# AUSTRALIA & NEW ZEALAND WEEKLY.

## Week beginning 18 September 2023

**Editorial:** No let-up in cost-of-living squeeze for consumers.

**RBA:** Minutes from the September meeting.

**Australia:** Westpac-MI Leading Index, Q3 ACCI-Westpac business survey.

**NZ:** Q2 GDP, Westpac-MM Consumer Confidence, current account balance, GlobalDairyTrade auction.

**Japan:** BoJ policy decision, CPI.

**UK:** BoE policy decision, CPI, retail sales, consumer sentiment.

**US:** FOMC policy decision, housing updates (sentiment, starts, sales), leading index.

**Global:** S&P Global PMIs.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 15 SEPTEMBER 2023.

WESTPAC INSTITUTIONAL BANK

# EDITORIAL

## No let-up in cost-of-living squeeze for consumers

The two most timely gauges of the Australian consumer – the Westpac Consumer Sentiment survey and the Westpac Card Tracker – continue to show little or no let-up in the difficult conditions that have prevailed over the last year. While official spending figures are only just available up to June, the Westpac measures now have reads on the mood and spending activity of consumers up to the first week of September. There are some faint hints of improvement with both but the over-riding message is still of intense pressures on family finances and widespread belt-tightening. The end of the RBA's rate hikes may have prevented further weakness but it will likely take much more – a convincing end to the cost-of-living crisis – to spark a sustained consumer recovery.

**Sentiment still consistent with 'consumer recession'**

The latest Consumer Sentiment survey was another bleak update. The headline Index slipped 1.5% to 79.7 in September from 81.0 in August. Recent monthly moves have been small with sentiment continuing to languish at deeply pessimistic levels. Recall that 100 marks the 'gain line' for this measure, where optimism and pessimism is balanced. Sub-80 readings are extremely weak – in the bottom 5% of readings historically, meaning there have been less than thirty observations in this range out of the roughly six hundred surveys that have been conducted since we began running them in mid-1970s. Moreover, sentiment has been stuck at these dire levels for about a year now. The only comparable period of such sustained weakness was during the recession of the early 1990s, when even weaker levels prevailed for more than two years.

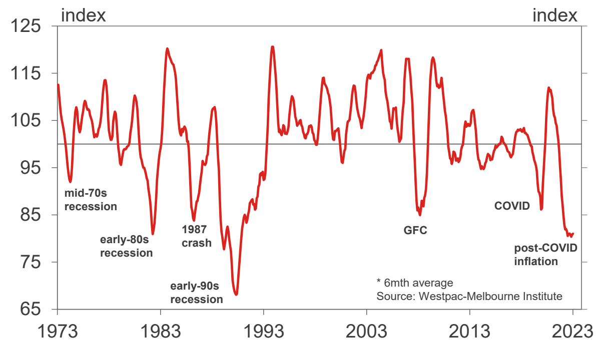
The broad picture is of sentiment consistent with a 'consumer recession'. That said, there are some important nuances to the current pessimism. The headline measure is a composite based on five component indexes tracking responses to more specific questions: two on family finances, two on the economic outlook, and one on whether now is a good time to buy a major household item. The current pessimism centres on extremely weak reads around family finances and buyer sentiment. Consumers are less worried about the economy. A collapse in expectations for the economy is what drove sentiment to the all-time lows seen in the early 1990s.

Where the economy factors most importantly for consumers is around the labour market. And on this front, both sentiment and conditions still look much more benign. The Westpac Melbourne Institute Unemployment Expectations Index has continued to hover around long run average levels rather than weak ones – consumers clearly not anticipating a sharp rise in job losses. This week's labour force update provides a further validation for these views with August showing another solid gain in employment (+65k) and an unemployment rate holding at 3.7%, very low levels by historical standards.

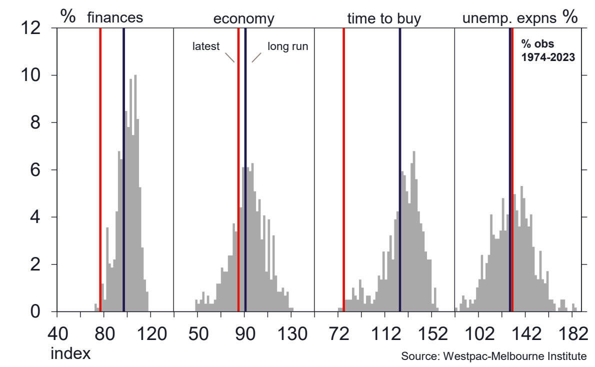
Broadly speaking, this picture – of extreme pressure on family finances but benign labour market conditions – tells us that while there may be a 'consumer recession' in terms of spending, the wider economy is not going through a recessionary contraction, the hallmark of which is a sharp weakening in labour markets and steep rise in unemployment.

The consumer survey results are also telling us very clearly that the issue is more to do with cost-of-living pressures than interest rate rises. Sentiment overall has barely risen since the RBA rate hikes stopped – up just 0.7% since June. There are some more positive responses in the detail – sentiment across the mortgage belt up a solid 7% since June – and fears of further rate rises have eased materially in September after remaining relatively high in July-August, these positives have been swamped by cost-of-living pressures elsewhere. Rapid rises in rents, electricity and fuel costs – the latter up over 15% since the middle of the year – have continued to weigh heavily with sentiment outside the mortgage belt down 2.8% since June, led by a 6.4% drop in sentiment amongst those renting.

### Westpac-MI Consumer Sentiment Index




### Consumer sentiment: components




**Card activity a touch firmer but still pointing to real per capita declines**

Of course, it's not unheard of for consumers to say one thing in sentiment surveys and to do another with their spending decisions. That does not appear to be the case right now though with both official data and our more timely card-based measures pointing to cut-backs in spending, especially when viewed in per capita terms that adjust for currently strong population growth.

Our Westpac Card Tracker Index has proved its worth over the last year, giving a clear early signal that spending had turned down sharply – the index ended up contracting nearly 1% in the March quarter, coming off a 1.1% rise in the December quarter last year, with that weakening continuing with another 0.5% fall in the June quarter. That's broadly consistent with the picture from the national accounts measures of spending, bearing in mind that there are some meaningful differences between the way spending is measured in the accounts and how it is captured in card activity.

We released a new Index update this week based on data up to the first week of September, the same week our September Consumer Sentiment survey was in the field. Interestingly, it shows a slight improvement, with momentum now tracking a small positive gain of +1% on a quarterly basis (i.e. the last 12 weeks compared to the previous 12 weeks).

The story gets a little less positive the closer we look. Firstly, some of the recent lift reflects the aforementioned rise in fuel prices, accounting for all of the rise in card activity across petrol stations, which is about 5% of total consumer-related card transactions.

Some of the latest improvement also looks to be due to temporary factors – a 'Matilda effect' relating to the FIFA Women's World Cup in July-August, and some spending associated with a few high profile movie releases ('Barbieheimer') and concert events (Taylor Swift). Some of these supports already look to be fading.

However, there are some positive details in the most recent weeks. In particular, there looks to be some improvement coming through in 'discretionary goods', which has been the main driver of weakness over the last year. In particular, housing-related spending looks to finally be stabilising.

One important factor to bear in mind, particularly when trying to reconcile trends in spending with sentiment measures, is the influence of population growth. Consumer sentiment is a 'per person' indicator that is unaffected by variations in population. However, these variations will have a direct impact on spending and card activity.

As foreshadowed by labour force measures and confirmed by official ABS estimates released this week, Australia is currently in the midst of an extraordinary population surge, growth having jumped from 0.5%yr in 2021 to 2.2%yr as at March and likely to have pushed above 2.4%yr in coming quarters. That means population alone should be driving gains in spending of around 0.5-0.6% a quarter.

The bottom line is that even with the slight improvement in card activity, momentum is still pointing to per capita declines in real, inflation-adjusted terms.

**Conclusion**

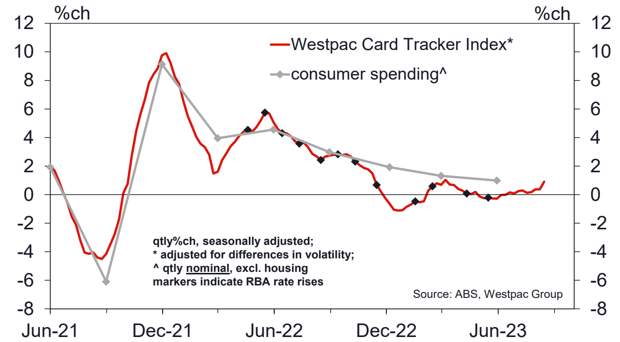
Clearly it's still heavy going for Australian consumers. Morale is low and many are cutting back in order to make ends meet. While we expect consumer spending in aggregate to improve a bit over the second half of 2023 – posting gains of 0.3%qtr compared to the 0.1%qtr result for the June quarter – this still marks declines in per capita terms. And there is unlikely to be much let-up in early 2024 either, particularly as labour market conditions start to weaken.

The circuit-breaker for consumers is likely to come later in the year, when inflation is firmly back under control and policy stimulus is expected to come through, both in the form of interest rate cuts from August next year, and the 'Stage 3' tax cuts scheduled to come into effect from July 2024. Additional fiscal support is also likely, particularly for households that will have weathered such a long and intense period of cost-of-living pressures.

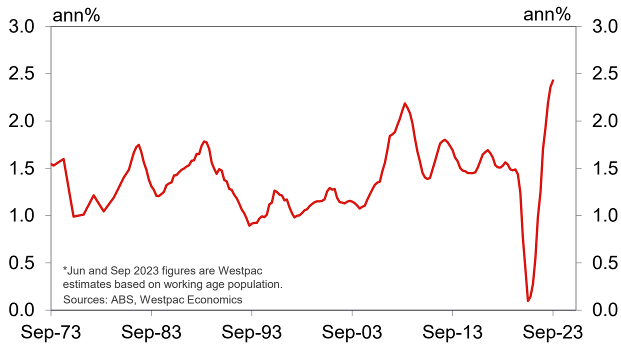
Indeed, while the 2022-2024 period may not qualify as recession for the wider economy it already stands out as one of the most difficult periods Australian consumers have had to deal with, and one of the weakest for spending, that we have seen in decades.

**Matthew Hassan, Senior Economist**

## Westpac Card Tracker Index




## Population growth



Beginning in Australia, the Westpac-MI Consumer Sentiment survey delivered yet another sour update on confidence. At 79.7, the headline index has held at deeply pessimistic levels for over a year. This is despite a clear shift in the interest rate outlook, with the RBA now having left policy unchanged for three consecutive months. However, consumers continue to report unrelenting cost-of-living pressures, weighing heavily on current spending behaviour and their views of family finances.

Overall, the survey continues to speak to a very weak outlook for Australian consumer spending. For more detail on our views on the Australian economy and international developments, see the latest edition of Market Outlook. Key themes of the moment were also discussed by the team in our September Market Outlook in Conversation podcast.

The strength of Australia's labour market has been one of the few bright-spots for households over the last year. The August labour force survey reinforced this support remains intact, the +64.9k lift in employment surpassing even Westpac's near top-of-the-range forecast. Note though, despite the historic level of employment and a 9.4%yr rise in hours worked, the underemployment rate rose to 6.6% in August. This highlights households are willing to work yet more hours, arguably as a result of intense cost-of-living pressures.

Another point worth mentioning was the surprising strength in labour supply. At 67.0%, the participation rate has lifted to a fresh record high, resulting in an expansion in the size of the labour force on par with employment, ultimately seeing the unemployment rate remain unchanged at 3.7%. This highlights the capacity for labour demand to soak up the migration-driven surge in labour supply; if that were not the case, the unemployment rate would have risen further. This will remain an important dynamic in the year going forward. While we anticipate the strength in net migration flows to ease, the softening in labour demand will likely be greater, seeing the unemployment rate rise to a quarter-average rate of 4.7% by 2024's end.

At least for now though, the overseas arrivals and departures data continues to highlight strength in migration and population growth. The momentum in permanent and long-term net arrivals is at a historic high, a three-month average pace of +39.3k/mth. The visa-related breakdown is also still reflective of strength, albeit off the highs seen earlier this year. Later in the week, official population estimates provided confirmation of our view for net migration, having posted a sizeable lift of +150k in Q1 2023.

Offshore, there was plenty of news.

The European Central Bank raised its three key policy rates by 25bps. This was a split decision, with President Christine Lagarde mentioning during the press conference that some members "wanted more patience". We also received updated forecasts which see inflation at 3.2% in 2024 then back at target in 2025 at 2.1%. The upgrade came as a result of stronger energy prices. Underlying inflation meanwhile, which excludes food and energy, is expected to be lower in 2024 at 2.9%yr and broadly the same level in 2025, 2.2%yr. Most notably, growth projections were downgraded to 0.7% in 2023, 1.0% in 2024 and 1.5% in 2025, downgrades of 0.2ppt, 0.5ppt ad 0.1ppt respectively.

This is likely to be the final ECB rate hike absent an inflation shock as the ECB stipulated "the key ECB interest rates have reached levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to the target." That said, during the press conference Lagarde was more tight-lipped about explicitly stating if this was the end of the tightening cycle. We expect the ECB to remain on hold from now until mid-2024 after which we expect 150bps of rate cuts to the end of 2025, compared to 200bps for the US Federal Reserve.

In the US, the CPI rose 0.6%mth in August and 3.7% through the year. Energy was the biggest contributor on a monthly basis as a result of the sharp rise in motor fuel prices. Core inflation, which excludes food and energy, also ticked up in the month to 4.3%yr. While increasing transport prices -- both through the transport services and fuel segments -- pose an upward risk to the CPI, we continue to expect abating price pressures elsewhere bring annual inflation back down to 2.5%yr by March 2024 and 2.0%yr come June 2024. Key will be an easing in shelter prices. The shelter component is currently responsible for around 70% of annual inflation, but leading indicators continue to point to a material deceleration ahead. This should create the right conditions for a rate cut by March 2024.

Meanwhile in the UK, the ILO unemployment rate ticked up to 4.3%, rising above the Bank of England's forecast of 4.1%. This came as a result of a large drop in employment, particularly amongst those aged 16-24. Wages came in at a sizzling 8.5%yr however, exceeding the Bank of England's forecast of 6.9%yr for Q3. Private sector wages, of particular importance to the BoE, ticked down to 8.1%yr from 8.2%yr last month, but obviously a much larger reduction is necessary.

Given wages continue to overshoot as slack builds, there is growing support for the argument that the degree of slack needed to contain wages and prices growth is higher than previously thought. Governor Andrew Bailey is optimistic that wages will come down given anchored inflation expectations, but the BoE have repeatedly been surprised in this cycle. In contrast, Catherine Mann's comments this week suggests there a lot more work to be done. She said, "… holding rates constant at the current level risks enabling further inflation persistence which will have to be unwound eventually with a worse trade-off." This hawkish statement supports the case for a further hike at the September meeting next week, bringing the rate to 5.5%. In the absence of supportive data, we are likely to see one more hike thereafter, then a length pause for policy.

# Week ahead & data wrap

The past week has seen the release of data casting light on various aspects of the economy. In addition, ahead of the forthcoming General Election on 14 October, the Treasury released the Pre-Election Economic and Fiscal Update (PREFU), which provided an up-to-date account of the outlook for the government's finances.

Turning first to the data, the most striking news concerned migrant arrivals and the housing market. The provisional estimate of the net inflow of migrants in July was slightly less than we had expected, However, this surprise was more than offset by an upward revision to the estimate of inflows in earlier months. Indeed, given those revisions, the inflow in the year to July now stands at over 96,000, surpassing the previous historical high seen in the lead-up to the pandemic. We expect that the annual inflow will rise further in the next few months, before likely peaking around October. If so, in percentage terms, New Zealand will achieve its strongest annual population growth since the mid-1960s (about 2.5%).

Looking ahead, it is uncertain how long inflows will remain at such high levels and how any given inflow will impact the demand and supply balance in the economy. Migrant inflows appear to be helping to alleviate previously acute skill shortages across the labour market, and so taking some pressure off wages. But the new arrivals also appear to be boosting activity in the housing market – either directly, through migrant purchases, or indirectly, by lifting the confidence of potential resident buyers. Indeed, data released this week pointed to a 5% lift in nationwide house sales in August. And while remaining at relatively low levels in historical terms, sales now stand 9% above the same time last year. Perhaps more importantly, increased activity is translating into higher sales prices. The REINZ house price index increased 0.8% in August, reducing the annual decline to 4.7%. We're forecasting that house prices will rise by close to 8% next year. This week's figures raise our confidence in forecasting that acceleration.

The news from the retail sector was a little more upbeat in August. Based on electronic transactions data, the total value of retail spending lifted 0.7% during the month. While this in part reflected a sharp price-driven lift in spending on fuel, core retail spending increased a respectable 0.6%, marking the best outcome since April. That said, this appears to be due to activity associated with the FIFA Women's World Cup, so it remains to be seen whether any payback is seen in September. Indeed, spending on durables fell for a second consecutive month in August and spending on consumables also edged lower. While the lift in tourism inflows is assisting retailers, it is worth noting that outbound travel by New Zealanders has increased sharply. As a result, in net terms, tourist flows are probably boosting demand by less was the case pre Covid-19.

Conditions also remain difficult in the manufacturing sector. The BNZ-Business NZ PMI declined 0.5pts to 46.1 in August. The index has now been in contractionary territory for six consecutive months with the latest reading the lowest since the GFC once the pandemic period is excluded. In the detail, the production, new orders and employment indexes all remained at contractionary levels and well below average historical levels.

This week's pricing news concerned developments in food and rents, which collectively account for around 30% of the CPI basket. A 0.5% lift in food prices in August was in line with our expectation, allowing annual inflation to ease slightly to 8.9% from 9.6% previously. Average housing rents increased by 0.4% in August, leaving annual rental inflation steady at 4.1%. Given these developments, we continue to look for the CPI to rise by about 2.0% in the September quarter, with seasonal increases in local authority rates and sharply higher petrol prices contributing to this chunky outcome. However, at this stage our estimate remains slightly below the 2.1% increase projected by the RBNZ in the August Monetary Policy Statement.

Turning to the PREFU, as was widely expected, the government's fiscal position has deteriorated. The forecast cumulative operating deficit over the period to 2026/27 is now $12.7bn larger than forecast in Budget 2023. Moreover, the projected return to surplus was delayed by a further year to 2026/27. Given the weaker outlook, the Treasury announced a $9bn increase in the bond issuance programme, with a run-down in financial assets also helping to plug this year's increased shortfall.

As we wrote in our review, we view the risks around the PREFU projections as skewed towards even greater deficits. On the revenue side, the Treasury's forecasts of nominal GDP – completed in early August – may be too high given the recent decline in key commodity prices. Meanwhile, the projections assume an unprecedented period of spending austerity. Indeed, the Treasury noted that while the assumed path of spending is expected to be adequate to cover critical cost pressures, it leaves reduced scope for the funding of new initiatives. So the winner of the General Election will face some challenges over the next parliamentary term. Looser policy settings might risk reaction from the ratings agencies and would certainly increase the risk of further monetary policy tightening by the RBNZ.

In the week ahead, most interest will probably centre on Thursday's June quarter GDP report. We expect that this will reveal a solid rebound in activity following two quarters of contraction (at least as currently measured). Even so, annual growth is very likely to have slowed to 1.5% from the 2.2% reported in the March quarter, implying a decline in output in per capita terms. The GDP report will be preceded by an update on the current account deficit. Markets will also pay attention to Wednesday's GDT dairy auction, with futures pointing to a further recovery in prices from the steep declines seen in August. Surveys of service sector and consumer confidence round out the calendar.

**Darren Gibbs, Senior Economist**

**Round-up of local data released over the last week**

| Date | Release | Previous | Actual | Westpac f/c |
|---|---|---|---|---|
| Tue 12 | Jul net migration | 8549 | 5786 | – |
| | Aug card spending | 0.0% | 0.7% | 0.6% |
| Wed 13 | Aug REINZ house sales %yr | 4.5% | 9.2% | – |
| | Aug REINZ house prices %yr | –6.8% | –4.7 | – |
| | Aug food price index | –0.5% | 0.5% | 0.5% |
| Fri 15 | Aug manufacturing PMI | 46.6 | 46.1 | – |

## Aus Q3 ACCI-Westpac business survey

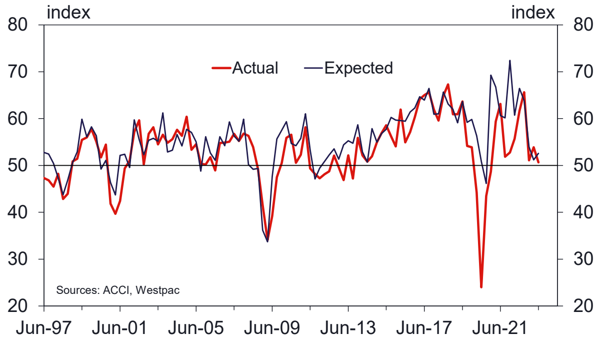
**Sep 19, Last: 50.7**

The ACCI-Westpac business survey for the September quarter, conducted through August into September, will provide a timely update on manufacturing and insights into economy wide trends.

Conditions within Australia's manufacturing sector have been approaching a stalling speed over the last three quarters, notwithstanding a short-lived bounce at the beginning of 2023. The previous survey reported broadly flat new orders and employment, a decline in overtime and a slowing in output growth, consistent with slowing in the broader economy.

The June survey reported that manufacturers continued to face a broad set of challenges. Labour and material shortages, in particular, acting as a major drag on business activity. Additionally, input cost pressures remain intense and are flowing through (in part) to higher prices and squeezing margins. How long these pressures last, in the context of a trend downturn, remains a key question.

**Westpac-ACCI Composite indexes**
**Actual & expected, sa**



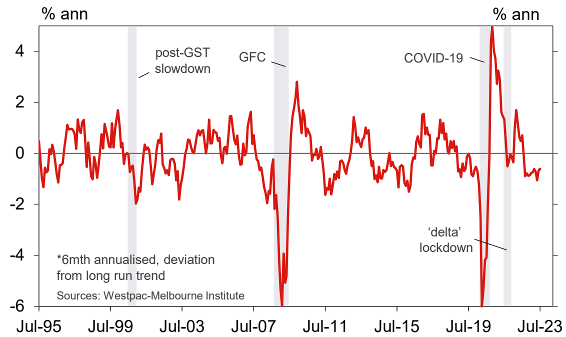

## Aus Aug Westpac–MI Leading Index

**Sep 20, Last: –0.60%**

The Leading Index lifted slightly to lifted to –0.60% in July but remained firmly in negative territory, consistent with below-trend growth continuing through the second half of 2023 and into early 2024.

The August update looks likely to be another soft one with some notable declines in several components, including: a 14.6% drop in commodity prices (measured in AUD terms); dwelling approvals, down a further 8.1%; total hours worked down 0.5%mth; and a minor sell-off in the ASX (down 1.4%). Other components look to be largely unchanged although a stabilising yield spread – now that official interest rates are on hold – should provide some offsetting support.

**Westpac-MI Leading Index**



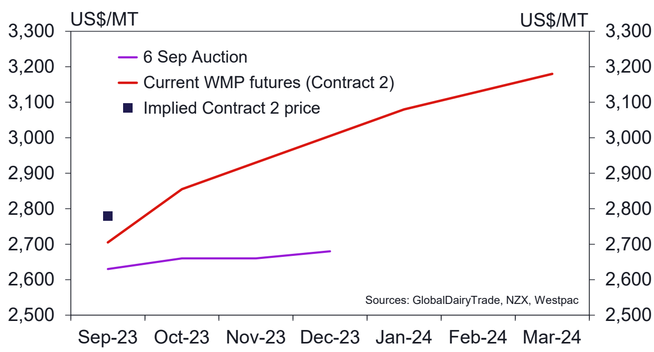

## NZ GlobalDairyTrade auction, whole milk powder prices

**Sep 20, Last: 5.3%, Westpac: 3.0%**

We expect whole milk powder prices (WMP) to rise 3% at the upcoming auction. Note WMP prices jumped by around 5% at the previous auction. Our pick roughly splits the difference between the circa 1% rise at last week's mini (GDT pulse) auction and the circa 7% rise that the futures market is pointing to.

Prices appear to be finding a bottom after a sustained run of price falls. However, the spring peak in local production is around the corner and its strength or otherwise will provide fresh direction to prices. Heading into 2024, we anticipate that rebounding Chinese demand will lift prices, although there are downside risks as to the timing and magnitude of any price recovery.

**Whole milk powder prices**



# DATA PREVIEWS

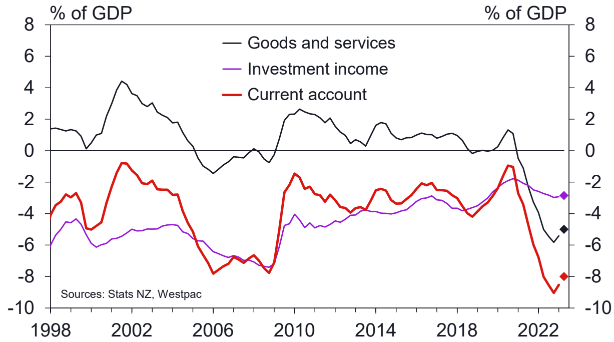
## NZ Q2 current account balance, % of GDP

**Sep 20, Last: –8.5%, Westpac f/c: –8.0%**

The blow-out in New Zealand's current account deficit over recent years has been a symptom of an overheated economy. In other words, we have been spending beyond our current means. Compounding the issue have been the loss of income from tourists (due to earlier border closure) and the sharp rise in import prices, including very high shipping costs.

That said, the current account deficit has turned the corner this year and is starting to narrow. Over the June quarter, we expect a deficit of 8.0% of GDP from 8.5% in the previous quarter. The services balance is improving as overseas tourists continue to return. Meanwhile, a bumper quarter for export volumes will also boost the annual goods balance.

### NZ annual current account balance




## NZ Q2 GDP

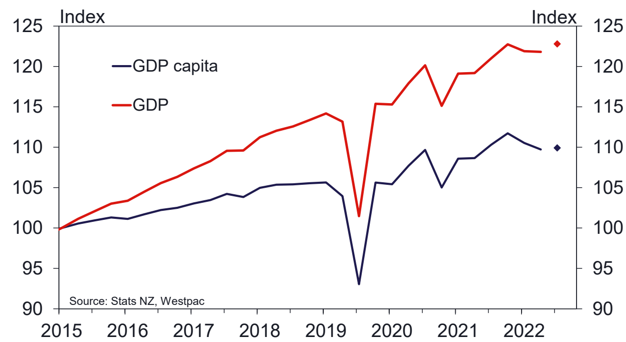
**Sep 21, Last: –0.1%, Westpac f/c: 0.8%, Mkt f/c: 0.4%**

We estimate that GDP rebounded 0.8% in the June quarter. This follows two quarters of decline, at least as presently estimated.

There continues to be a high degree of uncertainty around the quarterly result. COVID-19 has significantly disrupted the usual seasonal patterns and Statistics NZ will be reviewing its previous estimates this quarter. However, the underlying picture is that the economy is losing momentum, with annual growth expected to slow to 1.5% from 2.2% previously.

Our forecast is above that of both the market and the RBNZ. But given the uncertainties surrounding this data, we think that the RBNZ will be insensitive to small deviations from its forecast

### NZ production-based GDP



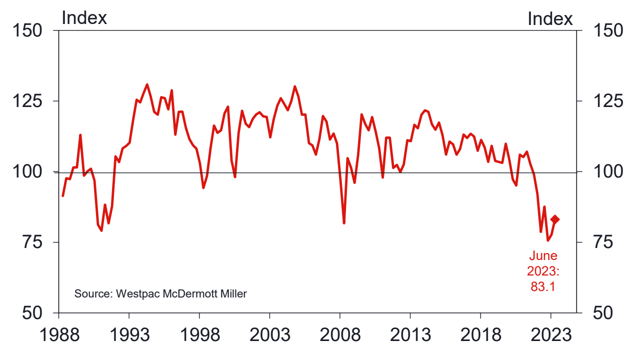

## NZ Q3 Westpac McDermott Miller Consumer Confidence

**Sep 23, Last: 83.1**

Despite rising at the time of our June survey, consumer sentiment remained in the doldrums through the middle part of the year. The major contributor to that downbeat mood was the continued pressure on household finances, with large increases in living costs and mortgage rates.

Our upcoming survey was in the field during the early part of September. Recent months have seen continued rises in living costs and interest rates. However, we have also seen the housing market finding a base. The upcoming election will also be front of mind for many households.

### NZ Consumer Confidence Index



## US Sep FOMC meeting

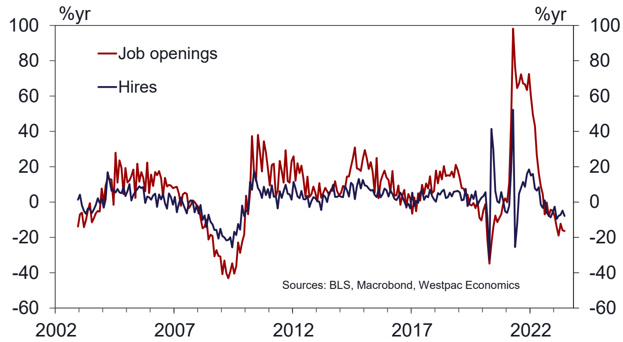
**Sep 19-20: Last: 5.375%, Mkt f/c: 5.375%, WBC f/c: 5.375%**

The US economy remains in very healthy condition. But labour market demand is coming into balance with supply, while inflation pressures and risks recede.

There is therefore little reason for the FOMC to tighten policy further at their September meeting. That said, they are unlikely to definitively signal an end to the tightening cycle or how far away rate cuts are likely to be. Key will be the revised forecasts, giving not only a view on the immediate future but also medium-term prospects and longer-run neutral.

We continue to expect the first 25bp rate cut in March 2024, to be followed by 25bps per quarter to the end of 2025. At that point, the fed funds rate will be 3.375%, still around 90bps above neutral as inflation holds modestly above target.

### Job openings have lost momentum




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

# For the week ahead

| | | Last | Market median | Westpac forecast | Risk/Comment |
|---|---|---|---|---|---|
| **Mon 18** | | | | | |
| **NZ** | Aug BusinessNZ PSI | 47.8 | – | – | Possible bounce from July's poor reading. |
| **UK** | Sep Rightmove house prices | -1.9% | – | – | Modest declines to persist as rates rise. |
| **US** | Sep NAHB housing market index | 50 | 50 | – | Floor emerging as supply dwindles |
| **Tue 19** | | | | | |
| **Aus** | RBA Minutes | – | – | – | Decision less “finely balanced” as case for pause strengthens. |
| | Q3 ACCI-Westpac business survey | 50.7 | – | – | Conditions in manufacturing are approaching a stalling speed. |
| **Eur** | Aug CPI %yr | 5.3% | 5.3% | – | Final estimate; detail on drivers of core inflation of note. |
| **US** | Aug housing starts | 3.9% | –0.8% | – | Rising borrowing costs and insurance premiums are… |
| | Aug building permits | 0.1% | 0.3% | – | … disincentivising new projects but backlog persists. |
| **Wed 20** | | | | | |
| **Aus** | Aug Westpac–MI Leading Index | –0.60% | – | – | Pointing to below-trend growth carrying into 2024. |
| **NZ** | GlobalDairyTrade auction (WMP) | 5.3% | – | 3.0% | Global dairy prices finding a bottom after sustained weak run. |
| | Q2 current account % of GDP | –8.5% | – | –8.0% | Turning the corner after earlier blow-out. |
| **UK** | Aug CPI %yr | 6.8% | – | – | Services keep pressure on, but goods pricing starting to ease. |
| **US** | FOMC policy decision, midpoint | 5.375% | 5.375% | 5.375% | To remain on hold as inflation ticks lower. |
| **Thu 21** | | | | | |
| **Aus** | RBA September Bulletin | – | – | – | Quarterly publication including RBA research articles. |
| **NZ** | Q2 GDP | –0.1% | 0.4% | 0.8% | GDP is likely to have broken a two quarter losing streak. |
| **Eur** | Sep consumer confidence | –16 | –15 | – | Consumers remain downbeat as cost of living remains high. |
| **UK** | BoE policy decision | 5.25% | 5.50% | 5.50% | Strong wages print to prompt further action. |
| **US** | Initial jobless claims | 220k | – | – | Will remain at low levels, for now. |
| | Sep Phily Fed index | 12.0 | –0.4 | – | Manufacturing to gradually find its legs. |
| | Aug existing home sales | –2.2% | 0.7% | – | Low inventory weighing on sales. |
| | Aug leading index | –0.4% | –0.4% | – | Activity to slow ahead but not halt. |
| **Fri 22** | | | | | |
| **NZ** | Aug trade balance $mn | -1107 | – | –2300 | Improving on an underlying basis as import demand cools. |
| | Q3 WBC-MM Consumer Confidence | 83.1 | – | – | Has lingered at low levels for the past year. |
| **Jpn** | Aug CPI %yr | 3.3% | 3.0% | – | Down-tick led by ongoing fall in energy prices. |
| | BoJ policy decision | –0.10% | – | – | Little to change in the absence of demand-driven inflation. |
| | Sep Nikkei manufacturing PMI | 49.6 | – | – | Japanese manufacturers to benefit from Asian demand. |
| | Sep Nikkei services PMI | 54.3 | – | – | Tourism driving much of services optimism. |
| **Eur** | Sep HCOB manufacturing PMI | 43.5 | 43.7 | – | Manufacturing sentiment flailing… |
| | Sep HCOB services PMI | 47.9 | 47.5 | – | … consumer demand also under pressure. |
| **UK** | Sep S&P Global manufacturing PMI | 43.0 | – | – | Muted demand will drag on manufacturing outlook… |
| | Sep S&P Global services PMI | 49.5 | – | – | … services faces a similar fate, given the emerging fragility… |
| | Sep GfK consumer sentiment | –25 | – | – | … in consumer sentiment as a consequence of higher costs. |
| | Aug retail sales | -1.2% | – | – | Weaker sales to persist as consumer cut back on treats. |
| **US** | Sep S&P Global manufacturing PMI | 47.9 | – | – | Outlook remains cloudy for manufacturers. |
| | Sep S&P Global services PMI | 50.5 | – | – | Flow through of rates will see services demand dampen. |

# Forecasts

## Interest rate forecasts

| Australia | Latest (15 Sep) | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 |
|---|---|---|---|---|---|---|---|---|
| Cash | 4.10 | 4.10 | 4.10 | 4.10 | 3.85 | 3.60 | 3.35 | 3.10 |
| 90 Day BBSW | 4.13 | 4.30 | 4.30 | 4.22 | 3.97 | 3.72 | 3.47 | 3.22 |
| 3 Year Swap | 4.04 | 3.95 | 3.90 | 3.80 | 3.70 | 3.60 | 3.50 | 3.40 |
| 3 Year Bond | 3.81 | 3.70 | 3.65 | 3.60 | 3.50 | 3.40 | 3.30 | 3.20 |
| 10 Year Bond | 4.09 | 4.00 | 3.80 | 3.60 | 3.40 | 3.30 | 3.22 | 3.12 |
| 10 Year Spread to US (bps) | –18 | –10 | –10 | -10 | –10 | –10 | –8 | –8 |
| **US** | | | | | | | | |
| Fed Funds | 5.375 | 5.375 | 5.125 | 4.875 | 4.625 | 4.375 | 4.125 | 3.875 |
| US 10 Year Bond | 4.27 | 4.10 | 3.90 | 3.70 | 3.50 | 3.40 | 3.30 | 3.20 |
| **New Zealand** | | | | | | | | |
| Cash | 5.50 | 5.75 | 5.75 | 5.75 | 5.50 | 5.25 | 5.00 | 4.75 |
| 90 day bill | 5.66 | 5.85 | 5.85 | 5.85 | 5.60 | 5.35 | 5.10 | 4.85 |
| 2 year swap | 5.50 | 5.49 | 5.29 | 5.06 | 4.80 | 4.55 | 4.33 | 4.14 |
| 10 Year Bond | 4.94 | 4.85 | 4.65 | 4.45 | 4.25 | 4.10 | 3.95 | 3.85 |
| 10 Year spread to US | 67 | 75 | 75 | 75 | 75 | 70 | 65 | 65 |

## Exchange rate forecasts

| Australia | Latest (15 Sep) | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 |
|---|---|---|---|---|---|---|---|---|
| AUD/USD | 0.6462 | 0.66 | 0.67 | 0.68 | 0.69 | 0.70 | 0.71 | 0.72 |
| NZD/USD | 0.5926 | 0.61 | 0.61 | 0.62 | 0.62 | 0.62 | 0.63 | 0.63 |
| USD/JPY | 147.41 | 144 | 142 | 140 | 138 | 136 | 133 | 130 |
| EUR/USD | 1.0645 | 1.10 | 1.11 | 1.12 | 1.13 | 1.14 | 1.15 | 1.16 |
| GBP/USD | 1.2421 | 1.27 | 1.28 | 1.29 | 1.30 | 1.30 | 1.30 | 1.30 |
| USD/CNY | 7.2565 | 7.15 | 7.00 | 6.90 | 6.80 | 6.70 | 6.60 | 6.50 |
| AUD/NZD | 1.0902 | 1.08 | 1.10 | 1.10 | 1.11 | 1.13 | 1.13 | 1.14 |

## 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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