Week beginning 19 August, 2024

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Skating to where the puck used to be.

The Week That Was: Labour market critical to medium-term outlook.

Focus on New Zealand: RBNZ turns 180 degrees from May.

For the week ahead:

Australia: RBA Minutes, Westpac-MI Leading Index.

New Zealand: Q2 real retail sales, house prices and sales, trade balance.

Japan: CPI, core machinery orders.

United States: Jackson Hole Symposium, FOMC Minutes, home sales, leading index.

Global: S&P Global PMIs.

Information contained in this report current as at 16 August 2024

Skating to where the puck used to be

Luci Ellis
Chief Economist, Westpac Group

Recent events have not materially changed our view about the outlook for the Australian economy. Recent communication from the RBA has, however, changed our minds about how the RBA is seeing things and how it will respond to the data. While it is still possible that the RBA Board will change its mind, RBNZ-style, and pivot sooner than our current base-case expectation, we suspect that fast backflips are not in the RBA's breakdancing repertoire.

Recall our earlier observation that the RBA had concluded that the labour market was tighter than it had previously thought, even though all bar one of the indicators in its labour market dashboard eased between May and August.

Deputy Governor Hauser's speech earlier in the week addressed this to some extent. The upshot of the speech is that, because inflation has recently overshot the RBA's earlier forecasts, it must be that demand is stronger than it thought, or supply is weaker, or a combination of the two. As Westpac Economics colleague Senior Economist Pat Bustamante and I noted earlier this week, though, the net surprise on the June quarter 2024 trimmed mean inflation forecasts since the RBA's November forecast round was in fact roughly zero. In some respects, the RBA is seeking to explain the forecast miss for the September quarter 2023. We are now halfway through the September quarter 2024.

We are reminded of the famous quote from ice hockey legend Wayne Gretsky, to 'skate to where the puck is going, not to where it has been. Inferring a lower level of aggregate supply currently from a forecast miss that mainly happened a year ago feels a bit like skating to where the puck used to be quite a while ago.

Yesterday's labour force results highlighted how quickly that puck can move. As Westpac Economics colleague Economist Ryan Wells reported, the labour force participation rate in July was the highest recorded in more than a century. This represents a significant boost to labour supply.

In addition, following up on a key point of Pat's and my note, the re-benchmarking of quarterly hours worked reported in the July labour force release also works against the RBA's thesis of weak productivity dragging on supply. Recall that the RBA revised down its forecast for year-ended productivity growth in the June quarter by a full percentage point between its May and August forecast rounds. As far as we can tell, this was largely because of an outsized reading for June quarter hours worked.

The re-benchmarking changed the story considerably. Growth in total hours worked was previously reported as 0.4% over the year to the June quarter (0.2% for non-farm hours, which is more relevant to the measure of productivity in the RBA forecasts). Each of the quarters in that year has been revised down at least a little. Hours worked are now reported to have been essentially flat compared with a year previously (and –0.2% for non-farm).

This 0.4 percentage point revision in hours worked over the year eliminates a considerable fraction of the rationale for the RBA's downward revision to its forecast for productivity growth. Even a small upside surprise on June quarter GDP growth, or revisions to recent history, would close the gap further.

Flat hours worked in the face of a strong rise in the number of people participating in the workforce does look a lot like growth in labour supply outstripping labour demand and building up some spare capacity.

> **"It is no surprise that labour supply has been so strong. With the cost of living having risen so much, people need the extra work."**

A separate (and more lagged) ABS release, the Labour Accounts, shows that the share of people with a second job has risen to new highs. This is an example of what economists call an 'income effect', where labour supply rises when real hourly wages fall. It stands in contrast to the 'substitution effect' of people working more when their hourly wage rises, because working is then more attractive relative to leisure.

If strong labour supply does indeed reflect people seeking more income, we might also see unusual labour market dynamics as this effect unwinds. Normally when labour demand softens, we see some combination of higher unemployment and higher underemployment.

Over recent decades, the underemployment adjustment has become stronger relative to that in unemployment. Employers are increasingly using the 'hours margin' to adjust their labour demand, rather than laying people off entirely. The RBA knows this, and indeed the key paper describing this effect was co-authored by the newly appointed head of the RBA's Economic Analysis department.

If the income effect has been the dominant driver of the recent rise in labour supply, then as inflation subsides and real incomes recover, we may see an ongoing softening in hours worked, with neither unemployment nor underemployment rising very much. If people no longer need the extra hours or the second job, they will not report themselves as seeking more hours, and so underemployed.

The implication is that it will be all too easy to misinterpret an easing labour market as still tight. In principle, the RBA's full employment checklist should help guard against such misinterpretation. But seeing how one quarterly outcome for hours worked seems to have changed the RBA's view on supply capacity, and so the inflation outlook, it is hard to be confident of this.

The RBA will need to skate to where the labour market is going to go, not where it used to be.

Cliff Notes: labour market critical to medium-term outlook

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

In Australia, the week started on a slightly more positive note for consumers, with our Westpac-MI Consumer Sentiment Index showcasing a 2.8% bounce to 85.0 in August. The primary support was a significant improvement in households' views and expectations around their finances, likely associated with the new financial year's tax cuts.

The sub-indexes tracking 'family finances vs a year ago' and 'family finances next 12 months' rose 11.7% and 5.1% respectively. These gains are coming off an incredibly weak base however, and given earlier surveys indicated a preference among consumers to rebuild savings buffers from their tax cut, it is understandable we are yet to see a signification improvement in card spending or intentions to 'buy a major item'.

It is constructive to see that consumers also remain relatively untroubled over the outlook for jobs – a perspective that was certainly supported by July's labour market data. Growth in employment was far stronger than expected, with nearly 60,000 jobs created in July after a solid run of gains over recent months. However, the main surprise was around labour supply, as evinced by the surge in labour force participation to a cycle high of 67.1%, the highest read in over a century. It was impressive to see businesses absorb such a large portion of this growth via employment; but in the end, the surge in labour supply was enough to see the unemployment rate lift to 4.2%, incrementally adding slack.

Conditions from an income perspective also remain constructive. The wage price index lifted 0.8% (4.1%yr) in Q2. Containing inflation risks, nominal wage growth has undergone a significant moderation on a six-month annualised basis, from 4.7%yr in December to 3.4%yr at June as the labour market moves into balance. Though, with annual inflation having slowed more than wage growth, consumers are slowly beginning to feel the cost of living pressures they have been experiencing let up. In time, this should support a further improvement in family finance expectations and spending.

As Westpac Chief Economist Luci Ellis and Senior Economist Pat Bustamante noted earlier this week, one of the more puzzling elements of the RBA's revised forecasts is the assertion that aggregate supply is lower than previously thought. As above, this week's labour force update instead highlighted continued strength in labour supply. In today's essay, Chief Economist Luci Ellis elaborates on what the latest data implies for the RBA's view on productivity and activity.

First stop offshore this week is New Zealand. There the RBNZ surprised the market by cutting the cash rate 25bps to 5.25%. As detailed by Westpac NZ Economics, the RBNZ also lowered the OCR track significantly, implying another cut will occur at the October Monetary Policy Review and a total of 75bp of cuts will be delivered by end-2024. The RBNZ's updated profile also suggests the RBNZ still aims to reach neutral OCR levels circa 3% by 2027, but now more quickly. Warranting the revised view on interest rates, the RBNZ's near-term forecasts for economic growth have been revised down significantly. A wider output gap and looser labour market provides confidence inflation will ultimately fall back to the 2%yr mid-point of the target range, though this is not currently expected until Q2 2026.

"The US data flow continued to point to a goldilocks economy: benign inflation paired with robust activity growth."

US consumer prices gained 0.2% in July, seeing annual inflation edge lower to 2.9%yr and 3.2%yr respectively for headline and core inflation. Food away from home and services ex-shelter were both benign, signalling wage pressures are not a concern and that the discretionary demand pulse is modest. Core goods prices meanwhile exhibited broad-based and persistent weakness. While shelter surprised to the upside in July, with the labour market cooling and households financially constrained, this momentum is highly unlikely to persist; indeed, the BLS' real-time measures of rents point to flat or negative outcomes versus shelter's near-5% annualised pace in July. Earlier in the week, the PPI was also constructive for the inflation outlook, rising 2.2%yr in July, undershooting expectations.

Retail sales subsequently showed strength in July, gaining 1.0% thanks to a strong rebound in autos (sales ex autos were up +0.4%, and the narrower control group +0.3%). In the year-to-date, nominal gains have been modest overall, the control group averaging a monthly gain of 0.3%, but that is a result consistent with real consumption growth modestly below trend, not recession. Of the other US data out this week, the regional Fed manufacturing surveys were weak, but initial claims continued to point to an absence of firing across the economy.

Across the Atlantic, UK data justified the Bank of England continuing with their policy easing, albeit while remaining confident in economic growth's upturn. The July CPI print surprised to the downside, prices falling 0.2%mth. Base effects saw annual headline inflation edge up from 2.0%yr to 2.2%yr, but annual core inflation slowed from 3.5% to 3.3%. Inflation's breadth also continued to narrow, with only 54% of the basket now growing in excess of the BoE's annual inflation target of 2.0%, down from 86% this time last year. Helpfully for the BoE's risk assessment and messaging, annual services inflation came in well below expectations in July, decelerating from 5.7% to 5.2% (consensus 5.5%yr). Earlier in the week, wages ex. bonus also softened to 5.4%yr in June from 5.7% in May, giving the BoE more confidence to persist with their cutting cycle.

Like in the US, UK activity data remains constructive, GDP growth printing as expected in Q2, at 0.6% (0.9%yr). That said, the detail highlighted a greater degree of downside risks, with private consumption and business investment both weak. Consumption gained just 0.2%, half Q1's 0.4% gain and the Q2 consensus expectation of 0.5%. Investment meanwhile declined 0.1% instead of rising 0.4% as expected. Government spending offset, gaining 1.4% in Q2.

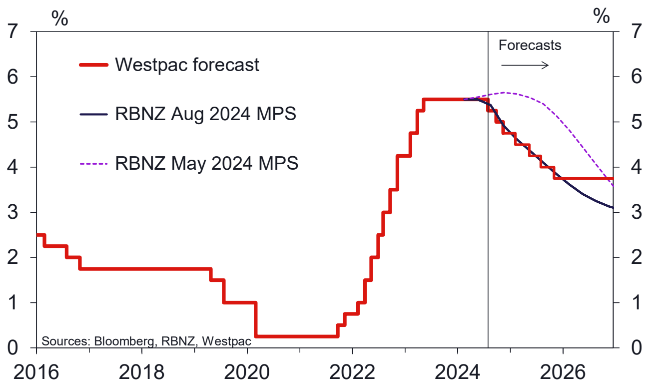
Turning finally to Asia. Japanese GDP surprised to the upside in Q2, the 0.8% gain offsetting Q1's 0.6% decline. Private consumption was the primary support for growth in the quarter, increasing 1.0%. Business investment was similarly robust, up 0.9%. Chinese partial data, in contrast, disappointed again in July. At 5.9%ytd and 3.5%ytd respectively, industrial production and retail sales growth showed no progress from June. And fixed asset investment weakened further, year-to-date growth decelerating to 3.6% from 3.9%, as property investment's contraction accelerated, from –9.9%ytd to –10.2%ytd, and momentum in the strong sub-sectors of high-tech manufacturing and utilities moderated. Adding further pessimism to the view for housing and consumption, new and existing home prices fell another 0.7% and 0.8% in July. There is clearly need for additional policy support into year-end; to boost sentiment, authorities next steps have to take a more active approach and be immediate for consumers and the property sector.

RBNZ turns 180 degrees from May

Kelly Eckhold
Chief Economist NZ

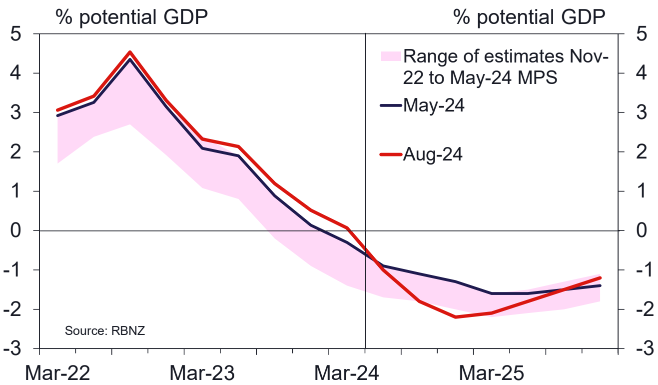
The RBNZ surprised us by cutting the OCR 25 bps at the August Monetary Policy Statement. The surprise was compounded by a relatively dovish forward OCR forecast track that was just contained within the range of scenarios we thought likely when we issued our preview. The RBNZ now projects the OCR to fall much more quickly through 2025 and 2026 than suggested in May and gets closer to their long run neutral OCR level of 2.75-3% earlier than previously expected.

Official cash rate forecasts



Two things have occurred at the RBNZ to generate this significant shift in view. First, and importantly, even though many of the highest profile activity indicators for Q1 2024 printed in line with their May forecasts, the RBNZ has responded to recent weaker higher frequency activity and employment indicators by significantly revising down their GDP forecasts in Q2

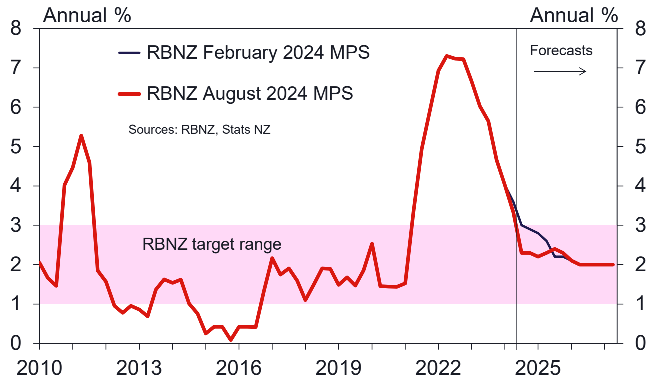
RBNZ output gap estimates since end 2022



and Q3 2024. The RBNZ now sees a much more deeply negative output gap in the coming 6-9 months than they anticipated in May. Indeed, at its deepest point, the RBNZ's current output gap projections are the weakest seen in any Monetary Policy Statement since late 2022. This downgrade generates weaker underlying medium term inflation forecasts, giving room for a faster reduction of policy restriction.

Second, the RBNZ has included the impact of the weaker than expected June quarter CPI and lower pricing intentions and inflation expectations indicators that have emerged since May into their policy view. The impact of these adjustments has made the RBNZ much more comfortable with removing policy restriction much earlier and more quickly than previously signalled. With aggregate CPI inflation forecast to remain well within the 1-3% target range from Q3 2024, the RBNZ feels much more freedom to react to weaker output indicators seen lately with less restrictive interest rate settings.

Consumer price inflation



Having said this though, there is more to the RBNZ's change in view than just updates related to recent data. There is a change in strategy implicit in their August projections which was difficult to really foresee based on their projections in the last year or so. This can be seen most clearly in the much lower forward OCR profile compared to recent forecasts. Certainly, the data and the economic view is weaker than it has generally been in the last year or so. But the forecasts for interest rates are much lower through 2025 and early 2026. This really reflects a change in the weights within the RBNZ's reaction function where now they are putting less weight on getting inflation down as they are more confident that inflation will be inside the 1-3% target range.

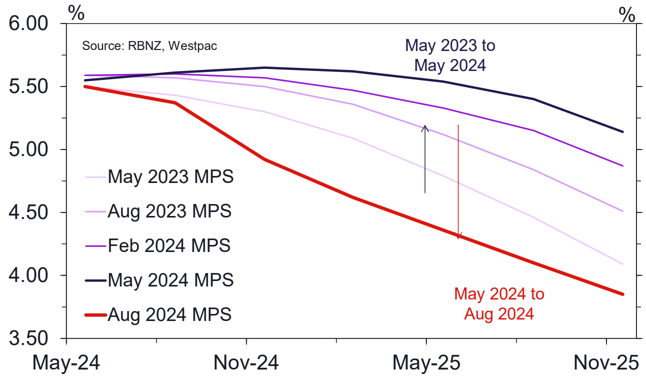
We adjusted our OCR forecasts to reflect the RBNZ's change in strategy. We didn't see much in the RBNZ's policy statement and forecasts that changed our thinking too much. Hence, we have shifted forward our OCR profile by one meeting to reflect the earlier start to easing but have retained the same terminal OCR forecast of 3.75% (which will now be achieved at the end of 2025 as opposed to early 2026). We expect the pace of policy easing to slow down in 2025. We think the RBNZ will adopt a very measured and data dependent approach while continuing to reduce the degree of restriction at each Monetary Policy Statement in 2025.

There will naturally be risks around this new central expected policy path, which means that any forecasts in 2025 remain necessarily indicative. We see these as two-sided and highly dependent on the extent of the bounce-back in activity and housing market indicators over the second half of 2024 and through early 2025, as well as the path of core inflation pressures. Perhaps the most significant deviation between the RBNZ's forecasts and our own is the speed at which non-tradables inflation falls from the end of 2024. We expect that disinflation to proceed more gradually than the RBNZ does, and as such it will likely increase risks that the RBNZ eases more carefully, or perhaps stops easing sooner, through 2025. The RBNZ Assistant Governor was channelling this risk when she noted to Bloomberg on Friday that developments in wage and price setting will be key in driving the appropriate pace of future interest rate cuts.

On the dovish side, a critical near-term risk to the OCR path will be the level of economic activity and the rate of unemployment. Should activity continue to be as weak as experienced in the June month, then prospects for an even more front-loaded easing cycle would increase, with the potential for the RBNZ to take interest rates below our neutral OCR estimate of 3.75% in the latter part of 2025. Similarly, if other factors seem set to drive tradables sector inflation persistently below historical norms such that inflation expectations shift significantly below 2%, then this could open the policy path to a period of below neutral rates.

We have also adjusted our long-term wholesale interest rate forecasts to reflect the changed short-term interest rate profile. We now see 2- and 5-year swap rates bottoming out around current levels over the next few months and then gradually increasing. Our view is that markets will continue to price in a lower terminal OCR for the next 6-12 months but will gradually adjust those

RBNZ OCR forecast profiles since May 2023



views upwards from the current market pricing of below 3% to something closer to our estimate of 3.75% later in 2025 when it should be apparent that the economy is responding to lower interest rates and inflation will settle at or slightly above 2%.

We affirm the exchange rate forecasts included in the August Economic Overview. The key story there was an expectation of NZD underperformance – notably against the Australian dollar – as the macro picture and interest rate cycles are clearly diverging in ways that should undermine the NZD/AUD in the period ahead.

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.

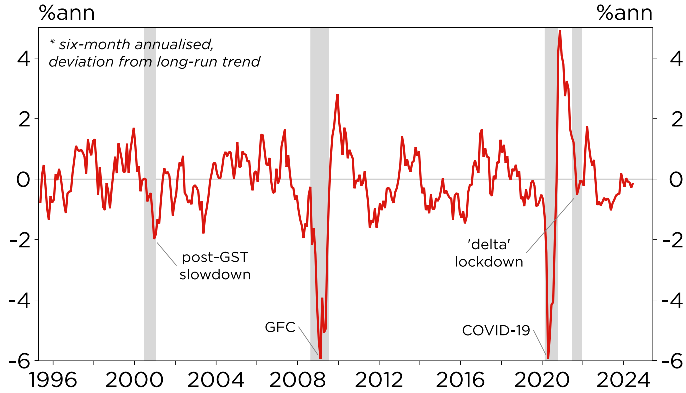
AUS: Jul Westpac-MI Leading Index (%ann)

Aug 21, Last: –0.13%

The Leading Index rose from –0.28% in May to –0.13% in June but remained at a subdued level overall, consistent with lacklustre growth momentum continuing through the second half of 2024 and into early 2025.

The component mix suggest the July read will be fairly similar with mostly small and offsetting changes in the latest month. Note that the updates will include July month-end reads for financial components (equities, the yield gap and commodity prices) so will not be impacted by the sharp moves in the first few weeks of August. To the extent that these sustain, they will feed into next month's index update.

Westpac-MI Leading Index



Source: Westpac-Melbourne Institute

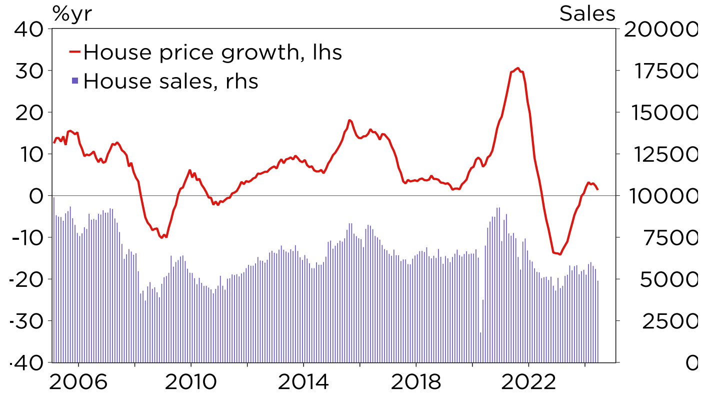
NZ: Jul REINZ House Sales & Prices

Aug 20, Sales, Last: –16.7%mth, –25.6%yr
Aug 20, Prices, Last: –0.1%mth, +1.3%yr

The housing market remained soft in June, with prices edging lower and sales dropping sharply. It's possible that the latter was affected by the Matariki public holiday – there is some evidence that this impacted a range of economic activity indicators over June.

July saw some falls in mortgage rates as the prospect of OCR cuts came on to the horizon. Lower interest rates may help to lift housing turnover on the months ahead, though we suspect that any meaningful impact on prices will be more of a 2025 story.

Housing market remains subdued



Source: REINZ, Macrobond, Westpac Economics

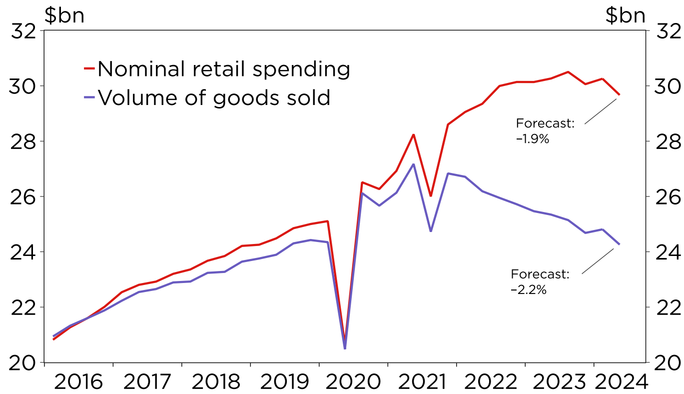
NZ: Q2 Retail Spending (%qtr)

Aug 23, Volumes, Last: +0.5%, Westpac f/c: –2.2%

Conditions in the retail sector have remained weak. Despite a bounce in the March quarter, nominal spending levels have effectively been flat for a year, and the volume of goods that households have been taking home has been trending down for two years now.

We're forecasting a sharp 1.9% fall in nominal spending in the June quarter and a similar sized fall in the volume of goods sold. Nominal monthly spending levels fell sharply over the quarter, with continued financial pressures squeezing households spending appetites.

Retail spending soft as households feel the pinch



Source: Stats NZ, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 19							
NZ	Jul	BusinessNZ PSI	pts	40.2	–	–	Should see some pickup from a remarkably weak June.
Jpn	Jun	Machinery Orders	%mth	–3.2	0.9	–	Pointing to a softer investment pulse H2 2024.
US	Jul	Leading Index	%mth	–0.2	–0.3	–	Speaks to risks around the outlook.
Tue 20							
Aus	Aug	RBA Minutes	–	–	–	–	To provide more colour on the Board's deliberations.
NZ	Jul	REINZ House Price Index	%yr	1.3	–	–	Prices have been nudging down, with listings rising…
	Jul	REINZ House Sales	%yr	–25.6	–	–	… and sales still low.
	Jul	Trade Balance	$mn	699	–	–155	Imports likely to have lifted from a more than 3–year low
Eur	Jul	CPI	%yr	2.5	2.6	–	Final estimate to provide more colour on services.
Wed 21							
Aus	Jul	Westpac–MI Leading Index	%ann	–0.13	–	–	Consistent with lacklustre growth momentum.
US	Jul	FOMC Minutes	–	–	–	–	Participants will closely assess views on risks.
Thu 22							
Jpn	Aug	Jibun Bank Manufacturing PMI	pts	49.1	–	–	Industry still faces a soft underlying pulse for demand…
	Aug	Jibun Bank Services PMI	pts	53.7	–	–	… but robust services sector is a welcome offset.
Eur	Aug	Consumer Confidence	pts	–13.0	–	–	Confidence's recovery is slow but steady.
	Aug	HCOB Manufacturing PMI	pts	45.8	45.6	–	Weak demand has European manufacturing in dire straits…
	Aug	HCOB Services PMI	pts	51.9	51.0	–	… pointing to downside risk to the recovery in H2 2024.
UK	Aug	S&P Global Manufacturing PMI	pts	52.1	–	–	Conditions in the UK are on relatively firmer footing…
	Aug	S&P Global Services PMI	pts	52.5	–	–	… consistent with other evidence of an economic upturn.
US	Aug	S&P Global Manufacturing PMI	pts	49.6	–	–	Offers a similar sectoral perspective to the ISMs…
	Aug	S&P Global Services PMI	pts	55.0	–	–	… but has pointed to stronger conditions.
	Aug	Chicago Fed Activity Index	pts	0.05	–	–	Consistent with growth around trend.
	Aug	Kansas City Fed Index	pts	–13	–	–	Regional surveys highly volatile and generally weak.
	Jul	Existing Home Sales	%mth	–5.4	0.3	–	Affordability and supply headwinds impacting.
		Initial Jobless Claims	000's	227	–	–	To remain low, for now.
		Jackson Hole Symposium	–	–	–	–	On the "Effectiveness & Transmission of Monetary Policy".
Fri 23							
NZ	Q2	Real Retail Sales	%qtr	0.5	–	–2.2	Card spending was down sharply over the June quarter.
Jpn	Jul	CPI	%yr	2.8	2.7	–	Path to sustainable at–target inflation is in sight.
UK	Aug	GfK Consumer Sentiment	pts	–13	–	–	Sentiment has recovered to pre–pandemic levels.
US	Jul	New Home Sales	%mth	–0.6	2.3	–	Affordability and supply headwinds impacting.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (16 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	4.37	4.42	4.42	4.19	3.96	3.73	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.63	3.75	3.70	3.65	3.60	3.55	3.50	3.50	3.50	3.55	3.60
3 Year Bond	3.57	3.70	3.65	3.55	3.50	3.40	3.35	3.30	3.30	3.35	3.40
10 Year Bond	3.94	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)	4	15	15	15	10	10	5	5	5	5	5
United States											
Fed Funds	5.375	5.125	4.625	4.125	3.875	3.625	3.375	3.375	3.375	3.375	3.375
US 10 Year Bond	3.90	3.85	3.75	3.75	3.80	3.90	4.00	4.00	4.05	4.05	4.10
New Zealand											
Cash	5.25	5.25	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75
90 Day Bill	5.25	5.05	4.75	4.50	4.25	4.00	3.85	3.85	3.85	3.85	3.85
2 Year Swap	3.79	3.80	3.90	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
10 Year Bond	4.16	4.20	4.20	4.25	4.30	4.35	4.40	4.40	4.40	4.35	4.35
10 Year Spread to US	26	35	45	50	50	45	40	40	35	30	25

Exchange rate forecasts

	Latest (16 Aug)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
AUD/USD	0.6630	0.66	0.67	0.68	0.69	0.70	0.71	0.72	0.72	0.73	0.73
NZD/USD	0.6020	0.60	0.61	0.62	0.62	0.63	0.63	0.63	0.63	0.63	0.64
USD/JPY	149.05	150	150	148	146	144	142	140	138	136	134
EUR/USD	1.0984	1.10	1.10	1.11	1.12	1.13	1.13	1.14	1.14	1.15	1.15
GBP/USD	1.2879	1.28	1.29	1.30	1.30	1.31	1.31	1.32	1.32	1.32	1.32
USD/CNY	7.1730	7.15	7.10	7.05	7.00	6.90	6.80	6.70	6.60	6.55	6.50
AUD/NZD	1.1018	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	4.1	4.2	4.3	4.4	4.5	4.6	4.6	3.9	4.3	4.6	4.5
Wages (WPI) %qtr	0.9	0.8	0.8	0.7	0.7	0.7	0.8	0.8	–	–	–	–
%yr end	4.1	4.1	3.5	3.2	3.0	2.9	2.9	3.1	4.2	3.2	3.1	3.3
CPI Headline %qtr	1.0	1.0	-0.1	0.8	0.7	0.9	0.9	0.6	–	–	–	–
%yr end	3.6	3.8	2.4	2.6	2.4	2.3	3.4	3.2	4.1	2.6	3.2	2.8
CPI Trimmed Mean %qtr	1.0	0.8	0.8	0.7	0.7	0.7	0.7	0.7	–	–	–	–
%yr end	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	-0.6	-0.2	0.4	0.5	0.5	0.5	0.6	–	–	–	–
Annual avg change	0.2	-0.3	-0.3	-0.3	-0.3	0.1	0.8	1.3	0.6	-0.3	1.3	2.3
Unemployment Rate %	4.4	4.6	5.0	5.3	5.5	5.6	5.6	5.6	4.0	5.3	5.6	4.9
CPI %qtr	0.6	0.4	1.1	0.4	0.5	0.4	0.8	0.5	–	–	–	–
Annual change	4.0	3.3	2.6	2.5	2.4	2.4	2.1	2.2	4.7	2.5	2.2	2.1

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