AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 4 December 2023

Editorial: We reaffirm our view that the RBA will hold in December, but the February 2024 meeting is still live.

RBA: policy decision.

Australia: Q3 GDP & partials (profits, inventories, public demand), current account, net exports, trade balance, housing finance approvals.

NZ: Q3 building work, Q3 terms of trade, GlobalDairyTrade auction.

China: CPI, PPI, trade balance, foreign reserves, Caixin services PMI.

US: ISM services, nonfarm payrolls, unemployment rate, factory orders, trade balance, UoM sentiment.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 1 DECEMBER 2023.

WESTPAC INSTITUTIONAL BANK

We reaffirm our view that the RBA will hold in December, but the February 2024 meeting is still live

Today we reaffirm our view that the RBA is unlikely to raise the cash rate at its December meeting.

As described in the minutes of the November meeting, the staff forecasts were "predicated on there being an additional one to two increases in the cash rate over coming quarters". The peak in rates assumed in the forecasts is "around 4½ per cent" according to the RBA's latest Statement on Monetary Policy (SMP). One of these increases was already delivered following the November meeting. The question the RBA will be grappling with in coming months is what they need to see to turn one-and-a-half into two.

As outlined in Senior Economist Justin Smirk's note on the monthly CPI indicator yesterday, inflation in October surprised a little on the downside. These data are noisy and neither the RBA nor we take full signal from a single monthly reading. Some of the biggest downside misses, such as for holiday travel, could reverse out. Moreover, most of the services components – which have been such a source of concern to the RBA – are not included in the first month of the quarter. We will not know how these are tracking until the November and December releases.

That said, there were some pleasing signs in prices of some goods. While the RBA has characterised the disinflation in goods prices as in line with its expectations, it is worth noting that the Bank's forecasts assume that global goods inflation declines as supply chains recover, but that global goods prices do not fall much in absolute terms. Indeed, the SMP has for the past several quarters briefly outlined a scenario where one-third of the pandemic-era run-up in prices does reverse. In that scenario, inflation returns to target next year, not in 2025. Given that producer price indices are in fact falling in a range of economies, there is a reasonable chance that this downside scenario plays out to some extent. The appreciation in the Australian dollar since the November meeting is also helpful in tempering the material upside risks to domestic inflation with a bit of downside risk around imported price inflation.

The other data released since the November Board meeting have also not provided enough of an upside signal to warrant moving in December. October retail sales were soft; unemployment and underemployment are drifting up as expected; and business surveys are pointing to price pressures easing from high levels. While employment growth was strong in the month, it has been volatile and affected by the rapid cycle in population growth. Measures expressed as ratios, such as the unemployment rate, participation rate and employment-to-population ratio, provide a better signal in these circumstances. These data have been playing out broadly in line with the RBA's forecasts. Together with the downward revision in the RBA's wages forecasts, we do not see an upside surprise on inflation – and so a reason for the RBA Board to move again this month – coming from this source.

Ahead of the October CPI release, RBA Governor Michele Bullock had been strengthening the rhetoric around inflation risks. This could be construed as softening the public up for planned future rate increases. A more likely interpretation is that the Governor has been both seeking to explain the rate increase that has already occurred and signalling that further increases would occur if inflation were to decline more slowly than the RBA intends. As we have noted earlier, the RBA has been surprised on the high side by recent inflation data. If the Board really thought that further increases beyond November were a certainty, though, they would not have agreed to changing the language in the November media release, SMP and minutes to read "Whether further tightening of monetary policy is required…". This was a notable shift from the previous phrasing of "Some further tightening of monetary policy may be required".

By the time of the February meeting, the RBA will have the full December quarter inflation data as well as the September quarter national accounts and other key data. We reaffirm our view that the RBA Board would raise the cash rate at that meeting if it sees further upside surprises to inflation or fresh evidence suggesting that inflation will decline more slowly than it intends. If things play out broadly in line with their forecasts, though, further moves would be harder to justify. In that case, it would be likely that the RBA would hold the cash rate steady. Currently we believe this is the more likely outcome.

Luci Ellis, Chief Economist Westpac Group

"Luci Ellis is a member of the Australian Statistics Advisory Council (ASAC) which is a key advisory body to the Minister and the Australian Bureau of Statistics on statistical services. Luci does not have access to sensitive data/ reports in her capacity as a member of ASAC.".

In Australia, the Monthly CPI Indicator fell 0.3% in October, pulling the annual rate of inflation down from 5.6%yr to 4.9%yr; encouragingly for policy, there were no convincing upside surprises within the detail. Indeed, goods prices – which constitute the bulk of the new information at this point in the quarter – reportedly fell 0.1% in the month, with weakness across household contents (–1.6%mth) and certain footwear/garment prices that are measured quarterly. The main driver of the headline result was a decline in services inflation (–0.7%mth); note though, a partial reversal could be seen next month when a larger portion of the services basket is surveyed.

Other consumer data received this week was also on the softer side. Nominal retail sales declined by 0.2% in October after September's 0.9% gain. Abstracting from inflation and population growth, real per capita retail spending is experiencing a sharp decline in the realm of –4.5%yr to –5.0%yr. Another 'noisy' month for dwelling approvals did little to shift the underlying narrative: approvals are holding at weak levels and signs of a sustainable recovery are limited, suggesting that housing availability and affordability will continue to have a significant bearing on prices and rents. For a comprehensive update on the current state of Australia's housing market and its prospects, see the latest edition of Westpac's Housing Pulse.

As discussed by Chief Economist Luci Ellis, the data flow since the RBA's November meeting has not provided any further material upside surprises. But, over the last few weeks, RBA Governor Bullock has devoted much effort to explaining the nuances around Australia's inflation outlook. The take-away message is that if inflation threatens to take any longer to return to target than currently expected, the RBA Board would respond by tightening policy further. Such risks will certainly be front-of-mind early next year, though we still believe inflation will most likely decelerate through year-end and 2024, removing the need for further increases in the cash rate. Once inflation is convincingly heading towards target, there will be room to begin easing policy, most likely from Q3 2024. Over this period and into the medium-term, labour and capital's cost and productivity will remain critical for policy.

In the lead-up to the Q3 GDP report, this week the ABS also released two partial indicators of investment.

It was revealed that construction activity lifted by 1.3% in the quarter, spot on Westpac's forecast. The detail continues to highlight a growing contribution from public works (+4.2%qtr), centred on infrastructure projects; while private construction is tracking a flattening trend at an elevated level (–0.7%qtr). Housing activity continues to experience mixed fortunes, with new dwelling construction still 0.7% below its pre-COVID level while renovation activity is 16.1% higher.

The Q3 CAPEX survey subsequently delivered an upside surprise relative to our expectations, with a 0.6% lift in current activity. The 0.5% gain in aggregate equipment spending was constructive, though the mining and non-mining sector performances were distinct (+5.9% vs. –0.5%). On spending intentions, the fourth estimate for 2023/24 CAPEX plans remained optimistic, up 10% compared to the fourth estimate a year ago. In our view, that implies a 9% rise in nominal CAPEX spending over the financial year. However, momentum is likely to fade as the impetus from tax incentives wanes and the drag from softer demand becomes increasingly evident.

Following the stronger result on equipment spending, we have lifted our Q3 GDP forecast slightly to 0.4% (1.8%yr).

In the US, anecdotes from the 12 Federal Reserve districts were captured in the latest Beige Book. On activity, goods demand was perceived to have weakened, but services held up. Scaling the turn in aggregate momentum, "two [Districts indicated] conditions were flat to slightly down, and six [noted] slight declines in activity" compared to only "four Districts reporting modest growth". Signs of labour market cooling were also evident with applicants more readily available and firms comfortable letting go of weak performers. Businesses also sought fewer loans while consumer credit remained robust; that said, delinquencies among consumers ticked up according to some banks. In this context, FOMC members' comments through the week indicated optimism that a soft landing was being achieved and that present policy settings were sufficient to rein in inflation.

Adding weight to this view was October's PCE deflator which came in flat month-on-month, 3%yr. The components were in line with the recent CPI outcome and suggest that inflation's next leg down will need to come from the shelter component. Personal income and spending both rose 0.2%mth; but over the year, income growth has outpaced spending, highlighting consumer restraint. The pace of real income growth will be critical in determining the degree to which consumption and GDP fall below trend in 2024 and the likely recovery thereafter. Significant job shedding, which the Beige Book hints is a risk, would destabilise income growth and lead to much weaker GDP outcomes. Financial and credit conditions are also critical.

Over in Europe, the flash CPI slowed to 2.4%yr in November from 2.9%yr, the core measure also improving materially to 3.6%yr from 4.2%yr. The deceleration was driven by a surprisingly large slowdown in services inflation from 4.6%yr to 4.0%yr. While on the surface the result supports the case for a near-term pivot to rate cuts, the European Central Bank's Nagel made clear that risks remain "skewed to the upside" and would not rule out further hikes if inflation accelerated once more.

In Asia, China's NBS PMIs were broadly unchanged in November. Manufacturing input prices declined 1.9pts, reflecting the impact of excess capacity in the economy alongside easing global supply pressures. Output prices improved, but the index remained below 50. Further downward pressure on prices will support global goods deflation; it is important to recognise that this trend stems as much from increased capacity, productivity and efficiency as it does soft demand. The non-manufacturing PMI meanwhile held just above 50. Helpfully, employment and new orders look to be stabilising, albeit at a weak level.

Week ahead & data wrap

As widely expected, the RBNZ left the OCR at 5.5% at its final policy review for this year. Of much greater interest to markets was what the Bank had to say about the outlook for the OCR next year and beyond.

The updated projections in the accompanying *Monetary Policy Statement (MPS)* contained significant revisions from those published back in August. A key change is that the RBNZ's projections reflect a heightened risk that a further 25bp OCR hike will be required in 2024. The probability of a further 25bp hike in 2024 is now estimated at around 75% compared with 36% previously (the peak OCR increased to 5.69% from 5.59% previously). Thereafter, the RBNZ's projections imply a modest easing cycle from mid-2025 – much later than implied by current market pricing. The RBNZ's revised OCR track now closely resembles our own – albeit with the tightening coming around 6 months later.

The key drivers of the more heightened perceptions of inflation risk stem from a reassessment of the medium-term impact of very strong migration driven population growth. In addition, the RBNZ has become more cautious on the pace to which they expect core inflation pressures to moderate. That reassessment is reflected in a stronger housing market (and rents) profile, stronger near-term growth, and lower unemployment forecasts and a higher profile for government investment in the infrastructure required to support a growing population.

The bottom line is an upwards revision to the RBNZ's medium term inflation forecasts from mid-2024 even with higher interest rates. On top of this, the RBNZ notes an asymmetric risk profile around medium-term inflation outcomes – with upside risks there.

The RBNZ seems more focused on ensuring that inflation hits the middle of the target range in the next 18 months to 2 years. Hence, given still persistent core inflation, strong population growth and an upwardly revised long-run neutral OCR (increased a further 25bp to 2.5%) the clear message is the balance of risks has shifted towards a need for further tightening. And certainly, there is reduced tolerance for upside surprises to inflation – which is also consistent with the new government's objectives when the new Monetary Policy Committee Remit (and perhaps new RBNZ Act) is promulgated.

The upshot is that we retain our view that the OCR will be increased by 25bps at the February MPS. The RBNZ's message and core concerns now map more closely to our own. The relatively high probability of a hike in Q3 2024 indicates that all meetings from now should be considered "live". The Governor noted, the RBNZ is now "willing" to act if needed.

We think there are two key messages to take from the RBNZ news this week. Firstly, the market is on notice that policy easings are very unlikely for the foreseeable future. Easings are going to need to be motivated by a much weaker run of data on future core inflation pressures, and housing market trends. Our recent note on what it will take for rate cuts to become reality still seems very relevant. Secondly, a message for the new Government is that the fiscal stance needs to be noticeably tighter than was embodied in the Pre-Election Economic and Fiscal Update (PREFU). The new Government's fiscal plans in the forthcoming Half-Year Economic and Fiscal Update (HYEFU) need to reflect a tight stance to avert the need for a higher OCR.

There is still plenty of water to flow under the bridge ahead of that meeting and so it's possible a hike in the OCR comes later than February (or not at all). We will be watching the following key data and events:

- **The Q3 GDP report on 14 December.** Next week will see some key partial indicators of Q3 GDP. We currently expect modestly weaker growth than the 0.3% factored by the RBNZ. The tone of that report (and the interpretation of downward revisions to historical data already foreshadowed by Stats NZ) will be important.
- **Migration data and all housing-related data.** The RBNZ's concern about the impact of migrant inflows on domestic demand, including via the housing market, which makes data on migrant inflows, housing turnover, house prices and dwelling rentals over coming months critical.
- **The HYEFU.** The new fiscal stance (and other policy changes) will be factored into the RBNZ's February Statement. The updated estimated "fiscal impulse" and analysis of other new policies (investor housing) will be very important.
- **The Q4 CPI report on 24 January and preceding monthly updates.** Non-tradables inflation will be key. We currently forecast the Q4 outcome to be slightly below the RBNZ's updated forecast, but the data needs to confirm a significant step-down in core inflation indicators.
- **The Q4 labour market surveys on 7 February.** These Labour market indicators were downplayed by the RBNZ this week and our forecasts for Q4 don't materially differ to the RBNZ's. But we are sure that wages and unemployment rate trends will ultimately matter.

Data this week was a bit of a mixed bag for the RBNZ. There was some welcome reduction in inflation expectations in the ANZ business confidence survey while activity indicators continued to improve a touch and pricing expectations outside of retail looked quite sticky. Building consents bounced a solid 8.7% in October but we think that's more volatility as opposed to changing the underlying weak trend.

Kelly Eckhold, NZ Chief Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Tue 28	Oct monthly employment indicator	0.2%	0.5%	0.4%
Wed 29	RBNZ policy decision	5.50%	5.50%	5.50%
Thu 30	Oct building permits	–4.6	8.7%	–2.0%
	Nov ANZ business confidence	23.4	30.8	–
Fri 1	Nov ANZ consumer confidence	88.1	91.9	–

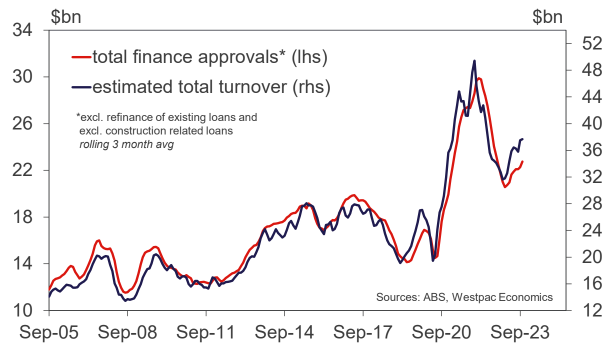
Aus Oct housing finance approvals

Dec 4, Last: 0.6%, WBC f/c: 3.2%
Mkt f/c: 1.1%, Range: 0.4% to 3.2%

The total value of new housing finance approvals rose 0.6%mth in September, a relatively flat result given the broadening price-led upturn in housing markets and HIA new home sales that suggested we would see a decent lift in construction-related loans. The latter never materialised and a decline in turnover volumes looks to have offset price-related gains for lending for the purchase of existing dwellings.

October should see more of a rise. We suspect there is still a muted boost to construction loans still to come. Meanwhile the upturn in established markets may be showing through with a lag as well. The construction boost should see owner-occupier loans (+3.3%) outperform investor loans (+3%) with the total value of new finance loans posting a 3.2% gain overall.

New finance approvals vs value of sales



Aus Q3 company profits

Dec 4, Last: –13.1%, WBC f/c: –1.2%
Mkt f/c: 1.5%, Range: –5.0% to 5.0%

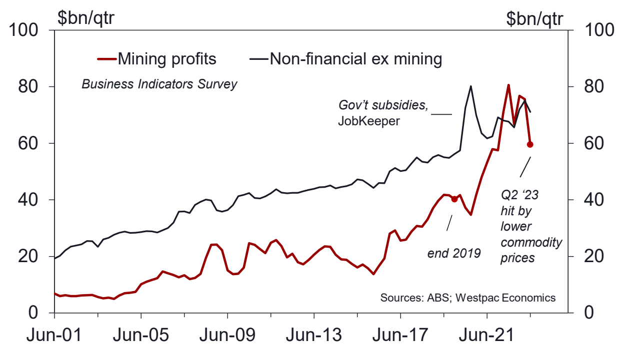
The Business Indicators (BI) accounting measure of company profits printed –13.1%qtr, –11.8%yr for the June quarter, while the National Accounts reported a fall of –8.6%qtr.

Mining profits retreated, –21%qtr, the BI survey reported, hit by a moderation of commodity prices from elevated levels.

Non-mining profits (ex-finance) fell a sizeable –5.3%qtr, as the challenging domestic environment erodes business profitability. Margins are being squeezed by escalating costs. Sales are patchy, particularly in consumer sectors.

The slide in profits likely extended into the September quarter, down a forecast –1.2%, as these negative dynamics continued. Commodity prices fell by a further 3.4% in the quarter.

Company profits: slumped in Q2, led by mining



Aus Q3 inventories

Dec 4, Last: –1.9%, WBC f/c: –0.6%, (+0.4ppts cont'n)
Mkt f/c: –0.8%, Range: –2.0% to 0.5%

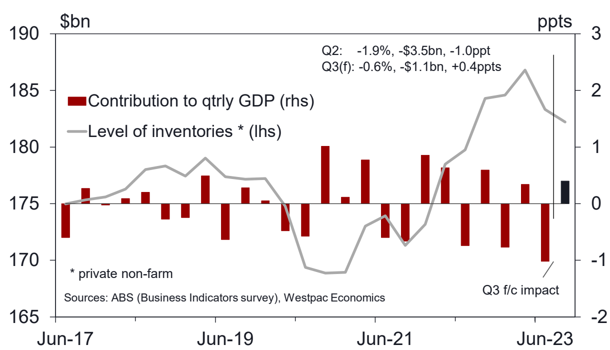
Non-farm business inventories were particularly volatile over the first half of 2023, within a weakening trend – against the backdrop of sharply slower consumer spending growth.

In June, inventories fell by a sizeable 1.9%, down $3.5bn, more than reversing a robust rise in March (+1.2%, +$2.2bn) – which was centred on a temporary run-up in wholesale inventories (around autos). That June result included sharp falls for wholesale, –$1.6bn, and retail in the face of weak consumer demand, –$0.9bn, as well as mining (on fewer transport disruptions), –$1.1bn.

Consumer spending is sluggish, real retail sales contracted 1.7% over the past year, encouraging firms to hold slimmer inventory levels.

Accordingly, we anticipate that inventory levels moved lower still in the September quarter, albeit (and importantly) at a slower rate – down a forecast –0.6%. That slowing in the pace of decline would see inventories add to growth, contributing 0.4ppts to activity.

Inventories, Q3 f/c: pace of decline to slow



Aus Q3 current account, $bn

Dec 5, Last: 7.7, WBC f/c: 1.0
Mkt f/c: 3.3, Range: 1.0 to 8.0

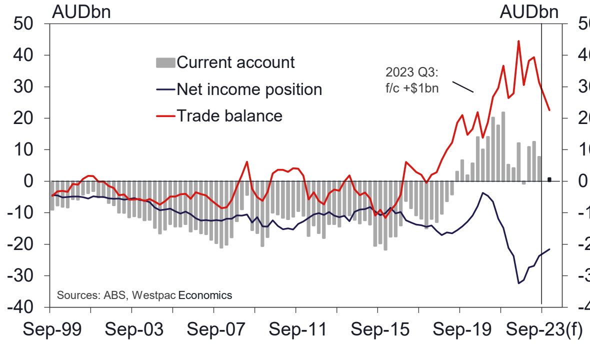
The current account remained in surplus in the June quarter, to the tune of $7.7bn, including a trade surplus of $31.4bn and a net income deficit (NID) of –$23.7bn. Over the past 17 quarters, the current account balance averaged a surplus of $9.8bn per quarter – with a surplus in all but one quarter.

The current account likely moved towards balance in the September quarter, with a forecast wafer thin surplus of $1.0bn.

The trade position weakened, to a surplus of around $22.6bn, as the terms of trade retreated further from its highs, down about 3.2%, and as import volumes posted a sizeable rise (see below).

For the NID, we've factored in an improvement of close to $2bn, to –$21.6bn, as returns to international investors in the mining sector are adversely impacted by lower commodity prices.

Australia's current account: Q3 f/c +$1bn



Aus Q3 net exports, ppts cont'n

Dec 5, Last: +0.8, WBC f/c: –0.4
Mkt f/c: –0.2, Range: –0.5 to flat

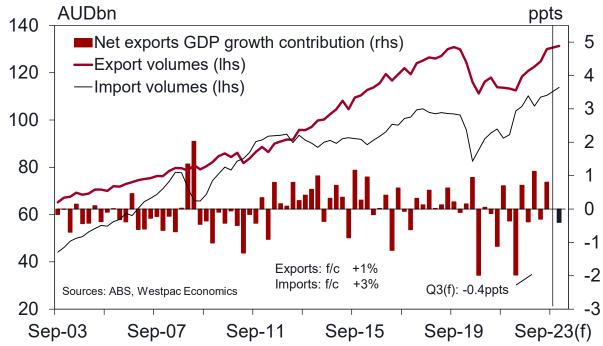
Real net exports made a sizeable positive contribution to activity in the June quarter, adding 0.8ppts.

Exports extended their recovery, advancing 4.3% in the quarter, to be 14.8% above the level at end 2021 but unchanged from that at end 2019 (pre-covid). Service exports have snapped back, led by returning students, rising 12% in the quarter, up 82% on end 2021 but still a little below end 2019, down –5.9% (held back by tourism).

For the September quarter, net exports swung back to be a drag, subtracting –0.4ppts from activity – we estimate. Notably, imports had a strong result, up an 3%, led by a 10% rise in services as more of us holidayed abroad.

Export volumes rose by a more modest 1%. Service exports growth slowed to an estimated 2% – the big gains are largely behind us. Goods exports eked out a small rise of around 0.8%.

Net exports: Q3 f/c -0.4ppts



Aus RBA policy decision

Dec 5, Last: 4.35%, WBC f/c: 4.35%
Mkt f/c: 4.35%, Range: 4.35% to 4.60%

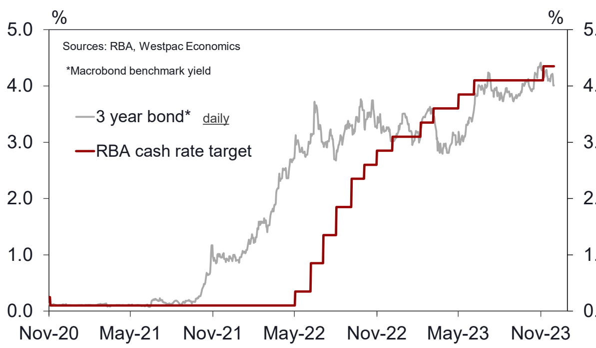
At the December Board meeting, Westpac anticipates that the RBA Board will leave the cash unchanged at 4.35%.

Last month, in November, the RBA Board opted to raise the cash rate by 25bps from 4.10% to 4.35%, after having left policy on hold over four consecutive months, in what was considered a response to a "material upward revision to the outlook for inflation".

Move forward to December, and no further upside surprises to the inflation outlook have materialised. Indeed, the somewhat volatile Monthly CPI Indicator printed below expectations in October, down from 5.6%yr to 4.9%yr, and other data was broadly in line with expectations. The RBA Board will instead look toward the Q4 CPI report (due January 31) for a more complete assessment of inflation's momentum and the risks at hand.

For more detail, see Page 2.

RBA cash rate and 3 year bonds



DATA PREVIEWS

Aus Q3 GDP

Dec 6, Last: 0.4%, WBC f/c: 0.4%
Mkt f/c: 0.4%, Range: 0.1% to 0.8%

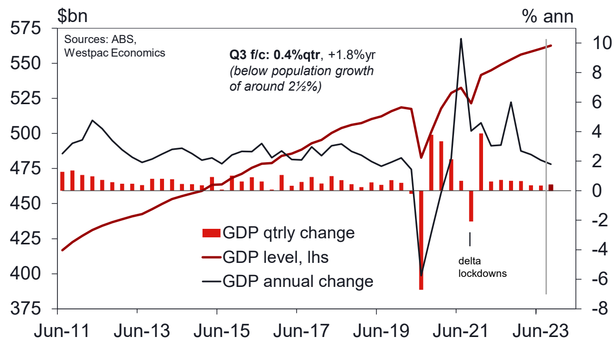
We assess that the Australia's economy grew by 0.4% in the September quarter, following outcomes of 0.4% for both March and June. Annual growth slows to 1.8%, moderating from 2.7% for 2022, and below population growth of around 2½%.

The Q3 arithmetic is: domestic demand +0.4%, net exports –0.4ppts, and total inventories +0.3ppts.

The economy is stuck in the slow-lane, as the intense headwinds of high inflation and higher interest rates impact. Domestic demand growth likely cooled, from a near 3% annualised pace over 2023H1 to a forecast 1.8% annualised pace in Q3.

Business investment stalled (on our figuring), after a strong burst, and similarly public demand is expected to resume the subdued growth evident through much of 2022 (after a temporary burst). Consumer spending is forecast to tick higher, to a forecast 0.5%, boosted by the Matildas, but the outlook remains downbeat.

Australian economy: grew a f/c 0.4% in Q3



Aus Oct trade in goods balance, $bn

Dec 7, Last: 6.8, WBC f/c: 9.5
Mkt f/c: 7.5, Range: 6.0 to 10.0

Australia's trade surplus for goods 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 $9bn average since then.

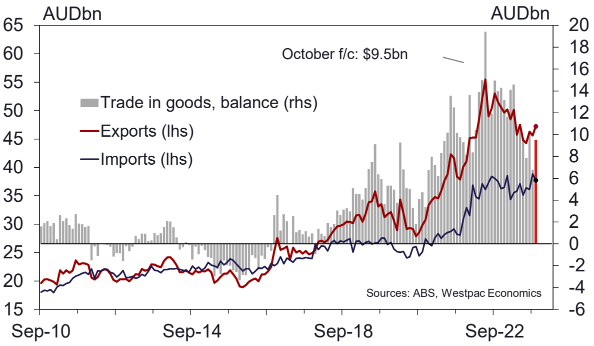
In September, the surplus dipped to $6.8bn on a flood of imports, up 7.5%, ahead of end of year sales.

For October, the surplus is expected to snap back, to a forecast $9.5bn.

On the import side, we've factored in a partial reversal of that spike, down –2.9%, a decline of –$1.1bn.

Export revenue will likely be higher, up a forecast 3.5%, +$1.6bn, supported by a bounce in commodity prices (up 3.6% in the month to still be 14.7% below a year ago).

Australia's trade in goods balance



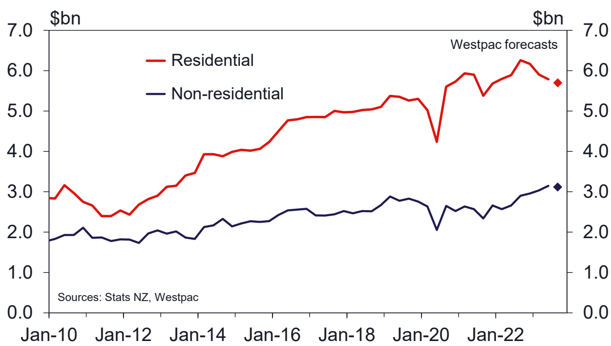
NZ Q3 building work put in place

Dec 5, Last: –0.1%, Westpac f/c: –1.4%

The June quarter saw a modest rise in building activity, with an increase in non-residential construction offsetting a drop in residential work.

We're forecasting a 1.4% fall in construction activity in the September quarter. Residential building activity is expected to continue declining, and we're also expecting a pull-back in non-residential construction work. Tougher financial conditions (including higher interest rates) are weighing on building activity. That's been compounded by the slowdown in economic growth, which has meant that developers and project initiators are cautious about bringing new work to market.

NZ real building work put in place



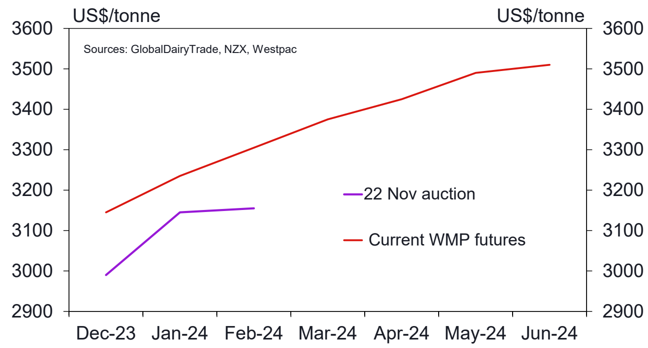
NZ GlobalDairyTrade auction, whole milk powder prices

Dec 6, Last: 1.9%, Westpac f/c: +2.0%

We expect whole milk powder prices (WMP) to rise by 2% at the upcoming auction. WMP prices lifted 1.9% at the previous auction. Our pick roughly splits the flat result at the recent mini (GDT pulse) auctions and the circa 5% price lift as indicated by the futures market.

Global dairy prices bounced off their lows over September and October. The likely drivers of the improvement were a lift in demand from Middle East buyers alongside increased drought risk over summer and/or autumn stemming from the El Nino weather pattern. Prices consolidated over November and in the short term, we expect further consolidation.

Whole milk powder prices



US Nov employment report

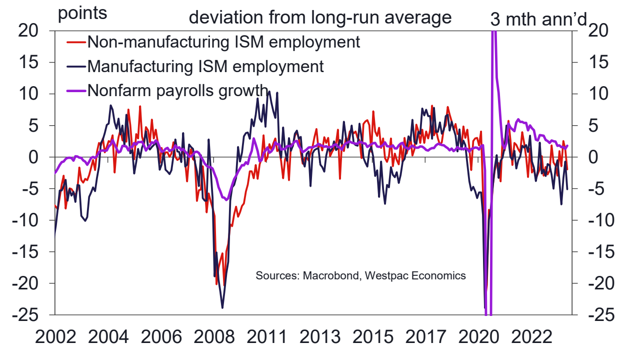
Dec 8, nonfarm payrolls, Last 150k, Mkt f/c: 200k, WBC f/c: 180k
Dec 8, unemployment rate, Last 3.9%, Mkt f/c: 3.9%, WBC f/c: 3.9%
Dec 8, hourly earnings, Last 0.2%, Mkt f/c: 0.3%, WBC f/c: 0.2%

Growth in nonfarm payrolls continues to slow, from an average of 399k in 2022 to 257k in H1 2023 and 212k in the four months to October. Hours worked have also fallen over the year, suggesting the labour market is weaker than the nonfarm payrolls count implies.

The household survey corroborates this view, with growth in employment reported by that survey just 57k per month over the past four months. Key business surveys such as the ISMs also point to weak job creation, while the Beige Book made note of some businesses being comfortable with “letting go low performers” in November.

In light of these data points, we expect nonfarm payrolls to continue slowing on a multi-month basis, though it may be through revisions. Softer job creation will see the unemployment rate lift slowly over the year ahead and wage growth stabilise at a modest pace.

Surveys point to downside risks for jobs



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 04					
Aus	Oct housing finance	0.6%	1.1%	3.2%	Price-led upturn has been slow to feed into finance so far ...
	Oct investor finance	2.0%	–	3.0%	... but should show through more clearly in Oct figures ...
	Oct owner occupier finance	–0.1%	–	3.3%	... with temp. boost to construction lifting own-occ as well.
	Q3 company profits	–13.1%	1.5%	–1.2%	Lower commodity prices & challenging domestic backdrop.
	Q3 inventories	–1.9%	–0.8%	–0.6%	To decline (on soft demand) but at a slower rate. See textbox.
	Nov MI inflation gauge %yr	5.1%	–	–	Provides a general view of risks.
	Nov ANZ job ads	–3.0%	–	–	Downtrend resumes, following little-change over Jun–Oct.
NZ	Q3 terms of trade	0.4%	–	–2.5%	Export (meat) prices fell over Q3; oil prices rose.
Eur	Dec Sentix investor confidence	–18.6	–	–	Stable but fragile.
US	Oct factory orders	2.8%	–2.6%	–	Underlying trend has firmed following soft patch over H1.
Tue 05					
Aus	Q3 current account, $bn	7.7	3.3	1.0	Narrows on smaller trade surplus as terms of trade falls.
	Q3 net exports, ppts cont'n	+0.8	–0.2	–0.4	Imports a strong Q3 reading outstrips further lift in exports.
	Q3 public demand	1.2%	–	0.3%	Resumption of subdued growth post H1 2023 investment burst.
	RBA policy decision	4.35%	4.35%	4.35%	To remain on hold and alert to upside risks.
NZ	Q3 building work	–0.1%	–	–1.4%	Residential and non-residential turning down.
	Nov ANZ commodity prices	2.9%	–	–	Dairy prices sideways; meat prices down.
Jpn	Nov Tokyo CPI %yr	3.2%	3.0%	–	BoJ unperturbed, aiming to reanchor inflation expectations.
Chn	Nov Caixin services PMI	50.4	50.7	–	Services demand remains subdued.
Eur	Oct PPI %yr	–12.4%	–	–	Last year's energy inflation has almost fully cycled out.
US	Nov ISM non-manufacturing	51.8	52.5	–	Outlook becoming more uncertain.
	Oct JOLTS job openings	9553k	9440k	–	Gradually easing off peak as labour demand cools.
Global	Nov S&P Global services PMI	–	–	–	Final estimate for Japan, Eurozone, UK and US.
Wed 06					
Aus	Q3 GDP	0.4%	0.4%	0.4%	Growth stuck in the slow lane, as domestic demand cools.
NZ	GlobalDairyTrade (WMP)	1.9%	–	2.0%	Dairy prices consolidating September/October gains.
Eur	Oct retail sales	–0.3%	–	–	Broad-based weakness highlights pressure on households.
US	Nov ADP employment change	113k	120k	–	Often at odds with BLS survey.
	Oct trade balance $bn	–61.5	–63.0	–	Monthly volatility masks trend towards smaller deficits.
Can	Bank of Canada policy decision	5.00%	5.00%	–	Inflation risks fading, but rate cuts are not yet on the table.
Thu 07					
Aus	Oct trade in goods balance $bn	6.8	7.5	9.5	X's +3.5%, higher prices. M's –2.9%, partial unwind of 7.5% jump.
Chn	Nov trade balance US$bn	56.5	48.15	–	Diverging trends: Asian demand strong, Eur/US softening.
	Nov foreign reserves US$bn	3101.2	–	–	Authorities focused on stability of TWI not USD/CNY.
Eur	Q3 GDP	–0.1%	–	–	Final estimate.
US	Initial jobless claims	218k	–	–	Still near its lows, for now.
	Oct consumer credit $bn	9.1	9.0	–	Interest rates growing as a headwind for credit demand.
Fri 08					
Aus	RBA Head of Financial Stability	–	–	–	Brischetto, speaking at Banking & Fin. Stability conference.
Jpn	Q3 GDP	–0.5%	–	–	Final estimate.
	Oct household spending %yr	–2.8%	–2.9%	–	Broad-based weakness, as real cash earnings remain negative.
	Oct current account balance ¥bn	2723.6	–	–	Surplus sustained at elevated level.
US	Nov non-farm payrolls	150k	200k	180k	Watch for negative revisions to prior months...
	Nov unemployment rate	3.9%	3.9%	3.9%	... given household employment and surveys...
	Nov average hourly earnings %mth	0.2%	0.3%	0.2%	... are materially weaker. Wage g'th not a threat to CPI.
	Dec Uni. of Michigan sentiment	61.3	–	–	Little-changed from mid-year as expectations sour.
Sat 09					
Chn	Nov CPI %yr	–0.2%	–0.2%	–	Soft demand and capacity limiting consumer inflation...
	Nov PPI %yr	–2.6%	–3.0%	–	... as growing capacity holds back upstream price gains.

Forecasts

Interest rate forecasts

Australia	Latest (1 Dec)	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	4.37	4.55	4.55	4.47	4.22	3.97	3.72	3.47
3 Year Swap	4.28	4.50	4.40	4.30	4.20	4.10	3.90	3.70
3 Year Bond	4.08	4.30	4.20	4.10	4.00	3.90	3.70	3.50
10 Year Bond	4.50	4.70	4.60	4.50	4.40	4.30	4.15	4.05
10 Year Spread to US (bps)	17	-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	4.33	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	5.63	5.85	5.85	5.85	5.85	5.75	5.50	5.20
2 year swap	5.21	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	63	65	75	80	80	75	70	70

Exchange rate forecasts

Australia	Latest (1 Dec)	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
AUD/USD	0.6607	0.66	0.67	0.68	0.69	0.70	0.71	0.72
NZD/USD	0.6178	0.60	0.61	0.62	0.62	0.62	0.63	0.63
USD/JPY	148.10	149	147	144	141	138	135	132
EUR/USD	1.0907	1.08	1.09	1.11	1.13	1.14	1.15	1.16
GBP/USD	1.2639	1.23	1.24	1.25	1.26	1.27	1.28	1.30
USD/CNY	7.1396	7.20	7.10	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.0722	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	Q2f	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	4.5	4.8	3.2	3.4	4.3	5.2
CPI % qtr	1.4	1.2	1.1	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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