AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 18 March 2024

Editorial: Looking beyond the horizon.

RBA: policy decision, Financial Stability Review.

Australia: labour force survey.

NZ: Q4 GDP, Westpac-MM Consumer Confidence, current account, trade balance.

Japan: BoJ policy decision.

China: retail sales, industrial production, fixed asset investment.

UK: BoE policy decision, CPI, retail sales.

US: FOMC policy decision, housing updates (starts, sales, sentiment), leading index.

Global: S&P Global PMIs.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 15 MARCH 2024.

WESTPAC INSTITUTIONAL BANK

Looking beyond the horizon

This week we released fresh forecasts in our Market Outlook publication. The national accounts came in broadly as we expected, and the narrative is unchanged. We continue to expect slow growth in the first half of 2024, with some improvement in the second half of the year. The tax cuts coming from July will help reverse the squeeze on household incomes. Lower inflation will also help restore households' purchasing power.

The impending tax cuts can be seen as largely restorative and a necessary rebalancing. The share of household income going to income tax payments was exceptionally high in the second half of 2023. Without the give–back inherent in these tax cuts, that tax take would continue to increase and the drag on growth in household disposable income would continue.

Likewise, the cuts in interest rates that we expect later in the year could be regarded as restorative. Monetary policy is currently restrictive. If a restrictive stance of policy is maintained for long enough, inflation continues to decline and ultimately exits the target range on the low side. Some normalisation of policy will therefore need to happen at some point.

Even with these pivots in policy, if our forecasts or something like them turn out to be true, Australia will have had two consecutive years of output growth around 1½% – the 1.5% result over 2023 and (we expect) 1.6% over 2024. This is well below trend. It is also well below the population growth recorded over 2023 and still a little below our expectations for population growth in 2024. Unemployment will be rising, wages growth slowing, and the economic experience of households more broadly will still be uncomfortable.

According to Westpac Economics' forecasts, Australia will end this year with the unemployment rate at 4½%. As the RBA has emphasised recently, there is more to achieving full employment than just the unemployment rate. The sustainable rate of labour market slack – including unemployment – that keeps growth in labour costs stable and consistent with inflation at target, is not directly observable. But as best as anyone can tell, a 4½% unemployment rate is likely to be a little above this sustainable level. Some evidence for this assessment can be seen in the tipping over in growth in the leading edge of wage determination, individual agreements, already evident with an unemployment rate around 4%. If this assessment is correct, at least some parts of the domestic economy will be exerting downward pressure on inflation over the period ahead, and especially from 2025.

Looking beyond 2025, then, there is a risk that – without at least a period of above–trend growth and falling unemployment – domestic inflation continues to fall. The gap between actual unemployment (implied in our forecasts) and the full–employment level of labour market slack will be small, however, and hard to detect in the data. If it is indeed a gap, though, there will be a tendency for inflation to undershoot the RBA's target beyond 2025.

When we look beyond 2025, the question therefore arises: what forces would bring about a period of above–trend growth to eliminate emerging economic slack and allow inflation to stabilise?

One obvious possibility would be that the RBA ends up reducing the cash rate to a level that is mildly stimulatory, rather than converging to a more neutral stance as is often assumed. This might not be a conscious strategy. Rather, the RBA might end up there simply because neither they nor anyone else knows exactly where the 'neutral' cash rate is. In feeling their way to neutral in the face of fiscal headwinds and labour market slack, they might end up a little below where neutral actually is.

In this context, one can interpret the Westpac Economics forecast for the cash rate at the end of 2025 of 3.1% as either neutral, with a neutral real rate a bit below 1%, or slightly below neutral with a higher neutral real rate. Given the uncertainties around both the outlook and the level of the neutral rate in any one period, we are agnostic about which interpretation turns out to be the right one. It might be that one will never be able to tell the difference.

Another alternative way for a period of above–trend growth to occur is that business investment might pick up. Our forecasts for business investment growth over 2024 and 2025 are running ahead of GDP growth for the same periods, but not enough to drive a period of above–trend output growth overall.

One scenario that would spur a further pick–up in this space would be a concerted response to the climate challenge, perhaps starting in 2026. The considerable required investment in renewable energy generation and transmission would be a large part of this. Other areas that could be involved would be the electrification of the commercial vehicle fleet and rail network, and development of biofuel alternatives for the legacy stock of internal combustion engine vehicles. The energy efficiency of buildings and building materials are another aspect of the transition, especially considering the elevated rate of non–residential building and infrastructure work underway.

The rest of the world will also be highly engaged in energy transition and climate mitigation. It is therefore possible that global investment is elevated in the period ahead, relative to the years between the Global Financial Crisis and the pandemic. This has implications for the likely structure of interest rates globally in coming years. Recall that the so–called 'neutral' risk–free interest rate is simply the rate that balances global saving and global investment. It is an outcome of the system, not something imposed as an external force. If desired global investment picks up relative to the pre–pandemic period, for climate or other reasons, that would tend to lift the rate that produces that equilibrium.

The deeper question is whether bond markets, and fiscal authorities, have planned for that possibility.

Luci Ellis, Chief Economist Westpac Group

In Australia, market participants were left with little to dissect this week. The latest NAB business survey pointed to the domestic economy remaining weak in late February, the detail of the survey broadly consistent with last week's Q4 2023 National Accounts. Although business conditions rose to +10 in February, on a multi-month view the index continues to trend lower, consistent with modest but persistent declines in forward orders over the past ten months. Against this backdrop, businesses are circumspect on the outlook, with confidence fragile for much of the past year. More positively, the deceleration in upstream price pressures is ongoing, final product prices tracking a modest 1.2% rise for the March quarter.

Next week, the RBA Board will meet to discuss recent economic data, including the Q4 National Accounts and Wage Price Index, to decide whether it warrants a shift in policy. Our view is that the RBA will be comforted by recent developments, given the Board's aim to bring demand back into line with supply and ensure inflation continues to trend toward and then into the target range. We continue to expect the RBA to remain on hold until September at which time they should have enough confidence in the inflation outlook to slowly begin easing policy.

In this week's essay, Chief Economist Luci Ellis looks beyond the end of our current forecast horizon to consider some of the factors that will determine growth and inflation from 2026. Critical will be the stance of monetary policy and the degree of labour market slack. Also important to the state of the economy is work related to the green transition.

Over in the US, February's CPI came in a touch firmer than expected at 3.2%yr. The shelter component once again drove the increase, however. Excluding shelter, on both a 6-month annualised and annual basis, inflation is consistent with the FOMC's 2% inflation target. Clear from the detail of the report is that demand-side inflation has successfully been reigned in, leaving only supply-side pressures which monetary policy has little-to-no impact on, at least in the near term. For housing in particular, it is investment that is needed to ease price pressures; this is unlikely while interest rates are contractionary and the outlook for the labour market uncertain.

Retail sales again signalled that consumer demand is waning, February's 0.6% gain below expectations and only a partial offset to January's downwardly revised 1.1% decline. The control group, which excludes volatile items like fuel, was flat, also below expectations. While inflation has essentially come back to target, the cumulative change in the cost of living since the beginning of the pandemic is substantial and unlikely to be made up by real income gains in the near term. Consumption growth is likely to be materially weaker in 2024 and 2025 than was the case in 2023. Our latest edition of Market Outlook provides key forecasts for Australia, the US and the world.

Finally to Japan, where Q4's initial 0.1% contraction (the second in a row, signalling recession) was revised away on stronger business investment. In the revised figures, capital expenditure rose 2% in Q4 compared to the 0.1% decline initially reported. This put Q4 GDP growth at 0.1%qtr after a 0.8%qtr decline in Q3. Still, household consumption remains weak having declined over the last three quarters, a time when consumers benefitted from historically high wage growth. It is hard to see evidence of a virtuous cycle of wages, consumption and inflation beginning. As such, the Bank of Japan will want to remain patient with policy, waiting to see how inflation and wage outcomes develop beyond this year's wage decisions before moving their policy rates materially above zero.

NEW ZEALAND

Week ahead & data wrap

It's a long, long road

This week's data was another mixed bag in terms of gauging the direction of the New Zealand economy. Overall, though, it reinforced one of our key messages: it's going to be a long wait before the Reserve Bank feels satisfied that inflation pressures have been brought under control.

Economic activity itself has been subdued in recent times. We expect next Thursday's report to show that GDP was flat over the December 2023 quarter. While services sectors are still benefiting to some degree from the recovery in international tourism, the more domestically-focused parts of the economy are feeling the pinch of high interest rates. Our detailed preview is here.

That softness in domestic demand has continued into the early part of this year. Credit and debit card spending fell by 1.8% in February, reversing a 2% rise in January. Spending has effectively been flat over the last year in dollar terms, which implies that it has fallen further in inflation-adjusted terms.

The details show that the biggest slowdown has been in interest rate-sensitive and discretionary areas. Spending on durable household goods (like furnishings) was down 0.9% in February and has fallen around 8% over the past year. There's been a similar drop in spending on apparel. Grocery spending has been more resilient, but our discussions with retailers indicate that households are dealing with rising prices by switching to more budget-friendly options, and foregoing 'nice to haves' in favour of necessities.

The housing market has remained fairly muted so far as well. While activity picked up in February, that came after an exceptionally slow January. House sales rose by 14% in seasonally adjusted terms, taking them back up to the highs seen last year, but still well below the long-run average. February saw a surge in new listings hitting the market, so it was perhaps inevitable that we'd see a lift in turnover as well. However, supply is still outpacing demand, and the stock of unsold homes on the market has continued to rise.

The REINZ house price index was flat for the month in seasonally adjusted terms. Prices seem to have stabilised in recent months, and are up about 3% from the low point that they reached a year ago. We expect to see further gains over the year head, as population pressures grow and changes to the tax treatment of investment properties bring buyers back to the market. But an easing in mortgage rates is the most crucial missing element at the moment.

The weak momentum in the economy has come despite a surge in population growth. The latest migration figures showed another upward revision to the already record-high net inflows, reaching an annual peak of 141,000 people last November. The January figures suggested a sharp slowdown in the net inflow, led by a rise in departures. However, there appear to be ongoing issues with these estimates over the Christmas / New Year period: people going overseas on holiday or to visit family are initially being identified as emigrants.

The Reserve Bank took a more moderate stance on migration in its February *Monetary Policy Statement*, compared to November where it declared that "the effects on aggregate demand are becoming apparent". It's unclear whether strong population growth is adding to inflation as a whole, but there are certainly some areas where the pressures are apparent – most notably on the housing stock. Rental inflation is steadily rising, with rents on new tenancies up 6% in the year to February.

That pressure could intensify from here. Our update on the residential construction sector shows that the pace of homebuilding has fallen behind population growth again. And even if net migration slows as we expect in the years ahead, the building industry is facing an even sharper slowdown, as higher building costs and interest rates put the squeeze on new developments.

Finally this week, the selected prices report for February prompted us to revise up our forecast for inflation in the March quarter. Food prices have eased back, reversing some of the rise that we saw last year after the crop damage caused by Cyclone Gabrielle. But this was more than offset by the strength in rents, and in overseas airfares and accommodation (coinciding with the Taylor Swift concerts in Australia). Our detailed review can be found here.

We now expect that New Zealand consumer prices will rise by 0.8% in the March quarter, from a previous forecast of 0.7%. That would see the annual inflation rate fall from 4.7% to 4.2%, which would be the lowest since June 2021, but still some way above the Reserve Bank's 1–3% target range.

Crucially, our forecast for the March quarter is now double what the RBNZ was expecting in its February *Statement*. This upside risk to the RBNZ's view is coming in both the imported and the domestically-driven categories. It's still true to say that inflation is cooling down. But the question is whether it's happening fast enough for the RBNZ's liking; their long-held view that inflation will drop below 3% in the September quarter is now hanging in the balance.

Michael Gordon, Senior Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 11	Feb REINZ house sales %yr	9.7%	37.9%	–
	Feb REINZ house prices %yr	2.2%	3.2%	–
Tue 12	Feb retail card spending	2.0%	-1.8%	-0.3%
Wed 13	Feb food prices	1.2%	-0.6%	0.6%
	Feb rents	0.3%	0.4%	0.4%
Thu 14	Jan net migration	10310	2870	–
Fri 15	Feb manufacturing PMI	47.5	49.3	–

DATA PREVIEWS

Aus RBA policy decision

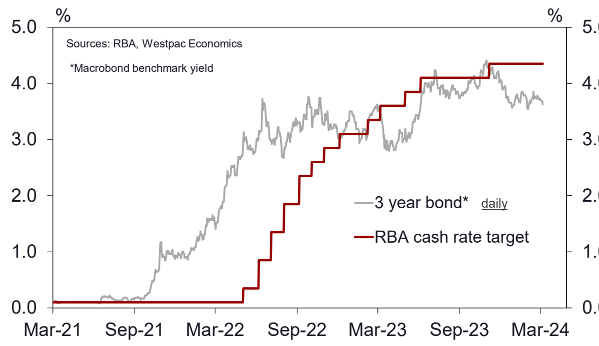
Mar 19, Last: 4.35%, WBC f/c: 4.35%
Mkt f/c: 4.35%, Range: 4.35% to 4.35%

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

The Board will meet to discuss recent economic data. That includes the Q4 National Accounts, which confirmed that the Australian economy had a soft finish to 2023 – both household consumption and domestic demand near-flat in the quarter. Additionally, the Q4 Wage Price Index revealed an underlying slowdown in private sector wages growth, as labour market conditions ease and inflation continues to decelerate.

The Board will be comforted by these developments, given its aim to align demand with supply and ensure inflation trends toward, and eventually reaches, target. We continue to expect the RBA to remain on hold until September, wherein the Board will be sufficiently confident that the restrictive policy setting can be reduced at an incremental and measured pace.

RBA cash rate and 3 year bonds



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

Mar 21, Last: +0.5k, WBC f/c: +40k
Mkt f/c: +40k, Range: +15k to +55k

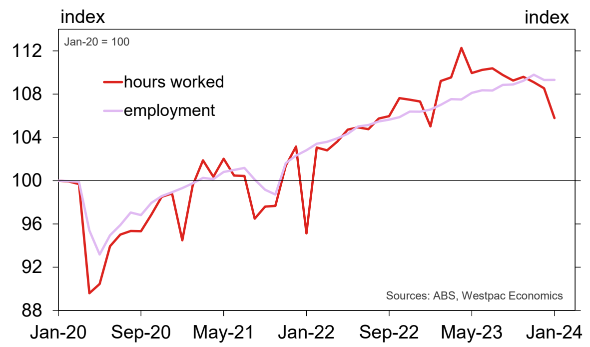
January is the most seasonal time of the year for the labour market and this year was no exception – the ongoing softening in labour market conditions amplified by shifting seasonal dynamics.

This sets the stage for yet another 'murky' read on the labour market in February, as the key measures of interest continue to move through summer holiday seasonality.

For February, we expect employment growth to bounce-back by +40k, having effectively stalled the month prior. That is relatively mild compared to recent years that have exhibited similar seasonal fluctuations, recognising the underlying slowdown at present.

Of particular interest will be the dynamics around hours worked – its sharp moderation over the past six months standing in stark contrast to relatively milder slowdown in employment growth.

Weak trend in hours amplified by seasonality



Aus Feb Labour Force – unemployment rate (%)

Mar 21, Last: 4.1%, WBC f/c: 4.0%
Mkt f/c: 4.0%, Range: 3.9% to 4.2%

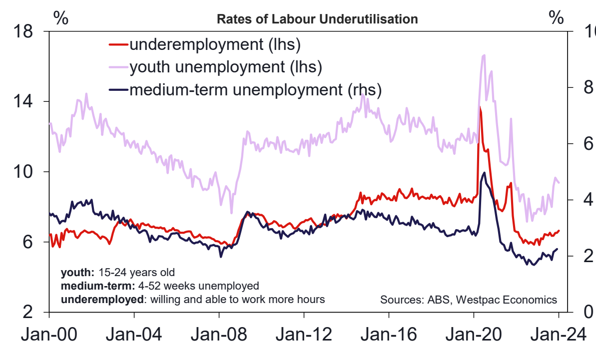
In January, the participation rate managed to hold flat at 66.8%. Underlying that was a 22.8k lift in the labour force primarily driven by a lift in unemployed persons, resulting in the unemployment rate rise from in December 3.9% to 4.1% in January.

That said, the presence of seasonal volatility in January will likely lead to somewhat of a 'bounce-back' in February. Extrapolating from that volatility, the underlying softening that emerged over the second half of last year will broaden over this year.

For February, we expect participation to hold at its current rate of 66.8%, resulting in the unemployment rate rounding down to 4.0%.

Other cyclically-sensitive measures of underutilisation that are trending higher – such as underemployment, youth unemployment and medium-term unemployment – will also remain in focus.

Other measures of underutilization are rising



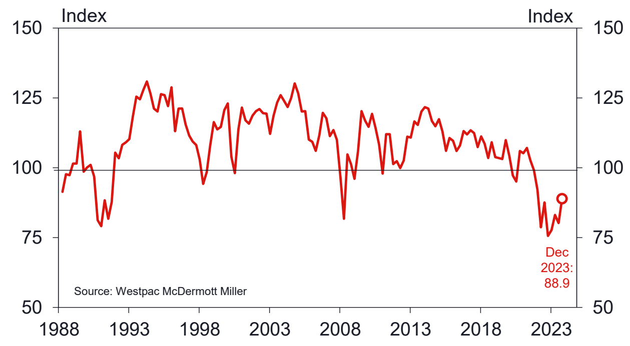
NZ Q1 Westpac McDermott Miller Consumer Confidence

Mar 20, Last: 88.9

The Westpac McDermott Miller Consumer Confidence Index rose 8.7 points in December. That left confidence at levels that were still well below average, with spending appetites remaining weak.

Our upcoming survey was in the field during the early part of March. Recent months have seen signs that inflation is cooling. However, both inflation and interest rates remain elevated. We've also seen economic growth stalling and the labour market softening.

NZ Consumer Confidence Index



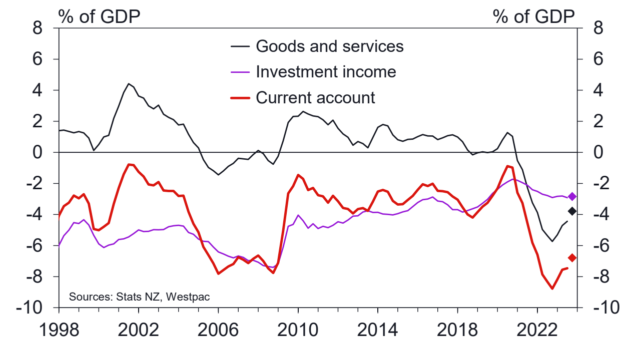
NZ Q4 current account balance (% of GDP)

Mar 20, Last: 7.6% (year to September), WBC f/c: 6.8% (year to December)

A severely overheated economy and closed borders combined to drive the current account deficit to almost 9% of GDP in 2022. Since then, with domestic demand slowing under the weight of tight financial conditions, and tourist and foreign student inflows resuming, the deficit has begun to narrow.

We expect very weak imports of goods to drive a further narrowing of the goods deficit in Q4. And so combined with signalled upward revisions to exports of education services, we expect the current account deficit to have narrowed to 6.8% of GDP in 2023.

NZ annual current account balance



NZ Q4 GDP

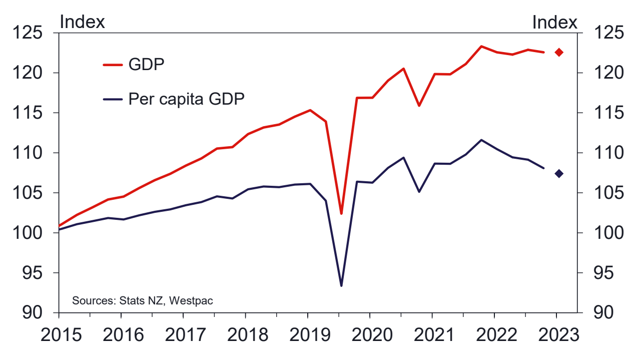
Mar 21, Last: –0.3%, Westpac f/c: 0.0%, Mkt f/c: 0.1%

We estimate that GDP was flat in the December 2023 quarter. This is in line with the Reserve Bank's forecast in its February Monetary Policy Statement, and is likely to be around the middle of the range of market forecasts.

Goods-producing sectors remained relatively soft over the quarter, while the services sectors have continued to benefit to some degree from the recovery in tourism.

Based on our forecast, economic activity has been flat over the last year, despite a migration-driven surge in population growth. The extent of the decline in per-capita output reflects how overheated the economy had become in the first place, as a result of the monetary and fiscal stimulus during the COVID period.

NZ production-based GDP



US Mar FOMC meeting

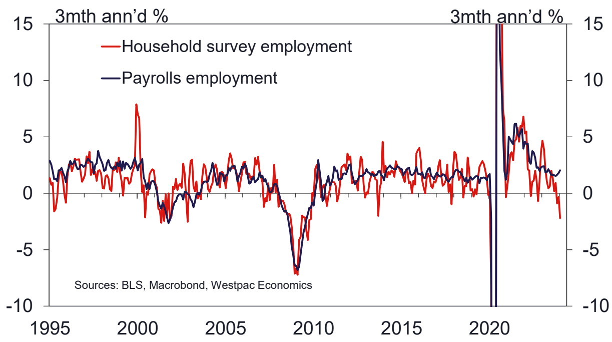
Mar 19–20, Last: 5.375%, Mkt f/c: 5.375%, WBC f/c: 5.375%

Recent data has made clear the FOMC have been successful in reining in inflation, with only the shelter component holding the aggregate inflation pulse above the 2.0%yr medium-term target.

Consumer demand is also showing clear evidence of slowing after an extraordinarily strong 2023 and (with the exception of nonfarm payrolls) labour market data suggests balance between demand and supply, albeit with some downside risks becoming evident.

While the FOMC have made clear they are not ready to cut interest rates, revised forecasts for rates and the economy will give clear guidance on the most likely timing of easing and the balance of risks. Chair Powell is also likely to convey detail on the Committee's views at the press conference.

Employee and job count diverging



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

For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 18					
NZ	Feb BusinessNZ PSI	52.1	–	–	Modest trend upwards seen in recent months, but volatile.
Jpn	Jan core machinery orders	2.7%	–0.7%	–	Weak export demand contributing to low orders.
Chn	Feb retail sales ytd %yr	5.0%	5.5%	–	Lunar new year will buoy consumer spending.
	Feb industrial production ytd %yr	5.0%	5.2%	–	Stimulus struggles to support investment…
	Feb fixed asset investment ytd %yr	3.2%	3.2%	–	… ahead risking weakness in production.
Eur	Jan trade balance €bn	13.0	–	–	Softening regional demand a risk.
US	Mar NAHB housing market index	48	48	–	Homebuilder sentiment recovery has a long road ahead.
Tue 19					
Aus	RBA policy decision	4.35%	4.35%	4.35%	Board will be comforted by Q4 National Accounts.
Jpn	BoJ policy decision	–0.10%	–0.10%	–0.10%	Fragile economy necessitates continuation of support.
Eur	Mar ZEW survey of expectations	25	–	–	Prospect of rate cuts to support sentiment, in time.
US	Feb housing starts	–14.8%	7.4%	–	High borrowing costs are dissuading builders from starting…
	Feb building permits	–0.3%	2.0%	–	… new projects, creating risks for the pipeline.
Wed 20					
NZ	GlobalDairyTrade auction (WMP)	–2.8%	–	–	GDT Pulse –2%, futures –3% compared to previous auction.
	Q1 Westpac–MM Consumer Conf.	88.9	–		Households still facing challenging conditions.
	Q4 current account % of GDP	–7.6%	–	–6.8%	Deficit shrinking as domestic demand slows.
Eur	Mar consumer confidence	–15.5	–	–	Consumers are uncertain about the outlook ahead.
UK	Feb CPI %yr	4.0%	–	–	Services inflation robust, to the concern of the BoE.
US	FOMC policy decision, midpoint	5.375%	5.375%	5.375%	Guidance from revised forecasts on timing of easing.
Thu 21					
Aus	RBA Chief Operating Officer	–	–	–	Panel Participant at Reuters Conference; new role at RBA.
	Feb employment change	+0.5k	+40k	+40k	Partial 'rebound' from January seasonal volatility…
	Feb unemployment rate	4.1%	4.0%	4.0%	… should not distract from soft underlying momentum.
NZ	Q4 GDP	–0.3%	0.1%	0.0%	Activity subdued, declining in per capita terms.
Jpn	Mar Jibun Bank manufacturing PMI	47.2	–	–	Poor productivity weighs on manufacturing sector…
	Mar Jibun Bank services PMI	52.9	–	–	… services still upbeat as tourists come in droves.
Eur	Mar HCOB manufacturing PMI	46.5	–	–	Weakness is broadening across the economy…
	Mar HCOB services PMI	50.2	–	–	… as restrictive policy continues to impact.
UK	Mar S&P Global manufacturing PMI	47.5	–	–	Softening demand conditions taking precedence…
	Mar S&P Global services PMI	53.8	–	–	… services remains surprisingly resilient.
	BoE policy decision	5.25%	–	5.25%	Sticky wages and deteriorating growth create a challenge.
US	Mar Phily Fed index	5.2	–4.0	–	Subdued outlook for manufacturing…
	Feb leading index	–0.4%	–0.2%	–	… and the broader economy.
	Mar S&P Global manufacturing PMI	52.2	51.8	–	Optimism persists despite tight financial conditions…
	Mar S&P Global services PMI	52.3	52.0	–	… seeing modest growth across both sectors.
	Feb existing home sales	3.1%	–2.0%	–	Low inventories support prices but weigh on volume.
	Initial jobless claims	209k	–	–	To remain relatively low, for now.
Fri 22					
Aus	RBA Financial Stability Review	–	–	–	Half-yearly update on financial system conditions and risks.
NZ	Feb trade balance $mn	–976	–	–131	A smaller deficit thanks to a seasonal slowing in imports.
Jpn	Feb CPI %yr	2.2%	2.9%	–	Base effects to drive an unconvincing lift in February.
Ger	Mar IFO business climate survey	85.5	–	–	Reprieve unlikely near-term given lingering uncertainties.
UK	Mar GfK consumer sentiment	–21	–	–	Restrictive policy setting remains a headwind…
	Feb retail sales	3.4%	–	–	… to both confidence and spending.
US	Fedspeak	–	–	–	Bostic.

Forecasts

Interest rate forecasts

Australia	Latest (15 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	3.93	4.05	3.95	3.85	3.75	3.65	3.60	3.55	3.50
3 Year Bond	3.74	3.85	3.75	3.65	3.55	3.45	3.40	3.35	3.30
10 Year Bond	4.13	4.20	4.05	3.95	3.85	3.90	3.90	3.95	4.00
10 Year Spread to US (bps)	–15	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	4.28	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	4.96	5.10	4.95	4.75	4.50	4.40	4.15	4.10	4.00
10 Year Bond	4.66	4.85	4.70	4.65	4.60	4.50	4.40	4.35	4.25
10 Year spread to US	38	70	70	75	80	65	50	40	25

Exchange rate forecasts

Australia	Latest (15 Mar)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6563	0.66	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD/USD	0.6099	0.62	0.63	0.64	0.64	0.64	0.65	0.65	0.65
USD/JPY	148.33	147	144	141	138	135	132	130	127
EUR/USD	1.0876	1.09	1.11	1.13	1.14	1.15	1.16	1.17	1.17
GBP/USD	1.2737	1.27	1.27	1.28	1.29	1.30	1.30	1.31	1.31
USD/CNY	7.1965	7.20	7.10	7.00	6.90	6.80	6.70	6.70	6.50
AUD/NZD	1.0762	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	3.9	4.0	4.2	4.4	4.5	3.5	3.9	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	0.0	0.2	0.2	0.2	0.2	–	–	–	–
Annual avg change	3.0	1.3	0.7	0.3	0.0	0.3	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	0.8	0.6	1.0	0.4	–	–	–	–
Annual change	6.0	5.6	4.7	4.2	3.7	2.9	2.8	7.2	4.7	2.8	2.3

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