Australia & New Zealand weekly.

Week beginning 26 June 2017

- There is more to the labour market than unemployment.
- Australia: private sector credit.
- NZ: business confidence and building consents.
- China: national PMI, Premier Li Keqiang speaks.
- Eur: CPI.
- US: PCE deflator.
- FOMC: Chair Yellen speaks, Williams in Sydney.
- ECB Sintra conference - Draghi, Carney, Kuroda, Poloz and Bernanke.
- Key economic & financial forecasts.

Information contained in this report was current as at 23 June 2017.

Westpac Institutional Bank

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There is more to the labour market than unemployment.

Following a soft patch through 2016, particularly from August to November when the average gain in employment was a paltry 2.2k per month, as we have moved through 2017 there has been a distinct uplift in employment. In the three months to May, total employment has improved by 141.1k, or an average of 47k per month, lifting the annual pace from 0.9%yr to 2.0%yr. Employment growth is now more in line with our preferred leading indicators, business survey's and household demand.

Following this, there has been a reported tightening in labour market conditions. The quarterly unemployment rate peaked at 6.2% in 2015 Q3 then fell steadily to average 5.7% for the three months to May 2017, pointing to a material tightening.

And it is not just unemployment that is pointing to an improvement. We have also seen a recovery in full-time employment. Through 2016, full-time employment fell 35k as part-time employment rose 127k. In 2016, all of the growth in total employment came from the significant lift in part-time employment. In the year to May 2017, full-time employment rose 148k for a 1.8%yr pace, so full-time employment growth is now exceeding growth in the working age population, the first time it has done so since February 2016.

By contrast, part-time employment has grown 85k in the year to May, a solid 2.2%yr pace, yet this is well down on the 129k/3.5%yr gain in the year to December 2016. So at least through 2016, you could argue that, with employers focusing on part-time employment at the expense of full-time employment, the bargaining power shifted towards employers and, as such, wage demands remained contained. If so, then as long as full-time employment remains robust, it is logical it should lead to a more significant tightening in labour market conditions. But will it lead to an uplift in wage demands and thus an acceleration in wage inflation?

Normally when you observe a tightening in labour market conditions, you would expect to see an increase in wage inflation. But we have not seen this with wage inflation, as measured by the Wage Price Index (WPI), holding at a historical low of 1.9%yr. In our mind, this then raises a question: are we measuring labour market slack correctly?

A common way to measure labour market slack is to compare the unemployment rate to the rate unemployment would be if the economy was at full employment. To date the best estimate we have of this is the RBA's estimation of the NAIRU, or the Non-Accelerating Inflation Rate of Unemployment. The RBA has estimated the NAIRU to currently be around 5.0%. So while there is still a bit of a gap between the unemployment rate and the NAIRU, the unemployment rate has moved closer to the NAIRU, representing a tightening of the labour market.

To simplify the process, Westpac uses a labour gap which is the difference between unemployment and trend unemployment. Historically the labour gap had a reasonably reliable two quarter leading relationship with wage inflation. In the year to the June quarter, the labour gap averaged +3ppts; the last time it was this positive was back in September 2012 when wage inflation (as measured by the Wage Price Index) was running at a 3¾%yr pace. Wage inflation printed 1.9%yr in the March quarter of 2017.

It does appear that the unemployment rate is no longer the single best measure of labour market slack. Another measure of slack is the "is labour easy or hard to find" question from the Westpac/Australian Chamber business survey. In the past this has had a reliable relationship with both the labour gap measure and wage inflation. However, whereas from early 2016 the labour gap measure was pointing to a tightening in labour market conditions, the "is labour hard to find" index suggested labour was still easy to find. While it may have tightened a bit since, it is still more consistent with a neutral response (neither easy or hard to find) than being indicative of employers finding it hard to find labour. While this may not explain why wage inflation is so low but it does highlight that the labour market is not as tight as the fall in the unemployment rate suggests.

Could employees' employment insecurity have a role to play in this? The problem here is how do you measure job insecurity? The indicators we have used in the past, unemployment expectations from the Westpac Melbourne Institute Consumer Sentiment survey and "expectations of job losses due to employer closing or downsizing" from the ABS Labour Force survey tend to be related to unemployment (either the level or the change). However, we note that since late 2014, the Consumer Sentiment measure of unemployment expectations has been relatively weaker than the unemployment rate. So there is some sign that consumers' perceive a relative break between their labour market conditions and the official measure of unemployment.

As such, we argue that by focusing solely on unemployment, rather than some broader measure of labour market slack, you are miss-specifying the relationship between labour demand, labour supply and wage inflation. The ABS also reports underemployment, which is the share of the labour force that is employed but is willing and able to work more hours if offered. From the second half of 2015, while the underemployment rate has fallen from a peak of 6.1% to 5.5%, the underemployment rate has risen from 8.3% to 8.8%, with a 8.9% peak in early 2017.

The RBA had noted in the February Statement on Monetary Policy that since the 1980's, the upward drift in underemployment can be explained by the rising share of part-time employment. The Bank notes that "Underemployment rates are higher among groups that have a higher share of part-time employment, such as females, younger workers and older workers", so as their share of employment rises so too does underemployment". To this factual statement we would counter with two observations.

Firstly, in the year to May, full-time employment growth accelerated while part-time employment eased, yet underemployment lifted from 8.4% in May 2016 to 8.8%. This suggests 2017 is experiencing a genuine broadening in underemployment rather than a compositional shift due to rising part-time employment.

Secondly, combining unemployment and underemployment generates underutilisation, the broadest measure of labour market slack. We have found that this measure has a better relationship with wage inflation than either unemployment or underemployment by themselves. But this still leaves the observation that, since 2015, wage outcomes are underperforming the historical relationship with underutilisation.

How far can we divert from this historical relationship?

To answer this, we turn to the NSW labour market, where the unemployment rate in May was just 4.8%, well below the national average. From the end of 2015, the unemployment rate fell from from 5.3% to 5.1% (March quarter average) and yet the underemployment rate lifted from 7.5% to 8.0%, lifting underutilisation from 12.8% to 13.1%. Even with this relative softening in labour market conditions, we find that it does not explain the ongoing weakness in this state's private sector wage inflation, which printed just 2.0%yr in the March quarter. If wage inflation held the historical relationship with underutilisation, it should be running at just under a 3.0%yr pace in NSW.

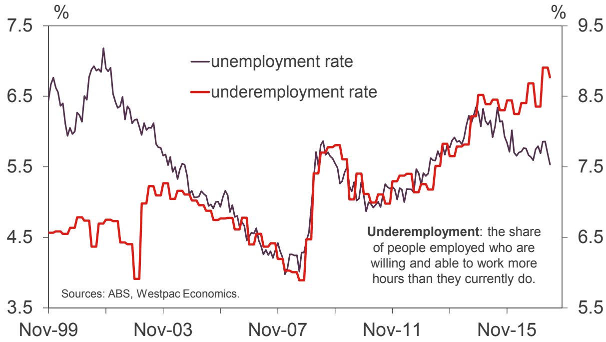
The significant underperformance of NSW wage inflation since 2015 should make you question not just if we are correctly specifying the NAIRU but, as a concept, does the NAIRU still hold any validity for the Australian economy? The longer this underperformance continues, the more pressure it will put on those with faith in the NAIRU as a useful concept.

To try and get a better understanding of the factors at play we are preparing a series of research articles that will explore the Australian labour market from various data releases, on a state and sectoral basis, as well as the impact of changes in household perceptions and the formation of unemployment and inflation expectations.

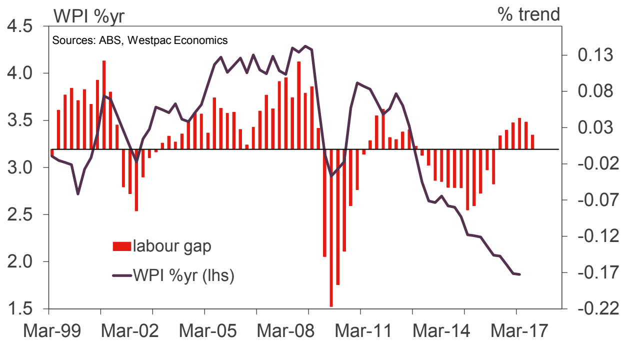
Nevertheless, it does appear that to simply assume that a falling unemployment rate will result in an uptick in wage inflation, as it has in the past, could lead to an overstatement of the outlook for wages, household income growth and thus inflation and consumption. Currently we are taking the cautious view that, while wage inflation may have found a base, any uptick will be modest and gradual. The question is, just how modest and how gradual will it be?

Justin Smirk, Senior Economist

Unemployment & underemployment

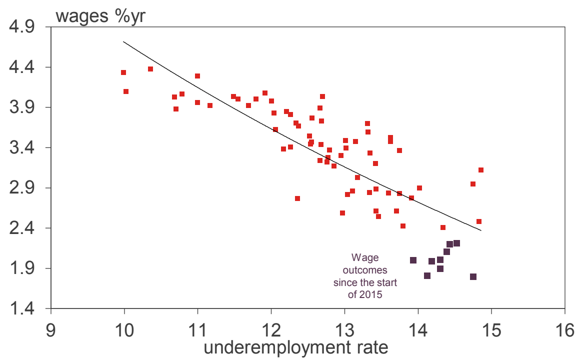


Labour gap points to a tighter labour market

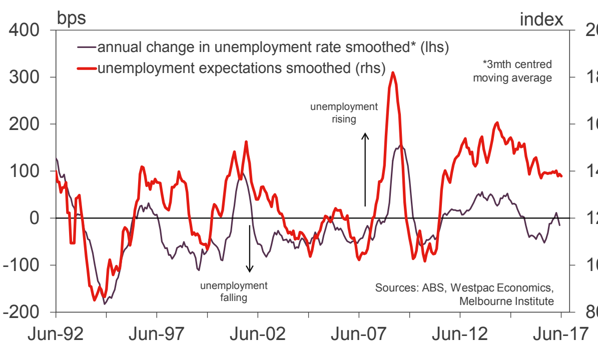


Underutilisation and private sector wages

Recent outcomes clustering around the lower right hand corner

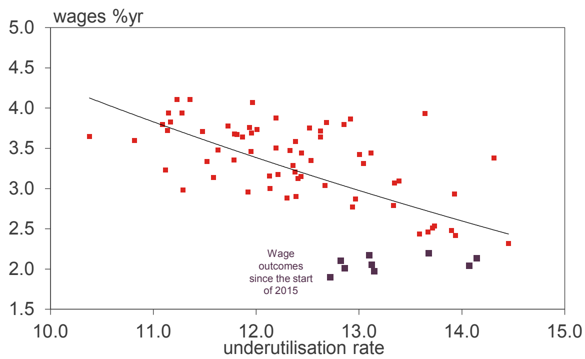


Unemployment expectation higher than normal



Private wages & underutilisation NSW

Since 2015 wages have not responded to falling underemployment



Data wrap

Aus Westpac-MI Leading Index

- The six month annualised growth rate in the Westpac-Melbourne Institute Leading Index, which indicates the likely pace of economic activity relative to trend three to nine months into the future, eased from 1.01% in April to 0.62% in May.
- The index is pointing to a clear slowing in momentum. While the growth rate remains comfortably above trend, the pace has eased markedly since the start of the year. The shift mainly reflects a less supportive backdrop for Australia's commodity prices and in global financial markets.
- The Leading Index growth rate has slowed from 1.59% in December to 0.62% in May. Two components have driven the slowdown: commodity prices and the yield spread.
- After surging 44% between June and February, Australia's commodity prices have declined 10% over the last three months. The turnaround has taken 1.17ppts off the Leading index growth rate since end 2016. Some of this reflects the unwind of temporary policy and weather-related spikes in coal prices. However, a strong rally in iron ore prices through much of last year has also moved into reverse since early 2017. Both moves look likely to be sustained.
- The yield spread – the difference between the short and long term interest rates – captures financial market assessments of the economic outlook both locally and abroad (long term rates are heavily influenced by benchmark rates abroad). After widening significantly over the second half of 2016, the yield gap has narrowed sharply in 2017, led lower by 10yr bond rates as markets have pared back expectations for growth stimulus policies in the US. The move has taken 0.42ppts off the Index's growth rate since December.
- The other international component – US industrial production – has provided some offset over the same period, a lift in activity adding +0.28ppts to the Leading Index growth rate.
- Domestic components have boosted the Index growth rate between December and May, although individual contributions have varied widely. The positive signals have been from dwelling approvals (adding +0.29ppts); and aggregate hours worked (+0.17ppts), partially offset by weaker reads from the S&P/ASX 200; Westpac-MI UE index and Westpac-MI CSI expectations index (a combined drag of –0.13ppts).
- The Reserve Bank Board next meets on July 4. Recent comments indicate that policy is firmly on hold with the Bank expecting growth to increase gradually to an above trend pace. The Leading Index has been pointing to above trend momentum since late last year, but the latest updates suggest the growth pulse is moderating heading into the second half of 2017, highlighting downside risks to the 2018 growth outlook. We expect the Bank to leave rates unchanged over the rest of 2017 and throughout 2018.

Round–up of local data released over the last week

Date	Release	Previous	Actual	Mkt f/c
Mon 19	RBA Governor speaking	-	-	-
	May new vehicle sales	0.6%	2.9%	-
Tue 20	RBA minutes	-	-	-
	Q1 house price index	4.1%	2.2%	2.2%
Wed 21	May Westpac-MI Leading Index	1.01%	0.62%	-

New Zealand: week ahead & data wrap

OCR to stay on hold for some time

This week's Official Cash Rate review from the Reserve Bank didn't deliver any surprises. As expected, the RBNZ keep the OCR on hold at the current record low of 1.75%. In addition, the bottom line of the press release was unchanged from the May Monetary Policy Statement, noting that *"Monetary policy will remain accommodative for a considerable period."*

Developments since the RBNZ's previous policy statement in May have been broadly neutral from a policy perspective. While we've had lower than expected house price inflation and GDP growth in early 2017, these surprises have been balanced against stronger outlooks for both export earnings and fiscal policy. As a result, the RBNZ's assessment of overall economic conditions appears to have remained largely unchanged.

To generate the sustained rise in underlying inflation pressures that the RBNZ is targeting will require a protracted period of strong activity. And that will require ongoing support from low interest rates for some time yet. We expect that the OCR will remain on hold through to early 2019. While that's a little earlier than the RBNZ assumed in their May forecasts (which showed rates on hold until the latter half of 2019), we don't think this is a big difference. The key point is that we are in for an extended period where the OCR remains very low.

However, financial markets more generally expect to see rates rising sooner. In fact, current market pricing is consistent with at least two rate hikes before the end of 2018, with the first coming around June next year. We think this is far too early.

It's true that inflation has picked up. The Q1 read of 2.2% was not only above the mid-point of the RBNZ's target band, it was the highest read in five years. However, much of the rise in inflation over the past year has been due to temporary factors. That includes weather related increases in produce prices as well as earlier gains in fuel prices. These factors will reverse over the coming year, and the resulting downturn in inflation will be exacerbated by the recent downturn in oil prices. This means that mid-2018 will see headline inflation dropping back into the lower part of the RBNZ's target band. The RBNZ does looks through temporary swings in inflation associated with volatility in the prices of items like food and fuel – both to the upside and the downside. Nevertheless, it is tough to make a case for raising rates at a time when inflation is likely to be falling and below the mid-point of the target band.

What's more important for the OCR is the longer term trend in prices. Looking at measures of underlying inflation in the economy, we see that they have been rising over the past year, but they remain below the 2% target mid-point. Over the coming years, underlying inflation will pick up as the economy continues to expand. But as long as the pickup in underlying inflation remains gradual, and inflation expectations remain well anchored, the RBNZ is unlikely find itself under pressure to raise rates by this time next year.

Reinforcing the case for continued stability in the OCR are changes in borrowing rates. Even though the OCR has remained low and on hold for most of the past year, borrowing rates have been creeping higher, and we expect that they will continue to rise gradually over the coming year. Global term interest rates have risen since last year in response to expectations of tightening by the Fed. At the same time, New Zealand's banks are facing higher funding costs as borrowing outpaces deposit growth. Both of these factors reinforce the need for the OCR to remain low in order to support activity.

Migration back at a record high

After a slight moderation in recent months, net migration picked up again in May. The annual net inflow over the past year is just shy of 72,000 people – a fresh record high. This has seen population growth rise to its fastest pace since the 1970s.

In part, the high level of net migration is due to strong inflows of those on residency and work visas, with large numbers of arrivals from China, India and the UK. However, this only accounts for around half of the pick-up in net migration since 2011. Over this same period, we've also seen very low numbers of New Zealanders moving offshore and a higher than usual number moving back from abroad. In the case of both new arrivals and low departures of New Zealanders, our stable and positive economic conditions are a big draw card versus other regions.

Migration will eventually ease off as the global economy improves. But the eventual downturn is likely to be gradual, and flows are likely to remain strong in the near-term. A key reason for this is that conditions in the Australian economy, the main destination for New Zealanders moving abroad. We expect that GDP growth in New Zealand will continue to outpace that in Australia for some time yet. In addition, policy changes in Australia affecting the costs of study for international students and the costs associated with hiring foreign workers make New Zealand seem all the more attractive.

Migration and population growth are having a range of impacts on the economy. As well as boosting demand in areas like retail spending, we are also seeing increased pressure in terms of housing demand and strains on infrastructure. Migration also affects our productive capacity, helping us to meet essential skill shortages in areas like construction. Balancing these influences is a challenging task, and the issue is receiving a large amount of attention ahead of September's election. If we do not see migration naturally easing off, this would increase the chance that we see some sort of policy change over the coming year.

Round-up of local data released over the last week

Date	Release	Previous	Actual	Mkt f/c
Mon 19	Q2 Westpac consumer confidence	111.9	113.4	–
	May performance of services index	53.2	58.8	–
Tue 20	Jun ANZ consumer confidence	1.8%	3.1%	–
Wed 21	GlobalDairyTrade auction	0.6%	–0.8%	–
Thu 22	RBNZ Official Cash Rate decision	1.75%	1.75%	1.75%
	May net migration	5790	5900	–

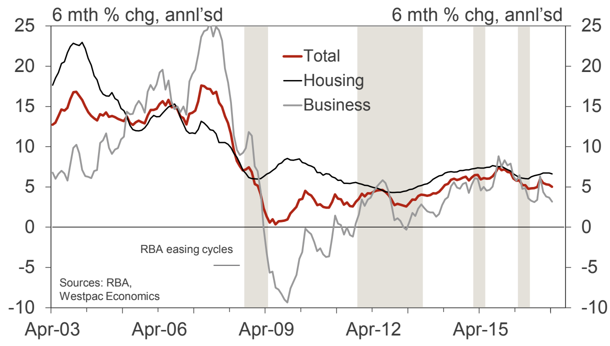
Data previews

Aus May private credit

Jun 30, Last: 0.4%, WBC f/c: 0.4%
Mkt f/c: 0.4%, Range: 0.4% to 0.6%

- Private credit grew by 4.9% in the year to April, moderating from 6.6% a year earlier. Housing has slowed over this period, to 6.5% from 7.0%, as lending conditions have tightened. Business has eased, to 3.1% from 7.3%, in part due to weakness around the time of the 2016 Federal election, as well as a soft start to 2017.
- For May, credit growth is expected to be 0.4%, matching the outcome for April.
- Housing credit grew by 0.50% in April, moderating a touch from March's 0.54%, with the prospect of a further slowing. The housing sector is beginning to cool, with the value of housing finance trending a little lower from February.
- Business credit grew by 0.4% in April, with a similar result anticipated for May. The April outcome was an improvement on softness in recent months, with commercial finance - which remains volatile - up off its lows.

Credit: momentum shift

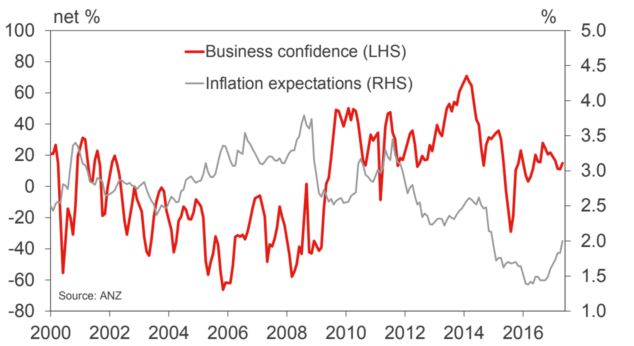


NZ June business confidence

Jun 29, Last: 14.9

- Business confidence picked up slightly in May, with firms reporting increases in investment and hiring intentions. Businesses have signalled that they expect solid levels of demand, consistent with GDP growth of around 3%yr.
- Businesses' view of the underlying inflation pulse in the economy is looking firmer. Inflation expectations have picked up, and that is passing through to an increase in the number of businesses looking to raise prices this year. Nationwide pricing intentions are at their highest level in three years, with the gains strongest in the construction sector.

NZ business confidence and inflation expectations

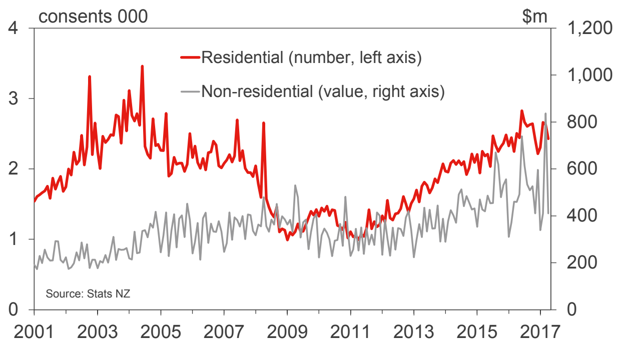


NZ May building consents

Jun 30, Last: –7.6%, WBC f/c: 4.0%

- Residential consent numbers fell 7.6% over April, following a 1.2% decline in May. Some of this softness looks like it is due to the timing of Easter, with public holidays meaning less time for the processing of consents. Looking through the volatility associated with public holidays, it appears that consent issuance has levelled off rather than declined.
- We expect consent issuance will pickup again in May, with large amounts of building work planned in coming years. However, there are questions around how fast construction will rise. Capacity pressures in the building industry have already emerged, and both building costs and borrowing rates have been creeping higher. At the same time, house price growth has levelled off and reconstruction activity in Canterbury has eased back. While the outlook for building is positive, these factors may constrain the pickup in activity.

NZ building consents



Key data & event risk for the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 26					
Ger	Jun IFO business climate survey	114.6	114.4	–	
Eur	ECB Draghi speaks	–	–	–	Opening remarks at ECB Sintra conference - 26th to 28th.
US	May durable goods orders (prelim)	-0.8%	-0.7%	-0.3%	Underlying trend to remain soggy.
	May Chicago Fed activity index	0.49	–	–	Trend growth continues.
	Jun Dallas Fed index	17.2	–	–	One of the strong regional indexes.
	Fedspeak	–	–	–	Williams in Sydney on fostering sustainable growth in the US.
	Fedspeak	–	–	–	Ex Chair Bernanke at Sintra - "When growth is not enough".
Tue 27					
NZ	May trade balance $m	578	375	500	Seasonal highs for export volumes.
Chn	May industrial profits %yr	14.0%	–	–	Still benefitting from higher commodity prices in 16/17.
	Premier Li Keqiang speaks	–	–	–	World Economic Forum event in Dalian.
Eur	ECB Draghi speaks	–	–	–	Introductory speech on day 2 ECB conference – youth dialogue.
US	Apr S&P/CS home price index	0.87%	0.60%	–	Robust growth in prices continuing.
	Jun consumer confidence index	117.9	115.0	–	Remains strongly positive.
	Jun Richmond Fed index	1	–	–	Has fallen back.
	Fed Chair Yellen speaks	–	–	–	Conversation with Nicholas Stern on global economic issues.
	Fedspeak	–	–	–	Williams in Syd. – 'The Global Growth Slump: Causes and Consq.'
	Fedspeak	–	–	–	Harker on the economy and international trade in London.
Wed 28					
Eur	May M3 money supply %yr	4.9%	4.9%	–	Credit data also due.
	ECB Sintra - central bank policy panel	–	–	–	Draghi, Carney, Kuroda, Poloz, Flug (ECB, BOE, BOJ, BOC, BOI)
UK	Jun Nationwide house prices	–0.2%	–	–	Losing momentum, drags from uncertainty and high prices.
US	May wholesale inventories	-0.5%	0.2%	–	Will continue to add volatility to GDP.
	May pending home sales	-1.3%	1.1%	–	Moderate momentum.
	Fedspeak	–	–	–	Kashkari at a townhall event in Houghton, Michigan.
	Fedspeak	–	–	–	Williams gives a repeat of "Global Growth..." speech in Canberra.
Thu 29					
Aus	RBA Deputy Governor Debelle speaks	–	–	–	Global FX code of conduct launch, Singapore, 6:30pm AEST.
NZ	Jun ANZBO business confidence	14.9	–	–	Pointing to solid activity, inflation gauges have lifted.
Chn	Q1 current account balance $bn	19.0	–	–	Dated detail on foreing trade and financial flows.
UK	May net lending secured dwellings, £b	2.7	–	–	Low borrowing rates are helping to support demand...
	May mortgage approvals	64.6k	–	–	...but the housing market is slowing.
Eur	Jun economic confidence	109.2	109.4	–	Quite positive.
	Jun business climate indicator	0.90	1.00	–	Belief in outlook robust.
	Jun consumer confidence (final)	-1.3	–	–	Labour market a big positive.
Ger	Jun CPI %yr (preliminary)	1.5%	1.5%	–	Volatile of late.
US	Q1 GDP %ann (third estimate)	1.2%	1.2%	1.2%	Material revisions unlikely.
	Initial jobless claims	241k	–	–	Claims remains around historic lows.
	Fedspeak	–	–	–	Bullard on the US economy and monetary policy in London.
Fri 30					
Aus	May private sector credit	0.4%	0.4%	0.4%	Modest growth. Housing beginning to slow.
NZ	Q2 Westpac-MM employment conf.	109.9	–	–	Labour market confidence eased in Q1, but still at firm levels.
	May building consents	–7.6%	–	4.0%	Earlier softness likely due to holidays. Return to trend expected.
Jpn	May jobless rate	2.8%	2.8%	–	Few unemployed but partly due to low work. population ...
	May household spending	-1.4%	-0.5%	–	... with slack seeing real wages flat and soft consumer spending.
	May CPI %yr	0.4%	0.5%	–	Inflation rising gradually but core behind at 0.0%yr.
	May industrial production	4.0%	-3.2%	–	May a weak month - yoy growth exp. to rise to 7.0% from 5.7%.
Chn	Jun manufacturing PMI	51.2	51.0	–	Employment detail has deteriorated...
	Jun non-manufacturing PMI	54.5	–	–	... a concern for aggregate growth in 17/18.
UK	Jun GfK consumer confidence	–5	–	–	Post-election uncertainty to weigh on confidence.
	Q1 current account balance, £b	–12.1	–	–	Lower pound boosting exports, but also adding to import costs.
	Q1 GDP (final)	0.2%	–	0.2%	Rising prices & uncertainty weighing on spending & investment.
Eur	Jun CPI %yr (advance)	1.4%	1.3%	–	Volatile of late, well below target.
US	May personal income	0.4%	0.3%	–	Incomes continue to grow at robust pace...
	May personal spending	0.4%	0.1%	–	... but spending held back by consumer caution...
	May PCE deflator %yr	1.7%	1.5%	–	... inflation to settle a little below target.
	Jun Chicago PMI	59.4	58.0	–	Another positive region for manufacturing.
	Jun Uni. of Michigan sentiment (final)	94.5	94.5	–	Remains resilent to doubts over Trump policy progress.

Economic & financial forecasts

Interest rate forecasts

	Latest (23 Jun)	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Cash	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
90 Day Bill	1.72	1.80	1.80	1.80	1.80	1.80	1.80	1.80
3 Year Swap	1.94	2.20	2.30	2.50	2.60	2.70	2.80	2.80
10 Year Bond	2.38	2.75	2.85	3.05	3.20	3.35	3.30	3.15
10 Year Spread to US (bps)	22	20	20	15	10	5	0	0
International								
Fed Funds	1.125	1.375	1.375	1.625	1.625	1.875	1.875	1.875
US 10 Year Bond	2.16	2.55	2.65	2.90	3.10	3.30	3.30	3.15
US Fed balance sheet USDtrn	4.52	4.51	4.48	4.42	4.33	4.21	4.06	3.91
ECB Deposit Rate	–0.40	–0.40	–0.40	–0.40	–0.40	–0.40	–0.40	–0.30
New Zealand								
Cash	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00
90 day bill	1.96	2.00	2.00	2.00	2.00	2.00	2.15	2.40
2 year swap	2.21	2.30	2.35	2.40	2.45	2.50	2.60	2.70
10 Year Bond	2.73	3.15	3.30	3.50	3.70	3.90	3.95	3.95
10 Year spread to US	58	60	65	60	60	60	65	80

Exchange rate forecasts

	Latest (23 Jun)	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
AUD/USD	0.7545	0.74	0.73	0.72	0.69	0.68	0.65	0.67
NZD/USD	0.7260	0.71	0.70	0.69	0.67	0.66	0.64	0.64
USD/JPY	111.37	112	114	114	115	116	116	118
EUR/USD	1.1149	1.10	1.08	1.05	1.03	1.02	1.01	1.00
AUD/NZD	1.0403	1.04	1.04	1.04	1.03	1.03	1.02	1.05

Australian economic growth forecasts

	2016	2017				2018		Calendar years			
	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	2015	2016	2017f	2018f
GDP % qtr / yr avg	1.1	0.3	0.5	1.1	0.8	0.7	0.7	2.4	2.5	2.3	3.0
% yr	2.4	1.7	1.5	3.0	2.8	3.2	3.4	2.6	2.4	2.8	2.5
Unemployment rate %	5.7	5.8	5.6	5.6	5.7	5.9	5.8	5.8	5.7	5.7	6.2
CPI % qtr	0.5	0.5	0.5	0.8	0.3	0.4	0.5	–	–	–	–
% yr	1.5	2.1	2.3	2.3	2.0	2.0	2.0	1.7	1.5	2.0	2.3
CPI underlying % qtr	0.5	0.4	0.5	0.3	0.4	0.7	0.6	–	–	–	–
% yr	1.5	1.8	1.8	1.7	1.7	2.0	2.1	2.0	1.5	1.7	2.3

New Zealand economic growth forecasts

	2016	2017				2018		Calendar years			
	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	2015	2016	2017f	2018f
GDP % qtr	0.4	0.5	1.0	0.9	0.7	0.8	0.7	–	–	–	–
Annual avg change	3.1	3.0	2.8	2.7	2.8	3.0	3.1	2.5	3.1	2.8	3.2
Unemployment rate %	5.2	4.9	4.9	4.6	4.4	4.5	4.5	4.9	5.2	4.4	4.5
CPI % qtr	0.4	1.0	0.2	0.4	0.2	0.6	0.3	–	–	–	–
Annual change	1.3	2.2	1.9	2.0	1.8	1.4	1.5	0.1	1.3	1.8	1.9

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