

WESTPAC WEEKLY ECONOMIC COMMENTARY

Red hot labour market raises RBNZ red flags.

31 October 2022



Kōwhai

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The labour market is red hot. And if anything, it has heated up further over recent months. Those signs of heat are also manifesting increasingly in pressure on wages. And while that's good news for workers in light of similarly red-hot inflation, this trend presents a fresh set of problems for businesses as well as the Reserve Bank.

Indeed, the labour market is crucial to the Reserve Bank's efforts to bring inflation under control. With the unemployment rate close to a record low, and employers desperate to fill labour shortages, wages rates have been charging higher.

Those labour costs are in turn being passed through into prices – the latest CPI report shows that price rises are increasingly widespread across all categories. That's seen local forces starting to take over from global ones as the main source of overall inflation pressures.

With that in mind, the September quarter labour market surveys, released this Wednesday, are unlikely to give much comfort to the RBNZ. We expect a solid 0.6% rise in employment for the quarter, and a small dip in the unemployment rate back to its record low of 3.2%. On top of that strong jobs growth, we also expect a 1% rise in the Labour Cost Index (LCI). That rise will see the annual growth rate jump to a 14-year high of 3.6%.

Our employment forecast is stronger than what the RBNZ assumed in its August *Monetary Policy Statement*. On the other hand, our wage growth forecast is a little softer – the RBNZ is

already braced for some very strong wage growth, so it would take a lot to surprise them to the upside. That said, we're on the same page in expecting wage growth to head sharply higher.

Recent indicators, including tax data, suggest that jobs growth has regained some momentum in recent months after an earlier softer patch. While this measure doesn't entirely correspond with the Household Labour Force Survey – it measures jobs rather than workers, and some people will work more than one job – it has proven to be a reasonable guide on a quarterly basis. Notably, our forecast of 0.6% employment growth is actually to the low side of what the tax data would suggest.

One curiosity to this data is the question of where these workers have come from. The closure of the border over the last couple of years has meant a regular and key source of workers has been absent. Indeed, the working-age population has barely grown at all over this period. In addition, Jobseeker benefit numbers have been fairly flat, which suggests that not many of these additional workers have come out of the ranks of the unemployed. The tax data does, however, point to one group flooding into the labour market. In fact, over the past year, 40% of the growth in jobs has been among teenagers.

Altogether, this suggests to us that the lift in employment will be largely matched by a rise in the labour force participation rate, and as such the fall in the unemployment rate is likely to be modest. Participation has been high but choppy over the last several quarters, with a tug-of-war between rising youth participation and a growing share of the population hitting retirement age. That said, it pays to remember that any fall in the unemployment rate will see the rate either match or surpass the previous record low.

Digging into wage pressures a little more, we've assumed a 1% rise in the LCI for the September quarter. That follows a 1.1% rise in the June quarter (including a 1.3% rise in private sector wages), which was boosted by the 6% increase in the minimum wage for this year. On an annual basis, our forecast implies a further acceleration in labour costs, and we think that these costs will continue to run higher over the rest of the year and into next.

Similarly, the Quarterly Employment Survey measure of average hourly earnings (which more closely captures what workers are actually getting in hand) rose by 6.4% in the year to June, with a 7% rise in the private sector. We expect to see a further acceleration in this measure for September as well.

The tight labour market and surging wages is one factor leading to economic pessimism amongst New Zealand businesses. Indeed, last week's ANZ business survey for October showed that a net 43% of businesses now expect that economic conditions will weaken over the coming year. That's a deterioration from the already weak level that we saw in September.

The majority of businesses also expect that trading conditions on their own shop floors will remain subdued over the coming months. That pessimism is widespread across sectors.

The low level of confidence among New Zealand businesses isn't a surprise. While spending levels in the economy have held up, businesses are grappling with a range of challenges, including rising interest costs and the aforementioned ongoing shortages of staff. At the same time, wider operating costs have been charging higher, squeezing margins for many firms.

On the cost front, nearly 90% of businesses expect their operating costs will rise over the next few months, and 65% of them are planning on raising their prices. Both of those figures have eased back a little from their recent highs, but they still point to red-hot inflation pressures.

All up, weak business sentiment and the prospect of a red-hot labour market read next week are reinforcing that inflation pressures remain intense. Moreover, we're not seeing any material signs that they have started to abate despite the large rise in borrowing costs over the past year. With that in mind, we expect the RBNZ to match these intense pressures with a jumbo-sized 75bp OCR hike at its upcoming November policy meeting.

Nathan Penny, Senior Agri Economist

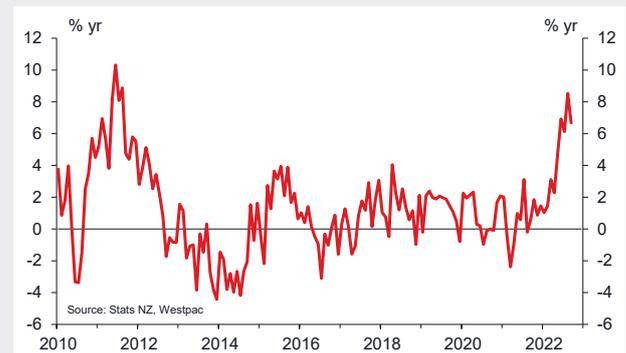
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Chart of the week

Inflation is at scary high levels. Indeed, the price of Halloween staples like candy have also spiked higher this year. As this week's *Chart of the week* shows, the prices for confectionery, nuts and snacks have surged 6.7% in annual terms. With the high price of candy in mind and the potential for candy to be in short supply, trick or treaters this year may want to prepare a few extra tricks ahead of tonight. Looking ahead to Guy Fawkes over the weekend, we anticipate that the price of fireworks has skyrocketed too.

Prices of confectionery, nuts and snacks

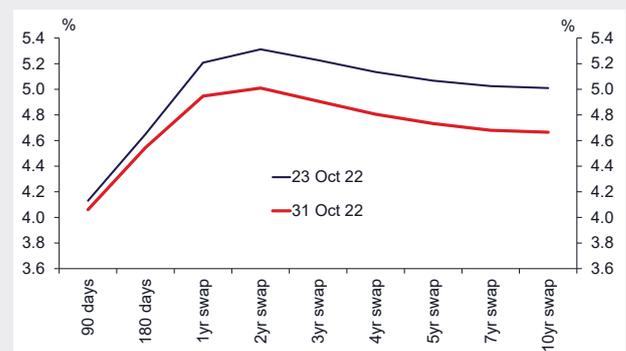


Fixed vs floating for mortgages

We expect the Reserve Bank to lift the Official Cash Rate to 5% and to hold it there for the next couple of years, before reducing it to a more sustainable level in the following years. In contrast, wholesale interest rate markets are priced for a sustained higher level of the OCR for many years to come.

As a result, we believe that there is value in fixing for terms of up to two years. We would regard fixing for terms longer than this as expensive, but this option may suit those who want more certainty in their repayments.

NZ interest rates



The week ahead

NZ Sep residential building consents

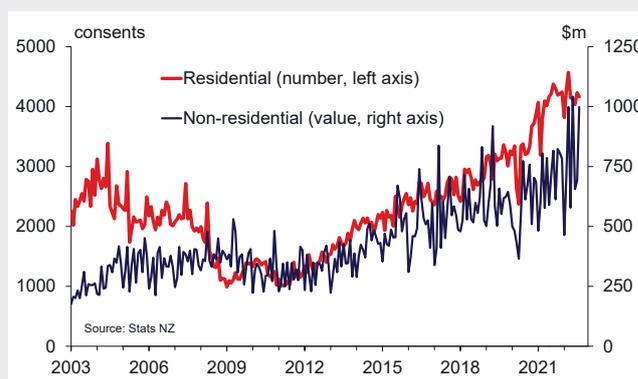
Nov 1, Last: -1.6%, Westpac f/c: -5.0%

We expect that dwelling consent issuance will fall by around 5% in September. That drop is mainly related to consents for retirement village units which spiked higher over the past few months, and we expect a return to more normal levels in September.

Underlying the volatility in 'lumpy' categories like retirement units, the monthly trend in consent issuance has effectively been tracking sideways for around a year now. However, under the surface, we have seen a switch in the composition of homes that are being built, with fewer standalone houses and increasing numbers of medium density developments like townhouses.

We expect that less favourable financial incentives for both purchasers and developers will see consent issuance start to trend down over the year ahead.

NZ building consents



NZ GlobalDairyTrade auction, whole milk powder prices

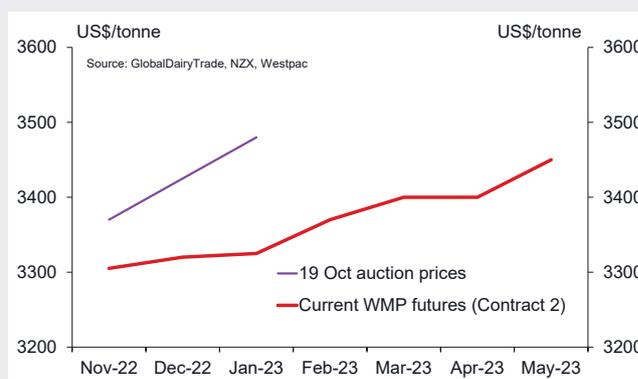
Nov 2, Last: -4.4%, Westpac: -2.0%

We expect whole milk powder prices (WMP) to fall by around 2% at the upcoming auction. This follows a 4.4% price slide at the previous auction.

Our pick is in line with futures market pricing (as at 10am Friday 28 October).

Fundamentally, very weak global dairy supply is underpinning the medium term global dairy price outlook. However, weak demand on the back of a soft Chinese economy led global dairy prices lower over October. We expect that this trend will continue in the short term.

Whole milk powder prices



NZ Q3 Household Labour Force Survey

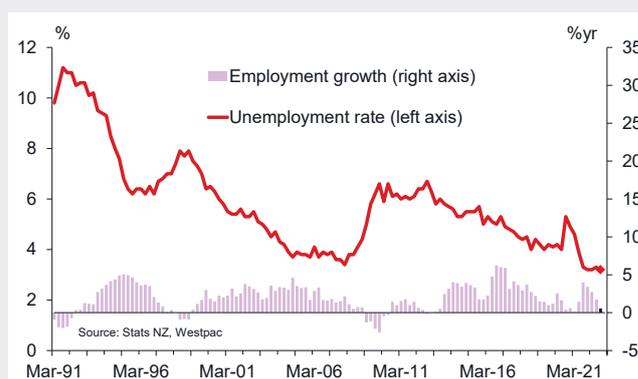
Nov 2, Employment last: 0%, Westpac f/c: 0.6%, Mkt: 0.1%
Unemployment last: 3.3%, Westpac f/c: 3.2%, Mkt: 3.3%

We expect a solid 0.6% lift in employment for the September quarter. The demand for workers remains red-hot, and tax data suggests that jobs growth has regained some momentum in recent months.

That rise in employment is expected to be largely matched by a rise in labour forecast participation, with the unemployment rate expected to dip back to the record low of 3.2% that we saw earlier in the year.

Our employment forecast is stronger than what the RBNZ assumed in its August Monetary Policy Statement.

NZ Household Labour Force Survey



The week ahead

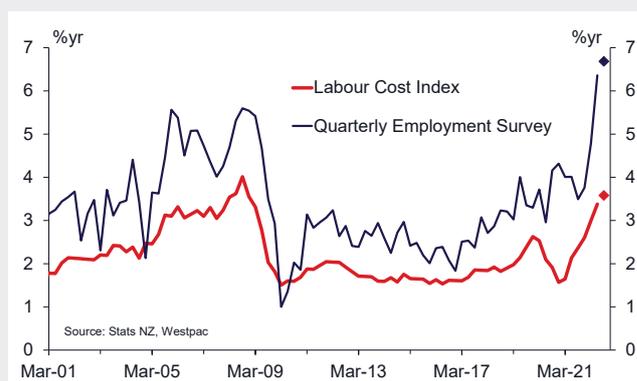
NZ Q3 Labour Cost Index

Nov 2, Private sector last: 1.3%, Westpac f/c: 1.0%, Mkt: 1.1%

Wage growth has been picking up over the last year, reflecting the tight jobs market. We're forecasting a 1% rise in the Labour Cost Index over the September quarter. That would see annual private sector wage inflation rising to 3.7% (up from 3.4% in the June quarter). That would be the fastest pace of wage growth in fourteen years, and we think that there is more to come over the coming year.

Similarly, we expect the Quarterly Employment Survey will show that average hourly earnings (a better measure of what workers get in the hand) has risen by 7.6% over the past year. That's been boosted by the high level of consumer price inflation and related adjustments to wages.

NZ salary and wage growth, all sectors



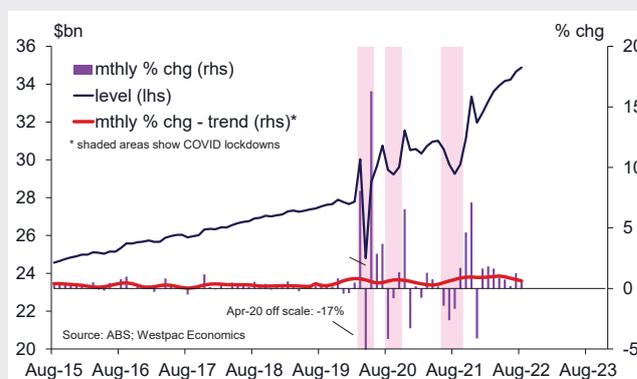
Aus Sep retail trade

**Oct 31, Last: 0.6%, WBC f/c: 0.3%
Mkt f/c: 0.5%, Range: 0.3% to 0.9%**

Retail sales posted a 0.6% gain in Aug, with rate rises still having little discernible impact. Growth has slowed since the RBA began lifting the cash rate in May but is still averaging 0.6-0.7%/mth. Moreover, much of that slowdown is due to 'cycling' the post-delta reopening rebound that saw much stronger gains at the start of the year.

Sep may start to show more rate rise impacts. However, indicators are fairly mixed. Retail components of our Westpac Card Tracker Index are only showing a gentle moderation so far and retail responses to private sector business surveys have been very mixed, some cooling in Sep but others remaining very strong. On balance, we expect nominal sales to show some slowing with a 0.3% gain in the Sep month, most, if not all, of this due to higher prices. Note that the final estimates, including Q3 real retail sales will be released at the end of the week.

Aus monthly retail sales



Aus Sep private sector credit

**Oct 31, Last: 0.8%, WBC f/c: 0.7%
Mkt f/c: 0.7%, Range: 0.7% to 0.8%**

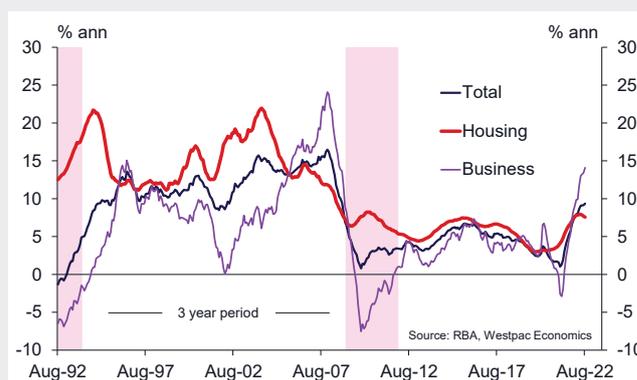
Annual credit growth lifted to 9.3% in August – the fastest annual pace since October 2008. Over the past year, businesses and households responded to very expansionary policy settings.

Currently, that stimulus is being unwound – leading to an emerging gradual slowing in the monthly pace of credit growth. For September, credit is expected to expand by 0.7% – edging down from outcomes of 0.8% for July and August, and from 0.9% gains each month through the June quarter.

Housing is cooling as borrowing capacity is reduced in the face of rising interest rates – new lending is down 17.5% over the past seven months. Housing credit grew 0.5% in August, down from gains of 0.7% at the start of the year.

Business lending grew by an unsustainable 19.6% annualised pace in the June quarter. Subsequently, the pace has moderated somewhat, but remains robust, as firms boost investment to expand capacity.

Aus annual credit growth



The week ahead

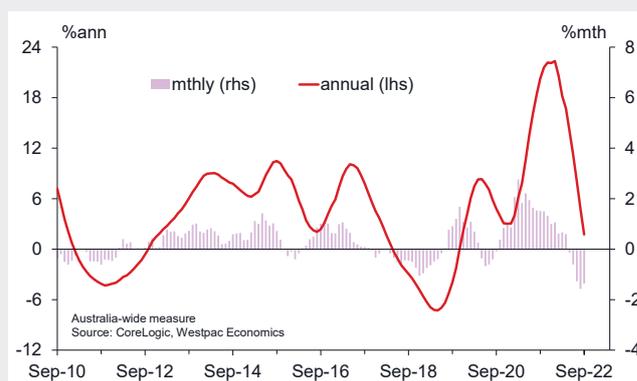
Aus Oct CoreLogic home value index

Nov 1, Last: -1.4%, WBC f/c: -1.2%

The housing market correction that began in May and accelerated through June-July, continued to run at a rapid pace in Aug-Sep, with declines of 1.6% and 1.4% respectively for the CoreLogic measure. The RBA's aggressive interest rate tightening is the dominant driver, with price weakness now spreading to most jurisdictions.

It's set to be a similar story for Oct, the daily index pointing to a further 1.2% decline for the month. That will take annual growth to -3.4%/yr with a fall of 6.7% since Apr. While the slightly milder monthly pace and marginal improvement in auction markets suggest the correction is moderating, it continues to run at a relatively quick pace with little prospect of an end to rate rise pressures near term.

Australian dwelling prices



Aus RBA policy decision

Nov 1, Last: 2.60%, WBC f/c: 3.10%

Mkt f/c: 2.85%, Range: 2.85% to 3.10%

At the November Board meeting, Westpac anticipates that the RBA will lift the cash rate by 50bps, to 3.10%. This is a non consensus view – most commentators anticipate a move of 25bps.

In October, the RBA slowed the pace of tightening, raising rates by 0.25% after four consecutive moves of 0.50%. With rates arguably back in the neutral zone, the RBA felt that it was time to pivot. At the same time, the RBA kept its options open, with the decision statement indicating: “the size and timing of future interest rate increases will continue to be determined by the incoming data ...”.

It is significant then that Q3 inflation data on October 26 was much higher than anticipated. The 1.8%qtr, 6.1%/yr increase in trimmed mean inflation was a shock result. It demands a more urgent response from the RBA. With inflation higher for longer the concern is that a strong inflationary psychology may become entrenched.

Aus RBA cash rate and 3 year bonds



Aus Sep dwelling approvals

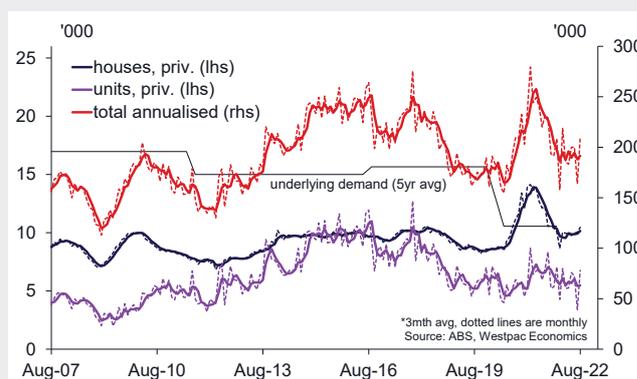
Nov 2, Last: 28.1%, WBC f/c: -5.0%

Mkt f/c: -10.0%, Range: -16.0% to -5.0%

Dwelling approvals produced a large upside surprise in Aug, with a much stronger than expected 28.1% rebound out of July's 17.2% slump. Total approvals were 4.8% above their June level and up 1% for the three months to Aug vs the three months to May. This is despite numerous headwinds including: aggressive rate rises; a material correction across wider housing markets; sharp rises in the cost of building and associated strains on builders still working through a large backlog of unprofitable work; and uncertainties around the timing and ultimate cost of new builds due to widespread supply issues affecting both materials and labour.

We expect Sep to show a much weaker tone as these negatives start to come more to the fore. Approvals are forecast to decline 5% but given recent volatility, particularly around high rise, there is a risk that they show a sharper move lower.

Aus dwelling approvals



The week ahead

Aus Sep trade balance, AUDbn

Nov 3, Last: 8.3, WBC f/c: 9.1

Mkt f/c: 9.0, Range: 7.0 to 10.5

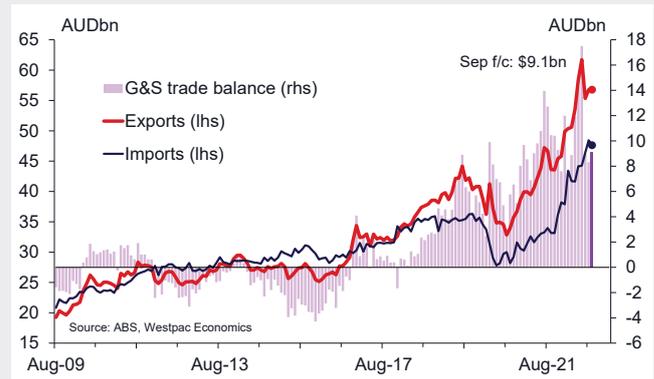
Australia's trade surplus ballooned to back-to-back fresh record highs of \$14.3bn and \$17.5bn in May and June – inflated by the spike in commodity prices, in part triggered by the Ukraine war.

Subsequently, global recession fears have sent commodity prices lower. The trade surplus narrowed to \$9.0bn in July and then \$8.3bn in August. For September, we anticipate a surplus of \$9.1bn.

Export earnings are expected to be flat in September. Coal shipments were again disrupted by flooding. This hit will potentially be offset by higher iron ore volumes and a lift in service exports.

For imports, we've factored in a -1.7% decline, -\$0.8bn. Global energy prices were lower in the month. In addition, import volumes potentially eased a little after a burst over July and August – which appeared to include an element of catch-up in deliveries from China, recovering from earlier disruptions.

Aus trade balance



Aus Q3 real retail sales

Nov 4, Last: 1.4%, WBC f/c: 0.2%

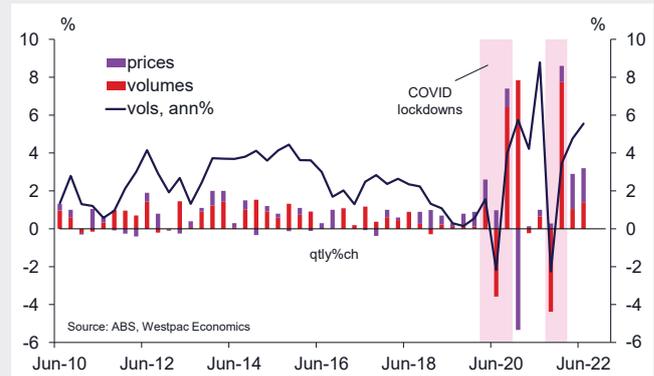
Mkt f/c: 0.4%, Range: 0.0% to 1.7%

Real retail sales posted a robust 1.4% gain in Q2 but are expected to have nearly stalled flat in Q3 as a sharp spike in retail prices rolls through.

Nominal sales are tracking a decent 2.2%qtr gain for the quarter, down marginally on the very strong re-opening supported 3.2% rise in Q2. The Q3 CPI detail points to a big rise in retail prices which are expected to be up 2%qtr, 6.5%yr. That points to a real retail sales gain of just 0.2%qtr. Annual growth will tick over 10%yr but is flattered by base effects, Q3 last year being affected by 'delta' lockdowns.

Note that the final Sep retail report will also include more granular detail by state and industry, and by channel and business size.

Aus quarterly retail volumes and prices



US Nov FOMC meeting

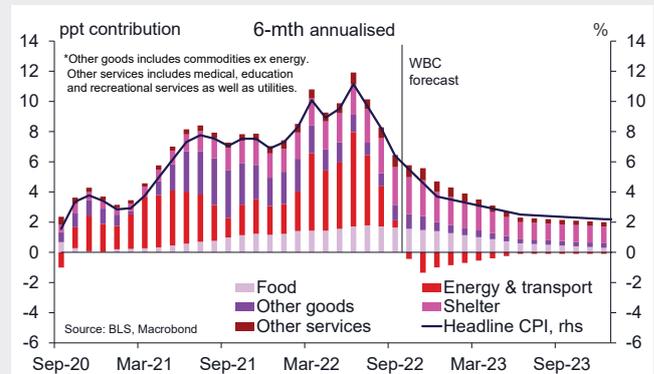
Nov 2-3, Last: 3.125%, Mkt f/c: 3.875%, WBC f/c: 3.875%

The past week has seen a slightly more dovish line taken by both the Bank of Canada and European Central Bank. While not yet ready to stop hiking, they are considering slowing down.

The market will keenly assess if the FOMC is in a similar frame of mind after the November meeting, when they are expected to deliver another outsized 75bp hike.

Q3 GDP and the deceleration in job creation and wages apparent in recent data certainly argues that the FOMC should begin to consider growth as well as inflation, though we still expect another 75bp of hikes over December and January before the Committee go on hold. The October payrolls survey on Friday will also evince the risks to 2023 from the FOMC's tightening, with the pace of job creation to be watched very closely.

US inflation

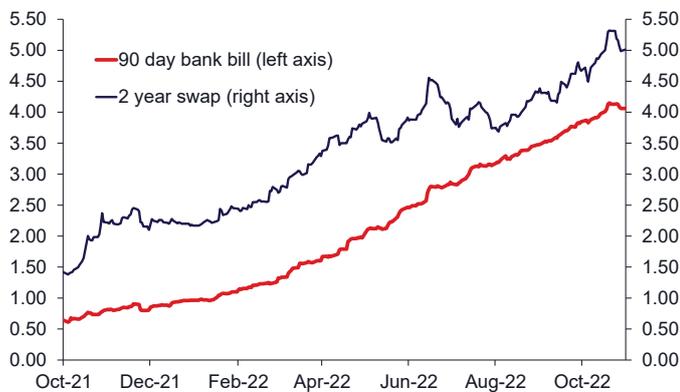


New Zealand forecasts

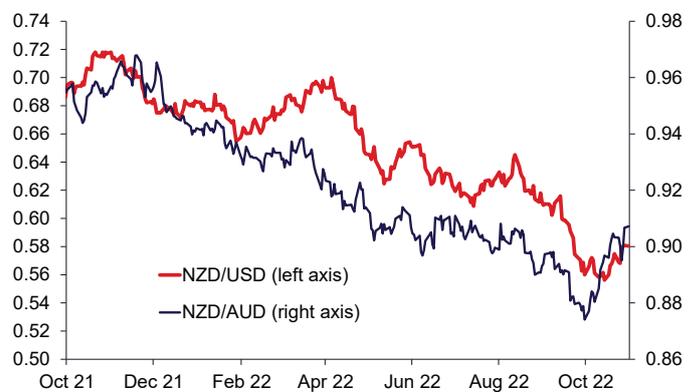
Economic forecasts	Quarterly				Annual			
	2022		2023		2020	2021	2022f	2023f
% change	Jun (a)	Sep	Dec	Mar				
GDP (Production)	1.7	0.4	0.6	0.6	-2.1	5.5	2.2	2.2
Employment	0.0	0.6	0.1	0.0	0.6	3.4	0.6	0.6
Unemployment Rate % s.a.	3.3	3.2	3.3	3.5	4.9	3.2	3.3	3.8
CPI	1.7	2.2	0.5	1.3	1.4	5.9	6.2	4.1
Current Account Balance % of GDP	-7.7	-7.7	-7.1	-6.0	-0.8	-6.0	-7.1	-4.4

Financial forecasts	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Cash	4.25	4.75	5.00	5.00	5.00	5.00	5.00
90 Day bill	4.55	5.00	5.10	5.10	5.10	5.10	4.80
2 Year Swap	5.30	5.20	5.10	4.90	4.70	4.40	4.10
5 Year Swap	5.00	4.90	4.80	4.60	4.40	4.20	4.00
10 Year Bond	4.70	4.60	4.50	4.30	4.10	3.90	3.80
NZD/USD	0.58	0.59	0.60	0.62	0.65	0.66	0.66
NZD/AUD	0.89	0.89	0.90	0.90	0.90	0.90	0.89
NZD/JPY	82.9	83.2	83.4	84.9	87.1	86.5	85.8
NZD/EUR	0.59	0.60	0.59	0.60	0.61	0.60	0.60
NZD/GBP	0.51	0.52	0.53	0.53	0.54	0.54	0.53
TWI	68.3	68.5	68.4	69.1	71.0	70.7	70.8

2 year swap and 90 day bank bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 31 October 2022

Interest rates	Current	Two weeks ago	One month ago
Cash	3.50%	3.50%	3.00%
30 Days	3.73%	3.54%	3.51%
60 Days	3.90%	3.78%	3.69%
90 Days	4.06%	4.01%	3.87%
2 Year Swap	5.01%	5.00%	4.72%
5 Year Swap	4.73%	4.79%	4.54%

NZ foreign currency mid-rates as at 31 October 2022

Exchange rates	Current	Two weeks ago	One month ago
NZD/USD	0.5804	0.5600	0.5657
NZD/EUR	0.5834	0.5744	0.5784
NZD/GBP	0.5015	0.4966	0.5052
NZD/JPY	85.71	83.34	82.12
NZD/AUD	0.9072	0.8960	0.8771
TWI	69.60	67.59	67.54

Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 31					
Aus	Sep retail sales	0.6%	0.5%	0.3%	Gentle slowdown in nominal sales, partly reflecting price rises.
	Sep private sector credit	0.8%	0.7%	0.7%	Emerging gradual slowdown as policy stimulus reversed.
	Oct MI inflation gauge %/yr	5.0%	-	-	Inflation well above RBA's target band.
Chn	Oct manufacturing PMI	50.1	50.0	-	Ongoing virus risks are headwinds for mfg activity...
	Oct non-manufacturing PMI	50.6	50.1	-	... and holding back momentum in services.
Eur	Oct CPI %/yr	10.0%	-	-	Core inflation remains uncomfortably high.
	Q3 GDP	0.8%	-	-	Clearer weakening in domestic demand to be evident.
US	Oct Chicago PMI	45.7	47.2	-	Weakening of conditions is becoming...
	Oct Dallas Fed index	-17.2	-16.8	-	... more broadly-based across the nation.
Tue 01					
NZ	Sep building permits	-1.6%	-	-5.0%	Pullback in retirement village numbers, other categories flat.
Aus	Oct CoreLogic home value index	-1.4%	-	-1.2%	Correction continues to run at a relatively quick pace.
	RBA policy decision	2.60%	2.85%	3.10%	RBA to respond to deteriorating inflation outlook.
	Melbourne Cup	-	-	-	Public holiday (Vic). Deuville Legend favoured by bookies.
	RBA Governor speaking	-	-	-	RBA Board Dinner, Hobart.
Chn	Oct Caixin manufacturing PMI	48.1	48.5	-	Pointing to downside risks for smaller/mid-sized firms.
UK	Oct S&P Global manufacturing PMI	45.8	-	-	Final estimate.
US	Oct S&P Global manufacturing PMI	49.9	49.9	-	Final estimate.
	Sep JOLTS job openings	10053k	9750k	-	Job openings off peak but still strong.
	Sep construction spending	-0.7%	-0.5%	-	Near-term weakening in demand weighing on construction.
	Oct ISM manufacturing	50.9	50.0	-	Manufacturing sector is in a fragile state.
Wed 02					
NZ	GlobalDairyTrade auction (WMP)	-4.4%	-	-2.0%	Global dairy prices to fall on soft Chinese demand.
	RBNZ Financial Stability Report	-	-	-	Six-monthly review of the financial system's health.
	Q3 employment	0.0%	0.5%	0.6%	Jobs have regained some momentum in recent months...
	Q3 unemployment rate	3.3%	3.2%	3.2%	... suggesting a further dip in the unemployment rate.
	Q3 LCI wage inflation (pvte, ord. time)	1.3%	1.1%	1.0%	Annual wage growth accelerating in a tight labour market.
Aus	Sep housing finance	-3.4%	-3.0%	-2.5%	Down sharply since the start of the year and more falls...
	Sep owner occupier finance	-2.7%	-	-2.3%	... to come, albeit with some stabilisation in sales volumes...
	Sep investor finance	-4.8%	-	-3.0%	... pointing to a more moderate pace in the Sep month.
	Sep dwelling approvals	28.1%	-10.0%	-5.0%	Defied the downturn so far but set to weaken, downside risks.
Eur	Oct S&P Global manufacturing PMI	46.6	46.6	-	Final estimate.
US	FOMC policy decision, midpoint	3.125%	3.875%	3.875%	Strength of core CPI warrants fourth consecutive 75bp hike.
Thu 03					
NZ	Oct ANZ commodity prices	-0.5%	-	-	Dairy prices fell over October.
Aus	Sep trade balance \$bn	8.3	9.0	9.1	Exports flat (coal vols down), imports to dip after strong burst.
	RBA Head of Domestic Markets	-	-	-	Kearns, panel participant, ASIC Forum.
Chn	Oct Caixin services PMI	49.3	48.9	-	Virus risks continue to loom over services growth.
Eur	Sep unemployment rate	6.6%	6.6%	-	Holding at record lows.
UK	BoE policy decision	2.25%	3.00%	3.00%	Another 75bp rate hike locked in.
	Oct S&P Global services PMI	47.5	-	-	Final estimate.
US	Sep trade balance US\$bn	-67.4	-70.2	-	Decline in domestic demand weighing heavily on imports.
	Q3 productivity	-4.1%	-0.1%	-	Challenging productivity outlook into year-end.
	Initial jobless claims	217k	-	-	Likely to remain at low levels, at least for time being.
	Oct S&P Global services PMI	46.6	46.6	-	S&P Global materially weaker than ISM...
	Oct ISM non-manufacturing	56.7	55.5	-	... pointing to clear downside risks for the sector.
	Sep factory orders	0.0%	0.4%	-	Drag on capital investment...
	Sep durable goods orders	0.4%	-	-	... extending into Q3.
Fri 04					
Aus	RBA Statement on Monetary Policy	-	-	-	Forecast update.
	Q3 real retail sales	1.4%	0.4%	0.2%	Sharp slowdown as price surge impacts.
Chn	Q3 current account balance US\$bn	77.5	-	-	Weaker trade into year-end on cooling global demand.
Eur	Oct S&P Global services PMI	48.2	48.2	-	Final estimate.
US	Oct non-farm payrolls	263k	200k	220k	Slowdown in jobs growth to crystallise...
	Oct unemployment rate	3.5%	3.6%	3.6%	... but U/E likely to remain little-changed near-term...
	Oct average hourly earnings %/mth	0.3%	0.3%	0.3%	... putting off the next leg down in wages growth.
	Fedspeak	-	-	-	Collins.

International forecasts

Economic Forecasts (Calendar Years)	2018	2019	2020	2021	2022f	2023f
Australia						
Real GDP %yr	2.8	2.0	-2.1	4.9	4.2	1.9
CPI inflation %yr	1.8	1.8	0.9	3.5	7.5	3.8
Unemployment rate %	5.0	5.2	6.8	4.7	3.1	4.3
Current account % of GDP	-2.1	0.7	2.4	3.2	1.1	-1.0
United States						
Real GDP %yr	2.9	2.3	-3.4	5.7	1.6	0.4
CPI inflation %yr	2.4	1.9	1.2	5.1	7.1	2.5
Unemployment rate %	3.9	3.7	8.1	5.4	3.7	4.7
Current account % of GDP	-2.3	-2.6	-2.5	-2.4	-2.4	-2.4
Japan						
Real GDP %yr	0.6	-0.2	-4.5	1.6	1.7	1.7
Euro zone						
Real GDP %yr	1.8	1.6	-6.4	5.3	2.9	0.5
United Kingdom						
Real GDP %yr	1.7	1.7	-9.3	7.4	3.4	-0.5
China						
Real GDP %yr	6.8	6.0	2.2	8.1	3.0	7.0
East Asia ex China						
Real GDP %yr	4.5	3.8	-2.3	4.1	4.5	4.5
World						
Real GDP %yr	3.6	2.9	-3.1	6.1	3.0	3.3

Forecasts finalised 7 October 2022

Interest rate forecasts	Latest	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Australia								
Cash	2.60	3.35	3.85	3.85	3.85	3.85	3.60	3.35
90 Day BBSW	3.05	3.80	4.05	4.05	4.05	3.97	3.72	3.47
10 Year Bond	3.76	3.70	3.50	3.40	3.20	3.00	2.80	2.70
International								
Fed Funds	3.125	4.375	4.625	4.625	4.625	4.625	4.375	3.875
US 10 Year Bond	3.92	3.80	3.60	3.50	3.30	3.10	2.90	2.70

Exchange rate forecasts	Latest	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
AUD/USD	0.6458	0.65	0.66	0.67	0.69	0.72	0.73	0.74
USD/JPY	146.11	143	141	139	137	134	132	130
EUR/USD	0.9972	1.00	1.01	1.02	1.04	1.07	1.09	1.10
GBP/USD	1.1572	1.14	1.15	1.16	1.17	1.20	1.22	1.24
USD/CNY	7.2260	7.00	6.80	6.60	6.40	6.30	6.20	6.15
AUD/NZD	1.1071	1.12	1.12	1.12	1.11	1.11	1.11	1.12

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