Week beginning 30 September, 2024

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: RBA on hold and wants to see inflation fall sustainably.

The Week That Was: China delivers.

Focus on New Zealand: More of the same.

For the week ahead:

Australia: CoreLogic housing prices, dwelling approvals, retail sales, housing finance.

New Zealand: employment indicator, building permits, ANZ commodity prices.

China: Caixin and NBS PMIs.

United States: non-farm payrolls, unemployment rate, ISM PMIs, JOLTS job openings.

Japan: industrial production, jobless rate, Tankan manufacturing survey.

Eurozone: CPI, unemployment rate.

Information contained in this report current as at 27 September 2024

RBA on hold and wants to see inflation fall sustainably

Luci Ellis
Chief Economist, Westpac Group

As expected, the RBA remained on hold at its September meeting, with the cash rate target kept at 4.35%. The media statement was broadly unchanged in tone; the shifts in language were mostly incremental. The statement repeated the language that the Board remains vigilant to upside risks and is not ruling anything in or out. A noteworthy revelation from the media conference, though, was that there was not an explicit consideration of a rate hike versus remaining on hold, as there was at the August meeting. Rather, the Board considered what would need to change to shift them from being on hold. We see this as indicating that the Board is a bit more firmly on hold than before. Given the uncertainties, though, it is still not willing to rule out rate hikes entirely.

The media statement acknowledged the decline in headline inflation and that there was more to come. In the media conference, Governor Bullock also acknowledged that headline inflation would print below 3% the next day. But the Board wants to see inflation sustainably in the 2–3% target range, not just temporarily. The language of the media release showed a clear pivot to emphasise trimmed mean as the key indicator of the trend in inflation. The media statement and subsequent media conference both highlighted that the RBA does not expect trimmed mean inflation to be sustainably in the target range until 2026.

The Board would have been reluctant to be too hawkish given the August monthly CPI indicator was to be released the following day. As we and consensus expected, headline inflation fell to 2.7%. But because much of this decline reflects temporary measures such as the electricity rebates and other cost-of-living measures, this is not enough to keep inflation in target. That said, it will have a welcome effect on people's inflation expectations, as will the recent decline in petrol and other prices that have been shown to be salient in forming those expectations.

Another key (and promising) change in the language is that the statement no longer includes mention of wages growth exceeding the rate that can be sustained given current rates of growth in productivity. This has been replaced with the sentence, 'Wage pressures have eased somewhat but labour productivity is still only at 2016 levels, despite the pickup over the past year.'

In the media conference, Governor Bullock described herself as a productivity optimist and attributed much of the softness in productivity here and abroad (except for the United States) as being partly a lingering effect of the pandemic. We would note that productivity in the market sector is already well above 2016 levels, and that this is more important for price setting than the economy-wide figure.

There was also a more prominent mention of the tightness in the labour market in the announcement. This lined up with the recent speech by Chief Economist Sarah Hunter, which stated that the labour market was still tighter than the RBA's view of full employment. The moderate decline in job vacancies in August, also released after the meeting, would have been consistent with that view. Robust employment growth and a consolidation in average hours, associated with record high labour force participation, has been met with only a gradual uptick in the unemployment rate. These are welcome outcomes for a Board that has committed to a policy strategy that puts more weight toward maintaining the employment gains made following the pandemic.

In the media conference, the Governor again pointed to the strategy that the Board has been following for the entire rate-hiking cycle: raising rates by a bit less than its peers did, in an effort to hold onto the gains in the labour market. The Governor also noted that some of the peer economies that are already cutting rates have had much more marked increases in unemployment.

The media statement acknowledged that growth in demand has been slow and that there are risks around consumer spending. This is part of the strategy to get demand and supply back into balance. There was, however, an interesting pivot to emphasise the spending measure including temporary residents rather than consumption of long-term residents as defined in the national accounts. The broader measure has grown more quickly, but this is largely because the corresponding population measure has as well.

Based on the Board's statement and media conference, we do not see any reason to change our current view, that the RBA will remain on hold this year and start lowering the cash rate from February. There are uncertainties around this if events should turn out very differently than expected. Overall, though, we see the RBA Board as a bit more firmly on hold than last month.

Cliff Notes: China delivers

Elliot Clarke, Head of International Economics
Mantas Vanagas, Senior Economist
Illiana Jain, Economist

Following last week's monetary policy announcements by the US FOMC and other major central banks, this week the spotlight turned to the RBA. The Board's September meeting was predictably uneventful, with the cash rate unchanged at 4.35% and only incremental tweaks to their communication, which continues to emphasise labour market tightness and the need to bring aggregate demand and supply into balance. On the day, financial markets focused on the revelation that, in contrast to the prior policy meeting in August, this time the Board did not explicitly consider raising interest rates further. We see no reason to alter our view that the cash rate will remain unchanged until February, when we expect the first of four 25bp cuts through 2025.

This week's new economic data, released after the RBA meeting, highlighted that the economy continues to make progress towards better balance between demand and supply. Indeed, the August CPI print showed a drop in headline inflation from 3.5%yr to 2.7%yr, in line with our expectations and the lowest since August 2021. The 17.6%yr drop in electricity prices, the steepest on record, reflecting rebates provided by the Commonwealth Energy Bill Relief Fund and state governments, was the main factor driving inflation lower. The RBA Governor suggested in Tuesday's post-meeting press conference that policymakers will largely look through the fall owing to its temporary nature; however, the trimmed mean inflation measure, which excluded the electricity and auto fuel price declines, also eased from 3.8%yr to 3.4%yr, a new low for this inflation cycle. A more comprehensive picture of the developments in consumer prices will be available once the Q3 CPI data is released at the end of October. Our calculations suggest the August monthly figures are consistent with our existing 0.3%qtr and 0.7%qtr Q3 headline and trimmed mean CPI forecasts.

Meanwhile, the Q3 data on job vacancies, a good indicator of labour demand, showed that conditions in the jobs market continue to loosen. A 5.2% drop this quarter left the level of vacancies at 330k, more than 30% below the peak seen in May 2022 but still well above pre-pandemic norms (the long-run average is around 180k).

Public demand, productivity and the implications for inflation also received considerable attention in Westpac Economics' analysis this week, and was brought together with the RBA view in Chief Economist Luci Ellis' latest video update. Also of significance for the medium-term, the RBA's latest Financial Stability Review was released.

Offshore, policy developments in China stole the show. Market participants have long wanted to see authorities in China make a stand over their growth ambitions and neutralise downside risks for the property market and consumption. This week's announcements exceeded these hopes.

On Tuesday, the PBoC Governor Pan Gongsheng held a lengthy press conference to detail a comprehensive set of new and expanded monetary initiatives to support activity and sentiment across the economy. The 7-day reverse repurchase rate and the mortgage rate for existing borrowers were both cut, and guidance on forthcoming cuts to the loan prime rate and deposit rates given. The PBoC Governor also hinted at households being able to refinance with another lender if their current bank cannot accommodate the planned 50bp mortgage rate reduction for existing mortgages – the average loan rate for existing first-home borrowers is approximately 80bps higher than for new. More importantly, with respect to the quantum of credit in the economy, the reserve requirement ratio was cut by 50bps and a willingness to cut further into year-end shown.

An injection of additional capital into the largest banks (who are state controlled and already have very healthy capital positions) was also flagged. Combined, these initiatives will materially increase available credit to all sectors. Also important for sentiment and the functioning of housing markets, second home buyers are being enticed to enter the market through a reduction in the minimum deposit from 25% to 15%. State-owned firms can also now borrow 100% of the principal needed to purchase unsold homes from the PBoC, up from 60% in May.

Also in focus for authorities is the state of the equity market. To aid a robust and sustained recovery in equities, the PBoC Governor announced at least USD70bn of 'liquidity support' for equity markets through a swap facility for participants – allowing less-liquid existing holdings to be swapped for high-quality liquid assets to back additional equity purchases. A re-lending facility will provide another circa USD40bn of liquidity to fund share buy-backs and additional cross-holdings. There was also reference to the potential establishment of a market stabilisation fund, while merger and acquisition activity is to be encouraged.

These initiatives are material and will be deployed with haste, but by themselves are more likely to strengthen and sustain a recovery than commence it. Rather it is the Politburo's subsequent announcements which will act as the catalyst for recovery in the property market and consumption. Arguably of greater significance than the value of support mooted is official media's reporting of the Politburo's pledge to make the property market "stop declining". This appears to apply to both investment activity and prices and comes in response to consumers' mounting concerns over their wealth and the uncertain timing and quality of dwelling completion.

"The raft of policy initiatives from China are more likely to strengthen and sustain a recovery than commence it."

Western media including Reuters and Bloomberg subsequently reported that backing this edict is 2 trillion yuan (circa US$280bn) of special sovereign bond issuance for late-2024 from the Ministry of Finance to fund stimulus targeting consumption and to alleviate the financial pressures of local governments. While late in the year, the combined weight of the monetary and fiscal measures announced and mooted is highly likely to lead to the 5.0% growth target for 2024 being achieved and should also see a similar outcome in 2025. Success thereafter will be determined by how the private sector, particularly the consumer, responds.

Over in the US, the calendar was relatively quiet, with the annual revisions to GDP the only release of material significance. From Q2 2020 through 2023, GDP is now estimated to have averaged 5.5% annualised, up from 5.1% in the initial estimates, with two-thirds of the revision reportedly the result of stronger consumption. For 2022 and 2023 respectively, growth is now estimated at 2.5% (from 1.9%) and 2.9% (from 2.5%).

As has happened a number of times in this cycle, Gross Domestic Income was revised up materially for 2023 and the first half of 2024. In Q2 2024 alone, annualised GDI growth has been revised up 2ppts to 3.4%; and, in 2023, growth is estimated at 1.7% versus 0.4%. These revisions have resulted in the household savings rate being lifted from 3.3% to 5.2%. All told, these revisions show the underlying strength of the US economy, the consumer in particular. But also, cross referenced against the consumer price outcomes of the past two years, the importance of the supply side for inflation. These outcomes will provide the FOMC with comfort over the underlying health of their economy as well as the sustainability of the return of annual inflation to target.

More of the same

Satish Ranchhod, Senior Economist

Paul Clark, Industry Economist

Will the RBNZ be 'Slow and steady' or 'Fast and furious'?

The RBNZ has now fired the starting gun on the easing cycle. But how far and fast will the Official Cash Rate drop?

The RBNZ's August policy statement forecasts were consistent with measured cuts, showing the OCR falling by 60bps this year and 110bps in 2025. Although the RBNZ doesn't signal exactly how fast the OCR could fall, their forecast path looks consistent with a series of steady 25bp cuts.

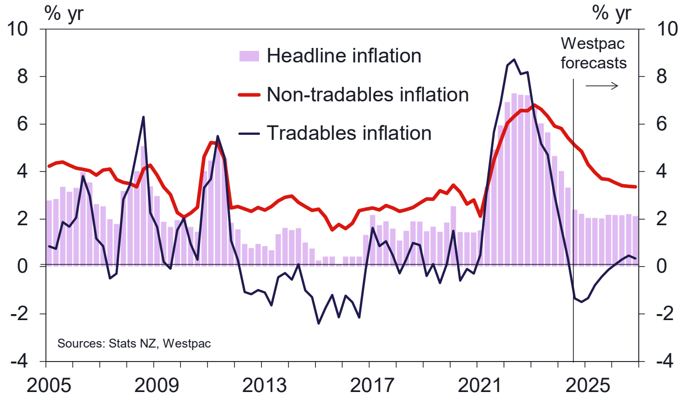
In contrast, financial markets are pricing in a more aggressive easing cycle, with at least one 50bp cut priced in before the end of this year and the OCR expected to fall by abound 200bps by mid-year.

Our expectation is that the RBNZ will move in measured 25bp steps, with the OCR to drop to 3.75% next year. However, as we discuss in our recent 'Hawks, doves, and kiwis' report, there are reasonable arguments that can be made for moving either more cautiously or more aggressively.

On the hawkish side of the ledger, one factor suggesting that a more gradual easing of the OCR might be appropriate is lingering strength in domestic inflation. Even though the cutting cycle is now underway, non-tradables inflation remains elevated, coming in at 5.4% in the year to June. And that strength is not just because of continued large increases in insurance premiums or local council rates – non-tradables excluding the cost of housing, insurance and government charges is still running hot.

Similarly, while the economy has been softening, it is not quite as weak as the RBNZ assumed back in August. While the RBNZ (and ourselves) were braced for a further downturn in GDP growth mid-year, the pace of that decline remains gradual and no worse than we've seen in recent quarters. That means the economy is starting form a position of marginally less excess capacity than the RBNZ previously assumed, and this was crucial to the case for front loaded easing. Furthermore, some of the weakness that we saw in indicators of economic activity mid-year has now dissipated.

Inflation



Importantly, a key lesson from the pandemic is that monetary policy works and that rapid changes in interest rates can generate large changes in demand and inflation. Even though the RBNZ has only reduced the OCR by 25bps to date, mortgage rates have fallen more sharply, and that will be hitting many households' back pockets by the end of this year. Further sharp reductions in interest rates would boost demand and would throw petrol on the simmering embers of the housing market, and that could reignite inflation.

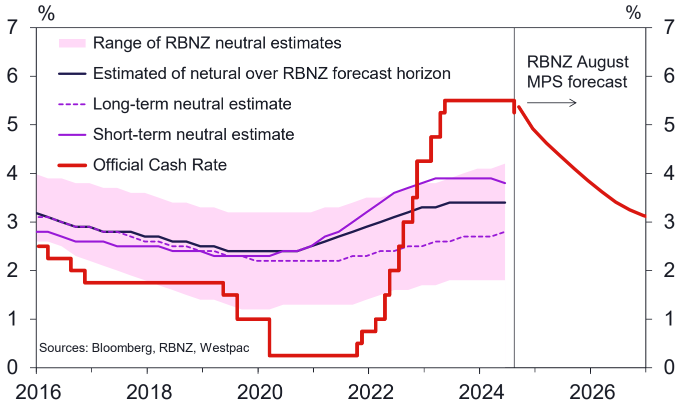
On the other hand, arguments can also be made for deeper or more front-loaded cuts. First is that inflation is no-longer a barrier to rate reductions. Inflation has already fallen from over 7% in 2022 to 3.3% in the June quarter. It's set to drop to 2.4% in the September quarter and continue softening over the year ahead.

At the same time, the downturn in growth as seen significant slack in the economy opening up. GDP has been nudging down since late 2022 and the negative output gap is estimated to have increased to around >1%. With demand likely to remain muted through the back part of 2024, spare capacity is set to continue building. We're also seeing slack accumulating in the labour market.

Notably, at a time when CPI will soon be close to the target midpoint and when the economy is increasingly operating with spare capacity, the OCR and shorter-term interest rates remain at levels that are continuing to significantly restrain demand.

A faster reduction in rates would help to return domestic demand to normal levels over the year ahead, rather than pushing it into a position of excess demand / strong inflation pressures as hawks fear. That could also help to fend off a deeper than needed slowdown in activity, the labour market or inflation that could necessitate a deeper easing cycle down the line.

Official Cash Rate and RBNZ estimates of neutral



Labour market softness

With competing arguments on both sides, economic data will warrant close scrutiny over the coming months, and a key area of focus will be the labour market. The unemployment rate has pushed higher in the first half of the year, rising to 4.6%. More recent labour market indicators like filled jobs and job advertisements, as well as feedback from businesses, point to a further softening in the jobs market in the back part of the year. We expect unemployment to rise to 5.3% by the end of this year (in line with the RBNZ's forecast). Against that backdrop, workers confidence about the state of the labour market has languished at low levels. Notably, while employment confidence is low in Wellington where there have been high-profile public sector job losses, confidence is also low in other regions. That reflects that there have been also widespread job losses in the private sector, including in the retail, hospitality, construction and manufacturing sectors.

Moo-ving on up

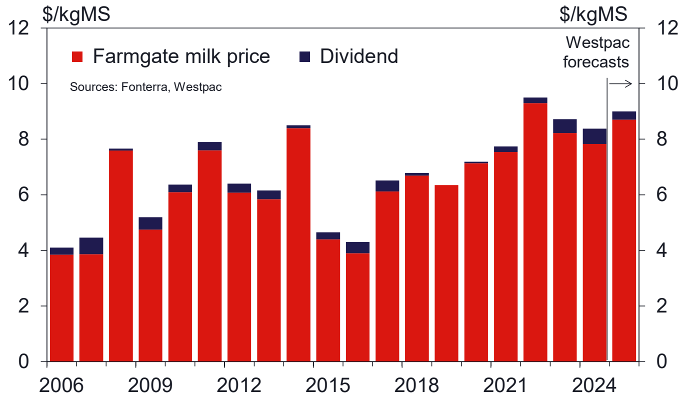
Turning to New Zealand's all-important rural sector, improving market conditions and rising dairy auction prices have prompted us to revise our farmgate milk price forecast for this season from $8.70 per kilo of milk solids to $9.00. That should be welcome news for our dairy farmers, with DairyNZ estimating a breakeven price of $8.09. World dairy prices have certainly been resilient. While whole and skim milk powder prices have moved sideways around their long-term averages in recent months, milkfats sit at or are close to record highs. Our new milk price forecast assumes a modest pullback in dairy prices from current levels by the end of the season. That reflects the potential for higher than anticipated global supply. New Zealand production has started off this current season strongly, which could add significant volume into the market. Chinese and US production has also started to lift following weakness early in the season.

It's not just in the dairy sector where things seem to be on the up. Our report published earlier this week also suggests better times ahead for the horticulture and viticulture sectors. Those sectors are big export earners. Kiwifruit exports for the year ending August 2024 were worth $3.1bn, while apples contributed just under $1bn. Add another $2bn or so of wine into the mix, and the sector is our third biggest export earner.

The sector is one of the most productive in the New Zealand economy, and also is one of the most efficient producers of fruit internationally. Much of that has to do with ideal growing conditions in regional New Zealand. Being a counter-seasonal producer also helps, meaning we can supply the world market at times when few others are. The sector also spends large on R&D delivering both process efficiencies as well as products tailored to customer preferences.

It's also got to do with increasing demand for high quality fruit with positive health benefits. Population growth and rising incomes in increasingly diversified export markets should ensure that this remains the case. In the years ahead, supply is likely to be a key factor that determines prices. Careful management here is likely to lead to superior orchard gate returns.

Farmgate milk prices



AUS: Aug Private Sector Credit (%mth)

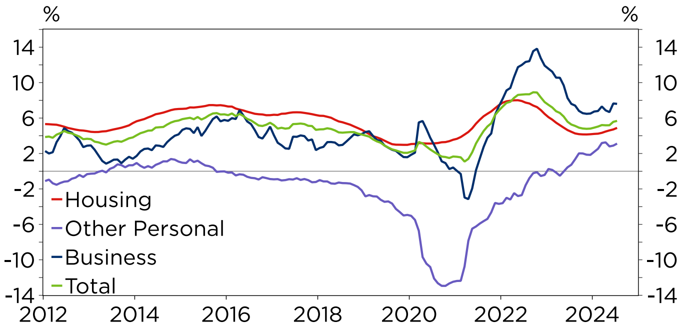
Sep 30, Last: 0.5%, Westpac f/c: 0.4%
Mkt f/c: 0.5%, Range: 0.3% to 0.6%

Private sector credit increased by 0.5% in July to be up 5.7%yr. Housing credit was the major driver rising by 0.5% on a month and 4.9%yr, the highest annual pace in more than a year. Other components were also on an upward trend, with the personal credit rising by 0.5% and business lending growth a touch softer at 0.4%.

For August, we expect a very similar picture, with credit growth posting 0.4% gain for the month and annual growth ticking down ever so slightly to 5.6%yr. The small moderation might come from the volatile consumer credit component, which is likely to struggle to sustain the pace seen in July, or the fact that some consumers might use recent tax cuts to reduce their existing debt.

Private Sector Credit

By component, annual % change



Source: RBA, Macrobond, Westpac Economics

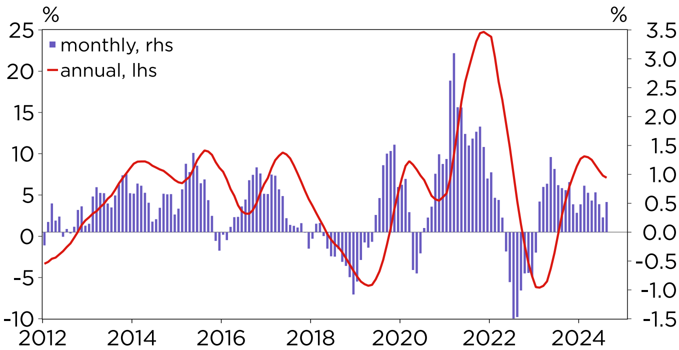
AUS: Sep CoreLogic Home Value Index

Oct 1, Last: 0.5%, Westpac f/c: 0.6%

The CoreLogic home value index rose 0.5% in August, matching the gains in July and in June and continuing the step-down in momentum since late last year. Annual price growth moderated to 7.1%yr, down from a peak of 10.9%yr in Feb.

September is set to show a very similar pattern. The CoreLogic daily index points to a 0.6% rise for the month, which would take annual price growth to just below 7%yr.

Australian dwelling prices



Source: CoreLogic Australia, Macrobond, Westpac Economics

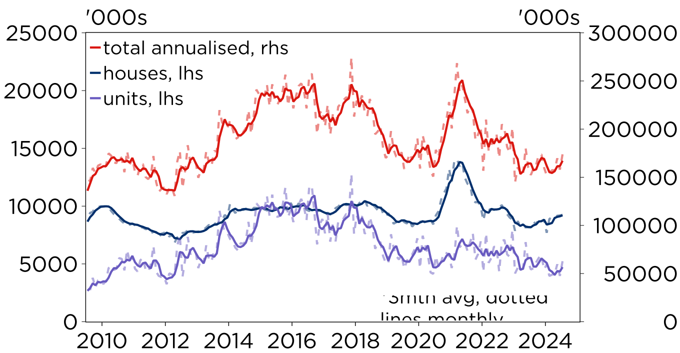
AUS: Aug dwelling approvals (%yr)

Oct 1, Last: +10.4%, Westpac f/c: –7.0%
Mkt f/c: -5.5%, Range: -7.0% to -2.0%

Dwelling approvals surged 10.4% in July to be up 14.3%yr. While some bounce-back was expected from a weak June read, the rebound was sharper than anticipated led by a big jump in the volatile 'units' segment.

August is almost certain to see a retracement. While the wider housing market has seen positive price growth and some lift in turnover the situation around new building remains challenging. A weakening in HIA new home sales over the 3mths to August suggests momentum in the detached housing space remains patchy at best. Meanwhile, units are likely to back off the July high. If the latter pulls back to May levels, total dwelling approvals are likely to be down about 7% in the month.

Private Sector Dwelling Approvals by Major Segment



Source: ABS, Macrobond, Westpac Economics

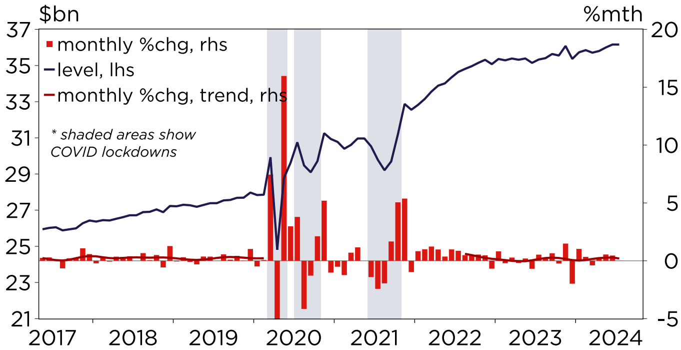
AUS: Jul retail trade (%mth)

Oct 1, Last: flat, Westpac f/c: 0.9%
Mkt f/c: 0.4%, Range: 0.1% to 0.9%

Retail sales disappointed in July, coming in dead flat despite the launch of 'stage 3' tax cuts boosting incomes. Annual growth slowed to 2.3%yr, dropping below population growth.

An added complication here is that retail sales are coming off decent gains in June (+0.5%) and May (+0.6%), some of which was attributed to better than expected End of Financial Year sales, raising the risk of some post-sales drop-back. Some of this may also have been spending in anticipation of tax relief. On balance we expect retail sales to post a 0.9% gain in July, likely to be viewed as a subdued result given the context.

Nominal Retail Trade



Source: ABS, Macrobond, Westpac Economics

AUS: Aug Goods Trade Balance ($bn)

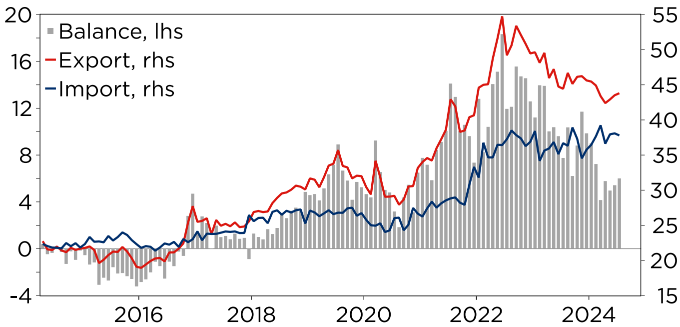
Oct 3, Last: 6.0, Westpac f/c: 6.4
Mkt f/c: 5.5, Range: 5.0 to 6.4

Trade balance continued to improve in July reaching $6.0bn, up from $5.4bn in the prior month and a recent trough of $4.2bn seen in March. Supported by gains in the rural goods category, which reached a ten-month high, total exports increased for a third consecutive month, while a 0.8%MoM drop in imports also contributed to the more positive trade balance.

For August, we think that the previous trend of a gradual improvement will be maintained, with the trade surplus reaching $6.4bn. We think that total exports should rise further, and falling auto fuel prices are likely to provide a downward pressure on imports values. Rural goods exports represent a downside risk, if the gains of the last couple of months are reversed.

Goods Trade Balance

Value, $bn



Source: ABS, Macrobond, Westpac Economics

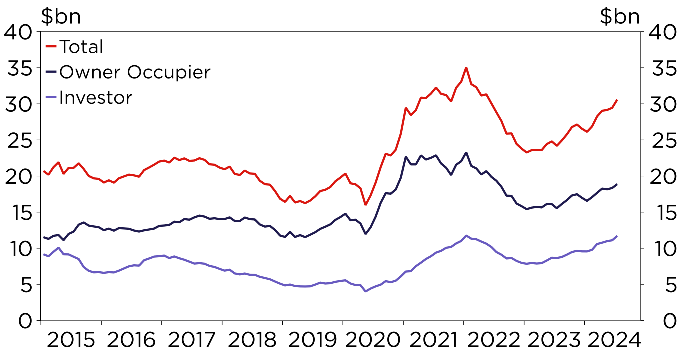
AUS: Aug housing finance approvals (%mth)

Oct 4, Last: 3.9%, Westpac f/c: 1.0%
Mkt f/c: 1.0%, Range: -2.2% to 4.0%

The total value of housing finance approvals posted a robust 3.9% rise in July. The lift means total approvals have now recovered three quarters of the decline seen in 2022. Investor lending continues to see stronger gains and is now back near historic highs although it remains well below previous peaks relative to household income.

August is likely to see a slightly slower pace. Construction-related lending looks likely to retrace slightly while the pace of price gains in the established market has been a little slower. Turnover has also softened although estimates here tend to be revised up. On balance the mix should still see a 1% gain overall, owner occupier loans up 0.4% and investor loans up 2%.

Value of Housing Finance



Source: ABS, Macrobond, Westpac Economics

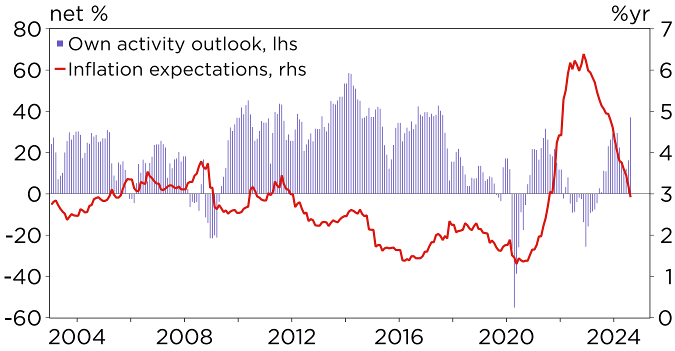
NZ: Sep ANZBO business confidence

Sep 30, Last: 50.6

Business confidence took flight in August, with businesses expectations for their own trading activity and economic growth more generally rising sharply. That followed the earlier than expected start of the RBNZ's easing cycle. But while businesses are feeling more optimistic about the economy's trajectory, trading activity over the past year has remained soft.

We expect the August survey will point to continued softness in trading activity in recent months. But the key thing to watch will be expectation components. Nervousness about the outlook is easing, but that's not likely to pass through to increases in hiring or investment intentions just yet.

Can interest rate cuts lift business sentiment?



Source: ANZ, Macrobond, Westpac Economics

NZ: Q3 NZIER survey of business opinion

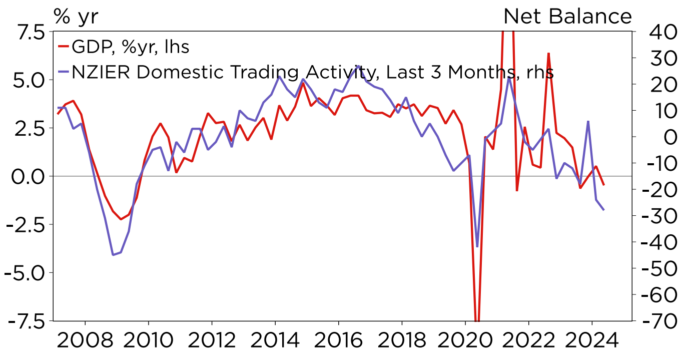
Oct 1, General business confidence, Last: -35.4

With the RBNZ's rate cutting cycle now in train, we expect the latest Survey of Business Opinion will show that business confidence has picked up from the lows seen earlier in the year. However, indicators of hiring and investment are still likely to remain subdued for now

Importantly, the backwards looking gauges of activity (which have tended to be timely indicators of GDP growth) are likely to have remained muted through the middle part of the year, with businesses reporting weak trading activity.

The inflation and capacity gauges will also be worth watching to see if domestic cost pressures are easing back.

NZ GDP growth and business confidence



Source: Stats NZ, NZIER, Macrobond, Westpac Economics

NZ: Aug building consents (%mth)

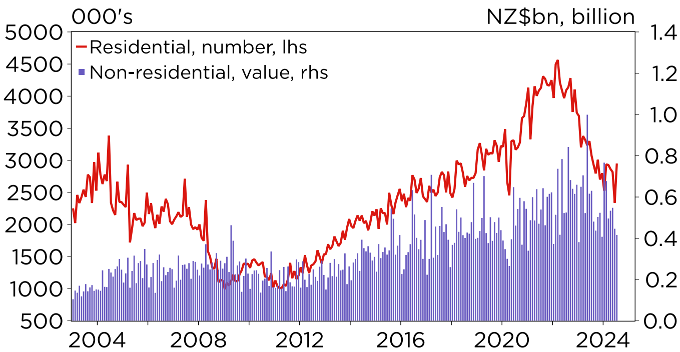
Oct 1, Last: +26.2%, Westpac f/c: -10%

Dwelling consents rose 26% in July, more than reversing the previous month's large holiday-related fall. Some of that rise was due to lumpy issuance in some categories, and as a result we expect consent numbers will post a sizeable drop in August. That would take consents back to the soft levels we saw in the early part of the year.

Consent issuance looks like it is finding a base, and the declines in interest rates now in train will support the housing market over time. However, a pickup in consents probably won't be seen until mid-2025.

In the non-residential space, weak economic activity is expected to continue weighing on new developments.

Building consents especially weak in June



Source: Stats NZ, Macrobond, Westpac Economics

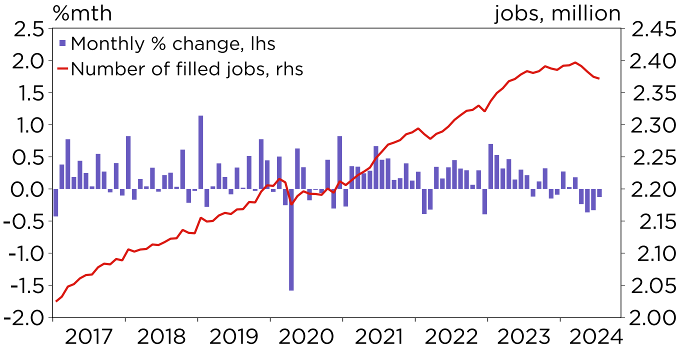
NZ: Aug employment indicators

Oct 4, Last: -0.1%, Westpac f/c: flat

The Monthly Employment Indicator (MEI) fell by 0.1% in July, its fourth straight month of decline. The number of filled jobs is now down 0.5% on the same time a year ago. Job losses are now becoming apparent across many industries. Manufacturing, construction and retail have seen extended declines over the last year, but they are increasingly being joined by a range of services sectors. Healthcare, public administration and finance are among the few remaining sources of growth.

Weekly jobs updates have flattened off in recent weeks, and we expect the MEI to be about flat for August. However, recent experience suggests that job numbers over the past month or two are likely to be revised lower.

Filled jobs now in decline



Source: Stats NZ, Macrobond, Westpac Economics

US: Sep employment report

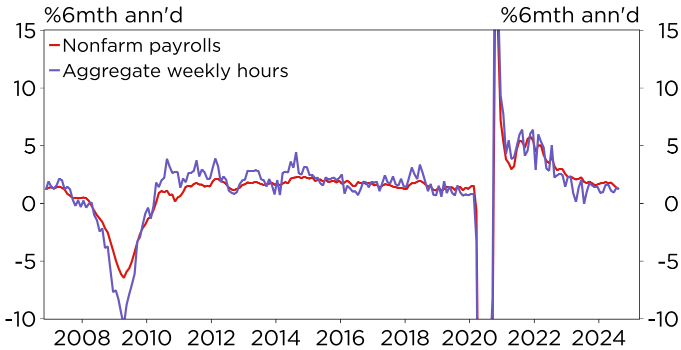
Oct 4, Last: 142k, Westpac f/c: 130k
Market f/c: 140k, Range: 70k to 180k

Over the past two years, employment growth has been in a sustained downtrend while population and participation has improved supply. Labour demand and supply have therefore been brought into balance.

In the next 12 months, we expect employment growth to be weak but remain positive. If this occurs, the unemployment rate is likely to only drift higher to between 4.5% and 5.0%.

Note though, the business surveys continue to point to downside risks; so it will be important to re-assess the trend each month. Measures of hours and utilisation will also be a focus, and the ongoing deceleration in wages.

Labour market is in balance



Source: BLS, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 30							
Aus	Aug	Private Sector Credit	%mth	0.5	0.5	0.4	Similar growth rate should to be maintained.
NZ	Sep	ANZ Business Confidence	index	50.6	–	–	Has picked up in the wake of the RBNZ's OCR cut.
Jpn	Aug	Industrial Production	%mth	3.1	-0.5	–	Bad weather likely tempered production in the month.
Chn	Sep	NBS Manufacturing PMI	index	49.1	49.5	–	Weather shocks and weak demand...
	Sep	NBS Non-Manufacturing PMI	index	50.3	50.5	–	...to keep the economic momentum subued in September.
	Sep	Caixin Manufacturing PMI	index	50.4	50.5	–	Downside risks will stick around until recently...
	Sep	Caixin Services PMI	index	51.6	51.6	–	...announced policy measures begin to flow through.
US	Sep	Chicago PMI	index	46.1	46.8	–	Manufacturing remains weak...
	Sep	Dallas Fed Index	index	–9.7	-10.6	–	...across the regions.
		FOMC Chair Powell	–	–	-	–	Speaking at National Association for Business Economics.
Tue 1							
Aus	Sep	Corelogic Home Value Index	%mth	0.5	-	0.6	Rising at a slower pace with bigger regional variations.
	Aug	Dwelling Approvals	%mth	10.4	-5.5	–7.0	Coming off unit spike in July. Conditions still subdued.
	Aug	Retail Sales	%mth	flat	0.4	0.9	Should show more of a tax cut boost after flat July.
NZ	Aug	NZIER Survey of Business Opinion	%mth	26.2	–	–	Trading conditions still soft, but confidence firming.
	Aug	Building Permits	%mth	26.2	–	-10	Normalisation after recent swings, levels still low.
Jpn	Aug	Jobless Rate	%	2.7	2.6	–	Labour market expected to remain tight.
	Q3	Tankan Large Manufacturers	index	13.0	12	–	Weak external demand a headwind for manufacturers.
Eur	Sep	CPI	%yr	2.2	-	–	Pressure on services prices to lessen post-Olympics.
US	Aug	Construction Spending	%mth	–0.3	0.1	–	Rate cuts to provide impetus to the sector going forward.
	Aug	JOLTS Job Openings	000s	7673	-	–	Labour demand continues to moderate.
	Sep	ISM Manufacturing	index	47.2	47.6	–	Manufacturing activity still in contraction territory.
		Fedspeak	–	–	-	–	Bostic, Barkin, Collins.
World	Sep	S&P Global Manufacturing PMI	index	49.5	-	–	Final estimate for Japan, Eurozone, UK and US.
Wed 2							
Eur	Aug	Unemployment Rate	%	6.4	–	–	Hovering around historically low levels.
US		Fedspeak	-	–	–	–	Hammack, Musalem, Bowman.
Thu 3							
Aus	Aug	Trade Balance	$bn	6.0	5.5	6.4	Another small improvement in the trade balance expected
NZ	Sep	ANZ Commodity Prices	%mth	–2.1	–	–	High diary prices to underpin lift in overall prices.
US		Initial Jobless Claims	000s	218	-	–	To remain subdued, at least for now.
	Aug	Factory Orders	%mth	5.0	0.2	–	July momentum unlikely to persist.
	Sep	ISM Non-Manufacturing	index	51.5	51.5	–	To stay in expansionary territory amid consumer resilience.
World	Sep	S&P Global Services PMI	index	53.8	-	–	Final estimate for Japan, Eurozone, UK and US.
Fri 4							
Aus	Aug	Housing Finance	%mth	3.9	1.0	1.0	Uptrend continues but likely at a slightly slower pace ...
	Aug	Owner Occupier Finance	%mth	2.9	-	0.4	... in Aug as construction-related loans tick back a touch ...
	Aug	Investor Finance	%mth	5.4	-	2.0	... investor activity now clearly outperforming.
	Aug	Household Spending	%mth	0.8	0.5	–	New measure set to eventually take over from retail survey.
NZ	Aug	Employment Indicator	%mth	–0.1	–	Flat	Weekly jobs updates have flattened off in recent weeks.
US	Sep	Non-Farm Payrolls	000s	142	140	–	Weaker than expected results realised in recent months...
	Sep	Unemployment Rate	%	4.2	4.2	–	...with unemployment to drift higher over the next year.
	Sep	Average Hourly Earnings	%mth	0.4	0.3	–	Softening labour market to weigh on wage growth.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (27 Sep)	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Cash	4.35	4.35	4.10	3.85	3.60	3.35	3.35	3.35	3.35	3.35
90 Day BBSW	4.44	4.42	4.19	3.96	3.73	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.54	3.60	3.60	3.55	3.55	3.50	3.50	3.50	3.55	3.60
3 Year Bond	3.54	3.55	3.50	3.45	3.40	3.35	3.30	3.30	3.35	3.40
10 Year Bond	3.96	3.90	3.90	3.90	4.00	4.05	4.05	4.10	4.10	4.15
10 Year Spread to US (bps)	16	15	15	10	10	5	5	5	5	5
United States										
Fed Funds	4.875	4.375	3.875	3.625	3.375	3.375	3.375	3.375	3.375	3.375
US 10 Year Bond	3.80	3.75	3.75	3.80	3.90	4.00	4.00	4.05	4.05	4.10
New Zealand										
Cash	5.25	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75
90 Day Bill	4.90	4.75	4.50	4.25	4.00	3.85	3.85	3.85	3.85	3.85
2 Year Swap	3.57	3.90	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
10 Year Bond	4.25	4.20	4.25	4.30	4.35	4.40	4.40	4.40	4.35	4.35
10 Year Spread to US	45	30	35	40	35	35	35	30	25	20
		45	50	50	45	40	40	35	30	25

Exchange rate forecasts

	Latest (27 Sep)	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
AUD/USD	0.6869	0.68	0.69	0.70	0.71	0.72	0.72	0.73	0.73	0.73
NZD/USD	0.6298	0.62	0.63	0.63	0.63	0.64	0.64	0.64	0.64	0.64
USD/JPY	146.34	142	141	140	139	138	137	136	135	134
EUR/USD	1.1162	1.11	1.11	1.12	1.13	1.14	1.14	1.15	1.15	1.15
GBP/USD	1.3379	1.31	1.32	1.32	1.33	1.33	1.34	1.34	1.35	1.35
USD/CNY	7.0413	7.10	7.05	7.00	6.90	6.80	6.70	6.60	6.55	6.50
AUD/NZD	1.0908	1.10	1.10	1.11	1.14	1.13	1.13	1.14	1.14	1.14

Australian economic growth forecasts

	2024				2025				Calendar years			
% Change	**Q1**	**Q2**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2023**	**2024f**	**2025f**	**2026f**
GDP %qtr	0.2	0.2	0.6	0.5	0.5	0.5	0.6	0.6	–	–	–	–
%yr end	1.3	1.0	1.2	1.5	1.9	2.2	2.2	2.4	1.6	1.5	2.4	2.4
Unemployment Rate %	3.9	4.1	4.2	4.3	4.4	4.5	4.5	4.6	3.9	4.3	4.6	4.6
Wages (WPI) %qtr	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.7	–	–	–	–
%yr end	4.1	4.1	3.5	3.2	3.0	2.9	2.8	2.9	4.2	3.2	2.9	3.4
CPI Headline %qtr	1.0	1.0	0.3	0.4	0.6	0.9	1.2	0.8	–	–	–	–
%yr end	3.6	3.8	2.9	2.6	2.3	2.2	3.2	3.6	4.1	2.6	3.6	2.8
CPI Trimmed Mean %qtr	1.0	0.8	0.7	0.7	0.7	0.7	0.7	0.8	–	–	–	–
%yr end	4.0	3.9	3.5	3.3	3.0	2.9	2.8	2.9	4.1	3.3	2.9	2.6

New Zealand economic growth forecasts

	2024				2025				Calendar years			
% Change	**Q1**	**Q2**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2023**	**2024f**	**2025f**	**2026f**
GDP %qtr	0.1	-0.2	-0.2	0.4	0.5	0.5	0.5	0.6	–	–	–	–
Annual avg change	0.3	-0.2	-0.1	0.0	0.0	0.4	0.9	1.4	0.7	0.0	1.4	2.3
Unemployment Rate %	4.4	4.6	5.0	5.3	5.5	5.6	5.6	5.6	4.0	5.3	5.6	4.9
CPI %qtr	0.6	0.4	0.9	0.3	0.5	0.4	0.8	0.5	–	–	–	–
Annual change	4.0	3.3	2.4	2.2	2.1	2.0	2.0	2.2	4.7	2.2	2.2	2.1

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