AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 11 September 2023

Editorial: No significant changes to our growth forecasts.

Australia: Westpac-MI Consumer Sentiment, business survey, labour force survey, overseas arrivals.

NZ: housing updates (prices, sales), retail card spending, food prices, net migration.

China: retail sales, industrial production, fixed asset investment.

Eurozone: ECB policy decision, industrial production, trade balance.

UK: unemployment rate, average weekly earnings, monthly GDP.

US: CPI, PPI, retail sales, industrial production, consumer sentiment.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 8 SEPTEMBER 2023.

WESTPAC INSTITUTIONAL BANK

No significant changes to our growth forecasts

The Australian economy expanded by 0.4% in the June quarter with annual growth slipping from 2.4% to 2.1%.

That was in line with our expectations particularly in light of the partial data we had seen leading up to the announcement.

However, the March quarter result was upgraded from 0.2% to 0.4%.

After reviewing our forecast for GDP growth in 2023 in light of the June quarter data we have lifted our forecast for 2023 from 1% to 1.2% reflecting the March upgrade.

Apart from that we see no reason for any further changes to the GDP forecasts for 2023. Household consumption growth is set to print at 0.3% for both the September and December quarters. This ongoing insipid consumption growth reflects contracting real disposable income as the rising cost of living; an increasing tax burden and higher mortgage rates weigh on households.

Over the course of the next year to June 2024 we expect consumer spending will grow by only 0.8% even as interest rates are expected to remain on hold. Average mortgage rates are set to rise further as cheap fixed rate loans mature and are refinanced at much higher variable rates. While this profile reaches its highest intensity in the second half of 2023 there will still be more modest increases in average rates in the first half of 2024.

The RBA's recognition of that insipid growth in the year to June 2024 is one factor supporting our call that the first rate cut will come at the August meeting.

In recognition of the resilience of the labour market we recently revised up our profile for employment growth in the second half of 2023, boosting household income growth and consumption. We saw no reason for any further upward revision and also maintain our expectation that the labour market will weaken in the first half of 2024 (-0.2% employment growth compared to 0.6% growth in the labour force and a rise in the unemployment rate from 3.7% to 4.5%).

That expected deterioration in the labour market will also resolve some of the mismatch between hours worked and output as firms cut back employment in the face of weak productivity and profitability.

That weakening in the labour market will slow the growth in labour income weighing on consumer spending while the pressures from higher rates and rising tax burden will continue.

We have lifted our forecast for growth in 2024 from 1.4% to 1.6% due to a modest uplift in growth in the second half.

We confirm our expectation that consumer spending will slow to 0.1% per quarter in the first half of 2024 but pick up from 0.7% growth to 0.9% in the second half.

As we have seen in the US a potential risk to this view is if the labour market held up in 2024 lifting incomes and consumption.

The labour market is expected to stabilise in the second half of 2024 around an unemployment rate of 4.5%. We have revised up our forecast for household spending in the second half of 2024 from 0.7% to 0.9%, reflecting an upgraded view on the positive impact on consumption of the introduction of the Stage 3 tax cuts; the beginning of the RBA's rate cut cycle; and some potential for further fiscal stimulus.

For businesses, the June quarter national accounts revealed a significant deterioration in profitability. This was in the broader context of a downturn in national income. Recall that as global commodity prices climbed to record highs in mid-2022, Australia's annual nominal GDP growth accelerated to 12% in the June quarter 2022 and was still elevated at 9.5% in the March quarter 2023. However, with commodity prices receding from their highs, the terms of trade fell by 7.9% in the June quarter 2023 and nominal GDP contracted by 1.2% in the period, such that annual growth slowed to 3.6%. Company profits took a hit, contracting by 8.6% in the June quarter, to be 6.8% below the level of a year ago. Falling company profits went beyond the mining sector, with non-mining profits reportedly down by around 5% in the latest quarter.

Businesses are expected to respond to the ongoing soft demand conditions with a substantial slowing in plant and equipment investment in the second half of 2023 and 2024. Over the year to the June quarter 2024, plant and equipment investment is expected to contract by 13% following a lift of 6.3% in the year to June 2023. Overall, business investment is forecast to contract by 2.7%, with the drag from equipment being partly offset by solid conditions in infrastructure (+5.4%) and commercial building work (+3.3%).

Bill Evans, Chief Economist Westpac Group

Q2 GDP for Australia came in as anticipated at 0.4% (2.1%yr). One of the key themes of the report was ongoing weakness in the consumer, household spending eking out a 0.1% gain in Q2. While it was encouraging to see gross disposable incomes rise 1.8% in the quarter, the impact of higher interest costs, tax payments and price increases was material, leaving households' real disposable income down 0.1% in Q2 and –3% over 2022-23. Households once again had to draw-down on their savings to fund spending, the savings ratio falling from 3.6% to 3.2%. That discretionary spending declined –0.5% as consumption of essentials rose 0.5% highlights the degree of pressure on households' budgets and the trade-offs having to be made.

With the cash rate now at its peak and inflation gradually abating, real discretionary spending capacity will remain under pressure but likely improve at the margin. Regarding other areas of the domestic economy, business investment rose in response to generous tax incentives and the improved availability of goods, a rise in equipment spending driving the 2.1% gain in new business investment overall. While the outlook for the private sector is clouded, public investment's strength likely has further to run given the sizeable pipeline of work.

On trade, Australia's current account surplus narrowed from $12.5bn in Q1 to $7.7bn in Q2. This was primarily driven by a pull-back in the terms of trade, -7.8% in Q2. In real terms however, the lift in export volumes (+4.3%) outpaced that of imports (+0.7%), leading net exports to contribute a sizeable 0.8ppts to GDP growth in Q2.

As discussed by Chief Economist Bill Evans, the RBA's decision to leave policy unchanged for a third consecutive month was hardly a surprise given the constructive data flow of late. Given the growing evidence around moderating wage pressures, persistent weakness in consumer spending and some tentative signs of a softening in labour market conditions, the Board's concern over upside risks to inflation should continue to fade. Westpac remains of the view that as these dynamics evolve and growth holds firmly below trend, there will be scope for the RBA to shift towards a rate cut cycle beginning in August 2024, to ensure GDP growth can sustainably return to trend as inflation nears target in 2025.

Offshore, North America was the focus.

The Bank of Canada kept rates steady at 5.0% at their September meeting, but voiced a hawkish bias. Of note, the statement mentioned they are "prepared to increase the policy interest rate further if needed". This is in contrast to their January meeting statement when the Bank believed the hiking cycle had most likely been concluded, commenting "If economic developments evolve broadly in line with the MPR outlook, [the] Governing Council expects to hold the policy rate at its current level while it assesses the impact of the cumulative interest rate increases." September's more hawkish tone points to greater sensitivity to upside inflation risks which is likely to remain until inflation risks fully abate. The statement also referred to persistent underlying inflation pressures which pushed headline inflation from 2.8%yr in June to 3.3%yr in July. The Canadian economy meanwhile contracted 0.2% annualised in Q2, bringing the annual growth rate down to +1.1%yr at June compared to the BoC's forecast of 1.7%yr back in July. Weak growth should see inflation cool over the months ahead, allowing the central bank to remain on hold. However, there are risks the CPI will remain stubbornly above target.

The US Federal Reserve's September Beige Book and the August ISM non-manufacturing survey was consistent with a sanguine outlook for the US economy. The Beige Book reported that consumer spending on tourism was strong while non-essential retail spending slowed. Auto sales were an exception; however, this strength was seen as a consequence of improved supply. Many districts reported that spending was likely being financed by credit versus income, arguing for a pull-back in consumption growth soon, particularly given the recent rise in consumer credit delinquencies and as student loan repayments recommence. Job growth was also seen as subdued across the nation, and contacts in nearly all districts signalled an intention to slow wage growth "in the near term". For business, profit margins reportedly fell in several districts, highlighting an emerging lack of pricing power amongst businesses.

The ISM non-manufacturing PMI for August was an above expectations result, the headline index rising to 54.5 with gains across the board except for the backlog of orders. These results and the optimism reported by respondents implies moderate to solid growth can continue for the foreseeable future. Notably, the prices paid component of ISM services increased 2.1pts after an even larger jolt higher in the manufacturing PMI prices series last week. The market took both results as a signal of renewed US consumer inflation risk. However, per the Beige Book, if businesses are increasingly finding it difficult to pass cost increases on, the impact on CPI inflation should be negligible, or at least slow to come through. Lastly, ISM services employment saw a 4pt gain, but the PMI index remained below the long run average. On a multi-month view, this survey is still consistent with job creation slowing to a rate consistent with balance between demand and supply.

This week, we also updated our US growth outlook following stronger than expected consumption growth in June and July. Annual growth in 2023 and 2024 has been revised up from 1.0%yr in both years to 2.0%yr and 1.3%yr. Our early estimate for 2025 is also benign at 1.5%yr. Less downside risk for GDP growth argues for the FOMC taking their time in easing policy. So, while we still expect the first rate cut from the FOMC in March 2024, the pace of rate cuts is no longer expected to accelerate thereafter. Instead we see only one 25bp cut per quarter through to the end of 2025, when the fed funds rate is forecast to be 3.375%, a level modestly above our estimate of neutral. Higher for longer US interest rates will have implications for the Australian dollar. AUD/USD is now seen at USD0.66 end-2023, USD0.70 end-2024 and USD0.73 end-2025. Our New Zealand team subsequently also revised their forecasts for NZD/USD and the NZ 10-year yield.

Week ahead & data wrap

New Zealand businesses often lack scale and as a nation productivity growth has lagged. One factor that might transform NZ businesses is technology and the use of Artificial Intelligence (AI). AI will be transformative, making some jobs redundant while creating others. We look this week at how AI might impact the workplace and business.

AI isn't really that new but has really come to the fore recently thanks to leaps and bounds in computer processing power, broadband capabilities, and big data. Despite this progress we are just on the cusp of what AI will deliver. Today's AI (such as Apple's Siri or ChatGPT) is all about intelligent systems that carry out a specific task or solve a particular problem but still lacks self-awareness or human-like consciousness which would allow the performance of a broader range of tasks.

Today's AI is still going to shake the tree and will deliver improvements to the bottom line. Global surveys indicate many businesses see AI as critical to their success due to its potential to significantly boost productivity. New Zealand business surveys also suggest a majority of firms think AI will deliver efficiencies, improve customer experience, and result in better products and services.

As to the question whether today's AI will disrupt the nature of work, the answer is "yes". Up to a billion jobs worldwide will be dramatically impacted by AI over the next decade. For example, the World Economic Forum (WEF) sees AI as eliminating 85m jobs globally but generating 97m new jobs from 2020-2024. In a 2023 report the WEF suggested almost 50% of firms thought that AI would create jobs, while 24% saw AI displacing jobs.

We see AI impacting jobs in three ways. Firstly, many jobs that are highly repetitive or based on very specific instructions/rules will be eliminated. Administrative, legal, architecture and engineering, life and physical sciences and business and financial services jobs might be particularly affected. Secondly, new jobs will be created especially in areas such AI/machine learning, data analytics, robotics, cloud computing, cybersecurity, product, and project management, as well as digital social media. We see demand for data scientists, AI engineers, data labelling professionals, hardware specialises to grow exponentially in the years ahead.

But the third and most significant impact will be on changes to existing jobs. While many jobs today have some repetitive elements, they also require a great degree of creativity, flexibility, adaptability, and innovation – aspects which cannot be matched by today's AI. Rather than replace workers, the role of AI will be to augment them, and that will allow workers to move up the value chain where they can deliver additional value, which in turn should yield productivity gains. We see this already in the US where according to Goldman Sachs roughly 63% of jobs are estimated to be already complemented by AI, and where workers see AI's benefits in terms of their enhanced performance and increased job satisfaction. That is particularly true in areas such as healthcare, finance, education, where AI has opened new roles and job opportunities.

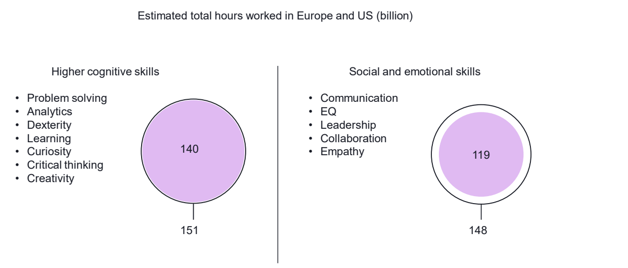
Moving up the value chain though is not without challenge. Among other things it requires the upskilling of workers so they can operate in AI-enabled environment. To that end AI will place an increasingly larger premium not only on higher cognitive skills, but also social and emotional skills. EQ is about to become just as important as IQ, with strong communication skills, having empathy and being able to collaborate across business activities and networked ecosystems, providing a point of differentiation.

New entrants to the workforce will need to be initiated and trained differently. Surveys on graduate employability in the US show that more than half of firms expect many entry level jobs to be replaced by AI, effectively cutting off opportunities for graduates. Graduates are increasingly concerned whether AI will impede their entrance to the workforce. The traditional internship will need to change.

The upshot is that for firms operating in New Zealand AI creates both opportunity and threats. For small firms who may find it easier to embed across their business operations, AI can generate efficiency and productivity gains that enable them to compete more effectively with larger rivals. To respond to this threat, larger firms will have to fully embed AI across their operations. That though will require significant and deep structural changes, including the removal of organisational silos that often plague large firms. For all firms, the prospects are for improved profitability and for workers improved real wage growth that comes with greater productivity.

Paul Clark, Industry Economist

Skills/competencies that will be required in an AI enabled future



Source: McKinsey Global Institute, Westpac

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 04	Q2 terms of trade	-1.5%	0.4%	-2.0%
Tue 05	Aug ANZ commodity prices	-2.6%	-2.9%	–
Wed 06	GlobalDairyTrade auction (WMP)	-10.9%	5.3%	-1.0%
	Q2 building work put in place	-1.7%	-0.1%	-0.1%

DATA PREVIEWS

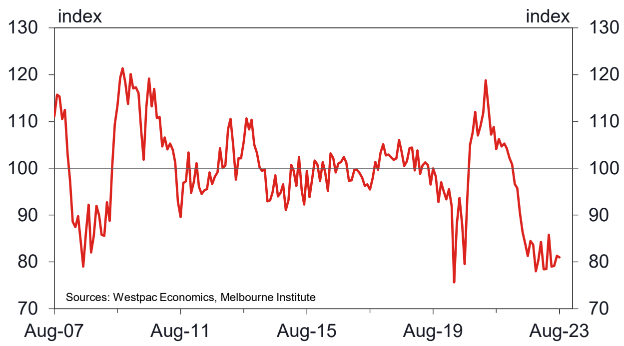
Aus Sep Westpac-MI Consumer Sentiment

Sep 12, Last: 81

Consumer sentiment dipped 0.4% to 81 in August from 81.3 in July, continuing to show little or no response to the RBA Board's decision to leave the cash rate on hold in recent meetings. Ongoing pressure on family finances continues to weigh heavily with August seeing a notable jump in fuel prices.

With rates again left on hold in September, and easing inflation suggesting prospects of further hikes are becoming remote, sentiment may gain a little more traction. However cost of living pressures clearly remain a major issue, fuel prices posting another lift over the last month.

Consumer Sentiment Index



Aus Aug overseas arrivals and departures, preliminary

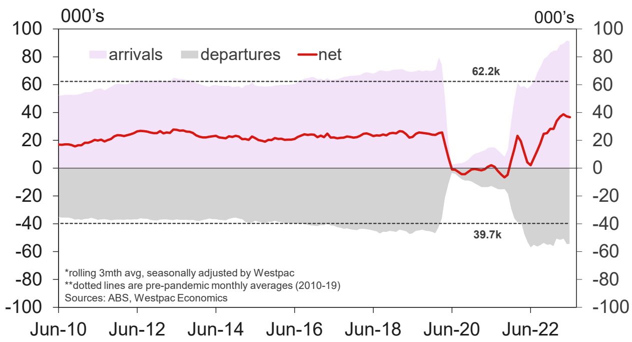
Sep 12, Arrivals, Last: 1749.2k
Sep 12, Departures, Last: 1501.6k

Over June and July, the burst in short-term travel associated with the mid-year holiday season saw headline overseas arrivals and departures bounce notably. There is further scope for these short-term flows to continue cycling through August, although the mix of intended lengths of travel at this stage is still uncertain.

That said, 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 +37k/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.

On September 14, we will also receive official population estimates for Q1 2023. Based on data from the Labour Force Survey – working age population growth up from 1.9%yr in Dec-22 to 2.2%yr in Mar-23 – net migration will likely post another sizeable gain, in the realm of +150k.

Permanent & long-term travel



Aus Aug Labour Force – employment change ('000s)

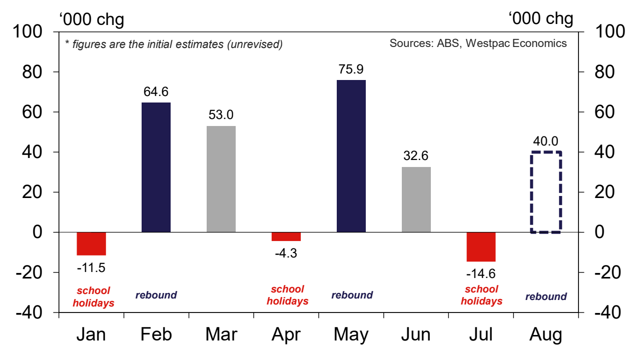
Sep 14, Last: –14.6k, WBC f/c: +40k
Mkt f/c: +25.3k, Range: –20k to +50k

In July, employment growth surprised materially to the downside, falling by –14.6k (–0.1%). Providing a partial explanation for the result, the ABS noted that "we continue to see some changes around when people take their leave and start or leave a job".

Within the context of a historically tight labour market with ample job opportunities, there are more individuals than usual who are moving between jobs – a dynamic, which recently, has tended to surface as a decline in employment during school holidays and a bounce in the following month. As a comparison, employment was initially reported to have declined in both January and April, to then snap-back in the following month (+64.6k in Feb; +75.9k in May).

We believe July's read does not signify a material shift in labour market dynamics, but is rather reflective of a new seasonal pattern that has emerged. Our forecast +40k lift leaves employment up +25k over the last two months.

Employment in 2023: shifting holiday behaviour



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.

DATA PREVIEWS

Aus Aug Labour Force – unemployment rate (%)

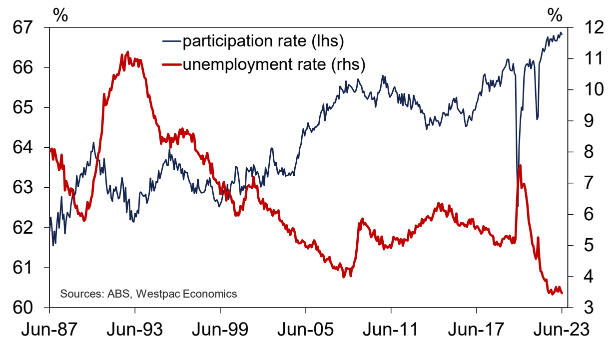
Sep 14, Last: 3.7%, WBC f/c: 3.6%
Mkt f/c: 3.6%, Range: 3.6% to 3.9%

In July, the participation rate edged slightly lower, from 66.8% to 66.7%, resulting in the labour force expanding by 20.9k. Together with the fall in employment, the unemployment rate rose 0.2ppts from 3.5% to 3.7%.

As outlined above, we believe this result is part of a new seasonal pattern that will likely repeat itself in August. Indeed, in both January and April, the unemployment rate rose from 3.5% to 3.7% (as it did in July), only to snap-back in the following month (3.5% in February; 3.6% in May). Incorporating this pattern does not alter our near-term view on the labour market – no longer tightening, but not slackening to a material degree anytime soon.

For August, we expect the participation will be little changed, at 66.7%, resulting in the unemployment rate moving down to 3.6%.

Unemploy. lowest since '74, record participation



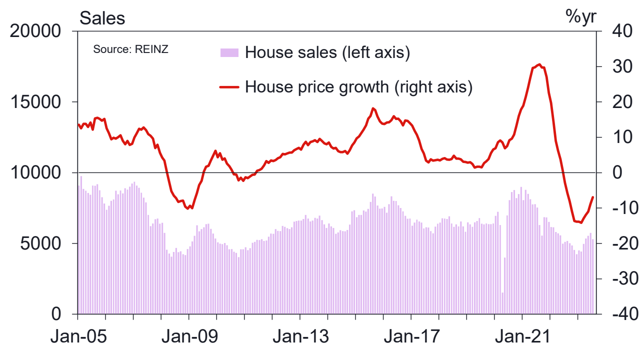
NZ Aug REINZ house sales and prices

TBC, Sales – Last: –7.6% mth, +1.6% annual
TBC, Prices – Last: +0.6% –6.9% annual

New Zealand's housing market has found a base, but it's not roaring away. Sales have picked up in recent months, but they remain at low levels. Similarly, the sharp fall in house prices seen over the past year has been arrested.

We expect the August housing market update will show a continuation of recent trends. Population growth as picked up. In addition, we are seeing signs that confidence is returning to the housing market, with days to sell peaking and listings starting to rise. Even so, we don't expect much of an acceleration in the near term. Interest rates have been creeping higher and investors are remaining on the sidelines ahead of October's election.

REINZ house prices and sales



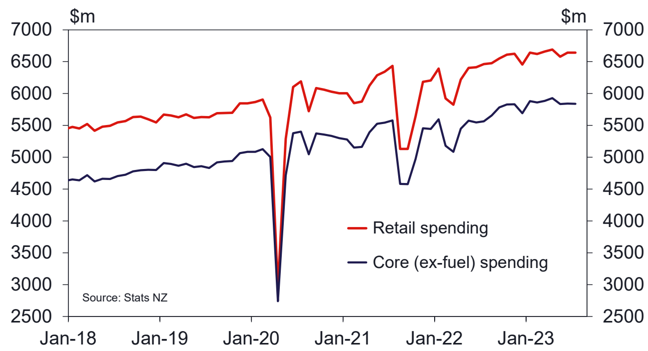
NZ Aug retail card spending

Sep 12, Last: Flat, Westpac f/c: +0.6%

Retail spending levels were flat in July. That was despite the boost to demand from the FIFA World Cup and continued increases in the prices of many items. That soft result likely reflects that households are tightening their purse strings in the face of continued increases in both living costs and interest rates.

We're forecasting a 0.6% rise in retail spending in August. That's in part due to the sharp rise in fuel prices over the past month. However, core spending (excl. fuel) is expected to be up only slightly. While the population is growing rapidly, mounting financial pressures are providing a brake on spending.

NZ monthly retail card spending



DATA PREVIEWS

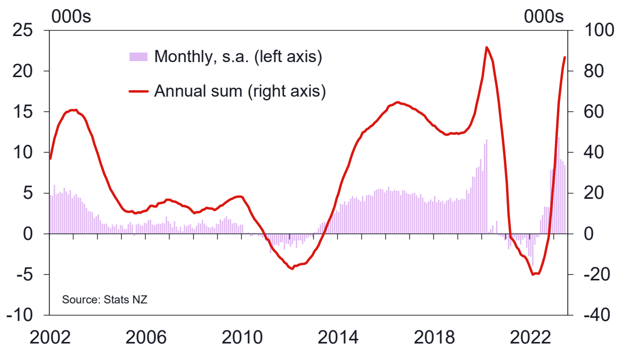
NZ July net migration

Sep 12, Last: +8,475

Tightening financial conditions and weak commodity prices are weighing on the economy. However, a very large migrant inflow is providing considerable support to domestic demand and the housing market, while also allowing firms to address shortages of skilled labour.

Allowing for seasonal factors, net migrant inflows have slowed somewhat since peaking in March. This reflects a pickup in departures, rather than any slowdown in arrivals. While these trends may have continued in July, another large net inflow seems very likely. Indeed, in July the annual inflow is likely to exceed 90,000 people for the first time since the onset of the pandemic.

NZ net migration



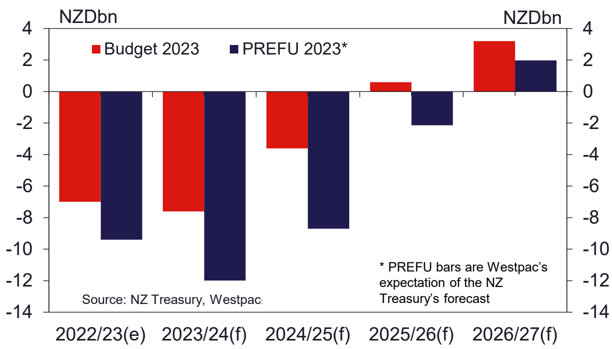
NZ Pre-Election Economic and Fiscal Update (PREFU)

Sep 12

With next month's General Election coming into view, next week the Treasury will publish the Pre-Election Economic and Fiscal Update. Economic conditions have deteriorated since the Treasury published the Budget in May, with tax revenue already tracking more than NZ$2bn below the Budget forecast during the now completed 2022/23 fiscal year.

We expect that the Treasury's updated forecasts will show the operating balance (OBEGAL) returning to surplus in 2026/27 – a year later than previously forecast. And given our expectation that the Treasury will forecast a cumulative NZ$15bn increase in the deficit through to 2026/27, it is also likely to announce a large increase in the projected government borrowing programme.

NZ fiscal operating surplus (OBEGAL)



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 11					
NZ	Aug REINZ house sales %yr	1.6%	–	–	Due this week. The recent stabilisation in the market…
	Aug REINZ house prices %yr	-6.9%	–	–	… is expected to have continued in August.
Tue 12					
Aus	Sep WBC-MI Consumer Sentiment	81.0	–	–	Yet to show a material response to end of rate hikes.
	Aug NAB business survey	10	–	–	Conditions well below 2022 highs. Confidence soft & fragile.
	Aug overseas arrivals (preliminary)	1749.2k	–	–	Longer-term travel buoyant as mid-year holiday burst unfolds.
NZ	Jul net migration	8475	–	–	While departures are rising, another large net inflow is likely.
	Aug retail card spending	0.0%	–	0.6%	Boosted by fuel price rises, core spending growth muted.
	Pre-Election Economic & Fiscal Update	–	–	–	Expect bigger deficits and a lift in the borrowing programme
Eur	Sep ZEW survey of expectations	-5.5	–	–	Confidence fragile as financial tightening impacts.
UK	Jul ILO unemployment rate	4.2%	4.5%	–	Labour supply surge driving the rise in unemployment.
	Jul average weekly earnings	8.2%	–	–	Sustained lift in wage inflation of most concern for BoE.
US	Aug NFIB small business optimism	91.9	91.3	–	Small businesses excellent guide on health of economy.
Wed 13					
NZ	Aug food price index	-0.5%	–	0.5%	Earlier rises in produce prices easing.
Eur	Jul industrial production	0.5%	-1.0%	–	Outlook subdued given weak orders and declining backlog.
UK	Jul monthly GDP	0.5%	–	–	June's momentum highly unlikely to be sustained.
	Jul trade balance £bn	-4.8	–	–	Deficit has narrowed significantly over the past year.
US	Aug CPI	0.2%	0.5%	0.4%	Headline buoyed in Aug by energy; food a partial offset.
Thu 14					
Aus	Sep MI inflation expectations	4.9%	–	–	Provides a general view of risks.
	Aug employment change	-14.6k	+25.3k	+40.0k	July's decline a consequence of shifting behaviours…
	Aug unemployment rate	3.7%	3.6%	3.6%	… August to see employment bounce-back. See textbox.
	Q1 population growth %yr	1.9%	–	–	Another large increase in net migration, in the realm of +150k.
Jpn	Jul core machinery orders	2.7%	-0.9%	–	Weak over year, outlook uncertain.
	Jul industrial production	-2.0%	–	–	Final estimate.
Eur	ECB policy decision (deposit rate)	3.75%	–	–	Sticky core inflation points to another hike – likely the last.
US	Aug retail sales	0.7%	0.1%	0.2%	Expected to stall again after robust 3 months to July.
	Aug PPI	0.3%	0.4%	–	Upstream price pressures again seen as a risk.
	Jul business inventories	0.0%	0.1%	–	Demand volatility a challenge for business managing supply.
	Initial jobless claims	216k	–	–	Businesses keen to hold onto staff despite uncertainty.
Fri 15					
NZ	Aug manufacturing PMI	46.3	–	–	Mounting financial pressures weighing on activity.
Chn	Aug retail sales ytd %yr	7.3%	6.8%	–	It is too early to see a meaningful improvement in demand…
	Aug industrial production ytd %yr	3.8%	3.8%	–	… from recent policy changes…
	Aug fixed asset investment ytd %yr	3.4%	3.3%	–	… which are likely to show through at year end.
Eur	Jul trade balance €bn	12.5	–	–	Choppy profile highlights risks to external demand.
US	Sep Uni. of Michigan sentiment	69.5	69.4	–	Cost of living a concern; labour market highly supportive.
	Aug industrial production	1.0%	0.1%	–	Manufacturing remains under pressure.
	Sep Fed Empire state index	-19.0	-10.7	–	Regional surveys to remain volatile.
	Aug import price index	0.4%	0.3%	–	Rally in USD to limit import price inflation in coming months.

Forecasts

Interest rate forecasts

Australia	Latest (8 Sep)	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Cash	4.10	4.10	4.10	4.10	3.85	3.60	3.35
90 Day BBSW	4.12	4.30	4.30	4.22	3.97	3.72	3.47
3 Year Swap	4.03	3.95	3.90	3.80	3.70	3.60	3.50
3 Year Bond	3.79	3.70	3.65	3.60	3.50	3.40	3.30
10 Year Bond	4.09	4.00	3.80	3.60	3.40	3.30	3.22
10 Year Spread to US (bps)	-13	-10	-10	-10	-10	-10	-8
US							
Fed Funds	5.375	5.375	5.125	4.875	4.625	4.375	4.125
US 10 Year Bond	4.22	4.10	3.90	3.70	3.50	3.40	3.30
New Zealand							
Cash	5.50	5.75	5.75	5.75	5.50	5.25	5.00
90 day bill	5.66	5.85	5.85	5.85	5.60	5.35	5.10
2 year swap	5.47	5.49	5.29	5.06	4.81	4.58	4.37
10 Year Bond	4.95	4.85	4.65	4.45	4.25	4.10	3.95
10 Year spread to US	73	75	75	75	75	70	65

Exchange rate forecasts

Australia	Latest (8 Sep)	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
AUD/USD	0.6388	0.66	0.67	0.68	0.69	0.70	0.71
NZD/USD	0.5894	0.61	0.61	0.62	0.62	0.62	0.63
USD/JPY	147.22	144	142	140	138	136	133
EUR/USD	1.0714	1.10	1.11	1.12	1.13	1.14	1.15
GBP/USD	1.2491	1.27	1.28	1.29	1.30	1.30	1.30
USD/CNY	7.3455	7.15	7.00	6.90	6.80	6.70	6.60
AUD/NZD	1.0837	1.08	1.10	1.10	1.11	1.13	1.13

Australian economic growth forecasts

	2022	2023			2024			Calendar years			
% change	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	2021	2022	2023f	2024f
GDP % qtr	0.7	0.4	0.4	0.3	0.2	0.2	0.3	–	–	–	–
%yr end	2.7	2.4	2.1	1.7	1.2	1.1	1.0	4.6	2.7	1.2	1.6
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

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