

AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 23 October 2023

Editorial: A low-tolerance RBA won't yet have seen enough to move.

RBA: Governor Bullock speech and appearance before Senate Estimates.

Australia: Q3 CPI & Monthly CPI Indicator.

NZ: consumer confidence.

China: industrial profits.

Europe: ECB policy decision.

US: Q3 GDP, PCE deflator, personal income and spending, durable goods orders, house sales.

Global: S&P Global PMIs.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT
CURRENT AS AT 20 OCTOBER 2023.

WESTPAC INSTITUTIONAL BANK



A low-tolerance RBA won't yet have seen enough to move

The main domestic data this week was the September labour force release. As colleague Westpac Economist Ryan Wells noted yesterday, the data were a mixed bag. Looking through the monthly noise, the labour market is continuing to cool gradually from its earlier tightness. There was nothing in the data to nudge the RBA in the direction of raising rates.

The Reserve Bank minutes released this week show a Board that has no appetite to let inflation stay high for any longer than their current forecasts imply. If the inflation outlook remains on its current trajectory, the Board will keep the cash rate where it is. If the data start pointing to material risks of higher outcomes than that, though, they are very willing to move.

Governor Bullock's fireside chat earlier this week had nothing in it to change our views about the path of policy. The Governor did take pains to emphasise that the Bank is aware that the policy tightening is making things difficult for some parts of the community. Ms Bullock will be speaking twice more between now and the November Board meeting. The event on Tuesday could be an opportunity to set out her thinking about the outlook or the framework for policy, given it is her first set-piece speech since becoming Governor. The appearance before Senate Estimates on Thursday is likely to cover a wider range of issues, though some senators might want to probe Ms Bullock and Assistant Governor Kent about any implications for policy of the CPI release the day before.

The RBA's four near-term inflation worries

Today we released the Westpac Economics preview for the September quarter inflation release. Senior Economist Justin Smirk notes that we are expecting both headline and trimmed mean inflation to print a 1.1% quarterly increase. It would have to be a significant upside surprise from this to dislodge the RBA Board from an unchanged rates decision in November. That said, there are several upside risks to inflation that would have the Bank's attention.

- Goods prices not unwinding quickly enough (receding risk). Much of the surge in inflation globally reflected the demand shifts and supply chain issues induced by the pandemic. This is now receding and, in some countries, core goods prices are outright falling. The Bank has from time to time flagged a risk that this reversal in prices would happen too slowly, but so far this risk doesn't seem to be materialising.
- Domestic demand and services price inflation remaining too high (steady, concerning). Even though consumer demand in Australia is weak overall, there are pockets of strong demand and cashed-up households. In these areas, services businesses are managing to raise prices noticeably. Services inflation is still uncomfortably high, and the experience overseas has been that it can be quite sticky and slow to come down.
- Labour costs (receding). If domestic demand were to remain strong enough, this would tend to boost both services prices and wages growth. Heightened risks to the inflation outlook from this source was one of the factors the Bank cited to explain its decision to raise rates in June. But the October minutes

show that the Board is now less worried about this possibility, noting "...that there were few signs of the risk of a price-wage spiral materialising". It also pointed to non-award wages growth moderating. Poor productivity outcomes are still a concern given their influence on unit labour costs. Overall though, the Bank is sounding more sanguine about wages recently, in light of the data flow on both wages themselves and the labour market.

- Energy costs (electricity receding, oil increasing). The Bank took some comfort from the smaller pass-through from default offers to actual electricity prices. In contrast, the Middle East conflict means oil prices have increased again. Short-term fluctuations in petrol prices would not induce the Board to shift policy. But sustained increases in energy costs, whether for geopolitical reasons or related to climate transition, would involve a more difficult trade-off.

Three broader risks

On top of these proximate risks to the inflation outlook, there are a range of more medium-term risks. Three of these are particularly front of mind currently.

First, housing prices have picked up, which is not what you would have expected given higher interest rate and weak income growth. Australia is not alone in this; it has been seen in a range of economies where population growth has picked up sharply, such as Canada. In principle, the resulting higher wealth would boost consumption and so domestic demand and inflation. But as the RBA minutes noted, this effect partly depends on housing turnover picking up. And further rapid price increases would be hard to square with the recent step down in auction clearance rates.

Second, the outlook for China is beset by headwinds. While activity has gained some momentum after an initially slow recovery from COVID lockdowns (despite problems in the property market), the medium-term outlook is more clouded. It is no longer in the phase of fast catch-up to the rest of the world or the most obvious destination for foreign investment into low-cost production. Its population is already ageing and shrinking and the policy environment is geared more to control than to growth. The implications for Australia's export base are material and we can expect markets to mark down the Australian dollar whenever these concerns come to the fore.

Third, long bond yields have risen to levels last seen more than a decade ago. In the short term, markets have been unsettled by the US congressional dramas and the conflict in the Middle East. But there is a longer-term element to this: if fiscal policy globally is less contractionary than it was in the period between the GFC and the pandemic, monetary policy does not have to offset this with lower interest rates. So it is possible that the structure of global interest rates will be a bit higher in future than it was in that period. To the extent that this is a risk rather than market participants' solid expectation, this could be one contributor to higher term premia.

Luci Ellis, Chief Economist Westpac Group

In Australia, the [October RBA meeting minutes](#) provided a detailed outline of the Board's considerations for policy. The case to raise rates centred on the outlook for inflation and potential upside risks. The argument for remaining on hold rested on the fact that the full impact of policy tightening is still to be felt while inflation, labour market tightness and economic activity are all moderating (as discussed below). The arguments behind both options were familiar; with few material developments over the month, remaining on hold was, once again, recognised as the stronger policy option.

That said, there were some important shifts in rhetoric, most notably the assertion that "The Board has a low tolerance for a slower return of inflation to target than currently expected." As outlined by [Chief Economist Luci Ellis](#), this implies that if a significant upside surprise were to occur with regards to inflation, the Board is willing to respond by tightening. The RBA Board's November discussion will benefit from a detailed update on inflation, with the Q3 CPI report due next week and new RBA staff forecasts to be tabled. As detailed in our Q3 CPI preview (available later today on [WestpacIQ](#)), considerable uncertainty remains over the inflation outlook, particularly the competing impacts of rising childcare costs and recent changes to childcare rebates. If inflation prints as we anticipate (1.1%qtr/5.3%yr for Q3), we believe the RBA will remain on hold through year end and well into 2024.

Moving on, the [September Labour Force Survey](#) provided a fairly mixed read on current labour market conditions. Broadly, the results did not shift the overarching view that the labour market is at a turning point -- no longer tightening, but yet to materially soften. This is highlighted by the gradual moderation in the pace of employment growth -- which we currently judge as modestly below trend -- in addition to two consecutive monthly declines in hours worked. However, that the participation rate fell sharply (-0.3ppts) whilst employment rose modestly serves as a reminder of the survey's volatility month-to-month. We expect labour market conditions to continue cooling into year-end and slack to build more materially through 2024 as economic growth holds well below trend.

In Asia, Chinese Q3 GDP surprised to the upside coming in at 4.9%yr and 5.2% year-to-date, putting the 5% full-year growth target well within reach. Looking at the September monthly data, industrial production (IP) remains a bright spot, rising 4.5%yr with strength most apparent in materials. Strong export demand also continues to support IP as China expands the array of manufacturing components it produces.

Fixed asset investment rose 3.1%yr, held up by non-property related investment. The authorities' focus on productivity and efficiency is clear. Key sub-categories of high-tech investment continue to grow at between 10% and 40% even as their combined size nears that of property investment. Utilities investment is also up 25% year-to-date and other infrastructure around 6%. Unlike property, these sub-categories of investment are income and efficiency producing; hence their completion is just the start of their contribution to the economy. If China's success with trade continues, further robust investment growth can easily be justified.

However, the property market remains a heavy weight -- property investment down 9.1% year-to-date in September, extending 2022's decline. Recent stimulus measures, including cuts to the reserve requirement ratio and deposit requirements for homebuyers, are yet to take full effect and may be hindered by persistent pessimism around the property market, whether it be uncertainty around completion or future price increases.

The effectiveness of policy for property also threatens consumption via wealth. The September retail sales data highlight this risk. Total sales rose 5.5%yr, robust 13.8%yr growth in catering services a stark contrast to modest 4.6%yr growth in goods, implying households are financing higher spending on services by limiting or delaying discretionary spending on goods. The urban/rural split also suggests households in major cities remain cautious on the outlook.

Overall, Q3 GDP and the September monthly data imply current momentum in China's economy is stronger than the market had anticipated, and there is no obvious reason why it will fail immediately. But risks around the consumer remain, particularly for young workers. So, [while we have revised](#) up our 2023 forecast from 5.0% to 5.3%, we have also lowered our 2024 forecast from 5.5% to 5.3% after which a deceleration to around 5.0% is likely in 2025.

There was also plenty for the Bank of England to ponder this week. Wages grew 8.1%yr, down from 8.5%yr previously. Private sector wages led the deceleration, easing to 7.1%yr from 7.7%yr. While the BoE has indicated that they are looking at measures beyond Average Weekly Earnings, a downshift should give them comfort that emerging labour market slack is cooling wages.

September's CPI in contrast remained steady at 6.7%yr, much to the disappointment of markets, but still below the BoE's 6.9%yr forecast. Goods disinflation persisted but was compensated for by services. The October result, out before the November meeting, ought to show a substantial easing in inflation coming off a high base caused by a spike in electricity prices in 2022. Easing wages and CPI trending down should give the BoE enough confidence to remain on hold at the November meeting.

Over in the US, retail sales surprised to the upside, total sales rising 0.7%mt and the control group 0.6%mt in September. August's figures were also revised up 0.2ppts for headline and 0.1ppt for the control group. The health of the labour market and long-term fixed rate mortgages continue to provide households with capacity to spend, even as already-weak consumer expectations for the economy deteriorate further. Providing an additional buffer, recent data revisions imply consumers have more pandemic savings left than previously thought.

[FOMC Chair Powell's appearance](#) at the Economic Club of New York closed out the key economic events for the week. The focus of his prepared remarks was policy's progress to date and a belief that there are risks in both tightening "too little" and "too much". The extended Q&A that followed covered an array of possibilities and uncertainties for the outlook, but overall made clear that the FOMC are broadly comfortable with the current stance of policy as long as it continues to prove effective -- i.e. inflation continues to trend down towards 2%yr. Also front of mind for the Committee is the potential impact on financial conditions of rising term interest rates which are assessed to be a consequence of an increased term premium, not fed funds rate or inflation expectations.

This rise in yields is having a similar effect to further increases in the fed funds rate, at the margin increasing the probability of inflation staying on course. The FOMC therefore looks set to remain on hold in November and thereafter will continue to assess conditions. We expect a further softening of the labour market and a sharp pullback in aggregate growth from Q4, which should justify the FOMC also remaining on hold in December and January. The degree of further improvement in inflation will subsequently dictate the timing and scale of cuts in 2024 and beyond.

Week ahead & data wrap

Watching, worrying, and still waiting.

We no longer expect the RBNZ to increase the OCR at its November policy meeting. The RBNZ has indicated a high bar to tighten before the end of this year, and September's lower than expected CPI will leave them comfortable with staying pat. However, domestic inflation pressures are continuing to sizzle. As a result, we still see the risk that the RBNZ will need to raise the cash rate again, and we've pushed out the rate hike we previously expected in November to the time of the RBNZ's February meeting. Crucially, with sticky domestic inflation pressures, rate cuts will remain off the table for an extended period.

Since its May Monetary Policy Statement, the RBNZ has signalled that it expected to leave the OCR at 5.50% for a protracted period. Their most recent update in October 2023 continued with that "watch, worry and wait" theme and suggested that recent data had not substantively moved their judgement on the appropriateness of a 5.50% OCR for the foreseeable future.

A key piece of data that could have challenged the RBNZ's view was September's Consumers Price Index. Given the RBNZ's high hurdle to shift the OCR before next year, it was going to take an upside surprise to the CPI to shift the dial towards an increase in November as we have forecast since early August.

However, as it turned out, September quarter inflation actually came in on the low side of expectations. Consumer prices rose by 1.8% in the September quarter, leaving prices up 5.6% over the past year. That was a little lower than our forecast for a 1.9% increase. Importantly, it was well below the RBNZ's forecast for a 2.1% rise.

Looking at the details of the September quarter inflation report, the easing in consumer prices we've seen has mainly been related to a softening in tradables prices. Even though petrol prices rose sharply in recent months, the continued easing of supply chain issues that boosted inflation over the past few years, together with reduced discretionary spending on durable goods has been weighing on prices. Domestically, we have also seen a sharp slowdown in construction costs, which was the major driver of the rise in the overall CPI during this inflation cycle.

With a faster-than-expected easing in inflation, we think the RBNZ will be happy to sit on their hands in November and see how the economy and inflation evolves through the summer period. They will need to factor in a new government's fiscal stance into their projections – although they may not have much to go on at the time of the November Statement. Having said that, they will at least take comfort that a centre-right coalition will likely run a slightly tighter fiscal ship than the alternative may have delivered, which is helpful for medium term inflation pressures at the margin. The RBNZ will also be conscious of the sharp rises in longer term interest rates in recent months, with mortgage rates on offer having increased 10-20bps since the RBNZ's August meeting. And there remain ongoing concerns about the strength of the global economic landscape, including the outlook for Chinese economic growth.

But while the RBNZ may be feeling more comfortable that inflation is trending down, they are clearly not out of the woods yet. While inflation may be off its highs, it's not 'low' by any stretch of the imagination. In fact, while many measures of core inflation have been softening, they're still running at rates of around 5% to 5.5% – well outside the RBNZ's target range.

Crucially, although imported inflation is dropping back, domestic inflation remains red hot. In fact, non-tradables inflation excluding construction costs (which accounts for around 50% of the CPI) rose to 6.6% in the year to September.

That lingering strength in non-tradable prices should give the RBNZ pause for thought. Domestic price pressures have historically been more enduring than imported inflation. And the continued strength we're seeing on this front means that inflation isn't likely to be back below 3% until the latter part of next year at the earliest.

Furthermore, with continued strength in domestic inflation pressures, the RBNZ doesn't have the headroom to absorb upside surprises. That's important as some other key parts of the economic landscape are already looking hotter than the RBNZ had assumed. Notably, net migration has risen to a record high, with the number of people coming into the country exceeding departures by 110,000 over the past year. In addition, the housing market has found a base sooner than the RBNZ expected, with sales and prices both tilting higher in recent months. Those trends will add to medium term inflation pressures and we think that will likely eventually force the RBNZ's hand in 2024.

Given those ongoing pressures, we have pencilled in a 25bp OCR increase at the February 2024 Statement. Ahead of that time we'll be keeping a close eye on how economic data is tracking. In particular, the strength of the labour market and wage growth will be key to determining whether non-tradables will start to cool over the coming year (the September quarter labour market update is due on 1 November, and there will be another update ahead of the February policy meeting).

Importantly, the lingering strength in domestic inflation means rates cuts will be off the table for an extended period. We don't think the RBNZ will realistically look at cutting the OCR reduction until 2025, and even then cuts are likely to be gradual.

Satish Ranchhod, Senior Economist

Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Mon 16	Sep BusinessNZ PSI	47.7	50.7	-
Tue 17	Q3 CPI %qtr	1.1%	1.8%	1.9%
	Q3 CPI %yr	6.0%	5.6%	5.8%
Wed 18	GlobalDairyTrade auction (WMP)	4.8%	4.2%	3.0%
Fri 20	Sep trade balance \$mn	-2273	-2329	-2350

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Aus September Quarter CPI %qtr

October 25 Last: 0.8%, WBC f/c: 1.1%
Mkt f/c: 1.1%, Range: 0.7% to 1.2%

The June quarter CPI surprised to the downside, lifting just 0.8%qtr compared to market expectation for 1.0% and Westpac's forecast for a 1.1% lift. In annual terms, there was a significant moderation from 7.8%yr in December 2022, to 7.0%yr in March 2023 and then 6.0%yr in June 2023. The June Trimmed Mean also came in softer than expected, rising just 0.9%qtr for an annual pace of 5.9%yr – a significant step down from the recent peak of 6.9%yr in December 2022.

The Monthly CPI Indicator is a rich source of preliminary inflation data. We are still waiting for a number of quarterly surveys that are done in the last month of the quarter but outside the significant uncertainty surrounding childcare, we only see a small risk to our 1.1%qtr/5.3%yr forecast.

For further information please see our September Quarter CPI preview.

Aus September Monthly CPI Indicator %yr

October 25, Last: 5.2%, WBC f/c: 5.2%
Mkt f/c: 5.4%, Range: 5.0% to 5.8%

The August Monthly CPI Indicator lifted 0.6%, in line with our forecast and consistent with our overall view on inflation momentum. There were, however, some interesting divergences in the components. A large surprise for us was housing, which rose just 0.1% vs. our forecast of 0.7% due to softer than expected rents (0.7% vs. 0.9% forecast), dwelling purchase costs (0.1% vs. 0.5% forecast) while electricity prices fell (-1.3%) due to the impact of government rebates compared to our forecast for a modest increase (2.0%). Gas & other household fuels also rose more modestly than expected (0.4% vs. 1.0% forecast).

This month will see a quarterly update of some critical services prices including health. Our 0.2%mt/5.2%yr forecast has a larger than usual degree of uncertainty due to our uncertainty around what the full impact of the changes to government rebates will mean for child care prices. For further information please see our September Quarter CPI preview.

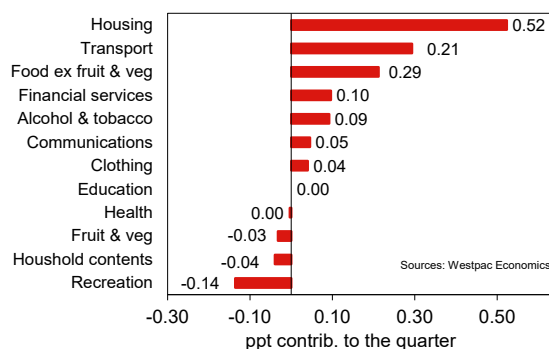
Aus 2022-23 National Accounts

Oct 27, Current estimate: 3.3%

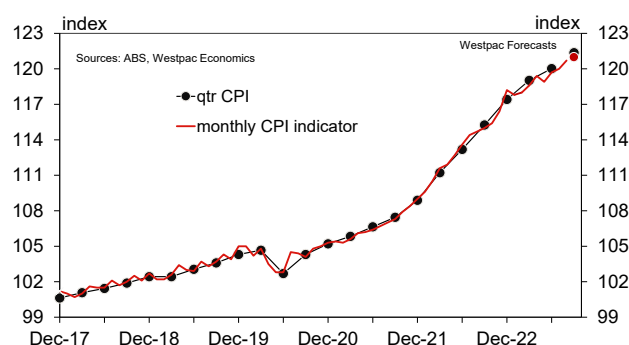
The June quarter national accounts showed sluggish growth in the first half of 2023, flat consumer spending dragging annual through-the-year growth down to 2.1%yr and annual average (i.e. 12 months on the previous 12 months) growth down to 3.3%yr.

The annual national accounts provide new 'benchmark' estimates of income, expenditure, production and balance sheets with more detail on sectors, industries and aspects such as net additions to the capital stock and productivity growth. This often leads to significant revisions to previously-published estimates – revisions that only get incorporated into the quarterly GDP data with the Q3 release on December 6. These can be most pronounced for areas that rely on annual survey sources where quarterly indicators are unavailable, such as consumer spending on services.

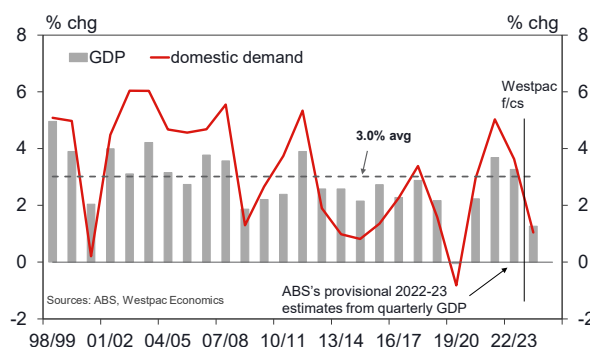
Contributions 2023Q3 CPI 1.1%qtr forecast



CPI Monthly Indicator vs. qtr CPI



Australia: annual economic performance





US Q3 GDP

Oct 26, %ann'd, last 2.1%, Mkt f/c: 4.3%, WBC f/c: 4.0%

Annualised US GDP growth is expected to roughly double from the first half of 2023 to Q3, with the market anticipating a 4.3% print.

Because of its circa 70% weight in GDP, household consumption is the primary driver of this result, although the Atlanta Fed's GDPNow realtime estimate points to all components of GDP contributing.

In terms of the risks for Q3, GDPNow suggests they lay to the upside, with their current estimate sitting at 5.4%. Our own sub-consensus tilt, a forecast of 4.0%, is simply to highlight that some of the quarter's strength is likely to be incorporated into the deflator.

Regardless, Q3 is a very strong result which, if history is a guide, will be partly offset by weaker outcomes ahead. More broadly, growth is expected to be below trend in both 2024 and 2025.

Policy's impact is coming; GDP to slow in '24



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For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 23					
Eur	Oct consumer confidence	-17.8	-	-	Easing inflation and imminent policy pause will aid in time.
US	Sep Chicago Fed activity index	-0.16	-	-	Suggests growth is tracking at a modestly below-trend pace.
Tue 24					
Aus	RBA Governor Bullock	-	-	-	Speaking at Global Markets Conference, 7:00pm AEDT.
Jpn	Oct Jibun Bank manufacturing PMI	48.5	-	-	Better positioned compared to international counterparts...
	Oct Jibun Bank services PMI	53.8	-	-	... services sector certainly acting as a key support.
Eur	Oct HCOB manufacturing PMI	43.4	-	-	Outlook remains downbeat in Europe...
	Oct HCOB services PMI	48.7	-	-	... as growth in new orders continues to fall.
UK	Oct S&P Global manufacturing PMI	44.3	-	-	Similarly in the UK, industry is struggling as demand...
	Oct S&P Global services PMI	49.3	-	-	... both internal and external, continues to weaken...
	Aug ILO unemployment rate	4.3%	4.3%	-	... offering little incentive for workforce expansion.
US	Oct S&P Global manufacturing PMI	49.8	49.5	-	Manufacturing conditions beginning to stabilise...
	Oct S&P Global services PMI	50.1	49.4	-	... as the downtrend in services activity holds firm.
	Oct Richmond Fed index	5	-	-	Regional surveys reflect subdued but stabilising conditions.
Wed 25					
Aus	Q3 CPI %qtr	0.8%	1.1%	1.1%	With the advent of the Monthly CPI Indicator we all have...
	Q3 CPI %yr	6.0%	5.3%	5.3%	... similar partial indicator suggesting we should see...
	Q3 Trimmed Mean %qtr	0.9%	1.1%	1.1%	... a narrower range of estimates for the quarterly CPI.
	Q3 Trimmed Mean %yr	5.9%	5.0%	5.0%	However, there is still a reasonable share of unknowns...
	Sep Monthly CPI Indicator %yr	5.2%	5.4%	5.2%	... including child care rebates, so a surprise is still possible.
Ger	Oct IFO business climate survey	85.7	-	-	Current conditions souring as pessimism lingers.
US	Sep new home sales	-8.7%	1.3%	-	Conditions are unlikely to improve in the near-term.
Can	Bank of Canada policy decision	5.00%	5.00%	-	To remain on-hold following constructive inflation update.
Thu 26					
Aus	RBA Governor Bullock	-	-	-	Appearing before Senate; with Assist' Gov. (Fin Mkts) Kent.
	Q3 import price index	-0.8%	-	-0.5%	Likely down for a 3rd consecutive qtr, on lower global prices.
	Q3 export price index	-8.5%	-	-1.2%	Expect 4th fall in past 5 qtrs, on lower commodity prices.
Eur	ECB policy decision, deposit rate	4.00%	-	4.00%	Moderating services inflation supports on-hold decision.
US	Q3 GDP, annualised	2.1%	4.3%	4.0%	Strength to abate as policy takes full effect and job gains slow.
	Sep durable goods orders	0.1%	1.1%	-	Excluding transport, gains are tracking a subdued pace.
	Oct Kansas City Fed index	-8	-	-	Regional surveys reflect subdued but stabilising conditions.
	Initial jobless claims	198k	-	-	Will remain at low levels, for now.
	Sep wholesale inventories	-0.1%	-	-	Non-durable goods remain a key risk going forward.
	Sep pending home sales	-7.1%	1.0%	-	Prospective buyers are adjusting their expectations.
Fri 27					
Aus	Q3 PPI	0.5%	-	-	Will the moderation in upstream price pressures continue?
	2022-23 National Accounts	3.3%	-	-	New 'benchmark' estimates that can see significant revisions.
NZ	Oct ANZ consumer confidence	86.4	-	-	Lingering at low levels in the face of financial pressures.
Jpn	Oct Tokyo CPI %yr	2.8%	2.7%	-	Weaker ¥ and energy inflation risks slower return to target.
Chn	Sep industrial profits ytd %yr	-11.7%	-	-	Profit growth to gradually recover.
US	Sep personal income	0.4%	0.4%	-	Income gains more subdued over past three months...
	Sep personal spending	0.4%	0.4%	-	... but pace of spending has continued to outperform.
	Sep PCE deflator	0.4%	0.3%	-	Goods inflation has fully cycled out of the annual measure.
	Oct Uni. of Michigan sentiment	63.0	63.2	-	Final estimate.

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Forecasts

Interest rate forecasts

Australia	Latest (20 Oct)	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Cash	4.10	4.10	4.10	4.10	3.85	3.60	3.35	3.10
90 Day BBSW	4.22	4.30	4.30	4.22	3.97	3.72	3.47	3.22
3 Year Swap	4.40	4.10	4.00	3.90	3.80	3.70	3.50	3.40
3 Year Bond	4.20	3.85	3.75	3.70	3.60	3.50	3.30	3.20
10 Year Bond	4.74	4.45	4.50	4.40	4.30	4.20	4.00	3.90
10 Year Spread to US (bps)	-20	-15	-15	-20	-20	-20	-20	-20
US								
Fed Funds	5.375	5.375	5.125	4.875	4.625	4.375	4.125	3.875
US 10 Year Bond	4.94	4.60	4.65	4.60	4.50	4.40	4.20	4.10
New Zealand								
Cash	5.50	5.50	5.75	5.75	5.75	5.75	5.50	5.25
90 day bill	5.70	5.85	5.85	5.85	5.85	5.75	5.50	5.20
2 year swap	5.67	5.81	5.67	5.50	5.29	5.08	4.86	4.65
10 Year Bond	5.44	5.45	5.45	5.40	5.30	5.15	4.90	4.80
10 Year spread to US	60	85	80	80	80	75	70	70

Exchange rate forecasts

Australia	Latest (20 Oct)	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
AUD/USD	0.6313	0.66	0.67	0.68	0.69	0.70	0.71	0.72
NZD/USD	0.5829	0.61	0.61	0.62	0.62	0.62	0.63	0.63
USD/JPY	149.87	147	145	143	141	138	135	132
EUR/USD	1.0575	1.08	1.09	1.11	1.13	1.14	1.15	1.16
GBP/USD	1.2134	1.23	1.24	1.25	1.26	1.27	1.28	1.30
USD/CNY	7.3174	7.20	7.10	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.0830	1.08	1.09	1.10	1.11	1.12	1.13	1.14

Australian economic growth forecasts

	2022	2023	2024					Calendar years			
% change	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	2021	2022	2023f	2024f
GDP % qtr	0.7	0.4	0.4	0.3	0.2	0.2	0.3	-	-	-	-
%yr end	2.7	2.4	2.1	1.7	1.2	1.1	1.0	4.6	2.7	1.2	1.6
Unemployment rate %	3.5	3.6	3.6	3.7	3.8	4.1	4.5	4.7	3.5	3.8	4.7
Wages (WPI)	0.8	0.8	0.8	1.3	0.8	0.8	0.8	-	-	-	-
annual chg	3.4	3.7	3.6	3.9	3.8	3.8	3.8	2.3	3.4	3.8	3.2
CPI Headline	1.9	1.4	0.8	1.1	0.9	0.8	0.7	-	-	-	-
annual chg	7.8	7.0	6.0	5.3	4.3	3.7	3.6	3.5	7.8	4.3	3.2
Trimmed mean	1.7	1.3	0.9	1.1	0.8	0.8	0.8	-	-	-	-
annual chg	6.9	6.6	5.9	5.0	4.1	3.6	3.5	2.6	6.9	4.1	3.1

New Zealand economic growth forecasts

	2022	2023	2024					Calendar years			
% change	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	2021	2022	2023f	2024f
GDP % qtr	-0.5	0.0	0.9	-0.1	0.1	0.0	0.0	-	-	-	-
Annual avg change	2.7	2.9	3.2	1.6	1.3	0.9	0.5	6.0	2.7	1.3	0.4
Unemployment rate %	3.4	3.4	3.6	3.8	4.3	4.7	5.0	3.2	3.4	4.3	5.2
CPI % qtr	1.4	1.2	1.1	1.8	0.5	0.7	0.4	-	-	-	-
Annual change	7.2	6.7	6.0	5.6	4.7	4.1	3.4	5.9	7.2	4.7	2.8



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