AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 26 February 2024

Editorial: Why September?

Australia: Monthly CPI Indicator, construction work, CAPEX, retail sales, private credit, house prices.

NZ: RBNZ policy decision, monthly employment indicator, business confidence, building consents.

China: NBS PMIs, Caixin manufacturing PMI.

Eurozone: CPI, unemployment rate.

US: ISM manufacturing, durable goods, personal income/spending, PCE deflator, housing updates (prices, sales).

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 23 FEBRUARY 2024.

WESTPAC INSTITUTIONAL BANK

Why September?

When central banks are in data-dependent mode, financial market pricing will be data-sensitive. Turning points are always like this. The broad narrative will remain the same, but views of timing can shift suddenly. Small data surprises can matter a lot in these circumstances, even if they are mostly noise. We saw an example of this with the noise-affected January Labour Force Survey.

Absent a new inflationary shock, we can be reasonably sure that the next move is down for most central banks across advanced economies. But the question of exactly when is harder to pin down.

For Australia, we have pencilled in the first cut occurring at the late-September Board meeting, followed by another in November. Our thinking on the timing is as follows.

First, this expectation is predicated on the basis that things turn out broadly as we (and the RBA) expect. Inflation continues to decline, while growth remains soft in the first half of the year but does not fall away completely. Unemployment drifts up but does not rise precipitously.

Second, we take as given that the current stance of monetary policy is restrictive. This aligns with the RBA's view and is supported by various indicators including credit growth and the drag from interest payments on household income. If the RBA maintained restrictive policy on an ongoing basis, growth would slow so much that inflation would undershoot the RBA target and keep falling. The decision to reduce the restrictive stance of policy – and eventually normalise to a more neutral stance – is therefore a question of when, not if.

Third, monetary policy operates with a lag, and the RBA knows this. They will not wait until inflation is already in the target range. They will start moving ahead of this point; Governor Bullock has acknowledged this in Parliamentary testimony. But as the Governor has also pointed out, they will want to wait until they are confident that inflation is declining on the desired trajectory. They want to be sure that inflation will be sustainably back inside the 2–3% target range by end-2025 and around the midpoint of the range by mid-2026.

We have landed on September as our preferred date for the first cut because some key data is released in the lead-up to that meeting. Employment and CPI inflation for the first half of 2024 will be available ahead of the August meeting, but not the crucial wages and national accounts data. These come ahead of the late-September meeting. We expect that these latter releases will show enough of a decline in input cost inflation, a turnaround in productivity and a slowing in growth in labour costs, to convince the RBA that disinflation is sustainably on track.

In the old 11-meeting timetable, it was usually assumed that the months that the RBA published a Statement on Monetary Policy (SMP) – February, May, August and November – were good months to move. In those months, the Board had new inflation data and fresh forecasts, as well as the SMP to explain the decision more expansively. But the inflation data say more about where inflation has been, not where it is going. And as the monthly inflation indicator improves, the information value of the quarterly CPI release diminishes.

Assessing the inflation outlook instead requires information about its drivers, including labour costs, productivity and the balance of demand and supply. The September meeting, along with the other non-SMP meetings, come more into play, because it is ahead of these meetings that wages and national accounts data become available. In addition, the extra value of the SMP for explaining the Board's decisions is reduced now that the Governor will give a media conference after every meeting. Under the new operating rhythm, all meetings are in principle equally good opportunities to move.

Push and pull risks

In thinking about the risks around this view on timing, the different sources of risk are pulling in opposite directions.

The risks relating to the data would, if realised, tend to pull the date of the first rate cut forward. Over the past few months, the data have tended to be softer than the RBA expected back in November. Further surprises in this direction would start to shift the inflation outlook lower. At some point, this would mean the RBA Board would reach the necessary degree of confidence about the return of inflation to target sooner. It would, however, need a material downside surprise to domestic demand that drags services inflation down faster than currently expected.

A date much sooner than September seems unlikely, however, because of the countervailing risk from the Board's decision-making and perception of policy risk. These are considerations that would tend to push the date later.

Put simply, the RBA Board is far from being in a hurry to cut the cash rate. They do not want to risk delaying the return of inflation to target. Indeed, they would be happy to get there sooner. Even on the expected trajectory, inflation will have been above target for four years by the time it returns there. The Board is mindful that the longer inflation stays above target, the greater the risk that inflation expectations dislodge. While so far there is no evidence of this happening, it is not a risk the Board would take by moving too quickly. If expectations do shift, it could be hard to return them to target. The Board is also conscious that the peak of the cash rate has been lower here than in some peer economies. So at some level there is less work to do and less of an imperative to get on with it.

There are risks on both sides, but good reason to think these counterbalance each other. At this stage, we see the risks around the September call as balanced rather than tilted one way or another.

Beyond the first 50 (basis points)

We expect the Board to cut twice, in September and November – successive meetings under the new timetable. It is likely to wait and see the effect of these for a while before embarking on further cuts. In particular, it will want to see the effects of the tax cuts in the second half of 2024 on household spending. At this stage, though, we expect further cuts in 2025.

The closer the cash rate returns to something like neutral, the more cautious the Board is likely to be in making further moves. When you are a long way from where you need to be, rapid shifts may be called for. When you are closer to an uncertain destination, it pays to move slowly and wait for more information if possible.

Luci Ellis, Chief Economist Westpac Group

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In Australia, the RBA February Minutes put forward a familiar account of the Board's deliberations and assessment of risks, providing more colour on the key themes presented in various communications since the decision. The case to raise the cash rate further – centred on the observation that it would take "some time" for inflation to return to target – is becoming increasingly improbable given continued progress on inflation which is broadly consistent with the Board's central forecast.

Before rate cuts can be delivered however, the Board will need to be fully convinced that inflation's return to target will be sustained. That is expected to take several months, with the most likely date for the first cut being September – a view discussed in depth by Chief Economist Luci Ellis. We expect that policy easing will be delivered at a measured pace thereafter, 25bps per quarter through to September 2025, supporting a gradual recovery in GDP growth towards trend while ensuring inflation remains in the target range.

The Wage Price Index – one of the broadest measures of wage inflation – lifted 0.9% (4.2%yr) in Q4, in line with Westpac's forecast. Compositionally, the headline result looks to have been bolstered by recent changes to enterprise bargaining agreements in health care and education/training, seeing the pace of public sector wage inflation lift to its highest rate since December 2008 (1.3%; 4.3%yr). Westpac estimates that individual arrangements – the agreement type most responsive to current economic conditions – are currently tracking a much softer pace of wage inflation (3.4%yr) than enterprise arrangements (5.7%yr) and award wages (5.2%yr). We remain of the view that current dynamics – including labour market softening and inflation's deceleration – will continue to drive a moderation in wages growth into year-end, to a forecast 3.2%yr.

Ahead of next week's partials on business investment and the Q4 GDP release on March 6th, two perspectives on Australia's investment outlook were published this week.

For mining investment, the concentrated "burst" over 2023 was caused by pandemic-related delays that disrupted the flow of project starts. This dynamic is expected to fade going forward and, given the lacklustre underlying trend in this sector since 2016, momentum in project starts is likely to recede over the course of the year.

In contrast, the pipeline of electricity supply projects is clearly progressing, with the value of projects moving from "potential" to "committed" or "under construction" lifting from $27bn in 2022 to $38bn in 2023. While this may be, in part, a result of rising costs associated with Snowy Hydro, other renewable energy projects such as the $3bn Goyder South renewables zone are now beginning construction and will soon add to Australia's electricity capacity. Investment into renewable energy projects and the evolution of Australia's electricity supply will prove a vital determinant of Australia's productive capacity and long-run economic success.

In a quiet week offshore, the FOMC's January meeting minutes were of greatest significance.

The overall tone of the minutes suggest the FOMC are pleased with progress to date but believe "restrictive" policy has more work to do. Employment and inflation were characterised as 'moving towards' the FOMC's goals, so too the overall balance between supply and demand. The FOMC continues to be concerned over inflation getting stuck above the 2% target however, owing to persistence in services inflation which the shelter component personifies.

The pace and scale of downward momentum in services inflation is critical to the aggregate outlook as the deceleration in goods prices that has come about because of normalising supply chains is likely to moderate going forward. Helpfully, regional indicators suggest businesses are finding it harder to pass on higher costs to consumers. Our recent analysis of the CPI also highlights that price growth across the CPI basket excluding shelter is now comfortably below target on an annualised basis from 1 to 11 months. Risks remain, but patience to mid-year should deliver annual inflation at, or very near, target and justify the beginning of the next easing cycle. Note though that our rate cut profile from June 2024 to December 2025 is only 200bps in total; that will leave the fed funds rate at a modestly contractionary level of 3.375% relative to FOMC's longer run 2.50% 'neutral' view.

In Europe meanwhile, the January CPI final release confirmed that goods prices continue to weigh on aggregate inflation, the annual rate 0.1ppt lower at 2.8%yr. Energy prices are reaccelerating in monthly terms however, and could pose an upside risk to headline inflation as Europe enters winter. This development could partially account for the reacceleration in input prices, and subsequently selling prices, as measured by the Eurozone PMIs. While prices charged by manufacturers for their output fell in the month, services prices saw a sharp increase, the fourth increase in a row. Further outlining the divergence between manufacturing and services, the employment sub-index was strong for services, but manufacturers further reduced their demand for labour.

To date in 2024, ECB speakers have highlighted services inflation and strong wage growth as key factors in deciding when to cut rates. The data so far suggests they will need to balance a diverging outlook across countries and industries when making their decisions. We continue to expect a modest easing cycle by the ECB from mid-year, largely in sync with the US FOMC's cycle.

Week ahead & data wrap

Staying the course

Over the past week we have published our first Economic Overview for 2024, which we have titled "Staying the course". This title captures the outlook for the monetary policy this year as the economy continues the much-needed economic rebalancing that only began in earnest last year.

Economic activity has been tracking sideways over the past year, and we're forecasting the economy will grow by just 0.5% this year.

Households and businesses have been significantly challenged by large increases in consumer prices and operating costs, as well as the related rise in interest rates. Although the intensity of those headwinds is starting to ease, tight financial conditions will continue to be a brake on spending and economic growth over 2024.

An additional challenge is a tough external environment. In addition to shipping disruptions stemming from geopolitical tensions, we continue to see sluggish demand in some key export markets, most notably China. Weak external demand saw prices for our key commodity exports drop by nearly 25% over 2022 and 2023. We expect modest gains in commodity export prices over the coming year, underpinned by a lift in dairy and to a lesser extent meat prices.

Despite those headwinds, record net migration and a multi-decade high in population growth of 2.6% have provided a floor under activity. That's helped boost the demand for some consumer goods, as well as housing and rental accommodation. Migration has also alleviated staffing shortages that many businesses have struggled with in recent years.

Demand is also being supported by the continuing recovery in international tourism as overseas visitor numbers have now recovered to around 80% of their pre-pandemic levels. That's been a welcome respite for hospitality businesses in many parts of the country, helping to offset the downturn in domestic spending appetites. 2024 is likely to see further increases in international visitors from high spending markets like the US, although flagging momentum in Chinese visitor numbers means we see a more protracted recovery in the tourism sector.

All of this leaves us with a mixed picture of economic conditions. While GDP growth has been weak and should remain subdued over the year ahead, the labour market has not eased by as much. Businesses continue to take on staff and the unemployment rate remains relatively low at just 4%. Importantly, that resilience in the labour market has likely contributed to persistent domestic inflation pressures. The housing market has moved sideways in the last three months, but should pick up as the year progresses.

Although New Zealand is on course for another tough year, there is light at the end of the tunnel. The sharp tightening in monetary policy over the past few years has been working, with inflation having already fallen from rates of over 7% in 2022 to 4.7% at the end of 2023. Importantly, inflation is set to continue easing over the year ahead. As that occurs, we're likely to also see borrowing costs starting to come back down.

That eventual easing in interest rates and improvements in households' purchasing power will help to restimulate demand over time. Lower interest rates will also support a reacceleration in the housing market, as well as a related lift in construction activity.

We're forecasting that OCR reductions will begin in early 2025, with GDP growth lifting to 1.6% over the course of that year. However, the scope for interest rate cuts depends crucially on what happens to inflation. As discussed in the Inflation and the RBNZ section of the Economic Overview, domestic inflation has remained 'sticky,' lingering at rates well above the RBNZ's target. If those pressures persist, the RBNZ may need to either keep its foot on the brake for even longer or even raise rates, and the recovery in activity could be delayed year progresses.

The first test of our view regarding the outlook for monetary policy will come next week when the RBNZ conducts its first review of monetary policy settings for 2024, as well as publish revised projections of the outlook for policy over subsequent meetings. In our preview of this meeting, note that we expect the RBNZ to leave the OCR unchanged at 5.5%. Assuming the OCR is not hiked – the only other likely outcome – most interest will therefore centre on the profile for interest rates in 2024 and beyond.

We think the RBNZ's objective will be to try to maintain the recent repricing in financial markets which has removed the expectation of rate cuts until at least the end of this year. The RBNZ will also leave open the option to tighten at the May Monetary Policy Statement, should the data warrant.

We think the RBNZ will be on edge due to some aspects of the recent data flow. Our recent "Hawks, Doves and Kiwis" note includes a number of charts that illustrate the issue that RBNZ policymakers will be debating. A straight read of the data flow since the RBNZ's November meeting might imply a more comforting inflation outlook – although we suspect the RBNZ will put more weight on the more concerning data points – especially a slower than expected unemployment rate (a counter to a very weak Q3 GDP outcome) and the higher-than-expected non-tradables inflation outcome (a counter to the lower-than-expected CPI outcome). Commodity prices have improved since November, but this is countered by a firmer exchange rate than the RBNZ had assumed.

Market views will likely be best anchored around an expectation of no easing in 2024 by leaving the short-term OCR forecast track unchanged from November. Further out, we see potential for increases in the OCR track (through 2025 and beyond) as the Reserve Bank may further revise up their estimate for the neutral OCR (which has been revised twice in the last 6 months). The increased medium term inflation pressure coming from the required adjustments to their labour market forecasts may require an offset in terms of the length of time the OCR remains around 5.5%. This approach would be consistent with continuing with the "longer" rather than "higher" strategy in place since May 2023.

Kelly Eckhold, Chief Economist NZ

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 19	Jan BusinessNZ PSI	48.8	52.1	–
Wed 21	GlobalDairyTrade auction (WMP)	3.4%	–1.8%	–1.0%
Thu 22	Jan trade balance $mn	–368	–976	–1000
Fri 23	Q4 real retail sales	–0.8%	–1.9%	–0.6%

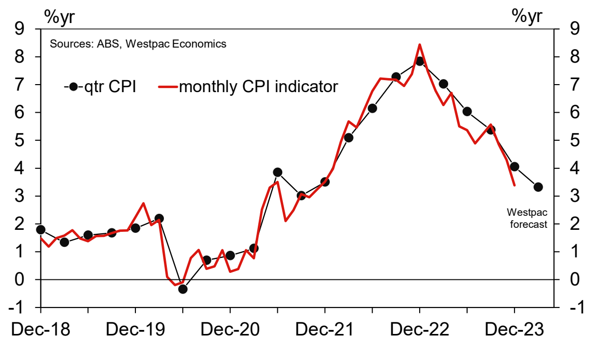
Aus Jan Monthly CPI Indicator (%yr)

Feb 28, Last: 3.4%, WBC f/c: 3.9%
Mkt f/c: 3.5%, Range: 3.4% to 4.0%

The Monthly CPI Indicator rose 0.7% in December, seeing the annual rate moderate from 4.3%yr to 3.4%yr. Despite stronger-than-anticipated momentum in the month alone, it does not change the fact that both the Quarterly CPI and the Monthly CPI Indicator speak to easing inflation pressures, to a faster extent than what was initially anticipated toward the end of last year.

Being the first month of the quarter, the January CPI will predominately serve as an update on durable goods prices such as garments, furniture and furnishings, household textiles, household appliances (many of which are anticipated to fall) but very few services prices. Due to base effects, our forecast for a 0.1%mth increase will see the annual pace lift from 3.4%yr to 3.9%yr.

Inflation continued to moderate as '23 ended



Aus Q4 construction work (%qtr)

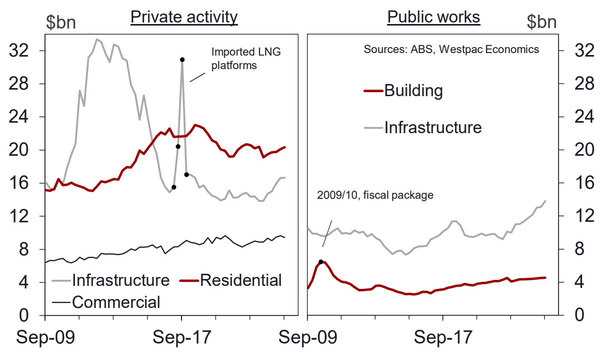
Feb 28, Last: 1.3%, WBC f/c: 0.8%
Mkt f/c: 0.8%, Range: –0.6% to 1.5%

Construction work, which had been trailing a jump in commencements, leapt 12.4% during the five quarters from mid-2022 to September 2023. That result included: public works, +16.8%; private business construction, +14.7%; and private residential, +6.3%.

Across the non-residential segments, that uplift in work was sufficient to close the gap between activity and commencements. By implication, the near-term trend is for any further gains in construction work to be more modest – with a sizeable pipeline of work outstanding supporting a high level of activity. A caveat, construction work can be lumpy and impacted by unseasonable weather fluctuations – generating quarter to quarter volatility.

For the December quarter, we anticipate a 0.8% lift in construction work, following a 1.3% rise last period, with gains again likely to be led by public works and private business construction.

Construction work: led higher by infrastructure



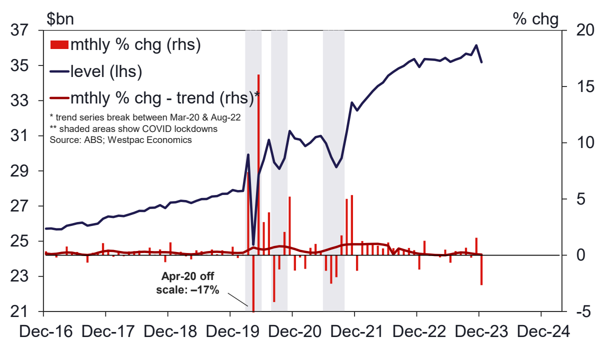
Aus Jan retail trade (%mth)

Feb 29, Last: –2.7%, WBC f/c: 0.3%
Mkt f/c: 1.5%, Range: 0.3% to 2.0%

Retail sales were extremely volatile into year end, a 1.6% surge in Nov followed by a big 2.7% drop in Dec. The ABS has noted that there are measurement issues relating to changes in seasonality, shifting patterns around 'Black Friday' sales in particular. The precise size of these shifts is only revealed slowly over time, as the accumulation of more monthly data helps distinguish these from ongoing trends and 'one-off' shocks and the accumulation of more annual data gives more observations of seasonality. In the mean time, estimates are more uncertain and can be prone to revision. The Dec update included revisions to previous estimates and this may again be the case in Jan.

Awkwardly, this uncertainty is coinciding with what looks to be an underlying weakening. Annual retail sales growth slowed to just 0.8%yr in Dec, a very weak pace given price and population growth. This is also the picture coming from our Westpac Card Tracker which suggests weakness carried into Jan, albeit with a small gain in the month. Overall we expect official retail sales to be up slightly, by 0.3%.

Monthly retail sales



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DATA PREVIEWS

Aus Q4 private business capex (%qtr)

Feb 29, Last: 0.6%, WBC f/c: 0.0%
Mkt f/c: 0.4%, Range: –0.7% to 1.8%

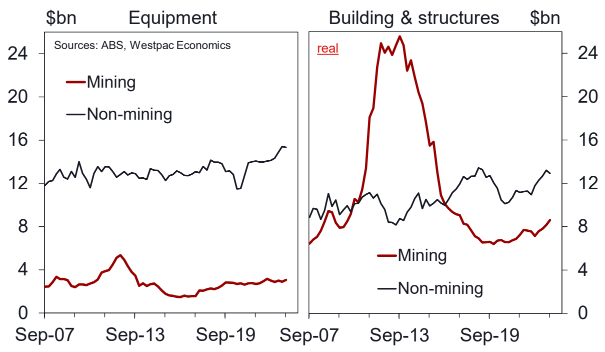
Private business capex spending, across Building & Structures and equipment, jumped 11.6% across the five quarters from mid-2022 to September 2023 – including, B&S +16.2% and equipment +6.8%.

Capex spending is transitioning from earlier strength, as evident from the more modest and unconvincing 0.6% rise for the September quarter. Non-mining capex declined in the period (–1.3%), with falls across B&S (–2.2%) and equipment (–0.5%). Mining capex rose by an oversized 5.6%, a pace that is unlikely to be sustained.

We anticipate a flat December quarter reading, including B&S +1.4%, and equipment, –1.7%.

Businesses can't ignore softer household spending, which has flatlined despite brisk population growth. Firms will respond to softer revenue by restraining spending (including on equipment) as they look to reduce expenses.

Capex: by industry by asset



Aus 2023/24 capex plans ($bn)

Feb 29, Last: Est 4 $171.2

This survey, conducted through January and February, will include Est 5 of 2023/24 capex plans, as well as Est 1 of 2024/25 plans.

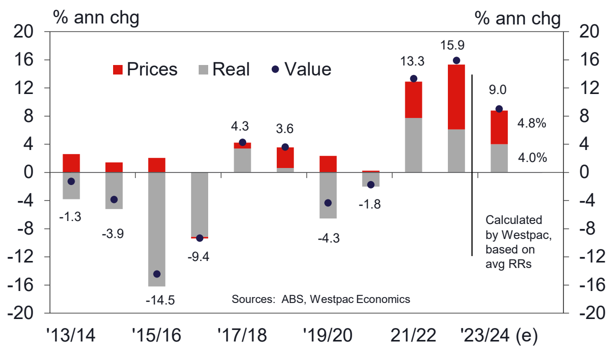
Recall Est 4 printed $171.2bn, some 10.3% above Est 4 a year ago and which we calculate (based on average Realisation Ratios) implies capex spending in 2023/24 will be 9% above that last year.

The implied 9% rise in 2023/24 capex spending is in nominal terms. We guesstimate that the price / volume split (an unknown) is prices +4.8% and volumes +4.0%. This implies a slight downward tilt to real capex across the quarters through the 2023/24 financial year.

Est 5 may print around $176.5bn, which is broadly consistent with Est 4, implying a 9% rise for 2023/24. It represents a 3% upgrade on Est 4, in line with the average upgrade over recent years.

Est 1 may print $141bn (but with a low degree of confidence and mindful that Est 1 is often unreliable). That is 9% above Est 1 a year ago and implies, we calculate, a 4% increase in capex spending for 2024/25 – the bulk of which is likely due to higher prices.

Value of capex spending: prices and volumes



Aus Jan private sector credit (%mth)

Feb 29, Last: 0.4%, WBC f/c: 0.4%
Mkt f/c: 0.4%, Range: 0.2% to 0.4%

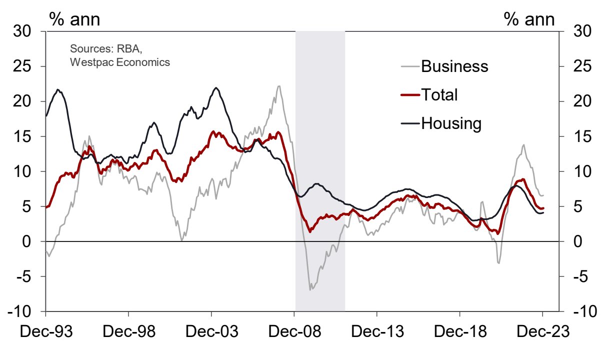
Credit to the private sector expanded by 4.8% in 2023, slowing materially from 6.8% for 2021 and 7.7% for 2022.

The moderation of credit growth is evident across housing and business, as higher interest rates and the slowing economy impact. Housing credit (64% of the total) is soft at 4.1%yr currently, while business is at 6.6%yr, down from an above par 11.9% for 2022.

The average monthly pace of credit growth is running at a modest 0.4%, including 0.4% outcomes for November and December. We anticipate that this 0.4% pace will hold in January.

Housing credit growth momentum has lifted a little on the rebound in new lending through much of 2023, with the 3 month annualised pace strengthening from 3.8% mid-year to 4.6% year end. This trend is likely to fade near-term, with new lending down –4.1% in November on the RBA's November rate hike.

Total credit: grew 4.8% in 2023, around a 2yr low



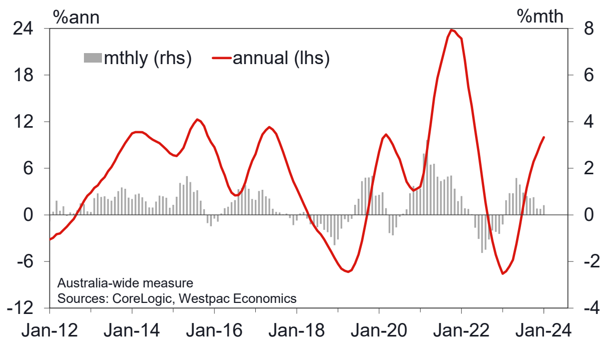
Aus Feb CoreLogic home value index (%mth)

Mar 1, Last: 0.4%, WBC f/c: 0.6%

The CoreLogic home value index, covering the eight major capital cities, rose 0.4% in Jan, broadly in line with the 0.3% gains in Dec and Nov. Monthly gains have seen a clear step-down from the 0.8%mth averaged through Jul-Oct and 1.2%mth through Mar-Jun. Prices are up 10.4% over the year to Jan have been rising at a more subdued 4% annualised pace over the last three months.

The CoreLogic daily index points to a slightly firmer 0.6% gain for the Feb month. Auction market activity has also been slightly firmer through Feb.

Australian dwelling prices



NZ Jan monthly employment indicator (%mth)

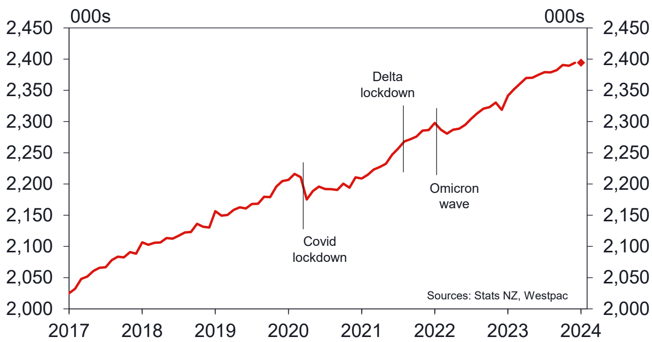
Feb 28, Last: +0.2%. Westpac f/c: 0.0%

The monthly employment indicator is drawn from income tax data, making it a comprehensive record of the number of people in work. While there are conceptual differences, it generally does a good job of predicting the more widely followed quarterly household survey measure of employment.

Job growth has slowed since mid-2023. While still growing, it has now fallen behind the pace of population growth, which continues to be boosted by record net inward migration. Surveys suggest that businesses are no longer struggling to find more workers, and job advertisements have fallen below pre-COVID levels.

The (very limited) weekly data for January suggests a flat outturn for the month.

NZ monthly filled jobs



RBNZ Monetary Policy Statement

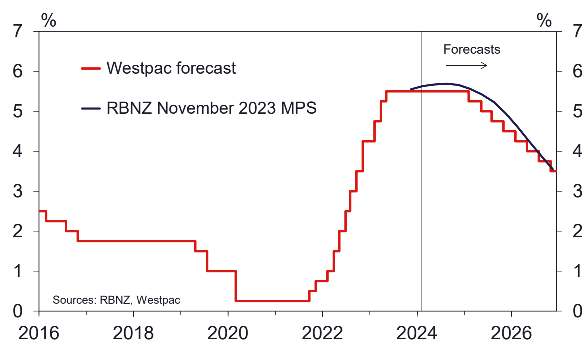
Feb 28, Last: 5.50%. Westpac f/c: 5.50%, Mkt f/c: 5.50%

We expect the RBNZ will leave the OCR unchanged at 5.50% at its February policy meeting. An increase in the OCR is a genuine possibility, but we suspect the RBNZ's goal will be to drive home the message that the OCR is not moving lower in 2024.

A straight read of the data since November might imply a more comforting inflation outlook, although the RBNZ may put more weight on the more concerning data points. Q3 GDP was weaker than expected, and headline inflation has slowed by more than forecast. But core inflation measures remain high, and labour market pressures have not eased as quickly as they expected.

The RBNZ's short-term forward profile for the OCR is likely to be little changed, keeping open the option to tighten – perhaps as early as the May Monetary Policy Statement – should the data warrant it. Future data on non-tradables inflation, the labour market, the housing market, and the Budget will be key in making the case for any further tightening.

RBNZ Official Cash Rate



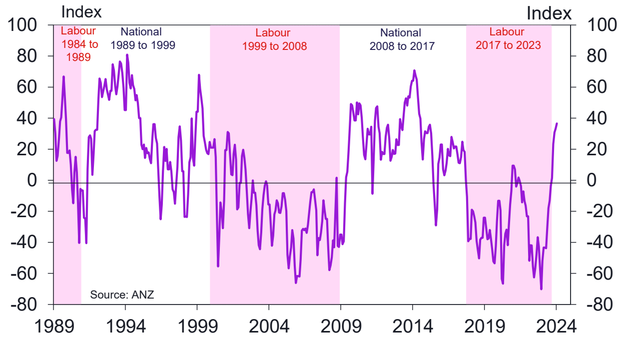
NZ Feb ANZBO business confidence

Feb 29, Last: 36.6

Business confidence pushed higher again in January. However, while sentiment has been on the rise, reported trading activity over the past year has remained soft. We'll be watching the February survey to see if that divergence has continued, and if there is a related firming in hiring or investment intentions.

A key focus will be the survey's various price and inflation gauges. Recent months have seen a pick-up in the number of businesses who are planning to raise their prices, with a sharp rise in the retail sector. That's adding to concerns about 'sticky' inflation.

NZ business confidence



NZ Jan building consents (%mth)

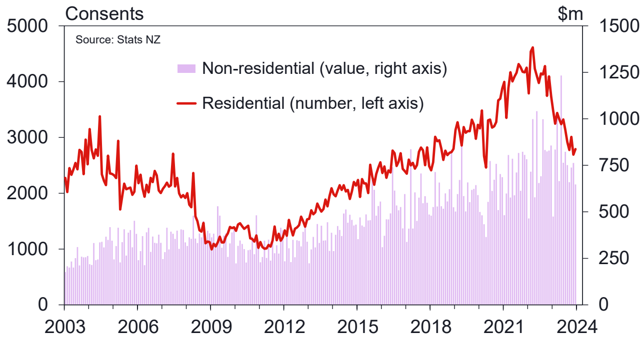
Mar 1, Last: +3.7%, Westpac f/c: +3.0%

Residential building consent numbers rose 3.7% in December, and we expect a similarly modest rise in January.

That would leave the longer-term downtrend in consent issuance in place. In annual terms, we expect consent numbers to slip below 37,000. That would be the lowest level since 2019. Despite strong population growth, the combination of high build costs, increases in borrowing rates and a weak housing market has seen fewer new developments coming to market.

Commercial building consent numbers are also expected to remain soft, with slowing economic growth putting the brakes on new developments.

NZ building consents



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For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 26					
US	Feb Dallas Fed index	-27.4	–	–	Manufacturing conditions weak across the regions.
	Jan new home sales	8.0%	3.0%	–	Near-term outlook favourable relative to resale market.
Tue 27					
Jpn	Jan CPI %yr	2.6%	1.9%	–	Tokyo CPI points to a soft outcome for January.
US	Jan durable goods orders	0.0%	-4.5%	–	Solid uptrend in core orders into year-end.
	Feb Richmond Fed index	-15	–	–	Manufacturing conditions weak across the regions.
	Feb consumer confidence index	114.8	114.8	–	Sentiment flourishes following inflation reassessment.
	Dec S&P/CS home price index	0.15%	–	–	Monthly gains easing, annual growth tapering around 5.5%yr.
	Fedspeak	–	–	–	Schmid, Barr.
Wed 28					
Aus	Jan Monthly CPI Indicator %yr	3.4%	3.5%	3.9%	Durable goods deflating; base effects to see a lift to 3.9%yr.
	Q4 construction work done	1.3%	0.8%	0.8%	Activity a 12.4% burst from Q2 '22. Growth pace to moderate.
NZ	Dec employment indicator	0.2%	–	0.0%	Job growth has fallen below the pace of population growth.
	RBNZ policy decision	5.50%	5.50%	5.50%	Slow progress on reducing core inflation remains a concern.
Eur	Feb economic confidence	96.2	–	–	Consumers and businesses both circumspect on outlook.
US	Q4 GDP (annualised)	3.3%	3.3%	–	Second estimate to provide more colour on the growth mix.
	Jan wholesale inventories	0.4%	–	–	Outlook subdued given patchy wholesale and flat industrial.
	Fedspeak	–	–	–	Bostic, Collins, Williams.
Thu 29					
Aus	Q4 private capital expenditure	0.6%	0.4%	0.0%	Transitioning from earlier strength, grew 10.9%yr to Q2 '23.
	2023/24 capex plans, $bn	171.2	–	–	Est 4 printed 10.3% above Est 4 a year ago. See textbox.
	Jan retail sales	-2.7%	1.5%	0.3%	Monthly noise masking a significant weakening.
	Jan private sector credit	0.4%	0.4%	0.4%	Average pace is running a modest 0.4%. See textbox.
NZ	Feb ANZ business confidence	36.6	–	–	Pricing intentions have picked up again recently.
Jpn	Jan industrial production	1.4%	-7.0%	–	Subdued trend amid slowdown in global appetite.
US	Jan personal income	0.3%	0.5%	–	Six-month pace down on H1 2023, slightly below average…
	Jan personal spending	0.7%	0.2%	–	… while spending momentum remains surprisingly resilient.
	Jan PCE deflator	0.2%	0.3%	–	Tracking 2.0%yr on a six-month annualised basis.
	Feb Chicago PMI	46.0	–	–	Continues to point to below-trend growth.
	Feb Kansas City Fed index	-9	–	–	Manufacturing conditions weak across the regions.
	Jan pending home sales	8.3%	1.0%	–	Consistent as a leading indicator of resale market weakness.
	Initial jobless claims	201k	–	–	To remain at a relatively low level, for now.
	Fedspeak	–	–	–	Bostic, Goolsbee, Mester.
Fri 01					
Aus	Feb CoreLogic home value index	0.4%	–	0.6%	Slightly firmer result in Feb but pace still down vs. 2023.
NZ	Feb ANZ consumer confidence	93.6	–	–	Gradually improving but still low.
	Jan building permits	3.7%	–	3.0%	Downtrend remains in place, annual total lowest since 2019.
Jpn	Jan jobless rate	2.4%	2.4%	–	Tight labour market facilitates sustainable wages growth.
Chn	Feb NBS manufacturing PMI	49.2	49.3	–	High-tech industry a bright-spot, but employment measures…
	Feb NBS non-manufacturing PMI	50.7	51.2	–	… point to enduring uncertainty over household incomes.
	Feb Caixin manufacturing PMI	50.8	50.7	–	More volatile than NBS, broadly signalling flat conditions.
Eur	Feb CPI %yr	2.8%	–	–	ECB comfortable with current pace of disinflation.
	Jan unemployment rate	6.4%	6.4%	–	Providing some offset to downside activity risks.
US	Feb ISM manufacturing	49.1	49.2	–	Demand remains the key headwind for manufacturers.
	Feb Uni. of Michigan sentiment	79.6	79.6	–	Final estimate.
	Fedspeak	–	–	–	Williams, Waller, Bostic, Daly, Kugler.
Global	Feb S&P Global manufacturing PMI	–	–	–	Final estimate for Japan, Eurozone, UK and US.

Forecasts

Interest rate forecasts

Australia	Latest (23 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	3.99	4.05	3.95	3.85	3.75	3.65	3.60	3.55	3.50
3 Year Bond	3.78	3.85	3.75	3.65	3.55	3.45	3.40	3.35	3.30
10 Year Bond	4.19	4.20	4.05	3.95	3.85	3.90	3.90	3.95	4.00
10 Year Spread to US (bps)	–13	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	4.32	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	5.73	5.60	5.60	5.60	5.50	5.25	4.95	4.75	4.50
2 year swap	5.26	5.10	4.95	4.75	4.50	4.40	4.15	4.10	4.00
10 Year Bond	4.80	4.85	4.70	4.65	4.60	4.50	4.40	4.35	4.25
10 Year spread to US	48	70	70	75	80	65	50	40	25

Exchange rate forecasts

Australia	Latest (23 Feb)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6570	0.66	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD/USD	0.6201	0.62	0.63	0.64	0.64	0.64	0.65	0.65	0.65
USD/JPY	150.44	147	144	141	138	135	132	130	127
EUR/USD	1.0827	1.09	1.11	1.13	1.14	1.15	1.16	1.17	1.17
GBP/USD	1.2665	1.26	1.27	1.28	1.29	1.30	1.30	1.31	1.31
USD/CNY	7.1953	7.20	7.10	7.00	6.90	6.80	6.70	6.70	6.50
AUD/NZD	1.0601	1.06	1.07	1.08	1.09	1.11	1.11	1.11	1.12

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	0.6	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

	2023			2024				Calendar years			
% change	**Q2**	**Q3**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2022**	**2023f**	**2024f**	**2025f**
GDP % qtr	0.5	–0.3	0.1	0.2	0.2	0.2	0.1	–	–	–	–
Annual avg change	3.0	1.3	0.7	0.4	0.1	0.4	0.5	2.4	0.7	0.5	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	0.7	0.6	1.0	0.4	–	–	–	–
Annual change	6.0	5.6	4.7	4.1	3.6	2.8	2.7	7.2	4.7	2.7	2.3

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