AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 5 February 2024

Editorial: The final piece fits a puzzle, RBA on hold.

RBA: Policy decision, Statement on Monetary Policy, Governor Bullock parliamentary testimony.

Australia: Trade balance, real retail sales.

NZ: Unemployment rate, labour cost index, GlobalDairyTrade auction, Waitangi Day.

China: CPI, PPI, Caixin services PMI.

Eurozone: Retail sales.

US: ISM services, trade balance, consumer credit, Senior Loan Officer Opinion Survey.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 2 FEBRUARY 2024.

WESTPAC INSTITUTIONAL BANK

The final piece fits a puzzle, RBA on hold

The data flow since November has pointed in this direction, and today's CPI release seals the deal: the RBA will keep the cash rate on hold next week, and it is unlikely to raise rates further this cycle.

At its previous forecast round in early November, the RBA was expecting both headline and trimmed mean inflation to be 4.5% over calendar 2023. The implied forecast for the quarter was around 1% in both cases. The actual result was 0.6% in the quarter and 4.1% over the year for headline CPI inflation and 0.8% and 4.2% for the bellwether trimmed mean measure.

The detail was slightly below our expectations, and noticeably below the RBA's. Domestic inflation is now clearly coming down. Market services inflation has dropped significantly. The monthly CPI indicator for December was distorted by base effects involving holiday travel, but measures excluding this are now running in the low 4% range and clearly heading down.

These inflation outcomes need to be seen in the context of the soft flow of data since November. In particular, the September quarter national accounts were noticeably weaker than the RBA expected. This cast doubt on the Board's assessment that domestic demand remained resilient. Subsequent data on retail spending and the labour market has only reinforced those doubts. The squeeze on household incomes from high inflation and a rising tax take, as well as higher interest rates, has continued. Consumer spending and sentiment are both soft; investment spending did not hold up as the RBA expected in the September quarter national accounts. As Westpac Economics colleague Senior Economist Andrew Hanlan noted earlier today, business investment is likely to stall this year.

Some of the upside risks the Board minutes had been calling out in recent months have not come to pass. The increase in housing prices, mentioned in the December 2023 minutes, is now losing steam, especially in Sydney and Melbourne. The concerns raised the same month that falling inflation would boost households' purchasing power – and so spending – have been ruled out by the subsequent release of the September quarter national accounts. That national accounts release also showed that the RBA's concerns about falling productivity had been somewhat overblown. As we had predicted ahead of the release, productivity ticked up in the September quarter and the history was revised up.

Despite this, the RBA and its Board have been sensitive to the risks that inflation would not come down as quickly as they want. In their November forecast round, they had pushed out their expectations for the date that inflation would return to target to end-2025, and they were clearly uncomfortable about this. They had also concluded that inflation was increasingly driven by domestic factors: a conclusion that, we believe, did not adequately allow for the effects of displaced demand on some prices – the "other fruit" problem. In the minutes following that meeting, the Board noted "lowering inflation from its current level would require growth in aggregate demand to remain subdued". In our view, aggregate demand is already subdued and does not need further policy tightening to keep it there.

Another concern of the RBA Board was the possibility that inflation expectations could lift. While the usual measures of the expectations of consumers and market participants are a little higher than pre-pandemic, they are still well within the target range. In any case, the pre-pandemic period was characterized by inflation being below the target. Some increase from those levels is therefore entirely consistent with the RBA achieving its goals.

Given these concerns, the RBA Board therefore is unlikely to rule out further rate increases entirely in their post-meeting communication. But the case to raise rate from here is steadily losing traction. We expect that over coming months, further declines in inflation and soft outcomes in the real economy will give the Board enough confidence that inflation will return to target on the desired timetable. They will therefore have scope to reduce some of the current restrictiveness of policy. We continue to expect the first rate cut no earlier than September.

In articulating their decision, the Board will have the advantage that the Bank's forecast horizon will roll forward to mid-2026 this round. It is therefore entirely possible that the staff forecasts can now be shown with inflation ending the period at 2½%, the midpoint of the 2–3% target range. Specifying when inflation would reach that midpoint was one of the recommendations of the RBA Review.

Also changing following the RBA Review recommendations are some of the arrangements around the Board meeting itself and the release of the Statement on Monetary Policy (SMP). The meeting will now take place over two days. This will give the Board more time to discuss the outlook and risks, and the staff more time to present scenarios and other analysis that could not easily be fit into the agenda in the previous shorter-format meeting. It will allow also allow the Board to review both the media release and Overview of the SMP ahead of the policy announcement. The SMP can therefore now be released on the same day as the policy announcement. Along with the Governor's media conference the same afternoon, this will provide the RBA with more scope to explain its decision.

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 Q4 CPI printed 0.6% (4.1%yr) for headline inflation and 0.8% (4.2%yr) for core trimmed mean inflation, meaningfully lower than the RBA's forecast of 4.5%yr across both indicators. The detail of the report confirmed disinflation's pace is faster than expected and it has breadth. Indeed, the proportion of expenditure classes that are tracking a pace above 3.0%yr has fallen drastically, from 71% in September to 56% in December. The largest downside surprise in the quarter was utilities (0.6% vs. 5.0% forecast) – State Government rebates clearly still effective in shielding households from specific cost-of-living pressures – in addition to tradable goods (–0.7%, 1.5%yr), as the disinflationary pulse from easing global supply chain disruptions continues to materialise. Some categories have moved only slightly below recent peaks, namely housing-related expenses such as rents (+7.3%yr) and dwelling purchase costs (+5.1%yr), while some have reached new heights, with insurance premiums (+16.2%yr) now tracking its highest rate of price growth since March 2001.

As detailed by Chief Economist Luci Ellis, these results are consistent with a softer set of data prints over recent months, not only with regards to inflation but also the labour market and economic growth. All-in-all, we continue to anticipate that there will be no change to the RBA's policy stance next week; however, given the Board's sensitivity to upside surprises, it is unlikely that the RBA will entirely rule out further rate hikes in their post-meeting communications. In time, the Board will be encouraged by the ongoing downtrend in inflation, and with growth likely to continue hovering well-below trend – a consequence of weak consumption (see below) and stalling business investment – there will be scope to lessen the contractionary setting of monetary policy. We are forecasting a rate cutting cycle to begin in Q3 2024, at a measured pace of 25bps per quarter until Q3 2025, to a terminal rate of 3.10%. Markets are on a similar page, now pricing in the first rate cut by Sep-24, two before Dec-24, and nearly four in total by Jun-25.

Other updates on the Australian economy this week were soft. On housing, the CoreLogic home value index reported a 0.4% lift in house prices in January, a further step-down in the pace of monthly gains. Moderation is clearest in markets where affordability is exceptionally stretched – Sydney and Melbourne in particular – a consequence of limited supply and contractionary policy. With dwelling approvals struggling to produce any signs of headway (–24%yr), affordability will continue to weigh on national price outcomes near-term, while state performances are likely to diverge based on how these factors evolve.

On the consumer, it was a disappointing end to the year for nominal retail sales, December's decline (–2.7%) more than offsetting November's Black Friday bounce (+2.2%). Shifting seasonal patterns aside, on balance these results continue to speak to a fragile consumer sector, with disposable incomes being hit by the trifecta of high prices, elevated interest rates and a rising tax take. For an in-depth assessment on the current state of the Australian consumer, see our latest Westpac Red Book.

In the US, the FOMC's first meeting made clear they are in 'risk management mode'. While inflation prints have been constructive, Chair Powell was looking for more of the same to 'feel more confident' that inflation risks are behind them. Headline and core PCE inflation prints of 2.6%yr and 2.9%yr in December saw Chair Powell characterise inflation as 'elevated'. This is despite both headline and core PCE inflation having annualised at the 2.0% target throughout the second half of 2023. Much of the disinflation has come from goods, a function of easing supply chains, leading to some concerns around the stickiness of services inflation.

While the FOMC is not expecting the labour market to weaken materially, should downside risks assert, they will not hesitate to act with rate cuts. For the first time, Chair Powell outlined that rate cuts will come 'some time this year', but suggested that March may be too soon for the Committee to have the confidence they need. There are two payroll prints before the March meeting and we believe they are likely to decide when the first cut is seen. You can read more about our views here. Other indicators of the labour market were on the softer side this week, 0.9%qtr growth in the employment cost index the lowest quarterly increase since Q1 2021, and a modest deterioration in the ISM Manufacturing PMI's employment sub-index despite a rise in the headline index.

Across the pond, the Bank of England also opted to keep rates steady at 5.25%; while the majority were for no change, votes were cast for both a hike and a cut. While inflation and wages data came in softer than the Bank expected in November, there is concern around inflation's persistence. CPI is expected to remain elevated as energy subsidies roll off, and geopolitical conflicts skew near-term risk up. Growth is still expected to be very weak and the labour market deteriorating. Forecasts indicate that the BoE is likely to sustainably reach their inflation target later in the forecast period despite a near-term downgrade. While a cut can be expected, market pricing, which sees the base rate at 4.2% in 2024, is too aggressive for the BoE's taste. The Bank remains concerned of inflation becoming stuck above 2% and so will be patient. This is also likely to prove the case in Europe. Their CPI eased to 2.8%yr in December, with food the principle driver; services stayed robust at 4.0%yr however, and core inflation ticked down to 3.3%yr overall.

Finally in Asia, China's NBS PMIs showed slight increases, manufacturing at 49.2 (+0.2pts) and non-manufacturing at 50.7 (+0.3pts), likely aided by 2024's mid-February timing of Lunar New Year. Employment and prices in China remained weak however, highlighting the difficulty authorities face in accelerating growth outside high-tech manufacturing and infrastructure investment.

Week ahead & data wrap

Horses for courses

Recent weeks have seen markets challenged on their very strong view that now central bank policy rates have peaked, there should be a sudden significant reduction in policy interest rates. Markets have also generally held the view that the global central bank policy rate cycles will continue to be synchronized. Hence policy easing is expected to come from most jurisdictions at around the same time and be of a similar magnitude. The challenge to these views is coming on two fronts: firstly, on the timing of the first policy rate cut; and secondly on the extent of policy easing in 2024 and beyond.

Central banks have tended to push back on the idea of near-term policy easing and in the case of Japan, expectations are growing of an increase in the policy rate (finally!) out of negative territory. In most jurisdictions, inflation remains relatively high or has fallen due to factors that may in part prove transitory. The central banks of the US, Canada and the UK have all recently indicated caution on reducing rates too soon even though in some cases (especially the US and Canada) core inflation has dropped off more significantly than in other advanced economy jurisdictions.

New Zealand fits into the category of advanced economies where core inflation remains stubbornly high. The RBNZ noted this when their Chief Economist updated markets on the RBNZ's thinking this week. He emphasized that non-tradables inflation still hovers around 6% and is falling only very slowly. We also saw evidence of core inflation stickiness in recent business surveys – for example the ANZ Business Outlook measure of pricing intentions in January continued its very recent upwards trend and might suggest inflation could get stuck around the 4% level for a while. Other business surveys such as the long running Quarterly Survey of Business Opinion paint a similar picture. Hence, despite market expectations that the RBNZ will move to reduce rates at around the same time as other major economies, we continue to think it's more likely that NZ will need to endure the current 5.5% OCR for all of 2024 based on what we see right now. We think the world has graduated from the time where every country gets a similar interest rate. Looking forward it will be horses for courses and individual country circumstances will determine the timing and magnitude of policy adjustment.

We remain alert to signs that the inflation dam might break as we head through the year. It is certainly the case that economic momentum in New Zealand remains weak. This should generate lower inflation outcomes in the period ahead, although we have been waiting a while for this to happen. The housing market still is not showing signs of a summer bounce – although population pressures are continuing and should increasingly be felt as we head through the year. The Government is yet to definitively chart its course for fiscal policy and the taxation policies to be applied to housing investors. Hence investors remain on the sidelines for now and real estate activity remains more than seasonally weak.

We got some data on household living costs this week that confirm the story that especially mortgaged households remain under the pump. While consumer price inflation slowed to 4.7% in the year to December, household living costs rose by 7% - much higher than the 5% growth in disposable incomes over 2023. High and rising mortgage rates explain much of the difference – especially as borrowers have transitioned onto higher rates in the last year.

We see the impact of higher mortgage rates quite clearly in Westpac New Zealand's new tracker of spending on Westpac issued cards. Spending in the final quarter of 2023 was up just 4% on a year earlier for all households. But there is a clear divergence between the spending trends of unmortgaged households which was up by 5%, whereas it was up only 2% by those with mortgages. The mortgaged households will remain under pressure for the foreseeable future. While we are a fair way through the mortgage repricing cycle, there is still perhaps another 80bps or so to run (depending on what happens to mortgage rates over the balance of 2024).

Next week will see the release of the Q4 labour market data which will be another important indicator of the future resiliency (or lack thereof) of New Zealand households. We anticipate another tick higher in the unemployment rate to 4.2% (in line with the RBNZ's estimate). Employment growth should tick up given indicators of ongoing demand for labour in the context of a significant increase in the working age population in turn driven by strong net migration inflows. But it looks like growth in labour supply is stronger than demand – hence the rising unemployment rate. Wage growth has passed its peak and should move a bit lower, as both skill shortages and cost-of-living pressures have eased. The unemployment rate will be a key talisman for the RBNZ this year as it assesses the sustainability of the move lower in core inflation pressures that we hope for (and expect). Without an ongoing and significant rise in the unemployment rate and reduction in wage growth it will be hard for core inflation pressures to fall as much as required.

Kelly Eckhold, Chief Economist NZ

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 29	Dec trade balance $mn	–1,250	–323	–390
	Dec employment indicator	–0.1%	0.2%	–0.8%
Wed 31	Jan ANZ business confidence	33.2	36.6	–
Fri 2	Jan ANZ consumer confidence	93.1	93.6	–
	Dec building permits	–10.6%	3.7%	5.0%

DATA PREVIEWS

Aus Dec trade in goods balance, $bn

Feb 5, Last: 11.4, WBC f/c: 10.5
Mkt f/c: 10.5, Range: 9.0 to 12.0

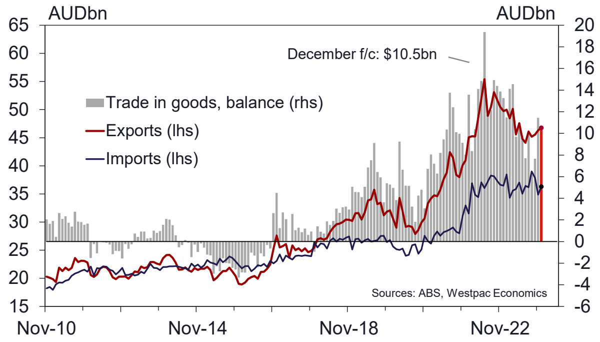
Australia's trade surplus for goods jumped from $7.7bn for October to $11.4bn for November on a sharp reversal in imports, down 7.9%.

For December, we anticipate the surplus will narrow a little, to a forecast $10.5bn, on higher imports.

Imports are expected to normalise in December, up 4%, a rise of $1.4bn. Imports exhibited an uneven profile recently – the earlier timing of end of years sales leading to an earlier sourcing of import supplies (a shift yet to be reflected in updated seasonal factors). Imports jumped in September and then slumped, to a below average reading, in November.

Export earnings are expected to rise 1% in the month, up $0.5bn. That lift in earnings is to be led by resource exports on slightly higher prices, +0.5%, and potentially higher volumes (LNG shipments rebounding off their lows).

Australia's trade in goods balance



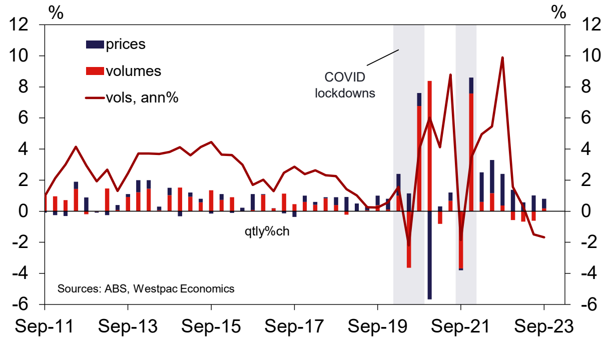
Aus Q4 real retail sales

Feb 6, Last: 0.2%, WBC f/c: flat
Mkt f/c: 0.1%, Range: –0.3% to 0.5%

Real retail sales rose 0.2% in Q3, ending a run of declines over the previous three quarters but leaving sales volumes down 1.7%yr – a large 4.2%yr fall in per capita terms.

The poor performance looks to have carried into Q4. Nominal sales were choppy through year-end (see here fore more details) but finished the quarter up 0.5%qtr, in line with the nominal gain in Q3. The Q4 CPI detail suggests all of this was due to higher retail prices with real retail sales about flat.

Quarterly retail volumes and prices



Aus RBA policy decision

Feb 6, Last: 4.35%, WBC f/c: 4.35%
Mkt f/c: 4.35%, Range: 4.35% to 4.35%

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

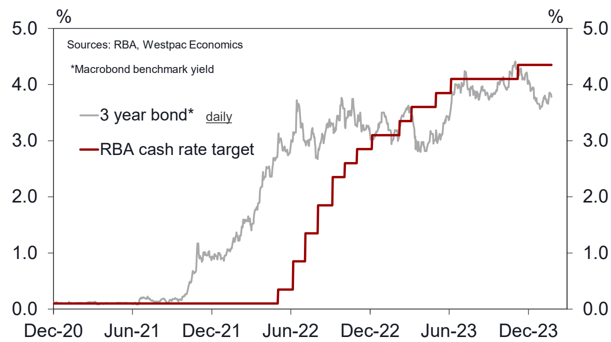
Back in November, the RBA Board opted to raise the cash rate by 25bps from 4.10% to 4.35%, in what was considered a response to a "material upward revision to the outlook for inflation".

Since then, the data flow has consistently pointed to a more promising outlook for inflation. At 4.1%yr and 4.2%yr, both headline and underlying inflation have printed meaningfully lower than the RBA's forecast for December 2023 (4.5%yr for both). Also, domestic demand and consumer spending have been noticeably weaker than expected.

The Board's perception of these developments in the decision statement, media conference and Statement on Monetary Policy will be of key interest.

For more detail, see Page 2.

RBA cash rate and 3 year bonds



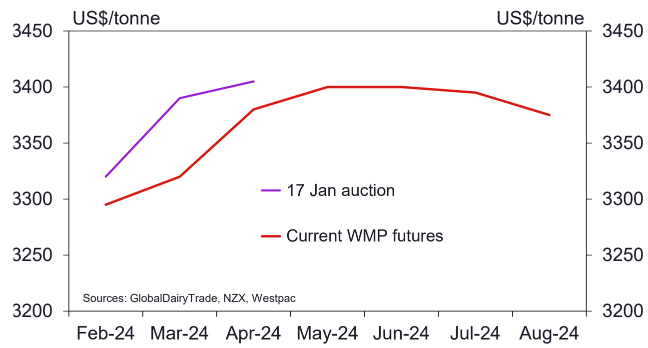
NZ GlobalDairyTrade auction, whole milk powder prices

Feb 7, Last: +1.7%, Westpac f/c: 1%

We expect a small drop in whole milk powder prices (WMP) at the upcoming auction. Our pick reflects both the results of the last mini (GDT Pulse) auction and the prices indicated by the futures market.

Milk production in New Zealand has so far been up on last season, which will have eased concerns that the El Niño weather pattern would lead to a shortfall of supply on the world market. The strength of demand from China remains uncertain, but the Lunar New Year means that this month's auctions may not be representative anyway.

Whole milk powder prices



NZ Q4 labour market surveys

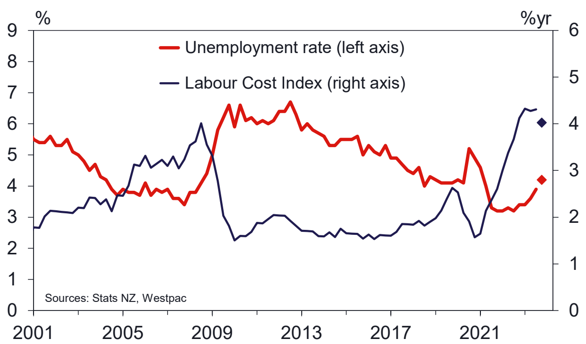
Feb 7, Unemployment rate, Last: 3.9%, Westpac f/c: 4.2%
Feb 7, Labour Cost Index, Last: 0.8%, Westpac f/c: 0.8%

We expect a further rise in the unemployment rate for the December quarter, from 3.9% to 4.2%. Labour shortages are now clearly easing, as higher interest rates have contributed to a softening in demand. Strong net migration is driving a rise in both employment and the labour force, but the former is not keeping pace with the latter.

Similarly, wage growth now looks to have passed its peak, as both skill shortages and cost-of-living pressures have eased.

Our forecasts are in line with the Reserve Bank's most recent projections, so they don't alter our near-term outlook for monetary policy. Although employment is no longer directly in the RBNZ's mandate, it still provides a useful guide as to how hot the economy is running, and in turn the degree of future inflation pressures.

NZ labour market indicators



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

For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 05					
Aus	Dec trade in goods balance, $bn	11.4	10.5	10.5	Imports likely to normalise, +4%, after sharp Nov fall, –7.9%.
	Jan ANZ job ads	0.1%	–	–	Downtrend well established, more declines to come this year.
	Jan MI inflation gauge %yr	5.2%	–	–	Meaningfully above official gauges, Q4 CPI at 4.1%yr.
NZ	Jan ANZ commodity prices	2.4%	–	2.0%	Further rebound in dairy prices in January.
Chn	Jan Caixin services PMI	52.9	53.0	–	Capturing optimistic views, somewhat at odds with NBS.
Eur	Feb Sentix investor confidence	–15.8	–	–	Sentiment in a fragile state as global uncertainties persist.
	Dec PPI %yr	–8.8%	–	–	Moving past its nadir at a measured pace.
US	Jan ISM non-manufacturing	50.5	52.1	–	Employment and price gauge will be of particular interest.
	Senior Loan Officer Opinion Survey	–	–	–	Loan demand is crimping as standards tighten.
Global	Jan S&P Global services PMI	–	–	–	Final estimate for Japan, Eurozone, UK and US.
Tue 06					
Aus	Q4 real retail sales	0.2%	0.1%	flat	Poor finish to a weak year.
	RBA Policy Decision	4.35%	4.35%	4.35%	Disinflation encouraging, but further progress is needed…
	RBA Statement on Monetary Policy	–	–	–	… before RBA can be confident in inflation's return to target.
NZ	Waitangi Day	–	–	–	Public holiday; markets closed.
Jpn	Dec household spending %yr	–2.9%	–2.0%	–	Notably weak, as real cash earnings remain negative.
Eur	Dec retail sales	–0.3%	–	–	Struggling to make any headway as pressures linger.
US	Fedspeak	–	–	–	Mester, Kashkari, Collins.
Wed 07					
NZ	GlobalDairyTrade auction (WMP)	1.7%	–	–1.0%	Futures prices have dipped; El Niño fears may be easing.
	Q4 unemployment rate	3.9%	4.3%	4.2%	Unemployment continuing to rise from its historic lows…
	Q4 employment	–0.2%	0.3%	0.3%	… with job creation falling behind population growth.
	Q4 LCI wage inflation (pvt, ord. time)	0.8%	0.8%	0.8%	Labour shortages are easing and inflation is cooling.
Chn	Jan foreign reserves US$bn	3238	–	–	Authorities focused on sustainability of TWI, not USD/CNY.
US	Dec trade balance $bn	–63.2	–62.3	–	Deficit continues to narrow, supported by services exports.
	Fedspeak	–	–	–	Harker, Kugler, Collins Barkin, Bowman.
Thu 08					
Jpn	Dec current account balance ¥bn	1925.6	1007.7	–	Surplus remains at an elevated level.
Chn	Jan PPI %yr	–2.7%	–2.6%	–	Excess capacity putting downward pressure on upstream…
	Jan CPI %yr	–0.3%	–0.5%	–	… prices, while consumer demand remains weak.
US	Dec consumer credit $bn	23.8	16.5	–	Short-term bounce in credit card debt during year-end.
	Initial jobless claims	224k	–	–	To remain at a relatively low level, for now.
	Dec wholesale inventories	0.4%	–	–	Final estimate.
	Fedspeak	–	–	–	Barkin.
Fri 09					
Aus	RBA Governor Bullock	–	–	–	Appearing before House of Representatives.
Chn	Jan new loans, CNYbn	1170.9	4500.0	–	Due between Feb 9–15. Year opening bounce anticipated…
	Jan M2 money supply %yr	9.7%	9.2%	–	… as policy seeks to build confidence.

Forecasts

Interest rate forecasts

Australia	Latest (2 Feb)	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	4.32	4.55	4.47	4.22	3.97	3.72	3.47	3.30	3.30
3 Year Swap	3.74	4.15	4.10	4.05	4.00	3.90	3.70	3.60	3.50
3 Year Bond	3.56	3.95	3.90	3.85	3.80	3.70	3.50	3.40	3.30
10 Year Bond	3.98	4.35	4.30	4.20	4.15	4.10	4.05	4.00	4.00
10 Year Spread to US (bps)	9	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	3.89	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	5.67	5.60	5.60	5.60	5.50	5.25	4.95	4.75	4.50
2 year swap	4.76	5.10	4.95	4.75	4.50	4.40	4.15	4.10	4.00
10 Year Bond	4.52	4.85	4.80	4.75	4.70	4.60	4.50	4.45	4.35
10 Year spread to US	63	60	60	60	60	55	45	45	35

Exchange rate forecasts

Australia	Latest (2 Feb)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6597	0.67	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD/USD	0.6156	0.62	0.62	0.62	0.63	0.63	0.63	0.63	0.64
USD/JPY	146.35	145	144	141	138	135	132	130	127
EUR/USD	1.0878	1.09	1.11	1.13	1.14	1.15	1.16	1.17	1.17
GBP/USD	1.2753	1.26	1.27	1.28	1.29	1.30	1.30	1.31	1.31
USD/CNY	7.1791	7.10	6.90	6.80	6.70	6.60	6.50	6.40	6.30
AUD/NZD	1.0716	1.08	1.11	1.11	1.11	1.13	1.14	1.14	1.15

Australian economic growth forecasts

	2023			2024				Calendar years			
% change	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
GDP % qtr	0.4	0.2	0.2	0.3	0.3	0.4	0.5	–	–	–	–
%yr end	2.0	2.1	1.4	1.2	1.0	1.3	1.6	2.3	1.4	1.6	2.5
Unemployment rate %	3.6	3.7	3.8	4.0	4.2	4.4	4.5	3.4	3.8	4.5	4.6
Wages (WPI)	0.9	1.3	0.9	0.9	0.8	0.8	0.7	–	–	–	–
annual chg	3.6	4.0	4.1	4.1	4.0	3.5	3.2	3.3	4.1	3.2	3.0
CPI Headline*	0.8	1.2	0.6	0.7	0.8	1.0	0.7	–	–	–	–
annual chg*	6.0	5.4	4.1	3.3	3.3	3.1	3.2	7.8	4.1	3.2	2.8
Trimmed mean*	1.0	1.2	0.8	0.9	0.8	0.8	0.7	–	–	–	–
annual chg*	5.8	5.1	4.2	3.8	3.6	3.3	3.2	6.8	4.2	3.2	2.8

***** ***forecasts under review***

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	4.2	4.6	5.0	5.3	5.5	3.4	4.2	5.5	5.1
CPI % qtr	1.1	1.8	0.5	0.9	0.6	0.9	0.6	–	–	–	–
Annual change	6.0	5.6	4.7	4.3	3.8	3.0	3.1	7.2	4.7	3.1	2.5

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