



Week beginning 2 September, 2024

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: What's going on with Australian consumers?

The Week That Was: Capacity is paramount.

Focus on New Zealand: Bounce-back watch.

For the week ahead:

Australia: Q2 GDP and partials, housing updates (prices, finance, dwelling approvals), trade.

New Zealand: Q2 building work, terms of trade, commodity prices.

China: Caixin PMIs.

United States: ISMs, nonfarm payrolls, unemployment rate, average hourly earnings.

Canada: BoC policy decision.

Information contained in this report current as at 30 August 2024

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.

What's going on with Australian consumers?



Matthew Hassan
Head of Australian Macro-Forecasting

Australia's cost-of-living crisis is well into its third year and, for most consumers, is starting to wear pretty thin. Macquarie Dictionary named 'cozzie livs' word of the year in 2023 (an Australianism if ever there was one!). Twelve months on, and with pressures still bearing down heavily, that sort of light-heartedness could be much harder to come by.

The crisis has come from the 'triple squeeze' of a surge in inflation combining with higher interest rates and a big rise in tax payments. Thankfully, pressures are starting to abate. The July monthly CPI indicator confirmed inflation is tracking a slower pace, the headline rate dropping to 3.5%yr having peaked at more than double that two years ago. Of course, that doesn't mean the squeeze is easing, just that it's no longer ratcheting tighter the way it was. Prices are still rising rather than falling and remain high, both relative to three years ago and to incomes.

Where there is a clearer outright positive improvement is around tax. The 'stage 3' tax cuts that came into effect on July 1 will inject an extra \$23bn into consumers' post-tax incomes over the next year, a boost of 1.5%. That follows a year in which the combination of strong employment gain and fiscal creep saw aggregate household tax payments surge by over \$30bn.

Some easing in the squeeze is the logic behind everyone's economic forecasts currently, including ours and the RBA's. But there are uncertainties, particularly around how much of the tax cut will be spent.

Historical precedents may not apply well to the current context. We saw similarly large tax relief delivered in 2007-09 and in 2000-01. The 2007-09 episode was against a volatile economic backdrop, coinciding initially with a mining boom and an aggressive interest rate tightening then the extreme swings of the GFC.

Meanwhile, the 2000-01 episode was offset and muddied by the GST introduction and the Sydney Olympics. Other instances of fiscal stimulus – stage 1 and 2 of the current tax cuts, and during COVID and the GFC – were more often in the form of targeted lump-sum payments (LMITO and/or direct transfers). Research suggests consumers are much more likely to spend these compared to support that is 'drip fed' over time.

The current situation also has some features that may see a different response. Household balance sheets for example are coming into the current cuts with a more complex mix.

The income supports and 'forced saving' during COVID meant households accumulated a huge savings buffer in aggregate terms, with upwards of \$250bn in additional savings over the whole period. The 'triple squeeze' has now seen about half of that buffer run down.

For many households, any COVID buffer will now be long gone and the tax cut boost is an opportunity to rebuild reserves.

This is something that may be viewed as desirable given the threat of more medium-term cost increases around areas like rent and utilities. Certainly, this was the message that rang through the responses to additional questions on consumers' plans for the extra income from the stage 3 tax cuts, which we ran back in May.

On the other hand though, a portion of consumers still look to have sizeable buffers and many would have also seen net wealth gains from rising house prices (if only on paper). This group may be more inclined to spend tax 'windfalls', though in general are likely to have a lower tendency to spend any additional income.

There is similar uncertainty around the effects of an extended period of declining real income versus a relatively resilient labour market. The former may mean consumers have been setting less aside in regular savings and could use tax cuts to return to a more balanced spending and saving mix. However, the latter may mean consumers are less anxious about job loss and the need to have a contingency fund to see them through a period of unemployment.

How are we to disentangle all of this? Official data gives us some clues. The monthly retail survey has long been one of the earliest gauges of aggregate spending and



more recent initiatives like the ABS Household Spending Indicator and ABS Business Turnover Indicator provide some other, somewhat broader, timely gauges. The ABS has also developed other measures of payrolls and wage earnings based on administrative tax data. However, these tend to provide simple aggregate measures that typically only present one aspect of the household picture – spending, income, or labour market status.

Bank data may help provide a more comprehensive picture of the ‘whole consumer’. The last week has seen the launch of the Westpac-DataX Consumer Panel, a major milestone in how the bank is leveraging Westpac proprietary data to provide research insights. We hope this will help fill the information gap. The Panel is based on the transaction activity and balance sheet information of about a million Westpac customers, making it one of the biggest panel datasets in Australia. Because the data is linked and longitudinal at the unit level, it has the power to disentangle some of the complex behaviours going on across the wider consumer. There are many things going on for each person. A panel makes these a little easier to isolate. Note that privacy is protected at every stage of this process – all data is de-identified and aggregated to protect Westpac’s customers.

The panel results are also very timely. Our first [preliminary report](#), assembled by Westpac economist Jameson Coombs, went out just three weeks after the end of the reference period of July, a week ahead of the ABS measures mentioned above. The focus, understandably, was on any initial impacts from the stage 3 tax cuts. Interestingly, the early findings from both the Panel and other data including the Westpac Card Tracker and the monthly ABS releases all suggest that what boost has come through to incomes so far has mostly been saved rather than spent. There will be much more to come on this going forward, including any deeper insights uncovered by the ‘longitudinal’ nature of the panel.

On the current question around tax cut impacts, we will continue to provide regular updates. Most forecasters are assuming roughly half of the tax relief will end up being spent. But, if the facts on the ground look materially different, we will be sure to let our readers know!

Cliff Notes: capacity is paramount

Illiana Jain, Economist
Ryan Wells, Economist

In Australia, the latest [Monthly CPI Indicator](#) reported an easing in both headline and underlying (trimmed mean) inflation, from 3.8%yr and 4.1%yr in June to 3.5%yr and 3.8%yr in July respectively, broadly in line with expectations. The onset of cost-of-living relief measures were crucial to the latest step-down, as the impact of Commonwealth energy rebates and various state-based measures start to emerge in Queensland, Western Australia and Tasmania. Household electricity prices fell 6.4% in the month, and with policy support to the rest of the states set to follow in August, further declines in electricity prices will be seen in ahead.

As these measures continue to suppress headline inflation over the period ahead, the RBA's focus, from a decision-making perspective, will remain centred on trimmed mean inflation. In a deep-dive [earlier this week](#), we discussed the similarities between our own and the RBA's view on the likely path for core inflation and the differences on perspectives around wages growth and its implications.

In the run-up to Q2 GDP next week, we also received two partial indicators of business investment.

[Construction activity](#) was broadly flat in Q2, lifting just 0.1% higher, although revisions have added roughly 1.3 percentage points to growth in construction of the year to March 2024. The slowdown in private construction activity is still clearly evident, having initially presented via residential construction to now capture non-residential and infrastructure works too. The public sector is providing somewhat of an offset as critical infrastructure projects move into development, following the boost to the pipeline from recent Federal and State Government budgets, seeing construction activity - albeit not growing - remain at a high level.

The [Q2 CAPEX survey](#) subsequently reported a significant downside surprise, declining 2.2% in Q2. The decline was centred on building and structures, down 3.8%, while spending on machinery and equipment fell 0.5%, the non-mining sector being the chief culprit behind the weakness across both segments. On spending intentions, the survey suggests that businesses are still certainly looking to invest in order to build capacity and alleviate constraints, but perhaps not to the same degree of absolute confidence that was seen over the past two years.

The third estimate for 2024/25 CAPEX plans was up 8.2% compared to the third estimate a year ago which in our view, implies a 6.4% rise in nominal CAPEX spending over the financial year, or roughly 3.25% on an inflation-adjusted basis (versus 5.25% at the time of the second estimate).

Our Q2 GDP preview will be published later today on [WestpacIQ](#).

Offshore, there were few releases during the week but conditions across the manufacturing sector signal weak activity ahead.

In July, durable goods orders rose 9.9% mth rebounding from a decline of -6.9% in June. However, this was driven by the often-volatile transportation category, with ex-transport orders falling -0.2%. Looking ahead to August, the regional Fed surveys point to further downside risks for activity.

The Dallas Fed Index rose to -9.7 index points, the highest since January 2023. That said, it remains around 13pts below its 10-year pre-pandemic average. In the details, the 'number of employees' component fell back into the red at -0.7, almost 9 points below the historic average. The sub-components concerning wages, prices paid and prices received all lifted to remain above their historic averages; the latter two, however, suggest some degree of ongoing margin squeeze in the sector.

The Richmond Fed Index fell to -19 index points marking three months of declines. The 'number of employees' component fell for both current and expected conditions. This is consistent with other indicators showing emerging softness in the labour market. Manufacturers' hiring decisions reflect the demure demand outlook.

Looking at the broader economy, Q2 GDP was revised up from 2.8% to 3.0% in annualised terms, driven by stronger consumption (2.9% from 2.3% annualised previously). Despite this, annualised Q2 core PCE inflation was revised down a touch from 2.9% to 2.8% annualised. While notable, the revision is unlikely to sway the FOMC from a cut in September. Forward-looking and more timely data still points to downside risks for the labour market and growth.

Bounce-back watch



Kelly Eckhold
Chief Economist NZ

Financial conditions have eased significantly in the last two months. The weakness in activity data over the May and June period that culminated in a sharp turn to the dovish side from the RBNZ in July and August has been the driver. Short term wholesale swap rates are down around 100bps which has seen mortgage rates fall 50-100bps. In the case of mortgage rates, these are now at levels not seen since late 2022/early 2023. Forward starting wholesale borrowing rates now sit as low as 3.25% – levels not seen since late 2021.

This easing in financial conditions naturally raises the question of how consumers and businesses will react. We have two possible hypotheses for why activity took such a dive in the middle of the year. The first is that it was a natural reflection of the lags from the tightening cycle that concluded in May 2023 and the “peak transmission” of tight monetary conditions on the economy. The second is the weakness stemmed from pessimism among households and businesses that interest rate relief wouldn’t be coming for a while and that adjustment would be required to navigate a prolonged period of tight conditions.

The response to the easing in conditions should tell us something about which hypothesis is most accurate. The RBNZ recognized this when they pointed to the importance of the path of short term “forward looking” indicators in guiding the future path of interest rates. If conditions are just very tight, then the economic response should be modest until a significant easing in actual interest rates occurs. If recent trends are a function of pessimism on when relief will arrive then we should see activity indicators revert to levels closer to where they were earlier in the year.

Last week we saw some initial improvement in the housing market activity, purchasing manager indexes and the “Truckometer” traffic indexes. This week’s data continued the theme of rebound. The strongest result was in the ANZ’s Business Outlook survey. While firms remained downbeat about recent activity levels, the survey showed a sharp lift in headline confidence to a decade-high while firm’s expectations for their own activity a year from now rose to the most optimistic level since 2017.

Firms’ confidence was up across a range of measures, including hiring and investment intentions and expected profits. And to remove any doubt about the source of this newfound optimism, expectations about the availability of credit rose to their second highest since this question was added to the survey in 2009.

In other news, housing consents rebounded strongly from what was likely a holiday-affected June. Consents rose by 26% in seasonally adjusted terms, more than reversing the 17% fall in June. Taking an average of the two months, the trend in homebuilding remains soft – approvals have arguably flattened out in recent months, but at a level that’s around 30% below the peak seen in 2022. The data remains consistent with still weak construction activity for a while yet. There is uncertainty about how long it will take for lower interest rates to begin to drive house prices higher, in turn bringing developers off the sidelines. We do see a marked pickup in mortgage applications volumes since early July, perhaps indicating we are in the early stages of that recovery.

Consumers appeared more confident in August. The ANZ Consumer Confidence Index rose 4pts in August after a 5pt rise in July, thus correcting the sharp fall seen from March to June. Consumers still look very cautious compared to businesses.

The most negative indicator seen this week (but still less weak than feared) were the tax-based jobs data for July. These fell 0.1% m/m – the fourth straight monthly decline – leaving filled jobs down 1.1% from their March 2024 peak. This is a weak trend in such a short period considering filled jobs fell by 5% over the much longer Global Financial Crisis period. These data suggest we will see weak employment growth in the Q3 HLFS and are consistent with our forecast of a rise in the unemployment rate from 4.6% to 5%.

The overall assessment is that we think the RBNZ will be generally relieved at the signs that the move to policy easing is having an impact. We suspect these sorts of trends, if sustained, reduce the risk of 50bps cuts coming at the remaining meetings in 2025.

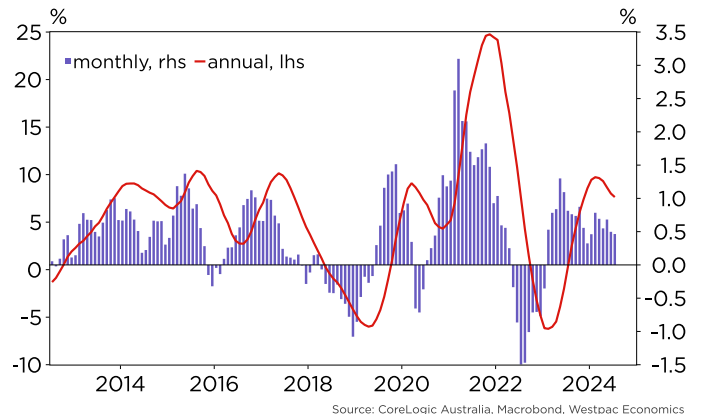
AUS: Aug CoreLogic Home Value Index (%mth)

Sep 2, Last: 0.5, Westpac f/c: 0.6

The CoreLogic home value index rose 0.5% in July matching the gain in June and continuing the step-down in momentum evident since late 2023. Annual price growth ticked down to 7.9%yr, from a peak of 10.8%yr in Feb. The detail continued to show a widening divergence across cities with strong price gains in Brisbane, Adelaide and Perth more subdued gains in Sydney and some modest price slippage in Melbourne.

August will show a very similar pattern. The CoreLogic daily index points to a 0.6% rise for the month, which would take annual price growth to 7.7%yr.

Annual house price growth moving off peak



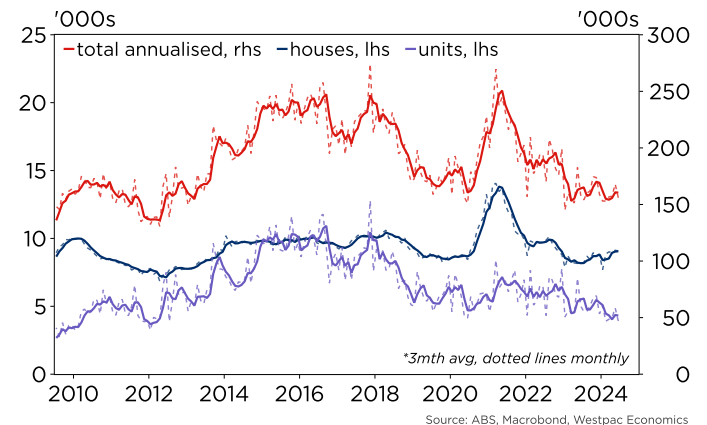
AUS: Jul Dwelling Approvals (%mth)

Sep 2, Last: -6.5, Westpac f/c: 2.5
Mkt f/c: 2.5, Range: -2.7 to 5.0

Dwelling approvals fell 6.5% in June, unwinding most of the 7.3% rise over the previous two months, most of the drop coming in the volatile 'units' segment, the 'high rise' sub-component dropping to a new post-GFC low. Approvals overall are bumping around 12yr lows nationally, WA the only state showing a sustained uptrend.

HIA new home sales weakened again in July as a pull-forward in Feb-Apr continued to unwind. This is likely to see another soft result for detached house approvals. However, unit approvals should move off their extreme lows, giving a muted 2.5% rise in approvals overall.

Dwelling approvals bumping around 12yr lows



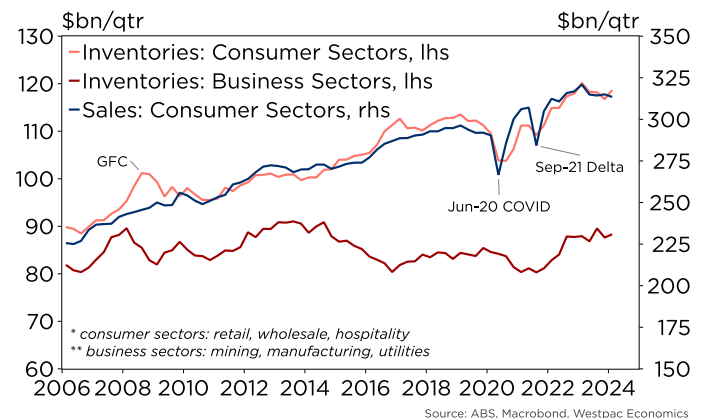
AUS: Q2 Inventories (%qtr)

Sep 2, Last: 1.3, Westpac f/c: -0.3 (-0.5ppt cont'n)
Mkt f/c: -0.2, Range: -1.4 to +1.0

Westpac expects inventories fell 0.3% in Q2, detracting 0.5ppts from GDP growth. This represents a sharp turnaround from the +0.5ppt contribution to growth in Q1.

Private non-farm business inventories are expected to drive the turnaround, following the significant slowing of consumer and intermediate goods imports after Q1. This suggests firms are using accumulated inventory from last quarter to meet demand. We expect this occurred across the consumer and business services sector and to a lesser extent, the mining sector. Public inventories should partly retrace Q1's fall, as stockpiles of medicines, vaccines and other health products are rebuilt.

Inventories set to detract from GDP growth



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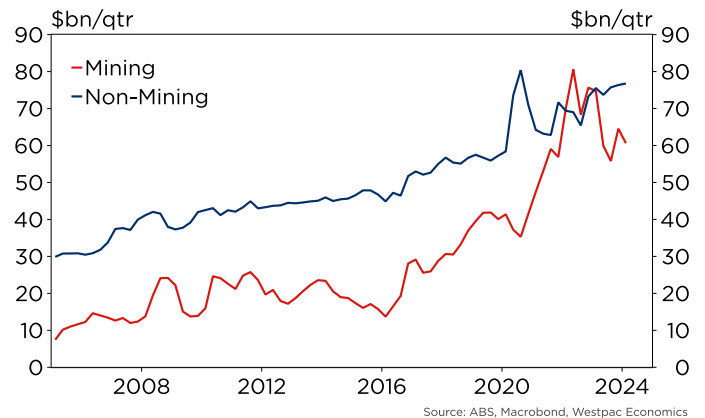
AUS: Q2 Company Profits (%qtr)

Sep 2, Last: -2.5, Westpac f/c: -2.0
Mkt f/c: -0.5, Range: -5.0 to +3.0

Company profits are anticipated to have fallen 2.0% in Q2, weighed down by the mining sector. Commodity prices have fallen in AUD terms since Q1, and trade data suggests the value of non-rural exports declined by around 3.6% in Q2. Rural export values also fell by 5.1%.

Non-mining turnover was slightly positive in the Q2, which could partly offset the softness in mining profits. However, the costs equation is largely unknown, leaving room for non-mining profits to swing either way. On balance, we expect a slight decline in non-mining profits, consistent with the evidence presented in the latest [Westpac Quarterly Business Snapshot](#).

Mining profits fall as commodity prices ease



AUS: Q2 Net Exports (ppts contribution)

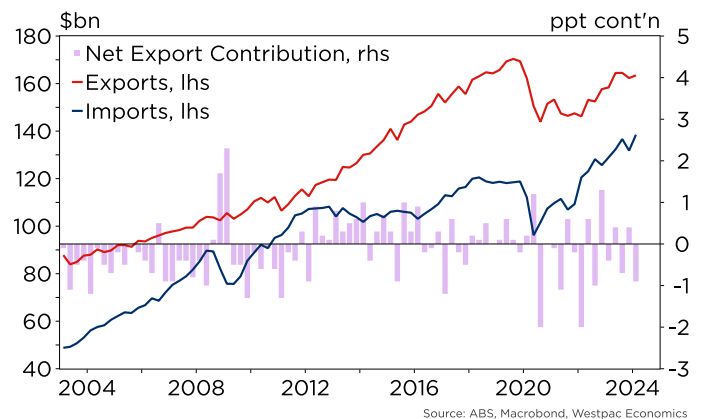
Sep 3, Last: -0.9, Westpac f/c: +0.6
Mkt f/c: +0.6, Range: -0.6 to +0.9

Net exports are expected to swing from a sizeable negative for March quarter activity (-0.9%), to a positive in Q2 - a forecast +0.6 ppts contribution to activity.

Exports are expected to grow by +3.0% in Q2, following growth of 0.7% last quarter. Higher exports are expected to be driven by both goods, as well as higher export of travel services. Import volumes are expected to increase by +0.8% in Q2 based on international goods trade data. This follows an increase of 5.1% last quarter.

Caveat: monthly services data has been discontinued and while arrivals data is available, there are many more unknowns than before.

Net export contributions are a swing factor



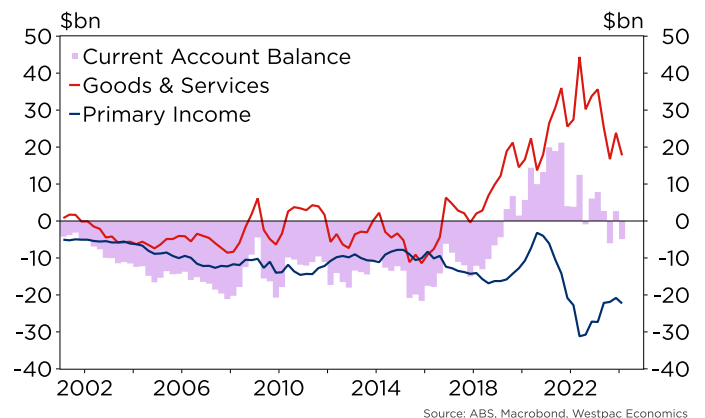
AUS: Q2 Current Account Balance (\$bn)

Sep 3, Last: -4.9, Westpac f/c: -10.0
Mkt f/c: -5.5, Range: -10.0 to 9.0

The current account balance slid into deficit in Q1, at -\$4.9bn. Significant revisions to prior data - following updated information on Australian tourism spending abroad - have seen prior surpluses have been revised down materially, with some quarters dipping into deficit.

For Q2, we anticipate the current account deficit to have widened to -\$10bn. This mostly captures the significant narrowing in the goods trade surplus over the past three months, as commodity prices continued to unwind significantly. We also expect a slight narrowing in the services trade deficit, but there remains significant uncertainty on this front.

Deficit expected to widen further



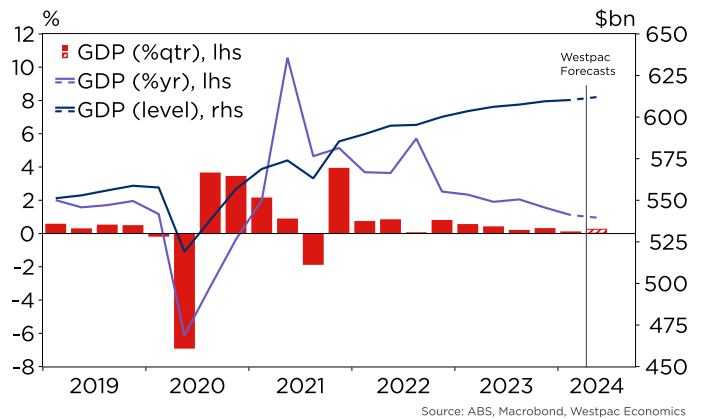
AUS: Q2 GDP (%qtr)

Sep 4, Last: 0.1, Westpac f/c: 0.3
Mkt f/c: 0.2, Range: 0.1 to 0.5

We expect GDP to have grown by 0.3% in Q2. This would see annual growth ease to 1.0% in Q2 – the softest growth momentum since the early 1990s recession. The domestic demand impulse (spending by consumers, businesses, and governments) is expected to remain weak, edging 0.2% higher for the second consecutive quarter.

Underlying our forecast for domestic demand is: consumer spending +0.2%, housing investment 0.0%, business investment -0.1%, and new public demand +0.5%. For more detail, see our [Q2 GDP Preview](#).

Q2 GDP growth forecast 0.3%qtr, 1.0%yr



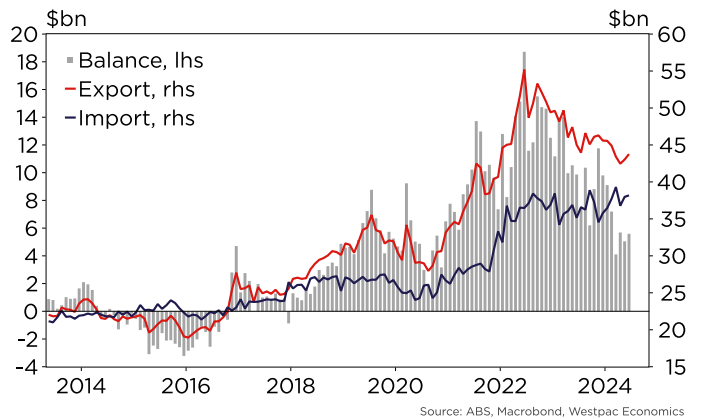
AUS: Jul Goods Trade Balance (\$bn)

Sep 5, Last: 5.6, Westpac f/c: 5.0
Mkt f/c: 5.0, Range: 4.5 to 6.2

In June, Australia's goods trade surplus widened to \$5.6bn in June from \$5.1bn in May (revised lower from \$5.8bn). Most of the surprise relative to expectations can be pinned on the annual review of seasonal adjustment factors. This saw a massive -\$1.1bn wiped off the goods surplus (decrease in exports) over April and May, most of which was added back to Q4 2023.

For July, we expect a narrowing of the surplus to \$5.0bn. Exports looked to have softened in the month, both with respect to prices (RBA commodity price index down 0.2% in July) and volumes.

Goods surplus narrows as prices ease



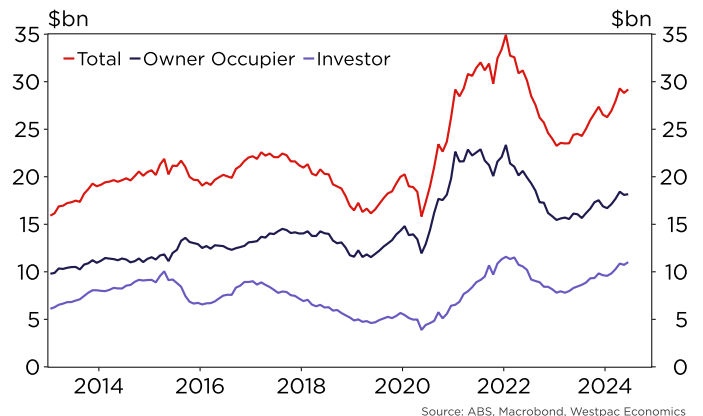
AUS: Jul Housing Finance Approvals (%mth)

Sep 6, Last: 1.3, Westpac f/c: 1.0
Mkt f/c: 1.0, Range: flat to 2.0

The value of new housing finance approvals rose 1.3% in June, reversing most of May's 1.7% decline to be up 19%yr.

The last few months has seen a minor consolidation in a well-established up-trend. That said, the trend is likely to moderate as turnover flattens and price gains slow. Construction-related loans are also likely to remain soft near term in line with recent moves in dwelling approvals. Overall, we expect total new finance approvals to rise 1% in July in value terms, investor loans (+2%) again outstripping owner occupier loans (+0.4%), and growth in loan volumes likely to be more subdued (around 0.5% mth).

Uptrend set to moderate as cycle matures



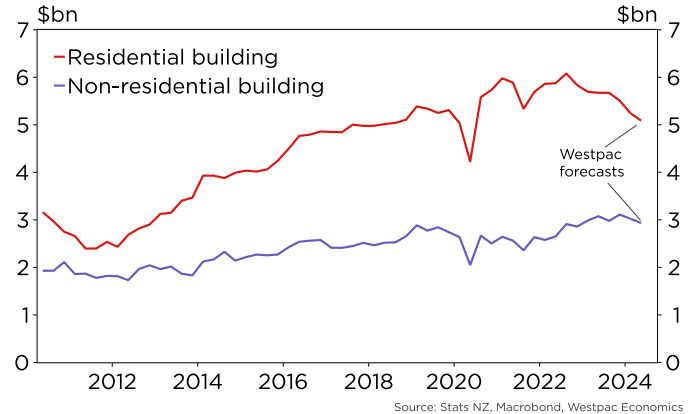
NZ: Q2 Building Work Put in Place (%qtr)

Sep 6, Last: -4.0%, Westpac f/c: -3.0%

Building activity fell 4% in the March quarter as residential construction continued to fall and non-residential building also took a leg down. We expect further declines in both areas in the June quarter with tough financial conditions and low business confidence weighing on new development.

The key area of uncertainty is non-residential construction which can be volatile on a quarter-to-quarter basis. But smoothing through such quarterly noise, the direction for building activity is down.

Pipeline of building work running down



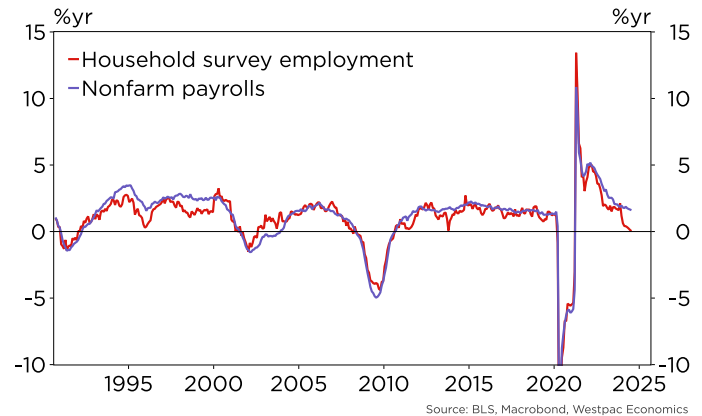
US: Aug Employment Situation Report

Sep 6, Payrolls, Last: 114k, Westpac f/c: 160k
Mkt f/c: 165k, Range: 120k to 195k

Nonfarm payrolls surprised to the downside in July, gaining just 114k in the month with -29k in back revisions to May and June. Since the July report, the BLS has also reported that the level of nonfarm payrolls at March 2024 will be revised down by around 818k in early 2025 when the annual revision is finalised. Incorporating all of this data, demand and supply look to be in balance.

Household employment, the ISM surveys and anecdotes point to growing downside risks. It is unsurprising then that the FOMC have pivoted their focus to activity. Ahead, slack in the labour market will grow, dampening wage gains. Though we expect job and wage growth to remain robust over the coming year.

Labour market is in balance



What to watch

	For	Data/event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 02							
Aus	Aug	CoreLogic Home Value Index	%mth	0.5	-	0.6	Prices soft in Melb but still surging in Bris-Adel-Perth.
	Q2	Inventories	%qtr	1.3	-0.2	-0.3	Inventories set to detract from activity growth.
	Q2	Company Profits	%qtr	-2.5	-0.5	-2.0	Mining profits moderating as commodity prices ease.
	Jul	Dwelling Approvals	%mth	-6.5	2.5	2.5	Bumping around 12yr lows.
	Aug	ANZ-Indeed Job Ads	%mth	-3.0	-	-	Pointing to balance returning to labour market.
	Aug	MI Inflation Gauge	%yr	2.8	-	-	Provides a general view of risks.
Chn	Aug	Caixin Manufacturing PMI	index	49.8	50	-	High-tech manufacturing strong; other sub sectors soft.
World	Aug	S&P Global Manufacturing PMI	index	-	-	-	Final estimate for Japan, Europe, UK,
Tue 03							
Aus	Q2	Net Exports (Cont'n)	ppts	-0.9	+0.6	+0.6	Net exports remain a key swing factor for growth.
	Q2	Current Account Balance	\$bn	-4.9	-5.5	-10.0	Deficit expected to widen as commodity prices ease.
NZ	Q2	Terms Of Trade	%qtr	5.1	2.7	3.2	Strong lift in meat and dairy export prices.
US	Jul	Construction Spending	%mth	-0.3	0.1	-	Weakness to persist due to costs and uncertainty.
	Aug	ISM Manufacturing	index	46.8	48.1	-	Manufacturing weak and outlook a headwind for jobs.
Wed 04							
Aus	Q2	GDP	%qtr	0.1	0.2	0.3	Growth to remain sluggish, domestic demand weak.
NZ	Sep	GlobalDairyTrade Auction	%chg	5.5	-	-	Futures prices up further since strong late Aug auction.
	Aug	ANZ Commodity Prices	%mth	-1.7	-	1.0	Strong lift in world dairy prices in August.
Chn	Aug	Caixin Services PMI	index	52.1	52.1	-	Consumers concerned over outlook.
US	Jul	JOLTS Job Openings	000s	8184	-	-	Back in line with pre-pandemic averages.
	Jul	Factory Orders	%mth	-3.3	4.7	-	Ex transport, demand is weak.
	Sep	Federal Reserve's Beige Book	-	-	-	-	An update on economic conditions across the regions.
Can		Bank of Canada Policy Decision	%	4.50	4.25	-	Easing cycle to continue through 2025.
World	Aug	S&P Global Services PMI	index	-	-	-	Final estimate for Japan, Europe and UK.
Thu 05							
Aus	Jul	Trade Balance	\$bn	5.6	5.0	5.0	Goods surplus is narrowing as prices ease.
		RBA Governor Bullock	-	-	-	-	Speech to The Anika Foundation, Sydney 12:00pm AEST.
NZ	Aug	CoreLogic Home Value Index	%mth	-0.5	-	-	Revamped index shows price falls in the last five months.
Eur	Jul	Retail Sales	%mth	-0.3	0.1	-	Consumers to slowly regain their footing.
US		Initial Jobless Claims	000s	231	-	-	Demure, for now.
	Aug	ISM Non-Manufacturing	index	51.4	51.4	-	Consumers remain resilient.
Fri 06							
Aus	Jul	Housing Finance	%qtr	1.3	1.0	1.0	Upturn moving through a minor consolidation ...
	Jul	Owner Occupier Finance	%qtr	0.5	-	0.4	... moderating as turnover flattens, price gains slow ...
	Jul	Investor Finance	%qtr	2.7	-	2.0	... investor lending to continue outperforming.
NZ	Q2	Building Work Put In Place	%qtr	-4.0	-2.7	-3.0	Residential and non-res work both continuing to soften.
Jpn	Jul	Household Spending	%mth	-1.4	1.2	-	Wages yet to support a pick up in spending.
Eur	Q2	GDP	%qtr	0.3	0.3	-	Growth to return to trend in time.
US	Aug	Non-Farm Payrolls	000s	114	165	160	Demand and supply now balanced; risks skewed down.
	Aug	Unemployment Rate	%	4.3	4.2	4.3	Unemployment rate to drift up over next 12 months.
	Aug	Average Hourly Earnings	%mth	0.2	0.3	0.2	Slack to weigh on wage growth.

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Economic & financial forecasts

Interest rate forecasts

	Latest (30 Aug)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Australia											
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	3.60	3.75	3.70	3.65	3.60	3.55	3.50	3.50	3.50	3.55	3.60
3 Year Bond	3.56	3.70	3.65	3.55	3.50	3.40	3.35	3.30	3.30	3.35	3.40
10 Year Bond	3.96	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
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	3.86	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	5.23	5.05	4.75	4.50	4.25	4.00	3.85	3.85	3.85	3.85	3.85
2 Year Swap	3.94	3.80	3.90	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
10 Year Bond	4.29	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	43	35	45	50	50	45	40	40	35	30	25

Exchange rate forecasts

	Latest (30 Aug)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
AUD/USD	0.6802	0.66	0.67	0.68	0.69	0.70	0.71	0.72	0.72	0.73	0.73
NZD/USD	0.6256	0.60	0.61	0.62	0.62	0.63	0.63	0.63	0.63	0.63	0.64
USD/JPY	144.99	150	150	148	146	144	142	140	138	136	134
EUR/USD	1.1076	1.10	1.10	1.11	1.12	1.13	1.13	1.14	1.14	1.15	1.15
GBP/USD	1.3172	1.29	1.29	1.30	1.30	1.31	1.31	1.32	1.32	1.32	1.32
USD/CNY	7.0933	7.15	7.10	7.05	7.00	6.90	6.80	6.70	6.60	6.55	6.50
AUD/NZD	1.0874	1.10	1.10	1.10	1.11	1.12	1.13	1.14	1.14	1.14	1.14

Australian economic growth forecasts

% Change	2024				2025				Calendar years			
	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	0.3	0.4	0.7	0.9	1.1	0.7	-	-	-	-
%yr end	3.6	3.8	2.9	2.6	2.4	2.3	3.2	3.5	4.1	2.6	3.5	2.8
CPI Trimmed Mean %qtr	1.0	0.8	0.8	0.7	0.8	0.7	0.7	0.7	-	-	-	-
%yr end	4.0	3.9	3.5	3.4	3.1	2.9	2.8	2.9	4.1	3.4	2.9	2.6

New Zealand economic growth forecasts

% Change	2024				2025				Calendar years			
	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

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.



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