AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 1 April 2024

Editorial: The Laptop Warrior, the Barista and the Governor.

RBA: Minutes from the March Meeting, Assistant Governor's Kent and Jones speaking.

Australia: housing updates (prices, dwelling approvals), trade balance.

NZ: building consents, commodity prices.

China: Caixin PMIs.

Eurozone: CPI, unemployment rate, retail sales.

US: ISMs, nonfarm payrolls, unemployment rate, factory orders, trade balance, FOMC Chair Powell speaking.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 28 MARCH 2024.

WESTPAC INSTITUTIONAL BANK

The Laptop Warrior, the Barista and the Governor

As the supply disruptions stemming from pandemic and war start to unwind, and goods inflation eases, attention naturally turns to the domestic sources of inflation, especially for services. Central to the questions of how much domestic factors have driven inflation, and how quickly these might ease, is the pace of growth in labour costs.

Unit labour costs – the amount of labour compensation required to produce a unit of GDP – is imperfectly measured and volatile, being the ratio of two other imperfectly measured things. A simple rule of thumb to approximate its growth rate, though, is to subtract productivity growth (which to an economist is simply growth in GDP per hour worked) from the growth rate of average earnings per hour. (The correct calculation is more complicated, but this simple approach is usually close enough.)

Average earnings per hour can also be volatile, affected by compositional changes in the workforce, patterns of overtime work and other payments. To assess whether a particular rate of wages growth is consistent with inflation stabilising at the desired rate, one can also look at the same rule of thumb with other measures of labour cost growth. The Wage Price Index (WPI), for example, strips out compositional shifts. It is therefore often considered a better guide to trends in growth in labour costs, even though it does not capture all labour costs.

Westpac Economics' current forecasts see the WPI remaining at its current peak year-ended growth rate of 4.2% for the first half of the year, before turning down and reaching the low 3s by the end of the year. A key reason for the decline is that the outsized increase in September quarter 2023 drops out of the calculation. We do not expect the Fair Work Commission to hand down an increase in award and minimum wages of anywhere near the scale of last year's increase. Inflation has declined significantly over the past year, so the increase needed to compensate for inflation is likewise smaller this round. Individual wage agreements are also already seeing some slowdown in wage rate increases.

Wages growth with a 3 in front of the decimal point is consistent with inflation stabilising around the midpoint of the RBA's 2–3% target range, provided trend growth in productivity is in the same broad range as it was in the years leading up to the pandemic.

Productivity had instead outright fallen in 2022–23, leading to concerns that it might not return to pre-pandemic trends, and a renewal of the perennial calls for policy reforms, to reverse the decline.

These concerns are, in our view, misplaced.

The Westpac Economics house view has for some time been that the necessary upturn in productivity growth is emerging and can reasonably be expected to continue. This view stems from our analysis of why productivity fell in 2022 and 2023. Without an explanation for that decline, you cannot have any confidence in the turnaround.

As Westpac Economics colleague Pat Bustamante explained in a recent note, there are indeed ready explanations for the recent decline in productivity. The ripple effects of the COVID-era compositional shifts in employment, the concentration of recent immigration in students working in jobs that account for less output per hour and the surge in population itself are all factors. Importantly, they are all factors that will inherently unwind, and no longer drag on measured productivity. This supports a view that productivity growth will indeed recover, and that wages growth in the 3s will still be compatible with inflation at target.

To really understand what went on, it helps to build a toy economy in your head.

Imagine a world where there are only two sorts of jobs: the kinds of jobs you do using a laptop, and baristas. And imagine that – like in the more complex real world – the laptop jobs happen to produce more GDP per hour than the barista-type jobs. (It would be a misnomer to say the laptop workers are 'more productive' than the baristas. They are just doing different work.)

Now imagine that this toy economy goes through a lockdown. Everyone goes home; the laptop workers open their laptops and continue working, while the baristas are at home, not working and collecting JobKeeper. GDP and total hours worked both fall but hours worked falls by more. Measured productivity therefore increases.

Then, when the economy opens up again, the baristas can start working again. GDP and total hours worked both increase, but hours worked increases by more and measured productivity falls.

The real world is more complex, but this simplified model gets to the essence of what happened. The compositional shifts in who was working when go a long way to explain the gyrations in labour productivity seen in the past few years.

There are two more wrinkles to this story that also help explain developments. First, when the economy opens up, so do its borders to the other toy economies. The toy economy we are considering receives a rush of migrants who happen to mostly be students. Those students will have laptop jobs one day, but in the initial phase of their residence, they work as baristas. This change in composition of the workforce drags down average productivity further.

Second, all those students working as baristas didn't bring coffee machines with them. So the workforce overall has less capital per worker, something economists call 'capital shallowing'. The capital stock simply could not keep up with the expansion in the labour force. This also dragged on measured productivity.

If you are the Governor of the central bank of this toy economy (a laptop job, of course), you would be aware of these shifts, and of the likely unwind in population growth after the initial surge. Your investment forecasts would lead you to a view about whether the ratio of capital to labour would recover and support a recovery in productivity. This would in turn affect your view about the inflation outlook.

In the more complicated real economy you might also point to some additional factors, as the real-life RBA did in its February Statement on Monetary Policy. They include supply disruptions in construction (even though measured gross value added per hour worked in that industry has not been a particular laggard recently), and training periods needed after changing jobs (even though job mobility has largely returned to pre-pandemic rates). These additional factors are the gravy, though; the real meat of the explanation is that, as the RBA put it, 'much of the weakness in productivity has been a by-product of the pandemic'.

A separate issue is that global productivity trends were also weak in the years leading up to the pandemic. There are a number of possible explanations for this, with the economics profession yet to settle on a consensus view. The important point is that there are good reasons to expect productivity to continue turning around from its recent decline, as it has already started to do, and no good reasons to expect it to continue to fall. Given this, the base case for the economic outlook should be that domestic inflation pressures ease in the period ahead.

Luci Ellis, Chief Economist Westpac Group

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THE WEEK THAT WAS

This week, Westpac surveys provided insight into both the current conditions and outlook faced by consumers and manufacturers. The Monthly CPI Indictor and job vacancies subsequently provided more evidence of the persistence of Australia's disinflationary trend.

Westpac-MI Consumer Sentiment's March survey signalled that consumers remain very concerned over their family finances, with headline confidence 16% below average at 84.4, little changed from 2023's average of 80.9. Unsurprisingly, the underlying pulse of nominal retail sales remains weak and 'time to buy a major household item' assessments from the Westpac-MI suggests this trend will persist for some time.

Elements of the survey are showing tentative signs of promise though. The RBA's more balanced commentary looks to have had a positive impact, as evinced by the rise in sentiment between those surveyed before the policy meeting (79.3) and after (94.9). Westpac-MI mortgage rate expectations also eased. That said, few consumers believe rate cuts are imminent.

The Q1 Westpac-ACCI Survey of Industrial Trends provided a timely perspective on the state of the economy from the perspective of manufacturers. Respondents were deeply pessimistic on the general business outlook, a view reinforced by the deterioration in new orders (from flat to declining) and a corresponding fall in output in the quarter. In response to a prolonged period of acute cost pressures over 2022 and 2023, manufacturers are reporting a reduction in both overtime and employment in 2024. The sector is keenly awaiting a less restrictive policy stance. Though, as rate cuts are likely to proceed slowly from September, it may be some time before manufacturers feel material benefit.

At least the other data released this week was consistent with steady progress towards the RBA's inflation goal.

The Monthly CPI Indicator rose a benign 0.2% in February, leaving the annual rate unchanged at 3.4%yr for a third consecutive month. Trimmed Mean inflation ticked a little higher, from 3.8%yr to 3.9%yr; though the headline index excluding volatile items and holiday travel managed to move lower, from 4.1%yr to 3.9%yr.

Services inflation was a focus as this month's release provided the quarterly update on prices in this category of spending, giving an idea of the risks surrounding the Q1 CPI report. We view these risks as balanced, the lift in services inflation (3.7%yr to 4.2%yr) due to a stronger increase in education costs being largely offset by softer electricity and holiday travel prices (both monthly surveys). Hence, we have retained our forecast of 0.7% (3.4%yr) for Q1 CPI and continue to expect inflation to reach the top of the target range by the end of the year.

On the labour market, job vacancies were reported to have fallen 6.1% between November and February, a pace of decline more in line with the average seen in the middle of 2022. The survey was consistent with other data. Labour demand is moderating in response to the broadening economic slowdown, but there remains a substantial 'overhang' of vacancies relative to pre-pandemic levels. This is in line with our expectation for a continued deceleration in jobs growth through 2024, albeit while avoiding outright national declines in employment. On the labour market, Chief Economist Luci Ellis' essay this week explores productivity dynamics during and after the pandemic.

Offshore, markets took a breather in the absence of top-tier data.

In the US, total durable goods orders rose 1.4% in February thanks to orders for new non-defence transport equipment, particularly aircraft. Elsewhere in manufacturing, conditions are much weaker, core goods shipments and orders only marginally higher year-to-date.

The March regional Fed surveys also point to downside risks for activity ahead. The Richmond Fed Index declined to –11, with pessimism in new orders and the order backlog of note, while the Dallas Fed index fell to –14.4. The Dallas Fed's 'average employee work week' and employment components point to businesses in the region dealing with softening demand by cutting hours instead of laying off staff. Expectations of a soft landing should limit downside risks for employment over the year ahead.

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Week ahead & data wrap

Return to fiscal surplus delayed again

Westpac New Zealand's data on spending via Westpac issued debit and credit card data for the three months ending February confirm that household spending remains weak and that it's a tough time for the retail sector.

Spending was particularly weak on discretionary items. For example, spending on furniture, clothing, and restaurants all show consumers are keeping the purse strings tight. Even in sectors like groceries which have traditionally been more resilient to economic downturns, consumers have increasingly opted for value-for-money options over the nice-too-haves. We do see more resilience in the services sectors as the past year has seen a sharp rise in spending on airfares and travel related services reflecting a renewed appetite for travelling abroad as well as the ongoing recovery in inbound tourism.

Spending seems weak across most of the country. Wellington has been particularly hard hit, with ongoing nervousness about job prospects in the region a key driver. Spending in the top of the South Island, has also been weak with a softer labour market, and the effects of dry weather conditions on agriculture/horticulture production likely to be key factors. By contrast, spending in the Hawke's Bay and Gisborne was strong, although most of that reflects positive base effects associated with Cyclone Gabrielle in early 2023.

A softer tone was also evident in ANZ's business outlook survey for March. Business confidence in the economy and expectations relating to respondents' own activity fell. A lower, but significant proportion of firms still expect to be able to increase their prices over the coming three months. However, firms' expectations of year-ahead CPI inflation have moved lower and at 3.8% are now back to levels last seen in late 2021.

On a more positive note, the Westpac McDermott Miller employment confidence Index rose for a second consecutive quarter, with more New Zealanders feeling optimistic about the state of the labour market than those that are pessimistic. Not only are New Zealanders expecting better job prospects and improved job security, but they are also feeling more optimistic about a lift in earnings over the coming year as inflation recedes from recent highs. That said, perceptions about current job opportunities were again weaker, falling for a sixth straight quarter. This question is of particular interest to us because it tends to provide a good early read on unemployment, which in turn has implications for wage inflation and the future path of interest rates.

Meanwhile, the new Government's first Budget Policy Statement (BPS) has confirmed that the upcoming Budget will signal a markedly weaker fiscal outlook as well as a likely increase in the Government's borrowing requirement. The BPS also reaffirmed Government's commitment to delivering "meaningful" personal income tax cuts in the Budget, although no new details were provided on the magnitude or timing of that relief.

Details on operating spending allowances were similarly light. While there was confirmation that the allowance to be announced in the Budget would be less than the $3.5bn for 2024/25 originally set out in last December's Half-Year Economic and Fiscal Update (HYEFU), detail on operating spending allowances for subsequent years will only be revealed when the Budget is released at the end of May.

The Government has also committed itself to adding up to another $7bn to the Multi-Year Capital allowance, which is used to fund new capital investment over the four-year budget time horizon. This top-up alone could add a further $5bn to HYEFU projections of the government borrowing requirement over this timeframe.

Meanwhile, the Treasury has revised its own economic growth forecasts. It now expects real GDP growth of 0.1% for the 2023/24 fiscal year, which is significantly down on the 1.5% growth that was forecast in the HYEFU. Real growth is forecast to rise by 2.1% in 2024/25 and 3.1% in 2025/26 which although firmer than shown in the HYEFU, is still not enough to offset the sharply lower growth forecast for 2023/24. That, together with Treasury's lower forecast trajectory for inflation, suggests that nominal GDP will come in significantly lower across the forecast horizon, reducing cumulative Crown tax revenue by $13.9bn. Treasury forecasts that Crown tax revenue will be reduced by about $1.2bn in 2023/24 and that will ratchet up to $4.2bn by 2027/28.

At first blush, these updated tax revenue forecasts suggests that the Government will not achieve an operating surplus in 2026/27 or 2027/28. It is important to note, however, that these updates do not include Government's proposed personal income tax cuts or other possible sources of tax revenue. It also doesn't include spending cuts and any reprioritisation of expenditures to be announced in the upcoming Budget, as well as any further changes to Treasury's economic forecasts. All told, we expect Government will seek to forecast a small surplus in 2027/28, but it remains to be seen whether that will be achievable in Budget 2024.

The Government has also announced that it will adopt a narrower measure of net core Crown debt that excludes among other things investment assets held by the New Zealand Super Fund. It has also set itself the long-term goal of reducing this debt measure from around 44% of GDP forecast for 2023/24 – a level already relatively low compared to many advanced countries – to below 40%. Once there, the Government intends to maintain core net Crown debt in a range of 20-40% of GDP. The Government has set itself a long-term goal of achieving an operating (OBEGAL) surplus that is consistent with these net core Crown debt targets. In part it will do that by managing core Crown expenses down towards 30% of GDP from 33% at present.

In summary, the BPS confirms that the government borrowing programme is likely to be significantly increased when the Budget is released at the end of May. Given the extent of the downgrade to the tax revenue forecast, this could be as much as $15bn over the four-year budget time horizon. Much though will depend on decisions taken between now and the Budget in May, especially with regards to the magnitude and timing of tax cuts.

Paul Clark, Industry Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Tue 26	Q1 Westpac-MM employment conf	99.7	104.4	–
Thu 28	Mar ANZ consumer confidence	94.5	86.4	–
	Mar ANZ business confidence	34.7	22.9	–

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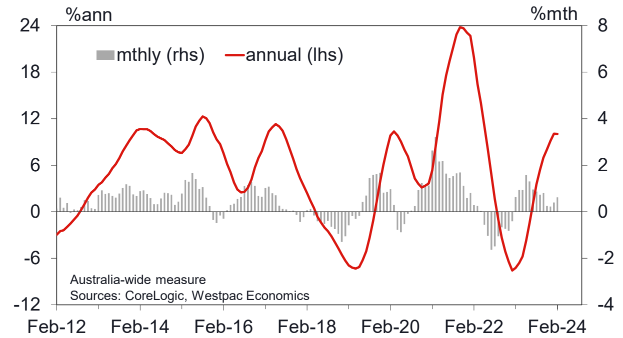
Aus Mar CoreLogic home value index, %mth

Apr 2, Last: 0.6%, WBC f/c: 0.6%

The CoreLogic home value index, covering the eight major capital cities, rose 0.6% in Feb, a slight up-tick on the 0.4% gain in Jan and the 0.2-0.3% gains in Dec and Nov. Annual price growth held around 10%yr. Momentum has come off since mid-2023, the slowdown centred on Sydney, Melbourne and, to a lesser extent, Brisbane, the RBA's Nov rate hike likely accentuating the moderation.

The CoreLogic daily index points to another 0.6% gain over the March month. Auction market activity has also been slightly firmer in the first few months of 2024 compared to late last year.

Australian dwelling prices



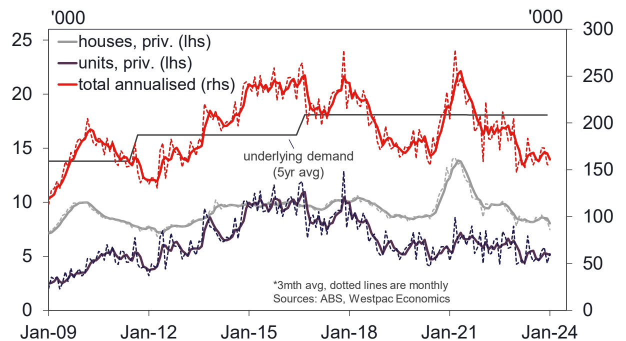
Aus Feb dwelling approvals, %mth

Apr 4, Last: –1.0%, WBC f/c: 3.0%
Mkt f/c: 3.0%, Range: flat to 5.0%

Dwelling approvals were weaker than expected in Jan, recording a 1% decline after a sharp 10.1% fall in Dec. While updates over the Christmas-New Year period should be treated with caution, the absence of a rebound from the Dec fall suggests approvals may be making a new trend move lower after bumping around what looked to be cycle lows through most of 2023. Total approvals are at very low levels, near the extremes seen during COVID, and prior to that, the lowest since 2012 and 50% below they will need to be in order to achieve the government's Housing Accord target in coming years.

The Feb approvals update will clarify the situation trend-wise. We suspect there is some seasonal noise in the recent updates that will unwind in the month, perhaps with some upward revisions as well. On balance we expect total approvals to post a 3% rise in Feb but the uncertain situation means there are significant risks either side of this number.

Dwelling approvals



Aus Feb trade in goods balance, $bn

Apr 5, Last: 11.0, WBC f/c: 9.7
Mkt f/c: 10.8, Range: 9.7 to 11.5

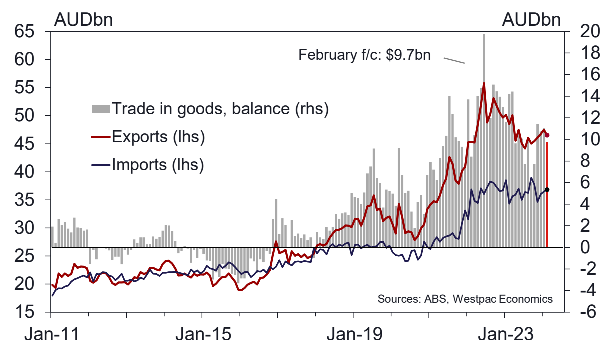
Australia's trade surplus for goods is down from the highs of 2022 but is still elevated, averaging $10.3bn per month throughout 2023 and beginning 2024 at $11.0bn.

For February, we anticipate a modest narrowing to $9.7bn, led by lower export earnings.

Export earnings are expected to decline, down by 2.1%, $1.0bn. Global commodity prices slipped, falling by about 2% in USD terms (to be broadly flat in AUD terms). Resource volumes potentially weakened. Iron ore shipments were disrupted by cyclone Lincoln and gold may have eased back from elevated levels. Shipments of coal and LNG may provide a partial offset.

On the import side, we've factored in a rise of 0.9%, +$0.3bn, with prices higher on the weaker AUD in the month.

Australia's trade in goods balance



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DATA PREVIEWS

NZ Feb monthly employment indicator, %mth

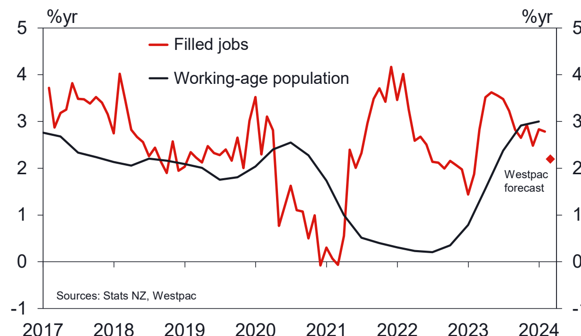
Apr 3, Last: +0.6%. Westpac f/c: 0.0%

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. (Note that this release was delayed by a week, after Stats NZ identified some issues with the supply of data.)

NZ monthly filled jobs growth



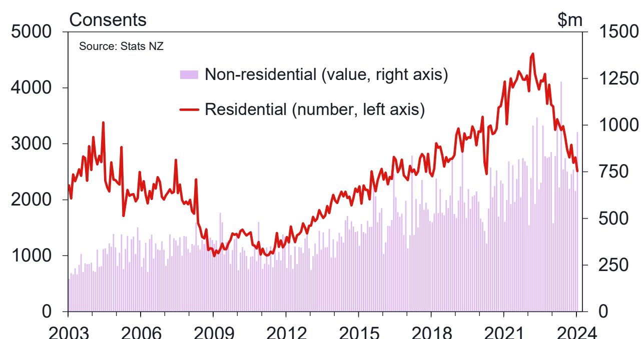
NZ Feb building consents, %mth

Apr 4, Last: –8.8 %. Westpac f/c: +5.0%

The number of new dwelling consents fell nearly 9% in January. Under the surface, the number of standalone homes being consented remains low. In addition, the number of townhouses and other medium-density developments being consented has fallen sharply, with developers reluctant to bring new projects to market given high financing costs and a slow market for sales.

We're forecasting a modest 5% bounce in consent numbers in February, with some of January's sharp drop in the more volatile consent categories likely to be reversed. However, that won't dislodge the longer-term downtrend in consent issuance. In annual terms, we expect consent numbers to slip below 36,000 for the first time since 2019.

NZ building consents



US Mar employment report

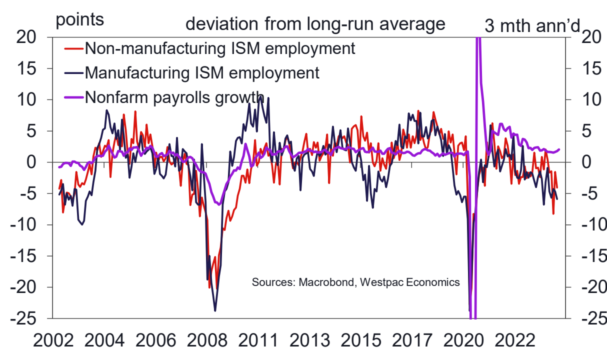
Apr 5, Nonfarm Payrolls, Last 275k, Mkt f/c: 216k, WBC f/c: 180k
Apr 5, Unemployment Rate, Last 3.9%, Mkt f/c: 3.8%, WBC f/c: 3.9%

Nonfarm payrolls continued to show strength in February, with 275k jobs created in the month. However, a 167k negative revision to the prior two months netted out much of February's gain and hours worked also fell over the year.

Household employment (the number of people employed versus payrolls' number of jobs) also signalled weakness, averaging a 299k decline per month for the past three.

This divergence between nonfarm payrolls and the other labour indicators is likely to close in coming months. Softer outcomes for employment will also slowly push the unemployment rate higher. The exact timing and scale of the uptrend is set to depend on participation's evolution.

Surveys point to downside risks for jobs



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For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 01					
Aus/NZ	Easter Monday	–	–	–	Public holiday; markets closed.
Jpn	Q1 Tankan large manufacturers index	12	10	–	Setting the tone for the year.
Chn	Mar Caixin manufacturing PMI	50.9	50.7	–	Stimulus and global structural growth to buoy in '24.
US	Mar ISM manufacturing	47.8	48.5	–	Employment indicator signalling downside for jobs.
	Feb construction spending	–0.2%	0.5%	–	A dwindling pipeline sees fewer projects in motion.
Tue 02					
Aus	RBA Minutes	–	–	–	RBA's commentary becoming more balanced.
	RBA Assist' Governor (Financial Mkts)	–	–	–	Speaking on "The Future for Monetary Policy Implementation".
	Mar CoreLogic home value index	0.6%	–	0.6%	Slightly firmer pace than Nov-Jan but still down vs. 2023.
	Mar MI inflation gauge %yr	4.0%	–	–	Provides a general view of risks.
	Mar ANZ job ads	–2.8%	–	–	Official data points to further declines ahead.
US	Feb factory orders	–3.6%	1.0%	–	Palsy durable goods to keep print near 0.
	Feb JOLTS job openings	8863k	–	–	Businesses taking down the 'help needed' sign.
	Fedspeak	–	–	–	Williams, Mester, Daly.
Wed 03					
NZ	GlobalDairyTrade auction (WMP)	–4.2%	–	–	GDT Pulse, futures prices down slightly on previous auction.
	Feb employment indicator	0.6%	–	0.0%	Surprising strength in Jan, not expected to be maintained.
Chn	Mar Caixin services PMI	52.5	–	–	Full impact of stimulus is yet to be felt.
Eur	Mar CPI %yr	2.6%	2.6%	–	Sticky services inflation drives most of inflation.
	Feb unemployment rate	6.4%	–	–	Labour market remains historically tight.
US	Mar ISM non-manufacturing	52.6	52.6	–	Employment indicator the focus.
	FOMC Chair Powell	–	–	–	Speaking at a Standford Forum.
	Fedspeak	–	–	–	Goolsbee.
Thu 04					
Aus	RBA Assist' Governor (Financial Syst)	–	–	–	Speaking at the COSBOA National Small Business Summit.
	Feb dwelling approvals	–1.0%	3.0%	3.0%	Feb to provide a clearer idea on the underlying trend.
NZ	Feb building permits	–8.8%	–	5.0%	Bounce after recent falls, annual downtrend still in place.
	Mar ANZ commodity prices	3.5%	–	2.0%	Strong lift in beef export prices.
Fri 05					
Aus	Feb goods trade balance $bn	11.0	10.8	9.7	Surplus to narrow, lower commodity prices a drag on exports.
Jpn	Feb household spending %yr	–6.3%	–3.0%	–	Wages growth to support spending, in time.
Eur	Feb retail sales	0.1%	–	–	Tight financial conditions dissuade consumers from spending.
US	Mar non-farm payrolls	275k	216k	180k	Likely to moderate and narrow gap to other indicators.
	Mar unemployment rate	3.9%	3.8%	3.9%	Unemployment rate to grind higher in 2024...
	Mar average hourly earnings %mth	0.1%	0.3%	–	... dampening wage growth.
	Feb consumer credit $bn	19.5	–	–	Some slowing occurring as financial conditions remain tight.

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Forecasts

Interest rate forecasts

Australia	Latest (28 Mar)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Cash	4.35	4.35	4.10	3.85	3.60	3.35	3.10	3.10
90 Day BBSW	4.34	4.37	4.12	3.92	3.67	3.47	3.30	3.30
3 Year Swap	3.81	3.95	3.85	3.75	3.65	3.60	3.55	3.50
3 Year Bond	3.63	3.75	3.65	3.55	3.45	3.40	3.35	3.30
10 Year Bond	3.97	4.05	3.95	3.85	3.90	3.90	3.95	4.00
10 Year Spread to US (bps)	-24	5	5	5	5	0	0	0
US								
Fed Funds	5.375	5.125	4.625	4.375	4.125	3.875	3.625	3.375
US 10 Year Bond	4.21	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	5.25	5.00	4.75	4.50
90 day bill	5.64	5.60	5.60	5.50	5.25	4.95	4.75	4.50
2 year swap	4.83	4.95	4.75	4.50	4.40	4.15	4.10	4.00
10 Year Bond	4.54	4.70	4.65	4.60	4.50	4.40	4.35	4.25
10 Year spread to US	33	70	75	80	65	50	40	25

Exchange rate forecasts

Australia	Latest (28 Mar)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6533	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD/USD	0.5995	0.63	0.64	0.64	0.64	0.65	0.65	0.65
USD/JPY	151.35	148	145	141	137	133	130	127
EUR/USD	1.0824	1.11	1.13	1.14	1.15	1.16	1.17	1.17
GBP/USD	1.2631	1.27	1.28	1.29	1.30	1.30	1.31	1.31
USD/CNY	7.2252	7.10	7.00	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.0902	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	2023	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	3.9	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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