AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 27 November 2023

Editorial: Perspectives on Australia's recent poor productivity performance.

Australia: retail sales, monthly CPI indicator, housing updates (prices, finance, dwelling approvals), CAPEX, construction work, private credit.

NZ: RBNZ policy decision, employment indicator, building consents, business and consumer confidence.

China: NBS PMIs, Caixin manufacturing.

Eurozone: CPI, unemployment rate.

US: ISM manufacturing, personal income and spending, PCE, Beige Book, FOMC Chair Powell speaking.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 24 NOVEMBER 2023.

WESTPAC INSTITUTIONAL BANK

Perspectives on Australia's recent poor productivity performance

This week's ASIC Annual Forum included a panel with both new RBA Governor Michele Bullock and new Productivity Commission (PC) Chair, Danielle Wood. Given the current public debate about Australia's exceptionally weak productivity performance, it is useful to have the perspectives of both institutions in the same forum.

To date, RBA communication has stated that at current rates, wages growth is consistent with inflation returning to target, provided productivity growth recovers. In the panel, the Governor stated the issue differently, saying that current rates of wages growth would be 'on the high side' (that is, not consistent with returning to target) if productivity growth remains where it is. This was probably not intended as a change in rhetoric, but rather making the same point in a different way. It does suggest, though, that the RBA is getting more worried that productivity will not pick up. This was flagged as a risk in the Statement on Monetary Policy this month. Both there and in the November minutes, the RBA noted that the forecasts assume productivity growth will pick up. Without any kind of narrative about why productivity has fallen, though, it is hard to quantify how much weight to put on the possibility that it will not recover.

No such narrative is evident in the minutes or other key RBA policy publications, but an article by RBA economists Angelina Bruno, Jessica Dunphy and Fiona Georgiakakis in the RBA's September Bulletin contains some useful hints. ('Recent Trends in Australian Productivity'). Part of the decline stems from lingering compositional effects following the pandemic. In other words, people have not individually become less productive; there are simply relatively more low-paying jobs than before, which account for less GDP per hour. If true, this is a level shift effect and should not have a lasting effect on growth in productivity.

Another possibility to consider is that productivity as measured in the national accounts is subject to measurement error. It is the ratio of GDP to total hours worked. Both are noisy, and so their ratio is necessarily noisier and the change in the ratio even more so. It is entirely possible that the last year of data is just noise that will soon reverse out. It is also possible that data revisions will make the period of falling productivity look less stark, or even disappear. GDP could be revised up or total hours worked revised down, or a combination of the two. Even for a high-quality statistical agency like Australia's, revisions are a fact of life, especially when population trends are shifting rapidly and compositional change in the workforce is higher than usual. Either revision would lend support to the idea that domestic demand is still out of line with supply, so the underlying monetary policy imperative would not change. But it would change how one should interpret the role of wages growth in contributing to inflationary dynamics.

Some signs that data issues could be a factor can be seen in the annual national accounts. In the section of the Statement on Monetary Policy on productivity outcomes, the RBA showed a graph decomposing year-average labour productivity growth into capital deepening (how much capital workers had to work with) and multifactor productivity (MFP). Both components fell sharply in 2022/23 in a way that is counter to historical experience. Given how quickly hours worked increased, the capital stock necessarily could not keep up. Perhaps this is real, but if so, it will not continue if the labour market slows or if investment remains resilient. It is best thought of as a function of lags. The unusual fall in MFP is harder to rationalise.

An explanation based on noise is not very satisfying to a pattern-seeking, story-telling species. One thing policymakers and other observers seeking a pattern do need to be mindful of is that unit labour costs are volatile. It is not appropriate to assume that one or two years of outcomes map directly into inflation. Given how little room for manoeuvre the RBA has in the face of upside surprises on inflation, their concerns are understandable. But neither should they assume that Australian workers have mysteriously become less productive.

That said, productivity growth was slow before the pandemic, and there may be cause for concern here. It was heartening to hear PC Chair Wood's acknowledge that, while it can contribute to good outcomes, the government does not have full control over productivity in the whole economy. Too often the public debate in Australia seems to embed the belief that productivity is something the government does to us. Hence the constant calls to address productivity concerns with "reform". (Indeed, I cannot help wondering if the fact that Australia is one of the few countries with a public sector agency like the PC inadvertently contributes to that mindset by making productivity appear to be a government responsibility.) Too often it is forgotten that many important reforms, like floating the exchange rate and eliminating tariffs, can only be done once. They were worthy reforms, but they were one-offs.

Productivity is not something the government does to us. It reflects decisions private businesses and all other organisations make to improve how they work. The level of investment and adoption of technology both matter, but so does the way business processes are designed and work is organised.

Whatever the reasons for Australia's poor performance, any explanation other than measurement noise has to account for the fact that – as documented in Bruno and co-authors' article – productivity is also below pre-pandemic levels in Canada but not elsewhere. In the case of the US and Norway, the pandemic effects have completely washed out and productivity is back on the pre-pandemic growth trend. A lack of reform is not the main story. The recovery in the capital to labour ratio seen in the US and Norway, but not yet Australia, is more relevant. Australia's productivity slump is therefore unlikely to be lasting.

Luci Ellis, Chief Economist Westpac Group

THE WEEK THAT WAS

In Australia, the November RBA meeting minutes presented a detailed account of the Board's deliberations and their assessment of the risks. The Board recognised recent evidence that pointed to lingering resilience in the labour market and domestic demand, alongside the fact that the moderation in underlying inflation is tracking a slower pace than expected. These developments have renewed concerns over inflation expectations, with the Board noting "growing signs of a mindset among businesses that any cost increases could be passed onto consumers", a worrisome development given that only a "modest" increase in inflation expectations would make it "significantly" harder to return inflation to target.

Such observations were consistent with the Board's eventual decision to raise the cash rate in November. However, they do not convincingly speak to a need to raise interest rates further. To justify another hike, further upside surprises for inflation and demand are necessary. We instead anticipate a deceleration in inflation and the labour market in Q4 and beyond, and so continue to expect the cash rate will remain at its current level until Q3 2024, when we forecast the next rate cutting cycle to begin.

In addition to inflation and the immediate policy outlook, in her speech this week, RBA Governor Bullock also outlined a number of key developments underway at the RBA to improve the Board's engagement with staff and the RBA's communications. RBA Governor Bullock also appeared on a panel with Productivity Commission Chair Danielle Wood. Productivity was a key theme and is also the topic of Westpac Chief Economist Luci Ellis' weekly essay.

In the US, the FOMC released the minutes of their October/November meeting. Members noted a "further softening in labour market conditions" is necessary for the Committee to feel comfortable inflation will return to target. After the meeting, evidence of such a turn was provided by the October employment report, while the subsequent downside surprise on both headline and core inflation are additional steps in the right direction. Looking ahead, liaison reports of businesses finding it more difficult to pass on price increases to consumers point to a further softening in demand and inflation which, in time, should justify our and the market's expectations of around 100bps of US rate cuts through 2024.

While yet to receive equal treatment, let alone priority, downside risks to activity are clearly on the Committee's radar. The cumulative impact of rate hikes are yet to be felt, and "persistent changes in financial conditions could have implications for the path of monetary policy".

Across Europe, the UK and Canada, promising data on inflation and weak activity growth has also seen markets recently price in rate cuts from mid-2024, in effect easing financial conditions. Yet to be convinced the danger has passed, central bank authorities were therefore kept busy this week emphasising that rate cuts are currently not on their horizon.

Of particular note, after Canadian inflation eased to 3.1%yr in October from 3.8%yr in September, Bank of Canada's Governor Macklem noted that the "excess demand in the economy that made it too easy to raise prices is now gone" – a statement that alludes to the removal of upside risks for inflation, but not enough progress to begin considering rate cuts.

In the UK meanwhile, Bank of England Governor Bailey appeared before a Treasury Committee. Though Bailey indicated that rates were at the top of the "table mountain", the Committee are still wary of upside surprises given services inflation's momentum and strong wage growth. Communication during the session therefore contradicted market pricing at the time for a rate cut in the first half of 2024.

Week ahead & data wrap

The main news in New Zealand over the past week has been the much-awaited formation of a new government, with the National, ACT and NZ First parties agreeing to enter a formal coalition. Each of the parties will have seats at the Cabinet table, and so will be bound by the principal of collective Cabinet responsibility for the agreed programme of the coalition government – an arrangement that should be more stable than the alternative of "confidence and supply" agreements.

The coalition agreements setting out the programme of the Government has just been released. Our initial reading is that the compromise reached provides for each of the parties to pursue most (but not all) of their key election manifesto promises. The National Party will implement the tax cuts they campaigned on next year as promised. But these tax cuts will not be partly funded by taxing foreign buyers of high value residential property. Instead, it appears that these will be funded by additional expenditure savings (for example by not increasing the Working for Families tax credit in 2026 and delaying when tertiary students are eligible for a year of fees free tuition). At the margin, this funding means that the overall fiscal stance of the Government will be slightly more contractionary that would otherwise be the case. The coalition agreements provide for the RBNZ to return to a single price stability mandate. The Government will take advice on whether to return to a single decision maker model, as preferred by the ACT party, but we don't expect any change there. The housing market supportive policies (reintroduction of tax deductibility of mortgage interest for investors and revision of the bright line test) have survived coalition negotiations and will be supportive of the housing market. NZ First policies of introducing a select committee enquiry into banking profitability and competition and strengthening the powers of the Grocery Commissioner have also been included in the coalition agreements.

National will have 14 of the 20 Cabinet positions (including Finance Minister, Nicola Willis). ACT and NZ First will have three ministers each, including NZ First leader Winston Peters (Minister of Foreign Affairs and Deputy PM for the next 18 months) and ACT leader David Seymour (Minister of Regulation and Deputy PM for the second half of the 3-year term). Cabinet ministers will be sworn in on Monday and the new Parliament will likely begin sitting on 5 December. Parliament will likely sit under urgency to pass key legislation required to give effect to some of the items in the Government's "100-day plan". In the near-term, attention will focus on the Half-Year Economic and Fiscal Update (HYEFU) – a document that must be tabled before Parliament rises on 21 December. While the HYEFU would normally simply update fiscal projections based on changes in the economic outlook, on this occasion it is expected to be accompanied by a "mini budget", to reflect the fiscal implications of key elements of the Government's programme (the remainder will be set out in Budget 2024, which will likely be tabled in May).

Turning to the week ahead, most interest will centre on the Wednesday's RBNZ policy decision and updated *Monetary Policy Statement*. Reacting to the recent softer local dataflow, and developments offshore, the market sees virtually no prospect of a change in the OCR at this meeting. We agree, and so expect the OCR to remain at 5.5%. Of greatest interest, therefore, will be the RBNZ's updated projection of the forward profile for interest rates, especially considering the market's recent pricing of multiple rate cuts beginning as early as May next year.

In our note previewing the meeting we set out some of the factors that the RBNZ will likely have considered in updating the economic projections that were last published in August. Prior to the October *Monetary Policy Review* we think the RBNZ would likely have interpreted the data flow as indicating slightly increased medium-term inflation risks. However, since then, the data flow has been more supportive of RBNZ's central view that a 5.5% OCR will most likely prove sufficient to return inflation to the target range. Tradables inflation has fallen more quickly than anticipated and labour market indicators have showed signs of the required lift in the unemployment rate and softening of growth in wages (at least in the private sector). The price of oil has receded from its October highs, reducing headline inflation and expectations concerns the RBNZ may have held. Also, we have continued to see weakness in cyclical demand indicators (retail spending, the PMIs, credit growth and imports) which the RBNZ will see as buying time and removing any pressure it was feeling to lift the OCR. On balance there's likely little net change in the OCR profile required given the totality of the data seen since August.

As a result, our baseline scenario (70% probability) is that the OCR remains at 5.5% and the RBNZ's forecast track will still show a small chance of a rate hike in H1 2024 and no easing of the OCR until early 2025. A more hawkish scenario (10% probability) would see the OCR remain at 5.5% but the forecast track revised up in H2 2024 to convey an increased risk of higher rates through 2024. This would likely be linked to risks of housing strength, perhaps fears of a slower rise in the unemployment rate from here and worries that core inflation will remain persistent in the face of tighter monetary conditions (even if though tradables inflation will be revised lower). A more dovish scenario (20% probability) would see the OCR remain at 5.5% and the OCR track revised down to a flat profile at 5.5% until Q4 2024 with a full cut indicated by the February 2025 MPS. However, we don't think the dovish scenario would achieve what is likely to be the RBNZ's most important communications objective at this meeting - to discourage markets from easing financial conditions too soon by pricing an early reduction in the OCR.

At this point we still project a 25bp hike in the OCR in February 2024, with policy settings then on hold from there to February 2025. However, that call for higher rates teeters on a knife edge as the RBNZ has plenty of reasons for standing pat. We will review our call based on what the RBNZ tells us next week about its reaction function. As we discussed in our note "When's the pivot?" , absent an extreme shock, such as a significant synchronised deterioration in the global and local economic outlook, the earliest we can foresee the beginning of an easing cycle is the September quarter.

Kelly Eckhold, NZ Chief Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Tue 21	Oct trade balance $mn	–2329	–	–1800
Wed 22	GlobalDairyTrade (WMP)	–2.7%	–	3.0%
Fri 24	Q3 real retail sales	–0.9%	0.0%	-2.0%

DATA PREVIEWS

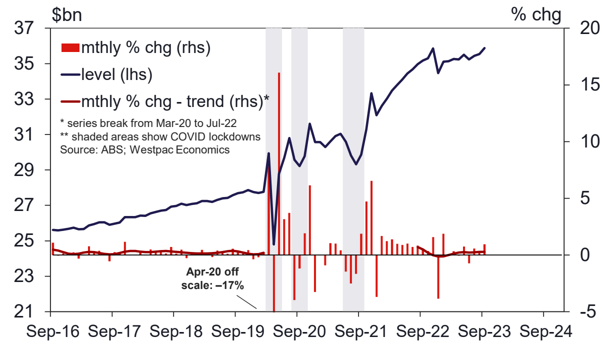
Aus Oct retail trade

Nov 28, Last: 0.9%, WBC f/c: 0.2%
Mkt f/c: 0.2%, Range: –0.9% to 0.6%

Retail sales posted a solid 0.9% gain in September, a notable improvement on gains of 0.3% and 0.6% in August and July respectively. Annual growth remained insipid though, tracking at 2%yr, implying a sizeable decline in real, per capita terms (i.e. once the effects of inflation and population growth are removed).

Some of the September gain looks to be transitory relating to special events and product releases. More generally, our **Westpac Card Tracker** has shown a notable slowing in activity since October, albeit concentrated in non-retail rather than retail segments. On balance, we expect official retail sales to show a much weaker 0.2% gain for the October month.

Monthly retail sales



Aus Q3 construction work

Nov 29, Last: 0.4%, WBC f/c: 1.3%
Mkt f/c: 0.5%, Range: –1.0% to 3.4%

Construction activity has increased materially from mid-2022, in part reflecting a catch-up. Recall that project starts were delayed by COVID, then work on projects was delayed by supply headwinds, which have since eased (covid-19, bad weather and shortages).

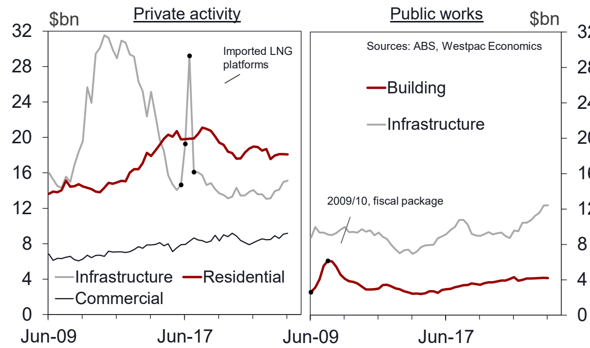
Work rose by 0.4%qtr, 9.3%yr in June 2023, an estimate subsequently revised to 1.1%qtr, 10.4%yr. That represents a marked turnaround from a June 2022 outcome of –1.6%qtr, –1.9%yr.

For the September quarter we anticipate a further rise of 1.3%.

Public works (with a focus on, but not limited to, transport infrastructure) and business construction are both up strongly – +12%yr and +14.7%yr as at June 2023, respectively. These segments will again led the way in the September quarter.

Private home building is mixed - the renovation boom is deflating and while there is a sizeable work backlog for new dwelling investment upside is constrained by capacity constraints.

Construction work: by segment



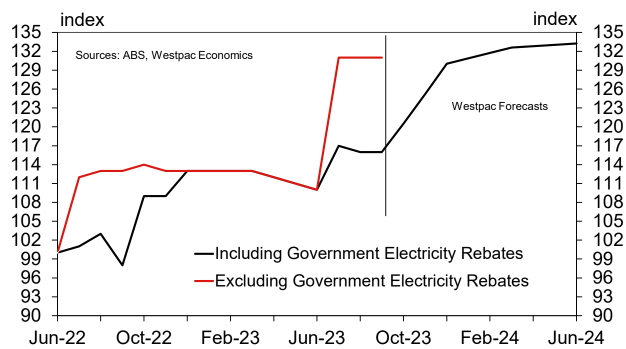
Aus Oct Monthly CPI Indicator %yr

29 Nov Last: 5.6%, WBC f/c: 5.3%
Mkt f/c: 5.2%, Range: 5.0% to 5.5%

The September Monthly CPI Indicator rose 0.6%, stronger than our 0.2% forecast, setting an annual pace of 5.6%yr. We had expected that the annual pace would be flat at 5.2%yr while the market had forecast 5.3%. The main upward surprises were in food, rents, health and holiday travel.

October is the first month of the quarter so it is heavy with quarterly goods surveys such as clothing & footwear and household furnishings & equipment, which is why we are confident it will be softer than the September print. There is, however, a risk that discounting could have started earlier, but given October is still leading into the sales period, starting with Black Friday in late November, we think we will see at least some of the normal price resetting. We also know that fuel prices fell in the month while we are expecting to see a modest rise in electricity prices as the rebates start to provide less of an offset.

Monthly electricity prices



Aus Q3 private business capex

Nov 30, Last: 0.4%, WBC f/c: -0.6%
Mkt f/c: 0.8%, Range: -1.5% to 2.7%

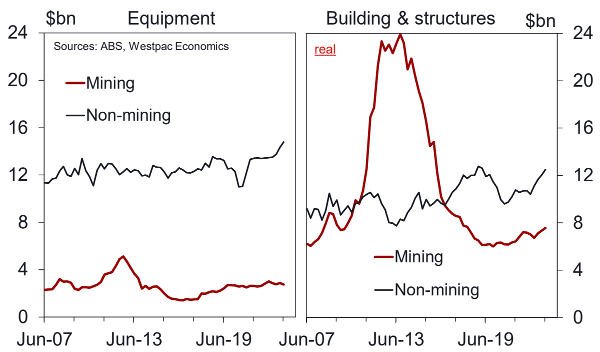
As with total construction work, private business capex spending has trended higher from mid-2022 - increasing 10.8% over the past year.

Covid delays, other disruptions, the need to expand capacity and generous tax incentives (some of which expired on 30 June 2023) contributed to recent strength.

For the September quarter, we anticipate a mixed result - further upside in Building & Structures (+1.6%, consistent with Construction Work) but a potential pull-back in equipment (in the order of -3%) - to give an overall decline of about -0.6%.

The equipment spending burst over the first half of 2023 (+6.2% in the capex survey and +9.3% in the National Accounts) was in part a catch-up (easing supply constraints) and a pull-forward (ahead of 1 July tax changes). That, and weak demand, suggests a potential Q3 dip - but with upside risks, recent strength may persist a little longer.

Capex: by industry by asset



Aus Oct dwelling approvals

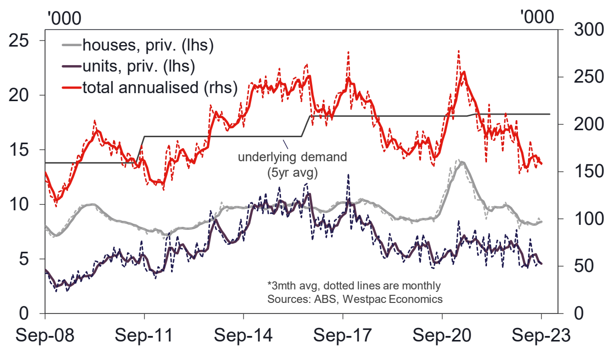
Nov 30, Last: –4.6%, WBC f/c: 1.0%
Mkt f/c: 1.7%, Range: –2.5% to 5.0%

Dwelling approvals came in weaker than expected in September, declining 4.6% with softness evident across both detached houses and units. This followed a 7.2% fall in July with total dwelling approvals down 4.2% on a three-month rolling basis.

Approvals had been expected to be somewhat firmer given a surge in new home sales that was led by a big 'pull-forward' effect in NSW associated with state government regulatory changes. The detail shows only a very muted flow through to approvals in NSW.

While muted, we suspect there may be some more of this effect to come with approvals expected to nudge up 1% overall in October. Despite this, the wider picture is still of approvals bumping around very weak levels, below the lows seen during COVID prior to the stimulus from rate cuts and the HomeBuilder scheme. High and rising interest rates and surging building costs are outweighing any positives from the resurgence in prices and strong population-driven demand.

Dwelling approvals



Aus 2023/24 capex plans, $bn

Nov 30, Last: 2023/24 Est 3 $157.8bn

In 2022/23, the value of capex spending rose 16%, dominated by escalating prices, up 9%, with volumes up a more modest 6%.

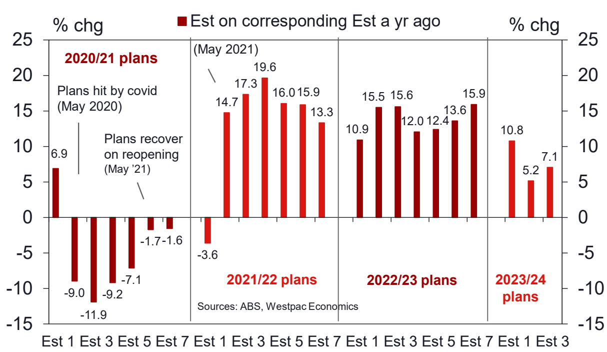
For 2023/24, we expect divergent capex trends, equipment down and B&S up, while capex inflation will likely halve (on our figures) – contingent upon the Australian dollar appreciating materially.

Currently, we expect the value of total business investment (national accounts estimate) to rise 6½% in 2023/24, with volumes up 1½%.

Est 3 for 2023/24 printed $157.8bn, some 7.1% above Est 3 a year ago (with the price/volume split an unknown). On our calculations (based on the imprecise average Realisation Ratios), Est 3 implies capex spend will rise by 6½% in 2023/24. That is broadly in line with our current view – but the price / volume split is an unknown.

Over recent years, the average upgrade between Est 3 and Est 4 is about 7% (albeit that is above the decade average). If that recent average is repeated on this occasion, then Est 4 will print around $169bn – ahead of being revised again in 3 months time.

Capex plans: 2023/24 an uncertain outlook



Aus Oct private sector credit

Nov 30, Last: 0.5%, WBC f/c: 0.4%
Mkt f/c: 0.4%, Range: 0.4% to 0.6%

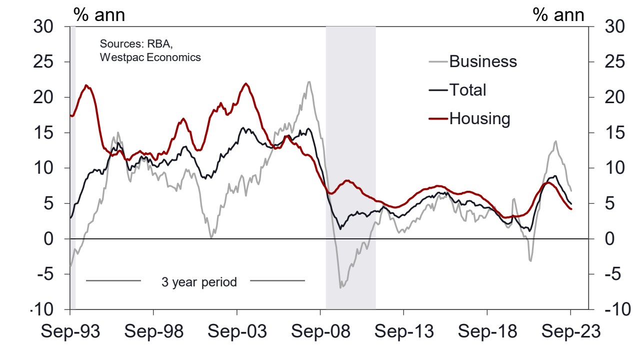
Private sector credit growth is subdued – a trend that is set to continue as interest rates remain elevated and with the economy on a sub-trend growth path.

Credit grew by 4.9% over the past year. The average monthly pace has been relatively steady at 0.4% over that period, having stepped down from a 0.7% average over the opening nine months of 2022. For October, we anticipate an outcome of 0.4%, with annual growth holding at 4.9%.

Housing credit grew by 4.0% 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 growth slowed from 13.6%yr in September 2022 to 6.8%yr in September 2023 – with that trend moderation likely to continue over the coming year as firms respond to weaker household demand.

Total credit: annual growth 4.9%, a 2 year low



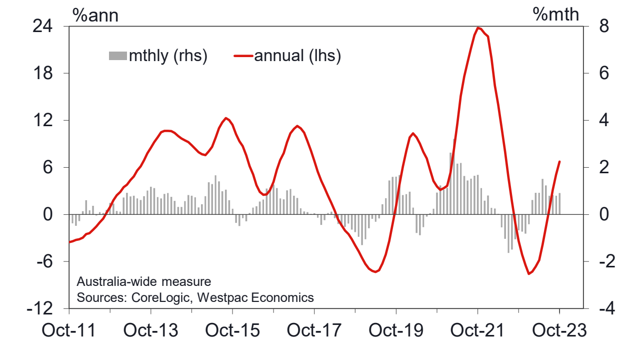
Aus Nov CoreLogic home value index

Dec 1, Last: 0.9%, WBC f/c: 0.7%

The CoreLogic home value index, covering the eight major capital cities, rose 0.9% in October, a similar pace to the 0.8% rises recorded in July-September but a touch slower then the burst earlier in the year. Annual growth lifted to 6.8%yr with prices across the major eight capital cities now slightly above their record 2022 high on a combined basis.

The CoreLogic daily index points to a slower price gain of around 0.7%mth in November, the RBA's interest rate hike knocking demand and on-market supply lifting in some markets. Cooling price growth in Sydney and Melbourne is being offset by continued robust gains in Brisbane and Adelaide and a lift in momentum in Perth.

Australian dwelling prices



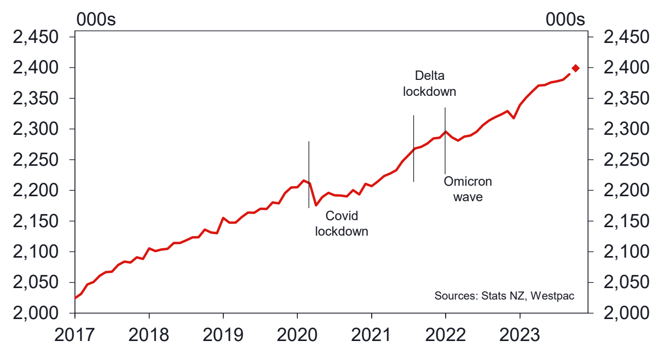
NZ Oct Monthly employment indicator

Nov 28, Last: 0.4%, Westpac f/c: 0.4%

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

Job growth was very robust over the first half of 2023, with a surge in migrant inflows allowing employers to fill long-standing vacancies. While growth has slowed somewhat in recent months, October's job count is likely to be impacted positively by the circa 20,000 people temporarily employed to run the General Election.

NZ monthly filled jobs



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.

NZ RBNZ Monetary Policy Statement

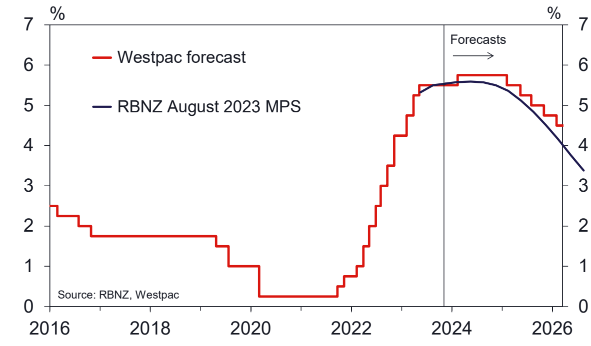
Nov 29, Last: 5.50%, Westpac f/c: 5.50%, Mkt f/c: 5.50%

We expect the RBNZ will leave the OCR unchanged at 5.50% at its November policy meeting. The RBNZ's forward profile for the OCR is likely to be little changed and suggest no change in the OCR in 2024.

On balance, recent data will have left the RBNZ more comfortable with an 'on hold' stance. Notably, price data indicates that imported inflation is easing faster than previously anticipated. In addition, we have continued to see weakness in cyclical demand indicators, such as retail spending, the PMIs, credit growth and imports.

Short term inflation forecasts will be reduced, but the longer-term profile will likely be little changed. The RBNZ will be keen to ensure as much of the recent increase in mortgage rates remains in place for a while.

RBNZ Official Cash Rate



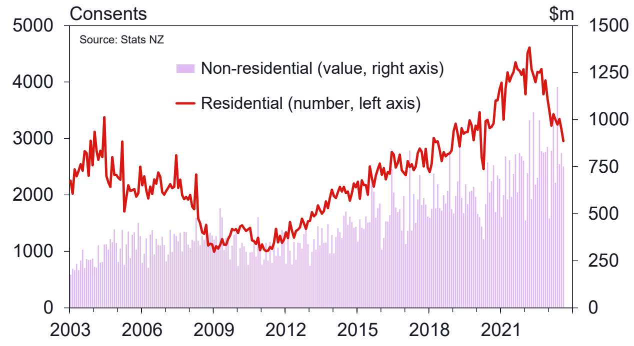
NZ Oct building consents

Nov 30, Last: –4.7%, Westpac f/c: –2.0%

The downturn in New Zealand's building sector has been deepening. Residential building consent numbers dropped another 5% in September, taking monthly consent issuance back to levels below those we saw prior to the pandemic. We're also seeing fewer commercial projects coming to market, with the amount of non-residential floor-space being consented down 13% over the past year. Underlying this downturn have been challenging financial conditions in the building sector, with sharp increases in building costs and interest rates, as well as a downturn in the housing market and slowing economic growth.

We expect the October update will show that monthly residential consent numbers have fallen a further 2%. That would see annual consent issuance dropping back below 40,000 – its lowest level in three years.

NZ building consents



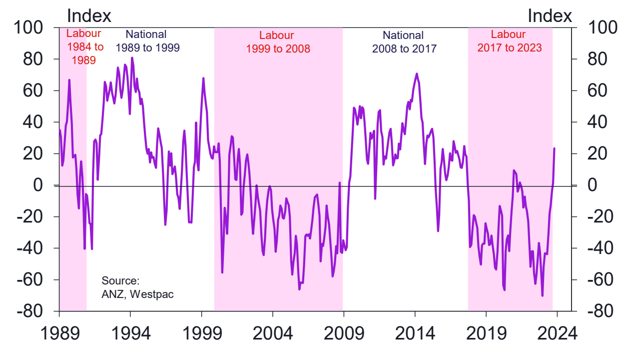
NZ Nov ANZBO business confidence

Nov 30, Last: 23.4

Business confidence rocketed higher in October, rising to its highest level since 2017. Business confidence has tended to be much stronger when New Zealand has centre-right governments (whose policies tend to be more business friendly). And given the swing in New Zealand's recent General Election, this latest increase in business confidence wasn't unexpected. But it wasn't just business confidence that picked up in October. We also saw a rise in firms' expectations for their own trading activity.

We expect much – if not all – of the post-election surge in sentiment will be sustained in the November survey. However, we'll be keeping a close eye on the gauges of trading activity, hiring and investment spending given other signs of softening activity. Cost pressures are also expected to have remained strong.

NZ ANZBO business confidence



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 27					
Chn	Oct industrial profits %yr	11.9%	–	–	High costs keeping profits weak.
US	Oct new home sales	12.3%	–4.8%	–	Low inventory and high rates putting pressure on sales.
	Nov Dallas Fed index	–19.2	–16.0	–	Manufacturing activity slowly recovering.
Tue 28					
Aus	Oct retail sales	0.9%	0.2%	0.2%	Some of Sep's lift looks to have been temporary.
	RBA Gov Bullock speaking	–	–	–	Panel participant, Hong Kong (12.18pm AEDT).
NZ	Oct monthly employment indicator	0.4%	–	0.4%	Should be boosted by about 20k of election-related hiring
US	Nov consumer confidence index	102.6	101.0	–	Pause in rate hikes gives consumers hope.
	Nov Richmond Fed index	3	1	–	Manufacturing outlook still rocky.
	Fedspeak	–	–	–	Goolsbee, Waller.
Wed 29					
Aus	Oct Monthly CPI Indicator %yr	5.6%	5.2%	5.3%	A goods heavy month points to a softer print.
	Q3 construction work	0.4%	0.5%	1.3%	Further gains, led by public works and business construction.
NZ	RBNZ policy decision	5.50%	5.50%	5.50%	Still on hold, likely to discourage thoughts of an early easing
Eur	Nov economic confidence	93.3	–	–	Emerging resilience in economy could turn confidence.
US	Oct wholesale inventories	0.2%	–	–	Uncertainty around demand outlook to keep inventories low.
	Q3 GDP, annualised	4.9%	5.0%	–	Second estimate.
	Federal Reserve's Beige Book	–	–	–	Update on economic conditions across the regions.
	Fedspeak	–	–	–	Mester.
Thu 30					
Aus	Oct dwelling approvals	–4.6%	1.7%	1.0%	Bumping around weak levels.
	Q3 private business capex	2.8%	0.8%	–0.6%	B&S up, equipment to dip (albeit risks are to the upside).
	2023/24 capex plans, $bn	157.8	–	–	Est 3 $158bn, +7% vs Est 3 yr ago. Est 4 $169bn? See textbox.
	Oct private sector credit	0.5%	0.4%	0.4%	Growth broadly steady at a subdued 0.4%/mth.
NZ	Oct building permits	–4.7%	–	–2.0%	Weakening trend likely remains in place
	Nov ANZ business confidence	23.4	–	–	Post-election lift in sentiment is likely to be sustained
Jpn	Oct industrial production	0.5%	0.8%	–	Simmering foreign demand weighing on production.
Chn	Nov manufacturing PMI	49.5	50.0	–	Manufacturing in solid shape, but stimulus to take time…
	Nov non-manufacturing PMI	50.6	51.5	–	… in boosting property sector and services more broadly.
Eur	Nov CPI %yr	2.9%	–	–	Further deceleration expected as energy prices cycle out.
	Oct unemployment rate	6.5%	–	–	Employment gains held despite a slowing in the economy.
US	Oct personal income	0.3%	0.2%	–	A softer labour market is cooling wage gains.
	Oct personal spending	0.7%	0.2%	–	Belts are tightening as savings dwindle.
	Oct PCE deflator	0.4%	0.1%	–	Downshift expected after a surprise flat CPI reading.
	Nov Chicago PMI	44.0	46.0	–	Businesses downbeat as financial conditions remain tight.
	Initial jobless claims	209k	–	–	Still low, for now.
Fri 01					
Aus	Nov CoreLogic home value index	0.9%	–	0.7%	Price gains moderated a touch in Nov.
NZ	Nov ANZ consumer confidence	88.1	–	–	Confidence likely to remain low as financial pressures bite
Jpn	Oct jobless rate	2.6%	2.6%	–	Tight labour market conditions create space for wage growth.
Chn	Nov Caixin manufacturing PMI	49.5	–	–	Impact of stimulus could be seen amongst smaller firms.
US	Nov ISM manufacturing	46.7	47.7	–	Manufacturing to remain under pressure.
	Oct construction spending	0.4%	0.4%	–	High rates dissaude new projects.
	FOMC Chair Powell	–	–	–	Speaking at a fireside chat and a roundtable discussion.
Global	Nov S&P Global manufacturing PMI	–	–	–	Final estimate for Japan, Eurozone, UK and US.

Forecasts

Interest rate forecasts

Australia	Latest (24 Nov)	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Cash	4.35	4.35	4.35	4.35	4.10	3.85	3.60	3.35
90 Day BBSW	4.38	4.55	4.55	4.47	4.22	3.97	3.72	3.47
3 Year Swap	4.39	4.50	4.40	4.30	4.20	4.10	3.90	3.70
3 Year Bond	4.18	4.30	4.20	4.10	4.00	3.90	3.70	3.50
10 Year Bond	4.54	4.70	4.60	4.50	4.40	4.30	4.15	4.05
10 Year Spread to US (bps)	10	-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	4.44	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	5.62	5.85	5.85	5.85	5.85	5.75	5.50	5.20
2 year swap	5.26	5.79	5.67	5.50	5.29	5.08	4.86	4.65
10 Year Bond	4.96	5.45	5.45	5.40	5.30	5.15	4.90	4.80
10 Year spread to US	52	65	75	80	80	75	70	70

Exchange rate forecasts

Australia	Latest (24 Nov)	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
AUD/USD	0.6566	0.66	0.67	0.68	0.69	0.70	0.71	0.72
NZD/USD	0.6049	0.60	0.61	0.62	0.62	0.62	0.63	0.63
USD/JPY	149.54	149	147	144	141	138	135	132
EUR/USD	1.0905	1.08	1.09	1.11	1.13	1.14	1.15	1.16
GBP/USD	1.2540	1.23	1.24	1.25	1.26	1.27	1.28	1.30
USD/CNY	7.1476	7.20	7.10	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.0849	1.09	1.10	1.11	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	0.9	0.9	1.3	0.9	0.9	0.8	–	–	–	–
annual chg	3.3	3.6	3.6	4.0	4.1	4.1	4.0	2.4	3.3	4.1	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	0.2	0.2	–	–	–	–
Annual avg change	2.7	2.9	3.2	1.6	1.2	1.0	0.6	6.0	2.7	1.2	0.9
Unemployment rate %	3.4	3.4	3.6	3.9	4.3	4.6	4.9	3.2	3.4	4.3	5.3
CPI % qtr	1.4	1.2	f1.1	1.8	0.6	0.9	0.7	–	–	–	–
Annual change	7.2	6.7	6.0	5.6	4.8	4.4	4.1	5.9	7.2	4.8	3.3

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