



Week beginning 7 October, 2024

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Markups and Downs

The Week That Was: Policy's impact is being felt

Focus on New Zealand: What are you waiting for?

For the week ahead:

RBA: Minutes, Deputy Governor Hauser, Assistant Governors Hunter and Kent speaking.

Australia: Westpac-MI Consumer Sentiment, business survey, public holiday.

New Zealand: RBNZ policy decision, selected price indices, housing data, net migration.

China: CPI, PPI, credit, foreign reserves.

Eurozone: retail sales.

United Kingdom: monthly GDP.

United States: CPI, PPI, FOMC Minutes, trade balance, consumer credit, UoM sentiment.

Information contained in this report current as at 4 October 2024

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Markups and Downs



Luci Ellis
Chief Economist, Westpac Group

Last week we [noted](#) that, in its September post-meeting communications, the RBA was no longer saying that wages growth was ‘above the level that can be sustained given trend productivity growth’, as it did in August. How did it make that judgement in the first place, and why does trend productivity growth come into the story?

The answer rests on the RBA’s beliefs about how the economy works, based on analytical frameworks [first introduced in the 1990s](#). This framework starts from the premise that consumer prices can be represented as a markup over labour and other costs. For a given percentage markup, the growth rate of prices (inflation) will line up with the growth rate of costs.

If the split between labour and non-labour costs is also stable, then growth in labour costs will also line up with inflation. Labour costs per unit of output is equivalent to labour costs per hour divided by output per hour. Ignoring some second-order maths pedantry, this means that inflation should line up with growth in labour costs per hour (average earnings growth) minus growth in output per hour worked. Output per hour worked is the definition of productivity in the national accounts, and what economists mean when they say ‘productivity’. The link between productivity and achieving the inflation target comes from this relationship.

To make the example concrete, if you think productivity growth is about 1% per year, and wages growth has a 3 in front of the decimal point, then according to the RBA’s rule of thumb, you should be relaxed about wages growth being consistent with the inflation target: 3-and-a-bit minus 1 is 2-and-a-bit, and so would be in line with inflation in the 2-3% target range.

If you have been following along, though, you will notice that there were a lot of things held constant in this mapping between wages growth, productivity growth and inflation. Firstly, it requires that growth in labour costs and in non-labour costs are similar and persistent. Secondly, it assumes that the percentage markup over costs is constant. Neither is true in the short run or even the medium run.

Non-labour costs have been a key driver of the recent surge in costs. Transport and energy costs, building materials and insurance had all been rising faster than

overall CPI inflation until recently; insurance inflation is still at double-digit rates, being downstream of some of the other costs. Labour costs have also been growing quickly, but since 2021 growth in the Wage Price Index (WPI) lagged inflation in final-stage producer prices.

In addition, a period of strong growth in unit labour costs will not persist if productivity growth increases but is not matched by a pick-up in wages growth. The RBA recognised this in its August media statement by expressing the relationship as being between wages growth and *trend* productivity growth. The trend is not quite the right measure to use in a markup model, but this framing points to where future productivity growth might converge. However, the Statement on Monetary Policy still focused on recent outcomes. One of the reasons cited for the RBA’s assessment that supply capacity was weaker than previously thought was ‘wages growth has been high relative to productivity outturns’.

Meanwhile, markups and profit margins do not stand still. Mechanically mapping the latest data on unit labour cost growth to the latest inflation outcome would be misleading as a forecast. Even the RBA’s [markup model](#) for forecasting inflation allows the markup to vary over the cycle.

Why has monetary policy discourse in Australia become so hung up on productivity growth?

It is understandable that the RBA would not want to get into the weeds on whether profit margins might rise or fall. It matters whether you are talking about markups over average cost (as implied by the RBA’s markup model) or over marginal cost (the focus of much of the academic literature). And the literature has not even reached a consensus on whether markups rise or fall when demand is strong. Any discussion of the issue would get messy. The controversy around whether ‘greedflation’ had been a factor in Australia’s inflation experience also makes a nuanced discussion difficult. That said, implicitly assuming that margins are constant and unit labour costs map mechanically to inflation is not ideal, either.

Finally, all this assumes that productivity growth in the whole economy is the relevant measure for this model of inflation determination. Yet there are significant sections of the economy where the price as measured in the CPI and the costs implied by wages and productivity are not tightly linked. Public sector and other non-market activity simply is not priced this way, at least not in the short to medium run.

This is the point our Westpac Economics colleague, Senior Economist Pat Bustamante, made in his [recent note](#). Partly because the share of activity in the (low measured average productivity) non-market sector is rising, measured total productivity growth is weaker than usual. In the market sector, though – the part of the economy where markups matter for pricing – productivity growth is already above 1%.

Why has the monetary policy discourse in Australia become so hung up on productivity growth? On top of the RBA's use of markup models, it is a peculiarity of the Australian economic discourse more generally to worry about productivity growth and assume that the government should do something about it. We have a Productivity Commission, after all – it must be a government responsibility, right? This mentality is reinforced by a narrowly country-specific view (outside the RBA, to be fair) that does not recognise that the slowdown in trend productivity growth since the GFC was common to most Western economies.

Another factor is an apparent view that wages growth will be too sticky. Our own forecasts see the WPI measure of wages growth slowing from 4.1% over the year to the June quarter to 3.5%yr September and 3.2% over calendar 2024, as the outsized September quarter 2023 increase drops out of the calculation. The RBA's forecasts are noticeably higher – 3.6% over 2024 – and the average earnings measure more relevant to the unit labour cost calculation is higher still. And maybe they will be right, but this is still a significant slowing.

Even using their own forecasts, though, there was a choice between 'wages are above the level that can be sustained' and 'the expected decline in wages growth would return it to levels consistent with'. The shift in language in the September media release better aligns with a forward-looking view. When the WPI and national accounts data for the September quarter are released ahead of the RBA Board's December meeting, a further pivot in RBA rhetoric might be needed. If we are right that the Board will wait until the February 2025 meeting to cut rates, then perhaps the December meeting before it will be the point to acknowledge that Australia's domestic cost story [has not been that unusual after all](#).

Cliff Notes: policy's impact is being felt

Mantas Vanagas, Senior Economist

Ryan Wells, Economist

Illiana Jain, Economist

In Australia, the week began with the Federal Government's announcement of a better-than-expected [final budget outcome](#) for 2023/24, a second consecutive surplus of \$15.8bn. Relative to May's estimates, the outcome was driven mostly by fewer payments, associated with delays in outflows to states and other programs, although receipts were also lower than expected too, reflecting a softening labour market. The budget has been in a temporary 'sweet spot', banking the windfalls associated with bracket creep, high commodity prices and high inflation. However, these are temporary dynamics; with inflation pressures fading and commodity prices falling – driving a narrowing in [goods trade surplus](#) since 2022 – forward estimates have the budget set to tip back into deficit.

Over the past two years, bracket creep has acted as a major drag on households' disposable income growth, seeing consumer spending slow in official data. It was therefore encouraging to see [retail sales](#) bounce higher in August, up 0.7% (3.1%yr). While this may be partly explained by warmer-than-usual weather, the onset of Stage 3 tax cuts seems like the more likely culprit behind the larger increase – a lagged effect that is consistent with tax cuts through recent history.

While Stage 3 tax cuts are set to give back around \$23bn in bracket creep, it has had a relatively muted impact on spending thus far, a conclusion that has been echoed in Westpac's latest [card activity](#) data up to mid-September. More broadly, against the backdrop of persistent cost-of-living pressures and rapid population growth over the past two years, real (inflation-adjusted) spending remains quite weak on a per capita basis, suggesting that it will likely take some time before a meaningful pick-up in consumption takes hold.

Diverging trends across the states also remained an important theme in the latest [CoreLogic data](#); underlying the 6.7%yr lift nation-wide house prices in September is a wide range of outcomes, from -1.4%yr in Melbourne up to 24.1%yr in Perth. The tight supply-demand balance across medium-sized capital cities is having a clear impact on affordability; and, in a context where [dwelling approvals](#) are showing a few signs of sustainable upwards momentum (WA being the only exception), risks around residential construction activity remain front-of-mind, once existing projects are worked through.

Offshore, escalation of the conflict in the middle east and US data was in focus. Comments from FOMC Chair Jerome Powell provided a positive view for the US economic outlook highlighting that the FOMC "is not a committee that feels like it's in a hurry to cut rates quickly". He also noted that a further deterioration in labour market conditions is not required to achieve the Fed's inflation target. Economic data, released so far this week, was consistent with greater stability in the US labour market. Most notably, this week's JOLTS report showed that the job openings recovered in August rising above 8mn after two months below that level. While the hiring rate ticked down from 3.4% to 3.3%, a bottom of the recent range, the separation rate decreased more sharply, to a multi-year low of 3.1%.

Against this backdrop, all eyes are on the release of the US labour market report out later tonight.

The September manufacturing and services ISM PMIs were mixed once again highlighting diverging trends in the two sectors in the US. The manufacturing index disappointed, with the headline index coming in unchanged at 47.2, the second lowest level this year and well below historical average. Meanwhile, the services ISM index increased by 3.4pt to 54.9, the highest reading in nineteen months. The employment component was significantly weaker dipping back below 50 after two months in the expansionary territory. Prices paid were up for a third consecutive month to 59.4, the highest level since the start of the year.

Across the pond, European prices eased to 1.8%yr in September off the back of lower energy prices marking the first sub-2% reading of this cycle. Services inflation remained sticky at 4.1%. Commentary by ECB staff through the week suggests that with growth risks emerging, a faster cutting cycle could be expected. Inflation running below the ECB's forecasts supports this.

Meanwhile, in the UK, the BoE Governor Andrew Bailey suggested that the BoE could be "a bit more aggressive" on lowering interest rates. His comments hinted at a possible shift from the forward guidance provided



by the Monetary Policy Committee in September, when the monetary policy statement said that “a gradual approach to removing policy restraint remains appropriate”. In Japan, chances of another rate increase are looking slim as new PM Shigeru Ishiba noted he does not “think the environment is ready for an additional rate hike.” The comment followed a meeting with Governor Ueda who has increasingly lowered expectations for tightening. Ishiba also noted there will be further support for households in coming months which could help boost spending.

What are you waiting for?



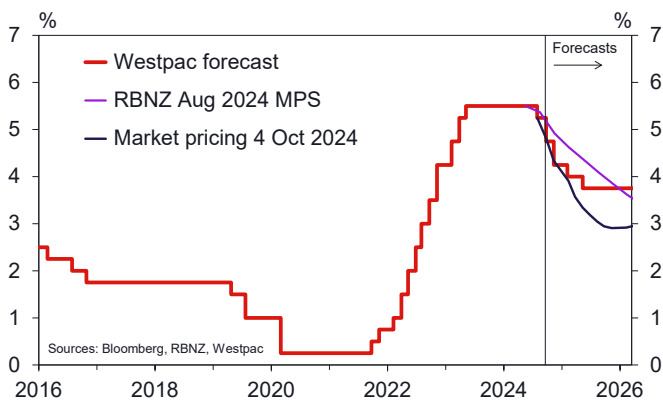
Kelly Eckhold
Chief Economist NZ

This week we made some significant adjustments to our forecasts for the OCR and now expect the OCR to move more quickly to neutral than previously forecast. We now see two consecutive 50bp cuts in the OCR at the 9 October and 27 November meetings, which will take the OCR to 4.25% at the end of 2024. This will leave the OCR just 50bp above our long-term neutral rate of 3.75%.

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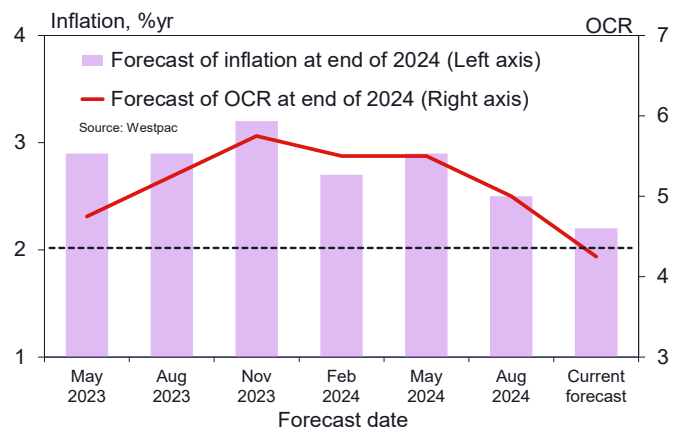
We anticipate a much slower, highly data dependent and uncertain path lower in the OCR in 2025. We have pencilled in 25bp cuts in each of the February and May Monetary Policy Statements taking the OCR to the long-term terminal rate of 3.75% by mid-2025.

RBNZ Official Cash Rate



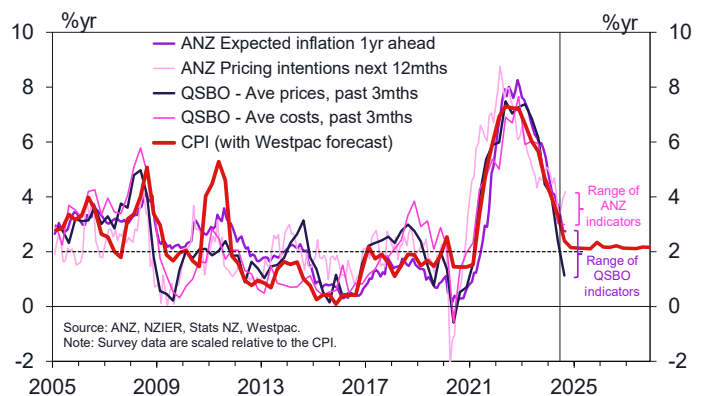
The case for a more front-loaded profile for OCR cuts primarily rests on strong signs that the forward inflation profile will be much more benign in aggregate than we have seen since 2021. We now see annual inflation falling to 2.4% in Q3 2024 and falling further to 2.2% by the end of 2024. This is a markedly lower forecast level for inflation than we have expected for quite some time and means that the mid-point of the RBNZ's target range is now tantalizingly close.

Revisions to OCR and CPI forecasts



This week's QSBO confirmed this relatively benign picture for short-term pricing pressures which contrasts with the more resilient picture from the monthly ANZBO survey. The monthly Selected Price Indices had shown weaker tradables inflation than our August Economic Overview forecasts had embodied. The QSBO is consistent with our sense that there may be more downside risks to our short-term CPI forecasts.

CPI and pricing indicators



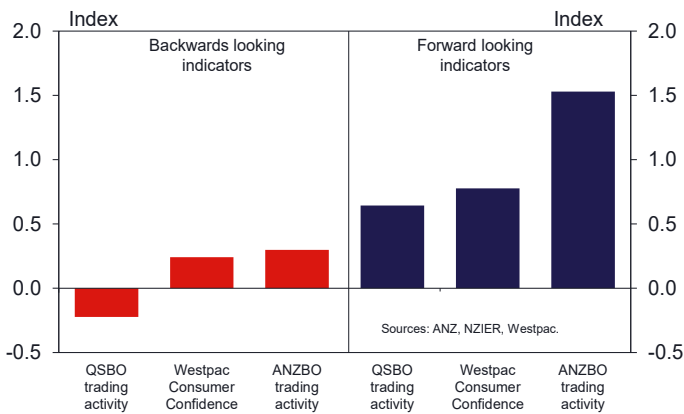
These forecasts and associated risks leave us thinking that the RBNZ will not see either headline inflation or inflation expectations as an impediment to bringing the OCR to neutral levels relatively quickly. And indeed, with inflation soon to be at the middle of the 1-3%

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target range, there is a higher hurdle to arguing that interest rates need to be relatively high compared to neutral levels (which we assess as being around 3.75% compared to the current 5.25% OCR).

Another conundrum we have been wrestling with is the current state of economic activity and the speed at which the economy will pick up as the RBNZ eases. June quarter GDP outperformed the worst fears of the pessimists (and the RBNZ). Some indicators have been relatively positive (such as business confidence, house sales, mortgage applications and the ANZ Truckometer) whereas other indicators have reflected less optimism (consumer confidence, the PMIs, house prices, weekly employment trends).

Sentiment indicators (Standardised)



The premier indicators of economic activity come from the NZIER Quarterly Survey of Business Opinion which gave a more downbeat vibe than the ANZBO survey. Economic momentum likely remains in negative territory and while businesses especially are more confident of better times next year, we have some distance to travel before those become front of mind from a policy standpoint. This means that there are still some disinflationary pressures in the pipeline. This is fortunate, as non-traded inflation remains far too high. But given the lags between activity and inflation, the RBNZ will be taking comfort that the progress made on headline inflation through lower tradables inflation will be preserved by lower non-tradable inflation in the not-too-distant future.

Another issue is that the global interest rate cycle has decisively turned in recent months. Central banks have been responding to a global inflation shock and have generally responded in similar ways. We now find the RBNZ fitting well into the group of advanced economy central banks who have already eased significantly, and look set to ease by a deal more by the end of Q1 2025. The RBNZ will need to reduce the degree of restriction relatively quickly to keep pace with its peers. And now

with inflation projected to be close to target, and the economy operating a fair margin below its productive capacity, there is a less obvious case for maintaining restrictive settings.

The bottom line is we think the RBNZ MPC will be asking themselves “What are we waiting for?” when considering the case for maintaining the OCR at what are reasonably tight levels – even based on Westpac’s 3.75% neutral OCR let alone the RBNZ’s 3 – 3.5% range of shorter run neutral OCR estimates. If the answer to that question is “not much” then the path ahead seems clear – especially given the RBNZ has a long gap between meetings from November 2024 to February 2025.

“We think the RBNZ MPC will be asking themselves: ‘What are we waiting for?’”

We had thought for a while that if a 50bp cut was to occur, then the November Monetary Policy Statement seemed the most compelling time given that gap in the calendar. And if the case for a 50bp cut in November is strong, then the case for that move to come in October also seems compelling. We don’t think there will be enough risk in the Q3 CPI or labour market reports coming late October/early November to really shake the case for more substantial OCR adjustment before Christmas. If those risks materialise, then there is plenty of scope for the RBNZ to cut the OCR less in November if need be.

As suggested in [our recent Hawks and Doves note](#), reasonable arguments can be made for both maintaining a 25bp point pace of easing and accelerating the pace to more quickly return policy to a neutral stance. The projected step up in the pace of easing in October is a more finely balanced decision (perhaps a 60% probability) whereas the probability of a larger easing in November looks much higher.

The path of the OCR in 2025 will necessarily be more uncertain. More front-loaded policy adjustment before Xmas balances the risks around the degree of adjustment required in 2025. We have pencilled in a slower adjustment in the OCR to neutral levels of 3.75% in the first half of next year. But it’s plausible that less or more adjustment occurs. We don’t see a case for the OCR to move below neutral right now. Over coming months the RBNZ will need to carefully assess the responsiveness of the economy to what will be a significant adjustment in financial conditions.

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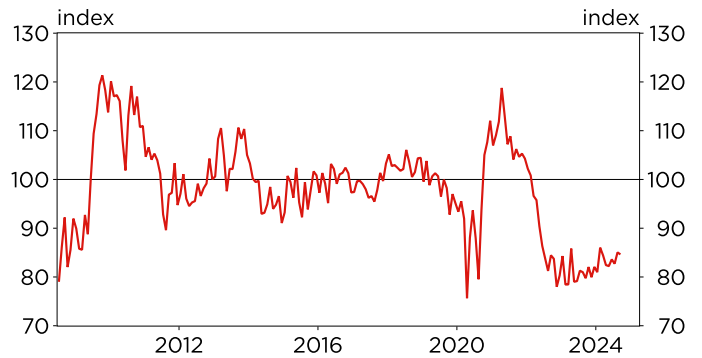
AUS: Oct Westpac-MI Consumer Sentiment Index

Oct 8, Last: 84.6

Consumer sentiment dipped 0.5% to 84.6 in September. The pessimism that has dominated for over two years now is still showing no real signs of lifting. However, the focus does look to be shifting. While cost-of-living pressures are becoming a little less intense and fears of further interest rate rises have eased, consumers are becoming more concerned about where the economy may be headed and what this could mean for jobs.

October is likely to see the same themes, following the RBA’s decision to keep policy on hold in September, and as cost-of-living measures work to alleviate some pressures off of households.

Consumer Sentiment Index



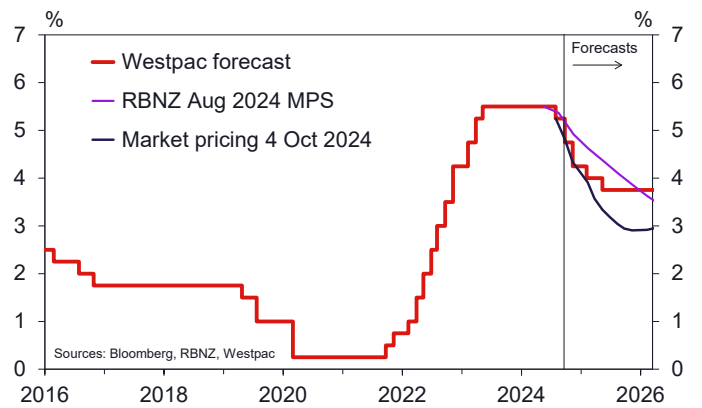
Source: Westpac-MI, Macrobond

NZ: RBNZ Monetary Policy Review (%)

Oct 9, Current: 5.25, Westpac f/c: 4.75, Market f/c: 4.75, Range: 4.75 to 5.00

We expect the RBNZ will follow August’s 25bp cut with a 50bp move at the October policy review. Even after the August cut, the OCR is still at ‘tight’ levels. However, inflation will soon be back comfortably within the RBNZ’s target band, and recent survey data indicates that there could be further downside risk. At the same time, growth is weak and spare capacity in the economy is mounting. Moving quickly now could help to fend off a deeper than needed slowdown in activity, the labour market or inflation that could necessitate a deeper easing cycle down the line.

RBNZ Official Cash Rate



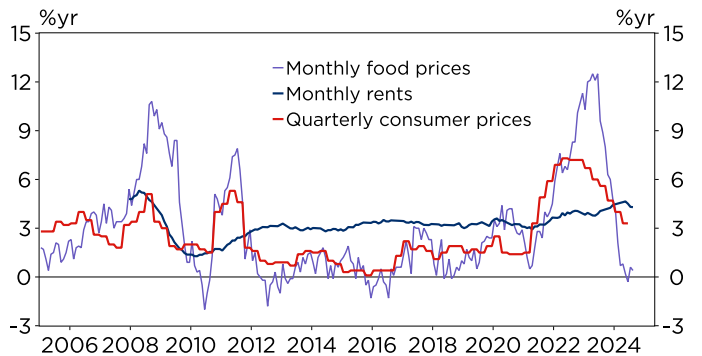
Sources: Bloomberg, RBNZ, Westpac

NZ: Sep Selected Price Indices

Oct 11

The September selected prices update will be an important indicator of the quarterly CPI out on 16 October. We’ll be watching to see if the softness in the prices of volatile items like international travel and fuel has continued. We’ll also be keeping a close eye on domestic prices, like rents and takeaway foods. With a downturn in domestic activity in train, we have seen some softness in these areas in recent months. If that continues in September, it would be an important consideration for the RBNZ in their policy deliberations.

Mixed directions for monthly consumer prices



Source: Stats NZ, Macrobond, Westpac Economics

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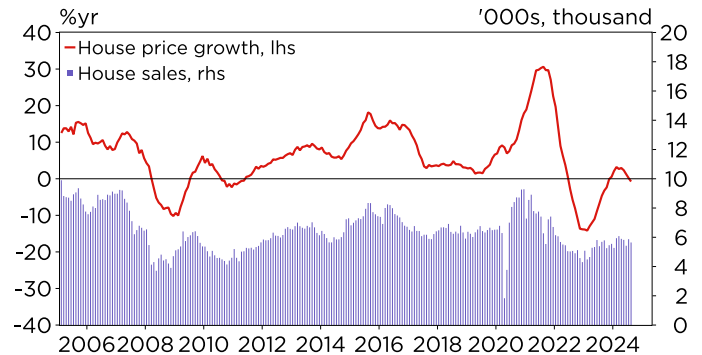
NZ: Sep REINZ House Prices and Sales

Date TBC, Prices Last: -0.8%yr; Sales Last: -0.7%yr

Consistent with reports from real estate agencies, we expect the September housing market report will show that sales have increased, albeit from low levels. However, house price growth is expected to remain muted due to the sizeable inventory of unsold homes.

Mortgage rates have started to drop and this will support the market over time. However, it will take time to fully pass through to housing market activity.

NZ housing market subdued prior to OCR cut



Source: REINZ, Macrobond, Westpac Economics

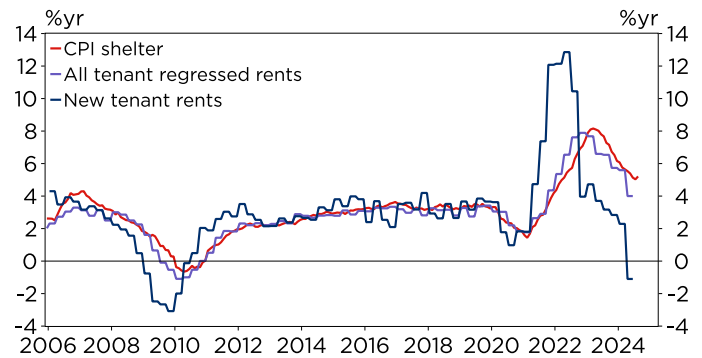
US: September CPI (%mth)

**Oct 10, Last: 0.2, Westpac f/c: 0.1
Market f/c: 0.1, Range: 0.1 to 0.2**

Excluding the shelter component, the US CPI has now spent almost a year and a half either side of the 2.0%yr target, the CPI ex-shelter series ranging between 0.8%yr and 2.3%yr since May 2023. The breadth of inflation has also continued to narrow, reducing upside risks.

September's result is expected to continue this trend, with the headline CPI forecast to rise 0.1% and core prices 0.2%. The risks are arguably skewed to the downside, with the shelter component yet to incorporate the marked deceleration in rent inflation estimated by market rent measures.

Shelter overdue for correction



Source: BLS, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 7							
Aus		Public Holiday	-	-	-	-	Labour Day (NSW, SA, ACT) & King's Birthday (Qld).
	Sep	MI Inflation Gauge	%yr	2.5	-	-	Continues to step-down as rebates kick-in.
Chn	Sep	Foreign Reserves	US\$bn	3288	3309	-	Authorities comfortable with TWI stability.
Eur	Oct	Sentix Investor Confidence	index	-15.4	-	-	Outlook dampened by weakness in Germany.
	Aug	Retail Sales	%mth	0.1	0.2	-	Consumers slowly regaining their footing.
US	Aug	Consumer Credit	\$bn	25.5	13.4	-	Rate cuts to support credit growth, in time.
		Fedspeak	-	-	-	-	Kashkari.
Tue 8							
Aus	Oct	Westpac-MI Consumer Sentiment	index	84.6	-	-	Still holding around deeply pessimistic levels.
	Sep	RBA Minutes	-	-	-	-	Board did not explicitly consider a rate rise like in August.
	Sep	NAB Business Conditions	index	3	-	-	Conditions continue to ease, consistent with official data.
	Sep	ANZ-Indeed Job Ads	%mth	-2.1	-	-	Points to balance returning to labour market.
		RBA Deputy Governor Hauser	-	-	-	-	Remarks and Q&A in Sydney at 12:00pm AEDT.
Jpn	Aug	Household Spending	%yr	0.1	-2.6	-	Higher wages struggling to ignite spending.
	Aug	Current Account Balance	¥bn	3193	2983	-	Current account surplus set to move lower.
US	Sep	NFIB Small Business Optimism	index	91.2	91.7	-	Lingering uncertainty keeping optimism low.
	Aug	Trade Balance	\$bn	-78.8	-71.3	-	Narrowing as goods consumption weakens.
		Fedspeak	-	-	-	-	Bostic, Musalem, Kugler, Collins.
Wed 9							
Aus		RBA Assist' Gov. (Fin Mkts)	-	-	-	-	Kent speaking in Sydney at 11:00am AEDT.
NZ	Oct	RBNZ Policy Decision	%	5.25	4.75	4.75	Inflation outlook no longer a barrier to easing.
Chn	Sep	New Loans CNY	ytd	14426.1	-	-	Latest stimulus measures will take time to appear in data...
		M2 Money Supply	%yr	6.3	6.4	-	... note data is due October 9 to 15.
US	Sep	FOMC Minutes	-	-	-	-	More colour behind the FOMC's 50bp rate cut.
		Fedspeak	-	-	-	-	Bostic, Logan, Goolsbee, Collins.
Thu 10							
Aus	Oct	MI Inflation Expectations	%yr	4.4	-	-	Provides a general view on risks.
		RBA Assist' Gov. (Economic)	-	-	-	-	Hunter panel participation in Sydney at 6:45pm AEDT.
US	Sep	CPI	%mth	0.2	0.1	0.1	Shelter poses some downside risks.
		Initial Jobless Claims	000's	225	-	-	Worker strikes and bad weather may test claims.
		Fedspeak	-	-	-	-	Daly, Williams.
Fri 11							
NZ	Sep	REINZ House Sales	%yr	-0.7	-	-	TBC. Signs that buyer interest is lifting...
	Sep	REINZ House Prices	%yr	-0.8	-	-	... but price growth limited for now.
	Sep	Manufacturing PMI	index	45.8	-	-	Set to remain a low levels.
	Sep	Food Prices	%mth	0.2	-	-0.1	Seasonal fall in fresh vegetable. prices
	Sep	Rents	%mth	0.3	-	0.3	Rental inflation is easing gradually.
	Aug	Net Migration	no.	3030	-	-	Annual inflow continuing to drop.
UK	Aug	Monthly GDP	%mth	0.0	-	-	Likely to indicate a slowdown in Q3.
US	Sep	PPI	%mth	0.2	0.1	-	Broadly consistent with at-target goods inflation.
	Oct	Uni. of Michigan Sentiment	index	70.1	70.0	-	Lower borrowing costs to brighten sentiment ahead.
		Fedspeak	-	-	-	-	Goolsbee, Logan.
Sun 13							
Chn	Sep	CPI	%yr	0.6	0.6	-	Excess supply and soft consumer demand...
	Sep	PPI	%yr	-1.8	-	-	... stifling inflation pressures.

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Economic & financial forecasts

Interest rate forecasts

Australia	Latest (4 Oct)	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	4.41	4.42	4.19	3.96	3.73	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.64	3.60	3.60	3.55	3.55	3.50	3.50	3.50	3.55	3.60
3 Year Bond	3.61	3.55	3.50	3.45	3.40	3.35	3.30	3.30	3.35	3.40
10 Year Bond	4.07	3.90	3.90	3.90	4.00	4.05	4.05	4.10	4.10	4.15
10 Year Spread to US (bps)	23	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	3.84	3.75	3.75	3.80	3.90	4.00	4.00	4.05	4.05	4.10
New Zealand										
Cash	5.25	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75
90 Day Bill	4.79	4.25	4.00	3.85	3.85	3.85	3.85	3.85	3.85	3.85
2 Year Swap	3.57	3.60	3.70	3.85	4.00	4.00	4.00	4.00	4.00	4.00
10 Year Bond	4.29	4.15	4.20	4.30	4.35	4.40	4.40	4.40	4.35	4.35
10 Year Spread to US (bps)	45	40	45	50	45	40	40	35	30	25

Exchange rate forecasts

	Latest (4 Oct)	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
AUD/USD	0.6841	0.68	0.69	0.70	0.71	0.72	0.72	0.73	0.73	0.73
NZD/USD	0.6209	0.62	0.63	0.63	0.63	0.64	0.64	0.64	0.64	0.64
USD/JPY	146.20	142	141	140	139	138	137	136	135	134
EUR/USD	1.1027	1.11	1.11	1.12	1.13	1.14	1.14	1.15	1.15	1.15
GBP/USD	1.3125	1.31	1.32	1.32	1.33	1.33	1.34	1.34	1.35	1.35
USD/CNY	7.0187	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	1.11	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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