AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 9 October 2023

Editorial: No change from RBA but inflation firmer and bond markets restless.

RBA: Assistant Governor Financial Markets, Kent speaking.

Australia: Westpac–MI Consumer Sentiment, business survey, overseas arrivals.

NZ: retail card spending, house prices and sales, net migration, food prices, manufacturing PMI.

China: CPI, PPI, trade balance.

Eurozone: industrial production.

UK: monthly GDP, trade balance.

US: CPI, PPI, FOMC minutes, UoM consumer sentiment, small business optimism.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 6 OCTOBER 2023.

WESTPAC INSTITUTIONAL BANK

No change from RBA but inflation firmer and bond markets restless

As expected, the Reserve Bank Board decided to leave the cash rate target unchanged at 4.1% at its October meeting.

While the decision was widely anticipated the issue for markets was whether new Governor Bullock would decide to send some different messages than had been signalled in previous Statements under Governor Lowe.

For instance, these messages may have indicated a greater concern around achieving the inflation target in the appropriate time frame; more concern about the underperforming Australian economy; the resilience of the labour market; or the surprise recovery in house prices.

There were no such changes in the Statement.

The inflation issue was the most likely "candidate" for a revised approach. However, as with the other key topics, the Governor chose to almost exactly stick to the script that had been established by Governor Lowe.

The most contentious issue is around the implications of the August Monthly CPI Indicator for the September quarter Consumer Price Index. Westpac has lifted its forecast for Trimmed Mean Inflation for the September quarter from 0.8% to 1.1%, mainly due to higher inflation in the services sector for which the August report provides valuable information for the whole quarter.

The Governor's Statement refers to "the prices of many services are continuing to rise briskly". This is little changed from the September Statement "the prices of many services are rising briskly."

As a result of our increase in our forecast for the Trimmed Mean in September we have lifted our forecast for annual Trimmed Mean inflation in 2023 from 3.8% to 4.1%. Services plus higher fuel prices have lifted our September quarter forecast for headline inflation from 0.9% to 1.1% and annual inflation in 2023 from 3.9% to 4.3%.

The RBA is currently forecasting inflation by end 2023 at 3.9% (Trimmed Mean) and 4.1% (Headline). Presumably the RBA forecasters would also be revising their own forecasts on the basis of the August Inflation Indicator but there is no such indication in the Statement.

The October Statement retains the sentence, "The central forecast is for CPI inflation to continue to decline and to be back within the 2–3% range in late 2025". Despite our slightly higher profile for inflation in 2023 our forecasts are still in line with the RBA achieving their 2025 target.

The Governor chose not to react to those possible upgrades to the inflation forecasts – better to await the official September quarter CPI report, due October 25, which will be a key input into any forecast revisions. Governor Bullock has opted to maintain the status quo prior to reviewing her position once the staff's revised forecasts are available for the November meeting.

On the basis of our revised inflation forecast we expect the September Inflation Report will provide grounds for the staff inflation forecasts for the end of 2023 to be revised a little higher but not threaten the key goal of reaching the inflation target by 2025.

We do not see such revisions to the inflation outlook as providing sufficient evidence for a rate hike at the November meeting.

We have substantially lifted our forecast profile for US and Australian 10 year bond rates. For end 2023, we have lifted US rates from 4.5% to 4.6%. For end 2024, US rates are marked higher from 4.0% to 4.4% – with Fed funds expected to be 4.375% at end 2024. The forecast spread of Australian bonds to US is unchanged, at –15bps end 2023 and –20bps at end 2024.

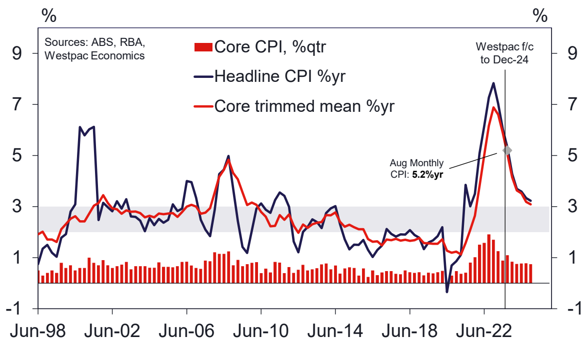
Despite the FOMC cutting rates next year, bonds may be even less attractive than we are expecting. With the US economy avoiding a recession and the FOMC cutting rates, the market may require a regular shaped yield curve much earlier than we are currently expecting.

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.

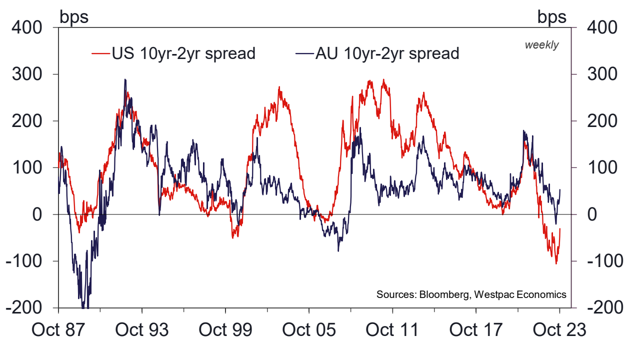
As we saw in 2018, any major negative in the US equity market is likely to trigger an aggressive response from the FOMC. A much more rapid easing cycle from the FOMC in 2024 would take pressure off the AUD; and certainly set the scene for the RBA to follow.

Bill Evans, Chief Economist Westpac Group

CPI inflation



US yield curve: becoming less inverted



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 WEEK THAT WAS

This week, the RBA decided to leave policy unchanged for a fourth consecutive month. Given that it was Governor Bullocks's first meeting at the helm, market participants were eager to dissect the decision statement for any changes in rhetoric or perceived risks. In the event, the decision statement was little-changed from August, apart from refreshed observations on the Monthly CPI Indicator, including "fuel prices have risen notably of late". The RBA is certainly justified in highlighting near-term momentum in inflation. Indeed, we have upgraded our own inflation forecasts for Q3 and Q4 in light of the stickier services detail in the Monthly CPI Indicator, recent strength in crude oil prices and the languishing Australian dollar. These developments will be incorporated into the RBA's staff forecasts next month following the more comprehensive Q3 CPI report of late-October. We expect their revisions to also be contained to the near-term, leaving intact inflation's path back into the target band in 2025.

As such, we remain of the view that the RBA will keep the cash rate unchanged in coming months. Looking to 2024, as economic growth remains weak, labour market slack will build. With inflation maintaining its downtrend towards target, the RBA will have sufficient evidence to begin easing from September quarter 2024, delivering 25bps of cuts per quarter through to mid-2025.

For more detail on our views on the outlook for the RBA and global central banks, our latest edition of Market Outlook is now available. The RBA also released their latest Financial Stability Review today, highlighting the resilience of Australia's economy and financial system amid considerable uncertainty.

Turning then to the housing data, the CoreLogic home value index posted another broad-based gain in September (0.9%) with solid increases reported in most of the major capital cities. Despite clear evidence of robust momentum in house prices, housing finance approvals point to low transaction volumes, with the total value of new loans still 27% below 2022's peak. A sizeable pipeline of work is currently holding up the level of housing construction, abstracting for high-rise volatility; but, as highlighted by dwelling approvals, the pulse of new activity is soft. Elevated construction costs and widespread capacity issues will continue to weigh on housing construction activity over the coming year, providing support to both house prices and rents.

Before moving offshore, a quick note on trade. Australia's trade surplus bounced notably in August, rising from $7.3bn to $9.6bn. This was largely a consequence of strength in gold exports which nearly doubled in the month as imports essentially halved, leading to a remarkable $2.4bn improvement in the gold balance. Excluding gold, the detail was broadly as expected, exports rising 0.3% as imports gained 0.7%. The latter in part reflects the impact of a weaker Australian dollar and higher global oil prices.

Turning to New Zealand, the RBNZ kept rates steady at 5.50% at their October meeting and their statement did not carry as hawkish a tone as Westpac and others forecasters had expected. Inflation continues to show persistence in New Zealand, while the impact of current policy settings has been blunted by strong migration and expansionary fiscal policy. As such, we maintain our call for an additional rate hike in November and now expect the cash rate to remain on hold at 5.75% until early 2025. A slow decline in the cash rate to 4% in 2026 and 3.5% from 2027 onwards is then anticipated.

Further afield, the ISM manufacturing PMI rose for a third consecutive month, albeit only to a still-contractionary 49. The lift was broadly supported by new orders, production, and employment. Despite the stronger pulse of activity, prices paid fell, leaving the sub-index 12pts below its 5-year pre-COVID average. Both from a demand and supply perspective, manufacturing sector inflation pressures seem benign.

The September non-manufacturing PMI report was mixed. The headline index fell in the month, but at 53.6 is still expansionary. Looking ahead, the decline in new orders and employment point to a belief amongst service providers that discretionary spending is losing steam across the economy.

Focusing in on the labour market, the manufacturing and non-manufacturing ISM employment components together with the JOLTS survey's hiring and quit rates, which are now back at pre-pandemic levels, suggest labour demand and supply are near balance. If GDP growth settles below trend in coming quarters as we expect, then a further deceleration in job creation is likely.

Several FOMC members also spoke this week. Of most significance were the comments of San Fransisco Fed President Mary Daly. President Daly described holding nominal rates steady as an "active policy action" because declining inflation expectations will see the real stance of policy "grow increasingly restrictive". With real term interest rates already at deeply contractionary levels, and given our expectation that GDP growth and the labour market will disappoint the FOMC, we continue to believe rate cuts will be appropriate from March 2024 and that 100bps of cuts will be required over the year versus the Committee's current median estimate of just 50bps (from a higher peak).

Over in the UK, the Bank of England released its Decision Maker Panel (DMP) survey results for September. Of note, 3-year ahead inflation expectations rose to 3.2%. Realised wages increased to 7.1% and expected wages to 5.2% after two months at 5%. In the most recent meeting, the BoE indicated that wage growth was "stable" according to broader measures of wage growth, setting aside the rapid gain in headline average weekly earnings. The DMP is one of the broader measures that the BoE is referring to. An uptick in expected wages (albeit a modest one) increases the risk of another rate hike for the BoE. It is worth noting that the survey closed a day after the most recent meeting, potentially supporting the survey's outcomes.

Week ahead & data wrap

We have revised our forecast for the Official Cash Rate (OCR). We still expect the RBNZ to increase the cash rate by 25bps to 5.75% in November, but now think that the OCR will remain at that level for longer. We now don't expect OCR cuts until early 2025. Inflation remains persistent in New Zealand, requiring the RBNZ to keep interest rates high for a sustained period to return inflation to the target range.

Since late 2022, the RBNZ has executed a consistent strategy to move the OCR relatively quickly to 5.5% and then hold the OCR steady at that level until inflation pressures subside. This strategy has been effective in significantly tightening financial conditions, especially in recent months as markets embraced the "high for longer" message.

The tightening has mainly been felt by leveraged households and businesses who are increasingly paying markedly higher financing costs. For households, a significant proportion of past rate increases is still to hit their budgets as borrowers roll onto higher rates. There has been less (indeed no) tightening in financial conditions coming from the exchange rate. This is unusual in a tightening cycle.

The challenge for the Reserve Bank is that the starting point from which financial conditions started to tighten was very stimulatory and the magnitude of the related inflation surge was unprecedented in the inflation targeting era. Interest rates and financial conditions needed to tighten – and by a very long way – to correct the significant imbalances that were created in the COVID-19 period.

Nevertheless, inflation has proven to be resilient to tightening in the post COVID-19 period. Many factors have been at play including:

- A tougher geopolitical environment.
- Ongoing frictions in global supply chains and volatility in oil prices.
- Resilience among households and businesses that built-up significant buffers during COVID-19.
- The rise in interest rates is also having an uneven impact on the economy. Some households and businesses really are struggling with the lift in borrowing costs, while others are largely unaffected because they are not as leveraged (perhaps 60-70% of households) or because job security has remained high.
- Unusual strength in population growth and the housing market when the lift in interest rates should have really been gaining leverage on the economy.
- Ongoing fiscal stimulus. In the 2023/24 fiscal year the government opted to deliver yet more stimulus – estimated by the Treasury at around 2% of GDP – even while the RBNZ was trying to get on top of inflation.

The upshot of these factors has been persistent inflation in the face of monetary tightening. Aggregate supply and demand are being lifted by the explosion in population growth. This means that growth has continued to hold up in defiance of the usual cyclical indicators pointing to what should be recessionary conditions. We saw this with the most recent GDP report that showed growth in the year to June running at 1.8%, with the size of the economy about 0.5% larger than the RBNZ forecast as late as August 2023.

Similarly, while high frequency data suggests that employment growth is now slowing, the labour market remains tight. Yes, the labour market is easing, as it has globally after the COVID-19 period, but the easing is gradual while inflation is still white hot and falling slowly. Furthermore, that firmness in the labour market is helping moderate the decline in households' spending appetites that might otherwise have occurred.

We are concerned that the RBNZ's interest rate strategy may not have been sufficiently adjusted to accommodate these factors. Since late 2022, the RBNZ's growth forecasts have been significantly revised up and unemployment rate forecasts revised down, while the RBNZ's inflation forecasts have remained well anchored around the idea that inflation will return to the 1-3% target range by the end of 2024. While the RBNZ's assumptions might prove correct (for example if the growth potential of the economy has increased significantly with population growth), we are concerned that inflation might persist. It may be that an OCR of 5.5% is insufficient to bring inflation down fast enough without risking a rise in inflation expectations, which could compound the upward pressure on costs and wages.

To account for these risks, we are adjusting our medium-term view for the OCR. We continue to think that the RBNZ will opt to raise the OCR further in the November MPS to 5.75%. However, we now do not see an easing in the OCR until 2025. After that, we see a slow 25bps per quarter adjustment down in the OCR, and it is likely to take some time to reach an assumed terminal OCR of 3.5%.

This revised profile is more consistent with the risks associated with the "high for longer" approach, compared to moving proactively to tighten earlier and by more to bring inflation down more quickly, and thus allowing earlier easing.

This profile is also more consistent with the message coming from the yield curve and long-term interest rates which have steepened and significantly increased in recent months. At the least, the rise in long term interest rates may tell us that markets have scaled back recession concerns. At worst, higher long rates might be pointing to inflation risks. Either way, it is prudent to incorporate this information into our forecasts.

We have also slightly revised up our forecasts for longer-term interest rates to reflect our revised OCR view. It had become increasingly clear that market prices were seriously challenging our medium-term interest rate forecasts. We think this revised profile better reflects the risks here.

Kelly Eckhold, Chief Economist NZ

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 2	Aug building permits	-5.4%	-6.7%	5.0%
Tue 3	Q3 Qtly Survey of Business Opinion.	-60.3	-52.7	–
Wed 4	GlobalDairyTrade auction (WMP)	4.6%	4.8%	1.0%
	RBNZ policy decision	5.50%	5.50%	5.50%
Thu 5	Sep ANZ commodity prices	-2.9%	1.3%	–

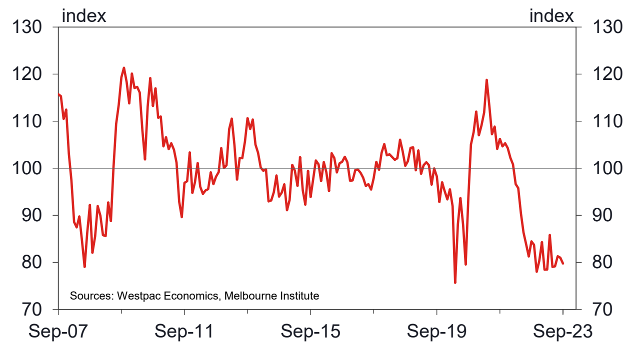
Aus Oct Westpac-MI Consumer Sentiment

Oct 10, Last: 79.7

Consumer sentiment slipped 1.5% to 79.7 in September, remaining in deeply pessimistic territory despite an extended pause to the RBA's interest rate tightening cycle and easing fears of further rate rises to come. While confidence improved amongst those with a mortgage (up 7.8% in the month) it deteriorated sharply across other groups, wider cost of living concerns clearly still impacting, a sharp rise in petrol prices of particular note over the last two months.

The October update may show a similar mix with official interest rates again left on hold but cost of living issues still apparent – the August update to the Monthly CPI Indicator showing a lift in annual inflation to back above 5%yr.

Consumer Sentiment Index



Aus Sep overseas arrivals and departures, preliminary

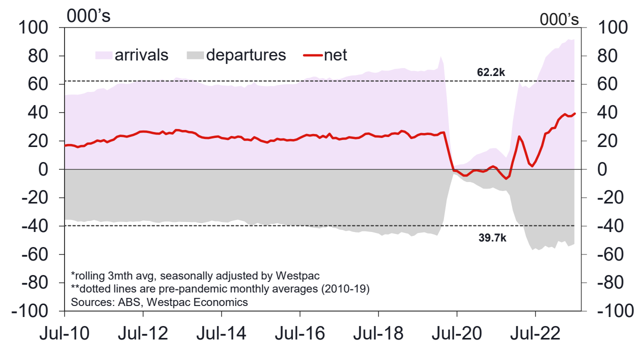
Oct 13, Arrivals, Last: 1547.2k
Oct 13, Departures, Last: 1524.0k

The burst in short-term travel associated with the mid-year holiday season saw headline overseas arrivals and departures bounce over June and July, settling a touch above 1.5mn in August.

One of the more notable developments over this period was the pick-up in permanent and long-term travel (P&LT), which tends to be a better (but still limited) gauge of net migration flows. On a three-month average basis (based on Westpac's provisional seasonally adjusted estimates), net P&LT inflows are tracking +39.3k/mth, a record pace.

This, alongside other evidence from the Labour Force Survey and temporary visa/migrant data, led us to review our population forecasts. We now expect population growth to peak at 2.3%yr in 2023, before moderating to 1.9%yr in 2024 and 1.5%yr in 2025, implying net migration volumes of +475k, +375k and +275k in each of those years respectively.

Permanent & long-term travel



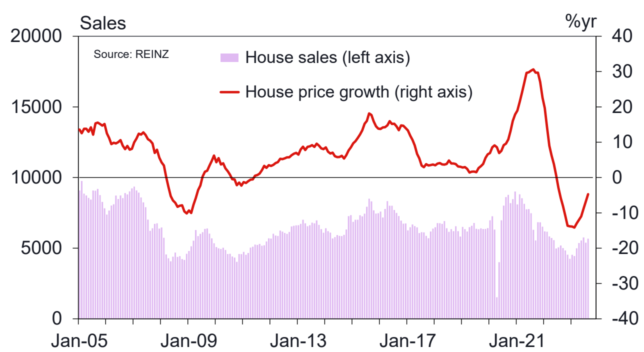
NZ Sep REINZ house sales and prices

TBC, Sales* – Last: +5.2%mth, +9.2% annual
TBC, Prices* – Last: +0.8%mth, –4.7% annual
monthly figures based on Westpac seasonal adjustment

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

With the upcoming election, interest rates pushing higher and investors sitting on the sidelines, we could see a lull in the market in September. More generally, however, we expect the recent stabilisation to continue over the next few months. Population growth has picked up, and we are seeing signs that confidence is returning to the housing market, with days to sell easing back.

REINZ house prices and sales



DATA PREVIEWS

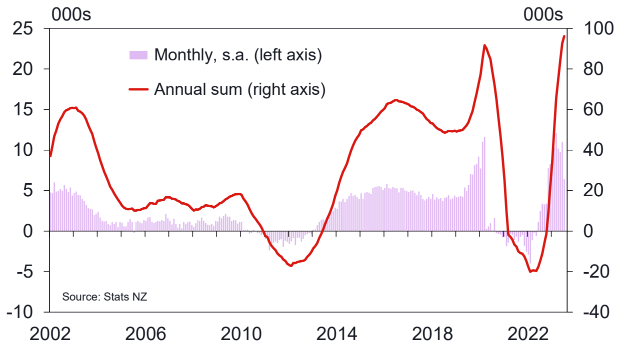
NZ Aug net migration

Oct 11, Last: +5,786

Net migrant inflows have increased sharply since late last year, rising to over 96,000 in the year to July. Inflows have been boosted by a sharp lift in entrants on work visas to fill skill shortages accumulated during the pandemic, together with the return of foreign students. These inflows have only been partially offset by an increased level of departures.

While the provisional inflow in July was the smallest in nine months (based on our seasonal adjustment), there has been a recent tendency for subsequent upward revisions of late. So we will paying attention to both the estimate for August and any revisions to earlier data. It is also worth noting that Stats NZ will resume issuing official seasonally adjusted estimates this month.

NZ net migration



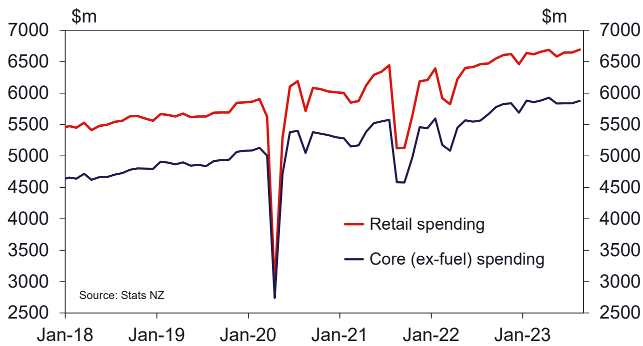
NZ Sep retail card spending

Oct 13, Last: +0.7%, Westpac f/c: +0.3%

Retail spending rose by 0.7% in August. However, beneath the surface, demand conditions are cooling. The growth in spending we have seen has been underpinned by rapid increases in the population and increases in consumer prices, rather than individual households taking home more goods.

We're forecasting a 0.3% rise in retail spending in September. However, that largely due to the sharp rise in fuel prices over the past month, which is crowding out spending in other areas. Core spending (excl. fuel) is expected to be subdued.

NZ monthly retail card spending



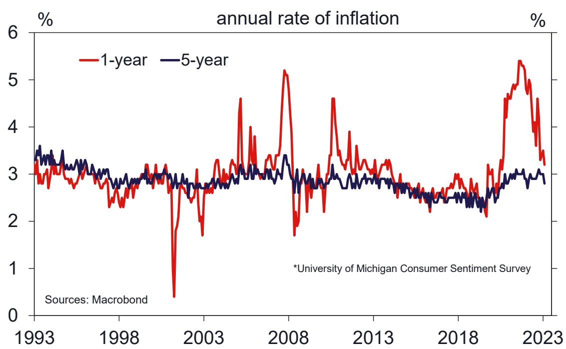
US Sep CPI

Oct 12, Headline CPI, Last: 0.6%, Mkt f/c: 0.3%, WBC f/c: 0.3%

August saw a pop higher in the headline CPI to 0.6%, primarily as a result of energy prices; the core CPI was instead broadly as anticipated at 0.3%. The topping out of oil prices in September is expected to see headline and core measures back in line at 0.3%. Taking the multi-month trend into consideration, there is downside risk at the margin from food. That said, within the core components, there has been considerable volatility of late, so any surprise on food could easily be offset elsewhere.

Looking further ahead, we continue to expect both headline and core inflation to tend to the FOMC's 2.0% target in coming months as service sector inflation and food price pressures abate, assuming energy is a neutral influence. 6-month annualised inflation can be back at target by December, but the annual rate will take to mid-2024. While we expect a re-acceleration in late-2024, this will be the result of structural factors.

Household inflation expectations normalising



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For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 09					
Chn	Sep new loans CNYbn	1358	2500	–	Subdued investment intentions are reflecting in a large…
	Sep M2 money supply %yr	10.6%	10.6%	–	… stock of time deposits and weaker loans growth.
Eur	Oct Sentix investor confidence	–21.5	–23.0	–	Pessimism around outlook keeping confidence low.
US	Fedspeak	–	–	–	Barr, Logan, Jefferson.
Tue 10					
Aus	Oct WBC–MI Consumer Sentiment	79.7	–	–	Rate pause has done little to lift the consumer mood so far.
	Sep NAB business survey	13	–	–	Conditions well off 2022 highs, but little change since May.
NZ	Sep REINZ house sales %yr	9.2%	–	–	TBC. The market has found a base and is tilting upwards…
	Sep REINZ house prices %yr	–4.7%	–	–	… but volumes remain limited at this stage.
Jpn	Aug current account balance ¥bn	2771.7	3090.9	–	Primary income is supporting surplus through weak Yen.
US	Sep NFIB small business optimism	91.3	–	–	Uptrend struggling to maintain momentum.
	Aug wholesale inventories	–0.1%	–	–	Final estimate.
	Fedspeak	–	–	–	Bostic, Waller, Kashkari.
Wed 11					
Aus	RBA Assist' Governor (Financial Mkts)	–	–	–	Kent, *Channels of Transmission*, Bloomberg Sydney 12:00pm.
NZ	Aug net migration	5786	–	–	Peaking, but yet to show a convincing downtrend.
US	Sep PPI	0.7%	0.3%	–	Smaller gain anticipated following August's oil price surge.
	FOMC September meeting minutes	–	–	–	Provides colour on balance of risks for the next rate hike.
	Fedspeak	–	–	–	Daly, Bowman, Collins.
Thu 12					
Aus	Oct MI inflation expectations	4.6%	–	–	Downtrend has resumed, back near April levels.
NZ	Sep food price index	0.5%	–	0.1%	Seasonal drop in fruit and vegetable prices.
Jpn	Aug core machinery orders	–1.1%	0.4%	–	Overall weakness but cars are a bright spot.
UK	Aug monthly GDP	–0.5%	–	–	Weakness in services to add pressure to output growth.
	Aug trade balance £bn	–3.4	–	–	Weak consumer demand and European slump maintain deficit.
US	Sep CPI	0.6%	0.3%	0.3%	Topping out of oil prices to see similar lift in headline and core.
	Initial jobless claims	207k	–	–	To remain near lows, for now.
	Fedspeak	–	–	–	Bostic, Collins.
Fri 13					
Aus	Sep overseas arrivals (preliminary)	1547.2k	–	–	Permanent and long-term net inflows at very strong levels.
NZ	Sep manufacturing PMI	46.1	–	–	Set to remain low in face of mounting financial pressures.
	Sep retail card spending	0.7%	–	0.3%	Higher fuel prices crowding out other spending.
Chn	Sep CPI %yr	0.1%	0.2%	–	Managed prices and subdued spending keeping prices low.
	Sep PPI %yr	–3.0%	–2.4%	–	Excess capacity to keep PPI low.
	Sep trade balance US$bn	68.2	73.7	–	Stronger exports to regional partners to widen surplus.
Eur	Aug industrial production	–1.1%	–	–	Weaker demand to keep production weak.
US	Sep import price index	0.5%	0.6%	–	Excluding oil, prices are holding flat.
	Oct Uni. of Michigan sentiment	68.1	67.5	–	Sentiment to remain weak, focus on inflation expectations.
	Fedspeak	–	–	–	Harker.

Forecasts

Interest rate forecasts

Australia	Latest (6 Oct)	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	4.25	4.10	4.00	3.90	3.80	3.70	3.50	3.40
3 Year Bond	4.04	3.85	3.75	3.70	3.60	3.50	3.30	3.20
10 Year Bond	4.60	4.45	4.50	4.40	4.30	4.20	4.00	3.90
10 Year Spread to US (bps)	-12	-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	4.72	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	5.75	5.75	5.50	5.25
90 day bill	5.69	5.85	5.85	5.85	5.85	5.75	5.50	5.20
2 year swap	5.72	5.81	5.67	5.50	5.29	5.08	4.86	4.65
10 Year Bond	5.51	5.45	5.45	5.40	5.30	5.15	4.90	4.80
10 Year spread to US	79	85	80	80	80	75	70	70

Exchange rate forecasts

Australia	Latest (6 Oct)	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
AUD/USD	0.6373	0.66	0.67	0.68	0.69	0.70	0.71	0.72
NZD/USD	0.5969	0.61	0.61	0.62	0.62	0.62	0.63	0.63
USD/JPY	148.46	147	145	143	141	138	135	132
EUR/USD	1.0549	1.08	1.09	1.11	1.13	1.14	1.15	1.16
GBP/USD	1.2191	1.23	1.24	1.25	1.26	1.27	1.28	1.30
USD/CNY	7.2982	7.20	7.10	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.0676	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	1.1	0.9	0.8	0.7	–	–	–	–
annual chg	7.8	7.0	6.0	5.3	4.3	3.7	3.6	3.5	7.8	4.3	3.2
Trimmed mean	1.7	1.3	0.9	1.1	0.8	0.8	0.8	–	–	–	–
annual chg	6.9	6.6	5.9	5.0	4.1	3.6	3.5	2.6	6.9	4.1	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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