AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 30 October 2023

Editorial: We have seen enough for RBA's next move to be an increase.

Australia: housing updates (prices, finance, dwelling approvals), credit, trade balance, real retail sales.

NZ: unemployment rate, LCI, business confidence, building consents.

China: NBS and Caixin PMIs.

Europe: Q3 GDP, CPI, unemployment rate.

UK: BoE policy decision.

US: FOMC policy decision, nonfarm payrolls, unemployment rate, ISMs, Q3 ECI.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 27 OCTOBER 2023.

WESTPAC INSTITUTIONAL BANK

We have seen enough for RBA's next move to be an increase

Last week we noted that the RBA would leave rates unchanged so long as they saw inflation coming down as they had expected. But if the data flow showed inflation declining slower than that, they would raise rates. This message was reinforced in the Governor's first speech, on Tuesday, where she said "The Board will not hesitate to raise the cash rate further if there is a material upward revision to the outlook for inflation." The September quarter CPI release was always going to be crucial.

Has the RBA seen enough to move? At 1.2% in the quarter, both headline and trimmed mean inflation was a little higher than the Westpac team expected (see Westpac Senior Economist Justin Smirk's note). We assessed that it would take a significant upside surprise to induce the RBA Board to raise rates at the November meeting. A 0.1% difference might not seem like a lot, but the underlying detail was sobering.

So yes, I've seen enough to make my first-ever rate call to be a prediction of a hike.

In August, the RBA expected that the trimmed mean rate of inflation would reach 3.9% over 2023. That seems a long way out of reach now: the December quarterly result would have to print at 0.5% for this to happen. The higher result also cannot be attributed solely to volatile components that will reverse out soon. Fuel inflation was stronger in the quarter, but so were vehicle price inflation, homebuilding cost inflation and inflation in a range of services components such as meals out and takeaway, dental fees and transport fares. Recreational services more broadly were also strong. And a significant fraction of the index saw quarterly changes moderating by less than expected.

Looking at some of the risks we called out last week, it is noteworthy that some traded goods prices are still holding up, even as similar prices decline in other economies; see the graph in Justin Smirk's inflation note for more detail. The cumulative difference in price movements is too large to explain as an exchange rate effect. A sequence of above average inflation outcomes is also evident in the related services series, which includes things like streaming services. Along with strong services inflation more broadly, these outcomes suggest that domestic demand pressures are still driving domestic inflation, even though consumer spending growth more broadly is very weak. Strong population growth is a factor here, and recent arrivals data suggest it will remain so.

Another risk that will remain front of the Board's mind is that housing prices continue to rise. Related to this, the material in the Financial Stability Review and the Governor's speech this week highlighted that the household sector has been resilient to the tightening in monetary policy so far. So although the household sector is currently facing a squeeze on real incomes, and household spending is weak, the Board could conclude that the risk that domestic demand remains stronger than expected has increased. The recent resurgence in US retail sales is a salutary example of what can happen, though it should be emphasised that the US consumer sector is in a very different position to Australia's.

That said, we do not think that a decision to increase rates at the November meeting is entirely clear cut. There is an argument that bygones are bygones, and the upside surprise on the September quarter data will not carry through to subsequent quarters. If the RBA did not want to raise rates this month, it could upgrade its 2023 forecast for inflation but not the forecast for 2024 and beyond. It could then argue that there had been no material upward revision to the *outlook* for inflation, only to the history.

As an aside, we do not take any signal from the Governor's parliamentary testimony this morning on the interpretation of the CPI data. Having spelled out so clearly that a material surprise to the outlook would warrant a rate increase, she simply had to be equivocal to avoid front-running the Board's decision, which is still more than a week away.

The Board could point to the reduced risk of a price-wage spiral and the turning in the labour market as evidence in support of a decision to keep rates on hold. The Board might also want to reference the current uncertainty generated by the conflict in the Middle East and the tightening in global financial conditions. Some of the near-term strength in services inflation could be a passing through of award wage increases that probably won't be repeated, as well as non-standard timing of increases in health insurance. Business services have been showing cost pressures easing, and growth in the real economy is relatively weak.

But this seems like a hard case to make. It is going to be a finely balanced decision and a decision to hold still can't be ruled out entirely. An increase this month won't be the outcome the RBA had hoped for. But given the strength of their rhetoric around upside surprises, I don't think they will try to craft a rates-on-hold story. Nor will they wait until the following month. There is not enough in the way of new data between the November and December meetings, and waiting would be inconsistent with the clear language from the Governor's speech this week about not hesitating if the outlook changes.

Luci Ellis, Chief Economist Westpac Group

In Australia, the Q3 CPI printed at 1.2% (5.4%yr) for headline inflation and 1.2% (5.2%yr) for core trimmed mean inflation. The detail of the report highlighted that, although the disinflationary process remains intact, its pace is not as fast as Westpac and the RBA were anticipating. Indeed, on a six-month annualised basis, core inflation only edged lower Q2 to Q3 from 4.5% to 4.3%. In the quarter, major goods categories were stronger than expected, most notably automobiles and house purchase costs. Upside surprises were also seen within services, particularly 'other recreational, sporting and cultural services' – capturing cinemas, concerts and sporting events – which posted its strongest September gain since the introduction of GST in 2000, +3.4%.

The Commonwealth Rent Assistance, Child Care Subsidy and Energy Bill Relief programmes are providing some respite to stressed households. But ultimately, policy needs to bring inflation back to target if cost-of-living pressures are to fade. This is why Governor Bullock stated just before the CPI's release that the Board "will not hesitate to raise the cash rate further if there is a material upward revision to the outlook for inflation."

As outlined by Chief Economist Luci Ellis, the stronger-than-expected Q3 inflation print and the RBA's clear messaging have led us to revise our view on the cash rate, with a 25bp hike to 4.35% now forecast for the November Board meeting. The resilience of the household sector to the tightening cycle to date, capacity constraints amid strong population growth as well as ongoing gains for wealth from housing also support a decision to hike. However, the RBA will also recognise that the labour market has turned and the risk of a price-wage spiral is receding. November's decision to raise rates will therefore be finely balanced. And, in the months ahead, the RBA will closely scrutinise the evolution of both inflation and activity risks.

Offshore, central banks and Chinese stimulus dominated headlines.

The Bank of Canada held rates steady at 5.0% and unveiled new forecasts. The average annual GDP growth projections were cut by 0.6ppts to 1.2% for 2023 and 0.3ppt to 0.9% for 2024 but revised up 0.1ppt to 2.5% for 2025. However, year-end inflation for 2023 and 2024 was revised up, and the BoC now sees inflation returning to its 1-3% target band in 2025 rather than 2024. The statement also made clear that the Governing Council was attune to upside risks for inflation and was willing to raise rates if needed. It looks as though the BoC will tolerate above-target inflation in 2023 given the weak outlook for growth. But it remains to be seen if this patience will endure through 2024 if upside inflation risks materialise.

The European Central Bank subsequently kept its three key policy rates on hold at its October meeting, though President Christine Lagarde again noted inflation is expected to stay "too high for too long". The ECB continues to believe that holding rates at their current level will allow the ECB to reach its inflation target. However, despite considerable uncertainty over the growth outlook and with financial conditions having also been tightened by changes in lending standards, Lagarde gave no indication about when rate cuts might occur when asked during the press conference. Given much of the easing in inflation in the September quarter came as a result of energy price base effects, the ECB is right to be cautious about the ongoing rate of disinflation.

Across in the US, Q3 GDP exceeded expectations growing 4.9% annualised in Q3. Personal consumption expenditure contributed more than half of total quarterly growth (around 2.7ppts), with strength evident across goods and services. A strong labour market and low 30-year fixed mortgage rates locked in during the pandemic are sustaining established households' spending capacity, and being further supplemented by the remaining excess savings from the pandemic. However, confidence is weak and consumer caution over the outlook has risen of late.

It is worth noting that the quarterly profile for consumption has been inconsistent over the past year, leaving annual growth only marginally above the pre-pandemic decade average (2.4%yr compared to 2.3%yr). A similar assessment can be made for domestic demand overall, with annual growth currently 2.6%yr versus 2.4%yr pre-pandemic. With the labour market decelerating, confidence weak, and the full effect of financial and credit tightening to be felt, the message these results provide for 2024 and 2025 is that a material slowing of growth and inflation remains the most probable outcome. This would allow the FOMC to lower the fed funds rate through the period to stop a further tightening of financial conditions on a real basis and thereby minimise the risk of recession.

Speaking of mitigating downside risks, this week China's Central Government announced stimulus measures worth RMB1trn, 0.8ppt of GDP. This is the first time a mid-year adjustment has been made to the fiscal deficit target since the Sichuan earthquake of 2008 and before that the Asian Financial Crisis. The stimulus will be used to fund disaster relief and infrastructure spending from Q4 2023 through 2024. With the funds to be raised by the Central Government, the cost of borrowing will be minimised and time delays between financing and investment kept to a minimum. Competition for the capital amongst the provinces is likely to keep the quality of projects high. Built into our growth forecast of 5.3% for 2023 and 2024 was an expectation of further stimulus broadly in line with that announced, so our forecasts are unchanged. Our concerns over the property sector also remain. To remove this uncertainty, authorities must first underwrite funding for developers then encourage households to step-up their demand. The eventual consequence will be a return of local government funding from land sales, reducing their need for debt issuance.

Week ahead & data wrap

While recent softer-than-expected CPI data has probably taken the prospect of a rate hike off the table at the RBNZ's 29 November meeting, there will still be plenty of local interest in next week's September quarter labour market surveys (released 1 November). At the very least, developments in the labour market will have a bearing on the tone of the commentary in the Monetary Policy Statement and on prospects for a rate hike next year at the first meeting in late February (by which time a further set of CPI and labour market data will also have been released). After all, a projected marked loosening of the labour market is a critical part of our forecast – and that of the RBNZ – that domestic inflation will moderate by enough to allow overall CPI inflation to move back into the target range over the coming year or so.

After several quarters of very strong growth, indicators to hand suggest that employment growth has begun to slow in recent months. As usual our estimate of employment growth is guided by the monthly employment indicator (MEI). The MEI – taken from tax filings – points to growth in filled jobs during July and August, but at a slower pace than seen earlier this year. While official MEI data for the September month won't be released until 30 October, weekly information suggests a continuation of the recent softer trend. As a result, we estimate that the MEI will point to a 0.5% lift in filled jobs in the September quarter. Allowing for the possibility of some people taking second jobs in response to the increasing pressures on household finances, together with greater softness in employment not covered by the MEI, we estimate that the HLFS will report a 0.4% lift in household employment in the September quarter.

Turning to labour supply, Statistics New Zealand has already reported that the working age population increased by 0.6% in the September quarter, lifting annual growth to a new high of 2.6%. This reflects the ongoing surge in migrant arrivals since late last year. Given our assessment of likely employment growth, the implications for the unemployment rate hinge on developments in labour force participation. The labour force participation rate recorded its fifth consecutive increase in the June quarter, rising to a new record high of 72.4%. Pressures on household finances, due to high inflation and rising mortgage interest rates, may be causing more people to seek work. That said, participation rates for women and older persons have been trending higher for many years. It also seems likely that migrants' average participation rate exceeds that of the general population, reflecting the age structure of migrants and the fact that many are arriving on work visas. We have assumed a further 0.1ppt increase in participation to 72.5% in the September quarter.

Given the above, we estimate that Statistics NZ will report a 0.3ppts increase in the unemployment rate to 3.9%, continuing the uptrend that began early last year. Our forecast is supported by several independent indicators. For example, we note that the NZIER's September QSBO survey pointed to a marked reduction in perceived skilled shortages and a sharp reduction in the proportion of firms citing labour as a constraint on output. Meanwhile, the uptrend in the number of people on Jobseeker benefits – albeit only loosely correlated with the unemployment rate – has continued through the quarter (recent migrants will not be eligible to receive these benefits). Aside from the unemployment rate, we will also be interested in developments in the underutilisation rate – a broader measure that includes, for example, those seeking more work. The latter stepped up 0.7pts to 9.8% in the June quarter.

Given comments made at the October meeting, we are sure that the RBNZ will be paying particular attention to the wage information released next week. We expect that the overall Labour Cost Index (LCI) will increase 1.1% in the September quarter, causing annual growth to nudge down to 4.2%. Pay settlements in the healthcare and education sectors should contribute to a large increase in the public sector. Perhaps more importantly for the RBNZ, we expect the private sector LCI to increase by 1.0% in the September quarter. This is less than the 1.1% growth recorded in the June quarter – which was influenced by the 7% lift in the minimum wage – and 0.2ppts lower than the same quarter a year earlier, so lowering annual growth to 4.1%. While still high by historic standards, reflecting past tightness in the labour market, such an outcome would suggest that the peak in wages growth has passed.

If the labour market data pan out much as we expect they will likely have little impact on the RBNZ's view of the economy or policy outlook. Our estimate of employment growth is only fractionally stronger than that forecast by the RBNZ back in August. With migrant inflows also boosting the labour force more than the RBNZ had estimated previously, our estimate of the unemployment rate is also fractionally higher than the RBNZ's forecast. Our forecast for the increase in wages is in line with the RBNZ's forecast.

Aside from the labour market data, there are two other releases of note in the coming week's Kiwi economic diary. Most interest will probably centre on the latest ANZ Business Outlook Survey. In contrast to the quarterly QSBO business survey, the monthly ANZ survey has pointed to a material improvement in business confidence and key sentiment indicators from the lows seen earlier this year, although the level of these indicators remains low relative to average historical experience. The inflation expectations and pricing indicators will be of particularly interest to see whether they have continued their contrasting declining trend, coming from historically high levels. The building consents report for September will also be of interest following an unexpectedly steep decline in residential building consents during August. Finally, on Friday the official results of this month's General Election will be released, which may have a bearing on the structure of the of the centre-right coalition government that is currently being negotiated.

Darren Gibbs, Senior Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Fri 27	Oct ANZ consumer confidence	86.4	88.1	–

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

DATA PREVIEWS

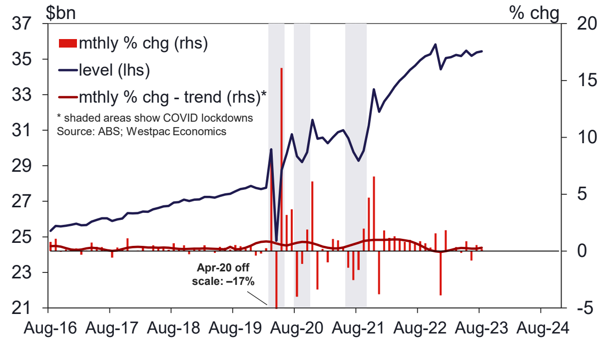
Aus Sep retail trade

Oct 30, Last: 0.2%, WBC f/c: 0.7%
Mkt f/c: 0.3%, Range: flat to 0.8%

Retail sales disappointed in August, posting another feeble gain of just 0.2% in the month despite an expected boost from the FIFA Women's World Cup and card data that had pointed to a better outcome. Annual growth slowed to just 1.5%yr, representing a sizeable decline in real terms (retail prices rose 5% over the year to June), and an even bigger contraction in real per capita terms (population growth currently running at 2.3%yr).

While we are wary of the undershoot in August, retail sales still look to have improved somewhat, our **Westpac Card Tracker** continuing to show modest gains in September that look to have carried into October (noting that some of this will be price-related). We expect official retail sales to show a figures to show a better 0.7% gain for the month. Note that the preliminary release on the Monday will be followed by a final release on the Friday that will include estimates of real retail sales for Q3 as a whole (see preview overleaf).

Monthly retail sales



Aus Sep private sector credit

Oct 31, Last: 0.4%, WBC f/c: 0.3%
Mkt f/c: 0.3%, Range: 0.2% to 0.6%

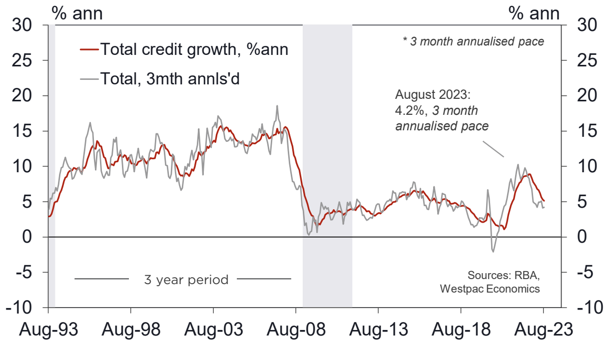
Private sector credit growth is subdued – a trend that is set to continue as interest rates remain elevated and with the economy on a sub-trend growth path.

Credit grew by 4.2% annualised over the three months to August, with an average monthly pace of 0.34% over the period.

For September, we anticipate an outcome of 0.3%. That will see annual growth slip from 5.1% to 4.7% – a two year low.

Housing credit grew by 3.8% annualised over the past three months, a pace that has been relatively stable since March as the established housing market stirs – with prices squeezed higher on low volumes. Business credit grew by 4.8% annualised over the past three months, extending a trend slowing evident over the past year as the economic downturn impacts.

Credit: growth pulse* a subdued 4.2%



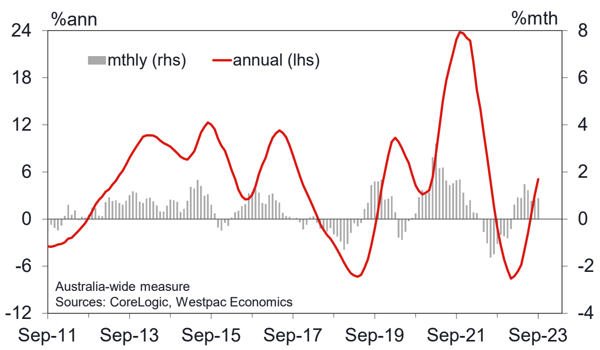
Aus Oct CoreLogic home value index

Nov 1, Last: 0.9%, WBC f/c: 1.0%

The CoreLogic home value index, covering the eight major capital cities, rose 0.9% in September, in line with similar gains in July and August but a slight step-down from the stronger gains in the June quarter. Annual growth rose to 5.1%yr.

The CoreLogic daily index points to a similar result in October, tracking a 1% gain for the month, Perth outperforming in the month and, to a lesser extent, Brisbane and Adelaide.

Australian dwelling prices



DATA PREVIEWS

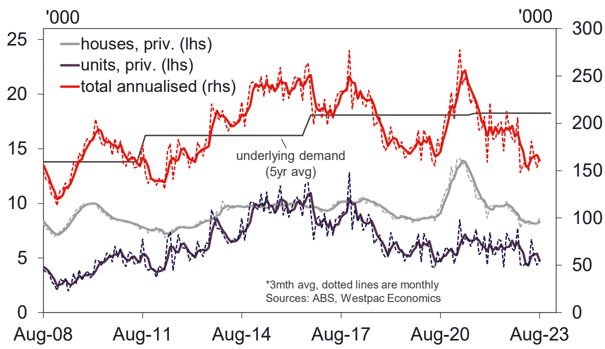
Aus Sep dwelling approvals

Nov 1, Last: 7.0%, WBC f/c: 5.0%
Mkt f/c: 2.5%, Range: –5.5% to 5.0%

Dwelling approvals posted a 7% rise in August, with both detached houses and units posting solid gains. The result comes off two months of sizeable declines led by units. The underlying picture for detached houses looks to be of a gradual up-trend coming from a weak level.

September is likely to show another strong headline gain but mainly due to temporary factors. HIA new home surged strongly over the two months to September, with a notable spike in NSW that is reportedly a pull-forward effect associated regulatory changes (new building standards coming into effect from Oct). Assuming this flows through to dwelling approvals, total approvals are likely to be up around 5% in the month even with some retracement in units and weaker results ex NSW. However, the rise will likely unwind sharply in October as approvals revert to the more gradual underlying uptrend.

Dwelling approvals



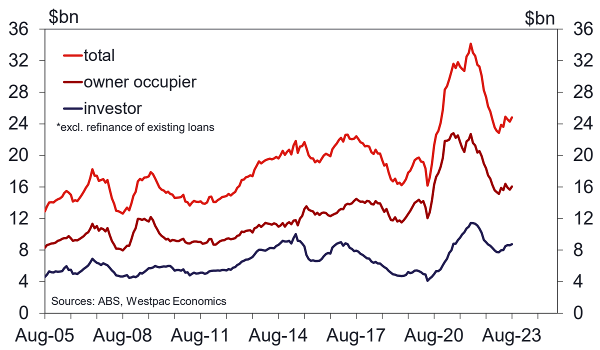
Aus Sep housing finance approvals

Nov 2, Last: 2.2%, WBC f/c: 4.0%
Mkt f/c: 1.3%, Range: –1.5% to 4.0%

The total value of new housing finance approvals rose 2.2% in August, the mix showing gains led by owner occupier loans for the purchase of existing dwellings with other segments a touch softer. The picture continues to be one of a gradual up-trend coming from a weak starting point, the total value of finance approvals still 27% below the peak at the start of last year.

September should see a stronger gain. As noted, HIA new home sales surged through August-September suggesting construction-related approvals should post a strong gain. Meanwhile the upturn in established markets has continued, with price gains continuing at a similar pace and volumes showing a little more traction in recent months. The combined effect is expected to see the total value of loans up 4%mth, construction activity driving a slightly stronger gain for owner occupier loans.

New finance approvals by segment



Aus Sep international trade in goods, $bn

Oct 5, Last: 10.4, WBC f/c: 10.4
Mkt f/c: 9.6, Range: 8.0 to 12.1

Note: The international trade release has narrowed in scope, with coverage limited to goods. Services data will be available only in the quarterly Balance of Payments.

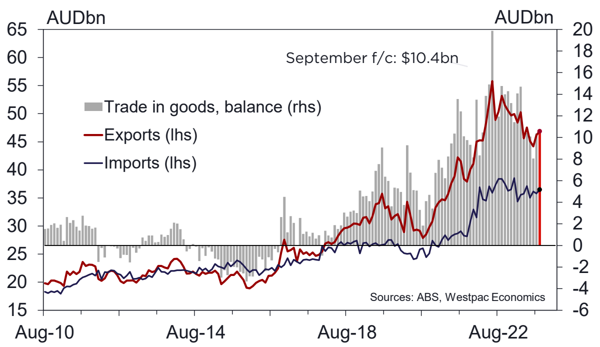
Australia's trade surplus has moderated as commodity prices have eased from their highs. The surplus is down from a $14bn monthly average in the year to March to around a $10bn average since then.

For September, we anticipate that the surplus will be unchanged from August, at $10.4bn.

Export earnings are expected to rise by 1.5%, +$0.7bn, advancing on higher commodity prices, up 3.9% but still 13% below end 2022. Gold volumes potentially eased, down from elevated levels.

The import bill is expected rise, up 1.9%, +$0.7bn. This factors in a rebound in volumes, capital and gold, up from August lows.

Australia's trade in goods balance



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

DATA PREVIEWS

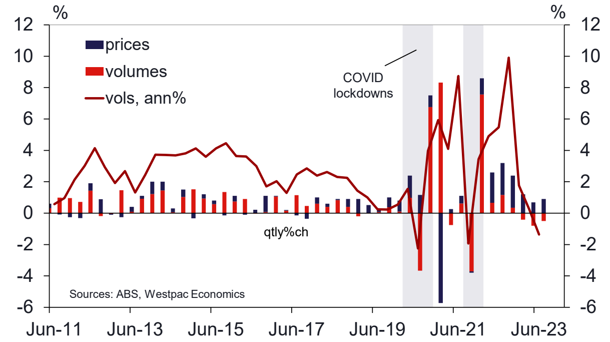
Aus Q3 real retail sales

Nov 3, Last: –0.5%, WBC f/c: flat
Mkt f/c: –0.3%, Range: –1.2% to 0.3%

Real retail sales fell 0.5% in Q2, following a 0.8% contraction in Q1 and a 0.4% decline in Q4 – a large and prolonged decline by historical standards. Annual growth has swung from a rollicking 9.9%yr pace at the peak in Q3 last year to a –1.4%yr contraction as at mid-2023 – an out-sized 3.7%yr fall in per capita terms.

That poor performance looks to have carried into Q3 albeit with some stabilisation at weak levels. We expect nominal sales to finish up 0.6%qtr, a slight improvement on the 0.4%qtr gain in Q2. The Q3 CPI detail suggests all of this is due to higher prices, with real retail sales (volumes) about flat.

Quarterly retail volumes and prices



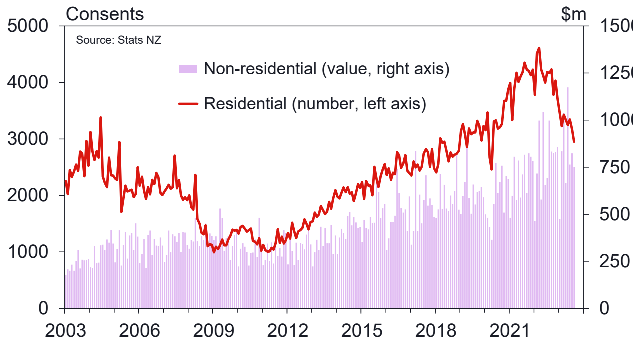
NZ Sep building consents

Oct 31, Last: –6.7%, Westpac f/c: flat

Dwelling consent issuance has fallen sharply over the past year in response to higher interest rates, a weaker housing market and sharp rises in building costs. In the year to August, just over 42,000 new dwellings were consented – down 17% from the levels we saw last year.

We expect that monthly consent issuance will hold around current levels in September. While the above conditions are continued to weigh on construction activity, there's likely to be some recovery in the more volatile building categories following earlier weakness.

NZ building consents



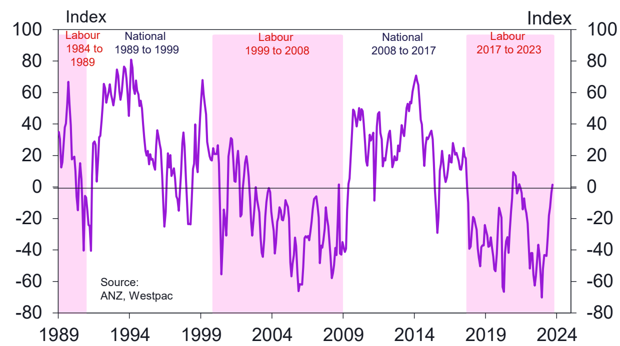
NZ Oct ANZBO business confidence

Oct 31, Last: 1.5

The October business survey comes in the wake of the recent General Election which saw centre-right parties gaining a majority of seats in Parliament. Business confidence is strongly influence by political cycles, and it has tended to take a step higher when centre-right parties take office. We expect that pattern will be repeated in the October survey, building on the rise seen in recent months.

However, while confidence is pushing higher, businesses are still dealing with some challenging trading conditions. In particular, we'll be keeping a close eye on the surveys gauges of cost pressures, with businesses continuing to report pressure on margins.

NZ ANZBO business confidence



DATA PREVIEWS

NZ Q3 labour market surveys

Nov 1, Unemployment rate, Last: 3.6%, Westpac f/c: 3.9%
Nov 1, Labour Cost Index (Total), Last: 1.1%, Westpac f/c: 1.1%

Indicators suggest a 0.4% lift in employment in the September quarter – a solid gain but less than half the pace recorded in recent quarters. So with substantial migrant arrivals and an uptrend in the participation rate continuing to boost the labour force, we expect the unemployment rate to rise by 0.3ppts to 3.9% (0.7ppts above last year's historic low).

Turning to wages, we expect the Labour Cost Index (all sectors) to increase 1.1%, which should cause annual growth to nudge down to 4.2% – still high by historical standards, reflecting past labour market tightness, but suggesting that the cycle may have peaked.

Our forecasts are not materially different to the RBNZ's. So if the data meet our expectations, they are unlikely to have much impact on the Bank's outlook for the economy and monetary policy.

NZ labour market indicators

US Nov FOMC meeting

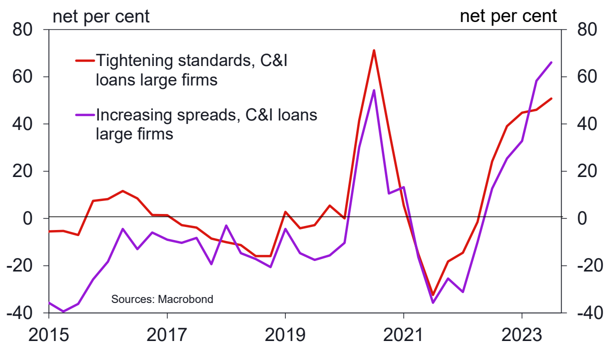
Nov 1, fed funds rate, Last 5.375%, Mkt f/c: 5.375%, WBC f/c: 5.375%

Despite a run of strong data, almost all FOMC members who spoke before the current blackout period began signalled a preference to keep policy on hold at the Oct/Nov meeting.

While risks remain, there is a clear downtrend in inflation. Demand and supply in the labour market is also coming into balance. If these trends continue, the FOMC can remain on hold into 2024 and, depending on how quickly inflation tends back to target, slowly begin to cut the fed funds rate.

The focus for the meeting will be Chair Powell's remarks and response to questions at the press conference. Market participants and journalists alike will be keen to discern what the threshold is for another hike ahead of the December meeting and conversely what conditions are necessary for the FOMC to begin cutting.

Policy and credit standards impact growing



US Oct employment report

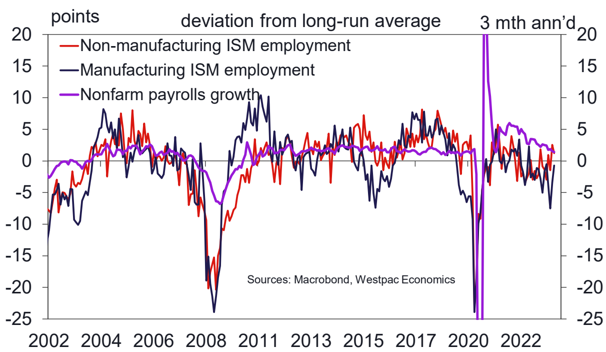
Nov 2, nonfarm payrolls, Last 336k, Mkt f/c: 168k, WBC f/c: 190k
Nov 2, unemployment rate, Last 3.8%, Mkt f/c: 3.8%, WBC f/c: 3.8%

September's nonfarm payroll report was very strong, with 336k new jobs created in the month and 119k in back revisions to July and August. The 3-month average change jumped from around 150k to close to 270k as a result, the latter more than twice the number of jobs required each month to offset population growth.

The October report will therefore be a critical test of this signal, with another round of significant revisions possible.

Also important will be the momentum reported by the household survey and average hourly earnings. Of late, the latter two measures of labour market health have provided a softer read than payrolls. Alignment is unlikely in one month, but a partial convergence is probable. Also note that the Q3 Employment Cost Index is due for release on Oct 31, providing a cross-check for hourly earnings.

Surveys point to modest job creation



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 30					
Aus	Sep retail sales	0.2%	0.3%	0.7%	Card data suggests retail posted a decent rise in Sep.
NZ	Sep Monthly Employment Indicator	0.2%	–	0.1%	Tax data suggests growth in filled jobs is slowing.
Eur	Oct economic confidence	93.3	–	–	Pessimism looms as impact of rate hikes materialises.
US	Oct Dallas Fed index	–18.1	–	–	Manufacturing conditions fickle and susceptible to shock.
Tue 31					
Aus	RBA Assist' Governor (Financial Mkts)	–	–	–	Jones speaking at AFIA Conference, 10:50am AEDT.
	Sep private sector credit	0.4%	0.3%	0.3%	Modest pace evident over recent months to continue.
NZ	Sep building consents	–6.7%	–	0.0%	Annual consent issuance is continuing to soften.
	Oct ANZ business confidence	1.5	–	–	Potential post election bounce.
Jpn	BoJ policy decision	–0.10%	–0.10%	–	No change until wages growth shows meaningful impact.
	Sep jobless rate	2.7%	2.6%	–	Tight conditions boost female participation.
	Sep industrial production	–0.7%	2.5%	–	Cars a bright spot in otherwise sombre report.
Chn	Oct manufacturing PMI	50.2	50.2	–	Stimulus could lift manufacturing sentiment.
	Oct non-manufacturing PMI	51.7	51.8	–	Lack of confidence is limiting services outlook.
Eur	Q3 GDP	0.1%	–	–	Growth hanging on by a thread.
	Oct CPI %yr	4.3%	–	–	Further easing expected, though energy remains a risk.
US	Q3 employment cost index	1.0%	1.0%	1.0%	Wage gains to ease as demand and supply of labour aligns.
	Aug S&P/CS home price index	0.9%	–	–	Low inventory keeping prices up.
	Oct Chicago PMI	44.1	44.8	–	Businesses are still downbeat.
	Oct consumer confidence index	103	100	–	Consumer resilience is a bright spot in the economy.
Wed 01					
Aus	Oct CoreLogic home value index	0.9%	–	1.0%	Daily measure continues to punch out solid gains.
	Sep dwelling approvals	7.0%	2.5%	5.0%	Pull-forward in NSW to give temporary boost.
NZ	Q3 employment	1.0%	0.4%	0.4%	Job growth likely still positive, but clearly slowing.
	Q3 unemployment rate	3.6%	3.9%	3.9%	Unemployment rising due to strong labour force growth.
	Q3 LCI (private sector)	1.1%	1.0%	1.0%	Wage growth elevated, but peaking as labour slack grows.
	RBNZ Financial Stability Report	–	–	–	Pre-released materials signals a focus on farm sector risks.
Chn	Oct Caixin manufacturing PMI	50.6	50.8	–	Sentiment inhibited by slow demand.
US	Oct ADP employment change	89k	135k	–	Often at odds with BLS data.
	Sep JOLTS job openings	9610k	–	–	Easing as labour demand eases.
	Oct ISM manufacturing	49.0	49.0	–	Production and employment upbeat while new orders lag.
	FOMC policy decision, midpoint	5.375%	5.375%	5.375%	Hard work is done, time to wait and watch.
Thu 02					
Aus	Sep housing finance	2.2%	1.3%	4.0%	Recovering but from a low starting point …
	Sep investor finance	1.6%	–	3.5%	… prices and turnover in established market both rising…
	Sep owner occupier finance	2.6%	–	4.2%	… construction likely to see own occ loans outperform slightly.
	Sep trade in goods balance $bn	10.4	9.6	10.4	Xs up on commodity prices. Ms anticipate volume rebound.
UK	BoE policy decision	5.25%	–	5.25%	Easing inflation to keep BoE on hold.
US	Q3 productivity	3.5%	3.8%	–	First estimate.
	Initial jobless claims	210k	–	–	To remain near lows, for now.
	Sep factory orders	1.2%	1.0%	–	Recovery some time away.
Fri 03					
Aus	Q3 real retail sales	–0.5%	–0.3%	flat	Nominal sales +0.6%qtr but all due to higher prices.
	RBA Assist' Governor (Financial Mkts)	–	–	–	Jones speaking at FINSIA, 11:30am AEDT.
NZ	Final General Election results released	–	–	–	Centre-right govt confirmed, but likely with narrower majority.
Chn	Oct Caixin services PMI	50.2	–	–	Lack of COVID stimulus is muting services demand.
Eur	Sep unemployment rate	6.4%	–	–	A reversal of employment gains are coming.
US	Oct non-farm payrolls	336k	168k	190k	Sep a very strong report; watch out for further revisions…
	Oct unemployment rate	3.8%	3.8%	3.8%	… household survey and hourly earnings…
	Oct average hourly earnings %mth	0.2%	0.3%	0.3%	… point to a softer pulse than payrolls.
	Oct ISM non-manufacturing	53.6	53.0	–	A resilient consumer is driving healthy 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.

Forecasts

Interest rate forecasts

Australia	Latest (27 Oct)	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Cash	4.10	4.35	4.35	4.35	4.10	3.85	3.60	3.35
90 Day BBSW	4.31	4.55	4.55	4.47	4.22	3.97	3.72	3.47
3 Year Swap	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.60
3 Year Bond	4.29	4.20	4.10	4.00	3.90	3.80	3.60	3.40
10 Year Bond	4.80	4.70	4.60	4.50	4.40	4.30	4.15	4.05
10 Year Spread to US (bps)	–5	–10	–10	–10	–10	–10	–5	–5
US								
Fed Funds	5.375	5.375	5.125	4.875	4.625	4.375	4.125	3.875
US 10 Year Bond	4.85	4.80	4.70	4.60	4.50	4.40	4.20	4.10
New Zealand								
Cash	5.50	5.50	5.75	5.75	5.75	5.75	5.50	5.25
90 day bill	5.64	5.85	5.85	5.85	5.85	5.75	5.50	5.20
2 year swap	5.58	5.79	5.67	5.50	5.29	5.08	4.86	4.65
10 Year Bond	5.46	5.45	5.45	5.40	5.30	5.15	4.90	4.80
10 Year spread to US	61	65	75	80	80	75	70	70

Exchange rate forecasts

Australia	Latest (27 Oct)	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
AUD/USD	0.6317	0.66	0.67	0.68	0.69	0.70	0.71	0.72
NZD/USD	0.5828	0.61	0.61	0.62	0.62	0.62	0.63	0.63
USD/JPY	150.21	147	145	143	141	138	135	132
EUR/USD	1.0565	1.08	1.09	1.11	1.13	1.14	1.15	1.16
GBP/USD	1.2135	1.23	1.24	1.25	1.26	1.27	1.28	1.30
USD/CNY	7.3151	7.20	7.10	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.0886	1.08	1.09	1.10	1.11	1.12	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	1.2	1.1	0.8	0.7	–	–	–	–
annual chg	7.8	7.0	6.0	5.4	4.6	4.0	3.9	3.5	7.8	4.6	3.4
Trimmed mean	1.7	1.2	1.0	1.2	0.9	0.9	0.8	–	–	–	–
annual chg	6.8	6.6	5.9	5.2	4.4	4.0	3.8	2.6	6.8	4.4	3.3

New Zealand economic growth forecasts

	2022	2023			2024			Calendar years			
% change	Q4	Q1	Q2	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	1.8	0.5	0.7	0.4	–	–	–	–
Annual change	7.2	6.7	6.0	5.6	4.7	4.1	3.4	5.9	7.2	4.7	2.8

DISCLAIMER

Disclaimer

This information has been prepared by the Westpac Institutional Bank and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward-looking statements. The words "believe", "anticipate", "expect", "intend", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

Conflicts of Interest: In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

Author(s) disclaimer and declaration: The author(s) confirms that no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material. The author(s) also confirms that this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate.

Additional country disclosures

Australia: Westpac holds an Australian Financial Services Licence (No. 233714).

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz .

Singapore: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore.

U.S: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ('WCM'), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

Disclaimer continued overleaf

Disclaimer continued

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

UK: The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2)of the Order; (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 as applicable in the United Kingdom ("UK MAR"). In accordance with the relevant provisions of UK MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest concerning the financial instruments to which that information relates have been disclosed.