AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 4 March 2024

Editorial: Ripples and Waves.

Australia: Q4 GDP & partials (profits, inventories, public demand), current account, net exports, trade balance, housing finance, dwelling approvals.

NZ: Q4 building work, Q4 terms of trade, GlobalDairyTrade auction.

China: CPI, PPI, Caixin PMI, foreign reserves.

Eurozone: ECB policy decision, retail sales.

US: nonfarm payrolls, unemployment rate, factory orders, trade balance, Chair Powell testimony.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 1 MARCH 2024.

WESTPAC INSTITUTIONAL BANK

Ripples and Waves

Whenever one reads commentary about what policymakers should do, rather than what they will do, one should always consider the author's unstated assumptions. Two such assumptions seem especially pervasive currently.

The first is the belief that pandemic-related effects have already washed through and are no longer affecting outcomes. Increased working from home is usually acknowledged as an exception.

The second assumption is that the post-pandemic economy will fluctuate around the same average levels of key metrics as prevailed before the pandemic.

Neither can be assumed. The first is demonstrably false and the second cannot be justified by the evidence.

Statements that rest on these unstated assumptions include the idea that most of Australia's current high inflation is demand driven. According to this view, monetary policy is still not tight enough and unemployment is too low. Yet the ripple effects of supply constraints unwinding are still evident. Attributing all, or even most, of the current high inflation to strong demand ignores this.

It also ignores the signs that growth in domestic demand was soft in the second half of 2023, particularly in the household sector. As Westpac Economics Senior Economists Andrew Hanlan and Jarek Kowcza flagged this week and the Treasurer has also indicated, we expect the December quarter GDP result to be soft – most likely flat in the quarter. The momentum in domestic demand is only barely positive.

Domestically, these ripple effects include the surge in population early last year, as Australia and China reopened borders. Because so much migration to Australia is by students, population flows are seasonal, spiking at the start of each university semester. This makes it hard to know the underlying trend in real time. We will only see this post-pandemic effect unwinding in the data over the course of this year. Rent inflation should ease in line with this, but it will take a while.

Related to this, the decline in average household size in Australia's largest cities is also yet to unwind fully. Some of the decline was probably a response to lower rents during the height of the pandemic, as well as lockdowns and a desire for more living space when other options were curtailed. Some, however, could be a more lasting response to increased working from home. Because it is more pleasant to spread out than to crowd back in again, the reversal of the temporary part of the response is likely to be more drawn out than the original shift.

Together with the population surge, smaller households mean upward pressure on rents and housing prices for at least a while yet. But we can be confident that at least some of that pressure will unwind over time, regardless of what policy does. Historical norms are therefore not yet the right benchmark to use when assessing the current stance of policy.

The lingering ripple effects of the pandemic are not limited to the demand for housing. The supply side of this sector is also still constrained. The result is a backlog of partly built homes that is being worked down only slowly. The pandemic-era HomeBuilder program contributed to this by bringing forward some demand. Supply capacity in the industry is also constricted. This is partly because non-residential construction activity is competing for many of the same resources. In addition, bankruptcies and other exits from the industry have disrupted the networks of suppliers and subcontractors. These networks take a while to stitch themselves back together. In this way, temporary shocks can have lingering effects.

Pandemic ripple effects go beyond the housing market. Supply chains may have largely healed globally, but in some areas domestically things are still far from normal. For example, industry sources suggest that wait times for delivery of some makes of car are still well above pre-pandemic levels. Multiple disruptions at domestic ports have also degraded supply chain functioning.

The faults in our stars

Even once the ripple effects from the pandemic have faded completely, there is no guarantee that economic behaviour reverts to previous norms. Past experience is not worthless, but it would be a mistake to assume a static world where key economic metrics and relationships never change. Identifying shifts in these relationships – especially changes in trends – is one of the key challenges of forecasting.

Some of these trend shifts are more or less permanent, such as the invention and adoption of new technologies, the adoption of inflation targets at low rates, or financial deregulation. Step changes in one factor can also instigate 'waves': drawn-out responses in other factors. The step change to low inflation targets and financial deregulation induced a permanent increase in the sustainable ratio of household debt to income in Australia and other industrialised economies. This transition to higher actual debt took more than a decade to complete. The green transition will likewise induce a wave of investment for years.

Integration with the European Union induced rapid increases in income in Ireland and Spain, and so a wave of home-building to replace existing housing stock with higher-quality homes more suitable to current income levels. China is coming to the end of a similar secular 'wave' of high demand for new construction, in addition to the authorities' policy actions to slow this sector. I have never seen that transition to a smaller construction sector end well, but perhaps the Chinese authorities can ensure theirs is the exception.

And some trends are a continuous evolution not a one-off shift. One example of this kind of wave is the increase in longevity, which has no obvious end point although it could revert under certain conditions.

So it is with the structure of interest rates and the feasible level of unemployment. These are not external factors handed down from the heavens: they are outcomes of the system. They evolve continuously.

There are reasons to believe that the structure of real and nominal interest rates will be a bit higher in the period ahead than it was in the years leading up to the pandemic. Shifting fiscal policy stances matter here, along with risk appetite (in part influenced by regulation) and technological change.

There are also reasons to believe that periods of low unemployment drag the feasible rate of unemployment down, as both new workers and employers gain experience in working with each other during tight labour markets. The RBA seems to understand this, even though the standard models they use are not well-placed to capture this particular dynamic.

The key point here is that these underlying trends – the 'star' variables – are not fixed. Both policymakers and policy-watchers would do well to continually test their views about these factors against the broadest possible range of data. Forecasters who do not allow for these potential changes risk being blindsided by them.

Luci Ellis, Chief Economist Westpac Group

THE WEEK THAT WAS

In Australia, the Monthly CPI Indicator fell 0.3% in January, leaving the annual rate unchanged at 3.4%yr. Goods prices – which constitute the bulk of the new information at this point in the quarter – reportedly fell 0.2% in the month, marking three monthly declines in this category since October. The main driver of the softness in headline inflation, however, was the often-volatile holiday travel and electricity prices. Highlighting the effectiveness of Government rebates in limiting the pass-through of energy inflation to households, electricity prices would have been up 15.3%yr sans rebates versus 0.8%yr. Based on the partial information presented in this update, risks to our Q1 CPI forecast of 0.7% (3.4%yr) look balanced. Next month will provide an update on more services components.

While the disinflationary process will offer more support for households in time, the consumer is currently in a fragile state. In January, retail sales rose 1.1%; but, given weakness in prior months, annual growth is just 1.4%yr, well below the rate of inflation and population growth. The interplay between employment, wage and price growth will be critical for spending over the coming year. Perceptions of wealth and comfort with the liabilities held against housing assets are also critical. For a deep-dive into the prospects for Australia's housing market and its implications for sentiment, see our latest Housing Pulse.

In the lead-up to next week's Q4 GDP report, the ABS also released two partial indicators of investment this week. Construction activity lifted 0.7% in Q4, in line with expectations. The easing in the growth pace is consistent with a maturing cycle, as the impetus from pandemic-era disruptions and supportive policy measures, which drove the initial 'jump' in project starts, fades. The detail continues to highlight a strong contribution from public works (+4.9%), centred on infrastructure projects. Momentum in the private sector is a stark contrast (–1.0%) due to broad-based weakness in new dwelling construction and renovations, partially offset by continued gains in non-residential building work.

The Q4 CAPEX survey subsequently reported a 0.8% lift in capital expenditure. While an upside surprise relative to our expectations for the quarter, momentum was clearly lost from H1 2023 to H2 2023. Equipment spending, which feeds into GDP, fell 0.1%, while building and structures rose 1.5%. On spending intentions, the fifth estimate for 2023/24 CAPEX plans remained optimistic, up around 12% compared to the fifth estimate a year ago. In our view, that implies a 10% rise in nominal CAPEX spending over the financial year – though given the strength of inflation in the sector, this likely equates to flat real spending over 2023/24.

Factoring in this partial information and the significant decline in hours worked, we have revised down our Q4 GDP forecast and now anticipate a flat result for the quarter. Our Q4 GDP preview is available at Westpac IQ. Taking a longer-term view, Chief Economist Luci Ellis' essay this week investigates the lingering effects of the pandemic and evolving structural dynamics for activity and inflation.

Over in the US, the PCE deflator was as expected in January, prices rising 0.3%. Durable goods prices' contribution was effectively nil in the month, while a further decline in energy prices saw non-durable goods subtract from headline inflation. For both headline and core, revisions to the December outcome (revised down from 0.2% to 0.1%) further eased the path for annual inflation, now 2.4% and 2.8% respectively from 2.6% and 2.9% in December. Overall, PCE inflation remains on track to reach target around mid-year.

The PCE release also reported that consumer incomes jumped 1.0%mth in January. However, this upside surprise was the result of a one-off lift in government transfers, 2.6%mth. Disposable personal income, which nets out taxes and transfers, instead grew 0.3%mth, in line with H2 2023. Real consumer spending meanwhile edged down 0.1%mth driven by a 1.1% decline in goods consumption as services remained robust. From a year ago, spending is now up only 2.1%, a below-trend rate. A low savings rate and soft real income growth point to sub-par momentum hence.

In Asia, Japan's CPI eased to 2.2%yr in January driven by declining energy prices and easing food prices. Government subsidies alongside easing import prices (Japan imports most of its food) are aiding inflation's deceleration. The Tokyo CPI, which is released weeks prior to the National CPI, tends to be a good predictor of the National result. However, the gap between the two series has grown in recent months, suggesting a degree of stickiness is emerging outside the capital. As incomes tend to be lower outside capital cities, persistence in inflation there is likely to have a disproportionate effect on spending.

Finally, to the just-released February China NBS PMIs. Both the manufacturing and services variants were broadly in line with expectations and the January outcomes, at 49.1 and 51.4 respectively. For manufacturing, output was down slightly, but new orders and employment were unchanged. Employment was also unchanged for services. Lunar New Year anecdotes point to more consumers being willing to spend; but to see this trend sustained and per capita consumption lift, incomes need to be on a steady uptrend. A little forward-looking optimism over household wealth wouldn't hurt either. How investment and production begin the new Lunar Year will be of great significance.

Week ahead & data wrap

Staying the course

The key event in New Zealand over the past week was the RBNZ's OCR decision and accompanying *Monetary Policy Statement* (MPS). The RBNZ indicated that the economy and inflation is continuing to evolve broadly as it had expected. The Bank's policy approach remains one of "staying the course" – the theme of our recent Economic Overview. That is, inflation is expected to return to 2% later next year provided that the OCR remains at its current rate of 5.5% until at least early next year.

As we and most commentators had expected, the RBNZ left the OCR at 5.5%. The overall tone of the *Statement* remained somewhat hawkish in absolute terms but was much less hawkish than markets had feared. The RBNZ still sees a risk that the OCR might need to rise later this year. However, this risk is now lower than seen in the November 2023 *MPS*, with the updated OCR track implying around a 40% chance of a further 25bps hike – down from around 75% previously. As a result, the RBNZ's forecast for the OCR over the next year now looks much like that published in the August 2023 *MPS*.

As we wrote in our *MPS* preview, a straight interpretation of recent economic data suggested that the OCR track could be lowered. But we saw material risks of either an OCR increase or upgraded risks of one in the future, if the RBNZ were to focus on the more worrying aspects of the data (e.g. the stickiness of non-tradable inflation). As it turns out, the RBNZ played a straight bat, giving significant weight to both the weak Q3 GDP outcome, the larger than expected decline in headline inflation in Q4 and the significant decline in business inflation expectations reported in its own survey.

A key excerpt from the latest *MPS* summarises the drivers of the RBNZ's updated view:

"Conditional on our central economic outlook, the Official Cash Rate (OCR) is expected to remain around current levels for an extended period in order for the MPC to meet its inflation target. The outlook for the OCR is slightly lower than in the November 2023 Statement. This reflects that the slightly lower outlooks for capacity pressures, import prices and house price inflation more than offset the higher outlook for export prices."

Importantly, the record of the meeting noted that members viewed that "overall, risks to the outlook for inflation were more balanced than at the time of the November 2023 *Statement*. However, from a monetary policy perspective, there remains less capacity to absorb upside inflation surprises, relative to downside surprises." In the press conference, Governor Orr emphasised that while the risks to inflation are now more balanced, the policy reaction function to any realisation of these risks remains asymmetric given the current level of inflation. Governor Orr also indicated that while the possibility of a hike was discussed at the meeting, no vote was required indicating a strong consensus that the current OCR remains appropriate.

We remain comfortable with our view that the OCR remains on hold at 5.5% over 2024, before a gradual easing cycle begins in early 2025. That said, we do see a more gradual easing in domestic inflation pressures than the RBNZ.

Looking out over the next month or so, key economic data points to watch ahead of the next OCR review on 10 April will be:

- The Q4 GDP report (21 March). We presently estimate that the economy grew just 0.1% – not materially different to the flat outcome estimated by the RBNZ in the *MPS*.
- The selected price indexes released on 13 March, which will provide some further information about the outlook for the Q1 CPI report released on 17 April.
- Incoming migration and housing-related data, as well as indicators of consumer spending.
- Inflation indicators from the ANZ Business Outlook survey (27 March) and the NZIER's QSBO survey (9 April).

As far as this week's key data is concerned, the main points of note were the Monthly Employment Indicator (MEI) for January and the ANZ's Business Outlook survey for February. The MEI, which is drawn from tax data, reported a surprising 0.6% lift in filled jobs, whereas the weekly snapshots of this data had suggested a flat result. This data has been choppy over the Christmas / New Year period and there seems to be some variation in the timing of when teachers are hired – it's not consistent from year to year so the seasonal adjustment doesn't capture it fully. With filled jobs flat in December, the average of 0.3% over the past two months probably gives a better sense of the underlying trend (although there has been a marked tendency for recent outcomes to be revised downward in subsequent releases). This is still a solid result; it's slightly ahead of the growth in the working-age population, which grew 3% last year on the back of record net migration. We will continue to track this data closely in coming months.

The ANZ's survey indicated that business confidence held at firm levels in February. The number of businesses who expect trading conditions to improve over the coming year did nudge higher. But while firms are optimistic about the outlook, a net 5% of businesses continued to report a decline in trading activity over the past year, with weakness noted in the retail and construction sectors. On the prices front, we did see expectations for inflation over the coming year continuing to ease, dropping from 4.3% previously to 4.0% now. That continues the downtrend seen over the past year and follows the easing in actual inflation. But while expectations for inflation are dropping back, the number of businesses who are planning on raising their prices remains high, especially in the retail and services sectors. That's consistent with our expectations that inflation will return to the RBNZ's 2% target only gradually and might be consistent with inflation getting "stuck" about 3% at some point.

The coming week is somewhat quieter on the data front. While not usually market-moving, most interest will be on the release of a few partial activity indicators that will cast light on the likely outcome of the Q4 GDP report. That aside, the outcome of the latest GDT dairy auction will also be of interest, especially with some indicators suggesting the possibility of a further pull-back in the price of the key whole milk powder product.

Kelly Eckhold, Chief Economist NZ

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Wed 28	Dec employment indicator	0.0%	0.6%	0.0%
	RBNZ policy decision	5.50%	5.50%	5.50%
Thu 29	Feb ANZ business confidence	36.6	34.7	–
Fri 1	Feb ANZ consumer confidence	93.6	94.5	–
	Jan building permits	3.6%	–8.8%	3.0%

DATA PREVIEWS

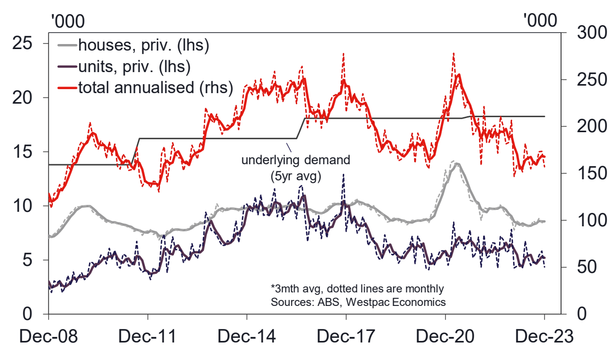
Aus Jan dwelling approvals

Mar 4, Last: –9.5%, WBC f/c: 3.0%
Mkt f/c: 4.0%, Range: –3.0% to 8.0%

Dwelling approvals fell away sharply into year-end, a 9.5% drop in Dec unwinding all of the 'mini-rally' through Oct-Nov. Looking through the monthly noise, approvals are bumping around the bottom of the cycle, lifting very slightly over the second half of 2023 but remaining slightly below the previous lows in 2019-20 and a good 30-40% off their 2021 peaks.

We suspect the weakness was a little overdone in Dec with some of the sharp fall in unit approvals likely to be noise. That should produce a bump higher as it rolls out in the Jan month, although the underlying picture still appears to be weak, especially around high rise approvals. Other segments look a little mixed, detached houses still softening but medium density units posting reasonable gains. On balance we expect total approvals to be up 3% in Jan. Note that alongside the above uncertainties, Jan housing data has additional caveats, the summer low period often producing big, and misleading, swings.

Dwelling approvals



Aus Q4 inventories

Mar 4, Last: 1.2%, WBC f/c: –0.3%, (–0.5ppts cont'n)
Mkt f/c: 0.1%, Range: –0.7% to 1.3%

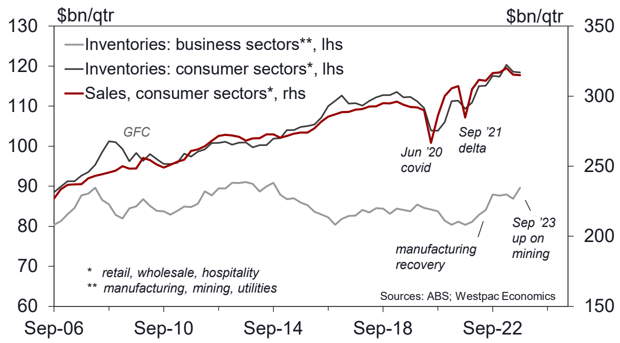
For private non-farm business inventories, the tempo of private domestic demand (sales) is key to (underlying) trends.

Private demand was likely soft in Q4, which, along with a sharp fall in goods imports, an estimated –3.0%, points to firms trimming inventory levels.

We anticipate inventories fell by –0.3% in Q4. That would see inventories subtract a hefty –0.5ppts from activity in Q4.

Recall that soft sales were also a feature of Q3, with the BI survey reporting a decline of –0.1% (including a –0.1% for the consumer sector – retail, wholesale and hospitality). Consistent with this, consumer sector inventories edged lower, down –0.1%. The surprise was that business sector inventories spiked, led by a rise in mining inventories due to temporary transport disruptions, such that total inventories rose by 1.2% in Q3.

Inventory levels and trends



Aus Q4 company profits

Mar 4, Last: –1.3%, WBC f/c: 4.2%
Mkt f/c: 1.0%, Range: –1.0% to 4.2%

Company profits are anticipated to print +4.2% for Q4.

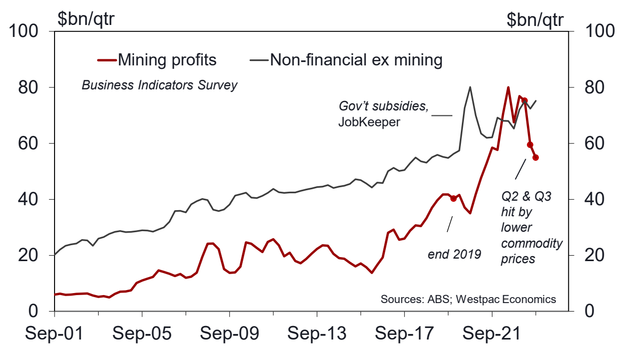
The rise is led by mining on commodity price rebound, up 6% after –3.2%. Non-mining is expected to be mixed alongside patchy sales.

The Business Indicators (BI) reading on profits will be overstated by a "double upward bias", we assess. On our figuring, the true reading on profits, in the National Accounts, will be more like around 0.8%.

The BI survey is accounting based, not economic, so includes any boost to the value of inventories due to higher prices. In this instance, on our rough calculations, about half of the 4.2% rise is due to this factor – as commodity prices swing from a fall to a rise.

The BI survey and the National Accounts adopt different seasonal factors (go figure) – for Q4s of late, this has tended to overstate the BI profit reading.

Company profits: swings in mining are key



Aus Q4 current account balance, $bn

Mar 5, Last: –0.2, WBC f/c: 4.0
Mkt f/c: 4.9, Range: 0.0 to 7.6

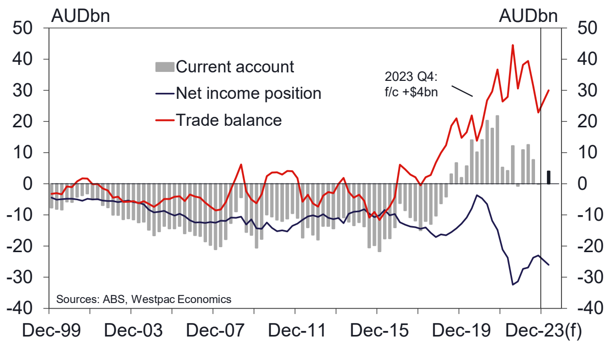
Australia recorded a wafer-thin current account deficit of –$0.2bn for Q3, a deterioration from a $7.7bn surplus the quarter prior. Key to that move was an $8.6bn narrowing of the trade surplus. That was only the second current account deficit in the past 18 quarters.

Move forward to Q4 and we anticipate a return to a current account surplus, to a forecast $4.0bn, on an improved trade performance.

The trade surplus is expected to widen from $22.9bn to around $30bn – albeit an estimate with a greatly reduced degree of confidence given the discontinuation of monthly services data. This rebound in the trade surplus is due to both higher export prices (commodities) and lower goods import volumes (see below).

The net income deficit is expected to deteriorate by around $3bn to $26bn as higher commodity prices boost income returns to foreign investors in the mining sector.

Australia's current account: Q4 f/c +$4bn



Aus Q4 net exports, ppts cont'n

Mar 5, Last: –0.6, WBC f/c: +0.1
Mkt f/c: +0.2, Range: –0.3 to +0.8

Real net exports are expected to swing from a sizeable negative for Q3 activity, –0.6ppts, to a slight positive in Q4, a forecast +0.1ppt.

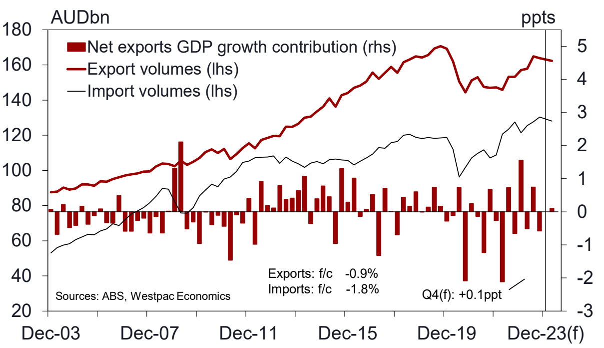
Caveat: monthly services data has been discontinued and while arrivals data is available there are many more unknowns than before.

Both exports and imports appear to have contracted in Q4, led by falling goods. That's a poor mix – softer output (lower goods exports) and softer domestic demand (falling goods imports),

Export volumes declined by an estimated –0.9%, including goods, –1.1% (rural and manufactures both lower, resources sideways) and services flat, the sharp rebound in foreign student numbers has runs out of steam.

Import volumes declined by an estimated –1.8%, including goods a sharp fall, –3.0%, and services +2.8% as more of us holiday abroad.

Net exports: Q4 f/c +0.1ppt



Aus Q4 GDP

Mar 6, Last: 0.2%, WBC f/c: 0.0%
Mkt f/c: 0.2%, Range: 0.0% to 0.5%

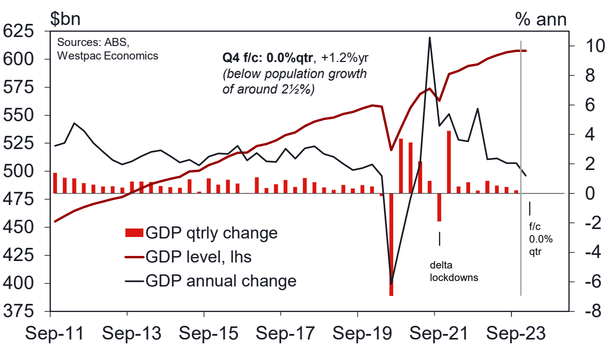
We assess that the Australia's economy slowed further in the December quarter against the backdrop of high inflation, higher interest rates and global uncertainty. Output growth is expected to moderate from 0.2% for September to a likely flat December result.

The arithmetic is: domestic demand 0.2%, total inventories –0.3ppts and net exports +0.1ppt.

Hours worked contracted a sizeable –0.7% in Q4, the Labour Force Survey reports – we anticipate this will translate into a –0.9% in the National Accounts, a deterioration from the –0.6% the quarter prior. Trade data was also weak, with both goods imports contracting (a sharp –3%, we estimate) and goods exports moving lower.

We assess that the domestic demand growth pulse is likely weakly positive for the quarter, at a forecast 0.2%. This includes household consumption a forecast 0.1%, housing –4.2%, business investment up 1.1% and public demand around 0.4% higher.

Australian economy: f/c flat for Q4



Aus Jan trade in goods balance, $bn

Mar 7, Last: 11.0, WBC f/c: 12.0
Mkt f/c: 11.5, Range: 9.8 to 12.0

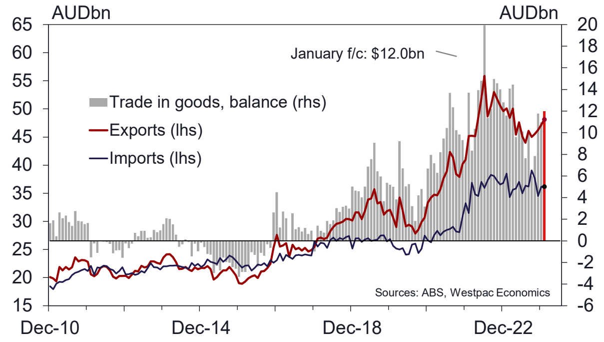
Australia's trade surplus for goods is elevated, at $11.8bn for November and $11.0bn for December.

The surplus likely remained elevated in January, at an anticipated $12.0bn. That rise of $1.0bn is centred on an increase in export earnings due to higher commodity prices.

Export earnings rose by an expected 2% in January, an increase of $1.0bn. Commodity prices, which found a second wind from mid-2023, rose almost 3% in the month of January to be about 12% higher than six months earlier. Available partial indicators point to a likely sideways shift in volumes.

Imports are expected to be flat in the month, consolidating after the sizeable swings of the past four months (+8%, –3.5%, –8.4% and +4.8%). Both volumes and prices are expected to be little changed.

Australia's trade in goods balance



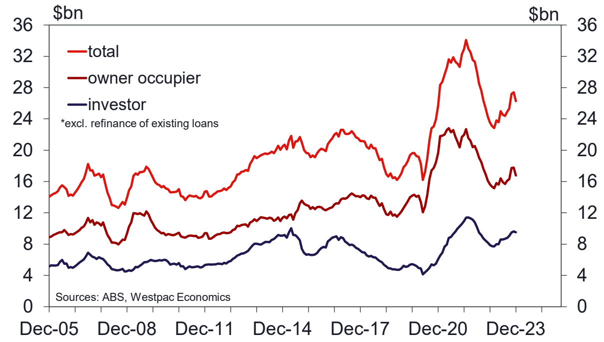
Aus Jan housing finance approvals

Mar 7, Last: –4.1%, WBC f/c: 1.0%
Mkt f/c: 2.0%, Range: 0.3% to 3.5%

Housing finance approvals declined 4.1% in Dec, reversing about a third of the surge seen over the previous four months. The RBA's Nov rate hike likely had a hand in the result. Notably, wider market turnover also softened through year-end with a slowing in price gains as well. That said the total value of housing finance approvals was still up solidly over the full year, +11.7%yr.

We expect the Jan update to show a small 1% gain in total finance approvals. Construction-related approvals are likely to show a modest lift associated with recent policy measures targeting first home buyers in Qld. Across the established market, the picture looks to be of small price gains and some stablisation in turnover.

New finance approvals by segment



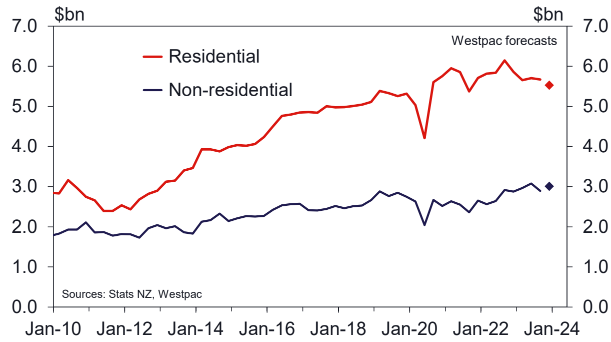
NZ Q4 building work put in place

Mar 6, Last: –2.4%, Westpac f/c: –0.3%

Building activity fell by 2.4% in the September quarter. That was due to a sharp 5.9% fall in non-residential activity, with residential work dropping by a more modest 0.6%.

We're forecasting a 0.3% fall in total construction activity in the December quarter. Underlying that, non-residential building activity is expected to retrace some of last quarter's sharper than expected fall. However, the downturn in residential building activity is expected to deepen with financial headwinds and the soft housing market putting the brakes on new development.

NZ real building work put in place



US Feb employment report

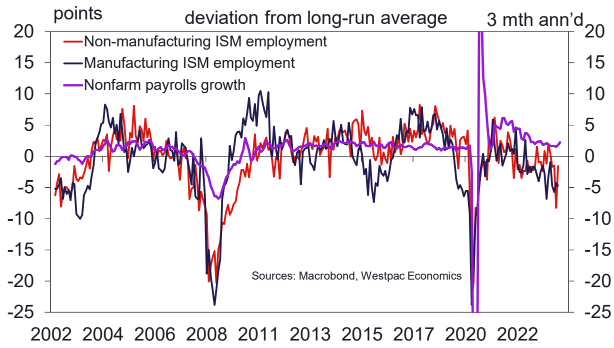
Mar 8, Nonfarm Payrolls, Last 353k, Mkt f/c: 190k, WBC f/c: 170k
Mar 8, Unemployment Rate, Last 3.7%, Mkt f/c: 3.7%, WBC f/c: 3.8%

The January employment report was striking in it strength, with 353k new jobs created in the month and another 126k jobs added to the prior count for November and December.

However, whereas the establishment survey (nonfarm payrolls) indicates 289k new jobs were created per month the past three, the household survey points to approximately 43k fewer employed people each month. This result amplifies a trend in place for twelve months over which the average nonfarm payrolls gain was three times the rise in household employment.

Given this persistent weakness in household employment, the level of the unemployment rate depends on participation. Now 0.3ppts lower than its 2023 peak and with households financially constrained, there is pressure for unemployment to edge up.

Surveys point to downside risks for jobs



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 04					
Aus	Jan dwelling approvals	–9.5%	4.0%	3.0%	Partial rebound from big Dec fall. Bumping along the bottom.
	Q4 inventories	1.2%	0.1%	–0.3%	Q3 up on mining. Q4 to slip on soft sales. Impact –0.5ppts.
	Q4 company profits	–1.3%	1.0%	4.2%	Up on mining profits & "double upward bias", see textbox.
	Feb ANZ job ads	1.7%	–	–	Easing gradually, pockets of strong labour demand linger.
	Feb MI inflation gauge %yr	4.6%	–	–	Provides a general view on risks.
NZ	Q4 terms of trade	–0.6%	–0.1%	0.3%	Modest falls in both export and import prices.
US	Fedspeak	–	–	–	Harker.
Tue 05					
Aus	Q4 current account balance, $bn	–0.2	4.9	4.0	Trade surplus rebounds. Higher export prices, lower goods imports.
	Q4 net exports, ppts cont'n	–0.6	+0.2	+0.1	Imports & exports both lower, –1.8% & –0.9%, led by goods.
	Q4 public demand	1.4%	–	0.4%	Q3 inflated by "price relief" assistance for households.
NZ	Feb ANZ commodity prices	2.2%	–	3.0%	Solid gains in dairy and meat prices.
Jpn	Feb Tokyo CPI %yr	1.8%	2.5%	–	Base effects to drive a temporary lift in Feb.
Chn	Feb Caixin services PMI	52.7	52.9	–	Sluggish demand for services remains.
US	Feb ISM non-manufacturing	53.4	52.9	–	Headwinds emerging for services.
	Jan factory orders	0.2%	–2.2%	–	Decline in durable goods will post a drag on factory orders.
	Fedspeak	–	–	–	Barr.
Global	Feb S&P Global services PMI	–	–	–	Final estimate for Japan, Eurozone, UK and US.
Wed 06					
Aus	Q4 GDP	0.2%	0.2%	flat	Challenging backdrop, domestic demand pulse weakly positive.
NZ	GlobalDairyTrade auction (WMP)	–1.8%	–	–	GDT Pulse –3%, futures –4% compared to last auction.
	Q4 building work	–2.4%	–1.8%	–0.3%	Residential decline continuing, non-res to bounce.
Eur	Jan retail sales	–1.1%	–	–	Rates hikes are factoring into demand.
US	Jan JOLTS job openings	9026k	–	–	Labour market coming into balance, some downside risks.
	Federal Reserve's Beige Book	–	–	–	An update on conditions across the regions.
	FOMC Chair Powell	–	–	–	Testifying before the House Financial Services Committee.
	Fedspeak	–	–	–	Daly, Kashkari.
Can	Bank of Canada policy decision	5.00%	5.00%	–	Still some way to go before a policy pivot to cuts.
Thu 07					
Aus	Jan goods trade balance, $bn	11.0	11.5	12.0	Surplus to widen. Higher commodity prices boost exports.
	Jan housing finance	–4.1%	2.0%	1.0%	Upturn moderating as turnover declines, price gains slow.
	Jan owner occupier finance	–5.6%	–	1.0%	More sensitive to affordability but policy-related boost in Qld.
	Jan investor finance	–1.3%	–	1.0%	Starting to outperform slightly?
Chn	Feb foreign reserves US$bn	3219	–	–	Sustainability on a TWI basis in focus, not USD/CNY.
Eur	ECB policy decision, deposit rate	4.00%	–	4.00%	Setting the tone for the year.
US	Jan trade balance $bn	–62.2	–62.5	–	Consumer demand supporting imports.
	Jan consumer credit $bn	1.6	10	–	Credit demand to continue weakening in 2024.
	Initial jobless claims	215k	–	–	To remain low for now.
	FOMC Chair Powell	–	–	–	Testifying before the Senate Banking Committee.
	Fedspeak	–	–	–	Mester.
Fri 08					
Jpn	Jan household spending %yr	–2.5%	–4.2%	–	Price growth weighing on real consumption.
Eur	Q4 GDP	0.0%	0.0%	–	Final estimate.
US	Feb non-farm payrolls	353k	190k	170k	Jan's strength likely to partly reverse; watchout for revisions.
	Feb unemployment rate	3.7%	3.7%	3.8%	Household employment weak. Participation key for U/E.
	Feb average hourly earnings %mth	0.6%	0.3%	0.3%	Changing composition a problem for this wage indicator.
	Fedspeak	–	–	–	Williams.
Sat 09					
Chn	Feb CPI %yr	–0.8%	0.1%	–	A lack of demand alongside excess capacity...
	Feb PPI %yr	–2.5%	–2.6%	–	... are leading to deflation in China.

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 (1 Mar)	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	3.91	4.05	3.95	3.85	3.75	3.65	3.60	3.55	3.50
3 Year Bond	3.70	3.85	3.75	3.65	3.55	3.45	3.40	3.35	3.30
10 Year Bond	4.11	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	4.24	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	5.65	5.60	5.60	5.60	5.50	5.25	4.95	4.75	4.50
2 year swap	5.00	5.10	4.95	4.75	4.50	4.40	4.15	4.10	4.00
10 Year Bond	4.70	4.85	4.70	4.65	4.60	4.50	4.40	4.35	4.25
10 Year spread to US	46	70	70	75	80	65	50	40	25

Exchange rate forecasts

Australia	Latest (1 Mar)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6511	0.66	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD/USD	0.6087	0.62	0.63	0.64	0.64	0.64	0.65	0.65	0.65
USD/JPY	150.38	147	144	141	138	135	132	130	127
EUR/USD	1.0815	1.09	1.11	1.13	1.14	1.15	1.16	1.17	1.17
GBP/USD	1.2632	1.26	1.27	1.28	1.29	1.30	1.30	1.31	1.31
USD/CNY	7.1967	7.20	7.10	7.00	6.90	6.80	6.70	6.70	6.50
AUD/NZD	1.0683	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	0.0	0.3	0.3	0.4	0.5	–	–	–	–
%yr end*	2.0	2.1	1.2	1.0	0.9	1.1	1.6	2.3	1.2	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)	1.0	1.3	0.9	0.9	0.9	0.8	0.5	–	–	–	–
annual chg	3.7	4.1	4.2	4.2	4.2	3.7	3.2	3.3	4.2	3.2	3.1
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

** GDP forecasts to be reviewed post National Accounts.*

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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