AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 25 March 2024

Editorial: RBA on hold, ruling nothing in our out.

Australia: Westpac-MI Consumer Sentiment, Q1 ACCI-Westpac business survey, Monthly CPI Indicator, private credit, retail sales, job vacancies.

NZ: business and consumer confidence, monthly employment indicator.

China: NBS PMIs, industrial profits.

US: personal income and spending, PCE, durable goods, manufacturing surveys, FOMC Chair Powell speaking.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 22 MARCH 2024.

WESTPAC INSTITUTIONAL BANK

RBA on hold, ruling nothing in or out

As was widely expected, the RBA Board left the cash rate on hold at its late-March meeting, at 4.35%.

There were two key changes in the language in the final paragraph. The first was the switch from 'a further increase in interest rates cannot be ruled out', to 'the Board is not ruling anything in or out' – language taken from the media conference last month. The second was the elimination of the language 'and will do what is necessary to achieve that outcome'.

This second deletion is particularly significant: versions of this language have been in the media release ever since the first increase in the cash rate this cycle, back in May 2022. The media release after that meeting read, 'The Board is committed to doing what is necessary to ensure that inflation in Australia returns to target over time.'

The implication here is that the Board no longer needs to commit to doing what is needed, because no additional action is needed to achieve the desired outcome. With these deletions, what remains in the media release are the words of a central bank that is on hold, but not quite willing to say so outright. In the press conference, the Governor did not explicitly indicate whether a rate increase was considered in this week's meeting, but rather highlighted that the Board always considers a range of possibilities.

By saying it is not ruling anything in or out, the Board is flagging the possibility that some shock could still derail the current trajectory of declining inflation and require a rate hike. But there is no sign of this occurring. The media release highlighted the 'encouraging signs that inflation is moderating' and the slow growth confirmed by the national accounts. The paragraphs on the outlook and the text on inflation expectations were unchanged from the February meeting. The overall message was of a disinflation that is on track.

There were no changes in the text in response to the recent upside surprises in inflation in the United States. The Board had already been highlighting the persistent services inflation overseas, and presumably concluded that it was already exercising the required amount of caution in this area.

The Board also remains cautious on the issue of labour costs. Although it acknowledges that wages growth appears to have peaked and productivity growth has picked up, the media release highlighted that at current rates, wages growth remains consistent with the inflation target, 'only on the assumption that productivity growth increases to around its long-run average'. The word 'only' was inserted into the statement this month. As we at Westpac Economics have been highlighting for some months, most recently in Senior Economist Pat Bustamante's note last week and accompanying video, there are good reasons to expect that productivity growth will recover. But the RBA Board is not yet ready to assume that this recovery will occur.

In the press conference, the Governor reiterated the importance of holding on to the gains in the labour market. The RBA continues to expect employment to increase, but more slowly than the labour force will. The unemployment rate is therefore forecast to rise.

The Board's priority is still to ensure that inflation returns to the 2–3% target range. But the flow of recent data suggests that (absent some shock) no further rate hikes are needed to achieve this. The text of the media release suggests that the Board recognises that.

Given that recent data flow and the shift in the RBA's language, we continue to expect that the RBA is on hold until its late-September meeting. At that point, it will have the full suite of data for the first half of 2024, including productivity and labour cost growth. Assuming things continue to pan out as expected, it will then have enough assurance that inflation will continue to decline on the desired trajectory. That will allow the Board to reduce some of the tightness in the stance of monetary policy and preserve more of the gains on employment.

Luci Ellis, Chief Economist Westpac Group

In Australia, the RBA Board once again decided to leave the cash rate unchanged at 4.35% after reflecting on recent data. The new information included the Q4 National Accounts, which confirmed the economic slowdown broadened into year-end, and the Q4 Wage Price Index, which revealed an underlying slowdown in private sector wages growth associated with a softening labour market (more below) and benign inflation expectations.

Consistent with the Board's objectives, these results led to language changes in the final paragraph: "a further increase in interest rates cannot be ruled out" replaced with "the Board is not ruling anything in or out"; and the removal of the Board "will do what is necessary to achieve that outcome" – a significant decision given versions of this language have been in the media release since the first rate hike in May 2022. Concern over upside risks to inflation have not fully dissipated however, keeping the Board open to a range of possibilities.

As discussed by Chief Economist Luci Ellis in a video update mid-week, the tone of RBA communications suggest they will remain on hold for some months yet, with more progress towards target necessary to extinguish concern over lingering risks. We continue to expect a gradual easing cycle from September, a 25bp cut per quarter to take the cash rate to 3.10% at Q3 2025.

Before moving offshore, a quick note on the Australian labour market. The February Labour Force Survey was an eventful update, a much stronger-than-expected +116.5k gain in employment reported alongside a material fall in the unemployment rate, from 4.1% to 3.7%, following weak results over December and January. Abstracting from this volatility, the labour market continues to soften at a modest pace, with employers seeking to adjust labour usage predominately doing so by reducing average hours worked (–1.9%yr). Though we expect employment growth to moderate below the pace of population growth, material economy-wide employment declines seem unlikely.

Offshore, the Bank of Japan raised its policy rate to the range of 0% – 0.1% having "assessed the virtuous cycle between wages and prices" and judged "that the price stability target of 2 percent would be achieved in a sustainable and stable manner toward the end of the projection period". This was the BoJ's first hike in 17 years and was accompanied by the scrapping of the YCC target and ETF/ J-REITs purchases. However, government bond purchases will continue broadly at the same pace as before, and the BoJ made clear it will guard against a rapid rise in long-term interest rates.

In a subsequent press conference, Governor Kazuo Ueda noted that they made the move now to avoid "large and rapid rate hikes" in the future. This suggests the BoJ believe inflation is not only expected to achieve the medium-term target, but that it could exceed it sustainably. While this is possible, we believe the inflation pulse is more likely to disappoint, keeping the policy rate at or very near its current level. Momentum in services inflation can only persist if household spending grows robustly, which is not currently the case. And, for consumers to feel comfortable spending, Japan's deeply entrenched saving mindset must be dislodged by sustained real wage growth.

Over in the US, the FOMC kept rates steady as expected. More importantly, their refreshed forecasts pointed to both a soft landing for activity and inflation at target. GDP growth projections were updated to 2.1% in 2024 and 2.0% in 2025 and 2026 from 1.4%, 1.8% and 1.9%, seeing the economy grow above its potential rate through the entire projection period. The members' inflation projections are little changed however, recent upside surprises seeing 2024's core inflation forecast upgraded to 2.6%, but still set to give way to a return to target inflation in 2025-26. It is also important to recognise that Chair Powell saw no material change in inflation dynamics in the recent data, the return to target inflation waiting on shelter's normalisation.

The fed funds rate profile suggests the FOMC see a degree of medium-term inflation risk. Three rate cuts continue to be forecast for 2024, but the median number of rate cuts in 2025 has been reduced by one to three. The longer run rate was also lifted 10bps to 2.6%. We continue to anticipate four rate cuts in both 2024 and 2025, beginning in June 2024 and ending late-2025 at 3.375%. Our higher terminal rate reflects concern over inflation pressures from tight capacity across housing and infrastructure as well as the likelihood of reshoring delivering higher prices for some goods. A modest contractionary stance will be required to manage both inflation risks and expectations. Activity growth and employment are likely to wear the cost, a higher unemployment rate circa 4.5% forecast through at least 2025.

Finally, the Bank of England also kept rates steady at 5.25% this week. Of significance though, it was an 8-1 decision, the two members who had previously dissented in favour of a hike now with the 'on hold' majority. The lone dissenter in March argued instead for an immediate cut. Contained in the minutes were diverse views on wages and inflation, particularly for services. Overall though, outcomes were seen as evolving broadly as expected, and there was a degree of comfort that downside risks for activity were contained. The BoE Agents Report, which gathers the views of businesses across the country, was constructive on both inflation (albeit with lingering concerns over services pricing) and activity. The BoE will be hoping these views prove prescient and allow the UK to experience its own version of a soft landing. We continue to expect the BoE to follow the FOMC and ECB through this cutting cycle, though there is a higher chance of sticky inflation causing delays in the UK.

Week ahead & data wrap

NZ economy ends 2023 in recession; 2024 looking a little brighter

The domestic focus for Kiwi markets this week was the release of the admittedly dated national accounts for the December quarter. The preferred production-based measure of GDP revealed a further 0.1% contraction in activity during the quarter and so indicated that the economy had re-entered a shallow "technical recession" in the second half of last year. Activity was also 0.3% lower than a year earlier. This was a fractionally weaker outcome than we and the RBNZ had expected, with a small downward revision to activity in earlier quarters leaving the economy about 0.2ppts smaller than estimated. However, the detail of the report was much as expected, with services continuing to post weak growth while output contracted in the goods sector.

The expenditure-based measure of GDP was flat during the quarter and 0.5% lower than a year earlier. While household consumption and net exports contributed positively to growth, residential construction fell and a further sharp decline in inventories weighed heavily on activity. The income GDP measure – which now holds official status – pointed to continued growth in labour incomes but a solid decline in gross operating surplus. These outcomes are consistent with the trends being observed in tax data, with corporate and small business tax revenues under downward pressure due to declining profitability. Annual growth in nominal GDP slowed to 3.8% from 6.1% previously.

On balance, the national accounts might suggest slightly less need to keep monetary policy tight for an extended period. That said, there is also a lot of water still to go under the bridge before the May Monetary Policy Statement (MPS), including the next QSBO business survey (early April), the March quarter CPI (mid-April) and the March quarter labour market surveys (early May). There's also the crucial first Budget for the new coalition Government in late May – while that will be unveiled after the MPS, the RBNZ will no doubt be briefed on the key details.

Ahead of the national accounts, Statistics New Zealand also released balance of payments figures for the December quarter. These were largely as expected, with the calendar year current account deficit declining to 6.9% of GDP from 8.8% of GDP in 2022. Almost all that improvement owes to the reopening of the foreign border, with the deficit on the services balance narrowing by about two-thirds over the past year. That improvement was only partly offset by a weaker income balance due to the impact of higher interest rates on the cost of funding New Zealand's net international liabilities – the latter growing to almost 52% of GDP in the December quarter. We expect improvement in both the goods and services balance to drive a further narrowing of the current account deficit this year.

Turning to this week's more contemporary news, the Westpac McDermott Miller Consumer Confidence Index rose 4.3pts to 93.2 in the March quarter. While still low – and signalling net pessimism on balance – that's the highest confidence has been in more than two years. The largest contributor to the improvement was a less downbeat assessment of consumers' present financial situation, which might reflect the impact of declining inflation. Meanwhile, the Business NZ Performance of Services Index also painted a more positive picture, rising 0.8pts to 53.0 in February – the best reading in 11 months. Of note, the new orders index increased an especially encouraging 3.7pts to 56.0. At current levels, the Business NZ indexes are pointing to at least a modest lift in the economy over coming months.

The news from the external sector was a little disappointing, however. While we anticipated a decline in dairy prices at this week's GDT auction, the 2.8% decline in the overall index was larger than we had expected. Moreover, the 4.2% decline in the key whole milk powder price was about double expectations and means that prices have now declined by almost 9% over the past three auctions. In the detail, we noted lower than usual purchases from China and the Middle East, which doubtless weighed on prices. Despite the recent decline in prices, dairy giant Fonterra this week retained its forecast farmgate payout at a midpoint of $7.80kg/ms for this season. However, if recent weakness in auction prices is sustained, this will begin to weigh on prospects for a lift in the payout next season.

Looking ahead, next week's local economic diary is relatively quiet. The ANZ will release the latest instalments of its business and consumer confidence surveys while we will also receive tax-based filled jobs data for February. Also of note, on Wednesday the Government will publish its first Budget Policy Statement (BPS), which will set out its priorities; high-level fiscal goals; the operating spending and capital allowances it will work within in Budget 2024; and an update on the economic outlook.

As we noted in our preview, the BPS won't contain an updated fiscal outlook. However, we expect the Government to confirm it will work within operating spending allowances no larger than set out in the Half-Year Economic and Fiscal Update (HYEFU). Baseline spending savings should be no smaller than those detailed in December's "mini- Budget". We suspect internal Treasury projections presently suggest that an operating surplus will not be achieved until 2027/28 – a year later than forecast in the HYEFU. The weaker near-term growth (and thus revenue) outlook will be the key driver. We continue to expect that personal tax cuts will be implemented in some form in Budget 2024.

At present, we think it's reasonable to think that a $7-10bn increase in the four-year government borrowing programme could be announced in Budget 2024. This BPS is likely to announce a top up to the Multi-Year Capital Allowance which, combined with a weaker outlook for the operating balance, implies a greater borrowing need than forecast in the HYEFU. We think that the Government will most likely retain its predecessor's long-term goal of achieving an average operating surplus in the range of 0-2% of GDP and the objective of keeping net debt below 30% of GDP. However, the Government could choose to differentiate itself from its predecessor by lowering the ceiling slightly given it is unlikely to be binding (net debt currently sits at less than 21% of GDP).

Darren Gibbs, Senior Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 18	Feb BusinessNZ PSI	52.2	53.0	–
Wed 20	GlobalDairyTrade auction (WMP)	–2.8%	–4.2%	–
	Q1 Westpac–MM consumer confidence	88.9	93.2	
	Q4 current account % of GDP	–7.4%	–6.9%	–6.8%
Thu 21	Q4 GDP	–0.3%	–0.1%	0.0%
Fri 22	Feb trade balance $mn	–1089	–218	–131

DATA PREVIEWS

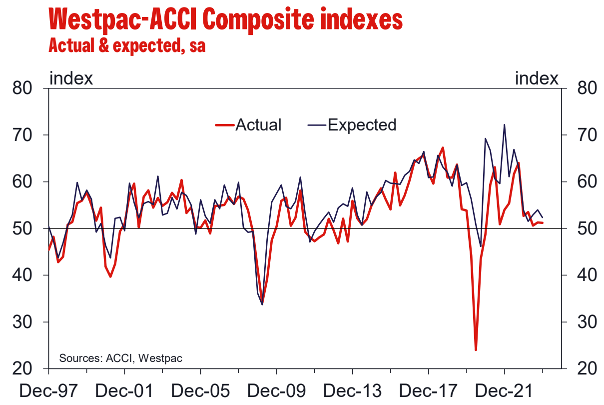
Aus Q1 ACCI-Westpac business survey

Mar 25, Last: 51.2

The ACCI-Westpac business survey for the March quarter, conducted through February into March, will provide a timely update on manufacturing and insights into economy wide trends.

Conditions within Australia's manufacturing sector approached a stalling speed over the course of last year, notwithstanding a short-lived bounce at the beginning of 2023 The previous survey reported tepid growth in new orders, a decline in output, and broadly flat employment and overtime.

Some of the hallmark challenges facing the manufacturing sector have begun to ease, most notably around labour and material shortages, though concerns around cost pressures remain. How these trends continue to evolve, in the context of an emerging downturn, remains a key question.

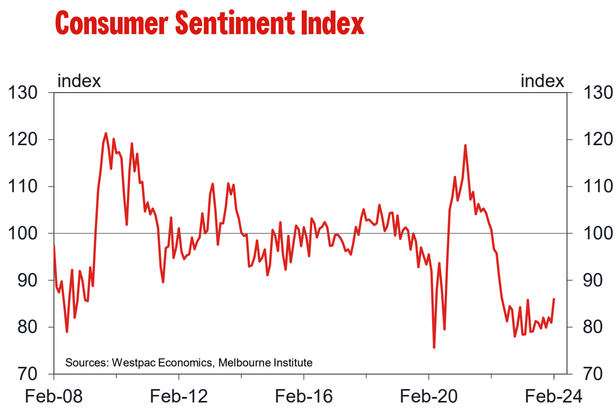


Aus Mar Westpac-MI Consumer Sentiment

Mar 26, Last: 86.0

Consumer sentiment rose 6.2% to in February, the biggest monthly gain since April last year. At 86, the Index remains firmly in pessimistic territory but the latest lift and the survey detail suggest we are starting to see some light at the end of the tunnel for consumers. Moderating inflation, easing rate rise fears and the prospect of broader support coming from tax cuts mid-year look to be the main positives.

Factors that may influence sentiment in March include: more signs that inflation is subsiding, the monthly CPI indicator posting another subdued result in January; updates on the economy confirming weak growth continued in the final quarter of 2023 but with a stronger than expected labour market result for the month of February; and the RBA's decision to again leave rates unchanged at its March meeting, albeit still not ruling out a potential further increase.

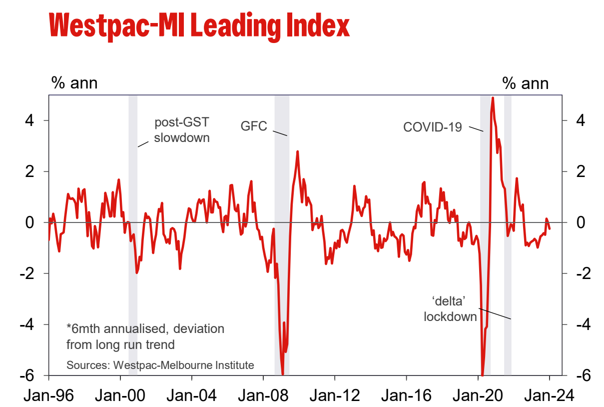


Aus Feb Westpac-MI Leading Index

Mar 27, Last: –0.25%

The Leading Index declined to –0.25% in January from –0.01% in December, the result the economy will continue to see sub-par growth well into 2024. That said, the growth pulse has improved on a year ago when the Leading Index growth rate ranged between –0.75 and –1.0%. Some of this improvement may be passing with some important positives – a rally in commodity prices – unlikely to sustain.

Component-wise, the Feb read will include notably stronger results for hours worked (up 2.8% vs –2.0% last month) and dwelling approvals (down 1% but markedly better than the 10% drop last month).



DATA PREVIEWS

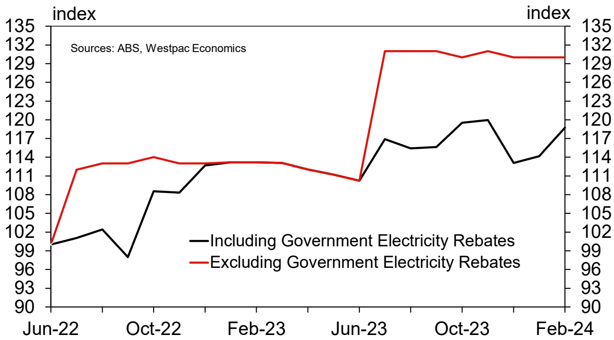
Aus Feb Monthly CPI Indicator %yr

Mar 27, Last: 3.4%, WBC f/c: 3.8%
Mkt f/c: 3.6%, Range: 3.3% to 3.8%

The Monthly CPI Indicator rose 3.4% in the year to January, in line with the outcome recorded in December, to remain the equal softest print for monthly inflation since November 2021. The first month of each quarter provides an update household durable goods but not a lot in the way of services. In the month, durable goods were more robust than expected, offsetting weaker electricity and holiday travel. As electricity and holiday travel are surveyed monthly, we will get two more months of data for these prices, while the March quarter prices for many durable goods are now locked in.

Westpac has pencilled in a 0.6%mth rise in February, which should see the ABS publish a headline pace of 3.8%yr, up from 3.4%yr in January. With February being the mid month of the quarter we get an update on many services including the annual update on education prices. There is uncertainty around electricity where we expect a bounce as Government Energy Rebates come to an end.

Monthly electricity prices



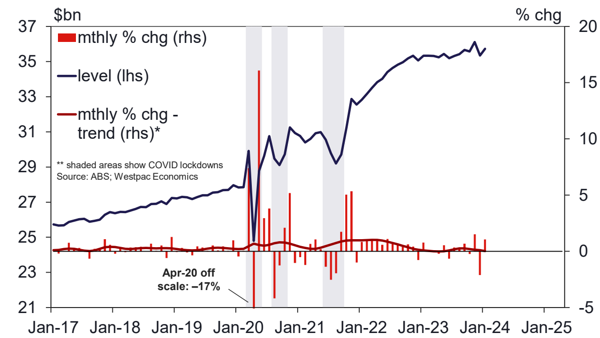
Aus Feb retail trade

Mar 28, Last: 1.1%, WBC f/c: 0.7%
Mkt f/c: 0.4%, Range: –0.2% to 0.7%

Retail sales have been very choppy around the turn of the year, a 1.1% surge in January following a sharp 2.1% drop in December and a 1.5% surge in November, with preliminary estimates showing even bigger moves. The noise reflects difficulties the ABS is having adjusting for shifts in seasonal patterns through Nov-Dec-Jan. Notably, annual retail sales was an insipid 1.1%yr in Jan, in line with where it was in Oct, before the seasonal noise issues began.

This is also the picture coming from our **Westpac Card Tracker** which suggests weakness carried into Jan, albeit with a small gain in the month. Overall we expect official retail sales to be up slightly, by 0.2%.

Monthly retail sales



Aus Feb private sector credit

Mar 28, Last: 0.4%, WBC f/c: 0.4%
Mkt f/c: 0.4%, Range: 0.3% to 0.5%

Credit to the private sector is expanding at a modest pace, a touch under 5% annual, with residential credit growth around historic lows. Total credit growth slowed markedly in 2022, moderating from a peak of 8.9%yr, but has since moved sideways, to be at 4.9%yr.

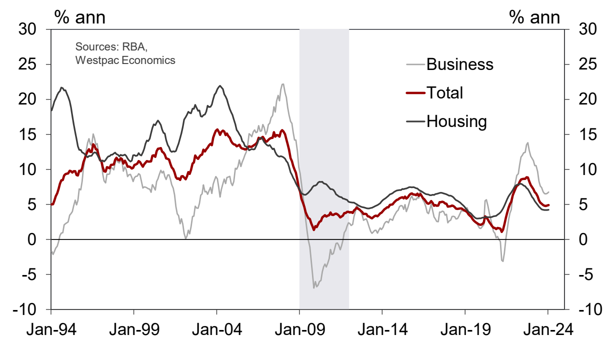
This is against the backdrop of elevated interest rates and an economic slowdown but an economy still operating at a high level of capacity.

For February, we expect credit growth of 0.4%, 4.9%yr, a repeat of the January outcome.

Housing credit grew 0.4%, 4.2%yr in January. Of note, the rebound in new lending has been punctuated by falls in December and January, in the wake of the RBA's November rate hike.

Business credit is proving to be more resilient, with a January outcome of 0.7%, 6.8%yr. Although notably, real business investment growth slowed abruptly during 2023, moderating from a pace in excess of 10%yr to one closer to 3% annualised.

Credit growth holds at a touch below 5%yr



Aus Q1 job vacancies (%qtr)

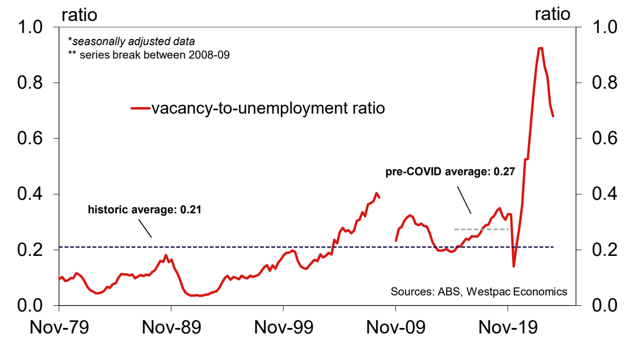
Mar 28, Last: –0.7%

Job vacancies moderated only slightly between August and November, down by just –2.9k (–0.7%). Despite having declined for six consecutive quarters, job vacancies are just 18% below its peak in May 2022 but remain an appreciable 71% above pre-pandemic levels.

For the Q1 (February) update, a larger decline in job vacancies is to be expected, as positions continue to be filled and unfilled positions are removed. Data from Jobs & Skills Australia and other internet advertisement platforms are broadly consistent with this.

Moving forward, it is more likely that removal of unfilled positions will drive the moderation in job vacancies, mirroring the softening in employment growth as the economic slowdown persists and broadens.

Vacancy-to-unemployment ratio



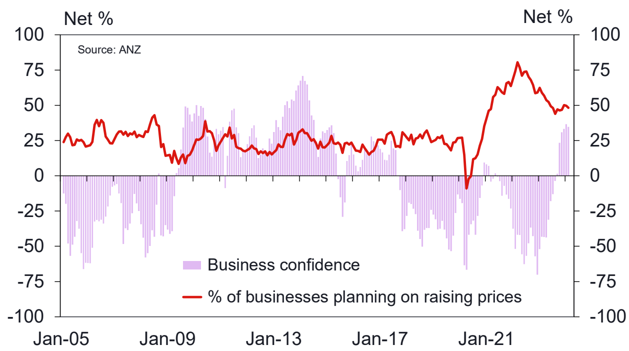
NZ Mar ANZBO business confidence

Mar 27, Last: 34.7

Business confidence remained at firm levels in February. However, while sentiment has been on the rise, reported trading activity over the past year has remained soft. We'll be watching the March survey to see if that divergence has continued, and if there is a related firming in hiring or investment intentions. Our own discussions with businesses have highlighted increasingly tough trading conditions.

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

NZ ANZBO business confidence



NZ Feb monthly employment indicator

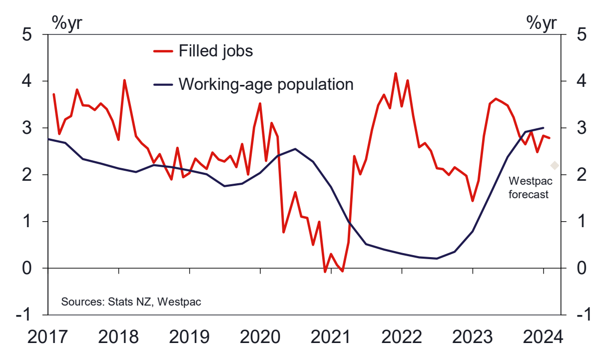
Mar 28, Last: +0.6%. Westpac f/c: 0.0%

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

The 0.6% rise in jobs in January was stronger than expected. However, it may have been a product of shifting seasonal patterns in hiring, resulting in weaker Decembers and stronger Januarys. The broader picture is that jobs growth remains positive but has now fallen behind the pace of population growth, which continues to be boosted by record net inward migration.

We expect a flat result for February. The weekly data snapshots have been soft so far, but these have tended to understate the monthly result.

NZ monthly filled jobs growth



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 25					
Aus	Q1 ACCI-Westpac business survey	51.2	–	–	Conditions broadly approaching a stalling speed.
US	Feb Chicago Fed activity index	-0.30	-0.34	–	Below-capacity activity to continue.
	Mar Dallas Fed index	-11.3	-13.0	–	Higher input costs but output pricing power waning.
	Feb new home sales	1.5%	2.1%	–	Sales constrained by low inventory.
	Fedspeak	–	–	–	Bostic, Cook.
Tue 26					
Aus	Mar Westpac-MI Consumer Sentiment	86.0	–	–	Gloomy but starting to see some light at the end of the tunnel?
	RBA Head of Payments Policy	–	–	–	Fireside chat at AFR Banking Summit, 1:20pm AEDT.
NZ	Q1 Westpac-MM employment conf	99.7	–	–	Slightly stronger in Q4 but job availability remained weak.
US	Feb durable goods orders	-6.2%	1.4%	–	Some bounce-back expected, transport to weigh.
	Mar Richmond Fed index	-5	–	–	Manufacturing conditions remain weak.
	Mar consumer confidence index	106.7	107.0	–	Consumers resilient despite cost of living pressures.
	Jan S&P/CS home price index	0.21%	0.20%	–	Price growth aided by low supply.
Wed 27					
Aus	Aus Feb Westpac-MI Leading Index	-0.25%	–	–	Should show some improvement.
	Feb Monthly CPI Indicator %yr	3.4%	3.6%	3.8%	Quarterly household services surveys to boost the Feb print.
NZ	Mar ANZ business confidence	34.7	–	–	Sentiment firm, trading activity softer, price pressures persist.
	Budget Policy Statement	–	–	–	New govt to state fiscal rules, Budget spending allowances.
Chn	Feb industrial profits ytd %yr	-2.3%	–	–	Revenue constrained.
Eur	Mar economic confidence	95.4	–	–	Tight financial conditions a burden.
Thu 28					
Aus	Feb retail sales	1.1%	0.4%	0.7%	A Taylor Swift boost? Coming off a very choppy Nov-Jan.
	Feb private sector credit	0.4%	0.4%	0.4%	Growth tracking sideways, elevated rates, economic slowdown.
	Q1 job vacancies	-0.7%	–	–	Larger decline likely after a very slight fall in Q4.
	Mar MI inflation expectations	4.5%	–	–	Provides a general view on risks.
NZ	Mar ANZ consumer confidence	94.5	–	–	Still low, but pushing higher as financial heads ease.
	Feb employment indicator	0.6%	–	0.0%	Surprising strength in Jan, not expected to be maintained.
UK	Q4 GDP	-0.3%	–	–	Final estimate.
US	Q4 GDP annualised	3.2%	3.2%	–	Final estimate.
	Mar Chicago PMI	44.0	46.0	–	New orders on shaky ground creating a...
	Mar Kansas City Fed index	-4	–	–	... uncertain outlook for the manufacturing sector.
	Feb pending home sales	-4.9%	–	–	New construction soft; pipeline limited.
	Initial jobless claims	210k	–	–	To remain low.
	Mar Uni. of Michigan sentiment	76.5	76.6	–	Final estimate.
	Fedspeak	–	–	–	Waller.
Fri 29					
Aus/NZ	Good Friday	–	–	–	Public holiday; markets closed.
Jpn	Mar Tokyo CPI %yr	2.5%	2.5%	–	Unwind of energy subsidies floating prices higher.
	Feb jobless rate	2.4%	2.4%	–	To remain low as supply remains constrained.
	Feb industrial production	-6.7%	1.3%	–	Weak machinery orders feed through to poor production.
US	Feb personal income	1.0%	0.4%	0.3%	Slow real wage growth to suppress consumer spending...
	Feb personal spending	0.2%	0.5%	0.4%	... over coming year.
	Feb PCE deflator	0.3%	0.4%	0.4%	Expected to mirror CPI outcome.
	Feb wholesale inventories	-0.3%	–	–	Uncertain demand outlook to limit inventories.
	FOMC Chair Powell	–	–	–	Taking part in a moderated discussion.
Sun 31					
Chn	Mar NBS manufacturing PMI	49.1	–	–	Full impact of stimulus yet to be felt...
	Mar NBS non-manufacturing PMI	51.4	–	–	... employment sub-index remains weak.

Forecasts

Interest rate forecasts

Australia	Latest (22 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	4.33	4.40	4.37	4.12	3.92	3.67	3.47	3.30	3.30
3 Year Swap	3.86	4.05	3.95	3.85	3.75	3.65	3.60	3.55	3.50
3 Year Bond	3.68	3.85	3.75	3.65	3.55	3.45	3.40	3.35	3.30
10 Year Bond	4.05	4.20	4.05	3.95	3.85	3.90	3.90	3.95	4.00
10 Year Spread to US (bps)	-20	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	4.25	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	5.64	5.60	5.60	5.60	5.50	5.25	4.95	4.75	4.50
2 year swap	4.87	5.10	4.95	4.75	4.50	4.40	4.15	4.10	4.00
10 Year Bond	4.56	4.85	4.70	4.65	4.60	4.50	4.40	4.35	4.25
10 Year spread to US (bps)	31	70	70	75	80	65	50	40	25

Exchange rate forecasts

Australia	Latest (22 Mar)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6534	0.66	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD/USD	0.6047	0.62	0.63	0.64	0.64	0.64	0.65	0.65	0.65
USD/JPY	151.58	147	144	141	138	135	132	130	127
EUR/USD	1.0838	1.09	1.11	1.13	1.14	1.15	1.16	1.17	1.17
GBP/USD	1.2643	1.27	1.27	1.28	1.29	1.30	1.30	1.31	1.31
USD/CNY	7.2246	7.20	7.10	7.00	6.90	6.80	6.70	6.70	6.50
AUD/NZD	1.0861	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	Q4	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
GDP % qtr	0.5	-0.3	-0.1	0.2	0.2	0.2	0.2	–	–	–	–
Annual avg change	3.0	1.3	0.6	0.2	-0.2	0.1	0.4	2.4	0.6	0.4	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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