

# AUSTRALIA & NEW ZEALAND WEEKLY.

## Week beginning 1 July 2024

**Editorial:** When stars collide.

**RBA:** June Meeting Minutes.

**Australia:** CoreLogic home prices, retail sales, dwelling approvals, goods trade balance.

**NZ:** GlobalDairyTrade auction, employment indicator, building consents, Q2 NZIER survey of business opinion.

**Japan:** Q2 Tankan manufacturing survey, household spending.

**Europe:** CPI, unemployment rate, ECB Panel with President Lagarde and FOMC Chair Powell.

**US:** non-farm payrolls, unemployment rate, average hourly earnings, ISM PMIs, FOMC June Minutes.

Key economic & financial forecasts.

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

**WESTPAC INSTITUTIONAL BANK**



## When stars collide

This week's inflation data were not a surprise to the Westpac Economics team and so did not change our view of the outlook for interest rates. As our Westpac Economics colleague Justin Smirk previewed [last week](#), we had expected that base effects would lead the monthly indicator to print at 4% over the year to May. Clearly, the disinflation journey is becoming more difficult, and the RBA is becoming more nervous that its strategy may not work as planned. And as our colleague Pat Bustamante [also highlighted recently](#), some recent state government budgets are not helping.

The real question is not whether we were surprised by the May inflation data but whether the RBA was. We can assume that the staff know how to account for one-off factors like changes in electricity rebates, or noise factors such as fruit and vegetable prices. Given their above-market forecast for June quarter headline CPI in the May Statement on Monetary Policy, we suspect that this week's data were no surprise to the RBA, either. An ugly June quarter CPI release together with strong labour market data could tip the balance and force a rate hike, but this is not our base case and is not supported by currently available information.

In this context, the Deputy Governor's speech last night was an important steer on the Bank's view. While the speech itself was not about current developments, Deputy Governor Hauser reminded the audience that services inflation was in fact declining, and that 'it would be a bad mistake to set policy on the basis of one number'. As well as highlighting the quarterly CPI, Deputy Governor Hauser pointed to retail sales and the labour market as key pieces of information yet to come.

Last night's speech is part of a sequence of public events introducing the new Deputy Governor to the Australian audience. A previous milestone in that sequence, an [interview](#) in the Australian Financial Review earlier this month, also ruled out a potential policy risk in a way that has perhaps not been fully appreciated.

Recall that both the Deputy Governor and chief economist are new to the Bank and (compared with their predecessors) relatively new to Australia and Australian economic data. In addition, both the Heads of Economic Analysis and Economic Research will be vacating their posts shortly, for different reasons. Less well known (but evident from LinkedIn) is that the deputy heads of department in that group have also or are about to move to other roles in the RBA or BIS secondments. Given this decline in collective experience in reading the Australian economy, and particularly the country-specific nuances of the data (which all economies have), there was always a risk that the new leadership would take a different direction and adopt a different strategy and/or approach to reading the economy, for better or worse.

In our view, the Deputy Governor's interview shows that this risk has not eventuated. The RBA continues to hold onto the priorities forged from earlier experience. The loss of experience has not translated into a loss of insight. In that interview, Deputy Governor Hauser spoke of importance of full employment, that the unemployment rate consistent with full employment could change, and that you needed to 'test' where it was. In other words, the RBA is continuing with the strategy articulated by the previous Governor to 'protect the employment gains' (Deputy Governor Hauser's words) that were achieved in the aftermath of the pandemic. The refreshed Statement on the Conduct of Monetary Policy has solidified that strategy.

These insights are longstanding views of the Bank, first articulated before the pandemic in a pair of speeches in 2019 by the [then Governor](#) and the [then chief economist](#). In the latter speech, I emphasised that 'the level of the NAIURU [the sustainable unemployment rate around which inflation is stable] is an emergent property of the system. It is not baked in.'

While the nod to complexity theory in that reference to emergent properties might not be front of mind for the current leadership, the underlying analysis still seems to be. Further evidence of this recognition can be seen in the [Bulletin article](#) articulating the RBA's approach to assessing full employment.

Related to this, this week's speech by the Assistant Governor for Financial Markets highlighted that the RBA does still think that policy is currently tight. This speech was used as a vehicle to present updated estimates of the neutral nominal cash rate, noting that it, too, can and has changed. Again, we see a recognition at the RBA that these 'star' variables can shift.

A similar view of the likely neutral level of the interest rate structure informs our own view of the medium-term outlook. As we noted [back in March](#):

*In this context, one can interpret the Westpac Economics forecast for the cash rate at the end of 2025 of 3.1% as either neutral, with a neutral real rate a bit below 1%, or slightly below neutral with a higher neutral real rate. Given the uncertainties around both the outlook and the level of the neutral rate in any one period, we are agnostic about which interpretation turns out to be the right one. It might be that one will never be able to tell the difference.*

The difficulty, though, is that the full-employment rate of unemployment seems to have fallen over recent years, while the estimates of the neutral interest rate point to it being higher than before the pandemic. The RBA's recent commentary suggests that the former is more salient in the near term – consistent with wages growth already rolling over but contrary to some market commentary. But the latter limits the scope for rate cuts, when they do eventually come. A particularly bad scenario would be if both invisible benchmarks end up being overestimated. In that case, the 'stars' would collide to produce a period of overly high rates and slow growth.

**Luci Ellis, Chief Economist Westpac Group**

In Australia, the release of the week was certainly the [Monthly CPI Indicator](#) for May which reported a lift in headline inflation from 3.6%yr in April to 4.0%yr – as Westpac forecast – and a lift in the annual trimmed mean from 4.1%yr to 4.4%yr. Being the mid-month of the quarter, the May release importantly provided an update on services inflation. While the acceleration in service inflation from 4.0%yr to 4.8%yr was headline grabbing, the underlying composition was of less concern.

To start, the surge in holiday travel and accommodation – which has the equal-highest weight within the services category – surged from -6.2%yr in April to +2.9%yr in May; however, this was largely due to base effects as May 2023's massive 11.3% mth decline cycled out of the annual rate calculation. Other major services components were either unmeasured, unchanged, or even down slightly in the case of rents and restaurant meals, while small services components were mixed. Goods inflation meanwhile held flat at 3.3%yr.

This detail emphasises the importance of gauging measures which smooth out volatility, such as the index that excludes 'volatile items' and holiday travel. In May, this measure moderated from 4.1%yr to 4.0%yr in contrast to the lift in headline inflation. While still consistent with persistent inflation pressures, it does not suggest a re-acceleration in price pressures or new risks.

In this week's essay, [Chief Economist Luci Ellis](#) considers how this update may be perceived by the RBA, drawing on information from this week's speeches from [RBA Assistant Governor \(Financial Markets\) Kent](#) on Tuesday and [Deputy Governor Hauser](#) last night.

Against this backdrop, it is hardly surprising that consumer confidence remains weak. The June [Westpac-MI Consumer Sentiment Survey](#) reported a slight 1.3% improvement to 83.6, a level only previously seen during other major economic dislocations. A lift across both 'family finances vs a year ago' (+9.7% to 69.3) and 'time to buy a major item' sub-indexes (+4.2% to 79.7) is certainly welcome, but both sub-indexes also remain well below their respective long-run averages (88.3 and 124.4 respectively). Views around the labour market also look to have shifted from constructive to cautious, consistent with a softening labour market and [moderating job vacancies](#).

Crucial to the near-term outlook for confidence will be households' responses to imminent fiscal stimulus, both state and federal, and their views on the chances and scale of interest rate relief. On the latter, the latest updates are not encouraging. Sentiment deteriorated materially between those surveyed before the RBA policy meeting (90.0) and after (80.1), suggesting the RBA's 'vigilance' to upside inflation risks was a cause for concern. Indeed, Westpac-MI mortgage rate expectations correspondingly surged, with around half of consumers now anticipating an increase in mortgage rates over the next year.

Before moving offshore, a final note on industry. The [Q2 ACCI-Westpac Business Survey](#) showcased an improvement in conditions for the manufacturing sector moving into mid-year, the Westpac-ACCI Actual Composite lifting back into expansionary territory, from 43.4 to 54.1, after a slower-than-usual start to the year. The rebound in new orders and subsequent lift in output growth was key, both of which have scope to continue contributing positively over the period ahead, not only in manufacturing but also the broader economy (as explored in our latest [Coast-to-Coast](#)). However, the survey reminds us that there remain significant challenges facing the sector, particularly around difficulties in finding skilled labour and elevated cost pressures, which are in part being passed on in the form of higher prices. The survey adds to the evidence that supports the RBA's "vigilant" stance to possible upside inflation risks; but as emphasised above, the Q2 CPI update will be all-important in gauging the extent to which these may materialise.

Offshore, the data this week was mixed, as was commentary from FOMC members.

Canadian inflation surprised to the upside in May, the CPI rising 0.6% against a 0.3% expectation, leaving annual inflation at 2.9%yr compared to 2.7%yr in April. The average of the two core measures is also around 2.9%yr, from 2.7%yr. Unsurprisingly, services inflation was behind the lift in headline and core inflation, accelerating to 4.6%yr from 4.0% previously. While one month's data does not make a trend, the May outcomes make clear that monetary policy normalisation is likely to prove protracted and result in a return to near neutral policy, not an expansionary setting.

In the US, Q1 GDP edged higher in the third estimate from 1.3% annualised to 1.4%. However, revisions to the detail pointed to softer private demand and inflation prospects. Upward revisions to growth in business investment (from 6.0% annualised to 7.0%), government spending (from 1.3% annualised to 1.8%) and the contribution from net exports (from -0.89ppts to -0.65ppts) were offset by weaker momentum in consumption (growth marked down from 2.0% to 1.5% annualised). Below-trend momentum for the consumer has also been seen at the start of Q2, justifying a belief that demand pressures for inflation are continuing to dissipate.

Durable goods orders held up better than expected in May, rising 0.1%. However, the 0.4% downward revision to April offset the upside surprise in May. Core durable orders (ex transport and defence) were weak in May at -0.6% and April's small gain was little changed at 0.3%, suggesting a decline in real business equipment investment in Q2. The regional Fed manufacturing gauges released this week also pointed to weakness in the business sector, but initial jobless claims remained near their historic lows. It is little wonder that the US consumer remains concerned about the near-term outlook while remaining constructive on medium-term prospects.

Commentary from FOMC members this week was atypical, with concern shown over both downside risks to activity and upside risks for inflation. Thankfully, these risks are not expected to coincide. Rather the varied views speak to a high degree of uncertainty over the outlook. In an interview with CNBC, Chicago Fed President Goolsbee highlighted "a couple of warning signs" with respect to consumer demand. San Francisco Fed President Daly separately noted that we "are getting nearer to a point where the outcomes on employment might be less benign", i.e. where firms need to reduce employment levels not just the pace of hiring. Fed Governor Cook subsequently provided a balanced view on the outlook, consistent with the median expectations of the Committee. Fed Governor Bowman instead focused on upside price risks. Both Governors saw 2025 as the year when inflation would materially decelerate from its current level to near target. Underlying this view is an expectation of persistent strength in the economy and, arguably, little weight on the downside risks that Presidents Daly and Goolsbee highlighted.

## Week ahead & data wrap

This week's news continues to reflect the theme of an economy that is dealing with the impact of monetary policy that is at "full transmission" from the 525 basis points of RBNZ policy tightening that occurred from October 2021 to May 2023.

The last shoe to drop in the monetary policy transmission process is traditionally the labour market. The consensus view is that the unemployment rate is set to rise relatively quickly through to the end of 2024 as past resilience in jobs growth gives way to the weakness in economic activity we have seen since late 2022. Westpac forecasts the unemployment rate to rise by 0.3% to 4.6% in the June quarter (data released August 7). The unemployment rate is set to end 2024 at 5.2%, which would be the highest unemployment rate since the Covid lockdown peak in 2020 and Q4 2016 before that.

[Westpac's Employment Confidence survey](#) provided some clues on how the transition to a weaker labour market is proceeding. The survey is consistent with our forecasts that a further significant move higher in the unemployment rate is in the offing. Employment confidence fell by 13 points to 91.4 over the past quarter - the lowest level since 2020. The details indicate the public's expectations for wage growth and job security have deteriorated. Importantly, New Zealand workers are also telling us that they're seeing fewer job opportunities, with the measure of current job openings falling to its lowest level since 2020 (and 2016 before that - although changes in the survey process make comparisons to pre 2019 data more tenuous).

The message of an economy dealing with "peak interest rate transmission" was also reflected in some changes in [our view on house prices](#) for the rest of 2024. Momentum in the housing market has decidedly slowed since around the time of the General Election in October 2023. Growth in house sales has been flagging in recent months, just as we would have expected some resilience in market activity based on our previous house price forecast of around 6% growth for 2024.

Other indicators such as median days to sell have stabilised at modest levels at around 42 days (seasonally adjusted) and look more consistent with house prices growing close to the rate of inflation and somewhat lower than the average rate of house price growth seen post-GFC and pre-Covid (6.5% per annum from 2010-2020). Similarly, the ratio of sales to listings peaked in mid-2023 and has not been recovering in recent months. As sales volumes have remained modest, listings have tended to increase - consistent with the market turning into a "buyers' market" in recent months.

One key factor that has been leaning against house price growth and activity has been the RBNZ's policy stance. The RBNZ's stance has hardened in recent months reflecting the still uncomfortably high inflation outlook. In contrast to our own expectation of a lower OCR from February 2025, the RBNZ has indicated a longer period before lower interest rates become a realistic prospect. We think this more pessimistic view has been reflected in the downturn of many economic growth and confidence indicators in recent months - the housing market included. While this pessimism persists, it seems hard to see a significant pick-up in house prices in 2024.

Our long-running 'investor value' model suggests that the housing market is roughly fairly valued now. While the 'investor value' is not a forecast, we find that house prices tend to gravitate towards it over time. Rising mortgage rates and the removal of interest deductibility for investors in 2021 meant that the housing market had turned overvalued since early 2022; the new Government's commitment to restore interest deductibility has removed this downward pressure on prices, rather than providing a substantive boost.

This all has led us to scale back our expectations for house price growth to reflect close to 2% growth in 2024, and 6% growth in 2025 (where we remain optimistic that house prices will be stronger as the OCR will fall - likely a bit earlier than the RBNZ currently projects). The ongoing mismatch between housing demand and supply remains (reflected in ongoing increases in housing rents above the rate of general inflation) plus improvements in investor tax treatment points to higher house price inflation in 2025.

Other survey data released this week also look consistent with a flat economy with some mixed news on inflation. Consumer confidence fell slightly, although interestingly the survey's measure of inflation expectations rose from 3.8% to 4.2%. Similarly, in the business sector the latest ANZBO survey pointed to activity that is continuing to bounce along the bottom, with the gauge of trading activity over the past year languishing at low levels. Growth looks like it was weaker in Q2 compared to the Q1's +0.2% but doesn't look to have started a step lower still based on the June survey. We will learn more from the NZIER Quarterly Survey of Business Activity on Tuesday. On the inflation front, the number of businesses planning on increasing their prices dropped to a net 35% - the second month in a row that we've seen a meaningful downward move. A net 69% of firms are expecting cost increases, which is still a relatively high proportion, but the average size of wage and other cost increases is tracking lower.

**Kelly Eckhold, Chief Economist NZ**

### Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 24	May trade balance \$m	-3	204	337
Tue 25	Q2 Westpac Employment Confidence	104.4	91.4	-
Thu 27	Jun ANZ consumer confidence	84.9	83.2	-
	Jun ANZ business confidence	11.2	6.1	-

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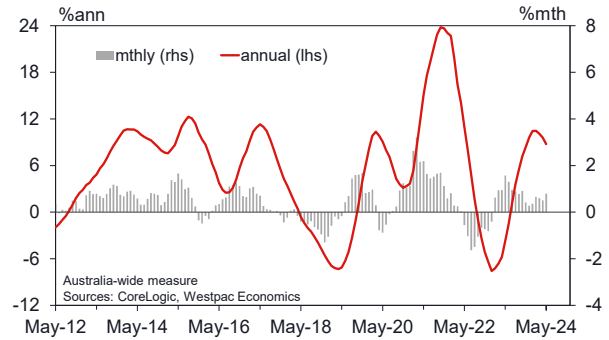
## Aus Jun CoreLogic Home Value Index (%mth)

**Jul 1, Last: 0.8%, WBC f/c: 0.8%**

The CoreLogic home value index rose 0.8% in May, a slightly firmer gain than the 0.5-0.7% monthly rises through Feb-Apr. Annual price growth moderated to 8.8%yr, down from a peak of 10.5%yr in Feb. There is now a clear 'two-speed' pattern to price growth across the major capital cities with slow gains Sydney and Melbourne but much stronger, double-digit annual price growth in Brisbane, Perth and Adelaide.

June is likely to show the same patterns. The CoreLogic daily index is tracking another robust 0.8% gain for the month of June, which would hold annual price growth at just above 8%yr. The detail also shows the same 'two-speed' picture across the capital cities. Turnover volumes will become of increasing interest, especially the extent to which strong price gains in the medium sized capital cities may be starting to see buyers 'priced-out'.

## Australian dwelling prices



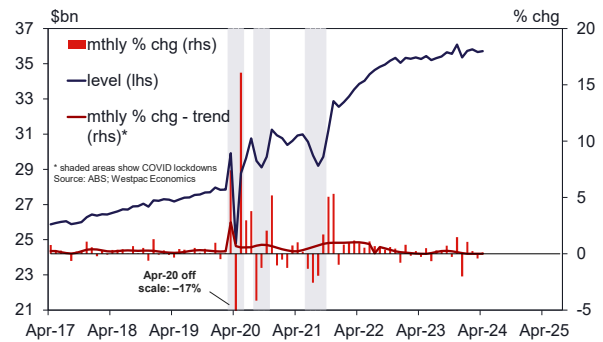
## Aus May Retail Trade (%mth)

**Jul 3, Last: 0.1%, WBC f/c: 0.3%**  
**Mkt f/c: 0.3%, Range: 0.5% to -0.4%**

Retail sales rose just 0.1% in Apr, coming off a 0.4% decline in March, and a 0.2% rise in Feb. Nominal sales have barely risen 0.2% over the last six months and have stalled flat on a quarterly basis over the last three months.

May is likely to show a slightly better but still subdued result. The **Westpac Card Tracker** weakened in May but with the main drag coming from components outside the scope of the retail survey, travel in particular. There also looks to be some timing differences between when activity is captured in the tracker and in official retail sales - card activity, for instance, pointed to a stronger gain in the April month. Some of that April strength may appear in May or in upward revisions to previous months. On balance, we expect official retail sales to show a 0.3% mth gain, which would see annual growth dip to 1.1%yr, a hefty 1.3% contraction in per capita terms.

## Monthly retail sales



## Aus May Dwelling Approvals (%mth)

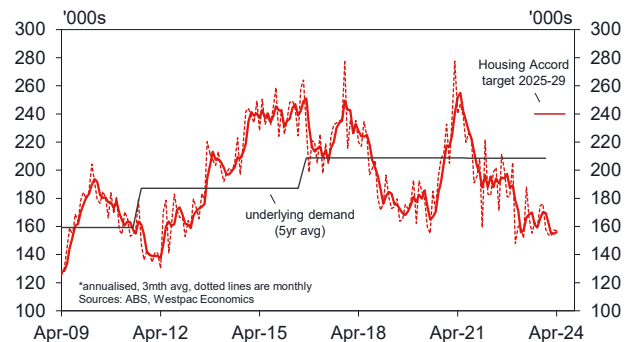
**Jul 3, Last: -0.3%, WBC f/c: 1.5%**  
**Mkt f/c: 1.7%, Range: 0.5% to 7.0%**

Dwelling approvals dipped 0.3% in April, remaining near 12yr lows. The detail suggests there is a slight up-trend in private detached house approvals but with WA the only state showing a more convincing lift in momentum.

While the general backdrop is still not conducive for a sustained lift, other indicators continue to suggest there may be a short-lived rise in May. In particular, HIA new home sales jumped 22% in April as buyers pulled forward sales to beat building code changes put through in Qld and Vic in May. A similar pull-forward in NSW showed through with a delayed and muted rise in dwelling approvals late last year, and despite the absence of an effect in Apr, some residual increase is likely to show through in May.

While hard to justify, this effect could see a 1.5% rise in monthly approvals, provided the volatile units component remains steady at weak levels.

## Dwelling approvals



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## Aus May Goods Trade Balance (\$bn)

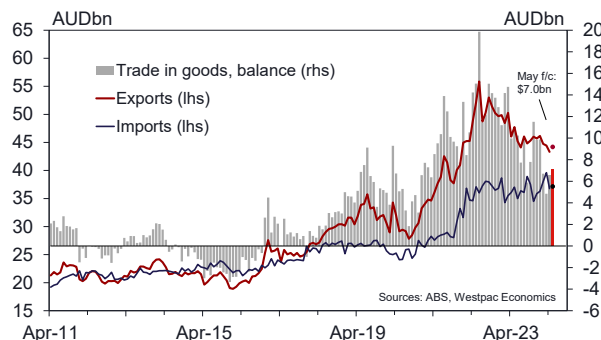
**Jul 4, Last: 6.5, WBC f/c: 7.0**  
**Mkt f/c: 6.2, Range: 6.0 to 7.0**

In April, Australia's international trade in goods position improved, the surplus widening to \$6.5bn from \$4.8bn in March. This outcome was in line with Westpac's forecast (\$6.2bn) but was firmer than the market consensus (\$5.4bn).

Over the past three years, the goods trade surplus has averaged around \$11.0bn, underscored by elevated commodity prices since the reopening from the pandemic. That compares to a current three-month average of \$6.0bn, more recently driven by import strength.

For May, we anticipate the goods trade balance will widen to \$7.0bn. On exports, port data points to an improvement in coal and iron ore volumes, as commodity prices nudged down slightly (RBA Index -0.2%*month*). Much of the unwind in imports looks to have materialised, giving scope for a slight lift in the surplus for May. Modest strengthening in the AUD will support this.

## Australia's trade in goods balance



## NZ May Monthly Employment Indicator (%*month*)

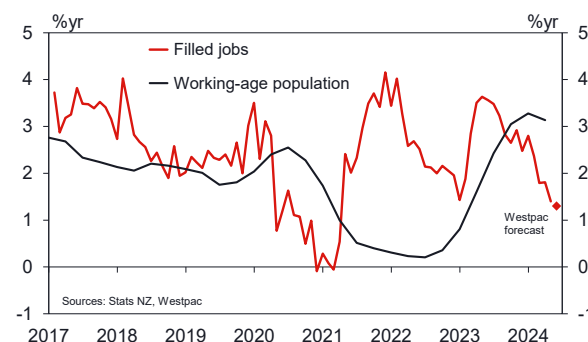
**Jul 1, Last: +0.1%, Westpac f/c: -0.1%**

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

Job growth has been slowing since mid-2023, and has now fallen behind the pace of population growth, which continues to be boosted by strong net inward migration. Surveys show that businesses are no longer struggling to find workers, and job advertisements have fallen substantially below pre-COVID levels.

We've pencilled in a small decline in June, though it's not a confident view that figures have turned negative yet, and the usual weekly data snapshots have been late to arrive.

## NZ monthly filled jobs growth



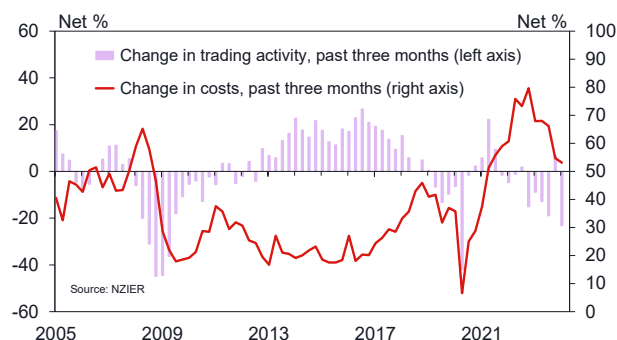
## NZ Q2 NZIER Survey of Business Opinion

**Jul 2, General Business Confidence Last: -23.7**

The NZIER's March quarter update showed a sharp fall in business sentiment, as the initial post-election optimism gave way again to the reality of a slowing economy. That was consistent with our forecast of weak to negative economic growth through the early part of this year, although the survey's correspondence with GDP from quarter to quarter has broken down somewhat in recent years.

The March quarter survey was also less encouraging in terms of the gauges of inflation pressures. While cost pressures and pricing intentions have been tracking down from their highs, the process has been gradual so far, and in many cases they remain above what would be consistent with the RBNZ's inflation target. With the RBNZ's current focus on sticky non-tradables inflation, there will be particular interest in what the June survey says about the extent of domestically-driven inflation pressures.

## NZ Quarterly Survey of Business Opinion



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## NZ May Building Consents (%mth)

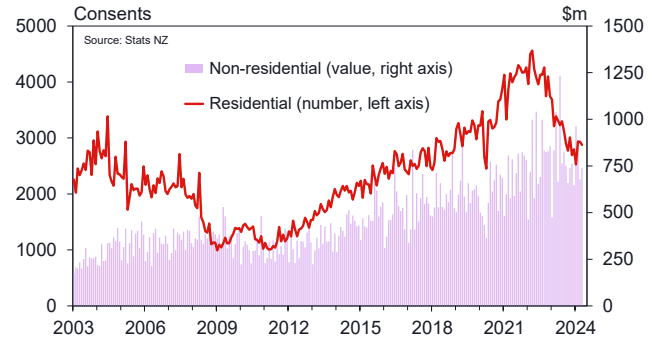
**Jul 2, Last: -1.9%. Westpac f/c: -5.0%**

Over the past year, consent issuance has fallen 23% in response to tougher financial conditions in the building sector. However, the downturn looks like it is finding a base. For the past few months, consent issuance has been bobbing around 2,900 per month.

We expect to see a modest drop in May, but for the flattening trend to continue.

But although consent issuance may be finding a floor, a material pickup is still a long way off. Developers are likely to remain cautious about bringing projects to market until interest rates fall and the housing market begins to recover.

## NZ building consents



## US Jun Employment Report

**Jul 5, Nonfarm Payrolls, Last: 272k, Mkt f/c: 188k, WBC: 165k**  
**Jul 5, Unemployment Rate, Last: 4.0%, Mkt f/c: 4.0%, WBC: 4.0%**

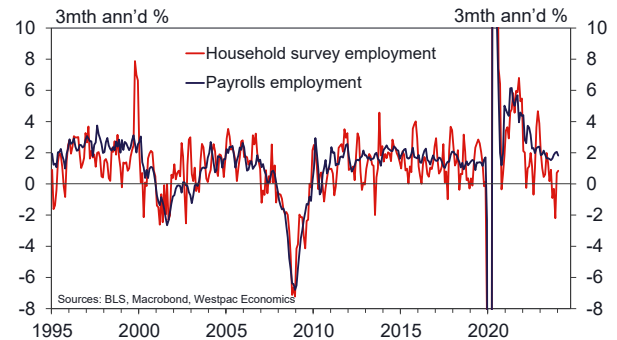
Nonfarm payrolls growth experienced a sharp slowdown in April, from 310k to 165k, but then re-accelerated to 272k in May. The 3- and 12-month average remain ahead of population growth.

Household employment, in contrast, went backwards in May and is little changed over the past 11 months, on average. This stalling out is behind the rise in the unemployment rate from 3.4% in April 2023 to 4.0% in May 2024, with participation little changed.

The deceleration in hourly earnings growth is more in keeping with the household survey, decelerating from 4.7%yr mid-2023 to 4.1%yr now, although this pace is still 0.5-1.0%yr above the rate consistent with inflation sustainably at target.

In June, we look for evidence of balance in the labour market, a moderation in payrolls and soft household survey employment.

## Employee and job count divergence persists



## For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 01</b>					
<b>Aus</b>	Jun CoreLogic Home Prices %mth	0.8%	-	0.8%	Another robust rise but varied across cities.
	Jun MI Inflation Gauge %yr	3.1%	-	-	Provides a general view on risks.
	Jun ANZ-Indeed Job Ads %mth	-2.1%	-	-	Indicative of further easing in labour demand.
<b>NZ</b>	May Employment Indicator %mth	0.1%	-	-0.1%	Hiring has slowed as the economy cools.
<b>Jpn</b>	Q2 Tankan Large Manufacturers Index	11	11	-	Wage and inflation outlook is critical.
<b>Chn</b>	Jun Caixin Manufacturing PMI	51.7	51.5	-	Level consistent with growth above 5%.
<b>US</b>	Jun ISM Manufacturing	48.7	49.2	-	Drop in new orders consistent with soft domestic demand.
	May Construction Spending %mth	-0.1%	0.3%	-	Elevated costs and uncertainty hinder capacity expansion.
<b>Global</b>	Jun S&P Global Manufacturing PMI	-	-	-	Final estimate for Japan, Eurozone, UK, US.
<b>Tue 02</b>					
<b>Aus</b>	RBA June Meeting Minutes	-	-	-	More colour on the Board's policy deliberations.
<b>NZ</b>	Q2 NZIER Survey of Business Opinion	-23.7	-	-	Important gauge of activity and cost pressures.
	May Building Permits %mth	-1.9%	-	-5.0%	The downturn is now flattening off.
<b>Eur</b>	Jun CPI %yr	2.6%	2.5%	-	Attention on services inflation.
	May Unemployment Rate %	6.4%	6.5%	-	Holding firm at historically-low levels.
<b>US</b>	May JOLTS Job Openings	8059k	-	-	Labour demand and supply are moving into balance.
<b>US/Eur</b>	FOMC and ECB Panel	-	-	-	Panel with Chair Powell and President Lagarde.
<b>Wed 03</b>					
<b>Aus</b>	May Dwelling Approvals %mth	-0.3%	1.7%	1.5%	Still bumping around 12yr lows.
	May Retail Sales %mth	0.1%	0.3%	0.3%	Slightly better in May but 3mth trend still weak.
<b>NZ</b>	GlobalDairyTrade Auction	-0.5%	-	-	Futures and GDT Pulse point to a small fall in WMP prices.
	Jun ANZ Commodity Prices %mth	1.1%	-	1.0%	Stronger dairy prices to lift the overall index.
<b>Chn</b>	Jun Caixin Services PMI	54.0	-	-	Consumers remain very cautious on outlook.
<b>US</b>	May Trade Balance \$bn	-74.6	-72.2	-	Deficit should narrow as consumer demand cools further.
	Jun ISM Non-Manufacturing	53.8	-	-	Services firms still experiencing growth, but risks growing.
	May Factory Orders %mth	0.7%	-	-	Durable orders weak ex transport and defence.
	Initial Jobless Claims	233k	-	-	Remain near historic lows.
	FOMC June Meeting Minutes	-	-	-	Guidance on evolving risks key.
	Fedspeak	-	-	-	Williams.
<b>Global</b>	Jun S&P Global Manufacturing PMI	-	-	-	Final estimate for Japan, Eurozone, UK, US
<b>Thu 04</b>					
<b>Aus</b>	May Goods Trade Balance \$bn	6.5	6.2	7.0	Port data points to an improvement in export volumes.
<b>US</b>	Independence Day	-	-	-	Markets closed.
<b>Fri 05</b>					
<b>Jpn</b>	May Household Spending %yr	0.5%	0.2%	-	Beginning to resurface after a challenging year.
<b>Eur</b>	May Retail Sales %mth	-0.5%	0.5%	-	Spending starts to lift as consumer gloom gradually fades.
<b>US</b>	Jun Non-Farm Payrolls	272k	188k	165k	Disconnect between payrolls and household employment...
	Jun Unemployment Rate %	4.0%	4.0%	4.0%	... unsustainable, but unlikely to disappear quickly.
	Jun Average Hourly Earnings %mth	0.4%	0.3%	0.3%	Labour market balance to see wage growth slow to trend.
	Fedspeak	-	-	-	Williams.

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.



## Forecasts

### Interest rate forecasts

Australia	Latest (28 Jun)	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
90 Day BBSW	4.45	4.37	4.17	3.92	3.72	3.55	3.30
3 Year Swap	4.24	4.10	4.00	3.85	3.70	3.60	3.50
3 Year Bond	4.10	3.90	3.80	3.65	3.50	3.40	3.30
10 Year Bond	4.34	4.30	4.25	4.20	4.10	4.00	4.00
10 Year Spread to US (bps)	3	-10	-5	0	0	0	0

US	Latest (28 Jun)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Fed Funds	5.375	5.125	4.875	4.625	4.375	4.125	3.875
US 10 Year Bond	4.31	4.40	4.30	4.20	4.10	4.00	4.00

New Zealand	Latest (28 Jun)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Cash	5.50	5.50	5.50	5.25	5.00	4.75	4.50
90 day bill	5.63	5.60	5.50	5.25	5.00	4.75	4.50
2 year swap	4.97	5.00	4.80	4.60	4.40	4.25	4.15
10 Year Bond	4.67	4.90	4.80	4.70	4.65	4.55	4.50
10 Year spread to US	36	50	50	50	55	55	50

### Exchange rate forecasts

Australia	Latest (28 Jun)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6626	0.66	0.67	0.68	0.69	0.70	0.71
NZD/USD	0.6069	0.60	0.61	0.62	0.63	0.64	0.65
USD/JPY	161.06	155	154	150	146	143	140
EUR/USD	1.0689	1.09	1.10	1.11	1.12	1.13	1.14
GBP/USD	1.2627	1.27	1.28	1.29	1.30	1.31	1.31
USD/CNY	7.2681	7.15	7.10	7.05	7.00	6.90	6.80
AUD/NZD	1.0929	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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## Disclaimer continued

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