AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 18 December 2023

Editorial: Coordinated policy should not be a drag.

RBA: Minutes December Board meeting

Australia: Q4 ACCI-Westpac business survey, Westpac-MI Leading index, private sector credit.

NZ: Q4 Westpac McDermott Miller Consumer Confidence, ANZBO business confidence, GDT auction, HYEFU.

US: housing starts & permits, consumer confidence, personal income and spending, PCE delator.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 15 DECEMBER 2023.

WESTPAC INSTITUTIONAL BANK

Coordinated policy should not be a drag

The RBA Board must be glad that they did not follow up November's rate rise with another in December. The September quarter national accounts confirmed the narratives that Westpac Economics has been highlighting: the household sector is being squeezed by inflation, a rising tax take and higher interest rates; earlier resilience in equipment investment faded as tax incentives expired; and the productivity slump began to reverse as the population surge began to recede.

The data were view-changing in that the consumer sector was shown to be even weaker than we expected. The squeeze on real household disposable income has been extraordinary. And as we have been highlighting, more of that squeeze has come from tax payments, not monetary policy. Total tax payments by the household sector were the highest share of household gross income (17¾%) ever previously recorded since the quarterly national accounts were first compiled in 1959. The consequences of this squeeze include weak consumption and rock-bottom consumer sentiment.

Some of the additional tax take has occurred because the bonus low and middle-income tax offset expired. However, we estimate that the bulk of the increase in the tax-to-income ratio has come from bracket creep.

Other countries, including the United States and Canada, are not currently seeing the same fiscal drag on income from bracket creep, because their federal tax brackets are indexed to inflation. This might seem like an advantage, because the tax burden does not increase automatically as nominal incomes rise. There is therefore less need for periodic one-off adjustments, which can become politicised. However, it means that in those economies, the average tax take only rises with real income growth. It does not increase faster when inflation is high. More of the burden of combating inflation then falls to monetary policy.

Indexing tax brackets in Australia would therefore mean giving up an automatic stabiliser – and, most likely, having significantly higher interest rates during inflationary periods than is currently required. This is the logic behind the inflation-fighting rhetoric surrounding yesterday's release of the Mid-Year Economic and Financial Outlook. If the government had not banked as much of the revenue windfall from high rates of nominal (not real) income growth (and high commodity prices), it would be contributing less to the countercyclical stance of macroeconomic policy.

Shifting even more of the weight of macroeconomic management to monetary policy in this way can be sustainable if mortgages are predominantly at fixed rates, as they are in both the United States and Canada (albeit with different average tenors). If they are instead mostly variable rate, as in Australia, policymakers would simply be substituting a tax squeeze on the incomes of most people for an effect that would be even more targeted on the narrower group of people with mortgages than it already is. Given our tax and regulatory systems, the mortgage market is likely to remain mostly variable rate except when there have been extraordinary policy interventions – such as those during the pandemic. So this is a trade-off that cannot be easily avoided. The lesson here is that there is a silver lining to fiscal drag.

Instead of the polar choices of no indexation or indexation to inflation, policymakers may want to consider a third choice of automatic indexation at a fixed rate of 2.5%, the midpoint of the RBA's inflation target. The average tax take would still increase when inflation is high. The real value of the bracket thresholds would rise when inflation is below 2.5%, reducing the average tax take. This design would preserve the automatic stabilisation properties of Australia's non-indexed system. But it would deliver the same amount of indexation over long periods as a CPI-indexed system. Anchoring tax indexation consistently with the RBA's target might even help anchor people's inflation expectations.

There would still be some fiscal drag as real incomes increase over time, but it would be smaller. Any periodic adjustments of tax brackets to this could also be less frequent. An alternative would be to index to trend income growth. However, that would require policymakers to take a view on the trend rate of real growth, which is uncertain. Indexing at a fixed 2.5% rate avoids the need to make this judgement.

A similar redesign could also work for capital gains tax. The capital gains could be discounted by a constant index of 2.5%, and the full marginal rate applied to the remainder. This would preserve the simplicity of the current system relative to the pre-1999 arrangements, while eliminating the distortion of taxing capital gains at a lower marginal rate than rental or labour income.

The broader point here is that policy coordination can be a matter of good design rather than real-time decision-making – and less prone to potential accusations of political interference. The usual assumption is that discretionary fiscal policy is too slow to adjust to be useful for countercyclical macroeconomic management. This is why monetary policy has been assumed to be the primary tool in this space. If countercyclical features are baked into the design of the tax and transfer system, though, fiscal policy's response will not depend on discretionary decisions and the lags inherent in the legislative process.

There is probably more 'joined-up' thinking that can be done to find a better balance for macroeconomic management, beyond this simple idea. It need not even require new institutions or governance. Australia's unique arrangements for the governance of monetary policy, with the Secretary of Treasury being a member of the RBA's policy board, might be a uniquely conducive space to do some of that thinking.

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.".

THE WEEK THAT WAS

The latest edition of the Westpac-Melbourne Institute survey pointed to consumer sentiment remaining near its historic lows in December, the index rising just 2.7% to 82.1 compared to a long-run average of 100.8. The probability of further rate hikes may be dwindling, but consumers find themselves under considerable financial pressure as a result of the tightening experienced to date; the cumulative hit to real incomes from inflation; and a rising tax take, the latter principally a consequence of bracket creep and a topic discussed in depth by Westpac Chief Economist Luci Ellis. From the survey, the persistence of these factors is as significant as their scale: 2023 being the second weakest year ever for consumer sentiment overall; and assessments of family finances versus a year ago and for the year ahead respectively 23% and 15% below average.

The consequence for spending of this entrenched weakness is not only apparent in our consumer sentiment survey, but also the spending data. Last week's Q3 GDP report estimated that real consumption was essentially flat over the six months to September and down around 2% over the year on a per capita basis. Available data for the current quarter is also poor, Westpac's Card Tracker reporting a 5.9pt fall over the fortnight to December 9, unwinding the prior boost from Black Friday and taking the index back to its lowest reading since July 2022.

Challenges for the financial position of households were also on display in the November labour force survey, which showed a well above trend gain for employment of 61.5k but also a further lift in the unemployment rate from 3.8% to 3.9%, the mix made possible by a further rise in the participation rate to a new record high. While the cost of living squeeze appears to be encouraging those outside the labour force to join and those already engaged to remain, weak end-demand is starting to see businesses reduce hours worked by individual staff. The pattern would be consistent with workers seeking additional hours having to look for a second position rather than taking up overtime offers from their primary employer.

The improving availability of labour argues for limited upside risks to wages growth and the totality of the report points to upside risks for unemployment should the economy disappoint through 2024 and 2025. Our baseline expectation remains a gradual lift in the unemployment rate to 4.7% at end-2025 as population growth outpaces job gains. In assessing the risks for employment, it is important to closely assess the evolution of business conditions and confidence. While the NAB survey again reported robust conditions in late-November, business confidence fell to its third weakest reading for the monthly series back to 1997, outside the GFC and the 2020 covid outbreak. Highlighting businesses' growing concern over the outlook, the capital expenditure index from the survey has fallen 8pts over the past four months to +4, the lowest reading since the delta outbreak.

The benefit of record employment was on display this week in the Government's Mid-Year Economic Update, with a $66bn upgrade to expected receipts over the four years to 2026-27 and a consequent $40bn benefit to the Budget's bottom line. The Government's expectations for the labour market are relatively similar to our own, but the combination of population growth; bracket creep; and commodity price outperformance points to additional upside for receipts.

Over in New Zealand, two data releases indicated the economy is in a much weaker state than previously estimated. GDP not only contracted 0.3% in the September quarter, but heavy downward revisions to prior quarters left the annual rate at -0.6%yr and the level of GDP 1.8% lower than the RBNZ estimated for the November Monetary Policy Statement. Given population growth of 2.7%yr, per capita GDP has declined more than 3% over the 12 months to September – a very weak result. Statistics NZ's update on consumer price movements in November was also softer than anticipated and resulted in our NZ economics team lowering their Q4 CPI forecast from 0.6% to 0.3%, a long way off the RBNZ's forecast of 0.8%. If our team is correct, annual inflation will be 4.5%yr at December.

There remains a degree of uncertainty about the persistence of disinflation. And so, with inflation still a long way from target, a need for careful monitoring of inflation dynamics. However, the case for a last hike in February now looks too thin (see p3).

Further afield, the FOMC's December meeting was the highlight for market participants. The communications did not disappoint, with the Committee responding to success with inflation and balance in the labour market by not only removing the additional hike forecast at September for 2023, but also adding a cut to their 2024 view – 75bps of cuts are now projected by the Committee for 2024 to 4.6% followed by 100bps to 3.6% in 2025 and another 75bps to 2.9% in 2026. To end-2025, the revised FOMC view is broadly in line with our established view of 100bps of cuts in both 2024 and 2025 to 3.375% at end-2025.

During the post-meeting press conference, Chair Powell was balanced in his assessment of the risks noting that, despite the revisions to their forecasts, the Committee is willing to tighten policy further if appropriate (i.e. demand and inflation surprise materially to the upside). However, he also recognised the risk of recession with the full effects of monetary tightening still to be felt. Late in the press conference, he also cited a belief that the Committee needed to be "reducing restriction well before [inflation reaches] 2%". Contrasting our own forecasts for the US economy as set out in the December/January edition of Market Outlook, we see downside risks to the FOMC's activity views, forecasting two years of modestly below-trend growth in 2024 and 2025 and a lift in the unemployment rate to 4.7%. But we also expect inflation to surprise to the upside from H2 2024, with a 2.5% annualised pace anticipated on average to end-2025. This anticipated imbalance between growth and inflation is a consequence of enduring capacity constraints in the housing sector and the limited breadth of the business investment upswing.

The European Central Bank (ECB) and Bank of England (BoE) delivered their December decisions a day after the FOMC. Both sets of communications highlighted lingering inflation risks despite recognising success-to-date in bringing inflation towards their medium-term 2.0%yr target and with the activity outlook clouded. Given the rhetoric and assuming their forecasts prove accurate, both the ECB and BoE are set to follow the FOMC into rate cuts with a lag. This is part of the reason why we project a sustained uptrend in Euro and, to a lesser extent, Sterling over both 2024 and 2025. It is worth noting that both currencies have already jumped ahead to trade at levels we did not expect until mid-2024. There is therefore room for volatility around a steady uptrend. Full detail of our FX and interest rate forecasts can be found in Market Outlook.

Week ahead & data wrap

No further RBNZ tightening looks likely.

This week has not disappointed in terms of the importance of the data, both locally and internationally. For a while, markets have been speculating that central banks globally might shift tack towards interest rate cuts in 2024. This speculation reached a crescendo this week with the United States Federal Reserve indicating that US rates have likely reached their peak and that 75bps of cuts are possible in 2024.

Locally, we saw data on elements of the Consumers Price Index and GDP which pushed in the same direction – i.e., towards expectations of weaker inflation pressures both now and over the medium term. This data suggests to us that the further 25bp increase in the OCR that we had expected to be delivered at the time of the February Monetary Policy Statement (MPS) is now much less likely, and instead it's more likely we see the OCR remain at 5.5% for 2024. As we discussed in our review, the GDP data tell us that the economy is in a much weaker position than we (and even more so, the RBNZ) thought even a few weeks ago. The implication for the RBNZ seems clear as the new data will tell them that the more positive output gap they included in their November 2023 MPS forecasts has been revised away. And with those revisions, much of the upward pressure on medium term inflation pressures and the need for a higher OCR will have been reversed.

We think it's likely, absent any further surprises, that the RBNZ will revert to something like their August 2023 MPS view that the OCR will remain at 5.5% until the latter part of 2024. We continue to see them as remaining much more cautious than markets on the prospects for lower rates. While the recent data provides a decent basis for revising down forecasts of inflation this is not the same as being confident those forecasts will be borne out. The RBNZ's new Remit requires a sole focus on inflation, and we are sure that they will need to be confident they can hit 2% CPI inflation in the second half of 2025 and meet the new Remit. All going well, we can see a path to where they get that confidence by the time of the August 2024 MPS – but there is a lot of water to go under the bridge before that happens. We think the analysis in our recent note remains relevant. We continue to see the strongest case for a gradual reduction in the OCR from the beginning of 2025.

Turning to this week's dataflow, the most important news was contained in the Q3 GDP report. While we had expected a modest contraction in GDP in the quarter, and downward revisions to earlier quarters, the scale of both the contraction and revisions was greater than we had expected. GDP fell 0.3% in Q3 – a sharp contrast to the 0.3% increase that the RBNZ had forecast – and growth in the June quarter was revised down by 0.4ppts to 0.5%. Moreover, downward revisions to growth in earlier quarters means that the level of GDP in the September quarter was 1.8ppts lower than the RBNZ had estimated in the November MPS. As noted above, some of this difference is likely to flow through to the RBNZ's estimate of the output gap, leading the Bank to estimate less inflationary pressure than was previously the case (essentially reversing the hawkish revision made in the November MPS).

Elsewhere this week, the remaining news was more mixed. On the strong side, another large net migrant inflow in October, and further upward revisions to earlier months, lifted annual growth to a fresh record high of almost 129,000. This growth is expected to support stronger GDP outcomes over the coming year, not least through its impact on activity and prices in the housing market. That said, data released this week indicated that nationwide house sales remained subdued in November, and house prices have essentially moved sideways over the past three months.

Less positively, short-term overseas visitor arrivals took a backward step in October, declining 8% to just 80% of the pre-pandemic level seen in October 2019. The Business NZ manufacturing PMI, which accurately signalled the weakness in the manufacturing sector seen in the Q3 GDP report, improved from an upwardly revised 42.9 to 46.7 in November. However, the index has remained below the key 50 level for a ninth consecutive month, with the new orders and employment indexes also remaining in contractionary territory.

Finally, the monthly CPI indicators for November pointed to further downside risk to the near-term outlook, mostly due to weaker than expected news regarding airfares. As a result, we revised down our Q4 CPI forecast to 0.3%, which would lower annual inflation from 5.6% in the September quarter to 4.5% at the end of 2023 – 0.5ppts below the forecast made by the RBNZ in the November MPS. We have also modestly revised down our forecast for the key non-tradables component of the CPI by 0.1ppts to 0.7% for the quarter – 0.2ppts below the RBNZ's November forecast.

Next week a key focus will be the government's Half Yearly Economic and Fiscal Update (HYEFU).

Kelly Eckhold, Chief Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Tue 12	Nov retail card spending	–0.6%	1.6%	0.6%
	Oct net migration	10010	7810	–
Wed 13	Nov REINZ house sales %yr	6.6%	12.2%	–
	Nov REINZ house prices %yr	-2.3%	-0.2%	–
	Q3 current account balance	-7.6%	-7.6%	-7.7%
Thu 14	Q3 GDP	0.5%	-0.3%	-0.1%
Fri 15	Nov manufacturing PMI	42.9	46.7	–

Aus Q4 ACCI-Westpac business survey

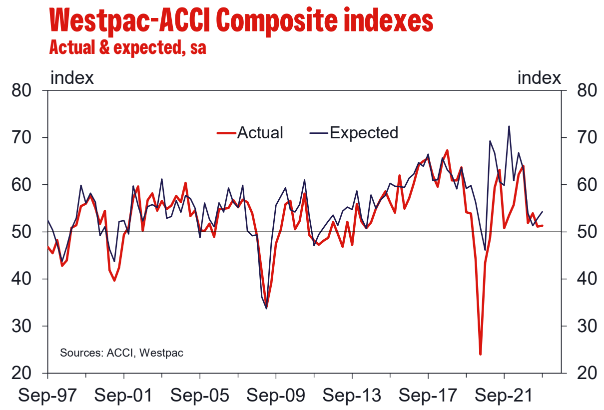
Dec 19, Last: 51.3

The ACCI-Westpac business survey for the December quarter, conducted through November into December, will provide a timely update on manufacturing and insights into economy wide trends.

Conditions within Australia's manufacturing sector are near stalling speed in 2023, with the Actual Composite Index around the break-even mark of 50. This mirrors the flat-lining of consumer spending, as high inflation and higher interest rates impact.

The previous survey reported broadly flat new orders for a second consecutive quarter, a decline in employment, and only a modest rise in output in the September quarter.

Some of the hallmark challenges facing the manufacturing sector have begun to ease. Amid the soft demand backdrop, cost pressures took a material step-back in September (albeit still to an above average level) and labour was reportedly much less difficult to find. How these trends continue to evolve, in the context of an emerging downturn, remains a key question.



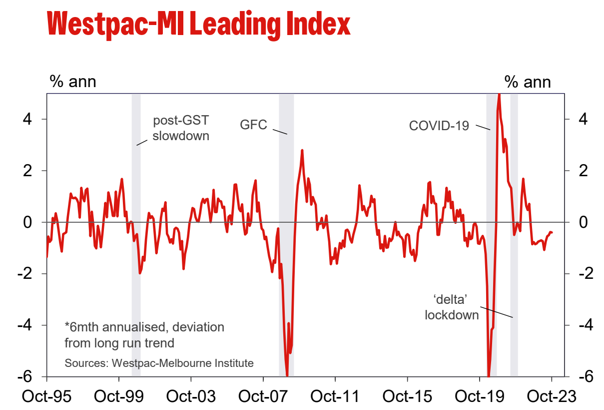
Aus Oct Westpac–MI Leading Index

Nov 22, Last: –0.40%

The Leading Index growth rate dipped slightly –0.4% in October, maintaining the below-trend growth signal that has been in place since August 2022, implying weak conditions will carry throughout the first half of 2024.

The November will include some more positive updates including a 4.5% rally in the ASX200, a 4.5% rise in commodity prices in AUD terms, and an 8.2% bounce in dwelling approvals (albeit one that is unlikely to sustain) and a less negative read on consumer sentiment.

Notably, the headline growth rate, which is a six month annualised measure, will also be cycling out of some of the more meaningful declines that were happening in the first half of the year (especially for equities, consumer expectations and dwelling approvals). This effect could see the growth rate 'pop' higher in November although the magnitude and extent to which this is sustained is uncertain.

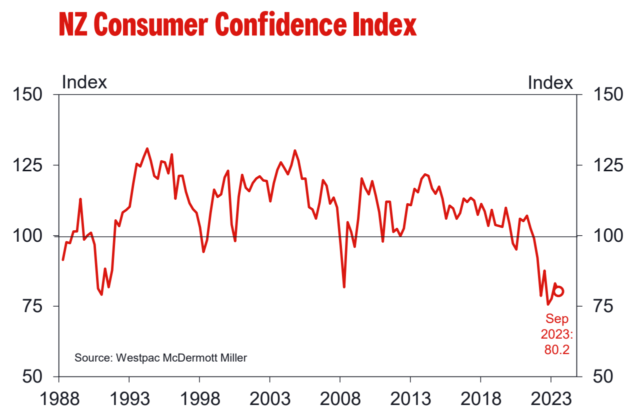


NZ Q4 Westpac McDermott Miller Consumer Confidence

Dec 22, Last: 80.2

The Westpac McDermott Miller Consumer Confidence Index fell 2.9 points in September to 80.2, leaving it close to the lows we have seen over most of the past year. Weighing on sentiment has been the continued pressure on households' finances and concerns about the outlook for economic activity.

Our upcoming survey was in the field during the early part of December. Recent months have seen signs that inflation is cooling and there has been some related easing in interest rates. We have also had a change in government.



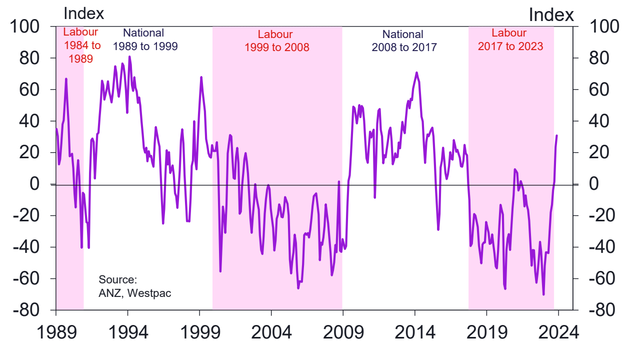
NZ Nov ANZBO business confidence

Nov 19, Last: 30.8

Business confidence took another step higher in November's ANZ Business Outlook survey. The headline confidence index rose to 30.8 in November, taking it back to levels we last saw in 2015. Business confidence has tended to be much stronger when New Zealand has a centre-right government (whose policies tend to be more business friendly), so this post-election bounce was to be expected.

With the election behind us and signs that economic activity is cooling, we will be watching for signs of a softening in the survey's gauges of trading activity, hiring and investment spending. We will also watch to see if the easing in inflation pressures seen over the past few months will continue.

NZ ANZBO business confidence



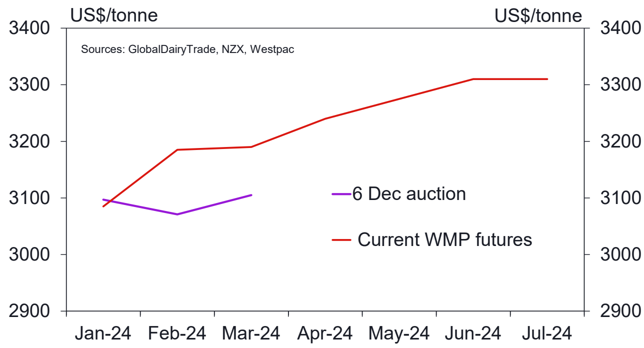
NZ GlobalDairyTrade auction, whole milk power prices

Dec 20, Last: 2.1%, Westpac: 2.5%

We expect whole milk powder prices (WMP) to rise by 2.5% at the upcoming auction. WMP prices had risen 2.1% at the previous GDT auction. Our prediction is based on a 1.9% lift in WMP prices at the recent mini auction when compared to the previous GDT auction and a 3.1% increase in prices as indicated by the futures market.

Global dairy prices have edged higher recently following on from a sluggish November. Key factors are likely to be a strengthening in demand from the Middle East and growth from Southeast Asia, with tentative signs of an improvement in Chinese demand also a factor. Looking forward, all eyes will be on the key Chinese market to see whether demand can build on recent gains in 2024.

Whole milk powder prices



NZ Half-Year Economic and Fiscal Update

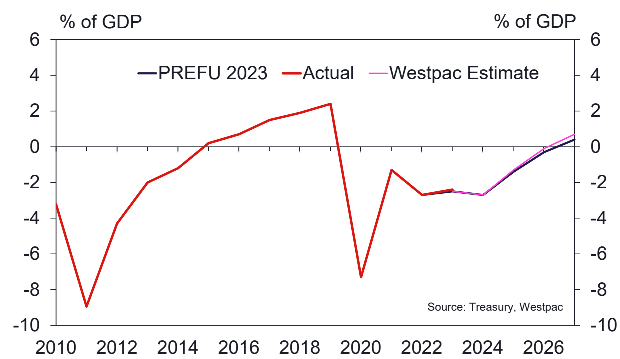
Dec 20

We expect little change in the Government's books at the Half-Year Update. The OBEGAL and bond programme forecasts will be broadly unchanged.

Also, we do not expect many fresh policy announcements on top of what has been agreed and announced by the Coalition Government.

That said, we expect the Minister Finance to signal a clear commitment to fiscal discipline, with more detail to follow in Budget 2024.

NZ Government Operating balance



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 18					
NZ	Q4 WBC–MM Consumer Confidence	80.2	–	–	Confidence has remained low through 2023 to date.
	Nov BusinessNZ PSI	48.9	–	–	Businesses have reported soft trading conditions.
Ger	Dec IFO business climate survey	87.3	–	–	Stabilising at low level, but optimism to take time.
US	Dec NAHB housing market index	34	38	–	Decline in term interest rates should aid housing in time.
Tue 19					
Aus	RBA Minutes	–	–	–	More colour around the Board's sensitivity to risks.
	Q4 ACCI–Westpac business survey	51.3	–	–	Conditions weakest in a decade (ex covid shock), & rising costs.
NZ	Nov trade balance $mn	–1709	–	–	Exports increasing as imports cool.
	Dec ANZ business confidence	30.8	–	–	Confidence has lifted, but signs demand is cooling.
Jpn	BoJ policy decision	–0.10%	–0.10%	–0.10%	BoJ cautious on sustainability of CPI/wage growth.
Eur	Nov CPI %yr	2.4%	–	–	Final estimate.
US	Nov housing starts	1.9%	–0.9%	–	Additional capacity needed …
	Nov building permits	1.8%	–2.5%	–	… but pipeline will take time to build.
	Fedspeak	–	–	–	Bostic.
Wed 20					
Aus	Nov Westpac–MI Leading Index	–0.40%	–	–	Stuck below trend but may post an improvement.
NZ	GlobalDairyTrade (WMP)	2.1%	–	2.5%	Dairy prices edge higher, but outlook depends on China
	Dec ANZ consumer confidence	91.9	–	–	Off its lows, but still weak.
	Half–year economic and fiscal update	–	–	–	OBEGAL and bond programme to be broadly unchanged.
Eur	Dec consumer confidence	–16.9	–	–	Easing inflation and policy pause should stabilise sentiment.
UK	Nov CPI %yr	4.6%	–	–	Services remains sticky; goods driving disinflation.
US	Nov existing home sales	–4.1%	–0.3%	–	Supply and demand are both negatives for market.
	Dec consumer confidence index	102.0	103.3	–	Sentiment fragile heading into Christmas period.
Thu 21					
US	Q3 GDP, annualised	5.2%	5.2%	5.2%	Final estimate.
	Dec Phily Fed index	–5.9	–3.0	–	Regional indicators suggest manufacturing sector…
	Dec Kansas City Fed index	–2	–	–	… is in a fragile state.
	Initial jobless claims	–	–	–	To remain at a low level for the foreseeable future.
	Nov leading index	–0.8%	–0.4%	–	Suggests growth is tracking at a below–trend pace.
Fri 22					
Aus	Nov private sector credit	0.3%	–	0.4%	Subdued growth - interest rates elevated, economy soft.
Jpn	Nov CPI %yr	3.3%	–	–	Tokyo CPI points to a loss of momentum in inflation.
UK	Nov retail sales	–0.3%	–	–	Discretionary spending to remain under pressure.
	Q3 GDP	0.0%	–	–	Final estimate.
US	Nov personal income	0.2%	0.4%	–	Wage growth still solid…
	Nov personal spending	0.2%	0.2%	–	… but real income growth limited.
	Nov PCE deflator	0.0%	0.0%	–	Inflation downtrend broadening; on track to return to target.
	Nov durable goods orders	–5.4%	2.4%	–	Headline orders volatile; core orders subdued.
	Nov new home sales	–5.6%	0.9%	–	Affordability to remain a significant headwind.
	Dec Uni. of Michigan sentiment	69.4	69.4	–	Final estimate.

Forecasts

Interest rate forecasts

Australia	Latest (15 Dec)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Cash	4.35	4.35	4.35	4.10	3.85	3.60	3.35	3.10	3.10
90 Day BBSW	4.35	4.55	4.47	4.22	3.97	3.72	3.47	3.30	3.30
3 Year Swap	3.95	4.15	4.10	4.05	4.00	3.90	3.70	3.60	3.50
3 Year Bond	3.79	3.95	3.90	3.85	3.80	3.70	3.50	3.40	3.30
10 Year Bond	4.14	4.35	4.30	4.20	4.15	4.10	4.05	4.00	4.00
10 Year Spread to US (bps)	20	10	10	5	5	5	0	0	0
US									
Fed Funds	5.375	5.125	4.875	4.625	4.375	4.125	3.875	3.625	3.375
US 10 Year Bond	3.95	4.25	4.20	4.15	4.10	4.05	4.05	4.00	4.00
New Zealand									
Cash	5.50	5.50	5.50	5.50	5.50	5.25	5.00	4.75	4.50
90 day bill	5.62	5.85	5.85	5.85	5.75	5.50	5.20	5.00	4.75
2 year swap	4.80	5.12	4.95	4.76	4.58	4.54	4.31	4.26	4.16
10 Year Bond	4.57	4.90	4.85	4.80	4.75	4.65	4.55	4.45	4.40
10 Year spread to US	62	65	65	65	65	60	55	45	40

Exchange rate forecasts

Australia	Latest (15 Dec)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6713	0.67	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD/USD	0.6204	0.62	0.62	0.62	0.63	0.63	0.63	0.63	0.64
USD/JPY	142.01	145	144	141	138	135	132	130	127
EUR/USD	1.0996	1.09	1.11	1.13	1.14	1.15	1.16	1.17	1.17
GBP/USD	1.2762	1.26	1.27	1.28	1.29	1.30	1.30	1.31	1.31
USD/CNY	7.1195	7.10	6.90	6.80	6.70	6.60	6.50	6.40	6.30
AUD/NZD	1.0807	1.08	1.11	1.11	1.11	1.13	1.14	1.14	1.15

Australian economic growth forecasts

	2022	2023			2024			Calendar years			
% change	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	2021	2022	2023f	2024f
GDP % qtr	0.9	0.5	0.4	0.2	0.2	0.3	0.3	–	–	–	–
%yr end	2.3	2.4	2.0	2.1	1.4	1.2	1.0	5.4	2.3	1.4	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	0.8	0.7	0.8	–	–	–	–
annual chg	7.8	7.0	6.0	5.4	4.3	3.5	3.5	3.5	7.8	4.3	3.2
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	3.2

New Zealand economic growth forecasts

	2023			2024				Calendar years			
% change	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
GDP % qtr	0.5	-0.3	0.1	0.0	0.1	0.2	0.3	–	–	–	–
Annual avg change	3.0	1.3	0.7	0.3	0.0	0.2	0.3	2.4	0.7	0.3	1.6
Unemployment rate %	3.6	3.9	4.3	4.5	4.8	5.0	5.2	3.4	4.3	5.2	5.3
CPI % qtr	1.1	1.8	0.3	0.9	0.6	0.9	0.6	–	–	–	–
Annual change	6.0	5.6	4.5	4.1	3.7	2.8	3.1	7.2	4.5	3.1	2.5

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