Week beginning 29 July, 2024

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Events, my dear readers, events.

The Week That Was: Waiting for a clear signal.

Focus on New Zealand: Trade update.

For the week ahead:

Australia: Q2 CPI, retail sales, housing updates (prices, approvals, finance), credit, trade balance.

New Zealand: monthly employment indicator, building consents, business confidence.

Japan: BoJ policy decision, jobless rate, industrial production.

China: NBS PMIs, Caixin manufacturing PMI.

Eurozone: Q2 GDP, CPI, unemployment rate.

United Kingdom: BoE policy decision.

United States: FOMC policy decision, ISM manufacturing, Q2 ECI, payrolls, unemployment rate.

Information contained in this report current as at 26 July 2024

Events, my dear readers, events

Luci Ellis
Chief Economist, Westpac Group

The past few weeks have been big ones for news. An assassination attempt, a Presidential withdrawal and a global cyber-botch. Not to mention a string of elections in other countries in prior weeks. Aside from the salutary reminder that we should never attribute to conspiracy something that could as easily be a stuff-up, recent events have highlighted that unexpected events can occur, and that even things that were well-anticipated can have surprising consequences. As former UK Prime Minister Harold Macmillan famously said, the biggest issues he needed to deal with were 'Events, my dear boy, events'.

It helps to have a framework for thinking through the events that might come along and surprise us. Some years ago, in another life, I tried to develop one, dividing things up into lumps, bumps and waves.

Lumps, bumps, waves ...

Perhaps easiest to understand are the lumps and bumps. The 'lumps' are the single factors that are big enough to shift the total even though they are not representative. You can see the role they play when forming a view about very near-term outcomes. In the broader scheme of things, inflation is driven by macro-level factors, the balance of aggregate demand and aggregate supply. But in working out what you expect the next CPI result to print, you need to allow for all the individual components that could shift the total. This is why Westpac Economics Senior Economist Justin Smirk's preview of next week's CPI release covered specific factors such as electricity rebates and the timing of end of financial year sales. In 'now-casting', a 'bottom-up' view can be very helpful.

The 'bumps' are temporary special factors like cyclones or other disruptions. In a world where supply shocks are more prominent, thinking through the effects of these bumps will be something we all need to do more often.

Bumps are not always short-lived. A good example of a bump that is playing out over several years is the drop and then surge in population growth resulting from the closure of Australia's international borders during the pandemic and subsequent reopening. The peak in population growth was last year, partly because China's borders had just reopened. It will take a couple of years before population growth reverts to its pre-pandemic norm. In the meantime, the housing market is under pressure. Even allowing for some increase in average household size back to its pre-pandemic level, rental vacancy rates will remain low for a while, and rent growth in the CPI elevated.

A challenge for policy in all of this is that one needs to recognise where the aggregate numbers are being pushed around by one-offs and unrepresentative influences. At the same time, one cannot dismiss these effects entirely. Simply excluding all the one-off things that are boosting inflation, for example, can mean one ends up with an inappropriately sanguine view of the underlying trend.

We also need to pay attention to the 'waves' – the big shifts that can change the underlying structure of the economy. Typically these stem from demographic shifts or regulatory or technological developments.

Sometimes these waves are transitions to a new normal. The process of urbanisation underway in China is a good example of such a transition. The end of a transition can be especially challenging to navigate. People get used to the way things work during the transition phase, and do not anticipate that it will not last forever. This is especially so for the leveraging phase that typically follows deregulation of the financial sector. The crises and near-crises in Japan, Scandinavia and Australia in the early 1990s and in Asia in the late 1990s are all examples of how that can play out badly. It can also be hard to stick the landing when converging to a higher standard of living, as Ireland and Spain found after joining the Euro Area and converging to Euro Area living standards.

Another challenge with the truly important waves is that even when we recognise a wave is occurring, we might misread its broader implications. As I pointed out in that speech in 2019, it is often assumed that the ageing of the population means that participation in the labour force will decline and the workforces of advanced economies will shrink. In fact, with the notable exception of the United States, the reverse is happening. (This trend, and the US exception to it, is a topic for a future note.)

Similarly, it is often assumed that technological change boosting productivity in one sector more than others will result in that sector expanding. That may be true for output, but the history of agricultural and manufacturing employment shows the opposite.

… and forks

With the benefit of a few more years, it has become clear that some events are best understood not as lumps, bumps or waves, but as forks in the road. A particular threshold event occurs with two or more possible future outcomes. Once it occurs, it closes off some potential futures, and sets us on one path. While this is not the superposition of possible states of a Schrödinger's cat, we know that, for example, come November the cat will either be red or blue. The reunification of Germany was another good example.

Resolution of this kind of event uncertainty can shift market pricing considerably. Before the event pricing needs to cover a range of possible futures. Once some paths are closed off, the chance they might occur is no longer priced in.

We must remember, though, that not every big event is a lasting wave or a fork. Sometimes they are just big bumps, and things return to where they were before. And even if something is genuinely a fork, some aspects of the scenery along the path will be similar. For example, regardless of whether the November cat is red or blue, the United States will still be running enormous fiscal deficits in some form. That has implications for the global structure of interest rates. And in time, decisionmakers in that country may well face another fork in the road as a consequence.

Cliff Notes: waiting for a clear signal

Elliot Clarke, Head of International Economics
Ryan Wells & Illiana Jain, Economists

In Australia, a scant local data calendar left participants mulling over the possibilities for next week's crucial Q2 CPI update. Our preview provides the detail behind our forecasts. Food, health and housing are expected to be the main contributors to our headline inflation forecast of 1.0% (3.8%yr); housing is also expected to be critical for underlying trimmed mean inflation (0.9%; 4.0%yr).

While market appetite for an imminent rate hike has waned since the last monthly inflation update – from a 50% chance of an August increase to circa 20% currently – market participants' perspectives are diverse. In our view, if the data print as we expect, it leaves the door open for the RBA rate cutting cycle to begin in November, as has been our forecast for some time. However, significant uncertainty remains around various components, particularly with respect to energy rebates and services inflation. The RBA understands this, hence any deviation from expectations will need to be closely assessed to determine its policy implications.

Responding to the run of significant events experienced in recent weeks and with considerable uncertainty over local and international developments into year end, Chief Economist Luci Ellis' essay this week provides a framework for assessing the implications of news and events, from the detail of a given data release to structural developments across the global economy.

Moving offshore, the Bank of Canada cut rates by 25bps to 4.50% as expected at their July meeting. In the statement and press conference, there was a clear focus on the need to balance shifting economic risks, with inflation pressures abating and downside risks for activity becoming more evident. The Governing Council seem confident in inflation's downtrend, noting excess capacity in the economy and that the breadth of price pressures is back 'near its historic norm'. Inflation projections were revised down for 2025 and 2026 to 2.0% from 2.1%, but in 2024 inflation is expected to remain above target at 2.4% (previously 2.2%).

Excess supply is appearing in the labour market as population growth holds around 3.0%. The BoC also noted that 'job seekers [are] taking longer to find work'. Activity growth is expected to be weak at 1½% through the first half of the year, a downgrade from their prior forecast. However, it should pick up in 2025 and 2026, absorbing excess capacity. The Governing Council will remain data dependent. But, with slack emerging across the economy and policy still contractionary, additional rate cuts are anticipated into year end and through 2025.

South of the border, US GDP re-accelerated in Q2, largely as we had anticipated. Growth came in at 2.8% annualised in Q2, twice Q1's 1.4% gain. Underlying the headline result, private demand growth was broadly the same in Q1 and Q2, respectively 2.5% and 2.7%, modestly below the 3.0% average of the decade prior to the pandemic. At 2.3% annualised, consumption growth was also consistent with its pre-pandemic average of 2.4%; though, for the past six months, growth in this sector has relied solely on services – a 2.8% annualised average compared to circa 0% for both durable and non-durable goods.

Dwelling and structures investment both pulled back in Q2, but are still roughly 5.5% higher over the year – robust outcomes given the challenges posed by construction and finance costs. Equipment investment was very strong in Q2 at almost 12% annualised; however, this follows an extended period of weakness, with cumulative growth of just 1.1% over the prior two years. Intangibles investment growth remains robust, but is sub-par versus the pandemic years and the decade prior. We continue to expect the FOMC to deliver their first cut in September and another by year end. Next week's July meeting will provide an update on their assessment of risks.

In China meanwhile, the PBoC eased policy settings this week. On Monday, they reduced their 7-day reverse repo rate by 10bps and commercial banks lowered the loan prime rate moments later. This was followed by a US$200bn increase to the medium-term lending facility – the biggest injection since January. Finally, the PBOC reduced the rate on the MLF by 20bps to 2.3%. These initiatives are marginal supports for the property sector and the consumer. Further support is likely coming. But with confidence as weak as it is, conditions are only likely to improve slowly, and downside risks will remain.

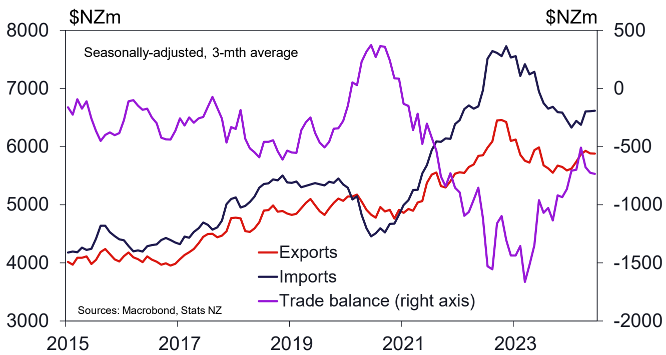
Trade update

Darren Gibbs
Senior Economist NZ

Following the excitement created over the previous fortnight by the RBNZ policy review and CPI release, the past week has been quiet on the local data front. Indeed, Monday's release of merchandise data for June was the only official report of any note. As usual this was largely ignored by markets, although it does provide some insight into activity in some key sectors of the New Zealand economy.

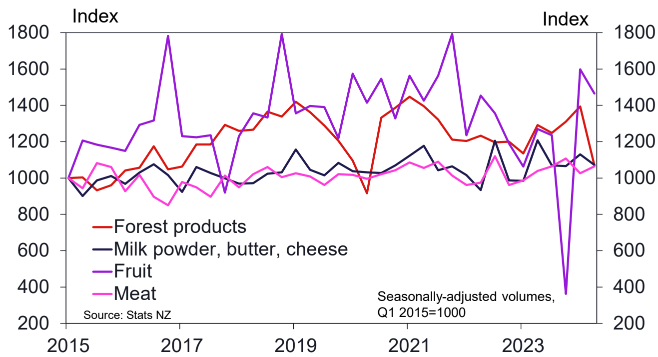
After allowing for seasonal factors, the monthly trade deficit (with imports measured including freight and insurance) narrowed by a larger than expected $NZ650m in June. Indeed, at $NZ334m, the deficit was the second smallest recorded over the past three years. Exports fell around 2% during the month and were little changed from a year earlier. Meanwhile, after two months of growth, imports slumped more than 11% in June and were 7% lower than a year earlier. To some extent, the decline in both exports and imports may have been exaggerated by the floating Matariki public holiday, which occurred in late June this year.

Exports, imports & trade balance



Looking at the full June quarter, export receipts were little changed from the March quarter. Considering that firmer prices for some commodities (such as dairy products) have likely lifted average prices for New Zealand's exports, this points to a decline in export volumes during the June quarter – this following two consecutive quarters of solid growth. Volume statistics provided by Statistics NZ for some commodity exports give some insight as to what is likely to have driven this decline. Of special note was a 23% slump in the volume of logs and wood, with shipments in the June quarter at their lowest level in four years (i.e., since the Covid lockdown). This doubtless reflects continued weak demand from China, which has also weighed heavily on prices for this commodity in recent months. The tonnage of milk powder, butter and cheese exports fell 5% during the quarter, while exports of fruit fell more than 8%.

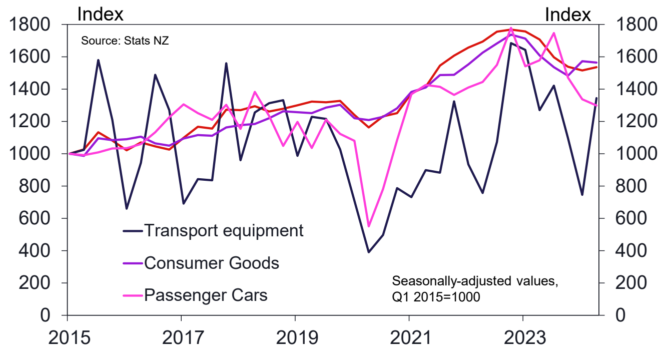
Selected export volumes



Those declines were only partially offset by a 4% lift in exports of meat.

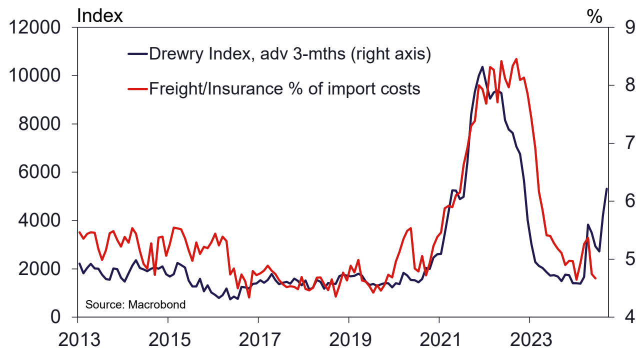
Turning to the other side of the ledger, import values increased during over 4% during the June quarter. This marked the first increase in imports since the September 2022 quarter. At face value that might suggest some optimism amongst businesses, at least when these orders were placed – probably late last year, when business confidence was somewhat firmer than it is today. But drilling down into the data casts doubt on that explanation. More than half of the increase in imports in the June quarter was driven by transport equipment, almost all of which was due to movements of aircraft – a key driver of volatility in New Zealand's trade data given the small size of the economy. Imports of plant and machinery increased by just over 1% in the June quarter, breaking a run of five consecutive orders of decline. However, that growth appears to be more than explained by "lumpy" investment in the utility sector (particularly gas turbines), rather than any recovery in underlying business capex. Imports of consumer goods fell just under 1% in the June quarter, while imports of passenger cars fell 3%.

Selected imports



The merchandise trade data also provide some insight into how the well-publicised increases in container shipping rates are impacting the cost of New Zealand's imports. The short answer, at least as of June, is "not at all". As a proportion of total import costs, insurance and freight stood at just 4.7% in June – around its pre-pandemic level. However, given the lags that are normally seen between rises in global shipping costs and their impact on New Zealand, we do expect to see some impact begin to emerge over the coming quarter. The extent to which these costs are likely to be passed on by importers to the consumer is a matter of debate, given the difficult conditions presently being faced by retailers.

Shipping costs



Looking ahead, over the coming week we will receive several economic reports that will help shape expectations ahead of the next RBNZ policy review in mid-August. On Monday, Stats NZ will release the Monthly Employment Indicator for June. In line with the recent trend, we expect that the May reading will be revised lower to show a second consecutive decline in filled jobs. And based on the partial weekly data, a large decline in filled jobs appears to have occurred in June. Following this report, we will publish our preview of the now much-awaited June quarter labour market surveys (which will be released on 7 August).

The other key report to watch next week will be the ANZ Business Outlook survey for July, released on Wednesday. This survey was one of many indicators pointing to very weak activity through the June quarter, and so it will be interesting to see whether this tone has moderated in the July survey (this week the ANZ reported an easing in consumer pessimism during July, which might reflect early reaction to the RBNZ's dovish pivot on 10 July). Also of interest will be the various inflation indicators in the survey. Following a period in which they moved sideways, the pricing intentions measure has taken a marked step lower over the past couple of months to levels that are now not far above historical average levels. And expectations regarding future wage growth have moderated sharply over the past year, with year-ahead wage growth now forecast at just 2.6% - down from a peak of 6% two years ago.

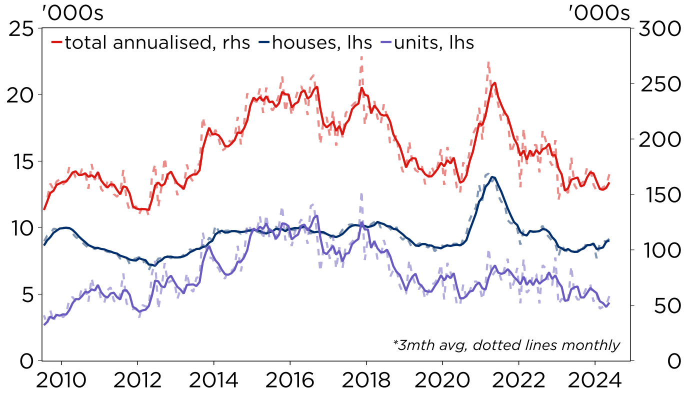
AUS: Jun Dwelling Approvals (%mth)

Jul 30, Last: 5.5%, WBC f/c: –2.0%
Mkt f/c: –2.5%, Range: –5.0% to 3.0%

Dwelling approvals rose 5.5% in May but continue to bump around decade lows, holding in a range that has prevailed since early 2023. While there were some more promising signs around detached houses, at least some of the latest gain looks to be a temporary pull-forward effect associated with state government regulatory change.

HIA new home sales dropped 16% over the two months to June, as this pull-forward effect reversed. This is likely to play through to softer detached house approvals, albeit in a much more muted way. Unit approvals also surged in May (up 20%), and are much harder to predict given the tendency for sharp moves due to large individual projects. Overall we expect total approvals to decline 2% in June, with units posing a downside risk.

Dwelling approvals



Source: ABS, Macrobond, Westpac Economics

AUS: Q2 CPI (%qtr)

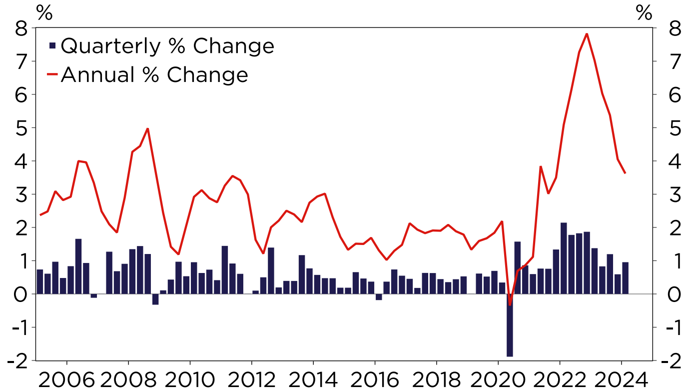
Jul 31, Last: 1.0%, WBC f/c: 1.0%
Mkt f/c: 1.0%, Range: 0.7% to 1.1%

Westpac confirms its June quarter CPI forecast of 1.0%qtr/3.8%yr which we first released on June 18 and left unchanged at our July 2 update.

With the Monthly CPI Indicator we have two of three months of data for the June quarter. The monthly data June will provide critical insights into some services, including: rates & property charges, water & sewerage, child care, dental services, veterinary & other services for pets, and other financial services.

For further details please refer to our more detailed June Quarter CPI Preview.

Headline inflation



Source: ABS, Macrobond, Westpac Economics

AUS: Q2 Trimmed Mean CPI (%qtr)

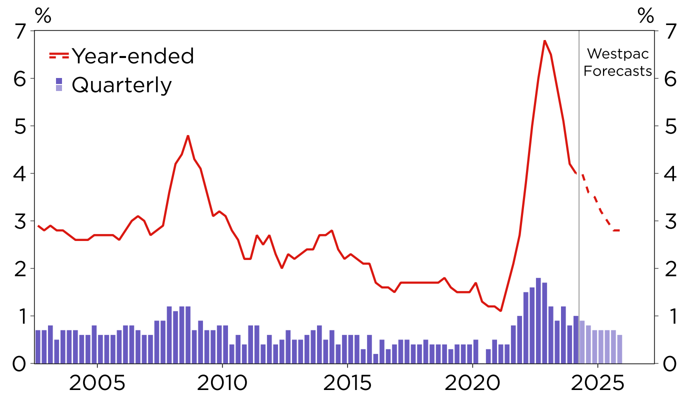
Jul 31, Last: 1.0%, WBC f/c: 0.9%
Mkt f/c: 1.0%, Range: 0.8% to 1.1%

Westpac has a June quarter now-cast for the Trimmed Mean of 0.9% – a 'hard' 0.9% increase given it is 0.94% at two decimal places. This is a step down from the 1.0% increase in the March quarter, which would hold the annual pace steady at 4.0%yr.

The Weighted Median is forecast to rise 1.0% in the June quarter, following on from a 1.1% increase in March, which also holds the annual pace steady but this time at 4.4%yr.

For futher details please refer to our more detailed June Quarter CPI Preview.

Trimmed mean (core) inflation



Source: ABS, Macrobond, Westpac Economics

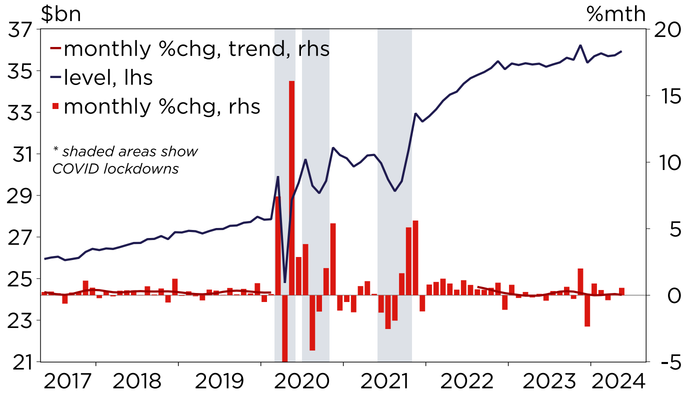
AUS: Jun Retail Trade (%mth)

Jul 31, Last: 0.6%, WBC f/c: 0.2%
Mkt f/c: 0.2%, Range: -0.2% to 0.6%

Retail sales rose 0.6% in May, the best monthly gain since the start of the year. However the picture is still subdued with the underlying trend still about flat. Annual sales growth lifted to 1.7%yr, still implying a marked 2.5-3% contraction in real, per capita terms.

June is likely to see a more subdued gain with our Westpac Card Tracker Index suggesting activity softened again through the June quarter, although this is likely to be milder for retail given the stable, counter-cyclical basic food segment makes up about 40% of sales. On balance we expect total sales to post a 0.2% gain.

Nominal retail trade



Source: ABS, Macrobond, Westpac Economics

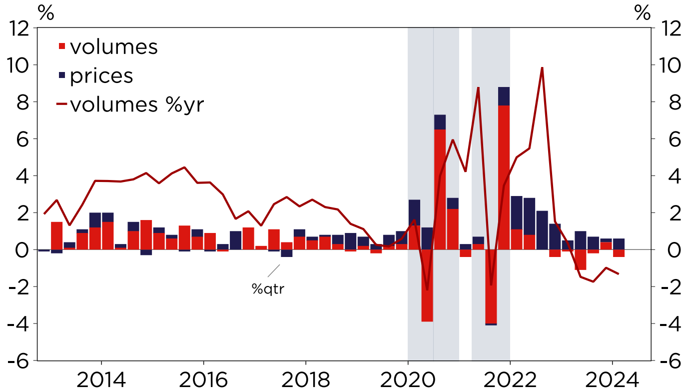
AUS: Q2 Real Retail Sales (%mth)

Jul 31, Last: -0.4%, WBC f/c: 0.3%
Mkt f/c: -0.2%, Range: -0.5% to 0.4%

Retail sales fell 0.4% in Q1, marking the fifth decline in the last six quarters. Sales volumes were down 1.4%yr and 1.8% below their level in Q3 2022.

A small gain in the June month should see nominal sales up 0.4%qtr in Q2. Retail prices are expected to have been relatively flat in the quarter, annual price inflation in this segment likely to drop below 2%yr. That should leave a small 0.3% gain for real retail sales in the quarter. With the Q2 CPI not yet available, prices present a significant uncertainty to this view – with the potential for a mix that has a stronger price component giving a weaker result for volumes.

Quarterly retail volumes and prices



Source: ABS, Macrobond, Westpac Economics

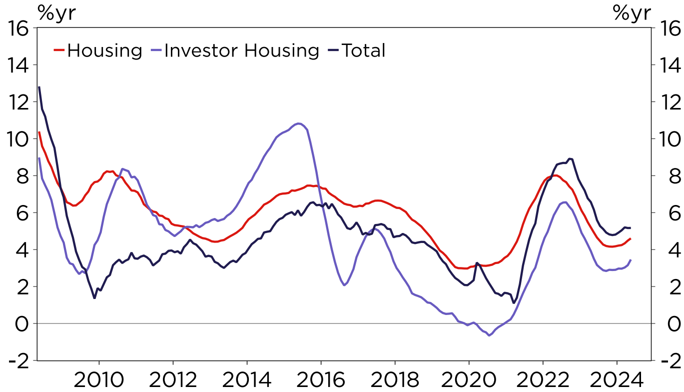
AUS: Jun Private Sector Credit (%mth)

Jul 31, Last: 0.4%, WBC f/c: 0.4%
Mkt f/c: 0.4%, Range: 0.3% to 0.5%

Private sector credit grew by 0.4% in May to be up 5.2%yr, basically unchanged on April and within the tight range that has prevailed over most of the last year. 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. 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 June, we expect a very similar picture with credit growth posting another 0.4% gain for the month.

Private credit growth



Source: RBA, Macrobond, Westpac Economics

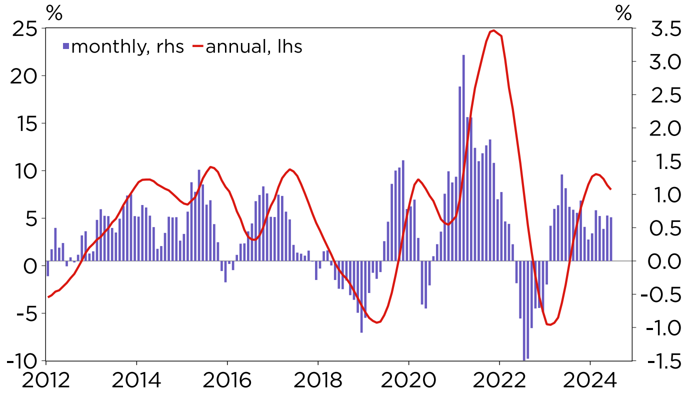
AUS: Jul CoreLogic Home Value Index (%mth)

Aug 1, Last: 0.7%, WBC f/c: 0.5%

The CoreLogic home value index rose 0.7% in June, matching the gain in May and continuing the step-down in momentum since late last year but still tracking a robust pace. Annual price growth moderated to 8.3%yr, down from a peak of 10.8%yr in Feb, gains over the last six months tracking a 7.5% annualised pace. The detail shows much stronger gains for Brisbane, Adelaide and Perth with a more subdued result in Sydney and some price slippage in Melbourne.

June will show a very similar pattern. The CoreLogic daily index points to a 0.5% rise for the month, which would take annual price growth to just over 8%yr. Price slippage looks to have been a little more pronounced in Melbourne over the latest month.

Australian dwelling prices



Source: CoreLogic Australia, Macrobond, Westpac Economics

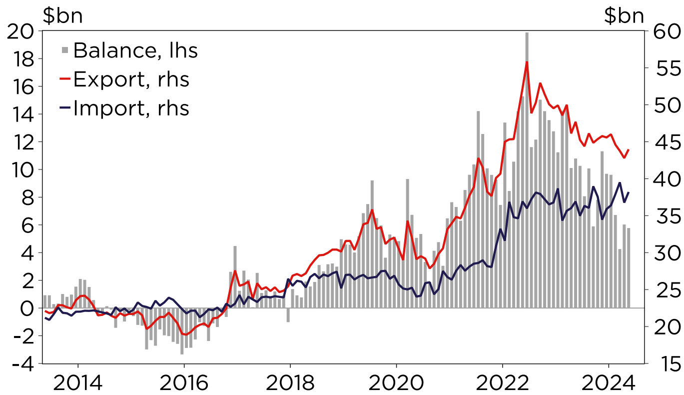
AUS: Jun Goods Trade Balance ($bn)

Aug 1, Last: 5.8, Westpac f/c: 5.2
Mkt f/c: 5.0, Range: 4.6 to 6.5

In May, the goods trade balance was little-changed, with the surplus narrowing slightly from $6.0bn to $5.8bn. In the month, a solid showing from exports – largely centred on iron ore volumes – was more than offset by a continued strengthening in imports, this time a consequence of a spike in auto fuel.

For June, we anticipate the goods trade balance to narrow slightly, to $5.2bn, largely reflecting the multi-month uptrend in imports. On exports, an improvement in volumes (suggested by port data) will likely be offset by another soft month for prices, the RBA's commodity price index having declined –2.8% in June.

Trade in goods balance



Source: ABS, Macrobond, Westpac Economics

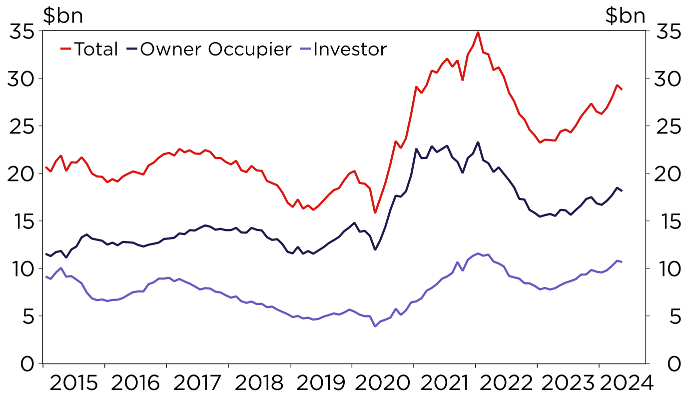
AUS: Jun Housing Finance Approvals (%mth)

Aug 2, Last: –1.7%, WBC f/c: 0.5%
Mkt f/c: flat, Range: –1.2% to 3.0%

The value of new housing finance approvals declined 1.7% in May, breaking a run of three consecutive monthly gains. However, the result looks more like a minor consolidation rather than the beginning of a sustained down-trend.

As such, we expect June to post a slight recovery. Turnover has been a little softer but prices are still posting gains. Construction-related loans have been a bit softer as the pull-forward effects mentioned above have washed through. Overall, we expect total new finance approvals to post a 0.5% rise in the month in value terms, a 1.5% rise in investor loans outstripping a flat result for new owner occupier loans.

Housing finance approvals



Source: ABS, Macrobond, Westpac Economics

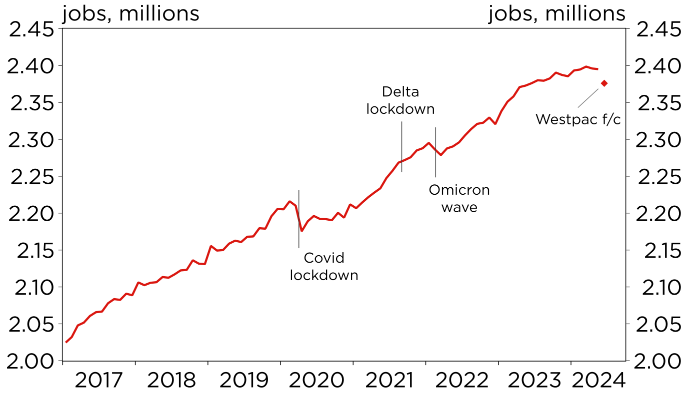
NZ: Jun Monthly Employment Indicator (%mth)

Jul 29, Last: 0.0%, Westpac f/c: –0.8%

The labour market has been steadily softening over the last year. Surveys show that businesses are no longer struggling to find workers, and job vacancies have fallen substantially below pre-Covid levels.

The monthly employment indicator is drawn from income tax records, making it a comprehensive measure of the number of people in work. Weekly snapshots provided by Stats NZ have shown a marked deterioration in recent weeks. We've pencilled in an initial print of -0.8% for June, which could be revised down further in the months ahead.

Employment indicator



Source: Stats NZ, Macrobond, Westpac Economics

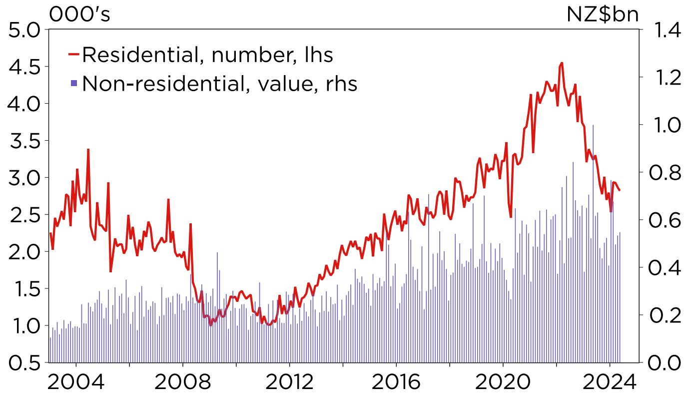
NZ: Jun Building Consents (%mth)

Jul 31, Last: –1.7%, Westpac f/c: –1.0%

While dwelling consent issuance has fallen sharply over the past year, the downturn looks like it is finding a base. For the past few months, consent issuance has been running a little over 2,800 per month. We expect to see a modest drop in May, but for the flattening trend to continue.

Although dwelling consent issuance may be finding a floor, any material pickup is still a long way off. Developers are likely to remain cautious about bringing projects to market until the housing market begins to recover.

Building consents



Source: Stats NZ, Macrobond, Westpac Economics

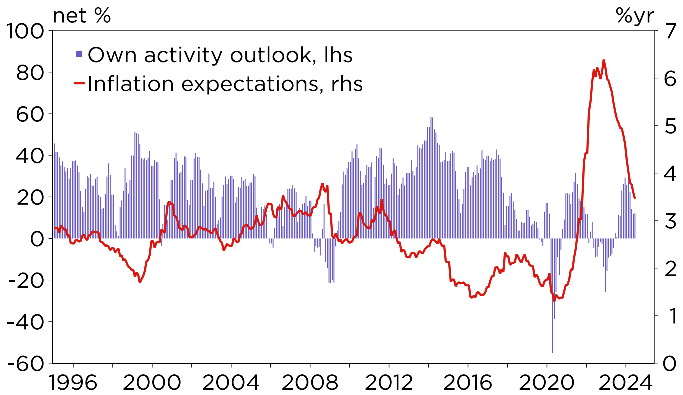
NZ: Jul ANZ Business Confidence (pts)

Jul 31, Last: 6.1

The June business outlook survey continued the themes of recent months. Activity indicators have softened again after an initial post-election lift in confidence, while the inflation gauges remain elevated but are heading in the right direction.

We expect the July survey to show that businesses remain under pressure. The RBNZ's softer tone in its July policy review could help to bolster confidence, though this may not show up fully until the August survey.

Business confidence



Source: ANZ, Macrobond, Westpac Economics

US: FOMC July Meeting

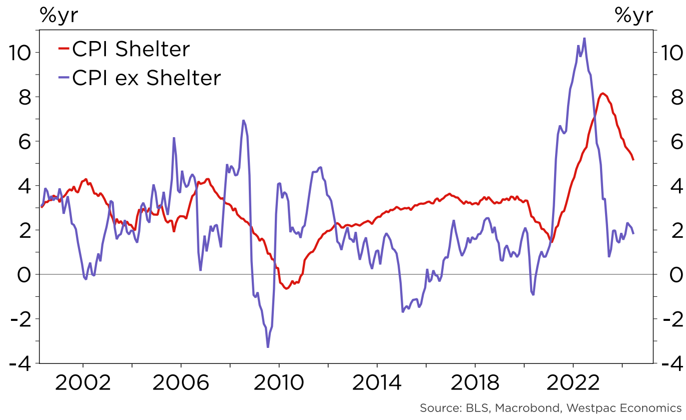
Jul 30-31, Fed Funds Rate (midpoint), Last: 5.375%, WBC f/c 5.375%, Mkt f/c 5.375%

Discussion around FOMC policy has changed dramatically in recent months as Q1's inflation surprises were neutralised by benign outcomes through Q2.

At the same time, expectations for the labour market continue to soften, highlighting that risks to the outlook are two sided.

As of July, the FOMC are unlikely to have the confidence necessary to ease, particularly as they continue to express confidence in the growth outlook. However, we expect the communications to signal a high probability of a September first cut.

Shelter and ex shelter inflation



US: Jul Employment Report

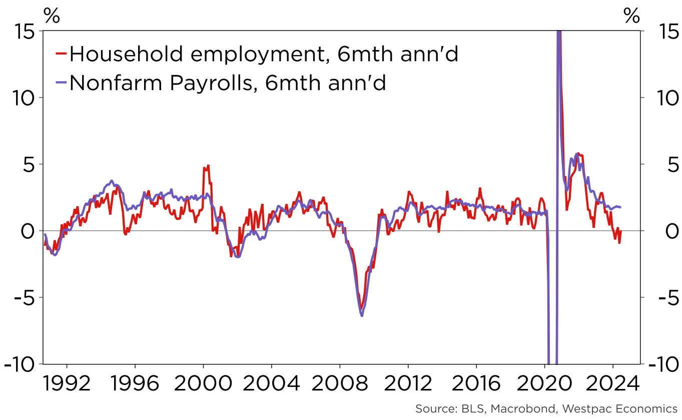
Aug 2, Payrolls, Last: 206k, Mkt f/c 188k, WBC f/c 170k

June's nonfarm payrolls print was strong at 206k, but the average of the past three months was brought down by -111k in revisions to the prior two months. At 177k, the three-month average points to balance between demand and supply.

The household survey remains considerably weaker, the unemployment rate continuing to slowly trend higher to 4.1%, 0.7ppts above April 2023's low. Underlying the result has been an average employment gain of just 17k per month and no net change in participation.

Wage growth also points to supply now being in excess of demand, annual hourly earnings growth having slowed from 5.9%yr March 2022 to 3.9%yr.

Payrolls vs. household employment



What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 29							
NZ	Jun	Monthly Employment Indicator	%mth	0.0	–	–0.8	Marked softening in recent weekly snapshots.
US	Jul	Dallas Fed Index	pts	–15.1	–14.2	–	Manufacturing is soft across the regions.
Tue 30							
Aus	Jun	Dwelling Approvals	%mth	5.5	–2.8	–2.0	Still at low levels. Some of May rise looks to be temporary.
Jpn	Jun	Jobless Rate	%	2.6	2.6	–	Labour market tightness adding pressure to services prices.
Eur	Q2	GDP	%qtr	0.3	0.2	0.2	Growth recovery to ensue at a gradual pace.
US	Jun	JOLTS Job Openings	000's	8140	–	–	Labour demand and supply are moving into balance...
	Jul	CB Consumer Confidence	pts	100.4	99.7	–	... employment outcomes remain critical to confidence.
Wed 31							
Aus	Jun	Monthly CPI Indicator	%yr	4.0	3.8	3.5	Base effects see a 0.3%mth increase, pace moderating.
	Q2	CPI	%qtr	1.0	1.0	1.0	Housing (electricity) & health boosting the quarter...
	Q2	CPI	%yr	3.6	3.8	3.8	... but there is downside risk to electricity due to rebates.
	Q2	Trimmed Mean CPI	%qtr	1.0	1.0	0.9	Core inflation is expected to be flat at 4% with...
	Q2	Trimmed Mean CPI	%yr	4.0	4.0	4.0	... uncertainity around services prices surveyed in June.
	Jun	Retail Sales	%mth	0.6	0.2	0.2	A softer monthly result. Nominal retail sales tracking...
	Q2	Real Retail Sales	%qtr	–0.4	–0.2	0.3	... a 0.4% gain for Q2; prices about flat, volumes +0.3%.
	Jun	Private Sector Credit	%mth	0.4	0.4	0.4	Credit continues to expand at a modest pace.
NZ	Jun	Building Consents	%mth	–1.7	–	–1.0	Issuance is flattening off after sharp falls over the past year.
	Jul	ANZ Business Confidence	pts	6.1	–	–	Confidence weak but may benefit from rate cut hopes.
Jpn	Jun	Industrial Production	%mth	3.6	–4.6	–	Automobile prod'n recovering after temporary disruptions.
	Jul	BoJ Policy Decision (Upper)	%	0.10	0.10	0.10	Tapering schedule of bond-buying program of interest.
Chn	Jul	Manufacturing PMI	pts	49.5	49.3	–	Hovering around long-run average levels for industry...
	Jul	Non-Manufacturing PMI	pts	50.5	50.2	–	... sustained momentum in services still absent.
Eur	Jul	CPI	%yr	2.5	2.4	–	All eyes on services as policy treads a cautious path.
US	Q2	Employment Cost Index	%qtr	1.2	1.0	1.0	Momentum to soften as labour market slack builds.
	Jul	FOMC Policy Decision	%	5.375	5.375	5.375	Communications to signal a September rate cut.
Thu 01							
Aus	Jul	CoreLogic Home Value Index	%mth	0.7	–	0.5	More gains overall but Syd subdued, Melb prices slipping.
	Jun	Goods Trade Balance	$bn	5.8	5.0	5.2	Surplus is narrowing on a multi-month uptrend in imports.
NZ	Jul	CoreLogic Home Value Index	%mth	–	–	–	Launch of new, higher-quality price measure for NZ.
Chn	Jul	Caixin Manufacturing PMI	pts	51.8	51.4	–	Level remains consistent with growth objectives.
Eur	Jun	Unemployment Rate	%	6.4	6.4	6.4	Holding firm at a historical low.
UK	Aug	BoE Policy Decision	%	5.25	–	5.00	Rate cut a 50/50 proposition.
US	Jul	ISM Manufacturing	pts	48.5	49.0	–	Subdued demand weighing on production.
	Jun	Construction Spending	%mth	–0.1	0.2	–	Elevated costs and uncertainty hinder capacity expansion.
	Jul 27	Initial Jobless Claims	000's	235	–	–	To remain near its lows, for now.
Int'l	Jun	S&P Global Manufacturing PMI	pts	–	–	–	Final estimate for Japan, Eurozone, UK and US.
Fri 02							
Aus	Q2	PPI	%qtr	0.9	–	–	Can falling oil prices outweigh rising shipping costs?
	Jun	Housing Finance	%mth	–1.7	flat	0.5	Consolidating on recent gains...
	Jun	Owner Occupier Finance	%mth	–2.0	–	flat	... turnover vols and construction lending softer...
	Jun	Investor Finance	%mth	–1.3	–	1.5	... but prices still rising, investor lending outperforming.
US	Jul	Non-Farm Payrolls Change	000's	206	175	170	Balance returning to labour market...
	Jul	Unemployment Rate	%	4.1	4.1	4.1	... seeing the unemployment rate gradually tick higher...
	Jul	Average Hourly Earnings	%mth	0.3	0.3	0.3	... and wages growth soften.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (25 Jul)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Cash	4.35	4.35	4.10	3.85	3.60	3.35	3.10	3.10	3.10	3.10	3.10
90 Day BBSW	4.48	4.42	4.19	3.96	3.75	3.55	3.30	3.30	3.30	3.30	3.30
3 Year Swap	4.05	4.10	4.00	3.85	3.70	3.60	3.50	3.50	3.50	3.55	3.60
3 Year Bond	3.99	3.90	3.80	3.65	3.50	3.40	3.30	3.30	3.30	3.35	3.40
10 Year Bond	4.30	4.30	4.25	4.20	4.10	4.00	4.00	4.00	4.05	4.10	4.15
10 Year Spread to US (bps)	6	-10	-5	0	0	0	0	0	0	5	5
United States											
Fed Funds	5.375	5.125	4.875	4.625	4.375	4.125	3.875	3.625	3.375	3.375	3.375
US 10 Year Bond	4.24	4.40	4.30	4.20	4.10	4.00	4.00	4.00	4.05	4.05	4.10
New Zealand											
Cash	5.50	5.50	5.25	5.00	4.50	4.25	4.00	3.75	3.75	3.75	3.75
90 day bill	5.48	5.50	5.25	4.80	4.50	4.25	4.00	3.85	3.85	3.85	3.85
2 year swap	4.19	4.30	4.20	4.10	4.00	3.90	3.90	3.95	4.00	4.00	4.00
10 Year Bond	4.39	4.40	4.35	4.30	4.30	4.25	4.30	4.30	4.35	4.35	4.35
10 Year spread to US	15	0	5	10	20	25	30	30	30	30	25

Exchange rate forecasts

	Latest (19 Jul)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
AUD/USD	0.6554	0.66	0.67	0.68	0.69	0.70	0.71	0.72	0.72	0.73	0.73
NZD/USD	0.5890	0.60	0.61	0.62	0.62	0.63	0.63	0.63	0.63	0.64	0.64
USD/JPY	153.65	159	158	156	153	150	147	144	141	138	135
EUR/USD	1.0858	1.09	1.10	1.11	1.12	1.13	1.14	1.14	1.14	1.15	1.15
GBP/USD	1.2865	1.27	1.28	1.29	1.30	1.31	1.31	1.31	1.31	1.31	1.31
USD/CNY	7.2468	7.20	7.10	7.05	7.00	6.90	6.80	6.70	6.60	6.55	6.50
AUD/NZD	1.1127	1.10	1.10	1.10	1.11	1.12	1.13	1.14	1.14	1.14	1.14

Australian economic growth forecasts

	2024				2025				Calendar years			
% Change	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
GDP % qtr	0.1	0.3	0.6	0.5	0.5	0.6	0.6	0.7	–	–	–	–
%yr end	1.1	1.0	1.4	1.6	2.0	2.2	2.2	2.3	1.6	1.6	2.3	3.5
Unemployment rate %	3.9	4.0	4.2	4.3	4.4	4.5	4.6	4.6	3.9	4.3	4.6	4.5
Wages (WPI)	0.8	0.8	0.7	0.7	0.7	0.8	0.8	0.8	–	–	–	–
annual chg	4.1	3.9	3.4	3.0	2.9	2.8	2.9	3.0	4.2	3.0	3.0	3.3
CPI Headline	1.0	1.0	0.1	0.8	0.7	0.8	0.9	0.6	–	–	–	–
annual chg	3.6	3.8	2.7	2.9	2.7	2.4	3.2	3.1	4.1	2.9	3.1	2.8
Trimmed mean	1.0	0.9	0.8	0.7	0.7	0.7	0.7	0.6	–	–	–	–
annual chg	4.0	4.0	3.6	3.5	3.2	3.0	2.8	2.8	4.2	3.5	2.8	2.6

New Zealand economic growth forecasts

	2024				2025				Calendar years			
% Change	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
GDP % qtr	0.2	-0.2	0.3	0.3	0.5	0.5	0.7	0.7	–	–	–	–
Annual avg change	0.2	-0.2	0.0	0.2	0.4	0.9	1.3	1.8	0.6	0.2	1.8	3.2
Unemployment rate %	4.3	4.6	4.9	5.2	5.3	5.4	5.4	5.4	4.0	5.2	5.4	4.7
CPI % qtr	0.6	0.4	1.1	0.4	0.4	0.4	0.8	0.5	–	–	–	–
Annual change	4.0	3.3	2.6	2.5	2.3	2.3	2.0	2.1	4.7	2.5	2.1	2.2

Authors

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
M: +61 421 835 252
E: luci.ellis@westpac.com.au

Besa Deda
M: +61 404 844 817
E: besa.deda@westpac.com.au

Matthew Hassan
M: +61 409 227 159
E: mhssan@westpac.com.au

Elliot Clarke
M: +61 459 848 856
E: eclake@westpac.com.au

Justin Smirk
M: +61 459 844 788
E: jsmirk@westpac.com.au

Pat Bustamante
M: +61 434 856 909
E: pat.bustamante@westpac.com.au

Ryan Wells
M: +61 401 423 628
E: ryan.wells@westpac.com.au

Illiana Jain
M: +61 403 908 032
E: illiana.jain@westpac.com.au

Jameson Coombs
M: +61 401 102 789
E: jameson.coombs@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ

Michael Gordon
Senior Economist

Darren Gibbs
Senior Economist

Satish Ranchhod
Senior Economist

Paul Clark
Industry Economist

Westpac Economics / Global

London
Camomile Court,
23 Camomile St,
London EC3A 7LL
United Kingdom

Singapore
12 Marina View
#27-00,
Asia Square Tower 2
Singapore, 018961

New York
39th Floor
575 Fifth Avenue
New York, 10017 USA

Things you should know

We respect your privacy: You can view our privacy statement at Westpac.com.au. Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

Disclaimer

This information has been prepared by Westpac and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward-looking statements. The words "believe", "anticipate", "expect", "intend", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

Conflicts of Interest: In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

Author(s) disclaimer and declaration: The author(s) confirms that no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material. The author(s) also confirms that this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate.

Further important information regarding sustainability-related content: This material may contain statements relating to environmental, social and governance (ESG) topics. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics, modelling, data, scenarios, reporting and analysis on which the statements rely. In particular, these areas are rapidly evolving and maturing, and there are variations in approaches and common standards and practice, as well as uncertainty around future related policy and legislation. Some material may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. There is a risk that the analysis, estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes to differ materially from those expressed or implied. The ESG-related statements in this material do not constitute advice, nor are they guarantees or predictions of future performance, and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of the statements). You should seek your own independent advice.

Additional country disclosures:

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). You can access Westpac's Financial Services Guide here or request a copy from your Westpac point of contact. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice.

New Zealand: In New Zealand, products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz.

Singapore: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking

Disclaimer continues overleaf ▶

licence and is subject to supervision by the Monetary Authority of Singapore.

U.S.: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ('WCM'), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.
The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

UK and EU: The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

Westpac Europe GmbH ("WEG") is authorised in Germany by the Federal Financial Supervision Authority ('BaFin') and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ('Deutsche Bundesbank'). WEG is registered with the commercial register ('Handelsregister') of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2)of the Order; (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found here. Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.