WESTPAC MARKET OUTLOOK APRIL 2024.

AUSTRALIA AND
THE GLOBAL ECONOMY

WESTPAC INSTITUTIONAL BANK

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EXECUTIVE SUMMARY

Watching and waiting. Over the past month, in many cases it was a matter of marking time – for central banks and for markets. Inflation risks continue to dissipate in Australia and globally, recent data suggest. Central banks can see the light at the end of the tunnel but are not quite ready to signal the "all clear" with respect to inflation. We remain of the view that the US FOMC will commence easing rates in June and see this as a pivotal moment for markets. On the rate outlook for 2024, US FOMC Chair Powell continues to voice conditional support for the three rate cut median forecast of FOMC members. We anticipate that the US easing cycle will trigger the beginning of the next phase of the US dollar downward trend. Alongside this, we expect the Australian dollar to lift to 70 US¢ by end 2024.

The RBA Board left the cash rate on hold at its late March meeting, at 4.35%. The accompanying decision statement, the Governor's press conference and the minutes from the March meeting, communicated a shift in the Boards' thinking. At the March meeting, it seems that policy actions other than keeping rates unchanged were not on the table. The RBA is on hold, with the current level of the cash rate assessed as being just right, at least for the time being. The Board is giving itself maximum flexibility, "not ruling anything in or out". If events surprise, then the Board will respond accordingly. In our assessment, September remains the likely timing of the initial rate cut. By then, the Board will likely have enough assurance that inflation will continue to decline on the desired trajectory.

Australia: Australia's economy is expected to expand by a subdued 1.6% in 2024, then recover to an around–trend pace of 2.5% for 2025. Notably, growth slowed from a 2% annualised pace over the first half of 2023 to a tepid 1% pace over the second half. It is expected to edge up to a 1.3% pace over the first half of this year before recovering to a 2% pace over the second half of 2024, supported by less restrictive policy settings. Recall that in the December quarter 2023, domestic demand was particular soft, inching 0.1% higher, all of which was due to a lift in public demand. Much of 2023's weakness stemmed from the household sector. The triple squeeze on household incomes from a rising cost of living, increasing tax take and higher interest rates required households to respond, to rein in their spending. There is light at the end of the tunnel for households – with the triple squeeze to ease, particularly from mid–year, as is appropriate. Inflation is moderating, Stage 3 income tax cuts commence on 1 July and interest rate cuts are ahead.

Commodities: Falling coal and iron ore prices drove our commodities index down 4% since our last report. However, this is masking solid price gains experienced by some base metals and crude oil, both of which are facing meaningful supply constraints. Copper rallied as negative fundamentals fade and mine production disappoints, a negative for the supply outlook and so a positive for prices.

Global FX markets: The US dollar has, once again, held to a tight range this month as market participants continued to trust in US growth momentum and remained hesitant to call an end to inflation risks. Still the data continues to point to success for the FOMC and other major central banks, and consequently an outlook that favours risk currencies over the US dollar. The run to the first cut by both the FOMC and ECB, which we continue to see occurring in June, is likely to herald the beginning of the next leg lower for the US dollar.

New Zealand: The New Zealand economy has contracted in four of the last five quarters, with weakness in activity continuing in the early part of 2024. That slowdown has moved the economy into a position of better balance, with inflation dropping back. However, the easing in inflation looks set to be more gradual than the RBNZ expects, including persistence in domestic inflation pressures. As a result, the start of rate cuts remains some way off.

United States: March's FOMC meeting highlighted the confidence the Committee has in activity growth, but also in the return of inflation to target. While disinflation from here will potentially be a little slower, as the risks around both current and anticipated inflation are abating, the FOMC will soon be able to throttle back on the restrictiveness of policy. Still, we expect the FOMC will have to keep policy modestly restrictive into the medium-term owing to capacity constraints, alongside ongoing fiscal policy expansion.

China: As the new lunar year proceeds, the foundation for activity growth rests heavily on business investment and trade, as was the case through 2020–2023. However, increasingly there is evidence of greater resilience amongst households and nascent opportunities for employment and income gains. It is important to remember that Chinese consumption is not ever driven directly by fiscal support. Instead, gains in household spending come indirectly, as a result of growth in the industrial sector and the income it creates. The shape of further policy support will therefore be crucial.

Asia: India's robust economic growth has been fuelled by investment. Future growth can be supported by credit growth facilitated by non–banking financial companies (NBFCs) catering to underserved segments. Credit penetration is low compared to global standards and credit expansion, particularly in sectors like micro and small businesses, presents opportunities for India's growth.

Summary of world GDP growth (year average)

Real GDP %ann*	2019	2020	2021	2022	2023	2024f	2025f
United States	2.3	–2.8	5.9	2.1	2.5	2.6	1.4
China	6.0	2.2	8.4	3.0	5.2	5.2	5.0
Japan	–0.4	–4.2	2.2	1.0	2.0	0.7	1.0
India	3.9	–5.8	9.1	7.2	7.7	6.5	6.5
Other East Asia	3.8	–2.3	4.3	4.5	3.4	4.1	4.2
Europe	1.6	–6.1	5.6	3.3	0.4	0.5	1.5
Australia	1.8	–2.1	5.6	3.8	2.1	1.3	2.2
New Zealand	3.1	–1.5	6.1	2.4	0.7	0.5	1.6
World	**2.8**	**–2.8**	**6.3**	**3.5**	**3.3**	**3.3**	**3.1**

Sources: IMF, Westpac Economics. Aggregates weighted using purchasing power parity exchange rates.
***Year average growth estimates,** the profile of which can differ from that of the 'growth pulse'.

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.

RBA on hold, ruling nothing in or out …

The RBA Board left rates unchanged in March.

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

In the decision statement, 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 the month prior. The second, the elimination of the language 'and will do what is necessary to achieve that outcome'.

A shift in the Board's thinking is evident from the decision statement and the minutes.

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.

The RBA is on hold.

The data had turned out broadly as expected, as indicated in the minutes of the late-March meeting (the last in the Martin Place building), which supported keeping the cash rate on hold. Unlike the February minutes, there was no mention of multiple policy options. While the Board endorsed the language of not ruling anything in or out, it seems that policy actions other than keeping rates unchanged were not on the table at this meeting. The current level of the cash rate is assessed as being just right, at least for the time being.

No other policy options were considered in March, it would appear.

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 decision statement 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 US. 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 current level of the cash rate is just right, for now.

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, 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.

Wary of potential surprises, the Board is "not ruling anything in or out".

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.

By September, we expect enough evidence that inflation has been tamed …

Policy was still assessed as restrictive, as indicated in the minutes from the March meeting, so at some point the policy rate will need to decline to prevent inflation from declining so far that it starts undershooting the target. But unlike its peers overseas, the Board is not ready to talk about this decision yet. The minutes again highlighted that interest rates had peaked at a lower level than in some peer economies, and that this reflected the Board's intention to preserve the gains on employment made since the pandemic period.

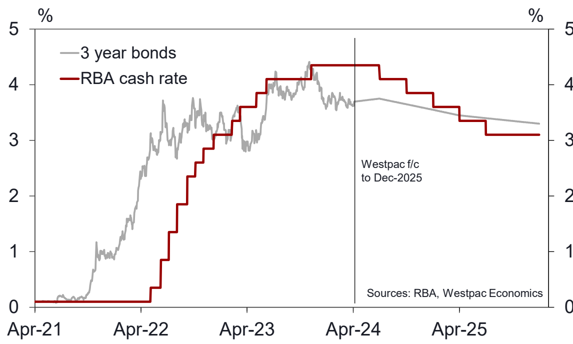
… giving the RBA Board the confidence to begin lowering rates from current highs.

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.

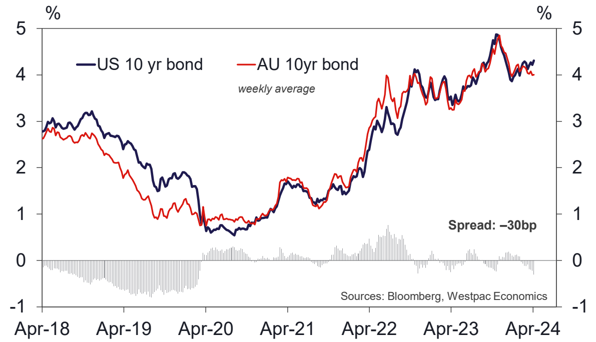
Luci Ellis, Chief Economist

… September remains likely timing of initial rate cut

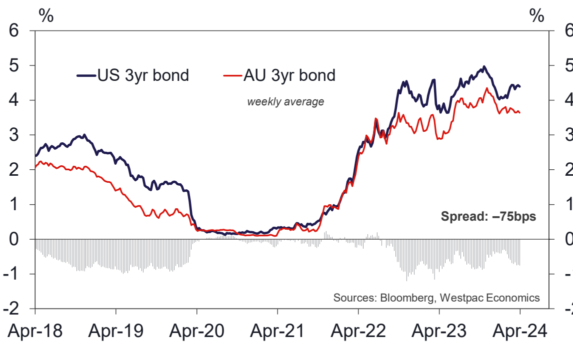
RBA cash rate and 3 year bonds



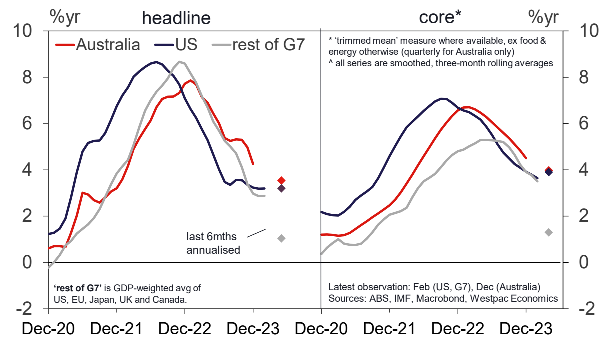
Aussie 10 year bonds move below US yields



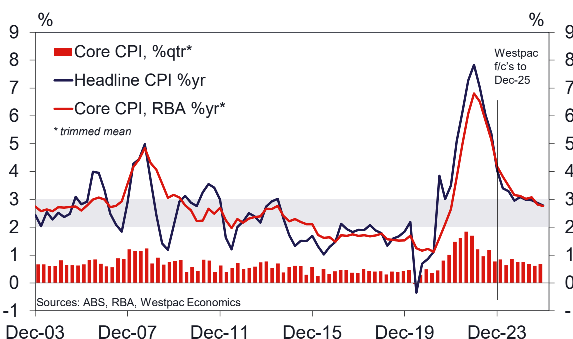
3 year spread to US back to mid-2023 levels



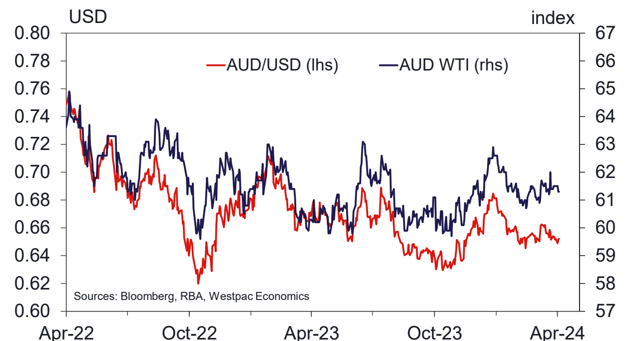
Pace of global disinflation



CPI inflation, trending back to target



AUD/USD & AUD TWI



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Marking time in the slow lane ...

Australia's economy shifted to the slow lane in the second half of 2023 ...

We continue to expect Australia's economy to expand by a subdued 1.6% in 2024, then recover to an around-trend pace of 2.5% for 2025. Notably, growth slowed from a 2% annualised pace over the first half of 2023 to a tepid 1% pace over the second half. It is expected to inch up to a 1.3% pace over the first half of this year before recovering to a 2% pace over the second half of 2024, supported by less restrictive policy settings.

The big-picture themes from the national accounts for the December quarter were largely as expected. The Australian economy is soft, expanding just 0.2% in the December quarter and 1.5% over 2023 as a whole. Domestic demand in the quarter was weaker still, especially in the private sector. All of the 0.1% increase in domestic demand in the period came from the public sector.

... with growth throttling back to a tepid 1% annualised.

Much of 2023's weakness stemmed from the household sector. Consumption has been weak, and this remained the case in the December quarter, with growth of only 0.1%qtr, 0.1%yr. Discretionary spending continues to decline, although shifting seasonal patterns are obscuring the trend in retail spending moving into 2024. Consumption per person has been falling in Australia, unlike in most peer economies – no wonder consumers are so downbeat

For some time we have highlighted the income pressures faced by households. The triple squeeze of a rising cost of living, increasing tax take and higher interest rates has required them to respond.

Weakness stems from the household sector ...

As the focus increasingly turns to fiscal policy, ahead of the annual Federal Budget on May 14, it is notable that it has been less recognised that the squeeze from rising taxation as a share of income has been greater than from rising net interest payments (indeed, the ABS revised down the interest flow series this week, relative to previous releases). This does not mean monetary policy has done little to slow the economy or combat inflation – there are other channels of monetary policy transmission beyond the immediate effect on household cash flows – but it does put the role of fiscal policy, and particularly bracket creep, into perspective.

There is light at the end of the tunnel for households. As inflation has declined, the squeeze on real household incomes from this source has diminished. The drag from taxation and net interest payments also eased a little in the final quarter of 2023, although some of the former might reflect timing effects for tax return lodgements rather than a sustained shift, and the latter has yet to fully capture the effects of the RBA's November cash rate on net payments.

... impacted by the triple squeeze of rising costs, increased tax & higher rates.

Notably, the net result saw real household disposable income increase in the December quarter. It was only barely above the level a year previously, though. And once growth in population over the same period is accounted for, real household disposable income is still going backwards – having now returned to around 2019 levels.

Inflation's grip on households' spending power will continue to ease over the course of 2024. That is the desired outcome. With the Stage 3 income tax cuts commencing on 1 July – and, we believe, some reductions in the cash rate – coming in the second half of the year, the 'triple squeeze' will truly begin to unwind.

There is light at the end of the tunnel for households ...

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

Outside of the household sector, the accounts showed softness spreading to some other cyclically sensitive areas.

... the squeeze on households is set to ease, particularly from mid-2024 ...

New home building activity contracted in the December quarter, by –3.5%qtr, –1.2%yr. While other factors are also at play, including sharp rises in building costs, the softness is partly a response to the higher interest rate environment and, for the RBA, a clear sign that housing supply problems are set to continue. The home renovation segment also weakened in the quarter. Prospects are for some further softening of home building activity in 2024, ahead of an emerging recovery in 2025 as policy becomes less restrictive and housing prices continue to rise in most cities.

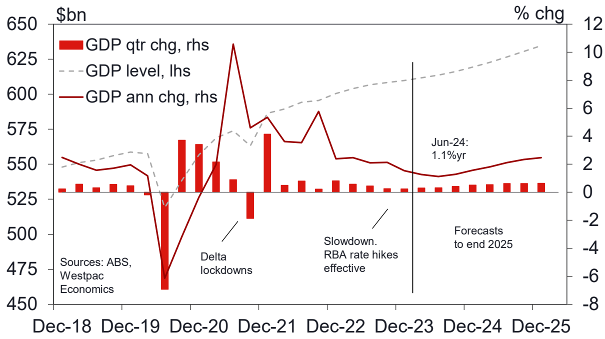
... as policy appropriately pivots to a less restrictive stance.

Businesses have also adjusted to slow demand. Some of them have run down their inventories, while investment in new equipment also declined in the quarter. Consistent with our forecasts, the resilience that was believed to have prevailed in the first half of 2023 has not carried through into the second half. Activity in non-residential construction has held up, and opportunities in energy transition, resources and elsewhere remain. But with ongoing cost pressures and soft demand, many businesses would understandably seek to delay or rationalise their spending on new equipment. Moving through 2025, business investment is set to recover, as firms respond to the emerging economic upswing and supported by business balance sheet strength.

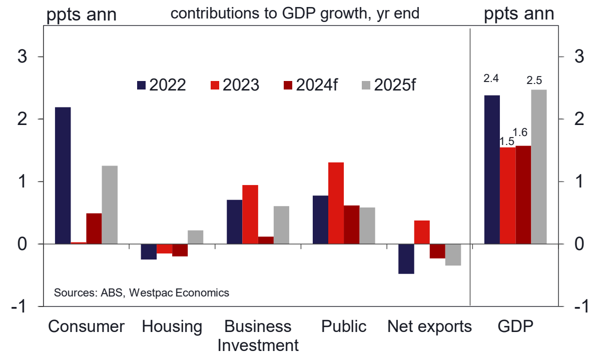
Luci Ellis, Chief Economist

... awaiting green light from policy relief

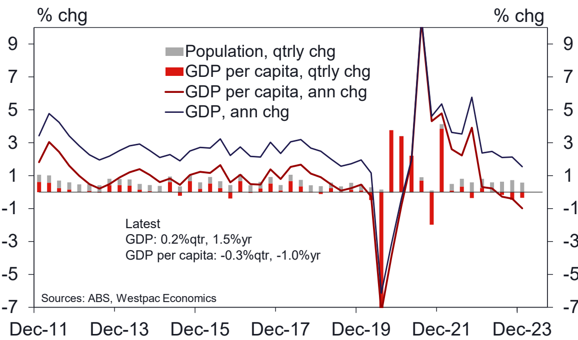
Australian economy, growth slows to a crawl



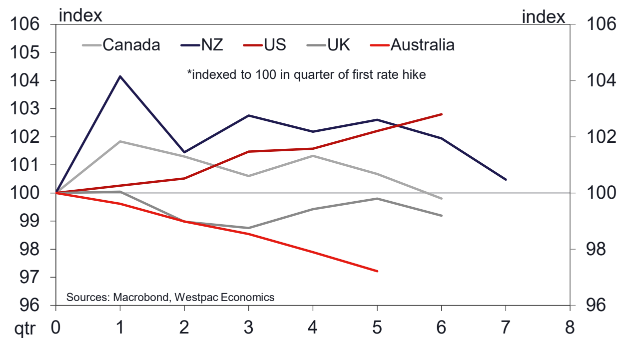
Australia: the growth mix



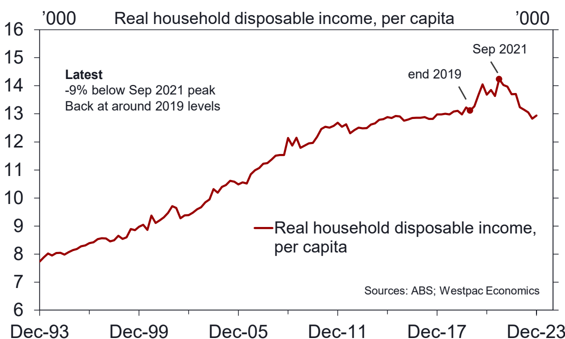
Australia: per capita output declines



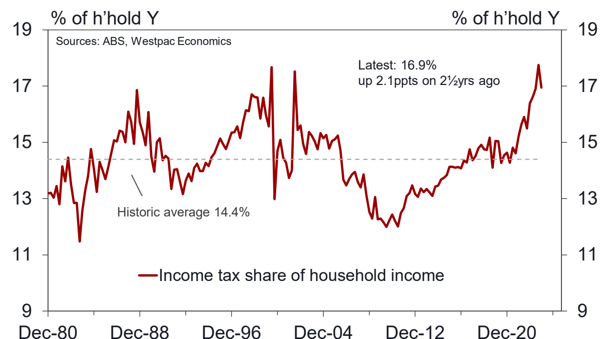
Consumption per capita: Australia vs peers



Household disposable income takes a hit



Household income tax climbs to historic high



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While bulk commodities are under pressure ...

Falling coal and iron ore prices are driving our commodities index lower.

There was a solid drop in the broad commodities market through March with our broad commodities index (Westpac Export Price Index) falling 4% since our last report. The largest correction was in met coal which lost more than 19% in the month followed by iron ore which lost 11%. However, the correction in iron ore has being ongoing with prices down 6% in the year while met coal is down just 1% compared to where it was a year ago. By contrast, thermal coal lost less than 2% in the month but is down almost 31% in the year having started its correction much earlier than the other two. As always in the commodities market, while some prices may be falling others are rising. On the back of ongoing conflict in the Middle East, crude oil prices lifted more than 7%. This, alongside the pushing back of rate cut expectations by the Fed, lifted gold prices 4% to a new record high. Our base metals index was up 1% in the month but it was much more mixed for individual metals; the correction in nickel continued, falling around 7% (see our previous update for more on the nickel market) to now be down 30% in the year, while copper lifted 4% in the month and aluminium gained 6%.

However, this is masking solid price gains experienced by some base metals ...

While not perennial copper bulls, our longer term view on the red metal has a very constructive foundation based on rising demand from the electrification as the world de-carbonises. However, so far in 2024 base metals have faced some fundamental headwinds, including: (1) the hoped-for improvement in China macro/property data failed to materialise at the expected pace; (2) a sustained lift in US/EU demand, and the restocking of inventories, was not as robust as the market has assumed; and (3) expectations for Fed rate cuts have been pushed back further into the year. In contrast, the supply side for copper is looking far more constructive, in that conditions have tightened, with material downgrades to 2024 mine production guidance. What has also capped the upside for copper prices, so far this year, has been the strong production of refined product in the face of above mentioned lacklustre demand. As shortages of concentrate bites, and refiners cut back on output at the same time as demand firms due to restocking, then copper is set to find further support in the second half of 2024.

... and crude oil, both of which are facing meaningful supply constraints.

There are some risks to this view, of which the most pertinent is the under-supply assumption that underpins our copper forecasts. It is possible that Cobre Panama could restart sooner than expected, while the rest of the industry could also outperform expectations. However, both these events are not supported by industry history which suggests such an outcome is very unlikely. At the same time, we note that the copper project pipeline continues to shrink. Getting copper projects off the ground is becoming increasingly difficult and through recent history, we continue to observe that miners are consistently overly optimistic about potential project starts and copper production growth. This lack of compelling supply growth has seen us revise up our copper forecasts, from US$8,200 at end-2024 and US$9,100 end-2025 to US$9,000 and US$9,700 respectively.

Copper rallied as negative fundamentals fade and mine production disappoints ...

We have been watching the ongoing correction in the Chinese iron ore market and, at least for now, hold our end 2024 forecast of US$82/t. This week saw the benchmark iron ore price drop below US$100/t, hitting US$99/t on weak sentiment in regards to Chinese demand (despite stronger PMI read in March) and on ongoing soft fundamentals which includes rising iron ore port inventories, tight or negative steel margins (despite the fall in iron ore and met-coal prices), depressed blast furnace utilisation rates and the CISA reporting weak crude steel production up to mid-March. In addition, iron ore shipments from traditional markets are up more than 2% year to date – while Australian and South African exports have been below par, strong Brazilian exports have more than made up for the laggards. It has also be reported that last week, a net long position on the Dalian market turned into a net short position.

... a negative for the supply outlook and so a positive for prices.

As we noted earlier, this month saw a rally in aluminium which can be related back to recent supply constraints. It has been reported that nearly 1.17mt of aluminium capacity in China's Yunnan province has been idled since November and the recent improvement in energy supply will only see 520kt of it restarted by November if all goes to plan. However, earlier this week, the Ministry of Water Resources initiated a level IV emergency response for drought prevention in the Yunnan and Sichuan provinces. Some companies have been resuming production, but due to concerns about power, the pace has been slow. Rainfall is likely to remain low in April and May.

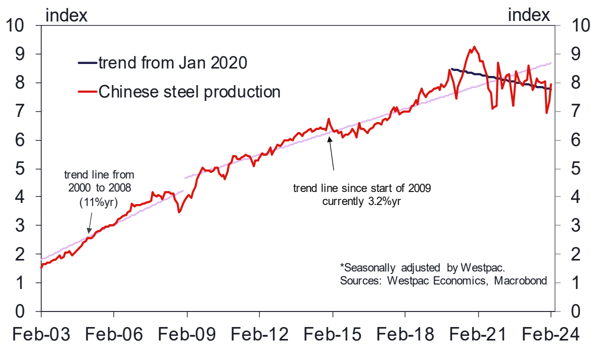
Conflict and political manoeuvring is restricting crude oil supply.

Our colleague Robert Rennie has argued for some time that Brent should be testing the upper end of the $85-$90 range given the underlying tightness in product markets. Now we have hit that range, the risk is that crude oil prices could extend further. Why? The Mexican oil producer Pemex is planning to cut exports ahead of the June 2 Mexican Presidential election as part of a plan to produce more domestic gasoline and diesel. Iran spoke of responding to Israel after an air strike on its embassy in Damascus, with their recent OPEC Ministerial Meeting seeing it maintain current output quotas. Robert also noted that global refined product inventory has fallen in 9 of 12 weeks so far this year to be back to the July 2022 low. With the shift to 'kinetic energy wars' in the Russia/Ukraine conflict adding to the risks of product shortages, it is hard not to see why we might hit fresh highs in the coming weeks.

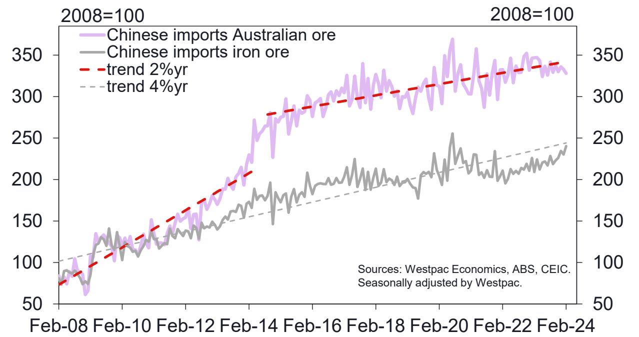
Justin Smirk, Senior Economist

... base metals & crude oil rallied on supply constraints

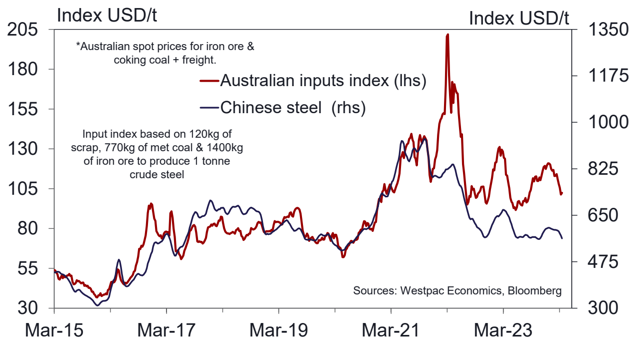
Chinese steel trend decline since 2020



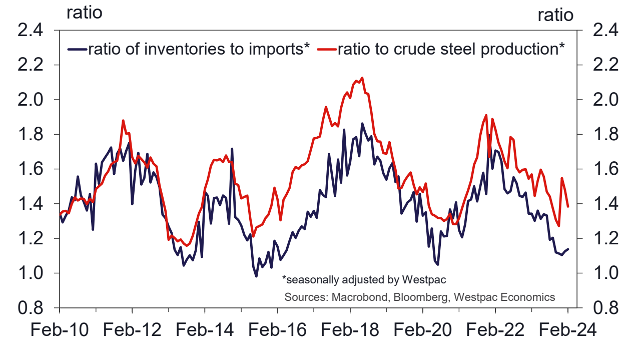
Chinese imports from Australia peaked in 2020



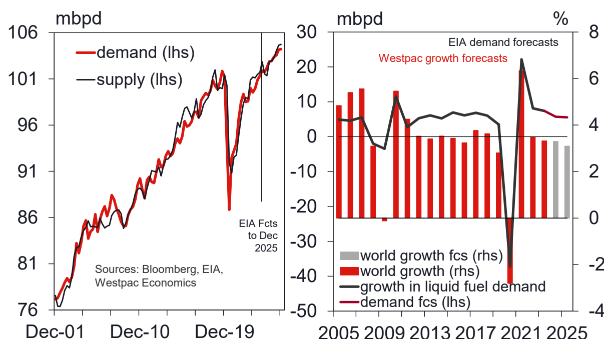
Steel inputs vs. Chinese steel prices



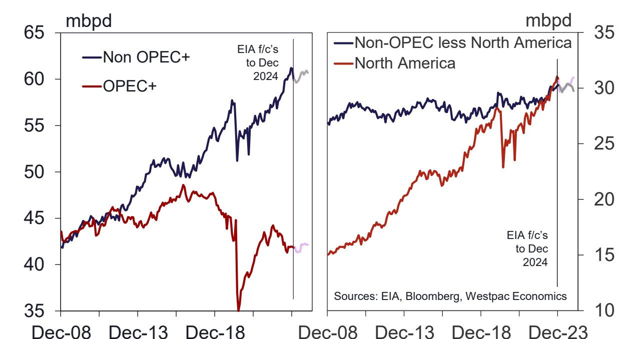
Chinese ore inventories at ports



Crude market tightness set to fade into '25



OPEC+ has tightened supply, non-OPEC lifts



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USD marks time pending …

The US dollar has, once again, held to a tight range this month …

Over the past four weeks, the US dollar DXY index has again held to a tight range between 102.8 and 105.0, albeit with a bias to the upper half of that range. Until key global central banks, led by the US FOMC, signal the 'all clear' with respect to inflation, the US dollar is likely to continue marking time. However, as the date of the first cut nears (June remains our expectation), the next phase of the dollar downtrend will begin.

… as the market remained confident in US growth and cautious regarding inflation.

On the whole, US data over the past month has been consistent with a slowing economy and dissipating inflation risks. Nominal retail sales are down modestly year-to-date; and, even though services spending has been robust, growth in real personal consumption through January and February was around 0.2% against circa 1.0% increases in both the September and December quarters of 2023. Worthy of note is that the comparatively weak consumption growth of early-2024 outpaced income growth, requiring households to reduce their savings rate. The business investment outlook also looks to be challenged despite financial support from the Inflation Reduction and CHIPs Acts; and, while they firmed in March, the ISM employment indicators still point to outright job loss, in stark contrast to nonfarm payrolls.

Growth elsewhere has also not been strong enough to act as a trigger for the USD.

The impact on DXY of these outcomes has been negligible to date because growth in Europe and the UK remains absent, while Japan sits on the cusp of recession. Participants are also still pre-disposed to worrying about inflation and the timing of rate cuts despite success to date and many FOMC officials (including Chair Powell) continuing to voice conditional support for the three rate cut median forecast of members – a full discussion of the Committee's views as of March 2024 can be found on page 14.

Looking ahead, our USD base case and the risks skew down.

With the market now pricing in slightly less than the three cut median view of the FOMC for 2024, in our view, the most probable course for the US dollar lay to the downside. Risks are also arguably skewed.

From 104.1 today, we see DXY declining back through the 103.0 level seen at the time March Market Outlook went to press to 101.8 by end-June in anticipation then response to the FOMC and ECB's first cuts in June. If our view that US growth will slow below trend through mid-2024 is correct, then increasingly the FOMC will need to take a defensive posture against downside activity risks by continuing to cut. As policy easing accumulates, greater weight will be placed on the US dollar particularly if, as we expect, growth prospects for Europe, UK and Japan begin to strengthen.

Euro is most likely to drive the next move lower in USD …

Of the DXY constituent currencies, Euro arguably has the greatest capacity to advance, from USD1.08 today to USD1.11 at June, USD1.14 come December 2024, then USD1.17 by December 2025. This is because Europe has a greater exposure to Asia's economic development and the global green transition versus the UK or Canada; but also as the Euro was so hard hit by market concerns over inflation and energy disruptions in 2022 and 2023. The USD1.17 we see at the end of the forecast period is broadly in line with Euro's 10-year average level, so the risks for Euro should be considered broadly balanced.

… with risks for the UK and Sterling to continue to press.

With less trade opportunities before them and the risk of persistent service inflation, UK's Sterling is only seen edging higher from USD1.26 to USD1.27 at June and USD1.29 by December 2024 then USD1.31 come December 2025. Growth outperformance paired with the apparent inflation risks could see a stronger profile emerge; however, UK growth disappointing while inflation remains stubborn is more probable – a neutral to negative outcome for Sterling relative to Euro.

Japan's Yen should receive considerable benefit from lower US interest rates …

Whereas we see relatively balanced risks for both Euro and Sterling, for Japan's Yen they are likely to remain heavily skewed against. Our base case is still that the rate cuts delivered by the US sufficiently narrows the rate differential to justify USD/JPY declining from JPY151 currently to JPY148 at June, JPY141 at December 2024 and JPY127 come December 2025. Compared to the 2017-2019 average of JPY111, risks for USD/JPY look skewed to the downside. Yet we suspect this is unlikely to prove the case. Instead, around our baseline view, uncertainty is likely remain skewed upward or come into balance. The reason being that the BoJ remains reactive and cautious in its approach to policy, and there is considerable uncertainty over the sustainability of wage gains and consequently inflation's ability to hold around the 2.0%yr target into the medium term.

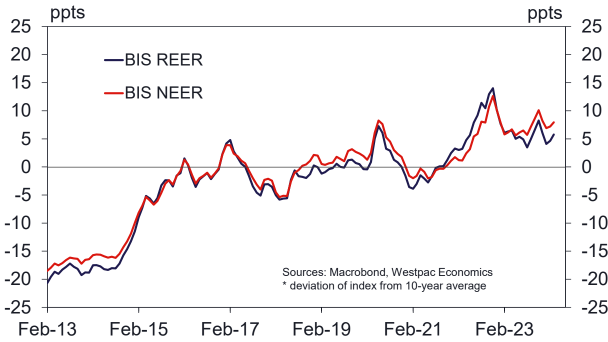
… but we expect it to hold well above pre-pandemic levels with the BoJ reticent.

Other key Asian currencies await confidence in global growth. Only once this is in place will a sustained uptrend in the likes of China's Renminbi and India's Rupee proceed. For the Renminbi, we expect USD/CNY to fall from CNY7.23 to CNY7.10 at June, 6.90 by December 2024 then 6.50 come December 2025. The Rupee should follow a similar path, from INR83 to INR81 at June then INR78 by December 2024 and INR74 December 2025.

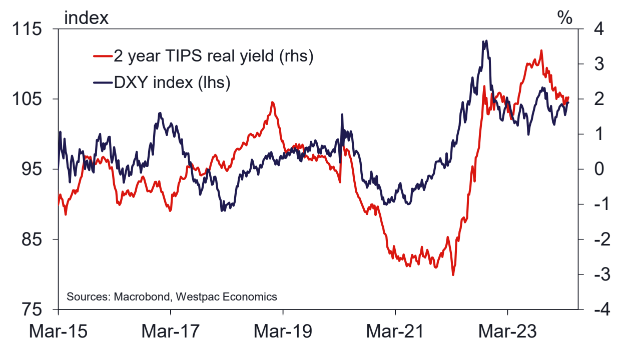
Elliot Clarke, CFA, CAIA, Senior Economist & Illiana Jain, Economist

... further information

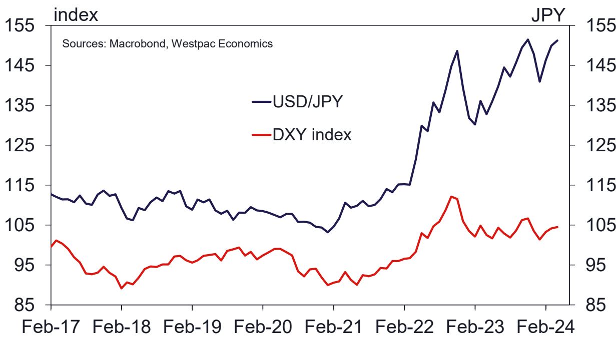
USD historically elevated on broad basis



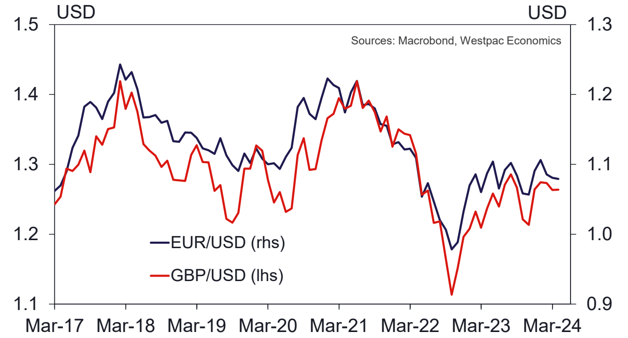
But US real yields support for USD wavering...



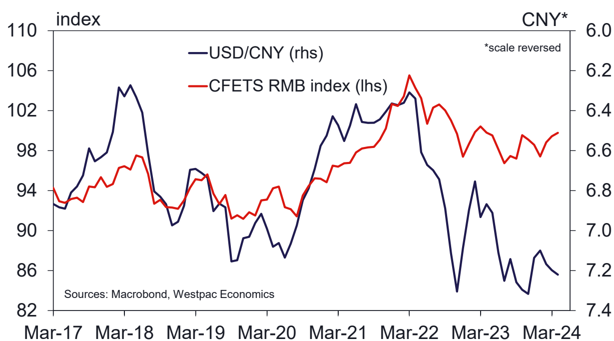
... except against Yen given BoJ's patience



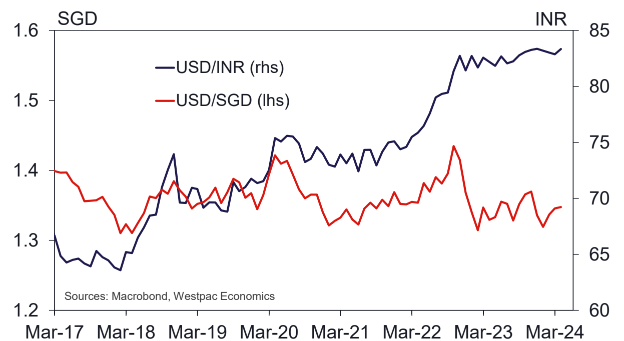
EUR negatives should fade in 2024



Renminbi 'weakness' USD-centric



Rest of Asia well positioned for growth



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Economic conditions have weakened ...

The New Zealand economy has contracted in four of the last five quarters.

The heat has come out of the New Zealand economy, with the latest GDP figures showing that economic activity contracted by 0.1% in the December quarter of 2023. That followed a 0.3% fall in the September quarter and was the fourth decline in economic activity in the past five quarters. The weakening of economic activity is even more striking given that New Zealand's population has grown by nearly 3% over the past year. In per capita terms, economic output fell 0.7% in the December quarter, and it's fallen by 3.1% over the past year.

The downturn has been centred on goods-producing sectors.

Looking across sectors, the December quarter saw declines in retail, wholesaling, manufacturing and residential construction. That was partly offset by gains in service sectors, though even here growth was patchy. Finance, rental services and professional services saw solid gains, but transport and recreational services were down. The biggest lift was in public administration (up 2.8%), though it's likely that at least some of this related to the October election and won't be repeated.

Weakness in activity has continued in the early part of 2024.

Economic conditions have remained weak in the early part of 2024. Recent months have seen retail sales remaining sluggish, a further drop in dwelling consents, and weak forward orders in sectors like manufacturing. Similarly, in the agricultural sector many farmers have faced low export prices and continued increases in operating costs. Our own discussions with businesses have also highlighted increasingly tough trading conditions right across the country, with mounting pressure on businesses' margins and a slowdown in hiring. Providing some offset from those conditions is the continuing recovery in international visitor arrivals, which has been a welcome relief for many businesses in the hospitality sector. But on balance, the economy remains on course for a period of weak economic growth over the year ahead. Even with continued strong population growth, we're only forecasting GDP to grow by 0.4% over 2024.

That downturn has moved the economy into a position of better balance.

While the economy is clearly losing steam, that follows a period of rapid growth in the wake of the pandemic that pushed the economy well beyond its non-inflationary limit. The slowdown that we're now seeing means that, rather than being weak in an absolute sense, the economy is moving back into a position of better balance. That's most clearly evident in the labour market – while unemployment has pushed higher, at 4% it is still historically low.

Inflation is cooling ...

The slowdown in GDP growth means that the economy is now in a slightly softer position than the RBNZ anticipated at the time of its February policy statement. At the same time, inflation is dropping back, having already fallen from rates of over 7% in 2022 to 4.7% at the end of last year. We expect that inflation will continue to decline over the coming year as economic activity continues to ease. However, we expect that easing will be more gradual than the RBNZ has assumed.

... but more gradually than the RBNZ expects ...

Looking specifically at the March quarter, the RBNZ's most recent published forecast for inflation assumed a muted 0.4% rise in prices. In contrast, we're expecting a larger 0.8% increase. It's true that we have seen softness in some prices in recent months. Most notably, prices for fresh fruits and vegetables have fallen 2.8% in the first two months of the year. However, inflation pressures more generally look like they're holding up. In part, that's due to firmness in imported prices. For instance, the early part of the year often sees a sharp seasonal fall in international travel costs, which didn't occur this year.

... including persistence in domestic inflation pressures.

More importantly, domestic inflation pressures look like they are running hotter than the RBNZ is expecting: while the RBNZ is forecasting a 1.1% rise in non-tradables prices, we expect a larger increase of 1.4%. Stats NZ's monthly price data has already shown a sizeable 6.4% lift in cigarette and tobacco prices (4% of the CPI). We've also seen solid increases in housing rents (9% of the CPI, up 0.3% in January and 0.4% in February), with alcohol prices also pushing higher. Given those movements, the RBNZ would need to see a sharp slowdown in inflation in other categories. But that doesn't seem to match what we're seeing in terms of wage pressures, or the feedback we've received from businesses about continued cost pressures.

With a gradual easing in inflation ...

We also see the risk that inflation beyond the current quarter will ease more gradually than the RBNZ is assuming, particularly in the case of domestic inflation. Surveys of businesses have highlighted lingering pressure on operating costs. The coming years are also likely to see sizeable increases in some administered prices, such as local council rates.

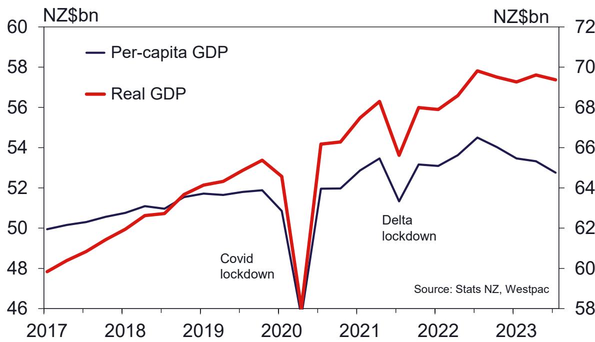
... the start of rate cuts remains some way off.

The risks for inflation aren't all to one side. Consumer spending is softening, especially on imported durable items, which could see related softness in those prices. At the same time, the labour market is softening in response to the downturn in economic activity as well as reductions in Government spending, and that's starting to see wage growth cooling. Even so, we still see the risks to the RBNZ's inflation forecasts as being to the upside, with inflation not expected to return to 2% until early 2026. Consistent with that, we don't expect OCR cuts to begin until early 2025. In contrast, markets have fully priced the first OCR reduction by August of this year.

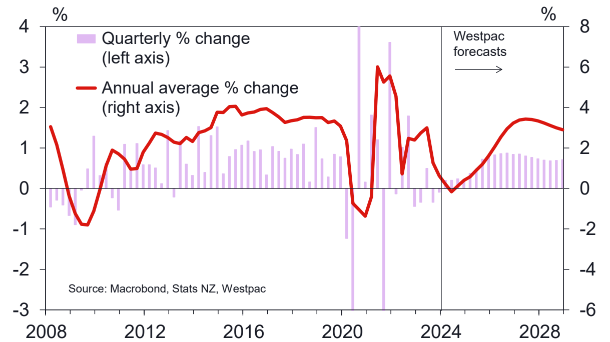
Satish Ranchhod, Senior Economist

… but the easing in inflation will still take time

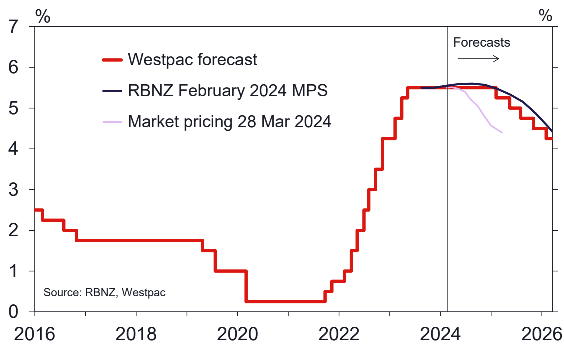
Level of quarterly GDP



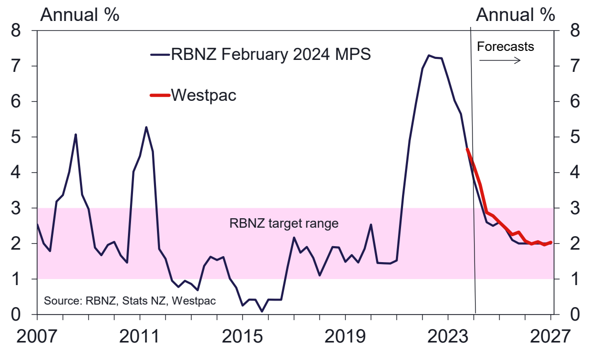
GDP growth



Official Cash Rate forecasts



CPI inflation



	2023									2024		
Monthly data	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
REINZ house sales %mth	6.9	3.6	3.9	-6.4	7.4	-0.7	-11.7	3.0	3.8	-6.3	13.9	–
Residential building consents %mth	-2.7	-2.9	2.4	-5.5	-7.3	-4.5	8.2	-10.6	3.9	-8.6	14.9	–
Electronic card transactions %mth	0.8	-2.2	1.4	-1.1	0.8	-0.2	-0.3	0.8	-0.5	1.8	-1.9	–
Private sector credit %yr	3.3	3.0	3.0	2.8	2.6	2.4	2.5	2.1	2.2	2.4	2.5	–
Commodity prices %mth	-1.7	0.4	-1.7	-2.6	-2.9	1.4	2.8	-1.3	2.4	2.1	3.6	-1.3
Trade balance $m	-1396	-966	-692	-1486	-812	-1077	-854	-869	-848	-398	-684	–

Quarterly data	Q4:21	Q1:22	Q2:22	Q3:22	Q4:22	Q1:23	Q2:23	Q3:23	Q4:23	Q1:24
Westpac McDermott Miller Consumer Confidence	99.1	92.1	78.7	87.6	75.6	77.7	83.1	80.2	88.9	93.2
Quarterly Survey of Business Opinion	-2	-6	-1	4	-15	-10	-13	-17	6	–
Unemployment rate %	3.2	3.2	3.3	3.3	3.4	3.4	3.6	3.9	4.0	–
CPI %yr	5.9	6.9	7.3	7.2	7.2	6.7	6.0	5.6	4.7	–
Real GDP %yr	5.6	4.6	0.7	2.5	2.4	2.7	3.0	1.3	0.6	–
Current account balance % of GDP	-5.8	-6.6	-7.9	-8.3	-8.8	-8.2	-7.6	-7.4	-6.9	–

Sources: ANZ, Statistics NZ, REINZ, RBNZ, NZIER, Westpac Economics.

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Proof of capacity necessary ...

Lunar New Year always distorts activity at the start of the year.

The variable timing of Lunar New Year during January and February makes assessing the health of China's economy early each calendar year a challenge. In this particular instance, this is all the more the case as expectations are so heavily skewed to the downside, material upside surprises necessary to convince the market that the tide 'might' be turning. At the time of print, most official data is available to February, the NBS' PMIs being the exception with March just released.

Over January/February, the data largely continued 2023's key trends. On investment, the property sector continued to disappoint, construction down 9% year-to-date but offset by strong contributions to the aggregate pulse from infrastructure and high-tech manufacturing.

As best assessed, growth continues to be driven by business investment ...

Regarding the near-term investment outlook: aggregate finance is neutral, being broadly in line with 2023 year-to-date; while leads for the property sector are outright weak, house prices continuing to contract and sales beginning 2024 more than 30% below January/February 2023. However, the trade balance continued to signal considerable promise for business investment, the 2024 surplus 20% larger than 2023 year-to-date, principally owing to growing demand for Chinese goods across Asia and within their own domestic market.

... and trade, although ...

While the NBS manufacturing PMI registered subdued outcomes in January and February, it improved markedly in March, rising from an average of 49.1 to 50.8. The composition was also constructive for growth through mid-year, with new orders strengthening more than production in the month, pointing to a further acceleration in activity in April. Consistent with the trade data, the lift in new orders looks to be skewed towards foreign demand.

... the consumer is showing greater resilience and promise.

The capacity of Chinese consumers also looks to be building, however. Manufacturing employment is improving. Services employment is currently only stabilising, but as firms in the sector are experiencing improved demand conditions and responding by scaling output, the headline and new order measures lifting in March while selling prices held firm, job gains are likely to strengthen in coming months. Although only available to February, annual growth in retail sales also held up in early-2024.

Overall, these outcomes are not a material change from 2023, but they do point to broadening growth and resilience across the economy. This is important as the way ahead for China depends on income from trade circulating through the domestic economy and confidence amongst consumers continuing to build.

In China, fiscal support does not aid consumer spending directly ...

As China avoids direct support for households from the Central Government, this distribution of income is in the hands of businesses, both State-owned Enterprises and the private sector. Also unlike in the West, the distribution of income can't occur effectively through equity markets because ownership is heavily concentrated and, at this particular juncture, confidence amongst current and would-be investors is very poor.

... but rather by driving national income through investment and employment.

Rather, a continued broadening of employment across the domestic economy is necessary as businesses lean into the productivity, efficiency and trade opportunities investment is creating. In time this will create confidence amongst households in their future income opportunities and, along with easy financial conditions, a willingness to consume and invest more. Enduring strength in household demand will be a consequence of income and wealth not a catalyst.

Elliot Clarke, CFA, CAIA, Senior Economist

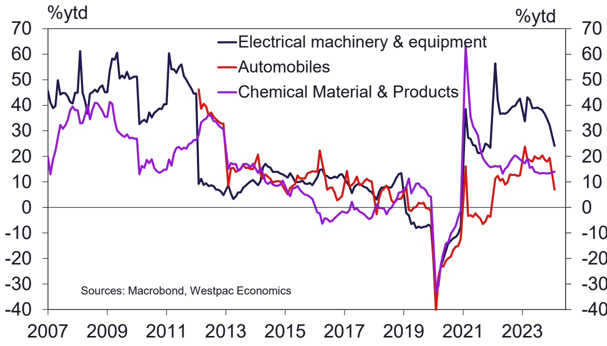
	2023								2024		
Monthly data %yr	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Consumer prices – headline	0.10	0.20	0.00	–0.30	0.10	0.00	–0.20	–0.50	–0.30	–0.80	0.70	–
Money supply M2	12.4	11.6	11.3	10.7	10.6	10.3	10.3	10	9.7	8.7	8.7	–
Manufacturing PMI (official)	49.2	48.8	49.0	49.3	49.7	50.2	49.5	49.4	49.0	49.2	49.1	50.8
Fixed asset investment %ytd	4.7	4.0	3.8	3.4	3.2	3.1	2.9	2.9	3.0	3.0	4.2	–
Industrial production (IVA)	5.6	3.5	4.4	3.7	4.5	4.5	4.6	6.6	6.8	6.8	7.0	–
Exports	7.1	–7.6	–12.4	–14.2	–8.5	–6.8	–6.6	0.7	2.2	8.2	5.6	–
Imports	–8.8	–5.2	–7.0	–12.1	–7.2	–6.3	3.0	–0.7	0.1	15.4	–8.2	–
Trade balance USDbn	85.0	65.1	69.5	79.4	67.2	75.2	56.0	69.3	75.3	85.5	39.7	–

Quarterly data	**Q3:22**	**Q4:22**	**Q1:23**	**Q2:23**	**Q3:23**	**Q4:23**
Real GDP %yr	3.9	2.9	4.5	6.3	4.9	5.2
Nominal GDP %yr	5.7	2.5	5.2	5.4	3.9	4.2

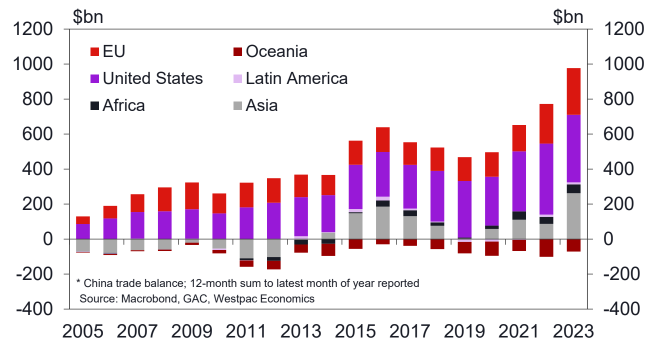
Sources: Government agencies, Bloomberg, Macrobond, Westpac Economics. Some data omitted from certain series due to Lunar New Year distortions. *4qma

… to shift expectations

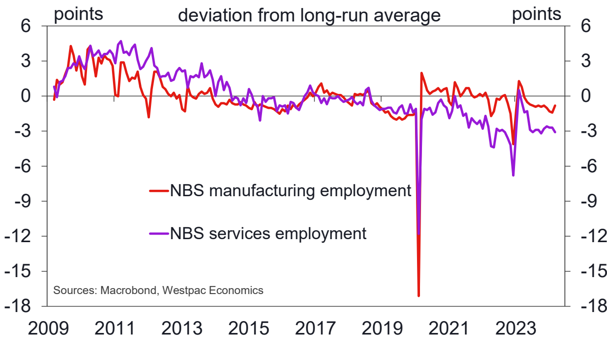
High-tech manufacturing gearing into…



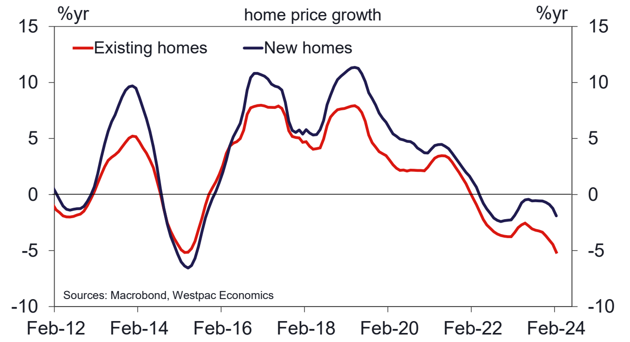
… Asia's economic development



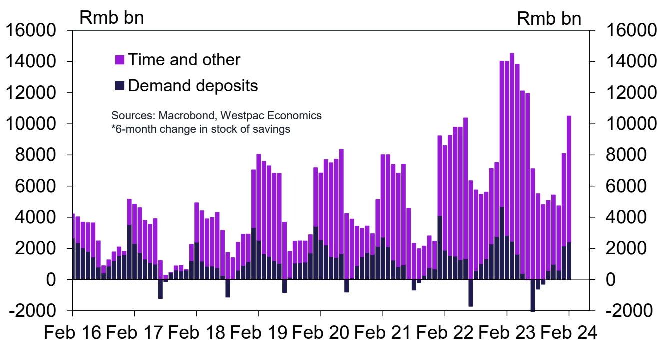
Employment situation stabilising



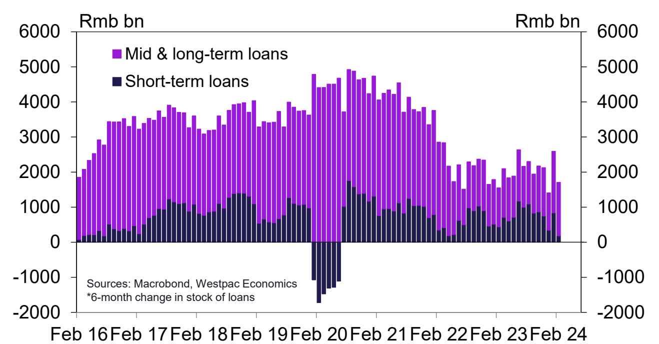
But household wealth remains a material risk



Household savings still signalling caution



Appetite for debt low



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The FOMC remain data dependent ...

The guidance delivered by the FOMC in March was clear ...

March's FOMC meeting communications and forecasts were largely as expected, highlighting policymakers' confidence in the fight against inflation and achieving a soft landing. The FOMC is on track to begin cutting in June, assuming progress continues to be made with inflation.

The bigger risk is the degree of persistence in price pressures into the medium-term, and consequently, the end point for this cutting cycle.

... with respect to the Committee's baseline view and the risks.

In March, the revisions to Committee members' forecasts were marginal in scale but still significant, signalling greater belief in the durability of activity growth and labour market strength; but, at the same time, confidence in returning inflation to target.

The Committee now expects growth to remain above potential (1.8%) through the entire forecast period, at 2.1% in 2024 and 2.0% in 2025 and 2026 (previously 1.4%, 1.8% and 1.9%). Little-to-no further deterioration is anticipated for the labour market, with the unemployment rate expected to plateau around 4.0% in 2024-26, from 3.9% currently.

After a strong 2023, the FOMC are sanguine on the growth outlook ...

These forecasts recognise the strength of GDP and nonfarm payrolls to end-2023, but give little weight to the downside risks recently evident in the business surveys, measures of labour utilisation (such as hours worked and the number of jobs per worker) and consumer spending – nominal retail sales and real personal consumption (includes services) are both little changed year-to-date in 2024 after a strong 2023. In our view, these risks are nascent but material.

... but still constructive on inflation sustainably returning to target ...

Despite holding a robust view for activity growth, the FOMC believe inflation remains on track to swiftly and sustainably return to target. Core PCE is forecast to be higher in 2024 (2.6% versus 2.4% in December), but the projections are unchanged for 2025, 2026 and the longer run – respectively 2.2%, 2.0% and 2.0% (note the longer run figure is for headline).

In the March press conference, Chair Powell made clear that the upward revision for inflation was a response to recent data (a higher starting point) not a change in the perceived current or future composition of price pressures.

... with the (still) looming deceleration in shelter able to deliver the outcome.

There was also no change regarding inflation risks, with housing rent the only component discussed at length during the press conference. While slow to come through, a material deceleration in shelter is still anticipated over the year ahead. This is critical to the outlook because, in recent months, shelter has made up more than half of total inflation month-on-month.

Further out, there are growing risks, however.

Where the Committee has grown a little more cautious is with respect to the medium-term risks for inflation. This is evident in the minor revisions to the fed funds rate projection. Three cuts are still anticipated for 2024, but the median number of cuts for 2025 is now only three (previously four). Another three cuts are projected for 2026, as was the case in December, and two more are seen into the long run to 2.6%. While only 10bps above the prior longer run rate estimate of 2.5%, this revision signals some greater perceived risk of persistent or recurring inflation.

But not because of resurgent demand, but rather tight and expensive supply ...

While we continue to anticipate an additional cut in both 2024 and 2025 compared to the FOMC's view (a cumulative 200bps of cuts over the two calendar years versus the FOMC's 150bps), we believe it is more probable that the FOMC will halt the cutting cycle at 3.375% in late-2025, where our forecast horizon currently ends, than continue down to 3.1% in 2026 and 2.6% in the longer run.

... owing to a lack of investment outside manufacturing.

This forecast is not based on a materially different view of neutral through the cycle, but rather because we anticipate recurring supply-side inflation pressures stemming from tight capacity, across housing and infrastructure, and due to the US' decision to re-shore production away from Asia, building in a higher cost of production for some goods. We expect US inflation to average closer to 2.5% than 2.0% in 2025, requiring a modestly contractionary stance of policy be maintained to manage both inflation risks and expectations.

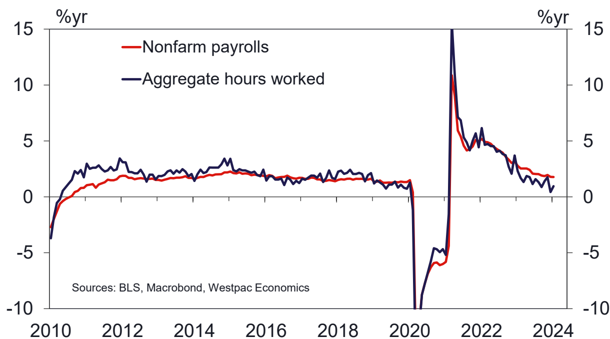
The economic cost is likely a sustained imbalance between growth and inflation.

In our view, the implications of such an outturn would be a period of below-trend GDP growth and consequently a degree of persistent slack in the labour market, the unemployment rate holding around 4.5% through at least 2025. This is not a terrible outturn by any means, but would amplify uncertainty over the US fiscal position and households' financial position, which both depend on each other. The greater the uncertainty over each of these drivers of growth, the larger and more persistent the headwinds for investment will become. This recursive dynamic bears careful monitoring over the years ahead. Put simply, concerns over the outlook for inflation, rates and activity risk capacity tightening further across the economy, begetting additional pressure for inflation, rates and, consequently, additional weakness in activity.

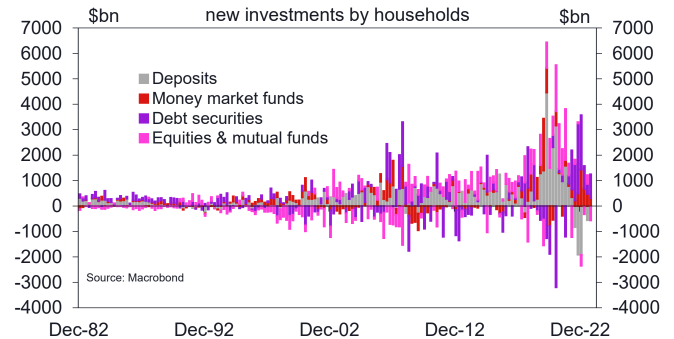
Elliot Clarke, CFA, CAIA, Senior Economist

... but on track for June rate cut

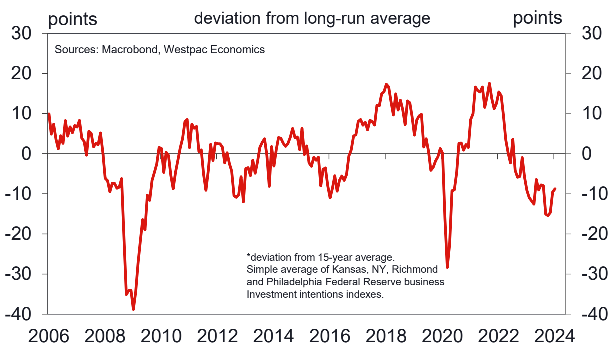
Labour utilisation coming under pressure...



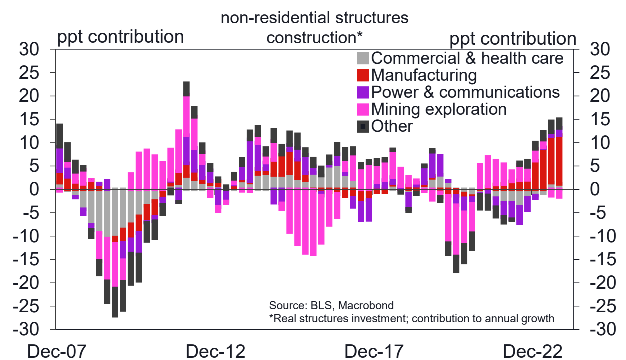
... and household wealth is heavily skewed



Investment at risk of sustained weakness...



... outside of incentivised onshoring



	2023								2024		
Monthly data	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
PCE deflator %yr	4.4	4.0	3.2	3.3	3.3	3.4	2.9	2.7	2.6	2.4	2.5	-
Unemployment rate %	3.4	3.7	3.6	3.5	3.8	3.8	3.8	3.7	3.7	3.7	3.9	-
Non-farm payrolls chg '000	278	303	240	184	210	246	165	182	290	229	275	-
House prices* %yr	-1.7	-1.8	-1.3	0.1	2.2	4.0	5.0	5.5	6.2	6.6	-	-
Durables orders core 3mth %saar	-0.2	2.2	2.9	-1.7	0.4	1.4	0.7	0.4	-1.1	0.1	-0.6	-
ISM manufacturing composite	47.0	46.6	46.4	46.5	47.6	48.6	46.9	46.6	47.1	49.1	47.8	50.3
ISM non-manufacturing composite	52.3	51.1	53.6	52.8	54.1	53.4	51.9	52.5	50.5	53.4	52.6	51.4
Personal spending 3mth %saar	3.0	2.5	4.5	5.1	5.4	6.8	5.1	5.5	4.8	4.7	6.2	-
UoM Consumer Sentiment	63.7	59.0	64.2	71.5	69.4	67.8	63.8	61.3	69.7	79.0	76.9	79.4
Trade balance USDbn	-72.2	-66.2	-63.5	-65.0	-58.9	-61.9	-65.2	-62.7	-64.2	-67.6	-68.9	-

Quarterly data	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24f
Real GDP % saar	2.6	2.2	2.1	4.9	3.4	2.5
Current account USDbn	-216.2	-212.7	-215.0	-196.4	-194.8	-

Sources: Government agencies, Bloomberg, *S&P Case-Shiller 20-city measure.

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India's little engines of growth are ...

As a nation develops, credit growth becomes more significant for activity.

India has experienced strong growth over the past few years, standing out even amongst its high-growth emerging Asia neighbours. However, so far credit to households and non-financial corporations has played a limited role in economic development, as highlighted by India's moderate credit-to-GDP ratio for each sector. As the economy matures and financial sector access is broadened, growth in private sector credit has the potential to add significantly and sustainably to growth. Just as critical as the rate of credit growth however is its equitable distribution across the population, and how the capital is invested.

In India, investment has been the cornerstone of growth ...

Investment has been a key pillar of India's economic success in recent years. On the government side, economic reform and generous budget allocations for capex have led to robust infrastructure development, particularly through the 'National Infrastructure Pipeline'. While government debt-to-GDP has been relatively stable in recent years, investment's share of GDP is trending up, eclipsing other emerging markets across Asia. Private investment is also contributing. Across Asia, only Singapore and Taiwan have seen stronger growth in total investment relative to trend. For India, total investment was 6.5% above where it would have been had it grown at the pace experienced between 2010 and 2019, while Singapore and Taiwan were 10.4% and 11.4% above trend respectively.

... funded by both domestic and international players.

This investment has been funded by both domestic and international parties. India's primary income deficit has been widening post-pandemic driven by increased foreign investment in government debt and equities. A comparatively low credit-to-GDP ratio for the private sector however highlights the opportunity for growth hence, and also that, thanks to its growing capacity, the economy is well positioned to fund further investment.

Government demand for credit has previously restricted private supply ...

Credit growth has been fastest in the personal loan and services sectors. Growth in personal loans reflects a burgeoning middle class, rising real incomes and much-improved access to functional and reliable banking infrastructure in the major cities. These loans have mostly helped people purchase dwellings and durable goods. Housing makes up the largest share of personal loans, providing for an urbanising and increasingly aspirational population.

... but now through both banks and non-banks, households are gaining ...

Growth in loans to the services sector meanwhile has largely been driven by the Non-Banking Financial Companies (NBFCs), 9% of total bank credit in February 2024. In short, NBFCs act as a conduit or bridge for commercial banks, borrowing from them to on-lend to individuals yet to gain access to credit from commercial banks. In doing so, they help banks meet their 'priority sector targets', that is the minimum proportion of total credit which needs to be lent to priority sectors to aid development, as determined by the Reserve Bank of India.

.... greater access. In India, non-banks arguably have a greater role to play ...

This dual structure for personal credit is seen in many emerging markets. However, at a certain stage of development, often there is a drive to rein in non-bank lending and instead rely on banks and market issuance for credit. China has been on such a journey over the past five or so years. At this stage though, the Reserve Bank of India (RBI) are still proponents of expanding NBFC credit supply, with the Deputy Governor recently saying NBFCs "will play a significant role in achieving the dream of a $5 trillion economy going forward." Why continue with this complex structure?

... than in other emerging markets given the nation's highly diverse population.

Put simply, NBFCs can go where commercial banks cannot. These less-stringently regulated institutions can provide credit to those living outside urban settings and operating in the informal economy which still makes up around 80% of India's economy. As many of these companies operate locally, they are also more accessible, traversing the country's many linguistic and cultural divides – a tall task for a multi-region or national commercial bank.

This allows these providers to better reach micro and small businesses, the agents in the economy with the highest potential to scale and employ rapidly, improving productivity and lifting labour force participation, particularly amongst women. The recent growth in NBFC credit signals growing opportunity for these pockets of the economy.

Regulation can help mitigate the risks NBFCs bring to the system.

There is a risk however that the heterogeneity and lighter regulation of NBFCs could build up both cyclical and structural risks. To rectify this, the RBI drafted a framework in February 2024 to improve compliance standards and risk management, while still maintaining necessary flexibility. As is often the case in emerging markets, only time will tell if this regulation proves effective. It is pivotal it does, not only for the safety of borrowers, but also to allow for the development of a savings and investment structure for households and small businesses with surplus funds.

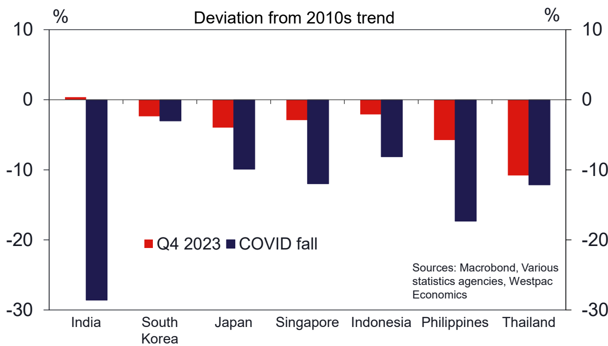
Targeted credit in high growth areas will support the next phase of development.

Targeted credit growth on equitable terms paired with gains in real income has the potential to provide significant and enduring support for India's next phase of development. And, if they can continue to provide credit to fund investment in areas where it will have the most impact with limited delay, NBFCs will prove they have an enduring role to play in India's economy.

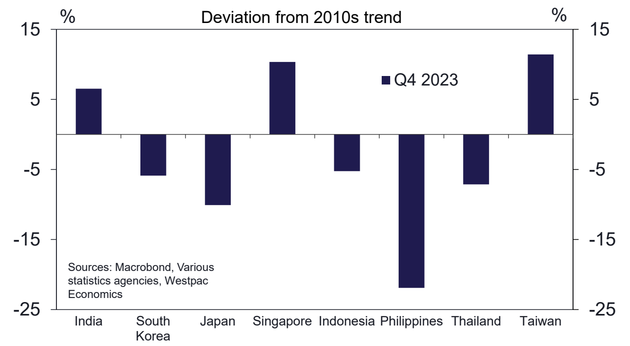
Illiana Jain, Economist

... key to long-term economic success

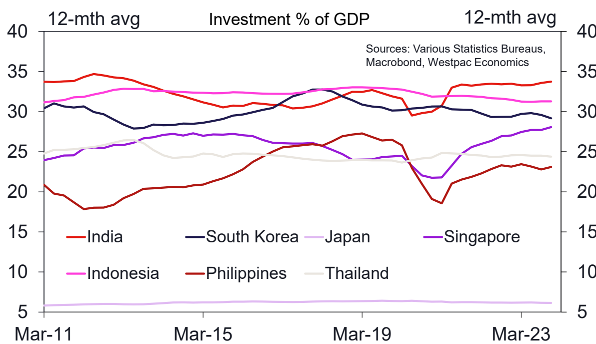
Growth is still recovering post pandemic



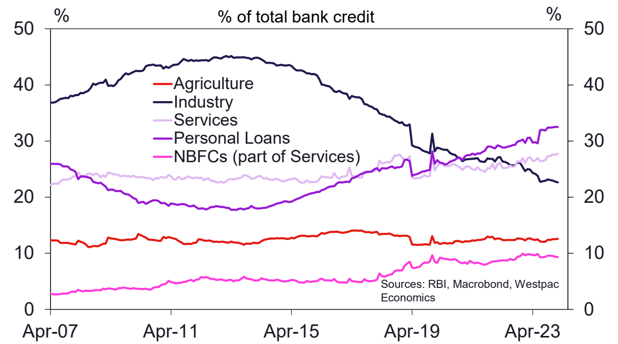
But investment is running hot in some nations



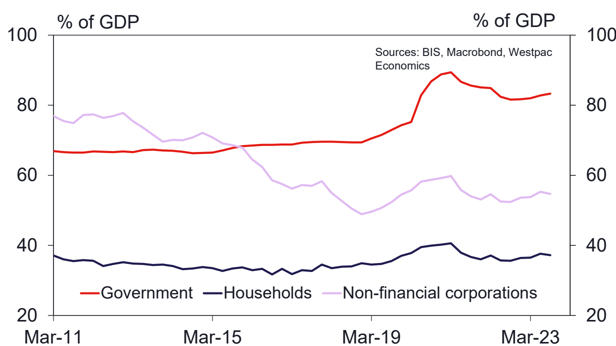
As a share of GDP, India leads Asia in capex



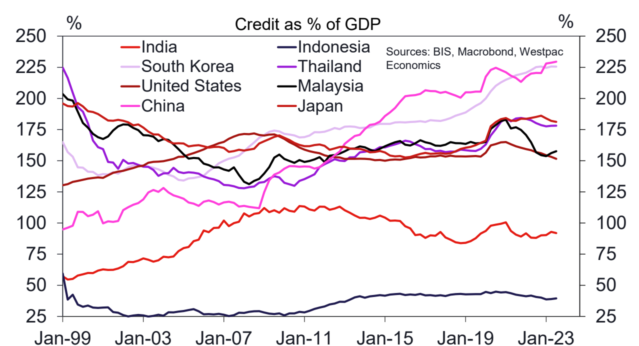
NBFCs are small but mighty



Government is the primary borrower in India



India & Indonesia have low credit penetration



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FINANCIAL FORECASTS

Australia

Interest rate forecasts

	Latest (5 Apr)	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	3.88	3.95	3.85	3.75	3.65	3.60	3.55	3.50
3 Year Bond	3.68	3.75	3.65	3.55	3.45	3.40	3.35	3.30
10 Year Bond	4.12	4.05	3.95	3.85	3.90	3.90	3.95	4.00
10 Year Spread to US (bps)	-19	5	5	5	5	0	0	0

Currency forecasts

	Latest (5 Apr)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD vs								
USD	0.6587	0.68	0.69	0.70	0.71	0.72	0.72	0.73
JPY	99.64	100	100	99	97	96	94	93
EUR	0.6077	0.61	0.61	0.61	0.62	0.62	0.62	0.62
NZD	1.0930	1.07	1.09	1.09	1.11	1.12	1.11	1.12
CAD	0.8923	0.89	0.90	0.90	0.90	0.91	0.90	0.91
GBP	0.5210	0.53	0.54	0.54	0.55	0.55	0.55	0.56
CHF	0.5938	0.59	0.60	0.60	0.61	0.61	0.61	0.62
DKK	4.5333	4.54	4.55	4.58	4.61	4.63	4.59	4.65
SEK	7.0129	7.02	7.05	7.09	7.12	7.16	7.10	7.20
NOK	7.0705	7.07	7.10	7.14	7.18	7.22	7.16	7.26
ZAR	12.32	12.5	12.6	12.7	12.8	12.9	12.9	13.0
SGD	0.8882	0.90	0.90	0.91	0.92	0.92	0.91	0.93
HKD	5.1565	5.28	5.39	5.47	5.54	5.62	5.62	5.69
PHP	37.18	37.1	37.6	37.8	38.0	38.2	37.8	38.0
THB	24.19	23.3	23.5	23.5	23.4	23.4	23.0	23.0
MYR	3.1302	3.07	3.07	3.05	3.05	3.06	3.02	3.03
CNY	4.7730	4.79	4.83	4.83	4.83	4.82	4.75	4.75
IDR	10468	10328	10419	10430	10366	10368	10296	10293
TWD	21.10	20.9	21.0	21.0	21.0	21.1	20.9	21.0
KRW	887	878	883	882	880	886	878	883
INR	55.11	54.7	54.5	54.6	54.7	54.7	54.0	54.0

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ECONOMIC FORECASTS

Australia

Activity forecasts*

	2023			2024				Calendar years			
%qtr / yr avg	**Q2**	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2022**	**2023**	**2024f**	**2025f**
Private consumption	0.1	–0.2	0.1	0.1	0.1	0.4	0.4	6.6	1.1	0.5	2.1
Dwelling investment	0.7	0.6	–3.8	–1.8	–1.5	–0.9	–0.1	–4.0	–2.0	–5.7	2.0
Business investment*	2.6	0.8	0.7	0.2	0.0	0.2	0.6	5.4	9.1	2.0	3.5
Private demand *	0.7	0.1	0.0	0.0	0.0	0.3	0.5	5.1	1.9	0.5	2.5
Public demand *	1.4	1.9	0.4	0.5	0.5	0.6	0.6	5.1	3.3	3.0	2.1
Domestic demand	0.9	0.6	0.1	0.1	0.1	0.4	0.5	5.1	2.3	1.2	2.4
Stock contribution	–1.2	0.3	–0.3	0.5	–0.1	0.2	0.1	0.5	–0.9	0.1	0.2
GNE	–0.4	1.0	–0.2	0.6	0.1	0.6	0.6	5.6	1.3	1.3	2.6
Exports	4.4	–0.2	–0.3	0.8	1.1	0.9	1.0	2.5	6.8	3.0	4.0
Imports	1.7	2.3	–3.4	2.3	0.3	1.7	1.7	12.8	3.3	2.8	6.4
Net exports contribution	0.8	–0.6	0.6	–0.3	0.2	–0.1	–0.1	–1.8	1.1	0.2	–0.3
Real GDP %qtr / yr avg	**0.5**	**0.3**	**0.2**	**0.3**	**0.3**	**0.4**	**0.5**	3.8	2.1	1.3	2.2
%yr end	**2.1**	**2.1**	**1.5**	**1.3**	**1.1**	**1.3**	**1.6**	**2.4**	**1.5**	**1.6**	**2.5**
Nominal GDP %qtr	–0.7	1.4	1.4	0.9	0.2	0.6	0.6				
%yr end	4.0	4.5	4.4	3.0	4.0	3.2	2.3	12.1	4.4	2.3	4.2

Other macroeconomic variables

	2023			2024				Calendar years			
% change	**Q2**	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2022**	**2023**	**2024f**	**2025f**
Employment (2)	0.9	0.6	0.7	0.4	0.0	0.1	0.3	–	–	–	–
%yr	3.5	3.1	3.0	2.6	1.7	1.2	0.7	5.4	3.0	0.7	1.7
Unemployment rate % (2)	3.6	3.7	3.9	3.9	4.2	4.4	4.5	3.5	3.9	4.5	4.6
Wages (WPI) (2)	1.0	1.3	0.9	0.9	0.9	0.8	0.5	–	–	–	–
%yr	3.7	4.1	4.2	4.2	4.2	3.7	3.2	3.3	4.2	3.2	3.1
CPI Headline (2)	0.8	1.2	0.6	0.7	0.6	0.9	0.8	–	–	–	–
%yr	6.0	5.4	4.1	3.4	3.1	2.8	3.0	7.8	4.1	3.0	2.7
Core inflation trimmed mean	1.0	1.2	0.8	0.8	0.6	0.9	0.7	–	–	–	–
%yr (2)	5.8	5.1	4.2	3.8	3.5	3.2	3.1	6.8	4.2	3.1	2.8
Current account AUDbn	8.3	1.3	11.8	10.0	5.0	1.0	–4.0	26.4	31.9	12.0	–40.0
% of GDP	1.3	0.2	1.8	1.5	0.7	0.2	–0.6	1.1	1.2	0.5	–1.5
Terms of trade annual chg (1)	–11.8	–9.0	–3.9	–7.4	–4.0	–4.1	–8.6	7.2	–5.9	–6.0	–6.5

Calendar year changes are (1) period average for GDP, terms of trade, unless otherwise stated (2) through the year for inflation, wages and employment. Unemployment is year end.
* GDP & component forecasts are reviewed following the release of quarterly national accounts.
** Business investment and government spending adjusted to exclude the effect of private sector purchases of public sector assets.

Macroeconomic variables – recent history

	2023								2024		
Monthly data	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**
Employment '000 chg	88	21	–3	62	10	55	60	–62	15	117	–
Unemployment rate %	3.6	3.5	3.8	3.7	3.6	3.8	3.9	3.9	4.1	3.7	–
Westpac–MI Consumer Sentiment	79.0	79.2	81.3	81.0	79.7	82.0	79.9	82.1	81.0	86.0	84.4
Retail trade %mth	0.6	–0.7	0.3	0.3	0.7	–0.2	1.5	–2.1	1.1	0.3	–
Dwelling approvals %mth	24.7	–11.8	–6.5	4.7	–1.8	8.8	1.0	–10.5	–2.5	–1.9	–
Credit, private sector %yr	6.2	5.6	5.3	5.1	4.9	4.8	4.8	4.8	4.9	5.0	–
Trade in goods balance AUDbn	10.5	10.1	7.7	9.8	6.1	7.7	11.4	10.7	11.0	–	–

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New Zealand

Interest rate forecasts

	Latest (5 Apr)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Cash	5.50	5.50	5.50	5.50	5.25	5.00	4.75	4.50
90 Day Bill	5.63	5.60	5.60	5.50	5.25	4.95	4.75	4.50
2 Year Swap	4.87	4.95	4.75	4.50	4.40	4.15	4.10	4.00
10 Year Bond	4.58	4.70	4.65	4.60	4.50	4.40	4.35	4.25
10 Year Spread to US	27	70	75	80	65	50	40	25
10 Year Spread to Aust	46	65	70	75	60	50	40	25

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest (5 Apr)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
NZD vs								
USD	0.6026	0.63	0.64	0.64	0.64	0.65	0.65	0.65
JPY	91.16	93	92	90	88	86	84	83
EUR	0.5561	0.57	0.56	0.56	0.56	0.56	0.55	0.56
AUD	0.9149	0.93	0.92	0.91	0.90	0.90	0.90	0.89
CAD	0.8163	0.83	0.83	0.82	0.82	0.81	0.81	0.81
GBP	0.4767	0.50	0.50	0.50	0.49	0.50	0.49	0.50
CNY	4.3587	4.47	4.45	4.42	4.37	4.32	4.27	4.23

Sources: Bloomberg, Westpac Economics.

Activity forecasts*

	2023			2024				Calendar years			
% change	**Q2**	**Q3**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2022**	**2023f**	**2024f**	**2025f**
Private consumption	–0.5	–0.9	0.5	0.2	0.6	1.1	0.7	3.3	0.3	1.2	3.3
Government consumption	3.4	–1.7	0.2	–0.4	–0.5	–0.5	–0.5	4.9	–1.1	–1.1	–1.0
Residential investment	0.9	–0.9	–1.7	–3.0	–2.5	–2.5	–1.5	–0.8	–4.3	–7.8	–1.1
Business investment	0.9	–4.7	0.6	–2.2	–2.2	–2.0	–0.6	5.4	0.5	–6.6	–0.4
Stocks (ppt contribution)	–1.7	2.7	–2.8	2.0	0.2	0.0	0.0	–0.4	–1.1	1.0	0.0
GNE	–1.1	0.1	–1.8	1.4	–0.1	0.1	0.1	3.4	–1.5	–0.2	1.6
Exports	5.4	–2.4	3.2	1.9	1.4	1.2	0.9	–0.2	10.0	6.2	3.6
Imports	–1.3	–0.5	–2.9	3.5	0.1	0.5	0.6	4.6	–0.3	1.2	3.3
GDP (production)	**0.5**	**–0.3**	**–0.1**	**0.2**	**0.2**	**0.2**	**0.2**	**2.4**	**0.6**	**0.4**	**1.6**
Employment annual %	4.3	2.7	2.4	1.5	0.5	0.6	0.3	1.7	2.4	0.3	1.0
Unemployment rate % s.a.	3.6	3.9	4.0	4.3	4.6	4.9	5.1	3.4	4.0	5.1	5.2
Labour cost index, all sect incl o/t, ann %	4.3	4.3	4.3	4.1	3.8	3.6	3.4	4.1	4.3	3.4	2.5
CPI annual %	**6.0**	**5.6**	**4.7**	**4.2**	**3.7**	**2.9**	**2.8**	**7.2**	**4.7**	**2.8**	**2.3**
Current account balance % of GDP	–7.6	–7.4	–6.9	–6.3	–6.0	–5.5	–4.9	–8.8	–6.9	–4.9	–3.9
Terms of trade annual %	–5.0	–1.7	–10.6	–2.5	0.2	2.3	12.0	–4.2	–10.6	12.0	3.4

Sources: Statistics NZ, Westpac Economics.

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Commodity prices

End of period	Latest (5 Apr)***	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Australian commodities index#	300	302	296	281	273	**271**	**272**	**275**	**277**	**278**
Bulk commodities index#	**457**	**436**	**394**	**370**	**362**	**354**	**351**	**349**	**355**	**347**
iron ore finesTSI @ 62% US$/t	100	102	92	82	82	82	83	84	84	83
Premium low vol met coal (US$/t)	240	250	245	240	230	220	210	205	205	204
Newcastle spot thermal coal (US$/t)	137	135	120	118	117	116	115	114	115	116
crude oil (US$/bbl) Brent ICE	88	90	85	80	78	80	82	85	87	90
LNG in Japan US$mmbtu	13.97	13.6	14.9	13.8	12.8	12.3	12.4	12.6	12.9	13.1
gold (US$/oz)	2,281	2,300	2,400	2,300	2,200	2,200	2,220	2,240	2,250	2,270
Base metals index#	**197**	**196**	**196**	**195**	**193**	**194**	**198**	**205**	**209**	**216**
copper (US$/t)	9,002	8,900	8,950	9,000	9,100	9,100	9,300	9,700	9,900	10,200
aluminium (US$/t)	2,365	2,350	2,370	2,390	2,400	2,410	2,460	2,530	2,580	2,650
nickel (US$/t)	16,955	16,900	16,900	15,750	15,000	14,500	14,700	14,700	15,100	15,700
zinc (US$/t)	2,469	2,460	2,460	2,400	2,300	2,340	2,400	2,500	2,540	2,610
lead (US$/t)	2,045	2,045	2,020	1,959	1,960	1,990	2,000	2,050	2,080	2,130
Rural commodities index#	**127**	**122**	**116**	**110**	**107**	**110**	**113**	**118**	**121**	**125**
NZ commodities index ##	**350**	**347**	**352**	**352**	**354**	**355**	**357**	**360**	**362**	**364**
dairy price index ^^	317	314	321	320	319	319	320	323	325	328
whole milk powder US$/t	3,286	3,500	3,500	3,500	3,500	3,500	3,530	3,550	3,580	3,610
skim milk powder US$/t	2,640	2,900	2,950	3,000	3,000	3,000	3,020	3,050	3,070	3,090
lamb leg UKp/lb	435	445	448	451	456	461	465	470	476	482
bull beef US¢/lb	273	273	274	275	277	278	280	281	283	285
log price index ##	166	165	166	166	167	168	169	170	171	172

	levels				% change			
Annual averages	**2023**	**2024(f)**	**2025(f)**	**2026(f)**	**2023**	**2024(f)**	**2025(f)**	**2026(f)**
Australian commodities index#	**323**	**302**	**273**	**279**	**-15.7**	**-6.5**	**-9.5**	**2.1**
Bulk commodities index#	**500**	**450**	**370**	**363**	**-10.2**	**-10.0**	**-17.8**	**-1.9**
iron ore fines @ 62% USD/t	120	102	83	83	-0.5	-14.5	-19.1	1.1
LNG in Japan $mmbtu	14.8	14.1	12.6	13.1	-20.1	-5.3	-10.2	4.1
ave coking coal price (US$/t)	215	226	200	169	-10.2	4.9	-11.6	-15.5
ave thermal price (US$/t)	185	142	128	127	-45.1	-23.1	-10.4	-0.1
iron ore fines contracts (US¢ dltu)	160	153	123	125	-7.9	-4.4	-19.5	1.1
Premium low vol met coal (US$/t)	296	263	219	204	-19.0	-10.9	-16.8	-7.0
crude oil (US$/bbl) Brent ICE	82	84	81	89	-15.8	3.2	-4.2	10.3
gold (US$/oz)	1,962	2,264	2,219	2,277	8.4	15.4	-2.0	2.6
Base metals index#	**201**	**193**	**194**	**210**	**-12.4**	**-4.3**	**0.6**	**8.2**
copper (US$/t)	8,500	8,800	9,200	10,100	-3.7	3.5	4.5	9.8
aluminium (US$/t)	2,300	2,300	2,400	2,600	-15.2	0.0	4.3	8.3
nickel (US$/t)	21,600	16,700	14,800	15,500	-17.6	-22.7	-11.4	4.7
zinc (US$/t)	2,700	2,500	2,400	2,600	-22.2	-7.4	-4.0	8.3
lead (US$/t)	2,100	2,000	2,000	2,100	-2.5	-4.8	0.0	5.0
Rural commodities index#	**141**	**123**	**114**	**126**	**-17.9**	**-12.7**	**-7.4**	**10.9**
NZ commodities index ##	**330**	**350**	**356**	**365**	**-12.4**	**6.2**	**1.7**	**2.4**
dairy price index ##	286	317	320	329	-18.8	10.6	1.2	2.6
whole milk powder US$/t	3,081	3,400	3,500	3,600	-20.8	10.3	2.9	2.9
skim milk powder US$/t	2,640	2,800	3,000	3,100	-30.9	6.1	7.1	3.3
lamb leg UKp/lb	431	442	461	483	-31.0	2.5	4.4	4.7
bull beef US¢/lb	256	270	278	285	-8.8	5.6	3.0	2.4
log price index ##	160	166	169	172	-6.9	4.0	1.6	1.8

Chain weighted index: weights are Australian export shares. * Australian export prices fob – ABS 5432.0 Merchandise Trade Exports. ** WCFI – Westpac commodities futures index. *** Weekly averages except for the Bulks Index. ^ AWEX market prices. Sources for all tables: Westpac Economics, Bloomberg ##ANZ NZ commodity price index ^^ GlobalDairyTrade

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United States

Interest rate forecasts

	Latest (5 Apr)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Fed Funds*	5.375	5.125	4.625	4.375	4.125	3.875	3.625	3.375
10 Year Bond	4.31	4.00	3.90	3.80	3.85	3.90	3.95	4.00

Sources: Bloomberg, Westpac Economics. * +12.5bps from the Fed Funds lower bound (overnight reverse repo rate).

Currency forecasts

	Latest (5 Apr)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
USD vs								
DXY index	104.12	101.8	100.1	98.9	97.8	96.7	95.6	95.4
JPY	151.26	148	145	141	137	133	130	127
EUR	1.0838	1.11	1.13	1.14	1.15	1.16	1.17	1.17
AUD	0.6587	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD	0.6026	0.63	0.64	0.64	0.64	0.65	0.65	0.65
CAD	1.3546	1.32	1.30	1.28	1.27	1.26	1.25	1.25
GBP	1.2642	1.27	1.28	1.29	1.30	1.30	1.31	1.31
CHF	0.9015	0.87	0.87	0.86	0.86	0.85	0.85	0.85
ZAR	18.71	18.5	18.3	18.2	18.0	17.9	17.9	17.8
SGD	1.3484	1.33	1.31	1.30	1.29	1.28	1.27	1.27
HKD	7.8290	7.82	7.81	7.81	7.80	7.80	7.80	7.80
PHP	56.37	55.0	54.5	54.0	53.5	53.0	52.5	52.0
THB	36.72	34.5	34.0	33.5	33.0	32.5	32.0	31.5
MYR	4.7393	4.55	4.45	4.35	4.30	4.25	4.20	4.15
CNY	7.2333	7.10	7.00	6.90	6.80	6.70	6.60	6.50
IDR	15892	15300	15100	14900	14600	14400	14300	14100
TWD	32.05	30.9	30.5	30.0	29.6	29.3	29.0	28.8
KRW	1347	1300	1280	1260	1240	1230	1220	1210
INR	83.44	81.0	79.0	78.0	77.0	76.0	75.0	74.0

Activity forecasts*

	2023			2024				Calendar years			
% annualised, s/adj	**Q2**	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2022**	**2023**	**2024f**	**2025f**
Private consumption	0.8	3.1	3.0	2.2	1.9	1.5	1.5	2.5	2.2	2.2	1.2
Dwelling investment	-2.2	6.7	2.9	1.6	0.8	2.8	4.1	-9.0	-10.6	2.4	1.1
Business investment	7.4	1.5	2.4	3.0	2.4	2.4	2.4	5.4	4.0	2.6	3.5
Public demand	3.3	5.8	4.2	2.8	1.6	1.2	1.2	-0.9	4.0	2.9	2.1
Domestic final demand	2.0	3.4	3.1	2.4	1.9	1.7	1.7	1.9	2.3	2.4	1.6
Inventories contribution ppt	-0.2	1.1	-0.2	-0.1	0.0	-0.2	-0.2	0.5	-0.4	0.0	-0.1
Net exports contribution ppt	0.1	0.0	0.3	0.1	-0.1	-0.1	-0.1	-0.5	0.6	0.1	-0.2
GDP	2.1	4.9	3.2	2.5	1.9	1.5	1.5	1.9	2.5	2.6	1.4
%yr annual chg	2.4	2.9	3.1	3.1	3.1	2.3	1.8				

Other macroeconomic variables

Non-farm payrolls mth avg	300	251	222	206	200	120	60	412	245	108	75
Unemployment rate %	3.5	3.6	3.7	3.7	3.8	3.9	4.1	3.6	3.7	4.3	4.6
CPI headline %yr	5.1	2.8	2.9	2.5	2.3	2.2	2.1	6.4	2.7	2.2	2.5
PCE deflator, core %yr	4.7	3.8	3.1	2.5	2.4	2.3	2.3	3.6	2.4	2.2	2.5
Current account %GDP	-2.7	-2.7	-2.7	-2.7	-2.6	-2.6	-2.5	-2.4	-2.4	-2.4	-2.4

Sources: Official agencies, Factset, Westpac Economics

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Europe & the United Kingdom

Interest rate forecasts

	Latest (5 Apr)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Euro area								
ECB Deposit rate	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
10 Year Bund	2.36	2.25	2.20	2.15	2.25	2.30	2.40	2.45
10 Year Spread to US	–195	–175	–170	–165	–160	–160	–155	–155
United Kingdom								
BoE Bank Rate	5.25	5.00	4.75	4.50	4.25	4.00	3.75	3.50
10 Year Gilt	4.02	3.90	3.80	3.75	3.80	3.85	3.95	4.00
10 Year Spread to US	–29	–10	–10	–5	–5	–5	0	0

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest (5 Apr)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
euro vs								
USD	1.0838	1.11	1.13	1.14	1.15	1.16	1.17	1.17
JPY	163.94	164	164	161	158	154	152	149
GBP	0.8573	0.87	0.88	0.88	0.88	0.89	0.89	0.89
CHF	0.9770	0.97	0.98	0.98	0.99	0.99	0.99	0.99
DKK	7.4590	7.46	7.46	7.46	7.46	7.46	7.46	7.46
SEK	11.5394	11.5	11.5	11.5	11.5	11.5	11.5	11.5
NOK	11.6333	11.6	11.6	11.6	11.6	11.6	11.6	11.6
sterling vs								
USD	1.2642	1.27	1.28	1.29	1.30	1.30	1.31	1.31
JPY	191.24	188	186	182	178	173	170	166
CHF	1.1396	1.10	1.11	1.11	1.12	1.11	1.11	1.11
AUD	0.5210	0.53	0.54	0.54	0.55	0.55	0.55	0.56

Source: Bloomberg, Westpac Economics.

Activity forecasts*

Annual average % chg	2020	2021	2022	2023	2024f	2025f
Eurozone GDP	–6.1	5.6	3.3	0.4	0.5	1.5
private consumption	–8.0	3.5	4.0	0.6	0.8	1.3
fixed investment	–8.4	3.6	3.5	1.0	1.3	2.0
government consumption	1.4	3.8	1.2	0.1	1.2	1.2
net exports contribution ppt	–0.7	1.0	0.3	0.1	0.2	0.3
Germany GDP	–3.8	3.2	1.8	–0.3	0.3	1.2
France GDP	–7.5	6.4	2.5	0.7	0.8	1.2
Italy GDP	–9.0	8.3	3.7	0.9	0.5	1.0
Spain GDP	–11.2	6.4	5.8	2.5	1.5	1.7
Netherlands GDP	–3.8	6.3	4.4	0.1	0.6	1.5
memo: United Kingdom GDP	–10.4	9.6	4.5	0.4	0.5	1.3

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Asia

China

Calendar years	2019	2020	2021	2022	2023	2024f	2025f
Real GDP	6.0	2.2	8.4	3.0	5.2	5.2	5.0
Consumer prices	2.9	2.5	0.9	2.0	–0.3	1.0	2.0
Producer prices	–0.5	–0.4	10.3	–0.7	–2.7	–0.2	1.5
Industrial production (IVA)	5.8	5.1	6.7	3.0	4.6	5.0	4.5
Retail sales	8.0	–3.9	12.5	–0.2	7.6	6.7	6.3
Money supply M2	8.7	10.1	9.0	11.8	9.7	10.0	9.0
Fixed asset investment	5.4	2.9	4.9	5.1	3.0	5.0	5.0
Exports %yr	7.9	18.1	20.9	–9.9	–4.6	3.0	4.0
Imports %yr	16.5	6.5	19.5	–7.5	–5.3	3.0	2.5

Source: Macrobond.

Chinese interest rates & monetary policy

	Latest (5 Apr)	Jun–24	Sep–24	Dec–24	Mar–25	Jun–25	Sep–25	Dec–25
Required reserve ratio %*	10.00	9.75	9.75	9.50	9.50	9.50	9.50	9.50
Loan Prime Rate, 1–year	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45

* For major banks.

Currency forecasts

	Latest (5 Apr)	Jun–24	Sep–24	Dec–24	Mar–25	Jun–25	Sep–25	Dec–25
JPY	151.26	148	145	141	137	133	130	127
SGD	1.3484	1.33	1.31	1.30	1.29	1.28	1.27	1.27
HKD	7.8290	7.82	7.81	7.81	7.80	7.80	7.80	7.80
PHP	56.37	55.0	54.5	54.0	53.5	53.0	52.5	52.0
THB	36.72	34.5	34.0	33.5	33.0	32.5	32.0	31.5
MYR	4.7393	4.55	4.45	4.35	4.30	4.25	4.20	4.15
CNY	7.2333	7.10	7.00	6.90	6.80	6.70	6.60	6.50
IDR	15892	15300	15100	14900	14600	14400	14300	14100
TWD	32.05	30.9	30.5	30.0	29.6	29.3	29.0	28.8
KRW	1347	1300	1280	1260	1240	1230	1220	1210
INR	83.44	81.0	79.0	78.0	77.0	76.0	75.0	74.0

Source: Bloomberg, Westpac Economics.

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SUMMARY OF THE WORLD

Economic growth forecasts (year average)

Real GDP %ann	2019	2020	2021	2022	2023	2024f	2025f
World	**2.8**	**-2.8**	**6.3**	**3.5**	**3.3**	**3.3**	**3.1**
United States	2.3	-2.8	5.9	2.1	2.5	2.6	1.4
Japan	-0.4	-4.2	2.2	1.0	2.0	0.7	1.0
Euro zone	1.6	-6.1	5.6	3.3	0.4	0.5	1.5
Group of 3	**1.7**	**-4.2**	**5.4**	**2.4**	**1.7**	**1.6**	**1.4**
United Kingdom	1.6	-11.0	7.6	4.1	0.4	0.5	1.3
Canada	1.9	-5.1	5.0	3.4	1.2	0.8	2.0
Australia	1.8	-2.1	5.6	3.8	2.1	1.3	2.2
New Zealand	3.1	-1.5	6.1	2.4	0.7	0.5	1.6
OECD total	**1.8**	**-4.6**	**5.7**	**2.8**	**1.5**	**1.4**	**1.5**
China	6.0	2.2	8.4	3.0	5.2	5.2	5.0
Korea	2.2	-0.7	4.3	2.6	1.3	2.2	2.3
Taiwan	3.1	3.4	6.5	2.4	1.4	3.1	2.5
Hong Kong	-1.7	-6.5	6.4	-3.5	3.2	2.9	2.8
Singapore	1.3	-3.9	8.9	3.6	1.3	2.5	2.8
Indonesia	5.0	-2.1	3.7	5.3	5.1	5.2	5.2
Thailand	2.1	-6.1	1.5	2.6	2.0	2.9	3.5
Malaysia	4.4	-5.5	3.3	8.7	3.7	4.4	4.5
Philippines	6.1	-9.5	5.7	7.6	5.6	5.9	6.0
Vietnam	7.4	2.9	2.6	8.0	5.1	6.2	6.5
East Asia	**5.2**	**0.7**	**7.1**	**3.5**	**4.6**	**4.8**	**4.7**
East Asia ex China	3.8	-2.3	4.3	4.5	3.4	4.1	4.2
NIEs*	**2.0**	**-0.5**	**5.7**	**2.1**	**1.5**	**2.6**	**2.5**
India	3.9	-5.8	9.1	7.2	7.7	6.5	6.5
Russia	2.2	-2.7	5.6	-2.1	3.0	1.0	1.0
Brazil	1.2	-3.3	5.0	2.9	3.0	2.0	2.0
South Africa	0.3	-6.0	4.7	1.9	0.2	1.2	1.5
Mexico	-0.3	-8.7	5.8	3.9	2.8	2.2	2.1
Argentina	-2.0	-9.9	10.7	5.0	-2.5	0.0	2.0
Chile	0.7	-6.1	11.7	2.4	-0.5	-0.5	-0.5
CIS^	2.2	1.1	-1.7	0.6	12.8	12.6	12.3
Middle East	1.3	3.2	2.8	2.8	2.8	2.7	2.6
C & E Europe	-0.8	-7.7	4.8	6.0	3.8	2.0	2.0
Africa	3.2	-1.6	4.7	4.0	3.3	3.4	3.4
Emerging ex-East Asia	**1.9**	**-2.7**	**5.4**	**3.8**	**4.5**	**4.0**	**4.1**
Other countries	5.6	-1.0	10.5	2.9	2.7	4.0	0.9
World	**2.8**	**-2.8**	**6.3**	**3.5**	**3.3**	**3.3**	**3.1**

#Regional and global groupings are weighted using PPP exchange rates updated to reflect ICP 2011 benchmark revisions.* "NIEs" signifies "Newly Industrialised Economies" as defined by the IMF, viz; Republic of Korea, Hong Kong SAR, Taiwan Province of China, and Singapore. ^ CIS is the Commonwealth of Independent States, including Mongolia. Sources: IMF, Westpac Economics.

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