AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 11 March 2024

Editorial: The slow lane in the tunnel.

Australia: business survey.

NZ: REINZ house prices and sales, retail card spending, selected price indices, net migration.

China: credit and M2 data.

UK: average weekly earnings, monthly GDP.

US: CPI, retail sales, industrial production, small business optimism, UoM consumer sentiment.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 8 MARCH 2024.

WESTPAC INSTITUTIONAL BANK

EDITORIAL

The slow lane in the tunnel

The big-picture themes from the national accounts for the December quarter were largely as expected. The Australian economy is soft, expanding just 0.2% in the quarter and 1½% over 2023 as a whole. Domestic demand in the December quarter was weaker still, especially in the private sector. Almost all the 0.1% increase in domestic demand in the quarter came from the public sector.

Much of 2023's weakness stemmed from the household sector. Consumption has been weak and this remained the case in the December quarter. Discretionary spending continues to decline, with overseas holidays especially weak. Part of this might be the result of shifting seasonal patterns in spending and holidaying. Even so, households are objectively limiting their spending in the face of income pressures. Consumption per person has been falling in Australia, unlike in most peer economies. It is no wonder that consumer sentiment has been so depressed.

We have been highlighting these income pressures for some time. The triple squeeze of a rising cost of living, increasing tax take and higher interest rates has required households to respond.

It has been less recognised that the squeeze from rising taxation as a share of income has been greater than from rising net interest payments. (Indeed, the ABS revised down the interest flow series this week, relative to previous releases.) This does not mean monetary policy has done little to slow the economy or combat inflation – there are other channels of monetary policy transmission beyond the immediate effect on household cash flows. But it does put the role of fiscal policy, and particularly bracket creep, in perspective.

There is light at the end of the tunnel for households. As inflation has declined, the squeeze on real household incomes from this source has diminished. The drag from taxation and net interest payments has also eased a little. Some of the former might reflect timing effects for tax return lodgements. Meanwhile the November increase in the cash rate would have taken effect in people's debt repayments too late to have boosted the quarterly total for net payments by much.

As a result, real household disposable income increased in the quarter. It was only barely above the level a year previously, though. Once the growth in population over the same period is accounted for, real household disposable income is still going backwards.

Inflation's grip on households' spending power will continue to ease over the course of 2024. That is the desired outcome. With tax cuts – and, we believe, some reductions in the cash rate – coming in the second half of the year, that triple squeeze will truly begin to unwind.

It would not be appropriate to interpret the coming turnaround in real incomes as an upside risk that threatens an upsurge in demand-driven inflation. Rather, it represents an extraordinary phase in the household sector's experience coming to a close. Two years of declining real incomes in the face of a tight labour market is not a combination that should be regarded as normal. And there are some potential offsets to this turnaround, especially from the labour market, which is expected to slow with a lag given current slow growth in activity. There are also some increases in net interest payments yet to come through.

Businesses have also adjusted to the slow demand. Some of them have run down their inventories, while investment in new equipment declined in the quarter. Consistent with our forecasts, the resilience that was believed to have prevailed in the first half of 2023 has not carried through into the second half. Activity in non-residential construction has held up, and opportunities in energy transition, resources and elsewhere remain. But with ongoing cost pressures and soft demand, many businesses would understandably seek to delay or rationalise their spending on new equipment.

The RBA would be comfortable with these outcomes. They have been seeking to slow demand because they want to bring the level of demand back into balance with supply. The December quarter outcome certainly helps achieve that objective. It also supports our house view that the RBA will reach the point of being prepared to reduce some of the contractionary stance of policy late in the year, most likely starting from September.

The RBA would also have been heartened by the ongoing turnaround in labour productivity, which increased as they – and we – expected. The second consecutive quarterly increase in this series does not make a trend. But it does lend weight to our view that much of the earlier slump was an artefact of the population surge. Over time, the capital stock will catch up – as long as investment does not decline precipitously.

Where they might be less comfortable is on the housing front. The potential wealth effect of a renewed upsurge in housing prices is unlikely to be the main concern given any additional consumer demand needs to be set against the weak starting point.

Rather, the issue at present is the low rate of new production of housing in the context of high construction costs and ongoing (if more moderate) population growth. New housing construction is one of the most important channels of the transmission of monetary policy, here and overseas. The current low rate of dwelling investment is therefore an expected outcome of the RBA's policy actions. To the extent that higher interest rates have dampened dwelling investment, however, they exacerbate Australia's current housing affordability challenges in the medium term. These challenges also relate to some of the other headwinds affecting the industry, including the competing bid for resources from non-residential construction. The inflation-employment trade-off is therefore not the only short-term policy dilemma that policymakers must navigate.

Luci Ellis, Chief Economist Westpac Group

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THE WEEK THAT WAS

Australian Q4 GDP printed broadly as expected, rising 0.2% (1.5%yr). Once again, consumer spending was in the spotlight, up just 0.1% in Q4 following a –0.2% decline in Q3 (revised down from zero) to be broadly unchanged versus end-2022. The picture is much weaker when one considers population growth, per capita consumption declining 2.5% over 2023. It was encouraging to see household real disposable income rise 1.5% in Q4 – in line with the gross income gain as the impact from inflation, interest costs and tax payments offset – but given its weak performance over the past year (0.3%yr), consumer financial health remains fragile.

Other parts of the domestic economy were soft too. The main detractor from domestic demand was housing investment, contracting –3.8% in Q4, with weakness reverberating through both new dwelling construction (–3.5%) and renovation activity (–4.2%). Business investment was unable to make up for this weakness (+0.7%). Highlighting the growing breadth of the economic slowdown beyond the consumer, private demand was flat in the quarter. If it were not for the ongoing support of the public sector – up 0.4% (4.7%yr) – the domestic economy would be weaker still.

As elaborated on by Chief Economist Luci Ellis in this week's essay, the outlook for the consumer – and by extension the broader economy – is set to improve through the remainder of the year as inflation slows and, in the second half, the stage 3 tax cuts take effect and the RBA begin a modest easing cycle. Still, it is important to emphasise that we believe recovery will prove gradual, with growth not anticipated to return to trend until end-2025.

On trade, Australia's current account surplus widened from a thin $1.3bn in Q3 to $11.8bn in Q4. That was associated with a pull-back in import volumes (–3.4%) and a rising terms of trade (+2.3%), together driving a $10.2bn improvement in the trade surplus – a trend which extended into January for goods. In real terms, the decline in import volumes (–3.4%) more than outpaced that of exports (–0.3%), leading net exports to add a material 0.6ppts to GDP in the quarter.

Before moving offshore, a final note on housing. This week's updates were on the softer side. The value of monthly housing finance approvals tumbled 3.9% in January, an extension of weakness present at year-end. Raising questions over the strength and quality of loan demand, the past two months have retraced roughly half the gains in total approvals over the past year and closer to three-quarters for the owner-occupier segment. This, together with signs of weakening turnover and softer price growth, suggest the impact of the RBA's tightening cycle is still crystalising. Tightness on the supply-side will remain a driver of housing market outcomes near-term too. While January's update on dwelling approvals provided little new insight given seasonal volatility at this time of year, another monthly decline is consistent with the weak underlying trend present over the past year.

Over in Europe, the European Central Bank (ECB) kept its key rates steady. New projections showed a downgrade for inflation over 2024 and 2025 while the Council remained constructive on growth's recovery, expecting above-trend growth in 2025 and 2026 following two weak years. To ward off any speculation that there would be a rate cut at the next meeting, President Christine Lagarde emphasised more data was necessary before any decision. Lagarde also emphasised that discussion within the Governing Council was focussed on conditions needed to start discussing a rate cut rather than when a rate cut would occur. Concerns around services inflation and wages remain. Highlighting this, Lagarde outlined a wide range of wages measures the ECB is assessing beyond the national accounts measure. A June first cut is most probable despite the market pricing some chance for April.

Earlier in the week, the Bank of Canada held rates steady at 5.0% citing strong underlying inflation and risks that inflation remains above the 2% target. Inflation eased to 2.8%yr in February, but shelter prices remain sticky and are at risk of keeping inflation higher for longer. Governor Macklem cited it was still too early to consider rate cuts. The statement was little changed reflecting the continuity of data since their last meeting in January. Market pricing for the first rate cut remains for July. The April meeting will offer a suite of new forecasts and greater context of the risks.

In the US, key releases and Chair Powell's testimony before Congress gave market participants further reason to believe the FOMC is also on track to begin cutting in June. The Beige Book pointed to materially slower growth in early-2024 than late-2023. And regarding the labour market and inflation, balance between demand and supply was being seen.

In a similar vein, the JOLTS report showed little change in the hiring and separation rates. The ISM non-manufacturing PMI meanwhile signalled downside risks for the labour market, the employment index more than 4pts below its average of the past 20 years. Released last week, the ISM manufacturing survey's employment measure is similarly positioned.

Back across the pond, February's Decision Maker Panel Survey in the UK for February showed easing inflation expectations. Over the last three months, CPI expectations fell to 3.6% for the year ahead and 2.8% for three years hence. However, expectations of output prices remained robust, highlighting some lingering risk. Expectations of wage growth, a metric the Bank of England looks at closely from the survey, remained steady at 5.2%yr. Strong wages growth and ensuing services inflation are a key risk preventing the BoE from moving on rates despite a deteriorating economy. Chancellor of the Exchequer Jeremy Hunt also delivered the Budget, manoeuvring tight public finances to amend tax rules among other policies which are expected to have little impact on inflation but should support the economy.

Coming back to Asia, China's 2024 National People's Congress met expectations with respect to key policy actions, but disappointed in terms of sentiment – market participants clearly hopeful the new year would bring a more aggressive policy style. As was the case throughout 2023, the market and China's authorities currently have very different perspectives on the economy's immediate health and the long-term path to prosperity, with authorities' confidence in the dividend from trade and investment ex-housing intact but the market of the belief that housing must again take a leading role in China's growth story. We expect time will prove authorities' case, with growth of "around 5.0%" probable in both 2024 and 2025.

Week ahead & data wrap

Fiscal squeeze and construction crunch.

This week we got updates on some important parts of the economic landscape, with the tone of data highlighting the underlying softening in economic conditions.

First up, the Treasury's latest update highlighted the ongoing pressure on the fiscal purse strings. Tax revenue for the seven months to January is running $800m behind forecast. Corporate tax and taxes paid by the self-employed were down $500m and $300m respectively due to weak profits, while GST was down $200m due to weaker consumption spending. These falls were partially offset by a lift in PAYE tax, reflecting the resilience in the labour market. At this stage, fiscal expenditure is also running behind forecast, so the Government's operating balance remains close to the half-year economic forecasts (for now).

We'll be watching the Treasury's next few updates to see if January's outcome was the start of a trend. The Government is aiming to get the operating balance back into surplus in the 2026/2027 fiscal year. But with economic activity turning down and growing pressure on spending, the Minister of Finance has indicated that achieving this will be challenging.

Next, the latest GlobalDairyTrade auction saw total prices falling 2.3% with the key whole milk powder price down 2.8%. That was the second decline in a row and took prices back to where they were at the start of this year. We're still forecasting a $7.90 payout this season and a $8.40 payout next season. We will be watching prices carefully over the coming weeks, particularly given the continued softness in Chinese consumer spending.

Lastly, the latest building work survey showed that construction activity remained steady through the December quarter, with building activity easing just 0.1%. But while that resilience is encouraging, under the surface there are clear signs of softness and we expect activity turn down over 2024.

Much of the resilience in construction activity over the December quarter was due to a 4.6% rise in non-residential construction. However, work on non-residential projects can be 'lumpy' on a quarter-to-quarter basis, and December's rise followed a similar decline in September. Taking a longer-term perspective, non-residential construction activity has flattened off over the past year. In addition, with economic conditions softening, fewer new projects are coming to market, with the amount of floor space consented over the past year down 12.5%.

On the residential front, building levels were down 2.4% in the December quarter, and they've fallen 9% over the past year. Over the coming year, we're forecasting a further 10% decline. Combined, that would be the sharpest slowdown since the Global Financial Crisis when residential construction activity fell by 30%.

Underlying that downturn in building activity are tougher financial conditions in the building sector. Financing, labour and materials costs have all risen sharply over the past few years. Crucially, the past couple of years have also seen the housing market going from red-hot to ice-cold, with sales low and prices down 13% from their peaks in 2021. In this environment developers have been reluctant to bring new projects to market, resulting in new dwelling consent numbers falling nearly 30% over the past year. It also means that were likely to see a higher-than-usual proportion of planned projects being cancelled.

We don't expect that actual home building will fall as sharply as consent issuance has. That's because earlier shortages of materials and staff, as well as stretched capacity more generally, acted as a brake on how much work could be completed in recent years. As a result, although consent issuance rocketed higher in recent years, building activity rose more modestly. Although forward orders are now declining, many firms are still working through existing pipelines of planned work. Even so, New Zealand is still likely to see a sizeable slowdown in home building activity over the next few years.

That slowdown in building is occurring at the same time as population growth is booming. Over the past year, New Zealand's population grew by a massive 145,000 people. Housing that many people requires around 55,000 additional houses. However, we estimate that the number of homes in New Zealand only increased by around 30,000 over the last year.

We expect population growth will slow over the coming year. Even so, New Zealand is going to need a lot more houses. On top of the existing housing shortfall, we'll need to build around 110,000 new homes over the next five years to keep up with population growth.

The past few years have shown that we can achieve the necessary pace in home building activity. However, with net migration still running at near record levels for now and home building turning down, many parts of the country are likely to face ongoing pressure on housing supply for some time yet. In addition, with an extended period of rapid home building needed to address supply shortages, we're likely to see continued pressure on build costs.

The economic data flow will pick-up over the coming week. First up is the February update on the housing market from REINZ, which is likely to show that housing market turnover has remained subdued in the face of high interest rates. Similarly, February's update on retail card spending (out Tuesday) is expected to again highlight weakness in spending appetites with financial pressures continuing to squeeze households' budgets. On Wednesday we'll get Stats NZ's monthly price indicators for February, which will be a key focus for the RBNZ. Lastly, we'll be watching Thursday's update on net migration to see if the recent fall in arrivals has continued.

Satish Ranchhod, Senior Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 4	Q4 terms of trade	–0.6%	–7.8%	0.3%
Tue 5	Feb ANZ commodity prices	2.1%	3.5%	3.0%
Wed 6	GlobalDairyTrade auction (WMP)	-1.8%	-2.8%	–
	Q4 building work	–0.9%	–0.1%	–0.3%

DATA PREVIEWS

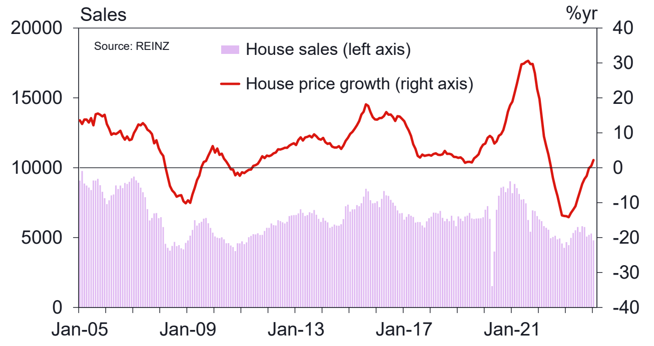
NZ Feb REINZ house sales and prices

Mar 11–14 (date TBC), Sales* – Last: –9.2% mth, +4.9% annual
Mar 11–14 (date TBC), Prices* – Last: +1.0% mth, +2.2% annual
*** Monthly figures based on Westpac seasonal adjustment**

New Zealand's housing market remained subdued in January. Sales were down 9% in seasonally adjusted terms, with Auckland in particular hitting its lowest level on record barring the 2020 COVID lockdown. The REINZ house price index saw a surprise 1% increase, although the low level of turnover suggests a greater margin of error than usual around this measure.

Listings roared back to life in February, which is likely to have boosted sales for the month. However, auction clearance rates remain low, which points to further downward pressure on prices in order for the market to clear. While we expect population growth and Government policy changes to lift house prices over the medium term, high mortgage rates remain a barrier to recovery for now.

REINZ house prices and sales



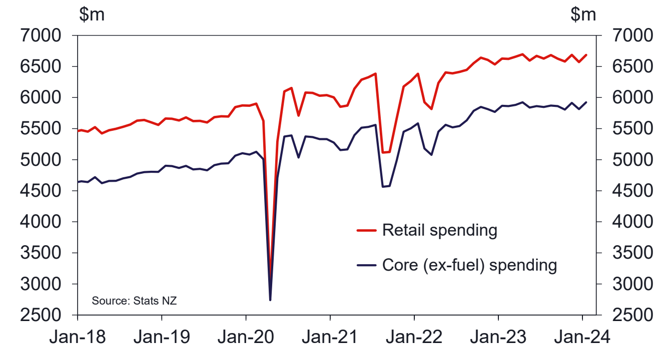
NZ Feb retail card spending

Mar 12, Last: +1.7%, Westpac f/c: –0.3%

Retail spending levels rose by 1.7% in January, reversing the fall that we saw in December. However, the longer-term trend in spending remained weak. Despite rapid population growth of over 2% and the continued rise in consumer prices, overall spending levels have effectively been tracking sideways over the past year.

We expect that February's spending report will highlight continued weakness in demand. We're forecasting a 0.3% drop in retail spending. Underlying that result, we expect a modest gain in groceries spending (underpinned by continued rapid population growth) but falls in most other categories. The softness reflects the continued pressure on households' finances and related weakness in sentiment.

NZ monthly retail card spending



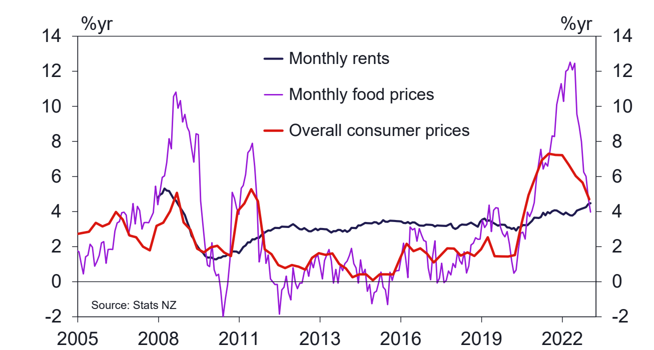
NZ Feb monthly selected price indices

Mar 13

Stats NZ's suite of monthly price data covers around 45% of the CPI. Much of this relates to volatile non-core items (like petrol), which drive a large proportion of the quarter-to-quarter swings in inflation. We expect that the February update will show a 4% rise in fuel prices, alongside a 0.6% 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 4.5% over the past year.

We'll also be keeping a close eye on airfares. In particular, international airfares fell 21% in January and are likely to have been a key contributor to the RBNZ's low forecast for March quarter inflation. In contrast, we think softness in airfares (and tradables prices more generally) will be less pronounced.

NZ consumer prices



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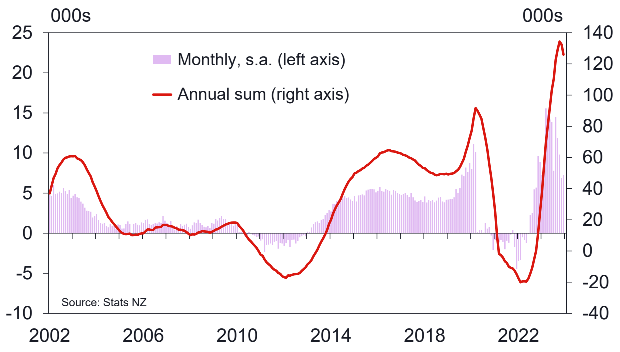
NZ Jan net migration

Mar 14, Last: +7,260 (s.a.)

The November and December migration figures showed a startling jump in departures (although the November rise has been revised down from the initial release). We suspect there are issues with modelling the movements of holidaymakers and international students over the Christmas / New Year period – these movements were largely absent in the previous few years, when COVID restrictions were in place. If that is the case, it may not be fully resolved until the February release.

Notwithstanding these issues, we think it's likely that net inflows have passed their peak. Foreign arrivals remain strong, but below last year's highs, and departures are rising as a relatively stronger Australian economy attracts more New Zealanders.

NZ net migration



US Feb CPI

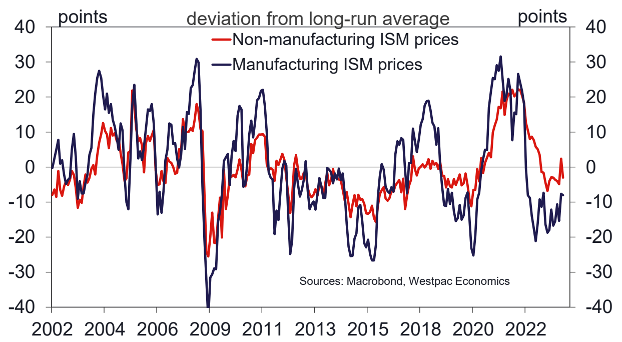
Mar 12, Last: 0.3%, Mkt f/c: 0.4%, WBC f/c: 0.3%

On release, January's upside surprise for the US CPI once again sparked concerns over inflation's breadth and persistence, the monthly headline and core outcomes of 0.3% and 0.4% annualising to a multiple of the FOMC's 2.0%yr medium-term objective.

On a multi-month basis however, there is clear evidence of inflation's breadth narrowing and the remaining 'hot spots' principally being the result of supply-side dynamics which investment in capacity is typically required to resolve.

February's gain is (again) set to come down to shelter which contributed two-thirds of inflation in January and over the year. Excluding shelter, February is likely to conclude a year of inflation below 2.0%. By the June meeting, when we expect the first cut, inflation ex-shelter will likely have been reported to be below 2% for fifteen months on an annualised basis.

US upstream prices pressures benign



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For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 11					
NZ	Feb REINZ house sales %yr	4.9%	–	–	Date TBC. A surge in listings may have boosted sales…
	Feb REINZ house prices %yr	2.2%	–	–	… while keeping a lid on prices.
Jpn	Q4 GDP	–0.1%	0.3%	–	Final estimate.
Chn	Feb new loans, CNYbn	4920	1550	–	Due between Mar 9–15. Policy has eased downside risks…
	Feb M2 money supply, %yr	8.7%	8.8%	–	… but is yet to instil confidence.
Tue 12					
Aus	Feb NAB business survey	6	–	–	Conditions slowed to below par, confidence at low levels.
	RBA Assistant Governor (Economics)	–	–	–	Speaking at the AFR Business Summit, 9:30am AEDT.
NZ	Feb retail card spending	1.7%	–	–0.3%	Financial pressures weighing on discretionary spending.
UK	Jan average weekly earnings %yr	5.8%	–	–	Rapidly decelerating from peak of 8.5%yr at July 2023.
	BoE speak	–	–	–	Catherine Mann on productivity and investment.
US	Feb CPI	0.3%	0.4%	0.3%	Disinflation in 'last mile': shelter and insurance 'hot spots'.
	Feb NFIB small business optimism	89.9	–	–	Impetus for job creation fading amid economic uncertainty.
Wed 13					
NZ	Feb selected price indices	–	–	–	Updates on 45% of the CPI – see this week's preview box.
Eur	Jan industrial production	2.6%	–2.0%	–	Retracement from outsized year–end bounce likely.
UK	Jan monthly GDP	–0.2%	–	–	Economy buckling under the weight of high interest rates.
Thu 14					
NZ	Jan net migration	7260	–	–	Distortions from Christmas/NY travel may continue.
US	Feb retail sales	–0.8%	0.8%	–	Growth to decelerate to a below–trend pace this year.
	Feb PPI	0.3%	0.3%	–	Upstream price pressures contained.
	Jan business inventories	0.4%	0.3%	–	Run–down centred on wholesale; industrial to a lesser extent.
	Initial jobless claims	217k	–	–	Few signs of widespread job–shedding thus far.
Fri 15					
NZ	Feb manufacturing PMI	47.3	–	–	Less weak in Jan, but has been below 50 for the last year.
US	Feb industrial production	–0.1%	0.0%	–	Growth tracking a broadly flat to slightly negative trend…
	Mar Fed Empire state index	–2.4	–8.0	–	… as manufacturers experience weak conditions.
	Feb import price index	0.8%	0.2%	–	Imported inflation not a major concern.
	Mar Uni. of Michigan sentiment	76.9	77.0	–	Attention will be on inflation expectations.

Forecasts

Interest rate forecasts

Australia	Latest (8 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	4.35	4.40	4.37	4.12	3.92	3.67	3.47	3.30	3.30
3 Year Swap	3.83	4.05	3.95	3.85	3.75	3.65	3.60	3.55	3.50
3 Year Bond	3.61	3.85	3.75	3.65	3.55	3.45	3.40	3.35	3.30
10 Year Bond	3.98	4.20	4.05	3.95	3.85	3.90	3.90	3.95	4.00
10 Year Spread to US (bps)	–10	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	4.08	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	4.98	5.10	4.95	4.75	4.50	4.40	4.15	4.10	4.00
10 Year Bond	4.62	4.85	4.70	4.65	4.60	4.50	4.40	4.35	4.25
10 Year spread to US	53	70	70	75	80	65	50	40	25

Exchange rate forecasts

Australia	Latest (8 Mar)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6630	0.66	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD/USD	0.6177	0.62	0.63	0.64	0.64	0.64	0.65	0.65	0.65
USD/JPY	147.81	147	144	141	138	135	132	130	127
EUR/USD	1.0948	1.09	1.11	1.13	1.14	1.15	1.16	1.17	1.17
GBP/USD	1.2810	1.26	1.27	1.28	1.29	1.30	1.30	1.31	1.31
USD/CNY	7.1918	7.20	7.10	7.00	6.90	6.80	6.70	6.70	6.50
AUD/NZD	1.0739	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**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2022**	**2023f**	**2024f**	**2025f**
GDP % qtr	0.5	0.3	0.2	0.3	0.3	0.4	0.5	–	–	–	–
%yr end	2.1	2.1	1.5	1.3	1.1	1.3	1.6	2.4	1.5	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

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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