AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 24 June 2024

Editorial: RBA more alert and less certain in its inflation fight.

RBA: Speeches from Hauser (Deputy Governor) and Kent (Assistant Governor Financial Markets).

Australia: Westpac-MI Consumer Sentiment, ACCI-Westpac Business Survey, Westpac-MI Leading Index, Monthly CPI Indicator, private credit, job vacancies.

NZ: Matariki public holiday, Q2 Westpac Employment Confidence, business confidence, trade balance.

China: NBS PMIs, industrial profits.

US: PCE deflator, personal income and spending, durable goods orders, manufacturing surveys, home sales.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 21 JUNE 2024.

WESTPAC INSTITUTIONAL BANK

RBA more alert and less certain in its inflation fight

The Reserve Bank left the cash rate unchanged at 4.35% this week, in a widely-expected decision.

The RBA last hiked in November 2023 and a 'high for longer' theme has played out since.

Importantly, in this week's meeting the Board debated hiking the cash rate or leaving the cash rate alone. The Board did not consider cutting the cash rate. The decision was made to stay the course.

Michelle Bullock in her press conference stuck to her usual mantra that the Board is not ruling anything in or out. However, she highlighted that the evidence on inflation is that "demand is still too strong."

Governor Bullock's remarks, together with the changes to the accompanying Board statement, reveal the RBA has become more alert to upside inflation risks. Additionally, the Board appears less confident inflation is moving sustainably towards the inflation target within a reasonable timeframe.

In perhaps one of the more telling remarks of the press conference, Bullock said "we need a lot to go our way if we are going to bring inflation down to the 2–3% target" and the economy's narrow path is "getting a bit narrower."

However, she also emphasised that the case for a rate rise isn't increasing. Instead, there are a few factors that are making the Board a bit more alert to the upside risks. It means the data flow between now and the next Board meeting will be critical, especially the June quarter inflation read and data on the labour market.

Governor Bullock's vigilant rhetoric was echoed in the tone of the Board's statement where several notable changes were made.

First, the RBA referred to inflation as "proving persistent" and the statement called out the persistence of services price inflation as a key uncertainty. In the press conference, Bullock suggested the monthly inflation measure does not give a solid enough read on inflation momentum, meaning they must rely on the less timely quarterly inflation report.

Second, the statement notes that output growth in most advanced economies appears to have troughed. The RBA has previously highlighted the downside risks to global growth could pose to the Australian economy.

Third, the statement introduced a reference to supply chain risks, relating to geopolitical risks and likely reflecting the recent pick up in shipping costs.

Finally, the last paragraph, arguably the most critical of the statement, stresses the step up in the RBA's alertness. The RBA notes that while recent data have been mixed, they flag that it has "reinforced the need to remain vigilant to upside risks to inflation."

Moreover, in the final sentence of the statement, the Board has reinstated the words indicating "they will do what is necessary to achieve that outcome". This line was last used in February 2024 and the return of these words underscores that the Board is more attentive to upside risks and willing to respond should these risks materialise.

The reference to house prices also returned to the statement alongside the lift in household wealth. House prices were last mentioned in a Board statement late last year.

More broadly, another key area of uncertainty is the outlook for consumption. Indeed, the word uncertainty has been used more times today than in any Board statement in the last six months.

The RBA expects consumption growth to strengthen, as lower inflation and tax cuts drive a lift in real disposable incomes later this year. But the RBA also sees a possible scenario where consumption growth lifts more slowly and where the improvement in household incomes is mostly saved. The larger than previously estimated run down in savings buffers could be consistent with this scenario where households save a larger share of the tax cuts and cost-of-living support measures to help rebuild buffers. This was called out as a particular area of uncertainty; the RBA was unsure of the extent to which low savings was a sign that consumers were confident enough to spend or unable to save due to pressures on income.

The RBA next meets on August 6 and just before this meeting, the quarterly inflation report is released on July 31. The RBA will have a more comprehensive read on inflation and the economy at the time of this meeting, although it will need to digest the impact of the Stage 3 tax cuts and other fiscal support measures that come into effect on July 1. These effects will not become fully apparent until well after the August meeting.

Our inflation forecasts for the upcoming June quarter report are below that of the RBA's, leaving us comfortable with our view that the next move in the cash rate will be down and arrive in November. But we acknowledge there's a greater risk of rate relief slipping into next year. Swap markets have no rate cuts priced for this year and two rate cuts priced in for 2025. The timing of the first rate cut has been pushed out from February to April next year after today's meeting.

If the concerns around persistent price pressures continue, we think the RBA is more likely to keep the cash rate on hold for longer than to hike again, but the RBA remains data dependant and the upcoming data will be telling.

Besa Deda, Chief Economist Westpac Business Bank

THE WEEK THAT WAS

In Australia, the RBA Board once again left the cash rate unchanged at 4.35%. The Board's statement emphasised that there remains considerable uncertainty around the economic outlook, particularly as it relates to policy lags, the path for consumption, and consequently inflation's path back to target. Strong population growth has provided considerable support for aggregate demand, GDP up 1.1%yr in the March quarter despite per capita activity declining 1.3%yr, but capacity is constrained. This context puts the Board in a challenging position on the narrow path back to target inflation, requiring it "to remain vigilant to upside risks to inflation" and "not rule anything in or out" with respect to policy.

Critical to the RBA outlook for the remainder of the year will be forthcoming updates on inflation. As detailed earlier this week, there is likely to be greater-than-usual volatility in headline inflation over the coming twelve months, as various cost-of-living policy initiatives from both federal and state governments lower measured inflation. The RBA Board are likely to 'look through' this volatility in headline inflation and focus on developments in core inflation. Supporting our view for a further deceleration in trimmed mean inflation, to 3.5%yr by Dec-24 and 3.0%yr by Jun-25, is a constructive outlook for many of the risks the RBA Board is currently focused on. That includes the more modest decision on minimum and award wages from the Fair Work Commission, the significant moderation in unit labour costs growth to date, and the ongoing improvement in labour productivity.

Overall, we view the Board's language as striking a delicate balance. Rate cuts are unlikely to be delivered until late in the year, November being our forecast for the first move, with policy relief ensuing at a measured pace thereafter – 25bp per quarter, taking the cash rate to 3.10% by Q4 2025. Should stickiness in price pressures persist, the risk that policy relief will be pushed back will grow.

Offshore, the Bank of England kept rates steady at 5.25% in a 7-2 vote, but gave their first hint of a near-term rate cut. On the whole, economic conditions were viewed as consistent with progress being made, with a number of those who voted for no change noting that their decisions were "finely balanced". The decision came a day after the release of the May CPI which, on a headline basis, came in at target -- 2%yr. However, core inflation rose 3.5%yr while services remained sticky at 5.7%yr. Helpfully, inflation's breadth is narrowing -- 59% of the basket was running above the 2% target in May compared to 64% in April. The BoE's analysis also suggests price setting behaviour in the services sector should continue to ease, albeit from a still elevated level.

The UK labour market has been hard to gauge given data quality issues, but the Decision Maker Panel survey implies wage and inflation expectations are decelerating, helping to balance risks to the inflation outlook. Inflation is expected to print just above 2%yr through the second half of 2024 as energy subsidies cycle out. For the BoE to feel confident CPI will sustainably return to target thereafter, further progress on underlying services inflation is required along with easing wage pressures. It is important to recognise that one cut will not take policy from contractionary to neutral, and so we are most likely to see cutting commence before the 2.0%yr target is sustainably attained. The August meeting is best considered live, particularly as revised forecasts will be received by the MPC at that meeting. As in other key jurisdictions, the coming rate cutting cycle for the UK will be measured in timing and scale, with each step determined by incoming data.

Last Friday, the Bank of Japan left policy rates unchanged, but noted they would reduce bond purchases with a detailed plan to be outlined at their July meeting. Commentary around the outlook for the economy remains unchanged -- real wage growth is expected to sustainably support demand and prices, leading to at-target inflation into the medium term. Remaining upbeat but patient will improve the chances of this expectation becoming reality. Also supportive is the weak Yen, as discussed in our note. However, meaningful and persistent increases in real wages and investment are necessary to justify policy normalisation.

Elsewhere in Asia, Chinese partial data remained mixed in May. Authorities belief that downside risks are being neutralised by policy was challenged by the data, the price of new and used homes declining by 0.7% and 1.0% respectively in May. Investment in the sector also remained 10% lower year-to-date. Consumer spending is best considered resilient (but certainly not strong or strengthening), retail sales up 4.1% year-to-date in May, the same as April. Fixed asset investment continued at a circa 4% pace year-to-date as growth in property investment remained deeply negative and high-tech manufacturing investment growth slowed to a robust but sustainable pace after the rapid gains of recent years. Highlighting the benefit to China from trade, particularly with Asia, industrial production continued to grow around 6% year-to-date.

Finally to the US. FOMC speakers this week again emphasised the prudence of waiting for further progress with respect to inflation's return to target. That said, it was evident in their remarks that this view was predicated on US growth remaining above trend and no further slippage in the labour market. Data out this week instead highlighted the downside risks for activity. Retail sales again surprised to the downside in May, +0.1%, and April was revised down from flat to -0.2%. Both headline and control group sales point to goods spending being essentially unchanged year-to-date. Despite still robust momentum in services spending, total consumption growth looks to have slipped to a below-trend pace in Q2. Forward looking housing data was also very week in May, with starts now 20% lower than a year ago and permits down 9%yr. Initial claims meanwhile continues to indicate little-to-no job shedding, but all measures of labour demand indicate it is softening, to varying degrees. As we continue to highlight, the FOMC need to be mindful of the evolution of risks that the US faces. This will be as true a year from now as it is today.

Week ahead & data wrap

New Zealand's economy grew by 0.2% in the March quarter. While that's certainly not strong growth, it was ahead of the 0.2% contraction that we had been expecting. It also means that New Zealand has narrowly avoided slipping back into recession.

But whether-or-not we are technically in recession doesn't really tell the whole story. Stepping back from the normal quarter-to-quarter swings, the longer-term trend in economic activity remains weak. Over the past 18 months economic growth has stalled, with the level of activity effectively tracking sideways. And even that flat result has been flattered by strong population growth – in per-capita terms, economic activity has fallen 2.4% over the past year.

The weakness in growth reflects the impact of some powerful economic headwinds. Most notably, continued high inflation and high interest rates are constraining both household spending and business activity. Soft demand in some of our key trading partner economies is also weighing on export earnings.

More recent economic data indicate that growth has remained subdued as we've moved into the middle part of the year. In the household sector, our latest survey of consumer sentiment showed that spending appetites have continued to weaken as the public comes to terms with the RBNZ's message that rate cuts are some way off. Similarly, in the business sector the latest PMI and PSI reports have highlighted subdued sales and orders, with notable weakness in the services sector. Soft demand and continued pressures on businesses' margins have been a consistent theme in our own discussions with businesses in some of New Zealand's regional centres recently.

We expect that growth will remain subdued over the remainder of this year. However, we do need to put the current downturn into context. The slowdown that we're now seeing follows a period of rapid growth in the wake of the pandemic. In part, that was due to pent-up demand after the lockdowns. But what really lit a fire under demand was record low interest rates and expansionary fiscal policy. Those conditions pushed the economy well beyond sustainable levels and saw inflation surging to multi-decade highs.

Demand is now moving back into better alignment with the economy's supply capacity. That seen most clearly in the labour market: while unemployment has risen from the record low of 3.2% that we reached in 2022, at 4.3% it's currently around average, rather than elevated levels.

Furthermore, even with the downturn in demand, we're still not spending within our means. We're still running a current account deficit of 6.8% of GDP, a level typically more associated with an overheated economy, not one in recession. Of course, there are several reasons why this deficit has blown out – tourism earnings haven't fully recovered from the COVID shock, outbound travel is still in a catchup phase after the border closure, and global inflation has ramped up the cost of our imports. But these just reinforce the point: as a nation, we've taken a big hit to our international purchasing power, but we haven't adjusted our spending habits to reflect this.

Importantly, although growth is cooling, New Zealand is still grappling with some strong inflation pressures. Overall consumer price inflation is running around 4%, with domestic prices (aka. non-tradables inflation) up 5.8% over the past year.

Those lingering domestic inflation pressures were the focus of a recent speech from RBNZ Chief Economist Paul Conway. The speech noted that *"There are some reasons to think that inflation may be more persistent than in our current projections in the near term."* That's because many components of domestic inflation have been 'sticky'. In fact, outside of the construction sector, non-tradables inflation has shown scant signs of cooling even with the sharp slowdown in growth that's occurred over the past 18 months. Notably, those price rises are not limited to items like council rates or insurance. Instead, domestic price pressures are widespread, which is something the RBNZ can't look through.

We agree with the RBNZ's assessment about the strength of the near-term inflation outlook. We've frequently highlighted that inflation pressures are strong and widespread. And our forecasts for this year are in line with the RBNZ's projections.

Where there is more uncertainty is the medium-term outlook for inflation, and on this front, the RBNZ has noted some reasonable questions about how inflation pressures will evolve. The RBNZ noted that there are *"some reasons to think that inflation could fall more quickly than expected over the medium term."* That includes the emergence of spare capacity in goods markets and the labour market which could dampen inflation. The RBNZ has also highlighted the role that easing inflation expectations could play in helping to pull down inflation.

As noted above, we've already seen a cooling in the labour market, and we expect that will continue over the coming year. Combined with softening demand, that has already resulted in inflation in some discretionary spending areas cooling. However, we need to see more adjustment in pricing in the services sector, which may take a while as the total pull-back in output in the last 18 months has been relatively modest – albeit prolonged. At the same time, we still expect continued stickiness in areas like government charges (like rates) and insurance – something that is not factored into the RBNZ's forecasts beyond the very near term. That means the RBNZ could be surprised to the upside in relation to domestic inflation over the medium term.

Bottom line, with the RBNZ signalling upside risk for inflation in the near-term, we think they're unlikely to ease their foot off the brake soon even with growth slowing (in contrast to market pricing for earlier rate cuts). Consistent with that, the key sentence in the speech noted that the RBNZ still expects that *"a period of restrictive policy is necessary to give us confidence that inflation will return to target over a reasonable timeframe"*. This is not a different position than the RBNZ took in May. We don't see that shifting in July either.

Satish Ranchhod, Senior Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 17	REINZ house sales (%yr)	31.5%	6.8%	–
	REINZ house prices (%yr)	2.9%	2.3%	–
	May BusinessNZ PSI	46.6	43.0	–
Tue 18	Q2 Westpac Consumer Confidence	93.2	82.2	–
Wed 19	GlobalDairyTrade auction	1.7%	–0.5%	–
	Q1 current account balance (% of GDP)	–6.9%	–6.8%	–6.8%
Thu 20	Q1 GDP	–0.1%	0.2%	–0.2%

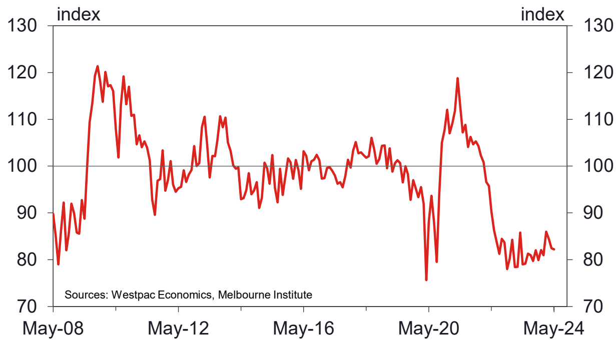
Aus Jun Westpac-MI Consumer Sentiment

Jun 25, Last: 82.2

Consumer sentiment dipped 0.3% to 82.2 in May, the detail showing renewed cost-of-living and inflation concerns more than offset a relatively well-received Federal Budget. Pessimism continues to dominate, albeit with some faint glimmers of hope starting to show through around the outlook for family finances, where the prospect of tax cuts are giving some support.

The June survey is in the field during the week of the RBA decision. While the 'no change' result on interest rates was widely expected, the messaging may have been disappointing for consumers with the RBA still vigilant to upside risks to inflation and 'on alert' that these may be shifting. Other factors that may influence sentiment include: the weak March National Accounts result, showing near flat economic activity in the quarter; recent signs of slowing wage growth including moderate increases in minimum and Award wages; but firm signs from the labour market more generally and some additional support measures from some state government budgets.

Consumer Sentiment Index



Aus Q2 ACCI-Westpac Business Survey

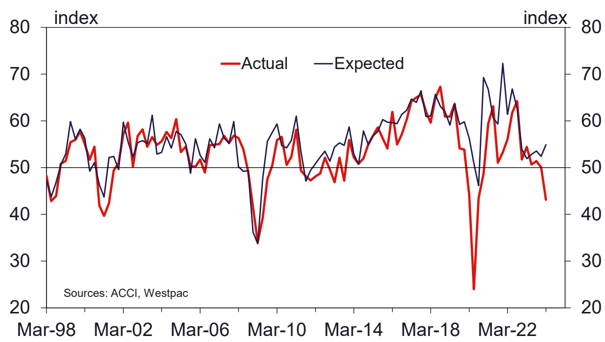
Jun 25, Last: 43.1

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

Conditions within Australia's manufacturing sector, after having broadly stalled over the course of 2023, deteriorated materially at the beginning of 2024. The previous survey reported a decline in new orders, a fall in output, a reduction in overtime and a material downsize to employment.

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

Westpac-ACCI Composite indexes



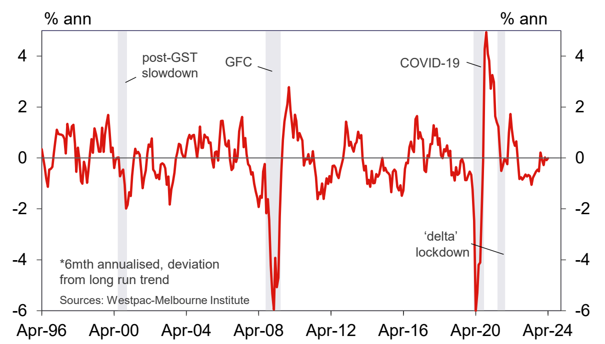
Aus May Westpac-MI Leading Index

Jun 26, Last: –0.01%

The Leading Index improved slightly to –0.01% in April from –0.08% in March. The Index points to stabilising growth momentum, confirming that the main negatives over the last two years – the combined drag on household incomes from sharply higher living costs, interest rate rises and a surging tax take – are starting to dissipate.

Most components have been relatively steady over the last month although several, including shares and commodity prices, are 'cycling' through some relatively big gains from six months ago. With the headline measure a six month annualised pace, this effect will tend to be a drag.

Westpac-MI Leading Index



Aus May Monthly CPI Indicator (%yr)

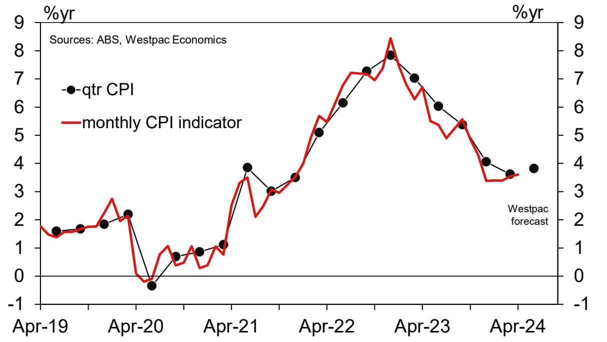
Jun 26, Last: 3.6%, Westpac f/c: 4.0%
Mkt f/c: 3.8%, Range: 3.5% to 4.0%

In any one month, only 60% of the quarterly CPI is surveyed by the Monthly CPI Indicator, with many components surveyed in just one month each quarter, and some only once a year. This is why a simple three month average of the Monthly Indicator is not a good guide to the quarterly CPI. This month will provide some insight into how services inflation is unfolding through the June quarter.

Our preliminary forecast for the May Monthly CPI Indicator is for a flat print in the month which. Given a –0.4%mth decline in May 2023, this would see the annual pace lift from 3.6%yr to 4.0%yr. This will be the first time since September 2023 that the annual rate of inflation in the Monthly CPI Indicator is running faster than that of the quarterly CPI.

For further information on our inflation forecasts please see "**Inflation Deeper Insights – rebates increase CPI volatility**".

Annual inflation



Aus Q2 Job Vacancies (%qtr)

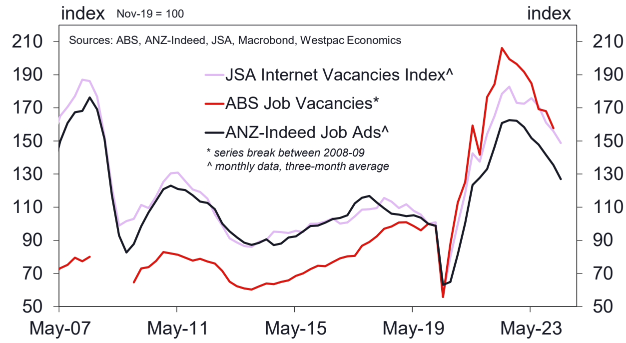
Jun 27, Last: –6.1%

Job vacancies fell –6.1% between November and February, from 387.4k to 363.8k. This marks the seventh consecutive decline in job vacancies from its peak of 475.4k in May 2022. Job vacancies are now 20% lower than said peak, or from another perspective, still around 60% above pre-pandemic levels.

For the Q2 (May) update, another large decline seems likely, as positions continue to be filled and long-standing unfilled positions are removed. Data from Jobs & Skills Australia and other internet advertisement platforms are broadly consistent with this.

Updates on the composition and evolution of vacancies by industry, particularly as it relates to current employment dynamics – notably the contrast between industries more exposed to the discretionary spending slowdown versus those that are more orientated towards essentials – will also be of interest.

Job vacancies: further easing into mid-year



Aus May Private Sector Credit (%mth)

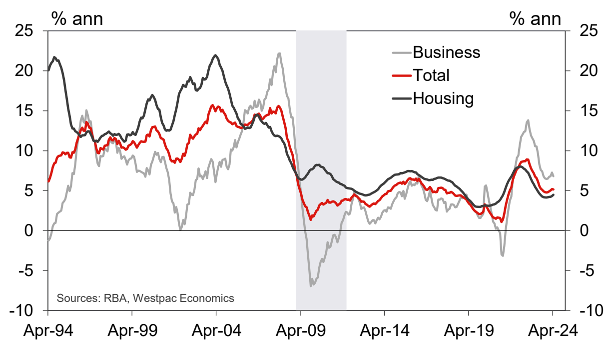
Jun 28, Last: 0.5%, WBC f/c: 0.4%
Mkt f/c: 0.4%, Range: 0.2% to 0.5%

Private sector credit grew by 0.5% in April to be up 5.2%yr, both growth rates basically unchanged on March and within the tight range that has been seen over the last nine months.

Credit continues to expand at a modest pace, restrained by elevated interest rates and a sluggish economy on the one hand but supported by a need to add to capacity – business still operating close to capacity, unemployment near historic lows and a surge in population-driven demand putting pressure on housing supply. Annual credit growth at 5.2% compares with a post 2000 average of 7.5%yr but is more in line with the subdued post-GFC average of 4.6%.

For May, we expect a similar picture with credit growth of 0.4% in the month.

Credit growth holds at around 5%yr



NZ Jun ANZ Business Confidence

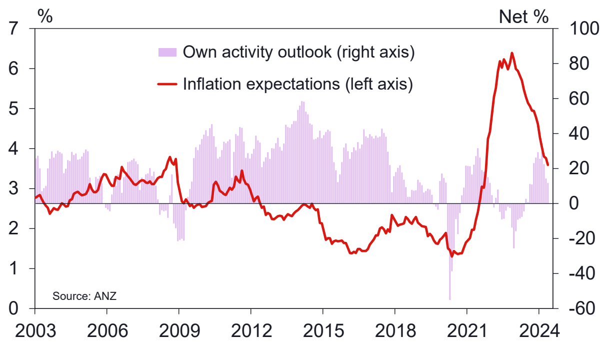
Jun 27, Last: 11.2

The May business outlook survey showed that the New Zealand economy remained in a soft patch. General business sentiment fell for a fourth straight month, with only a net 11% of firms confident about the outlook for the year ahead. Businesses' expectations for their own activity also fell, and have now effectively given back all of their post-election gains.

What was more encouraging was that the inflation gauges are pulling in the right direction. Expected inflation for the year ahead fell from 3.76% to 3.59%, the lowest reading since October 2021. Firms' pricing intentions remained elevated, but resumed their decline after having stalled for most of the last year.

Sentiment on the economy is likely to have stayed sour in June. However, the pricing gauges remain the key things to watch.

NZ business confidence



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 24					
NZ	May Trade Balance $mn	91	–	337	A small surplus likely as exports hit a seasonal peak.
Ger	Jun IFO Business Climate Survey	89.3	89.3	–	Poor demand is restraining the recovery in sentiment.
US	Jun Dallas Fed Index	–19.4	–	–	Manufacturing conditions remain weak.
	Fedspeak	–	–	–	Waller, Daly.
Tue 25					
Aus	Jun Westpac–MI Consumer Sentiment	82.2	–	–	Still waiting on a decisive improvement in the inflation situation.
	Q2 ACCI–Westpac Business Survey	43.1	–	–	Conditions soured at the start of the year.
NZ	Q2 Westpac Employment Confidence	104.4	–	–	Job availability has been softening.
US	May Chicago Fed Activity Index	–0.23	–	–	Slack is building in the economy.
	Jun Consumer Confidence Index	102	100	–	Labour market critical to consumer outlook.
	Jun Richmond Fed Index	0	–	–	Manufacturing weak across the regions.
	Fedspeak	–	–	–	Cook, Bowman.
Wed 26					
Aus	RBA Assist' Governor (Financial Mkts)	–	–	–	Kent speaking at ABA Banking Conference, 9:35am.
	May Westpac–MI Leading Index	–0.01%	–	–	Stabilising after long run of weak reads.
	May Monthly CPI Indicator %yr	3.6%	3.8%	4.0%	Will provide some insight into services inflation.
US	May New Home Sales %mth	–4.7%	2.5%	–	Low inventories constraining sales.
Thu 27					
Aus	Jun MI Inflation Expectations %yr	4.1%	–	–	Medium-term inflation expectations remain well-anchored.
	Q2 Job Vacancies %qtr	–6.1%	–	–	Moderating from an elevated level, as labour market cools.
	RBA Deputy Governor	–	–	–	Hauser debut speech at Australian Economic Forum, 8:00pm.
NZ	Jun ANZ Consumer Confidence	84.9	–	–	Household budgets remain under pressure.
	Jun ANZ Business Confidence	11.2	–	–	Confidence has given back all of its post–election bounce.
Chn	May Industrial Profits %yr	4.0%	–	–	Falling producer–gate prices a key drag on profitability.
US	Q1 GDP (annualised)	1.3%	1.5%	–	Final estimate.
	May Durable Goods Orders %mth	0.6%	0.0%	–	Uncertainty over outlook weighing on orders.
	Jun Kansas City Fed Index	–2	–	–	Manufacturing weak across the regions.
	May Wholesale Inventories %mth	0.1%	–	–	Firms are second guessing demand, limiting inventories.
	May Pending Home Sales %mth	–7.7%	–	–	Supply and affordability are both challenges.
	Initial Jobless Claims	238k	–	–	To remain low for now.
Fri 28					
Aus	May Private Sector Credit %mth	0.5%	0.4%	0.4%	Holding around a 5% annual pace.
NZ	Matariki Public Holiday	–	–	–	Markets closed.
Jpn	May Jobless Rate %	2.6%	2.6%	–	Labour market tightness unlikely to dissipate any time soon.
	Jun Tokyo CPI %yr	2.2%	2.3%	–	Waiting for evidence of a wage–price spiral.
	May Industrial Production %mth	–0.9%	2.0%	–	Auto delays are hampering production.
UK	Q1 GDP %qtr	0.6%	0.6%	–	Final estimate.
US	May Personal Income %mth	0.3%	0.4%	0.3%	Wages growth is moderating…
	May Personal Spending %mth	0.2%	0.3%	0.3%	… but services demand is holding up spending.
	May PCE Deflator %mth	0.3%	0.0%	0.1%	Any deviation from consensus will be closely scrutinised.
	Jun Chicago PMI	35.4	–	–	Manufacturing weak across the regions.
	Jun Uni. of Michigan Sentiment	65.6	–	–	Final estimate.
	Fedspeak	–	–	–	Barkin, Bowman.
Sun 30					
Chn	Jun NBS Manufacturing PMI	49.5	49.6	–	Broadly consistent with long–run average levels for industry.
	Jun NBS Non–Manufacturing PMI	51.1	–	–	Signs of optimism returning to a challenged services sector.

Forecasts

Interest rate forecasts

Australia	Latest (21 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	4.41	4.37	4.37	4.17	3.92	3.72	3.55	3.30
3 Year Swap	4.10	4.20	4.10	4.00	3.85	3.70	3.60	3.50
3 Year Bond	3.94	4.00	3.90	3.80	3.65	3.50	3.40	3.30
10 Year Bond	4.24	4.35	4.30	4.25	4.20	4.10	4.00	4.00
10 Year Spread to US (bps)	-2	-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	5.62	5.60	5.60	5.50	5.25	5.00	4.75	4.50
2 year swap	4.95	5.00	5.00	4.80	4.60	4.40	4.25	4.15
10 Year Bond	4.62	4.75	4.90	4.80	4.70	4.65	4.55	4.50
10 Year spread to US	36	25	50	50	50	55	55	50

Exchange rate forecasts

Australia	Latest (21 Jun)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6668	0.66	0.66	0.67	0.68	0.69	0.70	0.71
NZD/USD	0.6124	0.60	0.60	0.61	0.62	0.63	0.64	0.65
USD/JPY	158.89	156	155	154	150	146	143	140
EUR/USD	1.0717	1.08	1.09	1.10	1.11	1.12	1.13	1.14
GBP/USD	1.2661	1.27	1.27	1.28	1.29	1.30	1.31	1.31
USD/CNY	7.2610	7.20	7.15	7.10	7.05	7.00	6.90	6.80
AUD/NZD	1.0887	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**	**Q1**	**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	0.2	–0.2	0.0	0.3	0.5	1.0	2.4	0.6	0.3	1.8
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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