Week beginning 28 October, 2024

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: What's normal, anyway?

The Week That Was: calm before the storm.

Focus on New Zealand: Back in the band.

For the week ahead:

Australia: CPI, retail sales, housing finance, private sector credit, dwelling approvals.

New Zealand: labour day, building permits.

Eurozone: CPI, GDP, unemployment rate.

China: NBS PMIs, Caixin manufacturing PMI.

United States: PCE, personal income and spending, nonfarm payrolls, unemployment rate, GDP.

Japan: BOJ policy decision, jobless rate.

Information contained in this report current as at 25 October 2024

What's normal, anyway?

Luci Ellis
Chief Economist, Westpac Group

One of the frustrations of the post-GFC period was the way some people (and international agencies) assumed that historical averages of key ratios like housing prices or debt to income defined 'normal'. If one of these macro ratios was well away from that historical average, it was an 'imbalance' that needed to be corrected, it was claimed.

The problem with this idea is that often the metric in question does not have a 'right' level that prevails through time. In the case of the economy-wide ratio of household debt to income, the sustainable ratio is higher in recent decades than it was back in the 1970s and 1980s. If inflation – and so nominal interest rates – falls permanently, the sustainable debt-to-income ratio rises, because households can service a larger loan with the same repayment. Financial deregulation also removed other artificial constraints on borrowing that prevailed back then.

This point has been well understood for more than 20 years, having been written about by various RBA staff members (including me) all those years ago. Yet still one hears concerned comments that once upon a time you could only borrow four times income, and now you can borrow a much higher multiple. And it's true, because once upon a time inflation averaged 6–8% and mortgage rates were double-digit, but not anymore.

The misunderstanding was even more frustrating because, often, the historical averages used were based on data sets that went back to 1980. Since Australia was later to join the low-inflation club than many of its peers, more of the period since 1980 was in that high-inflation-low-debt era. That drags the historical average lower, making the recent data look higher in comparison than for other countries that already had inflation down by the early 1980s. That Australia looks 'worse' on these metrics is mainly a statistical artefact.

There is a broader point here: historical averages do not always represent centres of gravity to which the world must somehow return. Many of the metrics in question are emergent properties of the economic system and not bound to return to a particular number. We have made this point before, regarding the structure of interest rates globally and the sustainable level of the unemployment rate.

Part of the issue is that even if people behave similarly to the past, the macro-level averages and ratios that come out of that behaviour might not be the same as in the past. The composition of the population might have changed, or some other factor that changes the macro-level outcome. Certainly, the age structure of the population has changed. Population growth rates also do not stand still; in Australia, population growth has been noticeably faster post-GFC than pre-GFC. This has implications not only for labour market variables, but also things like the required rate of home-building each year.

Things aren't the same after a shock

The question of where 'normal' is becomes especially salient when you are coming out of a large shock like a pandemic. It is tempting to look at the pre-pandemic period as the benchmark for where things are likely to return, but this is probably a mistake.

The reality is that the pre-pandemic period wasn't 'normal' either.

The reality is that the pre-pandemic period wasn't 'normal' either. There was considerable labour market slack in Australia at the time. Wages growth consistently undershot RBA and other forecasts. Inflation lagged below target despite what appeared to be very expansionary monetary policy.

There was something going on beyond the national level, too. Many peer economies were finding that unemployment rates could decline to levels not seen in decades without wages growth or inflation picking up materially. Global rates and risk spreads were also far from normal, compressed to extreme levels. If someone had told me at the beginning of my career that large parts of the European corporate bond universe would have negative nominal yields for a sustained period, I would never have believed them.

Another decidedly non-normal feature of the period between the GFC and the pandemic was that business investment in many advanced economies (including Australia) lagged historical averages. So did trend productivity growth. These trends were probably related, with some researchers hypothesising that this was a consequence of the financial crisis, and the associated weak demand and debt overhangs.

The upshot is that the global economy had probably barely completed the adjustment to the previous big shock, the GFC, before being hit by the next one, the pandemic.

Make the trend your friend

How can you forecast, or even interpret current events, when the ground is shifting in this way?

One approach is to focus on the underlying behaviour at a more micro level and let the implications for macro variables flow from that. For example, forecasts of consumption are typically based on past experience of people's spending responses to additional income. This approach won't always predict actual outcomes: as Westpac Economics colleague, Economist Jameson Coombes reported yesterday, the recent data from the Westpac–DataX Consumer Panel is pointing to a smaller spending response to the Stage 3 tax cuts than the historically typical response. But it is better than playing chartist with macroeconomic ratios by assuming that consumption reverts to a 'normal' share of income.

It is also useful to factor in any longer-term trends that are in evidence. The trends in the labour market are a case in point. In addition to the stronger average population growth, the participation rate has been trending up for decades and this shows no signs of ending.

If population growth is stronger than it used to be in decades past, then employment growth needs to be higher to keep pace, too. And if the participation rate is trending up, employment growth needs to outpace working-age population growth to avoid rising unemployment. Some observers have interpreted recent rapid growth in employment as a sign that the labour market is still strong. But it could equally be viewed as being insufficient to keep pace with the even faster growth in labour supply.

It all depends on what your view of normal is.

Cliff Notes: calm before the storm

Mantas Vanagas, Senior Economist
Ryan Wells, Economist
Illiana Jain, Economist

In the absence of any major data or events in Australia this week, markets continued to ponder the likely timing and shape of the RBA's easing cycle, eventually pricing in only about two and a half 25bp interest rate cuts by the end of 2025. These developments mirrored the modest changes in global sentiment, but the centre of the debate being on the question of 'when' locally versus 'how fast' and 'how much' interest rates are going to go down globally is a clear point of distinction.

Next week's Q3 CPI update will prove critical in calibrating local market expectations. Our preview delves into the detail behind our expectations and forecasts for the forthcoming update. In summary, the full roll-out of cost-of-living rebates across the states are set to drive headline inflation back into the target band in Q3 – we forecast 2.9%yr. The RBA will instead be more focused on trimmed mean inflation, to the extent that it will provide a clearer gauge of the true underlying momentum of inflation. We anticipate a constructive development on this front too, with trimmed mean inflation forecast to ease from 3.9%yr in June to 3.5%yr in September.

Should the headline results and general composition from the data print broadly as we expect, we view the inflation dynamics as being most consistent with a February start to the rate cutting cycle. At a pace of 25bps per quarter, we anticipate the cash rate to reach a terminal rate of 3.35% by the end of next year. This end-point is predicated on our view that the global structure of interest rates will be higher than it was pre-pandemic. In this week's essay, Chief Economist Luci Ellis discusses why reversion to pre-pandemic 'norms' might not necessarily be an appropriate baseline.

Late last week, China's Q3 GDP data came in weak at 4.6%yr, well below the official government's target. Monthly data for September showed some signs of activity picking up. Industrial production rose 5.4%yr supported by strong growth in chips and EV production. News on consumer spending was also positive, as retail sales accelerated to 3.2%yr, the highest since May, with the government subsidies for consumer goods providing a boost. Meanwhile, property investment and sales continue to decline in the double digits. Looking ahead, the Q4 data will be closely watched for impacts of the stimulus measures announced since late September, with a lift expected to provide the support needed for the economy to reach target growth.

In advanced economies, politics dominated the news flow. Opinion polls in the US suggested that Donald Trump was gaining momentum, with financial markets pricing USD and government bond yields higher. Political uncertainty also increased in Japan, as polls show that the ruling coalition led by the new Prime Minister Ishiba might struggle to secure a majority. This will be a huge departure from the norm as the Liberal Democratic Party has been in power most years since 1955, mostly recently having lost power in 2009. And in the UK, the focus remained on next week's Budget announcement by the new Labour government, with news reports highlighting the significant challenges for public finances ahead.

Against that backdrop, the global PMIs for October showed that growth momentum in most major economies weakened at the start of Q4. In the euro area, the composite index remained in contractionary territory for a second month, and was down by 0.6pts from the Q3 average. The composite PMI in the UK fell to 51.7, the lowest level for nearly a year, and was consistent with quarterly UK GDP growth of only 0.1%qtr, which represents a sharp slowdown from the first half of this year. Meanwhile, the US PMIs stood out, implying firmer and more stable growth momentum despite the uncertainty ahead of the election. Indeed, the US composite PMI came in at 54.3, slightly higher compared to September levels, and unchanged from the Q3 average. But the FOMC's Beige Book was more sanguine suggesting that the US economic activity was little changed from its July update. Negative impact from hurricanes to agriculture, tourism and the general business activity in the Southeast was noted, but employment was assessed to have increased slightly. Wage growth was described as modest, and most districts saw slight increases in selling prices.

South of the border, the Bank of Canada accelerated the pace of easing and lowered the target for the overnight rate by 50bp to 3.75%. In its communications, it highlighted that inflation returned to the 2% target falling significantly in the last few months, but lower interest rates are needed to maintain it at that level, in particular given concerns about the weakness in the underlying growth momentum.

Back in the band!

Kelly Eckhold
Chief Economist NZ

Our final Economic Overview for 2024 lays out how we see the economy evolving now that inflation is back comfortably in the middle of the RBNZ's 1-3% target band. Inflation has slowed significantly in the last six months such that it now looks likely to be comfortably near 2% for the first time since 2021. Domestically-generated inflation remains high and should still take some time to fully normalise. However, the RBNZ now has more degrees of freedom to manage future challenges than they have had for quite some time.

One consequence of this increased freedom is that the RBNZ has been able to step up the pace of easing even though domestically-generated inflation remains on the high side and a bit sticky. There's still a need for a period of excess capacity to encourage the economy to work off those last vestiges of Covid and post-Covid excess. But relatively low imported tradables inflation has removed the risks of high headline inflation feeding into expectations and price-setting behaviour. Hence there's no need for interest rates to be at levels calibrated to reduce inflation when the task ahead is to stabilise inflation around 2%.

This means the OCR can move closer to neutral more quickly. We affirm our view that the RBNZ will deliver another 50bp cut before Christmas. And we expect further cuts early next year that will take the OCR into mildly stimulatory territory at 3.50% by mid-2025. We think the pace of easing should slow in 2025 as the OCR will be closer to the neutral zone. There is a lot of uncertainty on where that neutral OCR level is (we think it's around 3.75%, while the RBNZ has more like 3% in mind). We will all learn more next year as we observe how the economy responds to the rapid easing in the second half of 2024. Easing more gradually makes sense as the risks of materially overshooting the goal rise as the neutral zone nears. The RBNZ will need time to assess.

The RBNZ Governor channelled many of these sentiments in his speaking engagements in Washington DC this week. He saw scope to move interest rates towards neutral (the nautical reference he used was that the neutral rate was one of the RBNZ's guiding stars). He also noted that life on the RBNZ MPC is easier when inflation is fluctuating around 2% and that he wouldn't be losing any sleep with outcomes +/- 0.3% around 2%.

It's going to be a while yet before households feel totally out of the woods. The labour market is set to continue softening as past weakness in output plays through. The unemployment rate won't peak until the second half of 2025 and there will still be some job losses to come. While inflation won't be as much of a challenge to household budgets in the year ahead, wage growth will be adjusting lower such that stubbornly high non-tradables inflation reduces.

We now think it's looking more likely that the OCR will spend some time modestly below the assumed neutral level of 3.75% in the year ahead. We don't see much of a need for very stimulatory settings being required – hence we see the trough in the OCR at 3.5%. But we do note that it's unusual for interest rates to bottom out at neutral levels – generally some degree of overshoot occurs.

We think the economy seems well placed to recover as lower interest rates and improving export incomes provide support. Hence the extent of overshoot should be modest. Stronger business and consumer sentiment and stirrings in the housing market point to better times ahead. And with any cycle a reversion towards higher interest rates eventually follows. The median length of time the OCR has spent at a cyclical low since the adoption of the OCR is 12 months. We think it will be around 12 months before the OCR returns to 3.75% from that 3.5% low point. However, the shape and timing of that next tightening cycle is necessarily speculative at this early stage.

Significant uncertainties remain. Geopolitical tensions and the upcoming US election could significantly impact financial markets (especially the exchange rate) and global trade (for example, if a Trump administration imposes tariffs or if tensions between the West and China increase). The RBNZ is well positioned to adjust policy if required, such is the benefit of having the OCR close to neutral levels.

New Zealand's large twin current account and fiscal deficits mean that adjustment is still needed. If those adjustments can't or won't happen, then the exchange rate will likely do the adjustment for us.

But for now, we should enjoy being back in the band.

AUS: Q3 CPI (%qtr)

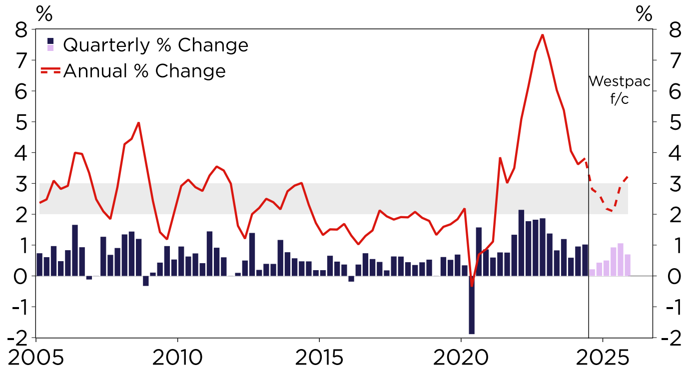
Sep 30, Last: 1.0, Westpac f/c: 0.3
Market f/c: 0.3, Range: 0.2 to 0.4

The CPI gained 1.0% in the June quarter, exactly what the markets and Westpac had been expecting. The annual pace lifted a touch from 3.6%yr to 3.8%yr; it was 4.1%yr in December 2023 and had a recent peak of 7.8%yr in December 2022.

Westpac's Q3 near-cast is 0.3%qtr/2.9%yr with the significant cost of living assistance seeing electricity fall –16%qtr (–0.39ppt contribution) holding the rise in housing component to just 0.1% compared to a 1.1% in the June quarter and 2.2%qtr in September 2024.

For more information see our September CPI Preview and earlier releases.

Rebates to pull headline inflation into target band



Source: ABS, Macrobond, Westpac Economics

AUS: Q3 Trimmed Mean (%qtr)

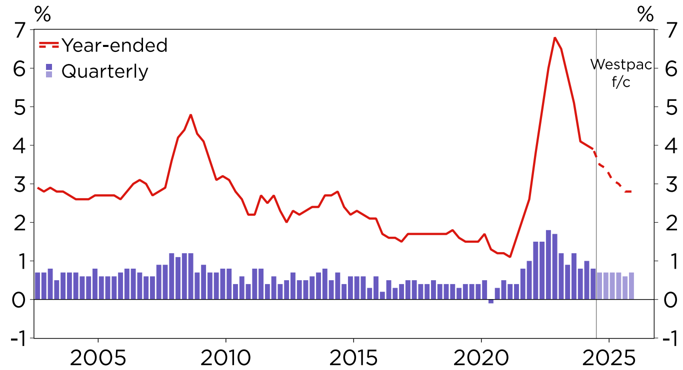
Sep 30, Last: 0.8, Westpac f/c: 0.7
Market f/c: 0.7, Range: 0.3 to 0.8

The Trimmed Mean printed 0.8% in the June quarter for an annual pace of 3.9%yr. This was a downside surprise with the market looking for 1.0%qtr, Westpac 0.9%qtr. The pace of core inflation continued to moderate from the recent peak of 6.8%yr in December 2022, with the six-month annualised pace now 3.8%yr.

We are looking for the moderation in the pace of core inflation to continue with a Q3 Trimmed Mean nearcast of 0.7%qtr/3.5%yr. Rents (1.8%qtr) and dwellings (1.2%qtr) remain key factors in core inflation estimates.

For more information see our September CPI Preview and earlier releases.

RBA focused on underlying inflation



Source: ABS, Macrobond, Westpac Economics

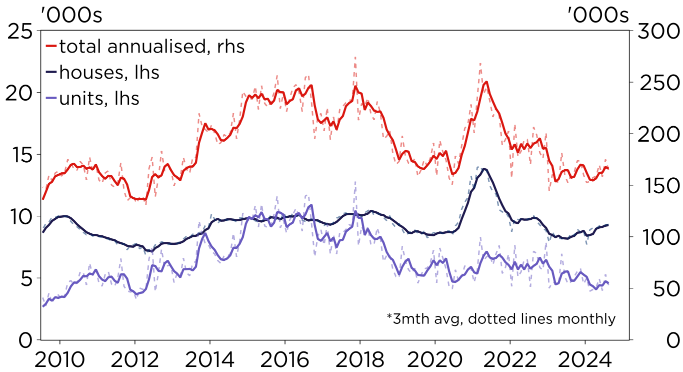
AUS: Sep Dwelling Approvals (%mth)

Oct 31, Last: –6.1, Westpac f/c: 1.0
Market f/c: 2.1, Range: 0.5 to 5.0

In August, new dwelling approvals fell 6.1% as volatility in high-rise apartment approvals drove month-to-month variation. While it is encouraging to see a slight uptrend emerge in private detached house approvals, outcomes vary drastically across the states, and in aggregate approvals are still tracking well below the Housing Accord's target pace of 1.2 million homes in five years.

For September, we are anticipating a modest increase of 1.0% for new dwelling approvals. HIA data is consistent with the uptrend in private detached houses. Units are in line with the six-month average, but volatility in this segment remains a wildcard for headline figures.

Gentle uptrend in private detached houses



Source: ABS, Macrobond, Westpac Economics

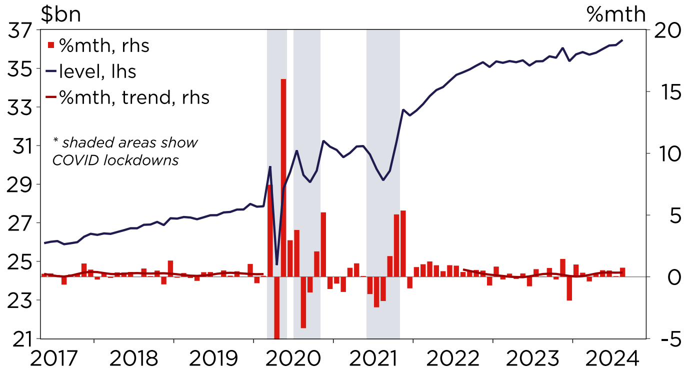
AUS: Sep Retail Trade (%mth)

Oct 31, Last: 0.7, Westpac f/c: 1.0
Mkt f/c: 0.2, Range: -0.4 to 1.0

Retail sales rebounded in August, up 0.7%mth from an upwardly revised July. While warm weather may have played a part, the beginning of Stage 3 tax cuts and other fiscal measures seem like the more likely drivers behind the larger increase.

While tax cuts are gaining a bit of traction, Westpac data has disappointed and skewed to non-retail segments. We are expecting a 1%mth pick-up in retail spending in September.

Tax cuts gaining a little traction, but not a lot



Source: ABS, Macrobond, Westpac Economics

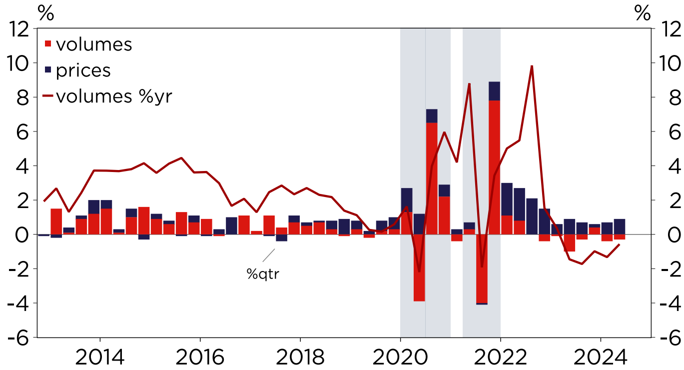
AUS: Q3 Real Retail Sales (%qtr)

Oct 31, Last: –0.3, Westpac f/c: 0.8
Mkt f/c: 0.4, Range: 0.1 to 0.9

Retail volumes fell 0.3%qtr in Q2, marking the sixth decline in the last seven quarters. Sales volumes were down 0.6%yr and 3.0%yr lower in per capita terms.

A 1%mth gain for retail sales in September would give a nominal rise of 1.4%qtr. Based on our Q3 CPI forecast detail, we anticipate retail prices rose about 0.6%qtr (food is 0.9%qtr). That leaves real retail sales volumes up a forecast 0.8%qtr.

Volumes higher as disinflation continues



Source: ABS, Macrobond, Westpac Economics

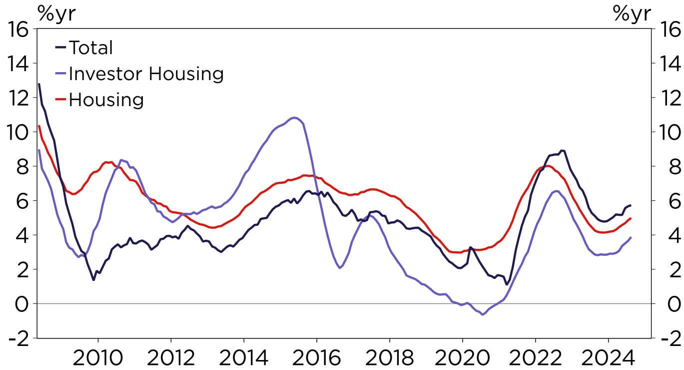
AUS: Sep Private Sector Credit (%mth)

Oct 31, Last: 0.5, Westpac f/c: 0.5
Mkt f/c: 0.5, Range: 0.5 to 0.6

In Aug, private sector credit increased by 0.5% for a third consecutive month. Housing credit was up by 0.4% extending the stable upward trend seen over the last twelve months. Business lending was on the firm side, up 0.7%mth, while personal credit growth, which tends to be more volatile, eased to only 0.1%mth.

For Sep, we expect a very similar picture, with credit growth posting another 0.5% gain, keeping annual growth steady at 5.7%yr. Housing credit is unlikely to deviate from its trend, with the latest house price data suggesting stable momentum. With business and consumer sentiment surveys having remained little changed, we expect that credit growth rates in these segments will be similar to August readings too.

Maintaining a stable growth trend



Source: RBA, Macrobond, Westpac Economics

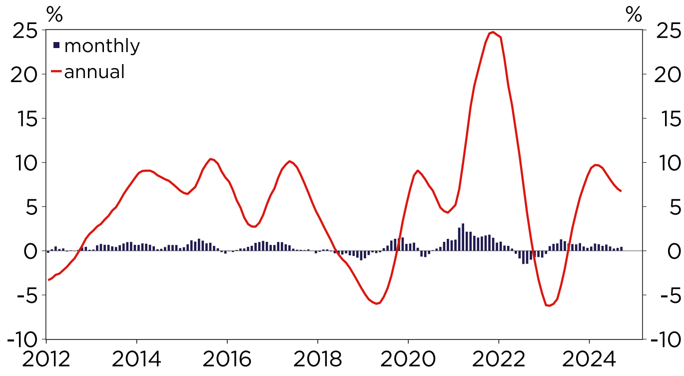
AUS: Oct CoreLogic Home Value Index (%mth)

Nov 1, Last: 0.5, Westpac f/c: 0.3

The CoreLogic home value index rose 0.5% in Sep, in line with the slower pace of gains seen since March. Price growth has ticked down from a peak of 10.9%yr in Feb to 6.7%yr. The softer performance over recent months has the six-month annualised pace running at 5.8%.

November is set to show a slightly softer picture for the national measure, with the CoreLogic daily index pointing to a 0.3% rise for the month. Across the capitals: Melbourne continues to slip lower, Sydney and Brisbane are showing signs of slower momentum, while gains are still holding strong in Adelaide and Perth.

'Hot and cold' performance continues



Source: CoreLogic Australia, Macrobond, Westpac Economics

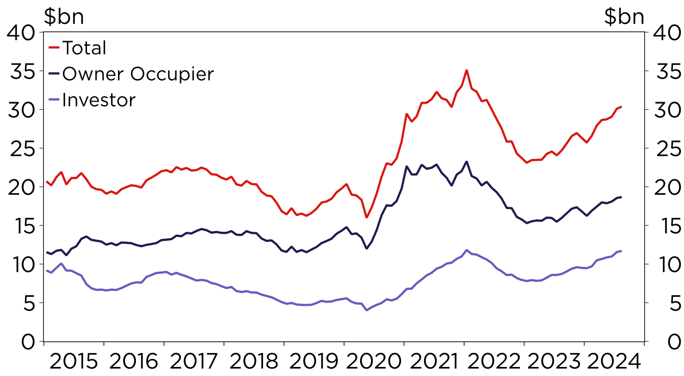
AUS: Sep Housing Finance Approvals (%mth)

Nov 1, Last: 1.0, Westpac f/c: 1.0
Mkt f/c: 1.0, Range: 0.0 to 2.5

The broad upswing in the value of new housing finance continued through August, rising 1.0% in the month and 23%yr on an annual basis, leaving the value of financing activity at its highest level since May 2022. This has coincided with a period of significant pressure on household disposable income and reduced borrowing capacity on the back of higher interest rates.

September is likely to show a broadly similar picture. Construction-related lending should be a bit firmer, but volumes have been quite volatile and performances varied across the states. On balance, a 1.0% gain would be consistent with a slight slowing of the pace, with investor loans likely to outstrip owner-occupier loans.

Affordability becoming a binding constraint



Source: ABS, Macrobond, Westpac Economics

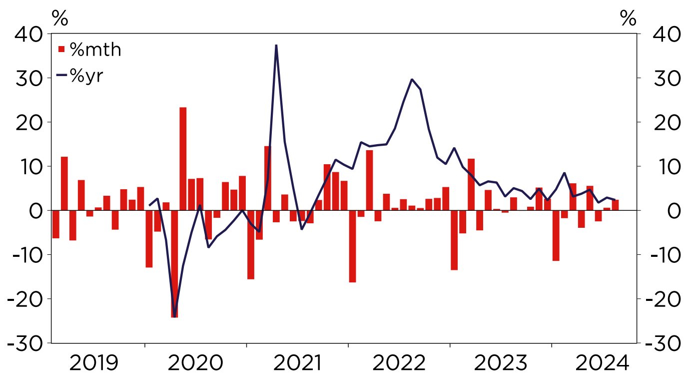
AUS: Sep Household Spending Indicator (%mth)

Nov 1, Last: flat, Westpac f/c: 2.0
Mkt f/c: 0.2, Range: -0.3 to 2.0

The monthly household spending indicator showcases spending across nine major categories, derived from bank transaction data, supermarket transactions and vehicle sales, and is due to supersede the Retail Trade release from June 2025.

Household spending has been surprisingly soft through July-August, given the backdrop of tax cuts and also relative to other comparable indicators. A 2.0% rise in the September month would still only see a slight gain for the quarter – suggesting we may also get some upward revisions to previous estimates.

On track for a relatively soft quarterly gain



Source: ABS, Macrobond, Westpac Economics

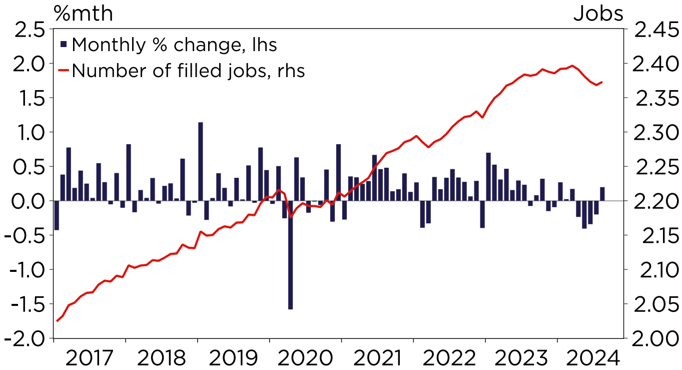
NZ: Sep Employment Indicator (%mth)

Oct 29, Last: 0.2, Westpac f/c: –0.2

The Monthly Employment Indicator (MEI) rose by 0.2% in August, following four months of declines. However, this series has tended to be revised down from its initial release, which suggests that the slide in jobs may not actually be over yet. The weekly snapshots provided by Stats NZ point to another modest fall in September.

The number of filled jobs in August was down 0.4% on a year earlier. Manufacturing, construction and retail have seen extended declines over the last year, but in recent months they have increasingly been joined by a range of services industries.

Filled jobs looking softer again in Sep



Source: Stats NZ, Macrobond, Westpac Economics

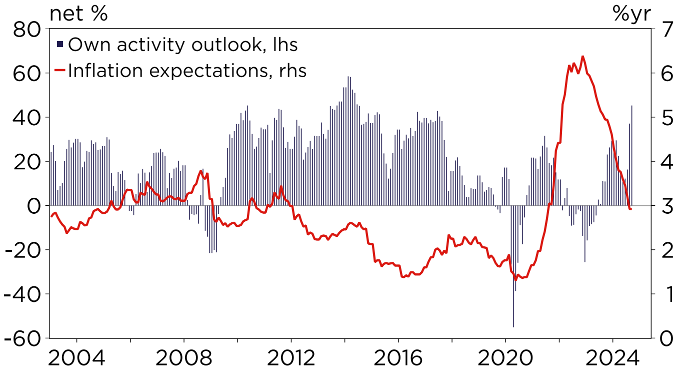
NZ: Oct ANZ Business Confidence (index)

Oct 31, Last: 60.9

Business confidence continued its resurgence in September, reaching its highest level in a decade, after the Reserve Bank delivered its first OCR cut and signalled more to come. That sentiment is likely to fuel the October survey as well, with the RBNZ delivering an even larger 50bp cut early in the month. That said, the surge in confidence has been rooted more in hope than reality so far: firms continue to report that their own activity is well down on a year ago.

The inflation measures will also be of interest. Firms report that their cost pressures have been slow to recede, and pricing intentions remain above pre-COVID levels.

Business sentiment lifting on rate cut hopes



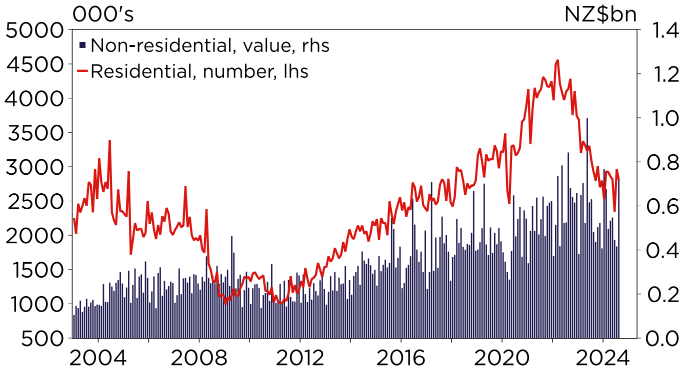
Source: ANZ, Macrobond, Westpac Economics

NZ: Sep Building Consents (%mth)

Nov 1, Last: –5.3, Westpac f/c: –5.0

We're forecasting a modest 5% drop in residential consent numbers in September. July and August's numbers included a large number of retirement village consents, which is likely to normalise this month. Smoothing through that month-to-month volatility, the earlier downtrend in consent issuance looks like it has found a base. We expect that consents will remain around current levels for the remainder of this year. While interest rates are dropping, a pickup in consents probably won't be seen until mid-2025. In the non-residential space, weak economic activity is expected to continue weighing on new developments.

Building consents appear to be flattening out



Source: Stats NZ, Macrobond, Westpac Economics

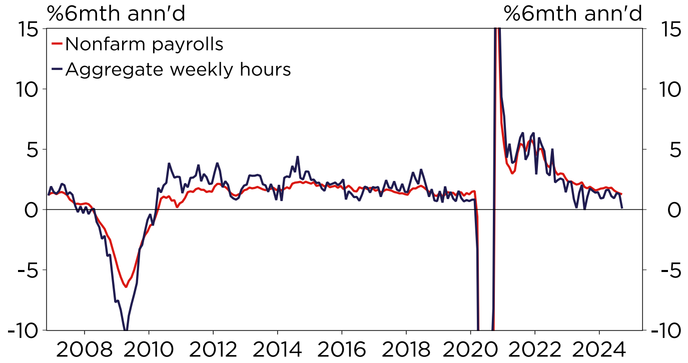
US: Q3 GDP (%yr annualised)

Oct 30, Last: 3.0, Market f/c: 3.0,

Range: 2.4 to 3.0

After the 3.0%qtr increase in Q2, US GDP growth is expected to have remained similarly strong in Q3. Labour market showed no signs of weakening and consumer spending figures through the quarter suggested that household consumption will support domestic demand. Construction activity however might remain weak as high borrowing rates continue to dissuade investment. And hurricanes alongside political uncertainty point to possible downside risks.

Labour market is proving surprising resilient



Source: BLS, Macrobond, Westpac Economics

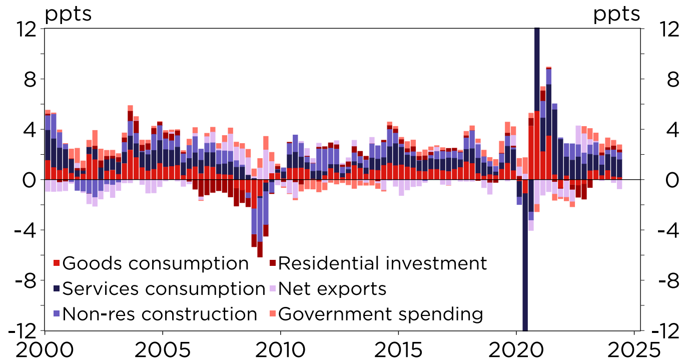
US: Oct nonfarm payrolls (000's)

Nov 11, Last: 254k, Westpac f/c: 110k
Market f/c: 120k, Range: 70k to 164k

September's nonfarm payrolls print exceeded expectations at 254k with upward revisions to previous months. The household survey also posted a stronger result, the unemployment rate shifting down to 4.1% after drifting higher for most of 2024. The October print is likely to come in much weaker owing to the impact of hurricanes crimping labour demand in affected areas as well as possible rebalancing after September's strong figure. The FOMC will be attuned to downside risk but also cognisant of the volatility in the establishment survey in recent months.

The distorted employment picture might also affect wage growth.

US growth to come in hot



Source: BEA, Macrobond, Westpac Economics

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 to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 28							
US	Oct	Dallas Fed Manufacturing Survey	index	-9	-9	–	Manufactuing conditions soft across the regions.
NZ		Labour Day	–	–	–	–	Markets closed.
Tue 29							
NZ	Sep	Employment Indicator	%mth	0.2	–	-0.2	Weekly snapshots have remained soft.
Jpn	Sep	Unemployment Rate	%	2.5	2.5	–	Labour market expected to remain tight.
US	Sep	Wholesale Inventories	%mth	0.1	–	–	Steady inv-to-sales ratio points to sound orders management.
	Sep	JOLTS Job Openings	000s	8040	7900	–	Volatile data has a propensity to unsettle markets…
	Oct	CB Consumer Confidence	index	98.7	98.8	–	… ahead of all-important payrolls figures later in the week.
Wed 30							
Aus	Q3	CPI	%qtr	1.0	0.3	0.3	Cost of living rebates & fuel detracts -0.66ppt from CPI…
	Q3	CPI	%yr	3.8	2.9	2.9	… bringing annual pace sub-3% for first time since Q1 2021.
	Q3	Trimmed Mean CPI	%qtr	0.8	0.7	0.7	Electricity & auto fuel trimmed from the core measure…
	Q3	Trimmed Mean CPI	%yr	3.9	3.5	3.5	… but we are still seeing an overall moderation.
	Sep	Monthly CPI Indicator	%yr	2.7	2.3	2.2	The monthly indicator still highlights unfolding disinflation.
Eur	Q3	GDP	%qtr	0.2	0.2	–	Modest increase, on the back of a healthier consumer…
	Oct	EC Economic Confidence Survey	index	96.2	96.3	–	… but fragile business confidence spells lingering risks.
US	Q3	GDP	%ann'd	3.0	3.0	–	Broadly similar pace of growth expected.
Thu 31							
Aus	Q3	Import Price Index	%qtr	1.0	-0.3	–	Commodity prices continue to move lower off peak.
	Q3	Export Price Index	%qtr	-5.9	-4.0	–	Will be a critical input to quarterly trade data.
	Sep	Dwelling Approvals	%mth	-6.1	2.1	1.0	Modest gain as private detached houses track soft uptrend.
	Sep	Retail Sales	%mth	0.7	0.2	1.0	Tax cuts gaining some traction, not yet driving large gains…
	Q3	Real Retail Sales	%qtr	-0.3	0.4	0.8	… but with disinflation, volumes look to have risen in Q3.
	Sep	Private Sector Credit	%mth	0.5	0.5	0.5	Maintaining a stable growth trend.
NZ	Oct	ANZ Business Confidence	index	60.9	–	–	Rate cuts boosting confidence more than activity.
Jpn	Oct	BoJ Policy Decision	%	0.25	0.25	–	More evidence of sustainable inflation needed.
	Sep	Industrial Production	%mth	-3.3	0.8	–	Greater volatility masking soft underlying trend.
Chn	Oct	NBS Manufacturing PMI	index	49.8	50.0	–	Still early days to see a response to recent stimulus…
	Oct	NBS Non-Manufacturing PMI	index	50.0	50.5	–	… but any signs of improving momentum will be welcome.
Eur	Oct	HICP	%yr	1.8	1.9	–	Core inflation trickling slowly toward target.
	Sep	Unemployment Rate	%	6.4	6.4	–	Hovering around record lows.
US	Q3	Employment Cost Index	%qtr	0.9	0.9	–	Softer labour market dynamics…
	Sep	Personal Income	%mth	0.2	0.4	–	… are gradually slowing gains in incomes…
	Sep	Personal Spending	%mth	0.2	0.4	–	… and will eventually household spending.
	Sep	PCE Deflator	%mth	0.1	0.3	–	Inflation is at target on an ex-shelter basis.
		Initial Jobless Claims	000s	227	–	–	Easing back after temporary disruptions.
Fri 01							
Aus	Oct	CoreLogic Home Value Index	%mth	0.5	–	0.3	Daily index points to a loss of momentum in October.
	Sep	Housing Finance	%mth	1.0	1.0	1.0	Set to show a broadly similar picture…
	Sep	Owner Occupier Finance	%mth	0.7	–	0.8	… construction-related lending a little firmer…
	Sep	Investor Finance	%mth	1.4	–	1.5	… but investors likely to outstrip owner-occupiers.
	Sep	Household Spending Indicator	%mth	flat	0.2	2.0	To supersede retail trade data in 2025.
NZ	Sep	Building Permits	%mth	-5.3	–	-5.0	The fall in issuance is finding a base.
Chn	Oct	Caixin Manufacturing PMI	index	49.3	–	–	Painting a similar picture to the official PMIs.
US	Oct	Non-Farm Payrolls	000s	254	120	–	Hurricane disruptions present a temporary headwind…
	Oct	Unemployment Rate	%	4.1	4.1	–	… but with the labour market having moved broadly into…
	Oct	Average Hourly Earnings	%mth	0.4	0.3	–	… balance, wage gains should start to slow.
	Oct	ISM Manufacturing	index	47.2	47.6	–	Manufacturing in contraction, mirroring regional surveys.
World		S&P Global Manufacturing PMI	index	–	–	–	Final estimate for Japan, UK and US.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (25 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	4.38	4.42	4.19	3.96	3.73	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.91	3.60	3.60	3.55	3.55	3.50	3.50	3.50	3.55	3.60
3 Year Bond	3.90	3.55	3.50	3.45	3.40	3.35	3.30	3.30	3.35	3.40
10 Year Bond	4.40	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	4.17	3.75	3.75	3.80	3.90	4.00	4.00	4.05	4.05	4.10
New Zealand										
Cash	4.75	4.25	4.00	3.50	3.50	3.50	3.50	3.50	3.50	3.50
90 Day Bill	4.25	4.25	4.00	3.85	3.85	3.85	3.85	3.85	3.85	3.85
2 Year Swap	3.60	3.60	3.70	3.85	4.00	4.00	4.00	4.00	4.00	4.00
10 Year Bond	4.15	4.15	4.20	4.30	4.35	4.40	4.40	4.40	4.35	4.35
10 Year Spread to US (bps)	25	40	45	50	45	40	40	35	30	25

Exchange rate forecasts

	Latest (25 Oct)	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
AUD/USD	0.6623	0.69	0.70	0.71	0.72	0.73	0.73	0.73	0.74	0.74
NZD/USD	0.5997	0.62	0.63	0.63	0.63	0.64	0.64	0.64	0.64	0.64
USD/JPY	151.57	142	141	140	139	138	137	136	135	134
EUR/USD	1.0823	1.11	1.11	1.12	1.13	1.14	1.14	1.15	1.15	1.15
GBP/USD	1.2967	1.33	1.33	1.34	1.34	1.34	1.35	1.35	1.35	1.35
USD/CNY	7.1239	7.00	6.95	6.90	6.80	6.70	6.65	6.60	6.55	6.50
AUD/NZD	1.1044	1.11	1.11	1.13	1.15	1.14	1.14	1.14	1.16	1.16

Australian economic growth forecasts

	2024				2025				Calendar years			
% Change	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

	2024				2025				Calendar years			
% Change	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
GDP %qtr	0.1	–0.2	–0.2	0.3	0.4	0.6	0.6	0.7	–	–	–	–
Annual avg change	0.3	–0.2	–0.1	0.0	–0.1	0.3	0.9	1.5	0.7	0.0	1.5	2.8
Unemployment rate %	4.4	4.6	5.0	5.3	5.5	5.6	5.6	5.5	4.0	5.3	5.5	4.6
CPI %qtr	0.6	0.4	0.6	0.4	0.5	0.3	0.9	0.3	–	–	–	–
Annual change	4.0	3.3	2.2	2.1	1.9	1.8	2.1	2.0	4.7	2.1	2.0	2.1

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