4.10	4.10	4.10	4.10	4.10	3.85	3.60
90 Day BBSW	4.15	4.30	4.30	4.30	4.22	3.97	3.72
3 Year Swap	4.15	4.00	3.95	3.90	3.80	3.70	3.60
3 Year Bond	3.89	3.75	3.70	3.65	3.60	3.50	3.40
10 Year Bond	4.24	3.75	3.55	3.45	3.30	3.25	3.20
10 Year Spread to US (bps)	0	-5	-5	5	10	15	20
US							
Fed Funds	5.375	5.375	5.375	5.125	4.625	4.125	3.625
US 10 Year Bond	4.24	3.80	3.60	3.40	3.20	3.10	3.00
New Zealand							
Cash	5.50	5.50	5.75	5.75	5.75	5.50	5.25
90 day bill	5.64	5.70	5.85	5.85	5.85	5.60	5.35
2 year swap	5.62	5.64	5.49	5.29	5.06	4.81	4.58
10 Year Bond	5.04	4.50	4.45	4.30	4.15	4.05	3.95
10 Year spread to US	80	70	85	90	95	95	95

Exchange rate forecasts

Australia	Latest (18 Aug)	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
AUD/USD	0.6402	0.67	0.68	0.69	0.71	0.73	0.74
NZD/USD	0.5927	0.62	0.63	0.63	0.64	0.65	0.66
USD/JPY	145.39	140	138	135	132	130	128
EUR/USD	1.0884	1.11	1.12	1.12	1.13	1.14	1.15
GBP/USD	1.2742	1.28	1.28	1.29	1.29	1.30	1.30
USD/CNY	7.2825	7.10	7.00	6.80	6.70	6.60	6.50
AUD/NZD	1.0802	1.07	1.08	1.09	1.10	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	0.4	0.2	0.2	0.1	0.3	–	–	–	–
%yr end	2.6	2.3	1.8	1.4	1.0	0.9	0.8	4.6	2.6	1.0	1.4
Unemployment rate %	3.5	3.6	3.6	3.7	3.8	4.1	4.5	4.7	3.5	3.8	4.7
Wages (WPI)	0.8	0.8	0.8	1.3	0.8	0.8	0.8	–	–	–	–
annual chg	3.4	3.7	3.6	3.9	3.8	3.8	3.8	2.3	3.4	3.8	3.2
CPI Headline	1.9	1.4	0.8	0.9	0.7	0.9	0.9	–	–	–	–
annual chg	7.8	7.0	6.0	5.1	3.9	3.4	3.4	3.5	7.8	3.9	3.2
Trimmed mean	1.7	1.3	0.9	0.8	0.8	0.8	0.8	–	–	–	–
annual chg	6.9	6.6	5.9	4.7	3.8	3.3	3.3	2.6	6.9	3.8	3.1

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	0.8	0.1	0.0	0.0	0.0	–	–	–	–
Annual avg change	2.7	2.9	3.1	1.5	1.1	0.8	0.5	6.0	2.7	1.1	0.3
Unemployment rate %	3.4	3.4	3.6	3.8	4.3	4.7	5.0	3.2	3.4	4.3	5.2
CPI % qtr	1.4	1.2	1.1	2.0	0.5	0.7	0.4	–	–	–	–
Annual change	7.2	6.7	6.0	5.9	4.9	4.4	3.7	5.9	7.2	4.9	2.9

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

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