Week beginning 5 August, 2024

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Inflation decline is on track, RBA can soon relax.

The Week That Was: Messaged received.

Focus on New Zealand: Controlled descent.

For the week ahead:

Australia: RBA Policy Decision & Statement on Monetary Policy, Governor Bullock speaking.

New Zealand: Q2 labour market surveys, Q2 RBNZ inflation expectations.

China: CPI, PPI, Caixin services PMI, trade and current account balance.

Eurozone: PPI, retail sales, investor confidence.

United States: ISM services, trade balance, consumer credit, Senior Loan Officer Opinion Survey.

Information contained in this report current as at 2 August 2024

Inflation decline is on track, RBA can soon relax

Luci Ellis
Chief Economist, Westpac Group

Inflation in the June quarter was broadly in line with our expectations, and a shade below them on some crucial underlying measures. Headline CPI inflation was as expected at 1% in the quarter, while the key trimmed mean measure of trend inflation was a bit below at 0.8% versus our expectation of 0.9%. On a year-ended basis, this represents a small increase in headline inflation (from 3.6% to 3.8%), albeit one that was in line with the RBA's own forecasts. The RBA will look through the base effects driving this and will note that there are no signs of upward momentum in the trimmed mean or monthly outcomes.

Monetary policy decisions are not determined by a single number. As Deputy Governor Hauser pointed out recently, labour market, retail sales, building approvals and other key data have all been released in the lead-up to next week's RBA Board meeting. None of these provided much of a fresh signal, however, rendering the CPI release pivotal.

The below-consensus result cements our expectation that the RBA Board can remain on hold for the time being. As we have previously flagged, another quarter of inflation data should be enough to convince the RBA Board that disinflation is on track and that inflation will be back into the target range on the desired timetable. That would lead the Board to the conclusion that monetary policy does not need to be as tight as it currently is for much longer.

Recall that the RBA regards the current stance of monetary policy as tight. If the cash rate remained where it is indefinitely, inflation would ultimately decline below the 2–3% target range. Monetary policy operates with a lag, so rate cuts need to start ahead of inflation reaching target. If the Board waits too long, it will risk undershooting the target for no benefit. So rate cuts are likely in the near future, provided inflation continues to traverse the trajectory that the RBA Board is seeking to achieve.

We also note the recent comforting inflation experience of other countries. And, as we have argued previously, it is hard to point to anything that would cause Australia to have a qualitatively different disinflation experience. This is not 2016, when the RBA and Federal Reserve were moving in opposite directions. Back then, the US economy was benefiting from the end of the post-GFC headwinds; by contrast, Australia was navigating the unwind of the mining investment boom. The forces driving economic outcomes were completely different across the two economies.

This time around, Australia and peer economies are all facing a more-or-less common shock. Domestic demand growth is weak, and disinflation has been especially pronounced in discretionary spending categories. There are bumps along the way, including the one seen earlier in the year. And there are some home-grown issues in the housing complex, with inflation in both rents and construction costs likely to remain elevated for some time. Fundamentally though, Australia and its peer economies are seeing the pandemic-era, supply-driven inflation surge unwind, and this is running its course.

Given the sub-consensus inflation outcome and the run of other data confirming that domestic demand growth is soft, we affirm our November call for the first rate cut, with more conviction than previously. We note, however, that the Board is not in a hurry to cut given lingering inflation risks. It is plausible that the Board will retain the 'not ruling anything in or out' language in its post-meeting communication. We also anticipate that rates will decline only gradually; we currently project that the RBA cash rate target will fall to 3.1% by end-2025, and this is likely to be the trough. In 2026 and beyond, a period of above-average growth can be anticipated, so interest rates are unlikely to fall further from there.

Cliff Notes: message received

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

In Australia, the Q2 CPI reported a 1.0% (3.8%yr) gain in headline inflation and a 0.8% (3.9%yr) lift in underlying trimmed mean inflation, the latter a material downside surprise relative to consensus. The detail was nuanced, with some prices pressures continuing to abate as others showed persistence.

Disinflation was most apparent in policy-sensitive sectors of the economy, discretionary inflation (ex tobacco) easing to just 2.1%yr, a low back to December 2021. However, stickiness in big-ticket non-discretionary items such as rents buoyed various measures of services inflation, offsetting the disinflationary impulse from other market services components and keeping services inflation elevated overall.

As detailed by Chief Economist Luci Ellis, the main takeaway is that Australia remains on the disinflation path, like many of its global peers; but there is still some way to go before policy can be normalised. We affirm our call that policy will remain on hold over the next few months, as the RBA Board closely monitors trends in underlying inflation to abstract from the temporary disinflationary impact of government energy rebates.

Come November, we believe the RBA will begin reducing policy's restrictiveness at a measured pace of 25bps per quarter, reaching a terminal rate of 3.10% by Q4 2025. Markets have removed what was a meaningful risk of a rate hike in 2024, and now price a circa 75% chance of a rate cut by year end.

Developments in economic activity will also prove critical to the RBA outlook. This week's update on retail sales continued to point to a weak consumer, retail volumes declining –0.3% in Q2 following a –0.4% contraction in Q1. While we lack visibility around services consumption, this result, alongside other partial data, points to downside risk to total consumer spending in the June quarter.

Externally, the goods trade surplus looks to have narrowed since the start of the year, the sharp decline in export earnings reflecting an uncomfortable mix of broadly stagnant volumes for key resource exports and declining prices. Services will prove crucial to the final wash-up for net exports, but are not reported on in this release.

Before moving offshore, a final note on housing. The latest CoreLogic home price data continued to highlight divergence across the states. In part this reflects variations in affordability, with prices little changed in the month in Sydney and Melbourne but still growing strongly across the smaller capital cities.

The absence of momentum in dwelling approvals highlights a risk around residential construction activity once existing projects are worked through. This development does not bode well for supply or affordability dynamics in the medium to long-term.

Offshore, markets were kept busy this week by three central bank meetings, each one delivering a different outcome.

Most closely watched was the FOMC who kept rates steady in July but indicated that a cut could be delivered in September, if inflation continues its downtrend. The Committee continues to believe it has time on its side to gauge inflation's pace and risks. In our view, there is already a strong justification to cut in September, with annual CPI ex-shelter inflation having held within a 0.8%–2.3% range and averaged less than 2.0% since June 2023. Shelter inflation is also now tracking lower and current market estimates of rent growth remain flat to down.

On the labour market, the statement noted the "unemployment rate has moved up but remains low" and that current momentum is believed to be consistent with a rebalancing of labour demand and supply not an outright weakening. Increasingly though, the market is becoming concerned over downside risks for the labour market, particularly given persistent weakness in the employment indexes of the ISMs.

While we have been highlighting downside risks to the labour market throughout 2024, inevitably we expect the US economy to prove resilient, warranting a steady but measured easing cycle beyond September – a cut per quarter taking the fed funds rate to a 3.375% terminal rate by mid-2026. Note, at that time policy would still be modestly contractionary. This terminal forecast highlights that we anticipate capacity constraints and trade policy to remain enduring inflation risks into the medium-term.

The Bank of Japan (BoJ), in contrast, raised its policy rate by 15bps to 0.25% this week and announced a new tapering schedule of bond purchases. Policy and financial conditions remain 'accommodative', with the economy expected to grow above potential until fiscal 2025. However, the Bank's inflation forecasts were lowered for fiscal 2024 following the introduction of government energy subsidies for households, due in August and September. Enduring optimism over the virtuous cycle between wages and prices means that at-target inflation is still expected in the outer years.

Risks around firms' price and wage-setting behaviour remain though, particularly as small and medium-sized firms continue to report difficulty in passing on costs. Future hikes are on the table, with the BoJ noting, "…if the aforementioned outlook for economic activity and prices is realized, the Bank will accordingly continue to raise the policy interest rate and adjust the degree of monetary accommodation." Increments are likely to be in 25bp steps, signalling the BoJ's 'normalisation' of policy and consistent with peer central banks. Whether inflation can remain at or above target and wage growth endure remain open questions, however.

On the BoJ's revised schedule for bond purchases, monthly purchases are set to decline from 5.7 trillion per month to 2.9 trillion by 2026, allowing short-term rates to increasingly be determined by the market. The stock of JGBs will remain high, but is expected to decline by 7-8% over the next two years. This plan will be reassessed in June 2025.

Finally, the Bank of England began its easing cycle overnight, cutting its policy rate by 25bps in a 5-4 decision. This follows annual CPI inflation hitting the 2.0% target in May and June, with "the Committee expecting the fall in headline inflation, and normalisation in many indicators of inflation expectations, to continue to feed through to weaker pay and price-setting dynamics." While growth has recently been stronger than anticipated, business surveys point to more modest gains. Nonetheless, "there is a risk that inflationary pressures from second-round effects will prove more enduring in the medium term."

As the vote shows, this was a finely balanced decision, with the Committee deeming it "appropriate to reduce slightly the degree of policy restrictiveness," recognizing that the stance would remain highly contractionary after the cut. The resurgence of inflation to 2.75% in the second half of 2024, as base effects become unfavourable, is therefore expected to be temporary, with the modal inflation forecast at 1.7% in two years and 1.5% the year after that—outcomes significantly below the 2.0% medium-term target. Note, this forecast assumes the market-implied path for interest rates which includes a series of rate cuts through to end-2025.

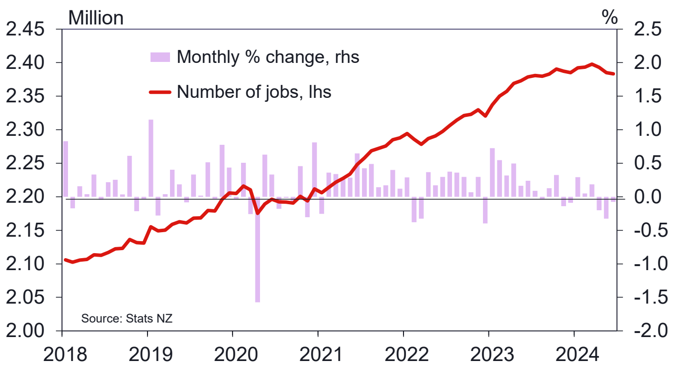
Controlled descent

Michael Gordon
Senior Economist NZ

The June quarter labour market surveys are shaping up to be crucial for interest rate watchers. The RBNZ's change of tone in its policy review last month has opened the door for an earlier start to OCR cuts, with financial markets speculating that the first move could come as soon as the August Monetary Policy Statement. While it's possible that a significantly weaker set of results could force the RBNZ's hand in this way, we are not expecting next week's figures to reach that mark.

It's clear that the 'rolling maul' recession the New Zealand economy has endured over the last couple of years is finally weighing on the labour market. The Monthly Employment Indicator (MEI) fell by 0.1% in June, its third straight monthly decline. While this wasn't quite as weak as we were expecting, we note that this series tends to be overstated on the first release, and is likely to be revised lower in the months ahead. Allowing for those revisions, we estimate that the number of filled jobs was down by 0.4% over the June quarter.

Monthly Employment Indicator, filled jobs



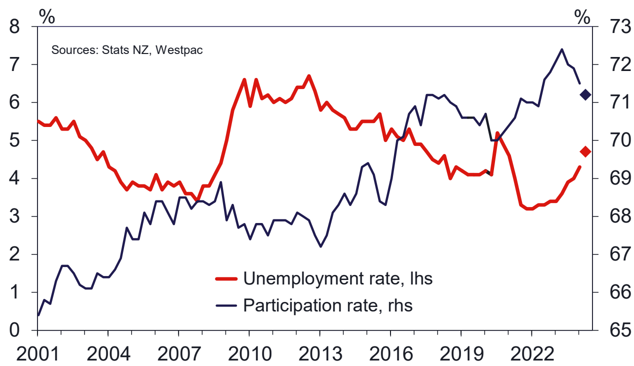
The MEI is drawn from income tax records provided by employers, making it a comprehensive record of the number of people in work. There are some conceptual differences between this and the employment measure in the quarterly Household Labour Force Survey (HLFS), but generally it has been a useful predictor of the latter.

The slowdown in jobs is happening at a time of still-strong population growth. While the rate of net inward migration has passed its peak, the working-age population is still up by around 3% over the last year.

With job creation no longer absorbing the growth in the labour force, this is a recipe for rising unemployment.

Having reached a record low of 3.2% in early 2022, the rise in the unemployment rate was gradual at first, but has picked up the pace in recent quarters. We expect it to rise to 4.7% for the June quarter, from 4.3% in the March quarter. This is in line with market forecasts, and only a little higher than the 4.6% that the Reserve Bank had assumed in its May Monetary Policy Statement.

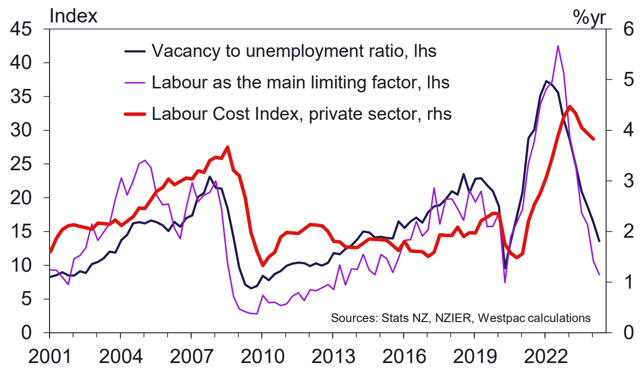
Unemployment and participation rates



A range of indicators show that the labour shortages that plagued employers in previous years are now a distant memory. That's due to the combination of a surge of migrant workers to fill the gaps once the border was reopened, and a drop in demand for new workers as the economy has cooled off. Businesses report that labour is no longer hard to find, and job advertisements have now fallen below pre-COVID levels.

With this shift in the labour market balance, we are now finally seeing an easing in wage inflation – typically one of the last shoes to drop in the economic cycle. The slowdown has been masked to some degree by public sector pay agreements that were set by the previous government and staggered over several periods, and that will be a factor again in the June quarter results. However, we expect to see clearer evidence of slowing in the private sector measure of wage growth, down from 3.8% to 3.4% annually.

Labour market tightness and wage growth



The labour market surveys are the last major data release ahead of the RBNZ's Monetary Policy Statement on 14 August, and as such will be keenly watched in financial markets. The case for bringing OCR cuts forward is developing, but we think that it would take a significant upside surprise on the unemployment rate – perhaps closer to 5%, from 4.3% currently – to prompt the RBNZ to act as soon as this month. That would be a very large one-quarter increase: outside of the temporary COVID shock, we haven't had one of that size since the 2008 Global Financial Crisis, and before that the severe recession in 1991.

Similarly, the RBNZ would need to see evidence that wage inflation is dissipating more quickly than expected. While wages don't play a big role in the RBNZ's modelling, they are nevertheless a major factor in the remaining 'stickiness' in domestic inflation. Our forecast of a 0.8% rise in the Labour Cost Index for the June quarter is only marginally softer than the 0.9% that the RBNZ was expecting.

Overall, while the economy is clearly slowing, it appears to be in keeping with the recession that the RBNZ has been looking to 'engineer' over the last couple of years, in order to bring high and sticky inflation back to target. And there are signs that at least some of the recent gloom reflects disappointment among households and businesses with the RBNZ's earlier messaging that interest rate relief could be a long time away.

The ANZ business opinion survey released this week showed a solid lift in business sentiment in July, albeit more around general conditions than their own prospects. July saw a marked softening in the RBNZ's stance, followed by a June quarter CPI result that was lower than market and RBNZ forecasts. It's not entirely clear how these events affected the results – ANZ noted that the responses from later in the month were lower for the cost and pricing gauges, but not noticeably different for the activity indicators. So we'll wait and see whether this change in sentiment continues into the August survey.

We'll also be watching whether lower interest rates play a role in reviving the housing market. This week CoreLogic launched its new house price index for New Zealand, which adjusts sale prices for the features of each individual property (bringing it into line with the methodology used in Australia). The new measure shows that house prices fell by 0.5% in July, the fifth straight month of declines.

Separate data on listings from realestate.co.nz show that the stock of unsold homes on the market is at a nine-year high and continues to rise. Together these suggest that the housing market remains in a logjam, with a gap between what buyers are willing to pay and what sellers are willing to accept. Falling mortgage rates will help to close this gap, though we suspect that any meaningful lift in prices will be more of a story for next year

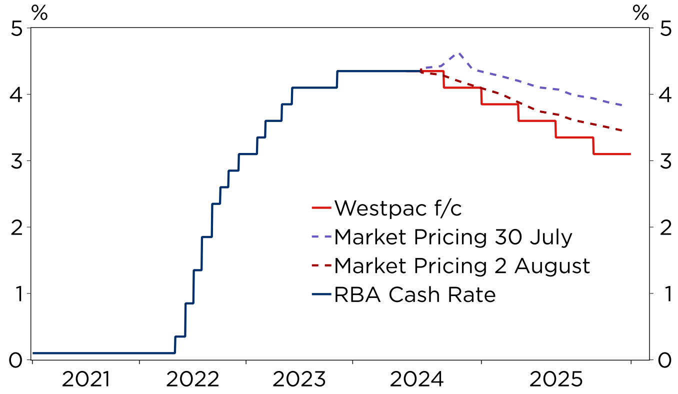
AUS: Aug RBA Policy Decision (%)

Aug 6, Last: 4.35, Westpac f/c: 4.35
Market f/c: 4.35, Range: 4.35 to 4.60

Westpac anticipates the RBA will leave the cash rate unchanged at 4.35% at its upcoming policy meeting. As detailed on Page 2, the below-consensus result for core (trimmed mean) inflation earlier this week cemented our view that the RBA can remain on hold for the time being.

For now, inflation remains above target, so it is plausible that the Board will maintain a similar tone regarding the considerations for policy ("not ruling anything in or out"). More evidence of inflation's sustainable return to target is necessary before the Board can feel confident pursuing policy easing. We continue to believe that confidence will be attained by November.

Market pricing has fallen back post Q2 CPI



Source: RBA, Bloomberg, Macrobond, Westpac Economics

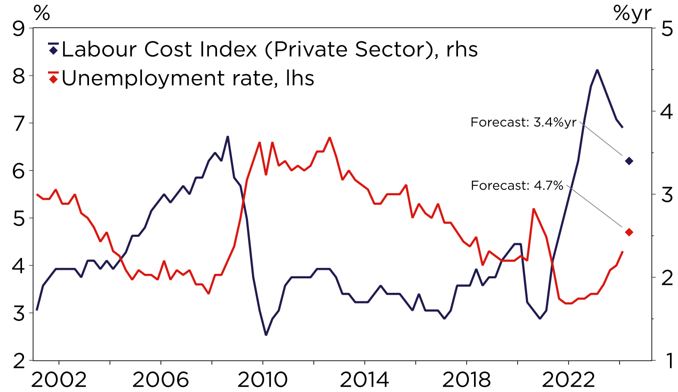
NZ: Q2 Labour Market Surveys

Aug 7, Unemployment Rate, Last: 4.3%, Westpac f/c: 4.7%
Labour Cost Index (Private), Last 0.8%, Westpac f/c: 0.7%

The New Zealand labour market is clearly softening, with higher-frequency indicators pointing to outright job losses in recent months. We estimate that the unemployment rate rose from 4.3% to 4.7% in the June quarter.

Wage growth is slowing from its highs, though this may be masked again in the June quarter by public sector pay agreements.

Private sector wages growth clearly slowing



Source: Stats NZ, Macrobond, Westpac Economics

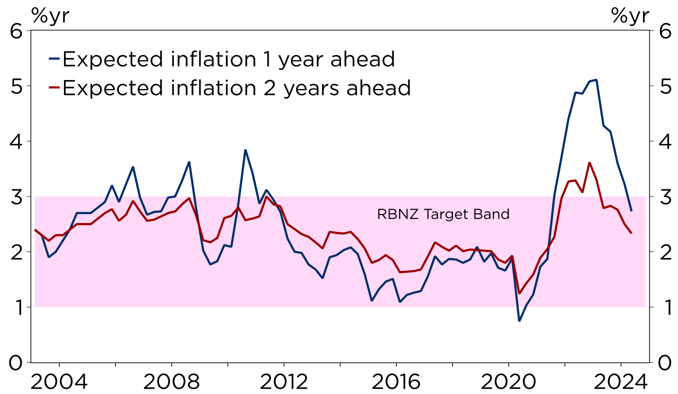
NZ: Q3 RBNZ Survey of Expectations

Aug 8, Expected Inflation – one year ahead, Last: 2.7%
Aug 8, Expected Inflation – two years ahead, Last: 2.3%

The RBNZ looks at a range of surveys and the importance of this particular measure has waned over time. However, it still provides useful colour on economic conditions.

With inflation falling faster than expected and signs that activity is cooling, expectations are set to take another step down this quarter. However, we expect that they will linger above the 2% midpoint of the RBNZ's target, with domestic inflation pressures remaining sticky. A lower reading would strengthen the case for earlier rate cuts.

Inflation expectations set to ease further



Source: RBNZ, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 05							
Aus		Bank Holiday	–	–	–	–	For NSW and ACT.
	Jul	MI Inflation Gauge	%yr	3.2	–	–	Provides a general view of risks.
NZ	Jul	ANZ Commodity Prices	%mth	1.5	–	–3.0	Sharp drop in dairy prices, partly offset by gains in meat.
Chn	Jul	Caixin Services PMI	pts	51.2	51.5	–	Consumer to remain concerned and under pressure.
Eur	Aug	Sentix Investor Confidence	pts	–7.3	–	–	Inflation near target and rate cuts constructive.
	Jun	PPI	%yr	–4.2	–	–	Upstream price pressures absent.
US	Jul	ISM Non-Manufacturing	pts	48.8	51.3	–	Points to downside risks to benign baseline growth view.
	Jul	Senior Loan Officer Opinion	–	–	–	–	Banks cautious but willing to lend currently.
		Fedspeak	–	–	–	–	Goolsbee, Daly.
Int'l	Jul	S&P Global Services PMI	pts	–	–	–	Final estimate for Japan, Eurozone, UK and US.
Tue 06							
Aus	Jul	ANZ Job Ads	%mth	–2.2	–	–	Balance is gradually returning to the labour market.
	Aug	RBA Policy Decision	%	4.35	4.35	4.35	Q2 CPI writes-off chances of a hike. Refreshed forecasts …
		Statement on Monetary Policy	–	–	–	–	… will shed light on the RBA's views of the balance of risks.
Jpn	Jun	Household Spending	%yr	–1.8	–0.8	–	Points to downside risk around consumption.
Eur	Jun	Retail Sales	%mth	0.1	–	–	Growth trend robust but mixed by country.
US	Jun	Trade Balance	$bn	–75.1	–72.6	–	Should narrow given weakness in goods consumption.
Wed 07							
Aus		RBA Governor Bullock	–	–	–	–	Speech at the Annual Rotary Lecture.
NZ	Aug	GlobalDairyTrade Auction	%chg	0.4	–	–	Milk powder futures down slightly since last auction.
	Q2	Unemployment Rate	%	4.3	4.7	4.7	The rise in unemployment is gathering momentum …
	Q2	Employment	%qtr	–0.2	–0.2	–0.4	… with tax data showing a fall in jobs in recent months …
	Q2	Labour Cost Index (Private)	%qtr	0.8	0.8	0.7	… that will eventually lead to greater wage restraint.
Chn	Jul	Trade Balance	US$bn	99.1	99.5	–	Benefiting from strong demand across Asia.
	Jul	Foreign Reserves	US$bn	3222	3240	–	Authorities comfortable with TWI stability.
US	Jun	Consumer Credit	$bn	11.4	10.3	–	Rates and labour market uncertainty are headwinds.
Thu 08							
NZ	Q3	RBNZ Inflation Expectations	%yr	2.3	–	–	Expectations to continue falling.
Jpn	Jun	Current Account Balance	¥bn	2849.9	1873.7	–	Investment income not as supportive of Yen as it use to be.
US	Aug	Initial Jobless Claims	000's	249	–	–	Still very, very low.
		Fedspeak	–	–	–	–	Barkin.
Fri 09							
Chn	Jul	CPI	%yr	0.2	0.4	–	Soft consumer demand …
	Jul	PPI	%yr	–0.8	–0.9	–	… and increased capacity to lead to very weak inflation.
	Q2	Current Account Balance	US$bn	39.2	–	–	Trade position strong and set to remain that way.
	Jul	M2 Money Supply	%yr	6.2	6.0	–	Credit demand weak, policy support necessary.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (2 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	4.10	3.85	3.60	3.35	3.10	3.10	3.10	3.10	3.10
90 Day BBSW	4.41	4.42	4.19	3.96	3.75	3.55	3.30	3.30	3.30	3.30	3.30
3 Year Swap	3.74	4.10	4.00	3.85	3.70	3.60	3.50	3.50	3.50	3.55	3.60
3 Year Bond	3.68	3.90	3.80	3.65	3.50	3.40	3.30	3.30	3.30	3.35	3.40
10 Year Bond	4.06	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)	10	-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	3.96	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	5.44	5.50	5.25	4.80	4.50	4.25	4.00	3.85	3.85	3.85	3.85
2 Year Swap	4.15	4.30	4.20	4.10	4.00	3.90	3.90	3.95	4.00	4.00	4.00
10 Year Bond	4.25	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	29	0	5	10	20	25	30	30	30	30	25

Exchange rate forecasts

	Latest (2 Aug)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
AUD/USD	0.6513	0.66	0.67	0.68	0.69	0.70	0.71	0.72	0.72	0.73	0.73
NZD/USD	0.5951	0.60	0.61	0.62	0.62	0.63	0.63	0.63	0.63	0.64	0.64
USD/JPY	149.34	155	154	153	151	149	147	144	141	138	135
EUR/USD	1.0798	1.09	1.10	1.11	1.12	1.13	1.14	1.14	1.14	1.15	1.15
GBP/USD	1.2728	1.27	1.28	1.29	1.30	1.31	1.31	1.31	1.31	1.31	1.31
USD/CNY	7.2206	7.20	7.10	7.05	7.00	6.90	6.80	6.70	6.60	6.55	6.50
AUD/NZD	1.0942	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	0.9	0.9	0.6	–	–	–	–
annual chg	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	1.0	0.8	0.8	0.7	0.7	0.7	0.7	0.7	–	–	–	–
annual chg	4.0	3.9	3.5	3.5	3.1	3.0	2.9	2.8	4.1	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	4.7	5.0	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
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro-Forecasting Westpac Economics
E: mhssan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclake@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Jameson Coombs
Economist
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

westpaciq.com.au

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.