August 2024

WESTPAC MARKET OUTLOOK

Your monthly report on Australia and the global economy.

WESTPAC MARKET OUTLOOK August 2024

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Turbulence as political and economic wind-shifts hit

It has been a turbulent month since our last report with 'whipsaw' moves across politics, the economy and financial markets.

US presidential election prospects have swung wildly following an attempted assassination of former President Trump in mid-July and a switch of candidate from President Biden to Vice President Harris a week later – the net effect putting November's poll back on a knife edge. The last month has also seen elections in France and the UK deliver results that have added some uncertainty around fiscal policy, while the Israel-Hamas conflict has been threatening to escalate to a wider regional war.

For the economy, growth and policy cycles still look to be turning but at different speeds. A weak set of labour market data has given a more decisive guide to the US growth situation and policy outlook. The FOMC is set to begin lowering rates next month, but we now expect a faster initial pace with back-to-back 25bp cuts through to March. At the time of our last report, markets were not even convinced a September rate cut was a done deal. The growth and policy cycle is also coming through slightly faster in New Zealand – we now expect the RBNZ to commence cuts in October rather than November. The opposite is happening in Australia, the RBA Governor going out of its way to essentially rule out a near-term easing. The Bank of Japan's July hike was running the other way as well; although it was less of a surprise, it has had a knock-on effect making 'yen carry trade' activity much less attractive.

Needless to say, financial markets have had a lot to absorb. Global equity markets have traded a 9% range over the month (the Nikkei swinging a whopping 34%), US 10yr bonds have fallen 0.5ppt, currency markets have been unsettled with a particularly big move in USD/JPY, and volatility has spiked to post-COVID highs. Jarring as some of the moves have been they are unlikely to be generating negative spillovers to the wider economy or influencing policy considerations.

Australia: Growth remains sluggish as the economy moves through a 'soft landing' that should see a recovery gain traction slowly from here. Consumers are at the centre of the cycle and key risks. Fiscal policy is providing support but the RBA is looking more tentative. We now expect the interest rate easing to start a little later, in February 2025 rather than late 2024.

Commodities: Prices saw a meaningful correction in July, Westpac's commodity index down –3%. Met coal corrected –15%, with crude down –11%, iron ore down –8% and base metals down –7% overall. Partly offsetting this was a 7% rally in thermal coal and a 2% lift in gold.

Global FX Markets: The US dollar was hit by a string of unfavourable events late in the month. It has since stabilised, but this is likely to prove a brief reprieve. In the short-term, risks will remain two-sided as rate differentials, growth expectations and politics all impact, most likely resulting in a steady downtrend quarter to quarter. Into the medium-term, growth expectations should assert as the dominant factor in FX valuation.

New Zealand: We have pulled forward our forecast for rate reductions from the RBNZ, with cuts now expected to start in October. The slow 'rolling maul' recession over the past two years appears to have given way to a steeper downturn in recent months. At the same time, inflation has been easing and is on course to return to the RBNZ's target band in the September quarter.

United States: The market has finally recognised the downside risks for the labour market that have built up over the past year. But now it is overreacting. We remain confident in the underlying health of the economy but agree evolving risks warrant a moderate acceleration in policy easing. We look for a 25bp cut at each meeting through to March, and an unchanged terminal rate of 3.375% by end-2025. We view 50bp cuts as very unlikely.

China: The private sector continues to expand capacity at pace and is finding a diverse array of markets for its output. Gains are more than offsetting persistent weakness in household demand, particularly the property sector. Inevitably though, growth in the new economy will slow. So authorities need to boost confidence and spending amongst households now. July's Politburo meeting provided constructive signals, though initiatives announced to date are still too long-term in nature.

Asia: Yen weakness will persist despite a large net foreign asset position as much of the income is reinvested abroad. Reluctance to hedge currency risk and a lack of investment only further weaken yen demand.

RBA all but rules out near term rate cuts …

Luci Ellis
Chief Economist, Westpac Group

We have revised our view on the RBA cash rate path. We now expect that the RBA will first start cutting rates at the February 2025 meeting. Consistent with our earlier forecast, the trajectory of rate cuts is expected to be tentative and conservative, at one 25bp cut per quarter. We have also revised the end-point of the cutting phase to 3.35%, from 3.10% previously.

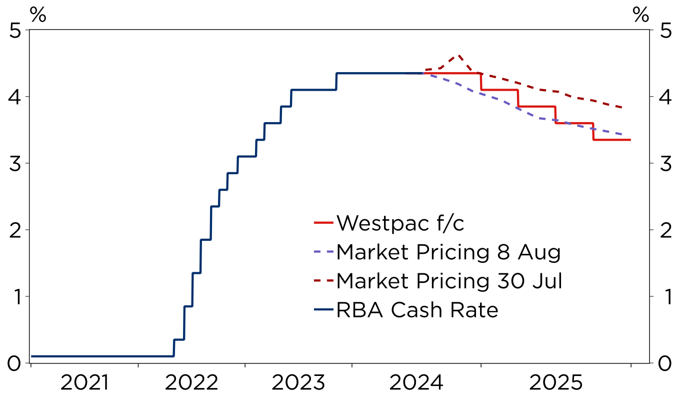
We continue to expect inflation to trend down into the top of the RBA's 2–3% target range by the end of next year. The RBA's trimmed mean inflation forecasts are the same as Westpac Economics'. But the RBA has no tolerance for any further bumps in the disinflation journey and limited conviction in its forecasts.

At the media conference after the August meeting, RBA Governor Michele Bullock all but ruled out rate cuts this year. The underlying logic of our framework is that monetary policy works with a lag. If you wait until you are back at target before starting to cut rates from a restrictive point, you have waited too long. However, the analytical choices underlying the RBA's near-term forecasts, and the language used at the media conference, show that the RBA Board needs to see more than one more quarter of inflation in line with their current expectations to be convinced that the disinflation is on track.

Our decision to remove the fifth cut from the expected rate-cutting cycle and end at 3.35% reflects our observation that the RBA seems to be putting more weight on its own models of neutral than they did previously. The average of these models is a bit above 3.10%. We think this assessment will shape the Board's behaviour.

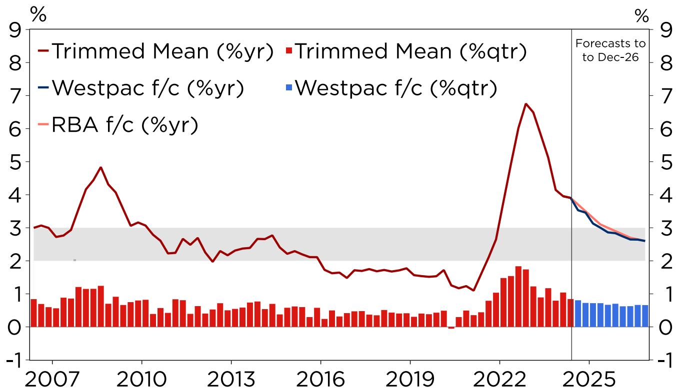
It was always going to be the case that the RBA's strategy to raise rates a bit less than its peers would result in it being among the last to cut, even though disinflation trajectories have not been that different. The RBA is now likely to be even more of an outlier while its peers cut past it. Ordinarily this would have implications for the exchange rate, especially against the US dollar, given the shift in the rates outlook there. At this stage, though, we think geopolitical and global factors are likely to swamp these small shifts in the rate differential outlook, at least until the end of the year.

First rate cut now anticipated in February



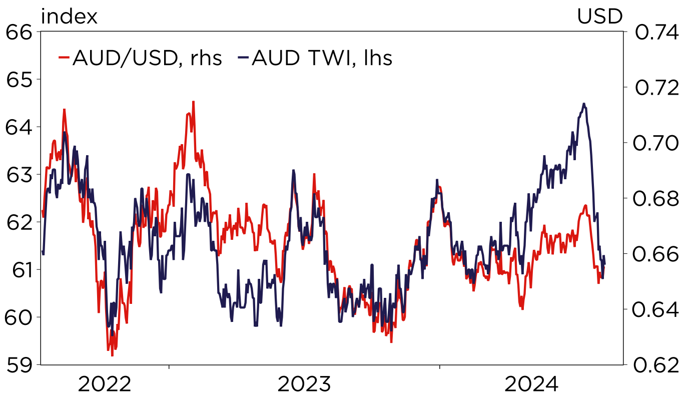
Source: RBA, Bloomberg, Macrobond, Westpac Economics

Agreement on core inflation's likely path



Source: ABS, Macrobond, Westpac Economics

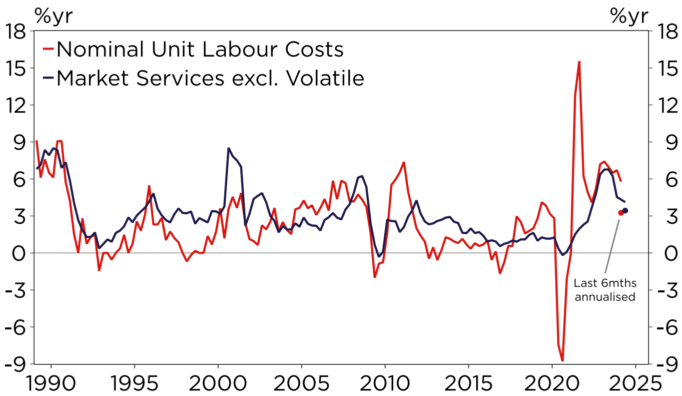
Volatility likely to linger for AUD near-term



Source: RBA, Macrobond, Westpac Economics

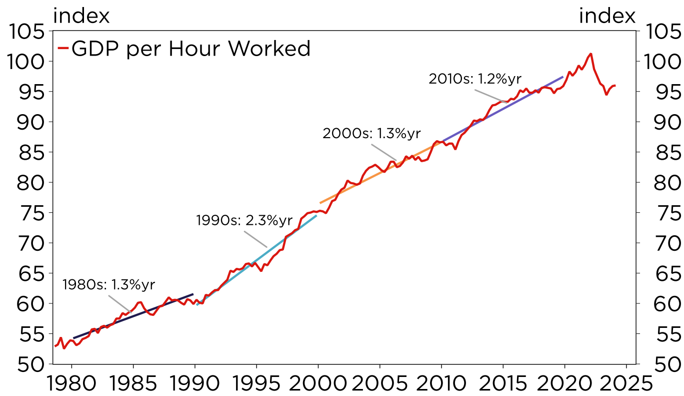
… with signs its taking a more 'model-driven' approach

Signs point to further easing in inflation …



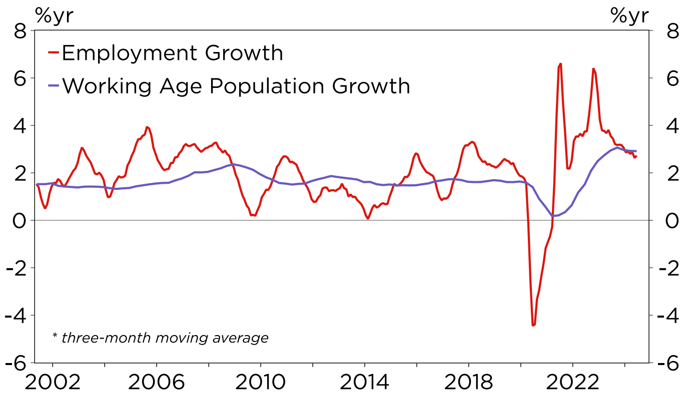
Source: ABS, Macrobond, Westpac Economics

… supported by a productivity turnaround

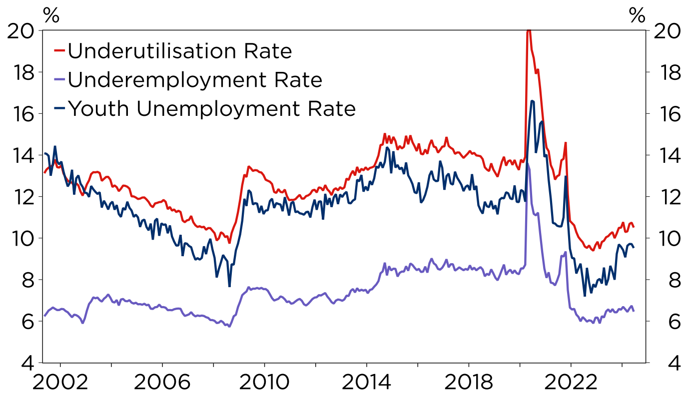


Source: ABS, Macrobond, Westpac Economics

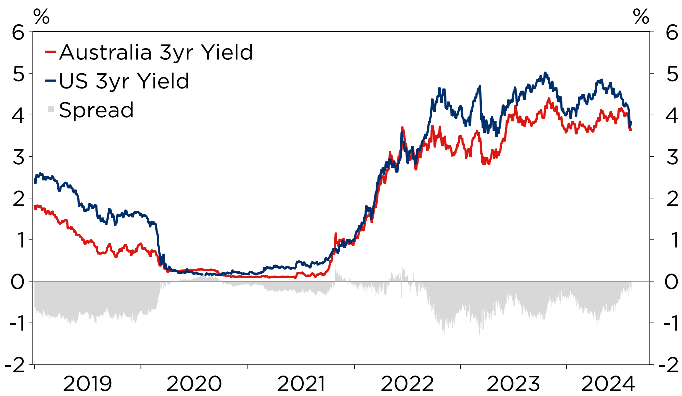
Employment growth is gradually slowing …



… as balance returns to the labour market

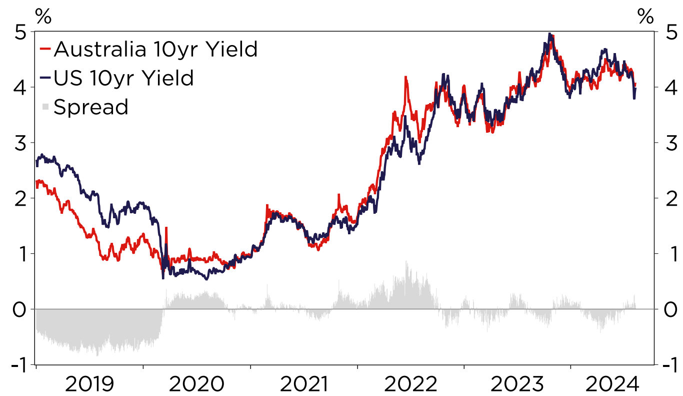


Differences in policy expectations …



Source: Macrobond, U.S. Treasury, Macrobond, Westpac Economics

… will remain a key factor at play



Source: Macrobond, U.S. Treasury, Macrobond, Westpac Economics

Sluggish growth ...

Matthew Hassan, Head of Australian Macro-Forecasting
Pat Bustamante, Senior Economists

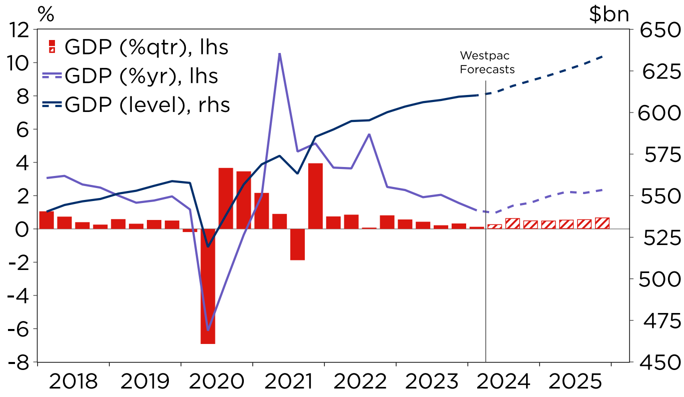
The Australian economy continues to experience slow growth as consumer demand remains soft. While that picture is set to improve going forward, the lift is expected to be gradual. Fiscal policy is providing some support near term though both tax cuts and increased public spending. Private investment is patchy with modest declines in residential building and business investment growth moderating. Overall, the economy is moving through the bottom of a 'soft landing' that should see a recovery slowly gain momentum: GDP growth is forecast to lift to 1.6%yr by end 2024 and to 2.3%yr in 2025. The lagged effect of the slowdown is expected to see the unemployment rate rise from 4% currently to a peak of around 4.5% in 2025. Key risks centre on the consumer and the extent to which improving real incomes and rising wealth generate a lift in spending.

The Australian economy made a slow start to 2024, GDP rising just 0.1% in the first quarter and annual growth dropping to 1.1%yr. That is well below trend and, excluding the COVID period, the slowest annual pace since the economy was emerging from recession in the early 1990s. Growth is about 0.5ppt below the low seen during the GFC (the gap closer to 1ppt in per capita terms).

Consumers are at the centre of the cycle, slower demand accounting for three quarters of the moderation in GDP growth over the last two years. As discussed previously, the March quarter national accounts included significant upward revisions to consumer spending relating to estimates of Australian tourism spending abroad. These have softened the slowdown profile but also lowered estimates of saving. Our interpretation is that the changes say less about near term momentum than they do about the diminished scope for consumers to maintain spending growth given their financial reserves now look to have been more significantly depleted.

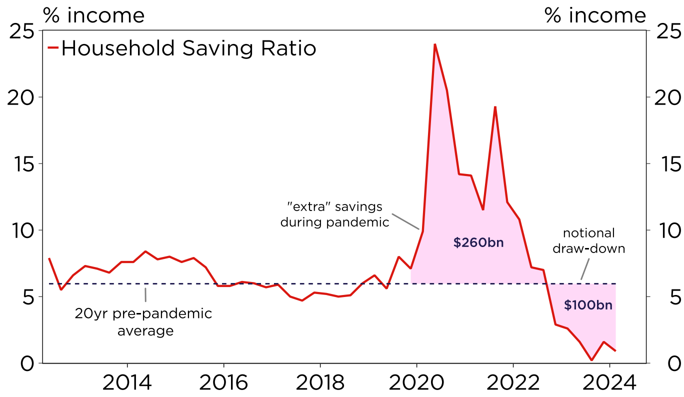
'Partial' data shows spending remained soft in June quarter with early evidence from our [Westpac Card Tracker] pointing to a muted response to the Stage 3 tax cuts so far. Real retail sales declined 0.3% in the June quarter, in line with the 0.4% decline in the March quarter. Vehicle sales also look to be down for the quarter. Meanwhile consumer-related card transactions (in nominal terms) came in flat having risen 1% in the March quarter. Westpac Card data up to the first week of August is showing, at best, a stabilisation in momentum (although it should be noted that the Cloudstrike outage affected activity in the third week of July).

Economic growth set to recover in 2025



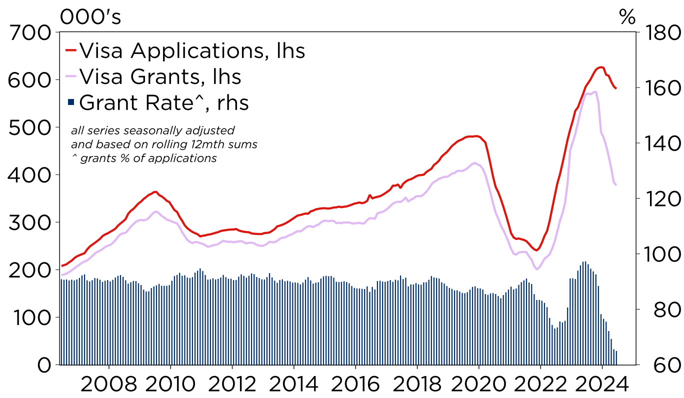
Source: ABS, Macrobond, Westpac Economics

Households are drawing down on savings



Source: ABS, Macrobond, Westpac Economics

Student visa approvals starting to unwind



Source: Australian Department of Home Affairs, Macrobond, Westpac Economics

... to lift only slowly

As noted, public demand (which includes assistance to households and businesses in the form of subsidies) is providing a significant offset to near-flat private demand. Public demand reached 27.2% of GDP, eclipsing the pandemic peak of 27.1% and well above the pre-pandemic average of just over 22%, illustrating the scale of assistance governments are providing.

This is set to be a persistent theme over the period ahead. We estimate the total fiscal impulse (state and federal) will contribute around 2.2ppts to economic growth in 2024-25, similar to the GFC response in 2009-10. While the 2024-25 fiscal impulse includes temporary measures such as electricity subsidies, a large share is driven by ongoing recurrent spending (on the care sector, education and other public services) along with additional infrastructure spends required to cater for the larger population.

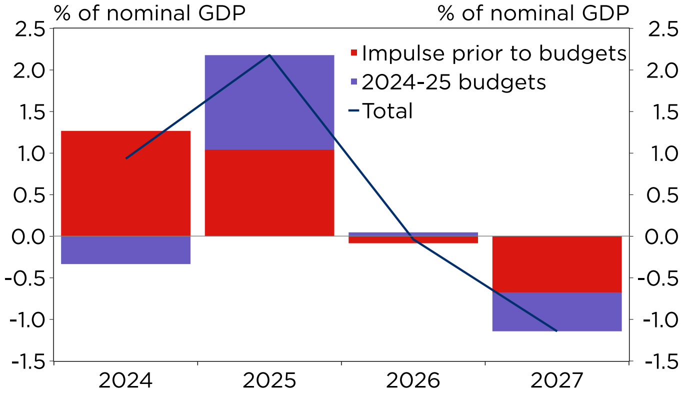
On the private side, the investment outlook is unchanged.

Dwelling approvals and construction-related housing finance approvals continue to bump around 12yr lows. Rising prices could ordinarily be expected to generate some uplift. However, the large backlog of work that has yet to roll off points to more downside near term. The sector's cost, profitability, solvency and capacity issues will also make sustaining a recovery difficult, even with interest rates starting to move lower and federal and state government's looking at ways to generate a big lift in new dwelling supply.

Around business investment, recent indicators have been a little mixed but, in our view, tilted to the downside. Business credit growth rose to 7.7%yr in June but has been bumpy month to month and can be affected by M&A activity. It is also a nominal measure so will be affected by cost escalation. More concerning is the deterioration in the capex intentions in the NAB business survey which dipped in to negative in June, down from readings in the +5-10 range earlier in the year and the first negative in just over a decade (outside of the COVID period). This is broadly consistent with our view of slowing business investment but the move is worth monitoring for risks of a more pronounced weakening.

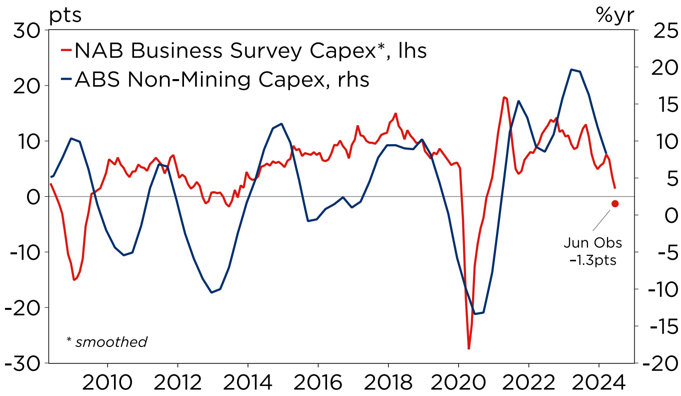
Lastly, the external situation is worth a note. Slowing export growth and a resurgence in imports have seen a significant swing in the net contribution to GDP, to a 0.7ppt drag over the year to March from a +0.6ppt support over the previous year. That pattern is expected to continue with the recovery in consumer spending likely to draw in more imports.

Substantial fiscal impulse is underway

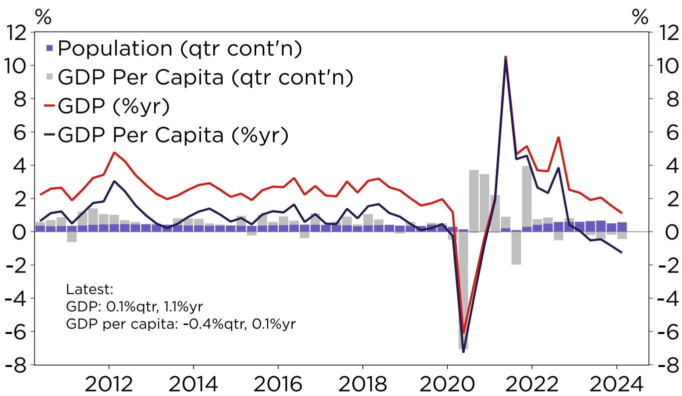


Source: ABS, State & Federal Government Budget Papers, Macrobond, Westpac Economics

Capex intentions cool as demand weakens



Population preventing weaker outcomes



Source: ABS, Macrobond, Westpac Economics

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.

Weaker demand leading to a broad correction ...

Justin Smirk
Senior Economist, Westpac Group

Overall, commodity prices had a meaningful correction throughout July, with the Westpac Commodity Export Price Index declining a bit more than 3% since our previous report. Leading the charge down was met coal with a –15% correction, followed by crude oil with Brent down –11%, while iron ore fell –8%. Base metals also weakened, falling –7% overall, with zinc and lead down –11%, copper down –8% and aluminium down –2%. Partly offsetting the correction was a 7% rally in thermal coal and a 2% gain in gold.

Iron ore still >US$100/t

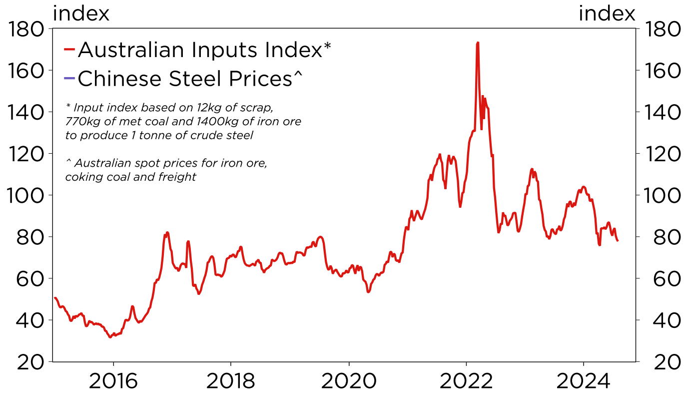
For all the negative news coming from the Chinese construction industry, narrowing margins for the Chinese steel industry and rising stocks of iron ore at Chinese ports, we are somewhat surprised that iron ore prices are still above US$100/t. As noted by our colleague Robert Rennie, we are confused and frustrated by this and still see an eventual test down to, and through, US$90/t. Chinese rebar prices have collapsed to their lowest level since 2017 while a simple measure of rebar profitability is also at its lowest level since 2015. This implies that the marginal tonne of steel that is being exported due to a lack of domestic demand is being produced at a loss. Indeed, ArcelorMittal pointed to Chinese dumping of steel and steel product in an earnings call for why it was reporting a drop in quarterly profits. The company noted that Chinese exports put the market in an "unsustainable" position as "steel prices in both Europe and the US are below the marginal cost". Hence, it is just a matter of time before we see US$90/t and hold our end 2024 target of US$85/t.

In July, Wood Mackenzie released updated value-in-use cost curves. We will dive into this analysis in our Commodities Update (see WestpacIQ) but in summary, the 90th percentile cost rose 2% in the June quarter to US$88/t. That is, WoodMac is suggesting that 10% of iron ore supply would be unprofitable at US$88/t. Declining energy costs were offset by labour cost inflation, continuing general inflation, higher freight rates, penalties for undesirable elements, and a weaker US dollar. For note, the 95th percentile is now around US$101/t.

Base metals weaken on growth concerns

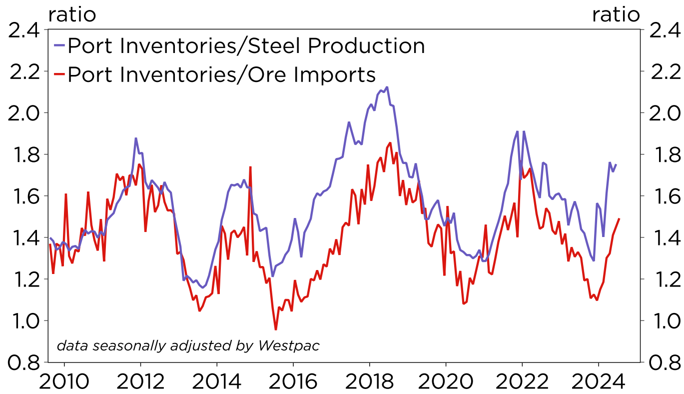
Copper, which is highly leveraged to global growth, made fresh lows with a move below US$8,800/t which, given the market concerns for global demand, was hardly surprising. Robert Rennie continues to hold the near-term view that somewhere in the US$8,000-8,750/t range we should start to see more two-way trading in the red metal. Copper has fallen about 20% from its May highs, and he notes that with the Yangshan premium

Steel inputs vs. Chinese steel prices



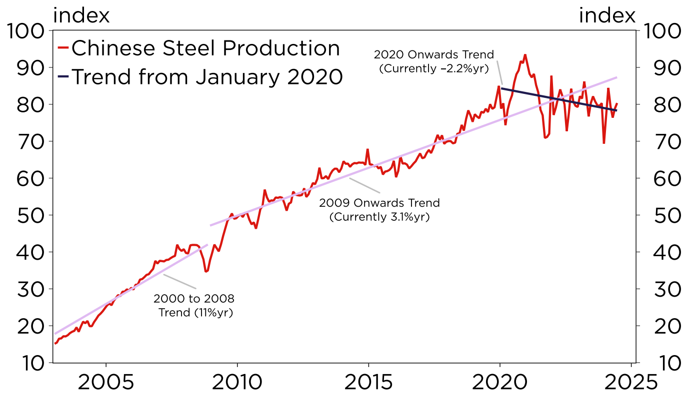
Source: Bloomberg, Macrobond, Westpac Economics

Iron ore inventories rising at ports



Source: Bloomberg, Macrobond, Westpac Economics

Chinese steel production below trend



Source: World Steel Association, Macrobond, Westpac Economics

... while supply disruptions support some commodities

surging from the May lows and SHFE inventory back down to where it was in May, the arguments for more two-way price action are certainly improving. However, these are not yet bullish arguments. Physical copper premia are still at the low end of multi-decade ranges and global copper inventory is still way above seasonal average levels. China is still exporting record amounts of refined copper and LME inventory is rising aggressively. So, there is still the risk that if the current global stock market correction continues, suggesting that central banks are increasingly behind the curve, then we could see a break below US$8,700/t.

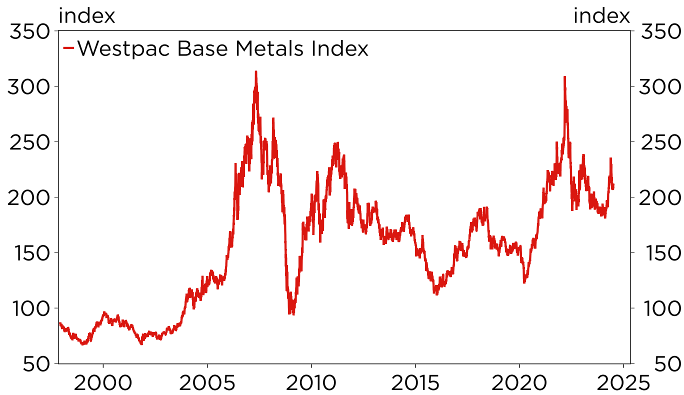
Crude finding a base but limited upside

We have long held to the view that crude oil prices would weaken in the second half of 2024 on the back of softer global demand. Thus, we were not surprise to see that in his most recent Energy Weekly, Robert Rennie argued that "it's hard not to see at least some risk that Brent extends further towards the June lows (US$76/bbl) and possibly the January/February lows (US$74/bbl) before we find the low end of the summer range" given that "global growth clearly slowing, crude consumption weak, and supply is possibly set to rise later in the year". Geopolitics, the outage in Libya, yet another drop in EIA crude inventory, and a reduction in Russian output all add to the arguments for a near term base. However, with global growth slowing, resulting in weak crude consumption plus a possible supply boost later in the year, any bounce will be limited. We are seeing this in China, which imported the lowest amount of crude in 17 months in July. The EIA released its August STEO adding to concerns about falling Chinese demand. The EIA reduced its forecast growth in 2025 crude consumption to 1.6mbpd from 1.8mbpd noting that "most of the reduction ... is in China, where we expect slowing economic growth will continue to reduce diesel consumption". Thus, even if we do see US$74/bbl to US$76/bbl as being the lower end of the range, its hard to see much upside from this.

Coal

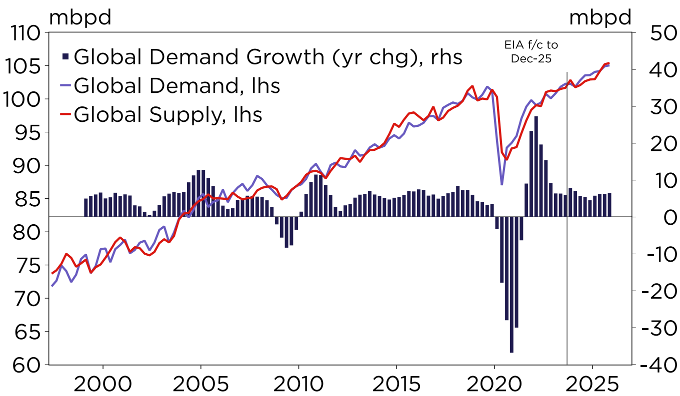
Met coal prices reached a high of close to US$260/t after the fire at Grosvenor mine in late June/early July. However, since then prices retreated to around US$215/t on the back of weak Chinese and Indian demand for seaborne coal. The recent squeeze being felt in the Chinese steel sector is weighing on both demand and prices. Newcastle thermal coal had a rally in late July as supply disruptions, both at the mines and due to environmental activism at the port, disrupted exports. It has been interesting to observe that while met coal prices have softened, low vol PCI (which is used in electric arc furnaces as well as lower emissions boilers) has rallied 33% since April.

Base metals off their high

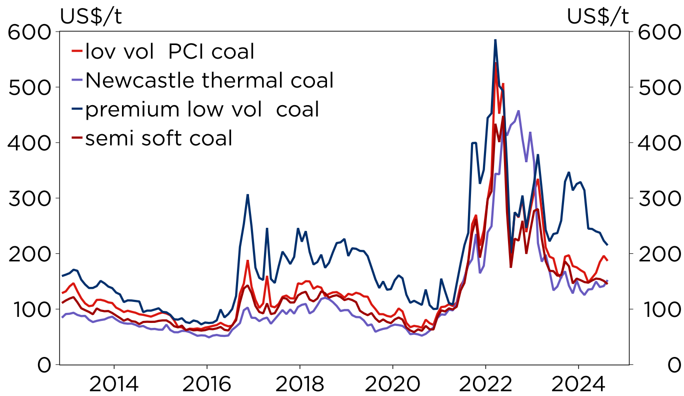


Source: Westpac Banking Corporation, Macrobond, Westpac Economics

Crude oil market supply & demand



Australian coal prices (fob)



Source: Bloomberg, Macrobond, Westpac Economics

The US dollar to slip ...

Elliot Clarke
Head of International Economics

The US dollar marked time between 104 and 105 this month. That was until the BoJ announced a policy tightening, a day later the FOMC raised the prospect of a rate cut at its September meeting (if the current data trend holds), and then the US employment report disappointed expectations, sparking concern the Committee had missed its opportunity to engineer a soft landing.

From around 104.5 prior to these events, the DXY index fell as low as 102.2 before stabilising a touch above 103, now 103.3.

Ahead, the delivery of interest rate cuts in the US is likely to take the US dollar lower, but its path is unlikely to be smooth and, at least in the near term, risks will remain two sided.

We believe this to be the case because, at least in part, most of the decline in the DXY index has been due to the reversal in USD/JPY. High to low, USD/JPY fell from JPY162 in early July to JPY142 a month later, a 13% decline.

Although this move is only a partial reversal of the increase from 2019/20's average of JPY108, a further material fall is unlikely if the BoJ's forecasts prove correct, with current policy set to bring core inflation back below the 2.0%yr target in fiscal year 2024 and hold it there.

This assumes the gains for wages over the past two years permeate fully through the economy and only slowly dissipate, a view that carries material risk.

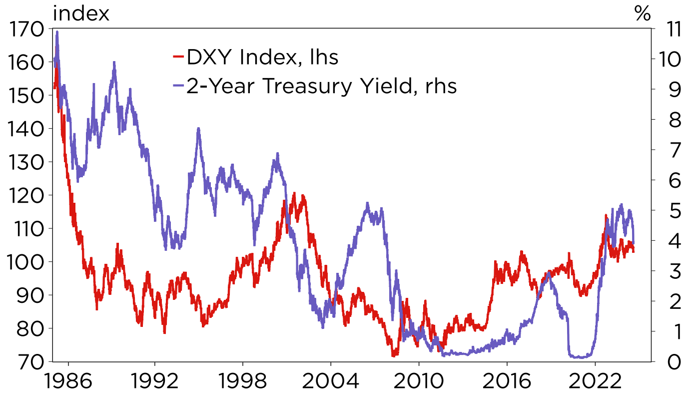
Albeit from a lower starting point, our baseline expectation for USD/JPY is consequently a gradual decline to JPY142 and JPY134 at end-2025 and end-2026 respectively as the rate differential deflates.

Against the Euro, Sterling and Canada's dollar, the US dollar's value will primarily depend on expectations for growth instead of rate differentials as cutting cycles in these economies follow a similar, largely priced, path.

The uncertainty surrounding the July US employment report notwithstanding, the reality is that the US economy remains in good health, with domestic demand growth around average through the first half of 2024 and the weaker of the two employment measures, household employment, pointing to only a stalling of employment growth, not an outright decline.

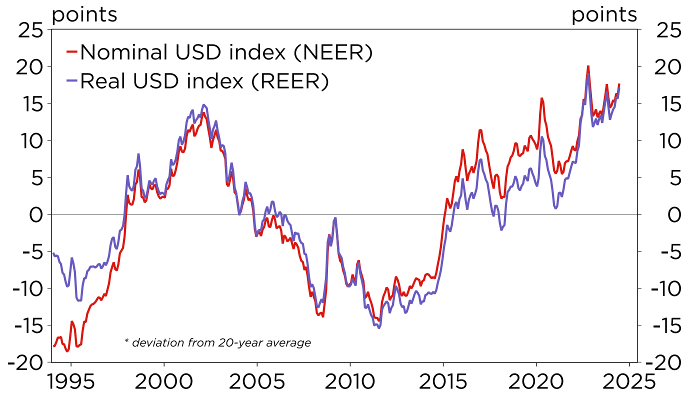
Europe and the UK's economies meanwhile look to be strengthening, but from a weak starting point. As such,

Yield support for the US dollar narrowing



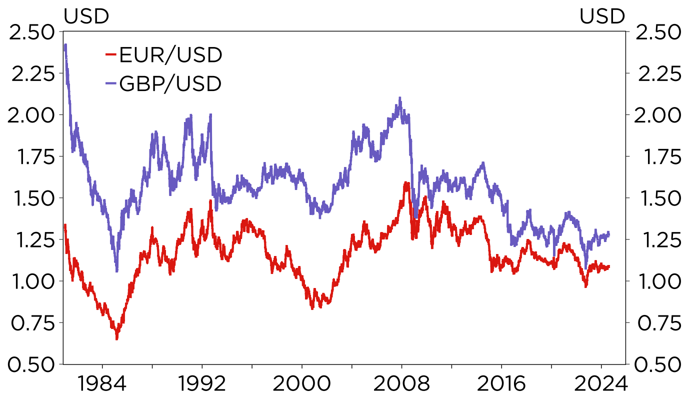
Source: Macrobond, Westpac Economics

Politics to keep USD above average ...



Source: BIS, Macrobond, Westpac Economics

... and the Euro and Sterling below



Source: Macrobond, Westpac Economics

... rather than jolt lower

it will take time for the market to grow in confidence, particularly while uncertainty persists over Ukraine and the Euro Area's domestic politics.

This logic justifies only a slow appreciation in Euro and Sterling, from USD1.09 and USD1.27 currently to USD1.10 and USD1.29 at end-2024, USD1.13 and USD1.31 by end-2025, then USD1.15 and USD1.32 come end-2026.

Canada's dollar is also likely to strengthen to a similar degree between now and end-2026, from CAD1.37 at present to CAD1.35 end-2024, CAD1.31 end-2025 and CAD1.27 end-2026. For Canada, the labour market is of greater concern, so it is best to expect a higher chance of disappointment compared to Euro and Sterling.

Asian currencies will have growth increasingly in their favour throughout the forecast period, but politics are likely to remain against them.

Right now, domestic politics in China is the chief headwind and risk, with foreign investors lacking confidence in the sustainability of Chinese growth while it remains heavily concentrated in investment and trade.

On a benign base case, we see the Renminbi outperforming the US dollar trend, USD/CNY initially only slowly trending down from CNY7.18 to CNY7.10 end-2024, then gaining momentum to CNY6.80 end-2025 and CNY6.50 end-2026.

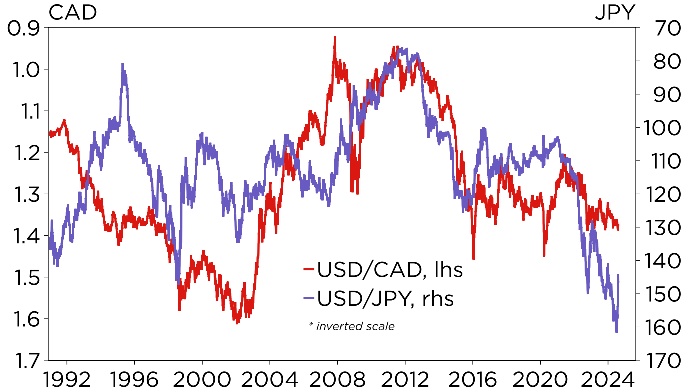
A domestic policy reset could spark a more rapid Renminbi appreciation but, all the while, geopolitics will loom as a threat. This will be the case regardless of which party wins the White House and whether Congress is secured by the same or opposing party.

The rest of Asia is not at risk to the same extent as China, but will inevitably face secondary headwinds as a result of its trade proximity.

Of the countries within the region, South Korea and Taiwan are likely be least affected by any escalation of protectionism against China as both nations have industry the US wants long-term exposure to. Countries such as Indonesia, Thailand and Vietnam, that are actively developing ties with China, face greater risk.

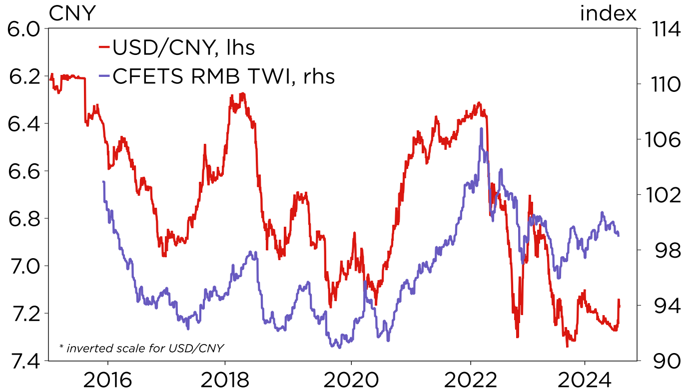
However, for FX there is a catch. Stronger relationships with China and each other are for a purpose – to benefit from growth and economic development. Indeed, if politics stabilise or improve, these nations and their currencies will receive a material boost.

Yen to remain very weak versus history

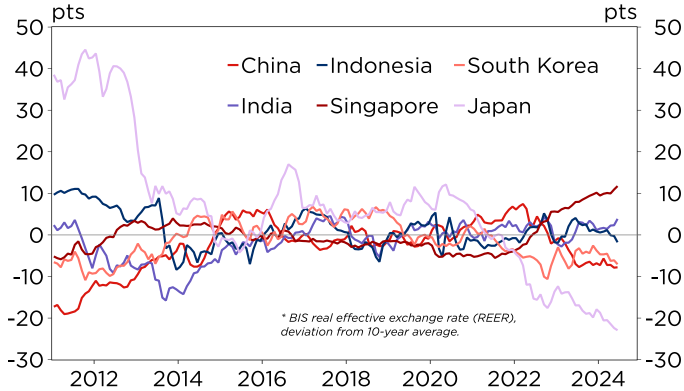


Source: Macrobond, Westpac Economics

For Renminbi, TWI is focus of authorities



Competitiveness key in long run



Source: BIS, Macrobond, Westpac Economics

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.

Interest rate cuts coming sooner ...

Satish Ranchhod
Senior Economist NZ

We have pulled forward our forecast for RBNZ Official Cash Rate cuts. We enow xpect the RBNZ to cut the OCR by 25bp at both of its October and November meetings and deliver 100bp by May 2025. Our revised view reflects a sharper than expected downturn in economic activity in recent months and weaker June quarter inflation that means below 3% inflation is likely very soon. Hence we think the RBNZ will see scope to reduce policy restraint sooner than previously assumed.

We now see the RBNZ starting to temper the degree of policy restriction from the October Monetary Policy Review by reducing the OCR by 25bp to 5.25% (previously, we expected rate reductions to begin in November). We continue to expect a further 25bp cut in November, which would take the OCR to 5% by year-end.

Our longer-term forecast for the OCR is unchanged. We continue to expect the OCR will fall to 4.5% at the May 2025 Monetary Policy Statement. After that, we expect that the RBNZ will take a more cautious data-dependent approach and reduce the OCR gradually to a terminal rate of 3.75% in early 2026.

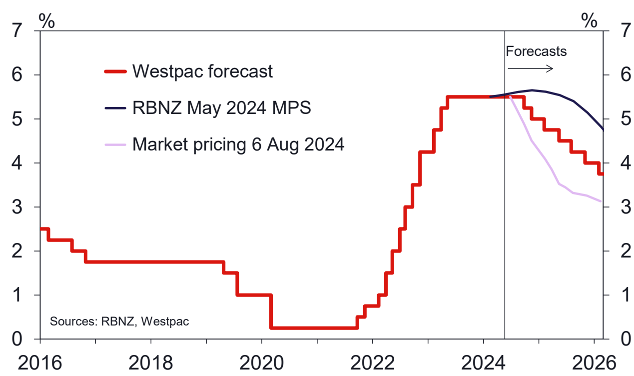
As discussed in our latest Economic Overview, the past month has seen some big changes in New Zealand's economic landscape. Most notably, in its July policy review the RBNZ unexpectedly indicated a willingness to consider "tempering" the degree of policy restriction. That was a marked shift in tone from its previous policy update just six weeks earlier when the Bank had signalled no rate cuts until August 2025 and a slight chance of another rate hike.

That change in stance from the RBNZ likely reflected indications of a marked weakening in economic activity since May which has continued following the July policy meeting. The weakness in activity has been widespread, with retail spending levels falling for several months, and business surveys reporting a fall in sales and orders. Importantly, we now also see definitive signs that the labour market is weakening, with the unemployment rate rising to 4.6% in the June quarter, along with a sharp fall in job advertisements. We now expect the unemployment rate to rise to a peak of 5.6% in 2025.

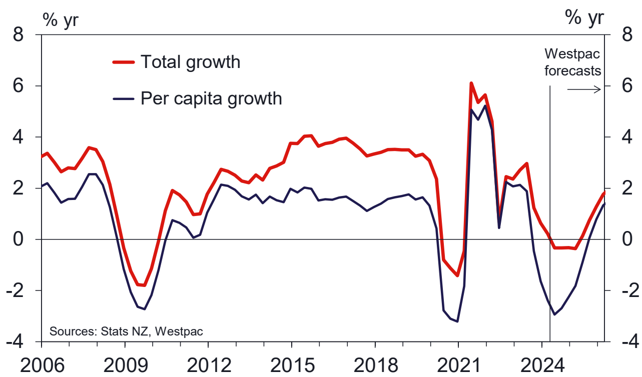
In addition to the weakening in economic activity, inflation has also been dropping back faster than expected. Consumer prices rose by 0.4% in the June quarter – lower than the 0.6% rise that we and the RBNZ had expected. That saw the annual inflation rate fall from 4.0%yr in the March quarter to 3.3%yr – its lowest level in three years.

The details of the report were not a clear green light for immediate rate cuts, with domestic (non-tradable)

Official cash rate forecasts



GDP growth



inflation pressures still viewed as robust. Even so, the moderation in core inflation from over 4.0% earlier in the year to around 3.5% now highlights that underlying inflation pressures have been softening. Looking forward, the RBNZ will be more confident that inflation will fall back inside the 1% to 3% target band sooner than they previously anticipated. We are forecasting inflation to fall to 2.6% in the year to September, and that it will continue to ease over the year ahead.

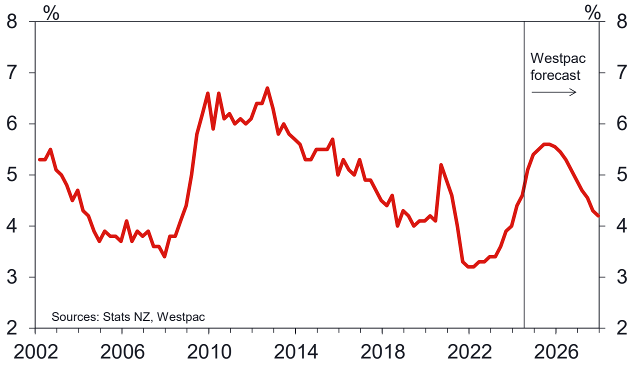
This lower inflation/growth combination is consistent with past episodes that saw the RBNZ begin easing even while inflation was outside of the target range. These were episodes when growth was weak and there was confidence that inflation would trend significantly lower over time. We think that the RBNZ is close to meeting this threshold now.

... as activity and inflation turn down

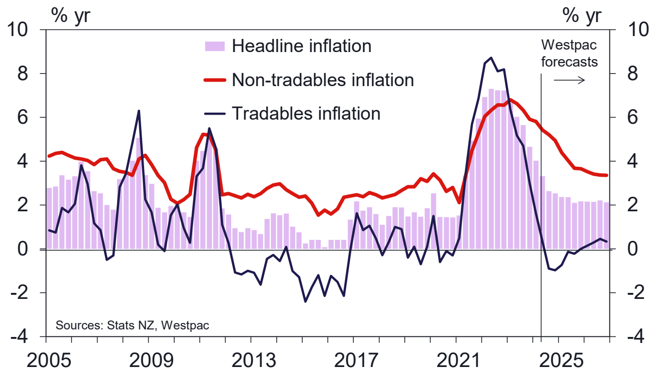
We do not see the RBNZ panicking and embarking on a more sudden or protracted easing path. Domestic inflation remains uncomfortably high, and this will continue to worry the RBNZ. We still expect core inflation measures to ease relatively slowly – albeit more surely – in the year ahead. So, while there is certainly a case for reducing the degree of restriction, we do not see the RBNZ getting too far ahead of itself and moving the OCR quickly toward or into expansionary territory. Rather, we expect the RBNZ to take a measured and data dependent approach. The future path of the OCR will be determined by the data, and not the calendar.

With economic growth and inflation weakening and related downwards revisions to the outlook for the OCR, the NZD has lost ground, leading us to revise down our forecasts for the Kiwi. We still expect the NZD to appreciate over the year ahead, as the US dollar softens in the face of rate cuts from the US FOMC that are likely to occur more quickly than those that we expect from the RBNZ. However, that appreciation is expected to be more modest than previously assumed. The NZD is likely to lose ground on other cross rates including the AUD and JPY as New Zealand's yield advantage dissipates.

Unemployment rate



Inflation components



	2023					2024						
Monthly data	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**
REINZ house sales %mth	7.6	–0.5	–11.3	3.7	4.5	–4.5	17.7	–0.3	–2.1	–4.4	–16.7	–
Residential building consents %mth	–7.2	–4.3	8.0	–10.5	3.6	–9.4	15.1	–0.5	–2.6	–1.9	–13.8	–
Electronic card transactions %mth	0.7	–0.8	–0.6	1.7	–0.6	1.1	–1.3	–1.0	0.9	–1.1	–0.5	–
Private sector credit %yr	2.6	2.4	2.5	2.1	2.2	2.4	2.5	2.7	2.6	3.0	2.7	–
Commodity prices %mth	–2.9	1.4	2.8	–1.3	2.4	2.1	3.6	–1.3	0.5	1.1	1.5	–1.7
Trade balance $mn (s.a.)	–815	–1086	–857	–865	–875	–382	–841	–301	–891	–981	–334	–

Quarterly data	**Q1:22**	**Q2:22**	**Q3:22**	**Q4:22**	**Q1:23**	**Q2:23**	**Q3:23**	**Q4:23**	**Q1:24**	**Q2:24**
Westpac McDermott Miller Consumer Confidence	92.1	78.7	87.6	75.6	77.7	83.1	80.2	88.9	93.2	82.2
Quarterly Survey of Business Opinion	–5	–1	3	–16	–10	–12	–18	6	–24	–28
Unemployment rate %	3.2	3.3	3.3	3.4	3.4	3.6	3.9	4.0	4.4	4.6
CPI %yr	6.9	7.3	7.2	7.2	6.7	6.0	5.6	4.7	4.0	3.3
Real GDP %yr (year-average)	4.6	0.7	2.5	2.4	2.7	3.0	1.2	0.6	0.2	–
Current account balance % of GDP	–6.6	–7.9	–8.3	–8.8	–8.2	–7.6	–7.4	–6.9	–6.8	–

Sources: Government agencies, Bloomberg, Macrobond, Westpac Economics.

China in 2024 ...

Elliot Clarke
Head of International Economics

China GDP disappointed in Q2, gaining 0.7% after a 1.6% increase in Q1. Year-to-date at June, growth of 5.0% is down from 5.3% in March, but still consistent with authorities' 5.0% ambition for 2024.

Aggregate growth instead remains dependent on trade and investment, particularly in high-tech sectors. While the trade surplus narrowed through Q1, creating a headwind for growth in Q2, in May and June the surplus widened again, setting up support for Q3 GDP.

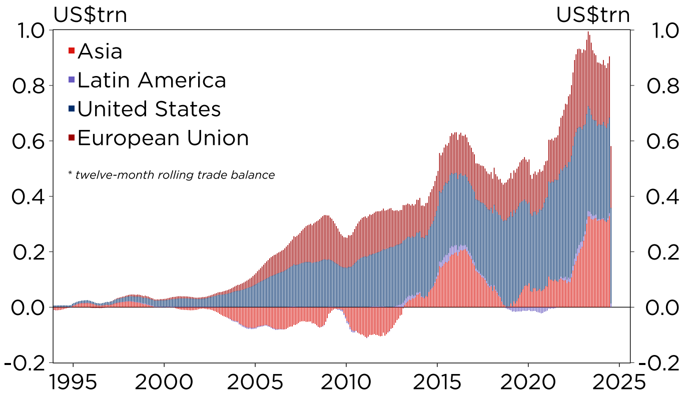
Strength and breadth in exports continues to justify additional investment in capacity across numerous sub-sectors of manufacturing and in infrastructure. Year-to-date fixed asset investment at June was a sub-par 3.9%. However, excluding property, investment was up a strong 8.5%ytd. Underlying this result is 10.1%ytd and 11.7%ytd gains for high-tech manufacturing and high-tech services respectively. Utilities investment (including power generation and transmission) is meanwhile up 24.2%ytd and other infrastructure 5.4%ytd.

The above outcomes speak to the private sector putting the Government's long-term plan to increase value add and efficiency across the economy into action, targeting capacity expansion in areas where China has a nascent global competitive advantage such as those linked to the green transition. It is certainly paying dividends for industry, but the extent and timing of gains for ordinary households remains an open question.

The PMI's employment measures and other labour market data make clear that aggregate employment is yet to materially benefit from capacity expansion, new jobs in the sector at best offsetting weakness in residential construction and manufacturing sub-sectors that have lost their advantage to developing Asia. Firms exposed to local consumer demand also find themselves unable to scale up hiring or investment.

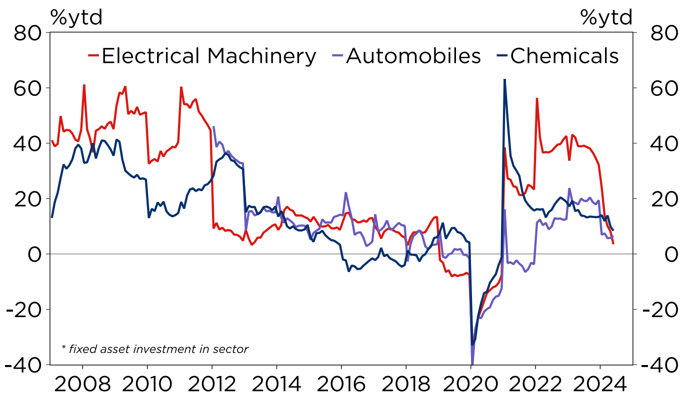
While employment growth is largely stagnant, the NBS reports that household disposable income rose more than 5% over the year to June. With retail sales only up 3.7% year-to-date in H1 2024 (and just 2.0% over the year), a lack of job creation is clearly not the only factor holding back consumption and housing investment; anxiety over wealth is also critical. The latter is unsurprising given home prices have been falling consistently for close to three years now and property investment is down more than 20% since mid-2022.

Trade is critical to China's growth



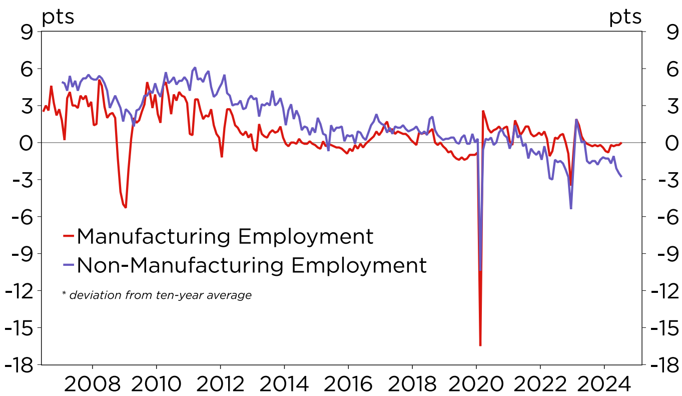
Source: GAC, Macrobond, Westpac Economics

Opportunity is incentivising investment



Source: NBS, Macrobond, Westpac Economics

PMIs suggest employment is lagging



Source: CFLP, Macrobond, Westpac Economics

... diverging sectors and risks

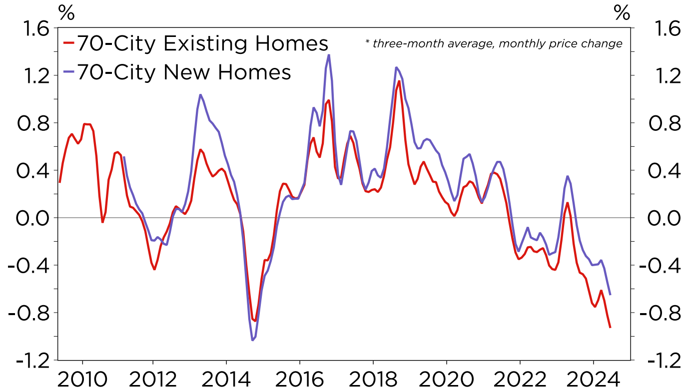
There are two key points to take from the above: 1) Despite the headwinds created by the property sector and wealth, and in the absence of active fiscal support, to date in 2024 China's 'new economy' has achieved authorities' aggregate growth ambitions; and 2) nonetheless risks are increasingly skewing to the downside – growth in the new economy inevitably will slow and consumer weakness increasingly looks entrenched.

While the third Plenum provided next-to-no guidance on additional support, the subsequent Politburo meeting offered resolve. Headwinds to growth were referenced, and "countercyclical measures" pledged in response. Thereafter, a 20-point plan was announced to improve services supply and consequently consumption and employment. While welcome, the package is likely to have little-to-no immediate impact on demand. As such, additional support for household spending is necessary, and likely on its way. We are also expecting additional support for local governments to further strengthen spending on essential infrastructure, another job rich sector of the domestic economy.

As a result of the weakness in consumption but also recognising the potential benefit of active policy in the second half of 2024, we have edged down our GDP forecasts for 2024 and 2025, from 5.2% and 5.0% to 5.0% and 4.9%, respectively. To reiterate, achieving these outcomes requires active policy support – soon.

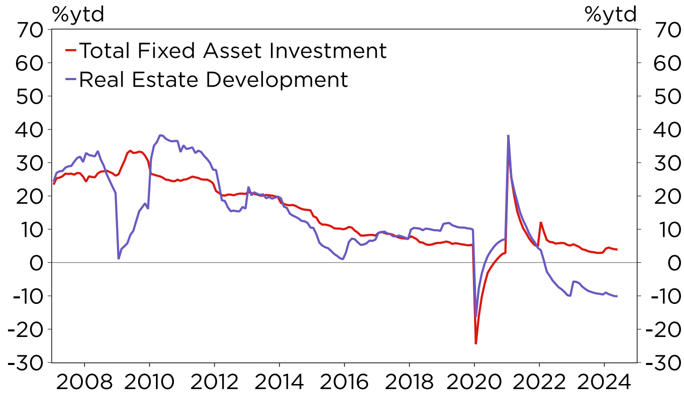
If successful, downside risks will abate and momentum could even accelerate at the margin in 2025. If policy makers instead continue to hold back, achievable growth is likely much closer to 4.0% than 5.0%, with downside risks.

The consumer remains fearful



Source: Bloomberg, Macrobond, Westpac Economics

More stimulus is required, now



	2023					2024						
Monthly data %yr	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Consumer prices – headline	0.1	0	–0.2	–0.5	–0.3	–0.8	0.7	0.1	0.3	0.3	0.2	–
Money supply M2	10.6	10.3	10.3	10	9.7	8.7	8.7	8.3	7.2	7.0	6.2	–
Manufacturing PMI (official)	49.7	50.2	49.5	49.4	49.0	49.2	49.1	50.8	50.4	49.5	49.5	49.4
Fixed asset investment %ytd	3.2	3.1	2.9	2.9	3.0	3.0	4.2	4.5	4.2	4.0	3.9	–
Industrial production (IVA)	4.5	4.5	4.6	6.6	6.8	6.8	7.0	4.5	6.7	5.6	5.3	–
Exports	–8.6	–6.8	–6.6	0.7	2.1	7.8	5.3	–7.7	1.3	7.6	8.6	7.0
Imports	–7.2	–6.3	3.0	–0.6	0.3	15.5	–8.1	–1.9	8.3	1.8	–2.3	7.2
Trade balance USDbn	67.2	75.1	55.9	69.1	74.7	84.3	39.0	58.1	72.0	82.6	99.0	84.6

Quarterly data	Q1:23	Q2:23	Q3:23	Q4:23	Q1:24	Q2:24
Real GDP %yr	4.5	6.3	4.9	5.2	5.3	4.7
Nominal GDP %yr	5.2	5.4	3.9	4.2	4.2	4.0

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

FOMC to act decisively …

Luci Ellis
Chief Economist, Westpac Group

Elliot Clarke
Head of International Economics

July's US employment report unnerved global markets. Growth in nonfarm payrolls slowed to less than half the average of the prior twelve months (including revisions), and the unemployment rate rose by 0.2ppts in the month to 4.3%.

The unemployment rate's rise held particular significance for many in the market. Firstly, it triggered the Sahm Rule (an indicator that states that a recession has started once the three-month moving average of the unemployment rate is 0.5ppts above the lowest three-month average of the past 12 months). In addition, the July print was 0.1ppt above the peak rate the FOMC foresaw through 2024–2026 at the June meeting.

Fearing the FOMC may have missed their opportunity to produce a soft landing, participants quickly jumped to price in a near 100% chance of a 50bp cut in September and a 60% chance of a follow-up 50bp move in November. Around 110bps of easing is currently expected by end-2024, to be followed by a string of additional cuts in 2025 towards the FOMC's 2.8% 'longer run' estimate.

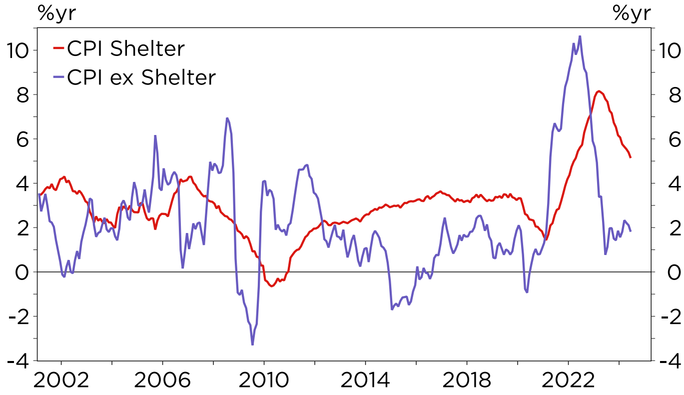
Westpac has warned throughout 2024 of a coming deterioration in the US labour market, so July's outcomes are not a big surprise. However, we remain confident in the underlying health of the US economy and believe the FOMC will be as well, resulting in a more muted easing cycle than the market currently expects.

In gauging the underlying health of the US economy, firstly it is important to recognise that US employment estimates are, at worst, pointing to a stalling-out of job growth, not an outright contraction, with household employment, the weaker of the two key measures, having averaged +19k the past six months.

While the ISM surveys have, over the past six months, signalled the possibility of a dramatic reduction in labour demand, the NFIB small business survey's employment measure has held modestly above average and the Federal Reserve's Beige Book is in keeping with the household survey's signal of 'only' a stalling-out of employment growth. Hours worked from the establishment survey also continues to track nonfarm payrolls, so there is no evidence of hours being reduced disproportionately either.

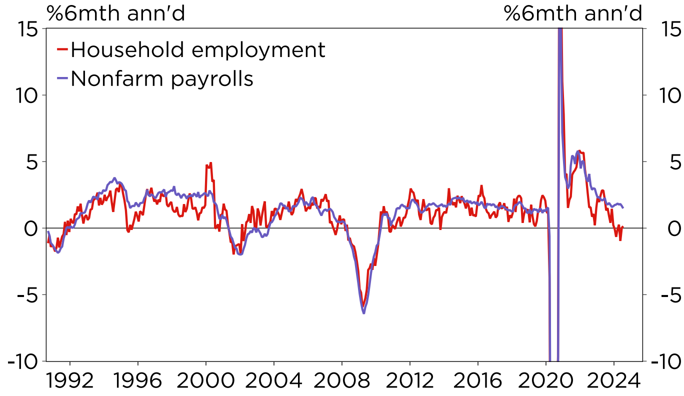
Current momentum in US economic activity is also healthy, with domestic final demand growth around average in the first half of 2024, about 2.5% annualised. The decision of many households to lock in historically

Risks are abating for inflation



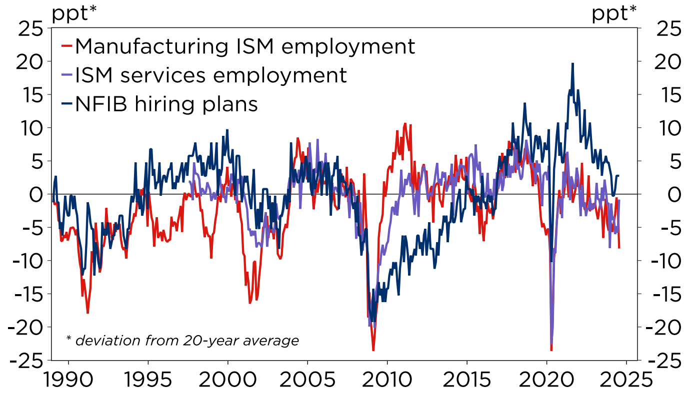
Source: BLS, Macrobond, Westpac Economics

But are on the rise for the labour market



Source: BLS, Macrobond, Westpac Economics

Still, employment most likely to stall



Source: ISM, NFIB, Macrobond, Westpac Economics

… but with confidence

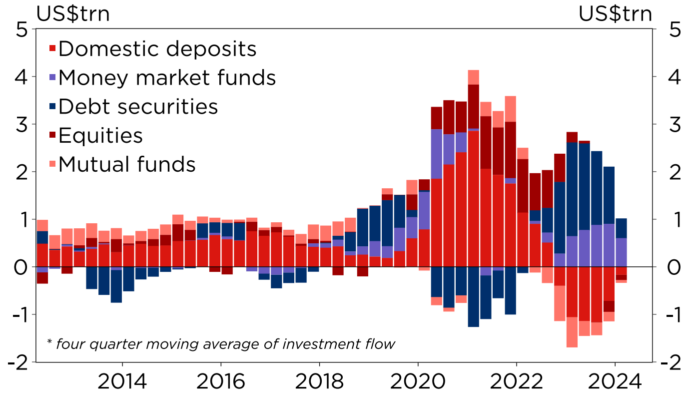
low rates before and during the pandemic continues to provide benefit, while aggregate consumer wealth and debt levels remaining constructive for spending and confidence.

For the FOMC then, as inflation continues to come down and with the labour market weaker today than expected over the forecast period, there is cause to cut decisively into year-end and through early-2025. But, given the economy's resilience and the absence of evidence that inflation will soon undershoot the FOMC's 2% target, there is no need to rush to neutral or below.

As before, we look for the FOMC to begin the cutting cycle in September with a 25bp cut. In view of the greater downside risks becoming evident in the labour market data, we now also forecast 25bp cuts at the November 2024 and January 2025 meetings in addition to those already expected in December 2024 and March 2025. A 25bp cut per quarter from the June quarter on will see our unrevised terminal rate of 3.375% reached at end-2025 instead of mid-2026.

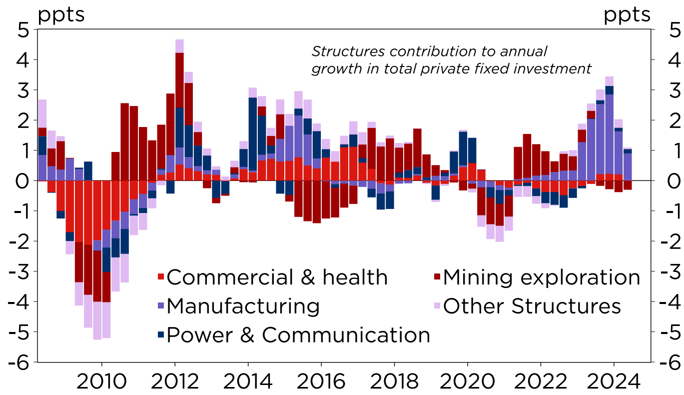
While we expect the 10-year to hold near its current level over the remainder of the year as rate cuts commence, it is then anticipated to drift back up to around 4.00% in mid-2025, putting in place a sizeable spread to the fed funds rate. This will be a consequence of the US economy's underlying health, but also the established trend for the Federal deficit and evidence of inflation pressures related to capacity constraints and trade policy. These are factors that are set to endure.

Wealth is a structural positive



Source: Fed, Macrobond, Westpac Economics

And US CAPEX needs are substantial



	2023					2024						
Monthly data	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**
PCE deflator %yr	3.3	3.4	2.9	2.7	2.6	2.5	2.5	2.7	2.7	2.6	2.5	-
Unemployment rate %	3.8	3.8	3.8	3.7	3.7	3.7	3.9	3.8	3.9	4.0	4.1	4.3
Non-farm payrolls chg '000	210	246	165	182	290	256	236	310	108	216	179	114
House prices* %yr	2.2	4.0	5.0	5.6	6.3	6.8	7.5	7.5	7.2	6.7	-	-
Durables orders core 3mth %saar	0.5	1.2	0.7	-1.3	0.2	1.7	2.2	-1.2	2.3	-3.4	0.8	-
ISM manufacturing composite	47.6	48.6	46.9	46.6	47.1	49.1	47.8	50.3	49.2	48.7	48.5	46.8
ISM non-manufacturing composite	54.1	53.4	51.9	52.5	50.5	53.4	52.6	51.4	49.4	53.8	48.8	51.4
Personal spending 3mth %saar	5.4	6.8	5.1	5.5	4.8	4.3	5.0	5.4	5.9	5.3	3.8	-
UoM Consumer Sentiment	69.4	67.8	63.8	61.3	69.7	79.0	76.9	79.4	77.2	69.1	68.2	66.4
Trade balance USDbn	-59.6	-62.2	-64.3	-64.8	-64.9	-66.9	-69.0	-68.6	-74.5	-75.0	-73.1	-

Quarterly data	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24(f)
Real GDP % saar	2.1	4.9	3.4	1.4	2.8	1.4
Current account USDbn	-232.6	-220.7	-221.8	-237.6	-	-

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

The curious case of Japan's ...

Illiana Jain
Economist, Westpac Group

Japan's current account surplus almost solely comes from strength in primary income. Japan's position as net lender and investor to the world should be a positive for the Yen. However, as an increasing share of the return on investment is being re-invested offshore, support for the Yen is waning. Japan's growing propensity to invest abroad, as observed through trends in direct and portfolio investment, is adding additional pressure. We expect both trends to persist.

The large increase in the primary income surplus stems in part from the strong increase in direct investment since 2020. In stock terms, Japanese holdings of foreign direct investment have risen 63% since 2020 to JPY327tn in Q1 2024. This compares to a gain of 41% for portfolio investment. Around 25% of direct investment is reinvested earnings.

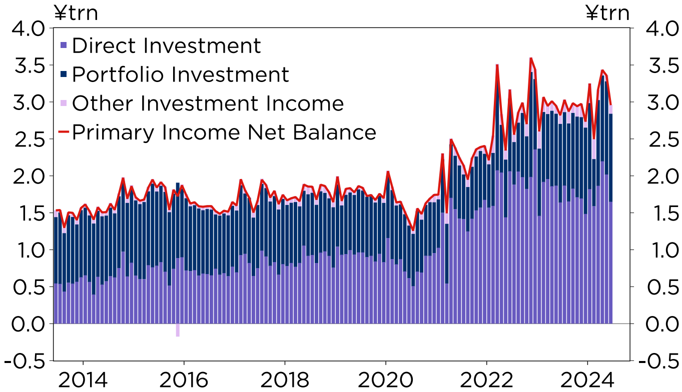
The large expansion in direct investment reflects the strong performance of the foreign subsidiaries of Japanese companies. For example, many car manufacturers have set up factories across Asia to benefit from local demand and the lower cost of production available in these nations. The income of these subsidiaries is being reinvested back into operations outside Japan. In 2023, the reinvested earnings component made up 34% of total direct investment across Asia.

To understand the significance of this trend for the current account, Chief Market Economist of Mizuho Bank Daisuke Karakama proposed a 'cash flow-based' measure of the current account which reflects only primary income that is being repatriated into Yen. This cash flow measure omits reinvested income (for direct investments) as well as dividends and bond interest payments (for portfolio investment). This decision assumes that, while the property of Japanese entities, recurring income is not being converted into Yen in the current period. The result is a much smaller primary income surplus and therefore less support for Yen.

Looking at the current account excluding reinvested income, the surplus is far less impressive, at JPY3.6tn compared to JPY6.7tn for Q2. More importantly, the gap between the published current account and the cash flow measure has widened since 2012 and currently sits near a historic high, based on data from 1996. While the published primary income surplus is growing, excluding reinvested earnings it is not.

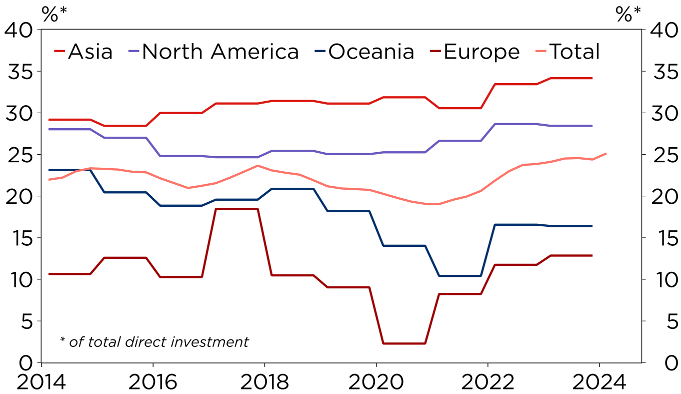
Turning to current investor behaviour, for portfolio investments, the bulk of Japan's foreign holdings, a net

Primary income drives current account



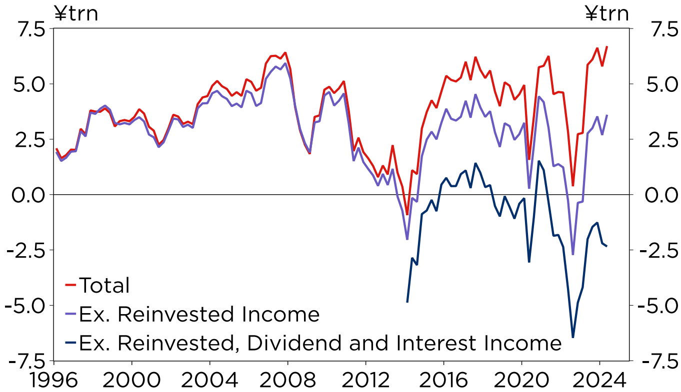
Source: BOJ, Macrobond, Westpac Economics

Firms are reinvesting offshore returns



Source: BOJ, Macrobond, Westpac Economics

Surplus is not nearly as strong as it looks



Source: BOJ, Macrobond, Westpac Economics

... current account surplus

capital outflow will likely persist. Cheap borrowing costs, even after the recent actions of the Bank of Japan, and attractive expected returns abroad offer the promise of robust gains for Japanese investors who venture out. Notably, as the stock of offshore investment grows, so does the potential for recurring earnings to be retained in foreign markets, putting additional downward pressure on the Yen.

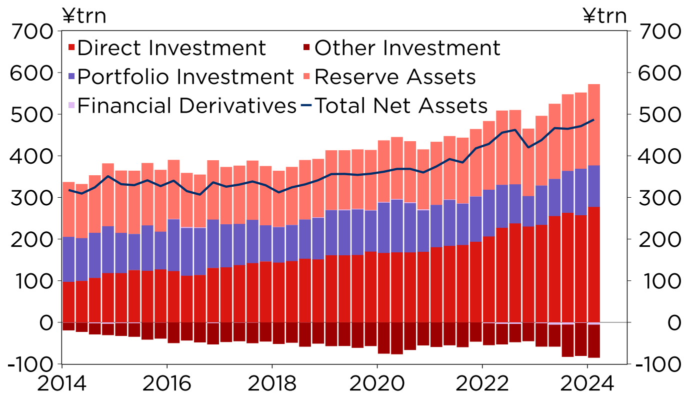
A growing foreign investment portfolio would not pose a material issue if these positions were hedged. However, according to the BoJ's Financial Stability report released in April 2024, hedging ratios for the nine major life insurers, arguably the investors most risk aware and therefore likely to hedge, were below 50% in 2022 and 2023. This is down from around 60% in 2016-2021. The US Federal Reserve's Liao and Zhang (2020) found that increased demand for hedging puts pressure on forwards markets and flows through to spot exchange rates. Conversely, reduced hedging due to a lower hedge ratio exerts downward pressure on the Yen, particularly alongside a growing portfolio of foreign assets.

It is important to recognise that the offshoring of investment returns is not only a weight for the Yen but also on domestic growth. Profitability in Japan has been led by strong returns from financial investment, as evidenced by the growing gap between ordinary and operating profits. If these profits remain overseas, the critical investment necessary to expand capacity in the face of, as the BoJ puts it, "intensifying labor shortages" will be a greater challenge. This will result in lower potential growth – a risk identified in the BoJ's July 2024 Outlook. Weaker productivity and potential growth will serve as long-run headwinds for the Yen too.

All together, Japan's investment and income positions stand as lasting impediments for Yen appreciation. Our baseline expectation is for USD/JPY to remain above JPY140 until March 2026, also reflecting the impact of higher-for-longer policy rates across other developed economies. Thereafter, a return to around the JPY108 level seen just before the pandemic in 2019 and 2020 is regarded as unlikely, the benefit of a reduced rate differential more than offset by continued structural growth in foreign assets and production, funded in part by the ongoing reinvestment of recurring earnings.

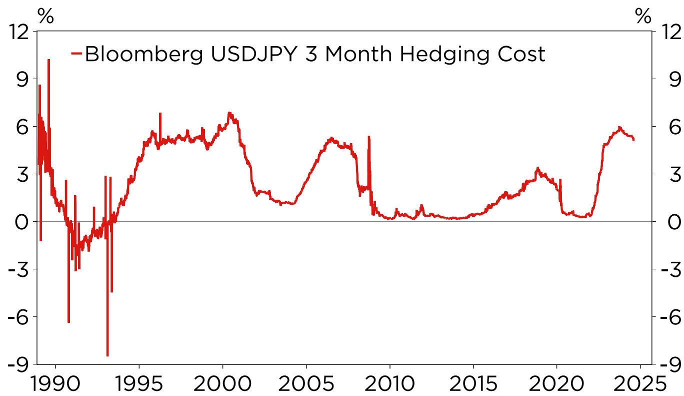
Karakama's Investment Theory discussed here (in Japanese).
Liao and Zhang (2020). "The Hedging Channel of Exchange Rate Determination

Direct investment is shooting up



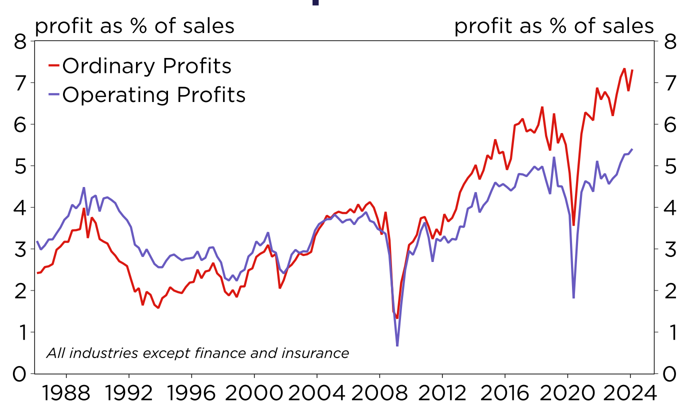
Source: BOJ, Macrobond, Westpac Economics

Hedging costs remain prohibitively high



Source: BOJ, Bloomberg, Macrobond, Westpac Economics

Low investment spells concern



Source: MOF, Macrobond, Westpac Economics

Australia

Interest rate forecasts

	Latest (9 Aug)	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	4.35	4.10	3.85	3.60	3.35	3.35	3.35	3.35	3.35
90 Day BBSW	4.39	4.42	4.42	4.19	3.96	3.73	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.73	3.75	3.70	3.65	3.60	3.55	3.50	3.50	3.50	3.55	3.60
3 Year Bond	3.67	3.70	3.65	3.55	3.50	3.40	3.35	3.30	3.30	3.35	3.40
10 Year Bond	4.08	4.00	3.90	3.90	3.90	4.00	4.05	4.05	4.10	4.10	4.15
10 Year Spread to US (bps)	10	15	15	15	10	10	5	5	5	5	5

Currency forecasts

	Latest (9 Aug)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
AUD vs											
USD	0.6582	0.66	0.67	0.68	0.69	0.70	0.71	0.72	0.72	0.73	0.73
JPY	97.03	99	101	101	101	101	101	101	99	99	98
EUR	0.6033	0.60	0.61	0.61	0.62	0.62	0.63	0.63	0.63	0.63	0.63
NZD	1.0966	1.10	1.10	1.10	1.11	1.12	1.13	1.14	1.14	1.14	1.14
CAD	0.9045	0.90	0.90	0.91	0.92	0.92	0.93	0.94	0.93	0.93	0.93
GBP	0.5167	0.52	0.52	0.52	0.53	0.53	0.54	0.55	0.55	0.55	0.55
CHF	0.5701	0.57	0.58	0.58	0.59	0.60	0.60	0.61	0.61	0.62	0.62
DKK	4.5007	4.48	4.55	4.57	4.60	4.62	4.69	4.71	4.71	4.74	4.74
SEK	6.9230	6.89	6.99	7.03	7.07	7.10	7.21	7.25	7.25	7.29	7.29
NOK	7.1405	7.10	7.21	7.25	7.29	7.32	7.44	7.48	7.48	7.51	7.51
ZAR	12.10	12.1	12.2	12.3	12.4	12.5	12.6	12.7	12.7	12.7	12.7
SGD	0.8729	0.88	0.88	0.90	0.90	0.92	0.92	0.93	0.93	0.94	0.94
HKD	5.1306	5.15	5.23	5.30	5.38	5.45	5.52	5.59	5.59	5.66	5.66
PHP	37.52	38.0	38.4	38.8	39.2	39.6	39.9	40.2	39.9	40.4	40.4
THB	23.22	23.4	23.6	23.7	23.9	24.0	24.1	24.3	24.1	24.4	24.4
MYR	2.9490	2.97	2.98	2.99	3.00	3.01	3.05	3.10	3.10	3.14	3.14
CNY	4.7307	4.72	4.76	4.79	4.83	4.83	4.83	4.82	4.75	4.78	4.75
IDR	10461	10560	10519	10472	10488	10500	10508	10584	10512	10643	10640
TWD	21.35	21.4	21.6	21.7	21.8	21.9	22.0	22.1	22.0	22.2	22.2
KRW	906	904	911	918	925	924	923	929	922	931	930
INR	54.99	54.1	54.3	54.4	54.5	54.6	54.7	54.7	54.0	54.0	53.3

Australia

Activity forecasts*

	2024				2025				Calendar years			
%qtr / %yr avg	**Q1**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2023**	**2024f**	**2025f**	**2026f**
Private consumption	0.4	0.2	0.6	0.4	0.6	0.6	0.6	0.7	2.1	1.4	2.1	2.9
Dwelling investment	–0.5	–0.9	–0.9	–0.1	1.1	1.1	1.2	1.2	–1.9	–4.1	2.1	5.7
Business investment *	–0.7	0.6	0.6	0.5	0.8	1.0	1.4	1.5	9.2	2.1	3.5	6.5
Private demand *	0.1	0.2	0.5	0.4	0.7	0.7	0.8	0.8	2.6	1.2	2.5	3.9
Public demand *	0.6	0.4	1.0	0.6	0.5	0.4	0.5	0.5	3.3	3.1	2.2	3.2
Domestic demand	0.2	0.3	0.7	0.5	0.6	0.6	0.7	0.7	2.8	1.7	2.4	3.7
Stock contribution	0.7	–0.4	0.2	0.1	0.0	0.0	0.0	0.0	–0.9	0.2	0.1	0.2
GNE	1.0	–0.2	0.9	0.6	0.6	0.6	0.7	0.8	1.9	2.0	2.5	3.9
Exports	0.7	1.3	1.0	1.0	1.2	1.1	1.2	1.0	6.6	2.4	4.5	4.2
Imports	5.1	–0.5	2.0	1.5	1.8	1.4	2.0	1.4	6.5	5.6	6.3	7.5
Net exports contribution	–0.9	0.5	–0.2	–0.1	–0.1	0.0	–0.1	–0.1	0.3	–0.6	–0.2	–0.6
Real GDP %qtr / yr avg	**0.1**	**0.3**	**0.6**	**0.5**	**0.5**	**0.6**	**0.6**	**0.7**	2.0	1.3	2.2	3.1
%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**
Nominal GDP %qtr	1.4	0.6	0.7	0.6	0.6	0.8	1.2	1.2	–	–	–	–
%yr end	3.5	4.9	4.4	3.4	2.6	2.8	3.2	3.9	4.5	3.4	3.9	6.0

Other macroeconomic variables

	2024				2025				Calendar years			
% change	**Q1**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2023**	**2024f**	**2025f**	**2026f**
Employment (2)	0.5	0.8	0.5	0.2	0.3	0.2	0.2	0.3	–	–	–	–
%yr	2.8	2.7	2.6	2.0	1.8	1.2	0.9	1.0	3.1	2.0	1.0	1.8
Unemployment rate % (2)	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) (2)	0.8	0.8	0.7	0.7	0.7	0.8	0.8	0.8	–	–	–	–
%yr	4.1	3.9	3.4	3.0	2.9	2.8	2.9	3.0	4.2	3.0	3.0	3.3
Headline CPI (2)	1.0	1.0	–0.1	0.8	0.7	0.9	0.9	0.6	–	–	–	–
%yr	3.6	3.8	2.4	2.6	2.4	2.3	3.4	3.2	4.1	2.6	3.2	2.8
Trimmed Mean CPI	1.0	0.8	0.8	0.7	0.7	0.7	0.7	0.7	–	–	–	–
%yr (2)	4.0	3.9	3.5	3.5	3.1	3.0	2.9	2.8	4.1	3.5	2.8	2.6
Current account $bn	–4.9	–1.9	–4.5	–7.5	–9.7	–10.1	–11.6	–11.4	–	–	–	–
% of GDP	–0.7	–0.3	–0.7	–1.1	–1.4	–1.5	–1.7	–1.6	0.3	–0.7	–1.5	–2.3
Terms of trade annual chg (1)	–7.2	–5.9	–4.7	–6.0	–5.2	0.7	1.5	0.9	–6.2	–6.0	–0.6	–1.2

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

Macroeconomic variables – recent history

	2023				2024						
Monthly data	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**
Employment '000 chg	13.8	55.5	60.2	–59.8	12.4	121.3	–5.4	36.2	39.5	50.2	–
Unemployment rate %	3.6	3.8	3.9	3.9	4.1	3.7	3.9	4.1	4.0	4.1	–
Westpac–MI Consumer Sentiment	79.7	82.0	79.9	82.1	81.0	86.0	84.4	82.4	82.2	83.6	82.7
Retail trade %mth	0.7	–0.2	1.5	–2.0	1.0	0.4	–0.4	0.2	0.6	0.5	–
Dwelling approvals %mth	1.7	7.0	–0.3	–7.6	–4.3	1.1	0.7	1.5	5.7	–6.5	–
Private sector credit %mth	0.5	0.4	0.4	0.4	0.5	0.5	0.4	0.5	0.4	0.6	–
Trade in goods balance AUDbn	6.2	7.7	11.8	10.7	10.1	6.6	4.8	6.0	5.1	5.6	–

New Zealand

Interest rate forecasts

	Latest (9 Aug)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Cash	5.50	5.50	5.00	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75
90 Day Bill	5.35	5.30	5.00	4.75	4.50	4.25	4.00	3.85	3.85	3.85	3.85
2 Year Swap	3.97	4.25	4.15	4.05	3.95	3.90	3.90	3.95	4.00	4.00	4.00
10 Year Bond	4.27	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	27	55	60	55	50	35	30	30	30	30	25
10 Year Spread to Aust	17	40	45	40	40	25	25	25	25	25	20

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest (9 Aug)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
NZD vs											
USD	0.6002	0.60	0.61	0.62	0.62	0.63	0.63	0.63	0.63	0.64	0.64
JPY	88.49	90	92	91	91	90	89	88	87	87	86
EUR	0.5501	0.55	0.55	0.56	0.56	0.55	0.56	0.55	0.55	0.56	0.56
AUD	0.9118	0.91	0.91	0.91	0.90	0.89	0.89	0.88	0.88	0.88	0.88
CAD	0.8248	0.82	0.82	0.83	0.83	0.83	0.83	0.82	0.81	0.82	0.81
GBP	0.4712	0.47	0.47	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
CNY	4.3083	4.30	4.33	4.36	4.35	4.31	4.28	4.22	4.16	4.19	4.16

Sources: Bloomberg, Westpac Economics.

Activity forecasts

	2024				2025				Calendar years			
% change	**1.6**	**-1.0**	**-0.2**	**0.5**	**0.4**	**0.6**	**0.7**	**0.8**	**2023**	**2024f**	**2025f**	**2026f**
Private consumption	-0.3	-1.0	-1.0	-0.5	0.0	0.0	0.4	0.6	0.6	1.0	1.4	3.5
Government consumption	-3.7	-2.5	-2.3	-1.5	-1.2	-0.5	-0.1	0.2	-0.8	-1.6	-0.8	2.2
Residential investment	-0.5	-0.9	-2.8	-1.2	-0.9	0.0	0.8	1.2	-4.1	-8.0	-4.3	3.3
Business investment	0.7	1.6	-0.1	0.3	0.4	0.2	0.0	-0.1	0.7	-4.4	-2.7	5.4
Stocks (ppt contribution)	1.4	0.4	-1.0	0.2	0.4	0.5	0.6	0.7	-1.4	0.9	1.1	-0.4
GNE	-0.4	1.7	1.4	0.8	0.8	0.7	0.8	0.8	-1.5	-0.4	1.0	3.2
Exports	6.1	-4.4	-1.8	0.1	0.5	0.7	1.2	1.4	9.8	3.9	4.1	3.0
Imports	0.2	-0.6	-0.2	0.4	0.5	0.5	0.5	0.6	-0.5	-1.3	0.4	5.9
GDP (production)	1.3	0.6	0.3	-0.4	-0.3	-0.8	-0.4	-0.1	0.6	-0.3	1.3	2.3
Employment annual %	4.4	4.6	5.0	5.3	5.5	5.6	5.6	5.6	2.9	-0.4	-0.1	1.5
Unemployment rate % s.a.	4.1	4.3	3.9	3.5	3.2	2.6	2.5	2.3	4.0	5.3	5.6	4.9
LCI, all sect incl o/t, ann %	4.0	3.3	2.6	2.5	2.4	2.4	2.1	2.2	4.3	3.5	2.3	1.9
CPI annual %	-6.8	-6.5	-6.0	-5.3	-4.6	-4.2	-4.1	-4.0	4.7	2.5	2.2	2.1
Current account % of GDP	-3.7	-0.5	1.7	9.8	4.6	2.1	1.3	2.4	-6.9	-5.3	-4.0	-4.2
Terms of trade annual %	-3.7	0.2	3.0	12.3	7.1	3.3	1.2	0.7	-10.7	9.8	2.4	1.8

Sources: Statistics NZ, Westpac Economics.

Commodity prices

End of period	Latest (9 Aug)***	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Australian commodities index#	303	306	287	284	281	282	284	285	288	290	293
Bulk commodities index#	**434**	**430**	**390**	**380**	**370**	**360**	**360**	**360**	**360**	**360**	**360**
iron ore finesTSI @ 62% US$/t	101	102	85	85	85	86	87	84	83	83	84
Premium low vol met coal (US$/t)	215	215	212	210	205	205	205	205	204	200	200
Newcastle spot thermal coal (US$/t)	152	145	140	130	125	120	117	118	120	120	120
crude oil (US$/bbl) Brent ICE	78	75	77	78	80	82	85	87	90	91	91
LNG in Japan US$mmbtu	12.43	13.1	11.6	11.7	11.8	12.0	12.2	12.5	12.8	13.2	13.3
gold (US$/oz)	2,426	2,400	2,375	2,350	2,330	2,340	2,360	2,380	2,400	2,420	2,440
Base metals index#	**198**	**198**	**195**	**193**	**193**	**196**	**203**	**207**	**214**	**215**	**217**
copper (US$/t)	8,775	8,900	8,800	8,900	9,000	9,200	9,600	9,800	10,100	10,200	10,300
aluminium (US$/t)	2,530	2,500	2,430	2,400	2,410	2,460	2,530	2,580	2,650	2,660	2,680
nickel (US$/t)	16,113	15,900	15,800	15,600	15,300	14,800	15,000	15,400	16,000	16,100	16,300
zinc (US$/t)	2,596	2,620	2,600	2,450	2,350	2,400	2,500	2,540	2,610	2,620	2,640
lead (US$/t)	1,928	1,960	1,950	1,930	1,920	1,930	1,980	2,010	2,050	2,060	2,070
Rural commodities index#	**120**	**118**	**121**	**123**	**126**	**130**	**135**	**138**	**143**	**144**	**145**
NZ commodities index ##	**356**	**343**	**343**	**344**	**345**	**346**	**349**	**353**	**356**	**360**	**363**
dairy price index ^^	321	300	300	300	310	310	310	310	310	320	320
whole milk powder US$/t	3,394	3,243	3,400	3,450	3,500	3,526	3,550	3,580	3,610	3,630	3,650
skim milk powder US$/t	2,766	2,660	2,800	2,850	2,900	2,920	2,940	2,970	2,990	3,010	3,030
lamb leg UKp/lb	465	440	450	450	450	460	460	470	480	480	490
bull beef US¢/lb	290	280	280	280	280	280	280	290	290	290	290
log price index ##	156	160	160	160	160	160	170	170	170	170	180

	levels				%change			
Annual averages	2023	2024(f)	2025(f)	2026(f)	2023	2024(f)	2025(f)	2026(f)
Australian commodities index#	**323**	**308**	**283**	**288**	**-15.8**	**-4.6**	**-8.2**	**1.7**
Bulk commodities index#	**500**	**445**	**370**	**357**	**-10.1**	**-11.1**	**-16.8**	**-3.4**
iron ore fines @ 62% USD/t	120	107	86	84	-0.5	-10.1	-20.4	-2.2
LNG in Japan $mmbtu	14.9	12.9	11.9	12.9	-20.0	-13.5	-7.6	8.3
ave coking coal price (US$/t)	215	207	178	162	-10.2	-3.8	-13.8	-9.4
ave thermal price (US$/t)	185	131	116	110	-45.1	-29.1	-11.7	-5.0
iron ore fines contracts (US¢ dltu)	160	154	124	123	-7.9	-3.8	-19.8	-0.9
Premium low vol met coal (US$/t)	296	247	207	204	-19.0	-16.5	-16.2	-1.4
crude oil (US$/bbl) Brent ICE	80	80	81	89	-12.4	-0.2	0.5	10.7
gold (US$/oz)	1,962	2,315	2,347	2,406	8.4	18.0	1.4	2.5
Base metals index#	**212**	**205**	**196**	**212**	**-16.5**	**-3.5**	**-3.9**	**7.9**
copper (US$/t)	8,500	9,100	9,100	10,000	-3.7	7.1	0.0	9.9
aluminium (US$/t)	2,700	2,600	2,400	2,600	-30.3	-3.7	-7.7	8.3
nickel (US$/t)	21,600	16,800	15,200	15,800	-17.6	-22.2	-9.5	3.9
zinc (US$/t)	2,700	2,700	2,400	2,600	-22.2	0.0	-11.1	8.3
lead (US$/t)	2,100	2,100	1,900	2,000	-2.5	0.0	-9.5	5.3
Rural commodities index#	**141**	**124**	**127**	**141**	**-17.9**	**-11.6**	**2.0**	**11.3**
NZ commodities index ##	**330**	**346**	**346**	**358**	**-12.4**	**4.9**	**0.1**	**3.4**
dairy price index ##	286	306	307	315	-18.8	6.8	0.3	2.8
whole milk powder US$/t	3,081	3,300	3,500	3,600	-20.8	7.1	6.1	2.9
skim milk powder US$/t	2,640	2,700	2,900	3,000	-30.9	2.3	7.4	3.4
lamb leg UKp/lb	461	445	454	479	-26.2	-3.5	2.1	5.4
bull beef US¢/lb	271	278	284	286	-3.2	2.4	2.2	0.8
log price index ##	160	158	162	171	-6.9	-0.8	2.5	5.4

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

United States

Interest rate forecasts

	Latest (9 Aug)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Fed Funds*	5.375	5.125	4.625	4.125	3.875	3.625	3.375	3.375	3.375	3.375	3.375
10 Year Bond	3.98	3.85	3.75	3.75	3.80	3.90	4.00	4.00	4.05	4.05	4.10

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

Currency forecasts

	Latest (9 Aug)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
USD vs											
DXY index	103.27	102.9	102.7	101.7	100.9	99.8	99.6	98.7	98.4	97.6	97.3
JPY	147.41	150	150	148	146	144	142	140	138	136	134
EUR	1.0913	1.10	1.10	1.11	1.12	1.13	1.13	1.14	1.14	1.15	1.15
AUD	0.6582	0.66	0.67	0.68	0.69	0.70	0.71	0.72	0.72	0.73	0.73
NZD	0.6002	0.60	0.61	0.62	0.62	0.63	0.63	0.63	0.63	0.64	0.64
CAD	1.3742	1.37	1.35	1.34	1.33	1.32	1.31	1.30	1.29	1.28	1.27
GBP	1.2739	1.28	1.29	1.30	1.30	1.31	1.31	1.32	1.32	1.32	1.32
CHF	0.8662	0.87	0.87	0.86	0.86	0.85	0.85	0.85	0.85	0.85	0.85
ZAR	18.38	18.35	18.21	18.08	17.95	17.82	17.70	17.57	17.57	17.45	17.45
SGD	1.3261	1.33	1.32	1.32	1.31	1.31	1.30	1.30	1.29	1.29	1.28
HKD	7.7948	7.80	7.80	7.79	7.79	7.78	7.78	7.77	7.77	7.76	7.76
PHP	57.33	57.50	57.30	57.10	56.80	56.50	56.20	55.80	55.40	55.34	55.33
THB	35.26	35.5	35.2	34.9	34.6	34.3	34.0	33.7	33.5	33.5	33.5
MYR	4.4803	4.50	4.45	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30
CNY	7.1762	7.15	7.10	7.05	7.00	6.90	6.80	6.70	6.60	6.55	6.50
IDR	15893	16000	15700	15400	15200	15000	14800	14700	14600	14580	14576
TWD	32.42	32.4	32.2	31.9	31.6	31.3	31.0	30.7	30.5	30.4	30.4
KRW	1376	1370	1360	1350	1340	1320	1300	1290	1280	1275	1274
INR	83.96	82.00	81.00	80.00	79.00	78.00	77.00	76.00	75.00	74.00	73.00

Activity forecasts*

	2023	2024				2025		Calendar years			
% annualised, s/adj	**Q4**	**Q1**	**Q2**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**2023**	**2024f**	**2025f**	**2026f**
Private consumption	3.3	1.5	2.3	1.8	1.5	1.5	1.8	2.2	2.2	1.7	1.9
Dwelling investment	2.8	16.0	-1.4	3.2	3.2	3.2	3.6	-10.6	5.4	3.2	3.0
Business investment	3.8	4.4	5.2	2.2	2.1	3.3	3.3	4.1	3.8	3.0	2.8
Public demand	4.6	1.8	3.1	1.2	1.2	1.2	1.2	4.1	3.0	1.3	1.1
Domestic final demand	3.6	2.4	2.7	1.8	1.6	1.8	2.0	2.3	2.6	1.9	2.1
Inventories contribution ppt	-0.4	-0.5	0.8	-0.4	-0.1	-0.1	0.0	-0.4	0.0	0.0	-0.1
Net exports contribution ppt	0.2	-0.7	-0.8	-0.1	-0.1	-0.2	-0.2	0.6	-0.3	-0.2	-0.2
GDP	3.4	1.4	2.8	1.4	1.5	1.6	1.9	2.5	2.5	1.7	1.7
%yr annual chg	3.1	2.9	3.1	2.3	1.8	1.8	1.6	–	–	–	–

Other macroeconomic varilables

Non-farm payrolls mth avg	**206**	**257**	**199**	**175**	**150**	**100**	**50**	**245**	**195**	**75**	**150**
Unemployment rate %	3.7	3.8	4.0	4.2	4.4	4.5	4.7	3.7	4.4	4.8	4.8
CPI headline %yr	2.5	2.5	2.5	2.3	2.2	2.1	2.0	2.7	2.2	2.2	2.1
PCE deflator, core %yr	2.5	2.5	2.5	2.4	2.3	2.3	2.2	2.4	2.2	2.2	2.2
Current account %GDP	-2.7	-2.7	-2.7	-2.6	-2.6	-2.5	-2.5	-2.4	-2.4	-2.3	-2.3

Sources: Official agencies, Factset, Westpac Economics

Europe & the United Kingdom

Interest rate forecasts

	Latest (9 Aug)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Euro Area											
ECB Deposit rate	3.75	3.50	3.25	3.00	2.75	2.50	2.50	2.50	2.50	2.50	2.50
10 Year Bund	2.27	2.20	2.15	2.15	2.20	2.25	2.30	2.35	2.40	2.45	2.50
10 Year Spread to US	-171	-165	-160	-160	-160	-165	-170	-165	-165	-160	-160
United Kingdom											
BoE Bank Rate	5.00	4.75	4.25	4.00	3.75	3.50	3.50	3.50	3.50	3.50	3.50
10 Year Gilt	3.98	3.90	3.80	3.80	3.80	3.90	4.00	4.00	4.05	4.05	4.10
10 Year Spread to US	0	5	5	5	0	0	0	0	0	0	0

Sources: Bloomberg, Westpac Economics.

Currency forecasts

	Latest (9 Aug)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
euro vs											
USD	1.0913	1.10	1.10	1.11	1.12	1.13	1.13	1.14	1.14	1.15	1.15
JPY	160.88	165	165	164	164	163	160	160	157	156	154
GBP	0.8566	0.86	0.85	0.85	0.86	0.86	0.86	0.86	0.86	0.87	0.87
CHF	0.9453	0.96	0.96	0.95	0.96	0.96	0.96	0.97	0.97	0.98	0.98
DKK	7.4623	7.46	7.46	7.46	7.46	7.46	7.46	7.46	7.46	7.46	7.46
SEK	11.4776	11.48	11.48	11.48	11.48	11.48	11.48	11.48	11.48	11.48	11.48
NOK	11.8392	11.84	11.84	11.84	11.84	11.84	11.84	11.84	11.84	11.84	11.84
sterling vs											
USD	1.2739	1.28	1.29	1.30	1.30	1.31	1.31	1.32	1.32	1.32	1.32
JPY	187.80	192	194	192	190	189	186	185	182	180	177
CHF	1.1035	1.11	1.12	1.12	1.12	1.11	1.11	1.12	1.12	1.12	1.12
AUD	0.5167	0.52	0.52	0.52	0.53	0.53	0.54	0.55	0.55	0.55	0.55

Sources: Bloomberg, Westpac Economics.

Activity forecasts

Annual average % chg	2020	2021	2022	2023	2024f	2025f	2026f
Eurozone GDP	-6.1	5.6	3.3	0.4	0.6	1.5	1.3
private consumption	-8.0	3.5	4.0	0.6	0.9	1.3	1.2
fixed investment	-8.4	3.6	3.5	1.0	1.3	2.0	1.8
government consumption	1.4	3.8	1.2	0.1	1.2	1.2	1.0
net exports contribution ppt	-0.7	1.0	0.3	0.1	0.2	0.3	0.4
Germany GDP	-3.8	3.2	1.8	-0.3	0.4	1.2	1.2
France GDP	-7.5	6.4	2.5	0.7	0.8	1.2	1.2
Italy GDP	-9.0	8.3	3.7	0.9	0.8	1.0	1.0
Spain GDP	-11.2	6.4	5.8	2.5	2.0	1.7	1.6
Netherlands GDP	-3.8	6.3	4.4	0.1	0.4	1.5	1.5
memo: United Kingdom GDP	-10.4	9.6	4.5	0.4	0.6	1.3	1.4

Asia

China activity forecasts

Calendar years	2019	2020	2021	2022	2023	2024f	2025f	2026f
Real GDP	6.0	2.2	8.4	3.0	5.2	5.0	4.9	4.7
Consumer prices	2.9	2.5	0.9	2.0	0.2	0.7	1.8	2.2
Producer prices	-0.5	-0.4	10.3	-0.7	-3.0	-0.8	1.3	1.7
Industrial production (IVA)	5.8	5.1	6.7	3	4.4	5.0	4.5	4.5
Retail sales	8.0	-3.9	12.5	-0.2	7.6	4.8	5.5	5.5
Money supply M2	8.7	10.1	9.0	11.8	11.2	8.0	8.5	8.2
Fixed asset investment	5.4	2.9	4.9	5.1	3.5	4.7	4.6	4.4
Exports %yr	7.9	18.1	20.9	-9.9	-4.6	4.4	4.0	3.5
Imports %yr	16.5	6.5	19.5	-7.5	-5.3	3.0	2.7	2.8

Source: Macrobond

Chinese interes rates & monetary policy

	Latest (9 Aug)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Required reserve ratio %*	10.00	9.75	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Loan Prime Rate, 1-year	3.35	3.35	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25

* For major banks.

Currency forecasts

	Latest (9 Aug)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
JPY	147.41	150	150	148	146	144	142	140	138	136	134
SGD	1.3261	1.33	1.32	1.32	1.31	1.31	1.30	1.30	1.29	1.29	1.28
HKD	7.7948	7.80	7.80	7.79	7.79	7.78	7.78	7.77	7.77	7.76	7.76
PHP	57.33	57.5	57.3	57.1	56.8	56.5	56.2	55.8	55.40	55.34	55.33
THB	35.26	35.5	35.2	34.9	34.6	34.3	34.0	33.7	33.5	33.5	33.5
MYR	4.4803	4.50	4.45	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30
CNY	7.1762	7.15	7.10	7.05	7.00	6.90	6.80	6.70	6.60	6.55	6.50
IDR	15893	16000	15700	15400	15200	15000	14800	14700	14600	14580	14576
TWD	32.42	32.4	32.2	31.9	31.6	31.3	31.0	30.7	30.5	30.4	30.4
KRW	1376	1370	1360	1350	1340	1320	1300	1290	1280	1275	1274
INR	83.96	82.0	81.0	80.0	79.0	78.0	77.0	76.0	75.00	74.00	73.00

Source: Bloomberg, Westpac Economics.

Worldwide

Economic growth forecasts (year average)

Real GDP %ann	2019	2020	2021	2022	2023	2024f	2025f	2026f
World	**2.8**	**-2.7**	**6.5**	**3.5**	**3.2**	**3.3**	**3.3**	**3.2**
United States	2.5	-2.2	5.8	1.9	2.5	2.5	1.7	1.7
Japan	-0.4	-4.1	2.6	1.0	1.9	0.3	1.1	0.9
Euro zone	1.6	-6.1	5.9	3.4	0.4	0.6	1.5	1.3
Group of 3	**1.8**	**-3.9**	**5.5**	**2.4**	**1.7**	**1.5**	**1.6**	**1.5**
United Kingdom	1.6	-10.4	8.7	4.3	0.1	0.6	1.3	1.4
Canada	1.9	-5.0	5.3	3.8	1.1	1.1	1.9	1.8
Australia	1.8	-2.1	5.5	3.9	2.0	1.3	2.2	3.1
New Zealand	3.1	-1.4	5.6	2.4	0.6	-0.3	1.3	2.3
OECD total	**1.8**	**-4.3**	**5.8**	**2.8**	**1.7**	**1.4**	**1.6**	**1.6**
China	6.0	2.2	8.4	3.0	5.2	5.0	4.9	4.7
Korea	2.2	-0.7	4.3	2.6	1.4	2.6	2.3	2.3
Taiwan	3.1	3.4	6.6	2.6	1.4	4.0	2.7	2.7
Hong Kong	-1.7	-6.5	6.5	-3.7	3.2	2.7	2.8	2.5
Singapore	1.3	-3.9	9.7	3.8	1.1	2.7	2.7	2.5
Indonesia	5.0	-2.1	3.7	5.3	5.0	5.2	5.2	5.1
Thailand	2.1	-6.1	1.5	2.5	1.9	2.7	3.2	3.1
Malaysia	4.4	-5.5	3.3	8.7	3.7	4.4	4.5	4.5
Philippines	6.1	-9.5	5.7	7.6	5.6	5.9	6.0	5.9
Vietnam	7.4	2.9	2.6	8.1	5.0	6.2	6.5	6.5
East Asia	**5.2**	**0.7**	**7.1**	**3.5**	**4.6**	**4.8**	**4.7**	**4.5**
East Asia ex China	3.8	-2.3	4.3	4.5	3.3	4.2	4.2	4.1
NIEs*	**2.0**	**-0.5**	**5.9**	**2.2**	**1.5**	**3.0**	**2.5**	**2.5**
India	3.9	-5.8	9.7	7.0	7.8	7.0	6.8	6.5
Russia	2.2	-2.7	6.0	-1.2	3.6	3.0	1.5	1.5
Brazil	1.2	-3.3	4.8	3.0	2.9	2.2	2.0	1.4
South Africa	0.3	-6.0	4.7	1.9	0.6	0.9	1.2	1.4
Mexico	-0.3	-8.6	5.7	3.9	3.2	2.4	1.4	1.9
Argentina	-2.0	-9.9	10.7	5.0	-1.6	-2.8	5.0	4.5
Chile	0.6	-6.1	11.3	2.1	0.2	2.0	2.5	2.4
CIS^	-1.4	0.1	10.4	-1.6	-0.6	5.9	6.9	6.6
Middle East	1.3	3.2	2.8	2.8	2.8	2.9	2.9	2.9
C & E Europe	-2.4	-4.8	9.0	4.3	3.2	2.5	3.2	3.4
Africa	3.2	-1.6	4.7	4.0	3.4	3.8	4.0	4.0
Emerging ex-East Asia	**1.6**	**-2.6**	**6.5**	**3.6**	**3.9**	**4.0**	**4.1**	**4.0**
Other countries	**6.7**	**-2.9**	**6.9**	**3.4**	**4.9**	**4.0**	**3.5**	**3.5**
World	**2.8**	**-2.7**	**6.5**	**3.5**	**3.2**	**3.3**	**3.3**	**3.2**

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

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