

AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 12 February 2024

Editorial: The RBA still wants reassurance.

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

NZ: Q1 RBNZ inflation expectations, Governor Orr speaking, retail card spending, net migration.

Asia: Lunar New Year.

Eurozone: industrial production, trade balance.

UK: Q4 GDP.

US: CPI, retail sales, industrial production, UoM consumer sentiment, regional manufacturing surveys.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 9 FEBRUARY 2024.

WESTPAC INSTITUTIONAL BANK



The RBA still wants reassurance

The RBA Board held rates steady today, as expected by almost everyone. While the policy decision was well anticipated, it was something of a shift from the RBA's own views from three months ago. In the most recent statement the Board stated, "The path of interest rates that will best ensure that inflation returns to target in a reasonable timeframe will depend upon the data and the evolving assessment of risks, and a further increase in interest rates cannot be ruled out." This is noticeably softer language than the media release in December, which read, "Whether further tightening of monetary policy is required to ensure that inflation returns to target in a reasonable timeframe will depend upon the data and the evolving assessment of risks." But it is still a little on the hawkish side relative to most expectations; the Board were not about to do a complete 180-degree turn in the space of three months. That said, in the subsequent media conference, Governor Bullock stated that the Board were "not ruling anything in or out".

Inflation is still characterised as high. Although goods price inflation has declined faster than forecast, the media release and SMP emphasise that services inflation remains high and is only declining at the previously forecast pace. That said, the upgrade to the inflation forecast for calendar 2025 in the November forecast round has been taken back. Trimmed mean inflation is now expected to be 2.8% over calendar 2025, closer to the forecast from the August SMP round.

Since the last Board meeting in December, essentially all the domestic data have been weaker than assumed in the RBA's November forecast round. Consumer spending, investment and especially inflation all ended 2023 weaker than the RBA forecast. The narrative that inflation had become increasingly home-grown and demand-driven has become harder to sustain.

The RBA is still of the view that the level of demand is too strong, even if the rate of growth "remains subdued". It characterises demand and supply as "moving towards a better balance" and credits higher interest rates as working to establish that better balance. It also believes that the labour market is too tight, if only in "pockets", as Governor Bullock said in the media conference. Some of the language about domestic demand in the SMP has nonetheless softened. The information from liaison suggested that firms are finding it increasingly difficult to pass on cost increases.

In line with this softer data, the forecasts for consumption were reduced. The recovery in dwelling investment has also been pushed out. GDP growth is forecast to be lower across the whole horizon than in the November round, and unemployment higher. The SMP also pointed to indicators of a broader moderation in wages growth in the period ahead.

The Statement on Monetary Policy (SMP) contains a new section showing an assessment of spare capacity, which shows estimates of labour market and output indicators being above capacity. Much of this is based on internal models that have not been published, though some are external estimates attributed to organisations such as the OECD. Given the current state of the academic literature, it is doubtful that these models adequately allow for the possibility that supply capacity could bounce back as the ripple effects from the pandemic and other shocks unwind. Also noteworthy is that this section highlights the low vacancy rates for residential real estate as evidence of demand exceeding supply, but the text does not mention the above-average vacancy rates in commercial real estate. If inflation outcomes continue to surprise the RBA on the downside, this assessment would need to be – and would be – revised.

As stated previously, we do not expect any further rate increases by the RBA this cycle. Rate cuts are still some way off, though. The RBA Board will need to be sufficiently comfortable that inflation will definitely decline into the 2–3% target band. It will also want to be confident in the recovery in productivity. We continue to expect the RBA to reach this level of comfort around September.

We doubt that the Board are even thinking about thinking about rate cuts yet, though. In a slight departure from the language in the media release, the Governor stated that the Board are "not ruling anything in or out". Both a hike and a cut could be contemplated if the data pointed to it being necessary. She also emphasised that they do not need to see inflation actually inside the band, let alone at the midpoint of 2½%, to cut rates. But they do need to be confident that once it gets there, it will stay there.

Today ushered in many of the new arrangements recommended by the RBA Review, including the simultaneous release of the Statement on Monetary Policy. (This rescheduling had previously been contemplated by the staff, as revealed in the Third Request for Information bundle on the RBA Review web site. It was evidently only feasible with the advent of the longer Board meetings.) Some of the recommended changes, including unattributed votes and public appearances by Board members, will not come into effect until the enabling legislation is passed and the Monetary Policy Board formed, later in the year.

The shorter, more formatted SMP document also contains additional detail about the forecasts, including additional variables and an assessment of how the current state of the economy compares with the RBA's view of full employment. In particular, the implied path for productivity was shown for the first time. This shows the assumed solid bounce-back and reversion to a trend a little above 1% annual growth. It was pleasing to see the RBA's recognition in the text of the SMP that some of the weakness in productivity occurred because hours worked jumped too fast for the capital stock to keep up, and that this will unwind over time. This is in line with the [analysis](#) of Westpac Economics colleagues Pat Bustamante and Jameson Coombs last year.

Over the period ahead, the RBA Board will be focused on the data flow. It will "continue to pay close attention to developments in the global economy, trends in domestic demand, and the outlook for inflation and the labour market." It will also be watching for signs that medium-term inflation expectations dislodge from their currently well-anchored state.

Luci Ellis, Chief Economist Westpac Group

At its first meeting of the year, the [RBA Board decided to leave the cash rate unchanged](#) at 4.35%. Since its last meeting in December, the key development was an encouraging quarterly update on inflation, the annual rate moderating from 5.4%yr in Q3 to 4.1%yr in Q4. Mirroring this progress, the tone of the Board's decision statement shifted on the inflation outlook, "Whether further tightening of monetary policy is required..." was replaced with "... a further increase in interest rates cannot be ruled out."

That said, the Board still characterised inflation as high and the level of demand too strong for supply, even though growth "remains subdued". The simultaneous release of the [Statement on Monetary Policy](#) confirmed the RBA expects inflation to only move into the 2-3% target band in 2025 and be near the mid-point by June 2026.

As discussed by [Chief Economist Luci Ellis](#) in a video update mid-week, the RBA Board are not "ruling anything in or out" for now as they seek assurance on inflation's sustainable return to target. Additional reads on the pace of disinflation and the health of the economy need to be received and evaluated before policy's appropriateness is reassessed. Consistent with our [revised inflation forecasts](#), we suspect that level of comfort will be achieved by September 2024. At that time, headline inflation is expected to be around the top of the target range on both a headline and trimmed mean basis.

The RBA Board are also wary of downside risks to domestic demand, something that was clearly on display in the September National Accounts and, more recently, Q4's soft [real retail sales](#) result. The first half of this year will be challenging for the broader economy, but particularly households as the trifecta of high inflation, restrictive interest rates and a rising tax take weigh on real disposable incomes and discretionary spending.

Before moving offshore, a quick note on trade. Australia's [goods trade balance](#) pared back slightly at year-end, from \$11.8bn in November to a still-elevated \$11.0bn in December. Taking the last few months together, the goods trade balance looks to have improved from \$23.5bn in Q3 to \$30.6bn in Q4. An increase in the terms of trade was the chief driver behind the improvement. Note, the services detail will only be available upon the release of the quarterly Balance of Payments, due March 5.

In the US, the ISM non-manufacturing survey saw a 2.9pt rise to 53.4pts supported by employment, prices and new orders. Relative to long-run averages, employment remains sub-par but prices are outperforming. These results encapsulate the risks present for the FOMC vis a vis activity and inflation.

FOMC members post-meeting return to market headlines reaffirmed Chair Powell's key points from last week's press conference - progress to date with inflation has been encouraging, but the strength of the economy provides time to make sure inflation risks do not linger. The flow of incoming data and the financial and credit conditions the economy face will also continue to be closely scrutinised, particularly given continued uncertainty over the health of commercial and multi-family property. On credit conditions, the latest [Senior Loan Officer Opinion Survey](#) confirms credit standards have tightened further in recent months while financial conditions were broadly unchanged.

Though, arguably of greatest significance in 2024 to the timing and pace of US policy easing will be momentum in the labour market. As detailed in our [recent video](#), hours worked, household survey employment and the various business surveys all give cause to be wary about ongoing momentum. Indeed, the business surveys point to an outright decline in employment. We do not anticipate an abrupt decline, but rather a slowing of employment growth to a negligible pace. That would see slack build in the labour market and consumption slow to a sub-trend pace. These are conditions which warrant a timely moderate cutting cycle. We now expect the first cut by the FOMC in June, to be followed by July and September. From December, one cut per quarter is expected out to end-2025.

The pace and scale of FOMC rate cuts is largely expected to be mirrored by the ECB and Bank of England, and so we expect growth differentials and political uncertainty to act as the swing variables for FX markets over the forecast period. Both factors are likely to weigh on the US dollar, bringing it from well above long-run average levels to broadly in line by end-2025. Our just released [February 2024 Westpac Market Outlook](#) provides the full detail of our views on Australia, the world and financial markets.

Finally to China. In January, headline CPI inflation surprised, declining to -0.8%yr as food prices fell 5.9%yr. Excluding food, CPI inflation was up 0.4%yr and is seemingly finding its floor. Services inflation is supporting this process, rising 0.5%yr. Producer price inflation meanwhile remains very weak, -2.5%yr in Jan from -2.7%yr in December. These outcomes are a combination of soft demand and excess capacity which continues to be increased as Chinese firms build scale to compete against imports in their domestic market and expand their export footprint.

Large and targeted support for the property sector is needed to boost demand directly and via confidence. Further measures are also warranted to steady then strengthen equity markets. This week brought both action and rumours of further action on this front, but it won't be until after the Lunar New Year holidays that we will find out its scale and effectiveness. Even when confidence and discretionary spending appetite returns, it is unlikely that consumer inflation will surge higher. China's continued expansion of its capacity and focus on efficiency and productivity are laying the foundation for a lengthy period of disinflation for goods.

Week ahead & data wrap

Plenty to ponder

This week's labour market surveys will have left the Reserve Bank with some mixed feelings. Higher interest rates are cooling the New Zealand economy, and unemployment has continued to rise. But the process isn't happening as fast as expected, and wage growth remains much higher than what would be consistent with the 2% inflation target. These results, along with a string of data and events next week, will give markets a lot to ponder ahead of the next RBNZ policy statement.

The Household Labour Force Survey (HLFS) showed that the unemployment rate rose from 3.9% to 4.0% in the December quarter. From one perspective, that's a substantial move from the cycle low of 3.2% that was reached in early 2022. But it's still a very low rate compared to history – equaling the low point reached in the pre-Covid years, when the labour market was clearly becoming tight.

The result was stronger than the rise to 4.2% that we and the Reserve Bank were forecasting. However, the reasons for the 'miss' were well within the normal range of outcomes. The number of people employed rose by 0.4%, slightly more than the 0.3% that we estimated, but much in line with the already-published Monthly Employment Indicator. At the same time, the labour force participation rate dipped slightly to 71.9%, with more teenagers and retirees exiting from the workforce.

Employment is still growing at a reasonable clip, up 2.4% over the last year. But that's been in the context of very strong population growth. Record net inward migration (almost 130,000 people over the last year) has boosted the working-age population by around 3% over that time. And a cooling economy means that jobs growth is not keeping pace with population growth.

The slower than expected rise in unemployment will be of some concern to the Reserve Bank. Unemployment is certainly not a goal in and of itself, and as of late last year, the requirement to "support maximum sustainable employment" has been removed from the RBNZ's mandate, leaving inflation as the sole focus. Even so, labour market measures are a useful real-time indicator of how hot the economy is running, and hence the likely degree of future inflation pressures.

The other unwelcome – and related – surprise for the RBNZ was that wage growth is not cooling as quickly as expected. That's been partly exacerbated by some substantial pay agreements in health and education in the last two quarters, lifting public sector wage growth to 5.7% over the last year – the highest on record going back to 1994. Private sector wage growth has more clearly passed its peak, but it remains fairly robust: up 1.0% in the December quarter, and 3.9% on a year ago. That's still a long way from what would be consistent with the RBNZ's overall inflation target of 2%.

We shouldn't lose sight of the fact that the economy is cooling; monetary policy is working. The challenge for the RBNZ is whether inflation is on track to return to the target within a reasonable timeframe. For the last year or so, the RBNZ has been consistently forecasting inflation to drop below 3% in the September quarter of 2024 – a date that is no longer all that far away.

The labour market figures on their own are unlikely to spur the RBNZ to a fresh round of interest rate hikes – and they will need to be balanced against softer-than-expected GDP and inflation outturns since the November *Monetary Policy Statement*. We think this data vindicates the stance we have had for a while that the OCR will remain unchanged in 2024. It's plausible the RBNZ continues to express the concern in the November *Monetary Policy Statement* that an interest rate increase could come in the next 6 months if core inflation pressures don't adequately recede. The February *Statement* would be an ideal platform to lay out the case for that move.

The other economic update of note this week was a further rise in prices at the GlobalDairyTrade auction, with the key product of whole milk powder up by 3.4%. The rebound in dairy prices over recent months has been something of a surprise, given the range of forces that seemed to be weighed against them. Chinese consumers remain on shaky ground, and the supply of milk from New Zealand is up on last season – fears that an El Niño-led drought could curtail milk production have been allayed.

The rise in auction prices means that we have revised up our farmgate milk price forecast for this season from \$7.50/kg to \$7.90/kg, putting it towards the upper end of Fonterra's most recent guidance of \$7-8/kg. That would provide some relief to dairy farmers, though it's hardly a bumper result – a sharp rise in farm input costs in the last couple of years means that it will still be below the breakeven mark for many of them.

The week ahead

The unusually long gap between policy reviews means that any communication from the RBNZ ahead of the 28 February *Statement* will be welcomed by the market. Next week there are two speaking opportunities. On Monday, senior RBNZ staff including Governor Orr will be appearing before Parliament's Finance and Expenditure Committee; the sessions will cover the *Financial Stability Report* and the *Annual Report* that were released last year, but the discussion could range beyond that.

Then on Friday, Governor Orr will be delivering a keynote speech at the University of Waikato Economic Forum. The brief for the speech suggests it will be a wide-ranging talk on all of the RBNZ's functions. But in regard to monetary policy in particular, it refers to "the shift from transitory to more stubborn underlying inflation," which hints that the RBNZ sees inflation as a problem that still needs to be actively managed.

There are also a number of noteworthy data releases throughout the week, including the survey of inflation expectations, the selected monthly price indices, card spending, house sales and migration – see our preview boxes for more detail. Some of these will be coming off some relatively weak results at the end of last year, so next week's updates will shed some light on whether this reflected a Christmas-period lull or a more sustained softening in the economy.

Michael Gordon, Senior Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 5	Jan ANZ commodity prices	2.4%	2.2%	2.0%
Wed 7	GlobalDairyTrade auction (WMP)	1.7%	3.4%	-1.0%
	Q4 unemployment rate	3.9%	4.0%	4.2%
	Q4 employment	-0.1%	0.4%	0.3%
	Q4 LCI wage inflation (pvt, ord. time)	0.8%	1.0%	0.8%

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.

Aus Feb Westpac-MI Consumer Sentiment

Feb 13, Last: 81.0

Consumer sentiment declined 1.3% to 81 in January from 82.1 in December – the new year largely picking up where the old one left off with pessimism continuing to dominate. The weak result was despite a material easing in consumers’ rate rise concerns, the shift clearly doing little to redress wider cost of living pressures, which remain the dominant factor weighing on sentiment.

Factors that may influence sentiment in Feb include: the RBA’s decision to again leave rates unchanged at its Feb meeting, albeit still not ruling out a potential further increase in interest rates; better than expected inflation updates showing a further slowing in inflation to 4.1%yr; announced changes to the Federal government’s Stage 3 tax cuts that mean more taxpayers will see a reduction in tax from July but with a smaller dollar value of tax relief for those earning over \$150k/yr.

Consumer Sentiment Index



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

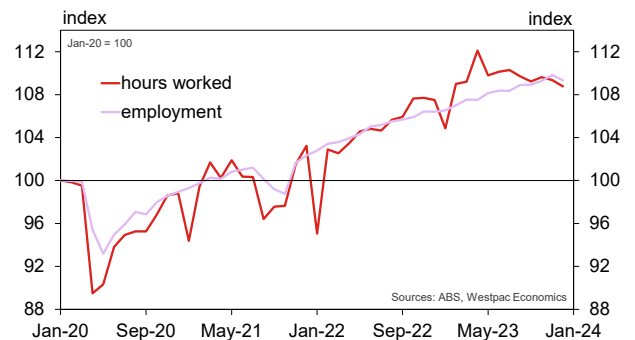
**Feb 15, Last: -65.1k, WBC f/c: +15k
Mkt f/c: +27.5k, Range: +10k to +55k**

Conditions in the Australian labour market softened into year-end, labour demand and supply gradually moving back towards balance. While volatility associated with changing seasonal patterns over Nov-Dec has blurred the signal, the underlying trend continues to speak to labour demand easing from a robust level. This has seen hours worked decline, employment growth slow, and, with participation broadly unchanged (on average), the unemployment rate tick higher.

For January, we anticipate that employment growth will hold at a below-trend pace of +15k for the month. Provided the participation rate holds around its current level of 66.8%, we expect there will be room for the unemployment rate to round up to 4.0%.

That said, January’s update could be another murky read on the state of the labour market (as discussed in more detail below), emphasising the importance of deciphering the underlying trend.

Gap between hours and employment has closed



Aus Jan Labour Force – unemployment rate (%)

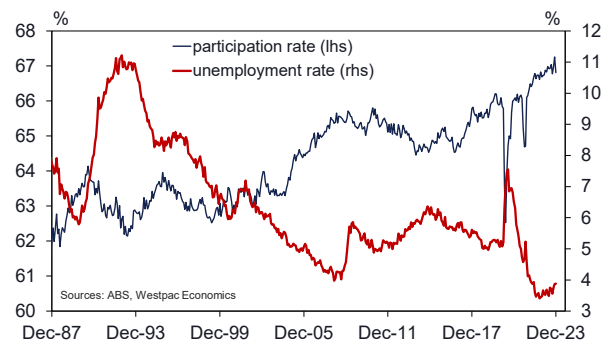
**Feb 15, Last: 3.9%, WBC f/c: 4.0%
Mkt f/c: 4.0%, Range: 3.8% to 4.1%**

January is the most seasonal time of year for the labour market, and since the reopening from COVID-19, two dynamics have played a significant role in labour market outcomes during this time.

Firstly, as a result of a tight labour market, individuals have found more opportunities to change jobs. Last year, this resulted in an unexpected lift in the number of people who were not working but had a job lined up after the holidays – so-called “marginally attached workers” – who were technically classified as unemployed. Secondly, the tourism recovery has seen a greater number of people take leave over the holidays, seeing an outsized decline in hours worked.

January’s data should hence be interpreted carefully, given the risk that one-off dynamics may cause large swings in hours worked or unemployment.

Unemployment rate is ticking higher



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.

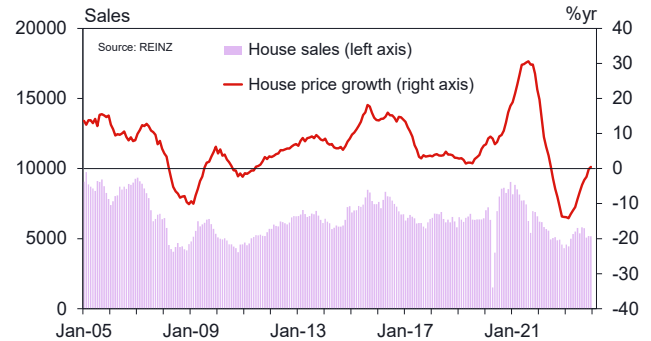
NZ Jan REINZ house sales and prices

Date TBC, Sales* - Last: -0.4% mth, +14.2% annual
Date TBC, Prices* - Last: -0.3% mth, +0.5% annual
** Monthly figures based on Westpac seasonal adjustment*

New Zealand's housing market continued to tread water in December. Sales have picked up from the very low levels we saw at the start of 2023, but they remain subdued. Similarly, prices have continued to track sideways.

We expect that high interest rates will have again been a brake on house price growth and sales in January. However, that softness is expected to gradually give way to a period of stronger activity over the coming year. Population growth is booming and real estate agents are reporting a pick-up in buyer interest. In addition, the new Government plans to introduce policies that will help to boost investor demand.

REINZ house prices and sales



NZ Q1 RBNZ Survey of Expectations

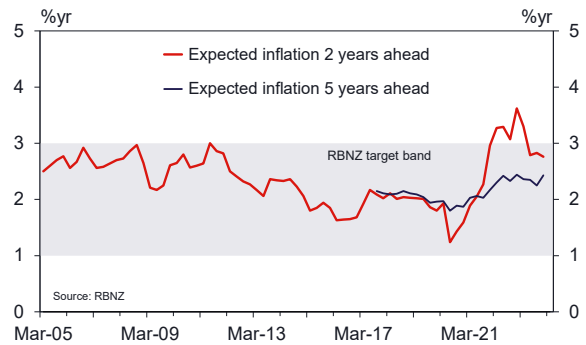
Feb 13, Last: Expected inflation two years ahead: +2.76%

With headline inflation dropping back, we expect that the slide in shorter term inflation expectations seen in recent months will continue in the RBNZ's latest Survey of Expectations. That includes a fall in the closely watched survey of inflation 2 years ahead.

The RBNZ looks at a range of surveys and the importance of this particular measure has waned over time. However, the softening in expectations seen in recent months will still be welcome news to the RBNZ.

While short-term inflation expectations are dropping back, longer term expectations have lingered at levels above 2%. Given the RBNZ's concerns about the ongoing strength of domestic inflation, we'll be watching to see if that strength has continued in the early part of 2024.

RBNZ survey of expectations



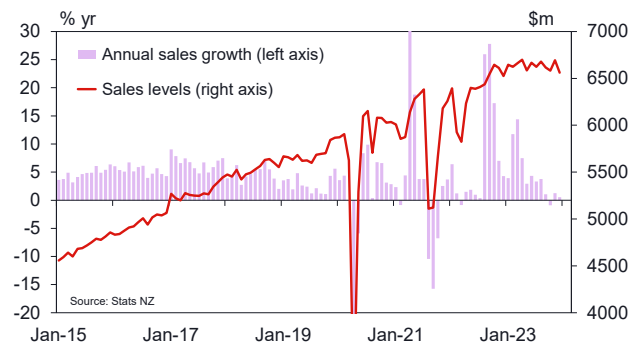
NZ Jan retail card spending

Feb 14, Last: -2.0%, Westpac f/c: +0.5%

The retail sector ended 2023 on a soft note, with spending levels falling by 2% in December. Nominal spending levels effectively tracked sideways over the past 12 months. That's despite population growth of around 2% and price rises of close to 5%.

After December's weakness, we're forecasting a modest 0.5% rebound in January. However, smoothing through the month-to-month volatility, the momentum in spending remains weak. While the rapid increases in the population are providing a floor under demand, spending on items in discretionary areas (such as household durables) continues to be dampened by tight financial conditions.

NZ monthly retail sales



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 Jan monthly selected price indices

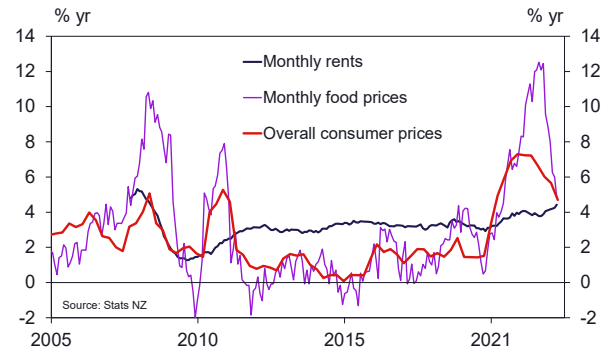
Feb 14

Stats NZ's expanded suite of monthly price data covers around 45% of the CPI, helping to remove much of the uncertainty around the quarter-to-quarter swings in the inflation.

We expect that the January update will show a 1% fall in fuel prices and a 1% seasonal rise in food prices. In addition, a key focus for the RBNZ will be rents. In line with recent trends, we are expecting a 0.4% rise over the month, which would leave rents up a solid 4.6% over the past year.

We'll also be keeping a close eye on airfares, which have swung around sharply in recent months, accounting for much of the volatility in the overall CPI. International airfares rose 42% in December. We expect prices to hold steady in January, with an easing expected later in the quarter.

NZ consumer prices



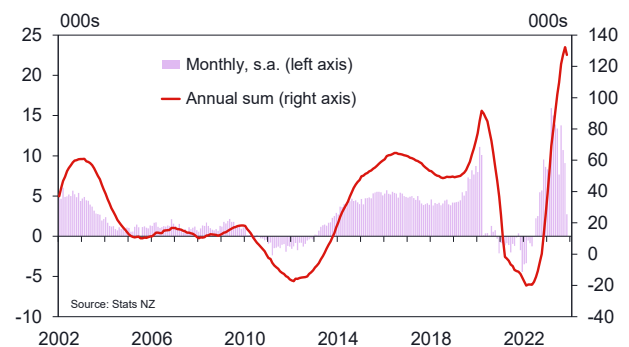
NZ Dec net migration

Feb 15, Last: +2,740 mth, +127,412 annual

The November migration figures suggested a plunge in net inflows, driven by a near-doubling in departures. However, migration data can be substantially revised as more information about people's movements becomes available, and in this case even Stats NZ warned that people should "make their own judgement" as to how to use these results. If the November figures were in error, the most likely cause is that holidaymakers were misclassified as migrants, due to spending more time out of the country than they have in the previous few years.

Foreign arrivals have remained high, although down from the peaks reached earlier in 2023. There is probably still an element of catch-up after the COVID border closure delayed people's plans. But we think that, over time, a slowing economy and fewer job prospects will reduce New Zealand's appeal as a destination for migrants.

NZ net migration



US Jan CPI (%mth)

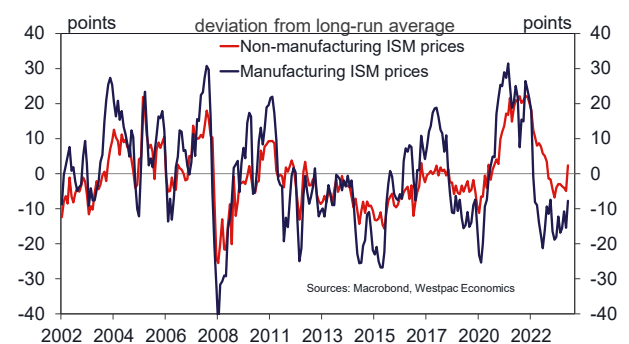
Feb 13, Last 0.3%, Mkt f/c: 0.2%, WBC f/c: 0.2%

The detail of the CPI release continues to point to a narrowing of the base for inflation, with many businesses increasingly finding it more difficult to flex their pricing power, particularly for discretionary goods and services.

However, for life's essentials, price pressures remain. Most significant is shelter which continues to grow at a pace well above trend and, given its substantial weight, is contributing the lion's share of inflation on a month-on-month basis. Much less significant, but still worthy of note are insurance costs and food.

Through the first half of 2024, we expect these remaining inflationary forces to abate, albeit in a slow and potentially sporadic process. By mid year, CPI inflation is likely to have joined PCE inflation near 2%/yr, meeting the FOMC's objective.

US upstream prices pressures benign



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 12					
NZ	Jan REINZ house sales %yr	14.2%	-	-	TBC. Sales have flattened off at low levels...
	Jan REINZ house prices %yr	0.5%	-	-	... and market momentum is limited at this stage.
	RBNZ Gov, Board Chair and others	-	-	-	Speaking at Finance and Expenditure Committee.
Asia	Lunar New Year	-	-	-	New Year on Feb 10 th , ongoing until Feb 14 th .
US	Fedspeak	-	-	-	Barkin, Kashkari.
Tue 13					
Aus	Feb Westpac-MI Consumer Sentiment	81.0	-	-	Easing inflation, re-jigged Stage 3 tax cuts may impact.
	Jan NAB business survey	7	-	-	Conditions slowdown continues. Downbeat mood, at -1.
	RBA Head of Economic Analysis	-	-	-	Speaking at ABE Annual Forecasting Conference, 8:55am.
NZ	Q1 RBNZ 2yr inflation exp. survey	2.76%	-	-	Likely to fall again, consistent with drop in actual inflation.
Eur	Feb ZEW survey of expectations	22.7	-	-	Rate hikes weigh on confidence and conditions.
UK	Dec average weekly earnings %yr	6.5%	-	-	Decelerating briskly, but still too high for BoE's comfort.
US	Jan CPI	0.3%	0.2%	0.2%	Shelter prices keeping the pressure on headline.
	Jan NFIB small business optimism	91.9	-	-	Focus centred on employment and prices.
Wed 14					
NZ	Jan retail card spending	-2.0%	-	0.5%	Spending appetites remain subdued.
	Jan selected price indices	-	-	-	Updates on key prices, incl. food, fuel, rents and airfares.
Eur	Q4 GDP	0.0%	0.0%	-	Second estimate to provide more colour on growth mix...
	Dec industrial production	-0.1%	-	-	... and confirm the broad-based weakness in production.
UK	Jan CPI %yr	4.0%	4.3%	-	Services inflation is only gradually abating, at best.
US	Fedspeak	-	-	-	Goolsbee, Barr.
Thu 15					
Aus	Jan employment change	-65.1k	+27.5k	+15.0k	Jan is the most seasonal time of year for the labour market..
	Jan unemployment rate %	3.9%	4.0%	4.0%	... decline in hours worked and a rise in U/E are clear risks.
	Feb MI inflation expectations	4.5%	-	-	Provides a general view of risks.
NZ	Dec net migration	2740	-	-	Annual inflow looks like it's close to its peak.
Jpn	Q4 GDP	-0.7%	0.3%	-	Household consumption set to remain in a fragile state.
Eur	Dec trade balance €bn	14.8	-	-	Surplus driven by lower imports, as local demand falters.
UK	Q4 GDP	-0.1%	0.0%	-	Activity has stalled virtually flat; technical recession a risk.
US	Jan retail sales	0.6%	-0.2%	-	Post-Christmas hangover in retail spending.
	Jan industrial production	0.1%	0.4%	-	Tracking a subdued trend into year-end...
	Feb Philly Fed index	-10.6	-9.0	-	... as the regions struggle to shake off...
	Feb Fed Empire state index	-43.7	-10.0	-	... lingering uncertainty and growing pessimism.
	Jan import price index	0.0%	-0.1%	-	Benefitting from the global deceleration in goods prices.
	Dec business inventories	-0.1%	0.4%	-	Perceptions of weak demand is key.
	Feb NAHB housing market index	44	-	-	Long road ahead for recovery in homebuilder sentiment.
	Initial jobless claims	218k	-	-	To remain at a relatively low level, for now.
Fri 16					
NZ	Jan manufacturing PMI	43.1	-	-	Likely to remain at contractionary levels.
	RBNZ Governor Orr	-	-	-	Speech on inflation and the RBNZ's target, NZ 7:40am.
UK	Jan retail sales	-3.2%	-	-	Consumers downbeat as financial conditions remain tight.
US	Jan housing starts	-4.3%	0.0%	-	Starts dwindle as cost of financing dissuade...
	Jan building permits	1.8%	1.5%	-	... builders from starting new projects.
	Jan PPI	-0.1%	0.1%	-	Some volatility in global commodities markets.
	Feb Uni. of Michigan sentiment	79.0	79.0	-	Inflation expectations will be closely monitored.
	Fedspeak	-	-	-	Bostic, Daly.

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.

Forecasts

Interest rate forecasts

Australia	Latest (9 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	4.34	4.40	4.37	4.12	3.92	3.67	3.47	3.30	3.30
3 Year Swap	3.89	4.05	3.95	3.85	3.75	3.65	3.60	3.55	3.50
3 Year Bond	3.69	3.85	3.75	3.65	3.55	3.45	3.40	3.35	3.30
10 Year Bond	4.13	4.20	4.05	3.95	3.85	3.90	3.90	3.95	4.00
10 Year Spread to US (bps)	-2	5	5	5	5	5	0	0	0
US									
Fed Funds	5.375	5.375	5.125	4.625	4.375	4.125	3.875	3.625	3.375
US 10 Year Bond	4.15	4.15	4.00	3.90	3.80	3.85	3.90	3.95	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	5.69	5.60	5.60	5.60	5.50	5.25	4.95	4.75	4.50
2 year swap	5.05	5.10	4.95	4.75	4.50	4.40	4.15	4.10	4.00
10 Year Bond	4.74	4.85	4.70	4.65	4.60	4.50	4.40	4.35	4.25
10 Year spread to US	59	70	70	75	80	65	50	40	25

Exchange rate forecasts

Australia	Latest (9 Feb)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6493	0.66	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD/USD	0.6114	0.62	0.63	0.64	0.64	0.64	0.64	0.65	0.65
USD/JPY	149.30	147	144	141	138	135	132	130	127
EUR/USD	1.0779	1.09	1.11	1.13	1.14	1.15	1.16	1.17	1.17
GBP/USD	1.2616	1.26	1.27	1.28	1.29	1.30	1.30	1.31	1.31
USD/CNY	7.1968	7.20	7.10	7.00	6.90	6.80	6.70	6.70	6.50
AUD/NZD	1.0649	1.06	1.07	1.08	1.09	1.11	1.13	1.11	1.12

Australian economic growth forecasts

% change	2023			2024				Calendar years			
	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	0.6	0.9	0.8	-	-	-	-
annual chg	6.0	5.4	4.1	3.4	3.1	2.8	3.0	7.8	4.1	3.0	2.7
Trimmed mean	1.0	1.2	0.8	0.8	0.6	0.9	0.7	-	-	-	-
annual chg	5.8	5.1	4.2	3.8	3.5	3.2	3.1	6.8	4.2	3.1	2.8

New Zealand economic growth forecasts

% change	2023			2024				Calendar years			
	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	4.0	4.3	4.6	4.9	5.1	3.4	4.0	5.1	5.2
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

Start receiving your usual Westpac research and strategy reports from Westpac IQ. <https://www.westpaciq.com.au/subscribe>

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.

© 2024 Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141, AFSL233714 ('Westpac'). References to the "Westpac Group" are to Westpac and its subsidiaries and includes the directors, employees and representatives of Westpac and its subsidiaries.

Disclaimer

This information has been prepared by the Westpac Institutional Bank and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward-looking statements. The words "believe", "anticipate", "expect", "intend", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

Conflicts of Interest: In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

Author(s) disclaimer and declaration: The author(s) confirms that no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material. The author(s) also confirms that this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate.

Additional country disclosures

Australia: Westpac holds an Australian Financial Services Licence (No. 233714).

Note: Luci Ellis, Westpac Chief Economist 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.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz.

Singapore: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore.

US: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ("WCM"), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

Disclaimer continued overleaf

Disclaimer continued

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

UK and EU: The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

Westpac Europe GmbH ("WEG") is authorised in Germany by the Federal Financial Supervision Authority ('BaFin') and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ('Deutsche Bundesbank'). WEG is registered with the commercial register ('Handelsregister') of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2) of the Order); (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found here: <https://www.westpaciq.com.au/terms-and-conditions/investment-recommendation-disclosure>. Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.