AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 2 October 2023

Editorial: RBA Board a certain hold next week.

RBA: policy decision, Financial Stability Review.

Australia: housing updates (prices, finance, dwelling approvals), trade balance.

NZ: RBNZ policy decision, Q3 NZIER survey, building consents, GlobalDairyTrade auction.

Eurozone: unemployment rate, retail sales.

US: ISMs, nonfarm payrolls, unemployment rate, factory orders, trade balance, JOLTS, consumer credit.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 29 SEPTEMBER 2023.

WESTPAC INSTITUTIONAL BANK

RBA Board a certain hold next week

The Reserve Bank Board meets next week on October 3 with Governor Bullock presiding over her first meeting.

We are certain that the Board will decide to continue the pause that began at the July meeting.

The Board meetings which occur immediately before the release of the quarterly Inflation Report and the updating of the staff's forecasts (namely those in April, July and October) have been ones where the Board has shown a preference to pause – even during this long tightening cycle.

At the October meeting last year, there was a surprise slowing in the pace of tightening from 50bps to 25bps; in January this year there was no meeting; April saw the first pause in the cycle after consecutive hikes in February and March; and July saw a pause after consecutive hikes in May and June.

Rates remained on hold in August and September so a move in October would be very surprising.

That does not preclude the Board from continuing to consider the two options – an increase of 0.25% or hold rates steady.

After describing the decision in June as "finely balanced" the Board has described the "on hold" decision as the "stronger one" in subsequent meetings – indicating a clear preference for the pause option.

The October decision statement is likely to repeat the sentiment, "members noted that some further tightening in policy may be required should inflation prove more persistent than expected."

That statement is a sensible position for a cautious central bank to hold, while inflation remains above the target band, while also providing some residual support for the vulnerable AUD (recently fallen below US64¢).

It is unlikely that the August Monthly CPI Indicator is a game changer. Annual inflation lifted from 4.9% in the year to July to 5.2%, mainly reflecting a 9% lift in petrol prices. A more reliable indicator – the Monthly Trimmed Mean, which excludes volatile items – actually slowed from 5.8% to 5.5%.

The more comprehensive September quarterly Inflation Report will be watched closely by the Board and the market – with information from that quarterly update to feed into the RBA's considerations at the November Board meeting.

While the Bank does not publish its forecasts for annual inflation to the September quarter it does provide December and June.

It is currently expecting inflation to fall from around 6.0% in June (Trimmed Mean 5.9%; Headline 6.0%) to around 4% in December (Trimmed Mean 3.9%; Headline 4.1%).

Results around 5% for the September quarter would be in line with their expectations. These numbers would also have to be considered in the context of ongoing weakness in household spending; signs of a turning point in the labour market (job vacancies fell 9% in the three months from May to August); and real concerns around the outlook for China.

The market is currently giving around a 40% chance of a rate hike in November lifting to 90% in March.

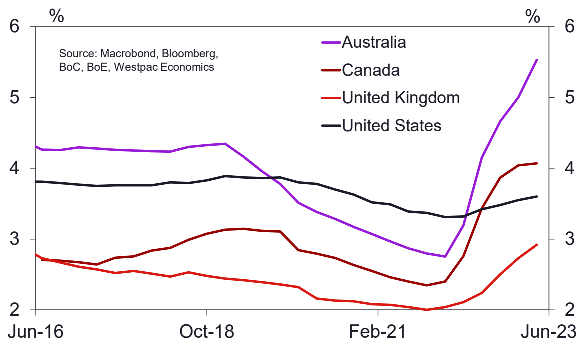
Despite this market pricing, which is also indicating no rate cuts until 2025, we expect that the cash rate will remain on hold until August next year when the first rate cut can proceed. Our forecast for the conditions the Board will be facing by then will be an inflation rate that has fallen from 4.1% to 3.4%; an unemployment rate of 4.5%; and economic growth through the year to June of 1.0%.

One argument we see for the expected rate hike by March is that Australian rates are just too low relative to other central banks.

Figure 1 compares the movement in the effective mortgage rate for Australia and other majors.

Figure: 1

Effective mortgage rates



Australian borrowers have been much more sensitive to the recent sharp tightening cycle than other countries due to the low proportion of fixed rate loans – even recognising that the share reached around 35% in 2022. Effective mortgage rates have lifted from 3.3% to 3.6% in the US compared to 2.75% to 5.6% in Australia.

The impact, which from Australia's rates holding well below US rates, has been through the AUD/USD, which remains fragile at US64¢.

But this negative yield differential with the US is not a new story.

The "new story" is the relentless upgrade of the growth outlook for the US economy. Earlier this year, Consensus forecasts for US growth in 2023 were around 0.4%, with general expectation of a recession at some time over 2023 and into 2024. Recent Consensus and FOMC forecasts have lifted growth in the US for 2023 to 2% while talk of recession has been scaled right back.

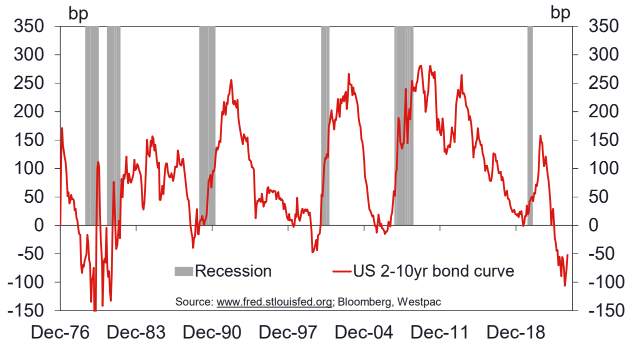
As we show in Figure 2, the shape of the US yield curve continues to be consistent with a recession. But in recent weeks, yields have risen and the curve has begun to flatten – a bear flattener where long bond rates have risen by more than short rates.

That lifting of the yield curve has also impacted the near term prospect for the RBA, but reflects, in our view, more of a curve movement driven by rising long rates than the expectation of an RBA rate hike.

The decision by the FOMC to issue guidance in its "dot plot" that there will only be two rate cuts next year rather than four has had some impact but, at this stage, surprisingly less than might have been expected. The key reason why the FOMC scaled back its rate forecasts was a reduction in its forecast for the unemployment rate by end 2024 from 4.5% to 4.1%. Westpac is more cautious on the US economy next year, expecting the unemployment rate to reach around 5%. We have therefore retained our call for four FOMC rate cuts in 2024.

Figure: 2

US 2-10yr bond curve vs recessions ...



However, we have sharply lifted our profile for the US ten year bond rate by end 2024 by 60bps to 4%. That still leaves a slightly inverse yield curve for the US by end 2024.

Despite the FOMC cutting rates next year, bonds may be even less attractive than we are expecting. With the US economy avoiding a recession and the FOMC cutting rates the market may require a regular shaped yield curve much earlier than we are currently expecting.

That need for a regular shaped curve signals a sharp rise in bond rates. A potential outcome would pressure the equity market. The issue here is that despite the sharp tightening cycle which the FOMC has implemented equity markets have been resilient – limiting the main channel through which FOMC policy can impact the US economy.

As we saw in 2018, any major negative outcome in the US equity market is likely to trigger an aggressive response from the FOMC.

A much more rapid easing cycle from the FOMC in 2024 would take pressure off the AUD; and certainly, set the scene for the RBA to follow.

Bill Evans, Chief Economist

The Monthly CPI Indicator rose 0.6% (5.2%yr) in August, above the 0.3% (4.9%yr) print in July but still broadly in line with a trend deceleration since the peak of 8.4%yr in December 2022. While the print for headline inflation was in line with Westpac's forecast, the component detail provided some surprises. Inflation in the housing segment was much weaker than anticipated – up 0.1% (6.6%yr) – driven by a fall in electricity prices (–1.3%mth) associated with the Energy Bill Relief Fund rebates in Melbourne. There were some key upside surprises too, including a 9.1% lift in fuel, a 1.3% increase in alcohol and tobacco prices, and a much more muted –0.1% fall in clothing and footwear than we initially anticipated. Underlying inflation momentum remained steady in August, with the Monthly Trimmed Mean holding flat at 5.6%yr. These developments, which in part reflects a stronger oil price (via fuel prices) and a weaker AUD (via imported components) – trends which seem to have persisted through to September – point to some upside risk to inflation over the near-term.

Turning to the labour market, job vacancies were reported to have fallen by 8.9% between May and August, a pick-up from the more modest decline of 2.5% over the prior three months. The tone of the survey is consistent with other evidence on labour market conditions, which suggests that the labour market has moved past its tightest point – a consequence of the significant improvement in labour supply and a gradual moderation in labour demand from very strong levels. That said, the total stock of job vacancies remains is still 72% above pre-pandemic levels and the vacancy-to-unemployment ratio remains at a historically elevated 0.72, implying that that labour market conditions remain very tight for now and there is further scope to ease over the next year.

However, as discussed by Chief Economist Bill Evans, the Monthly CPI Indicator is unlikely to have a major influence the RBA's decision next week at the October Board meeting. As has been the case over the past year, the Board's preference is to inspect the more comprehensive quarterly update on inflation – due next month – so it is therefore unlikely to change policy on the basis of the Monthly Indicator in the interim. Like the last two months, the RBA should continue to view the argument for remaining on hold as being the "stronger one". This sentiment will be supported by the constructive flow of data developments over the last week, including another subdued print for nominal retail sales, with spending rising by only 0.2% in August, and emerging signs of a turning point in the labour market, suggesting that the impact of the RBA's rapid tightening cycle is clearly working its way through the economy. Westpac remains of the view that the RBA will remain on hold until August 2024, wherein the next rate cut cycle is expected to begin in order to restore balance to demand conditions and support growth's return towards trend.

It was a quiet week offshore, with mostly second-tier data releases in the US.

In the US, regional surveys pointed to a mixed picture. The Chicago Fed National Activity Index suggested the economy was growing below potential with a negative reading of –0.16 in August following a positive reading in July. All sub-indicators were in the red, though August's weakness looks to be centred on a souring in personal consumption and housing. The employment indicator remained negative for a fourth consecutive month, reflective of emerging slack in the labour market.

The Richmond Fed Manufacturing index broke a 16-month streak of negative readings, coming in at +5pts for September. On current conditions, strength came from shipments, capacity utilisation and new orders. For the region, employment in the sector was optimistic overall, with number of employees rising as wages continued its ascent. Expectations remained upbeat, but less so than August. Meanwhile, the Kansas City Fed Manufacturing index fell to –8pts in September from flat in August, although a semblance of optimism for expectations six months ahead persevered. Of note, the prices paid and received sub-indicators for current vs previous month were both positive. The rise in oil prices through September likely contributed to higher producer prices but further readings are necessary to confirm whether its impact will persist.

Durable goods orders were firmer than expected in August, headline orders rising 0.2%mth and the measure excluding transport orders lifting 0.4%mth. Most of the strength was a consequence of defence spending however – excluding this, durable goods orders declined 0.7%mth. This supports the continued pessimistic outlook for manufacturing from the private sector, with firms' investment intentions remaining under pressure. Weakness in non-defence goods orders, alongside autoworkers' strikes, points to some downside risk for private investment in GDP for Q3.

Regarding the consumer, there was a notable slip in confidence according to the Conference Board's September survey, from 108.7 to 103.0, to be only slightly above the optimism/pessimism threshold. Underlying this is a clear divergence between households' views around the present situation and expectations, the former still very optimistic at 147.1, whilst the latter soured nearly 10pts into deeply pessimistic territory, at 73.7.

FOMC members were also active this week. Many, Bowman and Kashkari in particular, were advocating for an additional rate hike on the basis of inflation risks; however, comments from Barkin and Goolsbee emphasised the importance of assessing the materialising impact of policy tightening. Of note, Goolsbee spoke on the trade-off between inflation and unemployment, positing that it may be weaker in the post-COVID era and hence, there is a greater risk of over tightening.

Week ahead & data wrap

A key focus for the coming week will be the upcoming RBNZ *Monetary Policy Review* on 4 October. While we don't think the RBNZ will move the OCR from the current 5.5% setting we do see the tone of the RBNZ shifting further in the direction of increased inflation concern. Such concern would be consistent with the shift in market pricing which currently reflects around a 50% chance of a 25 basis tightening at the November 2023 meeting and a full tightening priced into the curve by April next year. The content and tone of the press release and record of meeting coming from the *Review* will be of key interest in assessing the extent to which the market's growing inflation concerns are well justified.

The August *Monetary Policy Statement* represented a significant shift in tack for the RBNZ relative to the previous two OCR reviews, with a much more equivocal outlook for interest rates. The August projection for the OCR signalled a 36% chance of a further 25bp hike in the first half of 2024. It also showed a delayed and more gradual easing profile starting in the September quarter of 2024.

The RBNZ still saw two-way risks to the OCR: on the upside the Bank noted still strong and persistent inflation; a strengthening housing market and still resilient labour market; and on the other was significantly weaker external demand and weak cyclical growth indicators. But the net of these risks was clearly to the side of increased concern that growth might not be weak enough and/or easing fast enough to bring inflation back to the target range by the end of 2024.

Since August, the data have pointed in the direction of increased concern in terms of the potential persistence of inflation pressures. Key factors have been: resurgent house prices; ongoing strong inward migration and population growth; a stronger starting point for GDP growth; strengthening rents; strengthening business confidence; very strong oil and petrol prices and continued employment growth.

There have been some offsetting factors, in particular: falling food prices; lower commodity prices; weak consumer confidence; weak retail trade/card spending volumes; and low business PMIs which suggest that we are set for a markedly weaker growth performance in the second half of 2023. Another relevant factor is the substantial lift in term interest rates across the globe over recent months which has acted to significantly tighten monetary conditions in New Zealand despite no change in the OCR. Indeed, since the RBNZ last raised the OCR in May, the standard 2-year mortgage rate for new borrowing has increased by around 40bps.

We think the net of these forces will imply upward revisions to the RBNZ's internal projections for inflation and interest rates. Hence, we anticipate an acknowledgment of this in the MPR press release and discussion on the factors the RBNZ see as most critical for their projections. We are particularly interested on their assessment of the extent to which the upside surprise to GDP reflects supply as opposed to demand factors; their view on the extent to which they can "look through" higher oil and petrol prices and focus more on the negative medium term growth implications compared to the short term tradables inflation and expectations impacts and their assessment of the impact of strong housing and migration related drivers for medium term inflation pressures.

We think the RBNZ should be comfortable with current market pricing for the OCR in November and beyond and that they would not want to significantly disturb pricing. Ideally the RBNZ would want to leave the market in a position to price (or not) the November rate hike depending on how key data to come in October and November evolve, together with any other material developments in New Zealand or abroad.

To achieve this, we think it would be useful for the RBNZ to provide markers to guide markets on the key areas of focus. We expect that the RBNZ would want to highlight the importance of pricing related indicators in guiding their November view. The core inflation measures in the September quarter CPI are likely to be especially significant as these need to show tangible evidence of slowing.

We suspect that if the RBNZ adopts a different stance it would be to err in the hawkish direction. We see a 20-30% chance of the RBNZ leaving the OCR unchanged but to go as far as saying that in the absence of evidence of a significant easing of actual core inflation pressures, a tightening is probable in November. This would likely see the market move to almost fully price a November tightening, with pricing likely only unwound should the CPI provide a material downside surprise.

A further less likely hawkish possibility is an actual tightening in October – which we rate as a 10-20% chance. We note that in the period since the OCR regime began, movements in the OCR in the 90 days before an election are a lower than usual probability (about a third less likely than average), but have usually been interest rate increases if a surprise occurs.

On the dovish side, we see perhaps a 15% chance of the RBNZ indicating comfort with the current level of the OCR while maintaining the bias to tighten should inflation pressures not recede. This might be motivated by a desire to "look through" recent increases in oil and petrol prices and look forward to a significant weakening in domestic demand in the second half of 2023 and into 2024. The work being done by higher long term interest rates and thus fixed mortgage rates could also lead the Bank to that view.

As we noted last week, we think its pretty clear a cyclical slowdown is in train and that a period of below trend growth is upon us. What is not clear is whether this slowdown is going to be enough, fast enough, to bring inflation back within the target range by the end of next year. Hence the future focus is not really on the weak growth indicators but on signs of disinflation. The September quarter CPI is the key indicator at play here coming up along with the September quarter labour market report in early November.

Kelly Eckhold, Chief Economist NZ

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Wed 27	Q3 Westpac-MM employment confidence	105.6	98.3	–
Thu 28	Sep ANZ business confidence	–3.7	1.5	–
	Aug employment indicators	0.2	0.2	0.1
Fri 29	Sep ANZ consumer confidence	85.0	86.4	–

Aus Sep CoreLogic home value index

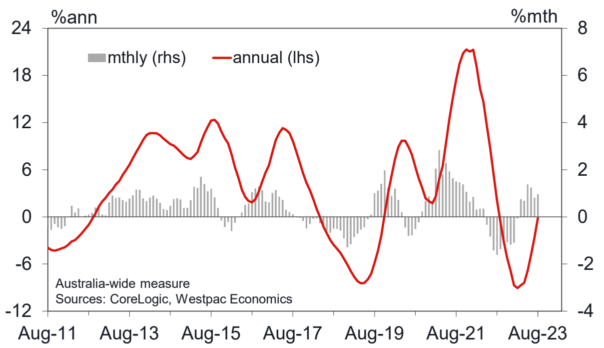
Oct 2, Last: 1.0%, WBC f/c: 1.0%

The CoreLogic home value index rose 1% in August, the sixth gain in a row and matching the average pace seen over the previous five months. All major capital city markets recorded rises.

The CoreLogic daily index points to a similar result in September, a 1% rise set to tip annual price growth back into positive, most major capital city markets again recording robust increases.

Note that CoreLogic will be making significant changes to its hedonic price indexes this month. The measures will be moving to time-varied weights that mean they will pick turning points earlier. Indexes will also be revised month to month, although these are likely to be small and only affect the most recent observations. The new series results in a net upward revision to historical estimates, the cumulative effect adding 7ppts to price growth nationally since 2020.

Australian dwelling prices



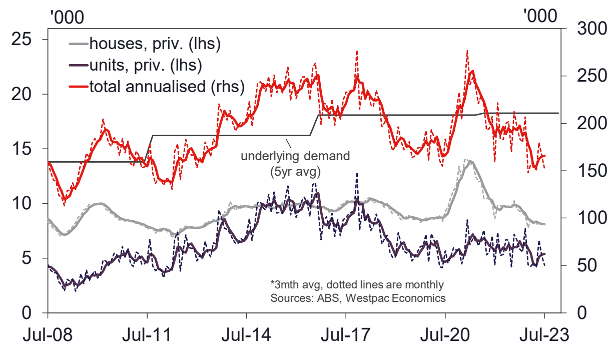
Aus Aug dwelling approvals

Oct 3, Last: –8.1%, WBC f/c: 2.5%
Mkt f/c: 2.5%, Range: flat to 7.0%

Dwelling approvals declined 8.1% in July following a 7.9% drop in June, both months unwinding a big 20% jump in May, the profile largely reflecting a volatile monthly profile for 'high-rise' unit approvals. Notably, non high-rise approvals have held about flat since April, suggesting underlying conditions may be stabilising, albeit at weak levels.

HIA new home sales showed a significant lift in August, having slumped by over a third since late 2022. While the extent of any recovery remains unclear, activity looks to have lifted off the bottom of the cycle. With further sharp falls in high rise approvals unlikely now that they are back at their April levels, this suggests total dwelling approvals should post a decent gain, August expected to show a 2.5% rise for the month.

Dwelling approvals



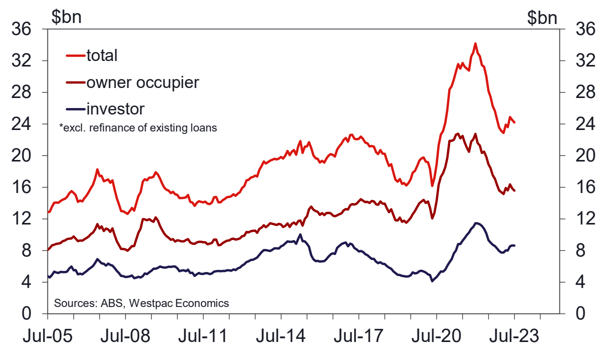
Aus Aug housing finance approvals

Oct 3, Last: –1.2%, WBC f/c: 3.0%
Mkt f/c: flat, Range: –1.0% to 3.0%

Housing finance approvals declined 1.2% in July following a 1.6% decline in June. The detail showed weakness centred on construction-related owner occupier lending, with much milder declines for other segments.

August should see a solid gain. As noted, HIA new home sales posted a strong rise in August, suggesting construction-related approvals should post a rebound. Meanwhile the wider narrative of a gradual, price-led recovery in established markets remains firmly intact. Overall, we expect the total value of loans to be up 3%mth and to start to show clearer signs of a modest up-trend.

New finance approvals by segment



Aus RBA policy decision

Oct 3, Last: 4.10%, WBC f/c: 4.10%
Mkt f/c: 4.10%, Range: 4.10% to 4.35%

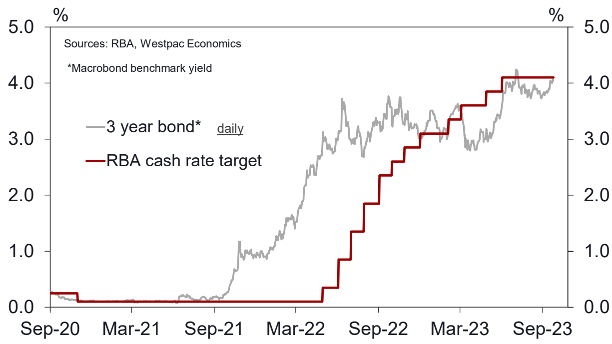
At the October Board meeting, Westpac expects the RBA will leave the cash rate unchanged at 4.10% – for the fourth consecutive month.

Over the last two months, the RBA has viewed the argument for remaining on hold as the “stronger one”. This sentiment should hold firm at the October Board meeting, as evidence of subdued consumer spending and emerging signs of a turning point in the labour market highlight policy’s impact. The August Monthly CPI Indicator had some surprises in its component detail, but it is unlikely to prompt action ahead of the more comprehensive Q3 CPI update later in October.

The RBA’s next policy move will likely be in the second half of 2024, where we expect inflation will be approaching the top of the target range and there will be clear evidence of a weakening economy – in our view, warranting a shift towards rate cuts beginning in Q3.

For more detail, see Page 2.

RBA cash rate and 3 year bonds



Aus Aug trade balance, $bn

Oct 5, Last: 8.0, WBC f/c: 7.7
Mkt f/c: 8.9, Range: 6.8 to 10.0

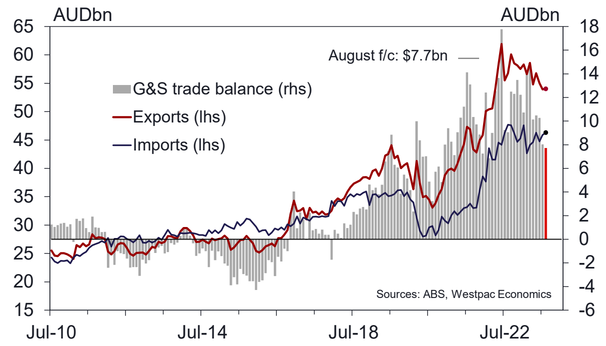
There has been a shift in Australia’s trade surplus – with a narrowing on the moderation of commodity prices, which have receded by 15% over the months March to August.

The surplus averaged $12.7bn per month over the 12 months April 2022 to March 2023. It then printed $8.0bn for July, the smallest since the February 2022 outcome of $6.9bn. For August, we expect a surplus of $7.7bn, some $0.3bn lower than last month.

Export earnings are expected to be broadly flat, up 0.2%, $0.1bn. Resource volumes look to be a little softer, led by Newcastle coal. Positives are a likely rise in services and higher prices on lower AUD.

The import bill is expected to be up, +0.9%, +0.4% on higher prices (with the AUD lower and global energy costs up) and an expected rise in services - potentially partially offset by a pull-back in auto shipments, which spiked in July.

Australia’s trade balance



NZ Aug building consents

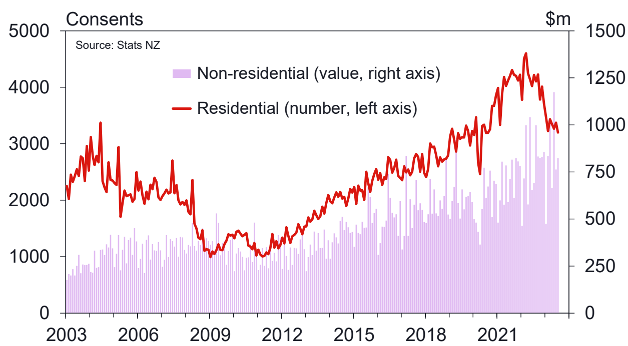
Oct 2, Last: –5.2%, Westpac f/c: +5.0%

After falling sharply last year, the downturn in dwelling consent issuance looks like it’s now flattening off. Since the start of this year, consent issuance has been tracking at around 3,200 to 3,400 per month (adjusting for normal seasonal variations).

We expect that it will continue to track in that range in August and are forecasting a 5% rise compared to July.

With interest rates at contractionary levels, there is still some downside risk for building consents in the near term.

NZ building consents



DATA PREVIEWS

NZ Q3 NZIER Survey of Business Opinion

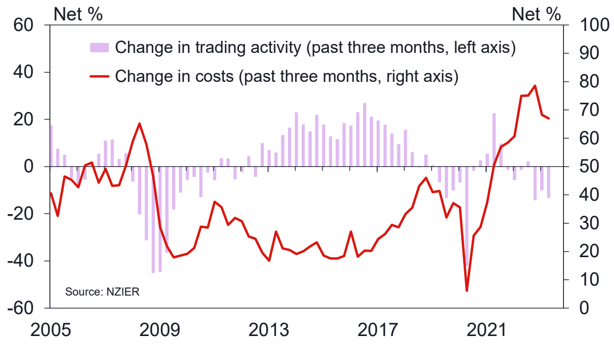
Oct 3, General business confidence, last: –59.2

The NZIER's June quarter update pointed to cooling business conditions and an easing in inflation pressures (albeit from quite high levels).

We expect that the September quarter update will highlight similar themes, but there will be some key areas to watch. On the activity front, while overall economic conditions are cooling, we'll be watching for any notable differences across sectors. While many retailers and exporters are certainly grappling with challenging demand conditions, anecdotes from those in the services sector have been more mixed.

We'll also be keeping a close eye on the survey's gauges of costs and prices, which will be a key focus for the RBNZ. While those measures are off their earlier highs, they appear to be easing only gradually. That's despite slowing GDP growth and higher interest rates.

NZ Quarterly Survey of Business Opinion



NZ GlobalDairyTrade auction, whole milk powder prices

Oct 4, Last: 4.6%, Westpac f/c: 1.0%

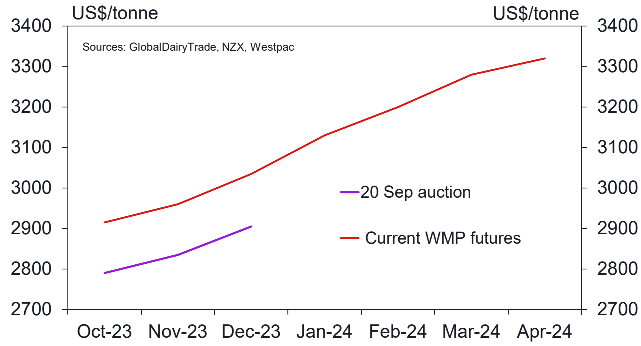
We expect whole milk powder prices (WMP) to rise 1% at the upcoming auction.

WMP prices jumped by 4.6% at the previous auction. Our pick is more towards the flat result seen in last week's mini (GDT pulse) auction than the circa 4% rise that the futures market is currently pointing to.

Prices have found a bottom after a sustained run of 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 is clear uncertainty as to the timing and magnitude of any price recovery.

Whole milk powder prices



NZ RBNZ Monetary Policy Review

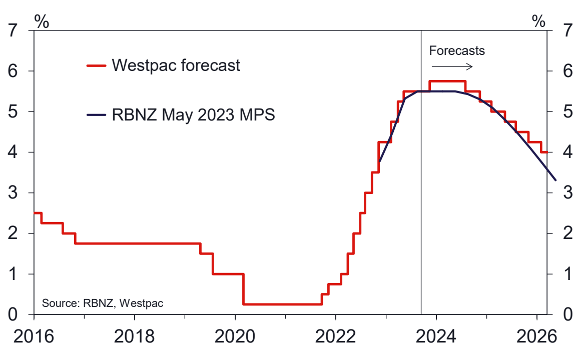
Oct 4, Last: 5.50%, Market f/c: 5.50%, Westpac f/c: 5.50%

We think the RBNZ will keep the OCR at 5.50% at its October review. We expect the RBNZ to retain the tightening bias expressed in the August *Statement* and will aim to retain maximum flexibility to tighten (or not) in November should data warrant.

Since the August *Statement*, data have on balance pointed to the risk of lingering persistence in inflation. In particular, recent months have seen a resurgence in the housing market, strong inward migration, a stronger starting point for GDP growth, and higher oil prices. There have been fewer factors pointing to an easing in inflation pressures, such as the falls in the PMI and PSI, as well as the substantial lift in global long-term interest rates.

A surprise tightening to 5.75% is a risk, but we think no more than a 10-20% chance.

RBNZ Official Cash Rate



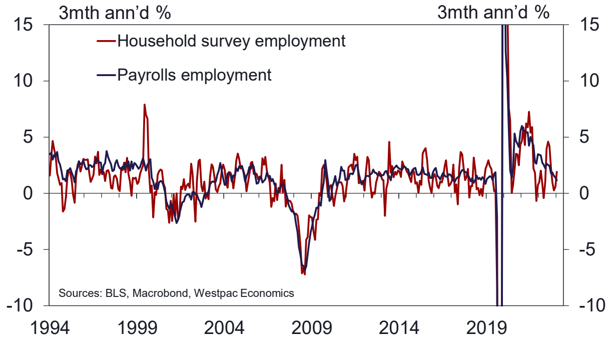
US employment report

Oct 6, nonfarm payrolls, Last: 187k, Mkt f/c: 170k, WBC f/c: 160k
Oct 6, unemployment rate, Last: 3.8%, Mkt f/c: 3.7%, WBC f/c: 3.8%

Net of revisions, nonfarm payrolls surprised materially to the downside in August. At 150k, the three-month average pace of gains is certainly not weak, but it is a fraction of the 400k average of 2022. In September, a 160k gain is anticipated, though we also look for a further downward revision to prior estimates, keeping the three-month pace close to 150k.

For the next few months, supply will have to continue to meet demand. Into 2024 however, demand is likely to moderate further, slowly creating excess capacity in the labour market. The pace at which the unemployment rate rises thereafter will be dictated as much by a further lift in participation back near its pre-pandemic level as sub-par job creation. Average hourly earnings growth will likely only edge lower given the labour market's strong starting point.

US job growth to slow further into 2024



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 02					
Aus	Public holiday	–	–	–	NSW, ACT, Qld, SA
	Sep CoreLogic home value index	1.0%	–	1.0%	Upturn gaining traction. Changes to price indexes this month.
	Sep MI inflation gauge %yr	6.1%	–	–	Provides a general view of risks.
NZ	Aug building permits	–5.2%	–	5.0%	Consent issuance has flattened off in recent months.
Jpn	Q3 Tankan large manufacturers index	5	6	–	Gradual recovery is underway; PMIs point to downside risk.
Eur	Aug unemployment rate	6.4%	–	–	Labour market resilient despite slowing economy.
UK	Sep Nationwide house prices	–0.8%	–0.5%	–	Declines set to persist over near-term.
US	Sep ISM manufacturing	47.6	47.8	–	Manufacturers remain under intense pressure.
	Aug construction spending	0.7%	0.6%	–	Pick-up in residential construction a promising signal.
	FOMC Chair Powell	–	–	–	Discussion with Harker. Williams, Mester speaking elsewhere.
Global	Sep S&P Global manufacturing PMI	–	–	–	Final estimate for Japan, Eurozone, UK and US.
Tue 03					
Aus	RBA policy decision	4.10%	4.10%	4.10%	Case for sustained pause gains increasingly strong.
	Aug housing finance	–1.2%	flat	3.0%	Solid gain anticipated for August, with construction-related…
	Aug owner occupier finance	–1.9%	–	3.5%	… activity pointing to strength in owner occupiers…
	Aug investor finance	–0.1%	–	3.0%	… likely outstripping that of investors.
	Aug dwelling approvals	–8.1%	2.5%	2.5%	May's high-rise spike has largely unwound.
	Sep ANZ job ads	1.9%	–	–	Reprieve in job ad declines only temporary.
NZ	Q3 Qtly Survey of Business Opinion.	–59.2	–	–	Extent of easing in inflation gauges will be a key focus.
US	Aug JOLTS job openings	8827k	8900k	–	Labour demand easing from an elevated level.
	Fedspeak	–	–	–	Bostic.
Wed 04					
NZ	RBNZ policy decision	5.50%	5.50%	5.50%	RBNZ to retain tightening bias.
	GlobalDairyTrade auction (WMP)	4.6%	–	1.0%	Global dairy prices finding a bottom after sustained weak run.
Eur	Aug retail sales	–0.2%	–	–	Real income squeeze continues to pressure spending.
	Aug PPI %yr	–7.6%	–	–	Further downside likely as base effects remain in play.
US	Sep ISM non-manufacturing	54.5	53.5	–	Pull-back from August's consumer-driven bounce likely.
	Aug factory orders	–2.1%	0.2%	–	Soft start to Q3
	Sep ADP employment change	177k	150k	–	Often at odds with BLS data.
	Fedspeak	–	–	–	Bowman, Goolsbee.
Global	Sep S&P Global services PMI	–	–	–	Final estimate for Japan, Eurozone, UK and US.
Thu 05					
Aus	Aug trade balance, $bn	8.0	8.9	7.7	Anticipate, exports broadly flat, imports up on higher prices.
NZ	Sep ANZ commodity prices	–2.9%	–	–	Global dairy prices bounced over September.
US	Aug trade balance $bn	–65.0	–65.2	–	Deficit remains wide upon resilient consumer demand.
	Initial jobless claims	204k	–	–	To remain near its lows, for now.
	Fedspeak	–	–	–	Mester, Daly.
Fri 06					
Aus	RBA Financial Stability Review	–	–	–	Half-yearly update on financial system conditions and risks.
Jpn	Aug household spending %yr	–5.0%	–4.0%	–	Real income pressures constrains spending momentum.
US	Sep nonfarm payrolls	187k	170k	160k	Jobs growth is moderating…
	Sep unemployment rate	3.8%	3.7%	3.8%	… balancing demand with supply…
	Sep average hourly earnings	0.2%	0.3%	–	… and taking the pressure off wages.
	Aug consumer credit $bn	10.4	11.3	–	Credit growth broadly stable as savings buffers deplete.
Sat 07					
Chn	Sep foreign reserves US$bn	3160.1	–	–	Little change to reserves so far in 2023.

Forecasts

Interest rate forecasts

Australia	Latest (29 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	4.14	4.30	4.30	4.22	3.97	3.72	3.47	3.22
3 Year Swap	4.29	4.10	4.00	3.90	3.80	3.70	3.50	3.40
3 Year Bond	4.12	3.85	3.75	3.70	3.60	3.50	3.30	3.20
10 Year Bond	4.52	4.45	4.50	4.40	4.30	4.20	4.00	3.90
10 Year Spread to US (bps)	-8	-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	4.60	4.60	4.65	4.60	4.50	4.40	4.20	4.10
New Zealand								
Cash	5.50	5.75	5.75	5.75	5.50	5.25	5.00	4.75
90 day bill	5.74	5.85	5.85	5.85	5.60	5.35	5.10	4.85
2 year swap	5.69	5.59	5.39	5.16	4.91	4.68	4.44	4.24
10 Year Bond	5.25	5.30	5.30	5.25	5.15	5.05	4.80	4.70
10 Year spread to US	65	70	65	65	65	65	60	60

Exchange rate forecasts

Australia	Latest (29 Sep)	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
AUD/USD	0.6454	0.66	0.67	0.68	0.69	0.70	0.71	0.72
NZD/USD	0.5995	0.61	0.61	0.62	0.62	0.62	0.63	0.63
USD/JPY	149.39	144	142	140	138	136	133	130
EUR/USD	1.0578	1.10	1.11	1.12	1.13	1.14	1.15	1.16
GBP/USD	1.2218	1.27	1.28	1.29	1.30	1.30	1.30	1.30
USD/CNY	7.2980	7.15	7.00	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.0767	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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