Week beginning 16 December, 2024

# AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

## In this week's edition:

**Economic Insight**: The RBA's big pivot and the head fakes ahead.

**The Week That Was:** The detail matters.

**Focus on New Zealand:** Step into Christmas.

## For the week ahead:

**Australia:** Westpac-MI Consumer Sentiment, Westpac-MI Leading Index, ACCI-Westpac business survey.

**New Zealand:** Q3 GDP, Half-Year Economic and Fiscal Update, Westpac-MM Consumer Confidence.

**Japan:** BoJ policy decision, CPI, core machinery orders.

**China:** fixed asset investment, retail sales, industrial production.

**United Kingdom:** BoE policy decision, average weekly earnings, CPI, retail sales.

**United States:** FOMC policy decision, CPI, personal income and spending, retail sales.

**Global:** S&P Global PMIs.

Information contained in this report current as at 13 December 2024

# The RBA's big pivot and the head fakes ahead

**Luci Ellis**
Chief Economist, Westpac Group

**Something happened between 28 November and 9 December to shift the RBA's thinking. The first of these dates marked a speech by Governor Bullock that can only be described as hawkish. It highlighted the RBA's post-Review framework of treating instances of inflation above target as a sign of a positive output gap. The labour market was characterised as being too tight to be consistent with full employment. The slowdown in wages growth was not even mentioned.**

Roll forward less than two weeks, and the language in the Board statement following the December meeting was rather different. The post-meeting statement highlighted that 'some of the upside risks to inflation appear to have eased'. The possibility of a rate hike was no longer canvassed. And it dropped the 'not ruling anything in or out' and 'vigilant' language that had been in the post-meeting statement for most of the year.

Post-meeting comments by both the Governor and Deputy Governor have highlighted that both wages growth and the national accounts were weaker than expected. The Wage Price Index data were already available in time for the Governor's speech, so it must have been the combination of the two that forced the shift in thinking. (The national accounts also include important measures of growth in wages and labour costs, which slowed noticeably in the quarter.)

The change in language certainly shifted market pricing of future rate moves. And to be fair, the probability of a rate cut earlier than our current base case of May 2025 has lifted, both because of the data flow and the RBA's evident response to it. But a lot can happen between now and May.

One example of the 'lot that can happen' is that, since then, we have seen the surprisingly strong labour market data for November. But, Westpac Economist Ryan Wells cautions that this could, like last year, be a bit of a 'head fake' related to shifting seasonal patterns rather than an indication of a genuinely stronger labour market. Black Friday sales are becoming a bigger thing than they used to be, which is shifting the seasonal pattern of both employment and consumer spending. (Normal seasonal adjustment processes can't fully offset seasonality that is shifting.)

Given ongoing cost-of-living pressures, it is no surprise that households are responding by going hard in the sales and holding back when things aren't on sale. This also means that the next couple of months of household spending data could also be a bit of a 'head fake'. And because Black Friday came late in the month, the December figures will be affected as well, as we saw in the Westpac Card Tracker this week. The RBA, and other observers of the economy, will need to be careful that they don't jump at economic shadows in the next few months.

Along with seasonality, the labour market data might be providing a bit of a 'head fake' because of the skewed nature of current employment growth. As we have previously highlighted, most of the growth in employment over the past year or so has been in the non-market sector. Governor Bullock correctly pointed out in her post-meeting media conference that the expansion of the care economy represents important work in its own right – and work that frees up family members from unpaid care work.

But, as we have noted previously, the current skew towards care work has two implications that can be misleading if not treated carefully.

Firstly, care work tends to be lower-paid and less capital-intensive than many other jobs. So these jobs account for less GDP per hour worked than most other jobs. The result is apparent weakness in productivity growth driven by compositional change, even though individual workers and firms are not becoming less productive. If you wondered at Deputy Governor Hauser's comment this week – that the narrative about slow productivity did not resonate with the RBA Board members involved in businesses – this is why. They are involved in market-sector industries, where labour productivity growth has been reasonable in recent quarters.

The problem here is that the models the RBA uses to estimate the output gap rely on estimates of trends in potential output that in turn rely on estimates of trend productivity growth. These estimates of trend are based on statistical techniques that impose considerable smoothness on those estimated trends. They are not designed to capture the kinds of compositional effects currently occurring.

Secondly, the current run-up in non-market employment will not last forever. The rapid run-up in spending in these areas has already spurred a reaction. Some news reports suggest that growth in NDIS spending is slowing a bit earlier than originally planned. As spending on these programs slows, so will the expansion of care-related employment. When that occurs, what will keep employment growth swift enough to keep pace with still-rapid population growth?

One thing working in the other direction is that labour force participation might not stay where it is either. Participation rates in Australia have been on a multi-decade upward trend, reflecting rising female participation in the workforce as well as increased participation by older people of both sexes as life expectancy and health outcomes improve. Around that upward trend, participation can fluctuate in line with job opportunities. At least some of the recent increase in participation was likely to have been a response to cost of living pressures, as we have previously noted. As those pressures ease, so too could the participation rate. As was the case this month, this could hold down unemployment due to people exiting the labour market. It would also contribute to other measures of labour market slack and could even mislead some observers about the true state of demand and the labour market.

Given all this, it will be worth taking care to avoid getting too hung up on every data point in the next few months, and instead focus on how they fit together.

# Cliff Notes: the detail matters

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

**While the RBA's decision to leave the cash rate unchanged at 4.35% was widely anticipated, there were noteworthy shifts in language in the decision statement. Most poignant was the removal of the "not ruling anything in or out" guidance that stood in place for the much of this year, suggesting risks to the outlook are becoming more balanced. Indeed, the Board also made it known that it is "gaining some confidence that inflationary pressures are declining in line with [their] recent forecasts", and that it is relatively less concerned about upside inflation risks.**

Mirroring these developments, Governor Bullock adopted a decidedly less hawkish tone in the subsequent press conference, speaking at length about the dataflow since the previous meeting which, on balance, has supported the shift towards more neutral language. When pressed on the possible timing of interest rate relief, the Governor conceded that there are scenarios in which the next meeting, in February, could see an initial rate cut, but stopped short of describing one, however.

Given these developments, an interest rate cut in February or April cannot be entirely ruled out; but on balance, May remains the most likely candidate for the start of the normalisation cycle. The next few months of data will prove critical to both the timing and scale of the rate cutting cycle. We continue to expect a relatively short episode, a cumulative 100bps of easing delivered from May through Q4 2025 to 3.35%, a rate we consider to be broadly neutral for the economy.

Data-wise, this week also saw some significant surprises in the latest labour market update, employment rising at a solid clip (+35.6k) and the unemployment rate falling sharply to 3.9%. We caution against reading too much into these results given some underlying anomalies – a 'pull-forward' of jobs from December to November due to shifting seasonal patterns and weaker supply jolted the unemployment rate lower in November but may reverse in December. On a multi-month view, it is notable that all key measures of underutilisation are finishing the year near where they started; all the while, wages growth has been decelerating at pace. Provided these dynamics persist, there is a risk that the RBA might find the labour market is closer to balance than its current forecasts imply.

Major US data releases over the last seven days dominated the dataflow offshore. Last Friday's labour market report was broadly in line with market expectations and our view that slack in the US labour market is building gradually. The payrolls figures showed a 227k increase in November and modest revisions of 56k to the September and October readings. These outcomes left the six-month average gain at 143k, down from 207k in the first half of the year and below the 200k per month we believe are necessary to keep the labour market in balance. The unemployment rate was 4.2%, up 0.1ppts from the prior month and 0.5ppts from the beginning of the year. Nevertheless, growth in hourly earnings remained unchanged at 4%yr, at the top of the range broadly consistent with consumer price inflation of 2%yr. The gradual softening of the labour market should see wage growth continue to soften, limiting inflationary pressures across the economy.

This week's US CPI release was also broadly as expected and consistent with our view that US disinflation is proceeding. Headline and core CPI indices were both up 0.3% for respective annual rates of 2.7%yr and 3.3%yr, little changed from October. Core goods stood out in the detail, with the steepest increase in 1½ years of 0.3%mth. It was mainly driven by increases in the used and new car categories, likely linked to the impact of recent hurricanes. The shelter component was also up 0.3%mth, leaving the annual rate at 4.7%yr, 1.5ppts below the rate seen at the end of last year. Leading indicators point to the downtrend in shelter inflation continuing, although admittedly it has been slower to come through than expected. Overall, this week's data has seen market pricing for a 25bp cut at the December FOMC meeting firm to a near certainty. We concur with the market's view. Critical for 2025 will be the FOMC's current assessment of risks, as evinced by both the quantitative forecasts and Chair Powell's guidance in the meeting press conference.

Other major central banks continued easing monetary policy this week. The ECB delivered another 25bp cut at their December meeting, as expected. The tone of the post policy-meeting communication was dovish, with the downtrend in inflation given weight by ECB staff revising their forecasts lower and President Lagarde making known the Governing Council's confidence and commitment to ease policy towards neutral in coming quarters. Meanwhile, the Bank of Canda acted more forcefully, delivering another 50bp cut. The outsized move followed a further increase in the unemployment rate, disappointing activity growth in Q3 and partial data pointing to further weakness in Q4 which seems likely to persist into next year. With the policy rate now close to its neutral level, decisions about further easing will be made meeting by meeting based on the Bank's assessment of risks.

After this week's Chinese CPI data release showed annual inflation remaining near zero into year end, at 0.2%yr, the focus for China quickly turned to news headlines from the latest Politburo meeting and the Central Economic Work Conference. While subtle in tone, the wording used in post-meeting communications carries significant meaning.

According to press reports from the official Xinhua news agency cited by Bloomberg, the Politburo has made clear that, for the first time since the GFC, 2025 will see “moderately loose” monetary policy as well as “more” pro-active fiscal policy. Premier Li Qiang subsequently pledged to “forcefully lift consumption” by “every means possible” and, after the Work Conference, a similar message was given as “lifting consumption vigorously” and stimulating overall domestic demand were made authorities’ top priority, reportedly for only the second time in 10 years. Press reports also carried references to improving the social safety net, a long-needed reform. We will likely have to wait until early-2025 for clear guidance on policy detail, but it a material increase in policy support is coming. To what extent its benefit is offset by US trade policy will only be known in time. Westpac remains constructive on China’s real economy in 2025, but believe it will take time for participants to gain confidence and markets to price improving fundamentals.

# Step into Christmas

**Michael Gordon**
Senior Economist

**December is starting to resemble an advent calendar for economists, with important releases almost every day in the lead-up to Christmas. The key focus will be the September quarter GDP report, which is expected to be weak in its own right, but with some upward revisions to the recent history of growth. We also think that's likely to be the worst of it for this cycle; as our new GDP tracker tool demonstrates, the recent data flow has been turning more positive.**

We estimate that GDP fell by 0.4% in the September quarter. That's a downgrade from our earlier forecast of -0.2%, prompted by some soft details in the final sectoral data that was published this week. That puts us below the -0.2% that the Reserve Bank assumed in its November Monetary Policy Statement.

As we detail in our GDP preview, there is more uncertainty than usual around this release, in terms of both the quarterly outcome itself and the broader interpretation of the data. The September quarter includes the annual benchmarking exercise, where the quarterly figures are aligned with more detailed (but less timely) annual statistics. Stats NZ has signalled that this year's exercise will result in substantial upward revisions to GDP – in the order of 2% additional growth over the last two years. The revised figures tell a more plausible story about the economy's recent performance – the declines in per-capita GDP and labour productivity, while still large, have not been as severe as previously thought.

Stats NZ will also be making changes to how it seasonally adjusts the GDP figures. Estimating the seasonal factors correctly has been especially challenging since Covid, due to both the extreme movements during the lockdowns and the temporary loss of the (extremely seasonal) international tourism industry. Revising the seasonal factors doesn't affect the annual growth rate, but it does put our quarterly forecast under a cloud, since we can't anticipate how the growth (or weakness) in the economy will be redistributed over the year.

What we're feeling more confident about is that the September quarter will mark the end of the economy's downturn. More recent data has been improving on balance, although there is a clear tug-of-war between the strong rise in forward-looking confidence measures, and the more mixed measures of past activity.

Our GDP nowcast tool provides an efficient way of tracking how the next quarter is shaping up as new information arrives. After this week's data, the nowcast for the December quarter stands at +0.1% – a small positive, though still not matching population growth. While lower interest rates are sparking some more optimism among businesses and households, their greatest impact on the economy tends to occur 1-2 years ahead – so we think it will be the second half of next year before we see some really robust growth figures.

This week added a few more indicators to the pile. On the mildly positive side, card spending at retail stores was flat in November, after a 0.7% rise in October. While that wasn't as strong as we were expecting, it marks a further move away from the weakness we saw in the first half of this year, where spending declined for six consecutive months in dollar terms (and even more so after inflation). Less encouraging was the manufacturing PMI, which fell slightly to 45.5 in November and has remained in contractionary territory for almost two years.

There's a lot more high-frequency data to come next week, though not all of them go into the nowcast. That will include REINZ house sales (no date confirmed yet), the PSI services index (Monday), selected monthly consumer prices (Monday), business confidence (Thursday), consumer confidence (Friday) and overseas trade (Friday). For Wednesday's GlobalDairyTrade auction, futures markets suggest a modest pullback in dairy prices after their recent surge.

We also have the Treasury's Half-Year Economic and Fiscal Update (HYEFU) on Tuesday. Since the May Budget the operating deficit has been tracking worse than forecast, mostly due to higher than expected spending. On top of this, the Treasury is likely to downgrade its near-term GDP forecasts, and perhaps even its longer-term assumptions about the economy's growth potential. We think the Government will keep its longer-term fiscal objectives unchanged, but the projected return to surplus is likely to be pushed out another year, with a further increase in the bond programme beyond this year.

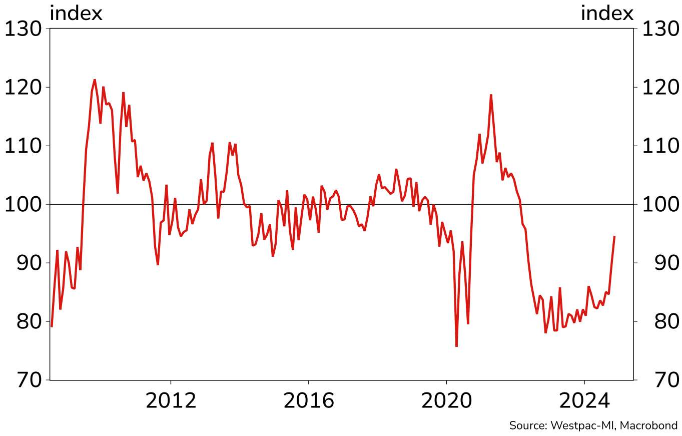
## AUS: Dec Westpac-MI Consumer Sentiment (index)

**Dec 17, Last: 94.6**

Consumer sentiment rose 5.3% in November, building on a promising 6.3% lift the month prior. At 94.6, the Index level shows sentiment is still pessimistic overall but much less so than two months ago. Consumers are seeing some easing in the pressure on family finances, are no longer concerned about the risk of further interest rate rises and are becoming more confident about the economic outlook.

The December survey is in the field over the week ended December 14. It will capture reactions to the RBA's latest decision, which saw rates stay on hold but with a more confident message on progress towards the inflation target. Economic updates have been mixed, last week's Q3 GDP disappointing but more recent labour market data came in better than expected.

### Consumer Sentiment Index




## AUS: Q4 ACCI-Westpac Business Survey (index)

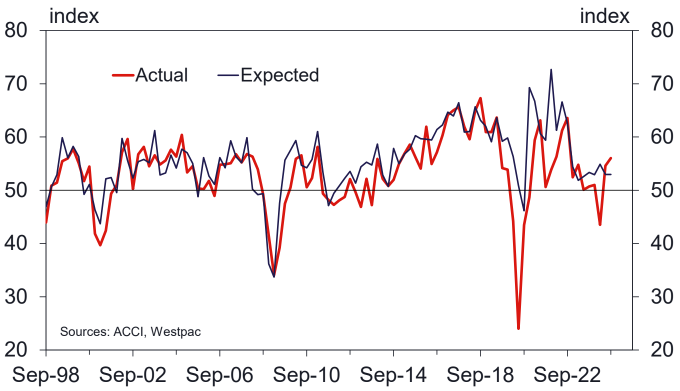
**Dec 17, Last: 56.0**

The ACCI-Westpac Survey of Industrial Trends for the December quarter will provide a timely update on manufacturing and insights into economy-wide trends.

Australian manufacturers were able to find some 'pockets' of demand through the middle of the year, seeing conditions within the sector gather momentum into the September quarter. The previous survey reported an ongoing recovery in new orders, a consolidation in output and a bounce in overtime, but a decline in employment.

Some of the hallmark challenges facing manufacturers have begun to ease, most notably around labour and material shortages, but concerns around elevated and volatile costs remain front of mind.

### Westpac-ACCI Composite indexes
Actual & expected, sa



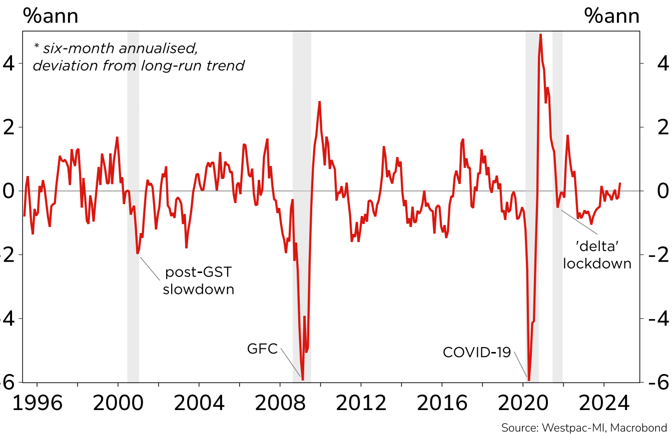

## AUS: Nov Westpac-MI Leading Index (%ann)

**Dec 18, Last: +0.26**

The Leading Index rose moved into positive territory in the latest month, lifting from –0.20% in September to +0.26% in October. For most of the past year, the Leading Index has been stuck in slight negative territory, October's read marking the first clear 'above-trend' result since November 2023 and the strongest monthly print since July 2022.

The November read will include another mostly positive batch of component updates. The month saw notable rises for the ASX200 (+3.4%) and dwelling approvals (+4.2%); a more positive yield spread and further gains for consumer sentiment based measures. Partially offsetting this was a bit of softness around US industrial production and commodity prices with total hours worked about flat.

### Westpac-MI Leading Index



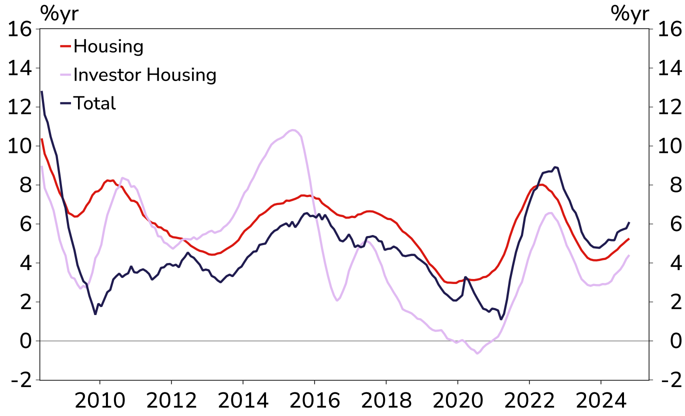
## AUS: Nov Private Sector Credit (%mth)

Dec 20, Last: 0.6, Westpac f/c: 0.5
Mkt f/c: 0.5, Range: 0.5 to 0.6

Private sector credit was on a stable upward trend this year increasing by 0.5%mth on average each month. October data was a touch stronger showing an acceleration to 0.6%mth, which matched the steepest monthly rise since Q3 2022.

We expect a very similar reading for November. However, we expect the higher borrowing pace by non-financial corporations to ease back slightly. This would be consistent with less optimism indicated by recent business confidence surveys. Other key components - housing credit and personal credit – are likely to continue rising in line with previous trends. Overall, we think that total private sector credit will rise by 0.5%mth.

### Maintaining a stable growth trend



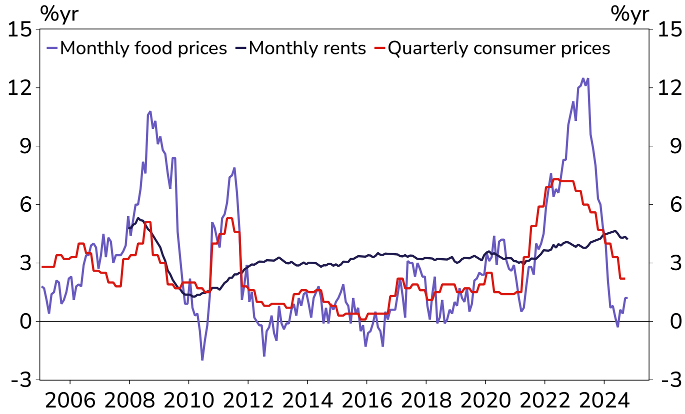
Source: RBA, Macrobond, Westpac Economics

## NZ: Nov Selected Price Indices

Dec 16

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 spending areas (like hospitality) are continuing to ease. 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 0.2% fall in food prices related to the seasonal fall in fresh produce prices.

### NZ consumer prices



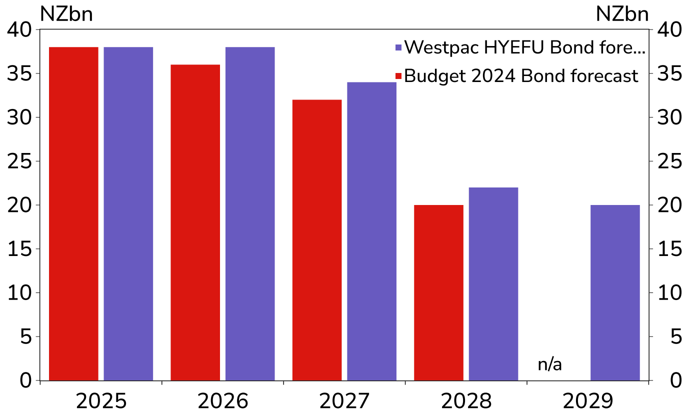
Source: Stats NZ, Macrobond, Westpac Economics

## NZ: Half-Year Economic and Fiscal Update

Dec 17

Data for the first four months of the 2024/25 fiscal year reveal an operating deficit that is tracking above the Budget 2024 forecast. Meanwhile, the Treasury have indicated that it is likely to revise down its estimates of near-term growth prospects and its medium-term productivity assumption, which would lower tax revenue over the forecast period. As a result, we expect the Treasury to forecast that the operating balance will remain in deficit until 2028/29 – a year later than forecast in Budget 2024 – and that NZDM will announce a cumulative $6bn of additional NZGB issuance over the four years to 2027/28.

### Forecast NZGB issuance programme



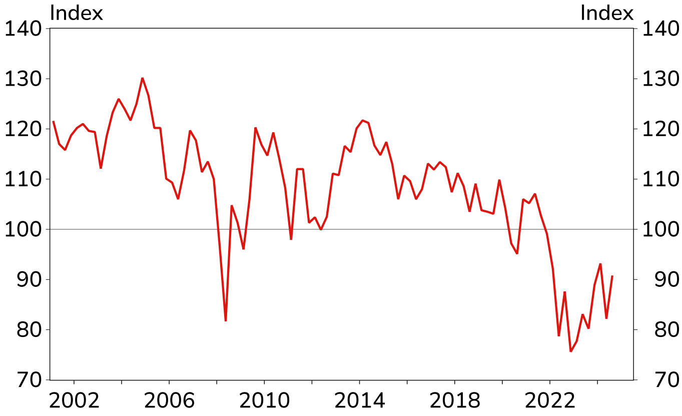
Source: , Macrobond, Westpac Economics

## NZ: Q4 Westpac-McDermott Miller Consumer Confidence Index

**Dec 18, Last: 90.8**

Our latest consumer confidence survey was in the field December 1 to 11. In the last survey in September consumer confidence rose 9 points to 90.8. Households continued to report pressure on their finances. However, the powerful financial headwinds that have buffeted households in recent years have been easing, and that boosted optimism about the economy's trajectory over the year ahead.

### Consumer confidence picked up in Q3



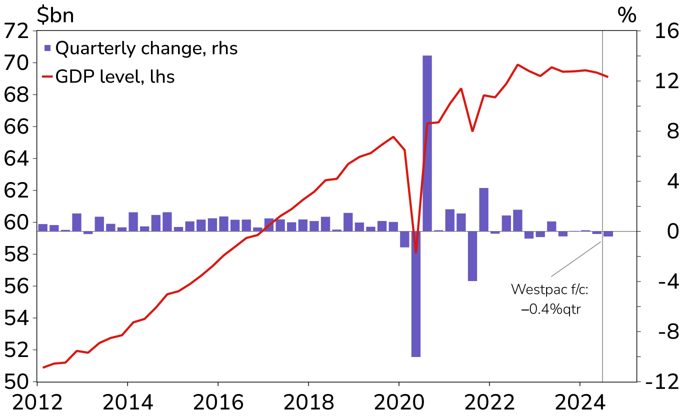

## NZ: Q3 GDP (%qtr)

**Dec 19, Last: –0.2, Westpac f/c: –0.4, Market f/c: –0.4**

We expect a 0.4% fall in GDP for the September quarter. Our forecast reflects general softness across a range of sectors, along with an unwinding of some stronger than expected outturns in the previous quarter.

The release will include substantial revisions to the recent history, which means a greater degree of uncertainty than usual around both the quarterly and annual growth rates.

### NZ economy likely softer in Q3



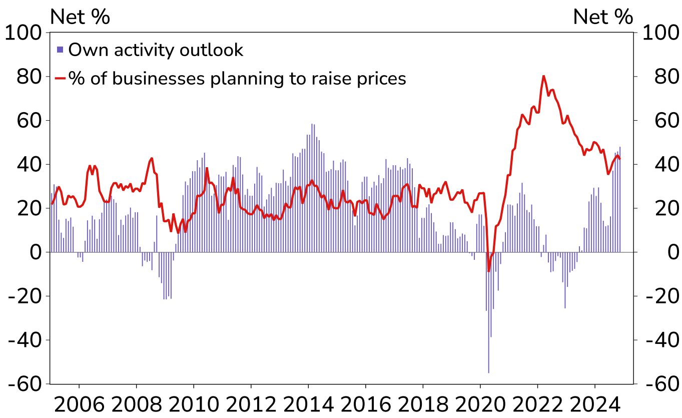

## NZ: Dec ANZ Business Confidence

**Dec 19, Last: 64.9**

Business confidence has surged in recent months, after the rapid turnaround in the RBNZ's stance from warning about the possibility of hikes to delivering substantial rate cuts. The December survey follows a further 50bp OCR cut in November.

Firms' growing confidence about the year ahead is now also being accompanied by signs of a gradual improvement in current conditions. Inflation expectations have eased significantly, although firms' own pricing intentions remain above their historic average.

### Business sentiment up sharply since OCR cuts




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.

## US: December FOMC Meeting

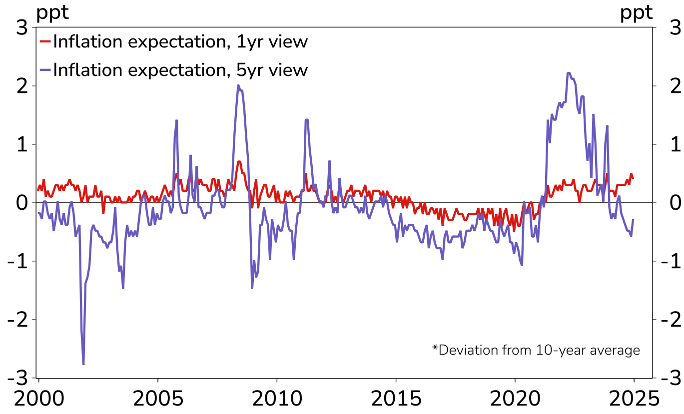
**Dec 17-18, fed funds rate, Last: 4.625%, Westpac f/c: 4.375%, Market f/c: 4.375%**

The US economy is in great health heading into 2025. But ongoing disinflation towards target is making restrictive policy unnecessary with every passing month.

Given recent data, a further 25bp cut is now fully priced for the December meeting, and the market sees at least another 75bps in 2025 – we expect 100bps. The FOMC also expect to be cutting throughout the year.

That said, the potential for inflation to reassert owing to the implementation of tariffs and/or supply constraints remain front of mind. As such, guidance given by the FOMC will be closely scrutinised for any explicit or subtle shifts.

### Disinflation on track, expectations contained



Source: University of Michigan, Macrobond, Westpac Economics

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# What to watch

| | For | Data/Event | Unit | Last | Market f/c | Westpac f/c | Risk/Comment |
|---|---|---|---|---|---|---|---|
| **Mon 16** | | | | | | | |
| NZ | Nov | BusinessNZ PSI | index | 46.0 | – | – | Recent trading conditions have remained soft. |
| | Nov | Food Price Index | %mth | –0.9 | – | –0.2 | Seasonal fall in fresh produce prices. |
| | Nov | Housing Rents (Stock) | %mth | 0.2 | – | 0.3 | Signs that pressures are easing. |
| Jpn | Oct | Core Machinery Orders | %mth | –0.7 | 1.0 | – | Set to bounce back after three consecutive months of decline. |
| Chn | Nov | Fixed Asset Investment | %yr ytd | 3.4 | 3.5 | – | November data to show stimulus delivered in Q3… |
| | Nov | Retail Sales | %yr ytd | 3.5 | 3.6 | – | … has failed to deliver a sustained uplift in activity… |
| | Nov | Industrial Production | %yr ytd | 5.8 | 5.7 | – | … with services and manufacturing sectors holding flat at best. |
| Eur | Dec | S&P Global Manufacturing PMI | index | 45.2 | 45.6 | – | Manufacturing activity continues to languish in contraction… |
| | Dec | S&P Global Services PMI | index | 49.5 | 49.5 | – | … while the services sector fares no better. |
| UK | Dec | S&P Global Manufacturing PMI | index | 48.0 | – | – | Manufacturing activity back in contraction… |
| | Dec | S&P Global Services PMI | index | 50.8 | – | – | … services sector not too far behind. |
| US | Dec | Fed Empire State | index | 31.2 | 5.8 | – | Pull-back expected on the back of 43.1 point surge last month. |
| | Dec | S&P Global Manufacturing PMI | index | 49.7 | – | – | Manufacturing activity is failing to sustainably lift… |
| | Dec | S&P Global Services PMI | index | 56.1 | – | – | … contrary to other economies, services firmly in expansion. |
| **Tue 17** | | | | | | | |
| Aus | Dec | Westpac-MI Consumer Sentiment | index | 94.6 | – | – | Consumers are growing more confident in the outlook. |
| | Q4 | ACCI-Westpac Business Survey | index | 56.0 | – | – | Manufacturers found some ‘pockets’ of demand over mid-year. |
| NZ | | Half-Year Economic and Fiscal Update | – | – | – | – | Surplus delayed, increase in bond issuance. |
| Eur | Oct | Trade Balance | €bn | 13.6 | – | – | Trade surplus at-risk of further narrowing. |
| UK | Oct | ILO Average Weekly Earnings | %yr | 4.8 | – | – | Pressures easing as slack builds in the labour market. |
| US | Nov | Retail Sales | %mth | 0.4 | 0.5 | 0.4 | Higher vehicles sales and online bargains to support spending. |
| | Nov | Industrial Production | %mth | -0.3 | 0.2 | – | Due for a modest lift; warm weather supports utilities output. |
| | Dec | NAHB Housing Market | index | 46 | 46 | – | Sentiment reached seven month high following elections. |
| **Wed 18** | | | | | | | |
| Aus | Nov | Westpac-MI Leading Index | %ann'd | 0.26 | – | – | October was the first clear ‘above-trend’ print in about a year. |
| NZ | Q4 | Westpac-MM Consumer Confidence | index | 90.8 | – | – | Has risen as financial pressures have eased. |
| | Q3 | Current Account Balance | % of GDP | –6.7 | –6.5 | –6.5 | Still very wide, but should narrow over the next year. |
| UK | Nov | CPI | %mth | 0.6 | – | – | Headline inflation likely to stay above the BoE’s target in 2025. |
| US | Nov | Housing Starts | %mth | –3.1 | 2.5 | – | A bounce back expected… |
| | Nov | Building Permits | %mth | –0.6 | 1.0 | – | …after weaker than anticipated results in October. |
| | | FOMC Policy Decision | % | 4.625 | 4.375 | 4.375 | Markets see a further 75bps of cuts in 2025, we see 100bps. |
| **Thu 19** | | | | | | | |
| NZ | Q3 | GDP | %qtr | –0.2 | –0.4 | –0.4 | Soft, but revisions will have an uncertain effect. |
| | Dec | ANZ Business Confidence | index | 64.9 | – | – | Signs emerging that current conditions are firming. |
| Jpn | Dec | BoJ Policy Decision | % | 0.25 | 0.25 | | Further attempts to normalise policy unlikely in 2024. |
| UK | Dec | BoE Policy Decision | % | 4.75 | 4.75 | – | Set to hold; BoE Governor signalling four rate cuts in 2025. |
| US | Q3 | GDP | %ann'd | 2.8 | 2.8 | – | Final estimate. |
| | Dec | Philly Fed | index | –5.5 | 2.2 | – | Measures overall activity in the US economy. |
| | | Initial Jobless Claims | 000s | 242 | – | – | Remains near all-time lows. |
| | Nov | Leading Index | %mth | –0.4 | –0.1 | – | Forecasts business cycle turning points. |
| | Dec | Kansas City Fed | index | –2 | – | – | Has failed to lift out of negative territory over all of 2024. |
| **Fri 20** | | | | | | | |
| Aus | Nov | Private Sector Credit | %mth | 0.6 | 0.5 | 0.5 | Maintaining a stable growth trend. |
| NZ | Dec | ANZ Consumer Confidence | index | 99.8 | – | – | Strong rise in Nov as inflation, interest rates fell. |
| | Nov | Trade Balance | $mn | –1544 | – | –910 | Trade deficit to narrow as exports see seasonal lift. |
| Jpn | Nov | CPI | %yr | 2.3 | 2.9 | – | A firm Tokyo CPI result hints a strong lift for national prices. |
| UK | Nov | Retail Sales | %mth | –0.7 | – | – | Timing of Black Friday to cause some seasonal shifts. |
| US | Nov | Personal Income | %mth | 0.6 | 0.4 | 0.4 | Higher hourly wages and longer workweeks to lift income… |
| | Nov | Personal Spending | %mth | 0.4 | 0.5 | 0.4 | …while holiday shopping and discounts support spending. |
| | Nov | PCE deflator | %mth | 0.2 | 0.2 | 0.2 | Disinflation on track for 2%yr, but tariffs and supply risks. |
| | Dec | Uni. Of Michigan Sentiment | index | 74 | – | – | Final estimate. |

# Economic & financial forecasts

## Interest rate forecasts

| Australia | Latest (13 Dec) | Mar–25 | Jun–25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 |
|---|---|---|---|---|---|---|---|---|---|
| Cash | 4.35 | 4.35 | 4.10 | 3.60 | 3.35 | 3.35 | 3.35 | 3.35 | 3.35 |
| 90 Day BBSW | 4.45 | 4.43 | 4.20 | 3.72 | 3.50 | 3.55 | 3.55 | 3.55 | 3.55 |
| 3 Year Swap | 3.84 | 3.75 | 3.75 | 3.80 | 3.80 | 3.85 | 3.90 | 3.95 | 4.00 |
| 3 Year Bond | 3.88 | 3.70 | 3.70 | 3.70 | 3.70 | 3.75 | 3.75 | 3.80 | 3.80 |
| 10 Year Bond | 4.32 | 4.35 | 4.35 | 4.45 | 4.55 | 4.65 | 4.75 | 4.85 | 4.85 |
| 10 Year Spread to US (bps) | 0 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| **United States** | | | | | | | | | |
| Fed Funds | 4.625 | 4.125 | 3.875 | 3.625 | 3.375 | 3.375 | 3.375 | 3.625 | 3.875 |
| US 10 Year Bond | 4.33 | 4.30 | 4.30 | 4.40 | 4.50 | 4.60 | 4.70 | 4.80 | 4.80 |
| **New Zealand** | | | | | | | | | |
| Cash | 4.25 | 3.75 | 3.50 | 3.50 | 3.50 | 3.50 | 3.75 | 3.75 | 3.75 |
| 90 Day Bill | 4.29 | 3.75 | 3.60 | 3.60 | 3.60 | 3.70 | 3.85 | 3.85 | 3.85 |
| 2 Year Swap | 3.59 | 3.80 | 3.80 | 3.85 | 3.95 | 4.00 | 4.00 | 4.00 | 4.00 |
| 10 Year Bond | 4.41 | 4.50 | 4.60 | 4.60 | 4.70 | 4.75 | 4.80 | 4.85 | 4.85 |
| 10 Year Spread to US (bps) | 9 | 20 | 30 | 20 | 20 | 15 | 10 | 5 | 5 |

## Exchange rate forecasts

| | Latest (13 Dec) | Mar–25 | Jun–25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 |
|---|---|---|---|---|---|---|---|---|---|
| AUD/USD | 0.6368 | 0.65 | 0.65 | 0.66 | 0.66 | 0.67 | 0.68 | 0.69 | 0.70 |
| NZD/USD | 0.5768 | 0.58 | 0.58 | 0.57 | 0.57 | 0.58 | 0.58 | 0.59 | 0.60 |
| USD/JPY | 152.58 | 151 | 150 | 149 | 148 | 146 | 144 | 142 | 141 |
| EUR/USD | 1.0470 | 1.06 | 1.07 | 1.08 | 1.09 | 1.10 | 1.10 | 1.11 | 1.11 |
| GBP/USD | 1.2678 | 1.28 | 1.29 | 1.30 | 1.31 | 1.32 | 1.33 | 1.33 | 1.33 |
| USD/CNY | 7.2690 | 7.30 | 7.25 | 7.20 | 7.15 | 7.10 | 7.05 | 6.95 | 6.85 |
| AUD/NZD | 1.1041 | 1.12 | 1.12 | 1.15 | 1.16 | 1.16 | 1.17 | 1.17 | 1.16 |

## Australian economic growth forecasts

| | 2024 | | | | 2025 | | | | Calendar years | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **% Change** | **Q1** | **Q2** | **Q3** | **Q4f** | **Q1f** | **Q2f** | **Q3f** | **Q4f** | **2023** | **2024f** | **2025f** | **2026f** |
| GDP %qtr | 0.2 | 0.2 | 0.3 | 0.7 | 0.5 | 0.5 | 0.5 | 0.6 | – | – | – | – |
| %yr end | 1.1 | 1.0 | 0.8 | 1.3 | 1.7 | 2.0 | 2.3 | 2.2 | 1.5 | 1.3 | 2.2 | 2.2 |
| Unemployment rate % | 3.9 | 4.1 | 4.1 | 4.0 | 4.2 | 4.4 | 4.6 | 4.6 | 3.9 | 4.0 | 4.6 | 4.5 |
| Wages (WPI) %qtr | 0.8 | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | – | – | – | – |
| %yr end | 4.1 | 4.1 | 3.5 | 3.2 | 3.1 | 3.0 | 2.9 | 2.9 | 4.3 | 3.2 | 2.9 | 3.3 |
| CPI Headline %qtr | 1.0 | 1.0 | 0.2 | 0.2 | 0.7 | 0.7 | 1.0 | 0.7 | – | – | – | – |
| %yr end | 3.6 | 3.8 | 2.8 | 2.4 | 2.2 | 1.9 | 2.7 | 3.2 | 4.1 | 2.4 | 3.2 | 2.7 |
| 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 | 3.4 | 3.0 | 2.8 | 2.7 | 2.7 | 4.2 | 3.4 | 2.7 | 2.5 |

## 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 | -0.4 | 0.3 | 0.4 | 0.6 | 0.6 | 0.7 | – | – | – | – |
| Annual avg change | 0.3 | -0.2 | -0.1 | -0.1 | -0.2 | 0.1 | 0.7 | 1.4 | 0.7 | -0.1 | 1.4 | 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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