Week beginning 11 November, 2024

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: The red fork in the road.

The Week That Was: An event-filled week.

Focus on New Zealand: Back to school.

For the week ahead:

RBA: Governor Bullock panel participation at ASIC Annual Forum.

Australia: Wage price index, labour force survey, Westpac-MI consumer sentiment, NAB business survey.

New Zealand: Retail card spending, net migration, manufacturing PMI, RBNZ inflation expectations.

China: Retail sales, industrial production, fixed asset investment.

Japan: Current account balance, GDP.

Eurozone: ZEW survey of expectations, industrial production, GDP.

United Kingdom: Unemployment rate, average weekly earnings, GDP, BoE speak.

United States: CPI, PPI, Fed empire manufacturing survey, retail sales, industrial production.

Information contained in this report current as at 8 November 2024

The red fork in the road

Luci Ellis
Chief Economist, Westpac Group

It is the nature of event risk that, when it is finally realised, it closes off some potential futures and narrows down the remaining possibilities. As we flagged back in July, elections can be such an event risk. Schrödinger's November box has been opened, and we now know that, not only did the cat turn out to be red, but it seems to be accompanied by two little red kittens called 'Senate' and 'House of Representatives'.

We do not yet know exactly what the incoming Trump administration's fiscal and trade policies will be, but we have a sense of the direction. Relative to the superposition of red and blue possible futures, fiscal policy will be at least a bit more expansionary. It will also be skewed more to tax cuts than spending, meaning that more of the extra demand will be private sector not public sector. Recall, though, that both parties were promising a continuation of the current large fiscal deficits. Fiscal consolidation was not on either side's agenda. So the now-likely future is a difference at the margin from our earlier view, not a complete departure from it.

In addition, the proposed tariffs will lift the price level in the United States, boosting measured inflation for a time and raising the relative price of traded goods relative to non-tradeables.

We were already expecting that the global interest rate structure would be higher in the future than it had been in the period between the GFC and the pandemic. This has been a core part of our house view for some time. The large US fiscal deficits, which would have continued regardless of the election result, were among the factors underlying this view.

With one fork in the road now closed off, though, some further evolution of that view is in order.

At the margin, the expected demand impulse from the next Trump administration's likely fiscal policy will be larger, and more inflationary, than our existing base case. Bond markets are already adjusting to this. The result is higher bond yields across the whole US curve. The US bond market's dominant position globally means that most of this uplift also flows through to our view on Australian bond yields. Because Australia's fiscal position is stronger than in the United States, we continue to expect the spread between Australian and US long yields to be narrower than historical norms.

Trump's tax cuts and tariffs push the US inflation outlook up. This will take a while to come through, though, given that it will likely be well into 2025 before they are enacted. We have therefore not shifted our view of near-term path for the Fed funds rate. The Fed cut rates by 25 basis points at this week's meeting as expected, and we continue to expect the Fed funds rate to reach its low point of 3.375% (midpoint) in the third quarter of 2025.

In contrast, we do think the outlook further out has shifted from our earlier expectations. Recall that we already expected the Fed funds rate to bottom out at a higher rate than implied by the FOMC 'dot plot', consistent with our view about the longer-run global interest rate structure. That view seems even more likely given recent developments. Further, we now think it likely that the Fed will start hiking rates in the second half of 2026, in response to rising inflationary pressures. While it is too soon to know what Trump's immigration policies imply for US population and labour supply, and so the domestic cost base, a shift here is likely to reinforce the inflationary implications of Trump's other signature policies.

> **'We have therefore not revised our view on the RBA cash rate in light of Trump's victory.'**

We do not see the same inflationary impulses in Australia, especially given that rising labour force participation here has been a positive for labour supply and is likely to remain so for a while. In addition, the impact of tariffs on China could be indirectly negative for Australia, given its importance as a destination for our exports. Against that, though, we need to be mindful that China is likely to respond to any negative external shock with additional stimulus targeting the consumer and residential investment, lifting commodity demand. We would also see Australia as one likely destination for all those cheaper manufactured goods that a tariff-bound United States no longer demands. This implies some downside risk for the relative price of goods relative to services in Australia, and to inflation more broadly. We have therefore not revised our view on the RBA cash rate in light of Trump's victory.

The relative shift in rates suggests a stronger US dollar, and so we have flattened the slope of the expected appreciation of the AUD (and NZD) against the USD accordingly. Relative purchasing power tends to be the centre of gravity that exchange rates revert to over the 3–5 year horizon, but it now seems that this will take longer than we previously assumed.

Cliff Notes: an event-filled week

Elliot Clarke, Head of International Economics
Illiana Jain, Economist
Ryan Wells, Economist

Domestically, the main event was the RBA's November policy meeting, where the Board decided once again to leave the cash rate unchanged at 4.35%. Communications on the day – via the decision statement, press conference, and Statement on Monetary Policy – provided more colour around changes to the RBA's forecasts. Most notable were a near-term downgrade to consumer spending and the edging down of underlying inflation in 2026, while the outlook for employment growth was revised up.

On balance, developments since the last policy meeting have not materially altered the RBA's perspective, a mixed picture on the domestic economy reinforcing the Board's patient approach of "not ruling anything in or out" for the time being. Echoing this point, the Board's policy discussion in November considered the balance of risks around the central case of remaining on hold versus actively considering a rate hike or cut – similar to September.

In a video update midweek, Chief Economist Luci Ellis explained the key takeaways from the RBA's decision in more detail. In our view, the RBA's interpretation of the recent data flow is slightly more hawkish than our own, offering greater certainty the RBA Board will not change their stance this year. However, we remain of the view that the first rate cut will be delivered in February 2025 and easing will continue at a measured pace of 25bps per quarter from there until 3.35% in Q4 2025, a rate we consider to be broadly neutral for the economy.

Offshore, the medium-term settings and consequences of fiscal policy are becoming less certain, but the immediate path for monetary policy is clear.

Throughout the week, markets were squarely focussed on the US Presidential and Congressional elections. Donald Trump comfortably surpassed the 270 Electoral College votes needed to serve a second term as President. While some Congressional contests are still to be confirmed, the Republican party looks to be on track to hold a majority in both the Senate and House of Representatives. These results should give President-elect Trump considerable scope to enact mooted policy reform across tax, regulation, spending and trade. While specific policy detail won't be known until after inauguration on 20 January, the net result for the deficit is expected to be expansionary, steepening the uptrend in Federal Government debt on issue over the coming decade. Market participants are likely to continue to front-run fiscal decision making, holding Treasury yields around their current level, almost 75bps above September's low.

The immediate outlook for monetary policy is certainly not behind the lift in yields. This week the FOMC followed up September's 50bp cut with a 25bp reduction, taking the mid-point of the fed funds range to 4.625%. Chair Powell was clear in the press conference that the Committee expect inflation to continue to abate to target, with non-housing services and goods inflation already consistent with headline inflation of 2.0%yr, and strength in housing inflation a consequence of past agreements not current market dynamics. While positive on the outlook for activity and employment, it is clear the FOMC are now more concerned with downside risks for the labour market than upside price risks. Any further deterioration in the labour market would be unwanted.

On this week's election specifically, Chair Powell made clear that the outcome will have no effect on monetary policy in the near term. It is only over time, as policy is committed to and implemented, that the economic implications become clear and any monetary policy response can be decided upon. The December FOMC meeting will be the first opportunity for Committee members to update their forecasts; however, this will be more than a month before the new administration takes office, let alone when the President-elect and new Congress begin to debate policy. By late-2026 however, we believe the FOMC will see a need to tighten policy to counteract the cumulative inflationary consequences of more expansionary fiscal policy, which is likely to focus on supporting demand versus supply. With much of the expected fiscal policy effects already priced in, term interest rates are likely to hold near current levels over the coming year, then edge higher from late-2025, pre-empting monetary policy tightening.

Across the pond, the Bank of England also cut rates by 25bp to 4.75% this week. The Committee provided its assessment of the new government budget, nudging the GDP profile higher by ¾% at its peak in Q4 2025. A rise in employment costs from an increase in the National Living Wage and changes in the employers' National Insurance contribution will also influence wages and profits margins, and ultimately inflation. The inflation outlook was nudged up from Q3 2025, with headline inflation not expected to be sustainably at target until Q2 2027, a year later than in the prior set of forecasts. The BoE's central case is that further economic slack is needed to normalise inflation and wage dynamics, warranting a 'gradual approach' to removing restrictive policy. The exact pace of rate cuts from here will depend on the data flow, meeting by meeting. The closer Bank Rate gets to its neutral level, the greater the justification for prudence.

Back to school

Michael Gordon
Senior Economist

The September labour market surveys didn't provide much new to chew on ahead of the Reserve Bank's last policy review of the year. Fewer people were in employment, as already signalled by the higher-frequency data, and wage pressures are now clearly easing off. The measured unemployment rate rose by less than expected, though the surprise was due to more people opting out of the labour force altogether.

As we discussed in our review note, we've shaded down our forecast for the peak in the unemployment rate to 5.4%, from 5.6% previously. The latest survey adds to the evidence that labour force participation has played a greater than usual role in this cycle, absorbing some of the variation in employment and dampening the highs and lows in the measured unemployment rate.

This effect has largely occurred among young people, and especially teenagers. In the initial post-Covid period, the economy was running hot and the demand for workers was strong, but the border closure meant that employers couldn't look to migrants to meet that demand. Instead, many young people were drawn into the workforce to fill those roles – often at the expense of their studies. Teen employment rose by 24% over 2021-22, and youth participation reached its highest level in decades.

But by 2023, the border had been reopened and net migration was surging to record highs, at the same time that higher interest rates were starting to cool the economy. As a result, the previous dynamic has since been going in reverse – young people have seen the sharpest job losses. And while many of them are ending up in the ranks of the unemployed, a substantial number are also opting out of the active labour force, either returning to or remaining in study. We don't expect this shift to reverse in the near future.

The bottom line is that the downward revision to our unemployment rate forecast is largely cosmetic; it doesn't convey anything about the degree of slack in the labour market that we expect to see in the years ahead. Those people who have exited the labour force in recent times will be available to re-enter it when job prospects improve again (indeed, young people who are currently studying will be entering the workforce in a couple of years anyway).

For the RBNZ, the key takeout from these surveys is what they suggest in terms of future inflation pressures. And while the unemployment rate didn't rise by as much as they expected, wage growth has continued to ease in the way that they were looking for. The Labour Cost Index rose by 0.6% for the June quarter, slightly below the 0.7% increase that we and the RBNZ were forecasting. Outside of collective pay agreements in the public sector, which have been phased in over a couple of years, wage growth in recent quarters has been moving closer to something that's more consistent with 2% overall inflation.

Overall, we don't think the labour market surveys will alter the RBNZ's thinking at its *Monetary Policy Statement* on 27 November. We see another 50bp cut as the most likely move, which would be firmly in line with market pricing; the bigger issue is what they will signal in terms of the pace of easing over next year. We'll be releasing our RBNZ preview next week.

The other notable event this Wednesday (at least locally) was the 4.7% rise in prices at the latest GlobalDairyTrade auction, giving a combined gain of 12% over the last three months. We're wary of extrapolating too far from this – global milk supplies are quite strong at the moment, other than in parts of Europe that are dealing with an outbreak of the bluetongue virus. And the strength of Chinese buying may be more about stockpiling rather than any sustained lift in demand. Even so, there are clearly mounting upside risks to our forecast of a $9.00/kg farmgate milk price for this season.

Finally, we had the Government financial statements for the three months to September, our first snapshot of the new fiscal year. Tax revenue was in line with the Treasury's forecast, while core Crown spending was only slightly higher than expected (though there was a substantial overspend for Health New Zealand, a non-core entity). Our assessment at this stage is that, despite the partial pre-funding that was done in the last fiscal year, the government might still need to do the full $38bn of issuance that was forecast for this year in Budget 2024. The Government will provide an update on its bond issuance programme with the release of the Half-Year Economic and Fiscal Update on 17 December. We'll get one more month of results before then, at which point we'll provide a formal forecast update.

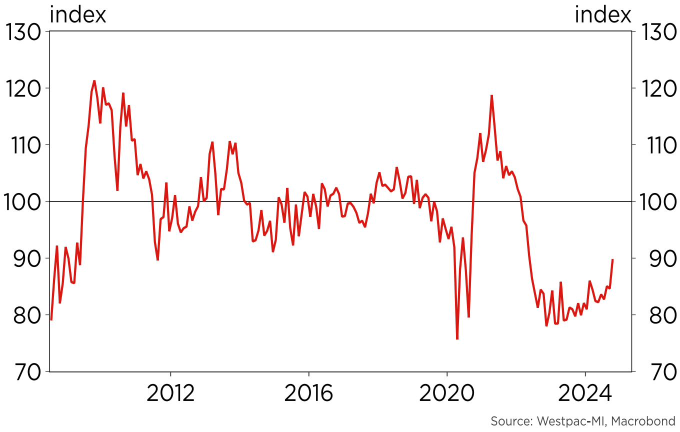
AUS: Nov Westpac-MI Consumer Sentiment (index)

Nov 12, Last: 89.8

Consumer sentiment rose 6.2% to 89.8 in October, marking the most promising sign yet that the consumer mood may be starting to lift out of the deep pessimism that has dominated over the last two 2½ years. Expectations were buoyed by rate cuts abroad and easing fears that further rate hikes may be needed locally. Responses around finances also show some progress on cost-of-living pressures – aided by tax cuts and fiscal measures – although they remained very weak overall.

The November survey is in the field over the week ended November 9. It will capture reactions to the RBA's November decision to leave rates on hold but retain a 'vigilant' stance on inflation, the Bank still not prepared to rule out further rate rises. The US election result mid week may also have some bearing on confidence.

Consumer Sentiment Index



AUS: Q3 Wage Price Index (%qtr)

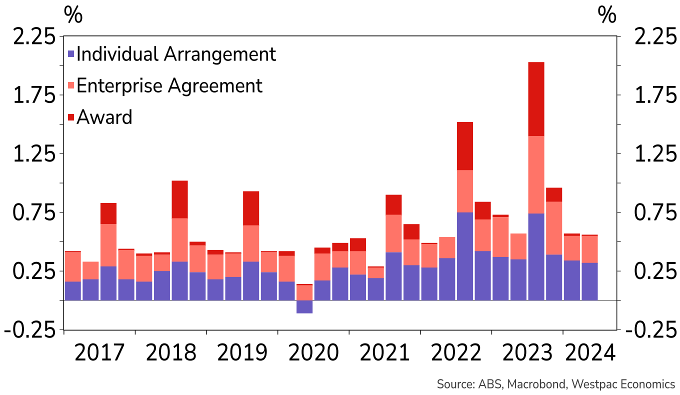
Nov 13, Last: 0.8, Westpac f/c: 0.8
Market f/c: 0.9, Range: 0.8 to 1.0

The WPI rose 0.8% in the June quarter, on par with Westpac's forecast of 0.8% and weaker than market consensus of 0.9%. On an annual basis, wages held flat at 4.1%yr due to seasonal reanalysis but are still down from the peak of 4.2%yr in December and confirming that wage inflation moderated in the first half of the year with the six-month annualised pace dipping from 4.7%yr in December to 3.4%yr in June.

Our 0.8%qtr (seasonally adjusted) forecast for September is based on a moderation wages, compared to September 2023, for enterprise bargaining, enterprise agreements and individual arrangements. The minimum wage/award increase in 2024 was 3.75% vs. 5.9% in 2023.

Contributions to Quarterly WPI Growth

By pay setting arrangement in ppt in original terms



AUS: Oct Labour Force – Employment Change (000s)

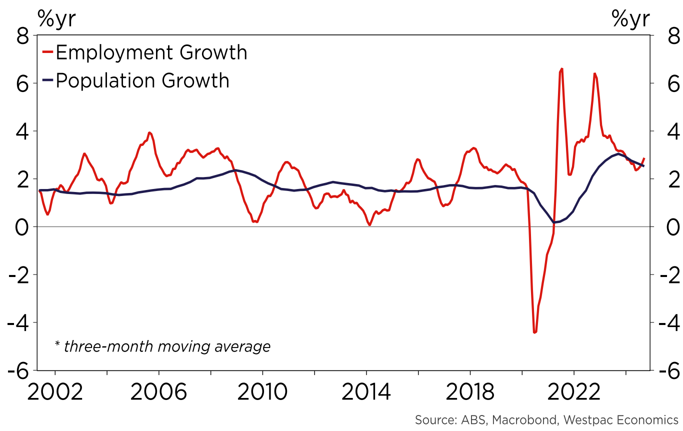
Nov 14, Last: 64.1, Westpac f/c: 20.0
Market f/c: 25.0, Range: 10.0 to 40.0

After slowing gradually over the past two years, growth in employment looks to have stabilised at a robust level, tracking a pace of 2.9%yr on a three-month average basis.

October, being the first month of the quarter, will include an updated estimate of working age population growth. This is an important factor underpinning changes in the level of employment, as detailed in our update from July.

The final quarter of the year is usually softer for population growth. We are therefore unlikely to see employment continue to rise at the scale seen in recent months (an average of +50k/mth since June). Our +20k forecast for Oct roughly keeps the employment-to-population ratio steady.

Employment growth tracking in line with population



AUS: Oct Labour Force – Unemployment Rate (%)

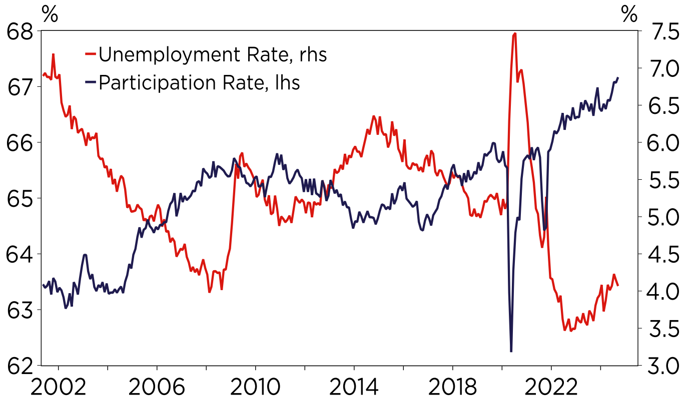
Nov 14, Last: 4.1, Westpac f/c: 4.2
Market f/c: 4.1, Range: 4.0 to 4.2

In September, labour supply once again proved to be more robust than expected, with labour force participation rising to a new peacetime record high of 67.2%. The unemployment rate held flat at 4.1% in the month.

Other areas of the labour force survey have not raised any major causes for concern. Measures of underutilisation have fallen to multi-month lows and are still consistent with some level of 'tightness', and average hours are still yet to show clear signals of softening labour demand.

For October, we expect to see some signs of consolidation. With participation holding flat and an around-trend increase in employment, we expect to see the unemployment rate tick up to 4.2% in the month.

Participation and U/E are moving higher, together



Source: ABS, Macrobond, Westpac Economics

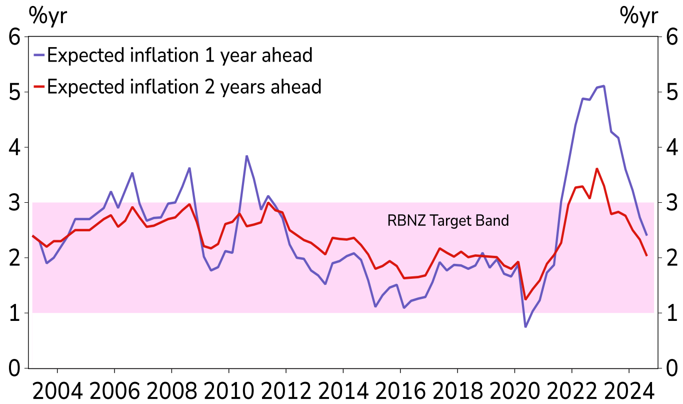
NZ: Q4 RBNZ Survey of Expectations (%)

Nov 11, Expected inflation two years ahead, last: 2.03

Inflation has fallen sharply in recent months and is now back close to 2%. That's seen a related fall in inflation expectations, with most measures in the RBNZ's Survey of Expectations at low levels. We expect that inflation expectations will remain low in the December quarter survey.

Businesses' pricing behaviour and inflation expectations are a key focus for the RBNZ. The RBNZ looks at a range of surveys and the importance of this particular measure has waned over time. However, it still provides useful colour on economic conditions.

Inflation expectations back within the target range



Source: RBNZ, Macrobond, Westpac Economics

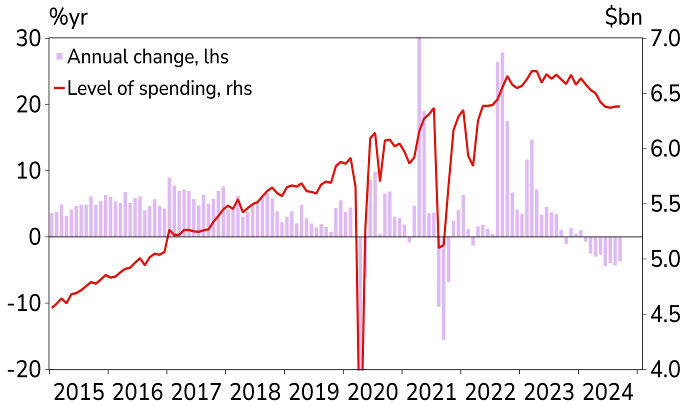
NZ: Oct Retail card spending (%mth)

Nov 12, Last: Flat, Westpac f/c: 0.2

After trending down through the first half of the year, the downturn in retail spending looks like it's now been arrested. Retail spending levels were flat in September, following a modest rise of 0.2% in August. That stabilisation follows tax cuts in late July and the RBNZ's OCR cuts. But while spending levels have stopped falling, they are yet to show a material rise.

We're picking another modest 0.2% rise in October. A more meaningful lift is likely in the new year as the impact of lower interest rates flows through the economy.

Retail downturn has been arrested



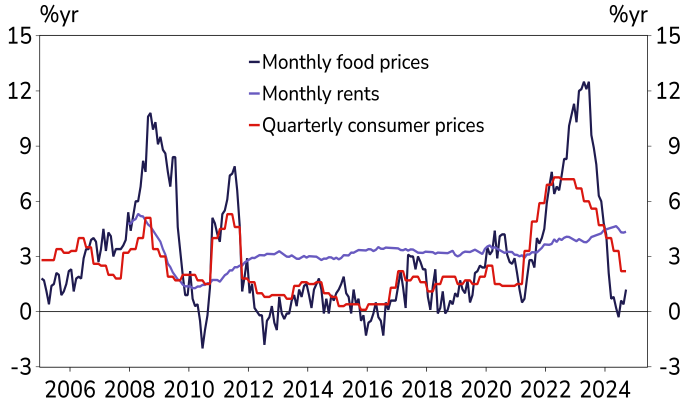
Source: Stats NZ, Macrobond, Westpac Economics

NZ: Oct selected prices indices

Nov 14

Stats NZ's monthly price data covers around 45% of the CPI. Many of the prices that are covered are volatile and not typically the focus of monetary policy. However, we'll be watching for signs that price pressures in discretionary areas (like hospitality) are easing. It will also be worth watching what happens to rents (which are one of the largest components of domestic inflation). We're picking a 0.3% rise in rents in line with recent trends. However, we're increasingly hearing comments that pressures on this front are easing. We're also expecting a 0.3% fall in food prices related to the seasonal fall in fresh produce prices.

NZ consumer prices



Source: Stats NZ, Macrobond, Westpac Economics

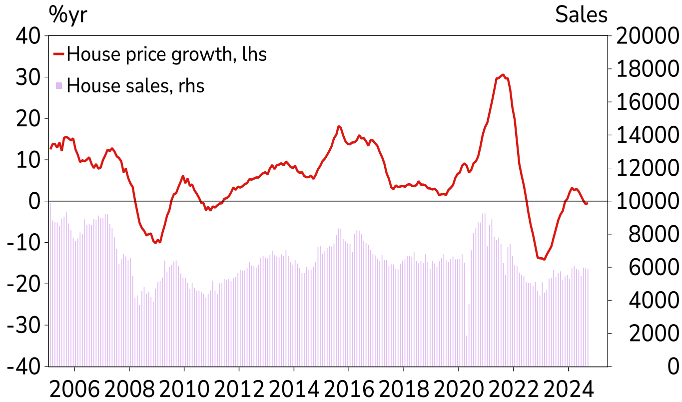
NZ: Oct REINZ House Prices and Sales (%yr)

Nov 14 (TBC), Prices Last: –0.4; Sales Last: –1.1

The New Zealand housing market showed early signs of stirring in September. While the number of sales was steady, prices increased modestly for the first time in five months.

The sizeable fall in mortgage rates over recent months should continue to revive interest among potential buyers. However, given the existing logjam of unsold homes on the market, we don't expect to see a meaningful lift in prices until next year.

Housing market stirring on lower interest rates



Source: REINZ, Macrobond, Westpac Economics

US: Oct CPI (%mth)

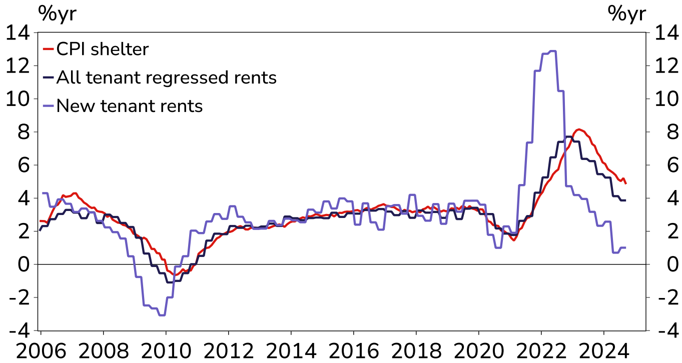
Nov 13, Last: 0.2, Westpac f/c: 0.2
Market f/c: 0.2, Range: 0.1 to 0.3

At the November FOMC meeting, Chair Powell made clear that non-housing services inflation and goods inflation were both consistent with headline inflation at target.

The hold out is shelter inflation which, on both an annualised and annual basis, remains a multiple of the FOMC's 2.0%yr target. Importantly, the momentum in shelter is a legacy of prior period agreements, with rental increases on new agreements negligible.

Assuming inflation will continue to trend down towards target in coming months, as the FOMC are, is appropriate. Risks from the election won't surface until late-2025.

Housing the last hold out for inflation



Source: BLS, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 11							
NZ	Q4	RBNZ Inflation Expectations	%yr	2.0	–	–	Inflation expectations to remain close to 2%.
Jpn	Sep	Current Account Balance	¥bn	3803.6	3437.1	–	Stronger Yen in the month suggest some downside risks.
US		Veterans Day	–	–	–	–	Bond markets closed, stock markets remain open.
Tue 12							
Aus	Nov	Westpac–MI Consumer Sentiment	index	89.8	–	–	Pessimism showed promising signs of lifting in October.
	Oct	NAB Business Conditions	index	7	–	–	Conditions has likely troughed but confidence remains weak.
NZ	Oct	Retail Card Spending	%mth	0.0	–	0.2	Spending starting to turn higher.
Eur	Nov	ZEW Survey Of Expectations	index	20.1	–	–	Likely to remain consistent with subdued growth outlook.
UK	Sep	ILO Unemployment Rate	%	4.0	–	–	Might tick higher reversing the decline of the previous month.
	Sep	Average Weekly Earnings	%yr	3.8	–	–	Wage growth on a broad downward trajectory.
US	Oct	NFIB Small Business Optimism	index	91.5	91.8	–	Lingering uncertainty keeping optimism low.
	Oct	Senior Loan Officer Opinion Survey	–	–	–	–	Survey of largest banks in the US.
		Fedspeak	–	–	–	–	Waller speaks at a banking conference.
Wed 13							
Aus	Q3	Wage Price Index	%qtr	0.8	0.9	0.8	Smallest minimum wage increase in 3yrs to limit wage inflation.
NZ	Sep	Net Migration	no.	1840	–	–	Net flows easing as job prospects weaken.
Eur	Sep	Industrial Production	%mth	1.8	–	–	Remains subdued in the face of weak global demand.
US	Oct	CPI	%mth	0.2	0.2	0.2	Shelter category is easing, but other prices might offset it.
		Fedspeak	–	–	–	–	Logan, Schmid, Musalem are Harker scheduled to speak
Thu 14							
Aus		RBA Governor Bullock	–	–	–	–	Panel participation at ASIC Annual Forum, 10:00am AEDT.
	Nov	MI Inflation Expectations	%yr	4.0	–	–	Remains on a downward trend.
	Oct	Employment Change	000s	64.1	25.0	20.0	Labour market still tight and easing only gradually…
	Oct	Unemployment Rate	%	4.1	4.1	4.2	… as labour supply strength outstrips robust labour demand.
NZ	Oct	REINZ House Sales	%yr	–1.1	–	–	Lower interest rates are reviving buyer interest…
	Oct	REINZ House Prices	%yr	–0.4	–	–	…which in time will translate into rising prices.
	Oct	Selected Price Indices – food	%mth	0.5	–	–0.3	Seasonal fall in fresh produce prices.
	Oct	Selected Price Indices – rents	%mth	0.3	–	0.3	Pressures easing, but only gradually.
Eur	Q3	GDP	%qtr	0.4	–	–	Second estimate likely to confirm 0.4% growth.
UK	Q3	GDP	%ann	0.5	–	–	Notable slowdown after strong growth in H1 2024.
US	Oct	PPI	%mth	0.0	0.2	–	Broadly consistent with at–target goods inflation.
		FOMC Chair Powell	–	–	–	–	Speaking at an event in Dallas.
		Initial Jobless Claims	000s	221	222	–	Likely to normalise after the effects of the hurricanes.
Fri 15							
NZ	Oct	Manufacturing PMI	index	46.9	–	–	Current conditions remain soft.
Jpn	Q3	GDP	%qtr	0.7	0.1	–	Growth to slow down after a recovery in Q2.
Chn	Oct	Retail Sales	%yr ytd	3.3	3.4	–	Evidence of stimulus measures boosting consumer spending..
	Oct	Industrial Production	%yr ytd	5.8	5.7	–	…and industrial production…
	Oct	Fixed Asset Investment	%yr ytd	3.4	3.5	–	…as confidence picks up.
UK		BoE Speaker	–	–	–	–	BoE Governor Bailey speaks at the Mansion House event.
US	Nov	Fed Empire State Manufacturing	index	–11.9	3.5	–	Might reflect uncertainty around the US election period.
	Oct	Retail Sales	%mth	0.4	0.3	–	Spending might struggle to maintain previous momentum.
	Oct	Import Price Index	%mth	–0.4	-0.1	–	Signs how USD appreciation affecting domestic prices.
	Oct	Industrial Production	%mth	–0.3	-0.2	–	A broadly flat trend is set to continue.
	Sep	Business Inventories	%mth	0.3	0.2	–	Increased somewhat in recent months.
		Fedspeak	–	–	–	–	Williams speaks at the NY Fed event.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (8 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	4.42	4.42	4.19	3.96	3.73	3.50	3.55	3.55	3.55	3.55
3 Year Swap	4.04	4.00	3.90	3.90	3.80	3.80	3.85	3.90	3.90	4.00
3 Year Bond	4.07	3.95	3.80	3.80	3.65	3.65	3.65	3.70	3.70	3.80
10 Year Bond	4.56	4.50	4.45	4.45	4.50	4.55	4.65	4.75	4.85	4.85
10 Year Spread to US (bps)	23	20	15	15	10	5	5	5	5	5
United States										
Fed Funds	4.625	4.375	3.875	3.625	3.375	3.375	3.375	3.375	3.625	3.875
US 10 Year Bond	4.33	4.30	4.30	4.30	4.40	4.50	4.60	4.70	4.80	4.80
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	4.49	4.25	3.80	3.60	3.60	3.60	3.70	3.85	3.85	3.85
2 Year Swap	3.82	3.80	3.80	3.80	3.85	3.95	4.00	4.00	4.00	4.00
10 Year Bond	4.58	4.55	4.55	4.60	4.60	4.70	4.75	4.80	4.85	4.85
10 Year Spread to US (bps)	25	25	25	30	20	20	15	10	5	5

Exchange rate forecasts

	Latest (8 Nov)	Dec–24	Mar–25	Jun–25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
AUD/USD	0.6658	0.67	0.67	0.68	0.69	0.70	0.71	0.71	0.72	0.72
NZD/USD	0.6012	0.59	0.59	0.59	0.59	0.59	0.60	0.60	0.61	0.61
USD/JPY	153.02	152	151	150	149	148	146	144	142	141
EUR/USD	1.0785	1.08	1.09	1.09	1.10	1.10	1.11	1.11	1.11	1.11
GBP/USD	1.2971	1.30	1.31	1.31	1.32	1.32	1.33	1.33	1.33	1.33
USD/CNY	7.1473	7.10	7.05	7.00	6.95	6.90	6.85	6.80	6.75	6.70
AUD/NZD	1.1075	1.13	1.14	1.15	1.17	1.18	1.18	1.18	1.18	1.18

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	4.8	5.1	5.3	5.4	5.4	5.4	4.0	5.1	5.4	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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