AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 17 June 2024

Editorial: RBA Preview: Comforts and Confidence.

Australia: RBA policy decision.

NZ: Q1 GDP, Westpac-MM Consumer Confidence, current account, house prices and sales.

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

UK: BoE policy decision, CPI, retail sales, consumer sentiment.

US: Juneteenth, retail sales, industrial production, housing updates (starts, permits, sales).

Global: S&P Global PMIs.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 14 JUNE 2024.

WESTPAC INSTITUTIONAL BANK

RBA Preview: Comforts and Confidence

The Reserve Bank Board meets on June 17-18. We expect it to again leave the official cash rate unchanged, repeating the view that restrictive policy is bringing inflation back towards target but that uncertainty around the timeframe means it needs to remain vigilant to upside risks.

At its May meeting, the Board assessed that demand was coming back in to line with supply quite quickly. Updates since then have continued to support this 'rebalancing' view.

The most important update – and part of the rationale behind the RBA Board's new meeting schedule – has been the March quarter national accounts. This provides a comprehensive view of the wider economy, including overall growth, the mix and strength of demand and some key metrics for gauging domestic cost pressures.

Growth all but stalled in the first quarter of 2024, annual GDP gains slowing to just 1.1%yr with weakness centred on the consumer. That result was in line with the RBA's expectations, its forecasts from the May Statement on Monetary Policy having GDP growth slowing to 1.2%yr by the June quarter.

The detail did carry some surprises, particularly around the consumer, but the impact here looks to be mixed from the RBA's perspective. Spending was a little firmer than expected in the quarter with significant upward revisions, relating to estimates of outbound tourism spending by Australians, lifting the growth profile over the last year. The combination of sharp rises in the cost of living, higher interest rates and surging tax payments is still weighing heavily but not quite as heavily as previously indicated, annual growth running at 1.3%yr rather than around flat.

Our view is that these changes have only limited implications for the RBA.

Firstly, they relate to history and so are already reflected in measured inflation.

Secondly, the revised spending profile means households have been saving much less, the implied run-down of buffers carried over from the pandemic meaning there is less scope to use these funds to sustain spending going forward (we estimate around 45% of this notional reserve has now been run down, compared to about 20% previously).

And lastly, the upward revisions centre on spending abroad and are therefore less relevant for assessing the extent to which demand is pushing up against supply constraints and contributing to domestic inflation pressures. If that demand starts getting redirected locally, it would be a different story but so far, this does not look to be the case (indeed both anecdotes from customers and recent reads from our Westpac Card Tracker suggest demand has weakened noticeably again in the June quarter).

The other detail from the March quarter national accounts update would have been broadly as hoped. In particular, productivity is continuing to show signs of improvement with productivity-adjusted measures of domestic labour costs also turning. Annual growth in nominal non-farm unit labour costs (the effective cost of labour once both wage costs and productivity are taken into account) slowed from 6.8%yr to 5.7%yr and has been tracking a 2.9% annualised pace over the last two quarters. The improvement in non-mining sectors has been particularly promising. This is broadly consistent with inflation in domestically-driven segments like the market services sector slowing to around a 3.5% annual pace.

Other developments over the last month would also be giving the RBA more comfort on this front. Wages growth is showing clearer signs of having peaked at just over 4%yr, with the Fair Work Commission's decision to lift minimum wage and award rates by 3.75% this year – down from an average increase of 5.75% last year – supporting the view that growth will continue to cool (the RBA's May forecasts has wage growth moderating to 3.4%yr in 2025).

The labour market more broadly is also showing a gradual moderation with a desirable mix from the RBA's point of view. Employment growth has eased back to be in line with population growth, meaning participation and unemployment rates are holding about flat. However, there is clearer evidence of slack emerging around hours worked and underemployment – employers look to be responding to slower demand with adjustments in loading rather than headcount. That is the ideal mix for achieving a 'soft landing' that contains wage growth and inflation but avoids the additional damage associated with job losses.

The other major development since the RBA Board's May meeting has been the Federal Budget. This is also likely to be broadly 'a wash' for policy although there may be some wrinkles around how various cost-of-living measures are expected to impact.

The combined effect of both Federal and state government cost-of-living measures will accentuate the decline in headline inflation over the second half of the year. We now expect annual inflation to drop into the RBA's 2-3% target range, ending the year at 2.9%yr. Much of this will reverse as temporary energy bill relief rolls off, and there is some risk of spill-over effects to wider demand slowing the pace of disinflation elsewhere.

However, these risks seem low given the consumer frame of mind and are likely to be offset by the anchoring effects of lower headline CPI reads. Consumer sentiment remains very weak. Responses to specific questions on tax cuts also indicate that consumers are likely to put any 'windfall' income gains towards rebuilding depleted savings buffers rather than spending. Sub-3% headline inflation reads will also help anchor inflation expectations at lower levels both via perceptions and the impact on a range of prices and wages that are indexed to the CPI.

As always, there will be many other considerations for the RBA Board, but June's meeting is likely to be framed in much the same way as May's. That was in the context an upside surprise to inflation that saw the Board consider an additional rise but opt to leave rates unchanged and adopt a more vigilant approach to assessing further risks. Those risks are still primarily around the path of actual inflation, suggesting the Bank is unlikely to relax until we get more quarterly CPI updates.

As such, the last six weeks would have given the RBA some comfort that other aspects of the economy were evolving as expected or hoped, and that other upside risks were not materialising. But it will be looking for a bit more evidence around inflation before it can relax, let alone be confident enough about hitting its inflation target that it can start to shift its stance.

Matthew Hassan, Senior Economist

In Australia, headline results from the May Labour Force Survey were in line with Westpac's forecasts. Growth in employment was solid in the month, up +39.7k (+0.3%), in part due to an unwind of a seasonal dynamic from last month – more people than usual entering employment in May after lining up a job in April. Consequently, the unemployment rate edged lower, from 4.1% to 4.0%. At 2.6%yr, employment growth continues to ease gradually from October 2022's high of 6.4%yr towards the 2.0%–2.5%yr pre-pandemic range (note these figures use three-month averages). Employment growth continues to keep pace with population growth, leaving the employment-to-population ratio little-changed over the month, near its historic high.

Growth in total hours worked has been much softer than employment, down –0.5% in May to be up just 0.6% from a year ago. The juxtaposition between these two indicators suggests employers are still eager to maintain or expand their capacity, and are using hours to balance current output with demand. This dynamic will be important moving into the second half of the year when we anticipate demand conditions will begin to improve in response to tax cuts and as cost-of-living pressures continue to ease.

Before moving offshore, a final note on the business sector. The latest NAB business survey confirmed that the easing in business conditions over the past two years persisted into May, the index posting another modest decline to be slightly below long-run average levels (–1pt to +6). Having experienced eight consecutive months of forward order declines, businesses are understandably circumspect over the outlook, with confidence moving sharply lower in the month (down 5pts to –3). The uptick in the survey's cost and price gauges (1.9% and 1.1% respectively) bears close monitoring over the next few months given the RBA aim to maintain an appropriate pace of disinflation and eventually bring inflation sustainably back within the target band.

Over in the US, at the June FOMC meeting, the fed funds rate was held steady and there were minimal changes to projections. The Committee now expects to deliver just one rate cut in 2024 versus three back in March. Four cuts are now expected in 2025 (from three); while the end-2026 forecast is unchanged at 3.125%. The FOMC does not anticipate inflation will improve further in 2024 and also expects it to remain above target through 2025. On the labour market, the unemployment rate is expected to peak at 4.2% by end-2025 from 4.0% today after which it edges down to 4.1% at end-2026 – a figure consistent with full employment based on the Committee's 4.2% 'longer run' view. This assessment of the labour market underpins an above trend GDP growth outlook, at 2.1%yr in 2024 then 2.0%yr in 2025 and 2026.

In the press conference, Chair Powell set a cautious tone regarding the durability of the FOMC's forecasts. The projections were referenced as 'conservative' and Chair Powell noted that further inflation outcomes like May would lead to a more benign profile. Indeed, it seems most Committee members did not incorporate the below-expectations flat May CPI print into their forecasts, Chair Powell noting in the press conference that, when significant data is released during the meeting, participants are reminded they have the opportunity to revise their forecasts, but "most people generally don't". Westpac places greater weight on the recent evidence of decelerating momentum in prices and activity, leading us to expect two rate cuts in 2024 followed by four in 2025, the latter view in line with the FOMC's expectation. Conversely, we see greater upside risk for inflation in 2026 and beyond, leading to a higher terminal rate of 3.375% in mid-2026 compared to the FOMC's 3.1% end-2026 and their 'longer run' estimate of 2.8%.

In the UK, the unemployment rate rose to 4.4% in April as employment fell 139k following a string of declines since the start of 2024. Weekly earnings growth excluding bonuses held around 6% for a fourth consecutive month. However, declining employment looks to be dampening wage expectations, the Bank of England's Decision Maker Panel survey reporting wage growth expectations for the year ahead has come down from 5.2% a year ago to 4.1% in the latest reading. GDP meanwhile was flat in April as gains in the services sector were offset by declines in industrial production and construction. The BoE's meeting next week will provide guidance on their assessment of incoming data and the likely timeline to a first cut.

In China, the CPI rose by 0.3%yr in May matching April's outcome. Services inflation remains the primary driver of consumer prices, though consumer demand is unlikely to support a material acceleration in inflation in services or goods for the foreseeable future. Producer prices fell -1.4%yr in May despite an increase in raw material prices (0.9%mth, 0.5%mth), potentially due, in part, to recent strength in shipping costs.

Week ahead & data wrap

Bumping along the bottom

Data this week confirms that growth momentum in New Zealand is weak, and the economy continues to move mildly in reverse. This is a continuation of the trend we have seen since mid-2022. Real GDP has gone backwards by around 0.7% since its peak in Q3 2022 – a slow grind backwards at a time when population growth has been significant. The pull-back in GDP has been neither unexpected nor unwanted from the perspective of the Reserve Bank. But it is nonetheless jarring for businesses and households not used to such prolonged periods of stagnant economic activity.

Looking at this week's data, stagnation seems evident everywhere in the data released. May was another tough month for retailers, with card spending down by 1.1%. That was the fourth straight month of declines, and points to further belt-tightening by consumers after a year of already-flat spending over 2023. Spending on groceries is still holding up (+0.1% in May), but it's a much softer picture in discretionary categories. Spending on durable goods fell 1% in May and is down 8% on a year earlier. There was also further weakness in hospitality and clothing.

The latest migration figures for New Zealand reinforce that the pace of net inflows has passed its peak, though it remains high compared to history. The annual balance slowed to 98,464 people in the year to April, dropping below the 100k mark for the first time in almost a year. There were further downward revisions to the recent history, with last year's cyclical peak being marked down from 139,075 to 137,736. While total migrant net inflows remain significantly above long-term average levels, it seems clear we are well past the peak. This is very consistent with the view that the labour market is cooling and hence there are far fewer opportunities for work compared to the very overheated market of a year ago.

The theme of ongoing weakening in the labour market is also reflected in SEEK job ads data which took another leg down in May (-4.8%). Advertising volumes are falling across the country but seem especially weak in Wellington (around 46% of their peak levels in 2022) and Auckland (around 52% of the 2022 peak) while the labour market in the productive heartland of the South Island is holding up a bit better. The numbers of applicants per listing remains very high indicating strong competition for jobs from those currently unemployed.

The weaker New Zealand labour market is also reflected in the further increase in the flow of New Zealanders moving offshore. This reached a new 25 year high in April as over 56,000 New Zealanders left for better opportunities. Most of this lift in departures is cyclical as, rather unusually, the unemployment rate here is tracking higher than that in Australia. Although there is still an element of post-Covid catch-up in the data also. We don't see this cycle turning around any time soon given our forecasts of a rising unemployment rate in New Zealand that will at least keep pace with Australian trends in the year ahead.

Last week we also saw some seasonal moderation in inbound tourism numbers in April. There was a fair degree of Easter-related volatility in the monthly numbers, but a key underlying theme was one of moderation in visitor arrivals from the US (airlines are looking to reduce capacity on the US-NZ routes now) and still soft demand from other source markets such as Japan (where the fresh 17 year high in the NZD/JPY will be a significant deterrent), Korea and Europe. The still weak global growth environment is limiting the ability for tourism to push towards and through pre-Covid levels.

This weakness in the economy, while unwelcome to most households and businesses, is seem by the RBNZ as a necessary evil to bring still high and sticky inflation to heel.

Perhaps some (thin!) straws in the wind this week came from the release of Stats NZ's Selected Price Indices which showed some easing in monthly inflation. Particularly interesting was declines in prices for some non-tradable inflation components such as ready to eat food, domestic airfares, and domestic accommodation. We reduced our forecast for June quarter inflation from 0.8% to 0.6% which brings Westpac's forecast in line with the RBNZ's May Monetary Policy Statement view.

Two key events in the week ahead are worth watching: March quarter GDP is released 10:45 AM Thursday and RBNZ Chief Economist Paul Conway is hosting a webinar at 9:00 AM Thursday morning.

Westpac sees Q1 GDP falling for the 5th time in the last 6 quarters by -0.2%. Annual growth should improve slightly to -0.2%. We're expecting most sectors to do better (or less bad) than they did in the December quarter, but with some pronounced weakness in a few areas driving the overall result. The key areas of weakness are in non-food manufacturing, construction, and wholesale trade – sectors that are especially interest sensitive and leveraged to the domestic consumption and investment cycle. Our forecast is noticeably weaker than the RBNZ's forecast of +0.2% qoq which all else equal should help reduce some of those concerns that it could be at late as August 2025 when policy restriction might begin to be removed.

Conway's webinar will come ahead of the GDP data but seems timely as it will discuss findings from recent RBNZ research into the sources of recent inflation and the likely key drivers of the expected future decline in inflation. We don't expect any significant deviation from the RBNZ's hawkish tone regarding the stickiness of domestic inflation as in the May Monetary Policy Statement.

Kelly Eckhold, Chief Economist NZ

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Wed 12	Apr Net Migration	5620	7380	–
Thu 13	May Retail Card Spending %mth	–0.4%	–1.1%	–0.3%
Fri 14	May Manufacturing PMI	48.8	47.2	–
	May food prices	0.6%	–0.2%	0.4%
	May housing rents	0.5%	0.3%	0.3%

Aus Jun RBA Policy Decision

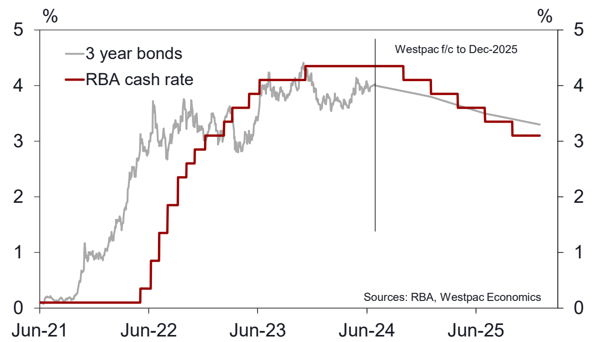
Jun 18, Last: 4.35%, WBC f/c: 4.35%
Mkt f/c: 4.35%, Range: 4.35% to 4.35%

Westpac expects the RBA to leave rates on hold again at its June meeting but remain 'vigilant' to upside risks on inflation.

Recent updates would be of some comfort, slow growth showing restrictive policy is continuing to bring demand more in to line with supply. Developments around labour costs also heading in the desired direction. However, the Bank will still be uncertain about the exact path for inflation, wary about the upside surprise that saw a hike considered in May. The RBA will remain vigilant towards more inflation surprises and only become more confident on this front once there's clearer evidence that actual inflation is still tracking its expected disinflation path.

For more detail, see Page 2.

RBA cash rate and 3 year bonds



NZ May REINZ House Sales and Prices

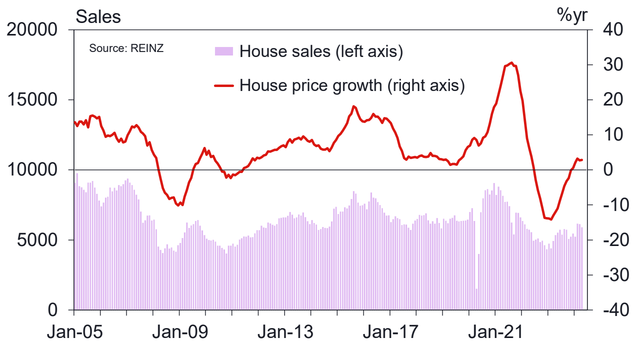
Jun 17, Sales, Last: –3.6% mth, +25.3% annual
Jun 17, Prices, Last: +0.1% mth, +2.8% annual
*** Monthly figures based on Westpac seasonal adjustment**

New Zealand's housing market remained subdued in April. While a surge in listings this year has helped to lift the level of sales, prices have been effectively flat over the last three months. Anecdotes from real estate agencies indicate that investors in particular are staying on the sidelines.

We expect the current softness in the housing market will eventually give way to a period of stronger activity, underpinned by a multi-decade high in population growth and policy changes to support investor demand.

However, interest rates are the biggest cyclical driver of house prices. With the Reserve Bank signalling that it expects to hold the line on the OCR until well into 2025, it may be later this year before we see any meaningful movement in fixed-term mortgage rates.

REINZ house prices and sales



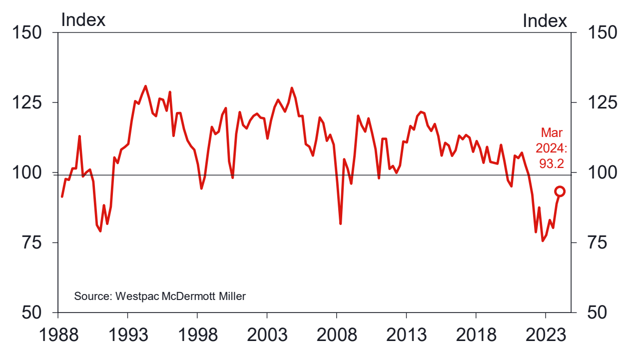
NZ Q2 Westpac McDermott Miller Consumer Confidence

Jun 18, Last: 93.2

The Westpac McDermott Miller Consumer Confidence Index rose 4.3 points to 93.2 in March. Underlying that lift in sentiment, households reported that some of their concerns about financial pressures were starting to ease.

Our latest survey was in the field during the early part of June. Recent months have seen inflation continuing to cool. However, both inflation and interest rates remain elevated. We've also seen continued softness in economic growth and the labour market. The survey period also follows the release of the coalition Government's first budget.

NZ Consumer Confidence Index



DATA PREVIEWS

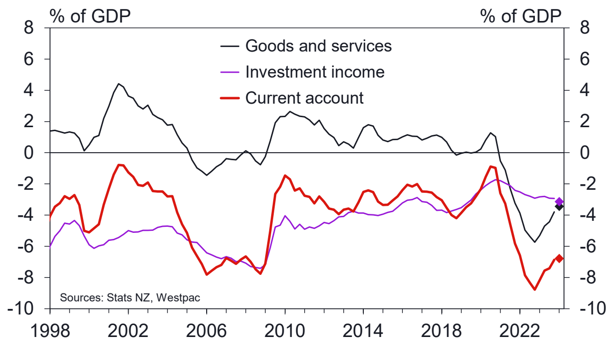
NZ Q1 Current Account Balance (% of GDP)

Jun 19, Last –6.9% (Year to Dec), WBC f/c: –6.8% (Year to March)

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

Indicators suggest that little additional progress has been made over the March quarter, however. While the merchandise trade deficit has narrowed, exports of services have proven surprisingly weak. Meanwhile, the primary income balance is likely to have deteriorated as accumulating deficits are financed at higher interest rates. As a result, we expect the annual current account deficit to have narrowed by just 0.1ppt to 6.8% of GDP in the March quarter.

NZ annual current account balance



NZ Q1 GDP (%qtr)

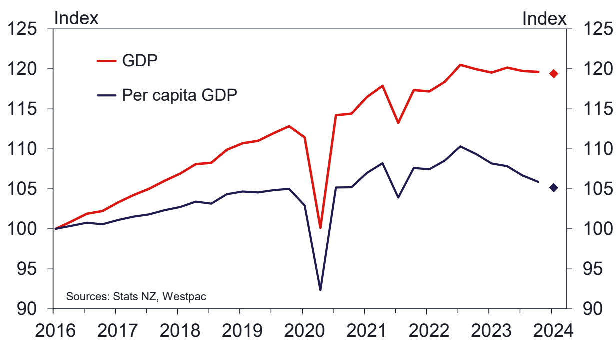
Jun 20, Last: –0.1%, Westpac f/c: –0.2%, Mkt f/c: +0.1%

We expect a 0.2% fall in GDP for the March 2024 quarter. Our estimates suggest that the weakness was concentrated in the manufacturing and construction sectors in particular.

On our forecast, this would mark the fifth decline in the last six quarters, despite strong population growth in that time. Even so, it's likely that the economy is only just moving into 'cool' territory given how overheated it had become in previous years.

Our forecast is below the Reserve Bank's estimate of a 0.2% rise. A weaker result would support an earlier start to OCR cuts – at least, relative to the mid-to-late 2025 timing that the RBNZ was signalling in its May policy statement.

NZ production-based GDP



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 17					
Aus	May ANZ-Indeed Job Ads %mth	2.8%	–	–	Broadly unchanged at an elevated level so far this year.
NZ	REINZ House Sales %yr	25.3%	–	–	Turnover and price growth remains low…
	REINZ House Prices %yr	2.8%	–	–	… with high borrowing costs keeping buyers on the sideline.
	May BusinessNZ PSI	47.1	–	–	Followed the manufacturing survey lower in Mar/Apr.
Jpn	Apr Core Machinery Orders %mth	2.9%	–3.1%	–	Uncertain outlook is a headwind for capacity expansion.
Chn	May Retail Sales ytd %yr	3.8%	3.9%	–	Lingering uncertainty over labour market and wealth…
	May Industrial Production ytd %yr	6.3%	6.3%	–	… leaving growth in the hands of robust industrial…
	May Fixed Asset Investment ytd %yr	4.2%	4.2%	–	… expansion targeting developing export markets.
US	Jun Fed Empire State Index	–15.6	–13.0	–	To remain weak and volatile.
	Fedspeak	–	–	–	Harker.
Tue 18					
Aus	RBA Policy Decision	4.35%	4.35%	4.35%	No change but RBA to remain 'vigilant' on inflation (see p2).
NZ	Q2 Westpac Consumer Confidence	93.2	–	–	Households continue to grapple with financial headwinds.
Eur	Jun ZEW Survey of Expectations	47.0	–	–	Markets are gaining confidence in Europe's recovery.
	May CPI %yr	2.6%	–	–	Final estimate to provide more colour on components.
US	May Retail Sales %mth	0.0%	0.3%	0.4%	Growth to decelerate to or below trend this year.
	May Industrial Production %mth	0.0%	0.4%	–	Production levels have held broadly flat for a year now.
	Apr Business Inventories %mth	–0.1%	0.3%	–	Run-down centred on wholesale inventories.
	Fedspeak	–	–	–	Barkin, Logan, Kugler, Musalem, Goolsbee.
Wed 19					
NZ	GlobalDairyTrade Auction	1.7%	–	–	Futures prices down since last auction.
	RBNZ Chief Economist Conway	–	–	–	Speech on inflation drivers, text will be published.
	Q1 Current Account Balance (% of GDP)	–6.9%	–6.8%	–6.8%	Weak services exports & debt finance costs limit narrowing
UK	May CPI %yr	2.3%	–	–	Lingering wage pressures keeps focus on services inflation.
US	Juneteenth	–	–	–	Public holiday; markets closed.
	Jun NAHB Housing Market Index	45	45	–	Homebuilder sentiment has a long recovery ahead.
Thu 20					
NZ	Q1 GDP %qtr	–0.1%	0.1%	–0.2%	Expecting 5th decline in the last 6 quarters.
Eur	Jun Consumer Confidence	–14.3	–	–	Confidence recovery slow given measured pace of rate cuts.
UK	BoE Policy Decision	5.25%	5.25%	5.25%	More assurance on services disinflation needed before cut.
US	May Housing Starts %mth	5.7%	1.1%	–	Borrowing costs remain a headwind for builders…
	May Building Permits %mth	–3.0%	1.4%	–	… front-end risks around the pipeline linger.
	Jun Phily Fed Index	4.5	4.5	–	Subdued but volatile conditions across the regions.
	Initial Jobless Claims	242k	–	–	Likely to remain relatively low.
	Fedspeak	–	–	–	Barkin.
Fri 21					
Jpn	May CPI %yr	2.5%	2.9%	–	Closely inspecting for signs of a virtuous wage-price cycle.
	Jun Jibun Bank Manufacturing PMI	50.4	–	–	Manufacturing conditions are beginning to stabilise.
	Jun Jibun Bank Services PMI	53.8	–	–	Price gauges are constructive on the inflation outlook.
Eur	Jun HCOB Manufacturing PMI	47.3	–	–	Manufacturers remain circumspect on the outlook…
	Jun HCOB Services PMI	53.2	–	–	… as the services sector props up broader activity.
UK	Jun S&P Global Manufacturing PMI	51.2	–	–	Manufacturing is slowly reviving after prolonged weakness.
	Jun S&P Global Services PMI	52.9	–	–	Decent results for the services sector stands in…
	May Retail Sales %mth	–2.3%	–	–	… contrast to the persistent declines in retail sales…
	Jun GfK Consumer Sentiment	–17	–	–	… suggesting HH's have to be selective with spending.
US	Jun S&P Global Manufacturing PMI	51.3	51.0	–	Business surveys are offering a range of signals on US…
	Jun S&P Global Services PMI	54.8	53.4	–	… growth, from soft to outright weak.
	May Leading Index %mth	–0.6%	–0.3%	–	Data speaks to risks around the outlook.
	May Existing Home Sales %mth	–1.9%	–1.0%	–	Lack of inventory suppressing sales activity.

Forecasts

Interest rate forecasts

Australia	Latest (14 Jun)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Cash	4.35	4.35	4.35	4.10	3.85	3.60	3.35	3.10
90 Day BBSW	4.37	4.37	4.37	4.17	3.92	3.72	3.55	3.30
3 Year Swap	3.99	4.20	4.10	4.00	3.85	3.70	3.60	3.50
3 Year Bond	3.83	4.00	3.90	3.80	3.65	3.50	3.40	3.30
10 Year Bond	4.15	4.35	4.30	4.25	4.20	4.10	4.00	4.00
10 Year Spread to US (bps)	-11	-15	-10	-5	0	0	0	0
US								
Fed Funds	5.375	5.375	5.125	4.875	4.625	4.375	4.125	3.875
US 10 Year Bond	4.26	4.50	4.40	4.30	4.20	4.10	4.00	4.00
New Zealand								
Cash	5.50	5.50	5.50	5.50	5.25	5.00	4.75	4.50
90 day bill	5.61	5.60	5.60	5.50	5.25	4.95	4.75	4.50
2 year swap	4.93	5.10	5.00	4.80	4.55	4.40	4.25	4.15
10 Year Bond	4.63	5.00	4.90	4.80	4.70	4.65	4.55	4.50
10 Year spread to US	37	50	50	50	50	55	55	50

Exchange rate forecasts

Australia	Latest (14 Jun)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6629	0.66	0.66	0.67	0.68	0.69	0.70	0.71
NZD/USD	0.6159	0.60	0.60	0.61	0.62	0.63	0.64	0.65
USD/JPY	157.87	156	155	154	150	146	143	140
EUR/USD	1.0737	1.08	1.09	1.10	1.11	1.12	1.13	1.14
GBP/USD	1.2750	1.27	1.27	1.28	1.29	1.30	1.31	1.31
USD/CNY	7.2550	7.20	7.15	7.10	7.05	7.00	6.90	6.80
AUD/NZD	1.0775	1.10	1.10	1.10	1.10	1.10	1.10	1.10

Australian economic growth forecasts

	2023	2024				2025		Calendar years			
% change	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	2022	2023	2024f	2025f
GDP % qtr	0.3	0.1	0.3	0.6	0.5	0.5	0.6	–	–	–	–
%yr end	1.6	1.1	1.0	1.4	1.6	2.0	2.2	2.5	1.6	1.6	2.3
Unemployment rate %	3.9	3.9	4.0	4.2	4.3	4.4	4.5	3.5	3.9	4.3	4.6
Wages (WPI)	1.0	0.8	0.8	0.7	0.7	0.7	0.8	–	–	–	–
annual chg	4.2	4.1	3.9	3.4	3.0	2.9	2.8	3.3	4.2	3.0	3.0
CPI Headline	0.6	1.0	1.0	0.1	0.8	0.7	0.8	–	–	–	–
annual chg	4.1	3.6	3.8	2.7	2.9	2.7	2.4	7.8	4.1	2.9	3.1
Trimmed mean	0.8	1.0	0.9	0.8	0.7	0.7	0.7	–	–	–	–
annual chg	4.2	4.0	4.0	3.6	3.5	3.2	3.0	6.8	4.2	3.5	2.8

New Zealand economic growth forecasts

	2023	2024				2025		Calendar years			
% change	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	2022	2023	2024f	2025f
GDP % qtr	-0.1	-0.2	-0.1	0.3	0.3	0.5	0.5	–	–	–	–
Annual avg change	0.6	0.1	-0.5	-0.4	-0.2	0.1	0.7	2.4	0.6	-0.2	1.7
Unemployment rate %	4.0	4.3	4.6	4.9	5.2	5.3	5.4	3.4	4.0	5.2	5.4
CPI % qtr	0.5	0.6	0.6	1.1	0.4	0.5	0.4	–	–	–	–
Annual change	4.7	4.0	3.6	2.9	2.8	2.7	2.4	7.2	4.7	2.8	2.2

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