AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 15 January 2024

Editorial: In a world gone bananas, don't squash the other fruit.

Australia: Westpac-MI Consumer Sentiment, labour force survey.

NZ: REINZ house prices, Q4 NZIER Survey, retail card spending, net migration, monthly price indicators.

China: Q4 GDP, retail sales, industrial production, fixed asset investment.

UK: CPI, average weekly earnings, retail sales.

US: Martin Luther King Jr. Day, retail sales, industrial production, UoM consumer sentiment, Beige Book.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 15 JANUARY 2024.

WESTPAC INSTITUTIONAL BANK

In a world gone bananas, don’t squash the other fruit

When Cyclone Larry hit North Queensland in 2006, most of Australia’s banana crop was knocked out. Banana prices increased around 400%. This was enough to add more than ½ a percentage point to inflation in the June quarter of that year. It was also one of the cleanest examples of a supply shock that monetary policy should look through. (And at the time resulted in me uttering the sentence, “Of course we can see through bananas!”. But that’s another story.)

Less well known is that prices of other fruit increased in that period, even though those crops were not damaged by the cyclone. This happened because, at those prices, people stopped buying bananas and substituted into other fruit, pushing their prices up. As banana supply normalised, prices of those fruit normalised too.

The question is, should we interpret the impact on prices of those other fruit as “demand-driven”? After all, their prices increased and so did the quantity consumed, the pattern you would expect to see with a positive demand shock.

Through the pandemic period and following Russia’ s invasion of Ukraine, supply shocks were prominent. Factories and other businesses were closed, shipping was disrupted, and domestic logistics were constrained. But there was also stimulus to demand coming from the extraordinary fiscal and monetary policy support. If the prescription for monetary policy is to look through temporary supply shocks to the extent one can without inflation expectations rising, but respond to demand-driven inflation, how do you tell the difference in this situation? This issue becomes especially relevant given the RBA’s assessment that inflation is becoming “increasingly homegrown and demand driven”.

One approach to this is simply to follow the logic that if price went up and quantity consumed went down, it must be supply-driven, while if both increased, it was demand-driven. This is the essence of a methodology developed at the Federal Reserve Bank of San Francisco and used by the RBA. It implies that about half the surge in inflation of recent years stemmed from supply shocks, with the rest coming from strong demand. Different methods using model-based estimates attribute a bit more of the increase in inflation to supply shocks, but the conclusions are qualitatively similar. But is this the right way to interpret recent price moves? Or, with apologies to Jeanette Winterson, is this another case of bananas not being the only fruit?

The complicated way to assess this would be to estimate how much of the price movements in the “demand-driven” components of the CPI reflected demand shifting from supply-constrained components, and how much was from stronger underlying demand. This would become intractable faster than you can say “estimate cross-elasticities of demand”. Another way would be to estimate how much of the increase in overall inflation is explained by the usual drivers of demand, such as income, for example using standard demand-driven models such as a Phillips Curve. The RBA have done this calculation using their own models. As noted above, these exercises do suggest that supply shocks were a bit more important than the San Francisco Fed approach, with demand-driven inflation playing a smaller, but still important, role. But these estimates are only as good as your model.

The simpler way is to remember that inflation is an aggregate phenomenon that should abstract from relative price shifts. It is the balance of aggregate demand and supply that matters. One way to assess aggregate demand for consumption goods and services is by looking at total consumption. Unlike in some peer economies, it has been weak of late in Australia, especially in per capita terms. After initially bouncing back to its pre-pandemic trend when the economy opened up, more recently consumption has been weaker than many expected. This is largely because real household incomes have gone backwards, squeezed by inflation itself, rising taxation and higher interest rates. There are clearly pockets of strong demand and some households are still cashed up with pandemic-related extra savings. But there is always a diversity of experience across households, and these distributional issues should not entirely overthrow an assessment of the aggregate situation.

Last week we saw the November monthly CPI indicator surprise a little on the downside. As our Westpac Economics colleague Senior Economist Justin Smirk noted, the categories that were lower than expected included personal services categories that the RBA had previously been pointing to as evidence of resilient demand.

Slower demand for discretionary services might be a response to the squeeze on household incomes, including from high inflation. But it could also be partly an adjustment as overseas travel patterns normalise. The international borders reopened in 2022, but airline capacity has taken longer to recover. On some metrics, it has still not done so completely. As long as supply in this industry is constrained and airfares higher than pre-pandemic, we should not be surprised to see domestic holidaying and other domestic services demand pushed up as a substitute. And just like the other fruit, we should not be surprised if demand for these services slows as supply constraints on international travel subside.

One upside surprise in the month was in homebuilding costs, which reached 35% above their level four years previously in November 2019. Growth in this component actually picked up in the month. Given the low level of dwelling investment, it is hard to attribute this to strong demand. But neither can we point to global supply chain issues as the culprit anymore. In Canada, one of the few other countries that include homebuilding costs in their CPI, this component has been falling for some months and is up 24% over the same four-year period. Rather, the domestic homebuilding industry remains supply-constrained. The backlog of already approved projects remains high. Meanwhile some capacity has exited, either through bankruptcy or the bid from infrastructure and other non-residential construction projects.

The rapid inflation of rents can, by contrast, be seen as the effect of strong demand. The population surge has strained this market. Vacancy rates are low, and it is hard to see how supply could have kept up, even if the building industry had not been as constrained as it is. But we do not expect this surge to be repeated in 2024. While still elevated by historical standards, demand pressures will gradually subside. Over time this will take some pressure off rental inflation without further action from monetary policy.

Even if the inflation surge had been driven solely by supply shocks, central banks would still have needed to raise policy rates. Both fiscal and monetary policy had been extremely accommodative. This extraordinary pandemic-era support was no longer needed. It was also important to demonstrate resolve and prevent inflation expectations rising. In thinking about how contractionary policy needs to be – and for how long – this expectations channel is important, and there is more to say about it. But it is just as important to be clear on how much of the current inflation is truly demand-driven. Otherwise, policymakers risk squashing the other fruit, to no real benefit.

“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.”.

A Black Friday Technical Aside

This "other fruit" issue is different from the well-known "substitution bias" issue in CPIs. Substitution bias arises because the CPI is compiled using fixed weights for each category. It does not allow for shifting spending patterns in response to large price changes, at least not at first. The spike in banana prices therefore fed through to the CPI as if people were still buying the same number of bananas. The ABS does reweight the CPI to account for these changes, and in recent years it has done so more often than it did back when Cyclone Larry hit, especially for fruit and vegetables, where it now has access to supermarket scanner data. But even with this improvement in data collection methods, measured CPIs tend to overstate people's experience of this kind of price spikes.

A similar issue is becoming more prominent recently, with the increasing shift of pre-Christmas spending from December into the Black Friday sales in November. This time, the substitution is across time not fruit: people are buying the cheaper on-sale item instead of the full-price item the following month. Retail sales data show that spending is increasingly shifting into the discounted period. Even if household goods prices were being measured monthly, a quarterly CPI would miss the dampening effect on prices of spending being increasingly concentrated in the sales periods. The situation is even worse than that in Australia, though: many goods prices are currently only measured in the first month of the quarter, so Australia's monthly and quarterly CPI data entirely miss the discounting in November. Prices come back in December, so longer-term trends are less distorted. But these measurement issues will matter for interpretation of December quarter CPI results.

Luci Ellis, Chief Economist Westpac Group

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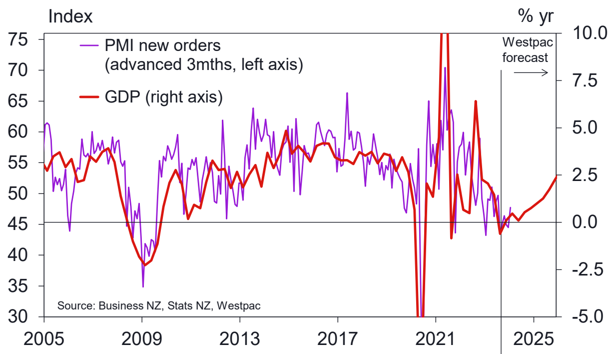
Week ahead & data wrap

The data flow over the week ahead will provide important information on the shape of the economic landscape as the new year gets underway. We expect that it will show that demand has remained cool. However, there are more questions around what's happening to pricing pressures.

Over 2023 we saw the heat coming out of the economy, with GDP growth slowing sharply in the face of high inflation and the related increases in borrowing costs, as well as declines in rural incomes. We expect that the December quarter Survey of Business Opinion (out Tuesday) and Friday's BusinessNZ PMI will both signal that trading conditions have remained weak, however we don't expect them to show a further softening in activity. Other business surveys have reported a lift in business confidence in recent months, and we actually expect that GDP will effectively track sideways over the year ahead (rather than going backwards). Even so, we will be watching to see what has happened to plans for investment spending and hiring. With GDP growth having turned down, we do expect to see weakness on both of these fronts over 2024.

GDP and PMI forward orders

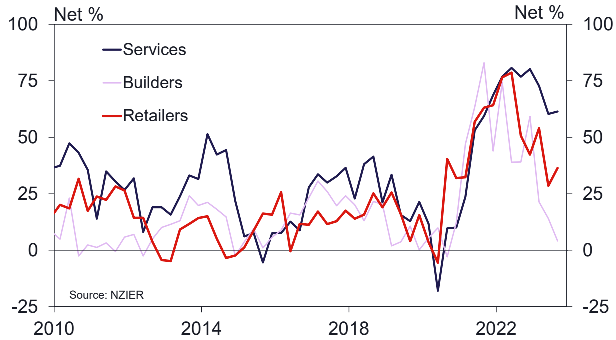


One area where we expect particular softness is household spending. Our recent survey of household sentiment highlighted that households are keeping a close eye on their purse strings in the face of continued financial pressures. Consistent with that, retailers reported lacklustre sales going into the holiday season and hospitality providers have told us that spending has been more restrained. We expect those trends will be reflected in a soft December retail card spending report on Wednesday. That's despite continued increases in consumer prices and rapid population growth.

This week we'll also receive some important updates on inflation. Stats NZ's Selected Price Indexes (SPI) for December are out on Thursday and cover 45% of the CPI. While much of this relates to non-core categories, like food and fuel prices, this release gives us an early lead on many of the series that drive the volatility in the quarterly CPI (out on 24 January). The first two months of the quarter have already seen earlier-than-expected falls in airfares, and the December update is expected to highlight further softness in areas like fuel prices. Those developments mean that the CPI is on track to fall well short of the RBNZ's last published forecast. We expect consumer prices to be up 0.3% in the December quarter and 4.5% for the year, compared to the RBNZ's forecast for +0.8%qtr / +5.0%yr. We'll update our forecast after this week's release.

While swings in the prices of items like petrol and airfares are pulling down the headline inflation rate, that's not the main focus for monetary policy. The RBNZ is more concerned with the underlying trend in inflation, especially for domestic prices. On this front, the RBNZ has highlighted the strong rise in housing rents, which we expect will again be a feature in this week's SPI. We'll also be keeping an eye on the various price and cost measures in this week's business surveys, along with the gauges of cyclical pressure. While capacity pressures have eased sharply, especially in the labour market, cost pressures are taking longer to dissipate, with domestic inflation softening only very gradually. That's a key concern for the RBNZ.

Proportion of businesses who expect to raise their prices in the next three months



Lastly, the December housing market update from REINZ is expected this week, together with data on migrant arrivals during November. The latter part of 2023 saw the housing market finding a base, with the fall in prices grinding to a halt and sales lifting off their lows. But while the earlier decline in the housing market may have been arrested, the market certainly wasn't roaring away with sales still very low. We expect that stabilisation in the housing market will have continued in December but will be watching for signs that conditions are starting to heat up. We expect that the housing market will pick up more of a head of steam over the coming year, boosted by multi-decade highs in population growth. We also expect that investor demand will be boosted by policy changes from the new government, such as the full reinstatement of interest deductibility on rental properties and the reduction in the 'Brightline' holding period for taxing capital gains from 10 years back down to 2 years. Combined, those conditions are expected to see house prices rising by about 8% over the year ahead.

Satish Ranchhod, Senior Economist

DATA PREVIEWS

Aus Jan Westpac-MI Consumer Sentiment

Jan 16, Last: 81.2

Consumer sentiment rose 2.7% to 82.1 in December, another very pessimistic reading that rounds out a very difficult year for Australian households, the worst in nearly fifty years sentiment-wise. Concerns around the cost-of-living and interest rates continue to dominate consumers' headspace. The RBA's decision to leave policy unchanged in the month provided little comfort, as household incomes remain under intense pressure from elevated inflation, sharply higher interest rates and a rising tax take.

The January update will not capture any sentiment impact associated with an RBA decision, with there being no policy meeting scheduled for the month. The focus will remain on how households' views on inflation and their family finances has evolved over New Years break, with the decline in the Monthly CPI Indicator to 4.3%yr potentially providing some support in that regard.

Consumer Sentiment Index

Aus Dec Labour Force – employment change ('000s)

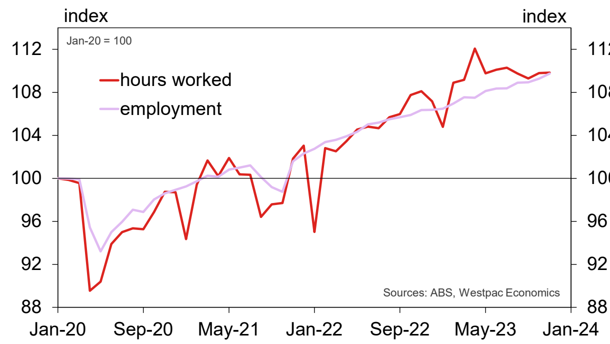
Jan 18, Last: 61.5k, WBC f/c: +35k
Mkt f/c: +15k, Range: –10k to +35k

In November, employment was stronger than anticipated, rising +61.5k, to be up approximately +110k over the last three months.

Such a result speaks to a lasting resilience in labour demand, as corroborated by this week's update on job vacancies. While employers are still demonstrating this ability to absorb much of the rise in labour supply, there are underlying elements of slack developing for those who are employed, including declines in average hours worked and rising underemployment.

For December, we have pencilled in an around-trend result for employment, at +35k. November's survey continues to suggest a solid labour market, at least in terms of headline employment growth, but how the dynamics around hours worked and underemployment evolve over the near-term will be key to understanding the extent to which labour market slack is emerging.

Gap between hours and employment has closed



Aus Dec Labour Force – unemployment rate (%)

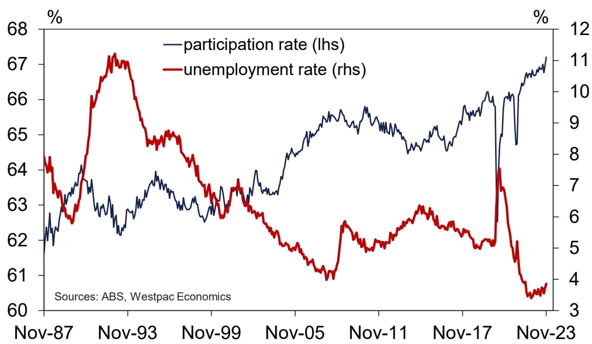
Jan 18, Last: 3.9%, WBC f/c: 3.8%
Mkt f/c: 3.9%, Range: 3.7% to 4.0%

After returning to a high of 67.0% in October, the participation rate continued to forge ahead, rising to a fresh record of 67.2% in November. That saw the labour force expand by a sizeable +80.2k, which exceeded the gain in employment, seeing the unemployment rate move up to 3.9% (or 3.86% to two decimal places).

That was consistent with our expectation that the gradual rise in the unemployment rate is being driven by employment growth not keeping up with broader labour force growth, rather than a higher unemployment rate being driven by layoffs and job losses.

For November, we expect the participation rate will hold at its current rate of 67.2%, resulting in the unemployment rate rounding down to 3.8%.

Participation returns to a new record high



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.

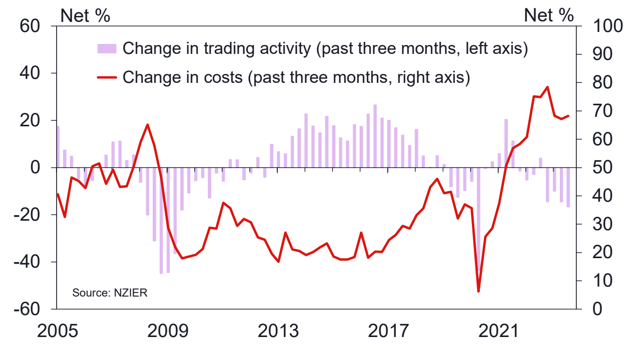
NZ Q4 Quarterly Survey of Business Opinion

Jan 16, General business confidence, last: –52.7

The NZIER's September survey of business conditions highlighted softness in trading activity and an easing in the labour market. We expect that the December survey will show that economic conditions have continued to cool through the back part of the year. Other recent data have pointed to softness in activity, including slowdowns in retail spending and construction activity. Against that backdrop, we expect the December survey will also show a further easing in hiring and investment intentions.

The survey's price and cost gauges will warrant close attention. While activity has been softening, businesses have reported ongoing cost pressures and a squeeze on margins.

NZ Quarterly Survey of Business Opinion



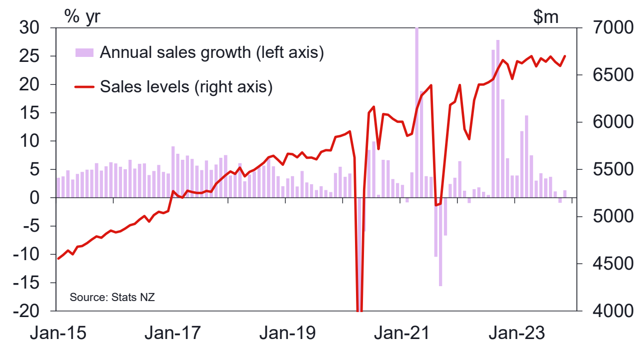
NZ Dec retail card spending

Jan 17, Last: 1.6%, Westpac f/c: –0.2%

Retail spending was stronger than expected in November, rising by 1.6% as hospitality spending took a step higher. However, the longer-term trend in spending has been flat – nominal spending has been running around current levels for most of the past year. That's despite strong population growth and continued price increases.

We expect the December update on retail sales will show continued restraint in spending. Heading into the holiday season, feedback from retailers has pointed to softness in demand, with consumers keeping a close eye on their purse strings in the face of ongoing cost of living pressures. That is expected to be a particular drag on durables spending, which has fallen in 7 of the last 9 months.

NZ monthly retail sales



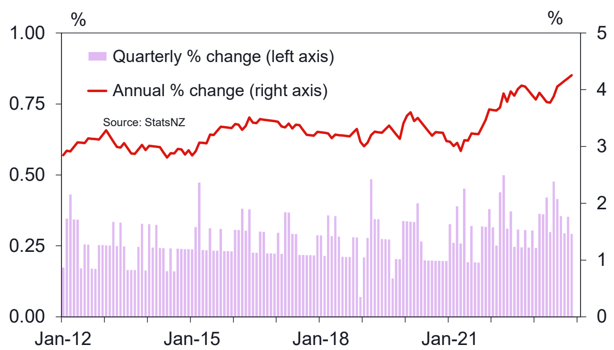
NZ Dec selected price indexes

Jan 18

Stats NZ's expanded suite of monthly price data covers around 45% of the CPI. While much of this data relates to non-core categories (like prices for food and fuel), this information helps to remove much of the uncertainty around the prices of volatile items that can cause large swings in the CPI.

We expect that the November update will show a further 5% fall in fuel prices and a modest 0.1% rise in food prices. A key focus for the RBNZ will be rents. In line with recent trends, we are expecting a 0.4% rise over the month. That would leave rents up a solid 4.3% over the past year. We'll also be keeping a close eye on airfares, which have been dropping back sharply in recent months, signalling downside risk for the overall CPI.

NZ housing rents



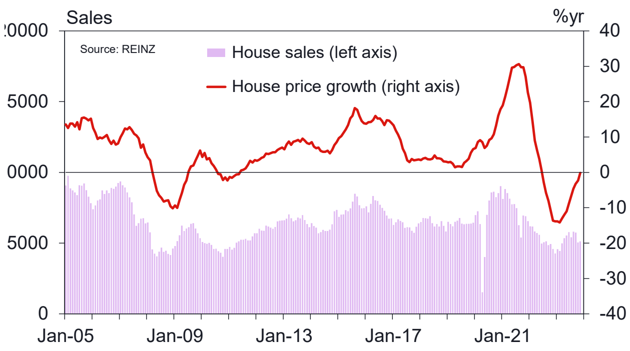
NZ Dec REINZ house sales and prices

Jan 18 (TBC), Sales* Last: +1.4% mth, +12.2% annual
Jan 18 (TBC), Prices* Last: +0.2% mth, –0.2% annual
*** Monthly figures based on Westpac seasonal adjustment**

The housing market has stabilised in recent months. Prices are no longer falling, and sales have picked up off their base. Nevertheless, the level of sales remains low, with high borrowing costs an ongoing drag.

We expect the housing market will continue to post modest gains in December, with real estate agents reporting an uptick in buyer interest. A more pronounced upswing isn't expected until the new year, with demand expected to be boosted by strong population growth and policy changes from the new government that will help support investor demand.

REINZ house prices and sales



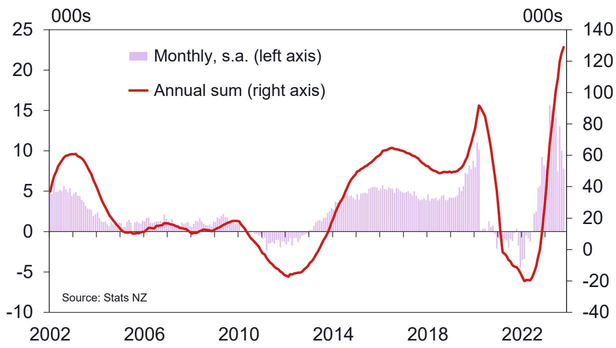
NZ Nov net migration

Jan 19, Last: +7,810 (s.a.), annual +129,000

Tightening financial conditions and weak commodity prices weighed on the economy in 2023. However, an increasingly large migrant inflow is providing a degree of support to domestic demand and the housing market, and has become a key issue of concern for the RBNZ as it seeks to ensure that the disinflation process is not derailed.

While the annual inflow rose to a record high of 129,000 in October, monthly net migrant inflows have in fact slowed since peaking in April. Base effects mean that there is a higher hurdle to be crossed if the annual inflow is to set a fresh record high in November. That said, given the recent tendency for historical data to be revised materially higher, a new record high still seems more likely than not.

NZ net migration



China Q4 GDP

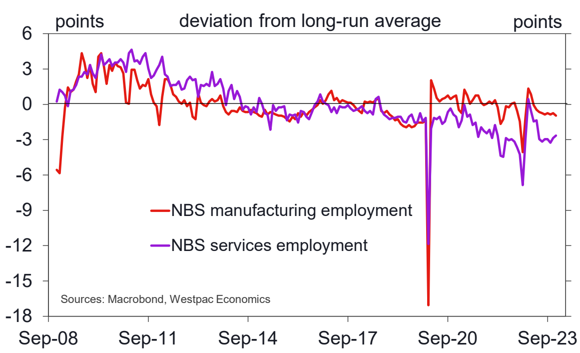
Jan 12, GDP %yr, last 4.9%, Mkt f/c: 5.2%, WBC f/c: 5.4%

The market remains downbeat on China's prospects despite Q3 growth printing above 5% on an annualised basis and the leading indicators for Q4 suggesting a repeat result is within reach.

Our forecast for Q4 is a touch below Q3, 1.2% versus 1.3%, but would leave annual growth to Q4 at 5.4% and year-average growth for 2023 around 5.3% -- a win for authorities on either benchmark.

The headline read will be critical for confidence in the economy, but the partial indicators for the December month will arguably convey more information about prospects going forward. Sub-sector results for investment will vary greatly, from extreme weakness in property to rapid growth in high-tech manufacturing. For the consumer, we are hopeful, although the pace of growth is anticipated to be moderate not strong

GDP needs broad support in 2024



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 15					
Aus	Dec ANZ job ads	-4.6%	–	–	Large declines into year-end, but still historically elevated.
Eur	Nov industrial production	-0.7%	-0.3%	–	Weakness persists as demand softens.
	Nov trade balance €bn	10.9	–	–	Surplus continues to widen.
US	Martin Luther King Jr. Day	–	–	–	Public holiday; markets closed.
Tue 16					
Aus	Jan Westpac-MI Consumer Sentiment	82.1	–	–	Inflation and interest rate concerns continue to weigh heavily.
NZ	Q4 NZIER Survey of Business Opinion	-52.7	–	–	Economic conditions likely cooled into year-end.
Eur	Jan ZEW survey of expectations	23.0	–	–	New year begins with optimism.
UK	Nov average weekly earnings %yr	7.2%	6.8%	–	Coming off its peak, and will continue to do so.
US	Jan Fed Empire state index	-14.5	-5.0	–	Conditions remain soft across the regions.
	Fedspeak	–	–	–	Waller.
Wed 17					
NZ	Dec retail card spending	1.6%	–	-0.2%	Spending constrained under intense cost-of-living pressures.
Chn	Q4 GDP %yr	4.9%	5.2%	5.4%	Q4 gain likely similar in scale to Q3; wide range of f'casts.
	Dec retail sales ytd %yr	7.2%	7.3%	–	Consumer slowly finding footing…
	Dec industrial production ytd %yr	4.3%	4.5%	–	… but much depends on services employment g'th…
	Dec fixed asset investment ytd %yr	2.9%	2.9%	–	… and outlook for investment, housing and other.
Eur	Dec CPI %yr	2.9%	2.9%	–	Final estimate.
UK	Dec CPI %yr	3.9%	3.8%	–	Services remain fairly sticky, as goods drive disinflation.
US	Dec retail sales	0.3%	0.4%	–	Further gains expected after solid Black Friday sales.
	Dec industrial production	0.2%	0.0%	–	Consistent with a subdued picture for manufacturing.
	Dec import price index	-0.4%	-0.5%	–	Declines set to persist into year-end.
	Nov business inventories	-0.1%	-0.1%	–	Uncertain outlook limiting inventory accrual.
	Jan NAHB housing market index	37	39	–	Homebuilder sentiment near historic lows.
	Federal Reserve's Beige Book	–	–	–	An update on economic conditions across the country.
	Fedspeak	–	–	–	Barr, Bowman, Williams.
Thu 18					
Aus	Dec employment change	61.5k	15k	35k	Labour demand still resilient to the lift in participation…
	Dec unemployment rate	3.9%	3.9%	3.8%	… with room for the unemployment rate to round down.
NZ	Dec selected price indicators	–	–	–	Rents expected to rise in December.
	Dec REINZ house sales %yr	12.2%	–	–	Date TBC. Housing market has begun to stabilise…
	Dec REINZ house prices %yr	-0.2%	–	–	… as sales pick up and prices level off.
Jpn	Nov core machinery orders	0.7%	-0.8%	–	Bouncing around at a weak level.
	Nov industrial production	-0.9%	–	–	Final estimate.
US	Dec housing starts	14.8%	-8.7%	–	Additional capacity is needed…
	Dec building permits	-2.1%	0.6%	–	… but the pipeline will take time to develop.
	Jan Phily Fed index	-12.8	-7.0	–	Conditions remain soft across the regions.
	Initial jobless claims	202k	206k	–	To remain at a relatively low level.
	Fedspeak	–	–	–	Bostic.
Fri 19					
NZ	Dec manufacturing PMI	46.7	–	–	Set to remain low in the face of intense financial pressures.
	Nov net migration	7810	–	–	Annual inflow at a record high of 129,000 in October.
Jpn	Dec CPI %yr	2.8%	2.6%	–	Tokyo CPI points to further deceleration into year-end.
UK	Dec retail sales	1.3%	-0.5%	–	Momentum from a bumper November unlikely to persist.
US	Jan Uni. of Michigan sentiment	69.7	70.0	–	Inflation will remain a significant driver of sentiment in 2024.
	Dec existing home sales	0.8%	0.3%	–	Struggling to gain solid momentum.
	Fedspeak	–	–	–	Barr, Daly.

Forecasts

Interest rate forecasts

Australia	Latest (15 Jan)	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	4.36	4.55	4.47	4.22	3.97	3.72	3.47	3.30	3.30
3 Year Swap	3.83	4.15	4.10	4.05	4.00	3.90	3.70	3.60	3.50
3 Year Bond	3.66	3.95	3.90	3.85	3.80	3.70	3.50	3.40	3.30
10 Year Bond	4.08	4.35	4.30	4.20	4.15	4.10	4.05	4.00	4.00
10 Year Spread to US (bps)	14	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	3.94	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	5.64	5.85	5.85	5.85	5.75	5.50	5.20	5.00	4.75
2 year swap	4.69	5.12	4.95	4.76	4.58	4.54	4.31	4.26	4.16
10 Year Bond	4.54	4.95	4.90	4.85	4.75	4.65	4.55	4.50	4.40
10 Year spread to US	60	70	70	70	65	60	50	50	40

Exchange rate forecasts

Australia	Latest (15 Jan)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6685	0.67	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD/USD	0.6240	0.62	0.62	0.62	0.63	0.63	0.63	0.63	0.64
USD/JPY	144.91	145	144	141	138	135	132	130	127
EUR/USD	1.0950	1.09	1.11	1.13	1.14	1.15	1.16	1.17	1.17
GBP/USD	1.2745	1.26	1.27	1.28	1.29	1.30	1.30	1.31	1.31
USD/CNY	7.1675	7.10	6.90	6.80	6.70	6.60	6.50	6.40	6.30
AUD/NZD	1.0717	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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