Week beginning 4 November, 2024

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Cash rate still expected to be unchanged until February.

The Week That Was: A step behind, but with the goal in sight.

Focus on New Zealand: Labour market in focus.

For the week ahead:

Australia: RBA policy decision, goods trade balance, Melbourne Cup.

New Zealand: Q3 labour market surveys, government financial statements.

China: CPI, PPI, trade balance, current account balance, foreign reserves.

Eurozone: retail sales.

United Kingdom: BoE policy decision.

United States: Presidential Election, FOMC policy decision, ISM services, factory orders, trade balance.

Information contained in this report current as at 1 November 2024

Cash rate still expected to be unchanged until February

Luci Ellis
Chief Economist, Westpac Group

Following this week's inflation data for the September quarter, we affirm our call for the Reserve Bank Board to leave the cash rate unchanged at its meeting next week. We continue to expect rates to remain unchanged this year, and that the rate-cutting phase will begin with a 25 basis point cut at the February 2025 meeting.

Headline inflation dropped into the RBA's target range. As flagged by Westpac Economics colleague, Senior Economist Justin Smirk, there were downside risks to our expectations of headline, and indeed these were realised: headline inflation came in slightly below consensus and our own expectations (0.2%qoq, 2.8%yr).

The all-important trimmed mean measure came in on consensus at 0.8% qoq, and 3.5%yr. Both measures are significantly down from the prior quarterly readings, and the quarterly outcome (0.78% to two decimal places) was just a few basis points above our nowcast. Trend inflation is still above target, but the disinflation remains on track.

Although the RBA does not publish a forecast for the September quarter, we think that this week's outcome would have been broadly in line with their expectations. Indeed, their August SMP forecasts had trimmed mean inflation at 3.5%yr for the December quarter. By getting to that level already by the September quarter, the outcome is therefore arguably a little better than what the RBA was most recently forecasting.

Between the slightly better headline result, softer momentum in key components and the likelihood of lower $A petrol prices, the near-term inflation outlook is slightly lower than previously thought. Today's Weekly forecast tables show some slight downward revisions to our view into 2025, with headline CPI inflation now forecast at 3.3%yr for calendar 2025 (from 3.6%), and trimmed mean shaved down from 2.9%yr to 2.8%yr over the same period.

We also note that revisions to output, hours worked and productivity data in the annual national accounts further reduce potential concerns about ongoing inflation in the domestic cost base.

This suggests that risks of a further rate hike have faded, but neither does it imply that rate cuts need to be brought forward to this year.

Given the uncertainties surrounding the US election and its aftermath, we think it likely that the RBA will stand pat this time and see how global events play out. Thus the view that rate cuts will commence in February remains appropriate.

Things to watch for in the SMP and media conference

The November RBA meeting announcement will be accompanied by a new issue of the Statement on Monetary Policy and revised forecasts, as well as the media conference. Within that body of communication, there are several things to watch out for.

- Will the RBA hold onto the 'not ruling anything in or out' language? The further down the disinflation path we travel, and the longer the disinflation remains on track, the harder this language is to justify, even with broader financial conditions supposedly easing. At some point, the RBA will need to acknowledge that we are getting closer to the point that rates will start falling. Perhaps downwardly revised inflation forecasts at this meeting will be the trigger, or the decline in wages growth that will be released ahead of the next meeting.
- How will the RBA revise its assessment of the level of supply, and so spare capacity, in light of recent data revisions? As Westpac Economics colleague, Senior Economist Pat Bustamante revealed this week, revisions to data in the annual national accounts substantially ameliorate concerns about supply capacity and productivity. The RBA acknowledged in the September minutes that some of the softness reflected compositional change in employment. However, it still presented a relatively downbeat view of the trend. It is worth watching how the RBA's language around this issue evolves from here.
- How will the RBA integrate views about energy prices into its forecasts for inflation in 2025 and beyond? Currently the RBA is 'looking through' the substantial effects of rebates on the headline CPI data and focusing on underlying measures such as trimmed mean. But when the tables turn in late 2025 and headline is printing above 3% while trimmed mean declines below 3%, will the RBA continue to focus on trimmed mean, or start calling out the deviation from target on a headline basis?
- How will the RBA's assessment of upside risks from household spending and the housing market shift? With a few more months of data, the spending response to the

Stage 3 tax cut is still looking quite modest. (See Westpac Economics' Jameson Coombs' reporting on the Westpac–DataX Consumer Panel last week.) Meanwhile housing prices in Sydney are starting to turn, joining Melbourne as a market that is no longer increasing significantly. Future rate cuts could turn this around, but it no longer seems that wealth effects pose a material upside risk to spending.

What would it take for the RBA to cut in December?

Inflation is declining largely as hoped for, and peer economies are not only cutting rates but front-loading the adjustment. The question therefore arises: why wouldn't the RBA just get on with it and start cutting sooner?

Another way to frame this question, though, is: what would it take for the Governor to go back on her earlier statement that rate cuts this year did not align with the Board's thinking?

We think that the bar is still too high for the RBA to go back on its earlier view. The labour market remains resilient – though we are mindful that employment growth has to run hard just to keep pace with strong population growth and the trend rise in participation. And while the spending response to the tax cuts looks to be less than expected, it is not zero. So, absent a major shock, we do not see the economy hitting a wall in the next few months, enough to shift the RBA's thinking on the timing of rate cuts. If things turn out weaker over the next couple of quarters, a faster trajectory for the rate-cutting phase could occur. But a start date earlier than February seems like a low-probability outcome.

Cliff Notes: a step behind, but with the goal in sight

Elliot Clarke, Head of International Economics
Mantas Vanagas, Senior Economist
Ryan Wells, Economist

In Australia, the Q3 CPI reported a 0.2% (2.8%yr) increase in headline inflation and a 0.8% (3.5%yr) lift in underlying trimmed mean inflation, both of which broadly met expectations. The impact of rebates was apparent in the headline detail, a –17.3% fall in electricity prices in Q3 the main reason why headline inflation managed to return to the band, alongside softness in auto fuel prices (–6.7%). Abstracting from these big moves, the underlying narrative has not changed materially since Q2. Price pressures in policy-sensitive components of consumption remain benign, discretionary inflation (ex tobacco) holding at a 2.1%yr pace in Q3. However, inflation is only gradually abating across non-discretionary items (excluding energy) such as rents and insurance.

Following this data release, Chief Economist Luci Ellis affirmed Westpac's view that the RBA's rate cutting cycle will begin in February 2025. Importantly, Q3 trimmed mean inflation was broadly in line with the RBA's own forecasts; together with the recent revisions to activity data pointing to a better picture around supply capacity and productivity than previously assumed, the inflation detail suggests the risks of further increases in interest rates have dissipated. That said, there looks to be little appetite for the RBA Board to reverse their guidance that rate cuts this year 'do not align with its thinking'. From February, we believe the RBA will begin slowly reducing policy's restrictiveness, a cut per quarter to leave the cash rate at a terminal rate for this cycle of 3.35% in Q4 2025.

Developments in economic activity will also prove critical to the RBA outlook. This week's update on retail sales continued to highlight the price sensitivity of consumers, retail volumes up a modest 0.5% in Q3, only the second increase in volumes in two years, with spending concentrated in items where prices have fallen. While we lack visibility around services consumption, this result, alongside other partial data, points to some downside risk to total consumer spending in the September quarter. For deeper insights on the current state of the Australian consumer, see Westpac's Red Book.

On the international scene, politics were front and centre. Ahead of next Tuesday's US Presidential and Congressional elections, opinion polls continue to indicate Donal Trump and Kamala Harris are neck and neck. While Trump seems to have edged ahead in some of the key swing states, his lead remains within the margin of error. Prediction markets in contrast imply close to a 2/3 probability of a Trump victory, and financial markets this week continued to position for such an outcome. Though it has to be said, US data this week was also consistent with a positive outlook for growth and the US dollar (more below).

Political uncertainty is also on the rise in Japan, the coalition government, led by the LDP, losing its majority in the lower house election last weekend. PM Ishiba, elected to lead his party only a month ago, is staying in his position hoping to find political support from other parties, likely in exchange for a commitment to higher future government spending.

Turning to monetary policy, the BoJ kept the policy rate unchanged at 0.25% at its October meeting; but in the post-meeting communications, the Governor sounded more optimistic about the global outlook, particularly the US, and assessed that, domestically, wage increases remain supportive of consumer inflation.

Another BoJ rate hike therefore arguably remains on the agenda for coming months, particularly if further Yen weakness is seen.

In the UK meanwhile, the new Labour government announced their first Budget, delivering a significant increases in public investment and spending worth around 2% of GDP per year. Looser fiscal policy is expected to boost UK GDP growth in the near term. According to official forecasts, GDP growth is on a trajectory to reach 2%yr next year, with around 0.5ppts coming from fiscal policy, before easing slightly in subsequent years. The extra spending will be funded almost equally by higher borrowing and taxes, the latter as a share of GDP forecast to rise above 38%, a record high and 5ppts above the pre-pandemic level. Financial markets showed concern over the fiscal outlook, the rise in projected government borrowing seeing Gilts yields rise across the curve.

In terms of the economic data flow, US GDP data confirmed the US economy carried robust momentum into the second half of this year, expanding 2.8%qtr annualised in Q3, only very slightly below the growth rates of Q2 and 2023 as a whole. Growth's composition didn't reveal any material changes to underlying trends, with personal consumption, business equipment investment and public spending leading the way. While net exports, inventories and residential investment were drags in Q3, lower interest rates should start supporting the latter, particularly if sentiment in housing and the labour market outlook remains firm.

Q3 Euro Area GDP also did not disappoint. Surprising market expectations, which had been weighed down by recent soft readings for economic sentiment, activity rose by 0.4%qtr in Q3. This was the strongest gain in two years and left annual growth at a more promising 0.9%yr. Temporary factors contributed – the Olympic Games supported growth in France, while a 2%qtr jump in Ireland surely is a one-off which will, at least partly, reverse – but there was also some positive news about underlying growth in key member states. Germany's economy escaped recession, activity rising 0.2%qtr to partially reverse Q2's 0.3%qtr decline. And Spain showed no signs of slowing down, GDP posting another 0.8%qtr increase, taking annual growth to 3.4%yr. Looking ahead, stronger Euro Area growth momentum should temper market expectations of steep ECB policy rate cuts over the coming year. We continue to expect a 25bp Deposit Rate cut at their final policy meeting of the year, followed by one cut per quarter through H1 2025.

Labour market in focus

Darren Gibbs
Senior Economist

It has been another relatively quiet week for data in New Zealand, with perhaps most interest centred on the final indicators ahead of next week's keenly awaited September quarter labour market surveys.

On that score, the Monthly Employment Indicator (MEI) – a measure of paid employment taken from tax data – suggested that the number of filled jobs was unchanged in the month of September. But this measure has tended to overstate the level of employment when first released – a tendency that was again on display this week, with an initially reported 0.2% rise in August now revised away.

Given the declines reported in earlier months, the number of filled jobs declined 0.7% in the September quarter and was 0.9% lower than a year earlier. The industry data points to ongoing job losses in construction (-5.0% y/y), professional services (-2.0% y/y) and administrative and support services (-6.8% y/y). Healthcare is the only sector that has shown consistent growth over the past year, reflecting the significant staff shortages that had accumulated during the border closure.

Armed with this information, my colleague Michael Gordon has released his preview of next week's labour market surveys. In short, the surveys should point to growing slack in the labour market and easing pressure on labour costs – developments that should give the RBNZ confidence that most pockets of remaining domestic inflation pressures will soon be eliminated. We have pencilled in a 0.6% q/q decline in the Household Labour Force Survey (HLFS) measure of employment – close to that implied by the MEI – which would leave employment unchanged from a year earlier. It is worth noting that there are conceptual differences between the MEI and HLFS measures of employment – for example, the former counts jobs not people and the latter includes unpaid work. That said, the sampling error associated with the HLFS likely explains much of the occasional divergence between the two indicators, such as that seen in the June quarter.

With migrant inflows having slowed significantly this year, the working age population has grown just 0.3% in the September quarter – the least in two years. Moreover, the expected fall in employment is likely to have been accompanied by a fall in the labour force participation rate, as some people drop out of the labour force rather than actively seeking work (perhaps even more than usual this cycle, with the MEI suggesting that job losses have been concentrated amongst younger age groups, who may return to schooling or other training). As a result, we expect the unemployment rate to rise by 0.4ppts to 5.0% – a smaller increase than would otherwise have occurred. Aside from the brief spike to 5.2% following the 2020 Covid lockdown, this would nonetheless be the highest rate since 2016. We expect the unemployment rate to keep rising to a peak of 5.6% in the year ahead, even as lower interest rates provide the spark for a pickup in economic growth.

Perhaps most importantly for the RBNZ, next week's surveys should provide further evidence that increasing labour market slack is taking the heat out of labour costs – a key driver of inflation pressures in the services sector. We expect a 0.7% rise in the Labour Cost Index (LCI) for the September quarter, which would see annual growth slow from 4.3% to 3.8%. And for the private sector – less impacted by the large public sector wage agreements made under the previous government – growth is expected to slow to from 3.6% to 3.4%. Looking ahead, we expect to see a further marked slowing in wage growth, reflecting the cyclical high in unemployment and because cost-of-living pay increases will be smaller than in previous years. Indeed, the latest ANZ business survey – also released this week – suggested that firms expect wages and salaries to grow 2.6% over the coming year, down from 4.0% a year earlier.

Staying with the ANZ survey, business confidence rose to a fresh 10-year high in October, in contrast to last week's modest pullback in consumer confidence. Both investment and hiring intentions improved during the month, while year-ahead activity expectations held last month's gains. Backward-looking measures continued to suggest that activity and employment remained below year-earlier levels, but by slightly less so than in recent months. Meanwhile, the pricing indicators were mixed. Firms' expectations for inflation in the year ahead ticked down from 2.9% to 2.8%. The September quarter CPI was released mid-October, so likely pre-dated many of the responses to this survey – we may see a more decisive move lower in this measure next month. In contrast, the net proportion of firms reporting an intention to lift prices ticked up in October, as it they have done for the last four months. This measure continues to sit above its long-run average, in contrast to the equivalent series in the longer-running QSBO survey (the latter also boasting a larger sample).

The other domestic news of note this week was an interview given by RBNZ Governor Adrian Orr while in Washington DC for the IMF and World Bank meetings. Orr noted that the RBNZ's decision to reduce the OCR by 50bp in October was not influenced by the Fed's earlier move, but rather "Price setting behaviour, wage setting behaviour, inflation expectations and now actual inflation are all consistent with being back in our 1-3% target band. So, you know, we don't have to be as restrictive." As for what lies ahead, Orr said that the OCR would be heading down to "3.5% or thereabouts" in the coming calendar year, and that the RBNZ would be "very pleased" if the unemployment rate were not to rise far beyond 5%. And while he noted that there was still some work to do to get core inflation back to the centre of the target band, he was confident that "everything's going in the right direction" given the degree of slack now evident in the economy. All up, the interview reinforced the messages from Orr's previous speaking engagements and leaves us comfortable with our forecast of another 50bp cut in the OCR at the RBNZ's 27 November meeting (the last meeting until mid-February).

The coming week will inevitably see a significant focus on events offshore, especially in the US where Tuesday's elections and Thursday's FOMC policy announcement will take centre stage. Locally, the highlight will be Wednesday's labour market surveys. But there will also be some interest in Thursday's release of the first tax and spending data for the new fiscal year – covering the three months to September – and the outcome of the latest Global Dairy Trade auction. The former will cast light on whether a further adjustment to the Government's forecast borrowing programme might be required alongside the release of the Half-Year Economic and Fiscal Update on 17 December.

AUS: RBA Policy Decision (%)

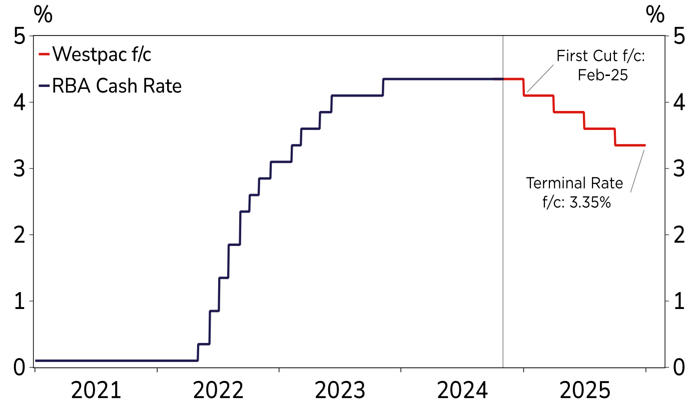
Nov 5, Last: 4.35, Westpac f/c: 4.35
Market f/c: 4.35, Range: 4.35 to 4.35

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

The Q3 CPI reported that trimmed mean inflation was broadly in line with the RBA's own forecasts. This, together with the recent revisions to activity data pointing to a better picture around supply capacity and productivity, suggests the risks of further interest rate increases have dissipated.

That said, there looks to be little appetite for the RBA Board to reverse their guidance that rate cuts this year 'do not align with its thinking'. We continue to expect the RBA will begin reducing policy's restrictiveness from February, at a gradual pace of a 25bp cut per quarter to leave the cash rate at a terminal rate for this cycle of 3.35% in Q4 2025.

RBA to remain on hold in November



Source: RBA, Macrobond, Westpac Economics

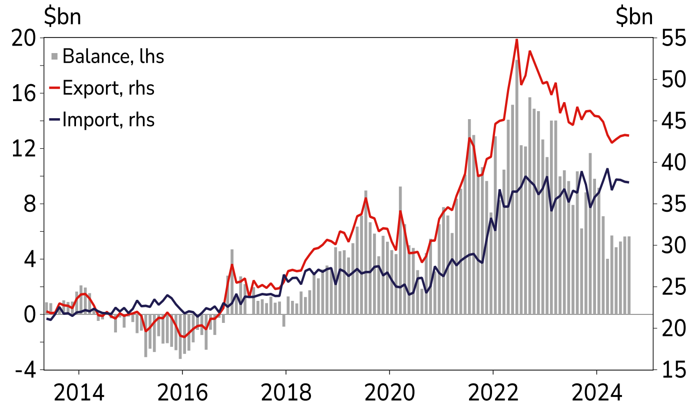
AUS: Sep Goods Trade Balance ($bn)

Nov 7, Last: 5.6 Westpac f/c: 5.8
Market f/c: 5.4, Range: 4.5 to 6.0

The goods trade balance remained unchanged in August, at a downwardly revised $5.6bn. Exports declined for the first time in four months, by 0.2%mth, as exports of rural goods dropped sharply after strong gains in prior months. Meanwhile, imports showed an equivalent change, with weakness concentrated in the consumption goods category, likely reflecting depressed domestic demand.

We think that exports should return to positive growth in September. Although freight data suggests a decline from August levels, the headline exports growth should be lifted by seasonal adjustment factors. We think that the positive impact on trade surplus is likely to be offset by higher imports, however, we are still expecting to see an improvement in trade balance to $5.8bn.

Goods trade surplus forecast to widen in Sep



Source: ABS, Macrobond, Westpac Economics

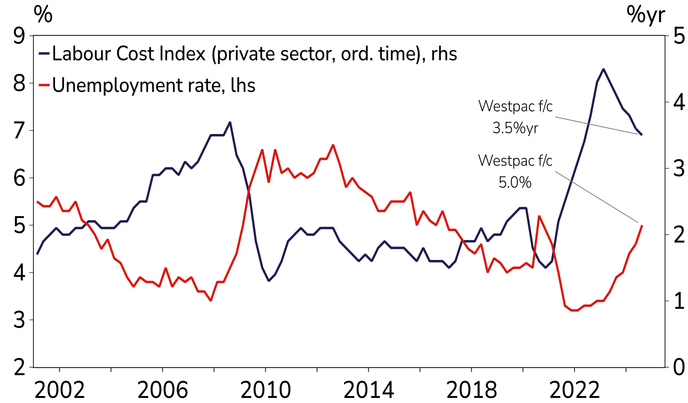
NZ: Q3 Labour Market Surveys

Nov 6, Unemployment rate, Last: 4.6%, Westpac f/c: 5.0%
Labour Cost Index (private), Last: 0.9%, Westpac f/c: 0.7%

We expect the unemployment rate to rise from 4.6% to 5.0% for the September quarter. Aside from the brief spike to 5.2% following the 2020 COVID lockdown, this would be the highest rate since 2016. The economy's prolonged downturn is now clearly weighing on the labour market, with the Monthly Employment Indicator marking a turn to outright job losses in recent months.

Wage growth remains elevated but is slowing from its highs. The June quarter result was boosted by collective pay agreements in health and education, but this quarter should provide a relatively clean read.

Softening jobs market sees wage growth ease



Source: Stats NZ, Macrobond, Westpac Economics

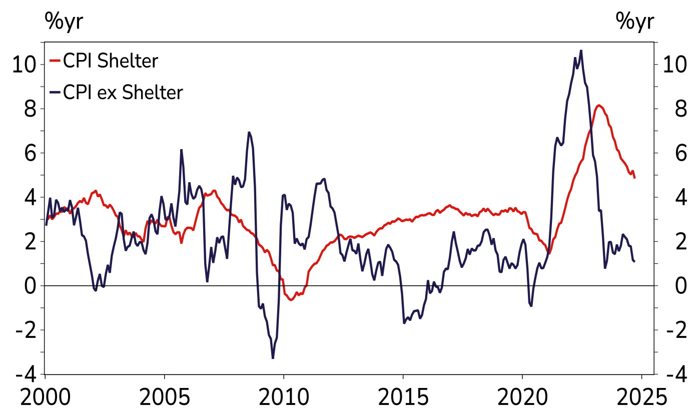
US: November FOMC Meeting

Nov 6-7, Last: 4.875%, Westpac f/c: 4.625%
Market f/c: 4.625%

At their September meeting, the FOMC delivered a 50p cut to begin the easing cycle. Since then, activity data has been constructive but price pressures benign. Members of the Committee who have spoken have generally guided that the FOMC believe a moderate easing cycle (in scale and pace) back to near neutral is most appropriate, assuming current trends persist.

Come the November meeting, we expect a 25bp cut and guidance that highlights the Committee's confidence in the activity outlook, but also recognition the fed funds rate remains a long way above their estimate of neutral. An initial response from the FOMC on the economic impact of the elections is highly unlikely.

FOMC comfortable with inflation outlook



Source: BLS, 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 04							
Aus	Oct	MI Inflation Gauge	%yr	2.6	–	–	Easing, broadly in line with other official measures.
	Oct	ANZ-Indeed Job Ads	%mth	1.6	–	–	Tightness in labour market fading gradually.
Eur	Nov	Sentix Investor Confidence	index	–13.8	–12.6	–	6m outlook improving despite pessimism in current situation.
US	Sep	Factory Orders	%mth	–0.2	–0.4	–	Factory orders to fall further in September.
Tue 05							
Aus	Nov	RBA Policy Decision	%	4.35	4.35	4.35	Q3 CPI affirms our call for a February 2025 start to rate cuts…
		Statement On Monetary Policy	–	–	–	–	… updated forecasts and perceived balance of risks will be key.
		Melbourne Cup	–	–	–	–	Public holiday (Vic); Buckaroo currently favoured by bookies.
NZ	Oct	ANZ Commodity Prices	%mth	1.8	–	–	Gains in diary and lamb to lift the index to a two-year high.
		RBNZ Financial Stability Report	–	–	–	–	Six-monthly review of financial stability indicators.
Chn	Oct	Caixin Services PMI	index	50.3	50.5	–	Seasonality may mask the boost from recent stimulus measures.
US	Sep	Trade Balance	US$bn	–70.4	–74.5	–	The resilience of the US consumer is driving a larger deficit…
	Oct	ISM Non-Manufacturing	index	54.9	53.5	–	… and keeping services activity firmly in expansionary territory.
		US Presidential Election	–	–	–	–	Opinions polls pointing to a neck-and-neck race.
Wed 06							
NZ	Q3	Unemployment Rate	%	4.6	5.0	5.0	Unemployment expected to reach a four-year high…
	Q3	Employment Change	%qtr	0.4	–0.5	–0.6	… with slow growth in jobs now turning to outright losses.
	Q3	Labour Cost Index (Private)	%qtr	0.9	0.7	0.7	Wage growth slowing as labour market slack increases.
Eur	Sep	PPI	%yr	–2.3	–3.4	–	Falls led by declining prices for energy and intermediate goods.
World	Oct	S&P Global Services PMI	index	–	–	–	Final estimate for Japan, Europe and US.
Thu 07							
Aus	Sep	Goods Trade Balance	$bn	5.6	5.4	5.8	Export growth set to drive a modest improvement.
NZ	Jul-Sep	Government Financial Statements	–	–	–	–	First tax and spending data for '24/25 fiscal year.
Chn	Oct	Trade Balance	US$bn	81.7	–	–	Headwinds from soft global demand and rising geopoltical risks.
	Oct	Foreign Reserves	US$bn	3316	–	–	Improving economic fundamentals to keep reserves stable.
Eur	Sep	Retail Sales	%mth	0.2	0.8	–	Recovering household finances should support retail spending.
		ECB Speak	–	–	–	–	ECB's Stournaras, Schnabel and Lane to speak.
Swe	Nov	Riksbank Policy Decision	%	3.25	2.75	–	Weakness in domestic activity to drive a 50bp rate cut.
UK	Nov	BoE Policy Decision	%	5.00	4.75	4.75	Rate cut expected, pressures from UK budget and uncertainty.
US	Nov	Initial Jobless Claims	000s	216	–	–	Impacts from weather and strikes should start to subside.
	Sep	Wholesale Inventories	%mth	–0.1	–	–	Volatility exhibited in recent months.
	Nov	FOMC Policy Decision	%	4.875	4.625	4.625	Moderate easing cycle back to near-neutral rate appropriate.
Fri 08							
Aus		RBA Assist' Gov. (Fin. Sys.)	–	–	–	–	Panel participation by Jones at FINSIA event, 1:45pm AEDT.
Chn	Q3	Current Account Balance	US$bn	54.5	–	–	Ongoing recovery in outbound travel to offset trade near-term.
Jpn	Sep	Household Spending	%yr	–1.9	–1.8	–	Recent wage gains are not translating to higher spending.
UK		BoE Speak	–	–	–	–	BoE Chief Economist Pill due to speak.
US	Sep	Consumer Credit	US$bn	8.9	14.5	–	An increase anticipated following a subdued August print.
	Nov	Uni. Of Michigan Sentiment	index	70.5	70.6	–	Consumer mood lifting as optimism on the economy rises.
Sat 09							
Chn	Oct	CPI	%yr	0.4	–	–	Consumer prices no longer falling on an annual basis…
	Oct	PPI	%yr	–2.8	–	–	… while producer prices have declined for 24 consecutive months.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (1 Nov)	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	4.04	3.60	3.60	3.55	3.55	3.50	3.50	3.50	3.55	3.60
3 Year Bond	4.07	3.55	3.50	3.45	3.40	3.35	3.30	3.30	3.35	3.40
10 Year Bond	4.54	3.90	3.90	3.90	4.00	4.05	4.05	4.10	4.10	4.15
10 Year Spread to US (bps)	27	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	4.27	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	3.75	3.75	3.75
90 Day Bill	4.51	4.25	3.80	3.60	3.60	3.60	3.70	3.85	3.85	3.85
2 Year Swap	3.65	3.50	3.60	3.75	3.85	3.95	4.00	4.00	4.00	4.00
10 Year Bond	4.49	4.20	4.20	4.25	4.35	4.40	4.40	4.40	4.35	4.35
10 Year Spread to US (bps)	22	45	45	45	45	40	40	35	30	25

Exchange rate forecasts

	Latest (1 Nov)	Dec–24	Mar–25	Jun–25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
AUD/USD	0.6578	0.69	0.70	0.71	0.72	0.73	0.73	0.73	0.74	0.74
NZD/USD	0.5977	0.62	0.63	0.63	0.63	0.64	0.64	0.64	0.64	0.64
USD/JPY	152.44	142	141	140	139	138	137	136	135	134
EUR/USD	1.0876	1.11	1.11	1.12	1.13	1.14	1.14	1.15	1.15	1.15
GBP/USD	1.2898	1.33	1.33	1.34	1.34	1.34	1.35	1.35	1.35	1.35
USD/CNY	7.1211	7.00	6.95	6.90	6.80	6.70	6.65	6.60	6.55	6.50
AUD/NZD	1.1006	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	4.1	4.2	4.3	4.4	4.5	4.6	3.9	4.2	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	0.2	0.3	0.6	0.9	1.1	0.7	–	–	–	–
%yr end	3.6	3.8	2.8	2.5	2.1	2.0	2.9	3.3	4.1	2.5	3.3	2.8
CPI Trimmed Mean %qtr	1.0	0.9	0.8	0.6	0.7	0.7	0.7	0.7	–	–	–	–
%yr end	4.0	4.0	3.5	3.3	3.0	2.8	2.6	2.8	4.2	3.3	2.8	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

Corporate Directory

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Jameson Coombs
Economist
E: jameson.coombs@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au

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