Week beginning 24 February, 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

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Australia: Monthly CPI indicator, private new capital expenditure, construction work done, private credit.

New Zealand: Q4 retail trade, ANZ business confidence, ANZ consumer confidence, employment indicator.

Japan: Tokyo CPI (final), industrial production.

China: NBS manufacturing and non-manufacturing PMI.

Eurozone: CPI, economic confidence.

United States: PCE, personal income and spending, Q4 GDP (second), durable goods orders.

Information contained in this report current as at 21 February 2025

Fine-tuning (is) the message

Luci Ellis
Chief Economist, Westpac Group

As was widely expected, the RBA cut the cash rate this week by 25bps to 4.1%. Inflation has declined faster than the RBA's previous forecasts implied, with underlying inflation running at an annualised rate consistent with the 2–3% target over the second half of 2024. Getting inflation sustainably back down to target is the Board's highest priority. Given these data and the likely near-term outcomes that they imply, it would be difficult to say that the goal is off-track. The post-meeting statement acknowledges the progress made on getting inflation to target, and that inflation might be declining a bit faster than earlier expected.

The post-meeting communication also highlighted that the RBA assesses policy to still be restrictive. Indeed, some refinements to the RBA's models for estimating the neutral rate now suggest that, even after this week's cut, monetary policy is more restrictive than the RBA thought three months ago.

So why was the RBA's rhetoric so hawkish? The press statement highlighted that there was a risk of easing 'too much too soon', in which case disinflation would 'stall' and inflation would 'settle above the midpoint of the target range' – exactly what their forecasts show trimmed mean inflation doing. The Governor went out of her way to challenge the market's view of the likely path of the cash rate, describing it as 'far too confident' and 'unrealistic'.

Part of the reason for the hawkish move is 'lingering tightness' in the labour market. The prior easing in the labour market had 'stalled' over the second half of last year. While the Governor declined to provide an estimate of the NAIRU – the unemployment rate that is consistent with full employment – the structure in the forecasts suggests that the staff are still working on the assumption that it is around 4½%. The RBA's framework (appropriately) goes beyond this single number and considers other variables such as underemployment and vacancies. But it seems to have remained quite unresponsive to the evidence of wages growth coming in lower than expected – including, at the margin, this week's WPI data.

The hawkish tone is also an outworking of the 2023 RBA Review. Recall that the RBA Review recommended, and the latest Statement on the Conduct of Monetary Policy adopted, a framing of the inflation target that requires the RBA to set policy 'such that inflation is expected to return to the midpoint of the target', even though 'all outcomes within the target range are consistent with the Reserve Bank Board's price stability target'.

The key point here is that RBA's revised forecasts now have trimmed mean inflation constant (dare we say 'sustained') at 2.7% out to mid-2027. Recall that trimmed mean inflation was already running at an annualised rate of 2.7% over the second half of 2024. So the RBA's forecasts imply no further disinflation from here at all, if policy were to follow the market pricing at the time the forecasts were finalised, which was for about 90bps of cuts. (The RBA's forecasts are put together assuming the cash rate follows the path implied by market pricing at the time the forecasts are finalised.)

It seems that, in the new world, 2.7% is not good enough: policy must be set to show 2.5% at the end of the forecast period. It also explains why in the post-meeting press conference, the Governor emphasised that people still needed to be patient to get inflation down – down by a whole 0.2ppts. (Yes, year-ended trimmed mean inflation is 3.2%, but that is all base effects from the first half of 2024. In the current environment, though, the forward pulse in inflation is better represented by calculations with less stale information in them.)

"The tone in the forecasts and initial rhetoric was more hawkish than we expected, reflecting an apparent pivot to 'fine-tuning'."

In an unusual move, Deputy Governor Hauser was quickly wheeled out in a Bloomberg interview to settle things down after the first round of communication generated some confusion (and pushback) among commentators and market participants. And he did strike a more placatory tone, highlighting the good news on inflation and the possibility that labour supply might be higher than assumed.

The key piece of new information revealed in that interview was that the Board reviewed a scenario of unchanged cash rates that had inflation undershooting the midpoint of the target, 'not by a lot, but by a little bit'. Assume this means 2.3%. Contrast that with the published forecasts with (trimmed mean) inflation settling at 2.7%.

So, we see a 0.4ppt difference in inflation a couple of years from now, given a difference in the cash rate of just under 1ppt. This is around double the sensitivity of inflation to interest rates in the RBA's flagship MARTIN model, and above the rules of thumb that most Australian policymakers have in their head about how the Australian economy works.

If the RBA has revised up its estimate of the sensitivity of inflation to interest rates in recent times, this has not been widely signalled. But, even with this greater sensitivity, what we are seeing is an RBA trying to finesse a scenario where inflation lands at exactly 2.5% instead of 2.7%. This is the epitome of fine-tuning – something monetary policymakers are supposed to avoid.

Given the RBA's communications difficulties this week, it is not clear that this recommendation of the RBA Review represents an improvement on past practice.

Cliff Notes: not out of the inflation woods just yet

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

As expected, the RBA delivered a 25bp rate cut on Tuesday, bringing the cash rate down to 4.10%. While the Board cited "welcome progress on inflation" as a determinant of the decision, communications were hawkish overall. In particular, the decision statement highlighted the Board's caution over easing policy "too much too soon". In the subsequent press conference, Governor Bullock also made an effort to temper expectations, referring to market pricing for another three rate cuts as "far too confident" and "unrealistic". This path, taken as an assumption for the RBA's latest forecasts, ultimately sees trimmed mean inflation hold above the mid-point of the target range through to June 2027. Deputy Governor Hauser reiterated these points in an appearance with Bloomberg later in the week, but added that, in a forecast scenario where the cash rate remained unchanged, trimmed mean inflation would instead be projected to undershoot the mid-point of the target range.

Chief Economist Luci Ellis also took time this week to outline the RBA's perspective on the labour market and its significance for policy. In short, the RBA now anticipates the unemployment rate will hold at 4.2% until June 2027, below the Bank's current NAIRU estimate of around 4.5%, resulting in annual nominal wages growth between 3.0% and 3.5% over the forecast horizon. With weak productivity, wage growth at this rate is seen as a material risk to inflation holding sustainably at the mid-point of the target range.

We also received updates on wages growth and the labour market. The former came in a touch softer than expected in Q4 at 0.7% as the latter showcased strong growth in employment, trends evident over the past six months. While assessing the true degree of tightness in the labour market in real time is very difficult, we continue to believe, on balance, that the upside risks posed to inflation by the labour market are not as significant as implied by the RBA's baseline forecasts. We remain of the view therefore that three more rate cuts will be delivered over the next three quarters to a terminal rate of 3.35%. Before the House of Representative Standing Committee on Economics this morning, the Governor and senior staff kept the focus on the key themes above.

Across in New Zealand, the RBNZ announced another 50bp cut, taking cumulative easing to date to 175bps. A further 50bps of easing is expected in coming months, but this should trigger a robust growth recovery through 2025 and 2026. The decision and updated forecasts of the RBNZ are discussed in depth by our New Zealand Economics team in their bulletin.

Further afield, in the US, the January FOMC meeting minutes emphasised that, with appropriate monetary policy, the Committee continue to believe inflation will decelerate to target and the labour market remain balanced. Still, potential changes to US trade and immigration policy means the risks to this baseline view are high. Many participants therefore "emphasized that additional evidence of continued disinflation would be needed to support the view that inflation was returning sustainably to 2 percent". A few also noted "the federal funds rate may not be far above its neutral level", an additional reason for caution.

It will be some time before the new administration's policies are fully known, let alone the implications understood, so these risks are likely to persist. Making this clear, while at Mar-a-Lago, President Donald Trump announced he will impose a tariff on imports of automobiles, pharmaceuticals and semiconductors on 2 April at an initial rate of "25%... and it'll go substantially higher over a course of a year". Reports suggests these tariffs would be in addition to country tariffs already announced.

"We remain of the view that three more rate cuts will be delivered over the next three quarters."

Canada's CPI meanwhile accelerated to 1.9%yr in January, reintroducing risks around inflation. The acceleration of median and trimmed mean inflation to 2.7%yr could imply there are underlying pressures. Despite considerable slack in the economy, a pickup in price pressures may require the Bank of Canada to shift their focus from supporting growth to restraining inflation.

Across the pond, UK data pointed to inflation risks remaining present, justifying the Bank of England's 'gradual' approach to monetary easing. Wages (ex. bonus) accelerated to 5.9%yr for December 2024, in line with expectations. This comes despite softer labour market conditions as reported by the ONS. Official LFS data showed a 107k gain in employment, and the official three-month unemployment rate remained unchanged at 4.4%. While it is uncertain how these risks will evolve, one silver-lining comes from the Decision Maker Panel survey which showed that businesses' wage expectations are starting to tick down, and that they are most likely to compress profit margins in response to the increase in the National Insurance contributions rather than raise prices or reduce labour demand. This would help to contain risks to services inflation from wage growth. The BoE also had the January CPI to digest, down 0.1%mth but with base effects lifting the annual figure to 3.0%. A reacceleration in headline inflation was expected by the BoE and is unlikely to prompt a change of approach to policy.

Finally to Japan where Q4 GDP surprised on the upside, rising 2.8%qtr annualised against a consensus expectation of 1.1%qtr. Much of the growth came from an improved trade position – exports rose 1.1%qtr, likely reflecting activity front running tariff risks, while imports decreased 2.1%. There was also a notable 0.5% gain in private investment. Household consumption meanwhile rose 0.1%qtr, leaving it, in level terms, below the recent peak of Q1 2023 and immediately prior to COVID. While data is moving in the right direction, caution is still warranted. Consumer confidence is necessary to sustain a recovery in consumer demand in real terms and justify further rate hikes by the BoJ.

RBNZ delivers no surprises

Darren Gibbs
Senior Economist

The focus for New Zealand financial markets this week was the outcome of the RBNZ's first policy review for 2025. As it happens, the RBNZ delivered the 50bps easing that it had clearly signalled at the previous meeting in November, taking the OCR to 3.75%. And the Bank's revised economic and financial projections were in many respects unchanged from those published in the November Monetary Policy Statement (MPS). Therefore unsurprisingly, wholesale interest rates and the NZ dollar closed the day close to pre-meeting levels.

One notable change to the projections – but one that we had fully anticipated – is that the forecast pace of additional rate cuts would slow to 25bp increments and that future forecast cuts would be front-loaded. During the post-meeting press conference, Governor Orr noted explicitly that the new projections were consistent with 25bp easings at both the upcoming April and May meetings, taking the OCR down to 3.25%. This brings the RBNZ's projection into line with Westpac's own forecast up to mid-2025. Given that guidance and our forecasts for the upcoming data flow, we think that a 25bp easing at the next meeting on 9 April must be regarded as very likely, with a high hurdle to be crossed for the RBNZ to ease by 50bps or pause.

Beyond the near term, the RBNZ's revised projections show a year-end OCR forecast of 3.14%, down from 3.55% previously. This implies some chance of a further 25bp rate cut by year end – a possibility that was alluded to by the Governor in his press conference. That said, we regard this part of the projection as a placeholder. There is a lot of water to flow under the bridge between now and then and economic and financial developments will determine whether additional policy easing is required. As set out in our recent *Economic Overview*, we expect that a weaker exchange rate will provide additional support to the economy this year. Indeed, over the coming year our forecast for the trade-weighted exchange rate (TWI) is noticeably lower than the 67.5 track assumed by the RBNZ in its updated forecasts. Therefore, we remain comfortable with our forecast that the easing cycle will conclude when the RBNZ lowers the OCR to 3.25% at the May meeting.

As we had anticipated, the GDP report released in December has caused the RBNZ to estimate a more positive output gap in 2022 and 2023 – helping to better explain the strong domestic inflation seen over that period – but a slightly more negative output gap at the end of last year. From that starting point, the outlook for growth is much as forecast in November. The unemployment rate is still forecast to peak at 5.2% – a little lower than we think is likely, given that it has already reached 5.1% – but is now expected to begin declining a quarter later than forecast previously. Given a more negative output gap, the RBNZ's near-term forecasts for non-tradables inflation are a little lower than forecast in November.

Also of note, the RBNZ has significantly cut its forecast of house price inflation this year to 3.8% from 7.1% previously (we see upside risk to this new forecast). This may have caused the RBNZ to lower its forecasts of inflation in housing-related items (e.g. construction costs). Even so, the RBNZ has revised up its forecast of near-term headline inflation, which is now seen as rising to a peak of 2.7%y/y this year before declining back to 2%y/y thereafter. The higher near-term peak – which matches our own forecast – reflects a stronger profile for tradables inflation, in part due to the recent depreciation of the exchange rate. The RBNZ will pay close attention to how measures of inflation expectations evolve this year to see whether the near-term lift in headline inflation risks gaining some persistence.

A key focus of the MPS was how global tariff policy might impact the New Zealand economy, with a special topic devoted to this issue. Given the various uncertainties about the final form of the policies that will emerge, the RBNZ's commentary was necessarily hypothetical. Uncontroversially, the RBNZ argues that higher global tariffs may result in lower global economic growth; increased inflationary pressure in tariff-imposing countries; a decrease in export prices in tariff-targeted countries; and trade diversion towards non-tariffed countries. New Zealand would be directly affected if higher tariffs are imposed on our exports and indirectly affected via the effects of tariffs on our trading partners. In accordance with our own thinking, the RBNZ expects that the indirect effects for New Zealand are likely to be larger than the direct effects.

Overall, increased uncertainty and any future trade policy shocks are viewed as likely to reduce growth in New Zealand. However, given that this uncertainty and tariffs are likely to put downward pressures on the exchange rate, the RBNZ notes that the effect on inflation in New Zealand is ambiguous. From a monetary policy standpoint, the RBNZ seems comfortable that the impact of such shocks is likely to take time to materialise, giving it flexibility to react as necessary once the impacts on medium-term inflation pressures become clear.

Looking ahead to the RBNZ's next meeting on 9 April, the two key domestic data releases between now and then are the December quarter GDP report (due 20 March) and the March quarter QSBO business survey (due 8 April). We presently estimate that the economy expanded 0.3%q/q in the December quarter – identical to the RBNZ's updated estimate

– and so we don't expect the GDP report will impact the policy trajectory. In any case, given the large revisions and surprises seen in this data of late, both we and the RBNZ will be very cautious in interpreting any deviations from expectations. The QSBO will provide important information on how activity and inflation pressures evolved over the first quarter of this year and what firms anticipate for the second quarter. This report will probably have more bearing on what the RBNZ's signals when it next updates its formal projections in the May MPS. Unfortunately, the March quarter CPI report will not be released until 17 April. However, the February Selected Price Indexes (due 14 March) will provide some indication of what the CPI report might reveal.

Key high frequency indicators such as the BusinessNZ indexes and the ANZ Business Outlook survey will be of interest, as will developments in retail spending and housing indicators (the latter could be especially instructive as we move into what is typically the busiest time of the year for housing market activity). Outside of New Zealand, interest will centre on any clarity that emerges regarding the implications of the Trump presidency for New Zealand's export sector. On that score, we note that President Trump has signalled an intention to apply 'reciprocal' tariffs to countries that apply value-added taxes (which would presumably include New Zealand's GST) from as soon as early April. Associated developments in financial conditions – longer-term interest rates and the exchange rate – will also factor into the next OCR review.

Turning to the rest of this week's key economic news, the BusinessNZ Performance of Services Index reported a welcome rebound in January, rising 2.3pts to 50.4 – the first reading above 50 since February last year. This follows last week's improvement in the Performance of Manufacturing Index, which also moved into expansionary territory. Housing market data remained subdued, with sales declining around 3%m/m in January following a 5%m/m decline in December. That said, sales tend to be underestimated on first release, so we are not reading much into the further decline in January. Forward indicators, such as mortgage applications, clearly point to a trend improvement in housing activity over coming months, as one should expect given the large decline in mortgage interest rates over recent months. After adjusting for seasonal effects, we estimate that house prices nudged up 0.1%m/m in January. Prices remain at about the same level as when the RBNZ pivoted its policy stance back in July. However, we expect that house prices will pick up in coming months as activity trends higher.

The week ahead will see the release of the December quarter retail sales report, beginning the run of key partial indicators ahead of next month's GDP data. The ANZ's monthly business and consumer confidence surveys will cast light on both activity and pricing trends, while a read on how the labour market has entered the new year will be provided by the Monthly Employment Indicator.

AUS: Monthly CPI Indicator (%yr)

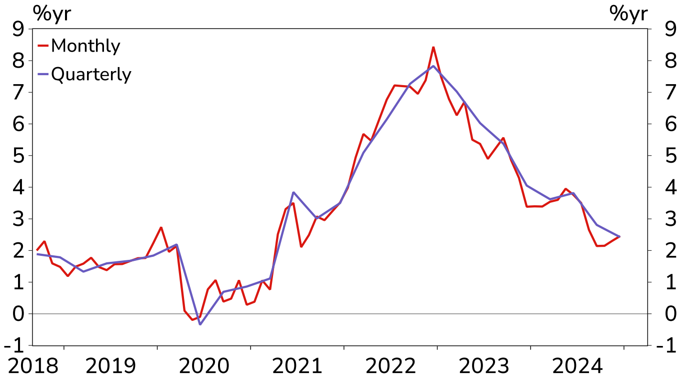
Feb 26, Last: 2.5, Westpac f/c: 2.4
Market f/c: 2.6, Range: 2.1 to 2.9

The Monthly CPI Indicator increased by 2.5%yr in December, up from the recent low of 2.1% in October and slightly higher than the quarterly figure of 2.4%. As shown in the accompanying chart, annual growth in the Monthly Indicator had been declining ahead of the quarterly CPI for several months before stabilizing and aligning more closely with the quarterly CPI.

Our forecast for January is –0.4%mth/2.4%yr. January is typically a seasonally weak month, with historical declines in prices for clothing and footwear, household contents, and holiday travel contributing approximately –0.6 percentage points on average. Additionally, Commonwealth government rebates extending into the first half of 2025 pose a risk of further reductions in electricity prices.

Consumer Price Index

Quarterly CPI vs. Monthly CPI Indicator



Source: ABS, Macrobond, Westpac Economics

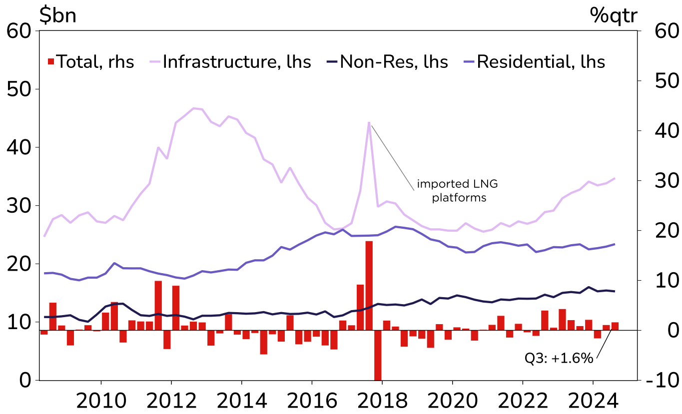
AUS: Q4 Construction Work Done (%qtr)

Feb 26, Last: 1.6, Westpac f/c: 1.0
Market f/c: 1.0, Range: 0.3 to 1.7

Construction activity posted a solid increase in the September quarter, moving 1.6% higher following an upwardly revised 1.1% increase in the June quarter (from an initial estimate of 0.1%qtr). Engineering construction grew (+2.6%qtr) as the sector worked through the elevated pipeline of infrastructure projects, while residential construction also showed some further signs of recovery, lifting 1.8%qtr. This was offset by falls in non-residential building (–1.0%qtr). The outcome suggested that some of the constraints, including labour shortages and elevated material costs, continued to ease.

For Q4, we anticipate that construction activity continued to recover. Engineering construction and residential construction are expected to continue to grow as the still elevated pipeline of work yet to be done continues to be worked through.

Elevated pipeline supports construction activity



Source: ABS, Macrobond, Westpac Economics

AUS: Q4 Private CAPEX and Spending Plans (%qtr)

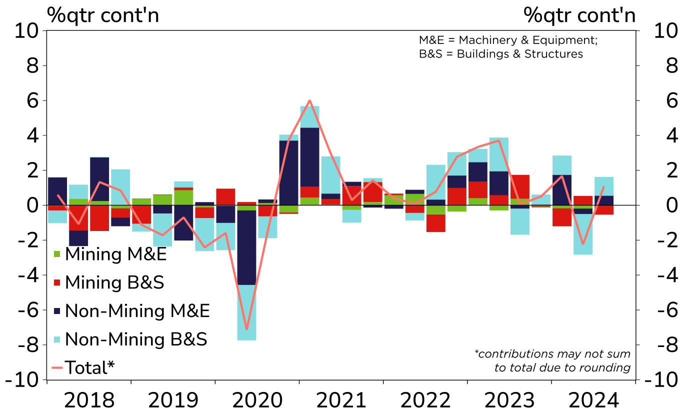
Feb 27, Last: 1.1, Westpac f/c: 0.8
Market f/c: 0.5, Range: 0.5 to 1.2.

Private capex rose by 1.1%qtr in Q3 thanks to the 2.3%qtr increase in the non-mining sector spending.

We think that capex growth eased slightly in Q4 to 0.8%qtr. Imports of capital goods remained on a downward trend over the quarter, and business surveys signalled little change in the overall sentiment and capex plans. Higher business credit growth is suggesting more willingness to take risks.

Revised capex plans for 2024/25 in Q3 release pointed to lower spending than expected before, around $190bn according to our estimates. We think that Estimate 5 will be consistent with that moderately optimistic outlook showing unadjusted plans for around $183bn of spending. Estimate 1 for 2025/26 plans is likely to be around $160bn.

Contributions to Capex Growth



Source: ABS, Macrobond, Westpac Economics

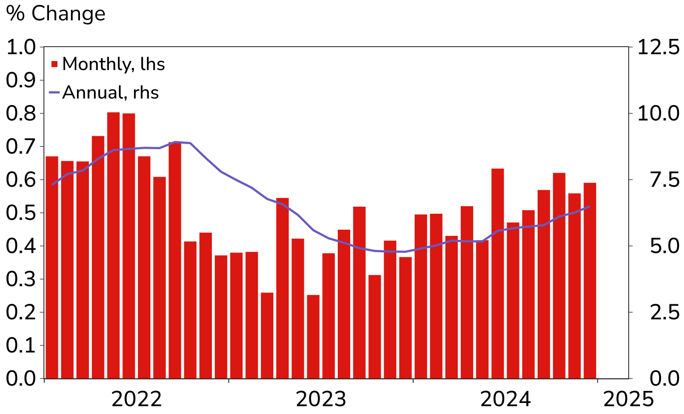
AUS: Jan Private Sector Credit (%mth)

Feb 28, Last: 0.6, Westpac f/c: 0.5
Mkt f/c: 0.6, Range: 0.4 to 0.6

Following upward revisions to prior months and the upside surprise to the December release, the latest data show that since September private sector credit has been growing by 0.6%mth per month, which represents a small acceleration from the average 0.5%mth pace in the first eight months of 2024.

We think that pace will not be sustained and we pencilled in a return to 0.5%mth growth in January. Housing credit should start inching lower, reflecting some of the weakness in house price growth seen in recent months, and lower new credit as reflected by a decline in housing finance approvals in Q4. Business credit has been growing more rapidly in recent months, and a potential for another steep rise represents an upside risk to our estimate.

Private Sector Credit



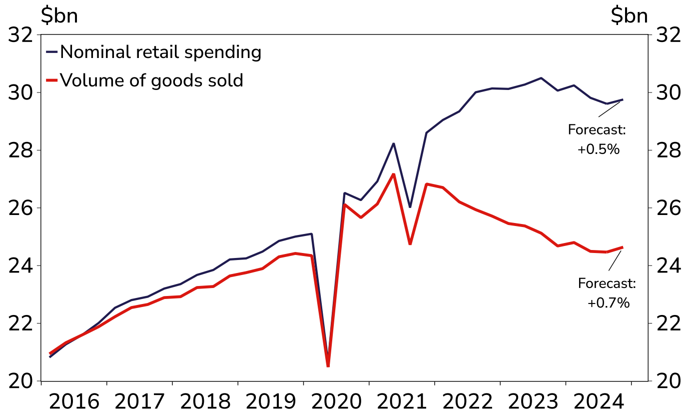
Source: RBA, Macrobond, Westpac Economics

NZ: Q4 Retail Trade

Feb 24, Last: -0.1%, Westpac forecast: +0.7%

Retail spending was weak over most of the past year with high inflation, high interest rates and a softening labour market all weighing on spending appetites. However, some of those headwinds are now easing, with inflation back close to 2% and interest rates dropping. That's given confidence a boost, and monthly retail sales have started to push higher again. We're forecasting a 0.7% rise in spending over the December quarter, including a 1.1% rise in core categories.

Retail spending up as consumer confidence returns



Source: Stats NZ, Macrobond, Westpac Economics

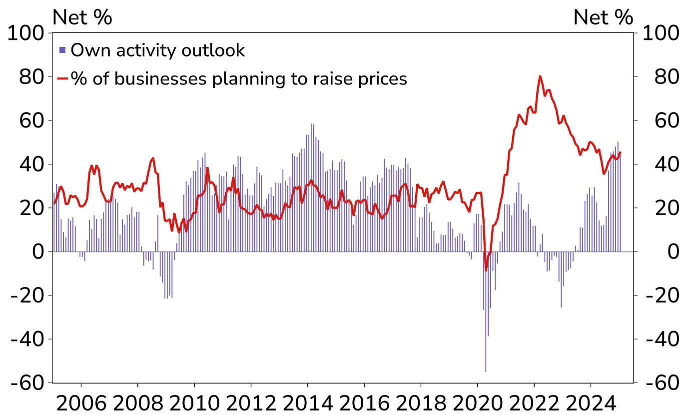
NZ: Feb ANZ Business Confidence

Feb 27, Last: 54.4

Business confidence pulled back in January but remained close to a 10-year high. Firms' expectations have surged higher since the RBNZ began its easing cycle – running well ahead of their assessment of current conditions, though there are also some signs of improvement on this front.

Notably, the pricing indicators in the survey have also been picking up in recent months. The weakening in the NZ dollar since the US presidential election is likely to add to concerns about inflation in the near term.

Business sentiment up sharply since OCR cuts



Source: ANZ, 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.

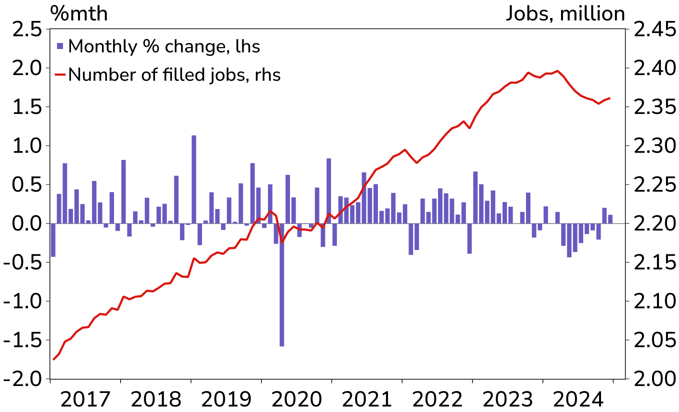
NZ: Jan Monthly Employment Indicator

Feb 28, Last: +0.2%, Westpac f/c: flat

The Monthly Employment Indicator (MEI) rose by 0.2% in December, making it two months of modest gains. This measure tends to be revised down from its initial release, though we think it's unlikely to turn into a minus.

The weekly snapshots provided by Stats NZ suggest a broadly flat result for January in seasonally adjusted terms. An emerging pickup in tourism-related sectors is balanced against ongoing weakness in areas such as manufacturing and construction.

Employment starting to stabilise



Source: Stats NZ, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 24							
NZ	Q4	Real Retail Sales	%qtr	–0.1	0.5	0.7	Easing financial pressures boosting spending.
Eur	Jan	CPI	%ann	2.5	–	–	Final estimate to provide more colour on component detail.
Ger	Feb	IFO Business Climate Survey	index	85.1	85.8	–	Focus to return to broader issues facing economy post–election.
US	Jan	Chicago Fed Activity Index	%mth	0.15	–	–	On an average basis, consistent with growth moving to trend.
	Feb	Dallas Fed	index	14.1	–	–	Manufacturing mixed across US, but Texas a clear stand–out.
Tue 25							
Aus		RBA Assist' Governor (Fin Systems)	–	–	–	–	Jones, fireside chat at DLT–Enabled.
US	Dec	S&P/CS Home Price Index	%mth	0.41	–	–	Affordability constraints capping any upside momentum.
	Feb	CB Consumer Confidence	index	104.1	103.0	–	To provide a first look into reactions to Trump's policies.
	Feb	Richmond Fed	index	–4	–	–	Points to a more gradual recovery unfolding over 2025.
		Fedspeak	–	–	–	–	Logan, Barr, Barkin.
Wed 26							
Aus	Jan	Monthly CPI Indicator	%ann	2.5	2.6	2.4	January is seasonally a soft month plus energy rebates.
	Q4	Construction Work Done	%qtr	1.6	1.0	1.0	Engineering and resi construction work expected to grow.
US	Jan	New Home Sales	%mth	3.6	–2.9	–	Sales trending higher as supply continues to come online.
		Fedspeak	–	–	–	–	Bostic on economic outlook and housing.
Thu 27							
Aus		RBA Head of Economic Analysis	–	–	–	–	Speaking on the importance of productivity at ABE Conference.
	Q4	Private New Capital Expenditure	%qtr	1.1	0.5	0.8	A touch slower growth and broadly unchanged spend plans.
NZ	Feb	ANZ Business Confidence	index	54.3	–	–	Hopes are running high as interest rates fall.
Eur	Feb	Economic Confidence	index	95.2	–	–	Broader sentiment little–changed amid uncertain outlook.
US	Q4	GDP	%ann'd	2.3	2.3	–	No revisions anticipated in the second estimate.
	Jan	Durable Goods Orders	%mth	–2.2	1.8	–	Modest trend growth in core orders a positive for investment.
		Initial Jobless Claims	000s	219k	–	–	To remain low, for now.
	Jan	Pending Home Sales	%mth	–5.5	–1.2	–	Pointing to weak turnover for existing homes.
	Feb	Kansas City Fed	index	–5	–	–	Points to a more gradual recovery unfolding over 2025.
		Fedspeak	–	–	–	–	Schmid, Barr, Bowman, Hammack, Harker.
Fri 28							
Aus	Jan	Private Sector Credit	%mth	0.6	0.5	0.5	Weaker house price growth might start to slow housing credit.
NZ	Feb	ANZ Consumer Confidence	index	96.0	–	–	Confidence is trending higher.
	Jan	Employment Indicator	%mth	0.1	–	0.0	Jobs are flattening out after declines in mid–2024.
Jpn	Feb	Tokyo CPI	%ann	3.4	3.2	–	Core inflation stabilising near target, a welcome sign for BoJ.
	Jan	Industrial Production	%mth	–0.2	–1.1	–	Japanese industry on weak footing ahead of tariff risks.
US	Jan	Personal Income	%mth	0.4	0.3	–	Income growth easing but relatively robust overall.
	Jan	Personal Spending	%mth	0.7	0.2	–	Set to pull–back after a seasonal bump in December ...
	Jan	PCE Deflator	%mth	0.3	0.3	–	... and therefore unlikely to knock disinflation off track.
	Jan	Wholesale Inventories	%mth	–0.5	–	–	Flat annual growth points to sound inventory management.
	Feb	Chicago PMI	index	39.5	–	–	Points to downside risk for manufacturing.
		Fedspeak	–	–	–	–	Goolsbee in Q&A.
Sat 01							
Chn	Feb	NBS Manufacturing PMI	index	49.1	50.0	–	Seasonal impacts from Lunar New Year muddying the read ...
	Feb	NBS Non–Manufacturing PMI	index	50.2	50.3	–	... authorities looking for a sustained lift in underlying growth.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (21 Feb)	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26
Cash	4.10	4.10	3.85	3.60	3.35	3.35	3.35	3.35	3.35
90 Day BBSW	4.14	4.20	3.95	3.72	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.90	3.75	3.75	3.80	3.80	3.85	3.90	3.95	4.00
3 Year Bond	3.93	3.75	3.75	3.75	3.75	3.75	3.80	3.80	3.85
10 Year Bond	4.51	4.45	4.60	4.75	4.70	4.70	4.65	4.65	4.65
10 Year Spread to US (bps)	2	–15	–20	–25	–25	–20	–20	–15	–15
United States									
Fed Funds	4.375	4.375	4.375	4.375	4.375	4.125	3.875	3.875	3.875
US 10 Year Bond	4.49	4.60	4.80	5.00	4.95	4.90	4.85	4.80	4.80
New Zealand									
Cash	3.75	3.75	3.25	3.25	3.25	3.25	3.50	3.75	3.75
90 Day Bill	3.77	3.55	3.35	3.35	3.35	3.45	3.70	3.85	3.85
2 Year Swap	3.59	3.40	3.50	3.65	3.80	3.90	3.95	4.00	4.00
10 Year Bond	4.59	4.60	4.70	4.85	4.90	5.00	5.00	5.00	4.95
10 Year Spread to US (bps)	10	0	-10	-15	-5	10	15	20	15

Exchange rate forecasts

	Latest (21 Feb)	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26
AUD/USD	0.6394	0.60	0.60	0.61	0.62	0.63	0.64	0.66	0.68
NZD/USD	0.5764	0.54	0.54	0.54	0.54	0.55	0.56	0.57	0.59
USD/JPY	150.42	155	154	153	152	150	148	146	144
EUR/USD	1.0496	1.01	1.00	1.00	1.01	1.02	1.03	1.04	1.06
GBP/USD	1.266	1.23	1.23	1.23	1.24	1.25	1.26	1.27	1.28
USD/CNY	7.242	7.30	7.30	7.25	7.25	7.20	7.15	7.10	7.00
AUD/NZD	1.1093	1.11	1.11	1.14	1.15	1.15	1.15	1.15	1.15

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	4.1	4.1	4.2	4.4	4.5	3.9	4.1	4.5	4.5
Wages (WPI) %qtr	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.7	–	–	–	–
%yr end	4.1	4.1	3.5	3.2	3.2	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	0.5	0.7	0.9	0.8	–	–	–	–
%yr end	3.6	3.8	2.8	2.4	2.0	1.7	2.4	2.9	4.1	2.4	2.9	2.7
CPI Trimmed Mean %qtr	1.0	0.9	0.8	0.5	0.5	0.6	0.7	0.7	–	–	–	–
%yr end	4.0	4.0	3.6	3.2	2.7	2.4	2.3	2.4	4.2	3.2	2.4	2.5

New Zealand economic growth forecasts

	2024				2025				Calendar years			
% Change	**Q1**	**Q2**	**Q3**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2023**	**2024f**	**2025f**	**2026f**
GDP %qtr	0.3	–1.1	–1.0	0.3	0.4	0.8	0.5	0.8	–	–	–	–
Annual avg change	1.4	0.6	0.1	–0.5	–1.2	–1.0	–0.1	0.9	1.8	–0.5	0.9	3.0
Unemployment rate %	4.4	4.6	4.8	5.1	5.3	5.4	5.4	5.3	4.0	5.1	5.3	4.6
CPI %qtr	0.6	0.4	0.6	0.5	0.6	0.5	1.0	0.5	–	–	–	–
Annual change	4.0	3.3	2.2	2.2	2.2	2.3	2.7	2.6	4.7	2.2	2.6	2.0

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