Week beginning 10 March 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

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Information contained in this report current as at 7 March 2025

Ancient history rhyming

Luci Ellis
Chief Economist, Westpac Group

The national accounts and other recent key data have broadly tracked as expected. Growth is starting to improve as household incomes recover, though only modestly. Inflation and wages growth continue to decline a little faster than previously expected. Productivity growth disappointed and the labour market remained tight, both partly driven by the expansion in the care economy. Some elements of this set of outcomes are reminiscent of the period immediately before the pandemic. There are also important differences, and it might seem like B.C. (Before COVID) is ancient history. So this is probably a case of history rhyming rather than repeating. The parallels with those years may nonetheless point to some important risks around the outlook.

The late 2010s were not a great time for the Australian economy. Growth was disappointing, and inflation persistently undershot the RBA's 2–3% target range, despite very low interest rates. Household demand was weak, with a rising tax take squeezing household incomes as the then federal government engaged in fiscal consolidation. Productivity growth was extremely weak in 2017/18 and 2018/19: as a graph in a recent speech by RBA Head of Economic Analysis Michael Plumb showed, much weaker than in the years either side of those two. And like the most recent few months, labour force participation reached a new peak in 2019, at the time the highest rate since records began in 1910.

Along with the drag from tax and fiscal consolidation, a few underlying causes of the sogginess in the late 2010s data suggest themselves. First, with wages growth low and high participation rates making labour plentiful, there just wasn't much incentive for firms to economise on labour-saving technology, so of course labour productivity growth lagged. Second, the non-mining part of the economy had been squeezed to fit the mining investment boom. That boom was well and truly rolling off by 2018 – WA was effectively in recession. However, the rest of the economy simply could not bounce back quickly enough to fill the gap.

Turning to the current situation, we could see a similar failure to bounce back occurring as the ramp-up in the care economy ends. That suggests a risk to growth beyond the very near term. Judging by the minutes of its February meeting, the RBA Board seems to be alive to this risk. More broadly, the minutes seem to hint that the Board put more weight on the downside risks to growth beyond the very near term than the staff did. And whether they saw the parallels with the pre-pandemic period or not, the Board also seemed to understand the risks of undershooting the target when inflation had already surprised on the downside.

That risk of undershooting also helped drive the Board's decision to cut the cash rate in February. The minutes and the Deputy Governor's speech this week both described the results of a scenario where the cash rate was held unchanged at 4.35%, and inflation settled between 2.3% and 2.5%. This result was first noted in Deputy Governor Hauser's Bloomberg TV interview, and the RBA probably wishes it was included in the Statement on Monetary Policy in the first place. It would certainly have clarified the explanation of the decision to cut despite not agreeing with the market path.

Notice, though, that the base-case was the staff forecasts, which are not entirely model-driven, while the 'red swathe' of the unchanged-rates scenario was the span of two very different economic models. So while the difference between 2.7% with 90bp of cuts and roughly 2.3% with no cuts seems like a lot of inflation sensitivity relative to history, perhaps the answer is that the staff forecast using the market path involved some upward judgement that the models did not incorporate.

"Parallels between the current situation and the late 2010s highlight the risks of undershooting the inflation target should a major global shock hit."

All of this smacks of fine-tuning, as we have previously discussed. In his speech this week, Deputy Governor Hauser acknowledged the point and – as we had also highlighted – conceded that this was an outworking of the wording of the latest Statement on the Conduct of Monetary Policy. He also repeated the Governor's comment in Parliament that aiming for the exact midpoint of the target range maximises the chances of actually landing in that range. This, too, is reminiscent of the late 2010s, when some commentators advocated ever more aggressive monetary policy action (fiscal and other levers never came into the discussion) to get inflation right to the midpoint.

As is usually the case though, this interpretation is based on a few unstated assumptions. First, it assumes that the risks around that forecast are symmetric. This is far from assured. Second, it assumes that the base-case forecast is unbiased. A bias need not be intentional: forecasting is hard, models are imperfect, and it is possible that when the wind blows one way, the monetary policy gunsight veers off-centre and needs correction.

Third, it assumes that the appropriate horizon over which to hit the target is the existing forecast horizon. But the length of the forecast horizon is typically determined by how far out your current (or past) approach produces reasonable forecasts. It could also be the optimal horizon to return inflation exactly to 2½% following a shock, taking the nature and duration of the shock and all other policy considerations into account. But if it were, that would be quite a coincidence.

With all those caveats in mind, the reality is that a lot of energy is going into finessing the last 0.2ppt of disinflation. As Deputy Governor Hauser also acknowledged this week, there are plenty of other uncertainties facing Australia that are way bigger than this one. This week marked the moment the US-led trade war went live, along with a major geopolitical realignment around Ukraine. Confidence in the US is already starting to crack, as both financial markets and consumer surveys show. That said, Australia is a small direct target for US tariff policy, and China is likely to stimulate its own economy to offset the tariff hit. The situation is incredibly fluid, though, and – more likely than not – negative for global growth. One wonders if an institution focused on fine-tuning will pivot quickly enough should the situation require it.

Stormy seas ahead

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

In Australia, GDP printed broadly as expected in Q4 2024, rising 0.6%qtr to be up 1.3% over the year. On a per capita basis, GDP rose for the first time in two years, albeit by just 0.1%, ending the longest run of consecutive declines on record. While both public and private demand rose in the quarter, new public demand continues to do most of the heavy lifting, reaching a new record share of the economy.

Overall, the recovery in private demand is starting to unfold gradually, with household consumption lifting 0.4% in the quarter to be up just 0.7% over the year. Improved growth in real disposable income is an important driver of this trend, principally thanks to decelerating inflation. As foreshadowed by the Westpac Consumer Panel, the boost to incomes from the 'Stage 3' tax cuts looks to have largely been put aside to rebuild savings buffers. This could lay a foundation for stronger consumer demand later in 2025. But if the precautionary mindset persists, downside risks for consumption are likely to grow. The latest data on retail sales subsequently pointed to a modest gain in January; today's household spending indicator was close to expectations at 0.4% though the previous month was marked down from 0.4% to 0.2%.

A surprise in the national accounts worthy of close scrutiny is the rise in unit labour costs reported for Q4, the consequence of a step-up in wage growth and declining productivity. Crucial to the significance of this outcome is the sectoral composition. Interestingly, today's labour account revealed that labour productivity deteriorated across both market and non-market sectors. In this week's essay, Chief Economist Luci Ellis considers the downside risks for inflation and growth with reference to Australia's economic experience during the late 2010's.

Before moving offshore, a final note on housing. February's CoreLogic data reported a 0.3% lift in house prices across Australia, a post rate-cut bounce consistent with historical patterns. Both the breadth and persistence of this turnaround over coming months will be of great interest, especially given the stretched starting point for affordability. Supply remains a crucial factor for the longer-term outlook; encouragingly, the firming uptrend in dwelling approvals is coinciding with tentative evidence of easing supply constraints for construction, reducing risks for the pipeline. For more detail on our views around the housing market, see our latest Housing Pulse on Westpac IQ.

Offshore, the focus was again on the US as President Trump's tariffs on Canada and Mexico were imposed and then deferred (again). Eventually it was made clear that goods covered by the USMCA would be exempted for now, materially reducing the immediate effect of the tariffs, especially for key US manufacturers such as the auto industry and farmers who import fertiliser. Still President Trump was clear that this is a short-term deal, and that these tariffs along with the industry specific measures would come into full effect April 2.

The uncertainty being created by US trade policy is becoming evident with US consumer confidence hit in the most recent readings and personal consumption disappointing in January – down 0.2% on a nominal basis and 0.5% for real sales volumes despite a stronger-than-expected rise in personal income of 0.9%. Financial markets are also becoming increasingly concerned over the potential ill effects of tariffs on the US economy, the US dollar sharply lower over the week from almost 108 last Friday to 104 today on a DXY basis. An aside, Australian exporters look to be getting ahead of the building tariff risk, our trade surplus jumping higher to $5.6bn in January as exports to the US soared, albeit at the expense of shipments elsewhere.

"On a per capita basis, GDP rose for the first time in two years"

US business surveys are yet to show a definitive effect however, the ISM services index edging higher in February from 52.8 to 53.5 while the ISM manufacturing PMI reported a modest decline from 50.9 to 50.3. The prices paid component for manufacturing shows tariffs are front of mind however, the index surging 7.5 points to 62.4, the highest level since mid-2022. The manufacturing employment index is worth keeping an eye on, having fallen to a contractionary 47.6 in February; though for aggregate employment, services is the dominant sector and remains in robust shape, its employment index at 53.9.

Across the Atlantic, downside risks were also front of mind for the ECB who cut its key rates by 25bps, bringing the deposit rate to 2.50%. GDP growth was revised down by 0.2ppt for 2025 and 2026 to 0.9% and 1.2%, a revision attributed to weakness in exports and firms holding back on investment decisions in the face of uncertainty. We expect three more cuts in coming months bringing policy to a neutral stance, with the ECB likely to remain cautious of downside risks to activity thereafter.

While Canada and Mexico received a short-term reprieve from the US on tariffs this week, China did not. Nonetheless, Chinese Premier Li Qiang's address to China's 2025 National People's Congress struck a very confident tone. Manufacturing investment and technological development remain priorities, but the need to bolster the housing sector, employment and consumer confidence is also front of mind. Fiscal support will be increased in 2025, and authorities are ready to provide additional support if downside risks crystalise. All told, authorities expect to repeat 2024 and grow the economy by another 5.0% in 2025 in fair or stormy weather.

A change in the top at the RBNZ

Satish Ranchhod
Senior Economist

This week Adrian Orr announced that he is stepping down as the Governor of the Reserve Bank of New Zealand. Mr Orr was in his second term as Governor, which was not due to finish until 2028. Deputy Governor Christian Hawkesby will be Acting Governor until 31 March. From 1 April the Minister of Finance will appoint a temporary Governor (based on recommendations from the RBNZ's Board) for a period of up to six months, and given the short timeframe, an internal candidate such as Hawkesby seems likely.

We don't think Mr Orr's early departure will have much of an impact on monetary policy over the next couple of meetings. Official Cash Rate decisions are made by the RBNZ's Monetary Policy Committee (MPC) of which the Governor is one of seven members. At the time of the February policy statement, Mr Orr signalled that the MPC planned to cut the cash rate 25bps at both the April and May meetings. The MPC's policy decisions are almost always made by consensus, and there was no indication of a split in views at the time of the RBNZ's last policy announcement. Of course, that path for policy is still dependent on how economic conditions evolve.

Longer term, the change at the top of the RBNZ could have implications for other aspects of New Zealand's economic and financial landscape. In particular, we could see a change in the RBNZ's stance in relation to issues such as how much capital banks need to hold. During his tenure Mr Orr introduced policies that required major banks to hold more capital. On this front, there are reports that the Minister of Finance is seeking advice on changing those rules. There could also be changes in the RBNZ's approach to prudential policies, such as the debt-to-income or loan-to-value restrictions.

The rocky global backdrop keeps getting rockier

Offshore, the increasingly rocky trade environment came into sharp focus as the Trump administration rolled out new tariffs on Canada, Mexico and China, and the process of retaliatory actions and negotiations with other nations stepped up.

We currently export slightly more to the US than we import, giving us a trade surplus with the US of $920m in the year to January 2025. Our major exports include meat, dairy products and beverages (including wine).

At this stage New Zealand has not been directly targeted by increases in US tariffs. However, there is a clear risk that we get caught up in the Trump administration's broader tariff programme, especially given recent comments from President Trump that he is looking at tariffs on imports of agricultural goods.

Direct tariffs or other restrictions on our exports would clearly be a negative for New Zealand's export sector. However, New Zealand is also indirectly exposed to the changing trade environment through a range of other channels, including the impact that tariffs might have on other economies. For instance, large US tariffs on economies who are major trading partners for New Zealand, like China, could affect demand for our exports. Similarly, if other countries who produce similar products to us are subject to US tariffs, their exports could end up being re-directed to markets we compete in.

An important buffer for New Zealand exporters will be the lower New Zealand dollar, which has taken a sizeable step down since late last year when concerns about a trade war started to mount. Combined with firmness in the prices for many key commodity exports (including dairy products), this will generate a large boost to export earnings and incomes in our rural regions. Consistent with that, we've already seen spending growth in those parts of the country with strong exposure to agriculture outpace spending in urban centres like Auckland and Wellington.

However, the lower New Zealand dollar also means that imported inflation pressures aren't looking as benign as they did at the end of last year, and the impact of those stronger price pressures will be felt right across the economy. We're currently forecasting that the lower New Zealand dollar and related lift in import prices will see overall inflation rising from 2.2% at the end of last year to 2.7% in the second half of 2025. And the risks on this front are to the upside, with large increases in prices of a number of food items in recent months. That's offsetting a continued easing in domestic cost pressures. With those risks in mind, Stats NZ's upcoming monthly prices update (out on 13 March) will warrant close attention.

A floor in the building cycle

The local data flow was limited over the past week, but did highlight the changing conditions in New Zealand's construction sector.

Looking first at residential building, the past few years have been tough for builders and other firms linked to the sector. Tough financial conditions in recent years, including high build costs and a sharp rise in interest rates, have led to a sharp fall in homebuilding activity by both occupiers and developers. That's seen residential building activity falling 25% since mid-2022, with falls seen right across the country.

But it looks like we are now close to a floor in the building cycle. The earlier sharp falls in the number of new projects being consented have now been arrested. In addition, with a drop in interest rates, we're seeing a lift in activity in the housing market. We expect house sales and prices will trend higher over the course of this year. And combined with lower financing costs, that will encourage a rise in new housing development. However, the recovery in building activity is likely to be gradual – we don't expect a material lift in consents until late in 2025, with building activity to follow after that.

It's a more nuanced picture in the non-residential sector. Weak economic activity has seen businesses winding back their capital expenditure. That has seen commercial building activity begin to decline over the past year. Given the long lead times on many commercial projects, commercial construction tends to lag the broader economic cycle. As a result, we're likely to see some further softness over this year before commercial construction begins to turn higher.

Over time, lower interest rates and firming economic activity will help to boost both investor appetites and development activity. However, conditions are likely to be mixed across market segments.

- We're seeing large amounts of office space being built or refurbished. That's in part due to ongoing changes in the use of office space as workplaces adjust to balance both flexible working arrangements and more workers coming into the office on a regular basis. However, this is also resulting in a two-tier market, with strong demand for premium and A-grade space, and less demand for lower grade offerings. That split in occupier preference has resulted in a growing wedge in rents between higher grade properties (which are able to command higher rents) and lower grade ones. It's also resulted in increased vacancy rates among lower grade properties.
- There continues to be strong demand for industrial and storage space. However, after a large amount of space was built in recent years, new development is now slowing.
- Softer conditions in the retail and hospitality sectors have been weighing on the amount of space being developed. Although we are starting to see demand in these sectors improving, new development activity is likely to remain limited some time. That's in part due to ongoing shifts in retail distribution models to online platforms.

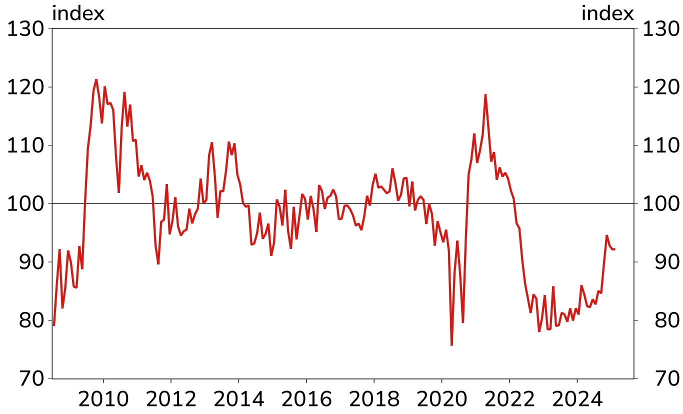
AUS: Mar Westpac-MI Consumer Sentiment (index)

Mar 11, Last: 92.2

Consumer sentiment was basically unchanged in February, edging up 0.1% to 92.2, a 'cautiously pessimistic' level. Note that the survey was conducted before the RBA rate cut and the turbulent start to the Trump Presidency in the US. More generally, the consumer mood improved materially over the second half of 2024 but the recovery has stalled somewhat since December, the detail showing continued pressure on family finances and a more unsettled global backdrop have offset positives from firming expectations of rate cuts locally.

The March survey will capture reactions to the RBA's 'hawkish' rate cut in February as well as developments offshore, including the 'go-live' on US tariff measures and sharp falls in global sharemarkets (ASX down 5% since the last survey). GDP and inflation data will likely take a back seat.

Consumer Sentiment Index



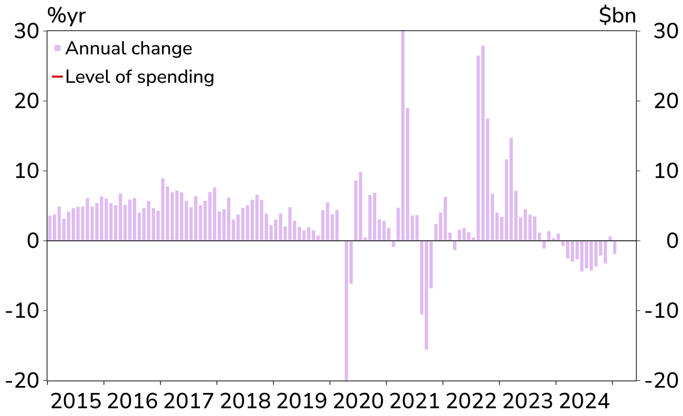
Source: Westpac-MI, Macrobond

NZ: Feb retail card spending

Mar 12, Last: –1.6%, Westpac f/c: +0.3%

Retail sales fell sharply in January, dropping 1.6%. However, January's fall followed a very large rise in spending over December, which was in part related to 'lumpy' spending categories, like household furnishings. Stepping back from the normal month-to-month volatility, spending has been trending higher since July, including increases in discretionary areas (like durables, apparel and hospitality). We expect that uptrend will have continued in February, supported by the continuing passthrough of interest rate reductions, as well as recent falls in petrol prices.

Retail spending regaining momentum



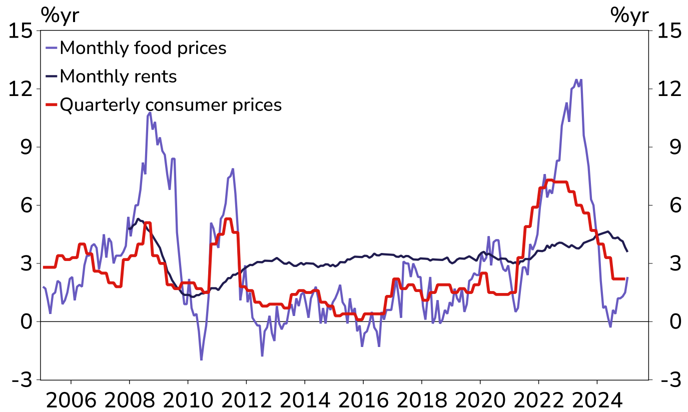
Source: Stats NZ, Macrobond, Westpac Economics

NZ: Feb Selected Price Indices

Mar 13

Stats NZ's monthly price data covers around 45% of the CPI. Last month's update pointed to stronger than expected price increases for many items, including groceries like chocolate and dairy products. While price swings in those sorts of categories are not normally the main focus for monetary policy, we're not seeing any sign that that pressure on food prices is easing off. That signals upside risk to our overall forecast for inflation in the March quarter. However, under the surface, we are seeing softer prices for services like rents and in the hospitality sector. That could leave us with a picture of stronger than expected overall inflation, but softness in non-tradables prices.

NZ selected consumer prices



Source: Stats NZ, Macrobond, Westpac Economics

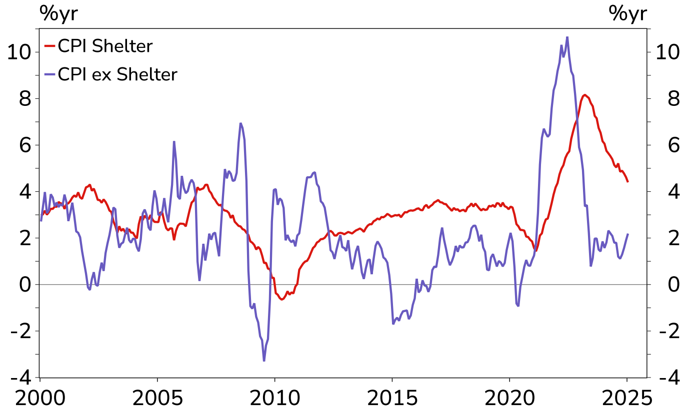
US: February CPI

Mar 12, m/m %, Last: 0.5%, WBC f/c: 0.3%, Mkt f/c: 0.3%
Inflation accelerated in January as a result of stronger growth in food and energy prices. Core price pressures were also above par, rising 0.4% in the month, supported by rents, transport services and an end to goods deflation.

Come February, a 0.3% gain is expected for both headline and core inflation, again primarily as a result of some persistence in services inflation and with goods adding to aggregate inflation rather than offsetting.

There is a chance some goods sellers have front-run tariffs on selling prices as well as inventories, though the full tariff effect is likely to take considerable time to come through. If the tariffs are introduced as announced, we see annual inflation holding close to 3.0%yr.

US inflation to remain near 3.0%yr with tariffs



Source: BLS, Macrobond, Westpac Economics

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 10							
Jpn	Jan	Current Account Balance	¥bn	1077	152	--	Current account balance reached a record high in 2024.
Eur	Mar	Sentix Investor Confidence	index	-12.7	-10.0	--	More investors optimistic about the outlook than not.
Ger	Jan	Industrial Production	%mth	-2.4	1.5	--	A lift, followed by a fall, occurring since mid-2024.
Tue 11							
Aus	Mar	Westpac-MI Consumer Sentiment	index	92.2	--	--	Will capture reactions to the RBA's rate cut.
	Feb	NAB Business Survey	index	3	--	--	Business reaction to US tariffs and global uncertainty.
Jpn	Jan	Household Spending	%yr	2.7	3.6	--	Spending on the rise as real wages increase.
	Q4	GDP	%qtr	0.7	0.7	--	Final estimate.
US	Feb	NFIB Small Business Optimism	index	102.8	100.9	--	Normalising after post-election surge.
	Jan	Jolts Job Openings	000s	7600	--	--	Consistent with a healthy labour market.
Wed 12							
NZ	Feb	Retail Card Spending	%mth	-1.6	--	--	Spending levels are trending higher.
US	Feb	CPI	%mth	0.5	0.3	0.3	Persistence in services CPI and goods inflation adding.
	Feb	Monthly Budget Statement	$bn	-128.6	--	--	Deficit totalled $840b in the first 4 months of the fiscal year.
Can		Bank of Canada policy decision	%	3.0	2.75	--	Rate cut to support economy as tariffs come into effect.
Thu 13							
Aus	Mar	MI Inflation Expectations	%ann	4.6	--	--	Global trade disputes likely on the mind of consumers.
		RBA Speak	–	–	--	--	RBA's Jones-Fireside Chat
NZ	Jan	Net Migration	no.	3810	--	--	Stabilising at low but positive levels.
Eur	Jan	Industrial Production	%mth	-1.1	1.0	--	Failing to sustain an uplift.
US	Feb	PPI	%mth	0.4	0.2	--	Expected to ease.
		Initial Jobless Claims	000s	221	--	--	Remaining steady.
Fri 14							
NZ	Feb	Manufacturing PMI	index	51.4	--	--	Above 50 for the first time in almost 2 years.
	Feb	Food Price Index	%mth	1.9	--	-0.7	Seasonal fall, but underlying trend firm.
	Feb	Housing Rents (Stock)	%mth	0.1	--	0.2	Rental pressures have been softening.
Ger	Feb	CPI	%mth	0.4	0.4	--	Final estimate.
UK	Jan	Trade Balance	£bn	-2816	--	--	Holds a broadly balanced trade relationship with the US.
	Jan	Monthly GDP Estimate	%mth	0.4	--	--	First look into 2025 after a subdued 2024 final quarter.
	Jan	Industrial Production	%mth	0.5	--	--	Underlying momentum supported by durables.
US	Mar	Uni. Of Michigan Sentiment	index	64.7	64.0	--	Consumers becoming more pessimistic on financial outlook.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (7 Mar)	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	4.11	4.20	3.95	3.72	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.72	3.75	3.75	3.80	3.80	3.85	3.90	3.95	4.00
3 Year Bond	3.78	3.75	3.75	3.75	3.75	3.75	3.80	3.80	3.85
10 Year Bond	4.40	4.45	4.60	4.75	4.70	4.70	4.65	4.65	4.65
10 Year Spread to US (bps)	16	–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	4.24	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	3.71	3.55	3.35	3.35	3.35	3.45	3.70	3.85	3.85
2 Year Swap	3.45	3.40	3.50	3.65	3.80	3.90	3.95	4.00	4.00
10 Year Bond	4.53	4.60	4.70	4.85	4.90	5.00	5.00	5.00	4.95
10 Year Spread to US (bps)	29	0	–10	–15	–5	10	15	20	15

Exchange rate forecasts

	Latest (7 Mar)	Mar–25	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26
AUD/USD	0.6302	0.60	0.60	0.61	0.62	0.63	0.64	0.66	0.68
NZD/USD	0.5713	0.54	0.54	0.54	0.54	0.55	0.56	0.57	0.59
USD/JPY	147.71	155	154	153	152	150	148	146	144
EUR/USD	1.0810	1.01	1.00	1.00	1.01	1.02	1.03	1.04	1.06
GBP/USD	1.2884	1.23	1.23	1.23	1.24	1.25	1.26	1.27	1.28
USD/CNY	7.2433	7.30	7.30	7.25	7.25	7.20	7.15	7.10	7.00
AUD/NZD	1.1032	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	0.6	0.6	0.5	0.5	0.6	–	–	–	–
%yr end **	1.1	1.0	0.8	1.3	1.7	2.0	2.2	2.3	1.5	1.1	2.3	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

*** forecasts are under review and subject to change.*

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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