AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 15 April 2024

Editorial: Policy divergence really matters.

Australia: Westpac-MI Leading Index, labour force survey.

NZ: Q1 CPI, REINZ house prices and sales, GlobalDairyTrade auction, net migration.

Japan: CPI.

China: Q1 GDP, retail sales, industrial production, fixed asset investment.

Eurozone: CPI, industrial production, trade balance.

UK: CPI, average weekly earnings, retail sales.

US: retail sales, industrial production, leading index, regional manufacturing surveys, Beige Book.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 12 APRIL 2024.

WESTPAC INSTITUTIONAL BANK

Policy divergence really matters

In 2020, the world faced the common shock of the pandemic. Initially similar consequences later diverged under the influence of very different policy responses. Roll forward to 2024, and the signs of that divergence are even starker.

Australia, for example, was late to the inflation surge because, compared with our advanced economy peers, we were later to open up after the pandemic. While the initial bounce back in demand returned consumption back to its pre-pandemic trend, the pandemic-era fiscal support that enabled this has expired. Consumption per capita declined nearly 2½% over 2023 in Australia. It has been noticeably weaker than in peer economies, where it has generally been soft but broadly flat in level terms.

The United States, by contrast, has been an outlier on the other side. There, consumption per capita has been rising steadily.

The difference stems largely from the very different fiscal policy stances. In Australia, the federal government is running a surplus and likely to record another surplus in the current financial year. Some of this reflects windfall gains associated with high commodity prices but it is also due to the way tax operates in Australia. Personal income tax brackets are not indexed, and partly as a consequence of the surge in inflation, fiscal drag has resulted in the share of household income going to income tax reaching an historical high in the second half of 2023. (A graph showing this is in our April Market Outlook publication.)

By contrast in the United States, the federal government is running a budget deficit of around 6% of GDP, with no consolidation in sight or even being seriously discussed. Income tax brackets are indexed to the CPI, so American households are not seeing that drag from higher tax payments. Together with the fact that average mortgage rates paid have risen far less in the United States, macro policy is barely touching the sides for the US consumer.

The overarching lesson here is that monetary and fiscal policy are particularly powerful when they are working in the same direction. This was true in both Australia and the United States during the peak of the pandemic, when both governments managed to more than fill the hole in household and small business incomes created by lockdowns. It is also true in Australia now, though working in the opposite direction. Meanwhile, despite higher policy rates, growth in the United States has outstripped its peers among advanced economies. One reason for this is that fiscal policy is still boosting the level of demand.

The situation in some other advanced economies is, as consumption developments would suggest, somewhere in the middle. Fiscal support during the pandemic was not quite as fulsome in Europe and Japan as in the Anglosphere. More recently, it has also lain between the extremes of Australia and the United States.

This fiscal context goes a long way towards explaining recent differences in the perceived adequacy of monetary policy tightening. While there is still a body of opinion holding that the RBA will not cut rates until 2025, a number of customers overseas (I am writing this from London) are more likely to ask what would trigger the RBA to cut rates earlier than our current call for a late-September timing.

Meanwhile in the United States (and New Zealand, where fiscal policy also remains expansive), the tendency has been for market pricing of the first rate cut to be pushed out. On the other side, some commentators (for example as represented in the Geneva Report issued late last year) are concerned that the ECB and some other central banks are on the cusp of a policy mistake by keeping policy too tight.

All of this is to say that simple cross-country comparisons of current levels of the policy rate, or with estimates of neutral rates, are not the whole story. Aside from the uncertainties around estimating the neutral real rate of interest, there are other things going on that need to be taken into account. The size and shape of fiscal support is one major divergence that should not be ignored.

On top of influencing the required stance of monetary policy, differing fiscal strategies might influence monetary policy choices in other ways.

Recall that several central banks, including the Federal Reserve, RBNZ and Bank of Canada, have decided to retain a ‘floor system’ operational model, with excess bank reserves on the central bank’s balance sheet dragging down the overnight cash rate towards the rate paid on those reserves. Meanwhile the RBA, ECB, Bank of England and the Riksbank in Sweden have chosen the less expansive ‘ample reserves’ option.

These groupings start to make sense when we consider that the floor system group mostly have more expansionary fiscal policy than the ‘ample reserves’ group. (Central government deficits in the UK and Canada are both increasing but Sweden, like Australia, is running fiscal surpluses that were not previously forecast.)

The central banks are not consciously choosing to accommodate loose fiscal policy. Rather, they are assessing how large their bond holdings can be without degrading market functioning by ‘cornering’ the market. This naturally depends on the likely future size of the government bond market. Market size therefore shapes the view of the risks and costs of adopting a floor system of excess reserves, and so the choice between regimes. It is just another dimension of the principle that both policies need to be analysed in the context of the settings of the other policy.

Luci Ellis, Chief Economist Westpac Group

THE WEEK THAT WAS

In Australia, the latest update on Westpac-MI Consumer Sentiment was somewhat discouraging. February's gain, initially viewed as a tentative sign of a recovery in confidence, has largely reversed over March and April, the headline index declining 1.8% then 2.4% to 82.4 in April, just above the average of the six months to January (81.0). Australian consumers are experiencing one of the most drawn-out cycles of deep pessimism in the past fifty years, second only, since the survey began in the 70s, to the sharp economic recession of the early 1990s.

The component detail highlighted households' ongoing concerns around cost of living and the inflation outlook; views on the 5-year economic outlook and 'time to buy a major household item' were down sharply in April (–4.4% and –6.6%). Though views on family finances improved at margin this month, they remain very weak. The upcoming Stage 3 tax cuts will benefit, but consumers are unconvinced of any near-term relief with respect to monetary policy – mortgage rate expectations lifted slightly in April.

In this week's essay, Chief Economist Luci Ellis explores the broader implications of cross-country policy divergence, taking into consideration both monetary and fiscal policy.

Other data updates received this week continued to reinforce recent trends. The latest NAB business survey reported a modest fall in business conditions (–1pt to +9), continuing the downtrend from well above average levels in 2022 to a little below the 10-year average currently. Having experienced a decline in forward orders in 10 of the past 12 months, businesses are cautious over the outlook, with confidence around average levels (+1pt to +1). Encouragingly for inflation, the survey continues to report moderating labour cost and price pressures, now at their lowest levels in around two years. As is the case for consumers, any sustained lift in conditions and confidence is unlikely to be achieved until both the upcoming tax cuts and the beginning of the easing cycle works its way through the economy.

Finally, housing finance approvals posted a slight increase in February (+1.5%), the gains tilted slightly more to owner-occupiers (+1.6%) than investors (+1.2%). Of note, revisions to the monthly profile trimmed the cumulative decline over November to January from –7.9% to –3.4%, making approvals recent performance look a little firmer than initially reported. That said, state outcomes have been generally flat to slightly negative over the past three months, albeit with wide tails – Victoria (–4.8%qtr) and WA (+5.3%qtr).

In the US, the March CPI surprised to the upside, rising 0.4%mth and 3.5%yr. Most of the upward pressure was outside the direct control of policy – energy contributed positively for the first time since February 2023, and the continuing surge in motor vehicle insurance premiums saw transport costs jump. The shelter component also continued to give outsized support to aggregate inflation, both because of its extreme weight and as shelter inflation continues to moderate slowly from its historic highs. Excluding shelter, annual CPI inflation has averaged 1.7%yr the past 11 months, with all annual outcomes over the period between 1.0%yr and 2.3%yr. Note, these outcomes include supercore services' strength – the current concern of the market. On the broader CPI ex-shelter view, the FOMC have achieved their aim and are positioned to increasingly focus on the downside risks evident in the business surveys regarding employment and investment.

The minutes of the FOMC's March meeting showed the Committee is making this transition, though at this stage still have meaningful lingering concerns over inflation. The pace at which these fade will be determined by the strength of consumer demand and nonfarm payrolls.

In Europe, the European Central Bank remained on hold but opened the door for a first rate cut in June. An addition to the opening statement set the foundation noting, "If the Governing Council's updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission were to further increase its confidence that inflation is converging to the target in a sustained manner, it would be appropriate to reduce the current level of monetary policy restriction."

In the press conference there were references to easing underlying inflation, moderating wage growth and firms partly absorbing increases in labour costs. While progress in inflation has been seen, services inflation has remained sticky at around 4.0%, accounting for more than 70% of total inflation. The ECB's Bank Lending Survey meanwhile points to policy having a restrictive impact with business loan demand falling sharply and credit conditions tightening. Data in the lead up to the June meeting should give the ECB sufficient confidence to begin easing.

Week ahead & data wrap

Staying the course – again!

The highlight of the past week was the RBNZ's April Monetary Policy Review. As we discussed in our review note, the RBNZ disappointed markets looking for a dovish tilt. Conversely, we were not at all surprised at the RBNZ's unchanged stance and outlook, and we haven't changed our forecasts for the OCR to remain on hold through 2024, with the first cut to 5.25% in February 2025. We think that the extremely brief length of the press statement (140 vs 309 words in February) tells us that the RBNZ really had little to say on top of the story presented previously.

It seems the RBNZ largely agreed with our read on the dataflow since the February Statement. GDP data for Q4 were a touch weaker than forecast, while confidence indicators show the shine is coming off a bit such that a pickup in growth in H2 might be less certain. Meanwhile, the inflation picture looks less favourable than the RBNZ hoped. Given recent monthly price index data, the near-term CPI outlook seems stronger than the RBNZ expected. In addition, the exchange rate is weaker, energy prices are a lot higher, and pricing indicators in sentiment surveys point to lingering cost pressures.

This weaker growth momentum/stronger short term inflation picture is leading to a broadly unchanged stance. Reasonable people can argue over whether that stance is a smidge more hawkish or dovish overall – there's certainly been plenty of debate about that small point around here! This still leaves a yawning gap between where market perceptions of the path the OCR will follow over the balance of 2024 (first easing by October and 50bp by the end of the year), our forecasts and those of the RBNZ (first 25bp easing in Q1/Q2 2025). We think that's a very big gap to fill which raises the question on what it might take to shift the RBNZ closer to market views?

A dovish pivot could occur once the RBNZ's gains sufficient confidence that inflation will reach the 2% target midpoint acceptably quickly. Right now, that expectation is that inflation will reach 2% by end 2025, conditional on keeping the OCR at 5.5% until 2025. In the near term, attention will focus on the March quarter CPI (17 April), where the level of core inflation will be especially key; and the March quarter labour market reports (1 May), where long awaited signs of labour market adjustment will be sought.

However, time is getting short to influence those H2 2025 outcomes. The RBNZ pragmatically acknowledges this in the record of meeting by noting that while they have limited tolerance to extend the horizon to when 2% inflation is expected to be reached, there are three criteria that could extend that timeframe (and hence allow for earlier than otherwise easing), namely: headline inflation needs to be inside the target range; inflation expectations should no longer be elevated; pricing intentions are no longer elevated.

We think it will be very difficult to meet these tough conditions to allow easing to come as early as August. Headline inflation is forecast to be inside the target range in Q3 2024, but the RBNZ will not know if this has occurred until October. Similarly, inflation expectations and pricing intentions are around one standard deviation above their average since 1995 and in our judgement might not reach those levels for at least six months.

This all points to a November easing as a best-case scenario, which implies a maximum of 25bps of easing in 2024. We are currently more pessimistic than this best-case scenario given recent trends in non-tradables inflation and the labour market. This means that we don't see New Zealand as the vanguard of advanced economy policy easing (Switzerland has already eased and there are prospects of policy easing in Canada and the euro area soon). The relatively high level of core inflation in New Zealand compared to the long-term average is in part driven by a relatively weak fiscal position. It helps explains the RBNZ's tardy pivot to easing, despite having been one of the earliest advanced country central banks to begin tightening.

Last week the ongoing surge in inward migration prompted the Government to tighten some of the criteria for work visas. For the Accredited Employer Work Visa (AEWV), the requirements to show work experience and qualifications have been tightened. And for lower-skilled jobs, employees are now required to understand English, and the maximum length of stay has been shortened. The AEWV currently accounts for around 30% of migrant arrivals (including the partners of workers). We have not revised our migration forecasts because of these rule changes. Our view is that migration inflows will slow over the course of this year, but we think that deteriorating work prospects, as the economy slows, will be the binding constraint.

In the week ahead, we expect the March quarter inflation report (out on Wednesday) will show that consumer prices rose 0.8% in the first three months of the year. That would see the annual inflation rate drop to 4.2%, down from 4.7% at the end of 2023. This outcome will be stronger than the RBNZ's most recent published forecast for a 0.4% increase. However, the RBNZ's recent policy statement indicated that they are braced for a higher result on the day reflecting the firmness in monthly price data since their forecast was finalised back in February. The key issue will be the composition of inflation. We expect this week's update will show that non-tradables inflation has remained sticky in the early part of the year, with measures of core inflation lingering around 4%.

Kelly Eckhold, Chief Economist NZ

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Tue 9	Q1 QSBO survey of business opinion	-9.9	-26.7	–
Wed 10	RBNZ policy decision	5.50%	5.50%	5.50%
Fri 12	Mar manufacturing PMI	49.1	47.1	–
	Mar card spending	-2.0%	-0.7%	0.8%
	Mar food prices	-0.6%	-0.5%	0.3%
	Mar housing rents	0.4%	0.4%	0.4%

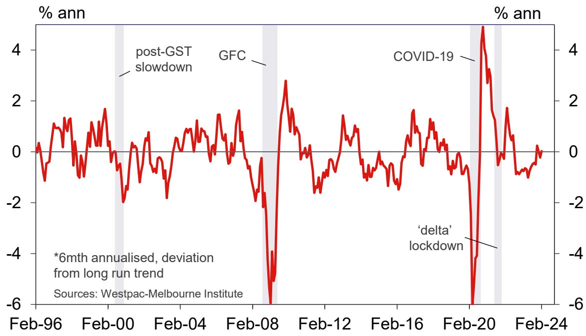
Aus Mar Westpac-MI Leading Index

Apr 17, Last: 0.03%

The Leading Index rose to +0.03% in February from –0.25% in January. The signal has improved over the last four months with readings hovering around the zero 'gain line'. This compares to materially negative, below trend reads over the previous fifteen months that are consistent with a more stable growth profile emerging later this year. That said, the signal is still not overly convincing and short of what we expect to see leading into a sustained recovery.

Component-wise, the March read will include a materially weaker contribution from commodity prices, down 5.1% in AUD terms in the latest month. Consumer sentiment and dwelling approvals are also on the soft side. Against this, the ASX200 posted a robust gain (up 2.6% vs 0.2% last month), and labour market conditions have been firmer albeit very volatile.

Westpac-MI Leading Index



Aus Mar Labour Force – employment change ('000s)

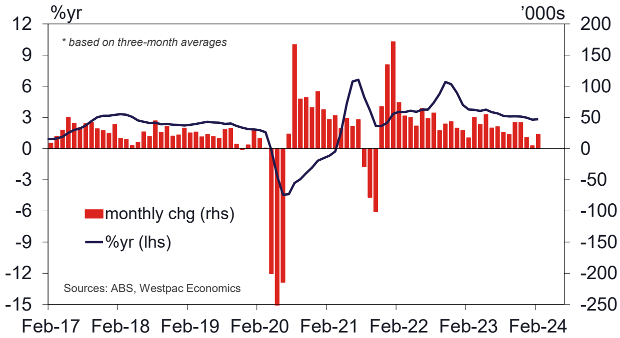
Apr 18, Last: +116.5k, WBC f/c: –40k
Mkt f/c: flat, Range: –40k to +30k

February delivered another surprising read on labour market conditions, this time to the stronger side, highlighted by a +116.5k (+0.8%) increase in the level of employment.

This marks an ongoing run of volatile readings in the opening quarter of 2024. The ABS is currently grappling with shifts in seasonal patterns, making it difficult to completely remove the influence of seasonal dynamics from seasonally adjusted figures (read here for more detail).

March should provide a clearer read on conditions and hopefully allow for a more thorough assessment of underlying trends. That said, we do expect headline figures to reflect somewhat of a retracement from an unusually strong February. Our forecast of –40k would still see the employment finish Q1 2024 around +90k, a step-up from Q4 2023 (+53k) and Q3 2023 (+79k), but less than the comparable period from last year, Q1 2023 (+150k).

Jobs growth trending lower, but volatile



Aus Mar Labour Force – unemployment rate (%)

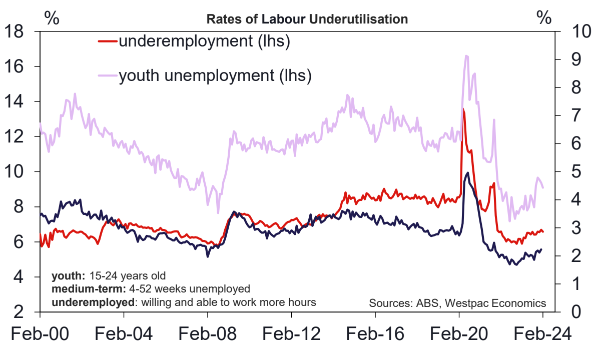
Apr 18, Last: 3.7%, WBC f/c: 4.0%
Mkt f/c: 3.9%, Range: 3.7% to 4.2%

In the context of a strong month for employment (+116.5k), growth in labour supply was more tempered but still robust (+64.5k). This implied a material reduction in the number of unemployed people (–52.0k).

Together, these results drove an increase in the participation rate, from 66.6% to 66.7%, and a sharp reduction in the unemployment rate, from 4.1% in January to 3.7% in February. That stands in contrast to outcomes of 3.8% in October and 3.9% over both November and December.

With the influence of large seasonal dynamics (hopefully) fading, we expect participation to nudge back down to 66.6%. That would see the unemployment rate jump back up to 4.0% in the month, an outcome that would be broadly in line with the well-established gradual uptrend over 2023.

Other measures of underutilisation are rising



DATA PREVIEWS

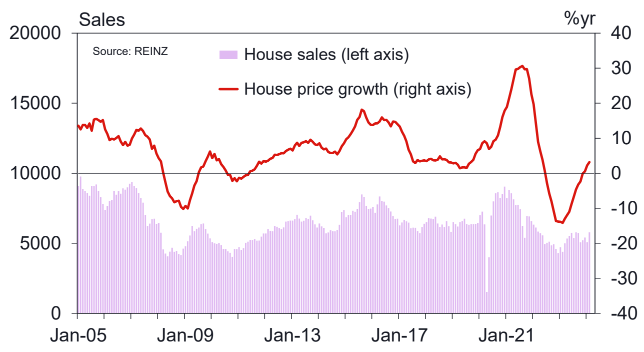
NZ Mar REINZ house sales and prices

Apr 17, Sales* – Last: +13.9% mth, +37.9% annual
Apr 17, Prices* – Last: 0.0% mth, +3.2% annual
*** Monthly figures based on Westpac seasonal adjustment**

The New Zealand housing market has seen a surge in new listings since the start of the year. While that has inevitably led to a lift in the number of sales – up 14% in February, following an unusually slow January – the market has struggled to digest this additional supply. The auction clearance rate has slumped, and the stock of unsold homes on the market has risen to an eight-year high.

The REINZ house price index was flat in seasonally adjusted terms in February, and is up by 0.7% over the last three months. This resilience in prices seems at odds with the current congestion in sales, but we think this reflects the balance of the opposing forces on the property market: increased supply and still-high mortgage rates, versus a migration-led surge in population growth and impending tax changes that favour property investors.

REINZ house prices and sales



NZ Q1 CPI

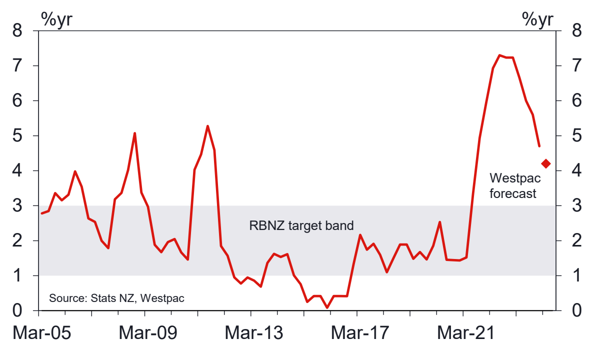
Apr 17, Quarterly – Last: +0.5%, Westpac: +0.8%, Market: +0.6%
Apr 17, Annual – Last: +4.7%, Westpac: +4.2%, Market: +4.0%

We estimate that New Zealand consumer prices rose by 0.8% in the March quarter. That would see annual inflation dropping to 4.2%, down from 4.7% at the end of 2023.

The easing in inflation is mainly related to an easing in tradables prices. The domestic non-tradables components have been firmer, with core inflation measures also set to remain well above the RBNZ's target range.

The RBNZ's last published set of projections assumed a muted 0.4% rise. That forecast was finalised back in February – before the release of monthly price data for the last two months of the quarter. The RBNZ has already noted the upside risk to their earlier forecast. The key focus is where the RBNZ will be surprised – firmness in domestic prices (as we expect) will be of greater significance than swings in volatile items like airfares.

NZ Consumers Price Index



China Q1 GDP %yr

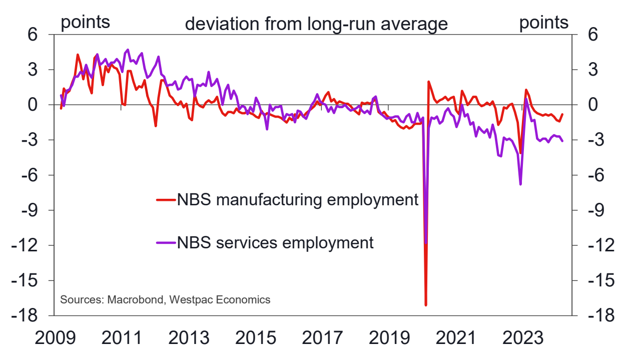
Apr 16, Last 5.2%, Mkt f/c: 5.0%, WBC f/c: 5.0%

Sentiment towards China's economy remains weak. Yet the consensus opinion is that the economy started 2024 in robust shape, the market median for Q1 2024 growth being circa 6.0% annualised. However, base effects will see the annual rate edge slightly lower Q4 2023 to Q1 2024.

There remains wide dispersion in investment growth by sector, with high-tech manufacturing and infrastructure remaining strong while property investment continues to go backwards. This is likely to remain the case through 2024, albeit with the divergence narrowing from both sides.

The consumer is meanwhile slowly gaining strength and optimism. This should translate into confidence and consequently spending over the coming 12 months. Adding in support from trade, we remain confident growth above 5% is achieveable.

Employment situation stabilising



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.

For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 15					
NZ	Mar BusinessNZ PSI	53.0	–	–	Business conditions have continued to cool.
	Feb net migration	2870	–	–	Likely to be further large revisions to previous months.
Jpn	Feb machinery orders	–1.7%	0.8%	–	Weak export demand contributing to low orders.
Eur	Feb industrial production	–3.2%	1.0%	–	Manufacturing under pressure across the region.
US	Mar retail sales	0.6%	0.4%	–	Growth to decelerate to a below-trend pace this year.
	Apr Fed Empire state index	–20.9	–5.0	–	Manufacturing sentiment weighed down by costs.
	Feb business inventories	0.0%	0.3%	–	Run-down remains centred on wholesale inventories.
	Apr NAHB housing market index	51	51	–	Homebuilder sentiment recovery has a long road ahead.
Tue 16					
Chn	Q1 GDP %yr	5.2%	5.0%	5.0%	Chinese economy has started the year in robust shape…
	Mar retail sales ytd %yr	5.5%	5.5%	–	… consumption slowly improving and will contribute in time…
	Mar industrial production ytd %yr	7.0%	6.6%	–	… but for now, manufacturing and infrastructure are key…
	Mar fixed asset investment ytd %yr	4.2%	4.0%	–	… as the picture around property investment remains fragile.
Eur	Apr ZEW survey of expectations	33.5	–	–	Prospects of rate cuts buoying sentiment.
	Feb trade balance €bn	28.1	–	–	Trade poised to be a key support to growth in Q1 2024.
UK	Feb average weekly earnings %yr	5.6%	–	–	Tight labour market keeping wages sticky and strong.
US	Mar industrial production	0.1%	0.4%	–	Tracking a broadly flat to slightly negative trend.
	Mar housing starts	10.7%	–2.7%	–	Borrowing costs remain a headwind for builders…
	Mar building permits	2.4%	–0.3%	–	… creating risks for the pipeline.
	Fedspeak	–	–	–	Daly.
Wed 17					
Aus	Mar Westpac–MI Leading Index	0.03%	–	–	Pull-back in commodity prices a negative in March.
NZ	GlobalDairyTrade auction (WMP)	3.4%	–	–	GDT Pulse, futures prices up slightly from previous auction.
	Mar REINZ house sales %yr	37.9%	–	–	A surge in listings will inevitably have lifted turnover…
	Mar REINZ house prices %yr	3.2%	–	–	… while likely keeping a lid on prices.
	Q1 CPI %qtr	0.5%	0.6%	0.8%	Firm domestic pressures, while import price ease.
	Q1 CPI %yr	4.7%	4.0%	4.2%	Headline and core rates still above RBNZ's midpoint.
Eur	Mar CPI %yr	2.4%	2.4%	–	Final estimate.
UK	Mar CPI %yr	3.4%	–	–	Services inflation in line with BoE's forecast.
US	Federal Reserve's Beige Book	–	–	–	Update on economic conditions across the regions.
	Fedspeak	–	–	–	Mester.
Thu 18					
Aus	Mar employment change	116.5k	flat	–40k	Some 'payback' from an unusually strong February…
	Mar unemployment rate	3.7%	3.9%	4.0%	… but March will be key for assessing the trend.
	RBA Bulletin	–	–	–	Quarterly publication containing RBA research articles.
US	Apr Phily Fed index	3.2	0.0	–	Subdued outlook for manufacturing…
	Mar leading index	0.1%	–0.1%	–	… and for the broader economy still.
	Mar existing home sales	9.5%	–5.1%	–	Listings starting to lift, but demand remains robust.
	Initial jobless claims	211k	–	–	To remain relatively low.
	Fedspeak	–	–	–	Bowman, Williams, Bostic.
Fri 19					
Jpn	Mar CPI %yr	2.8%	2.8%	–	Demand slowdown evident in ex. food and energy measure.
UK	Mar retail sales	0.0%	–	–	Barely registering a pulse.

Forecasts

Interest rate forecasts

Australia	Latest (12 Apr)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Cash	4.35	4.35	4.10	3.85	3.60	3.35	3.10	3.10
90 Day BBSW	4.34	4.37	4.12	3.92	3.67	3.47	3.30	3.30
3 Year Swap	4.08	3.95	3.85	3.75	3.65	3.60	3.55	3.50
3 Year Bond	3.87	3.75	3.65	3.55	3.45	3.40	3.35	3.30
10 Year Bond	4.28	4.05	3.95	3.85	3.90	3.90	3.95	4.00
10 Year Spread to US (bps)	-28	5	5	5	5	0	0	0
US								
Fed Funds	5.375	5.125	4.625	4.375	4.125	3.875	3.625	3.375
US 10 Year Bond	4.56	4.00	3.90	3.80	3.85	3.90	3.95	4.00
New Zealand								
Cash	5.50	5.50	5.50	5.50	5.25	5.00	4.75	4.50
90 day bill	5.64	5.60	5.60	5.50	5.25	4.95	4.75	4.50
2 year swap	5.13	4.95	4.75	4.50	4.40	4.15	4.10	4.00
10 Year Bond	4.82	4.80	4.70	4.60	4.50	4.40	4.35	4.25
10 Year spread to US	26	80	80	80	65	50	40	25

Exchange rate forecasts

Australia	Latest (12 Apr)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6527	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD/USD	0.6010	0.63	0.64	0.64	0.64	0.65	0.65	0.65
USD/JPY	153.24	148	145	141	137	133	130	127
EUR/USD	1.0713	1.11	1.13	1.14	1.15	1.16	1.17	1.17
GBP/USD	1.2539	1.27	1.28	1.29	1.30	1.30	1.31	1.31
USD/CNY	7.2364	7.10	7.00	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.0886	1.07	1.09	1.09	1.11	1.11	1.11	1.12

Australian economic growth forecasts

	2023			2024				Calendar years			
% change	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
GDP % qtr	0.5	0.3	0.2	0.3	0.3	0.4	0.5	–	–	–	–
%yr end	2.1	2.1	1.5	1.3	1.1	1.3	1.6	2.4	1.5	1.6	2.5
Unemployment rate %	3.6	3.7	3.9	3.9	4.2	4.4	4.5	3.5	3.9	4.5	4.6
Wages (WPI)	1.0	1.3	0.9	0.9	0.9	0.8	0.5	–	–	–	–
annual chg	3.7	4.1	4.2	4.2	4.2	3.7	3.2	3.3	4.2	3.2	3.1
CPI Headline	0.8	1.2	0.6	0.7	0.6	0.9	0.8	–	–	–	–
annual chg	6.0	5.4	4.1	3.4	3.1	2.8	3.0	7.8	4.1	3.0	2.7
Trimmed mean	1.0	1.2	0.8	0.8	0.6	0.9	0.7	–	–	–	–
annual chg	5.8	5.1	4.2	3.8	3.5	3.2	3.1	6.8	4.2	3.1	2.8

New Zealand economic growth forecasts

	2023			2024				Calendar years			
% change	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
GDP % qtr	0.5	-0.3	-0.1	0.2	0.2	0.2	0.2	–	–	–	–
Annual avg change	3.0	1.3	0.6	0.2	-0.2	0.1	0.4	2.4	0.6	0.4	1.6
Unemployment rate %	3.6	3.9	4.0	4.3	4.6	4.9	5.1	3.4	4.0	5.1	5.2
CPI % qtr	1.1	1.8	0.5	0.8	0.6	1.0	0.4	–	–	–	–
Annual change	6.0	5.6	4.7	4.2	3.7	2.9	2.8	7.2	4.7	2.8	2.3

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