



Week beginning 23 September, 2024

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Fed starts at a sprint, but the finish line is uncertain.

The Week That Was: 50 proves the magic number.

Focus on New Zealand: More of the same.

For the week ahead:

RBA: policy decision, half-yearly financial stability review.

Australia: Monthly CPI Indicator, job vacancies.

New Zealand: Westpac-MM Employment Confidence, trade balance, consumer confidence.

China: industrial profits.

United States: personal income and spending, PCE deflator, durable goods orders, consumer confidence, housing updates (sales, prices), regional manufacturing surveys.

Global: S&P Global PMIs.

Information contained in this report current as at 20 September 2024

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Fed starts at a sprint, but the finish line is uncertain



Luci Ellis
Chief Economist, Westpac Group

The US Federal Reserve has started its cutting cycle with an outsized 50 basis point move. This was larger than what we had expected, though the direction and timing was obvious. Starting with 50 basis points is what you do when you want to get to where you need to go as soon as you reasonably can. The counterargument to this approach is that you might not want to risk scaring the horses with an outsized move that hints you think something is seriously wrong with the US economy. These are matters of judgement. Not all the FOMC members were persuaded, with Michelle Bowman dissenting.

The former central banker in me expected that Fed policymakers would not want to risk another episode of market volatility and economic catastrophising like the one seen a few months ago, and so would choose the more conservative approach. It turns out that you can word up key people in the media to soften the surprise factor. (This is another thing that does not sit well in the Australian context, where a media leak would be a conduct issue.)

For the record, the Fed's outsized cut has no implications for the RBA's decision next week or at subsequent meetings. As we have [noted in the past](#), because Australia has a floating exchange rate, the RBA can set monetary policy here according to domestic circumstances. We continue to expect the RBA to hold rates next week and for the rest of the year.

Sprint first, then dawdle

The Federal Reserve does not need to be in a hurry. The US economy is not slowing precipitously, and growth in US real consumer spending remains robust. Indeed, the median FOMC member only expects to cut a further 50 basis points over the next two meetings, and a notable fraction of members expect only 25 basis points.

Central banks are characterising their rate cutting cycles as normalisation cycles. Policy had needed to be tight to address the high inflation stemming from the pandemic supply shocks and the policy-related demand shock that occurred in response to the pandemic. Now that inflation is close to target in many economies, policy does not need to be as tight as it was. And as we have explained before, because policy works with a lag, central banks need to start normalising before inflation is all the way back to target.

If the objective is to normalise, typically that would call for a measured initial response. By moving more quickly initially, the Federal Reserve has broken the mould to an extent. And they took this approach despite the exuberant equity market and other measures that suggest US financial conditions are not that tight. The FOMC members have also taken this approach to the early phase of the rate-cutting cycle even though the 'dot plots' that accompanied the announcement suggest the Fed funds rate will not return to neutral levels until 2026.

This 'sprint first, then dawdle' implied future path for the US can be reconciled by the considerable uncertainty implied by the members' projections for the long-run level of the Fed funds rate, a proxy for their view of neutral.

“If you know exactly how far you need to go, you can get there quickly, but if you are unsure of your destination, tread more carefully.”

A rapid reversion to a level still a bit above neutral and slow from there makes sense in that situation. It is also consistent with our existing expectations that the pace of decline in the Fed funds rate would be faster in the first six months of the cycle than the second.

Many forces are lifting neutral

The FOMC's uncertainty about the level of the neutral policy rate is warranted, more to the upside than down. Their latest forecasts upgraded their estimate, but it is not clear if they have gone far enough; the methods central banks use to estimate neutral policy rates are inherently incremental. A deeper look at underlying developments suggests that there are a range of global factors pushing in the direction of the global rate structure being higher than it was in the period between the Global Financial Crisis and the pandemic.

Among these factors are the geopolitical and sociological forces that are pushing towards larger public sectors in advanced economies. The [IMF has recently noted](#) political support coalescing behind greater government spending. The root causes are multifaceted.

Geopolitics is now more multipolar, with the United States and China treating each other as strategic rivals rather than purely as trade partners. This pushes governments to boost spending on defence and national security, as well as expanding strategic manufacturing capability. Population ageing is also necessitating more health-related spending. Governments are also heavily involved in investing in the energy transition, along with the private sector.

More broadly, we see a sociological shift towards greater demand for – or at least tolerance of – government intervention in the economy to forestall risks and harms that sections of the community perceive. The pandemic may have amplified that shift. In Australia, at least, [higher public demand and taxation](#) have become a trend in recent years.

The balance of investment and saving in the private sector has also tilted towards more investment. Like governments, the private sector needs to execute on the energy transition, adopt energy-intensive innovations in AI and adapt to changing patterns of trade. There also might be more scope to fund investment, noting that the global banking sector is no longer in the mode of building up capital to meet new Basel requirements, as it was in the period between the GFC and the pandemic.

All these forces mean that investment demand is stronger relative to the past. While the Asian region remains an important source of saving, it is not an even bigger source than it was during the period of the so-called '[global savings glut](#)'. The net is therefore likely to be a tilt towards investment relative to saving. The way that the demand for and supply of funding for investment equilibrates is through a higher structure of global interest rates. This implies a higher risk-free 'neutral' rate. It might also have implications for things like average term premia and risk premia.

There are some forces pushing in the other direction. For example, global goods inflation is likely to remain low given weak domestic demand in China and the approach the authorities there are taking to growth and development, principally by boosting manufacturing supply capacity. The additional investment involved would tend to boost the global neutral real rate. However, the disinflationary impact means that actual nominal rates could be lower than otherwise, even if neutral rates are not.

Also working in this direction, population ageing is tending to boost participation and labour supply rather than reduce it in most western economies – though not the United States; we saw more evidence of this in the [rising trend in participation](#) here in Australia this week.

As well as being disinflationary, abundant labour supply relative to population means less incentive to invest in labour-saving technologies. This is not so great for global productivity but could help offset increases in investment demand from other sources.

At this stage, though, we think the net of all these forces takes the global structure of interest rates higher than it was pre-pandemic. Indeed, we think neutral rates are more likely to be in the low to mid 3% range than the high 2% level implied by the Federal Reserve's current projections.

Cliff Notes: 50 proves the magic number

Elliot Clarke, Head of International Economics

Illiana Jain, Economist

Ryan Wells, Economist

The main update for Australia this week was August's [Labour Force Survey](#). The result again emphasised the strength of labour demand, with employment growing by 47,000, ahead of the 37,000 estimated increase in the labour force. The unemployment rate was unchanged in the month at 4.2%, but only just; at 2 decimal points it declined from 4.24% to 4.16%. The continued meeting of demand with supply points to a broadly balanced labour market and resilient economy, justifying an expectation that economic growth will accelerate in 2025 as inflation abates and the RBA is able to ease policy.

Experiences across the economy are varied, however, as evinced by the latest [ACCI-Westpac Survey of Industrial Trends](#). Australian manufacturers – whom have largely been at the coalface of the discretionary spending slowdown – previously reported difficulties in sourcing skilled labour and now declines in employment, utilising remaining staff at a higher rate when necessary. That stands in contrast to industries providing essential services – such as healthcare and social assistance – which continue to experience persistent growth and thus an ongoing need to increase headcount. Detailed industry-level labour market data, available next week, will provide a better understanding that these underlying imbalances and the risks they pose.

For domestic manufacturing, there were some constructive developments in the latest survey. Businesses have been able to find some pockets of demand over the last six months, seeing new orders increase and output growth remain positive. With demand conditions likely to improve over the year ahead as headwinds abate, manufacturers are eager to invest in buildings, plant and equipment, with a greater degree of confidence than seen prior. The desire to expand capacity and improve the flexibility of their supply chains is understandable given volatile cost pressures and persistent difficulties in obtaining materials and labour.

Next week, we will receive a key partial update on inflation with the August Monthly CPI Indicator. Our [preview](#) is now available.

Offshore, markets were focused on the FOMC as it kicked off its long-awaited easing cycle. The BoE in contrast marked time ahead of revised forecasts in November.

At the conclusion of its September meeting, the [FOMC](#) decided to cut rates by 50bps to start this easing cycle, bringing the fed funds rate target range to 4.75-5.00%. Chair Powell's remarks emphasised that the outsized move was a response to balancing risks and so as to not

“get behind” with policy. The FOMC's revised forecasts also made clear members remain constructive on the outlook, the labour market characterised as ‘solid’ and expected to remain that way, with the unemployment rate to peak only 0.2ppts above the current level at 4.4%. Annual GDP growth is also forecast to be 2.0% in 2024 through 2027, slightly above the Committee's ‘longer run’ estimate of trend growth of 1.8%. As a result, the FOMC projects a slow normalisation after a rapid start, with another 50bps of cuts seen by end-2024 (noting two meetings remain in 2024), then a further 150bps through 2025 and 2026 to 2.9%, the FOMC's current estimate of neutral.

[We expect US growth](#) to modestly disappoint the FOMC's forecasts, but also see lingering risks for inflation. We therefore see the fed funds rate reaching a low of 3.375% for this cycle in late-2025, with that rate then held through 2026. [Chief Economist Luci Ellis'](#) essay this week focuses not only on the next steps for central banks but also the determinants of neutral and the global rate structure into the medium term.

Across the Atlantic, as widely expected, the [Bank of England](#) kept rates steady in an 8-1 vote in September. Messaging from the Monetary Policy Summary was hawkish, emphasising a need to ‘squeeze persistent inflationary pressure’ and risks to the inflation outlook. The Monetary Policy Committee considered three cases; the first saw policy eased quickly as weaker headline inflation fed through to pay and price-setting, while the second saw economic slack discouraging price growth, and the third considered a structural change in the price-setting mechanism, necessitating tighter policy for longer. Central to all three was the uncertainty surrounding price and wage determination. Policy easing is therefore expected to be ‘gradual’ through the rest of 2024 and in 2025 and, all the while, to remain data dependent. On that front, earlier in the week, the August CPI rose 0.3% and 2.2% from a year ago. The annual figure is below the BoE's forecast of 2.4%. Annual services inflation remains stubborn and elevated however, at 5.6%.

Coming back close to home, [New Zealand's economy](#) contracted 0.2%qtr in Q2, less than both our and the RBNZ's expectations. Activity was mixed across industries with over half recording declines. Support came from non-food manufacturing, up 4.0% in the quarter but this was more than offset by weakness in consumer-oriented industries like retail and hospitality. In spite of this, household spending rose 0.4%qtr, largely due to spending on essential items such as groceries. Exports were a drag, falling 4.4%qtr after a strong rise in Q1. ▶

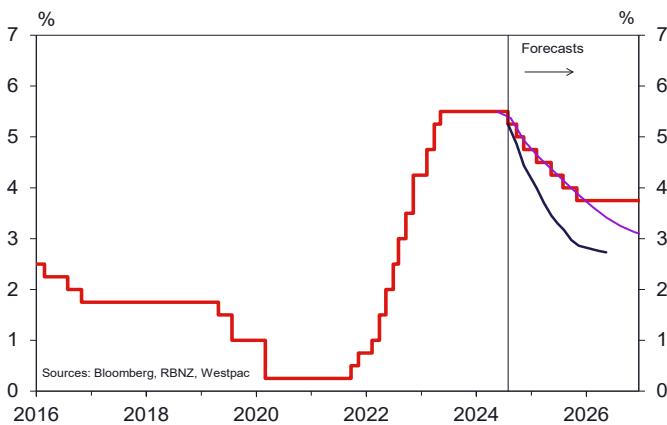
More of the same



Satish Ranchhod
Senior Economist

With economic activity continuing to contract, questions are swirling around how far and how fast the RBNZ will cut rates over the coming year, especially in the wake of the FOMC's larger than expected cut this week. Financial markets are pricing in a series of rapid rate cuts, including at least one 50bp cut before the end of this year. However, we expect that the RBNZ will continue to move in measured 25bp steps, with a further 50bps of cuts this year and another 100bps over 2025.

RBNZ Official Cash Rate forecasts

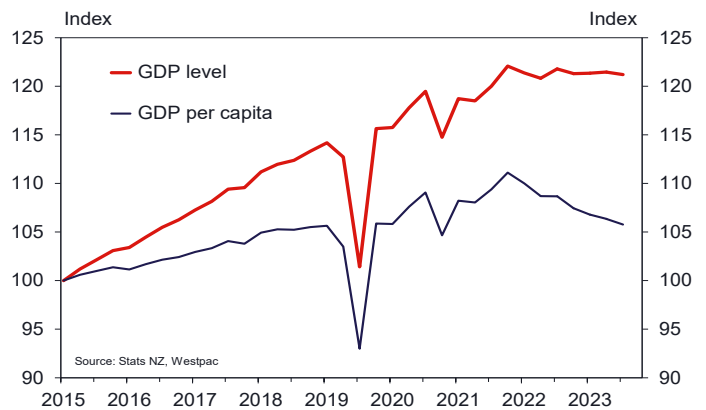


This week's update on GDP showed that economic activity in New Zealand shrank by 0.2% in the June quarter, leaving activity down 0.5% on where it was a year ago. While that is obviously not a great result, June's decline was not as weak as we or the RBNZ had feared. We were expecting a 0.4% fall. Similarly, the RBNZ had factored in a 0.5% contraction in its August policy statement forecasts.

Stepping back and looking at the longer-term trends, economic activity in New Zealand has effectively been tracking sideways for two years now, with parts of the economy like the hospitality and retail sectors doing it tough. On a per capita basis, economic activity has now dropped back to the levels seen just prior to the pandemic.

But while the economy is far from being 'strong,' the June quarter result will have been a welcome relief for the RBNZ. Ahead of the release, a range of higher frequency indicators (such as the PMIs) had deteriorated sharply, signalling the possibility that the economy had entered a much tougher period.

NZ production GDP level



Instead, this week's GDP report showed that although the economy is continuing to contract, the pace of that decline remains gradual and no worse than we've seen in recent quarters.

We expect that economic growth will remain subdued through the back part of this year, with unemployment continuing to push higher. We also expect that inflation will fall below 3% in the September quarter for the first time in three years, and that it will track close to 2% over the year ahead.

Given that softening in economic conditions, we're forecasting that the RBNZ will cut the OCR by 25bps at each of its next two meetings, with further gradual cuts pencilled in for 2025. That would see the cash rate falling to 3.75% by the end of next year.

In contrast, financial markets are pricing in the chance of more front-loaded rate cuts. Market pricing is currently consistent with at least one 50bp cut this year, and deeper cuts over 2025. Those expectations were reinforced by this week's 50bp cut from the US Federal Reserve.

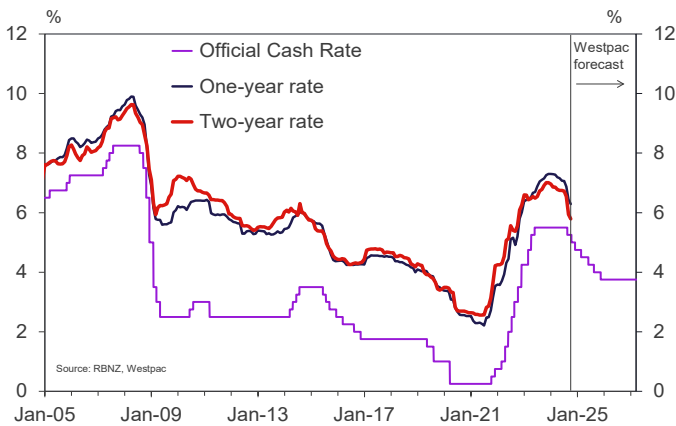
While we will be watching economic conditions closely over the coming months, we don't think the tone of recent data in New Zealand indicates the need for the RBNZ to step up the pace of easing beyond what they signalled in their August statement (shown in the chart above).

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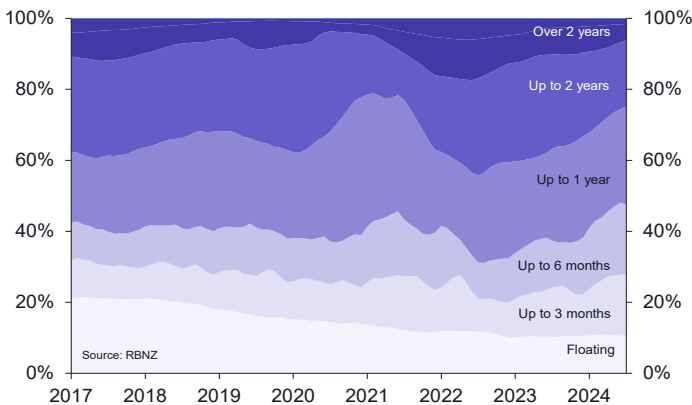
In terms of the starting point for the economy, the June quarter GDP report was slightly ahead of the RBNZ's expectations. In addition, several high frequency indicators that pointed to weakening activity in the middle part of the year have picked up again, such as the PMIs and building consent issuance. While still weak, they're consistent with a further gradual cooling in activity, rather than a sudden deepening downturn in growth.

Meanwhile price pressures have been easing in line with the RBNZ's forecasts. Although the latest monthly updates from StatsNZ have shown some softness, that has mostly been because of volatile items, like the cost of travel and accommodation, which aren't the key focus of policy. More broadly the direction of travel looks consistent with the RBNZ's forecasts for inflation to trend back to target over the year ahead. Our own discussions with businesses have highlighted ongoing pressure on operating costs.

How much mortgage relief is coming?



NZ share of mortgages by time of refixing



Importantly, even though the RBNZ has only cut the OCR by 25bps thus far, borrowing costs for households have fallen much more sharply. Since 31 July (before the RBNZ's August OCR cut), one-year fixed mortgage rates have fallen by around 60bps and two-year fixed mortgage rates have fallen by 75bps.

It's also worth noting that borrowers have been rolling on to shorter fixed term mortgages over the past year in anticipation of rate cuts. That means that, although it will take time for rate cuts to ripple through the economy, by the end of this year close to half of all borrowers will have rolled on to lower rates. That's been a welcome relief to households, with our own Westpac McDermott Miller survey of New Zealand household showing that pessimism about the economic outlook is dissipating. Anecdotally, we're also hearing that inquiry levels in the housing market are also picking up again.

There's only a limited amount of data still to come ahead of the RBNZ's next policy meeting on 9 October. Key updates to watch will be the NZIER's survey of business opinion (1 October) and the weekly updates on the jobs market. Barring major surprises on those fronts, a 25bp move from the RBNZ still looks most likely in October.

New Zealand's current account and credit rating

Accompanying this week's GDP release were the latest figures on New Zealand's current account. In contrast to expectations that New Zealand's current account deficit would shrink, it remained at 6.7% of GDP in the year to June. As [discussed in our recent report](#), that highlights an important risk to New Zealand's credit rating. New Zealand is one of the world's most highly rated sovereigns. That's important as a country's sovereign rating sets the ceiling for ratings of other entities operating in that country, which in turn can affect the cost and access to credit.

However, we do have some vulnerabilities. Notably, in its most recent review of New Zealand, Fitch noted that a failure to reduce current account deficits, leading to a rapid build-up of net external debt, could lead to a ratings action or downgrade. The level of fiscal debt also raises some concerns.

While ratings agencies currently seem comfortable with New Zealand's rating, downgrades could occur in the event of a major negative economic shock or natural disaster, or a change in fiscal strategy that brings into doubt the commitment to reduce debt and deficits over time. Risks to New Zealand's rating could be at least partially mitigated if the Government takes steps to build buffers that allow for the impact of inevitable future negative events.

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AUS: RBA Policy Decision (%)

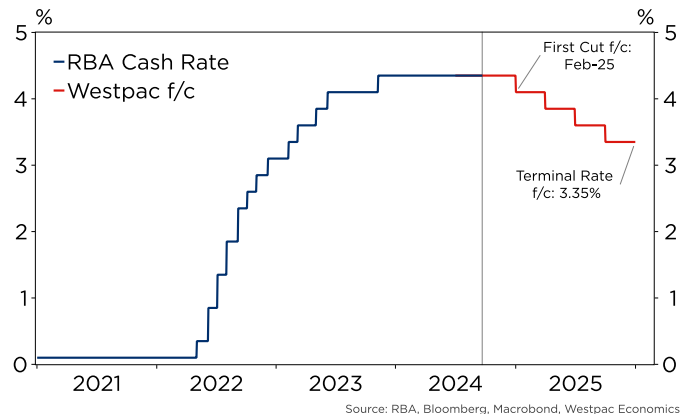
Sep 24, Last: 4.35, Westpac f/c: 4.35
Market f/c: 4.35, Range: 4.35 to 4.35

Westpac anticipates the RBA will leave the cash rate unchanged at 4.35% at its upcoming poly meeting.

The Q2 National Accounts confirmed that the economy remains sluggish, and the detail indicated that private demand – particularly household consumption – is in a more fragile state than previously thought.

The RBA has clearly telegraphed that it does not expect to begin policy easing until next year, and the National Accounts are unlikely to have shifted that narrative. The data would have to otherwise shift rapidly – including a faster fall in inflation and much weaker labour market outcomes – which is not our base case. We continue to expect the first rate cut to occur in February 2025.

RBA to remain poised and patient



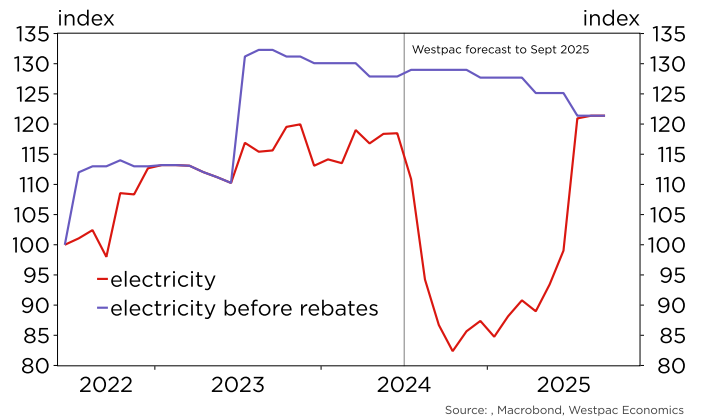
AUS: Aug Monthly CPI Indicator (%yr)

Sep 25, Last: 3.5, Westpac f/c: 2.7
Market f/c: 2.7, Range: 2.3 to 3.3

The July Monthly CPI indicator increased 3.5% over the year, down from 3.8%yr in June and marginally higher than Westpac’s and the market forecast of 3.4%yr.

The cost-of-living relief measures are expected to have a significant impact in August. The Commonwealth energy bill relief rebates flowed to Qld and WA in July, with other jurisdictions to follow in August. Qld, WA and Tas also had state specific rebates. Electricity declined 6.4% in July. Without the rebates, the ABS estimates electricity would have risen 0.9% in July.

Cost of living measures hit electricity again



Rebates see August Monthly CPI print -0.2%mt/2.7%yr. For more information see our [Monthly CPI Preview](#).

AUS: Q3 Job Vacancies (%qtr)

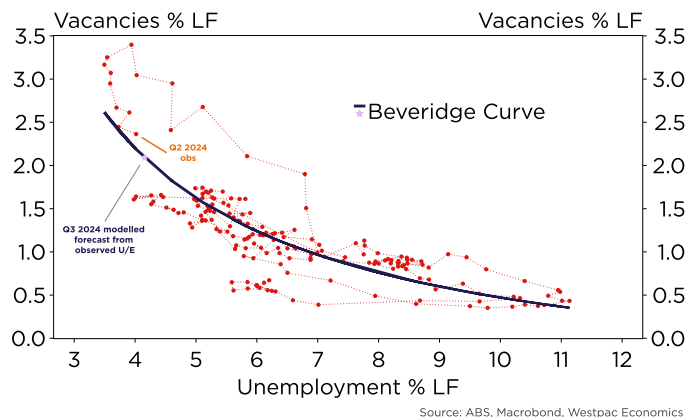
Sep 26, Last: -2.7

Job vacancies continued to moderate into mid-year, falling -2.7% from 362.4k in February to 352.6k in May, consistent with an ongoing easing in the labour market.

The vacancy-to-unemployment ratio – a relative measure of labour market slack which the RBA closely monitors – also eased from 0.66 in February to 0.58 in May, indicating a further easing in labour market tightness, though it does remain above average.

There is still plenty of legroom for this official measure of vacancies to ease back to more ‘normal’ levels – [without requiring as significant a rise in unemployment](#) (see chart right) – and monthly data from other sources suggest this should remain the case for Q3.

Moving down steep part of Beveridge Curve



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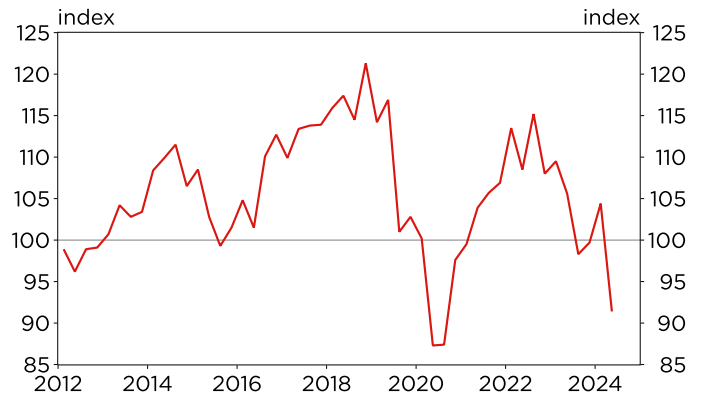
NZ: Q3 Westpac-McDermott Miller Employment Confidence Index

Sep 24, Last: 91.4

The Employment Confidence Index fell sharply in June, reaching its lowest level since the 2020 COVID lockdown. The fall was led by worsening perceptions about job availability.

The latest survey was conducted in early September. Since the last survey, the RBNZ has begun easing interest rates much sooner than previously signalled, but unemployment has risen and job advertisements have fallen further.

Fewer jobs drives employ' confidence down



What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 23							
NZ	Aug	Trade Balance	\$mn	-963	-	-1658	Seasonal fall in exports.
Eur	Sep	HCOB Manufacturing PMI	index	45.8	-	-	Weak demand has European manufacturing in dire straits...
	Sep	HCOB Services PMI	index	52.9	-	-	... creating downside risks to the recovery in 2024/25.
UK	Sep	S&P Global Manufacturing PMI	index	52.5	-	-	Conditions in the UK are on firmer footing...
	Sep	S&P Global Services PMI	index	53.7	-	-	... especially in services, where price pressures are key.
US	Aug	Chicago Fed Activity Index	index	-0.34	-0.20	-	Volatile around a level consistent with trend growth.
	Sep	S&P Global Manufacturing PMI	index	47.9	48.5	-	Offers a similar sectoral picture to the ISMs...
	Sep	S&P Global Services PMI	index	55.7	55.2	-	... but has pointed to slightly firmer conditions.
		Fedspeak	-	-	-	-	Bostic, Goolsbee.
Tue 24							
Aus	Sep	RBA Policy Decision	%	4.35	4.35	4.35	To remain poised and patient.
NZ	Q3	Westpac-MM Employ' Conf.	index	91.4	-	-	Confidence fell last quarter as job prospects declined.
Jpn	Sep	Jibun Bank Manufacturing PMI	index	49.8	-	-	Industry struggling to build momentum in demand...
	Sep	Jibun Bank Services PMI	index	53.7	-	-	... tourism-related services exports remain a key support.
Ger	Sep	IFO Business Climate Survey	index	86.6	-	-	Soft global demand remains a headwind.
US	Sep	CB Consumer Confidence	index	103.3	102.8	-	Rate cuts likely to buoy sentiment ahead.
	Sep	Richmond Fed Index	index	-19	-	-	Manufacturing conditions are soft across the regions.
Wed 25							
Aus	Aug	Monthly CPI Indicator	%yr	3.5	2.7	2.7	Rebates to drive down electricity prices again.
US	Aug	New Home Sales	%mth	10.6	-6.6	-	Affordability and inventory constraints still at play.
Thu 26							
Aus	Q3	Job Vacancies	%qtr	-2.7	-	-	Labour market is gradually moving into balance.
	Sep	RBA Financial Stability Review	-	-	-	-	Update on the state of and risks to the financial system.
Eur	Aug	M3 Money Supply	%yr	2.3	-	-	Picking up as policy turns a corner.
US	Q2	GDP	%ann'd	3.0	2.9	-	Minor revision anticipated in the final estimate.
	Aug	Durable Goods Orders	%mth	9.8	-2.9	-	Investment outlook challenged by politics and cycle.
		Initial Jobless Claims	000s	219	-	-	Consistent with slowing job creation, not job shedding.
	Aug	Pending Home Sales	%mth	-5.5	-	-	Affordability and inventory constraints at play.
	Sep	Kansas City Fed	index	-3.0	-	-	Manufacturing conditions are soft across the regions.
		FOMC Chair Powell	-	-	-	-	Pre-recorded remarks at treasury market conference.
		Fedspeak	-	-	-	Collins, Kugler, Williams, Barr, Kashkari.	
Fri 27							
NZ	Sep	ANZ Consumer Confidence	index	92.2	-	-	Still low, but financial pressures are now easing.
Jpn	Sep	Tokyo CPI	%yr	2.6	2.2	-	Path to sustainable at-target inflation is in sight.
Chn	Aug	Industrial Profits	%yr	4.1	-	-	Base effects putting a floor under this measure of profits.
Eur	Sep	Economic Confidence	index	96.6	-	-	Rate cuts to support the broader economy, in time.
US	Aug	Personal Income	%mth	0.3	0.4	-	Softening labour market to slow income growth...
	Aug	Personal Spending	%mth	0.5	0.3	-	... and eventually household spending.
	Aug	PCE Deflator	%mth	0.2	0.1	-	Inflation is at target on an ex shelter basis.
	Aug	Wholesale Inventories	%mth	0.2	-	-	Steady inv-to-sales points to sound orders management.
	Sep	Uni. Of Michigan Sentiment	index	69.0	-	-	Final estimate.

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Economic & financial forecasts

Interest rate forecasts

Australia	Latest (20 Sep)	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	3.35	3.35	3.35	3.35
90 Day BBSW	4.42	4.42	4.19	3.96	3.73	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.52	3.60	3.60	3.55	3.55	3.50	3.50	3.50	3.55	3.60
3 Year Bond	3.51	3.55	3.50	3.45	3.40	3.35	3.30	3.30	3.35	3.40
10 Year Bond	3.92	3.90	3.90	3.90	4.00	4.05	4.05	4.10	4.10	4.15
10 Year Spread to US (bps)	21	15	15	10	10	5	5	5	5	5
United States										
Fed Funds	4.875	4.375	3.875	3.625	3.375	3.375	3.375	3.375	3.375	3.375
US 10 Year Bond	3.71	3.75	3.75	3.80	3.90	4.00	4.00	4.05	4.05	4.10
New Zealand										
Cash	5.25	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75
90 Day Bill	4.99	4.75	4.50	4.25	4.00	3.85	3.85	3.85	3.85	3.85
2 Year Swap	3.65	3.90	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
10 Year Bond	4.19	4.20	4.25	4.30	4.35	4.40	4.40	4.40	4.35	4.35
10 Year Spread to US	48	45	50	50	45	40	40	35	30	25

Exchange rate forecasts

	Latest (20 Sep)	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
AUD/USD	0.6818	0.68	0.69	0.70	0.71	0.72	0.72	0.73	0.73	0.73
NZD/USD	0.6246	0.62	0.63	0.63	0.63	0.64	0.64	0.64	0.64	0.64
USD/JPY	142.21	142	141	140	139	138	137	136	135	134
EUR/USD	1.1167	1.11	1.11	1.12	1.13	1.14	1.14	1.15	1.15	1.15
GBP/USD	1.3307	1.31	1.32	1.32	1.33	1.33	1.34	1.34	1.35	1.35
USD/CNY	7.0453	7.10	7.05	7.00	6.90	6.80	6.70	6.60	6.55	6.50
AUD/NZD	1.0916	1.10	1.10	1.11	1.14	1.13	1.13	1.14	1.14	1.14

Australian economic growth forecasts

% Change	2024				2025				Calendar years			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
GDP %qtr	0.2	0.2	0.6	0.5	0.5	0.5	0.6	0.6	-	-	-	-
%yr end	1.3	1.0	1.2	1.5	1.9	2.2	2.2	2.4	1.6	1.5	2.4	2.4
Unemployment Rate %	3.9	4.1	4.2	4.3	4.4	4.5	4.5	4.6	3.9	4.3	4.6	4.6
Wages (WPI) %qtr	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.7	-	-	-	-
%yr end	4.1	4.1	3.5	3.2	3.0	2.9	2.8	2.9	4.2	3.2	2.9	3.4
CPI Headline %qtr	1.0	1.0	0.3	0.4	0.6	0.9	1.2	0.8	-	-	-	-
%yr end	3.6	3.8	2.9	2.6	2.3	2.2	3.2	3.6	4.1	2.6	3.6	2.8
CPI Trimmed Mean %qtr	1.0	0.8	0.7	0.7	0.7	0.7	0.7	0.8	-	-	-	-
%yr end	4.0	3.9	3.5	3.3	3.0	2.9	2.8	2.9	4.1	3.3	2.9	2.6

New Zealand economic growth forecasts

% Change	2024				2025				Calendar years			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
GDP %qtr	0.1	-0.2	-0.2	0.4	0.5	0.5	0.5	0.6	-	-	-	-
Annual avg change	0.3	-0.2	-0.1	0.0	0.0	0.4	0.9	1.4	0.7	0.0	1.4	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	0.9	0.3	0.5	0.4	0.8	0.5	-	-	-	-
Annual change	4.0	3.3	2.4	2.2	2.1	2.0	2.0	2.2	4.7	2.2	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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