AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 25 September 2023

Editorial: Population growth is nearing its peak.

Australia: Monthly CPI Indicator, retail sales, job vacancies, private credit.

NZ: Westpac-MM employment confidence.

China: various PMIs.

Eurozone: CPI.

US: FOMC CHair Powell speaking, housing updates (prices, sales), PCE, personal income and spending.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 22 SEPTEMBER 2023.

WESTPAC INSTITUTIONAL BANK

Population growth is nearing its peak

The pandemic caused a sudden and extreme shift in Australia's population dynamics.

In the five years to the onset of the pandemic, Australia's net migration intake averaged roughly 235,000 per year. Upon the implementation of general border closures to limit the spread of COVID-19, net migration fell effectively flat over two years – with a net outflow of 5,000 in 2020 followed by a more modest inflow of 6,800 in 2021.

Based on the pre-pandemic average, net migration would have amounted to around 470,000 over those two years had the pandemic not occurred.

In February 2022, Australia reopened its borders to the world. Westpac forecast a historic surge in net migration would unfold – the likes of which had not been seen since the post-WWII migration boom – amounting to +400,000 for 2022. Official data has since confirmed our view. Net migration printed +408,900 in 2022 and contributed 1.6ppts of the 2.0%yr jump in population growth.

We initially expected the pace of net migration to ease from its record pace in 2022, to +350,000 in 2023 and +275,000 in 2024. These forecasts were well above the Government's at the time, which assumed net migration would only return to a pre-pandemic pace of +235,000.

However, it has become clear that the strength of population growth observed over the course of this year has far exceeded even our ambitious forecast.

Westpac now expects population growth to print 2.3%yr in 2023, 1.9%yr in 2024 and 1.5%yr in 2025.

Based on the Government's updated forecast for natural increase – which assumes a return to pre-pandemic trends by 2023-24 – the above growth rates imply net migration will print in the realm of +475,000 in 2023, +375,000 in 2024 and +275,000 in 2025.

Against the pre-pandemic pace of around 235,000, these forecasts indicate an "excess" gain of 240,000 in 2023, 140,000 in 2024 and 40,000 in 2025.

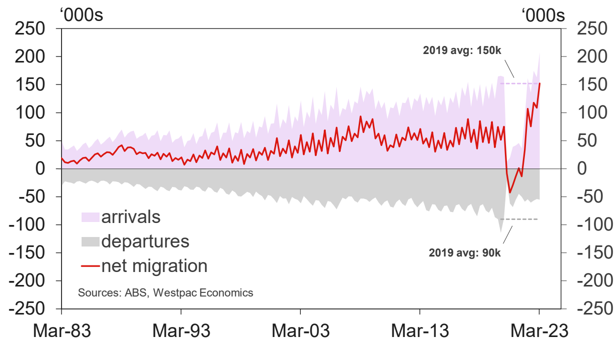
Over the period of 2020 to 2025, we therefore estimate that net migration will be 125,000 *more* than what would have been expected before COVID-19. In other words, by the end of this year, migration will have fully caught up for the losses observed over the COVID period, and will be outstripping its pre-COVID trajectory.

This is not the first time in our history whereby global events have seen such a rapid shift in migration dynamics. Towards the end of WWII, for example, net migration did not contribute positively to population growth from 1944-46. By 1949, net migration was contributing 1.8ppts of the 3.1%yr surge in population growth.

Updates on Australia's estimated residential population (ERP) – including the contribution from net migration – are not particularly timely, being published with a six-month lag. The latest update, for March 2023, has population growth running at a 2.2%yr pace.

We have found that estimates of the working age population from the ABS Labour Force Survey (LFS) – which utilise a combination of ERP projections and other data sources, including information from the Department of Home Affairs – have become a more reliable indicator for total population growth over recent years, especially during periods of significant shifts in population dynamics.

Departures below pre-pandemic levels



As of the August LFS, working age population growth is running at a pace of 2.8%yr to August 2023, not materially different from the 2.7%yr pace from June 2023 but well above the 1.9%yr pace observed back in August 2022.

On our figuring, these results imply that total population growth lifted to 2.3%yr in the June quarter and, based on just August's LFS observation, it will likely maintain that pace through the September quarter. Hence, our forecast for 2.3%yr in December 2023 implies that population growth, having accelerated sharply through 2022, has tapered towards its peak over the course of 2023.

Looking into 2024 and 2025, we anticipate a slowing in the pace of net migration, arising from both an easing in arrival flows and a pick-up in departures.

We believe that most of the slack will come through an easing in arrivals. This partly reflects an unwinding of the COVID-19 'catch-up' – with the majority of those with delayed migration plans, as a consequence of the pandemic cycle through – but this also captures a shift in the migration policy stance, in response to the immense stress the pandemic and subsequent border reopening places on Australia's migration system.

To better understand these dynamics, it is helpful to inspect how the stock of temporary migrants in Australia (excluding visitors) has evolved over recent years.

The two largest segments of our temporary migrant stock are foreign students (28%) and New Zealanders (39%). While these groups had vastly different pandemic experiences – the number of students in Australia nearly halved over two years – both groups have begun to move beyond pre-pandemic levels as of mid-2023.

Similarly, the number of individuals on working holiday maker and skilled employment visas – together accounting for roughly 18% of the temporary migrant stock – collapsed during the pandemic and have begun to find their footing, nearing pre-pandemic levels.

In the later portion of 2022 and into 2023, there has been a surge in "other" temporary migrants, from an average of roughly 170k over 2019 to 426k as of July 2023. Most of this lift centred on the Subclass 408 Pandemic Event visa, which provided support to working arrangements over the course of the pandemic. A similar dynamic was evident amongst bridging visas, but they have since moderated from their pandemic-era highs.

Many individuals utilised the Pandemic Event visa as a form of bridging visa, with numerous reports suggesting the visa approval process for certain visa categories remains restrictively slow. Indeed, according to data from the Department of Home Affairs, visa grant volumes for temporary skilled and working holiday maker visas have risen but not nearly to the degree that has been seen for foreign student visas.

Ultimately, we are left with temporary migrant stock which has largely returned to pre-pandemic levels, with the exception of a large portion of individuals bound to a Pandemic Event visa, who are contributing to Australia's labour force but otherwise lack the economic security associated with other visas.

In response, the Government announced in early September that the Pandemic Event visa will only be open to applications from existing holders of this visa, with no further applicants from February 2024.

Over recent months, there have been several other policy announcements on the migration front. That includes the reinstatement of work-hour restrictions on student visas (from unlimited to 48hrs/fortnight) and the lift in the Temporary Skilled Migration Income Threshold (TSMIT) – the minimum rate an employer must undertake to pay sponsored workers under the temporary skills programme and the employer-sponsored permanent migration programme.

These developments aim to lower the risk of exploitation (as highlighted in the Migration Review) and will ultimately lower the amount of stress on the migration system by prioritising the stock of migrants current in Australia, rather than introducing policies that would sustain the historic pace of net migration and the strain it has caused on visa processing.

On the other hand, overseas departures have scope to lift further. At 227k over the year to March 2023, departure flows remain well below the five-year pre-pandemic average, at roughly 300k. The rise in departures will likely start with the Pandemic Event visa, as processing issues are resolved and some individuals return overseas. In time, we will begin to see a return to more normal dynamics for those who have arrived over the last couple of years, as students complete their courses (2 years for VET; 3 years for university) and temporary workers finish their sponsored terms.

Conclusion

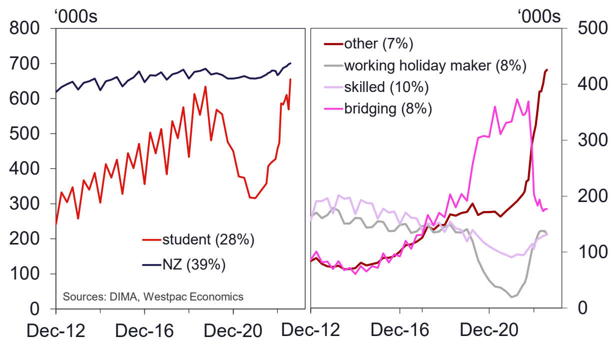
The migration-driven recovery in population growth has exhibited a considerable amount of strength so far this year, and it looks as though we are approaching its peak.

Population growth has played an important role in the aggregate strength of our economy to date – without it, the economic outlook would have been much bleaker. Accounting for the forecast strength in population, together with our view on economic growth, our forecasts imply GDP per capita declines in the order of 1.1% in 2023 and 0.3% in 2024.

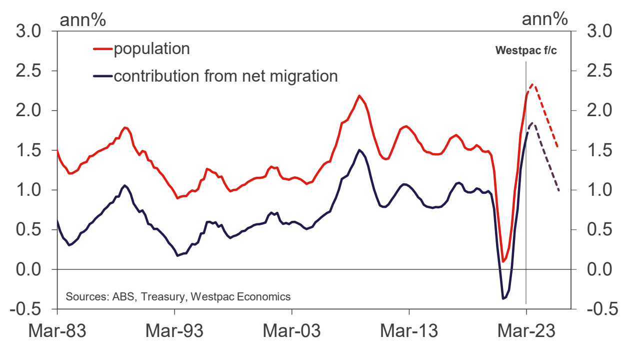
The ability for labour demand to soak up the surge in population growth so far has been remarkable. While our central view is for the pace of net migration to slow in 2024, we expect that the softening in labour demand – in response to the unfolding slowdown in the broader economy – will be greater. This will drive a rise in the unemployment rate over the next year, which we forecast will lift from a quarter-average of 3.8% by end-2023 to 4.7% by end-2024

Ryan Wells, **Economist**

Stock of temporary migrants



Population growth



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.

The September RBA meeting minutes presented a detailed account of the Board's deliberations and their assessment of risks. In recent months, the Board has stopped describing its considerations for policy – the choice between remaining on hold and a rate hike – as "finely balanced". Rather, it has become increasingly clear that the Board view the case for remaining on hold as the "stronger" argument, in step with their growing confidence in navigating a soft landing. While the Board still conclude that "some further tightening in policy may be required should inflation prove more persistent than expected", the hurdle for the Q3 CPI report or interim Monthly CPI Indicators to raise alarm is high. Westpac remains of the view that the RBA will remain on hold until August 2024 when we see the next rate cutting cycle begin, to restore balance to demand conditions and support growth's return towards trend.

The Q3 Westpac-ACCI Survey of Industrial Trends demonstrated that the RBA's rapid tightening cycle is having a material impact on Australian industry. At 51.3, the Westpac-ACCI Actual Composite signals conditions are approaching stall speed. Indeed, that new orders growth held flat for a second consecutive quarter and is now the number one concern of manufacturers is consistent with the marked slowing of the Australian economy. Within this context, firms report there is little incentive to grow their workforce or lift their investment intentions despite an easing in labour and material shortages. Overall, the tone of the survey remains broadly downbeat, with expectations for future activity in the sector subdued – adding to the case for the RBA to remain on hold.

Central bank meetings dominated the news offshore.

The FOMC kept the fed funds rate at 5.375%; however, the dot plot suggests most members expect the data to justify one last hike before the end of the year. During Q&A, Chair Jerome Powell said 'we need to see more progress' when speaking to why they felt a further hike could be on the cards. On balance, the FOMC expects the upside surprise to growth currently being experienced in 2023 to persist into 2024, the GDP forecast for next year revised up from 1.1% to 1.5%. The unemployment rate is also only expected to lift at the margin from now to end-2024, from 3.8% to 4.1%, while PCE inflation is expected to only slowly trend down to 2.5% at end-2024. Consequently, the FOMC now expects only 50bps of cuts in 2024 from 5.625% at end-2023.

While they do anticipate a further reduction in inflation and the fed funds rate in 2025 and 2026, it is again expected to be slow going and still leaves the fed funds rate above their longer run estimate of neutral, 2.5%. We see the US economy disappointing the FOMC's expectations in coming months and so anticipate an earlier and larger start to the cutting cycle, pencilling in 100bps of rate cuts in 2024 versus the FOMC's 50bps. However, we also perceive greater inflation risks in the out years and so, at 3.375%, our end-2025 fed funds forecast is also materially above the FOMC's 2.5% 'longer run' figure. In our view, these inflation risks are likely to primarily be structural rather than cyclical, limiting the effectiveness of policy and, at the margin, creating greater risk for activity growth and the labour market. Highlighting this, through 2025, we see the unemployment rate holding around 5.0% and GDP growth remaining below trend.

Overnight, the Bank of England paused for the first time since they started hiking in 2021 in a divided vote -- five voted to remain on hold, while four voted to hike. The pause came as a surprise to economists, but market pricing had drawn much closer to the final result after the last CPI release. In August, annual inflation growth fell to 6.7%yr as the monthly gain only partially made up for July's fall, bringing the three-month average to flat. The contribution from services nudged down to 3.2% -- just under half of total CPI. Goods also decelerated further, much to the surprise of the BoE. August was the second month that headline CPI undershot the BoE's forecast of 6.93% for Q3 (July's print was an undershoot at the second decimal place). Higher fuel costs have been observed in inflation prints in US and Europe, but they did not add as much pressure to the headline print for the UK in monthly terms and were a dampening influence in the annual print. Reports suggest this may be a result of a more delayed response to the spike in oil prices. Overall, the percentage of the CPI basket running above the BoE's 2% target has trickled down to 81% over July and August.

In addition to the weaker-than-expected CPI, the Committee was concerned about the growth outlook following a 0.5%mth decline in GDP in July. This followed other indicators which suggest weaker growth can be expected in the near term. Strong wages growth had seen economists anticipate further hikes. However, while the Average Weekly Earnings figures continue to overshoot the Bank's forecasts, they were characterised as "difficult to reconcile with other indicators of pay growth". The Decision Maker Panel data, frequently referenced by Governor Andrew Bailey, suggests wages growth has been stable at 5%. As such, the Committee will be looking at broader measures of wages ahead.

The statement noted that the current stance was "restrictive" and that "Further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". Before the November meeting, we will get two CPI prints and another wages read which may allay or fuel the hawks' fears. Hawk Sir Jon Cunliffe will also be leaving and BoE internal Sarah Breeden arriving. Breeden has said she will have a more 'balanced' approach to monetary policy.

Across the Tasman, New Zealand's Q2 GDP rose 0.9%qtr, materially above the market's and RBNZ's expectation but in line with our New Zealand team's view. The technical recession through December and March quarters was also revised away and puts the economy 0.5% larger than the RBNZ expected in August. Given the revisions and Q2 GDP print, we continue to expect the RBNZ to hike once more by year end. The market is also coming to this view, although it is currently priced for this last hike to occur in early-2024.

Week ahead & data wrap

Some rough and some smooth

It has been a bumper week for data in New Zealand. It also contained a few surprises – both positive and negative – that provided some insights about how the interest rate outlook may evolve in coming months.

Some positive news came in the form of the June quarter current account deficit, which showed a marked improvement to 7.5% of GDP. Revisions explained a good amount of the improvement, but it's good to see we have moved noticeably away from that cycle low point of 8.8% of GDP. Exports of services are picking up as tourism recovers, but imports remain high reflecting the still overheated domestic economy. We expect some further improvement as the full impact of past monetary tightening brings the economy well off the boil. Even so, it's likely we are going to maintain a relatively high deficit for the foreseeable future given the current weak terms of trade and environmental constraints faced by commodity exports. Ratings agencies and foreign investors will be comforted by the improving trend in the current account, but also watchful at the level given our weak fiscal position. Our note on risks to the exchange rate is also relevant here. We can't pat ourselves on the back on this one quite yet!

This week also saw the second consecutive increase in dairy prices in the second of this month's GDT auctions. Two swallows don't make a summer, but it was certainly a relief to the agricultural sector to see another 4.6 % increase in average product prices. Prices for whole milk powder have now rebounded 10.4% from the lows, though they remain around 10% below their end-July levels. It was comforting to see increased participation by Chinese buyers and this outcome has helped balance the downside risks we were seeing to our $6.75 milk price forecast for the current season. However, it's important to keep in mind that the terms of trade is still down around 7% from its peak this cycle, so this year is not going to be a great one for commodities exporters and there will be a significant drag on incomes. Prices now appear broadly in line with the levels assumed by the RBNZ in their August *Statement* but remain a bit lower than we factored into our August Overview projections.

The big-ticket item this week was June quarter GDP that showed the economy rebounded sharply following two soft quarters. GDP grew 0.9% during the quarter and 1.8% over the year, which was considerably higher than market expectations (and even a touch over our own top of market 0.8%/1.5% call). The outcome was also much stronger than the RBNZ's forecast of 0.5% growth in the quarter. The general picture showed few surprises in terms of the composition of growth. As we expected, growth was driven by the service sector, including a strong lift in business services and government-related spending. As we noted in our full review of the GDP report, despite the rebound in June, there has been no growth in per capita terms over the past year.

New Zealand's GDP data can be volatile at the best of times – even more so given the lingering impact of the pandemic and this year's storms. Looking through the noise, the economy is still slowing, but it's doing so from an even more overheated position than we had assumed. All else equal, that means it's going to take a bit longer to get the economy back to a position where disinflationary pressure is strong enough to get inflation back inside the 1-3% target range. There will be implications for the RBNZ's assessment of the output gap. The RBNZ estimated potential output growth of 0.8% for the June quarter, so there will be less disinflationary pressure coming out of this GDP outcome.

However, it's important to put these signs of ongoing inflation pressures in perspective. At the time of the August MPS, the RBNZ's projections indicated that the MPC saw only a 40% chance of the OCR rising to 5.75% in the first half of 2024. We don't think that the data flow over the past week will have been strong enough to push the RBNZ's view into line with our own i.e., that the OCR will need rise to 5.75% at the November *Monetary Policy Statement*. Certainly, we see the risks of a tightening at the October *Monetary Policy Review* as still being modest: perhaps a 10-20% chance.

The RBNZ's MPC is already acutely aware of the lingering inflation pressures in the economy. We expect they will be closely watching upcoming inflation-related indicators in October and November for a more definitive guide on whether quarterly inflation rates will step down significantly from the December quarter as forecast. Of particular importance will be the September quarter CPI, especially the various gauges of core inflation which are yet to show material signs of deceleration. Important also will be pricing indicators in upcoming business confidence surveys (the QSBO and ANZBO), as well as wages and employment indicators in the September quarter labour market report (due early November). The strength of wage growth will be crucial for determining how quickly services prices and non-tradables inflation will slow from their current elevated levels. We doubt the RBNZ will want to move before seeing this important information (in their shoes, we wouldn't).

As noted above, we don't think there is much debate that growth is slowing and that it will be very flat (possibly even recessionary) in the second half of 2023. This week's long running Westpac-McDermott Miller Consumer Confidence Survey confirmed that consumer confidence is in the doldrums and New Zealand households are keeping the purse strings tight. Cost of living pressures remain intense and interest costs for leveraged households are steadily increasing as past tightening impacts household budgets.

The issue is really about how fast the current red-hot inflation pressures will ease. Importantly, it looks like the risks on this front are becoming tilted towards more persistent price pressures, with the housing market turning up and population growth at historic high levels. Hence, the various gauges of wage and price pressures will be key to determining the RBNZ's monetary policy approach from here – is it higher or just longer?

Kelly Eckhold, Chief Economist NZ

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 18	Aug BusinessNZ PSI	48.0	47.1	–
Wed 20	GlobalDairyTrade auction (WMP)	5.3%	4.6%	3.0%
	Q2 current account % of GDP	–8.2%	–7.5%	–
Thu 21	Q2 GDP	0.0%	0.9%	0.8%
Fri 22	Q3 WBC–MM Consumer Confidence	83.1	80.2	–
	Aug trade balance $mn	–1177	–2291	–2300

DATA PREVIEWS

Aus Aug Monthly CPI Indicator %yr

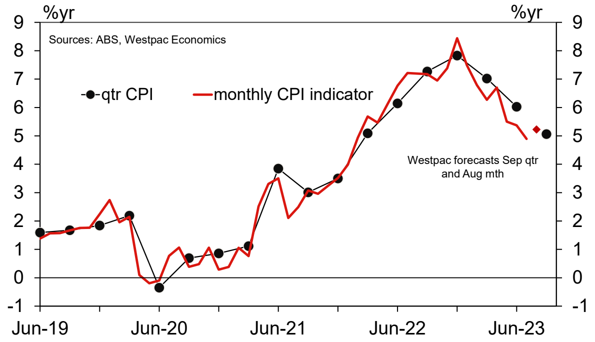
Sep 27 Last: 4.9%, WBC f/c: 5.2%
Mkt f/c: 5.2%, Range: 4.8% to 5.6%

The Monthly CPI Indicator lifted 0.3% in July to be up 4.9% in the year, a moderation from the 5.4%yr in June and the recent peak of 8.4%yr in December. The July print was softer than market expectations of 5.2% but close to our own forecast of 4.8%yr.

Readers would be aware that the Monthly Indicator is not a true monthly inflation measure but rather the release of the data for the quarterly CPI as it becomes available. Much of the data is monthly, but a fair proportion is only available quarterly, and is released in the month of the quarter the survey is conducted, with a smaller proportion of annual data. As such incorporating the timing of these surveys in critical to understanding the monthly CPI.

Petrol prices rose close to 8% in August while diesel is up more than 12% so auto fuel will be a meaningful factor. August also sees a large range of quarterly services prices being surveyed ranging from hairdressing and motor vehicle maintenance to insurance.

CPI Monthly Indicator vs. qtr CPI



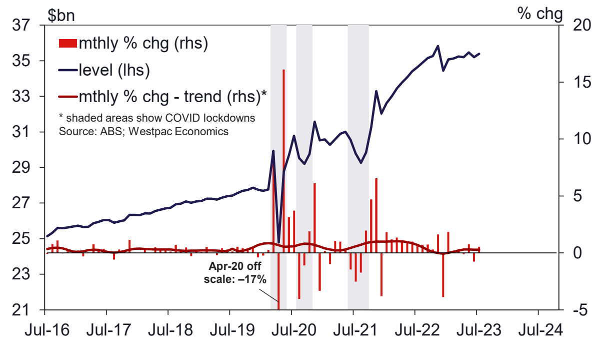
Aus Aug retail trade

Sep 28, Last: 0.5%, WBC f/c: 1.0%
Mkt f/c: 0.3%, Range: 0.0% to 1.0%

Retail sales rose by 0.5% in July, a slightly better month but still in line with a relatively flat underlying trend, nominal sales up just 0.5% on a three-month basis. Annual sales growth has slowed from 7.5% at the start of the year to 2.1%yr in July. With population growth running at 2.3%yr and price inflation in the retail space running at 5%yr, the result implies a large decline in the 3-3.5% range in real per capita terms.

Our [Westpac Card Tracker](#) suggests retail spending was firmer in August, led by a lift in activity in the hospitality sector relating to the FIFA Women's World Cup. We expect the official retail sales figures to show a relatively strong 1% gain for the August month, centred on cafes & restaurants. Activity is likely to soften again in September, reverting to what is still a weak underlying trend.

Monthly retail sales



Aus Q3 job vacancies (%qtr)

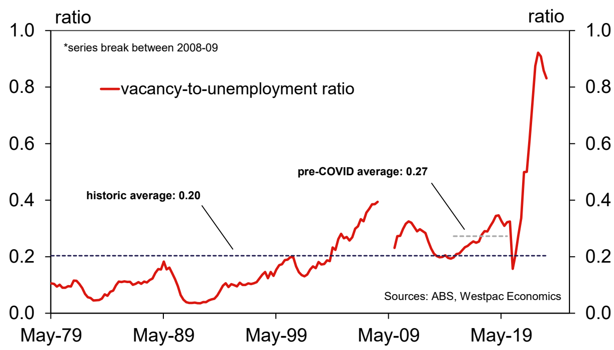
Sep 28, Last: –2.0%

Job vacancies moderated only slightly between February and May, down 9.0k (–2.0%). At 432k, job vacancies are only 10% below the peak observed over a year ago in May 2022 and almost twice the level observed before the pandemic. Highlighting the extreme tightness of the labour market, the vacancy-to-unemployment ratio was 0.82 as of May, well above the pre-pandemic average of 0.27.

For the Q3 (August) update, a larger decline in job vacancies is to be expected as positions continue to be filled and/or unfilled positions are removed. However, the mix between these dynamics is uncertain, creating difficulty in interpretation, particularly in the context of a moderation from a historically elevated level.

As an ad-hoc benchmark, the average rate required for vacancies to return to pre-COVID levels by end-2024 is –34k/qtr (–8%). A result in this realm would send a clear signal that labour demand is easing from a "red-hot" level. But, a print closer to May's observation would raise questions around how much longer this tightness can last.

Vacancy-to-unemployment ratio



Aus Aug private sector credit

Sep 29, Last: 0.3%, WBC f/c: 0.3%
Mkt f/c: 0.3%, Range: 0.3% to 0.4%

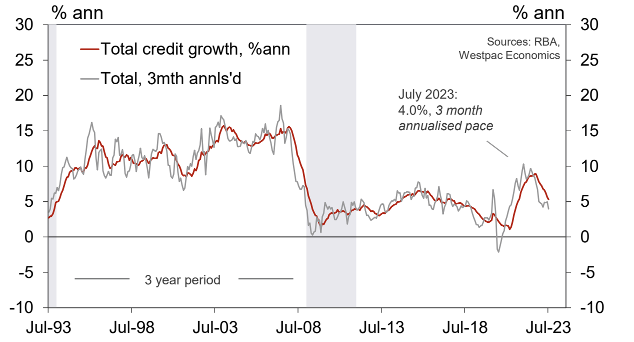
Private sector credit growth is subdued – a trend that is set to continue as interest rates remain elevated and with the economy on a sub-trend growth path.

Credit growth edged lower in June, down from 0.4% to 0.3% and then held at that 0.3% rate in July.

For August, we expect another 0.3% reading. That will see annual growth slow to 5.0% and the three month annualised pace slip from 4.0% to 3.6% – the softest since the start of 2021.

Housing credit growth has held steady at 0.3% each month for the period December to July. This is as the property market stabilises, with some lift in new lending and an offsetting rise in repayments. Business credit grew by 0.25% in June and July, a step down from a 0.5% average, reflecting the more downbeat economic backdrop.

Credit: growth pulse a subdued 4.0%



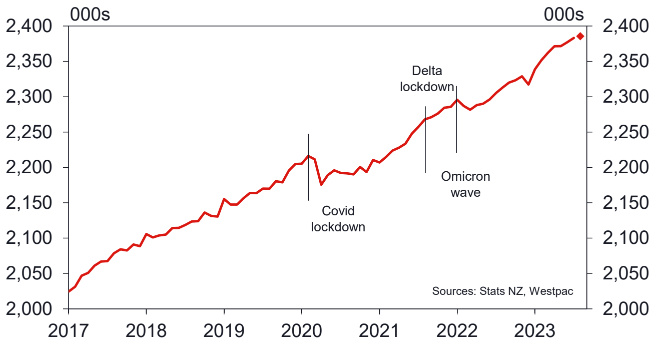
NZ August monthly employment indicator

Sep 28, Last: +0.3%, Westpac f/c: 0.1%

The monthly employment indicator is drawn from income tax data, making it a fairly comprehensive record of the number of people in work. And helpfully, while there are conceptual differences, it does a very good job of predicting the more widely followed quarterly household survey measure of employment.

Job growth was very robust over the first half of 2023, with a surge in migrant inflows allowing employers to fill longstanding vacancies. However, the weekly snapshots provided by Stats NZ suggest that the uptrend has slowed in recent months and so we expect only modest growth to be reported for August (insufficient to soak up growth in the labour force).

NZ monthly filled jobs



NZ Sep ANZBO business confidence

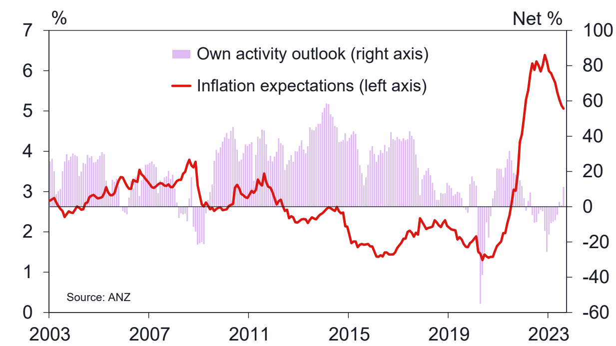
Sep 28, Last: –3.7

While still low, business confidence has been pushing higher in recent months, climbing to a two-year high in August. Businesses' expectations for their own trading activity has also been improving. That's despite the continued pressure on margins.

We'll be watching to see if the lift in business sentiment continues in September. Our recent discussions with businesses around the country did highlight softening demand, however conditions are mixed across sectors. Business confidence in New Zealand is also strongly influenced by political cycles, and the upcoming election could have a bearing on the survey results.

Recent surveys have pointed to easing, but still strong inflation pressures. However, the fall in the NZD and rise in oil prices will be adding to operating costs for many businesses.

NZ business confidence



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 25					
Aus	RBA Assist' Gov. Financial Systems	–	–	–	Jones; panel participant in financial technology conference.
Ger	Sep IFO business climate survey	85.7	–	–	Impact of rate hikes weighing on German businesses.
US	Aug Chicago Fed activity index	0.12	–	–	Abating recession risks could see the index rise.
	Sep Dallas Fed index	–17.2	–15.7	–	Sentiment still low as new orders remain weak.
	Fedspeak	–	–	–	Kashkari.
Tue 26					
US	Jul FHFA house prices	0.3%	–	–	House prices are rising however...
	Jul S&P/CS home price index	0.92%	–	–	... growth will remain modest until rate cuts come through.
	Aug new home sales	4.4%	–2.0%	–	Builder discounts are assisting in the uptick of sales.
	Sep consumer confidence index	106.1	105.9	–	Confidence to receive support from extended pause.
	Sep Richmond Fed index	–7	–	–	Will give an indication of inflation pressures in the region.
Wed 27					
Aus	Aug Monthly CPI Indicator %yr	4.9%	5.2%	5.2%	An important update on services inflation.
NZ	Q3 Westpac–MM employment conf	105.6	–	–	Labour market confidence softened in the June quarter.
Chn	Aug industrial profits %yr	–6.7%	–	–	Weaker demand and stronger prices are squeezing profits.
US	Aug durable goods orders	–5.2%	–0.4%	–	Weakness to persist as global and local demand pulls back.
Thu 28					
Aus	Aug retail sales	0.5%	0.3%	1.0%	'Matilda–mania' gives a brief reprieve from weak retail reads.
	Q3 job vacancies	–2.0%	–	–	Scope for a larger fall as vacant positions are filled/removed.
NZ	Sep ANZ business confidence	–3.7	–	–	Confidence has picked up, but businesses still downbeat.
	Aug employment indicators	0.3%	–	0.1%	Weekly data suggest that job growth is beginning to slow
Eur	Sep consumer confidence	–	–	–	ECB's pause should help shore up confidence...
	Sep economic confidence	93.3	–	–	...in the economy but consumer optimism is some way off.
UK	Sep Nationwide house prices	–0.8%	–	–	Slower transmission of rate rises are limiting price falls.
US	Q2 GDP, annualised	2.1%	2.3%	–	Final estimate. Upward revisions expected.
	Aug pending home sales	0.9%	–	–	Lifting slowly but surely.
	Sep Kansas City Fed index	0	–	–	Low demand leading to weaker sentiment.
	Initial jobless claims	201k	–	–	To remain near lows, for now.
	FOMC Chair Powell speaking.	–	–	–	As well as FOMC's Goolsbee and Barkin.
Fri 29					
Aus	Aug private sector credit	0.3%	0.3%	0.3%	Subdued – with rates elevated, sub–trend economic growth.
NZ	Sep ANZ consumer confidence	85.0	–	–	Set to remain low in the face of strong financial headwinds.
Jpn	Sep Tokyo CPI %yr	2.9%	2.8%	–	Lower energy prices driving down CPI.
	Aug jobless rate	2.7%	2.6%	–	Unemployment returning to its pre–COVID rate.
	Aug industrial production	–1.8%	–0.8%	–	Weak export demand weighing on output.
Chn	Sep Caixin manufacturing PMI	51.0	50.2	–	Recent stimulus measures should support PMIs ahead...
	Sep Caixin services PMI	51.8	–	–	... but it is too soon to see the impact.
Eur	Sep CPI %yr	–	–	–	Energy prices coming down but transport a key risk.
UK	Q2 GDP	0.2%	–	–	Final estimate.
	Aug net mortgage lending £bn	0.2	–	–	Benign growth as high rates keep loans out of reach.
US	Aug personal income	0.2%	0.5%	–	Wages growth sustaining income gains as job growth slows...
	Aug personal spending	0.8%	0.4%	–	... allowing spending to continue rising.
	Aug PCE deflator	0.2%	0.5%	–	Likely to broadly match CPI outcome for month.
	Sep Chicago PMI	48.7	47.6	–	Reflective of soft manufacturing conditions
	Aug wholesale inventories	–0.2%	–	–	Businesses uncertain of demand, keeping less inventory.
	Sep Uni. of Michigan sentiment	67.7	–	–	Final estimate.
	Fedspeak	–	–	–	Williams.
Sat 30					
Chn	Sep NBS manufacturing PMI	49.7	–	–	Our best guide to employment momentum across industry...
	Sep NBS non–manufacturing PMI	51.0	–	–	... and services, the latter of which remains key for confidence.

Forecasts

Interest rate forecasts

Australia	Latest (22 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	4.15	4.30	4.30	4.22	3.97	3.72	3.47	3.22
3 Year Swap	4.24	4.10	4.00	3.90	3.80	3.70	3.50	3.40
3 Year Bond	4.05	3.85	3.75	3.70	3.60	3.50	3.30	3.20
10 Year Bond	4.36	4.35	4.20	4.00	3.90	3.80	3.70	3.60
10 Year Spread to US (bps)	–13	–15	–15	–20	–20	–20	–20	–20
US								
Fed Funds	5.375	5.375	5.125	4.875	4.625	4.375	4.125	3.875
US 10 Year Bond	4.49	4.50	4.35	4.20	4.10	4.00	3.90	3.80
New Zealand								
Cash	5.50	5.75	5.75	5.75	5.50	5.25	5.00	4.75
90 day bill	5.70	5.85	5.85	5.85	5.60	5.35	5.10	4.85
2 year swap	5.70	5.59	5.39	5.16	4.91	4.68	4.44	4.24
10 Year Bond	5.17	5.20	5.05	4.90	4.75	4.65	4.55	4.45
10 Year spread to US	68	70	70	70	65	65	65	65

Exchange rate forecasts

Australia	Latest (22 Sep)	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
AUD/USD	0.6427	0.66	0.67	0.68	0.69	0.70	0.71	0.72
NZD/USD	0.5938	0.61	0.61	0.62	0.62	0.62	0.63	0.63
USD/JPY	148.03	144	142	140	138	136	133	130
EUR/USD	1.0655	1.10	1.11	1.12	1.13	1.14	1.15	1.16
GBP/USD	1.2285	1.27	1.28	1.29	1.30	1.30	1.30	1.30
USD/CNY	7.3015	7.15	7.00	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.0824	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	–0.5	0.0	0.9	–0.1	0.1	0.0	0.0	–	–	–	–
Annual avg change	2.7	2.9	3.2	1.6	1.3	0.9	0.5	6.0	2.7	1.3	0.4
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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